

Systemax (SYX)

| | |
|--------------------------|---------------|
| Price: | \$10.87 |
| Market Cap: | \$401,429,100 |
| Cash: | \$145,780,000 |
| Debt: | \$9,530,000 |
| Net Cash: | \$136,250,000 |
| Enterprise Value: | \$265,179,100 |
| Target Market Cap: | \$752,727,705 |
| Target Enterprise Value: | \$616,477,705 |

| | |
|-------------------------------|----------------|
| Price/Book: | 0.83 |
| EV/FCF: | 44.64 |
| Net Tang. Asset/Share: | \$11.92 |
| Avg. Year 1-5 FCF/Share: | \$0.63 |
| 5 Years of FCF: | \$3.15 |
| Net Tang. Asset+5 FCF: | \$15.07 |

| | |
|----------------------------------|----------------|
| Net Tang. Asset Yr. 5/Share: | \$15.34 |
| Avg. Year FCF/Share: | \$0.63 |
| Year 5 Disposition FCF Multipl: | 3.0 |
| Year 5 Disposition Price: | \$17.23 |
| Gain Year 5: | \$5.31 |

| | |
|---|----------------|
| Net Tang. Asset+5 FCF+ Gain Disposition: | \$20.38 |
| IRR: | 13.40% |

Came across this co. while doing research on Circuit City's CH.11 filing. The co. purchased the rights to the Circuit City brand and website, so they sell their inventory of 3rd party goods through the website. They also acquired some CompUSA items – 16 retail stores and brand. A really low margin business at 15% GM for electronic goods. They own about 10+ websites and sell electronics split into technology and industrial goods. Generate roughly \$40 MM in op. cash flow and cap ex is low at \$20 MM. Good thing is the co. has \$7 MM in debt and \$130 MM in cash. However, SG&A is \$400 MM for an internet reseller? Well, they have 5,500 employees. These employees work at the distribution centers, call centers, computer assembly facility a small number of retail stores – about 40. All but 2 buildings are leased. The Leeds family owns 70% of the stock. The co. has held up well during the 2008-2010 period, with sales actually growing, although it may have been acquisition driven. The co. has very little goodwill, only \$60MM. Considering some key acquisitions made (Circuit City, CompUSA), we can tell they are making wise purchases, at low costs and minimal impairment. The company historically shifted away from brick/mortar to the internet business and grew it to its' current \$3BB revenue business. We believe the co. has the option to develop their 40 retail stores using the CompUSA and Circuit City brand into a much larger retail base in the U.S. and Europe. Not sure, but we would need to research what exactly they acquired during the CH.11.

Company Name: Systemax
Ticker Symbol: SYX
Last Price: \$10.87
Net Cash/Share: \$3.69
Net Cash to Last Price: 33.94%
Shares Outstanding: 36,930,000
Industry: Specialty Retail
Sector: Consumer Cyclical

Institutional Ownership: #VALUE!
Mutual Fund Ownership: #VALUE!
Insider Ownership: #VALUE!
Retail Ownership: #VALUE!
Float: #VALUE!

Technicals

52 week low: Error
Today from 52 week low: #VALUE!
52 week high: Error
Today from 52 week high: #VALUE!
50 day Moving Average: Error
200 day Moving Average: Error

Analyst/Consensus

Analyst Sales Growth FY1: 2.00%
Analyst Sales Growth FY2: 6.10%
SN Valuation Estimate FY1: 1.00%
SN Valuation Estimate FY2: 1.00%

Analyst Earnings Estimate FY1: \$0.87
Analyst Earnings Estimate FY2: \$1.22
SN Valuation Earnings Est. FY1: \$0.66
SN Valuation Earnings Est. FY2: \$0.67

Multiples

Market Value to Book: 0.83
EV to Book: 0.55
Market Value to Tangible Net Assets: 1.30
P/E Ratio: 13.25
Trailing P/E Ratio: 13.49
Forward P/E Ratio: 9.07
Beta: Error
Dividend: 0
Dividend Yield: 0.00%
Dividend Date: Dec 14, 2009
Ex-Dividend Date: Nov 27, 2009

Competitors

Average EV to EBITDA: N/A
Company EV to EBITDA: 2.71
Average EV to EBIT: N/A
Company EV to EBITA: 3.29

Market Capitalization: \$401,429,100.00
Total Debt: \$9,530,000.00
Total Cash: \$145,780,000.00
Net Cash/(Debt): \$136,250,000.00
Enterprise Value: \$265,179,100.00
Current EV/Share: \$7.18
EBITDA: \$97,990,000.00
EV/EBITDA Multiple: 2.71
EV/EBITDA Multiple Average Year 1-5: 4.74
EV/FCF Multiple: 44.64
EV/FCF Multiple Average Year 1-5: 11.40

Upper Range**DCF: EV/EBITDA Terminal Value**

Implied TV from 3 X EV/EBITDA Multiple \$174,143,747.02
Enterprise Value \$174,143,747.02
Cash at Year 5: \$255,369,956.89
Debt at Year 5: \$2,800,000.00
Equity Value Year 5: \$426,713,703.90
Equity/Share at Year 5: \$11.55
Annualized Return: 1.23%

Lower Range**DCF: Net Tangible Asset excluding Cash/Debt Terminal Value**

Year 5 Net Tangible Assets excluding cash and debt \$318,180,000.00
Enterprise Value \$318,180,000.00
Cash at Year 5: \$255,369,956.89
Debt at Year 5: \$2,800,000.00
Equity Value Year 5: \$570,749,956.89
Equity/Share at Year 5: \$15.45
Annualized Return: 7.29%

EVA

EVA today: \$486,913,444.04
EVA in 5 Years: \$425,240,603.86
EVA/Share: \$11.51
Cash at Year 5: \$255,369,956.89
Debt at Year 5: \$2,800,000.00
Equity Value Year 5: \$677,810,560.75
Equity/Share at Year 5: \$18.35
Annualized return -2.67%

Current Net Tangible Asset

Net Tangible Asset/Share: \$11.92
Net Tangible Asset/Share in Year 5: \$15.34
Annualized return 5.18%

Current Equity Price: \$10.87
Selling at Discount? Discount
Appreciation Potential: 9.67%

Dividend Model

Next Year Dividend \$0.00
WACC: 10.84%
Dividend: \$0.00
Net Income: \$30,290,000.00

Income Statement

Revenue: \$3,640,000,000.00 100.0%
Cost of Goods Sold: \$3,109,320,000.00 85.4%
Gross Profit: \$530,680,000.00 14.6%
EBITDA: \$71,690,000.00 2.0%
Net Income: \$30,290,000.00 0.8%

Balance Sheet

Cash: \$145,780,000.00
Short Term Investment: \$0.00
A/R: \$277,530,000.00
PP&E: \$70,000,000.00
Assets: \$957,580,000.00
A/P: \$336,550,000.00
Deferred Tax: \$0.00
Other Liabilities: \$105,270,000.00
Short term Debt: \$2,790,000.00
Long Term Debt: \$6,740,000.00
Liabilities: \$451,350,000.00
Retained Earnings: \$307,930,000.00
Paid-In Capital: \$180,930,000.00
Treasury Stock: \$0.00
Stockholder's Equity: \$484,810,000.00

Cash Flow

Net Income: 54,410,000.00
Depreciation/Amortization: 17,460,000.00
Change in Working capital: -51,780,000.00
Cash from Operating Activities: 18,210,000.00
Capital Expenditures: -12,290,000.00
Cash from Investing Activities: -12,260,000.00
Total Cash Dividends Paid: 0.00
Issuance (Retirement) of Stock: 280,000.00
Issuance (Retirement) of Debt: -1,170,000.00
Cash from Financing Activities: -670,000.00

Profitability Margins

Debt to Equity: 1.97%
Return on Assets: 5.68%
Return on Capital: 11.01%
Return on Equity: 11.22%

SN VALUATION

LBO Analysis

| | | | | | | | |
|---|---------|------------------------------------|--------|-----------------------------|-------|--------------------------|--------|
| WACC Terminal Value: | N/A | Intrinsic Price in 5 Years: | 15.02 | Non-LBO Forecast | | Non-LBO Forecast | |
| EV/EBITDA with 3X Multiple Terminal Value: | \$11.55 | Market Price: | 10.87 | Year 1 Target | 11.60 | Desired Return Rate | 20.00% |
| Net Tangible Asset Terminal Value: | \$15.45 | LBO Price: | 10.87 | Year 2 Target | 12.37 | Implied Today's Price | 6.03 |
| EV/EBITDA with Today's Multiple Terminal Value: | \$14.70 | Premium to Market Price: | 0.00% | Year 3 Target | 13.20 | Overvalued/(Undervalued) | 80.13% |
| EVA Enterprise Value: | \$18.35 | LBO Price/Intrinsic Price Target: | 6.67% | Year 4 Target | 14.08 | | |
| Dividend Discount Model: | N/A | LBO Price/EV/EBIT Exit Price: | 5.72% | Year 5 Target | 15.02 | | |
| Average (Excluding Dividend Discount): | \$15.02 | Implied IRR at today's EV/EBITA: | 6.22% | Implied IRR (Market Price): | 6.67% | | |
| | | 5 Year Return: | 38.14% | | | | |

| Current Evaluation | | | | Exit Evaluation | | | |
|-------------------------------|--------------------|-------------------------------|--------------------|-------------------------------|--------------------|-------------------------------|--------------------|
| Current Market Price: | 10.87 | LBO Price: | 10.87 | Exit Price: | 15.02 | Exit Price: | 14.70 |
| Outstanding Shares: | 36,930,000 | Outstanding Shares: | 36,930,000 | Outstanding Shares: | 36,930,000 | Outstanding Shares: | 36,930,000 |
| Market Capitalization: | 401,429,100 | Market Capitalization: | 401,429,100 | Market Capitalization: | 554,520,939 | Market Capitalization: | 542,809,535 |
| Available Cash: | 145,780,000 | Available Cash: | 145,780,000 | Available Cash: | 255,369,957 | Available Cash: | 255,369,957 |
| Debt: | 9,530,000 | Debt: | 9,530,000 | Debt: | 2,800,000 | Debt: | 2,800,000 |
| Net Cash: | 136,250,000 | Net Cash: | 136,250,000 | Net Cash: | 252,569,957 | Net Cash: | 252,569,957 |
| Enterprise Value: | 265,179,100 | Enterprise Value: | 265,179,100 | Enterprise Value: | 301,950,982 | Enterprise Value: | 290,239,578 |
| Original EV/EBITDA: | 3.29 | EV/EBITDA: | 3.29 | EV/EBITDA at 5 Years: | 7.73 | EV/EBITDA at 5 Years: | 5.00 |
| Original EV/EBITDA: | 2.71 | EV/EBITDA: | 3.29 | EV/EBITDA at 5 Years: | 6.81 | EV/EBITDA at 5 Years: | 5.06 |
| 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: | 10.87 | 9.31 | 9.93 | 10.60 | 11.31 | 12.06 | 12.86 |
| Shares Outstanding: | 36,930,000 | 36,930,000 | 36,930,000 | 36,930,000 | 36,930,000 | 36,930,000 | 36,930,000 |
| Market Capitalization: | 401,429,100 | 343,934,662 | 366,891,598 | 391,380,863 | 417,504,735 | 445,372,323 | 475,100,016 |
| Available Cash: | 145,780,000 | 145,780,000 | 161,225,289 | 183,939,513 | 207,198,061 | 231,006,376 | 255,369,957 |
| Debt: | 9,530,000 | 9,530,000 | 2,800,000 | 2,800,000 | 2,800,000 | 2,800,000 | 2,800,000 |
| Net Cash: | 136,250,000 | 136,250,000 | 158,425,289 | 181,139,513 | 204,398,061 | 228,206,376 | 252,569,957 |
| Enterprise Value: | 265,179,100 | 207,684,662 | 208,466,309 | 210,241,350 | 213,106,675 | 217,165,947 | 222,530,059 |
| EBIT | 63,070,000 | 63,070,000 | 36,782,906 | 37,340,735 | 37,904,142 | 38,473,184 | 39,047,916 |
| EV/EBIT: | 4.20 | 3.29 | 5.67 | 5.63 | 5.62 | 5.64 | 5.70 |
| EBITDA | 80,530,000 | 80,530,000 | 54,417,506 | 55,151,681 | 55,893,198 | 56,642,130 | 57,398,551 |
| EV/EBITDA: | 3.29 | 3.29 | 3.83 | 3.81 | 3.81 | 3.83 | 3.88 |

| Enterprise Valuation Calculation During Holding Period | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Time Period | 0 | Adjusted for LBO | 1 | 2 | 3 | 4 | 5 |
| Annualized Price Targets based off LBO Price: | 10.87 | 9.31 | 7.57 | 8.23 | 8.91 | 9.61 | 10.32 |
| Shares Outstanding: | 36,930,000 | 36,930,000 | 36,930,000 | 36,930,000 | 36,930,000 | 36,930,000 | 36,930,000 |
| Market Capitalization: | 401,429,100 | 343,934,662 | 279,548,571 | 304,099,683 | 329,213,488 | 354,895,613 | 381,151,742 |
| Available Cash: | 145,780,000 | 145,780,000 | 161,225,289 | 183,939,513 | 207,198,061 | 231,006,376 | 255,369,957 |
| Debt: | 9,530,000 | 9,530,000 | 2,800,000 | 2,800,000 | 2,800,000 | 2,800,000 | 2,800,000 |
| Net Cash: | 136,250,000 | 136,250,000 | 158,425,289 | 181,139,513 | 204,398,061 | 228,206,376 | 252,569,957 |
| Enterprise Value: | 265,179,100 | 207,684,662 | 121,123,282 | 122,960,170 | 124,815,427 | 126,689,237 | 128,581,785 |
| EBIT | 63,070,000 | 63,070,000 | 36,782,906 | 37,340,735 | 37,904,142 | 38,473,184 | 39,047,916 |
| EV/EBIT: | 4.20 | 3.29 | 3.29 | 3.29 | 3.29 | 3.29 | 3.29 |
| EBITDA | 80,530,000 | 80,530,000 | 54,417,506 | 55,151,681 | 55,893,198 | 56,642,130 | 57,398,551 |
| EV/EBITDA: | 3.29 | 3.29 | 2.23 | 2.23 | 2.23 | 2.24 | 2.24 |

| | | | | | | |
|------------------------------|--------------------|-----------------------------|--------------------|-----------|---------|---|
| LBO Price | 10.87 | Equity Partners: | 411,109,100 | Weighting | 100.00% | Annualized Return for Equity Partners: 5.72% |
| Shares Outstanding | 36,930,000 | Debt Partners: | 0 | | 0.00% | |
| Market Capitalization | 401,429,100 | Total Funds for LBO: | 411,109,100 | | 100.00% | |
| Debt | 9,680,000 | | | | | |
| Cash | 145,780,000 | | | | | |
| Enterprise Value | 265,329,100 | | | | | |
| Capital Investment | 411,109,100 | | | | | |

| | | | | | | | |
|--------------------------|--------------|----------------------------|--------------|--------------------------|--------------|---------------------------|--------------|
| Book Value | | Enterprise Value | | Stock Valuation | | Debt Reduction | |
| Beginning Book Value | 484.81 | Beginning Enterprise Value | 265.18 | Current Market Price | \$10.87 | Starting Debt | 6.74 |
| Year 5 Book Value | 611.18 | Year 5 Enterprise Value | 290.24 | Year 5 Market Price | \$14.70 | Debt Repayment | 0.00 |
| Annualized Return | 4.74% | Annualized Return | 1.82% | Annualized Return | 6.22% | Year 5 Ending Debt | 0.01 |
| | | | | | | % of Starting Debt | 0.15% |

SN VALUATION

LBO Pro Forma Income Statement

Name:

Systemax

Ticker:

SYX

| | Historical | | | | Forecasted | | | | |
|--|-----------------------------|-----------------------------|----------------------------|----------------------------|------------|----------|----------|----------|----------|
| | 12 months ending 2008-12-31 | 12 months ending 2009-12-31 | 52 weeks ending 2010-12-31 | 52 weeks ending 2011-12-31 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Revenue | 3,032.96 | 3,165.99 | 3,589.99 | 3,682.04 | 3,718.86 | 3,758.05 | 3,793.61 | 3,831.55 | 3,869.86 |
| COGS | 2,574.40 | 2,712.62 | 3,100.39 | 3,151.36 | 3,198.22 | 3,230.20 | 3,262.50 | 3,295.13 | 3,328.08 |
| Gross margin | 458.56 | 453.37 | 489.60 | 530.68 | 520.64 | 525.85 | 531.11 | 536.42 | 541.78 |
| SG&A | 374.95 | 372.00 | 416.57 | 455.75 | 464.86 | 469.51 | 474.20 | 478.94 | 483.73 |
| R&D | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Unusual expense | 0.00 | 7.75 | 4.29 | -5.60 | 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 | 10.39 | 12.35 | 14.48 | 17.46 | 19.00 | 19.00 | 19.00 | 19.00 | 19.00 |
| Operating Income (EBITA) | 73.22 | 61.27 | 54.26 | 63.07 | 36.78 | 37.34 | 37.90 | 38.47 | 39.05 |
| Interest income/(expense) | 0.13 | -0.55 | -2.72 | -1.85 | 0.97 | 0.97 | 0.97 | 0.97 | 0.97 |
| 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 | 83.74 | 73.08 | 66.03 | 78.68 | 37.75 | 38.31 | 38.88 | 39.45 | 40.02 |
| Tax | 30.90 | 28.59 | 23.48 | 24.27 | 13.21 | 13.41 | 13.61 | 13.81 | 14.01 |
| Income after tax | 52.84 | 46.19 | 42.55 | 54.41 | 24.54 | 24.90 | 25.27 | 25.64 | 26.01 |
| 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 | 52.84 | 46.19 | 42.55 | 54.41 | 24.54 | 24.90 | 25.27 | 25.64 | 26.01 |
| *Figures are in millions (\$) | | | | | | | | | |
| EPS (based off today's share count) | \$1.43 | \$1.25 | \$1.15 | \$1.47 | \$0.66 | \$0.67 | \$0.68 | \$0.69 | \$0.70 |
| P/E (historical today's price; forecasted intrinsic price) | 7.60 | 8.69 | 9.43 | 7.38 | 17.45 | 18.34 | 19.28 | 20.27 | 21.32 |
| Revenue Growth | N/A | 4.39% | 13.39% | 2.56% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Tax Rate | 36.90% | 36.80% | 35.58% | 30.85% | 35.00% | 35.00% | 35.00% | 35.00% | 35.00% |
| Implied Debt Interest Rate | 5.96% | -3.36% | -27.09% | -19.11% | 14.42% | 9720.00% | 9720.00% | 9720.00% | 9720.00% |
| Margins | | | | | | | | | |
| COGS | 84.88% | 85.68% | 86.36% | 85.59% | 86.00% | 86.00% | 86.00% | 86.00% | 86.00% |
| Gross margin | 15.12% | 14.32% | 13.64% | 14.41% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |
| SG&A | 12.36% | 11.75% | 11.60% | 12.38% | 12.50% | 12.50% | 12.50% | 12.50% | 12.50% |
| R&D | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Unusual expense | 0.00% | 0.24% | 0.12% | -0.15% | 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 | 0.34% | 0.39% | 0.40% | 0.47% | 0.51% | 0.51% | 0.50% | 0.50% | 0.49% |
| Operating Income (EBITA) | 2.41% | 1.94% | 1.51% | 1.71% | 0.99% | 0.99% | 1.00% | 1.00% | 1.01% |
| Interest income/(expense) | 0.00% | -0.02% | -0.08% | -0.05% | 0.03% | 0.03% | 0.03% | 0.03% | 0.03% |
| 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 | 2.76% | 2.31% | 1.84% | 2.14% | 1.02% | 1.02% | 1.02% | 1.03% | 1.03% |
| Tax | 1.02% | 0.85% | 0.65% | 0.66% | 0.36% | 0.36% | 0.36% | 0.36% | 0.36% |
| Income after tax | 1.74% | 1.46% | 1.19% | 1.48% | 0.66% | 0.67% | 0.68% | 0.69% | 0.70% |
| 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 | 1.74% | 1.46% | 1.19% | 1.48% | 0.66% | 0.67% | 0.67% | 0.67% | 0.67% |

SN VALUATION

LBO Adjusted Proforma Balance Sheet

| | | | | | | Adjustment | | Adjusted Proforma | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|------------------|------------------|------------------|------------------|------------------|-------------|-------------|-------------------|---------------|-----------------|-----------------|-----------------|-----------------|
| | As of 2008-12-31 | As of 2009-12-31 | As of 2010-12-31 | As of 2011-12-31 | As of 2012-06-30 | + | - | | | | | | |
| Cash | 115.97 | 58.31 | 92.08 | 97.25 | 145.78 | | | 145.78 | 161.23 | 183.94 | 207.20 | 231.01 | 255.37 |
| 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 |
| Cash and Short term | 115.97 | 58.31 | 92.08 | 97.25 | 145.78 | | | 145.78 | 161.23 | 183.94 | 207.20 | 231.01 | 255.37 |
| Accounts Receivable | 182.84 | 241.86 | 276.34 | 268.98 | 277.53 | | | 277.53 | 277.53 | 277.53 | 277.53 | 277.53 | 277.53 |
| Other receivables | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Receivables | 182.84 | 241.86 | 276.34 | 268.98 | 277.53 | | | 277.53 | 277.53 | 277.53 | 277.53 | 277.53 | 277.53 |
| Total Inventory | 290.59 | 365.73 | 370.38 | 372.24 | 354.65 | | | 354.65 | 354.65 | 354.65 | 354.65 | 354.65 | 354.65 |
| Prepaid Expenses | 12.67 | 20.07 | 19.31 | 18.20 | 43.64 | | | 43.64 | 43.64 | 43.64 | 43.64 | 43.64 | 43.64 |
| Other Current Assets | 9.56 | 6.63 | 7.13 | 9.54 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Current Assets | 611.63 | 692.60 | 765.24 | 766.21 | 821.60 | 0.00 | 0.00 | 821.60 | 837.05 | 859.76 | 883.02 | 906.83 | 931.19 |
| PP&E, Gross | 133.53 | 171.55 | 181.81 | 180.00 | 180.00 | | | 180.00 | 200.00 | 220.00 | 240.00 | 260.00 | 280.00 |
| Change in Depreciation | | 12.35 | 14.48 | 17.46 | 17.46 | | | 17.46 | 17.63 | 17.81 | 17.99 | 18.17 | 18.35 |
| Accumulated Depreciation | 85.07 | 105.95 | 108.05 | 110.00 | 110.00 | | | 110.00 | 127.63 | 145.45 | 163.43 | 181.60 | 199.95 |
| PP&E, Net | 48.46 | 65.60 | 73.76 | 70.00 | 70.00 | | | 70.00 | 72.37 | 74.55 | 76.57 | 78.40 | 80.05 |
| Goodwill | 29.37 | 48.13 | 3.28 | 3.28 | 65.98 | 0.00 | | 65.98 | 65.98 | 65.98 | 65.98 | 65.98 | 65.98 |
| Intangibles | 0.00 | 0.00 | 46.19 | 44.56 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 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 | 12.99 | 10.59 | 5.62 | 4.91 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Long Term Assets | 90.82 | 124.32 | 128.85 | 122.75 | 135.98 | | | 135.98 | 138.35 | 140.53 | 142.55 | 144.38 | 146.03 |
| Total Assets | 702.45 | 816.92 | 894.09 | 888.96 | 957.58 | 0.00 | 0.00 | 957.58 | 975.39 | 1,000.29 | 1,025.56 | 1,051.20 | 1,077.22 |
| Accounts Payable | 285.41 | 348.03 | 377.03 | 336.55 | 336.55 | | | 336.55 | 336.55 | 336.55 | 336.55 | 336.55 | 336.55 |
| Accrued Expense | 66.67 | 78.84 | 84.68 | 72.41 | 72.41 | | | 72.41 | 72.41 | 72.41 | 72.41 | 72.41 | 72.41 |
| Other current Liabilities | 5.68 | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Current Liabilities | 357.76 | 426.87 | 461.71 | 408.96 | 408.96 | 0.00 | 0.00 | 408.96 | 408.96 | 408.96 | 408.96 | 408.96 | 408.96 |
| Notes Payables/Short Term Debt | 0.00 | 14.17 | 0.00 | 0.00 | 2.79 | | | 2.79 | 2.79 | 2.79 | 2.79 | 2.79 | 2.79 |
| Current port. Of LT Debt/Capital Leases | 0.77 | 1.03 | 2.65 | 2.55 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Long term Debt | 1.41 | 1.19 | 7.39 | 7.13 | 6.74 | 0.00 | 0.00 | 6.74 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| 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 |
| Total Interest Earning Debt | 2.18 | 16.39 | 10.04 | 9.68 | 9.53 | 0.00 | 0.00 | 9.53 | 2.80 | 2.80 | 2.80 | 2.80 | 2.80 |
| Deferred Income tax | 0.00 | 0.00 | 0.00 | 2.29 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 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 | 8.55 | 8.96 | 13.08 | 14.44 | 32.86 | | | 32.86 | 32.86 | 32.86 | 32.86 | 32.86 | 32.86 |
| Total Liabilities | 368.49 | 452.22 | 484.83 | 435.37 | 451.35 | 0.00 | 0.00 | 451.35 | 444.62 | 444.62 | 444.62 | 444.62 | 444.62 |
| 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 | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 | | 0.00 | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 |
| Additional Paid-in capital | 179.24 | 180.51 | 181.52 | 180.54 | 180.54 | 0.00 | 0.00 | 180.54 | 180.54 | 180.54 | 180.54 | 180.54 | 180.54 |
| 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 | 192.40 | 210.97 | 253.53 | 307.93 | 307.93 | | 0.00 | 307.93 | 332.47 | 357.37 | 382.64 | 408.28 | 434.30 |
| Treasury Stock | -31.16 | -28.55 | -24.95 | -30.52 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Equity | -6.92 | 1.36 | -1.22 | -4.05 | -4.05 | | 0.00 | -4.05 | -4.05 | -4.05 | -4.05 | -4.05 | -4.05 |
| Total Equity | 333.95 | 364.68 | 409.27 | 454.29 | 484.81 | 0.00 | 0.00 | 484.81 | 509.35 | 534.25 | 559.52 | 585.16 | 611.18 |
| Liability + Equity | 702.44 | 816.90 | 894.10 | 889.66 | 936.16 | 0.00 | 0.00 | 936.16 | 953.97 | 978.87 | 1,004.14 | 1,029.78 | 1,055.80 |
| Variance | 0.01 | 0.02 | -0.01 | -0.70 | 21.42 | | | 21.42 | 21.42 | 21.42 | 21.42 | 21.42 | 21.42 |
| Debt/Equity | 0.01 | 0.04 | 0.02 | 0.02 | 0.02 | | | 0.02 | 0.01 | 0.01 | 0.01 | 0.00 | 0.00 |
| Inventory Turnover | 10.44 | 8.66 | 9.69 | 9.89 | 10.49 | | | 10.38 | 10.49 | 10.59 | 10.70 | 10.80 | 10.91 |
| Inventory Turnover Days | 34.97 | 42.16 | 37.66 | 36.90 | 34.81 | | | 35.16 | 34.81 | 34.46 | 34.12 | 33.78 | 33.45 |
| Days Inventory Outstanding | 41.20 | 49.21 | 43.60 | 43.11 | 40.47 | | | 41.08 | 40.47 | 40.07 | 39.68 | 39.28 | 38.90 |
| Accounts Receivable Turnover | 16.59 | 13.09 | 12.99 | 13.69 | 13.40 | | | 13.27 | 13.40 | 13.53 | 13.67 | 13.81 | 13.94 |
| Accounts Receivable Turnover Days | 22.00 | 27.88 | 28.10 | 26.66 | 27.24 | | | 27.51 | 27.24 | 26.97 | 26.70 | 26.44 | 26.18 |
| Days Payable Outstanding | 40.47 | 46.83 | 44.39 | 38.98 | 38.41 | | | 38.98 | 38.41 | 38.03 | 37.65 | 37.28 | 36.91 |
| Days Sales Outstanding | 22.00 | 27.88 | 28.10 | 26.66 | 27.24 | | | 26.66 | 27.51 | 27.24 | 26.97 | 26.70 | 26.44 |
| Cash Conversion Cycle | 22.74 | 30.27 | 27.31 | 30.80 | 29.30 | | | 28.76 | 29.58 | 29.28 | 28.99 | 28.71 | 28.42 |
| Net tangible assets/share | | | | | 11.92 | | | | 12.59 | 13.26 | 13.94 | 14.64 | 15.34 |

SN VALUATION

LBO Adjusted Proforma Cash Flow

| | 12 months ending 2008-12-31 | 12 months ending 2009-12-31 | 52 weeks ending 2010-12-31 | 52 weeks ending 2011-12-31 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-----------------------------|-----------------------------|----------------------------|----------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Income | 52.84 | 46.19 | 42.55 | 54.41 | 24.54 | 24.90 | 25.27 | 25.64 | 26.01 |
| Depreciation | 10.39 | 12.35 | 14.48 | 17.46 | 17.63 | 17.81 | 17.99 | 18.17 | 18.35 |
| Net Income + Depreciation | 63.23 | 58.54 | 57.03 | 71.87 | 42.18 | 42.71 | 43.26 | 43.81 | 44.36 |
| Amortization | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Deferred Taxes | 6.20 | 5.70 | 4.57 | 1.02 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non Cash Items | 5.00 | 7.14 | 4.78 | -2.90 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Change in Working capital | 7.99 | -66.62 | -1.50 | -51.78 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Receivable | 0.00 | -59.02 | -34.48 | 7.36 | 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 | -75.14 | -4.65 | -1.86 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Prepaid Expenses | 0.00 | -7.40 | 0.76 | 1.11 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Payable | 0.00 | 62.62 | 29.00 | -40.48 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash from Operating Activities | 82.42 | 4.76 | 64.88 | 18.21 | 42.18 | 42.71 | 43.26 | 43.81 | 44.36 |
| Capital Expenditures Expenditures | -14.94 | -33.35 | -24.75 | -12.29 | -20.00 | -20.00 | -20.00 | -20.00 | -20.00 |
| Long term investment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Investing Activities | -30.58 | 1.05 | 0.02 | 0.02 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash from Investing Activities | -45.52 | -32.30 | -24.73 | -12.27 | -20.00 | -20.00 | -20.00 | -20.00 | -20.00 |
| Financing Cash flow items | 1.38 | 0.58 | 1.07 | 0.21 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Cash Dividends Paid | -37.13 | -27.61 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Issuance (Retirement) of Stock | -4.69 | -0.09 | 1.02 | 0.28 | 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 | -4.55 | -4.34 | -6.75 | -1.17 | -6.73 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash from Financing Activities | -44.99 | -31.46 | -4.66 | -0.68 | -6.73 | 0.00 | 0.00 | 0.00 | 0.00 |
| Foreign Exchange effect | -3.96 | 1.34 | -1.73 | -0.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Beginning Cash Balance | 12.05 | 0.00 | 0.00 | 0.00 | 145.78 | 161.23 | 183.94 | 207.20 | 231.01 |
| Net Change in Cash | -12.05 | -57.66 | 33.77 | 5.18 | 15.45 | 22.71 | 23.26 | 23.81 | 24.36 |
| Ending Cash Balance | 0.00 | 0.00 | 33.77 | 5.18 | 161.23 | 183.94 | 207.20 | 231.01 | 255.37 |
| Capex to Revenue | 0.49% | 1.05% | 0.69% | 0.33% | 0.54% | 0.53% | 0.53% | 0.52% | 0.52% |
| Depreciation to Sales | 0.34% | 0.39% | 0.40% | 0.47% | 0.47% | 0.47% | 0.47% | 0.47% | 0.47% |
| Amortization to Sales | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| A/R to Sales | 6.03% | 7.64% | 7.70% | 7.31% | 7.23% | 7.16% | 7.09% | 7.02% | 6.95% |
| Distributable FCF Yield | 13.92% | -10.39% | 15.14% | 2.24% | 8.36% | 8.57% | 8.77% | 8.98% | 9.19% |
| Dividend Yield | -9.25% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| FCF (Ops-Investing-Dividends) | 74.03 | 0.07 | 40.15 | 5.94 | 22.18 | 22.71 | 23.26 | 23.81 | 24.36 |

SN VALUATION

LBO Debt Schedule

| | Proforma | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|-------------|-----------------|------------------|------------------|------------------|------------------|
| Net Change in Cash | 5.18 | 15.45 | 22.71 | 23.26 | 23.81 | 24.36 |
| Current Portion Debt Repayment | | | | | | |
| Long Term Debt Repayment | | 6.73 | | | | |
| Outstanding Debt | 6.74 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| Current Portion Debt Balance | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Long Term Debt Balance | 6.74 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| Forward Libor Curve | | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Spread | | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| Interest Rate | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Interest Expense | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash Balance | | 97.25 | | | | |
| Interest @ 1.0% | | 0.97 | 0.97 | 0.97 | 0.97 | 0.97 |
| Net Interest Expense/(Income) | | (0.97) | (0.97) | (0.97) | (0.97) | (0.97) |
| Net Interest Rate | | -14.42% | -9720.00% | -9720.00% | -9720.00% | -9720.00% |
| EBITDA | | 36.78 | 37.34 | 37.90 | 38.47 | 39.05 |
| EBITDA/Interest Expense Coverage | | 73565.81 | 74681.47 | 75808.28 | 76946.37 | 78095.83 |

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:

Systemax

Ticker:

SYX

| Period | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Working Capital | 253.87 | 265.73 | 303.53 | 412.64 | 428.09 | 450.80 | 474.06 | 497.87 | 522.23 |
| Total Assets | 702.45 | 816.92 | 894.09 | 957.58 | 975.39 | 1,000.29 | 1,025.56 | 1,051.20 | 1,077.22 |
| X1 | 0.36 | 0.33 | 0.34 | 0.43 | 0.44 | 0.45 | 0.46 | 0.47 | 0.48 |
| Retained Earnings | 192.40 | 210.97 | 253.53 | 307.93 | 332.47 | 357.37 | 382.64 | 408.28 | 434.30 |
| Total Assets | 702.45 | 816.92 | 894.09 | 957.58 | 975.39 | 1,000.29 | 1,025.56 | 1,051.20 | 1,077.22 |
| X2 | 0.27 | 0.26 | 0.28 | 0.32 | 0.34 | 0.36 | 0.37 | 0.39 | 0.40 |
| EBITDA | 83.61 | 73.62 | 68.74 | 80.53 | 55.78 | 56.34 | 56.90 | 57.47 | 58.05 |
| Total Assets | 702.45 | 816.92 | 894.09 | 957.58 | 975.39 | 1,000.29 | 1,025.56 | 1,051.20 | 1,077.22 |
| X3 | 0.12 | 0.09 | 0.08 | 0.08 | 0.06 | 0.06 | 0.06 | 0.05 | 0.05 |
| Market Value of Equity | 401.43 | 401.43 | 401.43 | 401.43 | 428.22 | 456.81 | 487.30 | 519.82 | 554.52 |
| Total Liabilities | 368.49 | 452.22 | 484.83 | 451.35 | 444.62 | 444.62 | 444.62 | 444.62 | 444.62 |
| X4 | 1.09 | 0.89 | 0.83 | 0.89 | 0.96 | 1.03 | 1.10 | 1.17 | 1.25 |
| Net Sales | 3,032.96 | 3,165.99 | 3,589.99 | 3,682.04 | 3,718.86 | 3,756.05 | 3,793.61 | 3,831.55 | 3,869.86 |
| Total Assets | 702.45 | 816.92 | 894.09 | 957.58 | 975.39 | 1,000.29 | 1,025.56 | 1,051.20 | 1,077.22 |
| X5 | 4.32 | 3.88 | 4.02 | 3.85 | 3.81 | 3.75 | 3.70 | 3.64 | 3.59 |
| Altman Z Score | 6.18 | 5.46 | 5.57 | 5.62 | 5.58 | 5.60 | 5.62 | 5.64 | 5.66 |

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

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