

April 11, 2020

Renewable Energy Group, Inc. (NASDAQ: REGI) – REGI for the future!

The Babson College Fund is initiating coverage on REGI with a buy rating and a \$56 target price, representing a potential upside of 144%.

Company Overview

Founded 1996, HQ: Ames, IA

REGI provides lower carbon transportation fuels in the United States and internationally. The company utilizes an integrated production, distribution, and logistics system to convert natural fats, oils, and greases into advanced biofuels. Their revenues are mainly divided into three categories:

- 1) Biomass-based diesel
- 2) Separated RIN sales
- 3) Biomass-based diesel government incentives

Investment Thesis

- 1) REGI is best positioned to benefit from the Biodiesel Tax Credit extension
- 2) Making the Energy portfolio ESG friendly and decreasing exposure to oil prices
- 3) Biodiesel Tax Credit reinstatement gives REGI the ability to allocate CapEx to new projects and develop their downstream strategy.

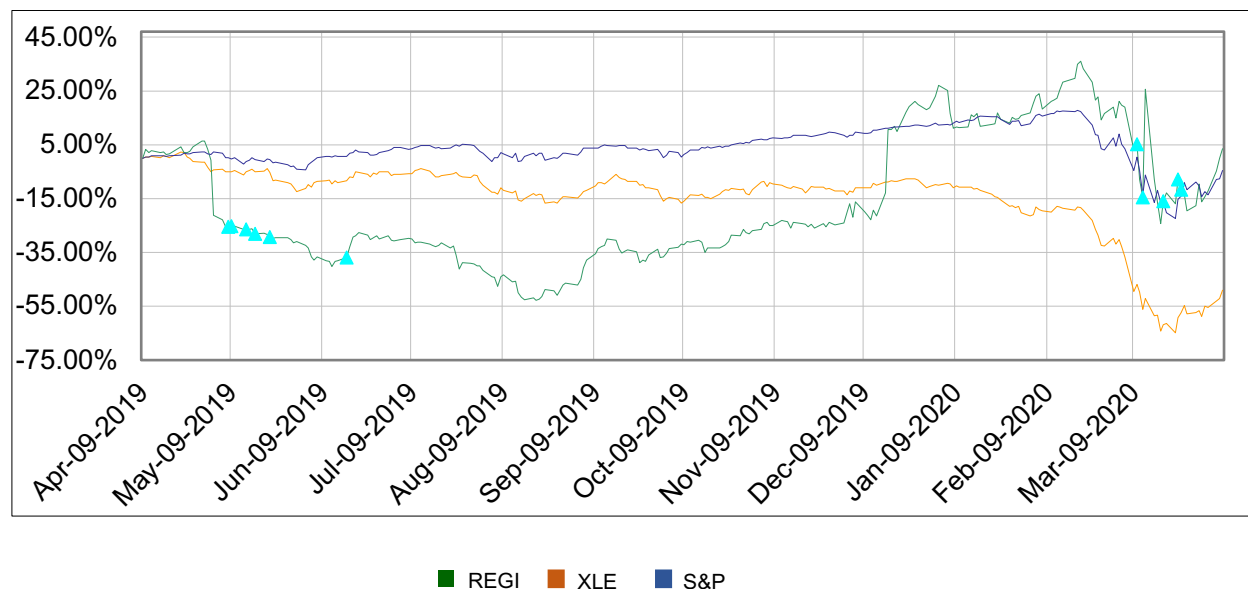
Valuation

Our weighted average target price of \$56 is derived from a discounted cash flow (90%) and comparative company analysis (10%).

Stock Rating Buy			
Price Target			\$56
Current Price			\$23
Upside			144%
Consensus			\$39
Recommended Weight (of Energy)			7%
Benchmark Weight (XLE)			N/A
Key Statistics			
52-Wk Range	\$9.90		\$31.50
Avg. Daily Vol in MM			0.72
Market Value (MM)			\$914
Ent Value (MM)			\$419
Shares Out (MM)			40
Dividend Yield			0.00%
Beta 5y			0.97
% Short Interest of float			13.6%
Insider Buying			3.2%
Key Financials \$MM	2020E	2020E	2021E
Revenue	1,564,195	2,803,756	3,364,508
Y/Y Growth	-40.7%	79.2%	20.0%
EBIT	(7,939)	174,949	220,377
EBITDA	40,669	227,104	272,525
UFCF	481,169	17,927	54,757
EV / EBITDA	10.3x	1.8x	1.5x
P / E	-	4.2x	3.5x
FCF Yield	30.8%	0.6%	1.6%
Share Price	1M	3M	12M
REGI	0.1%	(8.7%)	1.3%
S&P 500	(3.2%)	(18.2%)	(8.2%)
XLE	(5.5%)	(46.3%)	(52.8%)

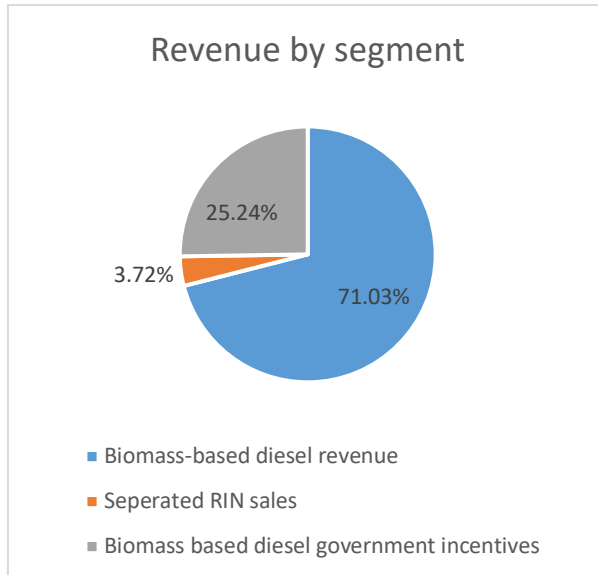
Valuation Summary		
	Price	% Weight
CompCo	\$47	10%
DCF	\$57	90%
Target Price		\$56
Current Share Price		\$23
Upside		144%
Equity Value		\$2,228,408
Enterprise Value		\$19,087
Consensus Price Target		\$39
Different from Consensus		44.4%
Consensus Rating		BUY

Comparative Stock Price (LTM)



Company Overview

Renewable Energy Group, Inc. provides lower carbon transportation fuels in the United States and internationally. The company utilizes an integrated production, distribution, and logistics system to convert natural fats, oils, and greases into advanced biofuels. It operates through Biomass-Based Diesel, Services, and Corporate and Other segments. The company produces biomass-based diesel from various carbon feedstocks, including distillers corn and used cooking oils, and inedible animal fats, as well as from soybean or canola oils. It is also involved in the purchase and resale of biomass-based diesel, petroleum-based diesel, renewable identification numbers, California Low Carbon Fuel Standard credits, and raw material feedstocks acquired from third parties; and sale of biomass-based diesel produced under toll manufacturing arrangements with third party facilities using its feedstocks. In addition, the company provides day-to-day management and operational services to biomass-based diesel production facilities; and construction management and general contracting services for the construction or upgrade of biomass-based diesel production facilities. Further, it sells petroleum-based heating oils and diesel fuels, as well as operates fermentation facilities. The company owns and operates a network of 13 biorefineries, including eleven biorefineries located in the United States and two biorefineries located in Germany. Renewable Energy Group, Inc. was founded in 1996 and is headquartered in Ames, Iowa.



The BTC reinstatement and extension

On December 23, 2019, President Trump signed a legislation which included a retroactive reinstatement and extension of the \$1 per gallon Biodiesel Tax Credit (BTC) from January 1, 2018 through December 31, 2022. The BTC is a major part of REGI's business model and historically it has been reinstated and extended multiple times, except it took two years this time around. This meant a cash crunch for REGI in those two years, which did not allow them to allocate capital to new projects, and was building up their accounts payable as well. The reinstatement gives REGI a one-time cash payment of \$800 million out of which \$300 million are payables and leaves the company with \$500 million of excess cash.

Investment Thesis 1: REGI is best positioned to benefit from Biodiesel Tax Credit extension

HOBO + RINs Spread History



The HOBOSpread or the heating oil/soybean oil spread is how the company can measure its raw material costs. Due to their ability to obtain a multitude of raw materials like distillers corn oil, used cooking oil, inedible animal fat, and canola oil, REGI gets a cost advantage as compared to local competitors, most of which rely on higher cost virgin vegetable oils.

With the BTC reinstatement and extension approved, we expect the biomass-based diesel industry to grow rapidly, with REGI capturing most of this growth due to the cost advantage.

Moreover, REGI has always been a trailblazer in lobbying Congress to pass biodiesel friendly legislations, and strong relations will ensure that most state governments follow this trend which has already been started by California and Oregon of providing further tax credits and various other subsidies.

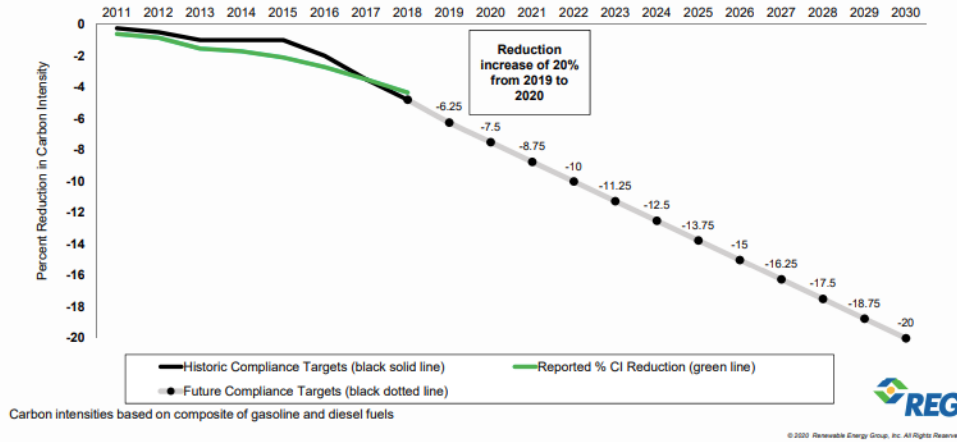
The above factors should lead to an increase in the downstream demand, and the company has been preparing for that as is evident with their plant developments and future plans mentioned on latest earnings call.

Investment Thesis 2: Making the energy portfolio ESG friendly and decreasing exposure to oil prices

REGI is a company with excellent ESG value, not only due to the nature of their business, but also in the way they operate their supply chains, that completely depend upon 100% biomass-based diesel.

Due to the ability to acquire a variety of feedstocks, and the fact that a lot of their top-line is dependent on various tax credits, the company is not correlated with oil prices which gives the portfolio a much required diversification.

Carbon Reduction Requirement



As seen above, the carbon reduction required, and as promised by a number of Fortune 500 companies, implies that renewable energy would be a booming industry in the near future, generating demand for renewable fuels in commercial use. This will be met by biodiesel and electricity.

Biomass-based energy would be a great replacement for a lot of that demand, considering 63% of our electricity is still currently fossil-fuel based.

REGI would be the direct beneficiary of the above thesis, which makes the case immensely stronger.

As of 2020, \$90 trillion of AUM has been allocated to follow the guidelines of PRI – Principles of responsible investing which seek out high quality ESG companies.

Because the company is not followed by a lot of analysts, MSCI does not have a rating for REGI, but shown below is the SASB materiality map for the biodiesel industry.

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		Consumer Goods	Extractives & Minerals Processing	Financials	Food & Beverage	Health Care	Infrastructure	Renewable Resources & Alternative Energy					
Dimension	General Issue Category [®]	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Biofuels	Forestry Management	Fuel Cells & Industrial Batteries	Pulp & Paper Products	Solar Technology & Project Developers	Wind Technology & Project Developers
Environment	GHG Emissions												
	Air Quality												
	Energy Management												
	Water & Wastewater Management												
	Waste & Hazardous Materials Management												
Social Capital	Ecological Impacts												
	Human Rights & Community Relations												
	Customer Privacy												
	Data Security												
	Access & Affordability												
Human Capital	Product Quality & Safety												
	Customer Welfare												
	Selling Practices & Product Labeling												
	Labor Practices												
	Employee Health & Safety												
Business Model & Innovation	Employee Engagement, Diversity & Inclusion												
	Product Design & Lifecycle Management												
	Business Model Resilience												
	Supply Chain Management												
	Materials Sourcing & Efficiency												
Leadership & Governance	Physical Impacts of Climate Change												
	Business Ethics												
	Competitive Behavior												
	Management of the Legal & Regulatory Environment												
	Critical Incident Risk Management												
	Systemic Risk Management												

REGI performs well in most of the factors most material to its industry, including Waste & Wastewater management, Supply chain Management, and Management of the Legal & Regulatory environment. This was reflected in REGI's performance compared to XLE in the current bear market, a good example of the trend indicating that companies having higher ESG values perform better in a market downturn.

Investment Thesis 3: Biodiesel Tax Credit reinstatement gives REGI the ability to allocate CapEx to new projects and develop their downstream strategy

The last BTC legislation expired in December 2017. Between then and December 23, 2019, when the BTC reinstatement and extension was announced, REGI could not allocate CapEx to new projects. But they were still investing in R&D.

The \$800 million one-time BTC payment, \$300 million of which is payables, gives the company an excess of \$500 million in cash and projects in line to allocate CapEx on.

REGI is highly unlevered with a Debt/Total Capital ratio of 6%, and therefore in a very strong position to allocate the cash effectively.

It has already started developing its downstream business with the company's first cardlock station in Seneca and plans to build more.

U.S. Cities GHG Reduction Targets

- NYC: 40% GHG reduction from 1990 levels by 2030 and 85% by 2050
- DC: 50% GHG reduction from 2006 levels by 2032 and 80% by 2050
- Seattle: Reduce GHG emissions 58% by 2030 and be carbon neutral by 2050
- Portland: 40% GHG reduction from 1990 levels by 2030 and 80% by 2050
- Chicago: 80% GHG reduction from 1990 levels by 2030
- Minneapolis: 30% GHG reduction from 2006 levels by 2032 and 80% by 2050
- Des Moines: 28% GHG reduction by 2025
- Houston: Carbon neutral by 2050
- Los Angeles: 45% GHG reduction by 2025 and be carbon neutral by 2050

The upcoming demand for renewable energy in major US cities as mentioned above creates a huge investment opportunity for REGI in the downstream supply business, for which REGI has plans in action as seen below.

Downstream Strategy Development

- Fleet sales continue to accelerate
- Strong sales uptake of our REG Ultra Clean™ Diesel
- Automated retail fueling station (cardlock) pilot in Seneca is validating margins assumptions



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Investment Catalysts

- 1) One-time BTC payment:** The payment is to be collected in April and once the COVID-19 lockdown is relaxed, execution of existing plans can begin. This should result in massive growth in revenue in 2021 building on the company's great performance in the last four quarters.
- 2) Entry into newer markets with downstream strategy:** Their downstream plans allow them to enter an untapped biodiesel market leading to increased revenues in FY2021.
- 3) ESG trends in investing:** With a lot of institutional investing moving towards investing in ESG friendly companies, REGI fits well into that criteria with very high ESG ratings due to their unique supply chain independency.

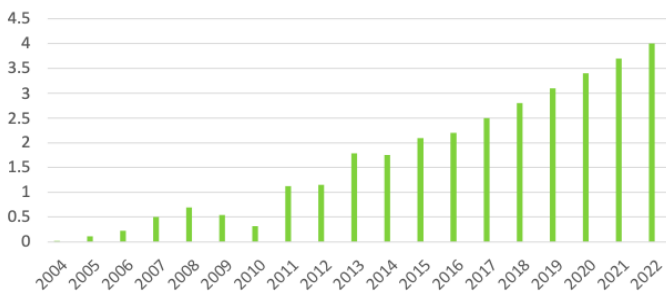
Investment Risks

- 1) COVID-19 timeline is extended:** The current lockdown is going to affect REGI as demand for energy is currently low, and if the timeline gets extended due to a second wave of cases, it might delay the catalysts significantly.
- 2) BTC extension attracts competition:** The BTC extension till 2022 makes the biomass-based diesel extremely attractive and will result in REGI having increased competition. But, most of REGI's competitors are local firms that do not have the feedstock access like REGI possesses.
- 3) BTC does not get extended past 2022:** As BTC is a major part of REGI's business model, a decision to not extend it past 2022 is a big risk for the company, but with their lobbying network and the overall macro shift towards biodiesel, we do not expect that scenario to play out.

Industry Overview & Competitive Landscape

In North America, Diesel and Gasoline powertrains are expected to continue dominating the commercial vehicle segment in forecasts through 2025 and beyond.

Biodiesel Production Goal: 4 Billion Gallons by 2022



Due to the overall shift towards renewable energy, due to low carbon impact projections, government requirements, and tax subsidies attained thereby, we expect this industry to have an increased use of biodiesel blends.

Over the last few years, many problems have been reported by people using biodiesel fuel. On closer investigation and speaking to people in the industry, we found that most of these difficulties can be attributed to poor-quality biodiesel fuel and

are almost identical to the problems caused by low-quality petroleum diesel.

These low-quality fuels are mostly produced by unsophisticated local firms as opposed to a nationalized operation as the one conducted by REGI.

The Biodiesel industry consists of a lot of local firms, but nobody operates at a national and international level like REGI does. This gives the company the ability to source feedstocks from all over the world including China where costs are much lower and a competitive moat in terms of the cost advantage that it enjoys over its peers.

Management



Cynthia CJ Warner – President and Chief Executive Officer

For more than 35 years, CJ has held executive positions in the energy sector in operations, business development, strategy, technology development, and environment, health, and safety. She has led operations globally for large refiners including Andeavor and BP as well as scale-up and development efforts in novel renewable energy technologies.



Chad Stone – Chief Financial Officer

In his professional experience, Mr. Stone has served as a director at PricewaterhouseCoopers in Chicago and Cincinnati, focusing primarily in the energy and utilities industry, as well as a manager at Arthur Andersen in the Chicago office.

Mr. Stone holds a Master of Business Administration in finance from the University of Chicago

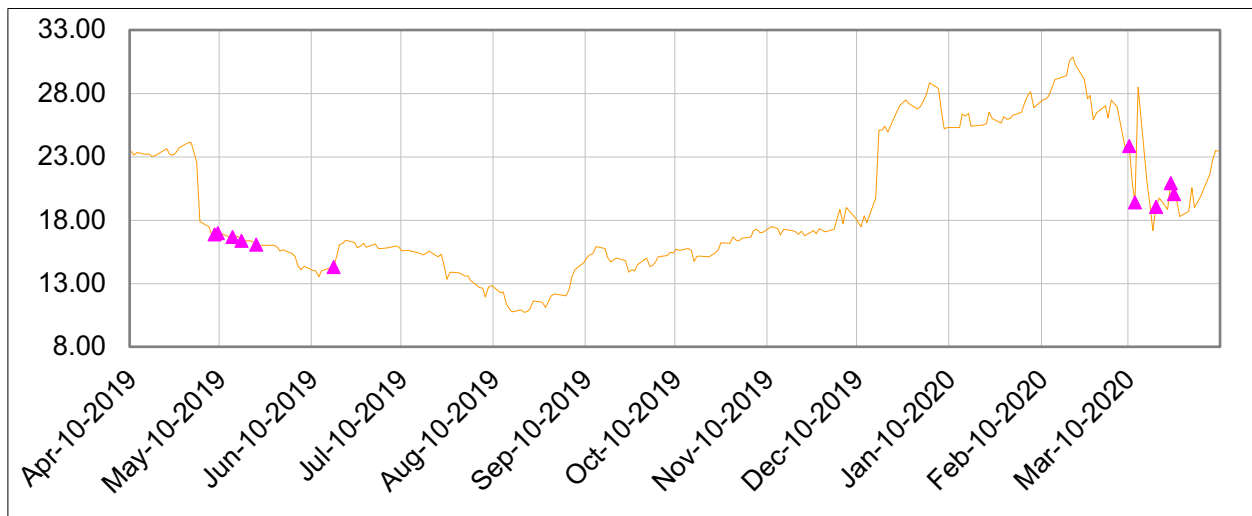
Managements Expertise & Compensation:

The management has proven itself well in the past with the great lobbying efforts to reinstate BTC along with great execution of the business with limited resources in hand in the meanwhile, resulting in better than expected results in 2019.

Furthermore, 55% to 75% of each executive officer's regular annual long-term incentive award opportunity in performance-based restricted stock units tied to the achievement of stock price and return on invested capital hurdles.

Insider Activity

There has been a lot of insider buying in the month of March, especially after prices dropped due to the COVID-29 sell-off. This is a good sign that the stock is undervalued and management expects similar growth opportunity as the analysts.



Valuation

Comparative Company Analysis

The comp analysis uses three companies that operate in the subsectors close to REGI's: Oil and Gas Refining and Marketing, which falls under the Energy sector. All of these companies have extensive experience within the industry with founding dates before 1990. All companies are headquartered in TX, U.S. These companies are majorly involved in downstream oil & gas and only a part of their business uses biomass-based diesel, which is why the weight of the CompCo is 10%.

Metric	Valuation		
	EV / Sales 2021E	EV / EBITDA 2021	P / E 2021
2021E Metric	2,804	227	
Median EV/Metric Comps	0.37x	7.74x	
TEV	1,031	1,759	1,201
Cash and Equivalents	552	552	552
Minority Interest	0	0	0
Total Debt	57	57	57
Fair Equity Value	1,526	2,254	1,697
TSD	40	40	40
Expected Stock Price	\$38	\$57	\$43
Weight	40%	40%	20%
Fair Value Stock Price			\$47
Current Stock Price			\$23
Up / Downside potential			102%

Company Name	Ticker	Founded	Share Price	TSO	Market Cap	Total Debt	Cash	Net Debt	Minority Interest	TEV
Par Pacific Holdings, Inc.	NYSE:PARR	1984	\$6.70	54	359	1,042	126	916	0	1,275
CVR Energy, Inc.	NYSE:CVI	1906	\$15.47	101	1,555	1,243	652	591	275	2,421
Delek US Holdings, Inc.	NYSE:DK	2001	\$16.47	74	1,211	2,273	955	1,318	169	2,697
Average					1,041	1,519	578	942	148	2,131
Min					359	1,042	126	591	0	1,275
Max					1,555	2,273	955	1,318	275	2,697
Median					1,211	1,243	652	916	169	2,421
Renewable Energy Group	NASDAQ:REGI	1996	\$23.00	40	914	57	552	0	0	914

Net Debt / EBITDA	Sales growth	Sales		EBITDA		EPS (GAAP)		P / E		TEV / Sales		TEV / EBITDA		EBITDA Margin	
		2020E	2021E	2020E	2021E	2020E	2021E	2020E	2021E	2020E	2021E	2020E	2021E	2020E	2021E
5.56x	22.1%	4,117	5,026	165	244	(\$0.27)	\$1.09	-	7.17	0.31x	0.25x	7.74x	5.24x	4%	5%
1.45x	23.2%	4,809	5,925	408	625	\$0.43	\$2.06	37.71	7.84	0.50x	0.41x	5.93x	3.87x	8%	11%
4.62x	20.5%	7,337	8,841	285	478	(\$0.72)	\$1.51	-	11.04	0.37x	0.31x	9.45x	5.64x	4%	5%
3.88x	21.9%	5,421	6,598	286	449	(\$0.19)	\$1.55	37.71	8.68	0.39x	0.32x	7.71x	4.92x	5.5%	6.9%
1.45x	21%	4,117	5,026	165	244	(\$0.72)	\$1.09	37.71	7.17	0.31x	0.25x	5.93x	3.87x	4%	5%
5.56x	23%	7,337	8,841	408	625	\$0.43	\$2.06	37.71	11.04	0.50x	0.41x	9.45x	5.64x	8%	11%
4.62x	22%	4,809	5,925	285	478	(\$0.27)	\$1.51	37.71	7.84	0.37x	0.31x	7.74x	5.24x	4%	5%
0.00x	79%	1,564	2,804	41	227	\$0.94	\$5.44	-	4.23	0.58x	0.33x	22.49x	4.03x	3%	8%

Discounted Cash Flow Analysis

The DCF analysis uses BCF projections for revenue growth from 2020 to 2024. It shows historical financials of REGI from 2016 to 2019. BTC reinstatement extends from January 1, 2018 through December 31, 2022. Though, the reinstatement is reflected starting from 2019 as accounts receivables, and then as excess cash (impacting NWC) in 2020, as when REGI actually receives the due BTC amount. Historical financials of REGI were analyzed LTM basis to arrive at future estimates, in addition to using company guidance and reported earnings for 4Q2019 (Fiscal year ends in December). Please see a summary of each of the assumptions below:

	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Total Revenue	\$2,039,067.00	\$2,153,537.00	\$2,380,701.00	\$2,639,753.00	\$1,564,194.80	\$2,803,756.44	\$3,364,507.73	\$3,700,958.50	\$4,071,054.35
% growth		5.61%	10.55%	10.88%	-40.74%	79.25%	20.00%	10.00%	10.00%
Biomass-based diesel	\$1,417,595	\$1,787,308	\$1,875,316	\$1,875,076	\$1,125,046	\$2,025,082	\$2,430,098	\$2,673,108	\$2,940,419
Base	\$1,417,595	\$1,787,308	\$1,875,316	\$1,875,076	\$1,125,046	\$2,025,082	\$2,430,098	\$2,673,108	\$2,940,419
Bear	\$1,417,595	\$1,787,308	\$1,875,316	\$1,875,076	\$937,538	\$1,500,061	\$1,650,067	\$1,732,570	\$1,819,199
Bull	\$1,417,595	\$1,787,308	\$1,875,316	\$1,875,076	\$1,312,553	\$2,625,106	\$3,412,638	\$3,924,534	\$4,513,214
% growth									
Base		26.08%	4.92%	-0.01%	-40.00%	80.00%	20.00%	10.00%	10.00%
Bear		26.08%	4.92%	-0.01%	-50.00%	60.00%	10.00%	5.00%	5.00%
Bull		26.08%	4.92%	-0.01%	-30.00%	100.00%	30.00%	15.00%	15.00%
Seperated RIN sales	\$274,800	\$337,501	\$137,895	\$98,285	\$39,314	\$58,971	\$70,765	\$77,842	\$85,626
Base	\$274,800	\$337,501	\$137,895	\$98,285	\$39,314	\$58,971	\$70,765	\$77,842	\$85,626
Bear	\$274,800	\$337,501	\$137,895	\$98,285	\$29,486	\$41,280	\$45,408	\$47,678	\$50,062
Bull	\$274,800	\$337,501	\$137,895	\$98,285	\$49,143	\$78,628	\$102,216	\$117,549	\$135,181
%growth									
Base		22.82%	-59.14%	-28.72%	-60.00%	50.00%	20.00%	10.00%	10.00%
Bear		22.82%	-59.14%	-28.72%	-70.00%	40.00%	10.00%	5.00%	5.00%
Bull		22.82%	-59.14%	-28.72%	-50.00%	60.00%	30.00%	15.00%	15.00%
Biomass based diesel g	\$346,672	\$28,728	\$367,490	\$666,392	\$399,835	\$719,703	\$863,644	\$950,008	\$1,045,009
Base	\$346,672	\$28,728	\$367,490	\$666,392	\$399,835	\$719,703	\$863,644	\$950,008	\$1,045,009
Bear	\$346,672	\$28,728	\$367,490	\$666,392	\$333,196	\$533,114	\$586,425	\$615,746	\$646,534
Bull	\$346,672	\$28,728	\$367,490	\$666,392	\$466,474	\$932,949	\$1,212,833	\$1,394,758	\$1,603,972
%growth									
Base		-91.71%	1179.20%	81.34%	-40.00%	80.00%	20.00%	10.00%	10.00%
Bear		-91.71%	1179.20%	81.34%	-50.00%	60.00%	10.00%	5.00%	5.00%
Bull		-91.71%	1179.20%	81.34%	-30.00%	100.00%	30.00%	15.00%	15.00%

We expect revenues to go down by 40% in 2020 due to COVID-19. Post that, expect them to continue growing like it would have without the pandemic as we expect demand to go back to normal levels.

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	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	
Income Statement										
Revenue	Base	2,039,067	2,153,537	2,380,701	2,639,753	1,564,195	2,803,756	3,364,508	3,700,959	4,071,054
	Base	2,039,067	2,153,537	2,380,701	2,639,753	1,564,195	2,803,756	3,364,508	3,700,959	4,071,054
	Bear	2,039,067	2,153,537	2,380,701	2,639,753	1,564,195	2,803,756	3,364,508	3,700,959	4,071,054
	Bull	2,039,067	2,153,537	2,380,701	2,639,753	1,564,195	2,803,756	3,364,508	3,700,959	4,071,054
COGS	Base	1,867,847	2,070,301	1,962,996	2,111,324	1,360,849	2,439,268	2,927,122	3,219,834	3,541,817
	Base	1,867,847	2,070,301	1,962,996	2,111,324	1,360,849	2,439,268	2,927,122	3,219,834	3,541,817
	Bear	1,867,847	2,070,301	1,962,996	2,111,324	1,360,849	2,439,268	2,927,122	3,219,834	3,541,817
	Bull	1,867,847	2,070,301	1,962,996	2,111,324	1,360,849	2,439,268	2,927,122	3,219,834	3,541,817
COGS % Sales	Base	91.6%	96.1%	82.5%	80.0%	87.0%	87.0%	87.0%	87.0%	87.0%
	Base	91.6%	96.1%	82.5%	80.0%	87.0%	87.0%	87.0%	87.0%	87.0%
	Bear	91.6%	96.1%	82.5%	80.0%	87.0%	87.0%	87.0%	87.0%	87.0%
	Bull	91.6%	96.1%	82.5%	80.0%	87.0%	87.0%	87.0%	87.0%	87.0%
SG&A	Base	88,285	95,843	106,739	118,209	156,419	126,169	151,403	166,543	183,197
	Base	88,285	95,843	106,739	118,209	156,419	126,169	151,403	166,543	183,197
	Bear	88,285	95,843	106,739	118,209	156,419	128,973	154,767	170,244	187,269
	Bull	88,285	95,843	106,739	118,209	156,419	123,365	148,038	162,842	179,126
SG&A % Sales	Base	4.3%	4.5%	4.5%	4.5%	10.0%	4.5%	4.5%	4.5%	4.5%
	Base	4.3%	4.5%	4.5%	4.5%	10.0%	4.5%	4.5%	4.5%	4.5%
	Bear	4.3%	4.5%	4.5%	4.5%	10.0%	4.6%	4.6%	4.6%	4.6%
	Bull	4.3%	4.5%	4.5%	4.5%	10.0%	4.4%	4.4%	4.4%	4.4%
Amortization of Intangible Base	Base	(357)	888	183	1,632	1,682	1,688	1,681	1,688	1,695
	Base	(357)	888	183	1,632	1,682	1,688	1,681	1,688	1,695
	Bear	(357)	888	183	1,632	1,682	1,688	1,681	1,688	1,695
	Bull	(357)	888	183	1,632	1,682	1,688	1,681	1,688	1,695
Amortization % Sales	Base	(0.0%)	0.0%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
	Base	(0.0%)	0.0%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
	Bear	(0.0%)	0.0%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
	Bull	(0.0%)	0.0%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Depreciation	Base	31,825	34,283	36,324	36,298	46,926	50,468	50,468	55,514	56,995
	Base	31,825	34,283	36,324	36,298	46,926	50,468	50,468	55,514	56,995
	Bear	31,825	34,283	36,324	36,298	46,926	50,468	50,468	55,514	56,995
	Bull	31,825	34,283	36,324	36,298	46,926	50,468	50,468	55,514	56,995
Depreciation % Sales	Base	1.6%	1.6%	1.5%	1.4%	3.0%	1.8%	1.5%	1.5%	1.4%
	Base	1.6%	1.6%	1.5%	1.4%	3.0%	1.8%	1.5%	1.5%	1.4%
	Bear	1.6%	1.6%	1.5%	1.4%	3.0%	1.8%	1.5%	1.5%	1.4%
	Bull	1.6%	1.6%	1.5%	1.4%	3.0%	1.8%	1.5%	1.5%	1.4%
D&A	Base	31,468	35,171	36,507	37,930	48,608	52,156	52,149	57,202	58,690
% Sales		1.5%	1.6%	1.5%	1.4%	3.1%	1.9%	1.5%	1.5%	1.4%
Other Expenses	Base	(7,792)	35,407	2,874	10,491	6,257	11,215	13,458	14,804	16,284
	Base	(7,792)	35,407	2,874	10,491	6,257	11,215	13,458	14,804	16,284
	Bear	(7,792)	35,407	2,874	10,491	6,257	11,215	13,458	14,804	16,284
	Bull	(7,792)	35,407	2,874	10,491	6,257	11,215	13,458	14,804	16,284
Other Expenses % Sales	Base	(0.4%)	1.6%	0.1%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
	Base	(0.4%)	1.6%	0.1%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
	Bear	(0.4%)	1.6%	0.1%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
	Bull	(0.4%)	1.6%	0.1%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Tax Rate	Base	8.7%	27.8%	2.0%	0.2%	4.0%	4.0%	4.0%	4.0%	4.0%
	Base	8.7%	27.8%	2.0%	0.2%	4.0%	4.0%	4.0%	4.0%	4.0%
	Bear	8.7%	27.8%	2.0%	0.2%	4.0%	4.0%	4.0%	4.0%	4.0%
	Bull	8.7%	27.8%	2.0%	0.2%	4.0%	4.0%	4.0%	4.0%	4.0%

COGS: Modelled the COGS flat by the normalized historical number.

SG&A: Expect them to stay the same in 2020 as COVID-19 would not impact SG&A, hence a higher percentage.

Other expenses: Includes interest expense as it is currently marginal. Already restructured in a way that the first maturity is not before 2036.

Tax rate: company guidance

Balance Sheet		2016A	2017A	2018A	2019A	2020P	2021P	2022P	2023P	2024P
Δ NWC	Base		(52,020)	(140,322)	554,042	(480,182)	90,030	40,727	24,436	26,880
NWC	Base	232,090	180,070	39,748	593,790	113,608	203,637	244,365	268,801	295,681
AR	Base	164,949	90,648	74,551	858,922	214,273	384,076	460,891	506,981	557,679
	Base	164,949	90,648	74,551	858,922	214,273	384,076	460,891	506,981	557,679
	Bear	164,949	90,648	74,551	858,922	257,128	460,891	553,070	608,377	669,214
	Bull	164,949	90,648	74,551	858,922	171,419	307,261	368,713	405,584	446,143
AR Days	Base	30	15	11	119	50	50	50	50	50
% Sales	Base	30	15	11	119	50	50	50	50	50
	Bear					60	60	60	60	60
	Bull					40	40	40	40	40
Inventories	Base	145,408	135,547	168,900	161,429	104,394	187,122	224,546	247,001	271,701
	Base	145,408	135,547	168,900	161,429	104,394	187,122	224,546	247,001	271,701
	Bear	145,408	135,547	168,900	161,429	104,394	187,122	224,546	247,001	271,701
	Bull	145,408	135,547	168,900	161,429	104,394	187,122	224,546	247,001	271,701
Inventory Days	Base	28	24	31	28	28	28	28	28	28
% COGS	Base	28	24	31	28	28	28	28	28	28
	Bear					28	28	28	28	28
	Bull					28	28	28	28	28
AP	Base	194,461	232,554	236,635	335,498	205,060	367,561	441,073	485,180	533,698
	Base	194,461	232,554	236,635	335,498	205,060	367,561	441,073	485,180	533,698
	Bear	194,461	232,554	236,635	335,498	205,060	367,561	441,073	485,180	533,698
	Bull	194,461	232,554	236,635	335,498	205,060	367,561	441,073	485,180	533,698
AP Days	Base	38	41	44	58	55	55	55	55	55
% COGS	Base	38	41	44	58	55	55	55	55	55
	Bear					55	55	55	55	55
	Bull					55	55	55	55	55
Cash Flow Statement		2016A	2017A	2018A	2019A	2020P	2021P	2022P	2023P	2024P
Capex	Base	60,384	67,557	46,453	42,518	40,000	112,150	168,225	185,048	203,553
	Base	60,384	67,557	46,453	42,518	40,000	112,150	168,225	185,048	203,553
	Bear	60,384	67,557	46,453	42,518	35,000	56,075	134,580	148,038	162,842
	Bull	60,384	67,557	46,453	42,518	60,000	168,225	201,870	222,058	244,263
Capex % Sales	Base	3.0%	3.1%	2.0%	1.6%	2.6%	4.0%	5.0%	5.0%	5.0%
	Base	3.0%	3.1%	2.0%	1.6%	2.6%	4.0%	5.0%	5.0%	5.0%
	Bear	3.0%	3.1%	2.0%	1.6%	2.2%	2.0%	4.0%	4.0%	4.0%
	Bull	3.0%	3.1%	2.0%	1.6%	3.8%	6.0%	6.0%	6.0%	6.0%

Capex:
2020 company guidance was \$60 million but since earnings call was before COVID-19 impact in the US, we expect that to be corrected and have modelled a base case of \$40 million.

Assumption	Notes	WACC Calculation		
		Low	Base	High
Market Risk Premium (MRP)	Bloomberg	7.5%	7.5%	7.5%
Risk Free Rate (R _f)	Spot rate 10-year Treasury	0.5%	0.5%	0.5%
Beta	Bloomberg	0.98	0.98	0.98
Sensitivity Adjustment	+ / - 1.0% from Base	(1.0%)	-	1.0%
Cost of Equity (K_E)	Calculated using CAPM model	6.9%	7.9%	8.9%
Pre-tax Cost of Debt	Wtd. Average Interest Rate	4.0%	4.0%	4.0%
Effective Tax Rate	Guidance	1.0%	3.0%	5.0%
Post-tax Cost of Debt	After-Tax Cost of Debt	4.0%	3.9%	3.8%
Debt / Total Cap	Based on Current Trading Data	5.8%	5.8%	5.8%
WACC	$K_E * E / (D + E) + K_D * (1 - t) * D / E$	6.7%	7.6%	8.5%

WACC:
Calculated using the CAPM method. Calculated using the 5Y Bloomberg Beta of 0.98.

A base, bear, and bull case were analyzed by changing revenue, COGS, and SG&A expectations. Two exit methods were used to derive at an equality weighted average price: PGR and EV/EBITDA. A PGR rate of 1.5% was applied to REGI, as is industry standard. An EBITDA exit multiple of 5.3x was used, based on recent acquisitions in the industry leading to an implied 2021 EV/EBITDA of 8.25x. Lack of competitors in this particular sub sector makes it difficult to have an accurate industry estimate for comparative analysis. These methods lead to a DCF target price of \$57, representing a 148% upside. See the output of the Base Case below and refer to the appendix for the Bear and Bull case.

Target Price Calculation		
	Price	% Weight
DCF (EV/EBITDA)	\$60	50%
DCF (PGR)	\$55	50%
Target Price	\$57	
Current Share Price		\$23.00
Upside		148%

Base Case:

	Actual Company Reported				BCF Projections				
	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Revenue	2,039,067	2,153,537	2,380,701	2,639,753	1,564,195	2,803,756	3,364,508	3,700,959	4,071,054
% Growth		5.6%	10.5%	10.9%	-40.7%	79.2%	20.0%	10.0%	10.0%
COGS	1,867,847	2,070,301	1,962,996	2,111,324	1,360,849	2,439,268	2,927,122	3,219,834	3,541,817
Gross Margin	8.4%	3.9%	17.5%	20.0%	13.0%	13.0%	13.0%	13.0%	13.0%
SG&A	88,285	95,843	106,739	118,209	156,419	126,169	151,403	166,543	183,197
Amortization of Intangibles	(357)	888	183	1,632	1,682	1,688	1,681	1,688	1,695
Other Expense + Interest Expen	(7,792)	35,407	2,874	10,491	6,257	11,215	13,458	14,804	16,284
EBIT	91,084	(48,902)	307,909	398,097	(7,939)	174,949	220,377	242,575	271,066
% Sales	4.5%	(2.3%)	12.9%	15.1%	(0.5%)	6.2%	6.6%	6.6%	6.7%
Add: D&A	31,468	35,171	36,507	37,930	48,608	52,156	52,149	57,202	58,690
Adj. EBITDA	122,552	(13,731)	344,416	436,027	40,669	227,104	272,525	299,778	329,755
% Sales	6.0%	(0.6%)	14.5%	16.5%	2.6%	8.1%	8.1%	8.1%	8.1%
Tax Rate	8.7%	27.8%	2.0%	0.2%	4.0%	4.0%	4.0%	4.0%	4.0%
NOPAT	83,160	(35,307)	301,751	397,301	(7,621)	167,951	211,561	232,872	260,223
Plus: D&A	31,468	35,171	36,507	37,930	48,608	52,156	52,149	57,202	58,690
Less: Capex	60,384	67,557	46,453	42,518	40,000	112,150	168,225	185,048	203,553
Less: ΔNWC		(52,020)	(140,322)	554,042	(480,182)	90,030	40,727	24,436	26,880
Unlevered FCF	54,244	(15,673)	432,127	(161,329)	481,169	17,927	54,757	80,590	88,480
% of Sales					30.8%	0.6%	1.6%	2.2%	2.2%
Discount Period					0.75	1.75	2.75	3.75	4.75
Discount Factor					0.95	0.88	0.82	0.76	0.71
PV of FCF					455,409	15,767	44,753	61,207	62,446

Exit Multiple Method (EV/EBITDA)		Perpetuity Growth Method	
Cumulative PV of FCF	639,583	Cumulative PV of FCF	639,583
Terminal Year EBITDA	329,755	Terminal FCF	88,480
Exit Multiple	5.3	PGR	1.5%
Terminal Value	1,747,704	Terminal Value	1,469,346
Discount factor	0.71	PV of Terminal Value	1,037,015
PV of TV	1,233,470	Enterprise Value	1,676,597
Enterprise Value	1,873,053	Less: Total Debt	56,543
Less: Total Debt	56,543	Less: Preferred Stock	0
Less: Preferred Stock	0	Less: Noncontrolling Interest	0
Less: Noncontrolling Interest	0	Plus: Cash and Cash Equivalents	552,000
Plus: Cash and Cash Equivalents	552,000	Implied Equity Value	2,172,054
Implied Equity Value	2,368,510	Shares Outstanding	39,760
Shares Outstanding	39,760	Implied Share Price	\$55
Implied Share Price	\$60	Current Price	\$23.00
Current Price	\$23.00	Upside	159.0%
Upside	159.0%	Implied Share Price	\$55
EBITDA 2020	227,104	Current Price	\$23.00
Implied EV/EBITDA 2021	8.25x	Upside	137.5%

Sensitivity Analysis

Sensitizing PGR and WACC

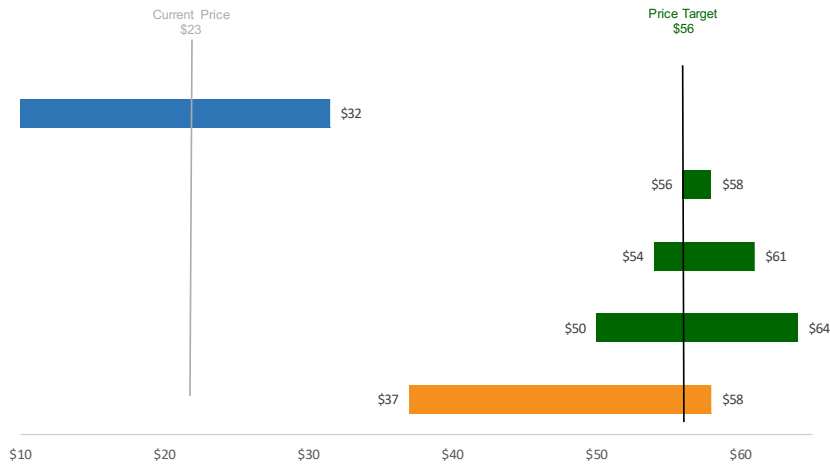
		Perpetual Growth Rate				
		0.50%	0.75%	1.00%	1.25%	1.50%
WACC	6.6%	\$59	\$59	\$60	\$61	\$61
	6.9%	\$57	\$58	\$59	\$59	\$60
	7.2%	\$56	\$57	\$57	\$58	\$59
	7.5%	\$55	\$56	\$56	\$57	\$58
	7.8%	\$55	\$55	\$55	\$56	\$56

Sensitizing exit EV / EBITDA and WACC

		EV / EBITDA				
		4.3x	4.8x	5.3x	5.8x	6.3x
WACC	6.6%	\$58	\$60	\$61	\$63	\$64
	6.9%	\$57	\$58	\$60	\$61	\$63
	7.2%	\$56	\$57	\$59	\$60	\$62
	7.5%	\$55	\$56	\$58	\$59	\$60
	7.8%	\$54	\$55	\$56	\$58	\$59

Football Field

This football field shows a summary of our valuation.



52-Week Trading

- DCF PGR low - high
1% - 2%
- DCF WACC low - high
6.4% - 8%
- DCF Bear - Bull
- CompCo Bear - Bull

Earnings per Share

Income Statement

Base

	2020E	2021E	2022E	2023E	2024E
Net Sales	1,564,195	2,803,756	3,364,508	3,700,959	4,071,054
COGS	1,360,849	2,439,268	2,927,122	3,219,834	3,541,817
SG&A	156,419	126,169	151,403	166,543	183,197
Amortization of intangibles	1,682	1,688	1,681	1,688	1,695
EBIT	45,244	236,631	284,302	312,893	344,345
Other Expense (income) + Interest Expense	6,257	11,215	13,458	14,804	16,284
EBT	38,987	225,416	270,844	298,090	328,060
Tax Rate	4%	4%	4%	4%	4%
Income tax expense (benefit)	1,559	9,017	10,834	11,924	13,122
Net Income	37,428	216,400	260,010	286,166	314,938
Shares Outstanding	39,760	39,760	39,760	39,760	39,760
EPS	\$0.94	\$5.44	\$6.54	\$7.20	\$7.92
% Growth		478.2%	20.2%	10.1%	10.1%

BCF versus Consensus

BCF projections vs. Consensus

Base

	BCF		Consensus (Mean)		
	2020E	2021E	2020E	2021E	
Revenue	1,564,195	2,803,756	2,145	2,465	No COVID-19 impact in consensus
% Growth		79.2%		14.9%	
COGS	1,360,849	2,439,268	1,827	2,076	
% Sales	87.0%	87.0%	85.2%	84.2%	
SG&A Expense	156,419	126,169	111	117	
% Sales	10.0%	4.5%	5.2%	4.8%	
EBITDA	40,669	227,104	206	258	
% Sales	2.6%	8.1%	9.6%	10.5%	
D&A	48,608	52,156	37	43	
% Sales	3.1%	1.9%	1.7%	1.8%	
EBIT	(7,939)	174,949	204	267	
% Sales	-0.5%	6.2%	9.5%	10.8%	
Tax Rate	4%	4%	3%	3%	
Net Income	37,428	216,400	205	273	
% Sales	2.4%	7.7%	9.5%	11.1%	
EPS	\$0.94	\$5.44	\$4.80	\$6.38	

Appendix

Bear Case:

	Actual Company Reported				BCF Projections				
	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Revenue	2,039,067	2,153,537	2,380,701	2,639,753	1,300,220	2,074,454	2,281,900	2,395,994	2,515,794
% Growth		5.6%	10.5%	10.9%	-50.7%	59.5%	10.0%	5.0%	5.0%
COGS	1,867,847	2,070,301	1,962,996	2,111,324	1,131,191	1,804,775	1,985,253	2,084,515	2,188,741
Gross Margin	8.4%	3.9%	17.5%	20.0%	13.0%	13.0%	13.0%	13.0%	13.0%
SG&A	88,285	95,843	106,739	118,209	130,022	95,425	104,967	110,216	115,727
Amortization of Intangibles	(357)	888	183	1,632	1,682	1,688	1,681	1,688	1,695
Other Expense + Interest Expense	(7,792)	35,407	2,874	10,491	5,201	8,298	9,128	9,584	10,063
EBIT	91,084	(48,902)	307,909	398,097	(6,883)	126,928	146,642	154,052	164,347
% Sales	4.5%	(2.3%)	12.9%	15.1%	(0.5%)	6.1%	6.4%	6.4%	6.5%
Add: D&A	31,468	35,171	36,507	37,930	40,689	39,028	35,909	37,628	36,916
Adj. EBITDA	122,552	(13,731)	344,416	436,027	33,806	165,956	182,552	191,680	201,264
% Sales	6.0%	(0.6%)	14.5%	16.5%	2.6%	8.0%	8.0%	8.0%	8.0%
Tax Rate	8.7%	27.8%	2.0%	0.2%	4.0%	4.0%	4.0%	4.0%	4.0%
NOPAT	83,160	(35,307)	301,751	397,301	(6,608)	121,851	140,777	147,890	157,774
Plus: D&A	31,468	35,171	36,507	37,930	40,689	39,028	35,909	37,628	36,916
Less: Capex	60,384	67,557	46,453	42,518	35,000	41,489	91,276	95,840	100,632
Less: ΔNWC		(52,020)	(140,322)	554,042	(463,732)	77,445	20,750	11,413	11,983
Unlevered FCF	54,244	(15,673)	432,127	(161,329)	462,813	41,945	64,660	78,265	82,075
% of Sales					35.6%	2.0%	2.8%	3.3%	3.3%
Discount Period					0.75	1.75	2.75	3.75	4.75
Discount Factor					0.95	0.88	0.82	0.76	0.71
PV of FCF					438,037	36,892	52,847	59,441	57,925

Exit Multiple Method (EV/EBITDA)	
Cumulative PV of FCF	645,142
Terminal Year EBITDA	201,264
Exit Multiple	5.3
Terminal Value	1,066,697
Discount factor	0.71
PV of TV	752,838
Enterprise Value	1,397,980
Less: Total Debt	56,543
Less: Preferred Stock	0
Less: Noncontrolling Interest	0
Plus: Cash and Cash Equivalents	552,000
Implied Equity Value	1,893,437
Shares Outstanding	39,760
Implied Share Price	\$48
Current Price	\$23.00
Upside	107.1%
EBITDA 2020	33,806
Implied EV/EBITDA 2020	41.35338022

Perpetuity Growth Method	
Cumulative PV of FCF	645,142
Terminal FCF	82,075
PGR	1.5%
Terminal Value	1,362,976
PV of Terminal Value	961,942
Enterprise Value	1,607,084
Less: Total Debt	56,543
Less: Preferred Stock	0
Less: Noncontrolling Interest	0
Plus: Cash and Cash Equivalents	552,000
Implied Equity Value	2,102,541
Shares Outstanding	39,760
Implied Share Price	\$53
Current Price	\$23.00
Upside	129.9%

Target Price Calculation		
	Price	% Weight
DCF (EV/EBITDA)	\$48	50%
DCF (PGR)	\$53	50%
Target Price	\$50	
Current Share Price	\$23.00	
Upside	118%	

Bull Case:

	Actual Company Reported				BCF Projections				
	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Revenue	2,039,067	2,153,537	2,380,701	2,639,753	1,828,170	3,636,683	4,727,688	5,436,841	6,252,368
% Growth		5.6%	10.5%	10.9%	-30.7%	98.9%	30.0%	15.0%	15.0%
COGS	1,867,847	2,070,301	1,962,996	2,111,324	1,590,508	3,163,914	4,113,089	4,730,052	5,439,560
Gross Margin	8.4%	3.9%	17.5%	20.0%	13.0%	13.0%	13.0%	13.0%	13.0%
SG&A	88,285	95,843	106,739	118,209	182,817	160,014	208,018	239,221	275,104
Amortization of Intangibles	(357)	888	183	1,632	1,682	1,688	1,681	1,688	1,695
Other Expense + Interest Expense	(7,792)	35,407	2,874	10,491	7,313	14,547	18,911	21,747	25,009
EBIT	91,084	(48,902)	307,909	398,097	(8,995)	231,060	315,074	362,580	423,466
% Sales	4.5%	(2.3%)	12.9%	15.1%	(0.5%)	6.4%	6.7%	6.7%	6.8%
Add: D&A	31,468	35,171	36,507	37,930	56,527	67,148	72,596	83,241	89,228
Adj. EBITDA	122,552	(13,731)	344,416	436,027	47,532	298,208	387,670	445,821	512,694
% Sales	6.0%	(0.6%)	14.5%	16.5%	2.6%	8.2%	8.2%	8.2%	8.2%
Tax Rate	8.7%	27.8%	2.0%	0.2%	4.0%	4.0%	4.0%	4.0%	4.0%
NOPAT	83,160	(35,307)	301,751	397,301	(8,635)	221,817	302,471	348,077	406,527
Plus: D&A	31,468	35,171	36,507	37,930	56,527	67,148	72,596	83,241	89,228
Less: Capex	60,384	67,557	46,453	42,518	60,000	218,201	283,661	326,210	375,142
Less: ΔNWC		(52,020)	(140,322)	554,042	(511,097)	81,804	49,349	32,077	36,889
Unlevered FCF	54,244	(15,673)	432,127	(161,329)	498,989	(11,040)	42,057	73,030	83,725
% of Sales					27.3%	(0.3%)	0.9%	1.3%	1.3%
Discount Period					0.75	1.75	2.75	3.75	4.75
Discount Factor					0.95	0.88	0.82	0.76	0.71
PV of FCF					472,275	(9,710)	34,373	55,466	59,090

Exit Multiple Method (EV/EBITDA)	
Cumulative PV of FCF	611,495
Terminal Year EBITDA	512,694
Exit Multiple	5.3
Terminal Value	2,717,279
Discount factor	0.71
PV of TV	1,917,763
Enterprise Value	2,529,258
Less: Total Debt	56,543
Less: Preferred Stock	0
Less: Noncontrolling Interest	0
Plus: Cash and Cash Equivalents	552,000
Implied Equity Value	3,024,715
Shares Outstanding	39,760
Implied Share Price	\$76
Current Price	\$23.00
Upside	230.8%
EBITDA 2020	47,532
Implied EV/EBITDA 2020	53.21121363

Perpetuity Growth Method	
Cumulative PV of FCF	611,495
Terminal FCF	83,725
PGR	1.5%
Terminal Value	1,390,381
PV of Terminal Value	981,283
Enterprise Value	1,592,778
Less: Total Debt	56,543
Less: Preferred Stock	0
Less: Noncontrolling Interest	0
Plus: Cash and Cash Equivalents	552,000
Implied Equity Value	2,088,235
Shares Outstanding	39,760
Implied Share Price	\$53
Current Price	\$23.00
Upside	128.4%

Target Price Calculation		
	Price	% Weight
DCF (EV/EBITDA)	\$76	50%
DCF (PGR)	\$53	50%
Target Price	\$64	
Current Share Price	\$23.00	
Upside		180%

Disclosures

Babson College Fund

The Babson College Fund (BCF) is an academic program in which selected students manage a portion of the Babson College endowment. The program seeks to provide a rich educational experience through the development of investment research skills and the acquisition of equity analysis and portfolio management experience. Please visit <http://cutler.babson.edu> for more information.

Definition of Ratings

BUY: Expected to outperform the S&P 500 producing above average returns.

HOLD: Expected to perform in line with the S&P 500 producing average returns.

SELL: Expected to underperform the S&P 500 producing below average returns.

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