



KBZ STIRLING COLEMAN SECURITIES CO., LTD.

18 May 2020

To Chairman  
Ever Flow River Group Public Co., Ltd

We hereby compiled the Market Value Assessment Report ("the Report") for Ever Flow River Group Public Co., Ltd ("the Company") as attached. The Report was prepared as one of the required documents for Yangon Stock Exchange Joint-Venture Company Limited ("YSX") listing.

All inquiries related to the Report from the Company or YSX will be responded promptly by KBZSC.

Mr. Michael Ong  
Head of Equity Capital Markets



Company Seal



## **Market Value Assessment Report**

### **Ever Flow River Group Public Co., Ltd. (EFR)**

#### **For Listing Application in Yangon Stock Exchange (YSX)**

**KBZ Stirling Coleman – Lead Manager & Financial Advisor**

March 2020

Strictly private and confidential



## 1. Scope of Work

Ever Flow River Group Public Co., Ltd. (“EFR” or “the Company”) has appointed KBZ Stirling Coleman (“KBZSC”) as the lead manager and financial advisor for the listing in Yangon Stock Exchange (“YSX”). KBZSC has prepared the Market Value Assessment as part of the requirements for EFR’s listing application to determine the initial listing price.

## 2. Key Assumption

KBZSC has relied on the information provided by the management of EFR and the Company’s consolidated financial reports. KBZSC has made the following key assumptions in deriving the market value of EFR:

- Identified and adjusted all non-recurring incomes or one-off items in the consolidated financial statements of FY2017-18 and FY2018-19 before making a year-on-year comparison
- Performed a Comparable Company Analysis against its peers that are listed in other stock exchanges using Capital IQ and similar global market intelligent platforms
- Assessed EFR’s industrial land assets using services of local real estate professional brokerages and information from internal findings
- Reviewed the fair market values of the two key projects – JV agreement of Hlaing Inland Terminal and Logistics and Build-Operate-Transfer (BOT) agreement of Mandalay Logistics and Distribution Center. Further assumed that the Company would fulfill their obligations in the two contracts
- The private share placement to Chang Yang Development Co., Ltd was executed in a fair and transparent manner, and that the placement was transacted at a mutually agreed valuation.

## 3. Market Value Assessment Methodology

There are typically 3 valuation methods when valuing a company as a going concern. They are: i) Comparable Company Analysis, ii) Precedent Transaction Analysis and iii) Discounted Cash Flow (DCF) Analysis. KBZSC adopted two of the valuation methodologies to arrive at a fair value for the Company: i) Comparable Company Analysis and ii) Precedent Transaction Analysis:

### **i) Comparable Company Analysis**

EFR owns 8 subsidiaries and 2 associated companies, among them one subsidiary and one associated companies were set up to implement the Company’s two strategic projects - Mandalay Logistics & Distribution



Center and Hlaing Inland Terminal Logistics. Both projects are considered green-field developments.

Those subsidiaries with existing operations and cash flow generating capacities are valued using Comparable Company Analysis while the green-field entities are based upon the prevailing market value of their respective land assets. The summation of the derived valuations of all the entities would yield a better assessment of the Company's true worth.

**a) Entities with Existing Operations**

Since there are no publicly listed companies that are comparable to EFR in Myanmar, we analyzed and computed key financial ratios of 38 comparable publicly listed companies in ASEAN to determine a reasonable range of valuations for the Company. The following key financial ratios were used for the analysis:

- 1) Enterprise Value/ Sales
- 2) Enterprise Value/ EBITDA
- 3) Price/ Book Value
- 4) Price/ Earning

**b) Greenfield Projects**

Discounted Cash Flow (DCF) Analysis is typically used to derive the value of such projects. However, the method of assessing the projected future cash flows of green-field projects are entirely based on the assumptions imputed into the DCF model. While the management provided reasonable assumptions for the projects, KBZSC has chosen a more conservative approach of valuing the land assets instead.

To assess the market value of those properties, comparable market prices from reliable local real estate professional services and internal findings were used as a basis to establish their fair values.

**c) Sum-of-Parts Method**

The final Market Value Assessment of EFR is established by combining the valuations of a) and b) as stated above.

**ii) Precedent Transaction Analysis**

While the Comparable Company Analysis is useful in assessing an operating company that produces consistent cash flows, it does not capture the future value of the projects that a company is investing for the long-term benefits of its shareholders. Discounted Cash Flow Analysis, in



such case, would be an appropriate method to capture the streams of future cash income that will be generated from those projects.

However, in view of EFR's recent private placement transaction with a third-party investor, the Precedent Transaction Analysis would be a better indicator to capture most current valuation placed on the Company arising from such a transaction.

On 21 June 2019, Chang Yang Development Co., Ltd. ("CY") subscribed 1,720,000 ordinary shares of EFR at per share price of MMK2,500. Given that the Comparable Company Analysis is not able to capture fully the potential of the Company's two green-field projects, and assuming that the purchase of shares by CY would have taken into consideration the future potential values of the two green-field projects, the Precedent Transaction Analysis method would be preferred. Therefore, more weights are given to the Precedent Transaction Analysis method than that of the Comparable Company Analysis in recommending the Final Market Value Assessment of EFR to YSX.

## 4. Summary

To determine the market value estimation of EFR, two valuation methods were deployed i) Comparable Company Analysis and ii) Precedent Transaction Analysis. Although comparable company analysis provides a reasonable accurate assessment of the entities with operations, it does not capture the future value of projects that are in an investment phase. Given the shortcoming of using Comparable Company Analysis and the Company's private placement transaction, the valuation based on Precedent Transaction Analysis is preferable and more consideration is given to this method. Therefore, KBZSC recommends the initial listing price of EFR to be **MMK2,300 per share.**



## 5. Disclaimer

1. The Market Value Assessment Report (“Report”) was prepared exclusively in connection with the requirement of listing application for Yangon Stock Exchange (“YSX”). The report shall not be distributed, published, reproduced or used without the prior written authorization of KBZ Stirling Coleman (“KBZSC”).
2. The report is in under no circumstances intended for use or be considered as financial or investment advice, a recommendation or an offer to sell, or a solicitation of any offer to buy any securities.
3. KBZSC relied on the information provided by the management of EFR and the consolidated financial statements prepared by the company. The scope of work by KBZSC does not render the verification of the data provided by EFR; therefore, we do not assume any responsibility or liability for independent investigation of any of the information.
4. No guarantee is given as to the accuracy or completeness of the content of this report. We obtained many of the information in preparing the report from EFR and external sources that we are reliant for the accuracy of the information. We cannot be responsible for errors contained in information we sourced externally.
5. Market value assessment is a highly subjective matter and it varies from one party to another depending on the assumptions considered in deriving the final assessment. As such, KBZSC does not express any opinion with respect to the price in which EFR shares could be traded on YSX at any time.
6. The value of investment may fall as well as rise from the value shown in the report and the past performance is not a reliable guide to future performance.
7. The management of EFR confirmed to us that, to the best of their knowledge and belief, the information provided to us constitutes a full and true disclosure of all relevant and material facts and there is no other information or fact, the omission of which would cause any of the information disclosed to us or replied by us or any information contained herein to be untrue, incomplete or misleading in any material respect.
8. KBZSC reserves the right to amend, add, or completely replace the report at any time.



9. There may be changes in matters which affect the company subsequent to the date of this report. Neither the issue nor delivery of this report shall under any circumstance create any implication that the information herein is correct as of any time subsequent to the date hereof or that the affairs of the company have not since changes. KBZSC does not assume any obligation to update or correct the information included in this report.
  
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