

**Smithfield Foods Inc (SFD)**

<b>Price:</b>	<b>\$22.99</b>	<b>Price/Book:</b>	<b>1.04</b>	<b>EV/EBITDA 5x TV:</b>	<b>\$23.24</b>
<b>Market Cap:</b>	<b>\$3,700,470,363</b>	<b>Price/Earnings:</b>	<b>7.35</b>	<b>Net Tangible Asset TV:</b>	<b>\$31.78</b>
<b>Cash:</b>	<b>\$374,700,000</b>	<b>EV/EBITA:</b>	<b>4.60</b>	<b>SN Defined TV:</b>	<b>\$34.45</b>
<b>Debt:</b>	<b>\$2,122,300,000</b>	<b>EV/FCF:</b>	<b>6.26</b>	<b>Economic Value Added:</b>	<b>\$33.39</b>
<b>Net Cash:</b>	<b>-\$1,747,600,000</b>	<b>Net Tang. Asset/Share:</b>	<b>\$14.48</b>	<b>Year 5 Target:</b>	<b>\$30.71</b>
<b>Enterprise Value:</b>	<b>\$5,448,070,363</b>	<b>Avg. Year 1-5 FCF/Share:</b>	<b>\$3.64</b>	<b>Appreciation:</b>	<b>33.599%</b>

Smithfield Foods (SFD) specializes in hog (\$2.7 BB) and pork (\$10.2 BB) products. They sold off their 49% ownership of Butterball and beef processing plant. They are solely a hog and pork product company. They implemented a restructuring program, closing down a few processing plants to increase utilization rates.

Pork segment runs 40 plants, processing 27.3MM hogs. 3.6BB lbs of fresh pork and 2.7BB lbs of packaged pork was sold in 2011. The packaged porks are sold under 12 labels, selling hotdogs, ham, sausages.

Hog segment has 827,000 sows (female pigs) which birthed 16.4 MM hogs, or 20 hogs/sow in 2011. The cost to raise 100 lbs of hog was \$54. As long as the selling price for hogs average above \$54, then the margins will be positive. Feed grain materials are mainly soybean meal and corn.

As demand for protein and meat increases worldwide, we believe the price for pork will outstrip the input costs. The company has good cashflow, but a leveraged capital structure.

**Dividend?**

Dividend yield is 0.00%.

**Price to Book**

Price to book is 1.04. Price to book excluding goodwill is 1.59.

**Cashflow Generation**

Cashflows are \$780 MM from operating cashflow.

Capex is 180 MM, minority interest payment is \$0 MM, intangibles are \$0 MM and dividend is \$0 MM.

Free cash flow is about \$590 MM.

7.8% EBITA margin and FCF yield is 10.8%.

The company has \$374.0 MM in cash/short term investment and \$2,122.3 MM in debt.

We are projecting a \$500.0 MM paydown annually.

**Profitability**

ROA is 6.8%, and ROC is 14.7%.

**Bankruptcy Risk**

Altman Z is at 3.31.

**LBO?**

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

**Price**

We are forecasting a \$30.70/share in Year 5, or a 33.6% holding return, or 6.0% annual return. Thus, the 1 year forecasted price is \$24.35.



# SN VALUATION

# LBO Analysis

WACC Terminal Value:	N/A	<b>Intrinsic Price in 5 Years:</b>	<b>30.71</b>	<b>Non-LBO Forecast</b>	<b>24.36</b>	<b>Non-LBO Forecast</b>	<b>Desired Return Rate</b>	<b>20.00%</b>	
EV/EBITDA with 3X Multiple Terminal Value:	\$23.24	Market Price:	22.99	Year 1 Target	24.36	Year 2 Target	25.81	<b>Implied Today's Price</b>	<b>12.34</b>
Net Tangible Asset Terminal Value:	\$31.78	LBO Price:	<b>4.53</b>	Year 3 Target	27.35	Year 4 Target	28.99	Overvalued/(Undervalued)	86.25%
EV/EBITDA with Today's Multiple Terminal Value:	\$34.45	Premium to Market Price:	-80.30%	Year 5 Target	30.71				
EVA Enterprise Value:	\$33.39	LBO Price/Intrinsic Price Target:	46.64%						
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	14.22%	<b>Implied IRR (Market Price):</b>	<b>5.96%</b>				
Average (Excluding Dividend Discount):	<b>\$30.71</b>	Implied IRR at today's EV/EBITDA:	8.42%						
		5 Year Return:	33.60%						

Current Evaluation				Exit Evaluation			
Current Market Price:	22.99	LBO Price:	4.53	Exit Price:	30.71	Exit Price:	34.45
Outstanding Shares:	160,960,000	Outstanding Shares:	160,960,000	Outstanding Shares:	160,960,000	Outstanding Shares:	160,960,000
<b>Market Capitalization:</b>	<b>3,700,470,363</b>	<b>Market Capitalization:</b>	<b>729,148,800</b>	<b>Market Capitalization:</b>	<b>4,943,784,798</b>	<b>Market Capitalization:</b>	<b>5,544,339,119</b>
Available Cash:	374,700,000	Available Cash:	374,700,000	Available Cash:	1,359,064,379	Available Cash:	1,359,064,379
Debt:	2,122,300,000	Debt:	2,122,300,000	Debt:	323,000,000	Debt:	323,000,000
Net Cash:	<b>-1,747,600,000</b>	Net Cash:	<b>-1,747,600,000</b>	Net Cash:	1,036,064,379	Net Cash:	1,036,064,379
<b>Enterprise Value:</b>	<b>5,448,070,363</b>	<b>Enterprise Value:</b>	<b>2,476,748,800</b>	<b>Enterprise Value:</b>	<b>3,907,720,419</b>	<b>Enterprise Value:</b>	<b>4,508,274,740</b>
Original EV/EBITDA:	5.43	EV/EBITDA:	2.47	EV/EBITDA at 5 Years:	4.33	EV/EBITDA at 5 Years:	<b>5.00</b>
Original EV/EBITDA:	4.60	EV/EBITDA:	2.09	EV/EBITDA at 5 Years:	4.59	EV/EBITDA at 5 Years:	3.87
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:	4.53	3.76	5.52	8.09	11.86	17.39	25.50
Shares Outstanding:	160,960,000	160,960,000	160,960,000	160,960,000	160,960,000	160,960,000	160,960,000
<b>Market Capitalization:</b>	<b>729,148,800</b>	<b>605,373,124</b>	<b>887,711,436</b>	<b>1,301,728,740</b>	<b>1,908,838,438</b>	<b>2,799,096,365</b>	<b>4,104,559,246</b>
Available Cash:	374,700,000	374,700,000	431,117,643	480,503,636	572,473,230	707,350,095	1,359,064,379
Debt:	2,122,300,000	2,122,300,000	1,823,000,000	1,323,000,000	823,000,000	323,000,000	323,000,000
Net Cash:	<b>-1,747,600,000</b>	<b>-1,747,600,000</b>	<b>-1,391,882,357</b>	<b>-842,496,364</b>	<b>-250,526,770</b>	<b>384,350,095</b>	<b>1,036,064,379</b>
<b>Enterprise Value:</b>	<b>2,476,748,800</b>	<b>2,352,973,124</b>	<b>2,279,593,793</b>	<b>2,144,225,103</b>	<b>2,159,365,209</b>	<b>2,414,746,270</b>	<b>3,068,494,867</b>
EBIT	952,400,000	952,400,000	824,902,520	849,649,596	866,642,588	883,975,439	901,654,948
EV/EBIT:	2.60	2.47	2.76	2.52	2.49	2.73	3.40
EBITDA	1,184,300,000	1,184,300,000	1,066,078,520	1,098,060,876	1,120,022,093	1,142,422,535	1,165,270,986
EV/EBITDA:	2.09	2.09	2.14	1.95	1.93	2.11	2.63

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	4.53	3.76	4.01	7.81	11.75	15.96	20.28
Shares Outstanding:	160,960,000	160,960,000	160,960,000	160,960,000	160,960,000	160,960,000	160,960,000
<b>Market Capitalization:</b>	<b>729,148,800</b>	<b>646,099,016</b>	<b>646,099,016</b>	<b>1,256,624,451</b>	<b>1,890,576,460</b>	<b>2,568,275,390</b>	<b>3,263,668,180</b>
Available Cash:	374,700,000	374,700,000	431,117,643	480,503,636	572,473,230	707,350,095	1,359,064,379
Debt:	2,122,300,000	2,122,300,000	1,823,000,000	1,323,000,000	823,000,000	323,000,000	323,000,000
Net Cash:	<b>-1,747,600,000</b>	<b>-1,747,600,000</b>	<b>-1,391,882,357</b>	<b>-842,496,364</b>	<b>-250,526,770</b>	<b>384,350,095</b>	<b>1,036,064,379</b>
<b>Enterprise Value:</b>	<b>2,476,748,800</b>	<b>2,352,973,124</b>	<b>2,037,981,373</b>	<b>2,099,120,814</b>	<b>2,141,103,231</b>	<b>2,183,925,295</b>	<b>2,227,603,801</b>
EBIT	952,400,000	952,400,000	824,902,520	849,649,596	866,642,588	883,975,439	901,654,948
EV/EBIT:	2.60	2.47	2.47	2.47	2.47	2.47	2.47
EBITDA	1,184,300,000	1,184,300,000	1,066,078,520	1,098,060,876	1,120,022,093	1,142,422,535	1,165,270,986
EV/EBITDA:	2.09	2.09	1.91	1.91	1.91	1.91	1.91

LBO Price	4.53	Equity Partners:	2,851,448,800	Weighting	<b>100.00%</b>	<b>Annualized Return for Equity Partners:</b>	<b>14.22%</b>
Shares Outstanding	160,960,000	Debt Partners:	0		0.00%		
<b>Market Capitalization</b>	<b>729,148,800</b>	<b>Total Funds for LBO:</b>	<b>2,851,448,800</b>		<b>100.00%</b>		
Debt	2,122,300,000						
Cash	374,700,000						
<b>Enterprise Value</b>	<b>2,476,748,800</b>						
<b>Capital Investment</b>	<b>2,851,448,800</b>						

Book Value	Enterprise Value	Stock Valuation	Debt Reduction				
Beginning Book Value	3,612.20	Beginning Enterprise Value	2,476.75	Current Market Price	\$22.99	Starting Debt	1,978.60
Year 5 Book Value	6,274.53	Year 5 Enterprise Value	4,508.27	Year 5 Market Price	\$34.45	Debt Repayment	143.00
<b>Annualized Return</b>	<b>11.68%</b>	<b>Annualized Return</b>	<b>12.73%</b>	<b>Annualized Return</b>	<b>8.42%</b>	Year 5 Ending Debt	178.60
						<b>% of Starting Debt</b>	<b>9.03%</b>

SN VALUATION

LBO Pro Forma Income Statement

Name:

Smithfield Foods Inc

Ticker:

SFD

	Historical				Forecasted				
	52 weeks ending 2008-04-27	53 weeks ending 2009-05-03	52 weeks ending 2010-05-02	52 weeks ending 2011-05-01	2011	2012	2013	2014	2015
Revenue	11,351.20	12,487.70	11,202.60	12,202.70	12,690.81	13,071.53	13,332.96	13,599.62	13,871.61
COGS	10,202.80	11,863.10	10,472.50	10,488.60	11,041.00	11,372.23	11,599.68	11,831.67	12,068.30
Gross margin	1,148.40	624.60	730.10	1,714.10	1,649.81	1,699.30	1,733.29	1,767.95	1,803.31
SG&A	813.60	792.50	701.20	789.80	824.80	849.65	866.64	883.98	901.65
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	-57.60	15.70	-28.10	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)	334.80	-110.30	13.20	952.40	824.90	849.65	866.64	883.98	901.65
Interest income/(expense)	-184.80	-221.80	-266.40	-245.40	-130.60	-90.60	-50.60	-10.60	-10.60
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	212.00	-382.20	-214.60	757.10	694.31	759.05	816.05	873.38	891.06
Tax	72.80	-131.30	-113.20	236.10	236.06	258.08	277.46	296.95	302.96
Income after tax	139.20	-250.90	-101.40	521.00	458.24	500.97	538.59	576.43	588.10
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	139.20	-250.90	-101.40	521.00	458.24	500.97	538.59	576.43	588.10
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.86	-\$1.56	-\$0.63	\$3.24	\$2.85	\$3.11	\$3.35	\$3.58	\$3.65
P/E (historical today's price; forecasted intrinsic price)	26.58	-14.75	-36.49	7.10	8.56	8.29	8.17	8.09	8.41
Revenue Growth	N/A	-10.29%	-10.29%	8.93%	4.00%	3.00%	2.00%	2.00%	2.00%
Tax Rate	34.34%	34.35%	52.75%	31.18%	34.00%	34.00%	34.00%	34.00%	34.00%
Implied Debt Interest Rate	-4.76%	-7.63%	-8.86%	-11.56%	-6.60%	-5.40%	-4.29%	-1.56%	-5.93%
<b>Margins</b>									
COGS	89.88%	95.00%	93.48%	85.95%	87.00%	87.00%	87.00%	87.00%	87.00%
Gross margin	10.12%	5.00%	6.52%	14.05%	13.00%	13.00%	13.00%	13.00%	13.00%
SG&A	7.17%	6.35%	6.26%	6.47%	6.50%	6.50%	6.50%	6.50%	6.50%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	-0.46%	0.14%	-0.23%	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)	2.95%	-0.88%	0.12%	7.80%	6.50%	6.50%	6.50%	6.50%	6.50%
Interest income/(expense)	-1.63%	-1.78%	-2.38%	-2.01%	-1.03%	-0.69%	-0.38%	-0.08%	-0.08%
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	1.87%	-3.06%	-1.92%	6.20%	5.47%	5.81%	6.12%	6.42%	6.42%
Tax	0.64%	-1.05%	-1.01%	1.93%	1.86%	1.97%	2.08%	2.18%	2.18%
Income after tax	1.23%	-2.01%	-0.91%	4.27%	3.61%	3.95%	4.24%	4.54%	4.63%
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	1.23%	-2.01%	-0.91%	4.27%	3.61%	3.83%	4.04%	4.24%	4.24%

					Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2008-04-27	As of 2009-05-03	As of 2010-05-02	As of 2011-05-01	+	-						
Cash	57.30	119.00	451.20	374.70			374.70	431.12	480.50	572.47	707.35	1,359.06
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>57.30</b>	<b>119.00</b>	<b>451.20</b>	<b>374.70</b>			<b>374.70</b>	<b>431.12</b>	<b>480.50</b>	<b>572.47</b>	<b>707.35</b>	<b>1,359.06</b>
Accounts Receivable	738.10	595.20	621.50	709.60			709.60	709.60	709.60	709.60	709.60	709.60
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>738.10</b>	<b>595.20</b>	<b>621.50</b>	<b>709.60</b>			<b>709.60</b>	<b>709.60</b>	<b>709.60</b>	<b>709.60</b>	<b>709.60</b>	<b>709.60</b>
Total Inventory	2,278.40	1,896.10	1,860.00	2,019.90			2,019.90	2,019.90	2,019.90	2,019.90	2,019.90	2,019.90
Prepaid Expenses	94.00	174.20	387.60	233.70			233.70	233.70	233.70	233.70	233.70	233.70
Other Current Assets	682.20	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Current Assets</b>	<b>3,850.00</b>	<b>2,784.50</b>	<b>3,320.30</b>	<b>3,337.90</b>	<b>0.00</b>	<b>0.00</b>	<b>3,337.90</b>	<b>3,394.32</b>	<b>3,443.70</b>	<b>3,535.67</b>	<b>3,670.55</b>	<b>4,322.26</b>
PP&E, Gross	4,332.80	3,935.20	4,038.50	4,186.70			4,186.70	4,386.70	4,586.70	4,786.70	4,986.70	5,186.70
Change in Depreciation		270.50	242.30	231.90			231.90	241.18	248.41	253.38	258.45	263.62
Accumulated Depreciation	1,482.80	1,492.20	1,679.80	1,911.70			1,911.70	2,152.88	2,401.29	2,654.67	2,913.11	3,176.73
<b>PP&amp;E, Net</b>	<b>2,850.00</b>	<b>2,443.00</b>	<b>2,358.70</b>	<b>2,275.00</b>			<b>2,275.00</b>	<b>2,233.82</b>	<b>2,185.41</b>	<b>2,132.03</b>	<b>2,073.59</b>	<b>2,009.97</b>
Goodwill	864.60	820.00	822.90	793.30	0.00		793.30	793.30	793.30	793.30	793.30	793.30
Intangibles	396.50	392.20	389.60	386.60			386.60	386.60	386.60	386.60	386.60	386.60
Long term investments	694.60	601.60	625.00	582.50			582.50	582.50	582.50	582.50	582.50	582.50
Other long term assets	212.20	158.90	192.40	202.40			202.40	202.40	202.40	202.40	202.40	202.40
<b>Long Term Assets</b>	<b>5,017.90</b>	<b>4,415.70</b>	<b>4,388.60</b>	<b>4,239.80</b>			<b>4,239.80</b>	<b>4,198.62</b>	<b>4,150.21</b>	<b>4,096.83</b>	<b>4,038.39</b>	<b>3,974.77</b>
<b>Total Assets</b>	<b>8,867.90</b>	<b>7,200.20</b>	<b>7,708.90</b>	<b>7,577.70</b>	<b>0.00</b>	<b>0.00</b>	<b>7,577.70</b>	<b>7,592.94</b>	<b>7,593.92</b>	<b>7,632.51</b>	<b>7,708.94</b>	<b>8,297.03</b>
Accounts Payable	523.40	390.20	383.80	434.40			434.40	434.40	434.40	434.40	434.40	434.40
Accrued Expense	563.90	558.30	262.80	295.90			295.90	295.90	295.90	295.90	295.90	295.90
Other current Liabilities	138.40	0.00	455.60	353.90			353.90	353.90	353.90	353.90	353.90	353.90
<b>Total Current Liabilities</b>	<b>1,225.70</b>	<b>948.50</b>	<b>1,102.20</b>	<b>1,084.20</b>	<b>0.00</b>	<b>0.00</b>	<b>1,084.20</b>	<b>1,084.20</b>	<b>1,084.20</b>	<b>1,084.20</b>	<b>1,084.20</b>	<b>1,084.20</b>
Notes Payables/Short Term Debt	169.30	17.50	16.90	0.00			0.00	0.70	0.70	0.70	0.70	0.70
Current port. Of LT Debt/Capital Leases	239.70	320.80	72.80	143.70			143.70	143.70	143.70	143.70	143.70	143.70
Long term Debt	3,474.40	2,567.30	2,918.40	1,978.60	0.00	0.00	1,978.60	1,678.60	1,178.60	678.60	178.60	178.60
Capital Lease Obligations	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Interest Earning Debt</b>	<b>3,883.40</b>	<b>2,905.60</b>	<b>3,008.10</b>	<b>2,122.30</b>	<b>0.00</b>	<b>0.00</b>	<b>2,122.30</b>	<b>1,823.00</b>	<b>1,323.00</b>	<b>823.00</b>	<b>323.00</b>	<b>323.00</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	16.90	18.20	4.60	3.10			3.10	3.10	3.10	3.10	3.10	3.10
Other liabilities	693.70	715.50	838.40	856.70			856.70	856.70	856.70	856.70	856.70	856.70
<b>Total Liabilities</b>	<b>5,819.70</b>	<b>4,587.80</b>	<b>4,953.30</b>	<b>4,066.30</b>	<b>0.00</b>	<b>0.00</b>	<b>4,066.30</b>	<b>3,767.00</b>	<b>3,267.00</b>	<b>2,767.00</b>	<b>2,267.00</b>	<b>2,267.00</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	67.20	71.80	83.00	83.00		0.00	83.00	83.00	83.00	83.00	83.00	83.00
Additional Paid-in capital	1,130.20	1,353.80	1,626.90	1,638.70	0.00	0.00	1,638.70	1,638.70	1,638.70	1,638.70	1,638.70	1,638.70
Dividends Paid	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	1,838.50	1,640.10	1,538.70	2,059.70		0.00	2,059.70	2,517.94	3,018.92	3,557.51	4,133.94	4,722.03
Treasury Stock	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	65.40	-388.50	-427.50	-169.20		0.00	-169.20	-169.20	-169.20	-169.20	-169.20	-169.20
<b>Total Equity</b>	<b>3,101.30</b>	<b>2,677.20</b>	<b>2,821.10</b>	<b>3,612.20</b>	<b>0.00</b>	<b>0.00</b>	<b>3,612.20</b>	<b>4,070.44</b>	<b>4,571.42</b>	<b>5,110.01</b>	<b>5,686.44</b>	<b>6,274.53</b>
<b>Liability + Equity</b>	<b>8,921.00</b>	<b>7,265.00</b>	<b>7,774.40</b>	<b>7,678.50</b>	<b>0.00</b>	<b>0.00</b>	<b>7,678.50</b>	<b>7,837.44</b>	<b>7,838.42</b>	<b>7,877.01</b>	<b>7,953.44</b>	<b>8,541.53</b>
<b>Variance</b>	<b>-53.10</b>	<b>-64.80</b>	<b>-65.50</b>	<b>-100.80</b>			<b>-100.80</b>	<b>-244.50</b>	<b>-244.50</b>	<b>-244.50</b>	<b>-244.50</b>	<b>-244.50</b>
<b>Debt/Equity</b>	<b>1.25</b>	<b>1.09</b>	<b>1.07</b>	<b>0.59</b>			<b>0.59</b>	<b>0.45</b>	<b>0.29</b>	<b>0.16</b>	<b>0.06</b>	<b>0.05</b>
Inventory Turnover	4.98	6.59	6.02	6.04			6.04	6.28	6.47	6.60	6.73	6.87
Inventory Turnover Days	73.26	55.42	60.60	60.42			60.42	58.09	56.40	55.30	54.21	53.15
Days Inventory Outstanding	81.51	58.34	64.83	70.29			70.29	66.78	64.83	63.56	62.31	61.09
Accounts Receivable Turnover	15.38	20.98	18.03	17.20			17.20	17.88	18.42	18.79	19.17	19.55
Accounts Receivable Turnover Days	23.73	17.40	20.25	21.23			21.23	20.41	19.81	19.43	19.04	18.67
Days Payable Outstanding	18.72	12.01	13.38	15.12			15.12	14.36	13.94	13.67	13.40	13.14
Days Sales Outstanding	23.73	17.40	20.25	21.23			21.23	21.23	20.41	19.81	19.43	19.04
Cash Conversion Cycle	86.52	63.73	71.70	76.40			76.40	73.64	71.30	69.70	68.34	67.00

SN VALUATION

LBO Adjusted Proforma Cash Flow

	52 weeks ending 2008-04-27	53 weeks ending 2009-05-03	52 weeks ending 2010-05-02	52 weeks ending 2011-05-01	2011	2012	2013	2014	2015
Net Income	128.90	-198.40	-101.40	521.00	458.24	500.97	538.59	576.43	588.10
Depreciation	264.20	270.50	242.30	231.90	241.18	248.41	253.38	258.45	263.62
<b>Net Income + Depreciation</b>	<b>393.10</b>	<b>72.10</b>	<b>140.90</b>	<b>752.90</b>	<b>699.42</b>	<b>749.39</b>	<b>791.97</b>	<b>834.88</b>	<b>851.71</b>
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	86.40	-98.60	35.30	158.20	0.00	0.00	0.00	0.00	0.00
Non Cash Items	-35.50	64.10	30.90	-132.50	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-430.00	267.00	51.10	-162.20	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	142.90	-28.30	-88.10	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	382.30	36.10	-159.90	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-80.20	-213.40	153.90	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-133.20	-6.40	50.60	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>14.00</b>	<b>304.60</b>	<b>258.20</b>	<b>616.40</b>	<b>699.42</b>	<b>749.39</b>	<b>791.97</b>	<b>834.88</b>	<b>851.71</b>
Capital Expenditures Expenditures	-460.20	-174.50	-182.70	-176.80	-200.00	-200.00	-200.00	-200.00	-200.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Expenditures Proceeds	-31.90	608.80	48.90	431.10	0.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>-492.10</b>	<b>434.30</b>	<b>-133.80</b>	<b>254.30</b>	<b>-200.00</b>	<b>-200.00</b>	<b>-200.00</b>	<b>-200.00</b>	<b>-200.00</b>
Financing Cash flow items	-5.80	-114.20	-103.50	-23.90	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	4.20	72.80	296.90	1.20	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	-143.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	478.90	-632.90	15.50	-922.90	-300.00	-500.00	-500.00	-500.00	0.00
<b>Cash from Financing Activities</b>	<b>477.30</b>	<b>-674.30</b>	<b>208.90</b>	<b>-945.60</b>	<b>-443.00</b>	<b>-500.00</b>	<b>-500.00</b>	<b>-500.00</b>	<b>0.00</b>
Foreign Exchange effect	0.30	-2.90	-1.10	-1.60	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	57.80	119.00	119.00	451.20	374.70	431.12	480.50	572.47	707.35
<b>Net Change in Cash</b>	<b>-0.50</b>	<b>61.70</b>	<b>332.20</b>	<b>-76.50</b>	<b>56.42</b>	<b>49.39</b>	<b>91.97</b>	<b>134.88</b>	<b>651.71</b>
Ending Cash Balance	57.30	119.00	451.20	374.70	431.12	480.50	572.47	707.35	1,359.06
Depreciation to Sales	2.33%	2.17%	2.16%	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%
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	6.50%	4.77%	5.55%	5.82%	5.59%	5.43%	5.32%	5.22%	5.12%
Distributable FCF Yield	-8.78%	13.56%	2.28%	15.98%	9.17%	10.08%	10.87%	11.65%	11.96%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>FCF (Ops-Investing-Dividends)</b>	<b>-478.10</b>	<b>738.90</b>	<b>124.40</b>	<b>870.70</b>	<b>499.42</b>	<b>549.39</b>	<b>591.97</b>	<b>634.88</b>	<b>651.71</b>

# 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	-76.50	56.42	49.39	91.97	134.88	651.71
Current Portion Debt Repayment		143.00				
Long Term Debt Repayment		300.00	500.00	500.00	500.00	
<b>Outstanding Debt</b>	2122.30	1679.30	1179.30	679.30	179.30	179.30
Current Portion Debt Balance	143.70	0.70	0.70	0.70	0.70	0.70
Long Term Debt Balance	1978.60	1678.60	1178.60	678.60	178.60	178.60
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>134.34</b>	<b>94.34</b>	<b>54.34</b>	<b>14.34</b>	<b>14.34</b>
Cash Balance		374.70				
Interest @ 1.0%		3.75	3.75	3.75	3.75	3.75
<b>Net Interest Expense/(Income)</b>		<b>130.60</b>	<b>90.60</b>	<b>50.60</b>	<b>10.60</b>	<b>10.60</b>
<b>Net Interest Rate</b>		<b>6.60%</b>	<b>5.40%</b>	<b>4.29%</b>	<b>1.56%</b>	<b>5.93%</b>
EBITDA		824.90	849.65	866.64	883.98	901.65
<b>EBITDA/Interest Expense Coverage</b>		<b>6.14</b>	<b>9.01</b>	<b>15.95</b>	<b>61.63</b>	<b>62.86</b>

Interest Rate Coverage Table

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

\*Source: NYU; Professor Damodaran

# Altman Z Score

Company Name:

Smithfield Foods Inc

Ticker:

SFD

Period	2007	2008	2009	2010	2011	2012	2013	2014	2015
Working Capital	2,624.30	1,836.00	2,218.10	2,253.70	2,310.12	2,359.50	2,451.47	2,586.35	3,238.06
Total Assets	8,867.90	7,200.20	7,708.90	7,577.70	7,592.94	7,593.92	7,632.51	7,708.94	8,297.03
<b>X1</b>	<b>0.30</b>	<b>0.25</b>	<b>0.29</b>	<b>0.30</b>	<b>0.30</b>	<b>0.31</b>	<b>0.32</b>	<b>0.34</b>	<b>0.39</b>
Retained Earnings	1,838.50	1,640.10	1,538.70	2,059.70	2,517.94	3,018.92	3,557.51	4,133.94	4,722.03
Total Assets	8,867.90	7,200.20	7,708.90	7,577.70	7,592.94	7,593.92	7,632.51	7,708.94	8,297.03
<b>X2</b>	<b>0.21</b>	<b>0.23</b>	<b>0.20</b>	<b>0.27</b>	<b>0.33</b>	<b>0.40</b>	<b>0.47</b>	<b>0.54</b>	<b>0.57</b>
EBITDA	334.80	-110.30	13.20	952.40	824.90	849.65	866.64	883.98	901.65
Total Assets	8,867.90	7,200.20	7,708.90	7,577.70	7,592.94	7,593.92	7,632.51	7,708.94	8,297.03
<b>X3</b>	<b>0.04</b>	<b>-0.02</b>	<b>0.00</b>	<b>0.13</b>	<b>0.11</b>	<b>0.11</b>	<b>0.11</b>	<b>0.11</b>	<b>0.11</b>
Market Value of Equity	3,700.47	3,700.47	3,700.47	3,700.47	3,921.19	4,155.07	4,402.90	4,665.51	4,943.78
Total Liabilities	5,819.70	4,587.80	4,953.30	4,066.30	3,767.00	3,267.00	2,767.00	2,267.00	2,267.00
<b>X4</b>	<b>0.64</b>	<b>0.81</b>	<b>0.75</b>	<b>0.91</b>	<b>1.04</b>	<b>1.27</b>	<b>1.59</b>	<b>2.06</b>	<b>2.18</b>
Net Sales	11,351.20	12,487.70	11,202.60	12,202.70	12,690.81	13,071.53	13,332.96	13,599.62	13,871.61
Total Assets	8,867.90	7,200.20	7,708.90	7,577.70	7,592.94	7,593.92	7,632.51	7,708.94	8,297.03
<b>X5</b>	<b>1.28</b>	<b>1.73</b>	<b>1.45</b>	<b>1.61</b>	<b>1.67</b>	<b>1.72</b>	<b>1.75</b>	<b>1.76</b>	<b>1.67</b>
<b>Altman Z Score</b>	<b>2.43</b>	<b>2.79</b>	<b>2.53</b>	<b>3.31</b>	<b>3.48</b>	<b>3.78</b>	<b>4.11</b>	<b>4.53</b>	<b>4.60</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



# SN VALUATION

# Economic Indicators

Indicators	Period	Value	Previous Value	Chg %	Released
Adjusted National Financial Conditions Index	Jan 27 2012	0.19	0.19	1.28%	Error
Case-Shiller Home Price Index: National	Sep 2011	127.78	129.35	-1.21%	-0.0395
Philly Fed Manufacturing Activity Index	Jan 2012	7.3	6.80	7.35%	-0.578
Philly Fed Manufacturing Future Activity Index	Jan 2012	49	40.00	22.50%	0.0294
US Average Claims for Unemployment Insurance	Jan 21 2012	3530	3572.874494	-1.20%	-0.1204
US Average Initial Claims for Unemployment Insurance	Jan 28 2012	375.75K	N/A	-0.53%	-0.1226
US Industrial Production Index	Nov 2011	94.83	95.04	-0.22%	0.0374
US Initial Claims for Unemployment Insurance	Jan 28 2012	367.00K	N/A	-3.17%	-0.1716
US Producer Price Index	Dec 2011	192.6	192.79	-0.10%	0.0484
US Quits Rate: Total Nonfarm	Nov 2011	0.015	0.015	0.00%	0.1538
US Quits: Total Nonfarm	Nov 2011	1960	1919.12	2.13%	0.1185
US Retail Sales	Dec 2011	357980000	357,944,206	0.01%	0.0627
US Total Business Inventories	Nov 2011	1.55T	N/A	0.32%	0.0855
US Total Business Inventory/Sales Ratio	Nov 2011	1.27	1.27	0.00%	-0.0078
US Total Business Sales	Nov 2011	1.22T	N/A	0.31%	0.096
US Total Separations Rate: Total Nonfarm	Nov 2011	0.03	0.03	0.00%	0
US Total Separations: Total Nonfarm	Nov 2011	4000	3902.82	2.49%	0.0326

## U.S. Key Indicators

10 Year Treasury Rate	1.86%
US Producer Price Index	192.6
US Initial Claims for Unemployment Insurance	367.00K
US 30 Year Mortgage Rate	3.87%
US Average Claims for Unemployment Insurance	3,530
US Retail Sales	357,980,000
US Unemployment Rate	0.083
US Durable Goods Orders	214,310,000
US Purchasing Managers Index	54.1
US Personal Consumption Expenditures	10.86T
US Consumer Price Index	226.75
US Consumer Sentiment	69.8
US Housing Starts	657.00K

## Korea Key Indicators

	Period	Value	Chg from 1 Year
Gold Price in Korean Won	Feb 3 2012	1,939,046	30.73%
Korea Change in Stocks	Sep 2011	3.3	230.00%
Korea Consumer Price Index	Dec 2011	122.13	4.16%
Korea Core Consumer Price Index	Dec 2011	117.45	2.68%
Korea Core Inflation Rate	Oct 2011	0.0315	68.28%
Korea GDP	Sep 2011	310.1	5.30%
Korea Inflation Rate	Oct 2011	0.039	-3.90%
Korea Manufacturing Producer Price Index	Nov 2011	125.69	6.71%
Korea Misery Index	Oct 2011	7	-7.39%
Korea Real GDP Growth	Sep 2011	0.0349	-20.14%
Korea Unemployment Rate	Nov 2011	0.031	-3.12%

Source: [Ycharts.com](http://Ycharts.com)

2012-02-07