

VAALCO Energy Inc (EGY)

Price:	\$9.46	Price/Book:	2.36	EV/EBITDA 5x TV:	\$19.99
Market Cap:	\$540,355,202	Price/Earnings:	15.82	Net Tangible Asset TV:	\$10.81
Cash:	\$137,140,000	EV/EBITA:	2.19	SN Defined TV:	\$27.14
Debt:	\$0	EV/FCF:	6.59	Economic Value Added:	\$19.05
Net Cash:	\$137,140,000	Net Tang. Asset/Share:	\$3.94	Year 5 Target:	\$19.25
Enterprise Value:	\$403,215,202	Avg. Year 1-5 FCF/Share:	\$1.37	Appreciation:	103.473%

Oil drilling, excavation company headquartered in U.S., with foreign reserves along the western African seaboard, specifically Gabon and Angola. Gabon is the current production site. Vaalco owns a 28% interest in the offshore Gabon Etame Marin Point reserve. Oil production at 22k, with 5.2k BOPD for Vaalco, or \$190 MM in revenues at \$100/barrel.

However, the catalyst is the Block 5 reserve in Angola, which doesn't seem to be priced into the share price.

\$125 MM in cash, no debt, or \$2.00/share net cash. Book equity is \$229 MM, or \$3.88/share. The company generates \$80 MM in FCF/year. We estimate a 5x EV/FCF value. So 5x \$80 MM is \$400 MM, and if one adds in the net cash of \$125 MM, it is roughly the current market cap.

Taxes are very high at Gabon at about 45%.

Technicals**Dividend?**

Dividend yield is 0.00%.

Price to Book

Price to book is 2.35. Price to book excluding intangibles is 2.40.

Cashflow Generation

Cashflows are \$80.0 MM from operating cashflow.

Capex is \$35MM, minority interest payment is \$0 MM, intangibles are \$0 MM and dividend is \$0 MM.

Free cash flow is about \$45 MM.

62.9% EBITA margin and FCF/EV yield is 19.5%.

The company has \$125 MM in cash/short term investment and \$0 MM in debt.

We are projecting a \$0.0 MM paydown annually.

Profitability

ROA is 13.9%, and ROC is 14.9%.

Bankruptcy Risk

Altman Z is at 20.38.

LBO?

We don't believe a 60% debt/40% equity would be sustainable.

Price

We are forecasting a \$19.25/share in Year 5, or a 103.5% holding return, or 15.3% annual return. Thus, the 1 year forecasted price is \$10.90.

SN VALUATION

LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	19.25	Non-LBO Forecast	Non-LBO Forecast	Desired Return Rate	20.00%
EV/EBITDA with 3X Multiple Terminal Value:	\$19.99	Market Price:	9.46	Year 1 Target	10.90	Implied Today's Price	7.74
Net Tangible Asset Terminal Value:	\$10.81	LBO Price:	9.46	Year 2 Target	12.57	Overvalued/(Undervalued)	22.29%
EV/EBITDA with Today's Multiple Terminal Value:	\$27.14	Premium to Market Price:	0.00%	Year 3 Target	14.49		
EVA Enterprise Value:	\$19.05	LBO Price/Intrinsic Price Target:	15.27%	Year 4 Target	16.70		
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	23.47%	Year 5 Target	19.25		
Average (Excluding Dividend Discount):	\$19.25	Implied IRR at today's EV/EBITDA:	23.47%	Implied IRR (Market Price):	15.27%		
		5 Year Return:	103.47%				

Current Evaluation				Exit Evaluation			
Current Market Price:	9.46	LBO Price:	9.46	Exit Price:	19.25	Exit Price:	27.14
Outstanding Shares:	57,120,000	Outstanding Shares:	57,120,000	Outstanding Shares:	57,120,000	Outstanding Shares:	57,120,000
Market Capitalization:	540,355,202	Market Capitalization:	540,355,202	Market Capitalization:	1,099,478,085	Market Capitalization:	1,550,245,800
Available Cash:	137,140,000	Available Cash:	137,140,000	Available Cash:	529,639,171	Available Cash:	529,639,171
Debt:	0	Debt:	0	Debt:	0	Debt:	0
Net Cash:	137,140,000	Net Cash:	137,140,000	Net Cash:	529,639,171	Net Cash:	529,639,171
Enterprise Value:	403,215,202	Enterprise Value:	403,215,202	Enterprise Value:	569,838,914	Enterprise Value:	1,020,606,630
Original EV/EBITDA:	3.04	EV/EBITDA:	3.04	EV/EBITDA at 5 Years:	3.20	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	2.19	EV/EBITDA:	2.55	EV/EBITDA at 5 Years:	4.34	EV/EBITDA at 5 Years:	4.84
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:	9.46	9.46	10.90	12.57	14.49	16.70	19.25
Shares Outstanding:	57,120,000	57,120,000	57,120,000	57,120,000	57,120,000	57,120,000	57,120,000
Market Capitalization:	540,355,202	540,355,202	622,846,151	717,930,218	827,529,875	953,861,081	1,099,478,085
Available Cash:	137,140,000	137,140,000	202,836,386	274,494,878	353,753,439	438,245,364	529,639,171
Debt:	0	0	0	0	0	0	0
Net Cash:	137,140,000	137,140,000	202,836,386	274,494,878	353,753,439	438,245,364	529,639,171
Enterprise Value:	403,215,202	403,215,202	420,009,765	443,435,340	473,776,436	515,615,717	569,838,914
EBIT	132,560,000	132,560,000	141,931,120	150,327,676	159,144,060	168,401,263	178,121,326
EV/EBIT:	3.04	3.04	2.96	2.95	2.98	3.06	3.20
EBITDA	158,160,000	158,160,000	168,811,120	178,551,676	188,779,260	199,518,223	210,794,134
EV/EBITDA:	2.55	2.55	2.49	2.48	2.51	2.58	2.70

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	9.46	9.46	11.11	12.81	14.67	16.64	18.76
Shares Outstanding:	57,120,000	57,120,000	57,120,000	57,120,000	57,120,000	57,120,000	57,120,000
Market Capitalization:	540,355,202	540,355,202	634,556,251	731,755,019	837,830,870	950,480,949	1,071,440,819
Available Cash:	137,140,000	137,140,000	202,836,386	274,494,878	353,753,439	438,245,364	529,639,171
Debt:	0	0	0	0	0	0	0
Net Cash:	137,140,000	137,140,000	202,836,386	274,494,878	353,753,439	438,245,364	529,639,171
Enterprise Value:	403,215,202	403,215,202	431,719,865	457,260,141	484,077,431	512,235,586	541,801,648
EBIT	132,560,000	132,560,000	141,931,120	150,327,676	159,144,060	168,401,263	178,121,326
EV/EBIT:	3.04	3.04	3.04	3.04	3.04	3.04	3.04
EBITDA	158,160,000	158,160,000	168,811,120	178,551,676	188,779,260	199,518,223	210,794,134
EV/EBITDA:	2.55	2.55	2.56	2.56	2.56	2.57	2.57

LBO Price	9.46	Equity Partners:	540,355,202	Weighting	100.00%	Annualized Return for Equity Partners: 23.47%
Shares Outstanding	57,120,000	Debt Partners:	0		0.00%	
Market Capitalization	540,355,202	Total Funds for LBO:	540,355,202		100.00%	
Debt	0					
Cash	137,140,000					
Enterprise Value	403,215,202					
Capital Investment	540,355,202					

Book Value	Enterprise Value	Stock Valuation	Debt Reduction				
Beginning Book Value	229.12	Beginning Enterprise Value	403.22	Current Market Price	\$9.46	Starting Debt	0.00
Year 5 Book Value	673.09	Year 5 Enterprise Value	1,020.61	Year 5 Market Price	\$27.14	Debt Repayment	0.00
Annualized Return	24.05%	Annualized Return	20.41%	Annualized Return	23.47%	Year 5 Ending Debt	0.00
						% of Starting Debt	#DIV/0!

SN VALUATION

LBO Pro Forma Income Statement

Name:

VAALCO Energy Inc

Ticker:

EGY

	Historical				Forecasted				
	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2011	2012	2013	2014	2015
Revenue	169.53	115.30	134.47	210.44	220.96	232.01	243.61	255.79	268.58
COGS	18.47	21.98	22.11	26.73	28.73	30.16	31.67	33.25	34.92
Gross margin	151.06	93.32	112.36	183.71	192.24	201.85	211.94	222.54	233.67
SG&A	10.78	9.58	7.40	14.87	17.68	18.56	19.49	20.46	21.49
R&D	14.87	38.46	6.81	5.71	6.63	6.96	7.31	7.67	8.06
Unusual expense	0.00	0.00	0.00	4.97	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	-6.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Included within COGS	18.94	20.76	20.03	25.60	26.00	26.00	26.00	26.00	26.00
Operating Income (EBITA)	106.47	33.02	78.12	132.56	141.93	150.33	159.14	168.40	178.12
Interest income/(expense)	2.29	0.21	0.16	0.19	1.37	1.37	1.37	1.37	1.37
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	-0.01	-0.47	-0.63	1.28	0.00	0.00	2.44	0.00	0.00
Income before tax	108.75	32.76	77.65	134.03	143.30	151.70	162.95	169.77	179.49
Tax	73.02	36.90	35.26	93.47	64.49	68.26	73.33	76.40	80.77
Income after tax	35.73	-4.14	42.39	40.56	78.82	83.43	89.62	93.37	98.72
Minority Interest	-6.01	-3.75	-5.05	-6.42	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	29.72	-7.89	37.34	34.15	78.82	83.43	89.62	93.37	98.72
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.52	-\$0.14	\$0.65	\$0.60	\$1.38	\$1.46	\$1.57	\$1.63	\$1.73
P/E (historical today's price; forecasted intrinsic price)	18.18	-68.49	14.47	15.82	7.90	8.60	9.23	10.22	11.14
Revenue Growth	N/A	-31.99%	16.63%	56.50%	5.00%	5.00%	5.00%	5.00%	5.00%
Tax Rate	67.14%	112.64%	45.41%	69.74%	45.00%	45.00%	45.00%	45.00%	45.00%
Implied Debt Interest Rate	45.80%	0.00%	0.00%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	10.89%	19.06%	16.44%	12.70%	13.00%	13.00%	13.00%	13.00%	13.00%
Gross margin	89.11%	80.94%	83.56%	87.30%	87.00%	87.00%	87.00%	87.00%	87.00%
SG&A	6.36%	8.31%	5.50%	7.07%	8.00%	8.00%	8.00%	8.00%	8.00%
R&D	8.77%	31.62%	5.06%	2.71%	3.00%	3.00%	3.00%	3.00%	3.00%
Unusual expense	0.00%	0.00%	0.00%	2.36%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	-5.64%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Included within COGS	11.17%	18.01%	14.90%	12.16%	11.77%	11.21%	10.67%	10.16%	9.88%
Operating Income (EBITA)	62.80%	28.64%	58.09%	62.99%	64.23%	64.79%	65.33%	65.84%	66.32%
Interest income/(expense)	1.35%	0.18%	0.12%	0.09%	0.62%	0.59%	0.56%	0.54%	0.51%
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	-0.01%	-0.41%	-0.47%	0.61%	0.00%	0.00%	1.00%	0.00%	0.00%
Income before tax	64.15%	28.41%	57.75%	63.69%	64.85%	65.38%	66.89%	66.37%	66.83%
Tax	43.07%	32.00%	26.22%	44.42%	29.18%	29.42%	30.10%	29.87%	30.07%
Income after tax	21.08%	-3.59%	31.52%	19.27%	35.67%	37.76%	40.56%	42.26%	44.68%
Minority Interest	-3.55%	-3.25%	-3.76%	-3.05%	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	17.53%	-6.84%	27.77%	16.23%	35.67%	35.96%	36.79%	36.50%	36.76%

SN VALUATION

LBO Adjusted Proforma Balance Sheet

	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2011-12-31	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	125.42	80.57	81.23	137.14	137.14			137.14	202.84	274.49	353.75	438.25	529.64
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	125.42	80.57	81.23	137.14	137.14			137.14	202.84	274.49	353.75	438.25	529.64
Accounts Receivable	13.31	21.73	30.25	17.06	17.06			17.06	17.06	17.06	17.06	17.06	17.06
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	13.31	21.73	30.25	17.06	17.06			17.06	17.06	17.06	17.06	17.06	17.06
Total Inventory	1.81	0.45	1.05	0.99	0.99			0.99	0.99	0.99	0.99	0.99	0.99
Prepaid Expenses	2.35	1.22	1.48	2.18	2.18			2.18	2.18	2.18	2.18	2.18	2.18
Other Current Assets	7.45	5.57	14.93	1.31	1.31			1.31	1.31	1.31	1.31	1.31	1.31
Current Assets	150.34	109.54	128.94	158.68	158.68	0.00	0.00	158.68	224.38	296.03	375.29	459.79	551.18
PP&E, Gross	143.67	155.83	160.00	160.00	160.00			160.00	200.00	240.00	280.00	320.00	360.00
Change in Depreciation		20.76	20.02	25.60	25.60			25.60	26.88	28.22	29.64	31.12	32.67
Accumulated Depreciation	61.38	80.26	85.00	85.00	85.00			85.00	111.88	140.10	169.74	200.86	233.53
PP&E, Net	82.29	75.57	75.00	75.00	75.00			75.00	88.12	99.90	110.26	119.14	126.47
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	17.33	12.72	2.22	12.24	12.24			12.24	12.24	12.24	12.24	12.24	12.24
Long Term Assets	99.62	88.29	77.22	87.24	87.24			87.24	100.36	112.14	122.50	131.38	138.71
Total Assets	249.96	197.83	206.16	245.92	245.92	0.00	0.00	245.92	324.74	408.17	497.79	591.17	689.89
Accounts Payable	5.39	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accrued Expense	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other current Liabilities	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities	5.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	0.00
Current port. Of LT Debt/Capital Leases	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Income tax	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	7.91	5.66	4.72	3.94	3.94			3.94	3.94	3.94	3.94	3.94	3.94
Other liabilities	10.07	12.17	15.46	16.86	16.86			16.86	16.86	16.86	16.86	16.86	16.86
Total Liabilities	28.37	17.83	20.18	20.80	20.80	0.00	0.00	20.80	20.80	20.80	20.80	20.80	20.80
Redeemable Preferred Stock	0.00	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	0.00
Common Stock	6.11	6.16	6.28	6.24	6.24		0.00	6.24	6.24	6.24	6.24	6.24	6.24
Additional Paid-in capital	53.98	57.55	64.31	66.12	66.12	0.00	0.00	66.12	66.12	66.12	66.12	66.12	66.12
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	117.20	109.25	146.59	180.74	180.74		0.00	180.74	259.56	342.99	432.61	525.99	624.71
Treasury Stock	-11.42	-21.52	-25.66	-23.98	-23.98			-23.98	-23.98	-23.98	-23.98	-23.98	-23.98
Other Equity	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	165.87	151.44	191.52	229.12	229.12	0.00	0.00	229.12	307.94	391.37	480.99	574.37	673.09
Liability + Equity	194.24	169.27	211.70	249.92	249.92	0.00	0.00	249.92	328.74	412.17	501.79	595.17	693.89
Variance	55.72	28.56	-5.54	-4.00	-4.00			-4.00	-4.00	-4.00	-4.00	-4.00	-4.00
Debt/Equity	0.03	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	93.66	256.22	128.07	212.57	223.19			212.57	223.19	234.35	246.07	258.37	271.29
Inventory Turnover Days	3.90	1.42	2.85	1.72	1.64			1.72	1.64	1.56	1.48	1.41	1.35
Days Inventory Outstanding	35.77	7.47	17.33	13.52	12.58			13.52	12.58	11.98	11.41	10.87	10.35
Accounts Receivable Turnover	12.74	5.31	4.45	12.34	12.95			12.34	12.95	13.60	14.28	14.99	15.74
Accounts Receivable Turnover Days	28.66	68.79	82.11	29.59	28.18			29.59	28.18	26.84	25.56	24.34	23.18
Days Payable Outstanding	106.52	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Days Sales Outstanding	28.66	68.79	82.11	29.59	28.18			29.59	29.59	28.18	26.84	25.56	24.34
Cash Conversion Cycle	-42.09	76.26	99.44	43.11	40.76			43.11	42.17	40.16	38.25	36.43	34.69

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2011	2012	2013	2014	2015
Net Income	35.73	-4.14	42.39	40.56	78.82	83.43	89.62	93.37	98.72
Depreciation	18.94	20.76	20.02	25.60	26.88	28.22	29.64	31.12	32.67
Net Income + Depreciation	54.67	16.62	62.41	66.16	105.70	111.66	119.26	124.49	131.39
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	0.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non Cash Items	11.91	34.90	3.91	11.73	0.00	0.00	0.00	0.00	0.00
Change in Working capital	39.89	-28.02	-20.80	11.70	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-8.42	-8.52	13.19	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	1.36	-0.60	0.06	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	1.13	-0.25	-0.70	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-5.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	106.58	23.50	45.52	89.59	105.70	111.66	119.26	124.49	131.39
Capital Expenditures Expenditures	-34.92	-61.34	-40.01	-31.97	-40.00	-40.00	-40.00	-40.00	-40.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-7.45	12.37	0.64	3.60	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-42.37	-48.97	-39.37	-28.37	-40.00	-40.00	-40.00	-40.00	-40.00
Financing Cash flow items	-6.49	-6.06	-5.99	-7.19	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-8.74	-8.32	0.51	1.89	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	0.00	-5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-15.23	-19.38	-5.48	-5.30	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	76.44	125.42	80.57	81.23	137.14	202.84	274.49	353.75	438.25
Net Change in Cash	48.98	-44.85	0.66	55.91	65.70	71.66	79.26	84.49	91.39
Ending Cash Balance	125.42	80.57	81.23	137.14	202.84	274.49	353.75	438.25	529.64
Capex to Revenue	20.60%	53.20%	29.75%	15.19%	18.10%	17.24%	16.42%	15.64%	14.89%
Depreciation to Sales	11.17%	18.01%	14.89%	12.16%	12.16%	12.16%	12.16%	12.16%	12.16%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	7.85%	18.85%	22.50%	8.11%	7.72%	7.35%	7.00%	6.67%	6.35%
Distributable FCF Yield	15.92%	-6.32%	1.53%	15.18%	16.29%	17.77%	19.66%	20.95%	22.67%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	64.21	-25.47	6.15	61.22	65.70	71.66	79.26	84.49	91.39

SN VALUATION

LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
Net Change in Cash	55.91	65.70	71.66	79.26	84.49	91.39
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	0.00	0.00	0.00	0.00	0.00	0.00
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	0.00	0.00	0.00	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		0.00	0.00	0.00	0.00	0.00
Cash Balance		137.14				
Interest @ 1.0%		1.37	1.37	1.37	1.37	1.37
Net Interest Expense/(Income)		(1.37)	(1.37)	(1.37)	(1.37)	(1.37)
Net Interest Rate		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA		141.93	150.33	159.14	168.40	178.12
EBITDA/Interest Expense Coverage		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

VAALCO Energy Inc

Ticker:

EGY

Period	2007	2008	2009	2010	2011	2012	2013	2014	2015
Working Capital	144.95	109.54	128.94	158.68	224.38	296.03	375.29	459.79	551.18
Total Assets	249.96	197.83	206.16	245.92	324.74	408.17	497.79	591.17	689.89
X1	0.58	0.55	0.63	0.65	0.69	0.73	0.75	0.78	0.80
Retained Earnings	117.20	109.25	146.59	180.74	259.56	342.99	432.61	525.99	624.71
Total Assets	249.96	197.83	206.16	245.92	324.74	408.17	497.79	591.17	689.89
X2	0.47	0.55	0.71	0.73	0.80	0.84	0.87	0.89	0.91
EBITDA	125.41	53.78	98.15	158.16	167.93	176.33	185.14	194.40	204.12
Total Assets	249.96	197.83	206.16	245.92	324.74	408.17	497.79	591.17	689.89
X3	0.50	0.27	0.48	0.64	0.52	0.43	0.37	0.33	0.30
Market Value of Equity	540.36	540.36	540.36	540.36	622.85	717.93	827.53	953.86	1,099.48
Total Liabilities	28.37	17.83	20.18	20.80	20.80	20.80	20.80	20.80	20.80
X4	19.05	30.31	26.78	25.98	29.94	34.52	39.79	45.86	52.86
Net Sales	169.53	115.30	134.47	210.44	220.96	232.01	243.61	255.79	268.58
Total Assets	249.96	197.83	206.16	245.92	324.74	408.17	497.79	591.17	689.89
X5	0.68	0.58	0.65	0.86	0.68	0.57	0.49	0.43	0.39
Altman Z Score	15.11	21.10	20.04	20.37	22.30	24.75	27.71	31.21	35.31

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red