

Zagg, Inc (ZAGG)

Price:	\$4.38
Market Cap:	\$137,225,400
Cash:	\$12,650,000
Debt:	\$20,000,000
Net Cash:	-\$7,350,000
Enterprise Value:	\$144,575,400
Shares Outstanding:	31,330,000

Net Tang. Bk Value Incl. Cash, Excl.	\$127,410,000.00
Goodwill (NTBVIC):	
NTBVIC/Market Downside Recovery:	92.85%
Op. Cash Flow:	\$32,460,685
Implied Years to Fill Gap:	0.30
Today's Equity if 5x Op. CF:	\$224,792,055

Net Tang. Book Yr. 5 (Inc. Cash):	\$231,913,425.00
Avg. Year Op. Cash:	\$32,460,685.00
Year 5 Disposition FCF Multiple:	3.0
Year 5 Disposition Price:	\$329,295,480.00
Net Tang. Book+ Gain Disposition:	\$329,295,480.00
IRR:	19.13%

Price:	\$10.51
Target Market Cap:	\$329,295,480
Target Enterprise Value:	\$336,645,480

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

Manufacturing of the protective plastic film used on smartphone screens, iPad, and other touch screen display units.

Concerns:

- Single product business line
- \$50MM in intangible assets
- Large customers are Walmart and Bestbuy, who could drop the product

Positive:

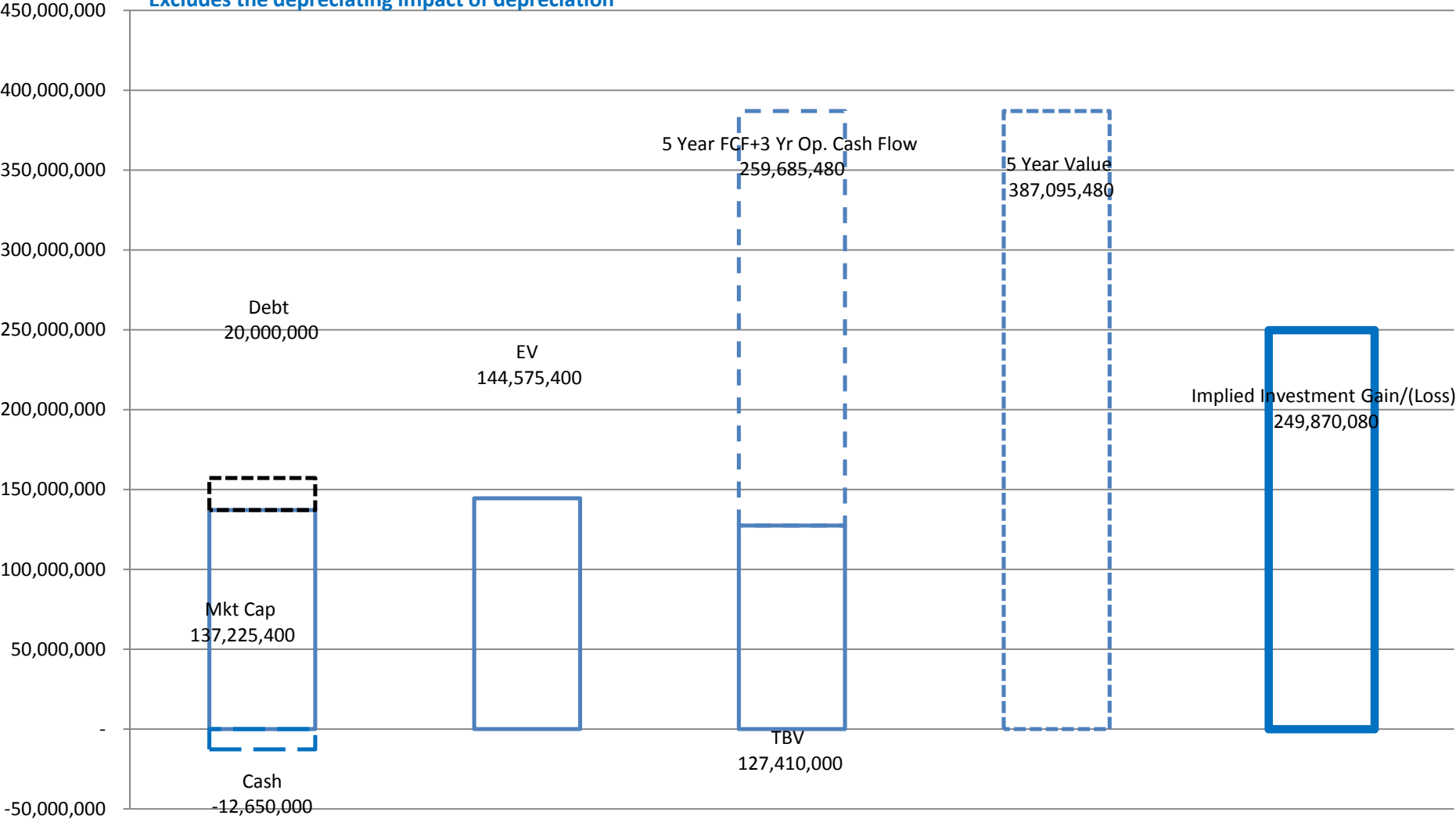
- Minimal capex investment
- Generates \$20MM in op. cash flow
- 90% Net tangible book value to market
- Beneficiary of smartphone growth
- Cheap stock
- Double digit growth

Stock is at 4 year lows. Although we run the risk of holding on to a business that holds a lot of risk, as a recent startup, I believe this would be a contrarian play. The films seem like it will be replaced every 2-3 years, as smartphone users replace their phones every 2-3 years. As a result, the business will generate stable revenue, and may be acquired later down the line.



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Excludes the depreciating impact of depreciation



Zagg, Inc., formed as a Nevada corporation on April 2, 2004, under the name Amerasia Khan Enterprises Ltd ("AKE"). Zagg Inc., designs, manufactures and distributes creative product solutions such as protective coverings, keyboards, keyboard cases, earbuds, mobile power solutions, and device cleaning accessories for mobile devices under the family of ZAGG brands. The Company designs, manufactures and distributes protective clear coverings and accessories for consumer electronic and hand-held devices under the brand names invisibleSHIELD™, ZAGGskins™, ZAGGbuds™, ZAGGsparq™, ZAGGmate™, ZAGGfolio™, ZAGGkeys™, iFrogz™ and Earpollution™. The invisibleSHIELD is a protective, high-tech patented film covering, designed for iPods, laptops, cell phones, digital cameras, PDAs, watch faces, GPS systems, gaming devices, and other items. The patent-pending invisibleSHIELD application of clear protective film covering a device is the first scratch protection solution of its kind on the market, and has sold millions of units. Currently, ZAGG offers over 5,900 precision pre-cut designs with a lifetime replacement warranty through ZAGG.com, major retailers like Best Buy, Radio Shack, and Cricket, resellers, college bookstores, Mac stores, mall kiosks, and other online retailers. The company continues to increase its product lines to offer additional electronic accessories and services to its tech-savvy customer base. The Company designs, manufactures and distributes protective coverings, audio accessories and power solutions for consumer electronic and hand-held devices under the brand names invisibleSHIELD™ and ZAGGaudio™. Its operations are divided into two operating groups: ZAGG and iFrogz. Within ZAGG and iFrogz, we are organized. Its marketing activities include the development and maintenance of our websites; customer service; operations; product development and management; and general and administration functions. The company is subject to various federal, state and local employee workplace protection regulations including those of the Occupational Safety and Health Administration (OSHA).

Company Name:	Zagg, Inc
Ticker Symbol:	ZAGG
Last Price:	\$4.38
Net Cash/Share:	-\$0.23
Net Cash to Last Price:	-5.36%
Shares Outstanding:	31,330,000
Industry:	Specialty Retail
Sector:	Consumer Cyclical
Institutional Ownership:	45.09%
Mutual Fund Ownership:	20.50%
Insider Ownership:	16.71%
Float:	96.00%

Market Capitalization:	\$137,225,400.00
Total Debt:	\$20,000,000.00
RCH Total Cash:	\$12,650,000.00
Net Cash/(Debt):	-\$7,350,000.00
Enterprise Value:	\$144,575,400.00
Current EV/Share:	\$4.61
EBITDA:	\$54,780,000.00
EV/EBITDA Multiple:	2.64
EV/EBITDA Multiple Average Year 1-5:	3.18
EV/FCF Multiple (excluding acquisition):	9.90
EV/FCF Multiple Average Year 1-5 (excluding acquisition):	4.91

Income Statement		
Revenue:	\$240,020,000.00	100.0%
Cost of Goods Sold:	\$119,470,000.00	49.8%
Gross Profit:	\$120,550,000.00	50.2%
EBITDA:	\$42,790,000.00	17.8%
Net Income:	\$7,030,000.00	2.9%

Balance Sheet	
Cash:	\$12,650,000.00
Short Term Investment:	\$0.00
A/R:	\$32,000,000.00
PP&E:	\$5,000,000.00
Assets:	\$174,320,000.00

A/P:	\$13,000,000.00
Deferred Tax:	\$0.00
Other Liabilities:	\$11,090,000.00
Short term Debt:	\$8,000,000.00
Long Term Debt:	\$12,000,000.00
Liabilities:	\$44,090,000.00
Retained Earnings:	\$54,000,000.00
Paid-In Capital:	\$82,030,000.00
Treasury Stock:	-\$6,000,000.00
Stockholder's Equity:	\$129,410,000.00

Technicals	
52 week low:	\$3.58
Today from 52 week low:	22.35%
52 week high:	\$8.24
Today from 52 week high:	88.13%

Analyst/Consensus	
Analyst Sales Growth FY1:	-19.10%
Analyst Sales Growth FY2:	8.40%
SN Valuation Estimate FY1:	0.00%
SN Valuation Estimate FY2:	0.00%

Analyst Earnings Estimate FY1:	\$0.36
Analyst Earnings Estimate FY2:	\$0.51
SN Valuation Earnings Est. FY1:	\$0.67
SN Valuation Earnings Est. FY2:	\$0.67

Multiples	
Market Value to Book:	1.06
EV to Book:	1.12
Market Value to Tangible Net Assets:	3.13
P/E Ratio:	19.52
Trailing P/E Ratio:	19.21
Forward P/E Ratio:	8.59
Beta:	1.4
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:	2.64
Average EV to EBIT:	N/A
Company EV to EBITA:	4.32

Upper Range	
DCF: EV/EBITDA Terminal Value	
Implied TV from 3 X EV/EBITDA Multiple	\$134,859,300.00
Enterprise Value	\$134,859,300.00
Cash at Year 5:	\$159,953,425.00
Debt at Year 5:	\$20,000,000.00
Equity Value Year 5:	\$274,812,725.00
Equity/Share at Year 5:	\$8.77
Annualized Return:	14.90%

Lower Range	
DCF: Net Tangible Asset excluding Cash/Debt Terminal Value	
Year 5 Net Tangible Assets excluding cash and debt	\$90,080,000.00
Enterprise Value	\$90,080,000.00
Cash at Year 5:	\$159,953,425.00
Debt at Year 5:	\$20,000,000.00
Equity Value Year 5:	\$230,033,425.00
Equity/Share at Year 5:	\$7.34
Annualized Return:	10.88%

EVA	
EVA today:	\$141,772,083.91
EVA in 5 Years:	\$220,727,147.50
EVA/Share:	\$7.05
Cash at Year 5:	\$159,953,425.00
Debt at Year 5:	\$20,000,000.00
Equity Value Year 5:	\$360,680,572.50
Equity/Share at Year 5:	\$11.51
Annualized return	9.26%

Cash Flow	
Net Income:	14,510,000.00
Depreciation/Amortization:	11,560,000.00
Change in Working capital:	-22,530,000.00
Cash from Operating Activities:	17,450,000.00
Capital Expenditures:	-2,840,000.00
Cash from Investing Activities:	-2,840,000.00
Total Cash Dividends Paid:	0.00
Issuance (Retirement) of Stock:	900,000.00
Issuance (Retirement) of Debt:	-22,160,000.00
Cash from Financing Activities:	-20,790,000.00

Profitability Margins	
Debt to Equity:	15.45%
Return on Assets:	8.32%
Return on Capital:	9.71%
Return on Equity:	11.21%

Current Net Tangible Asset	
Net Tangible Asset/Share:	\$2.37
Net Tangible Asset/Share in Year 5:	\$5.70
Annualized return	19.21%

Current Equity Price:	\$4.38
Selling at Discount?	Premium
Appreciation Potential:	-45.91%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Zagg, Inc

Ticker:

ZAGG

	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	38.36	76.14	179.12	264.43	264.43	264.43	264.43	264.43	264.43
COGS	16.31	38.74	97.20	143.88	145.44	145.44	145.44	145.44	145.44
Gross margin	22.05	37.40	81.92	120.55	118.99	118.99	118.99	118.99	118.99
SG&A	16.34	20.57	49.84	65.83	74.04	74.04	74.04	74.04	74.04
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	11.50	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					11.00	11.00	11.00	11.00	11.00
Operating Income (EBITA)	5.71	16.83	32.08	43.22	33.95	33.95	33.95	33.95	33.95
Interest income/(expense)	-0.24	-0.24	-3.03	-9.18	-1.80	-1.80	-1.80	-1.80	-1.80
Gain (loss) on sale of asset	0.00	0.00	1.91	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.04	0.01	-0.02	-0.41	0.00	0.00	0.00	0.00	0.00
Income before tax	5.51	16.58	27.00	23.90	32.15	32.15	32.15	32.15	32.15
Tax	2.13	6.65	9.42	9.39	11.25	11.25	11.25	11.25	11.25
Income after tax	3.38	9.93	17.58	14.51	20.90	20.90	20.90	20.90	20.90
Minority Interest	0.00	0.04	0.66	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	3.38	9.96	18.25	14.51	20.90	20.90	20.90	20.90	20.90
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.11	\$0.32	\$0.58	\$0.46	\$0.67	\$0.67	\$0.67	\$0.67	\$0.67
P/E (historical today's price; forecasted intrinsic price)	40.60	13.78	7.52	9.46	7.82	9.32	11.10	13.22	15.76
Revenue Growth	N/A	98.49%	135.25%	47.63%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	38.66%	40.11%	34.89%	39.29%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	-800.00%	-4.43%	-19.88%	-14.99%	-14.99%	-14.99%	-14.99%	-14.99%
Margins									
COGS	42.52%	50.88%	54.27%	54.41%	55.00%	55.00%	55.00%	55.00%	55.00%
Gross margin	57.48%	45.12%	45.73%	45.59%	45.00%	45.00%	45.00%	45.00%	45.00%
SG&A	42.60%	27.02%	27.82%	24.90%	28.00%	28.00%	28.00%	28.00%	28.00%
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%	4.35%	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%	4.16%	4.16%	4.16%	4.16%	4.16%
Operating Income (EBITA)	14.89%	22.10%	17.91%	16.34%	12.84%	12.84%	12.84%	12.84%	12.84%
Interest income/(expense)	-0.63%	-0.32%	-1.69%	-3.47%	-0.68%	-0.68%	-0.68%	-0.68%	-0.68%
Gain (loss) on sale of asset	0.00%	0.00%	1.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.10%	0.01%	-0.01%	-0.16%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	14.36%	21.78%	15.07%	9.04%	12.16%	12.16%	12.16%	12.16%	12.16%
Tax	5.55%	8.73%	5.26%	3.55%	4.26%	4.26%	4.26%	4.26%	4.26%
Income after tax	8.81%	13.04%	9.81%	5.49%	7.90%	7.90%	7.90%	7.90%	7.90%
Minority Interest	0.00%	0.05%	0.37%	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	8.81%	13.08%	10.19%	5.49%	7.90%	7.90%	7.90%	7.90%	7.90%

						Adjustment		Adjusted Proforma	2014	2015	2016	2017	2018
	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-12-31	As of 2013-09-30	+	-						
Cash	4.97	2.37	26.43	20.18	12.65			12.65	42.110685	71.57	101.03	130.49	159.95
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	4.97	2.37	26.43	20.18	12.65			12.65	42.11	71.57	101.03	130.49	159.95
Accounts Receivable	5.45	17.67	45.45	54.56	32.00			32.00	32.00	32.00	32.00	32.00	32.00
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	5.45	17.67	45.45	54.56	32.00			32.00	32.00	32.00	32.00	32.00	32.00
Total Inventory	3.70	17.95	29.62	39.99	50.71			50.71	50.71	50.71	50.71	50.71	50.71
Prepaid Expenses	0.36	2.28	1.59	9.55	3.13			3.13	3.13	3.13	3.13	3.13	3.13
Other Current Assets	2.89	6.34	5.13	6.91	7.37			7.37	7.37	7.37	7.37	7.37	7.37
Current Assets	17.37	46.61	108.22	131.19	105.86	0.00	0.00	105.86	135.320685	164.78	194.24	223.70	253.16
PP&E, Gross	1.40	2.35	6.02	10.06	10.00			10.00	13.00	16.00	19.00	22.00	25.00
Change in Depreciation	0.24	0.35	5.93	11.56	11.56			11.56	11.56	11.56	11.56	11.56	11.56
Accumulated Depreciation	0.52	0.85	1.86	5.23	5.00			5.00	16.56	28.12	39.68	51.24	62.80
PP&E, Net	0.88	1.50	4.16	4.83	5.00			5.00	-3.56	-12.12	-20.68	-29.24	-37.80
Goodwill	0.00	0.00	6.92	1.48	2.00	0.00		2.00	2.00	2.00	2.00	2.00	2.00
Intangibles	0.12	9.17	73.69	57.91	54.00			54.00	54.00	54.00	54.00	54.00	54.00
Long term investments	0.00	0.00	4.88	2.01	0.18			0.18	0.18	0.18	0.18	0.18	0.18
Other long term assets	0.46	0.06	3.09	8.05	7.28			7.28	7.28	7.28	7.28	7.28	7.28
Long Term Assets	1.46	10.73	92.74	74.28	68.46			68.46	59.90	51.34	42.78	34.22	25.66
Total Assets	18.83	57.34	200.96	205.47	174.32	0.00	0.00	174.32	195.22	216.12	237.02	257.92	278.82
Accounts Payable	2.78	12.12	16.01	19.03	13.00			13.00	13.00	13.00	13.00	13.00	13.00
Accrued Expense	0.19	0.54	5.35	6.31	3.30			3.30	3.30	3.30	3.30	3.30	3.30
Other current Liabilities	2.04	10.39	10.00	10.48	7.44			7.44	7.44	7.44	7.44	7.44	7.44
Total Current Liabilities	5.01	23.05	31.36	35.82	23.74	0.00	0.00	23.74	23.74	23.74	23.74	23.74	23.74
Notes Payables/Short Term Debt	0.00	0.03	2.37	6.00	8.00			8.00	8.00	8.00	8.00	8.00	8.00
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	65.96	40.17	12.00	0.00	0.00	12.00	12.00	12.00	12.00	12.00	12.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	0.00	0.03	68.33	46.17	20.00	0.00	0.00	20.00	20.00	20.00	20.00	20.00	20.00
Deferred Income tax	0.00	1.56	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	2.62	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	0.00	0.00	0.00	0.00	0.35			0.35	0.35	0.35	0.35	0.35	0.35
Total Liabilities	5.01	27.26	99.69	81.99	44.09	0.00	0.00	44.09	44.09	44.09	44.09	44.09	44.09
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	9.24	15.49	70.25	77.23	82.00	0.00	0.00	82.00	82.00	82.00	82.00	82.00	82.00
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	4.74	14.70	32.95	47.45	54.00			54.00	74.90	95.80	116.70	137.60	158.50
Treasury Stock	0.00	0.00	0.00	0.00	-6.00		0.00	-6.00	-6.00	-6.00	-6.00	-6.00	-6.00
Other Equity	-0.11	-0.06	-0.60	-0.62	-0.62		0.00	-0.62	-0.62	-0.62	-0.62	-0.62	-0.62
Total Equity	13.89	30.15	102.63	124.09	129.41	0.00	0.00	129.41	150.31	171.21	192.11	213.01	233.91
Liability + Equity	18.90	57.41	202.32	206.08	173.50	0.00	0.00	173.50	194.40	215.30	236.20	257.10	278.00
Variance	-0.07	-0.07	-1.36	-0.61	0.82			0.82	0.82	0.82	0.82	0.82	0.82
Debt/Equity	0.00	0.00	0.67	0.37	0.15			0.15	0.13	0.12	0.10	0.09	0.09
Inventory Turnover	10.37	4.24	6.05	6.61	5.21			5.21	5.21	5.21	5.21	5.21	5.21
Inventory Turnover Days	35.21	86.05	60.36	55.20	70.00			70.00	70.00	70.00	70.00	70.00	70.00
Days Inventory Outstanding	82.80	169.12	111.23	101.45	127.27			128.64	127.27	127.27	127.27	127.27	127.27
Accounts Receivable Turnover	7.04	4.31	3.94	4.85	8.26			8.26	8.26	8.26	8.26	8.26	8.26
Accounts Receivable Turnover Days	51.86	84.71	92.62	75.31	44.17			44.17	44.17	44.17	44.17	44.17	44.17
Days Payable Outstanding	62.21	114.19	60.12	48.28	32.63			32.98	32.63	32.63	32.63	32.63	32.63
Days Sales Outstanding	51.86	84.71	92.62	75.31	44.17			75.31	44.17	44.17	44.17	44.17	44.17
Cash Conversion Cycle	72.45	139.64	143.72	128.48	138.81			170.97	138.81	138.81	138.81	138.81	138.81
Net tangible assets/share	\$0.44	\$0.67	\$0.70	\$2.07	\$2.34				\$3.01	\$3.68	\$4.34	\$5.01	\$5.68

	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2014	2015	2016	2017	2018
Net Income	3.38	9.93	17.58	14.51	20.90	20.90	20.90	20.90	20.90
Depreciation	0.24	0.35	5.93	11.56	11.56	11.56	11.56	11.56	11.56
Net Income + Depreciation	3.62	10.28	23.51	26.07	32.46	32.46	32.46	32.46	32.46
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	0.51	-1.48	-3.91	-8.29	0.00	0.00	0.00	0.00	0.00
Non Cash Items	0.04	0.67	2.31	22.20	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-2.47	-12.62	-14.78	-22.53	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-12.22	-27.78	-9.11	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	-14.25	-11.67	-10.37	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-1.92	0.69	-7.96	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	9.34	3.89	3.02	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	1.70	-3.15	7.13	17.45	32.46	32.46	32.46	32.46	32.46
Capital Expenditures Expenditures	-1.80	-2.94	-1.69	-2.84	-3.00	-3.00	-3.00	-3.00	-3.00
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	0.00	-51.31	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-1.80	-2.94	-53.00	-2.84	-3.00	-3.00	-3.00	-3.00	-3.00
Financing Cash flow items	1.06	0.62	4.47	0.47	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	2.97	2.79	2.47	0.90	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	-0.02	0.03	62.90	-22.16	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	4.01	3.44	69.84	-20.79	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	-0.01	0.05	0.10	-0.07	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	1.06	4.97	2.37	26.43	12.65	42.11	71.57	101.03	130.49
Net Change in Cash	3.91	-2.60	24.06	-6.26	29.46	29.46	29.46	29.46	29.46
Ending Cash Balance	4.97	2.37	26.43	20.17	42.11	71.57	101.03	130.49	159.95
Capex to Revenue	4.69%	3.86%	0.94%	1.07%	1.13%	1.13%	1.13%	1.13%	1.13%
Depreciation to Sales	0.63%	0.46%	3.31%	4.37%	4.37%	4.37%	4.37%	4.37%	4.37%
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	14.21%	23.21%	25.37%	20.63%	20.63%	20.63%	20.63%	20.63%	20.63%
Distributable FCF/EV Yield	-0.07%	-4.21%	-31.73%	10.11%	20.38%	20.38%	20.38%	20.38%	20.38%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	-0.10	-6.09	5.44	14.61	29.46	29.46	29.46	29.46	29.46

SN VALUATION

LBO Debt Schedule

Ticker:

ZAGG

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-6.26	29.46	29.46	29.46	29.46	29.46
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	20.00	20.00	20.00	20.00	20.00	20.00
Current Portion Debt Balance	8.00	8.00	8.00	8.00	8.00	8.00
Long Term Debt Balance	12.00	12.00	12.00	12.00	12.00	12.00
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		2.00	2.00	2.00	2.00	2.00
Cash Balance		20.18				
Interest @ 1.0%		0.20	0.20	0.20	0.20	0.20
Net Interest Expense/(Income)		1.80	1.80	1.80	1.80	1.80
Net Interest Rate		14.99%	14.99%	14.99%	14.99%	14.99%
EBITDA		33.95	33.95	33.95	33.95	33.95
EBITDA/Interest Expense Coverage		16.98	16.98	16.98	16.98	16.98

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:

Zagg, Inc

Ticker:

ZAGG

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	12.36	23.56	76.86	82.12	111.58	141.04	170.50	199.96	229.42
Total Assets	18.83	57.34	200.96	174.32	195.22	216.12	237.02	257.92	278.82
X1	0.66	0.41	0.38	0.47	0.57	0.65	0.72	0.78	0.82
Retained Earnings	4.74	14.70	32.95	54.00	74.90	95.80	116.70	137.60	158.50
Total Assets	18.83	57.34	200.96	174.32	195.22	216.12	237.02	257.92	278.82
X2	0.25	0.26	0.16	0.31	0.38	0.44	0.49	0.53	0.57
EBITDA	5.71	16.83	32.08	43.22	44.95	44.95	44.95	44.95	44.95
Total Assets	18.83	57.34	200.96	174.32	195.22	216.12	237.02	257.92	278.82
X3	0.30	0.29	0.16	0.25	0.23	0.21	0.19	0.17	0.16
Market Value of Equity	137.23	137.23	137.23	137.23	163.48	194.76	232.02	276.41	329.30
Total Liabilities	5.01	27.26	99.69	44.09	44.09	44.09	44.09	44.09	44.09
X4	27.39	5.03	1.38	3.11	3.71	4.42	5.26	6.27	7.47
Net Sales	38.36	76.14	179.12	264.43	264.43	264.43	264.43	264.43	264.43
Total Assets	18.83	57.34	200.96	174.32	195.22	216.12	237.02	257.92	278.82
X5	2.04	1.33	0.89	1.52	1.35	1.22	1.12	1.03	0.95
Altman Z Score	20.61	6.17	2.93	5.20	5.56	5.96	6.45	7.04	7.74

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

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	127.41	148.31	169.21	190.11	211.01	231.91				231.91
Annual Change		20.90	20.90	20.90	20.90	20.90				
Annual FCF	14.61	29.46	29.46	29.46	29.46	29.46	29.46	29.46	29.46	88.38
Annual Op. Cash Flow	17.45	32.46	32.46	32.46	32.46	32.46	32.46	32.46	32.46	
Annual PP&E Investment	(2.84)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	
Today's Tangible Book Value	127.41	143.62	161.90	182.51	205.73	231.91				320.30
Intrinsic Value IRR	12.73%									
Market Price	137.23	162.58	192.61	228.19	270.35	320.30				320.30
Market Price IRR	18.47%									

Debt	50.00%	68.61
Equity	50.00%	68.61
Total	100.00%	137.23

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	129.41	68.61	85.44	102.27	119.10	135.93	152.76			
Goodwill	2	9.82	9.82	9.82	9.82	9.82	9.82			
Debt	12	80.61	80.61	80.61	80.61	80.61	80.61			
Debt Interest Rate		10.00%	10.00%	10.00%	10.00%	10.00%	10.00%			
Additional Interest Expense		6.26	6.26	6.26	6.26	6.26	6.26			
Tangible Book Value	127.41	58.80	75.63	92.46	109.29	126.12	142.95			142.95
Annual Change			16.83	16.83	16.83	16.83	16.83			
Annual FCF	14.61	25.39	25.39	25.39	25.39	25.39	25.39	25.39	25.39	76.17
Annual Net Income	14.51	16.83	16.83	16.83	16.83	16.83	16.83	16.83	16.83	
Annual Op. Cash Flow	17.45	28.39	28.39	28.39	28.39	28.39	28.39	28.39	28.39	
Dividend Payments										
Annual PP&E Investment	(2.84)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	
Debt Paydown	0.00							0.00	0.00	0.00
Sale Price in Year 5										219.11
Capital Left for Equity Investor										219.11
Dividend Payments										0.00
Total Cash In Flow										219.11
Invested Equity	68.61	86.55	109.17	137.71	173.71	219.11				
IRR	26.14%									

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)	84.15
Cash Flow (Year 6-8)	76.17
	160.32

<u>Value Dilution</u>	
Debt	68.61
Goodwill	7.82
Additional Interest	31.32
	107.74