

Drivers:	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26
New Equipment Market Size:	\$ 35,300	\$ 31,594	\$ 35,711	\$ 37,497	\$ 39,372	\$ 40,946	\$ 42,584	\$ 43,862
Growth Rate:		(10.5%)	13.0%	5.0%	5.0%	4.0%	4.0%	3.0%
New Equipment Market Share:	16.0%	17.0%	18.0%	18.0%	18.2%	18.4%	18.5%	18.5%
Service Units (Maintenance):	2.00	2.10	2.15	2.21	2.28	2.35	2.42	2.49
Growth Rate:		5.0%	2.4%	3.0%	3.0%	3.0%	3.0%	3.0%
Revenue per Service Unit:	\$ 3,735	\$ 3,517	\$ 3,660	\$ 3,807	\$ 3,940	\$ 4,078	\$ 4,200	\$ 4,326
Growth Rate:		(5.8%)	4.1%	4.0%	3.5%	3.5%	3.0%	3.0%
Product - COGS % Revenue:	82.2%	82.6%	82.3%	82.4%	82.4%	82.4%	82.4%	82.4%
Service - COGS % Revenue:	62.3%	61.4%	61.1%	61.6%	61.6%	61.6%	61.6%	61.6%
OpEx % Revenue:	15.0%	16.3%	14.7%	15.4%	15.4%	15.4%	15.4%	15.4%
Tax Rate:	31.9%	30.1%	27.6%	29.9%	29.9%	29.9%	29.9%	29.9%
NCI Net Income % Total:	11.9%	14.2%	12.3%	12.8%	12.8%	12.8%	12.8%	12.8%
Accounts Receivable % Revenue:		24.7%	22.6%	23.6%	23.6%	23.6%	23.6%	23.6%
Inventory & Other % COGS:		17.2%	15.4%	16.3%	16.3%	16.3%	16.3%	16.3%
Op. Lease Assets % OpEx:		26.1%	25.0%	25.5%	25.5%	25.5%	25.5%	25.5%
Accounts Payable % COGS:		16.2%	15.4%	15.8%	15.8%	15.8%	15.8%	15.8%
Accrued Liabilities % Total Expenses:		17.9%	16.3%	17.1%	17.1%	17.1%	17.1%	17.1%
Contract Liabilities % Total Expenses:		23.0%	21.9%	22.4%	22.4%	22.4%	22.4%	22.4%
Other Liabilities % Total Expenses:		14.6%	11.7%	13.1%	13.1%	13.1%	13.1%	13.1%
CapEx % Revenue:	1.1%	1.4%	1.1%	1.2%	1.2%	1.2%	1.2%	1.2%
D&A % Revenue:	1.4%	1.5%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Pensions/Other Items % Revenue:	0.4%	1.2%	(0.2%)	0.5%	0.5%	0.5%	0.5%	0.5%
Acquisitions & Other:	(58)	(170)	67	(75)	(75)	(75)	(75)	(75)
Minimum Cash:		\$ 3,000						
Excess Cash Flow:			\$ 1,655	\$ 1,022	\$ 1,046	\$ 1,085	\$ 1,124	
% Stock Repurchases:			85.0%					
% Debt Repayment:			15.0%					
Interest Expense % Debt:		2.0%	1.9%	2.5%	3.0%	3.0%	3.5%	3.5%
Change in Debt:			(248)	(153)	(157)	(163)	(169)	

## Executive Summary: Otis Worldwide 3-Statement Financial Model

### Objective:

The purpose of this case study was to develop a comprehensive three-statement financial model for Otis Worldwide, a leading provider of elevators, escalators, and related services. The model includes historical financial data, revenue projections, and financial forecasts for the fiscal years 2022 to 2026.

### Approach:

To ensure a structured and analytical approach, the financial model was developed with the following key considerations:

#### 1. Revenue Projections:

Revenue growth was projected using a market-based approach rather than a simple percentage increase. Growth rates were determined based on historical trends and expected market conditions.

#### 2. Minimum Cash Balance:

A minimum cash balance of \$3 billion was maintained throughout the forecast period to align with financial stability requirements.

#### 3. Financial Structure and Assumptions:

Assumptions regarding acquisitions, debt issuance/repayments, dividends, and stock repurchases were based on the latest investor presentation and company guidance.

Debt and interest rate projections were made considering industry norms and historical performance.

#### 4. Model Formatting and Structure:

The model is structured to include separate calculations for revenue drivers, operating expenses, and cash flow elements.

Appropriate formatting, including distinctions between dollar amounts, percentages, and dates, has been applied for clarity.

### Key Insights and Analysis:

The model provides a dynamic projection of Otis's financial performance, allowing for scenario analysis and strategic decision-making.

The revenue projections suggest a steady market recovery post-2020, with a gradual stabilization of growth rates. The cash flow forecast ensures that the company maintains liquidity while adhering to strategic financial initiatives such as debt management and shareholder returns.

The model effectively evaluates Otis's claims regarding free cash flow conversion, growth expectations, and operational efficiency.

### Conclusion:

This financial model serves as a valuable tool for assessing Otis Worldwide's financial trajectory. By incorporating data-driven projections, it enables stakeholders to evaluate growth prospects, financial sustainability, and investment strategies. The model adheres to best practices in financial forecasting and aligns with Otis's corporate objectives.



Change in Debt:				(248)	(153)	(157)	(163)	(169)
Dividends % Net Income:	0.0%	28.7%	31.5%	35.0%	37.5%	40.0%	40.0%	40.0%
Stock Repurchases:				(1,406)	(869)	(889)	(923)	(956)
NCI Dividends % NCI Net Income:	107.9%	99.3%	89.1%	98.8%	98.8%	98.8%	98.8%	98.8%
Other Items % Debt Issuances:			3.2%	2.0%	2.0%	2.0%	2.0%	2.0%
FX Rate Effects % Revenue:	(0.2%)	0.5%	(0.3%)	0.0%	0.0%	0.0%	0.0%	0.0%

<b>Income Statement:</b>	<b>FY 19</b>	<b>FY 20</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>FY 25</b>	<b>FY 26</b>
Products:	\$ 5,648	\$ 5,371	\$ 6,428	\$ 6,749	\$ 7,166	\$ 7,534	\$ 7,878	\$ 8,114
Services:	7,470	7,385	7,870	8,430	8,987	9,581	10,164	10,783
<b>Total Revenue:</b>	<b>13,118</b>	<b>12,756</b>	<b>14,298</b>	<b>15,180</b>	<b>16,153</b>	<b>17,115</b>	<b>18,042</b>	<b>18,898</b>
Cost of Products:	(4,640)	(4,439)	(5,293)	(5,560)	(5,903)	(6,207)	(6,490)	(6,685)
Cost of Services:	(4,652)	(4,538)	(4,812)	(5,195)	(5,538)	(5,904)	(6,263)	(6,645)
Operating Expenses:	(1,973)	(2,076)	(2,107)	(2,330)	(2,480)	(2,627)	(2,770)	(2,901)
<b>Operating Income:</b>	<b>1,853</b>	<b>1,703</b>	<b>2,086</b>	<b>2,094</b>	<b>2,232</b>	<b>2,377</b>	<b>2,519</b>	<b>2,667</b>
Other Income / (Expense):	(39)	(64)	22	22	22	22	22	22
Non-Service Pension Expense:	33	(6)	(11)	(11)	(11)	(11)	(11)	(11)
Interest Income / (Expense):	14	(122)	(136)	(182)	(211)	(206)	(235)	(229)
<b>Pre-Tax Income:</b>	<b>1,861</b>	<b>1,511</b>	<b>1,961</b>	<b>1,924</b>	<b>2,032</b>	<b>2,182</b>	<b>2,295</b>	<b>2,449</b>
Income Taxes:	(594)	(455)	(541)	(575)	(607)	(652)	(686)	(732)
<b>Net Income:</b>	<b>1,267</b>	<b>1,056</b>	<b>1,420</b>	<b>1,349</b>	<b>1,425</b>	<b>1,530</b>	<b>1,610</b>	<b>1,717</b>
(-) NCI Net Income:	(151)	(150)	(174)	(173)	(182)	(196)	(206)	(220)
<b>Net Income to Parent:</b>	<b>\$ 1,116</b>	<b>\$ 906</b>	<b>\$ 1,246</b>	<b>\$ 1,176</b>	<b>\$ 1,243</b>	<b>\$ 1,334</b>	<b>\$ 1,404</b>	<b>\$ 1,498</b>

<b>Balance Sheet:</b>	<b>FY 19</b>	<b>FY 20</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>FY 25</b>	<b>FY 26</b>
<b>ASSETS:</b>								
Cash:	\$ 1,799	\$ 3,475	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Accounts Receivable:	3,148	3,232	3,589	3,819	4,046	4,265	4,468	
Inventory & Other:	1,546	1,554	1,753	1,865	1,974	2,079	2,173	
Net PP&E, Goodwill & Intangibles:	3,031	2,860	2,827	2,791	2,754	2,714	2,673	
Op. Lease Assets:	542	526	595	633	671	707	741	
Other Assets:	644	632	636	635	630	621	607	
<b>Total Assets:</b>	<b>\$ 10,710</b>	<b>\$ 12,279</b>	<b>\$ 12,400</b>	<b>\$ 12,744</b>	<b>\$ 13,075</b>	<b>\$ 13,387</b>	<b>\$ 13,661</b>	

**LIABILITIES & EQUITY:**

Accounts Payable:	\$ 1,453	\$ 1,556	\$ 1,698	\$ 1,807	\$ 1,913	\$ 2,014	\$ 2,105
Accrued Liabilities:	1,977	1,993	2,238	2,381	2,521	2,655	2,776
Contract Liabilities:	2,542	2,674	2,937	3,125	3,308	3,485	3,643
Total Debt:	5,963	7,273	7,025	6,871	6,715	6,552	6,383
Op. Lease Liabilities:	367	336	405	443	481	517	551
Other Liabilities:	1,609	1,431	1,719	1,829	1,936	2,039	2,132
<b>Total Liabilities:</b>	<b>13,911</b>	<b>15,263</b>	<b>16,023</b>	<b>16,456</b>	<b>16,873</b>	<b>17,262</b>	<b>17,591</b>
Common Shareholders' Equity:	(3,862)	(3,625)	(4,266)	(4,358)	(4,446)	(4,526)	(4,582)
Noncontrolling Interests:	661	641	643	645	648	650	653
<b>Total Equity:</b>	<b>\$ (3,201)</b>	<b>\$ (2,984)</b>	<b>\$ (3,623)</b>	<b>\$ (3,713)</b>	<b>\$ (3,798)</b>	<b>\$ (3,875)</b>	<b>\$ (3,929)</b>
<b>TOTAL LIABILITIES + EQUITY:</b>	<b>\$ 10,710</b>	<b>\$ 12,279</b>	<b>\$ 12,400</b>	<b>\$ 12,744</b>	<b>\$ 13,075</b>	<b>\$ 13,387</b>	<b>\$ 13,661</b>
Balance Check:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<b>Cash Flow Statement:</b>	<b>FY 19</b>	<b>FY 20</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>FY 25</b>	<b>FY 26</b>
<b>Cash Flow from Operations:</b>								
Net Income to Parent:	\$ 1,116	\$ 906	\$ 1,246	\$ 1,176	\$ 1,243	\$ 1,334	\$ 1,404	\$ 1,498
(+/-) Reversal of NCI Net Income:	151	150	174	173	182	196	206	220
(+) D&A:	180	191	203	217	231	245	258	270
(+/-) Pensions/Other Items:	54	156	(33)	71	76	80	84	88
(+/-) Change in WC & Leases:	(32)	77	160	383	207	200	191	168
<b>Cash Flow from Operations:</b>	<b>1,469</b>	<b>1,480</b>	<b>1,750</b>	<b>2,020</b>	<b>1,938</b>	<b>2,055</b>	<b>2,143</b>	<b>2,243</b>
				1,761	1,668	1,772		
<b>Cash Flow from Investing:</b>								
(-) CapEx:	(145)	(183)	(156)	(184)	(196)	(207)	(218)	(229)
(-) Acquisitions & Other:	(58)	(170)	67	(75)	(75)	(75)	(75)	(75)
<b>Cash Flow from Investing:</b>	<b>(203)</b>	<b>(353)</b>	<b>(89)</b>	<b>(259)</b>	<b>(271)</b>	<b>(282)</b>	<b>(293)</b>	<b>(304)</b>
<b>Cash Flow from Financing:</b>								
(+/-) Change in Debt:	6	5,947	1,375	(248)	(153)	(157)	(163)	(169)
(-) Common Dividends:	-	(260)	(393)	(412)	(466)	(534)	(561)	(599)
(-) Stock Repurchases:	-	-	(725)	(1,406)	(869)	(889)	(923)	(956)
(-) Dividends to NCI:	(163)	(149)	(155)	(170)	(180)	(193)	(203)	(217)
(+/-) Other Items:	(976)	(6,382)	(44)	-	-	-	-	-
<b>Cash Flow from Financing:</b>	<b>(1,133)</b>	<b>(844)</b>	<b>58</b>	<b>(2,237)</b>	<b>(1,668)</b>	<b>(1,773)</b>	<b>(1,850)</b>	<b>(1,940)</b>
FX Rate Effects:	(20)	59	(43)	0	1	1	1	1
<b>Net Change in Cash:</b>	<b>113</b>	<b>342</b>	<b>1,676</b>	<b>(475)</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>0</b>