

EasyLink Services International Corp (ESIC)

Price:	\$4.53	Price/Book:	1.46	EV/EBITDA 5x TV:	\$3.78
Market Cap:	\$144,507,007	Price/Earnings:	5.76	Net Tangible Asset TV:	\$2.22
Cash:	\$30,180,000	EV/EBITA:	6.19	SN Defined TV:	\$5.56
Debt:	\$108,260,000	EV/FCF:	-2.93	Economic Value Added:	\$8.50
Net Cash:	-\$78,080,000	Net Tang. Asset/Share:	-\$1.35	Year 5 Target:	\$5.01
Enterprise Value:	\$222,587,007	Avg. Year 1-5 FCF/Share:	\$0.68	Appreciation:	10.693%

Easy Link Services International provides cloud electronic communication services in a bundled package to enterprise clients. The services provided are Electronic Data Interchange (EDI), fax, messaging, notifications.

30,000 enterprise clients, 65 of Fortune 100 companies. 42% of revenues were from clients outside of the U.S. 200 out of 540 employees are located internationally.

Revenues doubled the previous year on a YoY basis. The business is broken into 2 pieces: 1) On Demand Messaging and 2) Supply Chain Messaging. On Demand is the growth driver for the firm. As mentioned above, the company has a wide customer base, with no customer creating 10% or more of total revenue. Where did the 100% revenue growth come from?

The company is involved in acquisitions, and explicitly stated in recent 10-K, their growth is driven by acquisition. We take a dim view of acquisition driven growth, since it hides the performance of the existing assets, which could lead to unaddressed issues later on.

Dividend?

Dividend yield is 0.00%.

Price to Book

Price to book is 1.45. Price to book excluding goodwill is -3.36.

Cashflow Generation

Cashflows are \$26 MM from operating cashflow.

Capex is \$5 MM, minority interest payment is \$0 MM, intangibles are \$0 MM and dividend is \$0 MM.

Free cash flow is about \$21 MM.

13.6% EBITA margin and FCF yield is 9.5%.

The company has \$30.2 MM in cash/short term investment and \$108.3 MM in debt.

We are projecting a \$0.0 MM paydown annually.

Profitability

ROA is 10.2%, and ROC is 24.9%.

Bankruptcy Risk

Altman Z is at 1.6.

LBO?

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

Price

SN VALUATION

LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	5.01	Non-LBO Forecast	Non-LBO Forecast	Desired Return Rate	20.00%
EV/EBITDA with 3X Multiple Terminal Value:	\$3.78	Market Price:	4.53	Year 1 Target	4.62	Implied Today's Price	2.02
Net Tangible Asset Terminal Value:	\$2.22	LBO Price:	4.53	Year 2 Target	4.72	Overvalued/(Undervalued)	124.79%
EV/EBITDA with Today's Multiple Terminal Value:	\$5.56	Premium to Market Price:	0.00%	Year 3 Target	4.81		
EVA Enterprise Value:	\$8.50	LBO Price/Intrinsic Price Target:	2.05%	Year 4 Target	4.91		
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	-6.83%	Year 5 Target	5.01		
Average (Excluding Dividend Discount):	\$5.01	Implied IRR at today's EV/EBITDA:	4.19%	Implied IRR (Market Price):	2.05%		
		5 Year Return:	10.69%				

Current Evaluation				Exit Evaluation			
Current Market Price:	4.53	LBO Price:	4.53	Exit Price:	5.01	Exit Price:	5.56
Outstanding Shares:	31,900,000	Outstanding Shares:	31,900,000	Outstanding Shares:	31,900,000	Outstanding Shares:	31,900,000
Market Capitalization:	144,507,007	Market Capitalization:	144,507,000	Market Capitalization:	159,959,422	Market Capitalization:	177,424,564
Available Cash:	30,180,000	Available Cash:	30,180,000	Available Cash:	143,855,106	Available Cash:	143,855,106
Debt:	108,260,000	Debt:	108,260,000	Debt:	108,260,000	Debt:	108,260,000
Net Cash:	-78,080,000	Net Cash:	-78,080,000	Net Cash:	35,595,106	Net Cash:	35,595,106
Enterprise Value:	222,587,007	Enterprise Value:	222,587,000	Enterprise Value:	124,364,316	Enterprise Value:	141,829,458
Original EV/EBITDA:	9.92	EV/EBITDA:	9.92	EV/EBITDA at 5 Years:	4.38	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	6.19	EV/EBITDA:	6.19	EV/EBITDA at 5 Years:	4.33	EV/EBITDA at 5 Years:	3.23
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:	4.53	4.53	4.62	4.72	4.81	4.91	5.01
Shares Outstanding:	31,900,000	31,900,000	31,900,000	31,900,000	31,900,000	31,900,000	31,900,000
Market Capitalization:	144,507,000	144,507,000	147,473,190	150,500,264	153,589,473	156,742,091	159,959,422
Available Cash:	30,180,000	30,180,000	50,900,557	73,157,989	96,060,908	119,622,224	143,855,106
Debt:	108,260,000	108,260,000	108,260,000	108,260,000	108,260,000	108,260,000	108,260,000
Net Cash:	-78,080,000	-78,080,000	-57,359,443	-35,102,011	-12,199,092	11,362,224	35,595,106
Enterprise Value:	222,587,000	222,587,000	204,832,633	185,602,275	165,788,565	145,379,867	124,364,316
EBIT	22,440,000	22,440,000	25,456,965	26,729,813	27,264,410	27,809,698	28,365,892
EV/EBIT:	9.92	9.92	8.05	6.94	6.08	5.23	4.38
EBITDA	35,970,000	35,970,000	39,392,865	41,362,508	42,189,758	43,033,554	43,894,225
EV/EBITDA:	6.19	6.19	5.20	4.49	3.93	3.38	2.83

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	4.53	4.53	6.12	7.21	8.10	9.00	9.94
Shares Outstanding:	31,900,000	31,900,000	31,900,000	31,900,000	31,900,000	31,900,000	31,900,000
Market Capitalization:	144,507,000	144,507,000	195,153,457	230,036,533	258,242,223	287,212,366	316,962,250
Available Cash:	30,180,000	30,180,000	50,900,557	73,157,989	96,060,908	119,622,224	143,855,106
Debt:	108,260,000	108,260,000	108,260,000	108,260,000	108,260,000	108,260,000	108,260,000
Net Cash:	-78,080,000	-78,080,000	-57,359,443	-35,102,011	-12,199,092	11,362,224	35,595,106
Enterprise Value:	222,587,000	222,587,000	252,512,900	265,138,545	270,441,316	275,850,142	281,367,145
EBIT	22,440,000	22,440,000	25,456,965	26,729,813	27,264,410	27,809,698	28,365,892
EV/EBIT:	9.92	9.92	9.92	9.92	9.92	9.92	9.92
EBITDA	35,970,000	35,970,000	39,392,865	41,362,508	42,189,758	43,033,554	43,894,225
EV/EBITDA:	6.19	6.19	6.41	6.41	6.41	6.41	6.41

LBO Price	4.53	Equity Partners:	252,767,000	Weighting	100.00%	Annualized Return for Equity Partners:	-6.83%
Shares Outstanding	31,900,000	Debt Partners:	0		0.00%		
Market Capitalization	144,507,000	Total Funds for LBO:	252,767,000		100.00%		
Debt	108,260,000						
Cash	30,180,000						
Enterprise Value	222,587,000						
Capital Investment	252,767,000						

Book Value		Enterprise Value		Stock Valuation		Debt Reduction	
Beginning Book Value	99.11	Beginning Enterprise Value	222.59	Current Market Price	\$4.53	Starting Debt	80.17
Year 5 Book Value	163.54	Year 5 Enterprise Value	141.83	Year 5 Market Price	\$5.56	Debt Repayment	0.00
Annualized Return	10.54%	Annualized Return	-8.62%	Annualized Return	4.19%	Year 5 Ending Debt	80.17
						% of Starting Debt	100.00%

SN VALUATION

LBO Pro Forma Income Statement

Name:

EasyLink Services International Corp

Ticker:

ESIC

	Historical				Forecasted				
	12 months ending 2008-07-31	12 months ending 2009-07-31	12 months ending 2010-07-31	12 months ending 2011-07-31	2011	2012	2013	2014	2015
Revenue	92.16	85.37	81.44	164.77	169.71	178.20	181.76	185.40	189.11
COGS	26.57	25.57	22.55	56.85	59.40	62.37	63.62	64.89	66.19
Gross margin	65.59	59.80	58.89	107.92	110.31	115.83	118.15	120.51	122.92
SG&A	41.48	42.91	40.38	70.00	71.28	74.84	76.34	77.87	79.42
R&D	8.23	7.51	7.28	12.15	13.58	14.26	14.54	14.83	15.13
Unusual expense	0.00	9.75	0.00	3.33	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					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	15.88	-0.27	11.23	22.44	25.46	26.73	27.26	27.81	28.37
Interest income/(expense)	-12.24	-11.07	-1.65	-5.70	-8.36	-8.36	-8.36	-8.36	-8.36
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	0.22	-0.45	0.30	0.63	0.00	0.00	0.00	0.00	0.00
Income before tax	3.86	-11.80	9.89	17.37	17.10	18.37	18.91	19.45	20.01
Tax	-12.44	-0.62	-7.20	-7.33	5.81	6.25	6.43	6.61	6.80
Income after tax	16.30	-11.18	17.09	24.70	11.28	12.12	12.48	12.84	13.20
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	16.30	-11.18	17.09	24.70	11.28	12.12	12.48	12.84	13.20
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.51	-\$0.35	\$0.54	\$0.77	\$0.35	\$0.38	\$0.39	\$0.40	\$0.41
P/E (historical today's price; forecasted intrinsic price)	8.87	-12.93	8.46	5.85	13.07	12.41	12.31	12.21	12.11
Revenue Growth	N/A	-7.37%	-4.60%	102.32%	3.00%	5.00%	2.00%	2.00%	2.00%
Tax Rate	-322.28%	5.25%	-72.80%	-42.20%	34.00%	34.00%	34.00%	34.00%	34.00%
Implied Debt Interest Rate	-22.44%	-40.98%	-6.62%	-5.27%	-10.43%	-10.43%	-10.43%	-10.43%	-10.43%
Margins									
COGS	28.83%	29.95%	27.69%	34.50%	35.00%	35.00%	35.00%	35.00%	35.00%
Gross margin	71.17%	70.05%	72.31%	65.50%	65.00%	65.00%	65.00%	65.00%	65.00%
SG&A	45.01%	50.15%	49.58%	42.48%	42.00%	42.00%	42.00%	42.00%	42.00%
R&D	8.93%	8.80%	8.94%	7.37%	8.00%	8.00%	8.00%	8.00%	8.00%
Unusual expense	0.00%	11.42%	0.00%	2.02%	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: Included within COGS					0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	17.23%	-0.32%	13.79%	13.62%	15.00%	15.00%	15.00%	15.00%	15.00%
Interest income/(expense)	-13.28%	-12.97%	-2.03%	-3.46%	-4.93%	-4.69%	-4.60%	-4.51%	-4.42%
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	0.24%	-0.53%	0.37%	0.38%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	4.19%	-13.82%	12.14%	10.54%	10.07%	10.31%	10.40%	10.49%	10.58%
Tax	-13.50%	-0.73%	-8.84%	-4.45%	3.43%	3.51%	3.54%	3.57%	3.60%
Income after tax	17.69%	-13.10%	20.98%	14.99%	6.65%	7.14%	7.35%	7.56%	7.78%
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	17.69%	-13.10%	20.98%	14.99%	6.65%	6.80%	6.86%	6.92%	6.98%

					Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2008-07-31	As of 2009-07-31	As of 2010-07-31	As of 2011-07-31	+	-						
Cash	32.09	10.97	20.47	30.18			30.18	50.90	73.16	96.06	119.62	143.86
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	32.09	10.97	20.47	30.18			30.18	50.90	73.16	96.06	119.62	143.86
Accounts Receivable	13.58	11.51	11.48	29.75			29.75	29.75	29.75	29.75	29.75	29.75
Other receivables	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	13.58	11.51	11.48	29.75			29.75	29.75	29.75	29.75	29.75	29.75
Deferred Income Tax	-8.45	-13.58	-8.31	0.51			0.51	0.51	0.51	0.51	0.51	0.51
Total Inventory	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	4.40	2.77	1.87	3.96			3.96	3.96	3.96	3.96	3.96	3.96
Other Current Assets	1.01	1.07	6.60	3.71			3.71	3.71	3.71	3.71	3.71	3.71
Current Assets	42.63	12.74	32.11	68.11	0.00	0.00	68.11	88.83	111.09	133.99	157.55	181.79
PP&E, Gross	17.01	21.81	21.90	31.21			31.21	36.21	41.21	46.21	51.21	56.21
Change in Depreciation	8.48	8.43	8.06	13.53			13.53	13.94	14.63	14.93	15.22	15.53
Accumulated Depreciation	0.00	0.00	0.06	21.59			21.59	35.53	50.16	65.08	80.31	95.84
PP&E, Net	17.01	21.81	13.84	9.62			9.62	8.96	-8.95	-18.87	-29.10	-39.63
Goodwill	40.21	34.84	34.45	73.49	0.00		73.49	73.49	73.49	73.49	73.49	73.49
Intangibles	27.74	21.41	15.87	68.61			68.61	68.61	68.61	68.61	68.61	68.61
Long term investments	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	3.94	5.52	8.22	23.23			23.23	23.23	23.23	23.23	23.23	23.23
Long Term Assets	88.90	83.58	72.38	174.95	0.00	0.00	174.95	166.01	156.38	146.46	136.23	125.70
Total Assets	131.53	96.32	104.49	243.06	0.00	0.00	243.06	254.84	267.47	280.45	293.78	307.49
Accounts Payable	2.82	3.04	2.31	5.53			5.53	5.53	5.53	5.53	5.53	5.53
Accrued Expense	9.36	6.39	8.25	15.26			15.26	15.26	15.26	15.26	15.26	15.26
Other current Liabilities	3.19	2.10	1.98	7.15			7.15	7.15	7.15	7.15	7.15	7.15
Total Current Liabilities	15.37	11.53	12.54	27.94	0.00	0.00	27.94	27.94	27.94	27.94	27.94	27.94
Notes Payables/Short Term Debt	7.05	9.50	15.26	28.09			28.09	28.09	28.09	28.09	28.09	28.09
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
Long term Debt	47.50	17.51	9.68	80.17	0.00	0.00	80.17	80.17	80.17	80.17	80.17	80.17
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	54.55	27.01	24.94	108.26	0.00	0.00	108.26	108.26	108.26	108.26	108.26	108.26
Deferred Income tax	0.00	0.00	0.00	6.94			6.94	6.94	6.94	6.94	6.94	6.94
Minority Interest	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	1.01	0.55	0.29	0.81			0.81	0.81	0.81	0.81	0.81	0.81
Total Liabilities	70.93	39.09	37.77	143.95	0.00	0.00	143.95	143.95	143.95	143.95	143.95	143.95
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	0.25	0.27	0.30	0.32		0.00	0.32	0.32	0.32	0.32	0.32	0.32
Additional Paid-in capital	125.46	138.46	132.80	137.47	0.00	0.00	137.47	137.47	137.47	137.47	137.47	137.47
Dividends Paid	0.00	0.00	0.00	0.00			0.00	0.50	1.00	1.50	2.00	2.50
Retained Earnings	-63.74	-74.95	-58.47	-33.77		0.00	-33.77	-22.49	-10.36	2.12	14.95	28.16
Treasury Stock	-0.30	-2.12	-2.12	-2.12			-2.12	-2.12	-2.12	-2.12	-2.12	-2.12
Other Equity	-1.06	-4.44	-5.80	-2.79		0.00	-2.79	-2.79	-2.79	-2.79	-2.79	-2.79
Total Equity	60.61	57.22	66.71	99.11	0.00	0.00	99.11	110.89	123.52	136.50	149.83	163.54
Liability + Equity	131.54	96.31	104.48	243.06	0.00	0.00	243.06	254.84	267.47	280.45	293.78	307.49
Variance	-0.01	0.01	0.01	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Debt/Equity	0.90	0.47	0.37	1.09			1.09	0.98	0.88	0.79	0.72	0.66
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
Accounts Receivable Turnover	6.79	7.42	7.09	5.54			5.54	5.70	5.99	6.11	6.23	6.36
Accounts Receivable Turnover Days	53.78	49.21	51.45	65.90			65.90	63.98	60.94	59.74	58.57	57.42
Days Payable Outstanding	38.74	43.39	37.39	35.50			35.50	33.98	32.36	31.73	31.11	30.50
Days Sales Outstanding	53.78	49.21	51.45	65.90			65.90	65.90	63.98	60.94	59.74	58.57
Cash Conversion Cycle	15.04	5.82	14.06	30.40			30.40	31.92	31.62	29.21	28.64	28.07

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2008-07-31	12 months ending 2009-07-31	12 months ending 2010-07-31	12 months ending 2011-07-31	2011	2012	2013	2014	2015
Net Income	16.30	-11.18	17.09	24.70	11.28	12.12	12.48	12.84	13.20
Depreciation	8.48	8.43	8.06	13.53	13.94	14.63	14.93	15.22	15.53
Net Income + Depreciation	24.78	-2.75	25.15	38.23	25.22	26.76	27.40	28.06	28.73
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	0.00	0.00	0.00	-12.43	0.00	0.00	0.00	0.00	0.00
Non Cash Items	-4.74	20.78	-10.08	4.07	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-7.37	-6.54	5.68	-0.05	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	2.07	0.03	-18.27	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	1.63	0.90	-2.09	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.22	-0.73	3.22	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	12.67	11.49	20.75	29.82	25.22	26.76	27.40	28.06	28.73
Capital Expenditures	-1.87	-2.96	-1.09	-3.72	-5.00	-5.00	-5.00	-5.00	-5.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	-45.20	0.22	0.00	-102.14	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-47.07	-2.74	-1.09	-105.86	-5.00	-5.00	-5.00	-5.00	-5.00
Financing Cash flow items	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-0.20	-0.20	-0.86	-0.20	-0.50	-0.50	-0.50	-0.50	-0.50
Issuance (Retirement) of Stock	1.35	-1.81	-6.58	3.14	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	59.94	-27.08	-2.60	82.10	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	61.09	-29.09	-10.04	85.04	0.50	0.50	0.50	0.50	0.50
Foreign Exchange effect	-0.04	-0.78	-0.13	0.71	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	5.44	32.09	10.97	20.47	30.18	50.90	73.16	96.06	119.62
Net Change in Cash	26.65	-21.12	9.50	9.70	20.72	22.26	22.90	23.56	24.23
Ending Cash Balance	32.09	10.97	20.47	30.17	50.90	73.16	96.06	119.62	143.86
Depreciation to Sales	9.20%	9.87%	9.90%	8.21%	8.21%	8.21%	8.21%	8.21%	8.21%
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	14.74%	13.48%	14.10%	18.06%	17.53%	16.69%	16.37%	16.05%	15.73%
Distributable FCF Yield	-15.45%	3.93%	8.83%	-34.16%	9.08%	9.77%	10.06%	10.36%	10.66%
Dividend Yield	-0.14%	-0.14%	-0.60%	-0.14%	-0.35%	-0.35%	-0.35%	-0.35%	-0.35%
FCF (Ops-Investing-Dividends)	-34.20	8.95	20.52	-75.84	19.72	21.26	21.90	22.56	23.23

SN VALUATION

LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
Net Change in Cash	9.70	20.72	22.26	22.90	23.56	24.23
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	108.26	108.26	108.26	108.26	108.26	108.26
Current Portion Debt Balance	28.09	28.09	28.09	28.09	28.09	28.09
Long Term Debt Balance	80.17	80.17	80.17	80.17	80.17	80.17
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		8.66	8.66	8.66	8.66	8.66
Cash Balance		30.18				
Interest @ 1.0%		0.30	0.30	0.30	0.30	0.30
Net Interest Expense/(Income)		8.36	8.36	8.36	8.36	8.36
Net Interest Rate		10.43%	10.43%	10.43%	10.43%	10.43%
EBITDA		25.46	26.73	27.26	27.81	28.37
EBITDA/Interest Expense Coverage		2.94	3.09	3.15	3.21	3.28

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

EasyLink Services International Corp

Ticker:

ESIC

Period	2007	2008	2009	2010	2011	2012	2013	2014	2015
Working Capital	27.26	1.21	19.57	40.17	60.89	83.15	106.05	129.61	153.85
Total Assets	131.53	96.32	104.49	243.06	254.84	267.47	280.45	293.78	307.49
X1	0.21	0.01	0.19	0.17	0.24	0.31	0.38	0.44	0.50
Retained Earnings	-63.74	-74.95	-58.47	-33.77	-22.49	-10.36	2.12	14.95	28.16
Total Assets	131.53	96.32	104.49	243.06	254.84	267.47	280.45	293.78	307.49
X2	-0.48	-0.78	-0.56	-0.14	-0.09	-0.04	0.01	0.05	0.09
EBITDA	15.88	-0.27	11.23	22.44	25.46	26.73	27.26	27.81	28.37
Total Assets	131.53	96.32	104.49	243.06	254.84	267.47	280.45	293.78	307.49
X3	0.12	0.00	0.11	0.09	0.10	0.10	0.10	0.09	0.09
Market Value of Equity	144.51	144.51	144.51	144.51	147.47	150.50	153.59	156.74	159.96
Total Liabilities	70.93	39.09	37.77	143.95	143.95	143.95	143.95	143.95	143.95
X4	2.04	3.70	3.83	1.00	1.02	1.05	1.07	1.09	1.11
Net Sales	92.16	85.37	81.44	164.77	169.71	178.20	181.76	185.40	189.11
Total Assets	131.53	96.32	104.49	243.06	254.84	267.47	280.45	293.78	307.49
X5	0.70	0.89	0.78	0.68	0.67	0.67	0.65	0.63	0.62
Altman Z Score	1.89	2.02	2.87	1.59	1.77	1.94	2.07	2.20	2.31

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

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

SN VALUATION

Economic Indicators

Indicators	Period	Value	Previous Value	Chg %	Released
Adjusted National Financial Conditions Index	Jan 27 2012	0.19	0.19	1.28%	Error
Case-Shiller Home Price Index: National	Sep 2011	127.78	129.35	-1.21%	-0.0395
Philly Fed Manufacturing Activity Index	Jan 2012	7.3	6.80	7.35%	-0.578
Philly Fed Manufacturing Future Activity Index	Jan 2012	49	40.00	22.50%	0.0294
US Average Claims for Unemployment Insurance	Jan 14 2012	3570	3585.417294	-0.43%	-0.1169
US Average Initial Claims for Unemployment Insurance	Jan 21 2012	377.50K	N/A	-0.66%	-0.098
US Industrial Production Index	Nov 2011	94.83	95.04	-0.22%	0.0374
US Initial Claims for Unemployment Insurance	Jan 21 2012	377.00K	N/A	5.90%	-0.0916
US Producer Price Index	Dec 2011	192.6	192.79	-0.10%	0.0484
US Quits Rate: Total Nonfarm	Nov 2011	0.015	0.015	0.00%	0.1538
US Quits: Total Nonfarm	Nov 2011	1960	1919.12	2.13%	0.1185
US Retail Sales	Dec 2011	357980000	357,944,206	0.01%	0.0627
US Total Business Inventories	Nov 2011	1.55T	N/A	0.32%	0.0855
US Total Business Inventory/Sales Ratio	Nov 2011	1.27	1.27	0.00%	-0.0078
US Total Business Sales	Nov 2011	1.22T	N/A	0.31%	0.096
US Total Separations Rate: Total Nonfarm	Nov 2011	0.03	0.03	0.00%	0
US Total Separations: Total Nonfarm	Nov 2011	4000	3902.82	2.49%	0.0326

U.S. Key Indicators

10 Year Treasury Rate	1.87%
US Producer Price Index	192.6
US Initial Claims for Unemployment Insurance	377.00K
US 30 Year Mortgage Rate	3.98%
US Average Claims for Unemployment Insurance	3,570
US Retail Sales	357,980,000
US Unemployment Rate	0.085
US Durable Goods Orders	214,520,000
US Purchasing Managers Index	54.1
US Personal Consumption Expenditures	10.86T
US Consumer Price Index	226.75
US Consumer Sentiment	69.8
US Housing Starts	657.00K

Korea Key Indicators

	Period	Value	Chg from 1 Year
Gold Price in Korean Won	Jan 20 2012	1,874,915	24.26%
Korea Change in Stocks	Sep 2011	3.3	230.00%
Korea Consumer Price Index	Dec 2011	122.13	4.16%
Korea Core Consumer Price Index	Dec 2011	117.45	2.68%
Korea Core Inflation Rate	Oct 2011	0.0315	68.28%
Korea GDP	Sep 2011	310.1	5.30%
Korea Inflation Rate	Oct 2011	0.039	-3.90%
Korea Manufacturing Producer Price Index	Nov 2011	125.69	6.71%
Korea Misery Index	Oct 2011	7	-7.39%
Korea Real GDP Growth	Sep 2011	0.0349	-20.14%
Korea Unemployment Rate	Nov 2011	0.031	-3.12%

Source: Ycharts.com

2012-02-02