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BUSINESS CAPITAL SINCE 2002

PROJECT FLUX

$6MM Revolving Line of Credit

BUSINESS DESCRIPTION

Founded in 2009, our Client (the "Company") is transforming how high-end wines are poured by restaurants, concert and event venues, and hotels by pioneering wine-on-tap. Its dispensing system utilizes 5.16-gallon stainless steel kegs to deliver the freshest most sustainable glass of wine to customers. Wineries compete for shelf space at retailers, restaurants, and hotels for a finite amount of counter space. This creates a unique opportunity for our Client to provide keg leasing, filling, packaging, and logistics services. Wineries lease between 10 to several thousand kegs from our Client and remain the owner of their liquid wine. At its custom-built production facility, our Client fills kegs and provides logistics services for the shipping and return from over 500 domestic distributors. Kegged wine (wine-on-tap) has a rapidly growing market share (currently still <1%) of the total on-premise wine market and our Client has no competitors. To date, out Client's sustainable services have helped reduce the landfilling of >31,000,000 wine bottles. Wine-on-tap reduces the carbon footprint of wine and its processing by 40%.

Business & Industry Highlights:

- 60% of draft beer consumed on-premise is poured from taps. Over 8,000 venues rent our Client's kegs and utilize its services enabling wine to be poured in a similar fashion to draft beer.
- The U.S. wine-by-the-glass market is significant with over 40 million glasses of wine poured from bottles.
- 27 of the top 50 wineries nationwide have been under annual lease contracts with our Client for over 10 years. The majority renewed their leases during COVID, despite the closure of restaurants and hotels, due to the economic advantages they receive in this new market.
- Significant benefits to end-users, such as hotels and restaurants, associated with pouring wine-on-tap include lower costs, reduced spoilage, and increased sales. The savings on bottles, corks, and labels and lower transportation costs are motivating factors for wineries and end-users to utilize our Client's services.
- Over 180,000 kegs are available for lease; >150 wineries, covering 260 brands across 370 SKUs benefit from our Client.

TRANSACTION SUMMARY

Our Client is seeking to secure a new $6MM revolving line of credit to refinance an incumbent credit facility. It will be collateralized with accounts receivable, the appraised NOLV of kegs, fixed assets, and the NPV of recurring winery leases and related contract payments. As of October 2022, ~$3.8MM remained outstanding on the incumbent revolver.

COLLATERAL HIGHLIGHTS

The collateral base is diverse and provides ample security above and beyond current borrowings. Contracts with wineries have an initial duration of 24 months with 12-month automatic renewals and require each winery to meet 90% of volume expectations, creating a highly predictable revenue steam. The Company only books A/R for billed services on a monthly basis and does not post the gross value of the contract's guaranteed revenue on its balance sheet. Due to contract term length, automatic renewal history, and extensive legal protections, the calculated gross value of existing contracts is reflected below using a Discount Cash Flow approach. Additionally, our Client currently receives zero advances against its fixed assets from its incumbent lender.

Collateral Type	Value
Accounts Receivable	$1,182,144
Kegs (NOLV)	$7,182,009
Fixed Assets (50% cost)	$3,407,925
Contract Value	$9,594,942
Total	**$21,367,020**

FINANCIAL HIGHLIGHTS

$ in thousands	FY '20	FY '21	FY '22
Keg Segment	$4,338	$6,220	$7,392
Canning Segment	$5,451	$6,095	$3,653
Revenue	$9,789	$12,315	$11,045
Gross Margin	**$4,710**	**$6,309**	**$2,331**
Gross Margin (%)	*48%*	*51%*	*21%*
EBITDA	**($570)**	**$528**	**($835)**

The Company is discontinuing its canning business segment after FY22 due to a lack of support from the material supplier. A favorable settlement is expected in early 2023. CapEx will be minimal as keg inventory is adequate to satisfy an expanding 2023 customer pipeline. Backlog totals $950,000 (or 26,400 kegs). Its largest winery customers are forecasting increased kegs usage for 2023. Increased keg shipment volume, combined with currently contracted revenues, is driving revenue and EBITDA forecasted growth. An equity raise is planned for early 2023.

	recast: w/o Canning Segment			Equity Investment	
$ in thousands	FY '20	FY '21	FY '22	FY '23	FY '24
Total Revenue	$4,338	$6,220	$7,392	$9,730	$12,019
Gross Margin	**($589)**	**$239**	**$907**	**$2,748**	**$4,181**
Gross Margin (%)	*(14%)*	*4%*	*12%*	*28%*	*35%*
EBITDA	**($1,682)**	**($1,011)**	**($1,144)**	**($424)**	**$1,031**

CONTACT INFORMATION

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