

What is SITLA Worth?



How to Do This?

a currency forward is the present value of a currency exchange in the amount of the forward rate, compared to an exchange at the settlement date.

$$\text{Value} = \left[\frac{S_t}{(1 + R_{FC})^{(T-t)}} \right] - \left[\frac{F_T}{(1 + R_{DC})^{(T-t)}} \right]$$

and value formulas for a currency forward

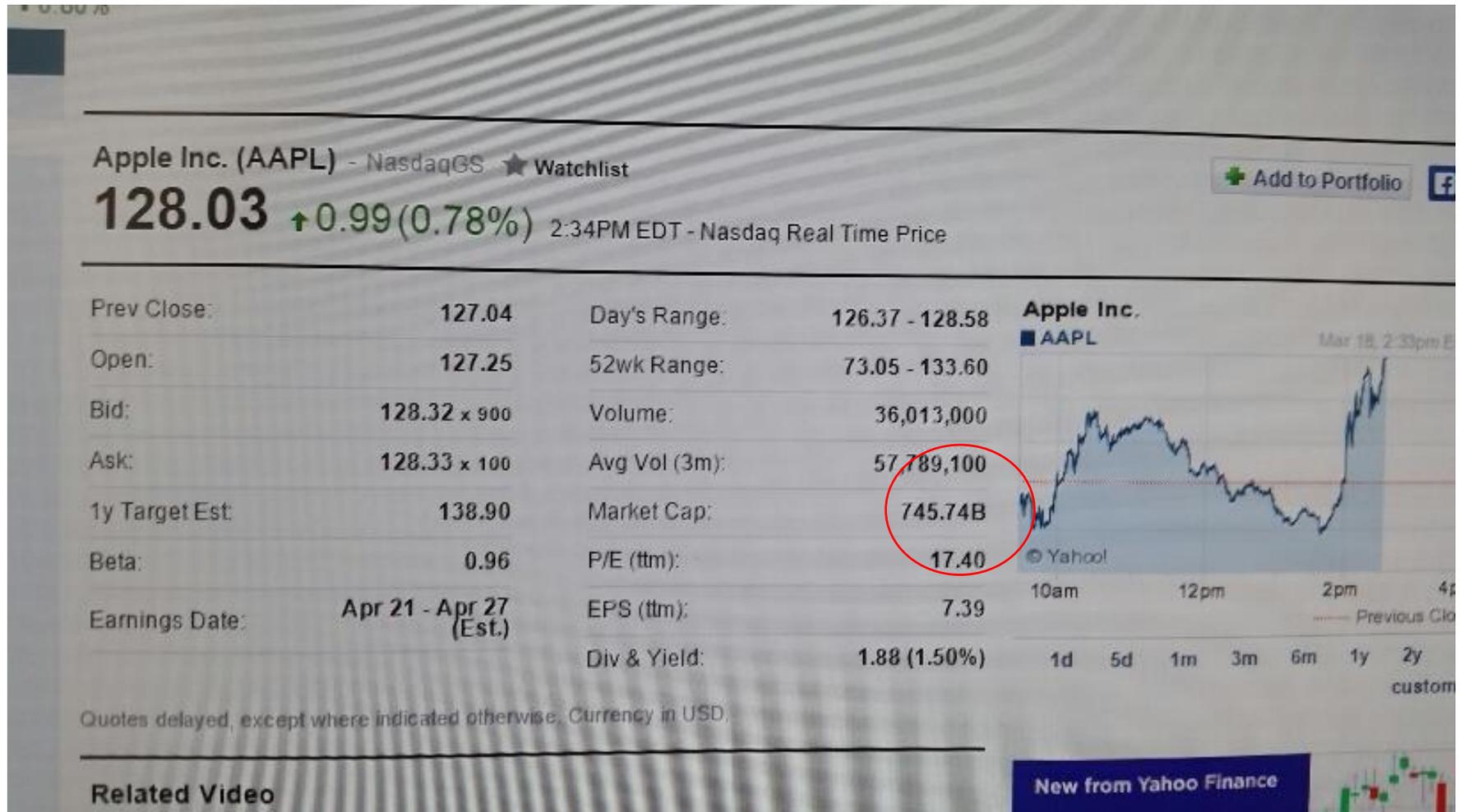
$$\text{Value} = S_0 \times e^{(R_{DC}^c - R_{FC}^c) \times T}$$

$$\text{Value} = \left[\frac{S_t}{e^{R_{FC}^c \times (T-t)}} \right] - \left[\frac{F_T}{e^{R_{DC}^c \times (T-t)}} \right]$$

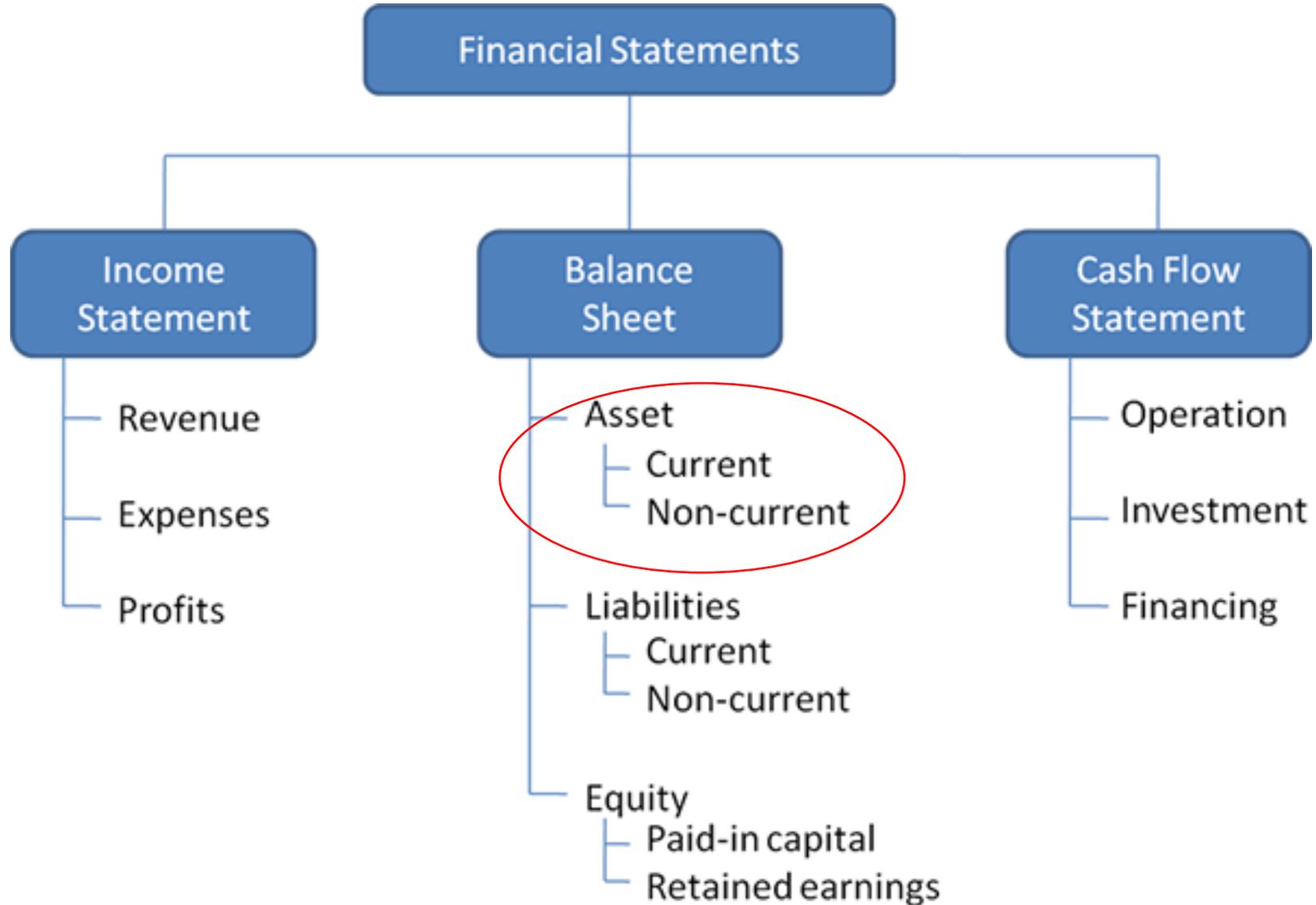
the counterparty will not pay when a positive value or the forward to one party, the greater



Market Cap? No



Balance Sheet Appraisal? No



So We Have to Measure and Estimate a Little More Indirectly



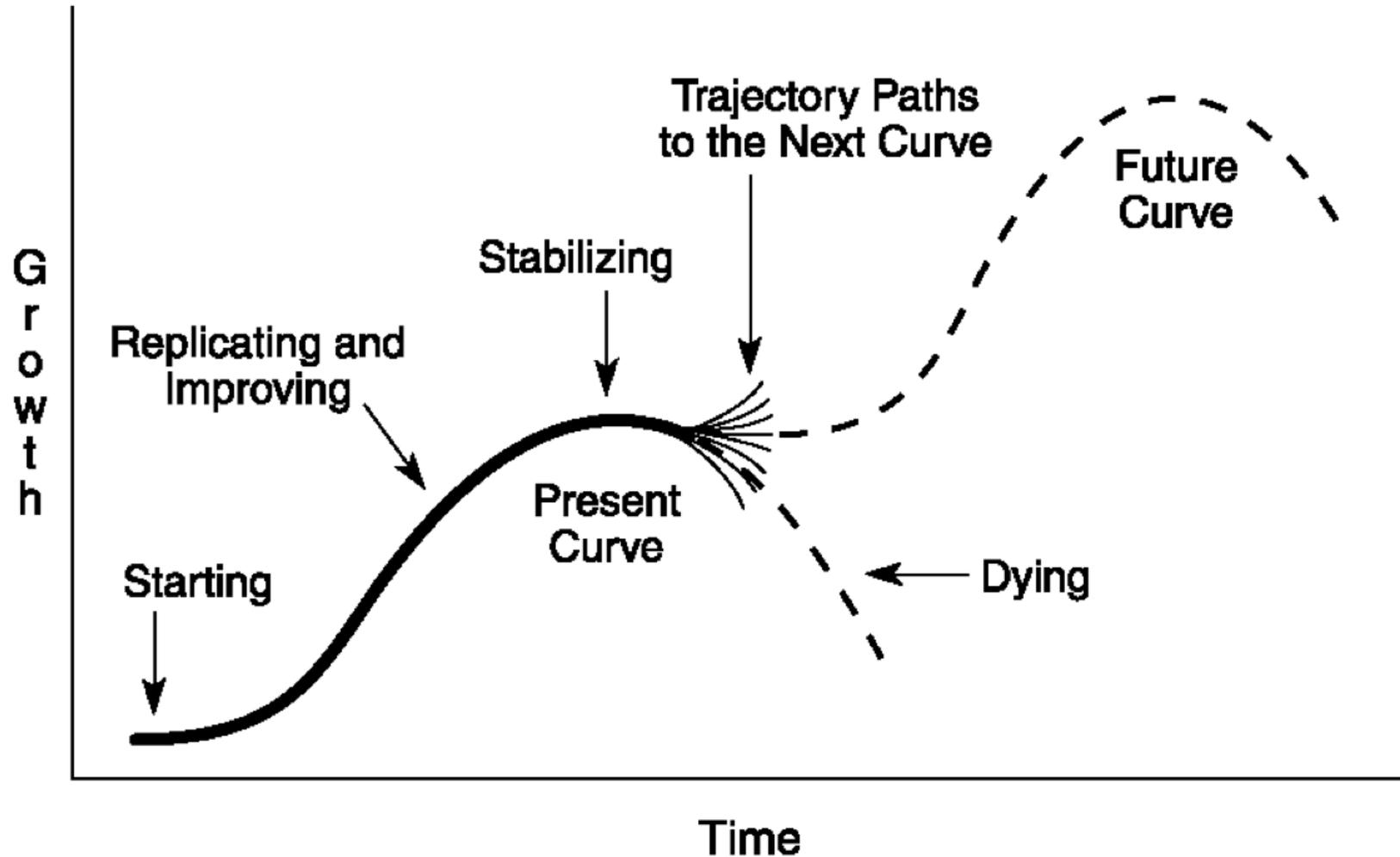
What are you buying when you buy a stock?



How Many Future Profits Will the Company Have?



What Does the Future Look Like?



Subjective, Differing Opinions

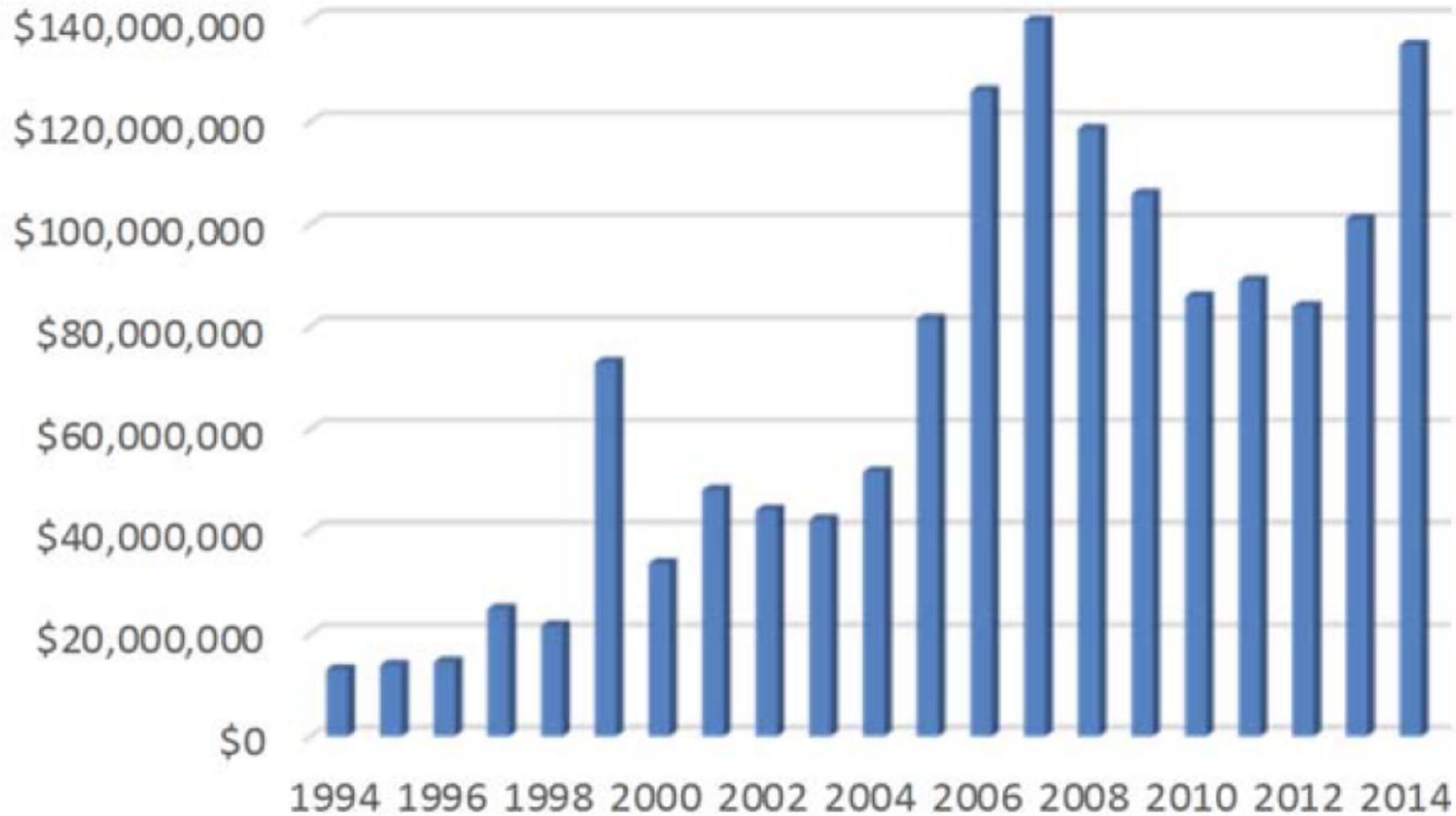
1. Start with Historical Data
2. Compare with comparables

3. =>

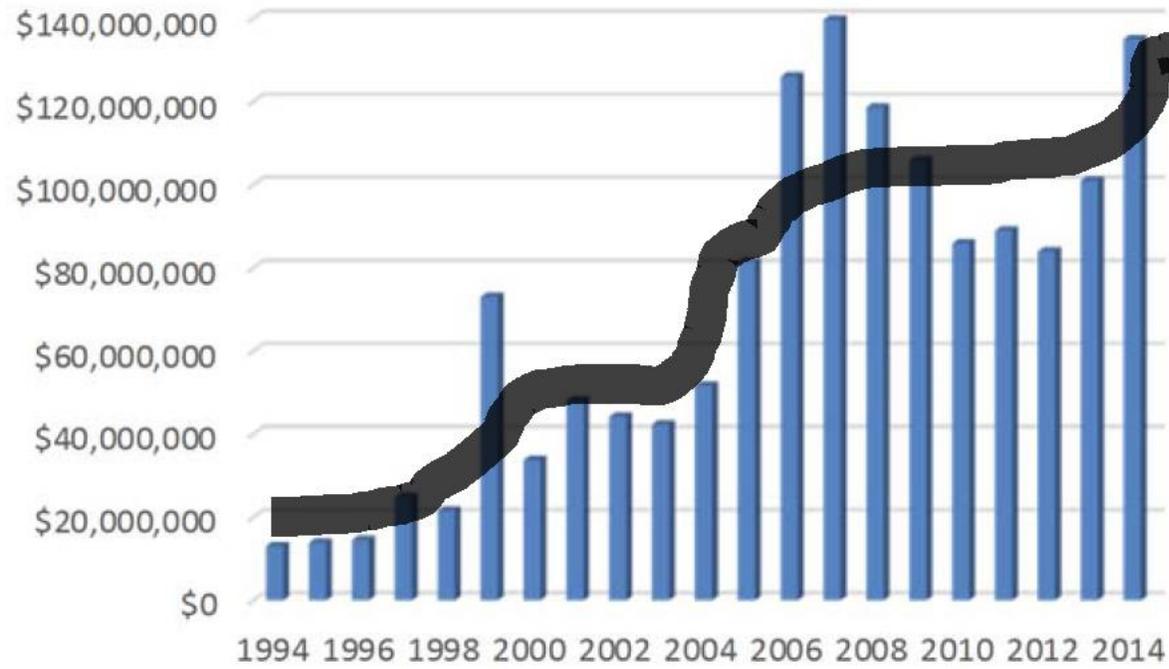


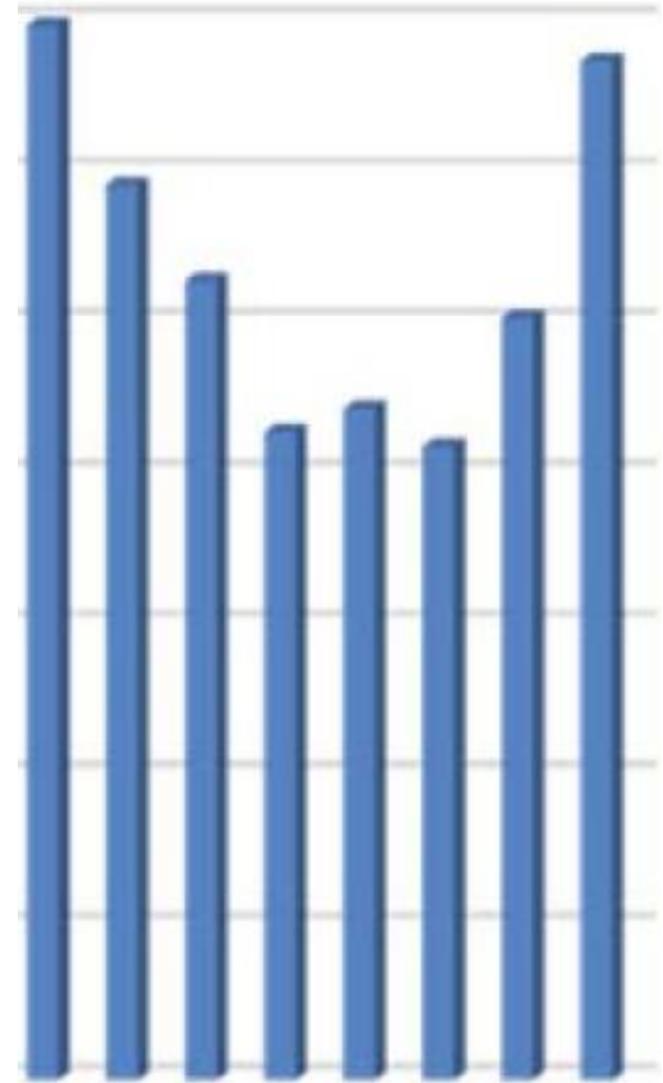
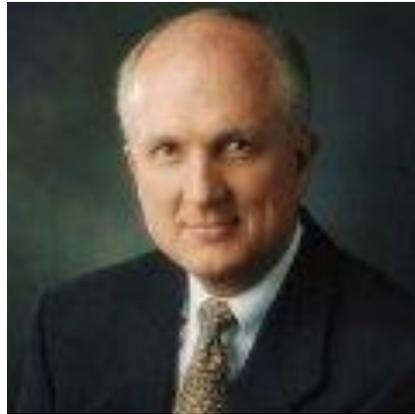


SITLA Gross Revenue by Fiscal Year

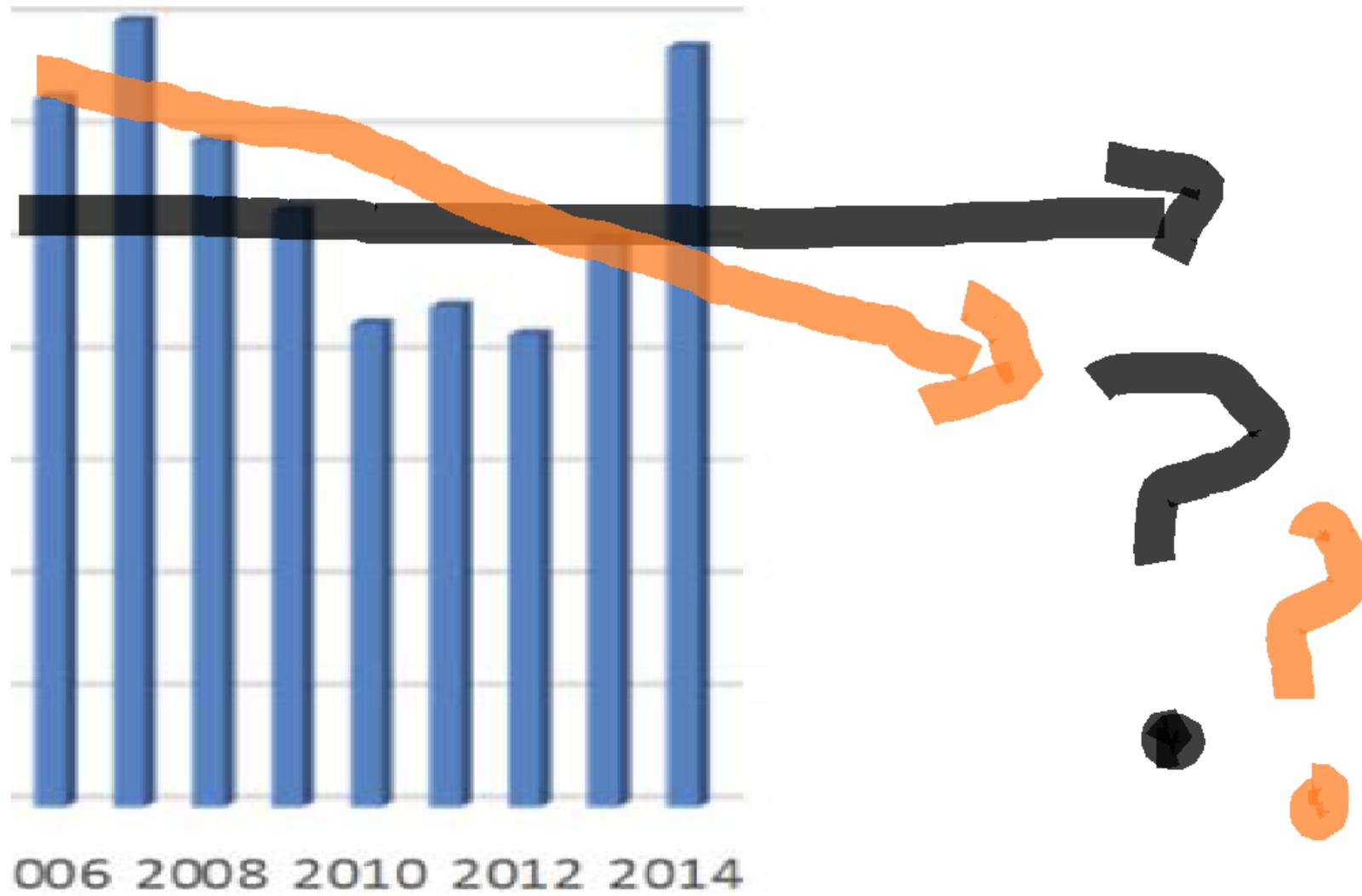


SITLA Gross Revenue by Fiscal Year

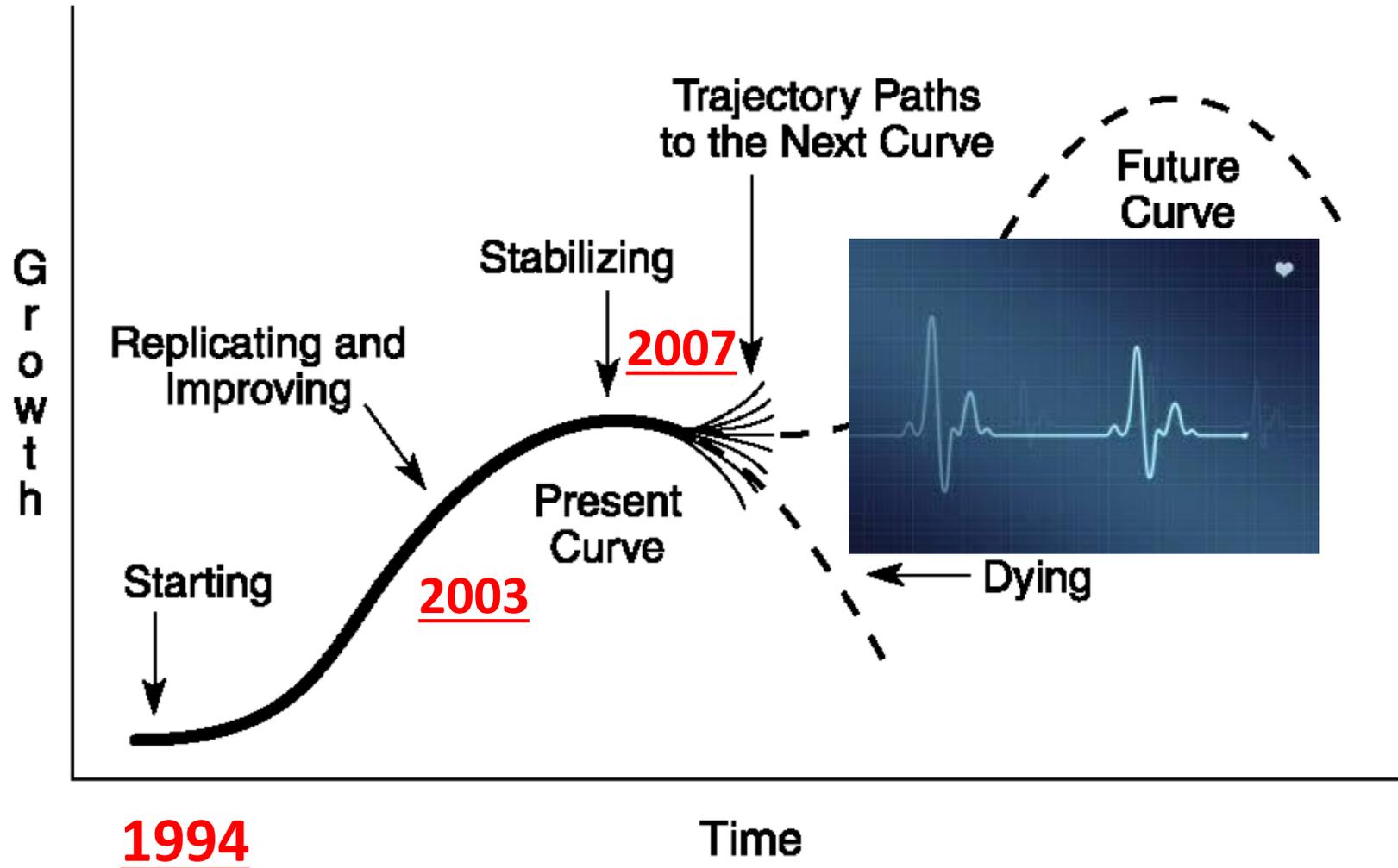




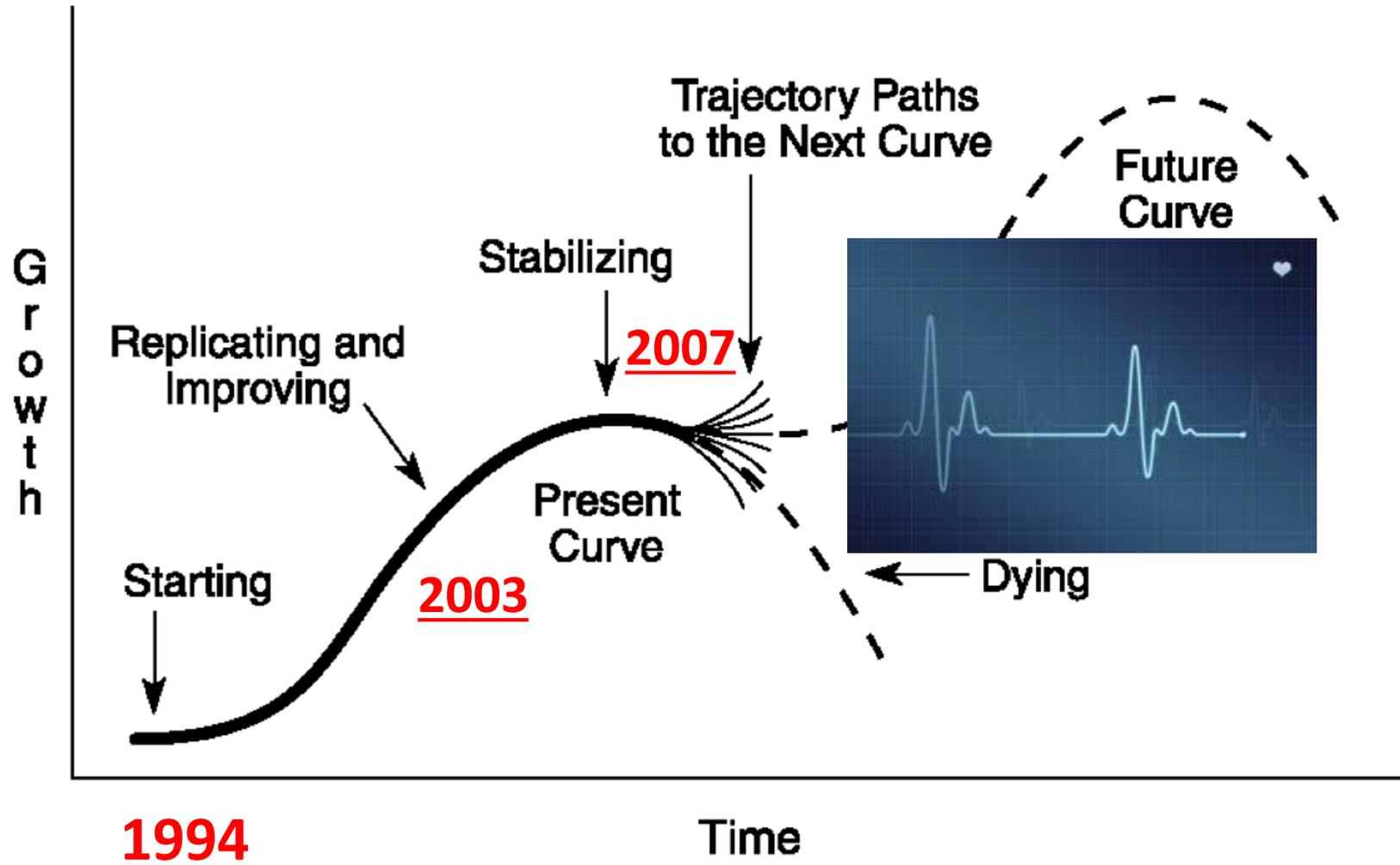
2008 2010 2012 2014



What Does the Future Look Like



Huge Assumption #1: Future is Not Up, Nor Down, but Flatish



Huge Assumption #2

- The discount rate is 7.6%
- Callan's forward looking annualized long term total return expectation

Huge Assumption #3

Deteriorating Assets

=

Non Performing Assets



Dividends Discount Model? Yes

$$P_0 = \frac{D_1}{K_e - g}$$

D_1 = Expected Dividend for Year 1

g = Growth Rate

K_e = Discount rate

SITLA Value= Value of Estimated Future Cash Flows

SITLA Value DDM

Trailing= $\frac{\$129 \text{ million}}{7.6\%} = \1.7 Billion

Leading= $\frac{\$89.7 \text{ million}}{7.6\%} = \1.2 Billion

SITLA 😊 Scenario

3% Compound Growth*

$$\text{Trailing} = \frac{\$129 \text{ million}}{7.6\% - 3\%} = \$2.8 \text{ Billion}$$

$$\text{Leading} = \frac{\$89.7 \text{ million}}{7.6\% - 3\%} = \$1.9 \text{ Billion}$$

*5% Growth is “Supranormal” and never seen as sustainable indefinitely

SITLA ☹️ Scenario

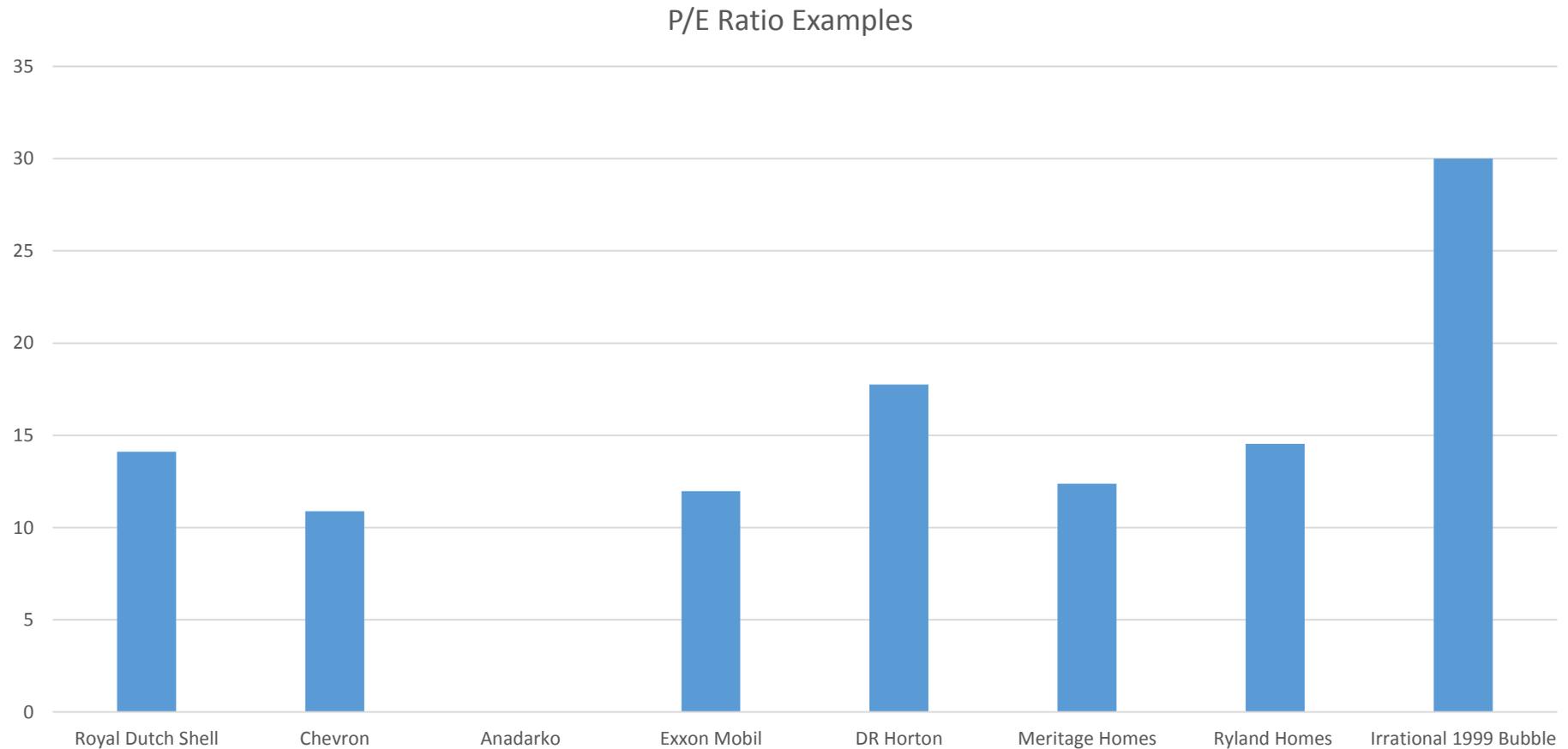
2% Compound Decline

Trailing= $\frac{\$129 \text{ million}}{7.6\% - (-2\%)} = \1.3 Billion

Leading= $\frac{\$89.7 \text{ million}}{7.6\% - (-2\%)} = \0.9 Billion

Price to Earnings Ratio? Yes

Earnings * PE Ratio = Market Cap



P/E Ratio

1. Overall Average 17.1

2. Energy Sector Average 14.4

SITLA Value

1- Trailing \$2.2 Billion
Leading \$1.5 Billion

2- Trailing \$1.9 Billion
Leading \$1.3 Billion

Privately Held Company Factor Adjustments

Factor

- Lifecycle Stage
- Size
- Overlap of Shareholders and Management
- Quality and Depth of Management
- Short Term Pressure
- Liquidity of Stock
- Concentration of Control
- Restriction Agreements

Tim's Totally Subjective & Slightly Harsh Grade

- C- (Mature)
- C+ (Intermediate)
- C-
- B+
- A (almost none)
- F
- B+
- B+

LBO/IPO GPA= 2.50 This all is treated as a wash

Factors Not Considered

- Water Rights

- Legislative Goodwill

+ ∞



Conclusion

SITLA would likely trade at a market cap of \$1-3 billion

SITLA Values in \$Billions

