COMPANY OVERVIEW

Since 1998, our Client (the "Company") has provided real-time visualization systems for flight training, simulation, and entertainment markets. Customers include all Department of Defense aviation components (i.e., USN, USMC, USAF & Army). Our Client's specialized proprietary visualization products and database solutions support over 900 DOD flight training systems worldwide. Over $150MM in R&D has been invested in its worldwide commercial visual database during the past 25 years, which includes over $100MM worth of worldwide geo-specific imagery and source data.

Its highly realistic and mission-relevant flight training products are integral to high-end military flight simulators, and our Client is one of the only suppliers of high-performance image and data generators and visual databases required for flight trainers. The cost savings of ground-based simulated vs. aircraft flight hour is immense, fueling demand for our Client's products and solutions. Its global database includes over 5,500 worldwide Areas of Interest, such as airfields, ranges, cities, and routes. Its hardware, software, and database are deeply embedded into flight simulations worldwide, representing a significant entry barrier for competitors.

Integrated software products and systems products can generally be shipped within 30 days after order, and invoices are issued upon system delivery or completed product integration. Database development contracts can require 12-24 months to complete, virtually all of which are completed on time, in part by utilizing the Company's pre-existing data. The reliance on established databases dramatically reduces the risk of developing new database updates and unexpected contract termination.

TRANSACTION OVERVIEW

During the past 25 years, **no contracts have been terminated and payment has been received from 100% of historic receivables (AR and unbilled AR).**

The Company has a $6MM LOC, advancing only against AR. AR can range from $3MM to over $10MM. The existing lender will not provide an advance against Unbilled AR, which can range from $2MM to $9MM. AR primarily includes system sales, and Unbilled AR is associated with milestone billings for database development; these contracts require between 12-24 months to complete.

Our Client is seeking an $8MM LOC with the ability to leverage AR, Unbilled AR, and Inventory.

KEY CREDIT HIGHLIGHTS

✓ *Favorable Borrowing Base*

▪ *Over the past 25 years, all AR and Unbilled AR has been collected (no history of bad debt)*

Accounts Receivable Growth
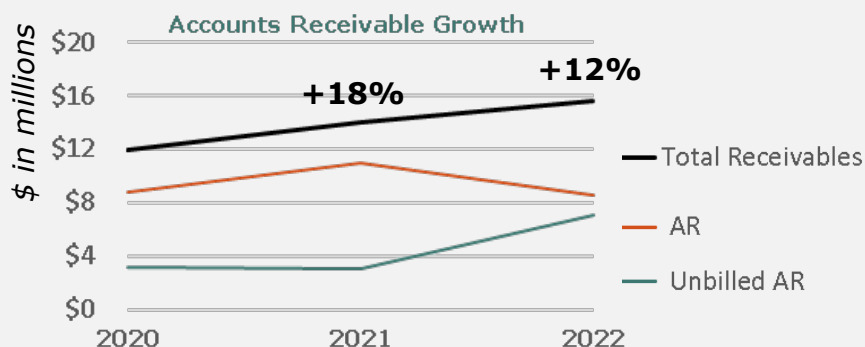
▪ *Government contract terms protect/enable our Client to collect for all work performed (billed & unbilled) in the event of an unprecedented contract termination*

✓ *Solid Collateral Position*

$ in thousands   *June 30, 2023*

Sources		Adv.	Available	Uses	
A/R	$4,764	85%	$4,049	Refinance Bank	$5,300
Unbilled A/R	8,797	50%	4,399	Transaction Fees	300
Inventory	1,216	50%	608	Working Capital	2,400
Total	**$14,777**		**$9,056**	**Total Uses**	**$8,000**

▪ *Customers include U.S. government and creditworthy U.S. aerospace companies*

▪ *Low advance rate against collectable Unbilled AR*

✓ *Favorable Sales & EBITDA History*

$ in thousands	2020	2021	2022	2023	2024
Total Revenue	$32,248	$52,936	$55,543	$55,706	$66,124
Gross Profit	**$14,405**	**$26,112**	**$24,982**	**$32,944**	**$42,175**
GM%	*44.7%*	*49.3%*	*45.0%*	*59.1%*	*63.8%*
EBITDA	**$3,249**	**$14,152**	**$11,137**	**$15,467**	**$21,121**
Net Income	**($1,205)**	**$11,394**	**$2,672**	**$5,672**	**$11,032**

▪ *Substantial barriers to entry protect revenue and margins*

▪ *Long history of recurring sales and database needs*

▪ *EBITDA in FY21 and FY22 totaled $14MM and $11MM (strong secondary source of repayment)*

▪ *TTM EBITDA was $9.7MM*

▪ *$29.6MM backlog and $300M+ opportunity pipeline suggest continuation of rising sales and future earnings*

✓ *Strong Balance Sheet – 2022 net worth stood at $24.9MM; leverage was 0.89x*

TRANSACTION TEAM

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