



# EXTERMINATORS LIMITED

## INITIAL PUBLIC OFFERING



### IPO DETAILS

Issue Price Per Share	LKR 6.00
Issue Value (LKR)	60 Mn
% of total shareholding	20%
IPO shares	10 Mn
Post IPO shares	50 Mn
Subscription open date	14/03/2022
Subscription close date	01/04/2022
CSE Listing	Empower Board

### UTILIZATION OF IPO PROCEEDS

#### 1 Setting up of a new Branch Network

LKR 20,038,500

#### 2 Investment in New Equipment and Vehicles for Colombo and Kandy Branches

LKR 8,502,000

#### 3 Investment in Local Manufacturing Plant

LKR 12,125,000

#### 4 Establishment of Retail Business and Sales Center

LKR 8,600,000

#### 5 Acquisition of Internationally renowned Pest Control Products

LKR 8,334,500

#### 6 Part Settlement of IPO expenses

LKR 2,400,000

**TOTAL LKR 60,000,000**

Awards	59
Employees	40+
Service Segments	4
Customers served	8100+
Ongoing Recurring Contracts	1000+

### COMPANY OVERVIEW

Exterminators Limited is an environmental enhancement technology company specializing in integrated pest management, integrated termite management, sanitation disinfection solutions, digital pest management solutions, non-chemical pest management technology, health and safety brands. Since its incorporation in 2004, the company helps enhancing the living standards of the communities by mitigating the health-risk from life threatening pests and microbes. The company also mitigates the risk from structural property infesting pest and prevent food contamination by providing innovative and environmentally sustainable solutions while totally off settling its carbon footprint. Exterminators is the winner of 59 national and international awards for brand, business, industrial excellence, entrepreneurship, environmental leadership, and social responsibility and is certified ISO 9001, ISO 14001, ISO 45001, ISO 22000 & COVID-19 SLS.

### PRODUCT PORTFOLIO



### PERFORMANCE HIGHLIGHTS

Financial Year (LKR'000)	FY19	FY20	FY21	9mFY22
Total assets	49,213	52,941	94,282	98,543
Total liabilities	50,445	48,328	37,078	31,706
Total equity	(1,232)	4,614	57,224	66,836
Revenue	88,178	98,763	115,607	90,844
<b>YOY GROWTH</b>	<b>-2.50%</b>	<b>12.00%</b>	<b>17.05%</b>	
EBIT	8,310	15,047	25,545	21,627
<b>EBIT MARGIN</b>	<b>9.42%</b>	<b>15.23%</b>	<b>22.10%</b>	
Profit Before Tax	-11,112	7,109	19,936	19,985
<b>PBT MARGIN</b>	<b>27.42%</b>	<b>163.98%</b>	<b>180.41%</b>	
Profit for the year	-11,112	6,373	14,859	16,453
<b>PROFIT MARGIN</b>	<b>27.45%</b>	<b>157.35%</b>	<b>133.15%</b>	

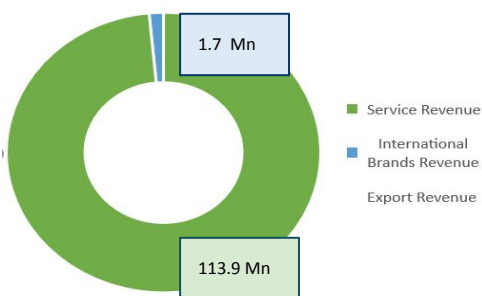
Profit After Tax (PAT) for 2020 has increased by 157.35% in comparison to 2019 as a result of a significant increase in the Disinfection income earned by the company in terms of the Covid -19 pandemic during the year. However in 2020, a profit after tax growth of 133% is recorded due Effective cost management and increased gross profit in order to yield a better operating and net profit margin.

### FUTURE STRATEGIES

- **Local business expansions**
- **Setting up operations in Maldives** -The Company expects to enter the Maldivian market with the support of a party in Maldives to ensure adequate access is secured. Since there are product exports already in presence, EXT would use these business relationships to select a suitable business partner in Maldives and expect operations to be commenced in 1st half of 2023 subject to completion of the due process to establish the business.
- **Fumigation and Waterproofing** - Company is expecting to obtain the required approvals for fumigation activities from the Office of Registrar of Pesticides of the Department of Agriculture. The business opportunities are expected to secure through existing and new clients. Any funding requirements are expected to be fulfilled using expected internally generated cash flows.



## REVENUE BREAKDOWN 2021



## VALUATION SUMMARY

## DISCOUNTED CASH FLOW VALUATION (DCF)

We estimate the group's bottom-line to grow at a 37.64% CAGR through FY2025E, growing from LKR 23 Mn in 2022E to 50Mn by 2025E once the IPO proceeds are fully invested in expansion activities. Our DCF valuation method, indicate the price to be LKR 4.39 inferring a 26.83% lower value than the IPO issue price of 6.00. We have taken the Risk-Free-rate as 12.25% required market return as 25.79% and the Beta for Chemical Services sector as 1.26.

## FORECASTED FINANCIAL STATEMENTS

Financial Year	FY22E	FY23E	FY24E	FY25E
Revenue (LKR'000)	126,308	151,080	181,027	214,005
YOY Growth %	9.26%	19.61%	19.82%	18.22%
Gross Profit (LKR Mn)	92,205	104,245	124,908	145,523
GP Margin	73.00%	69.00%	69.00%	68.00%
EBIT (LKR Mn)	41,778	48,060	62,115	77,229
EBIT Margin	33.08%	31.81%	34.31%	36.09%
EBITDA (LKR Mn)	47,710	57,745	72,171	86,486
EBITDA Margin	37.77%	38.22%	39.87%	40.41%
PAT(LKR Mn)	23,448	23,261	35,151	50,064
PAT Margin	18.56%	15.40%	19.42%	23.39%
EPS	0.47	0.47	0.70	1.00

3-year T- Bond avg. yield (as @ 02.03.2022)

12.25%

Cost of equity (Ke)

29.36%

Cost of Debt (Kd)

14.84%

Expected Return

25.79%

WACC

24.98%

## Future Outlook

The Global pest control services market is expected to expand at a CAGR of more than 5.2 percent between 2019 and 2025. In terms of Exterminators Private Limited we anticipate an average growth rate of 37.64 percent based on their insights in the prospectus. However, given an absence of published data, commenting on the industry potentials and risk is difficult.

## Observations by Analyst

1. Company has revalued the leased assets which increase the Net Asset value of the company post IPO by 27.49%. Given that company is not the absolute owner of leased assets and any defaults by the company would make the lessor to cease them.
2. Company displays characteristics of a family company and wish the independent directors will adopt a strong governance standards.

## EQUITY RESEARCH TEAM

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