

Analyst: Sung Nam

Lam Research Corp (LRCX)

Market Price:	\$36.17	EBITDA/Share:	\$6.73	Net Asset/Share:	\$18.85
DCF: EV/EBITDA Terminal Value	15.328%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		3.120%	
EBITDA-Cap Ex/Share	\$5.89	EVA Analysis:		9.366%	

Overview

Strong balance sheet, improving A/R turnover and extending A/P days, phenomenal growth, the company manufactures equipment used in creating semiconductors. They recently announced a buyout offer for Novellus for \$3.3 Billion. Accompanying, Lam Research report is the Novellus report.

Dividend?

Dividend yield is 0.0%.

Cashflow Generation

Cashflows are \$700 MM from operating cashflow.

Capex is \$125 MM, intangibles are \$0 MM and dividend is \$0 MM.

Free cash flow is about \$575 MM.

24.8% EBITA margin.

The company has \$ 2,122 MM in cash/short term investment and \$743 MM in debt.

Profitability

ROA is a strong 17.8%, and ROC is 29.3%.

LBO?

We believe a 60% debt/40% equity would be sustainable.

Price

We are forecasting a \$65.30/share in Year 5, or a 80.5% holding return, or 12.5% annual return.

Thus, the 1 year forecasted price is \$40.70.

In Finviz, price targets in 2011 is \$46.

Lam Research Corporation (Lam Research) is a supplier of wafer fabrication equipment and services to the worldwide semiconductor industry. Lam Research designs, manufactures, markets, refurbish, and services semiconductor processing equipment used in the fabrication of integrated circuits. The Company's etch and clean technologies enable customers to build integrated circuits. Its etch systems shape the microscopic conductive and dielectric layers into circuits that define a chip's final use and function. Its Customer Support Business Group (CSBG) provides products and services to maximize installed equipment performance and operational efficiency. Its customer base includes semiconductor memory, foundry, and integrated device manufacturers (IDMs) that make DRAM, NAND, and logic devices for these products.

Company Name:		Lam Research Corp	Market Capitalization:		\$4,320,000,000.00	Income Statement				
Ticker Symbol:		LRCX	Total Debt:		\$743,270,000.00	Revenue:		\$3,110,000,000.00	100.0%	
Last Price:		\$36.17	Total Cash:		\$2,122,250,000.00	Cost of Goods Sold:		\$1,610,000,000.00	51.8%	
Net Cash/Share:		\$11.53	Net Cash/(Debt):		\$1,378,980,000.00	Gross Profit:		\$1,500,000,000.00	48.2%	
Net Cash to Last Price:		31.89%	Enterprise Value:		\$2,941,020,000.00	EBITDA:		\$776,330,000.00	25.0%	
Shares Outstanding:		119,550,000	Current EV/Share:		\$24.60	Net Income:		\$601,860,000.00	19.4%	
Industry:		Semiconductor Equipment & Materials	EBITDA:		\$804,290,000.00	Balance Sheet				
Sector:		Technology	EV/EBITDA Multiple:		3.66	Cash:		\$1,492,130,000.00		
Institutional Ownership:		91.72%	EV/FCF Multiple:		4.38	Short Term Investment:		\$630,120,000.00		
Mutual Fund Ownership:		3.14%	Upper Range			A/R:		\$590,570,000.00		
Insider Ownership:		0.55%	DCF: EV/EBITDA Terminal Value			PP&E:		\$592,730,000.00		
Retail Ownership:		4.04%	Implied TV from 5 X EV/EBITDA Multiple		\$4,400,188,707.50	Assets:		\$4,057,390,000.00		
Float:		99.45%	Enterprise Value		\$4,400,188,707.50	A/P:		\$163,540,000.00		
			Cash at Year 5:		\$4,665,027,725.93	Deferred Tax:		\$0.00		
			Debt at Year 5:		\$243,270,000.00	Other Liabilities:		\$680,740,000.00		
			Equity Value Year 5:		\$8,821,946,433.43	Short term Debt:		\$4,780,000.00		
			Equity/Share at Year 5:		\$73.79	Long Term Debt:		\$738,490,000.00		
			Annualized Return:		15.33%	Liabilities:		\$1,587,550,000.00		
			Lower Range			Retained Earnings:		\$2,690,090,000.00		
			DCF: Net Tangible Asset excluding Cash/Debt Terminal Value			Paid-In Capital:		\$1,531,460,000.00		
			Year 5 Net Tangible Assets excluding cash and debt		\$620,237,069.87	Treasury Stock:		-\$1,761,590,000.00		
			Enterprise Value		\$620,237,069.87	Stockholder's Equity:		\$2,469,840,000.00		
			Cash at Year 5:		\$4,665,027,725.93	Cash Flow				
			Debt at Year 5:		\$243,270,000.00	Net Income:		723,750,000.00		
			Equity Value Year 5:		\$5,041,994,795.80	Depreciation/Amortization:		74,760,000.00		
			Equity/Share at Year 5:		\$42.17	Change in Working capital:		21,950,000.00		
			Annualized Return:		3.12%	Cash from Operating Activities:		881,030,000.00		
			EVA			Capital Expenditures:		-127,500,000.00		
			EVA today:		\$3,748,638,587.85	Cash from Investing Activities:		-479,910,000.00		
			EVA in 5 Years:		\$5,865,202,065.82	Total Cash Dividends Paid:				0.00
			EVA/Share:		\$49.06	Issuance (Retirement) of Stock:		-43,890,000.00		
			T		\$4,665,027,725.93	Issuance (Retirement) of Debt:		697,180,000.00		
			Debt at Year 5:		\$243,270,000.00	Cash from Financing Activities:		526,990,000.00		
			Equity Value Year 5:		\$10,286,959,791.74	Profitability Margins				
			Equity/Share at Year 5:		\$86.05	Debt to Equity:		30.09%		
			Annualized return		9.37%	Return on Assets:		17.84%		
			Current Net Tangible Asset			Return on Capital:		22.52%		
			Net Tangible Asset/Share:		\$18.85	Return on Equity:		29.30%		
			Net Tangible Asset/Share in Year 5:		\$44.61					
			Annualized return		18.80%					
			Current Equity Price:		\$36.17					
			Selling at Discount?		Premium					
			Appreciation Potential:		-47.89%					
			Dividend Model							
			Next Year Dividend		\$0.00					
			WACC:		5.92%					
			Dividend:		\$0.00					
			Net Income:		\$601,860,000.00					
			Retention Ratio:		100.00%					
			Return on Equity:		29.30%					
			Dividend Growth Rate:		29.30%					
			Competitors							
Average EV to EBITDA:		N/A								
Company EV to EBITDA:		3.66								
Average EV to EBIT:		N/A								
Company EV to EBIT:		3.66								

SN VALUATION

LBO Analysis

WACC Terminal Value:		Intrinsic Price in 5 Years:	65.27	Non-LBO Forecast	Year 1 Target	40.70	Desired Return Rate	20.00%
EV/EBITDA with 5X Multiple Terminal Value:	\$73.79	Market Price:	36.17		Year 2 Target	45.80	Implied Today's Price	26.23
Net Tangible Asset Terminal Value:	\$42.17	LBO Price:	36.17		Year 3 Target	51.54	Overvalued/(Undervalued)	37.89%
EV/EBITDA with Today's Multiple Terminal Value:	\$59.07	Premium to Market Price:	0.00%		Year 4 Target	58.00		
EVA Enterprise Value:	\$86.05	LBO Price/Intrinsic Price Target:	12.53%		Year 5 Target	65.27		
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	6.86%	Implied IRR (Market Price):	12.53%			
Average (Excluding Dividend Discount):	\$65.27	Implied IRR at today's EV/EBIT:	10.31%					
		5 Year Return:	80.46%					

Current Evaluation				Exit Evaluation			
Current Market Price:	36.17	LBO Price:	36.17	Exit Price:	65.27	Exit Price:	59.07
Outstanding Shares:	119,550,000	Outstanding Shares:	119,550,000	Outstanding Shares:	119,550,000	Outstanding Shares:	119,550,000
Market Capitalization:	4,324,123,500	Market Capitalization:	4,324,123,500	Market Capitalization:	7,803,192,993	Market Capitalization:	7,061,870,950
Available Cash:	2,122,250,000	Available Cash:	2,122,250,000	Available Cash:	4,665,027,726	Available Cash:	4,665,027,726
Debt:	743,270,000	Debt:	743,270,000	Debt:	243,270,000	Debt:	243,270,000
Net Cash:	1,378,980,000	Net Cash:	1,378,980,000	Net Cash:	4,421,757,726	Net Cash:	4,421,757,726
Enterprise Value:	2,945,143,500	Enterprise Value:	2,945,143,500	Enterprise Value:	3,381,435,267	Enterprise Value:	2,640,113,225
Original EV/EBIT:	3.66	EV/EBIT:	3.66	EV/EBIT at 5 Years:	3.84	EV/EBIT at 5 Years:	3.00
Original EV/EBITDA:	3.66	EV/EBITDA:	3.35	EV/EBITDA at 5 Years:	4.43	EV/EBITDA at 5 Years:	2.58
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:	36.17	36.17	40.70	45.80	51.54	58.00	65.27
Shares Outstanding:	119,550,000	119,550,000	119,550,000	119,550,000	119,550,000	119,550,000	119,550,000
Market Capitalization:	4,324,123,500	4,324,160,118	4,866,050,579	5,475,849,087	6,162,065,671	6,934,276,808	7,803,259,073
Available Cash:	2,122,250,000	2,122,250,000	2,588,195,093	3,080,355,188	3,577,302,168	4,101,922,207	4,665,027,726
Debt:	743,270,000	743,270,000	643,270,000	543,270,000	443,270,000	343,270,000	243,270,000
Net Cash:	1,378,980,000	1,378,980,000	1,944,925,093	2,537,085,188	3,134,032,168	3,758,652,207	4,421,757,726
Enterprise Value:	2,945,143,500	2,945,180,118	2,921,125,486	2,938,763,899	3,028,033,503	3,175,624,602	3,381,501,347
EBIT	804,290,000	804,290,000	781,902,135	805,359,199	829,519,975	854,405,574	880,037,742
EV/EBIT:	3.66	3.66	3.74	3.65	3.65	3.72	3.84
EBITDA	879,050,000	879,050,000	919,525,593	947,111,360	953,512,823	982,970,388	1,023,477,391
EV/EBITDA:	3.35	3.35	3.18	3.10	3.18	3.23	3.30

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	36.17	36.17	40.22	45.89	51.62	57.61	63.94
Shares Outstanding:	119,550,000	119,550,000	119,550,000	119,550,000	119,550,000	119,550,000	119,550,000
Market Capitalization:	4,324,123,500	4,324,160,118	4,808,124,465	5,486,180,541	6,171,600,381	6,887,347,466	7,644,313,843
Available Cash:	2,122,250,000	2,122,250,000	2,588,195,093	3,080,355,188	3,577,302,168	4,101,922,207	4,665,027,726
Debt:	743,270,000	743,270,000	643,270,000	543,270,000	443,270,000	343,270,000	243,270,000
Net Cash:	1,378,980,000	1,378,980,000	1,944,925,093	2,537,085,188	3,134,032,168	3,758,652,207	4,421,757,726
Enterprise Value:	2,945,143,500	2,945,180,118	2,863,199,372	2,949,095,353	3,037,568,213	3,128,695,260	3,222,556,117
EBIT	804,290,000	804,290,000	781,902,135	805,359,199	829,519,975	854,405,574	880,037,742
EV/EBIT:	3.66	3.66	3.66	3.66	3.66	3.66	3.66
EBITDA	879,050,000	879,050,000	919,525,593	947,111,360	953,512,823	982,970,388	1,023,477,391
EV/EBITDA:	3.35	3.35	3.11	3.11	3.19	3.18	3.15

LBO Price	36.17	Equity Partners:	5,067,393,500	Weighting	100.00%	Annualized Return for Equity Partners:	6.86%
Shares Outstanding	119,550,000	Debt Partners:	0		0.00%		
Market Capitalization	4,324,123,500	Total Funds for LBO:	5,067,393,500		100.00%		
Debt	743,270,000						
Cash	2,122,250,000						
Enterprise Value	2,945,143,500						
Capital Investment	5,067,393,500						

Book Value	Enterprise Value	Stock Valuation	Debt Reduction
Beginning Book Value	2,468.52	Current Market Price	Starting Debt
Year 5 Book Value	5,335.92	Year 5 Market Price	Debt Repayment
Annualized Return	16.67%	Annualized Return	10.31%
			% of Starting Debt
			738.49
			0.00
			238.49
			32.29%

LBO Pro Forma Income Statement

Name: Lam Research Corp

Ticker: LRCX

	Historical				Forecasted				
	53 weeks ending 2008-06-29	52 weeks ending 2009-06-28	52 weeks ending 2010-06-27	52 weeks ending 2011-06-26	2011	2012	2013	2014	2015
Revenue	2,474.91	1,115.95	2,133.78	3,237.69	3,399.57	3,501.56	3,606.61	3,714.81	3,826.25
COGS	1,301.51	727.21	1,163.84	1,740.46	1,869.77	1,925.86	1,983.63	2,043.14	2,104.44
Gross margin	1,173.40	388.74	969.94	1,497.23	1,529.81	1,575.70	1,622.97	1,671.66	1,721.81
SG&A	287.28	233.06	240.94	308.07	339.96	350.16	360.66	371.48	382.63
R&D	323.76	288.27	320.86	373.29	407.95	420.19	432.79	445.78	459.15
Unusual expense	8.44	145.41	21.31	11.58	0.00	0.00	0.00	0.00	0.00
Other operating expense	44.49	3.23	-38.59	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Included within COGS									
Operating Income (EBITA)	509.43	-281.23	425.42	804.29	781.90	805.36	829.52	854.41	880.04
Interest income/(expense)	69.69	18.71	7.50	-0.88	-30.24	-22.24	-14.24	-6.24	1.76
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	-2.04	-0.56	-2.77	-2.52	-3.08	-3.18	-3.23	-3.34	-3.44
Income before tax	576.98	-263.09	430.14	800.88	754.75	786.30	818.51	851.51	885.24
Tax	137.63	39.06	83.47	77.13	226.42	235.89	245.55	255.45	265.57
Income after tax	439.35	-302.15	346.67	723.75	528.32	550.41	572.95	596.06	619.67
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	439.35	-302.15	346.67	723.75	528.32	550.41	572.95	596.06	619.67
*Figures are in millions (\$)									
Revenue Growth	N/A	-54.91%	91.21%	51.73%	5.00%	3.00%	3.00%	3.00%	3.00%
Tax Rate	23.85%	-14.85%	19.41%	-1.42%	30.00%	30.00%	30.00%	30.00%	30.00%
Implied Debt Interest Rate	22.67%	40.46%	33.17%	-0.12%	-4.09%	-3.48%	-2.64%	-1.42%	0.52%
Margins									
COGS	52.59%	65.17%	54.54%	53.76%	55.00%	55.00%	55.00%	55.00%	55.00%
Gross margin	47.41%	34.83%	45.46%	46.24%	45.00%	45.00%	45.00%	45.00%	45.00%
SG&A	11.61%	20.88%	11.29%	9.52%	10.00%	10.00%	10.00%	10.00%	10.00%
R&D	13.08%	25.83%	15.04%	11.53%	12.00%	12.00%	12.00%	12.00%	12.00%
Unusual expense	0.34%	13.03%	1.01%	0.36%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	1.80%	0.29%	-1.81%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Included within COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	20.58%	-25.20%	19.94%	24.84%	23.00%	23.00%	23.00%	23.00%	23.00%
Interest income/(expense)	2.81%	1.68%	0.35%	-0.03%	-0.89%	-0.64%	-0.39%	-0.17%	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	-0.08%	-0.05%	-0.13%	-0.08%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%
Income before tax	23.31%	-23.58%	20.16%	24.74%	22.20%	22.46%	22.69%	22.92%	23.14%
Tax	5.56%	3.50%	3.91%	2.38%	6.66%	6.74%	6.81%	6.88%	6.94%
Income after tax	17.75%	-27.08%	16.25%	22.35%	15.54%	16.19%	16.85%	17.53%	18.23%
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	17.75%	-27.08%	16.25%	22.35%	15.54%	15.72%	15.89%	16.05%	16.20%

					Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2008-06-29	As of 2009-06-28	As of 2010-06-27	As of 2011-06-26	+	-						
Cash	732.54	374.17	545.77	1,492.13			1,492.13	1,958.08	2,450.24	2,947.18	3,471.80	4,034.91
Short term investment	326.20	205.22	280.69	630.12			630.12	630.12	630.12	630.12	630.12	630.12
Cash and Short term	1,058.74	579.39	826.46	2,122.25			2,122.25	2,588.20	3,080.36	3,577.30	4,101.92	4,665.03
Accounts Receivable	412.36	253.59	499.89	590.57			590.57	590.57	590.57	590.57	590.57	590.57
Other receivables	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	412.36	253.59	499.89	590.57			590.57	590.57	590.57	590.57	590.57	590.57
Deferred Income Tax	-0.01	0.00	-0.01	-0.02			-0.02	-0.02	-0.02	-0.02	-0.02	-0.02
Total Inventory	282.22	233.41	318.48	396.61			396.61	396.61	396.61	396.61	396.61	396.61
Prepaid Expenses	67.65	101.71	65.68	88.94			88.94	88.94	88.94	88.94	88.94	88.94
Other Current Assets	96.75	69.04	46.16	78.44			78.44	78.44	78.44	78.44	78.44	78.44
Current Assets	1,917.71	1,237.14	1,756.66	3,276.79	0.00	0.00	3,276.79	3,742.74	4,234.90	4,731.84	5,256.46	5,819.57
PP&E, Gross	451.91	470.41	477.29	592.73			592.73	692.73	792.73	892.73	992.73	1,092.73
Change in Depreciation	54.70	72.42	71.40	74.76			74.76	137.62	141.75	123.99	128.56	143.44
Accumulated Depreciation	216.18	254.75	326.15	400.91			400.91	538.53	680.29	804.28	932.84	1,076.28
PP&E, Net	235.73	215.66	151.14	191.82			191.82	154.20	112.44	88.45	59.89	16.45
Goodwill	281.30	169.18	169.18	169.18	0.00		169.18	169.18	169.18	169.18	169.18	169.18
Intangibles	121.89	91.61	67.72	47.43			47.43	47.43	47.43	47.43	47.43	47.43
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	250.13	279.59	293.49	293.53			293.53	293.53	293.53	293.53	293.53	293.53
Long Term Assets	1,105.23	1,010.79	681.53	701.96	0.00	0.00	701.96	664.34	622.58	598.59	570.03	526.59
Total Assets	2,806.76	1,993.18	2,487.39	4,057.39	0.00	0.00	3,978.75	4,407.07	4,857.48	5,330.43	5,826.49	6,346.15
Accounts Payable	89.16	49.61	121.10	163.54			163.54	163.54	163.54	163.54	163.54	163.54
Accrued Expense	286.54	192.79	206.31	206.31			206.31	206.31	206.31	206.31	206.31	206.31
Other current Liabilities	231.56	134.33	268.01	309.65			309.65	309.65	309.65	309.65	309.65	309.65
Total Current Liabilities	607.26	376.73	553.69	679.50	0.00	0.00	679.50	679.50	679.50	679.50	679.50	679.50
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	30.43	5.35	4.97	4.78			4.78	4.78	4.78	4.78	4.78	4.78
Long term Debt	276.50	40.89	17.64	738.49	0.00	0.00	738.49	638.49	538.49	438.49	338.49	238.49
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	306.93	46.24	22.61	743.27	0.00	0.00	743.27	643.27	543.27	443.27	343.27	243.27
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	5.35	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	108.63	117.13	142.96	164.78			164.78	164.78	164.78	164.78	164.78	164.78
Total Liabilities	1,028.17	540.10	719.26	1,587.55	0.00	0.00	1,587.55	1,487.55	1,387.55	1,287.55	1,187.55	1,087.55
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	0.12	0.13	0.13	0.12		0.00	0.12	0.12	0.12	0.12	0.12	0.12
Additional Paid-in capital	1,332.16	1,377.23	1,452.94	1,531.46	0.00	0.00	1,531.46	1,531.46	1,531.46	1,531.46	1,531.46	1,531.46
Dividends Paid	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	1,926.39	1,624.25	1,966.34	2,690.09		0.00	2,690.09	3,218.41	3,768.82	4,341.77	4,937.83	5,557.49
Treasury Stock	-1,490.70	-1,495.69	-1,581.42	-1,761.59			-1,761.59	-1,761.59	-1,761.59	-1,761.59	-1,761.59	-1,761.59
Other Equity	10.62	-52.82	-71.07	8.44		0.00	8.44	8.44	8.44	8.44	8.44	8.44
Total Equity	1,778.59	1,453.10	1,766.92	2,468.52	0.00	0.00	2,468.52	2,996.84	3,547.25	4,120.20	4,716.26	5,335.92
Liability + Equity	2,806.76	1,993.20	2,486.18	4,056.07	0.00	0.00	4,056.07	4,484.39	4,934.80	5,407.75	5,903.81	6,423.47
Variance	0.00	-0.02	1.21	1.32			-77.32	-77.32	-77.32	-77.32	-77.32	-77.32
Debt/Equity	0.17	0.03	0.01	0.30			0.30	0.21	0.15	0.11	0.07	0.05
Inventory Turnover	8.77	4.78	6.70	8.16			8.16	8.57	8.83	9.09	9.37	9.65
Inventory Turnover Days	41.62	76.34	54.48	44.71			44.71	42.58	41.34	40.14	38.97	37.83
Days Inventory Outstanding	79.15	117.15	99.88	83.17			83.17	77.42	75.17	72.98	70.85	68.79
Accounts Receivable Turnover	6.00	4.40	4.27	5.48			5.48	5.76	5.93	6.11	6.29	6.48
Accounts Receivable Turnover Days	60.81	82.94	85.51	66.58			66.58	63.41	61.56	59.77	58.03	56.34
Days Payable Outstanding	25.00	24.90	37.98	34.30			34.30	31.92	31.00	30.09	29.22	28.36

SN VALUATION

LBO Adjusted Proforma Cash Flow

	53 weeks ending 2008-06-29	52 weeks ending 2009-06-28	52 weeks ending 2010-06-27	52 weeks ending 2011-06-26	2011	2012	2013	2014	2015
Net Income	439.35	-302.15	346.67	723.75	528.32	550.41	572.95	596.06	619.67
Depreciation	54.70	72.42	71.40	74.76	137.62	141.75	123.99	128.56	143.44
Net Income + Depreciation	494.05	-229.73	418.07	798.51	665.95	692.16	696.95	724.62	763.11
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-26.66	30.55	13.72	-10.72	0.00	0.00	0.00	0.00	0.00
Non Cash Items	48.90	216.13	78.81	71.29	0.00	0.00	0.00	0.00	0.00
Change in Working capital	74.03	-95.08	-159.88	21.95	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	158.77	-246.30	-90.68	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	48.81	-85.07	-78.13	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-34.06	36.03	-23.26	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-39.55	71.49	42.44	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	590.32	-78.13	350.72	881.03	665.95	692.16	696.95	724.62	763.11
Capital Expenditures	-76.80	-44.28	-35.59	-127.50	-100.00	-100.00	-100.00	-100.00	-100.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	-419.00	50.29	-67.77	-352.42	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-495.80	6.01	-103.36	-479.92	-100.00	-100.00	-100.00	-100.00	-100.00
Financing Cash flow items	58.90	-6.27	10.23	-126.30	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	6.71	0.86	-62.19	-43.89	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	0.20	-255.42	-20.70	697.18	-100.00	-100.00	-100.00	-100.00	-100.00
Cash from Financing Activities	65.81	-260.83	-72.66	526.99	-100.00	-100.00	-100.00	-100.00	-100.00
Foreign Exchange effect	-1.75	-25.42	-3.09	18.26	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	573.97	732.54	374.17	545.77	1,492.13	1,958.08	2,450.24	2,947.18	3,471.80
Net Change in Cash	158.57	-358.37	171.60	946.37	465.95	492.16	496.95	524.62	563.11
Ending Cash Balance	732.54	374.17	545.77	1,492.14	1,958.08	2,450.24	2,947.18	3,471.80	4,034.91
Depreciation to Sales	2.21%	6.49%	3.35%	2.31%	4.05%	4.05%	3.44%	3.46%	3.75%
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	16.66%	22.72%	23.43%	18.24%	17.37%	16.87%	16.37%	15.90%	15.43%

SN VALUATION

LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
Net Change in Cash	946.37	465.95	492.16	496.95	524.62	563.11
Current Portion Debt Repayment						
Long Term Debt Repayment		100.00	100.00	100.00	100.00	100.00
Outstanding Debt	743.27	643.27	543.27	443.27	343.27	243.27
Current Portion Debt Balance	4.78	4.78	4.78	4.78	4.78	4.78
Long Term Debt Balance	738.49	638.49	538.49	438.49	338.49	238.49
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		51.46	43.46	35.46	27.46	19.46
Cash Balance		2122.25				
Interest @ 1.0%		21.22	21.22	21.22	21.22	21.22
Net Interest Expense/(Income)		30.24	22.24	14.24	6.24	(1.76)
Net Interest Rate		4.09%	3.48%	2.64%	1.42%	-0.52%
EBITDA		781.90	805.36	829.52	854.41	880.04
EBITDA/Interest Expense Coverage		15.19	18.53	23.39	31.11	45.22

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran