

## Staples (SPLS)

Price:	\$12.98
Market Cap:	\$8,746,962,400
Cash:	\$1,020,040,000
Debt:	\$1,719,050,000
Net Cash:	-\$699,010,000
Enterprise Value:	\$9,445,972,400
Target Market Cap:	\$11,606,527,861
Target Enterprise Value:	\$12,305,537,861

Price/Book:	1.32
EV/FCF:	7.92
<b>Net Tang. Asset/Share:</b>	<b>\$5.11</b>
Avg. Year 1-5 FCF/Share:	\$1.28
<b>5 Years of FCF:</b>	<b>\$6.42</b>
Net Tang. Asset+5 FCF:	\$11.53

Net Tang. Asset Yr. 5/Share:	\$10.81
Avg. Year FCF/Share:	\$1.28
Year 5 Disposition FCF Multiple:	5.0
Year 5 Disposition Price:	\$17.22
<b>Gain Year 5:</b>	<b>\$5.70</b>

<b>Net Tang. Asset+5 FCF+ Gain Disposition:</b>	<b>\$17.22</b>
<b>IRR:</b>	<b>5.82%</b>

Assumed Deal Details

Debt	60.00%	\$5,248,177,440
Equity	40.00%	\$3,498,784,960
Shares Outstanding		673,880,000

Levered Return

New market cap in 5 years	\$11,606,527,861
Nominal Gain for Equity	\$2,859,565,461
<b>Levered Equity Return</b>	<b>12.69%</b>

Well known brand name, for office supplies. Low leverage (26% D/E), strong cash flow (+1 Billion), and 3-4% dividend yield.

Not a great addition to our portfolio, but we would like to follow the stock, as it is a great cash generating co. We could see this as a possible LBO candidate in a few years time.



# SN VALUATION

# LBO Analysis

WACC Terminal Value:	N/A	<b>Intrinsic Price in 5 Years:</b>	13.78	<b>Non-LBO Forecast</b>		<b>Non-LBO Forecast</b>	
EV/EBITDA with 3X Multiple Terminal Value:	\$11.23	Market Price:	12.98	Year 1 Target	13.14	Desired Return Rate	20.00%
Net Tangible Asset Terminal Value:	\$10.54	LBO Price:	12.98	Year 2 Target	13.30	Implied Today's Price	5.54
EV/EBITDA with Today's Multiple Terminal Value:	\$15.13	Premium to Market Price:	0.00%	Year 3 Target	13.46	Overvalued/(Undervalued)	134.35%
EVA Enterprise Value:	\$18.22	LBO Price/Intrinsic Price Target:	1.21%	Year 4 Target	13.62		
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	-1.11%	Year 5 Target	13.78		
Average (Excluding Dividend Discount):	\$13.78	Implied IRR at today's EV/EBITDA:	3.12%	Implied IRR (Market Price):	1.21%		
		5 Year Return:	6.18%				

Current Evaluation				Exit Evaluation			
Current Market Price:	12.98	LBO Price:	12.98	Exit Price:	13.78	Exit Price:	15.13
Outstanding Shares:	673,880,000	Outstanding Shares:	673,880,000	Outstanding Shares:	673,880,000	Outstanding Shares:	673,880,000
<b>Market Capitalization:</b>	<b>8,746,962,400</b>	<b>Market Capitalization:</b>	<b>8,746,962,400</b>	<b>Market Capitalization:</b>	<b>9,287,629,812</b>	<b>Market Capitalization:</b>	<b>10,198,942,412</b>
Available Cash:	1,020,040,000	Available Cash:	1,020,040,000	Available Cash:	5,343,349,121	Available Cash:	5,343,349,121
Debt:	1,719,050,000	Debt:	1,719,050,000	Debt:	1,719,050,000	Debt:	1,719,050,000
Net Cash:	-699,010,000	Net Cash:	-699,010,000	Net Cash:	3,624,299,121	Net Cash:	3,624,299,121
<b>Enterprise Value:</b>	<b>9,445,972,400</b>	<b>Enterprise Value:</b>	<b>9,445,972,400</b>	<b>Enterprise Value:</b>	<b>5,663,330,691</b>	<b>Enterprise Value:</b>	<b>6,574,643,291</b>
Original EV/EBITDA:	5.80	EV/EBITDA:	5.80	EV/EBITDA at 5 Years:	4.31	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	4.34	EV/EBITDA:	4.34	EV/EBITDA at 5 Years:	4.39	EV/EBITDA at 5 Years:	3.61
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:	12.98	13.54	13.70	13.87	14.03	14.20	14.38
Shares Outstanding:	673,880,000	673,880,000	673,880,000	673,880,000	673,880,000	673,880,000	673,880,000
<b>Market Capitalization:</b>	<b>8,746,962,400</b>	<b>9,123,483,386</b>	<b>9,233,582,055</b>	<b>9,345,009,353</b>	<b>9,457,781,313</b>	<b>9,571,914,161</b>	<b>9,687,424,320</b>
Available Cash:	1,020,040,000	1,020,040,000	1,858,274,187	2,709,590,713	3,574,120,403	4,451,995,388	5,343,349,121
Debt:	1,719,050,000	1,719,050,000	1,719,050,000	1,719,050,000	1,719,050,000	1,719,050,000	1,719,050,000
Net Cash:	-699,010,000	-699,010,000	139,224,187	990,540,713	1,855,070,403	2,732,945,388	3,624,299,121
<b>Enterprise Value:</b>	<b>9,445,972,400</b>	<b>9,822,493,386</b>	<b>9,094,357,869</b>	<b>8,354,468,640</b>	<b>7,602,710,910</b>	<b>6,838,968,773</b>	<b>6,063,125,200</b>
EBIT	1,693,340,000	1,693,340,000	1,263,620,595	1,276,256,801	5	1,301,909,563	1,314,928,658
EV/EBIT:	5.58	5.80	7.20	6.55	1,520,542,181.97	5.25	4.61
EBITDA	2,175,400,000	2,175,400,000	1,750,501,195	1,768,006,207	1,785,686,269	1,803,543,132	1,821,578,563
EV/EBITDA:	4.34	4.34	5.20	4.73	4.26	3.79	3.33

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	12.98	13.54	11.08	12.46	2.75	15.26	16.70
Shares Outstanding:	673,880,000	673,880,000	673,880,000	673,880,000	673,880,000	673,880,000	673,880,000
<b>Market Capitalization:</b>	<b>8,746,962,400</b>	<b>9,123,483,386</b>	<b>7,469,060,449</b>	<b>8,393,675,338</b>	<b>1,855,070,432</b>	<b>10,284,883,019</b>	<b>11,251,756,128</b>
Available Cash:	1,020,040,000	1,020,040,000	1,858,274,187	2,709,590,713	3,574,120,403	4,451,995,388	5,343,349,121
Debt:	1,719,050,000	1,719,050,000	1,719,050,000	1,719,050,000	1,719,050,000	1,719,050,000	1,719,050,000
Net Cash:	-699,010,000	-699,010,000	139,224,187	990,540,713	1,855,070,403	2,732,945,388	3,624,299,121
<b>Enterprise Value:</b>	<b>9,445,972,400</b>	<b>9,822,493,386</b>	<b>7,329,836,262</b>	<b>7,403,134,625</b>	<b>29</b>	<b>7,551,937,631</b>	<b>7,627,457,007</b>
EBIT	1,693,340,000	1,693,340,000	1,263,620,595	1,276,256,801	5	1,301,909,563	1,314,928,658
EV/EBIT:	5.58	5.80	5.80	5.80	5.80	5.80	5.80
EBITDA	2,175,400,000	2,175,400,000	1,750,501,195	1,768,006,207	1,785,686,269	1,803,543,132	1,821,578,563
EV/EBITDA:	4.34	4.34	4.19	4.19	0.00	4.19	4.19

LBO Price	12.98	Equity Partners:	10,785,142,400	Weighting	100.00%	<b>Annualized Return for Equity Partners: -1.11%</b>
Shares Outstanding	673,880,000	Debt Partners:	0	0.00%		
<b>Market Capitalization</b>	<b>8,746,962,400</b>	<b>Total Funds for LBO:</b>	<b>10,785,142,400</b>	100.00%		
Debt	2,038,180,000					
Cash	1,020,040,000					
<b>Enterprise Value</b>	<b>9,765,102,400</b>					
<b>Capital Investment</b>	<b>10,785,142,400</b>					

Book Value	Enterprise Value	Stock Valuation	Debt Reduction
Beginning Book Value	6,615.33	Current Market Price	Starting Debt
Year 5 Book Value	10,455.06	Year 5 Market Price	Debt Repayment
<b>Annualized Return</b>	<b>9.59%</b>	<b>Annualized Return</b>	<b>3.12%</b>
			<b>% of Starting Debt</b>
			<b>100.00%</b>

SN VALUATION

LBO Pro Forma Income Statement

Name:

Staples

Ticker:

SPLS

	Historical				Forecasted				
	52 weeks ending 2009-01-31	52 weeks ending 2010-01-30	52 weeks ending 2011-01-29	52 weeks ending 2012-01-28	2013	2014	2015	2016	2017
Revenue	23,083.78	24,275.45	24,545.11	25,022.19	25,272.41	25,525.14	25,780.39	26,038.19	26,298.57
COGS	16,836.84	17,801.55	17,938.96	18,280.36	18,701.58	18,888.60	19,077.49	19,268.26	19,460.94
<b>Gross margin</b>	<b>6,246.94</b>	<b>6,473.90</b>	<b>6,606.15</b>	<b>6,741.83</b>	<b>6,570.83</b>	<b>6,636.54</b>	<b>6,702.90</b>	<b>6,769.93</b>	<b>6,837.63</b>
SG&A	4,631.22	4,907.24	4,913.19	5,046.49	5,307.21	5,360.28	5,413.86	5,468.02	5,522.70
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	173.52	84.24	57.77	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: Excluded from COGS					0.00	0.00	0.00	0.00	0.00
<b>Operating Income (EBITA)</b>	<b>1,442.20</b>	<b>1,482.42</b>	<b>1,635.19</b>	<b>1,693.34</b>	<b>1,263.62</b>	<b>1,276.26</b>	<b>1,289.02</b>	<b>1,301.91</b>	<b>1,314.93</b>
Interest income/(expense)	-121.30	-230.92	-207.09	-166.17	-107.69	-107.69	-107.69	-107.69	-107.69
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	-7.55	4.46	-9.82	-3.12	0.00	0.00	0.00	0.00	0.00
<b>Income before tax</b>	<b>1,243.08</b>	<b>1,155.89</b>	<b>1,356.60</b>	<b>1,459.14</b>	<b>1,155.93</b>	<b>1,168.56</b>	<b>1,181.33</b>	<b>1,194.22</b>	<b>1,207.24</b>
Tax	429.86	398.78	458.03	475.31	404.58	409.00	413.46	417.98	422.53
<b>Income after tax</b>	<b>814.22</b>	<b>757.11</b>	<b>898.57</b>	<b>983.83</b>	<b>751.35</b>	<b>759.57</b>	<b>767.86</b>	<b>776.24</b>	<b>784.70</b>
Minority Interest	-8.96	-18.44	-6.62	0.82	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>805.26</b>	<b>738.67</b>	<b>881.95</b>	<b>984.66</b>	<b>751.35</b>	<b>759.57</b>	<b>767.86</b>	<b>776.24</b>	<b>784.70</b>
*Figures are in millions (\$)									
EPS (based off today's share count)	\$1.19	\$1.10	\$1.31	\$1.46	\$1.11	\$1.13	\$1.14	\$1.15	\$1.16
P/E (historical today's price; forecasted intrinsic price)	10.86	11.84	9.92	8.88	11.78	11.80	11.81	11.82	11.84
<b>Revenue Growth</b>	<b>N/A</b>	<b>5.16%</b>	<b>1.11%</b>	<b>1.94%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>
Tax Rate	34.50%	34.50%	34.50%	32.57%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-3.52%	-8.99%	-7.96%	-8.15%	-6.73%	-6.73%	-6.73%	-6.73%	-6.73%
<b>Margins</b>									
COGS	72.94%	73.33%	73.09%	73.06%	74.00%	74.00%	74.00%	74.00%	74.00%
<b>Gross margin</b>	<b>27.06%</b>	<b>26.67%</b>	<b>26.91%</b>	<b>26.94%</b>	<b>26.00%</b>	<b>26.00%</b>	<b>26.00%</b>	<b>26.00%</b>	<b>26.00%</b>
SG&A	20.06%	20.21%	20.02%	20.18%	21.00%	21.00%	21.00%	21.00%	21.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.75%	0.35%	0.24%	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: Excluded from COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Operating Income (EBITA)</b>	<b>6.25%</b>	<b>6.11%</b>	<b>6.66%</b>	<b>6.77%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>
Interest income/(expense)	-0.53%	-0.95%	-0.84%	-0.66%	-0.43%	-0.42%	-0.42%	-0.41%	-0.41%
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	-0.03%	0.02%	-0.04%	-0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Income before tax</b>	<b>5.39%</b>	<b>4.76%</b>	<b>5.53%</b>	<b>5.83%</b>	<b>4.57%</b>	<b>4.58%</b>	<b>4.58%</b>	<b>4.59%</b>	<b>4.59%</b>
Tax	1.86%	1.64%	1.91%	1.90%	1.60%	1.60%	1.60%	1.61%	1.61%
<b>Income after tax</b>	<b>3.53%</b>	<b>3.12%</b>	<b>3.62%</b>	<b>3.93%</b>	<b>2.97%</b>	<b>3.01%</b>	<b>3.04%</b>	<b>3.07%</b>	<b>3.10%</b>
Minority Interest	-0.04%	-0.08%	-0.03%	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>3.49%</b>	<b>3.04%</b>	<b>3.59%</b>	<b>3.94%</b>	<b>2.97%</b>	<b>2.98%</b>	<b>2.98%</b>	<b>2.98%</b>	<b>2.98%</b>

SN VALUATION

LBO Adjusted Proforma Balance Sheet

	As of 2009-01-31	As of 2010-01-30	As of 2011-01-29	As of 2012-01-28	As of 2012-10-27	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	633.77	1,415.82	1,461.26	1,264.15	1,020.04			1,020.04	1,858.27	2,709.59	3,574.12	4,452.00	5,343.35
Short term investment	0.00	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>633.77</b>	<b>1,415.82</b>	<b>1,461.26</b>	<b>1,264.15</b>	<b>1,020.04</b>			<b>1,020.04</b>	<b>1,858.27</b>	<b>2,709.59</b>	<b>3,574.12</b>	<b>4,452.00</b>	<b>5,343.35</b>
Accounts Receivable	1,841.23	1,811.37	1,970.48	2,033.68	2,050.00			2,050.00	2,050.00	2,050.00	2,050.00	2,050.00	2,050.00
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>1,841.23</b>	<b>1,811.37</b>	<b>1,970.48</b>	<b>2,033.68</b>	<b>2,050.00</b>			<b>2,050.00</b>	<b>2,050.00</b>	<b>2,050.00</b>	<b>2,050.00</b>	<b>2,050.00</b>	<b>2,050.00</b>
Total Inventory	2,404.17	2,261.15	2,359.17	2,431.84	2,417.37			2,417.37	2,417.37	2,417.37	2,417.37	2,417.37	2,417.37
Prepaid Expenses	636.98	333.11	382.02	255.53	286.12			286.12	286.12	286.12	286.12	286.12	286.12
Other Current Assets	281.10	353.33	295.23	305.61	467.43			467.43	467.43	467.43	467.43	467.43	467.43
<b>Current Assets</b>	<b>5,797.25</b>	<b>6,174.78</b>	<b>6,468.16</b>	<b>6,290.81</b>	<b>6,240.96</b>	<b>0.00</b>	<b>0.00</b>	<b>6,240.96</b>	<b>7,079.19</b>	<b>7,930.51</b>	<b>8,795.04</b>	<b>9,672.92</b>	<b>10,564.27</b>
PP&E, Gross	5,100.98	5,322.68	5,713.39	5,800.00	5,800.00			5,800.00	6,200.00	6,600.00	7,000.00	7,400.00	7,800.00
Change in Depreciation		552.44	498.86	482.06	482.06			482.06	486.88	491.75	496.67	501.63	506.65
Accumulated Depreciation	2,810.36	3,158.15	3,565.61	3,600.00	3,600.00			3,600.00	4,086.88	4,578.63	5,075.30	5,576.93	6,083.58
<b>PP&amp;E, Net</b>	<b>2,290.62</b>	<b>2,164.53</b>	<b>2,147.78</b>	<b>2,200.00</b>	<b>2,200.00</b>			<b>2,200.00</b>	<b>2,113.12</b>	<b>2,021.37</b>	<b>1,924.70</b>	<b>1,823.07</b>	<b>1,716.42</b>
Goodwill	3,780.17	4,084.12	4,073.16	3,982.13	3,169.26	0.00		3,169.26	3,169.26	3,169.26	3,169.26	3,169.26	3,169.26
Intangibles	701.92	579.92	522.72	449.78	395.50			395.50	395.50	395.50	395.50	395.50	395.50
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	503.08	713.99	699.85	627.53	587.46			587.46	587.46	587.46	587.46	587.46	587.46
<b>Long Term Assets</b>	<b>7,275.79</b>	<b>7,542.56</b>	<b>7,443.51</b>	<b>7,259.44</b>	<b>6,352.22</b>	<b>0.00</b>	<b>0.00</b>	<b>6,352.22</b>	<b>6,265.34</b>	<b>6,173.59</b>	<b>6,076.92</b>	<b>5,975.29</b>	<b>5,868.64</b>
<b>Total Assets</b>	<b>13,073.04</b>	<b>13,717.34</b>	<b>13,911.67</b>	<b>13,550.25</b>	<b>12,593.18</b>	<b>0.00</b>	<b>0.00</b>	<b>12,593.18</b>	<b>13,344.53</b>	<b>14,104.10</b>	<b>14,871.96</b>	<b>15,648.20</b>	<b>16,432.91</b>
Accounts Payable	1,967.60	2,111.70	2,208.39	2,220.41	2,220.41			2,220.41	2,220.41	2,220.41	2,220.41	2,220.41	2,220.41
Accrued Expense	1,404.71	1,603.35	1,239.33	1,093.86	1,093.86			1,093.86	1,093.86	1,093.86	1,093.86	1,093.86	1,093.86
Other current Liabilities	0.00	0.00	258.52	320.86	143.91			143.91	143.91	143.91	143.91	143.91	143.91
<b>Total Current Liabilities</b>	<b>3,372.31</b>	<b>3,715.05</b>	<b>3,706.24</b>	<b>3,635.13</b>	<b>3,458.18</b>	<b>0.00</b>	<b>0.00</b>	<b>3,458.18</b>	<b>3,458.18</b>	<b>3,458.18</b>	<b>3,458.18</b>	<b>3,458.18</b>	<b>3,458.18</b>
Notes Payables/Short Term Debt	1,195.56	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	277.69	67.27	587.36	439.14	119.05			119.05	119.05	119.05	119.05	119.05	119.05
Long term Debt	1,968.93	2,500.33	2,014.41	1,599.04	1,600.00	0.00	0.00	1,600.00	1,600.00	1,600.00	1,600.00	1,600.00	1,600.00
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>3,442.18</b>	<b>2,567.60</b>	<b>2,601.77</b>	<b>2,038.18</b>	<b>1,719.05</b>	<b>0.00</b>	<b>0.00</b>	<b>1,719.05</b>	<b>1,719.05</b>	<b>1,719.05</b>	<b>1,719.05</b>	<b>1,719.05</b>	<b>1,719.05</b>
Deferred Income tax	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	58.22	83.05	7.47	7.06	7.18			7.18	7.18	7.18	7.18	7.18	7.18
Other liabilities	636.14	579.75	652.49	735.09	796.02			796.02	796.02	796.02	796.02	796.02	796.02
<b>Total Liabilities</b>	<b>7,508.85</b>	<b>6,945.45</b>	<b>6,967.97</b>	<b>6,415.46</b>	<b>5,980.43</b>	<b>0.00</b>	<b>0.00</b>	<b>5,980.43</b>	<b>5,980.43</b>	<b>5,980.43</b>	<b>5,980.43</b>	<b>5,980.43</b>	<b>5,980.43</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	0.53	0.54	0.55	0.55	0.55		0.00	0.55	0.55	0.55	0.55	0.55	0.55
Additional Paid-in capital	4,048.40	4,379.94	4,334.73	4,551.30	4,661.93	0.00	0.00	4,661.93	4,661.93	4,661.93	4,661.93	4,661.93	4,661.93
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	5,367.34	5,869.14	6,492.34	7,199.06	6,688.61		0.00	6,688.61	7,439.96	8,199.53	8,967.39	9,743.63	10,528.34
Treasury Stock	-3,357.73	-3,388.39	-3,786.98	-4,416.02	-4,416.02			-4,416.02	-4,416.02	-4,416.02	-4,416.02	-4,416.02	-4,416.02
Other Equity	-494.33	-89.34	-96.93	-319.74	-319.74		0.00	-319.74	-319.74	-319.74	-319.74	-319.74	-319.74
<b>Total Equity</b>	<b>5,564.21</b>	<b>6,771.89</b>	<b>6,943.71</b>	<b>7,015.15</b>	<b>6,615.33</b>	<b>0.00</b>	<b>0.00</b>	<b>6,615.33</b>	<b>7,366.68</b>	<b>8,126.25</b>	<b>8,894.11</b>	<b>9,670.35</b>	<b>10,455.06</b>
<b>Liability + Equity</b>	<b>13,073.06</b>	<b>13,717.34</b>	<b>13,911.68</b>	<b>13,430.61</b>	<b>12,595.76</b>	<b>0.00</b>	<b>0.00</b>	<b>12,595.76</b>	<b>13,347.11</b>	<b>14,106.68</b>	<b>14,874.54</b>	<b>15,650.78</b>	<b>16,435.49</b>
<b>Variance</b>	<b>-0.02</b>	<b>0.00</b>	<b>-0.01</b>	<b>119.64</b>	<b>-2.58</b>			<b>-2.58</b>	<b>-2.58</b>	<b>-2.58</b>	<b>-2.58</b>	<b>-2.58</b>	<b>-2.58</b>
<b>Debt/Equity</b>	<b>0.62</b>	<b>0.38</b>	<b>0.37</b>	<b>0.29</b>	<b>0.26</b>			<b>0.26</b>	<b>0.23</b>	<b>0.21</b>	<b>0.19</b>	<b>0.18</b>	<b>0.16</b>
Inventory Turnover	9.60	10.74	10.40	10.29	10.45			10.35	10.45	10.56	10.66	10.77	10.88
Inventory Turnover Days	38.01	34.00	35.08	35.47	34.91			35.26	34.91	34.57	34.23	33.89	33.55
Days Inventory Outstanding	52.12	46.36	48.00	48.56	47.18			48.27	47.18	46.71	46.25	45.79	45.34
Accounts Receivable Turnover	12.54	13.40	12.46	12.30	12.33			12.21	12.33	12.45	12.58	12.70	12.83
Accounts Receivable Turnover Days	29.11	27.24	29.30	29.67	29.61			29.90	29.61	29.31	29.02	28.74	28.45
Days Payable Outstanding	42.65	43.30	44.93	44.33	43.34			44.33	43.34	42.91	42.48	42.06	41.64
Days Sales Outstanding	29.11	27.24	29.30	29.67	29.61			29.67	29.90	29.61	29.31	29.02	28.74
Cash Conversion Cycle	38.58	30.30	32.37	33.89	33.45			33.60	33.75	33.41	33.08	32.76	32.43
Net tangible assets/share	\$2.65	\$3.99	\$4.26	\$4.68	\$5.11			\$6.22	\$7.35	\$8.49	\$9.64	\$10.81	\$12.00

SN VALUATION

LBO Adjusted Proforma Cash Flow

	52 weeks ending 2009-01-31	52 weeks ending 2010-01-30	52 weeks ending 2011-01-29	52 weeks ending 2012-01-28	2011	2012	2013	2014	2015
Net Income	814.22	757.11	888.57	983.83	751.35	759.57	767.86	776.24	784.70
Depreciation	548.91	552.44	498.86	482.06	486.88	491.75	496.67	501.63	506.65
<b>Net Income + Depreciation</b>	<b>1,363.13</b>	<b>1,309.55</b>	<b>1,387.43</b>	<b>1,465.89</b>	<b>1,238.23</b>	<b>1,251.32</b>	<b>1,264.53</b>	<b>1,277.87</b>	<b>1,291.35</b>
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	33.37	-89.75	172.63	6.71	0.00	0.00	0.00	0.00	0.00
Non Cash Items	350.12	148.75	152.30	154.47	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-60.80	715.66	-265.87	-50.59	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	29.86	-159.11	-63.20	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	143.02	-98.02	-72.67	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	303.87	-48.91	126.49	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	144.10	96.69	12.02	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>1,685.82</b>	<b>2,084.21</b>	<b>1,446.49</b>	<b>1,576.48</b>	<b>1,238.23</b>	<b>1,251.32</b>	<b>1,264.53</b>	<b>1,277.87</b>	<b>1,291.35</b>
Capital Expenditures Expenditures	-378.33	-313.23	-408.89	-383.65	-400.00	-400.00	-400.00	-400.00	-400.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-4,354.80	0.00	-63.07	0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>-4,733.13</b>	<b>-313.23</b>	<b>-471.96</b>	<b>-383.65</b>	<b>-400.00</b>	<b>-400.00</b>	<b>-400.00</b>	<b>-400.00</b>	<b>-400.00</b>
Financing Cash flow items	5.85	8.76	-360.60	-8.20	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-231.47	-236.87	-258.75	-277.94	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	63.37	120.30	-313.15	-555.17	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	2,668.29	-929.47	-5.91	-518.79	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>2,506.04</b>	<b>-1,037.28</b>	<b>-938.41</b>	<b>-1,360.10</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Foreign Exchange effect	-70.42	48.34	9.31	-29.84	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	1,245.44	633.77	1,415.82	1,461.26	1,020.04	1,858.27	2,709.59	3,574.12	4,452.00
<b>Net Change in Cash</b>	<b>-611.67</b>	<b>782.04</b>	<b>45.44</b>	<b>-197.11</b>	<b>838.23</b>	<b>851.32</b>	<b>864.53</b>	<b>877.87</b>	<b>891.35</b>
Ending Cash Balance	633.77	1,415.82	1,461.26	1,264.15	1,858.27	2,709.59	3,574.12	4,452.00	5,343.35
Capex to Revenue	1.64%	1.29%	1.67%	1.53%	1.58%	1.57%	1.55%	1.54%	1.52%
Depreciation to Sales	2.38%	2.28%	2.03%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%
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	7.98%	7.46%	8.03%	8.13%	8.05%	7.97%	7.89%	7.81%	7.73%
Distributable FCF Yield	-32.26%	18.75%	10.32%	12.63%	8.87%	9.01%	9.15%	9.29%	9.44%
Dividend Yield	-2.65%	-2.71%	-2.96%	-3.18%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>FCF (Ops-Investing-Dividends)</b>	<b>1,538.96</b>	<b>2,007.85</b>	<b>1,296.35</b>	<b>1,470.77</b>	<b>838.23</b>	<b>851.32</b>	<b>864.53</b>	<b>877.87</b>	<b>891.35</b>

# SN VALUATION

# LBO Debt Schedule

	Proforma	2013	2014	2015	2016	2017
<b>Net Change in Cash</b>	<b>-197.11</b>	<b>838.23</b>	<b>851.32</b>	<b>864.53</b>	<b>877.87</b>	<b>891.35</b>
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	<b>1719.05</b>	<b>1719.05</b>	<b>1719.05</b>	<b>1719.05</b>	<b>1719.05</b>	<b>1719.05</b>
Current Portion Debt Balance	119.05	119.05	119.05	119.05	119.05	119.05
Long Term Debt Balance	1,600.00	1,600.00	1,600.00	1,600.00	1,600.00	1,600.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
<b>Interest Rate</b>		<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>
<b>Interest Expense</b>		<b>120.33</b>	<b>120.33</b>	<b>120.33</b>	<b>120.33</b>	<b>120.33</b>
Cash Balance		1,264.15				
Interest @ 1.0%		12.64	12.64	12.64	12.64	12.64
<b>Net Interest Expense/(Income)</b>		<b>107.69</b>	<b>107.69</b>	<b>107.69</b>	<b>107.69</b>	<b>107.69</b>
<b>Net Interest Rate</b>		<b>6.73%</b>	<b>6.73%</b>	<b>6.73%</b>	<b>6.73%</b>	<b>6.73%</b>
EBITDA		1263.62	1276.26	1289.02	1301.91	1314.93
<b>EBITDA/Interest Expense Coverage</b>		<b>10.50</b>	<b>10.61</b>	<b>10.71</b>	<b>10.82</b>	<b>10.93</b>

Interest Rate Coverage Table

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

\*Source: NYU; Professor Damodaran

# Altman Z Score

Company Name:

Staples

Ticker:

SPLS

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	2,424.94	2,459.73	2,761.92	2,782.78	3,621.01	4,472.33	5,336.86	6,214.74	7,106.09
Total Assets	13,073.04	13,717.34	13,911.67	12,593.18	13,344.53	14,104.10	14,871.96	15,648.20	16,432.91
<b>X1</b>	<b>0.19</b>	<b>0.18</b>	<b>0.20</b>	<b>0.22</b>	<b>0.27</b>	<b>0.32</b>	<b>0.36</b>	<b>0.40</b>	<b>0.43</b>
Retained Earnings	5,367.34	5,869.14	6,492.34	6,688.61	7,439.96	8,199.53	8,967.39	9,743.63	10,528.34
Total Assets	13,073.04	13,717.34	13,911.67	12,593.18	13,344.53	14,104.10	14,871.96	15,648.20	16,432.91
<b>X2</b>	<b>0.41</b>	<b>0.43</b>	<b>0.47</b>	<b>0.53</b>	<b>0.56</b>	<b>0.58</b>	<b>0.60</b>	<b>0.62</b>	<b>0.64</b>
EBITDA	1,442.20	1,482.42	1,635.19	1,693.34	1,263.62	1,276.26	1,289.02	1,301.91	1,314.93
Total Assets	13,073.04	13,717.34	13,911.67	12,593.18	13,344.53	14,104.10	14,871.96	15,648.20	16,432.91
<b>X3</b>	<b>0.11</b>	<b>0.11</b>	<b>0.12</b>	<b>0.13</b>	<b>0.09</b>	<b>0.09</b>	<b>0.09</b>	<b>0.08</b>	<b>0.08</b>
Market Value of Equity	8,746.96	8,746.96	8,746.96	8,746.96	8,852.52	8,959.35	9,067.46	9,176.89	9,287.63
Total Liabilities	7,508.85	6,945.45	6,967.97	5,980.43	5,980.43	5,980.43	5,980.43	5,980.43	5,980.43
<b>X4</b>	<b>1.16</b>	<b>1.26</b>	<b>1.26</b>	<b>1.46</b>	<b>1.48</b>	<b>1.50</b>	<b>1.52</b>	<b>1.53</b>	<b>1.55</b>
Net Sales	23,083.78	24,275.45	24,545.11	25,022.19	25,272.41	25,525.14	25,780.39	26,038.19	26,298.57
Total Assets	13,073.04	13,717.34	13,911.67	12,593.18	13,344.53	14,104.10	14,871.96	15,648.20	16,432.91
<b>X5</b>	<b>1.77</b>	<b>1.77</b>	<b>1.76</b>	<b>1.99</b>	<b>1.89</b>	<b>1.81</b>	<b>1.73</b>	<b>1.66</b>	<b>1.60</b>
<b>Altman Z Score</b>	<b>3.63</b>	<b>3.70</b>	<b>3.80</b>	<b>4.32</b>	<b>4.20</b>	<b>4.20</b>	<b>4.20</b>	<b>4.21</b>	<b>4.21</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