21st April 2020

ENPHASE

Ticker (NASDAQ): ENPH

Share Price: $39.01

Target Price: $41.70

%Undervalued: 5.58%

RECOMMENDATION: HOLD

Dependent on political policies: Enphase' future performance is largely dependent on the outcome of the general election, which is currently close to a coin toss.

Capex-lite business model: Their future growth may be impeded by their current Capex-lite business model which leaves them vulnerable to their suppliers.

Verdict: Enphase' future performance is largely dependent on the ITC in future years and in turn the political party that takes office after the next general election in the US. Our recommendation is currently HOLD; We advise however, to keep an eye on the shift of the Presidential election odds. If Candidate Biden were to become a 12% favourite over President Trump, we would recommend a buy based on today's valuation.

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1 Company Overview

Enphase Energy is a North American energy technology company headquartered in California, in the US. Their portfolio of products consists of home energy solutions that manage energy generation, energy storage and communications. The majority of Enphase Energy's revenue comes from their microinverter technology which enables conversion from DC (direct current) to AC (alternating current) at the individual module level rather than at a central system level that converts the combined electricity for a string of modules. Enphase do not actually produce solar modules themselves and have three main partners who combine their modules with Enphase's microinverter technology, namely, SunPower Corp, Solaria and Panasonic. Their revenue in 2019 was $624 million which was approximately a 50% YoY increase from 2018.

Figure 1.1.1 Enphase Share Price

Source: Yahoo Finance

2 Forecasting

In the following section the source titled 'Earnings Call' refers to the company's latest earnings call on February 18th of this year (2020). The source titled '10-K' refers to the company's 10-K filing with the SEC for the financial year 2019 unless otherwise stated.

2.1 Revenue

The ITC (investment tax credit) is a solar tax credit in the US which allows the owner to deduct a certain percentage of the cost of the system from their tax bill. This tax credit was 30% in 2019 but is starting its scheduled stepdown in 2020. A major factor that dictates solar subsidies is the political party that is in office, given that it is an election year we decided to run two simultaneous valuations differing by how we project the election outcome will affect the ITC in future years. We then weight the valuations based on the adjusted probability.

Candidate	Odds	Implied Probability	Adjusted Probability
President Trump	19/20	52.63%	52.5%
Candidate Biden	11/10	47.62%	47.5%
Nearest Candidate	50/1	1.9%	~

Table 2.1 US Presidential Election Probability

Source: Sky Bet

**Note: in table 2.1 the implied probabilities are calculated from bookmaker odds, in this case the implied probability being over 100% simply implies you would incur a loss if you backed all outcomes. The adjusted probabilities are based on either President Trump or Candidate Biden getting elected.*

Historically President Trump has not been a sympathiser with regards to climate change. If President Trump wins the election we project the ITC to maintain its scheduled stepdown given that he is currently in office. If Candidate Biden gets elected we project the ITC to remain at 22% from 2021 onwards. While it is difficult to ascertain exactly what policies Candidate Biden might implement, we predict that at a minimum the ITC will be extended. The reason for this thinking is that Candidate Biden has a very strong climate change policy including a target of zero net emissions by 2050 and a $1.7 trillion investment. While it is easy for candidates to have lofty goals and make promises while running for office, Candidate Biden was Vice President in the Obama administration which oversaw the largest ever capital investment in the clean energy sector of $90 billion, so he has a strong track record. While his aims are ambitious, if he simply stops the reduction in solar subsidies it should not reduce below the 2021 level of 22%. Candidate Biden has stated he also intends to re-join the Paris Climate Accord *'on day one'*. These factors lead us to model the ITC remaining at the 22% level.

In Q4 2019 approximately 18% of Enphase's revenue was defined as 'safe-harbour' revenue. Safe harbouring is a method employed by companies that enables them to claim that year's ITC credit as long as they can achieve certain targets (minimal targets in the region of 5% project completion) , so companies are keen to take advantage of the ITC before the step down takes effect. Evidently, this was a large revenue driver in Q4 2019.

Our two projected scenarios are the following:

i. Scenario 1: Candidate Biden is elected and the ITC remains at 22% from 2021 onwards. Growth in 2021 is lower than scenario 2 due to companies no longer needing to engage in safe-harbouring. Due to the higher long term ITC, the near term future growth rates are greater as there is an increased incentive to purchase solar.

Table 2.2 Projected ITC Under Biden Presidency

Year	*2019*	*2020*	*2021*	*2022 onwards*
ITC	30%	26%	22%	22%

ii. Scenario 2: President Trump is re-elected and the ITC maintains its scheduled stepdown. This leads to 'safe-harbouring' causing accelerated growth in 2020 and 2021. Thereafter, the ITC will remain at 10% for commercial and drop to 0% for residential. Companies will no longer need to engage in the practice of safe-harbouring and there will be less incentive to purchase solar which will lead to slower growth.

Table 2.3 Table 2.2 Projected ITC Under Trump Presidency

Year	*2019*	*2020*	*2021*	*2022 onwards*
ITC	30%	26%	22%	Commercial 10%
				Residential 0%

In 2020 revenue figures will be the same as in both scenarios 2020 is projected to be the final year with the ITC at 26%. The terminal growth rate is also taken to be the same as over a long time horizon the policies of each political party will affect both scenarios in the same manner.

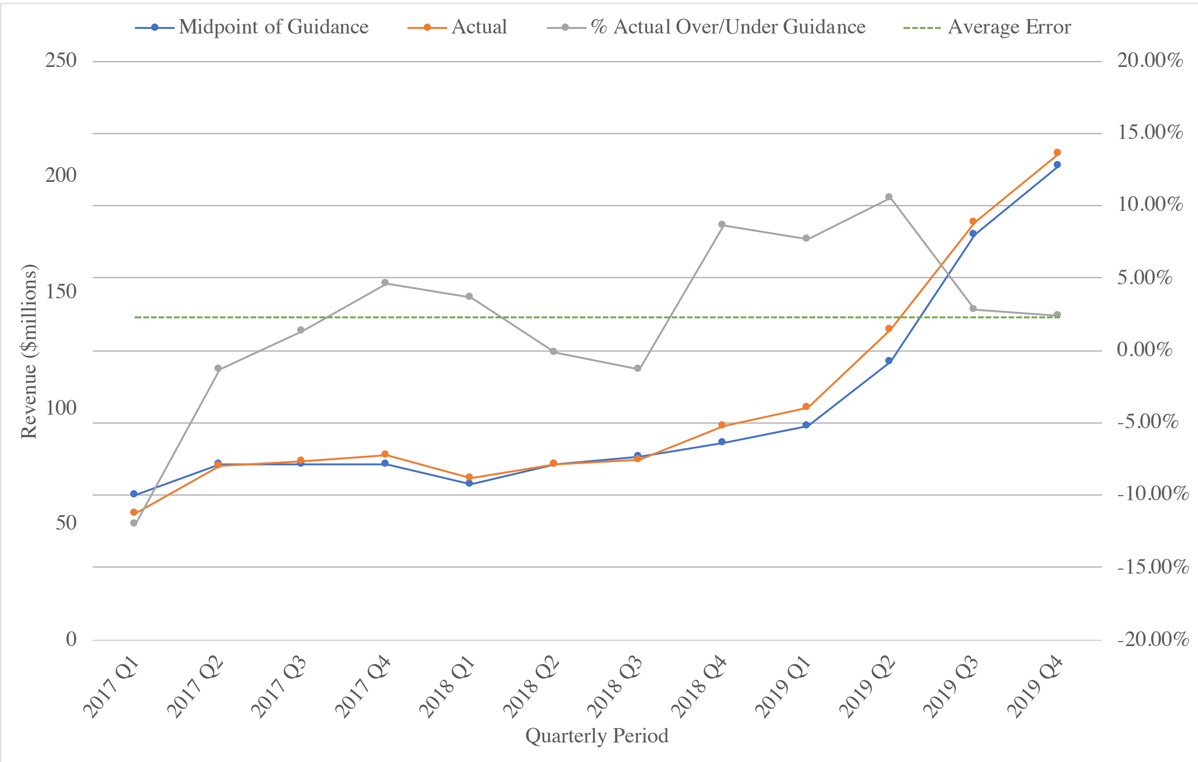

Figure 2.1 Historical Company Quarterly Revenue Guidance vs Actual

In order to forecast 2020 revenue which is the same under both scenarios we looked at how management has performed historically when predicting revenue and found that over the last 12 quarters they underestimate revenue on average by 2.24%, with the last two quarters (where they projected safe harbour revenue) being marginally above this historical average. We have taken their guidance for Q1 2020 and adjusted this figure up by 2.24%. Covid-19 is reaping havoc on a lot of industries across the board. SunPower, who accounted for 15% of Enphase's revenue in 2019 have announced they expect a 10-30% drop in demand. We decided to check their historical company guidance for accuracy to ascertain what figure within, or outside of, this range that we should take. Their 2019 actual figures for revenue, OpEx and EBITDA all fall close to the midpoint of their guidance with revenue being marginally higher, OpEx being marginally lower and EBITDA being right on the midpoint. For this reason we have taken the midpoint of their estimation and reduced US revenue by 20% for Q2 and Q3 due to the majority of Enphase's business being in the US and assuming other companies are affected in a similar manner to SunPower. This is also assuming no organic growth which we project will stall due to the pandemic. In Q4 we have revenue rebounding to Q1 levels. This gives us our revenue figure for 2020.

Under a Biden Presidency in order to project future annual growth we looked at the previous 11 quarterly growth rates and made adjustments in order to obtain the organic growth of the company. We then annualised the average quarterly growth figure and used this as our growth in 2021.

Table 2.4 Historical Quarterly Revenue Growth Rates

Quarterly Period	Actual Growth Rate	Adjusted Growth Rate
2017 Q2	36.36%	8.43%
2017 Q3	2.67%	
2017 Q4	3.25%	
2018 Q1	-11.95%	
2018 Q2	8.43%	
2018 Q3	2.77%	
2018 Q4	18.33%	3.25%
2019 Q1	8.56%	
2019 Q2	33.83%	
2019 Q3	34.30%	28.34%
2019 Q4	16.6%	0.87%

Justification for adjustments:
2017 Q1 saw much lower than expected revenue due to an incredibly wet Californian winter in '16-'17. We have checked the accuracy of this reasoning by the company and it was the wettest winter on record across the last decade in California. This means the growth in Q2 was much higher than normal and therefore was not representative of normal growth, we therefore modelled it using 2018 Q2 as a proxy.
In 2018 Q3 Enphase completed the acquisition of SunPower Corp's microinverter business which led to inorganic growth in Q4, we therefore use 2017 Q4 growth as a proxy.
In 2019 Q3 and Q4 a portion of revenue was attributed to customers engaging in safe harbour. We have excluded this revenue in calculating the adjusted growth rates.

The adjustments lead to an annualised organic growth rate of 28% and our growth rate for 2021. We believe this growth rate is achievable as they have a new microinverter in their pipeline due to be released this year and they expect to triple their SAM (serviceable available

market) by 2022 through the release of new products. It is also consistent with recent years when they launched new products.
Beyond 2021 we believe expansion for the company will be difficult based on their Capex-lite business model which means they rely entirely on their suppliers to hit revenue targets. Their biggest competitor, SolarEdge, have their own manufacturing facilities and we believe unless Enphase invest in a similar manner they will not be able to maintain the current growth rate. As an example, in 2019 they had to source a new supplier in Mexico to supply 500,000 microinverters to meet demand. While they achieved this successfully it did have a slight impact on revenue growth and in order to maintain the growth rate they will need to invest more heavily in Capex. We have no reason to think they will move away from their current business model and have growth slowing at an even pace towards the terminal growth rate of 2.5% which is the projected US GDP.

Table 2.5 Revenue Projections Under Biden Presidency

E2020	E2021	E2022	E2023	E2024	E2025	E2026	Terminal CF
754.5	965.8	1,195.7	1,428.8	1,647.4	1,828.6	1,953.0	2,001.8

Under a Trump Presidency, in order to project the growth rate in 2021 we used the organic growth rate calculated under a Biden Presidency and increased the calculated revenue figure by 25% to account for safe harbouring. Wood Mackenzie, an independent energy research consultant, conducted analysis related to future installations under the scheduled step-down of the ITC credit. They project installations to stagnate and we used the GDP growth rate as our growth rate under the Biden Presidency from 2022 onwards.

Table 2.6 Revenue Projections Under Trump Presidency

E2020	E2021	E2022	E2023	E2024	Terminal CF
754.5	1,207.2	1,237.4	1,268.4	1,300.1	1,332.6

2.2 COGS & Opex

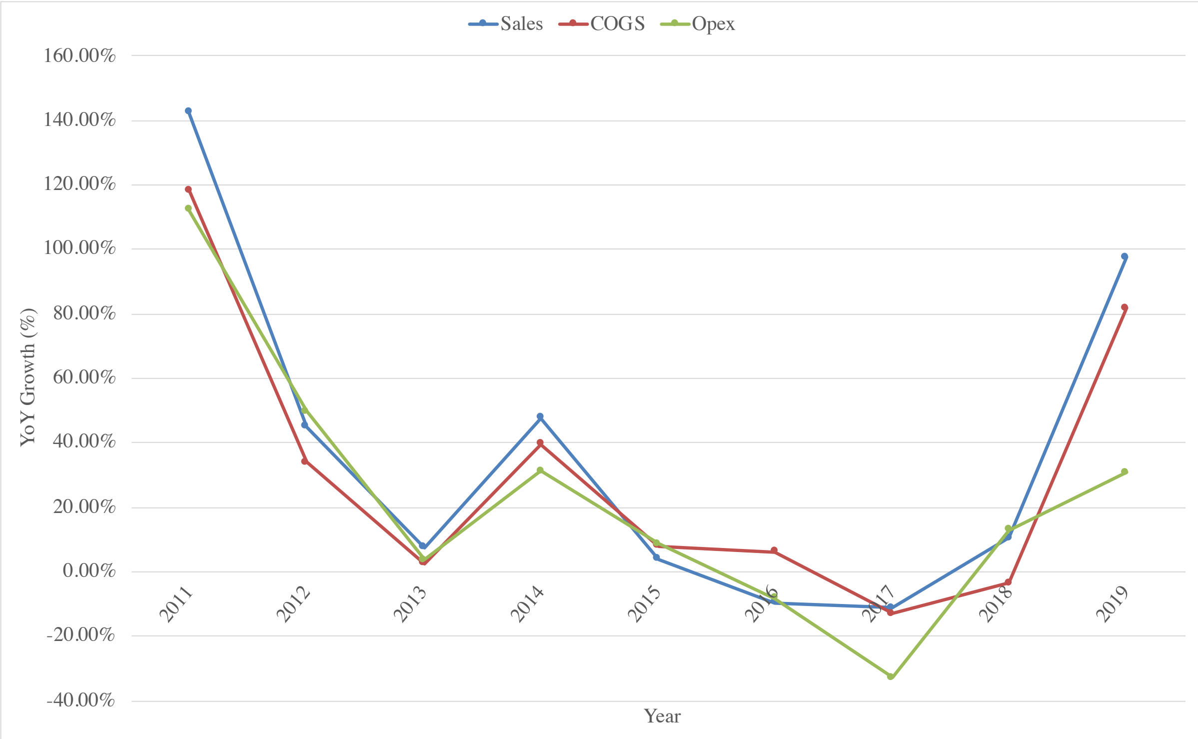

Figure 2.2 Historical Quarterly Gross Margin Guidance vs Actual

Historically, COGS and Opex growth rates are largely in-line with revenue and we have therefore projected COGS and Opex growth in line with revenue growth. Opex growth deviates from revenue growth in 2017 and again 2019. In the last number of years the company has stated consistently that one of its main objectives has been to reduce costs and increase gross margin which evidently they have successfully achieved, however at a current gross margin of 35% we forecast this as the upper limit and growing Opex in line with revenue maintains this gross margin.

2.3 D&A and Capex

Depreciation and Capex have historically been very low due to Enphase operating a 'Capex-Lite' business model. Enphase do not have manufacturing facilities which they own and operate and instead rely on suppliers for their products. The majority of their staff are research and development. We have therefore forecasted D&A as 3% of revenue and Capex as 3% of revenue moving forward as these are their respective averages over the past 7 years.

2.4 Tax

Over 92% of Enphase's business in Q4 2019 was in the US, we have therefore used the US corporate tax rate of 21% in our analysis. However, as stated in their latest earnings call they have tax loss carry-forwards of approximately $268.7 million. This leads to zero tax in 2020 and 2021 in both scenarios and a reduction in tax in 2022.

3 Valuation

3.1 Methodology

The intrinsic valuation of Enphase Energy is based on two possible investment tax credit (ITC) schemes in future years. In scenario 1, Candidate Biden is elected, and the ITC is maintained at 22% from 2021 onwards. In the second scenario, under a Trump re-election, the ITC maintains its scheduled stepdown. The Russell 3000 index was applied to track the U.S. market return. The company historically has a volatile D/E ratio; but, going forward we believe debt will grow steadily along with revenue as the company starts to generate positive earnings. We therefore have used the WACC as the discount factor. We relied on the Capital Asset Pricing Model (CAPM) to derive the cost of equity using levered beta. Beta estimation was based on the past 10 years of monthly stock returns and a 5-year rolling window.

3.2 Debt/Equity Ratio

Historically the debt/equity ratio has been extremely unstable as Enphase has had negative EBT up until 2019 at which point, they had positive EBT of $98.15 million. This has led to their equity being historically very low and thus a small change in their debt levels has a large effect on their debt/equity ratio. In August 2018 Enphase issued $65 million of convertible senior notes due 2023, $60 million of which they repurchased in June 2019. On the same day as the repurchase of the notes due 2023, Enphase issued $132 million of senior convertible notes due 2024. They have also stated their intention to repurchase these notes. If they fail to repurchase the notes and they are ultimately converted the shares will be diluted and this would hurt their share price, which is something the company will try to avoid. The company also has a cash balance of approximately $250 million which leads us to believe they will be able to repurchase the convertible notes moving forward. The increase of approximately 49.2% of additional bonds issued is line with their revenue growth YoY in 2019 (50.6%). Although the company hasn't stated the specific reason for taking on this debt, we believe it is because as the company grows, they will aim to maintain a certain debt level as the cost of debt is less than the cost of equity. Furthermore, the interest accrued on debt can be tax deductible which becomes important as the company starts to have positive taxable earnings. Therefore, including debt in the capital structure leads to a more efficient financing strategy. For these reasons and based on the similarity in the YoY growth of issued debt and revenue, we believe the debt level will continue to grow in line with revenue. Given that the firm had its first profitable year in 2019 and we have projected profitable years in future, we believe the equity will grow in line with revenue as net income has a direct impact in total stockholder's equity. For these reasons we believe the debt/equity ratio will remain constant moving forward at the 0.4 2019 level.

3.3 Beta estimation

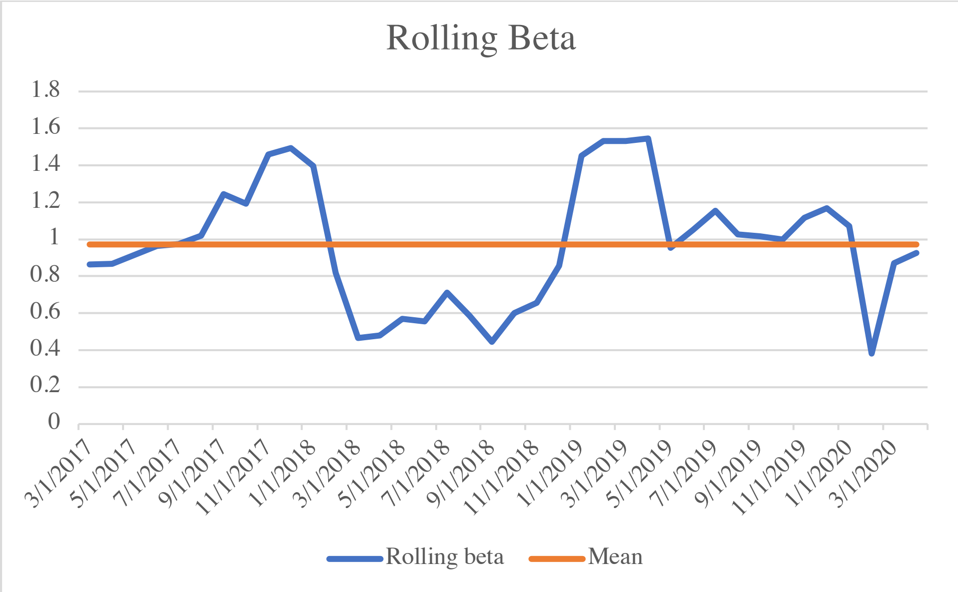

Figure 3.1 Rolling Beta

We found the variations of Enphase's beta were greatly subject to sales and shipments. Prior to 2017 Enphase's business was stagnant with negative profits for 3 years. In early 2017 the company started a restructuring process and replaced its CEO in the same year. Those uncertain elements drove the company's beta to around 1.5. Subsequently, the company managed to reduced cost and was able to offer a competitive price to the market as well as improving the efficiency of its products that turned the growth around and reduced losses. 2018 saw a spike in Enphase' beta as they had a very high debt/equity ratio.

Table 3.1 Beta Estimations Under (a) Biden Presidency & (b) Trump Presidency

(a)

Scenario 1	E2020	E2021	E2022	E2023	E2024	E2025	E2026	E2027	Averaged Beta
ICT extended	1.25	1.15	1.1	1.0	1.0	1.0	1.0	1.0	1.03

(b)

Scenario 2	E2020	E2021	E2022	E2023	E2024	E2025	Averaged Beta
ICT stepdown	1.25	1.15	1.1	1.4	1.3	1.2	1.23

Our beta estimation is in line with projected revenue in each year. We believe beta will increase in 2020 due to the negative impact of Covid-19 on market demand. Subsequently, under a Biden Presidency after the pandemic, the beta will restore to its historical average level. In scenario 2, under a Trump re-election, we believe the drop in the ITC will lead to stagnant revenue growth that could in turn drive up the risk implied by the company.

3.4 Market return

Under Covid-19, businesses have been shut down (and not all SMEs will survive the crisis), employment rates are trending towards new record highs as well as a foreseeable increase in government debt due to economic stimulation packages. The uncertainties this pandemic pose are beyond the recovery from a disease. In financial modelling, market return is usually set between 4% to 8%. Going forward, as we are currently in the middle of a crisis and we don't see the side effects going way immediately post COVID-19, we have taken 5% as the future market return for our forecasting period.

3.5 Risk-free rate

The current U.S treasury rate is close to zero. The last time the U.S economy was hit hard by the 2008 financial crisis interest rates remained close zero for the following 8 years. Considering the current situation, it's reasonable to assume future interest rate would be at a low range. We used the average of 5-year and 10-year U.S. treasury rate as our risk-free rate.

3.6 Cost of debt

The cost of debt for Enphase at the end of the 2019 financial year was 6.8%. For future cost of equity, we used 5.3% after adjusting it with recent central bank interest rate cuts.

3.7 Cost of equity & WACC

Table 3.2 Cost of Equity & WACC

CAPM (Scenario 1-ITC Extended)		CAPM (Scenario 2-(ITC Stepdown)	
rf	0.50%	rf	0.50%
rm	5.00%	rm	5.00%
Levered Beta	1.03	Levered Beta	1.23
rm-rf	4.50%	rm-rf	4.50%
re	5.11%	re	6.01%

WACC		WACC	
D/(D+E)	27.94%	D/(D+E)	27.94%
E/(D+E	72.06%	E/(D+E	72.06%
re	5.11%	re	6.01%
rd	5.30%	rd	5.30%
Tax rate	21.00%	Tax rate	21.00%
WACC	4.85%	WACC	5.50%

Based on our above assumptions we arrive at a cost equity of 4.85 percent and 5.50 percent respectively for scenarios 1 (ITC maintained at 22%) and 2 (ITC maintains scheduled stepdown).

3.8 DCF

3.8.1 Terminal CF assumption:

Table 3.3 Terminal Assumptions

g	2.50%
Cogs	64.56%
SG&A	18.57%

Our terminal value assumptions were the same for both scenarios as we believe the political policies of different governments will affect both scenarios the same over a long time horizon.

Under a Biden Presidency, we used a longer period of projection to smooth out the growth towards the terminal growth stage. Under a Trump Presidency we have projected cashflows until 2025 as the growth rate in previous years is the same as the terminal stage. This is unlike the dominant company in the microinverter space, SolarEdge, who has its own plants and therefore are in a much more competitive position. Moving forward it will be increasingly difficult for Enphase to steal market share from SolarEdge continually relying on suppliers.

The terminal growth of 2.5 percent is based on the projected long-term GDP growth rate. Additionally, we have set COGS and OpEx constant in the terminal stage.

3.8.2 DCF

Year （ITC Extended）	CF
E2020	40.1
E2021	29.4
E2022	19.7
E2023	39.0
E2024	61.9
E2025	87.8
E2026	113.3
Terminal	6,086.4
DCFs	**6,477.5**
Net debt	-145.9
Equity value	**6,623.3**

Year (ITC Stepdown)	CF
E2020	39.8
E2021	-45.2
E2022	105.1
E2023	102.1
E2024	99.2
Terminal	3,386.3
DCFs	**3,687.3**
Net debt	-145.9
Equity value	**3,833.1**

Table 3.4 DCF's for Scenarios 1 & 2

Scenario 1 （ITC Extended）	Value	$ per/share
Equity value	6,623.3	53.5
Market value	4,825.0	39.0
Difference	37.27%	37.09%

Scenario 2 (ITC Stepdown)	Value	$ per/share
Equity value	3,833.1	30.9
Market value	4,831.4	39.0
Difference	-20.66%	-20.66%

$$PV = 6623.3 * 0.475 + 3833.1 * 0.525$$

$$= \$ \, 5158.5 \, mllion$$

Prob weighted	Value	$ per/share
Equity value	5,158.5	41.7
Market value	4,885.9	39.5
Difference	5.58%	5.58%

The intrinsic value of Enphase Energy based on our probability weighted valuation is $ 5158.5 million and there is a 5.58% difference between the current market value and our fair value.

3.9 Recommendation: Hold

Based on our DCF valuation Enphase stock is currently undervalued by approximately 6%. We are therefore recommending a hold. Our valuation is largely based on the projection of the ITC in future years. In turn the ITC is largely dependent on the political party that is in office after the next general election. In a world with a Republican Presidential winner Enphase stock is overvalued and vice-versa in a world with a Democratic Presidential winner. Our advice would be to pay attention to the presidential winner markets offered and adjust the valuation accordingly. Since the onset of the coronavirus pandemic in the US the Presidential markets have swung largely in the favour of candidate Biden and if he were to move to a 12% favourite over President Trump, we would recommend a buy. Additionally, Enphase currently operate a Capex-lite business model and we believe this will impede their ability to take market share from their biggest competitor, SolarEdge, who own their own manufacturing facilities.

4 Important Disclaimer

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5 Appendix

5.1 DCF Under Biden Presidency

Scenario 1 ($ millions)	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	E2020	E2021	E2022	E2023	E2024	E2025	E2026	Terminal CF
Total revenue	20.2	61.7	149.5	216.7	232.9	343.9	357.3	322.6	286.2	316.2	624.3	754.5	965.8	1,195.7	1,428.8	1,647.4	1,828.6	1,953.0	2,001.8
		205.4%	142.5%	44.9%	7.5%	47.7%	3.9%	-9.7%	-11.3%	10.5%	97.5%	20.9%	28.0%	23.8%	19.5%	15.3%	11.0%	6.8%	2.5%
COGS	23.2	55.2	120.5	161.4	165.4	230.9	249.0	264.6	230.1	221.7	403.1	487.2	623.6	772.0	922.5	1,063.6	1,180.6	1,260.9	1,292.4
	115.0%	89.5%	80.6%	74.5%	71.0%	67.1%	69.7%	82.0%	80.4%	70.1%	64.6%	64.6%	64.6%	64.6%	64.6%	64.6%	64.6%	64.6%	64.6%
Gross profit												**267.4**	**342.2**	**423.7**	**506.3**	**583.8**	**648.0**	**692.1**	**709.4**
SG&A	13.7	27.2	57.8	86.5	89.6	117.5	127.5	116.9	78.5	88.7	115.9	140.1	179.3	222.0	265.3	305.9	339.5	362.6	371.6
	67.7%	44.1%	38.6%	39.9%	38.5%	34.2%	35.7%	36.2%	27.4%	28.1%	18.6%	18.6%	18.6%	18.6%	18.6%	18.6%	18.6%	18.6%	18.6%
D&A	0.8	1.6	3.0	5.6	7.0	8.3	10.5	10.6	9.0	9.7	14.1	22.6	29.0	35.9	42.9	49.4	54.9	58.6	60.1
	4.0%	2.5%	2.0%	2.6%	3.0%	2.4%	3.0%	3.3%	3.1%	3.1%	2.3%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
EBIT												**104.7**	**134.0**	**165.8**	**198.2**	**228.5**	**253.6**	**270.9**	**277.7**
Interest expenses	0.2	0.9	3.0	6.4	2.1	1.9	0.5	2.8	7.9	9.6	7.2	6.8	8.7	10.7	12.8	14.8	16.4	17.5	17.9
EBT												**97.9**	**125.3**	**155.1**	**185.4**	**213.7**	**237.3**	**253.4**	**259.7**
Tax	0.0	0.0	0.0	0.7	0.9	0.8	1.4	1.5	-34.3	1.4	-71.0	0.0	0.0	32.6	38.9	44.9	49.8	53.2	54.5
NOPLAT												**104.7**	**134.0**	**133.3**	**159.3**	**183.6**	**203.8**	**217.7**	**223.1**
WC	11.0	39.8	29.4	61.2	57.1	56.2	48.9	35.1	38.7	75.1	300.4	363.0	464.6	575.2	687.4	792.5	879.7	939.5	963.0
	54.5%	64.5%	19.7%	28.2%	24.5%	16.3%	13.7%	10.9%	13.5%	23.8%	48.1%	48.1%	48.1%	48.1%	48.1%	48.1%	48.1%	48.1%	48.1%
Plus D&A												127.3	162.9	169.1	202.1	233.0	258.7	276.3	283.2
Less Change in NWC	11.0	28.8	-10.3	31.7	-4.0	-1.0	-7.3	-13.8	3.6	36.4	225.2	62.6	101.6	110.6	112.2	105.2	87.2	59.8	23.5
Less Capex	2.2	3.3	14.7	13.0	6.3	14.0	12.8	12.9	4.1	4.2	14.8	22.6	29.0	35.9	42.9	49.4	54.9	58.6	60.1
	10.7%	5.3%	9.8%	6.0%	2.7%	4.1%	3.6%	4.0%	1.4%	1.3%	2.4%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Free CF												**42.0**	**32.3**	**22.7**	**47.1**	**78.5**	**116.6**	**157.9**	**199.6**
PV of CF												40.1	29.4	19.7	39.0	61.9	87.8	113.3	6,086.4
DCFs	6,477.5																		
Net debt	-145.9																		
Equity value	6,623.3																		

5.2 DCF Under Trump Presidency

Scenario 2 ($ millions	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	E2020	E2021	E2022	E2023	E2024	Terminal CF
Total revenue	20.2	61.7	149.5	216.7	232.9	343.9	357.3	322.6	286.2	316.2	624.3	754.5	1,207.2	1,237.4	1,268.4	1,300.1	1,332.6
		205.4%	142.5%	44.9%	7.5%	47.7%	3.9%	-9.7%	-11.3%	10.5%	97.5%	20.9%	60.0%	2.5%	2.5%	2.5%	2.5%
COGS	23.2	55.2	120.5	161.4	165.4	230.9	249.0	264.6	230.1	221.7	403.1	487.2	779.4	798.9	818.9	839.4	860.4
	115.0%	89.5%	80.6%	74.5%	71.0%	67.1%	69.7%	82.0%	80.4%	70.1%	64.6%	64.6%	64.6%	64.6%	64.6%	64.6%	64.6%
Gross profit												**267.4**	**427.8**	**438.5**	**449.5**	**460.7**	**472.2**
SG&A	13.7	27.2	57.8	86.5	89.6	117.5	127.5	116.9	78.5	88.7	115.9	140.1	224.1	229.7	235.5	241.4	247.4
	67.7%	44.1%	38.6%	39.9%	38.5%	34.2%	35.7%	36.2%	27.4%	28.1%	18.6%	18.6%	18.6%	18.6%	18.6%	18.6%	18.6%
D&A	0.8	1.6	3.0	5.6	7.0	8.3	10.5	10.6	9.0	9.7	14.1	22.6	36.2	37.1	38.1	39.0	40.0
	4.0%	2.5%	2.0%	2.6%	3.0%	2.4%	3.0%	3.3%	3.1%	3.1%	2.3%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
EBIT												**104.7**	**167.5**	**171.6**	**175.9**	**180.3**	**184.8**
Interest expenses	0.2	0.9	3.0	6.4	2.1	1.9	0.5	2.8	7.9	9.6	7.2	6.8	10.8	11.1	11.4	11.7	11.9
EBT												**97.9**	**156.6**	**160.5**	**164.6**	**168.7**	**172.9**
Tax	0.0	0.0	0.0	0.7	0.9	0.8	1.4	1.5	-34.3	1.4	-71.0	0.0	0.0	33.7	34.6	35.4	36.3
NOPLAT												**104.7**	**167.5**	**137.9**	**141.4**	**144.9**	**148.5**
WC	11.0	39.8	29.4	61.2	57.1	56.2	48.9	35.1	38.7	75.1	300.4	363.0	580.8	595.3	610.2	625.4	641.1
	54.5%	64.5%	19.7%	28.2%	24.5%	16.3%	13.7%	10.9%	13.5%	23.8%	48.1%	48.1%	48.1%	48.1%	48.1%	48.1%	48.1%
Plus D&A												127.3	203.7	175.0	179.4	183.9	188.5
Less Change in NWC	11.0	28.8	-10.3	31.7	-4.0	-1.0	-7.3	-13.8	3.6	36.4	225.2	62.6	217.8	14.5	14.9	15.3	15.6
Less Capex	2.2	3.3	14.7	13.0	6.3	14.0	12.8	12.9	4.1	4.2	14.8	22.6	36.2	37.1	38.1	39.0	40.0
	10.7%	5.3%	9.8%	6.0%	2.7%	4.1%	3.6%	4.0%	1.4%	1.3%	2.4%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Free CF												**42.0**	**-50.3**	**123.4**	**126.5**	**129.7**	**132.9**
PV of CF												39.8	-45.2	105.1	102.1	99.2	3,386.3
DCFs	3,687.3																
Net debt	-145.9																
Equity value	3,833.1																