

Usa Mobility Inc (USMO)

Price:	\$13.85	Net Tang. Bk Value Incl. Cash (NTBVIC):	\$116,710,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$226,548,827.56
Market Cap:	\$300,683,500	NTBVIC/Market Downside Recovery:	38.81%	Avg. Year FCF/Share:	\$27,638,864.85
Cash:	\$61,050,000	Op. Cash Flow:	\$45,358,103	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$0	Implied Years to Fill Gap:	4.06	Year 5 Disposition Price:	\$309,465,422.10
Net Cash:	\$61,050,000	Today's Equity if 5x Op. CF:	\$252,784,308		
Enterprise Value:	\$239,633,500	Net Tang. Book+5 FCF+ Gain Disposition:		\$309,465,422.10	
Shares Outstanding:	21,710,000	IRR:		0.58%	
		Price:		\$14.25	
		Target Market Cap:		\$309,465,422	
		Target Enterprise Value:		\$248,415,422	

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

The business is a decaying business model - 1 way/2 way paging service. It is an obsolescence story and we don't see any value for an investment at the current price. We feel that management made a big mistake acquiring the software business, AMCOM in 2011 and raking up a large goodwill balance, which could have been cash.

This business is very similar to Rimage (RIMG), or Quad (QUAD) where the industry is a dying breed, but the underlying business and asset carries some weight. Also, the rate of deterioration is uncertain so we can't assume future cash flow growth. From a conservative stance, we feel investors should be hesitant investing in a company that seems cheap, but may cost the investor in the waiting game. We think USMO is a value trap and should be viewed with a grain of salt.

On a valuation and balance sheet basis, the numbers are attractive.

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SN VALUATION

LBO Pro Forma Income Statement

Name:

Usa Mobility Inc

Ticker:

USMO

	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	289.71	233.26	233.69	219.70	208.72	198.28	188.37	178.95	170.00
COGS	91.51	73.37	82.75	76.27	75.14	71.38	67.81	64.42	61.20
Gross margin	198.20	159.89	150.94	143.43	133.58	126.90	120.55	114.53	108.80
SG&A	96.14	76.40	78.48	74.33	73.05	71.38	69.70	66.00	66.30
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	2.74	2.18	1.29	5.14	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	41.91	24.13	19.34	18.23	18.00	18.00	18.00	18.00	18.00
Operating Income (EBITA)	57.41	57.18	51.83	45.73	42.53	37.52	32.86	28.53	24.50
Interest income/(expense)	0.07	0.01	-2.26	-0.38	0.61	0.61	0.61	0.61	0.61
Gain (loss) on sale of asset	0.00	2.00	7.50	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.53	0.81	0.45	0.71	0.00	0.00	0.00	0.00	0.00
Income before tax	58.01	60.00	57.52	46.06	43.14	38.13	33.47	29.14	25.11
Tax	-9.55	-17.90	-26.27	19.98	15.10	13.35	11.71	10.20	8.79
Income after tax	67.56	77.90	83.79	26.98	28.04	24.78	21.75	18.94	16.32
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	67.56	77.90	83.79	26.98	28.04	24.78	21.75	18.94	16.32
*Figures are in millions (\$)									
EPS (based off today's share count)	\$3.11	\$3.59	\$3.86	\$1.24	\$1.29	\$1.14	\$1.00	\$0.87	\$0.75
P/E (historical today's price; forecasted intrinsic price)	4.45	3.86	3.59	11.14	10.79	12.27	14.06	16.25	18.96
Revenue Growth	N/A	-19.49%	0.19%	-5.99%	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%
Tax Rate	-16.46%	-29.83%	-45.67%	41.42%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	0.00%	-8.00%	-760.00%	NA	NA	NA	NA	NA
Margins									
COGS	31.59%	31.45%	35.41%	34.72%	36.00%	36.00%	36.00%	36.00%	36.00%
Gross margin	68.41%	68.55%	64.59%	65.28%	64.00%	64.00%	64.00%	64.00%	64.00%
SG&A	33.18%	32.75%	33.58%	33.83%	35.00%	36.00%	37.00%	38.00%	39.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.95%	0.93%	0.55%	2.34%	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	14.47%	10.34%	8.28%	8.30%	8.62%	9.08%	9.56%	10.06%	10.59%
Operating Income (EBITA)	19.82%	24.51%	22.18%	20.81%	20.38%	18.92%	17.44%	15.94%	14.41%
Interest income/(expense)	0.02%	0.00%	-0.97%	-0.17%	0.29%	0.31%	0.32%	0.34%	0.36%
Gain (loss) on sale of asset	0.00%	0.86%	3.21%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.18%	0.35%	0.19%	0.32%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	20.02%	25.72%	24.61%	20.96%	20.67%	19.23%	17.77%	16.28%	14.77%
Tax	-3.30%	-7.67%	-11.24%	8.68%	7.23%	6.73%	6.22%	5.70%	5.17%
Income after tax	23.32%	33.40%	35.86%	12.28%	13.43%	11.87%	10.42%	9.07%	7.82%
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	23.32%	33.40%	35.86%	12.28%	13.43%	12.50%	11.55%	10.58%	9.60%

	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-12-31	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
					+	-						
Cash	109.59	129.22	53.66	61.05	61.05		61.05	96.41	127.64	155.03	178.82	199.24
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	109.59	129.22	53.66	61.05	61.05		61.05	96.41	127.64	155.03	178.82	199.24
Accounts Receivable	19.05	13.42	20.52	21.58	22.00		22.00	22.00	22.00	22.00	22.00	22.00
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	19.05	13.42	20.52	21.58	22.00		22.00	22.00	22.00	22.00	22.00	22.00
Total Inventory	0.21	0.16	2.75	3.26	3.26		3.26	3.26	3.26	3.26	3.26	3.26
Prepaid Expenses	1.98	1.75	3.92	4.48	4.48		4.48	4.48	4.48	4.48	4.48	4.48
Other Current Assets	1.22	4.03	23.36	4.25	4.25		4.25	4.25	4.25	4.25	4.25	4.25
Current Assets	132.05	148.58	104.21	94.62	95.04	0.00	95.04	130.40	161.63	189.02	212.81	233.23
PP&E, Gross	182.82	151.19	0.00	127.84	130.00		130.00	140.00	150.00	160.00	170.00	180.00
Change in Depreciation		24.13	19.33	18.23	18.23		18.23	17.32	16.45	15.63	14.85	14.11
Accumulated Depreciation	141.52	124.06	0.00	107.03	110.00		110.00	127.32	143.77	159.40	174.25	188.36
PP&E, Net	41.30	27.13	0.00	20.81	20.00		20.00	12.68	6.23	0.60	-4.25	-8.36
Goodwill	0.00	0.00	130.97	133.03	133.03	0.00	133.03	133.03	133.03	133.03	133.03	133.03
Intangibles	0.23	0.51	38.76	30.33	30.33		30.33	30.33	30.33	30.33	30.33	30.33
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	34.18	48.47	56.57	42.55	42.55		42.55	42.55	42.55	42.55	42.55	42.55
Long Term Assets	75.71	76.11	226.30	226.72	225.91		225.91	212.14	218.59	206.51	201.66	197.55
Total Assets	207.76	224.69	330.51	321.34	320.95	0.00	320.95	348.99	373.77	395.53	414.47	430.79
Accounts Payable	3.39	3.28	1.79	2.21	2.21		2.21	2.21	2.21	2.21	2.21	2.21
Accrued Expense	24.20	19.66	21.86	21.86	21.86		21.86	21.86	21.86	21.86	21.86	21.86
Other current Liabilities	15.93	11.53	46.64	36.66	36.29		36.29	36.29	36.29	36.29	36.29	36.29
Total Current Liabilities	43.52	34.47	65.78	60.73	60.36	0.00	60.36	60.36	60.36	60.36	60.36	60.36
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	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	0.00	0.00	28.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	0.00	0.00	0.05	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	0.00	0.00	28.25	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	11.23	11.79	12.80	10.43	10.85		10.85	10.85	10.85	10.85	10.85	10.85
Total Liabilities	54.75	46.26	106.83	71.21	71.21	0.00	71.21	71.21	71.21	71.21	71.21	71.21
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	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Additional Paid-in capital	137.38	129.70	131.61	125.21	125.00	0.00	125.00	125.00	125.00	125.00	125.00	125.00
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	21.42	54.69	115.97	126.20	125.00		125.00	153.04	177.82	199.58	218.52	234.84
Treasury Stock	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	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	158.80	184.39	247.58	251.41	250.00	0.00	250.00	278.04	302.82	324.58	343.52	359.84
Liability + Equity	213.55	230.65	354.41	322.62	321.21	0.00	321.21	349.25	374.03	395.79	414.73	431.05
Variance	-5.79	-5.96	-23.90	-1.28	-0.26		-0.26	-0.26	-0.26	-0.26	-0.26	-0.26
Debt/Equity	0.00	0.00	0.11	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	1,379.57	1,457.88	84.98	67.39	64.02		67.39	64.02	60.82	57.78	54.89	52.15
Inventory Turnover Days	0.26	0.25	4.30	5.42	5.70		5.42	5.70	6.00	6.32	6.65	7.00
Days Inventory Outstanding	0.84	0.80	12.13	15.60	15.84		15.60	15.84	16.67	17.55	18.47	19.44
Accounts Receivable Turnover	15.21	17.38	11.39	10.18	9.49		9.99	9.49	9.01	8.56	8.13	7.73
Accounts Receivable Turnover Days	24.00	21.00	32.05	35.85	38.47		36.55	38.47	40.50	42.63	44.87	47.24
Days Payable Outstanding	13.52	16.32	7.90	10.58	10.74		10.58	10.74	11.30	11.90	12.52	13.18
Days Sales Outstanding	24.00	21.00	32.05	35.85	38.47		35.85	36.55	38.47	40.50	42.63	44.87
Cash Conversion Cycle	11.32	5.48	36.28	40.88	43.57		40.88	41.65	43.84	46.15	48.58	51.14
Net tangible assets/share	\$7.05	\$8.22	\$4.27	\$5.39	\$5.38		\$6.67	\$7.81	\$8.81	\$9.68	\$10.44	

	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	67.56	77.90	83.79	26.98	28.04	24.78	21.75	18.94	16.32
Depreciation	41.91	24.13	19.33	18.23	17.32	16.45	15.63	14.85	14.11
Net Income + Depreciation	109.47	102.03	103.12	45.21	45.36	41.24	37.38	33.79	30.43
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	32.43	-18.11	-28.04	18.04	0.00	0.00	0.00	0.00	0.00
Non Cash Items	-1.14	1.82	-3.44	6.19	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-38.90	-6.31	10.80	3.43	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	5.63	-7.10	-1.06	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	0.05	-2.59	-0.51	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.23	-2.17	-0.56	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-0.11	-1.49	0.42	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	101.86	79.43	82.44	72.87	45.36	41.24	37.38	33.79	30.43
Capital Expenditures Expenditures	-17.23	-8.74	-7.95	-9.99	-10.00	-10.00	-10.00	-10.00	-10.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	0.17	2.08	-126.69	-2.67	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-17.06	-6.66	-134.64	-12.66	-10.00	-10.00	-10.00	-10.00	-10.00
Financing Cash flow items	0.00	0.00	-1.58	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-45.50	-44.23	-22.12	-16.51	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-4.74	-8.89	0.00	-8.06	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	0.00	0.00	0.35	-28.25	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-50.24	-53.12	-23.35	-52.82	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	75.03	109.59	129.22	53.66	61.05	96.41	127.64	155.03	178.82
Net Change in Cash	34.56	19.63	-75.56	7.39	35.36	31.24	27.38	23.79	20.43
Ending Cash Balance	109.59	129.22	53.66	61.05	96.41	127.64	155.03	178.82	199.24
Capex to Revenue	5.95%	3.75%	3.40%	4.55%	4.79%	5.04%	5.31%	5.59%	5.88%
Depreciation to Sales	14.47%	10.34%	8.27%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%
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	6.58%	5.75%	8.78%	9.82%	10.34%	10.88%	11.46%	12.06%	12.69%
Distributable FCF Yield	35.39%	30.37%	-21.78%	25.13%	14.76%	13.03%	11.43%	9.93%	8.52%
Dividend Yield	-15.13%	-14.71%	-7.36%	-5.49%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	130.13	114.92	96.61	79.39	35.36	31.24	27.38	23.79	20.43

SN VALUATION

LBO Debt Schedule

Ticker: USMO

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	7.39	35.36	31.24	27.38	23.79	20.43
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	0.00	0.00	0.00	0.00	0.00	0.00
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
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		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Expense		0.00	0.00	0.00	0.00	0.00
Cash Balance		61.05				
Interest @ 1.0%		0.61	0.61	0.61	0.61	0.61
Net Interest Expense/(Income)		(0.61)	(0.61)	(0.61)	(0.61)	(0.61)
Net Interest Rate		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA		42.53	37.52	32.86	28.53	24.50
EBITDA/Interest Expense Coverage		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Interest Rate Coverage Table

Debt Rating	2013	2014	2015	2016	2017
AAA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
AA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BBB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CCC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
C	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
D	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Usa Mobility Inc

Ticker:

USMO

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	88.53	114.11	38.43	34.68	70.04	101.27	128.66	152.45	172.87
Total Assets	207.76	224.69	330.51	320.95	348.99	373.77	395.53	414.47	430.79
X1	0.43	0.51	0.12	0.11	0.20	0.27	0.33	0.37	0.40
Retained Earnings	21.42	54.69	115.97	125.00	153.04	177.82	199.58	218.52	234.84
Total Assets	207.76	224.69	330.51	320.95	348.99	373.77	395.53	414.47	430.79
X2	0.10	0.24	0.35	0.39	0.44	0.48	0.50	0.53	0.55
EBITDA	99.32	81.31	71.17	63.96	60.53	55.52	50.86	46.53	42.50
Total Assets	207.76	224.69	330.51	320.95	348.99	373.77	395.53	414.47	430.79
X3	0.48	0.36	0.22	0.20	0.17	0.15	0.13	0.11	0.10
Market Value of Equity	300.68	300.68	300.68	300.68	302.42	304.17	305.92	307.69	309.47
Total Liabilities	54.75	46.26	106.83	71.21	71.21	71.21	71.21	71.21	71.21
X4	5.49	6.50	2.81	4.22	4.25	4.27	4.30	4.32	4.35
Net Sales	289.71	233.26	233.69	219.70	208.72	198.28	188.37	178.95	170.00
Total Assets	207.76	224.69	330.51	320.95	348.99	373.77	395.53	414.47	430.79
X5	1.39	1.04	0.71	0.68	0.60	0.53	0.48	0.43	0.39
Altman Z Score	6.92	7.08	3.74	4.55	4.57	4.57	4.57	4.57	4.57

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

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