

# Georgia Gulf Corp (GGC)

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## Upside Potential: 46.9%

### Assumptions

10 Year T-Bill	4.24%
Risk Premium	5.00%
Beta	0.47
WACC	6.61%
Terminal Beta	1.00
Terminal WACC	8.35%
Terminal Growth Rate	3.50%
Tax Rate	35.0%

	Historical	Hyper-Growth Stage			Transitional Growth Stage				Terminal Year	
Discounted Cash Flow	LTM (9.30.04)	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Total Revenues	1,997.9	2,218.0	2,383.5	2,555.1	2,723.3	2,885.8	3,040.2	3,184.1	3,315.2	3,431.2
<i>Growth</i>		11.0%	7.5%	7.2%	6.6%	6.0%	5.4%	4.7%	4.1%	3.5%
less: (COGS)	1,751.1	1,905.3	2,047.4	2,194.9	2,339.3	2,478.9	2,611.5	2,735.2	2,847.8	2,947.4
<i>COGS Margin</i>	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%
less: SG&A	66.4	73.7	79.2	84.9	90.5	95.9	101.0	105.8	110.2	114.0
<i>SG&amp;A Margin</i>	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
EBITDA	180.4	239.0	256.9	275.3	293.5	311.0	327.6	343.1	357.3	369.8
<i>EBITDA Margin</i>	9.0%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%
less: D&A	63.7	70.7	76.0	81.5	86.8	92.0	96.9	101.5	105.7	109.4
<i>D&amp;A/CapEx</i>	260.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
EBIT	116.7	168.3	180.9	193.9	206.6	219.0	230.7	241.6	251.6	260.4
<i>EBIT Margin</i>	5.8%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
less: Taxes	29.0	50.5	54.3	58.2	72.3	76.6	80.7	84.6	88.0	91.1
<i>Tax Rate</i>	24.9%	30.0%	30.0%	30.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
EBIT (1- $\pm$ )	87.7	117.8	126.6	135.7	134.3	142.3	149.9	157.0	163.5	169.2
add: D&A	63.7	70.7	76.0	81.5	86.8	92.0	96.9	101.5	105.7	109.4
Operating Cash Flow (OCF)	151.4	188.5	202.6	217.2	221.2	234.3	246.9	258.6	269.2	278.6
less: $\Delta$ NWC	7.9	9.4	10.2	10.9	11.6	12.3	12.9	13.6	14.1	14.6
<i>% of Sales</i>	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
less: Total Capital Expenditures	24.5	27.1	29.2	31.3	61.6	92.0	96.9	101.5	105.7	109.4
<i>% of Sales</i>	1.2%	1.2%	1.2%	1.2%	2.3%	3.2%	3.2%	3.2%	3.2%	3.2%
Free Cash Flow to Firm (FCFF)	119.1	152.0	163.3	175.0	147.9	130.0	137.0	143.5	149.4	154.6
Present Value Factor		93.5%	87.7%	82.3%	77.2%	72.4%	67.9%	63.7%	59.7%	56.0%
PV of FCFF		142.1	143.2	144.0	114.1	94.1	93.0	91.4	89.2	86.6

PV of Hyper/Transitional Growth	911.2
PV of Terminal Growth	1,906.1
PV of Firm	2,817.3
plus: Cash and Equivalents	2.3
less: Debt	317.0
Total Value	2,502.5
Total Value in U.S. Dollar	\$2,502.5
divided by: Diluted Shares Outstanding	33.5
Intrinsic Price per Share	\$74.7
Current Share Price	\$50.85
Upside Potential	46.9%