

Analyst: Sung Nam

MKS Instruments Inc (MKSI)

| | | | | | |
|--------------------------------------|----------------|---|----------------|-------------------------|----------------|
| Market Price: | \$25.93 | EBITDA/Share: | \$3.75 | Net Asset/Share: | \$13.45 |
| DCF: EV/EBITDA Terminal Value | 7.541% | DCF: Net Tangible Asset excluding Cash/Debt Terminal Value | -3.460% | | |
| EBITDA-Cap Ex/Share | \$3.47 | EVA Analysis: | 10.530% | | |

Overview

MKS Instruments manufactures instruments which measure, controls, powers and monitors parameters in the manufacturing process. What does that mean? I don't know.

It is all too technical for us, but the cashflow is decent.

Dividend?

Dividend yield is 2.3%.

Cashflow Generation

Cashflows are \$160MM from operating cashflow.

Capex is \$15MM, intangibles are \$50 MM and dividend is \$32 MM.

Free cash flow is about \$60 MM.

18% EBITA margin.

The company has \$ 430MM in cash/short term investment and \$0 MM in debt.

Profitability

ROA is a strong 13.6%, and ROC is 15.7%.

LBO?

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

Price

We are forecasting a \$35.77/share in Year 5, or a 38.0% holding return, or 6.7% annual return.

Thus, the 1 year forecasted price is \$27.65.

In Finviz, price targets in 2011 is \$26-\$35.

In Financial Times, 2 Buy, 1 Sell. High \$35, Median \$30, Low \$21.

SN VALUATION

LBO Analysis

| | | | | | | | |
|---|-----------|------------------------------------|--------|-----------------------------|-------|--------------------------|--------|
| WACC Terminal Value: | | Intrinsic Price in 5 Years: | 35.77 | Non-LBO Forecast | | Non-LBO Forecast | |
| EV/EBITDA with 5X Multiple Terminal Value: | \$37.30 | Market Price: | 25.93 | Year 1 Target | 27.65 | Desired Return Rate | 20.00% |
| Net Tangible Asset Terminal Value: | \$21.74 | LBO Price: | 25.93 | Year 2 Target | 29.49 | Implied Today's Price | 14.38 |
| EV/EBITDA with Today's Multiple Terminal Value: | \$36.36 | Premium to Market Price: | 0.00% | Year 3 Target | 31.45 | Overvalued/(Undervalued) | 80.37% |
| EVA Enterprise Value: | \$47.69 | LBO Price/Intrinsic Price Target: | 6.65% | Year 4 Target | 33.54 | | |
| Dividend Discount Model: | (\$10.87) | LBO Price/EV/EBIT Exit Price: | 6.99% | Year 5 Target | 35.77 | | |
| Average (Excluding Dividend Discount): | \$35.77 | Implied IRR at today's EV/EBIT: | 6.99% | Implied IRR (Market Price): | 6.65% | | |
| | | 5 Year Return | 37.96% | | | | |

| Current Evaluation | | | | Exit Evaluation | | | |
|-------------------------------|----------------------|-------------------------------|----------------------|-------------------------------|----------------------|-------------------------------|----------------------|
| Current Market Price: | 25.93 | LBO Price: | 25.93 | Exit Price: | 35.77 | Exit Price: | 36.36 |
| Outstanding Shares: | 52,440,000 | Outstanding Shares: | 52,440,000 | Outstanding Shares: | 52,440,000 | Outstanding Shares: | 52,440,000 |
| Market Capitalization: | 1,359,769,200 | Market Capitalization: | 1,359,769,200 | Market Capitalization: | 1,875,925,573 | Market Capitalization: | 1,906,464,039 |
| Available Cash: | 431,930,000 | Available Cash: | 431,930,000 | Available Cash: | 967,898,095 | Available Cash: | 967,898,095 |
| Debt: | 0 | Debt: | 0 | Debt: | 0 | Debt: | 0 |
| Net Cash: | 431,930,000 | Net Cash: | 431,930,000 | Net Cash: | 967,898,095 | Net Cash: | 967,898,095 |
| Enterprise Value: | 927,839,200 | Enterprise Value: | 927,839,200 | Enterprise Value: | 908,027,477 | Enterprise Value: | 938,565,944 |
| Original EV/EBIT: | 4.75 | EV/EBIT: | 4.75 | EV/EBIT at 5 Years: | 4.64 | EV/EBIT at 5 Years: | 4.75 |
| Original EV/EBITDA: | 4.72 | EV/EBITDA: | 4.43 | EV/EBITDA at 5 Years: | 5.20 | EV/EBITDA at 5 Years: | 4.07 |
| 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: | 25.93 | 25.93 | 27.65 | 29.49 | 31.45 | 33.54 | 35.77 |
| Shares Outstanding: | 52,440,000 | 52,440,000 | 52,440,000 | 52,440,000 | 52,440,000 | 52,440,000 | 52,440,000 |
| Market Capitalization: | 1,359,769,200 | 1,359,779,200 | 1,450,168,524 | 1,546,566,345 | 1,649,372,070 | 1,759,011,654 | 1,875,939,369 |
| Available Cash: | 431,940,000 | 431,940,000 | 522,851,344 | 624,278,312 | 734,309,230 | 843,579,734 | 967,898,095 |
| Debt: | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash: | 431,940,000 | 431,940,000 | 522,851,344 | 624,278,312 | 734,309,230 | 843,579,734 | 967,898,095 |
| Enterprise Value: | 927,829,200 | 927,839,200 | 927,317,180 | 922,288,033 | 915,062,840 | 915,431,920 | 908,041,273 |
| EBIT | 195,510,000 | 195,510,000 | 160,560,111 | 168,688,116 | 177,222,522 | 186,183,648 | 195,592,830 |
| EV/EBIT: | 4.75 | 4.75 | 5.78 | 5.47 | 5.16 | 4.92 | 4.64 |
| EBITDA | 209,330,000 | 209,330,000 | 190,384,425 | 200,003,646 | 209,156,866 | 215,948,682 | 230,333,876 |
| EV/EBITDA: | 4.43 | 4.43 | 4.87 | 4.61 | 4.38 | 4.24 | 3.94 |

| Enterprise Valuation Calculation During Holding Period | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Time Period | 0 | Adjusted for LBO | 1 | 2 | 3 | 4 | 5 |
| Annualized Price Targets based off LBO Price: | 25.93 | 25.93 | 24.50 | 27.17 | 30.04 | 32.94 | 36.16 |
| Shares Outstanding: | 52,440,000 | 52,440,000 | 52,440,000 | 52,440,000 | 52,440,000 | 52,440,000 | 52,440,000 |
| Market Capitalization: | 1,359,769,200 | 1,359,779,200 | 1,284,827,532 | 1,424,827,883 | 1,575,360,854 | 1,727,158,513 | 1,896,130,386 |
| Available Cash: | 431,940,000 | 431,940,000 | 522,851,344 | 624,278,312 | 734,309,230 | 843,579,734 | 967,898,095 |
| Debt: | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash: | 431,940,000 | 431,940,000 | 522,851,344 | 624,278,312 | 734,309,230 | 843,579,734 | 967,898,095 |
| Enterprise Value: | 927,829,200 | 927,839,200 | 761,976,188 | 800,549,571 | 841,051,623 | 883,578,778 | 928,232,291 |
| EBIT | 195,510,000 | 195,510,000 | 160,560,111 | 168,688,116 | 177,222,522 | 186,183,648 | 195,592,830 |
| EV/EBIT: | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 |
| EBITDA | 209,330,000 | 209,330,000 | 190,384,425 | 200,003,646 | 209,156,866 | 215,948,682 | 230,333,876 |
| EV/EBITDA: | 4.43 | 4.43 | 4.00 | 4.00 | 4.02 | 4.09 | 4.03 |

| | | | | | | | |
|------------------------------|----------------------|-----------------------------|----------------------|-----------|---------|--|-------|
| LBO Price | 25.93 | Equity Partners: | 1,359,769,200 | Weighting | 100.00% | Annualized Return for Equity Partners: | 6.99% |
| Shares Outstanding | 52,440,000 | Debt Partners: | 0 | | 0.00% | | |
| Market Capitalization | 1,359,769,200 | Total Funds for LBO: | 1,359,769,200 | | 100.00% | | |
| Debt | 0 | | | | | | |
| Cash | 431,930,000 | | | | | | |
| Enterprise Value | 927,839,200 | | | | | | |
| Capital Investment | 1,359,769,200 | | | | | | |

| | | | | | | | |
|--------------------------|---------------|----------------------------|--------------|--------------------------|--------------|-----------------------|---------|
| Book Value | | Enterprise Value | | Stock Valuation | | Debt Reduction | |
| Beginning Book Value | 847.04 | Beginning Enterprise Value | 927.84 | Current Market Price | \$25.93 | Starting Debt | 0.00 |
| Year 5 Book Value | 1,483.93 | Year 5 Enterprise Value | 938.57 | Year 5 Market Price | \$36.36 | Debt Repayment | 0.00 |
| Annualized Return | 11.87% | Annualized Return | 0.23% | Annualized Return | 6.99% | Year 5 Ending Debt | 0.00 |
| | | | | | | % of Starting Debt | #DIV/0! |

SN VALUATION

LBO Pro Forma Income Statement

Name: MKS Instruments Inc

Ticker: MKSI

| | Historical | | | | Forecasted | | | | |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| | 12 months ending 2007-12-31 | 12 months ending 2008-12-31 | 12 months ending 2009-12-31 | 12 months ending 2010-12-31 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Revenue | 780.49 | 621.38 | 392.69 | 853.11 | 878.70 | 922.64 | 968.77 | 1,017.21 | 1,068.07 |
| COGS | 449.00 | 373.14 | 262.48 | 474.48 | 527.22 | 553.58 | 581.26 | 610.33 | 640.84 |
| Gross margin | 331.49 | 248.24 | 130.21 | 378.63 | 351.48 | 369.06 | 387.51 | 406.88 | 427.23 |
| SG&A | 132.79 | 120.62 | 100.43 | 119.84 | 123.02 | 129.17 | 135.63 | 142.41 | 149.53 |
| R&D | 74.63 | 72.75 | 50.21 | 62.69 | 65.90 | 69.20 | 72.66 | 76.29 | 80.11 |
| Unusual expense | 2.36 | 0.91 | 148.47 | -0.68 | 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 | 16.18 | 3.99 | 2.76 | 1.27 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Operating Income (EBITA) | 105.53 | 49.97 | -171.66 | 185.51 | 160.56 | 168.69 | 177.22 | 186.18 | 195.59 |
| Interest income/(expense) | 14.49 | 6.42 | 1.54 | 0.91 | 4.32 | 4.32 | 4.32 | 4.32 | 4.32 |
| 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 |
| Income before tax | 120.02 | 56.39 | -170.02 | 196.42 | 164.88 | 173.01 | 181.54 | 190.50 | 199.91 |
| Tax | 33.66 | 16.38 | -20.66 | 63.50 | 49.46 | 51.90 | 54.46 | 57.15 | 59.97 |
| Income after tax | 86.36 | 40.01 | -149.36 | 132.92 | 115.42 | 121.11 | 127.08 | 133.35 | 139.94 |
| 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 | 86.36 | 40.01 | -149.36 | 132.92 | 115.42 | 121.11 | 127.08 | 133.35 | 139.94 |
| *Figures are in millions (\$) | | | | | | | | | |
| Revenue Growth | N/A | -20.39% | -36.80% | 117.25% | 3.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Tax Rate | 28.05% | 29.05% | 12.15% | 32.33% | 30.00% | 30.00% | 30.00% | 30.00% | 30.00% |
| Implied Debt Interest Rate | 55.56% | 33.65% | 12.73% | 0.00% | NA | NA | NA | NA | NA |
| Margins | | | | | | | | | |
| COGS | 57.53% | 60.05% | 66.84% | 55.62% | 60.00% | 60.00% | 60.00% | 60.00% | 60.00% |
| Gross margin | 42.47% | 39.95% | 33.16% | 44.38% | 40.00% | 40.00% | 40.00% | 40.00% | 40.00% |
| SG&A | 17.01% | 19.41% | 25.57% | 14.05% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |
| R&D | 9.56% | 11.71% | 12.79% | 7.35% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% |
| Unusual expense | 0.30% | 0.15% | 37.81% | -0.08% | 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 | 2.07% | 0.64% | 0.70% | 0.15% | 0.23% | 0.22% | 0.21% | 0.20% | 0.19% |
| Operating Income (EBITA) | 13.52% | 8.04% | -43.71% | 22.92% | 18.27% | 18.28% | 18.29% | 18.30% | 18.31% |
| Interest income/(expense) | 1.86% | 1.03% | 0.42% | 0.11% | 0.49% | 0.47% | 0.45% | 0.42% | 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% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Income before tax | 15.38% | 9.07% | -43.30% | 23.02% | 18.76% | 18.75% | 18.74% | 18.73% | 18.72% |
| Tax | 4.31% | 2.64% | -5.26% | 7.44% | 5.63% | 5.63% | 5.62% | 5.62% | 5.62% |
| Income after tax | 11.06% | 6.44% | -38.04% | 15.58% | 13.13% | 13.78% | 14.46% | 15.18% | 15.93% |
| 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 | 11.06% | 6.44% | -38.04% | 15.58% | 13.13% | 13.13% | 13.12% | 13.11% | 13.10% |

| | | | | | Adjustment | | Adjusted Proforma | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|------------------|------------------|------------------|------------------|-------------|-------------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | As of 2007-12-31 | As of 2008-12-31 | As of 2009-12-31 | As of 2010-12-31 | + | - | | | | | | |
| Cash | 223.97 | 119.26 | 111.01 | 162.48 | | | 162.48 | 253.39 | 354.82 | 464.85 | 574.12 | 698.44 |
| Short term investment | 99.80 | 159.61 | 160.79 | 269.46 | | | 269.46 | 269.46 | 269.46 | 269.46 | 269.46 | 269.46 |
| Cash and Short term | 323.77 | 278.87 | 271.80 | 431.94 | | | 431.94 | 522.85 | 624.28 | 734.31 | 843.58 | 967.90 |
| Accounts Receivable | 107.50 | 85.35 | 94.22 | 138.18 | | | 138.18 | 138.18 | 138.18 | 138.18 | 138.18 | 138.18 |
| Other receivables | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Receivables | 107.50 | 85.35 | 94.22 | 138.18 | | | 138.18 | 138.18 | 138.18 | 138.18 | 138.18 | 138.18 |
| Deferred Income Tax | 0.00 | 4.06 | 14.47 | -0.01 | | | -0.01 | -0.01 | -0.01 | -0.01 | -0.01 | -0.01 |
| Total Inventory | 150.73 | 131.52 | 118.00 | 156.43 | | | 156.43 | 156.43 | 156.43 | 156.43 | 156.43 | 156.43 |
| Prepaid Expenses | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Current Assets | 27.98 | 28.93 | 34.39 | 26.35 | | | 26.35 | 26.35 | 26.35 | 26.35 | 26.35 | 26.35 |
| Current Assets | 609.98 | 528.73 | 532.88 | 752.89 | 0.00 | 0.00 | 752.89 | 843.80 | 945.23 | 1,055.26 | 1,164.53 | 1,288.85 |
| PP&E, Gross | 227.46 | 241.49 | 238.26 | 242.65 | | | 242.65 | 257.65 | 272.65 | 287.65 | 302.65 | 317.65 |
| Change in Depreciation | 30.64 | 23.52 | 18.76 | 13.82 | | | 13.82 | 29.82 | 31.32 | 31.93 | 29.77 | 34.74 |
| Accumulated Depreciation | 146.09 | 159.47 | 178.23 | 192.05 | | | 192.05 | 221.87 | 253.19 | 285.12 | 314.89 | 349.63 |
| PP&E, Net | 81.37 | 82.02 | 60.03 | 50.60 | | | 50.60 | 35.78 | 19.46 | 2.53 | -12.24 | -31.98 |
| Goodwill | 337.47 | 337.76 | 144.51 | 140.02 | 0.00 | | 140.02 | 140.02 | 140.02 | 140.02 | 140.02 | 140.02 |
| Intangibles | 36.14 | 21.07 | 4.96 | 1.74 | | | 1.74 | 51.74 | 101.74 | 151.74 | 201.74 | 251.74 |
| Long term investments | 0.00 | 0.00 | 4.85 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other long term assets | 11.30 | 15.36 | 19.66 | 18.78 | | | 18.78 | 18.78 | 18.78 | 18.78 | 18.78 | 18.78 |
| Long Term Assets | 612.37 | 615.68 | 234.01 | 211.14 | 0.00 | 0.00 | 211.14 | 246.32 | 280.00 | 313.07 | 348.30 | 378.56 |
| Total Assets | 1,076.26 | 984.94 | 774.07 | 962.41 | 0.00 | 0.00 | 964.03 | 1,090.12 | 1,225.23 | 1,368.33 | 1,512.83 | 1,667.41 |
| Accounts Payable | 28.68 | 19.32 | 26.29 | 36.43 | | | 36.43 | 36.43 | 36.43 | 36.43 | 36.43 | 36.43 |
| Accrued Expense | 38.13 | 33.31 | 28.02 | 62.94 | | | 62.94 | 62.94 | 62.94 | 62.94 | 62.94 | 62.94 |
| Other current Liabilities | 8.73 | 4.63 | 4.10 | 10.32 | | | 10.32 | 10.32 | 10.32 | 10.32 | 10.32 | 10.32 |
| Total Current Liabilities | 75.54 | 57.26 | 58.41 | 109.69 | 0.00 | 0.00 | 109.69 | 109.69 | 109.69 | 109.69 | 109.69 | 109.69 |
| Notes Payables/Short Term Debt | 18.97 | 17.81 | 12.88 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Current port. Of LT Debt/Capital Leases | 1.24 | 0.87 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Long term Debt | 5.00 | 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 | 0.87 | 0.40 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Interest Earning Debt | 26.08 | 19.08 | 12.88 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 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 | 20.64 | 21.91 | 17.84 | 25.69 | | | 25.69 | 25.69 | 25.69 | 25.69 | 25.69 | 25.69 |
| Total Liabilities | 122.26 | 98.25 | 89.13 | 135.38 | 0.00 | 0.00 | 135.38 | 135.38 | 135.38 | 135.38 | 135.38 | 135.38 |
| 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 | 0.11 | 0.11 | 0.11 | 0.11 | | 0.00 | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 |
| Additional Paid-in capital | 685.47 | 637.94 | 645.41 | 663.79 | 0.00 | 0.00 | 663.79 | 663.79 | 663.79 | 663.79 | 663.79 | 663.79 |
| Dividends Paid | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Retained Earnings | 255.24 | 241.43 | 28.77 | 171.36 | | 0.00 | 171.36 | 286.78 | 407.88 | 534.96 | 668.31 | 808.25 |
| Treasury Stock | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Equity | 13.19 | 7.22 | 10.64 | 11.78 | | 0.00 | 11.78 | 11.78 | 11.78 | 11.78 | 11.78 | 11.78 |
| Total Equity | 954.01 | 886.70 | 684.93 | 847.04 | 0.00 | 0.00 | 847.04 | 962.46 | 1,083.56 | 1,210.64 | 1,343.99 | 1,483.93 |
| Liability + Equity | 1,076.27 | 984.95 | 774.06 | 982.42 | 0.00 | 0.00 | 982.42 | 1,097.84 | 1,218.94 | 1,346.02 | 1,479.37 | 1,619.31 |
| Variance | -0.01 | -0.01 | 0.01 | -0.01 | | | -18.39 | -7.72 | 6.29 | 22.30 | 33.46 | 48.10 |
| Debt/Equity | 0.03 | 0.02 | 0.02 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Inventory Turnover | 5.18 | 4.72 | 3.33 | 5.45 | | | 5.45 | 5.62 | 5.90 | 6.19 | 6.50 | 6.83 |
| Inventory Turnover Days | 70.49 | 77.26 | 109.68 | 66.93 | | | 66.93 | 64.98 | 61.88 | 58.94 | 56.13 | 53.46 |
| Days Inventory Outstanding | 122.53 | 128.65 | 164.09 | 120.34 | | | 120.34 | 108.30 | 103.14 | 98.23 | 93.55 | 89.10 |
| Accounts Receivable Turnover | 7.26 | 7.28 | 4.17 | 6.17 | | | 6.17 | 6.36 | 6.68 | 7.01 | 7.36 | 7.73 |
| Accounts Receivable Turnover Days | 50.27 | 50.13 | 87.58 | 59.12 | | | 59.12 | 57.40 | 54.66 | 52.06 | 49.58 | 47.22 |
| Days Payable Outstanding | 23.31 | 18.90 | 36.56 | 28.02 | | | 28.02 | 25.22 | 24.02 | 22.88 | 21.79 | 20.75 |

SN VALUATION

LBO Adjusted Proforma Cash Flow

| | 12 months ending 2007-12-31 | 12 months ending 2008-12-31 | 12 months ending 2009-12-31 | 12 months ending 2010-12-31 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Income | 86.36 | 30.12 | -212.66 | 142.59 | 115.42 | 121.11 | 127.08 | 133.35 | 139.94 |
| Depreciation | 30.64 | 23.52 | 18.76 | 13.82 | 29.82 | 31.32 | 31.93 | 29.77 | 34.74 |
| Net Income + Depreciation | 117.00 | 53.64 | -193.90 | 156.41 | 145.24 | 152.42 | 159.01 | 163.12 | 174.68 |
| Amortization | 0.00 | 6.07 | 15.24 | 0.00 | 10.67 | 14.01 | 16.02 | 11.15 | 14.64 |
| Deferred Taxes | -10.28 | -5.82 | -3.14 | 10.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non Cash Items | 18.29 | 27.70 | 223.40 | 16.73 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Change in Working capital | -5.89 | 11.16 | -36.69 | -19.77 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Receivable | 0.00 | 22.15 | -8.87 | -43.96 | 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 | 19.21 | 13.52 | -38.43 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Prepaid Expenses | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Payable | 0.00 | -9.36 | 6.97 | 10.14 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash from Operating Activities | 119.12 | 92.75 | 4.91 | 163.47 | 155.91 | 166.43 | 175.03 | 174.27 | 189.32 |
| Capital Expenditures | -15.09 | -13.46 | -4.18 | -15.82 | -15.00 | -15.00 | -15.00 | -15.00 | -15.00 |
| Long term investment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Intangibles | -45.86 | -60.60 | -5.45 | -89.80 | -50.00 | -50.00 | -50.00 | -50.00 | -50.00 |
| Cash from Investing Activities | -60.95 | -74.06 | -9.63 | -105.62 | -65.00 | -65.00 | -65.00 | -65.00 | -65.00 |
| Financing Cash flow items | 2.69 | 0.28 | 0.04 | 2.11 | 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 | -55.89 | -106.86 | -0.11 | 6.52 | 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 | -5.52 | -11.18 | -5.48 | -13.66 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash from Financing Activities | -58.72 | -117.76 | -5.55 | -5.03 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Foreign Exchange effect | 9.31 | -5.64 | 2.03 | -1.35 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Beginning Cash Balance | 215.21 | 223.97 | 119.26 | 111.01 | 162.48 | 253.39 | 354.82 | 464.85 | 574.12 |
| Net Change in Cash | 8.76 | -104.71 | -8.25 | 51.47 | 90.91 | 101.43 | 110.03 | 109.27 | 124.32 |
| Ending Cash Balance | 223.97 | 119.26 | 111.01 | 162.48 | 253.39 | 354.82 | 464.85 | 574.12 | 698.44 |
| Depreciation to Sales | 3.93% | 3.79% | 4.78% | 1.62% | 3.39% | 3.39% | 3.30% | 2.93% | 3.25% |
| Amortization to Sales | 0.00% | 0.98% | 3.88% | 0.00% | 1.21% | 1.52% | 1.65% | 1.10% | 1.37% |
| A/R to Sales | 13.77% | 13.74% | 23.99% | 16.20% | 15.73% | 14.98% | 14.26% | 13.58% | 12.94% |

SN VALUATION

LBO Debt Schedule

| | Proforma | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|----------|----------------|----------------|----------------|----------------|----------------|
| Net Change in Cash | 51.47 | 90.91 | 101.43 | 110.03 | 109.27 | 124.32 |
| 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 | | 431.94 | | | | |
| Interest @ 1.0% | | 4.32 | 4.32 | 4.32 | 4.32 | 4.32 |
| Net Interest Expense/(Income) | | (4.32) | (4.32) | (4.32) | (4.32) | (4.32) |
| Net Interest Rate | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| EBITDA | | 160.56 | 168.69 | 177.22 | 186.18 | 195.59 |
| EBITDA/Interest Expense Coverage | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |

Interest Rate Coverage Table

| Debt Rating | | | | | |
|-------------|---------|---------|---------|---------|---------|
| 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