

Orchard Supply (OSH)

Price:	\$3.96	Net Tang. Bk Value Incl.	\$71,770,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$137,879,832.33
Market Cap:	\$23,878,800	Cash (NTBVIC):		Avg. Year FCF/Share:	\$26,741,934.65
Cash:	\$10,470,000	Market Price/NTBVIC:	0.33	Year 5 Disposition FCF Multiple:	5.0
Debt:	\$259,930,000	Op. Cash Flow:	\$42,823,007	Year 5 Disposition Price:	\$271,589,505.57
Net Cash:	-\$249,460,000	Implied Years to Fill Gap:	-1.12		
Enterprise Value:	\$273,338,800	Today's Equity if 5x Op. CF:	\$285,885,034		
		Net Tang. Book+5 FCF+ Gain Disposition:			\$271,589,505.57
Shares Outstanding:	6,030,000	IRR:			62.62%
		Price:			\$45.04
		Target Market Cap:			\$271,589,506
		Target Enterprise Value:			\$521,049,506

The shares plummeted 20% down to \$3.00 on the news that the co. hired restructuring lawyers, which is an omen of things to come. The co. had issues with covenant breaches, and extension on their credit line and term loan. On a valuation basis, the co. seems very cheap, especially if they are generating cash in the AFFO.

Assets

87 stores in CA generates \$660MM in revenue, or \$7.6MM/store. Founded in Santa Clara. 80% owned by Sears and remaining 20% by Ares Investment. On Dec. 2011, Sears spunoff their shares as a distribution to their shareholders. ESL, or the personal investment vehicle for Lampert now owns 61% of Class A shares and 49% of general voting power. Ares owns 100% of Class C and 20% of voting rights.

We believe the ownership is important as key vendors for the co. as well as the deep pocket of ESL will force the ownership to make changes to float this co.

Liabilities

Credit - \$100 MM balance; **\$34 MM** outstanding Dec. 2013 maturity
 Term loan -\$200MM balance ; \$137 MM outstanding; **\$59 MM** Dec. 2013; \$78 Dec 2015.
 Real Estate secured - \$50MM balance; **\$28MM** outstanding due Dec. 2013.

\$127MM due this coming December. They are close to burning cash, so not in a position to repay the loan. They will have to extend or refinance, but if I was the lender, I would want to get my money asap, so I will try to recall the loan at maturity, and not let it go delinquent.

The book value on the balance sheet seems optimistic at +\$3 MM. The co. recently reported a loss on the loss from a sale lease back transaction. I believe the market value is less than what is booked. I think this would imply a negative tangible book value for the co.

We are scratching our heads because we are not sure if the co. is generating negative AFFO, since their net income is negative but offset by the depreciation. However, if that is no longer the case, then the co. will have no more cash to burn and we doubt lenders will provide additional capital. We believe the fulcrum may be the Senior Term loan. We believe equity owners will be washed out.

Company Name:	Orchard Supply
Ticker Symbol:	OSH
Last Price:	\$3.96
Net Cash/Share:	-\$41.37
Net Cash to Last Price:	-1044.69%
Shares Outstanding:	6,030,000
Industry:	Home Improvement Stores
Sector:	Consumer Cyclical
Institutional Ownership:	#VALUE!
Mutual Fund Ownership:	#VALUE!
Insider Ownership:	#VALUE!
Retail Ownership:	#VALUE!
Float:	#VALUE!

Technicals	
52 week low:	Error
Today from 52 week low:	#VALUE!
52 week high:	Error
Today from 52 week high:	#VALUE!
50 day Moving Average:	Error
200 day Moving Average:	Error

Analyst/Consensus	
Analyst Sales Growth FY1:	N/A
Analyst Sales Growth FY2:	N/A
SN Valuation Estimate FY1:	-1.00%
SN Valuation Estimate FY2:	-1.00%
Analyst Earnings Estimate FY1:	N/A
Analyst Earnings Estimate FY2:	N/A
SN Valuation Earnings Est. FY1:	\$2.28
SN Valuation Earnings Est. FY2:	\$2.23

Multiples	
Market Value to Book:	9.51
EV to Book:	108.90
Market Value to Tangible Net Assets:	-21.32
P/E Ratio:	-0.26
Trailing P/E Ratio:	N/A
Forward P/E Ratio:	N/A
Beta:	Error
Dividend:	0
Dividend Yield:	0.00%
Dividend Date:	N/A
Ex-Dividend Date:	N/A

Competitors	
Average EV to EBITDA:	N/A
Company EV to EBITDA:	4.81
Average EV to EBIT:	N/A
Company EV to EBITA:	-143.11

Market Capitalization:	\$23,878,800.00
Total Debt:	\$259,930,000.00
Total Cash:	\$10,470,000.00
Net Cash/(Debt):	-\$249,460,000.00
Enterprise Value:	\$273,338,800.00
Current EV/Share:	\$45.33
EBITDA:	\$56,870,000.00
EV/EBITDA Multiple:	4.81
EV/EBITDA Multiple Average Year 1-5:	4.08
EV/FCF Multiple (excluding acquisition):	16.64
EV/FCF Multiple Average Year 1-5 (excluding acquisition):	10.22

Upper Range	
DCF: EV/EBITDA Terminal Value	
Implied TV from 3 X EV/EBITDA Multiple	\$113,058,071.69
Enterprise Value	\$113,058,071.69
Cash at Year 5:	\$144,179,673.24
Debt at Year 5:	\$259,930,000.00
Equity Value Year 5:	-\$2,692,255.08
Equity/Share at Year 5:	-\$0.45
Annualized Return:	-164.63%

Lower Range	
DCF: Net Tangible Asset excluding Cash/Debt Terminal Value	
Year 5 Net Tangible Assets excluding cash and debt	\$261,300,000.00
Enterprise Value	\$261,300,000.00
Cash at Year 5:	\$144,179,673.24
Debt at Year 5:	\$259,930,000.00
Equity Value Year 5:	\$145,549,673.24
Equity/Share at Year 5:	\$24.14
Annualized Return:	43.55%

EVA	
EVA today:	\$5,712,809.71
EVA in 5 Years:	\$321,587,094.60
EVA/Share:	\$53.33
Cash at Year 5:	\$144,179,673.24
Debt at Year 5:	\$259,930,000.00
Equity Value Year 5:	\$205,836,767.84
Equity/Share at Year 5:	\$34.14
Annualized return	123.92%

Current Net Tangible Asset	
Net Tangible Asset/Share:	\$0.77
Net Tangible Asset/Share in Year 5:	\$11.73
Annualized return	72.37%
Current Equity Price:	\$3.96
Selling at Discount?	Premium
Appreciation Potential:	-80.53%

Dividend Model	
Next Year Dividend	\$0.00
WACC:	4.77%
Dividend:	\$0.00
Net Income:	-\$92,050,000.00

Income Statement		
Revenue:	\$645,800,000.00	100.0%
Cost of Goods Sold:	\$426,360,000.00	66.0%
Gross Profit:	\$219,440,000.00	34.0%
EBITDA:	\$25,990,000.00	4.0%
Net Income:	-\$92,050,000.00	-14.3%

Balance Sheet	
Cash:	\$10,470,000.00
Short Term Investment:	\$0.00
A/R:	\$0.00
PP&E:	\$265,000,000.00
Assets:	\$554,000,000.00
A/P:	\$57,280,000.00
Deferred Tax:	\$26,890,000.00
Other Liabilities:	\$138,130,000.00
Short term Debt:	\$179,930,000.00
Long Term Debt:	\$80,000,000.00
Liabilities:	\$482,230,000.00
Retained Earnings:	-\$264,060,000.00
Paid-In Capital:	\$250,040,000.00
Treasury Stock:	\$0.00
Stockholder's Equity:	\$2,510,000.00

Cash Flow	
Net Income:	-14,450,000.00
Depreciation/Amortization:	29,390,000.00
Change in Working capital:	11,510,000.00
Cash from Operating Activities:	31,890,000.00
Capital Expenditures:	-15,460,000.00
Cash from Investing Activities:	41,360,000.00
Total Cash Dividends Paid:	0.00
Issuance (Retirement) of Stock:	0.00
Issuance (Retirement) of Debt:	-77,230,000.00
Cash from Financing Activities:	-80,710,000.00

Profitability Margins	
Debt to Equity:	10355.78%
Return on Assets:	-2.61%
Return on Capital:	-5.51%
Return on Equity:	-575.70%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Orchard Supply

Ticker:

OSH

	Historical				Forecasted				
	52 weeks ending 2009-01-31	52 weeks ending 2010-01-30	52 weeks ending 2011-01-29	52 weeks ending 2012-01-28	2013	2014	2015	2016	2017
Revenue	761.49	682.39	660.70	660.47	653.87	647.33	640.85	634.44	628.10
COGS	486.22	438.06	431.84	441.03	438.09	433.71	429.37	425.08	420.83
Gross margin	275.27	244.33	228.86	219.44	215.78	213.62	211.48	209.37	207.27
SG&A	191.28	165.64	165.99	177.18	176.54	174.78	173.03	171.30	169.59
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	262.76	0.00	0.00	14.78	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
Operating Income (EBITA)	-178.77	78.69	62.87	27.48	39.23	38.84	38.45	38.07	37.69
Interest income/(expense)	-22.87	-16.77	-17.39	-23.36	-18.11	-18.11	-18.11	-18.11	-18.11
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	-233.06	32.05	14.29	-25.27	21.12	20.73	20.34	19.95	19.57
Tax	10.31	12.75	5.57	-10.82	7.39	7.25	7.12	6.98	6.85
Income after tax	-243.37	19.30	8.72	-14.45	13.73	13.47	13.22	12.97	12.72
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	-243.37	19.30	8.72	-14.45	13.73	13.47	13.22	12.97	12.72
*Figures are in millions (\$)									
EPS (based off today's share count)	-\$40.36	\$3.20	\$1.45	-\$2.40	\$2.28	\$2.23	\$2.19	\$2.15	\$2.11
P/E (historical today's price; forecasted intrinsic price)	-0.10	1.24	2.74	-1.65	2.34	3.22	4.42	6.07	8.33
Revenue Growth	N/A	-10.39%	-3.18%	-0.03%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%
Tax Rate	-4.42%	39.78%	38.98%	42.82%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	-4.60%	-5.14%	-8.90%	-22.64%	-22.64%	-22.64%	-22.64%	-22.64%
Margins									
COGS	63.85%	64.19%	65.36%	66.78%	67.00%	67.00%	67.00%	67.00%	67.00%
Gross margin	36.15%	35.81%	34.64%	33.22%	33.00%	33.00%	33.00%	33.00%	33.00%
SG&A	25.12%	24.27%	25.12%	26.83%	27.00%	27.00%	27.00%	27.00%	27.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	34.51%	0.00%	0.00%	2.24%	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%
Operating Income (EBITA)	-23.48%	11.53%	9.52%	4.16%	6.00%	6.00%	6.00%	6.00%	6.00%
Interest income/(expense)	-3.00%	-2.46%	-2.63%	-3.54%	-2.77%	-2.80%	-2.83%	-2.86%	-2.88%
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	-30.61%	4.70%	2.16%	-3.83%	3.23%	3.20%	3.17%	3.14%	3.12%
Tax	1.35%	1.87%	0.84%	-1.64%	1.13%	1.12%	1.11%	1.10%	1.09%
Income after tax	-31.96%	2.83%	1.32%	-2.19%	2.10%	2.06%	2.02%	1.98%	1.95%
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	-31.96%	2.83%	1.32%	-2.19%	2.10%	2.06%	2.06%	2.04%	2.03%

SN VALUATION

LBO Adjusted Proforma Balance Sheet

	Error	As of 2010-01-30	As of 2011-01-29	As of 2012-01-28	As of 2012-10-27	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	#VALUE!	8.96	15.60	8.15	10.47			10.47	38.29	65.57	92.31	118.51	144.18
Short term investment	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	#VALUE!	8.96	15.60	8.15	10.47			10.47	38.29	65.57	92.31	118.51	144.18
Accounts Receivable	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other receivables	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	#VALUE!	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Inventory	Error	161.26	172.05	157.67	173.78			173.78	173.78	173.78	173.78	173.78	173.78
Prepaid Expenses	Error	12.15	11.25	13.23	25.52			25.52	25.52	25.52	25.52	25.52	25.52
Other Current Assets	Error	10.30	17.00	14.69	2.10			2.10	2.10	2.10	2.10	2.10	2.10
Current Assets	#VALUE!	192.67	215.90	193.74	211.87	0.00	0.00	211.87	239.69	266.97	293.71	319.91	345.58
PP&E, Gross	0.00	374.52	385.97	390.00	390.00			390.00	405.00	420.00	435.00	450.00	465.00
Change in Depreciation		29.87	31.19	29.39	29.39			29.39	29.10	28.81	28.52	28.23	27.95
Accumulated Depreciation	0.00	102.40	123.00	125.00	125.00			125.00	154.10	182.90	211.42	239.65	267.60
PP&E, Net	0.00	272.12	262.97	265.00	265.00			265.00	250.90	237.10	223.58	210.35	197.40
Goodwill	Error	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	Error	154.09	145.45	133.92	67.12			67.12	67.12	67.12	67.12	67.12	67.12
Long term investments	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	Error	2.66	5.67	8.49	10.01			10.01	10.01	10.01	10.01	10.01	10.01
Long Term Assets	#VALUE!	428.87	414.09	407.41	342.13			342.13	328.03	314.23	300.71	287.48	274.53
Total Assets	#VALUE!	621.54	629.99	601.15	554.00	0.00	0.00	554.00	567.73	581.20	594.42	607.39	620.11
Accounts Payable	Error	41.18	67.78	57.28	57.28			57.28	57.28	57.28	57.28	57.28	57.28
Accrued Expense	Error	33.79	39.30	40.83	40.83			40.83	40.83	40.83	40.83	40.83	40.83
Other current Liabilities	Error	6.86	0.82	22.27	26.21			26.21	26.21	26.21	26.21	26.21	26.21
Total Current Liabilities	0.00	81.83	107.90	120.38	124.32	0.00	0.00	124.32	124.32	124.32	124.32	124.32	124.32
Notes Payables/Short Term Debt	Error	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	Error	126.60	19.29	8.27	179.93			179.93	179.93	179.93	179.93	179.93	179.93
Long term Debt	Error	238.26	318.93	254.15	80.00	0.00	0.00	80.00	80.00	80.00	80.00	80.00	80.00
Capital Lease Obligations	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	0.00	364.86	338.22	262.42	259.93	0.00	0.00	259.93	259.93	259.93	259.93	259.93	259.93
Deferred Income tax	Error	70.08	69.50	48.11	26.89			26.89	26.89	26.89	26.89	26.89	26.89
Minority Interest	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	Error	15.80	16.34	29.29	71.09			71.09	71.09	71.09	71.09	71.09	71.09
Total Liabilities	0.00	532.57	531.96	460.20	482.23	0.00	0.00	482.23	482.23	482.23	482.23	482.23	482.23
Redeemable Preferred Stock	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	Error	0.00	0.00	16.53	16.53			16.53	16.53	16.53	16.53	16.53	16.53
Common Stock	Error	0.06	0.06	0.06	0.06		0.00	0.06	0.06	0.06	0.06	0.06	0.06
Additional Paid-in capital	Error	262.45	262.77	248.96	249.98	0.00	0.00	249.98	249.98	249.98	249.98	249.98	249.98
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	Error	-173.52	-164.80	-179.25	-264.06		0.00	-264.06	-250.33	-236.86	-223.64	-210.67	-197.95
Treasury Stock	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	Error	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	0.00	88.99	98.03	86.30	2.51	0.00	0.00	2.51	16.24	29.71	42.93	55.90	68.62
Liability + Equity	0.00	621.56	629.99	546.50	484.74	0.00	0.00	484.74	498.47	511.94	525.16	538.13	550.85
Variance	#VALUE!	-0.02	0.00	54.65	69.26			69.26	69.26	69.26	69.26	69.26	69.26
Debt/Equity	#DIV/0!	4.10	3.45	3.04	103.56			103.56	16.01	8.75	6.05	4.65	3.79
Inventory Turnover	#VALUE!	4.23	3.84	4.19	3.76			3.80	3.76	3.72	3.69	3.65	3.61
Inventory Turnover Days	#VALUE!	86.26	95.05	87.13	97.01			96.04	97.01	97.99	98.98	99.98	100.99
Days Inventory Outstanding	#VALUE!	134.36	145.42	130.49	144.79			143.82	144.79	146.25	147.73	149.22	150.73
Accounts Receivable Turnover	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Accounts Receivable Turnover Days	#VALUE!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Payable Outstanding	#VALUE!	34.31	57.29	47.41	47.72			47.41	47.72	48.21	48.69	49.18	49.68
Days Sales Outstanding	#VALUE!	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash Conversion Cycle	#VALUE!	100.05	88.13	83.08	97.06			96.42	97.06	98.04	99.03	100.03	101.05
Net tangible assets/share	#VALUE!	\$14.75	\$16.26	\$23.37	\$11.90				\$14.18	\$16.41	\$18.61	\$20.76	\$22.87

SN VALUATION

LBO Adjusted Proforma Cash Flow

	52 weeks ending 2009-01-31	52 weeks ending 2010-01-30	52 weeks ending 2011-01-29	52 weeks ending 2012-01-28	2011	2012	2013	2014	2015
Net Income	-243.37	19.30	8.72	-14.45	13.73	13.47	13.22	12.97	12.72
Depreciation	31.41	29.87	31.19	29.39	29.10	28.81	28.52	28.23	27.95
Net Income + Depreciation	-211.96	49.17	39.91	14.94	42.82	42.28	41.74	41.20	40.67
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-10.48	-4.57	-6.72	-17.35	0.00	0.00	0.00	0.00	0.00
Non Cash Items	265.32	2.31	0.83	22.79	0.00	0.00	0.00	0.00	0.00
Change in Working capital	0.32	-21.02	18.54	11.51	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	#VALUE!	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	#VALUE!	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	#VALUE!	-10.79	14.38	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	#VALUE!	0.90	-1.98	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	#VALUE!	26.60	-10.50	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	43.20	25.89	52.56	31.89	42.82	42.28	41.74	41.20	40.67
Capital Expenditures Expenditures	-10.51	-11.46	-11.49	-15.46	-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
Other Investing Activities	3.28	0.00	-0.56	56.82	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-7.23	-11.46	-12.05	41.36	-15.00	-15.00	-15.00	-15.00	-15.00
Financing Cash flow items	-0.15	-1.33	-4.15	-3.48	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	-0.10	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	-29.83	-16.92	-29.71	-77.23	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-30.08	-18.25	-33.86	-80.71	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	#VALUE!	Error	8.96	15.60	10.47	38.29	65.57	92.31	118.51
Net Change in Cash	5.89	-3.82	6.64	-7.46	27.82	27.28	26.74	26.20	25.67
Ending Cash Balance	Error	8.96	15.60	8.14	38.29	65.57	92.31	118.51	144.18
Capex to Revenue	1.38%	1.68%	1.74%	2.34%	2.29%	2.32%	2.34%	2.36%	2.39%
Depreciation to Sales	4.12%	4.38%	4.72%	4.45%	4.45%	4.45%	4.45%	4.45%	4.45%
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	#VALUE!	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Distributable FCF Yield	13.16%	5.28%	14.82%	26.80%	10.18%	9.98%	9.78%	9.59%	9.39%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	32.69	14.43	41.07	16.43	27.82	27.28	26.74	26.20	25.67

SN VALUATION

LBO Debt Schedule

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-7.46	27.82	27.28	26.74	26.20	25.67
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	259.93	259.93	259.93	259.93	259.93	259.93
Current Portion Debt Balance	179.93	179.93	179.93	179.93	179.93	179.93
Long Term Debt Balance	80.00	80.00	80.00	80.00	80.00	80.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Expense		18.20	18.20	18.20	18.20	18.20
Cash Balance		8.15				
Interest @ 1.0%		0.08	0.08	0.08	0.08	0.08
Net Interest Expense/(Income)		18.11	18.11	18.11	18.11	18.11
Net Interest Rate		22.64%	22.64%	22.64%	22.64%	22.64%
EBITDA		39.23	38.84	38.45	38.07	37.69
EBITDA/Interest Expense Coverage		2.16	2.13	2.11	2.09	2.07

Interest Rate Coverage Table

Debt Rating	2013	2014	2015	2016	2017
AAA					
AA					
A+					
A					
A-					
BBB					
BB+					
BB					
B+					
B	B	B	B	B	B
B-					
CCC					
CC					
C					
D					

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Orchard Supply

Ticker:

OSH

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	#VALUE!	110.84	108.00	87.55	115.37	142.65	169.39	195.59	221.26
Total Assets	#VALUE!	621.54	629.99	554.00	567.73	581.20	594.42	607.39	620.11
X1	#VALUE!	0.18	0.17	0.16	0.20	0.25	0.28	0.32	0.36
Retained Earnings	Error	-173.52	-164.80	-264.06	-250.33	-236.86	-223.64	-210.67	-197.95
Total Assets	#VALUE!	621.54	629.99	554.00	567.73	581.20	594.42	607.39	620.11
X2	#VALUE!	-0.28	-0.26	-0.48	-0.44	-0.41	-0.38	-0.35	-0.32
EBITDA	-178.77	78.69	62.87	27.48	39.23	38.84	38.45	38.07	37.69
Total Assets	#VALUE!	621.54	629.99	554.00	567.73	581.20	594.42	607.39	620.11
X3	#VALUE!	0.13	0.10	0.05	0.07	0.07	0.06	0.06	0.06
Market Value of Equity	23.88	23.88	23.88	23.88	32.17	43.35	58.40	78.69	106.02
Total Liabilities	0.00	532.57	531.96	482.23	482.23	482.23	482.23	482.23	482.23
X4	#DIV/0!	0.04	0.04	0.05	0.07	0.09	0.12	0.16	0.22
Net Sales	761.49	682.39	660.70	660.47	653.87	647.33	640.85	634.44	628.10
Total Assets	#VALUE!	621.54	629.99	554.00	567.73	581.20	594.42	607.39	620.11
X5	#VALUE!	1.10	1.05	1.19	1.15	1.11	1.08	1.04	1.01
Altman Z Score	#VALUE!	1.37	1.24	0.91	1.05	1.11	1.18	1.25	1.33

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

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