

July 6, 2012

## SN VALUATION [Stocks, Real Estate, Bonds]

### Orchard Supply Hardware (OSH)

<b>Price:</b>	\$15.76	Price/Book:	1.16	Net Tang. Asset Yr. 5/Share:	\$14.53
<b>Market Cap:</b>	\$94,717,600	EV/FCF:	4.62	Avg. Year FCF/Share:	\$0.47
<b>Cash:</b>	\$22,350,000	<b>Net Tang. Asset/Share:</b>	<b>\$25.75</b>	Year 5 Disposition FCF Multipl:	3.0
<b>Debt:</b>	\$266,020,000	Avg. Year 1-5 FCF/Share:	\$0.47	<b>Year 5 Disposition Price:</b>	<b>\$15.94</b>
<b>Net Cash:</b>	-\$243,670,000	<b>5 Years of FCF:</b>	<b>\$2.34</b>	<b>Gain Year 5:</b>	<b>-\$9.81</b>
<b>Enterprise Value:</b>	\$338,387,600	Net Tang. Asset+5 FCF:	\$28.09		
		<b>Net Tang. Asset+5 FCF+ Gain Disposition:</b>		<b>\$18.29</b>	
		<b>IRR:</b>		<b>3.02%</b>	

Orchard Supply Hardware bounced 21% today. They are heavily indebted (+\$200 MM) with only \$2 MM in FCF. Price/book at 1x, but sales are flat, given the housing market condition. Insider scooped up a large purchase toward the end of the day. We believe if there is a buyout occurring or some material event, the \$19 range is the intrinsic value, assuming a flat growth and margins projections.

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# LBO Analysis

WACC Terminal Value:	N/A	<b>Intrinsic Price in 5 Years:</b>	<b>5.20</b>	<b>Non-LBO Forecast</b>	<b>Non-LBO Forecast</b>	<b>Desired Return Rate</b>	<b>20.00%</b>
EV/EBITDA with 3X Multiple Terminal Value:	\$0.00	Market Price:	15.76	Year 1 Target	12.62	<b>Implied Today's Price</b>	<b>2.09</b>
Net Tangible Asset Terminal Value:	\$5.36	LBO Price:	<b>15.76</b>	Year 2 Target	10.11	Overvalued/(Undervalued)	654.81%
EV/EBITDA with Today's Multiple Terminal Value:	<b>(\$6.82)</b>	Premium to Market Price:	0.00%	Year 3 Target	8.10		
<b>EVA Enterprise Value:</b>	<b>\$22.24</b>	LBO Price/Intrinsic Price Target:	-19.90%	Year 4 Target	6.49		
<b>Dividend Discount Model:</b>	N/A	LBO Price/EV/EBIT Exit Price:	-164.85%	Year 5 Target	5.20		
<b>Average (Excluding Dividend Discount):</b>	<b>\$5.20</b>	Implied IRR at today's EV/EBITDA:	-184.57%	<b>Implied IRR (Market Price):</b>	<b>-19.90%</b>		
		5 Year Return:	-67.03%				

Current Evaluation				Exit Evaluation			
Current Market Price:	15.76	LBO Price:	15.76	Exit Price:	5.20	Exit Price:	-6.82
Outstanding Shares:	6,010,000	Outstanding Shares:	6,010,000	Outstanding Shares:	6,010,000	Outstanding Shares:	6,010,000
<b>Market Capitalization:</b>	<b>94,717,600</b>	<b>Market Capitalization:</b>	<b>94,717,600</b>	<b>Market Capitalization:</b>	<b>31,224,950</b>	<b>Market Capitalization:</b>	<b>-40,968,500</b>
Available Cash:	22,350,000	Available Cash:	22,350,000	Available Cash:	36,440,500	Available Cash:	36,440,500
Debt:	266,020,000	Debt:	266,020,000	Debt:	275,550,000	Debt:	275,550,000
Net Cash:	<b>-243,670,000</b>	Net Cash:	<b>-243,670,000</b>	Net Cash:	<b>-239,109,500</b>	Net Cash:	<b>-239,109,500</b>
<b>Enterprise Value:</b>	<b>338,387,600</b>	<b>Enterprise Value:</b>	<b>338,387,600</b>	<b>Enterprise Value:</b>	<b>270,334,450</b>	<b>Enterprise Value:</b>	<b>198,141,000</b>
Original EV/EBITDA:	<b>-177.17</b>	EV/EBITDA:	<b>-177.17</b>	EV/EBITDA at 5 Years:	28.08	EV/EBITDA at 5 Years:	<b>5.00</b>
Original EV/EBITDA:	5.95	EV/EBITDA:	12.31	EV/EBITDA at 5 Years:	15.17	EV/EBITDA at 5 Years:	5.08
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:	15.76	15.76	12.62	10.11	8.10	6.49	5.20
Shares Outstanding:	6,010,000	6,010,000	6,010,000	6,010,000	6,010,000	6,010,000	6,010,000
<b>Market Capitalization:</b>	<b>94,717,600</b>	<b>94,717,600</b>	<b>75,865,600</b>	<b>60,765,785</b>	<b>48,671,342</b>	<b>38,984,102</b>	<b>31,224,950</b>
Available Cash:	22,350,000	22,350,000	25,168,100	27,986,200	30,804,300	33,622,400	36,440,500
Debt:	266,020,000	266,020,000	275,550,000	275,550,000	275,550,000	275,550,000	275,550,000
Net Cash:	<b>-243,670,000</b>	<b>-243,670,000</b>	<b>-250,381,900</b>	<b>-247,563,800</b>	<b>-244,745,700</b>	<b>-241,927,600</b>	<b>-239,109,500</b>
<b>Enterprise Value:</b>	<b>338,387,600</b>	<b>338,387,600</b>	<b>326,247,500</b>	<b>308,329,585</b>	<b>293,417,042</b>	<b>280,911,702</b>	<b>270,334,450</b>
EBIT	-1,910,000	-1,910,000	9,628,200	9,628,200	9,628,200	9,628,200	9,628,200
EV/EBIT:	-177.17	-177.17	33.88	32.02	30.47	29.18	28.08
EBITDA	27,480,000	27,480,000	39,018,200	39,018,200	39,018,200	39,018,200	39,018,200
EV/EBITDA:	12.31	12.31	8.36	7.90	7.52	7.20	6.93

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	15.76	15.76	-325.49	-325.02	-324.55	-324.08	-323.61
Shares Outstanding:	6,010,000	6,010,000	6,010,000	6,010,000	6,010,000	6,010,000	6,010,000
<b>Market Capitalization:</b>	<b>94,717,600</b>	<b>94,717,600</b>	<b>-1,956,174,303</b>	<b>-1,953,356,203</b>	<b>-1,950,538,103</b>	<b>-1,947,720,003</b>	<b>-1,944,901,903</b>
Available Cash:	22,350,000	22,350,000	25,168,100	27,986,200	30,804,300	33,622,400	36,440,500
Debt:	266,020,000	266,020,000	275,550,000	275,550,000	275,550,000	275,550,000	275,550,000
Net Cash:	<b>-243,670,000</b>	<b>-243,670,000</b>	<b>-250,381,900</b>	<b>-247,563,800</b>	<b>-244,745,700</b>	<b>-241,927,600</b>	<b>-239,109,500</b>
<b>Enterprise Value:</b>	<b>338,387,600</b>	<b>338,387,600</b>	<b>-1,705,792,403</b>	<b>-1,705,792,403</b>	<b>-1,705,792,403</b>	<b>-1,705,792,403</b>	<b>-1,705,792,403</b>
EBIT	-1,910,000	-1,910,000	9,628,200	9,628,200	9,628,200	9,628,200	9,628,200
EV/EBIT:	-177.17	-177.17	-177.17	-177.17	-177.17	-177.17	-177.17
EBITDA	27,480,000	27,480,000	39,018,200	39,018,200	39,018,200	39,018,200	39,018,200
EV/EBITDA:	12.31	12.31	-43.72	-43.72	-43.72	-43.72	-43.72

LBO Price	15.76	Equity Partners:	357,137,600	Weighting	<b>100.00%</b>	<b>Annualized Return for Equity Partners:</b>	<b>-164.85%</b>
Shares Outstanding	6,010,000	Debt Partners:	0		0.00%		
<b>Market Capitalization</b>	<b>94,717,600</b>	<b>Total Funds for LBO:</b>	<b>357,137,600</b>		<b>100.00%</b>		
Debt	262,420,000						
Cash	22,350,000						
<b>Enterprise Value</b>	<b>334,787,600</b>						
<b>Capital Investment</b>	<b>357,137,600</b>						

<b>Book Value</b>		<b>Enterprise Value</b>		<b>Stock Valuation</b>		<b>Debt Reduction</b>	
Beginning Book Value	82.00	Beginning Enterprise Value	338.39	Current Market Price	\$15.76	Starting Debt	256.49
Year 5 Book Value	24.14	Year 5 Enterprise Value	198.14	Year 5 Market Price	-\$6.82	Debt Repayment	0.00
<b>Annualized Return</b>	<b>-21.70%</b>	<b>Annualized Return</b>	<b>-10.15%</b>	<b>Annualized Return</b>	<b>-184.57%</b>	Year 5 Ending Debt	256.49
						<b>% of Starting Debt</b>	<b>100.00%</b>

SN VALUATION

LBO Pro Forma Income Statement

Name:

Orchard Supply Hardware

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	2011	2012	2013	2014	2015
Revenue	761.49	682.39	660.70	660.47	660.47	660.47	660.47	660.47	660.47
COGS	486.22	438.06	431.84	441.03	442.51	442.51	442.51	442.51	442.51
Gross margin	275.27	244.33	228.86	219.44	217.96	217.96	217.96	217.96	217.96
SG&A	191.28	165.64	165.99	177.18	178.33	178.33	178.33	178.33	178.33
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: Included within COGS	31.42	29.87	31.19	29.39	30.00	30.00	30.00	30.00	30.00
Operating Income (EBITA)	-210.19	48.82	31.68	-1.91	9.63	9.63	9.63	9.63	9.63
Interest income/(expense)	-22.87	-17.77	-17.39	-23.36	-21.20	-21.20	-21.20	-21.20	-21.20
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	-11.57	-11.57	-11.57	-11.57	-11.57
Tax	10.31	12.75	5.57	-10.82	0.00	0.00	0.00	0.00	0.00
Income after tax	-243.37	19.30	8.72	-14.45	-11.57	-11.57	-11.57	-11.57	-11.57
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	-11.57	-11.57	-11.57	-11.57	-11.57
*Figures are in millions (\$)									
EPS (based off today's share count)	-\$40.49	\$3.21	\$1.45	-\$2.40	-\$1.93	-\$1.93	-\$1.93	-\$1.93	-\$1.93
P/E (historical today's price; forecasted intrinsic price)	-0.39	4.91	10.86	-6.55	-6.56	-5.25	-4.21	-3.37	-2.70
Revenue Growth	N/A	-10.39%	-3.18%	-0.03%	0.00%	0.00%	0.00%	0.00%	0.00%
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%	-8.27%	-8.27%	-8.27%	-8.27%	-8.27%
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: Included within COGS	4.13%	4.38%	4.72%	4.45%	4.54%	4.54%	4.54%	4.54%	4.54%
Operating Income (EBITA)	-27.60%	7.15%	4.79%	-0.29%	1.46%	1.46%	1.46%	1.46%	1.46%
Interest income/(expense)	-3.00%	-2.46%	-2.63%	-3.54%	-3.21%	-3.21%	-3.21%	-3.21%	-3.21%
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%	-1.75%	-1.75%	-1.75%	-1.75%	-1.75%
Tax	1.35%	1.87%	0.84%	-1.64%	0.00%	0.00%	0.00%	0.00%	0.00%
Income after tax	-31.96%	2.83%	1.32%	-2.19%	-1.75%	-1.75%	-1.75%	-1.75%	-1.75%
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%	-1.75%	-1.75%	-1.75%	-1.75%	-1.75%

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 2012-04-28	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	#VALUE!	8.96	15.60	8.15	8.15			22.35	25.17	27.99	30.80	33.62	36.44
Short term investment	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash and Short term</b>	<b>#VALUE!</b>	<b>8.96</b>	<b>15.60</b>	<b>8.15</b>	<b>22.35</b>			<b>22.35</b>	<b>25.17</b>	<b>27.99</b>	<b>30.80</b>	<b>33.62</b>	<b>36.44</b>
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
<b>Total Receivables</b>	<b>#VALUE!</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Total Inventory	Error	161.26	172.05	157.67	173.45			173.45	173.45	173.45	173.45	173.45	173.45
Prepaid Expenses	Error	12.15	11.25	13.23	15.64			15.64	15.64	15.64	15.64	15.64	15.64
Other Current Assets	Error	10.30	17.00	14.69	15.31			15.31	15.31	15.31	15.31	15.31	15.31
<b>Current Assets</b>	<b>#VALUE!</b>	<b>192.67</b>	<b>215.90</b>	<b>193.74</b>	<b>226.75</b>	<b>0.00</b>	<b>0.00</b>	<b>226.75</b>	<b>229.57</b>	<b>232.39</b>	<b>235.20</b>	<b>238.02</b>	<b>240.84</b>
PP&E, Gross	0.00	374.52	380.00	400.00	400.00			400.00	415.00	430.00	445.00	460.00	475.00
Change in Depreciation		29.87	31.19	29.39	29.39			29.39	29.39	29.39	29.39	29.39	29.39
Accumulated Depreciation	0.00	102.40	123.00	125.00	125.00			125.00	154.39	183.78	213.17	242.56	271.95
<b>PP&amp;E, Net</b>	<b>0.00</b>	<b>272.12</b>	<b>257.00</b>	<b>275.00</b>	<b>275.00</b>			<b>275.00</b>	<b>260.61</b>	<b>246.22</b>	<b>231.83</b>	<b>217.44</b>	<b>203.05</b>
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	132.42			132.42	132.42	132.42	132.42	132.42	132.42
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	7.71			7.71	7.71	7.71	7.71	7.71	7.71
<b>Long Term Assets</b>	<b>#VALUE!</b>	<b>428.87</b>	<b>408.12</b>	<b>417.41</b>	<b>415.13</b>			<b>415.13</b>	<b>400.74</b>	<b>386.35</b>	<b>371.96</b>	<b>357.57</b>	<b>343.18</b>
<b>Total Assets</b>	<b>#VALUE!</b>	<b>621.54</b>	<b>624.02</b>	<b>611.15</b>	<b>641.88</b>	<b>0.00</b>	<b>0.00</b>	<b>641.88</b>	<b>630.31</b>	<b>618.74</b>	<b>607.16</b>	<b>595.59</b>	<b>584.02</b>
Accounts Payable	Error	41.18	67.78	57.28	73.34			73.34	73.34	73.34	73.34	73.34	73.34
Accrued Expense	Error	33.79	39.30	40.83	51.96			51.96	51.96	51.96	51.96	51.96	51.96
Other current Liabilities	Error	6.86	0.82	22.27	21.55			21.55	21.55	21.55	21.55	21.55	21.55
<b>Total Current Liabilities</b>	<b>0.00</b>	<b>81.83</b>	<b>107.90</b>	<b>120.38</b>	<b>146.85</b>	<b>0.00</b>	<b>0.00</b>	<b>146.85</b>	<b>146.85</b>	<b>146.85</b>	<b>146.85</b>	<b>146.85</b>	<b>146.85</b>
Notes Payables/Short Term Debt	Error	0.00	0.00	0.00	0.00			0.00	9.53	9.53	9.53	9.53	9.53
Current port. Of LT Debt/Capital Leases	Error	126.60	19.29	8.27	9.53			9.53	9.53	9.53	9.53	9.53	9.53
Long term Debt	Error	238.26	318.93	254.15	256.49	0.00	0.00	256.49	256.49	256.49	256.49	256.49	256.49
Capital Lease Obligations	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Interest Earning Debt</b>	<b>0.00</b>	<b>364.86</b>	<b>338.22</b>	<b>262.42</b>	<b>266.02</b>	<b>0.00</b>	<b>0.00</b>	<b>266.02</b>	<b>275.55</b>	<b>275.00</b>	<b>275.55</b>	<b>275.55</b>	<b>275.55</b>
Deferred Income tax	Error	70.08	69.50	48.11	45.79			45.79	45.79	45.79	45.79	45.79	45.79
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	28.48			28.48	28.48	28.48	28.48	28.48	28.48
<b>Total Liabilities</b>	<b>0.00</b>	<b>532.57</b>	<b>531.96</b>	<b>460.20</b>	<b>487.14</b>	<b>0.00</b>	<b>0.00</b>	<b>487.14</b>	<b>496.67</b>	<b>496.67</b>	<b>496.67</b>	<b>496.67</b>	<b>496.67</b>
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	249.17	0.00	0.00	249.17	249.17	249.17	249.17	249.17	249.17
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	-183.76		0.00	-183.76	-195.33	-206.90	-218.48	-230.05	-241.62
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
<b>Total Equity</b>	<b>0.00</b>	<b>88.99</b>	<b>98.03</b>	<b>86.30</b>	<b>82.00</b>	<b>0.00</b>	<b>0.00</b>	<b>82.00</b>	<b>70.43</b>	<b>58.86</b>	<b>47.28</b>	<b>35.71</b>	<b>24.14</b>
<b>Liability + Equity</b>	<b>0.00</b>	<b>621.56</b>	<b>629.99</b>	<b>546.50</b>	<b>569.14</b>	<b>0.00</b>	<b>0.00</b>	<b>569.14</b>	<b>567.10</b>	<b>555.53</b>	<b>543.95</b>	<b>532.38</b>	<b>520.81</b>
<b>Variance</b>	<b>#VALUE!</b>	<b>-0.02</b>	<b>-5.97</b>	<b>64.65</b>	<b>72.74</b>			<b>72.74</b>	<b>63.21</b>	<b>63.21</b>	<b>63.21</b>	<b>63.21</b>	<b>63.21</b>
<b>Debt/Equity</b>	<b>#DIV/0!</b>	<b>4.10</b>	<b>3.45</b>	<b>3.04</b>	<b>3.24</b>			<b>3.24</b>	<b>3.91</b>	<b>4.68</b>	<b>5.83</b>	<b>7.72</b>	<b>11.41</b>
Inventory Turnover	#VALUE!	4.23	3.84	4.19	3.81			3.81	3.81	3.81	3.81	3.81	3.81
Inventory Turnover Days	#VALUE!	86.26	95.05	87.13	95.85			95.85	95.85	95.85	95.85	95.85	95.85
Days Inventory Outstanding	#VALUE!	134.36	145.42	130.49	143.07			143.07	143.07	143.07	143.07	143.07	143.07
Accounts Receivable Turnover	#VALUE!	#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	60.49			60.70	60.49	60.49	60.49	60.49	60.49
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	82.57			82.85	82.57	82.57	82.57	82.57	82.57
Net tangible assets/share					3.71				0.20	-1.72	-3.65	-5.57	-7.50

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	-11.57	-11.57	-11.57	-11.57	-11.57
Depreciation	31.41	29.87	31.19	29.39	29.39	29.39	29.39	29.39	29.39
<b>Net Income + Depreciation</b>	<b>-211.96</b>	<b>49.17</b>	<b>39.91</b>	<b>14.94</b>	<b>17.82</b>	<b>17.82</b>	<b>17.82</b>	<b>17.82</b>	<b>17.82</b>
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
<b>Cash from Operating Activities</b>	<b>43.20</b>	<b>25.89</b>	<b>52.56</b>	<b>31.89</b>	<b>17.82</b>	<b>17.82</b>	<b>17.82</b>	<b>17.82</b>	<b>17.82</b>
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
<b>Cash from Investing Activities</b>	<b>-7.23</b>	<b>-11.46</b>	<b>-12.05</b>	<b>41.36</b>	<b>-15.00</b>	<b>-15.00</b>	<b>-15.00</b>	<b>-15.00</b>	<b>-15.00</b>
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
<b>Cash from Financing Activities</b>	<b>-30.08</b>	<b>-18.25</b>	<b>-33.86</b>	<b>-80.71</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
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	22.35	25.17	27.99	30.80	33.62
<b>Net Change in Cash</b>	<b>5.89</b>	<b>-3.82</b>	<b>6.64</b>	<b>-7.46</b>	<b>2.82</b>	<b>2.82</b>	<b>2.82</b>	<b>2.82</b>	<b>2.82</b>
Ending Cash Balance	Error	8.96	15.60	8.14	25.17	27.99	30.80	33.62	36.44
Capex to Revenue	1.38%	1.68%	1.74%	2.34%	2.27%	2.27%	2.27%	2.27%	2.27%
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	10.63%	4.26%	11.97%	21.65%	0.83%	0.83%	0.83%	0.83%	0.83%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>FCF (Ops-Investing-Dividends)</b>	<b>35.97</b>	<b>14.43</b>	<b>40.51</b>	<b>73.25</b>	<b>2.82</b>	<b>2.82</b>	<b>2.82</b>	<b>2.82</b>	<b>2.82</b>

# SN VALUATION

# LBO Debt Schedule

	<b>Proforma</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Net Change in Cash	-7.46	2.82	2.82	2.82	2.82	2.82
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	266.02	266.02	266.02	266.02	266.02	266.02
Current Portion Debt Balance	9.53	9.53	9.53	9.53	9.53	9.53
Long Term Debt Balance	256.49	256.49	256.49	256.49	256.49	256.49
Forward Libor Curve		4.00%	4.00%	4.00%	4.00%	4.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
<b>Interest Rate</b>		<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>
<b>Interest Expense</b>		<b>21.28</b>	<b>21.28</b>	<b>21.28</b>	<b>21.28</b>	<b>21.28</b>
Cash Balance		8.15				
Interest @ 1.0%		0.08	0.08	0.08	0.08	0.08
<b>Net Interest Expense/(Income)</b>		<b>21.20</b>	<b>21.20</b>	<b>21.20</b>	<b>21.20</b>	<b>21.20</b>
<b>Net Interest Rate</b>		<b>8.27%</b>	<b>8.27%</b>	<b>8.27%</b>	<b>8.27%</b>	<b>8.27%</b>
EBITDA		9.63	9.63	9.63	9.63	9.63
<b>EBITDA/Interest Expense Coverage</b>		<b>0.45</b>	<b>0.45</b>	<b>0.45</b>	<b>0.45</b>	<b>0.45</b>

**Interest Rate Coverage Table**

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

\*Source: NYU; Professor Damodaran

# Altman Z Score

Company Name:

Orchard Supply Hardware

Ticker:

OSH

Period	2007	2008	2009	2010	2011	2012	2013	2014	2015
Working Capital	#VALUE!	110.84	108.00	79.90	82.72	85.54	88.35	91.17	93.99
Total Assets	#VALUE!	621.54	624.02	641.88	630.31	618.74	607.16	595.59	584.02
<b>X1</b>	<b>#VALUE!</b>	<b>0.18</b>	<b>0.17</b>	<b>0.12</b>	<b>0.13</b>	<b>0.14</b>	<b>0.15</b>	<b>0.15</b>	<b>0.16</b>
Retained Earnings	Error	-173.52	-164.80	-183.76	-195.33	-206.90	-218.48	-230.05	-241.62
Total Assets	#VALUE!	621.54	624.02	641.88	630.31	618.74	607.16	595.59	584.02
<b>X2</b>	<b>#VALUE!</b>	<b>-0.28</b>	<b>-0.26</b>	<b>-0.29</b>	<b>-0.31</b>	<b>-0.33</b>	<b>-0.36</b>	<b>-0.39</b>	<b>-0.41</b>
EBITDA	-178.77	78.69	62.87	27.48	39.63	39.63	39.63	39.63	39.63
Total Assets	#VALUE!	621.54	624.02	641.88	630.31	618.74	607.16	595.59	584.02
<b>X3</b>	<b>#VALUE!</b>	<b>0.13</b>	<b>0.10</b>	<b>0.04</b>	<b>0.06</b>	<b>0.06</b>	<b>0.07</b>	<b>0.07</b>	<b>0.07</b>
Market Value of Equity	94.72	94.72	94.72	94.72	75.87	60.77	48.67	38.98	31.22
Total Liabilities	0.00	532.57	531.96	487.14	496.67	496.67	496.67	496.67	496.67
<b>X4</b>	<b>#DIV/0!</b>	<b>0.18</b>	<b>0.18</b>	<b>0.19</b>	<b>0.15</b>	<b>0.12</b>	<b>0.10</b>	<b>0.08</b>	<b>0.06</b>
Net Sales	761.49	682.39	660.70	660.47	660.47	660.47	660.47	660.47	660.47
Total Assets	#VALUE!	621.54	624.02	641.88	630.31	618.74	607.16	595.59	584.02
<b>X5</b>	<b>#VALUE!</b>	<b>1.10</b>	<b>1.06</b>	<b>1.03</b>	<b>1.05</b>	<b>1.07</b>	<b>1.09</b>	<b>1.11</b>	<b>1.13</b>
<b>Altman Z Score</b>	<b>#VALUE!</b>	<b>1.45</b>	<b>1.34</b>	<b>1.04</b>	<b>1.07</b>	<b>1.05</b>	<b>1.03</b>	<b>1.02</b>	<b>1.01</b>

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

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