Citi Trends (AMEX: CTRN)

December 5, 2010

Rating:	**BUY**
Fair Price:	**$33.40**
Current Price:	**$22.78**
52 Week Range:	**$22.62 - $37.57**
Market Cap:	**$338M**
LTM P/E:	**13.9**

Dil. EPS	2010	2011	2012
Q1	0.86A	0.82	0.87
Q2	-0.04A	-0.13	-0.16
Q3	-0.03A	0.05	0.05
Q4	0.74	0.79	0.85
FY	**1.54**	**1.52**	**1.62**

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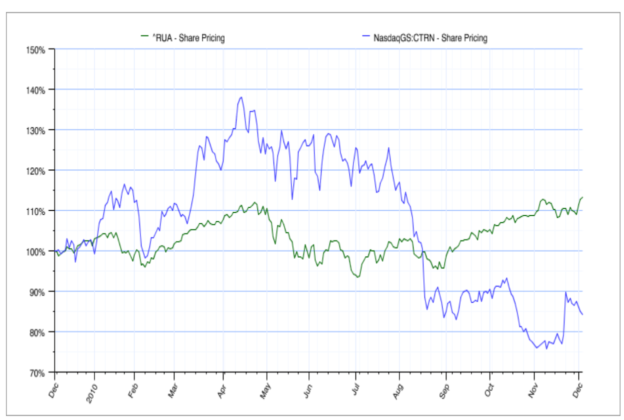
INVESTMENT PHILOSOPHY

► We believe that CTRN is a buy and would remain undervalued on a NPV basis even in the face a number of potential negative events.

► CTRN has expanded its store footprint rapidly and we believe that it will continue to grow its store base fairly aggressively given management's record and the plethora of untapped markets.

►The biggest threat to the buy rating is the sales/store achieved going forward. Alternatively, a bounce in sales/store over the next year could greatly increase the market value of the firm. We believe that the latter scenario is more likely than the former.

► While the sales/store numbers may be threatened by the expiration of the extension of unemployment benefits, we believe that the extension will be renewed so long as the American workforce is suffering from extremely high unemployment.



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Valuation Methodology

We use an NPV analysis (among other techniques) to determine the recommendation on each firm we cover. We focus on the factors that drive firm value and discuss a baseline scenario, and the impact that variations in the baseline scenario would have on the net present value of the firm.

The graph on the cover page and the historical EPS were retrieved from Capital IQ.

Company Summary

Citi Trends sells urban clothing with a strategy that blends discount retailing with specialty apparel. The company does not develop its own brands and relies heavily on sales of well-known national brands. These products are purchased through a number of methods that trade convenience, or timing, for price. Additionally, the company marks up its products less in store than many of its competitors. As a result, CTRN is able to offer retail prices significantly below those of other department stores. The company invests in store appearance. The stores are designed to mimic specialty apparel outlets. Items are spread out and racks are low. Additionally, brands are divided into segments, rather than being lumped by size as is done at many discount outlets.

Revenue Analysis

Store Growth

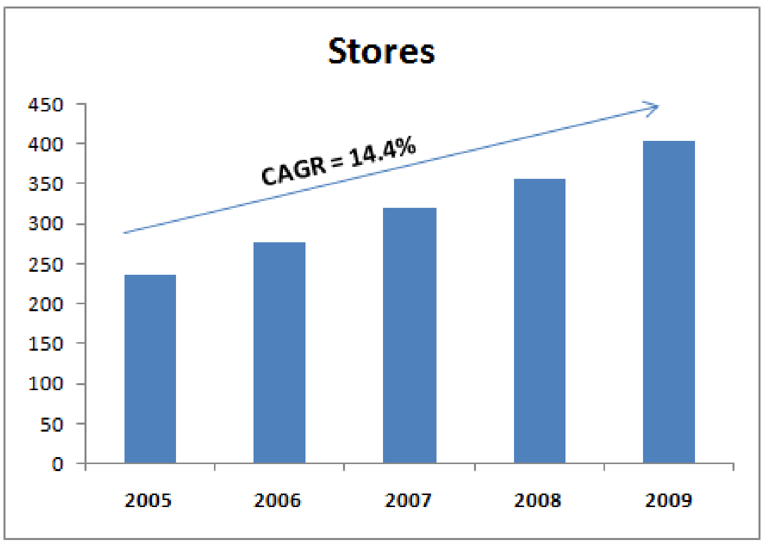


Figure 1: Source Company Reports

Citi Trends is a growing retail apparel store. New store growth is an important factor in projecting revenues. In the last five years, the company has opened new stores at a rate of about 40 stores per year.

States	NY	FL	GA	TX	CA	IL	NC	MD	LA	MI	SC	AL	MS
% African American in USA	8.3%	7.3%	7.1%	7.0%	6.3%	5.3%	5.1%	4.3%	4.1%	4.0%	3.4%	3.3%	3.0%
# of Citi Trends Stores	0	39	56	42	7	7	37	5	32	15	41	26	22

Table 1: Source: Company Reports and Rapid Intelligence Independent Research

We analyzed CTRN's current state-by-state penetration to gauge the opportunities for expansion. If we assume that the company can operate across the country at stores/African American population levels seen in the southeast there remains significant store growth opportunity. Clearly Illinois, California, and

Maryland appear to be viable options. Management discussed this point in the earnings discussion. Management states that the current focus is to open new stores in states where it current has retail operations. We defer to management to determine the most promising expansion opportunities but the analysis above provides support to the claim that there is room to grow. We believe that it is likely that expansion in low penetration states will occur as the company leverages its new distribution facility in Roland, Oklahoma.

We project new store openings based on three scenarios. In all cases we assume that the 460 stores currently built remains steady until the end of the current fiscal year.

Table 2

Scenario	Circumstances	Input Values	Comments	Share Value
Aggressive Expansion	Economic Recovery is strong	11% of existing stores for 2 years 7% for next two 3% from final year	Stores opened in new states are successful and expand into new states	$36.1
Controlled Growth	**Economic Recovery is medium for the African American population**	**7% of existing stores for next 4 years and 3% for final year**	**Management focus on existing states and expansion is strategic**	**$33.4**
Growth stalls	Unemployment rate remains high for African American population	5% of existing stores for the next 4 years and 2% for the final year	Stores opened in new states are not successful. Cannibalization of existing stores	$30.9

In 2010, management plans to open 55 stores taking the total count to 458. Historically, CTRN has met or exceeded its store expansion plans. Given the room to grow, CTRN's strong historical growth rate, and its consistent ability to meet expansion targets we believe the controlled growth scenario is more than achievable and the aggressive expansion scenario is possible. Growth slowing is certainly a possibility but we see no catalyst to cause such a shift.

Table 3: Source Company Reports

	2006	2007	2008	2009	2010
Stores Opened	42	42	38	46	55
Stores Promisesd	42	48	40	45	57*

** Thru Nov. 2010*

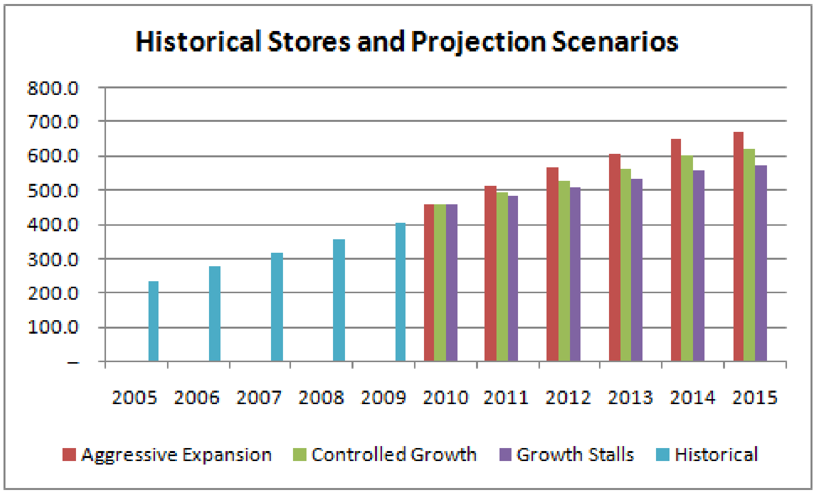


Figure 2: Public Filings and Analyst Projections

Store Productivity

Store productivity for Citi Trends can be analyzed using sales per store and sales per sq. feet. Variation in Sales per store was relatively small for Citi Trends in the last five years. The first methodology we considered to forecast store performance was a regression with macroeconomic variables. However, the performance of the stores did not show a strong correlation with any of the factors we consider likely to be influencers of performance (i.e. unemployment).

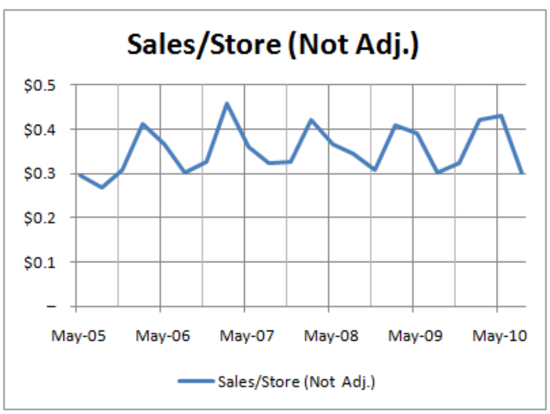


Figure 3: Source Public Filings and Analyst Calculations

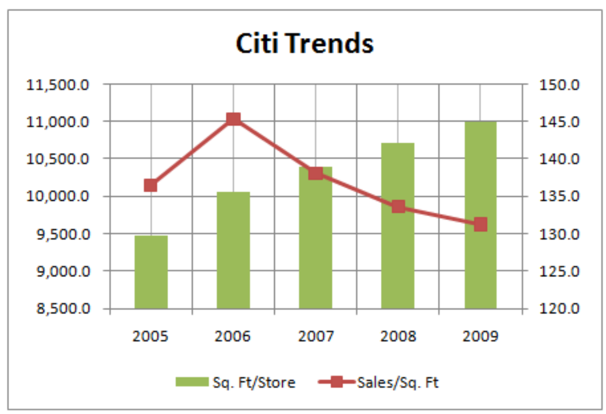


Figure 4: Source Public Filings and Analyst Calculations

The second method we considered using to project store sales was to utilize sales per square foot numbers. The average selling space for Citi Trends has increased since 2006 while the sales per square foot has steadily fallen. The main reason for this is that Citi Trends, unlike many another retail stores, considers site availability before size when choosing the location for a new store[1]. Hence, sales per sq. ft. may not be an accurate measure to project store productivity. In fact, CTRN has intentionally increased its store footprint. We believe this strategy makes sense given the company's desire to emulate specialty retail, and provide a non-discount store feel.

[1] Company Annual Statement 2009

We analyze sales productivity under the following two scenarios.

Table 4

Scenario	Circumstances	Input Values	Comments	Share Value
Poor recovery	See a dip in sales next period, see no follow-up recovery throughout the projection period	Use .95*(historical average performance) for next 12 months, and then grow at inflation of 1.84%		$23.6
Constant performance per store	**Steady but slow recovery, no economy driven bounce in sales**	**Use historical average performance for next 12 months, and then grow at inflation of 1.84%**	**Baseline**	**$33.4**

Upon inspection of the graph for the sales/store projections, the baseline assumptions look like a reasonable extension of the historic trend. There also may be some opportunity for a jump in sales as the U.S. economy recovers. Certainly the value of the firm is sensitive to fluctuations in sales per store. There are some ways that these impacts could be mitigated. In the case where there is a permanent decline in sales per store, CTRN would likely make a move to reduce other costs (thus staying closer to a constant ratio between revenues and SG&A Expense). We believe that the downside is limited enough, and that the upside at least eliminates the downside risks, to warrant treating the baseline scenario as the decision-making outcome.

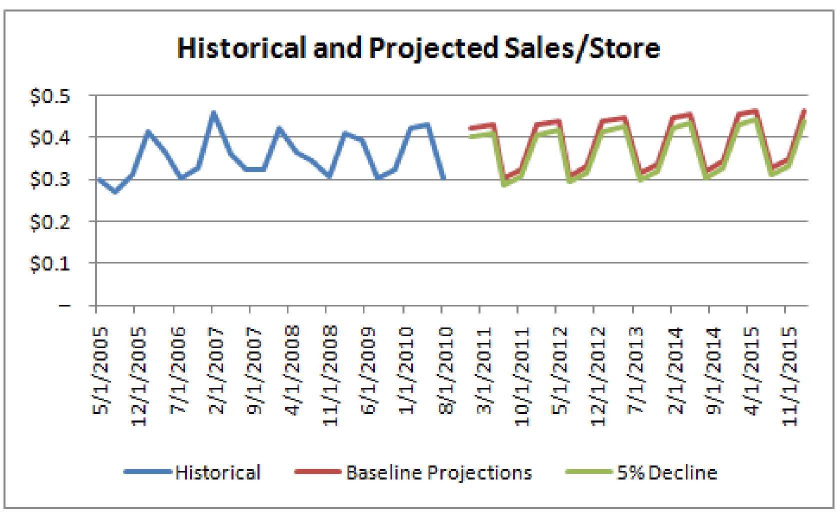


Figure 5: Public Filings and Analyst Calculations

Margin Analysis

Cost of Sales

According to CTRN's accounting methodology, cost of sales includes cost of purchasing merchandise and freight costs. The cost of sales as a percent of sales for CTRN has been surprisingly flat. We believe this is because of the countercyclical nature of the firms merchandise acquisition strategy and company positioning. The firm acquires unsold merchandise, thus during times of economic decline, they will have a wider and better quality selection of goods to choose from. Additionally, being positioned at the bottom of the price scale provides a stabilizing dynamic. While economic decline my cause a decline in purchases from some customers, it may also increase purchases from others who make decisions to trade down.

Table 5

Scenario	Circumstances	Input Values (Cost of Sales/Net Sales)	Comments	Share Value
5-year trailing average	**Normal Economic Scenario**	**FQ1 = 60.5%, FQ2 = 62.6%, FQ3 = 62.9%, FQ4 = 62.3%**	**Most Likely**	**$33.4**
Downside margin scenario	Economic Decline	For next eight quarters: FQ1 = 60.9%, FQ2 = 63.8%, FQ3 = 65.3%, FQ4 = 64.8%	Use FY2007 as a model for next 12 months, then use long term average	$31.5
Best case margin scenario	Economic Recovery	FQ1 = 60.0%, FQ2 = 61.8%, FQ3 = 62.6%, FQ4 = 61.4%	Use FY2009 as a model	$36.9

We believe that the best indicator of future performance, unless there is evidence to the contrary, is the past. As a result, we believe that the 5-year trailing average is the correct cost of sales margin to use. However, even in a scenario where the cost of sales is much higher, as a percent of revenue, for two years; the stock remains a strong buy.

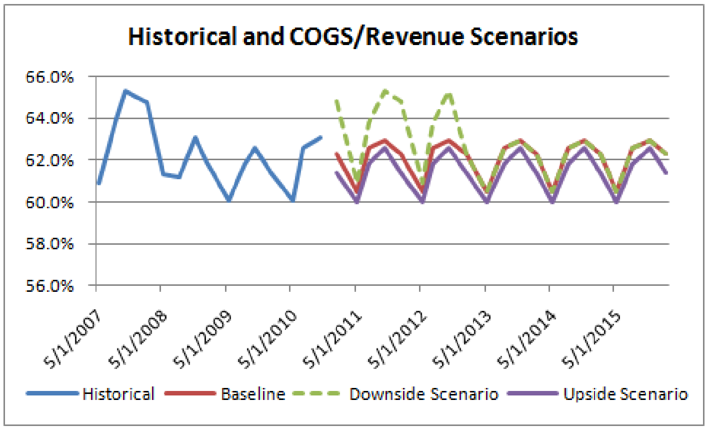
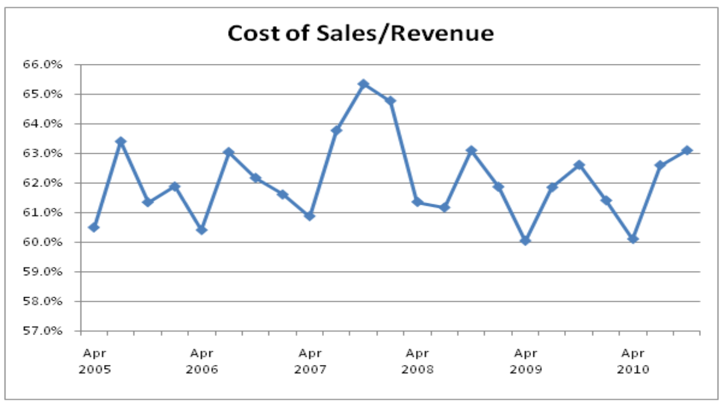


Figure 6 Source: Public Filings and Analyst Projections

Table 6 Source: Bloomberg



We believe that the unemployment rate is typically a strong indicator for profitability of retail apparel outlets. We see some impact on Cost of Sales/Net Sales margin.

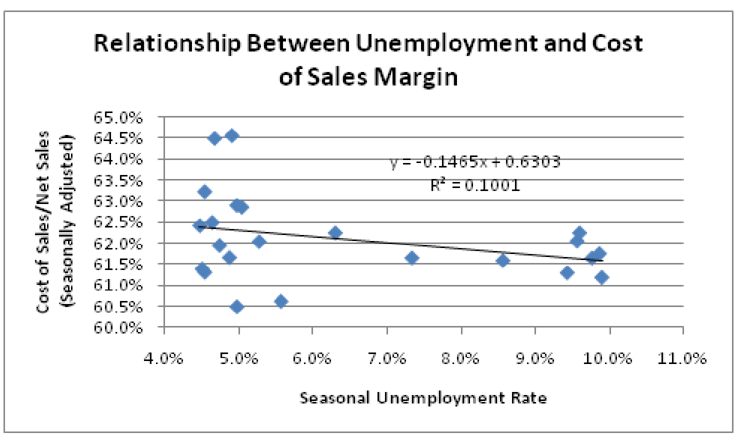


Figure 7 Source: Public Filings, bls.gov, and analyst calculations

In the seasonally adjusted scenario we see that a 1 percentage point decline in the unemployment rate correlates to a 0.15% point increase in operating margin. The impact of even a fairly large change in unemployment is so small that we choose not to directly include the impact in our projections.

SG&A Expense

SG&A Expense includes rent, store payroll, corporate, and advertising costs. There are two obvious metrics to use to project forward the magnitude of SG&A Expense, either SG&A Expense as a percentage of net sales or SG&A expense per store. While the former looks flatter, the average coefficient of variation for all quarters from 5/5/2007 to 10/31/2010 for SG&A/store is lower (0.0294 v. 0.0375). Thus SG&A/store is used as the basis for future projections.

SG&A/store	FQ1	FQ2	FQ3	FQ4
Average	0.110	0.106	0.106	0.106
Maximum Deviation	0.006	0.004	0.003	0.004

Table 7: Analyst calculations and public filings (since quarter ended 5/5/2007)

We believe that these averages serve as the best baseline for SG&A expense. We also stress our analysis with the worst case scenario where all of the next 12 month numbers are up by the maximum deviation. In both cases, we grow SG&A Expense/Store at the average rate of inflation, assumed to be 1.8%. Because we don't envision a significant change in the competitive landscape, we believe that CTRN's expenses should grow at the same rate of inflation as the expected rate of inflation in the apparel industry.

Table 8

Scenario	Circumstances	Input Values (SG&A/Store)	Comments	Share Value
SG&A/store holds at average		FQ1 = 0.110, FQ2 = 0.106, FQ3 = 0.106. FQ4 = 0.106 + general inflation	Most Likely	$37.8
SG&A/store increases by max deviation	High inflation, particularly in rent	FQ1 = 0.116, FQ2 = 0.110, FQ3 = 0.109. FQ4 = 0.110 + general inflation	Expect this to be an outlier	$31.8
SG&A/store grows from last 4Q numbers at the rate of inflation	**General inflation**	**Grow historical at 1.84%**	**Baseline**	**$33.4**

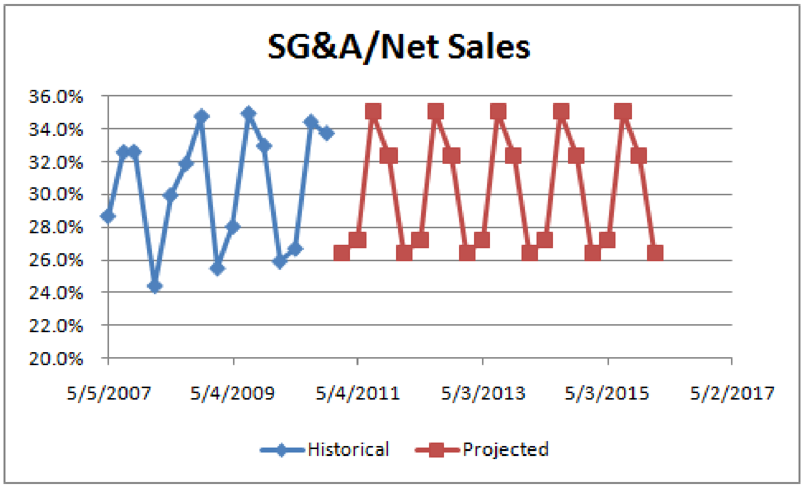


Figure 8 Source: Public Filings and Analyst Calculations

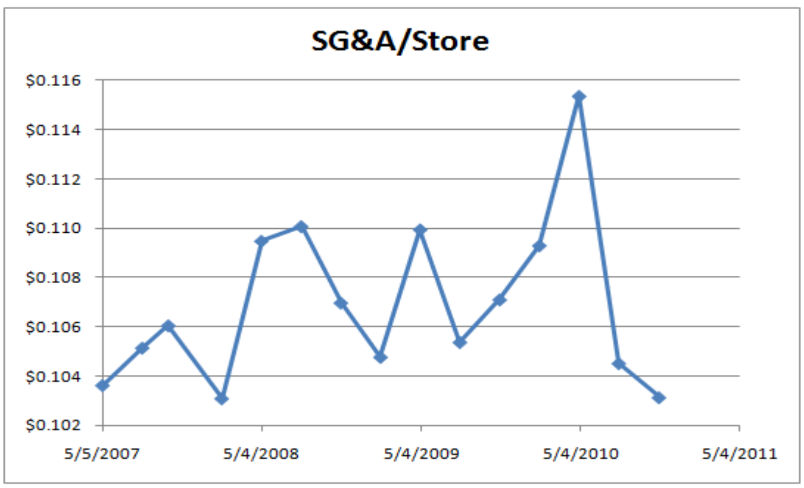


Figure 9: Source Public Filings and Analyst Calculations

Investment Summary

We recommend a buy for CTRN. In almost all sensitivity scenarios the firm is trading at a discount. Additionally, CTRN weathered the recent recession fairly well, and possesses some counter cyclical traits (for an apparel retailer) which makes it an appropriate buy for investors who are unwilling to make highly risky equity investments. Finally, we believe the biggest risk to value, sales/store, is protected from a slow recovery. We believe that to the extent unemployment remains at such high levels; congress will continue to provide aid to their constituents. We believe opposing such payments would be too risky of an issue for many politicians to oppose.

Appendix: Working Capital Assumptions

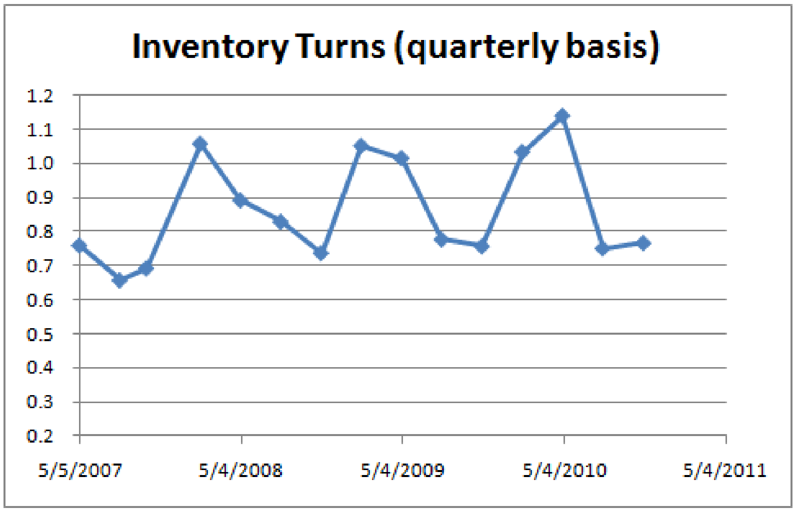


Figure 10: Source Public Filings and Analyst Calculations

There has been a slight trend upwards in inventory turns. Given the buy rating on the firm, and the relatively small impact of an improvement we err towards using the average turns per period since 5/5/2007 for our forward projections.

Table 9

Inventory Turns	FQ1	FQ2	FQ3	FQ4
Average	0.951	0.754	0.738	1.047

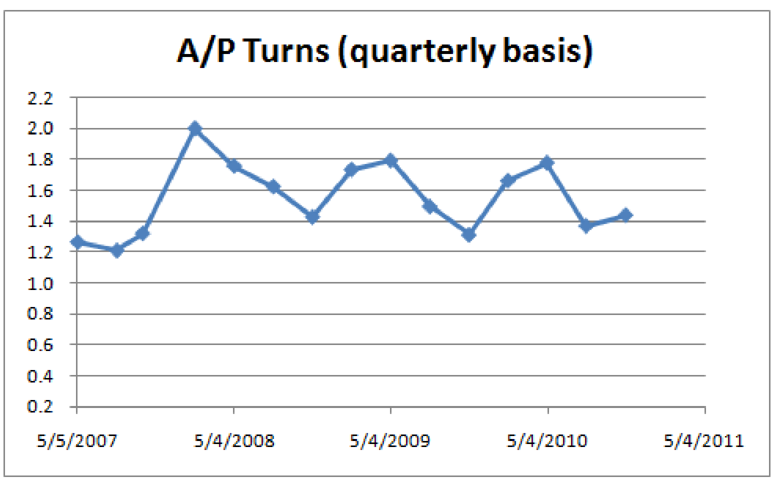


Figure 11 Source: Public Filings and Analyst Calculations

Accounts payable turnover has been relatively flat over the past several years, despite a blip in the 2007 fiscal year. We believe that the best indicator of future accounts payable turnover going forward is the average A/P turnover since 5/4/2008.

Table 10

A/P Turns	FQ1	FQ2	FQ3	FQ4
Average	1.606	1.444	1.354	1.867

For the other working capital accounts, it is assumed that the average from the period since 5/5/2007 holds going forward.

Appendix: Beta Estimation

We are using the industry asset beta of 1.39 to value CTRN. The cost capital estimation is tabulated below. The market risk premium is assumed to be the historic average value of 7%. The risk free rate is the yield on the 10-year treasury minus 100 basis points to adjust for the duration risk. The cost of equity for CTRN is estimated to be 11.7%.

Valuation Assumptions	
Terminal Growth Rate	3.2%
Risk Free Rate	2.0%
Beta	1.39
Market Risk Premium	7.0%
Cost of Equity	11.7%

The beta used for calculating the discount rate is the average rolling asset beta for the six largest comparable firms (by market cap).

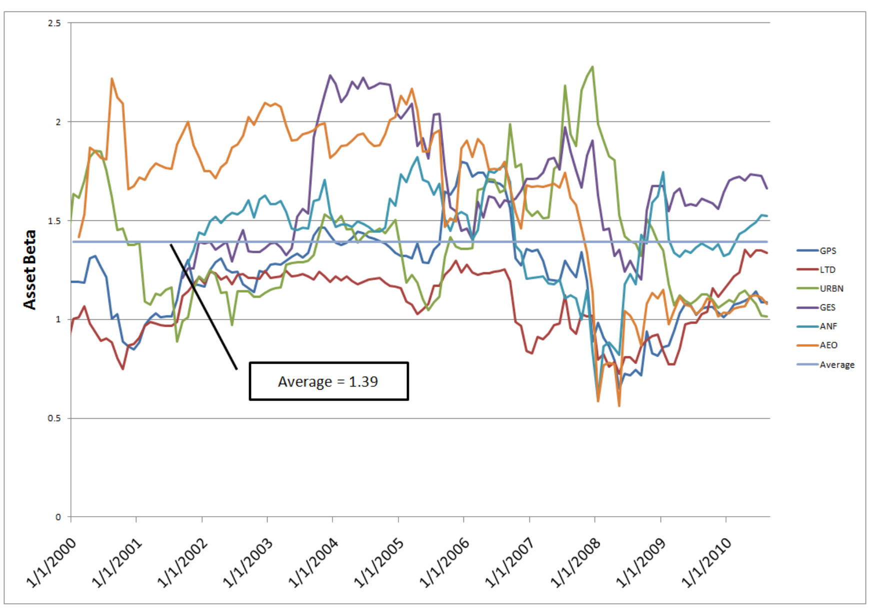
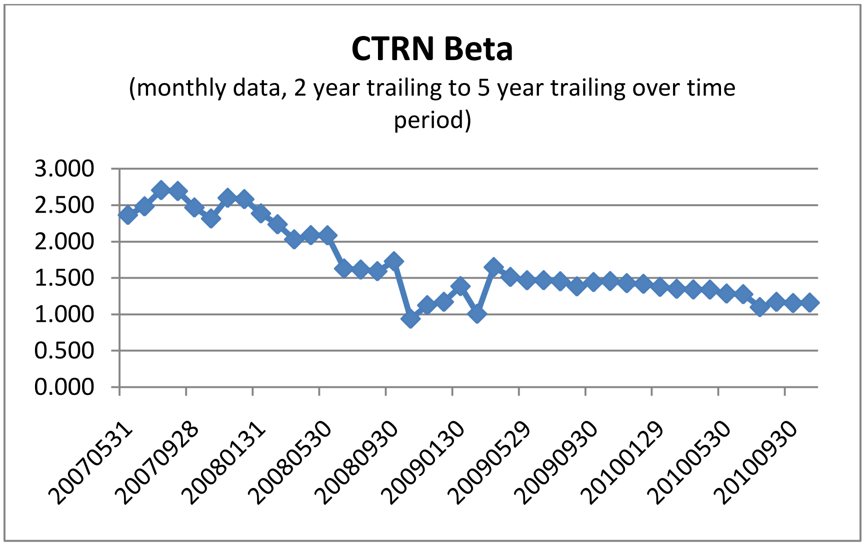


Figure 12: Source: Bloomberg, CSRP, Analyst Estimates

An alternative methodology for calculating the beta would be to find the beta for CTRN itself. Unfortunately, given that the company was relisted in 2005 there is limited data from which to do a 5-year rolling average. Instead, start at the date where it is possible to do a 2-year average, and then extend the sample period until the 5-year range is reached. The company's beta has trended down from beginning of the time period. The high numbers seen at the beginning are likely exaggerated due to the shortened sample window. Towards the end of the period the beta is near the industry average. Thus, we chose to use the industry average for our valuation.

Table 11: CRSP, Bloomberg, and Analyst Calculations



Appendix: General Assumptions

We use an inflation rate of 1.84% for our projections given that this is the historical rate of inflation for apparel in the U.S. between 1970 and the end of 2009.

In recent history apparel prices have declined, however, we do not believe that this is a trend that will continue. This belief primarily lies in the fact that we think efficiency gains in manufacturing from globalization have likely been achieved.

Appendix: Model for Baseline Scenario

CitiTrends (CTRN) Balance Sheet	2/2/2008	1/31/2009	1/30/2010	5/1/2010	7/31/2010	10/31/2010	1/30/2011	1/30/2011	1/31/2012	1/31/2013	2/1/2014	2/2/2015	2/3/2016
Assets													
Current Assets:													
Cash and cash equivalents	$6.2	$33.5	$63.0	$83.4	$84.6	$69.6	$85.7	$85.7	$91.9	$102.2	$116.7	$135.4	$158.2
Short-term investment securities	56.2	–	33.0	30.0	3.1	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8
Inventory	82.4	86.3	100.9	95.7	107.6	115.3	115.3	115.3	125.6	136.7	149.0	162.3	170.2
Prepaid and other current assets	5.9	10.6	10.4	9.7	9.3	17.3	11.5	11.5	12.5	13.6	14.8	16.1	16.9
Income tax receivable	–	–	–	–	2.7	–	–	–	–	–	–	–	–
Deferred tax asset	2.8	3.4	4.5	4.5	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Total current asset	$153.5	$133.8	$211.8	$223.2	$212.1	$211.7	$221.9	$221.9	$239.4	$262.0	$290.0	$323.3	$354.8
Property and equipment, net	52.2	58.9	63.8	64.3	73.4	76.9	81.2	81.2	94.3	104.5	112.4	118.6	123.5
Long-term investment securities	–	43.8	–	–	–	–	–	–	–	–	–	–	–
Goodwill	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Deferred tax asset	2.8	2.5	2.5	2.1	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Other assets	0.3	0.4	0.5	0.6	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total assets	$210.2	$240.8	$280.0	$291.6	$290.4	$293.0	$307.5	$307.5	$338.2	$371.0	$406.9	$446.4	$482.7
Liabilities and Stockholders' Equity													
Current liabilities:													
Accounts payable	43.6	52.3	62.7	61.3	58.9	61.4	64.7	64.7	70.4	76.7	83.6	91.0	95.5
Accrued expenses	11.9	11.5	12.8	12.0	15.5	13.7	15.6	15.6	17.0	18.5	20.2	22.0	23.1
Accrued compensation	5.2	7.5	9.5	7.0	9.2	8.4	9.4	9.4	10.3	11.2	12.2	13.3	13.9
Current portion of long-term debt	–	–	–	–	–	–	–	–	–	–	–	–	–
Current portion of capital lease obligations	1.6	1.4	–	–	–	–	–	–	–	–	–	–	–
Income tax payable	1.2	0.7	3.0	3.9	–	–	–	–	–	–	–	–	–
Layaway deposits	0.6	0.6	0.6	1.9	1.9	3.2	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total current liabilities	$64.0	$73.9	$88.6	$86.3	$85.5	$86.7	$90.3	$90.3	$98.3	$107.0	$116.6	$126.9	$133.1
Long-term debt less current portion													
Capital lease obligations, less current portion	1.4	–	–	–	–	–	–	–	–	–	–	–	–
Other long-term liabilities	6.6	8.6	10.0	10.0	9.3	10.4	10.8	10.8	11.7	12.8	13.9	15.2	15.9
Total liabilities	$72.0	$82.6	$98.6	$96.3	$94.8	$97.1	$101.1	$101.1	$110.1	$119.8	$130.5	$142.1	$149.0
Stockholders' equity:													
Common stock	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Paid-in-capital	68.3	71.0	74.4	75.9	76.7	77.4	77.4	77.4	77.4	77.4	77.4	77.4	77.4
Retained earnings	69.9	87.3	107.0	119.4	118.9	118.5	129.0	129.0	150.7	173.7	198.9	226.9	256.3
Accumulated other comprehensive loss	–	–	–	–	–	–	–	–	–	–	–	–	–
Treasury stock	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Total stockholders' equity	$138.1	$158.2	$181.3	$195.3	$195.6	$195.9	$206.4	$206.4	$228.1	$251.2	$276.3	$304.3	$333.8
Total liabilities and stockholders' equity	$210.2	$240.8	$280.0	$291.6	$290.4	$293.0	$307.5	$307.5	$338.2	$371.0	$406.9	$446.4	$482.7

CitiTrends (CTRN) Income Statement	2/2/2008	1/31/2009	1/30/2010	5/1/2010	7/31/2010	10/31/2010	1/30/2011	1/30/2011	1/31/2012	1/31/2013	2/1/2014	2/2/2015	2/3/2016
Net Sales	$437.5	$488.2	$551.9	$181.4	$129.0	$140.0	$193.8	$644.3	$702.4	$765.0	$833.9	$908.3	$953.0
Cost of sales	278.8	301.9	338.9	109.0	80.8	88.4	120.8	398.9	435.5	474.3	517.0	563.1	590.9
Gross profit	158.7	186.3	213.0	72.4	48.3	51.7	73.1	245.4	266.9	290.7	316.9	345.2	362.2
Selling, general and administration	127.5	147.0	165.2	48.5	44.4	47.2	51.2	191.3	208.4	227.0	247.5	269.5	282.8
Depreciation and amortization	12.6	16.3	18.4	4.8	4.8	5.3	5.7	20.5	25.1	28.3	30.7	32.6	34.1
Income from operations	18.7	23.1	29.4	19.2	(0.9)	(0.9)	16.2	33.6	33.4	35.4	38.7	43.0	45.3
Interest income	2.4	2.5	0.4	0.1	0.0	0.0	–	0.1	–	–	–	–	–
Interest expense	(0.5)	(0.3)	(0.1)	(0.0)	(0.0)	(0.0)	–	(0.0)	–	–	–	–	–
Unreasized gain on investment securities	–	–	–	–	–	–	–	–	–	–	–	–	–
Gain (loss) before income tax benefit	20.6	25.3	29.7	19.2	(0.9)	(0.9)	16.2	33.7	33.4	35.4	38.7	43.0	45.3
Income tax expense (benefit)	6.4	7.9	10.0	6.8	(0.3)	(0.5)	5.7	11.7	11.7	12.4	13.6	15.1	15.8
Net gain	$14.2	$17.4	$19.7	$12.4	($0.6)	($0.4)	$10.5	$22.0	$21.7	$23.0	$25.2	$28.0	$29.4

CitiTrends (CTRN)
Cash Flow Statement

	2/2/2008	1/31/2009	1/30/2010	5/1/2010	7/31/2010	10/31/2010	1/30/2011	1/30/2011	1/31/2012	1/31/2013	2/1/2014	2/2/2015	2/3/2016
Operating activities:													
Net Income	$14.2	$17.4	$19.7	$12.4	($0.6)	($0.4)	$10.5	$22.0	$21.7	$23.0	$25.2	$28.0	$29.4
Adjustments to reconcile net income to net cash provided by operating activities:													
Depreciation and amortization	12.6	16.3	18.4	4.8	4.8	5.3	5.7	20.5	25.1	28.3	30.7	32.6	34.1
Loss on disposal of property and equipment	0.1	0.1	0.3	0.1	–	–	–	0.1	–	–	–	–	–
Deferred income taxes	(1.4)	(0.3)	(1.1)	0.5	(1.1)	–	–	(0.6)	–	–	–	–	–
Noncash stock-based compensation expense	1.5	2.0	2.5	0.9	0.7	0.7	–	2.4	–	–	–	–	–
Excess tax benefits from stock-based payment arrangements	(3.5)	(1.2)	(0.6)	(1.4)	(0.1)	–	–	(1.5)	–	–	–	–	–
Unrealized loss on investment securities	–	–	–	–	–	–	–	–	–	–	–	–	–
Changes in assets and liabilities:													
Inventory	(9.1)	(3.8)	(14.6)	5.2	(11.9)	(7.7)	(0.0)	(14.4)	(10.3)	(11.1)	(12.3)	(13.3)	(7.9)
Prepaid and other current assets	(1.1)	(4.1)	0.2	0.7	0.4	(8.0)	5.8	(1.1)	(1.0)	(1.1)	(1.2)	(1.3)	(0.8)
Other assets	(0.1)	(0.1)	(0.1)	(0.1)	0.0	2.7	–	2.7	–	–	–	–	–
Accounts payable	(3.3)	8.7	10.4	(1.4)	(2.3)	2.4	3.3	2.0	5.8	6.3	6.9	7.4	4.4
Accrued expenses and other long-term liabilities	3.8	1.7	2.6	(0.7)	1.5	(0.6)	2.3	2.4	2.4	2.6	2.8	3.0	1.8
Accrued compensation	(1.0)	2.3	2.0	(2.5)	2.1	(0.8)	1.0	(0.1)	0.8	0.9	1.0	1.1	0.6
Income tax payable	3.8	0.7	2.9	2.3	(6.6)	–	–	(4.3)	–	–	–	–	–
Layaway deposits	0.1	(0.1)	0.1	1.3	(0.0)	1.3	(2.6)	(0.0)	–	–	–	–	–
Net cash provided by operating activities	$16.6	$39.6	$42.8	$22.2	($13.1)	($5.0)	$26.0	$30.1	$44.5	$48.7	$53.1	$57.6	$61.7
Investing activities:													
Sales/redemptions of investment securities	43.8	15.7	10.8	3.0	30.0	–	–	33.0	–	–	–	–	–
Purchases of investment securities	(34.0)	(4.0)	–	–	(3.1)	–	–	(3.1)	–	–	–	–	–
Purchases of property and equipment	(30.1)	(23.0)	(23.6)	(5.4)	(12.7)	(10.0)	(10.0)	(38.1)	(38.3)	(38.4)	(38.6)	(38.8)	(39.0)
Net cash used in investing activities	($20.3)	($11.4)	($12.8)	($2.4)	$14.2	($10.0)	($10.0)	($8.2)	($38.3)	($38.4)	($38.6)	($38.8)	($39.0)
Financing activities:													
Repayments on capital lease obligations and long-term debt	(1.8)	(1.6)	(1.4)	–	–	–	–	–	–	–	–	–	–
Excess tax benefits from stock-based payment arrangements	3.5	1.2	0.6	1.4	0.1	–	–	–	–	–	–	–	–
Proceeds from the exercise of stock options	0.4	0.5	0.8	0.2	0.1	–	–	–	–	–	–	–	–
Cash used to settle withholding taxes on stock option exercises	–	(1.0)	(0.5)	(1.0)	(0.0)	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	–	–	–	–	–
Net cash provided by financing activities	$2.2	($0.9)	($0.5)	$0.6	$0.1	–	–	–	–	–	–	–	–
Net increase in cash and cash equivalents	($1.5)	$27.3	$29.5	$20.4	$1.2	($15.0)	$16.0	$21.9	$6.2	$10.3	$14.5	$18.8	$22.8
Cash and cash equivalents:													
Beginning of period	$7.7	$6.2	$33.5	$63.0	$83.4	$84.6	$69.6	$63.0	$85.7	$91.9	$102.2	$116.7	$135.4
End of period	$6.2	$33.5	$63.0	$83.4	$84.6	$69.6	$85.7	$85.7	$91.9	$102.2	$116.7	$135.4	$158.2

CitiTrends (CTRN) APV Calcuation										
	5/1/2010	7/31/2010	10/31/2010	1/30/2011	1/30/2011	1/31/2012	1/31/2013	2/1/2014	2/2/2015	2/3/2016
Operating Profit	$19.2	($0.9)	($0.9)	$16.2	$33.6	$33.4	$35.4	$38.7	$43.0	$45.3
Operating Taxes	6.8	(0.3)	(0.5)	5.7	11.7	11.7	12.4	13.6	15.1	15.8
NOPLAT	$12.4	($0.6)	($0.4)	$10.5	$21.9	$21.7	$23.0	$25.2	$28.0	$29.4
+ Depreciation & Amortization	4.8	4.8	5.3	5.7	20.5	25.1	28.3	30.7	32.6	34.1
- Capital Expenditures, net	(5.4)	(12.7)	(10.0)	(10.0)	(38.1)	(38.3)	(38.4)	(38.6)	(38.8)	(39.0)
- Change in Non-Cash WC	27.1	(29.9)	(15.7)	35.8	17.4	42.1	46.2	50.3	54.5	59.9
Unlevered Free Cash Flow	$38.8	($38.4)	($20.8)	$42.0	$21.7	$50.7	$59.1	$67.5	$76.3	$84.5
PV(Unlevered Free Cash Flow)			(20.2)	39.8		44.2	46.2	47.3	47.8	47.5
Terminal Value										304.1
PV(Terminal Value)			165.5							
Value of all equity financed firm		$418.1								
Interest Expense			(0.0)	–	–	–	–	–	–	–
Interest Tax Shield			(0.0)	–	–	–	–	–	–	–
PV Interest Tax Shield			(0.0)	–	–	–	–	–	–	–
Terminal Value of Tax Shield										
PV(Terminal Value of Tax Shield)			–							
Value of Tax Shield		($0.0)								
Firm value		$418.1								
Debt Outstanding		–								
Excess Cash		$52.6								
Investments		$4.8								
Equity Value		$475.5								
Diluted Shares		14.2								
Fair Value of Share		$33.4								

Appendix: Important Disclaimer

IMPORTANT DISCLAIMER

Please read this section before reading this report.

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