

PROJECT TASTY

\$6.0MM LINE OF CREDIT

\$1,500,000 TERM LOAN



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BUSINESS CAPITAL SINCE 2002

EXCLUSIVE FINANCIAL ADVISOR

BUSINESS DESCRIPTION

Our Client (or the “Company”) is a flavor development business founded in 2016. The founders previously created and sold a very well-known brand for over \$400MM and are uniquely capable of leveraging their experience in product formulation, protein architecture, marketing, and branding. The Company works with all size companies, including major food and beverage consumer brands, to provide the flavoring ingredients for functional products, including energy drinks and shakes. It also develops products in collaboration with its customers’ R&D divisions.

Creating a new flavor can take over a year to formulate. Once a flavor has been incorporated into a product, it will generate a sticky stream of long-term repeat orders. Our Client is currently involved in 379 projects, developing novel flavors for new and existing customers.

Our Client operates a 100,000 SF state-of-the-art lab and manufacturing facility capable of producing small pilot-scale quantities, as well as large volumes of finished goods.

New flavors are co-developed by our Client and its customer; ingredient formulas are proprietary, which reinforces the longevity of future sales. The top five customers represent 67% of total flavor revenues and its ingredients are included in many recognizable branded products.

Taste is the driver for successful products. The Food Flavors and Enhancers market is over \$8B and growing, fueled by consumers seeking increasingly sophisticated and exotic new flavors, as well as food companies striving to increase the flavor profile of existing brands and new products.

TRANSACTION SUMMARY

The Company has \$4.5MM outstanding on a \$6MM LOC; AR stands at \$4.5MM and inventory totaled \$1.7MM. The owners invested over \$14.8MM to fund the business and build out of the manufacturing facility. Our Client is seeking a \$1.5MM term loan that will be secured by its plant assets, appraised at \$2.1MM OLV.

The principals are prepared to guarantee the loan.

TRANSACTION TEAM

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Financial Highlights

Sales were rapidly growing prior to COVID, and revenue growth has measurably increased.

\$000s	2021	2022	2023	2024	2025
Revenue	\$22,315	\$22,606	\$25,567	\$29,887	\$31,876
Gross Profit	6,419	5,250	7,259	9,823	12,256
GM%	29%	23%	28%	33%	38%
EBITDA	\$465	(\$2,229)	(\$2,062)	\$193	\$1,701

The sales pipeline is over \$11MM, which will enable our Client to report continuing sales and EBITDA growth. Potential loss of sales is minimal due to the diversity of product ingredients are embedded into and the proprietary nature of the flavors.

In 1Q2024, EBITDA totaled \$220K.

Balance Sheet Highlights

\$000s	2021	2022	2023	2024
AR	6,073	4,510	4,998	5,935
Inventory	\$2,963	\$3,599	\$2,751	\$2,635
Total Assets	\$14,081	\$17,811	\$11,259	\$14,484
Line of Credit	\$4,820	\$4,984	\$4,557	\$6,000
Shareholder Debt	16,900	\$22,518	\$28,122	\$31,355
Total Liabilities	\$29,835	\$39,986	\$39,218	\$46,487
Adj. Net Worth	1,147	\$343	\$6,324	\$8,429

Shareholder debt is planned to be converted into equity in 2024.

Solid Collateral Position

High credit quality customer base. Current advance rates for AR and inventory are 80% and 36%, respectively.

Equipment appraisal reported an OLV of \$2.1MM In June 2022.

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