BIZCAP®
BUSINESS CAPITAL SINCE 2002

Project Croissant

$6.5MM LOC & Term Debt

Southwestern State Bakery

SELECT TRANSACTION HIGHLIGHTS

- Dominant position in local market
- Strong facility capability to adjust to changes in market conditions and accommodate large customer orders
- Ability to increase prices and charge fuel surcharges preserves margins
- Strong TTM and forecasted cash flow to service term loan obligation
- Multiple independent market segments

COMPANY DESCRIPTION

Our Client (or the "Company") is the largest commercial bakery in a large city in a southwestern state. The Company distributes raw materials to local bakeries and provides a wide assortment of specialty baked goods to more than 450 local customers, as well high-volume fresh and frozen products to large corporate and big box retailers. It has served its traditional market for over 25 years.

Our Client operates a 70,000 SF facility and invested over $8MM into its highly automated bakery production equipment portfolio. The plant was designed for maximize operating/scheduling production flexibility which enables our Client to product small batches of product for local buyers as well and produce high volumes of product for large accounts. It can produce over 12,000 croissants per hour. The Company serves three independent markets and also provides co-packing services. Our Client's facility has the capability and capacity to adjust to a variety of changes in business conditions. Prior to the onset of COVID, the Company generated the majority of sales from its Local Sales, National Retail, and Airline segments. COVID caused a decrease in demand from Local Fresh and Airline customers and conversely demand increased significantly for a Company's co-packing customer as well as high volume products that are predominantly sold to large national retailers (i.e. Walmart, Costco, Albertsons, and Safeway).

FINANCIAL SUMMARY

When COVID impacted sales to its airline and local customers, the Company replaced lost sales with large high volume retailers and co-packing service agreements. During the past three years sales totaled $16.2MM in FY19, $13.6MM in FY20, to $17.7MM in FY21 and EBITDA was $645K, ($576K) and $948K, respectively. The COVID effect on sales has dissipated as TTM sales and EBITDA through 3/31/22 totaled $19.2MM and $1.1MM, respectively.

The Company is well-positioned to increase sales in 2022 and beyond based on its pipeline of contracted new business (totaling $5MM) scheduled to commence in 2H2022 and increasing levels of sales to its traditional markets.

As of March 31, 2022, the Company's balances of net eligible accounts receivable and inventory were $1.4MM and $1.3MM, respectively. The value of the equipment is $5.7MM (Fair Market Value) and the Orderly Liquidation Value of $4.9MM based on a recent appraisal. Cash flow generated from operations is adequate to service the term loan.

Collateral Value	
Eligible Accounts Receivable	$1,405,338
Eligible Inventory	$1,328,100
Equipment (OLV)	$4,944,334
	$7,677,773

OPPORTUNITY SUMMARY

Our Client is seeking to refinance $5.5MM of debt with its current lender (consisting of $2.0MM under a line of credit and $3.5MM for financed equipment). The Company needs a higher LOC, up to $3.0MM to supplement working capital associated with higher sales arising from $5MM in new customer contracts that will commence in 2H2022.