



BUSINESS DESCRIPTION

Our Client is the owner of i) a company brand that develops and markets atomized evaporative cooling solutions acquired through an asset purchase ("Company #1") and ii) a company that provides flight simulation and training technologies, acquired in January 2022 ("Company #2"). Both companies operate in different markets, have been in business for over 10 years, and underperformed during previous ownership. Within less than 12 months, our Client increased sales for both businesses, reversed historic losses into a profitable FY22, and is on a clear path to more than doubling EBITDA in FY23.

Company #1

This business historically sold over 40,000 commercial heat mitigation systems. Unlike HVAC, which is unsustainable from an economic and greenhouse gas emissions perspective, our Client uses a jet stream - cooling people, not the spaces. Approximately 70% of Fortune 100 companies (i.e. Amazon, FedEx, Target, Ross, Georgia Pacific, Pepsi, etc.), all 5 branches of the U.S. Military, and over half the NCAA & NFL teams have chosen our Client's brand. Our Client purchased the company brand and all assets in exchange for an interest in our Client and a capped EBITDA-based earn-out agreement.

Company #2

Company #2 was founded in 1998 and primarily licenses AI-powered simulation software for real-life virtual training for pilots and maintenance personnel. Hourly simulation vs. actual flight hour training is ~90%+ less costly. Company #2 has >10 customers, and the licensed software is critical for customers' multimillion-dollar hardware-based virtual training systems. To increase sales and earnings, our Client has pivoted from being a subcontractor to becoming the Prime Vendor and selling full systems directly to end users. This enabled a three-year ~\$23MM contract which increased FY22 revenue by 119% and increased EBITDA from a (\$1.8MM) loss in FY21 to ~\$3.0MM in FY22. The existing contract, and a large pipeline, ensure the continuation of rising sales and profits in FY23 & FY24.

TRANSACTION SUMMARY

Our Client seeks to secure a line of credit of up to \$5MM (secured with A/R & Inventory) to refinance an A/R-only credit facility. Our Client is also seeking a Term Loan of up to \$7MM to refinance \$3MM in past-due Convertible Notes and ~\$4MM to fund working capital and product development.

COLLATERAL HIGHLIGHTS

The collateral base provides ample security above and beyond current borrowings.

Available Collateral	\$	Notes
Accounts Receivable	\$5,484,294	Balance as of January '23 aging report
Inventory	\$1,635,224	Book Value
Machinery & Equipment	\$449,570	NBV of ~\$1.3MM acquisition cost
Intellectual Property	\$7,817,203	Appraised value of two patent families
	\$15,386,291	

FINANCIAL HIGHLIGHTS & TURNAROUND

Consolidated Financials

Income Statement	Pre-merger			Post-merger			
	FY '19	FY '20	FY '21	FY '22	FY '23	FY '24	FY '25
Gross Sales	\$23,182	\$20,014	\$19,963	\$27,987	\$37,951	\$62,115	\$93,771
Gross Profit	\$9,967	\$6,076	\$6,925	\$15,395	\$21,521	\$38,584	\$56,265
GM%	44%	31%	36%	56%	57%	63%	61%
EBITDA	(\$3,754)	(\$5,282)	(\$5,656)	\$2,993	\$8,593	\$21,651	\$31,688

Company #1 Financials

Income Statement	Pre-merger			Post-merger			
	FY '19	FY '20	FY '21	FY '22	FY '23	FY '24	FY '25
Total Units Sold	5,733	5,453	4,455	4,770	5,465	7,200	9,900
Gross Sales	\$18,300	\$16,793	\$16,341	\$20,073	\$26,943	\$42,300	\$66,015
Gross Profit	\$6,882	\$4,243	\$4,420	\$8,491	\$14,249	\$25,614	\$38,183
GM%	39%	26%	28%	43%	54%	62%	59%
EBITDA	(\$2,306)	(\$3,195)	(\$3,852)	(\$27)	\$4,192	\$13,119	\$19,675

FY22 sales grew due to higher unit prices, a new product launch, and a price increase introduced during the year. FY22 margins benefited for similar reasons. The current pipeline exceeds \$70MM for the five largest logistics companies and could be higher if smaller firms are included.

Company #2 Financials

Income Statement	Pre-merger			Post-merger			
	FY '19	FY '20	FY '21	FY '22	FY '23	FY '24	FY '25
Gross Sales	\$4,882	\$3,221	\$3,622	\$7,914	\$11,008	\$19,815	\$27,756
Gross Profit	\$3,085	\$1,833	\$2,505	\$6,904	\$7,272	\$12,970	\$18,082
GM%	63%	57%	69%	87%	66%	65%	65%
EBITDA	(\$1,448)	(\$2,087)	(\$1,804)	\$3,020	\$4,401	\$8,532	\$12,014

FY22 sales and EBITDA increased due to higher sales from a multiyear \$23MM contract which will contribute to sales/EBITDA in FY23 thru FY25. Additional sales to the same customer will bolster future forecasted performance.

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

Andrew Tinger
Vice President
(415) 989-0970
atinger@bizcap.com

Tim Gaines
Senior Associate
(415) 989-0970
tgaines@bizcap.com