



BUTCHER JOSEPH & Co.
INVESTMENT BANKERS

TRANSACTION FEASIBILITY ANALYSIS

THE FOLLOWING IS A PREVIEW OF THE ANALYSIS WE PROVIDE AT NO COST TO
COMPANIES THAT ARE EXPLORING OR CONSIDERING A POTENTIAL SALE

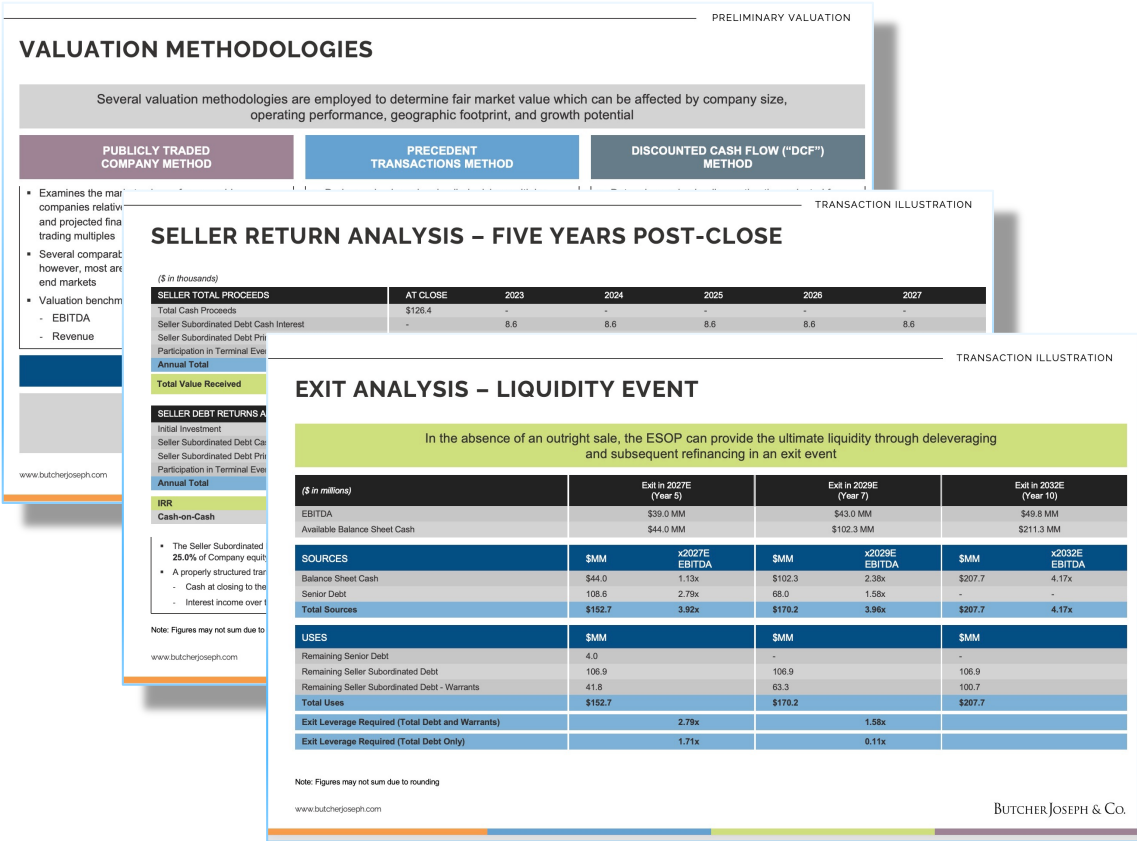
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PRELIMINARY FEASIBILITY ANALYSIS

ButcherJoseph & Co. offers prospective clients a feasibility analysis that provides preliminary insights into the structural alternatives of a contemplated transaction, as well as an outline and timeline for a process

FEASIBILITY ANALYSIS COMPONENTS

- Prioritized transaction objectives and considerations
- Structural options given any exogenous constraints
- Potential valuation range by alternatives considered
- Potential financing structures, terms and sources
- Analysis of basic incentive plans for key employees
- Pro forma capital structure metrics
- Projected valuation and return outcomes
- Benchmarking and comparison of alternatives
- Discussion of structuring and governance issues
- Process outline and timeline



OPTIMAL RESULTS BASED ON THOROUGH ANALYSIS

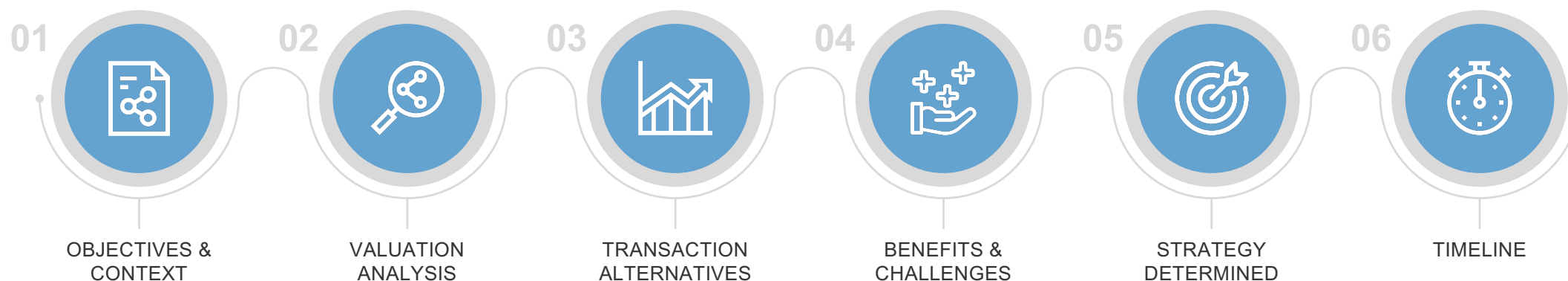
We meet the needs of our clients by reviewing all options and pursuing the best solution

- Transaction goals drive multiple structural options
- Comprehensive analysis helps clients to better understand the profile of a well-considered transaction
- By investing in meaningful analysis, we are able to provide answers to your most pressing questions such as:

What is your business worth?

What are the transaction solutions that best fit your needs and are available to you?

What are the implications of those solutions?



SUMMARY EARNINGS EXHIBIT

(\$ in thousands)	HISTORICAL FINANCIALS			MANAGEMENT PROJECTIONS				
	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Total Revenue	\$100,000	\$105,000	\$115,500	\$132,825	\$139,466	\$146,440	\$153,762	\$161,450
% Growth	NA	5.0%	10.0%	15.0%	5.0%	5.0%	5.0%	5.0%
Total Cost of Sales	(65,000)	(68,250)	(75,075)	(86,336)	(90,653)	(95,186)	(99,945)	(104,942)
Gross Profit	35,000	36,750	40,425	46,489	48,813	51,254	53,817	56,507
% Margin	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Operating Expenses	(15,000)	(15,750)	(17,325)	(19,924)	(20,920)	(21,966)	(23,064)	(24,217)
Operating Income	20,000	21,000	23,100	26,565	27,893	29,288	30,752	32,290
% Margin	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Other Income / (Expenses)	2,000	2,100	2,310	2,657	2,789	2,929	3,075	3,229
EBIT	22,000	23,100	25,410	29,222	30,683	32,217	33,828	35,519
% Margin	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
Interest Expense	(1,500)	(1,575)	(1,733)	(1,992)	(2,092)	(2,197)	(2,306)	(2,422)
Earnings Before Taxes	20,500	21,525	23,678	27,229	28,591	30,020	31,521	33,097
%Margin	20.5%	20.5%	20.5%	20.5%	20.5%	20.5%	20.5%	20.5%
EBITDA Build								
Earnings Before Taxes	20,500	21,525	23,678	27,229	28,591	30,020	31,521	33,097
(+) Depreciation & Amortization	1,000	1,050	1,155	1,328	1,395	1,464	1,538	1,614
(+) Interest Expense	1,500	1,575	1,733	1,992	2,092	2,197	2,306	2,422
EBITDA	\$23,000	\$24,150	\$26,565	\$30,550	\$32,077	\$33,681	\$35,365	\$37,133
% Margin	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
% Growth	NA	5.0%	10.0%	15.0%	5.0%	5.0%	5.0%	5.0%

Source: Illustrative example financials

VALUATION RECONCILIATION & CONCLUSION

(\$ in millions)

VALUATION ASSUMPTIONS

ILLUSTRATIVE TRANSACTION

2021 EBITDA: \$26.6MM

2022E EBITDA: \$30.5MM

PUBLICLY TRADED COMPANY METHOD

6.0x – 8.1x 2021 EBITDA
5.2x – 7.0x 2022E EBITDA

PRECEDENT TRANSACTIONS METHOD

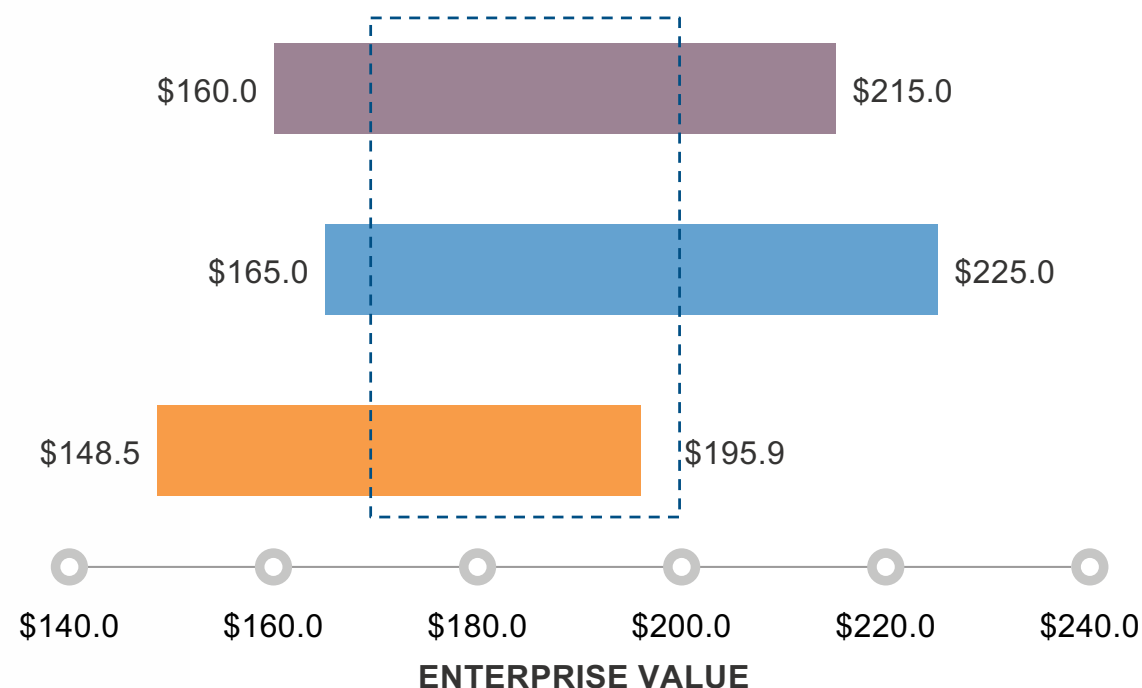
6.2x – 8.5x 2021 EBITDA
5.4x – 7.4x 2022E EBITDA

DISCOUNTED CASH FLOW METHOD

Example Projections;
4.0x – 6.0x Terminal Multiple;
15.5% - 17.5% WACC

CONCLUDED RANGE OF ENTERPRISE VALUES

**\$170.0MM -
\$200.0MM**



ILLUSTRATIVE TRANSACTION ASSUMPTIONS

VALUATION CONCLUSION

	\$MM
2022E EBITDA	\$30.5
Implied Multiple	6.0x
Enterprise Value	\$183.3
(+) Cash	50.0
(–) Existing Debt	–
Equity Value	\$233.3

TRANSACTION SOURCES & USES

SOURCES	xEBITDA	\$MM
Cash on Balance Sheet	1.6x	\$50.0
Senior Debt	2.5x	76.4
Seller Subordinated Debt	3.5x	106.9
Total Sources	7.6x	\$233.3

USES	\$MM
Purchase of Equity	\$233.3
Total Uses	\$233.3

Proceeds at Close	\$126.4
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- As illustrated, the transaction is financed through \$76.4MM in third-party funded debt in the form of a Senior Term Loan with assumed bank terms, as well as a Seller Subordinated Note with **warrants for 25.0% of diluted equity** (value to be negotiated with ESOP trustee)
- Through the transaction as illustrated, shareholders receive **\$126.4MM in cash upfront**

Note: Expenses not illustrated in sources and uses; figures may not sum due to rounding

EMPLOYEE UPSIDE – INCENTIVE ALIGNMENT

- When the Company performs as expected, there is a significant benefit to management and employees, with **no employee investment required**
 - The illustrated amounts are contingent upon a number of factors, including the Company achieving projected earnings growth
 - The total value that accrues annually to the employee accounts is a function of the amortization of the “inside loan”

W2 WAGES	EMPLOYEE ACCOUNT BALANCE		
	YEAR 5	YEAR 7	YEAR 10
\$40,000	\$61,336	\$118,056	\$231,748
50,000	76,670	147,570	289,685
60,000	92,004	177,084	347,622
70,000	107,337	206,598	405,559
80,000	122,671	236,112	463,495
90,000	138,005	265,625	521,432
100,000	153,339	295,139	579,369

ASSUMPTIONS:
<ul style="list-style-type: none">▪ The allocation mechanism is assumed to be the “comp-to-comp” safe harbor method<ul style="list-style-type: none">– This method assumes the number of shares allocated to an eligible ESOP participant (an individual) each year is determined by the percentage of that individual’s compensation as a percentage of the Company total, applied to the number of ESOP shares allocated that year▪ Employee benefit calculations assume total payroll expense of \$10.0 MM, or 7.5% of 2022E revenue; grown at 5.0% annually▪ Projected ESOP equity value in year 5, year 7, and year 10 are \$117.0 MM, \$177.3 MM, and \$282.0 MM, respectively, equal to 70.0% of total equity value▪ 30-year amortization of internal ESOP loan

The goal is to have the interests of management and employees fully aligned within the ESOP structure

ESOP ALLOCATION & VESTING

ALLOCATION

- **Comp-to-comp** allocation assumes the number of shares allocated to an eligible ESOP participant (an individual) each year is determined by the percentage of that individual's compensation as a percentage of the Company total, applied to the number of ESOP shares allocated that year
- Alternatively, a **points system**, whereby an individual's tenure at the Company is also considered along with his/her percentage of total compensation, is commonly used by companies seeking to recognize the contribution of long-tenured employees

Comp-to-Comp

$$\frac{\text{Your base compensation}}{\text{Base compensation of ALL eligible employees}}$$

Points System

1 point for every \$1,000 in base compensation 10 points per year of service

$$\frac{\text{Your points}}{\text{Total points of ALL eligible employees}}$$

VESTING

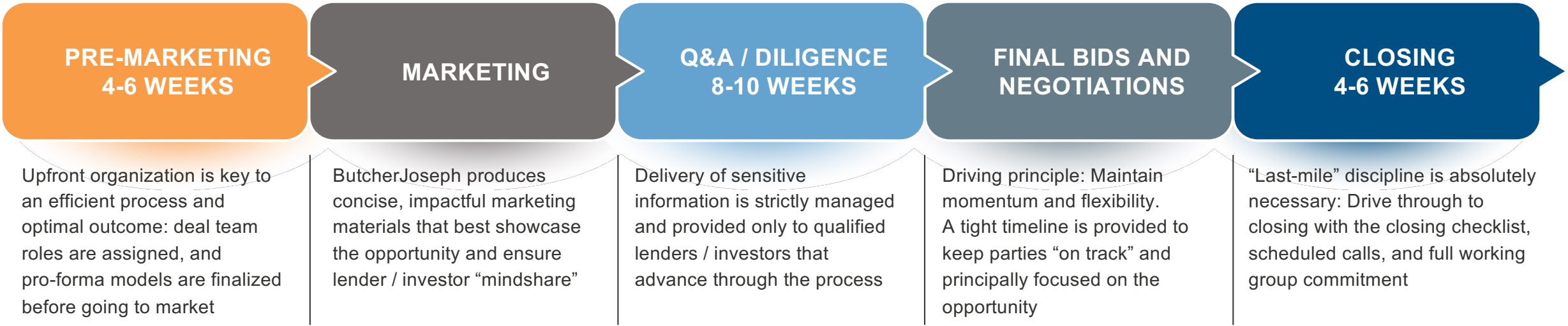
- The value in employees' accounts **vests** over time, ensuring that employees who leave do not receive the benefit that accrues to long term employees
- Common vesting strategies include graded vesting or cliff vesting:

Years of service	% of account vested	
	Graded vesting	Cliff vesting
1 year	20%	0%
2 years	40%	0%
3 years	60%	100%
4 years	80%	100%
5 years or more	100%	100%

Note: An employee becomes fully vested when upon reaching retirement age (65), death, or disability

The goal is to have the interests of management and employees fully aligned within the ESOP structure

GENERAL TRANSACTION PROCESS & FRAMEWORK



FULL-SERVICE TRANSACTION MANAGEMENT

- Identify and explain the key considerations and potential implications of the transaction to Board of Directors, management and employees
- Draft the transaction calendar and coordinate weekly status calls to ensure milestone dates are met
- Conduct advanced feasibility analysis, which will include customary transaction due diligence
- Create financial models to analyze various aspects of the business in light of the transaction
- Organize and manage the financing process, raising debt or equity capital, as applicable, from interested parties within our proprietary network of capital providers
- Prepare trustee memorandum, valuation analysis and term sheet/offer for trustee consideration
- Populate data room and coordinate due diligence on the part of interested financing sources, the ESOP trustee and its independent financial advisor and legal counsel
- Manage the negotiation process with the trustee
- Coordinate the documentation process with respect to both the transaction and financing on behalf of the Company
- Manage, negotiate, structure and execute the transaction