

June 26, 2013

SN VALUATION [Stocks, Real Estate, Bonds]

STEC (STEC)

Price:	\$6.80	Net Tang. Bk Value Incl. Cash, Excl.	\$223,370,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$239,452,625.00
Market Cap:	\$318,444,000	Goodwill (NTBVIC):		Avg. Year FCF/Share:	\$7,996,525.00
Cash:	\$132,930,000	NTBVIC/Market Downside Recovery:	70.14%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$0	Op. Cash Flow:	\$17,996,525	Year 5 Disposition Price:	\$263,442,200.00
Net Cash:	\$132,930,000	Implied Years to Fill Gap:	5.28		
Enterprise Value:	\$185,514,000	Today's Equity if 5x Op. CF:	\$277,359,575		
		Net Tang. Book+ Gain Disposition:			\$263,442,200.00
Shares Outstanding:	46,830,000	IRR:			-3.72%
				Price:	\$5.63
				Target Market Cap:	\$263,442,200
				Target Enterprise Value:	\$130,512,200

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

STEC was recently offered \$340 MM from Western Digital, or an EV value close to \$185MM, which is well substantiated by the NTBook Value, at 70% protection.

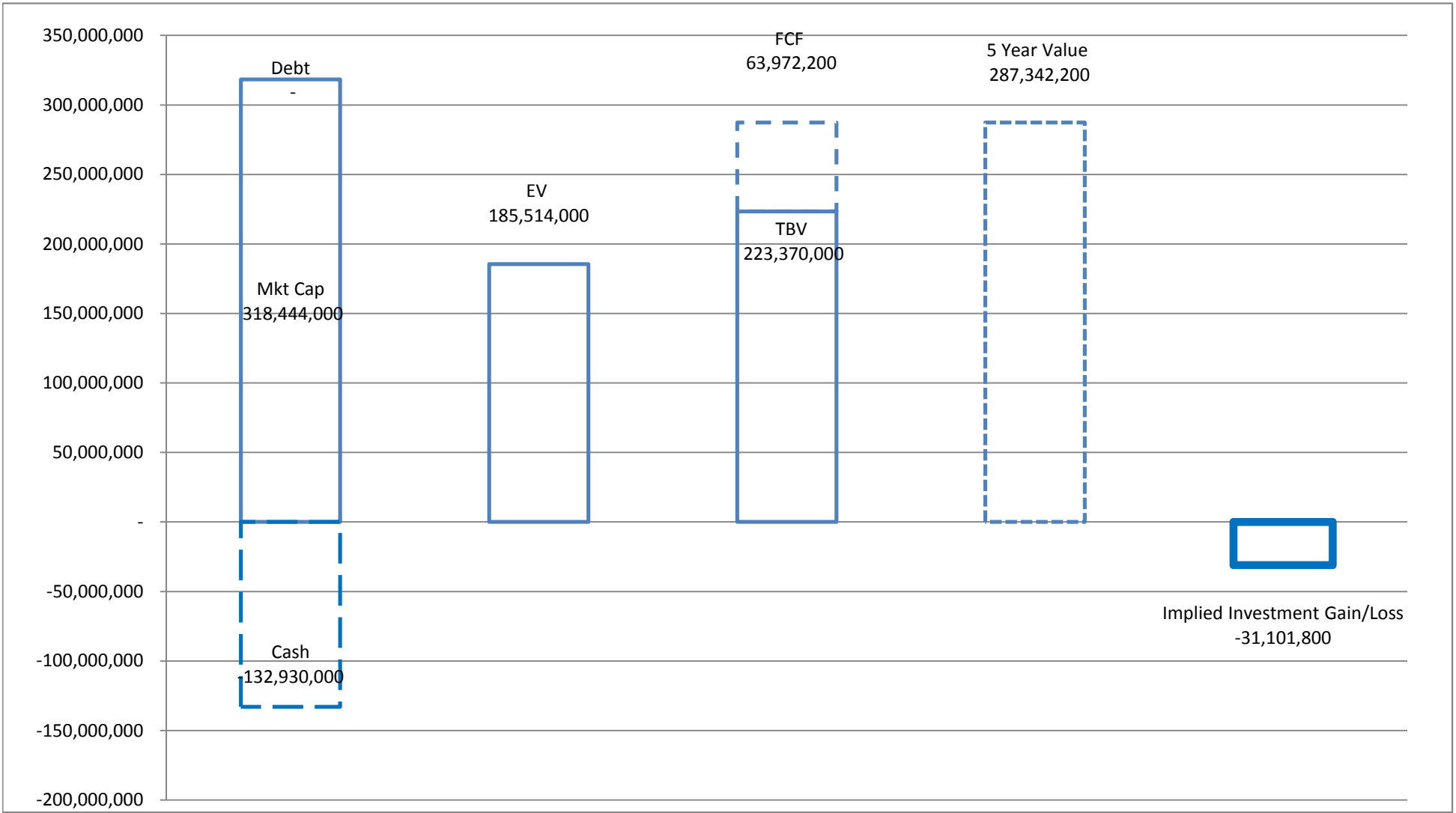
Should operations return to historic norms, then the op. cash flow would be \$20MM/annually, so a EV/FCF of 9x and close to our 5 year intrinsic value calculation.

We think Western Digital locked in a steady state memory manufacturer at a decent price.

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STEC, Inc., was incorporated in 1990 in the state of California. It provides enterprise-class Flash solid-state drives that are designed to increase the performance of enterprise-storage systems and servers that companies use to retain and access their critical data. Its products are designed for storage systems and servers that run applications requiring a high level of input/output operations per second ('IOPS') performance, capacity, reliability and low latency. The Company designs and develops its SSD controllers, enhance them with proprietary firmware and combine them with third-party Flash memory to form high-performance SSDs which provide a level of IOPS performance not currently possible with traditional hard disk drives ('HDDs'). The Company sells its SSDs to global storage and server original equipment manufacturers ('OEMs') which integrate them into storage systems and servers used by enterprises in a variety of industries including financial services, government, transportation, defense and aerospace, and transaction processing. It also manufactures small form factor Flash SSDs, cards and modules, as well as custom high density dynamic random access memory ('DRAM') modules for networking, communications and industrial applications. The Company markets its products to OEMs, leveraging its comprehensive design capabilities to offer custom storage solutions to address their specific needs. A major area of its Flash-based product investment has been applied to SSD technology. It also offers both monolithic DRAM modules and DRAM modules based on its proprietary stacking technology. The Company also offers both monolithic DRAM modules and DRAM modules based on its proprietary stacking technology. The Company's ZeusIOPS® SSDs are high performance enterprise-class data storage solutions. Its MACH-class SSDs are small form factor, high throughput storage solutions for mission-critical systems in a variety of industries. The Company's Industrial Grade Advanced Technology Attachment ('ATA') PC Cards are viable alternatives to HDDs due to their high reliability and low cost per useable megabyte. CompactFlash products provide full PC Card ATA functionality but are only one-fourth the size of a standard PC Card. Its flash module products include USB and Serial ATA interfaces and are targeted toward embedded systems where device footprint and low power are critical design parameters. The Company's Secure Digital ('SD') Flash Memory Cards are small, removable and non-volatile flash memory with a high performance interface. Its USB flash drive built upon an industrial-grade flash controller technology has capacity of 1GB to 8GB, its USB Flash Drive couples convenience and portability with performance and reliability. The Company offers DRAM products, including dual in-line memory modules ('DIMMs'), small-outline DIMMs, mini-registered DIMMs, very low profile registered DIMMs ('VLP RDIMMs') and Fully-Buffered DIMMs ('FB-DIMMs'). Its patented IC Tower semiconductor stacking technology enables the manufacturing of high capacity memory products. The Company competes with Hitachi GST, Intel, Micron, Samsung, SanDisk, Seagate, SMART Modular, Toshiba, and Western Digital in connection with the sale of Flash and DRAM products.

				Income Statement	
Company Name:	STEC	Market Capitalization:	\$318,444,000.00	Revenue:	\$139,920,000.00 100.0%
Ticker Symbol:	STEC	Total Debt:	\$0.00	Cost of Goods Sold:	\$80,080,000.00 57.2%
Last Price:	\$6.80	Total Cash:	\$132,930,000.00	Gross Profit:	\$59,840,000.00 42.8%
Net Cash/Share:	\$2.84	Net Cash/(Debt):	\$132,930,000.00	EBITDA:	-\$79,050,000.00 -56.5%
Net Cash to Last Price:	41.74%	Enterprise Value:	\$185,514,000.00	Net Income:	-\$118,000,000.00 -84.3%
Shares Outstanding:	46,830,000	Current EV/Share:	\$3.96		
Industry:	Announcements	EBITDA:	-\$67,280,000.00		
Sector:	Error	EV/EBITDA Multiple:	-2.76	Balance Sheet	
Institutional Ownership:	61.43%	EV/EBITDA Multiple Average Year 1-5:	10.22	Cash:	\$132,930,000.00
Mutual Fund Ownership:	20.98%	EV/FCF Multiple (excluding acquisition):	-9.27	Short Term Investment:	\$0.00
Insider Ownership:	6.23%	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	23.20	A/R:	\$14,000,000.00
Retail Ownership:	-87.94%			PP&E:	\$35,000,000.00
Float:	0.70%			Assets:	\$244,480,000.00
		Upper Range		A/P:	\$7,000,000.00
		DCF: EV/EBITDA Terminal Value		Deferred Tax:	\$0.00
				Other Liabilities:	\$24,190,000.00
		Implied TV from 3 X EV/EBITDA Multiple	\$10,098,600.00	Short term Debt:	\$0.00
				Long Term Debt:	\$0.00
		Enterprise Value	\$10,098,600.00	Liabilities:	\$31,190,000.00
		Cash at Year 5:	\$172,912,625.00	Retained Earnings:	\$75,000,000.00
		Debt at Year 5:	\$0.00	Paid-In Capital:	\$150,050,000.00
		Equity Value Year 5:	\$183,011,225.00	Treasury Stock:	\$0.00
		Equity/Share at Year 5:	\$3.91	Stockholder's Equity:	\$225,050,000.00
		Annualized Return:	-10.49%		
		Lower Range		Cash Flow	
		DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Net Income:	-103,220,000.00
		Year 5 Net Tangible Assets excluding cash and debt	\$6,720,000.00	Depreciation/Amortization:	14,780,000.00
		Enterprise Value	\$6,720,000.00	Change in Working capital:	36,450,000.00
		Cash at Year 5:	\$172,912,625.00	Cash from Operating Activities:	-9,200,000.00
		Debt at Year 5:	\$0.00	Capital Expenditures:	-10,820,000.00
		Equity Value Year 5:	\$179,632,625.00	Cash from Investing Activities:	-15,820,000.00
		Equity/Share at Year 5:	\$3.84	Total Cash Dividends Paid:	0.00
		Annualized Return:	-10.82%	Issuance (Retirement) of Stock:	2,140,000.00
		EVA		Issuance (Retirement) of Debt:	0.00
		EVA today:	\$110,538,929.37	Cash from Financing Activities:	2,400,000.00
		EVA in 5 Years:	\$70,509,422.95		
		EVA/Share:	\$1.51		
		Cash at Year 5:	\$172,912,625.00	Profitability Margins	
		Debt at Year 5:	\$0.00	Debt to Equity:	0.00%
		Equity Value Year 5:	\$243,422,047.95	Return on Assets:	-42.22%
		Equity/Share at Year 5:	\$5.20	Return on Capital:	-45.87%
		Annualized return	-8.60%	Return on Equity:	-45.87%
		Current Net Tangible Asset			
		Net Tangible Asset/Share:	\$4.41		
		Net Tangible Asset/Share in Year 5:	\$4.76		
		Annualized return	1.51%		
		Average EV to EBITDA:	N/A		
		Company EV to EBITDA:	-2.76		
		Average EV to EBIT:	N/A		
		Company EV to EBITA:	-2.26		
		Current Equity Price:	\$6.80		
		Selling at Discount?	Premium		
		Appreciation Potential:	-35.12%		



SN VALUATION

LBO Pro Forma Income Statement

Name:

STEC

Ticker:

STEC

	Historical				Forecasted				
	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2013	2014	2015	2016	2017
Revenue	354.18	280.15	308.06	168.31	168.31	168.31	168.31	168.31	168.31
COGS	185.24	158.43	173.85	108.47	109.40	109.40	109.40	109.40	109.40
Gross margin	168.94	121.72	134.21	59.84	58.91	58.91	58.91	58.91	58.91
SG&A	48.90	48.02	54.95	81.03	30.30	30.30	30.30	30.30	30.30
R&D	27.48	44.15	54.66	60.51	25.25	25.25	25.25	25.25	25.25
Unusual expense	3.41	0.99	0.00	0.36	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)	89.15	28.56	25.20	-82.06	3.37	3.37	3.37	3.37	3.37
Interest income/(expense)	0.00	0.00	-0.01	-0.01	1.58	1.58	1.58	1.58	1.58
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	0.60	2.58	0.11	-12.30	0.00	0.00	0.00	0.00	0.00
Income before tax	89.76	31.14	25.30	-94.37	4.95	4.95	4.95	4.95	4.95
Tax	18.22	2.44	0.20	8.85	1.73	1.73	1.73	1.73	1.73
Income after tax	71.54	28.70	25.10	-103.22	3.22	3.22	3.22	3.22	3.22
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	71.54	28.70	25.10	-103.22	3.22	3.22	3.22	3.22	3.22
*Figures are in millions (\$)									
EPS (based off today's share count)	\$1.53	\$0.61	\$0.54	-\$2.20	\$0.07	\$0.07	\$0.07	\$0.07	\$0.07
P/E (historical today's price; forecasted intrinsic price)	4.45	11.10	12.69	-3.09	95.32	91.77	88.36	85.07	81.90
Revenue Growth	N/A	-20.90%	9.96%	-45.36%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	20.30%	7.84%	0.79%	-9.38%	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	52.30%	56.55%	56.43%	64.45%	65.00%	65.00%	65.00%	65.00%	65.00%
Gross margin	47.70%	43.45%	43.57%	35.55%	35.00%	35.00%	35.00%	35.00%	35.00%
SG&A	13.81%	17.14%	17.64%	48.14%	18.00%	18.00%	18.00%	18.00%	18.00%
R&D	7.76%	15.76%	17.74%	35.95%	15.00%	15.00%	15.00%	15.00%	15.00%
Unusual expense	0.96%	0.35%	0.00%	0.21%	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)	25.17%	10.19%	8.18%	-48.76%	2.00%	2.00%	2.00%	2.00%	2.00%
Interest income/(expense)	0.00%	0.00%	0.00%	-0.01%	0.94%	0.94%	0.94%	0.94%	0.94%
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	0.17%	0.92%	0.04%	-7.31%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	25.34%	11.12%	8.21%	-56.07%	2.94%	2.94%	2.94%	2.94%	2.94%
Tax	5.14%	0.87%	0.06%	5.26%	1.03%	1.03%	1.03%	1.03%	1.03%
Income after tax	20.20%	10.24%	8.15%	-61.33%	1.91%	1.91%	1.91%	1.91%	1.91%
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	20.20%	10.24%	8.15%	-61.33%	1.91%	1.91%	1.91%	1.91%	1.91%

	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-12-31	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
					+	-						
Cash	135.66	170.46	180.85	158.23	132.93		132.93	140.93	148.92	156.92	164.92	172.91
Short term investment	10.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	145.66	170.46	180.85	158.23	132.93		132.93	140.93	148.92	156.92	164.92	172.91
Accounts Receivable	78.37	47.83	27.37	13.52	14.00		14.00	14.00	14.00	14.00	14.00	14.00
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	78.37	47.83	27.37	13.52	14.00		14.00	14.00	14.00	14.00	14.00	14.00
Total Inventory	42.74	88.97	61.74	41.76	42.09		42.09	42.09	42.09	42.09	42.09	42.09
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	2.84	4.61	8.87	10.21	7.96		7.96	7.96	7.96	7.96	7.96	7.96
Current Assets	269.61	311.87	278.83	223.72	196.98	0.00	196.98	204.98	212.97	220.97	228.97	236.96
PP&E, Gross	69.44	73.79	84.62	0.00	85.00		85.00	95.00	105.00	115.00	125.00	135.00
Change in Depreciation	12.19	12.27	13.12	14.78	14.78		14.78	14.78	14.78	14.78	14.78	14.78
Accumulated Depreciation	29.53	38.75	50.33	0.00	50.00		50.00	64.78	79.56	94.34	109.12	123.90
PP&E, Net	39.91	35.04	34.29	0.00	35.00		35.00	30.22	25.44	20.66	15.88	11.10
Goodwill	1.68	1.68	1.68	1.68	1.68	0.00	1.68	1.68	1.68	1.68	1.68	1.68
Intangibles	5.37	5.17	6.18	5.14	5.00		5.00	5.00	5.00	5.00	5.00	5.00
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	6.45	9.30	9.92	5.82	5.82		5.82	5.82	5.82	5.82	5.82	5.82
Long Term Assets	53.41	51.19	52.07	12.64	47.50		47.50	42.72	37.94	33.16	28.38	23.60
Total Assets	323.02	363.06	330.90	236.36	244.48	0.00	244.48	247.70	250.91	254.13	257.35	260.56
Accounts Payable	29.91	25.76	6.84	6.82	7.00		7.00	7.00	7.00	7.00	7.00	7.00
Accrued Expense	10.62	10.03	12.75	51.59	52.00		52.00	52.00	52.00	52.00	52.00	52.00
Other current Liabilities	3.45	3.44	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities	43.98	39.23	19.59	58.41	59.00	0.00	59.00	59.00	59.00	59.00	59.00	59.00
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
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
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	2.99	4.25	5.08	6.18	-27.81		-27.81	-27.81	-27.81	-27.81	-27.81	-27.81
Total Liabilities	46.97	43.48	24.67	64.59	31.19	0.00	31.19	31.19	31.19	31.19	31.19	31.19
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	0.05	0.05	0.05	0.05	0.05	0.00	0.05	0.05	0.05	0.05	0.05	0.05
Additional Paid-in capital	154.09	169.13	132.21	150.26	150.00	0.00	150.00	150.00	150.00	150.00	150.00	150.00
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	124.46	153.00	178.10	74.87	75.00	0.00	75.00	78.22	81.43	84.65	87.87	91.08
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	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	278.60	322.18	310.36	225.18	225.05	0.00	225.05	228.27	231.48	234.70	237.92	241.13
Liability + Equity	325.57	365.66	335.03	289.77	256.24	0.00	256.24	259.46	262.67	265.89	269.11	272.32
Variance	-2.55	-2.60	-4.13	-53.41	-11.76		-11.76	-11.76	-11.76	-11.76	-11.76	-11.76
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	8.29	3.15	4.99	4.03	4.00		4.00	4.00	4.00	4.00	4.00	4.00
Inventory Turnover Days	44.05	115.92	73.15	90.56	91.28		91.28	91.28	91.28	91.28	91.28	91.28
Days Inventory Outstanding	84.22	204.97	129.62	140.52	140.43		141.63	140.43	140.43	140.43	140.43	140.43
Accounts Receivable Turnover	4.52	5.86	11.26	12.45	12.02		12.02	12.02	12.02	12.02	12.02	12.02
Accounts Receivable Turnover Days	80.76	62.32	32.43	29.32	30.36		30.36	30.36	30.36	30.36	30.36	30.36
Days Payable Outstanding	58.94	59.35	14.36	22.95	23.35		23.55	23.35	23.35	23.35	23.35	23.35
Days Sales Outstanding	80.76	62.32	32.43	29.32	30.36		29.32	30.36	30.36	30.36	30.36	30.36
Cash Conversion Cycle	106.04	207.94	147.69	146.89	147.43		147.40	147.43	147.43	147.43	147.43	147.43
Net tangible assets/share	\$5.80	\$6.73	\$6.46	\$4.66	\$4.66			\$4.73	\$4.80	\$4.87	\$4.94	\$5.01

	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2011	2012	2013	2014	2015
Net Income	72.61	28.54	25.10	-103.22	3.22	3.22	3.22	3.22	3.22
Depreciation	12.19	12.27	13.12	14.78	14.78	14.78	14.78	14.78	14.78
Net Income + Depreciation	84.80	40.81	38.22	-88.44	18.00	18.00	18.00	18.00	18.00
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-0.69	-2.70	-1.48	10.57	0.00	0.00	0.00	0.00	0.00
Non Cash Items	4.91	8.28	10.97	32.22	0.00	0.00	0.00	0.00	0.00
Change in Working capital	10.76	-21.32	23.93	36.45	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	30.54	20.46	13.85	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	-46.23	27.23	19.98	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	-4.15	-18.92	-0.02	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	99.78	25.07	71.64	-9.20	18.00	18.00	18.00	18.00	18.00
Capital Expenditures Expenditures	-7.36	-6.42	-10.59	-10.82	-10.00	-10.00	-10.00	-10.00	-10.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-9.44	10.29	-0.23	-5.00	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-16.80	3.87	-10.82	-15.82	-10.00	-10.00	-10.00	-10.00	-10.00
Financing Cash flow items	9.82	2.07	1.58	0.26	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	9.47	3.79	-52.02	2.14	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	19.29	5.86	-50.44	2.40	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	33.38	135.66	170.46	180.85	132.93	140.93	148.92	156.92	164.92
Net Change in Cash	102.28	34.80	10.40	-22.62	8.00	8.00	8.00	8.00	8.00
Ending Cash Balance	135.66	170.46	180.86	158.23	140.93	148.92	156.92	164.92	172.91
Capex to Revenue	2.08%	2.29%	3.44%	6.43%	5.94%	5.94%	5.94%	5.94%	5.94%
Depreciation to Sales	3.44%	4.38%	4.26%	8.78%	8.78%	8.78%	8.78%	8.78%	8.78%
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	22.13%	17.07%	8.88%	8.03%	8.03%	8.03%	8.03%	8.03%	8.03%
Distributable FCF/EV Yield	44.73%	15.60%	32.78%	-13.49%	4.31%	4.31%	4.31%	4.31%	4.31%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	92.42	18.65	61.05	-20.02	8.00	8.00	8.00	8.00	8.00

SN VALUATION

LBO Debt Schedule

Ticker:

STEC

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-22.62	8.00	8.00	8.00	8.00	8.00
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		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Expense		0.00	0.00	0.00	0.00	0.00
Cash Balance		158.23				
Interest @ 1.0%		1.58	1.58	1.58	1.58	1.58
Net Interest Expense/(Income)		(1.58)	(1.58)	(1.58)	(1.58)	(1.58)
Net Interest Rate		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA		3.37	3.37	3.37	3.37	3.37
EBITDA/Interest Expense Coverage		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Interest Rate Coverage Table

Debt Rating					
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:

STEC

Ticker:

STEC

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	225.63	272.64	259.24	137.98	145.98	153.97	161.97	169.97	177.96
Total Assets	323.02	363.06	330.90	244.48	247.70	250.91	254.13	257.35	260.56
X1	0.70	0.75	0.78	0.56	0.59	0.61	0.64	0.66	0.68
Retained Earnings	124.46	153.00	178.10	75.00	78.22	81.43	84.65	87.87	91.08
Total Assets	323.02	363.06	330.90	244.48	247.70	250.91	254.13	257.35	260.56
X2	0.39	0.42	0.54	0.31	0.32	0.32	0.33	0.34	0.35
EBITDA	89.15	28.56	25.20	-82.06	3.37	3.37	3.37	3.37	3.37
Total Assets	323.02	363.06	330.90	244.48	247.70	250.91	254.13	257.35	260.56
X3	0.28	0.08	0.08	-0.34	0.01	0.01	0.01	0.01	0.01
Market Value of Equity	318.44	318.44	318.44	318.44	306.59	295.18	284.20	273.62	263.44
Total Liabilities	46.97	43.48	24.67	31.19	31.19	31.19	31.19	31.19	31.19
X4	6.78	7.32	12.91	10.21	9.83	9.46	9.11	8.77	8.45
Net Sales	354.18	280.15	308.06	168.31	168.31	168.31	168.31	168.31	168.31
Total Assets	323.02	363.06	330.90	244.48	247.70	250.91	254.13	257.35	260.56
X5	1.10	0.77	0.93	0.69	0.68	0.67	0.66	0.65	0.65
Altman Z Score	7.45	6.92	10.62	6.81	7.77	7.58	7.40	7.23	7.07

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

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	223.37	226.59	229.80	233.02	236.24	239.45				239.45
Annual Change		3.22	3.22	3.22	3.22	3.22				
Annual FCF	(20.02)	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	23.99
Annual Op. Cash Flow	(9.20)	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	
Annual PP&E Investment	(10.82)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	
Today's Tangible Book Value	223.37	226.50	229.67	232.89	236.15	239.45				263.44
Intrinsic Value IRR	1.40%									
Market Price	318.44	306.59	295.18	284.20	273.62	263.44				263.44
Market Price IRR	-3.72%									

Debt	0.00%	0.00
Equity	100.00%	318.44
Total	100.00%	318.44

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5	6	7	8
Book Equity	225.05	318.44	321.66	324.88	328.09	331.31	334.53			
Goodwill	1.68	95.07	95.07	95.07	95.07	95.07	95.07			
Debt	0	0.00	0.00	0.00	0.00	0.00	0.00			
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%			
Additional Interest Expense		0.00	0.00	0.00	0.00	0.00				
Tangible Book Value	223.37	223.37	226.59	229.80	233.02	236.24	239.45			239.45
Annual Change			3.22	3.22	3.22	3.22	3.22			
Annual FCF	(20.02)		8.00	8.00	8.00	8.00	8.00	8.00	8.00	23.99
Annual Net Income	(103.22)		3.22	3.22	3.22	3.22	3.22	3.22	3.22	
Annual Op. Cash Flow	(9.20)		18.00	18.00	18.00	18.00	18.00	18.00	18.00	
Dividend Payments										
Annual PP&E Investment	(10.82)		(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	
Debt Paydown	0.00						0.00	0.00	0.00	
Sale Price in Year 5										263.44
Remaining Debt Balance										0.00
Capital Left for Equity Investor										263.44
Dividend Payments										0.00
Total Cash In Flow										263.44
Invested Equity	318.44	306.59	295.18	284.20	273.62	263.44				
IRR	-3.72%									

<u>Value Creation</u>	
TBV Growth (equals sum of NI Year 1-5)	16.08
Cash Flow (Year 6-8)	23.99
	40.07

<u>Value Dilution</u>	
Debt	0.00
Goodwill	93.39
Additional Interest	0.00
	93.39