

## Superior Uniform Group (SGC)

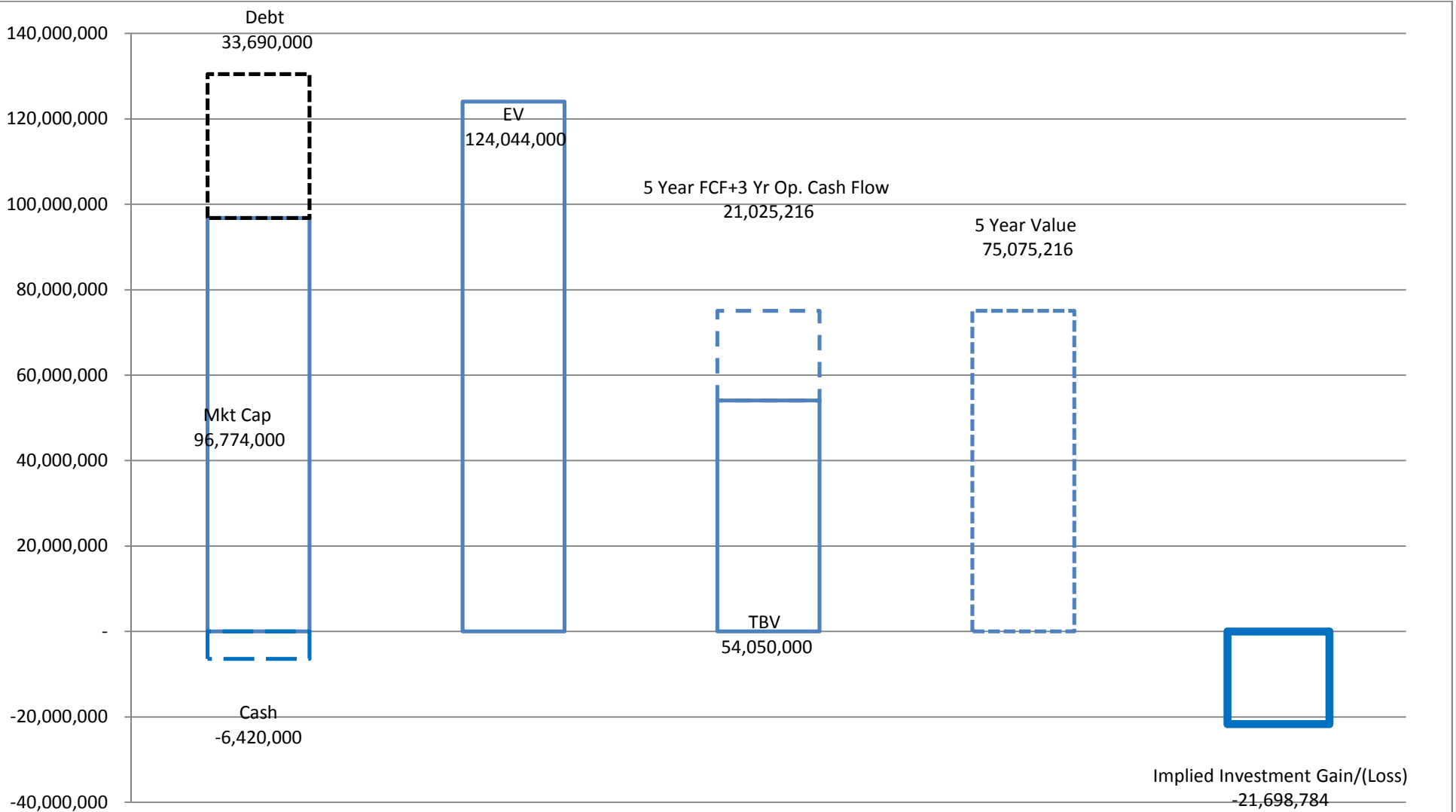
Price:	\$15.24	Net Tang. Bk Value Incl. Cash, Excl.	\$54,050,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$55,584,338.79
Market Cap:	\$96,774,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$2,748,603.40
Cash:	\$6,420,000	NTBVIC/Market Downside Recovery:	55.85%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$33,690,000	Op. Cash Flow:	\$2,555,881	Year 5 Disposition Price:	\$63,830,148.99
Net Cash:	-\$27,270,000	Implied Years to Fill Gap:	16.72		
Enterprise Value:	\$124,044,000	Today's Equity if 5x Op. CF:	\$61,717,643		
		Net Tang. Book+ Gain Disposition:			\$63,830,148.99
Shares Outstanding:	6,350,000	IRR:			-7.99%
				Price:	\$10.05
				Target Market Cap:	\$63,830,149
				Target Enterprise Value:	\$91,100,149

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

I personally like this business model, although the stock is too pricey for us to invest in. The accounts are corporate accounts so they provide some stability and its not a capital intensive business. The space is well saturated with competitors, which is the main item of concern.

The Co. acquired another competitor recently and has \$30MM in fresh debt to finance the deal. Margins are rather slim, but the Co. is generating consistent positive cash flow to grow the book value of the Co.

We would look into buying additional shares should the price fall 30%, but at the moment, it is not appealing.





SN VALUATION

LBO Pro Forma Income Statement

Name:

Superior Uniform Group

Ticker:

SGC

	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	102.80	105.88	112.37	119.49	121.88	124.32	126.80	129.34	131.93
COGS	69.58	68.41	72.11	79.72	81.66	83.29	84.96	86.66	88.39
Gross margin	33.22	37.47	40.26	39.77	40.22	41.02	41.85	42.68	43.54
SG&A	30.40	31.79	34.65	33.69	36.55	37.30	38.04	38.80	39.58
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	0.00	0.00	1.23	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)	2.82	5.77	5.61	4.65	3.66	3.73	3.80	3.88	3.96
Interest income/(expense)	0.00	0.00	0.00	0.00	-3.33	-3.33	-3.33	-3.33	-3.33
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	2.70	5.75	5.59	4.62	0.32	0.40	0.47	0.55	0.62
Tax	0.73	1.94	1.45	1.59	0.11	0.14	0.16	0.19	0.22
Income after tax	1.97	3.81	4.14	3.03	0.21	0.26	0.31	0.36	0.41
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	1.97	3.81	4.14	3.03	0.21	0.26	0.31	0.36	0.41
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.31	\$0.60	\$0.65	\$0.48	\$0.03	\$0.04	\$0.05	\$0.06	\$0.06
P/E (historical today's price; forecasted intrinsic price)	49.12	25.40	23.38	31.94	424.27	318.30	246.46	195.22	157.30
Revenue Growth	N/A	3.00%	6.13%	6.34%	2.00%	2.00%	2.00%	2.00%	2.00%
Tax Rate	27.04%	33.74%	25.94%	34.42%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	0.00%	0.00%	0.00%	-10.42%	-10.42%	-10.42%	-10.42%	-10.42%
Margins									
COGS	67.68%	64.61%	64.17%	66.72%	67.00%	67.00%	67.00%	67.00%	67.00%
Gross margin	33.32%	35.39%	35.83%	33.28%	33.00%	33.00%	33.00%	33.00%	33.00%
SG&A	29.57%	29.94%	30.84%	28.36%	30.00%	30.00%	30.00%	30.00%	30.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	0.00%	0.00%	1.03%	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%
Operating Income (EBITA)	2.74%	5.45%	4.99%	3.89%	3.00%	3.00%	3.00%	3.00%	3.00%
Interest income/(expense)	0.00%	0.00%	0.00%	0.00%	-2.74%	-2.68%	-2.63%	-2.58%	-2.53%
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	2.63%	5.43%	4.97%	3.87%	0.26%	0.32%	0.37%	0.42%	0.47%
Tax	0.71%	1.83%	1.29%	1.33%	0.09%	0.11%	0.13%	0.15%	0.17%
Income after tax	1.92%	3.60%	3.68%	2.54%	0.17%	0.21%	0.25%	0.29%	0.33%
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	1.92%	3.60%	3.68%	2.54%	0.17%	0.21%	0.24%	0.27%	0.31%

						Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-12-31	As of 2013-09-30	+	-						
Cash	6.37	9.11	2.80	3.55	6.42			6.42	6,975,811	7.63	8.37	9.22	10.16
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>6.37</b>	<b>9.11</b>	<b>2.80</b>	<b>3.55</b>	<b>6.42</b>			<b>6.42</b>	<b>6.98</b>	<b>7.63</b>	<b>8.37</b>	<b>9.22</b>	<b>10.16</b>
Accounts Receivable	17.94	16.52	15.94	16.66	25.00			25.00	25.00	25.00	25.00	25.00	25.00
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>17.94</b>	<b>16.52</b>	<b>15.94</b>	<b>16.66</b>	<b>25.00</b>			<b>25.00</b>	<b>25.00</b>	<b>25.00</b>	<b>25.00</b>	<b>25.00</b>	<b>25.00</b>
Total Inventory	32.05	31.03	41.21	39.25	48.12			48.12	48.12	48.12	48.12	48.12	48.12
Prepaid Expenses	2.76	4.03	2.52	2.79	3.95			3.95	3.95	3.95	3.95	3.95	3.95
Other Current Assets	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Current Assets</b>	<b>59.12</b>	<b>60.69</b>	<b>62.47</b>	<b>62.25</b>	<b>83.49</b>	<b>0.00</b>	<b>0.00</b>	<b>83.49</b>	<b>84,045,811</b>	<b>84.70</b>	<b>85.44</b>	<b>86.29</b>	<b>87.23</b>
PP&E, Gross	56.26	56.48	56.18	0.00	57.00			57.00	59.00	61.00	63.00	65.00	67.00
Change in Depreciation	2.95	2.55	2.98	2.30	2.30			2.30	2.35	2.39	2.44	2.49	2.54
Accumulated Depreciation	45.40	47.02	47.77	0.00	48.00			48.00	50.95	52.74	55.18	57.67	60.21
<b>PP&amp;E, Net</b>	<b>10.86</b>	<b>9.46</b>	<b>8.41</b>	<b>0.00</b>	<b>9.00</b>			<b>9.00</b>	<b>8.65</b>	<b>8.26</b>	<b>7.82</b>	<b>7.33</b>	<b>6.79</b>
Goodwill	0.00	0.00	0.00	0.00	5.00	0.00		5.00	5.00	5.00	5.00	5.00	5.00
Intangibles	1.30	0.91	2.75	0.56	18.00			18.00	18.00	18.00	18.00	18.00	18.00
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	2.28	1.85	3.56	4.39	3.71			3.71	3.71	3.71	3.71	3.71	3.71
<b>Long Term Assets</b>	<b>14.44</b>	<b>12.22</b>	<b>14.72</b>	<b>4.95</b>	<b>35.71</b>			<b>35.71</b>	<b>35.36</b>	<b>34.97</b>	<b>34.53</b>	<b>34.04</b>	<b>33.50</b>
<b>Total Assets</b>	<b>73.56</b>	<b>72.91</b>	<b>77.19</b>	<b>67.20</b>	<b>119.20</b>	<b>0.00</b>	<b>0.00</b>	<b>119.20</b>	<b>119.41</b>	<b>119.67</b>	<b>119.97</b>	<b>120.33</b>	<b>120.73</b>
Accounts Payable	5.43	5.10	5.94	6.63	7.00			7.00	7.00	7.00	7.00	7.00	7.00
Accrued Expense	2.23	3.71	4.50	3.22	3.00			3.00	3.00	3.00	3.00	3.00	3.00
Other current Liabilities	0.00	0.00	0.00	0.00	9.90			9.90	9.90	9.90	9.90	9.90	9.90
<b>Total Current Liabilities</b>	<b>7.66</b>	<b>8.81</b>	<b>10.44</b>	<b>9.85</b>	<b>19.90</b>	<b>0.00</b>	<b>0.00</b>	<b>19.90</b>	<b>19.90</b>	<b>19.90</b>	<b>19.90</b>	<b>19.90</b>	<b>19.90</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	0.00	0.00	0.00	0.00	1.69			1.69	1.69	1.69	1.69	1.69	1.69
Long term Debt	0.00	0.00	0.64	0.00	32.00	0.00	0.00	32.00	32.00	32.00	32.00	32.00	32.00
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>0.00</b>	<b>0.00</b>	<b>0.64</b>	<b>0.00</b>	<b>33.69</b>	<b>0.00</b>	<b>0.00</b>	<b>33.69</b>	<b>33.69</b>	<b>33.69</b>	<b>33.69</b>	<b>33.69</b>	<b>33.69</b>
Deferred Income tax	0.00	0.00	0.00	0.07	0.12			0.12	0.12	0.12	0.12	0.12	0.12
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	5.80	4.28	8.82	11.20	6.45			6.45	6.45	6.45	6.45	6.45	6.45
<b>Total Liabilities</b>	<b>13.46</b>	<b>13.09</b>	<b>19.90</b>	<b>21.12</b>	<b>60.16</b>	<b>0.00</b>	<b>0.00</b>	<b>60.16</b>	<b>60.16</b>	<b>60.16</b>	<b>60.16</b>	<b>60.16</b>	<b>60.16</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	0.01	0.01	0.01	0.01	0.01		0.00	0.01	0.01	0.01	0.01	0.01	0.01
Additional Paid-in capital	15.44	16.75	19.35	21.29	22.00	0.00	0.00	22.00	22.00	22.00	22.00	22.00	22.00
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	48.48	48.40	48.59	44.45	45.00			45.00	45.21	45.47	45.77	46.13	46.53
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	-3.81	-4.06	-6.90	-7.96	-7.96		0.00	-7.96	-7.96	-7.96	-7.96	-7.96	-7.96
<b>Total Equity</b>	<b>60.12</b>	<b>61.10</b>	<b>61.05</b>	<b>57.79</b>	<b>59.05</b>	<b>0.00</b>	<b>0.00</b>	<b>59.05</b>	<b>59.26</b>	<b>59.52</b>	<b>59.82</b>	<b>60.18</b>	<b>60.58</b>
<b>Liability + Equity</b>	<b>73.58</b>	<b>74.19</b>	<b>80.95</b>	<b>78.91</b>	<b>119.21</b>	<b>0.00</b>	<b>0.00</b>	<b>119.21</b>	<b>119.42</b>	<b>119.68</b>	<b>119.98</b>	<b>120.34</b>	<b>120.74</b>
<b>Variance</b>	-0.02	-1.28	-3.76	-11.71	-0.01			-0.01	-0.01	-0.01	-0.01	-0.01	-0.01
<b>Debt/Equity</b>	0.00	0.00	0.01	0.00	0.57			0.57	0.57	0.57	0.56	0.56	0.56
Inventory Turnover	3.21	3.41	2.73	3.04	2.53			2.48	2.53	2.58	2.64	2.69	2.74
Inventory Turnover Days	113.80	106.97	133.86	119.89	144.11			146.99	144.11	141.28	138.51	135.80	133.13
Days Inventory Outstanding	168.13	165.56	208.59	179.71	215.09			220.32	215.09	210.87	206.73	202.68	198.71
Accounts Receivable Turnover	5.73	6.41	7.05	7.17	4.88			4.78	4.88	4.97	5.07	5.17	5.28
Accounts Receivable Turnover Days	63.70	56.95	51.78	50.89	74.87			76.37	74.87	73.40	71.96	70.55	69.17
Days Payable Outstanding	28.48	27.21	30.07	30.36	31.29			32.05	31.29	30.67	30.07	29.48	28.91
Days Sales Outstanding	63.70	56.95	51.78	50.89	74.87			50.89	76.37	74.87	73.40	71.96	70.55
Cash Conversion Cycle	203.34	195.30	230.30	200.24	258.67			239.16	260.16	255.06	250.06	245.16	240.35
Net tangible assets/share	\$9.26	\$9.48	\$9.18	\$9.01	\$5.68				\$5.71	\$5.75	\$5.80	\$5.85	\$5.92

	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	1.97	3.81	4.14	3.03	0.21	0.26	0.31	0.36	0.41
Depreciation	2.95	2.55	2.98	2.30	2.35	2.39	2.44	2.49	2.54
<b>Net Income + Depreciation</b>	<b>4.92</b>	<b>6.36</b>	<b>7.12</b>	<b>5.33</b>	<b>2.56</b>	<b>2.65</b>	<b>2.75</b>	<b>2.84</b>	<b>2.95</b>
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-0.36	0.51	-0.32	-0.13	0.00	0.00	0.00	0.00	0.00
Non Cash Items	0.24	0.70	1.20	2.19	0.00	0.00	0.00	0.00	0.00
Change in Working capital	12.66	-1.11	-8.86	1.77	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	1.42	0.58	-0.72	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	1.02	-10.18	1.96	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-1.27	1.51	-0.27	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-0.33	0.84	0.69	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>17.46</b>	<b>6.46</b>	<b>-0.86</b>	<b>9.16</b>	<b>2.56</b>	<b>2.65</b>	<b>2.75</b>	<b>2.84</b>	<b>2.95</b>
Capital Expenditures Expenditures	-1.09	-0.77	-2.97	-1.65	-2.00	-2.00	-2.00	-2.00	-2.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-1.63	0.16	0.04	0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>-2.72</b>	<b>-0.61</b>	<b>-2.93</b>	<b>-1.65</b>	<b>-2.00</b>	<b>-2.00</b>	<b>-2.00</b>	<b>-2.00</b>	<b>-2.00</b>
Financing Cash flow items	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-3.25	-3.20	-3.23	-6.57	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-1.20	0.09	0.08	0.45	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	-4.06	0.00	0.64	-0.64	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>-8.50</b>	<b>-3.11</b>	<b>-2.51</b>	<b>-6.76</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	0.14	6.37	9.11	2.80	6.42	6.98	7.63	8.37	9.22
<b>Net Change in Cash</b>	<b>6.23</b>	<b>2.74</b>	<b>-6.30</b>	<b>0.75</b>	<b>0.56</b>	<b>0.65</b>	<b>0.75</b>	<b>0.84</b>	<b>0.95</b>
Ending Cash Balance	6.37	9.11	2.81	3.55	6.98	7.63	8.37	9.22	10.16
Capex to Revenue	1.06%	0.73%	2.64%	1.38%	1.64%	1.61%	1.58%	1.55%	1.52%
Depreciation to Sales	2.87%	2.41%	2.65%	1.92%	1.92%	1.92%	1.92%	1.92%	1.92%
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	17.45%	15.60%	14.19%	13.94%	13.67%	13.40%	13.14%	12.88%	12.63%
Distributable FCF/EV Yield	11.88%	4.72%	-3.06%	6.05%	0.45%	0.52%	0.60%	0.68%	0.76%
Dividend Yield	-3.36%	-3.31%	-3.34%	-6.79%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	<b>19.62</b>	<b>8.89</b>	<b>-0.60</b>	<b>14.08</b>	<b>0.56</b>	<b>0.65</b>	<b>0.75</b>	<b>0.84</b>	<b>0.95</b>

# SN VALUATION

# LBO Debt Schedule

Ticker:

SGC

	Proforma	2013	2014	2015	2016	2017
<b>Net Change in Cash</b>	<b>0.75</b>	<b>0.56</b>	<b>0.65</b>	<b>0.75</b>	<b>0.84</b>	<b>0.95</b>
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	<b>33.69</b>	<b>33.69</b>	<b>33.69</b>	<b>33.69</b>	<b>33.69</b>	<b>33.69</b>
Current Portion Debt Balance	1.69	1.69	1.69	1.69	1.69	1.69
Long Term Debt Balance	32.00	32.00	32.00	32.00	32.00	32.00
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>3.37</b>	<b>3.37</b>	<b>3.37</b>	<b>3.37</b>	<b>3.37</b>
Cash Balance		3.55				
Interest @ 1.0%		0.04	0.04	0.04	0.04	0.04
<b>Net Interest Expense/(Income)</b>		<b>3.33</b>	<b>3.33</b>	<b>3.33</b>	<b>3.33</b>	<b>3.33</b>
<b>Net Interest Rate</b>		<b>10.42%</b>	<b>10.42%</b>	<b>10.42%</b>	<b>10.42%</b>	<b>10.42%</b>
EBITDA		3.66	3.73	3.80	3.88	3.96
<b>EBITDA/Interest Expense Coverage</b>		<b>1.09</b>	<b>1.11</b>	<b>1.13</b>	<b>1.15</b>	<b>1.17</b>

Interest Rate Coverage Table

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

\*Source: NYU; Professor Damodaran

## Altman Z Score

Company Name:

Superior Uniform Group

Ticker:

SGC

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	51.46	51.88	52.03	63.59	64.15	64.80	65.54	66.39	67.33
Total Assets	73.56	72.91	77.19	119.20	119.41	119.67	119.97	120.33	120.73
<b>X1</b>	<b>0.70</b>	<b>0.71</b>	<b>0.67</b>	<b>0.53</b>	<b>0.54</b>	<b>0.54</b>	<b>0.55</b>	<b>0.55</b>	<b>0.56</b>
Retained Earnings	48.48	48.40	48.59	45.00	45.21	45.47	45.77	46.13	46.53
Total Assets	73.56	72.91	77.19	119.20	119.41	119.67	119.97	120.33	120.73
<b>X2</b>	<b>0.66</b>	<b>0.66</b>	<b>0.63</b>	<b>0.38</b>	<b>0.38</b>	<b>0.38</b>	<b>0.38</b>	<b>0.38</b>	<b>0.39</b>
EBITDA	2.82	5.77	5.61	4.65	3.66	3.73	3.80	3.88	3.96
Total Assets	73.56	72.91	77.19	119.20	119.41	119.67	119.97	120.33	120.73
<b>X3</b>	<b>0.04</b>	<b>0.08</b>	<b>0.07</b>	<b>0.04</b>	<b>0.03</b>	<b>0.03</b>	<b>0.03</b>	<b>0.03</b>	<b>0.03</b>
Market Value of Equity	96.77	96.77	96.77	96.77	89.05	81.93	75.39	69.37	63.83
Total Liabilities	13.46	13.09	19.90	60.16	60.16	60.16	60.16	60.16	60.16
<b>X4</b>	<b>7.19</b>	<b>7.39</b>	<b>4.86</b>	<b>1.61</b>	<b>1.48</b>	<b>1.36</b>	<b>1.25</b>	<b>1.15</b>	<b>1.06</b>
Net Sales	102.80	105.88	112.37	119.49	121.88	124.32	126.80	129.34	131.93
Total Assets	73.56	72.91	77.19	119.20	119.41	119.67	119.97	120.33	120.73
<b>X5</b>	<b>1.40</b>	<b>1.45</b>	<b>1.46</b>	<b>1.00</b>	<b>1.02</b>	<b>1.04</b>	<b>1.06</b>	<b>1.07</b>	<b>1.09</b>
<b>Altman Z Score</b>	<b>7.60</b>	<b>7.93</b>	<b>6.30</b>	<b>3.27</b>	<b>3.18</b>	<b>3.14</b>	<b>3.10</b>	<b>3.07</b>	<b>3.05</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>	54.05	54.26	54.52	54.82	55.18	55.58				55.58
Annual Change		0.21	0.26	0.31	0.36	0.41				
<b>Annual FCF</b>	7.51	0.56	0.65	0.75	0.84	0.95	0.75	0.75	0.75	2.25
Annual Op. Cash Flow	9.16	2.56	2.65	2.75	2.84	2.95	2.75	2.75	2.75	
Annual PP&E Investment	(1.65)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	
<b>Today's Tangible Book Value</b>	54.05	54.35	54.66	54.97	55.27	55.58				57.83
Intrinsic Value IRR	0.56%									
<b>Market Price</b>	96.77	87.30	78.76	71.06	64.10	57.83				57.83
Market Price IRR	-9.78%									

Debt	50.00%	48.39
Equity	50.00%	48.39
<b>Total</b>	<b>100.00%</b>	<b>96.77</b>

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	59.05	48.39	44.00	39.70	35.46	31.30	27.22			
Goodwill	5	42.72	42.72	42.72	42.72	42.72	42.72			
Debt	32	80.39	80.39	80.39	80.39	80.39	80.39			
Debt Interest Rate		10.00%	10.00%	10.00%	10.00%	10.00%	10.00%			
Additional Interest Expense		4.71	4.71	4.71	4.71	4.71				
<b>Tangible Book Value</b>	54.05	5.66	1.28	-3.03	-7.26	-11.42	-15.50			-15.50
Annual Change			-4.38	-4.31	-4.23	-4.16	-4.08			
<b>Annual FCF</b>	7.51		(4.04)	(3.92)	(3.79)	(3.67)	(3.54)	(3.54)	(3.54)	(3.54)
Annual Net Income	3.03		(4.38)	(4.31)	(4.23)	(4.16)	(4.08)	(4.08)	(4.08)	(4.08)
<b>Annual Op. Cash Flow</b>	9.16		(2.04)	(1.92)	(1.79)	(1.67)	(1.54)	(1.54)	(1.54)	(1.54)
Dividend Payments										
<b>Annual PP&amp;E Investment</b>	(1.65)		(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)
Debt Paydown	0.00							0.00	0.00	0.00
<b>Sale Price in Year 5</b>										(26.13)
<b>Capital Left for Equity Investor</b>										(26.13)
Dividend Payments										0.00
<b>Total Cash In Flow</b>										(26.13)
<b>Invested Equity</b>	48.39	-42.78	37.82	-33.43	29.55	-26.13				
IRR	-188.40%									

We assume the debt taken on by the investor is now on the Co's books, so the investor has no more liability from the deal.

<u>Value Creation</u>	
TBV Growth (equals sum of NI Year 1-5)	-21.17
Cash Flow (Year 6-8)	-10.62
	<b>-31.79</b>

<u>Value Dilution</u>	
Debt	48.39
Goodwill	37.72
Additional Interest	23.53
	<b>109.64</b>