

Alliance Healthcare (AIQ)

Price:	\$1.45
Market Cap:	\$76,879,000
Cash:	\$78,620,000
Debt:	\$631,100,000
Net Cash:	-\$552,480,000
Enterprise Value:	\$629,359,000
Target Market Cap:	\$132,663,476
Target Enterprise Value:	\$685,143,476

Price/Book:	-0.50
EV/FCF:	169.64
Net Tang. Asset/Share:	-\$3.02
Avg. Year 1-5 FCF/Share:	\$1.13
5 Years of FCF:	\$5.63
Net Tang. Asset+5 FCF:	\$2.61

Net Tang. Asset Yr. 5/Share:	-\$3.48
Avg. Year FCF/Share:	\$1.13
Year 5 Disposition FCF Multipl:	3.0
Year 5 Disposition Price:	-\$0.10
Gain Year 5:	-\$0.10
Net Tang. Asset+5 FCF+ Gain Disposition:	\$2.50
IRR:	11.53%

I read an article laying out a Long thesis on the 8% 2016 Notes, with an anticipated YTM at 12% as well as a Buy on the equity. The recovery is underway with management cutting costs, identifying \$33MM in cost savings in the next 18 months. The co. is the leading MRI/PET shared and fixed service provider in the country. Can use their presence to increase the radiation oncology business, which has more room for growth, both in units and price.

The co. is in the business of selling MRI and PET/CT machines in the Imaging division, and radiation oncology services through Radiation Oncology division. MRI, PET/CT, and radiation oncology services generated 42%, 34% and 15% of revenue, respectively. 1,000 clients in 46 states. 58% of service is on a part-time basis, while 30% is full time and 11% is rental, or unstaffed. 80% is wholesale revenue to hospitals, which is not dependent on insurance payments; it is guaranteed for the contracted period, regardless of the number of use. 20% is retail clients, where patients pay with their own money or healthcare plan covers. Higher price per scan under retail than wholesale. 573 systems - 309 MRI, 128 PET, 136 radiation oncology. 133 fixed imaging sites and 36 radiation oncology centers. 3 year contract for mobile, part-time services and 5-10 years for fixed sites. Company founded in 1987.

MRIs are used to evaluate the condition of soft tissues and organs. The upgrades to the systems are modular and can replace sectional parts. PET produces images of metabolic and biologic functions. CT shoots an xray beam and produces multiple angled image of the internal organs. So the combined PET/CT system detects metabolic signs of cancer and CT provides the images. Radiation oncology treats the cancer cells by using the radiation to kill off the cells.

The company purchases the equipment from manufacturers such as GE, Siemens, Philips and 3 other companies. Then they sell the service related to the machines. The business model is similar to crane operators buying cranes from Caterpillar and then leasing, or renting them out to clients, receiving periodic payments which would cover the interest on the loans used to purchase the equipment. This probably explains why the co. has a high debt balance.

Also, the company has been expanding their footprint in the Oncology business by acquiring smaller companies. The growth potential for the business is more promising than the Imaging business.

On an operational basis, the company has great margins, with GM at 50% and SG&A at 15%. High depreciation expenses reduce the tax burden as well. On a sales/marketing effort, the co. is running a slim operation with 25 in sales and 35 in marketing.

The biggest issue is insolvency risk because the company is heavily leveraged. EV at \$630MM, but equity is only \$78MM. Luckily, the co. has 5 years to repay the mother load of \$568 MM, with the balance paid off in \$20-\$25MM annual maturities up to 2017, fully coverable by the \$100MM pre-PP&E cash flow. Also, a shrinking market for the MRI business is placing a bigger burden on the Oncology business for growth. Finally, management may make poor decisions related to acquisitions, wasting capital and decreasing operational efficiency.

We agree with the writer of the article and see upside potential in this investment.

Company Name:		Alliance Healthcare	Market Capitalization:	\$76,879,000.00	Revenue:	\$478,080,000.00	100.0%
Ticker Symbol:		AIQ	Total Debt:	\$631,100,000.00	Cost of Goods Sold:	\$264,180,000.00	55.3%
Last Price:		\$1.45	Total Cash:	\$78,620,000.00	Gross Profit:	\$213,900,000.00	44.7%
Net Cash/Share:		-\$10.42	Net Cash/(Debt):	-\$552,480,000.00	EBITDA:	\$150,240,000.00	31.4%
Net Cash to Last Price:		-718.64%	Enterprise Value:	\$629,359,000.00	Net Income:	-\$23,260,000.00	-4.9%
Shares Outstanding:		53,020,000	Current EV/Share:	\$11.87			
Industry:		Diagnostics & Research	EBITDA:	\$65,770,000.00			
Sector:		Healthcare	EV/EBITDA Multiple:	9.57			
Institutional Ownership:		#VALUE!	EV/EBITDA Multiple Average Year 1-5:	4.59			
Mutual Fund Ownership:		#VALUE!	EV/FCF Multiple:	169.64			
Insider Ownership:		#VALUE!	EV/FCF Multiple Average Year 1-5:	10.54			
Retail Ownership:		#VALUE!	Upper Range				
Float:		#VALUE!	DCF: EV/EBITDA Terminal Value				
			Implied TV from 3 X EV/EBITDA Multiple	\$420,253,200.10			
			Enterprise Value	\$420,253,200.10			
			Cash at Year 5:	\$257,551,122.58			
			Debt at Year 5:	\$536,100,000.00			
			Equity Value Year 5:	\$141,704,322.68			
			Equity/Share at Year 5:	\$2.67			
			Annualized Return:	13.01%			
			Lower Range				
			DCF: Net Tangible Asset excluding Cash/Debt Terminal Value				
			Year 5 Net Tangible Assets excluding cash and debt	\$250,010,000.00			
			Enterprise Value	\$250,010,000.00			
			Cash at Year 5:	\$257,551,122.58			
			Debt at Year 5:	\$536,100,000.00			
			Equity Value Year 5:	-\$28,538,877.42			
			Equity/Share at Year 5:	-\$0.54			
			Annualized Return:	-182.02%			
			EVA				
			EVA today:	-\$210,415,973.78			
			EVA in 5 Years:	\$651,642,216.67			
			EVA/Share:	\$12.29			
			Cash at Year 5:	\$257,551,122.58			
			Debt at Year 5:	\$536,100,000.00			
			Equity Value Year 5:	\$373,093,339.25			
			Equity/Share at Year 5:	\$7.04			
			Annualized return	-225.37%			
			Current Net Tangible Asset				
			Net Tangible Asset/Share:	-\$5.49			
			Net Tangible Asset/Share in Year 5:	-\$5.95			
			Annualized return	1.62%			
			Current Equity Price:	\$1.45			
			Selling at Discount?	Premium			
			Appreciation Potential:	-478.37%			
			Dividend Model				
			Next Year Dividend	\$0.00			
			WACC:	4.93%			
			Dividend:	\$0.00			
			Net Income:	-\$23,260,000.00			
					Income Statement		
					Balance Sheet		
					Cash Flow		
					Profitability Margins		
			Cash:	\$78,620,000.00			
			Short Term Investment:	\$0.00			
			A/R:	\$67,810,000.00			
			PP&E:	\$300,000,000.00			
			Assets:	\$695,080,000.00			
			A/P:	\$22,420,000.00			
			Deferred Tax:	\$38,030,000.00			
			Other Liabilities:	\$107,320,000.00			
			Short term Debt:	\$24,550,000.00			
			Long Term Debt:	\$606,550,000.00			
			Liabilities:	\$798,870,000.00			
			Retained Earnings:	-\$171,290,000.00			
			Paid-In Capital:	\$20,800,000.00			
			Treasury Stock:	-\$2,730,000.00			
			Stockholder's Equity:	-\$154,170,000.00			
			Net Income:	-155,100,000.00			
			Depreciation/Amortization:	106,420,000.00			
			Change in Working capital:	-5,290,000.00			
			Cash from Operating Activities:	93,530,000.00			
			Capital Expenditures:	-49,610,000.00			
			Cash from Investing Activities:	-89,820,000.00			
			Total Cash Dividends Paid:	0.00			
			Issuance (Retirement) of Stock:	-120,000.00			
			Issuance (Retirement) of Debt:	-41,770,000.00			
			Cash from Financing Activities:	-56,680,000.00			
			Debt to Equity:	-409.35%			
			Return on Assets:	-23.03%			
			Return on Capital:	-33.57%			
			Return on Equity:	103.85%			
			Technicals				
			52 week low:	Error			
			Today from 52 week low:	#VALUE!			
			52 week high:	Error			
			Today from 52 week high:	#VALUE!			
			50 day Moving Average:	Error			
			200 day Moving Average:	Error			
			Analyst/Consensus				
			Analyst Sales Growth FY1:	-1.30%			
			Analyst Sales Growth FY2:	3.10%			
			SN Valuation Estimate FY1:	1.00%			
			SN Valuation Estimate FY2:	1.00%			
			Analyst Earnings Estimate FY1:	N/A			
			Analyst Earnings Estimate FY2:	N/A			
			SN Valuation Earnings Est. FY1:	-\$0.01			
			SN Valuation Earnings Est. FY2:	\$0.04			
			Multiples				
			Market Value to Book:	-0.50			
			EV to Book:	-4.08			
			Market Value to Tangible Net Assets:	-0.20			
			P/E Ratio:	-3.31			
			Trailing P/E Ratio:	N/A			
			Forward P/E Ratio:	N/A			
			Beta:	Error			
			Dividend:	0			
			Dividend Yield:	0.00%			
			Dividend Date:	N/A			
			Ex-Dividend Date:	N/A			
			Competitors				
			Average EV to EBITDA:	N/A			
			Company EV to EBITDA:	9.57			
			Average EV to EBIT:	N/A			
			Company EV to EBITA:	-3.20			

SN VALUATION

LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	4.42	Non-LBO Forecast	Non-LBO Forecast
EV/EBITDA with 3X Multiple Terminal Value:	\$2.67	Market Price:	1.45	Year 1 Target	1.81
Net Tangible Asset Terminal Value:	\$0.00	LBO Price:	1.45	Year 2 Target	2.26
EV/EBITDA with Today's Multiple Terminal Value:	\$7.96	Premium to Market Price:	0.00%	Year 3 Target	2.83
EVA Enterprise Value:	\$7.04	LBO Price/Intrinsic Price Target:	24.95%	Year 4 Target	3.53
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	-10.15%	Year 5 Target	4.42
Average (Excluding Dividend Discount):	\$4.42	Implied IRR at today's EV/EBITDA:	40.56%	Implied IRR (Market Price):	24.95%
		5 Year Return:	204.59%		
				Desired Return Rate	20.00%
				Implied Today's Price	1.77
				Overvalued/(Undervalued)	-18.31%

Current Evaluation			Exit Evaluation		
Current Market Price:	1.45	LBO Price:	1.45	Exit Price:	4.42
Outstanding Shares:	53,020,000	Outstanding Shares:	53,020,000	Outstanding Shares:	53,020,000
Market Capitalization:	76,879,000	Market Capitalization:	76,879,000	Market Capitalization:	421,873,123
Available Cash:	78,620,000	Available Cash:	78,620,000	Available Cash:	257,551,123
Debt:	631,100,000	Debt:	631,100,000	Debt:	536,100,000
Net Cash:	-552,480,000	Net Cash:	-552,480,000	Net Cash:	-278,548,877
Enterprise Value:	629,359,000	Enterprise Value:	629,359,000	Enterprise Value:	700,422,000
Original EV/EBITDA:	-3.20	EV/EBITDA:	-3.20	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	9.57	EV/EBITDA:	-15.48	EV/EBITDA at 5 Years:	4.93
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
Annualized Price Targets based off LBO Price:	1.45	-1.55	-1.94	-2.42	-3.03	-3.78
Shares Outstanding:	53,020,000	53,020,000	53,020,000	53,020,000	53,020,000	53,020,000
Market Capitalization:	76,879,000	-82,299,018	-102,834,420	-128,493,854	-160,555,877	-200,618,075
Available Cash:	78,620,000	78,620,000	87,286,955	119,174,936	154,429,648	192,485,913
Debt:	631,100,000	631,100,000	611,100,000	586,100,000	561,100,000	536,100,000
Net Cash:	-552,480,000	-552,480,000	-523,813,045	-466,925,064	-406,670,352	-343,614,087
Enterprise Value:	629,359,000	470,180,982	420,978,625	338,431,210	246,114,475	142,996,012
EBIT	-147,070,000	-147,070,000	24,618,355	25,964,539	27,324,184	28,697,426
EV/EBIT:	-4.28	-3.20	17.10	13.03	9.01	4.98
EBITDA	-40,650,000	-40,650,000	132,102,555	134,523,581	136,968,816	139,438,505
EV/EBITDA:	-15.48	-15.48	3.19	2.52	1.80	1.03
						0.20

Enterprise Valuation Calculation During Holding Period						
Time Period	0	Adjusted for LBO	1	2	3	4
Annualized Price Targets based off LBO Price:	1.45	-1.55	-11.36	-10.37	-9.32	-8.21
Shares Outstanding:	53,020,000	53,020,000	53,020,000	53,020,000	53,020,000	53,020,000
Market Capitalization:	76,879,000	-82,299,018	-602,517,623	-549,933,375	-494,025,433	-435,359,404
Available Cash:	78,620,000	78,620,000	87,286,955	119,174,936	154,429,648	192,485,913
Debt:	631,100,000	631,100,000	611,100,000	586,100,000	561,100,000	536,100,000
Net Cash:	-552,480,000	-552,480,000	-523,813,045	-466,925,064	-406,670,352	-343,614,087
Enterprise Value:	629,359,000	470,180,982	-78,704,578	-83,008,311	-87,355,080	-91,745,317
EBIT	-147,070,000	-147,070,000	24,618,355	25,964,539	27,324,184	28,697,426
EV/EBIT:	-4.28	-3.20	-3.20	-3.20	-3.20	-3.20
EBITDA	-40,650,000	-40,650,000	132,102,555	134,523,581	136,968,816	139,438,505
EV/EBITDA:	-15.48	-15.48	-0.60	-0.62	-0.64	-0.66
						-0.68

LBO Price	1.45	Equity Partners:	720,359,000	Weighting	100.00%	Annualized Return for Equity Partners: -10.15%
Shares Outstanding	53,020,000	Debt Partners:	0	0.00%		
Market Capitalization	76,879,000	Total Funds for LBO:	720,359,000	100.00%		
Debt	643,480,000					
Cash	78,620,000					
Enterprise Value	641,739,000					
Capital Investment	720,359,000					

Book Value	Enterprise Value	Stock Valuation	Debt Reduction
Beginning Book Value	-154.17	Current Market Price	Starting Debt
Year 5 Book Value	-153.97	Year 5 Market Price	Debt Repayment
Annualized Return	-0.03%	Annualized Return	Year 5 Ending Debt
			% of Starting Debt
			84.34%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Alliance Healthcare

Ticker:

AIQ

	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	2013	2014	2015	2016	2017
Revenue	495.83	505.51	478.86	493.65	498.59	503.57	508.61	513.69	518.83
COGS	261.75	270.38	264.73	279.75	284.19	287.04	289.91	292.81	295.73
Gross margin	234.08	235.13	214.13	213.90	214.39	216.54	218.70	220.89	223.10
SG&A	62.73	67.58	67.11	77.14	79.77	80.57	81.38	82.19	83.01
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.70	16.90	45.54	175.21	0.00	0.00	0.00	0.00	0.00
Other operating expense	-0.87	-1.18	-0.59	2.20	0.00	0.00	0.00	0.00	0.00
Depreciation is: Excluded from COGS	96.42	105.92	104.76	106.42	110.00	110.00	110.00	110.00	110.00
Operating Income (EBITA)	75.10	45.91	-2.69	-147.07	24.62	25.96	27.32	28.70	30.08
Interest income/(expense)	0.00	0.00	0.00	0.00	-28.89	-27.64	-26.39	-25.14	-25.14
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	26.71	0.02	-53.89	-196.86	-4.27	-1.67	0.94	3.56	4.95
Tax	11.76	0.31	-20.80	-38.24	0.00	0.00	0.33	1.25	1.73
Income after tax	14.95	-0.29	-33.09	-158.62	-4.27	-1.67	0.61	2.32	3.22
Minority Interest	-3.03	-3.06	-3.89	-5.01	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	4.61	3.83	4.33	3.52	3.86	3.87	3.89	3.94	3.98
Net income	16.52	0.48	-32.65	-160.11	-0.40	2.20	4.50	6.26	7.20
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.31	\$0.01	-\$0.62	-\$3.02	-\$0.01	\$0.04	\$0.08	\$0.12	\$0.14
P/E (historical today's price; forecasted intrinsic price)	4.65	160.16	-2.35	-0.48	-237.86	54.49	33.31	29.95	32.54
Revenue Growth	N/A	1.95%	-5.27%	3.09%	1.00%	1.00%	1.00%	1.00%	1.00%
Tax Rate	44.03%	1550.00%	38.60%	19.42%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	0.00%	0.00%	0.00%	-4.76%	-4.71%	-4.70%	-4.68%	-4.91%
Margins									
COGS	52.79%	53.49%	55.28%	56.67%	57.00%	57.00%	57.00%	57.00%	57.00%
Gross margin	47.21%	46.51%	44.72%	43.33%	43.00%	43.00%	43.00%	43.00%	43.00%
SG&A	12.65%	13.37%	14.01%	15.63%	16.00%	16.00%	16.00%	16.00%	16.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.14%	3.34%	9.51%	35.49%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	-0.18%	-0.23%	-0.12%	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Excluded from COGS	19.45%	20.95%	21.85%	21.55%	22.06%	21.84%	21.63%	21.41%	21.20%
Operating Income (EBITA)	15.15%	9.08%	-0.56%	-29.79%	4.94%	5.16%	5.37%	5.59%	5.80%
Interest income/(expense)	0.00%	0.00%	0.00%	0.00%	-5.79%	-5.49%	-5.19%	-4.89%	-4.84%
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	5.39%	0.00%	-11.25%	-39.88%	-0.86%	-0.33%	0.18%	0.69%	0.95%
Tax	2.37%	0.06%	-4.34%	-7.75%	0.00%	0.00%	0.06%	0.24%	0.33%
Income after tax	3.02%	-0.06%	-6.91%	-32.13%	-0.86%	-0.34%	0.12%	0.46%	0.65%
Minority Interest	-0.61%	-0.61%	-0.81%	-1.01%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.93%	0.76%	0.90%	0.71%	0.77%	0.77%	0.77%	0.77%	0.77%
Net income	3.33%	0.09%	-6.82%	-32.43%	-0.08%	0.44%	0.89%	1.22%	1.39%

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 2012-09-30	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	73.31	111.88	97.16	44.19	78.62			78.62	87.29	119.17	154.43	192.49	257.55
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	73.31	111.88	97.16	44.19	78.62			78.62	87.29	119.17	154.43	192.49	257.55
Accounts Receivable	67.15	61.91	62.96	70.70	67.81			67.81	67.81	67.81	67.81	67.81	67.81
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	67.15	61.91	62.96	70.70	67.81			67.81	67.81	67.81	67.81	67.81	67.81
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	10.27	9.18	9.80	6.46	4.95			4.95	4.95	4.95	4.95	4.95	4.95
Other Current Assets	17.72	19.06	7.34	10.09	10.09			10.09	10.09	10.09	10.09	10.09	10.09
Current Assets	168.45	202.03	177.26	131.44	161.47	0.00	0.00	161.47	170.14	202.02	237.28	275.34	340.40
PP&E, Gross	836.84	863.80	902.83	950.00	950.00			950.00	1,000.00	1,050.00	1,100.00	1,150.00	1,200.00
Change in Depreciation		105.92	104.76	106.42	106.42			106.42	107.48	108.56	109.64	110.74	111.85
Accumulated Depreciation	479.61	523.75	591.14	650.00	650.00			650.00	757.48	866.04	975.69	1,086.43	1,198.28
PP&E, Net	357.23	340.05	311.69	300.00	300.00			300.00	242.52	183.96	124.31	63.57	1.72
Goodwill	193.43	194.24	193.13	56.49	56.49	0.00		56.49	56.49	56.49	56.49	56.49	56.49
Intangibles	110.72	100.19	94.62	143.02	130.61			130.61	130.61	130.61	130.61	130.61	130.61
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	45.99	47.11	35.91	36.54	46.51			46.51	46.51	46.51	46.51	46.51	46.51
Long Term Assets	707.37	681.59	635.35	536.05	533.61			533.61	476.13	417.57	357.92	297.18	235.33
Total Assets	875.82	883.62	812.61	667.49	695.08	0.00	0.00	695.08	646.26	619.59	595.20	572.52	575.73
Accounts Payable	21.47	23.89	15.54	22.42	22.42			22.42	22.42	22.42	22.42	22.42	22.42
Accrued Expense	60.66	53.99	60.01	58.22	58.22			58.22	58.22	58.22	58.22	58.22	58.22
Other current Liabilities	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities	82.13	77.88	75.55	80.64	80.64	0.00	0.00	80.64	80.64	80.64	80.64	80.64	80.64
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	7.74	16.90	9.71	24.92	24.55			24.55	24.55	24.55	24.55	24.55	24.55
Long term Debt	654.82	650.99	643.56	618.56	606.55	0.00	0.00	606.55	586.55	561.55	536.55	511.55	511.55
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	662.56	667.89	653.27	643.48	631.10	0.00	0.00	631.10	611.10	586.10	561.10	536.10	536.10
Deferred Income tax	102.14	103.57	72.50	43.00	38.03			38.03	38.03	38.03	38.03	38.03	38.03
Minority Interest	5.47	6.84	11.47	49.26	48.32			48.32	48.32	48.32	48.32	48.32	48.32
Other liabilities	7.90	3.74	1.23	0.88	0.78			0.78	0.78	0.78	0.78	0.78	0.78
Total Liabilities	860.20	859.92	814.02	817.26	798.87	0.00	0.00	798.87	778.87	753.87	728.87	703.87	703.87
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	0.51	0.52	0.53	0.53	0.53		0.00	0.53	0.53	0.53	0.53	0.53	0.53
Additional Paid-in capital	4.61	10.65	16.06	20.27	20.27	0.00	0.00	20.27	20.27	20.27	20.27	20.27	20.27
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	21.00	21.48	-11.18	-171.29	-171.29		0.00	-171.29	-175.56	-177.23	-176.62	-174.30	-171.09
Treasury Stock	-0.43	-2.33	-2.55	-2.73	-2.73			-2.73	-2.73	-2.73	-2.73	-2.73	-2.73
Other Equity	-2.16	-2.39	-0.67	-0.95	-0.95		0.00	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95
Total Equity	23.53	27.93	2.19	-154.17	-154.17	0.00	0.00	-154.17	-158.44	-160.11	-159.50	-157.18	-153.97
Liability + Equity	883.73	887.85	816.21	663.09	644.70	0.00	0.00	644.70	620.43	593.76	569.37	546.69	549.90
Variance	-7.91	-4.23	-3.60	4.40	50.38			50.38	25.83	25.83	25.83	25.83	25.83
Debt/Equity	28.16	23.91	298.30	-4.17	-4.09			-4.09	-3.86	-3.66	-3.52	-3.41	-3.48
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	7.38	8.17	7.61	6.98	7.35			7.28	7.35	7.43	7.50	7.58	7.65
Accounts Receivable Turnover Days	49.43	44.70	47.99	52.27	49.64			50.14	49.64	49.15	48.66	48.18	47.70
Days Payable Outstanding	29.94	32.25	21.43	29.25	28.79			29.25	28.79	28.51	28.23	27.95	27.67
Days Sales Outstanding	49.43	44.70	47.99	52.27	49.64			52.27	50.14	49.64	49.15	48.66	48.18
Cash Conversion Cycle	19.49	12.45	26.56	23.02	20.85			23.02	21.34	21.13	20.92	20.72	20.51
Net tangible assets/share	(\$3.35)	(\$3.22)	(\$3.67)	(\$3.89)	(\$3.02)			(\$3.57)	(\$3.60)	(\$3.59)	(\$3.54)	(\$3.48)	(\$3.48)

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	19.55	3.54	-28.76	-155.10	-4.27	-1.67	0.61	2.32	3.22
Depreciation	96.42	105.92	104.76	106.42	107.48	108.56	109.64	110.74	111.85
Net Income + Depreciation	115.97	109.46	76.00	-48.68	103.22	106.89	110.25	113.06	115.07
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	9.92	-0.89	-20.77	-38.19	0.00	0.00	0.00	0.00	0.00
Non Cash Items	16.77	22.24	54.08	185.69	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-12.54	8.32	-4.38	-5.29	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	5.24	-1.05	-7.74	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	1.09	-0.62	3.34	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	2.42	-8.35	6.88	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	130.12	139.13	104.93	93.53	103.22	106.89	110.25	113.06	115.07
Capital Expenditures Expenditures	-66.20	-73.83	-64.52	-49.61	-50.00	-50.00	-50.00	-50.00	-50.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-85.12	13.38	-32.88	-40.21	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-151.32	-60.45	-97.40	-89.82	-50.00	-50.00	-50.00	-50.00	-50.00
Financing Cash flow items	-2.85	-23.97	-5.38	-14.78	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.22	-1.68	-0.14	-0.12	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	-24.55	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-23.75	-14.46	-16.73	-41.77	-20.00	-25.00	-25.00	-25.00	0.00
Cash from Financing Activities	-26.38	-40.11	-22.25	-56.67	-44.55	-25.00	-25.00	-25.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	120.90	73.31	111.88	97.16	78.62	87.29	119.17	154.43	192.49
Net Change in Cash	-47.59	38.58	-14.72	-52.97	8.67	31.89	35.25	38.06	65.07
Ending Cash Balance	73.31	111.88	97.16	44.19	87.29	119.17	154.43	192.49	257.55
Capex to Revenue	13.35%	14.61%	13.47%	10.05%	10.03%	9.93%	9.83%	9.73%	9.64%
Depreciation to Sales	19.45%	20.95%	21.88%	21.56%	21.56%	21.56%	21.56%	21.56%	21.56%
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	13.54%	12.25%	13.15%	14.32%	14.18%	14.04%	13.90%	13.76%	13.63%
Distributable FCF Yield	-3.37%	12.50%	1.20%	0.59%	8.46%	9.04%	9.57%	10.02%	10.34%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	-21.20	78.68	7.53	3.71	53.22	56.89	60.25	63.06	65.07

SN VALUATION

LBO Debt Schedule

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-52.97	8.67	31.89	35.25	38.06	65.07
Current Portion Debt Repayment		24.55				
Long Term Debt Repayment		20.00	25.00	25.00	25.00	
Outstanding Debt	631.10	586.55	561.55	536.55	511.55	511.55
Current Portion Debt Balance	24.55	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	606.55	586.55	561.55	536.55	511.55	511.55
Forward Libor Curve		1.00%	1.00%	1.00%	1.00%	1.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		5.00%	5.00%	5.00%	5.00%	5.00%
Interest Expense		29.33	28.08	26.83	25.58	25.58
Cash Balance		44.19				
Interest @ 1.0%		0.44	0.44	0.44	0.44	0.44
Net Interest Expense/(Income)		28.89	27.64	26.39	25.14	25.14
Net Interest Rate		4.76%	4.71%	4.70%	4.68%	4.91%
EBITDA		24.62	25.96	27.32	28.70	30.08
EBITDA/Interest Expense Coverage		0.84	0.92	1.02	1.12	1.18

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Alliance Healthcare

Ticker:

AIQ

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	86.32	124.15	101.71	80.83	89.50	121.38	156.64	194.70	259.76
Total Assets	875.82	883.62	812.61	695.08	646.26	619.59	595.20	572.52	575.73
X1	0.10	0.14	0.13	0.12	0.14	0.20	0.26	0.34	0.45
Retained Earnings	21.00	21.48	-11.18	-171.29	-175.56	-177.23	-176.62	-174.30	-171.09
Total Assets	875.82	883.62	812.61	695.08	646.26	619.59	595.20	572.52	575.73
X2	0.02	0.02	-0.01	-0.25	-0.27	-0.29	-0.30	-0.30	-0.30
EBITDA	171.52	151.83	102.07	-40.65	134.62	135.96	137.32	138.70	140.08
Total Assets	875.82	883.62	812.61	695.08	646.26	619.59	595.20	572.52	575.73
X3	0.20	0.17	0.13	-0.06	0.21	0.22	0.23	0.24	0.24
Market Value of Equity	76.88	76.88	76.88	76.88	96.06	120.03	149.98	187.41	234.17
Total Liabilities	860.20	859.92	814.02	798.87	778.87	753.87	728.87	703.87	703.87
X4	0.09	0.09	0.09	0.10	0.12	0.16	0.21	0.27	0.33
Net Sales	495.83	505.51	478.86	493.65	498.59	503.57	508.61	513.69	518.83
Total Assets	875.82	883.62	812.61	695.08	646.26	619.59	595.20	572.52	575.73
X5	0.57	0.57	0.59	0.71	0.77	0.81	0.85	0.90	0.90
Altman Z Score	1.42	1.40	1.19	0.37	1.32	1.47	1.64	1.84	2.03

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

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