



# PROJECT CAPRICORN

*A Leading Southeast Based Promotional Products Distribution Company*

## ***Executive Summary*** ***February 2017***

**NEW AGE GLOBAL ADVISORY**

M&A • CAPITAL RAISING • STRATEGY • GROWTH

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## Company Overview

Capricorn (or the “Company”) is an 11-year old family owned distributor of marketing and promotional products sold to clients of various industries including legal, branding, education and government. Although the Company serves clients nationwide, the majority of its clients are located in the Southeast. Capricorn operates in an overhead-free, remote structure, earning a steady stream of business from existing clients and new referrals alike. The Company is also a member of ASI and PPAI. Capricorn provides clients with access to hundreds of thousands of products from licensed, registered and distributor-rated ASI and PPAI suppliers. Providing clients nationwide with promotional products, apparel, gifts, print, and event marketing. The Company’s mission is to help businesses create long-lasting relationships with their clients through the power of promotional products. Capricorn is a simple sales-only distributorship business without typical complications such as inventory or overhead. The Company connects clients (end-users) with suppliers that sell to distributors exclusively through industry/member only databases (PPAI and ASI).

## Market Opportunity

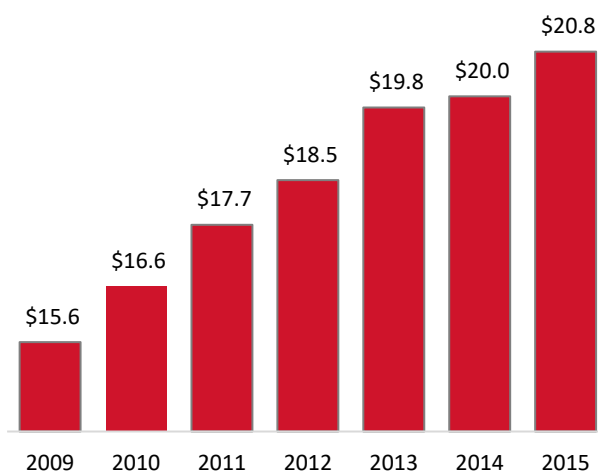
According to the 2015 PPAI Sales Volume Study conducted by researchers at Relevant Insights the promotional products industry exceeds \$20.81 billion. Long-term, the industry is expected to grow at ~3.0% annually by 2020 to \$24.6B, per IBISWorld, as integrated advertising campaigns featuring promotional products continue to be favored by companies because of the ability for repetitive brand exposure and enhanced customer engagement without added cost to the advertiser. 89% of consumers have received a promotional product in the last six (6)

**Ranked #1 most effective form of advertising**  
to prompt action across all generation including Millennials, GEN Xers, Baby Boomers, and Silent Generation. Outperforming broadcast, online, print and mobile.

months and 81% of people keep promotional products for more than one (1) year. A 2017 study published by Advantages Magazine named the South the largest and most lucrative region for sales of promo products, leading the nation in money spent with sales growth of 5.6% in 2016. Capricorn has strong opportunity to grow as the promotional products market continues to grow and consistently provides value to brands whereas the digital marketing ecosystem continues to become more complex.

### Promotional Products Industry Sales

(\$USD Billions)



### Loyal Clients of All Types and Sizes

|                                            |          |
|--------------------------------------------|----------|
| Regional Bank with 25+ Branches .....      | 5+ Years |
| National Law Firm with 20+ offices .....   | 5+ Years |
| International Airport.....                 | 5+ Years |
| International Volunteer Service Club ..... | 5+ Years |
| Nationally Recognized Law School .....     | 5+ Years |
| Insurance Company .....                    | 5+ Years |
| National Court Reporting Co .....          | 5+ Years |
| Federal Government Agency .....            | 5+ Years |
| Regional CPA Firm with 15 branches.....    | 5+ Years |
| University with Global Programs .....      | 5+ Years |
| National and Regional Law Firms .....      | 5+ Years |
| State Bar Association .....                | 5+ Years |
| Full Service Branding Agency.....          | 3+ Years |

\*Representative selection of active clients of the Company

### Investment Highlights

- Capricorn is essentially **Running on Autopilot**, profitably, with a strong and loyal client base, a reliable team of freelancers, and a reputation for quality and premium pricing
- **Long Term Contract** with leading court reporting company which has historically yielded in excess of \$100k per year in revenue
- **Strong Revenue Growth** of 15% CAGR from 2013 to 2017 without any capital investments in sales or marketing
- Immediate **Growth Platform** through operational expansion and upselling to a client base of over 110 active clients with a focus on the **Legal Industry**
- **Hosts Online Stores** with branded products for two (2) large national clients
- **Long-term Relationships** with suppliers provides clients with access to thousands of products from licensed, registered and distributor-rated ASI and PPAI suppliers
- **Website + 3 Active Social Media Accounts** in place

### Growth Opportunity

- **Streamlined Operations will Reduce Operating Expenses:** Transition to new ownership can further save expenses through employing synergies derived from acquirer and eliminating duplicate fixed business costs unrelated to revenue
- **Resources to Grow Valuable Contracts:** Capricorn continues to fulfill a large number of inbound requests from a valuable client base but lacks the ability to dedicate time to growing these accounts
- **A Dedicated Sales Focus will Grow Reach and Revenue:** A position dedicated to external sales and marketing has never been a part of the Company's organizational chart. The business has successfully grown organically through valuable relationships and referrals from satisfied customers
- **A Focus on Digital Marketing and SEO:** Investments in digital marketing and SEO can spark tremendous growth due to increased reach and history of satisfied customers with strong brand recognition within the primary industries served

## Transaction Rationale & Timeline

Currently, a shareholder is managing nearly all aspects of the Company remotely. The family believes a new owner may be in a better position to serve the Company's clients and to continue to grow the business. As such, the shareholders are considering a sale of the Company to a prospective buyer interested in expanding upon the current momentum of the business. While the shareholders are targeting a closing in Q2 2018, special consideration would be given for buyers who can execute in a more expedited timeline.

## Historical Financials *(Presented on a Cash-Basis)*

Since inception, Capricorn continued to experience double-digit revenue growth each year until 2015 when one of the family members became ill and hospitalized resulting in time being taken away from the business until his passing in April of 2016. Despite the significant personal challenges and split attention between several entities, Capricorn continued operating with stable sales over the same period, and recovered strongly in 2017 with a 31% increase in revenue. Due to financials being presented on a cash basis and payment timing differences, a buyer can expect true gross margins to come to around 34% when averaged for 2016-2017.

| *Cash Basis Accounting | 2014  | 2015  | 2016  | 2017  |
|------------------------|-------|-------|-------|-------|
| <b>Revenue</b>         | \$XXX | \$XXX | \$XXX | \$XXX |
| Revenue Growth         | 50%   | (6%)  | (6%)  | 31%   |
| <b>Gross Profit</b>    | \$XXX | \$XXX | \$XXX | \$XXX |
| Gross Margins          | 28%   | 18%   | 39%   | 29%   |
| <b>EBITDA</b>          | \$XXX | \$XXX | \$XXX | \$XXX |
| EBITDA Margins         | 18%   | 7%    | 27%   | 19%   |
| <b>Repeat clients</b>  | XX    | XX    | XX    | XX    |