

SkullCandy (SKUL)

Price:	\$7.79
Market Cap:	\$214,536,600
Cash:	\$1,900,000
Debt:	\$5,180,000
Net Cash:	-\$3,280,000
Enterprise Value:	\$217,816,600
Target Market Cap:	\$358,985,301
Target Enterprise Value:	\$362,265,301

Price/Book:	1.68
EV/FCF:	10.27
Net Tang. Asset/Share:	\$3.71
Avg. Year 1-5 FCF/Share:	\$0.79
5 Years of FCF:	\$3.97
Net Tang. Asset+5 FCF:	\$7.68

Net Tang. Asset Yr. 5/Share:	\$9.07
Avg. Year FCF/Share:	\$0.79
Year 5 Disposition FCF Multiple:	5.0
Year 5 Disposition Price:	\$13.04
Gain Year 5:	\$5.36

Net Tang. Asset+5 FCF+ Gain Disposition:	\$13.04
IRR:	10.84%

Assumed Deal Details

Debt	60.00%	\$128,721,960
Equity	40.00%	\$85,814,640
Shares Outstanding		27,540,000

Levered Return

New market cap in 5 years	\$358,985,301
Nominal Gain for Equity	\$144,448,701
Levered Equity Return	21.82%

SkullCandy is a well represented audio brand, primarily earbuds to connect to the smartphones. We believe the sales will piggyback, and shadow the growth of smartphones. However, we believe audio sales will plateau since the market for earbuds is limited. They may target larger markets such as China, which has over 1 billion cellphone users. International sales are 20% of revenue at \$40MM.

On a financial statement basis, the co.'s value is primarily on its' inventory and A/R. Other words, there is not a substantial castle for which the co. will guard itself from competitors, and the value may be obsolete within a season, should consumer trend switch to the detriment of the company's growth. A recent research report by Jeffries and Co. revealed concerns over the co's in ear product sales from upcoming competitors, and they slashed the target price to \$6 from \$17. If this is true, which is prognosticated by discounts and promotions from competitors, then their price target is justified, since we question brand loyalty for a product as simple as an earbud, which is 60% of the co's sales. Bestbuy is >10% customer. The co. generates \$20 MM in FCF, which is a 10% yield (FCF/EV).

However, should sales be able to grow in the low digits, the value justifies itself. Also, the co. has zero debt, which provides some relief for concerned investors.

Skullcandy became the world's most distinct audiobrand by bringing color, character and performance to an otherwise monochromatic space; revolutionizing the audio arena by introducing headphones, earbuds and other audio and wireless lifestyle products that possess unmistakable style and exceptional performance. From the award-winning, optic-inspired Roc Nation Aviator headphones to the evolutionary fitting FIX earbuds and a roster of the world's finest athletes, musicians and artists, Skullcandy continues to redefine world-class audio performance and style. The Skullcandy name and distinctive logo have rapidly become icons and contributed to our leading market position, robust net sales growth and strong profitability and return on our invested capital. We increased our net sales from \$9.1 million in 2006 to \$232.5 million in 2011, representing a compound annual growth rate of approximately 91%.

Company Name:		SkullCandy												
Ticker Symbol:	SKUL		Market Capitalization:	\$214,536,600.00		Revenue:	\$280,130,000.00	100.0%						
Last Price:	\$7.79		Total Debt:	\$5,180,000.00		Cost of Goods Sold:	\$164,590,000.00	58.8%						
Net Cash/Share:	-\$0.12		Total Cash:	\$1,900,000.00		Gross Profit:	\$115,540,000.00	41.2%						
Net Cash to Last Price:	-1.53%		Net Cash/(Debt):	-\$3,280,000.00		EBITDA:	\$52,340,000.00	18.7%						
Shares Outstanding:	27,540,000		Enterprise Value:	\$217,816,600.00		Net Income:	\$26,740,000.00	9.5%						
Industry:	Electronic Components		Current EV/Share:	\$7.91										
Sector:	Technology		EBITDA:	\$44,190,000.00										
Institutional Ownership:	#VALUE!		EV/EBITDA Multiple:	4.93										
Mutual Fund Ownership:	#VALUE!		EV/EBITDA Multiple Average Year 1-5:	4.52										
Insider Ownership:	#VALUE!		EV/FCF Multiple (excluding acquisition):	10.27										
Retail Ownership:	#VALUE!		EV/FCF Multiple Average Year 1-5 (excluding acquisition):	9.96										
Float:	#VALUE!													
			Upper Range				Balance Sheet							
			DCF: EV/EBITDA Terminal Value				Cash:	\$1,900,000.00						
			Implied TV from 3 X EV/EBITDA Multiple	\$151,315,559.17			Short Term Investment:	\$0.00						
							A/R:	\$60,020,000.00						
			Enterprise Value	\$151,315,559.17			PP&E:	\$4,000,000.00						
			Cash at Year 5:	\$111,226,592.21			Assets:	\$157,540,000.00						
			Debt at Year 5:	\$5,180,000.00			A/P:	\$23,210,000.00						
			Equity Value Year 5:	\$257,362,151.38			Deferred Tax:	\$1,130,000.00						
			Equity/Share at Year 5:	\$9.35			Other Liabilities:	\$12,040,000.00						
			Annualized Return:	3.71%			Short term Debt:	\$5,180,000.00						
							Long Term Debt:	\$0.00						
			Lower Range				Liabilities:	\$41,560,000.00						
			DCF: Net Tangible Asset excluding Cash/Debt Terminal Value				Retained Earnings:	\$44,760,000.00						
			Year 5 Net Tangible Assets excluding cash and debt	\$58,960,000.00			Paid-In Capital:	\$126,450,000.00						
							Treasury Stock:	-\$43,290,000.00						
			Enterprise Value	\$58,960,000.00			Stockholder's Equity:	\$128,040,000.00						
			Cash at Year 5:	\$111,226,592.21										
			Debt at Year 5:	\$5,180,000.00			Cash Flow							
			Equity Value Year 5:	\$165,006,592.21			Net Income:	18,620,000.00						
			Equity/Share at Year 5:	\$5.99			Depreciation/Amortization:	2,030,000.00						
			Annualized Return:	-5.11%			Change in Working capital:	-5,000,000.00						
							Cash from Operating Activities:	28,800,000.00						
			EVA				Capital Expenditures:	-7,590,000.00						
			EVA today:	\$137,623,651.34			Cash from Investing Activities:	-37,050,000.00						
			EVA in 5 Years:	\$202,793,197.79			Total Cash Dividends Paid:	0.00						
			EVA/Share:	\$7.36			Issuance (Retirement) of Stock:	71,640,000.00						
			Cash at Year 5:	\$111,226,592.21			Issuance (Retirement) of Debt:	-47,700,000.00						
			Debt at Year 5:	\$5,180,000.00			Cash from Financing Activities:	25,110,000.00						
			Equity Value Year 5:	\$308,839,790.00										
			Equity/Share at Year 5:	\$11.21			Profitability Margins							
			Annualized return	8.06%			Debt to Equity:	4.05%						
							Return on Assets:	11.82%						
			Current Net Tangible Asset				Return on Capital:	13.98%						
			Net Tangible Asset/Share:	\$3.24			Return on Equity:	14.54%						
			Net Tangible Asset/Share in Year 5:	\$8.60										
			Annualized return	21.55%										
			Average EV to EBITDA:	N/A										
			Company EV to EBITDA:	4.93										
			Average EV to EBIT:	N/A										
			Company EV to EBITA:	5.17										
			Current Equity Price:	\$7.79										
			Selling at Discount?	Premium										
			Appreciation Potential:	-58.39%										
			Dividend Model											
			Next Year Dividend	\$0.00										
			WACC:	10.70%										
			Dividend:	\$0.00										
			Net Income:	\$26,740,000.00										

SN VALUATION

LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	9.89	Non-LBO Forecast	Non-LBO Forecast
EV/EBITDA with 3X Multiple Terminal Value:	\$9.35	Market Price:	7.79	Year 1 Target	8.17
Net Tangible Asset Terminal Value:	\$5.99	LBO Price:	7.79	Year 2 Target	8.57
EV/EBITDA with Today's Multiple Terminal Value:	\$13.01	Premium to Market Price:	0.00%	Year 3 Target	8.99
EVA Enterprise Value:	\$11.21	LBO Price/Intrinsic Price Target:	4.89%	Year 4 Target	9.43
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	9.81%	Year 5 Target	9.89
Average (Excluding Dividend Discount):	\$9.89	Implied IRR at today's EV/EBITDA:	10.80%	Implied IRR (Market Price):	4.89%
		5 Year Return:	26.95%		
				Desired Return Rate	20.00%
				Implied Today's Price	3.97
				Overvalued/(Undervalued)	96.00%

Current Evaluation				Exit Evaluation			
Current Market Price:	7.79	LBO Price:	7.79	Exit Price:	9.89	Exit Price:	13.01
Outstanding Shares:	27,540,000	Outstanding Shares:	27,540,000	Outstanding Shares:	27,540,000	Outstanding Shares:	27,540,000
Market Capitalization:	214,536,600	Market Capitalization:	214,536,600	Market Capitalization:	272,361,931	Market Capitalization:	358,239,191
Available Cash:	1,900,000	Available Cash:	1,900,000	Available Cash:	111,226,592	Available Cash:	111,226,592
Debt:	5,180,000	Debt:	5,180,000	Debt:	5,180,000	Debt:	5,180,000
Net Cash:	-3,280,000	Net Cash:	-3,280,000	Net Cash:	106,046,592	Net Cash:	106,046,592
Enterprise Value:	217,816,600	Enterprise Value:	217,816,600	Enterprise Value:	166,315,339	Enterprise Value:	252,192,599
Original EV/EBITDA:	5.17	EV/EBITDA:	5.17	EV/EBITDA at 5 Years:	3.30	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	4.93	EV/EBITDA:	4.93	EV/EBITDA at 5 Years:	4.74	EV/EBITDA at 5 Years:	4.76
Competitor Average EV/EBIT:	N/A						
Competitor Average EV/EBITDA:	N/A						

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	7.79	7.79	8.17	8.57	8.99	9.43	9.89
Shares Outstanding:	27,540,000	27,540,000	27,540,000	27,540,000	27,540,000	27,540,000	27,540,000
Market Capitalization:	214,536,600	214,536,600	225,024,806	236,025,756	247,564,518	259,667,384	272,361,931
Available Cash:	1,900,000	1,900,000	20,705,742	40,966,675	62,755,560	86,148,793	111,226,592
Debt:	5,180,000	5,180,000	5,180,000	5,180,000	5,180,000	5,180,000	5,180,000
Net Cash:	-3,280,000	-3,280,000	15,525,742	35,786,675	57,575,560	80,968,793	106,046,592
Enterprise Value:	217,816,600	217,816,600	209,499,064	200,239,081	189,988,959	178,698,591	166,315,339
EBIT	42,160,000	42,160,000	41,495,895	43,570,690	5	48,036,685	50,438,520
EV/EBIT:	5.17	5.17	5.05	4.60	37,997,791.73	3.72	3.30
EBITDA	44,190,000	44,190,000	43,627,395	45,808,765	48,099,203	50,504,163	53,029,371
EV/EBITDA:	4.93	4.93	4.80	4.37	3.95	3.54	3.14

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	7.79	7.79	8.35	9.47	2.09	11.95	13.31
Shares Outstanding:	27,540,000	27,540,000	27,540,000	27,540,000	27,540,000	27,540,000	27,540,000
Market Capitalization:	214,536,600	214,536,600	229,911,291	260,891,502	57,575,585	329,146,864	366,633,567
Available Cash:	1,900,000	1,900,000	20,705,742	40,966,675	62,755,560	86,148,793	111,226,592
Debt:	5,180,000	5,180,000	5,180,000	5,180,000	5,180,000	5,180,000	5,180,000
Net Cash:	-3,280,000	-3,280,000	15,525,742	35,786,675	57,575,560	80,968,793	106,046,592
Enterprise Value:	217,816,600	217,816,600	214,385,549	225,104,827	26	248,178,072	260,586,975
EBIT	42,160,000	42,160,000	41,495,895	43,570,690	5	48,036,685	50,438,520
EV/EBIT:	5.17	5.17	5.17	5.17	5.17	5.17	5.17
EBITDA	44,190,000	44,190,000	43,627,395	45,808,765	48,099,203	50,504,163	53,029,371
EV/EBITDA:	4.93	4.93	4.91	4.91	0.00	4.91	4.91

LBO Price	7.79	Equity Partners:	224,416,600	Weighting	100.00%	Annualized Return for Equity Partners: 9.81%
Shares Outstanding	27,540,000	Debt Partners:	0		0.00%	
Market Capitalization	214,536,600	Total Funds for LBO:	224,416,600		100.00%	
Debt	9,880,000					
Cash	1,900,000					
Enterprise Value	222,516,600					
Capital Investment	224,416,600					

Book Value	Enterprise Value	Stock Valuation	Debt Reduction
Beginning Book Value	128.04	Current Market Price	Starting Debt
Year 5 Book Value	275.59	Year 5 Market Price	Debt Repayment
Annualized Return	16.57%	Annualized Return	10.80%
			Year 5 Ending Debt
			% of Starting Debt
			#DIV/0!

SN VALUATION

LBO Pro Forma Income Statement

Name:

SkullCandy

Ticker:

SKUL

	Historical				Forecasted				
	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2013	2014	2015	2016	2017
Revenue	80.38	118.31	160.58	232.47	244.09	256.30	269.11	282.57	296.70
COGS	41.12	60.85	75.08	116.93	124.49	130.71	137.25	144.11	151.32
Gross margin	39.26	57.46	85.50	115.54	119.61	125.59	131.87	138.46	145.38
SG&A	18.04	28.57	67.50	73.38	78.11	82.02	86.12	90.42	94.94
R&D	0.00	0.00	0.00	0.00	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
Operating Income (EBITA)	21.22	28.89	17.90	42.16	41.50	43.57	45.75	48.04	50.44
Interest income/(expense)	-0.58	-8.34	-8.38	-7.47	-0.46	-0.46	-0.46	-0.46	-0.46
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	0.05	0.11	-14.56	-1.76	0.00	0.00	0.00	0.00	0.00
Income before tax	20.69	20.66	-5.04	32.93	41.04	43.11	45.29	47.58	49.98
Tax	7.67	8.32	4.65	14.31	14.35	15.09	15.85	16.65	17.49
Income after tax	13.02	12.34	-9.69	18.62	26.67	28.02	29.44	30.93	32.49
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	13.02	12.34	-9.69	18.62	26.67	28.02	29.44	30.93	32.49
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.47	\$0.45	-\$0.35	\$0.68	\$0.97	\$1.02	\$1.07	\$1.12	\$1.18
P/E (historical today's price; forecasted intrinsic price)	16.48	17.39	-22.14	11.52	8.44	8.42	8.41	8.40	8.38
Revenue Growth	N/A	47.19%	35.73%	44.77%	5.00%	5.00%	5.00%	5.00%	5.00%
Tax Rate	37.07%	40.23%	92.26%	43.48%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	-14.15%	-9.67%	-75.61%	NA	NA	NA	NA	NA
Margins									
COGS	51.16%	51.43%	46.76%	50.30%	51.00%	51.00%	51.00%	51.00%	51.00%
Gross margin	48.84%	48.57%	53.24%	49.70%	49.00%	49.00%	49.00%	49.00%	49.00%
SG&A	22.44%	24.15%	42.10%	31.57%	32.00%	32.00%	32.00%	32.00%	32.00%
R&D	0.00%	0.00%	0.00%	0.00%	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)	26.40%	24.42%	11.15%	18.14%	17.00%	17.00%	17.00%	17.00%	17.00%
Interest income/(expense)	-0.72%	-7.05%	-5.22%	-3.21%	-0.19%	-0.18%	-0.17%	-0.16%	-0.15%
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	0.06%	0.09%	-9.07%	-0.76%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	25.74%	17.46%	-3.14%	14.17%	16.81%	16.82%	16.83%	16.84%	16.85%
Tax	9.54%	7.03%	2.90%	6.16%	5.88%	5.89%	5.89%	5.89%	5.90%
Income after tax	16.20%	10.43%	-6.03%	8.01%	10.93%	11.48%	12.06%	12.67%	13.31%
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	16.20%	10.43%	-6.03%	8.01%	10.93%	10.93%	10.94%	10.94%	10.95%

SN VALUATION

LBO Adjusted Proforma Balance Sheet

	Error	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-09-30	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	#VALUE!	1.73	6.46	23.30	1.90			1.90	20.71	40.97	62.76	86.15	111.23
Short term investment	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	#VALUE!	1.73	6.46	23.30	1.90			1.90	20.71	40.97	62.76	86.15	111.23
Accounts Receivable	Error	29.27	46.68	50.62	60.02			60.02	60.02	60.02	60.02	60.02	60.02
Other receivables	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	#VALUE!	29.27	46.68	50.62	60.02			60.02	60.02	60.02	60.02	60.02	60.02
Total Inventory	Error	17.86	22.56	43.98	55.39			55.39	55.39	55.39	55.39	55.39	55.39
Prepaid Expenses	Error	1.06	5.16	8.50	6.13			6.13	6.13	6.13	6.13	6.13	6.13
Other Current Assets	Error	1.76	3.71	3.98	3.16			3.16	3.16	3.16	3.16	3.16	3.16
Current Assets	#VALUE!	51.68	84.57	130.38	126.60	0.00	0.00	126.60	145.41	165.67	187.46	210.85	235.93
PP&E, Gross	12.99	2.53	5.16	6.00	6.00			6.00	16.00	26.00	36.00	46.00	56.00
Change in Depreciation		0.41	0.68	2.03	2.03			2.03	2.13	2.24	2.35	2.47	2.59
Accumulated Depreciation		2.70	0.51	2.00	2.00			2.00	4.13	6.37	8.72	11.19	13.78
PP&E, Net	10.29	2.02	3.97	4.00	4.00			4.00	11.87	19.63	27.28	34.81	42.22
Goodwill	Error	0.00	0.00	13.87	13.87	0.00		13.87	13.87	13.87	13.87	13.87	13.87
Intangibles	Error	0.25	0.56	13.68	12.85			12.85	12.85	12.85	12.85	12.85	12.85
Long term investments	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	Error	3.70	4.23	0.40	0.22			0.22	0.22	0.22	0.22	0.22	0.22
Long Term Assets	#VALUE!	5.97	8.76	31.95	30.94			30.94	38.81	46.57	54.22	61.75	69.16
Total Assets	#VALUE!	57.65	93.33	162.33	157.54	0.00	0.00	157.54	184.21	212.24	241.68	272.60	305.09
Accounts Payable	Error	5.26	13.46	23.21	23.21			23.21	23.21	23.21	23.21	23.21	23.21
Accrued Expense	Error	11.40	15.53	25.10	25.10			25.10	25.10	25.10	25.10	25.10	25.10
Other current Liabilities	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities	0.00	16.66	28.99	48.31	48.31	0.00	0.00	48.31	48.31	48.31	48.31	48.31	48.31
Notes Payables/Short Term Debt	Error	0.00	10.80	9.88	5.18			5.18	5.18	5.18	5.18	5.18	5.18
Current port. Of LT Debt/Capital Leases	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	Error	58.93	75.89	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	Error	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	58.93	86.69	9.88	5.18	0.00	0.00	5.18	5.18	5.18	5.18	5.18	5.18
Deferred Income tax	Error	0.49	0.00	3.61	1.13			1.13	1.13	1.13	1.13	1.13	1.13
Minority Interest	Error	0.00	0.00	0.60	0.57			0.57	0.57	0.57	0.57	0.57	0.57
Other liabilities	Error	0.00	0.00	0.00	-13.63			-13.63	-13.63	-13.63	-13.63	-13.63	-13.63
Total Liabilities	0.00	76.08	115.68	62.40	41.56	0.00	0.00	41.56	41.56	41.56	41.56	41.56	41.56
Redeemable Preferred Stock	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	Error	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	Error	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Additional Paid-in capital	Error	3.40	9.20	119.04	126.45	0.00	0.00	126.45	126.45	126.45	126.45	126.45	126.45
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	Error	21.46	11.74	30.34	44.76		0.00	44.76	71.43	99.46	128.90	159.82	192.31
Treasury Stock	Error	-43.29	-43.29	-43.29	-43.29			-43.29	-43.29	-43.29	-43.29	-43.29	-43.29
Other Equity	Error	0.00	0.00	0.12	0.12		0.00	0.12	0.12	0.12	0.12	0.12	0.12
Total Equity	0.00	-18.43	-22.35	106.21	128.04	0.00	0.00	128.04	154.71	182.74	212.18	243.10	275.59
Liability + Equity	0.00	57.65	93.33	168.61	169.60	0.00	0.00	169.60	196.27	224.30	253.74	284.66	317.15
Variance	#VALUE!	0.00	0.00	-6.28	-12.06			-12.06	-12.06	-12.06	-12.06	-12.06	-12.06
Debt/Equity	#DIV/0!	-3.20	-3.88	0.09	0.04			0.04	0.03	0.03	0.02	0.02	0.02
Inventory Turnover	#VALUE!	6.62	7.12	5.29	4.41			4.20	4.41	4.63	4.86	5.10	5.36
Inventory Turnover Days	#VALUE!	55.10	51.28	69.05	82.83			86.97	82.83	78.88	75.13	71.55	68.14
Days Inventory Outstanding	#VALUE!	107.13	109.68	137.28	162.40			172.90	162.40	154.67	147.31	140.29	133.61
Accounts Receivable Turnover	#VALUE!	4.04	3.44	4.59	4.07			3.87	4.07	4.27	4.48	4.71	4.94
Accounts Receivable Turnover Days	#VALUE!	90.30	106.10	79.48	89.75			94.24	89.75	85.48	81.41	77.53	73.84
Days Payable Outstanding	#VALUE!	31.55	65.44	72.45	68.05			72.45	68.05	64.81	61.73	58.79	55.99
Days Sales Outstanding	#VALUE!	90.30	106.10	79.48	89.75			79.48	94.24	89.75	85.48	81.41	77.53
Cash Conversion Cycle	#VALUE!	165.88	150.34	144.31	184.10			179.93	188.59	179.61	171.06	162.91	155.15
Net tangible assets/share	#VALUE!	(\$0.67)	(\$0.81)	\$3.12	\$3.71				\$4.68	\$5.69	\$6.76	\$7.89	\$9.07

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2011	2012	2013	2014	2015
Net Income	13.02	12.34	-9.69	18.62	26.67	28.02	29.44	30.93	32.49
Depreciation	0.14	0.41	0.68	2.03	2.13	2.24	2.35	2.47	2.59
Net Income + Depreciation	13.16	12.75	-9.01	20.65	28.81	30.26	31.79	33.39	35.08
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-0.03	-0.31	-2.58	0.81	0.00	0.00	0.00	0.00	0.00
Non Cash Items	1.43	5.50	46.65	12.34	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-19.08	-6.19	-18.42	-5.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	#VALUE!	-17.41	-3.94	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	#VALUE!	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	#VALUE!	-4.70	-21.42	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	#VALUE!	-4.10	-3.34	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	#VALUE!	8.20	9.75	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	-4.52	11.75	16.64	28.80	28.81	30.26	31.79	33.39	35.08
Capital Expenditures Expenditures	-0.93	-1.31	-2.94	-7.59	-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	0.00	0.00	0.00	-29.46	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-0.93	-1.31	-2.94	-37.05	-10.00	-10.00	-10.00	-10.00	-10.00
Financing Cash flow items	-3.16	-10.09	0.66	1.17	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	0.36	-17.90	0.28	71.64	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	27.02	-0.10	-9.91	-47.70	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	24.22	-28.09	-8.97	25.11	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	-0.03	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	#VALUE!	Error	1.73	6.46	1.90	20.71	40.97	62.76	86.15
Net Change in Cash	18.77	-17.63	4.73	16.84	18.81	20.26	21.79	23.39	25.08
Ending Cash Balance	Error	1.73	6.46	23.30	20.71	40.97	62.76	86.15	111.23
Capex to Revenue	1.16%	1.11%	1.83%	3.26%	4.10%	3.90%	3.72%	3.54%	3.37%
Depreciation to Sales	0.17%	0.35%	0.42%	0.87%	0.87%	0.87%	0.87%	0.87%	0.87%
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	#VALUE!	24.74%	29.07%	21.77%	20.74%	19.75%	18.81%	17.91%	17.06%
Distributable FCF Yield	-2.50%	4.79%	6.29%	-3.79%	8.63%	9.30%	10.00%	10.74%	11.51%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	-5.45	10.44	13.70	21.21	18.81	20.26	21.79	23.39	25.08

SN VALUATION

LBO Debt Schedule

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	16.84	18.81	20.26	21.79	23.39	25.08
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	9.88	9.88	9.88	9.88	9.88	9.88
Current Portion Debt Balance	9.88	9.88	9.88	9.88	9.88	9.88
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		0.69	0.69	0.69	0.69	0.69
Cash Balance		23.30				
Interest @ 1.0%		0.23	0.23	0.23	0.23	0.23
Net Interest Expense/(Income)		0.46	0.46	0.46	0.46	0.46
Net Interest Rate		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA		41.50	43.57	45.75	48.04	50.44
EBITDA/Interest Expense Coverage		60.00	63.00	66.15	69.46	72.93

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

SkullCandy

Ticker:

SKUL

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	#VALUE!	35.02	55.58	78.29	97.10	117.36	139.15	162.54	187.62
Total Assets	#VALUE!	57.65	93.33	157.54	184.21	212.24	241.68	272.60	305.09
X1	#VALUE!	0.61	0.60	0.50	0.53	0.55	0.58	0.60	0.61
Retained Earnings	Error	21.46	11.74	44.76	71.43	99.46	128.90	159.82	192.31
Total Assets	#VALUE!	57.65	93.33	157.54	184.21	212.24	241.68	272.60	305.09
X2	#VALUE!	0.37	0.13	0.28	0.39	0.47	0.53	0.59	0.63
EBITDA	21.22	28.89	17.90	42.16	41.50	43.57	45.75	48.04	50.44
Total Assets	#VALUE!	57.65	93.33	157.54	184.21	212.24	241.68	272.60	305.09
X3	#VALUE!	0.50	0.19	0.27	0.23	0.21	0.19	0.18	0.17
Market Value of Equity	214.54	214.54	214.54	214.54	225.02	236.03	247.56	259.67	272.36
Total Liabilities	0.00	76.08	115.68	41.56	41.56	41.56	41.56	41.56	41.56
X4	#DIV/0!	2.82	1.85	5.16	5.41	5.68	5.96	6.25	6.55
Net Sales	80.38	118.31	160.58	232.47	244.09	256.30	269.11	282.57	296.70
Total Assets	#VALUE!	57.65	93.33	157.54	184.21	212.24	241.68	272.60	305.09
X5	#VALUE!	2.05	1.72	1.48	1.33	1.21	1.11	1.04	0.97
Altman Z Score	#VALUE!	6.65	4.36	6.45	6.49	6.61	6.75	6.90	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