

Krause Fund Research April 16th, 2024

Dexcom Inc (NASDAQ: DXCM)
Current Price: \$139.94
Target Price: \$138 - \$145
Recommendation: **HOLD**

Company Overview

Dexcom Inc (NASDAQ: DXCM) is a medical device developer and manufacturer headquartered in San Diego, California. Dexcom was founded in 1999 by Dr. John Burd who dedicated his career to finding solutions for diabetics. Dexcom is a leading company in the medical device field of continuous glucose monitoring (CGM), which are systems that track glucose levels through a sensor beneath the skin and transmit the data wirelessly to a smartphone or other device. Dexcom's CGM devices are designed for comfort and long-wear, giving the company invaluable preference to users, and large, international market share. They are a lead researcher in diabetes care, management, and solutions, and show strong financial promise as a pioneer in CGM technology and production.

Financial Snapshot

Valuation Models

DCF: \$144.11
Relative Valuation: \$138.70

Stock Performance Highlights

Current Price: \$139.94
52-Week Range: \$74.75 - \$142.00
Market Cap: \$54.14B

Financial Metrics

2023 Revenue (M): \$3,622.30
2024 E Revenue (M): \$4,283.6
2023 EPS: \$1.40
2024E EPS: \$2.03
WACC: 9.38%

Financial Ratios

2023 ROE: 26.18%
2023 ROA: 7.22%
2023 ROIC: 29%
2023 Debt-to-Equity: 2.03

Dexcom[®]

Analysts

Paige Frette | paige-frette@uiowa.edu
Maya Gibbs | maya-gibbs@uiowa.edu
Hannah Mozena | hannah-mozena@uiowa.edu
Ava Smith | ava-smith@uiowa.edu
Alexander Wolff | alexander-wolff@uiowa.edu

Investment Thesis

We recommend a **HOLD** rating on Dexcom with a target price of \$138 - \$148.

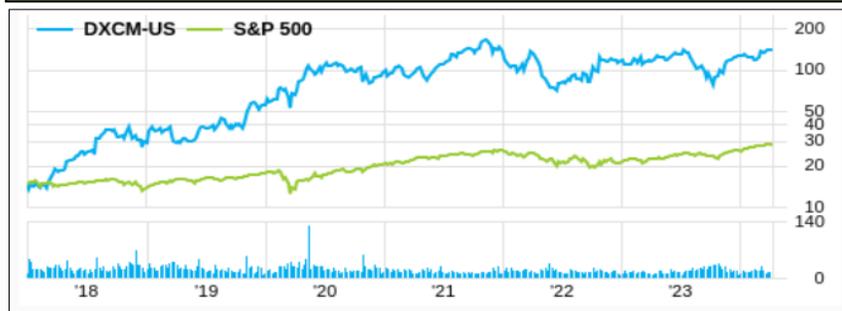
Drivers of Thesis:

- **The U.S. Aging Population:** As a large percent of the U.S. population ages, the number of at-risk or type 2 diabetics will grow. Demand for continuous glucose monitoring devices will increase, creating opportunity for Dexcom.
- **Increase in At-Home Diabetes Care:** Preferences in at-home diabetes management are recently favored over traditional hospital-based care, fueled by advancement of home-care devices and online services such as Telehealth.
- **International Opportunities:** Dexcom has a large market share of North America, but recently reports Asia Pacific to be its fastest growing international segment, proving international expansion to be on the rise.

Risks of Thesis:

- **Entrance of GLP 1s/Weight Loss Drugs:** The advancement and wider use of GLP-1's (weight loss drugs), such as Ozempic, by pre-diabetics and diabetics poses a threat to CGM developers such as Dexcom, as their products need may become reduced.
- **Heavy Regulation of Medical Devices:** Dexcom is subject to the FDA and other government regulations when producing and developing medical devices. Recent changes in regulations may pose as expensive barriers to Dexcom's advancement and growth.

Five Year Stock Performance



Graph via FactSet

Company Analysis

Dexcom Inc. Overview

Dexcom Inc is a medical device developer and manufacturer that specializes in diabetes care and management devices. They were founded in 1999 and are headquartered in San Diego, California. Dexcom's primary product is a continuous glucose monitoring (CGM) system that provides real-time blood sugar levels and transmits the data to a smartphone or other handheld medical device. Dexcom has continually been at the forefront of CGM technology and innovation and produces the most accurate and reliable diabetes management devices on the market.

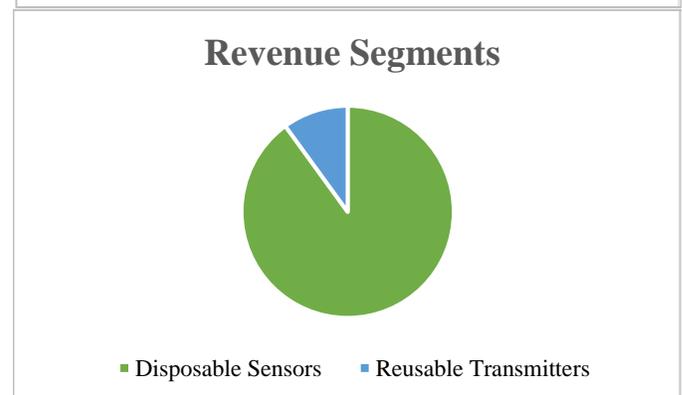
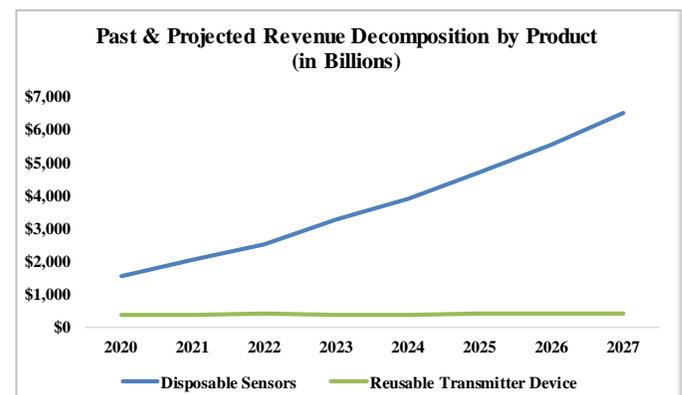
Dexcom is a highly reputable company with great brand recognition and an empowering mission. The company seeks to improve the lives of those with diabetes by offering advanced and accurate technology that allows for a greater quality of life. Dexcom's products are used by professionals and diabetics worldwide, and they continue to fund research and innovation to continue their mission of making diabetes manageable.

Strategy

As the #1 recommended CGM brand, Dexcom aims to offer Medicare patients the most accurate way to help gain greater control of their diabetes at no extra cost compared to other CGM brands. Unlike other glucose monitoring devices, the Dexcom patch requires no painful finger sticks or scanning. Dexcom is constantly updating their devices to make them more efficient for patients, and their most recent adaptation, the Dexcom G7, is not only the most accurate CGM on the market, but also one of the simplest to use. Along with this, Dexcom has made efforts to maintain its competitive advantage by expanding their product offerings to new geographical locations, investing in manufacturing options to decrease input costs and increase production capacity, and targeting different patient demographics. Dexcom has specifically made efforts to expand into European and Asian regions and recently opened a manufacturing facility in Batu Kawan, Malaysia. They also have started designing products for type 2 diabetes patients that don't require insulin injections.

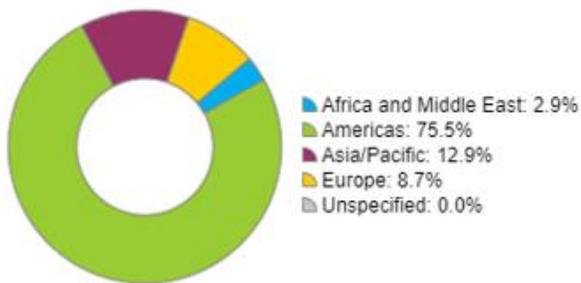
Revenue Decomposition

Dexcom's revenue can be broken down into two segments- revenue for their reusable hardware device and revenue from the disposable sensor that connects to the device and must be replaced every 10 days. The reusable transmitter only accounted for 10% of Dexcom's revenue in 2023, while the disposable sensors made up the other 90%. A pack of Dexcom sensors includes three sensors, which would result in 30 days or a month's work of glucose monitoring. They have other purchasing options as well, including packs for monitoring up to three months (or 90 days), and recommend keeping an excess supply in case of emergency and for patient safety. The distribution of Dexcom's revenue across product segments is widely skewed towards the disposable sensors that are replaced often, whereas the reusable transmitter is a longer-lasting device. We project both revenue segments will grow in revenue size over the next years, which is highlighted in the graph below. Dexcom's launch of new product 'Stelo', which will be available for purchase over the counter at pharmacy's this summer, will no doubt impact Dexcom's accessibility and revenue distribution, hopefully expanding their reach to new clients.



Revenue by Geography

Geographically broken down, about 75% of Dexcom's sales are done in the United States, and 25% are done internationally. Although a large portion of their revenue is done in the U.S., Dexcom makes advances to release their products internationally. Some barriers for expanding as a medical device company is regulations, and this can get expensive. Asia-Pacific is Dexcom's largest growing international segment, which is a highly populated and aging portion of the world, showing immense opportunity.



Graph via FactSet

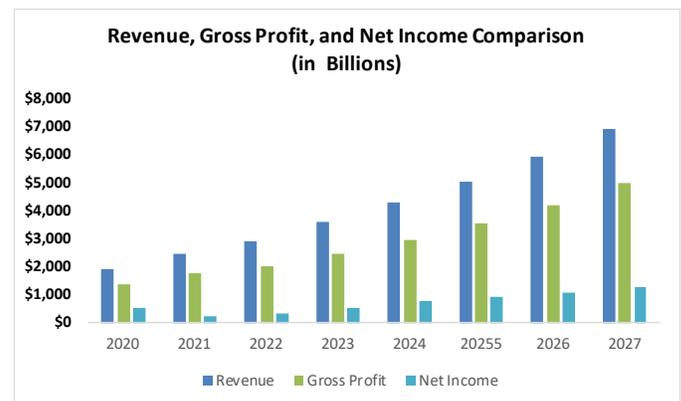
Expense Analysis

Dexcom's main expenses can be categorized as cost of sales, depreciation/amortization, research and development, and selling, general, and administrative. Their D&A and R&D as a percentage of sales has slowly declined year over year, showing their ability to invest in research and depreciating assets while improving in revenue. Selling, general, and administrative fees is their largest operating expense, but this is attributed to things such as their marketing costs (which Dexcom has historically paired with celebrities who are Type 1 Diabetics), compliance costs (medical device production is highly regulated), as well as pure investment in scale and growth (infrastructure, personnel, and more). We feel confident as Dexcom matures and harnesses their scale, SG&A fees could remain steady or even decrease as a percentage of scale.

Margin & Profit Analysis

Historically, Dexcom has done a great job managing expenses and improving margins year over year. Their gross profit margin in the last few years has remained steady around 70%, proving

their manufacturing of products and cost of materials is efficient and effective. Dexcom has not always been profitable, which is comparable to many healthcare/technology startups, but has had positive net income for the past 5 years, with improving EPS for most of these years. Dexcom has proven to be efficient in their development and manufacturing of products, and off-setting expenses such as research and development, which are a key component of their advancement as a CGM company. We are confident that as their revenue grows, their margins and net income will too.



Competition Analysis

Besides Dexcom, major players in the diabetes management field include Masimo Corporations (MASI), Abbot Laboratories (ABT), Medtronic (MDT), and Insulet Corp (PODD). All of these companies specialize in devices that improve and aid in diabetes management, including CGM systems, insulin delivery devices, and more. Dexcom differentiates itself in two ways- by producing a device with the most accurate glucose rating than any of their competitors, and by having the most user-friendly product. In a financial analysis Dexcom spent more on R&D as a percentage of revenue than any other company listed below, and they also had a significantly higher inventory turnover ratio than competitors. These highlight their commitment to developing and enhancing their products, as well as selling their inventory efficiently.

	DXCM	MASI	ABT	MDT	PODD
Market Cap (\$M)	57,238.58	7,974.92	191,435.63	106,977.92	12,351.84
Sales (\$M)	3,622.30	2,048.10	40,109.00	31,227.00	1,697.10
Price	136.14	137.92	109.11	80.13	175.22
P/E	95.29	77.80	33.77	32.26	73.73
EV/EBITDA	60.86	26.63	20.63	16.89	54.35

Capital Structure

Dexcom is financed using both debt and equity, but primarily equity. They currently have 385 million shares outstanding at \$138.70, giving them a market cap of about \$54B. Dexcom currently has convertible debt due in 2025, which we suspect, like their past debt that matured in 2023, will likely convert entirely into equity, or a mix of cash and equity. As Dexcom's earnings mature and they reach a consistent terminal growth rate, we imagine they will better distribute their capital structure to handle more debt, even if that means issuing debt just to initiate share buy backs.

Capital Expenditures

In 2023, Dexcom's capital expenditures was \$236.6M. Dexcom, as a developer and manufacturer of devices, uses capital expenditures on a variety of improvement, such as licensing rights on new products, acquisitions of investments or other businesses, and products or technologies needed to advance their own. Dexcom said late in 2023 that they have no current plans to perform acquisitions or purchase any material investments, but we know development is important and they will make these advancements using capital expenditures when needed.

Payout Policy

Although Dexcom has not historically paid a dividend, there is plenty of ways they return capital to their equity investors. Last year, Dexcom announced a \$500 M share repurchase program, showing their commitment to returning a significant amount of cash to equity holders. It is also fair to assume that a future dividend for equity holders is not out of reach. Although a majority of their retained earnings are currently re-invested into R&D, assets, and more, this does not mean with

steady growth that a dividend issue is out of reach.

WACC

Dexcom's Weighted Average Cost of Capital was calculated using the market weights and current capital structure of the company. This is an important assumption used in calculating the value of Dexcom as much of the company's value is based on our projections. Therefore, changes to the discount rate have a large impact on the company's valuation. Dexcom has an above average WACC due to it being funded almost solely by equity and high beta. Dexcom's cost of equity is calculated using a 4.21% risk-free rate from the 10-year UST, a 1.03 2-year adjusted beta, and a 4.23% equity risk premium. This calculates to an 8.57% cost of equity. Next, to calculate the cost of debt, we used the same risk-free rate of 4.21% and a 1.15% implied default premium. This gave us a pre-tax cost of debt of 5.36%, which we adjusted to an after-tax return using a 24% marginal tax rate. This calculates to a 4.06% cost of debt. The weight of equity was 95.47% and the weight of debt was 4.53%. This equates to a WACC of 8.36%.

Industry Analysis

Healthcare Overview

Healthcare is an evolving industry of the broad economy and is impacted by societal needs and expectations. This sector is a critical influence on the well-being of individuals, communities, and economies worldwide. It can broadly be broken down into five categories: healthcare equipment/supplies/devices, healthcare providers/plans/facilities, biotechnology, pharmaceutical services/drug manufacturers, and life science tools/services. Each of these categories are driven by different needs of patients and population, but demand is naturally recurring.

Healthcare Inflation

Healthcare inflation is the rate at which healthcare goods and services are increasing over time. There are many drivers of healthcare inflation- the age of the population, the increase of chronic diseases, drug prices, wages of healthcare workers, and more. Accessibility to healthcare can be a major threat to

manufacturers of medical devices, such as Dexcom. Dexcom CGM systems are covered by many private health insurance plans, as well as government issued Medicare and Medicaid plans.

Medical Devices

Medical devices, a large subsector of the healthcare industry, accounts for the production of medical devices, equipment, and instruments used in diagnosing, treating, and monitoring patients. Common examples of medical devices include surgical robots, pacemakers, and MRI machines. Medical device development is subject to extensive regulatory oversight in most countries to ensure safe and quality products. In an industry that is about putting out the newest and most efficient devices, research and development is a large part of the development and manufacturing of medical devices. Driving innovation in medical devices requires heavily investing into research and development⁴.

Medical Device Trends

New European Medical Device Regulation (MDR)

In May of 2021, the European Union (EU) replaced their Medical Devices Directives (“MDD”) with The Medical Device Regulation (“MDR”), a reconstructed medical device approval system. Transition to MDR is required by May 2024 for all medical device companies that operate in the European market, including Dexcom. MDR is relatively like MDD in some ways, however the MDR will have stricter guidelines, such as improved traceability and surveillance for all medical devices, increased transparency between manufacturers and consumers, and a longer compliances process. These changes will delay production of new devices, and likely add extra expenses to manufacturers of medical devices. This will impact all medical device companies that operate in Europe¹⁸.

Diabetes Management Devices

Products developed in this sub-sector of healthcare include continuous glucose monitors (CGMs), blood glucose monitoring systems, insulin pumps, insulin pens/needles/syringes, and diabetes

management devices or mobile applications for smart phones. End markets of these products include hospitals, retail pharmacies, ambulatory surgery centers, diagnostic centers, and individual home care¹⁵. This industry exceeded \$41B in 2022 and will continue to expand as FDA approvals of devices continues.

Diabetes Trends

Demographics

Demographics are an important trend when evaluating a company that specializes in diabetes care. In the last three years, the percentage of those over the age of 65 in the U.S. has grown by 0.45% each year¹⁹. We predict the percentage of those aged 65+ will continue to increase steadily by this amount, or more, in the next five years. Older adults are at higher risk for developing health issues, including type 2 diabetes. With an increase in an aging population, and a potential increase in those seeking solutions for managing type 2 diabetes, demand for CGM devices will be on the rise.

Obesity Rates

A closely observed trend regarding diabetes is the obesity rates and projected obesity rates for the following decade. Obesity is the leading risk factor for type 2 diabetics, a population who largely demands solutions to observing glucose levels, such as Dexcom’s CGM systems. The global forecasted percentage of overweight people aged five years or older is 51% by the year 2035. Of that percentage, it is assumed that 24% of the population makes up for the current obesity population in 2024.

Other Options for Care- GLP 1’s

Glucagon-like peptide-1 (GLP-1) is a class of medication used to treat type 2 diabetes. GLP-1’s help to lower blood sugar levels, and are used as an appetite suppressant, which has fueled their growth as being a popular obesity drug. Research suggests the GLP-1 industry could exceed \$100B by the year 2030, as the percentage of diabetics using GLP-1’s is growing. GLP-1’s act as a threat to insulin sales, forming a potential fix to obesity and therefor pre-diabetics and type 2 diabetics. Their existence and its impact on CGM systems is unknown, although

diabetics and type 2 diabetics. Their existence and its impact on CGM systems is unknown, although blood glucose monitoring systems, insulin pumps, insulin pens/needles/syringes, and diabetes management devices or mobile applications for smart phones. End markets of these products include hospitals, retail pharmacies, ambulatory surgery centers, diagnostic centers, and individual home care. This industry exceeded \$41B in 2022 and will continue to expand as FDA approvals of devices continues¹¹.

Medical Equipment & Devices Porter's Five Forces Analysis

Threat of New Entrants: *Low*

The medical device market has high barriers to entry due to its extensive expenditures which includes high R&D and regulatory requirements, as well as an already well-established pool of competition in the market¹⁰.

Bargaining Power of Customers: *Moderate*

Purchasers of Dexcom are primarily individual users, hospitals, and healthcare providers. While individual patients of Dexcom do not have much bargaining power, healthcare providers have a larger opportunity. Consolidation in the healthcare providers industry in the last few years have improved leverage for healthcare providers, as they are often one of the largest purchasers of medical equipment and supplies¹⁰. Purchaser power is weak for equipment and supplies that have no substitutes.

Threat of Substitutes: *Low to Moderate*

The threat of substitutes is relatively low to moderate, depending on the medical equipment that is produced. In healthcare, physicians and patients often become accustomed to the products and supplies they use and develop a preference. For instance, Dexcom has competitors who manufacture similar CGM systems, but a hospital/healthcare provider/patient may prefer one brand over another for its convenience, customer service, price, quality, etc. Medical devices is not an industry where the cheapest substitute is the most widely chosen, since quality is incredibly important in health and diabetes care¹⁰.

Bargaining Power of Suppliers: *Low to Moderate*

The medical device industry has numerous suppliers they can turn to when producing a product. However, some suppliers can produce complex, unique, or specialty components that others cannot. There is also a lot of regulatory measures that must be followed, since medical devices are often implanted in or on humans, so a supplier who can follow regulations strictly, and produce high quality or complex goods, may hold more power as a supplier than other competitors¹⁰.

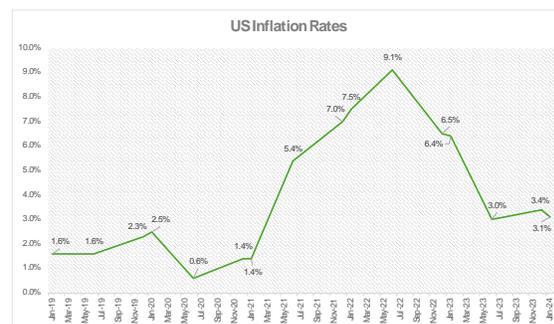
Degree of Competitive Rivalry: *High*

Competition in the medical device field is high because the device developer with the most effective product is often able to capture the most market share. Although the amount of competitors in each device industry, such as diabetes/glucose management, may not be large number, the intensity of rivalry to have the best product, largest market share, and best position in the industry to grow, makes the degree of competitiveness high¹⁰.

Economic Analysis

Inflation

Inflation, also referred to as Consumer Price Index (CPI), measures how much more expensive a set of goods and services has become over a certain period, usually a year. In the past few years, inflation has experienced a downward trend since its peak of 9.1% in 2022. So far this year, the Federal Reserve has kept inflation rates steady at around 3.5% but is expected to drop rates later this year.



When inflation is controlled and at reasonable levels, the economy is more likely to prosper. When inflation is controlled and at reasonable levels,

consumers have more money to buy goods and services, and the economy grows because of this.

Because of outside factors like rising obesity rates and the increasing percentage of population that is aging, Dexcom didn't experience as much of a loss during the spike in inflation rates as most companies in the economy. Along with this, Dexcom's products are often times necessary treatment for diabetes patients, which makes them less susceptible to being negatively affected by the CPI. Even so, decreasing inflation rates will encourage consumer spending and make Dexcom's diabetes care products more accessible and affordable to customers, allowing them to increase their margins and generate more profit from their products.

Despite having little change so far this year, we expect inflation to continue its downward trajectory later this year. The Federal Reserve is expected to make cuts, most likely cumulating around 0.75%-1%, to the inflation rate later in 2024 to make progress in reaching their target rate of 2%.

These changes and trends will have a positive overall effect on Dexcom.

Unemployment Rates

The United States unemployment rate measures the share of workers in the labor force who do not currently have a job but are actively looking for work. Unemployment adversely affects the disposable income of families, diminishes purchasing power, and typically reduces an economy's output. After a spike in unemployment due to the COVID-19 pandemic, the unemployment rate has decreased drastically and is remaining relatively steady in 2024 at 3.8%⁵. However, with slowing economic growth, we predict unemployment rates to rise to around 4.0% by the end of the year. While the healthcare environment is considered more insulated from the effects of negative economic trends with safety-net programs like Medicaid that make healthcare insurance accessible, companies with more consumer-related products, like Dexcom, tend to be more vulnerable. Unemployment reduces the income and purchasing power of consumers, which could cause consumers to be reluctant in purchasing Dexcom's products if

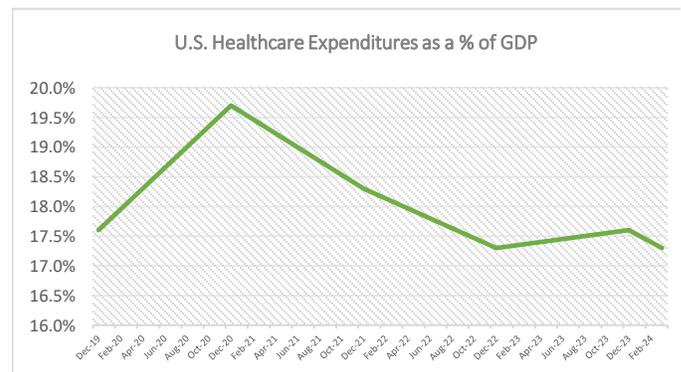
there isn't an immediate need.

GDP Growth

Real GDP gives information about the size of the economy and how well it is performing. Below is a graph of real GDP starting with Q1 in 2019 and ending with Q4 in 2023. Real GDP has grown relatively steadily since the major dip in 2020 during COVID-19, and has grown at an annual rate of 3.4% in the fourth quarter of 2023.



Dexcom benefits most when Real GDP is higher rather than lower. When consumers are more likely to spend money, at-risk diabetics and people that don't have immediate need for Dexcom products are more likely to buy them as preventative measures. Healthcare spending currently accounts for 17.3% of the United States' GDP. Below is a graph that shows U.S. healthcare expenditures as a percent of GDP over the past five years.



The real GDP growth rate for 2024 has declined to 2.4%. We expect Real GDP growth to slow to around 1.5% at the end of 2024 due to an expected decline in inflation. Overall, this would have a negative impact on Dexcom due to consumers spending less on non-immediate healthcare and

medical devices.

Consumer Confidence Index (CCI)

The Consumer Confidence Index (CCI) measures the degree of optimism of consumers regarding current and expected economic conditions. The degree of optimism of consumers regarding current and expected economic conditions. The Consumer Confidence Index was 104.7 in March, essentially unchanged from January and February of 2024. This is most likely due to the Federal Reserve's decision to hold inflation constant during the beginning of 2024. If inflation rates drop later in the year, the Consumer Confidence Index will most likely increase as a result.

Regarding the healthcare industry, the Consumer Confidence Index is not as impactful on emergent healthcare transactions like surgeries and immediate treatments. However, companies like Dexcom may be slightly more impacted. A large portion of Dexcom's customers are people already diagnosed with diabetes that require a glucose monitoring device. Even so, there are a portion of customers that may be at risk of diabetes and use the glucose monitoring system as a preventative measure. The customer base that does not have immediate need for Dexcom's products may be more likely to purchase and repurchase Dexcom devices if the Consumer Confidence increases as we expect it to.

Interest Rates

An interest rate is the amount a lender charges a borrower and is a percentage of the principle – the amount loaned. The Federal Funds current target rate is at 5.25%-5.50%. Along with inflation rates, the Federal Reserve is expected to lower interest rates at the end of 2024³.

Interest rates have been increasing leading up to 2024, which has made it more difficult for companies like Dexcom to take on debt to grow. In recent years, Dexcom has made an effort to expand their client base by opening manufacturing plants in different geographies. However, heightened interest rates have made it more expensive to fund PP&E with debt, therefore making it more difficult to effectively grow their business.

Valuation Analysis

Valuation Approach

In creating our valuation for Dexcom, we used historical data dating back to 2014 to help us better understand Dexcom's historical growth, trends, and future potential for improvement. We used the footnotes in Dexcom's most recent 10K to better understand their own revenue projections for each revenue segment, as well as using industry and economic trends we believe to be valuable. Many of our assumptions we made using past data and looking at expenses, margins, assets, and more as a percentage of sales. Past data and future projections allowed us to create a discounted cash flow analysis, economic profit model, dividend discount model, and relative valuation or comparable company's model.

Valuation Models

Discounted Cash Flow (DCF) and Economic Profit (EP) Model:

Estimated Share Price: **\$144.11**

When creating our DCF Model, we first began by projecting out unlevered free cash flow for the years we did projections (2024-2033), by taking NOPLAT and subtracting out any changes in invested capital. We then used the weighted average cost of capital (WACC) which was explained earlier in the report, to discount the projected cash flows back to present value. Once arriving at an enterprise value, we divided the EV by total shares outstanding, and arrived at an estimated share price. We believe the DCF model was the best projection of Dexcom's value as it takes in the factors of risk, profitability, and growth.

The DCF Model is highly volatile to any changes made in the company's long-term growth rate (4.8%, also the GDP), as well changes in WACC and any risks. We are confident that the WACC we calculated accurately reflects the current cost of owning a medical device company such as Dexcom.

Dividend Discount Model (DDM):

Estimated Share Price: **\$92.47**

The Dividend Discount Model was the least accurate and reliable model that we constructed. This was because Dexcom has not historically, and does not currently, pay a dividend to shareholders. Many high-growth healthcare and technology companies do not pay dividends until they reach a steady-growth period, so we did not feel the need to project a dividend in the near future. Dexcom's decision to not issue a dividend does not reflect its ability to return cash to shareholders, as they announced \$500 million of share repurchases at the end of 2023.

Relative Valuation Model:

Estimated Share Price: **\$138.70**

Model is based on 2023 and 2024 data and multiples.

Comparable Companies: ABT, MDT, MASI, MODV, RHHBY, PODD, TNDM, and SWAV

Dexcom has many peer players in the diabetes device field that specialize in CGM systems, insulin pumps, and more. Dexcom's biggest competitors in terms of devices and market share are Abbott Laboratories and Insulet Corporation. Dexcom lies in between the two in terms of current share price, but their price to earnings is much larger than both peers. A high P/E ratio usually indicates the stock to be overvalued, but we see a high P/E to confirm investors expectations for future growth in Dexcom, which makes it a great hold for the portfolio. Another positive indicator of Dexcom relative to its peers is the 5-year projected EPS. Dexcom had the highest 5-year EPS estimate compared to all the peer company's we chose, highlighting the performance growth we envision for the company.

The Relative Model was the second-best valuation tool we used after the DCF Model. There were a few outliers within our data who had many more revenue segments outside of diabetes care, such as Medtronic, who also produces devices such as pacemakers, but we still are confident our valuation reflects Dexcom's stance amongst peers in diabetes management devices.

Sensitivity Analysis

WACC vs. CV Growth of NOPLAT

		CV Growth of NOPLAT						
		4.75%	5.00%	5.25%	5.50%	5.75%	6.00%	6.25%
WACC	144.11	91.95	95.98	100.51	105.64	111.48	118.22	126.07
	9.29%	98.12	102.76	108.01	114.00	120.91	128.94	138.42
	9.04%	105.06	110.44	116.58	123.66	131.89	141.61	153.23
	8.79%	112.94	119.23	126.48	134.92	144.87	156.79	171.30
	8.54%	121.94	129.37	138.02	148.22	160.43	175.30	193.82
	8.29%	132.34	141.20	151.65	164.16	179.41	198.38	222.66
	8.04%	144.46	155.18	168.00	183.62	203.06	227.94	260.90
	7.79%							

In this table we tested the effects of changing the WACC and the CV growth of NOPLAT in relation to share price. We found that when the growth rate is manipulated, the price changes more significantly than when the CV growth of NOPLAT is changed. Some factors that could lead to these changes taking place are a change in capital structure, a change in equity risk premium, or changes in the long-term market growth of diabetes medical treatment.

Risk-Free Rate vs. Effective Tax Rate

		Effective Tax Rate						
		20.78%	21.78%	22.78%	23.78%	24.78%	25.78%	26.78%
Risk-Free Rate	144.11	157.02	154.71	152.40	150.09	147.77	145.46	143.15
	4.10%	151.31	149.09	146.86	144.63	142.40	140.17	137.95
	4.30%	145.98	143.83	141.68	139.53	137.38	135.23	133.08
	4.40%	140.99	138.91	136.83	134.75	132.67	130.60	128.52
	4.50%	136.30	134.29	132.28	130.27	128.26	126.25	124.24
	4.60%	131.89	129.94	128.00	126.05	124.10	122.16	120.21
	4.70%	127.74	125.85	123.96	122.08	120.19	118.31	116.42

In this table we tested the effects of changing the risk-free rate and the effective tax rate in relation to share price. Our analysis shows that increasing the risk-free rate has a greater effect on the share price than increasing the effective tax rate. These changes could be caused by changes in interest rates or if there is an increase or decrease in macroeconomic uncertainty.

Equity Risk Premium vs. Beta

		Beta						
		0.73	0.83	0.93	1.03	1.13	1.23	1.33
ERP	144.11	299.47	234.73	192.21	162.17	139.84	122.59	108.88
	3.93%	285.00	224.34	184.20	155.70	134.44	117.97	104.86
	4.03%	271.82	214.79	176.80	149.70	129.41	113.67	101.10
	4.23%	259.75	205.98	169.94	144.11	124.72	109.64	97.58
	4.33%	248.66	197.83	163.55	138.90	120.34	105.86	94.27
	4.43%	238.44	190.26	157.60	134.03	116.22	102.32	91.16
	4.53%	228.99	183.22	152.04	129.46	112.36	98.98	88.23

In this table we tested the effects of changing Dexcom's equity risk premium and beta in relation to the stock price. As shown above, changing the beta had a more dramatic effect on the share price than changing the equity risk premium.

Changes in beta could be due to a change in the company's capital structure. For example, if Dexcom took on more debt, they would be seen as a riskier company, resulting in a higher beta.

Reusable Revenue Growth vs. Disposable Revenue Growth

		Disposable Revenue Growth							
		144.11	18.5%	19.0%	19.5%	20.0%	20.5%	21.0%	21.5%
Reusable Revenue Grc	1.5%	126.06	131.64	137.43	143.45	149.71	156.20	162.95	
	2.0%	126.27	131.85	137.64	143.66	149.92	156.41	163.16	
	2.5%	126.49	132.07	137.86	143.88	150.14	156.63	163.38	
	3.0%	126.72	132.30	138.09	144.11	150.37	156.86	163.61	
	3.5%	126.96	132.54	138.33	144.36	150.61	157.10	163.85	
	4.0%	127.22	132.79	138.59	144.61	150.86	157.36	164.10	
	4.5%	127.48	133.05	138.85	144.87	151.12	157.62	164.36	

In this table we tested the effects of changing reusable revenue growth and disposable revenue growth in relation to share price. We found that when disposable revenue growth increases, the valuation changes more significantly than when reusable revenue growth increases. Some factors that could lead to those changes taking place are market expansion and diversification of products. This not only broadens the company's customer base, but it also reduces reliance on a singular revenue stream.

Capex as % of Sales vs. COGS as % of Sales

		COGS as % of Sales							
		144.11	29.5%	30.0%	30.5%	31.0%	31.5%	32.0%	32.5%
Capex as % of Sales	8.7%	169.58	166.72	163.86	161.00	158.14	155.28	152.42	
	9.7%	163.95	161.09	158.23	155.37	152.51	149.65	146.79	
	10.7%	158.33	155.46	152.60	149.74	146.88	144.02	141.16	
	11.7%	152.70	149.84	146.98	144.11	141.25	138.39	135.53	
	12.7%	147.07	144.21	141.35	138.49	135.62	132.76	129.90	
	13.7%	141.44	138.58	135.72	132.86	130.00	127.14	124.27	
	14.7%	135.81	132.95	130.09	127.23	124.37	121.51	118.65	

In this table we tested the effects of increasing capex as a percentage of sales and cost of goods sold as a percentage of sales in relation to share price. Our analysis shows that when there is an increase in capex as a percentage of sales, the valuation experiences a slightly greater change than when cost of goods sold as a percentage of sales is increased. An increase in capex as a percentage of sales could be caused by the company purchasing more property, buildings, or equipment to grow their business.

Important Disclaimer

This report was created by students enrolled in the Applied Equity Valuation (FIN:4250) class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the students' skills, knowledge, and abilities. Members of the Krause Fund are not registered investment advisors, brokers or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report.

References

- ¹Acumen (2022, September 1). *Diabetes Care Devices Market Size - Global Industry, Share, Analysis, Trends and Forecast 2022 - 2030*. Acumen R&D. <https://www.acumenresearchandconsulting.com/diabetes-care-devices-market>
- ²American Hospital Association (2024, January 1). *Total number of hospital admissions in the U.S. From 1946 to 2022*. Statista. <https://www.statista.com/statistics/459718/total-hospital-admission-number-in-the-us/>
- ³Conerly, B. (2024, January 14). *Fed Will Be Slow To Cut Interest Rates In 2024*. <https://www.forbes.com/sites/billconerly/2024/01/14/fed-will-be-slow-to-cut-interest-rates-in-2024/?sh=6d4cc3236c47>
- ⁴Curran, J. (2023, November 1). *Medical Device Manufacturing in the US*. <https://my.ibisworld.com/us/en/industry/33451b/at-a-glance>
- ⁵Dennis, N. (2023, December 14). *Will Unemployment Spike In 2024? History Of Fed Rate Cuts Would Suggest So*. <https://www.nasdaq.com/articles/will-unemployment-spike-in-2024-history-of-fed-rate-cuts-would-suggest-so>
- ⁶Endocrinology and Nutrition Department, Hospital de la Santa Creu (2019, January 28). *Improving patient self-care using diabetes technologies*. National Library of Medicine. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6351708/>
- ⁷FDA (2023, November 6). *Device Approvals and Clearances*. U.S. Food & Drug Association. <https://www.fda.gov/medical-devices/products-and-medical-procedures/device-approvals-denials-and-clearances>
- ⁸Fleming, G. A. (2019, December 12). *Diabetes Digital App Technology: Benefits, Challenges, and Recommendations*. American Diabetes Association. <https://diabetesjournals.org/care/article/43/1/250/35864/Diabetes-Digital-App-Technology-Benefits>
- ⁹International Diabetes Federation (2024, April 16). *Estimated number of diabetics worldwide in 2021, 2030, and 2045*. Statista. <https://www-statista-com.proxy.lib.uiowa.edu/statistics/271442/number-of-diabetics-worldwide/>
- ¹⁰Jarvis, R. (2023). Health Care Equipment & Supplies. *NetAdvantage S&P Surveys*, (October 2023), 1-46. <https://doi.org/press@cfaresearch.com>
- ¹¹J.P. Morgan Analysts (2023, November 29). *The increase in appetite for obesity drugs*. <https://www.jpmorgan.com/insights/global-research/current-events/obesity-drugs#:~:text=Total%20GLP%2D1%20users%20in,such%20as%20food%20and%20beverage>
- ¹²Kirkman, S., MD (2012, November 14). *Diabetes in Older Adults- Census*. <https://diabetesjournals.org/care/article/35/12/2650/38582/Diabetes-in-Older-Adults>
- ¹³Labor Force Analysts (2024, March 31). *Labor Force Statistics from the Current Population Survey*. U.S. Bureau of Labor Statistics. <https://www.bls.gov/cps/>
- ¹⁴Maurer, R. (2024, January 23). *2024 US Labor Market Forecast: Hiring to Slow, Unemployment to Rise*. SHRM. <https://www.shrm.org/topics-tools/news/talent-acquisition/2024-us-labor-market-forecast-hiring-slow-unemployment-rise>
- ¹⁵Pande, M. (2023, December 14). *Diabetes Devices Market Size, Anticipating Trends and Growth Prospects for 2023-2030*. LinkedIn. https://www.linkedin.com/pulse/diabetes-devices-market-size-anticipating-trends-growth-mayur-pande-7kdrf?trk=article-ssr-frontend-pulse_more-articles_related-content-card
- ¹⁶Pedersen, A. (2023, July 13). *FDA by the Numbers: 2023 Mid-Year Review*. MDDI. <https://www.mddionline.com/regulatory-quality/fda-by-the-numbers-2023-mid-year-review>
- ¹⁷Statista Analysts (2024, April 16). *Medical Devices*. Statista. <https://www.statista.com/outlook/hmo/medical-technology/medical-devices/united-states>

¹⁸Vyas, H. (2022, June 20). *The Medical Device Regulation (“MDR”)*. FTI Consulting.
<https://www.fticonsulting.com/en/insights/articles/medical-devices-regulation-mdr#:~:text=Whilst%20MDR%20is%20not%20completely,strict%20and%20more%20evidence%20based.>

¹⁹World Bank (2023, July 4). *Population ages 65 and above for the United States*. FRED Economic Data.
<https://fred.stlouisfed.org/series/SPPOP65UPTOZSUSA>

Dexcom

Common Size Income Statement

<i>Fiscal Years Ending Dec. 31</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Sales	2448.5	2909.8	3622.3	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cost of sales Margin (Cost of sales as % of sa	27.20%	29.93%	31.68%	31.00%	30.00%	29.00%	28.00%	27.00%	26.00%	25.00%	25.00%	25.00%	25.00%
Gross Profit Margin (GP as % of sales)	72.80%	70.07%	68.32%	69.00%	70.00%	71.00%	72.00%	73.00%	74.00%	75.00%	75.00%	75.00%	75.00%
Operating Expenses:													
D&A as a % of sales	4.17%	5.36%	5.13%	4.97%	5.48%	5.89%	6.11%	6.29%	6.33%	6.46%	6.58%	6.67%	6.76%
R&D as % of sales	21.12%	16.64%	13.96%	11.96%	11.96%	11.96%	11.96%	10.96%	10.96%	10.96%	10.96%	10.96%	10.96%
Collaborative R&D fee as % of sales	3.56%												
SG&A as % of sales	33.10%	34.63%	32.73%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Total operating expenses as % of sales	61.94%	56.63%	51.82%	46.93%	47.44%	47.85%	48.08%	47.26%	47.29%	47.42%	47.54%	47.64%	47.72%
Operating income as % of sales	10.86%	13.44%	16.50%	22.07%	22.56%	23.15%	23.92%	25.74%	26.71%	27.58%	27.46%	27.36%	27.28%
Other income (expense) as % of sales	-0.08%	-0.37%	-0.01%										
Income before income tax as % of sales	10.49%	13.43%	19.61%	23.92%	23.29%	23.51%	24.22%	26.08%	27.09%	27.94%	27.85%	27.78%	27.72%
Income tax expense as a % of sales	1.63%	1.70%	4.66%	5.69%	5.54%	5.59%	5.76%	6.20%	6.44%	6.64%	6.62%	6.60%	6.59%
Net income as a % of sales	8.86%	11.73%	14.95%	18.23%	17.75%	17.92%	18.46%	19.88%	20.65%	21.30%	21.23%	21.17%	21.13%

Dexcom
Balance Sheet

Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Assets														
Current assets:														
Cash and cash equivalents	818	1,053	642	566	1,824	854	1,111	2,680	1,914	2,938	3,739	4,431	5,198	6,048
Short-term marketable securities	1,890	1,679	1,814	2,158	2,356	2,538	2,965	3,468	3,996	4,146	4,705	5,341	6,065	6,891
Accounts receivable, net	429	514	713	974	1,034	1,225	1,431	1,674	1,929	2,224	2,523	2,865	3,253	3,696
Inventory	235	357	307	560	558	639	722	816	906	1,006	1,098	1,246	1,415	1,608
Prepaid and other current assets	54	82	193	168	180	216	254	299	339	391	445	506	576	655
Total current assets	3,425	3,684	3,669	4,426	5,952	5,472	6,483	8,937	9,084	10,705	12,509	14,389	16,507	18,897
Property and equipment, net	515	802	1,056	1,113	1,400	1,662	1,886	2,062	2,171	2,293	2,418	2,546	2,678	2,816
Operating lease right-of-use assets	93	88	80	71	93	117	142	169	196	227	262	302	347	399
Goodwill	19	27	26	25	25	25	25	25	25	25	25	25	25	25
Intangibles, net	-	-	173	135	159	188	220	258	297	342	388	441	500	569
Deferred tax assets	216	221	341	419	428	508	593	694	799	921	1,046	1,187	1,348	1,531
Other assets	21	42	47	75	64	75	88	103	119	137	155	176	200	227
Total assets	4,291	4,864	5,392	6,265	8,121	8,048	9,438	12,247	12,690	14,650	16,803	19,066	21,607	24,464
Liabilities and Stockholder's Equity														
Current liabilities:														
Accounts payable and accrued liabilities	481	573	902	1,346	1,557	1,785	2,016	2,277	2,530	2,809	3,065	3,479	3,951	4,489
Accrued payroll and related expenses	114	125	134	171	185	222	261	307	348	401	456	519	591	673
Current portion of long-term senior convertible notes	-	-	773	-	1,208	-	-	1,250	-	-	-	-	-	-
Short-term operating lease liabilities	17	21	21	21	28	35	42	50	58	67	77	89	103	118
Deferred revenue	2	2	10	18	22	26	30	35	41	47	53	60	68	78
Total current liabilities	614	721	1,839	1,556	2,999	2,067	2,350	3,919	2,976	3,324	3,652	4,148	4,713	5,357
Long-term senior convertible notes	1,667	1,703	1,198	2,434	2,676	2,942	3,234	3,555	3,908	4,297	4,723	4,959	5,207	5,468
Long-term operating lease liabilities	102	99	95	80	105	131	160	189	220	254	294	339	390	448
Other long-term liabilities	81	90	128	126	149	176	206	241	277	319	363	412	467	531
Total liabilities	2,464	2,612	3,260	4,196	5,928	5,317	5,949	7,904	7,381	8,194	9,032	9,858	10,778	11,803
Commitments and contingencies														
Stockholders' equity:														
Preferred stock, \$0.001 par value, 5.0 million shares														
Common Stock	2,125	2,505	2,259	3,515	3,711	3,945	4,222	4,546	4,914	5,338	5,821	6,371	6,996	7,708
Accumulated other comprehensive loss	3	1	(12)	(17)	(17)	(17)	(17)	(17)	(17)	(17)	(17)	(17)	(17)	(17)
Retained earnings	(202)	(47)	480	1,021	1,802	2,703	3,766	5,046	6,635	8,538	10,765	13,284	16,138	19,373
Treas. stock, 21.8 M Dec. 2023, 6.9 M Dec. 2022	(100)	(206)	(595)	(2,451)	(3,304)	(3,901)	(4,482)	(5,234)	(6,224)	(7,404)	(8,798)	(10,430)	(12,288)	(14,403)
Total stockholders' equity	1,827	2,252	2,132	2,069	2,193	2,731	3,488	4,342	5,309	6,455	7,772	9,208	10,829	12,661
Total liabilities and stockholders' equity	4,291	4,864	5,392	6,265	8,121	8,048	9,438	12,247	12,690	14,650	16,803	19,066	21,607	24,464

Dexcom
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
% of SALES BS													
Assets													
Current assets:													
Cash as a % of sales	42.99%	22.07%	15.63%	42.58%	16.83%	18.73%	38.64%	23.96%	31.88%	35.76%	37.34%	38.57%	39.50%
Short-term marketable securities as a % of sales	68.56%	62.34%	59.57%	55.00%	50.00%	50.00%	50.00%	50.00%	45.00%	45.00%	45.00%	45.00%	45.00%
Accounts receivable as a % of sales	21.00%	24.51%	26.89%	24.13%	24.13%	24.13%	24.13%	24.13%	24.13%	24.13%	24.13%	24.13%	24.13%
Inventory as a % of sales	14.59%	10.54%	15.45%	13.02%	12.60%	12.18%	11.76%	11.34%	10.92%	10.50%	10.50%	10.50%	10.50%
Prepaid/other currents as a % of sales	3.33%	6.62%	4.65%	4.21%	4.25%	4.29%	4.31%	4.24%	4.24%	4.25%	4.26%	4.27%	4.28%
Total current assets as a % of sales	150.48%	126.08%	122.18%	138.94%	107.82%	109.34%	128.84%	113.67%	116.18%	119.64%	121.23%	122.47%	123.41%
PP&E as a % of sales													
PP&E as a % of sales	32.75%	36.28%	30.73%	32.67%	32.75%	31.80%	29.73%	27.16%	24.89%	23.13%	21.45%	19.87%	18.39%
Op. lease right-of-use assets as a % of sales	3.60%	2.75%	1.97%	2.18%	2.31%	2.40%	2.43%	2.45%	2.46%	2.51%	2.54%	2.58%	2.61%
Goodwill as a % of sales	1.08%	0.88%	0.70%	0.59%	0.50%	0.42%	0.36%	0.32%	0.27%	0.24%	0.21%	0.19%	0.16%
Intangibles as a % of sales	0.00%	5.96%	3.71%	3.71%	3.71%	3.71%	3.71%	3.71%	3.71%	3.71%	3.71%	3.71%	3.71%
Deferred tax assets as a % of sales	9.02%	11.73%	11.58%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Other assets as a % of sales	1.72%	1.62%	2.07%	1.48%	1.48%	1.48%	1.48%	1.48%	1.48%	1.48%	1.48%	1.48%	1.48%
Total assets as a % of sales	198.64%	185.29%	172.94%	189.58%	158.57%	159.16%	176.56%	158.79%	158.99%	160.71%	160.64%	160.30%	159.77%
Liabilities and Stockholder's Equity													
Current liabilities:													
Accounts payable as a % of sales	23.40%	30.99%	37.14%	36.35%	35.18%	34.01%	32.83%	31.66%	30.49%	29.32%	29.32%	29.32%	29.32%
Accrued payroll as a % of sales	5.11%	4.62%	4.72%	4.32%	4.37%	4.40%	4.42%	4.35%	4.35%	4.36%	4.38%	4.38%	4.39%
Current portion of long-term conv. Notes as a % of sales	0.00%	26.55%	0.00%	28.19%	0.00%	0.00%	18.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Short-term op. lease liabilities as a % of sales	0.84%	0.70%	0.58%	0.64%	0.68%	0.71%	0.72%	0.72%	0.73%	0.74%	0.75%	0.76%	0.77%
Deferred revenue as a % of sales	0.09%	0.35%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%
Total current liabilities as a % of sales	29.44%	63.21%	42.96%	70.01%	40.74%	39.63%	56.51%	37.24%	36.08%	34.93%	34.95%	34.97%	34.99%
Long-term conv. Notes as a % of sales													
Long-term conv. Notes as a % of sales	69.54%	41.16%	67.20%	62.47%	57.96%	54.54%	51.26%	48.91%	46.63%	45.18%	41.79%	38.63%	35.71%
Long-term op. lease liabilities as a % of sales													
Long-term op. lease liabilities as a % of sales	4.03%	3.25%	2.21%	2.45%	2.59%	2.69%	2.73%	2.75%	2.76%	2.81%	2.85%	2.89%	2.92%
Other long-term liabilities as a % of sales													
Other long-term liabilities as a % of sales	3.68%	4.41%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%
Total liabilities as a % of sales	106.68%	112.03%	115.84%	138.40%	104.76%	100.33%	113.96%	92.36%	88.93%	86.38%	83.06%	79.96%	77.08%
Commitments and contingencies													
Stockholders' equity:													
Preferred stock, \$0.001 par value, 5.0 million shares													
Preferred stock as a % of sales													
Common stock as a % of sales	102.29%	77.62%	97.04%	86.63%	77.74%	71.19%	65.55%	61.49%	57.94%	55.68%	53.68%	51.90%	50.34%
Accumulated comprehensive loss as a % of sales	0.02%	-0.40%	-0.46%	-0.39%	-0.33%	-0.28%	-0.24%	-0.21%	-0.18%	-0.16%	-0.14%	-0.12%	-0.11%
Retained earnings as a % of sales	-1.94%	16.49%	28.20%	42.08%	53.26%	63.50%	72.75%	83.03%	92.66%	102.96%	111.92%	119.73%	126.52%
Treasury stock as a % of sales	-8.42%	-20.45%	-67.67%	-77.13%	-76.85%	-75.59%	-75.46%	-77.88%	-80.36%	-84.15%	-87.88%	-91.17%	-94.06%
Total stockholders' equity as a % of sales	91.95%	73.26%	57.11%	51.19%	53.81%	58.83%	62.60%	66.43%	70.06%	74.33%	77.58%	80.34%	82.68%
Total liabilities + SE as a % of sales	198.64%	185.29%	172.94%	189.58%	158.57%	159.16%	176.56%	158.79%	158.99%	160.71%	160.64%	160.30%	159.77%

Dexcom
Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Operating activities										
Net income	781.0	900.8	1062.4	1280.7	1588.8	1902.9	2226.7	2519.3	2853.8	3235.3
Adjustments to reconcile net income to cash provided by operating activities:										
Depreciation and amortization	212.7	278.2	349.0	424.1	502.8	583.0	675.5	780.4	899.5	1034.7
Share-based compensation	195.8	234.5	276.3	324.7	367.7	424.3	482.8	549.4	625.3	711.6
Changes in operating assets and liabilities:										
Accounts receivable, net	-59.9	-191.1	-206.2	-242.9	-254.7	-295.1	-299.6	-341.1	-388.5	-442.6
Inventory	1.9	-81.7	-82.7	-93.4	-90.5	-99.9	-91.6	-148.4	-169.0	-192.5
Prepaid and other assets	-11.9	-35.7	-38.5	-44.6	-39.6	-52.1	-53.9	-61.3	-69.8	-79.5
Operating lease asset	-22.0	-23.8	-25.2	-26.4	-26.9	-31.0	-35.2	-40.0	-45.4	-51.6
Deferred tax assets	-9.0	-79.2	-85.4	-100.6	-105.5	-122.3	-124.1	-141.3	-161.0	-183.4
Other assets	11.4	-11.7	-12.7	-14.9	-15.7	-18.1	-18.4	-21.0	-23.9	-27.2
Accounts payable and accrued liabilities	211.7	228.3	231.0	260.9	252.8	279.1	255.8	414.4	471.9	537.6
Accrued payroll and related expenses	14.0	36.6	39.5	45.8	40.6	53.5	55.3	62.9	71.7	81.6
Deferred revenue and other liabilities	3.4	4.0	4.3	5.1	5.4	6.2	6.3	7.2	8.2	9.3
Other liabilities	22.9	27.4	29.6	34.9	36.6	42.4	43.0	49.0	55.8	63.6
Net cash provided by operating activities	1352.0	1286.6	1541.5	1853.3	2261.8	2672.8	3122.7	3629.5	4128.5	4697.0
Investing activities										
Capital expenditures	-499.2	-540.8	-572.5	-600.3	-611.7	-705.3	-800.3	-908.5	-1031.7	-1172.1
Purchase of securities	-198.2	-181.6	-427.2	-503.2	-527.7	-150.6	-558.5	-636.1	-724.4	-825.2
Purchase of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of intangible assets	-24.6	-29.4	-31.7	-37.4	-39.2	-45.4	-46.1	-52.5	-59.8	-68.1
Net cash provided by investing activities	-722.0	-751.8	-1031.4	-1140.9	-1178.6	-901.3	-1404.9	-1597.1	-1816.0	-2065.3
Financing activities										
Change in debt	1449.3	-941.7	292.2	1571.2	-896.9	388.2	426.8	236.2	248.0	260.4
Change in leases	31.1	33.7	35.7	37.4	38.2	44.0	49.9	56.7	64.4	73.1
Share repurchases	-852.8	-596.7	-581.4	-751.8	-990.1	-1180.5	-1393.4	-1632.6	-1858.1	-2114.9
Net cash provided by (used in) financing activities	627.6	-1504.7	-253.5	856.9	-1848.8	-748.3	-916.7	-1339.8	-1545.7	-1781.4
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase (decrease) in cash, cash equivalents, and restricted cash	1257.7	-969.8	256.6	1569.3	-765.6	1023.2	801.0	692.7	766.8	850.2
Cash, cash equivalents, and restricted cash, beginning of period	566.3	1824.0	854.1	1110.7	2680.0	1914.4	2937.6	3738.6	4431.3	5198.2
Cash, cash equivalents, and restricted cash, end of period	1824.0	854.1	1110.7	2680.0	1914.4	2937.6	3738.6	4431.3	5198.2	6048.3

Dexcom

Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating activities										
Net income	-22.4	-57.6	-65.6	-50.2	-127.1	101.1	549.7	216.9	341.2	541.5
Adjustments to reconcile net income to cash provided by operating activities:										
Depreciation and amortization	8.4	10.8	15.0	16.1	29.1	48.7	67.1	102	155.9	186
Share-based compensation	50.0	82.7	110.8	106.2	101.9	102.7	119.4	113.4	126.5	150.8
Collaborative R&D fee	0.0	36.5	0.0	0.0	217.7	0	0	87.1	0	0
Loss on extinguishment of debt	0.0	0.0	0.0	0.0	0	0	5.9	1.5	0	0
Non-cash interest expense	0.0	0.0	0.0	9.4	17.9	49.6	74	88.7	6.3	7.8
Realized (gain) loss on equity investment	0.0	0.0	0.0	0.0	-80.1	4.2	0	-11.6	-0.2	-1.9
Deferred income taxes	0.0	0.0	0.0	0.0	0	0	-277.3	-4.9	-21.6	-55
Other non-cash income and expenses	0.4	1.0	2.3	7.9	4.7	2.1	13.7	43.6	34.7	-83.9
Changes in operating assets and liabilities:										
Accounts receivable, net	-16.3	-31.7	-27.2	-31.8	-93.2	-60	-142.3	-75.5	-199.9	-260.1
Inventory	-7.0	-19.2	-9.8	0.4	-25.5	-49.1	-114.5	-112.2	49.3	-252.6
Prepaid and other assets	-0.4	-1.5	-3.9	-6.7	-3	-7.2	-2.4	-21.3	-131.6	19.3
Operating lease right-of-use assets and liabilities, net	0.0	0.0	0.0	0.0	0	-2.4	-0.8	-0.1	-5.8	-4.5
Accounts payable and accrued liabilities	8.3	17.8	21.1	21.1	56.2	109	194.5	58	295.1	466.5
Accrued payroll and related expenses	2.2	7.7	8.5	14.8	23.8	16	26.1	10.4	8.5	37.2
Deferred revenue and other liabilities	0.4	2.5	5.0	4.8	0.8	-0.2	18.6	8.7	11.1	-2.6
Net cash provided by operating activities	23.6	49.0	56.2	92.0	123.2	314.5	531.7	504.7	669.5	748.5
Investing activities										
Purchase of marketable securities	-13.8	-45.2	-39.2	-171.8	-452.5	-2030.4	-3058.2	-2473.1	-2266.3	-3200.4
Proceeds from sale and maturity of marketable securities	13.2	27.5	38.7	93.4	392.1	1196.4	2250.5	2666.3	2127.8	2947.4
Purchases of property and equipment	-16.2	-33.3	-55.7	-66.0	-67.1	-180	-199	-389.2	-364.8	-236.6
Acquisitions, net of cash acquired	0.0	-0.5	0.3	0.0	-11.3	0	0	-30.2	-3.9	0
Other investing activities	0.0	0.0	0.0	0.0	-1	-1.2	-11.3	10.1	-14.3	-17.6
Net cash provided by investing activities	-16.8	-51.5	-55.9	-144.4	-139.8	-1015.2	-1018	-216.1	-521.5	-507.2
Financing activities										
Net proceeds from issuance of common stock	24.0	19.1	10.4	10.1	10.8	11.9	15.3	20.3	22.5	26.6
Purchases of treasury stock	0.0	0.0	0.0	0.0	-100	0	0	0	-557.7	-688.7
Proceeds from insurance of convertible notes, net of insurance costs	0.0	0.0	0.0	389.0	836.6	0	1188.8	0	0	1230.6
Purchases of capped call transactions	0.0	0.0	0.0	0.0	0	0	0	0	0	-101.3
Payments for conversions of senior convertible notes	-2.2	-2.3	-2.3	0.0	0	0	-282.6	0	0	-787.3
Other financing activities	0.0	0.0	0.0	0.0	-37	-1.2	-9.4	-9.9	-17.3	1.5
Net cash provided by (used in) financing activities	21.8	16.8	8.1	399.1	710.4	10.7	912.1	10.4	-552.5	-318.6
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	0.0	0.0	0.0	0.3	1.8	-0.7	2.1	-1.4	-5.8	1.5
Increase (decrease) in cash, cash equivalents, and restricted cash	28.6	14.3	8.4	347.0	\$695.60	(\$690.70)	\$371.80	\$235.40	(\$410.30)	(\$75.80)
Cash, cash equivalents, and restricted cash, beginning of period	43.2	71.8	86.1	94.5	441.5	1137.1	446.4	818.2	1053.6	643.3
Cash, cash equivalents, and restricted cash, end of period	71.8	86.1	94.5	441.5	\$1,137.10	\$446.40	\$818.20	1053.6	643.3	567.5

Dexcom

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.21%
Beta	1.03
Equity Risk Premium	4.23%
Cost of Equity	8.57%

ASSUMPTIONS:

10 year U.S. treasury bond
2 year weekly average
Damodaran March 1st estimate

Cost of Debt:

Risk-Free Rate	4.21%
Implied Default Premium	1.15%
Pre-Tax Cost of Debt	5.36%
Marginal Tax Rate	24%
After-Tax Cost of Debt	4.06%

10 year U.S. treasury bond

Market Value of Common Equity:

Total Shares Outstanding	385.40
Current Stock Price	\$138.70
MV of Equity	53,454.98

MV Weights

95.47%

Market Value of Debt:

Short-Term Debt	
Current Portion of LTD	0
Long-Term Debt	2434.2
PV of Operating Leases	101.2
MV of Total Debt	2,535.40

4.53%

Market Value of the Firm

55,990.38

100.00%

Estimated WACC

8.36%

Dexcom

Value Driver Estimation

Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NOPLAT:														
Revenue	1,926.7	2,448.5	2,909.8	3,622.3	4,283.6	5,075.2	5,929.6	6,936.1	7,991.5	9,214.1	10,455.3	11,868.7	13,478.6	15,312.3
Cost of Sales	579.5	666.0	870.8	1,147.4	1,327.9	1,522.6	1,719.6	1,942.1	2,157.7	2,395.7	2,613.8	2,967.2	3,369.6	3,828.1
Depreciation & Amortization	67.1	102.0	155.9	186.0	212.7	278.2	349.0	424.1	502.8	583.0	675.5	780.4	899.5	1,034.7
Selling General & Administrative	620.7	810.5	1,007.7	1,185.4	1,285.1	1,522.6	1,778.9	2,080.8	2,397.4	2,764.2	3,136.6	3,560.6	4,043.6	4,593.7
Research & Development	359.9	517.1	484.2	505.8	512.5	607.2	709.4	829.8	876.1	1,010.2	1,146.3	1,301.2	1,477.7	1,678.8
Collaborative research fee	-	87.1	-	-	-	-	-	-	-	-	-	-	-	-
Implied interest on operating leases	5.5	6.4	6.3	5.8	6.3	8.0	9.9	11.8	13.8	16.0	18.6	21.4	24.7	28.3
EBITA	372.1	272.2	397.5	603.5	951.7	1,152.8	1,382.6	1,671.1	2,071.2	2,477.1	2,901.7	3,280.8	3,712.8	4,205.4
Less: Adj. Taxes														
Income tax expense (benefit)	(251.8)	39.9	49.6	168.9	243.6	281.0	331.4	399.4	495.6	593.5	694.5	785.8	890.1	1,009.1
Other income (expense), net	0.4	2.2	0.1	(27.4)	(19.3)	(9.0)	(5.1)	(5.1)	(6.6)	(8.6)	(9.3)	(11.1)	(13.6)	(16.4)
Tax on Lease Interest	1.3	1.5	1.5	1.4	1.5	1.9	2.4	2.9	3.4	3.9	4.5	5.2	6.0	6.9
Total Adjusted Taxes:	(250.1)	43.6	51.2	142.9	225.9	273.9	328.7	397.3	492.4	588.8	689.8	779.9	882.6	999.6
Change in Deferred Taxes	277.3	4.9	21.6	55.0	9.0	79.2	85.4	100.6	105.5	122.3	124.1	141.3	161.0	183.4
NOPLAT	344.9	223.6	324.7	405.6	716.9	799.7	968.5	1,173.2	1,473.3	1,766.0	2,087.8	2,359.5	2,669.3	3,022.4
Invested Capital (IC):														
Normal Cash	347.0	49.0	58.2	72.4	85.7	101.5	118.6	138.7	159.8	184.3	209.1	237.4	269.6	306.2
Accounts receivable	428.5	514.3	713.3	973.9	1,033.8	1,224.9	1,431.1	1,674.0	1,928.7	2,223.8	2,523.4	2,864.5	3,253.0	3,695.6
Inventory	234.7	357.3	306.7	559.6	557.7	639.4	722.2	815.6	906.1	1,006.1	1,097.7	1,246.1	1,415.1	1,607.6
Prepays + Other	53.9	81.6	192.6	168.3	180.2	215.9	254.4	299.0	338.6	390.7	444.5	505.9	575.7	655.1
Accounts payable	481.1	573.0	901.8	1,345.5	1,557.2	1,785.4	2,016.5	2,277.4	2,530.2	2,809.3	3,065.1	3,479.5	3,951.4	4,489.0
Accrued compensation	114.3	125.2	134.3	171.0	185.0	221.6	261.1	306.9	347.6	401.0	456.3	519.3	590.9	672.5
Deferred Revenue	2.2	2.1	10.1	18.4	21.8	25.8	30.1	35.2	40.6	46.8	53.1	60.3	68.5	77.8
Net Operating Working Cap	466.5	301.9	224.6	239.3	93.5	148.9	218.5	307.8	414.9	547.7	700.2	794.8	902.6	1,025.3
Net PP&E	515.3	801.8	1,055.6	1,113.1	1,399.6	1,662.2	1,885.7	2,061.9	2,170.8	2,293.1	2,418.0	2,546.2	2,678.4	2,815.8
Intangible assets	-	-	173.3	134.5	159.1	188.4	220.2	257.5	296.7	342.1	388.2	440.7	500.5	568.6
Operating lease assets	93.3	88.1	80.0	71.4	93.4	117.2	142.4	168.8	195.7	226.7	262.0	301.9	347.3	398.9
Other noncurrent liabilities	80.9	90.0	128.3	125.6	148.5	176.0	205.6	240.5	277.1	319.5	362.5	411.5	467.4	530.9
Invested Capital	994.2	1,101.8	1,405.2	1,432.7	1,597.0	1,940.7	2,261.1	2,555.5	2,801.0	3,090.2	3,405.8	3,672.0	3,961.5	4,277.7
Free Cash Flow (FCF):														
NOPLAT	344.9	223.6	324.7	405.6	716.9	799.7	968.5	1,173.2	1,473.3	1,766.0	2,087.8	2,359.5	2,669.3	3,022.4
Change in IC	397.1	107.6	303.4	27.6	164.2	343.8	320.4	294.3	245.6	289.2	315.6	266.2	289.4	316.2
FCF	(52.2)	116.0	21.2	378.1	552.6	455.9	648.1	878.8	1,227.7	1,476.8	1,772.2	2,093.3	2,379.9	2,706.2
Return on Invested Capital (ROIC):														
NOPLAT	344.9	223.6	324.7	405.6	716.9	799.7	968.5	1,173.2	1,473.3	1,766.0	2,087.8	2,359.5	2,669.3	3,022.4
Beginning IC	597.1	994.2	1,101.8	1,405.2	1,432.7	1,597.0	1,940.7	2,261.1	2,555.5	2,801.0	3,090.2	3,405.8	3,672.0	3,961.5
ROIC	58%	22%	29%	29%	50%	50%	50%	52%	58%	63%	68%	69%	73%	76%
Economic Profit (EP):														
Beginning IC	597.1	994.2	1,101.8	1,405.2	1,432.7	1,597.0	1,940.7	2,261.1	2,555.5	2,801.0	3,090.2	3,405.8	3,672.0	3,961.5
x (ROIC - WACC)	49%	14%	21%	21%	42%	42%	42%	44%	49%	55%	59%	61%	64%	68%
EP	294.9	140.5	232.5	288.1	597.0	666.1	806.2	984.1	1,259.6	1,531.7	1,829.4	2,074.7	2,362.2	2,691.1

Dexcom*Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models*

Key Inputs:

CV Growth of NOPLAT	5.50%
CV Year ROIC	76%
WACC	8.36%
Cost of Equity	8.57%

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
------------------------------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------

DCF Model:

Free Cash Flow (FCF)	552.62	455.93	648.11	878.83	1,227.75	1,476.80	1,772.24	2,093.30	2,379.87	2,706.16
Continuing Value (CV)										97,968.71
PV of FCF	509.97	388.28	509.34	637.36	821.69	912.10	1,010.10	1,101.02	1,155.15	47,552.25

Value of Operating Assets:	54,597.26
Non-Operating Adjustments	
- Debt	(2,434.20)
- Leases	(101.20)
+ Investments	2,157.80
+ Cash	566.30

Value of Equity	54,785.96
Shares Outstanding	385.40
Intrinsic Value of Last FYE	142.15
Implied Price as of Today	\$ 144.11

EP Model:

Economic Profit (EP)	597.05	666.13	806.19	984.09	1,259.62	1,531.75	1,829.39	2,074.71	2,362.20	2,691.09
Continuing Value (CV)										94,007.26
PV of EP	550.97	567.29	633.57	713.70	843.03	946.04	1,042.68	1,091.24	1,146.57	45,629.43

Total PV of EP	53,164.52
Invested Capital (last FYE)	1,432.75
Value of Operating Assets:	54,597.26
Non-Operating Adjustments	
- Debt	(2,434.20)
- Leases	(101.20)
+ Investments	2,157.80
+ Cash	566.30

Value of Equity	54,785.96
Shares Outstanding	385.40
Intrinsic Value of Last FYE	\$ 142.15
Implied Price as of Today	\$ 144.11

Dexcom

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
----------------------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------

EPS	\$ 2.03	\$ 2.33	\$ 2.74	\$ 3.30	\$ 4.09	\$ 4.90	\$ 5.75	\$ 6.53	\$ 7.43	\$ 8.48
-----	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------

Key Assumptions

CV growth of EPS	5.00%
CV Year ROE	25.55%
Cost of Equity	8.57%

Future Cash Flows

P/E Multiple (CV Year)											22.55
EPS (CV Year)											\$ 8.48
Future Stock Price											\$ 191.13
Dividends Per Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Discounted Cash Flows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91.21

Intrinsic Value as of Last FYE \$ 91.21

Implied Price as of Today \$ 92.47

Dexcom

Relative Valuation Models

Ticker	Company	Price	EPS 2024E	EPS 2025E	P/E 24	P/E 25	Est. 5yr EPS gr.	PEG 24	PEG 25	P/S 24	P/S 25	EV/EBITDA 24	EV/EBITDA 25
ABT	Abbott Laboratories	\$113.66	\$3.44	\$4.02	33.04	28.27	63.8	0.52	0.44	4.70	4.40	19.20	17.60
MDT	Medtronic Plc	\$87.15	\$3.50	\$4.05	24.90	21.52	58.8	0.42	0.37	3.60	3.40	14.50	13.80
MASI	Masimo Corporation	\$137.92	\$1.99	\$2.66	69.31	51.85	36.5	1.90	1.42	3.70	3.50	4.20	3.90
MODV	ModivCare	\$23.45	(\$0.73)	\$1.68	N/A	13.96	79.9	N/A	0.17	0.10	0.10	7.70	6.70
PODD	Insulet Corporation	\$171.40	\$3.02	\$3.85	56.75	44.52	46.6	1.22	0.96	6.10	5.20	35.20	28.60
RHHBY	Roche Holding	\$255.02	\$17.78	\$19.48	14.34	13.09	73.7	0.19	0.18	3.10	2.90	9.80	9.10
TNDM	Tandem Diabetes Care, Inc.	\$35.41	(\$1.68)	(\$1.08)	N/A	N/A	N/A	N/A	N/A	2.70	2.50	N/A	55.50
SWAV	Shockwave Medical, Inc.	\$325.63	\$4.65	\$5.98	70.03	54.45	45.5	1.54	1.20	13.20	10.80	54.20	34.70
Average					44.73	32.52		0.97	0.68			20.69	21.24
DXCM	Dexcom	\$138.70	\$2.03	\$2.33	68.4	59.5	123.9	0.6	0.5	12.40	10.40	48.20	39.00

Implied Relative Value:

P/E (EPS24)	\$ 90.74
P/E (EPS25)	\$ 75.87
PEG (EPS24)	\$ 242.49
PEG (EPS25)	\$ 195.36
P/B	\$ 256.50
P/Tangible BV	\$ 220.87

Dexcom

Key Management Ratios

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Liquidity Ratios:													
Current Ratio (Current Assets/Current Liabilities)	5.11	1.99	2.84	1.98	2.65	2.76	2.28	3.05	3.22	3.43	3.47	3.50	3.53
Quick Ratio (Current assets-Inventory/Current Liabilities)	4.62	1.83	2.48	1.80	2.34	2.45	2.07	2.75	2.92	3.12	3.17	3.20	3.23
Cash Ratio (Cash & Equivalents/Current Liabilities)	1.46	0.35	0.36	0.61	0.41	0.47	0.68	0.64	0.88	1.02	1.07	1.10	1.13
Asset-Management Ratios:													
Inventory Turnover (COGS/Average Inventory)	0.77	0.96	1.19	1.33	1.45	1.56	1.68	1.78	1.88	1.95	2.09	2.23	2.38
Asset Turnover (Revenue/Total Assets)	0.50	0.54	0.58	0.53	0.63	0.63	0.57	0.63	0.63	0.62	0.62	0.62	0.63
Receivables Turnover (Sales/Accounts Receivable)	4.76	4.08	3.72	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14
Financial Leverage Ratios:													
Debt-to-Assets Ratio (Total Debt / Total Assets)	0.54	0.60	0.67	0.73	0.66	0.63	0.65	0.58	0.56	0.54	0.52	0.50	0.48
Debt-to-Equity Ratio (Total Debt / Total Equity)	1.16	1.53	2.03	2.70	1.95	1.71	1.82	1.39	1.27	1.16	1.07	1.00	0.93
Debt-to-EBITDA Ratio (Total Debt / EBITDA)	9.60	8.20	6.95	6.23	4.61	4.30	4.73	3.56	3.31	3.11	3.00	2.90	2.81
Asset-to-Equity Ratio (Total Assets / Total Equity)	2.16	2.53	3.03	3.70	2.95	2.71	2.82	2.39	2.27	2.16	2.07	2.00	1.93
Profitability Ratios:													
Return on Equity (NI/Beg TSE)	9.63%	16.01%	26.18%	35.62%	32.98%	30.45%	29.49%	29.93%	29.48%	28.65%	27.36%	26.35%	25.55%
Return on Assets (Operating Income x (1-TR) / Total Assets)	4.14%	5.49%	7.22%	8.81%	10.76%	11.01%	10.25%	12.27%	12.71%	12.98%	12.94%	12.92%	12.92%
Return on Invested Capital (NOPAT / IC)	20.30%	23.10%	28.31%	44.89%	41.21%	42.83%	45.91%	52.60%	57.15%	61.30%	64.26%	67.38%	70.65%
Payout Policy Ratios:													
Dividend Payout Ratio (Dividend/EPS)	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Payout Ratio ((Divs. + Repurchases)/NI)	#REF!	#REF!	#REF!	1.09	0.66	0.55	0.59	0.62	0.62	0.63	0.65	0.65	0.65

		Beta							
		144.11	0.73	0.83	0.93	1.03	1.13	1.23	1.33
ERP	3.93%	299.47	234.73	192.21	162.17	139.84	122.59	108.88	
	4.03%	285.00	224.34	184.20	155.70	134.44	117.97	104.86	
	4.13%	271.82	214.79	176.80	149.70	129.41	113.67	101.10	
	4.23%	259.75	205.98	169.94	144.11	124.72	109.64	97.58	
	4.33%	248.66	197.83	163.55	138.90	120.34	105.86	94.27	
	4.43%	238.44	190.26	157.60	134.03	116.22	102.32	91.16	
	4.53%	228.99	183.22	152.04	129.46	112.36	98.98	88.23	

		Effective Tax Rate							
		144.11	20.78%	21.78%	22.78%	23.78%	24.78%	25.78%	26.78%
Risk-Free Rate	4.10%	157.02	154.71	152.40	150.09	147.77	145.46	143.15	
	4.20%	151.31	149.09	146.86	144.63	142.40	140.17	137.95	
	4.30%	145.98	143.83	141.68	139.53	137.38	135.23	133.08	
	4.40%	140.99	138.91	136.83	134.75	132.67	130.60	128.52	
	4.50%	136.30	134.29	132.28	130.27	128.26	126.25	124.24	
	4.60%	131.89	129.94	128.00	126.05	124.10	122.16	120.21	
	4.70%	127.74	125.85	123.96	122.08	120.19	118.31	116.42	

		CV Growth of NOPLAT							
		144.11	4.75%	5.00%	5.25%	5.50%	5.75%	6.00%	6.25%
WACC	9.29%	91.95	95.98	100.51	105.64	111.48	118.22	126.07	
	9.04%	98.12	102.76	108.01	114.00	120.91	128.94	138.42	
	8.79%	105.06	110.44	116.58	123.66	131.89	141.61	153.23	
	8.54%	112.94	119.23	126.48	134.92	144.87	156.79	171.30	
	8.29%	121.94	129.37	138.02	148.22	160.43	175.30	193.82	
	8.04%	132.34	141.20	151.65	164.16	179.41	198.38	222.66	
	7.79%	144.46	155.18	168.00	183.62	203.06	227.94	260.90	

		Disposable Revenue Growth							
		144.11	18.5%	19.0%	19.5%	20.0%	20.5%	21.0%	21.5%
Reusable Revenue Gro	1.5%	126.06	131.64	137.43	143.45	149.71	156.20	162.95	
	2.0%	126.27	131.85	137.64	143.66	149.92	156.41	163.16	
	2.5%	126.49	132.07	137.86	143.88	150.14	156.63	163.38	
	3.0%	126.72	132.30	138.09	144.11	150.37	156.86	163.61	
	3.5%	126.96	132.54	138.33	144.36	150.61	157.10	163.85	
	4.0%	127.22	132.79	138.59	144.61	150.86	157.36	164.10	
	4.5%	127.48	133.05	138.85	144.87	151.12	157.62	164.36	

		COGS as % of Sales							
		144.11	29.5%	30.0%	30.5%	31.0%	31.5%	32.0%	32.5%
Capex as % of Sales	8.7%	169.58	166.72	163.86	161.00	158.14	155.28	152.42	
	9.7%	163.95	161.09	158.23	155.37	152.51	149.65	146.79	
	10.7%	158.33	155.46	152.60	149.74	146.88	144.02	141.16	
	11.7%	152.70	149.84	146.98	144.11	141.25	138.39	135.53	
	12.7%	147.07	144.21	141.35	138.49	135.62	132.76	129.90	
	13.7%	141.44	138.58	135.72	132.86	130.00	127.14	124.27	
	14.7%	135.81	132.95	130.09	127.23	124.37	121.51	118.65	