

Vonage Holding Corp. (VG)

Price:	\$2.45	Price/Book:	1.84	EV/EBITDA 5x TV:	\$2.49
Market Cap:	\$552,622,011	Price/Earnings:	32.11	Net Tangible Asset TV:	\$2.06
Cash:	\$58,860,000	EV/EBITA:	3.26	SN Defined TV:	\$3.59
Debt:	\$88,500,000	EV/FCF:	5.33	Economic Value Added:	\$4.42
Net Cash:	-\$29,640,000	Net Tang. Asset/Share:	\$1.09	Year 5 Target:	\$3.14
Enterprise Value:	\$582,262,011	Avg. Year 1-5 FCF/Share:	\$0.23	Appreciation:	28.187%

VoIP, global long distance focused company. Annual operating losses left a +\$1 BB negative retained earning balance, due to high interest payments, which were up to 20% in 2009, 2010, which came down to 4%. Operating income margin stayed steady in the mid single to low teens for the past 3 years. 2.4 MM subscribers, with 94% in US. Churn rate of 2.6%.

Revenue has been shrinking at -1%. With a plethora of telecommunications options available (wireless handsets, GMAIL, Skype, MSN) there is little reason to pay for service.

VG concern is similar to RIMG. Will VG be able to grow, in a seemingly saturated market? Or will they be able to invest in other growing businesses like RIMG did when they purchased the online video distributor?

Dividend?

Dividend yield is 0.00%.

Price to Book

Price to book is 1.84. Price to book excluding intangibles is 2.26.

Cashflow Generation

Cashflows are \$90.0 MM from operating cashflow.

Capex is \$40 MM, minority interest payment is \$0 MM, intangibles are \$0 MM and dividend is \$0 MM.

Free cash flow is about \$50 MM.

12.2% EBITA margin and FCF yield is 9.1%.

The company has \$59 MM in cash/short term investment and \$72 MM in debt.

We are projecting a \$40.0 MM paydown annually.

Profitability

ROA is 72.2%, and ROC is 136.5%.

Bankruptcy Risk

Altman Z is at 1.62.

LBO?

We don't believe a 60% debt/40% equity would be sustainable.

Price

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LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	3.14	Non-LBO Forecast	Non-LBO Forecast
EV/EBITDA with 3X Multiple Terminal Value:	\$2.49	Market Price:	2.45	Year 1 Target	2.57
Net Tangible Asset Terminal Value:	\$2.06	LBO Price:	2.45	Year 2 Target	2.71
EV/EBITDA with Today's Multiple Terminal Value:	\$3.59	Premium to Market Price:	0.00%	Year 3 Target	2.84
EVA Enterprise Value:	\$4.42	LBO Price/Intrinsic Price Target:	5.09%	Year 4 Target	2.99
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	4.79%	Year 5 Target	3.14
Average (Excluding Dividend Discount):	\$3.14	Implied IRR at today's EV/EBITDA:	7.95%	Implied IRR (Market Price):	5.09%
		5 Year Return:	28.19%		
				Desired Return Rate	20.00%
				Implied Today's Price	1.26
				Overvalued/(Undervalued)	94.12%

Current Evaluation				Exit Evaluation			
Current Market Price:	2.45	LBO Price:	2.45	Exit Price:	3.14	Exit Price:	3.59
Outstanding Shares:	225,560,000	Outstanding Shares:	225,560,000	Outstanding Shares:	225,560,000	Outstanding Shares:	225,560,000
Market Capitalization:	552,622,011	Market Capitalization:	552,622,011	Market Capitalization:	708,387,055	Market Capitalization:	810,060,748
Available Cash:	58,860,000	Available Cash:	58,860,000	Available Cash:	235,371,502	Available Cash:	235,371,502
Debt:	88,500,000	Debt:	88,500,000	Debt:	46,060,000	Debt:	46,060,000
Net Cash:	-29,640,000	Net Cash:	-29,640,000	Net Cash:	189,311,502	Net Cash:	189,311,502
Enterprise Value:	582,262,011	Enterprise Value:	582,262,011	Enterprise Value:	519,075,553	Enterprise Value:	620,749,245
Original EV/EBITDA:	5.57	EV/EBITDA:	5.57	EV/EBITDA at 5 Years:	6.17	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	3.26	EV/EBITDA:	4.15	EV/EBITDA at 5 Years:	5.77	EV/EBITDA at 5 Years:	5.25
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:	2.45	2.45	2.57	2.71	2.84	2.99	3.14
Shares Outstanding:	225,560,000	225,560,000	225,560,000	225,560,000	225,560,000	225,560,000	225,560,000
Market Capitalization:	552,622,011	552,622,011	580,759,959	610,330,613	641,406,920	674,065,545	708,387,055
Available Cash:	58,860,000	58,860,000	72,182,037	96,030,112	131,628,300	184,078,795	235,371,502
Debt:	88,500,000	88,500,000	94,060,000	64,060,000	46,060,000	46,060,000	46,060,000
Net Cash:	-29,640,000	-29,640,000	-21,877,963	31,970,112	85,568,300	138,018,795	189,311,502
Enterprise Value:	582,262,011	582,262,011	602,637,923	578,360,501	555,838,621	536,046,750	519,075,553
EBIT	104,540,000	104,540,000	89,242,520	87,950,095	86,670,594	85,403,888	84,149,849
EV/EBIT:	5.57	5.57	6.75	6.58	6.41	6.28	6.17
EBITDA	140,320,000	140,320,000	124,664,720	123,018,073	121,387,892	119,774,013	118,176,273
EV/EBITDA:	4.15	4.15	4.83	4.70	4.58	4.48	4.39

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	2.45	2.45	2.11	2.31	2.52	2.72	2.92
Shares Outstanding:	225,560,000	225,560,000	225,560,000	225,560,000	225,560,000	225,560,000	225,560,000
Market Capitalization:	552,622,011	552,622,011	475,180,858	521,830,444	568,302,126	613,697,382	658,005,402
Available Cash:	58,860,000	58,860,000	72,182,037	96,030,112	131,628,300	184,078,795	235,371,502
Debt:	88,500,000	88,500,000	94,060,000	64,060,000	46,060,000	46,060,000	46,060,000
Net Cash:	-29,640,000	-29,640,000	-21,877,963	31,970,112	85,568,300	138,018,795	189,311,502
Enterprise Value:	582,262,011	582,262,011	497,058,821	489,860,331	482,733,827	475,678,587	468,693,900
EBIT	104,540,000	104,540,000	89,242,520	87,950,095	86,670,594	85,403,888	84,149,849
EV/EBIT:	5.57	5.57	5.57	5.57	5.57	5.57	5.57
EBITDA	140,320,000	140,320,000	124,664,720	123,018,073	121,387,892	119,774,013	118,176,273
EV/EBITDA:	4.15	4.15	3.99	3.98	3.98	3.97	3.97

LBO Price	2.45	Equity Partners:	641,122,011	Weighting	100.00%	Annualized Return for Equity Partners: 4.79%
Shares Outstanding	225,560,000	Debt Partners:	0	0.00%		
Market Capitalization	552,622,011	Total Funds for LBO:	641,122,011	100.00%		
Debt	88,500,000					
Cash	58,860,000					
Enterprise Value	582,262,011					
Capital Investment	641,122,011					

Book Value		Enterprise Value		Stock Valuation		Debt Reduction	
Beginning Book Value	299.57	Beginning Enterprise Value	582.26	Current Market Price	\$2.45	Starting Debt	42.50
Year 5 Book Value	584.07	Year 5 Enterprise Value	620.75	Year 5 Market Price	\$3.59	Debt Repayment	30.44
Annualized Return	14.29%	Annualized Return	1.29%	Annualized Return	7.95%	Year 5 Ending Debt	0.06
						% of Starting Debt	0.14%

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LBO Pro Forma Income Statement

Name:

Vonage Holding Corp.

Ticker:

VG

	Historical				Forecasted				
	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2011	2012	2013	2014	2015
Revenue	900.12	889.08	885.04	870.32	861.62	853.00	844.47	836.03	827.67
COGS	305.59	285.04	299.76	277.90	284.33	281.49	278.68	275.89	273.13
Gross margin	594.53	604.04	585.28	592.42	577.28	571.51	565.80	560.14	554.54
SG&A	552.96	493.45	437.16	439.03	439.42	435.03	430.58	426.37	422.11
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	32.33	-2.15	31.74	12.11	8.62	8.53	8.44	8.36	8.28
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	46.85	51.50	52.35	36.75	40.00	40.00	40.00	40.00	40.00
Operating Income (EBITA)	-37.01	61.24	64.03	104.54	89.24	87.95	86.67	85.40	84.15
Interest income/(expense)	-26.64	-103.84	-147.36	-17.93	-3.26	-0.86	0.58	0.58	0.58
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	-0.25	0.84	-0.02	-0.27	0.00	0.00	0.00	0.00	0.00
Income before tax	-63.90	-41.76	-83.35	86.34	85.99	87.09	87.25	85.99	84.73
Tax	0.66	0.84	0.32	-322.70	29.24	29.61	29.67	29.24	28.81
Income after tax	-64.58	-42.60	-83.67	409.04	56.75	57.48	57.59	56.75	55.92
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	-64.58	-42.60	-83.67	409.04	56.75	57.48	57.59	56.75	55.92
*Figures are in millions (\$)									
EPS (based off today's share count)	-\$0.29	-\$0.19	-\$0.37	\$1.81	\$0.25	\$0.25	\$0.26	\$0.25	\$0.25
P/E (historical today's price; forecasted intrinsic price)	-8.56	-12.97	-6.60	1.35	10.23	10.62	11.14	11.88	12.67
Revenue Growth	N/A	-1.23%	-0.45%	-1.66%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%
Tax Rate	-1.06%	-2.01%	-0.38%	-373.75%	34.00%	34.00%	34.00%	34.00%	34.00%
Implied Debt Interest Rate	-12.32%	-46.62%	-69.37%	-20.26%	-7.66%	-1.78%	3.23%	973.00%	973.00%
Margins									
COGS	33.95%	32.06%	33.87%	31.93%	33.00%	33.00%	33.00%	33.00%	33.00%
Gross margin	66.05%	67.94%	66.13%	68.07%	67.00%	67.00%	67.00%	67.00%	67.00%
SG&A	61.37%	55.50%	49.39%	50.44%	51.00%	51.00%	51.00%	51.00%	51.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	3.59%	-0.24%	3.59%	1.39%	1.00%	1.00%	1.00%	1.00%	1.00%
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	5.20%	5.79%	5.91%	4.22%	4.64%	4.69%	4.74%	4.78%	4.83%
Operating Income (EBITA)	-4.11%	6.89%	7.23%	12.01%	10.36%	10.31%	10.26%	10.22%	10.17%
Interest income/(expense)	-2.96%	-11.68%	-16.65%	-2.06%	-0.38%	-0.10%	0.07%	0.07%	0.07%
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	-0.03%	0.09%	-0.03%	-0.03%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	-7.10%	-4.70%	-9.42%	9.92%	9.98%	10.21%	10.33%	10.29%	10.24%
Tax	0.08%	0.09%	0.04%	-37.08%	3.39%	3.47%	3.51%	3.50%	3.48%
Income after tax	-7.17%	-4.79%	-9.45%	47.00%	6.59%	6.67%	6.68%	6.59%	6.49%
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	-7.17%	-4.79%	-9.45%	47.00%	6.59%	6.74%	6.82%	6.79%	6.76%

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LBO Adjusted Proforma Balance Sheet

	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2011-12-31	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	46.13	32.21	78.93	58.86	58.86			58.86	72.18	96.03	131.63	184.08	235.37
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	46.13	32.21	78.93	58.86	58.86			58.86	72.18	96.03	131.63	184.08	235.37
Accounts Receivable	17.70	15.05	15.21	17.86	17.86			17.86	17.86	17.86	17.86	17.86	17.86
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	17.70	15.05	15.21	17.86	17.86			17.86	17.86	17.86	17.86	17.86	17.86
Total Inventory	10.36	7.77	6.14	6.71	6.71			6.71	6.71	6.71	6.71	6.71	6.71
Prepaid Expenses	18.32	40.42	17.23	16.82	16.82			16.82	16.82	16.82	16.82	16.82	16.82
Other Current Assets	24.00	16.00	6.48	24.51	24.51			24.51	24.51	24.51	24.51	24.51	24.51
Current Assets	116.51	111.45	123.99	124.76	124.76	0.00	0.00	124.76	138.08	161.93	197.53	249.98	301.27
PP&E, Gross	184.19	199.54	205.45	207.47	207.47			207.47	247.47	287.47	327.47	367.47	407.47
Change in Depreciation		52.07	51.93	35.78	35.78			35.78	35.42	35.07	34.72	34.37	34.03
Accumulated Depreciation	85.89	108.99	135.48	139.49	139.49			139.49	174.91	209.98	244.70	279.07	313.09
PP&E, Net	98.30	90.55	69.97	67.98	67.98			67.98	72.56	77.49	82.77	88.40	94.38
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	39.77	40.87	39.70	54.72	54.72			54.72	53.13	51.83	50.54	49.21	47.87
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	82.33	70.51	17.64	318.75	318.75			318.75	318.75	318.75	318.75	318.75	318.75
Long Term Assets	220.40	201.93	127.31	441.45	441.45			441.45	444.44	448.07	452.06	456.36	461.00
Total Assets	336.91	313.38	251.30	566.21	566.21	0.00	0.00	566.21	582.52	610.00	649.59	706.34	762.27
Accounts Payable	33.98	11.51	37.13	66.21	66.21			66.21	66.21	66.21	66.21	66.21	66.21
Accrued Expense	57.00	51.37	71.30	49.98	49.98			49.98	49.98	49.98	49.98	49.98	49.98
Other current Liabilities	79.64	73.73	61.51	58.33	58.33			58.33	58.78	58.78	58.78	58.78	58.78
Total Current Liabilities	170.62	136.61	169.94	174.52	174.52	0.00	0.00	174.52	174.97	174.97	174.97	174.97	174.97
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	2.56	2.80	21.78	30.44	30.44			30.44	30.44	30.44	30.44	30.44	30.44
Long term Debt	192.75	200.47	173.00	42.50	42.50	0.00	0.00	42.50	48.06	18.06	0.06	0.06	0.06
Capital Lease Obligations	20.95	19.45	17.66	15.56	15.56			15.56	15.56	15.56	15.56	15.56	15.56
Total Interest Earning Debt	216.26	222.72	212.44	88.50	88.50	0.00	0.00	88.50	94.06	64.06	46.06	46.06	46.06
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	40.78	45.96	7.66	3.63	3.63			3.63	3.63	3.63	3.63	3.63	3.63
Total Liabilities	427.66	405.29	390.04	266.65	266.65	0.00	0.00	266.65	272.21	242.21	224.21	224.21	224.21
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	0.16	0.20	0.22	0.23	0.23		0.00	0.23	0.23	0.23	0.23	0.23	0.23
Additional Paid-in capital	975.57	1,008.55	1,053.81	1,074.49	1,074.49	0.00	0.00	1,074.49	1,074.49	1,074.49	1,074.49	1,074.49	1,074.49
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	-1,052.86	-1,088.24	-1,171.90	-762.86	-762.86		0.00	-762.86	-706.11	-648.63	-591.04	-534.29	-478.36
Treasury Stock	-12.70	-12.88	-13.14	-14.53	-14.53			-14.53	-14.53	-14.53	-14.53	-14.53	-14.53
Other Equity	-0.91	0.46	1.36	2.24	2.24		0.00	2.24	2.24	2.24	2.24	2.24	2.24
Total Equity	-90.74	-91.91	-129.65	299.57	299.57	0.00	0.00	299.57	356.32	413.80	471.39	528.14	584.07
Liability + Equity	336.92	313.38	260.39	566.22	566.22	0.00	0.00	566.22	628.53	656.01	695.60	752.35	808.28
Variance	-0.01	0.00	-9.09	-0.01	-0.01			-0.01	-46.01	-46.01	-46.01	-46.01	-46.01
Debt/Equity	-2.38	-2.42	-1.64	0.30	0.30			0.30	0.26	0.15	0.10	0.09	0.08
Inventory Turnover	86.88	114.42	144.14	129.70	128.41			129.70	128.41	127.12	125.85	124.59	123.35
Inventory Turnover Days	4.20	3.19	2.53	2.81	2.84			2.81	2.84	2.87	2.90	2.93	2.96
Days Inventory Outstanding	12.37	9.95	7.48	8.81	8.61			8.81	8.61	8.70	8.79	8.88	8.97
Accounts Receivable Turnover	50.85	59.08	58.19	48.73	48.24			48.73	48.24	47.76	47.28	46.81	46.34
Accounts Receivable Turnover Days	7.18	6.18	6.27	7.49	7.57			7.49	7.57	7.64	7.72	7.80	7.88
Days Payable Outstanding	40.59	14.74	45.21	86.96	84.99			86.96	84.99	85.85	86.72	87.60	88.48
Days Sales Outstanding	7.18	6.18	6.27	7.49	7.57			7.49	7.49	7.57	7.64	7.72	7.80
Cash Conversion Cycle	-21.03	1.39	-31.46	-70.66	-68.81			-70.66	-68.89	-69.59	-70.29	-71.00	-71.72

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2011	2012	2013	2014	2015
Net Income	-64.58	-42.60	-83.67	409.04	56.75	57.48	57.59	56.75	55.92
Depreciation	45.80	52.07	51.93	35.78	35.42	35.07	34.72	34.37	34.03
Net Income + Depreciation	-18.78	9.47	-31.74	444.82	92.17	92.55	92.31	91.12	89.95
Amortization	2.82	1.32	1.15	1.27	1.59	1.30	1.29	1.33	1.34
Deferred Taxes	0.00	0.00	0.00	-325.60	0.00	0.00	0.00	0.00	0.00
Non Cash Items	51.67	82.02	159.48	30.11	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-32.15	-54.41	65.32	-3.82	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	2.65	-0.15	-2.65	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	2.59	1.63	-0.57	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-22.10	23.19	0.41	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-22.47	25.62	29.08	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	3.56	38.40	194.21	146.78	93.76	93.85	93.60	92.45	91.29
Capital Expenditures Expenditures	-38.48	-46.63	-40.39	-38.65	-40.00	-40.00	-40.00	-40.00	-40.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Expenditures Proceeds	78.96	-3.94	35.70	1.05	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	40.48	-50.57	-4.69	-37.60	-40.00	-40.00	-40.00	-40.00	-40.00
Financing Cash flow items	-287.36	-0.25	-302.09	-3.75	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.05	0.06	1.62	4.56	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	-30.44	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	218.94	-3.06	156.71	-130.95	-10.00	-30.00	-18.00	0.00	0.00
Cash from Financing Activities	-68.37	-3.25	-143.76	-130.14	-40.44	-30.00	-18.00	0.00	0.00
Foreign Exchange effect	-1.08	1.50	0.96	0.89	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	71.54	46.13	32.21	78.93	58.86	72.18	96.03	131.63	184.08
Net Change in Cash	-25.41	-13.92	46.72	-20.07	13.32	23.85	35.60	52.45	51.29
Ending Cash Balance	46.13	32.21	78.93	58.86	72.18	96.03	131.63	184.08	235.37
Capex to Revenue	4.27%	5.24%	4.56%	4.44%	4.64%	4.69%	4.74%	4.78%	4.83%
Depreciation to Sales	5.09%	5.86%	5.87%	4.11%	4.11%	4.11%	4.11%	4.11%	4.11%
Amortization to Sales	0.31%	0.15%	0.13%	0.15%	0.18%	0.15%	0.15%	0.16%	0.16%
A/R to Sales	1.97%	1.69%	1.72%	2.05%	2.07%	2.09%	2.11%	2.14%	2.16%
Distributable FCF Yield	7.56%	-2.09%	32.55%	18.75%	9.23%	9.25%	9.21%	9.01%	8.81%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	44.04	-12.17	189.52	109.18	53.76	53.85	53.60	52.45	51.29

SN VALUATION

LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
Net Change in Cash	-20.07	13.32	23.85	35.60	52.45	51.29
Current Portion Debt Repayment		30.44				
Long Term Debt Repayment		10.00	30.00	18.00		
Outstanding Debt	88.50	48.06	18.06	0.06	0.06	0.06
Current Portion Debt Balance	30.44	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	58.06	48.06	18.06	0.06	0.06	0.06
Forward Libor Curve		4.00%	4.00%	4.00%	4.00%	4.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%
Interest Expense		3.84	1.44	0.00	0.00	0.00
Cash Balance		58.86				
Interest @ 1.0%		0.59	0.59	0.59	0.59	0.59
Net Interest Expense/(Income)		3.26	0.86	(0.58)	(0.58)	(0.58)
Net Interest Rate		7.66%	1.78%	-3.23%	-973.00%	-973.00%
EBITDA		89.24	87.95	86.67	85.40	84.15
EBITDA/Interest Expense Coverage		23.21	60.87	18056.37	17792.48	17531.22

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:

Vonage Holding Corp.

Ticker:

VG

Period	2007	2008	2009	2010	2011	2012	2013	2014	2015
Working Capital	-54.11	-25.16	-45.95	-49.76	-36.44	-12.59	23.01	75.46	126.75
Total Assets	336.91	313.38	251.30	566.21	582.52	610.00	649.59	706.34	762.27
X1	-0.16	-0.08	-0.18	-0.09	-0.06	-0.02	0.04	0.11	0.17
Retained Earnings	-1,052.86	-1,088.24	-1,171.90	-762.86	-706.11	-648.63	-591.04	-534.29	-478.36
Total Assets	336.91	313.38	251.30	566.21	582.52	610.00	649.59	706.34	762.27
X2	-3.13	-3.47	-4.66	-1.35	-1.21	-1.06	-0.91	-0.76	-0.63
EBITDA	9.84	112.74	116.38	141.29	129.24	127.95	126.67	125.40	124.15
Total Assets	336.91	313.38	251.30	566.21	582.52	610.00	649.59	706.34	762.27
X3	0.03	0.36	0.46	0.25	0.22	0.21	0.20	0.18	0.16
Market Value of Equity	552.62	552.62	552.62	552.62	580.76	610.33	641.41	674.07	708.39
Total Liabilities	427.66	405.29	390.04	266.65	272.21	242.21	224.21	224.21	224.21
X4	1.29	1.36	1.42	2.07	2.13	2.52	2.86	3.01	3.16
Net Sales	900.12	889.08	885.04	870.32	861.62	853.00	844.47	836.03	827.67
Total Assets	336.91	313.38	251.30	566.21	582.52	610.00	649.59	706.34	762.27
X5	2.67	2.84	3.52	1.54	1.48	1.40	1.30	1.18	1.09
Altman Z Score	-1.02	-0.12	-0.85	1.61	1.72	2.09	2.43	2.64	2.84

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

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

SN VALUATION

Economic Indicators

Indicators	Period	Value	Previous Value	Chg %	Released
Adjusted National Financial Conditions Index	Feb 10 2012	0.07	0.12	-43.99%	Error
Case-Shiller Home Price Index: National	Sep 2011	127.78	129.35	-1.21%	-0.0395
Philly Fed Manufacturing Activity Index	Feb 2012	10.2	7.30	39.73%	-0.6577
Philly Fed Manufacturing Future Activity Index	Feb 2012	33.3	49.00	-32.04%	-0.2534
US Average Claims for Unemployment Insurance	Feb 4 2012	3490	3498.396151	-0.24%	-0.1202
US Average Initial Claims for Unemployment Insurance	Feb 11 2012	365.25K	N/A	-0.48%	-0.1267
US Industrial Production Index	Dec 2011	95.29	94.87	0.44%	0.0295
US Initial Claims for Unemployment Insurance	Feb 11 2012	348.00K	N/A	-3.60%	-0.11
US Producer Price Index	Jan 2012	193.5	193.31	0.10%	0.0414
US Quits Rate: Total Nonfarm	Dec 2011	0.015	0.015	0.00%	0.0714
US Quits: Total Nonfarm	Dec 2011	1930	1958.99	-1.48%	0.0479
US Retail Sales	Jan 2012	358780000	357,493,025	0.36%	0.0554
US Total Business Inventories	Dec 2011	1.56T	N/A	0.38%	0.0772
US Total Business Inventory/Sales Ratio	Dec 2011	1.26	1.270033263	-0.79%	-0.0156
US Total Business Sales	Dec 2011	1.23T	N/A	0.71%	0.0886
US Total Separations Rate: Total Nonfarm	Dec 2011	0.03	0.03	0.00%	0.0345
US Total Separations: Total Nonfarm	Dec 2011	3910	3986.95	-1.93%	0.019

U.S. Key Indicators

10 Year Treasury Rate	1.93%
US Producer Price Index	193.5
US Initial Claims for Unemployment Insurance	348.00K
US 30 Year Mortgage Rate	3.87%
US Average Claims for Unemployment Insurance	3,490
US Retail Sales	358,780,000
US Unemployment Rate	0.083
US Durable Goods Orders	214,310,000
US Purchasing Managers Index	54.1
US Personal Consumption Expenditures	10.86T
US Consumer Price Index	227.5
US Consumer Sentiment	71.5
US Housing Starts	699.00K

Korea Key Indicators

	Period	Value	Chg from 1 Year
Gold Price in Korean Won	Feb 10 2012	1,923,469	27.28%
Korea Change in Stocks	Sep 2011	3.3	230.00%
Korea Consumer Price Index	Jan 2012	122.71	3.42%
Korea Core Consumer Price Index	Jan 2012	117.79	2.47%
Korea Core Inflation Rate	Dec 2011	0.0268	61.48%
Korea GDP	Sep 2011	310.1	5.30%
Korea Inflation Rate	Dec 2011	0.0416	37.29%
Korea Manufacturing Producer Price Index	Dec 2011	125.59	5.28%
Korea Misery Index	Dec 2011	7.26	11.18%
Korea Real GDP Growth	Dec 2011	0.0342	-27.39%
Korea Unemployment Rate	Dec 2011	0.031	-11.43%

Source: Ycharts.com

2012-02-20