

# DISCOUNTED CASH FLOW ANALYSIS

## EQUINITY GROUP PLC

AS OF SEPTEMBER 11, 2019

(In GBP millions)

	HISTORY 6/30/2019	PROJECT 2019	PROJECT 2020	PROJECT 2021	PROJECT 2022	PROJECT 2023	HORIZON
Revenues	552.0	579.6	608.6	639.0	671.0	704.5	704.5
Operating Expenses (excluding D&A)	436.0	456.4	477.7	500.0	523.3	546.0	546.0
Depreciation Expense	9.5	9.5	10.4	10.9	11.4	12.0	12.0
Amortization Expense	57.4	57.4	62.7	65.8	69.1	72.5	72.5
Total Operating Expenses	502.9	523.3	550.8	576.7	603.9	630.5	630.5
Net Operating Income	49.1	56.3	57.8	62.3	67.1	74.0	74.0
Other Income (Expenses)	(16.9)	0.0	0.0	0.0	0.0	0.0	0.0
Debt-Free Pre-Tax Income	32.2	56.3	57.8	62.3	67.1	74.0	74.0
% of Sales	5.8%	9.7%	9.5%	9.8%	10.0%	10.5%	10.5%
Tax	25%	5.2	14.1	14.5	15.6	16.8	18.5
Debt-Free Net Income	27.0	42.2	43.4	46.7	50.3	55.5	55.5
Income Attributable to Non-Controlling Interests		(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
Depreciation and Amortization		66.9	73.0	76.7	80.5	84.5	84.5
Capital Expenditures		(30.0)	(31.5)	(33.1)	(34.7)	(36.5)	(36.5)
Change in Working Capital		(3.2)	(3.4)	(3.6)	(3.7)	(3.9)	(4.1)
Adjusted Free Cash Flow		75.6	81.2	86.4	92.0	99.2	99.0
Horizon Value (Gordon Growth Model) (1)							1,256.1
Partial Period (Pro Rata)		0.30	1.00	1.00	1.00	1.00	
Period (Mid-Point Convention)		0.15	0.80	1.80	2.80	3.80	
Present Value Factor (Mid-Point Convention)	11.12%	0.9841	0.9188	0.8269	0.7442	0.6697	0.6697
Present Value		22.6	74.6	71.5	68.5	66.4	841.2
Sum of Present Values							\$303.6
Horizon Value							£841.2
<b>Aggregate Enterprise Value</b>							<b>£1,144.7</b>
Less: Interest-Bearing Debt and Certain Long-Term Liabilities							(458.4)
<b>Aggregate Equity Value</b>							<b>686.3</b>

Shares outstanding (in millions)

368.5

<b>Fair Market Value Per Share, rounded</b>	<b>£1.86</b>
Current Price Per Share	£2.11
<b>Potential Upside</b>	<b>-11.8%</b>

### Cost of Equity Build-up

20 Year Treasuries at Valuation Date	1.03%
Generic Stock Premium	5.00%
Small Stock Premium	3.25%
Industry/Company Specific Risk	5.80%
Equity Discount Rate, rounded	15.10%

### Weighted Average Cost of Capital

Equity	15.10%	65%	9.82%
Debt	3.80%	35%	1.33%
WACC, rounded			11.10%
Less: Long Term Growth Rate			3.00%
Debt-free Capitalization Rate, rounded			8.10%

### Cost of Debt

Company's Cost of Debt	5.0%
Tax Rate	25.0%
After-Tax Cost of Debt, rounded	3.80%

(1) Horizon value calculated using the Gordon Growth Model  $[V_0 = [Cf \times (1 + g)] / (r - g)]$