

Emerson Radio Corp (MSN)

Price:	\$2.08	Net Tang. Bk Value Incl. Cash, Excl.	\$73,640,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$87,477,525.00
Market Cap:	\$56,430,400	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$2,844,505.00
Cash:	\$61,320,000	NTBVIC/Market Downside Recovery:	130.50%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$60,000	Op. Cash Flow:	\$2,844,505	Year 5 Disposition Price:	\$96,011,040.00
Net Cash:	\$61,260,000	Implied Years to Fill Gap:	-6.05		
Enterprise Value:	-\$4,829,600	Today's Equity if 5x Op. CF:	\$82,173,515		
		Net Tang. Book+ Gain Disposition:			\$96,011,040.00
Shares Outstanding:	27,130,000	IRR:			11.21%
		Price:			\$3.54
		Target Market Cap:			\$96,011,040
		Target Enterprise Value:			\$34,751,040

* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

The Co's stock popped 20% in the past week. The largest shareholder is based in HK and owns 57% of the shares, but they went bankrupt, so the shares need to be sold. The Co. name has been around for about a century. Now, they buy microwaves, mini-fridges, clock radios, televisions from Chinese manufacturers, and slap their brand on the products and sell in Target and up to recently, Walmart.

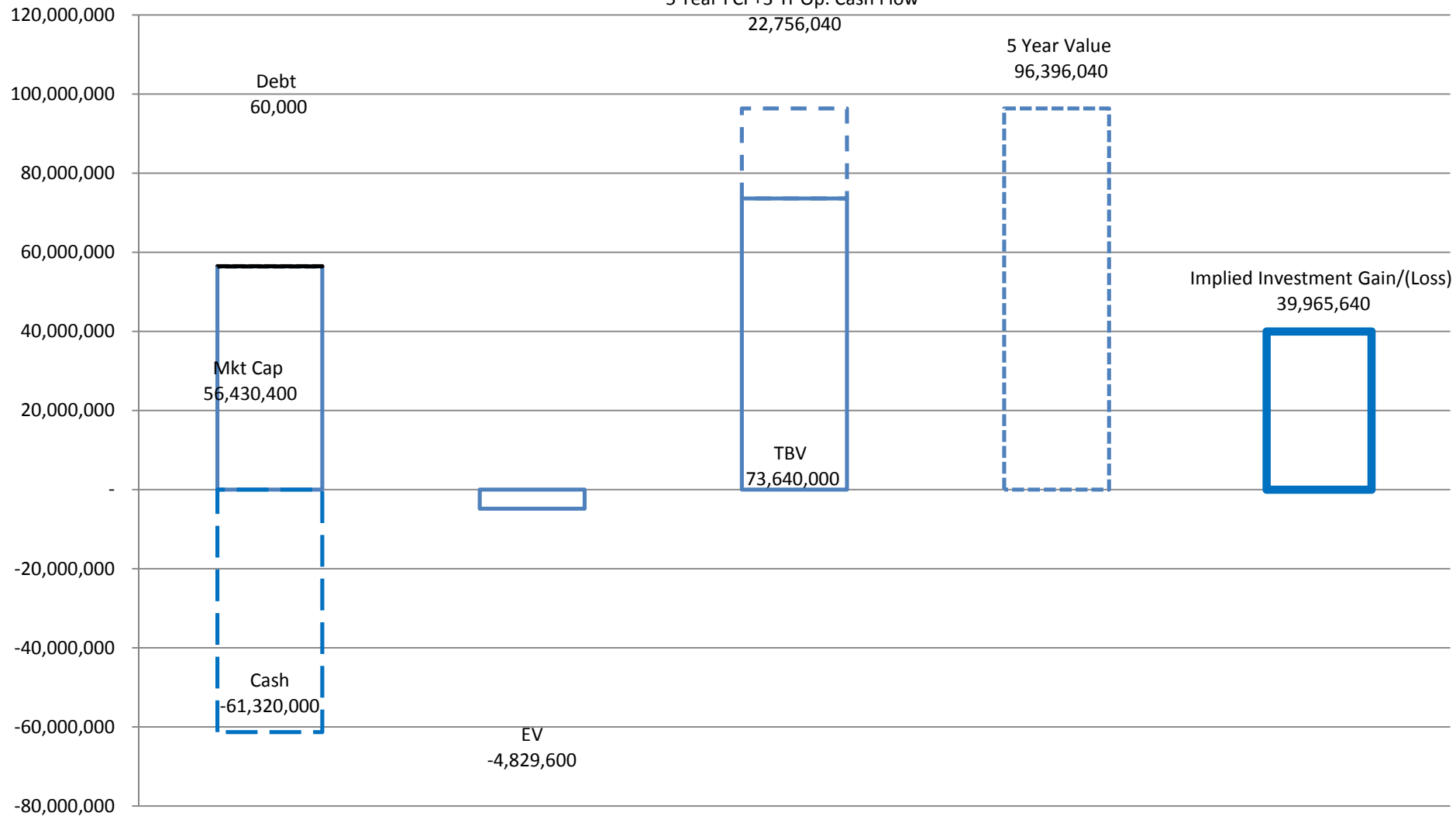
We reported on this stock back in Jan. 2012, and liked the cheap price relative to the tangible book value plus the positive free cash flow, which may no longer be a part of the thesis. The Co. doesn't have much tangible assets, has zero debt, but has \$70MM in cash and short term investments. We don't like how their revenues plummeted as one of their largest customer, Walmart, dropped a large revenue contributor (~\$30MM for microwaves) from its' retail offering.

Still, the Co. has +100% tangible book value/Price, and it is operating cash flow positive. We don't like how the A/R and A/P is building to +\$15MM respectively, which is a sign of a weakening working capital turnover. Also, should there be cash burn in the near future, the investment proposition will not be as appealing. Alongside the declining operational news, the largest shareholder will be liquidating shares, which may either 1) dampen shares as they sell off, or 2) see a value capture as an acquiror bids for the shares. 57% large shareholder plus 17% institutional means it will be easy for a bidder to get a sizable stake with few players.

We read one commentary where a possible future for the Co. maybe selling the rights to the Chinese manufacturers to use the name, thereby eliminatng the need for working capital outright, and becoming a high margin business.

We waited 1.5 years for this story to unravel so we are delighted by the news. We believe there is still more gas left for the ride.

5 Year FCF+3 Yr Op. Cash Flow



Emerson Radio Corp. was incorporated in Delaware in 1994. The Company designs, sources, imports and markets a variety of houseware and consumer electronic products, and licenses its trademarks to others on a worldwide basis for a variety of products. Its products include microwave ovens, compact refrigerators and wine coolers; and clock radios and portable audio products; and video and other products — primarily televisions. The Company primarily markets and distributes its products in the United States. The Company's products are manufactured by original equipment manufacturers in accordance with the Company's specifications. The Company primarily competes in the low-to-medium-priced sector of the housewares and consumer electronics market.

Company Name:		Emerson Radio Corp			Income Statement	
Ticker Symbol:	MSN	Market Capitalization:	\$56,430,400.00	Revenue:	\$107,040,000.00	100.0%
Last Price:	\$2.08	Total Debt:	\$60,000.00	Cost of Goods Sold:	\$87,270,000.00	81.5%
Net Cash/Share:	\$2.26	RCH Total Cash:	\$61,320,000.00	Gross Profit:	\$19,770,000.00	18.5%
Net Cash to Last Price:	108.56%	Net Cash/(Debt):	\$61,260,000.00	EBITDA:	\$7,670,000.00	7.2%
Shares Outstanding:	27,130,000	Enterprise Value:	-\$4,829,600.00	Net Income:	\$3,530,000.00	3.3%
Industry:	Consumer Electronics	Current EV/Share:	-\$0.18			
Sector:	Technology	EBITDA:	\$9,440,000.00	Balance Sheet		
Institutional Ownership:	68.96%	EV/EBITDA Multiple:	-0.51	Cash:	\$15,980,000.00	
Mutual Fund Ownership:	7.59%	EV/EBITDA Multiple Average Year 1-5:	-1.32	Short Term Investment:	\$45,340,000.00	
Insider Ownership:	1.29%	EV/FCF Multiple (excluding acquisition):	-0.22	A/R:	\$8,000,000.00	
Float:	44.00%	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	-1.70	PP&E:	\$1,000,000.00	
			Cash Flow			
			A/P:			
			Deferred Tax:			
			Other Liabilities:			
			Short term Debt:			
			Long Term Debt:			
			Liabilities:			
			Retained Earnings:			
			Paid-In Capital:			
			Treasury Stock:			
			Stockholder's Equity:			
			Net Income:			
			Depreciation/Amortization:			
			Change in Working capital:			
			Cash from Operating Activities:			
			Capital Expenditures:			
			Cash from Investing Activities:			
			Total Cash Dividends Paid:			
			Issuance (Retirement) of Stock:			
			Issuance (Retirement) of Debt:			
			Cash from Financing Activities:			
			Profitability Margins			
			Debt to Equity:			
			Return on Assets:			
			Return on Capital:			
			Return on Equity:			
			DCF: EV/EBITDA Terminal Value			
			Implied TV from 3 X EV/EBITDA Multiple			
			Enterprise Value			
			Cash at Year 5:			
			Debt at Year 5:			
			Equity Value Year 5:			
			Equity/Share at Year 5:			
			Annualized Return:			
			DCF: Net Tangible Asset excluding Cash/Debt Terminal Value			
			Year 5 Net Tangible Assets excluding cash and debt			
			Enterprise Value			
			Cash at Year 5:			
			Debt at Year 5:			
			Equity Value Year 5:			
			Equity/Share at Year 5:			
			Annualized Return:			
			EVA			
			EVA today:			
			EVA in 5 Years:			
			EVA/Share:			
			Cash at Year 5:			
			Debt at Year 5:			
			Equity Value Year 5:			
			Equity/Share at Year 5:			
			Annualized return			
			Current Net Tangible Asset			
			Net Tangible Asset/Share:			
			Net Tangible Asset/Share in Year 5:			
			Annualized return			
			Current Equity Price:			
			Selling at Discount?			
			Appreciation Potential:			
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Company Name:	Emerson Radio Corp
Ticker Symbol:	MSN
Last Price:	\$2.08
Net Cash/Share:	\$2.26
Net Cash to Last Price:	108.56%
Shares Outstanding:	27,130,000
Industry:	Consumer Electronics
Sector:	Technology
Institutional Ownership:	68.96%
Mutual Fund Ownership:	7.59%
Insider Ownership:	1.29%
Float:	44.00%

Technicals	
52 week low:	\$1.30
Today from 52 week low:	60.00%
52 week high:	\$2.17
Today from 52 week high:	4.33%

Analyst/Consensus	
Analyst Sales Growth FY1:	N/A
Analyst Sales Growth FY2:	N/A
SN Valuation Estimate FY1:	-30.00%
SN Valuation Estimate FY2:	0.00%

Analyst Earnings Estimate FY1:	N/A
Analyst Earnings Estimate FY2:	N/A
SN Valuation Earnings Est. FY1:	\$0.10
SN Valuation Earnings Est. FY2:	\$0.10

Multiples	
Market Value to Book:	0.77
EV to Book:	-0.07
Market Value to Tangible Net Assets:	9.58
P/E Ratio:	15.99
Trailing P/E Ratio:	16.00
Forward P/E Ratio:	N/A
Beta:	1.53
Dividend:	0.00
Dividend Yield:	0.00%
Dividend Date:	Mar 23, 2010
Ex-Dividend Date:	Mar 25, 2010

Competitors	
Average EV to EBITDA:	N/A
Company EV to EBITDA:	-0.51
Average EV to EBIT:	N/A
Company EV to EBITA:	-0.52

Market Capitalization:	\$56,430,400.00
Total Debt:	\$60,000.00
RCH Total Cash:	\$61,320,000.00
Net Cash/(Debt):	\$61,260,000.00
Enterprise Value:	-\$4,829,600.00
Current EV/Share:	-\$0.18
EBITDA:	\$9,440,000.00
EV/EBITDA Multiple:	-0.51
EV/EBITDA Multiple Average Year 1-5:	-1.32
EV/FCF Multiple (excluding acquisition):	-0.22
EV/FCF Multiple Average Year 1-5 (excluding acquisition):	-1.70

Upper Range	
DCF: EV/EBITDA Terminal Value	
Implied TV from 3 X EV/EBITDA Multiple	\$10,785,600.00
Enterprise Value	\$10,785,600.00
Cash at Year 5:	\$75,542,525.00
Debt at Year 5:	\$60,000.00
Equity Value Year 5:	\$86,268,125.00
Equity/Share at Year 5:	\$3.18
Annualized Return:	8.86%

Lower Range	
DCF: Net Tangible Asset excluding Cash/Debt Terminal Value	
Year 5 Net Tangible Assets excluding cash and debt	\$5,960,000.00
Enterprise Value	\$5,960,000.00
Cash at Year 5:	\$75,542,525.00
Debt at Year 5:	\$60,000.00
Equity Value Year 5:	\$81,442,525.00
Equity/Share at Year 5:	\$3.00
Annualized Return:	7.61%

EVA	
EVA today:	\$71,334,240.07
EVA in 5 Years:	\$49,268,795.79
EVA/Share:	\$1.82
Cash at Year 5:	\$75,542,525.00
Debt at Year 5:	\$60,000.00
Equity Value Year 5:	\$124,751,320.79
Equity/Share at Year 5:	\$4.60
Annualized return	-7.13%

Current Net Tangible Asset	
Net Tangible Asset/Share:	\$2.53
Net Tangible Asset/Share in Year 5:	\$3.04
Annualized return	3.74%

Current Equity Price:	\$2.08
Selling at Discount?	Discount
Appreciation Potential:	21.81%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Emerson Radio Corp

Ticker:

MSN

	Historical				Forecasted				
	52 weeks ending 2010-03-31	12 months ending 2011-03-31	12 months ending 2012-03-31	12 months ending 2013-03-31	2013	2014	2015	2016	2017
Revenue	206.96	200.84	163.25	128.40	89.88	89.88	89.88	89.88	89.88
COGS	175.46	172.92	142.27	108.63	79.09	79.09	79.09	79.09	79.09
Gross margin	31.50	27.92	20.98	19.77	10.79	10.79	10.79	10.79	10.79
SG&A	14.50	7.38	7.76	7.76	6.29	6.29	6.29	6.29	6.29
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	-1.81	-0.35	1.33	0.00	0.00	0.00	0.00	0.00
Other operating expense	3.13	1.64	1.35	1.35	0.90	0.90	0.90	0.90	0.90
Depreciation is: Included within COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	13.77	20.71	12.22	9.33	3.60	3.60	3.60	3.60	3.60
Interest income/(expense)	-0.03	1.00	0.90	0.34	0.66	0.66	0.66	0.66	0.66
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	13.74	21.71	13.11	9.66	4.26	4.26	4.26	4.26	4.26
Tax	2.37	5.79	2.49	3.66	1.49	1.49	1.49	1.49	1.49
Income after tax	11.37	15.92	10.63	6.00	2.77	2.77	2.77	2.77	2.77
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	11.37	15.92	10.63	6.00	2.77	2.77	2.77	2.77	2.77
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.42	\$0.59	\$0.39	\$0.22	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
P/E (historical today's price; forecasted intrinsic price)	4.96	3.54	5.31	9.41	22.68	25.22	28.05	31.19	34.69
Revenue Growth	N/A	-2.96%	-18.72%	-21.35%	-30.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	17.25%	26.67%	18.92%	37.89%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-0.51%	37.45%	692.31%	485.71%	NA	NA	NA	NA	NA
Margins									
COGS	84.78%	86.10%	87.15%	84.60%	88.00%	88.00%	88.00%	88.00%	88.00%
Gross margin	15.22%	13.90%	12.85%	15.40%	12.00%	12.00%	12.00%	12.00%	12.00%
SG&A	7.05%	3.67%	4.75%	6.04%	7.00%	7.00%	7.00%	7.00%	7.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	-0.90%	-0.21%	1.04%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	1.51%	0.82%	0.83%	1.05%	1.00%	1.00%	1.00%	1.00%	1.00%
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)	6.65%	10.31%	7.49%	7.27%	4.00%	4.00%	4.00%	4.00%	4.00%
Interest income/(expense)	-0.01%	0.50%	0.55%	0.26%	0.74%	0.74%	0.74%	0.74%	0.74%
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	6.64%	10.81%	8.03%	7.52%	4.74%	4.74%	4.74%	4.74%	4.74%
Tax	1.15%	2.88%	1.52%	2.85%	1.66%	1.66%	1.66%	1.66%	1.66%
Income after tax	5.49%	7.93%	6.51%	4.67%	3.08%	3.08%	3.08%	3.08%	3.08%
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	5.49%	7.93%	6.51%	4.67%	3.08%	3.08%	3.08%	3.08%	3.08%

						Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2010-03-31	As of 2011-03-31	As of 2012-03-31	As of 2013-03-31	As of 2013-06-30	+	-						
Cash	15.05	39.80	44.96	21.42	15.98			15.98	18.824505	21.67	24.51	27.36	30.20
Short term investment	0.00	4.72	0.00	45.23	45.34			45.34	45.34	45.34	45.34	45.34	45.34
Cash and Short term	15.05	44.52	44.96	66.65	61.32			61.32	64.16	67.01	69.85	72.70	75.54
Accounts Receivable	20.35	10.93	12.13	7.88	8.00			8.00	8.00	8.00	8.00	8.00	8.00
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	20.35	10.93	12.13	7.88	8.00			8.00	8.00	8.00	8.00	8.00	8.00
Total Inventory	10.95	8.52	11.27	3.45	6.06			6.06	6.06	6.06	6.06	6.06	6.06
Prepaid Expenses	0.74	0.55	2.87	1.87	5.29			5.29	5.29	5.29	5.29	5.29	5.29
Other Current Assets	3.98	3.42	2.52	1.75	1.61			1.61	1.61	1.61	1.61	1.61	1.61
Current Assets	50.47	67.94	73.75	81.60	82.28	0.00	0.00	82.28	85.124505	87.97	90.81	93.66	96.50
PP&E, Gross	4.14	4.32	1.19	0.00	2.00			2.00	2.00	2.00	2.00	2.00	2.00
Change in Depreciation	0.85	0.50	0.28	0.11	0.11			0.11	0.08	0.08	0.08	0.08	0.08
Accumulated Depreciation	1.00	1.40	0.93	0.00	1.00			1.00	1.08	1.15	1.23	1.31	1.39
PP&E, Net	3.14	2.92	0.26	0.00	1.00			1.00	0.92	0.85	0.77	0.69	0.62
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	1.61	1.54	1.54	0.22	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term investments	6.03	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	6.79	2.90	1.93	1.23	1.15			1.15	1.15	1.15	1.15	1.15	1.15
Long Term Assets	17.57	7.36	3.73	1.45	2.15			2.15	2.07	2.00	1.92	1.84	1.77
Total Assets	68.04	75.30	77.48	83.05	84.43	0.00	0.00	84.43	87.20	89.97	92.73	95.50	98.27
Accounts Payable	20.80	14.41	9.16	7.79	8.00			8.00	8.00	8.00	8.00	8.00	8.00
Accrued Expense	0.96	1.20	1.20	0.96	1.00			1.00	1.00	1.00	1.00	1.00	1.00
Other current Liabilities	0.17	0.20	0.11	1.28	1.34			1.34	1.34	1.34	1.34	1.34	1.34
Total Current Liabilities	21.93	15.81	10.47	10.03	10.34	0.00	0.00	10.34	10.34	10.34	10.34	10.34	10.34
Notes Payables/Short Term Debt	5.63	2.47	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	0.03	0.05	0.06	0.04	0.04			0.04	0.04	0.04	0.04	0.04	0.04
Long term Debt	0.20	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	0.15	0.07	0.03	0.02			0.02	0.02	0.02	0.02	0.02	0.02
Total Interest Earning Debt	5.86	2.67	0.13	0.07	0.06	0.00	0.00	0.06	0.06	0.06	0.06	0.06	0.06
Deferred Income tax	0.12	0.16	0.18	0.19	0.20			0.20	0.20	0.20	0.20	0.20	0.20
Minority Interest	0.00	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	0.00	0.00	5.09			5.09	5.09	5.09	5.09	5.09	5.09
Total Liabilities	27.91	18.64	10.78	10.29	15.69	0.00	0.00	15.69	15.69	15.69	15.69	15.69	15.69
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	3.31	3.31	3.31	3.31	3.31			3.31	3.31	3.31	3.31	3.31	3.31
Common Stock	0.53	0.53	0.53	0.53	0.53		0.00	0.53	0.53	0.53	0.53	0.53	0.53
Additional Paid-in capital	98.78	98.78	98.78	98.78	98.80	0.00	0.00	98.80	98.80	98.80	98.80	98.80	98.80
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	-36.98	-21.05	-10.42	-4.42	-5.00			-5.00	-2.23	0.54	3.30	6.07	8.84
Treasury Stock	-24.22	-24.22	-24.22	-24.22	-24.00		0.00	-24.00	-24.00	-24.00	-24.00	-24.00	-24.00
Other Equity	-0.08	0.75	0.00	-0.08	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	41.34	58.10	67.90	73.98	73.64	0.00	0.00	73.64	76.41	79.18	81.94	84.71	87.48
Liability + Equity	69.25	76.74	78.68	84.27	89.33	0.00	0.00	89.33	92.10	94.87	97.63	100.40	103.17
Variance	-1.21	-1.44	-1.20	-1.22	-4.90			-4.90	-4.90	-4.90	-4.90	-4.90	-4.90
Debt/Equity	0.14	0.05	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	18.90	23.57	14.49	37.22	14.83			21.19	14.83	14.83	14.83	14.83	14.83
Inventory Turnover Days	19.31	15.48	25.20	9.81	24.61			17.23	24.61	24.61	24.61	24.61	24.61
Days Inventory Outstanding	22.78	17.98	28.91	11.59	27.97			20.36	27.97	27.97	27.97	27.97	27.97
Accounts Receivable Turnover	10.17	18.38	13.46	16.29	11.24			16.05	11.24	11.24	11.24	11.24	11.24
Accounts Receivable Turnover Days	35.89	19.86	27.12	22.40	32.49			22.74	32.49	32.49	32.49	32.49	32.49
Days Payable Outstanding	43.27	30.42	23.50	26.17	36.92			26.88	36.92	36.92	36.92	36.92	36.92
Days Sales Outstanding	35.89	19.86	27.12	22.40	32.49			22.40	22.74	32.49	32.49	32.49	32.49
Cash Conversion Cycle	15.40	7.43	32.53	7.82	23.54			15.88	13.79	23.54	23.54	23.54	23.54
Net tangible assets/share	\$1.46	\$2.08	\$2.45	\$2.72	\$2.71			\$2.82	\$2.82	\$2.92	\$3.02	\$3.12	\$3.22

	52 weeks ending 2010-03-31	12 months ending 2011-03-31	12 months ending 2012-03-31	12 months ending 2013-03-31	2011	2012	2013	2014	2015
Net Income	11.37	15.92	10.63	6.00	2.77	2.77	2.77	2.77	2.77
Depreciation	0.85	0.50	0.28	0.11	0.08	0.08	0.08	0.08	0.08
Net Income + Depreciation	12.22	16.42	10.91	6.11	2.84	2.84	2.84	2.84	2.84
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	2.04	4.64	1.41	1.18	0.00	0.00	0.00	0.00	0.00
Non Cash Items	-3.54	-0.29	-2.62	-0.03	0.00	0.00	0.00	0.00	0.00
Change in Working capital	12.71	4.89	-9.85	14.45	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	9.42	-1.20	4.25	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	2.43	-2.75	7.82	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.19	-2.32	1.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-6.39	-5.25	-1.37	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	23.43	25.66	-0.15	21.71	2.84	2.84	2.84	2.84	2.84
Capital Expenditures Expenditures	-4.05	-0.23	-0.06	-0.11	0.00	0.00	0.00	0.00	0.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	3.02	2.50	7.90	-45.08	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-1.03	2.27	7.84	-45.19	0.00	0.00	0.00	0.00	0.00
Financing Cash flow items	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-29.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.00	0.00	0.00	0.00	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	-0.02	-3.20	-2.53	-0.06	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-29.86	-3.20	-2.53	-0.06	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	22.52	15.05	39.80	44.96	15.98	18.82	21.67	24.51	27.36
Net Change in Cash	-7.47	24.75	5.16	-23.55	2.84	2.84	2.84	2.84	2.84
Ending Cash Balance	15.05	39.80	44.96	21.41	18.82	21.67	24.51	27.36	30.20
Capex to Revenue	1.96%	0.11%	0.04%	0.09%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation to Sales	0.41%	0.25%	0.17%	0.09%	0.09%	0.09%	0.09%	0.09%	0.09%
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	9.83%	5.44%	7.43%	6.14%	8.77%	8.77%	8.77%	8.77%	8.77%
Distributable FCF/EV Yield	-463.81%	-578.31%	-159.23%	486.17%	-58.90%	-58.90%	-58.90%	-58.90%	-58.90%
Dividend Yield	-52.88%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	49.22	25.43	-0.21	21.60	2.84	2.84	2.84	2.84	2.84

SN VALUATION

LBO Debt Schedule

Ticker:

MSN

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-23.55	2.84	2.84	2.84	2.84	2.84
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	0.04	0.04	0.04	0.04	0.04	0.04
Current Portion Debt Balance	0.04	0.04	0.04	0.04	0.04	0.04
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		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Rate		10.00%	10.00%	10.00%	10.00%	10.00%
Interest Expense		0.00	0.00	0.00	0.00	0.00
Cash Balance		66.65				
Interest @ 1.0%		0.67	0.67	0.67	0.67	0.67
Net Interest Expense/(Income)		(0.66)	(0.66)	(0.66)	(0.66)	(0.66)
Net Interest Rate		N/A	N/A	N/A	N/A	N/A
EBITDA		3.60	3.60	3.60	3.60	3.60
EBITDA/Interest Expense Coverage		898.80	898.80	898.80	898.80	898.80

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

Altman Z Score

Company Name:

Emerson Radio Corp

Ticker:

MSN

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	28.54	52.13	63.28	71.94	74.78	77.63	80.47	83.32	86.16
Total Assets	68.04	75.30	77.48	84.43	87.20	89.97	92.73	95.50	98.27
X1	0.42	0.69	0.82	0.85	0.86	0.86	0.87	0.87	0.88
Retained Earnings	-36.98	-21.05	-10.42	-5.00	-2.23	0.54	3.30	6.07	8.84
Total Assets	68.04	75.30	77.48	84.43	87.20	89.97	92.73	95.50	98.27
X2	-0.54	-0.28	-0.13	-0.06	-0.03	0.01	0.04	0.06	0.09
EBITDA	13.77	20.71	12.22	9.33	3.60	3.60	3.60	3.60	3.60
Total Assets	68.04	75.30	77.48	84.43	87.20	89.97	92.73	95.50	98.27
X3	0.20	0.28	0.16	0.11	0.04	0.04	0.04	0.04	0.04
Market Value of Equity	56.43	56.43	56.43	56.43	62.76	69.80	77.62	86.33	96.01
Total Liabilities	27.91	18.64	10.78	15.69	15.69	15.69	15.69	15.69	15.69
X4	2.02	3.03	5.23	3.60	4.00	4.45	4.95	5.50	6.12
Net Sales	206.96	200.84	163.25	128.40	89.88	89.88	89.88	89.88	89.88
Total Assets	68.04	75.30	77.48	84.43	87.20	89.97	92.73	95.50	98.27
X5	3.04	2.67	2.11	1.52	1.03	1.00	0.97	0.94	0.91
Altman Z Score	4.67	5.83	6.56	4.98	4.56	4.84	5.16	5.50	5.89

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

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

Year	Present Value	Holding Period					Terminal Value			Sale Price
	0	1	2	3	4	5	6	7	8	TBV at Year 5 + 3 Years FCF
Tangible Book Value	73.64	76.41	79.18	81.94	84.71	87.48				87.48
Annual Change		2.77	2.77	2.77	2.77	2.77				
Annual FCF	21.60	2.84	2.84	2.84	2.84	2.84	2.84	2.84	2.84	8.53
Annual Op. Cash Flow	21.71	2.84	2.84	2.84	2.84	2.84	2.84	2.84	2.84	
Annual PP&E Investment	(0.11)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Today's Tangible Book Value	73.64	76.22	78.89	81.66	84.52	87.48				96.01
Intrinsic Value IRR	3.50%									
Market Price	56.43	62.76	69.80	77.62	86.33	96.01				96.01
Market Price IRR	11.21%									

Debt	50.00%	28.22
Equity	50.00%	28.22
Total	100.00%	56.43

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	73.64	28.22	28.72	29.22	29.72	30.23	30.73			
Goodwill	0	(17.21)	(17.21)	(17.21)	(17.21)	(17.21)	(17.21)			
Debt	0	28.22	28.22	28.22	28.22	28.22	28.22			
Debt Interest Rate		10.00%	10.00%	10.00%	10.00%	10.00%	10.00%			
Additional Interest Expense		3.48	3.48	3.48	3.48	3.48				
Tangible Book Value	73.64	45.42	45.93	46.43	46.93	47.44	47.94			47.94
Annual Change			0.50	0.50	0.50	0.50	0.50			
Annual FCF	21.60	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	1.74
Annual Net Income	6.00		0.50	0.50	0.50	0.50	0.50	0.50	0.50	
Annual Op. Cash Flow	21.71	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	
Dividend Payments										
Annual PP&E Investment	(0.11)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Debt Paydown	0.00							0.00	0.00	0.00

Sale Price in Year 5 **49.68**

Capital Left for Equity Investor **49.68**
 Dividend Payments **0.00**
 Total Cash In Flow **49.68**

We assume the debt taken on by the investor is now on the Co's books, so the investor has no more liability from the deal.

Invested Equity **28.22**
 IRR **11.98%**

Value Creation
 TBV Growth (equals sum of NI Year 1-5) 2.51
 Cash Flow (Year 6-8) 1.74
4.25

Value Dilution
 Debt 28.22
 Goodwill -17.21
 Additional Interest 17.42
28.43