

Cool Chips Inc. - R&D Project Financial Analysis

All Values in \$k Unless Otherwise Stated

Business Unit:	
Project Name:	

Assumptions			
Cost-of-capital	12.0%	Corporate tax rate	35.0%
Risk Factor	3.0%	Corp Allocation	2.6%
Project discount rate	15.0%	Royalty (% of NR)	0%

1) Estimate of Incremental COB Margin	Yr2002	Yr2003	Yr2004	Yr2005	Yr2006	Cum
NUBs (ku)	714	9,800	16,000	21,300	-	47,814
AUP	\$ 7.00	\$ 6.50	\$ 6.00	\$ 5.75	\$ -	\$ 6.01
NR	\$ 4,998	\$ 63,700	\$ 96,000	\$ 122,475	\$ -	\$ 287,173
COB/unit	\$ 3.20	\$ 2.97	\$ 2.77	\$ 2.77	\$ -	\$ 2.82
COB	\$ 2,285	\$ 29,106	\$ 44,320	\$ 59,001	\$ -	\$ 134,712
CM	\$ 2,713	\$ 34,594	\$ 51,680	\$ 63,474	\$ -	\$ 152,461
CM %	54%	54%	54%	52%	0%	53%

2) Estimate of Incremental Product Engineering Support (non-R&D)

# Engineers	-	-	-	-	-	-
Fully-Loaded PDE Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

3) Estimate of Incremental Manufacturing Overhead

Burn-in Boards	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ 200
Other Overhead	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total MFG OH	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ 200

4) Estimate of all Incremental Cost Adjustments

Hotlots	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Royalty	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Cost Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Cost Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GPM	\$ 2,513	\$ 34,594	\$ 51,680	\$ 63,474	\$ -	\$ 152,261
GPM %	50%	54%	54%	52%	0%	53%

5) Estimate of Incremental R&D Expense

	Yr2001	Yr2002	Yr2003	Yr2004	Yr2005	Yr2006	Cum
Reticles	\$ -	\$ 1,270	\$ 635	\$ -	\$ -	\$ -	\$ 1,905
NRE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotlots	\$ -	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ 200
Eval/Eng Samples	\$ -	\$ 233	\$ -	\$ -	\$ -	\$ -	\$ 233
Outside Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Staff Resources	\$ -	\$ 6,572	\$ 1,000	\$ -	\$ -	\$ -	\$ 7,572
Other R&D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total R&D	\$ -	\$ 8,275	\$ 1,635	\$ -	\$ -	\$ -	\$ 9,910

6) Pre-tax incremental profit	\$ -	\$ (5,762)	\$ 32,959	\$ 51,680	\$ 63,474	\$ -	\$ 142,351
7) Tax Expense	\$ -	\$ -	\$ 12,393	\$ 19,432	\$ 23,866	\$ -	\$ 55,690
8) After-tax Profit	\$ -	\$ (5,762)	\$ 20,566	\$ 32,248	\$ 39,608	\$ -	\$ 86,661

Net Present Value	\$54,390.6
IRR	397.3%