

Paper and Paper Products Industry: KS, NP, SWM

Back in 2008, I looked into a company named Kapstone (KS) when it was trading at historic lows, near \$1. I loved the tangible assets, the strong cash flow and the low valuation. However, my senior analyst didn't find the stock very compelling and it was located on the other end of the country, so we didn't even give it consideration for coverage. However, they missed out on a whopping jump to yesterday's \$35/share, in less than 4 years.

The paper and paper products industry is comprised of cardboard container, cigarette paper and a plethora of innocuous uses we rarely think of in our daily routine. However, these are cash flows and we read of Kapstone's recent acquisition of a paper company for \$1.03 Billion in cash for a company that generates \$813 MM in revenue.

There is a premium in the current prices, as we saw a vertical ramping in prices starting in the beginning of May 2013. So, we won't add any into our portfolio, although we have an existing stock, Domtar (UFS), which we sold for a gain, but has not done so well in the past 2 years.

June 11, 2013

SN VALUATION [Stocks, Real Estate, Bonds]

KapStone Paper and Packaging Corp (KS)

Price:	\$29.72	Net Tang. Bk Value Incl. Cash, Excl.	\$295,620,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$522,060,825.00
Market Cap:	\$1,412,294,400	Goodwill (NTBVIC):		Avg. Year FCF/Share:	\$48,408,165.00
Cash:	\$7,620,000	NTBVIC/Market Downside Recovery:	20.93%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$352,200,000	Op. Cash Flow:	\$108,408,165	Year 5 Disposition Price:	\$667,285,320.00
Net Cash:	-\$344,580,000	Implied Years to Fill Gap:	10.30		
Enterprise Value:	\$1,756,874,400	Today's Equity if 5x Op. CF:	\$620,844,495		
		Net Tang. Book+ Gain Disposition:			\$667,285,320.00
Shares Outstanding:	47,520,000	IRR:			-13.92%
		Price:			\$14.04
		Target Market Cap:			\$667,285,320
		Target Enterprise Value:			\$1,011,865,320

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

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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	295.62	340.91	386.20	431.48	476.77	522.06				522.06
Annual Change		45.29	45.29	45.29	45.29	45.29				
Annual FCF	90.60	48.41	48.41	48.41	48.41	48.41	48.41	48.41	48.41	145.22
Annual Op. Cash Flow	157.84	108.41	108.41	108.41	108.41	108.41	108.41	108.41	108.41	
Annual PP&E Investment	(67.24)	(60.00)	(60.00)	(60.00)	(60.00)	(60.00)	(60.00)	(60.00)	(60.00)	
Today's Tangible Book Value	295.62	331.23	371.13	415.84	465.93	522.06				667.29
Intrinsic Value IRR	12.05%									
Market Price	1,412.29	1,215.63	1,046.36	900.65	775.24	667.29				667.29
Market Price IRR	-13.92%									

Debt	0.00%	0.00
Equity	100.00%	1,412.29
Total	100.00%	1,412.29

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	521.91	1,412.29	1,459.85	1,507.41	1,554.96	1,602.52	1,650.07			
Goodwill	226.29	1,116.67	1,116.67	1,116.67	1,116.67	1,116.67	1,116.67			
Debt	300	300.00	300.00	300.00	300.00	300.00	300.00			
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%			
Additional Interest Expense		-3.49	-3.49	-3.49	-3.49	-3.49				
Tangible Book Value	295.62	295.62	343.18	390.73	438.29	485.84	533.40			533.40
Annual Change			47.56	47.56	47.56	47.56	47.56			
Annual FCF	90.60		50.68	50.68	50.68	50.68	50.68	50.68	50.68	152.03
Annual Net Income	62.51		47.56	47.56	47.56	47.56	47.56	47.56	47.56	
Annual Op. Cash Flow	157.84		110.68	110.68	110.68	110.68	110.68	110.68	110.68	
Dividend Payments										
Annual PP&E Investment	(67.24)		(60.00)	(60.00)	(60.00)	(60.00)	(60.00)	(60.00)	(60.00)	
Debt Paydown	0.00						0.00	0.00	0.00	
Sale Price in Year 5										685.43
Remaining Debt Balance										0.00
Capital Left for Equity Investor										685.43
Dividend Payments										0.00
Total Cash In Flow										685.43
Invested Equity	1,412.29	1,222.17	1,057.65	915.27	792.05	685.43				
IRR	-13.46%									

<u>Value Creation</u>	
TBV Growth (equals sum of NI Year 1-5)	237.78
Cash Flow (Year 6-8)	152.03
Total	389.81

<u>Value Dilution</u>	
Debt	0.00
Goodwill	890.38
Additional Interest	-17.45
Total	872.94

KapStone Paper and Packaging Corporation (KapStone) is an integrated manufacture and sale of unbleached kraft paper and corrugated products for industrial and consumer markets. During the year ended December 31, 2012, the Company produced 1,558,111 tons of unbleached kraft paper, of which nearly 77% was sold to third party converters or shipped to its corrugated products manufacturing plants based in the United States and 23% was sold to foreign based customers. In 2012, the corrugating plants produced and sold about 383 million tons or 6.2 billion square feet (BSF) of corrugated products in the United States. As of December 31, 2012 the Company operated 14 corrugated products manufacturing plants, comprised of six box plants, six sheet plants, and two sheet feeder plants. In 2012, the Company produced 1,558,111 tons of unbleached kraft paper at its mills in North Charleston, South Carolina, Roanoke Rapids, North Carolina and Cowpens, South Carolina.

Company Name:	KapStone Paper and Packaging Corp	Market Capitalization:	\$1,412,294,400.00	Revenue:	\$1,240,000,000.00	100.0%
Ticker Symbol:	KS	Total Debt:	\$352,200,000.00	Cost of Goods Sold:	\$889,480,000.00	71.7%
Last Price:	\$29.72	Total Cash:	\$7,620,000.00	Gross Profit:	\$350,520,000.00	28.3%
Net Cash/Share:	-\$7.25	Net Cash/(Debt):	-\$344,580,000.00	EBITDA:	\$181,850,000.00	14.7%
Net Cash to Last Price:	-24.40%	Enterprise Value:	\$1,756,874,400.00	Net Income:	\$65,400,000.00	5.3%
Shares Outstanding:	47,520,000	Current EV/Share:	\$36.97			
Industry:	Paper & Paper Products	EBITDA:	\$235,810,000.00			
Sector:	Basic Materials	EV/EBITDA Multiple:	7.45			
		EV/EBITDA Multiple Average Year 1-5:	11.17			
Institutional Ownership:	79.28%	EV/FCF Multiple (excluding acquisition):	19.39			
Mutual Fund Ownership:	0.91%	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	36.29			
Insider Ownership:	41.07%					
Retail Ownership:	-62.33%					
Float:	58.93%					
		Upper Range				
		DCF: EV/EBITDA Terminal Value				
		Implied TV from 3 X EV/EBITDA Multiple	\$474,489,600.00			
		Enterprise Value	\$474,489,600.00			
52 week low:	\$14.82	Cash at Year 5:	\$249,660,825.00			
Today from 52 week low:	100.54%	Debt at Year 5:	\$352,200,000.00			
52 week high:	\$30.30	Equity Value Year 5:	\$371,950,425.00			
Today from 52 week high:	1.95%	Equity/Share at Year 5:	\$7.83			
50 day Moving Average:	\$28.33	Annualized Return:	-23.42%			
200 day Moving Average:	\$24.17					
		Lower Range				
		DCF: Net Tangible Asset excluding Cash/Debt Terminal Value				
Analyst/Consensus		Year 5 Net Tangible Assets excluding cash and debt	-\$10,230,000.00			
Analyst Sales Growth FY1:	8.20%	Enterprise Value	-\$10,230,000.00			
Analyst Sales Growth FY2:	4.30%	Cash at Year 5:	\$249,660,825.00			
SN Valuation Estimate FY1:	0.00%	Debt at Year 5:	\$352,200,000.00			
SN Valuation Estimate FY2:	0.00%	Equity Value Year 5:	-\$112,769,175.00			
		Equity/Share at Year 5:	-\$2.37			
		Annualized Return:	-160.32%			
		EVA				
Multiples		EVA today:	\$548,512,178.78			
Market Value to Book:	2.71	EVA in 5 Years:	\$967,171,674.22			
EV to Book:	3.37	EVA/Share:	\$20.35			
Market Value to Tangible Net Assets:	-3.84	Cash at Year 5:	\$249,660,825.00			
P/E Ratio:	21.59	Debt at Year 5:	\$352,200,000.00			
Trailing P/E Ratio:	25.76	Equity Value Year 5:	\$864,632,499.22			
Forward P/E Ratio:	13.27	Equity/Share at Year 5:	\$18.20			
Beta:	1.94	Annualized return	12.01%			
Dividend:	0					
Dividend Yield:	0.00%					
Dividend Date:	Dec 19, 2012					
Ex-Dividend Date:	Dec 6, 2012					
		Current Net Tangible Asset				
		Net Tangible Asset/Share:	\$4.53			
Average EV to EBITDA:	N/A	Net Tangible Asset/Share in Year 5:	\$9.29			
Company EV to EBITDA:	7.45	Annualized return	15.47%			
Average EV to EBIT:	N/A	Current Equity Price:	\$29.72			
Company EV to EBITA:	16.04	Selling at Discount?	Premium			
		Appreciation Potential:	-84.77%			
		Dividend Model				
		Next Year Dividend	\$0.00			
		WACC:	9.63%			
		Dividend:	\$0.00			
		Net Income:	\$65,400,000.00			

Income Statement

Revenue:	\$1,240,000,000.00	100.0%
Cost of Goods Sold:	\$889,480,000.00	71.7%
Gross Profit:	\$350,520,000.00	28.3%
EBITDA:	\$181,850,000.00	14.7%
Net Income:	\$65,400,000.00	5.3%

Balance Sheet

Cash:	\$7,620,000.00
Short Term Investment:	\$0.00
A/R:	\$112,000,000.00
PP&E:	\$565,000,000.00
Assets:	\$1,101,540,000.00

A/P:	\$90,000,000.00
Deferred Tax:	\$101,000,000.00
Other Liabilities:	\$57,010,000.00
Short term Debt:	\$52,200,000.00
Long Term Debt:	\$300,000,000.00
Liabilities:	\$600,210,000.00
Retained Earnings:	\$285,000,000.00
Paid-In Capital:	\$240,010,000.00
Treasury Stock:	\$0.00
Stockholder's Equity:	\$521,910,000.00

Cash Flow

Net Income:	62,510,000.00
Depreciation/Amortization:	63,120,000.00
Change in Working capital:	7,190,000.00
Cash from Operating Activities:	157,830,000.00
Capital Expenditures:	-67,240,000.00
Cash from Investing Activities:	-67,550,000.00
Total Cash Dividends Paid:	-94,910,000.00
Issuance (Retirement) of Stock:	1,590,000.00
Issuance (Retirement) of Debt:	13,500,000.00
Cash from Financing Activities:	-81,850,000.00

Profitability Margins

Debt to Equity:	67.48%
Return on Assets:	5.67%
Return on Capital:	7.15%
Return on Equity:	11.98%

SN VALUATION

LBO Pro Forma Income Statement

Name:

KapStone Paper and Packaging Corp

Ticker:

KS

	Historical				Forecasted				
	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2013	2014	2015	2016	2017
Revenue	632.48	782.68	906.12	1,216.64	1,216.64	1,216.64	1,216.64	1,216.64	1,216.64
COGS	355.09	565.18	628.61	866.12	875.98	875.98	875.98	875.98	875.98
Gross margin	277.39	217.50	277.51	350.52	340.66	340.66	340.66	340.66	340.66
SG&A	88.77	104.53	120.91	178.49	182.50	182.50	182.50	182.50	182.50
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	-16.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	-0.99	-0.99	-1.18	-0.66	0.00	0.00	0.00	0.00	0.00
Depreciation is: Excluded from COGS	137.90	145.30	92.00	38.20	64.00	64.00	64.00	64.00	64.00
Operating Income (EBITA)	68.13	-31.34	65.78	134.49	94.16	94.16	94.16	94.16	94.16
Interest income/(expense)	-18.94	-6.07	-6.40	-12.08	-24.49	-24.49	-24.49	-24.49	-24.49
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	132.42	62.63	100.34	97.48	69.67	69.67	69.67	69.67	69.67
Tax	52.14	-2.41	-23.64	-34.97	24.39	24.39	24.39	24.39	24.39
Income after tax	80.28	65.04	123.98	62.51	45.29	45.29	45.29	45.29	45.29
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	80.28	65.04	123.98	62.51	45.29	45.29	45.29	45.29	45.29
*Figures are in millions (\$)									
EPS (based off today's share count)	\$1.69	\$1.37	\$2.61	\$1.32	\$0.95	\$0.95	\$0.95	\$0.95	\$0.95
P/E (historical today's price; forecasted intrinsic price)	17.59	21.71	11.39	22.59	26.84	23.10	19.89	17.12	14.73
Revenue Growth	N/A	23.75%	15.77%	34.27%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	39.37%	-3.85%	-23.56%	35.87%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-12.88%	-5.43%	-1.87%	-3.38%	-8.16%	-8.16%	-8.16%	-8.16%	-8.16%
Margins									
COGS	56.14%	72.21%	69.37%	71.19%	72.00%	72.00%	72.00%	72.00%	72.00%
Gross margin	43.86%	27.79%	30.63%	28.81%	28.00%	28.00%	28.00%	28.00%	28.00%
SG&A	14.04%	13.36%	13.34%	14.67%	15.00%	15.00%	15.00%	15.00%	15.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	-2.60%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	-0.16%	-0.13%	-0.13%	-0.05%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Excluded from COGS	21.80%	18.56%	10.15%	3.14%	5.26%	5.26%	5.26%	5.26%	5.26%
Operating Income (EBITA)	10.77%	-4.00%	7.26%	11.05%	7.74%	7.74%	7.74%	7.74%	7.74%
Interest income/(expense)	-2.99%	-0.78%	-0.71%	-0.99%	-2.01%	-2.01%	-2.01%	-2.01%	-2.01%
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	20.94%	8.00%	11.07%	8.01%	5.73%	5.73%	5.73%	5.73%	5.73%
Tax	8.24%	-0.31%	-2.61%	2.87%	2.00%	2.00%	2.00%	2.00%	2.00%
Income after tax	12.69%	8.31%	13.68%	5.14%	3.72%	3.72%	3.72%	3.72%	3.72%
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	12.69%	8.31%	13.68%	5.14%	3.72%	3.72%	3.72%	3.72%	3.72%

	As of					Adjustment		Adjusted Proforma					
	2009-12-31	2010-12-31	2011-12-31	2012-12-31	2013-03-31	+	-	2011	2012	2013	2014	2015	
Cash	2.44	67.36	8.06	16.49	7.62			7.62	56.03	104.44	152.84	201.25	249.66
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	2.44	67.36	8.06	16.49	7.62			7.62	56.03	104.44	152.84	201.25	249.66
Accounts Receivable	58.41	66.64	108.32	111.59	112.00			112.00	112.00	112.00	112.00	112.00	112.00
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	58.41	66.64	108.32	111.59	112.00			112.00	112.00	112.00	112.00	112.00	112.00
Total Inventory	61.38	73.32	110.05	113.51	110.70			110.70	110.70	110.70	110.70	110.70	110.70
Prepaid Expenses	1.69	2.40	4.21	9.81	9.59			9.59	9.59	9.59	9.59	9.59	9.59
Other Current Assets	8.10	9.39	10.05	5.86	5.86			5.86	5.86	5.86	5.86	5.86	5.86
Current Assets	132.02	219.11	240.69	257.26	245.77	0.00	0.00	245.77	294.18	342.59	390.99	439.40	487.81
PP&E, Gross	547.10	582.68	729.74	0.00	730.00			730.00	790.00	850.00	910.00	970.00	1,030.00
Change in Depreciation	54.67	45.24	51.04	63.12	63.12			63.12	63.12	63.12	63.12	63.12	63.12
Accumulated Depreciation	76.82	116.66	162.55	0.00	165.00			165.00	228.12	291.24	354.36	417.48	480.60
PP&E, Net	470.28	466.02	567.19	0.00	565.00			565.00	561.88	558.76	555.64	552.52	549.40
Goodwill	5.45	4.81	237.19	226.29	226.29	0.00		226.29	226.29	226.29	226.29	226.29	226.29
Intangibles	26.20	22.65	63.72	57.03	60.00			60.00	60.00	60.00	60.00	60.00	60.00
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	4.93	4.00	4.31	4.41	4.48			4.48	4.48	4.48	4.48	4.48	4.48
Long Term Assets	506.86	497.48	872.41	287.73	855.77	0.00	0.00	855.77	852.65	849.53	846.41	843.29	840.17
Total Assets	638.88	716.59	1,113.10	544.99	1,101.54	0.00	0.00	1,101.54	1,146.83	1,192.12	1,237.40	1,282.69	1,327.98
Accounts Payable	52.15	55.50	81.05	89.64	90.00			90.00	90.00	90.00	90.00	90.00	90.00
Accrued Expense	28.52	41.22	48.66	45.45	45.00			45.00	45.00	45.00	45.00	45.00	45.00
Other current Liabilities	0.00	0.00	0.00	0.00	3.17			3.17	3.17	3.17	3.17	3.17	3.17
Total Current Liabilities	80.67	96.72	129.71	135.09	138.17	0.00	0.00	138.17	138.17	138.17	138.17	138.17	138.17
Notes Payables/Short Term Debt	7.40	0.00	0.00	63.50	52.20			52.20	52.20	52.20	52.20	52.20	52.20
Current port. Of LT Debt/Capital Leases	18.63	18.84	6.09	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	121.03	92.86	335.63	294.31	300.00	0.00	0.00	300.00	300.00	300.00	300.00	300.00	300.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	147.06	111.70	341.72	357.81	352.20	0.00	0.00	352.20	352.20	352.20	352.20	352.20	352.20
Deferred Income tax	38.58	17.92	84.32	96.46	101.00			101.00	101.00	101.00	101.00	101.00	101.00
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	54.03	74.77	22.32	23.86	8.84			8.84	8.84	8.84	8.84	8.84	8.84
Total Liabilities	320.34	301.11	578.07	613.22	600.21	0.00	0.00	600.21	600.21	600.21	600.21	600.21	600.21
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	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.01	0.01	0.01	0.01	0.01		0.00	0.01	0.01	0.01	0.01	0.01	0.01
Additional Paid-in capital	219.83	224.84	230.66	236.03	240.00	0.00	0.00	240.00	240.00	240.00	240.00	240.00	240.00
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	129.05	194.09	318.07	285.01	285.00		0.00	285.00	330.29	375.58	420.86	466.15	511.44
Treasury Stock	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	-0.09	-0.30	-2.46	-3.10	-3.10		0.00	-3.10	-3.10	-3.10	-3.10	-3.10	-3.10
Total Equity	348.80	418.64	546.28	517.95	521.91	0.00	0.00	521.91	567.20	612.49	657.77	703.06	748.35
Liability + Equity	669.14	719.75	1,124.35	1,131.17	1,122.12	0.00	0.00	1,122.12	1,167.41	1,212.70	1,257.98	1,303.27	1,348.56
Variance	-30.26	-3.16	-11.25	-586.18	-20.58			-20.58	-20.58	-20.58	-20.58	-20.58	-20.58
Debt/Equity	0.42	0.27	0.63	0.69	0.67			0.67	0.62	0.58	0.54	0.50	0.47
Inventory Turnover	10.30	10.67	8.23	10.72	10.99			10.99	10.99	10.99	10.99	10.99	10.99
Inventory Turnover Days	35.42	34.19	44.33	34.05	33.21			33.21	33.21	33.21	33.21	33.21	33.21
Days Inventory Outstanding	63.09	47.35	63.90	47.84	46.13			46.65	46.13	46.13	46.13	46.13	46.13
Accounts Receivable Turnover	10.83	11.74	8.37	10.90	10.86			10.86	10.86	10.86	10.86	10.86	10.86
Accounts Receivable Turnover Days	33.71	31.08	43.63	33.48	33.60			33.60	33.60	33.60	33.60	33.60	33.60
Days Payable Outstanding	53.61	35.84	47.06	37.78	37.50			37.93	37.50	37.50	37.50	37.50	37.50
Days Sales Outstanding	33.71	31.08	43.63	33.48	33.60			33.48	33.60	33.60	33.60	33.60	33.60
Cash Conversion Cycle	43.20	42.59	60.47	43.54	42.23			42.20	42.23	42.23	42.23	42.23	42.23
Net tangible assets/share	\$6.67	\$8.23	\$5.16	\$4.94	\$4.96			\$5.91	\$6.86	\$7.82	\$8.77	\$9.72	\$9.72

	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2011	2012	2013	2014	2015
Net Income	80.28	65.04	123.98	62.51	45.29	45.29	45.29	45.29	45.29
Depreciation	54.67	45.24	51.04	63.12	63.12	63.12	63.12	63.12	63.12
Net Income + Depreciation	134.95	110.28	175.02	125.63	108.41	108.41	108.41	108.41	108.41
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	19.46	-24.06	41.77	23.13	0.00	0.00	0.00	0.00	0.00
Non Cash Items	-7.26	6.12	6.04	1.89	0.00	0.00	0.00	0.00	0.00
Change in Working capital	54.09	43.73	-86.45	7.19	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-8.23	-41.68	-3.27	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	-11.94	-36.73	-3.46	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-0.71	-1.81	-5.60	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	3.35	25.55	8.59	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	201.24	136.07	136.38	157.84	108.41	108.41	108.41	108.41	108.41
Capital Expenditures Expenditures	-29.16	-38.32	-42.53	-67.24	-60.00	-60.00	-60.00	-60.00	-60.00
Long term investment	0.00	0.00	0.00	-94.91	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	29.42	3.14	-381.33	-0.31	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	0.26	-35.18	-423.86	-67.55	-60.00	-60.00	-60.00	-60.00	-60.00
Financing Cash flow items	-0.37	0.07	-13.68	-2.03	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	-94.91	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	85.25	1.35	1.46	1.59	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	-288.09	-37.40	240.42	13.50	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-203.21	-35.98	228.20	-81.85	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	4.17	2.44	67.36	8.06	7.62	56.03	104.44	152.84	201.25
Net Change in Cash	-1.73	64.92	-59.30	8.43	48.41	48.41	48.41	48.41	48.41
Ending Cash Balance	2.44	67.36	8.06	16.49	56.03	104.44	152.84	201.25	249.66
Capex to Revenue	4.61%	4.90%	4.69%	5.53%	4.93%	4.93%	4.93%	4.93%	4.93%
Depreciation to Sales	8.64%	5.78%	5.63%	5.19%	5.19%	5.19%	5.19%	5.19%	5.19%
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	9.24%	8.51%	11.95%	9.17%	9.17%	9.17%	9.17%	9.17%	9.17%
Distributable FCF/EV Yield	11.47%	5.74%	-16.36%	5.14%	2.76%	2.76%	2.76%	2.76%	2.76%
Dividend Yield	0.00%	0.00%	0.00%	-6.72%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	172.08	97.75	93.85	185.51	48.41	48.41	48.41	48.41	48.41

SN VALUATION

LBO Debt Schedule

Ticker:

KS

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	8.43	48.41	48.41	48.41	48.41	48.41
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	352.20	352.20	352.20	352.20	352.20	352.20
Current Portion Debt Balance	52.20	52.20	52.20	52.20	52.20	52.20
Long Term Debt Balance	300.00	300.00	300.00	300.00	300.00	300.00
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		24.65	24.65	24.65	24.65	24.65
Cash Balance		16.49				
Interest @ 1.0%		0.16	0.16	0.16	0.16	0.16
Net Interest Expense/(Income)		24.49	24.49	24.49	24.49	24.49
Net Interest Rate		8.16%	8.16%	8.16%	8.16%	8.16%
EBITDA		94.16	94.16	94.16	94.16	94.16
EBITDA/Interest Expense Coverage		3.82	3.82	3.82	3.82	3.82

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

KapStone Paper and Packaging Corp

Ticker:

KS

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	51.35	122.39	110.98	107.60	156.01	204.42	252.82	301.23	349.64
Total Assets	638.88	716.59	1,113.10	1,101.54	1,146.83	1,192.12	1,237.40	1,282.69	1,327.98
X1	0.08	0.17	0.10	0.10	0.14	0.17	0.20	0.23	0.26
Retained Earnings	129.05	194.09	318.07	285.00	330.29	375.58	420.86	466.15	511.44
Total Assets	638.88	716.59	1,113.10	1,101.54	1,146.83	1,192.12	1,237.40	1,282.69	1,327.98
X2	0.20	0.27	0.29	0.26	0.29	0.32	0.34	0.36	0.39
EBITDA	206.03	113.96	157.78	172.69	158.16	158.16	158.16	158.16	158.16
Total Assets	638.88	716.59	1,113.10	1,101.54	1,146.83	1,192.12	1,237.40	1,282.69	1,327.98
X3	0.32	0.16	0.14	0.16	0.14	0.13	0.13	0.12	0.12
Market Value of Equity	1,412.29	1,412.29	1,412.29	1,412.29	1,215.63	1,046.36	900.65	775.24	667.29
Total Liabilities	320.34	301.11	578.07	600.21	600.21	600.21	600.21	600.21	600.21
X4	4.41	4.69	2.44	2.35	2.03	1.74	1.50	1.29	1.11
Net Sales	632.48	782.68	906.12	1,216.64	1,216.64	1,216.64	1,216.64	1,216.64	1,216.64
Total Assets	638.88	716.59	1,113.10	1,101.54	1,146.83	1,192.12	1,237.40	1,282.69	1,327.98
X5	0.99	1.09	0.81	1.10	1.06	1.02	0.98	0.95	0.92
Altman Z Score	5.08	5.02	3.27	3.51	3.30	3.15	3.03	2.92	2.83

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

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

June 11, 2013

SN VALUATION [Stocks, Real Estate, Bonds]

Neenah Paper Inc (NP)

Price:	\$31.33	Net Tang. Bk Value Incl. Cash, Excl.	\$162,900,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$358,186,000.00
Market Cap:	\$500,653,400	Goodwill (NTBVIC):		Avg. Year FCF/Share:	\$27,857,200.00
Cash:	\$3,800,000	NTBVIC/Market Downside Recovery:	32.54%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$182,600,000	Op. Cash Flow:	\$67,857,200	Year 5 Disposition Price:	\$441,757,600.00
Net Cash:	-\$178,800,000	Implied Years to Fill Gap:	4.98		
Enterprise Value:	\$679,453,400	Today's Equity if 5x Op. CF:	\$366,471,600		
		Net Tang. Book+ Gain Disposition:			\$441,757,600.00
Shares Outstanding:	15,980,000	IRR:			-2.47%
		Price:			\$27.64
		Target Market Cap:			\$441,757,600
		Target Enterprise Value:			\$620,557,600

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

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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	162.90	201.96	241.01	280.07	319.13	358.19				358.19
Annual Change		39.06	39.06	39.06	39.06	39.06				
Annual FCF	0.90	27.86	27.86	27.86	27.86	27.86	27.86	27.86	27.86	83.57
Annual Op. Cash Flow	40.10	67.86	67.86	67.86	67.86	67.86	67.86	67.86	67.86	
Annual PP&E Investment	(39.20)	(40.00)	(40.00)	(40.00)	(40.00)	(40.00)	(40.00)	(40.00)	(40.00)	
Today's Tangible Book Value	162.90	190.70	223.25	261.36	305.96	358.19				441.76
Intrinsic Value IRR	17.07%									
Market Price	500.65	488.28	476.21	464.44	452.95	441.76				441.76
Market Price IRR	-2.47%									

Debt	0.00%	0.00
Equity	100.00%	500.65
Total	100.00%	500.65

	Present Value	Holding Period					Terminal Value			Sale Price	
	Historic	ProForma	1	2	3	4	5	6	7	8	
Book Equity	204.3	500.65	539.87	579.09	618.30	657.52	696.73				
Goodwill	41.4	337.75	337.75	337.75	337.75	337.75	337.75				
Debt	178	178.00	178.00	178.00	178.00	178.00	178.00				
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%				
Additional Interest Expense		-0.24	-0.24	-0.24	-0.24	-0.24					
Tangible Book Value	162.9	162.90	202.12	241.33	280.55	319.76	358.98				358.98
Annual Change			39.22	39.22	39.22	39.22	39.22				
Annual FCF	0.90	28.02	28.02	28.02	28.02	28.02	28.02	28.02	28.02	28.02	84.05
Annual Net Income	39.90		39.22	39.22	39.22	39.22	39.22	39.22	39.22	39.22	
Annual Op. Cash Flow	40.10		68.02	68.02	68.02	68.02	68.02	68.02	68.02	68.02	
Dividend Payments											
Annual PP&E Investment	(39.20)		(40.00)	(40.00)	(40.00)	(40.00)	(40.00)	(40.00)	(40.00)	(40.00)	
Debt Paydown	0.00						0.00	0.00	0.00		
Sale Price in Year 5											443.03
Remaining Debt Balance											0.00
Capital Left for Equity Investor											443.03
Dividend Payments											0.00
Total Cash In Flow											443.03
Invested Equity	500.65	488.56	476.75	465.24	454.00	443.03					
IRR	-2.42%										

<u>Value Creation</u>	
TBV Growth (equals sum of NI Year 1-5)	196.08
Cash Flow (Year 6-8)	84.05
	280.13

<u>Value Dilution</u>	
Debt	0.00
Goodwill	296.35
Additional Interest	-1.22
	295.13

Neenah Paper, Inc. (Neenah) has two primary operations: technical products business and fine paper business. The Company's technical products business is a producer of transportation and other filter media and coated substrates for industrial products backings and a variety of other end markets. The Company's technical products manufacturing facilities are located in Munising, Michigan and near Munich and Frankfurt, Germany. The Company's fine paper business is the supplier of writing, text and cover papers, bright papers and specialty papers in North America. The Company's writing, text, cover and specialty papers are used in commercial printing and imaging applications for corporate identity packages, invitations, personal stationery and corporate annual reports, as well as, labels and packaging. In January 2013, it purchased certain premium business paper brands from the Southworth Company.

Company Name:		Neenah Paper Inc			Income Statement	
Ticker Symbol:	NP	Market Capitalization:	\$500,653,400.00	Revenue:	\$823,800,000.00	100.0%
Last Price:	\$31.33	Total Debt:	\$182,600,000.00	Cost of Goods Sold:	\$664,700,000.00	80.7%
Net Cash/Share:	-\$11.19	Total Cash:	\$3,800,000.00	Gross Profit:	\$159,100,000.00	19.3%
Net Cash to Last Price:	-35.71%	Net Cash/(Debt):	-\$178,800,000.00	EBITDA:	\$109,200,000.00	13.3%
Shares Outstanding:	15,980,000	Enterprise Value:	\$679,453,400.00	Net Income:	\$41,900,000.00	5.1%
Industry:	Paper & Paper Products	Current EV/Share:	\$42.52			
Sector:	Basic Materials	EBITDA:	\$99,200,000.00	Balance Sheet		
Institutional Ownership:	78.07%	EV/EBITDA Multiple:	6.85	Cash:	\$3,800,000.00	
Mutual Fund Ownership:	0.92%	EV/EBITDA Multiple Average Year 1-5:	6.69	Short Term Investment:	\$0.00	
Insider Ownership:	4.04%	EV/FCF Multiple (excluding acquisition):	754.95	A/R:	\$80,000,000.00	
Retail Ownership:	12.93%	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	24.39	PP&E:	\$248,000,000.00	
Float:	95.96%	Upper Range		Assets:	\$586,500,000.00	
		DCF: EV/EBITDA Terminal Value		A/P:	\$40,000,000.00	
		Implied TV from 3 X EV/EBITDA Multiple	\$218,376,000.00	Deferred Tax:	\$12,300,000.00	
52 week low:	\$22.95	Enterprise Value	\$218,376,000.00	Other Liabilities:	\$167,500,000.00	
Today from 52 week low:	36.51%	Cash at Year 5:	\$143,086,000.00	Short term Debt:	\$4,600,000.00	
52 week high:	\$32.57	Debt at Year 5:	\$182,600,000.00	Long Term Debt:	\$178,000,000.00	
Today from 52 week high:	3.96%	Equity Value Year 5:	\$178,862,000.00	Liabilities:	\$402,400,000.00	
50 day Moving Average:	\$29.72	Equity/Share at Year 5:	\$11.19	Retained Earnings:	-\$4,000,000.00	
200 day Moving Average:	\$28.85	Annualized Return:	-18.61%	Paid-In Capital:	\$280,200,000.00	
		Lower Range		Treasury Stock:	-\$22,000,000.00	
Analyst/Consensus		DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Stockholder's Equity:	\$204,300,000.00	
Analyst Sales Growth FY1:	14.50%	Year 5 Net Tangible Assets excluding cash and debt	\$287,000,000.00	Cash Flow		
Analyst Sales Growth FY2:	2.40%	Enterprise Value	\$287,000,000.00	Net Income:	44,300,000.00	
SN Valuation Estimate FY1:	0.00%	Cash at Year 5:	\$143,086,000.00	Depreciation/Amortization:	28,800,000.00	
SN Valuation Estimate FY2:	0.00%	Debt at Year 5:	\$182,600,000.00	Change in Working capital:	-35,400,000.00	
		Equity Value Year 5:	\$247,486,000.00	Cash from Operating Activities:	40,100,000.00	
Analyst Earnings Estimate FY1:	\$2.79	Equity/Share at Year 5:	\$15.49	Capital Expenditures:	-39,200,000.00	
Analyst Earnings Estimate FY2:	\$3.08	Annualized Return:	-13.14%	Cash from Investing Activities:	-32,300,000.00	
SN Valuation Earnings Est. FY1:	\$2.44	EVA		Total Cash Dividends Paid:	-7,800,000.00	
SN Valuation Earnings Est. FY2:	\$2.44	EVA today:	\$218,043,685.82	Issuance (Retirement) of Stock:	-6,400,000.00	
		EVA in 5 Years:	\$444,412,621.10	Issuance (Retirement) of Debt:	-4,000,000.00	
Multiples		EVA/Share:	\$27.81	Cash from Financing Activities:	-13,000,000.00	
Market Value to Book:	2.45	Cash at Year 5:	\$143,086,000.00	Profitability Margins		
EV to Book:	3.33	Debt at Year 5:	\$182,600,000.00	Debt to Equity:	89.38%	
Market Value to Tangible Net Assets:	4.78	Equity Value Year 5:	\$404,898,621.10	Return on Assets:	6.80%	
P/E Ratio:	11.95	Equity/Share at Year 5:	\$25.34	Return on Capital:	10.31%	
Trailing P/E Ratio:	10.53	Annualized return	15.31%	Return on Equity:	19.53%	
Forward P/E Ratio:	10.36	Current Net Tangible Asset				
Beta:	1.82	Net Tangible Asset/Share:	\$6.80			
Dividend:	0.6	Net Tangible Asset/Share in Year 5:	\$19.02			
Dividend Yield:	1.88%	Annualized return	22.84%			
Dividend Date:	Sep 2, 2013	Current Equity Price:	\$31.33			
Ex-Dividend Date:	Aug 14, 2013	Selling at Discount?	Premium			
		Appreciation Potential:	-78.29%			
		Dividend Model				
Competitors		Next Year Dividend	\$11,032,050.47			
Average EV to EBITDA:	N/A	WACC:	9.18%			
Company EV to EBITDA:	6.85	Dividend:	\$9,588,000.00			
		Net Income:	\$41,900,000.00			
Average EV to EBIT:	N/A					
Company EV to EBITA:	9.65					

SN VALUATION

LBO Pro Forma Income Statement

Name:

Neenah Paper Inc

Ticker:

NP

	Historical				Forecasted				
	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2013	2014	2015	2016	2017
Revenue	573.90	657.70	696.00	808.80	808.80	808.80	808.80	808.80	808.80
COGS	472.30	537.70	570.60	649.70	655.13	655.13	655.13	655.13	655.13
Gross margin	101.60	120.00	125.40	159.10	153.67	153.67	153.67	153.67	153.67
SG&A	69.90	69.90	69.90	77.40	80.88	80.88	80.88	80.88	80.88
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	16.50	-3.50	2.50	6.40	0.00	0.00	0.00	0.00	0.00
Other operating expense	-1.10	-1.30	-2.60	4.90	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)	16.40	54.90	56.70	70.40	72.79	72.79	72.79	72.79	72.79
Interest income/(expense)	-23.20	-20.30	-15.30	-13.40	-12.70	-12.70	-12.70	-12.70	-12.70
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	-6.80	34.80	41.30	57.00	60.09	60.09	60.09	60.09	60.09
Tax	-5.00	9.80	12.00	17.10	21.03	21.03	21.03	21.03	21.03
Income after tax	-1.80	25.00	29.30	39.90	39.06	39.06	39.06	39.06	39.06
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	-1.80	25.00	29.30	39.90	39.06	39.06	39.06	39.06	39.06
*Figures are in millions (\$)									
EPS (based off today's share count)	-\$0.11	\$1.56	\$1.83	\$2.50	\$2.44	\$2.44	\$2.44	\$2.44	\$2.44
P/E (historical today's price; forecasted intrinsic price)	-278.14	20.03	17.09	12.55	12.50	12.19	11.89	11.60	11.31
Revenue Growth	N/A	14.60%	5.82%	16.21%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	73.53%	28.16%	29.06%	30.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-7.27%	-8.29%	-8.22%	-7.35%	-7.14%	-7.14%	-7.14%	-7.14%	-7.14%
Margins									
COGS	82.30%	81.75%	81.98%	80.33%	81.00%	81.00%	81.00%	81.00%	81.00%
Gross margin	17.70%	18.25%	18.02%	19.67%	19.00%	19.00%	19.00%	19.00%	19.00%
SG&A	12.16%	10.63%	9.89%	9.57%	10.00%	10.00%	10.00%	10.00%	10.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	2.88%	-0.53%	0.36%	0.79%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	-0.19%	-0.20%	-0.37%	0.61%	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)	2.86%	8.35%	8.15%	8.70%	9.00%	9.00%	9.00%	9.00%	9.00%
Interest income/(expense)	-4.04%	-3.09%	-2.20%	-1.66%	-1.57%	-1.57%	-1.57%	-1.57%	-1.57%
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	-1.18%	5.29%	5.93%	7.05%	7.43%	7.43%	7.43%	7.43%	7.43%
Tax	-0.87%	1.49%	2.11%	2.11%	2.60%	2.60%	2.60%	2.60%	2.60%
Income after tax	-0.31%	3.80%	4.21%	4.93%	4.83%	4.83%	4.83%	4.83%	4.83%
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	-0.31%	3.80%	4.21%	4.93%	4.83%	4.83%	4.83%	4.83%	4.83%

						Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-12-31	As of 2013-03-31	+	-						
Cash	5.60	48.30	12.80	7.80	3.80			3.80	31.66	59.51	87.37	115.23	143.09
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	5.60	48.30	12.80	7.80	3.80			3.80	31.66	59.51	87.37	115.23	143.09
Accounts Receivable	67.50	69.70	71.20	79.60	80.00			80.00	80.00	80.00	80.00	80.00	80.00
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	67.50	69.70	71.20	79.60	80.00			80.00	80.00	80.00	80.00	80.00	80.00
Total Inventory	70.70	69.40	68.80	102.90	103.20			103.20	103.20	103.20	103.20	103.20	103.20
Prepaid Expenses	7.60	8.50	8.30	7.70	12.50			12.50	12.50	12.50	12.50	12.50	12.50
Other Current Assets	77.80	25.10	30.30	33.60	26.80			26.80	26.80	26.80	26.80	26.80	26.80
Current Assets	229.20	221.00	191.40	231.60	226.30	0.00	0.00	226.30	254.16	282.01	309.87	337.73	365.59
PP&E, Gross	569.60	568.50	579.20	601.30	602.00			602.00	642.00	682.00	722.00	762.00	802.00
Change in Depreciation	34.50	31.30	31.00	28.80	28.80			28.80	28.80	28.80	28.80	28.80	28.80
Accumulated Depreciation	285.20	306.60	326.90	353.90	354.00			354.00	382.80	411.60	440.40	469.20	498.00
PP&E, Net	284.40	261.90	252.30	247.40	248.00			248.00	259.20	270.40	281.60	292.80	304.00
Goodwill	44.90	41.50	40.50	41.40	41.40	0.00		41.40	41.40	41.40	41.40	41.40	41.40
Intangibles	27.50	24.00	21.90	34.00	34.00			34.00	34.00	34.00	34.00	34.00	34.00
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	49.60	57.30	56.90	46.40	36.80			36.80	36.80	36.80	36.80	36.80	36.80
Long Term Assets	406.40	384.70	371.60	369.20	360.20			360.20	382.60	393.80	405.00	416.20	416.20
Total Assets	635.60	605.70	563.00	600.80	586.50	0.00	0.00	586.50	625.56	664.61	703.67	742.73	781.79
Accounts Payable	27.20	30.40	30.20	35.10	40.00			40.00	40.00	40.00	40.00	40.00	40.00
Accrued Expense	48.20	45.70	47.80	44.50	45.00			45.00	45.00	45.00	45.00	45.00	45.00
Other current Liabilities	0.40	2.40	3.80	3.10	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities	75.80	78.50	81.80	82.70	85.00	0.00	0.00	85.00	85.00	85.00	85.00	85.00	85.00
Notes Payables/Short Term Debt	0.00	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	55.60	13.60	21.70	4.70	4.60			4.60	4.60	4.60	4.60	4.60	4.60
Long term Debt	263.60	231.30	164.50	177.60	178.00	0.00	0.00	178.00	178.00	178.00	178.00	178.00	178.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	319.20	244.90	186.20	182.30	182.60	0.00	0.00	182.60	182.60	182.60	182.60	182.60	182.60
Deferred Income tax	23.70	19.40	16.00	12.50	12.30			12.30	12.30	12.30	12.30	12.30	12.30
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	108.30	104.70	114.40	135.40	122.50			122.50	122.50	122.50	122.50	122.50	122.50
Total Liabilities	527.00	447.50	398.40	412.90	402.40	0.00	0.00	402.40	402.40	402.40	402.40	402.40	402.40
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	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.10	0.10	0.10	0.20	0.20		0.00	0.20	0.20	0.20	0.20	0.20	0.20
Additional Paid-in capital	243.40	249.00	257.60	273.90	280.00	0.00	0.00	280.00	280.00	280.00	280.00	280.00	280.00
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	-215.20	-62.00	-40.40	-3.90	-4.00		0.00	-4.00	35.06	74.11	113.17	152.23	191.29
Treasury Stock	-10.20	-10.40	-10.90	-22.60	-22.00		0.00	-22.00	-22.00	-22.00	-22.00	-22.00	-22.00
Other Equity	91.50	-17.50	-39.70	-49.90	-49.90		0.00	-49.90	-49.90	-49.90	-49.90	-49.90	-49.90
Total Equity	109.60	159.20	166.70	197.70	204.30	0.00	0.00	204.30	243.36	282.41	321.47	360.53	399.59
Liability + Equity	636.60	606.70	565.10	610.60	606.70	0.00	0.00	606.70	645.76	684.81	723.87	762.93	801.99
Variance	-1.00	-1.00	-2.10	-9.80	-20.20			-20.20	-20.20	-20.20	-20.20	-20.20	-20.20
Debt/Equity	2.91	1.54	1.12	0.92	0.89			0.89	0.75	0.65	0.57	0.51	0.46
Inventory Turnover	8.12	9.48	10.12	7.86	7.84			7.84	7.84	7.84	7.84	7.84	7.84
Inventory Turnover Days	44.97	38.51	36.08	46.44	46.57			46.57	46.57	46.57	46.57	46.57	46.57
Days Inventory Outstanding	54.64	47.11	44.01	57.81	57.50			57.98	57.50	57.50	57.50	57.50	57.50
Accounts Receivable Turnover	8.50	9.44	9.78	10.16	10.11			10.11	10.11	10.11	10.11	10.11	10.11
Accounts Receivable Turnover Days	42.93	38.68	37.34	35.92	36.10			36.10	36.10	36.10	36.10	36.10	36.10
Days Payable Outstanding	21.02	20.64	19.32	19.72	22.29			22.47	22.29	22.29	22.29	22.29	22.29
Days Sales Outstanding	42.93	38.68	37.34	35.92	36.10			35.92	36.10	36.10	36.10	36.10	36.10
Cash Conversion Cycle	76.55	65.15	62.03	74.01	71.31			71.43	71.31	71.31	71.31	71.31	71.31
Net tangible assets/share	\$2.33	\$5.86	\$6.53	\$7.65	\$8.07				\$10.51	\$12.95	\$15.40	\$17.84	\$20.29

	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2011	2012	2013	2014	2015
Net Income	-1.20	159.10	29.10	44.30	39.06	39.06	39.06	39.06	39.06
Depreciation	34.50	31.30	31.00	28.80	28.80	28.80	28.80	28.80	28.80
Net Income + Depreciation	33.30	190.40	60.10	73.10	67.86	67.86	67.86	67.86	67.86
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-9.40	37.00	7.40	10.70	0.00	0.00	0.00	0.00	0.00
Non Cash Items	12.10	-89.30	6.80	-8.30	0.00	0.00	0.00	0.00	0.00
Change in Working capital	28.90	-83.60	-17.10	-35.40	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-2.20	-1.50	-8.40	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	1.30	0.60	-34.10	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-0.90	0.20	0.60	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	3.20	-0.20	4.90	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	64.90	54.50	57.20	40.10	67.86	67.86	67.86	67.86	67.86
Capital Expenditures Expenditures	-8.40	-17.40	-23.10	-39.20	-40.00	-40.00	-40.00	-40.00	-40.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	0.10	83.90	-5.80	6.90	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-8.30	66.50	-28.90	-32.30	-40.00	-40.00	-40.00	-40.00	-40.00
Financing Cash flow items	-3.00	-0.20	0.60	5.20	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-5.90	-5.90	-6.70	-7.80	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-	0.70	2.10	-6.40	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	-45.30	-72.90	-59.80	-4.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-54.20	-78.30	-63.80	-13.00	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	-0.10	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	3.30	5.60	48.30	12.80	3.80	31.66	59.51	87.37	115.23
Net Change in Cash	2.30	42.70	-35.50	-5.00	27.86	27.86	27.86	27.86	27.86
Ending Cash Balance	5.60	48.30	12.80	7.80	31.66	59.51	87.37	115.23	143.09
Capex to Revenue	1.46%	2.65%	3.32%	4.85%	4.95%	4.95%	4.95%	4.95%	4.95%
Depreciation to Sales	6.01%	4.76%	4.45%	3.56%	3.56%	3.56%	3.56%	3.56%	3.56%
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	11.76%	10.60%	10.23%	9.84%	9.84%	9.84%	9.84%	9.84%	9.84%
Distributable FCF/EV Yield	8.33%	17.81%	4.17%	1.15%	4.10%	4.10%	4.10%	4.10%	4.10%
Dividend Yield	-1.18%	-1.18%	-1.34%	-1.56%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	62.40	43.00	40.80	8.70	27.86	27.86	27.86	27.86	27.86

SN VALUATION

LBO Debt Schedule

Ticker:

NP

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-5.00	27.86	27.86	27.86	27.86	27.86
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	182.60	182.60	182.60	182.60	182.60	182.60
Current Portion Debt Balance	4.60	4.60	4.60	4.60	4.60	4.60
Long Term Debt Balance	178.00	178.00	178.00	178.00	178.00	178.00
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		12.78	12.78	12.78	12.78	12.78
Cash Balance		7.80				
Interest @ 1.0%		0.08	0.08	0.08	0.08	0.08
Net Interest Expense/(Income)		12.70	12.70	12.70	12.70	12.70
Net Interest Rate		7.14%	7.14%	7.14%	7.14%	7.14%
EBITDA		72.79	72.79	72.79	72.79	72.79
EBITDA/Interest Expense Coverage		5.69	5.69	5.69	5.69	5.69

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Neenah Paper Inc

Ticker:

NP

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	153.40	142.50	109.60	141.30	169.16	197.01	224.87	252.73	280.59
Total Assets	635.60	605.70	563.00	586.50	625.56	664.61	703.67	742.73	781.79
X1	0.24	0.24	0.19	0.24	0.27	0.30	0.32	0.34	0.36
Retained Earnings	-215.20	-62.00	-40.40	-4.00	35.06	74.11	113.17	152.23	191.29
Total Assets	635.60	605.70	563.00	586.50	625.56	664.61	703.67	742.73	781.79
X2	-0.34	-0.10	-0.07	-0.01	0.06	0.11	0.16	0.20	0.24
EBITDA	16.40	54.90	56.70	70.40	72.79	72.79	72.79	72.79	72.79
Total Assets	635.60	605.70	563.00	586.50	625.56	664.61	703.67	742.73	781.79
X3	0.03	0.09	0.10	0.12	0.12	0.11	0.10	0.10	0.09
Market Value of Equity	500.65	500.65	500.65	500.65	488.28	476.21	464.44	452.95	441.76
Total Liabilities	527.00	447.50	398.40	402.40	402.40	402.40	402.40	402.40	402.40
X4	0.95	1.12	1.26	1.24	1.21	1.18	1.15	1.13	1.10
Net Sales	573.90	657.70	696.00	808.80	808.80	808.80	808.80	808.80	808.80
Total Assets	635.60	605.70	563.00	586.50	625.56	664.61	703.67	742.73	781.79
X5	0.90	1.09	1.24	1.38	1.29	1.22	1.15	1.09	1.03
Altman Z Score	1.37	2.20	2.46	2.80	2.81	2.80	2.79	2.78	2.77

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

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

June 11, 2013

SN VALUATION [Stocks, Real Estate, Bonds]

Schweitzer Mauduit International Inc (SWM)

Price:	\$49.32	Net Tang. Bk Value Incl. Cash, Excl.	\$507,400,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$831,291,750.00
Market Cap:	\$1,547,661,600	Goodwill (NTBVIC):		Avg. Year FCF/Share:	\$74,178,350.00
Cash:	\$181,100,000	NTBVIC/Market Downside Recovery:	32.78%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$165,600,000	Op. Cash Flow:	\$104,178,350	Year 5 Disposition Price:	\$1,053,826,800.00
Net Cash:	\$15,500,000	Implied Years to Fill Gap:	9.99		
Enterprise Value:	\$1,532,161,600	Today's Equity if 5x Op. CF:	\$819,935,050		
		Net Tang. Book+ Gain Disposition:			\$1,053,826,800.00
Shares Outstanding:	31,380,000	IRR:			-7.40%
				Price:	\$33.58
				Target Market Cap:	\$1,053,826,800
				Target Enterprise Value:	\$1,038,326,800

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

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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	507.40	572.18	636.96	701.74	766.51	831.29				831.29
Annual Change		64.78	64.78	64.78	64.78	64.78				
Annual FCF	146.50	74.18	74.18	74.18	74.18	74.18	74.18	74.18	74.18	222.54
Annual Op. Cash Flow	174.60	104.18	104.18	104.18	104.18	104.18	104.18	104.18	104.18	
Annual PP&E Investment	(28.10)	(30.00)	(30.00)	(30.00)	(30.00)	(30.00)	(30.00)	(30.00)	(30.00)	
Today's Tangible Book Value	507.40	560.06	618.18	682.33	753.14	831.29				1,053.83
Intrinsic Value IRR	10.38%									
Market Price	1,547.66	1,433.16	1,327.13	1,228.94	1,138.02	1,053.83				1,053.83
Market Price IRR	-7.40%									

Debt	0.00%	0.00
Equity	100.00%	1,547.66
Total	100.00%	1,547.66

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	513.1	1,547.66	1,611.67	1,675.67	1,739.68	1,803.68	1,867.69			
Goodwill	5.7	1,040.26	1,040.26	1,040.26	1,040.26	1,040.26	1,040.26			
Debt	161	161.00	161.00	161.00	161.00	161.00	161.00			
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%			
Additional Interest Expense		1.19	1.19	1.19	1.19	1.19				
Tangible Book Value	507.4	507.40	571.40	635.41	699.41	763.42	827.42			827.42
Annual Change			64.00	64.00	64.00	64.00	64.00			
Annual FCF	146.50		73.40	73.40	73.40	73.40	73.40	73.40	73.40	220.21
Annual Net Income	83.70		64.00	64.00	64.00	64.00	64.00	64.00	64.00	
Annual Op. Cash Flow	174.60		103.40	103.40	103.40	103.40	103.40	103.40	103.40	
Dividend Payments										
Annual PP&E Investment	(28.10)		(30.00)	(30.00)	(30.00)	(30.00)	(30.00)	(30.00)	(30.00)	
Debt Paydown	0.00						0.00	0.00	0.00	

Sale Price in Year 5										1,047.64
Remaining Debt Balance										0.00
Capital Left for Equity Investor										1,047.64
Dividend Payments										0.00
Total Cash In Flow										1,047.64
Invested Equity	1,547.66	1,431.47	1,324.01	1,224.61	1,132.67	1,047.64				
IRR	-7.51%									

<u>Value Creation</u>	
TBV Growth (equals sum of NI Year 1-5)	320.02
Cash Flow (Year 6-8)	220.21
Total	540.24

<u>Value Dilution</u>	
Debt	0.00
Goodwill	1,034.56
Additional Interest	5.95
Total	1,040.51

Schweitzer-Mauduit International, Inc. is a diversified producer of specialty papers. It operates in two segments: Paper and Reconstituted Tobacco. It manufactures and sells paper and reconstituted tobacco products to the tobacco industry, as well as specialized paper products for use in other applications. The primary products in the group include cigarette, plug wrap and base tipping papers, or cigarette papers, used to wrap various parts of a cigarette and reconstituted tobacco leaf (RTL), which is used as a blend with virgin tobacco in cigarettes, reconstituted tobacco wrappers and binders for cigars. Paper segment primarily produces Cigarette Papers, such as cigarette (including LIP), plug wrap and base tipping papers used to wrap various parts of a cigarette for sale to cigarette manufacturers. The Reconstituted Tobacco segment produces RTL and wrapper and binder products for sale to cigarette and cigar manufacturers.

Company Name:		Schweitzer Mauduit International Inc			Income Statement	
Ticker Symbol:	SWM	Market Capitalization:	\$1,547,661,600.00	Revenue:	\$787,600,000.00	100.0%
Last Price:	\$49.32	Total Debt:	\$165,600,000.00	Cost of Goods Sold:	\$536,700,000.00	68.1%
Net Cash/Share:	\$0.49	Total Cash:	\$181,100,000.00	Gross Profit:	\$250,900,000.00	31.9%
Net Cash to Last Price:	1.00%	Net Cash/(Debt):	\$15,500,000.00	EBITDA:	\$198,900,000.00	25.3%
Shares Outstanding:	31,380,000	Enterprise Value:	\$1,532,161,600.00	Net Income:	\$96,100,000.00	12.2%
Industry:	Paper & Paper Products	Current EV/Share:	\$48.83			
Sector:	Basic Materials	EBITDA:	\$172,800,000.00	Balance Sheet		
Institutional Ownership:	93.17%	EV/EBITDA Multiple:	8.87	Cash:	\$181,100,000.00	
Mutual Fund Ownership:	2.57%	EV/EBITDA Multiple Average Year 1-5:	10.27	Short Term Investment:	\$0.00	
Insider Ownership:	4.90%	EV/FCF Multiple (excluding acquisition):	10.46	A/R:	\$70,000,000.00	
Retail Ownership:	-5.54%	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	20.66	PP&E:	\$430,000,000.00	
Float:	95.10%	Upper Range		Assets:	\$935,200,000.00	
	Technicals	DCF: EV/EBITDA Terminal Value		A/P:	\$46,000,000.00	
52 week low:	\$31.18	Implied TV from 3 X EV/EBITDA Multiple	\$449,217,000.00	Deferred Tax:	\$29,500,000.00	
Today from 52 week low:	58.18%	Enterprise Value	\$449,217,000.00	Other Liabilities:	\$141,300,000.00	
52 week high:	\$49.53	Cash at Year 5:	\$551,991,750.00	Short term Debt:	\$4,600,000.00	
Today from 52 week high:	0.43%	Debt at Year 5:	\$165,600,000.00	Long Term Debt:	\$161,000,000.00	
50 day Moving Average:	\$42.43	Equity Value Year 5:	\$835,608,750.00	Liabilities:	\$382,400,000.00	
200 day Moving Average:	\$38.03	Equity/Share at Year 5:	\$26.63	Retained Earnings:	\$483,000,000.00	
	Analyst/Consensus	Annualized Return:	-11.60%	Paid-In Capital:	\$45,100,000.00	
Analyst Sales Growth FY1:	-0.60%	Lower Range		Treasury Stock:	-\$1,000,000.00	
Analyst Sales Growth FY2:	0.20%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Stockholder's Equity:	\$513,100,000.00	
SN Valuation Estimate FY1:	0.00%	Year 5 Net Tangible Assets excluding cash and debt	\$68,800,000.00	Cash Flow		
SN Valuation Estimate FY2:	0.00%	Enterprise Value	\$68,800,000.00	Net Income:	79,800,000.00	
Analyst Earnings Estimate FY1:	\$3.79	Cash at Year 5:	\$551,991,750.00	Depreciation/Amortization:	39,400,000.00	
Analyst Earnings Estimate FY2:	\$4.11	Debt at Year 5:	\$165,600,000.00	Change in Working capital:	2,200,000.00	
SN Valuation Earnings Est. FY1:	\$2.20	Equity Value Year 5:	\$455,191,750.00	Cash from Operating Activities:	174,600,000.00	
SN Valuation Earnings Est. FY2:	\$2.20	Equity/Share at Year 5:	\$14.51	Capital Expenditures:	-28,100,000.00	
	Multiples	Annualized Return:	-21.71%	Cash from Investing Activities:	-51,700,000.00	
Market Value to Book:	3.02	EVA		Total Cash Dividends Paid:	-14,100,000.00	
EV to Book:	2.99	EVA today:	\$523,459,107.30	Issuance (Retirement) of Stock:	-47,200,000.00	
Market Value to Tangible Net Assets:	-17.75	EVA in 5 Years:	\$794,021,692.26	Issuance (Retirement) of Debt:	9,300,000.00	
P/E Ratio:	16.10	EVA/Share:	\$25.30	Cash from Financing Activities:	-50,600,000.00	
Trailing P/E Ratio:	16.33	Cash at Year 5:	\$551,991,750.00	Profitability Margins		
Forward P/E Ratio:	12.04	Debt at Year 5:	\$165,600,000.00	Debt to Equity:	32.27%	
Beta:	0.97	Equity Value Year 5:	\$1,180,413,442.26	Return on Assets:	8.95%	
Dividend:	1.2	Equity/Share at Year 5:	\$37.62	Return on Capital:	12.33%	
Dividend Yield:	2.43%	Annualized return	8.69%	Return on Equity:	16.31%	
Dividend Date:	Jun 26, 2013	Current Net Tangible Asset				
Ex-Dividend Date:	May 20, 2013	Net Tangible Asset/Share:	\$17.05			
	Competitors	Net Tangible Asset/Share in Year 5:	\$27.37			
Average EV to EBITDA:	N/A	Annualized return	9.93%			
Company EV to EBITDA:	8.87	Current Equity Price:	\$49.32			
Average EV to EBIT:	N/A	Selling at Discount?	Premium			
Company EV to EBITA:	11.49	Appreciation Potential:	-65.43%			
		Dividend Model				
		Next Year Dividend	\$41,391,718.76			
		WACC:	10.38%			
		Dividend:	\$37,656,000.00			
		Net Income:	\$96,100,000.00			

SN VALUATION

LBO Pro Forma Income Statement

Name:

Schweitzer Mauduit International Inc

Ticker:

SWM

	Historical				Forecasted				
	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2013	2014	2015	2016	2017
Revenue	719.60	727.30	801.00	788.10	788.10	788.10	788.10	788.10	788.10
COGS	531.80	532.10	562.10	537.20	551.67	551.67	551.67	551.67	551.67
Gross margin	187.80	195.20	238.90	250.90	236.43	236.43	236.43	236.43	236.43
SG&A	66.70	64.30	80.70	77.40	78.81	78.81	78.81	78.81	78.81
R&D	8.00	8.50	9.30	10.00	7.88	7.88	7.88	7.88	7.88
Unusual expense	23.90	11.60	14.00	28.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	15.90	2.10	0.00	0.00	0.00	0.00	0.00
Depreciation is: Excluded from COGS	137.90	145.30	92.00	38.20	40.00	40.00	40.00	40.00	40.00
Operating Income (EBITA)	-48.70	-34.50	27.00	95.20	109.74	109.74	109.74	109.74	109.74
Interest income/(expense)	-4.30	-2.70	0.50	-4.50	-10.08	-10.08	-10.08	-10.08	-10.08
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	-1.10	1.30	-5.60	2.70	0.00	0.00	0.00	0.00	0.00
Income before tax	83.80	109.40	113.90	131.60	99.66	99.66	99.66	99.66	99.66
Tax	25.30	39.70	30.80	51.90	34.88	34.88	34.88	34.88	34.88
Income after tax	58.50	69.70	83.10	79.70	64.78	64.78	64.78	64.78	64.78
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	1.10	3.20	4.70	4.00	4.13	4.14	4.13	4.13	4.13
Net income	59.60	72.90	87.80	83.70	68.91	68.92	68.90	68.91	68.91
*Figures are in millions (\$)									
EPS (based off today's share count)	\$1.90	\$2.32	\$2.80	\$2.67	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20
P/E (historical today's price; forecasted intrinsic price)	25.97	21.23	17.63	18.49	20.80	19.26	17.84	16.51	15.29
Revenue Growth	N/A	1.07%	10.13%	-1.61%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	30.19%	36.29%	27.04%	39.44%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-7.15%	-5.21%	0.34%	-2.88%	-6.26%	-6.26%	-6.26%	-6.26%	-6.26%
Margins									
COGS	73.90%	73.16%	70.17%	68.16%	70.00%	70.00%	70.00%	70.00%	70.00%
Gross margin	26.10%	26.84%	29.83%	31.84%	30.00%	30.00%	30.00%	30.00%	30.00%
SG&A	9.27%	8.84%	10.07%	9.82%	10.00%	10.00%	10.00%	10.00%	10.00%
R&D	1.11%	1.17%	1.16%	1.27%	1.00%	1.00%	1.00%	1.00%	1.00%
Unusual expense	3.32%	1.59%	1.75%	3.55%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	1.99%	0.27%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Excluded from COGS	19.16%	19.98%	11.49%	4.85%	5.08%	5.08%	5.08%	5.08%	5.08%
Operating Income (EBITA)	-6.77%	-4.74%	3.37%	12.08%	13.92%	13.92%	13.92%	13.92%	13.92%
Interest income/(expense)	-0.60%	-0.37%	0.06%	-0.57%	-1.28%	-1.28%	-1.28%	-1.28%	-1.28%
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	-0.15%	0.18%	-0.70%	0.34%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	11.65%	15.04%	14.22%	16.70%	12.65%	12.65%	12.65%	12.65%	12.65%
Tax	3.52%	5.46%	3.85%	6.59%	4.43%	4.43%	4.43%	4.43%	4.43%
Income after tax	8.13%	9.58%	10.37%	10.11%	8.22%	8.22%	8.22%	8.22%	8.22%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.15%	0.44%	0.59%	0.51%	0.52%	0.53%	0.52%	0.52%	0.52%
Net income	8.28%	10.02%	10.96%	10.62%	8.74%	8.75%	8.74%	8.74%	8.74%

	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-12-31	As of 2013-03-31	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	56.90	87.30	76.50	151.20	181.10			181.10	255.28	329.46	403.64	477.81	551.99
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	56.90	87.30	76.50	151.20	181.10			181.10	255.28	329.46	403.64	477.81	551.99
Accounts Receivable	62.70	70.00	84.80	70.00	70.00			70.00	70.00	70.00	70.00	70.00	70.00
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	62.70	70.00	84.80	70.00	70.00			70.00	70.00	70.00	70.00	70.00	70.00
Total Inventory	127.30	113.80	113.80	111.60	112.20			112.20	112.20	112.20	112.20	112.20	112.20
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Current Assets	13.60	16.10	23.10	24.20	29.00			29.00	29.00	29.00	29.00	29.00	29.00
Current Assets	260.50	287.20	298.20	357.00	392.30	0.00	0.00	392.30	466.48	540.66	614.84	689.01	763.19
PP&E, Gross	876.30	921.60	925.60	0.00	930.00			930.00	960.00	990.00	1,020.00	1,050.00	1,080.00
Change in Depreciation	43.90	39.60	43.10	39.40	39.40			39.40	39.40	39.40	39.40	39.40	39.40
Accumulated Depreciation	475.20	490.80	496.80	0.00	500.00			500.00	539.40	578.80	618.20	657.60	697.00
PP&E, Net	401.10	440.80	428.80	0.00	430.00			430.00	420.60	411.20	401.80	392.40	383.00
Goodwill	9.00	5.80	5.60	5.70	5.70	0.00		5.70	5.70	5.70	5.70	5.70	5.70
Intangibles	25.20	3.00	18.70	11.80	12.00			12.00	12.00	12.00	12.00	12.00	12.00
Long term investments	16.60	20.50	38.70	61.20	61.90			61.90	61.90	61.90	61.90	61.90	61.90
Other long term assets	26.60	67.50	22.50	20.70	33.30			33.30	33.30	33.30	33.30	33.30	33.30
Long Term Assets	478.50	537.60	514.30	99.40	542.90			542.90	533.50	524.10	514.70	505.30	495.90
Total Assets	739.00	824.80	812.50	456.40	935.20	0.00	0.00	935.20	999.98	1,064.76	1,129.54	1,194.31	1,259.09
Accounts Payable	46.70	66.40	53.70	45.60	46.00			46.00	46.00	46.00	46.00	46.00	46.00
Accrued Expense	115.50	98.20	75.80	73.30	74.00			74.00	74.00	74.00	74.00	74.00	74.00
Other current Liabilities	6.00	13.40	6.30	3.80	7.70			7.70	7.70	7.70	7.70	7.70	7.70
Total Current Liabilities	168.20	178.00	135.80	122.70	127.70	0.00	0.00	127.70	127.70	127.70	127.70	127.70	127.70
Notes Payables/Short Term Debt	0.00	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	17.70	8.70	5.00	4.20	4.60			4.60	4.60	4.60	4.60	4.60	4.60
Long term Debt	42.40	43.10	141.00	151.80	161.00	0.00	0.00	161.00	161.00	161.00	161.00	161.00	161.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	60.10	51.80	146.00	156.00	165.60	0.00	0.00	165.60	165.60	165.60	165.60	165.60	165.60
Deferred Income tax	14.20	28.90	19.80	28.40	29.50			29.50	29.50	29.50	29.50	29.50	29.50
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	67.20	67.50	67.70	67.80	59.60			59.60	59.60	59.60	59.60	59.60	59.60
Total Liabilities	309.70	326.20	369.30	374.90	382.40	0.00	0.00	382.40	382.40	382.40	382.40	382.40	382.40
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	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	1.90	1.90	3.80	3.10	3.10		0.00	3.10	3.10	3.10	3.10	3.10	3.10
Additional Paid-in capital	205.70	208.80	211.70	41.00	42.00	0.00	0.00	42.00	42.00	42.00	42.00	42.00	42.00
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	281.90	336.40	417.00	483.40	483.00		0.00	483.00	547.78	612.56	677.34	742.11	806.89
Treasury Stock	-14.00	-24.40	-132.10	-0.30	-1.00		0.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
Other Equity	6.70	1.50	-24.50	-14.00	-14.00		0.00	-14.00	-14.00	-14.00	-14.00	-14.00	-14.00
Total Equity	482.20	524.20	475.90	513.20	513.10	0.00	0.00	513.10	577.88	642.66	707.44	772.21	836.99
Liability + Equity	791.90	850.40	845.20	888.10	895.50	0.00	0.00	895.50	960.28	1,025.06	1,089.84	1,154.61	1,219.39
Variance	-52.90	-26.60	-32.70	-431.70	39.70			39.70	39.70	39.70	39.70	39.70	39.70
Debt/Equity	0.12	0.10	0.31	0.30	0.32			0.32	0.29	0.26	0.23	0.21	0.20
Inventory Turnover	5.65	6.39	7.04	7.06	7.02			7.02	7.02	7.02	7.02	7.02	7.02
Inventory Turnover Days	64.57	57.11	51.96	51.69	51.96			51.96	51.96	51.96	51.96	51.96	51.96
Days Inventory Outstanding	87.37	78.06	73.90	75.83	74.23			76.23	74.23	74.23	74.23	74.23	74.23
Accounts Receivable Turnover	11.48	10.39	9.45	11.26	11.26			11.26	11.26	11.26	11.26	11.26	11.26
Accounts Receivable Turnover Days	31.80	35.13	38.64	32.42	32.42			32.42	32.42	32.42	32.42	32.42	32.42
Days Payable Outstanding	32.05	45.55	34.87	30.98	30.43			31.25	30.43	30.43	30.43	30.43	30.43
Days Sales Outstanding	31.80	35.13	38.64	32.42	32.42			32.42	32.42	32.42	32.42	32.42	32.42
Cash Conversion Cycle	87.12	67.64	77.67	77.26	76.22			77.40	76.22	76.22	76.22	76.22	76.22
Net tangible assets/share	\$14.28	\$16.42	\$14.39	\$15.80	\$15.79				\$17.85	\$19.92	\$21.98	\$24.04	\$26.11

	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2011	2012	2013	2014	2015
Net Income	35.60	65.30	92.60	79.80	64.78	64.78	64.78	64.78	64.78
Depreciation	43.90	39.60	43.10	39.40	39.40	39.40	39.40	39.40	39.40
Net Income + Depreciation	79.50	104.90	135.70	119.20	104.18	104.18	104.18	104.18	104.18
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	9.40	25.40	-15.80	15.40	0.00	0.00	0.00	0.00	0.00
Non Cash Items	-5.10	-18.00	-14.40	37.80	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-20.40	28.80	-24.00	2.20	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-7.30	-14.80	14.80	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	13.50	0.00	2.20	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	19.70	-12.70	-8.10	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	63.40	141.10	81.50	174.60	104.18	104.18	104.18	104.18	104.18
Capital Expenditures Expenditures	-20.80	-83.00	-62.20	-28.10	-30.00	-30.00	-30.00	-30.00	-30.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	0.60	1.80	-9.90	-23.60	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-20.20	-81.20	-72.10	-51.70	-30.00	-30.00	-30.00	-30.00	-30.00
Financing Cash flow items	3.30	1.60	10.00	1.40	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-9.60	-10.80	-10.10	-14.10	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	129.90	-16.80	-118.70	-47.20	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	-122.50	-4.80	100.50	9.30	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	1.10	-30.80	-18.30	-50.60	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.70	1.30	-1.90	2.40	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	11.90	56.90	87.30	76.50	181.10	255.28	329.46	403.64	477.81
Net Change in Cash	45.00	30.40	-10.80	74.70	74.18	74.18	74.18	74.18	74.18
Ending Cash Balance	56.90	87.30	76.50	151.20	255.28	329.46	403.64	477.81	551.99
Capex to Revenue	2.89%	11.41%	7.77%	3.57%	3.81%	3.81%	3.81%	3.81%	3.81%
Depreciation to Sales	6.10%	5.44%	5.38%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
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	8.71%	9.62%	10.59%	8.88%	8.88%	8.88%	8.88%	8.88%	8.88%
Distributable FCF/EV Yield	2.82%	3.91%	0.61%	8.02%	4.84%	4.84%	4.84%	4.84%	4.84%
Dividend Yield	-0.62%	-0.70%	-0.65%	-0.91%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	52.20	68.90	29.40	160.60	74.18	74.18	74.18	74.18	74.18

SN VALUATION

LBO Debt Schedule

Ticker:

SWM

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	74.70	74.18	74.18	74.18	74.18	74.18
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	165.60	165.60	165.60	165.60	165.60	165.60
Current Portion Debt Balance	4.60	4.60	4.60	4.60	4.60	4.60
Long Term Debt Balance	161.00	161.00	161.00	161.00	161.00	161.00
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		11.59	11.59	11.59	11.59	11.59
Cash Balance		151.20				
Interest @ 1.0%		1.51	1.51	1.51	1.51	1.51
Net Interest Expense/(Income)		10.08	10.08	10.08	10.08	10.08
Net Interest Rate		6.26%	6.26%	6.26%	6.26%	6.26%
EBITDA		109.74	109.74	109.74	109.74	109.74
EBITDA/Interest Expense Coverage		9.47	9.47	9.47	9.47	9.47

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Schweitzer Mauduit International Inc

Ticker:

SWM

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	92.30	109.20	162.40	264.60	338.78	412.96	487.14	561.31	635.49
Total Assets	739.00	824.80	812.50	935.20	999.98	1,064.76	1,129.54	1,194.31	1,259.09
X1	0.12	0.13	0.20	0.28	0.34	0.39	0.43	0.47	0.50
Retained Earnings	281.90	336.40	417.00	483.00	547.78	612.56	677.34	742.11	806.89
Total Assets	739.00	824.80	812.50	935.20	999.98	1,064.76	1,129.54	1,194.31	1,259.09
X2	0.38	0.41	0.51	0.52	0.55	0.58	0.60	0.62	0.64
EBITDA	89.20	110.80	119.00	133.40	149.74	149.74	149.74	149.74	149.74
Total Assets	739.00	824.80	812.50	935.20	999.98	1,064.76	1,129.54	1,194.31	1,259.09
X3	0.12	0.13	0.15	0.14	0.15	0.14	0.13	0.13	0.12
Market Value of Equity	1,547.66	1,547.66	1,547.66	1,547.66	1,433.16	1,327.13	1,228.94	1,138.02	1,053.83
Total Liabilities	309.70	326.20	369.30	382.40	382.40	382.40	382.40	382.40	382.40
X4	5.00	4.74	4.19	4.05	3.75	3.47	3.21	2.98	2.76
Net Sales	719.60	727.30	801.00	788.10	788.10	788.10	788.10	788.10	788.10
Total Assets	739.00	824.80	812.50	935.20	999.98	1,064.76	1,129.54	1,194.31	1,259.09
X5	0.97	0.88	0.99	0.84	0.79	0.74	0.70	0.66	0.63
Altman Z Score	5.05	4.90	4.94	4.80	4.70	4.56	4.42	4.29	4.17

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

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