

The Natural Gas Transmission Company - Transgaz Medias

Initial Public Offering: November 26 – December 7, 2007

Recommendation – Subscription
Target Price: 270.7 RON (+41%)

1. IPO Characteristics:

- **number of shares** put up for sale :1.177.384 shares (10% of the future share capital assuming full subscription);
- **share price** : 191.92 RON/ share;
- **total IPO value**: RON 225.96 bn;
- **percentage** offered for subscription: 10% of the post-IPO share capital;
- **total capitalization** at the subscription price: RON 2.26 bn (EUR 671 bn).

2. Transgaz – natural gas transportation company

- It is a natural and legal monopoly on natural gas transmission services in Romania – the only company in the country holding a license for the transportation of natural gas being Transgaz;
- Establishes the connection between domestic and foreign natural gas producers and suppliers, distributors and domestic consumers;
- On average, it transports around 85 – 90% of the domestic natural gas consumption, also overseeing the stability and overall coordination of the natural gas flow via the national pipeline network conceded by the government. Transgaz pays a 10% concession fee to the government from revenues earned from the transportation of natural gas;
- On average, 11% of total annual revenues stem from the sale of natural gas and additional activities;
- The company's revenues hiked 7.8% in 2005 and 14.3% in 2006 respectively, a relative stagnation in revenue figure being expected this year;

- Over the past three years, revenues derived from the transit of natural gas have marked an average 5.4% drop y-o-y; Revenues made from the transit of natural gas account for 20 – 30% of total revenues;
- It is subject to regulations imposed by the National Regulatory Authority in the Natural Gas Sector (ANRGN); starting mid-2004, the Regulatory Authority (ANRGN) sets the tariffs on services provided by Transgaz, the latter being subject to a revenue regulation program.

Financials and Outlook

| RON mn | 2004 | 2005 | 2006 | 2007e | 2008e | 2009e |
|---------------------------------------|-------|-------|-------|-------|-------|-------|
| Total revenues | 774 | 780 | 935 | 1,009 | 1,190 | 1,286 |
| - gas transportation | 436 | 510 | 621 | 735 | 905 | 937 |
| - gas transit | 242 | 220 | 213 | 203 | 226 | 259 |
| - gas sales | 91 | 37 | 72 | 45 | 48 | 58 |
| - other | 5 | 13 | 29 | 25 | 12 | 32 |
| <i>Increase in Total Revenues (%)</i> | - | 0.8% | 19.9% | 7.9% | 18.0% | 8.0% |
| EBITDA | 315 | 299 | 342 | 323 | 381 | 437 |
| <i>EBITDA Margin (%)</i> | 40.7% | 38.3% | 36.6% | 32.0% | 32.0% | 34.0% |
| Operating Profit (EBIT) | 160 | 138 | 176 | 161 | 190 | 231 |
| <i>Operating Margin (%)</i> | 20.7% | 17.7% | 18.8% | 16.0% | 16.0% | 18.0% |
| EBT figure | 169 | 116 | 194 | 172 | 179 | 219 |
| <i>EBIT Margin (%)</i> | 21.8% | 14.8% | 20.8% | 17.0% | 15.0% | 17.0% |
| Net Profit | 224 | 96 | 162 | 156 | 167 | 184 |
| <i>Net Margin (%)</i> | 28.9% | 12.3% | 17.3% | 15.5% | 14.0% | 14.3% |

Source: prospectus info, Vanguard Research estimates for 2007-2009

Valuation Multiples at the IPO Price

| Price (RON) | Capitalization (RON bn) | P/E 06 | P/S 06 | P/E 07e | P/S 07e |
|-------------|-------------------------|--------|--------|---------|---------|
| 191.92 | 2,260 | 13.9 | 2.4 | 14.5 | 2.2 |

Source: prospectus info, Vanguard Research

3. IPO Presentation

The IPO of the Medias-based Transgaz is to be carried out throughout November 26 – December 7, 2007, a number of 1,177,384 shares being put up for sale, which accounts for 10% of the issuer's post-IPO share capital, assuming full subscription. Should the offering be fully subscribed, the company's share capital will stand at RON 117,738,440.

The offering has the following structure:

- a stage of large subscriptions: corresponding to subscriptions of at least 500.000 RON, accounting for 60% of the total number of shares provided for subscription;

- a stage of small subscriptions: corresponding to subscriptions ranging between the equivalent of at least 11 shares (app. RON 2.111) and RON 500.000 at most, accounting for the remaining 40% of the total amount of shares offered for subscription.

Following the completion of the IPO, in case of oversubscription, the share allotment method for both stages will be pro-rata. The offering is considered to be a success if, upon closing date, at least 90% of shares are subscribed. In case of a subscription level below 90% the offering will be called off, the amounts subscribed being returned to their rightful owners.

| Shareholding Structure | <i>pre-offering</i> | <i>post-offering</i> |
|---|---------------------|----------------------|
| Ministry of Economy and Finances | 85.01% | 75.01% |
| Fondul Proprietatea (compensation fund) | 14.99% | 14.99% |
| Other shareholders | - | 10.00% |

Source: prospectus info

Transgaz Medias – Company Presentation

1. The Romanian Natural Gas Market

The domestic natural gas market has undergone major changes over the past few years once the community standards were introduced in the Romanian legislative framework, which led to the need of restructuring the entire sector, this being partly liberalized. ANRGN coordinated this liberalization process intended to be completed in 2007.

As a consequence of restructuring the natural gas sector, the principles underlying its proper functioning are:

- promoting and securing competition in the natural gas market;
- freedom of eligible consumers to choose the natural gas supplier;
- free access of market players to natural gas transportation, underground storage and distribution systems;
- obligation to ensure public transportation, underground storage and distribution services;
- non-discriminatory treatment of market participants.

Until complete liberalization, the natural gas market in Romania will still comprise of two segments: the competitive segment (arbitrary setting of the marketing price of natural gas among eligible participants), and the regulated one (natural/ legal monopolies whose tariffs are set by the regulatory authority).

Participants in the natural gas market are:

- natural gas producers (extraction);
- natural gas suppliers (sale/purchase activities);
- Natural gas transporter (Transgaz, operator of the National Transmission System);
- Natural gas distributors (the circulation of natural gas via a distribution system)
- underground storage operators (natural gas injection, storage and extraction into/from storage capacities);
- eligible consumers - can select their supplier;
- captive consumers - cannot select their supplier for regulatory reasons.

Romgaz and Petrom are the main natural gas producers in Romania. Last year, domestic natural gas production reached 12.1 bn cubic meters, of which Romgaz contributed by 51% and Petrom by 49%.

By the end of 2006, Transgaz was holding an infrastructure consisting of app. 11.757 km pipelines with a transportation capacity of app. 40 bcm per year, and 562 km international transit pipelines, along with gas measuring, regulating and compression stations.

In 2006, Transgaz transported 15.2 bn cubic meters of natural gas via the national system.

| bcm | 2004 | 2005 | 2006 |
|---|--------|--------|--------|
| Quantity of natural gas transported via SNT | 15.700 | 16.400 | 15.200 |
| Natural gas consumption in Romania | 17.545 | 17.744 | 17.840 |

Source: company info

The natural gas consumption in Romania underwent a significant drop during the communist regime, along with the fall in industrial output and demand for energy. The trend reversed in 1999, marking a slight increase of as little as 1% y-o-y, up until 2006.

2. Transgaz – Company Particularities

Transgaz operates the National Natural Gas Transportation System received in concession from the government in exchange for a 10% royalty of the revenues earned from natural gas transportation and transit activities. The concession agreement has a 10-year term, i.e. until 2032, the transportation license being valid for 15 years.

Because of the monopoly status of the natural gas transportation activity (Transgaz holds a market share of 85 – 90% of domestic natural gas transportation); this activity is regulated through a tariff methodology based on the Revenue Cap principle. This methodology ensures the stability and predictability of revenues and contributes to enhancing activity efficiency.

Currently, some 68.5% of the natural gas transportation network is worn out requiring major capital expenditures for modernization, Transgaz developing a CAPEX strategy to meet the system's needs. Around 24% of pipelines older than 25 years were repaired during 1986-2006. Simultaneously, in 2005, the company initiated a pipeline inspection procedure employing the latest technology to replace only damaged parts of the pipelines, thus cutting back on expenses.

The main beneficiaries of Transgaz for the transportation system are:

- Distributors (46%): Distrigaz Sud, E.On (former Distrigaz Nord);
- Suppliers (23%): Interagro, Petrom Gas, SNP Petrom, Romgaz, Amgaz Furnizare;
- Eligible Consumers (31%): Electrocentrale Bucuresti, Azomures, Termoelectrica, Amonil, Electrocentrale Galati, Mittal Steel, Electrocentrale Deva.

3. Financials and Strategy

3.1. CAPEX

The issuer aims to increase its operating profit by focusing on the following aspects:

- ensuring the exploitation of the national transportation system in safety;
- expanding the national transportation system;
- Improving operating efficiency.

The CAPEX strategy for 2007-2012 is displayed below:

| RON bn | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------------------------|------------|------------|------------|------------|------------|------------|
| CAPEX works | 118 | 219 | 104 | 117 | 86 | 56 |
| Maintenance works | 63 | 55 | 81 | 90 | 92 | 21 |
| Nabucco project investments | 4 | 58 | 129 | 164 | 139 | 129 |
| Total | 185 | 332 | 314 | 371 | 317 | 206 |

Source: company info

3.2. The Nabucco Project

The Nabucco project was initiated with the purpose of connecting European countries to the natural gas reserves in the Caspian region and the Middle East. The participant countries in this project are: Turkey, Bulgaria, Romania, Hungary and Austria. Out of the pipeline's 3.282 km, 457 km are across Romanian territory. Its transportation capacity will stand at around 8 bn cubic meters by 2011, with linear growth of up to 25.5 bn cubic meters by 2030. From this source, Romania would have an import potential of 2-5 bn cubic meters yearly.

Certain issues hinder the progress of the Nabucco project: different property laws on the interstate gas transportation system, different tariffs for using these systems, current lack of a financing strategy for the project, insufficient rating of some participants, lack of explicit natural gas supply agreements in the transportation system into the Caspian area, strong expansion of the Russian Federation into the aforementioned area and the crossing of the Nabucco pipeline with new ones. Because of these uncertainties, our estimate regarding the market value of Transgaz does not consider the Nabucco project.

3.3 Financials

| RON bn | 2004 | 2005 | 2006 | 2007e | 2008e | 2009e |
|---------------------------------------|-------|-------|-------|-------|-------|-------|
| Total Revenues | 774 | 780 | 935 | 1,009 | 1,190 | 1,286 |
| <i>Increase in total revenues (%)</i> | - | 1% | 20% | 8% | 18% | 8% |
| EBITDA | 314 | 299 | 342 | 323 | 381 | 437 |
| <i>EBITDA Margin (%)</i> | 41% | 38% | 37% | 32% | 32% | 34% |
| Operating Profit (EBIT) | 160 | 138 | 176 | 161 | 190 | 231 |
| <i>Operating Margin (%)</i> | 21% | 18% | 19% | 16% | 16% | 18% |
| Net Profit | 224 | 96 | 162 | 156 | 167 | 184 |
| <i>Net Margin (%)</i> | 28.9% | 12.3% | 17.3% | 15.5% | 14.0% | 14.3% |

Source: prospectus info, Vanguard research estimates for 2007-2009

The company's yearly revenues are slightly increasing mostly depending on the tariff level set by the regulatory authority, as the internal demand for gas is stagnating. Like other government monopolies, Transgaz revenues are established via the revenue cap method, regulation introduced by ANGRN in 2004. The regulatory authority sets target-levels of annual revenues on a 5-year time span, thus setting the level of regulated tariffs.

Over the first nine months of the year, company's revenues amounted to RON 697 bn. If we annualized this figure, we would obtain revenues similar to last year. However, higher revenues are expected in Q4 due to higher demand for natural gas in the cold season.

The main factors affecting the issuer's results are: the regulation of the transportation activity employing the revenue cap method, the obligation to implement the minimal CAPEX program for 2007 – 2011, technological consumption, seasonality, exchange rate fluctuations.

Like its correspondent in the energy industry (Transelectrica), Transgaz pays dividends of at least 50% of profit. In 2006, the company paid out dividends corresponding to 2005 in amount of RON 71.4 bn, this year paying dividends corresponding to last year in amount of RON 121.4 bn. In 2005, the company did not pay out dividends corresponding to 2004 because funds were needed to refinance capital expenditures. Also, over the past couple of years, the company was penalized with a total of RON 51.7 mn at the request of its majority shareholder, for delay in dividend payment.

In the upcoming years, we expect a slow increase in the company's revenue figure given the moderate increase in tariffs regulated by ANRGN on grounds of languishing demand for natural gas. Under the circumstances of a development in industrial activities in the medium – long run, we believe that Transgaz revenues might pick up a better dynamics within the limits set by the Revenue Cap methodology.

2004-2006 Financial Records

| Asset | RON bn | 2004 | 2005 | 2006 |
|----------------------------|--------|-------|-------|-------|
| Permanent Assets | | 2,534 | 2,614 | 2,631 |
| Current Assets | | 228 | 255 | 277 |
| - Inventories | | 40 | 38 | 36 |
| - Receivables | | 133 | 151 | 162 |
| - Cash and cash equivalent | | 55 | 66 | 79 |
| TOTAL ASSET | | 2,762 | 2,869 | 2,908 |

| Debt | | | | |
|----------------------------|--|-------|-------|-------|
| Current Debts | | 215 | 309 | 303 |
| Long-term debts | | 386 | 361 | 322 |
| - Loans (interest bearing) | | 201 | 186 | 130 |
| Equity | | 2,161 | 2,199 | 2,283 |
| - Share Capital | | 545 | 545 | 545 |
| TOTAL DEBT | | 2,762 | 2,869 | 2,908 |

Source: prospectus

The weight of the company's long-term interest-bearing debt in total liabilities and equity fell from 7.3% in 2004 to app. 3% in 2007.

2004 – 2006 Cash Flows

| RON bn | 2004 | 2005 | 2006 |
|-------------------------------------|------------|------------|------------|
| Operating cash flows | 337 | 246 | 333 |
| <i>Operating/ revenue cash flow</i> | <i>44%</i> | <i>32%</i> | <i>36%</i> |
| Investment flow | -284 | -231 | -126 |
| Financial Flow | -73 | -7 | -176 |

Source: Prospect

Net cash flows from activity segments are written in the above table. Notice the quite good level of the operating cash flows relative to total revenues, which is mainly due to low gearing. By comparison, Transelectrica- with a gearing ratio 10 times that of Transgaz has operating cash flows to revenues of only 15%.

Although in 2005 compared to 2004 we notice a slide in operating cash flows relative to revenues, the past couple of years point to a stabilization of the former, thus allowing us to employ the Discounted Cash Flow method to estimate a theoretical value of the company.

3.4. Risks

The risk factors are specific to both the economic environment in Romania, which is an emergent country, and the corresponding industry, and to the issuer as well:

- the regulated environment wherein the issuer carries out its activity;
- expiry of the transit agreements concluded by the issuer;
- minimal CAPEX program imposed to the issuer via the concession agreement;
- decrease in the issuer's profitability should transportation expenses exceed the ones recognized by the Regulatory Authority.

4. Transgaz Valuation

4.1. The Multiples Method

The company still has an average profitability level compared to its counterparts from developed countries of the European Union, being affected mainly by considerable expenses incurred from depreciation and amortization, and an aggressive dynamics of maintenance and transportation expenses (CAGR 07-09e: 40-50%) and salaries (CAGR 07-09e: 20%) – these being the largest part of the company's operating expenses. (some 25% of total).

| EUR bn | | | P/E | | EV/EBITDA | | EBITDA Margin | | Net Margin | |
|----------------------------|---------|----------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|
| Company | Country | Capitalization | 07e | 08e | 07e | 08e | 07e | 08e | 07e | 08e |
| Transgaz | Romania | 675 | 14.5 | 13.6 | 7.1 | 5.9 | 32.0% | 32.0% | 15.5% | 14.0% |
| Enagas | Spain | 4,679 | 20.6 | 18.1 | 10.5 | 10.5 | 73.0% | 74.0% | 27.0% | 28.0% |
| Snam Rete | Italy | 8,678 | 20.4 | 19.3 | 10.2 | 10.2 | 80.0% | 81.0% | 24.0% | 25.0% |
| Fluxys | Belgium | 1,736 | 21.4 | 21.9 | 10.6 | 10.7 | 40.0% | 40.0% | 19.0% | 18.0% |
| Average* | | | 20.8 | 19.8 | 10.4 | 10.5 | 64.3% | 65.0% | 23.3% | 23.7% |
| discount vs average | | | -30.3% | -31.2% | -31.9% | -43.6% | | | | |

* the average is computed based on the multiples of the 3 European companies considered as benchmarks

Source: Vanguard Research

Target-price set via the multiples method

| Relevant multiple | Target value | Target capitalization (RON) | Price /share (RON) | upside vs IPO |
|-------------------|--------------|-----------------------------|--------------------|---------------|
| P/E 2007 | 20.8 | 3,244.8 | 275.6 | 44% |
| P/E 2008 | 19.8 | 3,301.0 | 280.4 | 46% |
| EV/EBITDA 07 | 10.4 | 3,262.7 | 277.1 | 44% |
| EV/EBITDA 08 | 10.5 | 3,880.5 | 329.6 | 72% |
| Average | | | 290.7 | 51% |

Source: Vanguard Research

Via the multiples method we set a price of **290.7 RON/share**, 51% higher than the offering price.

4.2. The Discounted Cash Flows Method (DCF)

In making projections of the main profit and loss elements, we considered the following assumptions:

- 8% growth rate in total revenues in 2007, similar to the one observed at 9 months; over the 2008 – 2012 interval, the average growth rate of the company's revenues would stand at around 12-12.5%, with yearly fluctuations depending on the risk factors mentioned in this material;
- EBITDA profit margins will oscillate between 32 – 34%, operating profit margin between 16 – 17%, and the net margin between 14-15%; in the long run, these rates might be even higher due to capital expenditures that will allow a surge in return on regulatory assets.

| <i>RON mn</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> | <i>2007e</i> | <i>2008e</i> | <i>2009e</i> | <i>2010e</i> | <i>2011e</i> | <i>2012e</i> |
|------------------------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Revenues | 774 | 781 | 935 | 1,009 | 1,190 | 1,286 | 1478.9 | 1656.4 | 1805.4 |
| <i>y-o-y increase</i> | | 1% | 20% | 8% | 18% | 8% | 15% | 12% | 9% |
| EBITDA | 314 | 299 | 342 | 323 | 381.0 | 437.0 | 495.4 | 554.9 | 604.8 |
| <i>EBITDA Margin (%)</i> | 41% | 38% | 37% | 32% | 32% | 34% | 34% | 33.5% | 34% |
| EBIT | 160.0 | 138.0 | 176.0 | 161.0 | 190.6 | 231.2 | 258.8 | 281.6 | 306.9 |
| <i>EBIT Margin (%)</i> | 20.7% | 17.7% | 18.8% | 16.0% | 16.0% | 18.0% | 18% | 17% | 17% |
| Net Profit | 224.0 | 96.0 | 162.0 | 156.0 | 167.0 | 184.0 | 214.4 | 240.2 | 261.8 |
| <i>y-o-y increase</i> | | -21% | 69% | -4% | 7% | 10% | 17% | 12% | 9% |
| <i>Net Profit Margin (%)</i> | 26.8% | 12.3% | 17.3% | 15.5% | 14.0% | 14.3% | 14.5% | 14.5% | 14.5% |

Source: Vanguard Research

In estimating cash flows we also considered the following:

- 7 – 8% medium-term ratio between the variation of the working capital and sales;
- capital expenditures were spread according to the issue Prospectus without considering investments in the Nabucco project because of the aforementioned uncertainties.

the Weighted Average Cost of Capital (WACC) was estimated as follows:

- 60 vs. 40% target ratio between equity and debts in the long run; this is a frequent ratio for utility companies, including Transelectrica;
- 12% cost of equity, 5% cost of debt capital?; we mention that Transgaz current long-term debts generate interest rates of some 6 - 6.5%.

Thus, the weighted average cost of capital considered in the base scenario is 9.2%

Cash Flows

| <i>RON bn</i> | <i>2005</i> | <i>2006</i> | <i>2007e</i> | <i>2008e</i> | <i>2009e</i> | <i>2010e</i> | <i>2011e</i> | <i>2012e</i> |
|------------------------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| EBIT(1-t) | 119 | 151 | 138 | 164 | 199 | 223 | 242 | 264 |
| +Depreciation | 161 | 166 | 162 | 190 | 206 | 237 | 273 | 298 |
| (-)working capital variation | 78 | -15 | 81 | 95 | 96 | 111 | 124 | 126 |
| (-)working capital/CA | 10.0% | -1.6% | 8.0% | 8.0% | 7.5% | 7.5% | 7.5% | 7.0% |
| Operational Cash-Flow | 202 | 332 | 220 | 259 | 308 | 348 | 391 | 435 |
| Op. Cash-flow/sales | 25.8% | 35.5% | 21.8% | 21.8% | 24.0% | 23.6% | 23.6% | 24.1% |
| CAPEX | | | 181 | 274 | 185 | 207 | 178 | 160 |
| FCFF | 202 | 332 | 39 | (15) | 123 | 141 | 213 | 275 |
| <i>PV of FCFF</i> | | | 39 | -14 | 103 | 108 | 150 | 177 |
| Terminal Value (g=2%) | | | | | | | | 3894 |
| <i>PV of TV</i> | | | | | | | | 2506 |

Source: Vanguard Research

| | |
|---------------------------------------|---------------|
| EV (RON bn) | 3069.8 |
| Interest bearing net debt (RON bn) | 117 |
| Market Capitalization (RON bn) | 2952.8 |
| Price/share (RON) | 250.8 |
| upside (%) | 31% |

Source: Vanguard Research

Therefore, the valuation via the DCF approach led to a target price of **250.8 RON/share**, up 31% against the offering price.

In the sensitivity analysis we considered K=13% vs. 12% from the base scenario, with 1.5% growth rate in the long-term, 2.5% vs. 2% respectively in the base scenario. In all cases, estimated prices were above the level of the offering price.

| | g=1.5% | g=2% | g=2.5% |
|-------|---------------|-------------|---------------|
| k=13% | 215.8 | 228.2 | 242.0 |
| k=12% | 236.0 | 250.8 | 268.0 |

Source: Vanguard Research

5. Recommendation – Subscription

Computing the average of the two approaches employed, we have reached a target price of **270.7 RON/share (+41% vs. offering)** for Transgaz shares.

Our recommendation is “Subscription” based also on the fact that the return might be turned to good account by trading the allocation rights before the actual listing of the shares.

Disclaimer:

This report was comprised by the Vanguard Research Department based on information available to the public, data published by the companies and internally generated estimates, as well as other sources considered trustworthy. Vanguard SA cannot be held responsible with respect to the accuracy, comprehensiveness, correctness, confirmation of the assumptions or the accomplishment of any expected gains. The information included in this report can change without prior notice. The authors of the report may hold stocks referred to by the report. The remuneration of the authors of this report is not tied to the nature of the presented opinions/ recommendations in any way. Neither of the authors, nor Vanguard SA holds significant financial interest in any of the stocks mentioned in the report. Public utilization of the information in this report is permitted only by quoting the source. The archive of reports issued by Vanguard is available on the website: <http://www.vanguard.ro>

November 23, 2007

Research Department research@vanguard.ro

Robert Stefan rstefan@vanguard.ro

Magda Sirghe msirghe@vanguard.ro

Cristian Tudorescu ctudorescu@vanguard.ro

Terminology and Abbreviations:

EBITDA – earnings before interest, taxes, depreciation and amortization; estimated as operating profit + amortization;

EBIT – earnings before interest & tax; similar to the operating profit

Net working capital, NWC – current assets minus current liabilities

(OCF) – operating cash flows

CAPEX – future capital expenditures for expansion or replacement of outdated equipment

Free cash-flow to the firm (FCFF) cash generated by the company available to the company; it is computed as the difference between the operating cash-flows and capital expenditures carried out
 $FCFF = OCF - CAPEX$

WACC – weighted average cost of capital (the market value of the firm's equity and debt)

(PV) – present value

Terminal Value (TV) – the value of the company's future cash flows; generally, it is estimated through the following formula: $TV = FCFF (1+g) / (WACC-g)$, where g = the long-term growth rate

Discounted Cash-Flow (DCF) – a valuation method used to estimate the enterprise value as the total of the present values of free cash-flows to the firm (FCFF)

Enterprise Value (EV) – a measure of what the market believes a company's ongoing operations are worth; it does not include assets that are not used in the company's core activity (e.g. plots of land, neutralized buildings, stakes in other companies etc)

EV estimation methods:

- projecting the company's long-term cash flows (the DCF approach)
- starting from market values: Market Capitalization + Net Debt

(CAGR) – Compound annual growth rate