

Educational Development Co. (EDUC)

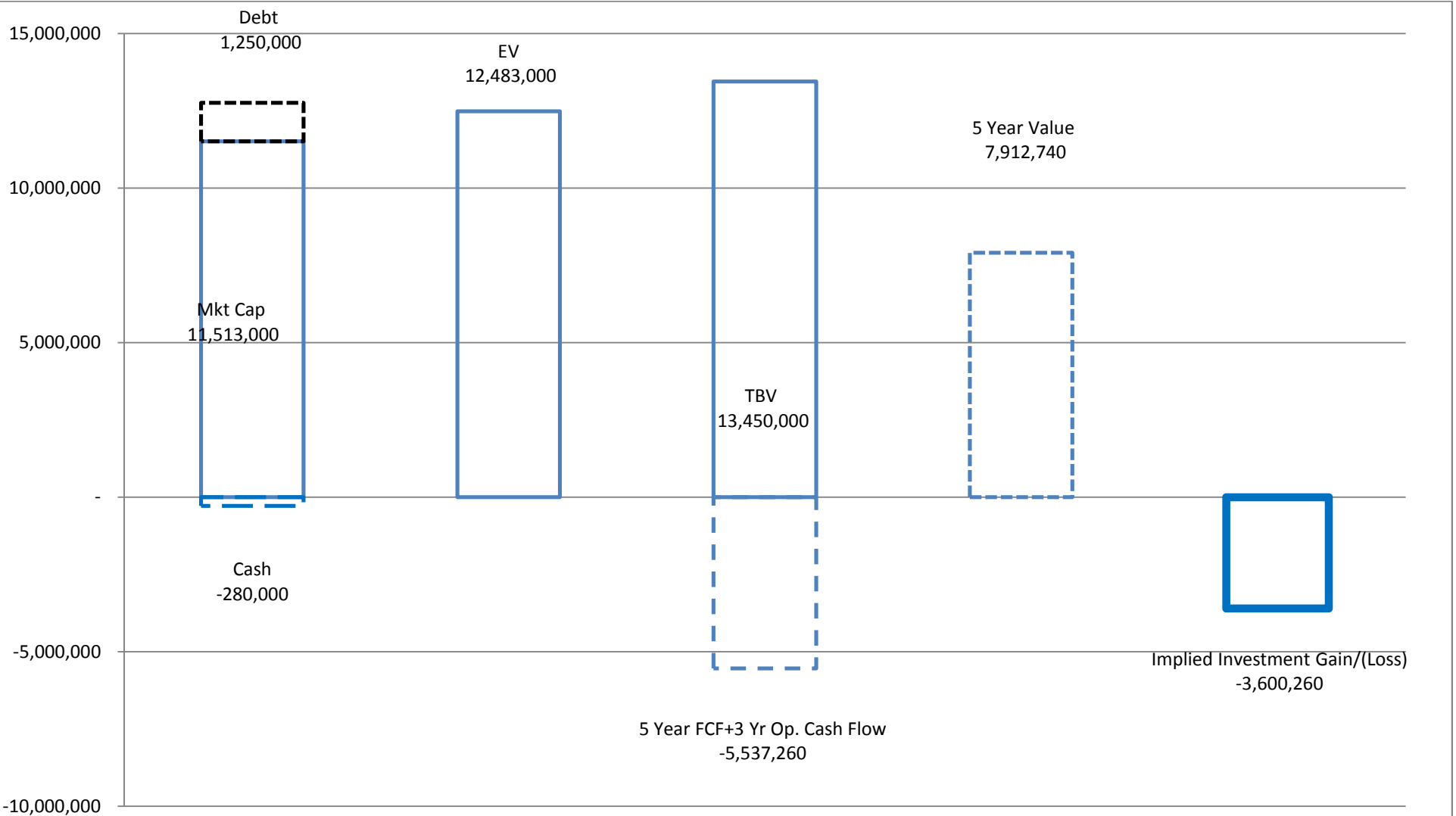
Price:	\$2.90	Net Tang. Bk Value Incl. Cash, Excl.	\$13,450,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$8,005,400.00
Market Cap:	\$11,513,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	-\$978,920.00
Cash:	\$280,000	NTBVIC/Market Downside Recovery:	116.82%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$1,250,000	Op. Cash Flow:	-\$520,100	Year 5 Disposition Price:	\$5,068,640.00
Net Cash:	-\$970,000	Implied Years to Fill Gap:	3.72		
Enterprise Value:	\$12,483,000	Today's Equity if 5x Op. CF:	\$11,889,700		
		Net Tang. Book+ Gain Disposition:			\$5,068,640.00
Shares Outstanding:	3,970,000	IRR:			-15.13%
				Price:	\$1.28
				Target Market Cap:	\$5,068,640
				Target Enterprise Value:	\$6,038,640

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

The Co. publishes their own line of books for kids, and is the exclusive distributor of a UK book label. The Co. utilizes an MLM approach to distribute the UK label.

The Co. has good asset support, but we are iffy on the cash flow. Revenues have been decreasing YoY for the past 5 years, and we are not sure if there is a catalyst in store for this Co., given the business is rather dull. The stock has seen weakness over the past year, but showed some life in it over the past couple months, hinting at a pricing floor.

We believe the Co. will be more valuable should the Co. report positive FCF over the next couple years. We, on the other hand, are skeptical of the Co's future performance, so we will stay on the sidelines for this Co.



Educational Development Corporation was incorporated on August 23, 1965. The Company is the United States trade publisher of the line of educational children's books produced in the United Kingdom by Usborne Publishing Limited (Usborne). The Company also owns Kane/Miller Book Publishers; award-winning publishers of international children's books. As the sole United States trade publisher of the Usborne line of books, it offers over 1,500 different titles. Many are interactive in nature, including its Touchy-Feely board books, jigsaw puzzle books, activity and flashcards, adventure and search books, art books, sticker books and foreign language books. The majority of the titles published by Kane/Miller Book Publishers originally were published in other countries in their native languages. The Company has a line of 'internet-linked' books which allow readers to expand their educational experience by referring them to relevant non-Usborne websites. The Company's books include science and math titles, as well as chapter books and novels. The Company continually introduces new titles across all lines of its products. UBAM markets the books through commissioned consultants using a combination of direct sales, home parties, book fairs and the Internet. The Publishing Division uses a variety of methods to attract potential new customers and maintain current customers. Company personnel attend many of the national trade shows held by the book selling industry each year, allowing it to make contact with potential buyers who may be unfamiliar with its books. The Company actively targets the national chains through joint promotional efforts and institutional advertising in trade publications. The Publishing Division also participates with certain customers in a cooperative advertising allowance program, under which it pays back up to 2% of the net sales to that customer. The Company's products are then featured in promotions, such as catalogs, offered by the vendor. The UBAM Division is a multi-level direct selling organization that markets its products through independent sales representatives (consultants) located throughout the United States. The customer base of UBAM consists of individual purchasers, as well as school and public libraries. The Company faces competition on two fronts for its UBAM Division from several other larger direct selling companies for sales and consultants.

Company Name:	Educational Development Co.
Ticker Symbol:	EDUC
Last Price:	\$2.90
Net Cash/Share:	-\$0.24
Net Cash to Last Price:	-8.43%
Shares Outstanding:	3,970,000
Industry:	Publishing
Sector:	Consumer Cyclical
Institutional Ownership:	14.81%
Mutual Fund Ownership:	12.00%
Insider Ownership:	38.78%
Float:	76.00%

Market Capitalization:	\$11,513,000.00
Total Debt:	\$1,250,000.00
RCH Total Cash:	\$280,000.00
Net Cash/(Debt):	-\$970,000.00
Enterprise Value:	\$12,483,000.00
Current EV/Share:	\$3.14
EBITDA:	\$1,340,000.00
EV/EBITDA Multiple:	9.32
EV/EBITDA Multiple Average Year 1-5:	-14.54
EV/FCF Multiple (excluding acquisition):	20.46
EV/FCF Multiple Average Year 1-5 (excluding acquisition):	-12.13

Income Statement		
Revenue:	\$25,130,000.00	100.0%
Cost of Goods Sold:	\$10,130,000.00	40.3%
Gross Profit:	\$15,000,000.00	59.7%
EBITDA:	#VALUE!	#VALUE!
Net Income:	#VALUE!	#VALUE!

Balance Sheet	
Cash:	\$280,000.00
Short Term Investment:	\$0.00
A/R:	\$3,500,000.00
PP&E:	\$2,000,000.00
Assets:	\$17,530,000.00

A/P:	\$1,800,000.00
Deferred Tax:	\$0.00
Other Liabilities:	\$1,830,000.00
Short term Debt:	\$1,250,000.00
Long Term Debt:	\$0.00
Liabilities:	\$4,880,000.00
Retained Earnings:	\$15,190,000.00
Paid-In Capital:	\$9,760,000.00
Treasury Stock:	-\$11,500,000.00
Stockholder's Equity:	\$13,450,000.00

Technicals	
52 week low:	\$2.45
Today from 52 week low:	18.37%
52 week high:	\$4.15
Today from 52 week high:	43.10%

Analyst/Consensus	
Analyst Sales Growth FY1:	N/A
Analyst Sales Growth FY2:	N/A
SN Valuation Estimate FY1:	0.00%
SN Valuation Estimate FY2:	0.00%

Analyst Earnings Estimate FY1:	N/A
Analyst Earnings Estimate FY2:	N/A
SN Valuation Earnings Est. FY1:	-\$0.16
SN Valuation Earnings Est. FY2:	-\$0.22

Multiples	
Market Value to Book:	0.86
EV to Book:	0.93
Market Value to Tangible Net Assets:	1.06
P/E Ratio:	#VALUE!
Trailing P/E Ratio:	26.09
Forward P/E Ratio:	N/A
Beta:	0.56
Dividend:	0.32
Dividend Yield:	11.15%
Dividend Date:	Sep 20, 2013
Ex-Dividend Date:	Sep 11, 2013

Competitors	
Average EV to EBITDA:	N/A
Company EV to EBITDA:	9.32
Average EV to EBIT:	N/A
Company EV to EBITA:	10.15

Upper Range	
DCF: EV/EBITDA Terminal Value	
Implied TV from 3 X EV/EBITDA Multiple	-\$4,588,200.00
Enterprise Value	-\$4,588,200.00
Cash at Year 5:	-\$4,864,600.00
Debt at Year 5:	\$1,250,000.00
Equity Value Year 5:	-\$10,702,800.00
Equity/Share at Year 5:	-\$2.70
Annualized Return:	-198.55%

Lower Range	
DCF: Net Tangible Asset excluding Cash/Debt Terminal Value	
Year 5 Net Tangible Assets excluding cash and debt	\$12,080,000.00
Enterprise Value	\$12,080,000.00
Cash at Year 5:	-\$4,864,600.00
Debt at Year 5:	\$1,250,000.00
Equity Value Year 5:	\$5,965,400.00
Equity/Share at Year 5:	\$1.50
Annualized Return:	-12.32%

EVA	
EVA today:	\$12,699,650.18
EVA in 5 Years:	\$5,376,315.94
EVA/Share:	\$1.35
Cash at Year 5:	-\$4,864,600.00
Debt at Year 5:	\$1,250,000.00
Equity Value Year 5:	-\$738,284.06
Equity/Share at Year 5:	-\$0.19
Annualized return	-15.79%

Cash Flow	
Net Income:	800,000.00
Depreciation/Amortization:	110,000.00
Change in Working capital:	-1,770,000.00
Cash from Operating Activities:	640,000.00
Capital Expenditures:	-30,000.00
Cash from Investing Activities:	-210,000.00
Total Cash Dividends Paid:	-1,880,000.00
Issuance (Retirement) of Stock:	160,000.00
Issuance (Retirement) of Debt:	1,000,000.00
Cash from Financing Activities:	-720,000.00

Profitability Margins	
Debt to Equity:	9.29%
Return on Assets:	4.56%
Return on Capital:	5.44%
Return on Equity:	5.95%

Current Net Tangible Asset	
Net Tangible Asset/Share:	\$3.19
Net Tangible Asset/Share in Year 5:	\$1.81
Annualized return	-10.65%

Current Equity Price:	\$2.90
Selling at Discount?	Discount
Appreciation Potential:	9.88%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Educational Development Co.

Ticker:

EDUC

	Historical				Forecasted				
	12 months ending 2010-02-28	12 months ending 2011-02-28	12 months ending 2012-02-29	12 months ending 2013-02-28	2013	2014	2015	2016	2017
Revenue	28.67	27.24	26.27	25.49	25.49	25.49	25.49	25.49	25.49
COGS	10.54	10.28	10.55	10.49	10.96	10.96	10.96	10.96	10.96
Gross margin	18.13	16.96	15.72	15.00	14.53	14.53	14.53	14.53	14.53
SG&A	15.21	15.03	13.54	13.77	14.02	14.27	14.27	14.78	15.04
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	0.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	1.02	1.02	1.02	1.02	1.02
Depreciation is: Excluded from COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	2.92	1.74	2.18	1.23	-0.51	-0.76	-0.76	-1.27	-1.53
Interest income/(expense)	-0.01	0.00	0.00	0.00	-0.12	-0.12	-0.12	-0.12	-0.12
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	0.13	0.13	0.09	0.05	0.00	0.00	0.00	0.00	0.00
Income before tax	3.05	1.87	2.28	1.28	-0.63	-0.89	-0.89	-1.39	-1.65
Tax	1.14	0.70	0.86	0.48	0.00	0.00	0.00	0.00	0.00
Income after tax	1.91	1.17	1.42	0.80	-0.63	-0.89	-0.89	-1.39	-1.65
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	1.91	1.17	1.42	0.80	-0.63	-0.89	-0.89	-1.39	-1.65
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.48	\$0.29	\$0.36	\$0.20	-\$0.16	-\$0.22	-\$0.22	-\$0.35	-\$0.42
P/E (historical today's price; forecasted intrinsic price)	6.03	9.84	8.11	14.39	-15.51	-9.37	-7.95	-4.28	-3.07
Revenue Growth	N/A	-4.99%	-3.56%	-2.97%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	37.38%	37.43%	37.22%	37.50%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-7.14%	0.00%	0.00%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	36.76%	37.74%	40.16%	41.15%	43.00%	43.00%	43.00%	43.00%	43.00%
Gross margin	63.24%	59.85%	59.84%	58.85%	57.00%	57.00%	57.00%	57.00%	57.00%
SG&A	53.05%	55.18%	51.54%	54.02%	55.00%	56.00%	56.00%	58.00%	59.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	0.70%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	4.00%	4.00%	4.00%	4.00%	4.00%
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)	10.18%	6.39%	8.30%	4.83%	-2.00%	-3.00%	-3.00%	-5.00%	-6.00%
Interest income/(expense)	-0.03%	0.00%	0.00%	0.00%	-0.47%	-0.47%	-0.47%	-0.47%	-0.47%
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	0.45%	0.48%	0.34%	0.20%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	10.64%	6.86%	8.68%	5.02%	-2.47%	-3.47%	-3.47%	-5.47%	-6.47%
Tax	3.98%	2.57%	3.27%	1.88%	0.00%	0.00%	0.00%	0.00%	0.00%
Income after tax	6.66%	4.30%	5.41%	3.14%	-2.47%	-3.47%	-3.47%	-5.47%	-6.47%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	6.66%	4.30%	5.41%	3.14%	-2.47%	-3.47%	-3.47%	-5.47%	-6.47%

						Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2010-02-28	As of 2011-02-28	As of 2012-02-29	As of 2013-02-28	As of 2013-08-31	+	-						
Cash	1.20	1.99	0.76	0.47	0.28			0.28	-0.2901	-1.12	-1.94	-3.27	-4.86
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	1.20	1.99	0.76	0.47	0.28			0.28	-0.29	-1.12	-1.94	-3.27	-4.86
Accounts Receivable	3.31	3.08	3.58	3.42	3.50			3.50	3.50	3.50	3.50	3.50	3.50
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	3.31	3.08	3.58	3.42	3.50			3.50	3.50	3.50	3.50	3.50	3.50
Total Inventory	11.29	10.01	9.85	9.72	9.89			9.89	9.89	9.89	9.89	9.89	9.89
Prepaid Expenses	0.27	0.32	0.28	0.44	0.21			0.21	0.21	0.21	0.21	0.21	0.21
Other Current Assets	0.26	0.37	0.38	0.38	0.38			0.38	0.38	0.38	0.38	0.38	0.38
Current Assets	16.33	15.77	14.85	14.43	14.26	0.00	0.00	14.26	13.6899	12.86	12.04	10.71	9.12
PP&E, Gross	4.61	4.63	4.71	0.00	4.70			4.70	4.75	4.80	4.85	4.90	4.95
Change in Depreciation	0.14	0.12	0.12	0.11	0.11			0.11	0.11	0.11	0.11	0.11	0.11
Accumulated Depreciation	2.46	2.59	2.71	0.00	2.70			2.70	2.81	2.92	3.03	3.14	3.25
PP&E, Net	2.15	2.04	2.00	0.00	2.00			2.00	1.94	1.88	1.82	1.76	1.70
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	0.25	0.43	0.43			0.43	0.43	0.43	0.43	0.43	0.43
Other long term assets	0.89	0.90	0.92	0.89	0.84			0.84	0.84	0.84	0.84	0.84	0.84
Long Term Assets	3.04	2.94	3.17	1.32	3.27			3.27	3.21	3.15	3.09	3.03	2.97
Total Assets	19.37	18.71	18.02	15.75	17.53	0.00	0.00	17.53	16.90	16.01	15.13	13.74	12.09
Accounts Payable	2.26	2.41	1.79	1.86	1.80			1.80	1.80	1.80	1.80	1.80	1.80
Accrued Expense	0.53	0.40	0.44	0.44	0.40			0.40	0.40	0.40	0.40	0.40	0.40
Other current Liabilities	1.00	1.16	1.31	0.90	0.67			0.67	0.67	0.67	0.67	0.67	0.67
Total Current Liabilities	3.79	3.97	3.54	3.20	2.87	0.00	0.00	2.87	2.87	2.87	2.87	2.87	2.87
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	0.07	0.07	0.25	1.25	1.25			1.25	1.25	1.25	1.25	1.25	1.25
Long term Debt	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	0.14	0.07	0.25	1.25	1.25	0.00	0.00	1.25	1.25	1.25	1.25	1.25	1.25
Deferred Income tax	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	0.00	0.00	0.00	0.00	0.76			0.76	0.76	0.76	0.76	0.76	0.76
Total Liabilities	3.93	4.04	3.79	4.45	4.88	0.00	0.00	4.88	4.88	4.88	4.88	4.88	4.88
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	1.21	1.21	1.21	1.21	1.21		0.00	1.21	1.21	1.21	1.21	1.21	1.21
Additional Paid-in capital	8.54	8.55	8.55	8.55	8.55	0.00	0.00	8.55	8.55	8.55	8.55	8.55	8.55
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	17.39	16.58	16.12	15.19	15.19			15.19	14.56	13.67	12.79	11.40	9.75
Treasury Stock	-11.72	-11.67	-11.66	-11.50	-11.50		0.00	-11.50	-11.50	-11.50	-11.50	-11.50	-11.50
Other Equity	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	15.42	14.67	14.22	13.45	13.45	0.00	0.00	13.45	12.82	11.93	11.05	9.66	8.01
Liability + Equity	19.35	18.71	18.01	17.90	18.33	0.00	0.00	18.33	17.70	16.81	15.93	14.54	12.89
Variance	0.02	0.00	0.01	-2.15	-0.80			-0.80	-0.80	-0.80	-0.80	-0.80	-0.80
Debt/Equity	0.01	0.00	0.02	0.09	0.09			0.09	0.10	0.10	0.11	0.13	0.16
Inventory Turnover	2.54	2.72	2.67	2.62	2.58			2.58	2.58	2.58	2.58	2.58	2.58
Inventory Turnover Days	143.73	134.13	136.86	139.18	141.62			141.62	141.62	141.62	141.62	141.62	141.62
Days Inventory Outstanding	390.97	355.41	340.78	338.21	329.34			344.12	329.34	329.34	329.34	329.34	329.34
Accounts Receivable Turnover	8.66	8.84	7.34	7.45	7.28			7.28	7.28	7.28	7.28	7.28	7.28
Accounts Receivable Turnover Days	42.14	41.27	49.74	48.97	50.12			50.12	50.12	50.12	50.12	50.12	50.12
Days Payable Outstanding	78.26	85.57	61.93	64.72	59.94			62.63	59.94	59.94	59.94	59.94	59.94
Days Sales Outstanding	42.14	41.27	49.74	48.97	50.12			48.97	50.12	50.12	50.12	50.12	50.12
Cash Conversion Cycle	354.85	311.11	328.59	322.46	319.52			330.46	319.52	319.52	319.52	319.52	319.52
Net tangible assets/share	\$3.88	\$3.70	\$3.58	\$3.39	\$3.39				\$3.23	\$3.01	\$2.78	\$2.43	\$2.02

	12 months ending 2010-02-28	12 months ending 2011-02-28	12 months ending 2012-02-29	12 months ending 2013-02-28	2011	2012	2013	2014	2015
Net Income	1.91	1.17	1.42	0.80	-0.63	-0.89	-0.89	-1.39	-1.65
Depreciation	0.14	0.12	0.12	0.11	0.11	0.11	0.11	0.11	0.11
Net Income + Depreciation	2.05	1.29	1.54	0.91	-0.52	-0.78	-0.78	-1.28	-1.54
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-0.04	-0.11	-0.02	-0.01	0.00	0.00	0.00	0.00	0.00
Non Cash Items	1.24	1.62	0.87	1.51	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-2.84	0.01	-1.61	-1.77	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.23	-0.50	0.16	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	1.28	0.16	0.13	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-0.05	0.04	-0.16	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.15	-0.62	0.07	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	0.41	2.81	0.78	0.64	-0.52	-0.78	-0.78	-1.28	-1.54
Capital Expenditures Expenditures	-0.01	-0.02	-0.08	-0.03	-0.05	-0.05	-0.05	-0.05	-0.05
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	0.00	0.00	-0.25	-0.18	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-0.01	-0.02	-0.33	-0.21	-0.05	-0.05	-0.05	-0.05	-0.05
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	-2.12	-1.98	-1.87	-1.88	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.16	0.05	0.01	0.16	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	-0.15	-0.07	0.17	1.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-2.11	-2.00	-1.69	-0.72	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	2.90	1.20	1.99	0.76	0.28	-0.29	-1.12	-1.94	-3.27
Net Change in Cash	-1.70	0.79	-1.23	-0.29	-0.57	-0.83	-0.83	-1.33	-1.59
Ending Cash Balance	1.20	1.99	0.76	0.47	-0.29	-1.12	-1.94	-3.27	-4.86
Capex to Revenue	0.03%	0.07%	0.30%	0.12%	0.20%	0.20%	0.20%	0.20%	0.20%
Depreciation to Sales	0.49%	0.44%	0.46%	0.43%	0.43%	0.43%	0.43%	0.43%	0.43%
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	11.55%	11.31%	13.63%	13.42%	13.42%	13.42%	13.42%	13.42%	13.42%
Distributable FCF/EV Yield	3.20%	22.35%	3.60%	3.44%	-4.57%	-6.61%	-6.61%	-10.69%	-12.73%
Dividend Yield	-18.41%	-17.20%	-16.24%	-16.33%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	2.52	4.77	2.57	2.49	-0.57	-0.83	-0.83	-1.33	-1.59

SN VALUATION

LBO Debt Schedule

Ticker:

EDUC

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-0.29	-0.57	-0.83	-0.83	-1.33	-1.59
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	1.25	1.25	1.25	1.25	1.25	1.25
Current Portion Debt Balance	1.25	1.25	1.25	1.25	1.25	1.25
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		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Rate		10.00%	10.00%	10.00%	10.00%	10.00%
Interest Expense		0.13	0.13	0.13	0.13	0.13
Cash Balance		0.47				
Interest @ 1.0%		0.00	0.00	0.00	0.00	0.00
Net Interest Expense/(Income)		0.12	0.12	0.12	0.12	0.12
Net Interest Rate		N/A	N/A	N/A	N/A	N/A
EBITDA		(0.51)	(0.76)	(0.76)	(1.27)	(1.53)
EBITDA/Interest Expense Coverage		(4.08)	(6.12)	(6.12)	(10.20)	(12.24)

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Educational Development Co.

Ticker:

EDUC

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	12.54	11.80	11.31	11.39	10.82	9.99	9.17	7.84	6.25
Total Assets	19.37	18.71	18.02	17.53	16.90	16.01	15.13	13.74	12.09
X1	0.65	0.63	0.63	0.65	0.64	0.62	0.61	0.57	0.52
Retained Earnings	17.39	16.58	16.12	15.19	14.56	13.67	12.79	11.40	9.75
Total Assets	19.37	18.71	18.02	17.53	16.90	16.01	15.13	13.74	12.09
X2	0.90	0.89	0.89	0.87	0.86	0.85	0.85	0.83	0.81
EBITDA	2.92	1.74	2.18	1.23	-0.51	-0.76	-0.76	-1.27	-1.53
Total Assets	19.37	18.71	18.02	17.53	16.90	16.01	15.13	13.74	12.09
X3	0.15	0.09	0.12	0.07	-0.03	-0.05	-0.05	-0.09	-0.13
Market Value of Equity	11.51	11.51	11.51	11.51	9.77	8.29	7.04	5.97	5.07
Total Liabilities	3.93	4.04	3.79	4.88	4.88	4.88	4.88	4.88	4.88
X4	2.93	2.85	3.04	2.36	2.00	1.70	1.44	1.22	1.04
Net Sales	28.67	27.24	26.27	25.49	25.49	25.49	25.49	25.49	25.49
Total Assets	19.37	18.71	18.02	17.53	16.90	16.01	15.13	13.74	12.09
X5	1.48	1.46	1.46	1.45	1.51	1.59	1.68	1.86	2.11
Altman Z Score	5.77	5.47	5.69	5.09	4.58	4.40	4.29	4.13	4.06

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

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red

Year	Present Value	Holding Period					Terminal Value			Sale Price
	0	1	2	3	4	5	6	7	8	TBV at Year 5 + 3 Years FCF
Tangible Book Value	13.45	12.82	11.93	11.05	9.66	8.01				8.01
Annual Change		(0.63)	(0.88)	(0.89)	(1.39)	(1.65)				
Annual FCF	0.61	(0.57)	(0.83)	(0.83)	(1.33)	(1.59)	(1.03)	(1.03)	(1.03)	(3.09)
Annual Op. Cash Flow	0.64	(0.52)	(0.78)	(0.78)	(1.28)	(1.54)	(0.98)	(0.98)	(0.98)	
Annual PP&E Investment	(0.03)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	
Today's Tangible Book Value	13.45	12.12	10.93	9.85	8.88	8.01				4.92
Intrinsic Value IRR	-9.86%									
Market Price	11.51	9.71	8.19	6.91	5.83	4.92				4.92
Market Price IRR	-15.64%									

Debt	50.00%	5.76
Equity	50.00%	5.76
Total	100.00%	11.51

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	13.45	5.76	4.67	3.33	1.99	0.14	(1.96)			
Goodwill	0	(1.94)	(1.94)	(1.94)	(1.94)	(1.94)	(1.94)			
Debt	0	5.76	5.76	5.76	5.76	5.76	5.76			
Debt Interest Rate		10.00%	10.00%	10.00%	10.00%	10.00%	10.00%			
Additional Interest Expense		0.46	0.46	0.46	0.46	0.46				
Tangible Book Value	13.45	7.69	6.61	5.27	3.93	2.08	-0.03			-0.03
Annual Change			-1.09	-1.34	-1.34	-1.85	-2.11			
Annual FCF	0.61		(1.03)	(1.28)	(1.28)	(1.79)	(2.05)	(2.05)	(2.05)	(2.05)
Annual Net Income	0.80		(1.09)	(1.34)	(1.34)	(1.85)	(2.11)	(2.11)	(2.11)	(2.11)
Annual Op. Cash Flow	0.64		(0.98)	(1.23)	(1.23)	(1.74)	(2.00)	(2.00)	(2.00)	(2.00)
Dividend Payments										
Annual PP&E Investment	(0.03)		(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Debt Paydown	0.00						0.00	0.00	0.00	

Sale Price in Year 5 (6.16)

Capital Left for Equity Investor (6.16)
 Dividend Payments 0.00
 Total Cash In Flow (6.16)

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

Invested Equity 5.76
 IRR -201.37%

Value Creation
 TBV Growth (equals sum of NI Year 1-5) -7.72
 Cash Flow (Year 6-8) -6.14
-13.86

Value Dilution
 Debt 5.76
 Goodwill -1.94
 Additional Interest 2.28
6.10