

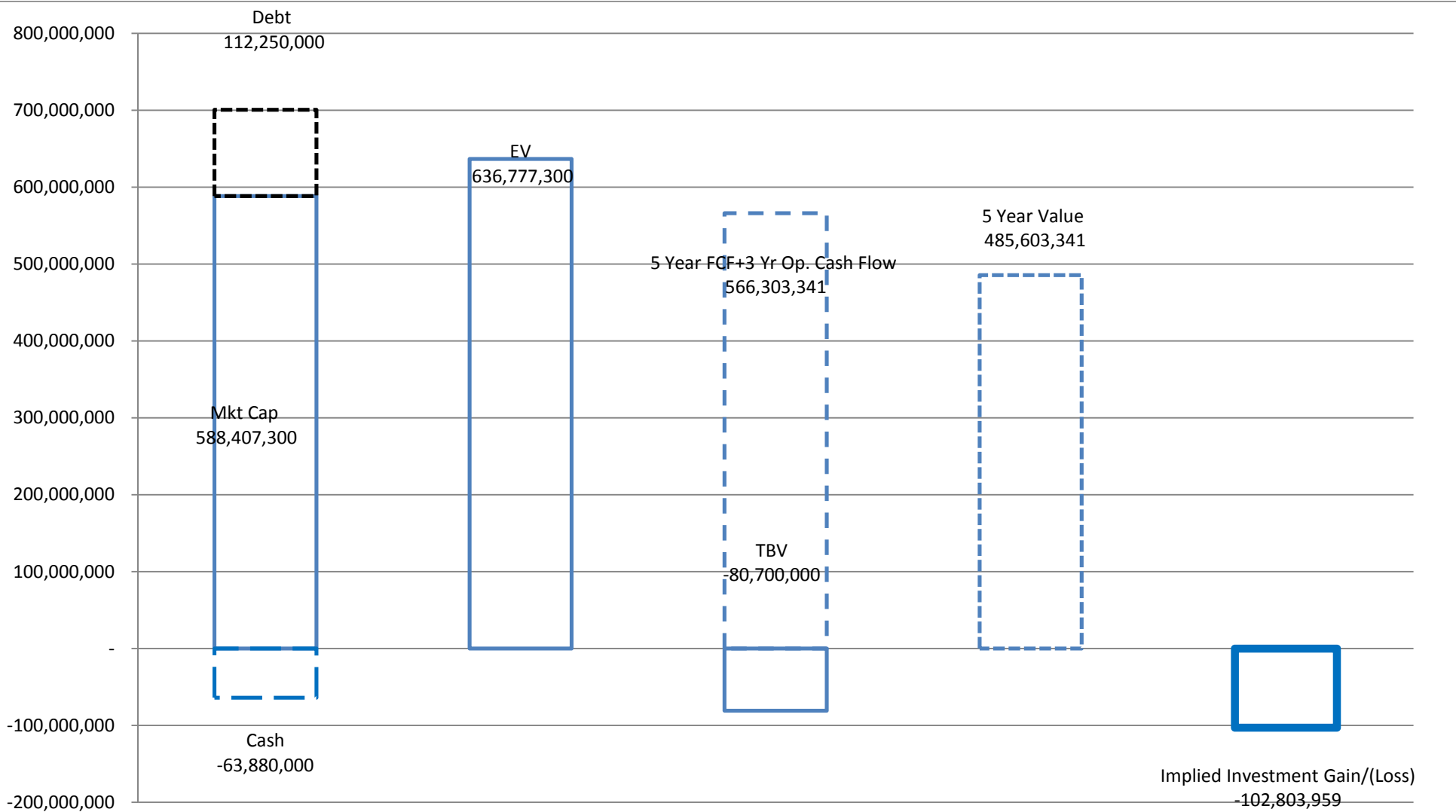
Harte Hanks (HHS)

Price:	\$9.41	Net Tang. Bk Value Incl. Cash, Excl.	-\$80,700,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$169,833,075.00
Market Cap:	\$588,407,300	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$70,683,811.53
Cash:	\$63,880,000	NTBVIC/Market Downside Recovery:	-13.71%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$112,250,000	Op. Cash Flow:	\$70,850,381	Year 5 Disposition Price:	\$381,884,509.58
Net Cash:	-\$48,370,000	Implied Years to Fill Gap:	9.44		
Enterprise Value:	\$636,777,300	Today's Equity if 5x Op. CF:	\$131,851,144		
		Net Tang. Book+ Gain Disposition:			\$381,884,509.58
Shares Outstanding:	62,530,000	IRR:			-8.28%
		Price:			\$6.11
		Target Market Cap:			\$381,884,510
		Target Enterprise Value:			\$430,254,510

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

I think Mr. Buffett would like this business because they have a niche market, although it is a dying print business. The Co. is like a Craigslist in print version. They mail out these booklets of advertisements from local businesses and collect on the fees. However, I think the stock is overpriced, considering the Co. is just \$60MM cash, \$60MM PP&E, and \$140MM Accounts receivable. Pays out \$25MM in dividends, or a 3.5% yield at present.

Historically, the Co. used to be a cash cow, so the management was able to repurchase \$1.5BB in stock, and keeps a low leverage of \$100MM in debt. The positive aspect is the stable revenue stream and predictable operational piece. If it was cheaper, we believe it would be a good candidate for a buyout, considering the peaked interest in the print business, with the recent acquisition by the likes of Jeff Bezos, Warren Buffett.



Harte-Hanks, Inc., was incorporated in Delaware. It is a marketing company that provides marketing services and shopper advertising opportunities local, regional, national and international consumer and business-to-business marketers. The Company manages its operations through two operating segments namely Direct Marketing, which operates both nationally and internationally, and Shoppers, which operates in local and regional markets in California and Florida. Its Direct Marketing services offer integrated, multichannel, data-driven solutions for top brands around the globe. It offers a full complement of capabilities and resources to provide a range of marketing services and data management software, in media from direct mail to email. Direct marketing services are marketed to specific industries or markets with services and software products tailored to each industry or market. It currently provide direct marketing services to the retail, high-tech/telecom, financial services and pharmaceutical/healthcare vertical markets, in addition to a range of selected markets. Shoppers are weekly advertising publications distributed free by mail to households and businesses in a particular geographic area. Shoppers offer advertisers a targeted, cost-effective local advertising system, with virtually 100% penetration in their areas of distribution. Shoppers are particularly effective in large markets with high media fragmentation in which major metropolitan newspapers generally have low penetration. Its Shoppers segment also provides online advertising and other services through its websites, PennySaverUSA.com® and TheFlyer.com® as well as business websites and search-engine marketing. Its websites serve as advertising portals, bringing buyers and sellers together through its online offerings, including local classifieds, business listings, coupons, special offers and PowerSites®. Shoppers serves both business and individual advertisers in a wide range of industries, including real estate, employment, automotive, retail, grocery, education, telecommunications, financial services, and a number of other industries. Its Direct Marketing business faces competition in all of its offerings and within each of its vertical markets. Its Shoppers business competes for advertising, as well as for readers, with other print and electronic media. Competition comes from local and regional newspapers, magazines, radio, broadcast, satellite and cable television, other shoppers, the internet, other communications media and other advertising printers that operate in its markets. The Company is subject to domestic and international legal and regulatory requirements that impact its business, including, for example, regulations governing consumer protection and unfair business practices, contracts, ecommerce, intellectual property, labor and employment, securities, tax, and other laws that are generally applicable to commercial activities.

Company Name:		Harte Hanks			Income Statement	
Ticker Symbol:	HHS	Market Capitalization:	\$588,407,300.00	Revenue:	\$758,630,000.00	100.0%
Last Price:	\$9.41	Total Debt:	\$112,250,000.00	Cost of Goods Sold:	\$606,450,000.00	79.9%
Net Cash/Share:	-\$0.77	RCH Total Cash:	\$63,880,000.00	Gross Profit:	\$152,180,000.00	20.1%
Net Cash to Last Price:	-8.22%	Net Cash/(Debt):	-\$48,370,000.00	EBITDA:	\$84,400,000.00	11.1%
Shares Outstanding:	62,530,000	Enterprise Value:	\$636,777,300.00	Net Income:	\$39,080,000.00	5.2%
Industry:	Marketing Services	Current EV/Share:	\$10.18			
Sector:	Consumer Cyclical	EBITDA:	-\$49,110,000.00	Balance Sheet		
Institutional Ownership:	59.41%	EV/EBITDA Multiple:	-12.97	Cash:	\$63,880,000.00	
Mutual Fund Ownership:	32.17%	EV/EBITDA Multiple Average Year 1-5:	6.09	Short Term Investment:	\$0.00	
Insider Ownership:	13.76%	EV/FCF Multiple (excluding acquisition):	10.19	A/R:	\$142,000,000.00	
Float:	70.00%	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	11.23	PP&E:	\$58,000,000.00	
			Upper Range			
			DCF: EV/EBITDA Terminal Value			
Technicals		Implied TV from 3 X EV/EBITDA Multiple	\$253,344,300.00	A/P:	\$43,000,000.00	
52 week low:	\$5.14	Enterprise Value	\$253,344,300.00	Deferred Tax:	\$58,590,000.00	
Today from 52 week low:	83.07%	Cash at Year 5:	\$347,299,057.64	Other Liabilities:	\$152,390,000.00	
52 week high:	\$10.12	Debt at Year 5:	\$112,250,000.00	Short term Debt:	\$12,250,000.00	
Today from 52 week high:	7.55%	Equity Value Year 5:	\$488,393,357.64	Long Term Debt:	\$100,000,000.00	
Analyst/Consensus		Equity/Share at Year 5:	\$7.81	Liabilities:	\$366,230,000.00	
Analyst Sales Growth FY1:	-2.40%	Annualized Return:	-3.66%	Retained Earnings:	\$1,165,000,000.00	
Analyst Sales Growth FY2:	1.50%	Lower Range				
SN Valuation Estimate FY1:	0.00%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value				
SN Valuation Estimate FY2:	0.00%	Year 5 Net Tangible Assets excluding cash and debt	-\$29,300,000.00	Paid-In Capital:	\$460,740,000.00	
Analyst Earnings Estimate FY1:	\$0.59	Enterprise Value	-\$29,300,000.00	Treasury Stock:	-\$1,248,000,000.00	
Analyst Earnings Estimate FY2:	\$0.65	Cash at Year 5:	\$347,299,057.64	Stockholder's Equity:	\$328,010,000.00	
SN Valuation Earnings Est. FY1:	\$0.80	Debt at Year 5:	\$112,250,000.00	Cash Flow		
SN Valuation Earnings Est. FY2:	\$0.80	Equity Value Year 5:	\$205,749,057.64	Net Income:	-83,350,000.00	
Multiples		Equity/Share at Year 5:	\$3.29	Depreciation/Amortization:	20,420,000.00	
Market Value to Book:	1.79	Annualized Return:	-18.95%	Change in Working capital:	430,000.00	
EV to Book:	1.94	EVA				
Market Value to Tangible Net Assets:	-4.22	EVA today:	\$231,520,902.38	Cash from Operating Activities:	76,320,000.00	
P/E Ratio:	15.06	EVA in 5 Years:	\$428,930,672.70	Capital Expenditures:	-13,860,000.00	
Trailing P/E Ratio:	17.18	EVA/Share:	\$6.86	Cash from Investing Activities:	-13,840,000.00	
Forward P/E Ratio:	14.54	Cash at Year 5:	\$347,299,057.64	Total Cash Dividends Paid:	-26,960,000.00	
Beta:	1.41	Debt at Year 5:	\$112,250,000.00	Issuance (Retirement) of Stock:	-3,740,000.00	
Dividend:	0.34	Equity Value Year 5:	\$663,979,730.34	Issuance (Retirement) of Debt:	-69,190,000.00	
Dividend Yield:	3.60%	Equity/Share at Year 5:	\$10.62	Cash from Financing Activities:	-99,830,000.00	
Dividend Date:	Jun 13, 2013	Annualized return:	13.13%	Profitability Margins		
Ex-Dividend Date:	Aug 28, 2013			Debt to Equity:	34.22%	
Competitors				Return on Assets:	-10.20%	
Average EV to EBITDA:	N/A			Return on Capital:	-16.60%	
Company EV to EBITDA:	-12.97			Return on Equity:	-22.29%	
Average EV to EBIT:	N/A					
Company EV to EBITA:	-7.08					
		Current Equity Price:	\$9.41			
		Selling at Discount?	Premium			
		Appreciation Potential:	-110.88%			
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SN VALUATION

LBO Pro Forma Income Statement

Name:

Harte Hanks

Ticker:

HHS

	Historical				Forecasted				
	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2013	2014	2015	2016	2017
Revenue	860.14	820.72	811.64	767.71	767.71	767.71	767.71	767.71	767.71
COGS	678.31	641.66	649.34	615.53	614.17	614.17	614.17	614.17	614.17
Gross margin	181.83	179.06	162.30	152.18	153.54	153.54	153.54	153.54	153.54
SG&A	62.08	64.98	64.95	64.77	69.09	69.09	69.09	69.09	69.09
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	6.95	0.00	0.00	156.94	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)	112.40	114.98	97.95	-69.53	84.45	84.45	84.45	84.45	84.45
Interest income/(expense)	-7.97	-2.62	-2.93	-3.49	-7.36	-7.36	-7.36	-7.36	-7.36
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	-2.52	-2.14	1.50	-2.86	0.00	0.00	0.00	0.00	0.00
Income before tax	71.94	86.49	76.57	-96.29	77.09	77.09	77.09	77.09	77.09
Tax	24.22	33.30	30.79	-23.19	26.98	26.98	26.98	26.98	26.98
Income after tax	47.72	55.19	45.88	-73.10	50.11	50.11	50.11	50.11	50.11
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	47.72	55.19	45.88	-73.10	50.11	50.11	50.11	50.11	50.11
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.76	\$0.88	\$0.73	-\$1.17	\$0.80	\$0.80	\$0.80	\$0.80	\$0.80
P/E (historical today's price; forecasted intrinsic price)	12.33	10.66	12.82	-8.05	10.77	9.88	9.06	8.31	7.62
Revenue Growth	N/A	-4.59%	-1.11%	-5.41%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	33.67%	37.63%	40.16%	24.08%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-3.33%	-1.36%	-1.63%	-3.17%	-7.36%	-7.36%	-7.36%	-7.36%	-7.36%
Margins									
COGS	78.86%	78.18%	80.00%	80.18%	80.00%	80.00%	80.00%	80.00%	80.00%
Gross margin	21.14%	21.82%	20.00%	19.82%	20.00%	20.00%	20.00%	20.00%	20.00%
SG&A	7.26%	7.81%	7.93%	8.44%	9.00%	9.00%	9.00%	9.00%	9.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.81%	0.00%	0.00%	20.44%	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)	13.07%	14.01%	12.07%	-9.06%	11.00%	11.00%	11.00%	11.00%	11.00%
Interest income/(expense)	-0.93%	-0.32%	-0.36%	-0.45%	-0.96%	-0.96%	-0.96%	-0.96%	-0.96%
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	-0.29%	-0.26%	0.18%	-0.37%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	8.36%	10.78%	9.45%	-12.54%	10.04%	10.04%	10.04%	10.04%	10.04%
Tax	2.82%	4.06%	3.79%	-3.02%	3.51%	3.51%	3.51%	3.51%	3.51%
Income after tax	5.55%	6.72%	5.65%	-9.52%	6.53%	6.53%	6.53%	6.53%	6.53%
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	5.55%	6.72%	5.65%	-9.52%	6.53%	6.53%	6.53%	6.53%	6.53%

	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-12-31	As of 2013-06-30	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	86.60	86.00	86.78	49.65	63.88			63.88	120.73	177.34	233.96	290.62	347.30
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	86.60	86.00	86.78	49.65	63.88			63.88	120.73	177.34	233.96	290.62	347.30
Accounts Receivable	140.06	151.01	154.33	141.35	142.00			142.00	142.00	142.00	142.00	142.00	142.00
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	140.06	151.01	154.33	141.35	142.00			142.00	142.00	142.00	142.00	142.00	142.00
Total Inventory	4.85	7.32	5.68	5.07	4.35			4.35	4.35	4.35	4.35	4.35	4.35
Prepaid Expenses	12.79	8.94	8.78	13.67	11.02			11.02	11.02	11.02	11.02	11.02	11.02
Other Current Assets	12.30	15.19	16.07	15.77	17.25			17.25	17.25	17.25	17.25	17.25	17.25
Current Assets	256.60	268.46	271.64	225.51	238.50	0.00	0.00	238.50	295.35	351.96	408.58	465.24	521.92
PP&E, Gross	322.27	326.39	291.84	291.48	291.00			291.00	305.00	319.00	333.00	347.00	361.00
Change in Depreciation	28.27	21.44	19.62	20.18	20.18			20.18	20.18	20.18	20.18	20.18	20.18
Accumulated Depreciation	243.87	253.73	222.95	233.60	233.00			233.00	253.18	273.36	293.54	313.72	333.90
PP&E, Net	78.40	72.66	68.89	57.88	58.00			58.00	51.82	45.64	39.46	33.28	27.10
Goodwill	552.89	565.65	565.65	408.71	408.71	0.00		408.71	408.71	408.71	408.71	408.71	408.71
Intangibles	16.28	15.79	5.50	5.26	6.00			6.00	5.44	5.11	4.78	4.41	4.01
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	3.99	4.32	20.83	4.77	5.69			5.69	5.69	5.69	5.69	5.69	5.69
Long Term Assets	651.56	658.42	660.87	476.62	478.40			478.40	471.66	465.15	458.64	452.09	445.51
Total Assets	908.16	926.88	932.51	702.13	716.90	0.00	0.00	716.90	767.01	817.11	867.22	917.33	967.43
Accounts Payable	42.39	56.09	45.59	42.19	43.00			43.00	43.00	43.00	43.00	43.00	43.00
Accrued Expense	15.29	24.78	21.94	16.78	17.00			17.00	17.00	17.00	17.00	17.00	17.00
Other current Liabilities	68.84	67.10	66.93	68.98	64.37			64.37	64.37	64.37	64.37	64.37	64.37
Total Current Liabilities	126.52	147.97	134.46	127.95	124.37	0.00	0.00	124.37	124.37	124.37	124.37	124.37	124.37
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	46.69	133.00	69.19	12.25	12.25			12.25	12.25	12.25	12.25	12.25	12.25
Long term Debt	193.00	60.00	110.25	98.00	100.00	0.00	0.00	100.00	100.00	100.00	100.00	100.00	100.00
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	239.69	193.00	179.44	110.25	112.25	0.00	0.00	112.25	112.25	112.25	112.25	112.25	112.25
Deferred Income tax	77.98	85.66	92.45	53.94	58.59			58.59	58.59	58.59	58.59	58.59	58.59
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	62.33	62.44	79.81	85.92	71.02			71.02	71.02	71.02	71.02	71.02	71.02
Total Liabilities	506.52	489.07	486.16	378.06	366.23	0.00	0.00	366.23	366.23	366.23	366.23	366.23	366.23
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	118.24	118.30	118.49	118.74	118.74		0.00	118.74	118.74	118.74	118.74	118.74	118.74
Additional Paid-in capital	333.61	336.80	341.15	341.59	342.00	0.00	0.00	342.00	342.00	342.00	342.00	342.00	342.00
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	1,217.97	1,252.44	1,276.27	1,165.95	1,165.00		0.00	1,165.00	1,215.11	1,265.21	1,315.32	1,365.43	1,415.53
Treasury Stock	-1,236.22	-1,236.02	-1,244.22	-1,248.38	-1,248.00		0.00	-1,248.00	-1,248.00	-1,248.00	-1,248.00	-1,248.00	-1,248.00
Other Equity	-31.97	-33.68	-45.32	-49.73	-49.73		0.00	-49.73	-49.73	-49.73	-49.73	-49.73	-49.73
Total Equity	401.63	437.84	446.37	328.17	328.01	0.00	0.00	328.01	378.12	428.22	478.33	528.44	578.54
Liability + Equity	908.15	926.91	932.53	706.23	694.24	0.00	0.00	694.24	744.35	794.45	844.56	894.67	944.77
Variance	0.01	-0.03	-0.02	-4.10	22.66			22.66	22.66	22.66	22.66	22.66	22.66
Debt/Equity	0.60	0.44	0.40	0.34	0.34			0.34	0.30	0.26	0.23	0.21	0.19
Inventory Turnover	177.35	112.12	142.89	151.42	176.49			176.49	176.49	176.49	176.49	176.49	176.49
Inventory Turnover Days	2.06	3.26	2.55	2.41	2.07			2.07	2.07	2.07	2.07	2.07	2.07
Days Inventory Outstanding	2.61	4.16	3.19	3.01	2.59			2.58	2.59	2.59	2.59	2.59	2.59
Accounts Receivable Turnover	6.14	5.43	5.26	5.43	5.41			5.41	5.41	5.41	5.41	5.41	5.41
Accounts Receivable Turnover Days	59.43	67.16	69.40	67.20	67.51			67.51	67.51	67.51	67.51	67.51	67.51
Days Payable Outstanding	22.81	31.91	25.63	25.02	25.55			25.50	25.55	25.55	25.55	25.55	25.55
Days Sales Outstanding	59.43	67.16	69.40	67.20	67.51			67.20	67.51	67.51	67.51	67.51	67.51
Cash Conversion Cycle	39.23	39.42	46.97	45.19	44.54			44.28	44.54	44.54	44.54	44.54	44.54
Net tangible assets/share	(\$2.68)	(\$2.30)	(\$2.00)	(\$1.37)	(\$1.39)			(\$0.58)	\$0.23	\$1.04	\$1.84	\$2.65	\$2.65

	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2011	2012	2013	2014	2015
Net Income	47.72	53.60	44.20	-83.35	50.11	50.11	50.11	50.11	50.11
Depreciation	28.27	21.44	19.62	20.18	20.18	20.18	20.18	20.18	20.18
Net Income + Depreciation	75.99	75.04	63.82	-63.17	70.29	70.29	70.29	70.29	70.29
Amortization	1.71	0.29	0.23	0.24	0.56	0.32	0.34	0.37	0.40
Deferred Taxes	6.09	7.37	10.39	-43.52	0.00	0.00	0.00	0.00	0.00
Non Cash Items	12.95	5.88	4.09	182.34	0.00	0.00	0.00	0.00	0.00
Change in Working capital	17.29	7.48	-17.86	0.43	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-10.95	-3.32	12.98	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	-2.47	1.64	0.61	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	3.85	0.16	-4.89	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	13.70	-10.50	-3.40	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	114.03	95.86	60.67	76.32	70.85	70.61	70.62	70.65	70.68
Capital Expenditures Expenditures	-9.01	-17.20	-20.97	-13.86	-14.00	-14.00	-14.00	-14.00	-14.00
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	-12.95	3.42	0.01	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-8.87	-30.15	-17.55	-13.85	-14.00	-14.00	-14.00	-14.00	-14.00
Financing Cash flow items	0.01	-0.49	-0.60	0.06	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-19.12	-19.14	-20.37	-26.96	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.56	0.07	-7.65	-	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	-30.94	-46.69	-13.56	-69.19	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-49.49	-66.25	-42.18	-99.83	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.77	-0.08	-0.15	0.23	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	30.16	86.60	86.00	86.78	63.88	120.73	177.34	233.96	290.62
Net Change in Cash	56.44	-0.60	0.78	-37.13	56.85	56.61	56.62	56.65	56.68
Ending Cash Balance	86.60	86.00	86.78	49.65	120.73	177.34	233.96	290.62	347.30
Capex to Revenue	1.05%	2.10%	2.58%	1.81%	1.82%	1.82%	1.82%	1.82%	1.82%
Depreciation to Sales	3.29%	2.61%	2.42%	2.63%	2.63%	2.63%	2.63%	2.63%	2.63%
Amortization to Sales	0.20%	0.04%	0.03%	0.03%	0.07%	0.04%	0.04%	0.05%	0.05%
A/R to Sales	16.28%	18.40%	19.01%	18.41%	18.41%	18.41%	18.41%	18.41%	18.41%
Distributable FCF/EV Yield	16.51%	10.32%	6.77%	9.81%	8.93%	8.89%	8.89%	8.90%	8.90%
Dividend Yield	-3.25%	-3.25%	-3.46%	-4.58%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	124.14	97.80	60.07	89.42	56.85	56.61	56.62	56.65	56.68

SN VALUATION

LBO Debt Schedule

Ticker:

HHS

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-37.13	56.85	56.61	56.62	56.65	56.68
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	112.25	112.25	112.25	112.25	112.25	112.25
Current Portion Debt Balance	12.25	12.25	12.25	12.25	12.25	12.25
Long Term Debt Balance	100.00	100.00	100.00	100.00	100.00	100.00
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		7.86	7.86	7.86	7.86	7.86
Cash Balance		49.65				
Interest @ 1.0%		0.50	0.50	0.50	0.50	0.50
Net Interest Expense/(Income)		7.36	7.36	7.36	7.36	7.36
Net Interest Rate		7.36%	7.36%	7.36%	7.36%	7.36%
EBITDA		84.45	84.45	84.45	84.45	84.45
EBITDA/Interest Expense Coverage		10.75	10.75	10.75	10.75	10.75

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Harte Hanks

Ticker:

HHS

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	130.08	120.49	137.18	114.13	170.98	227.59	284.21	340.87	397.55
Total Assets	908.16	926.88	932.51	716.90	767.01	817.11	867.22	917.33	967.43
X1	0.14	0.13	0.15	0.16	0.22	0.28	0.33	0.37	0.41
Retained Earnings	1,217.97	1,252.44	1,276.27	1,165.00	1,215.11	1,265.21	1,315.32	1,365.43	1,415.53
Total Assets	908.16	926.88	932.51	716.90	767.01	817.11	867.22	917.33	967.43
X2	1.34	1.35	1.37	1.63	1.58	1.55	1.52	1.49	1.46
EBITDA	112.40	114.98	97.95	-69.53	84.45	84.45	84.45	84.45	84.45
Total Assets	908.16	926.88	932.51	716.90	767.01	817.11	867.22	917.33	967.43
X3	0.12	0.12	0.11	-0.10	0.11	0.10	0.10	0.09	0.09
Market Value of Equity	588.41	588.41	588.41	588.41	539.67	494.97	453.97	416.37	381.88
Total Liabilities	506.52	489.07	486.16	366.23	366.23	366.23	366.23	366.23	366.23
X4	1.16	1.20	1.21	1.61	1.47	1.35	1.24	1.14	1.04
Net Sales	860.14	820.72	811.64	767.71	767.71	767.71	767.71	767.71	767.71
Total Assets	908.16	926.88	932.51	716.90	767.01	817.11	867.22	917.33	967.43
X5	0.95	0.89	0.87	1.07	1.00	0.94	0.89	0.84	0.79
Altman Z Score	4.10	4.06	4.04	4.18	4.73	4.59	4.47	4.35	4.25

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

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	(80.70)	(30.59)	19.51	69.62	119.73	169.83				169.83
Annual Change		50.11	50.11	50.11	50.11	50.11				
Annual FCF	62.46	56.85	56.61	56.62	56.65	56.68	56.68	56.68	56.68	170.05
Annual Op. Cash Flow	76.32	70.85	70.61	70.62	70.65	70.68	70.68	70.68	70.68	
Annual PP&E Investment	(13.86)	(14.00)	(14.00)	(14.00)	(14.00)	(14.00)	(14.00)	(14.00)	(14.00)	
Today's Tangible Book Value	(80.70)	93.65	-108.68	126.11	-146.35	169.83				339.88
Intrinsic Value IRR	-216.05%									
Market Price	588.41	527.24	472.43	423.32	379.32	339.88				339.88
Market Price IRR	-10.40%									

Debt	50.00%	294.20
Equity	50.00%	294.20
Total	100.00%	588.41

	Present Value	Holding Period					Terminal Value			Sale Price	
	Historic	ProForma	1	2	3	4	5	6	7	8	
Book Equity	328.01	294.20	331.16	368.11	405.07	442.02	478.98				
Goodwill	408.71	669.11	669.11	669.11	669.11	669.11	669.11				
Debt	100	394.20	394.20	394.20	394.20	394.20	394.20				
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%				
Additional Interest Expense		20.23	20.23	20.23	20.23	20.23					
Tangible Book Value	-80.7	-374.90	-337.95	-300.99	-264.04	-227.08	-190.13				-190.13
Annual Change			36.95	36.95	36.95	36.95	36.95				
Annual FCF	62.46		43.70	43.46	43.47	43.50	43.53	43.53	43.53	43.53	130.60
Annual Net Income	(73.10)		36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95	
Annual Op. Cash Flow	76.32		57.70	57.46	57.47	57.50	57.53	57.53	57.53	57.53	
Dividend Payments											
Annual PP&E Investment	(13.86)		(14.00)	(14.00)	(14.00)	(14.00)	(14.00)	(14.00)	(14.00)	(14.00)	
Debt Paydown	0.00							0.00	0.00	0.00	

Sale Price in Year 5 (39.53)

Capital Left for Equity Investor (39.53)
 Dividend Payments 0.00
 Total Cash In Flow (39.53)

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 294.20
 IRR -172.65%

Value Creation
 TBV Growth (equals sum of NI Year 1-5) 184.77
 Cash Flow (Year 6-8) 130.60
315.37

Value Dilution
 Debt 294.20
 Goodwill 260.40
 Additional Interest 101.17
655.77