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M/700 Restyle

The attached evaluation shows the estimated economic results for the proposed restyling of the Model 700 ADL to be introduced in 1983. This restyling will incorporate the following revisions to the ADL product specifications:

- A redesigned stock with slimmer grip, cut checkering, medium gloss finish, and sling swivel studs.
- A formed, "no-bind" follower.
- An improved metal finish on the bolt handle and bolt plug.

These features increase unit factory cost for the Model 700 ADL by approximately \$6.44 (in 1983 dollars). However, this increase is substantially offset by the reduction in the allocated burden per unit resulting from the anticipated increase in Model 700 production volume. These effects of increased volume are largely responsible for the higher percentage margins indicated in both the first and third years.

It should also be noted that in finalizing these estimated costs, the effect of using a medium gloss stock finish was reviewed. Current experience with the Model 700 Classic grade indicates substantially lower finish repair rates are experienced with medium gloss finish, and the estimated cost of the restyled M/700 ADL reflects the savings generated by these reduced repair rates.

The estimated economic results show net return on investment for the first year of operation (1983) equal to 15% on a full allocation basis or 31% on an incremental basis. Estimated net returns on investment for the third year are 14% (full allocation) and 33% (incremental). Subdivisions 3 and 5 for both first and third years are attached.

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Attached

MODEL 700 ADL RESTYLE

ESTIMATED UNIT PRICES, COSTS, AND PRE-TAX EARNINGS  
FIRST YEAR OF OPERATION (1983)

M/700 LINE BEFORE

	<u>M/700 ADL</u>	<u>M/700 BDL</u>	<u>M/700 CLASSIC</u>	<u>M/700 SPECIALS</u>	<u>WEIGHTED AVERAGE</u>
SALES QUANTITY	20,000	30,000	8,000	13,000	71,000
RETAIL SELLING PRICE	\$ 370.00	\$ 440.00	\$ 410.00	\$ 470.00	\$ 422.39
NET SELLING PRICE	\$ 200.06	\$ 237.91	\$ 221.69	\$ 254.13	\$ 228.39
Less: TOTAL COST	\$ 187.15	\$ 218.22	\$ 205.37	\$ 231.61	\$ 210.47
PRE-TAX EARNINGS	\$ 12.91	\$ 19.69	\$ 16.32	\$ 22.52	\$ 17.92
% OF NET SELLING PRICE	6.5%	8.3%	7.4%	8.9%	7.8%

M/700 LINE AFTER

	<u>M/700 ADL</u>	<u>M/700 BDL</u>	<u>M/700 CLASSIC</u>	<u>M/700 SPECIALS</u>	<u>WEIGHTED AVERAGE</u>
SALES QUANTITY	35,000	29,000	8,000	13,000	85,000
RETAIL SELLING PRICE	\$ 380.00	\$ 440.00	\$ 410.00	\$ 470.00	\$ 417.06
NET SELLING PRICE	\$ 205.47	\$ 237.91	\$ 221.69	\$ 254.13	\$ 225.51
Less: TOTAL COST	\$ 189.14	\$ 212.23	\$ 198.72	\$ 224.97	\$ 203.40
PRE-TAX EARNINGS	\$ 16.33	\$ 25.68	\$ 22.97	\$ 29.16	\$ 22.11
% OF NET SELLING PRICE	7.9%	10.8%	10.4%	11.5%	9.8%

MODEL 700 ADL RESTYLE  
ESTIMATED EARNINGS AND NET RETURN ON INVESTMENT  
FIRST YEAR OF OPERATION (1983)

	<u>RESULTS FROM THIS PROJECT</u>			
	<u>PRESENT OPERATION (M/700 LINE)</u>	<u>FULL ALLOCATION</u>	<u>INCREMENTAL BASIS</u>	<u>OPERATION AFTER THIS PROJECT</u>
<u>SALES QUANTITY</u>				
M/700 ADL	20,000	15,000	15,000	35,000
M/700 BDL	30,000	( 1,000)	( 1,000)	29,000
M/700 CLASSIC	8,000	-	-	8,000
M/700 BDL SPECIALS	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>13,000</u>
TOTAL M/700	71,000	14,000	14,000	85,000
<u>NET SALES</u>				
	\$ 16,216	\$ 2,952	\$ 2,952	\$ 19,168
MILL COST	\$ 13,346	\$ 2,038	\$ 1,603	\$ 15,384
SELLING & ADMIN. EXP.	1,289	\$ 252	\$ 142	\$ 1,541
FINISHED PRODUCT DIST. EXP.	<u>308</u>	<u>56</u>	<u>35</u>	<u>364</u>
TOTAL COST	\$ 14,943	\$ 2,346	\$ 1,780	\$ 17,289
<u>PRE-TAX EARNINGS</u>	\$ 1,273	\$ 606	\$ 1,172	\$ 1,879
<u>NET EARNINGS</u>	\$ 656	\$ 313	\$ 605	\$ 969
<u>INVESTMENT</u>				
PROJECT EXPENDITURES	\$ -	\$ 74	\$ 74	\$ 74
EXISTING FACILITIES USED DIRECTLY IN OPERATION	5,978	-	-	5,978
ALLOCATED GENERAL FACILITIES	243	45	15	288
WORKING CAPITAL	<u>11,447</u>	<u>1,981</u>	<u>1,865</u>	<u>13,428</u>
TOTAL INVESTMENT	\$ 17,668	\$ 2,100	\$ 1,954	\$ 19,768
<u>NET RETURN ON INVESTMENT</u>	4%	15%	31%	5%

MODEL 700 ADL RESTYLE  
ESTIMATED UNIT PRICES, COSTS, AND PRE-TAX EARNINGS  
THIRD YEAR OF OPERATION (1985)

	<u>MODEL 700 LINE BEFORE</u>				
	<u>M/700 ADL</u>	<u>M/700 BDL</u>	<u>M/700 CLASSIC</u>	<u>M/700 SPECIALS</u>	<u>WEIGHTED AVERAGE</u>
SALES QUANTITY	15,000	27,000	8,000	13,000	63,000
RETAIL SELLING PRICE	\$ 430.00	\$ 500.00	\$ 470.00	\$ 530.00	\$ 485.71
NET SELLING PRICE	\$ 232.51	\$ 270.35	\$ 254.13	\$ 286.58	\$ 262.63
Less: TOTAL COST	\$ 209.37	\$ 243.41	\$ 229.32	\$ 257.76	\$ 236.48
PRE-TAX EARNINGS	\$ 23.14	\$ 26.94	\$ 24.81	\$ 28.82	\$ 26.15
% OF NET SELLING PRICE	10.0%	10.0%	9.8%	10.1%	10.0%

	<u>MODEL 700 LINE AFTER</u>				
	<u>M/700 ADL</u>	<u>M/700 BDL</u>	<u>M/700 CLASSIC</u>	<u>M/700 SPECIALS</u>	<u>WEIGHTED AVERAGE</u>
SALES QUANTITY	45,000	27,000	8,000	13,000	93,000
RETAIL SELLING PRICE	\$ 440.00	\$ 500.00	\$ 470.00	\$ 530.00	\$ 472.58
NET SELLING PRICE	\$ 237.91	\$ 270.35	\$ 254.13	\$ 286.58	\$ 255.53
Less: TOTAL COST	\$ 210.18	\$ 231.92	\$ 221.06	\$ 248.49	\$ 222.78
PRE-TAX EARNINGS	\$ 27.73	\$ 38.43	\$ 33.07	\$ 38.09	\$ 32.75
% OF NET SELLING PRICE	11.7%	14.2%	13.0%	13.3%	12.8%

MODEL 700 ADL RESTYLE  
ESTIMATED EARNINGS AND NET RETURN ON INVESTMENT  
THIRD YEAR OF OPERATION (1985)

	<u>RESULTS FROM THIS PROJECT</u>			
	<u>PRESENT OPERATION (M/700 Line)</u>	<u>FULL ALLOCATION</u>	<u>INCREMENTAL BASIS</u>	<u>OPERATION AFTER THIS PROJECT</u>
<u>SALES QUANTITY</u>				
M/700 ADL	15,000	30,000	30,000	45,000
M/700 BDL	27,000	-	-	27,000
M/700 CLASSIC	8,000	-	-	8,000
M/700 BDL SPECIALS	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>13,000</u>
TOTAL M/700	63,000	30,000	30,000	93,000
<u>NET SALES</u>	\$ 16,546	\$ 7,218	\$ 7,218	\$ 23,764
MILL COST	\$ 13,253	\$ 5,071	\$ 3,858	\$ 18,324
SELLING & ADMIN. EXP.	1,332	611	\$ 348	\$ 1,943
FINISHED PRODUCT DIST. EXP.	<u>314</u>	<u>138</u>	<u>87</u>	<u>452</u>
TOTAL COST	\$ 14,899	\$ 5,820	\$ 4,293	\$ 20,719
<u>PRE-TAX EARNINGS</u>	\$ 1,647	\$ 1,398	\$ 2,925	\$ 3,045
<u>NET EARNINGS</u>	\$ 849	\$ 721	\$ 1,508	\$ 1,570
<u>INVESTMENT</u>				
PROJECT EXPENDITURES	\$ -	\$ 74	\$ 74	\$ 74
EXISTING FACILITIES USED DIRECTLY IN OPERATION	5,978	-	-	5,978
ALLOCATED GENERAL FACILITIES	248	108	36	356
WORKING CAPITAL	<u>11,603</u>	<u>4,832</u>	<u>4,505</u>	<u>16,435</u>
TOTAL INVESTMENT	\$ 17,829	\$ 5,014	\$ 4,615	\$ 22,843
<u>NET RETURN ON INVESTMENT</u>	5%	14%	33%	7%