

Tillys (TLYS)

Price:	\$10.58	Net Tang. Bk Value Incl. Cash, Excl.	\$141,030,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$223,367,775.00
Shares Outstanding:	28,100,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$35,837,555.00
Market Cap:	\$297,298,000	NTBVIC/Market Downside Recovery:	47.44%	Year 5 Disposition FCF Multiple:	3.0
Cash:	\$60,350,000	Op. Cash Flow:	\$35,837,555	Year 5 Disposition Price:	\$330,880,440.00
Debt:	\$3,260,000	Implied Years to Fill Gap:	4.36		
Net Cash:	\$57,090,000	Today's Equity if 5x Op. CF:	\$248,542,665		
Enterprise Value:	\$240,208,000			Net Tang. Book+ Gain Disposition:	\$330,880,440.00
				IRR:	2.16%
				Price:	\$11.78
				Target Market Cap:	\$330,880,440
				Target Enterprise Value:	\$273,790,440

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

The teen mall retail store space is ripe for the picking. The hurricane is passing through, all the ripe fruits have been flung to the floor, and those who are able to spot the bruised, yet edible fruits will be able to scoop up a bunch of discounted stocks. However, if we are in the eye of the storm, we could see continued dips in the near future. Nonetheless, retail stores will not go away in obsolescence, they will rebound in the next few years, and the stocks will pop to 1) capture the book value, 2) the premium offered in the market to healthy companies, otherwise known as multiple expansion.

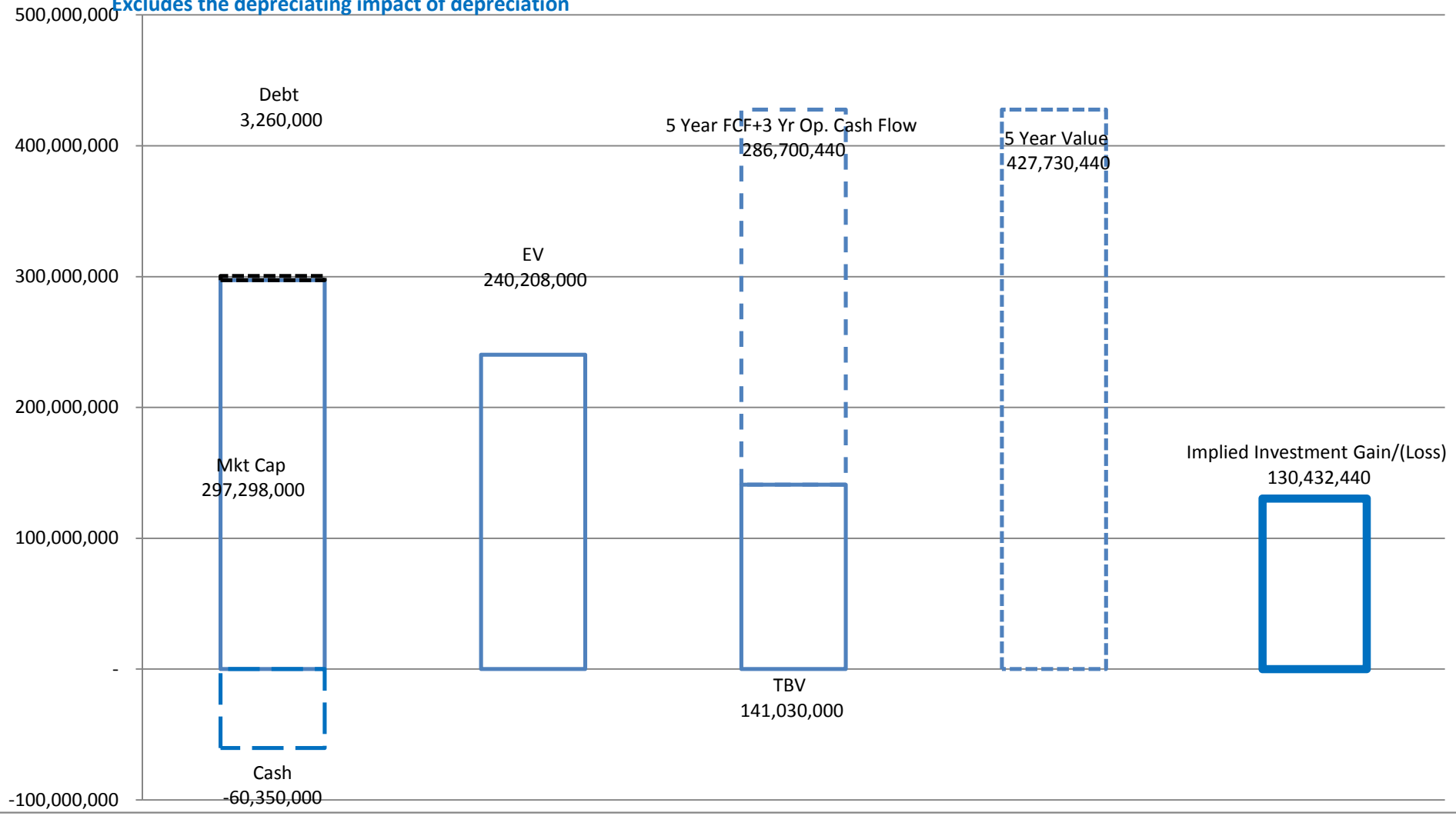
Tilly's is a very niche retail store, selling skater wear to the teens and college students. The stores are mainly located in California, with room for expansion. I recently read an article talking about the failure of many retail outlets, with store closures running rampant in the US. This is the tale of the times, when company expansion sought to make up for lost revenue from low SSS. We know side stepping never fixes fundamental issues. Management in corporate america sought to hide their blemish in lower growth by expanding into new, yet unprofitable locations, many times in saturated markets. Now, 5 years after the financial crisis, the supports are giving out and expansion by itself can no longer be supported.

TLYS' stock was dumped, as well as most all stocks in the teen retail space. I am sure any junior analyst can see the solid balance sheet fundamentals, so buying the shares right now, is not a question of whether the Co. is solid or not. It is a given that the Co. is solid. Zero debt, \$60MM in cash+short term market securities, \$30MM operating cash flow. It's solid for sure.

I believe investors are trying to time their entry, because it may well turn out to be a value trap, should they pick up the stock now, and should the market turn bearish, which many indicators are pointing to, then the poor investor is stuck with an investment which may only be realized years down the line. It's "not a matter of if, but when" situation.

We say buy now, and continue buying in a dip because the stock is below intrinsic value.

Excludes the depreciating impact of depreciation



Tillys Inc, a Delaware corporation was formed in May 2011. The Company is a growing destination specialty retailer of action sports inspired apparel, footwear and accessories. Its stores are designed to be a seamless extension of its teen and young adult consumers' lifestyles with a balance of guys' and juniors' merchandise in a stimulating environment. The Company's third-party branded merchandise features established and emerging brands such as Adidas, Billabong, Levi's, Nixon, Roxy, UGG, Young & Reckless, Quiksilver, Famous Stars & Straps, among others. As of February 1, 2014, the Company operated 195 stores throughout the United States. Its stores are located in mall and off-mall, including outlet, locations and in fiscal year 2013 averaged 7,760 square feet. The Company's website serves both as a sales channel and a marketing tool to its extended customer base, including those customers in markets where the company does not currently have stores. Its digital platform provides an expanded product offering relative to its stores and includes expanded product assortment and web exclusive merchandise. Its current e-commerce fulfillment is operated out of its distribution center in Irvine, California. Its management information systems provide a variety of business process support and information to its store, merchandising, financial, real estate and other business teams. The Company centrally distributes all of its merchandise through a 126,000 square foot distribution facility co-located with its headquarters in Irvine, California. Ambitious, Blue Crown, Division 7, Eldon, Full Tilt, Full Tilt Sport, If it's not here...it's not happening, Infamous, RSQ, Tilly's, Vindicated, and logos related to some of these names, are among its trademarks registered with the U.S. Patent and Trademark Office. The Company competes with Abercrombie & Fitch Co., Aeropostale, Inc., American Eagle Outfitters, Inc., The Buckle, Inc., Forever 21, Inc., Hot Topic, Inc., Pacific Sunwear of California, Inc., Urban Outfitters, Inc., The Wet Seal, Inc. Zumiez, Inc, among others. It is subject to labor and employment laws, laws governing advertising and promotions, privacy laws, safety regulations, consumer protection regulations and other laws that regulate retailers and govern the promotion and sale of merchandise and the operation of stores and warehouse facilities.

Company Name:		Tillys					Income Statement	
Ticker Symbol:		TLYS	Market Capitalization:	\$297,298,000.00	Revenue:	\$495,840,000.00	100.0%	
Last Price:		\$10.58	Total Debt:	\$3,260,000.00	Cost of Goods Sold:	\$343,540,000.00	69.3%	
Net Cash/Share:		\$2.03	RCH Total Cash:	\$60,350,000.00	Gross Profit:	\$152,300,000.00	30.7%	
Net Cash to Last Price:		19.20%	Net Cash/(Debt):	\$57,090,000.00	EBITDA:	\$50,940,000.00	10.3%	
Shares Outstanding:		28,100,000	Enterprise Value:	\$240,208,000.00	Net Income:	\$18,140,000.00	3.7%	
Industry:		Apparel Stores	RCH Current EV/Share:	\$8.55				
Sector:		Consumer Cyclical	EBITDA:	\$49,110,000.00	Balance Sheet			
			EV/EBITDA Multiple:	4.89	Cash:	\$25,410,000.00		
Institutional Ownership:		38.17%	EV/EBITDA Multiple Average Year 1-5:	5.44	Short Term Investment:	\$34,940,000.00		
Mutual Fund Ownership:		9.13%	EV/FCF Multiple (excluding acquisition):	220.37	A/R:	\$5,000,000.00		
Insider Ownership:		#VALUE!		15.17	PP&E:	\$103,000,000.00		
Float:		76.00%			Assets:	\$230,920,000.00		
				Upper Range				
				DCF: EV/EBITDA Terminal Value				
Technicals			Implied TV from 3 X EV/EBITDA Multiple	\$74,376,000.00	A/P:	\$20,000,000.00		
52 week low:		\$10.06			Deferred Tax:	\$0.00		
Today from 52 week low:		5.17%	Enterprise Value	\$74,376,000.00	Other Liabilities:	\$68,220,000.00		
52 week high:		\$17.35	Cash at Year 5:	\$139,537,775.00	Short term Debt:	\$760,000.00		
Today from 52 week high:		63.99%	Debt at Year 5:	\$3,260,000.00	Long Term Debt:	\$2,500,000.00		
Analyst/Consensus			Equity Value Year 5:	\$210,653,775.00	Liabilities:	\$91,480,000.00		
Analyst Sales Growth FY1:		7.00%	Equity/Share at Year 5:	\$7.50	Retained Earnings:	\$18,000,000.00		
Analyst Sales Growth FY2:		8.60%	Annualized Return:	-6.66%	Paid-In Capital:	\$123,030,000.00		
SN Valuation Estimate FY1:		0.00%	Lower Range		Treasury Stock:	\$0.00		
SN Valuation Estimate FY2:		0.00%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Stockholder's Equity:	\$141,030,000.00		
Analyst Earnings Estimate FY1:		\$0.66	Year 5 Net Tangible Assets excluding cash and debt	\$80,500,000.00	Cash Flow			
Analyst Earnings Estimate FY2:		\$0.83			Net Income:	18,140,000.00		
SN Valuation Earnings Est. FY1:		\$0.59	Enterprise Value	\$80,500,000.00	Depreciation/Amortization:	19,370,000.00		
SN Valuation Earnings Est. FY2:		\$0.59	Cash at Year 5:	\$139,537,775.00	Change in Working capital:	1,230,000.00		
			Debt at Year 5:	\$3,260,000.00	Cash from Operating Activities:	43,790,000.00		
			Equity Value Year 5:	\$216,777,775.00	Capital Expenditures:	-42,700,000.00		
Multiples			Equity/Share at Year 5:	\$7.71	Cash from Investing Activities:	-37,530,000.00		
Market Value to Book:		2.11	Annualized Return:	-6.12%	Total Cash Dividends Paid:	0.00		
EV to Book:		1.70	EVA		Issuance (Retirement) of Stock:	3,180,000.00		
Market Value to Tangible Net Assets:		3.85	EVA today:	\$143,410,624.33	Issuance (Retirement) of Debt:	-710,000.00		
P/E Ratio:		16.39	EVA in 5 Years:	\$147,029,282.03	Cash from Financing Activities:	1,830,000.00		
Trailing P/E Ratio:		16.28	EVA/Share:	\$5.23				
Forward P/E Ratio:		12.75	Cash at Year 5:	\$139,537,775.00				
Beta:		NA	Debt at Year 5:	\$3,260,000.00				
Dividend:		0.00	Equity Value Year 5:	\$283,307,057.03				
Dividend Yield:		0.00%	Equity/Share at Year 5:	\$10.08	Profitability Margins			
Dividend Date:		N/A	Annualized return:	0.50%	Debt to Equity:	2.31%		
Ex-Dividend Date:		N/A			Return on Assets:	7.86%		
					Return on Capital:	12.57%		
					Return on Equity:	12.86%		
Competitors			Current Net Tangible Asset					
Average EV to EBITDA:		N/A	Net Tangible Asset/Share:	\$4.96				
Company EV to EBITDA:		4.89	Net Tangible Asset/Share in Year 5:	\$7.89				
			Annualized return:	9.73%				
Average EV to EBIT:		N/A						
Company EV to EBITA:		8.08						
			Current Equity Price:	\$10.58				
			Selling at Discount?	Premium				
			Appreciation Potential:	-53.10%				
				Copyright SN Valuation All Rights Reserved				
				www.snvaluation.com				

SN VALUATION

LBO Pro Forma Income Statement

Name:

Tillys

Ticker:

TLYS

	Historical				Forecasted				
	52 weeks ending 2011-01-29	52 weeks ending 2012-01-28	53 weeks ending 2013-02-02	52 weeks ending 2014-02-01	2014	2015	2016	2017	2018
Revenue	332.60	400.62	467.29	495.84	495.84	495.84	495.84	495.84	495.84
COGS	229.99	271.48	317.10	347.09	347.09	347.09	347.09	347.09	347.09
Gross margin	102.61	129.14	150.19	148.75	148.75	148.75	148.75	148.75	148.75
SG&A	76.67	93.62	116.81	120.76	123.96	123.96	123.96	123.96	123.96
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.80	0.60	0.00	1.80	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)	24.94	34.92	31.38	29.74	24.79	24.79	24.79	24.79	24.79
Interest income/(expense)	-0.25	-0.19	-0.09	-0.01	0.54	0.54	0.54	0.54	0.54
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	24.70	34.73	31.30	29.73	25.33	25.33	25.33	25.33	25.33
Tax	0.26	0.39	0.41	11.59	8.87	8.87	8.87	8.87	8.87
Income after tax	24.42	34.34	23.89	18.14	16.47	16.47	16.47	16.47	16.47
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	24.42	34.34	23.89	18.14	16.47	16.47	16.47	16.47	16.47
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.87	\$1.22	\$0.85	\$0.65	\$0.59	\$0.59	\$0.59	\$0.59	\$0.59
P/E (historical today's price; forecasted intrinsic price)	12.17	8.66	12.44	16.39	18.44	18.84	19.25	19.67	20.09
Revenue Growth	N/A	20.45%	16.64%	6.11%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	1.13%	1.12%	23.67%	38.98%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-4.74%	-4.09%	-2.27%	-0.31%	NA	NA	NA	NA	NA
Margins									
COGS	69.15%	67.76%	67.86%	69.28%	70.00%	70.00%	70.00%	70.00%	70.00%
Gross margin	30.85%	32.24%	32.14%	30.72%	30.00%	30.00%	30.00%	30.00%	30.00%
SG&A	23.11%	23.37%	25.43%	24.35%	25.00%	25.00%	25.00%	25.00%	25.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.24%	0.15%	0.00%	0.36%	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)	7.50%	8.72%	6.72%	6.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Interest income/(expense)	-0.08%	-0.05%	-0.02%	0.00%	0.11%	0.11%	0.11%	0.11%	0.11%
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	7.43%	8.67%	6.70%	6.00%	5.11%	5.11%	5.11%	5.11%	5.11%
Tax	0.08%	0.10%	1.59%	2.34%	1.79%	1.79%	1.79%	1.79%	1.79%
Income after tax	7.34%	8.57%	5.11%	3.66%	3.32%	3.32%	3.32%	3.32%	3.32%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	7.34%	8.57%	5.11%	3.66%	3.32%	3.32%	3.32%	3.32%	3.32%

	As of 2011-01-29	As of 2012-01-28	As of 2013-02-02	As of 2014-02-01	As of 2014-02-01	Adjustment		Adjusted Proforma	2014	2015	2016	2017	2018
						+	-						
Cash	29.34	25.09	17.31	25.41	25.41			25.41	41.247555	57.09	72.92	88.76	104.60
Short term investment	0.00	0.00	39.87	34.94	34.94			34.94	34.94	34.94	34.94	34.94	34.94
Cash and Short term	29.34	25.09	57.18	60.35	60.35			60.35	76.19	92.03	107.86	123.70	139.54
Accounts Receivable	3.10	5.54	5.46	5.22	5.00			5.00	5.00	5.00	5.00	5.00	5.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	3.10	5.54	5.46	5.22	5.00			5.00	5.00	5.00	5.00	5.00	5.00
Total Inventory	33.50	36.53	46.59	46.27	46.27			46.27	46.27	46.27	46.27	46.27	46.27
Prepaid Expenses	4.14	5.24	6.35	7.63	7.63			7.63	7.63	7.63	7.63	7.63	7.63
Other Current Assets	0.12	0.38	5.03	4.14	4.14			4.14	4.14	4.14	4.14	4.14	4.14
Current Assets	70.20	72.78	120.61	123.61	123.39	0.00	0.00	123.39	139.227555	155.07	170.90	186.74	202.58
PP&E, Gross	120.32	138.77	0.00	207.77	210.00			210.00	230.00	250.00	270.00	290.00	310.00
Change in Depreciation	14.29	15.13	16.68	19.37	19.37			19.37	19.37	19.37	19.37	19.37	19.37
Accumulated Depreciation	62.13	74.69	0.00	106.83	107.00			107.00	126.37	145.74	165.11	184.48	203.85
PP&E, Net	58.19	64.08	0.00	100.94	103.00			103.00	103.63	104.26	104.89	105.52	106.15
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	0.00	0.00	0.00	0.00	0.00			0.00	0.00	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	1.39	2.90	3.36	4.53	4.53			4.53	4.53	4.53	4.53	4.53	4.53
Long Term Assets	59.58	66.98	3.36	105.47	107.53			107.53	108.16	109.42	109.42	110.05	110.68
Total Assets	129.78	139.76	123.97	229.08	230.92	0.00	0.00	230.92	247.39	263.86	280.32	296.79	313.26
Accounts Payable	14.72	16.83	18.26	19.64	20.00			20.00	20.00	20.00	20.00	20.00	20.00
Accrued Expense	15.34	20.47	18.23	14.22	15.00			15.00	15.00	15.00	15.00	15.00	15.00
Other current Liabilities	6.80	8.20	10.01	11.61	11.61			11.61	11.61	11.61	11.61	11.61	11.61
Total Current Liabilities	36.86	45.50	46.50	45.47	46.61	0.00	0.00	46.61	46.61	46.61	46.61	46.61	46.61
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	0.63	0.67	0.71	0.76	0.76			0.76	0.76	0.76	0.76	0.76	0.76
Long term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	4.64	3.97	3.26	2.50	2.50			2.50	2.50	2.50	2.50	2.50	2.50
Total Interest Earning Debt	5.27	4.64	3.97	3.26	3.26	0.00	0.00	3.26	3.26	3.26	3.26	3.26	3.26
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	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	26.75	30.26	37.62	42.76	41.61			41.61	41.61	41.61	41.61	41.61	41.61
Total Liabilities	68.88	80.40	88.09	91.49	91.48	0.00	0.00	91.48	91.48	91.48	91.48	91.48	91.48
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	0.02	0.02	0.03	0.03	0.03		0.00	0.03	0.03	0.03	0.03	0.03	0.03
Additional Paid-in capital	0.15	0.15	117.39	122.89	123.00	0.00	0.00	123.00	123.00	123.00	123.00	123.00	123.00
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	61.92	60.25	-0.14	18.00	18.00			18.00	34.47	50.94	67.40	83.87	100.34
Treasury Stock	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	0.00	0.00	0.02	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	62.09	60.42	117.30	140.93	141.03	0.00	0.00	141.03	157.50	173.97	190.43	206.90	223.37
Liability + Equity	130.97	140.82	205.39	232.42	232.51	0.00	0.00	232.51	248.98	265.45	281.91	298.38	314.85
Variance	-1.19	-1.06	-81.42	-3.34	-1.59			-1.59	-1.59	-1.59	-1.59	-1.59	-1.59
Debt/Equity	0.08	0.08	0.03	0.02	0.02			0.02	0.02	0.02	0.02	0.02	0.01
Inventory Turnover	9.93	10.97	10.03	10.72	10.72			10.72	10.72	10.72	10.72	10.72	10.72
Inventory Turnover Days	36.76	33.28	36.39	34.06	34.06			34.06	34.06	34.06	34.06	34.06	34.06
Days Inventory Outstanding	53.17	49.11	53.63	49.16	48.66			49.16	48.66	48.66	48.66	48.66	48.66
Accounts Receivable Turnover	107.29	72.31	85.58	94.99	99.17			99.17	99.17	99.17	99.17	99.17	99.17
Accounts Receivable Turnover Days	3.40	5.05	4.26	3.84	3.68			3.68	3.68	3.68	3.68	3.68	3.68
Days Payable Outstanding	23.36	22.63	21.02	20.87	21.03			21.25	21.03	21.03	21.03	21.03	21.03
Days Sales Outstanding	3.40	5.05	4.26	3.84	3.68			3.84	3.68	3.68	3.68	3.68	3.68
Cash Conversion Cycle	33.21	31.53	36.87	32.14	31.31			31.75	31.31	31.31	31.31	31.31	31.31
Net tangible assets/share	\$2.21	\$2.15	\$4.17	\$5.02	\$5.02			\$5.60	\$6.19	\$6.78	\$7.36	\$7.95	\$7.95

	52 weeks ending 2011-01-29	52 weeks ending 2012-01-28	53 weeks ending 2013-02-02	52 weeks ending 2014-02-01	2014	2015	2016	2017	2018
Net Income	24.42	34.34	23.89	18.14	16.47	16.47	16.47	16.47	16.47
Depreciation	14.29	15.13	16.68	19.37	19.37	19.37	19.37	19.37	19.37
Net Income + Depreciation	38.71	49.47	40.57	37.51	35.84	35.84	35.84	35.84	35.84
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	0.00	0.00	6.69	0.30	0.00	0.00	0.00	0.00	0.00
Non Cash Items	2.21	0.79	9.61	4.75	0.00	0.00	0.00	0.00	0.00
Change in Working capital	0.79	2.33	-15.14	1.23	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-2.44	0.08	0.24	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	-3.03	-10.06	0.32	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-1.10	-1.11	-1.28	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	2.11	1.43	1.38	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	41.71	52.59	41.73	43.79	35.84	35.84	35.84	35.84	35.84
Capital Expenditures Expenditures	-15.67	-20.22	-33.30	-42.70	-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	0.42	0.03	-39.03	5.17	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-15.25	-20.19	-72.33	-37.53	-20.00	-20.00	-20.00	-20.00	-20.00
Financing Cash flow items	0.00	0.00	-0.28	-0.64	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-22.22	-36.01	-84.29	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.00	0.00	108.05	3.18	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-0.59	-0.63	-0.67	-0.71	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-22.81	-36.64	22.81	1.83	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	25.71	29.34	25.09	17.31	25.41	41.25	57.09	72.92	88.76
Net Change in Cash	3.63	-4.25	-7.78	8.10	15.84	15.84	15.84	15.84	15.84
Ending Cash Balance	29.34	25.09	17.31	25.41	41.25	57.09	72.92	88.76	104.60
Capex to Revenue	4.71%	5.05%	7.13%	8.61%	4.03%	4.03%	4.03%	4.03%	4.03%
Depreciation to Sales	4.30%	3.78%	3.57%	3.91%	3.91%	3.91%	3.91%	3.91%	3.91%
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	0.93%	1.38%	1.17%	1.05%	1.05%	1.05%	1.05%	1.05%	1.05%
Distributable FCF/EV Yield	11.02%	13.49%	-12.74%	2.61%	6.59%	6.59%	6.59%	6.59%	6.59%
Dividend Yield	-7.47%	-12.11%	-28.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	48.26	68.38	92.72	1.09	15.84	15.84	15.84	15.84	15.84

SN VALUATION

LBO Debt Schedule

Ticker:

TLYS

	Proforma	2014	2015	2016	2017	2018
Net Change in Cash	8.10	15.84	15.84	15.84	15.84	15.84
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	0.76	0.76	0.76	0.76	0.76	0.76
Current Portion Debt Balance	0.76	0.76	0.76	0.76	0.76	0.76
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		5.00%	5.00%	5.00%	5.00%	5.00%
Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%
Interest Expense		0.06	0.06	0.06	0.06	0.06
Cash Balance		60.35				
Interest @ 1.0%		0.60	0.60	0.60	0.60	0.60
Net Interest Expense/(Income)		(0.54)	(0.54)	(0.54)	(0.54)	(0.54)
Net Interest Rate		N/A	N/A	N/A	N/A	N/A
EBITDA		24.79	24.79	24.79	24.79	24.79
EBITDA/Interest Expense Coverage		407.76	407.76	407.76	407.76	407.76

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

SN VALUATION

Altman Z Score

Company Name:

Tillys

Ticker:

TLYS

Period	2010	2011	2012	2013	2014	2015	2016	2017	2018
Working Capital	33.34	27.28	74.11	76.78	92.62	108.46	124.29	140.13	155.97
Total Assets	129.78	139.76	123.97	230.92	247.39	263.86	280.32	296.79	313.26
X1	0.26	0.20	0.60	0.33	0.37	0.41	0.44	0.47	0.50
Retained Earnings	61.92	60.25	-0.14	18.00	34.47	50.94	67.40	83.87	100.34
Total Assets	129.78	139.76	123.97	230.92	247.39	263.86	280.32	296.79	313.26
X2	0.48	0.43	0.00	0.08	0.14	0.19	0.24	0.28	0.32
EBITDA	24.94	34.92	31.38	29.74	24.79	24.79	24.79	24.79	24.79
Total Assets	129.78	139.76	123.97	230.92	247.39	263.86	280.32	296.79	313.26
X3	0.19	0.25	0.25	0.13	0.10	0.09	0.09	0.08	0.08
Market Value of Equity	297.30	297.30	297.30	297.30	303.73	310.30	317.01	323.87	330.88
Total Liabilities	68.88	80.40	88.09	91.48	91.48	91.48	91.48	91.48	91.48
X4	4.32	3.70	3.37	3.25	3.32	3.39	3.47	3.54	3.62
Net Sales	332.60	400.62	467.29	495.84	495.84	495.84	495.84	495.84	495.84
Total Assets	129.78	139.76	123.97	230.92	247.39	263.86	280.32	296.79	313.26
X5	2.56	2.87	3.77	2.15	2.00	1.88	1.77	1.67	1.58
Altman Z Score	6.76	6.75	7.35	5.03	4.97	4.99	5.01	5.03	5.06

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

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
Tangible Book Value	141.03	157.50	173.97	190.43	206.90	223.37				223.37
Annual Change		16.47	16.47	16.47	16.47	16.47				
Annual FCF	1.09	15.84	15.84	15.84	15.84	15.84	15.84	15.84	15.84	47.51
Annual Op. Cash Flow	43.79	35.84	35.84	35.84	35.84	35.84	35.84	35.84	35.84	
Annual PP&E Investment	(42.70)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	
Today's Tangible Book Value	141.03	154.62	169.51	185.84	203.74	223.37				270.88
Intrinsic Value IRR	9.63%									
Market Price	297.30	291.82	286.44	281.15	275.97	270.88				270.88
Market Price IRR	-1.84%									

Debt	50.00%	148.65
Equity	50.00%	148.65
Total	100.00%	297.30

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	141.03	148.65	157.03	165.42	173.80	182.19	190.57			
Goodwill	0	156.27	156.27	156.27	156.27	156.27	156.27			
Debt	0	148.65	148.65	148.65	148.65	148.65	148.65			
Debt Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%			
Additional Interest Expense		12.43	12.43	12.43	12.43	12.43				
Tangible Book Value	141.03	-7.62	0.77	9.15	17.54	25.92	34.31			34.31
Annual Change			8.39	8.39	8.39	8.39	8.39			
Annual FCF	1.09	7.76	7.76	7.76	7.76	7.76	7.76	7.76	7.76	23.27
Annual Net Income	18.14		8.39	8.39	8.39	8.39	8.39	8.39	8.39	
Annual Op. Cash Flow	43.79	27.76	27.76	27.76	27.76	27.76	27.76	27.76	27.76	
Dividend Payments										
Annual PP&E Investment	(42.70)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	
Debt Paydown	0.00						0.00	0.00	0.00	
Sale Price in Year 5										57.57
Capital Left for Equity Investor										57.57
Dividend Payments										0.00
Total Cash In Flow										57.57
Invested Equity	148.65	122.96	101.71	84.14	69.60	57.57				
IRR	-17.28%									

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)	41.93
Cash Flow (Year 6-8)	23.27
	65.19

<u>Value Dilution</u>	
Debt	148.65
Goodwill	156.27
Additional Interest	62.17
	367.09