

## Pozen Inc. (POZN)

Price:	\$7.28
Market Cap:	\$217,817,600
Cash:	\$119,620,000
Debt:	\$0
Net Cash:	\$119,620,000
Enterprise Value:	\$98,197,600

Price/Book:	2.06
EV/FCF:	1.33

<b>Net Tang. Asset/Share:</b>	<b>\$3.49</b>
Avg. Year 1-5 FCF/Share:	\$1.08
<b>5 Years of FCF:</b>	<b>\$5.40</b>
Net Tang. Asset+5 FCF:	\$8.89

Net Tang. Asset Yr. 5/Share:	\$8.88
Avg. Year FCF/Share:	\$1.08
Year 5 Disposition FCF Multip	3.0
Year 5 Disposition Price:	\$12.12
<b>Gain from Disposition:</b>	<b>\$4.84</b>

<b>Net Tang. Asset+5 FCF+ Gain Disposition:</b>	<b>\$13.73</b>
<b>IRR:</b>	<b>13.53%</b>

**Valuation**

Great valuation with \$3.49 of net tangible assets and 5 years of FCF at \$5.40. The combined net assets plus 3 years of FCF is the breakeven point. We predict the company will be operating for at least 5 more years from present, generating \$1.08 in FCF annually, which we add back to the cash balance. So, in Year 5, an extra \$2.00/share of FCF will be accretive to the value, which will generate 22% return from cashflow.

If we sell the company at Net tangible asset/share Year 5 plus 3 years of FCF at \$12.12, then we would have gained \$4.84, or 66%, from the appreciation.

**Present net tangible asset (\$3.49) + 5 years of FCF (\$5.40) + gain from disposition in Year 5 (\$4.84) would yield \$13.73, or 89% gain, or 13.5% IRR.**

We don't want to assume any multiple expansion. No, we want purely dollar for dollar assumptions and any alpha generated from multiple expansion is extra gravy.

**Business Overview**

Pharma research company that develops drugs and then distributes the drugs through large companies such as Glaxo Smith Kline, Astra Zeneca. They developed migraine, arthritis medication so far. Revenues are mainly from royalties received from the total drug sales by the large pharma companies.

The main concern is the revenue sustainability because of the revenue drop noticeably in 2009, from \$66 million to \$32 million.

The royalty revenue stream is about \$15-\$20 MM, apart from any licensing revenue, which is a lumpy cash flow. We believe in 2008 and 2010, the hefty licensing revenue stream helped to prop revenues, but the sustainable royalty revenue is only \$15-20 mm.

POZN receives 18% royalty from Treximet (migraine; GlaxoSmithKline) sales, which has been averaging \$90-\$100 million in sales, or \$20 MM revenue for POZN.

Vimovo, the newer drug released in 2010 essentially recorded no revenue in 2011.

As long as we can justify the annual \$1.00 FCF/share figure for the next 8 years, then we can justify the 13.53% IRR. Any new product offering in the pipeline would be an call option. However, we will not assume further developments in our calculations.



# SN VALUATION

# LBO Analysis

WACC Terminal Value:	N/A	<b>Intrinsic Price in 5 Years:</b>	<b>14.53</b>	<b>Non-LBO Forecast</b>	<b>8.36</b>	<b>Non-LBO Forecast</b>	<b>Desired Return Rate</b>	<b>20.00%</b>	
EV/EBITDA with 3X Multiple Terminal Value:	\$14.74	Market Price:	7.28	Year 1 Target	8.36	Year 2 Target	9.60	Implied Today's Price	5.84
Net Tangible Asset Terminal Value:	\$8.89	LBO Price:	<b>7.28</b>	Year 3 Target	11.02	Year 4 Target	12.66	Overvalued/(Undervalued)	24.64%
EV/EBITDA with Today's Multiple Terminal Value:	\$18.30	Premium to Market Price:	0.00%	Year 5 Target	14.53				
EVA Enterprise Value:	\$16.21	LBO Price/Intrinsic Price Target:	14.83%						
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	20.24%	<b>Implied IRR (Market Price):</b>	<b>14.83%</b>				
Average (Excluding Dividend Discount):	<b>\$14.53</b>	Implied IRR at today's EV/EBITDA:	20.24%						
		5 Year Return:	99.65%						

Current Evaluation				Exit Evaluation			
Current Market Price:	7.28	LBO Price:	7.28	Exit Price:	14.53	Exit Price:	18.30
Outstanding Shares:	29,920,000	Outstanding Shares:	29,920,000	Outstanding Shares:	29,920,000	Outstanding Shares:	29,920,000
<b>Market Capitalization:</b>	<b>217,817,600</b>	<b>Market Capitalization:</b>	<b>217,817,600</b>	<b>Market Capitalization:</b>	<b>434,866,533</b>	<b>Market Capitalization:</b>	<b>547,528,794</b>
Available Cash:	119,620,000	Available Cash:	119,620,000	Available Cash:	281,194,357	Available Cash:	281,194,357
Debt:	0	Debt:	0	Debt:	0	Debt:	0
Net Cash:	119,620,000	Net Cash:	119,620,000	Net Cash:	281,194,357	Net Cash:	281,194,357
<b>Enterprise Value:</b>	<b>98,197,600</b>	<b>Enterprise Value:</b>	<b>98,197,600</b>	<b>Enterprise Value:</b>	<b>153,672,176</b>	<b>Enterprise Value:</b>	<b>266,334,436</b>
Original EV/EBITDA:	2.33	EV/EBITDA:	2.33	EV/EBITDA at 5 Years:	2.88	EV/EBITDA at 5 Years:	<b>5.00</b>
Original EV/EBITDA:	2.33	EV/EBITDA:	2.33	EV/EBITDA at 5 Years:	4.33	EV/EBITDA at 5 Years:	4.99
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:	7.28	7.28	8.36	9.60	11.02	12.66	14.53
Shares Outstanding:	29,920,000	29,920,000	29,920,000	29,920,000	29,920,000	29,920,000	29,920,000
<b>Market Capitalization:</b>	<b>217,817,600</b>	<b>217,817,600</b>	<b>250,118,360</b>	<b>287,209,086</b>	<b>329,800,097</b>	<b>378,707,043</b>	<b>434,866,533</b>
Available Cash:	119,620,000	119,620,000	148,934,850	179,676,566	211,916,491	245,729,536	281,194,357
Debt:	0	0	0	0	0	0	0
Net Cash:	119,620,000	119,620,000	148,934,850	179,676,566	211,916,491	245,729,536	281,194,357
<b>Enterprise Value:</b>	<b>98,197,600</b>	<b>98,197,600</b>	<b>101,183,510</b>	<b>107,532,520</b>	<b>117,883,606</b>	<b>132,977,507</b>	<b>153,672,176</b>
EBIT	42,180,000	42,180,000	43,822,800	46,013,940	48,314,637	50,730,369	53,266,887
EV/EBIT:	2.33	2.33	2.31	2.34	2.44	2.62	2.88
EBITDA	42,230,000	42,230,000	43,875,300	46,069,065	48,372,518	50,791,144	53,330,701
EV/EBITDA:	2.33	2.33	2.31	2.33	2.44	2.62	2.88

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	7.28	7.28	8.39	9.59	10.84	12.16	13.54
Shares Outstanding:	29,920,000	29,920,000	29,920,000	29,920,000	29,920,000	29,920,000	29,920,000
<b>Market Capitalization:</b>	<b>217,817,600</b>	<b>217,817,600</b>	<b>250,956,988</b>	<b>286,799,811</b>	<b>324,395,899</b>	<b>363,832,914</b>	<b>405,202,904</b>
Available Cash:	119,620,000	119,620,000	148,934,850	179,676,566	211,916,491	245,729,536	281,194,357
Debt:	0	0	0	0	0	0	0
Net Cash:	119,620,000	119,620,000	148,934,850	179,676,566	211,916,491	245,729,536	281,194,357
<b>Enterprise Value:</b>	<b>98,197,600</b>	<b>98,197,600</b>	<b>102,022,138</b>	<b>107,123,245</b>	<b>112,479,407</b>	<b>118,103,378</b>	<b>124,008,547</b>
EBIT	42,180,000	42,180,000	43,822,800	46,013,940	48,314,637	50,730,369	53,266,887
EV/EBIT:	2.33	2.33	2.33	2.33	2.33	2.33	2.33
EBITDA	42,230,000	42,230,000	43,875,300	46,069,065	48,372,518	50,791,144	53,330,701
EV/EBITDA:	2.33	2.33	2.33	2.33	2.33	2.33	2.33

LBO Price	7.28	Equity Partners:	217,817,600	Weighting	<b>100.00%</b>	<b>Annualized Return for Equity Partners: 20.24%</b>
Shares Outstanding	29,920,000	Debt Partners:	0		0.00%	
<b>Market Capitalization</b>	<b>217,817,600</b>	<b>Total Funds for LBO:</b>	<b>217,817,600</b>		<b>100.00%</b>	
Debt	0					
Cash	119,620,000					
<b>Enterprise Value</b>	<b>98,197,600</b>					
<b>Capital Investment</b>	<b>217,817,600</b>					

<b>Book Value</b>		<b>Enterprise Value</b>		<b>Stock Valuation</b>		<b>Debt Reduction</b>	
Beginning Book Value	105.49	Beginning Enterprise Value	98.20	Current Market Price	\$7.28	Starting Debt	0.00
Year 5 Book Value	266.77	Year 5 Enterprise Value	266.33	Year 5 Market Price	\$18.30	Debt Repayment	0.00
<b>Annualized Return</b>	<b>20.39%</b>	<b>Annualized Return</b>	<b>22.09%</b>	<b>Annualized Return</b>	<b>20.24%</b>	Year 5 Ending Debt	0.00
						% of Starting Debt	#DIV/0!

SN VALUATION

LBO Pro Forma Income Statement

Name:

Pozen Inc.

Ticker:

POZN

	Historical				Forecasted				
	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2011	2012	2013	2014	2015
Revenue	66.13	32.19	68.55	86.95	91.30	95.86	100.66	105.69	110.97
COGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross margin	66.13	32.19	68.55	86.95	91.30	95.86	100.66	105.69	110.97
SG&A	12.31	17.77	23.76	21.75	22.82	23.97	25.16	26.42	27.74
R&D	61.93	22.45	22.65	23.02	24.65	25.98	27.18	28.54	29.96
Unusual expense	0.00	0.00	0.00	0.00	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)	-8.11	-8.03	22.14	42.18	43.82	46.01	48.31	50.73	53.27
Interest income/(expense)	2.14	0.54	0.93	0.16	1.20	1.20	1.20	1.20	1.20
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	-5.98	-7.49	23.07	42.34	45.02	47.21	49.51	51.93	54.46
Tax	0.00	-0.63	0.00	0.00	15.76	16.52	17.33	18.17	19.06
Income after tax	-5.98	-6.86	23.07	42.34	29.26	30.69	32.18	33.75	35.40
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	-5.98	-6.86	23.07	42.34	29.26	30.69	32.18	33.75	35.40
*Figures are in millions (\$)									
EPS (based off today's share count)	-\$0.20	-\$0.23	\$0.77	\$1.42	\$0.98	\$1.03	\$1.08	\$1.13	\$1.18
P/E (historical today's price; forecasted intrinsic price)	-36.42	-31.75	9.44	5.14	8.55	9.36	10.25	11.22	12.28
Revenue Growth	N/A	-51.32%	112.95%	26.84%	5.00%	5.00%	5.00%	5.00%	5.00%
Tax Rate	0.00%	8.41%	0.00%	0.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	0.00%	0.00%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gross margin	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
SG&A	18.61%	55.20%	34.66%	25.01%	25.00%	25.00%	25.00%	25.00%	25.00%
R&D	93.65%	69.74%	33.04%	26.47%	27.00%	27.00%	27.00%	27.00%	27.00%
Unusual expense	0.00%	0.00%	0.00%	0.00%	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)	-12.26%	-24.95%	32.30%	48.51%	48.00%	48.00%	48.00%	48.00%	48.00%
Interest income/(expense)	3.24%	1.68%	1.36%	0.18%	1.31%	1.25%	1.19%	1.13%	1.08%
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	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	-9.04%	-23.27%	33.65%	48.69%	49.31%	49.25%	49.19%	49.13%	49.08%
Tax	0.00%	-1.96%	0.00%	0.00%	17.26%	17.24%	17.22%	17.20%	17.18%
Income after tax	-9.04%	-21.31%	33.65%	48.69%	32.05%	33.61%	35.25%	36.97%	38.78%
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	-9.04%	-21.31%	33.65%	48.69%	32.05%	32.01%	31.97%	31.94%	31.90%

SN VALUATION

LBO Adjusted Proforma Balance Sheet

						Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2011-12-31	+	-						
Cash	26.12	23.28	31.23	104.99	104.99			104.99	134.30	165.05	197.29	231.10	266.56
Short term investment	35.56	23.43	32.86	14.63	14.63			14.63	14.63	14.63	14.63	14.63	14.63
<b>Cash and Short term</b>	<b>61.68</b>	<b>46.71</b>	<b>64.09</b>	<b>119.62</b>	<b>119.62</b>			<b>119.62</b>	<b>148.93</b>	<b>179.68</b>	<b>211.92</b>	<b>245.73</b>	<b>281.19</b>
Accounts Receivable	8.12	1.15	4.04	1.13	1.13			1.13	1.13	1.13	1.13	1.13	1.13
Other receivables	0.00	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>8.12</b>	<b>1.15</b>	<b>4.04</b>	<b>1.13</b>	<b>1.13</b>			<b>1.13</b>	<b>1.13</b>	<b>1.13</b>	<b>1.13</b>	<b>1.13</b>	<b>1.13</b>
Total Inventory	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.56	1.26	1.50	0.70	0.70			0.70	0.70	0.70	0.70	0.70	0.70
Other Current Assets	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Current Assets</b>	<b>70.36</b>	<b>49.12</b>	<b>69.63</b>	<b>121.45</b>	<b>121.45</b>	<b>0.00</b>	<b>0.00</b>	<b>121.45</b>	<b>150.76</b>	<b>181.51</b>	<b>213.75</b>	<b>247.56</b>	<b>283.02</b>
PP&E, Gross	0.77	0.74	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Change in Depreciation		0.04	0.03	0.05	0.05			0.05	0.05	0.06	0.06	0.06	0.06
Accumulated Depreciation	0.70	0.70	1.00	1.00	1.00			1.00	1.05	1.11	1.17	1.23	1.29
<b>PP&amp;E, Net</b>	<b>0.07</b>	<b>0.04</b>	<b>-1.00</b>	<b>-1.00</b>	<b>-1.00</b>			<b>-1.00</b>	<b>-1.05</b>	<b>-1.11</b>	<b>-1.17</b>	<b>-1.23</b>	<b>-1.29</b>
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Long Term Assets</b>	<b>0.07</b>	<b>0.04</b>	<b>-1.00</b>	<b>-1.00</b>	<b>-1.00</b>			<b>-1.00</b>	<b>-1.05</b>	<b>-1.11</b>	<b>-1.17</b>	<b>-1.23</b>	<b>-1.29</b>
<b>Total Assets</b>	<b>70.43</b>	<b>49.16</b>	<b>68.63</b>	<b>120.45</b>	<b>120.45</b>	<b>0.00</b>	<b>0.00</b>	<b>120.45</b>	<b>149.71</b>	<b>180.40</b>	<b>212.58</b>	<b>246.33</b>	<b>281.73</b>
Accounts Payable	7.33	2.41	2.97	2.27	2.27			2.27	2.27	2.27	2.27	2.27	2.27
Accrued Expense	7.91	5.79	4.83	7.78	7.78			7.78	7.78	7.78	7.78	7.78	7.78
Other current Liabilities	12.35	7.20	0.00	6.01	6.01			6.01	6.01	6.01	6.01	6.01	6.01
<b>Total Current Liabilities</b>	<b>27.59</b>	<b>15.40</b>	<b>7.80</b>	<b>16.06</b>	<b>16.06</b>	<b>0.00</b>	<b>0.00</b>	<b>16.06</b>	<b>16.06</b>	<b>16.06</b>	<b>16.06</b>	<b>16.06</b>	<b>16.06</b>
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	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	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>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>	<b>0.00</b>	<b>0.00</b>
Deferred Income tax	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	7.20	0.00	1.27	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Liabilities</b>	<b>34.79</b>	<b>15.40</b>	<b>9.07</b>	<b>16.06</b>	<b>16.06</b>	<b>0.00</b>	<b>0.00</b>	<b>16.06</b>	<b>16.06</b>	<b>16.06</b>	<b>16.06</b>	<b>16.06</b>	<b>16.06</b>
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	0.03	0.03	0.03	0.03	0.03		0.00	0.03	0.03	0.03	0.03	0.03	0.03
Additional Paid-in capital	168.54	173.72	177.51	180.07	180.07	0.00	0.00	180.07	180.07	180.07	180.07	180.07	180.07
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	-133.14	-140.00	-116.93	-74.59	-74.59		0.00	-74.59	-45.33	-14.64	17.54	51.29	86.69
Treasury Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	0.22	0.01	0.02	-0.02	-0.02		0.00	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02
<b>Total Equity</b>	<b>35.65</b>	<b>33.76</b>	<b>60.63</b>	<b>105.49</b>	<b>105.49</b>	<b>0.00</b>	<b>0.00</b>	<b>105.49</b>	<b>134.75</b>	<b>165.44</b>	<b>197.62</b>	<b>231.37</b>	<b>266.77</b>
<b>Liability + Equity</b>	<b>70.44</b>	<b>49.16</b>	<b>69.70</b>	<b>121.55</b>	<b>121.55</b>	<b>0.00</b>	<b>0.00</b>	<b>121.55</b>	<b>150.81</b>	<b>181.50</b>	<b>213.68</b>	<b>247.43</b>	<b>282.83</b>
<b>Variance</b>	-0.01	0.00	-1.07	-1.10	-1.10			-1.10	-1.10	-1.10	-1.10	-1.10	-1.10
<b>Debt/Equity</b>	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Inventory Turnover Days	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Inventory Outstanding	#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	8.14	27.99	16.97	76.95	80.79			76.95	80.79	84.83	89.08	93.53	98.21
Accounts Receivable Turnover Days	44.82	13.04	21.51	4.74	4.52			4.74	4.52	4.30	4.10	3.90	3.72
Days Payable Outstanding	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Sales Outstanding	44.82	13.04	21.51	4.74	4.52			4.74	4.74	4.52	4.30	4.10	3.90
Cash Conversion Cycle	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Net tangible assets/share					3.49				4.47	5.49	6.57	7.70	8.88

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2011	2012	2013	2014	2015
Net Income	-5.98	-6.86	23.07	42.34	29.26	30.69	32.18	33.75	35.40
Depreciation	0.08	0.04	0.03	0.05	0.05	0.06	0.06	0.06	0.06
<b>Net Income + Depreciation</b>	<b>-5.90</b>	<b>-6.82</b>	<b>23.10</b>	<b>42.39</b>	<b>29.31</b>	<b>30.74</b>	<b>32.24</b>	<b>33.81</b>	<b>35.46</b>
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non Cash Items	5.09	4.79	4.13	3.47	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-12.71	-13.11	-9.46	10.69	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	6.87	-2.89	2.91	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-0.70	-0.24	0.80	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-4.92	0.56	-0.70	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>-13.52</b>	<b>-15.14</b>	<b>17.77</b>	<b>56.55</b>	<b>29.31</b>	<b>30.74</b>	<b>32.24</b>	<b>33.81</b>	<b>35.46</b>
Capital Expenditures Expenditures	-0.04	-0.01	-0.06	-0.08	0.00	0.00	0.00	0.00	0.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	1.84	12.27	-10.09	17.36	0.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>1.80</b>	<b>12.26</b>	<b>-10.15</b>	<b>17.28</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Financing Cash flow items	0.00	0.00	0.00	-0.07	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	0.17	0.03	0.33	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>0.17</b>	<b>0.03</b>	<b>0.33</b>	<b>-0.07</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	37.66	26.12	23.28	31.23	104.99	134.30	165.05	197.29	231.10
<b>Net Change in Cash</b>	<b>-11.54</b>	<b>-2.84</b>	<b>7.95</b>	<b>73.76</b>	<b>29.31</b>	<b>30.74</b>	<b>32.24</b>	<b>33.81</b>	<b>35.46</b>
Ending Cash Balance	26.12	23.28	31.23	104.99	134.30	165.05	197.29	231.10	266.56
Capex to Revenue	0.06%	0.03%	0.09%	0.09%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation to Sales	0.12%	0.12%	0.04%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%
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	12.28%	3.57%	5.89%	1.30%	1.24%	1.18%	1.12%	1.07%	1.02%
Distributable FCF Yield	-11.94%	-2.93%	7.76%	75.19%	29.85%	31.31%	32.83%	34.43%	36.12%
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>-11.72</b>	<b>-2.88</b>	<b>7.62</b>	<b>73.83</b>	<b>29.31</b>	<b>30.74</b>	<b>32.24</b>	<b>33.81</b>	<b>35.46</b>

# SN VALUATION

# LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
Net Change in Cash	73.76	29.31	30.74	32.24	33.81	35.46
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	0.00	0.00	0.00	0.00	0.00	0.00
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		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>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Cash Balance		119.62				
Interest @ 1.0%		1.20	1.20	1.20	1.20	1.20
<b>Net Interest Expense/(Income)</b>		<b>(1.20)</b>	<b>(1.20)</b>	<b>(1.20)</b>	<b>(1.20)</b>	<b>(1.20)</b>
<b>Net Interest Rate</b>		<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>
EBITDA		43.82	46.01	48.31	50.73	53.27
<b>EBITDA/Interest Expense Coverage</b>		<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>

## Interest Rate Coverage Table

Debt Rating	2011	2012	2013	2014	2015
AAA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
AA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BBB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CCC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
C	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
D	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

\*Source: NYU; Professor Damodaran

# Altman Z Score

Company Name:

Pozen Inc.

Ticker:

POZN

Period	2007	2008	2009	2010	2011	2012	2013	2014	2015
Working Capital	42.77	33.72	61.83	105.39	134.70	165.45	197.69	231.50	266.96
Total Assets	70.43	49.16	68.63	120.45	149.71	180.40	212.58	246.33	281.73
<b>X1</b>	<b>0.61</b>	<b>0.69</b>	<b>0.90</b>	<b>0.87</b>	<b>0.90</b>	<b>0.92</b>	<b>0.93</b>	<b>0.94</b>	<b>0.95</b>
Retained Earnings	-133.14	-140.00	-116.93	-74.59	-45.33	-14.64	17.54	51.29	86.69
Total Assets	70.43	49.16	68.63	120.45	149.71	180.40	212.58	246.33	281.73
<b>X2</b>	<b>-1.89</b>	<b>-2.85</b>	<b>-1.70</b>	<b>-0.62</b>	<b>-0.30</b>	<b>-0.08</b>	<b>0.08</b>	<b>0.21</b>	<b>0.31</b>
EBITDA	-8.11	-8.03	22.14	42.18	43.82	46.01	48.31	50.73	53.27
Total Assets	70.43	49.16	68.63	120.45	149.71	180.40	212.58	246.33	281.73
<b>X3</b>	<b>-0.12</b>	<b>-0.16</b>	<b>0.32</b>	<b>0.35</b>	<b>0.29</b>	<b>0.26</b>	<b>0.23</b>	<b>0.21</b>	<b>0.19</b>
Market Value of Equity	217.82	217.82	217.82	217.82	250.12	287.21	329.80	378.71	434.87
Total Liabilities	34.79	15.40	9.07	16.06	16.06	16.06	16.06	16.06	16.06
<b>X4</b>	<b>6.26</b>	<b>14.14</b>	<b>24.02</b>	<b>13.56</b>	<b>15.57</b>	<b>17.88</b>	<b>20.54</b>	<b>23.58</b>	<b>27.08</b>
Net Sales	66.13	32.19	68.55	86.95	91.30	95.86	100.66	105.69	110.97
Total Assets	70.43	49.16	68.63	120.45	149.71	180.40	212.58	246.33	281.73
<b>X5</b>	<b>0.94</b>	<b>0.65</b>	<b>1.00</b>	<b>0.72</b>	<b>0.61</b>	<b>0.53</b>	<b>0.47</b>	<b>0.43</b>	<b>0.39</b>
<b>Altman Z Score</b>	<b>2.40</b>	<b>5.44</b>	<b>15.17</b>	<b>10.20</b>	<b>11.58</b>	<b>13.09</b>	<b>14.78</b>	<b>16.68</b>	<b>18.83</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