

**USG Income and Cash Flow Model**  
**Timothy Burger**  
**7-Mar-07**

	2005	2006	2007	2008	2009	2010	2011
Gypsum Wallboard	3222	3621	\$ 2,896	\$ 2,923	\$ 3,049	\$ 3,180	\$ 3,317
Worldwide Ceilings	707	756	\$ 767	\$ 805	\$ 846	\$ 888	\$ 932
L&W Supply	2048	2477	\$ 2,300	\$ 2,955	\$ 3,183	\$ 3,359	\$ 3,544
Intra Company Eliminations	-838	-1044	\$ (966)	\$ (1,241)	\$ (1,337)	\$ (1,411)	\$ (1,488)
<b>Total Revenue</b>	<b>5139</b>	<b>5810</b>	<b>\$ 4,997</b>	<b>\$ 5,442</b>	<b>\$ 5,741</b>	<b>\$ 6,016</b>	<b>\$ 6,304</b>
Gypsum Wallboard	643	792	\$ 494	\$ 505	\$ 558	\$ 613	\$ 671
Worldwide Ceilings	62	77	\$ 79	\$ 88	\$ 97	\$ 106	\$ 117
L&W Supply	149	203	\$ 177	\$ 280	\$ 316	\$ 343	\$ 372
Corporate	-99	-131	\$ -100	\$ -103	\$ -106	\$ -109	\$ -112
<b>Total Operating Income</b>	<b>755</b>	<b>941</b>	<b>\$ 650</b>	<b>\$ 770</b>	<b>\$ 864</b>	<b>\$ 954</b>	<b>\$ 1,047</b>
Op Prft Mgn	14.7%	16.2%	13.0%	14.1%	15.1%	15.9%	16.6%
(**asbestos and bankruptcy costs excluded**)							
"Cash" Taxes	\$ 279	\$ 348	\$ 241	\$ 285	\$ 320	\$ 353	\$ 387
Depreciation	125	138	\$ 154	\$ 169	\$ 177	\$ 182	\$ 184
WC Add (as % of sls inc)			-81	45	30	28	29
Capex	198	393	\$ 395	\$ 300	\$ 250	\$ 225	\$ 200
FCF	402.65	337.83	\$ 250	\$ 309	\$ 442	\$ 530	\$ 615
-Int Expense	155	155	\$ 154	\$ 177	\$ 177	\$ 177	\$ 177
+tax sheild	57.35	57.35	\$ 57	\$ 65	\$ 65	\$ 65	\$ 65
Net Income	378	495.18	\$ 313	\$ 373	\$ 433	\$ 489	\$ 548
FCF Equity			\$ 153	\$ 198	\$ 330	\$ 418	\$ 504
=pro forma EPS	4.25	5.56	3.51	4.20	4.87	5.50	6.16
PV FCF		\$ 250	\$ 277	\$ 356	\$ 383	\$ 399	
Terminal Value						\$ 8,578	
PV Term Value						\$ 4,987	

Ce	13.0%
WACC	11.5%
Tax Rate	37%
Share (Mil)	89

<b>TEV (FCF)</b>	<b>\$ 6,651</b>
<b>Less Debt</b>	<b>\$ 1,439</b>
<b>Excess Cash</b>	<b>\$ 200</b>
<b>Equity Value</b>	<b>\$ 5,412</b>
<b>Per Share</b>	<b>\$ 60.81</b>
<b>Current Price</b>	<b>\$ 51.40</b>
<b>Margin of Safety</b>	<b>18.7%</b>