

Citi Trends (CTRN)

Price:	\$19.76	Net Tang. Bk Value Incl. Cash, Excl.	\$200,150,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$222,481,725.00
Shares Outstanding:	15,580,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$26,436,345.00
Market Cap:	\$307,860,800	NTBVIC/Market Downside Recovery:	65.01%	Year 5 Disposition FCF Multiple:	3.0
Cash:	\$88,780,000	Op. Cash Flow:	\$26,436,345	Year 5 Disposition Price:	\$301,790,760.00
Debt:	\$0	Implied Years to Fill Gap:	4.07		
Net Cash:	\$88,780,000	Today's Equity if 5x Op. CF:	\$279,459,035		
Enterprise Value:	\$219,080,800			Net Tang. Book+ Gain Disposition:	\$301,790,760.00
				IRR:	-0.40%
				Price:	\$19.37
				Target Market Cap:	\$301,790,760
				Target Enterprise Value:	\$213,010,760

* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

For the most part, clothing retail businesses have great economics. Fixed costs are stable - monthly rent, utility, insurance, employees. They realize 30%-40% GM. They make a 50% ROIC, so they can recoup the initial investment in 2 years. This is why many apparel retail companies have zero debt, but generates a high level of cash flow.

The worrying thing about this Co. is the abrupt decline in their cashflow since 2011. Also, the profitability is slim. SG&A is relatively high at 30%. This means the business is run poorly. One thing to mention is the compensation seems very generous for such a small operation.

Also, cash turnover has been slowing. Frankly, the clothing business specifically geared to African Americans is too small of a market to continue their expansion. They only recently entered the important CA, NY market, within the past 8 years, so there is room for expansion. However, slim margins is not good for the valuation. We will ding the valuation based on this trait.

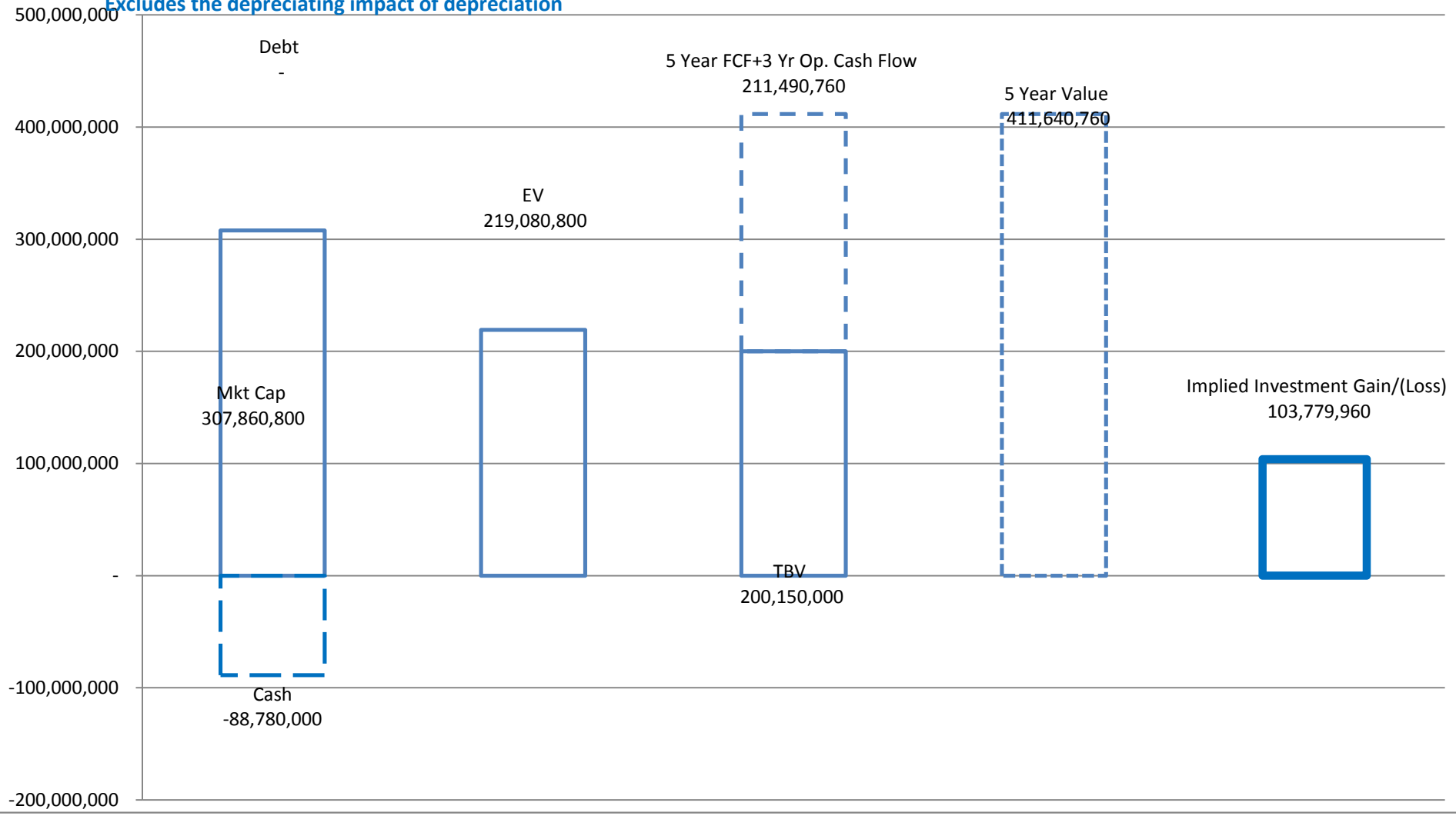
Yesterday, we ran a valuation for the outdoor gear retail store, Sportsman's Warehouse (SPWH). They had great margins. On the other hand, CTRN, has slim margins. When a clothing store is barely breaking even, then there is something flawed in their business model. We understand if the flows dip because of a weak economy. However, CTRN's flows are intrinsically low, whether it be from a weak distribution, vendor relations.

They have 500 stores, which is a sizable number. However, management, in their recent presentation, pointed out they are looking to slow growth during the turnaround. We feel this is prudent, and it may come a time when they look to close down stores in the South and Appalachian area, and looking to expand on the West and North East. Frankly, the more fashion conscious metropolitan area may not embrace the brand, but it is a new market.

The Co. has revealed pictures of the new store layout, which is clean and seems trendy. The layout is similar to a Ross.

We like how the Co. is holding on to \$80MM in cash, and the remainder being inventory and \$100MM in net PP&E. We tend to write off the whole PP&E since they are mainly store enhancements, which would be worthless if the Co. went bankrupt. So, on a very conservative view, there is only a 30% downside protection. However, assuming PP&E retains a dollar for dollar value as the accounting value, we feel the stock is priced at the 5 year target price, so no upside. This is not a good investment as an equity investor, but potential catalyst should they pull off a clean entry into CA and NY with their new store layout.

Excludes the depreciating impact of depreciation



Citi Trends Inc became a publicly traded company on May 2005. It is a value-priced retailer of urban fashion apparel and accessories for the entire family. The Company's merchandise offerings are designed to appeal to the preferences of fashion conscious consumers, particularly African-Americans. It also offers products from less recognized brands and a lesser amount representing private label products under its proprietary brands such as 'Diva Blue,' 'Red Ape,' and 'Lil Miss Hollywood.' The Company's private brand products enable it to expand product selection, offer merchandise at lower prices and enhance its product offerings. Its merchandise includes apparel, accessories and home decor. Within apparel, it offers fashion sportswear for men, women and children, including offerings for newborns, infants, toddlers, boys and girls. The Company also offers accessories, which includes handbags, jewelry, footwear, belts, intimate apparel and sleepwear. The company purchases its merchandise at attractive prices and mark prices up less than department or specialty stores. It reviews each department in its stores at least monthly for possible markdowns based on sales rates and fashion seasons to promote faster turnover of inventory and to accelerate the flow of current merchandise. The Company allocates merchandise across its store base according to the store-level demand. The merchandising staff utilizes a centralized management system to monitor merchandise purchasing, planning and allocation in order to maximize inventory turnover, identify and respond to changing product demands and determine the timing of mark-downs to its merchandise. The average selling space of the company's existing 505 stores is approximately 10,800 square feet, which allows it the space and flexibility to departmentalize its stores and provide directed traffic patterns. The Company arranges its stores in a racetrack format with women's sportswear in the center of each store and complementary categories adjacent to those items. It offers a layaway program that allows customers to purchase merchandise by initially paying a 20% deposit and a \$2 service charge. The customer then makes additional payments every two weeks and has 60 days within which to complete the purchase. If the purchase is not completed, the customer receives a merchandise credit for amounts paid less a re-stocking and layaway service fee. All merchandise sold in the company's stores is shipped directly from its distribution centers in Darlington, South Carolina and Roland, Oklahoma. The Company competes against a group of retailers, including national off-price retailers, mass merchants, smaller specialty retailers and dollar stores. In addition, the merchandise the company sells in its stores is subject to regulatory standards set by various governmental authorities with respect to quality and safety.

Company Name:	Citi Trends
Ticker Symbol:	CTRN
Last Price:	\$19.76
Net Cash/Share:	\$5.70
Net Cash to Last Price:	28.84%
Shares Outstanding:	15,580,000
Industry:	Apparel Stores
Sector:	Consumer Cyclical
Institutional Ownership:	91.99%
Mutual Fund Ownership:	53.53%
Insider Ownership:	6.20%
Float:	82.00%

Market Capitalization:	\$307,860,800.00
Total Debt:	\$0.00
RCH Total Cash:	\$88,780,000.00
Net Cash/(Debt):	\$88,780,000.00
Enterprise Value:	\$219,080,800.00
RCH Current EV/Share:	\$14.06
EBITDA:	\$43,560,000.00
EV/EBITDA Multiple:	5.03
EV/EBITDA Multiple Average Year 1-5:	7.77
EV/FCF Multiple (excluding acquisition):	8.14
	13.33

Income Statement		
Revenue:	\$622,200,000.00	100.0%
Cost of Goods Sold:	\$394,440,000.00	63.4%
Gross Profit:	\$227,760,000.00	36.6%
EBITDA:	\$21,610,000.00	3.5%
Net Income:	#VALUE!	#VALUE!

Balance Sheet		
Cash:	\$81,440,000.00	
Short Term Investment:	\$7,340,000.00	
A/R:	\$0.00	
PP&E:	\$44,000,000.00	
Assets:	\$289,110,000.00	

A/P:	\$60,000,000.00
Deferred Tax:	\$0.00
Other Liabilities:	\$29,780,000.00
Short term Debt:	\$0.00
Long Term Debt:	\$0.00
Liabilities:	\$89,780,000.00
Retained Earnings:	\$117,000,000.00
Paid-In Capital:	\$83,150,000.00
Treasury Stock:	\$0.00
Stockholder's Equity:	\$200,150,000.00

Cash Flow		
Net Income:	460,000.00	
Depreciation/Amortization:	21,970,000.00	
Change in Working capital:	10,950,000.00	
Cash from Operating Activities:	35,370,000.00	
Capital Expenditures:	-8,470,000.00	
Cash from Investing Activities:	-12,780,000.00	
Total Cash Dividends Paid:	0.00	
Issuance (Retirement) of Stock:	50,000.00	
Issuance (Retirement) of Debt:	0.00	
Cash from Financing Activities:	-920,000.00	

Profitability Margins		
Debt to Equity:	0.00%	
Return on Assets:	0.16%	
Return on Capital:	0.23%	
Return on Equity:	0.23%	

Technicals	
52 week low:	\$12.31
Today from 52 week low:	60.52%
52 week high:	\$19.89
Today from 52 week high:	0.66%
Analyst/Consensus	
Analyst Sales Growth FY1:	3.20%
Analyst Sales Growth FY2:	3.70%
SN Valuation Estimate FY1:	0.00%
SN Valuation Estimate FY2:	0.00%

Analyst Earnings Estimate FY1:	\$0.34
Analyst Earnings Estimate FY2:	\$0.57
SN Valuation Earnings Est. FY1:	\$0.29
SN Valuation Earnings Est. FY2:	\$0.29

Multiples	
Market Value to Book:	1.54
EV to Book:	1.09
Market Value to Tangible Net Assets:	3.98
P/E Ratio:	#VALUE!
Trailing P/E Ratio:	658.67
Forward P/E Ratio:	34.67
Beta:	0.49
Dividend:	0.00
Dividend Yield:	0.00%
Dividend Date:	N/A
Ex-Dividend Date:	N/A

Competitors	
Average EV to EBITDA:	N/A
Company EV to EBITDA:	5.03
Average EV to EBIT:	N/A
Company EV to EBITA:	-576.53

Upper Range
DCF: EV/EBITDA Terminal Value

Implied TV from 3 X EV/EBITDA Multiple	\$18,666,000.00
Enterprise Value	\$18,666,000.00
Cash at Year 5:	\$170,961,725.00
Debt at Year 5:	\$0.00
Equity Value Year 5:	\$189,627,725.00
Equity/Share at Year 5:	\$12.17
Annualized Return:	-9.24%

Lower Range
DCF: Net Tangible Asset excluding Cash/Debt Terminal Value

Year 5 Net Tangible Assets excluding cash and debt	\$77,380,000.00
Enterprise Value	\$77,380,000.00
Cash at Year 5:	\$170,961,725.00
Debt at Year 5:	\$0.00
Equity Value Year 5:	\$248,341,725.00
Equity/Share at Year 5:	\$15.94
Annualized Return:	-4.21%

EVA	
EVA today:	\$143,887,293.10
EVA in 5 Years:	\$96,583,327.47
EVA/Share:	\$6.20
Cash at Year 5:	\$170,961,725.00
Debt at Year 5:	\$0.00
Equity Value Year 5:	\$267,545,052.47
Equity/Share at Year 5:	\$17.17
Annualized return	-7.66%

Current Net Tangible Asset	
Net Tangible Asset/Share:	\$12.79
Net Tangible Asset/Share in Year 5:	\$14.23
Annualized return	2.15%

Current Equity Price:	\$19.76
Selling at Discount?	Premium
Appreciation Potential:	-35.25%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Citi Trends

Ticker:

CTRN

	Historical				Forecasted				
	52 weeks ending 2011-01-29	52 weeks ending 2012-01-28	53 weeks ending 2013-02-02	52 weeks ending 2014-02-01	2014	2015	2016	2017	2018
Revenue	622.53	640.82	654.65	622.20	622.20	622.20	622.20	622.20	622.20
COGS	383.32	420.32	426.90	394.44	410.65	410.65	410.65	410.65	410.65
Gross margin	239.21	220.50	227.75	227.76	211.55	211.55	211.55	211.55	211.55
SG&A	167.23	207.03	207.41	206.15	205.33	205.33	205.33	205.33	205.33
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.21	6.51	1.18	0.02	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Excluded from COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	51.77	6.96	19.16	21.59	6.22	6.22	6.22	6.22	6.22
Interest income/(expense)	0.15	0.16	0.05	0.09	0.65	0.65	0.65	0.65	0.65
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	31.59	-17.83	-4.74	-0.29	6.87	6.87	6.87	6.87	6.87
Tax	10.74	-7.62	-2.51	-0.75	2.40	2.40	2.40	2.40	2.40
Income after tax	20.85	-10.01	-2.23	0.46	4.47	4.47	4.47	4.47	4.47
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	20.85	-10.01	-2.23	0.46	4.47	4.47	4.47	4.47	4.47
*Figures are in millions (\$)									
EPS (based off today's share count)	\$1.34	-\$0.64	-\$0.14	\$0.03	\$0.29	\$0.29	\$0.29	\$0.29	\$0.29
P/E (historical today's price; forecasted intrinsic price)	14.77	-30.76	-138.05	669.26	68.66	68.38	68.11	67.84	67.57
Revenue Growth	N/A	2.94%	2.16%	-4.96%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	34.00%	43.86%	52.95%	258.62%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	0.00%	0.00%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	61.57%	65.59%	65.21%	63.39%	66.00%	66.00%	66.00%	66.00%	66.00%
Gross margin	38.43%	34.41%	34.79%	36.61%	34.00%	34.00%	34.00%	34.00%	34.00%
SG&A	30.08%	32.31%	31.68%	33.13%	33.00%	33.00%	33.00%	33.00%	33.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.03%	1.02%	0.18%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Excluded from COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	8.32%	1.09%	2.93%	3.47%	1.00%	1.00%	1.00%	1.00%	1.00%
Interest income/(expense)	0.02%	0.02%	0.01%	0.01%	0.10%	0.10%	0.10%	0.10%	0.10%
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	5.07%	-2.78%	-0.72%	-0.05%	1.10%	1.10%	1.10%	1.10%	1.10%
Tax	1.73%	-1.22%	-0.38%	-0.12%	0.39%	0.39%	0.39%	0.39%	0.39%
Income after tax	3.35%	-1.56%	-0.34%	0.07%	0.72%	0.72%	0.72%	0.72%	0.72%
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	3.35%	-1.56%	-0.34%	0.07%	0.72%	0.72%	0.72%	0.72%	0.72%

	As of 2011-01-29	As of 2012-01-28	As of 2013-02-02	As of 2014-02-01	As of 2014-05-03	Adjustment		Adjusted Proforma	2014	2015	2016	2017	2018
						+	-						
Cash	69.23	41.99	37.26	58.93	81.44			81.44	97.876345	114.31	130.75	147.19	163.62
Short term investment	0.59	0.90	12.77	6.00	7.34			7.34	7.34	7.34	7.34	7.34	7.34
Cash and Short term	69.82	42.89	50.03	64.93	88.78			88.78	105.22	121.65	138.09	154.53	170.96
Accounts Receivable	0.00	0.00	0.00	0.00	0.00			0.00	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	0.00	0.00
Total Receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Inventory	121.43	131.53	141.47	126.50	112.72			112.72	112.72	112.72	112.72	112.72	112.72
Prepaid Expenses	11.24	10.52	10.65	11.22	16.89			16.89	16.89	16.89	16.89	16.89	16.89
Other Current Assets	4.91	7.24	7.50	4.71	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current Assets	207.40	192.18	209.65	207.36	218.39	0.00	0.00	218.39	234.826345	251.26	267.70	284.14	300.57
PP&E, Gross	179.93	209.42	213.76	0.00	214.00			214.00	224.00	234.00	244.00	254.00	264.00
Change in Depreciation	20.32	24.96	23.95	21.97	21.97			21.97	21.97	21.97	21.97	21.97	21.97
Accumulated Depreciation	94.63	118.88	142.77	0.00	170.00			170.00	191.97	213.94	235.91	257.88	279.85
PP&E, Net	85.30	90.54	70.99	0.00	44.00			44.00	32.03	20.06	8.09	-3.88	-15.85
Goodwill	1.37	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term investments	9.21	18.84	5.75	19.78	19.10			19.10	19.10	19.10	19.10	19.10	19.10
Other long term assets	2.61	2.02	4.60	7.62	7.62			7.62	7.62	7.62	7.62	7.62	7.62
Long Term Assets	98.49	111.40	81.34	27.40	70.72			70.72	58.75	46.78	34.81	22.84	10.87
Total Assets	305.89	303.58	290.99	234.76	289.11	0.00	0.00	289.11	293.58	298.04	302.51	306.98	311.44
Accounts Payable	67.93	78.94	62.69	60.04	60.00			60.00	60.00	60.00	60.00	60.00	60.00
Accrued Expense	23.18	26.07	22.58	24.20	25.00			25.00	25.00	25.00	25.00	25.00	25.00
Other current Liabilities	0.44	0.60	0.66	0.52	5.16			5.16	5.16	5.16	5.16	5.16	5.16
Total Current Liabilities	91.55	105.61	85.91	84.76	90.16	0.00	0.00	90.16	90.16	90.16	90.16	90.16	90.16
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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Income tax	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
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	10.04	12.76	10.26	7.69	-0.38			-0.38	-0.38	-0.38	-0.38	-0.38	-0.38
Total Liabilities	101.59	118.37	96.17	92.45	89.78	0.00	0.00	89.78	89.78	89.78	89.78	89.78	89.78
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	0.15	0.15	0.15	0.15	0.15		0.00	0.15	0.15	0.15	0.15	0.15	0.15
Additional Paid-in capital	76.98	78.59	80.98	82.81	83.00	0.00	0.00	83.00	83.00	83.00	83.00	83.00	83.00
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	127.85	117.83	115.61	116.07	117.00			117.00	121.47	125.93	130.40	134.87	139.33
Treasury Stock	-0.17	-0.17	-0.17	-0.17	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	204.81	196.40	195.97	198.86	200.15	0.00	0.00	200.15	204.62	209.08	213.55	218.02	222.48
Liability + Equity	306.40	314.77	292.14	291.31	289.93	0.00	0.00	289.93	294.40	298.86	303.33	307.80	312.26
Variance	-0.51	-11.19	-1.15	-56.55	-0.82			-0.82	-0.82	-0.82	-0.82	-0.82	-0.82
Debt/Equity	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	5.13	4.87	4.63	4.92	5.52			5.52	5.52	5.52	5.52	5.52	5.52
Inventory Turnover Days	71.20	74.92	78.98	74.21	66.12			66.12	66.12	66.12	66.12	66.12	66.12
Days Inventory Outstanding	115.63	114.22	120.96	117.06	100.19			104.31	100.19	100.19	100.19	100.19	100.19
Accounts Receivable Turnover	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Accounts Receivable 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 Payable Outstanding	64.68	68.55	53.60	55.56	53.33			55.52	53.33	53.33	53.33	53.33	53.33
Days Sales Outstanding	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash Conversion Cycle	50.94	45.67	67.36	61.50	46.86			48.79	46.86	46.86	46.86	46.86	46.86
Net tangible assets/share	\$13.06	\$12.61	\$12.58	\$12.76	\$12.85			\$13.13	\$13.42	\$13.71	\$13.99	\$14.28	\$14.28

	52 weeks ending 2011-01-29	52 weeks ending 2012-01-28	53 weeks ending 2013-02-02	52 weeks ending 2014-02-01	2014	2015	2016	2017	2018
Net Income	20.85	-10.01	-2.23	0.46	4.47	4.47	4.47	4.47	4.47
Depreciation	20.32	24.96	23.95	21.97	21.97	21.97	21.97	21.97	21.97
Net Income + Depreciation	41.17	14.95	21.72	22.43	26.44	26.44	26.44	26.44	26.44
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	0.10	-0.14	-2.90	-1.69	0.00	0.00	0.00	0.00	0.00
Non Cash Items	3.08	9.68	4.39	3.68	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-20.10	-2.37	-20.87	10.95	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.00	0.00	0.00	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	-10.10	-9.94	14.97	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.72	-0.13	-0.57	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	11.01	-16.25	-2.65	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	24.25	22.12	2.34	35.37	26.44	26.44	26.44	26.44	26.44
Capital Expenditures Expenditures	-40.77	-38.44	-7.33	-8.47	-10.00	-10.00	-10.00	-10.00	-10.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	23.23	-9.95	1.22	-4.32	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-17.54	-48.39	-6.11	-12.79	-10.00	-10.00	-10.00	-10.00	-10.00
Financing Cash flow items	-0.74	-1.00	-0.95	-0.97	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	0.25	0.04	0.00	0.05	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-0.49	-0.96	-0.95	-0.92	0.00	0.00	0.00	0.00	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	62.99	69.23	41.99	37.26	81.44	97.88	114.31	130.75	147.19
Net Change in Cash	6.24	-27.25	-4.72	21.66	16.44	16.44	16.44	16.44	16.44
Ending Cash Balance	69.23	41.99	37.27	58.92	97.88	114.31	130.75	147.19	163.62
Capex to Revenue	6.55%	6.00%	1.12%	1.36%	1.61%	1.61%	1.61%	1.61%	1.61%
Depreciation to Sales	3.26%	3.90%	3.66%	3.53%	3.53%	3.53%	3.53%	3.53%	3.53%
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	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Distributable FCF/EV Yield	3.06%	-11.99%	-1.72%	10.31%	7.50%	7.50%	7.50%	7.50%	7.50%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	-16.52	-16.32	-4.99	26.90	16.44	16.44	16.44	16.44	16.44

SN VALUATION

LBO Debt Schedule

Ticker:

CTRN

	Proforma	2014	2015	2016	2017	2018
Net Change in Cash	21.66	16.44	16.44	16.44	16.44	16.44
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	0.00	0.00	0.00	0.00	0.00	0.00
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		5.00%	5.00%	5.00%	5.00%	5.00%
Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%
Interest Expense		0.00	0.00	0.00	0.00	0.00
Cash Balance		64.93				
Interest @ 1.0%		0.65	0.65	0.65	0.65	0.65
Net Interest Expense/(Income)		(0.65)	(0.65)	(0.65)	(0.65)	(0.65)
Net Interest Rate		N/A	N/A	N/A	N/A	N/A
EBITDA		6.22	6.22	6.22	6.22	6.22
EBITDA/Interest Expense Coverage		N/A	N/A	N/A	N/A	N/A

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

SN VALUATION

Altman Z Score

	Company Name:				Citi Trends					Ticker:	CTRN
Period	2010	2011	2012	2013	2014	2015	2016	2017	2018		
Working Capital	115.85	86.57	123.74	128.23	144.67	161.10	177.54	193.98	210.41		
Total Assets	305.89	303.58	290.99	289.11	293.58	298.04	302.51	306.98	311.44		
X1	0.38	0.29	0.43	0.44	0.49	0.54	0.59	0.63	0.68		
Retained Earnings	127.85	117.83	115.61	117.00	121.47	125.93	130.40	134.87	139.33		
Total Assets	305.89	303.58	290.99	289.11	293.58	298.04	302.51	306.98	311.44		
X2	0.42	0.39	0.40	0.40	0.41	0.42	0.43	0.44	0.45		
EBITDA	51.77	6.96	19.16	21.59	6.22	6.22	6.22	6.22	6.22		
Total Assets	305.89	303.58	290.99	289.11	293.58	298.04	302.51	306.98	311.44		
X3	0.17	0.02	0.07	0.07	0.02	0.02	0.02	0.02	0.02		
Market Value of Equity	307.86	307.86	307.86	307.86	306.64	305.42	304.20	303.00	301.79		
Total Liabilities	101.59	118.37	96.17	89.78	89.78	89.78	89.78	89.78	89.78		
X4	3.03	2.60	3.20	3.43	3.42	3.40	3.39	3.37	3.36		
Net Sales	622.53	640.82	654.65	622.20	622.20	622.20	622.20	622.20	622.20		
Total Assets	305.89	303.58	290.99	289.11	293.58	298.04	302.51	306.98	311.44		
X5	2.04	2.11	2.25	2.15	2.12	2.09	2.06	2.03	2.00		
Altman Z Score	5.45	4.63	5.45	5.55	5.41	5.44	5.47	5.49	5.52		

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

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

Year	Present Value	Holding Period					Terminal Value			Sale Price
	0	1	2	3	4	5	6	7	8	TBV at Year 5 + 3 Years FCF
Tangible Book Value	200.15	204.62	209.08	213.55	218.02	222.48				222.48
Annual Change		4.47	4.47	4.47	4.47	4.47				
Annual FCF	26.90	16.44	16.44	16.44	16.44	16.44	16.44	16.44	16.44	49.31
Annual Op. Cash Flow	35.37	26.44	26.44	26.44	26.44	26.44	26.44	26.44	26.44	
Annual PP&E Investment	(8.47)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	
Today's Tangible Book Value	200.15	204.43	208.80	213.26	217.82	222.48				271.79
Intrinsic Value IRR	2.14%									
Market Price	307.86	300.28	292.89	285.68	278.65	271.79				271.79
Market Price IRR	-2.46%									

Debt	50.00%	153.93
Equity	50.00%	153.93
Total	100.00%	307.86

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5	6	7	8
Book Equity	200.15	153.93	147.84	141.75	135.65	129.56	123.47			
Goodwill	0	107.71	107.71	107.71	107.71	107.71	107.71			
Debt	0	153.93	153.93	153.93	153.93	153.93	153.93			
Debt Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%			
Additional Interest Expense		12.96	12.96	12.96	12.96	12.96				
Tangible Book Value	200.15	46.22	40.13	34.03	27.94	21.85	15.76			15.76
Annual Change			-6.09	-6.09	-6.09	-6.09	-6.09			
Annual FCF	26.90		5.88	5.88	5.88	5.88	5.88	5.88	5.88	17.63
Annual Net Income	0.46		(6.09)	(6.09)	(6.09)	(6.09)	(6.09)	(6.09)	(6.09)	
Annual Op. Cash Flow	35.37		15.88	15.88	15.88	15.88	15.88	15.88	15.88	
Dividend Payments										
Annual PP&E Investment	(8.47)		(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	
Debt Paydown	0.00						0.00	0.00	0.00	
Sale Price in Year 5										33.39
Capital Left for Equity Investor										33.39
Dividend Payments										0.00
Total Cash In Flow										33.39
Invested Equity	153.93	113.39	83.53	61.53	45.33	33.39				
IRR	-26.34%									

We assume the debt taken on by the investor is now on the Co's books, so the investor has no more liability from the deal.

<u>Value Creation</u>	
TBV Growth (equals sum of NI Year 1-5)	-30.46
Cash Flow (Year 6-8)	17.63
	-12.83

<u>Value Dilution</u>	
Debt	153.93
Goodwill	107.71
Additional Interest	64.82
	326.46