

August 26, 2014

SN VALUATION [Stocks, Real Estate, Bonds]

SMTP Inc (SMTP)

Price:	\$6.42	Net Tang. Bk Value Incl. Cash, Excl.	\$11,909,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$18,692,725.00
Shares Outstanding:	5,020,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$1,456,745.00
Market Cap:	\$32,228,400	NTBVIC/Market Downside Recovery:	36.95%	Year 5 Disposition FCF Multiple:	3.0
Cash:	\$11,810,000	Op. Cash Flow:	\$1,456,745	Year 5 Disposition Price:	\$23,062,960.00
Debt:	\$0	Implied Years to Fill Gap:	13.95		
Net Cash:	\$11,810,000	Today's Equity if 5x Op. CF:	\$16,279,235		
Enterprise Value:	\$20,418,400			Net Tang. Book+ Gain Disposition:	\$23,062,960.00
				IRR:	-6.47%
				Price:	\$4.59
				Target Market Cap:	\$23,062,960
				Target Enterprise Value:	\$11,252,960

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

The founder is from MIT, and he created a number of venture startups. The Co. sends out marketing email. Not junk mail, but emails which are validated by the recipients of the emails.

The Co. was founded in 1998, filed for IPO in 2011.

Revenue is tiny at \$5MM. No debt, no assets, \$11MM in cash, generates \$1MM in op cash flow.

It is not a PE investment but rather a venture captalesque investment.

Unlike typical small cap co's, this business has high margins, is cash flow positive, and has a pristine balance sheet.

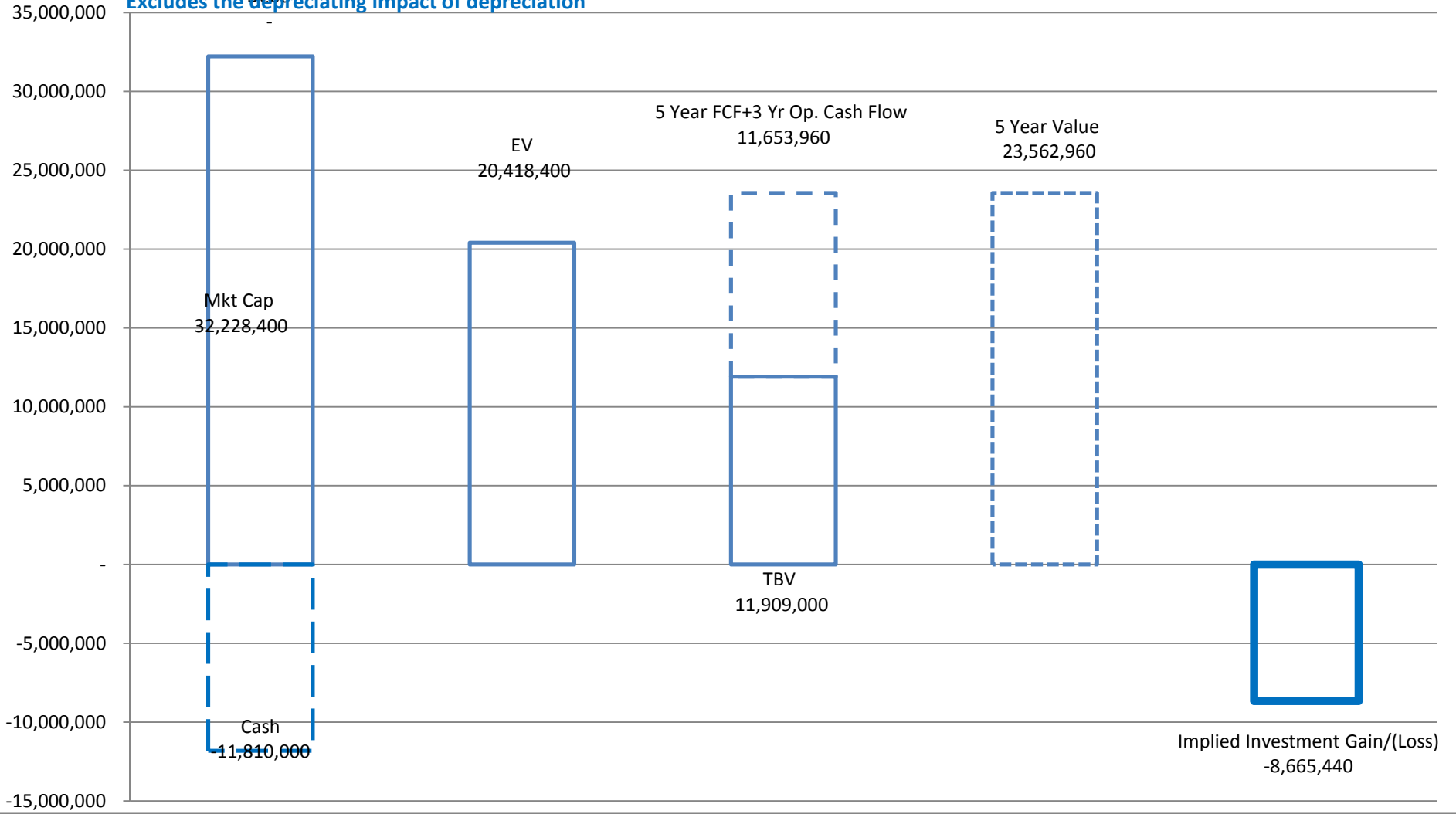
The value is not present at the moment, but once growth ramps, then I see this stock appreciating beyond our initial target of \$4.60.

Of course, one has to wonder if revenue will indeed exceed \$5MM for a 16 year old business. There are some signs of change with a couple recent acquisitions and a change in the CEO.

Gut feeling, we are long, but we rather stick to businesses which have proven themselves, like a PE firm.

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Excludes the depreciating impact of depreciation



NA

Company Name:	SMTP Inc
Ticker Symbol:	SMTP
Last Price:	\$6.42
Net Cash/Share:	\$2.35
Net Cash to Last Price:	36.64%
Shares Outstanding:	5,020,000
Industry:	Internet Content & Information
Sector:	Technology
Institutional Ownership:	12.87%
Mutual Fund Ownership:	1.66%
Insider Ownership:	#VALUE!
Float:	47.00%

Technicals	
52 week low:	\$0.88
Today from 52 week low:	629.55%
52 week high:	\$10.00
Today from 52 week high:	55.76%

Analyst/Consensus	
Analyst Sales Growth FY1:	N/A
Analyst Sales Growth FY2:	30.00%
SN Valuation Estimate FY1:	0.00%
SN Valuation Estimate FY2:	0.00%

Analyst Earnings Estimate FY1:	N/A
Analyst Earnings Estimate FY2:	N/A
SN Valuation Earnings Est. FY1:	\$0.27
SN Valuation Earnings Est. FY2:	\$0.27

Multiples	
Market Value to Book:	2.71
EV to Book:	1.71
Market Value to Tangible Net Assets:	292.99
P/E Ratio:	30.99
Trailing P/E Ratio:	17.17
Forward P/E Ratio:	N/A
Beta:	3.26
Dividend:	0.48
Dividend Yield:	7.48%
Dividend Date:	Aug 29, 2014
Ex-Dividend Date:	May 16, 2014

Competitors	
Average EV to EBITDA:	N/A
Company EV to EBITDA:	10.01
Average EV to EBIT:	N/A
Company EV to EBITA:	10.52

Market Capitalization:	\$32,228,400.00
Total Debt:	\$0.00
Total Cash:	\$11,810,000.00
Net Cash/(Debt):	\$11,810,000.00
Enterprise Value:	\$20,418,400.00
Current EV/Share:	\$4.07
EBITDA:	\$2,040,000.00
EV/EBITDA Multiple:	10.01
EV/EBITDA Multiple Average Year 1-5:	9.41
EV/FCF Multiple (excluding acquisition):	12.30
	14.02

Upper Range
DCF: EV/EBITDA Terminal Value

Implied TV from 3 X EV/EBITDA Multiple	\$6,210,000.00
Enterprise Value	\$6,210,000.00
Cash at Year 5:	\$19,093,725.00
Debt at Year 5:	\$0.00
Equity Value Year 5:	\$25,303,725.00
Equity/Share at Year 5:	\$5.04
Annualized Return:	-4.72%

Lower Range

DCF: Net Tangible Asset excluding Cash/Debt Terminal Value

Year 5 Net Tangible Assets excluding cash and debt	\$110,000.00
Enterprise Value	\$110,000.00
Cash at Year 5:	\$19,093,725.00
Debt at Year 5:	\$0.00
Equity Value Year 5:	\$19,203,725.00
Equity/Share at Year 5:	\$3.83
Annualized Return:	-9.84%

EVA

EVA today:	\$11,869,010.00
EVA in 5 Years:	\$12,029,223.94
EVA/Share:	\$2.40
Cash at Year 5:	\$19,093,725.00
Debt at Year 5:	\$0.00
Equity Value Year 5:	\$31,122,948.94
Equity/Share at Year 5:	\$6.20
Annualized return	0.27%

Current Net Tangible Asset

Net Tangible Asset/Share:	\$2.49
Net Tangible Asset/Share in Year 5:	\$3.84
Annualized return	9.06%

Current Equity Price:	\$6.42
Selling at Discount?	Premium
Appreciation Potential:	-61.21%

Income Statement

Revenue:	\$5,960,000.00	100.0%
Cost of Goods Sold:	\$1,260,000.00	21.1%
Gross Profit:	\$4,700,000.00	78.9%
EBITDA:	\$1,750,000.00	29.4%
Net Income:	\$1,040,000.00	17.4%

Balance Sheet

Cash:	\$11,810,000.00
Short Term Investment:	\$0.00
A/R:	\$0.00
PP&E:	\$800,000.00
Assets:	\$12,980,000.00

A/P:	\$0.00
Deferred Tax:	\$0.00
Other Liabilities:	\$480,000.00
Short term Debt:	\$0.00
Long Term Debt:	\$0.00
Liabilities:	\$480,000.00

Retained Earnings:	\$0.00
Paid-In Capital:	\$11,909,000.00
Treasury Stock:	\$0.00
Stockholder's Equity:	\$11,909,000.00

Cash Flow

Net Income:	1,270,000.00
Depreciation/Amortization:	100,000.00
Change in Working capital:	30,000.00
Cash from Operating Activities:	1,950,000.00

Capital Expenditures:	-290,000.00
Cash from Investing Activities:	-290,000.00

Total Cash Dividends Paid:	-1,260,000.00
Issuance (Retirement) of Stock:	470,000.00
Issuance (Retirement) of Debt:	0.00
Cash from Financing Activities:	-710,000.00

Profitability Margins

Debt to Equity:	0.00%
Return on Assets:	9.78%
Return on Capital:	10.66%
Return on Equity:	10.66%

SN VALUATION

LBO Pro Forma Income Statement

Name:

SMTP Inc

Ticker:

SMTP

	Historical				Forecasted				
	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	12 months ending 2013-12-31	2014	2015	2016	2017	2018
Revenue	2.74	4.28	5.35	5.75	5.75	5.75	5.75	5.75	5.75
COGS	0.64	0.82	1.08	1.05	1.09	1.09	1.09	1.09	1.09
Gross margin	2.10	3.46	4.27	4.70	4.66	4.66	4.66	4.66	4.66
SG&A	1.13	1.53	2.16	2.53	2.59	2.59	2.59	2.59	2.59
R&D	0.23	0.35	0.40	0.23	0.00	0.00	0.00	0.00	0.00
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: Included within COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	0.74	1.58	1.71	1.94	2.07	2.07	2.07	2.07	2.07
Interest income/(expense)	0.00	0.00	0.00	0.00	0.02	0.02	0.02	0.02	0.02
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	0.74	1.58	1.71	1.94	2.09	2.09	2.09	2.09	2.09
Tax	0.35	0.67	0.64	0.67	0.73	0.73	0.73	0.73	0.73
Income after tax	0.39	0.91	1.07	1.27	1.36	1.36	1.36	1.36	1.36
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	0.39	0.91	1.07	1.27	1.36	1.36	1.36	1.36	1.36
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.08	\$0.18	\$0.21	\$0.25	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27
P/E (historical today's price; forecasted intrinsic price)	82.64	35.42	30.12	25.38	22.22	20.78	19.43	18.18	17.00
Revenue Growth	N/A	56.20%	25.00%	7.48%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	47.30%	42.41%	37.43%	34.54%	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	23.36%	19.16%	20.19%	18.26%	19.00%	19.00%	19.00%	19.00%	19.00%
Gross margin	76.64%	80.84%	79.81%	81.74%	81.00%	81.00%	81.00%	81.00%	81.00%
SG&A	41.24%	35.75%	40.37%	44.00%	45.00%	45.00%	45.00%	45.00%	45.00%
R&D	8.39%	8.18%	7.48%	4.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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: Included within COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	27.01%	36.92%	31.96%	33.74%	36.00%	36.00%	36.00%	36.00%	36.00%
Interest income/(expense)	0.00%	0.00%	0.00%	0.00%	0.30%	0.30%	0.30%	0.30%	0.30%
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	27.01%	36.92%	31.96%	33.74%	36.30%	36.30%	36.30%	36.30%	36.30%
Tax	12.77%	15.65%	11.65%	12.71%	12.71%	12.71%	12.71%	12.71%	12.71%
Income after tax	14.23%	21.26%	20.00%	22.09%	23.60%	23.60%	23.60%	23.60%	23.60%
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	14.23%	21.26%	20.00%	22.09%	23.60%	23.60%	23.60%	23.60%	23.60%

	As of					Adjustment		Adjusted Proforma	2014	2015	2016	2017	2018
	2010-12-31	2011-12-31	2012-12-31	2013-12-31	2014-03-31	+	-						
Cash	0.59	1.98	0.78	1.73	11.81			11.81	13.266745	14.72	16.18	17.64	19.09
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	0.59	1.98	0.78	1.73	11.81			11.81	13.27	14.72	16.18	17.64	19.09
Accounts Receivable	0.02	0.00	0.04	0.03	0.00			0.00	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	0.00	0.00
Total Receivables	0.02	0.00	0.04	0.03	0.00			0.00	0.00	0.00	0.00	0.00	0.00
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	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Current Assets	0.19	0.23	0.26	0.30	0.29			0.29	0.29	0.29	0.29	0.29	0.29
Current Assets	0.80	2.21	1.08	2.06	12.10	0.00	0.00	12.10	13.556745	15.01	16.47	17.93	19.38
PP&E, Gross	0.01	0.16	0.19	0.47	1.00			1.00	1.00	1.00	1.00	1.00	1.00
Change in Depreciation	0.00	0.01	0.03	0.10	0.10			0.10	0.10	0.10	0.10	0.10	0.10
Accumulated Depreciation	0.01	0.01	0.04	0.18	0.20			0.20	0.30	0.40	0.50	0.60	0.70
PP&E, Net	0.00	0.15	0.15	0.29	0.80			0.80	0.70	0.60	0.50	0.40	0.30
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
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	0.07	0.03	0.04	0.08	0.08			0.08	0.08	0.08	0.08	0.08	0.08
Long Term Assets	0.07	0.18	0.19	0.37	0.88			0.88	0.78	0.68	0.58	0.48	0.38
Total Assets	0.87	2.39	1.27	2.43	12.98	0.00	0.00	12.98	14.34	15.69	17.05	18.41	19.76
Accounts Payable	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accrued Expense	0.17	0.17	0.13	0.11	0.10			0.10	0.10	0.10	0.10	0.10	0.10
Other current Liabilities	0.40	0.80	0.40	0.48	0.37			0.37	0.37	0.37	0.37	0.37	0.37
Total Current Liabilities	0.57	0.97	0.53	0.59	0.47	0.00	0.00	0.47	0.47	0.47	0.47	0.47	0.47
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
Total Interest Earning 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
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	0.00	0.00	0.00	0.00	0.01			0.01	0.01	0.01	0.01	0.01	0.01
Total Liabilities	0.57	0.97	0.53	0.59	0.48	0.00	0.00	0.48	0.48	0.48	0.48	0.48	0.48
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	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Additional Paid-in capital	0.06	0.28	1.12	2.24	11.91	0.00	0.00	11.91	11.91	11.91	11.91	11.91	11.91
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	0.23	1.13	-0.39	-0.37	0.00			0.00	1.36	2.71	4.07	5.43	6.78
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	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	0.30	1.42	0.73	1.87	11.91	0.00	0.00	11.91	13.27	14.62	15.98	17.34	18.69
Liability + Equity	0.87	2.39	1.26	2.46	12.39	0.00	0.00	12.39	13.75	15.10	16.46	17.82	19.17
Variance	0.00	0.00	0.01	-0.03	0.59			0.59	0.59	0.59	0.59	0.59	0.59
Debt/Equity	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	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable Turnover	137.00	#DIV/0!	133.75	191.67	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Accounts Receivable Turnover Days	2.66	#DIV/0!	2.73	1.90	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Payable Outstanding	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Days Sales Outstanding	2.66	0.00	2.73	1.90	0.00			1.90	0.00	0.00	0.00	0.00	0.00
Cash Conversion Cycle	2.66	0.00	2.73	1.90	0.00			1.90	0.00	0.00	0.00	0.00	0.00
Net tangible assets/share	\$0.06	\$0.28	\$0.15	\$0.37	\$2.37				\$2.64	\$2.91	\$3.18	\$3.45	\$3.72

	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	12 months ending 2013-12-31	2014	2015	2016	2017	2018
Net Income	0.39	0.91	1.07	1.27	1.36	1.36	1.36	1.36	1.36
Depreciation	0.00	0.01	0.03	0.10	0.10	0.10	0.10	0.10	0.10
Net Income + Depreciation	0.39	0.92	1.10	1.37	1.46	1.46	1.46	1.46	1.46
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	0.00	-0.05	0.00	-0.02	0.00	0.00	0.00	0.00	0.00
Non Cash Items	0.01	0.13	0.27	0.57	0.00	0.00	0.00	0.00	0.00
Change in Working capital	0.06	0.45	-0.52	0.03	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.02	-0.04	0.01	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	0.46	1.45	0.85	1.95	1.46	1.46	1.46	1.46	1.46
Capital Expenditures Expenditures	0.00	-0.15	-0.02	-0.29	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	0.00	-0.15	-0.02	-0.29	0.00	0.00	0.00	0.00	0.00
Financing Cash flow items	0.00	0.00	0.04	0.07	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	-2.59	-1.26	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.00	0.10	0.53	0.47	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
Cash from Financing Activities	0.00	0.10	-2.02	-0.72	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	0.12	0.59	1.98	0.78	11.81	13.27	14.72	16.18	17.64
Net Change in Cash	0.47	1.39	-1.19	0.95	1.46	1.46	1.46	1.46	1.46
Ending Cash Balance	0.59	1.98	0.79	1.73	13.27	14.72	16.18	17.64	19.09
Capex to Revenue	0.00%	3.50%	0.37%	5.04%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation to Sales	0.00%	0.23%	0.56%	1.74%	1.74%	1.74%	1.74%	1.74%	1.74%
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	0.73%	0.00%	0.75%	0.52%	0.52%	0.52%	0.52%	0.52%	0.52%
Distributable FCF/EV Yield	2.25%	6.37%	4.06%	8.13%	7.13%	7.13%	7.13%	7.13%	7.13%
Dividend Yield	0.00%	0.00%	-8.04%	-3.91%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	0.46	1.30	3.42	2.92	1.46	1.46	1.46	1.46	1.46

SN VALUATION

LBO Debt Schedule

Ticker:

SMTP

	Proforma	2014	2015	2016	2017	2018
Net Change in Cash	0.95	1.46	1.46	1.46	1.46	1.46
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	0.00	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		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		5.00%	5.00%	5.00%	5.00%	5.00%
Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%
Interest Expense		0.00	0.00	0.00	0.00	0.00
Cash Balance		1.73				
Interest @ 1.0%		0.02	0.02	0.02	0.02	0.02
Net Interest Expense/(Income)		(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Net Interest Rate		N/A	N/A	N/A	N/A	N/A
EBITDA		2.07	2.07	2.07	2.07	2.07
EBITDA/Interest Expense Coverage		N/A	N/A	N/A	N/A	N/A

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

SN VALUATION

Altman Z Score

Company Name:

SMTP Inc

Ticker:

SMTP

Period	2010	2011	2012	2013	2014	2015	2016	2017	2018
Working Capital	0.23	1.24	0.55	11.63	13.09	14.54	16.00	17.46	18.91
Total Assets	0.87	2.39	1.27	12.98	14.34	15.69	17.05	18.41	19.76
X1	0.26	0.52	0.43	0.90	0.91	0.93	0.94	0.95	0.96
Retained Earnings	0.23	1.13	-0.39	0.00	1.36	2.71	4.07	5.43	6.78
Total Assets	0.87	2.39	1.27	12.98	14.34	15.69	17.05	18.41	19.76
X2	0.26	0.47	-0.31	0.00	0.09	0.17	0.24	0.29	0.34
EBITDA	0.74	1.58	1.71	1.94	2.07	2.07	2.07	2.07	2.07
Total Assets	0.87	2.39	1.27	12.98	14.34	15.69	17.05	18.41	19.76
X3	0.85	0.66	1.35	0.15	0.14	0.13	0.12	0.11	0.10
Market Value of Equity	32.23	32.23	32.23	32.23	30.14	28.19	26.37	24.66	23.06
Total Liabilities	0.57	0.97	0.53	0.48	0.48	0.48	0.48	0.48	0.48
X4	56.54	33.23	60.81	67.14	62.80	58.73	54.93	51.37	48.05
Net Sales	2.74	4.28	5.35	5.75	5.75	5.75	5.75	5.75	5.75
Total Assets	0.87	2.39	1.27	12.98	14.34	15.69	17.05	18.41	19.76
X5	3.15	1.79	4.21	0.44	0.40	0.37	0.34	0.31	0.29
Altman Z Score	40.57	25.19	45.23	42.30	39.78	37.39	35.16	33.06	31.09

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

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

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	11.91	13.27	14.62	15.98	17.34	18.69				18.69
Annual Change		1.36	1.36	1.36	1.36	1.36				
Annual FCF	1.66	1.46	1.46	1.46	1.46	1.46	1.46	1.46	1.46	4.37
Annual Op. Cash Flow	1.95	1.46	1.46	1.46	1.46	1.46	1.46	1.46	1.46	
Annual PP&E Investment	(0.29)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Today's Tangible Book Value	11.91	13.03	14.26	15.61	17.08	18.69				23.06
Intrinsic Value IRR	9.44%									
Market Price	32.23	30.14	28.19	26.37	24.66	23.06				23.06
Market Price IRR	-6.47%									

Debt	50.00%	16.11
Equity	50.00%	16.11
Total	100.00%	32.23

	Present Value	Holding Period					Terminal Value			Sale Price	
	Historic	ProForma	1	2	3	4	5	6	7	8	
Book Equity	11,909	16.11	16.62	17.13	17.64	18.14	18.65				
Goodwill	0	20.32	20.32	20.32	20.32	20.32	20.32				
Debt	0	16.11	16.11	16.11	16.11	16.11	16.11				
Debt Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%				
Additional Interest Expense		1.31	1.31	1.31	1.31	1.31					
Tangible Book Value	11.909	-4.21	-3.70	-3.19	-2.68	-2.17	-1.67				-1.67
Annual Change			0.51	0.51	0.51	0.51	0.51				
Annual FCF	1.66	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	1.82
Annual Net Income	1.27		0.51	0.51	0.51	0.51	0.51	0.51	0.51		
Annual Op. Cash Flow	1.95	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	
Dividend Payments											
Annual PP&E Investment	(0.29)		0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Debt Paydown	0.00							0.00	0.00	0.00	

Sale Price in Year 5 **0.16**

Capital Left for Equity Investor **0.16**
 Dividend Payments **0.00**
 Total Cash In Flow **0.16**

We assume the debt taken on by the investor is now on the Co's books, so the investor has no more liability from the deal.

Invested Equity **16.11**
 IRR **-60.48%**

Value Creation
 TBV Growth (equals sum of NI Year 1-5) 2.54
 Cash Flow (Year 6-8) 1.82
4.36

Value Dilution
 Debt 16.11
 Goodwill 20.32
 Additional Interest 6.53
42.97