

**Staples, Inc. (SPLS)**

<b>Price:</b>	<b>\$12.88</b>
<b>Market Cap:</b>	<b>\$8,876,509,600</b>
<b>Cash:</b>	<b>\$1,204,520,000</b>
<b>Debt:</b>	<b>\$2,034,050,000</b>
<b>Net Cash:</b>	<b>-\$829,530,000</b>
<b>Enterprise Value:</b>	<b>\$9,706,039,600</b>

Price/Book:	1.25
EV/FCF:	8.14
<b>Net Tang. Asset/Share:</b>	<b>\$4.88</b>
Avg. Year 1-5 FCF/Share:	\$1.35
<b>5 Years of FCF:</b>	<b>\$6.76</b>
Net Tang. Asset+5 FCF:	\$11.64

Net Tang. Asset Yr. 5/Share:	\$10.30
Avg. Year FCF/Share:	\$1.35
Year 5 Disposition FCF Multipl:	3.0
<b>Year 5 Disposition Price:</b>	<b>\$14.36</b>
<b>Gain Year 5:</b>	<b>\$9.48</b>

<b>Net Tang. Asset+5 FCF+ Gain Disposition:</b>	<b>\$21.12</b>
<b>IRR:</b>	<b>10.40%</b>

Staples Inc (SPLS) is a predominantly North America focused office supply company. Office supplies, office machines and computers made up ~85% of sales. We assume a 10% annual return in the stock. The company had consistent earnings and revenues held up nicely, albeit it grew only 1% in 2008. Margins have remained the same for the past 4 years. Most of the stores are leased. Primarily a B2B business.

The operation is separated into 3 segments: 1) Delivery, 2) Retail, 3) International. Delivery and Retail generate roughly \$10 BB in sales each, with International accounting for \$5 BB. Income for Delivery and Retail average around 8%, while international is only 1-2%. The growth rates for all the Delivery consists of internet orders and the company is the 2<sup>nd</sup> largest Internet reseller in the world. 66 centers support the replenishment needs. Retail is comprised of 1,583 stores in the U.S. and 334 in Canada. Reducing size of the superstores from 24,000 sq. ft. to 15,000 sq. ft. 4 large distribution centers support the U.S. International is 331 retail stores in 24 countries worldwide.

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# SN VALUATION

# LBO Analysis

WACC Terminal Value:	N/A	<b>Intrinsic Price in 5 Years:</b>	<b>14.97</b>	<b>Non-LBO Forecast</b>	<b>Non-LBO Forecast</b>
EV/EBITDA with 3X Multiple Terminal Value:	\$12.94	Market Price:	12.88	Year 1 Target	<b>13.27</b>
Net Tangible Asset Terminal Value:	\$10.11	LBO Price:	<b>12.88</b>	Year 2 Target	<b>13.68</b>
EV/EBITDA with Today's Multiple Terminal Value:	\$18.28	Premium to Market Price:	0.00%	Year 3 Target	<b>14.10</b>
<b>EVA Enterprise Value:</b>	\$18.56	LBO Price/Intrinsic Price Target:	3.06%	Year 4 Target	<b>14.53</b>
<b>Dividend Discount Model:</b>	N/A	LBO Price/EV/EBIT Exit Price:	2.91%	Year 5 Target	<b>14.97</b>
<b>Average (Excluding Dividend Discount):</b>	<b>\$14.97</b>	Implied IRR at today's EV/EBITDA:	7.25%	<b>Implied IRR (Market Price):</b>	<b>3.06%</b>
		5 Year Return:	16.25%		
				<b>Desired Return Rate</b>	<b>20.00%</b>
				<b>Implied Today's Price</b>	<b>6.02</b>
				Overvalued/(Undervalued)	114.05%

Current Evaluation				Exit Evaluation			
Current Market Price:	12.88	LBO Price:	12.88	Exit Price:	14.97	Exit Price:	18.28
Outstanding Shares:	689,170,000	Outstanding Shares:	689,170,000	Outstanding Shares:	689,170,000	Outstanding Shares:	689,170,000
<b>Market Capitalization:</b>	<b>8,876,509,600</b>	<b>Market Capitalization:</b>	<b>8,876,509,600</b>	<b>Market Capitalization:</b>	<b>10,318,836,576</b>	<b>Market Capitalization:</b>	<b>12,597,831,700</b>
Available Cash:	1,204,520,000	Available Cash:	1,204,520,000	Available Cash:	3,835,501,092	Available Cash:	3,835,501,092
Debt:	2,034,050,000	Debt:	2,034,050,000	Debt:	442,170,000	Debt:	442,170,000
Net Cash:	<b>-829,530,000</b>	Net Cash:	<b>-829,530,000</b>	Net Cash:	3,393,331,092	Net Cash:	3,393,331,092
<b>Enterprise Value:</b>	<b>9,706,039,600</b>	<b>Enterprise Value:</b>	<b>9,706,039,600</b>	<b>Enterprise Value:</b>	<b>6,925,505,484</b>	<b>Enterprise Value:</b>	<b>9,204,500,608</b>
Original EV/EBITDA:	5.96	EV/EBITDA:	5.96	EV/EBITDA at 5 Years:	3.94	EV/EBITDA at 5 Years:	<b>5.00</b>
Original EV/EBITDA:	4.46	EV/EBITDA:	4.60	EV/EBITDA at 5 Years:	4.18	EV/EBITDA at 5 Years:	4.07
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:	12.88	12.88	13.27	13.68	14.10	14.53	14.97
Shares Outstanding:	689,170,000	689,170,000	689,170,000	689,170,000	689,170,000	689,170,000	689,170,000
<b>Market Capitalization:</b>	<b>8,876,509,600</b>	<b>8,876,509,600</b>	<b>9,147,868,827</b>	<b>9,427,523,638</b>	<b>9,715,727,633</b>	<b>10,012,742,165</b>	<b>10,318,836,576</b>
Available Cash:	1,204,520,000	1,204,520,000	1,263,091,716	1,343,201,186	1,897,132,087	2,859,509,733	3,835,501,092
Debt:	2,034,050,000	2,034,050,000	1,672,170,000	837,170,000	442,170,000	442,170,000	442,170,000
Net Cash:	-829,530,000	-829,530,000	-409,078,284	506,031,186	1,454,962,087	2,417,339,733	3,393,331,092
<b>Enterprise Value:</b>	<b>9,706,039,600</b>	<b>9,706,039,600</b>	<b>9,556,947,111</b>	<b>8,921,492,452</b>	<b>8,260,765,546</b>	<b>7,595,402,432</b>	<b>6,925,505,484</b>
EBIT	1,628,430,000	1,628,430,000	1,704,068,833	1,716,759,521	1,729,627,117	1,742,673,388	1,755,900,122
EV/EBIT:	5.96	5.96	5.61	5.20	4.78	4.36	3.94
EBITDA	2,110,490,000	2,110,490,000	2,190,949,433	2,208,508,927	2,226,294,017	2,244,306,957	2,262,550,026
EV/EBITDA:	4.60	4.60	4.36	4.04	3.71	3.38	3.06

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	12.88	12.88	14.14	15.58	17.07	18.58	20.11
Shares Outstanding:	689,170,000	689,170,000	689,170,000	689,170,000	689,170,000	689,170,000	689,170,000
<b>Market Capitalization:</b>	<b>8,876,509,600</b>	<b>8,876,509,600</b>	<b>9,747,796,482</b>	<b>10,738,547,105</b>	<b>11,764,173,589</b>	<b>12,804,311,793</b>	<b>13,859,139,333</b>
Available Cash:	1,204,520,000	1,204,520,000	1,263,091,716	1,343,201,186	1,897,132,087	2,859,509,733	3,835,501,092
Debt:	2,034,050,000	2,034,050,000	1,672,170,000	837,170,000	442,170,000	442,170,000	442,170,000
Net Cash:	-829,530,000	-829,530,000	-409,078,284	506,031,186	1,454,962,087	2,417,339,733	3,393,331,092
<b>Enterprise Value:</b>	<b>9,706,039,600</b>	<b>9,706,039,600</b>	<b>10,156,874,765</b>	<b>10,232,515,919</b>	<b>10,309,211,502</b>	<b>10,386,972,060</b>	<b>10,465,808,241</b>
EBIT	1,628,430,000	1,628,430,000	1,704,068,833	1,716,759,521	1,729,627,117	1,742,673,388	1,755,900,122
EV/EBIT:	5.96	5.96	5.96	5.96	5.96	5.96	5.96
EBITDA	2,110,490,000	2,110,490,000	2,190,949,433	2,208,508,927	2,226,294,017	2,244,306,957	2,262,550,026
EV/EBITDA:	4.60	4.60	4.64	4.63	4.63	4.63	4.63

LBO Price	12.88	Equity Partners:	10,914,689,600	Weighting	<b>100.00%</b>	<b>Annualized Return for Equity Partners:</b>	<b>2.91%</b>
Shares Outstanding	689,170,000	Debt Partners:	0		0.00%		
<b>Market Capitalization</b>	<b>8,876,509,600</b>	<b>Total Funds for LBO:</b>	<b>10,914,689,600</b>		<b>100.00%</b>		
Debt	2,038,180,000						
Cash	1,204,520,000						
<b>Enterprise Value</b>	<b>9,710,169,600</b>						
<b>Capital Investment</b>	<b>10,914,689,600</b>						

<b>Book Value</b>		<b>Enterprise Value</b>		<b>Stock Valuation</b>		<b>Debt Reduction</b>	
Beginning Book Value	7,088.11	Beginning Enterprise Value	9,706.04	Current Market Price	\$12.88	Starting Debt	1,595.93
Year 5 Book Value	11,265.51	Year 5 Enterprise Value	9,204.50	Year 5 Market Price	\$18.28	Debt Repayment	435.00
<b>Annualized Return</b>	<b>9.71%</b>	<b>Annualized Return</b>	<b>-1.06%</b>	<b>Annualized Return</b>	<b>7.25%</b>	Year 5 Ending Debt	0.93
						<b>% of Starting Debt</b>	<b>0.06%</b>

SN VALUATION

LBO Pro Forma Income Statement

Name:

Staples, Inc.

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	2011	2012	2013	2014	2015
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	18,448.86	18,633.35	18,819.68	19,007.88	19,197.96
<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>6,823.55</b>	<b>6,891.79</b>	<b>6,960.70</b>	<b>7,030.31</b>	<b>7,100.61</b>
SG&A	4,631.22	4,907.24	4,913.19	5,046.49	5,054.48	5,105.03	5,156.06	5,207.64	5,259.71
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: Included within COGS	70.27	100.07	61.68	64.91	65.00	70.00	75.00	80.00	85.00
<b>Operating Income (EBITA)</b>	<b>1,371.93</b>	<b>1,382.35</b>	<b>1,573.51</b>	<b>1,628.43</b>	<b>1,704.07</b>	<b>1,716.76</b>	<b>1,729.63</b>	<b>1,742.67</b>	<b>1,755.90</b>
Interest income/(expense)	-121.30	-203.92	-207.09	-166.17	-86.08	-19.28	12.32	12.32	12.32
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>1,617.99</b>	<b>1,697.48</b>	<b>1,741.94</b>	<b>1,754.99</b>	<b>1,768.22</b>
Tax	429.86	398.78	458.03	475.31	506.30	594.12	609.68	614.25	618.68
<b>Income after tax</b>	<b>814.22</b>	<b>757.11</b>	<b>898.57</b>	<b>983.83</b>	<b>1,051.69</b>	<b>1,103.36</b>	<b>1,132.26</b>	<b>1,140.74</b>	<b>1,149.34</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>1,051.69</b>	<b>1,103.36</b>	<b>1,132.26</b>	<b>1,140.74</b>	<b>1,149.34</b>
*Figures are in millions (\$)									
EPS (based off today's share count)	\$1.17	\$1.07	\$1.28	\$1.43	\$1.53	\$1.60	\$1.64	\$1.66	\$1.67
P/E (historical today's price; forecasted intrinsic price)	11.02	12.02	10.06	9.01	8.70	8.54	8.58	8.78	8.98
<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%	-5.39%	-1.61%	3.11%	1324.46%	1324.46%
<b>Margins</b>									
COGS	72.94%	73.33%	73.09%	73.06%	73.00%	73.00%	73.00%	73.00%	73.00%
<b>Gross margin</b>	<b>27.06%</b>	<b>26.67%</b>	<b>26.91%</b>	<b>26.94%</b>	<b>27.00%</b>	<b>27.00%</b>	<b>27.00%</b>	<b>27.00%</b>	<b>27.00%</b>
SG&A	20.06%	20.21%	20.02%	20.18%	20.00%	20.00%	20.00%	20.00%	20.00%
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: Included within COGS	0.30%	0.41%	0.25%	0.26%	0.26%	0.27%	0.29%	0.31%	0.32%
<b>Operating Income (EBITA)</b>	<b>5.94%</b>	<b>5.69%</b>	<b>6.41%</b>	<b>6.51%</b>	<b>6.74%</b>	<b>6.73%</b>	<b>6.71%</b>	<b>6.69%</b>	<b>6.68%</b>
Interest income/(expense)	-0.53%	-0.95%	-0.84%	-0.66%	-0.34%	-0.08%	0.05%	0.05%	0.05%
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>6.40%</b>	<b>6.65%</b>	<b>6.76%</b>	<b>6.74%</b>	<b>6.72%</b>
Tax	1.86%	1.64%	1.91%	1.90%	2.24%	2.33%	2.36%	2.36%	2.35%
<b>Income after tax</b>	<b>3.53%</b>	<b>3.12%</b>	<b>3.62%</b>	<b>3.93%</b>	<b>4.16%</b>	<b>4.37%</b>	<b>4.48%</b>	<b>4.51%</b>	<b>4.55%</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>4.16%</b>	<b>4.32%</b>	<b>4.39%</b>	<b>4.38%</b>	<b>4.37%</b>

	As of 2009-01-31	As of 2010-01-30	As of 2011-01-29	As of 2012-01-28	As of 2012-04-28	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	633.77	1,415.82	1,461.26	1,264.15	1,264.15			1,204.52	1,263.09	1,343.20	1,897.13	2,859.51	3,895.50
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>1,264.15</b>			<b>1,204.52</b>	<b>1,263.09</b>	<b>1,343.20</b>	<b>1,897.13</b>	<b>2,859.51</b>	<b>3,895.50</b>
Accounts Receivable	1,841.23	1,811.37	1,970.48	2,033.68	1,953.50			1,953.50	1,953.50	1,953.50	1,953.50	1,953.50	1,953.50
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>1,953.50</b>			<b>1,953.50</b>	<b>1,953.50</b>	<b>1,953.50</b>	<b>1,953.50</b>	<b>1,953.50</b>	<b>1,953.50</b>
Total Inventory	2,404.17	2,261.15	2,359.17	2,431.84	2,502.83			2,502.83	2,502.83	2,502.83	2,502.83	2,502.83	2,502.83
Prepaid Expenses	636.98	333.11	382.02	255.53	283.45			283.45	283.45	283.45	283.45	283.45	283.45
Other Current Assets	281.10	353.33	295.23	305.61	301.51			301.51	301.51	301.51	301.51	301.51	301.51
<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>6,245.81</b>	<b>0.00</b>	<b>0.00</b>	<b>6,245.81</b>	<b>6,304.38</b>	<b>6,384.49</b>	<b>6,938.42</b>	<b>7,900.80</b>	<b>8,876.79</b>
PP&E, Gross	5,100.98	5,322.68	5,500.00	5,500.00	5,500.00			5,500.00	5,900.00	6,300.00	6,700.00	7,100.00	7,500.00
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	3,200.00	3,200.00	3,200.00			3,200.00	3,686.88	4,178.63	4,675.30	5,176.93	5,683.58
<b>PP&amp;E, Net</b>	<b>2,290.62</b>	<b>2,164.53</b>	<b>2,300.00</b>	<b>2,300.00</b>	<b>2,300.00</b>			<b>2,300.00</b>	<b>2,213.12</b>	<b>2,121.37</b>	<b>2,024.70</b>	<b>1,923.07</b>	<b>1,816.42</b>
Goodwill	3,780.17	4,084.12	4,073.16	3,982.13	3,996.31	0.00		3,996.31	3,996.31	3,996.31	3,996.31	3,996.31	3,996.31
Intangibles	701.92	579.92	522.72	449.78	439.69			439.69	439.69	439.69	439.69	439.69	439.69
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	645.46			645.46	645.46	645.46	645.46	645.46	645.46
<b>Long Term Assets</b>	<b>7,275.79</b>	<b>7,542.56</b>	<b>7,595.73</b>	<b>7,359.44</b>	<b>7,381.46</b>	<b>0.00</b>	<b>0.00</b>	<b>7,381.46</b>	<b>7,294.58</b>	<b>7,202.83</b>	<b>7,106.16</b>	<b>7,004.53</b>	<b>6,897.88</b>
<b>Total Assets</b>	<b>13,073.04</b>	<b>13,717.34</b>	<b>14,063.89</b>	<b>13,650.25</b>	<b>13,627.27</b>	<b>0.00</b>	<b>0.00</b>	<b>13,627.27</b>	<b>13,598.96</b>	<b>13,587.32</b>	<b>14,044.59</b>	<b>14,905.33</b>	<b>15,774.67</b>
Accounts Payable	1,967.60	2,111.70	2,208.39	2,220.41	2,194.42			2,194.42	2,194.42	2,194.42	2,194.42	2,194.42	2,194.42
Accrued Expense	1,404.71	1,603.35	1,239.33	1,093.86	1,274.71			1,274.71	1,274.71	1,274.71	1,274.71	1,274.71	1,274.71
Other current Liabilities	0.00	0.00	258.52	320.86	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<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>3,469.13</b>	<b>0.00</b>	<b>0.00</b>	<b>3,469.13</b>	<b>3,469.13</b>	<b>3,469.13</b>	<b>3,469.13</b>	<b>3,469.13</b>	<b>3,469.13</b>
Notes Payables/Short Term Debt	1,195.56	0.00	0.00	0.00	0.00			0.00	38.12	3.12	3.12	3.12	3.12
Current port. Of LT Debt/Capital Leases	277.69	67.27	587.36	439.14	438.12			438.12	438.12	438.12	438.12	438.12	438.12
Long term Debt	1,968.93	2,500.33	2,014.41	1,599.04	1,595.93	0.00	0.00	1,595.93	1,195.93	395.93	0.93	0.93	0.93
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>2,034.05</b>	<b>0.00</b>	<b>0.00</b>	<b>2,034.05</b>	<b>1,672.17</b>	<b>837.17</b>	<b>442.17</b>	<b>442.17</b>	<b>442.17</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	7.16			7.16	7.16	7.16	7.16	7.16	7.16
Other liabilities	636.14	579.75	652.49	735.09	759.82			759.82	759.82	759.82	759.82	759.82	759.82
<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>6,270.16</b>	<b>0.00</b>	<b>0.00</b>	<b>6,270.16</b>	<b>5,908.28</b>	<b>5,073.28</b>	<b>4,678.28</b>	<b>4,678.28</b>	<b>4,678.28</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	4,585.98	0.00	0.00	4,585.98	4,585.98	4,585.98	4,585.98	4,585.98	4,585.98
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	-280.00	-560.00	-840.00	-1,120.00	-1,400.00
Retained Earnings	5,367.34	5,869.14	6,492.34	7,199.06	7,311.32		0.00	7,311.32	8,363.01	9,466.37	10,598.64	11,739.38	12,888.72
Treasury Stock	-3,357.73	-3,388.39	-3,786.98	-4,416.02	-4,511.94			-4,511.94	-4,511.94	-4,511.94	-4,511.94	-4,511.94	-4,511.94
Other Equity	-494.33	-89.34	-96.93	-319.74	-297.80		0.00	-297.80	-297.80	-297.80	-297.80	-297.80	-297.80
<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>7,088.11</b>	<b>0.00</b>	<b>0.00</b>	<b>7,088.11</b>	<b>7,859.80</b>	<b>8,683.16</b>	<b>9,535.43</b>	<b>10,396.17</b>	<b>11,265.51</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>13,358.27</b>	<b>0.00</b>	<b>0.00</b>	<b>13,358.27</b>	<b>13,768.08</b>	<b>13,756.44</b>	<b>14,213.71</b>	<b>15,074.45</b>	<b>15,943.79</b>
<b>Variance</b>	-0.02	0.00	152.21	219.64	269.00			269.00	-169.12	-169.12	-169.12	-169.12	-169.12
<b>Debt/Equity</b>	0.62	0.38	0.37	0.29	0.29			0.29	0.21	0.10	0.05	0.04	0.04
Inventory Turnover	9.60	10.74	10.40	10.29	10.10			10.00	10.10	10.20	10.30	10.40	10.51
Inventory Turnover Days	38.01	34.00	35.08	35.47	36.15			36.51	36.15	35.79	35.44	35.08	34.74
Days Inventory Outstanding	52.12	46.36	48.00	48.56	49.52			49.97	49.52	49.03	48.54	48.06	47.58
Accounts Receivable Turnover	12.54	13.40	12.46	12.30	12.94			12.81	12.94	13.07	13.20	13.33	13.46
Accounts Receivable Turnover Days	29.11	27.24	29.30	29.67	28.21			28.50	28.21	27.93	27.66	27.38	27.11
Days Payable Outstanding	42.65	43.30	44.93	44.33	43.42			43.82	43.42	42.99	42.56	42.14	41.72
Days Sales Outstanding	29.11	27.24	29.30	29.67	28.21			29.67	28.50	28.21	27.93	27.66	27.38
Cash Conversion Cycle	38.58	30.30	32.37	33.89	34.32			35.82	34.60	34.25	33.92	33.58	33.25
Net tangible assets/share					4.24				4.72	5.92	7.15	8.40	9.66

## 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	1,051.69	1,103.36	1,132.26	1,140.74	1,149.34
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>1,538.57</b>	<b>1,595.11</b>	<b>1,628.93</b>	<b>1,642.38</b>	<b>1,655.99</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>1,538.57</b>	<b>1,595.11</b>	<b>1,628.93</b>	<b>1,642.38</b>	<b>1,655.99</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	280.00	280.00	280.00	280.00	280.00
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	-	-	-	-	-400.00	-35.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	2,668.29	-929.47	-5.91	-518.79	-400.00	-800.00	-395.00	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>-1,080.00</b>	<b>-1,115.00</b>	<b>-675.00</b>	<b>-280.00</b>	<b>-280.00</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	1,204.52	1,263.09	1,343.20	1,897.13	2,859.51
<b>Net Change in Cash</b>	<b>-611.67</b>	<b>782.04</b>	<b>45.44</b>	<b>-197.11</b>	<b>58.57</b>	<b>80.11</b>	<b>553.93</b>	<b>962.38</b>	<b>975.99</b>
Ending Cash Balance	633.77	1,415.82	1,461.26	1,264.15	1,263.09	1,343.20	1,897.13	2,859.51	3,835.50
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	-31.40%	18.25%	10.04%	12.29%	11.73%	12.31%	12.66%	12.80%	12.94%
Dividend Yield	-2.61%	-2.91%	-2.91%	-3.13%	3.15%	3.15%	3.15%	3.15%	3.15%
FCF (Ops-Investing-Dividends)	<b>-2,815.84</b>	<b>2,007.85</b>	<b>1,233.28</b>	<b>1,470.77</b>	<b>858.57</b>	<b>915.11</b>	<b>948.93</b>	<b>962.38</b>	<b>975.99</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	-197.11	58.57	80.11	553.93	962.38	975.99
Current Portion Debt Repayment		400.00	35.00			
Long Term Debt Repayment		400.00	800.00	395.00		
<b>Outstanding Debt</b>	2034.05	1234.05	399.05	4.05	4.05	4.05
Current Portion Debt Balance	438.12	38.12	3.12	3.12	3.12	3.12
Long Term Debt Balance	1595.93	1195.93	395.93	0.93	0.93	0.93
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>98.72</b>	<b>31.92</b>	<b>0.32</b>	<b>0.32</b>	<b>0.32</b>
Cash Balance		1264.15				
Interest @ 1.0%		12.64	12.64	12.64	12.64	12.64
<b>Net Interest Expense/(Income)</b>		<b>86.08</b>	<b>19.28</b>	<b>(12.32)</b>	<b>(12.32)</b>	<b>(12.32)</b>
<b>Net Interest Rate</b>		<b>5.39%</b>	<b>1.61%</b>	<b>-3.11%</b>	<b>-1324.46%</b>	<b>-1324.46%</b>
EBITDA		1704.07	1716.76	1729.63	1742.67	1755.90
<b>EBITDA/Interest Expense Coverage</b>		<b>17.26</b>	<b>53.78</b>	<b>5338.36</b>	<b>5378.62</b>	<b>5419.44</b>

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:

Staples, Inc.

Ticker:

SPLS

Period	2007	2008	2009	2010	2011	2012	2013	2014	2015
Working Capital	2,424.94	2,459.73	2,761.92	2,776.68	2,835.25	2,915.36	3,469.29	4,431.67	5,407.66
Total Assets	13,073.04	13,717.34	14,063.89	13,627.27	13,598.96	13,587.32	14,044.59	14,905.33	15,774.67
<b>X1</b>	<b>0.19</b>	<b>0.18</b>	<b>0.20</b>	<b>0.20</b>	<b>0.21</b>	<b>0.21</b>	<b>0.25</b>	<b>0.30</b>	<b>0.34</b>
Retained Earnings	5,367.34	5,869.14	6,492.34	7,311.32	8,363.01	9,466.37	10,598.64	11,739.38	12,888.72
Total Assets	13,073.04	13,717.34	14,063.89	13,627.27	13,598.96	13,587.32	14,044.59	14,905.33	15,774.67
<b>X2</b>	<b>0.41</b>	<b>0.43</b>	<b>0.46</b>	<b>0.54</b>	<b>0.61</b>	<b>0.70</b>	<b>0.75</b>	<b>0.79</b>	<b>0.82</b>
EBITDA	1,442.20	1,482.42	1,635.19	1,693.34	1,769.07	1,786.76	1,804.63	1,822.67	1,840.90
Total Assets	13,073.04	13,717.34	14,063.89	13,627.27	13,598.96	13,587.32	14,044.59	14,905.33	15,774.67
<b>X3</b>	<b>0.11</b>	<b>0.11</b>	<b>0.12</b>	<b>0.12</b>	<b>0.13</b>	<b>0.13</b>	<b>0.13</b>	<b>0.12</b>	<b>0.12</b>
Market Value of Equity	8,876.51	8,876.51	8,876.51	8,876.51	9,147.87	9,427.52	9,715.73	10,012.74	10,318.84
Total Liabilities	7,508.85	6,945.45	6,967.97	6,270.16	5,908.28	5,073.28	4,678.28	4,678.28	4,678.28
<b>X4</b>	<b>1.18</b>	<b>1.28</b>	<b>1.27</b>	<b>1.42</b>	<b>1.55</b>	<b>1.86</b>	<b>2.08</b>	<b>2.14</b>	<b>2.21</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	14,063.89	13,627.27	13,598.96	13,587.32	14,044.59	14,905.33	15,774.67
<b>X5</b>	<b>1.77</b>	<b>1.77</b>	<b>1.75</b>	<b>1.84</b>	<b>1.86</b>	<b>1.88</b>	<b>1.84</b>	<b>1.75</b>	<b>1.67</b>
<b>Altman Z Score</b>	<b>3.64</b>	<b>3.71</b>	<b>3.78</b>	<b>4.09</b>	<b>4.33</b>	<b>4.66</b>	<b>4.86</b>	<b>4.89</b>	<b>4.93</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