

Analyst: Sung Nam

**LRAD Corp (LRAD)**

<b>Market Price:</b>	<b>\$1.46</b>	<b>EBITDA/Share:</b>	<b>\$0.15</b>	<b>Net Asset/Share:</b>	<b>\$0.62</b>
<b>DCF: EV/EBITDA Terminal Value</b>	<b>6.911%</b>	<b>DCF: Net Tangible Asset excluding Cash/Debt Terminal Value</b>	<b>-2.971%</b>		
<b>EBITDA-Cap Ex/Share</b>	<b>\$0.15</b>	<b>EVA Analysis:</b>	<b>1.880%</b>		

**Overview**

Company manufactures audio equipment used for military/defense related purposes.

**Dividend?**

Dividend yield is 0.0%.

**Price to Book**

Price to book is 2.33. Price to book excluding goodwill is 2.36.

**Cashflow Generation**

Cashflows are \$4 MM from operating cashflow.

Capex is \$0 MM, minority interest payment is \$0 MM, intangibles are \$12 MM and dividend is \$0 MM.

Free cash flow is about \$4 MM.

18.8% EBITA margin and FCF yield is 12.3%.

The company has \$14 MM in cash/short term investment and \$0 MM in debt.

We are projecting a \$0 MM paydown annually.

**Profitability**

ROA is 20.2%, and ROC is 24.4%.

**Bankruptcy Risk**

Altman Z is above 3.0. Low Risk.

**LBO?**

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

**Price**

# Altman Z Score

Company Name:

LRAD Corp

Ticker:

LRAD

Period	2007	2008	2009	2010	2011	2012	2013	2014	2015
Working Capital	4.82	5.57	8.96	17.90	21.59	25.63	29.80	34.08	38.49
Total Assets	9.46	11.01	13.17	24.50	28.03	31.91	35.90	40.01	44.23
<b>X1</b>	<b>0.51</b>	<b>0.51</b>	<b>0.68</b>	<b>0.73</b>	<b>0.77</b>	<b>0.80</b>	<b>0.83</b>	<b>0.85</b>	<b>0.87</b>
Retained Earnings	-73.86	-74.90	-70.42	-65.40	-61.87	-57.99	-54.00	-49.89	-45.67
Total Assets	9.46	11.01	13.17	24.50	28.03	31.91	35.90	40.01	44.23
<b>X2</b>	<b>-7.81</b>	<b>-6.80</b>	<b>-5.35</b>	<b>-2.67</b>	<b>-2.21</b>	<b>-1.82</b>	<b>-1.50</b>	<b>-1.25</b>	<b>-1.03</b>
EBITDA	-6.44	-0.30	2.45	4.99	5.25	5.77	5.95	6.13	6.31
Total Assets	9.46	11.01	13.17	24.50	28.03	31.91	35.90	40.01	44.23
<b>X3</b>	<b>-0.68</b>	<b>-0.03</b>	<b>0.19</b>	<b>0.20</b>	<b>0.19</b>	<b>0.18</b>	<b>0.17</b>	<b>0.15</b>	<b>0.14</b>
Market Value of Equity	47.26	47.26	47.26	47.26	48.66	50.10	51.59	53.12	54.69
Total Liabilities	1.93	2.97	2.84	4.22	4.22	4.22	4.22	4.22	4.22
<b>X4</b>	<b>24.49</b>	<b>15.91</b>	<b>16.64</b>	<b>11.20</b>	<b>11.53</b>	<b>11.87</b>	<b>12.23</b>	<b>12.59</b>	<b>12.96</b>
Net Sales	11.19	15.22	16.69	26.51	29.16	32.08	33.04	34.03	35.05
Total Assets	9.46	11.01	13.17	24.50	28.03	31.91	35.90	40.01	44.23
<b>X5</b>	<b>1.18</b>	<b>1.38</b>	<b>1.27</b>	<b>1.08</b>	<b>1.04</b>	<b>1.01</b>	<b>0.92</b>	<b>0.85</b>	<b>0.79</b>
<b>Altman Z Score</b>	<b>3.31</b>	<b>1.92</b>	<b>5.20</b>	<b>5.61</b>	<b>6.41</b>	<b>7.15</b>	<b>7.69</b>	<b>8.18</b>	<b>8.64</b>

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

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



# SN VALUATION

# LBO Analysis

WACC Terminal Value:		<b>Intrinsic Price in 5 Years:</b>	<b>1.69</b>	<b>Non-LBO Forecast</b>	<b>Non-LBO Forecast</b>	<b>Desired Return Rate</b>	<b>20.00%</b>
EV/EBITDA with 5X Multiple Terminal Value:	\$2.04	Market Price:	1.46	Year 1 Target	1.50	<b>Implied Today's Price</b>	<b>0.68</b>
Net Tangible Asset Terminal Value:	\$1.26	LBO Price:	<b>1.46</b>	Year 2 Target	1.55	Overvalued/(Undervalued)	115.01%
EV/EBITDA with Today's Multiple Terminal Value:	\$1.65	Premium to Market Price:	0.00%	Year 3 Target	1.59		
<b>EVA Enterprise Value:</b>	<b>\$1.81</b>	LBO Price/Intrinsic Price Target:	2.97%	Year 4 Target	1.64		
<b>Dividend Discount Model:</b>	<b>N/A</b>	LBO Price/EV/EBIT Exit Price:	2.47%	Year 5 Target	1.69		
<b>Average (Excluding Dividend Discount):</b>	<b>\$1.69</b>	Implied IRR at today's EV/EBITDA:	2.47%	<b>Implied IRR (Market Price):</b>	<b>2.97%</b>		
		5 Year Return:	15.73%				

Current Evaluation				Exit Evaluation			
Current Market Price:	1.46	LBO Price:	1.46	Exit Price:	1.69	Exit Price:	1.65
Outstanding Shares:	32,370,000	Outstanding Shares:	32,370,000	Outstanding Shares:	32,370,000	Outstanding Shares:	32,370,000
<b>Market Capitalization:</b>	<b>47,260,200</b>	<b>Market Capitalization:</b>	<b>47,260,200</b>	<b>Market Capitalization:</b>	<b>54,694,903</b>	<b>Market Capitalization:</b>	<b>53,392,208</b>
Available Cash:	13,870,000	Available Cash:	13,870,000	Available Cash:	34,464,391	Available Cash:	34,464,391
Debt:	0	Debt:	0	Debt:	0	Debt:	0
Net Cash:	13,870,000	Net Cash:	13,870,000	Net Cash:	34,464,391	Net Cash:	34,464,391
<b>Enterprise Value:</b>	<b>33,390,200</b>	<b>Enterprise Value:</b>	<b>33,390,200</b>	<b>Enterprise Value:</b>	<b>20,230,512</b>	<b>Enterprise Value:</b>	<b>18,927,817</b>
Original EV/EBITDA:	6.70	EV/EBITDA:	6.70	EV/EBITDA at 5 Years:	3.21	EV/EBITDA at 5 Years:	<b>3.00</b>
Original EV/EBITDA:	6.69	EV/EBITDA:	6.51	EV/EBITDA at 5 Years:	4.59	EV/EBITDA at 5 Years:	2.91
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:	1.46	1.46	1.51	1.55	1.60	1.64	1.69
Shares Outstanding:	32,370,000	32,370,000	32,370,000	32,370,000	32,370,000	32,370,000	32,370,000
<b>Market Capitalization:</b>	<b>47,260,200</b>	<b>47,327,249</b>	<b>48,730,573</b>	<b>50,175,508</b>	<b>51,663,287</b>	<b>53,195,182</b>	<b>54,772,499</b>
Available Cash:	13,870,000	13,870,000	17,558,089	21,603,436	25,766,740	30,052,722	34,464,391
Debt:	0	0	0	0	0	0	0
Net Cash:	13,870,000	13,870,000	17,558,089	21,603,436	25,766,740	30,052,722	34,464,391
<b>Enterprise Value:</b>	<b>33,390,200</b>	<b>33,457,249</b>	<b>31,172,484</b>	<b>28,572,071</b>	<b>25,896,547</b>	<b>23,142,460</b>	<b>20,308,109</b>
EBIT	4,990,000	4,990,000	5,248,980	5,773,878	5,947,094	6,125,507	6,309,272
EV/EBIT:	6.69	6.70	5.94	4.95	4.35	3.78	3.22
EBITDA	5,130,000	5,130,000	5,402,980	5,943,278	6,121,576	6,305,224	6,494,380
EV/EBITDA:	6.51	6.51	5.77	4.81	4.23	3.67	3.13

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	1.46	1.46	1.63	1.86	2.03	2.20	2.37
Shares Outstanding:	32,370,000	32,370,000	32,370,000	32,370,000	32,370,000	32,370,000	32,370,000
<b>Market Capitalization:</b>	<b>47,260,200</b>	<b>52,751,762</b>	<b>60,316,477</b>	<b>65,641,172</b>	<b>71,123,387</b>	<b>76,767,175</b>	<b>82,511,000</b>
Available Cash:	13,870,000	13,870,000	17,558,089	21,603,436	25,766,740	30,052,722	34,464,391
Debt:	0	0	0	0	0	0	0
Net Cash:	13,870,000	13,870,000	17,558,089	21,603,436	25,766,740	30,052,722	34,464,391
<b>Enterprise Value:</b>	<b>33,390,200</b>	<b>33,457,249</b>	<b>35,193,673</b>	<b>38,713,040</b>	<b>39,874,432</b>	<b>41,070,665</b>	<b>42,302,784</b>
EBIT	4,990,000	4,990,000	5,248,980	5,773,878	5,947,094	6,125,507	6,309,272
EV/EBIT:	6.69	6.70	6.70	6.70	6.70	6.70	6.70
EBITDA	5,130,000	5,130,000	5,402,980	5,943,278	6,121,576	6,305,224	6,494,380
EV/EBITDA:	6.51	6.51	6.51	6.51	6.51	6.51	6.51

LBO Price	1.46	Equity Partners:	47,260,200	Weighting	100.00%	<b>Annualized Return for Equity Partners: 2.47%</b>
Shares Outstanding	32,370,000	Debt Partners:	0	0.00%		
<b>Market Capitalization</b>	<b>47,260,200</b>	<b>Total Funds for LBO:</b>	<b>47,260,200</b>	100.00%		
Debt	0					
Cash	13,870,000					
<b>Enterprise Value</b>	<b>33,390,200</b>					
<b>Capital Investment</b>	<b>47,260,200</b>					

Book Value	Enterprise Value	Stock Valuation	Debt Reduction				
Beginning Book Value	20.27	Beginning Enterprise Value	33.39	Current Market Price	\$1.46	Starting Debt	0.00
Year 5 Book Value	40.00	Year 5 Enterprise Value	18.93	Year 5 Market Price	\$1.65	Debt Repayment	0.00
<b>Annualized Return</b>	<b>14.56%</b>	<b>Annualized Return</b>	<b>-10.73%</b>	<b>Annualized Return</b>	<b>2.47%</b>	Year 5 Ending Debt	0.00
						% of Starting Debt	#DIV/0!

SN VALUATION

LBO Pro Forma Income Statement

Name:

LRAD Corp

Ticker:

LRAD

	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	11.19	15.22	16.69	26.51	29.16	32.08	33.04	34.03	35.05
COGS	6.78	7.83	7.52	10.58	11.66	12.83	13.22	13.61	14.02
<b>Gross margin</b>	<b>4.41</b>	<b>7.39</b>	<b>9.17</b>	<b>15.93</b>	<b>17.50</b>	<b>19.25</b>	<b>19.82</b>	<b>20.42</b>	<b>21.03</b>
SG&A	7.50	5.70	4.66	8.46	9.33	10.26	10.57	10.89	11.22
R&D	3.35	1.99	2.06	2.48	2.92	3.21	3.30	3.40	3.51
Unusual expense	0.00	0.00	0.00	0.00	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
<b>Operating Income (EBITA)</b>	<b>-6.44</b>	<b>-0.30</b>	<b>2.45</b>	<b>4.99</b>	<b>5.25</b>	<b>5.77</b>	<b>5.95</b>	<b>6.13</b>	<b>6.31</b>
Interest income/(expense)	0.09	0.03	0.75	0.00	0.14	0.14	0.14	0.14	0.14
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	0.05	0.03	0.04	0.04	0.04	0.04
<b>Income before tax</b>	<b>-6.36</b>	<b>-0.28</b>	<b>3.20</b>	<b>5.03</b>	<b>5.35</b>	<b>5.87</b>	<b>6.04</b>	<b>6.22</b>	<b>6.40</b>
Tax	0.00	0.10	0.17	0.08	1.82	2.00	2.05	2.12	2.18
<b>Income after tax</b>	<b>-6.36</b>	<b>-0.38</b>	<b>3.03</b>	<b>4.95</b>	<b>3.53</b>	<b>3.88</b>	<b>3.99</b>	<b>4.11</b>	<b>4.23</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>-6.36</b>	<b>-0.38</b>	<b>3.03</b>	<b>4.95</b>	<b>3.53</b>	<b>3.88</b>	<b>3.99</b>	<b>4.11</b>	<b>4.23</b>
*Figures are in millions (\$)									
<b>Revenue Growth</b>	<b>N/A</b>	<b>36.01%</b>	<b>9.66%</b>	<b>58.84%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
Tax Rate	0.00%	-35.71%	5.31%	1.59%	34.00%	34.00%	34.00%	34.00%	34.00%
Implied Debt Interest Rate	0.00%	0.00%	0.00%	0.00%	NA	NA	NA	NA	NA
<b>Margins</b>									
COGS	60.59%	51.45%	45.06%	39.91%	40.00%	40.00%	40.00%	40.00%	40.00%
<b>Gross margin</b>	<b>39.41%</b>	<b>48.55%</b>	<b>54.94%</b>	<b>60.09%</b>	<b>60.00%</b>	<b>60.00%</b>	<b>60.00%</b>	<b>60.00%</b>	<b>60.00%</b>
SG&A	67.02%	37.45%	27.92%	31.91%	32.00%	32.00%	32.00%	32.00%	32.00%
R&D	29.94%	13.07%	12.34%	9.35%	10.00%	10.00%	10.00%	10.00%	10.00%
Unusual expense	0.00%	0.00%	0.00%	0.00%	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%
<b>Operating Income (EBITA)</b>	<b>-57.55%</b>	<b>-1.97%</b>	<b>14.68%</b>	<b>18.82%</b>	<b>18.00%</b>	<b>18.00%</b>	<b>18.00%</b>	<b>18.00%</b>	<b>18.00%</b>
Interest income/(expense)	0.80%	0.20%	4.49%	0.00%	0.48%	0.43%	0.42%	0.41%	0.40%
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%	0.19%	0.11%	0.12%	0.13%	0.13%	0.13%
<b>Income before tax</b>	<b>-56.84%</b>	<b>-1.84%</b>	<b>19.17%</b>	<b>18.97%</b>	<b>18.36%</b>	<b>18.31%</b>	<b>18.29%</b>	<b>18.28%</b>	<b>18.27%</b>
Tax	0.00%	0.66%	1.02%	0.30%	6.24%	6.22%	6.22%	6.22%	6.21%
<b>Income after tax</b>	<b>-56.84%</b>	<b>-2.50%</b>	<b>18.15%</b>	<b>18.67%</b>	<b>12.12%</b>	<b>13.29%</b>	<b>13.68%</b>	<b>14.08%</b>	<b>14.49%</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>-56.84%</b>	<b>-2.50%</b>	<b>18.15%</b>	<b>18.67%</b>	<b>12.12%</b>	<b>12.08%</b>	<b>12.07%</b>	<b>12.07%</b>	<b>12.06%</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	2.69	5.10	5.42	13.87			13.87	17.56	21.60	25.77	30.05	34.46
Short term investment	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash and Short term</b>	<b>2.69</b>	<b>5.10</b>	<b>5.42</b>	<b>13.87</b>			<b>13.87</b>	<b>17.56</b>	<b>21.60</b>	<b>25.77</b>	<b>30.05</b>	<b>34.46</b>
Accounts Receivable	2.21	1.43	4.19	5.10			5.10	5.10	5.10	5.10	5.10	5.10
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>2.21</b>	<b>1.43</b>	<b>4.19</b>	<b>5.10</b>			<b>5.10</b>	<b>5.10</b>	<b>5.10</b>	<b>5.10</b>	<b>5.10</b>	<b>5.10</b>
Deferred Income Tax	-1.29	-1.28	-1.18	-1.14			-1.14	-1.14	-1.14	-1.14	-1.14	-1.14
Total Inventory	2.89	2.65	2.78	2.74			2.74	2.74	2.74	2.74	2.74	2.74
Prepaid Expenses	0.25	0.19	0.20	0.66			0.66	0.66	0.66	0.66	0.66	0.66
Other Current Assets	0.00	0.45	0.11	0.61			0.61	0.61	0.61	0.61	0.61	0.61
<b>Current Assets</b>	<b>6.75</b>	<b>8.54</b>	<b>11.52</b>	<b>21.84</b>	<b>0.00</b>	<b>0.00</b>	<b>21.84</b>	<b>25.53</b>	<b>29.57</b>	<b>33.74</b>	<b>38.02</b>	<b>42.43</b>
PP&E, Gross	1.59	1.52	1.52	1.56			1.56	1.56	1.56	1.56	1.56	1.56
Change in Depreciation	0.35	0.31	0.21	0.14			0.14	0.15	0.17	0.18	0.18	0.19
Accumulated Depreciation	0.00	0.00	0.21	0.35			0.35	0.50	0.67	0.85	1.03	1.21
<b>PP&amp;E, Net</b>	<b>1.59</b>	<b>1.52</b>	<b>1.31</b>	<b>1.21</b>			<b>1.21</b>	<b>1.06</b>	<b>0.89</b>	<b>0.71</b>	<b>0.53</b>	<b>0.35</b>
Goodwill	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	1.06	0.34	0.28	0.23			0.23	0.23	0.23	0.23	0.23	0.23
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	0.06	0.61	0.06	1.22			1.22	1.22	1.22	1.22	1.22	1.22
<b>Long Term Assets</b>	<b>2.71</b>	<b>2.47</b>	<b>1.65</b>	<b>2.66</b>			<b>2.66</b>	<b>2.51</b>	<b>2.34</b>	<b>2.16</b>	<b>1.98</b>	<b>1.80</b>
<b>Total Assets</b>	<b>9.46</b>	<b>11.01</b>	<b>13.17</b>	<b>24.50</b>	<b>0.00</b>	<b>0.00</b>	<b>24.50</b>	<b>28.03</b>	<b>31.91</b>	<b>35.90</b>	<b>40.01</b>	<b>44.23</b>
Accounts Payable	0.96	0.96	0.97	1.04			1.04	1.04	1.04	1.04	1.04	1.04
Accrued Expense	0.69	1.55	1.43	2.89			2.89	2.89	2.89	2.89	2.89	2.89
Other current Liabilities	0.28	0.46	0.16	0.01			0.01	0.01	0.01	0.01	0.01	0.01
<b>Total Current Liabilities</b>	<b>1.93</b>	<b>2.97</b>	<b>2.56</b>	<b>3.94</b>	<b>0.00</b>	<b>0.00</b>	<b>3.94</b>	<b>3.94</b>	<b>3.94</b>	<b>3.94</b>	<b>3.94</b>	<b>3.94</b>
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
<b>Total Interest Earning Debt</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>	<b>0.00</b>
Deferred Income tax	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
Other liabilities	0.00	0.00	0.28	0.28			0.28	0.28	0.28	0.28	0.28	0.28
<b>Total Liabilities</b>	<b>1.93</b>	<b>2.97</b>	<b>2.84</b>	<b>4.22</b>	<b>0.00</b>	<b>0.00</b>	<b>4.22</b>	<b>4.22</b>	<b>4.22</b>	<b>4.22</b>	<b>4.22</b>	<b>4.22</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	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Additional Paid-in capital	81.38	82.95	80.76	85.67	0.00	0.00	85.67	85.67	85.67	85.67	85.67	85.67
Dividends Paid	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	-73.86	-74.90	-70.42	-65.40		0.00	-65.40	-61.87	-57.99	-54.00	-49.89	-45.67
Treasury Stock	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Equity</b>	<b>7.52</b>	<b>8.05</b>	<b>10.34</b>	<b>20.27</b>	<b>0.00</b>	<b>0.00</b>	<b>20.27</b>	<b>23.80</b>	<b>27.68</b>	<b>31.67</b>	<b>35.78</b>	<b>40.00</b>
<b>Liability + Equity</b>	<b>9.45</b>	<b>11.02</b>	<b>13.18</b>	<b>24.49</b>	<b>0.00</b>	<b>0.00</b>	<b>24.49</b>	<b>28.02</b>	<b>31.90</b>	<b>35.89</b>	<b>40.00</b>	<b>44.22</b>
<b>Variance</b>	<b>0.01</b>	<b>-0.01</b>	<b>-0.01</b>	<b>0.01</b>			<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</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	3.87	5.74	6.00	9.68			9.68	10.64	11.71	12.06	12.42	12.79
Inventory Turnover Days	94.27	63.55	60.80	37.73			37.73	34.30	31.18	30.27	29.39	28.53
Days Inventory Outstanding	155.58	123.53	134.93	94.53			94.53	85.74	77.95	75.67	73.47	71.33
Accounts Receivable Turnover	5.06	10.64	3.98	5.20			5.20	5.72	6.29	6.48	6.67	6.87
Accounts Receivable Turnover Days	72.09	34.29	91.63	70.22			70.22	63.84	58.03	56.34	54.70	53.11
Days Payable Outstanding	51.68	44.75	47.08	35.88			35.88	32.54	29.58	28.72	27.89	27.07
Days Sales Outstanding	72.09	34.29	91.63	70.22			70.22	70.22	63.84	58.03	56.34	54.70
Cash Conversion Cycle	175.99	113.07	179.49	128.87			128.87	123.41	112.20	104.98	101.93	98.96



# SN VALUATION

# LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
Net Change in Cash	8.45	3.69	4.05	4.16	4.29	4.41
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		13.87				
Interest @ 1.0%		0.14	0.14	0.14	0.14	0.14
<b>Net Interest Expense/(Income)</b>		<b>(0.14)</b>	<b>(0.14)</b>	<b>(0.14)</b>	<b>(0.14)</b>	<b>(0.14)</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		5.25	5.77	5.95	6.13	6.31
<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