ASENSIO
& COMPANY
INC.

Equity Research

747 Third Avenue
New York, NY 10017
212 702 8800

February 12, 1998

Coinmach possesses no free cash flow.

Asensio & Company, Inc. ("Asensio") initiates coverage of Coinmach Laundry Corporation (NASDAQ: WDRY) (Price: $25.00) with a Strong Sell recommendation.

On February 10, 1998 Coinmach Laundry Corporation ("Coinmach") announced Free Cash Flow for the nine months ending December 26, 1997 of $12.1 million or $1.14 per share. This announcement is completely absurd. Coinmach experienced a negative cash flow of approximately $21.6 million or $1.70 per share during this period. This negative cash flow calculation does not rely on any downward adjustment to Coinmach's stated EBITDA, which we believe to be overstated by over $9.1 million, or any upward adjustment to maintenance capital expenditures, which we believe to be understated by $7.4 million.

Coinmach claims it has increased its stated EBITDA margin from 18.5% in fiscal 1995 to 31.1%. This increase occurred during a period where Coinmach made major changes to its accounting policies, and to those of its acquisitions, while using three different auditors. We believe these accounting changes have had a far greater impact on stated EBITDA than any alleged cost savings or price increases. Neither increased route density nor size can account for its reported savings.

Coinmach has admitted it has little pricing control. No one has to rely exclusively on Coinmach to wash and dry their clothes. Coinmach possesses no proprietary process or competitive advantage. It simply buys, installs and repairs washers and dryers, and collects coins exactly like its competitors. There is no reasonable basis by which to justify Coinmach's claim that it achieves 40% greater profitability than industry standards, other than its bogus accounting.

Coinmach also claims that its maintenance capital expenditure level of 11.8% of revenues and 37.9% of EBITDA were sufficient to increase the EBITDA from its base business by 7% during the last nine months. Coinmach Laundry Corporation was formed from Solon Automated Services, Inc. and the previously bankrupt The Coinmach Corporation. In 1991 these companies had more than 275,000 machines. In 1995 they owned 221,000. This net loss of approximately 54,000 machines was attributed to insufficient capital expenditures due to overleverage. Yet during the four-year period between 1991 and 1994 these companies combined spent more as a percentage of revenues and EBITDA on maintenance capital expenditures than Coinmach is currently reporting.

During a conference call held yesterday, Coinmach's Chairman Stephen R. Kerrigan spoke at length about Standard & Poor's recent rating decisions concerning Coinmach's Secured Credit Facility and unsecured Series D Senior Notes. We found nothing in this decision to in any way indicate that Coinmach's equity values are secure or reasonable. On the contrary, S&P's concerns about the value of all of Coinmach's assets after the Macke acquisition exceeding $435 million can only worry investors who are paying over $960 million for the same assets.

Asensio & Company, Inc. has published an institutional report on Coinmach. The report assumes that Coinmach will obtain significant additional equity or subordinate convertible debt. This may not be the case. The market for Coinmach's grossly overvalued stock may be reduced as investors reevaluate its extremely limited prospects. However, even assuming a successful additional financing, Asensio & Company, Inc. believes Coinmach's stock will soon trade below $5 per share. We see no possible outcome that can remotely justify Coinmach's current stock price.

Short selling involves a risk not associated with the purchase of stock including, but not only limited to, unlimited loss and stock borrowing risks.