EVA©

Executive Summary

"Economic Value Added"

Content analysis - May 17 2017

StockPointer

EXCO TECHNOLOGIES LIMITED XTC.

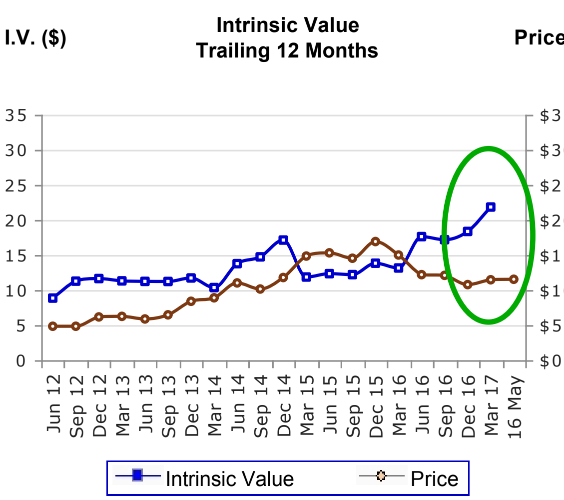
Address	**130 Spy Court, 2nd Floor**
	Markham, Ontario CANADA L3R 5H6
Telephone	**905-477-3065**
Stock Exchange	**TSE**
Web Site	**http://www.excocorp.com**
Fiscal Year	**September**
Economic Sector	**Consumer Discretionary**
SIC	**3363**
Price / Earning Ratio	**9.7**
Price / Book Value Ratio	**1.57**
Currency	**CND $ in Millions**

Its SPscore of 73% is the second best on the Canadian market, and almost all the indicators we consider in our evaluation process are positive.

Report Date : **16May17**	Price :	**$ 11.54**
Intrinsic Value	IV	Price / IV
Trailing 12 Months :	$ 21.84	0.53
Trailing 36 Months :	$ 21.84	0.53
Market Value Added (MVA)	$	%
Market Value of Total Capital :	556.930	100.0%
- Invested Capital :	377.558	67.8%
= Market Value Added :	179.372	32.2%
Future Growth Value (FGV)	$	%
Market Value of Total Capital :	556.930	100.0%
- Current Operating Value :	739.172	132.7%
= Future Growth Value :	(182.242)	-32.7%

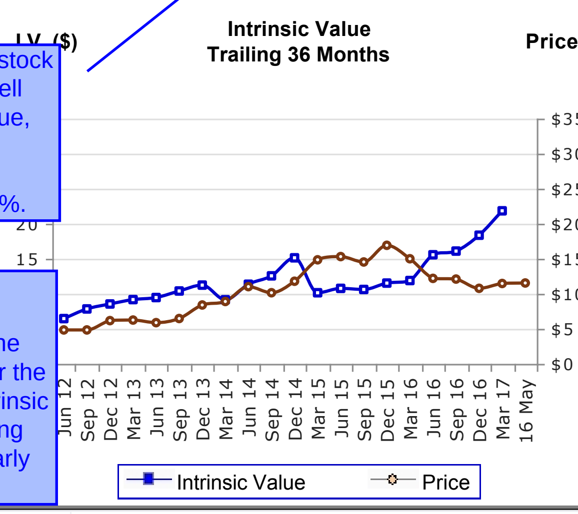
Peers US: CAAS DORM FSCR HZN KNDI MBLY MPAA SORL SRI STRT SUP SYPR THRM UFAB ZX
Peers CND: AM.H CYM. ESU. GPV. KLS. LNR. MG. UNI.

INTRINSIC VALUE



As for valuation, the stock is currently trading well below its intrinsic value, at a 0.53 P/IV ratio, reflecting a potential upside of close to 90%.

The discount is even more interesting considering that it's the largest observed over the past 5 years. The intrinsic value is also increasing very steadily since early 2015.



Trailing 12 Months						Trailing 36 Months				
MAR13	**MAR14**	**MAR15**	**MAR16**	**MAR17**		**MAR13**	**MAR14**	**MAR15**	**MAR16**	**MAR17**
					PERFORMANCE					
23.899	27.882	40.324	46.295	57.008	NOPAT	18.988	23.166	30.702	38.167	47.876
185.952	206.075	250.403	278.208	377.558	÷ Capital	185.952	206.075	250.403	278.208	377.558
12.9%	**13.5%**	**16.1%**	**16.6%**	**15.1%**	**= Return / Capital**	**10.9%**	**12.3%**	**14.3%**	**15.6%**	**15.9%**
6.2%	7.7%	9.7%	9.1%	7.7%	- Cost of Capital	6.2%	7.7%	9.7%	9.1%	7.7%
6.6%	**5.9%**	**6.4%**	**7.5%**	**7.4%**	**= Performance Spread**	**4.7%**	**4.6%**	**4.6%**	**6.5%**	**8.1%**
					VALUATION					
268.475	217.478	240.173	337.559	577.922	Future EVA	181.416	167.385	167.757	284.045	577.922
191.667	213.835	262.278	290.623	391.847	+ Capital (Adj. Mid-Year)	191.667	213.835	262.278	290.623	391.847
460.142	**431.313**	**502.452**	**628.182**	**969.769**	**= Total IV**	**373.083**	**381.220**	**430.035**	**574.668**	**969.769**
0.000	2.053	1.010	69.383	39.405	- Long Term Debt	0.000	2.053	1.010	69.383	39.405
0.000	0.000	0.000	0.000	0.000	- Other Liabilities	0.000	0.000	0.000	0.000	0.000
460.142	**429.260**	**501.442**	**558.799**	**930.364**	**= IV of Equity**	**373.083**	**379.167**	**429.025**	**505.285**	**930.364**
40.678	41.453	42.278	42.497	42.594	÷ Shares Outstanding	40.678	41.453	42.278	42.497	42.594
$ 11.31	**$ 10.36**	**$ 11.86**	**$ 13.15**	**$ 21.84**	**= IV of a Share**	**$ 9.17**	**$ 9.15**	**$ 10.15**	**$ 11.89**	**$ 21.84**
$ 6.25	$ 8.90	$ 14.85	$ 15.00	$ 11.47	Share Price	$ 6.25	$ 8.90	$ 14.85	$ 15.00	$ 11.47
0.55	**0.86**	**1.25**	**1.14**	**0.53**	**Price / Intrin. Value**	**0.68**	**0.97**	**1.46**	**1.26**	**0.53**

The return on capital is high, at 15.1%, and the long-term trend is positive. The NOPAT has also been growing at an impressive pace of 25% per year in the past 5 years, so is the invested capital, which shows how well management can identify the best investment opportunities for shareholders.

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Other more traditional ratios also suggest the multiples are very conservative: the price-to-earnings is at 9.7, and the price-to-book is at 1.57.

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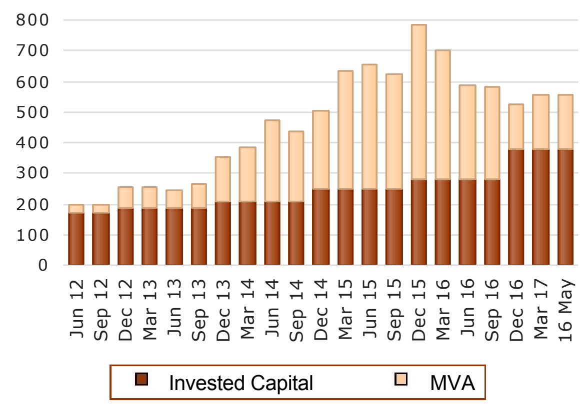
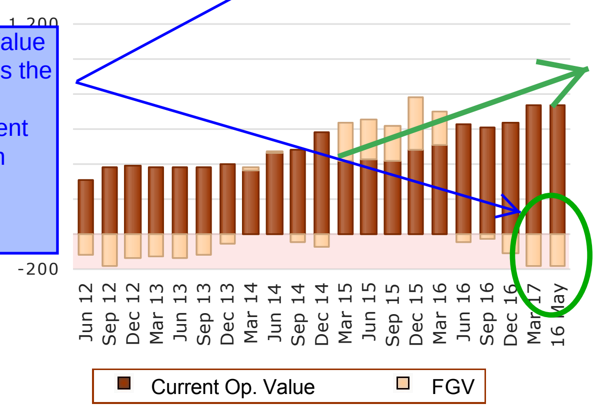
MARKET PERFORMANCE

(M$) Market Value Added (MVA)



The Future Growth Value (FGV) of -33% tells us the enterprise value is smaller than the current operating value, even though the latter is growing nicely.

(M$) Future Growth Value (FGV)



Trailing 12 Months						Quarterly				
MAR13	**MAR14**	**MAR15**	**MAR16**	**MAR17**		**MAR16**	**JUN16**	**SEP16**	**DEC16**	**MAR17**
$ 6.25	**$ 8.90**	**$ 14.85**	**$ 15.00**	**$ 11.47**	**Price**	**$ 15.00**	**$ 12.20**	**$ 12.10**	**$ 10.78**	**$ 11.47**
					Market Value Added (MVA)					
256.852	383.961	634.333	702.954	553.948	**Total Market Value**	702.954	584.627	580.407	524.404	553.948
185.952	206.075	250.403	278.208	377.558	**- Invested Capital**	278.208	278.208	278.208	377.558	377.558
70.899	**177.886**	**383.930**	**424.746**	**176.390**	**= MVA**	**424.746**	**306.419**	**302.199**	**146.846**	**176.390**
28%	46%	61%	60%	32%	**% Market Value**	60%	52%	52%	28%	32%
					Current Operating Value (COV)					
23.899	27.882	40.324	46.295	57.008	**NOPAT**	46.295	51.204	50.114	53.118	57.008
6.2%	7.7%	9.7%	9.1%	7.7%	**÷ Cost of Capital**	9.1%	8.2%	8.3%	8.4%	7.7%
382.916	**363.352**	**415.294**	**507.396**	**739.172**	**= COV**	**507.396**	**626.246**	**605.718**	**633.666**	**739.172**
149%	95%	65%	72%	133%	**% Market Value**	72%	107%	104%	121%	133%
					Future Growth Value (FGV)					
256.852	383.961	634.333	702.954	553.948	**Total Market Value**	702.954	584.627	580.407	524.404	553.948
382.916	363.352	415.294	507.396	739.172	**- COV**	507.396	626.246	605.718	633.666	739.172
(126.065)	**20.609**	**219.039**	**195.558**	**(185.224)**	**= FGV**	**195.558**	**(41.619)**	**(25.312)**	**(109.262)**	**(185.224)**
-49%	5%	35%	28%	-33%	**% Market Value**	28%	-7%	-4%	-21%	-33%

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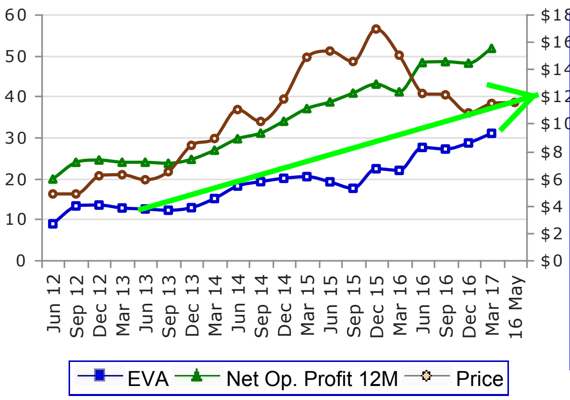
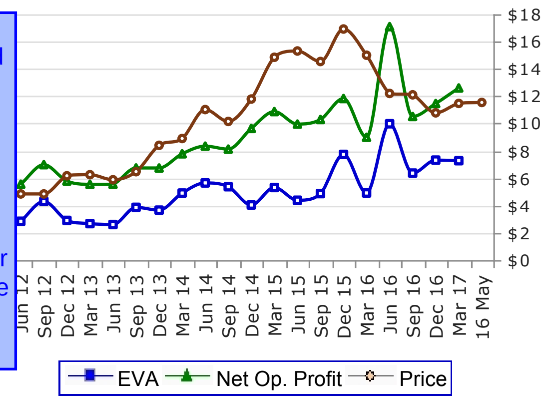
ECONOMIC PERFORMANCE

(M$) **EVA, Net Operating Profit Trailing 12 Months** Price



The economic performance is also good and getting even better. The EVA is extremely stable, its growth rate being very linear and predictable. It confirms the company can create more and more wealth for its shareholders over time thanks to wise capital deployment.

(M$) **EVA, Net Operating Profit Quarterly** Price



Trailing 12 Months						Quarterly				
MAR13	MAR14	MAR15	MAR16	MAR17		MAR16	JUN16	SEP16	DEC16	MAR17
					Net Operating Profit After Tax (NOPAT)					
33.302	37.655	52.241	62.854	72.724	Operating Profit	12.961	20.029	16.274	18.250	18.171
0.031	1.281	2.858	4.944	6.562	+ Adjustments	1.692	1.692	1.692	1.540	1.637
9.435	11.054	14.775	21.502	22.278	- Income Tax	3.988	5.986	5.846	5.193	5.253
23.899	**27.882**	**40.324**	**46.295**	**57.008**	**= NOPAT**	**10.665**	**15.735**	**12.120**	**14.597**	**14.555**
					Economic Value Added (EVA)					
23.899	27.882	40.324	46.295	57.008	NOPAT	10.665	15.735	12.120	14.597	14.555
11.203	12.869	19.964	24.408	26.068	- Capital Charge	5.754	5.754	5.754	7.280	7.280
12.696	**15.013**	**20.360**	**21.888**	**30.940**	**= EVA**	**4.911**	**9.981**	**6.366**	**7.318**	**7.276**
5.465	2.317	5.347	1.528	9.052	Change in EVA	(2.824)	5.070	(3.615)	0.952	(0.042)
					Analysis					
185.952	206.075	250.403	278.208	377.558	Capital	278.208	278.208	278.208	377.558	377.558
12.9%	13.5%	16.1%	16.6%	15.1%	Return / Capital	3.8%	5.7%	4.4%	3.9%	3.9%
2.06	1.76	1.66	1.82	1.96	Performance Index	0.42	0.69	0.53	0.46	0.50
0.06	0.06	0.07	0.06	0.08	EVA / Capital	0.01	0.03	0.02	0.02	0.02
$ 0.31	$ 0.36	$ 0.48	$ 0.52	$ 0.73	EVA / Share	$ 0.12	$ 0.24	$ 0.15	$ 0.17	$ 0.17
$ 0.13	$ 0.05	$ 0.12	$ 0.03	$ 0.21	Change in EVA / Share	$ (0.07)	$ 0.12	$ (0.09)	$ 0.02	$ (0.00)

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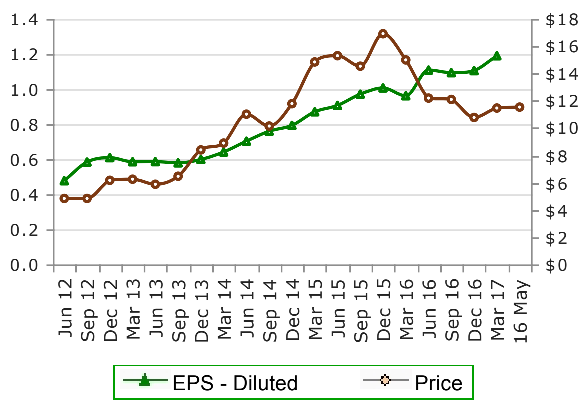
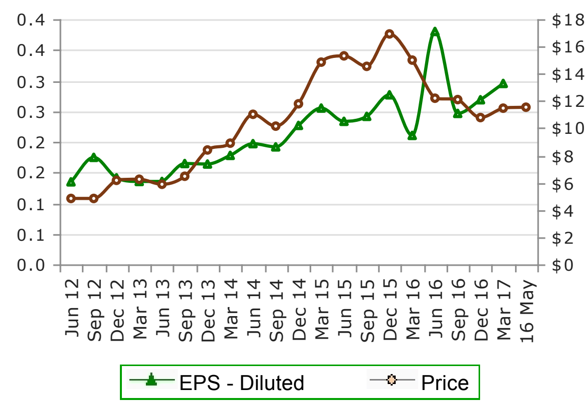
ACCOUNTING PERFORMANCE

($) **EPS (Diluted) and Price Trailing 12 Months** Price



($) **EPS (Diluted) and Price Quarterly** Price



Trailing 12 Months						Quarterly				
MAR13	MAR14	MAR15	MAR16	MAR17		MAR16	JUN16	SEP16	DEC16	MAR17
					Selected Income Statement Items					
239.147	272.725	467.257	517.198	631.585	**Sales**	133.383	161.671	163.034	153.097	153.783
169.364	196.282	361.636	394.038	491.909	**Cost of Goods Sold**	104.399	127.099	129.132	117.953	117.725
0.000	@NA	@NA	@NA	@NA	**R + D**	@NA	@NA	@NA	@NA	@NA
33.302	37.655	52.241	62.854	72.724	**Operating Profit**	12.961	20.029	16.274	18.250	18.171
23.995	26.493	36.973	41.066	50.805	**Net Income**	8.989	16.226	10.514	11.463	12.602
$ 0.16	$ 0.19	$ 0.21	$ 0.25	$ 0.29	**Dividends**	$ 0.07	$ 0.07	$ 0.07	$ 0.07	$ 0.08
$ 0.59	$ 0.65	$ 0.88	$ 0.97	$ 1.19	**EPS**	$ 0.21	$ 0.38	$ 0.25	$ 0.27	$ 0.30
$ 0.59	$ 0.64	$ 0.87	$ 0.96	$ 1.19	**EPS - Diluted**	$ 0.21	$ 0.38	$ 0.25	$ 0.27	$ 0.30
40.678	41.453	42.278	42.497	42.594	**Common Shares**	42.497	42.426	42.565	42.584	42.594
					Selected Balance Sheet and CashFlow Items					
116.438	159.723	180.233	275.866	217.107	**Current Assets**	275.866	221.319	226.768	213.910	217.107
@NA	@NA	@NA	@NA	@NA	**Other Assets**	@NA	@NA	@NA	@NA	@NA
27.755	87.526	80.204	85.524	93.557	**Current Liabilities**	85.524	98.769	111.749	95.762	93.557
31.261	91.356	86.311	160.566	140.765	**Total Liabilities**	160.566	177.672	173.536	151.281	140.765
154.825	190.706	225.820	256.431	300.925	**Common Equity**	256.431	268.712	279.405	289.258	300.925
6.802	(1.352)	(2.477)	27.019	41.703	**Free CashFlow**	3.263	7.109	14.664	15.675	4.255

XTC's accounting performance is also solid. The revenues have been growing at a fast pace over the past 5 years, just like the earnings per share. The company regularly increases its dividend, at an average rate of 16% per year. The dividend yield of 2.8% is also appealing, especially for a mid cap and knowing it's not at risk. The payout is below 25%, which is very conservative, and the company generates positive free cash-flows. The balance sheet is robust, and leverage is low with a Debt/Equity ratio of 13%.