

Salton Inc (NYSE: SFP)

Location: Lake Forest, IL

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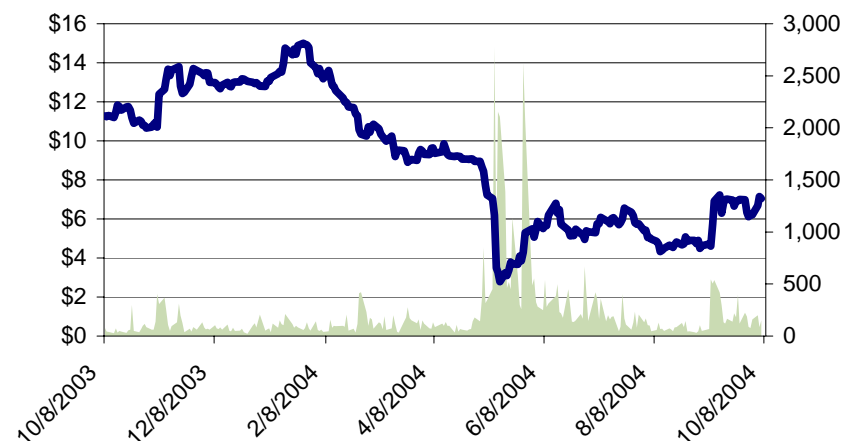
BUSINESS DESCRIPTION

Salton, Inc. is a designer, marketer and distributor of branded small appliances, home decor and personal care products. Its product mix includes a range of small kitchen and home appliances, tabletop products, time products, lighting products, and wellness products. The Company sells its products under such brand names as Salton, George Foreman, Westinghouse, Toastmaster, Melitta, Farberware, and Stiffel. Salton markets and sells its products in North America, Europe, Asia, Australia, New Zealand and South Africa.

INVESTMENT THESIS

Once a firm with nearly \$700 million in market cap, the equity has declined precipitously and the firm is no longer followed by analysts. The saturation of the US market with certain appliances, unsustainable rivalry, and a distribution catastrophe combined for a massive FY2003 loss and a technical default on the higher leverage. Following the write-offs, a restructuring to radically reduce costs, and newly formed debt covenants, the firm is expected to return to profitability by the first quarter. New product innovations and stabilized prices will drive earnings and allow the firm to reduce the debt load. Salton represents a levered wager with excellent odds.

STOCK PRICE PERFORMANCE



(Volume in '000s)

FINANCIAL SUMMARY

Results of Operations	FY Ended Dec 31,			
	2001	2002	2003	2005 E*
Revenue	\$1,075.0	\$894.0	\$1,075.0	\$900.0
<i>Growth</i>	16.2%	(16.8%)	20.2%	(16.3%)
EBIT	91.3	48.6	(62.3)	54.0
<i>EBIT Margin</i>	8.5%	5.4%	(5.8%)	6.0%
After-tax Earnings	30.1	8.0	(95.2)	14.0
<i>Net Margin</i>	2.8%	0.9%	(8.9%)	1.6%
D&A	30.6	17.8	22.9	24.1
CapEx	16.4	23.0	33.1	28.8
Interest Expense	44.4	40.2	40.2	40.0
EPS on Current Sh.	\$ 2.64	\$ 0.70	\$ (8.35)	\$ 1.23

Balance Sheet Data	
Total Debt	\$433.1
Cash & Equivalents	80.8
Net Debt	352.2
Credit Stats	
Total Debt/EBITDA	8.0x
Net Debt/EBITDA	6.5x
EBITDA/Interest	1.4x

Trading Statistics

Share Price (9/28/04)	\$7.23
Diluted Shares Outstanding (6/30/04)	11.4
52 Week High	15.20
52 Week Low	2.50
Equity Market Value	82.4

*Please note: standard error in forecasting creates distortion of 2003-2005 transition period from which 2004 estimates are calculated.

(1) Figures as of 7/3/04

