

January 4, 2012

# SN VALUATION [Stocks, Real Estate, Bonds]

Analyst: Sung Nam

## Keynote Systems Inc (KEYN)

Market Price:	\$20.55	EBITDA/Share:	\$0.90	Net Asset/Share:	\$9.37
DCF: EV/EBITDA Terminal Value	5.890%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value	-1.528%		
EBITDA-Cap Ex/Share	\$0.61	EVA Analysis:	-2.409%		

### Overview

Cloud based testing and monitoring. Healthy balance sheet, consistent cash flow.

Priced a little bit high at current level, but will be a good investment if price dips 10%. Not sure why the company has been issuing stock the past 3 years.

### **Dividend?**

Dividend yield is 1.17%.

### **Price to Book**

Price to book is 1.57.

### **Cashflow Generation**

Cashflows are \$30MM from operating cashflow.

Capex is \$5 MM, minority interest payment is \$0 MM, intangibles are \$0 MM and dividend is \$5 MM.

Free cash flow is about \$20 MM.

14.6% EBITA margin and FCF yield is 11.2%.

The company has \$101 MM in cash/short term investment and \$0 MM in debt.

We are projecting a \$0 MM paydown annually.

### **Profitability**

ROA is 19.5%, and ROC is 22.5%.

### **Bankruptcy Risk**

Altman Z is above 3. Risk is low.

### **LBO?**

We don't believe a 60% debt/40% equity would be sustainable.

### **Price**

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# Altman Z Score

Company Name:

Keynote Systems Inc

Ticker:

KEYN

Period	0	1	2	3	4	5
Working Capital	68.00	95.32	126.43	159.73	195.96	235.09
Total Assets	260.40	282.55	308.20	335.83	365.58	397.61
<b>X1</b>	<b>0.26</b>	<b>0.34</b>	<b>0.41</b>	<b>0.48</b>	<b>0.54</b>	<b>0.59</b>
Retained Earnings	-87.07	-69.92	-49.27	-26.64	-1.89	25.14
Total Assets	260.40	282.55	308.20	335.83	365.58	397.61
<b>X2</b>	<b>-0.33</b>	<b>-0.25</b>	<b>-0.16</b>	<b>-0.08</b>	<b>-0.01</b>	<b>0.06</b>
EBITDA	15.63	25.96	31.28	34.27	37.48	40.93
Total Assets	260.40	282.55	308.20	335.83	365.58	397.61
<b>X3</b>	<b>0.06</b>	<b>0.09</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>
Market Value of Equity	355.52	367.77	380.46	393.58	407.15	421.19
Total Liabilities	34.21	34.21	34.21	34.21	34.21	34.21
<b>X4</b>	<b>10.39</b>	<b>10.75</b>	<b>11.12</b>	<b>11.50</b>	<b>11.90</b>	<b>12.31</b>
Net Sales	103.03	123.64	136.00	142.80	149.94	157.44
Total Assets	260.40	282.55	308.20	335.83	365.58	397.61
<b>X5</b>	<b>0.40</b>	<b>0.44</b>	<b>0.44</b>	<b>0.43</b>	<b>0.41</b>	<b>0.40</b>
<b>Altman Z Score</b>	<b>6.67</b>	<b>7.25</b>	<b>7.72</b>	<b>8.12</b>	<b>8.53</b>	<b>8.92</b>

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

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



# SN VALUATION

# LBO Analysis

WACC Terminal Value:		<b>Intrinsic Price in 5 Years:</b>	<b>24.35</b>	<b>Non-LBO Forecast</b>	<b>21.26</b>	<b>Non-LBO Forecast</b>	<b>Desired Return Rate</b>	<b>20.00%</b>
EV/EBITDA with 5X Multiple Terminal Value:	\$27.36	Market Price:	20.55	Year 1 Target	21.99	Year 2 Target	Implied Today's Price	9.78
Net Tangible Asset Terminal Value:	\$19.03	LBO Price:	<b>2.31</b>	Year 3 Target	22.75	Year 4 Target	Overvalued/(Undervalued)	110.03%
EV/EBITDA with Today's Multiple Terminal Value:	\$22.63	Premium to Market Price:	-88.76%	Year 5 Target	23.53			
EVA Enterprise Value:	\$28.37	LBO Price/Intrinsic Price Target:	60.16%		24.35			
Dividend Discount Model:	<b>(\$3.39)</b>	LBO Price/EV/EBIT Exit Price:	57.83%					
Average (Excluding Dividend Discount):	<b>\$24.35</b>	Implied IRR at today's EV/EBITDA:	1.94%	Implied IRR (Market Price):	3.45%			
		5 Year Return:	953.95%					

Current Evaluation				Exit Evaluation			
Current Market Price:	20.55	LBO Price:	2.31	Exit Price:	24.35	Exit Price:	22.63
Outstanding Shares:	17,300,000	Outstanding Shares:	17,300,000	Outstanding Shares:	17,300,000	Outstanding Shares:	17,300,000
<b>Market Capitalization:</b>	<b>355,515,000</b>	<b>Market Capitalization:</b>	<b>39,963,000</b>	<b>Market Capitalization:</b>	<b>421,189,528</b>	<b>Market Capitalization:</b>	<b>391,436,862</b>
Available Cash:	101,550,000	Available Cash:	101,550,000	Available Cash:	268,636,363	Available Cash:	268,636,363
Debt:	0	Debt:	0	Debt:	0	Debt:	0
Net Cash:	101,550,000	Net Cash:	101,550,000	Net Cash:	268,636,363	Net Cash:	268,636,363
<b>Enterprise Value:</b>	<b>253,965,000</b>	<b>Enterprise Value:</b>	<b>-61,587,000</b>	<b>Enterprise Value:</b>	<b>152,553,166</b>	<b>Enterprise Value:</b>	<b>122,800,499</b>
Original EV/EBITDA:	16.89	EV/EBITDA:	-4.09	EV/EBITDA at 5 Years:	3.82	EV/EBITDA at 5 Years:	<b>3.00</b>
Original EV/EBITDA:	16.25	EV/EBITDA:	-3.18	EV/EBITDA at 5 Years:	4.38	EV/EBITDA at 5 Years:	2.57
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:	2.31	2.31	3.70	5.93	9.49	15.20	24.35
Shares Outstanding:	17,300,000	17,300,000	17,300,000	17,300,000	17,300,000	17,300,000	17,300,000
<b>Market Capitalization:</b>	<b>39,963,000</b>	<b>39,963,000</b>	<b>64,006,190</b>	<b>102,514,636</b>	<b>164,191,160</b>	<b>262,974,519</b>	<b>421,189,528</b>
Available Cash:	101,550,000	101,550,000	128,872,204	159,979,875	193,281,901	229,514,114	268,636,363
Debt:	0	0	0	0	0	0	0
Net Cash:	101,550,000	101,550,000	128,872,204	159,979,875	193,281,901	229,514,114	268,636,363
<b>Enterprise Value:</b>	<b>-61,587,000</b>	<b>-61,587,000</b>	<b>-64,866,014</b>	<b>-57,465,238</b>	<b>-29,090,741</b>	<b>33,460,404</b>	<b>152,553,166</b>
EBIT	15,040,000	15,040,000	24,963,560	30,279,908	33,271,899	36,484,890	39,933,500
EV/EBIT:	-4.09	-4.09	-2.60	-1.90	-0.87	0.92	3.82
EBITDA	19,350,000	19,350,000	31,484,492	37,099,390	40,160,497	44,038,145	47,740,166
EV/EBITDA:	-3.18	-3.18	-2.06	-1.55	-0.72	0.76	3.20

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	2.31	2.31	1.54	2.08	3.30	4.63	6.08
Shares Outstanding:	17,300,000	17,300,000	17,300,000	17,300,000	17,300,000	17,300,000	17,300,000
<b>Market Capitalization:</b>	<b>39,963,000</b>	<b>39,963,000</b>	<b>26,649,413</b>	<b>35,987,275</b>	<b>57,037,456</b>	<b>80,112,857</b>	<b>105,113,461</b>
Available Cash:	101,550,000	101,550,000	128,872,204	159,979,875	193,281,901	229,514,114	268,636,363
Debt:	0	0	0	0	0	0	0
Net Cash:	101,550,000	101,550,000	128,872,204	159,979,875	193,281,901	229,514,114	268,636,363
<b>Enterprise Value:</b>	<b>-61,587,000</b>	<b>-61,587,000</b>	<b>-102,222,791</b>	<b>-123,992,599</b>	<b>-136,244,445</b>	<b>-149,401,257</b>	<b>-163,522,902</b>
EBIT	15,040,000	15,040,000	24,963,560	30,279,908	33,271,899	36,484,890	39,933,500
EV/EBIT:	-4.09	-4.09	-4.09	-4.09	-4.09	-4.09	-4.09
EBITDA	19,350,000	19,350,000	31,484,492	37,099,390	40,160,497	44,038,145	47,740,166
EV/EBITDA:	-3.18	-3.18	-3.25	-3.34	-3.39	-3.39	-3.43

LBO Price	2.31	Equity Partners:	39,963,000	Weighting	<b>100.00%</b>	<b>Annualized Return for Equity Partners: 57.83%</b>
Shares Outstanding	17,300,000	Debt Partners:	0		0.00%	
<b>Market Capitalization</b>	<b>39,963,000</b>	<b>Total Funds for LBO:</b>	<b>39,963,000</b>		<b>100.00%</b>	
Debt	0					
Cash	101,550,000					
<b>Enterprise Value</b>	<b>-61,587,000</b>					
<b>Capital Investment</b>	<b>39,963,000</b>					

<b>Book Value</b>		<b>Enterprise Value</b>		<b>Stock Valuation</b>		<b>Debt Reduction</b>	
Beginning Book Value	226.32	Beginning Enterprise Value	-61.59	Current Market Price	\$20.55	Starting Debt	0.00
Year 5 Book Value	363.53	Year 5 Enterprise Value	122.80	Year 5 Market Price	\$22.63	Debt Repayment	0.00
<b>Annualized Return</b>	<b>9.94%</b>	<b>Annualized Return</b>	<b>-214.80%</b>	<b>Annualized Return</b>	<b>1.94%</b>	Year 5 Ending Debt	0.00
						% of Starting Debt	#DIV/0!

SN VALUATION

LBO Pro Forma Income Statement

Name:

Keynote Systems Inc

Ticker:

KEYN

	Historical				Forecasted				
	12 months ending 2008-09-30	12 months ending 2009-09-30	12 months ending 2010-09-30	12 months ending 2011-09-30	2011	2012	2013	2014	2015
Revenue	76.91	80.11	79.85	103.03	123.64	136.00	142.80	149.94	157.44
COGS	44.18	42.30	42.55	48.50	58.11	63.92	67.12	70.47	74.00
<b>Gross margin</b>	<b>32.73</b>	<b>37.81</b>	<b>37.30</b>	<b>54.53</b>	<b>65.53</b>	<b>72.08</b>	<b>75.68</b>	<b>79.47</b>	<b>83.44</b>
SG&A	35.85	34.20	35.93	39.98	39.56	40.80	41.41	41.98	42.51
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	-1.21	-0.39	-1.49	-1.08	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: Included within COGS	2.15	1.06	0.63	0.59	1.00	1.00	1.00	1.00	1.00
<b>Operating Income (EBITA)</b>	<b>-4.06</b>	<b>2.94</b>	<b>2.23</b>	<b>15.04</b>	<b>24.96</b>	<b>30.28</b>	<b>33.27</b>	<b>36.48</b>	<b>39.93</b>
Interest income/(expense)	2.33	1.34	0.35	0.22	1.02	1.02	1.02	1.02	1.02
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
<b>Income before tax</b>	<b>-1.73</b>	<b>4.28</b>	<b>2.58</b>	<b>15.26</b>	<b>25.98</b>	<b>31.30</b>	<b>34.29</b>	<b>37.50</b>	<b>40.95</b>
Tax	1.03	1.02	0.89	-35.60	8.83	10.64	11.66	12.75	13.92
<b>Income after tax</b>	<b>-2.76</b>	<b>3.26</b>	<b>1.69</b>	<b>50.86</b>	<b>17.15</b>	<b>20.65</b>	<b>22.63</b>	<b>24.75</b>	<b>27.03</b>
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
<b>Net income</b>	<b>-2.76</b>	<b>3.26</b>	<b>1.69</b>	<b>50.86</b>	<b>17.15</b>	<b>20.65</b>	<b>22.63</b>	<b>24.75</b>	<b>27.03</b>
*Figures are in millions (\$)									
<b>Revenue Growth</b>	<b>N/A</b>	<b>4.16%</b>	<b>-0.32%</b>	<b>29.03%</b>	<b>20.00%</b>	<b>10.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>
Tax Rate	-59.54%	23.83%	34.50%	-233.29%	34.00%	34.00%	34.00%	34.00%	34.00%
Implied Debt Interest Rate	832.14%	0.00%	0.00%	0.00%	NA	NA	NA	NA	NA
<b>Margins</b>									
COGS	57.44%	52.80%	53.29%	47.07%	47.00%	47.00%	47.00%	47.00%	47.00%
<b>Gross margin</b>	<b>42.56%</b>	<b>47.20%</b>	<b>46.71%</b>	<b>52.93%</b>	<b>53.00%</b>	<b>53.00%</b>	<b>53.00%</b>	<b>53.00%</b>	<b>53.00%</b>
SG&A	46.61%	42.69%	45.00%	38.80%	32.00%	30.00%	29.00%	28.00%	27.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	-1.57%	-0.49%	-1.87%	-1.05%	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: Included within COGS	2.80%	1.32%	0.79%	0.57%	0.81%	0.74%	0.70%	0.67%	0.64%
<b>Operating Income (EBITA)</b>	<b>-5.28%</b>	<b>3.67%</b>	<b>2.79%</b>	<b>14.60%</b>	<b>20.19%</b>	<b>22.26%</b>	<b>23.30%</b>	<b>24.33%</b>	<b>25.36%</b>
Interest income/(expense)	3.03%	1.67%	0.44%	0.21%	0.82%	0.75%	0.71%	0.68%	0.65%
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%
<b>Income before tax</b>	<b>-2.25%</b>	<b>5.34%</b>	<b>3.23%</b>	<b>14.81%</b>	<b>21.01%</b>	<b>23.01%</b>	<b>24.01%</b>	<b>25.01%</b>	<b>26.01%</b>
Tax	1.34%	1.27%	1.11%	-34.55%	7.14%	7.82%	8.16%	8.50%	8.84%
<b>Income after tax</b>	<b>-3.59%</b>	<b>4.07%</b>	<b>2.12%</b>	<b>49.36%</b>	<b>13.87%</b>	<b>16.71%</b>	<b>18.30%</b>	<b>20.02%</b>	<b>21.86%</b>
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%
<b>Net income</b>	<b>-3.59%</b>	<b>4.07%</b>	<b>2.12%</b>	<b>49.36%</b>	<b>13.87%</b>	<b>15.19%</b>	<b>15.85%</b>	<b>16.51%</b>	<b>17.17%</b>

					Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2008-09-30	As of 2009-09-30	As of 2010-09-30	As of 2011-09-30	+	-						
Cash	42.55	51.38	23.24	85.57			85.57	112.89	144.00	177.30	213.53	252.66
Short term investment	7.04	6.63	43.70	15.98			15.98	15.98	15.98	15.98	15.98	15.98
<b>Cash and Short term</b>	<b>49.59</b>	<b>58.01</b>	<b>66.94</b>	<b>101.55</b>			<b>101.55</b>	<b>128.87</b>	<b>159.98</b>	<b>193.28</b>	<b>229.51</b>	<b>268.64</b>
Accounts Receivable	7.32	6.40	9.09	14.74			14.74	14.74	14.74	14.74	14.74	14.74
Other receivables	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Receivables</b>	<b>7.32</b>	<b>6.40</b>	<b>9.09</b>	<b>14.74</b>			<b>14.74</b>	<b>14.74</b>	<b>14.74</b>	<b>14.74</b>	<b>14.74</b>	<b>14.74</b>
Deferred Income Tax	-31.36	-33.54	-32.75	-31.97			-31.97	-31.97	-31.97	-31.97	-31.97	-31.97
Total Inventory	1.08	1.22	1.29	1.50			1.50	1.50	1.50	1.50	1.50	1.50
Prepaid Expenses	1.33	1.55	1.59	2.29			2.29	2.29	2.29	2.29	2.29	2.29
Other Current Assets	2.37	3.86	4.71	7.90			7.90	7.90	7.90	7.90	7.90	7.90
<b>Current Assets</b>	<b>30.33</b>	<b>37.50</b>	<b>50.87</b>	<b>96.01</b>	<b>0.00</b>	<b>0.00</b>	<b>96.01</b>	<b>123.33</b>	<b>154.44</b>	<b>187.74</b>	<b>223.97</b>	<b>263.10</b>
PP&E, Gross	67.75	69.31	71.24	75.51			75.51	80.51	85.51	90.51	95.51	100.51
Change in Depreciation	5.14	4.85	4.46	4.31			4.31	6.52	6.82	6.89	7.55	7.81
Accumulated Depreciation	0.00	0.00	4.46	8.77			8.77	15.29	22.11	29.00	36.55	44.36
<b>PP&amp;E, Net</b>	<b>67.75</b>	<b>69.31</b>	<b>66.78</b>	<b>66.74</b>			<b>66.74</b>	<b>65.22</b>	<b>63.40</b>	<b>61.51</b>	<b>58.96</b>	<b>56.15</b>
Goodwill	64.40	66.08	63.17	62.46	0.00		62.46	62.46	62.46	62.46	62.46	62.46
Intangibles	8.43	6.25	3.91	1.65			1.65	-2.01	-5.64	-9.42	-13.35	-17.64
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	4.93	3.08	1.79	33.54			33.54	33.54	33.54	33.54	33.54	33.54
<b>Long Term Assets</b>	<b>145.51</b>	<b>144.72</b>	<b>135.65</b>	<b>164.39</b>	<b>0.00</b>	<b>0.00</b>	<b>164.39</b>	<b>159.21</b>	<b>153.76</b>	<b>148.09</b>	<b>141.61</b>	<b>134.51</b>
<b>Total Assets</b>	<b>175.84</b>	<b>182.22</b>	<b>186.52</b>	<b>260.40</b>	<b>0.00</b>	<b>0.00</b>	<b>260.40</b>	<b>282.55</b>	<b>308.20</b>	<b>335.83</b>	<b>365.58</b>	<b>397.61</b>
Accounts Payable	2.50	1.15	1.75	2.41			2.41	2.41	2.41	2.41	2.41	2.41
Accrued Expense	12.78	8.47	6.93	8.83			8.83	8.83	8.83	8.83	8.83	8.83
Other current Liabilities	19.03	17.66	20.55	16.77			16.77	16.77	16.77	16.77	16.77	16.77
<b>Total Current Liabilities</b>	<b>34.31</b>	<b>27.28</b>	<b>29.23</b>	<b>28.01</b>	<b>0.00</b>	<b>0.00</b>	<b>28.01</b>	<b>28.01</b>	<b>28.01</b>	<b>28.01</b>	<b>28.01</b>	<b>28.01</b>
Notes Payables/Short Term Debt	0.26	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	0.02	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Interest Earning Debt</b>	<b>0.28</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Deferred Income tax	0.24	0.41	0.40	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	3.51	4.51	5.53	6.20			6.20	6.20	6.20	6.20	6.20	6.20
<b>Total Liabilities</b>	<b>38.34</b>	<b>32.20</b>	<b>35.16</b>	<b>34.21</b>	<b>0.00</b>	<b>0.00</b>	<b>34.21</b>	<b>34.21</b>	<b>34.21</b>	<b>34.21</b>	<b>34.21</b>	<b>34.21</b>
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	0.01	0.01	0.01	0.02		0.00	0.02	0.02	0.02	0.02	0.02	0.02
Additional Paid-in capital	275.32	282.65	286.76	312.06	0.00	0.00	312.06	312.06	312.06	312.06	312.06	312.06
Dividends Paid	0.00	0.00	0.00	0.00			0.00	5.00	10.00	15.00	20.00	25.00
Retained Earnings	-142.87	-139.61	-137.93	-87.07		0.00	-87.07	-69.92	-49.27	-26.64	-1.89	25.14
Treasury Stock	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	5.05	6.97	2.45	1.31		0.00	1.31	1.31	1.31	1.31	1.31	1.31
<b>Total Equity</b>	<b>137.51</b>	<b>150.02</b>	<b>151.29</b>	<b>226.32</b>	<b>0.00</b>	<b>0.00</b>	<b>226.32</b>	<b>248.47</b>	<b>274.12</b>	<b>301.75</b>	<b>331.50</b>	<b>363.53</b>
<b>Liability + Equity</b>	<b>175.85</b>	<b>182.22</b>	<b>186.45</b>	<b>260.53</b>	<b>0.00</b>	<b>0.00</b>	<b>260.53</b>	<b>282.68</b>	<b>308.33</b>	<b>335.96</b>	<b>365.71</b>	<b>397.74</b>
<b>Variance</b>	<b>-0.01</b>	<b>0.00</b>	<b>0.07</b>	<b>-0.13</b>			<b>-0.13</b>	<b>-0.13</b>	<b>-0.13</b>	<b>-0.13</b>	<b>-0.13</b>	<b>-0.13</b>
<b>Debt/Equity</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Inventory Turnover	71.21	65.66	61.90	68.69			68.69	82.42	90.67	95.20	99.96	104.96
Inventory Turnover Days	5.13	5.56	5.90	5.31			5.31	4.43	4.03	3.83	3.65	3.48
Days Inventory Outstanding	8.92	10.53	11.07	11.29			11.29	9.42	8.57	8.16	7.77	7.40
Accounts Receivable Turnover	10.51	12.52	8.78	6.99			6.99	8.39	9.23	9.69	10.17	10.68
Accounts Receivable Turnover Days	34.74	29.16	41.55	52.22			52.22	43.52	39.56	37.68	35.88	34.17
Days Payable Outstanding	20.65	9.92	15.01	18.14			18.14	15.14	13.76	13.11	12.48	11.89
Days Sales Outstanding	34.74	29.16	41.55	52.22			52.22	52.22	43.52	39.56	37.68	35.88
Cash Conversion Cycle	23.01	29.76	37.61	45.37			45.37	46.50	38.32	34.61	32.96	31.39

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2008-09-30	12 months ending 2009-09-30	12 months ending 2010-09-30	12 months ending 2011-09-30	2011	2012	2013	2014	2015
Net Income	-2.76	3.26	1.69	50.86	17.15	20.65	22.63	24.75	27.03
Depreciation	5.14	4.85	4.46	4.31	6.52	6.82	6.89	7.55	7.81
<b>Net Income + Depreciation</b>	<b>2.38</b>	<b>8.11</b>	<b>6.15</b>	<b>55.17</b>	<b>23.67</b>	<b>27.47</b>	<b>29.52</b>	<b>32.30</b>	<b>34.83</b>
Amortization	3.15	2.21	2.21	2.27	3.66	3.63	3.78	3.93	4.29
Deferred Taxes	-0.03	-0.11	-1.26	-36.76	0.00	0.00	0.00	0.00	0.00
Non Cash Items	4.85	6.18	5.14	6.00	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-5.07	-7.60	0.49	-7.41	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.92	-2.69	-5.65	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	-0.14	-0.07	-0.21	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-0.22	-0.04	-0.70	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-1.35	0.60	0.66	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>5.28</b>	<b>8.79</b>	<b>12.73</b>	<b>19.27</b>	<b>27.32</b>	<b>31.11</b>	<b>33.30</b>	<b>36.23</b>	<b>39.12</b>
Capital Expenditures	-8.42	-3.44	-3.23	-4.34	-5.00	-5.00	-5.00	-5.00	-5.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	56.56	0.71	-36.92	26.14	0.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>48.14</b>	<b>-2.73</b>	<b>-40.15</b>	<b>21.80</b>	<b>-5.00</b>	<b>-5.00</b>	<b>-5.00</b>	<b>-5.00</b>	<b>-5.00</b>
Financing Cash flow items	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	-2.95	-3.90	-5.00	-5.00	-5.00	-5.00	-5.00
Issuance (Retirement) of Stock	-53.62	2.98	3.63	25.78	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	-0.03	-0.26	-0.02	0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>-53.65</b>	<b>2.73</b>	<b>0.66</b>	<b>21.88</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>
Foreign Exchange effect	-0.10	0.04	-1.39	-0.62	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	42.88	42.55	51.38	23.24	85.57	112.89	144.00	177.30	213.53
<b>Net Change in Cash</b>	<b>-0.33</b>	<b>8.84</b>	<b>-28.14</b>	<b>62.33</b>	<b>27.32</b>	<b>31.11</b>	<b>33.30</b>	<b>36.23</b>	<b>39.12</b>
Ending Cash Balance	42.55	51.38	23.24	85.57	112.89	144.00	177.30	213.53	252.66
Depreciation to Sales	6.68%	6.05%	5.59%	4.18%	5.27%	5.01%	4.82%	5.04%	4.96%
Amortization to Sales	4.10%	2.76%	2.77%	2.20%	2.96%	2.67%	2.65%	2.62%	2.72%
A/R to Sales	9.52%	7.99%	11.38%	14.31%	11.92%	10.84%	10.32%	9.83%	9.36%
Distributable FCF Yield	21.03%	2.39%	-10.80%	16.17%	8.79%	10.28%	11.14%	12.30%	13.44%
Dividend Yield	0.00%	0.00%	-0.83%	-1.10%	-1.41%	-1.41%	-1.41%	-1.41%	-1.41%

# SN VALUATION

# LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
Net Change in Cash	62.33	27.32	31.11	33.30	36.23	39.12
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	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		4.00%	4.00%	4.00%	4.00%	4.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
<b>Interest Rate</b>		<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>
<b>Interest Expense</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Cash Balance		101.55				
Interest @ 1.0%		1.02	1.02	1.02	1.02	1.02
<b>Net Interest Expense/(Income)</b>		<b>(1.02)</b>	<b>(1.02)</b>	<b>(1.02)</b>	<b>(1.02)</b>	<b>(1.02)</b>
<b>Net Interest Rate</b>		<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>
EBITDA		24.96	30.28	33.27	36.48	39.93
<b>EBITDA/Interest Expense Coverage</b>		<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>

## 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