

hhgregg (HGG)

Price:	\$10.62
Market Cap:	\$328,795,200
Cash:	\$38,170,000
Debt:	\$0
Net Cash:	\$38,170,000
Enterprise Value:	\$290,625,200
Shares Outstanding:	30,960,000

Net Tang. Bk Value Incl. Cash, Excl. Goodwill (NTBVIC):	\$350,000,000.00
NTBVIC/Market Downside Recovery:	106.45%
Op. Cash Flow:	\$40,445,835
Implied Years to Fill Gap:	-0.52
Today's Equity if 5x Op. CF:	\$471,337,505

Net Tang. Book Yr. 5 (Inc. Cash):	\$351,579,175.00
Avg. Year Op. Cash:	\$40,445,835.00
Year 5 Disposition FCF Multiple:	3.0
Year 5 Disposition Price:	\$472,916,680.00
Net Tang. Book+ Gain Disposition:	\$472,916,680.00
IRR:	7.54%

Price:	\$15.28
Target Market Cap:	\$472,916,680
Target Enterprise Value:	\$434,746,680

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

An electronics store, likened to Circuit City, Best Buy, located in the South and the East. Stock has been battered recently, with slow sales seen in the retail industry.

Concerns:

Weakness in the retail industry; brick/mortar, off line sites face risk from a shift to online shopping (i.e. Amazon)

Positive:

Strong book value; P/B is near 1x; no intangibles, \$40MM in cash, no debt
 Generates +\$50MM in op. cash flow; requires \$50MM in capex to open more stores
 Cheap stock

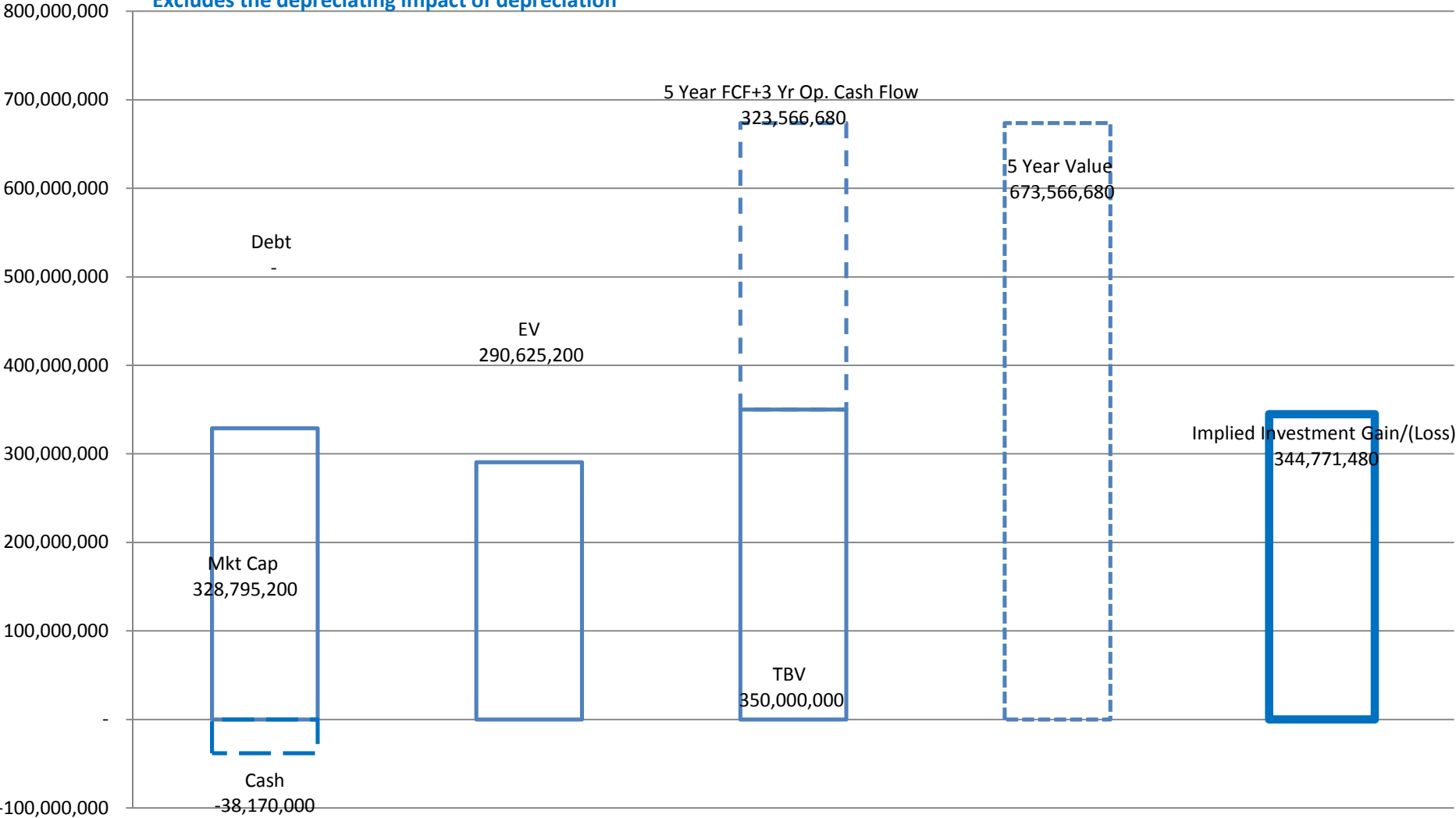
Stock plummeted on weak holiday preliminary figures. We still think the stock is a buy, but we anticipate the pain to continue into the earnings season. A good purchase may be in late Jan./early Feb. As long as the Co. remains cash flow positive, the value proposition is clearly evident. We will hold off on HGG.

HOLD OFF ON BUYING HGG UNTIL THE EARNINGS REPORTING PERIOD IS OVER IN LATE JAN./EARLY FEB



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Excludes the depreciating impact of depreciation



NA

Company Name:	hhgregg
Ticker Symbol:	HGG
Last Price:	\$10.62
Net Cash/Share:	\$1.23
Net Cash to Last Price:	11.61%
Shares Outstanding:	30,960,000
Industry:	Specialty Retail
Sector:	Consumer Cyclical
Institutional Ownership:	94.59%
Mutual Fund Ownership:	20.00%
Insider Ownership:	14.25%
Float:	44.00%

Technicals	
52 week low:	\$6.87
Today from 52 week low:	54.59%
52 week high:	\$20.75
Today from 52 week high:	95.39%

Analyst/Consensus	
Analyst Sales Growth FY1:	-3.70%
Analyst Sales Growth FY2:	1.20%
SN Valuation Estimate FY1:	0.00%
SN Valuation Estimate FY2:	0.00%

Analyst Earnings Estimate FY1:	\$0.63
Analyst Earnings Estimate FY2:	\$0.69
SN Valuation Earnings Est. FY1:	\$0.01
SN Valuation Earnings Est. FY2:	\$0.01

Multiples	
Market Value to Book:	0.94
EV to Book:	0.83
Market Value to Tangible Net Assets:	1.13
P/E Ratio:	11.06
Trailing P/E Ratio:	11.53
Forward P/E Ratio:	15.39
Beta:	0.83
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:	2.34
Average EV to EBIT:	N/A
Company EV to EBITA:	6.64

Market Capitalization:	\$328,795,200.00
Total Debt:	\$0.00
Total Cash:	\$38,170,000.00
Net Cash/(Debt):	\$38,170,000.00
Enterprise Value:	\$290,625,200.00
Current EV/Share:	\$9.39
EBITDA:	\$124,030,000.00
EV/EBITDA Multiple:	2.34
EV/EBITDA Multiple Average Year 1-5:	7.24
EV/FCF Multiple (excluding acquisition):	24.16
EV/FCF Multiple Average Year 1-5 (excluding acquisition):	651.87

Upper Range
DCF: EV/EBITDA Terminal Value

Implied TV from 3 X EV/EBITDA Multiple	\$0.00
Enterprise Value	\$0.00
Cash at Year 5:	\$40,399,175.00
Debt at Year 5:	\$0.00
Equity Value Year 5:	\$40,399,175.00
Equity/Share at Year 5:	\$1.30
Annualized Return:	-34.25%

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

Year 5 Net Tangible Assets excluding cash and debt	\$291,720,000.00
Enterprise Value	\$291,720,000.00
Cash at Year 5:	\$40,399,175.00
Debt at Year 5:	\$0.00
Equity Value Year 5:	\$332,119,175.00
Equity/Share at Year 5:	\$10.73
Annualized Return:	0.20%

EVA

EVA today:	\$362,889,256.40
EVA in 5 Years:	\$202,639,518.11
EVA/Share:	\$6.55
Cash at Year 5:	\$40,399,175.00
Debt at Year 5:	\$0.00
Equity Value Year 5:	\$243,038,693.11
Equity/Share at Year 5:	\$7.85
Annualized return	-11.00%

Current Net Tangible Asset

Net Tangible Asset/Share:	\$11.11
Net Tangible Asset/Share in Year 5:	\$11.16
Annualized return	0.09%

Current Equity Price:	\$10.62
Selling at Discount?	Discount
Appreciation Potential:	4.64%

Income Statement

Revenue:	\$2,490,000,000.00	100.0%
Cost of Goods Sold:	\$1,772,410,000.00	71.2%
Gross Profit:	\$717,590,000.00	28.8%
EBITDA:	\$94,110,000.00	3.8%
Net Income:	\$29,730,000.00	1.2%

Balance Sheet

Cash:	\$38,170,000.00
Short Term Investment:	\$0.00
A/R:	\$43,000,000.00
PP&E:	\$215,000,000.00
Assets:	\$671,590,000.00

A/P:	\$150,000,000.00
Deferred Tax:	\$0.00
Other Liabilities:	\$177,530,000.00
Short term Debt:	\$0.00
Long Term Debt:	\$0.00
Liabilities:	\$327,530,000.00

Retained Earnings:	\$155,000,000.00
Paid-In Capital:	\$290,000,000.00
Treasury Stock:	-\$95,000,000.00
Stockholder's Equity:	\$350,000,000.00

Cash Flow

Net Income:	25,370,000.00
Depreciation/Amortization:	40,130,000.00
Change in Working capital:	-21,000,000.00
Cash from Operating Activities:	66,050,000.00

Capital Expenditures:	-54,020,000.00
Cash from Investing Activities:	-53,990,000.00

Total Cash Dividends Paid:	0.00
Issuance (Retirement) of Stock:	-43,880,000.00
Issuance (Retirement) of Debt:	20,530,000.00
Cash from Financing Activities:	-22,720,000.00

Profitability Margins

Debt to Equity:	0.00%
Return on Assets:	3.78%
Return on Capital:	7.25%
Return on Equity:	7.25%

SN VALUATION

LBO Pro Forma Income Statement

Name:

hhgregg

Ticker:

HGG

	Historical				Forecasted				
	12 months ending 2010-03-31	12 months ending 2011-03-31	12 months ending 2012-03-31	12 months ending 2013-03-31	2013	2014	2015	2016	2017
Revenue	1,534.25	2,077.65	2,493.39	2,474.76	2,474.76	2,474.76	2,474.76	2,474.76	2,474.76
COGS	1,067.31	1,447.89	1,773.00	1,757.17	1,781.83	1,781.83	1,781.83	1,781.83	1,781.83
Gross margin	466.94	629.76	720.39	717.59	692.93	692.93	692.93	692.93	692.93
SG&A	383.99	517.16	616.02	633.19	643.44	643.44	643.44	643.44	643.44
R&D	0.00	0.00	0.00	0.00	49.50	49.50	49.50	49.50	49.50
Unusual expense	0.15	2.16	-39.19	0.50	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)	85.80	110.44	143.56	83.90	0.00	0.00	0.00	0.00	0.00
Interest income/(expense)	-5.10	-4.97	-2.63	-2.34	0.49	0.49	0.49	0.49	0.49
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	63.54	79.23	107.17	41.42	0.49	0.49	0.49	0.49	0.49
Tax	24.34	31.02	25.80	16.05	0.17	0.17	0.17	0.17	0.17
Income after tax	39.20	48.21	81.37	25.37	0.32	0.32	0.32	0.32	0.32
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	39.20	48.21	81.37	25.37	0.32	0.32	0.32	0.32	0.32
*Figures are in millions (\$)									
EPS (based off today's share count)	\$1.27	\$1.56	\$2.63	\$0.82	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
P/E (historical today's price; forecasted intrinsic price)	8.39	6.82	4.04	12.96	1,119.53	1,203.95	1,294.73	1,392.36	1,497.35
Revenue Growth	N/A	35.42%	20.01%	-0.75%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	38.31%	39.15%	24.07%	38.75%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-5.77%	0.00%	0.00%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	69.57%	69.69%	71.11%	71.00%	72.00%	72.00%	72.00%	72.00%	72.00%
Gross margin	30.43%	30.31%	28.89%	29.00%	28.00%	28.00%	28.00%	28.00%	28.00%
SG&A	24.83%	24.89%	24.71%	25.59%	26.00%	26.00%	26.00%	26.00%	26.00%
R&D	0.00%	0.00%	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Unusual expense	0.01%	0.10%	-1.57%	0.02%	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: Excluded from COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	5.59%	5.32%	5.76%	3.39%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest income/(expense)	-0.33%	-0.24%	-0.11%	-0.09%	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	4.14%	3.81%	4.30%	1.67%	0.02%	0.02%	0.02%	0.02%	0.02%
Tax	1.59%	1.49%	1.03%	0.65%	0.01%	0.01%	0.01%	0.01%	0.01%
Income after tax	2.55%	2.32%	3.26%	1.03%	0.01%	0.01%	0.01%	0.01%	0.01%
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	2.55%	2.32%	3.26%	1.03%	0.01%	0.01%	0.01%	0.01%	0.01%

	As of 2010-03-31	As of 2011-03-31	As of 2012-03-31	As of 2013-03-31	As of 2013-09-30	Adjustment		Adjusted Proforma	2014	2015	2016	2017	2018
						+	-						
Cash	157.84	72.79	59.24	48.59	38.17			38.17	38.615835	39.06	39.51	39.95	40.40
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	157.84	72.79	59.24	48.59	38.17			38.17	38.62	39.06	39.51	39.95	40.40
Accounts Receivable	30.72	28.74	38.10	43.02	43.00			43.00	43.00	43.00	43.00	43.00	43.00
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	30.72	28.74	38.10	43.02	43.00			43.00	43.00	43.00	43.00	43.00	43.00
Total Inventory	201.50	212.01	282.41	315.56	324.51			324.51	324.51	324.51	324.51	324.51	324.51
Prepaid Expenses	8.53	11.06	5.56	5.57	5.96			5.96	5.96	5.96	5.96	5.96	5.96
Other Current Assets	6.16	5.61	9.64	7.17	6.22			6.22	6.22	6.22	6.22	6.22	6.22
Current Assets	404.75	330.21	394.95	419.91	417.86	0.00	0.00	417.86	418.305835	418.75	419.20	419.64	420.09
PP&E, Gross	222.74	273.83	347.93	416.24	420.00			420.00	460.00	500.00	540.00	580.00	620.00
Change in Depreciation	17.16	26.24	33.75	40.13	40.13			40.13	40.13	40.13	40.13	40.13	40.13
Accumulated Depreciation	89.73	111.05	143.66	204.68	205.00			205.00	245.13	285.26	325.39	365.52	405.65
PP&E, Net	133.01	162.78	204.27	211.56	215.00			215.00	214.87	214.74	214.61	214.48	214.35
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	68.16	56.66	43.56	38.60	38.73			38.73	38.73	38.73	38.73	38.73	38.73
Long Term Assets	201.17	219.44	247.83	250.16	253.73			253.73	253.60	253.47	253.34	253.21	253.08
Total Assets	605.92	549.65	642.78	670.07	671.59	0.00	0.00	671.59	671.91	672.22	672.54	672.85	673.17
Accounts Payable	149.41	94.36	122.60	150.33	150.00			150.00	150.00	150.00	150.00	150.00	150.00
Accrued Expense	44.85	49.19	43.73	49.42	50.00			50.00	50.00	50.00	50.00	50.00	50.00
Other current Liabilities	20.33	21.79	33.35	40.19	43.67			43.67	43.67	43.67	43.67	43.67	43.67
Total Current Liabilities	214.59	165.34	199.68	239.94	243.67	0.00	0.00	243.67	243.67	243.67	243.67	243.67	243.67
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	0.91	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	87.43	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	88.34	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	49.58	67.71	83.58	89.82	83.86			83.86	83.86	83.86	83.86	83.86	83.86
Total Liabilities	352.51	233.05	283.26	329.76	327.53	0.00	0.00	327.53	327.53	327.53	327.53	327.53	327.53
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	254.69	268.67	277.81	287.81	290.00	0.00	0.00	290.00	290.00	290.00	290.00	290.00	290.00
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	-0.30	47.91	129.28	154.65	155.00			155.00	155.32	155.63	155.95	156.26	156.58
Treasury Stock	0.00	0.00	-47.57	-95.80	-95.00		0.00	-95.00	-95.00	-95.00	-95.00	-95.00	-95.00
Other Equity	-0.98	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	253.41	316.58	359.52	346.66	350.00	0.00	0.00	350.00	350.32	350.63	350.95	351.26	351.58
Liability + Equity	605.92	549.63	642.78	676.42	677.53	0.00	0.00	677.53	677.85	678.16	678.48	678.79	679.11
Variance	0.00	0.02	0.00	-6.35	-5.94			-5.94	-5.94	-5.94	-5.94	-5.94	-5.94
Debt/Equity	0.35	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	7.61	9.80	8.83	7.84	7.63			7.63	7.63	7.63	7.63	7.63	7.63
Inventory Turnover Days	47.94	37.25	41.34	46.54	47.86			47.86	47.86	47.86	47.86	47.86	47.86
Days Inventory Outstanding	68.91	53.45	58.14	65.55	66.47			67.41	66.47	66.47	66.47	66.47	66.47
Accounts Receivable Turnover	49.94	72.29	65.44	57.53	57.55			57.55	57.55	57.55	57.55	57.55	57.55
Accounts Receivable Turnover Days	7.31	5.05	5.58	6.34	6.34			6.34	6.34	6.34	6.34	6.34	6.34
Days Payable Outstanding	51.10	23.79	25.24	31.23	30.73			31.16	30.73	30.73	30.73	30.73	30.73
Days Sales Outstanding	7.31	5.05	5.58	6.34	6.34			6.34	6.34	6.34	6.34	6.34	6.34
Cash Conversion Cycle	25.12	34.71	38.48	40.67	42.09			42.59	42.09	42.09	42.09	42.09	42.09
Net tangible assets/share	\$8.19	\$10.23	\$11.61	\$11.20	\$11.30				\$11.32	\$11.33	\$11.34	\$11.35	\$11.36

	12 months ending 2010-03-31	12 months ending 2011-03-31	12 months ending 2012-03-31	12 months ending 2013-03-31	2014	2015	2016	2017	2018
Net Income	39.20	48.21	81.37	25.37	0.32	0.32	0.32	0.32	0.32
Depreciation	17.16	26.24	33.75	40.13	40.13	40.13	40.13	40.13	40.13
Net Income + Depreciation	56.36	74.45	115.12	65.50	40.45	40.45	40.45	40.45	40.45
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	11.89	11.61	9.38	7.60	0.00	0.00	0.00	0.00	0.00
Non Cash Items	15.19	9.30	29.24	13.95	0.00	0.00	0.00	0.00	0.00
Change in Working capital	24.44	-36.37	-36.71	-21.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	1.98	-9.36	-4.92	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	-10.51	-70.40	-33.15	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-2.53	5.50	-0.01	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-55.05	28.24	27.73	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	107.88	58.99	117.03	66.05	40.45	40.45	40.45	40.45	40.45
Capital Expenditures Expenditures	-62.16	-59.94	-83.05	-54.02	-40.00	-40.00	-40.00	-40.00	-40.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	3.73	0.15	1.71	0.03	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-58.43	-59.79	-81.34	-53.99	-40.00	-40.00	-40.00	-40.00	-40.00
Financing Cash flow items	-1.73	3.83	0.73	0.63	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	87.57	4.96	-45.11	-43.88	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	1.06	-93.04	-4.86	20.53	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	86.90	-84.25	-49.24	-22.72	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	21.50	157.84	72.79	59.24	38.17	38.62	39.06	39.51	39.95
Net Change in Cash	136.34	-85.04	-13.55	-10.65	0.45	0.45	0.45	0.45	0.45
Ending Cash Balance	157.84	72.79	59.24	48.59	38.62	39.06	39.51	39.95	40.40
Capex to Revenue	4.05%	2.88%	3.33%	2.18%	1.62%	1.62%	1.62%	1.62%	1.62%
Depreciation to Sales	1.12%	1.26%	1.35%	1.62%	1.62%	1.62%	1.62%	1.62%	1.62%
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	2.00%	1.38%	1.53%	1.74%	1.74%	1.74%	1.74%	1.74%	1.74%
Distributable FCF/EV Yield	17.02%	-0.28%	12.28%	4.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	45.72	-0.95	33.98	12.03	0.45	0.45	0.45	0.45	0.45

SN VALUATION

LBO Debt Schedule

Ticker:

HGG

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-10.65	0.45	0.45	0.45	0.45	0.45
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		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Rate		10.00%	10.00%	10.00%	10.00%	10.00%
Interest Expense		0.00	0.00	0.00	0.00	0.00
Cash Balance		48.59				
Interest @ 1.0%		0.49	0.49	0.49	0.49	0.49
Net Interest Expense/(Income)		(0.49)	(0.49)	(0.49)	(0.49)	(0.49)
Net Interest Rate		N/A	N/A	N/A	N/A	N/A
EBITDA		(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
EBITDA/Interest Expense Coverage		N/A	N/A	N/A	N/A	N/A

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

SN VALUATION

Altman Z Score

Company Name:

hhgregg

Ticker:

HGG

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	190.16	164.87	195.27	174.19	174.64	175.08	175.53	175.97	176.42
Total Assets	605.92	549.65	642.78	671.59	671.91	672.22	672.54	672.85	673.17
X1	0.31	0.30	0.30	0.26	0.26	0.26	0.26	0.26	0.26
Retained Earnings	-0.30	47.91	129.28	155.00	155.32	155.63	155.95	156.26	156.58
Total Assets	605.92	549.65	642.78	671.59	671.91	672.22	672.54	672.85	673.17
X2	0.00	0.09	0.20	0.23	0.23	0.23	0.23	0.23	0.23
EBITDA	85.80	110.44	143.56	83.90	0.00	0.00	0.00	0.00	0.00
Total Assets	605.92	549.65	642.78	671.59	671.91	672.22	672.54	672.85	673.17
X3	0.14	0.20	0.22	0.12	0.00	0.00	0.00	0.00	0.00
Market Value of Equity	328.80	328.80	328.80	328.80	353.59	380.25	408.92	439.76	472.92
Total Liabilities	352.51	233.05	283.26	327.53	327.53	327.53	327.53	327.53	327.53
X4	0.93	1.41	1.16	1.00	1.08	1.16	1.25	1.34	1.44
Net Sales	1,534.25	2,077.65	2,493.39	2,474.76	2,474.76	2,474.76	2,474.76	2,474.76	2,474.76
Total Assets	605.92	549.65	642.78	671.59	671.91	672.22	672.54	672.85	673.17
X5	2.53	3.78	3.88	3.68	3.68	3.68	3.68	3.68	3.68
Altman Z Score	3.93	5.77	5.96	5.33	4.97	5.01	5.07	5.12	5.18

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

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	350.00	350.32	350.63	350.95	351.26	351.58				351.58
Annual Change		0.32	0.32	0.32	0.32	0.32				
Annual FCF	12.03	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	1.34
Annual Op. Cash Flow	66.05	40.45	40.45	40.45	40.45	40.45	40.45	40.45	40.45	
Annual PP&E Investment	(54.02)	(40.00)	(40.00)	(40.00)	(40.00)	(40.00)	(40.00)	(40.00)	(40.00)	
Today's Tangible Book Value	350.00	350.32	350.63	350.95	351.26	351.58				352.92
Intrinsic Value IRR	0.09%									
Market Price	328.80	333.48	338.24	343.06	347.95	352.92				352.92
Market Price IRR	1.43%									

Debt	50.00%	164.40
Equity	50.00%	164.40
Total	100.00%	328.80

	Present Value	Holding Period					Terminal Value			Sale Price	
	Historic	ProForma	1	2	3	4	5	6	7	8	
Book Equity	350	164.40	147.96	131.52	115.08	98.64	82.20				
Goodwill	0	(21.20)	(21.20)	(21.20)	(21.20)	(21.20)	(21.20)				
Debt	0	164.40	164.40	164.40	164.40	164.40	164.40				
Debt Interest Rate		10.00%	10.00%	10.00%	10.00%	10.00%	10.00%				
Additional Interest Expense		16.93	16.93	16.93	16.93	16.93					
Tangible Book Value	350	185.60	169.16	152.72	136.28	119.84	103.40				103.40
Annual Change			-16.44	-16.44	-16.44	-16.44	-16.44				
Annual FCF	12.03		(16.31)	(16.31)	(16.31)	(16.31)	(16.31)	(16.31)	(16.31)	(16.31)	(48.93)
Annual Net Income	25.37		(16.44)	(16.44)	(16.44)	(16.44)	(16.44)	(16.44)	(16.44)	(16.44)	
Annual Op. Cash Flow	66.05		23.69	23.69	23.69	23.69	23.69	23.69	23.69	23.69	
Dividend Payments											
Annual PP&E Investment	(54.02)		(40.00)	(40.00)	(40.00)	(40.00)	(40.00)	(40.00)	(40.00)	(40.00)	
Debt Paydown	0.00						0.00	0.00	0.00		
Sale Price in Year 5											54.47
Capital Left for Equity Investor											54.47
Dividend Payments											0.00
Total Cash In Flow											54.47
Invested Equity	164.40	131.81	105.69	84.74	67.94	54.47					
IRR	-19.82%										

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.

<u>Value Creation</u>	
TBV Growth (equals sum of NI Year 1-5)	-82.20
Cash Flow (Year 6-8)	-48.93
	-131.13

<u>Value Dilution</u>	
Debt	164.40
Goodwill	-21.20
Additional Interest	84.63
	227.82