

January 9, 2012

# SN VALUATION [Stocks, Real Estate, Bonds]

Analyst: Sung Nam

## Scholastic Corp (SCHL)

Market Price:	\$29.85	EBITDA/Share:	\$5.18	Net Asset/Share:	\$13.06
DCF: EV/EBITDA Terminal Value	-8.354%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value	-15.573%		
EBITDA-Cap Ex/Share	\$1.31	EVA Analysis:	7.220%		

### Overview

SCHL publishes childrens' books. We remember seeing the brand when we were kids. Most likely, the transfer of data to a digital format will cut demand for books, even at schools. As a result, the company's growth is capped at 2-3% annually.

### **Dividend?**

Dividend yield is 1.68%.

### **Price to Book**

Price to book is 1.25. Price to book excluding goodwill is 2.29.

### **Cashflow Generation**

Cashflows are \$160MM from operating cashflow.

Capex is \$130 MM, minority interest payment is \$0 MM, intangibles are \$10 MM and dividend is \$10 MM.

Free cash flow is about \$10 MM.

5.3% EBITA margin and FCF yield is 2.7%.

The company has \$105 MM in cash/short term investment and \$259 MM in debt.

We are projecting a \$0 MM paydown annually.

### **Profitability**

ROA is 2.9%, and ROC is 5.9%.

### **Bankruptcy Risk**

Altman Z is above 3. Risk is low.

### **LBO?**

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

### **Price**

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# Altman Z Score

Company Name:

Scholastic Corp

Ticker:

SCHL

Period	2007	2008	2009	2010	2011	2012	2013	2014	2015
Working Capital	118.50	53.90	191.70	37.70	41.96	53.89	72.72	97.54	128.36
Total Assets	1,761.60	1,608.80	1,600.40	1,487.00	1,512.56	1,540.85	1,571.91	1,605.79	1,642.61
<b>X1</b>	<b>0.07</b>	<b>0.03</b>	<b>0.12</b>	<b>0.03</b>	<b>0.03</b>	<b>0.03</b>	<b>0.05</b>	<b>0.06</b>	<b>0.08</b>
Retained Earnings	588.30	562.80	607.80	635.80	672.36	711.65	753.71	798.59	846.41
Total Assets	1,761.60	1,608.80	1,600.40	1,487.00	1,512.56	1,540.85	1,571.91	1,605.79	1,642.61
<b>X2</b>	<b>0.33</b>	<b>0.35</b>	<b>0.38</b>	<b>0.43</b>	<b>0.44</b>	<b>0.46</b>	<b>0.48</b>	<b>0.50</b>	<b>0.52</b>
EBITDA	275.60	121.80	187.90	160.80	135.16	139.22	143.39	147.69	152.13
Total Assets	1,761.60	1,608.80	1,600.40	1,487.00	1,512.56	1,540.85	1,571.91	1,605.79	1,642.61
<b>X3</b>	<b>0.16</b>	<b>0.08</b>	<b>0.12</b>	<b>0.11</b>	<b>0.09</b>	<b>0.09</b>	<b>0.09</b>	<b>0.09</b>	<b>0.09</b>
Market Value of Equity	926.84	926.84	926.84	926.84	831.88	746.65	670.16	601.49	539.87
Total Liabilities	888.50	823.80	770.00	747.00	845.50	845.50	845.50	845.50	845.50
<b>X4</b>	<b>1.04</b>	<b>1.13</b>	<b>1.20</b>	<b>1.24</b>	<b>0.98</b>	<b>0.88</b>	<b>0.79</b>	<b>0.71</b>	<b>0.64</b>
Net Sales	2,159.10	1,849.30	1,912.90	1,906.10	1,930.88	1,988.81	2,048.47	2,109.92	2,173.22
Total Assets	1,761.60	1,608.80	1,600.40	1,487.00	1,512.56	1,540.85	1,571.91	1,605.79	1,642.61
<b>X5</b>	<b>1.23</b>	<b>1.15</b>	<b>1.20</b>	<b>1.28</b>	<b>1.28</b>	<b>1.29</b>	<b>1.30</b>	<b>1.31</b>	<b>1.32</b>
<b>Altman Z Score</b>	<b>2.92</b>	<b>2.60</b>	<b>2.98</b>	<b>3.01</b>	<b>2.82</b>	<b>2.81</b>	<b>2.81</b>	<b>2.81</b>	<b>2.83</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

Scholastic Corporation (Scholastic) together with its subsidiaries is a global children's publishing, education and media company. Scholastic is a publisher and distributor of children's books and a provider of educational technology products and related services. Scholastic also creates educational and entertainment materials and products for use in school and at home, including magazines, children's reference and non-fiction materials, teacher materials, television programming, film, videos and toys. It distributes its products and services through these channels, as well as directly to schools and libraries, through retail stores and through the Internet. Its Website, [scholastic.com](http://scholastic.com), is a site for teachers, classrooms and parents and destination for children. Scholastic operates in four segments: Children's Book Publishing and Distribution; Educational Publishing; Media, Licensing and Advertising (which collectively represent the Company's domestic operations), and International.

<b>Company Name:</b>		<b>Scholastic Corp</b>			<b>Income Statement</b>	
Ticker Symbol:	SCHL	Market Capitalization:	\$926,842,500.00	Revenue:	\$1,950,000,000.00	100.0%
<b>Last Price:</b>	<b>\$29.85</b>	Total Debt:	\$258,900,000.00	Cost of Goods Sold:	\$930,000,000.00	47.7%
Net Cash/Share:	-\$4.95	Total Cash:	\$105,300,000.00	Gross Profit:	\$1,020,000,000.00	52.3%
Net Cash to Last Price:	-16.57%	Net Cash/(Debt):	-\$153,600,000.00	EBITDA:	\$189,300,000.00	9.7%
Shares Outstanding:	31,050,000	Enterprise Value:	\$1,080,442,500.00	Net Income:	\$58,200,000.00	3.0%
Industry:	Publishing	Current EV/Share:	\$34.80			
Sector:	Consumer Cyclical	EBITDA:	\$160,800,000.00	<b>Balance Sheet</b>		
Institutional Ownership:	87.28%	EV/EBITDA Multiple:	6.72	Cash:	\$105,300,000.00	
Mutual Fund Ownership:	0.28%	EV/EBITDA Multiple Average Year 1-5:	12.94	Short Term Investment:	\$0.00	
Insider Ownership:	19.85%	EV/FCF Multiple:	-24.84	A/R:	\$220,300,000.00	
Retail Ownership:	-27.26%	EV/FCF Multiple Year 1:	70.82	PP&E:	\$800,300,000.00	
Float:	80.15%			Assets:	\$1,487,000,000.00	
			<b>Upper Range</b>			
			<b>DCF: EV/EBITDA Terminal Value</b>			
			Implied TV from 5 X EV/EBITDA Multiple	\$760,627,582.12		
			Enterprise Value	\$760,627,582.12		
			Cash at Year 5:	\$195,961,214.62		
			Debt at Year 5:	\$357,400,000.00		
			Equity Value Year 5:	\$599,188,796.74		
			<b>Equity/Share at Year 5:</b>	<b>\$19.30</b>		
			Annualized Return:	-8.35%		
			<b>Lower Range</b>			
			<b>DCF: Net Tangible Asset excluding Cash/Debt Terminal Value</b>			
			Year 5 Net Tangible Assets excluding cash and debt	\$559,000,000.00		
			Enterprise Value	\$559,000,000.00		
			Cash at Year 5:	\$195,961,214.62		
			Debt at Year 5:	\$357,400,000.00		
			Equity Value Year 5:	\$397,561,214.62		
			<b>Equity/Share at Year 5:</b>	<b>\$12.80</b>		
			Annualized Return:	-15.57%		
			<b>EVA</b>			
			EVA today:	\$726,324,248.70		
			EVA in 5 Years:	\$1,029,226,238.79		
			EVA/Share:	\$33.15		
			Cash at Year 5:	\$195,961,214.62		
			Debt at Year 5:	\$357,400,000.00		
			Equity Value Year 5:	\$867,787,453.42		
			<b>Equity/Share at Year 5:</b>	<b>\$27.95</b>		
			<b>Annualized return</b>	<b>7.22%</b>		
			<b>Current Net Tangible Asset</b>			
			<b>Net Tangible Asset/Share:</b>	<b>\$13.06</b>		
			<b>Net Tangible Asset/Share in Year 5:</b>	<b>\$21.72</b>		
			Annualized return	10.71%		
			Current Equity Price:	\$29.85		
			Selling at Discount?	Premium		
			Appreciation Potential:	-56.26%		
			<b>Dividend Model</b>			
			<b>Next Year Dividend</b>	<b>\$16,195,713.31</b>		
			<b>WACC:</b>	<b>10.02%</b>		
			Dividend:	\$15,525,000.00		
			Net Income:	\$58,200,000.00		
<b>Technicals</b>		\$23.32				
52 week low:	\$23.32					
Today from 52 week low:	28.00%					
52 week high:	\$32.00					
Today from 52 week high:	7.20%					
50 day Moving Average:	\$27.24					
200 day Moving Average:	\$26.90					
<b>Analyst/Consensus</b>						
Analyst Sales Growth FY1:	1.30%					
Analyst Sales Growth FY2:	2.90%					
SN Valuation Estimate FY1:	1.30%					
SN Valuation Estimate FY2:	3.00%					
<b>Analyst Earnings Estimate</b>						
Analyst Earnings Estimate FY1:	\$2.01					
Analyst Earnings Estimate FY2:	\$2.40					
SN Valuation Earnings Est. FY1:	\$1.18					
SN Valuation Earnings Est. FY2:	\$1.27					
<b>Multiples</b>						
Market Value to Book:	1.25					
EV to Book:	1.46					
Market Value to Tangible Net Assets:	3.09					
P/E Ratio:	15.93					
Trailing P/E Ratio:	17.19					
Forward P/E Ratio:	12.44					
Beta:	1.13					
Dividend:	0.5					
Dividend Yield:	1.68%					
Dividend Date:	Mar 14, 2012					
Ex-Dividend Date:	Oct 27, 2011					
<b>Competitors</b>						
Average EV to EBITDA:	N/A					
Company EV to EBITDA:	6.72					
Average EV to EBIT:	N/A					
Company EV to EBITA:	10.73					
<b>Cash Flow</b>						
		Net Income:	\$39,400,000.00			
		Depreciation/Amortization:	111,200,000.00			
		Change in Working capital:	5,600,000.00			
		Cash from Operating Activities:	228,400,000.00			
		Capital Expenditures:	-132,200,000.00			
		Cash from Investing Activities:	-141,100,000.00			
		Total Cash Dividends Paid:	-10,800,000.00			
		Issuance (Retirement) of Stock:	-164,000,000.00			
		Issuance (Retirement) of Debt:	-54,400,000.00			
		Cash from Financing Activities:	-230,500,000.00			
<b>Profitability Margins</b>						
		Debt to Equity:	34.99%			
		Return on Assets:	2.93%			
		Return on Capital:	4.36%			
		Return on Equity:	5.89%			

# SN VALUATION

# LBO Analysis

WACC Terminal Value:		<b>Intrinsic Price in 5 Years:</b>	<b>17.39</b>	<b>Non-LBO Forecast</b>	<b>26.79</b>	<b>Non-LBO Forecast</b>	<b>Desired Return Rate</b>	<b>20.00%</b>	
EV/EBITDA with 5X Multiple Terminal Value:	\$19.30	Market Price:	29.85	Year 1 Target	26.79	Year 2 Target	24.05	<b>Implied Today's Price</b>	<b>6.99</b>
Net Tangible Asset Terminal Value:	\$12.80	LBO Price:	<b>29.85</b>	Year 3 Target	21.58	Year 4 Target	19.37	Overvalued/(Undervalued)	327.19%
EV/EBITDA with Today's Multiple Terminal Value:	\$9.50	Premium to Market Price:	0.00%	Year 5 Target	17.39				
EVA Enterprise Value:	\$27.95	LBO Price/Intrinsic Price Target:	-10.25%						
Dividend Discount Model:	\$9.15	LBO Price/EV/EBIT Exit Price:	-24.29%	<b>Implied IRR (Market Price):</b>	<b>-10.25%</b>				
Average (Excluding Dividend Discount):	<b>\$17.39</b>	Implied IRR at today's EV/EBIT:	-20.47%						
		5 Year Return:	-41.75%						

Current Evaluation				Exit Evaluation			
Current Market Price:	29.85	LBO Price:	29.85	Exit Price:	17.39	Exit Price:	9.50
Outstanding Shares:	31,050,000	Outstanding Shares:	31,050,000	Outstanding Shares:	31,050,000	Outstanding Shares:	31,050,000
<b>Market Capitalization:</b>	<b>926,842,500</b>	<b>Market Capitalization:</b>	<b>926,842,500</b>	<b>Market Capitalization:</b>	<b>539,868,807</b>	<b>Market Capitalization:</b>	<b>294,937,764</b>
Available Cash:	105,300,000	Available Cash:	105,300,000	Available Cash:	195,961,215	Available Cash:	195,961,215
Debt:	258,900,000	Debt:	258,900,000	Debt:	357,400,000	Debt:	357,400,000
Net Cash:	<b>-153,600,000</b>	Net Cash:	<b>-153,600,000</b>	Net Cash:	<b>-161,438,785</b>	Net Cash:	<b>-161,438,785</b>
<b>Enterprise Value:</b>	<b>1,080,442,500</b>	<b>Enterprise Value:</b>	<b>1,080,442,500</b>	<b>Enterprise Value:</b>	<b>701,307,593</b>	<b>Enterprise Value:</b>	<b>456,376,549</b>
Original EV/EBIT:	10.73	EV/EBIT:	10.73	EV/EBIT at 5 Years:	7.61	EV/EBIT at 5 Years:	<b>3.00</b>
Original EV/EBITDA:	6.72	EV/EBITDA:	6.72	EV/EBITDA at 5 Years:	6.03	EV/EBITDA at 5 Years:	2.84
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:	29.85	29.85	26.79	24.05	21.58	19.37	17.39
Shares Outstanding:	31,050,000	31,050,000	31,050,000	31,050,000	31,050,000	31,050,000	31,050,000
<b>Market Capitalization:</b>	<b>926,842,500</b>	<b>926,842,500</b>	<b>831,883,287</b>	<b>746,653,075</b>	<b>670,155,085</b>	<b>601,494,660</b>	<b>539,868,807</b>
Available Cash:	105,300,000	105,300,000	109,557,101	121,493,457	140,321,852	165,141,733	195,961,215
Debt:	258,900,000	258,900,000	357,400,000	357,400,000	357,400,000	357,400,000	357,400,000
Net Cash:	-153,600,000	-153,600,000	-247,842,899	-235,906,543	-217,078,148	-192,258,267	-161,438,785
<b>Enterprise Value:</b>	<b>1,080,442,500</b>	<b>1,080,442,500</b>	<b>1,079,726,185</b>	<b>982,559,618</b>	<b>887,233,233</b>	<b>793,752,927</b>	<b>701,307,593</b>
EBIT	100,700,000	100,700,000	75,161,551	79,216,398	83,392,889	87,694,676	92,125,516
EV/EBIT:	10.73	10.73	14.37	12.40	10.64	9.05	7.61
EBITDA	160,800,000	160,800,000	136,042,851	141,924,137	147,981,861	154,221,316	160,647,956
EV/EBITDA:	6.72	6.72	7.94	6.92	6.00	5.15	4.37

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	29.85	29.85	17.99	19.78	21.83	24.11	26.63
Shares Outstanding:	31,050,000	31,050,000	31,050,000	31,050,000	31,050,000	31,050,000	31,050,000
<b>Market Capitalization:</b>	<b>926,842,500</b>	<b>926,842,500</b>	<b>558,589,416</b>	<b>614,031,517</b>	<b>677,670,829</b>	<b>748,645,955</b>	<b>827,005,339</b>
Available Cash:	105,300,000	105,300,000	109,557,101	121,493,457	140,321,852	165,141,733	195,961,215
Debt:	258,900,000	258,900,000	357,400,000	357,400,000	357,400,000	357,400,000	357,400,000
Net Cash:	-153,600,000	-153,600,000	-247,842,899	-235,906,543	-217,078,148	-192,258,267	-161,438,785
<b>Enterprise Value:</b>	<b>1,080,442,500</b>	<b>1,080,442,500</b>	<b>806,432,314</b>	<b>849,938,059</b>	<b>894,748,977</b>	<b>940,904,222</b>	<b>988,444,124</b>
EBIT	100,700,000	100,700,000	75,161,551	79,216,398	83,392,889	87,694,676	92,125,516
EV/EBIT:	10.73	10.73	10.73	10.73	10.73	10.73	10.73
EBITDA	160,800,000	160,800,000	136,042,851	141,924,137	147,981,861	154,221,316	160,647,956
EV/EBITDA:	6.72	6.72	5.93	5.99	6.05	6.10	6.15

LBO Price	29.85	Equity Partners:	1,185,742,500	Weighting	<b>100.00%</b>	<b>Annualized Return for Equity Partners:</b>	<b>-24.29%</b>
Shares Outstanding	31,050,000	Debt Partners:	0		0.00%		
<b>Market Capitalization</b>	<b>926,842,500</b>	<b>Total Funds for LBO:</b>	<b>1,185,742,500</b>		<b>100.00%</b>		
Debt	258,900,000						
Cash	105,300,000						
<b>Enterprise Value</b>	<b>1,080,442,500</b>						
<b>Capital Investment</b>	<b>1,185,742,500</b>						

<b>Book Value</b>		<b>Enterprise Value</b>		<b>Stock Valuation</b>		<b>Debt Reduction</b>	
Beginning Book Value	740.00	Beginning Enterprise Value	1,080.44	Current Market Price	\$29.85	Starting Debt	159.90
Year 5 Book Value	895.61	Year 5 Enterprise Value	456.38	Year 5 Market Price	\$9.50	Debt Repayment	0.00
<b>Annualized Return</b>	<b>3.89%</b>	<b>Annualized Return</b>	<b>-15.83%</b>	<b>Annualized Return</b>	<b>-20.47%</b>	Year 5 Ending Debt	214.90
						<b>% of Starting Debt</b>	<b>134.40%</b>

## SN VALUATION

## LBO Pro Forma Income Statement

Name:

Scholastic Corp

Ticker:

SCHL

	Historical				Forecasted				
	12 months ending 2008-05-31	12 months ending 2009-05-31	12 months ending 2010-05-31	12 months ending 2011-05-31	2011	2012	2013	2014	2015
Revenue	2,159.10	1,849.30	1,912.90	1,906.10	1,930.88	1,988.81	2,048.47	2,109.92	2,173.22
COGS	1,042.30	881.70	859.80	885.90	907.51	934.74	962.78	991.66	1,021.41
<b>Gross margin</b>	<b>1,116.80</b>	<b>967.60</b>	<b>1,053.10</b>	<b>1,020.20</b>	<b>1,023.37</b>	<b>1,054.07</b>	<b>1,085.69</b>	<b>1,118.26</b>	<b>1,151.81</b>
SG&A	834.20	791.60	808.20	844.90	868.90	894.96	921.81	949.47	977.95
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	7.00	54.20	57.00	14.50	19.31	19.89	20.48	21.10	21.73
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	62.20	61.20	59.50	60.10	60.00	60.00	60.00	60.00	60.00
<b>Operating Income (EBITA)</b>	<b>213.40</b>	<b>60.60</b>	<b>126.40</b>	<b>100.70</b>	<b>75.16</b>	<b>79.22</b>	<b>83.39</b>	<b>87.69</b>	<b>92.13</b>
Interest income/(expense)	-29.80	-36.50	-17.70	-19.20	-19.66	-19.66	-19.66	-19.66	-19.66
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	2.60	0.70	0.90	-0.40	0.10	0.03	0.01	0.03	0.02
<b>Income before tax</b>	<b>186.20</b>	<b>24.80</b>	<b>111.60</b>	<b>81.10</b>	<b>55.40</b>	<b>59.53</b>	<b>63.72</b>	<b>68.01</b>	<b>72.44</b>
Tax	68.90	17.80	52.90	37.50	18.84	20.24	21.67	23.12	24.63
<b>Income after tax</b>	<b>117.30</b>	<b>7.00</b>	<b>58.70</b>	<b>43.60</b>	<b>36.56</b>	<b>39.29</b>	<b>42.06</b>	<b>44.89</b>	<b>47.81</b>
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
<b>Net income</b>	<b>117.30</b>	<b>7.00</b>	<b>58.70</b>	<b>43.60</b>	<b>36.56</b>	<b>39.29</b>	<b>42.06</b>	<b>44.89</b>	<b>47.81</b>
*Figures are in millions (\$)									
<b>Revenue Growth</b>	<b>N/A</b>	<b>-14.35%</b>	<b>3.44%</b>	<b>-0.36%</b>	<b>1.30%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
Tax Rate	37.00%	71.77%	47.40%	46.24%	34.00%	34.00%	34.00%	34.00%	34.00%
Implied Debt Interest Rate	-7.25%	-10.09%	-5.73%	-7.42%	-12.29%	-9.15%	-9.15%	-9.15%	-9.15%
<b>Margins</b>									
COGS	48.27%	47.68%	44.95%	46.48%	47.00%	47.00%	47.00%	47.00%	47.00%
<b>Gross margin</b>	<b>51.73%</b>	<b>52.32%</b>	<b>55.05%</b>	<b>53.52%</b>	<b>53.00%</b>	<b>53.00%</b>	<b>53.00%</b>	<b>53.00%</b>	<b>53.00%</b>
SG&A	38.64%	42.81%	42.25%	44.33%	45.00%	45.00%	45.00%	45.00%	45.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.32%	2.93%	2.98%	0.76%	1.00%	1.00%	1.00%	1.00%	1.00%
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	2.88%	3.31%	3.11%	3.15%	3.11%	3.02%	2.93%	2.84%	2.76%
<b>Operating Income (EBITA)</b>	<b>9.88%</b>	<b>3.28%</b>	<b>6.71%</b>	<b>5.28%</b>	<b>3.89%</b>	<b>3.98%</b>	<b>4.07%</b>	<b>4.16%</b>	<b>4.24%</b>
Interest income/(expense)	-1.38%	-1.97%	-0.93%	-1.01%	-1.02%	-0.99%	-0.96%	-0.93%	-0.90%
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	0.12%	0.04%	0.05%	-0.02%	0.01%	0.00%	0.00%	0.00%	0.00%
<b>Income before tax</b>	<b>8.62%</b>	<b>1.34%</b>	<b>5.83%</b>	<b>4.25%</b>	<b>2.87%</b>	<b>2.99%</b>	<b>3.11%</b>	<b>3.22%</b>	<b>3.33%</b>
Tax	3.19%	0.96%	2.77%	1.97%	0.98%	1.02%	1.06%	1.10%	1.13%
<b>Income after tax</b>	<b>5.43%</b>	<b>0.38%</b>	<b>3.07%</b>	<b>2.29%</b>	<b>1.89%</b>	<b>2.03%</b>	<b>2.18%</b>	<b>2.32%</b>	<b>2.48%</b>
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%
<b>Net income</b>	<b>5.43%</b>	<b>0.38%</b>	<b>3.07%</b>	<b>2.29%</b>	<b>1.89%</b>	<b>1.98%</b>	<b>2.05%</b>	<b>2.13%</b>	<b>2.20%</b>

					Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2008-05-31	As of 2009-05-31	As of 2010-05-31	As of 2011-05-31	+	-						
Cash	116.10	143.60	244.10	105.30			105.30	109.56	121.49	140.32	165.14	195.96
Short term investment	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash and Short term</b>	<b>116.10</b>	<b>143.60</b>	<b>244.10</b>	<b>105.30</b>			<b>105.30</b>	<b>109.56</b>	<b>121.49</b>	<b>140.32</b>	<b>165.14</b>	<b>195.96</b>
Accounts Receivable	202.80	197.40	212.50	220.30			220.30	220.30	220.30	220.30	220.30	220.30
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>202.80</b>	<b>197.40</b>	<b>212.50</b>	<b>220.30</b>			<b>220.30</b>	<b>220.30</b>	<b>220.30</b>	<b>220.30</b>	<b>220.30</b>	<b>220.30</b>
Deferred Income Tax	-416.90	-415.60	-353.10	-341.70			-341.70	-341.70	-341.70	-341.70	-341.70	-341.70
Total Inventory	358.90	344.80	315.70	309.90			309.90	309.90	309.90	309.90	309.90	309.90
Prepaid Expenses	58.70	40.30	42.50	57.10			57.10	57.10	57.10	57.10	57.10	57.10
Other Current Assets	181.40	93.70	72.20	65.50			65.50	65.50	65.50	65.50	65.50	65.50
<b>Current Assets</b>	<b>501.00</b>	<b>404.20</b>	<b>533.90</b>	<b>416.40</b>	<b>0.00</b>	<b>0.00</b>	<b>416.40</b>	<b>420.66</b>	<b>432.59</b>	<b>451.42</b>	<b>476.24</b>	<b>507.06</b>
PP&E, Gross	755.50	731.00	729.20	800.30			800.30	920.30	1,040.30	1,160.30	1,280.30	1,400.30
Change in Depreciation	62.20	61.20	59.50	60.10			60.10	60.88	62.71	64.59	66.53	68.52
Accumulated Depreciation	0.00	0.00	59.50	119.60			119.60	180.48	243.19	307.78	374.30	442.83
<b>PP&amp;E, Net</b>	<b>755.50</b>	<b>731.00</b>	<b>669.70</b>	<b>680.70</b>			<b>680.70</b>	<b>739.82</b>	<b>797.11</b>	<b>852.52</b>	<b>906.00</b>	<b>957.47</b>
Goodwill	164.40	157.00	156.60	154.20	0.00		154.20	154.20	154.20	154.20	154.20	154.20
Intangibles	211.30	215.80	171.30	180.40			180.40	142.59	101.65	58.47	14.06	-31.43
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	129.40	100.80	68.90	55.30			55.30	55.30	55.30	55.30	55.30	55.30
<b>Long Term Assets</b>	<b>1,260.60</b>	<b>1,204.60</b>	<b>1,066.50</b>	<b>1,070.60</b>			<b>1,070.60</b>	<b>1,091.91</b>	<b>1,108.26</b>	<b>1,120.49</b>	<b>1,129.55</b>	<b>1,135.55</b>
<b>Total Assets</b>	<b>1,761.60</b>	<b>1,608.80</b>	<b>1,600.40</b>	<b>1,487.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,487.00</b>	<b>1,512.56</b>	<b>1,540.85</b>	<b>1,571.91</b>	<b>1,605.79</b>	<b>1,642.61</b>
Accounts Payable	108.70	128.20	101.00	120.20			120.20	120.20	120.20	120.20	120.20	120.20
Accrued Expense	216.50	180.60	198.50	208.80			208.80	208.80	208.80	208.80	208.80	208.80
Other current Liabilities	57.30	41.50	42.70	49.70			49.70	49.70	49.70	49.70	49.70	49.70
<b>Total Current Liabilities</b>	<b>382.50</b>	<b>350.30</b>	<b>342.20</b>	<b>378.70</b>	<b>0.00</b>	<b>0.00</b>	<b>378.70</b>	<b>378.70</b>	<b>378.70</b>	<b>378.70</b>	<b>378.70</b>	<b>378.70</b>
Notes Payables/Short Term Debt	54.60	53.70	50.30	43.50			43.50	43.50	43.50	43.50	43.50	43.50
Current port. Of LT Debt/Capital Leases	4.90	3.40	0.90	0.50			0.50	44.00	44.00	44.00	44.00	44.00
Long term Debt	295.10	250.00	202.50	159.90	0.00	0.00	159.90	214.90	214.90	214.90	214.90	214.90
Capital Lease Obligations	56.70	54.50	55.00	55.00			55.00	55.00	55.00	55.00	55.00	55.00
<b>Total Interest Earning Debt</b>	<b>411.30</b>	<b>361.60</b>	<b>308.70</b>	<b>258.90</b>	<b>0.00</b>	<b>0.00</b>	<b>258.90</b>	<b>357.40</b>	<b>357.40</b>	<b>357.40</b>	<b>357.40</b>	<b>357.40</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	94.70	111.90	119.10	109.40			109.40	109.40	109.40	109.40	109.40	109.40
<b>Total Liabilities</b>	<b>888.50</b>	<b>823.80</b>	<b>770.00</b>	<b>747.00</b>	<b>0.00</b>	<b>0.00</b>	<b>747.00</b>	<b>845.50</b>	<b>845.50</b>	<b>845.50</b>	<b>845.50</b>	<b>845.50</b>
Redeemable Preferred Stock	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
Common Stock	0.40	0.40	0.40	0.40		0.00	0.40	0.40	0.40	0.40	0.40	0.40
Additional Paid-in capital	539.10	552.90	569.20	576.60	0.00	0.00	576.60	576.60	576.60	576.60	576.60	576.60
Dividends Paid	0.00	0.00	0.00	0.00			0.00	-11.00	-22.00	-33.00	-44.00	-55.00
Retained Earnings	588.30	562.80	607.80	635.80		0.00	635.80	672.36	711.65	753.71	798.59	846.41
Treasury Stock	-220.00	-254.00	-261.60	-418.90			-418.90	-418.90	-418.90	-418.90	-418.90	-418.90
Other Equity	-34.70	-77.10	-85.40	-53.90		0.00	-53.90	-53.90	-53.90	-53.90	-53.90	-53.90
<b>Total Equity</b>	<b>873.10</b>	<b>785.00</b>	<b>830.40</b>	<b>740.00</b>	<b>0.00</b>	<b>0.00</b>	<b>740.00</b>	<b>765.56</b>	<b>793.85</b>	<b>824.91</b>	<b>858.79</b>	<b>895.61</b>
<b>Liability + Equity</b>	<b>1,761.60</b>	<b>1,608.80</b>	<b>1,600.40</b>	<b>1,487.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,487.00</b>	<b>1,611.06</b>	<b>1,639.35</b>	<b>1,670.41</b>	<b>1,704.29</b>	<b>1,741.11</b>
<b>Variance</b>	0.00	0.00	0.00	0.00			0.00	-98.50	-98.50	-98.50	-98.50	-98.50
<b>Debt/Equity</b>	0.47	0.46	0.37	0.35			0.35	0.47	0.45	0.43	0.42	0.40
Inventory Turnover	6.02	5.36	6.06	6.15			6.15	6.23	6.42	6.61	6.81	7.01
Inventory Turnover Days	60.67	68.05	60.24	59.34			59.34	58.58	56.88	55.22	53.61	52.05
Days Inventory Outstanding	125.68	142.74	134.02	127.68			127.68	124.64	121.01	117.49	114.06	110.74
Accounts Receivable Turnover	10.65	9.37	9.00	8.65			8.65	8.76	9.03	9.30	9.58	9.86
Accounts Receivable Turnover Days	34.28	38.96	40.55	42.19			42.19	41.64	40.43	39.25	38.11	37.00
Days Payable Outstanding	38.07	53.07	42.88	49.52			49.52	48.34	46.94	45.57	44.24	42.95
Days Sales Outstanding	34.28	38.96	40.55	42.19			42.19	42.19	41.64	40.43	39.25	38.11
Cash Conversion Cycle	121.90	128.63	131.69	120.34			120.34	118.48	115.72	112.35	109.08	105.90

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2008-05-31	12 months ending 2009-05-31	12 months ending 2010-05-31	12 months ending 2011-05-31	2011	2012	2013	2014	2015
Net Income	-17.20	-14.30	56.10	39.40	36.56	39.29	42.06	44.89	47.81
Depreciation	62.20	61.20	59.50	60.10	60.88	62.71	64.59	66.53	68.52
<b>Net Income + Depreciation</b>	<b>45.00</b>	<b>46.90</b>	<b>115.60</b>	<b>99.50</b>	<b>97.45</b>	<b>101.99</b>	<b>106.65</b>	<b>111.41</b>	<b>116.34</b>
Amortization	46.10	44.80	51.00	51.10	47.81	50.94	53.18	54.41	55.48
Deferred Taxes	14.40	35.30	29.40	-3.00	0.00	0.00	0.00	0.00	0.00
Non Cash Items	169.40	109.20	106.90	75.20	0.00	0.00	0.00	0.00	0.00
Change in Working capital	31.60	-47.60	-27.10	5.60	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	5.40	-15.10	-7.80	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	14.10	29.10	5.80	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	18.40	-2.20	-14.60	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	19.50	-27.20	19.20	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>306.50</b>	<b>188.60</b>	<b>275.80</b>	<b>228.40</b>	<b>145.26</b>	<b>152.94</b>	<b>159.83</b>	<b>165.82</b>	<b>171.82</b>
Capital Expenditures	-115.00	-102.90	-104.20	-132.20	-120.00	-120.00	-120.00	-120.00	-120.00
Long term investment	0.00	0.00	-10.90	-10.80	0.00	0.00	0.00	0.00	0.00
Intangibles	-8.40	29.50	-0.80	-8.90	-10.00	-10.00	-10.00	-10.00	-10.00
<b>Cash from Investing Activities</b>	<b>-123.40</b>	<b>-73.40</b>	<b>-105.00</b>	<b>-141.10</b>	<b>-130.00</b>	<b>-130.00</b>	<b>-130.00</b>	<b>-130.00</b>	<b>-130.00</b>
Financing Cash flow items	0.90	0.00	-0.10	-1.30	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	-8.40	-10.90	-10.80	11.00	11.00	11.00	11.00	11.00
Issuance (Retirement) of Stock	-182.40	-31.70	-7.60	-164.00	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	107.10	-46.20	-52.30	-54.40	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>-74.40</b>	<b>-86.30</b>	<b>-70.90</b>	<b>-230.50</b>	<b>-11.00</b>	<b>-11.00</b>	<b>-11.00</b>	<b>-11.00</b>	<b>-11.00</b>
Foreign Exchange effect	-11.10	-5.70	0.60	4.40	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	18.50	116.10	143.60	244.10	105.30	109.56	121.49	140.32	165.14
<b>Net Change in Cash</b>	<b>97.60</b>	<b>23.20</b>	<b>100.50</b>	<b>-138.80</b>	<b>4.26</b>	<b>11.94</b>	<b>18.83</b>	<b>24.82</b>	<b>30.82</b>
Ending Cash Balance	116.10	143.60	244.10	105.30	109.56	121.49	140.32	165.14	195.96
Depreciation to Sales	2.88%	3.31%	3.11%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%
Amortization to Sales	2.14%	2.42%	2.67%	2.48%	2.48%	2.56%	2.60%	2.58%	2.55%
A/R to Sales	9.39%	10.67%	11.11%	11.56%	11.41%	11.08%	10.75%	10.44%	10.14%
Distributable FCF Yield	16.95%	10.66%	15.81%	8.08%	1.41%	2.12%	2.76%	3.32%	3.87%
Dividend Yield	0.00%	-0.91%	-1.18%	-1.17%	1.19%	1.19%	1.19%	1.19%	1.19%

# SN VALUATION

# LBO Debt Schedule

	<b>Proforma</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Net Change in Cash	-138.80	4.26	11.94	18.83	24.82	30.82
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	258.90	258.90	258.90	258.90	258.90	258.90
Current Portion Debt Balance	44.00	44.00	44.00	44.00	44.00	44.00
Long Term Debt Balance	214.90	214.90	214.90	214.90	214.90	214.90
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>20.71</b>	<b>20.71</b>	<b>20.71</b>	<b>20.71</b>	<b>20.71</b>
Cash Balance		105.30				
Interest @ 1.0%		1.05	1.05	1.05	1.05	1.05
<b>Net Interest Expense/(Income)</b>		<b>19.66</b>	<b>19.66</b>	<b>19.66</b>	<b>19.66</b>	<b>19.66</b>
<b>Net Interest Rate</b>		<b>12.29%</b>	<b>9.15%</b>	<b>9.15%</b>	<b>9.15%</b>	<b>9.15%</b>
EBITDA		75.16	79.22	83.39	87.69	92.13
<b>EBITDA/Interest Expense Coverage</b>		<b>3.63</b>	<b>3.82</b>	<b>4.03</b>	<b>4.23</b>	<b>4.45</b>

**Interest Rate Coverage Table**

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

\*Source: NYU; Professor Damodaran