

Crown Crafts Inc. (NASDAQ: CRWS)

Consumer Goods | Textile - Apparel Clothing

Stable Niche of Infant Products Retailing

Company Profile

Crown Crafts, Inc. operates in the infant and toddler products segment of consumer products industry through its subsidiaries Crown Crafts Infant Products, Inc., which designs, markets and distributes infant and toddler products including bedding, blankets and other nursery accessories; and Hamco, Inc., which designs, markets and distributes bibs, bath items and other accessories. Sales are generally made directly to retailers such as mass merchants, chain stores, juvenile specialty stores, Internet retailers, wholesalers, grocery and drug stores. Crown Crafts is headquartered in Gonzales, Louisiana, the United States.

Rising Expected Birth Rates in the United States

As the U.S. economy continues to strengthen, solid improvements in wages and employment will encourage couples to have children, leading to an expectation of an imminent rise in birth rates. Increases in U.S. annual births will drive the baseline demand of infant products, which raises expectation that Crown Crafts' future sales will benefit from rising expected birth rates in the U.S.

Shareholder Friendly Management Practices

Due to the efficient management and rigorous cost containment efforts Crown Crafts maintains, the company preserves a healthy balance sheet and strong operating cash flow over years. Therefore, the Board and management team are keenly focused on delivering sustained value creation to shareholders through attractive and consistent cash dividends.

Valuation & Recommendation

Buy rating at a **target price of \$10.97**, based on the valuation methodology of a combined, weighted DCF model and Comparable Companies Analysis of forward EV/EBITDA multiples. With a current price of \$8.21, there exists 33.64% upside potential.

Please see legal disclaimer at bottom.

Simon Zhang, Analyst
Bachelor of Commerce 2017

Equity Research Canada

Price Target	USD\$ 10.97
Rating	Buy
Current Share Price, close	USD\$ 8.21
Total Return	33.64%

Key Statistics

52-week H/L	\$8.97/\$7.45
Market Capitalization	\$82.8M
Net Debt	-\$6.0M
Enterprise Value	\$76.8M
Net Debt/Enterprise Value	- 7.8%
Diluted Shares Outstanding	10.1M
Free Float %	86%
Dividend Yield	3.76%
LTM P/E	12.8x
LTM EV/EBITDA	6.7x

WestPeak's Forecast

	<u>2016E</u>	<u>2017E</u>	<u>2018E</u>
Revenue	91.7M	97.7M	104M
EBITDA	10.1M	10.7M	11.4M
EBIT	9.2M	9.8M	10.4M
Net Income	5.7M	6.0M	6.4M
P/E	12.7x	12.0x	11.8x
EV/EBITDA	6.9x	6.7x	6.1x



Business Overview – Products, Revenue Streams and Supply Chain

Products & Brands

Crown Crafts operates indirectly through its wholly-owned brands, Crown Crafts Infant Products and Hamco. The company’s two operating subsidiaries provide a variety of infant products under company-owned trademarks and exclusive private label programs for certain of its customers.

- **Crown Crafts Infant Products**

Crown Crafts Infant Products (CCIP) is the dominant manufacturer of infant and toddler bedding sets, blankets, and accessories to mass and speciality markets. These products are designed, manufactured and sold pursuant to licensing agreements for trademarks. Trademark licensors include Disney, Fisher-Price, Happy Chic Baby, Nautica, Sanrio and Sesame Street. Products offered by CCIP are marketed under CCIP’s sole brand *NoJo*®.

- **Hamco**

Hamco is the leading manufacturer of infant bibs and disposable feeding products in the U.S. market. Hamco was founded in 1984, and it primarily manufactured baby bibs and soft bath products. In 1997, Hamco was acquired by Crown Crafts. In 2009, Hamco acquired *Neat Solutions*®, which was an innovator in disposable feeding products for children. In 2010, Hamco acquired the *Bibsters*® brand of disposable bibs from P&G. Hamco’s infant products mainly include reusable and disposable bibs, soft bath products, placemats and toilet seat covers.

Crown Crafts Products and Brands	
CCIP Products	Bedding Blankets Nursery Accessories
Hamco Products:	Bibs Bath Accessories Floor Mats Burp Cloths Room Décor Placemats Toilet Seat Covers Changing Mats
CCIP Brands:	<i>NoJo</i> ®
Hamco Brands:	<i>Neat Solutions</i> ® <i>Bibsters</i> ® <i>Table Topper</i> ® <i>Sesame Street</i> ® <i>Lil’ Snacker</i> ® <i>Stay Dry</i> ® <i>Clipsterz</i> ®

- **Crown Crafts Featured Products**



Crib Bedding for Age 0-2



Toddler Bedding for Age 2-4



Disposable Bibs - Bibsters

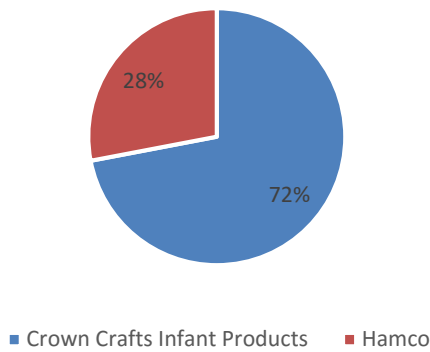


Soft Bath Products

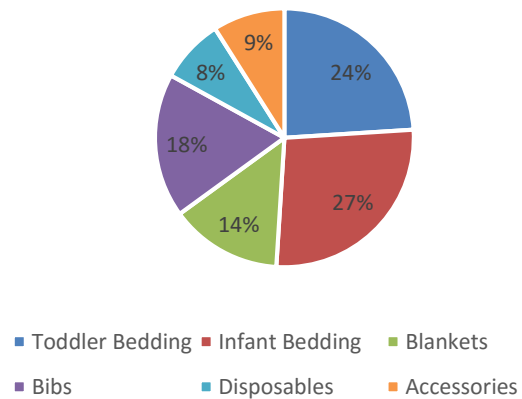
Revenues

Utilizing the revenue breakdown below, Crown Crafts’ revenues in 2015 have been generated primarily from its subsidiary Crown Crafts Infant Products (CCIP). Crown Crafts reports its revenues break-down into product categories, which consist of toddler bedding collections, infant bedding collections, blankets, bibs, disposables and accessories. Infant and toddler bedding produced by CCIP have historically been the primary revenue contributors for Crown Crafts at 51% of their 2015 revenues.

Revenues by Operating Subsidiary

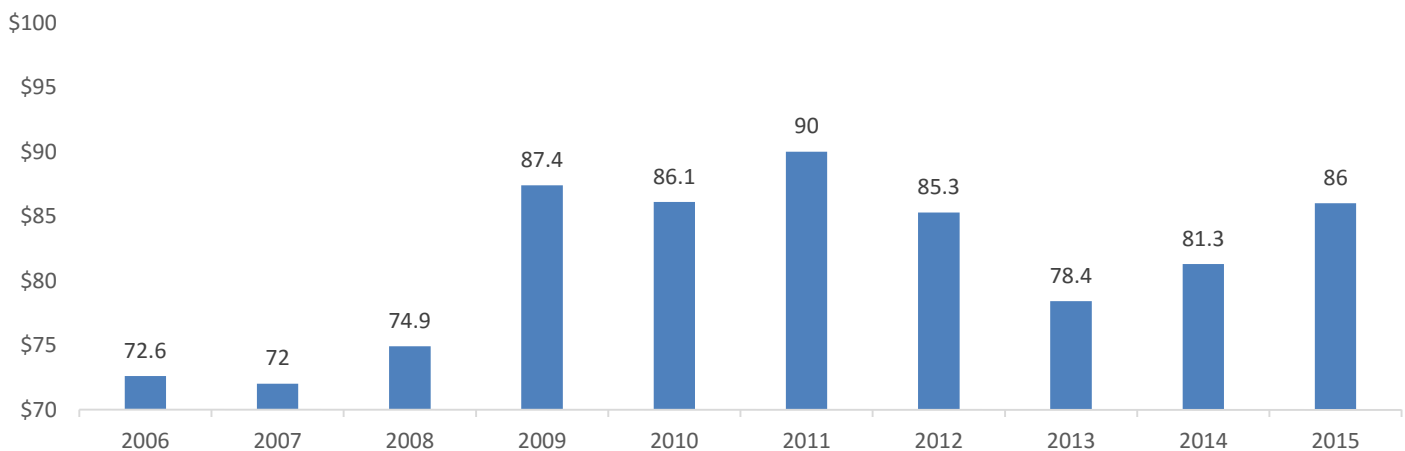


Revenues by Product Category



The company’s historical annual sales growth rate averages at 4.7%. However, net sales in fiscal year 2012 and 2013 were adversely affected due to a legal proceeding filed by the company’s close competitor BreathableBaby, LLC. In 2011, BreathableBaby filed a complaint against Crown Crafts Infant Products which alleged that CCIP’s mesh crib liner infringed upon BreathableBaby’s patent rights relating to its air permeable infant bedding technology. In 2014, Crown Crafts reached a final settlement with BreathableBaby to resolve this matter under the terms of which CCIP will be permitted to manufacture and sell a redesigned mesh crib liner product, Crown Crafts also made a one-time payment of \$850,000 to BreathableBaby. As a result of the litigation, company’s sales declined by 5.2% in 2012 and 8.1% in 2013, but as the litigation wound down, sales returned to positive growth since 2014, and sales are projected to grow at 5.8% - 6.7% over the next five years.

Crown Crafts Historical Annual Sales (\$ in millions)



Supply Chain

Crown Crafts' products are produced by both domestic and foreign manufacturers, with the largest concentration being in China. The company makes sourcing decisions on the basis of quality, timeliness of delivery and price. Crown Crafts maintains a foreign representative office located in Shanghai, China, which is responsible for coordination of production, purchases and shipments, seeking out new vendors and overseeing inspections for social compliance and quality.



Crown Crafts' products are warehoused and distributed from a facility located in Compton, California. The distribution facility is only ten miles away from the Port of Long Beach, California. The company also utilizes third-party warehouses as needed to supplement the warehousing capacity at its Compton distribution facility. The company's products are marketed through a national sales force consisting of salaried sales executives and

employees located in Compton, Gonzales and Bentonville. Substantially all products are sold to retailers for resale to consumers, and sales outside the United States are made primarily through distributors. Crown Crafts' two key customers are Walmart and Toys R Us, which represent 36% and 25% of company's annual gross sales.

○ Company Locations



Compton, CA



Gonzales, LA



Bentonville, AR



Shanghai, PRC

Compton, California – Headquarters for Crown Crafts Infant Products (CCIP), main distribution facility for North America for CCIP and Hamco/Neat Solutions, 10 miles away from Port of Long Beach. (93 employees).

Gonzales, Louisiana – Headquarters for Hamco / Neat Solutions, also the corporate headquarters for finance, accounting, human resources and information technology. (37 employees).

Bentonville, Arkansas – Administrative office in support of sales to Walmart. Please note that Walmart headquarter is also located in Bentonville. (3 employees).

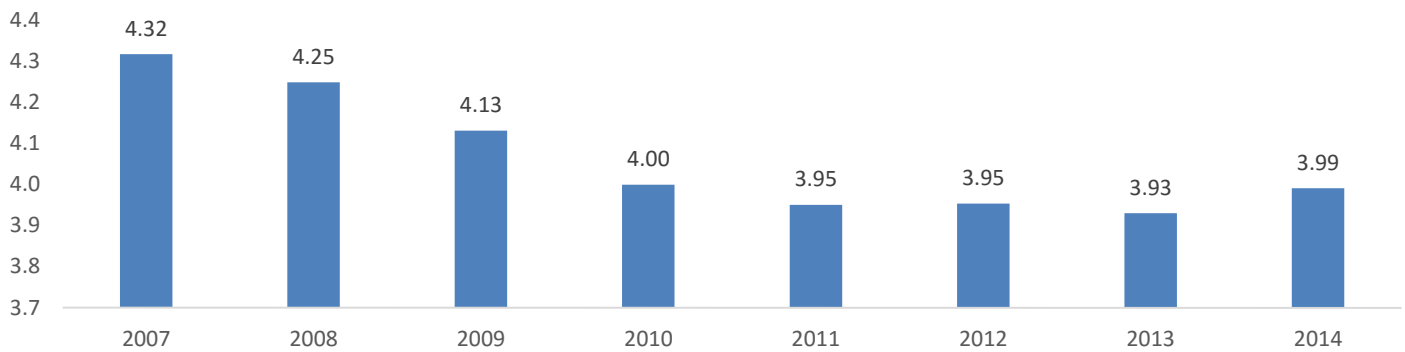
Shanghai, China – Foreign Representative Office, coordination in China of production, purchases, shipments, vendor selection, vendor inspections for quality and social compliance. (8 employees).

Macro environment / Industry Overview

Demand Factors – U.S. Birth Rates

As Crown Crafts specializes in manufacturing infant products, the baseline demand is derived from annual births in the United States. Utilizing the chart below, annual U.S. birthrates began falling dramatically from 2008 to 2011 by over 8.5% before bottoming out in 2011. However, the numbers largely leveled off in 2012 and 2013 and started to recover in 2014 by 1.4%, leading to an expectation that a rise in birth rates is imminent. Considering the steady economy recovery in the United States, continuous gains in employment and wages are expected to push fertility back up in the near future, as the improving economy encourages more couples to have children. A rebound in U.S. birth rates will increase the demand of infant products, which functions as the key to boost Crown Crafts’ future infant products sales, thus increasing company’s profitability.

Absolute Number of U.S. Births Per Year (in millions)
(2007-2014)



Source: CDC/NCHS, National Vital Statistics System

Commodity Price Exposure

As a majority of Crown Crafts’ infant products are made from cotton, the company’s raw material costs are primarily related to cotton price. Considering the cotton market in the United States, industry analyst Cotton Outlook (Cotlook) reported in August, 2015 that U.S. cotton production will fall to 2.8 million tonnes in the 2016 crop year. The forecast production decline, however, was outweighed by cut of 305,000 tonnes in Cotlook’s projection for cotton consumption. The end result will be a reduction in global inventories of 584,000 tonnes by the end of 2016, smaller than the 597,000 tonne reduction that Cotlook anticipated in July. This indicates a glut in the international cotton market is expected to occur in 2016 crop year, which will post continuous downward pressure on cotton price. The anticipated drop in cotton price in 2016 will reduce the raw material costs that Crown Crafts faces in the near future, thus increasing its profit margins.

Sustained Competitive Advantages

Niche Market Position

Crown Crafts remains a market leader in a traditionally stable niche of infant products industry. The company is ideally positioned, both operationally and financially, to pursue a sustainable and long-term growth in retail markets. From the operational perspective, Crown Crafts only specializes in producing infant bedding, bibs, soft goods and accessories, which allows the company to efficiently allocate its resources and managements' expertise to provide high-quality products with competitive pricing sets. Crown Crafts is strategically positioned for organic growth through continued product innovation, particularly within its well-known branded product lines, ongoing end-market diversification and international expansion. The company also maintains diverse distribution channels and strong licensing and retail relationships throughout the U.S. Financially, Crown Crafts consistently preserves rigorous cost containment efforts, which enables the company to obtain a healthy balance sheet with no long-term debt and strong operating cash flows. Consequently, Crown Crafts' steadily increasing financial performance allows the company to offer generous returns to its shareholders.

Opportunistic Acquisitions

Crown Crafts is well-positioned for sustainable future growth through continued pursuit of opportunistic acquisitions. The company has completed three accretive acquisitions during the past several years. Specifically,

- November, 2007 – Crown Crafts acquired Springs Global-Certain Assets, which was a South Carolina-based manufacturer and wholesaler of bedroom & bath furnishings, for 12.4 million.
- July, 2009 – Crown Crafts acquired Neat Solutions Inc., a North Carolina-based manufacturer and wholesaler of disposable placemats and changing pads for babies, for 4.4 million.
- May, 2010 – Hamco Inc. acquired Procter & Gamble Bibster Product Line, which was a product line of P&G that manufactured and wholesaled infant and toddler bibs, for 1.8 million.

Summarizing the three deals Crown Crafts completed during the past decade, the company has been strategically pursuing horizontal acquisition opportunities to strengthen its business in the infant products industry. We believe such an acquisition strategy the company maintains will be the key to consolidate its competitive and leading position in the infant products industry and drive the company's future growth.

Consistent Dividend Policy

Due to the rigorous cost-containment efforts Crown Crafts maintains, the company consistently preserves strong track record of financial performance, which enables the company to reward its shareholders with attractive and consistent cash dividends. According to Crown Crafts' latest FY 2016 second-quarter report, the company declared quarterly dividend of \$0.08 per share to be paid on January 4th, 2016. When paid, the dividend will mark the completion of six consecutive full calendar years of dividends payments. During fiscal year 2014 and 2015, aggregate cash dividends of \$0.32 per share, amounting to \$3.2 million, were declared and paid to shareholders. During the first six months of FY 2016, cash dividends of \$0.16 per share have been declared, and total dividends during this year are also expected to remain at \$0.32 per share, which represents 3.8% annual dividend yield. Therefore, Crown Crafts' consistent and attractive dividend policy reflects positive relationships between management and shareholders.

Catalysts

Licensing Agreement with Zutano

On January 8th, 2015, Crown Crafts Infant Products (CCIP) announced that it has signed a licensing agreement with Zutano, a Vermont-based designer of children's clothing, accessories and nursery products, to develop, market and distribute a new line of infant bedding, blankets, bibs, bath and room décor products. The new line was launched in 2015 and will feature the contemporary, playful and colourful designs that have made Zutano one of today's most influential brands in children's fashion. Both the management team of Zutano and Crown Crafts believe that the partnership will facilitate the co-branding and co-marketing of the two companies, thus benefiting the future sales of both parties. As Crown Crafts' fiscal year 2015 ended on March 29, 2015, the majority of the incremental sales from this new product line will be collected in company's fiscal year 2016.

Partnership with Petunia Pickle Bottom

On April 7th, 2015, nine days after the beginning of fiscal year 2016, CCIP also announced that it has entered into a licensing agreement with Petunia Pickle Bottom for luxury infant bedding, blankets, bibs and bath products. Petunia Pickle Bottom is a prestigious and well-established brand in the premium diaper bag industry, their diaper bags and accessories products are sold in more than 1,000 boutiques and fine department stores across the globe. The licensing agreement allows CCIP to offer infant products with high quality and fashionable designs under the brand of Petunia Pickle Bottom, and the incremental sales from this new product line will be collected solely in company's fiscal 2016. Consequently, the licensing agreements with Zutano and Petunia Pickle Bottom that Crown Crafts obtained in 2015 are expected to contribute to higher sales in company's fiscal year 2016, thus leaving us an optimistic projection for a higher 2016 revenue growth rate.

Optimistic Third-quarter Earnings Announcement

Crown Crafts announced its FY 2016 first and second quarter results on August 12th and November 12th, 2015, and its earnings beat analysts' estimates by 28.57% and 14.29% respectively. The company will report its third-quarter results on February 10th, 2016, and the earnings announcement is expected to function as an important catalyst to drive the stock price. Considering Crown Crafts' latest four quarters' results which began from February 11th, 2015, the company's earnings consistently beat analysts' estimates by an average surprise rate of 12.95%. This indicates that the company has maintained strong financial performance and achieved solid improvement in profitability in fiscal year 2015 and 2016, which leaves us an optimistic forecast for a better-than-expected fiscal 2016 third-quarter earnings result that will be reported on February 10th.

Earnings Announcements			
Date	2/10/2016	Period	2015-12
Estimate	0.22	Reported	N/A
Date	11/12/2015	Period	2015-09
Estimate	0.14	Reported	0.16
Surprise	0.02	Surprise %	14.29%
Date	8/12/2015	Period	2015-06
Estimate	0.07	Reported	0.09
Surprise	0.02	Surprise %	28.57%
Date	6/12/2015	Period	2015-03
Estimate	0.23	Reported	0.21
Surprise	-0.02	Surprise %	-8.70%
Date	2/11/2015	Period	2014-12
Estimate	0.17	Reported	0.2
Surprise	0.03	Surprise %	17.65%

Management Team

E. Randall Chestnut

Title: Chairman, President & CEO

FY 2015 Compensation: \$1,152,751

Since: 1995

Mr. Chestnut has been an executive of Crown Crafts since January 1995, when he was hired as Vice President, Corporate Development. He was elected the President, Chief Executive Officer and Chairman of the Board in July 2001. Prior to joining the company, Chestnut was President of Beacon Manufacturing Company, a producer of adult and infant blankets, from December 1988 to January 1995. He also served as Vice Chairman of Wiscasset Mills Company, a yarn manufacturer, from 1990 to 1994.

Olivia Elliott

Title: Vice President & CFO

FY 2015 Compensation: \$481,567

Since: 2008

Ms. Elliott, a Certified Public Accountant, assumed the role of Vice President and Chief Financial Officer in September 2008 after serving as company's Secretary and Treasurer since November 2001. Prior to joining Crown Crafts, Elliott served as Corporate Controller of Amedisys, Inc., a public home health care company, from 1999 to 2001. She also served in various positions at United Companies Financial Corporation, a public lending company, from 1995 to 1999. Elliott began her career in public accounting in 1991 with Deloitte & Touche LLP, where she worked for more than three years.

Nanci Freeman

Title: Vice President & CEO, CCIP

FY 2015 Compensation: \$621,109

Since: 1999

Ms. Freeman serves as President and Chief Executive Office of the subsidiary company Crown Crafts Infant Products, Inc. since 1999. Freeman began her career with Red Calliope & Associates in 1976 where she worked with her father and former President to build and grow Red Calliope into a leader in the infant and juvenile products industry. Freeman then became President of Red Calliope in 1997 and President & CEO of Crown Crafts Infant Products when Red Calliope and NoJo merged in 1999.

One recent change in management further strengthened the position of the company. On November 30, 2015, Crown Crafts Infant Products has named Andrea McCook as its new Vice President of Design. McCook will be responsible for all aspects of products designing and will report to CEO Freeman. McCook has more than 15 years of experience in the design and marketing of apparel and accessories. She has extensive knowledge of trims, fabrics and treatments, along with expertise in trend forecasting, creative direction and product development. She previously held creative positions at various apparel companies, and she received an Associate of Arts degree in fashion design from the Fashion Institute of Design and Merchandising. McCook's enrollment into the designing team is expected to provide Crown Crafts with creativity, opportunity and expertise to bring new products to the market that are in line with the changing preferences and needs of today's young families.

Risks

Competition Risk

The infant and toddler consumer products industry is highly competitive. Crown Crafts competes with a variety of distributors and manufacturers, and the company's competitive ability depends principally on styling, price, service to the retailers and continued brand recognition of the company's products. Several of these competitors are larger than Crown Crafts and have greater financial resources to achieve economy of scale, and their aggressive pricing competition could result in a material decrease in Crown Crafts' revenues.

Customer Pricing Pressure Risk

Customer pricing pressure could also result in lower selling prices of Crown Crafts' products, which could negatively affect the company's operating results. Crown Crafts continuously strives to stay ahead of its competition in sourcing, which allows the company to obtain lower cost products while maintaining high standards for quality. However, if Crown Crafts' two key customers (Walmart & Toys R Us) place much price pressure on the company's products, there is no assurance that the company could respond to a decrease in sales price by proportionately reducing its costs, which could adversely affect the company's operating margins.

Product Safety Risk

Crown Crafts must comply with the Consumer Product Safety Improvement Act, which imposes strict standards to protect children from potentially harmful products and which requires the company's products to be tested to ensure that they are within acceptable levels for lead and phthalates. Crown Crafts must also comply with related regulations developed by the Consumer Products Safety Commission and other state regulatory authorities. Any potential recalls or product liability claims could result in decreased consumer demand for Crown Crafts' products, damage to company's reputation, a diversion of management's attention from its business and increased customer service and support costs, which could significantly affect the company's operating results.

Customer Preference Risk

Crown Crafts' sales are driven by consumer demand for the company's products. However, the demand for the company's infant products could decline if the designing team is not able to accurately anticipate and respond to consumers' changes in tastes and preferences. The company's failure to adapt to these changes could lead to lower product sales and excess inventory, which could have negative effects on the company's operating results.

Licensing & Trademark Risk

According to Crown Crafts' report, sales of their licensed products represented 63% of the company's gross sales in fiscal year 2015, which included 44% of sales associated with the company's license agreements with Disney. Crown Crafts could experience a material loss of revenues if the company is unable to renew its major license agreements with its trademark licensors or obtain new licenses.

Shareholder Base, Liquidity, Market Depth

Share Ownership

Crown Crafts' publicly-traded shares have been listed on NASDAQ – Industrial under the ticker CRWS-O since 2007. Prior of being listed on NASDAQ, the company's shares were traded on NYSE from 1994 to 2007. Free float accounts for 86% of the company's outstanding shares, with 47.26% being owned by institutional investors, which indicates that the company is relatively less exposed to the risks of institutional sell off. The biggest two institutional investors are Wellington Management Company, LLP (8.52%) and Ariel Investments (7.7%), both of them are America-based investment management companies. Insider ownership of Crown Crafts totals 10.5% of shares outstanding, with 7.32% being owned by the company's President Randall Chestnut. All members of upper management are participating in share-ownership compensation plans, which indicates that management incentives are in alignment with that of the shareholders.

Stock Liquidity

Crown Crafts stock 50-day Avg. Daily Volume averages at 15,057. For a small-cap stock like Crown Crafts (80M), a relative low daily trading volume ensures the price stability of the stock performance. Short interest ratio on the stock accounts for only 0.23% of free float, indicating that many investors demonstrate an optimism on the stock performance and do not expect the stock price to decline.

Three-Year Historical Prices



Valuation

Financial Assumptions

DCF projections for Crown Crafts' revenue growth are based on both historical average sales growth rate and potential revenue catalysts. Crown Crafts' revenue is projected to grow at 6.7%, 6.5%, and 6.3% in 2016, 2017 and 2018 respectively. 6.7% revenue growth rate in 2016 is projected using the historical average growth rate of 4.7%, plus 2% premium due to the newly-added product lines in 2015 and an anticipated increase in U.S. birthrate in 2016. EBITDA margins are projected to remain at 11% over the next five years due to company's strong cost-containment practices. Cash dividend declared per share is projected to remain at \$0.32 in fiscal year 2016, as the company continues to offer attractive returns to their shareholders.

Valuation Methodology

Valuation of Crown Crafts is based off a weighted enterprise valuation from both a Discounted Cash Flow (DCF) and Comparable Companies Analysis (CCA). The DCF utilizes a Weighted Average Cost of Capital (WACC) of 4.79%, and yields a price target of \$10.38 per share. The WACC is calculated with a LTM equity beta of 0.33, a risk free rate of 2.2% and a LTM equity market return of 10%. The beta is derived from regressing the company's stock five-year weekly returns against NASDAQ returns. The CCA gives price target of \$12.73 per share based off a forward 2016 EV/EBITDA multiple of 10.6x which we believe is justified by the strict cost-containment the company maintains and the stability of the company's operations.

The final share price estimate of \$10.97 is weighted as 75% DCF, and 25% CCA. The reason for the weighting is because of the granularity in assessing Crown Crafts with a CCA, as there are no excellent candidates for comparison. Among the comparable companies, only Summer Infant, Inc. specializes in juvenile products, while other companies' core businesses do not focus on the infant products industry. Therefore, a significantly larger weighting is given to the DCF methodology.

Recommendation

As one of the largest U.S. providers of infant & toddler bedding, bibs, soft goods and accessories, Crown Crafts stands as the industry leader in a traditionally stable niche of the retail industry. The company maintains its long-term growth strategy through continued product innovation, ongoing end-market diversification, international expansion and opportunistic acquisitions. The company also preserves efficient supply chain management and strong licensing and retail relationships throughout the United States. Financially, the company follows rigorous cost-containment efforts to maintain a healthy balance sheet and strong operating cash flows. Consequently, we are initiating a **Buy rating** and **target price of \$10.97** based on a weighted valuation from both DCF and CCA. With the current price of \$8.21, there exists 33.64% upside potential.

Appendix 1: Discounted Cash Flow Model

BALANCE SHEET

CROWN CRAFTS INC.

	2013A 03/31/13	2014A 03/30/14	2015A 03/29/15	2016E 03/29/16	2017E 03/29/17	2018E 03/29/18	2019E 03/29/19	2020E 03/29/20	2021E 03/29/21	2022E 03/29/22	2023E 03/29/23	2024E 03/29/24	2025E 03/29/25
Cash & Cash Equivalents	0.3	0.6	1.8	3.8	4.5	5.4	6.4	7.4	8.6	9.8	11.0	12.3	13.9
Other Current Operating Assets	34.9	37.5	40.7	43.1	45.9	48.8	51.6	54.6	57.6	60.8	64.2	67.7	71.0
Net Property, Plant & Equipment	0.7	0.6	0.5	0.5	0.6	0.6	0.7	0.8	1.0	1.1	1.3	1.5	1.7
Other Non-Current Assets	8.2	7.6	6.9	7.3	7.8	8.3	8.8	9.3	9.8	10.4	10.9	11.5	12.1
* Total Assets	44.2	46.2	49.9	54.8	58.9	63.1	67.6	72.2	77.1	82.1	87.4	93.0	98.7
Revolving Credit Facilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Short-Term Portion of Debt	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Operating Liabilities	11.4	10.3	10.4	12.1	12.8	13.6	14.4	15.3	16.1	17.0	17.9	18.9	19.9
Long-term Debt	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Non-Current Liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0
* Total Liabilities	11.4	10.3	10.4	12.1	12.8	13.6	14.4	15.3	16.1	17.0	17.9	18.9	19.9
Share Capital	-7.6	-8.0	-8.3	-8.3	-8.3	-8.3	-8.3	-8.3	-8.3	-8.3	-8.3	-8.3	-8.3
Additional Paid-In Capital	46.2	47.2	48.6	48.6	48.6	48.6	48.6	48.6	48.6	48.6	48.6	48.6	48.6
Accumulated deficit	-5.8	-3.2	-0.7	-0.1	0.6	1.2	1.9	2.5	3.2	3.8	4.5	5.1	5.8
Retained Earnings	-	-	-	2.5	5.2	8.0	11.0	14.1	17.5	21.0	24.7	28.6	32.8
* Total Shareholder Equity	32.8	35.9	39.6	42.7	46.0	49.5	53.1	57.0	60.9	65.1	69.5	74.1	78.8
Check	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

Appendix 2: Discounted Cash Flow Model

INCOME STATEMENT

CROWN CRAFTS INC.

	2013A 03/31/13	2014A 03/30/14	2015A 03/29/15	2016E 03/29/16	2017E 03/29/17	2018E 03/29/18	2019E 03/29/19	2020E 03/29/20	2021E 03/29/21	2022E 03/29/22	2023E 03/29/23	2024E 03/29/24	2025E 03/29/25
Revenue	78.4	81.3	86.0	91.7	97.7	103.9	109.9	116.3	122.6	129.4	136.5	144.0	151.1
<i>Revenue Growth%</i>				6.7%	6.5%	6.3%	5.8%	5.8%	5.5%	5.5%	5.5%	5.5%	4.9%
Cost of Goods Sold	58.6	58.8	62.4	67.0	71.3	75.8	80.2	84.9	89.5	94.5	99.7	105.1	110.3
* Gross Profit	19.8	22.5	23.6	24.8	26.4	28.0	29.7	31.4	33.1	34.9	36.9	38.9	40.8
Sale of Goods and Administration	11.7	13.2	14.3	15.6	16.6	17.7	18.7	19.8	20.9	22.0	23.2	24.5	25.7
Other Expense (Income)	-0.1	0.0	0.0	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02
* EBITDA	9.0	10.4	10.2	10.1	10.7	11.4	12.0	12.7	13.4	14.2	14.9	15.8	16.6
Depreciation, Depletion and Amortization	1.0	1.1	1.1	1.0	1.0	1.0	1.1	1.1	1.2	1.2	1.3	1.4	1.5
* EBIT	8.0	9.4	9.2	9.2	9.8	10.4	11.0	11.6	12.2	12.9	13.6	14.4	15.1
Interest Expense (Income)	-0.02	-0.03	-0.02	0	0	0	0	0	0	0	0	0	0
* Pre-Tax Earnings	8.0	9.3	9.2	9.2	9.8	10.4	11.0	11.6	12.2	12.9	13.6	14.4	15.1
Tax	2.9	3.6	3.4	3.5	3.7	3.9	4.2	4.4	4.7	4.9	5.2	5.5	5.7
* Net Income	5.1	5.8	5.7	5.7	6.0	6.4	6.8	7.2	7.6	8.0	8.5	8.9	9.4

Appendix 3: Discounted Cash Flow Model

CASH FLOW STATEMENT

CROWN CRAFTS INC.

	2013A	2014A	2015A	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
	03/31/13	03/30/14	03/29/15	03/29/16	03/29/17	03/29/18	03/29/19	03/29/20	03/29/21	03/29/22	03/29/23	03/29/24	03/29/25
Net Income	5.1	5.8	5.7	5.7	6.0	6.4	6.8	7.2	7.6	8.0	8.5	8.9	9.4
Depreciation, Depletion and Amortization	1.0	1.1	1.1	0.3	0.3	0.3	0.4	0.4	0.5	0.5	0.6	0.7	0.8
Deferred income taxes	0.6	-0.7	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Loss (gain) on sale of PP&T	0.1	0	0	0	0	0	0	0	0	0	0	0	0
Net Stock-base compensation	0.6	0.6	0.9	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Changes in Current Operating Assets	-0.1	-2.0	-3.1	-2.4	-2.8	-2.9	-2.8	-3.0	-3.0	-3.2	-3.3	-3.5	-3.3
Changes in Current Operating Liabilities	1.9	-1.1	0.4	1.7	0.8	0.8	0.8	0.8	0.8	0.9	0.9	1.0	0.9
Change in Net Working Capital	2.0	0.9	3.5	4.1	3.6	3.7	3.6	3.8	3.8	4.1	4.3	4.5	4.2
* Cash from Operations	9.1	3.6	4.8	5.8	4.9	5.2	5.7	6.0	6.5	6.8	7.2	7.7	8.4
Capital Expenditures	-0.5	-0.1	-0.3	-0.3	-0.3	-0.4	-0.4	-0.5	-0.6	-0.7	-0.8	-0.9	-1.0
Dispositions	0.2	0.0	0.0	0	0	0	0	0	0	0	0	0	0
Other Investing Activities	-0.8	0.0	0.0	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.6	-0.6	-0.6
* Cash from Investing	-1.1	-0.2	-0.3	-0.7	-0.8	-0.9	-0.9	-1.0	-1.1	-1.2	-1.4	-1.5	-1.6
Revolving Credit Facilities				0	0	0	0	0	0	0	0	0	0
Dividends	-7.7	-3.2	-3.2	-3.2	-3.4	-3.6	-3.8	-4.0	-4.3	-4.5	-4.7	-5.0	-5.2
Change in Debt	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0	0
Change in Equity	-0.5	-0.2	-0.1	0	0	0	0	0	0	0	0	0	0
Tax benefits from stock-base compensation	0.2	0.04	0.1	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
* Cash from Financing (Pre-Revolver)	-7.9	-3.3	-3.3	-3.1	-3.3	-3.5	-3.7	-4.0	-4.2	-4.4	-4.7	-4.9	-5.2
Beginning Cash Balance	0.2	0.3	0.6	1.8	3.8	4.5	5.4	6.4	7.4	8.6	9.8	11.0	12.3
Changes in Cash (Pre-Revolver)	0.1	0.2	1.2	2.0	0.8	0.8	1.0	1.0	1.2	1.2	1.2	1.2	1.6
Ending Cash Balance (Pre-Revolver)				3.8	4.5	5.4	6.4	7.4	8.6	9.8	11.0	12.3	13.9
* Ending Cash Balance	0.3	0.6	1.8	3.8	4.5	5.4	6.4	7.4	8.6	9.8	11.0	12.3	13.9

Appendix 4: Discounted Cash Flow Model

DISCOUNTED CASH FLOW ANALYSIS

CROWN CRAFTS INC.

	2013A	2014A	2015A	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
	03/31/13	03/30/14	03/29/15	03/29/16	03/29/17	03/29/18	03/29/19	03/29/20	03/29/21	03/29/22	03/29/23	03/29/24	03/29/25
Current Debt to Total Capitalization													
Current Tax Rate													
Current Weighted Average Debt Yield-to-Maturity													
Current LTM Equity Market Return													
Current Risk Free Rate													
Current LTM Equity Beta													
Current Weighted Average Cost of Capital (WACC)													
Long-term Perpetuity Growth Rate													
EBIT				9.2	9.8	10.4	11.0	11.6	12.2	12.9	13.6	14.4	15.1
Tax Rate				38%	38%	38%	38%	38%	38%	38%	38%	38%	38%
Depreciation, Depletion and Amortization				0.3	0.3	0.3	0.4	0.4	0.5	0.5	0.6	0.7	0.8
Capital Expenditure				-0.3	-0.3	-0.4	-0.4	-0.5	-0.6	-0.7	-0.8	-0.9	-1.0
Change in Net Working Capital				-4.1	-3.6	-3.7	-3.6	-3.8	-3.8	-4.1	-4.3	-4.5	-4.2
Unlevered Free Cash Flow				1.6	2.4	2.7	3.1	3.3	3.6	3.8	4.0	4.2	4.9
Discounted Factor				21%	121%	221%	321%	421%	521%	621%	721%	821%	921%
Discounted Unlevered Free Cash Flow				1.57	2.28	2.39	2.66	2.67	2.84	2.85	2.86	2.87	3.18
Present Value of Projected Cash Flows				\$ 26									
Present Value of Perpetuity Cash Flows				\$ 77									
Total Enterprise Value				\$ 103									
Total Debt				\$ -									
Cash				\$ 1.8									
Total Equity Value				\$ 105									
Shares Outstanding (millions)				10.1									
Price/Share				\$ 10.38									

		Discount Rate (WACC)								
		3.29%	3.79%	4.29%	4.79%	5.29%	5.79%	6.29%	6.79%	
Long-term Growth Rate	1.40%	\$16.73	\$12.82	\$10.32	\$8.59	\$7.34	\$6.40	\$5.66	\$5.08	
	1.60%	\$18.35	\$13.72	\$10.87	\$8.95	\$7.59	\$6.57	\$5.79	\$5.18	
	1.80%	\$20.41	\$14.81	\$11.52	\$9.37	\$7.87	\$6.77	\$5.94	\$5.29	
	2.00%	\$23.11	\$16.14	\$12.27	\$9.84	\$8.18	\$6.99	\$6.09	\$5.40	
	2.20%	\$26.79	\$17.80	\$13.17	\$10.38	\$8.53	\$7.23	\$6.26	\$5.53	
	2.40%	\$32.12	\$19.94	\$14.27	\$11.02	\$8.94	\$7.50	\$6.45	\$5.66	
	2.60%	\$40.53	\$22.79	\$15.62	\$11.77	\$9.40	\$7.80	\$6.66	\$5.81	
	2.80%	\$55.77	\$26.80	\$17.33	\$12.68	\$9.94	\$8.15	\$6.89	\$5.98	

Appendix 5: Comparable Companies Analysis & Final Valuation

TRADING COMPARABLES ANALYSIS

CROWN CRAFTS INC.

Company	Ticker	Price	Mkt-Cap	Net Debt	EV	LTM				EV/Sales	EV/EBITDA	EV/EBIT	P/E
						Sales	EBITDA	EBIT	Net Income				
PVH CORP.	PVH-N	73.3	6005.8	2997.3	9003.1	7976.6	829.4	579.1	489.7	1.1x	10.9x	15.5x	12.3
FOSSIL GROUP, INC.	FOSL-O	36.8	1768.9	487.6	2256.5	3301.2	545.3	459.4	304.4	0.7x	4.1x	4.9x	5.8
RALPH LAUREN CORPORATION	RL-N	111.7	9570.1	-131.0	9439.1	7506.0	1114.0	810.0	563.0	1.3x	8.5x	11.7x	17.0
V.F. CORPORATION	VFC-N	62.0	26435.4	2058.0	28493.4	12542.8	1704.8	1452.0	1041.5	2.3x	16.7x	19.6x	25.4
SEQUENTIAL BRANDS GROUP, INC.	SQBG	7.5	307.1	328.6	635.7	75.4	38.6	36.9	-1.0	8.4x	16.5x	17.2x	NA
CHEROKEE INC.	CHKE-O	16.3	142.2	19.9	162.1	34.3	15.5	14.1	8.7	4.7x	10.4x	11.5x	16.3
SUMMER INFANT, INC.	SUMR-O	2.0	35.8	52.4	88.2	206.0	-1.2	-6.5	-6.2	0.4x	NA	NA	NA
ICONIX BRAND GROUP, INC.	ICON-O	6.7	326.2	1283.4	1609.5	391.4	239.4	234.2	96.0	4.1x	6.7x	6.9x	3.4
DOREL INDUSTRIES INC.	DII'B-T	22.4	723.3	560.7	1284.0	2507.6	29.9	-29.4	-50.8	0.5x	43.0x	NA	NA
CROWN CRAFTS INC.		8.21	82.8	-1.80	81.0	88.4	11.9	10.9	6.7	0.92x	6.78x	7.43x	12.39x

High										8.4x	43.0x	19.6x	25.4x
Average										2.6x	14.6x	12.5x	13.4x
Median										1.3x	10.6x	11.7x	14.3x
Low										0.4x	4.1x	4.9x	3.4x

	EV/Sales	EV/EBITDA	EV/EBIT	P/E
Implied Price Per Share - High	\$74	\$51	\$21	\$170
Implied Price Per Share - Average	\$23	\$17	\$14	\$89
Implied Price Per Share - Median	\$11	\$13	\$13	\$96
Implied Price Per Share - Low	\$4	\$5	\$5	\$23

Blended 2016 Forward EV/EBITDA	10.6x
Est. Market Capitalization	\$ 128
Shares Outstanding (in millions)	10.1

Valuation Weights:

Implied Comps Share Price	\$ 12.73	25%
DCF Share Price	\$ 10.38	75%

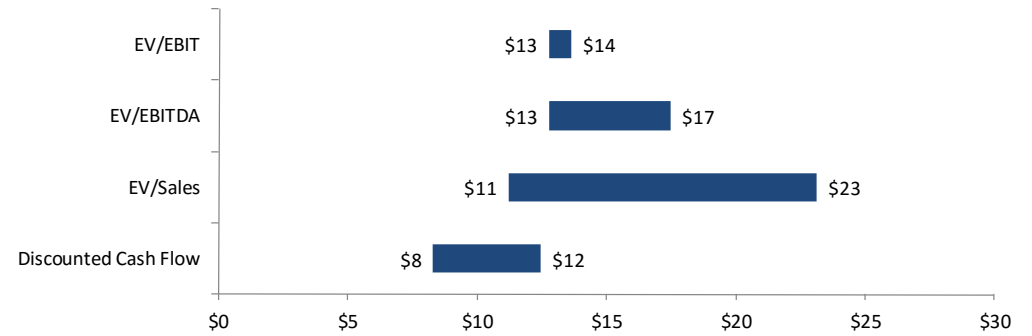
Final Share Price Estimate \$ 10.97

Appendix 6: Valuation Summary

VALUATION SUMMARY

CROWN CRAFTS INC.

Market Capitalization Valuation	Low	Average	High
Discounted Cash Flow	8.31	10.38	12.46
EV/Sales	11.21	11.21	23.12
EV/EBITDA	12.79	12.79	17.47
EV/EBIT	12.77	12.77	13.65
P/E	22.70	95.51	169.55
Discounted Cash Flow	\$8	\$4	\$12
EV/Sales	\$11	\$12	\$23
EV/EBITDA	\$13	\$5	\$17
EV/EBIT	\$13	\$1	\$14



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