



BUSINESS DESCRIPTION

- Established in 1998, our Client (the “Company”) is a well-known player in the heavy industrial, engineering and construction industries, specializing in cement plant, gold mine, and paper mill maintenance, as well as engineering, and construction
- The Company’s Founder and CEO is planning to start-up a facility on Company-owned property in Southern California for tire shredding/recycling, with the goal of selling rubber shreds to cement plants to be used as Tire Derived Fuel (TDF)
- The new tire recycling initiative will operate as a division of the Company and there are several revenue streams from this venture, including:
 - \$1.60/tire paid by the State of California (paid on the intake of delivered tires), which produces a \$1.00/tire profit
 - The Company will sort, ship, and sell used tires with remaining tread life to Mexico, and receive \$10.00 and \$2.00/tire for automobile and truck tires, respectively
 - Shred used tires and sell the rubber shreds for \$45 - \$50/ton to regional cement plants as a substitute for coal

TRANSACTION SUMMARY

- The Company is seeking to raise \$3.0MM of term debt to finance the purchase of shredder equipment, material handling equipment, make facility site improvements estimated to cost \$500K, and working capital of \$600K
- Total collateral for the transaction is valued at \$4.9MM, consisting of \$1.7MM in shredder equipment, \$3.0MM in property value, and \$200K in material handling equipment
- The equipment will be ordered as soon as the Company is fully funded, and could be delivered / installed 3 months after the order is submitted
- Necessary improvements to make the site fully operational are estimated to take 6 months to complete

SELECT HIGHLIGHTS

1

Strong Existing Financial Profile and Ability to Quickly Generate New Revenue

- The Company has a profitable financial profile: revenue totaled \$35.9MM for FY17 and decreased to \$17.2MM for FY20 due to the completion of a large multi-year construction project. Gross margin over the same period increased by 23%, from 14% to 37%
- From FY19 through FY20, EBITDA increased from \$1.9MM to \$2.1MM. Over the same period, the Company’s net cash flow improved from \$1.5MM to \$2.0MM, which is more than adequate to service a \$3.0MM term loan
- Revenue generation for the tire recycling initiative will commence within 6 months of operations and is projected to be \$8.3MM in the first year. Total first year costs approximate \$6.0MM
- Within 3 months of commencing operations, the recycling facility expects to reach EBITDA breakeven, at which point it will process 941 tons/month; full production capacity of 2,353 tons/month is expected within 12 months

2

Experienced Leadership & Management

- The Company’s CEO has 30+ years of experience in industrial maintenance, engineering, and construction, specializing in the cement and mining industries
- The proposed project leader of the tire recycling division has 30+ years of experience in the cement and environmental industries, and holds a PhD in Chemistry

3

Facility Site Ideally Located Near Tire Suppliers and Cement Plant Customers

- There are 4 major cement kilns within a 100-mile radius of the project site. Management is close to closing a supply agreement for 6,000 tires/day
- The proximity to the Company’s target market of cement plants using TDF provides for reduced transportation and freight costs

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