

Confidential ROI report for ABC Company
 Customer contact John Doe
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 Date March 23, 2007

Tone Wheel

TMS for ABC Company Sinter Tone Wheel

Incremental Results

No tax impacts. Cost savings as incremental expenses.

TMS for ABC Company Sinter Tone Wheel less Business as usual (Mag Particle)

Base Scenario

Estimated net benefit (cost) over the evaluation period:

	\$ in 0s	
Net Incremental Cash Flow		\$137,825
Simple Return on Investment (ROI)		275%
Internal Rate of Return (IRR)		75%
Payback Period (in Years)		1.1
Cash Flow Discounted at 9.0%		\$97,471
Cash Flow Discounted at 15.0%		\$77,857
Analysis Period Start Date:	1-May-08	
Analysis Period End Date:	30-Apr-13	
Evaluation period length:	60 months	

Major Assumptions:

Cracked part to customer is 3 PPM problem. Each single defective part results in customer dissatisfaction. PPM must equal zero. One \$10,000 quality issue over 5 year analysis period. Eliminate \$3,000 / month mag particle inspection with addition of NDT-RAM. NDT-AUTO system will be able to test multiple part numbers. No significant installation or training costs.

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\$ in 0s

INCREMENTAL CASH FLOW STATEMENT

<i>For the year ending</i>							
	Year 0 May 2008	Year 1 May 2009	Year 2 May 2010	Year 3 May 2011	Year 4 May 2012	Year 5 May 2013	TOTAL
BENEFITS / GAINS	Initial Investment						
Labor Savings	0	0	0	0	0	0	0
Eliminate outside NDT Mag Particle inspections	0	36,000	36,000	36,000	36,000	36,000	180,000
Total Benefits/Gains	0	36,000	36,000	36,000	36,000	36,000	180,000
OPERATING EXPENSE ITEMS	Cash inflows (outflows)						
Hardware Expenses	NDT-RAM System Cost						
	(50,175)	0	0	0	0	0	(50,175)
	Annual recalibration of LanSharc, hammer and microphone						
	0	(400)	(400)	(400)	(400)	(400)	(2,000)
	Installation Expense						
	0	0	0	0	0	0	0
	Additional Labor Expense						
	0	0	0	0	0	0	0
Quality Related Expenses	Product Recall						
	0	0	0	0	0	0	0
	Additional Parts Sorting						
	0	10,000	0	0	0	0	10,000
Total Impact: Op Exp Items	(50,175)	9,600	(400)	(400)	(400)	(400)	(42,175)
CASH FLOW SUMMARY	Cash inflows (outflows)						
Incremental benefit impacts	0	36,000	36,000	36,000	36,000	36,000	180,000
Incremental expense item impacts	(50,175)	9,600	(400)	(400)	(400)	(400)	(42,175)
Net Incremental CASH FLOW	(50,175)	45,600	35,600	35,600	35,600	35,600	137,825
Cumulative Net Incremental CF	(50,175)	(4,575)	31,025	66,625	102,225	137,825	137,825
Discounted Incremental Cash Flow	At 9.0%						
	(50,175)	41,835	29,964	27,490	25,220	23,138	97,471
	At 15.0%						
	(50,175)	39,652	26,919	23,408	20,354	17,699	77,857

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<i>For the year ending</i>							
	Year 0 May 2008	Year 1 May 2009	Year 2 May 2010	Year 3 May 2011	Year 4 May 2012	Year 5 May 2013	TOTAL
Net Incremental CASH FLOW	(50,175)	45,600	35,600	35,600	35,600	35,600	137,825
Simple ROI		-9%	62%	133%	204%	275%	275%
Payback		1.1 Year					
IRR		75%					