

SN VALUATION

LBO Analysis

WACC Terminal Value:		Intrinsic Price in 5 Years:	17.59	Non-LBO Forecast	12.29	Non-LBO Forecast	Desired Return Rate	20.00%
EV/EBITDA with 5X Multiple Terminal Value:	\$16.60	Market Price:	11.24	Year 1 Target	12.29	Year 2 Target	Implied Today's Price	7.07
Net Tangible Asset Terminal Value:	\$14.60	LBO Price:	12.00	Year 3 Target	14.71	Year 4 Target	Overvalued/(Undervalued)	59.00%
EV/EBITDA with Today's Multiple Terminal Value:	\$12.82	Premium to Market Price:	6.76%	Year 5 Target	17.59			
EVA Enterprise Value:	\$26.33	LBO Price/Intrinsic Price Target:	7.95%					
Dividend Discount Model:	\$8.52	LBO Price/EV/EBIT Exit Price:	1.33%					
Average (Excluding Dividend Discount):	\$17.59	Implied IRR at today's EV/EBIT:	2.67%	Implied IRR (Market Price):	9.37%			
		5 Year Return:	46.58%					

Current Evaluation				Exit Evaluation			
Current Market Price:	11.24	LBO Price:	12.00	Exit Price:	17.59	Exit Price:	12.82
Outstanding Shares:	10,300,000	Outstanding Shares:	10,300,000	Outstanding Shares:	10,300,000	Outstanding Shares:	10,300,000
Market Capitalization:	115,772,000	Market Capitalization:	123,600,000	Market Capitalization:	181,178,038	Market Capitalization:	132,051,794
Available Cash:	116,770,000	Available Cash:	116,770,000	Available Cash:	122,310,091	Available Cash:	122,310,091
Debt:	0	Debt:	0	Debt:	0	Debt:	0
Net Cash:	116,770,000	Net Cash:	116,770,000	Net Cash:	122,310,091	Net Cash:	122,310,091
Enterprise Value:	-998,000	Enterprise Value:	6,830,000	Enterprise Value:	58,867,948	Enterprise Value:	9,741,704
Original EV/EBIT:	-0.08	EV/EBIT:	0.59	EV/EBIT at 5 Years:	7.27	EV/EBIT at 5 Years:	1.00
Original EV/EBITDA:	-0.08	EV/EBITDA:	0.59	EV/EBITDA at 5 Years:	7.98	EV/EBITDA at 5 Years:	1.00
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:	12.00	11.88	12.82	13.84	14.94	16.13	17.41
Shares Outstanding:	10,300,000	10,300,000	10,300,000	10,300,000	10,300,000	10,300,000	10,300,000
Market Capitalization:	123,600,000	122,354,425	132,080,011	142,578,655	153,911,805	166,145,792	179,352,223
Available Cash:	116,770,000	116,770,000	117,844,703	118,783,558	119,742,318	120,932,151	122,310,091
Debt:	0	0	0	0	0	0	0
Net Cash:	116,770,000	116,770,000	117,844,703	118,783,558	119,742,318	120,932,151	122,310,091
Enterprise Value:	6,830,000	5,584,425	14,235,308	23,795,098	34,169,487	45,213,642	57,042,132
EBIT	9,460,000	9,460,000	7,842,615	7,685,763	7,624,427	7,774,789	8,101,110
EV/EBIT:	0.72	0.59	1.82	3.10	4.48	5.82	7.04
EBITDA	11,570,000	11,570,000	9,369,888	9,182,490	9,182,490	9,457,965	9,741,704
EV/EBITDA:	0.59	0.59	1.52	2.59	3.72	4.78	5.86

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	12.00	11.88	11.89	11.97	12.06	12.19	12.34
Shares Outstanding:	10,300,000	10,300,000	10,300,000	10,300,000	10,300,000	10,300,000	10,300,000
Market Capitalization:	123,600,000	122,354,425	122,474,354	123,320,616	124,243,168	125,521,762	127,092,336
Available Cash:	116,770,000	116,770,000	117,844,703	118,783,558	119,742,318	120,932,151	122,310,091
Debt:	0	0	0	0	0	0	0
Net Cash:	116,770,000	116,770,000	117,844,703	118,783,558	119,742,318	120,932,151	122,310,091
Enterprise Value:	6,830,000	5,584,425	4,629,651	4,537,058	4,500,850	4,589,612	4,782,245
EBIT	9,460,000	9,460,000	7,842,615	7,685,763	7,624,427	7,774,789	8,101,110
EV/EBIT:	0.72	0.59	0.59	0.59	0.59	0.59	0.59
EBITDA	11,570,000	11,570,000	9,369,888	9,182,490	9,182,490	9,457,965	9,741,704
EV/EBITDA:	0.59	0.59	0.49	0.49	0.49	0.49	0.49

LBO Price	12.00	Equity Partners:	123,600,000	Weighting	100.00%	Annualized Return for Equity Partners:	1.33%
Shares Outstanding	10,300,000	Debt Partners:	0		0.00%		
Market Capitalization	123,600,000	Total Funds for LBO:	123,600,000		100.00%		
Debt	0						
Cash	116,770,000						
Enterprise Value	6,830,000						
Capital Investment	123,600,000						

Book Value	Enterprise Value	Stock Valuation	Debt Reduction				
Beginning Book Value	128.14	Beginning Enterprise Value	6.83	Current Market Price	\$11.24	Starting Debt	0.00
Year 5 Book Value	150.77	Year 5 Enterprise Value	9.74	Year 5 Market Price	\$12.82	Debt Repayment	0.00
Annualized Return	3.31%	Annualized Return	7.36%	Annualized Return	2.67%	Year 5 Ending Debt	0.00
						% of Starting Debt	#DIV/0!

LBO Pro Forma Income Statement

Name: Rimage Corp

Ticker: RIMG

	Historical				Forecasted				
	12 months ending 2007-12-31	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	2011	2012	2013	2014	2015
Revenue	108.87	91.39	83.23	88.73	85.18	83.48	83.48	85.98	88.56
COGS (excluding depreciation)	57.72	51.73	42.89	45.22	43.44	42.57	42.57	43.85	45.17
Gross margin	51.15	43.66	40.34	41.74	41.74	40.90	40.90	42.13	43.39
SG&A	24.37	22.66	21.94	25.43	24.70	24.21	24.21	24.93	25.68
R&D	5.90	5.25	7.14	6.51	7.67	7.51	7.51	7.74	7.97
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	1.52	1.37	1.25	2.11	1.53	1.50	1.56	1.68	1.64
Operating Income (EBITA)	19.36	10.38	10.01	9.46	7.84	7.69	7.62	7.77	8.10
Interest income/(expense)	3.53	2.71	1.86	0.53	0.00	0.00	0.00	0.00	0.00
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	-0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	24.39	14.46	13.11	12.10	7.84	7.69	7.62	7.77	8.10
Tax	8.63	5.03	4.62	4.50	2.35	2.31	2.29	2.33	2.43
Income after tax	15.76	9.43	8.49	7.60	5.49	5.38	5.34	5.44	5.67
Minority Interest	0.00	0.00	0.00	0.10	0.06	0.06	0.06	0.06	0.07
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	15.76	9.43	8.49	7.70	5.55	5.44	5.40	5.51	5.74
*Figures are in millions (\$)									
Revenue Growth	N/A	-16.06%	-8.93%	6.61%	-4.00%	-2.00%	0.00%	3.00%	3.00%
Tax Rate	35.38%	34.79%	35.24%	37.19%	30.00%	30.00%	30.00%	30.00%	30.00%
Implied Debt Interest Rate	0.00%	0.00%	0.00%	0.00%	-8.00%	-8.00%	-8.00%	-8.00%	-8.00%
Margins									
COGS (excluding depreciation)	53.02%	56.60%	51.53%	50.96%	51.00%	51.00%	51.00%	51.00%	51.00%
Gross margin	46.99%	43.40%	48.46%	49.04%	49.00%	49.00%	49.00%	49.00%	49.00%
Depreciation	1.40%	1.50%	1.50%	2.38%	1.79%	1.79%	1.87%	1.96%	1.85%
SG&A	22.38%	24.79%	26.36%	28.66%	29.00%	29.00%	29.00%	29.00%	29.00%
R&D	5.42%	5.74%	8.58%	7.34%	9.00%	9.00%	9.00%	9.00%	9.00%
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%
Operating Income (EBITA)	17.78%	11.36%	12.03%	10.66%	9.21%	9.21%	9.13%	9.04%	9.15%
Interest income/(expense)	3.24%	3.86%	2.23%	0.60%	0.00%	0.00%	0.00%	0.00%	0.00%
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	-0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	22.40%	15.82%	15.75%	13.64%	9.21%	9.21%	9.13%	9.04%	9.15%
Tax	7.93%	5.50%	5.55%	5.07%	2.76%	2.76%	2.74%	2.71%	2.74%
Income after tax	14.48%	10.32%	10.20%	8.57%	6.44%	6.32%	6.27%	6.39%	6.66%
Minority Interest	0.00%	0.00%	0.00%	0.11%	0.07%	0.07%	0.08%	0.07%	0.08%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	14.48%	10.32%	10.20%	8.66%	6.51%	6.52%	6.47%	6.40%	6.48%

SN VALUATION

LBO Adjusted Proforma Balance Sheet

	As of 2010-12-31	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
		+	-						
Cash	107.98			107.98	109.05	109.99	110.95	112.14	113.52
Short term investment	8.79			8.79	8.79	8.79	8.79	8.79	8.79
Cash and Short term	116.77			116.77	117.84	118.78	119.74	120.93	122.31
Accounts Receivable	13.76			13.76	13.76	13.76	13.76	13.76	13.76
Other receivables	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	13.76			13.76	13.76	13.76	13.76	13.76	13.76
Deferred Income Tax	0.01			0.01	0.01	0.01	0.01	0.01	0.01
Total Inventory	4.50			4.50	4.50	4.50	4.50	4.50	4.50
Prepaid Expenses	1.07			1.07	1.07	1.07	1.07	1.07	1.07
Other Current Assets	0.42			0.42	0.42	0.42	0.42	0.42	0.42
Current Assets	136.53	0.00	0.00	136.53	137.60	138.54	139.50	140.69	142.07
PP&E, Gross	18.00			18.00	23.00	28.00	33.00	38.00	43.00
Change in Depreciation	2.11			2.11	1.53	1.50	1.56	1.68	1.64
Accumulated Depreciation	10.82			10.82	12.35	13.84	15.40	17.09	18.73
PP&E, Net	7.18			7.18	10.65	14.16	17.60	20.91	24.27
Goodwill	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
Long term investments	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	3.98			3.98	3.98	3.98	3.98	3.98	3.98
Long Term Assets	11.16			11.16	14.63	18.14	21.58	24.89	28.25
Total Assets	148.04	0.00	0.00	147.69	152.24	156.68	161.08	165.59	170.32
Accounts Payable	6.04			6.04	6.04	6.04	6.04	6.04	6.04
Accrued Expense	4.48			4.48	4.48	4.48	4.48	4.48	4.48
Other current Liabilities	5.77			5.77	5.77	5.77	5.77	5.77	5.77
Total Current Liabilities	16.29	0.00	0.00	16.29	16.29	16.29	16.29	16.29	16.29
Notes Payables/Short Term Debt	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
Long term Debt	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
Total Interest Earning Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Income tax	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.51			0.51	0.51	0.51	0.51	0.51	0.51
Other liabilities	3.10			3.10	3.10	3.10	3.10	3.10	3.10
Total Liabilities	19.90	0.00	0.00	19.90	19.90	19.90	19.90	19.90	19.90
Redeemable Preferred Stock	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
Common Stock	0.10		0.00	0.10	0.10	0.10	0.10	0.10	0.10
Additional Paid-in capital	43.06	0.00	0.00	43.06	43.06	43.06	43.06	43.06	43.06
Dividends Paid	0.00			0.00	-1.00	-2.00	-3.00	-4.00	-5.00
Retained Earnings	84.66		0.00	84.66	90.21	95.65	101.05	106.56	112.29
Treasury Stock	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	0.32		0.00	0.32	0.32	0.32	0.32	0.32	0.32
Total Equity	128.14	0.00	0.00	128.14	132.69	137.13	141.53	146.04	150.77
Liability + Equity	148.04	0.00	0.00	148.04	152.59	157.03	161.43	165.94	170.67
Variance	0.00			-0.35	-0.35	-0.35	-0.35	-0.35	-0.35
Debt/Equity	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	19.72			19.72	18.93	18.55	18.55	19.11	19.68
Inventory Turnover Days	18.51			18.51	19.28	19.68	19.68	19.10	18.55
Days Inventory Outstanding	36.32			36.32	37.81	38.58	38.58	37.46	36.37
Accounts Receivable Turnover	6.45			6.45	6.19	6.07	6.07	6.25	6.44
Accounts Receivable Turnover Days	56.60			56.60	58.96	60.16	60.16	58.41	56.71
Days Payable Outstanding	48.75			48.75	50.75	51.78	51.78	50.28	48.81

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2010-12-31	2011	2012	2013	2014	2015
Net Income	7.60	5.55	5.44	5.40	5.51	5.74
Depreciation	2.11	1.53	1.50	1.56	1.68	1.64
Amortization	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-0.12	0.00	0.00	0.00	0.00	0.00
Non Cash Items	1.89	0.00	0.00	0.00	0.00	0.00
Change in Working capital	0.17	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	-0.03	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	-0.38	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.20	0.00	0.00	0.00	0.00	0.00
Accounts Payable	-0.86	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	11.65	7.07	6.94	6.96	7.19	7.38
Capital Expenditures	-4.18	-5.00	-5.00	-5.00	-5.00	-5.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	28.27	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	24.09	-5.00	-5.00	-5.00	-5.00	-5.00
Financing Cash flow items	0.65	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	1.00	1.00	1.00	1.00	1.00
Issuance (Retirement) of Stock	-0.88	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	-0.02	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-0.25	-1.00	-1.00	-1.00	-1.00	-1.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	72.51	107.98	109.05	109.99	110.95	112.14
Net Change in Cash	35.48	1.07	0.94	0.96	1.19	1.38
Ending Cash Balance	107.99	109.05	109.99	110.95	112.14	113.52
Depreciation to Sales	2.38%	1.79%	1.79%	1.87%	1.96%	1.85%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	15.51%	16.15%	16.48%	16.48%	16.00%	15.54%

SN VALUATION

LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
CSS						
Net Change in Cash	35.48	1.07	0.94	0.96	1.19	1.38
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	0.00	0.00	0.00	0.00	0.00	0.00
Current Portion Debt Balance	0	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%	4.50%	5.00%	5.50%	6.00%
Spread		4.00%	3.50%	3.00%	2.50%	2.00%
Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%
Interest Expense		0.00	0.00	0.00	0.00	0.00
EBITDA		7.84	7.69	7.62	7.77	8.10
EBITDA/Interest Expense Coverage		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

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