



BUSINESS DESCRIPTION

Our Client, headquartered in the Central Valley of California, is one of the largest nut processors and sellers in the state with annual processing capacity ranging between 50 to 60 million pounds. In addition to processing, the Company owns and operates several hundred acres of farmland. Management has decades of experience and has established industry firsts that have since become standard practice.

Due to its size, our Client enjoys substantial economies of scale resulting in margin protection, market pricing influence, and stable customer and supplier relationships. Regional growers provide a constant supply of nuts to be processed, and end customers require volume that smaller processors cannot provide, which minimizes price competition. The Company's strong bonds with relevant industry players enables diversification across market segments and geographical regions.

Risks to margins are minimal due to our Client's ability to influence prices as one of the largest processors in the industry. Furthermore, margins are controllable and predictable due to our Client's ability to sell pasteurized nuts at a premium as well as their payment arrangements with growers, which include a "true-up" feature that factors in price changes throughout the year before final payments are issued to the growers. Additionally, 75%-85% of our Client's annual sales are generated under contract, on average, while the remainder is opportunistically sold in the spot market providing further margin visibility. Our Client has a history of selling purchased inventory within 15 months, which compares favorably to the 24-month shelf life of nuts.

SELECT HIGHLIGHTS

Steam Pasteurization Facility

- Our Client's steam pasteurization facility and BRC certification allows it to meet the highest international food safety standards. Only 3 other handlers in the industry possess both BRC certification while also offering pasteurization.
- These factors motivate growers to supply nuts to our Client because they are confident their product will be sold, while customers are motivated to purchase from our Client to minimize the risk of product contamination and food recalls.

Turnaround Plan & Successes to Date

- In 2020, our Client engaged in a turnaround plan to (i) improve its inventory valuation process and financial reporting, (ii) reduce inventory carry-over levels, (iii) return to profitability, and (iv) reduce or eliminate the non-formula over-advance on the incumbent LOC.
- Despite issues stemming from COVID-19, the Company outperformed the industry by selling 100% of its inventory by August 2021 as compared to the industry average of 84%. Additionally, our Client measurably increased their market share in 2021 and expects to further increase it in 2022 with minimal additional CapEx.

TRANSACTION SUMMARY

Our Client is seeking to secure a \$35MM formulaic LOC, or ABL facility, to refinance ~\$25MM outstanding under its incumbent LOC. The new facility will primarily be secured by A/R and nut inventory. To help facilitate a refinancing and reduce the amount of new money necessary to be allocated to paying off debt, the incumbent lender will consider converting a portion of LOC outstandings to a mortgage on our Client's real estate at the time of closing. Over the next 12 months, estimated pre-conversion LOC borrowings will range from ~\$22MM-\$32MM. A LOC is required as our Client purchases harvested nuts from growers shortly after harvest and subsequently sells processed nuts during the ensuing 12 months to large well known food companies domestically and internationally. Grower payables will offset eligible collateral for the new loan.

PRO FORMA COLLATERAL SUMMARY

| Collateral | Value |
|--------------------------|-----------------|
| Cash | \$747 |
| Accounts Receivable, Net | \$12,593 |
| Prepaid Expenses | \$802 |
| Inventory | \$20,542 |
| CIGC | \$770 |
| Total | \$35,453 |

Note: projected as of April 2023

FINANCIAL SNAPSHOT

| | FY Ended | FY Ended | TTM | FY Ended |
|-------------------------|----------|----------|---------|----------|
| P&L (\$000s) | Aug-21A | Aug-22A | Oct-22A | Aug-23P |
| Net Sales | 57,091 | 65,872 | 64,916 | 62,584 |
| Gross Profit | 10,304 | 13,016 | 10,836 | 12,797 |
| Gross Profit Margin (%) | 18% | 20% | 17% | 20% |
| EBITDA | (472) | 3,329 | 748 | 2,720 |
| EBITDA Margin (%) | (1%) | 5% | 1% | 4% |
| Net Income/(Loss) | \$518 | \$4,097 | \$1,405 | \$775 |

Our Client's assets are primarily comprised of A/R, inventory, and fixed assets and real estate. Our Client also has multiple related entities that support the business via farming, trucking, and real estate holdings. Inclusive of shareholder loans and related party real estate equity, adjusted net worth stood at ~\$27MM as of October 2022.

PROJECT TIMELINE

- Term Sheet Deadline: **January 24, 2023**
- Target Close Date: **April 3, 2023**
- BizCap has prepared a Confidential Information Memorandum including management projections, as well as a virtual data room with backup documentation, that will be shared upon execution of an NDA

CONTACT INFORMATION

Chuck Doyle
President & CEO
(415) 989-0970
cdoyle@bizcap.com

Reed Upson
Managing Director
(415) 989-0970
rupson@bizcap.com

Erik Ostebo
Chief Credit Officer
(415) 989-0970
eostebo@bizcap.com

Cooper Brown
Associate
(415) 989-0970
cbrown@bizcap.com

Jeremy Bernhardt
Analyst
(415) 989-0970
jbernhardt@bizcap.com