

Food Technology Service Inc (VIFL)

Price:	\$5.11	Net Tang. Bk Value Incl. Cash (NTBVIC):	\$8,580,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$12,781,292.36
Market Cap:	\$14,461,300	NTBVIC/Market Downside Recovery:	59.33%	Avg. Year FCF/Share:	\$640,258.47
Cash:	\$2,200,000	Op. Cash Flow:	\$817,443	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$0	Implied Years to Fill Gap:	7.19	Year 5 Disposition Price:	\$14,702,067.78
Net Cash:	\$2,200,000	Today's Equity if 5x Op. CF:	\$11,032,328		
Enterprise Value:	\$12,261,300	Net Tang. Book+5 FCF+ Gain Disposition:		\$14,702,067.78	
Shares Outstanding:	2,830,000	IRR:		0.33%	
		Price:		\$5.20	
		Target Market Cap:		\$14,702,068	
		Target Enterprise Value:		\$12,502,068	

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

Nordion owned 16% of VIFL's shares until 2011, and then sold their stake to a California PE firm, Fort Ashford Holdings. Fort Ashford has grown their stake to 30% of the outstandings shares. Fort Ashford specializes in lending and investing in trouble companies, so we take this as a positive sign, although their track record and deals are not publicly available. It is a <10 member firm and located in Aliso Viejo. We are not sure how much visibility they have in a company which is located on the other side of the country, but we believe the simple operation conducted primarily in their Florida facility is simple enough to handle.

The irradiation facility is 2.2 acres big in Florida and booked at \$3MM. \$7MM is from the Cobalt 60 inventory. The gamma rays from the Cobalt 60 is used to sterilize medical equipment and such.

The small scale of operations and the dependence on Nordion, as a supplier with only 1 other alternative supplier of Cobalt 60, and 2 large customers which comprises 60% of revenue, makes the long term scalability and growth very hazy. Nordion is a leading supplier of the material, which is used to conduct the radiation treatment for the medical equipment, food and etc.

Margins are great, cash flow is positive. This is primarily a growth story as revenue is only at \$4 MM.

We believe this co. is a prime take out candidate by Fort Ashworth. For a company this small, the financial reporting costs alone is a big burden. By taking the company private, Fort Ashworth will be able to grow the co. with less operating expenses and take it public once it grows to a more sizable market cap.

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SN VALUATION

LBO Pro Forma Income Statement

Name:

Food Technology Service Inc

Ticker:

VIFL

	Historical				Forecasted				
	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2013	2014	2015	2016	2017
Revenue	2.51	2.52	3.01	3.74	3.78	3.82	3.85	3.89	3.93
COGS	0.57	0.54	0.57	0.66	0.72	0.72	0.73	0.74	0.75
Gross margin	1.94	1.98	2.44	3.08	3.06	3.09	3.12	3.15	3.18
SG&A	0.99	1.01	0.98	1.17	1.32	1.34	1.35	1.36	1.38
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	0.00	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	0.00	0.00	0.00	0.00	0.00
Depreciation is: Excluded from COGS					0.50	0.50	0.50	0.50	0.50
Operating Income (EBITA)	0.95	0.97	1.46	1.91	1.24	1.25	1.27	1.29	1.31
Interest income/(expense)	0.00	0.01	0.00	0.00	0.02	0.02	0.02	0.02	0.02
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	0.51	0.56	1.09	1.43	1.26	1.27	1.29	1.31	1.33
Tax	-0.52	-0.14	-0.05	0.52	0.44	0.45	0.45	0.45	0.46
Income after tax	1.03	0.70	1.14	0.91	0.82	0.83	0.84	0.85	0.86
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	1.03	0.70	1.14	0.91	0.82	0.83	0.84	0.85	0.86
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.36	\$0.25	\$0.40	\$0.32	\$0.29	\$0.29	\$0.30	\$0.30	\$0.31
P/E (historical today's price; forecasted intrinsic price)	14.04	20.66	12.69	15.89	17.75	17.57	17.38	17.21	17.03
Revenue Growth	N/A	0.40%	19.44%	24.25%	1.00%	1.00%	1.00%	1.00%	1.00%
Tax Rate	-101.96%	-25.00%	-4.59%	36.36%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	0.00%	0.00%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	22.71%	21.43%	18.94%	17.65%	19.00%	19.00%	19.00%	19.00%	19.00%
Gross margin	77.29%	78.57%	81.06%	82.35%	81.00%	81.00%	81.00%	81.00%	81.00%
SG&A	39.44%	40.08%	32.56%	31.28%	35.00%	35.00%	35.00%	35.00%	35.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	0.00%	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%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Excluded from COGS	0.00%	0.00%	0.00%	0.00%	13.24%	13.11%	12.98%	12.85%	12.72%
Operating Income (EBITA)	37.85%	38.49%	48.50%	51.07%	32.76%	32.89%	33.02%	33.15%	33.28%
Interest income/(expense)	0.00%	0.40%	0.00%	0.00%	0.53%	0.52%	0.52%	0.51%	0.51%
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	20.32%	22.22%	36.21%	38.24%	33.29%	33.42%	33.54%	33.67%	33.79%
Tax	-20.72%	-5.56%	-1.66%	13.90%	11.65%	11.70%	11.74%	11.78%	11.83%
Income after tax	41.04%	27.78%	37.87%	24.33%	21.64%	21.94%	22.24%	22.55%	22.85%
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	41.04%	27.78%	37.87%	24.33%	21.64%	21.72%	21.80%	21.88%	21.96%

						Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-09-30	+	-						
Cash	0.22	0.61	1.29	2.00	2.20			2.20	2.82	3.45	4.09	4.74	5.40
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	0.22	0.61	1.29	2.00	2.20			2.20	2.82	3.45	4.09	4.74	5.40
Accounts Receivable	0.27	0.21	0.35	0.51	0.50			0.50	0.50	0.50	0.50	0.50	0.50
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	0.27	0.21	0.35	0.51	0.50			0.50	0.50	0.50	0.50	0.50	0.50
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	0.03	0.03	0.02	0.03	0.04			0.04	0.04	0.04	0.04	0.04	0.04
Other Current Assets	0.18	0.19	0.37	0.65	0.53			0.53	0.53	0.53	0.53	0.53	0.53
Current Assets	0.70	1.04	2.03	3.19	3.27	0.00	0.00	3.27	3.89	4.52	5.16	5.81	6.47
PP&E, Gross	9.76	9.78	9.92	12.56	12.50			12.50	12.70	12.90	13.10	13.30	13.50
Change in Depreciation	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accumulated Depreciation	5.62	6.01	6.37	7.23	7.50			7.50	7.50	7.50	7.50	7.50	7.50
PP&E, Net	4.14	3.77	3.55	5.33	5.00			5.00	5.20	5.40	5.60	5.80	6.00
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	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	1.00	1.13	1.52	0.20	0.46			0.46	0.46	0.46	0.46	0.46	0.46
Long Term Assets	5.14	4.90	5.07	5.53	5.46			5.46	5.66	5.86	6.06	6.26	6.46
Total Assets	5.84	5.94	7.10	8.72	8.73	0.00	0.00	8.73	9.55	10.38	11.22	12.07	12.93
Accounts Payable	0.00	0.00	0.01	0.03	0.03			0.03	0.03	0.03	0.03	0.03	0.03
Accrued Expense	0.00	0.00	0.02	0.07	0.07			0.07	0.07	0.07	0.07	0.07	0.07
Other current Liabilities	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities	0.00	0.00	0.03	0.10	0.10	0.00	0.00	0.10	0.10	0.10	0.10	0.10	0.10
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	0.63	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	0.63	0.00	0.00	0.00	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	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	0.05			0.05	0.05	0.05	0.05	0.05	0.05
Total Liabilities	0.63	0.00	0.03	0.10	0.15	0.00	0.00	0.15	0.15	0.15	0.15	0.15	0.15
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	0.03	0.03	0.03	0.03	0.03			0.03	0.03	0.03	0.03	0.03	0.03
Additional Paid-in capital	12.15	12.19	12.23	12.28	12.20	0.00	0.00	12.20	12.20	12.20	12.20	12.20	12.20
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	-6.98	-6.28	-5.14	-4.23	-4.00		0.00	-4.00	-3.18	-2.35	-1.51	-0.66	0.20
Treasury Stock	-0.02	-0.02	-0.02	-0.02	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	5.18	5.92	7.10	8.06	8.23	0.00	0.00	8.23	9.05	9.88	10.72	11.57	12.43
Liability + Equity	5.81	5.92	7.13	8.16	8.38	0.00	0.00	8.38	9.20	10.03	10.87	11.72	12.58
Variance	0.03	0.02	-0.03	0.56	0.35			0.35	0.35	0.35	0.35	0.35	0.35
Debt/Equity	0.12	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
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	9.30	12.00	8.60	7.33	7.55			7.48	7.55	7.63	7.71	7.78	7.86
Accounts Receivable Turnover Days	39.26	30.42	42.44	49.77	48.31			48.80	48.31	47.84	47.36	46.89	46.43
Days Payable Outstanding	0.00	0.00	6.40	16.59	15.26			16.59	15.26	15.11	14.96	14.81	14.66
Days Sales Outstanding	39.26	30.42	42.44	49.77	48.31			49.77	48.80	48.31	47.84	47.36	46.89
Cash Conversion Cycle	39.26	30.42	36.04	33.18	33.06			33.18	33.54	33.21	32.88	32.55	32.23
Net tangible assets/share	\$1.84	\$2.10	\$2.50	\$3.05	\$3.03				\$3.32	\$3.61	\$3.91	\$4.21	\$4.52

	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2011	2012	2013	2014	2015
Net Income	0.00	0.00	0.00	0.00	0.82	0.83	0.84	0.85	0.86
Depreciation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income + Depreciation	0.00	0.00	0.00	0.00	0.82	0.83	0.84	0.85	0.86
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	0.00	0.00	0.00	0.00	0.00	0.00
Non Cash Items	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Change in Working capital	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.06	-0.14	-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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.00	0.01	-0.01	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.00	0.01	0.02	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	0.00	0.01	0.00	0.00	0.82	0.83	0.84	0.85	0.86
Capital Expenditures Expenditures	-0.60	-0.02	-0.08	-0.26	-0.20	-0.20	-0.20	-0.20	-0.20
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	-0.59	-0.91	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-0.60	-0.02	-0.67	-1.17	-0.20	-0.20	-0.20	-0.20	-0.20
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	0.00	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
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-0.45	-0.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-0.45	-0.63	0.00	0.00	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	0.04	0.00	0.00	0.00	2.20	2.82	3.45	4.09	4.74
Net Change in Cash	-0.04	0.39	0.68	0.71	0.62	0.63	0.64	0.65	0.66
Ending Cash Balance	0.00	0.39	1.07	1.78	2.82	3.45	4.09	4.74	5.40
Capex to Revenue	23.90%	0.79%	2.66%	6.95%	5.29%	5.24%	5.19%	5.14%	5.09%
Depreciation to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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	10.76%	8.33%	11.63%	13.64%	13.50%	13.37%	13.24%	13.10%	12.97%
Distributable FCF/EV Yield	-4.89%	-0.08%	-5.46%	-9.54%	5.04%	5.13%	5.22%	5.31%	5.41%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	-0.60	-0.01	-0.08	-0.26	0.62	0.63	0.64	0.65	0.66

SN VALUATION

LBO Debt Schedule

Ticker:

VIFL

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	0.71	0.62	0.63	0.64	0.65	0.66
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	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Expense		0.00	0.00	0.00	0.00	0.00
Cash Balance		2.00				
Interest @ 1.0%		0.02	0.02	0.02	0.02	0.02
Net Interest Expense/(Income)		(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Net Interest Rate		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA		1.24	1.25	1.27	1.29	1.31
EBITDA/Interest Expense Coverage		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Food Technology Service Inc

Ticker:

VIFL

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	0.70	1.04	2.00	3.17	3.79	4.42	5.06	5.71	6.37
Total Assets	5.84	5.94	7.10	8.73	9.55	10.38	11.22	12.07	12.93
X1	0.12	0.18	0.28	0.36	0.40	0.43	0.45	0.47	0.49
Retained Earnings	-6.98	-6.28	-5.14	-4.00	-3.18	-2.35	-1.51	-0.66	0.20
Total Assets	5.84	5.94	7.10	8.73	9.55	10.38	11.22	12.07	12.93
X2	-1.20	-1.06	-0.72	-0.46	-0.33	-0.23	-0.13	-0.05	0.02
EBITDA	0.95	0.97	1.46	1.91	1.74	1.75	1.77	1.79	1.81
Total Assets	5.84	5.94	7.10	8.73	9.55	10.38	11.22	12.07	12.93
X3	0.16	0.16	0.21	0.22	0.18	0.17	0.16	0.15	0.14
Market Value of Equity	14.46	14.46	14.46	14.46	14.51	14.56	14.61	14.65	14.70
Total Liabilities	0.63	0.00	0.03	0.15	0.15	0.15	0.15	0.15	0.15
X4	22.95	#DIV/0!	482.04	96.41	96.73	97.05	97.37	97.69	98.01
Net Sales	2.51	2.52	3.01	3.74	3.78	3.82	3.85	3.89	3.93
Total Assets	5.84	5.94	7.10	8.73	9.55	10.38	11.22	12.07	12.93
X5	0.43	0.42	0.42	0.43	0.40	0.37	0.34	0.32	0.30
Altman Z Score	13.21	#DIV/0!	289.65	58.79	59.04	59.35	59.64	59.92	60.19

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

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