

January 17, 2012

# SN VALUATION [Stocks, Real Estate, Bonds]

Analyst: Sung Nam

## Rosetta Stone Inc (RST)

<b>Price:</b>	<b>\$7.48</b>	<b>Price/Book:</b>	<b>0.89</b>	<b>EV/EBITDA 5x TV:</b>	<b>\$9.57</b>
<b>Market Cap:</b>	<b>\$159,099,600</b>	<b>Price/Earnings:</b>	<b>-15.85</b>	<b>Net Tangible Asset TV:</b>	<b>\$7.65</b>
<b>Cash:</b>	<b>\$122,170,000</b>	<b>EV/EBITA:</b>	<b>1.89</b>	<b>SN Defined TV:</b>	<b>\$8.61</b>
<b>Debt:</b>	<b>\$0</b>	<b>EV/FCF:</b>	<b>2.20</b>	<b>Economic Value Added:</b>	<b>\$13.86</b>
<b>Net Cash:</b>	<b>\$122,170,000</b>	<b>Net Tang. Asset/Share:</b>	<b>\$6.23</b>	<b>Year 5 Target:</b>	<b>\$9.92</b>
<b>Enterprise Value:</b>	<b>\$36,929,600</b>	<b>FCF/Share:</b>	<b>\$0.79</b>	<b>Appreciation:</b>	<b>32.646%</b>

### Overview

The company is trading at a low cash generation multiple (both FCF and EBITA). FCF yield, or possible dividend distributions are at 16% levels. The cash will most likely be kept in the cash balance, growing their war chest for possible stock buybacks or acquisitions. Growth has been stagnant and we question the high SG&A expenses. We will include on our watchlist.

### **Dividend?**

Dividend yield is 0.00%.

### **Price to Book**

Price to book is 0.89. Price to book excluding goodwill is 1.20.

### **Cashflow Generation**

Cashflows are \$14 MM from operating cashflow.

Capex is \$8 MM, minority interest payment is \$0 MM, intangibles are \$0 MM and dividend is \$80 MM.

Free cash flow is about \$6 MM.

5.0% EBITA margin and FCF yield is 16.4%.

The company has \$122 MM in cash/short term investment and \$0 MM in debt.

We are projecting a \$0 MM paydown annually.

### **Profitability**

ROA is 4.8%, and ROC is 7.5%.

### **Bankruptcy Risk**

Altman Z is at 2.70.

### **LBO?**

We don't believe a 60% debt/40% equity would be sustainable.

### **Price**

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# Altman Z Score

Company Name:

Rosetta Stone Inc

Ticker:

RST

Period	2007	2008	2009	2010	2011	2012	2013	2014	2015
Working Capital	5.45	15.73	81.39	101.64	107.70	113.76	119.82	125.87	131.93
Total Assets	110.38	138.82	225.44	276.47	284.01	291.55	299.08	306.62	314.16
<b>X1</b>	<b>0.05</b>	<b>0.11</b>	<b>0.36</b>	<b>0.37</b>	<b>0.38</b>	<b>0.39</b>	<b>0.40</b>	<b>0.41</b>	<b>0.42</b>
Retained Earnings	-1.47	12.42	25.79	39.07	46.61	54.15	61.68	69.22	76.76
Total Assets	110.38	138.82	225.44	276.47	284.01	291.55	299.08	306.62	314.16
<b>X2</b>	<b>-0.01</b>	<b>0.09</b>	<b>0.11</b>	<b>0.14</b>	<b>0.16</b>	<b>0.19</b>	<b>0.21</b>	<b>0.23</b>	<b>0.24</b>
EBITDA	8.52	27.52	20.53	12.89	10.20	10.20	10.20	10.20	10.20
Total Assets	110.38	138.82	225.44	276.47	284.01	291.55	299.08	306.62	314.16
<b>X3</b>	<b>0.08</b>	<b>0.20</b>	<b>0.09</b>	<b>0.05</b>	<b>0.04</b>	<b>0.03</b>	<b>0.03</b>	<b>0.03</b>	<b>0.03</b>
Market Value of Equity	159.10	159.10	159.10	159.10	168.35	178.13	188.49	199.45	211.04
Total Liabilities	47.26	59.75	69.00	98.15	98.15	98.15	98.15	98.15	98.15
<b>X4</b>	<b>3.37</b>	<b>2.66</b>	<b>2.31</b>	<b>1.62</b>	<b>1.72</b>	<b>1.81</b>	<b>1.92</b>	<b>2.03</b>	<b>2.15</b>
Net Sales	137.32	209.38	252.27	258.87	254.99	254.99	254.99	254.99	254.99
Total Assets	110.38	138.82	225.44	276.47	284.01	291.55	299.08	306.62	314.16
<b>X5</b>	<b>1.24</b>	<b>1.51</b>	<b>1.12</b>	<b>0.94</b>	<b>0.90</b>	<b>0.87</b>	<b>0.85</b>	<b>0.83</b>	<b>0.81</b>
<b>Altman Z Score</b>	<b>3.56</b>	<b>4.02</b>	<b>3.40</b>	<b>2.70</b>	<b>2.73</b>	<b>2.81</b>	<b>2.89</b>	<b>2.97</b>	<b>3.05</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



# SN VALUATION

# LBO Analysis

WACC Terminal Value:		<b>Intrinsic Price in 5 Years:</b>	<b>9.92</b>	<b>Non-LBO Forecast</b>		<b>Non-LBO Forecast</b>	
EV/EBITDA with 5X Multiple Terminal Value:	\$9.57	Market Price:	7.48	Year 1 Target	<b>7.91</b>	Desired Return Rate	<b>20.00%</b>
Net Tangible Asset Terminal Value:	\$7.65	LBO Price:	<b>7.48</b>	Year 2 Target	8.37	Implied Today's Price	3.99
EV/EBITDA with Today's Multiple Terminal Value:	\$8.61	Premium to Market Price:	0.00%	Year 3 Target	8.86	Overvalued/(Undervalued)	87.59%
EVA Enterprise Value:	\$13.86	LBO Price/Intrinsic Price Target:	5.81%	Year 4 Target	9.38		
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	2.85%	Year 5 Target	9.92		
Average (Excluding Dividend Discount):	<b>\$9.92</b>	Implied IRR at today's EV/EBITDA:	2.85%	Implied IRR (Market Price):	5.81%		
		5 Year Return:	32.65%				

Current Evaluation				Exit Evaluation			
Current Market Price:	7.48	LBO Price:	7.48	Exit Price:	9.92	Exit Price:	8.61
Outstanding Shares:	21,270,000	Outstanding Shares:	21,270,000	Outstanding Shares:	21,270,000	Outstanding Shares:	21,270,000
<b>Market Capitalization:</b>	<b>159,099,600</b>	<b>Market Capitalization:</b>	<b>159,099,600</b>	<b>Market Capitalization:</b>	<b>211,038,714</b>	<b>Market Capitalization:</b>	<b>183,061,821</b>
Available Cash:	122,170,000	Available Cash:	122,170,000	Available Cash:	152,463,387	Available Cash:	152,463,387
Debt:	0	Debt:	0	Debt:	0	Debt:	0
Net Cash:	122,170,000	Net Cash:	122,170,000	Net Cash:	152,463,387	Net Cash:	152,463,387
<b>Enterprise Value:</b>	<b>36,929,600</b>	<b>Enterprise Value:</b>	<b>36,929,600</b>	<b>Enterprise Value:</b>	<b>58,575,327</b>	<b>Enterprise Value:</b>	<b>30,598,434</b>
Original EV/EBITDA:	2.86	EV/EBITDA:	2.86	EV/EBITDA at 5 Years:	5.74	EV/EBITDA at 5 Years:	<b>3.00</b>
Original EV/EBITDA:	1.89	EV/EBITDA:	1.89	EV/EBITDA at 5 Years:	4.17	EV/EBITDA at 5 Years:	1.83
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:	7.48	7.48	7.91	8.37	8.86	9.38	9.92
Shares Outstanding:	21,270,000	21,270,000	21,270,000	21,270,000	21,270,000	21,270,000	21,270,000
<b>Market Capitalization:</b>	<b>159,099,600</b>	<b>159,070,972</b>	<b>168,317,606</b>	<b>178,101,736</b>	<b>188,454,609</b>	<b>199,409,283</b>	<b>211,000,741</b>
Available Cash:	122,170,000	122,170,000	128,228,677	134,287,355	140,346,032	146,404,710	152,463,387
Debt:	0	0	0	0	0	0	0
Net Cash:	122,170,000	122,170,000	128,228,677	134,287,355	140,346,032	146,404,710	152,463,387
<b>Enterprise Value:</b>	<b>36,929,600</b>	<b>36,900,972</b>	<b>40,088,928</b>	<b>43,814,381</b>	<b>48,108,576</b>	<b>53,004,573</b>	<b>58,537,354</b>
EBIT	12,890,000	12,890,000	10,199,478	10,199,478	10,199,478	10,199,478	10,199,478
EV/EBIT:	2.86	2.86	3.93	4.30	4.72	5.20	5.74
EBITDA	19,510,000	19,510,000	16,720,178	16,720,178	16,720,178	16,720,178	16,720,178
EV/EBITDA:	1.89	1.89	2.40	2.62	2.88	3.17	3.50

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	7.48	7.48	7.40	7.69	7.97	8.26	8.54
Shares Outstanding:	21,270,000	21,270,000	21,270,000	21,270,000	21,270,000	21,270,000	21,270,000
<b>Market Capitalization:</b>	<b>159,099,600</b>	<b>159,070,972</b>	<b>157,427,332</b>	<b>163,486,009</b>	<b>169,544,687</b>	<b>175,603,364</b>	<b>181,662,042</b>
Available Cash:	122,170,000	122,170,000	128,228,677	134,287,355	140,346,032	146,404,710	152,463,387
Debt:	0	0	0	0	0	0	0
Net Cash:	122,170,000	122,170,000	128,228,677	134,287,355	140,346,032	146,404,710	152,463,387
<b>Enterprise Value:</b>	<b>36,929,600</b>	<b>36,900,972</b>	<b>29,198,654</b>	<b>29,198,654</b>	<b>29,198,654</b>	<b>29,198,654</b>	<b>29,198,654</b>
EBIT	12,890,000	12,890,000	10,199,478	10,199,478	10,199,478	10,199,478	10,199,478
EV/EBIT:	2.86	2.86	2.86	2.86	2.86	2.86	2.86
EBITDA	19,510,000	19,510,000	16,720,178	16,720,178	16,720,178	16,720,178	16,720,178
EV/EBITDA:	1.89	1.89	1.75	1.75	1.75	1.75	1.75

LBO Price	7.48	Equity Partners:	159,099,600	Weighting	<b>100.00%</b>	<b>Annualized Return for Equity Partners: 2.85%</b>
Shares Outstanding	21,270,000	Debt Partners:	0		0.00%	
<b>Market Capitalization</b>	<b>159,099,600</b>	<b>Total Funds for LBO:</b>	<b>159,099,600</b>		<b>100.00%</b>	
Debt	0					
Cash	122,170,000					
<b>Enterprise Value</b>	<b>36,929,600</b>					
<b>Capital Investment</b>	<b>159,099,600</b>					

<b>Book Value</b>		<b>Enterprise Value</b>		<b>Stock Valuation</b>		<b>Debt Reduction</b>	
Beginning Book Value	178.31	Beginning Enterprise Value	36.93	Current Market Price	\$7.48	Starting Debt	0.00
Year 5 Book Value	216.00	Year 5 Enterprise Value	30.60	Year 5 Market Price	\$8.61	Debt Repayment	0.00
<b>Annualized Return</b>	<b>3.91%</b>	<b>Annualized Return</b>	<b>-3.69%</b>	<b>Annualized Return</b>	<b>2.85%</b>	Year 5 Ending Debt	0.00
						% of Starting Debt	#DIV/0!

SN VALUATION

LBO Pro Forma Income Statement

Name:

Rosetta Stone Inc

Ticker:

RST

	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	137.32	209.38	252.27	258.87	254.99	254.99	254.99	254.99	254.99
COGS	20.69	28.68	33.43	39.00	38.25	38.25	38.25	38.25	38.25
Gross margin	116.63	180.70	218.84	219.87	216.74	216.74	216.74	216.74	216.74
SG&A	95.22	132.96	172.08	184.12	183.59	183.59	183.59	183.59	183.59
R&D	12.89	18.39	26.24	23.44	22.95	22.95	22.95	22.95	22.95
Unusual expense	0.00	1.83	-0.01	-0.58	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Included within COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	8.52	27.52	20.53	12.89	10.20	10.20	10.20	10.20	10.20
Interest income/(expense)	-0.66	-0.43	-0.19	0.19	1.22	1.22	1.22	1.22	1.22
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	0.24	0.11	-0.22	0.00	0.00	0.00	0.00	0.00
Income before tax	8.01	27.33	20.45	12.87	11.42	11.42	11.42	11.42	11.42
Tax	5.43	13.44	7.09	-0.41	3.88	3.88	3.88	3.88	3.88
Income after tax	2.58	13.89	13.36	13.28	7.54	7.54	7.54	7.54	7.54
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	2.58	13.89	13.36	13.28	7.54	7.54	7.54	7.54	7.54
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.12	\$0.65	\$0.63	\$0.62	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35
P/E (historical today's price; forecasted intrinsic price)	61.67	11.45	11.91	11.98	22.33	23.63	25.01	26.46	28.00
Revenue Growth	N/A	52.48%	20.48%	2.62%	-1.50%	0.00%	0.00%	0.00%	0.00%
Tax Rate	67.79%	49.18%	34.67%	-3.19%	34.00%	34.00%	34.00%	34.00%	34.00%
Implied Debt Interest Rate	-4.96%	-4.34%	0.00%	0.00%	NA	NA	NA	NA	NA
<b>Margins</b>									
COGS	15.07%	13.70%	13.25%	15.07%	15.00%	15.00%	15.00%	15.00%	15.00%
Gross margin	84.93%	86.30%	86.75%	84.93%	85.00%	85.00%	85.00%	85.00%	85.00%
SG&A	69.34%	63.50%	68.21%	71.12%	72.00%	72.00%	72.00%	72.00%	72.00%
R&D	9.39%	8.78%	10.40%	9.05%	9.00%	9.00%	9.00%	9.00%	9.00%
Unusual expense	0.00%	0.87%	0.00%	-0.22%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Included within COGS					0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	6.20%	13.14%	8.14%	4.98%	4.00%	4.00%	4.00%	4.00%	4.00%
Interest income/(expense)	-0.48%	-0.21%	-0.08%	0.07%	0.48%	0.48%	0.48%	0.48%	0.48%
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	0.11%	0.11%	0.04%	-0.08%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	5.83%	13.05%	8.11%	4.97%	4.48%	4.48%	4.48%	4.48%	4.48%
Tax	3.95%	6.42%	2.81%	-0.16%	1.52%	1.52%	1.52%	1.52%	1.52%
Income after tax	1.88%	6.63%	5.30%	5.13%	2.96%	2.96%	2.96%	2.96%	2.96%
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	1.88%	6.63%	5.30%	5.13%	2.96%	2.96%	2.96%	2.96%	2.96%

					Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2007-12-31	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	+	-						
Cash	21.69	30.63	95.19	115.76			115.76	121.82	127.88	133.94	139.99	146.05
Short term investment	0.00	0.00	0.00	6.41			6.41	6.41	6.41	6.41	6.41	6.41
<b>Cash and Short term</b>	<b>21.69</b>	<b>30.63</b>	<b>95.19</b>	<b>122.17</b>			<b>122.17</b>	<b>128.23</b>	<b>134.29</b>	<b>140.35</b>	<b>146.40</b>	<b>152.46</b>
Accounts Receivable	11.85	26.50	37.40	48.06			48.06	48.06	48.06	48.06	48.06	48.06
Other receivables	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>11.85</b>	<b>26.50</b>	<b>37.40</b>	<b>48.06</b>			<b>48.06</b>	<b>48.06</b>	<b>48.06</b>	<b>48.06</b>	<b>48.06</b>	<b>48.06</b>
Deferred Income Tax	-4.01	-7.72	-7.53	-4.79			-4.79	-4.79	-4.79	-4.79	-4.79	-4.79
Total Inventory	3.86	4.91	8.98	9.93			9.93	9.93	9.93	9.93	9.93	9.93
Prepaid Expenses	3.87	6.60	7.45	7.76			7.76	7.76	7.76	7.76	7.76	7.76
Other Current Assets	1.24	2.32	6.07	11.24			11.24	11.24	11.24	11.24	11.24	11.24
<b>Current Assets</b>	<b>38.50</b>	<b>63.24</b>	<b>147.56</b>	<b>194.37</b>	<b>0.00</b>	<b>0.00</b>	<b>194.37</b>	<b>200.43</b>	<b>206.49</b>	<b>212.55</b>	<b>218.60</b>	<b>224.66</b>
PP&E, Gross	17.47	23.44	31.33	40.11			40.11	48.11	56.11	64.11	72.11	80.11
Change in Depreciation		7.77	7.08	6.62			6.62	6.52	6.52	6.52	6.52	6.52
Accumulated Depreciation	0.00	0.00	5.43	12.05			12.05	18.57	25.09	31.61	38.13	44.65
PP&E, Net	17.47	23.44	25.90	28.06			28.06	29.54	31.02	32.50	33.98	35.46
Goodwill	34.20	34.20	34.84	34.86	0.00		34.86	34.86	34.86	34.86	34.86	34.86
Intangibles	13.66	10.64	10.70	10.95			10.95	10.95	10.95	10.95	10.95	10.95
Long term investments	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	6.55	7.30	6.44	8.23			8.23	8.23	8.23	8.23	8.23	8.23
<b>Long Term Assets</b>	<b>71.88</b>	<b>75.58</b>	<b>77.88</b>	<b>82.10</b>	<b>0.00</b>	<b>0.00</b>	<b>82.10</b>	<b>83.58</b>	<b>85.06</b>	<b>86.54</b>	<b>88.02</b>	<b>89.50</b>
<b>Total Assets</b>	<b>110.38</b>	<b>138.82</b>	<b>225.44</b>	<b>276.47</b>	<b>0.00</b>	<b>0.00</b>	<b>276.47</b>	<b>284.01</b>	<b>291.55</b>	<b>299.08</b>	<b>306.62</b>	<b>314.16</b>
Accounts Payable	4.64	3.21	1.60	7.63			7.63	7.63	7.63	7.63	7.63	7.63
Accrued Expense	4.94	8.57	10.46	10.51			10.51	10.51	10.51	10.51	10.51	10.51
Other current Liabilities	23.47	35.73	54.11	74.59			74.59	74.59	74.59	74.59	74.59	74.59
<b>Total Current Liabilities</b>	<b>33.05</b>	<b>47.51</b>	<b>66.17</b>	<b>92.73</b>	<b>0.00</b>	<b>0.00</b>	<b>92.73</b>	<b>92.73</b>	<b>92.73</b>	<b>92.73</b>	<b>92.73</b>	<b>92.73</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
Current port. Of LT Debt/Capital Leases	3.40	4.25	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	9.91	5.66	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
<b>Total Interest Earning Debt</b>	<b>13.31</b>	<b>9.91</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
Minority Interest	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	0.90	2.33	2.83	5.42			5.42	5.42	5.42	5.42	5.42	5.42
<b>Total Liabilities</b>	<b>47.26</b>	<b>59.75</b>	<b>69.00</b>	<b>98.15</b>	<b>0.00</b>	<b>0.00</b>	<b>98.15</b>	<b>98.15</b>	<b>98.15</b>	<b>98.15</b>	<b>98.15</b>	<b>98.15</b>
Redeemable Preferred Stock	56.04	56.04	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
Common Stock	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Additional Paid-in capital	8.61	10.81	130.87	139.02	0.00	0.00	139.02	139.02	139.02	139.02	139.02	139.02
Dividends Paid	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	-1.47	12.42	25.79	39.07		0.00	39.07	46.61	54.15	61.68	69.22	76.76
Treasury Stock	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	-0.06	-0.20	-0.22	0.22		0.00	0.22	0.22	0.22	0.22	0.22	0.22
<b>Total Equity</b>	<b>63.12</b>	<b>79.07</b>	<b>156.44</b>	<b>178.31</b>	<b>0.00</b>	<b>0.00</b>	<b>178.31</b>	<b>185.85</b>	<b>193.39</b>	<b>200.92</b>	<b>208.46</b>	<b>216.00</b>
<b>Liability + Equity</b>	<b>110.38</b>	<b>138.82</b>	<b>225.44</b>	<b>276.46</b>	<b>0.00</b>	<b>0.00</b>	<b>276.46</b>	<b>284.00</b>	<b>291.54</b>	<b>299.07</b>	<b>306.61</b>	<b>314.15</b>
<b>Variance</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.01</b>			<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>
<b>Debt/Equity</b>	<b>0.21</b>	<b>0.13</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>
Inventory Turnover	35.58	42.64	28.09	26.07			26.07	25.68	25.68	25.68	25.68	25.68
Inventory Turnover Days	10.26	8.56	12.99	14.00			14.00	14.21	14.21	14.21	14.21	14.21
Days Inventory Outstanding	68.10	62.49	98.05	92.93			92.93	94.76	94.76	94.76	94.76	94.76
Accounts Receivable Turnover	11.59	7.90	6.75	5.39			5.39	5.31	5.31	5.31	5.31	5.31
Accounts Receivable Turnover Days	31.50	46.20	54.11	67.76			67.76	68.80	68.80	68.80	68.80	68.80
Days Payable Outstanding	81.86	40.85	17.47	71.41			71.41	72.81	72.81	72.81	72.81	72.81
Days Sales Outstanding	31.50	46.20	54.11	67.76			67.76	67.76	68.80	68.80	68.80	68.80
Cash Conversion Cycle	17.74	67.83	134.69	89.29			89.29	89.71	90.74	90.74	90.74	90.74



# SN VALUATION

# LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
Net Change in Cash	20.57	6.06	6.06	6.06	6.06	6.06
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		122.17				
Interest @ 1.0%		1.22	1.22	1.22	1.22	1.22
<b>Net Interest Expense/(Income)</b>		<b>(1.22)</b>	<b>(1.22)</b>	<b>(1.22)</b>	<b>(1.22)</b>	<b>(1.22)</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		10.20	10.20	10.20	10.20	10.20
<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