Definition of Ratings:

Buy: at least 20% undervalued
Hold: appropriately valued
Sell: at least 20% overvalued

Industry:

Services-Gambling

Fundamentals:

Market Cap: **$791 MM**

Close 4/18/2002: **$30.4**

52-Week High: **$30.63**

52-Week Low: **$7.09**

Price/Sales: **1.00**

Price/Book*: **4.60**

Debt/Equity*: **4.03**

Net institutional ownership: **37%**

Company Summary:
Ameristar Casinos, Inc. is a multi-jurisdictional gaming company that owns and operates casinos and related hotel, food and beverage, entertainment and other facilities, with six properties in operation in Missouri, Iowa, Mississippi and Nevada.

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*As of 4/18/02

(NASDAQ: ASCA)

Recommendation: **SELL**
It's no secret that heartland gambling has come of age

April 18, 2002

Davin Bernstein &
Christopher Kirkman
Portfolio Manager: Javier Fernandez

Investment Rating: While we believe that Ameristar has fundamentally sound growth and profitability prospects, recent investor optimism cannot be supported by fundamentals.

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New Haven CT, 06511

Disclaimer: Please see the disclaimer at the back of this report for important information

Investment Rating

We are initiating coverage of Ameristar Casinos with a **SELL** rating. While the company is positioning itself as a major player in the growing Midwest gaming market, recent investor optimism has cause the stock to be overvalued. Realistic, or even extremely optimistic growth prospects do not support its current market valuation.

Company Overview

- **Improving margins will continue into 2003**
  Ameristar is investing in its properties and continues to streamline operations. Their net margins over the past year have consistently improved (except in the 4th quarter – attributable to 9-11 effects), and that should continue to a lesser extent. Management is focused on positioning itself as the premier mid-western casino operator, and this will continue to attract target customers who live within driving distance. We believe the market has taken these factors into account and overestimated the degree to which ASCA can realistically continue to improve these margins.

- **Restrictions on competition and gaming revenue growth in key markets protect the company.**
  Customers are likely to keep coming back to Ameristar properties for several reasons. There are barriers to entry provided by state gaming commissions, and currently we are not aware of any new casino projects. In fact, changes now being considered by regulators are likely to help improve margins, such as relaxing the constraint on some riverboats to actually get underway for two hours a day or relaxing the limit of losses. In addition, gaming revenues continue to exhibit above industry growth in Ameristar's markets, allowing the company greater opportunities to improve earnings. However, these earning would need to improve an unrealistic amount in order to support the company's current valuation.

- **Heavy debt load is covered by at least .81x cash flow, increasing to 1.4x cash flow by 2003.**
  Of some concern is the heavy debt load carried by Ameristar relative to its peers. Based on improving revenue numbers, however, the company can cover its debt load and even improve its ability to pay for the debt it has incurred. However, we believe the market has undervalued the riskiness of this debt load.

- **The company's focus on quality is in line with target customer expectations.**
  The company defines its quality in ways its customers can relate to – consistently winning best of categories in regional magazines and obtaining high quality ratings from AAA. Since their target market lives within 100 miles of their locations, they will continue to attract customers who want an upscale entertainment experience close to home. We do not view this as a sustainable competitive advantage to the same degree the market currently has.

Upcoming earnings announcement: April 23rd.

Who is Ameristar?

In the company's own words:
"We are a leading multi-jurisdictional developer, owner and operator of casinos and related hotel and entertainment facilities in local markets. We own six properties in five markets located in Missouri, Iowa, Mississippi and Nevada catering to customers primarily residing within a 100-mile radius of our properties. Our properties enjoy leading positions in markets with significant barriers to entry, and all of our properties are high-quality assets. We intend to grow our revenues, cash flow and earnings through internal growth initiatives, including the expansion of our existing properties, targeted marketing programs, and the strategic acquisition or development of properties in attractive local gaming markets.

Our gaming revenues are derived, and are expected to continue to be derived, from a broad base of customers, and we do not depend upon high-stakes players. We emphasize slot machine play at our properties, and we invest on an ongoing basis in new slot equipment to promote customer satisfaction and loyalty. All of our properties include table games such as blackjack, craps and roulette. In addition, Ameristar Kansas City, Ameristar St. Charles, Ameristar Vicksburg and Cactus Petes offer poker and the Jackpot properties offer keno and sports book wagering. We generally emphasize competitive minimum and maximum betting limits based on each market. We extend credit to our Mississippi and Nevada gaming customers only in limited circumstances and limited amounts on a short-term basis and in accordance with the credit restrictions imposed by gaming regulatory authorities. The Missouri and Iowa gaming statutes prohibit the issuance of casino credit."[1]

Competitive Advantage

Growth strategy and marketing strategy

The company has two stated strategies: growth and developing a loyal customer base.

Their recent acquisition (2000) of two properties should provide the bulk (65%) of their EBITDA revenue in 2002. We believe these were smart bets that are likely to pay off handsomely for Ameristar. Looking ahead, new properties will be increasingly difficult to find at a reasonable price. Poorly operated casinos by their peers (such as Hollywood's Tunica Mississippi location) may be attractive acquisition targets once Ameristar improves its debt levels.

[1] Company 10-K, March 29, 2002.

Capital expansion continues to fully develop existing properties as well. At the St. Charles property in St. Louis, already the second EBITDA producing property in Ameristar's portfolio, they are in the midst of a $170 million expansion that should be completed in the middle of 2002.[2] By adding over 3000 slots and enough space for future expansion, they are planning for the future while achieving their goal of creating the premier property in the St. Louis market. Additional projects at other properties, including a recently completed renovation at their Vicksburg property, help maintain their customer base.

ASCA's marketing strategy is to develop a loyal customer base that emphasizes the quality of their amenities and the high customer satisfaction they enjoy. We believe past successes in this arena indicate that management will be able to continue this strategy well by employing loyalty programs as well as credible direct mail promotions.

Operations

Operations are the key to success and provide for repeat customers. Ameristar has demonstrated that a loyal base can maintain revenues: when competitor Isle of Capri reopened a casino only four miles away in Kansas City after renovations in mid-2001, there was no appreciable impact to Ameristar's market share.[3] The company continues to receive awards and designations that attract customers to their sites. Titles such as best buffet and best casino in state and city magazines independently confirm to readers that Ameristar provides superior amenities to its competition. AAA rates most properties as triple or 4 diamond properties. This matters to the mid-western psyche, and will continue to draw loyal customers.

Barriers to Entry

Most markets are constrained by state law to a set number of licenses, and most states are not considering relaxing this constraint. The east side of Missouri, along the Mississippi River, is one notable exception, and while voters in some cities and counties have approved gaming in their localities, no casinos are currently approved or under construction. Some states are also considering racetracks that would have slot machines (called racinos), which could be a limited competitive threat. Ameristar's presence throughout the mid-west provides some measure of protection through diversification.

In Iowa, for example, the Council Bluffs Casino is the larger of two operators in the western Iowa (the third license is a racino), with no other competition contemplated.

The major threat of competition comes from expansion of existing casinos in the same market as Ameristar (within 100 miles of an Ameristar casino). We have completed a market-by-market analysis and believe that after Missouri licenses, the largest threat comes in the Jackpot, Nevada properties, where Indian gaming in the adjacent state of Idaho threatens its customer base north of the state border. There is litigation in Idaho to stop this activity, and if successful, would only improve the outlook for the Jackpot casinos. Since the Jackpot properties are less than 10% of Ameristar's revenue and EBITDA, we believe that for the next 24 months the company is well insulated from any significant competitive threat in that market and any other as well.

[2] When they obtained the property in 2000, the previous owners had sunk $170 into an expansion that was stopped midway through construction. Once completed, the expansion will add 115,000 square feet of casino space.

[3] 10-K, p.8.

Risks

Other states allow gambling or host state allows more licenses

As state revenues lag projections due to the flat economy, there will be greater pressure on legislatures and state gaming commissions to permit additional gaming licenses that can help make up the difference. If it does occur, it is unlikely to happen in the form of casino gambling (direct competition), but more likely in the form of state lotteries, which are significant cash generators but are only a moderate substitute for casinos, and racinos, which is a better substitute but still not the same type of "Vegas" experience closer to home.

Management Risks

Over 60% of the company is held by a single person, Craig Nielson, the President, Chairman of the Board, and CEO of the company. He substantially controls the company and its operations. As a result, he or his estate could try to sell a significant number of shares that would have a detrimental effect on the stock. We believe that the market has not taken into account the lack of incentive to distribute earnings to shareholder inherent in this management structure.

Company operations decline relative to the competition

Ameristar has successfully turned around the Missouri casinos and continues to create and maintain well-run casinos. Still, more cash rich competitors can always provide an alternative to Ameristar's offerings. Harrah's in particular is a competitor in three major markets, and is continuing to improve those operations. While, we do not believe that this scenario is likely, it still remains a distinct possibility that we do not believe has been incorporated in the current stock price.

Revenues in the larger gambling industry decline

There is no indication that this will happen, and in fact as the market matures and provides a better quality experience to customers, revenue and interest in gaming should continue to outpace the general market. In fact, revenues in the riverboat states continue to outpace the traditional gaming hubs of Las Vegas and Atlantic City.

Table A: Year-Over-Year Percentage Change of Gaming Revenue in the U.S. 1995-2002E

	1998	1999	2000	2001	2002E
Las Vegas	0%	18%	7%	-2%	1%
Atlantic City	3%	3%	3%	0%	3%
Mississippi	10%	15%	5%	2%	3%
Missouri	14%	10%	6%	15%	11%
Iowa	12%	7%	13%	3%	4%
Nevada (all)	3%	12%	6%	-1%	1%

Source: Merrill Lynch Estimates

Ratio Analysis

Ratios	12/31/99	12/31/00	12/31/01
Income Statement			
Gross Margin	136,147,000	152,722,000	284,016,000
Operating Margin	0.09	(0.07)	0.17
Pre-Tax Margin	0.00	(0.15)	0.07
Net Margin	0.00	(0.10)	0.05
Fixed Charge Coverage	1.02	(1.06)	1.76
Current Ratio	0.54	1.74	0.69
Quick Ratio	0.48	0.72	0.63
Working Capital	(26,762,000)	56,453,000	(27,207,000)
Balance Sheet			
Total Assets/Total Liabilities	1.22	1.03	1.21
D/E	3.75	28.22	4.03
Statement of Cash Flows			
Cash Flow from Ops/CapEx	(0.60)	(1.16)	(0.98)
Depreciation/Cash flow from Ops	0.73	0.73	0.43
CapEx/Depreciation	(2.29)	(1.17)	(2.40)
Combination			
Return on Equity	0.00	(1.44)	0.21
Return on Average Equity	N/A	(0.84)	0.36
Return on Total Capital	0.08	(0.04)	0.14
Average Days Receivable	N/A	10.46	5.34
Receivables Turnover	N/A	34.89	68.33
Inventory Turnover	N/A	8.45	16.00
Debt to Cash Flow	7.46	20.38	5.69

Source: Company Financials

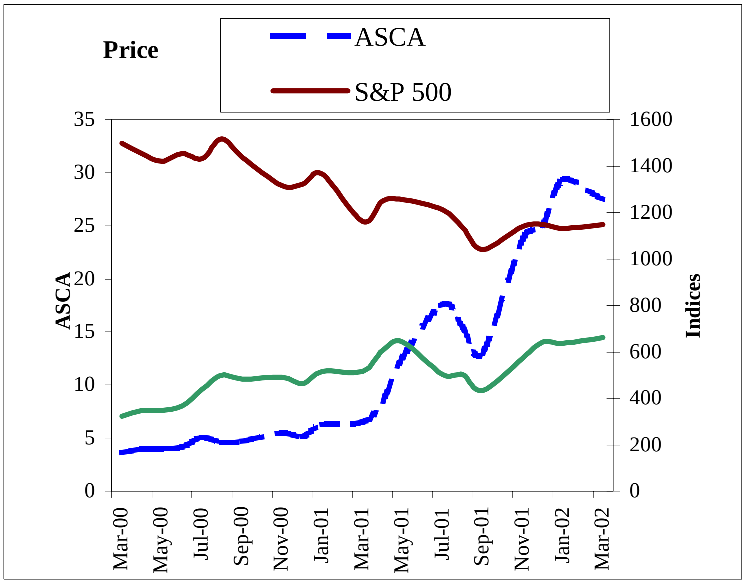
In the year of 2000, Ameristar purchased properties in Kansas City and St. Charles, and in 2001, sold its property in Las Vegas, “The Reserve”, which resulted in an Impairment loss of $57.2MM in 2000, resulting in a loss from operations. This transaction obscures some year-to-year comparative data. For those ratios that were obfuscated by this transaction, we chose to look at the differences from 1999 when analyzing the long-term trends.

Clearly this company is highly leveraged. However, this is in line with other companies in this segment, and is in line with management’s targets. A long-term trend showing decreasing debt/cash flow ratio indicates that may not present a credit problem. Standard & Poor’s gives ASCA a rating of B+, indicating that they feel that this organization stands above other organizations that have the capability to meet financial commitments, but still have some risk of default. Still, it does not appear that this risk of default has been incorporated in the company’s stock price.

Overall, we believe these ratios shows management’s effectiveness in decreasing operating expenses relative to sales, and imposing adequate financing plans that, while acceptable by sector standards, are approaching those more common in the market as a whole. We believe that this capability represents a competitive advantage. However, the market has overvalued the sustainability of these factors.

Comparative Analysis

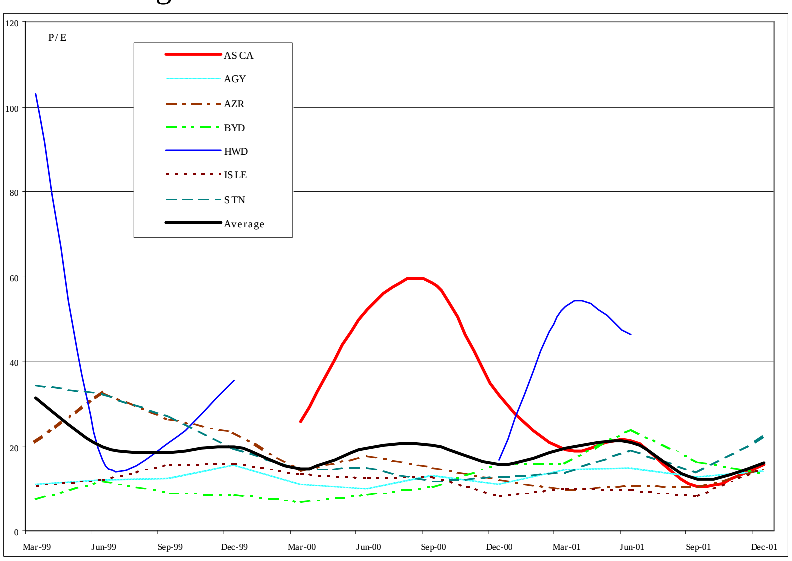
Price



Source: Bloomberg

The price of ASCA has recently undergone significant appreciation relative to a stagnant pattern for the market as a whole and a slight appreciation for the gaming industry. While we believe that ASCA was recently undervalued, we believe this trend represents irrational exuberance, and will exhibit price correction in the coming months, more in line with the industry and market as a whole.

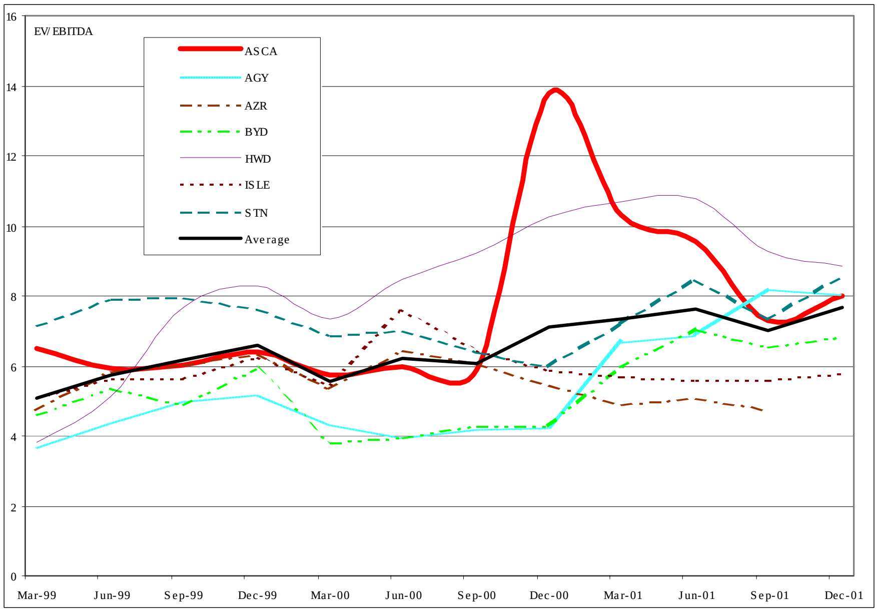
Price/Earnings



Source: Bloomberg

ASCA is currently trading at a P/E multiple similar to that of comparable companies, after recently trading at a premium. We do not believe P/E is an ideal comparable in this industry due to the obfuscation inherent in the significant amount of implicit depreciation expense. While a substantial departure for the norm might have some predictive power, the minimal distinction here does not appear to have great signficance.

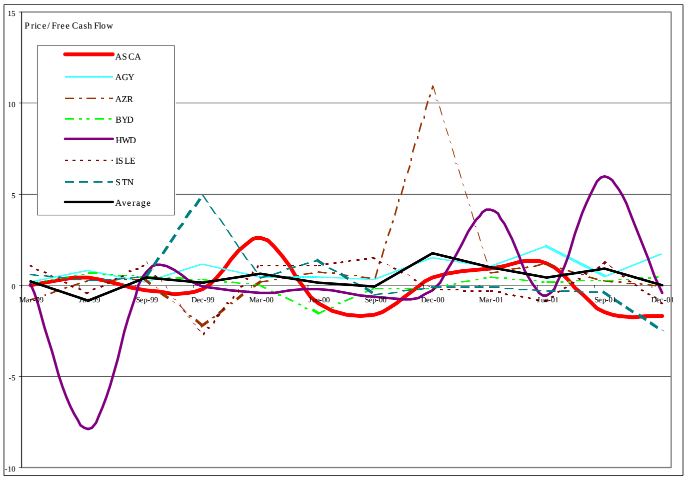
EBITDA/EV



Source: Bloomberg

We observed that ASCA is trading at a slight EBITDA/EV premium to other similar companies. In the past year, the market has not been sensitive to the temporary losses caused by acquisitions, shown by the spike in 2000, indicating the market's confidence in management's abilities. We believe that although the market places a premium on ASCA by these measures, which we believe overvalues the comparative advantages inherent in the companies' diversification. We expect this multiple to exhibit a pattern of mean reversion over the course of the next quarter.

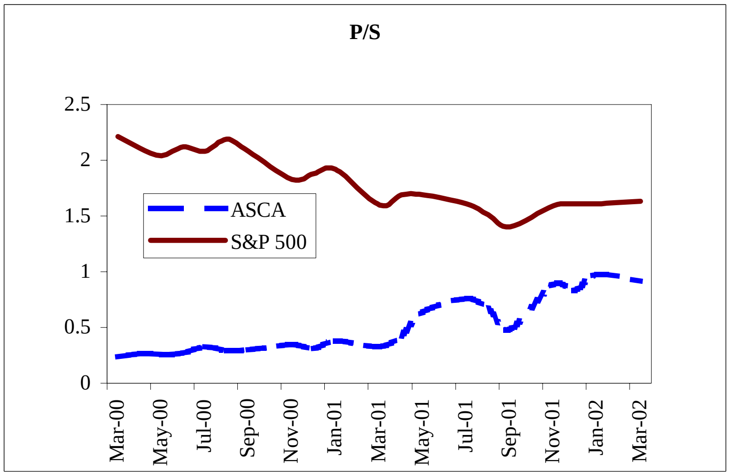
Price/Free Cash Flow

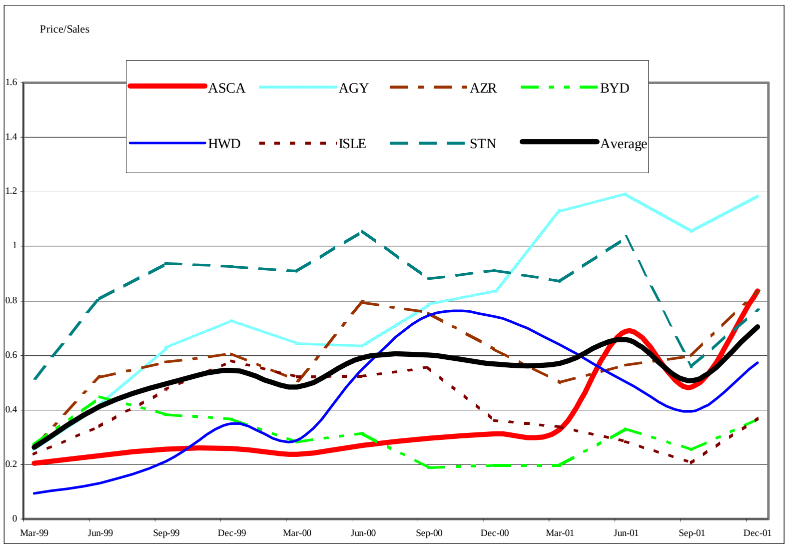


Source: Bloomberg

Recently, ASCA has been trading at a discounted Price/Free Cash Flow multiple to comparable organizations. We believe this is due to the high level of debt incurred by the company, and the amount of cash going to debt rather than equity holders. Because we have no expectation that the Debt/Equity ratio will change in the near future, we do not expect this company to continue to trade at anything other than a discounted multiple.

Price/Sales

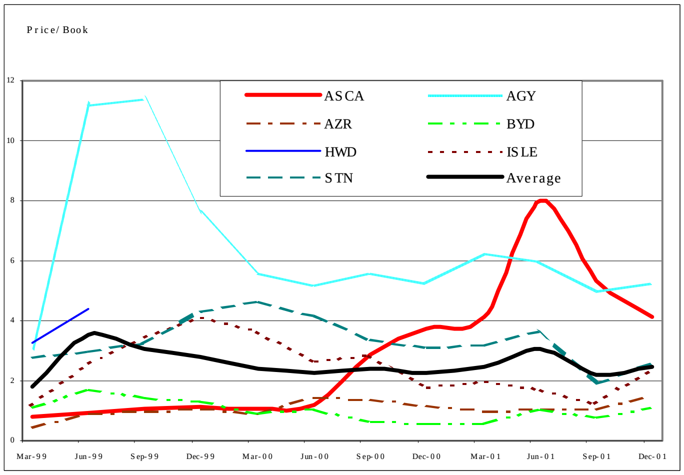


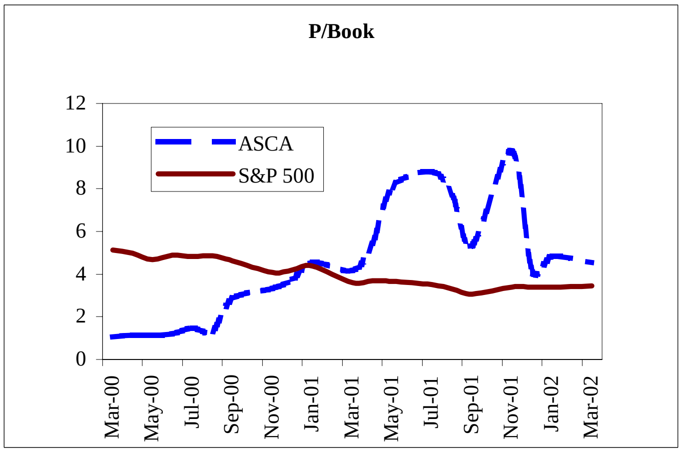


Source: Bloomberg

ASCA, on a Price/Sales basis, currently trades at a premium to its peers after a long period of trading at a discount. However, this company has consistently traded at a discount to the market, a gap that is shrinking. We do not believe that ASCA has any comparative advantage that would suggest that the company should trade at a premium to peers. In fact, we believe that the part trend of trading at a discount, due to the company's inability to improve their margins, is a more reasonable comparative Price/Sales multiple.

Price/Book

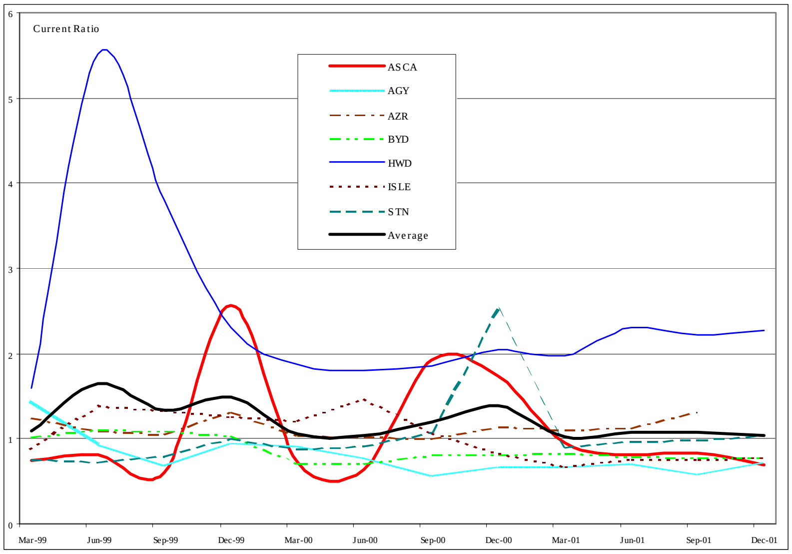




Source: Bloomberg

ASCA trades on a premium Price/Book ratio to both the market and to its peers. This occurred after the asset impairment write-off in 2000. We believe that ASCA's book value better represents its cash generating assets than its peers, and the market as a whole. This attracts a further premium in a market concerned about transparency. However, we feel that this premium has been more than fully captured in ASCA's recent appreciation.

Current Ratio



Source: Bloomberg

Over the past year, ASCA's current ratio has been lower than that of its competitors. As discussed above, while we do not believe this is a major area for concern, we view this as a risk that has not been taken into account in the current stock price.

Valuation

Discussion of Valuation Methods

Common Valuation methods for stocks in the Casino industry are 1)EV/EBITDA, and P/FCF. P/E is not as commonly used in gaming stocks due to highly differing levels of depreciation expense. EV/EBITDA is used because of the asset intensity of the business, and the differing depreciation levels of the properties. Free cash flow provides better estimate of what these companies are capable of. One problem with these valuation methods is that it ignores the level of capital needed to generate cash.

We undertook a Discounted Cash Flow analysis of ASCA. However, due to the noteworthy fluctuation in Ameristar's Debt/Equity ratio, a WACC calculation was inappropriate because of the many changes in leverage recently experienced. In a further analysis, we used an alternate method of fundamental valuation such as APV to arrive at a fundamental value for Ameristar.

It is these more detailed models that provide the justification for our recommendations. Even factoring in the most optimistic assumptions based upon our estimation of the companies competitive advantages, we still cannot justify the current price of the stock through any common valuation method.

Enterprise Value Built Up From Component Properties:

We believe that investments in the riverboat segment produces a higher payoff than Las Vegas or Atlantic City, and this will increasingly be reflected in multiples paid for properties.

: Estimated Size of the U.S. Gaming Market

	1995	1998	2001	6-YR CAGR
Total Nevada	$7,366.4	$8,064.1	$9,468.4	4.3%
Las Vegas Strip	$3,607.4	$3,812.4	$4,703.2	4.5%
Atlantic City	$3,747.6	$4,032.2	$4,317.8	2.4%
Riverboats	$4,732.0	$7,299.6	$9,963.5	13.2%
Native American	$4,175.9	$7,890.9	$11,965.7	19.2%
Other	$457.5	$1,256.0	$2,980.1	36.7%
Total	**$20,479.3**	**$28,542.8**	**$38,695.5**	**11.2%**

Source: Merrill Lynch and State Gaming Commissions.

Ameristar EBITDA Breakdown (From 10-K)

	2001 EBITDA	Net revenue	EBITDA Margin	EBITDA Multiples	Suggested Enterprise Value
Kansas City	57,040	210,547	27.1%	8.00x	$ 456,320
St. Charles (St. Louis)	45,882	144,887	31.0%	8.00x	$ 367,056
Council Bluffs	37,320	130,727	28.5%	8.00x	$ 298,560
Vicksburg	22,707	78,636	28.9%	8.00x	$ 181,656
Jackpot (2 properties)	13,344	56,978	23.4%	8.00x	$ 106,752
Corporate	-20,338	5,047	NA	8.00x	$ (162,704)
Consolidated EBITDA	$ 155,955	626,822	24.7%	8.00x	$ 1,247,640
					$ 1,247,640 - 624,255
				Less Debt	
					623, 385
				# of shares	26,000
				Share Price	**23.97**

Averages of various sales multiples for 1999-2001	
Las Vegas Multiples	8.33x
EBITDA over 50MM	5.90x
EBITDA 10-40MM	6.37x
Midwest Multiples	5.43x

Source: Morgan Stanley

APV Valuation Method

APV Calculation	
Levered Beta	6.32
Effective Tax Rate (5yr Avg.)	34.7%
Risk Free Rate	4.20%
Market Risk Premium	6.80%
Unlevered Rate of Return	5.60%
Unlevered Beta	0.540
Unlevered cost of equity=	7.87%
Terminal Growth Rate (Yr)	3.00%
Cost of Debt	10.75% p. 52 of 10-K - Rate for senior credit facility

Payment Due by Period (In Thousands)	2002	2003-2006	After 2006	Total (From 10-K)
Long term debt	$ 8,433	$ 156,900	$ 465,171	$ 630,504
Capital Leases	$ 1,456	$ 2,232	$ 429	$ 4,117
Operating Leases	$ 937	$ 2,895	$ 1,578	$ 5,410
Major Construction Contracts	$ 90,014	$ -	$ -	$ 90,014
Total	$ 102,842	$ 162,027	$ 467,178	$ 730,045

	Expected										
	1	2	3	4	5	6	7	8	9	10	
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	
Cash Flow as if all equity firm	$47,336	$92,482	$119,030	$130,934	$144,028	$158,431	$174,275	$191,702	$210,873	$231,960	
Debt (existing)	$ 624,255	$ 614,366	$ 573,859	$ 533,353	$ 492,846	$ 452,339	$ 428,980	$ 405,621	$ 382,262	$ 358,903	
										$ 7,587,654	T. Value, Existing Debt
New Debt Incurred				$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 200,000	$ 200,000	
										$ 4,228,243	T. Value, New Debt
Tax Shield Effect	$ 23,286	$ 22,917	$ 21,406	$ 23,626	$ 22,115	$ 20,604	$ 19,732	$ 18,861	$ 21,720	$ 20,848	
										$ 440,762	T.Value, tax shield

NPV, unlev	$1,064,447
PV, Tax Shields	$129,774
Enterprise Value	$1,194,222
Less Debt	$ 624,255
Equity Value	$ 569,967
# Shares Outstanding	26,000
Per Share Value	**$ 21.92**

DCF Valuation Using WACC

	Actual			Expected									
				1	2	3	4	5	6	7	8	9	10
	1999	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Revenues	300,286	342,006	663,420	729,762	802,738	883,012	971,313	1,068,445	1,175,289	1,292,818	1,422,100	1,564,310	1,720,741
Operating Expenses	274,741	364,637	548,565	583,810	626,136	662,259	728,485	801,333	881,467	969,613	1,066,575	1,173,232	1,290,555
EBITDA	50,673	5,887	162,321	198,165	234,036	283,930	312,323	343,556	377,911	415,702	457,273	503,000	553,300
Depreciation & Amortization	25,128	28,518	47,466	52,213	57,434	63,177	69,495	76,444	84,089	92,498	101,748	111,922	123,115
EBIT	25,545	(22,631)	114,855	145,952	176,602	220,753	242,828	267,111	293,822	323,204	355,525	391,077	430,185
Taxes	340	(17,981)	16,381	50,645	61,281	76,601	84,261	92,688	101,956	112,152	123,367	135,704	149,274
Deferred Taxes	(2)	(1)	-	-	1	2	3	4	5	6	7	8	9
Non-Operating Income	-2	-1	0	-	-	-	-	-	-	-	-	-	-
Interest Expense	24,449	28,316	64,931	58,381	64,219	70,641	77,705	85,476	94,023	103,425	113,768	125,145	137,659
Minority Interest (Income)	-2	-1	0	-	-	-	-	-	-	-	-	-	-
N.I. Before Ex. Items	754	-32,967	33,543	36,926	51,103	73,513	80,865	88,952	97,848	107,633	118,397	130,237	143,261
Ex. Items	-2	-1	0	0	0	0	0	0	0	0	0	0	0
Net Income	752	-32,968	33,543	36,926	51,103	73,513	80,865	88,952	97,848	107,633	118,397	130,237	143,261
NOPLAT	25,203	(4,651)	98,474	95,307	115,322	144,154	158,570	174,428	191,871	211,059	232,165	255,382	280,920
Depreciation	25,128	28,518	47,466	52,213	57,434	63,177	69,495	76,444	84,089	92,498	101,748	111,922	123,115
WC	(26,762)	56,453	(27,207)	-	-	-	-	-	-	-	-	-	-
Change in WC	-	83,215	(83,660)	27,207	-	-	-	-	-	-	-	-	-
CapEX	57,590	33,357	114,114	72,976	80,274	88,301	97,131	106,844	117,529	129,282	142,210	156,431	172,074
EPS	$ 0.03	$ (1.27)	$ 1.29	$ 1.42	$ 1.97	$ 2.83	$ 3.11	$ 3.42	$ 3.76	$ 4.14	$ 4.55	$ 5.01	$ 5.51
FCF	($7,259)	($92,705)	$115,486	$47,336	$92,482	$119,030	$130,934	$144,028	$158,431	$174,275	$191,702	$210,873	$231,960
				$ 40,439	$ 67,496	$ 74,213	$ 69,741	$ 65,537	$ 61,587	$ 57,876	$ 54,387	$ 51,109	$ 48,029
												T.V.	**$ 351,963**

Enterprise Value	$ 942,378
Less Debt	$ 624,292
Equity Value	$ 318,085.67
# Shares Outstanding	26,000
Per Share Value	**$ 12.23**
% of Value in T.V.	37%

	Actual			Assumptions									
Revenue - Growth	NM	13.9%	94.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Operating Expense = % Sales	NM	106.6%	82.7%	80.0%	78.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Depr & Amort. - % of Sales	8.4%	8.3%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
WC = % of Sales	-8.9%	16.5%	-4.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CapEx - % of Sales	19.2%	9.8%	17.2%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Tax Rate (% EBIT)	1.3%	79.5%	14.3%	34.7%	34.7%	34.7%	34.7%	34.7%	34.7%	34.7%	34.7%	34.7%	34.7%
Non-Op Income (% Sales)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest Expense (% Sales)	8.1%	8.3%	9.8%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Minority Interest (Income) - % Sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Ex. Items (% Sales)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

WACC Calculation		Source
Target D/E	4.00	
Levered Beta	6.32	Yahoo!
Effective Tax Rate (5yr Avg.)	34.7%	Yahoo!
Risk Free Rate	4.20%	Ibbotson
Market Risk Premium	6.80%	Ibbotson
Cost of Equity	47.2%	
Cost of Debt	10.8%	10-K
WACC	**17.06%**	
Terminal Growth Rate (Yr)	3.00%	

Summary of Valuation

Even using the most optimistic of assumptions, we still arrive at a fundamental valuation far below the current market price, supporting our **SELL** recommendation for ASCA

Method	Price	Weight
APV	21.92	1/3
DCF using WACC	12.23	1/3
Component Properties EBITDA	23.97	1/3
Summary Price	19.373	
Discount to Current Market Price	36%	

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Important Disclaimer

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