

# OIL PRODUCTS TRADING BUSINESS

## Business Organisation Scheme

9.2020

### EXECUTIVE SUMMARY

- Subject plan ("**Plan A**") is for the (i) corporate structure, (ii) complete debt/equity financing model, (iii) plans for exit of a back-to-back oil products (gasoline, diesel) trading business relying on a short-term corporate revolver and a receivables discounting facility for funding
- The estimated requirement for the discounting facility is \$50mm on commitment with no recourse to the business and \$6mm for a general purpose corporate revolver
- Options presented for exit:
  - Turn-key sale to an investor who will scale and exit the investment while the Founder keeps a minority share and continues to run the business on a salary
  - Founder keeps the business then liquidates after 5 years, as all balance sheets assets are highly liquid

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### EXECUTIVE SUMMARY - Cont

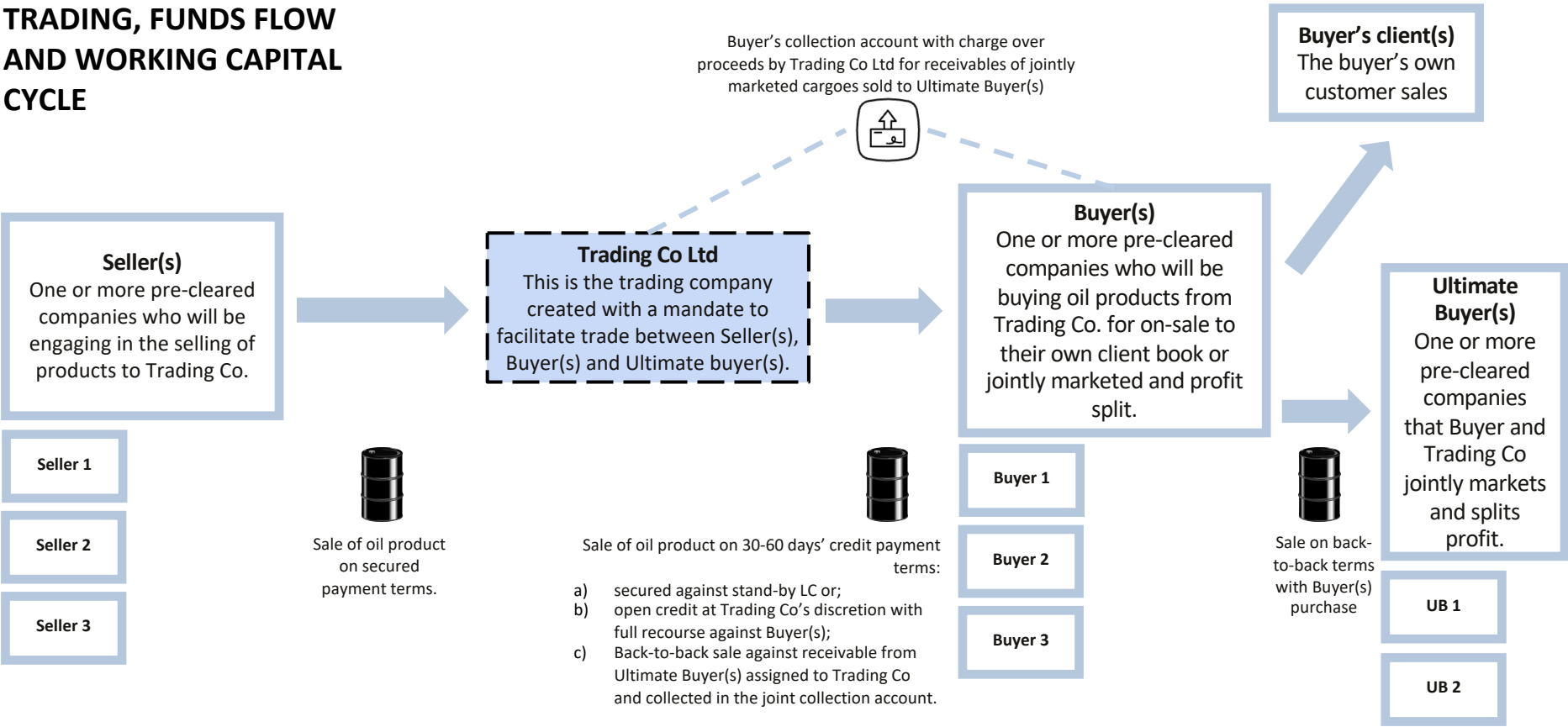
- To address the possibility of the Company not being able to secure a funding facility due to limited track record and an unfavourable commodities financing environment (**Plan "B"**), is presented:
  1. An initial \$12mm equity investment is made into the Company to be used as working capital and the Founder is hired as a Director
  2. The Company divides the \$12mm into \$7.2mm preferred shares paying 22% a share representing 60% ownership and 40% common stock of \$4.8mm
  3. The Director receives 40% common stock while the Investor retains the preferred shares which pay a fixed preferred dividend of \$1.6mm p.a. before taxes.
  4. The earlier of: 6 years from the Investment or after a mandatory 10% IRR hurdle rate is met, the Founder has the option to buy out the Investor's share

# Trading flow

1. Trading Co agrees to sell product to Buyer(s) on 30-60 days' credit terms delivered on DES or DAP incoterms to Buyer(s) port
2. Buyer(s) will unload the vessel and put the product into their own tanks
3. Buyer will then store the product (bunker fuel, ULSD or gasoline) in its on-shore tanks and sell product in smaller lots to a variety of buyers.
4. Trading Co participates in the joint marketing of product from Buyer(s) tank(s). Trading co will receive a ca. 50% profit participation from Buyer(s) sales that it has marketed. Buyer(s) will also sell to third parties.
5. Trading Co. will sell either:
  - a) against a 30-60-day Standby Letter of Credit as security, which it will discount for immediate payment with the issuing bank or another bank;
  - b) Sell on 30-60-days' credit to Buyer and discount the receivable for immediate payment;
  - c) Sell on 30-60-days' credit to Buyer, who will back-to-back sell it to an Ultimate Buyer with the receivable assigned to the Trading Co and proceeds of payment deposited into a charged joint bank account

Note: If the 30-60 day receivable instrument can be discounted, the total payment cycle is 5-7 days. If the instrument cannot be discounted, the cycle increases to 65-67 days, limiting the amount of cargoes that can be traded in a year.

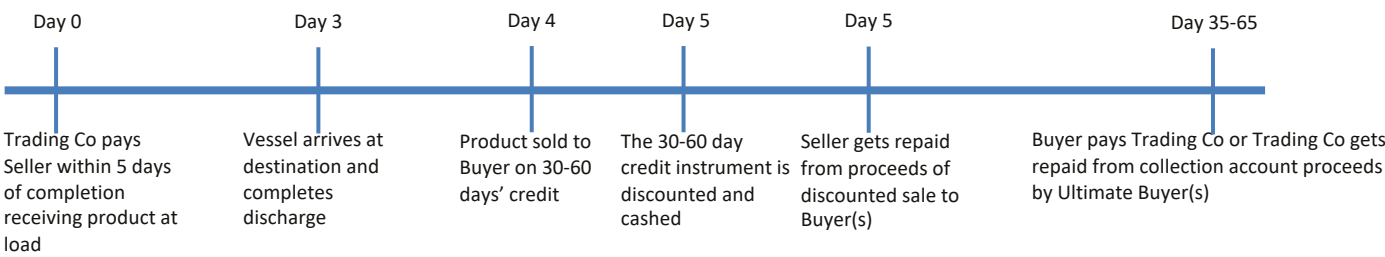
TRADING, FUNDS FLOW  
AND WORKING CAPITAL  
CYCLE



Funds flow



WC cycle



# Key Assumptions - General

TRADING AND BUSINESS MODEL	
Product	Gasoline 10ppm FOB
Freight	\$8/mt
Shipment size	30,000mt
Cargo insurance	0.2% of CIF value
All-in cost for Trade finance (LC discounting and receivables discounting fees annualized)	4.00% p.a. or \$2.30/mt calculated on top of the CIF price. The size of the facility should be 30,000,000.00 to accommodate up to 3 cargoes at any given time.
Cost on short-term revolver for general corporate purposes	2.5% p.a. for a \$2,000,000.00 revolver secured against receivables, inventory.
Trade finance haircut	10%, meaning 90% of the DES or DAP incoterm invoice value will be financed
Trade finance duration	The L/C or receivable will on average extend 65 days' credit
Costs of trade/overheads	TradeCo will incur \$1/mt of trading costs and overheads
Trading PnL	TradeCo will make \$4/mt of PnL while selling cargoes on top of FOB, Insurance, Finance cost and freight
Marketing PnL	Trade Co will split a total \$30/mt of PnL 50%/50% with the Buyer in case Trade Co has successfully marketed product to an Ultimate Buyer.
Cargoes sold	Year 0: 6 cargoes sold, 2 cargoes marketed Year 1: 6 cargoes sold, 2 cargoes marketed Year 2: 4 cargoes sold, 4 cargoes marketed Year 3: 6 cargoes sold, 6 cargoes marketed Year 4: 16 cargoes sold, 8 cargoes marketed Year 5: 8 cargoes sold, 10 cargoes marketed
Capex	\$60,000 for office supplies and will be amortized to 0 in year 6.
Various assumptions	Inflation at 2.0% p.a., \$2,000 for initial setup and incorporation,

# Key Assumptions - Valuation

CAPITAL STRUCTURE	
Corporate Income Tax	14%
WACC	20.0%
Perpetuity growth	2.0%
Liquidation haircut	80.0% of equity can be recovered as the Balance sheet consists of highly liquid assets - high quality discountable receivables and liquid inventory.
Debt	All debt in the company is short-term and self-liquidating. Over the Investment term \$1.8mm of revolver debt will need to be assumed and \$120mm of total trade finance debt assumed and liquidated over the period, with no more than \$20mm outstanding at any given time.

LBO	
EBITDA multiple at sale Year 5	8.7x
Leverage	80.0%, being \$8.68mm borrowed at 5.00% p.a. and 2% arrangement fee
Hurdle rate	30.0%
Debt repayments	<ul style="list-style-type: none"> <li>a) Linear amortization</li> <li>b) Bullet repayment at maturity</li> <li>c) Accelerated 60%</li> </ul>
Debt	All debt in the company is short-term and self-liquidating. Over the Investment term \$1.8mm of revolver debt will need to be assumed and \$120mm of trade finance debt assumed and liquidated over the period. No dividends are proposed over the investment period, as cash on balance sheet will be used for W/C support. 100% monetization at sale.

# Analysis

ANALYSIS							
	<i>GROWTH</i>	<i>Year 0</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
	Sales		2.0%	-30.1%	53.0%	166.6%	-47.4%
	EBITDA		2.0%	34.0%	53.0%	71.5%	-4.2%
	Cash from Operations		-104.2%	76.8%	67.7%	70.3%	4.7%
	Cash from Operations (before changes in W/C)		4.3%	51.8%	53.0%	60.1%	4.4%
	Net Income		4.4%	52.3%	53.3%	60.3%	4.7%
	<i>PROFITABILITY</i>						
	EBIT margin	2.8%	2.8%	5.4%	5.4%	3.5%	6.3%
	EBITDA margin	2.8%	2.8%	5.4%	5.4%	3.5%	6.3%
	Net income margin	1.9%	2.0%	4.3%	4.3%	2.6%	5.1%
	<i>CREDIT</i>						
	Total debt	20,900,124.00	19,982,126.48	19,871,769.01	20,269,204.39	20,674,588.48	21,088,080.25
	Net debt	20,842,847.77	19,963,723.96	18,409,258.64	15,802,278.53	11,362,915.82	6,714,958.85
	Equity	1,255,457.57	2,563,587.49	4,555,879.04	7,609,681.90	12,505,043.82	17,630,359.98
	Net Debt / Equity	16.60x	7.79x	4.04x	2.08x	0.91x	0.38x
	Net debt / EBITDA	11.24x	10.56x	7.26x	4.08x	1.71x	1.05x
	EBITDA / Net interest expense	4.44x	4.82x	9.81x	9.81x	6.19x	11.62x
	Dividend payout ratio	-	-	-	-	-	-
	<i>ASSET TURNOVER</i>						
	OWC to sales	1.8%	3.7%	6.6%	4.4%	1.7%	3.2%
	Invested capital	22,098,305.34	22,527,311.45	22,965,137.68	23,411,960.43	23,867,959.64	24,345,318.83
	Invested capital to sales	33.6%	33.6%	49.1%	32.7%	12.5%	24.3%
	<i>RETURNS</i>						
	Net Operating profit after Tax (NOPAT)	1,620,815.70	1,653,443.21	2,219,624.58	3,401,622.41	5,841,431.08	5,607,811.44
	Return on invested capital		7.4%	9.8%	14.7%	24.7%	23.3%
	Return on equity		68.5%	56.0%	50.2%	48.7%	34.0%

# Income Statement

TRADING CO LTD						
No of cargoes pa Sold		6.00	4.00	6.00	16.00	8.00
No of cargoes pa Marketed		2.00	4.00	6.00	8.00	10.00
Year		1	2	3	4	5
INCOME STATEMENT						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	64,800,916.02	66,096,934.34	44,945,915.35	68,767,250.49	187,046,921.33	95,393,929.88
Marketing revenue	900,000.00	918,000.00	1,872,720.00	2,865,261.60	3,896,755.78	4,968,363.61
Cost of Goods Sold	(63,540,000.00)	(64,810,800.00)	(44,071,344.00)	(67,429,156.32)	(183,407,305.19)	(93,537,725.65)
Gross margin	2,160,916.02	2,204,134.34	2,747,291.35	4,203,355.77	7,536,371.91	6,824,567.84
Corporate overheads	(180,000.00)	(183,600.00)	(124,848.00)	(191,017.44)	(519,567.44)	(264,979.39)
Insurance	(127,080.00)	(129,621.60)	(88,142.69)	(134,858.31)	(366,814.61)	(187,075.45)
Depreciation	(12,000.00)	(12,000.00)	(12,000.00)	(12,000.00)	(12,000.00)	-
Financing charges	(417,452.42)	(392,401.47)	(258,333.00)	(395,249.49)	(1,075,078.60)	(548,290.09)
Tax	(170,926.03)	(178,381.35)	(271,676.12)	(416,427.66)	(667,549.35)	(698,906.75)
Net Income	1,253,457.57	1,308,129.92	1,992,291.55	3,053,802.87	4,895,361.91	5,125,316.16



# Statement of Cash Flows

CASH FLOW STATEMENT							
	Net Income	1,253,457.57	1,308,129.92	1,992,291.55	3,053,802.87	4,895,361.91	5,125,316.16
	Depreciation	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	-
	Change in AR	(22,050,305.34)	(441,006.11)	(449,826.23)	(458,822.75)	(467,999.21)	(477,359.19)
	Change in inventory	(10,590,000.00)	(211,800.00)	(216,036.00)	(220,356.72)	(224,763.85)	(229,259.13)
	Change in AP	10,590,000.00	211,800.00	216,036.00	220,356.72	224,763.85	229,259.13
	CASH FLOW FROM OPERATIONS	(20,784,847.77)	879,123.81	1,554,465.32	2,606,980.11	4,439,362.70	4,647,956.97
	Purchase of equipment & IT	(60,000.00)	-	-	-	-	-
	INVESTING CASH FLOW	(60,000.00)	-	-	-	-	-
	Incorporation	2,000.00					
	Proceeds from trade finance	19,100,124.00	19,482,126.48	19,871,769.01	20,269,204.39	20,674,588.48	21,088,080.25
	Repayments of trade finance	-	(19,100,124.00)	(19,482,126.48)	(19,871,769.01)	(20,269,204.39)	(20,674,588.48)
	Proceeds / (repayments) from corporate revolver	1,800,000.00	(1,300,000.00)	(500,000.00)			
	CASH FLOW FROM FINANCING	20,902,124.00	(917,997.52)	(110,357.47)	397,435.38	405,384.09	413,491.77
	Beginning cash	-	57,276.23	18,402.52	1,462,510.37	4,466,925.86	9,311,672.66
	Change in cash for the period	57,276.23	(38,873.71)	1,444,107.85	3,004,415.49	4,844,746.79	5,061,448.74
	Ending cash	57,276.23	18,402.52	1,462,510.37	4,466,925.86	9,311,672.66	14,373,121.40

# Balance Sheet

<b>BALANCE SHEET</b>						
Cash	57,276.23	18,402.52	1,462,510.37	4,466,925.86	9,311,672.66	14,373,121.40
Accounts receivable	22,050,305.34	22,491,311.45	22,941,137.68	23,399,960.43	23,867,959.64	24,345,318.83
Inventory	10,590,000.00	10,801,800.00	11,017,836.00	11,238,192.72	11,462,956.57	11,692,215.71
<b>TOTAL CURRENT ASSETS</b>	<b>32,697,581.57</b>	<b>33,311,513.97</b>	<b>35,421,484.05</b>	<b>39,105,079.01</b>	<b>44,642,588.87</b>	<b>50,410,655.93</b>
Office equipment & IT	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	-
Accumulated depreciation	(12,000.00)	(24,000.00)	(36,000.00)	(48,000.00)	(60,000.00)	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>48,000.00</b>	<b>36,000.00</b>	<b>24,000.00</b>	<b>12,000.00</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>32,745,581.57</b>	<b>33,347,513.97</b>	<b>35,445,484.05</b>	<b>39,117,079.01</b>	<b>44,642,588.87</b>	<b>50,410,655.93</b>
Accounts Payable	10,590,000.00	10,801,800.00	11,017,836.00	11,238,192.72	11,462,956.57	11,692,215.71
Trade finance debt assumed	19,100,124.00	19,482,126.48	19,871,769.01	20,269,204.39	20,674,588.48	21,088,080.25
Short-term revolver debt	1,800,000.00	500,000.00	-	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>31,490,124.00</b>	<b>30,783,926.48</b>	<b>30,889,605.01</b>	<b>31,507,397.11</b>	<b>32,137,545.05</b>	<b>32,780,295.95</b>
<b>EQUITY</b>						
Statutory capital	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Net income for the year	1,253,457.57	1,308,129.92	1,992,291.55	3,053,802.87	4,895,361.91	5,125,316.16
Dividends for the year	-	-	-	-	-	-
Retained earnings	1,253,457.57	2,561,587.49	4,553,879.04	7,607,681.90	12,503,043.82	17,628,359.98
<b>TOTAL EQUITY</b>	<b>1,255,457.57</b>	<b>2,563,587.49</b>	<b>4,555,879.04</b>	<b>7,609,681.90</b>	<b>12,505,043.82</b>	<b>17,630,359.98</b>

# DCF

DISCOUNTED CASH FLOW ANALYSIS						
EBIT	1,841,836.02	1,878,912.74	2,522,300.66	3,865,480.02	6,637,989.87	6,372,513.00
Tax	(221,020.32)	(225,469.53)	(302,676.08)	(463,857.60)	(796,558.78)	(764,701.56)
Net W/C excl cash	1,150,181.34	2,509,184.97	3,069,368.67	3,130,756.04	3,193,371.16	3,257,238.58
EBIT*(1-t)	1,620,815.70	1,653,443.21	2,219,624.58	3,401,622.41	5,841,431.08	5,607,811.44
DD&A	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	-
Capex	(60,000.00)	-	-	-	-	-
Change in W/C	(1,150,181.34)	(1,359,003.63)	(560,183.70)	(61,387.37)	(62,615.12)	(63,867.42)
<b>FCFF</b>	<b>422,634.36</b>	<b>306,439.58</b>	<b>1,671,440.88</b>	<b>3,352,235.04</b>	<b>5,790,815.96</b>	<b>5,543,944.02</b>
Year	1.00	2.00	3.00	4.00	5.00	6.00
Discount	0.83	0.69	0.58	0.48	0.40	0.33
PV of FCFF	352,195.30	212,805.27	967,269.03	1,616,625.69	2,327,199.06	1,856,655.63
Terminal value						10,521,048.59
PV of TV	3,523,477.89					
PV of FCF	7,332,749.98	67.54%				
PV of TV	3,523,477.89	32.46%				
<b>Enterprise value</b>	<b>10,856,227.87</b>	100.00%				
<b>Equity value</b>	<b>10,856,227.87</b>					
DCF SENSITIVITY TABLE	EV	GROWTH				
	<b>10,856,227.87</b>	<b>1.0%</b>	<b>1.5%</b>	<b>2.0%</b>	<b>2.5%</b>	<b>3.0%</b>
	<b>25.0%</b>	7,717,206.18	7,759,424.37	7,803,478.13	7,849,489.84	7,897,592.99
	<b>24.0%</b>	8,177,311.53	8,227,573.55	8,280,120.21	8,335,110.90	8,392,720.19
	<b>23.0%</b>	8,689,379.53	8,749,492.96	8,812,468.93	8,878,516.90	8,947,867.26
	<b>22.0%</b>	9,262,396.67	9,334,649.94	9,410,515.88	9,490,272.38	9,574,226.60
	<b>21.0%</b>	9,907,399.56	9,994,713.82	10,086,623.56	10,183,501.40	10,285,761.34
	<b>20.0%</b>	10,638,055.86	10,744,193.60	<b>10,856,227.87</b>	10,974,664.10	11,100,067.17
	<b>19.0%</b>	11,471,445.54	11,601,301.45	11,738,795.94	11,884,623.43	12,039,565.13
	<b>18.0%</b>	12,429,126.59	12,589,139.09	12,759,152.36	12,940,134.23	13,133,181.57
	<b>17.0%</b>	13,538,611.00	13,737,354.38	13,949,347.33	14,175,960.47	14,418,760.27
	<b>16.0%</b>	14,835,444.32	15,084,497.27	15,351,339.72	15,637,948.28	15,946,603.65
	<b>15.0%</b>	16,366,193.12	16,681,440.00	17,020,936.63	17,387,593.00	17,784,804.06
	<b>14.0%</b>	18,192,832.22	18,596,460.99	19,033,725.48	19,509,012.98	20,027,508.43
	<b>WACC</b>					

# LBO

					IRR LBO							
x	EBITDA sales multiple	8.70x				Date	3/1/21	1/1/22	1/1/23	1/1/24	1/1/25	1/1/26
%	Leverage	80.0%				Terminal year EBITDA						6,372,513.00
%	Interest on debt	5.0%				EBITDA sale multiple						
%	Arrangement	2.0%										
Date	Investment	3/1/21	OK			Purchase / Sale	(10,856,227.87)	-	-	-	-	55,440,863.10
Date	Financial y.e. of investment	12/31/21				Leverage	8,684,982.29					
	Days left from first year	305.00				Arrangement	(217,124.56)					
Value	Amortisation type	Linear	Linear									
	If accelerated, %	60.0%	Bullet			Accelerated						
			Accelerated			Interest	(453,271.66)	(282,261.92)	(178,042.14)	(136,354.22)	(119,679.06)	(113,008.99)
%	Hurdle rate	30.0%				Principal repayment	-	(5,210,989.38)	(2,084,395.75)	(833,758.30)	(333,503.32)	(133,401.33)
						Balance payment						(88,934.22)
						Ac	Net CF	(2,841,641.79)	(5,493,251.30)	(2,262,437.89)	(970,112.52)	(453,182.38)
							Principal check	-				55,105,518.56
						Linear						
						Interest	(453,271.66)	(455,961.57)	(369,111.75)	(282,261.92)	(195,412.10)	(108,562.28)
						Principal repayment	-	(1,736,996.46)	(1,736,996.46)	(1,736,996.46)	(1,736,996.46)	(1,736,996.46)
						Balance repayment	-	-	-	-	-	-
						Lin	Net CF	(2,841,641.79)	(2,192,958.03)	(2,106,108.21)	(2,019,258.38)	(1,932,408.56)
							Principal check	-				53,595,304.36
						Bullet						
						Interest	(453,271.66)	(542,811.39)	(542,811.39)	(542,811.39)	(542,811.39)	(542,811.39)
						Principal repayment	-	-	-	-	-	(8,684,982.29)
						Balance repayment	-	-	-	-	-	-
						Bu	Net CF	(2,841,641.79)	(2,931,181.52)	(2,931,181.52)	(2,931,181.52)	46,213,069.41
							Principal check	-				
						Match						
						Date	3/1/21	1/1/22	1/1/23	1/1/24	1/1/25	1/1/26
						Repayment: Linear						
						Net CF	(2,841,641.79)	(2,192,958.03)	(2,106,108.21)	(2,019,258.38)	(1,932,408.56)	53,595,304.36
						IRR	56.14%					
						NPV	7,483,164.85					
						Cash-on-cash	4.83x					

Match							
Date		3/1/21	1/1/22	1/1/23	1/1/24	1/1/25	1/1/26
Repayment: Bullet							
Net CF		(2,841,641.79)	(2,931,181.52)	(2,931,181.52)	(2,931,181.52)	(2,931,181.52)	46,213,069.41
IRR		42.25%					
NPV		3,510,802.42					
Cash-on-cash		3.17x					

Match							
Date		3/1/21	1/1/22	1/1/23	1/1/24	1/1/25	1/1/26
Repayment: Accelerated							
Net CF		(2,841,641.79)	(5,493,251.30)	(2,262,437.89)	(970,112.52)	(453,182.38)	55,105,518.56
IRR		47.75%					
NPV		6,200,238.21					
Cash-on-cash		4.58x					

# Summary

	<i>Accelerated</i>	<i>Linear</i>	<i>Bullet</i>
IRR	47.75%	56.14%	42.25%
NPV	6,200,238.21	7,483,164.85	3,510,802.42
Cash-on-cash	4.58x	4.83x	3.17x

<i>Debt Amortisation</i>	3/1/21	1/1/22	1/1/23	1/1/24	1/1/25	1/1/26
Beginning	8,684,982.29	8,684,982.29	3,473,992.92	1,389,597.17	555,838.87	222,335.55
Accelerated Repayment schedule	-	(5,210,989.38)	(2,084,395.75)	(833,758.30)	(333,503.32)	(222,335.55)
<b>Remaining Balance</b>	<b>8,684,982.29</b>	<b>3,473,992.92</b>	<b>1,389,597.17</b>	<b>555,838.87</b>	<b>222,335.55</b>	<b>0.00</b>
						TRUE
Beginning	8,684,982.29	8,684,982.29	6,947,985.84	5,210,989.38	3,473,992.92	1,736,996.46
Linear Repayment schedule	-	(1,736,996.46)	(1,736,996.46)	(1,736,996.46)	(1,736,996.46)	(1,736,996.46)
<b>Remaining Balance</b>	<b>8,684,982.29</b>	<b>6,947,985.84</b>	<b>5,210,989.38</b>	<b>3,473,992.92</b>	<b>1,736,996.46</b>	<b>-</b>
						TRUE
Beginning	8,684,982.29	8,684,982.29	8,684,982.29	8,684,982.29	8,684,982.29	8,684,982.29
Bullet Repayment schedule	-	-	-	-	-	(8,684,982.29)
<b>Remaining Balance</b>	<b>8,684,982.29</b>	<b>8,684,982.29</b>	<b>8,684,982.29</b>	<b>8,684,982.29</b>	<b>8,684,982.29</b>	<b>-</b>
						TRUE

EV	GROWTH				
<b>10,856,227.87</b>	<b>1.0%</b>	<b>1.5%</b>	<b>2.0%</b>	<b>2.5%</b>	<b>3.0%</b>
<b>25.0%</b>	7,717,206.18	7,759,424.37	7,803,478.13	7,849,489.84	7,897,592.99
<b>24.0%</b>	8,177,311.53	8,227,573.55	8,280,120.21	8,335,110.90	8,392,720.19
<b>23.0%</b>	8,689,379.53	8,749,492.96	8,812,468.93	8,878,516.90	8,947,867.26
<b>22.0%</b>	9,262,396.67	9,334,649.94	9,410,515.88	9,490,272.38	9,574,226.60
<b>21.0%</b>	9,907,399.56	9,994,713.82	10,086,623.56	10,183,501.40	10,285,761.34
<b>20.0%</b>	10,638,055.86	10,744,193.60	<b>10,856,227.87</b>	10,974,664.10	11,100,067.17
<b>19.0%</b>	11,471,445.54	11,601,301.45	11,738,795.94	11,884,623.43	12,039,565.13
<b>18.0%</b>	12,429,126.59	12,589,139.09	12,759,152.36	12,940,134.23	13,133,181.57
<b>17.0%</b>	13,538,611.00	13,737,354.38	13,949,347.33	14,175,960.47	14,418,760.27
<b>16.0%</b>	14,835,444.32	15,084,497.27	15,351,339.72	15,637,948.28	15,946,603.65
<b>15.0%</b>	16,366,193.12	16,681,440.00	17,020,936.63	17,387,593.00	17,784,804.06
<b>14.0%</b>	18,192,832.22	18,596,460.99	19,033,725.48	19,509,012.98	20,027,508.43
<b>WACC</b>					

# Key Assumptions – General – Plan "B"

TRADING AND BUSINESS MODEL	
Product	Gasoline 10ppm FOB
Freight	\$8/mt
Shipment size	30,000mt
Cargo insurance	0.2% of CIF value
All-in cost for Trade finance (LC discounting and receivables discounting fees annualized)	4.00% p.a. or \$2.30/mt calculated on top of the CIF price. The size of the facility should be 30,000,000.00 to accommodate up to 3 cargoes at any given time.
Costs of trade/overheads	TradeCo will incur \$1/mt of trading costs and overheads
Trading PnL	TradeCo will make \$4/mt of PnL while selling cargoes on top of FOB, Insurance, Finance cost and freight
Marketing PnL	Trade Co will split a total \$30/mt of PnL 50%/50% with the Buyer in case Trade Co has successfully marketed product to an Ultimate Buyer.
Cargoes sold	Year 0: 5 cargoes sold, 2 cargoes marketed Year 1: 5 cargoes sold, 2 cargoes marketed Year 2: 6 cargoes sold, 2 cargoes marketed Year 3: 6 cargoes sold, 2 cargoes marketed Year 4: 6 cargoes sold, 2 cargoes marketed Year 5: 6 cargoes sold, 2 cargoes marketed
Capex	\$60,000 for office supplies and will be amortized to 0 in year 6.
Various assumptions	Inflation at 2.0% p.a., \$2,000 for initial setup and incorporation,

# Key Assumptions – Valuation - Plan "B"

CAPITAL STRUCTURE	
Corporate Income Tax	10%
WACC	20.0%
Perpetuity growth	2.0%
Liquidation haircut	80.0% of equity can be recovered as the Balance sheet consists of highly liquid assets - high quality discountable receivables and liquid inventory.
Debt	There is no debt in the Company as we assume worst case that the lack of track record precludes borrowing.

# Analysis

ANALYSIS							
	GROWTH	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	Sales		1.0%	20.9%	1.0%	1.0%	1.0%
	EBITDA		1.0%	10.5%	1.0%	1.0%	1.0%
	Cash from Operations		-111.2%	8.8%	1.0%	1.0%	0.9%
	Cash from Operations (before changes in W/C)		1.0%	8.1%	1.0%	1.0%	0.9%
	Net Income		1.0%	8.1%	1.0%	1.0%	1.8%
	PROFITABILITY						
	EBIT margin	3.1%	3.1%	2.8%	2.8%	2.8%	2.8%
	EBITDA margin	3.1%	3.1%	2.8%	2.8%	2.8%	2.8%
	Net income margin	2.2%	2.2%	2.0%	2.0%	2.0%	2.0%
	CREDIT						
	Total debt	-	-	-	-	-	-
	Net debt	(1,911,635.30)	(1,447,105.23)	(1,080,738.97)	(726,534.65)	(384,613.89)	(53,659.51)
	Equity	13,209,787.97	12,845,759.43	12,581,019.71	12,329,578.20	12,091,567.87	11,877,683.04
	Net Debt / Equity	(0.14x)	(0.11x)	(0.09x)	(0.06x)	(0.03x)	(0.00x)
	Net debt / EBITDA	(1.13x)	(0.85x)	(0.57x)	(0.38x)	(0.20x)	(0.03x)
	EBITDA / Net interest expense	5.46x	5.46x	4.98x	4.98x	4.98x	4.98x
	Dividend payout ratio	0.0%	129.8%	120.1%	118.9%	117.7%	115.6%
	ASSET TURNOVER						
	OWC to sales	20.5%	20.5%	17.1%	17.1%	17.1%	17.1%
	Invested capital	11,298,152.67	11,398,654.20	11,500,280.74	11,603,043.55	11,706,953.98	11,824,023.52
	Invested capital to sales	20.6%	20.6%	17.2%	17.1%	17.1%	17.1%
	RETURNS						
	Net Operating profit after Tax (NOPAT)	1,480,919.75	1,495,834.55	1,653,606.35	1,670,248.01	1,687,056.09	1,714,592.25
	Return on invested capital		13.2%	14.4%	14.5%	14.5%	14.6%
	Return on equity		9.4%	10.4%	10.7%	11.0%	11.4%



# Income Statement

TRADING CO LTD						
No of cargoes pa Sold		5.00	6.00	6.00	6.00	6.00
No of cargoes pa Marketed		2.00	2.00	2.00	2.00	2.00
Year		1	2	3	4	5
INCOME STATEMENT						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	54,000,763.35	54,540,770.98	66,103,414.43	66,764,448.58	67,432,093.06	68,106,413.99
Marketing revenue	900,000.00	909,000.00	918,090.00	927,270.90	936,543.61	945,909.05
Cost of Goods Sold	(52,950,000.00)	(53,479,500.00)	(64,817,154.00)	(65,465,325.54)	(66,119,978.80)	(66,781,178.58)
Gross margin	1,950,763.35	1,970,270.98	2,204,350.43	2,226,393.94	2,248,657.88	2,271,144.45
Corporate overheads	(150,000.00)	(151,500.00)	(183,618.00)	(185,454.18)	(187,308.72)	(189,181.81)
Insurance	(105,900.00)	(106,959.00)	(129,634.31)	(130,930.65)	(132,239.96)	(133,562.36)
Depreciation	(12,000.00)	(12,000.00)	(12,000.00)	(12,000.00)	(12,000.00)	-
Financing charges	(310,377.02)	(313,480.79)	(379,938.71)	(383,738.10)	(387,575.48)	(391,451.23)
Tax	(164,698.36)	(166,359.74)	(179,899.13)	(181,712.52)	(183,544.05)	(186,833.89)
Net Income	1,207,787.97	1,219,971.45	1,319,260.28	1,332,558.49	1,345,989.67	1,370,115.17

# Statement of Cash Flows

CASH FLOW STATEMENT						
Net Income	1,207,787.97	1,219,971.45	1,319,260.28	1,332,558.49	1,345,989.67	1,370,115.17
Depreciation	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	-
Change in AR	(11,250,152.67)	(112,501.53)	(113,626.54)	(114,762.81)	(115,910.44)	(117,069.54)
Change in inventory	(10,590,000.00)	(105,900.00)	(106,959.00)	(108,028.59)	(109,108.88)	(110,199.96)
Change in AP	10,590,000.00	105,900.00	106,959.00	108,028.59	109,108.88	110,199.96
CASH FLOW FROM OPERATIONS	(10,030,364.70)	1,119,469.93	1,217,633.74	1,229,795.68	1,242,079.24	1,253,045.63
Purchase of equipment & IT	(60,000.00)	-	-	-	-	-
INVESTING CASH FLOW	(60,000.00)	-	-	-	-	-
Incorporation & Equity	12,002,000.00					
Proceeds from trade finance	-	-	-	-	-	-
Dividends						
Preferred dividends at 0.22 pa	-	(1,584,000.00)	(1,584,000.00)	(1,584,000.00)	(1,584,000.00)	(1,584,000.00)
Repayments of trade finance	-	-	-	-	-	-
Proceeds / (repayments) from corporate revolver						
CASH FLOW FROM FINANCING	12,002,000.00	(1,584,000.00)	(1,584,000.00)	(1,584,000.00)	(1,584,000.00)	(1,584,000.00)
Beginning cash	-	1,911,635.30	1,447,105.23	1,080,738.97	726,534.65	384,613.89
Change in cash for the period	1,911,635.30	(464,530.07)	(366,366.26)	(354,204.32)	(341,920.76)	(330,954.37)
Ending cash	1,911,635.30	1,447,105.23	1,080,738.97	726,534.65	384,613.89	53,659.51

# Balance Sheet

<b>BALANCE SHEET</b>						
Cash	1,911,635.30	1,447,105.23	1,080,738.97	726,534.65	384,613.89	53,659.51
Accounts receivable	11,250,152.67	11,362,654.20	11,476,280.74	11,591,043.55	11,706,953.98	11,824,023.52
Inventory	10,590,000.00	10,695,900.00	10,802,859.00	10,910,887.59	11,019,996.47	11,130,196.43
TOTAL CURRENT ASSETS	23,751,787.97	23,505,659.43	23,359,878.71	23,228,465.79	23,111,564.33	23,007,879.47
Office equipment & IT	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	-
Accumulated depreciation	(12,000.00)	(24,000.00)	(36,000.00)	(48,000.00)	(60,000.00)	-
TOTAL NON-CURRENT ASSETS	48,000.00	36,000.00	24,000.00	12,000.00	-	-
TOTAL ASSETS	23,799,787.97	23,541,659.43	23,383,878.71	23,240,465.79	23,111,564.33	23,007,879.47
Accounts Payable	10,590,000.00	10,695,900.00	10,802,859.00	10,910,887.59	11,019,996.47	11,130,196.43
Trade finance debt assumed	-	-	-	-	-	-
Short-term revolver debt	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	10,590,000.00	10,695,900.00	10,802,859.00	10,910,887.59	11,019,996.47	11,130,196.43
EQUITY						
Statutory capital and Class "A" shares	12,002,000.00	4,802,000.00	4,802,000.00	4,802,000.00	4,802,000.00	4,802,000.00
Class "B" Preferred shares (1000 shares at \$7,200 each)	-	7,200,000.00	7,200,000.00	7,200,000.00	7,200,000.00	7,200,000.00
Net income for the year	1,207,787.97	1,219,971.45	1,319,260.28	1,332,558.49	1,345,989.67	1,370,115.17
Preferred dividends for the year	-	(1,584,000.00)	(1,584,000.00)	(1,584,000.00)	(1,584,000.00)	(1,584,000.00)
Common stock dividends for the year	-	-	-	-	-	-
Retained earnings	1,207,787.97	843,759.43	579,019.71	327,578.20	89,567.87	(124,316.96)
TOTAL EQUITY	13,209,787.97	12,845,759.43	12,581,019.71	12,329,578.20	12,091,567.87	11,877,683.04

# DCF

DISCOUNTED CASH FLOW ANALYSIS						
EBIT	1,682,863.35	1,699,811.98	1,879,098.12	1,898,009.11	1,917,109.20	1,948,400.29
Tax	(201,943.60)	(203,977.44)	(225,491.77)	(227,761.09)	(230,053.10)	(233,808.03)
Net W/C excl cash	11,250,152.67	11,362,654.20	11,476,280.74	11,591,043.55	11,706,953.98	11,824,023.52
EBIT*(1-t)	1,480,919.75	1,495,834.55	1,653,606.35	1,670,248.01	1,687,056.09	1,714,592.25
DD&A	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	-
Capex	(60,000.00)	-	-	-	-	-
Change in W/C	(11,250,152.67)	(112,501.53)	(113,626.54)	(114,762.81)	(115,910.44)	(117,069.54)
<b>FCFF</b>	<b>(9,817,232.92)</b>	<b>1,395,333.02</b>	<b>1,551,979.81</b>	<b>1,567,485.21</b>	<b>1,583,145.66</b>	<b>1,597,522.71</b>
Year	1.00	2.00	3.00	4.00	5.00	6.00
Discount	0.91	0.83	0.75	0.68	0.62	0.56
PV of FCFF	(8,924,757.20)	1,153,167.78	1,166,025.40	1,070,613.49	983,008.90	901,759.92
Terminal value						11,497,439.04
PV of TV	6,490,004.60					
PV of FCF	(3,650,181.71)	-128.54%				
PV of TV	6,490,004.60	228.54%				
<b>Enterprise value</b>	<b>2,839,822.89</b>	100.00%				
DCF SENSITIVITY TABLE						
	EV	GROWTH				
	2,839,822.89	1.0%	1.5%	2.0%	2.5%	3.0%
	15.0%	(1,933,126.88)	(1,842,286.49)	(1,744,458.38)	(1,638,804.02)	(1,524,345.12)
	14.0%	(1,436,154.54)	(1,319,846.34)	(1,193,845.80)	(1,056,888.69)	(907,480.93)
	13.0%	(829,481.68)	(678,586.60)	(513,973.78)	(333,683.56)	(135,364.31)
	12.0%	(79,575.63)	119,233.73	337,924.01	579,634.33	848,201.35
	11.0%	861,131.49	1,127,903.75	1,424,317.38	1,755,603.19	2,128,299.74
	10.0%	2,062,153.49	2,428,115.56	2,839,822.89	3,306,424.53	3,839,683.54
	9.0%	3,628,815.87	4,144,726.31	4,734,338.25	5,414,659.71	6,208,368.08
	8.0%	5,728,035.79	6,480,948.00	7,359,345.57	8,397,451.80	9,643,179.27
	7.0%	8,639,922.82	9,789,879.68	11,169,827.93	12,856,431.34	14,964,685.59
	6.0%	12,871,358.10	14,741,480.41	17,079,133.29	20,084,686.99	24,092,091.93
	5.0%	19,440,027.79	22,775,879.38	27,223,681.50	33,450,604.46	42,790,988.91
	4.0%	30,726,658.28	37,644,793.56	48,021,996.49	65,317,334.70	99,908,011.12
	WACC					

# Summary

	Sale Terminal Year EBITDA x	8.70x	
	First year of operations	1/1/21	
	External equity holder %	60.0%	

IRR Plan "B"						
Date	1/1/21	1/1/22	1/1/23	1/1/24	1/1/25	1/1/26
Cash out	(12,062,000.00)					
Preferred dividend (pre-tax)	-	1,584,000.00	1,584,000.00	1,584,000.00	1,584,000.00	1,584,000.00
Common dividend (pre-tax)	-	-	-	-	-	-
Sale						16,951,082.51
<i>Total CF</i>	(12,062,000.00)	1,584,000.00	1,584,000.00	1,584,000.00	1,584,000.00	18,535,082.51
CF 0.4 owner	(2,000.00)	-	-	-	-	6,780,433.00
CF 0.6 owner	(12,060,000.00)	1,584,000.00	1,584,000.00	1,584,000.00	1,584,000.00	11,754,649.50
IRR	18.7%					
IRR Common stock 0.4 owner	408.2%					
IRR Preferred stock 0.6 owner	10.6%					