

Aarons Ord Shs (AAN)

Price:	\$26.20	Price/Book:	2.04	EV/EBITDA 5x TV:	\$49.79
Market Cap:	\$1,991,986,058	Price/Earnings:	17.51	Net Tangible Asset TV:	\$20.91
Cash:	\$176,260,000	EV/EBITA:	1.46	SN Defined TV:	\$74.94
Debt:	\$153,790,000	EV/FCF:	16.96	Economic Value Added:	\$51.76
Net Cash:	\$22,470,000	Net Tang. Asset/Share:	\$9.13	Year 5 Target:	\$49.35
Enterprise Value:	\$1,969,516,058	Avg. Year 1-5 FCF/Share:	\$2.39	Appreciation:	88.355%

Lease to ownership retail brand with 1,200 stores in the U.S. Mainly in electronics, furniture, household appliances such as t.v.s, fridge, washer/dryers. Customers are individuals who can't obtain a line of credit to make the durable good purchases, especially beneficial to the company during weak, recessionary periods like today.

Company has strong, consistent cashflow/YoY growth, balance sheet. Non cash items in cashflow is the net proceeds from merchandise sales. Company repurchased stock by issuing new debt at low interest rates.

Technicals

Wedge up/Triangle ascending. Good time to enter at the threshold of an up swing. Support at \$24.90.

Dividend?

Dividend yield is 0.23%.

Price to Book

Price to book is 2.03. Price to book excluding intangibles is 2.87.

Cashflow Generation

Cashflows are \$265.0 MM from operating cashflow.

Capex is \$80 MM, minority interest payment is \$0 MM, intangibles are \$0 MM and dividend is \$5 MM.

Free cash flow is about \$190 MM.

9.1% EBITA margin and FCF yield is 9.5%.

The company has \$176 MM in cash/short term investment and \$153 MM in debt.

We are projecting a \$80.0 MM paydown annually.

Profitability

ROA is 7.8%, and ROC is 11.7%.

Bankruptcy Risk

Altman Z is at 6.43. *Please ignore the forecasted Altman Z in the file.

LBO?

We don't believe a 60% debt/40% equity would be sustainable.

Price

We are forecasting a \$49.35/share in Year 5, or a 88.4% holding return, or 13.5% annual return. Thus, the 1 year forecasted price is \$29.75.



SN VALUATION

LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	49.35	Non-LBO Forecast	Non-LBO Forecast	Desired Return Rate	20.00%
EV/EBITDA with 3X Multiple Terminal Value:	\$49.79	Market Price:	26.20	Year 1 Target	29.74	Implied Today's Price	19.83
Net Tangible Asset Terminal Value:	\$20.91	LBO Price:	26.20	Year 2 Target	33.75	Overvalued/(Undervalued)	32.11%
EV/EBITDA with Today's Multiple Terminal Value:	\$74.94	Premium to Market Price:	0.00%	Year 3 Target	38.31		
EVA Enterprise Value:	\$51.76	LBO Price/Intrinsic Price Target:	13.50%	Year 4 Target	43.48		
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	21.57%	Year 5 Target	49.35		
Average (Excluding Dividend Discount):	\$49.35	Implied IRR at today's EV/EBITDA:	23.39%	Implied IRR (Market Price):	13.50%		
		5 Year Return:	88.36%				

Current Evaluation				Exit Evaluation			
Current Market Price:	26.20	LBO Price:	26.20	Exit Price:	49.35	Exit Price:	74.94
Outstanding Shares:	76,030,000	Outstanding Shares:	76,030,000	Outstanding Shares:	76,030,000	Outstanding Shares:	76,030,000
Market Capitalization:	1,991,986,058	Market Capitalization:	1,991,986,058	Market Capitalization:	3,752,014,174	Market Capitalization:	5,697,372,613
Available Cash:	176,260,000	Available Cash:	176,260,000	Available Cash:	925,675,875	Available Cash:	925,675,875
Debt:	153,790,000	Debt:	153,790,000	Debt:	7,330,000	Debt:	7,330,000
Net Cash:	22,470,000	Net Cash:	22,470,000	Net Cash:	918,345,875	Net Cash:	918,345,875
Enterprise Value:	1,969,516,058	Enterprise Value:	1,969,516,058	Enterprise Value:	2,833,668,299	Enterprise Value:	4,779,026,739
Original EV/EBITDA:	10.74	EV/EBITDA:	10.74	EV/EBITDA at 5 Years:	7.96	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	1.46	EV/EBITDA:	2.50	EV/EBITDA at 5 Years:	2.86	EV/EBITDA at 5 Years:	4.24
Competitor Average EV/EBIT:	N/A						
Competitor Average EV/EBITDA:	N/A						

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	26.20	26.20	29.74	33.75	38.31	43.48	49.35
Shares Outstanding:	76,030,000	76,030,000	76,030,000	76,030,000	76,030,000	76,030,000	76,030,000
Market Capitalization:	1,991,986,058	1,991,986,058	2,260,902,997	2,566,123,565	2,912,548,728	3,305,741,083	3,752,014,174
Available Cash:	176,260,000	176,260,000	176,300,168	197,363,881	377,294,318	619,034,815	925,675,875
Debt:	153,790,000	153,790,000	107,330,000	7,330,000	7,330,000	7,330,000	7,330,000
Net Cash:	22,470,000	22,470,000	68,970,168	190,033,881	369,964,318	611,704,815	918,345,875
Enterprise Value:	1,969,516,058	1,969,516,058	2,191,932,830	2,376,089,684	2,542,584,410	2,694,036,268	2,833,668,299
EBIT	183,380,000	183,380,000	186,343,425	225,660,596	266,943,626	310,290,807	355,805,348
EV/EBIT:	10.74	10.74	11.76	10.53	9.52	8.68	7.96
EBITDA	786,940,000	786,940,000	820,081,425	891,085,496	965,639,771	1,043,921,760	1,126,117,848
EV/EBITDA:	2.50	2.50	2.67	2.67	2.63	2.58	2.52

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	26.20	26.20	27.23	34.38	42.57	51.88	62.34
Shares Outstanding:	76,030,000	76,030,000	76,030,000	76,030,000	76,030,000	76,030,000	76,030,000
Market Capitalization:	1,991,986,058	1,991,986,058	2,070,313,650	2,613,646,969	3,236,960,491	3,944,253,227	4,739,724,138
Available Cash:	176,260,000	176,260,000	176,300,168	197,363,881	377,294,318	619,034,815	925,675,875
Debt:	153,790,000	153,790,000	107,330,000	7,330,000	7,330,000	7,330,000	7,330,000
Net Cash:	22,470,000	22,470,000	68,970,168	190,033,881	369,964,318	611,704,815	918,345,875
Enterprise Value:	1,969,516,058	1,969,516,058	2,001,343,483	2,423,613,087	2,866,996,172	3,332,548,412	3,821,378,263
EBIT	183,380,000	183,380,000	186,343,425	225,660,596	266,943,626	310,290,807	355,805,348
EV/EBIT:	10.74	10.74	10.74	10.74	10.74	10.74	10.74
EBITDA	786,940,000	786,940,000	820,081,425	891,085,496	965,639,771	1,043,921,760	1,126,117,848
EV/EBITDA:	2.50	2.50	2.44	2.72	2.97	3.19	3.39

LBO Price	26.20	Equity Partners:	2,145,776,058	Weighting	100.00%	Annualized Return for Equity Partners:	21.57%
Shares Outstanding	76,030,000	Debt Partners:	0		0.00%		
Market Capitalization	1,991,986,058	Total Funds for LBO:	2,145,776,058		100.00%		
Debt	153,790,000						
Cash	176,260,000						
Enterprise Value	1,969,516,058						
Capital Investment	2,145,776,058						

Book Value	Enterprise Value	Stock Valuation	Debt Reduction
Beginning Book Value	976.55	Current Market Price	Starting Debt
Year 5 Book Value	1,784.16	Year 5 Market Price	Debt Repayment
Annualized Return	12.81%	Annualized Return	23.39%
			Year 5 Ending Debt
			% of Starting Debt
			4.77%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Aarons Ord Shs

Ticker:

AAN

	Historical				Forecasted				
	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2011	2012	2013	2014	2015
Revenue	1,592.61	1,752.78	1,876.84	2,024.05	2,125.25	2,231.52	2,343.09	2,460.25	2,583.26
COGS	309.74	325.46	353.93	376.48	425.05	446.30	468.62	492.05	516.65
Gross margin	1,282.87	1,427.32	1,522.91	1,647.57	1,700.20	1,785.21	1,874.47	1,968.20	2,066.61
SG&A	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	0.00	0.00	36.50	0.00	0.00	0.00	0.00	0.00
Other operating expense	705.57	766.63	819.93	869.05	913.86	959.55	1,007.53	1,057.91	1,110.80
Depreciation is: Included within COGS	437.72	484.25	512.19	558.64	600.00	600.00	600.00	600.00	600.00
Operating Income (EBITA)	139.58	176.44	190.79	183.38	186.34	225.66	266.94	310.29	355.81
Interest income/(expense)	0.00	0.00	0.00	0.00	-6.82	1.18	1.18	1.18	1.18
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	139.58	176.44	190.79	183.38	179.52	226.84	268.12	311.47	356.98
Tax	53.81	63.56	72.41	69.61	66.22	86.20	101.89	118.36	135.65
Income after tax	85.77	112.88	118.38	113.77	113.30	140.64	166.23	193.11	221.33
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	85.77	112.88	118.38	113.77	113.30	140.64	166.23	193.11	221.33
*Figures are in millions (\$)									
EPS (based off today's share count)	\$1.13	\$1.48	\$1.56	\$1.50	\$1.46	\$1.85	\$2.19	\$2.54	\$2.91
P/E (historical today's price; forecasted intrinsic price)	23.22	17.65	16.83	17.51	20.31	18.25	17.52	17.12	16.95
Revenue Growth	N/A	10.06%	7.08%	7.84%	5.00%	5.00%	5.00%	5.00%	5.00%
Tax Rate	38.55%	36.02%	37.95%	37.96%	38.00%	38.00%	38.00%	38.00%	38.00%
Implied Debt Interest Rate	0.00%	0.00%	0.00%	0.00%	-4.44%	1.10%	16.05%	16.05%	16.05%
Margins									
COGS	19.45%	18.57%	18.86%	18.60%	20.00%	20.00%	20.00%	20.00%	20.00%
Gross margin	80.55%	81.43%	81.14%	81.40%	80.00%	80.00%	80.00%	80.00%	80.00%
SG&A	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	0.00%	0.00%	1.80%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	44.30%	43.74%	43.69%	42.94%	43.00%	43.00%	43.00%	43.00%	43.00%
Depreciation is: Included within COGS	27.48%	27.63%	27.29%	27.60%	28.23%	26.89%	25.61%	24.39%	23.23%
Operating Income (EBITA)	8.76%	10.07%	10.17%	9.06%	8.77%	10.11%	11.39%	12.61%	13.77%
Interest income/(expense)	0.00%	0.00%	0.00%	0.00%	-0.32%	0.05%	0.05%	0.05%	0.05%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	8.76%	10.07%	10.17%	9.06%	8.45%	10.17%	11.44%	12.66%	13.82%
Tax	3.38%	3.63%	3.86%	3.44%	3.21%	3.86%	4.35%	4.81%	5.25%
Income after tax	5.39%	6.44%	6.31%	5.62%	5.24%	6.62%	7.82%	9.09%	10.41%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	5.39%	6.44%	6.31%	5.62%	5.24%	6.30%	7.09%	7.85%	8.57%

SN VALUATION

LBO Adjusted Proforma Balance Sheet

	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2011-12-31	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	7.38	109.69	72.02	176.26	176.26			176.26	176.30	197.36	377.29	619.03	925.68
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	7.38	109.69	72.02	176.26	176.26			176.26	176.30	197.36	377.29	619.03	925.68
Accounts Receivable	59.51	66.09	69.66	87.47	87.47			87.47	87.47	87.47	87.47	87.47	87.47
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	59.51	66.09	69.66	87.47	87.47			87.47	87.47	87.47	87.47	87.47	87.47
Total Inventory	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	67.40	36.08	122.93	49.10	49.10			49.10	49.10	49.10	49.10	49.10	49.10
Other Current Assets	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current Assets	134.29	211.86	264.61	312.83	312.83	0.00	0.00	312.83	312.87	333.93	513.86	755.60	1,062.25
PP&E, Gross	1,407.53	1,459.95	1,291.57	1,300.00	1,300.00			1,300.00	1,380.00	1,460.00	1,540.00	1,620.00	1,700.00
Change in Depreciation		519.37	549.53	603.56	603.56			603.56	633.74	665.42	698.70	733.63	770.31
Accumulated Depreciation	502.01	562.37	489.29	500.00	500.00			500.00	1,133.74	1,799.16	2,497.86	3,231.49	4,001.80
PP&E, Net	905.52	897.58	802.28	800.00	800.00			800.00	246.26	-339.16	-957.86	-1,611.49	-2,301.80
Goodwill	185.97	194.38	202.38	219.34	219.34	0.00		219.34	219.34	219.34	219.34	219.34	219.34
Intangibles	7.50	5.20	3.83	6.07	6.07			6.07	6.07	6.07	6.07	6.07	6.07
Long term investments	0.00	0.00	0.00	98.13	98.13			98.13	98.13	98.13	98.13	98.13	98.13
Other long term assets	0.00	12.43	11.85	9.88	9.88			9.88	9.88	9.88	9.88	9.88	9.88
Long Term Assets	1,098.99	1,109.59	1,020.34	1,133.42	1,133.42			1,133.42	579.68	-5.74	-624.44	-1,278.07	-1,968.38
Total Assets	1,233.28	1,321.45	1,284.95	1,446.25	1,446.25	0.00	0.00	1,446.25	892.55	328.19	-110.57	-522.47	-906.14
Accounts Payable	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accrued Expense	0.00	0.00	1.68	41.72	41.72			41.72	41.72	41.72	41.72	41.72	41.72
Other current Liabilities	34.34	38.20	40.21	44.57	44.57			44.57	44.57	44.57	44.57	44.57	44.57
Total Current Liabilities	34.34	38.20	41.89	86.29	86.29	0.00	0.00	86.29	86.29	86.29	86.29	86.29	86.29
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	97.00	55.04	27.30	140.25	153.79	0.00	0.00	153.79	107.33	7.33	7.33	7.33	7.33
Capital Lease Obligations	17.82	0.00	14.49	13.54	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	114.82	55.04	41.79	153.79	153.79	0.00	0.00	153.79	107.33	7.33	7.33	7.33	7.33
Deferred Income tax	148.64	163.67	227.51	286.96	286.96			286.96	286.96	286.96	286.96	286.96	286.96
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Liabilities	297.80	256.91	311.19	527.04	527.04	0.00	0.00	527.04	480.58	380.58	380.58	380.58	380.58
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	30.25	45.38	45.38	45.38	45.38		0.00	45.38	45.38	45.38	45.38	45.38	45.38
Additional Paid-in capital	194.32	196.67	201.75	212.31	212.31	0.00	0.00	212.31	212.31	212.31	212.31	212.31	212.31
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	-5.00	-10.00	-15.00	-20.00	-25.00
Retained Earnings	585.83	694.69	809.08	918.70	918.70		0.00	918.70	1,030.00	1,170.64	1,336.88	1,529.98	1,751.31
Treasury Stock	-47.41	-49.38	-77.64	-200.11	-200.11			-200.11	-200.11	-200.11	-200.11	-200.11	-200.11
Other Equity	-1.45	-0.10	0.85	0.27	0.27		0.00	0.27	0.27	0.27	0.27	0.27	0.27
Total Equity	761.54	887.26	979.42	976.55	976.55	0.00	0.00	976.55	1,082.85	1,218.49	1,379.73	1,567.83	1,784.16
Liability + Equity	1,059.34	1,144.17	1,290.61	1,503.59	1,503.59	0.00	0.00	1,503.59	1,563.43	1,599.07	1,760.31	1,948.41	2,164.74
Variance	173.94	177.28	-5.66	-57.34	-57.34			-57.34	-670.88	-1,270.88	-1,870.88	-2,470.88	-3,070.88
Debt/Equity	0.15	0.06	0.04	0.16	0.16			0.16	0.10	0.01	0.01	0.00	0.00
Inventory Turnover	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Inventory Turnover Days	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Inventory Outstanding	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable Turnover	26.76	26.52	26.94	23.14	24.30			23.14	24.30	25.51	26.79	28.13	29.53
Accounts Receivable Turnover Days	13.64	13.76	13.55	15.77	15.02			15.77	15.02	14.31	13.63	12.98	12.36
Days Payable Outstanding	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Days Sales Outstanding	13.64	13.76	13.55	15.77	15.02			15.77	15.77	15.02	14.31	13.63	12.98
Cash Conversion Cycle	13.64	13.76	13.55	15.77	15.02			15.77	15.77	15.02	14.31	13.63	12.98

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2011	2012	2013	2014	2015
Net Income	85.77	112.88	118.38	113.77	111.30	140.64	166.23	193.11	221.33
Depreciation	471.39	519.37	549.53	603.56	633.74	665.42	698.70	733.63	770.31
Net Income + Depreciation	557.16	632.25	667.91	717.33	745.04	806.06	864.93	926.74	991.64
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	66.34	15.03	63.84	59.45	0.00	0.00	0.00	0.00	0.00
Non Cash Items	-546.47	-469.83	-629.21	-563.41	-600.00	-600.00	-600.00	-600.00	-600.00
Change in Working capital	-1.30	15.97	-53.28	93.83	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-6.58	-3.57	-17.81	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	31.32	-86.85	73.83	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	75.73	193.42	49.26	307.20	145.04	206.06	264.93	326.74	391.64
Capital Expenditures Expenditures	-74.92	-83.14	-87.64	-78.21	-80.00	-80.00	-80.00	-80.00	-80.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Expenditures Proceeds	75.50	44.37	43.53	-112.86	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	0.58	-38.77	-44.11	-191.07	-80.00	-80.00	-80.00	-80.00	-80.00
Financing Cash flow items	1.77	3.91	0.32	1.26	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-3.43	-4.65	-2.93	-4.07	5.00	5.00	5.00	5.00	5.00
Issuance (Retirement) of Stock	-1.05	8.17	-26.96	-121.08	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-71.02	-59.77	-13.25	112.00	-60.00	-100.00	0.00	0.00	0.00
Cash from Financing Activities	-73.73	-52.34	-42.82	-11.89	-65.00	-105.00	-5.00	-5.00	-5.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	4.79	7.38	109.69	72.02	176.26	176.30	197.36	377.29	619.03
Net Change in Cash	2.59	102.31	-37.66	104.23	0.04	21.06	179.93	241.74	306.64
Ending Cash Balance	7.38	109.69	72.03	176.25	176.30	197.36	377.29	619.03	925.68
Capex to Revenue	4.70%	4.74%	4.67%	3.86%	3.76%	3.59%	3.41%	3.25%	3.10%
Depreciation to Sales	29.60%	29.63%	29.28%	29.82%	29.82%	29.82%	29.82%	29.82%	29.82%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	3.74%	3.77%	3.71%	4.32%	4.12%	3.92%	3.73%	3.56%	3.39%
Distributable FCF Yield	3.87%	7.85%	0.26%	5.90%	3.30%	6.40%	9.39%	12.53%	15.82%
Dividend Yield	-0.17%	-0.23%	-0.15%	-0.20%	0.25%	0.25%	0.25%	0.25%	0.25%
FCF (Ops-Investing-Dividends)	79.74	159.30	8.08	120.20	60.04	121.06	179.93	241.74	306.64

SN VALUATION

LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
Net Change in Cash	104.23	0.04	21.06	179.93	241.74	306.64
Current Portion Debt Repayment						
Long Term Debt Repayment		60.00	100.00			
Outstanding Debt	167.33	107.33	7.33	7.33	7.33	7.33
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	167.33	107.33	7.33	7.33	7.33	7.33
Forward Libor Curve		4.00%	4.00%	4.00%	4.00%	4.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%
Interest Expense		8.59	0.59	0.59	0.59	0.59
Cash Balance		176.26				
Interest @ 1.0%		1.76	1.76	1.76	1.76	1.76
Net Interest Expense/(Income)		6.82	(1.18)	(1.18)	(1.18)	(1.18)
Net Interest Rate		4.44%	-1.10%	-16.05%	-16.05%	-16.05%
EBITDA		186.34	225.66	266.94	310.29	355.81
EBITDA/Interest Expense Coverage		21.70	384.82	455.22	529.15	606.76

Interest Rate Coverage Table

Debt Rating					
AAA	AAA	AAA	AAA	AAA	AAA
AA					
A+					
A					
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D					

*Source: NYU; Professor Damodaran

SN VALUATION

Economic Indicators

Indicators	Period	Value	Previous Value	Chg %	Released
Adjusted National Financial Conditions Index	Mar 9 2012	0.0343	-0.01	-646.30%	Error
Case-Shiller Home Price Index: National	Dec 2011	125.67	127.90	-1.74%	-0.0401
Philly Fed Manufacturing Activity Index	Feb 2012	10.2	7.30	39.73%	-0.6577
Philly Fed Manufacturing Future Activity Index	Feb 2012	33.3	49.00	-32.04%	-0.2534
US Average Claims for Unemployment Insurance	Feb 25 2012	3418	3445.564516	-0.80%	-0.1246
US Average Initial Claims for Unemployment Insurance	Mar 3 2012	355.0K	N/A	0.07%	-0.0955
US Industrial Production Index	Dec 2011	95.29	94.87	0.44%	0.0295
US Initial Claims for Unemployment Insurance	Mar 3 2012	362.0K	N/A	2.26%	-0.0347
US Producer Price Index	Jan 2012	193.5	193.31	0.10%	0.0414
US Quits Rate: Total Nonfarm	Jan 2012	0.015	0.015	0.00%	0.0714
US Quits: Total Nonfarm	Jan 2012	1972	2007.94	-1.79%	0.0937
US Retail Sales	Feb 2012	364380000	360,451,083	1.09%	0.0628
US Total Business Inventories	Jan 2012	1.569T	N/A	0.69%	0.0762
US Total Business Inventory/Sales Ratio	Jan 2012	1.27	1.27	0.00%	0.0079
US Total Business Sales	Jan 2012	1.237T	N/A	0.44%	0.072
US Total Separations Rate: Total Nonfarm	Jan 2012	0.03	0.03	0.00%	0.0345
US Total Separations: Total Nonfarm	Jan 2012	3944	4022.85	-1.96%	0.0335

U.S. Key Indicators

10 Year Treasury Rate	2.14%
US Producer Price Index	193.5
US Initial Claims for Unemployment Insurance	362.0K
US 30 Year Mortgage Rate	3.88%
US Average Claims for Unemployment Insurance	3,418
US Retail Sales	364,380,000
US Unemployment Rate	0.083
US Durable Goods Orders	206,920,000
US Purchasing Managers Index	52.4
US Personal Consumption Expenditures	10.90T
US Consumer Price Index	227.5
US Consumer Sentiment	63.7
US Housing Starts	699.0K

Korea Key Indicators

	Period	Value	Chg from 1 Year
Gold Price in Korean Won	Mar 9 2012	1,886,372	18.99%
Korea Change in Stocks	Sep 2011	3.3	230.00%
Korea Consumer Price Index	Feb 2012	123.17	3.11%
Korea Core Consumer Price Index	Feb 2012	118.35	2.56%
Korea Core Inflation Rate	Jan 2012	0.0247	29.01%
Korea GDP	Sep 2011	310.1	5.30%
Korea Inflation Rate	Jan 2012	0.0342	-0.64%
Korea Manufacturing Producer Price Index	Jan 2012	126.49	4.72%
Korea Misery Index	Jan 2012	6.622	-5.99%
Korea Real GDP Growth	Dec 2011	0.0342	-27.39%
Korea Unemployment Rate	Jan 2012	0.032	-11.11%

Source: Ycharts.com

2012-03-15

Altman Z Score

Company Name:

Aarons Ord Shs

Ticker:

AAN

Period	2007	2008	2009	2010	2011	2012	2013	2014	2015
Working Capital	99.95	173.66	222.72	226.54	226.58	247.64	427.57	669.31	975.96
Total Assets	1,233.28	1,321.45	1,284.95	1,446.25	892.55	328.19	-110.57	-522.47	-906.14
X1	0.08	0.13	0.17	0.16	0.25	0.75	-3.87	-1.28	-1.08
Retained Earnings	585.83	694.69	809.08	918.70	1,030.00	1,170.64	1,336.88	1,529.98	1,751.31
Total Assets	1,233.28	1,321.45	1,284.95	1,446.25	892.55	328.19	-110.57	-522.47	-906.14
X2	0.48	0.53	0.63	0.64	1.15	3.57	-12.09	-2.93	-1.93
EBITDA	577.30	660.69	702.98	742.02	786.34	825.66	866.94	910.29	955.81
Total Assets	1,233.28	1,321.45	1,284.95	1,446.25	892.55	328.19	-110.57	-522.47	-906.14
X3	0.47	0.50	0.55	0.51	0.88	2.52	-7.84	-1.74	-1.05
Market Value of Equity	1,991.99	1,991.99	1,991.99	1,991.99	2,260.90	2,566.12	2,912.55	3,305.74	3,752.01
Total Liabilities	297.80	256.91	311.19	527.04	480.58	380.58	380.58	380.58	380.58
X4	6.69	7.75	6.40	3.78	4.70	6.74	7.65	8.69	9.86
Net Sales	1,592.61	1,752.78	1,876.84	2,024.05	2,125.25	2,231.52	2,343.09	2,460.25	2,583.26
Total Assets	1,233.28	1,321.45	1,284.95	1,446.25	892.55	328.19	-110.57	-522.47	-906.14
X5	1.29	1.33	1.46	1.40	2.38	6.80	-21.19	-4.71	-2.85
Altman Z Score	7.61	8.52	8.20	6.44	10.03	25.05	-64.04	-10.88	-4.41

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red