September 17, 2014

# SN VALUATION [Stocks, Real Estate, Bonds]

## Full House Resorts (FLL)

| | |
|---|---|
| **Price:** | **$0.99** |
| **Shares Outstanding:** | **18,880,000** |
| **Market Cap:** | **$18,691,200** |
| **Cash:** | **$12,990,000** |
| **Debt:** | **$67,290,000** |
| **Net Cash:** | **-$54,300,000** |
| **Enterprise Value:** | **$72,991,200** |

| | |
|---|---|
| **Net Tang. Bk Value Incl. Cash, Excl. Goodwill (NTBVIC):** | **$59,000,000.00** |
| **NTBVIC/Market Downside Recovery:** | 315.66% |
| **Op. Cash Flow:** | **$11,307,190** |
| **Implied Years to Fill Gap:** | -3.56 |
| **Today's Equity if 5x Op. CF:** | **$92,921,570** |

| | |
|---|---|
| **Net Tang. Book Yr. 5 (Inc. Cash):** | **$81,335,950.00** |
| Avg. Year Op. Cash: | $11,307,190.00 |
| Year 5 Disposition FCF Multiple: | 3.0 |
| **Year 5 Disposition Price:** | **$115,257,520.00** |

| | |
|---|---|
| **Net Tang. Book+ Gain Disposition:** | **$115,257,520.00** |
| IRR: | **43.88%** |

| | |
|---|---|
| **Price:** | **$6.10** |
| **Target Market Cap:** | **$115,257,520** |
| **Target Enterprise Value:** | **$169,557,520** |

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

**A good takeover candidate.**

**Operator and owner of casinos. Recent SeekingAlpha article says they are facing steep competition in their respective markets. They are trying to cut expenses. Management has not done a good job so far. CEO getting paid $600k/year.**

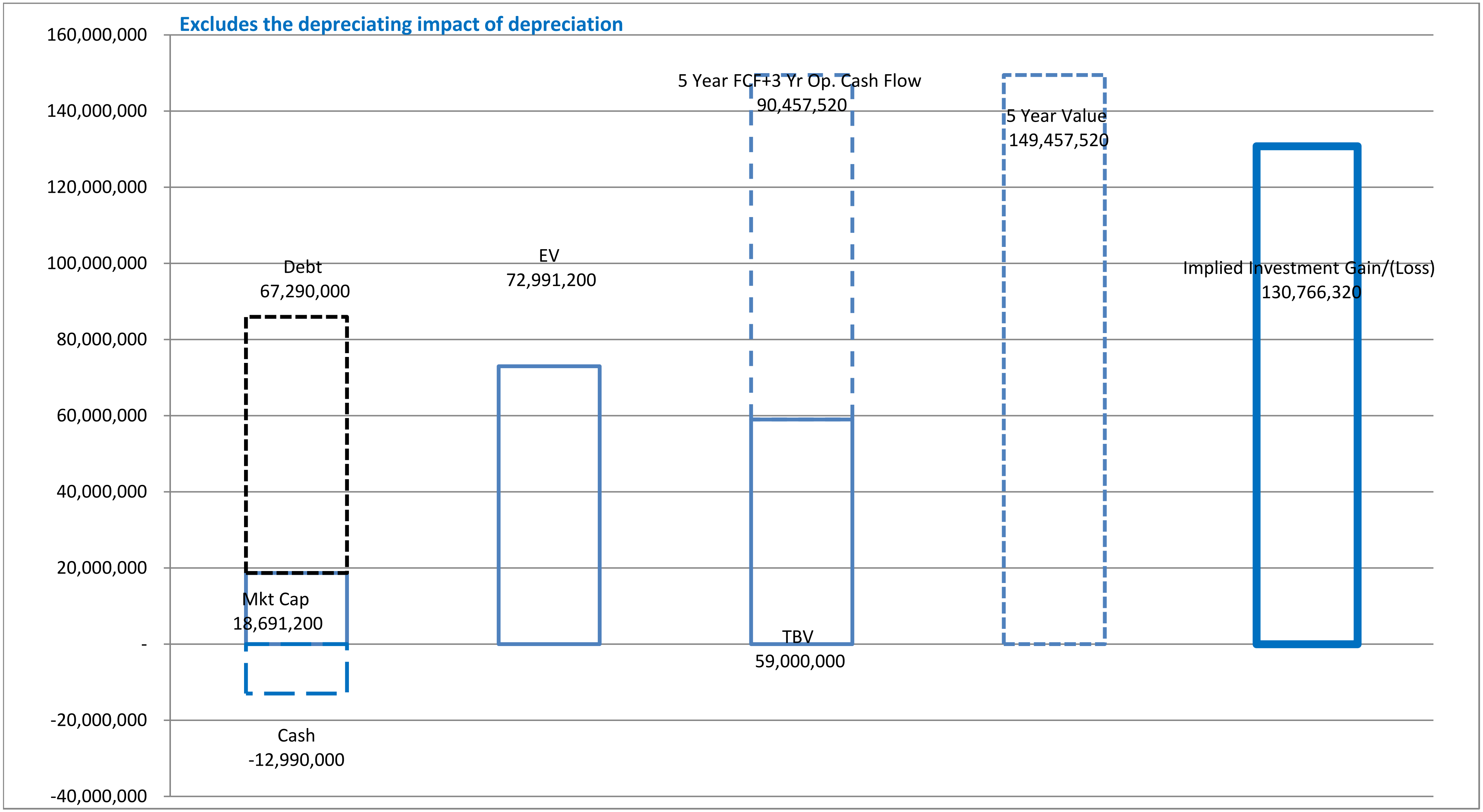
Cash flow positive, a lot of asset value, but there is liquidity concerns with 1) the heavy leverage, 2) expensive interest rate (10%).

We believe a PE firm should be able to acquire the business at $40MM, or $2/share, which is double the current price.

Then, refinance the debt at a lower interest rate. The business is cash flow positive right now.

Wall street most likely staying out because of the liquidty and leverage. If the new buyer can sell off some properties and use the cash flows to pay down the debt, then the multiple will rise from the current lows. SInce the Co. has $90MM in assets and let's assume they sell $60MM and pay down the debt, the book value will remain at $70MM. If the P/B, which is at 0.24 rises to 1.0, then the new owner could sell the business for $70MM. With a $40MM initial investment, that is a potential 75% gain, just by selling off assets and paying down debt.

This is an extreme example, but we believe there is definitely hidden value in the stock.


Excludes the depreciating impact of depreciation
160,000,000
140,000,000
120,000,000
100,000,000
80,000,000
60,000,000
40,000,000
20,000,000
-
-20,000,000
-40,000,000
Debt
67,290,000
Mkt Cap
18,691,200
Cash
-12,990,000
EV
72,991,200
5 Year FCF+3 Yr Op. Cash Flow
90,457,520
TBV
59,000,000
5 Year Value
149,457,520
Implied Investment Gain/(Loss)
130,766,320

# SN VALUATION Automated Valuation Model Beta

**Company Name:** Full House Resorts **Ticker:** FLL

Full House Resorts Inc is a Delaware Corporation formed in 1987. The Company develops, manages, operates, invests in and/or owns gaming-related enterprises. It continues to actively investigate, individually and with partners, new business opportunities. The Company has made significant acquisitions of the Rising Star Casino Resort and Grand Lodge Casino leased operation in 2011 and the Silver Slipper Casino in 2012. The Company own three properties, the Rising Star located in Rising Sun, Indiana, the Silver Slipper located in Bay St. Louis, Mississippi and Stockmans Casino (Stockmans) located in Fallon, Nevada. The Company leases one property, the Grand Lodge Casino (Grand Lodge) at the Hyatt Regency Lake Tahoe Resort, Spa and Casino located in Incline Village, Nevada on the North Shore of Lake Tahoe. The Company manages the Buffalo Thunder Casino and Resort (Buffalo Thunder) and the Cities of Gold and Sports Bar casino facilities, both located in Santa Fe, New Mexico.

| | |
|---|---|
| **Company Name:** | **Full House Resorts** |
| Ticker Symbol: | FLL |
| **Last Price:** | **$0.99** RCH |
| Net Cash/Share: | -$2.88 |
| Net Cash to Last Price: | -290.51% |
| Shares Outstanding: | 18,880,000 |
| Industry: | Resorts & Casinos |
| Sector: | Consumer Cyclical |
| Institutional Ownership: | 51.80% |
| Mutual Fund Ownership: | 22.53% |
| Insider Ownership: | 12.47% |
| Float: | 93.00% |

**Technicals**

| | |
|---|---|
| 52 week low: | $0.87 |
| Today from 52 week low: | 13.79% |
| 52 week high: | $3.03 |
| Today from 52 week high: | 206.06% |

**Analyst/Consensus**

| | |
|---|---|
| Analyst Sales Growth FY1: | -13.40% |
| Analyst Sales Growth FY2: | 1.90% |
| SN Valuation Estimate FY1: | 0.00% |
| SN Valuation Estimate FY2: | 0.00% |
| Analyst Earnings Estimate FY1: | -$0.11 |
| Analyst Earnings Estimate FY2: | -$0.05 |
| SN Valuation Earnings Est. FY1: | $0.24 |
| SN Valuation Earnings Est. FY2: | $0.24 |

**Multiples**

| | |
|---|---|
| **Market Value to Book:** | **0.24** |
| EV to Book: | 0.95 |
| Market Value to Tangible Net Assets: | 0.71 |
| P/E Ratio: | -1.33 |
| Trailing P/E Ratio: | N/A |
| Forward P/E Ratio: | N/A |
| Beta: | 1.02 |
| Dividend: | 0.00 |
| **Dividend Yield:** | **0.00%** |
| Dividend Date: | N/A |
| Ex-Dividend Date: | N/A |

**Competitors**

| | |
|---|---|
| Average EV to EBITDA: | N/A |
| Company EV to EBITDA: | 3.36 |
| Average EV to EBIT: | N/A |
| Company EV to EBITA: | 24.66 |

| | |
|---|---|
| Market Capitalization: | $18,691,200.00 |
| Total Debt: | $67,290,000.00 |
| Total Cash: | $12,990,000.00 |
| Net Cash/(Debt): | -$54,300,000.00 |
| Enterprise Value: | $72,991,200.00 |
| Current EV/Share: | $3.87 |
| EBITDA: | $21,740,000.00 |
| EV/EBITDA Multiple: | 3.36 |
| EV/EBITDA Multiple Average Year 1-5: | 3.96 |
| EV/FCF Multiple (excluding acquisition): | 11.91 |
| | 16.95 |

**Upper Range**
**DCF: EV/EBITDA Terminal Value**

| | |
|---|---|
| Implied TV from 3 X EV/EBITDA Multiple | $34,735,200.00 |
| Enterprise Value | $34,735,200.00 |
| Cash at Year 5: | $34,525,950.00 |
| Debt at Year 5: | $67,290,000.00 |
| Equity Value Year 5: | $1,971,150.00 |
| **Equity/Share at Year 5:** | **$0.10** |
| Annualized Return: | -36.23% |

**Lower Range**
**DCF: Net Tangible Asset excluding Cash/Debt Terminal Value**

| | |
|---|---|
| Year 5 Net Tangible Assets excluding cash and debt | $91,590,000.00 |
| Enterprise Value | $91,590,000.00 |
| Cash at Year 5: | $34,525,950.00 |
| Debt at Year 5: | $67,290,000.00 |
| Equity Value Year 5: | $58,825,950.00 |
| **Equity/Share at Year 5:** | **$3.12** |
| Annualized Return: | 25.77% |

**EVA**

| | |
|---|---|
| EVA today: | $80,075,095.02 |
| EVA in 5 Years: | $143,370,879.49 |
| EVA/Share: | $7.59 |
| Cash at Year 5: | $34,525,950.00 |
| Debt at Year 5: | $67,290,000.00 |
| Equity Value Year 5: | $110,606,829.49 |
| **Equity/Share at Year 5:** | **$5.86** |
| **Annualized return** | **12.36%** |

**Current Net Tangible Asset**

| | |
|---|---|
| **Net Tangible Asset/Share:** | **$1.99** |
| **Net Tangible Asset/Share in Year 5:** | **$3.18** |
| Annualized return | 9.76% |
| Current Equity Price: | $0.99 |
| Selling at Discount? | Discount |
| Appreciation Potential: | 101.43% |

**Income Statement**

| | | |
|---|---|---|
| Revenue: | $130,660,000.00 | 100.0% |
| Cost of Goods Sold: | $67,270,000.00 | 51.5% |
| Gross Profit: | $63,390,000.00 | 48.5% |
| EBITDA: | $11,410,000.00 | 8.7% |
| Net Income: | -$14,070,000.00 | -10.8% |

**Balance Sheet**

| | |
|---|---|
| Cash: | $12,990,000.00 |
| Short Term Investment: | $0.00 |
| A/R: | $2,000,000.00 |
| PP&E: | $91,000,000.00 |
| Assets: | $148,650,000.00 |
| A/P: | $3,000,000.00 |
| Deferred Tax: | $110,000.00 |
| Other Liabilities: | $6,600,000.00 |
| Short term Debt: | $690,000.00 |
| Long Term Debt: | $66,600,000.00 |
| Liabilities: | $77,000,000.00 |
| Retained Earnings: | $34,000,000.00 |
| Paid-In Capital: | $45,000,000.00 |
| Treasury Stock: | -$2,000,000.00 |
| Stockholder's Equity: | $77,000,000.00 |

**Cash Flow**

| | |
|---|---|
| Net Income: | -3,960,000.00 |
| Depreciation/Amortization: | 9,390,000.00 |
| Change in Working capital: | -1,620,000.00 |
| Cash from Operating Activities: | 12,280,000.00 |
| Capital Expenditures: | -6,160,000.00 |
| Cash from Investing Activities: | -6,470,000.00 |
| Total Cash Dividends Paid: | 0.00 |
| Issuance (Retirement) of Stock: | 0.00 |
| Issuance (Retirement) of Debt: | -11,250,000.00 |
| Cash from Financing Activities: | -11,480,000.00 |

**Profitability Margins**

| | |
|---|---|
| Debt to Equity: | 87.39% |
| Return on Assets: | -2.66% |
| Return on Capital: | -2.74% |
| Return on Equity: | -5.14% |

**SN VALUATION**

## LBO Pro Forma Income Statement

**Name:** Full House Resorts **Ticker:** FLL

| | Historical | | | | Forecasted | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **12 months ending 2010-12-31** | **12 months ending 2011-12-31** | **12 months ending 2012-12-31** | **12 months ending 2013-12-31** | **2014** | **2015** | **2016** | **2017** | **2018** |
| **Revenue** | **32.90** | **105.46** | **128.76** | **144.73** | **144.73** | **144.73** | **144.73** | **144.73** | **144.73** |
| COGS | 4.18 | 51.44 | 74.56 | 81.34 | 83.94 | 83.94 | 83.94 | 83.94 | 83.94 |
| **Gross margin** | **28.72** | **54.02** | **54.20** | **63.39** | **60.79** | **60.79** | **60.79** | **60.79** | **60.79** |
| SG&A | 6.43 | 25.43 | 37.00 | 46.97 | 47.76 | 47.76 | 47.76 | 47.76 | 47.76 |
| R&D | 0.42 | 0.79 | 1.86 | 0.07 | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 |
| Unusual expense | 0.00 | 4.92 | -39.47 | 4.00 | 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)** | **21.87** | **22.88** | **54.81** | **12.35** | **11.58** | **11.58** | **11.58** | **11.58** | **11.58** |
| Interest income/(expense) | -0.06 | -3.35 | -2.72 | -7.27 | -4.71 | -4.71 | -4.71 | -4.71 | -4.71 |
| 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 | 0.12 | 0.01 | -0.01 | -0.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Income before tax** | **23.60** | **15.83** | **45.19** | **-4.32** | **6.87** | **6.87** | **6.87** | **6.87** | **6.87** |
| Tax | 5.74 | 3.24 | 15.17 | -0.36 | 2.41 | 2.41 | 2.41 | 2.41 | 2.41 |
| **Income after tax** | **17.86** | **12.59** | **30.02** | **-3.96** | **4.47** | **4.47** | **4.47** | **4.47** | **4.47** |
| Minority Interest | -10.19 | -10.25 | -2.18 | 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** | **7.67** | **2.34** | **27.83** | **-3.96** | **4.47** | **4.47** | **4.47** | **4.47** | **4.47** |
| *Figures are in millions ($) | | | | | | | | | |
| | | | | | | | | | |
| EPS (based off today's share count) | $0.41 | $0.12 | $1.47 | -$0.21 | $0.24 | $0.24 | $0.24 | $0.24 | $0.24 |
| P/E (historical today's price; forecasted intrinsic price) | 2.44 | 7.99 | 0.67 | -4.72 | 6.02 | 8.66 | 12.46 | 17.93 | 25.80 |
| | | | | | | | | | |
| **Revenue Growth** | **N/A** | **220.55%** | **22.09%** | **12.40%** | **0.00%** | **0.00%** | **0.00%** | **0.00%** | **0.00%** |
| Tax Rate | 24.32% | 20.47% | 33.57% | 8.33% | 35.00% | 35.00% | 35.00% | 35.00% | 35.00% |
| Implied Debt Interest Rate | 0.00% | -12.44% | -3.96% | -11.15% | -7.84% | -7.84% | -7.84% | -7.84% | -7.84% |
| | | | | | | | | | |
| Margins | | | | | | | | | |
| COGS | 12.71% | 48.78% | 57.91% | 56.20% | 58.00% | 58.00% | 58.00% | 58.00% | 58.00% |
| **Gross margin** | **87.29%** | **51.22%** | **42.09%** | **43.80%** | **42.00%** | **42.00%** | **42.00%** | **42.00%** | **42.00%** |
| SG&A | 19.54% | 24.11% | 28.74% | 32.45% | 33.00% | 33.00% | 33.00% | 33.00% | 33.00% |
| R&D | 1.28% | 0.75% | 1.44% | 0.05% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Unusual expense | 0.00% | 4.67% | -30.65% | 2.76% | 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)** | **66.47%** | **21.70%** | **42.57%** | **8.53%** | **8.00%** | **8.00%** | **8.00%** | **8.00%** | **8.00%** |
| Interest income/(expense) | -0.18% | -3.18% | -2.11% | -5.02% | -3.25% | -3.25% | -3.25% | -3.25% | -3.25% |
| 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 | 0.36% | 0.01% | -0.01% | -0.01% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Income before tax** | **71.73%** | **15.01%** | **35.10%** | **-2.98%** | **4.75%** | **4.75%** | **4.75%** | **4.75%** | **4.75%** |
| Tax | 17.45% | 3.07% | 11.78% | -0.25% | 1.66% | 1.66% | 1.66% | 1.66% | 1.66% |
| **Income after tax** | **54.29%** | **11.94%** | **23.31%** | **-2.74%** | **3.09%** | **3.09%** | **3.09%** | **3.09%** | **3.09%** |
| Minority Interest | -30.97% | -9.72% | -1.69% | 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** | **23.31%** | **2.22%** | **21.61%** | **-2.74%** | **3.09%** | **3.09%** | **3.09%** | **3.09%** | **3.09%** |

# SN VALUATION

## LBO Adjusted Proforma Balance Sheet

**Ticker:** FLL

| | | | | | | Adjustment | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As of 2010-12-31 | As of 2011-12-31 | As of 2012-12-31 | As of 2013-12-31 | As of 2014-06-30 | + | - | Adjusted Proforma | 2014 | 2015 | 2016 | 2017 | 2018 |
| Cash | 13.29 | 14.71 | 20.60 | 14.94 | 12.99 | | | 12.99 | 17.29719 | 21.60 | 25.91 | 30.22 | 34.53 |
| 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** | 13.29 | 14.71 | 20.60 | 14.94 | 12.99 | | | 12.99 | 17.30 | 21.60 | 25.91 | 30.22 | 34.53 |
| Accounts Receivable | 2.28 | 4.87 | 2.66 | 1.87 | 2.00 | | | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| 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** | 2.28 | 4.87 | 2.66 | 1.87 | 2.00 | | | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Total Inventory | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Prepaid Expenses | 0.80 | 2.49 | 5.74 | 6.29 | 5.90 | | | 5.90 | 5.90 | 5.90 | 5.90 | 5.90 | 5.90 |
| Other Current Assets | 0.21 | 1.16 | 3.33 | 0.73 | 0.68 | | | 0.68 | 0.68 | 0.68 | 0.68 | 0.68 | 0.68 |
| **Current Assets** | 16.58 | 23.23 | 32.33 | 23.83 | 21.57 | 0.00 | 0.00 | 21.57 | 25.87719 | 30.18 | 34.49 | 38.80 | 43.11 |
| PP&E, Gross | 14.26 | 49.75 | 99.96 | 118.56 | 118.00 | | | 118.00 | 125.00 | 132.00 | 139.00 | 146.00 | 153.00 |
| Change in Depreciation | 1.05 | 4.21 | 5.27 | 6.84 | 6.84 | | | 6.84 | 6.84 | 6.84 | 6.84 | 6.84 | 6.84 |
| Accumulated Depreciation | 6.89 | 11.08 | 16.28 | 26.69 | 27.00 | | | 27.00 | 33.84 | 40.68 | 47.52 | 54.36 | 61.20 |
| **PP&E, Net** | 7.37 | 38.67 | 83.68 | 91.87 | 91.00 | | | 91.00 | 91.16 | 91.32 | 91.48 | 91.64 | 91.80 |
| Goodwill | 10.31 | 7.46 | 22.13 | 18.13 | 18.00 | 0.00 | | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 |
| Intangibles | 13.72 | 24.49 | 18.11 | 15.53 | 16.00 | | | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 |
| 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 | 5.36 | 0.79 | 1.32 | 2.08 | 2.08 | | | 2.08 | 2.08 | 2.08 | 2.08 | 2.08 | 2.08 |
| **Long Term Assets** | 36.76 | 71.41 | 125.24 | 127.61 | 127.08 | | | 127.08 | 127.24 | 127.40 | 127.56 | 127.72 | 127.88 |
| **Total Assets** | 53.34 | 94.64 | 157.57 | 151.44 | 148.65 | 0.00 | 0.00 | 148.65 | 153.12 | 157.58 | 162.05 | 166.52 | 170.99 |
| Accounts Payable | 0.18 | 1.61 | 2.53 | 2.66 | 3.00 | | | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Accrued Expense | 0.98 | 8.21 | 10.29 | 8.41 | 8.00 | | | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 |
| Other current Liabilities | 0.38 | 2.41 | 0.01 | 0.07 | 0.07 | | | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 |
| **Total Current Liabilities** | 1.54 | 12.23 | 12.83 | 11.14 | 11.07 | 0.00 | 0.00 | 11.07 | 11.07 | 11.07 | 11.07 | 11.07 | 11.07 |
| 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 | 0.00 | 4.95 | 2.50 | 0.74 | 0.69 | | | 0.69 | 0.69 | 0.69 | 0.69 | 0.69 | 0.69 |
| Long term Debt | 0.00 | 21.99 | 66.25 | 57.50 | 60.00 | 0.00 | 0.00 | 60.00 | 60.00 | 60.00 | 60.00 | 60.00 | 60.00 |
| Capital Lease Obligations | 0.00 | 0.00 | 0.00 | 6.98 | 6.60 | | | 6.60 | 6.60 | 6.60 | 6.60 | 6.60 | 6.60 |
| **Total Interest Earning Debt** | 0.00 | 26.94 | 68.75 | 65.22 | 67.29 | 0.00 | 0.00 | 67.29 | 67.29 | 67.29 | 67.29 | 67.29 | 67.29 |
| Deferred Income tax | 2.11 | 0.00 | 0.01 | 0.11 | 0.11 | | | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 |
| Minority Interest | 5.58 | 5.14 | 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 | -1.47 | | | -1.47 | -1.47 | -1.47 | -1.47 | -1.47 | -1.47 |
| **Total Liabilities** | 9.23 | 44.31 | 81.59 | 76.47 | 77.00 | 0.00 | 0.00 | 77.00 | 77.00 | 77.00 | 77.00 | 77.00 | 77.00 |
| 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 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Additional Paid-in capital | 42.70 | 43.45 | 44.71 | 45.35 | 45.00 | 0.00 | 0.00 | 45.00 | 45.00 | 45.00 | 45.00 | 45.00 | 45.00 |
| 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 | 6.16 | 8.51 | 38.08 | 34.12 | 34.00 | | | 34.00 | 38.47 | 42.93 | 47.40 | 51.87 | 56.34 |
| Treasury Stock | -1.65 | -1.65 | -1.65 | -1.65 | -2.00 | | 0.00 | -2.00 | -2.00 | -2.00 | -2.00 | -2.00 | -2.00 |
| 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 |
| **Total Equity** | 47.21 | 50.31 | 81.14 | 77.82 | 77.00 | 0.00 | 0.00 | 77.00 | 81.47 | 85.93 | 90.40 | 94.87 | 99.34 |
| **Liability + Equity** | 56.44 | 94.62 | 162.73 | 154.29 | 154.00 | 0.00 | 0.00 | 154.00 | 158.47 | 162.93 | 167.40 | 171.87 | 176.34 |
| **Variance** | -3.10 | 0.02 | -5.16 | -2.85 | -5.35 | | | -5.35 | -5.35 | -5.35 | -5.35 | -5.35 | -5.35 |
| **Debt/Equity** | 0.00 | 0.54 | 0.85 | 0.84 | 0.87 | | | 0.87 | 0.83 | 0.78 | 0.74 | 0.71 | 0.68 |
| Inventory Turnover | #DIV/0! | #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! | #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 | 0.00 |
| Accounts Receivable Turnover | 14.43 | 21.66 | 48.41 | 77.40 | 72.37 | | | 72.37 | 72.37 | 72.37 | 72.37 | 72.37 | 72.37 |
| Accounts Receivalbe Turnover Days | 25.29 | 16.86 | 7.54 | 4.72 | 5.04 | | | 5.04 | 5.04 | 5.04 | 5.04 | 5.04 | 5.04 |
| Days Payable Outstanding | 15.72 | 11.42 | 12.39 | 11.94 | 13.04 | | | 13.46 | 13.04 | 13.04 | 13.04 | 13.04 | 13.04 |
| Days Sales Outstanding | 25.29 | 16.86 | 7.54 | 4.72 | 5.04 | | | 4.72 | 5.04 | 5.04 | 5.04 | 5.04 | 5.04 |
| Cash Conversion Cycle | 9.58 | 5.43 | -4.84 | -7.22 | -8.00 | | | -8.75 | -8.00 | -8.00 | -8.00 | -8.00 | -8.00 |
| Net tangible assets/share | $1.23 | $0.97 | $2.17 | $2.34 | $2.28 | | | | $2.51 | $2.75 | $2.99 | $3.22 | $3.46 |

# SN VALUATION

# LBO Adjusted Proforma Cash Flow

**Ticker:** FLL

| | 12 months ending 2010-12-31 | 12 months ending 2011-12-31 | 12 months ending 2012-12-31 | 12 months ending 2013-12-31 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Net Income | 7.67 | 2.34 | 27.83 | -3.96 | 4.47 | 4.47 | 4.47 | 4.47 | 4.47 |
| Depreciation | 1.05 | 4.21 | 5.27 | 6.84 | 6.84 | 6.84 | 6.84 | 6.84 | 6.84 |
| **Net Income + Depreciation** | **8.72** | **6.55** | **33.10** | **2.88** | **11.31** | **11.31** | **11.31** | **11.31** | **11.31** |
| Amortization | 2.37 | 2.80 | 1.61 | 2.55 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Deferred Taxes | 0.39 | -3.40 | -1.72 | 1.98 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non Cash Items | 10.14 | 17.52 | -35.26 | 6.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Change in Working capital | -3.55 | 3.55 | -2.03 | -1.62 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Receivable | 0.00 | -2.59 | 2.21 | 0.79 | 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 | -1.69 | -3.25 | -0.55 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Payable | 0.00 | 1.43 | 0.92 | 0.13 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Cash from Operating Activities** | **18.07** | **27.02** | **-4.30** | **12.29** | **11.31** | **11.31** | **11.31** | **11.31** | **11.31** |
| | | | | | | | | | |
| Capital Expenditures Expenditures | -0.36 | -3.25 | -2.99 | -6.16 | -7.00 | -7.00 | -7.00 | -7.00 | -7.00 |
| Long term investment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Investing Activities | -0.14 | -19.47 | 48.26 | -0.30 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Cash from Investing Activities** | **-0.50** | **-22.72** | **45.27** | **-6.46** | **-7.00** | **-7.00** | **-7.00** | **-7.00** | **-7.00** |
| | | | | | | | | | |
| Financing Cash flow items | -12.02 | -11.37 | -6.89 | -0.23 | 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 | 0.00 | 0.00 | 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 | -1.45 | 8.50 | -28.19 | -11.25 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Cash from Financing Activities** | **-13.47** | **-2.87** | **-35.08** | **-11.48** | **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 | 9.19 | 13.29 | 14.71 | 20.60 | 12.99 | 17.30 | 21.60 | 25.91 | 30.22 |
| **Net Change in Cash** | **4.10** | **1.41** | **5.90** | **-5.67** | **4.31** | **4.31** | **4.31** | **4.31** | **4.31** |
| Ending Cash Balance | 13.29 | 14.71 | 20.61 | 14.93 | 17.30 | 21.60 | 25.91 | 30.22 | 34.53 |
| | | | | | | | | | |
| Capex to Revenue | 1.09% | 3.08% | 2.32% | 4.26% | 4.84% | 4.84% | 4.84% | 4.84% | 4.84% |
| Depreciation to Sales | 3.19% | 3.99% | 4.09% | 4.73% | 4.73% | 4.73% | 4.73% | 4.73% | 4.73% |
| Amortization to Sales | 7.20% | 2.66% | 1.25% | 1.76% | 3.22% | 2.22% | 2.11% | 2.33% | 2.47% |
| A/R to Sales | 6.93% | 4.62% | 2.07% | 1.29% | 1.29% | 1.29% | 1.29% | 1.29% | 1.29% |
| | | | | | | | | | |
| Distributable FCF/EV Yield | 24.07% | 5.89% | 56.13% | 7.99% | 5.90% | 5.90% | 5.90% | 5.90% | 5.90% |
| Dividend Yield | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | | | | | | | | |
| FCF (Ops-Investing) | **17.71** | **23.77** | **-7.29** | **6.13** | **4.31** | **4.31** | **4.31** | **4.31** | **4.31** |

# SN VALUATION — LBO Debt Schedule

**Ticker:** FLL

| | Proforma | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| **Net Change in Cash** | **-5.67** | **4.31** | **4.31** | **4.31** | **4.31** | **4.31** |
| Current Portion Debt Repayment | | | | | | |
| Long Term Debt Repayment | | | | | | |
| **Outstanding Debt** | **60.69** | **60.69** | **60.69** | **60.69** | **60.69** | **60.69** |
| Current Portion Debt Balance | 0.69 | 0.69 | 0.69 | 0.69 | 0.69 | 0.69 |
| Long Term Debt Balance | 60.00 | 60.00 | 60.00 | 60.00 | 60.00 | 60.00 |
| Forward Libor Curve | | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Spread | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| **Interest Rate** | | **8.00%** | **8.00%** | **8.00%** | **8.00%** | **8.00%** |
| **Interest Expense** | | **4.86** | **4.86** | **4.86** | **4.86** | **4.86** |
| Cash Balance | | 14.94 | | | | |
| Interest @ 1.0% | | 0.15 | 0.15 | 0.15 | 0.15 | 0.15 |
| **Net Interest Expense/(Income)** | | **4.71** | **4.71** | **4.71** | **4.71** | **4.71** |
| **Net Interest Rate** | | **7.84%** | **7.84%** | **7.84%** | **7.84%** | **7.84%** |
| | | | | | | |
| EBITDA | | 11.58 | 11.58 | 11.58 | 11.58 | 11.58 |
| **EBITDA/Interest Expense Coverage** | | **2.38** | **2.38** | **2.38** | **2.38** | **2.38** |

**Interest Rate Coverage Table**

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

*Source: NYU; Professor Damodaran

# SN Valuation
## Altman Z Score

**Company Name:** Full House Resorts **Ticker:** FLL

| **Period** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** |
|---|---|---|---|---|---|---|---|---|---|
| Working Capital | 15.04 | 11.00 | 19.50 | 10.50 | 14.81 | 19.11 | 23.42 | 27.73 | 32.04 |
| Total Assets | 53.34 | 94.64 | 157.57 | 148.65 | 153.12 | 157.58 | 162.05 | 166.52 | 170.99 |
| **X1** | **0.28** | **0.12** | **0.12** | **0.07** | **0.10** | **0.12** | **0.14** | **0.17** | **0.19** |
| Retained Earnings | 6.16 | 8.51 | 38.08 | 34.00 | 38.47 | 42.93 | 47.40 | 51.87 | 56.34 |
| Total Assets | 53.34 | 94.64 | 157.57 | 148.65 | 153.12 | 157.58 | 162.05 | 166.52 | 170.99 |
| **X2** | **0.12** | **0.09** | **0.24** | **0.23** | **0.25** | **0.27** | **0.29** | **0.31** | **0.33** |
| EBITDA | 21.87 | 22.88 | 54.81 | 12.35 | 11.58 | 11.58 | 11.58 | 11.58 | 11.58 |
| Total Assets | 53.34 | 94.64 | 157.57 | 148.65 | 153.12 | 157.58 | 162.05 | 166.52 | 170.99 |
| **X3** | **0.41** | **0.24** | **0.35** | **0.08** | **0.08** | **0.07** | **0.07** | **0.07** | **0.07** |
| Market Value of Equity | 18.69 | 18.69 | 18.69 | 18.69 | 26.89 | 38.69 | 55.67 | 80.11 | 115.26 |
| Total Liabilities | 9.23 | 44.31 | 81.59 | 77.00 | 77.00 | 77.00 | 77.00 | 77.00 | 77.00 |
| **X4** | **2.03** | **0.42** | **0.23** | **0.24** | **0.35** | **0.50** | **0.72** | **1.04** | **1.50** |
| Net Sales | 32.90 | 105.46 | 128.76 | 144.73 | 144.73 | 144.73 | 144.73 | 144.73 | 144.73 |
| Total Assets | 53.34 | 94.64 | 157.57 | 148.65 | 153.12 | 157.58 | 162.05 | 166.52 | 170.99 |
| **X5** | **0.62** | **1.11** | **0.82** | **0.97** | **0.95** | **0.92** | **0.89** | **0.87** | **0.85** |
| **Altman Z Score** | **3.68** | **2.43** | **2.59** | **1.80** | **1.87** | **1.99** | **2.15** | **2.36** | **2.65** |

Z = 1.2*X1 + 1.4*X2 + 3.3*X3 + 0.6*X4 + 1.0*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

| | Present Value | Holding Period | | | | | Terminal Value | | | Sale Price |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | TBV at Year 5 + 3 Years FCF |
| **Tangible Book Value** | **59.00** | **63.47** | **67.93** | **72.40** | **76.87** | **81.34** | | | | **81.34** |
| Annual Change | | 4.47 | 4.47 | 4.47 | 4.47 | 4.47 | | | | |
| **Annual FCF** | **6.13** | **4.31** | **4.31** | **4.31** | **4.31** | **4.31** | **4.31** | **4.31** | **4.31** | **12.92** |
| Annual Op. Cash Flow | 12.29 | 11.31 | 11.31 | 11.31 | 11.31 | 11.31 | 11.31 | 11.31 | 11.31 | |
| Annual PP&E Investment | (6.16) | (7.00) | (7.00) | (7.00) | (7.00) | (7.00) | (7.00) | (7.00) | (7.00) | |
| **Today's Tangible Book Value** | **59.00** | **62.91** | **67.08** | **71.53** | **76.28** | **81.34** | | | | **94.26** |
| Intrinsic Value IRR | **6.63%** | | | | | | | | | |
| **Market Price** | **18.69** | **25.83** | **35.70** | **49.35** | **68.20** | **94.26** | | | | **94.26** |
| Market Price IRR | **38.21%** | | | | | | | | | |

| | | |
|---|---|---|
| Debt | 50.00% | 9.35 |
| Equity | 50.00% | 9.35 |
| **Total** | **100.00%** | **18.69** |

| | | Present Value | Holding Period | | | | | Terminal Value | | | Sale Price |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Historic | ProForma | 1 | 2 | 3 | 4 | 5 | | | | |
| Book Equity | 77 | 9.35 | 13.27 | 17.19 | 21.11 | 25.03 | 28.95 | | | | |
| Goodwill | 18 | (40.31) | (40.31) | (40.31) | (40.31) | (40.31) | (40.31) | | | | |
| Debt | **60** | **69.35** | **69.35** | **69.35** | **69.35** | **69.35** | **69.35** | | | | |
| Debt Interest Rate | | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | | | | |
| Additional Interest Expense | | 0.84 | 0.84 | 0.84 | 0.84 | 0.84 | | | | | |
| **Tangible Book Value** | **59** | **49.65** | **53.57** | **57.49** | **61.41** | **65.33** | **69.25** | | | | **69.25** |
| Annual Change | | | 3.92 | 3.92 | 3.92 | 3.92 | 3.92 | | | | |
| **Annual FCF** | **6.13** | | **3.76** | **3.76** | **3.76** | **3.76** | **3.76** | **3.76** | **3.76** | **3.76** | **11.28** |
| Annual Net Income | (3.96) | | 3.92 | 3.92 | 3.92 | 3.92 | 3.92 | 3.92 | 3.92 | 3.92 | |
| **Annual Op. Cash Flow** | **12.29** | | **10.76** | **10.76** | **10.76** | **10.76** | **10.76** | **10.76** | **10.76** | **10.76** | |
| **Dividend Payments** | | | | | | | | | | | |
| **Annual PP&E Investment** | **(6.16)** | | **(7.00)** | **(7.00)** | **(7.00)** | **(7.00)** | **(7.00)** | **(7.00)** | **(7.00)** | **(7.00)** | |
| **Debt Paydown** | **0.00** | | | | | | | **0.00** | **0.00** | **0.00** | |

| | | | | | | | Sale Price |
|---|---|---|---|---|---|---|---|
| **Sale Price in Year 5** | | | | | | | **80.53** |
| **Capital Left for Equity Investor** | | | | | | | **80.53** |
| **Dividend Payments** | | | | | | | **0.00** |
| **Total Cash In Flow** | | | | | | | **80.53** |
| **Invested Equity** | **9.35** | **14.38** | **22.12** | **34.03** | **52.35** | **80.53** | |
| IRR | **53.84%** | | | | | | |

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.

| Value Creation | |
|---|---|
| TBV Growth (equals sum of NI Year 1-5) | 19.60 |
| Cash Flow (Year 6-8) | 11.28 |
| | **30.88** |

| Value Dilution | |
|---|---|
| Debt | 9.35 |
| Goodwill | -58.31 |
| Additional Intereset | 4.21 |
| | **(44.75)** |