# SN VALUATION [Stocks, Real Estate, Bonds]

Analyst: Sung Nam

## **Digital Generation Inc (DGIT)**

Market Price: \$11	1.95	EBITDA	A/Share:	\$3.84	Net Ass	et/Share:	\$6.27
DCF: EV/EBITDA Terminal Value	22.073%		DCF: Net Tangible Asset excluding Cash/Debt Terminal Value				-0.975%
EBITDA-Cap Ex/Share	\$3.29		EVA Analysis:				9.887%

### **Overview**

Digital Generation is involved in advertisment development, distribution and management. It is advertisment specific, and will remain a Business to Business operations, with minimal attention by the general public.

The stock was crushed in the past year, after earnings disappointed and sales didn't meet up to the forecast. However, we have projected a lower end forecast.

#### Dividend?

Dividend yield is 0.0%.

#### **Cashflow Generation**

Cashflows are \$85MM from operating cashflow.

Capex is \$15 MM, minority interest payment is \$0 MM, intangibles are \$50 MM and dividend is \$0 MM. Free cash flow is about \$20 MM.

30.6% EBITA margin and FCF yield is 17.0%.

The company has \$73 MM in cash/short term investment and \$0 MM in debt.

We are projecting a \$0 MM paydown annually.

### **Profitability**

ROA is 8.0%, and ROC is 8.4%.

### LBO?

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

#### Price

We are forecasting a \$26.80/share in Year 5, or a 124.0% holding return, or 17.50% annual return. Thus, the 1 year forecasted price is \$14.10.

Financial Times is showing 4 Buys, 2 Outperform, 1 Hold, 1 Underperform. High of \$40, median \$24, low \$11.

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Digital Generation, Inc., formerly DG FastChannel, Inc., is a provider of digital technology services that enable the electronic delivery of advertisements, syndicated programs, and video news releases to traditional broadcasters, online publishers and other media outlets. The Company has two segments: digital and physical distribution of video and audio content and broadcast business intelligence and all other. The Company operate three nationwide digital networks out of its Network Operation Centers, which link more than 5,000 advertisers, advertising agencies and content owners with more than 29,000 television, radio, cable, print and Web publishing destinations electronically throughout the United States, Canada, and Europe. In March 2011, the Company acquired privately held MIJO Corporation. On October 1, 2010, the Company acquired the assets and operations of privately-held Match Point Media LLC and its divisions, Treehouse Media Services, Inc. and Voltage Video, Inc.

				Inc	come Statement	
Company Name:	Digital Generation Inc	Market Capitalization:	\$328,864,000.00	Revenue:	\$297,340,000.00	100.0%
Ticker Symbol:	DGIT	Total Debt:	\$0.00	Cost of Goods Sold:	\$127,980,000.00	43.0%
Last Price:	\$11.95	Total Cash:	\$73,410,000.00	Gross Profit:	\$169,360,000.00	57.0%
Net Cash/Share:	\$2.67	Net Cash/(Debt):	\$73,410,000.00	EBITDA:	\$127,460,000.00	42.9%
Net Cash to Last Price:	φ <u>2</u> .07 22.32%	Enterprise Value:	\$255,454,000.00	Net Income:		11.5%
				Net income.	\$34,120,000.00	11.3%
Shares Outstanding:	27,520,000	Current EV/Share:	\$9.28	_	N-1 Ob	
Industry:	Communication Equipment	EBITDA:	\$105,610,000.00		Balance Sheet	
Sector:	Technology	EV/EBITDA Multiple:	2.42	Cash:	\$73,410,000.00	
		EV/FCF Multiple:	5.61	Short Term Investment:	\$0.00	
Institutional Ownership:	70.95%	Upper Range		A/R:	\$64,100,000.00	
Mutual Fund Ownership:	0.76%	DCF: EV/EBITDA Terminal Value	е	PP&E:	\$98,750,000.00	
Insider Ownership:	0.00%			Assets:	\$520,000,000.00	
Retail Ownership:	-71.71%	Implied TV from 5 X EV/EBITDA Multiple	\$636,947,401.51			
Float:	0.00%			A/P:	\$6,550,000.00	
		Enterprise Value	\$636,947,401.51	Deferred Tax:	\$0.00	
Т	Technicals	Cash at Year 5:	\$254,537,962.86	Other Liabilities:	\$16,540,000.00	
52 week low:	\$11.22	Debt at Year 5:	\$0.00	Short term Debt:	\$0.00	
Today from 52 week low:	6.51%	Equity Value Year 5:	\$891,485,364.38	Long Term Debt:	\$0.00	
52 week high:	\$38.00	Equity/Share at Year 5:	\$32.39	Liabilities:	\$23,090,000.00	
Today from 52 week high:	217.99%	Annualized Return:	22.07%	Liabilities.	Ψ23,030,000.00	
50 day Moving Average:	\$15.53	Lower Range	22.07 /6	Retained Earnings:	-\$103,800,000.00	
			Townstored Weller			
200 day Moving Average:	\$24.86	DCF: Net Tangible Asset excluding Cash/Debt	Terminal value	Paid-In Capital:	\$614,710,000.00	
				Treasury Stock:	-\$14,000,000.00	
Analyst/Consensus		Year 5 Net Tangible Assets excluding cash and debt	\$58,608,626.81	Stockholder's Equity:	\$496,910,000.00	
Analyst Sales Growth FY1:	35.60%					
Analyst Sales Growth FY2:	33.60%	Enterprise Value	\$58,608,626.81		Cash Flow	
SN Valuation Estimate FY1:	10.00%	Cash at Year 5:	\$254,537,962.86	Net Income:	41,570,000.00	
SN Valuation Estimate FY2:	5.00%	Debt at Year 5:	\$0.00	Depreciation/Amortization:	29,990,000.00	
		Equity Value Year 5:	\$313,146,589.67	Change in Working capital:	-8,930,000.00	
Analyst Earnings Estimate FY1:	\$0.89	Equity/Share at Year 5:	\$11.38	Cash from Operating Activities:	84,360,000.00	
Analyst Earnings Estimate FY2:	\$1.33	Annualized Return:	-0.97%	, ,		
SN Valuation Earnings Est. FY1:	\$2.00			Capital Expenditures:	-13,460,000.00	
SN Valuation Earnings Est. FY2:	\$2.13	EVA		Cash from Investing Activities:	-40,880,000.00	
	<del></del>	EVA today:	\$531,195,381.02		,,	
Multiples		EVA in 5 Years:	\$851,109,907.57	Total Cash Dividends Paid:	0.00	
Market Value to Book:	0.66	EVA/Share:	\$30.93	Issuance (Retirement) of Stock:	102,720,000.00	
EV to Book:	0.51	T	\$254,537,962.86	Issuance (Retirement) of Debt:	-106,180,000.00	
P/E Ratio:	9.64	Debt at Year 5:	\$0.00	Cash from Financing Activities:	-3,980,000.00	
Trailing P/E Ratio:	9.97	Equity Value Year 5:	\$1,105,647,870.44	Cash from Financing Activities.	-3,300,000.00	
Forward P/E Ratio:	8.98	Equity/Share at Year 5:	\$40.18			
		Equity/Share at Year 5:	\$40.18	D	Carl Ular Marrier	
Beta:	1.58				fitability Margins	
Dividend:	0	Annualized return	9.89%	Debt to Equity:	0.00%	
Dividend Yield:	0.00%	A		Return on Assets:	7.99%	
Dividend Date:	N/A	Current Net Tangible Asset		Return on Capital:	8.37%	
Ex-Dividend Date:	N/A	Net Tangible Asset/Share:	\$6.27	Return on Equity:	8.37%	
		Net Tangible Asset/Share in Year 5:	\$25.17			
	ompetitors	Annualized return	32.05%			
Average EV to EBITDA:	N/A					
Company EV to EBITDA:	2.42	Current Equity Price:	\$11.95			
		Selling at Discount?	Premium			
Average EV to EBIT:	N/A	Appreciation Potential:	-47.53%			
Company EV to EBITA:	3.38					
		Dividend Model				
		Next Year Dividend	\$0.00			
		WACC:	6.00%			
		Dividend:	\$0.00			
		Net Income:	\$34,120,000.00			
		Retention Ratio:	100.00%			
		Return on Equity:	8.37%			
		Dividend Growth Rate:	8.37% 8.37%			2011-12-23
		Dividend diowin nate.	0.37 %			2011-12-23

# **SN VALUATION**

# **LBO Analysis**

		3		Non-LBO For	naact	Non-LBO F	orocact
		Intrinsic Price in 5 Years:	26.77	Year 1 Target	14.04	Desired Return Rate	20.00%
MACC Territor I Veler			11.95		16.50		10.76
WACC Terminal Value:	***	Market Price:		Year 2 Target		Implied Today's Price	
EV/EBITDA with 5X Multiple Terminal Value:	\$32.39	LBO Price:	11.95	Year 3 Target	19.39	Overvalued/(Undervalued)	11.07%
Net Tangible Asset Terminal Value:	\$11.38	Premium to Market Price:	0.00%	Year 4 Target	22.78		
EV/EBITDA with Today's Multiple Terminal Value:	\$23.14	LBO Price/Intrinsic Price Target:	17.51%	Year 5 Target	26.77		
VA Enterprise Value:	\$40.18	LBO Price/EV/EBIT Exit Price:	14.13%	_			
ividend Discount Model:	N/A	Implied IRR at today's EV/EBITA:	14.13%	Implied IRR (Market Price):	17.51%		
verage (Excluding Dividend Discount):	\$26.77	5 Year Return:	124.03%	, ,			
, , , , , , , , , , , , , , , , , , , ,							
	Current Evalua					Exit Evaluation	
rrent Market Price:	11.95	LBO Price:	11.95	Exit Price:	26.77	Exit Price:	23.14
itstanding Shares:	27,520,000	Outstanding Shares:	27,520,000	Outstanding Shares:	27,520,000	Outstanding Shares:	27,520,000
arket Capitalization:	328,864,000	Market Capitalization:	328,864,000	Market Capitalization:	736,746,557	Market Capitalization:	636,706,404
vailable Cash:	73,410,000	Available Cash:	73,410,000	Available Cash:	254,537,963	Available Cash:	254,537,963
bt:	0	Debt:	0	Debt:	0	Debt:	0
et Cash:	73,410,000	Net Cash:	73,410,000	Net Cash:	254,537,963	Net Cash:	254,537,963
terprise Value:	255,454,000	Enterprise Value:	255,454,000	Enterprise Value:	482,208,594	Enterprise Value:	382,168,441
iginal EV/EBITA:	3.38	EV/EBITA:	3.38	EV/EBITA at 5 Years:	4.95	EV/EBITA at 5 Years:	3.00
ginal EV/EBITDA:	2.42	EV/EBITDA:	2.75	EV/EBITDA at 5 Years:	5.20	EV/EBITDA at 5 Years:	3.15
mpetitor Average EV/EBIT:	N/A			ĺ			
mpetitor Average EV/EBITDA:	N/A						
		Federation Volume	dia Calantadia Dari				
ne Period	0	Adjusted for LBO	ntion Calculation Duri	ng Holding Period	3	4	5
nualized Price Targets based off LBO Price:	11.95	11.95	14.04	16.50	19.39	22.78	26.77
ares Outstanding:	27,520,000	27,520,000	27,520,000	27,520,000	27,520,000	27,520,000	27,520,000
arket Capitalization:	328,864,000	328,864,000	386,435,211	454,084,886	533,577,371	626,985,878	736,746,557
railable Cash:	73,410,000	73,410,000	99,286,969	131,368,613	168,976,371	209,598,806	254,537,963
ebt:	0	0	0	0	0	0	0
et Cash:	73,410,000	73,410,000	99,286,969	131,368,613	168,976,371	209,598,806	254,537,963
tterprise Value:	255,454,000	255,454,000	287,148,242	322,716,274	364,601,000	417,387,072	482,208,594
•							
BIT	75,610,000	75,610,000	78,913,200	84,358,860	90,076,803	93,679,107	97,389,480
//EBIT:	3.38	3.38	3.64	3.83	4.05	4.46	4.95
BITDA	93,010,000	93,010,000	99,681,719	106,165,805	112,611,638	116,707,659	121,442,003
V/EBITDA:	2.75	2.75	2.88	3.04	3.24	3.58	3.97
		Enterprise Valua	tion Calculation Duri	ng Holding Period			
me Period	0	Adjusted for LBO	1	2	3	4	5
nnualized Price Targets based off LBO Price:	11.95	11.95	13.30	15.13	17.20	19.12	21.21
nares Outstanding:	27,520,000	27,520,000	27,520,000	27,520,000	27,520,000	27,520,000	27,520,000
		The state of the s	365,901,075	416,381,286	473,307,539	526,100,626	583,575,554
arket Capitalization:	328,864,000	328,864,000					
railable Cash:	73,410,000	73,410,000	99,286,969	131,368,613	168,976,371	209,598,806	254,537,963
ebt:	0	0	0	0	0	0	0
et Cash:	73,410,000	73,410,000	99,286,969	131,368,613	168,976,371	209,598,806	254,537,963
terprise Value:	255,454,000	255,454,000	266,614,107	285,012,673	304,331,168	316,501,820	329,037,592
BIT	75,610,000	75,610,000	78,913,200	84,358,860	90,076,803	93,679,107	97,389,480
V/EBIT:			3.38			3.38	
	3.38	3.38		3.38	3.38		3.38
ITDA	93,010,000	93,010,000	99,681,719	106,165,805	112,611,638	116,707,659	121,442,003
/EBITDA:	2.75	2.75	2.67	2.68	2.70	2.71	2.71
				Weighting			
3O Price	11.95	Equity Partners:	328,864,000	100.00%	A	Internal Conference Part	1/1120/
ares Outstanding	27,520,000	Debt Partners:	0	0.00%	Annualized R	Return for Equity Partners:	<b>14.13</b> %
arket Capitalization	328,864,000	Total Funds for LBO:	328,864,000	100.00%			
=			3=0,001,000	200.0070			
bt	0						
sh	73,410,000						
terprise Value	255,454,000						
	328,864,000						
pital Investment							
•							
•		Enterprise Value		Stock Valuation		Debt Reduction	
ok Value	496.91	•	255.45		\$11.95		0.00
upital Investment  ook Value ginning Book Value  par 5 Book Value	496.91 810.57	Beginning Enterprise Value	255.45 382.17	Current Market Price	\$11.95 \$23.14	Starting Debt	0.00
ok Value ginning Book Value ar 5 Book Value	810.57	Beginning Enterprise Value Year 5 Enterprise Value	382.17	Current Market Price Year 5 Market Price	\$23.14	Starting Debt Debt Repayment	0.00
ok Value ginning Book Value		Beginning Enterprise Value		Current Market Price		Starting Debt	

## **SN VALUATION**

### LBO Pro Forma Income Statement Name: Digital Generation Inc

Ticker:

DGIT

	Historical								
	12 months ending 2007-12-31	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	2011	2012	2013	2014	2015
Revenue	97.68	157.08	190.89	247.53	272.28	285.90	300.19	309.20	318.47
COGS	41.59	64.44	71.70	78.16	95.30	100.06	105.07	108.22	111.47
Gross margin	56.09	92.64	119.19	169.37	176.98	185.83	195.12	200.98	207.01
SG&A	20.95	29.29	39.12	47.29	54.46	57.18	60.04	61.84	63.69
R&D	3.23	4.27	6.26	10.60	13.61	14.29	15.01	15.46	15.92
Unusual expense	0.00	0.00	0.00	5.87	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: Included within COGS	12.86	21.35	26.51	30.00	30.00	30.00	30.00	30.00	30.00
Operating Income (EBITA)	19.05	37.73	47.30	75.61	78.91	84.36	90.08	93.68	97.39
Interest income/(expense)	-0.68	-13.08	-11.86	-7.12	0.73	0.73	0.73	0.73	0.73
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	18.37	24.65	35.44	68.49	79.65	85.09	90.81	94.41	98.12
Tax	7.50	9.57	14.94	26.92	23.89	25.53	27.24	28.32	29.44
Income after tax	10.87	15.08	20.50	41.57	55.75	59.57	63.57	66.09	68.69
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	10.87	15.08	20.50	41.57	55.75	59.57	63.57	66.09	68.69
*Figures are in millions (\$)									
Revenue Growth	N/A	60.81%	21.52%	29.67%	10.00%	5.00%	5.00%	3.00%	3.00%
Tax Rate	40.83%	38.82%	42.16%	39.31%	30.00%	30.00%	30.00%	30.00%	30.00%
Implied Debt Interest Rate	-1.52%	-7.55%	-11.58%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	42.58%	41.02%	37.56%	31.58%	35.00%	35.00%	35.00%	35.00%	35.00%
Gross margin	57.42%	58.98%	62.44%	68.42%	65.00%	65.00%	65.00%	65.00%	65.00%
SG&A	21.45%	18.65%	20.49%	19.10%	20.00%	20.00%	20.00%	20.00%	20.00%
R&D	3.31%	2.72%	3.28%	4.28%	5.00%	5.00%	5.00%	5.00%	5.00%
Unusual expense	0.00%	0.00%	0.00%	2.37%	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: Included within COGS	13.17%	13.59%	13.89%	12.12%	11.02%	10.49%	9.99%	9.70%	9.42%
Operating Income (EBITA)	19.50%	24.02%	24.78%	30.55%	28.98%	29.51%	30.01%	30.30%	30.58%
Interest income/(expense)	-0.70%	-8.33%	-6.21%	-2.88%	0.27%	0.26%	0.24%	0.24%	0.23%
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	18.81%	15.69%	18.57%	27.67%	29.25%	29.76%	30.25%	30.53%	30.81%
Tax	7.68%	6.09%	7.83%	10.88%	8.78%	8.93%	9.08%	9.16%	9.24%
Income after tax	11.13%	9.60%	10.74%	16.79%	20.48%	21.88%	23.35%	24.27%	25.23%
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	11.13%	9.60%	10.74%	16.79%	20.48%	20.83%	21.18%	21.37%	21.57%

## **LBO Adjusted Proforma Balance Sheet**

Adjustment

	As of 2007-12-31	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	+	-	Adjusted Proforma	2011	2012	2013	2014	2015
Cash	10.10	17.18	33.87	73.41			73.41	99.29	131.37	168.98	209.60	254.54
Short term investment	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	10.10	17.18	33.87	73.41			73.41	99.29	131.37	168.98	209.60	254.54
Accounts Receivable	26.52	42.97	51.31	64.10			64.10	64.10	64.10	64.10	64.10	64.10
Other receivables	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	26.52	42.97	51.31	64.10			64.10	64.10	64.10	64.10	64.10	64.10
Deferred Income Tax	-0.01	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Inventory	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Current Assets	3.87	3.38	4.53	4.58			4.58	4.58	4.58	4.58	4.58	4.58
Current Assets	40.48	63.53	89.71	142.09	0.00	0.00	142.09	167.97	200.05	237.66	278.28	323.22
PP&E, Gross	52.14	68.44	86.54	98.75			98.75	113.75	128.75	143.75	158.75	173.75
Change in Depreciation	8.58	12.74	14.78	17.40			17.40	20.77	21.81	22.53	23.03	24.05
Accumulated Depreciation	24.66	30.45	45.23	62.63			62.63	83.40	105.21	127.74	150.77	174.82
PP&E, Net	27.48	37.99	41.31	36.12			36.12	30.35	23.54	16.01	7.98	-1.07
Goodwill	111.95	246.73	214.78	226.26	0.00		226.26	226.26	226.26	226.26	226.26	226.26
Intangibles	51.36	115.03	102.41	98.10			98.10	133.74	168.04	201.53	235.03	267.82
Long term investments	15.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	6.23	10.52	29.88	14.10			14.10	14.10	14.10	14.10	14.10	14.10
Long Term Assets	236.68	440.72	388.38	374.58			374.58	404.46	431.94	457.90	483.37	507.11
Total Assets	252.50	473.80	478.29	520.00	0.00	0.00	516.67	572.42	631.99	695.56	761.65	830.33
Accounts Payable	5.46	13.01	8.41	6.55	-		6.55	6.55	6.55	6.55	6.55	6.55
Accounts Payable Accrued Expense	6.62	9.12	13.46	11.14	<b>-</b>		11.14	11.14	11.14	6.55 11.14	6.55 11.14	6.55 11.14
Other current Liabilities	2.34	2.39	2.18	1.45			1.45	1.45	1.14	1.45	1.45	1.45
Total Current Liabilities	14.42	2.39 24.52	24.05	1.45 19.14	0.00	0.00	19.14	19.14	19.14	19.14	19.14	19.14
Total Current Liabilities	14.42	24.32	24.03	15.14	0.00	0.00	13.14	19.14	19.14	19.14	19.14	19.14
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
Current port. Of LT Debt/Capital Leases	0.45	18.15	21.50	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	44.33	154.99	80.96	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
Total Interest Earning Debt	44.78	173.14	102.46	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
Minority Interest	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	1.16	6.62	4.61	3.96			3.96	3.96	3.96	3.96	3.96	3.96
Total Liabilities	60.36	204.28	131.12	23.10	0.00	0.00	23.10	23.10	23.10	23.10	23.10	23.10
Redeemable Preferred Stock	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
Common Stock	0.02	0.02	0.02	0.03		0.00	0.03	0.03	0.03	0.03	0.03	0.03
Additional Paid-in capital	368.49	437.98	494.78	614.71	0.00	0.00	614.71	614.71	614.71	614.71	614.71	614.71
Dividends Paid	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	-180.94	-165.87	-145.37	-103.80		0.00	-103.80	-48.05	11.52	75.09	141.18	209.86
Treasury Stock	-0.85	-0.85	-0.85	-14.00			-14.00	-14.00	-14.00	-14.00	-14.00	-14.00
Other Equity	5.42	-1.76	-1.42	-0.03		0.00	-0.03	-0.03	-0.03	-0.03	-0.03	-0.03
Total Equity	192.14	269.52	347.16	496.91	0.00	0.00	496.91	552.66	612.23	675.80	741.89	810.57
Liability + Equity	252.50	473.80	478.28	520.01	0.00	0.00	520.01	575.76	635.33	698.90	764.99	833.67
							•					
Variance	0.00	0.00	0.01	-0.01			-3.34	-3.34	-3.34	-3.34	-3.34	-3.34
- · · · - · ·												
Debt/Equity	0.23	0.64	0.30	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turneyer	#DIV/01	#DIV/01	#DIV/01	#DIV/01			#DIV/OI	#DIV/01	#DIV/01	#DIV/01	#DIV/01	#DIV/01
Inventory Turnover	#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!
Days Inventory Outstanding	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Assessmenta Dannis salah Lauran salah	0.00	0.00	0.70	0.00			0.00	4.05	4.40	4.00	4.00	4.07
Accounts Receivable Turnover	3.68	3.66	3.72	3.86			3.86	4.25	4.46	4.68	4.82	4.97
Accounts Receivalbe Turnover Days	99.10	99.85	98.11	94.52			94.52	85.93	81.84	77.94	75.67	73.46
Dava Rayabla Outstanding	47.00	72.60	40.01	20.50			20.50	25.00	22.00	22.75	22.00	21.45
Days Payable Outstanding	47.92	73.69	42.81	30.59			30.59	25.09	23.89	22.75	22.09	21.45
Days Sales Outstanding	99.10	99.85	98.11	94.52			94.52	94.52	85.93	81.84	77.94	75.67
Days Sales Outstanding	99.IU	99.00	30.11	34.32			54.5∠	34.32	60.93	01.04	11.94	10.01
Cash Conversion Cycle	51.18	26.16	55.30	63.93			63.93	69.43	62.03	59.08	55.85	54.22
Sasti Conversion Cycle	31.10	20.10	33.30	00.33			00.33	03.43	02.03	55.00	33.03	J4.22

### **SN VALUATION**

## LBO Adjusted Proforma Cash Flow

	12 months ending 2007-12-31	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	2011	2012	2013	2014	2015
Net Income	10.41	15.08	20.50	41.57	55.75	59.57	63.57	66.09	68.69
Depreciation	8.58	12.74	14.78	17.40	20.77	21.81	22.53	23.03	24.05
Net Income + Depreciation	18.99	27.82	35.28	58.97	76.52	81.37	86.10	89.12	92.74
Amortization	4.28	8.61	11.72	12.59	14.36	15.71	16.51	16.50	17.20
Deferred Taxes	6.84	8.11	12.07	12.43	0.00	0.00	0.00	0.00	0.00
Non Cash Items	-0.35	3.61	4.75	9.29	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-10.73	-6.77	-13.44	-8.93	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-16.45	-8.34	-12.79	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	7.55	-4.60	-1.86	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	19.03	41.38	50.38	84.35	90.88	97.08	102.61	105.62	109.94
Capital Expenditures	-7.42	-18.05	-13.92	-13.46	-15.00	-15.00	-15.00	-15.00	-15.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	-49.48	-136.69	0.00	-27.42	-50.00	-50.00	-50.00	-50.00	-50.00
Cash from Investing Activities	-56.90	-154.74	-13.92	-40.88	-65.00	-65.00	-65.00	-65.00	-65.00
E				0.54					
Financing Cash flow items	-0.37	0.00	0.00	-0.51	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00 0.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.56	0.21	53.20	102.72	0.00		0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt Issuance (Retirement) of Long Term Debt	23.30	120.22	-72.91	-106.18	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00
Cash from Financing Activities	23.30 23.49	120.22 120.43	-72.91 - <b>19.71</b>	-106.18 -3.97	0.00	0.00 <b>0.00</b>	0.00	0.00 <b>0.00</b>	0.00
Cash from Financing Activities	23.49	120.43	-19.71	-3.97	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.00	0.01	-0.07	0.04	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	24.47	10.10	17.18	33.87	73.41	99.29	131.37	168.98	209.60
Net Change in Cash	-14.37	7.08	16.69	39.54	25.88	32.08	37.61	40.62	44.94
Ending Cash Balance	10.10	17.18	33.87	73.41	99.29	131.37	168.98	209.60	254.54
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Depreciation to Sales	8.78%	8.11%	7.74%	7.03%	7.63%	7.63%	7.51%	7.45%	7.55%
Amortization to Sales	4.38%	5.48%	6.14%	5.09%	5.27%	5.49%	5.50%	5.34%	5.40%
A/R to Sales	27.15%	27.36%	26.88%	25.90%	23.54%	22.42%	21.35%	20.73%	20.13%
Distributable FCF Yield	-14.82%	-44.38%	14.27%	17.02%	10.13%	12.56%	14.72%	15.90%	17.59%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

# SN VALUATION LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
Net Change in Cash	39.54	25.88	32.08	37.61	40.62	44.94
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	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		4.00%	4.00%	4.00%	4.00%	4.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%
Interest Expense		0.00	0.00	0.00	0.00	0.00
Cash Balance		73.41				
Interest @ 1.0%		0.73	0.73	0.73	0.73	0.73
Net Interest Expense/(Income)		(0.73)	(0.73)	(0.73)	(0.73)	(0.73)
Net Interest Rate		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA		78.91	84.36	90.08	93.68	97.39
EBITDA/Interest Expense Coverage		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
	Γ	7				

Interest Rate Coverage Table

Debt Rating					
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!
В	#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!
С	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
D	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

<sup>\*</sup>Source: NYU; Professor Damodaran