Georgian Oil and Gas Corporation
Challenging Year, Solid Outlook

Georgia | Energy
Georgian Oil and Gas Corporation
April 28, 2016

S&P / B+ / Negative
Fitch / BB- / Stable

FY15 was a challenging year for GOGC's core businesses. Gas sales were largely flat, while higher cost of gas weighed on operating expenses. FY15 top line grew 7.7% y/y on the back of electricity sales, as Gardabani CCPP commenced operations in Sep-15. FY15 adjusted EBITDA was down 14.2% y/y to US$ 53.3mn. Keeping in mind the regional economic slowdown and household gas subsidies, we forecast flat gas sales in FY16, while high-margin electricity generation should drive a 54.7% y/y increase in adjusted EBITDA. End-2015 net debt-to-adjusted EBITDA came in at 2.6x, well below the 3.5x Eurobond covenant. We see the end-2016 ratio at 1.5x. Construction of Gardabani CCPP II is expected to commence in 2017. A feasibility study for the gas storage reservoir project is to be completed in early 2017.

Gas sales flat, top line boosted by electricity sales

FY15 revenue grew 7.7% y/y to US$ 218.2mn. While sale of gas, the key revenue stream, was largely flat at US$ 154.0mn, top line got a boost from the addition of electricity sales (US$ 21.5mn), as the Gardabani power plant commenced operations in September 2015. We expect electricity sales to reach US$ 82.1mn and drive revenue growth of 28.4% y/y in FY16, the first fully operational year for the plant.

Increased cost of gas weighs on profitability

FY15 adjusted EBITDA contracted 14.2% y/y to US$ 53.3mn, as cost of gas, the key operating expense, surged 16.9% y/y. A new contract was signed with SOCAR in March 2016. Subsequently, average gas purchase price should decline, leading to annual savings of around US$ 10.0mn, and higher volumes should be available for import. We expect FY16 adjusted EBITDA to grow 54.7% y/y to US$ 82.5mn and the EBITDA margin to rebound from 24.4% in FY15 to 29.4% in FY16 on the back of high-margin electricity generation.

Major capital projects depend on availability of funding

The construction of Gardabani CCPP II is expected to commence in 2017. The 240MW power plant will replicate the technical characteristics of the Gardabani CCPP at an estimated cost of US$ 160.0mn. The completion of a feasibility study for the US$ 250.0mn underground gas storage reservoir, aimed at increasing Georgia's energy security, is now expected in 2017. The company is considering third-party equity contributions and/or project finance as potential financing options.

Compliant with Eurobond covenants

Net debt-to-adjusted EBITDA ratio deteriorated to 2.6x, largely due to the drop in adjusted EBITDA. Net debt also declined, as a decrease in the cash balance was more than offset by a new US$ 30.0mn credit line, which is added to cash and cash equivalents per the Eurobond prospectus. On the back of significant expected growth in adjusted EBITDA and lower capital spending in FY16, we expect end-2016 net debt-to-adjusted EBITDA to come in at 1.5x, well below the Eurobond covenant of 3.5x.

GEOROG 05/17 Eurobond successfully refinanced

On April 19, 2016, GOGC successfully refinanced its outstanding GEOROG 05/17 US$ 250mn Eurobond. The new Eurobond, GEOROG 04/21, carries a coupon rate of 6.75% and was placed at a yield of 7.00%. The net debt-to-adjusted EBITDA covenant was revised upward to 3.75x.

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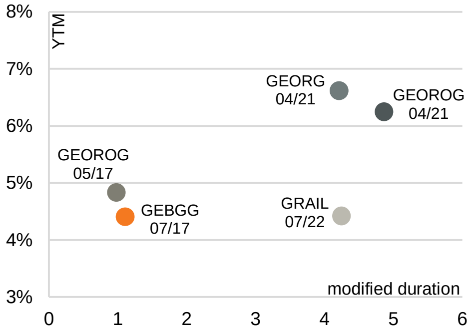
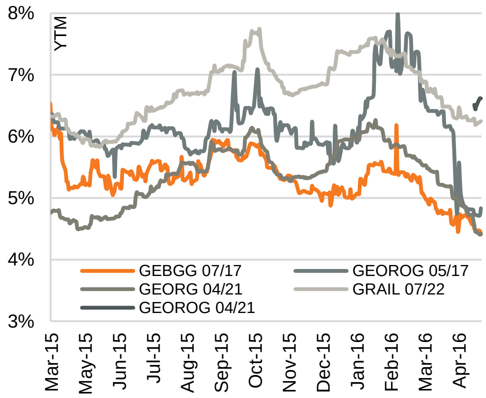
Figure 1: Georgian Eurobond universe



Source: Bloomberg

Figure 2: Georgian Eurobonds



Source: Bloomberg

Table 1: Key financials (US$ '000) and margins

	FY14	FY15	y/y change
Revenue	202,628.5	218,234.3	7.7%
Gross profit	75,582.0	69,720.1	-7.8%
Gross profit margin	*37.3%*	*31.9%*	*-535 bps*
EBITDA	63,477.4	54,367.5	-14.4%
EBITDA margin	*31.3%*	*24.9%*	*-641 bps*
Adjusted EBITDA	62,113.8	53,318.7	-14.2%
Adjusted EBITDA margin	*30.7%*	*24.4%*	*-622 bps*
EBIT	52,119.7	42,533.2	-18.4%
EBIT margin	*25.7%*	*19.5%*	*-623 bps*
Net income	47,506.1	15,952.9	-66.4%
Net profit margin	*23.4%*	*7.3%*	*-1,613 bps*
Assets	660,500.1	588,849.6	-10.8%
Equity	362,719.5	300,689.8	-17.1%
Liabilities	297,780.6	288,159.8	-3.2%

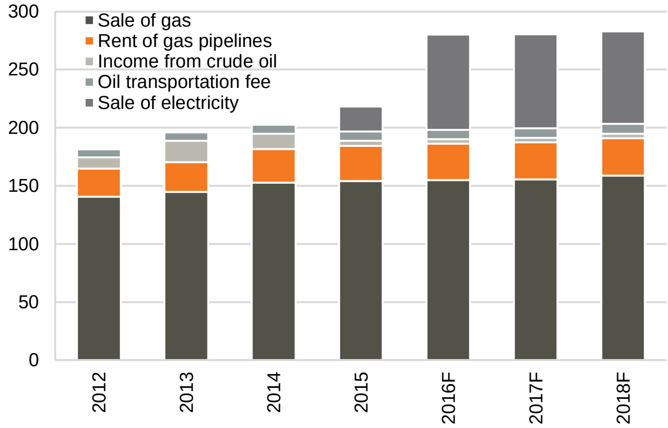
Source: Company data, Galt & Taggart Research

US$-GEL	2012	2013	2014	2015	2016F	2017F	2018F
Year-end	1.66	1.74	1.86	2.39	2.30	2.30	2.30
Average	1.65	1.66	1.77	2.27	2.20	2.30	2.30

Source: NBG, Galt & Taggart Research

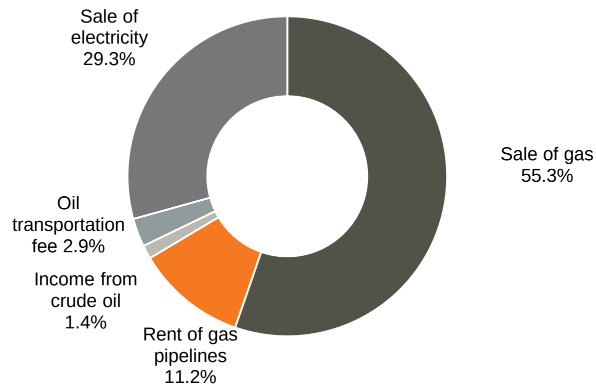
Top line growth driven by electricity sales

Figure 3: Revenue, US$ mn



Source: Company data, Galt & Taggart Research

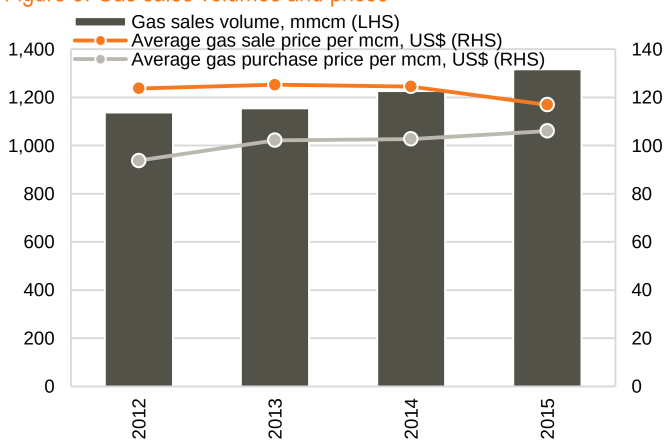
Figure 4: FY16 revenue breakdown



Source: Company data, Galt & Taggart Research

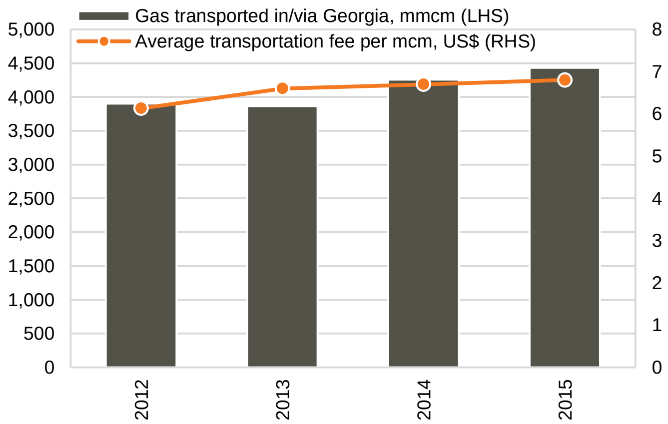
In FY15, top line increased 7.7% y/y to US$ 218.2mn. Sale of gas, the leading revenue stream with a 70.6% share, was largely flat (up 0.8% y/y) in FY15 at US$ 154.0mn. While the volume of gas sold increased 7.3% y/y to 1.3bcm, a 6.1% y/y drop in average sale price to US$ 117.0 per mcm largely negated the potential impact. The introduction of gas price subsidies for households by the government of Georgia was the key reason behind the decrease in average sale price. Assuming the subsidies will stay intact for now, we forecast flat gas sales in FY16.

Figure 5: Gas sales volumes and prices



Source: Company data, Galt & Taggart Research

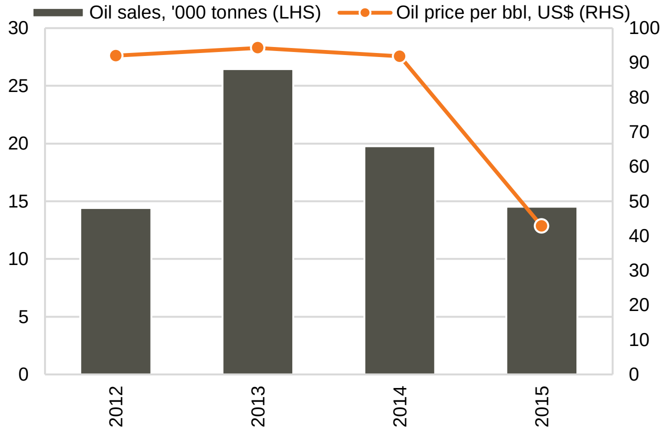
Figure 6: Gas transportation volumes and fees



Source: Company data, Galt & Taggart Research

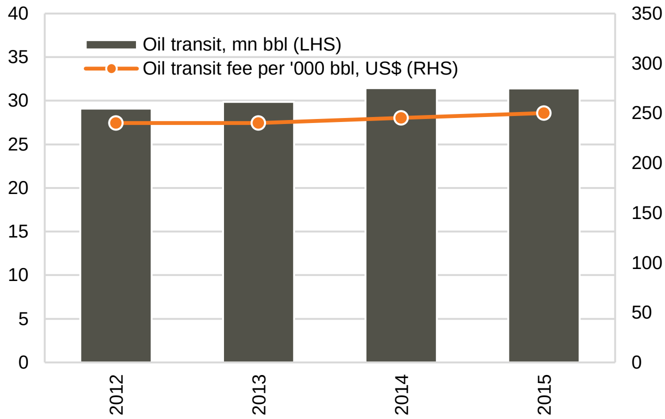
Rent of gas pipelines and oil transportation revenues grew 5.4% y/y to US$ 30.3mn and 2.4% y/y to US$ 7.9mn, respectively. Gas pipeline rental and oil transportation revenues are tied to the Main Gas Pipeline System's and Western Route Export Pipeline's throughput volumes, respectively. Income from crude oil shrank 66.0% y/y to US$ 4.5mn due to lower oil prices and a decrease in exploration activity. Notably, the decline was significant – equivalent to the y/y drop in adjusted EBITDA of US$ 8.8mn. Against a backdrop of muted regional economic growth and challenges in the oil and gas sector, we forecast weak growth of 3.2% y/y in gas pipeline rental and 1.6% y/y in oil transportation revenues in FY16. We expect FY16 crude oil sales at US$ 3.8mn, down 15.4% y/y.

Figure 7: Oil sales volume and average sale price



Source: Company data, Galt & Taggart Research

Figure 8: Oil transportation volume and fee



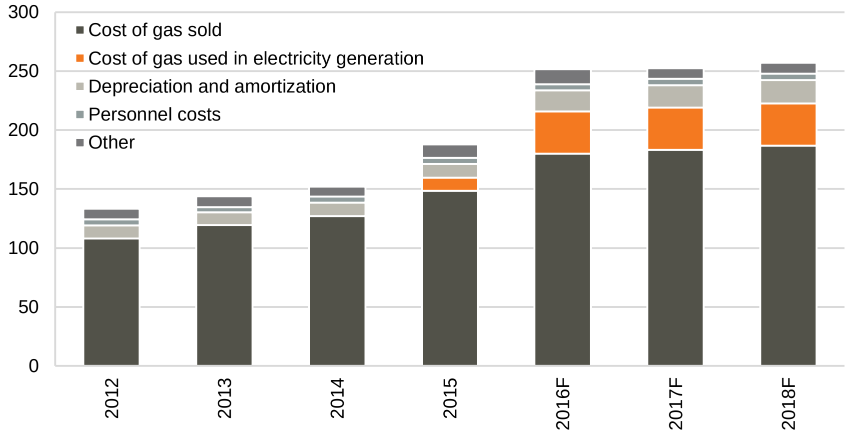
Source: Company data, Galt & Taggart Research

FY15 revenue growth was driven by the addition of electricity sales to the revenue mix. Gardabani CCPP, a gas-fired combined cycle power plant with 240 MW installed capacity, commenced operations in September 2015. Gardabani CCPP is one of four guaranteed capacity sources that receive 1) guaranteed payments for operating in stand-by mode and 2) a per kWh tariff for actual electricity supplied to the grid. FY15 electricity sales reached US$ 21.5mn, comprised of US$ 9.8mn in guaranteed capacity payments and US$ 11.7mn in income from electricity generation. We expect electricity sales to reach US$ 82.1mn and drive revenue growth of 28.4% y/y in FY16, the first fully operational year for the plant.

Gardabani CCPP benefits from a government-guaranteed IRR of 12.5% over the asset's life. GOGC fully financed the US$ 240.0mn project through equity contributions and loans to both the power plant SPV and the Partnership Fund (a Georgian state-owned investment fund and the 100% owner of GOGC). GOGC's and PF's share ownership of the plant are at 51% and 49%, respectively, while GOGC retains managerial control of the SPV.

Cost of gas drives operating expenses up

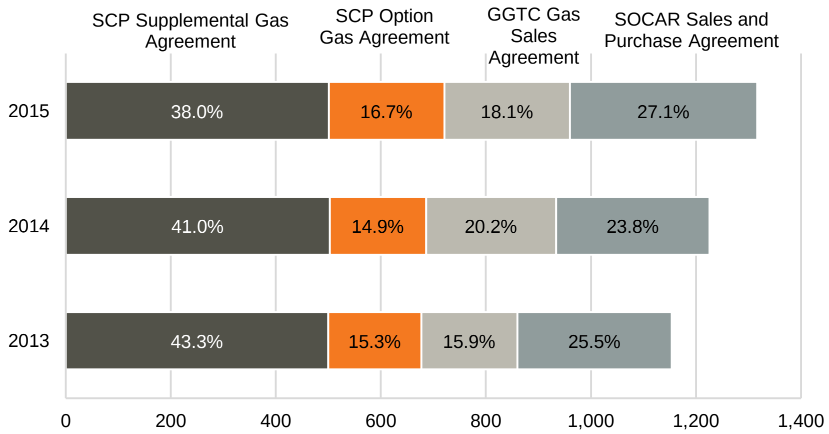
Figure 9: Operating expenses, US$ mn



Source: Company data, Galt & Taggart Research

Operating expenses increased 16.4% y/y to US$ 176.7mn. Cost of gas, with an 84.0% share in total operating expenses, was the main culprit, increasing 16.9% y/y to US$ 148.5mn. Cost of gas used in electricity generation played an important part, along with a 3.2% y/y increase in average gas purchase price due to a higher share of more expensive gas (through SOCAR Sales and Purchase Agreement) purchased by GOGC from SOCAR.

Figure 10: GOGC's gas volumes by source, mmcm

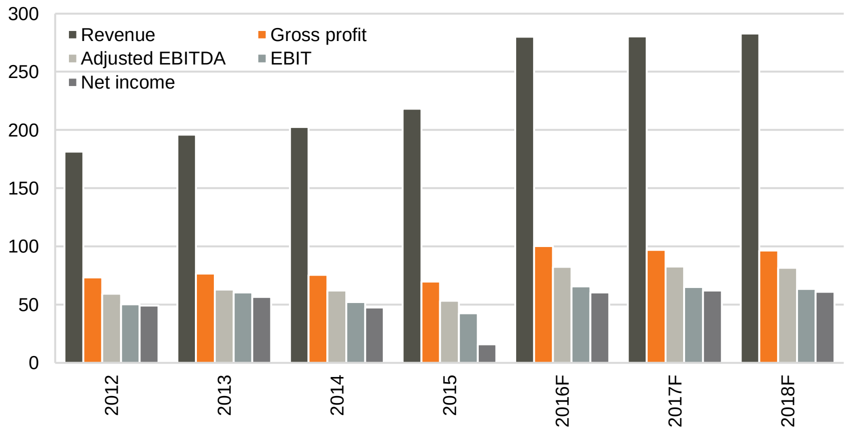


Source: Company data, Galt & Taggart Research

Average gas purchase price should decline and higher volumes should become available for import in 2016. A new contract was signed with the State Oil Company of the Azerbaijan Republic (SOCAR) in March 2016. The lower prices stipulated in the contract should lead to US$ 10.0mn in annual savings. The new contract replaces the agreement that provided for the purchase of up to 350mmcm of gas from SOCAR at a fixed price of US$ 186.0 per mcm. According to the revised agreement, GOGC will be able to purchase up to 350 mmcm of natural gas at discounted, oil-indexed prices. Additionally, SOCAR will be required to provide up to 200mmcm of gas to the social sector (household and power generation), if needed. GOGC will also have an option to buy an additional 200 mmcm of gas from SOCAR at US$ 186.0 per mcm.

Profitability down in FY15, set to improve in FY16

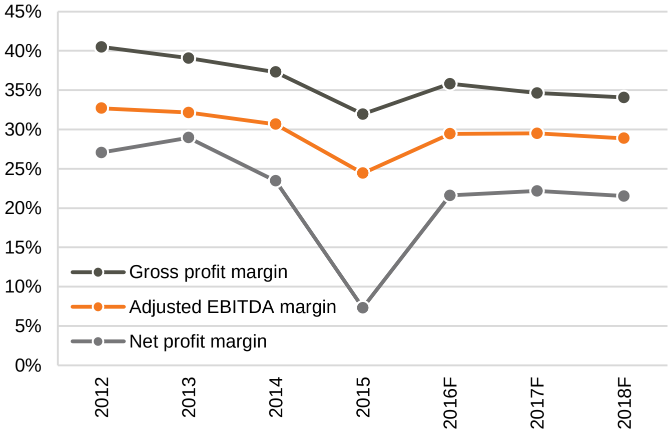
Figure 11: Income statement highlights, US$ mn



Source: Company data, Galt & Taggart Research

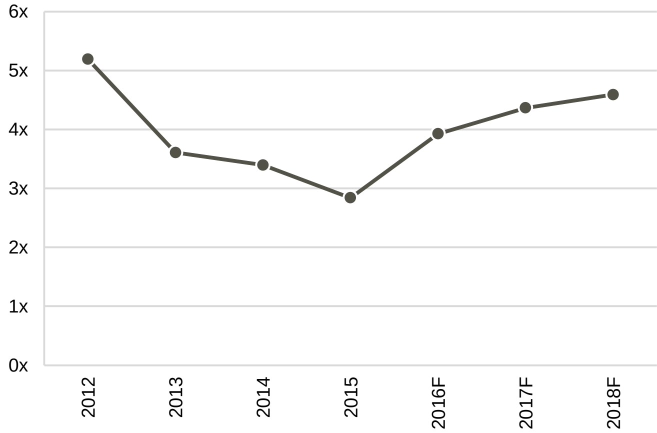
FY15 adjusted EBITDA decreased 14.2% y/y to US$ 53.3mn, while EBIT shrank 18.4% y/y to US$ 42.5mn. Significant depreciation of GEL against US$ in FY15 triggered an FX loss (an unrealized non-cash charge due to the revaluation of the Eurobond), resulting in a 66.4% y/y drop in net income to US$ 16.0mn. In FY16, we expect electricity sales to contribute US$ 41.3mn to adjusted EBITDA, driving 54.7% y/y growth to US$ 82.5mn. Net income is also expected to rebound and reach US$ 60.5mn.

Figure 12: Profitability margins



Source: Company data, Galt & Taggart Research

Figure 13: Adjusted EBITDA coverage ratio

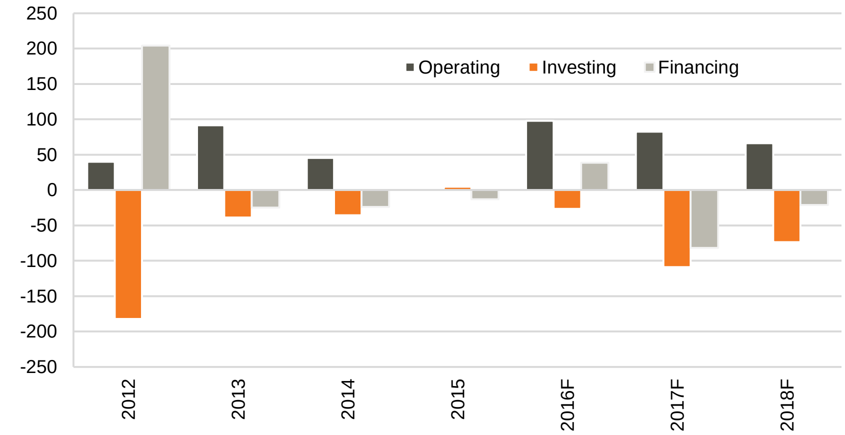


Source: Company data, Galt & Taggart Research

The adjusted EBITDA margin contracted to 24.4% in FY15 from 30.7% in FY14, while the net profit margin fell from 23.4% to 7.3%. In FY16, we see the adjusted EBITDA margin at 29.4% and the net profit margin at 21.6%. We also expect the adjusted EBITDA coverage ratio to improve from 2.8x in FY15 to 3.9x in FY16.

Cash collection deteriorated

Figure 14: Cash flows, US$

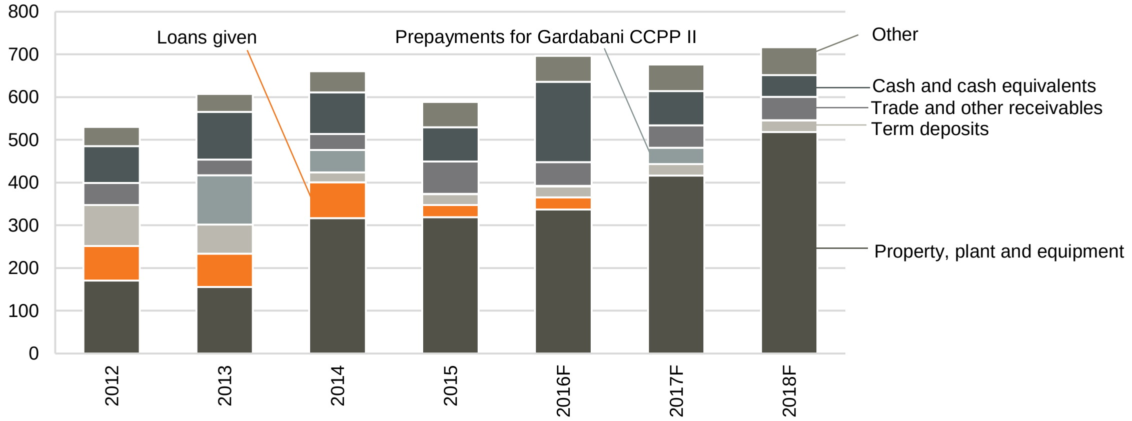


Source: Company data, Galt & Taggart Research

In FY15, operating cash flows were barely positive at US$ 1.6mn, reflecting a doubled receivables balance of US$ 75.8mn at year-end. Receivables due from SOCAR Gas Export and Import (SGEI) accounted for around US$ 60.0mn. As SGEI pays an annualized interest rate of LIBOR +16.0% on overdue payables, we assume that SGEI will significantly reduce the outstanding balance in 2016. To this effect, GOGC has signed a settlement agreement with SOCAR, which grants GOGC an option for the set-off of receivables against payables with SOCAR's subsidiaries.

GOGC paid US$ 12.9mn in dividends in FY15. We expect FY16 dividends at US$ 21.7mn. We also assume Gardabani CCPP II-related investing outflows in FY17 and FY18, while we do not include gas storage reservoir-related investing outflows, as the project is still on feasibility study stage.

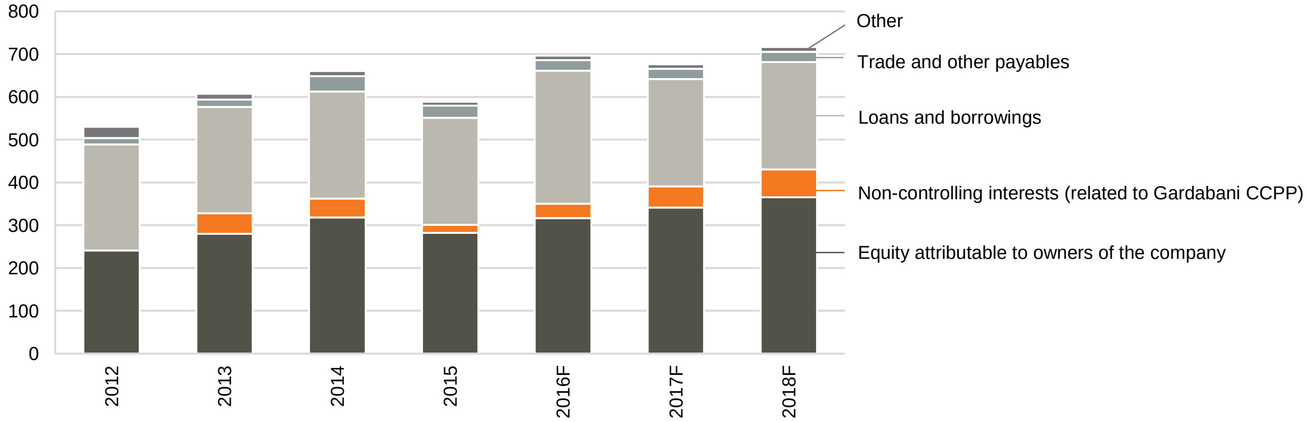
Figure 15: Asset composition, US$ mn



Source: Company data, Galt & Taggart Research

Despite a significant drop in operating cash inflows, GOGC had considerable liquidity on hand as of end-2015 in the form of US$ 79.8mn in cash and a US$ 30.0mn credit line. Moreover, GOGC does not have debt repayments due in 2016. The Partnership Fund fully repaid its US$ 60.0mn loan to GOGC in September 2015, leading to the improvement in GOGC's liquidity profile.

Figure 16: Equity and liabilities composition, US$ mn



Source: Company data, Galt & Taggart Research

GOGC's capital structure is largely the same since the initial Eurobond issuance in 2012, with a tilt towards equity funding (equity to invested capital of 54.5%) versus debt. By end-2016, GOGC's debt level will increase as the outstanding 05/17 bonds have not been tendered in full.

Eurobond successfully refinanced

On April 19, 2016 GOGC refinanced its outstanding GEOROG 05/17 US$ 250mn Eurobond with a new US$ 250mn Eurobond maturing in 5 years. The new Eurobond has a coupon rate of 6.75% and was placed at a yield of 7.00%. On April 4, 2016, GOGC initiated a tender offer for the purchase of the outstanding 05/17 Eurobonds. Around 75% of the outstanding bonds have been purchased by GOGC, while the rest remain to be redeemed in May 2017.

Table 2: GEOROG 04/21 Eurobond details

Issuer	JSC Georgian Oil and Gas Corporation
Rating	S&P B+ Negative / Fitch BB- Stable
Issue Size	US$ 250mn
Settlement Date	26 April 2016
Maturity Date	26 April 2021
Coupon	6.750% per annum
Issue Price	98.960%
Pricing Benchmark	US Treasury 1.250% due March 2021
Benchmark Treasury Yield	1.245%
Spread to Benchmark	575.5bps
Yield to Maturity	7.00%
Interest Payable	Semi-annually on 26 April and 26 October of each year commencing on 26 October 2016
Covenant	The ratio of net debt-to-EBITDA for the most recent annual financial period does not exceed 3.75

Source: Company data

Investment pipeline unaltered

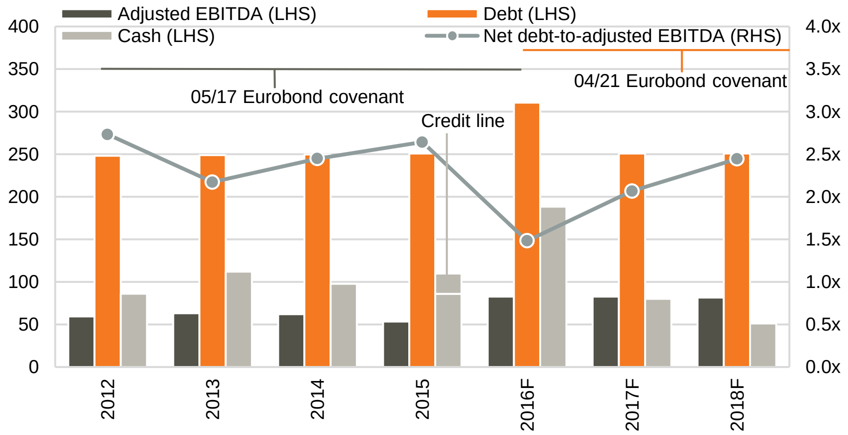
The construction of Gardabani CCPP II is expected to commence in 2017. The 240MW power plant will replicate the technical characteristics of the Gardabani CCPP at an estimated cost of US$ 160.0mn. This represents a significant savings in comparison to the costs incurred for the construction of Gardabani CCPP, leveraging the experience gained in the process.

The completion of a feasibility study for the US$ 250.0mn underground gas storage reservoir is now expected in 2017. The reservoir would be a strategically important gas storage facility for Georgia, increasing energy security by ensuring gas supply in critical situations and by mitigating the seasonal imbalance between supply and demand. The storage capacity would be 230-250 mmcm, about 10-15% of current annual consumption. Notably, Georgia is currently the only country in the region with no gas storage.

The investment projects will mostly be financed with GOGC's operating cash and debt. The company is also considering third-party equity contributions and/or project finance as potential financing options. Government guarantees related to the return on these two projects or other forms of state support have not yet been established, but GOGC expects the new power plant will have a state-guaranteed IRR, as is currently the case with Gardabani CCPP.

Leverage at a comfortable level

Figure 17: Net debt-to-adjusted EBITDA breakdown



Source: Company data, Galt & Taggart Research

End-2015 net debt-to-adjusted EBITDA deteriorated to 2.6x, largely due to the decrease in adjusted EBITDA, but was still comfortably below the 05/17 Eurobond covenant of 3.5x. Net debt also declined, as a decrease in the cash balance was more than compensated by a US$ 30.0mn credit line, opened in late 2015. Per the Eurobond prospectus, the credit line amount is added to cash and cash equivalents when calculating the net debt-to-adjusted EBITDA ratio. On the back of significant expected growth in adjusted EBITDA and lower capital spending in FY16, we expect end-2016 net debt-to-adjusted EBITDA at 1.5x, before deteriorating by end-2017 to 2.1x due to Gardabani CCPP II-related investments.

Financial statements

Income statement

US$, '000	2012	2013	2014	2015	2016F	2017F	2018F
Revenue	**181,407.3**	**195,838.3**	**202,628.5**	**218,234.3**	**280,194.5**	**280,282.6**	**282,962.3**
Sale of gas	140,742.1	144,653.4	152,781.9	153,991.4	154,931.0	155,604.7	158,716.8
Rent of gas pipelines	23,976.8	25,649.6	28,759.4	30,313.9	31,280.9	31,716.1	32,191.9
Income from crude oil	9,686.5	18,350.2	13,355.6	4,545.0	3,845.8	3,862.5	3,978.4
Oil transportation fee	7,001.9	7,185.2	7,731.7	7,918.8	8,048.8	8,199.3	8,363.3
Sale of electricity	-	-	-	21,465.3	82,088.0	80,900.0	79,712.0
Operating expenses	**(137,925.4)**	**(143,865.2)**	**(151,872.4)**	**(176,749.9)**	**(215,696.5)**	**(216,689.8)**	**(221,116.0)**
Cost of gas	(107,935.6)	(119,322.4)	(127,046.5)	(148,514.3)	(179,838.3)	(183,219.5)	(186,609.5)
Personnel costs	(5,152.4)	(4,390.4)	(5,219.0)	(5,154.7)	(5,223.3)	(5,386.0)	(5,493.7)
Taxes, other than on income	(3,729.3)	(3,664.7)	(3,771.0)	(3,950.3)	(3,994.8)	(4,107.7)	(4,189.9)
Impairment of assets related to Namakhvani project	(4,533.5)	-	-	-	-	-	-
Other	(5,272.9)	(5,521.8)	(4,478.3)	(7,296.3)	(8,655.9)	(4,916.6)	(5,002.4)
Other income	6,745.1	8,359.9	1,363.6	1,048.8	1,008.8	1,634.3	1,714.6
Operating expenses excluding depreciation and amortization	(126,623.8)	(132,899.2)	(140,514.8)	(164,915.6)	(197,712.3)	(197,629.7)	(201,295.5)
EBITDA	61,528.7	71,299.0	63,477.4	54,367.5	83,491.0	84,287.2	83,381.4
Adjusted EBITDA	**59,317.1**	**62,939.1**	**62,113.8**	**53,318.7**	**82,482.2**	**82,652.9**	**81,666.8**
Depreciation and amortization	(11,301.7)	(10,966.0)	(11,357.7)	(11,834.3)	(17,984.1)	(19,060.1)	(19,820.5)
Results from operating activities	50,227.0	60,333.0	52,119.7	42,533.2	65,506.8	65,227.0	63,560.9
Finance income	17,560.5	24,483.9	6,778.0	13,633.7	26,675.9	7,864.1	8,046.0
Interest income on bank deposits	13,423.1	14,698.6	-	4,204.1	7,793.6	-	-
Interest income on loans given	2,436.9	7,992.6	-	2,379.5	2,745.2	-	-
Unwinding of discount on finance lease receivable	1,700.5	1,792.7	1,799.1	1,490.2	1,799.1	1,800.1	1,800.1
Reversal of impairment on trade and other receivables	-	-	-	-	-	-	-
Customer late payment penalties	-	-	4,978.9	5,559.9	7,458.5	6,064.0	6,246.0
Net foreign exchange gain	-	-	-	-	6,879.5	-	-
Finance costs	(11,706.8)	(17,724.3)	(5,968.8)	(38,301.4)	(21,007.5)	-	-
Interest expense on bond issue	(11,287.7)	(17,453.2)	-	(9,585.1)	(21,007.5)	-	-
Net foreign exchange loss	(276.2)	(271.1)	(5,898.6)	(28,716.2)	-	-	-
Interest expense on bank overdrafts	(106.6)	-	(70.2)	-	-	-	-
Interest expense on loans from the Government of Georgia	(36.3)	-	-	-	-	-	-
Net finance income	5,853.7	6,759.6	809.2	(24,667.7)	5,668.4	7,864.1	8,046.0
Profit before income tax	56,080.8	67,092.6	52,929.0	17,865.6	71,175.2	73,091.2	71,606.9
Income tax expense	(7,011.6)	(10,406.3)	(5,422.9)	(1,912.6)	(10,676.3)	(10,963.7)	(10,741.0)
Profit from continuing operations	49,069.1	56,686.3	47,506.1	15,952.9	60,498.9	62,127.5	60,865.9
Profit and total comprehensive income for the year	**49,069.1**	**56,686.3**	**47,506.1**	**15,952.9**	**60,498.9**	**62,127.5**	**60,865.9**
Profit and total comprehensive income attributable to:							
Owners of the Company	49,069.1	57,007.9	48,506.2	33,485.9	44,304.4	46,515.1	45,835.6
Non-controlling interests	-	(321.6)	(1,000.1)	(17,533.0)	16,194.5	15,612.4	15,030.3

Source: Company data, Galt & Taggart Research

Common size income statement

	2012	2013	2014	2015	2016F	2017F	2018F
Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Sale of gas	77.6%	73.9%	75.4%	70.6%	55.3%	55.5%	56.1%
Rent of gas pipelines	13.2%	13.1%	14.2%	13.9%	11.2%	11.3%	11.4%
Income from crude oil	5.3%	9.4%	6.6%	2.1%	1.4%	1.4%	1.4%
Oil transportation fee	3.9%	3.7%	3.8%	3.6%	2.9%	2.9%	3.0%
Sale of electricity	-	-	-	9.8%	29.3%	28.9%	28.2%
Operating expenses	**76.0%**	**73.5%**	**75.0%**	**81.0%**	**77.0%**	**77.3%**	**78.1%**
Cost of gas	59.5%	60.9%	62.7%	68.1%	64.2%	65.4%	65.9%
Personnel costs	2.8%	2.2%	2.6%	2.4%	1.9%	1.9%	1.9%
Taxes, other than on income	2.1%	1.9%	1.9%	1.8%	1.4%	1.5%	1.5%
Impairment of assets related to Namakhvani project	2.5%	-	-	-	-	-	-
Other	2.9%	2.8%	2.2%	3.3%	3.1%	1.8%	1.8%
Other income	3.7%	4.3%	0.7%	0.5%	0.4%	0.6%	0.6%
Operating expenses excluding depreciation and amortization	69.8%	67.9%	69.3%	75.6%	70.6%	70.5%	71.1%
EBITDA	33.9%	36.4%	31.3%	24.9%	29.8%	30.1%	29.5%
Adjusted EBITDA	**32.7%**	**32.1%**	**30.7%**	**24.4%**	**29.4%**	**29.5%**	**28.9%**
Depreciation and amortization	6.2%	5.6%	5.6%	5.4%	6.4%	6.8%	7.0%
Results from operating activities	27.7%	30.8%	25.7%	19.5%	23.4%	23.3%	22.5%
Finance income	9.7%	12.5%	3.3%	6.2%	9.5%	2.8%	2.8%
Interest income on bank deposits	7.4%	7.5%	-	1.9%	2.8%	-	-
Interest income on loans given	1.3%	4.1%	-	1.1%	1.0%	-	-
Unwinding of discount on finance lease receivable	0.9%	0.9%	0.9%	0.7%	0.6%	0.6%	0.6%
Reversal of impairment on trade and other receivables	-	-	-	-	-	-	-
Customer late payment penalties	-	-	2.5%	2.5%	2.7%	2.2%	2.2%
Net foreign exchange gain	-	-	-	-	2.5%	-	-
Finance costs	6.5%	9.1%	2.9%	17.6%	7.5%	-	-
Interest expense on bond issue	6.2%	8.9%	-	4.4%	7.5%	-	-
Net foreign exchange loss	0.2%	0.1%	2.9%	13.2%	-	-	-
Interest expense on bank overdrafts	0.1%	-	0.0%	-	-	-	-
Interest expense on loans from the Government of Georgia	0.0%	-	-	-	-	-	-
Net finance income	3.2%	3.5%	0.4%	11.3%	2.0%	2.8%	2.8%
Profit before income tax	30.9%	34.3%	26.1%	8.2%	25.4%	26.1%	25.3%
Income tax expense	3.9%	5.3%	2.7%	0.9%	3.8%	3.9%	3.8%
Profit from continuing operations	27.0%	28.9%	23.4%	7.3%	21.6%	22.2%	21.5%
Profit and total comprehensive income for the year	**27.0%**	**28.9%**	**23.4%**	**7.3%**	**21.6%**	**22.2%**	**21.5%**
Profit and total comprehensive income attributable to:							
Owners of the Company	27.0%	29.1%	23.9%	15.3%	15.8%	16.6%	16.2%
Non-controlling interests	-	0.2%	0.5%	8.0%	5.8%	5.6%	5.3%

Source: Company data, Galt & Taggart Research

Statement of changes in equity

US$, '000	2012	2013	2014	2015	2016F	2017F	2018F
Share capital, 1 January	286,638.3	307,417.2	293,468.9	307,303.6	255,084.1	265,609.1	265,609.1
Increase in share capital	18,672.4	151.5	35,756.6	16,831.3	-	-	-
Decrease in share capital	(185.9)	-	-	-	-	-	-
FX rate translation adjustment	2,292.4	(14,099.8)	(21,921.8)	(69,050.7)	10,525.0	-	-
Share capital, 31 December	**307,417.2**	**293,468.9**	**307,303.6**	**255,084.1**	**265,609.1**	**265,609.1**	**265,609.1**
Fair value adj. res. for non-cash owner cont., 1 Jan.							
FX rate translation adjustment	(1,386.8)	7,808.6	11,101.4	33,591.4	(4,861.6)	-	-
Fair value adj. res. for non-cash owner cont., 31 Dec.							
Additional paid-in-capital, 1 January	42,937.2	43,289.7	41,305.1	38,483.6	29,946.1	31,181.7	31,181.7
FX rate translation adjustment	352.5	(1,984.6)	(2,821.5)	(8,537.4)	1,235.6	-	-
Additional paid-in-capital, 31 December	**43,289.7**	**41,305.1**	**38,483.6**	**29,946.1**	**31,181.7**	**31,181.7**	**31,181.7**
Retained earnings, 1 January	53,978.3	60,315.1	107,350.7	123,642.4	115,316.3	142,198.5	166,969.0
Profit and total comprehensive income for the year	49,069.1	57,007.9	48,506.2	33,485.9	44,304.4	46,515.1	45,835.6
Contributions by and distributions to owners	(43,156.1)	(5,025.2)	(23,573.8)	(13,332.9)	(21,174.6)	(21,744.6)	(21,303.1)
Dividends to equity holders	**(24,223.9)**	**(5,025.2)**	**(18,687.8)**	**(12,933.3)**	**(21,174.6)**	**(21,744.6)**	**(21,303.1)**
Other cash distributions	-	-	-	-	-	-	-
Distributions of non-cash assets net of tax	(18,932.2)	-	(549.3)	(399.5)	-	-	-
Transfer of subsidiary retained earnings	-	-	(4,336.7)	-	-	-	-
FX rate translation adjustment	423.7	(4,947.1)	(8,640.6)	(28,479.2)	3,752.4	-	-
Retained earnings, 31 December	**60,315.1**	**107,350.7**	**123,642.4**	**115,316.3**	**142,198.5**	**166,969.0**	**191,501.6**
Total contributions by and distributions to owners	24,399.5	52,134.2	60,688.9	36,984.3	23,129.8	24,770.5	24,532.6
Equity attributable to owners of the Company	240,694.8	279,606.1	318,012.4	282,520.8	316,302.0	341,072.5	365,605.1
Non-controlling interests, 1 January	-	-	48,057.9	44,707.0	18,169.0	34,409.1	50,021.5
Profit and total comprehensive income for the year	-	(321.6)	(1,000.1)	(17,533.0)	16,194.5	15,612.4	15,030.3
Foundation of subsidiary with non-controlling interests	-	50,485.2	-	-	-	-	-
Other contributions	-	-	928.2	-	-	-	-
FX rate translation adjustment	-	(2,105.6)	(3,279.0)	(9,005.0)	45.6	-	-
Non-controlling interests, 31 December	**-**	**48,057.9**	**44,707.0**	**18,169.0**	**34,409.1**	**50,021.5**	**65,051.7**
Total equity	**240,694.8**	**327,664.0**	**362,719.5**	**300,689.8**	**350,711.1**	**391,094.0**	**430,656.8**

Source: Company data, Galt & Taggart Research

Common size statement of changes in equity

	2012	2013	2014	2015	2016F	2017F	2018F
Share capital, 1 January	119.1%	93.8%	80.9%	102.2%	72.7%	67.9%	61.7%
Increase in share capital	7.8%	0.0%	9.9%	5.6%	-	-	-
Decrease in share capital	0.1%	-	-	-	-	-	-
FX rate translation adjustment	1.0%	4.3%	6.0%	23.0%	3.0%	-	-
Share capital, 31 December	**127.7%**	**89.6%**	**84.7%**	**84.8%**	**75.7%**	**67.9%**	**61.7%**
Fair value adj. res. for non-cash owner cont., 1 Jan.	70.2%	52.0%	44.8%	50.4%	33.6%	31.4%	28.5%
FX rate translation adjustment	0.6%	2.4%	3.1%	11.2%	1.4%	-	-
Fair value adj. res. for non-cash owner cont., 31 Dec.	**70.8%**	**49.6%**	**41.7%**	**39.2%**	**35.0%**	**31.4%**	**28.5%**
Additional paid-in-capital, 1 January	17.8%	13.2%	11.4%	12.8%	8.5%	8.0%	7.2%
FX rate translation adjustment	0.1%	0.6%	0.8%	2.8%	0.4%	-	-
Additional paid-in-capital, 31 December	**18.0%**	**12.6%**	**10.6%**	**10.0%**	**8.9%**	**8.0%**	**7.2%**
Retained earnings, 1 January	22.4%	18.4%	29.6%	41.1%	32.9%	36.4%	38.8%
Profit and total comprehensive income for the year	20.4%	17.4%	13.4%	11.1%	12.6%	11.9%	10.6%
Contributions by and distributions to owners	17.9%	1.5%	6.5%	4.4%	6.0%	5.6%	4.9%
Dividends to equity holders	**10.1%**	**1.5%**	**5.2%**	**4.3%**	**6.0%**	**5.6%**	**4.9%**
Other cash distributions	-	-	-	-	-	-	-
Distributions of non-cash assets net of tax	7.9%	-	0.2%	0.1%	-	-	-
Transfer of subsidiary retained earnings	-	-	1.2%	-	-	-	-
FX rate translation adjustment	0.2%	1.5%	2.4%	9.5%	1.1%	-	-
Retained earnings, 31 December	**25.1%**	**32.8%**	**34.1%**	**38.4%**	**40.5%**	**42.7%**	**44.5%**
Total contributions by and distributions to owners	10.1%	15.9%	16.7%	12.3%	6.6%	6.3%	5.7%
Equity attributable to owners of the Company	100.0%	85.3%	87.7%	94.0%	90.2%	87.2%	84.9%
Non-controlling interests, 1 January	-	-	13.2%	14.9%	5.2%	8.8%	11.6%
Profit and total comprehensive income for the year	-	0.1%	0.3%	5.8%	4.6%	4.0%	3.5%
Foundation of subsidiary with non-controlling interests	-	15.4%	-	-	-	-	-
Other contributions	-	-	0.3%	-	-	-	-
FX rate translation adjustment	-	0.6%	0.9%	3.0%	0.0%	-	-
Non-controlling interests, 31 December	**-**	**14.7%**	**12.3%**	**6.0%**	**9.8%**	**12.8%**	**15.1%**
Total equity	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Company data, Galt & Taggart Research

Statement of financial position

US$, '000	2012	2013	2014	2015	2016F	2017F	2018F
Assets							
Property, plant and equipment	170,610.2	155,258.9	316,909.2	319,201.6	337,119.8	416,651.4	518,030.7
Prepayments for non-current assets	-	115,090.7	51,852.3	861.8	942.3	38,322.7	1,038.8
Intangible assets	99.6	65.7	54.2	35.9	39.3	41.2	43.3
Finance lease receivable	27,694.8	28,142.6	27,925.0	23,142.5	25,818.3	27,618.4	29,418.5
Loans given	51,501.2	51,336.8	74,460.7	25,613.2	-	-	-
Other non-current assets	64.6	-	-	-	-	-	-
Equity accounted investees	-	-	-	2,364.6	6,376.1	7,013.7	7,715.1
Deferred tax assets	-	-	1,107.0	6,004.8	3,126.3	3,032.5	3,032.5
Term deposits	63,636.1	23,085.3	23,809.8	25,501.7	26,022.8	26,543.3	27,074.2
Non-current assets	313,606.6	372,979.9	496,118.3	402,726.2	399,444.8	519,223.3	586,353.1
Loans given	29,404.2	27,100.7	8,844.2	2,406.4	28,019.5	-	-
Non-current assets held for distribution	-	657.1	-	734.1	764.3	764.3	764.3
Inventories	322.9	378.4	106.2	3,684.9	4,028.8	4,230.2	4,441.8
Current tax assets	3,996.5	622.6	-	1,529.9	1,545.3	1,498.9	1,498.9
Taxes other than on income	597.6	421.6	7,819.8	2,095.7	2,116.7	2,053.2	2,053.2
Prepayments for current assets and expenses	12,055.3	11,552.2	12,528.4	20,104.0	16,746.8	16,244.4	16,244.4
Trade and other receivables	52,151.9	36,589.3	37,530.6	75,778.9	55,290.3	52,542.6	54,122.5
Term deposits	31,903.2	45,207.0	-	-	-	-	-
Cash and cash equivalents	86,118.2	112,043.4	97,552.6	79,789.6	188,243.8	79,853.8	50,997.7
Current assets	216,549.8	234,572.4	164,381.8	186,123.4	296,755.5	157,187.5	130,122.7
Total assets	**530,156.3**	**607,552.3**	**660,500.1**	**588,849.6**	**696,200.3**	**676,410.7**	**716,475.8**
Equity and liabilities							
Share capital	307,417.2	293,468.9	307,303.6	255,084.1	265,609.1	265,609.1	265,609.1
Fair value adj. res. for non-cash owner cont.	(170,327.2)	(162,518.6)	(151,417.1)	(117,825.8)	(122,687.4)	(122,687.4)	(122,687.4)
Additional paid-in-capital	43,289.7	41,305.1	38,483.6	29,946.1	31,181.7	31,181.7	31,181.7
Retained earnings	60,315.1	107,350.7	123,642.4	115,316.3	142,198.5	166,969.0	191,501.6
Equity attributable to owners of the company	240,694.8	279,606.1	318,012.4	282,520.8	316,302.0	341,072.5	365,605.1
Non-controlling interests	-	48,057.9	44,707.0	18,169.0	34,409.1	50,021.5	65,051.7
Total equity	**240,694.8**	**327,664.0**	**362,719.5**	**300,689.8**	**350,711.1**	**391,094.0**	**430,656.8**
Loans and borrowings	245,176.0	245,175.9	245,176.0	245,176.0	245,176.0	245,176.0	245,176.0
Deferred tax liabilities	5,774.1	9,494.9	7,621.3	6,258.7	6,842.8	7,184.9	7,544.2
Non-current liabilities	250,950.1	254,670.9	252,797.3	251,434.7	252,018.8	252,360.9	252,720.2
Loans and borrowings	3,072.4	3,528.2	4,453.2	5,445.7	65,345.7	5,445.7	5,445.7
Trade and other payables	14,982.8	17,655.9	36,008.8	28,313.1	25,062.9	24,312.7	24,313.7
Dividend payable	19,315.5	-	-	-	-	-	-
Current tax liabilities	-	-	836.6	-	-	-	-
VAT payable	1,140.8	3,062.3	2,780.1	2,104.1	2,190.9	2,300.4	2,415.4
Provisions	-	971.0	904.7	862.2	870.9	897.0	923.9
Current liabilities	38,511.5	25,217.4	44,983.4	36,725.1	93,470.4	32,955.8	33,098.8
Total liabilities	**289,461.6**	**279,888.3**	**297,780.6**	**288,159.8**	**345,489.2**	**285,316.8**	**285,819.0**
Total equity and liabilities	**530,156.3**	**607,552.3**	**660,500.1**	**588,849.6**	**696,200.3**	**676,410.7**	**716,475.8**

Source: Company data, Galt & Taggart Research

Common size statement of financial position

	2012	2013	2014	2015	2016F	2017F	2018F
Assets							
Property, plant and equipment	32.2%	25.6%	48.0%	54.2%	48.4%	61.6%	72.3%
Prepayments for non-current assets	-	18.9%	7.9%	0.1%	0.1%	5.7%	0.1%
Intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Finance lease receivable	5.2%	4.6%	4.2%	3.9%	3.7%	4.1%	4.1%
Loans given	9.7%	8.4%	11.3%	4.3%	-	-	-
Other non-current assets	0.0%	-	-	-	-	-	-
Equity accounted investees	-	-	-	0.4%	0.9%	1.0%	1.1%
Deferred tax assets	-	-	0.2%	1.0%	0.4%	0.4%	0.4%
Term deposits	12.0%	3.8%	3.6%	4.3%	3.7%	3.9%	3.8%
Non-current assets	59.2%	61.4%	75.1%	68.4%	57.4%	76.8%	81.8%
Loans given	5.5%	4.5%	1.3%	0.4%	4.0%	-	-
Non-current assets held for distribution	-	0.1%	-	0.1%	0.1%	0.1%	0.1%
Inventories	0.1%	0.1%	0.0%	0.6%	0.6%	0.6%	0.6%
Current tax assets	0.8%	0.1%	-	0.3%	0.2%	0.2%	0.2%
Taxes other than on income	0.1%	0.1%	1.2%	0.4%	0.3%	0.3%	0.3%
Prepayments for current assets and expenses	2.3%	1.9%	1.9%	3.4%	2.4%	2.4%	2.3%
Trade and other receivables	9.8%	6.0%	5.7%	12.9%	7.9%	7.8%	7.6%
Term deposits	6.0%	7.4%	-	-	-	-	-
Cash and cash equivalents	16.2%	18.4%	14.8%	13.6%	27.0%	11.8%	7.1%
Current assets	40.8%	38.6%	24.9%	31.6%	42.6%	23.2%	18.2%
Total assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Equity and liabilities							
Share capital	58.0%	48.3%	46.5%	43.3%	38.2%	39.3%	37.1%
Fair value adj. res. for non-cash owner cont.	32.1%	26.7%	22.9%	20.0%	17.6%	18.1%	17.1%
Additional paid-in-capital	8.2%	6.8%	5.8%	5.1%	4.5%	4.6%	4.4%
Retained earnings	11.4%	17.7%	18.7%	19.6%	20.4%	24.7%	26.7%
Equity attributable to owners of the company	45.4%	46.0%	48.1%	48.0%	45.4%	50.4%	51.0%
Non-controlling interests	-	7.9%	6.8%	3.1%	4.9%	7.4%	9.1%
Total equity	**45.4%**	**53.9%**	**54.9%**	**51.1%**	**50.4%**	**57.8%**	**60.1%**
Loans and borrowings	46.2%	40.4%	37.1%	41.6%	35.2%	36.2%	34.2%
Deferred tax liabilities	1.1%	1.6%	1.2%	1.1%	1.0%	1.1%	1.1%
Non-current liabilities	47.3%	41.9%	38.3%	42.7%	36.2%	37.3%	35.3%
Loans and borrowings	0.6%	0.6%	0.7%	0.9%	9.4%	0.8%	0.8%
Trade and other payables	2.8%	2.9%	5.5%	4.8%	3.6%	3.6%	3.4%
Dividend payable	3.6%	-	-	-	-	-	-
Current tax liabilities	-	-	0.1%	-	-	-	-
VAT payable	0.2%	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%
Provisions	-	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%
Current liabilities	7.3%	4.2%	6.8%	6.2%	13.4%	4.9%	4.6%
Total liabilities	**54.6%**	**46.1%**	**45.1%**	**48.9%**	**49.6%**	**42.2%**	**39.9%**
Total equity and liabilities	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Company data, Galt & Taggart Research

Statement of cash flows

US$, '000	2012	2013	2014	2015	2016F	2017F	2018F
Cash flows from operating activities							
Cash receipts from customers	59,790.5	224,320.0	209,561.1	187,498.9	305,892.1	284,026.9	282,395.7
Cash paid to suppliers and employees	108,031.9)	133,556.9)	161,864.8)	181,985.2)	198,114.8)	197,989.4)	201,479.0)
VAT refund from the State	-	-	8,494.5	5,197.8	-	109.5	115.0
Cash from operations before income taxes and interest	51,758.6	90,763.1	56,190.8	10,711.5	107,777.3	86,147.0	81,031.7
Income tax paid	(7,870.3)	(2,681.2)	(4,399.6)	(7,534.6)	(7,017.3)	(10,481.4)	(10,381.8)
Interest paid	(8,674.0)	(17,140.6)	(17,218.8)	(18,024.1)	(21,007.5)	(18,941.8)	(17,794.1)
Interest received	4,490.5	20,485.5	10,654.9	16,490.3	17,997.2	25,527.7	13,432.8
Net cash from (used in) operating activities	**39,704.8**	**91,426.8**	**45,227.3**	**1,643.0**	**97,749.8**	**82,251.6**	**66,288.6**
Cash flows from investing activities							
Acquisition of property, plant and equipment and int. assets	(13,996.0)	(70,652.7)	(77,744.1)	(44,901.3)	(22,996.4)	(136,496.0)	(73,310.7)
Decrease/(Increase) in term deposit	(85,238.5)	29,506.1	42,021.5	-	555.2	(520.5)	(530.9)
Repayment of loans given	-	2,228.5	-	52,865.9	-	28,019.5	-
Loans given	(78,745.2)	-	-	(1,058.1)	-	-	-
Acquisition of non-current assets held for distribution	(4,023.0)	-	-	-	-	-	-
Investing in other companies	(64.8)	-	-	-	-	-	-
Acquisition of equity accounted investee	-	-	-	(2,494.5)	(4,091.8)	-	-
Net cash from (used in) investing activities	**182,067.4)**	**(38,918.1)**	**(35,722.6)**	**4,412.0**	**(26,533.0)**	**(108,997.0)**	**(73,841.6)**
Cash flows from financing activities							
Dividends paid	(28,765.9)	(24,262.7)	(18,687.8)	(12,933.3)	(21,174.6)	(21,744.6)	(21,303.1)
Proceeds from borrowings	240,684.4	-	16,918.1	-	59,900.0	-	-
Repayment of borrowings	(6,383.6)	(377.5)	(16,855.8)	-	-	(59,900.0)	-
Other cash distributions to owners	(1,332.3)	-	-	-	-	-	-
Cash distributed on the transfer of subsidiaries	-	-	(5,320.4)	-	-	-	-
Net cash from (used in) financing activities	**204,202.6**	**(24,640.2)**	**(23,945.9)**	**(12,933.3)**	**38,725.4**	**(81,644.6)**	**(21,303.1)**
Net increase in cash and cash equivalents	61,637.0	26,698.7	(13,683.7)	(6,520.1)	105,162.0	108,390.0)	(28,856.1)
Cash and cash equivalents, 1 January	21,001.6	86,118.2	112,043.4	97,552.6	79,789.6	188,243.8	79,853.8
Effect of FX rate fluctuations on cash and cash equivalents	3,307.2	3,174.6	6,846.4	10,398.8	-	-	-
FX rate translation adjustment	172.4	(3,948.1)	(7,653.5)	(21,641.7)	3,292.2	-	-
Cash and cash equivalents, 31 December	**86,118.2**	**112,043.4**	**97,552.6**	**79,789.6**	**188,243.8**	**79,853.8**	**50,997.7**

Source: Company data, Galt & Taggart Research

Common size statement of cash flows

	2012	2013	2014	2015	2016F	2017F	2018F
Cash flows from operating activities							
Cash receipts from customers	88.1%	114.5%	103.4%	85.9%	109.2%	101.3%	99.8%
Cash paid to suppliers and employees	59.6%	68.2%	79.9%	83.4%	70.7%	70.6%	71.2%
VAT refund from the State	-	-	4.2%	2.4%	-	0.0%	0.0%
Cash from operations before income taxes and interest	28.5%	46.3%	27.7%	4.9%	38.5%	30.7%	28.6%
Income tax paid	4.3%	1.4%	2.2%	3.5%	2.5%	3.7%	3.7%
Interest paid	4.8%	8.8%	8.5%	8.3%	7.5%	6.8%	6.3%
Interest received	2.5%	10.5%	5.3%	7.6%	6.4%	9.1%	4.7%
Net cash from (used in) operating activities	**21.9%**	**46.7%**	**22.3%**	**0.8%**	**34.9%**	**29.3%**	**23.4%**
Cash flows from investing activities							
Acquisition of property, plant and equipment and int. assets	7.7%	36.1%	38.4%	20.6%	8.2%	48.7%	25.9%
Decrease/(Increase) in term deposit	47.0%	15.1%	20.7%	-	0.2%	0.2%	0.2%
Repayment of loans given	-	1.1%	-	24.2%	-	10.0%	-
Loans given	43.4%	-	-	0.5%	-	-	-
Acquisition of non-current assets held for distribution	2.2%	-	-	-	-	-	-
Investing in other companies	0.0%	-	-	-	-	-	-
Acquisition of equity accounted investee	-	-	-	1.1%	1.5%	-	-
Net cash from (used in) investing activities	**100.4%**	**19.9%**	**17.6%**	**2.0%**	**9.5%**	**38.9%**	**26.1%**
Cash flows from financing activities							
Dividends paid	15.9%	12.4%	9.2%	5.9%	7.6%	7.8%	7.5%
Proceeds from borrowings	132.7%	-	8.3%	-	21.4%	-	-
Repayment of borrowings	3.5%	0.2%	8.3%	-	-	21.4%	-
Other cash distributions to owners	0.7%	-	-	-	-	-	-
Cash distributed on the transfer of subsidiaries	-	-	2.6%	-	-	-	-
Net cash from (used in) financing activities	**112.6%**	**12.6%**	**11.8%**	**5.9%**	**13.8%**	**29.1%**	**7.5%**
Net increase in cash and cash equivalents	34.0%	13.6%	6.8%	3.0%	37.5%	38.7%	10.2%
Cash and cash equivalents, 1 January	11.6%	44.0%	55.3%	44.7%	28.5%	67.2%	28.2%
Effect of FX rate fluctuations on cash and cash equivalents	1.8%	1.6%	3.4%	4.8%	-	-	-
FX rate translation adjustment	0.1%	2.0%	3.8%	9.9%	1.2%	-	-
Cash and cash equivalents, 31 December	**47.5%**	**57.2%**	**48.1%**	**36.6%**	**67.2%**	**28.5%**	**18.0%**

Source: Company data, Galt & Taggart Research

Note: Financial statements have been prepared by translating company-reported audited GEL numbers into US$ (using year-end and average annual FX rates, whichever more appropriate)

Financial ratios

	2012	2013	2014	2015	2016F	2017F	2018F
Profitability							
Return on Revenue							
Gross profit margin	40.5%	39.1%	37.3%	31.9%	35.8%	34.6%	34.1%
EBITDA margin	33.9%	36.4%	31.3%	24.9%	29.8%	30.1%	29.5%
Adjusted EBITDA margin	32.7%	32.1%	30.7%	24.4%	29.4%	29.5%	28.9%
EBIT margin	27.7%	30.8%	25.7%	19.5%	23.4%	23.3%	22.5%
EBT margin	30.9%	34.3%	26.1%	8.2%	25.4%	26.1%	25.3%
Net profit margin	27.0%	28.9%	23.4%	7.3%	21.6%	22.2%	21.5%
Return on Investment							
Operating ROA / Basic earning power	9.5%	9.9%	7.9%	7.2%	9.4%	9.6%	8.9%
Return on assets (ROA)	9.3%	9.3%	7.2%	2.7%	8.7%	9.2%	8.5%
Operating ROE	20.9%	18.4%	14.4%	14.1%	18.7%	16.7%	14.8%
Return on equity (ROE)	20.4%	17.3%	13.1%	5.3%	17.3%	15.9%	14.1%
Return on common equity	16.0%	19.3%	15.5%	6.3%	22.8%	23.4%	22.9%
Return on capital employed (ROCE)	10.2%	10.4%	8.5%	7.7%	10.9%	10.1%	9.3%
Return on invested capital (ROIC)	5.1%	9.0%	4.7%	0.5%	5.9%	6.3%	5.8%
Solvency							
Component percentage / debt ratios							
Liabilities to assets	54.6%	46.1%	45.1%	48.9%	49.6%	42.2%	39.9%
Liabilities to invested capital	59.2%	48.6%	48.6%	52.3%	52.2%	44.5%	42.0%
Liabilities to equity	120.3%	85.4%	82.1%	95.8%	98.5%	73.0%	66.4%
Liabilities to EBITDA	4.70x	3.93x	4.69x	5.30x	4.14x	3.39x	3.43x
Debt-to-assets	46.8%	40.9%	37.8%	42.6%	44.6%	37.1%	35.0%
Debt-to-invested capital	50.8%	43.2%	40.8%	45.5%	47.0%	39.1%	36.8%
Debt-to-equity	103.1%	75.9%	68.8%	83.3%	88.5%	64.1%	58.2%
Debt-to-EBITDA	4.03x	3.49x	3.93x	4.61x	3.72x	2.97x	3.01x
Net debt-to-assets	30.6%	22.5%	23.0%	23.9%	17.6%	25.2%	27.9%
Net debt-to-invested capital	33.2%	23.7%	24.8%	25.5%	18.5%	26.6%	29.3%
Net debt-to-equity	67.4%	41.7%	41.9%	46.8%	34.9%	43.7%	46.4%
Net debt-to-EBITDA	2.64x	1.92x	2.40x	2.59x	1.46x	2.03x	2.39x
Net debt-to-adjusted EBITDA	**2.73x**	**2.17x**	**2.45x**	**2.64x**	**1.48x**	**2.07x**	**2.44x**
Long-term debt-to-assets	46.2%	40.4%	37.1%	41.6%	35.2%	36.2%	34.2%
Long-term debt-to-invested capital	50.1%	42.5%	40.0%	44.5%	37.1%	38.2%	36.0%
Long-term debt-to-equity	101.9%	74.8%	67.6%	81.5%	69.9%	62.7%	56.9%
Long-term debt-to-EBITDA	3.98x	3.44x	3.86x	4.51x	2.94x	2.91x	2.94x
Financial leverage (equity multiplier)	2.20x	1.85x	1.82x	1.96x	1.99x	1.73x	1.66x
Coverage							
EBITDA coverage	5.38x	4.09x	3.47x	2.90x	3.97x	4.45x	4.69x
Adjusted EBITDA coverage	5.19x	3.61x	3.40x	2.84x	3.93x	4.36x	4.59x
EBIT coverage	4.39x	3.46x	2.85x	2.27x	3.12x	3.44x	3.57x
Adjusted EBIT coverage	4.39x	3.46x	2.85x	2.27x	3.12x	3.44x	3.57x
FFO to debt	0.24x	0.27x	0.24x	0.11x	0.25x	0.32x	0.32x
FFO to finance costs	5.28x	3.88x	3.22x	1.48x	3.74x	4.29x	4.53x
Liquidity							
Current ratio	5.62x	9.30x	3.65x	5.07x	3.17x	4.77x	3.93x
Quick ratio (acid test)	5.61x	9.29x	3.65x	4.97x	3.13x	4.64x	3.80x
Cash ratio	2.24x	4.44x	2.17x	2.99x	2.01x	2.42x	1.54x
Cash flow							
Cash flow to revenue	21.9%	46.7%	22.3%	0.8%	34.9%	29.3%	23.4%
Cash return on assets	10.1%	16.1%	7.1%	0.3%	15.2%	12.0%	9.5%
Cash return on capital	11.2%	17.2%	7.6%	0.3%	16.1%	12.6%	10.0%
Cash return on equity	17.4%	32.2%	13.1%	0.5%	30.0%	22.2%	16.1%
Cash flow to operating income	79.1%	151.5%	86.8%	3.9%	149.2%	126.1%	104.3%
Cash flow to debt	31.2%	36.8%	18.2%	0.7%	34.8%	29.3%	26.4%
Interest coverage	6.87x	6.50x	4.00x	1.61x	5.99x	5.90x	5.31x
Debt repayment	6.22x	242.17x	2.68x	-	-	1.37x	-
Dividend payment	1.64x	18.19x	2.42x	0.13x	4.62x	3.78x	3.11x
Reinvestment	2.84x	1.29x	0.58x	0.04x	4.25x	0.60x	0.90x
Investing and financing	1.79x	1.44x	0.76x	0.19x	8.02x	0.43x	0.70x
Retained cash flows to net debt	0.88x	0.17x	-0.10x	0.08x	0.60x	-0.74x	-0.16x

Source: Company data, Galt & Taggart Research

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