

INTERNATIONAL MANUFACTURING PLANT

Valuation

Financial Valuation & Summary

Financial Valuation

Discounted Cash Flow Analysis for Redacted

Dollars in thousands (USD)

	Historical Year Ending Dec. 31			Projected Year Ending Dec. 31					2017-2021 CAGR
	2014	2015	2016	2017	2018	2019	2020	2021	
Net Revenue	\$546.3	\$860.2	\$1,142.0	\$1,655.9	\$1,904.2	\$2,189.9	\$2,518.4	\$2,896.1	15%
EBITDA	\$297.6	\$476.6	\$668.9	\$1,076.0	\$1,206.1	\$1,349.6	\$1,509.2	\$1,688.4	12%
Depreciation	\$0.0	(\$0.4)	(\$283.7)	(\$283.7)	(\$295.0)	(\$301.8)	(\$304.3)	(\$302.7)	2%
EBIT	\$297.6	\$476.2	\$385.2	\$792.3	\$911.1	\$1,047.8	\$1,205.0	\$1,385.7	15%
Less: Taxes 22.0%	\$0.0	\$0.0	\$0.0	\$174.3	\$200.5	\$230.5	\$265.1	\$304.9	15%
Tax-adjusted EBIT	\$297.6	\$476.2	\$385.2	\$618.0	\$710.7	\$817.3	\$939.9	\$1,080.9	15%
Plus: Depreciation				\$283.7	\$295.0	\$301.8	\$304.3	\$302.7	2%
Less: Capital Expenditures				(\$50.0)	(\$50.0)	(\$50.0)	(\$50.0)	(\$50.0)	0%
Less: Changes in Working Capital and Other Assets/Liabilities				\$110.7	(\$64.1)	(\$73.7)	(\$84.8)	(\$97.5)	N/A
Unlevered Free Cash Flow				\$962.4	\$891.6	\$995.3	\$1,109.4	\$1,236.1	6%
Unlevered Free Cash Flow Growth Rate				-7%	12%	11%	11%	11%	N/A
	A	+	B	=	C				
Discount Rate	Discounted (b) Cash Flows (2017 - 2021)		PV of Terminal Value as a Multiple of EBITDA (c)						
			7.0x 7.5x 8.0x						
15.0%	\$3,926.4		\$11,819.1 \$12,663.4 \$13,507.6						
15.5%	\$3,895.0		\$11,819.1 \$12,663.4 \$13,507.6						
16.0%	\$3,864.0		\$11,819.1 \$12,663.4 \$13,507.6						
16.5%	\$3,833.7		\$11,819.1 \$12,663.4 \$13,507.6						
17.0%	\$3,803.8		\$11,819.1 \$12,663.4 \$13,507.6						
	D	=	E						
Discount Rate	Net Debt 06/31/2017		Total Equity Value						
			7.0x 7.5x 8.0x						
15.0%	\$2,482.0		\$13,263.5 \$14,107.7 \$14,952.0						
15.5%	\$2,482.0		\$13,232.1 \$14,076.3 \$14,920.5						
16.0%	\$2,482.0		\$13,201.2 \$14,045.4 \$14,889.6						
16.5%	\$2,482.0		\$13,170.8 \$14,015.0 \$14,859.2						
17.0%	\$2,482.0		\$13,140.9 \$13,985.1 \$14,829.3						
	Discount Rate		Terminal Value as a % of Enterprise Value						
			7.0x 7.5x 8.0x						
15.0%			75.1% 76.3% 77.5%						
15.5%			75.2% 76.5% 77.6%						
16.0%			75.4% 76.6% 77.8%						
16.5%			75.5% 76.8% 77.9%						
17.0%			75.7% 76.9% 78.0%						

(a) Projections based on estimates and historicals provided by Cam Lam Water Plant. Assumptions and detailed financials can be found in the appendix

(b) Present values calculated as of 12/31/2016

(c) Discounted 5 years; based on 2021 EBITDA of \$1,688,447.3

(d) Based on 33.0% of company as of 06/31/2016

PV date:	12/31/16	Risk-free Rate	2.3%	Debt	\$2,482,018
Date of net debt and shares:	06/31/2017	Market Risk Premium	12.0%	Equity	\$1,588,476
% of Company for Sale	33%	Company Risk Premium	10.0%	Debt/Value	61.0%
		Cost of Equity	24.3%	Equity/Value	39.0%
Change for discount rate:	0.5%	Debt %	10.0%		
Change for exit multiple:	0.5x	Tax Rate	22.0%	WACC	14.2%

Highlights & Summary

Total Enterprise Value Range of \$15.6M - \$17.4M

- Net Revenue estimates of \$2.9M by 2021 with Terminal EBITDA of \$1.7M+
- Net Debt of \$2.5M with 10% interest rate
- Estimates nearly double net revenue from 2017 by 2021 based on current capacity and new customer acquisition
- Minimal Capital requirements needed going forward (\$50k/year)

Enterprise Value Sensitivity Analysis

Enterprise Value

(USD in Thousands)

		EBITDA Multiple - Terminal Value		
		7.0x	7.5x	8.0x
'17 - '21 Sales Growth	10.0%	\$13,934.2	\$14,665.6	\$15,397.0
	12.5%	\$14,780.9	\$15,566.8	\$16,352.7
	15.0%	\$15,683.2	\$16,527.4	\$17,371.6
	17.5%	\$16,643.6	\$17,550.1	\$18,456.5
	20.0%	\$17,664.7	\$18,637.5	\$19,610.3

33 % of Business

		EBITDA Multiple - Terminal Value		
		7.0x	7.5x	8.0x
'17 - '21 Sales Growth	10.0%	\$4,598.3	\$4,839.6	\$5,081.0
	12.5%	\$4,877.7	\$5,137.0	\$5,396.4
	15.0%	\$5,175.4	\$5,454.0	\$5,732.6
	17.5%	\$5,492.4	\$5,791.5	\$6,090.7
	20.0%	\$5,829.3	\$6,150.4	\$6,471.4

Key Takeaways

- The valuation ranges displayed assumes the midpoint discount rate of 16%
- The baseline valuation assumes a 15% Net Revenue CAGR from 2017 – 2021 and implies a \$2.9M Net Revenue in 2021.
- A conservative 10% Net Revenue CAGR and \$2.4M by 2021 would value the business at \$13.9M
- On the Upper End, a 20% growth rate would value the business ~ \$19.6 M.

Enterprise Value

		EBITDA Multiple - Terminal Value		
		7.0x	7.5x	8.0x
2021 Net Revenue	\$2,424.3	\$13,934.2	\$14,665.6	\$15,397.0
	\$2,652.4	\$14,780.9	\$15,566.8	\$16,352.7
	\$2,896.1	\$15,683.2	\$16,527.4	\$17,371.6
	\$3,156.3	\$16,643.6	\$17,550.1	\$18,456.5
	\$3,433.6	\$17,664.7	\$18,637.5	\$19,610.3

33 % of Business

		EBITDA Multiple - Terminal Value		
		7.0x	7.5x	8.0x
2021 Net Revenue	\$2,424.3	\$4,598.3	\$4,839.6	\$5,081.0
	\$2,652.4	\$4,877.7	\$5,137.0	\$5,396.4
	\$2,896.1	\$5,175.4	\$5,454.0	\$5,732.6
	\$3,156.3	\$5,492.4	\$5,791.5	\$6,090.7
	\$3,433.6	\$5,829.3	\$6,150.4	\$6,471.4

APPENDIX

Detailed Financial Statements

Pro-Forma Income Statement

Redacted	Projections	Historical Year Ending Dec. 31			Projected Year Ending Dec. 31					
		2014	2015	2016	2017	2018	2019	2020	2021	
<i>Dollars in thousands (USD)</i>										
Income Statement										
Net Revenue	\$546.3	\$860.2	\$1,142.0	\$1,655.9	\$1,904.2	\$2,189.9	\$2,518.4	\$2,896.1		
Cost of Goods Sold	\$235.4	\$352.7	\$694.5	\$799.8	\$919.8	\$1,057.7	\$1,216.4	\$1,398.8		
Gross Profit	\$310.9	\$507.6	\$447.5	\$856.1	\$984.5	\$1,132.1	\$1,302.0	\$1,497.3		
Other Expense/(Income)	\$13.3	\$31.4	\$62.3	\$63.8	\$73.3	\$84.3	\$97.0	\$111.5		
Operating Income/ (EBIT)	\$297.6	\$476.1	\$385.2	\$792.3	\$911.1	\$1,047.8	\$1,205.0	\$1,385.7		
Interest income	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0		
Interest (expense)	\$0.0	\$0.0	\$0.0	\$140.5	\$47.1	(\$0.0)	(\$0.0)	(\$0.0)		
Pretax Income	\$297.6	\$476.2	\$385.2	\$932.8	\$958.2	\$1,047.8	\$1,205.0	\$1,385.7		
Income Taxes	\$0.0	\$0.0	\$0.0	\$205.2	\$210.8	\$230.5	\$265.1	\$304.9		
Net Income	\$297.6	\$476.2	\$385.2	\$727.6	\$747.4	\$817.3	\$939.9	\$1,080.9		
Adjustments for EBITDA										
(+) Depreciation	\$0.0	\$0.4	\$283.7	\$283.7	\$295.0	\$301.8	\$304.3	\$302.7		
(+/-) Interest income/(expense)	\$0.0	\$0.0	\$0.0	(\$140.5)	(\$47.1)	\$0.0	\$0.0	\$0.0		
(+/-) Taxes	\$0.0	\$0.0	\$0.0	\$205.2	\$210.8	\$230.5	\$265.1	\$304.9		
EBITDA	\$297.6	\$476.6	\$668.9	\$1,076.0	\$1,206.1	\$1,349.6	\$1,509.2	\$1,688.4		
Income Statement Analysis										
Margins										
Gross Margin	57%	59%	39%	52%	52%	52%	52%	52%		
Other Expense as % of Net Revenue	2%	4%	5%	4%	4%	4%	4%	4%		
EBITDA Margin	54%	55%	59%	65%	63%	62%	60%	58%		
EBIT Margin	54%	55%	34%	48%	48%	48%	48%	48%		
Growth Rate Analysis										
Net Revenue Growth Rate	0%	57%	33%	45%	15%	15%	15%	15%		
EBITDA Growth Rate	0%	60%	40%	61%	12%	12%	12%	12%		
EBIT Growth Rate	0%	60%	-19%	106%	15%	15%	15%	15%		

Detailed Financial Statements

Pro-Forma Balance Sheet

Redacted	Projections	Historical Year Ending Dec. 31			Projected Year Ending Dec. 31					
		2014	2015	2016	2017	2018	2019	2020	2021	
<i>Dollars in thousands (USD)</i>										
Balance Sheet										
Cash & Cash Equivalents	\$3.4	\$9.3	\$25.3	\$25.3	\$25.3	\$79.6	\$1,188.9	\$2,425.0		
Inventory	\$5.3	\$14.5	\$6.4	\$19.4	\$22.3	\$25.6	\$29.4	\$33.8		
Short-term Intracompany receivables	\$677.1	\$1,066.2	\$2.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0		
Other Short-term receivables	\$52.0	\$130.1	\$185.0	\$225.4	\$259.2	\$298.1	\$342.8	\$394.3		
Other Current Assets	\$0.3	\$6.5	\$393.2	\$239.9	\$275.9	\$317.3	\$364.9	\$419.7		
Current Assets	\$738.0	\$1,226.6	\$612.8	\$510.0	\$582.7	\$720.6	\$1,926.1	\$3,272.8		
PP&E (Net)	\$5.1	\$3.0	\$3,966.1	\$3,732.4	\$3,487.4	\$3,235.6	\$2,981.4	\$2,728.6		
Other Long-term Assets	\$0.0	\$2.2	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3		
Long-term Assets	\$5.1	\$5.1	\$3,966.3	\$3,732.6	\$3,487.7	\$3,235.9	\$2,981.6	\$2,728.9		
Total Assets	\$743.1	\$1,231.7	\$4,579.1	\$4,242.7	\$4,070.4	\$3,956.5	\$4,907.7	\$6,001.7		
Short-term Intracompany payables (debt)	\$0.9	\$0.9	\$2,941.3	\$1,869.3	\$941.1	(\$0.0)	\$0.0	\$0.0		
Accounts Payable	\$12.0	\$19.2	\$31.5	\$40.2	\$46.2	\$53.1	\$61.1	\$70.3		
Other Liabilities	\$3.3	\$8.6	\$17.8	\$17.1	\$19.6	\$22.6	\$26.0	\$29.9		
Equity	\$726.9	\$1,203.1	\$1,588.5	\$2,316.1	\$3,063.5	\$3,880.8	\$4,820.6	\$5,901.5		
Total Liabilities & Equity	\$743.1	\$1,231.7	\$4,579.1	\$4,242.7	\$4,070.4	\$3,956.5	\$4,907.7	\$6,001.7		
Assumptions										
Capital Expenditures (amount)	\$5.1	\$0.0	\$0.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0		
Depreciation Step-up					1%	1%	1%	1%		
Depreciation as % of PP&E (beg.)	0%	14%	7.2%	7%	8%	9%	9%	10%		
Depreciation (amount)	\$0.0	\$0.4	\$283.7	\$283.7	\$295.0	\$301.8	\$304.3	\$302.7		
Inventory as % of COGS	2%	4%	1%	2%	2%	2%	2%	2%		
Short-term IC receivables	124%	124%	0%	0%	0%	0%	0%	0%		
Accounts receivable (short-term) as % of sales	10%	15%	16%	14%	14%	14%	14%	14%		
Other Current Assets as % of COGS	0%	2%	57%	30%	30%	30%	30%	30%		
Accounts Payable as % of COGS	5%	5%	5%	5%	5%	5%	5%	5%		
Other Liabilities as % of COGS	1%	2%	3%	2%	2%	2%	2%	2%		

Detailed Financial Statements

Pro-Forma Cash Flow Statement

Redacted	Projections	Historical Year Ending Dec. 31			Projected Year Ending Dec. 31				
		2014	2015	2016	2017	2018	2019	2020	
<i>Dollars in thousands (USD)</i>									
Cash Flow									
Net Income	\$297.6	\$476.2	\$385.2	\$727.6	\$747.4	\$817.3	\$939.9	\$1,080.9	
Depreciation				\$283.7	\$295.0	\$301.8	\$304.3	\$302.7	
Other Cash Proceeds/Expenditures	(\$298.6)	(\$470.3)	(\$369.2)	(\$13.0)	(\$2.9)	(\$3.3)	(\$3.8)	(\$4.4)	
(Increase) / Decrease in inventory				\$2.9	\$0.0	\$0.0	\$0.0	\$0.0	
(Increase) / Decrease in short-term IC Receivables				(\$40.4)	(\$33.8)	(\$38.9)	(\$44.7)	(\$51.4)	
(Increase) / Decrease in accounts receivable				\$153.2	(\$36.0)	(\$41.4)	(\$47.6)	(\$54.7)	
(Increase) / Decrease in Other Current Assets				\$8.7	\$6.0	\$6.9	\$8.0	\$9.2	
Increase / (Decrease) in accounts payable				(\$0.7)	\$2.6	\$2.9	\$3.4	\$3.9	
Increase / (Decrease) in other liabilities									
Cash Flow from Operating Activities	(\$1.0)	\$5.9	\$16.0	\$1,122.0	\$978.3	\$1,045.3	\$1,159.4	\$1,286.1	
Capital Expenditures	\$0.0	\$0.0	\$0.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	
Cash Flow from Investing Activities	(\$0.0)	(\$0.0)	(\$0.0)	(\$50.0)	(\$50.0)	(\$50.0)	(\$50.0)	(\$50.0)	
Cash Flow Available for Financing Activities	(\$1.0)	\$5.9	\$16.0	\$1,072.0	\$928.3	\$995.3	\$1,109.4	\$1,236.1	
Debt borrowings/ (payment)	\$0.0	\$0.0	\$0.0	(\$1,072.0)	(\$928.3)	(\$941.1)	\$0.0	(\$0.0)	
Change in Cash	(\$1.0)	\$5.9	\$16.0	\$0.0	\$0.0	\$54.3	\$1,109.4	\$1,236.1	
Beginning balance of Cash	\$4.4	\$3.4	\$9.3	\$25.3	\$25.3	\$25.3	\$79.6	\$1,188.9	
Ending balance of Cash	\$3.4	\$9.3	\$25.3	\$25.3	\$25.3	\$79.6	\$1,188.9	\$2,425.0	
Average cash balance	\$3.9	\$6.4	\$17.3	\$25.3	\$25.3	\$52.5	\$634.3	\$1,807.0	
Interest rate on cash	0.9%	0.8%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	
Interest Income	\$35	\$50	\$36	\$0	\$0	\$0	\$0	\$0	
Average debt balance	\$0.9	\$1,471.1	\$2,405.3	\$1,405.2	\$470.5	\$0.0	\$0.0	\$0.0	
Interest rate on debt	0%	0%	0%	10%	10%	10%	10%	10%	
Interest Expense	\$0.0	\$0.0	\$0.0	\$140.5	\$47.1	\$0.0	\$0.0	\$0.0	