

## Stanley Furniture (STLY)

Price:	\$3.49	Net Tang. Bk Value Incl. Cash, Excl.	\$86,800,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$54,097,000.00
Market Cap:	\$50,639,900	Goodwill (NTBVIC):		Avg. Year Op. Cash:	-\$4,763,926.83
Cash:	\$22,780,000	NTBVIC/Market Downside Recovery:	171.41%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$0	Op. Cash Flow:	-\$4,758,220	Year 5 Disposition Price:	\$39,805,219.51
Net Cash:	\$22,780,000	Implied Years to Fill Gap:	7.60		
Enterprise Value:	\$27,859,900	Today's Equity if 5x Op. CF:	\$72,525,339		
Shares Outstanding:	14,510,000			Net Tang. Book+ Gain Disposition:	\$39,805,219.51
				IRR:	-4.70%
				Price:	\$2.74
				Target Market Cap:	\$39,805,220
				Target Enterprise Value:	\$17,025,220

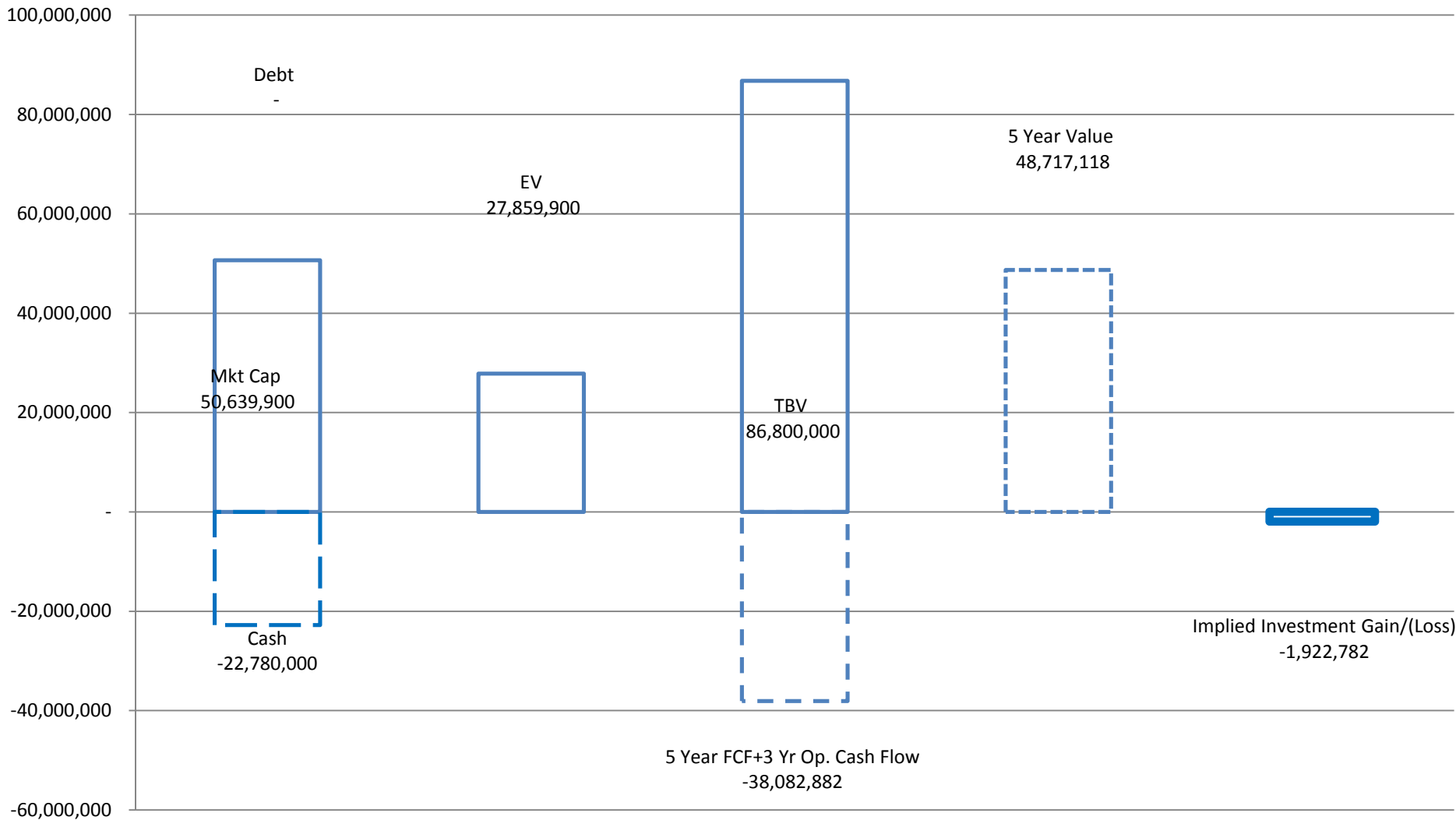
\* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

The Co. is ridiculously cheap on an asset basis at 171% Net tangible book/Price. The Co. is a manufacturer of wooden furniture for adults and kids. Its a low margin business and has seen sales eaten away by cheaper Chinese manufacturers. The investment thesis hinges primarily on the asset value of \$90MM versus a market value of \$50MM. Cash flow has been negative and we don't foresee a marked recovery in the next year. Included in the asset is \$30MM of inventory. We believe investors are writing off a large chunk of the inventory, as the soft real estate market followed by fierce competition in the saturated market makes business difficult in the US for wooden furniture.

We read in a write up for this stock that a recovery led by a restructuring has been underway, which could bring a renewed strength in revenues for the Co. The Co. is repatriating the manufacturing operation to their factory in North Carolina. We are skeptical repatriation will boost sales, although there may be a Made in US bias amongst the target customers that could tip the scale.

We played the asset value game with EXM and EXM filed for bankruptcy because cash flow was the issue. However, this Co. has \$23MM in cash, zero debt, so no debt interest liability. Could \$23MM provide enough buffer for the cumulative cash burn before NI turns black? The Co. is anticipated to burn about \$5MM/year at current margins and sales level, so provides 3-4 years of support. We doubt the Co. will make material reinvestment through capex during this period, or may have to borrow money to do so, or issue secondary shares. However, what bank will lend to a money burning operation, and what equity investor, besides a PE, or activist investor would place capital in a weak business?

Although the goose is cheap, the goose is not laying any golden eggs. We will stay away from this stock.



Stanley Furniture Company, Inc., is a Delaware corporation. The Company is a designer, manufacturer and importer of wood furniture in the segment of the residential market. The Company operates in one business segment which consists of two product lines that are branded as Stanley Furniture and Young America. Its Stanley Furniture brand is marketed as upscale home furnishings which differentiate from other products in the market through styling and finish execution as well as wide selections for the entire home including dining, bedroom, home office, home entertainment, and accent items. Its Young America brand is marketed as the trusted brand for child safety. Additionally, certain products have achieved third party certifications for both indoor air quality and product safety. It provides products in a variety of woods and finishes. Its products are designed to appeal to a broad range of consumer tastes in the premium segment and cover all major style categories including traditional, continental, contemporary, transitional and cottage designs. It has developed a domestic and international customer base and sells its furniture mainly through independent sales representatives to independent furniture stores, interior designers, smaller specialty retailers, regional furniture chains, buying clubs and e-tailers. The Company is subject to federal, state and local laws and regulations in the areas of safety, health and environmental protection.

<b>Company Name:</b>		<b>Stanley Furniture</b>			<b>Income Statement</b>	
Ticker Symbol:	STLY	Market Capitalization:	\$50,639,900.00	Revenue:	\$97,580,000.00	100.0%
<b>Last Price:</b>	<b>\$3.49</b>	Total Debt:	\$0.00	Cost of Goods Sold:	\$84,900,000.00	87.0%
Net Cash/Share:	\$1.57	RCH Total Cash:	\$22,780,000.00	Gross Profit:	\$12,680,000.00	13.0%
Net Cash to Last Price:	44.98%	Net Cash/(Debt):	\$22,780,000.00	EBITDA:	-\$5,690,000.00	-5.8%
Shares Outstanding:	14,510,000	Enterprise Value:	\$27,859,900.00	Net Income:	-\$10,540,000.00	-10.8%
Industry:	Home Furnishings & Fixtures	Current EV/Share:	\$1.92			
Sector:	Consumer Cyclical	EBITDA:	-\$4,310,000.00	<b>Balance Sheet</b>		
Institutional Ownership:	62.68%	EV/EBITDA Multiple:	-6.46	Cash:	\$12,780,000.00	
Mutual Fund Ownership:	49.28%	EV/EBITDA Multiple Average Year 1-5:	-5.41	Short Term Investment:	\$10,000,000.00	
Insider Ownership:	5.10%	EV/FCF Multiple (excluding acquisition):	1.48	A/R:	\$10,000,000.00	
Float:	69.00%	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	-5.85	PP&E:	\$22,000,000.00	
<b>Upper Range</b>						
<b>DCF: EV/EBITDA Terminal Value</b>						
<b>Technicals</b>		Implied TV from 3 X EV/EBITDA Multiple	-\$20,699,700.00	A/P:	\$9,000,000.00	
52 week low:	\$3.27	Enterprise Value	-\$20,699,700.00	Deferred Tax:	\$720,000.00	
Today from 52 week low:	6.73%	Cash at Year 5:	-\$1,039,634.15	Other Liabilities:	\$10,660,000.00	
52 week high:	\$5.00	Debt at Year 5:	\$0.00	Short term Debt:	\$0.00	
Today from 52 week high:	43.27%	Equity Value Year 5:	-\$21,739,334.15	Long Term Debt:	\$0.00	
<b>Analyst/Consensus</b>		<b>Equity/Share at Year 5:</b>	<b>-\$1.50</b>	Liabilities:	\$20,380,000.00	
Analyst Sales Growth FY1:	2.00%	Annualized Return:	-184.44%	Retained Earnings:	\$72,000,000.00	
Analyst Sales Growth FY2:	6.80%	<b>Lower Range</b>				
SN Valuation Estimate FY1:	0.00%	<b>DCF: Net Tangible Asset excluding Cash/Debt Terminal Value</b>				
SN Valuation Estimate FY2:	0.00%	Year 5 Net Tangible Assets excluding cash and debt	\$52,960,000.00	Paid-In Capital:	\$15,280,000.00	
Analyst Earnings Estimate FY1:	-\$0.57	Enterprise Value	\$52,960,000.00	Treasury Stock:	\$0.00	
Analyst Earnings Estimate FY2:	-\$0.37	Cash at Year 5:	-\$1,039,634.15	Stockholder's Equity:	\$86,800,000.00	
SN Valuation Earnings Est. FY1:	-\$0.45	Debt at Year 5:	\$0.00	<b>Cash Flow</b>		
SN Valuation Earnings Est. FY2:	-\$0.45	Equity Value Year 5:	\$51,920,365.85	Net Income:	30,380,000.00	
<b>Multiples</b>		<b>Equity/Share at Year 5:</b>	<b>\$3.58</b>	Depreciation/Amortization:	1,760,000.00	
<b>Market Value to Book:</b>	<b>0.58</b>	Annualized Return:	0.50%	Change in Working capital:	-7,510,000.00	
EV to Book:	0.32					
Market Value to Tangible Net Assets:	0.96	<b>EVA</b>				
P/E Ratio:	-4.80	EVA today:	\$71,309,151.14	Cash from Operating Activities:	25,360,000.00	
Trailing P/E Ratio:	N/A	EVA in 5 Years:	\$21,814,720.89	Cash from Investing Activities:	-6,550,000.00	
Forward P/E Ratio:	N/A	EVA/Share:	\$1.50	Cash from Financing Activities:	1,490,000.00	
Beta:	0.96	Cash at Year 5:	-\$1,039,634.15	Capital Expenditures:	-6,550,000.00	
Dividend:	0.00	Debt at Year 5:	\$0.00	Cash from Investing Activities:	-31,620,000.00	
<b>Dividend Yield:</b>	<b>0.00%</b>	Equity Value Year 5:	\$20,775,086.74	Total Cash Dividends Paid:	0.00	
Dividend Date:	N/A	<b>Equity/Share at Year 5:</b>	<b>\$1.43</b>	Issuance (Retirement) of Stock:	-660,000.00	
Ex-Dividend Date:	Nov 5, 2008	Annualized return:	-21.09%	Issuance (Retirement) of Debt:	2,150,000.00	
<b>Competitors</b>						
Average EV to EBITDA:	N/A	<b>Current Net Tangible Asset</b>				
Company EV to EBITDA:	-6.46	<b>Net Tangible Asset/Share:</b>	<b>\$5.47</b>	Cash from Financing Activities:	1,490,000.00	
Average EV to EBIT:	N/A	<b>Net Tangible Asset/Share in Year 5:</b>	<b>\$3.23</b>	Return on Equity:	35.00%	
Company EV to EBITA:	-4.58	Annualized return:	-10.02%	Return on Capital:	35.00%	
		Current Equity Price:	\$3.49	Return on Assets:	30.44%	
		Selling at Discount?	Discount	Profitability Margins		
		Appreciation Potential:	56.81%			

SN VALUATION

LBO Pro Forma Income Statement

Name:

Stanley Furniture

Ticker:

STLY

	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	160.45	137.01	104.65	98.57	98.57	98.57	98.57	98.57	98.57
COGS	158.69	153.12	92.17	85.89	86.74	86.74	86.74	86.74	86.74
Gross margin	1.76	-16.11	12.48	12.68	11.83	11.83	11.83	11.83	11.83
SG&A	26.67	20.62	19.25	18.28	18.73	18.73	18.73	18.73	18.73
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	9.07	0.00	0.47	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)	-24.91	-45.80	-6.77	-6.07	-6.90	-6.90	-6.90	-6.90	-6.90
Interest income/(expense)	-3.70	-3.53	-2.32	-2.32	0.36	0.36	0.36	0.36	0.36
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	9.50	1.58	4.08	39.43	0.00	0.00	0.00	0.00	0.00
Income before tax	-19.11	-47.75	-5.02	31.03	-6.54	-6.54	-6.54	-6.54	-6.54
Tax	-7.36	-3.96	0.01	0.65	0.00	0.00	0.00	0.00	0.00
Income after tax	-11.75	-43.79	-5.03	30.38	-6.54	-6.54	-6.54	-6.54	-6.54
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	-11.75	-43.79	-5.03	30.38	-6.54	-6.54	-6.54	-6.54	-6.54
* Figures are in millions (\$)									
EPS (based off today's share count)	-\$0.81	-\$3.02	-\$0.35	\$2.09	-\$0.45	-\$0.45	-\$0.45	-\$0.45	-\$0.45
P/E (historical today's price; forecasted intrinsic price)	-4.31	-1.16	-10.07	1.67	-7.38	-7.03	-6.70	-6.39	-6.09
Revenue Growth	N/A	-14.61%	-23.62%	-5.81%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	38.51%	8.29%	-0.20%	2.09%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-13.28%	-149.58%	0.00%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	98.90%	111.76%	88.07%	87.14%	88.00%	88.00%	88.00%	88.00%	88.00%
Gross margin	1.10%	-11.76%	11.93%	12.86%	12.00%	12.00%	12.00%	12.00%	12.00%
SG&A	16.62%	15.05%	18.39%	18.55%	19.00%	19.00%	19.00%	19.00%	19.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	6.62%	0.00%	0.48%	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)	-15.53%	-33.43%	-6.47%	-6.16%	-7.00%	-7.00%	-7.00%	-7.00%	-7.00%
Interest income/(expense)	-2.31%	-2.58%	-2.22%	-2.35%	0.36%	0.36%	0.36%	0.36%	0.36%
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	5.92%	1.15%	3.90%	40.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	-11.91%	-34.85%	-4.80%	31.48%	-6.64%	-6.64%	-6.64%	-6.64%	-6.64%
Tax	-4.59%	-2.89%	0.01%	0.66%	0.00%	0.00%	0.00%	0.00%	0.00%
Income after tax	-7.32%	-31.96%	-4.81%	30.82%	-6.64%	-6.64%	-6.64%	-6.64%	-6.64%
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	-7.32%	-31.96%	-4.81%	30.82%	-6.64%	-6.64%	-6.64%	-6.64%	-6.64%

	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-12-31	As of 2013-06-29	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	41.83	25.53	15.70	10.93	12.78			12.78	8.021779749	3.26	-1.51	-6.28	-11.04
Short term investment	0.00	0.00	0.00	25.00	10.00			10.00	10.00	10.00	10.00	10.00	10.00
<b>Cash and Short term</b>	<b>41.83</b>	<b>25.53</b>	<b>15.70</b>	<b>35.93</b>	<b>22.78</b>			<b>22.78</b>	<b>18.02</b>	<b>13.26</b>	<b>8.49</b>	<b>3.72</b>	<b>-1.04</b>
Accounts Receivable	15.30	9.89	10.25	10.03	10.00			10.00	10.00	10.00	10.00	10.00	10.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Receivables</b>	<b>15.30</b>	<b>9.89</b>	<b>10.25</b>	<b>10.03</b>	<b>10.00</b>			<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>
Total Inventory	37.23	25.70	31.08	35.06	31.74			31.74	31.74	31.74	31.74	31.74	31.74
Prepaid Expenses	4.90	5.88	3.38	3.44	4.11			4.11	4.11	4.11	4.11	4.11	4.11
Other Current Assets	3.43	1.02	2.11	2.70	2.46			2.46	2.46	2.46	2.46	2.46	2.46
<b>Current Assets</b>	<b>102.69</b>	<b>68.02</b>	<b>62.52</b>	<b>87.16</b>	<b>71.09</b>	<b>0.00</b>	<b>0.00</b>	<b>71.09</b>	<b>66.33177975</b>	<b>61.57</b>	<b>56.80</b>	<b>52.03</b>	<b>47.27</b>
PP&E, Gross	99.26	46.18	44.46	46.54	47.00			47.00	47.00	47.00	47.00	47.00	47.00
Change in Depreciation	5.91	9.36	1.61	1.75	1.75			1.75	1.75	1.75	1.75	1.75	1.75
Accumulated Depreciation	67.88	30.20	26.87	25.02	25.00			25.00	26.75	28.50	30.25	32.00	33.75
<b>PP&amp;E, Net</b>	<b>31.38</b>	<b>15.98</b>	<b>17.59</b>	<b>21.52</b>	<b>22.00</b>			<b>22.00</b>	<b>20.25</b>	<b>18.50</b>	<b>16.75</b>	<b>15.00</b>	<b>13.25</b>
Goodwill	9.07	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	0.00	0.00	0.00	0.00	0.00			0.00	-0.03	-0.06	-0.08	-0.11	-0.13
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	0.45	0.45	0.50	3.69	6.70			6.70	6.70	6.70	6.70	6.70	6.70
<b>Long Term Assets</b>	<b>40.90</b>	<b>16.43</b>	<b>18.09</b>	<b>25.21</b>	<b>28.70</b>			<b>28.70</b>	<b>26.92</b>	<b>25.14</b>	<b>23.37</b>	<b>21.59</b>	<b>19.82</b>
<b>Total Assets</b>	<b>143.59</b>	<b>84.45</b>	<b>80.61</b>	<b>112.37</b>	<b>99.79</b>	<b>0.00</b>	<b>0.00</b>	<b>99.79</b>	<b>93.25</b>	<b>86.71</b>	<b>80.17</b>	<b>73.63</b>	<b>67.09</b>
Accounts Payable	11.63	9.12	9.96	8.67	9.00			9.00	9.00	9.00	9.00	9.00	9.00
Accrued Expense	9.22	7.73	6.49	6.25	6.00			6.00	6.00	6.00	6.00	6.00	6.00
Other current Liabilities	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Current Liabilities</b>	<b>20.85</b>	<b>16.85</b>	<b>16.45</b>	<b>14.92</b>	<b>15.00</b>	<b>0.00</b>	<b>0.00</b>	<b>15.00</b>	<b>15.00</b>	<b>15.00</b>	<b>15.00</b>	<b>15.00</b>	<b>15.00</b>
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	1.43	2.36	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	26.43	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
<b>Total Interest Earning Debt</b>	<b>27.86</b>	<b>2.36</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Deferred Income tax	2.13	1.02	0.52	0.96	0.72			0.72	0.72	0.72	0.72	0.72	0.72
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	6.77	6.38	6.59	7.60	4.66			4.66	4.66	4.66	4.66	4.66	4.66
<b>Total Liabilities</b>	<b>57.61</b>	<b>26.61</b>	<b>23.56</b>	<b>23.48</b>	<b>20.38</b>	<b>0.00</b>	<b>0.00</b>	<b>20.38</b>	<b>20.38</b>	<b>20.38</b>	<b>20.38</b>	<b>20.38</b>	<b>20.38</b>
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	0.21	0.29	0.29	0.28	0.28		0.00	0.28	0.28	0.28	0.28	0.28	0.28
Additional Paid-in capital	1.90	14.43	14.90	15.02	15.00	0.00	0.00	15.00	15.00	15.00	15.00	15.00	15.00
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	90.85	47.06	42.04	72.42	72.00			72.00	65.46	58.92	52.38	45.84	39.30
Treasury Stock	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	-0.11	0.01	-0.18	-0.48	-0.48		0.00	-0.48	-0.48	-0.48	-0.48	-0.48	-0.48
<b>Total Equity</b>	<b>92.85</b>	<b>61.79</b>	<b>57.05</b>	<b>87.24</b>	<b>86.80</b>	<b>0.00</b>	<b>0.00</b>	<b>86.80</b>	<b>80.26</b>	<b>73.72</b>	<b>67.18</b>	<b>60.64</b>	<b>54.10</b>
<b>Liability + Equity</b>	<b>150.46</b>	<b>88.40</b>	<b>80.61</b>	<b>110.72</b>	<b>107.18</b>	<b>0.00</b>	<b>0.00</b>	<b>107.18</b>	<b>100.64</b>	<b>94.10</b>	<b>87.56</b>	<b>81.02</b>	<b>74.48</b>
<b>Variance</b>	<b>-6.87</b>	<b>-3.95</b>	<b>0.00</b>	<b>1.65</b>	<b>-7.39</b>			<b>-7.39</b>	<b>-7.39</b>	<b>-7.39</b>	<b>-7.39</b>	<b>-7.39</b>	<b>-7.39</b>
<b>Debt/Equity</b>	<b>0.30</b>	<b>0.04</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Inventory Turnover	4.31	5.33	3.37	2.81	3.11			3.11	3.11	3.11	3.11	3.11	3.11
Inventory Turnover Days	84.69	68.47	108.40	129.83	117.53			117.53	117.53	117.53	117.53	117.53	117.53
Days Inventory Outstanding	85.63	61.26	123.08	148.99	133.56			134.88	133.56	133.56	133.56	133.56	133.56
Accounts Receivable Turnover	10.49	13.85	10.21	9.83	9.86			9.86	9.86	9.86	9.86	9.86	9.86
Accounts Receivable Turnover Days	34.81	26.35	35.75	37.14	37.03			37.03	37.03	37.03	37.03	37.03	37.03
Days Payable Outstanding	26.75	21.74	39.44	36.84	37.87			38.25	37.87	37.87	37.87	37.87	37.87
Days Sales Outstanding	34.81	26.35	35.75	37.14	37.03			37.14	37.03	37.03	37.03	37.03	37.03
Cash Conversion Cycle	93.69	65.87	119.39	149.29	132.72			133.78	132.72	132.72	132.72	132.72	132.72
Net tangible assets/share	\$5.77	\$4.26	\$3.93	\$6.01	\$5.98				\$5.53	\$5.08	\$4.64	\$4.19	\$3.74

	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	-11.75	-43.79	-5.03	30.38	-6.54	-6.54	-6.54	-6.54	-6.54
Depreciation	5.91	9.36	1.61	1.75	1.75	1.75	1.75	1.75	1.75
<b>Net Income + Depreciation</b>	<b>-5.84</b>	<b>-34.43</b>	<b>-3.42</b>	<b>32.13</b>	<b>-4.79</b>	<b>-4.79</b>	<b>-4.79</b>	<b>-4.79</b>	<b>-4.79</b>
Amortization	0.09	0.05	0.03	0.01	0.03	0.03	0.02	0.02	0.03
Deferred Taxes	-0.18	1.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non Cash Items	2.92	10.43	0.97	0.72	0.00	0.00	0.00	0.00	0.00
Change in Working capital	1.83	13.25	-4.90	-7.51	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	5.41	-0.35	0.22	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	11.53	-5.38	-3.98	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-0.98	2.50	-0.06	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-2.51	0.84	-1.29	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>-1.18</b>	<b>-9.40</b>	<b>-7.32</b>	<b>25.35</b>	<b>-4.76</b>	<b>-4.76</b>	<b>-4.77</b>	<b>-4.77</b>	<b>-4.76</b>
Capital Expenditures Expenditures	-2.62	-0.89	-4.39	-6.55	0.00	0.00	0.00	0.00	0.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	1.30	5.73	-0.02	-25.07	0.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>-1.32</b>	<b>4.84</b>	<b>-4.41</b>	<b>-31.62</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Financing Cash flow items	0.00	0.00	0.00	0.00	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	0.00	11.91	0.00	-0.66	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	0.32	-23.65	1.88	2.15	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>0.32</b>	<b>-11.74</b>	<b>1.88</b>	<b>1.49</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	2.19	0.00	0.00	0.00	12.78	8.02	3.26	-1.51	-6.28
<b>Net Change in Cash</b>	<b>-2.19</b>	<b>-16.30</b>	<b>-9.83</b>	<b>-4.77</b>	<b>-4.76</b>	<b>-4.76</b>	<b>-4.77</b>	<b>-4.77</b>	<b>-4.76</b>
Ending Cash Balance	0.00	0.00	-9.83	-4.77	8.02	3.26	-1.51	-6.28	-11.04
Capex to Revenue	1.63%	0.65%	4.19%	6.65%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation to Sales	3.68%	6.83%	1.54%	1.78%	1.78%	1.78%	1.78%	1.78%	1.78%
Amortization to Sales	0.06%	0.04%	0.03%	0.01%	0.03%	0.03%	0.02%	0.02%	0.03%
A/R to Sales	9.54%	7.22%	9.79%	10.18%	10.18%	10.18%	10.18%	10.18%	10.18%
Distributable FCF/EV Yield	-8.97%	-16.37%	-42.10%	-22.51%	-17.08%	-17.10%	-17.11%	-17.11%	-17.10%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	<b>-3.80</b>	<b>-10.29</b>	<b>-11.71</b>	<b>18.80</b>	<b>-4.76</b>	<b>-4.76</b>	<b>-4.77</b>	<b>-4.77</b>	<b>-4.76</b>

# SN VALUATION

# LBO Debt Schedule

Ticker:

STLY

	Proforma	2013	2014	2015	2016	2017
<b>Net Change in Cash</b>	<b>-4.77</b>	<b>-4.76</b>	<b>-4.76</b>	<b>-4.77</b>	<b>-4.77</b>	<b>-4.76</b>
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
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		7.00%	7.00%	7.00%	7.00%	7.00%
<b>Interest Rate</b>		<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>
<b>Interest Expense</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Cash Balance		35.93				
Interest @ 1.0%		0.36	0.36	0.36	0.36	0.36
<b>Net Interest Expense/(Income)</b>		<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.36)</b>
<b>Net Interest Rate</b>		<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
EBITDA		(6.90)	(6.90)	(6.90)	(6.90)	(6.90)
<b>EBITDA/Interest Expense Coverage</b>		<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

Interest Rate Coverage Table

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

\*Source: NYU; Professor Damodaran

## Altman Z Score

Company Name:

Stanley Furniture

Ticker:

STLY

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	81.84	51.17	46.07	56.09	51.33	46.57	41.80	37.03	32.27
Total Assets	143.59	84.45	80.61	99.79	93.25	86.71	80.17	73.63	67.09
<b>X1</b>	<b>0.57</b>	<b>0.61</b>	<b>0.57</b>	<b>0.56</b>	<b>0.55</b>	<b>0.54</b>	<b>0.52</b>	<b>0.50</b>	<b>0.48</b>
Retained Earnings	90.85	47.06	42.04	72.00	65.46	58.92	52.38	45.84	39.30
Total Assets	143.59	84.45	80.61	99.79	93.25	86.71	80.17	73.63	67.09
<b>X2</b>	<b>0.63</b>	<b>0.56</b>	<b>0.52</b>	<b>0.72</b>	<b>0.70</b>	<b>0.68</b>	<b>0.65</b>	<b>0.62</b>	<b>0.59</b>
EBITDA	-24.91	-45.80	-6.77	-6.07	-6.90	-6.90	-6.90	-6.90	-6.90
Total Assets	143.59	84.45	80.61	99.79	93.25	86.71	80.17	73.63	67.09
<b>X3</b>	<b>-0.17</b>	<b>-0.54</b>	<b>-0.08</b>	<b>-0.06</b>	<b>-0.07</b>	<b>-0.08</b>	<b>-0.09</b>	<b>-0.09</b>	<b>-0.10</b>
Market Value of Equity	50.64	50.64	50.64	50.64	48.26	45.99	43.83	41.77	39.81
Total Liabilities	57.61	26.61	23.56	20.38	20.38	20.38	20.38	20.38	20.38
<b>X4</b>	<b>0.88</b>	<b>1.90</b>	<b>2.15</b>	<b>2.48</b>	<b>2.37</b>	<b>2.26</b>	<b>2.15</b>	<b>2.05</b>	<b>1.95</b>
Net Sales	160.45	137.01	104.65	98.57	98.57	98.57	98.57	98.57	98.57
Total Assets	143.59	84.45	80.61	99.79	93.25	86.71	80.17	73.63	67.09
<b>X5</b>	<b>1.12</b>	<b>1.62</b>	<b>1.30</b>	<b>0.99</b>	<b>1.06</b>	<b>1.14</b>	<b>1.23</b>	<b>1.34</b>	<b>1.47</b>
<b>Altman Z Score</b>	<b>2.64</b>	<b>2.48</b>	<b>3.73</b>	<b>3.96</b>	<b>3.88</b>	<b>3.82</b>	<b>3.78</b>	<b>3.73</b>	<b>3.70</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



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
<b>Tangible Book Value</b>	<b>86.80</b>	<b>80.26</b>	<b>73.72</b>	<b>67.18</b>	<b>60.64</b>	<b>54.10</b>				<b>54.10</b>
Annual Change		(6.54)	(6.54)	(6.54)	(6.54)	(6.54)				
<b>Annual FCF</b>	<b>18.80</b>	<b>(4.76)</b>	<b>(4.76)</b>	<b>(4.77)</b>	<b>(4.77)</b>	<b>(4.76)</b>	<b>(4.76)</b>	<b>(4.76)</b>	<b>(4.76)</b>	<b>(14.29)</b>
Annual Op. Cash Flow	25.35	(4.76)	(4.76)	(4.77)	(4.77)	(4.76)	(4.76)	(4.76)	(4.76)	
Annual PP&E Investment	(6.55)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Today's Tangible Book Value</b>	<b>86.80</b>	<b>78.97</b>	<b>71.84</b>	<b>65.36</b>	<b>59.46</b>	<b>54.10</b>				<b>39.81</b>
Intrinsic Value IRR	-9.02%									
<b>Market Price</b>	<b>50.64</b>	<b>48.26</b>	<b>45.99</b>	<b>43.83</b>	<b>41.77</b>	<b>39.81</b>				<b>39.81</b>
Market Price IRR	-4.70%									

Debt	50.00%	25.32
Equity	50.00%	25.32
<b>Total</b>	<b>100.00%</b>	<b>50.64</b>

	Present Value	Holding Period					Terminal Value			Sale Price	
	Historic	ProForma	1	2	3	4	5	6	7	8	
Book Equity	86.8	25.32	15.89	6.46	(2.98)	(12.41)	(21.84)				
Goodwill	0	(36.16)	(36.16)	(36.16)	(36.16)	(36.16)	(36.16)				
Debt	0	25.32	25.32	25.32	25.32	25.32	25.32				
Debt Interest Rate		10.00%	10.00%	10.00%	10.00%	10.00%	10.00%				
Additional Interest Expense		2.89	2.89	2.89	2.89	2.89	2.89				
<b>Tangible Book Value</b>	<b>86.8</b>	<b>61.48</b>	<b>52.05</b>	<b>42.62</b>	<b>33.18</b>	<b>23.75</b>	<b>14.32</b>				<b>14.32</b>
Annual Change			-9.43	-9.43	-9.43	-9.43	-9.43				
<b>Annual FCF</b>	<b>18.80</b>		<b>(7.65)</b>	<b>(7.66)</b>	<b>(7.66)</b>	<b>(7.66)</b>	<b>(7.66)</b>	<b>(7.66)</b>	<b>(7.66)</b>	<b>(7.66)</b>	<b>(22.97)</b>
Annual Net Income	30.38		(9.43)	(9.43)	(9.43)	(9.43)	(9.43)	(9.43)	(9.43)	(9.43)	
<b>Annual Op. Cash Flow</b>	<b>25.35</b>		<b>(7.65)</b>	<b>(7.66)</b>	<b>(7.66)</b>	<b>(7.66)</b>	<b>(7.66)</b>	<b>(7.66)</b>	<b>(7.66)</b>	<b>(7.66)</b>	
Dividend Payments											
Annual PP&E Investment	(6.55)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Debt Paydown	0.00							0.00	0.00	0.00	

Sale Price in Year 5 **(0.00)**

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

Invested Equity **25.32**  
 IRR **-180.66%**

Value Creation  
 TBV Growth (equals sum of NI Year 1-5) -47.16  
 Cash Flow (Year 6-8) -22.97  
**-70.13**

Value Dilution  
 Debt 25.32  
 Goodwill -36.16  
 Additional Interest 14.46  
**3.62**