

NSP POOR SCENARIO

Financial Modelling Design Project

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Group 4 - SABV_2



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01

FIRM & INDUSTRY OVERVIEW

Market Overview

5.5 %
GDP Growth

4 %
Inflation Rate

6.53 %
Industry Growth

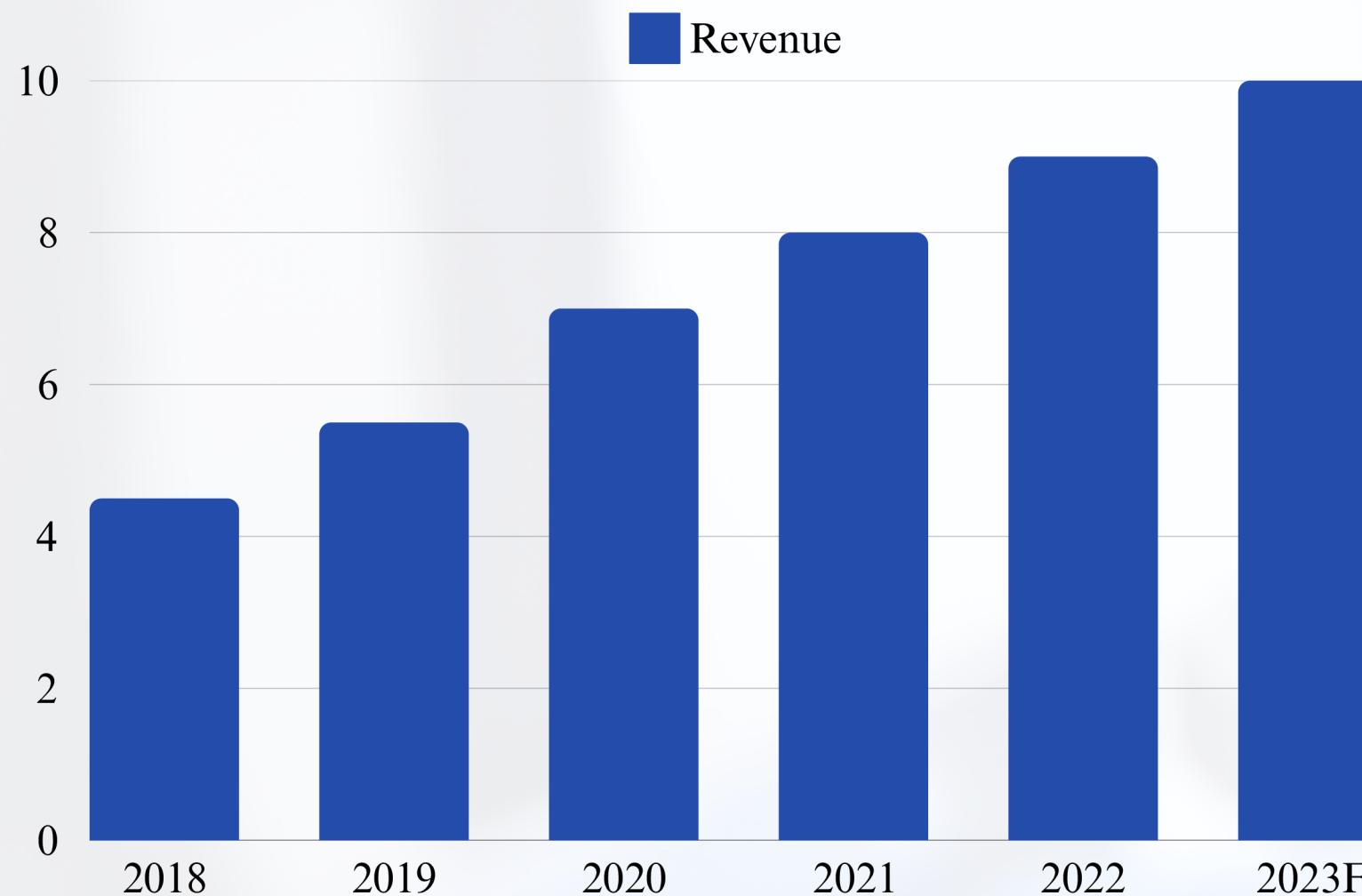


Figure 1: Pharmaceutical revenue over the years (Unit: billion USD)



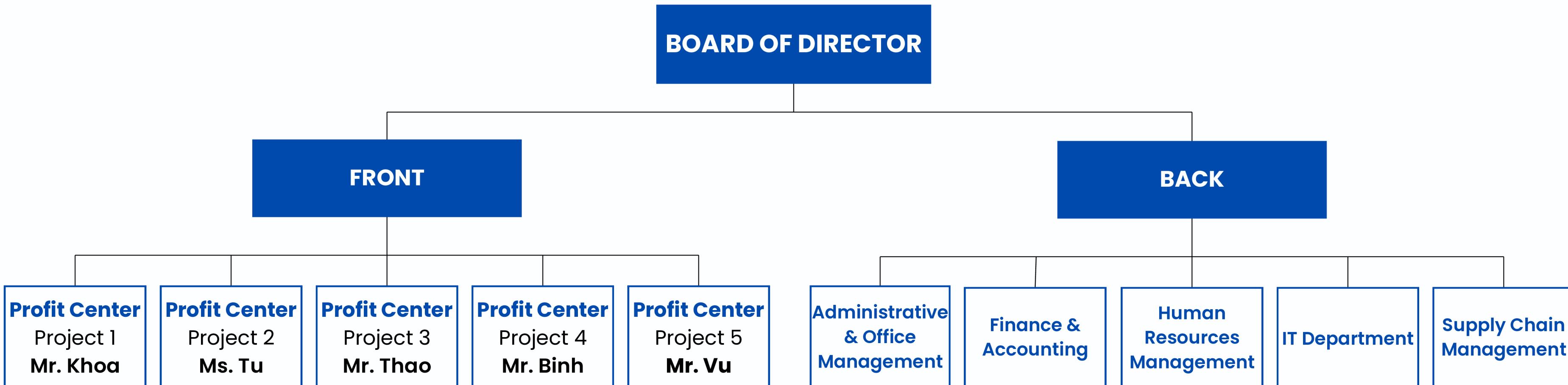
Figure 2: Projecting the pharmaceutical industry's value based on the OTC/ETC channel

NSP Introduction

NSP PHARMACEUTICAL JOINT-STOCK COMPANY

- **Business:** Imports and distributes variety of medicine and medical equipment.
- **Vision:** become one of the leading pharmaceutical distributors in Vietnam.
- **Mission:** Sustainable health care, Qualified human resources, and contributing to society's development.

Organizational Structure





02

METHODOLOGY

Methodology

- The pro forma method projects performance over a period that hasn't yet occurred using hypothetical data or assumptions.
- Since the term “Pro forma” refers to projections or forecasts, it can apply to a variety of financial statements, including:



Income Statements

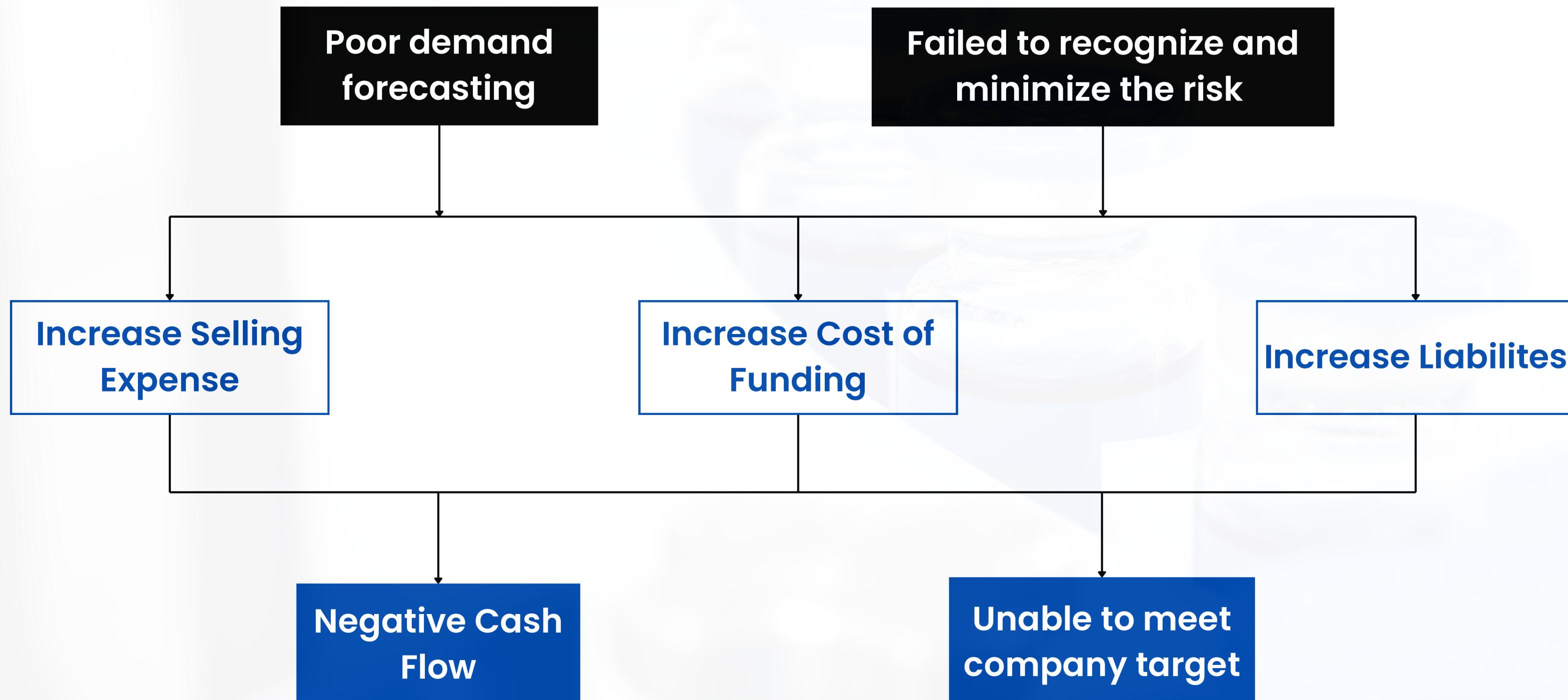


Balance Sheets



Cash flow statements

Problem Context



Project Scope

STAGE	SCOPE OF WORK	OUTCOMES
OPERATING BUDGET	Data inputs & Calculation (sales, COGS, S&GA, finance, NPAT)	P&L BOTTOM-UP
	Adjust assumptions (sales, COGS, S&GA, finance, NPAT)	P&L TOP-DOWN
	Sum up the data & finalize final P&L for the year	FINAL P&L
FINANCIAL MODELLING	Link B/S items to P&L Bottom-up and P&L Top-down	B/S PROJECTION
	Link C/F items to P&L Bottom-up and P&L Top-down	C/F PROJECTION
BUDGET CONTROLLING & VALUATION	Set assumptions for A/P days A/R days, Inventory days, Loans	DASHBOARD
	Calculate FCFs, WACC, terminal growth,... as inputs for valuation	ENTERPRISE VALUE EQUITY VALUE

Expected Results

poor scenario

	Before	After	Target
Matching Point Decision			
COGS/ Total Revenue (max)	37.54%	38.43%	max: 39%
Selling Expense/ Total Revenue (max)	41.38%	38.67%	max: 39%
G&A Expense/ Total Revenue (max)	3.18%	3.10%	max: 4%
Net Profit/ Total Revenue (max)	13.15%	14.69%	min: 14%
Dashboard and Assumption			
Payable days Assumption	Fluctuated NCF	Positive NCF	Positive NCF
Receivable days Assumption	Fluctuated NCF	Positive NCF	Positive NCF
Days in stock Assumption	Fluctuated NCF	Positive NCF	Positive NCF
Loan Assumption	Fluctuated NCF	Positive NCF	Positive NCF



03

RESULTS

SALES ASSUMPTIONS FOR SBU 1,2,3,4

After researching, we determined the sales forecasting by the demand of each type of medicines.

Products	Volume Change (%)	Products	Volume Change (%)
Lichaunox	2%	Gadoxim 200	2%
A.Zoleronic	specific quantity	Zeprilnas	2%
Nebicard 2.5	3%	Deséafer 250	30%
Rinalix 2.5	25%-50%	Deséafer 125	40%
Tormipex 0.25	75%	Fegem	100%
Myleran Plus	5%	Menelat	100%
Gadoxim 100	3%	Nebicard 5	30%

- We conducted sales forecasting by delving into the number of patients treated with each product and the potential number of future patients diagnosed for each region.
- Also how recent does the products are used, the number of bidding on the products.

SALES ASSUMPTIONS FOR SBU 5

After researching, we determined the sales forecasting by the demand of each type of medicines.

Products of SBU5	Volume Change (%)
A.Zoleronic	specific quantity
Nebicard 5	30%
Rinalix 2.5	50%
Lichaunox	0%
Nebicard 2.5	0%
Myleran Plus	0%
Gadoxim 100	0%
Gadoxim 200	0%
Zeprilnas	0%

A.Zoleronic	Volume
SBU1	15-30-45-60
SBU2	90-90-90-90
SBU5	0-30-45-60

- For SBU5, the selling discount will depreciate for the retailers so we expected the volume to remain stable throughout the year.
- A.Zoleronic products will be sold in assumed number in quarters.

COGS ASSUMPTIONS

Products	COGS Change (%)	Purchasing Salary (%)	Products	COGS Change (%)	Purchasing Salary (%)
Lichaunox	1.5%	20%	Gadoxim 200	1.5%	20%
A.Zoleronic	1.5%	20%	Zeprilnas	1.5%	20%
Nebicard 2.5	1.5%	20%	Deséafer 250	1.5%	20%
Rinalix 2.5	1.5%	20%	Deséafer 125	1.5%	20%
Tormipex 0.25	1.5%	20%	Fegem	1.5%	20%
Myleran Plus	1.5%	20%	Menelat	1.5%	20%
Gadoxim 100	1.5%	20%	Nebicard 5	1.5%	20%

- In the context of steady inflation rates and the prosperous vision implemented by the government policy, the price sit at 1.5% rise to align with the demand.
- Purchasing salary hit 20% rise due to the fluctuation of the workforce market, the rise will encourage the human resources to stays and work with the company.

G&A ASSUMPTIONS

Retailers	Stationery Expenses	Depreciation Costs	Office Rent	Transportation Costs for Officers	Administrative Salary
SBU 1	10%	0%	10%	0%	20%
SBU 2	10%	0%	10%	0%	20%
SBU 3	10%	0%	10%	0%	20%
SBU 4	10%	0%	10%	0%	20%
SBU 5	10%	0%	10%	0%	20%

- The 10% rise in stationery expenses can be attributed to steady inflation, while it remained consistent, stationery costs escalated compared to the previous year due to the government's development of the pharmaceutical field.

- Office rent and Administrative Salary increase due to the rising cost of living was influenced by market dynamics and geographical factors.

SELLING EXPENSE ASSUMPTIONS

Project	Selling Discount Cost	Marketing Campaign Expenses	Selling & Marketing Salary	Business Travelling Expenses	Others
SBU1	2%	0%	10%	10%	0%
SBU2	2%	0%	10%	10%	0%
SBU3	2%	0%	10%	10%	0%
SBU4	2%	0%	10%	10%	0%
SBU5	-12%	0%	10%	10%	0%

Selling discount cost

To boost up the sales, the selling discount is increased by further 2% for SBU 1 to 4. However, the cost for SBU 5 has significantly high; therefore, it is decreased by 12% compared to the previous year.

Marketing campaign expense

The expense is maintain the same as the previous year as it has already been high.

Business travelling expense

Increasing petroleum price and high air travelling cost lead to the growth of 10% for this expense.

Selling & Marketing Salary

Decision is to invest in our human resource to improve the quality of marketing campaign

SELLING EXPENSE ASSUMPTIONS

Products	Selling Discount Cost	Marketing Campaign Expenses	Selling & Marketing Salary
A.Zoleronic	5%	10%	30%
Nebicard 2.5	4%	0%	10%
Deséafer 250	4%	0%	10%
Deséafer 125	4%	0%	10%
Rinalix 2.5	4%	18%	10%
Tormipex 0.25	2%	20%	30%
Myleran Plus	2%	10%	10%
Nebicard 5	2%	30%	28%

PRODUCT-DROPPING DECISION

Project	Products	Volume Change (%)	Loss Amount
SBU4 - CAN THO - SOC TRANG - AN GIANG	Fegem	100%	(140,028,179)
SBU4 - CAN THO - SOC TRANG - AN GIANG	Menelat	100%	(151,836,064)

Decision of dropping

- Although maximizing the volume change and eliminate any special increase in expenses, gained revenue of two products is insufficient to cover the incurred expenses. Therefore, the product-dropping decision is defined under the operation of two these products.

BALANCE SHEET

poor scenario

01 Cash

Cash balance was retrieved from CF's statement ending balance

AR, AP and Inventories

02

NSP's trading operations include the balances of Accounts Receivable, Accounts Payable with the Collection Period, Payment Period, and Inventory Turnover.

Fixed Assets Balance

03

The monthly depreciation expenses are subtracted from the asset book value to calculate the fixed assets balance. Any assets gained recently during the month may have previous expenses added to the balance.

Liabilities Balance

04

Assumptions regarding new loans to fund working capital and changes in the inflow and outflow of cash over time from loans determine the balance of short-term and long-term borrowings.

Capital Balance

05

The amount contributed is fixed over a period of months, and the balance for undistributed capital is determined by adding the earnings after taxes from the previous month to the undistributed capital balance.

CASH FLOW

poor scenario

1 INTEREST EXPENSE

While the depreciation and amortization expenditures come from the depreciation sheet, the interest expense comes from the interest expense details page.

2 ADJUSTMENT

The adjustments made to accounts receivable, inventories, payables, and tax paid from the Balance Sheet determine the change in net working capital.

3 LOAN

Both short-term and long-term loan earnings and payments can be linked to the loan summary and information.

BALANCE SHEET

Before assumption

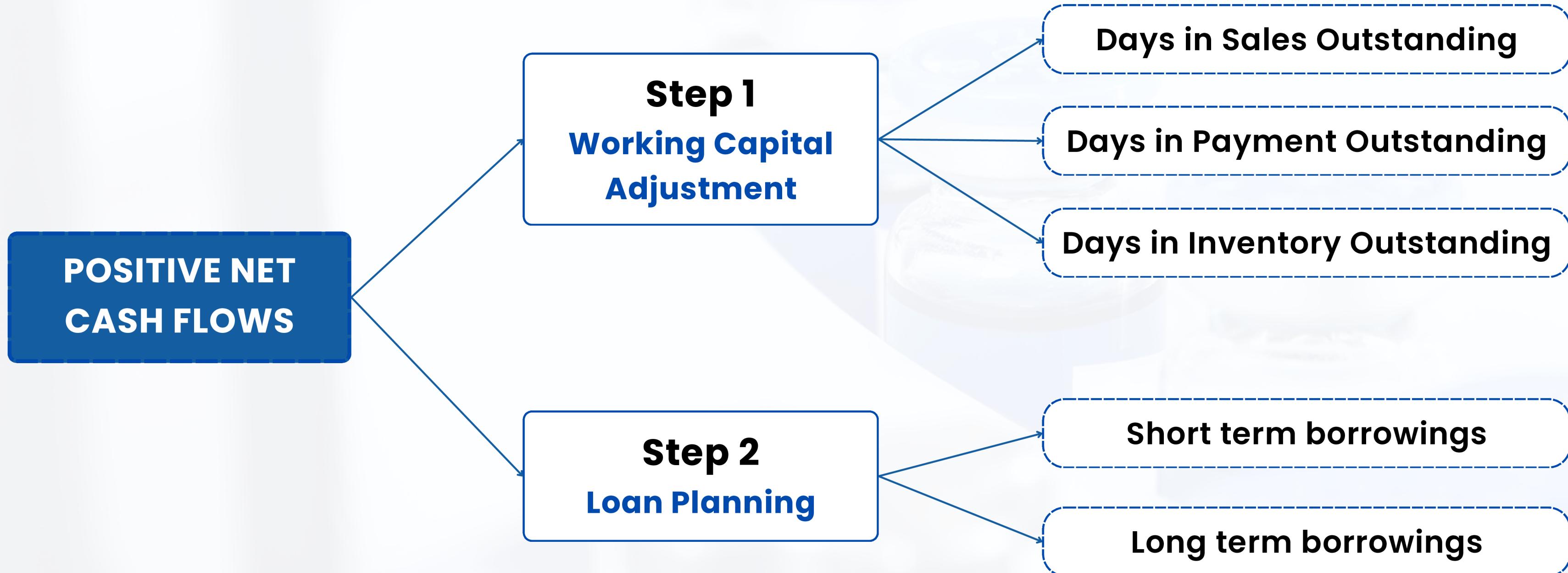
Description	2024	2023	Description	2024	2023
Current Asset			Current Liabilities		
Cash	14,387,040,869	1,322,863,532	Account Payable	10,524,931,788	7,906,246,516
Account Receivables	24,734,190,683	21,722,427,457	Short-term borrowings	14,400,681,350	16,552,950,000
Inventories	14,097,923,218	13,376,350,872	Other current liabilities	7,663,636,117	7,663,636,117
Other current asset	32,436,598,031	32,436,598,031	Total current Liabilities	32,589,249,255	32,122,832,633
Total current Asset	85,655,752,801	68,858,239,892	Non-current liabilities		
Non-current asset			Long-term borrowings	1,067,530,000	-
Fixed asset	262,188,673	808,137,378	Total non-current Liabilities	1,067,530,000	-
<i>Gross fixed asset</i>	1,776,941,000	1,776,941,000	Total Liabilities	33,656,779,255	32,122,832,633
Accumulative depreciation	(1,514,752,327)	(968,803,622)	Owners' Equity		
Total non-current asset	262,188,673	808,137,378	Contributed capital	14,978,077,990	14,978,077,990
Total Assets	85,917,941,474	69,666,377,270	Undistributed profits	37,283,084,229	22,565,466,647
			Total Owners' Equity	52,261,162,219	37,543,544,637
			Total Liabilities and Owners' Equity	85,917,941,474	69,666,377,270

CASH FLOW STATEMENT

Before assumption

Description	Jan	Feb	Mar	Apr	May	Jun
Net operating cash inflows/(outflows)	4,702,493,897	-1,316,633,426	3,183,773,526	3,542,103,046	-3,487,039,707	1,171,722,919
Net investing cash inflows/(outflows)	-	-	-	-	-	-
Net financing cash inflows/(outflows)	1,425,722,106	-127,221,807	-136,347,894	-2,033,305,865	-2,025,347,894	-1,483,305,865
Net cash inflows/(outflows)	6,128,216,003	-1,443,855,233	3,047,425,632	1,508,797,181	-5,512,387,601	-311,582,946
Beginning Cash Balance	1,322,863,532	7,451,079,535	6,007,224,302	9,054,649,934	10,563,447,114	5,051,059,514
Ending Cash Balance	7,451,079,535	6,007,224,302	9,054,649,934	10,563,447,114	5,051,059,514	4,739,476,567
Description	Jul	Agu	Sep	Oct	Nov	Dec
Net operating cash inflows/(outflows)	5,275,267,606	2,570,610,909	1,615,607,047	348,857,816	408,604,608	-2,765,237,815
Net investing cash inflows/(outflows)	-	-	-	-	-	-
Net financing cash inflows/(outflows)	-4,415,047,744	-636,347,894	-2,520,263,836	13,808,083,306	-2,035,305,865	-2,007,263,836
Net cash inflows/(outflows)	860,219,862	1,934,263,015	-904,656,789	14,156,941,122	-1,626,701,257	-4,772,501,651
Beginning Cash Balance	4,739,476,567	5,599,696,429	7,533,959,445	6,629,302,655	20,786,243,777	19,159,542,520
Ending Cash Balance	5,599,696,429	7,533,959,445	6,629,302,655	20,786,243,777	19,159,542,520	14,387,040,869

DASHBOARD - ASSUMPTION



Step 1: Working Capital Adjustment

	Days in Sales Outstanding			Days in Payment Outstanding			Days in Inventory Outstanding						
Criteria	=< 75 days			>= 120 days			=< 120 days						
Modification Method	<ul style="list-style-type: none"> if DSO > 75 days, reduce to 75 if DSO =< 75 days, remain 			<ul style="list-style-type: none"> if DPO < 120 days, reduce to 120 if DPO >= 120 days, remain 			<ul style="list-style-type: none"> if DIO > 120 days, reduce to 120 if DIO =< 120 days, remain 						
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Collection Period	OLD	64	90	90	80	93	83	69	66	68	58	64	71
	NEW	64	75	75	75	75	75	69	66	68	60	64	71
Payment Period	OLD	96	110	131	117	97	104	100	121	151	108	120	83
	NEW	120	120	131	120	120	120	120	121	140	120	120	120
Inventory Period	OLD	148	199	184	129	128	143	148	156	200	151	132	111
	NEW	120	120	120	120	120	120	120	120	120	120	120	111

CASH FLOW STATEMENT

After Working Capital Adjustment

Description	Jan	Feb	Mar	Apr	May	Jun
Net operating cash inflows/(outflows)	10,187,009,191	3,647,209,556	1,473,048,607	-2,693,486,940	1,636,557,949	-200,296,490
Net investing cash inflows/(outflows)	-	-	-	-	-	-
Net financing cash inflows/(outflows)	1,425,722,106	-127,221,807	-136,347,894	-2,033,305,865	-2,012,438,285	-1,458,079,601
Net cash inflows/(outflows)	11,612,731,297	3,519,987,749	1,336,700,714	-4,726,792,805	-375,880,336	-1,658,376,091
Beginning Cash Balance	1,322,863,532	12,935,594,829	16,455,582,578	17,792,283,292	13,065,490,487	12,689,610,152
Ending Cash Balance	12,935,594,829	16,455,582,578	17,792,283,292	13,065,490,487	12,689,610,152	11,031,234,061

Description	Jul	Agu	Sep	Oct	Nov	Dec
Net operating cash inflows/(outflows)	3,856,761,794	1,454,273,134	4,377,688,610	-1,859,484,386	-2,434,079,302	397,952,541
Net investing cash inflows/(outflows)	-	-	-	-	-	-
Net financing cash inflows/(outflows)	-4,379,612,654	-571,841,035	-2,456,740,630	-53,712,935	-55,336,550	-40,960,165
Net cash inflows/(outflows)	-522,850,861	882,432,098	1,920,947,980	-1,913,197,321	-2,489,415,852	356,992,376
Beginning Cash Balance	11,031,234,061	10,508,383,200	11,390,815,298	13,311,763,279	11,398,565,958	8,909,150,105
Ending Cash Balance	10,508,383,200	11,390,815,298	13,311,763,279	11,398,565,958	8,909,150,105	9,266,142,481

Step 2: Loan Planning

Before	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net cash flows	11,613	3,520	1,337	(4,727)	(376)	(1,658)	(523)	882	1,921	(1,913)	(2,489)	357
Ending Cash Balance	12,936	16,456	17,792	13,065	12,690	11,031	10,508	11,391	13,312	11,399	8,909	9,266
Short-term borrowings	-	-	-	4,750	850	2,200	1,500	-	-	2,800	3,650	1,200
After	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net cash flows	11,613	3,520	1,337	23	47	38	275	45	1,084	50	72	139
Ending Cash Balance	12,936	16,456	17,792	17,815	17,862	17,900	18,175	18,220	19,304	19,354	19,426	19,565

BALANCE SHEET

After assumption

Description	2024	2023	Description	2024	2023
Current Asset			Current Liabilities		
Cash	19,565,142,481	1,322,863,532	Account Payable	15,241,122,294	7,906,246,516
Account Receivables	24,734,190,683	21,722,427,457	Short-term borrowings	15,036,916,817	16,552,950,000
Inventories	14,097,923,218	13,376,350,872	Other current liabilities	7,663,636,117	7,663,636,117
Other current asset	32,436,598,031	32,436,598,031	Total current Liabilities	37,941,675,228	32,122,832,633
Total current Asset	90,833,854,413	68,858,239,892	Non-current liabilities		
Non-current asset			Long-term borrowings	1,067,530,000	-
Fixed asset	262,188,673	808,137,378	Total non-current Liabilities	1,067,530,000	-
Gross fixed asset	1,776,941,000	1,776,941,000	Total Liabilities	39,009,205,228	32,122,832,633
Accumulative depreciation	(1,514,752,327)	(968,803,622)	Owners' Equity		
Total non-current asset	262,188,673	808,137,378	Contributed capital	14,978,077,990	14,978,077,990
Total Assets	91,096,043,086	69,666,377,270	Undistributed profits	37,108,759,868	22,565,466,647
			Total Owners' Equity	52,086,837,858	37,543,544,637
			Total Liabilities and Owners' Equity	91,096,043,086	69,666,377,270



04

VALUATION

WEIGHTED AVERAGE COST OF CAPITAL

Note		
Risk-free rate	2.672%	Vietnam 10-year Bond Yield Historical Data by worldgovernmentbonds.com
Average Beta	0.425	Average beta of 10 Vietnamese pharmaceuticals companies
Market Risk Premium	9%	Country default spreads and risk premiums by NYU Stern School of Business (last updated on Jan 5th, 2024)
Cost of Equity	6.497%	CAPM: Cost of Equity = Risk-free rate + Beta*Market risk premium
Pre-tax Cost of Debt	8%	Average lending rate 2024 of banks in VietNam
Tax rate	20%	Viet Nam corporate tax rate
After-tax Cost of Debt	6.4%	Pre-tax cost of Debt * (1 - Tax rate)
Weight of Equity	57.18%	Owner's equity /Total resources
Weight of Debt	42.82%	Liabilities/Total resources
WACC (annually)	6.59%	WACC = Cost of Debt* Weighted of Debt + Cost of equity * Weighted of Equity
Terminal growth rate	1.0%	Adjusted real Revenue growth of pharmaceutical sector in VietNam

Sources: Team calculation

COST OF EQUITY

- Determine the cost of equity using 10 listed pharmaceutical companies in Viet Nam stock market.*

$$E(R_i) = R_f + \beta_i(E(R_m) - R_f)$$

	Risk-free rate	Beta	Market premium	Cost of equity
DBD	2.67%	0.12	9%	3.75%
IMP	2.67%	0.43	9%	6.54%
DCL	2.67%	0.26	9%	5.01%
DHG	2.67%	0.28	9%	5.19%
DVN	2.67%	1.1	9%	12.57%
VMD	2.67%	0.38	9%	6.09%
VDP	2.67%	0.31	9%	5.46%
DHT	2.67%	0.47	9%	6.90%
PMC	2.67%	0.81	9%	9.96%
SPM	2.67%	0.09	9%	3.48%

DISCOUNTED CASH FLOW

Unit: Millions VND

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Free Cash Flow	12,936	16,456	17,792	17,815	17,862	17,900	18,175	18,220	19,304	19,354	19,426	19,565
Discount period	1	2	3	4	5	6	7	8	9	10	11	12
Discount factor	0.995	0.989	0.984	0.979	0.974	0.968	0.963	0.958	0.953	0.948	0.943	0.938
PV of FCFs	12,867	16,281	17,511	17,440	17,393	17,337	17,510	17,461	18,402	18,351	18,321	18,355

Sources: Team calculation

Discount rate = WACC (annually) = 6.59%

207,230
DCF value

NSP VALUATION

Valuation Summary

Total PV of FCFs	207,230
Terminal Value	359,483
PV of Terminal Value	337,249
Enterprise Value	544,479
Plus: Cash	19,565
Less: Debt	39,009
Equity Value	525,035

05

LIMITATIONS & RISKS

Limitations

- Lack of historical data of the company, the forecast model may face with the lack of support
- Insufficient industry or competition data to compare our assumptions. The majority of them relied on subjective assessments and secondary research. Therefore, some bias would occur in our result.

Exchange Rate Risk

The reliance on imported materials for also increases the sensitivity of input material prices to fluctuations in exchange rates.

Market Recession

Shortage of seeking for medicine due to economic condition strong may strongly affect company' revenues.

National Governance

In Vietnam, the pharmaceutical business is subject to strict regulations enforced by national governments. Any changes in the law will significantly effect the industry.

Competitive Risk

Many pharmaceutical companies also investing in their own manufacturing overhead in Vietnam, which significantly reduce COGS for more competitive selling price.

RECOMMENDATIONS

Recommendations

01. FOCUS ON COST MANAGEMENT

Under negative economic view, good cost management contributes positive profit and potential future prospects

02. IMPROVE WORKING CAPITAL POLICY

Strictly follow and adjust the policy managerial policies in order to ensure the sufficient cash flow

03. PRIORITIZE PROFITABLE PRODUCTS

Eliminate unprofitable products and optimize high-profit categories.





**THANK YOU
FOR LISTENING**

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NSP VALUATION

NSP Terminal Growth rate

GDP Growth		5.5%
Real GDP Growth	$r = (i - g)/(1 + g)$	1.44%
Industry Revenue Growth		4.99%
Inflation rate		4.0%
Terminal Growth rate	$r = (i - g)/(1 + g)$	0.95%

