

Emerson Radio Corp (MSN)

Price:	\$1.92	Net Tang. Bk Value Incl. Cash, Excl.	\$75,840,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$85,269,617.60
Shares Outstanding:	27,130,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$1,939,491.52
Market Cap:	\$52,089,600	NTBVIC/Market Downside Recovery:	145.60%	Year 5 Disposition FCF Multiple:	3.0
Cash:	\$47,870,000	Op. Cash Flow:	\$2,475,960	Year 5 Disposition Price:	\$91,088,092.16
Debt:	\$0	Implied Years to Fill Gap:	-9.59		
Net Cash:	\$47,870,000	Today's Equity if 5x Op. CF:	\$83,267,880		
Enterprise Value:	\$4,219,600			Net Tang. Book+ Gain Disposition:	\$91,088,092.16
				IRR:	11.83%
				Price:	\$3.36
				Target Market Cap:	\$91,088,092
				Target Enterprise Value:	\$43,218,092

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

The stock was trading at \$1.70 but the company announced a special dividend of \$0.70/share, or a 40% yield. The Co. is in our portfolio for the extremely low P/B. The Co. has zero debt, \$48MM in cash, and the market cap is \$52MM. Also, the tangible book asset value is \$75MM, so it is trading at a 0.70 P/Net tangible Book multiple.

We believe the \$19MM distribution will reduce cash to \$28MM and lower the tangible book to \$56MM, which implies a share price of \$2.00/share at a 1.0 P/B.

Granted revenues have been declining at 20% YoY, but the operations is still op. cash flow positive, so we dont foresee any cash burn to affect the tangible book value.

For the short term trade, MSN is ex-div. until Sept. 9th so it is a quick dividend distribution plus a short term appreciation in the stock.

Looking for a 10% gain in 2 weeks.

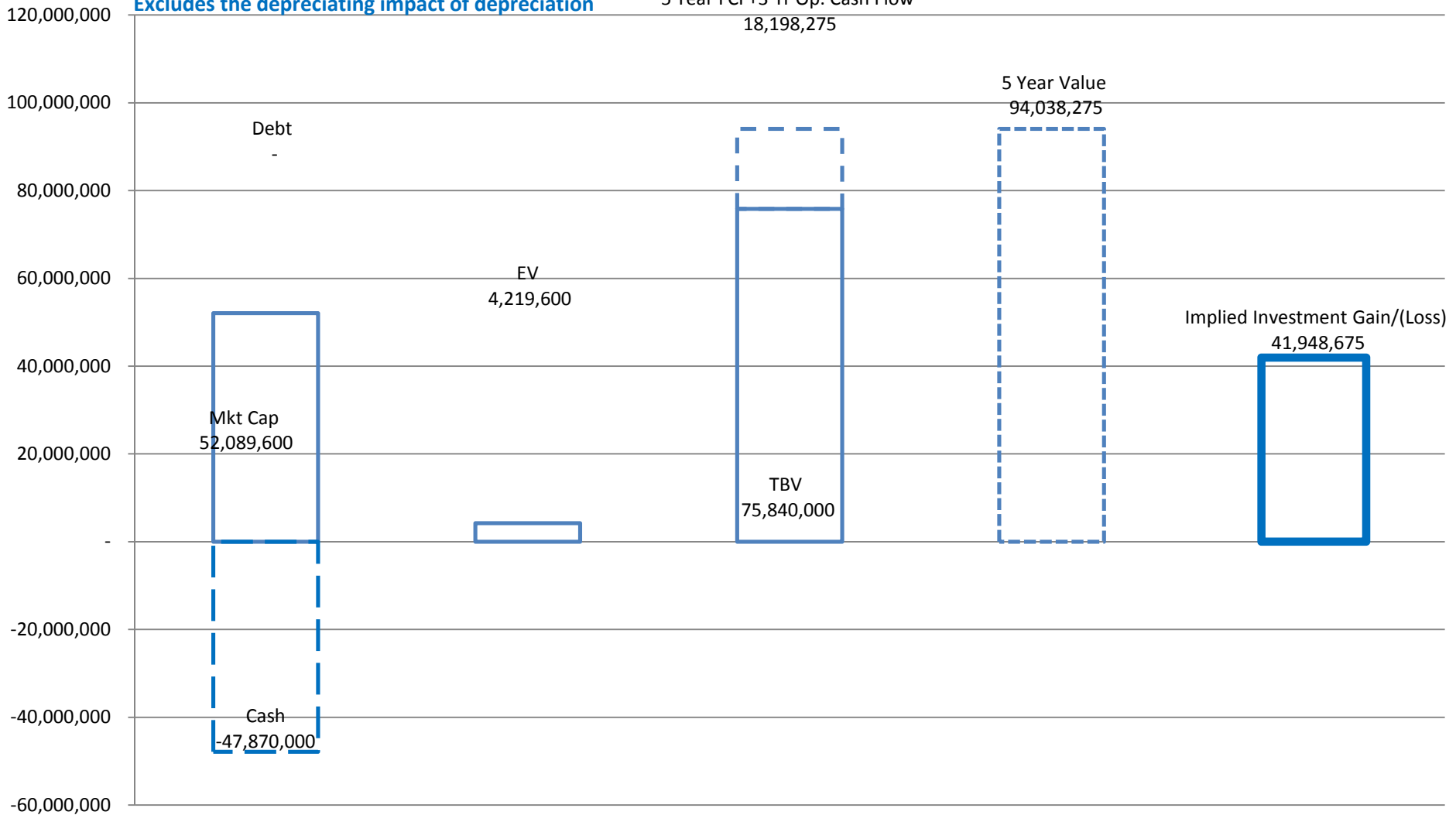
Background - Value trap, with a true arbitrage opportunity, where the market cap is lower than the net tangible book value. However, the main shareholder, which owns 56% of the outstanding shares is undergoing a bankruptcy procedure and they may have to dispose their units leaving the future of management with an uncertainty. The Co. buys Chinese made goods and resells the microwaves and electronic goods to retailers like Target under the Emerson brand.

Many of those who have been following the stock believe the Co. will be bought out, and forsake the wholesale business model by opting to license the brand name to the Chinese manufacturers.

Excludes the depreciating impact of depreciation

5 Year FCF+3 Yr Op. Cash Flow

18,198,275



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:	\$52,089,600.00	Revenue:	\$79,120,000.00	100.0%
Last Price:	\$1.92	Total Debt:	\$0.00	Cost of Goods Sold:	\$64,300,000.00	81.3%
Net Cash/Share:	\$1.76	Enterprise Value:	\$47,870,000.00	Gross Profit:	\$14,820,000.00	18.7%
Net Cash to Last Price:	91.90%	Current EV/Share:	\$4,219,600.00	EBITDA:	\$4,950,000.00	6.3%
Shares Outstanding:	27,130,000	EBITDA:	-\$600,000.00	Net Income:	#VALUE!	#VALUE!
Industry:	Consumer Electronics	EV/EBITDA Multiple:	-7.03	Balance Sheet		
Sector:	Technology	EV/EBITDA Multiple Average Year 1-5:	1.78	Cash:	\$47,870,000.00	
Institutional Ownership:	71.12%	EV/FCF Multiple (excluding acquisition):	-0.52	Short Term Investment:	\$0.00	
Mutual Fund Ownership:	8.33%			A/R:	\$4,000,000.00	
Insider Ownership:	1.29%			PP&E:	\$1,000,000.00	
Float:	44.00%			Assets:	\$67,440,000.00	
		Upper Range		A/P:	\$4,000,000.00	
		DCF: EV/EBITDA Terminal Value		Deferred Tax:	\$0.00	
		Implied TV from 3 X EV/EBITDA Multiple	\$5,977,344.00	Other Liabilities:	\$700,000.00	
Technicals		Enterprise Value	\$5,977,344.00	Short term Debt:	\$0.00	
52 week low:	\$1.56	Cash at Year 5:	\$57,567,457.60	Long Term Debt:	\$0.00	
Today from 52 week low:	23.08%	Debt at Year 5:	\$0.00	Liabilities:	\$4,700,000.00	
52 week high:	\$2.38	Equity Value Year 5:	\$63,544,801.60	Retained Earnings:	-\$3,000,000.00	
Today from 52 week high:	23.96%	Equity/Share at Year 5:	\$2.34	Paid-In Capital:	\$99,530,000.00	
Analyst/Consensus		Annualized Return:	4.06%	Treasury Stock:	-\$24,000,000.00	
Analyst Sales Growth FY1:	N/A	Lower Range		Stockholder's Equity:	\$75,840,000.00	
Analyst Sales Growth FY2:	N/A	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Cash Flow		
SN Valuation Estimate FY1:	-20.00%	Year 5 Net Tangible Assets excluding cash and debt	\$12,760,000.00	Net Income:	1,320,000.00	
SN Valuation Estimate FY2:	-20.00%	Enterprise Value	\$12,760,000.00	Depreciation/Amortization:	90,000.00	
Analyst Earnings Estimate FY1:	N/A	Cash at Year 5:	\$57,567,457.60	Change in Working capital:	-9,180,000.00	
Analyst Earnings Estimate FY2:	N/A	Debt at Year 5:	\$0.00	Cash from Operating Activities:	-8,090,000.00	
SN Valuation Earnings Est. FY1:	\$0.09	Equity Value Year 5:	\$70,327,457.60	Capital Expenditures:	-30,000.00	
SN Valuation Earnings Est. FY2:	\$0.07	Equity/Share at Year 5:	\$2.59	Cash from Investing Activities:	13,080,000.00	
Multiples		Annualized Return:	6.19%	Total Cash Dividends Paid:	0.00	
Market Value to Book:	0.69	EVA		Issuance (Retirement) of Stock:	0.00	
EV to Book:	0.06	EVA today:	\$73,569,600.00	Issuance (Retirement) of Debt:	-70,000.00	
Market Value to Tangible Net Assets:	4.08	EVA in 5 Years:	\$46,966,154.49	Cash from Financing Activities:	-70,000.00	
P/E Ratio:	#VALUE!	EVA/Share:	\$1.73	Profitability Margins		
Trailing P/E Ratio:	N/A	Cash at Year 5:	\$57,567,457.60	Debt to Equity:	0.00%	
Forward P/E Ratio:	N/A	Debt at Year 5:	\$0.00	Return on Assets:	1.96%	
Beta:	1.45	Equity Value Year 5:	\$104,533,612.09	Return on Capital:	1.74%	
Dividend:	0.00	Equity/Share at Year 5:	\$3.85	Return on Equity:	1.74%	
Dividend Yield:	0.00%	Annualized return	-8.59%			
Dividend Date:	N/A	Current Net Tangible Asset				
Ex-Dividend Date:	Mar 25, 2010	Net Tangible Asset/Share:	\$2.31			
Competitors		Net Tangible Asset/Share in Year 5:	\$2.66			
Average EV to EBITDA:	N/A	Annualized return	2.84%			
Company EV to EBITDA:	-7.03	Current Equity Price:	\$1.92			
Average EV to EBIT:	N/A	Selling at Discount?	Discount			
Company EV to EBITA:	-6.03	Appreciation Potential:	20.45%			
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SN VALUATION

LBO Pro Forma Income Statement

Name:

Emerson Radio Corp

Ticker:

MSN

	Historical				Forecasted				
	12 months ending 2011-03-31	12 months ending 2012-03-31	12 months ending 2013-03-31	12 months ending 2014-03-31	2014	2015	2016	2017	2018
Revenue	200.84	163.25	128.40	77.83	62.26	49.81	39.85	39.85	39.85
COGS	172.92	142.27	108.63	63.01	50.43	40.35	32.28	32.28	32.28
Gross margin	27.92	20.98	19.77	14.82	11.83	9.46	7.57	7.57	7.57
SG&A	7.38	7.76	7.76	10.43	8.72	8.37	5.58	5.58	5.58
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	-1.81	-0.35	1.33	4.22	0.00	0.00	0.00	0.00	0.00
Other operating expense	1.64	1.35	1.35	0.86	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
Operating Income (EBITA)	20.71	12.22	9.33	-0.69	3.11	2.49	1.99	1.99	1.99
Interest income/(expense)	1.00	0.90	0.34	0.55	0.59	0.59	0.59	0.59	0.59
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	21.71	13.11	9.66	-0.15	3.70	3.08	2.58	2.58	2.58
Tax	5.79	2.48	3.66	-1.47	1.29	1.08	0.90	0.90	0.90
Income after tax	15.92	10.63	6.00	1.32	2.40	2.00	1.68	1.68	1.68
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	15.92	10.63	6.00	1.32	2.40	2.00	1.68	1.68	1.68
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.59	\$0.39	\$0.22	\$0.05	\$0.09	\$0.07	\$0.06	\$0.06	\$0.06
P/E (historical today's price; forecasted intrinsic price)	3.27	4.90	8.68	39.46	24.23	32.58	43.48	48.62	54.37
Revenue Growth	N/A	-18.72%	-21.35%	-39.38%	-20.00%	-20.00%	-20.00%	0.00%	0.00%
Tax Rate	26.67%	18.92%	37.89%	980.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	37.45%	692.31%	485.71%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	86.10%	87.15%	84.60%	80.96%	81.00%	81.00%	81.00%	81.00%	81.00%
Gross margin	13.90%	12.85%	15.40%	19.04%	19.00%	19.00%	19.00%	19.00%	19.00%
SG&A	3.67%	4.75%	6.04%	13.40%	14.00%	14.00%	14.00%	14.00%	14.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	-0.90%	-0.21%	1.04%	5.42%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.82%	0.83%	1.05%	1.10%	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)	10.31%	7.49%	7.27%	-0.89%	5.00%	5.00%	5.00%	5.00%	5.00%
Interest income/(expense)	0.50%	0.55%	0.26%	0.71%	0.94%	1.17%	1.47%	1.47%	1.47%
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	10.81%	8.03%	7.52%	-0.19%	5.94%	6.17%	6.47%	6.47%	6.47%
Tax	2.88%	1.52%	2.85%	-1.89%	2.08%	2.16%	2.26%	2.26%	2.26%
Income after tax	7.93%	6.51%	4.67%	1.70%	3.86%	3.21%	2.69%	2.69%	2.69%
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	7.93%	6.51%	4.67%	1.70%	3.86%	4.01%	4.20%	4.20%	4.20%

	As of 2011-03-31	As of 2012-03-31	As of 2013-03-31	As of 2014-03-31	As of 2014-06-30	Adjustment		Adjusted Proforma	2014	2015	2016	2017	2018
						+	-						
Cash	39.80	44.96	21.42	26.33	47.87			47.87	50.34596	52.40	54.12	55.85	57.57
Short term investment	4.72	0.00	45.23	32.19	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	44.52	44.96	66.65	58.52	47.87			47.87	50.35	52.40	54.12	55.85	57.57
Accounts Receivable	10.93	12.13	6.38	4.35	4.00			4.00	4.00	4.00	4.00	4.00	4.00
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	10.93	12.13	6.38	4.35	4.00			4.00	4.00	4.00	4.00	4.00	4.00
Total Inventory	8.52	11.27	3.45	5.44	8.93			8.93	8.93	8.93	8.93	8.93	8.93
Prepaid Expenses	0.55	2.87	1.87	3.65	2.62			2.62	2.62	2.62	2.62	2.62	2.62
Other Current Assets	3.42	2.52	1.75	1.39	1.14			1.14	1.14	1.14	1.14	1.14	1.14
Current Assets	67.94	73.75	80.10	73.35	64.56	0.00	0.00	64.56	67.03596	69.09	70.81	72.54	74.26
PP&E, Gross	4.32	1.19	1.22	0.00	1.00			1.00	1.00	1.00	1.00	1.00	1.00
Change in Depreciation	0.50	0.28	0.11	0.09	0.09			0.09	0.07	0.06	0.05	0.05	0.05
Accumulated Depreciation	1.40	0.93	0.96	0.00	0.00			0.00	0.07	0.13	0.18	0.22	0.27
PP&E, Net	2.92	0.26	0.26	0.00	1.00			1.00	0.93	0.87	0.82	0.78	0.73
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	1.54	1.54	0.22	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	2.90	1.93	1.23	1.88	1.88			1.88	1.88	1.88	1.88	1.88	1.88
Long Term Assets	7.36	3.73	1.71	1.88	2.88			2.88	2.81	2.75	2.70	2.66	2.61
Total Assets	75.30	77.48	81.81	75.23	67.44	0.00	0.00	67.44	69.84	71.84	73.52	75.19	76.87
Accounts Payable	14.41	9.15	7.25	3.95	4.00			4.00	4.00	4.00	4.00	4.00	4.00
Accrued Expense	1.20	1.20	0.00	0.00	8.00			8.00	8.00	8.00	8.00	8.00	8.00
Other current Liabilities	0.20	0.12	1.28	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities	15.81	10.47	8.53	3.95	12.00	0.00	0.00	12.00	12.00	12.00	12.00	12.00	12.00
Notes Payables/Short Term Debt	2.47	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	0.05	0.06	0.04	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	0.00
Capital Lease Obligations	0.15	0.07	0.03	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	2.67	0.13	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Income tax	0.16	0.18	0.19	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	0.00
Other liabilities	0.00	0.00	0.00	0.00	-7.30			-7.30	-7.30	-7.30	-7.30	-7.30	-7.30
Total Liabilities	18.64	10.78	8.79	3.95	4.70	0.00	0.00	4.70	4.70	4.70	4.70	4.70	4.70
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	99.00	0.00	0.00	99.00	99.00	99.00	99.00	99.00	99.00
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	-21.05	-10.42	-4.42	-3.10	-3.00			-3.00	-0.60	1.40	3.08	4.75	6.43
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	0.75	-0.08	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	58.10	67.90	73.98	75.30	75.84	0.00	0.00	75.84	78.24	80.24	81.92	83.59	85.27
Liability + Equity	76.74	78.68	82.77	79.25	80.54	0.00	0.00	80.54	82.94	84.94	86.62	88.29	89.97
Variance	-1.44	-1.20	-0.96	-4.02	-13.10			-13.10	-13.10	-13.10	-13.10	-13.10	-13.10
Debt/Equity	0.05	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	23.57	14.49	37.22	14.31	6.97			8.72	6.97	5.58	4.46	4.46	4.46
Inventory Turnover Days	15.48	25.20	9.81	25.51	52.35			41.88	52.35	65.44	81.80	81.80	81.80
Days Inventory Outstanding	17.98	28.91	11.59	31.51	64.63			51.73	64.63	80.79	100.98	100.98	100.98
Accounts Receivable Turnover	18.38	13.46	20.13	17.89	15.57			19.46	15.57	12.45	9.96	9.96	9.96
Accounts Receivable Turnover Days	19.86	27.12	18.14	20.40	23.45			18.76	23.45	29.31	36.64	36.64	36.64
Days Payable Outstanding	30.42	23.47	24.36	22.88	28.95			23.17	28.95	36.19	45.23	45.23	45.23
Days Sales Outstanding	19.86	27.12	18.14	20.40	23.45			20.40	18.76	23.45	29.31	36.64	36.64
Cash Conversion Cycle	7.43	32.56	5.37	29.03	59.13			48.96	54.44	68.05	85.06	92.39	92.39
Net tangible assets/share	\$2.08	\$2.45	\$2.72	\$2.78	\$2.80				\$2.88	\$2.96	\$3.02	\$3.08	\$3.14

	12 months ending 2011-03-31	12 months ending 2012-03-31	12 months ending 2013-03-31	12 months ending 2014-03-31	2014	2015	2016	2017	2018
Net Income	15.92	10.63	6.00	1.32	2.40	2.00	1.68	1.68	1.68
Depreciation	0.50	0.28	0.11	0.09	0.07	0.06	0.05	0.05	0.05
Net Income + Depreciation	16.42	10.91	6.11	1.41	2.48	2.06	1.72	1.72	1.72
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	4.64	1.41	1.18	-0.54	0.00	0.00	0.00	0.00	0.00
Non Cash Items	0.00	0.00	1.41	0.22	0.00	0.00	0.00	0.00	0.00
Change in Working capital	4.61	-12.47	13.01	-9.18	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-1.20	5.75	2.03	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	-2.75	7.82	-1.99	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-2.32	1.00	-1.78	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-5.26	-1.90	-3.30	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	25.67	-0.15	21.71	-8.09	2.48	2.06	1.72	1.72	1.72
Capital Expenditures Expenditures	-0.23	-0.06	-0.11	-0.03	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	2.50	7.90	-45.08	13.11	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	2.27	7.84	-45.19	13.08	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	0.00	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	-3.20	-2.53	-0.06	-0.07	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-3.20	-2.53	-0.06	-0.07	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	15.05	39.80	44.96	21.41	47.87	50.35	52.40	54.12	55.85
Net Change in Cash	24.75	5.16	-23.55	4.92	2.48	2.06	1.72	1.72	1.72
Ending Cash Balance	39.80	44.96	21.41	26.33	50.35	52.40	54.12	55.85	57.57
Capex to Revenue	0.11%	0.04%	0.09%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation to Sales	0.25%	0.17%	0.09%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%
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	5.44%	7.43%	4.97%	5.59%	6.99%	8.73%	10.92%	10.92%	10.92%
Distributable FCF/EV Yield	662.15%	182.24%	-556.45%	118.26%	58.68%	48.74%	40.80%	40.80%	40.80%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	25.44	-0.21	21.60	-8.12	2.48	2.06	1.72	1.72	1.72

SN VALUATION

LBO Debt Schedule

Ticker:

MSN

	Proforma	2014	2015	2016	2017	2018
Net Change in Cash	4.92	2.48	2.06	1.72	1.72	1.72
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	0.00	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		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		5.00%	5.00%	5.00%	5.00%	5.00%
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		58.52				
Interest @ 1.0%		0.59	0.59	0.59	0.59	0.59
Net Interest Expense/(Income)		(0.59)	(0.59)	(0.59)	(0.59)	(0.59)
Net Interest Rate		N/A	N/A	N/A	N/A	N/A
EBITDA		3.11	2.49	1.99	1.99	1.99
EBITDA/Interest Expense Coverage		N/A	N/A	N/A	N/A	N/A

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

SN VALUATION

Altman Z Score

Company Name:

Emerson Radio Corp

Ticker:

MSN

Period	2010	2011	2012	2013	2014	2015	2016	2017	2018
Working Capital	52.13	63.28	71.57	52.56	55.04	57.09	58.81	60.54	62.26
Total Assets	75.30	77.48	81.81	67.44	69.84	71.84	73.52	75.19	76.87
X1	0.69	0.82	0.87	0.78	0.79	0.79	0.80	0.81	0.81
Retained Earnings	-21.05	-10.42	-4.42	-3.00	-0.60	1.40	3.08	4.75	6.43
Total Assets	75.30	77.48	81.81	67.44	69.84	71.84	73.52	75.19	76.87
X2	-0.28	-0.13	-0.05	-0.04	-0.01	0.02	0.04	0.06	0.08
EBITDA	20.71	12.22	9.33	-0.69	3.11	2.49	1.99	1.99	1.99
Total Assets	75.30	77.48	81.81	67.44	69.84	71.84	73.52	75.19	76.87
X3	0.28	0.16	0.11	-0.01	0.04	0.03	0.03	0.03	0.03
Market Value of Equity	52.09	52.09	52.09	52.09	58.25	65.14	72.84	81.46	91.09
Total Liabilities	18.64	10.78	8.79	4.70	4.70	4.70	4.70	4.70	4.70
X4	2.79	4.83	5.93	11.08	12.39	13.86	15.50	17.33	19.38
Net Sales	200.84	163.25	128.40	77.83	62.26	49.81	39.85	39.85	39.85
Total Assets	75.30	77.48	81.81	67.44	69.84	71.84	73.52	75.19	76.87
X5	2.67	2.11	1.57	1.15	0.89	0.69	0.54	0.53	0.52
Altman Z Score	5.69	6.32	6.48	8.64	9.41	10.10	10.95	12.07	13.32

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

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	75.84	78.24	80.24	81.92	83.59	85.27				85.27
Annual Change		2.40	2.00	1.68	1.68	1.68				
Annual FCF	(8.12)	2.48	2.06	1.72	1.72	1.72	1.94	1.94	1.94	5.82
Annual Op. Cash Flow	(8.09)	2.48	2.06	1.72	1.72	1.72	1.94	1.94	1.94	
Annual PP&E Investment	(0.03)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Today's Tangible Book Value	75.84	77.64	79.48	81.36	83.29	85.27				91.09
Intrinsic Value IRR	2.37%									
Market Price	52.09	58.25	65.14	72.84	81.46	91.09				91.09
Market Price IRR	11.83%									

Debt	50.00%	26.04
Equity	50.00%	26.04
Total	100.00%	52.09

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	75.84	26.04	26.71	26.98	26.89	26.80	26.71			
Goodwill	0	(23.75)	(23.75)	(23.75)	(23.75)	(23.75)	(23.75)			
Debt	0	26.04	26.04	26.04	26.04	26.04	26.04			
Debt Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%			
Additional Interest Expense		2.67	2.67	2.67	2.67	2.67				
Tangible Book Value	75.84	49.80	50.46	50.73	50.64	50.55	50.46			50.46
Annual Change			0.67	0.26	-0.09	-0.09	-0.09			
Annual FCF	(8.12)		0.74	0.32	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Annual Net Income	1.32		0.67	0.26	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)
Annual Op. Cash Flow	(8.09)		0.74	0.32	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Dividend Payments										
Annual PP&E Investment	(0.03)		0.00	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 50.32

Capital Left for Equity Investor 50.32
 Dividend Payments 0.00
 Total Cash In Flow 50.32

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 26.04
 IRR 14.08%

Value Creation
 TBV Growth (equals sum of NI Year 1-5) 0.66
 Cash Flow (Year 6-8) -0.14
0.53

Value Dilution
 Debt 26.04
 Goodwill -23.75
 Additional Interest 13.34
15.64