

Tilly's (TLYS)

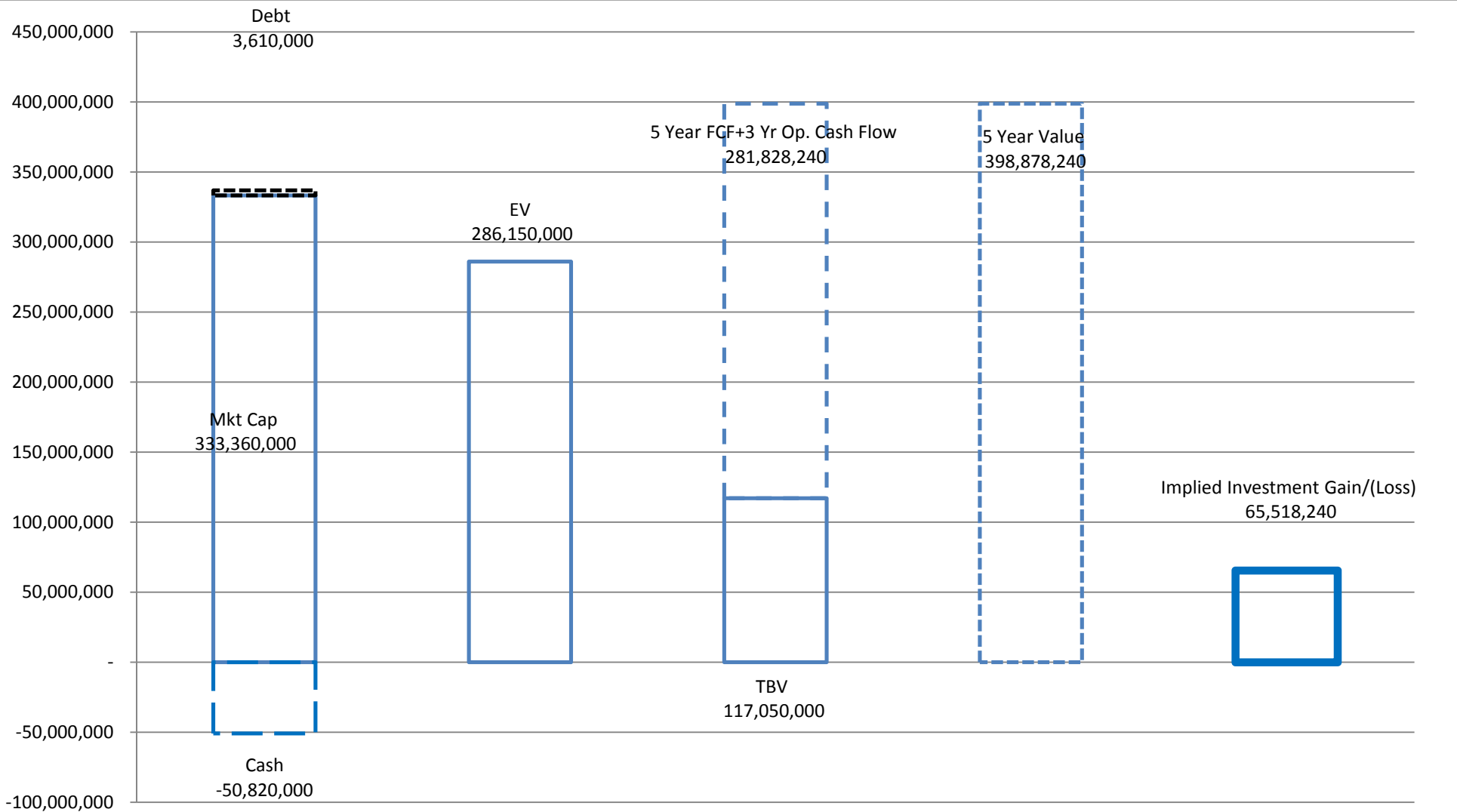
Price:	\$12.00	Net Tang. Bk Value Incl. Cash, Excl.	\$117,050,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$209,792,650.00
Market Cap:	\$333,360,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$35,228,530.00
Cash:	\$50,820,000	NTBVIC/Market Downside Recovery:	35.11%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$3,610,000	Op. Cash Flow:	\$35,228,530	Year 5 Disposition Price:	\$315,478,240.00
Net Cash:	\$47,210,000	Implied Years to Fill Gap:	6.14		
Enterprise Value:	\$286,150,000	Today's Equity if 5x Op. CF:	\$222,735,590		
		Net Tang. Book+ Gain Disposition:			\$315,478,240.00
Shares Outstanding:	27,780,000	IRR:			-1.10%
				Price:	\$11.36
				Target Market Cap:	\$315,478,240
				Target Enterprise Value:	\$268,268,240

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

The stock plummeted 26% yesterday, as multiple brokerages reduced their price targets, after the Co. reported a weak quarter and dimmer forecasted figures were announced. We had a chance to read the conference call transcripts and they reported their inventory buildup from Q3, Q4 2012 spilling over into 2013's markdowns and promotions. The management repeated their message of focusing on clean merchandising, essentially saying they will get rid of the inventory, which will cut into their productivity.

This is indicative of the risk inherent in the fashion business. However, for most of the apparel business that we have seen, with a nation wide brand recognition, they have great balance sheets and cash flow generation. TLYS is growing rapidly, from California (50% of stores) and is a trendy brand geared toward skaters, boarders. They are opening 7 stores each quarter, and should reach 200 stores in an years time.

The stock IPOd in late 2012 and we believe the stock may see some weakness until Q4 results are announced in February. We see this as an opportune time to purchase a promising business, although we will refrain from a purchase until the stock price depreciates below \$11.00 from the current \$12.00.



NA

Company Name:	Tilly's
Ticker Symbol:	TLYS
Last Price:	\$12.00
Net Cash/Share:	\$1.70
Net Cash to Last Price:	14.16%
Shares Outstanding:	27,780,000
Industry:	Apparel Stores
Sector:	Consumer Cyclical
Institutional Ownership:	38.68%
Mutual Fund Ownership:	8.20%
Insider Ownership:	#VALUE!
Float:	81.00%

Technicals	
52 week low:	\$11.63
Today from 52 week low:	3.18%
52 week high:	\$17.35
Today from 52 week high:	44.58%

Analyst/Consensus	
Analyst Sales Growth FY1:	10.60%
Analyst Sales Growth FY2:	12.00%
SN Valuation Estimate FY1:	0.00%
SN Valuation Estimate FY2:	0.00%

Analyst Earnings Estimate FY1:	\$0.78
Analyst Earnings Estimate FY2:	\$0.92
SN Valuation Earnings Est. FY1:	\$0.67
SN Valuation Earnings Est. FY2:	\$0.67

Multiples	
Market Value to Book:	2.85
EV to Book:	2.44
Market Value to Tangible Net Assets:	-15.65
P/E Ratio:	11.55
Trailing P/E Ratio:	11.71
Forward P/E Ratio:	13.04
Beta:	NA
Dividend:	0.00
Dividend Yield:	0.00%
Dividend Date:	N/A
Ex-Dividend Date:	N/A

Competitors	
Average EV to EBITDA:	N/A
Company EV to EBITDA:	5.95
Average EV to EBIT:	N/A
Company EV to EBITA:	9.12

Market Capitalization:	\$333,360,000.00
Total Debt:	\$3,610,000.00
Total Cash:	\$50,820,000.00
Net Cash/(Debt):	\$47,210,000.00
Enterprise Value:	\$286,150,000.00
Current EV/Share:	\$10.30
EBITDA:	\$48,060,000.00
EV/EBITDA Multiple:	5.95
EV/EBITDA Multiple Average Year 1-5:	6.40
EV/FCF Multiple (excluding acquisition):	33.94
EV/FCF Multiple Average Year 1-5 (excluding acquisition):	18.79

Upper Range
DCF: EV/EBITDA Terminal Value

Implied TV from 3 X EV/EBITDA Multiple	\$84,112,200.00
Enterprise Value	\$84,112,200.00
Cash at Year 5:	\$126,962,650.00
Debt at Year 5:	\$3,610,000.00
Equity Value Year 5:	\$207,464,850.00
Equity/Share at Year 5:	\$7.47
Annualized Return:	-9.05%

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

Year 5 Net Tangible Assets excluding cash and debt	-\$17,330,000.00
Enterprise Value	-\$17,330,000.00
Cash at Year 5:	\$126,962,650.00
Debt at Year 5:	\$3,610,000.00
Equity Value Year 5:	\$106,022,650.00
Equity/Share at Year 5:	\$3.82
Annualized Return:	-20.48%

EVA

EVA today:	\$127,825,023.04
EVA in 5 Years:	\$147,002,434.57
EVA/Share:	\$5.29
Cash at Year 5:	\$126,962,650.00
Debt at Year 5:	\$3,610,000.00
Equity Value Year 5:	\$270,355,084.57
Equity/Share at Year 5:	\$9.73
Annualized return	2.84%

Current Net Tangible Asset

Net Tangible Asset/Share:	\$3.26
Net Tangible Asset/Share in Year 5:	\$6.60
Annualized return	15.15%

Current Equity Price:	\$12.00
Selling at Discount?	Premium
Appreciation Potential:	-72.86%

Income Statement

Revenue:	\$497,830,000.00	100.0%
Cost of Goods Sold:	\$347,640,000.00	69.8%
Gross Profit:	\$150,190,000.00	30.2%
EBITDA:	\$57,870,000.00	11.6%
Net Income:	\$28,850,000.00	5.8%

Balance Sheet

Cash:	\$20,890,000.00
Short Term Investment:	\$29,930,000.00
A/R:	\$6,000,000.00
PP&E:	\$64,000,000.00
Assets:	\$200,250,000.00

A/P:	\$19,000,000.00
Deferred Tax:	\$0.00
Other Liabilities:	\$87,150,000.00
Short term Debt:	\$730,000.00
Long Term Debt:	\$2,880,000.00
Liabilities:	\$109,760,000.00

Retained Earnings:	\$0.00
Paid-In Capital:	\$117,030,000.00
Treasury Stock:	\$0.00
Stockholder's Equity:	\$117,050,000.00

Cash Flow

Net Income:	23,890,000.00
Depreciation/Amortization:	16,680,000.00
Change in Working capital:	-15,030,000.00
Cash from Operating Activities:	41,730,000.00
Capital Expenditures:	-33,300,000.00
Cash from Investing Activities:	-72,330,000.00
Total Cash Dividends Paid:	-84,290,000.00
Issuance (Retirement) of Stock:	107,770,000.00
Issuance (Retirement) of Debt:	-670,000.00
Cash from Financing Activities:	22,820,000.00

Profitability Margins

Debt to Equity:	3.08%
Return on Assets:	11.93%
Return on Capital:	19.80%
Return on Equity:	20.41%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Tilly's

Ticker:

TLYS

	Historical				Forecasted				
	52 weeks ending 2010-01-30	52 weeks ending 2011-01-29	52 weeks ending 2012-01-28	53 weeks ending 2013-02-02	2013	2014	2015	2016	2017
Revenue	282.76	332.60	400.62	467.29	467.29	467.29	467.29	467.29	467.29
COGS	195.43	229.99	271.48	317.10	317.76	317.76	317.76	317.76	317.76
Gross margin	87.33	102.61	129.14	150.19	149.53	149.53	149.53	149.53	149.53
SG&A	65.91	76.97	93.62	118.81	121.50	121.50	121.50	121.50	121.50
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	0.80	0.60	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					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	21.42	24.94	34.92	31.38	28.04	28.04	28.04	28.04	28.04
Interest income/(expense)	-0.28	-0.25	-0.19	-0.09	0.50	0.50	0.50	0.50	0.50
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	21.14	24.70	34.73	31.30	28.54	28.54	28.54	28.54	28.54
Tax	0.28	0.28	0.39	0.41	9.99	9.99	9.99	9.99	9.99
Income after tax	20.86	24.42	34.34	23.89	18.55	18.55	18.55	18.55	18.55
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	20.86	24.42	34.34	23.89	18.55	18.55	18.55	18.55	18.55
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.75	\$0.88	\$1.24	\$0.86	\$0.67	\$0.67	\$0.67	\$0.67	\$0.67
P/E (historical today's price; forecasted intrinsic price)	15.98	13.65	9.71	13.95	17.78	17.58	17.39	17.20	17.01
Revenue Growth	N/A	17.63%	20.45%	16.64%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	1.32%	1.13%	1.12%	23.67%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-4.78%	-4.74%	-4.09%	-2.27%	NA	NA	NA	NA	NA
Margins									
COGS	69.12%	69.15%	67.76%	67.86%	68.00%	68.00%	68.00%	68.00%	68.00%
Gross margin	30.88%	30.85%	32.24%	32.14%	32.00%	32.00%	32.00%	32.00%	32.00%
SG&A	23.31%	23.11%	23.37%	25.43%	26.00%	26.00%	26.00%	26.00%	26.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	0.24%	0.15%	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	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	7.58%	7.50%	8.72%	6.72%	6.00%	6.00%	6.00%	6.00%	6.00%
Interest income/(expense)	-0.10%	-0.08%	-0.05%	-0.02%	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	7.48%	7.43%	8.67%	6.70%	6.11%	6.11%	6.11%	6.11%	6.11%
Tax	0.10%	0.08%	0.10%	1.59%	2.14%	2.14%	2.14%	2.14%	2.14%
Income after tax	7.38%	7.34%	8.57%	5.11%	3.97%	3.97%	3.97%	3.97%	3.97%
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	7.38%	7.34%	8.57%	5.11%	3.97%	3.97%	3.97%	3.97%	3.97%

						Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2010-01-30	As of 2011-01-29	As of 2012-01-28	As of 2013-02-02	As of 2013-08-03	+	-						
Cash	25.70	29.34	25.09	17.31	20.89			20.89	36.11853	51.35	66.58	81.80	97.03
Short term investment	0.00	0.00	0.00	39.87	29.93			29.93	29.93	29.93	29.93	29.93	29.93
Cash and Short term	25.70	29.34	25.09	57.18	50.82			50.82	66.05	81.28	96.51	111.73	126.96
Accounts Receivable	2.21	3.10	5.54	5.46	6.00			6.00	6.00	6.00	6.00	6.00	6.00
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	2.21	3.10	5.54	5.46	6.00			6.00	6.00	6.00	6.00	6.00	6.00
Total Inventory	24.03	33.50	36.53	46.59	63.40			63.40	63.40	63.40	63.40	63.40	63.40
Prepaid Expenses	3.49	4.14	5.24	6.35	12.23			12.23	12.23	12.23	12.23	12.23	12.23
Other Current Assets	0.26	0.12	0.38	5.03	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current Assets	55.69	70.20	72.78	120.61	132.45	0.00	0.00	132.45	147.67853	162.91	178.14	193.36	208.59
PP&E, Gross	108.28	120.32	138.77	0.00	139.00			139.00	159.00	179.00	199.00	219.00	239.00
Change in Depreciation	13.91	14.29	15.13	16.68	16.68			16.68	16.68	16.68	16.68	16.68	16.68
Accumulated Depreciation	49.50	62.13	74.69	0.00	75.00			75.00	91.68	108.36	125.04	141.72	158.40
PP&E, Net	58.78	58.19	64.08	0.00	64.00			64.00	67.32	70.64	73.96	77.28	80.60
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	0.54	1.39	2.90	3.36	3.80			3.80	3.80	3.80	3.80	3.80	3.80
Long Term Assets	59.32	59.58	66.98	3.36	67.80			67.80	71.12	74.44	77.76	81.08	84.40
Total Assets	115.01	129.78	139.76	123.97	200.25	0.00	0.00	200.25	218.80	237.35	255.90	274.44	292.99
Accounts Payable	10.66	14.72	16.83	18.26	19.00			19.00	19.00	19.00	19.00	19.00	19.00
Accrued Expense	9.06	15.34	20.47	18.23	19.00			19.00	19.00	19.00	19.00	19.00	19.00
Other current Liabilities	6.19	6.80	8.20	10.01	9.22			9.22	9.22	9.22	9.22	9.22	9.22
Total Current Liabilities	25.91	36.86	45.50	46.50	47.22	0.00	0.00	47.22	47.22	47.22	47.22	47.22	47.22
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	0.59	0.63	0.67	0.71	0.73			0.73	0.73	0.73	0.73	0.73	0.73
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	5.27	4.64	3.97	3.26	2.88			2.88	2.88	2.88	2.88	2.88	2.88
Total Interest Earning Debt	5.86	5.27	4.64	3.97	3.61	0.00	0.00	3.61	3.61	3.61	3.61	3.61	3.61
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	23.80	26.75	30.26	37.62	58.93			58.93	58.93	58.93	58.93	58.93	58.93
Total Liabilities	55.57	68.88	80.40	88.09	109.76	0.00	0.00	109.76	109.76	109.76	109.76	109.76	109.76
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	0.02	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	0.15	117.39	117.00	0.00	0.00	117.00	117.00	117.00	117.00	117.00	117.00
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	59.73	61.92	60.25	-0.14	0.00			0.00	18.55	37.10	55.65	74.19	92.74
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	0.00	0.02	0.02		0.00	0.02	0.02	0.02	0.02	0.02	0.02
Total Equity	59.90	62.09	60.42	117.30	117.05	0.00	0.00	117.05	135.60	154.15	172.70	191.24	209.79
Liability + Equity	115.47	130.97	140.82	205.39	226.81	0.00	0.00	226.81	245.36	263.91	282.46	301.00	319.55
Variance	-0.46	-1.19	-1.06	-81.42	-26.56			-26.56	-26.56	-26.56	-26.56	-26.56	-26.56
Debt/Equity	0.10	0.08	0.08	0.03	0.03			0.03	0.03	0.02	0.02	0.02	0.02
Inventory Turnover	11.77	9.93	10.97	10.03	7.37			7.37	7.37	7.37	7.37	7.37	7.37
Inventory Turnover Days	31.02	36.76	33.28	36.39	49.52			49.52	49.52	49.52	49.52	49.52	49.52
Days Inventory Outstanding	44.88	53.17	49.11	53.63	72.83			72.98	72.83	72.83	72.83	72.83	72.83
Accounts Receivable Turnover	127.95	107.29	72.31	85.58	77.88			77.88	77.88	77.88	77.88	77.88	77.88
Accounts Receivable Turnover Days	2.85	3.40	5.05	4.26	4.69			4.69	4.69	4.69	4.69	4.69	4.69
Days Payable Outstanding	19.91	23.36	22.63	21.02	21.82			21.87	21.82	21.82	21.82	21.82	21.82
Days Sales Outstanding	2.85	3.40	5.05	4.26	4.69			4.26	4.69	4.69	4.69	4.69	4.69
Cash Conversion Cycle	27.82	33.21	31.53	36.87	55.69			55.37	55.69	55.69	55.69	55.69	55.69
Net tangible assets/share	\$2.16	\$2.24	\$2.17	\$4.22	\$4.21				\$4.88	\$5.55	\$6.22	\$6.88	\$7.55

	52 weeks ending 2010-01-30	52 weeks ending 2011-01-29	52 weeks ending 2012-01-28	53 weeks ending 2013-02-02	2011	2012	2013	2014	2015
Net Income	20.86	24.42	34.34	23.89	18.55	18.55	18.55	18.55	18.55
Depreciation	13.91	14.29	15.13	16.68	16.68	16.68	16.68	16.68	16.68
Net Income + Depreciation	34.77	38.71	49.47	40.57	35.23	35.23	35.23	35.23	35.23
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	0.00	6.69	0.00	0.00	0.00	0.00	0.00
Non Cash Items	0.78	2.21	0.79	9.50	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-0.31	0.79	2.33	-15.03	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-0.69	-2.44	0.00	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	-9.47	-3.03	-10.06	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-0.65	-1.10	-1.11	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	4.06	2.11	1.43	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	35.24	41.71	52.59	41.73	35.23	35.23	35.23	35.23	35.23
Capital Expenditures Expenditures	-17.51	-15.67	-20.22	-33.30	-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	0.00	0.42	0.03	-39.03	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-17.51	-15.25	-20.19	-72.33	-20.00	-20.00	-20.00	-20.00	-20.00
Financing Cash flow items	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-16.02	-22.22	-36.01	-84.29	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.00	0.00	0.00	107.77	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	-0.56	-0.59	-0.63	-0.67	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-16.58	-22.81	-36.64	22.81	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	24.53	25.70	29.34	25.09	20.89	36.12	51.35	66.58	81.80
Net Change in Cash	1.17	3.63	-4.25	-7.78	15.23	15.23	15.23	15.23	15.23
Ending Cash Balance	25.70	29.34	25.09	17.31	36.12	51.35	66.58	81.80	97.03
Capex to Revenue	6.19%	4.71%	5.05%	7.13%	4.28%	4.28%	4.28%	4.28%	4.28%
Depreciation to Sales	4.92%	4.30%	3.78%	3.57%	3.57%	3.57%	3.57%	3.57%	3.57%
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	0.78%	0.93%	1.38%	1.17%	1.17%	1.17%	1.17%	1.17%	1.17%
Distributable FCF/EV Yield	6.20%	9.25%	11.32%	-10.69%	5.32%	5.32%	5.32%	5.32%	5.32%
Dividend Yield	-4.81%	-6.67%	-10.80%	-25.28%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	33.75	48.26	68.38	92.72	15.23	15.23	15.23	15.23	15.23

SN VALUATION

LBO Debt Schedule

Ticker:

TLYS

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-7.78	15.23	15.23	15.23	15.23	15.23
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	0.73	0.73	0.73	0.73	0.73	0.73
Current Portion Debt Balance	0.73	0.73	0.73	0.73	0.73	0.73
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		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Rate		10.00%	10.00%	10.00%	10.00%	10.00%
Interest Expense		0.07	0.07	0.07	0.07	0.07
Cash Balance		57.18				
Interest @ 1.0%		0.57	0.57	0.57	0.57	0.57
Net Interest Expense/(Income)		(0.50)	(0.50)	(0.50)	(0.50)	(0.50)
Net Interest Rate		N/A	N/A	N/A	N/A	N/A
EBITDA		28.04	28.04	28.04	28.04	28.04
EBITDA/Interest Expense Coverage		384.07	384.07	384.07	384.07	384.07

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:

Tilly's

Ticker:

TLYS

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	29.78	33.34	27.28	85.23	100.46	115.69	130.92	146.14	161.37
Total Assets	115.01	129.78	139.76	200.25	218.80	237.35	255.90	274.44	292.99
X1	0.26	0.26	0.20	0.43	0.46	0.49	0.51	0.53	0.55
Retained Earnings	59.73	61.92	60.25	0.00	18.55	37.10	55.65	74.19	92.74
Total Assets	115.01	129.78	139.76	200.25	218.80	237.35	255.90	274.44	292.99
X2	0.52	0.48	0.43	0.00	0.08	0.16	0.22	0.27	0.32
EBITDA	21.42	24.94	34.92	31.38	28.04	28.04	28.04	28.04	28.04
Total Assets	115.01	129.78	139.76	200.25	218.80	237.35	255.90	274.44	292.99
X3	0.19	0.19	0.25	0.16	0.13	0.12	0.11	0.10	0.10
Market Value of Equity	333.36	333.36	333.36	333.36	329.70	326.09	322.51	318.98	315.48
Total Liabilities	55.57	68.88	80.40	109.76	109.76	109.76	109.76	109.76	109.76
X4	6.00	4.84	4.15	3.04	3.00	2.97	2.94	2.91	2.87
Net Sales	282.76	332.60	400.62	467.29	467.29	467.29	467.29	467.29	467.29
Total Assets	115.01	129.78	139.76	200.25	218.80	237.35	255.90	274.44	292.99
X5	2.46	2.56	2.87	2.33	2.14	1.97	1.83	1.70	1.59
Altman Z Score	7.71	7.08	7.02	5.18	5.03	4.94	4.87	4.80	4.74

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

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	117.05	135.60	154.15	172.70	191.24	209.79				209.79
Annual Change		18.55	18.55	18.55	18.55	18.55				
Annual FCF	8.43	15.23	15.23	15.23	15.23	15.23	15.23	15.23	15.23	45.69
Annual Op. Cash Flow	41.73	35.23	35.23	35.23	35.23	35.23	35.23	35.23	35.23	
Annual PP&E Investment	(33.30)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	
Today's Tangible Book Value	117.05	131.54	147.82	166.12	186.68	209.79				255.48
Intrinsic Value IRR	12.38%									
Market Price	333.36	316.08	299.70	284.17	269.44	255.48				255.48
Market Price IRR	-5.18%									

Debt	50.00%	166.68
Equity	50.00%	166.68
Total	100.00%	333.36

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	117.05	166.68	174.07	181.46	188.85	196.24	203.63			
Goodwill	0	216.31	216.31	216.31	216.31	216.31	216.31			
Debt	0	166.68	166.68	166.68	166.68	166.68	166.68			
Debt Interest Rate		10.00%	10.00%	10.00%	10.00%	10.00%	10.00%			
Additional Interest Expense		17.17	17.17	17.17	17.17	17.17	17.17			
Tangible Book Value	117.05	-49.63	-42.24	-34.85	-27.46	-20.07	-12.68			-12.68
Annual Change			7.39	7.39	7.39	7.39	7.39			
Annual FCF	8.43	4.07	4.07	4.07	4.07	4.07	4.07	4.07	4.07	12.21
Annual Net Income	23.89		7.39	7.39	7.39	7.39	7.39	7.39	7.39	
Annual Op. Cash Flow	41.73	24.07	24.07	24.07	24.07	24.07	24.07	24.07	24.07	
Dividend Payments										
Annual PP&E Investment	(33.30)		(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 (11.47)

Capital Left for Equity Investor (10.47)
 Dividend Payments 0.00
 Total Cash In Flow (10.47)

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.

Invested Equity 166.68
 IRR -130.89%

Value Creation
 TBV Growth (equals sum of NI Year 1-5) 36.95
 Cash Flow (Year 6-8) 12.21
49.16

Value Dilution
 Debt 166.68
 Goodwill 216.31
 Additional Interest 85.83
468.82