

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	\$174.3	\$200.5	\$230.5	\$265.1	\$304.9	15%
Tax-effected 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%	N/A

A		+	B			=	C		
Discounted (b) Cash Flows			PV of Terminal Value as a Multiple of EBITDA (c)				Enterprise Value		
Discount Rate	(2017 - 2021)		7.0x	7.5x	8.0x		7.0x	7.5x	8.0x
15.0%		\$3,926.4	\$11,819.1	\$12,663.4	\$13,507.6		\$15,745.5	\$16,589.8	\$17,434.0
15.5%		\$3,895.0	\$11,819.1	\$12,663.4	\$13,507.6		\$15,714.1	\$16,558.3	\$17,402.5
16.0%		\$3,864.0	\$11,819.1	\$12,663.4	\$13,507.6		\$15,683.2	\$16,527.4	\$17,371.6
16.5%		\$3,833.7	\$11,819.1	\$12,663.4	\$13,507.6		\$15,652.8	\$16,497.0	\$17,341.2
17.0%		\$3,803.8	\$11,819.1	\$12,663.4	\$13,507.6		\$15,622.9	\$16,467.1	\$17,311.4

D		=	E		
Net Debt 06/31/2017			Total Equity Value		
Discount Rate			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%

Implied Perpetuity Growth Rate		7.0x	7.5x	8.0x
		4.1%	4.8%	5.4%
		4.6%	5.2%	5.8%
		5.0%	5.7%	6.3%
		5.5%	6.1%	6.7%
		5.9%	6.6%	7.2%

- (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

Dollars in thousands (USD)

Income Statement

	Historical Year Ending Dec. 31			Projected Year Ending Dec. 31				
	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
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

Dollars in thousands (USD)

Balance Sheet

	Historical Year Ending Dec. 31			Projected Year Ending Dec. 31				
	2014	2015	2016	2017	2018	2019	2020	2021
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

Dollars in thousands (USD)

Cash Flow

	Historical Year Ending Dec. 31			Projected Year Ending Dec. 31				
	2014	2015	2016	2017	2018	2019	2020	2021
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)					
(Increase) / Decrease in inventory				(\$13.0)	(\$2.9)	(\$3.3)	(\$3.8)	(\$4.4)
(Increase) / Decrease in short-term IC Receivables				\$2.9	\$0.0	\$0.0	\$0.0	\$0.0
(Increase) / Decrease in accounts receivable				(\$40.4)	(\$33.8)	(\$38.9)	(\$44.7)	(\$51.4)
(Increase) / Decrease in Other Current Assets				\$153.2	(\$36.0)	(\$41.4)	(\$47.6)	(\$54.7)
Increase / (Decrease) in accounts payable				\$8.7	\$6.0	\$6.9	\$8.0	\$9.2
Increase / (Decrease) in other liabilities				(\$0.7)	\$2.6	\$2.9	\$3.4	\$3.9
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