# BUS 400 Module Six Assignment Template 24-Month Pro Forma

|  | **Previous Fiscal Year** | **24-Month Projections** |
| --- | --- | --- |
| Sales | $15,803,630 | $17,423,502 |
| Cost of goods sold | $5,598,710 | $6,172,578 |
| Gross profit | $10,204,920 | $11,250,924 |
| Selling expenses | $2,982,651 | $3,288,373 |
| Administrative expenses | $2,434,471 | $2,684,004 |
| Total operating expense | $10,015,832 | $11,042,455 |
| Income from operations | $5,787,335 | $6,380,537 |
| Other income | $734,532 | $809,822 |
| Income before tax and interest | $6,521,867 | $7,190,358 |
| Other expense (interest) | $185,077 | $192,554 |
| Income before income tax | $6,336,790 | $6,986,311 |
| Income tax expense | $552,616 | $609,259 |
| Net income | $2,101,090 | $2,316,452 |

## Explanation of Assumptions

The following assumptions for the 24-month projections are based on the actual financial data from Markel Group Inc., as outlined in the company's SEC 10-K report. This report provides detailed information on the company’s performance over the past few years (2023, 2022, and 2021), and serves as the basis for my projections. By analyzing these historical trends and considering the current market conditions, I believe that my assumptions reflect the company's expected performance for the upcoming year.

**Sales | $17,423,502**

**Explanation of Assumptions:** The assumption for sales growth is based on the strong 35% growth seen from 2021 to 2023. I anticipate that Markel’s diversified business model, stable market conditions, and continued expansion will allow for a 5% year-over-year growth starting in 2024, similar to the company's recent trend of increasing earned premiums and expanding product revenues.

**Cost of Goods Sold (COGS)** | **$6,172,578**

**Explanation of Assumptions:** The projection for COGS growth is based on the proportional increase observed in 2023, where costs grew in line with sales. As Markel’s sales and premium volumes continue to rise, I expect a 5% increase in COGS, which is tied to underwriting activities, premium-related costs, and claims expenses.

**Gross Profit | $11,250,924**

**Explanation of Assumptions:** The projection for gross profit is based on the historical correlation between sales and COGS. With the projected 5% increase in both sales and COGS, I believe the company should maintain a similar profit margin, leading to a moderate 5% growth in gross profit for 2024 - 2025.

**Selling Expenses | $3,288,373**

**Explanation of Assumptions:** The projection for selling expenses is based on the growth seen from 2021, 2022, and 2023. As Markel continues to expand its insurance and product offerings, I expect an increase in sales and marketing efforts, leading to a 5% rise in selling expenses for the next 2 years.

**Administrative Expenses | $2,684,004**

**Explanation of Assumptions:** The projection for administrative expenses growth is based on historical trends, where the company’s administrative costs have increased proportionally with its expansion. As Markel continues to grow, additional administrative support will be needed to manage the broader scale, which leads to the 5% increase.

**Total Operating Expenses | $11,042,455**

**Explanation of Assumptions:** The projection for operating expenses is aligned with the 5% growth in sales and the associated costs. As sales increase, so will the expenses related to underwriting, acquisitions, product development, and administrative functions. Therefore, I expect a 5% increase in total operating expenses for 2024 and 2025.

**Income from Operations |$6,380,537**

**Explanation of Assumptions:** The projection for income from operations is based on the growth in sales and effective expense management. As Markel increases its revenues while controlling operating expenses, I expect a 5% increase in income from operations for the next 2 years, which aligns with the trends seen in previous years.

**Other Income | $809,822**

**Explanation of Assumptions:** The projection for other income growth reflects the strong performance in investment income and other non-operating revenues. Given the 64.5% increase in 2023 and steady investment returns, I believe a 5% growth assumption for 24-month is reasonable.

**Income Before Tax and Interest | $7,190,358**

**Explanation of Assumptions:** The 24-month projection for Income Before Tax and Interest is based on expected steady performance following the recovery seen in 2023 after a loss in 2022. In 2023, there was a significant improvement compared to 2022, with a return to profitability. Considering the company’s growing premium income, solid investment returns, and operational efficiencies, I believe Markel will continue to generate strong operational income. For 2024 and 2025, I project a 5% growth from 2023, resulting in an estimated income before tax and interest of approximately $2,786,391.

**Other Expense (Interest)**| **$192,554**

**Explanation of Assumptions:** The interest expense has remained relatively stable over the past few years, with a slight decrease in 2023 compared to 2022. This is primarily due to changes in interest rates and debt levels. As I anticipate a modest increase in the company's debt to support its ongoing growth and acquisition strategies, I project a slight increase in interest expense in the next 24 months. A 2% increase over 2023's expense will bring the 24-month projection acceptable.

**Income Before Income Tax | $6,986,311**

**Explanation of Assumptions:** Income Before Income Tax reflects the overall profitability of the company after interest expenses but before tax obligations. With a 5% projected increase in operational income and interest expenses remaining relatively stable, I expect the income before taxes to increase modestly in 2024 and 2025.

**Income Tax Expense | $609,259**

**Explanation of Assumptions:** The 24- month projection for income tax expense assumes the company will continue to maintain a similar effective tax rate as in 2023. The 2023 tax expense is higher compared to 2022 due to the substantial increase in profitability. I expect the company's effective tax rate to be stable, and as a result, the tax expense is projected to increase in 2024 based on the projected increase in income before tax.

**Net Income | $2,316,452**

**Explanation of Assumptions:** Net income has been volatile in the past few years due to fluctuations in operating income, interest expenses, and tax obligations. However, after a loss in 2022, Markel returned to profitability in 2023, driven by a strong performance in its insurance and investment segments. For the next 2 years, I expect net income to grow in line with the projected increase in income before tax and the expected rise in tax expense. Therefore, I project net income for 24-month pro forma to be approximately $2,316,252, representing a modest 5% increase from 2023's net income.

## References

Sec.gov. (2024). United States Securities and Exchange Commission Form 10-K. Markel Group Inc. p-10K-76. <https://www.sec.gov/Archives/edgar/data/1096343/000109634324000025/mkl-20231231.htm>

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