

Analyst: Sung Nam

Joe's Jeans Inc (JOEZ)

| | | | | | |
|--------------------------------------|----------------|---|----------------|-------------------------|---------------|
| Market Price: | \$0.52 | EBITDA/Share: | \$0.11 | Net Asset/Share: | \$0.74 |
| DCF: EV/EBITDA Terminal Value | 10.903% | DCF: Net Tangible Asset excluding Cash/Debt Terminal Value | 16.287% | | |
| EBITDA-Cap Ex/Share | \$0.04 | EVA Analysis: | 6.783% | | |

Overview

Joe's Jeans has no debt, net asset value is higher than the current market value, generates at least \$2 MM in FCF and is growing at 20% annually.

However, SG&A is high, could imply weak spending control and has low inventory turnover.

Dividend?

Dividend yield is 0.0%.

Cashflow Generation

Cashflows are \$6 MM from operating cashflow.

Capex is \$3 MM, intangibles are \$0 MM and dividend is \$0 MM.

Free cash flow is about \$2 MM.

6.2% EBITA margin.

The company has \$ 6 MM in cash/short term investment and \$0 MM in debt.

Profitability

ROA is 3.2%, and ROC is 4.0%.

LBO?

We believe a 60% debt/40% equity would be sustainable. We will include our portfolio.

Price

We are forecasting a \$1.05/share in Year 5, or a 102.2% holding return, or 15.11% annual return.

Thus, the 1 year forecasted price is \$0.60.

SN VALUATION

LBO Analysis

| | | | | | | | |
|---|---------------|------------------------------------|-------------|------------------------------------|-------------------------|------------------------------|---------------|
| WACC Terminal Value: | | Intrinsic Price in 5 Years: | 1.05 | Non-LBO Forecast | Non-LBO Forecast | Desired Return Rate | 20.00% |
| EV/EBITDA with 5X Multiple Terminal Value: | \$0.87 | Market Price: | 0.52 | Year 1 Target | 0.60 | Implied Today's Price | 0.42 |
| Net Tangible Asset Terminal Value: | \$1.11 | LBO Price: | 0.52 | Year 2 Target | 0.69 | Overvalued/(Undervalued) | 23.10% |
| EV/EBITDA with Today's Multiple Terminal Value: | \$0.61 | Premium to Market Price: | 0.00% | Year 3 Target | 0.79 | | |
| EVA Enterprise Value: | \$1.61 | LBO Price/Intrinsic Price Target: | 15.11% | Year 4 Target | 0.91 | | |
| Dividend Discount Model: | N/A | LBO Price/EV/EBIT Exit Price: | 3.36% | Year 5 Target | 1.05 | | |
| Average (Excluding Dividend Discount): | \$1.05 | Implied IRR at today's EV/EBITDA: | 3.36% | Implied IRR (Market Price): | 15.11% | | |
| | | 5 Year Return: | 102.13% | | | | |

| Current Evaluation | | | | Exit Evaluation | | | |
|-------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|-------------------|
| Current Market Price: | 0.52 | LBO Price: | 0.52 | Exit Price: | 1.05 | Exit Price: | 0.61 |
| Outstanding Shares: | 64,220,000 | Outstanding Shares: | 64,220,000 | Outstanding Shares: | 64,220,000 | Outstanding Shares: | 64,220,000 |
| Market Capitalization: | 33,394,400 | Market Capitalization: | 33,394,400 | Market Capitalization: | 67,501,151 | Market Capitalization: | 39,395,639 |
| Available Cash: | 6,410,000 | Available Cash: | 6,410,000 | Available Cash: | 14,449,436 | Available Cash: | 14,449,436 |
| Debt: | 0 | Debt: | 0 | Debt: | 0 | Debt: | 0 |
| Net Cash: | 6,410,000 | Net Cash: | 6,410,000 | Net Cash: | 14,449,436 | Net Cash: | 14,449,436 |
| Enterprise Value: | 26,984,400 | Enterprise Value: | 26,984,400 | Enterprise Value: | 53,051,715 | Enterprise Value: | 24,946,203 |
| Original EV/EBITDA: | 4.48 | EV/EBITDA: | 4.48 | EV/EBITDA at 5 Years: | 7.25 | EV/EBITDA at 5 Years: | 3.00 |
| Original EV/EBITDA: | 3.93 | EV/EBITDA: | 3.93 | EV/EBITDA at 5 Years: | 8.73 | EV/EBITDA at 5 Years: | 3.03 |
| Competitor Average EV/EBIT: | N/A | | | | | | |
| Competitor Average EV/EBITDA: | N/A | | | | | | |

| Enterprise Valuation Calculation During Holding Period | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Time Period | 0 | Adjusted for LBO | 1 | 2 | 3 | 4 | 5 |
| Annualized Price Targets based off LBO Price: | 0.52 | 0.52 | 0.60 | 0.69 | 0.79 | 0.91 | 1.05 |
| Shares Outstanding: | 64,220,000 | 64,220,000 | 64,220,000 | 64,220,000 | 64,220,000 | 64,220,000 | 64,220,000 |
| Market Capitalization: | 33,394,400 | 33,394,400 | 38,441,573 | 44,251,568 | 50,939,675 | 58,638,611 | 67,501,151 |
| Available Cash: | 6,410,000 | 6,410,000 | 7,343,174 | 8,709,476 | 10,430,890 | 12,360,201 | 14,449,436 |
| Debt: | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash: | 6,410,000 | 6,410,000 | 7,343,174 | 8,709,476 | 10,430,890 | 12,360,201 | 14,449,436 |
| Enterprise Value: | 26,984,400 | 26,984,400 | 31,098,399 | 35,542,092 | 40,508,785 | 46,278,410 | 53,051,715 |
| EBIT | 6,020,000 | 6,020,000 | 5,911,872 | 6,464,822 | 6,838,063 | 7,073,205 | 7,315,401 |
| EV/EBIT: | 4.48 | 4.48 | 5.26 | 5.50 | 5.92 | 6.54 | 7.25 |
| EBITDA | 6,860,000 | 6,860,000 | 6,644,660 | 7,256,233 | 7,721,866 | 7,998,552 | 8,228,879 |
| EV/EBITDA: | 3.93 | 3.93 | 4.68 | 4.90 | 5.25 | 5.79 | 6.45 |

| Enterprise Valuation Calculation During Holding Period | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Time Period | 0 | Adjusted for LBO | 1 | 2 | 3 | 4 | 5 |
| Annualized Price Targets based off LBO Price: | 0.52 | 0.52 | 0.53 | 0.59 | 0.64 | 0.69 | 0.74 |
| Shares Outstanding: | 64,220,000 | 64,220,000 | 64,220,000 | 64,220,000 | 64,220,000 | 64,220,000 | 64,220,000 |
| Market Capitalization: | 33,394,400 | 33,394,400 | 33,842,895 | 37,687,771 | 41,082,222 | 44,065,547 | 47,240,417 |
| Available Cash: | 6,410,000 | 6,410,000 | 7,343,174 | 8,709,476 | 10,430,890 | 12,360,201 | 14,449,436 |
| Debt: | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash: | 6,410,000 | 6,410,000 | 7,343,174 | 8,709,476 | 10,430,890 | 12,360,201 | 14,449,436 |
| Enterprise Value: | 26,984,400 | 26,984,400 | 26,499,721 | 28,978,295 | 30,651,333 | 31,705,346 | 32,790,981 |
| EBIT | 6,020,000 | 6,020,000 | 5,911,872 | 6,464,822 | 6,838,063 | 7,073,205 | 7,315,401 |
| EV/EBIT: | 4.48 | 4.48 | 4.48 | 4.48 | 4.48 | 4.48 | 4.48 |
| EBITDA | 6,860,000 | 6,860,000 | 6,644,660 | 7,256,233 | 7,721,866 | 7,998,552 | 8,228,879 |
| EV/EBITDA: | 3.93 | 3.93 | 3.99 | 3.99 | 3.97 | 3.96 | 3.98 |

| | | | | | | | |
|------------------------------|-------------------|-----------------------------|-------------------|-----------|----------------|---|--------------|
| LBO Price | 0.52 | Equity Partners: | 33,394,400 | Weighting | 100.00% | Annualized Return for Equity Partners: | 3.36% |
| Shares Outstanding | 64,220,000 | Debt Partners: | 0 | | 0.00% | | |
| Market Capitalization | 33,394,400 | Total Funds for LBO: | 33,394,400 | | 100.00% | | |
| Debt | 0 | | | | | | |
| Cash | 6,410,000 | | | | | | |
| Enterprise Value | 26,984,400 | | | | | | |
| Capital Investment | 33,394,400 | | | | | | |

| | | | | | | | |
|--------------------------|--------------|----------------------------|---------------|--------------------------|--------------|-----------------------|---------|
| Book Value | | Enterprise Value | | Stock Valuation | | Debt Reduction | |
| Beginning Book Value | 64.87 | Beginning Enterprise Value | 26.98 | Current Market Price | \$0.52 | Starting Debt | 0.00 |
| Year 5 Book Value | 88.62 | Year 5 Enterprise Value | 24.95 | Year 5 Market Price | \$0.61 | Debt Repayment | 0.00 |
| Annualized Return | 6.44% | Annualized Return | -1.56% | Annualized Return | 3.36% | Year 5 Ending Debt | 0.00 |
| | | | | | | % of Starting Debt | #DIV/0! |

SN VALUATION

LBO Pro Forma Income Statement

Name: Joe's Jeans Inc

Ticker: JOEZ

| | Historical | | | | Forecasted | | | | |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| | 12 months ending 2007-11-30 | 12 months ending 2008-11-30 | 12 months ending 2009-11-30 | 12 months ending 2010-11-30 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Revenue | 62.77 | 69.17 | 80.12 | 98.18 | 108.00 | 116.64 | 122.47 | 126.14 | 129.93 |
| COGS | 36.14 | 36.54 | 40.33 | 51.96 | 57.24 | 61.82 | 64.91 | 66.86 | 68.86 |
| Gross margin | 26.63 | 32.63 | 39.79 | 46.22 | 50.76 | 54.82 | 57.56 | 59.29 | 61.07 |
| SG&A | 23.09 | 26.16 | 30.73 | 39.35 | 43.20 | 46.66 | 48.99 | 50.46 | 51.97 |
| 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 | 0.65 | 0.70 | 0.73 | 0.76 | 0.78 |
| Other operating expense | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Depreciation is: Included within COGS | 0.35 | 0.35 | 0.54 | 0.85 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Operating Income (EBITA) | 3.19 | 6.12 | 8.52 | 6.02 | 5.91 | 6.46 | 6.84 | 7.07 | 7.32 |
| Interest income/(expense) | -0.83 | -0.63 | -0.39 | -0.46 | 0.06 | 0.06 | 0.06 | 0.06 | 0.06 |
| 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 | -0.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Income before tax | 2.35 | 5.49 | 8.13 | 5.56 | 5.98 | 6.53 | 6.90 | 7.14 | 7.38 |
| Tax | 0.10 | 0.59 | -16.39 | 2.96 | 1.79 | 1.96 | 2.07 | 2.14 | 2.21 |
| Income after tax | 2.25 | 4.90 | 24.52 | 2.60 | 4.18 | 4.57 | 4.83 | 5.00 | 5.17 |
| 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 | 2.25 | 4.90 | 24.52 | 2.60 | 4.18 | 4.57 | 4.83 | 5.00 | 5.17 |
| *Figures are in millions (\$) | | | | | | | | | |
| Revenue Growth | N/A | 10.20% | 15.83% | 22.54% | 10.00% | 8.00% | 5.00% | 3.00% | 3.00% |
| Tax Rate | 4.26% | 7.15% | -201.60% | 53.24% | 30.00% | 30.00% | 30.00% | 30.00% | 30.00% |
| Implied Debt Interest Rate | 0.00% | 0.00% | 0.00% | 0.00% | NA | NA | NA | NA | NA |
| Margins | | | | | | | | | |
| COGS | 57.58% | 52.83% | 50.34% | 52.92% | 53.00% | 53.00% | 53.00% | 53.00% | 53.00% |
| Gross margin | 42.42% | 47.17% | 49.66% | 47.08% | 47.00% | 47.00% | 47.00% | 47.00% | 47.00% |
| SG&A | 36.79% | 37.82% | 38.35% | 40.08% | 40.00% | 40.00% | 40.00% | 40.00% | 40.00% |
| 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% | 0.60% | 0.60% | 0.60% | 0.60% | 0.60% |
| Other operating expense | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Depreciation is: Included within COGS | 0.56% | 0.51% | 0.67% | 0.87% | 0.93% | 0.86% | 0.82% | 0.79% | 0.77% |
| Operating Income (EBITA) | 5.08% | 8.85% | 10.63% | 6.13% | 5.47% | 5.54% | 5.58% | 5.61% | 5.63% |
| Interest income/(expense) | -1.32% | -0.91% | -0.49% | -0.47% | 0.06% | 0.05% | 0.05% | 0.05% | 0.05% |
| 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 | -0.02% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Income before tax | 3.74% | 7.94% | 10.15% | 5.66% | 5.53% | 5.60% | 5.64% | 5.66% | 5.68% |
| Tax | 0.16% | 0.85% | -20.46% | 3.01% | 1.66% | 1.68% | 1.69% | 1.70% | 1.70% |
| Income after tax | 3.58% | 7.08% | 30.60% | 2.65% | 3.87% | 4.23% | 4.47% | 4.63% | 4.78% |
| 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 | 3.58% | 7.08% | 30.60% | 2.65% | 3.87% | 3.92% | 3.95% | 3.96% | 3.96% |

| | | | | | Adjustment | | Adjusted Proforma | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|------------------|------------------|------------------|------------------|-------------|-------------|-------------------|--------------|--------------|--------------|--------------|---------------|
| | As of 2007-11-30 | As of 2008-11-30 | As of 2009-11-30 | As of 2010-11-30 | + | - | | | | | | |
| Cash | 1.33 | 3.46 | 13.20 | 6.41 | | | 6.41 | 7.34 | 8.71 | 10.43 | 12.36 | 14.45 |
| Short term investment | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash and Short term | 1.33 | 3.46 | 13.20 | 6.41 | | | 6.41 | 7.34 | 8.71 | 10.43 | 12.36 | 14.45 |
| Accounts Receivable | 0.80 | 0.86 | 1.94 | 2.41 | | | 2.41 | 2.41 | 2.41 | 2.41 | 2.41 | 2.41 |
| Other receivables | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Receivables | 0.80 | 0.86 | 1.94 | 2.41 | | | 2.41 | 2.41 | 2.41 | 2.41 | 2.41 | 2.41 |
| Deferred Income Tax | 0.01 | 0.01 | -0.01 | -0.01 | | | -0.01 | -0.01 | -0.01 | -0.01 | -0.01 | -0.01 |
| Total Inventory | 20.80 | 22.27 | 22.89 | 30.25 | | | 30.25 | 30.25 | 30.25 | 30.25 | 30.25 | 30.25 |
| Prepaid Expenses | 0.28 | 0.30 | 0.81 | 1.09 | | | 1.09 | 1.09 | 1.09 | 1.09 | 1.09 | 1.09 |
| Other Current Assets | 0.00 | 0.00 | 4.89 | 3.23 | | | 3.23 | 3.23 | 3.23 | 3.23 | 3.23 | 3.23 |
| Current Assets | 23.22 | 26.90 | 43.72 | 43.38 | 0.00 | 0.00 | 43.38 | 44.31 | 45.68 | 47.40 | 49.33 | 51.42 |
| PP&E, Gross | 1.50 | 3.88 | 4.75 | 7.97 | | | 7.97 | 11.97 | 15.97 | 19.97 | 23.97 | 27.97 |
| Change in Depreciation | 0.32 | 0.35 | 0.54 | 0.84 | | | 0.84 | 0.79 | 0.79 | 0.88 | 0.93 | 0.91 |
| Accumulated Depreciation | 0.70 | 1.06 | 1.60 | 2.44 | | | 2.44 | 3.17 | 3.96 | 4.85 | 5.77 | 6.69 |
| PP&E, Net | 0.80 | 2.82 | 3.15 | 5.53 | | | 5.53 | 8.80 | 12.01 | 15.12 | 18.20 | 21.28 |
| Goodwill | 10.41 | 3.84 | 3.84 | 3.84 | 0.00 | | 3.84 | 3.84 | 3.84 | 3.84 | 3.84 | 3.84 |
| Intangibles | 13.20 | 24.00 | 24.00 | 24.00 | | | 24.00 | 24.00 | 24.00 | 24.00 | 24.00 | 24.00 |
| Long term investments | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other long term assets | 0.00 | 0.11 | 4.91 | 4.53 | | | 4.53 | 4.53 | 4.53 | 4.53 | 4.53 | 4.53 |
| Long Term Assets | 25.11 | 31.83 | 35.90 | 37.90 | 0.00 | 0.00 | 37.90 | 41.17 | 44.38 | 47.49 | 50.57 | 53.65 |
| Total Assets | 47.63 | 57.67 | 79.62 | 81.47 | 0.00 | 0.00 | 81.28 | 85.48 | 90.06 | 94.89 | 99.90 | 105.07 |
| Accounts Payable | 1.15 | 0.20 | 0.25 | 0.33 | | | 0.33 | 0.33 | 0.33 | 0.33 | 0.33 | 0.33 |
| Accrued Expense | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other current Liabilities | 3.04 | 2.90 | 3.74 | 4.97 | | | 4.97 | 4.97 | 4.97 | 4.97 | 4.97 | 4.97 |
| Total Current Liabilities | 4.19 | 3.10 | 3.99 | 5.30 | 0.00 | 0.00 | 5.30 | 5.30 | 5.30 | 5.30 | 5.30 | 5.30 |
| 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 |
| Current port. Of LT Debt/Capital Leases | 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 |
| Capital Lease Obligations | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Interest Earning Debt | 0.00 | 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 | 5.25 | 9.60 | 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 |
| Other liabilities | 0.00 | 0.25 | 0.53 | 0.92 | | | 0.92 | 0.92 | 0.92 | 0.92 | 0.92 | 0.92 |
| Total Liabilities | 9.44 | 12.95 | 4.52 | 6.22 | 0.00 | 0.00 | 6.22 | 6.22 | 6.22 | 6.22 | 6.22 | 6.22 |
| Redeemable Preferred Stock | 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 |
| Common Stock | 5.99 | 6.00 | 6.15 | 6.42 | | 0.00 | 6.42 | 6.42 | 6.42 | 6.42 | 6.42 | 6.42 |
| Additional Paid-in capital | 102.06 | 102.86 | 103.61 | 104.36 | 0.00 | 0.00 | 104.36 | 104.36 | 104.36 | 104.36 | 104.36 | 104.36 |
| Dividends Paid | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Retained Earnings | -74.87 | -69.97 | -45.45 | -42.85 | | 0.00 | -42.85 | -38.67 | -34.10 | -29.27 | -24.27 | -19.10 |
| Treasury Stock | -2.78 | -2.80 | -2.80 | -3.06 | | | -3.06 | -3.06 | -3.06 | -3.06 | -3.06 | -3.06 |
| 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 | 30.40 | 36.09 | 61.51 | 64.87 | 0.00 | 0.00 | 64.87 | 69.05 | 73.62 | 78.45 | 83.45 | 88.62 |
| Liability + Equity | 39.84 | 49.04 | 66.03 | 71.09 | 0.00 | 0.00 | 71.09 | 75.27 | 79.84 | 84.67 | 89.67 | 94.84 |
| Variance | 7.79 | 8.63 | 13.59 | 10.38 | | | 10.19 | 10.21 | 10.21 | 10.22 | 10.23 | 10.24 |
| Debt/Equity | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Inventory Turnover | 3.02 | 3.11 | 3.50 | 3.25 | | | 3.25 | 3.57 | 3.86 | 4.05 | 4.17 | 4.30 |
| Inventory Turnover Days | 120.95 | 117.52 | 104.28 | 112.46 | | | 112.46 | 102.24 | 94.66 | 90.15 | 87.53 | 84.98 |
| Days Inventory Outstanding | 210.07 | 222.46 | 207.16 | 212.50 | | | 212.50 | 192.90 | 178.61 | 170.10 | 165.15 | 160.34 |
| Accounts Receivable Turnover | 78.46 | 80.43 | 41.30 | 40.74 | | | 40.74 | 44.81 | 48.40 | 50.82 | 52.34 | 53.91 |
| Accounts Receivable Turnover Days | 4.65 | 4.54 | 8.84 | 8.96 | | | 8.96 | 8.15 | 7.54 | 7.18 | 6.97 | 6.77 |
| Days Payable Outstanding | 11.61 | 2.00 | 2.26 | 2.32 | | | 2.32 | 2.10 | 1.95 | 1.86 | 1.80 | 1.75 |

SN VALUATION

LBO Adjusted Proforma Cash Flow

| | 12 months ending 2007-11-30 | 12 months ending 2008-11-30 | 12 months ending 2009-11-30 | 12 months ending 2010-11-30 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Net Income | 2.25 | 4.90 | 24.52 | 2.60 | 4.18 | 4.57 | 4.83 | 5.00 | 5.17 |
| Depreciation | 0.32 | 0.35 | 0.54 | 0.84 | 0.73 | 0.79 | 0.88 | 0.93 | 0.91 |
| Net Income + Depreciation | 2.57 | 5.25 | 25.06 | 3.44 | 4.92 | 5.36 | 5.72 | 5.92 | 6.08 |
| Amortization | 0.04 | 0.00 | 0.00 | 0.00 | 0.02 | 0.00 | 0.01 | 0.01 | 0.01 |
| Deferred Taxes | 0.00 | 0.00 | 0.99 | 2.29 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non Cash Items | 0.30 | 0.85 | -18.99 | 1.90 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Change in Working capital | -10.38 | -1.51 | 3.54 | -11.79 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Receivable | 0.00 | -0.06 | -1.08 | -0.47 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Receivables | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Inventory | 0.00 | -1.47 | -0.62 | -7.36 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Prepaid Expenses | 0.00 | -0.02 | -0.51 | -0.28 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Payable | 0.00 | -0.95 | 0.05 | 0.08 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash from Operating Activities | -7.47 | 4.59 | 10.60 | -4.16 | 4.93 | 5.37 | 5.72 | 5.93 | 6.09 |
| Capital Expenditures | -0.27 | -2.38 | -0.87 | -3.40 | -4.00 | -4.00 | -4.00 | -4.00 | -4.00 |
| Long term investment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Intangibles | -0.52 | 0.12 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash from Investing Activities | -0.79 | -2.26 | -0.87 | -3.40 | -4.00 | -4.00 | -4.00 | -4.00 | -4.00 |
| Financing Cash flow items | 0.00 | -0.04 | -0.23 | -1.52 | 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 | 7.05 | -0.01 | 0.00 | 0.45 | 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 | 2.15 | -0.14 | 0.23 | 1.84 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash from Financing Activities | 9.20 | -0.19 | 0.00 | 0.77 | 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 | 0.38 | 1.33 | 3.46 | 13.20 | 6.41 | 7.34 | 8.71 | 10.43 | 12.36 |
| Net Change in Cash | 0.95 | 2.13 | 9.73 | -6.79 | 0.93 | 1.37 | 1.72 | 1.93 | 2.09 |
| Ending Cash Balance | 1.33 | 3.46 | 13.19 | 6.41 | 7.34 | 8.71 | 10.43 | 12.36 | 14.45 |
| Depreciation to Sales | 0.51% | 0.51% | 0.67% | 0.86% | 0.68% | 0.68% | 0.72% | 0.73% | 0.70% |
| Amortization to Sales | 0.06% | 0.00% | 0.00% | 0.00% | 0.02% | 0.00% | 0.00% | 0.01% | 0.01% |
| A/R to Sales | 1.27% | 1.24% | 2.42% | 2.45% | 2.23% | 2.07% | 1.97% | 1.91% | 1.85% |

SN VALUATION

LBO Debt Schedule

| | Proforma | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|----------|----------------|----------------|----------------|----------------|----------------|
| Net Change in Cash | -6.79 | 0.93 | 1.37 | 1.72 | 1.93 | 2.09 |
| 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 | 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 | | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| Spread | | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| Interest Rate | | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |
| Interest Expense | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash Balance | | 6.41 | | | | |
| Interest @ 1.0% | | 0.06 | 0.06 | 0.06 | 0.06 | 0.06 |
| Net Interest Expense/(Income) | | (0.06) | (0.06) | (0.06) | (0.06) | (0.06) |
| Net Interest Rate | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| EBITDA | | 5.91 | 6.46 | 6.84 | 7.07 | 7.32 |
| EBITDA/Interest Expense Coverage | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |

Interest Rate Coverage Table

| Debt Rating | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------|---------|---------|---------|---------|---------|
| 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