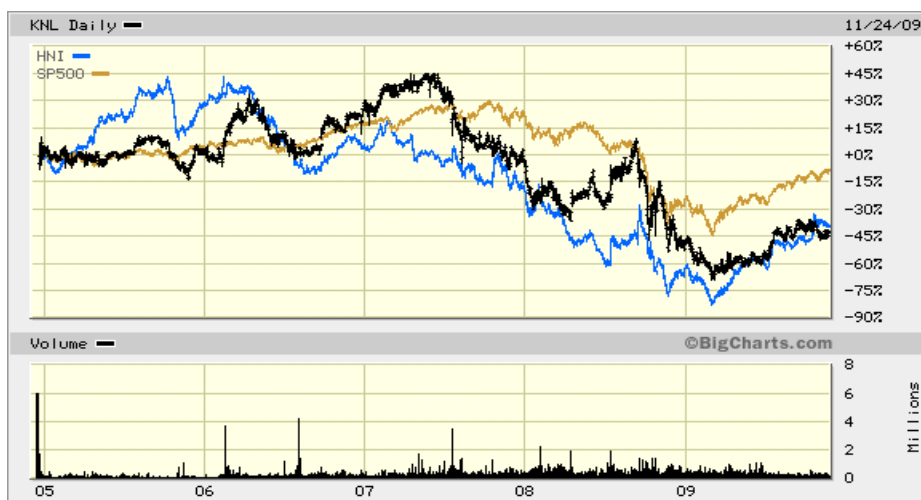


## Knoll Inc. (KNL) 11/24/09

NKL operates in the design, manufacturing, and sales of office and home furniture and storage. Some products the company offers are; chairs, desks, storage units, power systems, tables, textiles, bookcases, etc. KNL sells its products primarily to large corporate clients, government agencies, and hospitality servers worldwide. KNL was founded in 1938 and is headquartered in East Greenville, Pennsylvania.

Current Price	\$9.79
52 Week High	\$11.42
52 Week Low	\$5.33
One Yr Target	n/a
Market Cap (in billions)	\$0.44
P/E (Trailing)	9.65
P/E(1 Yr Forward)	15.06
P/E/G	1.28
ROA	6.67%
ROE	56.15%
EPS	\$1.01
Beta	1.40
Annualized Dividend	\$0.08
Dividend Yield	0.82%
Analyst Consensus	2.30
Debt to Equity	7.25



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**Annual EPS**

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2005	\$0.69	
2006	\$1.20	74.81%
2007	\$1.45	20.81%
2008	\$1.80	24.36%
2009E	\$1.01	-43.68%

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**Annual Revenue (in millions)**

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2005	\$808.00	
2006	\$982.20	21.56%
2007	\$1,055.80	7.49%
2008	\$1,120.20	6.10%

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**Annual Net Income (in millions)**

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2005	\$35.90	
2006	\$58.80	63.79%
2007	\$71.40	21.43%
2008	\$84.90	18.91%

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**Free Cash Flows (in millions)**

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2005	\$66.70	
2006	\$61.10	-8.40%
2007	\$85.80	40.43%
2008	\$93.70	9.21%

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**Required Rate of Return**

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12.76%

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**Dividend Growth Model**

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Present Value of 2014 Price	\$2.44
Holding Period Return (5 years)	-12.59%

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**Expected Annualized Return Model**

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Present Value of 2014 Price	\$17.36
Holding Period Return (5 years)	11.89%

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**Residual Income Model**

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Intrinsic Stock Price	\$57.69
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# Analysis

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## Positives

Decent PEG ratio coupled with a super high ROE suggests the stock is a decent value

Company has found a way to increase profits through a very cyclical economy

## Negatives

Firm is very highly levered, increasing risk and stunting future Net Income

## Financial Statements

Income Statement is nice with good growth in Net Income and EPS over five years

Company historically carries a high Debt/Equity ratio but this results in a high ROE

Cash Flows are good with recent retirement of stock and low Capital Expenditures

## Industry Analysis

Industry is cyclical and somewhat competitive, is highly correlated with commercial real estate

KNL has some of the better financial ratios and profit margins in the industry

## Summary

KNL has some good financial ratios and financial statements that have been improving in the past 2-3 years. Its has a stable and good economic business model that it operates which is why it has better margins than most of its competitors. The valuation models mostly have KNL as being overvalued, a result of a lower projected growth rate from analysts. This low growth rate is due to the cyclical nature of the office furniture industry and the current state of the economy. Compounding on this outlook it that KNL carries a good amount of Debt, which in a slow economy will sink its financial ratios. In the future KNL could be a good play on a recovering commercial real estate industry, but for the next year or so KNL only earns a **hold** rating.