

ACQUISITION OPPORTUNITY

Complete Large Capacity CNC Machining Business

FOR SALE

Our client, a state-of-the-art custom manufacturing company, offers a full range of custom design, programming, tooling, machining and fabricating capabilities. Prestige Equipment and Workingman Capital have been retained as exclusive sales agents to find a strategic or investment buyer for this profitable operating company with a strong business and order flow. The acquisition may be structured to include (2) industrial properties totaling 36,000 Sq. Ft. from which the business operates. This presents a tremendous opportunity to acquire a highly successful operating business with ready-to-go manufacturing capacity.

HISTORY

The business was founded in 1981 as a design and consulting firm. Within five years, the company expanded, acquired a facility, and commenced manufacturing custom fixtures and tooling. Currently the company employs 24 persons with an average tenure of 13.5 years. The company has a strong management team and culture in place which is not dependent on the current owner for management of day-to-day operations. Typical materials machined include steel, stainless steel, aluminum and cast iron. Certifications include Canadian Welding Bureau CSA W47.1 and ISO 9001.

CUSTOMERS

The company enjoys a diverse and loyal customer base including, but not limited to: OEM industrial equipment manufacturers, rail, plastics, mining construction, nuclear, municipal construction, and automotive: fixtures, machining and fabricating. Over the past 5 years, the top 10 customers have represented on average 65.9% of total sales and have been customers for an average of almost 10 years. The Company is highly regarded for on time delivery of high-quality precision parts, resulting in industry leading customer retention and satisfaction.

REAL ESTATE

The company operates out of two side-by-side manufacturing facilities totalling 36,000 SF of floor space on (2) parcels totalling 2 acres (split approximately evenly). The facilities are strategically located within a 30-minute drive of Toronto's Pearson International Airport and near Highway 401. The buildings are zoned M2 (general industrial), and feature 20' - 26' clear heights, (10) bridge cranes (up to 20 Ton Capacity), large drive-in doors, heavy power, air compressors and more. The property is owned by a related affiliate of the Company and is available for sale or long-term lease in connection with this transaction.

MACHINERY & CAPABILITIES

The Company includes an in-house design department, engineering, large capacity machining, toolroom and quality control, with capability to machine components with a work envelope up to 5 m (16') x 3 m (10') and as heavy as 40,000 lbs with tremendous precision (tolerances as tight as 10 microns (.0004")). Featured assets include (9) late model, large capacity CNC horizontal boring mills, vertical and horizontal machining centers, large format coordinate measuring machine, plant support, rolling stock and more. The machinery & equipment has been extremely well maintained and updated by OEM and/or third-party contractors.

prestigeequipment.com

631.249.5566

workingmancapital.com

416.847.7336

FINANCIAL

Three-year financials demonstrate average revenue growth of 6.72% (3.5% CAGR). For the four-years including draft 2021, without factoring in COVID related government assistance, revenue growth remained positive at 2.15%. Four year historical gross profit average is 27.35%, and adjusted EBIDA margin is 11.49%. There is a current production backlog exceeding \$900,000 and the forecast for 2022 remains very optimistic with additional opportunities in the pipeline.

	KPMG Review Engagement FYE Sept. 30			Draft
	2018	2019	2020	2021
*All figures in Canadian				
Revenue	5,062,515	5,505,568	5,622,285	4,973,220
Revenue Growth	9.29%	8.75%	2.12%	-11.54%
Cost of Goods Sold	<u>3,907,877</u>	<u>3,736,192</u>	<u>4,178,041</u>	<u>3,543,140</u>
Gross Profit	1,154,638	1,769,376	1,444,244	1,430,080
Gross Profit Margin	22.81%	32.14%	25.69%	28.76%
Selling, General & Admin.	<u>1,213,369</u>	<u>1,646,036</u>	<u>1,364,089</u>	<u>1,361,371</u>
Operating Profit	(58,731)	123,340	80,155	68,709
Other Income	(26,873)	13,395	(3,621)	(1,908)
Depreciation	16,080	14,118	23,546	5,008
Owner Fees / One Time Events	<u>285,276</u>	<u>698,241</u>	<u>579,037</u>	<u>634,408</u>
EBITDA, as adjusted	<u>215,752</u>	<u>849,094</u>	<u>679,117</u>	<u>706,217</u>
Adjusted EBITDA Margin	4.26%	15.42%	12.08%	14.20%
Net Book Value M&E	3,013,700	2,806,518	2,682,088	2,387,049

OPPORTUNITY

In addition to the customers, real estate, reputation and established market position, the company has on demand production capacity available. The company is currently operating one shift from 7:30 am to 4:00 pm five days a week. The Company has historically focused on higher margin custom orders, however production orders can easily be added to the manufacturing mix and supplement production capacity. In addition, the company has achieved these results using only word-of-mouth advertising and no dedicated sales personnel. There is potential to significantly scale revenue and profit by instituting a structured sales process, increasing marketing and advertising, and otherwise developing additional sources of revenue.

PROCESS

Qualified buyers interested in learning more about this opportunity are required to execute a Non-Disclosure Agreement, a copy of which can be downloaded from the following link: <https://tinyurl.com/ProjectAcornNDA>

Joshua Sugar 416-847-7336 sugar@workingmancapital.com

Adam Herman 631-249-5566 adam.herman@prestigeequipment.com

E&OE

NON-DISCLOSURE, NON-CIRCUMVENTION, AND CONFIDENTIALITY AGREEMENT

This Non-Disclosure, Non-Circumvention, and Confidentiality Agreement (this “Agreement”) is made as of _____ (the “Effective Date”) by and between The Joint Venture Partnership of Workingman Capital Corp. and Prestige Equipment as exclusive Agents for Project Acorn having a primary address of 2500 – 120 Adelaide St. W. Toronto, Ontario M5H 1T1 (the “Company”), and _____ and all subsidiaries and affiliates thereof, having an address of _____ (“Receiving Party”). The Company and Receiving Party are hereinafter referred to individually as a “Party” and collectively as the “Parties”.

Receiving Party wishes to receive from Company certain confidential and/or proprietary information for the purpose of considering a potential purchase transaction (the “Purpose”) of Project Acorn (the “Target”). This Agreement shall govern the terms and conditions of use and disclosure of Confidential Information (as hereinafter defined) by the Parties.

The Parties agree as follows:

1. “Confidential Information” means any and all information provided by the Company to Receiving Party in connection with the Purpose, including, without limitation, financial statements, business plans, forecasts, projections, analyses, employee, client, customer and vendor information, software (including documentation and code), hardware and system designs, manufacturing, logistics and sales processes, and other information relating to the business or matters of the Company or Target or their affiliates, suppliers, customers or other business partners, that (a) is not generally known to the public and (b) at the time of disclosure, is identified as or would or should reasonably be understood by the Receiving Party to be proprietary or confidential.
2. The Receiving Party shall maintain the Confidential Information, exercising the same degree of care as the Receiving Party exercises with its own confidential or proprietary information of a similar nature, but in no event less than a reasonable degree of care, to prevent its unauthorized disclosure and use.
3. The Receiving Party shall use the Confidential Information solely for the Purpose. The Receiving Party shall not, without the prior written consent of the Company, disclose any portion of the Confidential Information to any third party, except to the Receiving Party’s employees, agents, consultants, contractors, or professional advisors who are bound by an obligation of confidentiality at least as restrictive as that contained in this Agreement and who have a need to know such Confidential Information in order to accomplish the Purpose, and then only to the extent they need to know. The Receiving Party shall be responsible and liable for any breach of this Agreement or unauthorized disclosure, publication or dissemination of any Confidential Information by or through any of the Receiving Party’s employees, agents, consultants or contractors.
4. The Receiving Party will not disclose that discussions or negotiations are taking place, that it has received evaluation material, except to the extent it is advised by its counsel that it is required to do so under applicable law and then only after it has notified the Company about the information it proposes to disclose. Receiving Party further agrees that, without the prior written consent of the Company, it will not (directly or indirectly) enter into any agreement, arrangement or understanding, or any discussions which might lead to such agreement, arrangement or understanding, with any person regarding a possible transaction involving the Company or Target, or buy or acquire all or any interest in the Company or Target, including, without limitation, the acquisition of any debt or securities of, or any claims against, the Company or Target.
5. The Receiving Party further covenants and agrees to work exclusively with the Company regarding the Purpose and will take no action to circumvent the Company’s involvement in any possible transaction with the Target.
6. If, in the reasonable opinion of its legal counsel, the Receiving Party is required by law to disclose any of the Confidential Information in connection with any legal or regulatory proceeding, then the Receiving Party may disclose such Confidential Information, provided that the Receiving Party notifies the Company a reasonable time prior to disclosure, allows the Company a reasonable opportunity to seek appropriate protective measures prior to disclosure, and discloses only the minimum amount of the Confidential Information required by law to be disclosed.

- 7.** The Receiving Party shall not have any obligation of confidentiality or assume any liability with respect to any portion of the Confidential Information that the Receiving Party can demonstrate (a) it possessed prior to the date of this Agreement from a source other than the Company (or its affiliates, suppliers, customers or other business partners) without any obligation of confidentiality, (b) it rightfully receives from a third party (other than an affiliate, supplier, customer or other business partner of the Company) without any obligation of confidentiality, or (c) is or becomes publicly available without breach of this Agreement or act or fault of the Receiving Party.
- 8.** As between the Parties, all right, title and interest in and to Confidential Information disclosed pursuant to this Agreement shall remain the property of the Company or Target, as applicable. The disclosure or provision of Confidential Information shall not constitute any grant or license to the Receiving Party of any legal rights now or hereinafter held by the Company.
- 9.** The Parties acknowledge that monetary remedies will not be a sufficient remedy for breach of this Agreement and that any breach by the Receiving Party would cause the Company irreparable harm. Accordingly, in addition to any other remedies that may be available at law or in equity, the Company shall be entitled, without the requirement of posting a bond or other security, to seek equitable relief, including injunctive relief and specific performance, and the Receiving Party agrees not to oppose the granting of such relief on the basis that the Company has an adequate remedy at law.
- 10.** The confidentiality and nondisclosure obligations contained in this Agreement shall survive for three (3) years following the last disclosure of any Confidential Information under this Agreement or, with respect to any Confidential Information that is a trade secret, until such Confidential Information is no longer a trade secret under applicable law. The confidentiality and nondisclosure obligations contained in this Agreement shall bind each Party's legal representatives, successors and assigns.
- 11.** The Receiving Party shall promptly return to the Company or destroy, upon any termination of this Agreement and at any earlier time the Company may request, all written or electronic records (and all copies thereof) that contain any Confidential Information of the Company. Upon the Company's request, the Receiving Party shall certify in writing its compliance with the foregoing.
- 12.** Neither this Agreement, nor the disclosure of information under this Agreement, nor the ongoing discussions or correspondence between the Parties, shall constitute or imply a commitment or binding obligation between the Parties. If, in the future, the Parties enter into a binding commitment regarding the Purpose, the such commitment shall be explicitly stated in a separate written agreement executed by both Parties, and the Parties hereby affirm that they do not intend their discussions, correspondence, and other activities to be construed as forming a contract regarding the Purpose or any other transaction between the Parties without execution of such separate written agreement.
- 13.** The failure of either Party to enforce or insist upon compliance with any of the terms or conditions of this Agreement, the waiver of any term or condition of this Agreement, or the granting of an extension of time for performance, shall not constitute the permanent waiver of any term or condition of this Agreement, and this Agreement and each of its provisions shall remain at all times in full force and effect until modified in writing by the Parties.
- 14.** This Agreement shall be subject to, and interpreted in accordance with, the laws of the Province of Ontario, without reference to any choice of law rules that would require the application of the laws of any other jurisdiction.
- 15.** This Agreement is the entire agreement between the Parties relating to its subject matter and supersedes all prior agreements, written or oral, with respect thereto. Neither this Agreement nor any right granted under this Agreement shall be assignable or otherwise transferable. If any term or provision of this Agreement shall be found to be illegal or unenforceable, then such term or provision will be modified to the minimum extent necessary to render such term or provision legal and enforceable, and notwithstanding that term or provision, all other terms and provisions of this Agreement shall remain in full force and effect. Any modification of this Agreement must be in writing and signed by the duly authorized representative of each Party.
- 16.** For the convenience of the Parties, any number of counterparts of this Agreement may be executed by the Parties, each of which shall be an original instrument and all of which taken together shall constitute one and the same agreement. Delivery of a signed counterparty of this Agreement by email shall constitute valid and sufficient delivery thereof.

IN WITNESS WHEREOF, the Parties hereto have executed this Nondisclosure and Confidentiality Agreement as of the Effective Date.

COMPANY:

The Joint Venture Partnership of Workingman Capital Corp. and Prestige Equipment as exclusive Agents for Project Acorn

Per:

Name: _____

Title: _____

Date: _____

RECEIVING PARTY:

Enter Receiving Party Name:

Per:

Name: _____

Title: _____

Date: _____