

Company Overview

ImageOne Industries, Inc., based in Philadelphia, PA, is a manufacturer and provider of products and services related to facilities management for retail and other institutional providers. Its primary business provides design and manufacturing of custom signage, storefronts, ATM environments, lighting systems, and fascia systems. ImageOne is also expanding its facilities management programs.

ImageOne operates with three manufacturing facilities in close proximity to each other in Philadelphia and one in Arizona. The facilities are leased from the Seller.

ImageOne's customer base includes national and international commercial and retail customers, such as: Dick's Sporting Goods, Bank of America, Wells Fargo, Sovereign Bank / Santander, Staples, Pier One Imports, NHL, MLB, Rite Aid, Walgreens, University of Phoenix and many more.

Company Financials

ImageOne has a track record of rapid growth and high profitability, with a CAGR of 31% from 2008-2014 and EBITDA margins from 19% in 2013 up to 27% in the last fiscal year. The Company has reviewed financial statements that have been corroborated through Quality of Earnings diligence by McGladrey. The Company also has internal reporting mechanisms and a job cost accounting system with margins by customer.

Revenues, and EBITDA, year ending December 31, have been as follows¹:

	2008	2009	2010	2011	2012	2013	2014	2015E	2016E
Rev (mm)	9.3	11.2	16.1	24.8	27.7	33.1	47.7	51.5	65.4
EBITDA (mm)					5.2	6.8	13.1	13.7	17.0

As shown above, Kain Capital LLC estimates that ImageOne is currently running at a \$13.7mm annualized EBITDA run rate for 2015. Estimated revenue and EBITDA projections for 2015 are based on current revenue that has already been booked, and additional contracts that are currently being worked on. Projections for 2016 revenue and EBITDA are conservative, and based on the firm's growth plans.

LOI Offer

An offer was made to acquire 80% of the Company for \$40mm. The seller would retain a 20% common shareholding interest and remain actively involved in the operation. ImageOne has just recently undergone quality-of-earnings assessment by McGladrey, and a comprehensive due diligence process with reputed vendors. All findings from the due diligence process have been consistent with Kain Capital's understanding of the business and further supported the investment thesis.

Kain Capital is tentatively partnering with Bank of America-Merrill Lynch as its lending partner in this transaction. BAML will be able to provide low-cost bank debt for a \$8mm term loan, and a \$15mm Line of Credit for a total of \$23m. Kain Capital will provide \$23mm to cover the remainder of the of the acquisition price, and other closing costs.

¹ 2007 was the inception year

Key Opportunity and Risk Considerations

Broad Market Opportunity – ImageOne is well positioned to take advantage of broad market trends affecting the retail space. These include:

- Increasing awareness amongst retailers of the role rebranding and façade improvement plays in driving foot traffic
- Increased digital communication methods and desires of retailers to increase their brand awareness
- Growth in LED lighting within the marketplace
- Transition of retail banking to smaller-footprint locations focused on banking products instead of teller services

Growth in the retail storefront construction and signage installation industry is closely tied to three markets:

- i. US Commercial Building Construction - expected to grow at a compound rate of 4.0% through 2020, driven by strong corporate profits and following a steady growth trend since the industry began its recovery in 2012-2013.
- ii. US Commercial Property Remodeling - expected to grow at a compound rate of 3.8% through 2020 on the back of steady employment growth, strong increases in consumer spending and a declining vacancy rate.
- iii. US Billboard and Sign manufacturing - this industry is projected to grow at a compound annual rate of 2.2% through 2020, following steady increases in outdoor ad demand and total advertising expenditures

Across all three industries, growth in the sectors that I1 specializes in - retail store locations and restaurants - is expected to be above the market averages. Furthermore, industry consolidation and increasing investment in conversion to next generation environments in the retail banking industry is expected to be a further source of growth for I1.

In addition, the Company has recently begun work with several new accounts, all of which have the potential to rival or surpass their current largest account, Dick's Sporting Goods, in the near future. ImageOne believes, and Kain Capital agrees, that the company is well positioned to grow revenues to \$100 million or more in approximately 36 months, while maintaining or improving profitability.

Management in Place – The Company has a strong, well-structured management team in place and has been able to hire locally to facilitate its growth. Key players will be secured with new deals and non-compete contracts upon closing.

Increase Sales Effort – Our team will take a hard look at market targets for the Company's products and services immediately, and leverage the increased network the Kain capital team provides to spur sales. We would endeavor to add structure to the sales effort and potentially add personnel to expand the company's reach.

Growth by Acquisition – Diversification may be able to be accomplished through acquisitions of similar companies or companies with new, tangential product lines.

Customer Concentration – Dick's Sporting Goods accounts for a high percentage of the business, but this risk is mitigated by several factors. ImageOne has an exclusive supplier relationship through 2019, which will secure this revenue. Dick's has announced plans to expand from 575 to 1,100 stores and has just announced the rollout of a new national retail store brand, Chelsea Collective. As Dick's continues to grow and ImageOne continues to increase its revenue per store, Kain Capital expects revenue to increase from this customer at an absolute level over the next five years. In addition, ImageOne has recently begun working with four major national clients, all with the potential to grow into large accounts, which will further mitigate any customer concentration risk.

Key Employee – The owner of the business appears to be integral to the Company and a large factor in the growth of the business and the relationship with Dick's. Kain Capital has been in consistent contact with the owner and his team since issuing the LOI and it is our assessment that he will continue to play a significant role going forward. As mentioned, he will maintain a 20% share of the business, and has expressed nothing but dedication to continued work, with an increased focus on sales, which is where his natural strength lies. He is expected to sign an employment agreement and non-compete contract upon closing.

Investment Thesis

ImageOne looks to be a "Triple Play Opportunity", a candidate where one can increase value three ways:

1. Organically increase Revenues and EBITDA through customer acquisition
2. Develop a platform through acquisition
3. Increase the exit multiple by increasing diversifying the customer base