

Smithfield Foods Inc (SFD)

Price:	\$25.97	Net Tang. Bk Value Incl. Cash (NTBVIC):	\$2,642,400,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$4,218,265,270.70
Market Cap:	\$3,603,597,200	NTBVIC/Market Downside Recovery:	73.33%	Avg. Year FCF/Share:	\$265,354,905.46
Cash:	\$138,600,000	Op. Cash Flow:	\$547,219,258	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$1,911,100,000	Implied Years to Fill Gap:	1.76	Year 5 Disposition Price:	\$5,014,329,987.07
Net Cash:	-\$1,772,500,000	Today's Equity if 5x Op. CF:	\$4,284,057,773	Net Tang. Book+ Gain Disposition:	\$5,014,329,987.07
Enterprise Value:	\$5,376,097,200	IRR:			6.83%
Shares Outstanding:	138,760,000			Price:	\$36.14
				Target Market Cap:	\$5,014,329,987
				Target Enterprise Value:	\$6,786,829,987

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

Chinese Firm Shuanghui Offers \$34/share for SFD

The recent Sprint buyout attempt by Softbank, a Japanese company, has been raising concerns of national security, albeit the risk is noticeably lower with the purchase from a company where the home country is a close US ally.

On Wednesday, Chinese company Shuanghui offered a 30% premium, or \$4.7B for the US based pork producer company. Although SFD is not a business which may raise security concerns like telecommunications, it will raise some eyebrows by US investors when one of the leading producers of pork for the country is controlled by a Chinese firm. There is an uneasiness when it comes to eating Chinese sourced food products, but this will not be the case with this acquisition, since the pork products will not be imported to the US, but rather exported. Also, most likely, they will allow the US operations to be managed by current processes and just import the goods into China, which is the leading market for pork products.

We included the stock in our portfolio back in Feb. 2012 and the \$34/share offer is 10% premium to our 5 year price target back in 2012, but 10% discount to our price target today, so it is a reasonable offer for both current investors and the acquiror.

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	2,642.40	2,944.39	3,250.25	3,560.02	3,873.73	4,218.27				4,218.27
Annual Change		301.99	305.86	309.77	313.71	344.53				
Annual FCF	279.40	247.22	253.54	259.92	266.37	299.72	265.35	265.35	265.35	796.06
Annual Op. Cash Flow	570.10	547.22	553.54	559.92	566.37	599.72	565.35	565.35	565.35	
Annual PP&E Investment	(290.70)	(300.00)	(300.00)	(300.00)	(300.00)	(300.00)	(300.00)	(300.00)	(300.00)	
Today's Tangible Book Value	2,642.40	3,003.60	3,414.16	3,880.85	4,411.34	5,014.33				5,014.33
Intrinsic Value IRR	13.67%									
Market Price	3,603.60	3,849.74	4,112.70	4,393.62	4,693.72	5,014.33				5,014.33
Market Price IRR	6.83%									

Debt	0.00%	0.00
Equity	100.00%	3,603.60
Total	100.00%	3,603.60

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	3427.8	3,603.60	3,926.74	4,253.74	4,584.66	4,919.52	5,285.20			
Goodwill	785.4	961.20	961.20	961.20	961.20	961.20	961.20			
Debt	1400	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00			
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%			
Additional Interest Expense		-32.53	-32.53	-32.53	-32.53	-32.53				
Tangible Book Value	2642.4	2,642.40	2,965.54	3,292.55	3,623.46	3,958.32	4,324.00			4,324.00
Annual Change			323.14	327.01	330.91	334.86	365.68			
Annual FCF	279.40		268.37	274.69	281.07	287.52	320.87	320.87	320.87	962.60
Annual Net Income	361.30		323.14	327.01	330.91	334.86	365.68	365.68	365.68	
Annual Op. Cash Flow	570.10		568.37	574.69	581.07	587.52	620.87	620.87	620.87	
Dividend Payments										
Annual PP&E Investment	(290.70)		(300.00)	(300.00)	(300.00)	(300.00)	(300.00)	(300.00)	(300.00)	
Debt Paydown	0.00						0.00	0.00	0.00	

Sale Price in Year 5										5,286.60
Remaining Debt Balance										0.00

Capital Left for Equity Investor										5,286.60
Dividend Payments										0.00
Total Cash In Flow										5,286.60

Invested Equity	3,603.60	3,890.67	4,200.61	4,535.24	4,896.53	5,286.60				
IRR	7.97%									

Value Losers										
Interest payments to Bank										-130.14
Goodwill Premium to Original Sellers										175.80
Debt Paydown to Bank										
Debt Increase										
Total Value Losers										45.66

Value Gap between LBO and unleveraged (272.27)

Unaccounted Value Losers (317.93)

Smithfield Foods, Inc. produces and markets a variety of fresh meat and packaged meats products both domestically and internationally. It operates in four segments: Pork, Hog Production, International and Corporate, each of which consists of a number of subsidiaries, joint ventures and other investments. The Pork segment consists of its three wholly owned United States fresh pork and packaged meats subsidiaries: The Smithfield Packing Company, Inc. (Smithfield Packing), Farmland Foods, Inc. (Farmland Foods) and John Morrell Food Group (John Morrell). The Hog Production segment consists of the Company's hog production operations located in the United States. The International segment consists of its meat processing and distribution operations in Poland, Romania and the United Kingdom, its interests in meat processing operations, mainly in Western Europe and Mexico, its hog production operations located in Poland and Romania and its interests in hog production operations in Mexico.

Company Name:	Smithfield Foods Inc	Market Capitalization:	\$3,603,597,200.00	Revenue:	\$13,110,000,000.00	100.0%
Ticker Symbol:	SFD	Total Debt:	\$1,911,100,000.00	Cost of Goods Sold:	\$11,557,500,000.00	88.2%
Last Price:	\$25.97	Total Cash:	\$138,600,000.00	Gross Profit:	\$1,552,500,000.00	11.8%
Net Cash/Share:	-\$12.77	Net Cash/(Debt):	-\$1,772,500,000.00	EBITDA:	\$807,900,000.00	6.2%
Net Cash to Last Price:	-49.19%	Enterprise Value:	\$5,376,097,200.00	Net Income:	\$233,600,000.00	1.8%
Shares Outstanding:	138,760,000	Current EV/Share:	\$38.74			
Industry:	Packaged Foods	EBITDA:	\$963,100,000.00			
Sector:	Consumer Defensive	EV/EBITDA Multiple:	5.58			
		EV/EBITDA Multiple Average Year 1-5:	6.21	Balance Sheet		
Institutional Ownership:	87.44%	EV/FCF Multiple (excluding acquisition):	19.24	Cash:	\$138,600,000.00	
Mutual Fund Ownership:	1.28%	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	20.26	Short Term Investment:	\$0.00	
Insider Ownership:	19.34%			A/R:	\$625,000,000.00	
Retail Ownership:	-27.40%	Upper Range		PP&E:	\$2,300,000,000.00	
Float:	80.66%	DCF: EV/EBITDA Terminal Value		Assets:	\$7,556,600,000.00	
	Technicals	Implied TV from 3 X EV/EBITDA Multiple	\$1,981,762,689.46	A/P:	\$416,000,000.00	
52 week low:	\$17.55			Deferred Tax:	\$0.00	
Today from 52 week low:	47.98%	Enterprise Value	\$1,981,762,689.46	Other Liabilities:	\$2,092,700,000.00	
52 week high:	\$27.33	Cash at Year 5:	\$1,465,374,527.29	Short term Debt:	\$511,100,000.00	
Today from 52 week high:	5.24%	Debt at Year 5:	\$1,911,100,000.00	Long Term Debt:	\$1,400,000,000.00	
50 day Moving Average:	\$25.89	Equity Value Year 5:	\$1,536,037,216.75	Liabilities:	\$4,419,800,000.00	
200 day Moving Average:	\$22.71	Equity/Share at Year 5:	\$11.07	Retained Earnings:	\$2,300,000,000.00	
		Annualized Return:	-15.68%	Paid-In Capital:	\$1,638,700,000.00	
Analyst/Consensus		Lower Range		Treasury Stock:	\$0.00	
Analyst Sales Growth FY1:	0.60%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Stockholder's Equity:	\$3,427,800,000.00	
Analyst Sales Growth FY2:	2.80%	Year 5 Net Tangible Assets excluding cash and debt	\$1,600,200,000.00			
SN Valuation Estimate FY1:	1.00%			Cash Flow		
SN Valuation Estimate FY2:	1.00%	Enterprise Value	\$1,600,200,000.00	Net Income:	361,300,000.00	
		Cash at Year 5:	\$1,465,374,527.29	Depreciation/Amortization:	242,800,000.00	
Analyst Earnings Estimate FY1:	\$2.02	Debt at Year 5:	\$1,911,100,000.00	Change in Working capital:	-169,000,000.00	
Analyst Earnings Estimate FY2:	\$2.56	Equity Value Year 5:	\$1,154,474,527.29	Cash from Operating Activities:	570,100,000.00	
SN Valuation Earnings Est. FY1:	\$2.18	Equity/Share at Year 5:	\$8.32	Capital Expenditures:	-290,700,000.00	
SN Valuation Earnings Est. FY2:	\$2.20	Annualized Return:	-20.36%	Cash from Investing Activities:	-286,600,000.00	
Multiples		EVA		Total Cash Dividends Paid:	0.00	
Market Value to Book:	1.05	EVA today:	\$3,456,227,027.35	Issuance (Retirement) of Stock:	-188,200,000.00	
EV to Book:	1.57	EVA in 5 Years:	\$5,115,057,657.36	Issuance (Retirement) of Debt:	-153,000,000.00	
Market Value to Tangible Net Assets:	-9.89	EVA/Share:	\$36.86	Cash from Financing Activities:	-328,400,000.00	
P/E Ratio:	15.43	Cash at Year 5:	\$1,465,374,527.29			
Trailing P/E Ratio:	21.83	Debt at Year 5:	\$1,911,100,000.00	Profitability Margins		
Forward P/E Ratio:	13.03	Equity Value Year 5:	\$4,669,332,184.65	Debt to Equity:	55.75%	
Beta:	1.75	Equity/Share at Year 5:	\$33.65	Return on Assets:	4.78%	
Dividend:	0	Annualized return	8.16%	Return on Capital:	6.77%	
Dividend Yield:	0.00%			Return on Equity:	10.54%	
Dividend Date:	N/A	Current Net Tangible Asset				
Ex-Dividend Date:	Oct 30, 1996	Net Tangible Asset/Share:	\$14.12			
	Competitors	Net Tangible Asset/Share in Year 5:	\$25.48			
Average EV to EBITDA:	N/A	Annualized return	12.53%			
Company EV to EBITDA:	5.58	Current Equity Price:	\$25.97			
		Selling at Discount?	Premium			
Average EV to EBIT:	N/A	Appreciation Potential:	-45.63%			
Company EV to EBITA:	7.57	Dividend Model				
		Next Year Dividend	\$0.00			
		WACC:	8.60%			
		Dividend:	\$0.00			
		Net Income:	\$233,600,000.00			

SN VALUATION

LBO Pro Forma Income Statement

Name:

Smithfield Foods Inc

Ticker:

SFD

	Historical				Forecasted				
	53 weeks ending 2009-05-03	52 weeks ending 2010-05-02	52 weeks ending 2011-05-01	52 weeks ending 2012-04-29	2013	2014	2015	2016	2017
Revenue	12,487.70	11,202.60	12,202.70	13,094.30	13,225.24	13,357.50	13,491.07	13,625.98	13,762.24
COGS	11,863.10	10,463.40	10,460.60	11,541.80	11,770.47	11,888.17	12,007.05	12,127.12	12,248.39
Gross margin	624.60	739.20	1,742.10	1,552.50	1,454.78	1,469.32	1,484.02	1,498.86	1,513.85
SG&A	792.50	701.20	789.80	816.30	859.64	868.24	876.92	885.69	853.26
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	-57.60	24.80	-0.10	15.90	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)	-110.30	13.20	952.40	720.30	595.14	601.09	607.10	613.17	660.59
Interest income/(expense)	-221.80	-266.40	-245.40	-176.70	-130.53	-130.53	-130.53	-130.53	-130.53
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	-382.20	-214.60	757.10	533.70	464.60	470.55	476.56	482.64	530.05
Tax	-131.30	-113.20	236.10	172.40	162.61	164.69	166.80	168.92	185.52
Income after tax	-250.90	-101.40	521.00	361.30	301.99	305.86	309.77	313.71	344.53
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	-250.90	-101.40	521.00	361.30	301.99	305.86	309.77	313.71	344.53
*Figures are in millions (\$)									
EPS (based off today's share count)	-\$1.81	-\$0.73	\$3.75	\$2.60	\$2.18	\$2.20	\$2.23	\$2.26	\$2.48
P/E (historical today's price; forecasted intrinsic price)	-14.36	-35.54	6.92	9.97	12.75	13.45	14.18	14.96	14.55
Revenue Growth	N/A	-10.29%	8.93%	7.31%	1.00%	1.00%	1.00%	1.00%	1.00%
Tax Rate	34.35%	52.75%	31.18%	32.30%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-7.63%	-8.86%	-11.58%	-9.00%	-9.32%	-9.32%	-9.32%	-9.32%	-9.32%
Margins									
COGS	95.00%	93.40%	85.72%	88.14%	89.00%	89.00%	89.00%	89.00%	89.00%
Gross margin	5.00%	6.60%	14.28%	11.86%	11.00%	11.00%	11.00%	11.00%	11.00%
SG&A	6.35%	6.26%	6.47%	6.23%	6.50%	6.50%	6.50%	6.50%	6.20%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	-0.46%	0.22%	0.00%	0.12%	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)	-0.88%	0.12%	7.80%	5.50%	4.50%	4.50%	4.50%	4.50%	4.80%
Interest income/(expense)	-1.78%	-2.38%	-2.01%	-1.35%	-0.99%	-0.98%	-0.97%	-0.96%	-0.95%
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	-3.06%	-1.92%	6.20%	4.08%	3.51%	3.52%	3.53%	3.54%	3.85%
Tax	-1.05%	-1.01%	1.93%	1.32%	1.23%	1.23%	1.24%	1.24%	1.35%
Income after tax	-2.01%	-0.91%	4.27%	2.76%	2.28%	2.31%	2.34%	2.37%	2.61%
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	-2.01%	-0.91%	4.27%	2.76%	2.28%	2.29%	2.30%	2.30%	2.50%

	As of 2009-05-03	As of 2010-05-02	As of 2011-05-01	As of 2012-04-29	As of 2013-01-27	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	119.00	451.20	374.70	324.30	138.60			138.60	385.82	639.36	899.28	1,165.65	1,465.37
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	119.00	451.20	374.70	324.30	138.60			138.60	385.82	639.36	899.28	1,165.65	1,465.37
Accounts Receivable	595.20	621.50	709.60	624.70	625.00			625.00	625.00	625.00	625.00	625.00	625.00
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	595.20	621.50	709.60	624.70	625.00			625.00	625.00	625.00	625.00	625.00	625.00
Total Inventory	1,896.10	1,860.00	2,019.90	2,072.40	2,390.70			2,390.70	2,390.70	2,390.70	2,390.70	2,390.70	2,390.70
Prepaid Expenses	174.20	387.60	233.70	277.60	148.90			148.90	148.90	148.90	148.90	148.90	148.90
Other Current Assets	0.00	0.00	0.00	0.00	66.50			66.50	66.50	66.50	66.50	66.50	66.50
Current Assets	2,784.50	3,320.30	3,337.90	3,299.00	3,369.70	0.00	0.00	3,369.70	3,616.92	3,870.46	4,130.38	4,396.75	4,696.47
PP&E, Gross	3,935.20	4,038.50	4,186.70	0.00	4,200.00			4,200.00	4,500.00	4,800.00	5,100.00	5,400.00	5,700.00
Change in Depreciation	270.50	242.30	231.90	242.80	242.80			242.80	245.23	247.68	250.16	252.66	255.19
Accumulated Depreciation	1,492.20	1,679.80	1,877.60	0.00	1,900.00			1,900.00	2,145.23	2,392.91	2,643.07	2,895.72	3,150.91
PP&E, Net	2,443.00	2,358.70	2,309.10	0.00	2,300.00			2,300.00	2,354.77	2,407.09	2,456.93	2,504.28	2,549.09
Goodwill	820.00	822.90	793.30	768.20	785.40	0.00		785.40	785.40	785.40	785.40	785.40	785.40
Intangibles	392.20	389.60	386.60	381.80	392.00			392.00	392.00	392.00	392.00	392.00	392.00
Long term investments	601.60	625.00	582.50	522.60	536.50			536.50	536.50	536.50	536.50	536.50	536.50
Other long term assets	158.90	192.40	202.40	173.40	173.00			173.00	173.00	173.00	173.00	173.00	173.00
Long Term Assets	4,415.70	4,388.60	4,273.90	1,846.00	4,186.90	0.00	0.00	4,186.90	4,241.67	4,293.99	4,343.83	4,391.18	4,435.99
Total Assets	7,200.20	7,708.90	7,611.80	5,145.00	7,556.60	0.00	0.00	7,556.60	7,858.59	8,164.45	8,474.22	8,787.93	9,132.47
Accounts Payable	390.20	383.80	434.40	415.80	416.00			416.00	416.00	416.00	416.00	416.00	416.00
Accrued Expense	558.30	262.80	303.50	275.40	276.00			276.00	276.00	276.00	276.00	276.00	276.00
Other current Liabilities	0.00	455.60	346.30	381.60	34.40			34.40	34.40	34.40	34.40	34.40	34.40
Total Current Liabilities	948.50	1,102.20	1,084.20	1,072.80	726.40	0.00	0.00	726.40	726.40	726.40	726.40	726.40	726.40
Notes Payables/Short Term Debt	17.50	16.90	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	320.80	72.80	143.70	63.50	511.10			511.10	511.10	511.10	511.10	511.10	511.10
Long term Debt	2,567.30	2,918.40	1,978.60	1,900.90	1,400.00	0.00	0.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00
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	2,905.60	3,008.10	2,122.30	1,964.40	1,911.10	0.00	0.00	1,911.10	1,911.10	1,911.10	1,911.10	1,911.10	1,911.10
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	18.20	4.60	3.10	2.70	13.00			13.00	13.00	13.00	13.00	13.00	13.00
Other liabilities	715.50	838.40	856.70	995.00	1,769.30			1,769.30	1,769.30	1,769.30	1,769.30	1,769.30	1,769.30
Total Liabilities	4,587.80	4,953.30	4,066.30	4,034.90	4,419.80	0.00	0.00	4,419.80	4,419.80	4,419.80	4,419.80	4,419.80	4,419.80
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	71.80	83.00	83.00	78.70	78.70		0.00	78.70	78.70	78.70	78.70	78.70	78.70
Additional Paid-in capital	1,353.80	1,626.90	1,638.70	1,561.00	1,560.00	0.00	0.00	1,560.00	1,560.00	1,560.00	1,560.00	1,560.00	1,560.00
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	1,640.10	1,538.70	2,059.70	2,326.40	2,300.00		0.00	2,300.00	2,601.99	2,907.85	3,217.62	3,531.33	3,875.87
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	-388.50	-427.50	-169.20	-510.90	-510.90		0.00	-510.90	-510.90	-510.90	-510.90	-510.90	-510.90
Total Equity	2,677.20	2,821.10	3,612.20	3,455.20	3,427.80	0.00	0.00	3,427.80	3,729.79	4,035.65	4,345.42	4,659.13	5,003.67
Liability + Equity	7,265.00	7,774.40	7,678.50	7,490.10	7,847.60	0.00	0.00	7,847.60	8,149.59	8,455.45	8,765.22	9,078.93	9,423.47
Variance	-64.80	-65.50	-66.70	-2,345.10	-291.00			-291.00	-291.00	-291.00	-291.00	-291.00	-291.00
Debt/Equity	1.09	1.07	0.59	0.57	0.56			0.56	0.51	0.47	0.44	0.41	0.38
Inventory Turnover	6.59	6.02	6.04	6.32	5.53			5.48	5.53	5.59	5.64	5.70	5.76
Inventory Turnover Days	55.42	60.60	60.42	57.77	65.98			66.64	65.98	65.33	64.68	64.04	63.41
Days Inventory Outstanding	58.34	64.88	70.48	65.54	74.14			75.60	74.14	73.40	72.67	71.95	71.24
Accounts Receivable Turnover	20.98	18.03	17.20	20.96	21.16			20.95	21.16	21.37	21.59	21.80	22.02
Accounts Receivable Turnover Days	17.40	20.25	21.23	17.41	17.25			17.42	17.25	17.08	16.91	16.74	16.58
Days Payable Outstanding	12.01	13.39	15.16	13.15	12.90			13.16	12.90	12.77	12.65	12.52	12.40
Days Sales Outstanding	17.40	20.25	21.23	17.41	17.25			17.41	17.42	17.25	17.08	16.91	16.74
Cash Conversion Cycle	63.73	71.74	76.55	69.80	78.48			79.86	78.66	77.88	77.11	76.34	75.59
Net tangible assets/share	\$12.92	\$13.93	\$19.83	\$2.46	\$16.95			\$19.12	\$21.33	\$23.56	\$25.82	\$28.30	\$28.30

SN VALUATION

LBO Adjusted Proforma Cash Flow

Ticker:

SFD

	53 weeks ending 2009-05-03	52 weeks ending 2010-05-02	52 weeks ending 2011-05-01	52 weeks ending 2012-04-29	2011	2012	2013	2014	2015
Net Income	-198.40	-101.40	521.00	361.30	301.99	305.86	309.77	313.71	344.53
Depreciation	270.50	242.30	231.90	242.80	245.23	247.68	250.16	252.66	255.19
Net Income + Depreciation	72.10	140.90	752.90	604.10	547.22	553.54	559.92	566.37	599.72
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-98.60	35.30	158.20	90.20	0.00	0.00	0.00	0.00	0.00
Non Cash Items	64.10	30.90	-132.50	44.80	0.00	0.00	0.00	0.00	0.00
Change in Working capital	267.00	51.10	-162.20	-169.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-26.30	-85.10	-84.90	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	36.10	-159.90	-52.50	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-213.40	153.90	-43.90	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-6.40	50.60	-18.60	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	304.60	258.20	616.40	570.10	547.22	553.54	559.92	566.37	599.72
Capital Expenditures Expenditures	-174.50	-182.70	-176.80	-290.70	-300.00	-300.00	-300.00	-300.00	-300.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	608.80	48.90	431.10	4.10	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	434.30	-133.80	254.30	-286.60	-300.00	-300.00	-300.00	-300.00	-300.00
Financing Cash flow items	-114.20	-103.50	-23.90	12.80	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	72.80	296.90	1.20	-188.20	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	-632.90	15.50	-922.90	-153.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-674.30	208.90	-945.60	-328.40	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	-2.90	-1.10	-1.60	-5.50	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	57.30	119.00	451.20	374.70	138.60	385.82	639.36	899.28	1,165.65
Net Change in Cash	61.70	332.20	-76.50	-50.40	247.22	253.54	259.92	266.37	299.72
Ending Cash Balance	119.00	451.20	374.70	324.30	385.82	639.36	899.28	1,165.65	1,465.37
Capex to Revenue	1.40%	1.63%	1.45%	2.22%	2.27%	2.25%	2.22%	2.20%	2.18%
Depreciation to Sales	2.17%	2.16%	1.90%	1.85%	1.85%	1.85%	1.85%	1.85%	1.85%
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	4.77%	5.55%	5.82%	4.77%	4.72%	4.68%	4.63%	4.58%	4.54%
Distributable FCF/EV Yield	13.74%	2.31%	16.20%	5.27%	4.60%	4.72%	4.83%	4.95%	5.58%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	130.10	75.50	439.60	279.40	247.22	253.54	259.92	266.37	299.72

SN VALUATION

LBO Debt Schedule

Ticker:

SFD

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-50.40	247.22	253.54	259.92	266.37	299.72
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	1,911.10	1,911.10	1,911.10	1,911.10	1,911.10	1,911.10
Current Portion Debt Balance	511.10	511.10	511.10	511.10	511.10	511.10
Long Term Debt Balance	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00
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		133.78	133.78	133.78	133.78	133.78
Cash Balance		324.30				
Interest @ 1.0%		3.24	3.24	3.24	3.24	3.24
Net Interest Expense/(Income)		130.53	130.53	130.53	130.53	130.53
Net Interest Rate		9.32%	9.32%	9.32%	9.32%	9.32%
EBITDA		595.14	601.09	607.10	613.17	660.59
EBITDA/Interest Expense Coverage		4.45	4.49	4.54	4.58	4.94

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Smithfield Foods Inc

Ticker:

SFD

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	1,836.00	2,218.10	2,253.70	2,643.30	2,890.52	3,144.06	3,403.98	3,670.35	3,970.07
Total Assets	7,200.20	7,708.90	7,611.80	7,556.60	7,858.59	8,164.45	8,474.22	8,787.93	9,132.47
X1	0.25	0.29	0.30	0.35	0.37	0.39	0.40	0.42	0.43
Retained Earnings	1,640.10	1,538.70	2,059.70	2,300.00	2,601.99	2,907.85	3,217.62	3,531.33	3,875.87
Total Assets	7,200.20	7,708.90	7,611.80	7,556.60	7,858.59	8,164.45	8,474.22	8,787.93	9,132.47
X2	0.23	0.20	0.27	0.30	0.33	0.36	0.38	0.40	0.42
EBITDA	-110.30	13.20	952.40	720.30	595.14	601.09	607.10	613.17	660.59
Total Assets	7,200.20	7,708.90	7,611.80	7,556.60	7,858.59	8,164.45	8,474.22	8,787.93	9,132.47
X3	-0.02	0.00	0.13	0.10	0.08	0.07	0.07	0.07	0.07
Market Value of Equity	3,603.60	3,603.60	3,603.60	3,603.60	3,849.74	4,112.70	4,393.62	4,693.72	5,014.33
Total Liabilities	4,587.80	4,953.30	4,066.30	4,419.80	4,419.80	4,419.80	4,419.80	4,419.80	4,419.80
X4	0.79	0.73	0.89	0.82	0.87	0.93	0.99	1.06	1.13
Net Sales	12,487.70	11,202.60	12,202.70	13,094.30	13,225.24	13,357.50	13,491.07	13,625.98	13,762.24
Total Assets	7,200.20	7,708.90	7,611.80	7,556.60	7,858.59	8,164.45	8,474.22	8,787.93	9,132.47
X5	1.73	1.45	1.60	1.73	1.68	1.64	1.59	1.55	1.51
Altman Z Score	2.78	2.52	3.28	3.38	3.36	3.40	3.44	3.48	3.54

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

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