

*\*The following analysis is based on a review of Power Root's annual reports and press reports. We have not previously analyzed this company and do not hold any investment or trading positions in its stock. Readers should not make investment decisions based on this report and should understand our target price is a byproduct of our assumptions and valuation approach, which could be flawed. Finally, readers should note we are publishing this paper at the end of Power Root's fiscal year 2017, but the company's FY2017 data is not yet released and therefore is estimated in our valuation.*

Company: Power Root Berhad  
 Industry: Consumer  
 Headquarters: Malaysia  
 Exchange: Kuala Lumpur Stock Exchange  
 Stock Code: 7237

Price per share (Malaysian Ringgit, MYR): 2.33  
 Price per share (US Dollar, USD): 0.53<sup>1</sup>  
 Shares outstanding: 314,409,205  
 Market capitalization: MYR 732,573,448  
 Target price: MYR 2.65  
 \*Data is of 31 March 2017

## **OVERVIEW**

Power Root Berhad (Bhd), formerly known as Natural Bio Resources Bhd, is a Malaysia-based beverage provider that specializes in herbal energy drinks and instant coffee. The company was founded in 1999 in Johor Bahru, Malaysia, and is headquartered in Kuala Lumpur, the country's capital. Power Root has ten subsidiaries based in Malaysia that mostly support the company's energy drink and coffee sales, and it has five international subsidiaries that support Power Root's international sales.

In 2016, domestic sales accounted for approximately 61% of revenues and international sales contributed 39%, most of which were from the Middle East. Power Root is building a production facility in the United Arab Emirates to drive its growth in the Middle East and North Africa, and it expects the facility to be complete by 2018.

## **BOARD OF DIRECTORS AND MANAGEMENT**

Power Root's board as of July 2016 consisted of six members. Four of the board members were appointed to their seats in 2007, one in 2008, and another in 2014, and two of the six directors are identified as independent. None of the board members have a familial relationship with

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<sup>1</sup> This implies a conversion rate of MYR 4.4 to USD 1. We apply this rate to all other MYR to USD conversions.

any director or substantial shareholder of the Company, [according to the company's 2016 Annual Report](#).

Three of Power Root's board members have at least 16 years experience in the food and beverage industry—these three people also co-founded the company—which provides the company a solid base of knowledge in which to guide decision making. The three board members without previous experience in the food and beverage industry have experience in accounting and banking.

## INDUSTRY AND COMPETITION

### *Instant Coffee*

In 2016, the instant coffee market consumed 21.5 million 60 kilogram bags of coffee, which represents a 3.6% compound annual growth rate from 2009-2016, [according to Research and Markets](#), a market research firm. The total market value for the instant coffee market in 2016 was USD 28 billion and should increase to USD 36 billion to 2020, [according to Euromonitor International](#). Instant coffee is most popular in emerging markets, particularly Eastern Europe, the Middle East, Africa, and Asia-Pacific, [according to Euromonitor International](#).

We infer that the instant coffee market represents approximately 13.8% of overall coffee consumption, [based on an International Coffee Organization's \(ICO\) 2016 report](#) that stated the world consumed 155.7 million 60 kilogram bags of coffee in 2016. Over the last three years, world coffee consumption expanded 1.9% per year, according to the same ICO report. Instant coffee's 3.6% compound annual growth rate during this same period exceeds the compound annual growth of 1.9% in the overall consumption of coffee, which suggests coffee drinkers increasingly are choosing instant coffee.

In Malaysia, the instant coffee market is crowded and there are numerous brands available. Nestle's Nescafe is the leading instant coffee brand, taking 48% of the market in 2016 and earning MYR 775 million, or USD 176 million, in revenue, [according to Euromonitor International](#). We use Nescafe's market share and revenue to infer the total instant coffee market size in Malaysia to be MYR 1,615 million, or USD 367 million. If we assume instant coffee generates 80% of Power Root's domestic revenue and 80% of its export revenue,<sup>2</sup> we can infer the company's sales of instant coffee in Malaysia in 2016 generated MYR 179 million, giving it 11% market share of instant coffee sales in Malaysia.

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<sup>2</sup> We have little basis for this estimation other than Power Root's coffee line is more robust than its energy drink product line and because we assess the primary location of its exports—the Middle East—suggests instant coffee comprises most of its exports. We note, however, that our estimates are reasonable because they lead to values that are consonant with the market share of the respective market leaders for each product line.

The following table provides further detail on the calculation of Power Root's instant coffee sales and market share for 2016, based on the company's 2016 Annual Report, information provided by Euromonitor International, and our own assumptions and inferences.

*Figure 1.1*

Power Root's total revenue	MYR 367 million
Power Root's total export revenue (39% of total revenue)	MYR 143 million
Power Root's export revenue of instant coffee (assumed to be 80% of total export revenue)	MYR 114 million
Power Root's total domestic revenue (61% of total revenue)	MYR 224 million
Power Root's domestic revenue of instant coffee (assumed to be 80% of total domestic revenue)	MYR 179 million
Total market size in Malaysia for instant coffee (inferred from Nescafe's instant coffee sales of MYR 775 million representing 48% of market share)	MYR 1,615 million
Power Root's domestic market share of instant coffee (Power Root's domestic instant coffee revenue divided by total market in Malaysia for instant coffee)	11%
Global market for instant coffee outside Malaysia (total global market of instant coffee of USD 28 billion less total instant coffee sales in Malaysia)	USD 27,600 million
Power Root's exports of instant coffee as percent of global market for instant coffee outside Malaysia	0.09%

### **Energy drinks**

In 2015, global sales for energy drinks reached Euro 38.2 billion, or approximately USD 35 billion,<sup>3</sup> and are expected to reach Euro 53.4 billion by 2020, or approximately USD 49 billion, [according to a Euromonitor International report cited by Beveragedaily.com](#).

In Malaysia, in 2016, Red Bull was the energy drink market leader with 55% market share, [according to The Star Online](#). The Yee Lee Group in Malaysia obtained exclusive distributorship rights to Red Bull in Malaysia in 2015, and in the second half of 2015 the brand generated MYR 60 million in revenue, or about USD 14 million, [according to a press report from the group](#). Using Red Bull's 2015 second half revenue and its 2016 market share of 55%, we estimate the total energy drink market in Malaysia to be approximately MYR 218 million, or approximately USD 50 million. If we assume energy drinks generated 20% of Power Root's domestic revenues in 2016, the company would have earned approximately MYR 45 million from domestic energy drink sales, yielding approximately 21% of the Malaysian energy drink market.

<sup>3</sup> This implies a conversion of EUR 0.92 to USD 1.

The following table provides further detail on the calculation of Power Root's energy drink sales and market share for 2016, based on the company's 2016 Annual Report, information provided by Euromonitor International, and our own assumptions and inferences.

Figure 1.2

Power Root's total revenue	MYR 367 million
Power Root's total export revenue (39% of total revenue)	MYR 143 million
Power Root's export revenue of energy drinks (assumed to be 20% of total export revenue)	MYR 29 million
Power Root's total domestic revenue (61% of total revenue)	MYR 224 million
Power Root's domestic revenue of energy drinks (assumed to be 20% of total domestic revenue)	MYR 45 million
Total market size in Malaysia for energy drinks (inferred from Red Bull Malaysia's assumed annual sales of MYR 120 million representing 55% of market share)	MYR 218 million
Power Root's domestic market share of energy drinks (Power Root's domestic energy drink revenue divided by total market in Malaysia for energy drinks)	21%
Global market for energy drinks outside Malaysia (total global market for energy drinks of USD 35 billion less total energy drink sales in Malaysia)	USD 34,950 million
Power Root's exports of energy drinks as percent of global market for energy drinks outside Malaysia	0.02%

### COMPETITIVE ADVANTAGE

Power Root primary differentiates its coffee and energy drinks by promoting their natural ingredients, specifically Tongkat Ali and Kacip Fatimah. Tongkat Ali, which the scientific community calls *Eurycoma Longifolia*, is a tall, evergreen shrub-tree found in Southeast Asia that possibly can increase male fertility, [according to WebMD](#). Tongkat Ali also is alleged to have other myriad health benefits, to include increased athletic performance and treatment for various illnesses, but these benefits are inconclusive, [according to WebMD](#). In addition to its possible health benefits, Tongkat Ali sometimes is used to enhance the taste of Power Root's drinks because it is bitter, [according to the company's website](#).

The other natural ingredient in Power Root's products, Kacip Fatimah, which also is called *Labisia Pumilia*, is an herb found in the Malaysian rainforest that provides various female health benefits, [according to Power Root's website](#). WebMD did not contain information on this herb.

In addition to promoting the use of natural ingredients, Power Root attempts to differentiate its products by partnering with various Malaysian celebrities. In 2016, the company signed Mixed Martial Arts fighter Peter Davis as an ambassador for its energy drinks. Also in 2016, the

company partnered with Malaysian radio DJ and TV host Faizal Ismail as an ambassador for its Alicafe Tongkat Ali and ginseng products, [according to the company's 2016 Annual Report](#).

### SHARE PERFORMANCE

Since March 2012, Power Root's share price has appreciated approximately 380%, a gain that significantly outperforms its local competitors Nestle (Malaysia) and Old Town White Coffee, as well as the Kuala Lumpur Composite Index (KLCI). Although not included in the below chart, we also note that Super Group Ltd, the Singapore company that trades on the Singapore Stock Exchange and is the largest coffee manufacturer in Malaysia, has appreciated approximately 50% over this same period.



*\*chart current as of 22 March 2017*

### GROWTH CATALYSTS

We assess Power Root's future production facility in the United Arab Emirates, which is expected to be completed in 2018, will increase revenues, particularly for the company's instant coffee—this is because of the strong demand for coffee in the Middle East, where the company sends most of its exports. This facility also will increase the efficiency of the company's distributorship, which will lead to decreased costs. The competitiveness of the

Middle Eastern coffee market, however, will require Power Root to maintain elevated marketing costs, which will enervate the gains in distributorship efficiency and increased sales.

In Malaysia, and Southeast Asia in general, we expect instant coffee sales to grow as these populations continue to expand and increasingly choose instant coffee as their drink of choice. Power Root's use of local celebrities to promote its coffee and energy drinks also should lead to increased revenues, particularly in Malaysia.

Power Root also will benefit greatly from Malaysia's Pioneer Status Tax Incentive (PSTI), which the government developed to encourage reinvestment in beverages containing edible plants and herbal extracts. Kuala Lumpur in 2013 awarded this tax benefit to Power Root (M) Sdn Bhd, a subsidiary of Power Root Bhd, exempting the subsidiary from 70% of its income taxes from 2015 through 2019, according to the company's [2015](#) and [2016](#) annual reports. We view this subsidiary as the company's primary source of revenue and therefore assign the full tax benefit to the overall company.

Aside from the PSTI, we currently do not assess that Power Root's use of natural ingredients, particularly Tongkat Ali and Kacip Fatimah, independently will serve as a further catalyst for growth. Future data that speaks to Malaysian and global consumers' desire for products incorporating these ingredients would cause us to reevaluate our assessment.

## RISKS

Power Root faces unique risk in its instant coffee and energy drink business. In the near term, the company faces execution risks as it increasingly focuses on exports to drive its revenues. For instance, delays in the company's production facility in the United Arab Emirates will lead to increased costs and reduced revenues. Long term, the company's ability to differentiate itself through its natural ingredients will suffer if Tongkat Ali and Kacip Fatimah are perceived to have few, if any, health benefits. Power Root aggressively markets these health benefits in its packaging and through its celebrity sponsors, suggesting the brand would be setback were consumers to devalue the benefits of these natural ingredients.

Power Root also faces near term industry risk in its coffee and energy drink sales. Weak consumer sentiment in Malaysia and a retail sector challenged by higher raw material prices, [according to The Edge Markets](#), a leading financial publication in Malaysia, probably will lead to slower sales growth and increased costs for Power Root in 2017.

Long term, Power Root's instant coffee and energy drinks face risks that could significantly impact their respective revenues. The instant coffee market is threatened by the potential for consumers to prefer premium coffee, a development that has taken root in Western markets, [according to Euromonitor International](#). Power Root probably will need to at least maintain its research and development expenses—the company does not identify these expenses, but we assume they are included in its "other expenses"—to remain competitive, or it risks losing sales.

Power Root's energy drink line is at risk of consumers eschewing sugar-laden products, as they recently have with soda. From 2007-2013, daily soda consumption by US teenagers—a primary target for marketers of sugary drinks, [according to a 2014 Yale University study reported in the Hartford Courant](#)—dropped by 24%, with the rest of the US population reducing their daily soda consumption by 20%, [according to The New York Times](#).

Governments also might attempt to ban energy drinks, as they have with soft drinks. In 2016, The Food Research Collaboration, an initiative of the Centre for Food Policy at City University London, published a report that recommended local and national government restrict the sales and marketing of energy drinks to young people, [according to The Guardian](#). In mid-2016, the Government of Saudi Arabia as part of an effort to promote healthier drink choices announced plans to fine restaurants who serve energy drinks, [according to a Euromonitor International report cited by Foodnavigator.com](#). Although restaurants comprise only three percent of energy drink sales, according to the same article, we assess Riyadh probably will extend a version of this penalty to off-trade venues.

## VALUATION

### *Thesis*

Power Root competes in the competitive instant coffee and energy drink market and differentiates itself by incorporating natural ingredients into its products. The company will continue to use Malaysian celebrities to promote its coffee and energy drinks and stress their use of natural ingredients, which will increase revenues, although not significantly. Domestic sales also will benefit from an increasing population.

Internationally, Power Root's instant coffee sales, which primarily come from the Middle East, will increase with the completion of the company's United Arab Emirates (UAE)-based production facility. However, the intense competition within the instant coffee market will require sustained marketing expenses and research and development to improve its product, which collectively will temper these revenue gains.

The production facility initially will lead to an increase in energy drink exports to the Middle East, but concerns over sugar-saturated drinks will lead to a decrease in the revenue growth of energy drink exports by 2021, as governments in the Middle East and around the globe institute restrictions on these products.

### *Forecast drivers*

**Revenue:** We break down Power Root's revenues into four components: domestic instant coffee, domestic energy drink, international instant coffee, and international energy drink. In 2016, domestic sales accounted for 61% of the company's revenues and international sales accounted for 39%. We then estimate that instant coffee accounted for 80% of both domestic and international sales, although as stated in footnote two we have little basis for this assessment.

We estimate the year-over-year percent change in domestic revenues for both Power Root's instant coffee and energy drinks to gain a tenth of a percent per year, increasing from 11.34% in 2016 to 11.84% in 2021. These revenue gains reflect the company's marketing efforts and the overall population increase in Malaysia.

For international sales, in 2017, we forecast the year-over-year percent change in export revenues of both instant coffee and energy drinks to mirror their year-over-year change in 2016; this is because the production facility will not yet be operational. For 2018, we estimate a quarter percent year-over-year increase in sales because the production facility will become operational. For 2019, we expect the facility to be fully operational and produce a half percent increase in year-over-year sales for both instant coffee and energy drinks. In 2020 and 2021, however, our expectations for instant coffee and energy drink exports diverge, with instant coffee continuing to see a half percent year-over-year gain in sales but energy drinks experiencing a half percent year-over-year decline. This decline in energy drink sales is because we expect consumers to eschew sugary drinks and governments to broaden restrictions on its consumption.

**Expenses:** Power Root's production facility in the UAE will lead to a decrease in the cost of goods sold (COGS). For 2017, we estimate COGS as a percent of total revenue will be the median over the prior five years. In 2018, when the facility becomes on-line, COGS as a percent of revenue will decrease a quarter percent, and then half a percent per annum through 2021.

Power Root will benefit significantly from Malaysia's Pioneer Status Tax incentive, which will exempt 70% of revenues from the company's primary subsidiary because its products incorporate natural ingredients. We view this subsidiary as the company's primary source of revenue and therefore assign the full tax benefit to the overall company. The company will enjoy this tax benefit through 2019, at which point it will return to paying Malaysia's normal 24% corporate tax rate.

We expect Power Root's marketing and staff expenses through 2021 to hold at their respective median percent of revenue over the prior five years. The company does not break down its "other expenses," but we assume this includes research and development. Therefore, we hold constant the company's 2016 "other expense" to the forecasted years through 2021.

**Cost of Capital and Target Price**

Beta	1.73
Risk free rate	2.976%
Market premium	5.5%
Total debt	MYR 10,897,412
Total equity	MYR 732,573,448
Weighted average cost of capital	12.34%
Terminal growth	3%
Target price	MYR 2.65

**Beta:** To calculate Power Root’s beta, we run a regression on Power Root’s monthly returns over the last five years against those same returns in the Kuala Lumpur Composite Index. This yields a beta of 1.73.

**Risk free rate:** To calculate the risk-free rate, we take the 10 year US treasury rate as of 31 March, which was 2.386%, [according to the Wall Street Journal](#), and add the average difference from 2006-2015 in consumer price inflation in the United States and Malaysia, which is 0.59%. This brings our risk-free rate to 2.976%.

**Market premium:** For the market premium, we simply apply 5.5%, which is at the high-end of the market premium range recommended by McKinsey & Company in the fourth edition of their book titled, “Valuation.”

**Total debt and equity:** To determine the company’s weight of debt, we used the debt identified on Power Root’s 2016 Annual Report, which is MYR 10,897,412. For the company’s weight of equity, we calculated the company’s market value using the number of diluted shares outstanding identified in the company’s 2016 Annual Report—314,409,205—and the price per share on 31 March—MYR 2.33—which produces a market value of MYR 732,573,448. This results in Power Root’s debt representing 1.47% of the company’s capital structure and equity representing 98.53%.

**Weighted average cost of capital<sup>4</sup>:** Based on the above calculations, we determine the company’s weighted average cost of capital to be 12.34%.

**Terminal growth:** We assume a terminal growth rate of 3%.

**Target price:** Based on our revenue and expense assumptions, and our calculation for the cost of capital, we arrive at a target price of MYR 2.65, which is 13.7% higher than the closing share price on 31 March of MYR 2.33. Our target price implies an EBITDA multiple of 6.00x.

<sup>4</sup> We do not account for inflation in our weighted average cost of capital calculation, given the relatively modest inflation that Malaysia has experienced over the past decade. Based on data provided by The World Bank, Malaysia’s average inflation from 2004-2015 was 2.50%.

**Malaysia Inflation – Consumer Prices, 2004-2015**

2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
2.10%	3.14%	2.11%	1.66%	3.20%	1.71%	0.58%	5.44%	2.03%	3.61%	2.96%	1.52%

Source: The World Bank

## INCOME STATEMENT (Malaysian Ringgit)

	2012A	2013A	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E
	2/28/12	2/28/13	2/28/14	3/1/14- 3/31/2015	3/31/16	3/31/17	3/31/18	3/31/19	3/31/20	3/31/21
<b>Total Revenue</b>	217,036,013	279,354,884	306,852,297	326,966,057	367,531,629	413,416,669	465,749,827	525,993,070	595,097,556	674,523,419
Cost of sales	(103,561,926)	(124,567,022)	(130,870,540)	(138,827,854)	(164,584,803)	(184,346,458)	(206,517,940)	(230,600,407)	(257,920,988)	(288,972,302)
<b>Gross Profit</b>	113,474,087	154,787,862	175,981,757	188,138,203	202,946,826	229,070,211	259,231,887	295,392,664	337,176,568	385,551,117
Other operating inc.	1,389,467	4,992,854	4,238,671	4,888,018	12,549,523	4,888,018	4,888,018	4,888,018	4,888,018	4,888,018
<b>Operating Expenses</b>										
Depreciation & amort.	(6,410,980)	(6,044,835)	(5,420,964)	(6,316,919)	(6,418,435)	(7,296,514)	(7,776,539)	(8,281,592)	(8,803,207)	(9,336,341)
Staff costs	(21,978,277)	(27,667,915)	(31,975,291)	(37,935,453)	(37,568,921)	(42,259,270)	(47,608,742)	(53,766,780)	(60,830,610)	(68,949,486)
Marketing	(33,478,229)	(47,964,286)	(53,941,325)	(73,023,915)	(68,569,857)	(72,674,193)	(81,873,797)	(92,463,910)	(104,611,733)	(118,573,944)
Other Expense	(33,302,698)	(36,185,613)	(38,747,836)	(44,279,900)	(60,082,334)	(60,082,334)	(60,082,334)	(60,082,334)	(60,082,334)	(60,082,334)
<b>Operating profit</b>	19,693,370	41,918,067	50,135,012	31,470,034	42,856,802	51,645,919	66,778,493	85,686,066	107,736,702	133,497,030
<b>Nonoperating Expenses</b>										
Interest Income	0	686,709	607,978	1,398,758	1,387,139	1,571,725	1,615,082	1,691,001	1,714,315	1,763,760
Interest expense	(304,388)	(490,357)	(689,353)	(756,359)	(455,534)	(455,534)	(455,534)	(455,534)	(455,534)	(455,534)
Other income / (exp.)	(16,453)	(153,905)	(50,954)	19,632,741	592,502	0	0	0	0	0
<b>Pretax profit</b>	19,372,529	41,960,514	50,002,683	51,745,174	44,380,909	52,762,110	67,938,041	86,921,533	108,995,483	134,805,256
Pioneer tax incentive	0	0	0	0	0	36,933,477	47,556,629	60,845,073	0	0
<b>Taxable income</b>	19,372,529	41,960,514	50,002,683	51,745,174	44,380,909	15,828,633	20,381,412	26,076,460	108,995,483	134,805,256
Tax income / (expense)	(2,683,246)	(6,684,529)	(10,323,990)	(5,411,071)	832,551	(3,798,872)	(4,891,539)	(6,258,350)	(26,158,916)	(32,353,261)
<b>Net income</b>	16,689,283	35,275,985	39,678,693	46,334,103	45,213,460	48,963,238	63,046,502	80,663,182	82,836,567	102,451,995
Less: Noncontrolling int	375,889	893,649	865,381	2,909,100	1,765,018	0	0	0	0	0
<b>Net Income to Owners</b>	16,313,394	34,382,336	38,813,312	43,425,003	43,448,442	48,963,238	63,046,502	80,663,182	82,836,567	102,451,995
Basic shares outstanding	300,000,000	300,000,000	300,525,968	301,008,931	298,618,618	298,234,168	297,776,559	297,235,342	296,721,556	296,134,142
Impact of dilutive securities	0	7,668,045	16,756,848	14,250,478	15,790,587	15,790,587	15,790,587	15,790,587	15,790,587	15,790,587
Diluted shares outstanding	300,000,000	307,668,045	317,282,816	315,259,409	314,409,205	314,024,755	313,567,146	313,025,929	312,512,143	311,924,729
Basic EPS	0.054	0.115	0.129	0.144	0.145	0.164	0.212	0.271	0.279	0.346
Diluted EPS	0.054	0.112	0.122	0.138	0.138	0.156	0.201	0.258	0.265	0.328

**EBITDA RECONCILIATION**

	2012A	2013A	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E
EBIT	19,676,917	41,764,162	50,084,058	51,102,775	43,449,304	51,645,919	66,778,493	85,686,066	107,736,702	133,497,030
Depreciation & Amortization	6,427,433	6,118,740	5,456,618	6,316,919	6,418,435	7,296,514	7,776,539	8,281,592	8,803,207	9,336,341
Stock based compensation	0	768,215	1,034,596	809,314	531,037	1,050,791	1,137,414	1,236,856	1,350,592	1,480,934
EBITDA	26,104,350	48,651,117	56,575,272	58,229,008	50,398,776	59,993,224	75,692,445	95,204,514	117,890,501	144,314,305
EBITDA, less SBC	26,104,350	47,882,902	55,540,676	57,419,694	49,867,739	58,942,433	74,555,031	93,967,658	116,539,909	142,833,371

**INCOME STATEMENT RATIOS**

	2012A	2013A	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E
Gross profit margin	52.28%	55.41%	57.35%	57.54%	55.22%	55.41%	55.66%	56.16%	56.66%	57.16%
Operating margin	9.07%	15.01%	16.34%	9.62%	11.66%	12.49%	14.34%	16.29%	18.10%	19.79%
Interest coverage ratio	64.70x	85.48x	72.73x	41.61x	94.08x	113.37x	146.59x	188.10x	236.51x	293.06x
Net profit margin	7.52%	12.31%	12.65%	13.28%	11.82%	11.84%	13.54%	15.34%	13.92%	15.19%
% growth in revenue		28.71%	9.84%	6.55%	12.41%	12.48%	12.66%	12.93%	13.14%	13.35%
% growth in EBIT		112.25%	19.92%	2.03%	-14.98%	18.86%	29.30%	28.31%	25.73%	23.91%
% growth in EBITDA, including SBC		86.37%	16.29%	2.92%	-13.45%	19.04%	26.17%	25.78%	23.83%	22.41%
% growth in EBITDA, less SBC		83.43%	15.99%	3.38%	-13.15%	18.20%	26.49%	26.04%	24.02%	22.56%
% growth in net income		111.37%	12.48%	16.77%	-2.42%	8.29%	28.76%	27.94%	2.69%	23.68%

**DCF VALUATION**

	2012A	2013A	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E
EBITDA	26,104,350	47,882,902	55,540,676	57,419,694	49,867,739	58,942,433	74,555,031	93,967,658	116,539,909	142,833,371
Less: D&A	6,427,433	6,118,740	5,456,618	6,316,919	6,418,435	7,296,514	7,776,539	8,281,592	8,803,207	9,336,341
EBIT	19,676,917	41,764,162	50,084,058	51,102,775	43,449,304	51,645,919	66,778,493	85,686,066	107,736,702	133,497,030
Less: Taxes*	24%	24%	24%	(5,411,071)	832,551	(3,798,872)	(4,891,539)	(6,258,350)	24%	24%
Tax-adjusted EBIT (NOPAT)	14,954,457	31,740,763	38,063,884	45,691,704	44,281,855	47,847,047	61,886,954	79,427,716	81,879,893	101,457,743
Plus: D&A	6,427,433	6,118,740	5,456,618	6,316,919	6,418,435	7,296,514	7,776,539	8,281,592	8,803,207	9,336,341
Less: Capital Expenditures	3,768,020	10,847,630	5,823,034	10,740,335	4,863,743	7,845,271	8,838,380	9,981,596	11,292,968	12,800,207
Less: Change in working capital	11,459,578	18,567,682	6,580,431	(14,264,217)	1,420,018	11,398,899	13,060,302	15,267,860	17,562,948	20,242,855
Unlevered Free Cash Flow	6,154,292	8,444,191	31,117,037	55,532,505	44,416,529	35,899,391	47,764,811	62,459,852	61,827,184	77,751,023

\*raw figures account for tax incentive

Discount factor						0	1	2	3	4
Weighted Average Cost of capital						12.34%	12.34%	12.34%	12.34%	12.34%
Present value						35,899,391	42,517,638	49,490,641	43,607,648	48,814,672

**Perpetuity Approach**

Sum of stage 1 present value	220,329,990
Unlevered CF in last forecast per.	77,751,023
Terminal growth rate	3%
UFCF (t+1)	80,083,553
Terminal value	857,318,431
Present value of terminal value	538,252,956

Enterprise value	758,582,946
Less: Net debt	(75,346,578)
Equity value	833,929,524
Diluted shares	314,409,205
<b>Price per share</b>	<b>2.65</b>

**EBITDA-multiple Approach**

Sum of stage 1 present value	220,329,990
Terminal year EBITDA	142,833,371
Terminal value EBITDA multiple	6.00x
Terminal value	857,000,227
Present value of terminal value	538,053,177

Enterprise value	758,383,168
Less: Net debt	(75,346,578)
Equity Value	833,729,746
Diluted shares	314,409,205
<b>Price per share</b>	<b>2.65</b>