

June 10, 2013

SN VALUATION [Stocks, Real Estate, Bonds]

Clearone Inc (CLRO)

Price:	\$8.84	Net Tang. Bk Value Incl. Cash, Excl.	\$62,540,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$68,404,625.00
Market Cap:	\$80,444,000	Goodwill (NTBVIC):		Avg. Year FCF/Share:	\$2,592,925.00
Cash:	\$42,580,000	NTBVIC/Market Downside Recovery:	77.74%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$0	Op. Cash Flow:	\$3,092,925	Year 5 Disposition Price:	\$76,183,400.00
Net Cash:	\$42,580,000	Implied Years to Fill Gap:	5.79		
Enterprise Value:	\$37,864,000	Today's Equity if 5x Op. CF:	\$71,818,775		
Shares Outstanding:	9,100,000	Net Tang. Book+ Gain Disposition:			\$76,183,400.00
		IRR:			-1.08%
		Price:			\$8.37
		Target Market Cap:			\$76,183,400
		Target Enterprise Value:			\$33,603,400

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

Came across this stock from Frank Voison, a web stock guru, who has a JD, MBA and CFA and he is only 29. Great specs and his valuation can be seen on his widely read website.

We looked into the Co.'s valuation and think it is priced appropriately. We love the zero debt, strong downside protection with a 77% NTBVIC value, and consistent positive Op. cash flow.

Although we will not invest in the stock at this point, we will advise investors to keep an eye on this stock.

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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
<b>Tangible Book Value</b>	<b>62.54</b>	<b>63.71</b>	<b>64.89</b>	<b>66.06</b>	<b>67.23</b>	<b>68.40</b>				<b>68.40</b>
Annual Change		1.17	1.17	1.17	1.17	1.17				
<b>Annual FCF</b>	<b>43.36</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>7.78</b>
Annual Op. Cash Flow	43.93	3.09	3.09	3.09	3.09	3.09	3.09	3.09	3.09	
Annual PP&E Investment	(0.57)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	
<b>Today's Tangible Book Value</b>	<b>62.54</b>	<b>63.67</b>	<b>64.82</b>	<b>66.00</b>	<b>67.19</b>	<b>68.40</b>				<b>76.18</b>
Intrinsic Value IRR	1.81%									
<b>Market Price</b>	<b>80.44</b>	<b>79.57</b>	<b>78.71</b>	<b>77.86</b>	<b>77.02</b>	<b>76.18</b>				<b>76.18</b>
Market Price IRR	-1.08%									

Debt	0.00%	0.00
Equity	100.00%	80.44
<b>Total</b>	<b>100.00%</b>	<b>80.44</b>

	Present Value	Holding Period					Terminal Value			Sale Price	
	Historic	ProForma	1	2	3	4	5	6	7	8	
Book Equity	66.01	80.44	81.62	82.79	83.96	85.14	86.31				
Goodwill	3.47	17.90	17.90	17.90	17.90	17.90	17.90				
Debt	0	0.00	0.00	0.00	0.00	0.00	0.00				
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%				
Additional Interest Expense		0.00	0.00	0.00	0.00	0.00	0.00				
<b>Tangible Book Value</b>	<b>62.54</b>	<b>62.54</b>	<b>63.71</b>	<b>64.89</b>	<b>66.06</b>	<b>67.23</b>	<b>68.40</b>				<b>68.40</b>
Annual Change			1.17	1.17	1.17	1.17	1.17				
<b>Annual FCF</b>	<b>43.36</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>7.78</b>
Annual Net Income	26.65		1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	
<b>Annual Op. Cash Flow</b>	<b>43.93</b>	<b>3.09</b>	<b>3.09</b>	<b>3.09</b>	<b>3.09</b>	<b>3.09</b>	<b>3.09</b>	<b>3.09</b>	<b>3.09</b>	<b>3.09</b>	
Dividend Payments											
Annual PP&E Investment	(0.57)		(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	
Debt Paydown	0.00							0.00	0.00	0.00	
<b>Sale Price in Year 5</b>											<b>76.18</b>
<b>Remaining Debt Balance</b>											<b>0.00</b>
<b>Capital Left for Equity Investor</b>											<b>76.18</b>
Dividend Payments											0.00
<b>Total Cash In Flow</b>											<b>76.18</b>
<b>Invested Equity</b>	<b>80.44</b>	<b>79.57</b>	<b>78.71</b>	<b>77.86</b>	<b>77.02</b>	<b>76.18</b>					
IRR	-1.08%										

<u>Value Creation</u>	
TBV Growth (equals sum of NI Year 1-5)	5.86
Cash Flow (Year 6-8)	7.78
	<b>13.64</b>

<u>Value Dilution</u>	
Debt	0.00
Goodwill	14.43
Additional Interest	0.00
	<b>14.43</b>



SN VALUATION

LBO Pro Forma Income Statement

Name:

Clearone Inc

Ticker:

CLRO

	Historical				Forecasted				
	6 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2013	2014	2015	2016	2017
Revenue	16.84	41.28	46.07	46.42	46.42	46.42	46.42	46.42	46.42
COGS	7.28	16.64	18.52	19.09	19.50	19.50	19.50	19.50	19.50
Gross margin	9.56	24.64	27.55	27.33	26.92	26.92	26.92	26.92	26.92
SG&A	6.10	15.11	13.55	15.05	15.32	15.32	15.32	15.32	15.32
R&D	3.49	7.74	7.13	8.26	8.36	8.36	8.36	8.36	8.36
Unusual expense	0.00	0.00	-3.70	-38.50	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	137.90	145.30	92.00	38.20	2.00	2.00	2.00	2.00	2.00
Operating Income (EBITA)	-137.93	-143.51	-81.43	4.32	1.25	1.25	1.25	1.25	1.25
Interest income/(expense)	0.04	-0.01	0.01	0.00	0.56	0.56	0.56	0.56	0.56
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	0.10	-0.10	0.02	0.03	0.00	0.00	0.00	0.00	0.00
Income before tax	0.10	1.69	10.60	42.55	1.80	1.80	1.80	1.80	1.80
Tax	-0.32	-0.68	3.67	15.90	0.63	0.63	0.63	0.63	0.63
Income after tax	0.42	2.37	6.93	26.65	1.17	1.17	1.17	1.17	1.17
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	0.42	2.37	6.93	26.65	1.17	1.17	1.17	1.17	1.17
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.05	\$0.26	\$0.76	\$2.93	\$0.13	\$0.13	\$0.13	\$0.13	\$0.13
P/E (historical today's price; forecasted intrinsic price)	191.53	33.94	11.61	3.02	67.84	67.11	66.38	65.66	64.95
Revenue Growth	N/A	145.13%	11.60%	0.76%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	-320.00%	-40.24%	34.62%	37.37%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	2.00%	0.00%	0.00%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	43.23%	40.31%	40.20%	41.12%	42.00%	42.00%	42.00%	42.00%	42.00%
Gross margin	56.77%	59.69%	59.80%	58.88%	58.00%	58.00%	58.00%	58.00%	58.00%
SG&A	36.22%	36.60%	29.41%	32.42%	33.00%	33.00%	33.00%	33.00%	33.00%
R&D	20.72%	18.75%	15.48%	17.79%	18.00%	18.00%	18.00%	18.00%	18.00%
Unusual expense	0.00%	0.00%	-8.03%	-82.94%	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	818.88%	351.99%	199.70%	82.29%	4.31%	4.31%	4.31%	4.31%	4.31%
Operating Income (EBITA)	-819.06%	-347.65%	-176.75%	9.31%	2.69%	2.69%	2.69%	2.69%	2.69%
Interest income/(expense)	0.24%	-0.02%	0.02%	0.00%	1.20%	1.20%	1.20%	1.20%	1.20%
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	0.59%	-0.24%	0.04%	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	0.59%	4.09%	23.01%	91.66%	3.89%	3.89%	3.89%	3.89%	3.89%
Tax	-1.90%	-1.65%	7.97%	34.25%	1.36%	1.36%	1.36%	1.36%	1.36%
Income after tax	2.49%	5.74%	15.04%	57.41%	2.53%	2.53%	2.53%	2.53%	2.53%
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	2.49%	5.74%	15.04%	57.41%	2.53%	2.53%	2.53%	2.53%	2.53%

	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-12-31	As of 2013-03-31	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	9.49	11.43	16.68	55.51	42.58			42.58	45.17	47.77	50.36	52.95	55.54
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
<b>Cash and Short term</b>	<b>9.49</b>	<b>11.43</b>	<b>16.68</b>	<b>55.51</b>	<b>42.58</b>			<b>42.58</b>	<b>45.17</b>	<b>47.77</b>	<b>50.36</b>	<b>52.95</b>	<b>55.54</b>
Accounts Receivable	6.57	9.95	8.46	8.39	9.00			9.00	9.00	9.00	9.00	9.00	9.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Receivables</b>	<b>6.57</b>	<b>9.95</b>	<b>8.46</b>	<b>8.39</b>	<b>9.00</b>			<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>
Total Inventory	6.24	8.78	12.56	10.87	11.60			11.60	11.60	11.60	11.60	11.60	11.60
Prepaid Expenses	1.61	0.45	0.74	1.37	1.79			1.79	1.79	1.79	1.79	1.79	1.79
Other Current Assets	3.13	3.39	2.99	3.15	3.15			3.15	3.15	3.15	3.15	3.15	3.15
<b>Current Assets</b>	<b>27.04</b>	<b>34.00</b>	<b>41.43</b>	<b>79.29</b>	<b>68.12</b>	<b>0.00</b>	<b>0.00</b>	<b>68.12</b>	<b>70.71</b>	<b>73.31</b>	<b>75.90</b>	<b>78.49</b>	<b>81.08</b>
PP&E, Gross	12.96	13.38	13.61	0.00	14.00			14.00	14.50	15.00	15.50	16.00	16.50
Change in Depreciation	0.45	1.20	1.24	1.92	1.92			1.92	1.92	1.92	1.92	1.92	1.92
Accumulated Depreciation	9.71	10.42	11.27	0.00	12.00			12.00	13.92	15.84	17.76	19.68	21.60
<b>PP&amp;E, Net</b>	<b>3.25</b>	<b>2.96</b>	<b>2.34</b>	<b>0.00</b>	<b>2.00</b>			<b>2.00</b>	<b>0.58</b>	<b>-0.84</b>	<b>-2.26</b>	<b>-3.68</b>	<b>-5.10</b>
Goodwill	0.73	0.73	1.15	3.47	3.47	0.00		3.47	3.47	3.47	3.47	3.47	3.47
Intangibles	3.10	2.75	2.69	4.26	5.00			5.00	5.00	5.00	5.00	5.00	5.00
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	7.47	3.55	1.95	3.21	3.07			3.07	3.07	3.07	3.07	3.07	3.07
<b>Long Term Assets</b>	<b>14.55</b>	<b>9.99</b>	<b>8.13</b>	<b>10.94</b>	<b>13.54</b>			<b>13.54</b>	<b>12.12</b>	<b>10.70</b>	<b>9.28</b>	<b>7.86</b>	<b>6.44</b>
<b>Total Assets</b>	<b>41.59</b>	<b>43.99</b>	<b>49.56</b>	<b>90.23</b>	<b>81.66</b>	<b>0.00</b>	<b>0.00</b>	<b>81.66</b>	<b>82.83</b>	<b>84.01</b>	<b>85.18</b>	<b>86.35</b>	<b>87.52</b>
Accounts Payable	2.30	2.36	2.81	2.30	3.00			3.00	3.00	3.00	3.00	3.00	3.00
Accrued Expense	1.76	4.52	2.23	2.14	2.00			2.00	2.00	2.00	2.00	2.00	2.00
Other current Liabilities	4.71	4.36	3.70	18.38	4.19			4.19	4.19	4.19	4.19	4.19	4.19
<b>Total Current Liabilities</b>	<b>8.77</b>	<b>11.24</b>	<b>8.74</b>	<b>22.82</b>	<b>9.19</b>	<b>0.00</b>	<b>0.00</b>	<b>9.19</b>	<b>9.19</b>	<b>9.19</b>	<b>9.19</b>	<b>9.19</b>	<b>9.19</b>
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	2.00	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
<b>Total Interest Earning Debt</b>	<b>2.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Deferred Income tax	0.00	0.00	0.10	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	1.70	1.00	1.04	2.45	3.35			3.35	3.35	3.35	3.35	3.35	3.35
<b>Total Liabilities</b>	<b>12.47</b>	<b>12.24</b>	<b>9.88</b>	<b>25.27</b>	<b>12.54</b>	<b>0.00</b>	<b>0.00</b>	<b>12.54</b>	<b>12.54</b>	<b>12.54</b>	<b>12.54</b>	<b>12.54</b>	<b>12.54</b>
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	0.01	0.01	0.01	0.01	0.01		0.00	0.01	0.01	0.01	0.01	0.01	0.01
Additional Paid-in capital	38.81	39.07	40.07	40.43	40.00	0.00	0.00	40.00	40.00	40.00	40.00	40.00	40.00
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	-9.72	-7.35	-0.42	26.23	26.00		0.00	26.00	27.17	28.35	29.52	30.69	31.86
Treasury Stock	0.00	0.00	0.00	0.00	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
<b>Total Equity</b>	<b>29.10</b>	<b>31.73</b>	<b>39.66</b>	<b>66.67</b>	<b>66.01</b>	<b>0.00</b>	<b>0.00</b>	<b>66.01</b>	<b>67.18</b>	<b>68.36</b>	<b>69.53</b>	<b>70.70</b>	<b>71.87</b>
<b>Liability + Equity</b>	<b>41.57</b>	<b>43.97</b>	<b>49.54</b>	<b>91.94</b>	<b>78.55</b>	<b>0.00</b>	<b>0.00</b>	<b>78.55</b>	<b>79.72</b>	<b>80.90</b>	<b>82.07</b>	<b>83.24</b>	<b>84.41</b>
<b>Variance</b>	0.02	0.02	0.02	-1.71	3.11			3.11	3.11	3.11	3.11	3.11	3.11
<b>Debt/Equity</b>	0.07	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	2.70	4.70	3.67	4.27	4.00			4.00	4.00	4.00	4.00	4.00	4.00
Inventory Turnover Days	135.25	77.63	99.51	85.47	91.21			91.21	91.21	91.21	91.21	91.21	91.21
Days Inventory Outstanding	312.86	192.59	247.54	207.83	217.17			221.79	217.17	217.17	217.17	217.17	217.17
Accounts Receivable Turnover	2.56	4.15	5.45	5.53	5.16			5.16	5.16	5.16	5.16	5.16	5.16
Accounts Receivable Turnover Days	142.40	87.98	67.03	65.97	70.77			70.77	70.77	70.77	70.77	70.77	70.77
Days Payable Outstanding	115.32	51.77	55.38	43.98	56.16			57.36	56.16	56.16	56.16	56.16	56.16
Days Sales Outstanding	142.40	87.98	67.03	65.97	70.77			65.97	70.77	70.77	70.77	70.77	70.77
Cash Conversion Cycle	339.94	228.80	259.18	229.83	231.77			230.40	231.77	231.77	231.77	231.77	231.77
Net tangible assets/share	\$2.78	\$3.10	\$3.94	\$6.48	\$6.32			\$6.45	\$6.58	\$6.71	\$6.84	\$6.97	\$7.10

	6 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2011	2012	2013	2014	2015
Net Income	0.42	2.37	6.93	26.65	1.17	1.17	1.17	1.17	1.17
Depreciation	0.45	1.20	1.24	1.92	1.92	1.92	1.92	1.92	1.92
<b>Net Income + Depreciation</b>	<b>0.87</b>	<b>3.57</b>	<b>8.17</b>	<b>28.57</b>	<b>3.09</b>	<b>3.09</b>	<b>3.09</b>	<b>3.09</b>	<b>3.09</b>
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-0.31	-0.14	1.42	-1.46	0.00	0.00	0.00	0.00	0.00
Non Cash Items	-0.06	0.37	0.67	1.46	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-0.65	0.57	-4.46	15.36	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-3.38	1.49	0.07	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	-2.54	-3.78	1.69	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	1.16	-0.29	-0.63	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.06	0.45	-0.51	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>-0.15</b>	<b>4.37</b>	<b>5.80</b>	<b>43.93</b>	<b>3.09</b>	<b>3.09</b>	<b>3.09</b>	<b>3.09</b>	<b>3.09</b>
Capital Expenditures Expenditures	-0.74	-0.80	-0.38	-0.57	-0.50	-0.50	-0.50	-0.50	-0.50
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	0.57	0.35	-0.98	-4.63	0.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>-0.17</b>	<b>-0.45</b>	<b>-1.36</b>	<b>-5.20</b>	<b>-0.50</b>	<b>-0.50</b>	<b>-0.50</b>	<b>-0.50</b>	<b>-0.50</b>
Financing Cash flow items	0.00	0.00	0.07	0.00	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	0.00	0.00	0.75	0.11	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	-2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>0.00</b>	<b>-2.00</b>	<b>0.82</b>	<b>0.11</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	9.80	9.49	11.43	16.68	42.58	45.17	47.77	50.36	52.95
<b>Net Change in Cash</b>	<b>-0.31</b>	<b>1.94</b>	<b>5.25</b>	<b>38.83</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>
Ending Cash Balance	9.49	11.43	16.68	55.51	45.17	47.77	50.36	52.95	55.54
Capex to Revenue	4.39%	1.94%	0.82%	1.23%	1.08%	1.08%	1.08%	1.08%	1.08%
Depreciation to Sales	2.67%	2.91%	2.69%	4.14%	4.14%	4.14%	4.14%	4.14%	4.14%
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	39.01%	24.10%	18.36%	18.07%	18.07%	18.07%	18.07%	18.07%	18.07%
Distributable FCF/EV Yield	-0.85%	10.35%	11.73%	102.29%	6.85%	6.85%	6.85%	6.85%	6.85%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	<b>-0.89</b>	<b>3.57</b>	<b>5.42</b>	<b>43.36</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>

# SN VALUATION

# LBO Debt Schedule

Ticker:

CLRO

	Proforma	2013	2014	2015	2016	2017
<b>Net Change in Cash</b>	<b>38.83</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>	<b>2.59</b>
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
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		4.00%	4.00%	4.00%	4.00%	4.00%
<b>Interest Rate</b>		<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>
<b>Interest Expense</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Cash Balance		55.51				
Interest @ 1.0%		0.56	0.56	0.56	0.56	0.56
<b>Net Interest Expense/(Income)</b>		<b>(0.56)</b>	<b>(0.56)</b>	<b>(0.56)</b>	<b>(0.56)</b>	<b>(0.56)</b>
<b>Net Interest Rate</b>		<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>
EBITDA		1.25	1.25	1.25	1.25	1.25
<b>EBITDA/Interest Expense Coverage</b>		<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>

## Interest Rate Coverage Table

Debt Rating	2013	2014	2015	2016	2017
AAA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
AA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BBB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CCC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
C	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
D	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

\*Source: NYU; Professor Damodaran

## Altman Z Score

Company Name:

Clearone Inc

Ticker:

CLRO

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	18.27	22.76	32.69	58.93	61.52	64.12	66.71	69.30	71.89
Total Assets	41.59	43.99	49.56	81.66	82.83	84.01	85.18	86.35	87.52
<b>X1</b>	<b>0.44</b>	<b>0.52</b>	<b>0.66</b>	<b>0.72</b>	<b>0.74</b>	<b>0.76</b>	<b>0.78</b>	<b>0.80</b>	<b>0.82</b>
Retained Earnings	-9.72	-7.35	-0.42	26.00	27.17	28.35	29.52	30.69	31.86
Total Assets	41.59	43.99	49.56	81.66	82.83	84.01	85.18	86.35	87.52
<b>X2</b>	<b>-0.23</b>	<b>-0.17</b>	<b>-0.01</b>	<b>0.32</b>	<b>0.33</b>	<b>0.34</b>	<b>0.35</b>	<b>0.36</b>	<b>0.36</b>
EBITDA	-0.03	1.79	10.57	42.52	3.25	3.25	3.25	3.25	3.25
Total Assets	41.59	43.99	49.56	81.66	82.83	84.01	85.18	86.35	87.52
<b>X3</b>	<b>0.00</b>	<b>0.04</b>	<b>0.21</b>	<b>0.52</b>	<b>0.04</b>	<b>0.04</b>	<b>0.04</b>	<b>0.04</b>	<b>0.04</b>
Market Value of Equity	80.44	80.44	80.44	80.44	79.57	78.71	77.86	77.02	76.18
Total Liabilities	12.47	12.24	9.88	12.54	12.54	12.54	12.54	12.54	12.54
<b>X4</b>	<b>6.45</b>	<b>6.57</b>	<b>8.14</b>	<b>6.41</b>	<b>6.35</b>	<b>6.28</b>	<b>6.21</b>	<b>6.14</b>	<b>6.08</b>
Net Sales	16.84	41.28	46.07	46.42	46.42	46.42	46.42	46.42	46.42
Total Assets	41.59	43.99	49.56	81.66	82.83	84.01	85.18	86.35	87.52
<b>X5</b>	<b>0.40</b>	<b>0.94</b>	<b>0.93</b>	<b>0.57</b>	<b>0.56</b>	<b>0.55</b>	<b>0.54</b>	<b>0.54</b>	<b>0.53</b>
<b>Altman Z Score</b>	<b>4.47</b>	<b>5.40</b>	<b>7.30</b>	<b>7.45</b>	<b>5.85</b>	<b>5.83</b>	<b>5.82</b>	<b>5.81</b>	<b>5.79</b>

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

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