PS2: GOING GLOBAL

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Tomo Kumaki
Ian Tan
JC Vanbrunt
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JVs: NIES and Nahai

Ownership

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Financials

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ENTER CHINA NOW
Current PCB/POPs Markets

1,550,000 tons (POPs)

China

550,000 tons

Canada

200,000 tons
Canadian Market projected to be depleted in 2 years
PS2 needs to find another Market
## Possible Markets

<table>
<thead>
<tr>
<th></th>
<th>Current Market Size</th>
<th>Future Market Size</th>
<th>Barriers to Entry</th>
<th>Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Large</td>
<td>Large</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Canadian Oil Sludge</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td>US PCB</td>
<td>Moderate</td>
<td>Small</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
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## Possible Markets

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<thead>
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<th>Competition</th>
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</thead>
<tbody>
<tr>
<td><strong>China</strong></td>
<td><img src="https://via.placeholder.com/50" alt="Green Circle" /></td>
<td><img src="https://via.placeholder.com/50" alt="Green Circle" /></td>
<td><img src="https://via.placeholder.com/50" alt="Green Circle" /></td>
<td><img src="https://via.placeholder.com/50" alt="Green Circle" /></td>
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<tr>
<td><strong>Canadian Oil Sludge</strong></td>
<td><img src="https://via.placeholder.com/50" alt="Yellow Triangle" /></td>
<td><img src="https://via.placeholder.com/50" alt="Yellow Triangle" /></td>
<td><img src="https://via.placeholder.com/50" alt="Green Circle" /></td>
<td><img src="https://via.placeholder.com/50" alt="Red Circle" /></td>
</tr>
<tr>
<td><strong>US PCB</strong></td>
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<td><img src="https://via.placeholder.com/50" alt="Red Circle" /></td>
<td><img src="https://via.placeholder.com/50" alt="Red Circle" /></td>
<td><img src="https://via.placeholder.com/50" alt="Red Circle" /></td>
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<tbody>
<tr>
<td>China</td>
<td>◼️</td>
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<td>◼️</td>
</tr>
<tr>
<td>Canadian Oil Sludge</td>
<td>▲</td>
<td>▲</td>
<td>◼️</td>
<td>◼️</td>
</tr>
<tr>
<td>US PCB</td>
<td>◼️</td>
<td>◼️</td>
<td>◼️</td>
<td>◼️</td>
</tr>
</tbody>
</table>
China Offers an Opportunity for attractive Emerging Markets
POPs & PCB
Oil Sludge
Pharmaceutical Wastes
Pesticides
Interest & Support from the Chinese Government
Firm’s International Experience
ENTER CHINA NOW
PHASE SEPARATION SOLUTIONS

“to become a fully integrated and more diversified environmental service company.”
NEIS

“key technical provider for policies, legislation, action plans & technical guidelines on biodiversity conservation in China.”
NAHAI

“to become a leader in solid waste management company in Zhejiang, Zhoushan area”
Partner with NIES,
then with Nahai
# Alternative Matrix Evaluation

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Importance</th>
<th>JV w/ NIES</th>
<th>JV Both</th>
<th>JV w/ Nahai</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial ST</td>
<td>MED</td>
<td>-</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Financial LT</td>
<td>HIGH</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Competitor Response</td>
<td>LOW</td>
<td>+</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Marketplace Conduciveness</td>
<td>HIGH</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Low Risk</td>
<td>HIGH</td>
<td>0</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Synergy</td>
<td>MED</td>
<td>+</td>
<td>0</td>
<td>+</td>
</tr>
<tr>
<td>Cash Flows</td>
<td>HIGH</td>
<td>-</td>
<td>+</td>
<td>-</td>
</tr>
</tbody>
</table>
## Alternative Matrix Evaluation

<table>
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<th>JV Both</th>
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</thead>
<tbody>
<tr>
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<td>+</td>
</tr>
<tr>
<td>Financial LT</td>
<td>HIGH</td>
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</tr>
<tr>
<td>Competitor Response</td>
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<td>+</td>
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<td>+</td>
</tr>
<tr>
<td>Synergy</td>
<td>MED</td>
<td>0</td>
</tr>
<tr>
<td>Cash Flows</td>
<td>HIGH</td>
<td>+</td>
</tr>
</tbody>
</table>
JV with Both
However, there are constraints
Labor/HR Constraint

Financial Constraint
Which project should PS2 pursue first?
Partner with NIES first
Support from the State
Open Market

Only competition
Immediate Source of Larger Revenue

Projected Revenue

$15mil

$10mil

$5mil

0 mil

Year 1

Year 2

Year 3

NIES

Nahai
Partner with NIES
then with Nahai
Overview

Entering China

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Conclusion
50:50 Contractual Based JV with NIES

60:40 Contractual Based JV with Nahai
50:50 with NIES

Cost Sharing

Little Threat with IP

Emphasis on nationalism
60:40 with Nahai

Risk of IP Dilution

Cost Sharing

Existing Infrastructure

Dual Axis Consulting
Comparison of Joint Ventures

1. Equity
2. Contractual
Equity

Sharing of mutual risk and reward

Minimum of 25% stake in company by FI

Cooperation is Key

Contractual

Negotiable Terms

Profit Sharing on per contract basis
50:50 Contractual Based JV with NIES

60:40 Contractual Based JV with Nahai
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### Timeline

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2010</th>
<th>2011</th>
</tr>
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<tbody>
<tr>
<td>1st Q</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2nd Q</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3rd Q</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4th Q</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st Q</td>
<td>May</td>
<td>June</td>
</tr>
<tr>
<td>2nd Q</td>
<td>July</td>
<td>August</td>
</tr>
<tr>
<td>3rd Q</td>
<td>September</td>
<td>October</td>
</tr>
<tr>
<td>4th Q</td>
<td>November</td>
<td>December</td>
</tr>
</tbody>
</table>

#### China

- **Invest with NEIS**
- **On-site research on POP/PCB**
- **Full-scale operations at the new facility**
- **Hiring, Training & Establishing Facilities**

#### Canada

- **Resource allocation away from Calgary, Canada to China**
- **Recruit & train new employees for overseas deployment**
- **Sending new employees with senior management supervision to China. On job training with locals**
- **Dovetail launch of global headquarters in China**
Invest with NEIS
Hiring, Training & Establishing Facilities
Resource allocation from Calgary
Recruit & train new employees for overseas deployment

Invest with Nahai
Continued investments. Possible Diversifications to Pharmaceutical
Exploration of other markets in the region
Dovetail launch of global headquarters in China
Market research into potential markets, liaison with local governments, etc.

Expand into Indian market

Dual Axis Consulting
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Revenue & COGS
each year for NEIS POP operation

('000 $)
Revenue & COGS each year for oil sludge operation

Revenue (‘000 $)

COGS (‘000 $)

Year

2015 2016 2017 2018 2019
Positive Free Cash Flow after 2010

<table>
<thead>
<tr>
<th>(In 000’s)</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>Free Cash Flow ($)</td>
<td>(1,591)</td>
<td>3,963</td>
<td>5,075</td>
<td>5,953</td>
<td>7,108</td>
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</table>
Positive Free Cash Flow after 2015

<table>
<thead>
<tr>
<th>(In 000’s)</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free Cash Flow ($)</td>
<td>(2,781)</td>
<td>2,104</td>
<td>6,319</td>
<td>11,873</td>
<td>16,728</td>
</tr>
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</table>
Net Present Value

NEIS JV = $13.97mil

Nahai JV = $13.788mil
Source of funding

• Cash Balance $7.4 million

• No long-term debt on B/S

• Need $1.5 million for NEIS JV

• Need $1.8 million for Nahai JV
Financial Position in 2010

(Million $)

2009 2010

Cash

Debt

2009

2010
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then Nahai
50:50 Contractual Based JV with NIES

60:40 Contractual Based JV with Nahai
Thank You
<table>
<thead>
<tr>
<th>Where</th>
<th>What</th>
<th>How</th>
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<tbody>
<tr>
<td>Situation</td>
<td>SWOT</td>
<td>Finance</td>
</tr>
<tr>
<td>Countries</td>
<td>Regulations</td>
<td>Competition</td>
</tr>
<tr>
<td>Markets</td>
<td>JV</td>
<td>Miscellaneous</td>
</tr>
</tbody>
</table>
Q & A

Where
- Situation
- Countries
- Markets

What
- SWOT
- Regulations
- JV

How
- Finance
- Competition
- Miscellaneous

Presentation
- Comp. Experience

Appendix
- Canada v. China
- Hofstede
- Country Attractive
Q & A

Where
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- SWOT
- Regulations
- JV

How
- Finance
- Competition
- Miscellaneous

Presentation
- PCB/POP

Appendix
- Competitors
<table>
<thead>
<tr>
<th>Where</th>
<th>What</th>
<th>How</th>
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</thead>
<tbody>
<tr>
<td>Situation</td>
<td>SWOT</td>
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<td>Competition</td>
</tr>
<tr>
<td>Markets</td>
<td>JV</td>
<td>Miscellaneous</td>
</tr>
</tbody>
</table>

**Appendix**

- Law
- Reg. Pollution
Q & A

Where
- Situation
- Countries
- Markets

What
- SWOT
- Regulations
- JV

How
- Finance
- Competition
- Miscellaneous

Appendix
- Policy FI
## Q & A

### Where
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- Countries
- Markets

### What
- SWOT
- Regulations
- JV

### How
- Finance
- Competition
- Miscellaneous

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**Appendix**
- Analysis
## Q & A

### Where
- Situation
- Countries
- Markets

### What
- SWOT
- Regulations
- JV

### How
- Finance
- Competition
- Miscellaneous

### Presentation
- Comp. Profile
- Timeline
- HR

### Appendix
- TPS unit
- Comp Strategy

---

*Dual Axis Consulting*
(1) Wastes incineration

<table>
<thead>
<tr>
<th>Type</th>
<th>Application</th>
<th>Development and application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic wastes incineration</td>
<td>Little</td>
<td>Development and</td>
</tr>
<tr>
<td>Hazardous wastes incinerization</td>
<td>Little</td>
<td>application</td>
</tr>
<tr>
<td>Medical wastes incinerization</td>
<td>Little</td>
<td>Development and</td>
</tr>
<tr>
<td>Sludge incineration</td>
<td>Little</td>
<td>Preliminary stage</td>
</tr>
<tr>
<td>Cement kiln burning hazardous wastes</td>
<td>Little</td>
<td>Development and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>application</td>
</tr>
</tbody>
</table>

(3) Steel

<table>
<thead>
<tr>
<th>Type</th>
<th>Application</th>
<th>Development and application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ironstone sinter</td>
<td>Little</td>
<td>Preliminary stage</td>
</tr>
<tr>
<td>Steel making in electric arc furnace</td>
<td>Little</td>
<td>Preliminary stage</td>
</tr>
</tbody>
</table>

(4) Regenerated non-ferrous metal

<table>
<thead>
<tr>
<th>Type</th>
<th>Application</th>
<th>Development and application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regenerated copper</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Regenerated aluminum</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Regenerated zinc</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Regenerated lead</td>
<td>No</td>
<td>No</td>
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</table>

(5) Funeral and interment (cremation machine)

<table>
<thead>
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<th>Type</th>
<th>Application</th>
<th>Development and application</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Development and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>application</td>
</tr>
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</table>

(6) Chemical industry

<table>
<thead>
<tr>
<th>Type</th>
<th>Application</th>
<th>Development and application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production of Na-PCP</td>
<td>Little</td>
<td></td>
</tr>
<tr>
<td>Chlorophenol derivatives production</td>
<td>No</td>
<td>Attention</td>
</tr>
<tr>
<td>Chloranil production</td>
<td>Little</td>
<td></td>
</tr>
<tr>
<td>Chlorobenzene production</td>
<td>No</td>
<td>Attention</td>
</tr>
<tr>
<td>Chlor-alkali</td>
<td>Little</td>
<td></td>
</tr>
<tr>
<td>PVC production</td>
<td>No</td>
<td>Attention</td>
</tr>
<tr>
<td>China</td>
<td>Canada</td>
<td></td>
</tr>
<tr>
<td>-------------------------------</td>
<td>--------------------------------</td>
<td></td>
</tr>
<tr>
<td>3,473,600 metric tons of CO2 emissions (2&lt;sup&gt;nd&lt;/sup&gt;)</td>
<td>521,404 metric tons of CO2 emissions (8&lt;sup&gt;th&lt;/sup&gt;)</td>
<td></td>
</tr>
<tr>
<td>1.84 ecological footprint/capita (77&lt;sup&gt;th&lt;/sup&gt;)</td>
<td>7.66 ecological footprint/capita (9&lt;sup&gt;th&lt;/sup&gt;)</td>
<td></td>
</tr>
<tr>
<td>2,790,000 tons/sq km SO2 emissions/populated area (19&lt;sup&gt;th&lt;/sup&gt;)</td>
<td>2,790,000 tons/sq km SO2 emissions/populated area (22&lt;sup&gt;nd&lt;/sup&gt;)</td>
<td></td>
</tr>
<tr>
<td>$193 billion on environmental cleanup in 2010 (1.39% GDP)</td>
<td>$854 million on environmental cleanup in 2010 (0.05% GDP)</td>
<td></td>
</tr>
</tbody>
</table>

http://www.nationmaster.com/compare/Canada/China/Environment
Hofstede’s Scale
China vs. Canada

China
in comparison with the below

<table>
<thead>
<tr>
<th>Variable</th>
<th>China</th>
<th>Canada</th>
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<tbody>
<tr>
<td>PDI</td>
<td>39</td>
<td>80</td>
</tr>
<tr>
<td>IDV</td>
<td>20</td>
<td>80</td>
</tr>
<tr>
<td>MAS</td>
<td>52</td>
<td></td>
</tr>
<tr>
<td>UAI</td>
<td>30</td>
<td>48</td>
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<tr>
<td>LTO</td>
<td>118</td>
<td>23</td>
</tr>
</tbody>
</table>

China: darker bars
Canada: lighter bars
Market Attractiveness – factors such as:
- Gross domestic product (GDP) per capita and growth
- General income levels and disposable income levels (Price)
- Competitors already in the marketplace
- Specific Consumer or B2B spending indicators for Products
- Country sentiments about country of origin

Political, Legal and Financial environment such as:
- Trade Barriers- tariffs, licenses, FDI restrictions, JV requirements
- Political Stability, Currency stability and inflation controls
- New Business start up processes and length of time
- Intellectual Property Protection or Corruption indicators

Marketing Infrastructure
- Distribution (Place)
- Promotions/Advertising/Sales Force

Company Fit with Country through factors such as:
- Cultural Fit
- Geographic proximity to existing operations
- Company Specific parameters (minimum locations, brand control)
- Company policy regarding staffing (Expats, Foreign Nationals, etc.)
# Attractiveness Table Example

<table>
<thead>
<tr>
<th>Country/Weight</th>
<th>GDP per person</th>
<th>GDP Growth</th>
<th>Time req. to start business</th>
<th>Govt. Corruption (10= clean)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>$5,659</td>
<td>2.30%</td>
<td>152 days</td>
<td>3.7</td>
<td>4.8</td>
</tr>
<tr>
<td>score</td>
<td>8</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>$6,932</td>
<td>6.40%</td>
<td>28 days</td>
<td>2.4</td>
<td>7.1</td>
</tr>
<tr>
<td>score</td>
<td>9</td>
<td>6</td>
<td>8</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>$816</td>
<td>9.20%</td>
<td>35 days</td>
<td>2.9</td>
<td>6.4</td>
</tr>
<tr>
<td>score</td>
<td>3</td>
<td>9</td>
<td>7</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>$2,034</td>
<td>10.20%</td>
<td>35 days</td>
<td>3.2</td>
<td>7.8</td>
</tr>
<tr>
<td>score</td>
<td>6</td>
<td>10</td>
<td>7</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>USA benchmark</td>
<td>$44,150</td>
<td>3.20%</td>
<td>5 days</td>
<td>7.6</td>
<td></td>
</tr>
</tbody>
</table>

### Strengths:
- Innovative
- Strong leadership
- Forward-thinking
- Technical expertise

### Weakness:
- Small-sized firm
- Limited specialized workforce
- Low market cap
- Steep domestic comp.

### Opportunities:
- Expansion into a major global market
- Relationships with potential partners
- Increased emphasis on environmental protection

### Threats:
- Susceptible to market forces
- Potential dilution of Intellectual Property
<table>
<thead>
<tr>
<th>Strengths:</th>
<th>Weakness:</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Federal enforcement agency</td>
<td>✓ Potential bureaucracy within government agency</td>
</tr>
<tr>
<td>✓ Regulatory power</td>
<td>✓ Working with government agency could be subjected to political climate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities:</th>
<th>Threats:</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Potential liaisons with other provincial enforcement agency</td>
<td>✓ Potential renege without remuneration</td>
</tr>
<tr>
<td></td>
<td>✓ State officials and workers may have little or no motivation to exceed performance</td>
</tr>
</tbody>
</table>
**Strengths:**
- Existing facilities
- Similar corporate culture with existing firm
- Forward thinking leadership

**Weakness:**
- High risk of dilution of Intellectual Property
- Uncertainty of host country

**Opportunities:**
- Potential liaisons with affiliates
- Perpetual revenue with high probability of increased reports

**Threats:**
- Operating in the host country (China) court of law
- Potential disputes unresolvable
STOCK PRICE ANALYSIS

Increase from $0.05 to $0.35
400% increase in stock price

Expanding into the Chinese market would create $3.76 Million worth of equity for shareholders
### Net Present Value for NEIS JV

<table>
<thead>
<tr>
<th>(In 000’s)</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>3,030</td>
<td>9,090</td>
<td>12,120</td>
<td>15,150</td>
<td>18,180</td>
</tr>
<tr>
<td><strong>COGS</strong></td>
<td>(1,212)</td>
<td>(3,817)</td>
<td>(5,454)</td>
<td>(7,423)</td>
<td>(8,999)</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>(454)</td>
<td>(909)</td>
<td>(1,363)</td>
<td>(1,818)</td>
<td>(2,272)</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>1,363</td>
<td>4,363</td>
<td>5,302</td>
<td>5,908</td>
<td>6,908</td>
</tr>
<tr>
<td><strong>Taxes @30%</strong></td>
<td>(409)</td>
<td>(1,308)</td>
<td>(1,590)</td>
<td>(1,772)</td>
<td>(2,072)</td>
</tr>
<tr>
<td><strong>NI</strong></td>
<td>954</td>
<td>3,054</td>
<td>3,711</td>
<td>4,135</td>
<td>4,835</td>
</tr>
<tr>
<td><strong>Add Dep.</strong></td>
<td>454</td>
<td>909</td>
<td>1,363</td>
<td>1,818</td>
<td>2,272</td>
</tr>
<tr>
<td><strong>CAPEX</strong></td>
<td>(3,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FCF</strong></td>
<td>(1,591)</td>
<td>3,963</td>
<td>5,075</td>
<td>5,953</td>
<td>7,108</td>
</tr>
<tr>
<td><strong>PV @10%</strong></td>
<td>(1,591)</td>
<td>3,725</td>
<td>3,813</td>
<td>4,066</td>
<td>4,413</td>
</tr>
<tr>
<td><strong>NPV</strong></td>
<td>13,977</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Net Present Value JV with Nahai

<table>
<thead>
<tr>
<th>(In 0000’s)</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>90</td>
<td>3,030</td>
<td>9,090</td>
<td>18,180</td>
<td>25,755</td>
</tr>
<tr>
<td>COGS</td>
<td>(36)</td>
<td>(1,272)</td>
<td>(4,090)</td>
<td>(8,908)</td>
<td>(12,748)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(600)</td>
<td>(600)</td>
<td>(600)</td>
<td>(600)</td>
<td>(600)</td>
</tr>
<tr>
<td>EBIT</td>
<td>(545)</td>
<td>1,157</td>
<td>4,399</td>
<td>8,671</td>
<td>12,406</td>
</tr>
<tr>
<td>Taxes @30%</td>
<td>(163)</td>
<td>(347)</td>
<td>(1,319)</td>
<td>(2,601)</td>
<td>(3,721)</td>
</tr>
<tr>
<td>NI</td>
<td>(381)</td>
<td>1,504</td>
<td>3,711</td>
<td>11,273</td>
<td>16,128</td>
</tr>
<tr>
<td>Add Dep.</td>
<td>600</td>
<td>600</td>
<td>600</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td>CAPEX</td>
<td>(3,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FCF</td>
<td>(2,781)</td>
<td>2,104</td>
<td>6,319</td>
<td>11,873</td>
<td>16,728</td>
</tr>
<tr>
<td>PV @10%</td>
<td>(2,781)</td>
<td>1,739</td>
<td>4,747</td>
<td>8,109</td>
<td>10,386</td>
</tr>
<tr>
<td>NPV</td>
<td>13,785</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The following criteria are used in evaluation:

- **Financial short-term** – will the alternative create a high short-term ROI?
- **Financial long-term** – will the alternative create a good long-term ROI?
- **Competitor’s response** – how will the market react to our strategies?
- **Conduciveness of market place** – does the market allow our strategies to work?
- **Risk** – will the alternative have a better chance to succeed?
- **Synergy** – will all partners corroborate well together?
- **Cash Flow** – will it affect the cash on hand of the company?
Law on the Prevention and Control of Environmental Pollution by Solid Waste

The principle of “the one who polluted shall treat”

- If companies refuse to clean contaminated sites, country level EPA can appoint others to condue proper treatment and the cost is borne by the responsible units or individuals.

The PRC NIP for the Stockholm Convention on POPs
http://www.pops.int/documents/implementation/nips/submissions/China_NIP_En.pdf
Chinese Regulatory Environment for Pollution

2004: **HCB** production and use banned.

2007: the **total amount** of releases of **POPs** was on the **increase** in China.

2009: Banned the production and use of **Chlordane, Mires** and **DDT**.
Implications of the Chinese Regulatory Environment

**Favorable** for PS2’s business in China

- Recent ban on toxic substances
- **Opportunity for future** potential market
- Tightening regulation by the government
- Creates more **demand** for our service
- Increasing Pollution in China
- **Increases** the market size
Governmental Policies for Foreign Investments

1. The National Medium- and Long- Term Plan for the Development of Science and Technology
   I. China’s Indigenous Innovation Policy
China’s Indigenous Innovation Policy

Goal: “To advance China to the forefront of technological leadership in terms of LEADERSHIP”
Chinese ministry announced...

- National Catalogue
- Favors local companies
- Linking government procurement market
Intellectual Property Rights

- Foreign companies must own IP rights
- Prompting of technological secret revealing

Joint Ventures

- Split equity of Company
- Sharing of Resources

Government Procurement Market

- National Catalogue
- Lifted links + Ongoing Effects
Competitor’s Analysis

• Incineration Technology
• Market capitalization at $81 million
• 80,000 tons capacity. 4x of PS2 capacity
• BEV has been seeking opportunities to divest into other markets. Currently only in Canada.
• Diversified into treatment of contaminated construction debris
• Currently operating in the United States market, PS2 has not done so
Competitor’s Analysis

- Thermal Desorption Unit (TDU)
- Consortium recently won a bid with the World Bank at $3.7 million in 2009
- Operates at a higher capacity (2-3 tons/hour) at a fixed location. No mobile unit
- No further information about successful implementation on TDU specifications
- Biggest and direct competitor in the Chinese market
Alignment with the Company’s Strategic Goal

Geographic and Product Diversification