

Chuck E Cheese (CEC)

Price:	\$33.03
Market Cap:	\$572,409,900
Cash:	\$19,640,000
Debt:	\$412,720,000
Net Cash:	-\$393,080,000
Enterprise Value:	\$965,489,900

EV/FCF:	25.68
FCF (in MM):	59.29
Op. CF (in MM):	159.29
Net Tang. Asset/Share:	\$5.77
Implied Years of FCF:	7.97
Implied Years of Op. CF:	2.73

Net Tang. Asset Yr. 5 (Inc. Cash):	\$28.45
Avg. Year FCF/Share:	\$3.22
Year 5 Disposition FCF Multiple:	5.0
Year 5 Disposition Price:	\$44.54

Net Tang. Asset+5 FCF+ Gain Disposition:	\$44.54
IRR:	6.16%

Target Market Cap:	\$771,958,452
Target Enterprise Value:	\$1,165,038,452

Assumed Deal Details

Debt	60.00%	\$343,445,940
Equity	40.00%	\$228,963,960
Shares Outstanding		17,330,000

Levered Return

New market cap in 5 years	\$771,958,452
Nominal Gain for Equity	\$199,548,552
Levered Equity Return	13.35%

Childhood favorite. I loved going to this restaurant chain when I was in elementary school. The rat mascot, pizza, arcades - it didn't get any better than the aforementioned combination. This formula may seem antiquated in 2013, but it has shown a resilience to the 2007-2008 recession, obsolescence, and other competitors, as the co. posted strong, consistent cash flow during the past 5 years.

Overview

The co. owns 514 stores and receives marginal fees from franchisees (<1%) who operate 51 stores. The real estate booked on the statements are for the 50 stores, which are co. owned land/building that we assume are more valuable than the carry value. The co. essentially operates 2 businesses in each store - a restaurant and an arcade. The \$800MM revenue is split evenly 50/50 between the two operation. Management has been attempting to give a facelift to the operations with investments to the website, brand and store amenities. The important metric when considering annual growth is finding same store sales (SSS), since the topline figure may be propped by overexpansion. 2012 and 2011 same store sales have declined 2% annually, which is concerning. The co. opened 12 new stores in 2012, or a 2.4% growth from 2011 store count, which aggravates the decline as sales excluding the new stores would imply a SSS of a -4%. Also, the co. has a leveraged capital structure with \$400MM in debt, which sheds \$9MM in annual interest expense at a weighted average interest rate of 2%, with the help of interest rate swaps. The low interest burden is probably why the co. has opted to repurchase shares, which is currently trading at a discount to intrinsic value. The debt is backed by the PP&E, which is comprised by the 50 store real estate and arcade machines. Roughly 75% of annual capex is appropriated to game/arcade replacement in the existing stores. Not sure how active the aftermarket is for the dated arcades, but we figure, they will most likely be able to retain a 20-30% value after a few years, thereby providing minimal downside support.

Financials/Valuation

Marginal dividend yield of high 2% provides some support for total return.

44% Gross margin is supported by the arcade revenue, since pizzas and soft drinks can't generate such high margins. They charge a hefty price for a game - probably \$0.50 - \$1.00, and if the parents bring their kids and friends for a birthday party, the kids would probably splurge on the arcade.

Management has bought back \$1BB in stocks over the years, rendering equity to \$120MM, and the rest payables and term loans. This will prop the ROE as equity base continues to diminish, while earnings stays relatively flat. The co. has weathered the Great Recession with consistent EBITDA. We project the same for the next 8 years.

Net tangible book value of \$100MM + 5 years of Op. Cash flow of \$150MM, or \$750MM, would result in equity of \$850 MM in 5 years holding. Minus the effects of depreciation, the net tangible asset value would shrink to fit our target market cap of \$770MM. This would be a 6% annual compounded equity appreciation.

¹ 2012 10K Filing

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We develop, operate and franchise family dining and entertainment centers (also referred to as "stores") under the name "Chuck E. Cheese's" in 47 states and eight foreign countries and territories. As of December 30, 2012, we and our franchisees operated a total of 565 stores, of which 514 were Company-owned stores located in 44 states and Canada. Our franchisees operated a total of 51 stores located in 15 states and seven foreign countries and territories including Chile, Guam, Guatemala, Mexico, Puerto Rico, Saudi Arabia and the United Arab Emirates.

Company Name:		Chuck E Cheese		Income Statement	
Ticker Symbol:	CEC	Market Capitalization:	\$572,409,900.00	Revenue:	\$803,480,000.00 100.0%
Last Price:	\$33.03	Total Debt:	\$412,720,000.00	Cost of Goods Sold:	\$124,270,000.00 15.5%
Net Cash/Share:	-\$22.68	Total Cash:	\$19,640,000.00	Gross Profit:	\$679,210,000.00 84.5%
Net Cash to Last Price:	-68.67%	Net Cash/(Debt):	-\$393,080,000.00	EBITDA:	\$168,900,000.00 21.0%
Shares Outstanding:	17,330,000	Enterprise Value:	\$965,489,900.00	Net Income:	\$43,590,000.00 5.4%
Industry:	Restaurants	Current EV/Share:	\$55.71	Balance Sheet	
Sector:	Consumer Cyclical	EBITDA:	\$237,350,000.00	Cash:	\$19,640,000.00
Institutional Ownership:	#VALUE!	EV/EBITDA Multiple:	4.07	Short Term Investment:	\$0.00
Mutual Fund Ownership:	#VALUE!	EV/EBITDA Multiple Average Year 1-5:	4.29	A/R:	\$27,000,000.00
Insider Ownership:	#VALUE!	EV/FCF Multiple (excluding acquisition):	25.68	PP&E:	\$660,000,000.00
Retail Ownership:	#VALUE!	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	17.31	Assets:	\$758,440,000.00
Float:	#VALUE!	Upper Range		A/P:	\$32,680,000.00
		DCF: EV/EBITDA Terminal Value		Deferred Tax:	\$62,930,000.00
		Implied TV from 3 X EV/EBITDA Multiple	\$435,537,846.62	Other Liabilities:	\$150,200,000.00
		Enterprise Value	\$435,537,846.62	Short term Debt:	\$1,060,000.00
		Cash at Year 5:	\$298,554,892.17	Long Term Debt:	\$411,660,000.00
		Debt at Year 5:	\$412,720,000.00	Liabilities:	\$658,530,000.00
		Equity Value Year 5:	\$321,372,738.79	Retained Earnings:	\$823,010,000.00
		Equity/Share at Year 5:	\$18.54	Paid-In Capital:	\$453,620,000.00
		Annualized Return:	-10.90%	Treasury Stock:	-\$1,139,240,000.00
		Lower Range		Stockholder's Equity:	\$143,270,000.00
		DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Cash Flow	
		Year 5 Net Tangible Assets excluding cash and debt	\$491,890,000.00	Net Income:	43,590,000.00
		Enterprise Value	\$491,890,000.00	Depreciation/Amortization:	79,510,000.00
		Cash at Year 5:	\$298,554,892.17	Change in Working capital:	-1,630,000.00
		Debt at Year 5:	\$412,720,000.00	Cash from Operating Activities:	137,090,000.00
		Equity Value Year 5:	\$377,724,892.17	Capital Expenditures:	-99,490,000.00
		Equity/Share at Year 5:	\$21.80	Cash from Investing Activities:	-98,900,000.00
		Annualized Return:	-7.98%	Total Cash Dividends Paid:	-19,850,000.00
		EVA		Issuance (Retirement) of Stock:	-14,350,000.00
		EVA today:	\$196,694,095.80	Issuance (Retirement) of Debt:	-1,050,000.00
		EVA in 5 Years:	\$806,721,810.87	Cash from Financing Activities:	-37,280,000.00
		EVA/Share:	\$46.55	Profitability Margins	
		Cash at Year 5:	\$298,554,892.17	Debt to Equity:	288.07%
		Debt at Year 5:	\$412,720,000.00	Return on Assets:	5.75%
		Equity Value Year 5:	\$692,556,703.04	Return on Capital:	7.84%
		Equity/Share at Year 5:	\$39.96	Return on Equity:	30.43%
		Annualized return	32.61%		
		Current Net Tangible Asset			
		Net Tangible Asset/Share:	\$5.77		
		Net Tangible Asset/Share in Year 5:	\$28.45		
		Annualized return	37.61%		
		Current Equity Price:	\$33.03		
		Selling at Discount?	Premium		
		Appreciation Potential:	-82.55%		
		Dividend Model			
		Next Year Dividend	\$19,766,659.69		
		WACC:	8.15%		
		Dividend:	\$16,636,800.00		
		Net Income:	\$43,590,000.00		
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:	2.00%				
Analyst Sales Growth FY2:	3.00%				
SN Valuation Estimate FY1:	-1.00%				
SN Valuation Estimate FY2:	-1.00%				
Analyst Earnings Estimate FY1:	\$2.69				
Analyst Earnings Estimate FY2:	\$2.97				
SN Valuation Earnings Est. FY1:	\$4.65				
SN Valuation Earnings Est. FY2:	\$4.59				
Multiples					
Market Value to Book:	4.00				
EV to Book:	6.74				
Market Value to Tangible Net Assets:	7.18				
P/E Ratio:	13.13				
Trailing P/E Ratio:	13.29				
Forward P/E Ratio:	11.05				
Beta:	Error				
Dividend:	0.96				
Dividend Yield:	2.92%				
Dividend Date:	Apr 17, 2013				
Ex-Dividend Date:	Mar 19, 2013				
Competitors					
Average EV to EBITDA:	N/A				
Company EV to EBITDA:	4.07				
Average EV to EBIT:	N/A				
Company EV to EBITA:	12.21				

SN VALUATION

LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	28.90	Non-LBO Forecast	Non-LBO Forecast	Desired Return Rate	20.00%
EV/EBITDA with 3X Multiple Terminal Value:	\$18.54	Market Price:	33.03	Year 1 Target	32.16	Implied Today's Price	11.61
Net Tangible Asset Terminal Value:	\$21.80	LBO Price:	33.03	Year 2 Target	31.31	Overvalued/(Undervalued)	184.39%
EV/EBITDA with Today's Multiple Terminal Value:	\$35.30	Premium to Market Price:	0.00%	Year 3 Target	30.49		
EVA Enterprise Value:	\$39.96	LBO Price/Intrinsic Price Target:	-2.64%	Year 4 Target	29.68		
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	-9.08%	Year 5 Target	28.90		
Average (Excluding Dividend Discount):	\$28.90	Implied IRR at today's EV/EBITDA:	1.34%	Implied IRR (Market Price):	-2.64%		
		5 Year Return:	-12.50%				

Current Evaluation				Exit Evaluation			
Current Market Price:	33.03	LBO Price:	33.03	Exit Price:	28.90	Exit Price:	35.30
Outstanding Shares:	17,330,000	Outstanding Shares:	17,330,000	Outstanding Shares:	17,330,000	Outstanding Shares:	17,330,000
Market Capitalization:	572,409,900	Market Capitalization:	572,409,900	Market Capitalization:	500,846,409	Market Capitalization:	611,731,303
Available Cash:	19,640,000	Available Cash:	19,640,000	Available Cash:	298,554,892	Available Cash:	298,554,892
Debt:	412,720,000	Debt:	412,720,000	Debt:	412,720,000	Debt:	412,720,000
Net Cash:	-393,080,000	Net Cash:	-393,080,000	Net Cash:	-114,165,108	Net Cash:	-114,165,108
Enterprise Value:	965,489,900	Enterprise Value:	965,489,900	Enterprise Value:	615,011,517	Enterprise Value:	725,896,411
Original EV/EBITDA:	12.21	EV/EBITDA:	12.21	EV/EBITDA at 5 Years:	4.24	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	4.07	EV/EBITDA:	4.07	EV/EBITDA at 5 Years:	4.04	EV/EBITDA at 5 Years:	3.29
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:	33.03	88.53	86.20	83.93	81.71	79.56	77.46
Shares Outstanding:	17,330,000	17,330,000	17,330,000	17,330,000	17,330,000	17,330,000	17,330,000
Market Capitalization:	572,409,900	1,534,236,629	1,493,797,859	1,454,424,957	1,416,089,830	1,378,765,124	1,342,424,208
Available Cash:	19,640,000	19,640,000	78,926,812	136,444,101	192,209,560	246,240,710	298,554,892
Debt:	412,720,000	412,720,000	412,720,000	412,720,000	412,720,000	412,720,000	412,720,000
Net Cash:	-393,080,000	-393,080,000	-333,793,188	-276,275,899	-220,510,440	-166,479,290	-114,165,108
Enterprise Value:	965,489,900	1,927,316,629	1,827,591,046	1,730,700,856	1,636,600,270	1,545,244,414	1,456,589,315
EBIT	157,840,000	157,840,000	151,134,588	149,623,242	5	146,645,740	145,179,282
EV/EBIT:	6.12	12.21	12.09	11.57	327,320,053.93	10.54	10.03
EBITDA	237,350,000	237,350,000	229,849,488	227,550,993	225,275,483	223,022,728	220,792,501
EV/EBITDA:	4.07	4.07	7.95	7.61	7.26	6.93	6.60

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	33.03	88.53	87.23	89.48	-12.72	93.72	95.70
Shares Outstanding:	17,330,000	17,330,000	17,330,000	17,330,000	17,330,000	17,330,000	17,330,000
Market Capitalization:	572,409,900	1,534,236,629	1,511,646,527	1,550,709,418	-220,510,379	1,624,149,020	1,658,556,919
Available Cash:	19,640,000	19,640,000	78,926,812	136,444,101	192,209,560	246,240,710	298,554,892
Debt:	412,720,000	412,720,000	412,720,000	412,720,000	412,720,000	412,720,000	412,720,000
Net Cash:	-393,080,000	-393,080,000	-333,793,188	-276,275,899	-220,510,440	-166,479,290	-114,165,108
Enterprise Value:	965,489,900	1,927,316,629	1,845,439,715	1,826,985,318	61	1,790,628,310	1,772,722,027
EBIT	157,840,000	157,840,000	151,134,588	149,623,242	5	146,645,740	145,179,282
EV/EBIT:	6.12	12.21	12.21	12.21	12.21	12.21	12.21
EBITDA	237,350,000	237,350,000	229,849,488	227,550,993	225,275,483	223,022,728	220,792,501
EV/EBITDA:	4.07	4.07	8.03	8.03	0.00	8.03	8.03

LBO Price	33.03	Equity Partners:	984,629,900	Weighting	100.00%	Annualized Return for Equity Partners:	-9.08%
Shares Outstanding	17,330,000	Debt Partners:	0		0.00%		
Market Capitalization	572,409,900	Total Funds for LBO:	984,629,900		100.00%		
Debt	412,220,000						
Cash	19,640,000						
Enterprise Value	964,989,900						
Capital Investment	984,629,900						

Book Value		Enterprise Value		Stock Valuation		Debt Reduction	
Beginning Book Value	143.27	Beginning Enterprise Value	965.49	Current Market Price	\$33.03	Starting Debt	390.00
Year 5 Book Value	536.40	Year 5 Enterprise Value	725.90	Year 5 Market Price	\$35.30	Debt Repayment	0.00
Annualized Return	30.22%	Annualized Return	-5.54%	Annualized Return	1.34%	Year 5 Ending Debt	390.00
						% of Starting Debt	100.00%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Chuck E Cheese

Ticker:

CEC

	Historical				Forecasted				
	53 weeks ending 2010-01-03	52 weeks ending 2011-01-02	52 weeks ending 2012-01-01	52 weeks ending 2012-12-30	2013	2014	2015	2016	2017
Revenue	818.35	817.25	821.18	803.48	795.45	787.49	779.62	771.82	764.10
COGS	351.33	347.22	350.95	347.88	350.00	346.50	343.03	339.60	336.20
Gross margin	467.02	470.03	470.23	455.60	445.45	440.99	436.58	432.22	427.90
SG&A	278.95	284.48	288.69	291.01	294.31	291.37	288.46	285.57	282.72
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	0.94	2.74	6.75	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)	188.07	184.61	178.80	157.84	151.13	149.62	148.13	146.65	145.18
Interest income/(expense)	-12.02	-12.14	-8.88	-9.40	-27.18	-27.18	-27.18	-27.18	-27.18
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	98.95	92.76	89.10	69.67	123.96	122.45	120.95	119.47	118.00
Tax	37.76	38.73	34.14	26.98	43.38	42.96	42.33	41.81	41.30
Income after tax	61.19	54.03	54.96	43.59	80.57	79.59	78.62	77.65	76.70
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	61.19	54.03	54.96	43.59	80.57	79.59	78.62	77.65	76.70
*Figures are in millions (\$)									
EPS (based off today's share count)	\$3.53	\$3.12	\$3.17	\$2.52	\$4.65	\$4.59	\$4.54	\$4.48	\$4.43
P/E (historical today's price; forecasted intrinsic price)	9.35	10.59	10.42	13.13	6.92	6.82	6.72	6.62	6.53
Revenue Growth	N/A	-0.13%	0.49%	-2.16%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%
Tax Rate	38.16%	41.75%	38.32%	37.43%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-3.29%	-3.13%	-2.22%	-2.28%	-6.97%	-6.97%	-6.97%	-6.97%	-6.97%
Margins									
COGS	42.93%	42.49%	42.74%	43.30%	44.00%	44.00%	44.00%	44.00%	44.00%
Gross margin	57.07%	57.51%	57.26%	56.70%	56.00%	56.00%	56.00%	56.00%	56.00%
SG&A	34.09%	34.81%	35.16%	36.22%	37.00%	37.00%	37.00%	37.00%	37.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	0.12%	0.33%	0.84%	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)	22.98%	22.59%	21.77%	19.64%	19.00%	19.00%	19.00%	19.00%	19.00%
Interest income/(expense)	-1.47%	-1.49%	-1.08%	-1.17%	-3.42%	-3.45%	-3.49%	-3.52%	-3.56%
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	12.09%	11.35%	10.85%	8.67%	15.58%	15.55%	15.51%	15.48%	15.44%
Tax	4.61%	4.74%	4.16%	3.25%	5.45%	5.44%	5.43%	5.42%	5.41%
Income after tax	7.48%	6.61%	6.69%	5.43%	10.13%	10.01%	9.88%	9.76%	9.64%
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	7.48%	6.61%	6.69%	5.43%	10.13%	10.11%	10.08%	10.06%	10.04%

SN VALUATION

LBO Adjusted Proforma Balance Sheet

	As of 2010-01-03	As of 2011-01-02	As of 2012-01-01	As of 2012-12-30	As of 2012-12-30	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	17.36	19.27	18.67	19.64	19.64			19.64	78.93	136.44	192.21	246.24	298.55
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	17.36	19.27	18.67	19.64	19.64			19.64	78.93	136.44	192.21	246.24	298.55
Accounts Receivable	7.31	6.84	6.63	26.41	27.00			27.00	27.00	27.00	27.00	27.00	27.00
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	7.31	6.84	6.63	26.41	27.00			27.00	27.00	27.00	27.00	27.00	27.00
Total Inventory	18.02	18.48	18.66	18.96	18.96			18.96	18.96	18.96	18.96	18.96	18.96
Prepaid Expenses	13.91	13.94	15.44	18.17	18.17			18.17	18.17	18.17	18.17	18.17	18.17
Other Current Assets	3.39	3.42	3.66	2.88	2.88			2.88	2.88	2.88	2.88	2.88	2.88
Current Assets	59.99	61.95	63.06	86.06	86.65	0.00	0.00	86.65	145.94	203.45	259.22	313.25	365.56
PP&E, Gross	1,152.33	1,224.23	1,256.68	1,260.00	1,260.00			1,260.00	1,360.00	1,460.00	1,560.00	1,660.00	1,760.00
Change in Depreciation		80.68	81.56	79.51	79.51			79.51	78.71	77.93	77.15	76.38	75.61
Accumulated Depreciation	489.59	541.04	573.29	600.00	600.00			600.00	678.71	756.64	833.79	910.17	985.78
PP&E, Net	662.74	683.19	683.39	660.00	660.00			660.00	681.29	703.36	726.21	749.83	774.22
Goodwill	0.00	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	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	1.80	7.48	8.40	11.79	11.79			11.79	11.79	11.79	11.79	11.79	11.79
Long Term Assets	664.54	690.67	691.79	671.79	671.79			671.79	693.08	715.15	738.00	761.62	786.01
Total Assets	724.53	752.62	754.85	757.85	758.44	0.00	0.00	758.44	839.01	918.60	997.22	1,074.87	1,151.57
Accounts Payable	32.75	42.84	32.86	32.68	32.68			32.68	32.68	32.68	32.68	32.68	32.68
Accrued Expense	35.00	33.92	36.03	37.31	37.31			37.31	37.31	37.31	37.31	37.31	37.31
Other current Liabilities	12.10	11.37	13.96	12.09	12.09			12.09	12.09	12.09	12.09	12.09	12.09
Total Current Liabilities	79.85	88.13	82.85	82.08	82.08	0.00	0.00	82.08	82.08	82.08	82.08	82.08	82.08
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	0.88	0.94	0.83	1.06	1.06			1.06	1.06	1.06	1.06	1.06	1.06
Long term Debt	354.30	377.00	389.60	389.50	390.00	0.00	0.00	390.00	390.00	390.00	390.00	390.00	390.00
Capital Lease Obligations	10.63	10.33	10.07	21.66	21.66			21.66	21.66	21.66	21.66	21.66	21.66
Total Interest Earning Debt	365.81	388.27	400.50	412.22	412.72	0.00	0.00	412.72	412.72	412.72	412.72	412.72	412.72
Deferred Income tax	33.69	43.04	64.36	62.93	62.93			62.93	62.93	62.93	62.93	62.93	62.93
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	97.00	100.53	100.57	101.31	100.80			100.80	100.80	100.80	100.80	100.80	100.80
Total Liabilities	576.35	619.97	648.28	658.54	658.53	0.00	0.00	658.53	658.53	658.53	658.53	658.53	658.53
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	6.11	6.14	6.16	6.17	6.17		0.00	6.17	6.17	6.17	6.17	6.17	6.17
Additional Paid-in capital	425.72	436.05	441.96	447.45	447.45	0.00	0.00	447.45	447.45	447.45	447.45	447.45	447.45
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	698.93	755.23	795.60	823.01	823.01		0.00	823.01	903.58	983.17	1,061.79	1,139.44	1,216.14
Treasury Stock	-967.47	-1,045.10	-1,124.88	-1,139.24	-1,139.24			-1,139.24	-1,139.24	-1,139.24	-1,139.24	-1,139.24	-1,139.24
Other Equity	4.62	5.74	5.34	5.88	5.88		0.00	5.88	5.88	5.88	5.88	5.88	5.88
Total Equity	167.91	158.06	124.18	143.27	143.27	0.00	0.00	143.27	223.84	303.43	382.05	459.70	536.40
Liability + Equity	744.26	778.03	772.46	801.81	801.80	0.00	0.00	801.80	882.37	961.96	1,040.58	1,118.23	1,194.93
Variance	-19.73	-25.41	-17.61	-43.96	-43.36			-43.36	-43.36	-43.36	-43.36	-43.36	-43.36
Debt/Equity	2.18	2.46	3.23	2.88	2.88			2.88	1.84	1.36	1.08	0.90	0.77
Inventory Turnover	45.41	44.22	44.01	42.38	41.95			42.38	41.95	41.53	41.12	40.71	40.30
Inventory Turnover Days	8.04	8.25	8.29	8.61	8.70			8.61	8.70	8.79	8.88	8.97	9.06
Days Inventory Outstanding	18.72	19.43	19.41	19.89	19.77			19.89	19.77	19.97	20.17	20.38	20.58
Accounts Receivable Turnover	111.95	119.48	123.86	30.42	29.46			29.76	29.46	29.17	28.87	28.59	28.30
Accounts Receivable Turnover Days	3.26	3.05	2.95	12.00	12.39			12.27	12.39	12.51	12.64	12.77	12.90
Days Payable Outstanding	34.02	45.03	34.18	34.29	34.08			34.29	34.08	34.43	34.77	35.12	35.48
Days Sales Outstanding	3.26	3.05	2.95	12.00	12.39			12.00	12.27	12.39	12.51	12.64	12.77
Cash Conversion Cycle	-12.04	-22.55	-11.82	-2.40	-1.92			-2.40	-2.04	-2.06	-2.08	-2.11	-2.13
Net tangible assets/share	\$8.55	\$7.65	\$6.15	\$5.73	\$5.77				\$10.41	\$15.01	\$19.54	\$24.02	\$28.45

SN VALUATION

LBO Adjusted Proforma Cash Flow

	53 weeks ending 2010-01-03	52 weeks ending 2011-01-02	52 weeks ending 2012-01-01	52 weeks ending 2012-12-30	2011	2012	2013	2014	2015
Net Income	61.19	54.03	54.96	43.59	80.57	79.59	78.62	77.65	76.70
Depreciation	78.07	80.68	81.56	79.51	78.71	77.93	77.15	76.38	75.61
Net Income + Depreciation	139.26	134.71	136.52	123.10	159.29	157.52	155.77	154.03	152.31
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	8.58	7.21	20.29	-0.84	0.00	0.00	0.00	0.00	0.00
Non Cash Items	11.14	9.84	11.72	16.45	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-4.73	5.11	8.70	-1.63	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.47	0.21	-19.78	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	-0.46	-0.18	-0.30	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-0.03	-1.50	-2.73	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	10.09	-9.98	-0.18	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	154.25	156.87	177.23	137.08	159.29	157.52	155.77	154.03	152.31
Capital Expenditures Expenditures	-73.09	-99.84	-94.67	-99.49	-100.00	-100.00	-100.00	-100.00	-100.00
Long term investment	0.00	0.00	0.00	-19.85	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	0.16	-3.02	0.02	0.59	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-72.93	-102.86	-94.65	-98.90	-100.00	-100.00	-100.00	-100.00	-100.00
Financing Cash flow items	0.68	-2.14	-4.00	-2.04	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	-11.49	-19.85	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-32.89	-71.84	-79.15	-14.35	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	-48.36	21.82	11.66	-1.05	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-80.57	-52.16	-82.98	-37.29	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	-1.17	0.07	-0.20	0.06	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	17.77	17.36	19.27	18.67	19.64	78.93	136.44	192.21	246.24
Net Change in Cash	-0.41	1.91	-0.60	0.96	59.29	57.52	55.77	54.03	52.31
Ending Cash Balance	17.36	19.27	18.67	19.63	78.93	136.44	192.21	246.24	298.55
Capex to Revenue	8.93%	12.22%	11.53%	12.38%	12.57%	12.70%	12.83%	12.96%	13.09%
Depreciation to Sales	9.54%	9.87%	9.93%	9.90%	9.90%	9.90%	9.90%	9.90%	9.90%
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	0.89%	0.84%	0.81%	3.29%	3.32%	3.35%	3.39%	3.42%	3.46%
Distributable FCF Yield	8.42%	5.59%	8.55%	3.95%	6.14%	5.96%	5.78%	5.60%	5.42%
Dividend Yield	0.00%	0.00%	-2.01%	-3.47%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	81.16	57.03	94.05	57.44	59.29	57.52	55.77	54.03	52.31

SN VALUATION

LBO Debt Schedule

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	0.96	59.29	57.52	55.77	54.03	52.31
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	391.06	391.06	391.06	391.06	391.06	391.06
Current Portion Debt Balance	1.06	1.06	1.06	1.06	1.06	1.06
Long Term Debt Balance	390.00	390.00	390.00	390.00	390.00	390.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Expense		27.37	27.37	27.37	27.37	27.37
Cash Balance		19.64				
Interest @ 1.0%		0.20	0.20	0.20	0.20	0.20
Net Interest Expense/(Income)		27.18	27.18	27.18	27.18	27.18
Net Interest Rate		6.97%	6.97%	6.97%	6.97%	6.97%
EBITDA		151.13	149.62	148.13	146.65	145.18
EBITDA/Interest Expense Coverage		5.52	5.47	5.41	5.36	5.30

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Chuck E Cheese

Ticker:

CEC

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	-19.86	-26.18	-19.79	4.57	63.86	121.37	177.14	231.17	283.48
Total Assets	724.53	752.62	754.85	758.44	839.01	918.60	997.22	1,074.87	1,151.57
X1	-0.03	-0.03	-0.03	0.01	0.08	0.13	0.18	0.22	0.25
Retained Earnings	698.93	755.23	795.60	823.01	903.58	983.17	1,061.79	1,139.44	1,216.14
Total Assets	724.53	752.62	754.85	758.44	839.01	918.60	997.22	1,074.87	1,151.57
X2	0.96	1.00	1.05	1.09	1.08	1.07	1.06	1.06	1.06
EBITDA	188.07	184.61	178.80	157.84	151.13	149.62	148.13	146.65	145.18
Total Assets	724.53	752.62	754.85	758.44	839.01	918.60	997.22	1,074.87	1,151.57
X3	0.26	0.25	0.24	0.21	0.18	0.16	0.15	0.14	0.13
Market Value of Equity	572.41	572.41	572.41	572.41	557.32	542.63	528.33	514.40	500.85
Total Liabilities	576.35	619.97	648.28	658.53	658.53	658.53	658.53	658.53	658.53
X4	0.99	0.92	0.88	0.87	0.85	0.82	0.80	0.78	0.76
Net Sales	818.35	817.25	821.18	803.48	795.45	787.49	779.62	771.82	764.10
Total Assets	724.53	752.62	754.85	758.44	839.01	918.60	997.22	1,074.87	1,151.57
X5	1.13	1.09	1.09	1.06	0.95	0.86	0.78	0.72	0.66
Altman Z Score	3.90	3.81	3.84	3.79	3.65	3.55	3.46	3.38	3.31

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

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