

# Technology Management Series

## Executive Financial Management & Financial Analysis

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### Materials:

1. *Analysis for Financial Management*, Higgins, 12<sup>th</sup> or 13<sup>th</sup> edition.
2. Butler Lumber Company (9-292-013)
3. Butler Lumber Supplemental Spreadsheet
4. Glossary of Finance Terms

For the first two sessions, we will analyze the Butler Lumber case. As background reading, please review Chapters 2, 3, and 4 of *Analysis for Financial Management*. Please also review the glossary of finance terms provided.

Please read the case **Butler Lumber Company**. Using the case and supplemental materials, consider the following questions for each session:

### Session 1 - April 11, 2024

1. How well is Butler Lumber doing? Compute whichever ratios are needed to defend your insights.
2. What has been the company's strategy?
3. What are the financial implications of this strategy?
4. Why does Mr. Butler have to borrow so much money to support this profitable business? Has he been managing his company's cash flows wisely?

### Session 2 - May 16, 2024

5. Do you agree with Mr. Butler's estimate that he will need up to \$465,000 in 1991? How much will he need to borrow to finance his expected expansion in sales in 1991 (assume sales volume hits \$3.6 million)? To answer these questions, construct pro forma income statements and balance sheets for 1991 and make the following assumptions:
  - a. The tax rate is flat 34%.
  - b. Interest expense in 1991 is based on bank debt of \$465,000.
  - c. Bank debt will be used to repay the "Notes payable, trade" and the "Long-term debt" including the current portion of long-term debt.
6. How much will Mr. Butler need over the next few years if sales grow at 25% per year?
7. What changes to his business model would you recommend and how would it change your answer to Question 2?