

Analyst: Sung Nam

Omega Protein Corp (OME)

Market Price:	\$7.13	EBITDA/Share:	\$1.60	Net Asset/Share:	\$7.51
DCF: EV/EBITDA Terminal Value	9.399%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		11.099%	
EBITDA-Cap Ex/Share	\$0.57	EVA Analysis:		6.138%	

Overview

Omega Protein makes fish oil for agricultural and animal feed use.

Dividend?

Dividend yield is 0.0%.

Cashflow Generation

Cashflows are \$35MM from operating cashflow.

Capex is \$16 MM, minority interest payment is \$0 MM, intangibles are \$0 MM and dividend is \$0 MM.

Free cash flow is about \$20 MM.

18.5% EBITA margin and FCF yield is 6.7%.

The company has \$20 MM in cash/short term investment and \$35 MM in debt.

We are projecting a \$10 MM paydown annually.

Profitability

ROA is 7.7%, and ROC is 11.6%.

LBO?

We believe a 60% debt/40% equity would be sustainable.

Price

We are forecasting a \$12.00/share in Year 5, or a 70.0% holding return, or 11.20% annual return. Thus, the 1 year forecasted price is \$7.90.

Financial Times is showing 2 Buys, 0 Outperform, 0 Hold, 0 Underperform. High of \$13, median \$11.80, low \$10.60.

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LBO Analysis

WACC Terminal Value:		Intrinsic Price in 5 Years:	12.11	Non-LBO Forecast	Year 1 Target	7.93	Non-LBO Forecast	Desired Return Rate	20.00%
EV/EBITDA with 5X Multiple Terminal Value:	\$11.17	Market Price:	7.13		Year 2 Target	8.81		Implied Today's Price	4.87
Net Tangible Asset Terminal Value:	\$12.07	LBO Price:	7.13		Year 3 Target	9.80		Overvalued/(Undervalued)	46.48%
EV/EBITDA with Today's Multiple Terminal Value:	\$7.99	Premium to Market Price:	0.00%		Year 4 Target	10.89			
EVA Enterprise Value:	\$17.22	LBO Price/Intrinsic Price Target:	11.18%		Year 5 Target	12.11			
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	-2.16%		Implied IRR (Market Price):	11.18%			
Average (Excluding Dividend Discount):	\$12.11	Implied IRR at today's EV/EBITDA:	2.30%						
		5 Year Return:	69.87%						

Current Evaluation				Exit Evaluation			
Current Market Price:	7.13	LBO Price:	7.13	Exit Price:	12.11	Exit Price:	7.99
Outstanding Shares:	19,380,000	Outstanding Shares:	19,380,000	Outstanding Shares:	19,380,000	Outstanding Shares:	19,380,000
Market Capitalization:	138,179,400	Market Capitalization:	138,179,400	Market Capitalization:	234,724,596	Market Capitalization:	154,836,311
Available Cash:	19,780,000	Available Cash:	19,780,000	Available Cash:	63,122,758	Available Cash:	63,122,758
Debt:	34,560,000	Debt:	34,560,000	Debt:	820,000	Debt:	820,000
Net Cash:	-14,780,000	Net Cash:	-14,780,000	Net Cash:	62,302,758	Net Cash:	62,302,758
Enterprise Value:	152,959,400	Enterprise Value:	152,959,400	Enterprise Value:	172,421,838	Enterprise Value:	92,533,552
Original EV/EBITDA:	4.92	EV/EBITDA:	4.92	EV/EBITDA at 5 Years:	5.59	EV/EBITDA at 5 Years:	3.00
Original EV/EBITDA:	4.93	EV/EBITDA:	3.34	EV/EBITDA at 5 Years:	4.73	EV/EBITDA at 5 Years:	2.04
Competitor Average EV/EBIT:	N/A						
Competitor Average EV/EBITDA:	N/A						

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	7.13	7.13	7.92	8.81	9.79	10.89	12.11
Shares Outstanding:	19,380,000	19,380,000	19,380,000	19,380,000	19,380,000	19,380,000	19,380,000
Market Capitalization:	138,179,400	138,130,154	153,571,828	170,739,739	189,826,864	211,047,753	234,640,941
Available Cash:	19,780,000	19,780,000	20,074,263	24,711,529	30,325,816	46,652,055	63,122,758
Debt:	34,560,000	34,560,000	21,130,000	11,130,000	820,000	820,000	820,000
Net Cash:	-14,780,000	-14,780,000	-1,055,737	13,581,529	29,505,816	45,832,055	62,302,758
Enterprise Value:	152,959,400	152,910,154	154,627,565	157,158,210	160,321,048	165,215,698	172,338,183
EBIT	31,050,000	31,050,000	29,640,975	29,937,385	30,236,759	30,539,126	30,844,517
EV/EBIT:	4.93	4.92	5.22	5.25	5.30	5.41	5.59
EBITDA	45,850,000	45,850,000	43,356,145	43,789,707	44,589,323	45,078,760	45,312,069
EV/EBITDA:	3.34	3.34	3.57	3.59	3.60	3.67	3.80

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	7.13	7.13	7.48	8.31	9.21	10.13	11.05
Shares Outstanding:	19,380,000	19,380,000	19,380,000	19,380,000	19,380,000	19,380,000	19,380,000
Market Capitalization:	138,179,400	138,130,154	144,915,472	161,012,450	178,411,046	196,226,338	214,200,984
Available Cash:	19,780,000	19,780,000	20,074,263	24,711,529	30,325,816	46,652,055	63,122,758
Debt:	34,560,000	34,560,000	21,130,000	11,130,000	820,000	820,000	820,000
Net Cash:	-14,780,000	-14,780,000	-1,055,737	13,581,529	29,505,816	45,832,055	62,302,758
Enterprise Value:	152,959,400	152,910,154	145,971,209	147,430,921	148,905,230	150,394,283	151,898,225
EBIT	31,050,000	31,050,000	29,640,975	29,937,385	30,236,759	30,539,126	30,844,517
EV/EBIT:	4.93	4.92	4.92	4.92	4.92	4.92	4.92
EBITDA	45,850,000	45,850,000	43,356,145	43,789,707	44,589,323	45,078,760	45,312,069
EV/EBITDA:	3.34	3.34	3.37	3.37	3.34	3.34	3.35

LBO Price	7.13	Equity Partners:	172,739,400	Weighting	100.00%	Annualized Return for Equity Partners: -2.16%
Shares Outstanding	19,380,000	Debt Partners:	0		0.00%	
Market Capitalization	138,179,400	Total Funds for LBO:	172,739,400		100.00%	
Debt	34,560,000					
Cash	19,780,000					
Enterprise Value	152,959,400					
Capital Investment	172,739,400					

Book Value		Enterprise Value		Stock Valuation		Debt Reduction	
Beginning Book Value	157.53	Beginning Enterprise Value	152.96	Current Market Price	\$7.13	Starting Debt	30.31
Year 5 Book Value	263.69	Year 5 Enterprise Value	92.53	Year 5 Market Price	\$7.99	Debt Repayment	3.43
Annualized Return	10.85%	Annualized Return	-9.56%	Annualized Return	2.30%	Year 5 Ending Debt	0.00
						% of Starting Debt	0.00%

LBO Pro Forma Income Statement

Name: Omega Protein Corp

Ticker: OME

	Historical				Forecasted				
	12 months ending 2007-12-31	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	2011	2012	2013	2014	2015
Revenue	157.15	177.41	164.86	167.70	169.38	171.07	172.78	174.51	176.25
COGS	122.45	134.39	156.68	118.52	120.26	121.46	122.67	123.90	125.14
Gross margin	34.70	43.02	8.18	49.18	49.12	49.61	50.11	50.61	51.11
SG&A	16.39	16.31	12.59	15.63	16.94	17.11	17.28	17.45	17.63
R&D	1.19	1.76	1.44	1.73	1.69	1.71	1.73	1.75	1.76
Unusual expense	-7.30	1.42	-1.18	0.77	0.85	0.86	0.86	0.87	0.88
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Included within COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	24.42	23.53	-4.67	31.05	29.64	29.94	30.24	30.54	30.84
Interest income/(expense)	-5.13	-3.78	-4.34	-2.46	-1.43	-0.63	0.20	0.20	0.20
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	-0.33	-0.11	-0.46	-0.36	-0.37	-0.38	-0.38	-0.39	-0.39
Income before tax	18.96	19.65	-9.47	28.24	28.58	29.69	30.82	31.12	31.43
Tax	6.82	7.07	-3.27	9.98	8.58	8.91	9.25	9.34	9.43
Income after tax	12.14	12.58	-6.20	18.26	20.01	20.78	21.57	21.79	22.00
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	12.14	12.58	-6.20	18.26	20.01	20.78	21.57	21.79	22.00
*Figures are in millions (\$)									
Revenue Growth	N/A	12.89%	-7.07%	1.72%	1.00%	1.00%	1.00%	1.00%	1.00%
Tax Rate	35.97%	35.98%	34.53%	35.34%	30.00%	30.00%	30.00%	30.00%	30.00%
Implied Debt Interest Rate	-7.86%	-6.20%	-15.75%	-7.12%	-4.71%	-3.09%	1.92%	NA	NA
Margins									
COGS	77.92%	75.75%	95.04%	70.67%	71.00%	71.00%	71.00%	71.00%	71.00%
Gross margin	22.08%	24.25%	4.96%	29.33%	29.00%	29.00%	29.00%	29.00%	29.00%
SG&A	10.43%	9.19%	7.64%	9.32%	10.00%	10.00%	10.00%	10.00%	10.00%
R&D	0.76%	0.99%	0.87%	1.03%	1.00%	1.00%	1.00%	1.00%	1.00%
Unusual expense	-4.65%	0.80%	-0.72%	0.46%	0.50%	0.50%	0.50%	0.50%	0.50%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Included within COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	15.54%	13.26%	-2.83%	18.52%	17.50%	17.50%	17.50%	17.50%	17.50%
Interest income/(expense)	-3.26%	-2.13%	-2.63%	-1.47%	-0.84%	-0.37%	0.11%	0.11%	0.11%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	-0.21%	-0.06%	-0.28%	-0.21%	-0.22%	-0.22%	-0.22%	-0.22%	-0.22%
Income before tax	12.06%	11.08%	-5.74%	16.84%	16.88%	17.36%	17.84%	17.83%	17.83%
Tax	4.34%	3.99%	-1.98%	5.95%	5.06%	5.21%	5.35%	5.35%	5.35%
Income after tax	7.73%	7.09%	-3.76%	10.89%	11.81%	12.27%	12.74%	12.86%	12.99%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	7.73%	7.09%	-3.76%	10.89%	11.81%	12.15%	12.48%	12.48%	12.48%

					Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2007-12-31	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	+	-						
Cash	19.29	13.99	2.18	19.78			19.78	20.07	24.71	30.33	46.65	63.12
Short term investment	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	19.29	13.99	2.18	19.78			19.78	20.07	24.71	30.33	46.65	63.12
Accounts Receivable	16.05	33.45	11.22	11.49			11.49	11.49	11.49	11.49	11.49	11.49
Other receivables	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	16.05	33.45	11.22	11.49			11.49	11.49	11.49	11.49	11.49	11.49
Deferred Income Tax	0.00	0.01	0.00	0.01			0.01	0.01	0.01	0.01	0.01	0.01
Total Inventory	70.85	74.68	63.83	74.69			74.69	74.69	74.69	74.69	74.69	74.69
Prepaid Expenses	1.46	1.44	3.23	3.64			3.64	3.64	3.64	3.64	3.64	3.64
Other Current Assets	0.00	0.10	3.43	1.67			1.67	1.67	1.67	1.67	1.67	1.67
Current Assets	107.65	123.67	83.89	111.28	0.00	0.00	111.28	111.57	116.21	121.83	138.15	154.62
PP&E, Gross	213.27	230.80	239.98	247.45			247.45	267.45	287.45	307.45	327.45	347.45
Change in Depreciation	13.28	12.88	13.53	14.80			14.80	13.72	13.85	14.35	14.54	14.47
Accumulated Depreciation	115.52	123.99	137.52	152.32			152.32	166.04	179.89	194.24	208.78	223.25
PP&E, Net	97.75	106.81	102.46	95.13			95.13	101.41	107.56	113.21	118.67	124.20
Goodwill	0.00	0.00	0.00	10.70	0.00		10.70	10.70	10.70	10.70	10.70	10.70
Intangibles	1.09	1.19	1.29	1.28			1.28	1.28	1.28	1.28	1.28	1.28
Long term investments	0.06	0.08	0.05	0.04			0.04	0.04	0.04	0.04	0.04	0.04
Other long term assets	1.28	0.83	0.90	0.58			0.58	0.58	0.58	0.58	0.58	0.58
Long Term Assets	215.70	232.90	104.70	107.73	0.00	0.00	107.73	114.01	120.16	125.81	131.27	136.80
Total Assets	207.83	232.58	198.04	236.78	0.00	0.00	219.01	225.59	236.37	247.64	269.42	291.43
Accounts Payable	2.46	2.51	2.39	2.78			2.78	2.78	2.78	2.78	2.78	2.78
Accrued Expense	15.07	16.30	15.97	18.00			18.00	18.00	18.00	18.00	18.00	18.00
Other current Liabilities	0.38	0.04	0.98	3.36			3.36	3.36	3.36	3.36	3.36	3.36
Total Current Liabilities	17.91	18.85	19.34	24.14	0.00	0.00	24.14	24.14	24.14	24.14	24.14	24.14
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	6.28	8.00	2.75	3.43			3.43	0.00	0.00	0.00	0.00	0.00
Long term Debt	58.98	51.31	23.54	30.31	0.00	0.00	30.31	20.31	10.31	0.00	0.00	0.00
Capital Lease Obligations	0.00	1.63	1.26	0.82			0.82	0.82	0.82	0.82	0.82	0.82
Total Interest Earning Debt	65.26	60.94	27.55	34.56	0.00	0.00	34.56	21.13	11.13	0.82	0.82	0.82
Deferred Income tax	0.00	3.00	4.54	12.21			12.21	12.21	12.21	12.21	12.21	12.21
Minority Interest	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	6.21	10.22	9.58	8.35			8.35	8.35	8.35	8.35	8.35	8.35
Total Liabilities	89.38	93.01	61.01	79.26	0.00	0.00	79.26	65.83	55.83	45.52	45.52	45.52
Redeemable Preferred Stock	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.17	0.19	0.19	0.19		0.00	0.19	0.19	0.19	0.19	0.19	0.19
Additional Paid-in capital	101.86	114.01	114.77	116.95	0.00	0.00	116.95	116.95	116.95	116.95	116.95	116.95
Dividends Paid	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	23.43	36.01	29.81	48.07		0.00	48.07	68.08	88.86	110.44	132.22	154.23
Treasury Stock	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	-7.02	-10.65	-7.75	-7.68		0.00	-7.68	-7.68	-7.68	-7.68	-7.68	-7.68
Total Equity	118.44	139.56	137.02	157.53	0.00	0.00	157.53	177.54	198.32	219.90	241.68	263.69
Liability + Equity	207.82	232.57	198.03	236.79	0.00	0.00	236.79	243.37	254.15	265.42	287.20	309.21
Variance	0.01	0.01	0.01	-0.01			-17.78	-17.78	-17.78	-17.78	-17.78	-17.78
Debt/Equity	0.55	0.44	0.20	0.22			0.22	0.12	0.06	0.00	0.00	0.00
Inventory Turnover	2.22	2.38	2.58	2.25			2.25	2.27	2.29	2.31	2.34	2.36
Inventory Turnover Days	164.56	153.65	141.32	162.56			162.56	160.95	159.36	157.78	156.22	154.67
Days Inventory Outstanding	211.19	202.83	148.70	230.02			230.02	226.70	224.45	222.23	220.03	217.85
Accounts Receivable Turnover	9.79	5.30	14.69	14.60			14.60	14.74	14.89	15.04	15.19	15.34
Accounts Receivable Turnover Days	37.28	68.82	24.84	25.01			25.01	24.76	24.52	24.27	24.03	23.79
Days Payable Outstanding	7.33	6.82	5.57	8.56			8.56	8.44	8.35	8.27	8.19	8.11
Days Sales Outstanding	37.28	68.82	24.84	25.01			25.01	25.01	24.76	24.52	24.27	24.03
Cash Conversion Cycle	241.14	264.83	167.97	246.47			246.47	243.27	240.86	238.47	236.11	233.77

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LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
Net Change in Cash	17.61	0.29	4.64	5.61	16.33	16.47
Current Portion Debt Repayment		3.43				
Long Term Debt Repayment		10.00	10.00	10.31		
Outstanding Debt	33.74	20.31	10.31	0.00	0.00	0.00
Current Portion Debt Balance	3.43	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	30.31	20.31	10.31	0.00	0.00	0.00
Forward Libor Curve		4.00%	4.00%	4.00%	4.00%	4.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%
Interest Expense		1.62	0.82	0.00	0.00	0.00
Cash Balance		19.78				
Interest @ 1.0%		0.20	0.20	0.20	0.20	0.20
Net Interest Expense/(Income)		1.43	0.63	(0.20)	(0.20)	(0.20)
Net Interest Rate		4.71%	3.09%	-1.92%	#DIV/0!	#DIV/0!
EBITDA		29.64	29.94	30.24	30.54	30.84
EBITDA/Interest Expense Coverage		18.24	36.30	#DIV/0!	#DIV/0!	#DIV/0!

Interest Rate Coverage Table

Debt Rating	2011	2012	2013	2014	2015
AAA	AAA	AAA	#DIV/0!	#DIV/0!	#DIV/0!
AA			#DIV/0!	#DIV/0!	#DIV/0!
A+			#DIV/0!	#DIV/0!	#DIV/0!
A			#DIV/0!	#DIV/0!	#DIV/0!
A-			#DIV/0!	#DIV/0!	#DIV/0!
BBB			#DIV/0!	#DIV/0!	#DIV/0!
BB+			#DIV/0!	#DIV/0!	#DIV/0!
BB			#DIV/0!	#DIV/0!	#DIV/0!
B+			#DIV/0!	#DIV/0!	#DIV/0!
B			#DIV/0!	#DIV/0!	#DIV/0!
B-			#DIV/0!	#DIV/0!	#DIV/0!
CCC			#DIV/0!	#DIV/0!	#DIV/0!
CC			#DIV/0!	#DIV/0!	#DIV/0!
C			#DIV/0!	#DIV/0!	#DIV/0!
D			#DIV/0!	#DIV/0!	#DIV/0!

*Source: NYU; Professor Damodaran