

Analyst: Sung Nam

Wayside Technology Group Inc (WSTG)

Market Price:	\$12.00	EBITDA/Share:	\$1.88	Net Asset/Share:	\$6.06
DCF: EV/EBITDA Terminal Value	2.741%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		-3.451%	
Current Net Tangible Asset	10.672%	EVA Analysis:		8.124%	

Overview

Company resells hardware and software. Not great margins (10% Gross), but seems to be growing when the economy is weak, since the customers want to buy their products, which is on the lower end. They pay out a healthy dividend at 5.3%, so it is like a RIMG investment. Don't anticipate much upside on the underlying, but can generate a healthy dividend.

Dividend?

Dividend yield is 5.3%.

Cashflow Generation

Cashflows are \$5 MM from operating cashflow. 4% EBITA margin, 4% EBITDA margin. Capex is \$0.5 MM. The company has \$15.00 in cash/short term investment and \$0.00 in debt.

Profitability

ROA is a respectable 6.4%, and ROC is 16.4%.

LBO?

We don't believe a 80% debt/20% equity would be sustainable.

Price

We are forecasting a \$13.11/share in Year 5, or a 9% holding return, or 1.4% annual return.

Thus, the 1 year forecasted price is \$12.20.

Daily Market Figures

2011-12-07

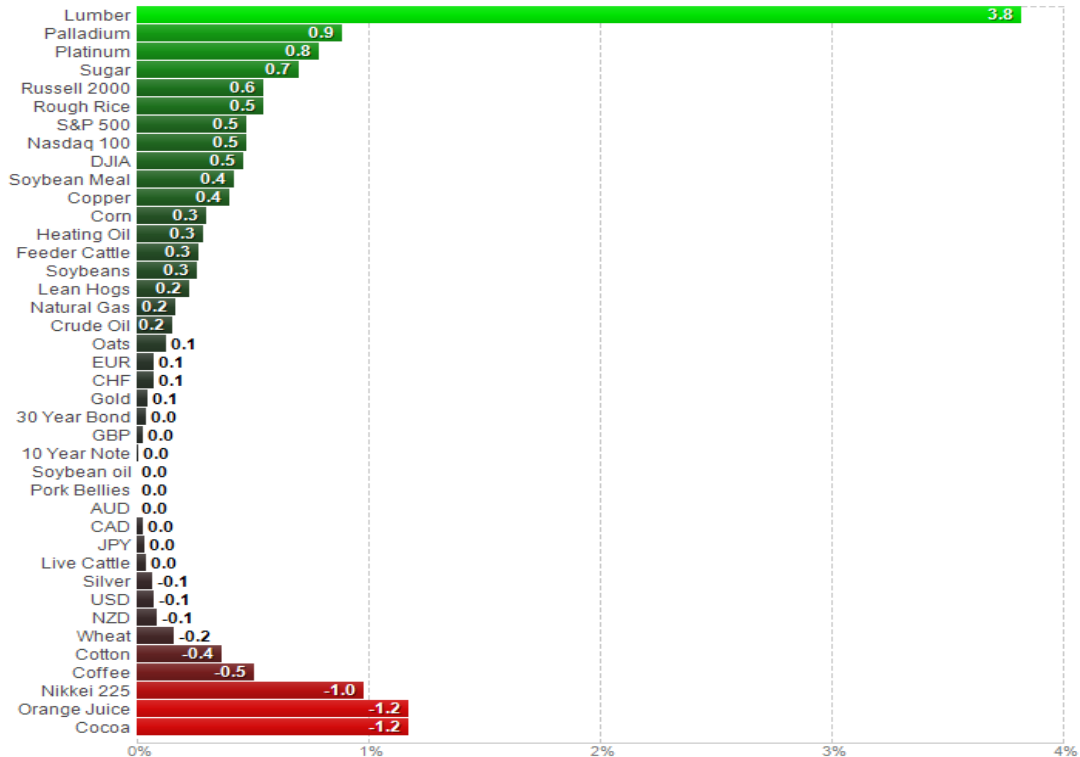
	Last	Change	Change %
Crude Oil	101.51	0.23	0.23%
Natural Gas	3.494	0.007	0.20%
Gold	1733.3	1.5	0.09%
S&P 500	1260.9	6	0.48%
Nasdaq 100	2331.75	10.25	0.44%
Kospi	1,916.5711:45PM EST	13.75(0.72%)	
Shanghai	2,328.1411:28PM EST	2.23(0.10%)	
Hang Seng	19,117.5311:30PM EST	175.30(0.93%)	
Nikkei 225	8,671.4511:25PM EST	96.29(1.12%)	
5-Year Treasury	0.95	0.002	0.21%
10-Year Treasury	2.09	-0.002	-0.10%
30-Year Treasury	3.1	0	0.00%
EUR/USD	1.3421	0.0019	0.14%
USD/JPY	77.73	0.01	0.01%
GBP/USD	1.5609	0.001	0.06%

	Today	Last Week	Change %
30 Year Fixed	3.98%	4.02%	-0.04%
15 Year Fixed	3.34%	3.39%	-0.05%
1 Year ARM	2.78%	2.78%	0.00%
30 Year Fixed Jumbo	4.72%	4.65%	0.07%
5/1 ARM	2.92%	2.94%	-0.02%
3/1 ARM	2.77%	2.85%	-0.08%

1 DAY RELATIVE PERFORMANCE

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*Source: Finviz.com; Bankrate.com; Yahoo.com
<http://finviz.com/futures.ashx>

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LBO Analysis

WACC Terminal Value:		Intrinsic Price in 5 Years:	13.11	Non-LBO Forecast	Non-LBO Forecast	Desired Return Rate	20.00%
EV/EBITDA with 5X Multiple Terminal Value:	\$13.74	Market Price:	12.00	Year 1 Target	12.21	Implied Today's Price	5.27
Net Tangible Asset Terminal Value:	\$10.07	LBO Price:	12.00	Year 2 Target	12.43	Overvalued/(Undervalued)	127.83%
EV/EBITDA with Today's Multiple Terminal Value:	\$11.14	Premium to Market Price:	0.00%	Year 3 Target	12.65		
EVA Enterprise Value:	\$17.48	LBO Price/Intrinsic Price Target:	1.78%	Year 4 Target	12.88		
Dividend Discount Model:	\$32.73	LBO Price/EV/EBIT Exit Price:	-1.47%	Year 5 Target	13.11		
Average (Excluding Dividend Discount):	\$13.11	Implied IRR at today's EV/EBIT:	-1.47%	Implied IRR (Market Price):	1.78%		

Current Evaluation				Exit Evaluation			
Current Market Price:	12.00	LBO Price:	12.00	Exit Price:	13.11	Exit Price:	11.14
Outstanding Shares:	4,400,000	Outstanding Shares:	4,400,000	Outstanding Shares:	4,400,000	Outstanding Shares:	4,400,000
Market Capitalization:	52,800,000	Market Capitalization:	52,800,000	Market Capitalization:	57,667,165	Market Capitalization:	49,019,218
Available Cash:	15,480,000	Available Cash:	15,480,000	Available Cash:	15,870,508	Available Cash:	15,870,508
Debt:	210,000	Debt:	210,000	Debt:	210,000	Debt:	210,000
Net Cash:	15,270,000	Net Cash:	15,270,000	Net Cash:	15,660,508	Net Cash:	15,660,508
Enterprise Value:	37,530,000	Enterprise Value:	37,530,000	Enterprise Value:	42,006,657	Enterprise Value:	33,358,710
Original EV/EBIT:	5.52	EV/EBIT:	5.52	EV/EBIT at 5 Years:	7.75	EV/EBIT at 5 Years:	5.60
Original EV/EBITDA:	4.55	EV/EBITDA:	5.52	EV/EBITDA at 5 Years:	9.71	EV/EBITDA at 5 Years:	5.60
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:	12.00	11.61	11.82	12.03	12.24	12.46	12.68
Shares Outstanding:	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000
Market Capitalization:	52,800,000	51,099,074	52,008,217	52,933,535	53,875,316	54,833,854	55,809,445
Available Cash:	15,490,000	15,490,000	15,307,669	15,457,612	15,396,236	15,527,093	15,870,508
Debt:	210,000	210,000	210,000	210,000	210,000	210,000	210,000
Net Cash:	15,280,000	15,280,000	15,097,669	15,247,612	15,186,236	15,317,093	15,660,508
Enterprise Value:	37,520,000	35,819,074	36,910,548	37,685,923	38,689,081	39,516,761	40,148,937
EBIT	6,490,000	6,490,000	4,131,774	4,544,951	4,920,740	5,180,653	5,422,037
EV/EBIT:	5.78	5.52	8.93	8.29	7.86	7.63	7.40
EBITDA	6,800,000	6,800,000	4,548,060	5,002,866	5,403,095	5,673,250	5,956,913
EV/EBITDA:	5.52	5.52	8.12	7.53	7.16	6.97	6.74

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	12.00	11.61	8.61	9.17	9.62	9.98	10.36
Shares Outstanding:	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000
Market Capitalization:	52,800,000	51,099,074	37,901,414	40,331,731	42,344,380	43,909,727	45,585,368
Available Cash:	15,490,000	15,490,000	15,307,669	15,457,612	15,396,236	15,527,093	15,870,508
Debt:	210,000	210,000	210,000	210,000	210,000	210,000	210,000
Net Cash:	15,280,000	15,280,000	15,097,669	15,247,612	15,186,236	15,317,093	15,660,508
Enterprise Value:	37,520,000	35,819,074	22,803,744	25,084,119	27,158,144	28,592,634	29,924,860
EBIT	6,490,000	6,490,000	4,131,774	4,544,951	4,920,740	5,180,653	5,422,037
EV/EBIT:	5.78	5.52	5.52	5.52	5.52	5.52	5.52
EBITDA	6,800,000	6,800,000	4,548,060	5,002,866	5,403,095	5,673,250	5,956,913
EV/EBITDA:	5.52	5.52	5.01	5.01	5.03	5.04	5.02

LBO Price	12.00	Equity Partners:	52,800,000	Weighting	100.00%	Annualized Return for Equity Partners:	-1.47%
Shares Outstanding	4,400,000	Debt Partners:	0		0.00%		
Market Capitalization	52,800,000	Total Funds for LBO:	52,800,000		100.00%		

Book Value		Enterprise Value		Stock Valuation		Debt Reduction	
Beginning Book Value	52.80	Beginning Enterprise Value	37.53	Current Market Price	\$12.00	Starting Debt	0.00
Year 5 Book Value	54.72	Year 5 Enterprise Value	33.36	Year 5 Market Price	\$11.14	Debt Repayment	0.00
Annualized Return	0.72%	Annualized Return	-2.33%	Annualized Return	-1.47%	Year 5 Ending Debt	0.00
						% of Starting Debt	#DIV/0!

	Historical				Forecasted				
	12 months ending 2007-12-31	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	2011	2012	2013	2014	2015
Revenue	179.87	174.03	146.38	206.73	227.40	250.14	270.15	283.66	297.85
COGS (excluding depreciation)	162.63	157.23	130.79	186.72	206.94	227.63	245.84	258.13	271.04
Gross margin	17.24	16.80	15.59	20.01	20.47	22.51	24.31	25.53	26.81
SG&A	12.08	12.21	11.32	13.21	15.92	17.51	18.91	19.86	20.85
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	0.00	0.00	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	0.35	0.35	0.29	0.31	0.42	0.46	0.48	0.49	0.53
Operating Income (EBITA)	4.81	4.24	3.98	6.49	4.13	4.54	4.92	5.18	5.42
Interest income/(expense)	0.99	0.74	0.52	0.41	-0.01	-0.01	-0.01	-0.01	-0.01
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	6.14	5.33	4.79	7.21	4.13	4.54	4.92	5.18	5.42
Tax	2.44	2.16	1.92	2.79	1.24	1.36	1.47	1.55	1.62
Income after tax	3.70	3.17	2.87	4.42	2.89	3.18	3.44	3.62	3.79
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	3.70	3.17	2.87	4.42	2.89	3.18	3.44	3.62	3.79
*Figures are in millions (\$)									
Revenue Growth	N/A	-3.25%	-15.89%	41.23%	10.00%	10.00%	8.00%	5.00%	5.00%
Tax Rate	39.74%	40.53%	40.08%	38.70%	30.00%	30.00%	30.00%	30.00%	30.00%
Implied Debt Interest Rate	0.00%	0.00%	0.00%	195.24%	-8.00%	-8.00%	-8.00%	-8.00%	-8.00%
Margins									
COGS (excluding depreciation)	90.42%	90.35%	89.35%	90.32%	91.00%	91.00%	91.00%	91.00%	91.00%
Gross margin	9.58%	9.65%	10.65%	9.68%	9.00%	9.00%	9.00%	9.00%	9.00%
Depreciation	0.19%	0.20%	0.20%	0.15%	0.18%	0.18%	0.18%	0.17%	0.18%
SG&A	6.72%	7.02%	7.73%	6.39%	7.00%	7.00%	7.00%	7.00%	7.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	0.00%	0.00%	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%
Operating Income (EBITA)	2.67%	2.44%	2.72%	3.14%	1.82%	1.82%	1.82%	1.83%	1.82%
Interest income/(expense)	0.55%	0.57%	0.36%	0.20%	0.00%	0.00%	0.00%	0.00%	0.00%
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	3.41%	3.06%	3.27%	3.49%	1.81%	1.81%	1.82%	1.82%	1.82%
Tax	1.36%	1.24%	1.31%	1.35%	0.54%	0.54%	0.55%	0.55%	0.55%
Income after tax	2.06%	1.82%	1.96%	2.14%	1.27%	1.40%	1.51%	1.59%	1.67%
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	2.06%	1.82%	1.96%	2.14%	1.27%	1.27%	1.27%	1.28%	1.27%

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LBO Adjusted Proforma Balance Sheet

	As of 2010-12-31	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
		+	-						
Cash	10.96			10.96	10.78	10.93	10.87	11.00	11.34
Short term investment	4.53			4.53	4.53	4.53	4.53	4.53	4.53
Cash and Short term	15.49			15.49	15.31	15.46	15.40	15.53	15.87
Accounts Receivable	42.49			42.49	42.49	42.49	42.49	42.49	42.49
Other receivables	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	42.49			42.49	42.49	42.49	42.49	42.49	42.49
Deferred Income Tax	-0.01			-0.01	-0.01	-0.01	-0.01	-0.01	-0.01
Total Inventory	1.16			1.16	1.16	1.16	1.16	1.16	1.16
Prepaid Expenses	1.25			1.25	1.25	1.25	1.25	1.25	1.25
Other Current Assets	0.52			0.52	0.52	0.52	0.52	0.52	0.52
Current Assets	60.90	0.00	0.00	60.90	60.72	60.87	60.81	60.94	61.28
PP&E, Gross	3.10			3.10	3.60	4.10	5.10	6.10	7.10
Change in Depreciation	0.31			0.31	0.42	0.46	0.48	0.49	0.53
Accumulated Depreciation	-4.93			-4.93	-4.51	-4.06	-3.57	-3.08	-2.55
PP&E, Net	8.03			8.03	8.11	8.16	8.67	9.18	9.65
Goodwill	0.00	26.12		26.12	26.12	26.12	26.12	26.12	26.12
Intangibles	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
Other long term assets	0.37			0.37	0.37	0.37	0.37	0.37	0.37
Long Term Assets	8.40			34.52	34.60	34.65	35.16	35.67	36.14
Total Assets	68.68	26.12	0.00	95.42	95.32	95.51	95.97	96.61	97.42
Accounts Payable	39.00			39.00	39.00	39.00	39.00	39.00	39.00
Accrued Expense	2.79			2.79	2.79	2.79	2.79	2.79	2.79
Other current Liabilities	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities	41.79	0.00	0.00	41.79	41.79	41.79	41.79	41.79	41.79
Notes Payables/Short Term Debt	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	0.07			0.07	0.07	0.07	0.07	0.07	0.07
Long term Debt	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.14			0.14	0.14	0.14	0.14	0.14	0.14
Total Interest Earning Debt	0.21	0.00	0.00	0.21	0.21	0.21	0.21	0.21	0.21
Deferred Income tax	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
Other liabilities	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Liabilities	42.00	0.00	0.00	42.00	42.00	42.00	42.00	42.00	42.00
Redeemable Preferred Stock	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
Common Stock	0.05		0.05	0.00	0.00	0.00	0.00	0.00	0.00
Additional Paid-in capital	25.47	52.80	25.47	52.80	52.80	52.80	52.80	52.80	52.80
Dividends Paid	0.00		0.00	0.00	-3.00	-6.00	-9.00	-12.00	-15.00
Retained Earnings	4.27		4.27	0.00	2.89	6.07	9.51	13.13	16.92
Treasury Stock	-3.57		(3.57)	0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	0.46		0.46	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	26.68	52.80	26.68	52.80	52.69	52.87	53.31	53.93	54.72
Liability + Equity	68.68	52.80	26.68	94.80	94.69	94.87	95.31	95.93	96.72
Variance	0.00			0.62	0.63	0.65	0.66	0.68	0.70
Debt/Equity	0.01			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	178.22			178.22	196.04	215.64	232.89	244.54	256.76
Inventory Turnover Days	2.05			2.05	1.86	1.69	1.57	1.49	1.42
Days Inventory Outstanding	2.27			2.27	2.05	1.86	1.72	1.64	1.56
Accounts Receivable Turnover	4.87			4.87	5.35	5.89	6.36	6.68	7.01
Accounts Receivable Turnover Days	75.02			75.02	68.20	62.00	57.41	54.67	52.07
Days Payable Outstanding	76.24			76.24	68.79	62.54	57.90	55.15	52.52

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LBO Adjusted Proforma Cash Flow

	12 months ending 2010-12-31	2011	2012	2013	2014	2015
Net Income	4.42	2.89	3.18	3.44	3.62	3.79
Depreciation	0.31	0.42	0.46	0.48	0.49	0.53
Amortization	0.01	0.01	0.01	0.02	0.02	0.02
Deferred Taxes	0.27	0.00	0.00	0.00	0.00	0.00
Non Cash Items	1.25	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-3.34	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	-15.45	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	-0.19	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	-0.25	0.00	0.00	0.00	0.00	0.00
Accounts Payable	11.45	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	2.92	3.32	3.65	3.94	4.13	4.34
Capital Expenditures	-0.18	-0.50	-0.50	-1.00	-1.00	-1.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	3.05	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	2.87	-0.50	-0.50	-1.00	-1.00	-1.00
Financing Cash flow items	0.05	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-2.88	3.00	3.00	3.00	3.00	3.00
Issuance (Retirement) of Stock	-0.61	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	-0.03	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-3.47	-3.00	-3.00	-3.00	-3.00	-3.00
Foreign Exchange effect	0.07	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	8.56	10.96	10.78	10.93	10.87	11.00
Net Change in Cash	2.40	-0.18	0.15	-0.06	0.13	0.34
Ending Cash Balance	10.96	10.78	10.93	10.87	11.00	11.34

Depreciation to Sales	0.15%	0.18%	0.18%	0.18%	0.17%	0.18%
Amortization to Sales	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%
A/R to Sales	20.55%	18.68%	16.99%	15.73%	14.98%	14.27%

Appreciation Potential:

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LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
CSS						
Net Change in Cash	2.40	-0.18	0.15	-0.06	0.13	0.34
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	0.07	0.07	0.07	0.07	0.07	0.07
Current Portion Debt Balance	0.07	0.07	0.07	0.07	0.07	0.07
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		4.00%	4.50%	5.00%	5.50%	6.00%
Spread		4.00%	3.50%	3.00%	2.50%	2.00%
Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%
Interest Expense		0.01	0.01	0.01	0.01	0.01
EBITDA		4.13	4.54	4.92	5.18	5.42
EBITDA/Interest Expense Coverage		737.82	811.60	878.70	925.12	968.22

Interest Rate Coverage Table

Debt Rating	2011	2012	2013	2014	2015
AAA	AAA	AAA	AAA	AAA	AAA
AA					
A+					
A					
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D					

*Source: NYU; Professor Damodaran