

K-Swiss (KSWs)

Price:	\$3.23
Market Cap:	\$115,020,300
Cash:	\$39,850,000
Debt:	\$7,600,000
Net Cash:	\$32,250,000
Enterprise Value:	\$82,770,300
Target Market Cap:	-\$768,659,873
Target Enterprise Value:	-\$800,909,873

Price/Book:	0.79
EV/FCF:	-0.90
Net Tang. Asset/Share:	\$4.20
Avg. Year 1-5 FCF/Share:	-\$1.99
5 Years of FCF:	-\$9.96
Net Tang. Asset+5 FCF:	-\$5.76

Net Tang. Asset Yr. 5/Share:	-\$5.87
Avg. Year FCF/Share:	-\$1.99
Year 5 Disposition FCF Multiple:	5.0
Year 5 Disposition Price:	-\$15.83
Gain Year 5:	-\$15.83

Net Tang. Asset+5 FCF+ Gain Disposition:	-\$21.59
IRR:	-246.22%

Assumed Deal Details

Debt	60.00%	\$69,012,180
Equity	40.00%	\$46,008,120
Shares Outstanding		35,610,000

Levered Return

New market cap in 5 years	-\$768,659,873
Nominal Gain for Equity	-\$883,680,173
Levered Equity Return	-278.67%

Eland, a Korean apparel distributor, is purchasing 100% of KSwiss, famous for their white canvas shoes back in the late 90s, but not really fashionable lately. \$170MM at \$4.75/share, or a 50% premium off today's price.

If A/R offsets current liability, the co. essentially paid for \$20 MM net PP&E, \$60MM inventory, \$40MM cash and \$50MM for the business.

The co. has been burning cash for the past 3 years, widdling away at their cash balance. Surely, the co. could take out debt, but we don't think they will be able to finance the payments.

Why would E-LAND buy this co? Some analysts speculate E-Land wants to enter the US market and attempted to purchase another fashion brand in the previous year, but failed in the bidding process. Also, they would like to enter China with a recognizable brand and establish their base with the K Swiss brand. Not sure how this will play out, but E Land didn't pay too much premium, when considering the assets, but will take some time for the deal to be accretive since the GM is not very high, even if the SG&A was consolidated under the Korean corporate structure.

SN VALUATION

LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	-8.17	Non-LBO Forecast		Non-LBO Forecast	
EV/EBITDA with 3X Multiple Terminal Value:	\$0.00	Market Price:	3.23	Year 1 Target	-3.89	Desired Return Rate	20.00%
Net Tangible Asset Terminal Value:	\$0.00	LBO Price:	3.23	Year 2 Target	4.68	Implied Today's Price	-3.28
EV/EBITDA with Today's Multiple Terminal Value:	(\$19.45)	Premium to Market Price:	0.00%	Year 3 Target	-5.64	Overvalued/(Undervalued)	-198.41%
EVA Enterprise Value:	(\$13.22)	LBO Price/Intrinsic Price Target:	-220.39%	Year 4 Target	6.78		
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	-240.81%	Year 5 Target	-8.17		
Average (Excluding Dividend Discount):	(\$8.17)	Implied IRR at today's EV/EBITDA:	-243.20%	Implied IRR (Market Price):	-220.39%		
		5 Year Return:	-352.87%				

Current Evaluation				Exit Evaluation			
Current Market Price:	3.23	LBO Price:	3.23	Exit Price:	-8.17	Exit Price:	-19.45
Outstanding Shares:	35,610,000	Outstanding Shares:	35,610,000	Outstanding Shares:	35,610,000	Outstanding Shares:	35,610,000
Market Capitalization:	115,020,300	Market Capitalization:	115,020,300	Market Capitalization:	-290,846,261	Market Capitalization:	-692,686,424
Available Cash:	39,850,000	Available Cash:	39,850,000	Available Cash:	-314,722,519	Available Cash:	-314,722,519
Debt:	7,600,000	Debt:	7,600,000	Debt:	7,600,000	Debt:	7,600,000
Net Cash:	32,250,000	Net Cash:	32,250,000	Net Cash:	-322,322,519	Net Cash:	-322,322,519
Enterprise Value:	82,770,300	Enterprise Value:	82,770,300	Enterprise Value:	31,476,258	Enterprise Value:	-370,363,905
Original EV/EBITDA:	-1.29	EV/EBITDA:	-1.29	EV/EBITDA at 5 Years:	-0.42	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	-1.37	EV/EBITDA:	-1.37	EV/EBITDA at 5 Years:	-0.45	EV/EBITDA at 5 Years:	5.28
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:	3.23	3.23	-3.89	4.68	-5.64	6.79	-8.17
Shares Outstanding:	35,610,000	35,610,000	35,610,000	35,610,000	35,610,000	35,610,000	35,610,000
Market Capitalization:	115,020,300	115,033,235	-138,484,488	166,716,632	-200,704,323	241,620,915	-290,878,968
Available Cash:	39,850,000	39,850,000	-28,422,200	-97,989,392	-168,877,476	-241,112,869	-314,722,519
Debt:	7,600,000	7,600,000	7,600,000	7,600,000	7,600,000	7,600,000	7,600,000
Net Cash:	32,250,000	32,250,000	-36,022,200	-105,589,392	-176,477,476	-248,712,869	-322,322,519
Enterprise Value:	82,770,300	82,783,235	-102,462,288	272,306,024	-24,226,847	490,333,784	31,443,550
EBIT	-64,000,000	-64,000,000	-68,431,800	-69,800,436	5	-72,620,374	-74,072,781
EV/EBIT:	-1.29	-1.29	1.50	-3.90	-4,845,369.35	-6.75	-0.42
EBITDA	-60,390,000	-60,390,000	-64,749,600	-66,044,592	-67,365,484	-68,712,794	-70,087,049
EV/EBITDA:	-1.37	-1.37	1.58	-4.12	0.36	-7.14	-0.45

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	3.23	3.23	1.47	-0.43	-4.96	-4.35	-6.36
Shares Outstanding:	35,610,000	35,610,000	35,610,000	35,610,000	35,610,000	35,610,000	35,610,000
Market Capitalization:	115,020,300	115,033,235	52,493,515	35,610,000	-15,303,362	-154,779,284	-226,510,262
Available Cash:	39,850,000	39,850,000	-28,422,200	-97,989,392	-168,877,476	-241,112,869	-314,722,519
Debt:	7,600,000	7,600,000	7,600,000	7,600,000	7,600,000	7,600,000	7,600,000
Net Cash:	32,250,000	32,250,000	-36,022,200	-105,589,392	-176,477,476	-248,712,869	-322,322,519
Enterprise Value:	82,770,300	82,783,235	88,515,715	90,286,030	-6	93,933,585	95,812,257
EBIT	-64,000,000	-64,000,000	-68,431,800	-69,800,436	5	-72,620,374	-74,072,781
EV/EBIT:	-1.29	-1.29	-1.29	-1.29	-1.29	-1.29	-1.29
EBITDA	-60,390,000	-60,390,000	-64,749,600	-66,044,592	-67,365,484	-68,712,794	-70,087,049
EV/EBITDA:	-1.37	-1.37	-1.37	-1.37	0.00	-1.37	-1.37

LBO Price	3.23	Equity Partners:	125,140,300	Weighting	100.00%	Annualized Return for Equity Partners: -240.81%
Shares Outstanding	35,610,000	Debt Partners:	0	0.00%		
Market Capitalization	115,020,300	Total Funds for LBO:	125,140,300	100.00%		
Debt	10,120,000					
Cash	39,850,000					
Enterprise Value	85,290,300					
Capital Investment	125,140,300					

Book Value		Enterprise Value		Stock Valuation		Debt Reduction	
Beginning Book Value	146.50	Beginning Enterprise Value	82.77	Current Market Price	\$3.23	Starting Debt	0.00
Year 5 Book Value	-212.23	Year 5 Enterprise Value	-370.36	Year 5 Market Price	-\$19.45	Debt Repayment	0.00
Annualized Return	-207.70%	Annualized Return	-234.94%	Annualized Return	-243.20%	Year 5 Ending Debt	0.00
						% of Starting Debt	#DIV/0!

SN VALUATION

LBO Pro Forma Income Statement

Name:

K-Swiss

Ticker:

KSWs

	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	327.40	240.73	216.77	268.36	273.73	279.20	284.79	290.48	296.29
COGS	195.38	154.56	131.77	175.74	177.92	181.48	185.11	188.81	192.59
Gross margin	132.02	86.17	85.00	92.62	95.80	97.72	99.68	101.67	103.70
SG&A	139.90	118.30	141.04	153.63	164.24	167.52	170.87	174.29	177.77
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	4.83	0.00	2.99	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)	-7.88	-36.96	-56.04	-64.00	-68.43	-69.80	-71.20	-72.62	-74.07
Interest income/(expense)	8.22	1.05	0.44	0.22	-0.52	-0.52	-0.52	-0.52	-0.52
Gain (loss) on sale of asset	0.00	-1.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	30.00	0.00	-3.32	3.00	0.00	0.00	0.00	0.00	0.00
Income before tax	30.34	-37.16	-58.93	-60.77	-68.95	-70.32	-71.72	-73.14	-74.60
Tax	5.89	-9.66	7.93	3.75	0.00	0.00	0.00	0.00	0.00
Income after tax	24.45	-27.50	-66.86	-64.52	-68.95	-70.32	-71.72	-73.14	-74.60
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	24.45	-27.50	-66.86	-64.52	-68.95	-70.32	-71.72	-73.14	-74.60
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.69	-\$0.77	-\$1.88	-\$1.81	-\$1.94	-\$1.97	-\$2.01	-\$2.05	-\$2.09
P/E (historical today's price; forecasted intrinsic price)	4.70	-4.18	-1.72	-1.78	2.01	-2.37	2.80	-3.30	3.90
Revenue Growth	N/A	-26.47%	-9.95%	23.80%	2.00%	2.00%	2.00%	2.00%	2.00%
Tax Rate	19.41%	26.00%	-13.46%	-6.17%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	152.79%	25.00%	45.83%	2.17%	NA	NA	NA	NA	NA
Margins									
COGS	59.68%	64.20%	60.79%	65.49%	65.00%	65.00%	65.00%	65.00%	65.00%
Gross margin	40.32%	35.80%	39.21%	34.51%	35.00%	35.00%	35.00%	35.00%	35.00%
SG&A	42.73%	49.14%	65.06%	57.25%	60.00%	60.00%	60.00%	60.00%	60.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	2.01%	0.00%	1.11%	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)	-2.41%	-15.35%	-25.85%	-23.85%	-25.00%	-25.00%	-25.00%	-25.00%	-25.00%
Interest income/(expense)	2.51%	0.44%	0.20%	0.08%	-0.19%	-0.19%	-0.18%	-0.18%	-0.18%
Gain (loss) on sale of asset	0.00%	-0.52%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	9.16%	0.00%	-1.53%	1.12%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	9.27%	-15.44%	-22.19%	-22.64%	-25.19%	-25.19%	-25.18%	-25.18%	-25.18%
Tax	1.80%	-4.01%	3.66%	1.40%	0.00%	0.00%	0.00%	0.00%	0.00%
Income after tax	7.47%	-11.42%	-30.84%	-24.04%	-25.19%	-25.69%	-26.20%	-26.72%	-27.25%
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	7.47%	-11.42%	-30.84%	-24.04%	-25.19%	-25.19%	-25.18%	-25.18%	-25.18%

SN VALUATION

LBO Adjusted Proforma Balance Sheet

	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	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	207.42	139.66	49.16	28.70	39.85			39.85	-28.42	-97.99	-168.88	-241.11	-314.72
Short term investment	0.00	31.21	66.28	2.06	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	207.42	170.87	115.44	30.76	39.85			39.85	-28.42	-97.99	-168.88	-241.11	-314.72
Accounts Receivable	34.96	27.49	24.04	31.45	39.07			39.07	39.07	39.07	39.07	39.07	39.07
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	34.96	27.49	24.04	31.45	39.07			39.07	39.07	39.07	39.07	39.07	39.07
Total Inventory	74.42	48.18	66.96	90.38	65.87			65.87	65.87	65.87	65.87	65.87	65.87
Prepaid Expenses	9.30	2.47	5.06	4.93	3.67			3.67	3.67	3.67	3.67	3.67	3.67
Other Current Assets	6.68	25.15	22.92	22.60	0.20			0.20	0.20	0.20	0.20	0.20	0.20
Current Assets	332.78	274.16	234.42	180.12	148.66	0.00	0.00	148.66	80.39	10.82	-60.07	-132.30	-205.91
PP&E, Gross	44.40	42.33	42.97	45.00	45.00			45.00	48.00	51.00	54.00	57.00	60.00
Change in Depreciation		4.16	3.66	3.61	3.61			3.61	3.68	3.76	3.83	3.91	3.99
Accumulated Depreciation	18.71	20.28	22.27	23.00	23.00			23.00	26.68	30.44	34.27	38.18	42.16
PP&E, Net	25.69	22.05	20.70	22.00	22.00			22.00	21.32	20.56	19.73	18.82	17.84
Goodwill	9.67	4.61	5.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	13.10	10.65	13.09	11.48	11.50			11.50	11.50	11.50	11.50	11.50	11.50
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	13.05	18.85	14.07	7.65	7.01			7.01	7.01	7.01	7.01	7.01	7.01
Long Term Assets	61.51	56.16	52.98	41.13	40.51			40.51	39.83	39.07	38.24	37.33	36.35
Total Assets	394.29	330.32	287.40	221.25	189.17	0.00	0.00	189.17	120.22	49.89	-21.83	-94.97	-169.56
Accounts Payable	25.06	11.64	19.11	18.10	18.10			18.10	18.10	18.10	18.10	18.10	18.10
Accrued Expense	22.39	12.90	13.07	13.50	13.50			13.50	13.50	13.50	13.50	13.50	13.50
Other current Liabilities	0.34	0.34	0.20	0.37	0.04			0.04	0.04	0.04	0.04	0.04	0.04
Total Current Liabilities	47.79	24.88	32.38	31.97	31.64	0.00	0.00	31.64	31.64	31.64	31.64	31.64	31.64
Notes Payables/Short Term Debt	4.36	3.46	0.27	9.72	5.32			5.32	5.32	5.32	5.32	5.32	5.32
Current port. Of LT Debt/Capital Leases	0.00	0.00	0.29	0.25	2.14			2.14	2.14	2.14	2.14	2.14	2.14
Long term Debt	1.02	0.74	0.40	0.15	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	0.14			0.14	0.14	0.14	0.14	0.14	0.14
Total Interest Earning Debt	5.38	4.20	0.96	10.12	7.60	0.00	0.00	7.60	7.60	7.60	7.60	7.60	7.60
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	3.76	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	12.61	13.29	19.90	11.55	0.32			0.32	0.32	0.32	0.32	0.32	0.32
Total Liabilities	69.54	42.37	53.24	53.64	39.56	0.00	0.00	39.56	39.56	39.56	39.56	39.56	39.56
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	0.37	0.38	0.38	0.38	0.38		0.00	0.38	0.38	0.38	0.38	0.38	0.38
Additional Paid-in capital	61.41	66.08	69.06	70.97	71.77	0.00	0.00	71.77	71.77	71.77	71.77	71.77	71.77
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	316.35	288.39	220.17	149.70	129.44		0.00	129.44	60.49	-9.84	-81.56	-154.70	-229.29
Treasury Stock	-58.19	-58.19	-58.19	-58.19	-58.19			-58.19	-58.19	-58.19	-58.19	-58.19	-58.19
Other Equity	4.82	5.13	3.49	3.10	3.10		0.00	3.10	3.10	3.10	3.10	3.10	3.10
Total Equity	324.76	301.79	234.91	165.96	146.50	0.00	0.00	146.50	77.55	7.22	-64.50	-137.64	-212.23
Liability + Equity	394.30	344.16	288.15	219.60	186.06	0.00	0.00	186.06	117.11	46.78	-24.94	-98.08	-172.67
Variance	-0.01	-13.84	-0.75	1.65	3.11			3.11	3.11	3.11	3.11	3.11	3.11
Debt/Equity	0.02	0.01	0.00	0.06	0.05			0.05	0.10	1.05	-0.12	-0.06	-0.04
Inventory Turnover	4.40	5.00	3.24	2.97	4.16			4.07	4.16	4.24	4.32	4.41	4.50
Inventory Turnover Days	82.97	73.05	112.75	122.93	87.83			89.59	87.83	86.11	84.42	82.77	81.15
Days Inventory Outstanding	139.03	113.78	185.48	187.71	135.13			136.81	135.13	132.48	129.88	127.34	124.84
Accounts Receivable Turnover	9.36	8.76	9.02	8.53	7.01			6.87	7.01	7.15	7.29	7.43	7.58
Accounts Receivable Turnover Days	38.97	41.68	40.48	42.78	52.10			53.14	52.10	51.08	50.07	49.09	48.13
Days Payable Outstanding	46.82	27.49	52.93	37.59	37.13			37.59	37.13	36.40	35.69	34.99	34.30
Days Sales Outstanding	38.97	41.68	40.48	42.78	52.10			42.78	53.14	52.10	51.08	50.07	49.09
Cash Conversion Cycle	131.19	127.97	173.02	192.90	150.10			141.99	151.14	148.17	145.27	142.42	139.63
Net tangible assets/share	\$8.85	\$7.96	\$6.43	\$4.71	\$4.20				\$2.26	\$0.29	(\$1.72)	(\$3.78)	(\$5.87)

SN VALUATION

LBO Adjusted Proforma Cash Flow

	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	24.45	-27.50	-66.86	-64.52	-68.95	-70.32	-71.72	-73.14	-74.60
Depreciation	3.53	4.16	3.66	3.61	3.68	3.76	3.83	3.91	3.99
Net Income + Depreciation	27.98	-23.34	-63.20	-60.91	-65.27	-66.57	-67.89	-69.24	-70.61
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-1.82	-0.21	8.47	1.00	0.00	0.00	0.00	0.00	0.00
Non Cash Items	0.85	9.45	3.72	0.07	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-10.73	-3.43	4.29	-29.83	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	7.47	3.45	-7.41	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	26.24	-18.78	-23.42	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	6.83	-2.59	0.13	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-13.42	7.47	-1.01	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	16.28	-17.53	-46.72	-89.67	-65.27	-66.57	-67.89	-69.24	-70.61
Capital Expenditures Expenditures	-11.06	-1.44	-2.38	-2.70	-3.00	-3.00	-3.00	-3.00	-3.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-2.68	-53.38	-38.02	62.82	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-13.74	-54.82	-40.40	60.12	-3.00	-3.00	-3.00	-3.00	-3.00
Financing Cash flow items	0.82	0.55	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-76.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-0.50	0.93	1.25	1.06	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	0.04	-1.27	-3.24	9.05	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-76.31	0.21	-1.99	10.11	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	-10.05	4.39	-1.37	-1.03	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	291.23	207.42	139.66	49.16	39.85	-28.42	-97.99	-168.88	-241.11
Net Change in Cash	-83.81	-67.76	-90.50	-20.46	-68.27	-69.57	-70.89	-72.24	-73.61
Ending Cash Balance	207.42	139.66	49.16	28.70	-28.42	-97.99	-168.88	-241.11	-314.72
Capex to Revenue	3.38%	0.60%	1.10%	1.01%	1.10%	1.07%	1.05%	1.03%	1.01%
Depreciation to Sales	1.08%	1.73%	1.69%	1.35%	1.35%	1.35%	1.35%	1.35%	1.35%
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	10.68%	11.42%	11.09%	11.72%	11.49%	11.26%	11.04%	10.83%	10.61%
Distributable FCF Yield	3.07%	-87.41%	-105.26%	-35.70%	-82.48%	-84.05%	-85.64%	-87.27%	-88.93%
Dividend Yield	-66.66%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	81.89	-18.97	-49.10	-92.37	-68.27	-69.57	-70.89	-72.24	-73.61

SN VALUATION

LBO Debt Schedule

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-20.46	-68.27	-69.57	-70.89	-72.24	-73.61
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	11.86	11.86	11.86	11.86	11.86	11.86
Current Portion Debt Balance	11.86	11.86	11.86	11.86	11.86	11.86
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		0.83	0.83	0.83	0.83	0.83
Cash Balance		30.76				
Interest @ 1.0%		0.31	0.31	0.31	0.31	0.31
Net Interest Expense/(Income)		0.52	0.52	0.52	0.52	0.52
Net Interest Rate		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA		(68.43)	(69.80)	(71.20)	(72.62)	(74.07)
EBITDA/Interest Expense Coverage		(82.43)	(84.08)	(85.76)	(87.47)	(89.22)

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

K-Swiss

Ticker:

KSWW

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	284.99	249.28	202.04	117.02	48.75	-20.82	-91.71	-163.94	-237.55
Total Assets	394.29	330.32	287.40	189.17	120.22	49.89	-21.83	-94.97	-169.56
X1	0.72	0.75	0.70	0.62	0.41	-0.42	4.20	1.73	1.40
Retained Earnings	316.35	288.39	220.17	129.44	60.49	-9.84	-81.56	-154.70	-229.29
Total Assets	394.29	330.32	287.40	189.17	120.22	49.89	-21.83	-94.97	-169.56
X2	0.80	0.87	0.77	0.68	0.50	-0.20	3.74	1.63	1.35
EBITDA	-7.88	-36.96	-56.04	-64.00	-68.43	-69.80	-71.20	-72.62	-74.07
Total Assets	394.29	330.32	287.40	189.17	120.22	49.89	-21.83	-94.97	-169.56
X3	-0.02	-0.11	-0.19	-0.34	-0.57	-1.40	3.26	0.76	0.44
Market Value of Equity	115.02	115.02	115.02	115.02	-138.47	166.70	-200.68	241.59	-290.85
Total Liabilities	69.54	42.37	53.24	39.56	39.56	39.56	39.56	39.56	39.56
X4	1.65	2.71	2.16	2.91	-3.50	4.21	-5.07	6.11	-7.35
Net Sales	327.40	240.73	216.77	268.36	273.73	279.20	284.79	290.48	296.29
Total Assets	394.29	330.32	287.40	189.17	120.22	49.89	-21.83	-94.97	-169.56
X5	0.83	0.73	0.75	1.42	2.28	5.60	-13.05	-3.06	-1.75
Altman Z Score	3.75	4.12	3.32	3.75	-0.51	2.73	4.95	7.48	-1.14

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

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