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## Bridge Financing

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## Brief review of the story so far...

### **Kain Capital completed the the ImageOne transaction in November**

- BAML financed the transaction; Kain Capital personnel hit the ground running on the 3<sup>rd</sup> week of November
- Kain Capital appointed a Board of Directors with deep experience in retail (inc. Steven Heyer, former Coca-Cola COO, Starwood Hotel Group CEO, and Lazard Director and Sandeep Chugani who is the North American retail head for BCG )

### **Investment thesis is already exceeding expectations**

- Organic growth, aided by an enhanced bidding process and network connections, is leading to rapid growth that will surpass forecast
- Diversification of customer base quickly reducing reliance on DSG expected to fall below 30% of 2016 revenue
- Kain Capital has been able to add value to ImageOne by gaining a more granular understanding of the business and launching numerous value-enhancing initiatives (process overhauls, performance evaluation and incentive structure, cost/efficiency improvements expected to produce ~300 bps EBITDA gain)

### **We have further increased our confidence in company's financial performance**

- Completing implementation of EPICOR will allow for an integrated system to manage project planning, estimating, execution, and review of profitability at a job and part level
- Completing audit of financial statements will give greater confidence around its controls and processes

### **February will require key investments to be made in the business**

- The first two months of the year are a traditionally slow time for the business
- Kain Capital views this as a one-time opportunity to implement key investments in preparation for business to grow several-fold

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## Accelerated growth expectations are creating funding needs ahead of schedule

### Post-acquisition engagement with ImageOne has led to accelerated growth potential

- Enhanced bidding process has produced several large wins in last two months of 2015 (e.g. CST Remodel program, CVS/Target Pharmacy roll-out)
- Kain Capital network has provided in-roads to multiple blue-chip accounts that we expect to yield significant opportunities in 2016 (SEG, AIG, Citi, PE portfolios)

### Thorough financial and operational reviews have identified shortcomings that must be addressed prior to scaling

- Short-term cash needs: significant reduction in AR in Dec-Jan will reduce borrowing base, precisely when it is most needed to fund upcoming growth
- Personnel shortage: major talent and resource gaps identified that put performance at risk (most significantly in One Construction division), particularly for new business
- Infrastructure improvements: significant investments needed in IT infrastructure, ERP systems improvements and expansion of Bensalem facility

### Additional financing will help support short-term needs and secure medium-term growth potential

- Short-term liquidity needs: reasonable adjustments to borrowing terms could provide quick-fix (e.g. Adjust borrowing base calculation or convert portion of LOC to term loan)
- Additional financing will be used to strengthen operations and provide buffer for large contracts that are expected to come in over the next several months



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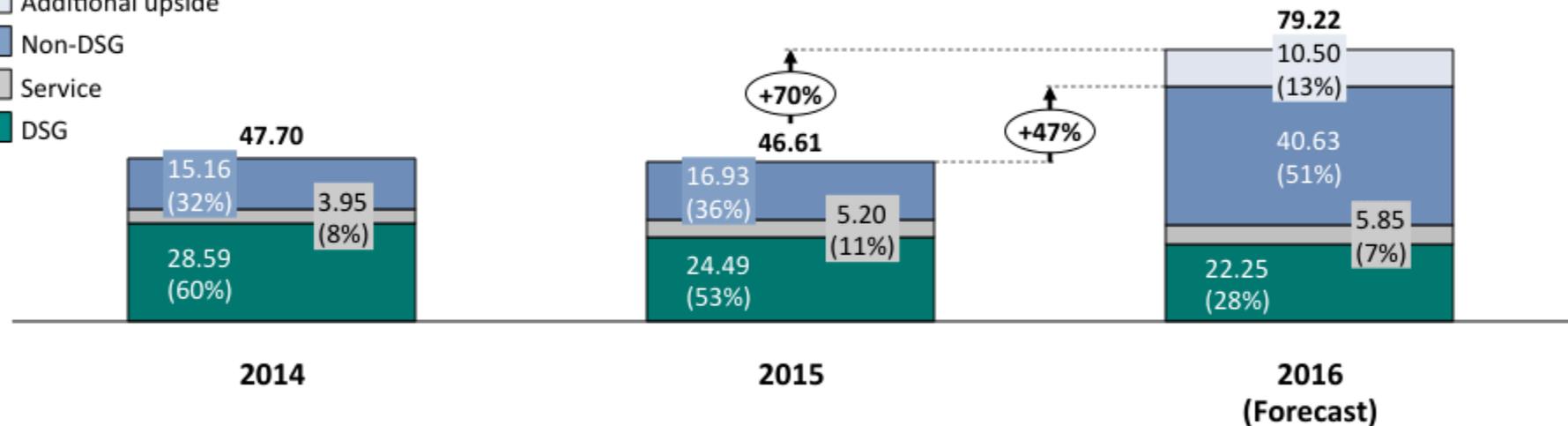
# 47-70% Growth possible in 2016, fueled by new customers in rapidly diversifying customer base

~1/3 of 2016 revenue generated from new clients

## Revenue breakdown

All values in \$M

- Additional upside
- Non-DSG
- Service
- DSG



**New accounts in both 2015 and 2016 balancing out DSG and Santander decline and spurring new growth, with significant additional upside opportunity**

- **2015:** Six new customers accounted for \$4.39M, with growth in other Non-DSG and Service accounts balancing out DSG/Santander decline
- **2016 Forecast:** Additional new customers (Corner Store, Bloomin' Brands, Bridgestone, CVS, Target, Burlington Stores and Rent-A-Center) fueling strong growth in rapidly diversifying customer base
- **2016 Additional upside:** Discussions with several other large potential new accounts are in progress (Southeastern Grocers, AIG, Citi, and others)



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## To accommodate the coming growth, ImageOne needs to make Q1 investments of ~\$3m

### Personnel

#### **Aggressive hiring underway across all divisions (annualized expense increase \$1.8m, \$450k in Q1)**

- VP, 2PMs, 4 Field Supervisors, and Estimator in Construction (also investigating potential platform acquisition to accelerate growth in construction division)
- Director & two PMs in Impact Décor division
- Two Senior and three Junior PMs in Identification Specialist division
- Two Junior PMs in Total Support division
- Additional support: Director of field supervisors, sub-contractor database manager, fleet admin.

### Infrastructure and systems

#### **Plans are underway to expand facilities and improves systems (expected Q1 investment of \$600k)**

- Developing “Building #2”, an expansion of its Bensalem facility is needed to accommodate growing staff (\$350k investment)
- Numerous investments in systems improvements (\$250k investment)
  - Epicor (ERP system) was only partially implemented and requires full roll-out to close reporting gaps and improve employee efficiency
  - Server redundancy risk identified with urgent need to mitigate through cloud back-up

### Inventory, equipment and other cost of sales

#### **Additional materials and equipment will front-load costs to accommodate growth (expected Q1 investment of \$2m+)**

- ~50% increase in inventory needed to fulfill orders (~\$2m investment)
- New equipment needed to efficiently and cost effectively manage diversifying work scope (e.g. power washers, crane truck, fleet vehicles) (~\$500k investment)
- Additional sales expenses will be incurred to service diversifying customer base (e.g. travel, sales materials, entertainment) (~\$100k investment)

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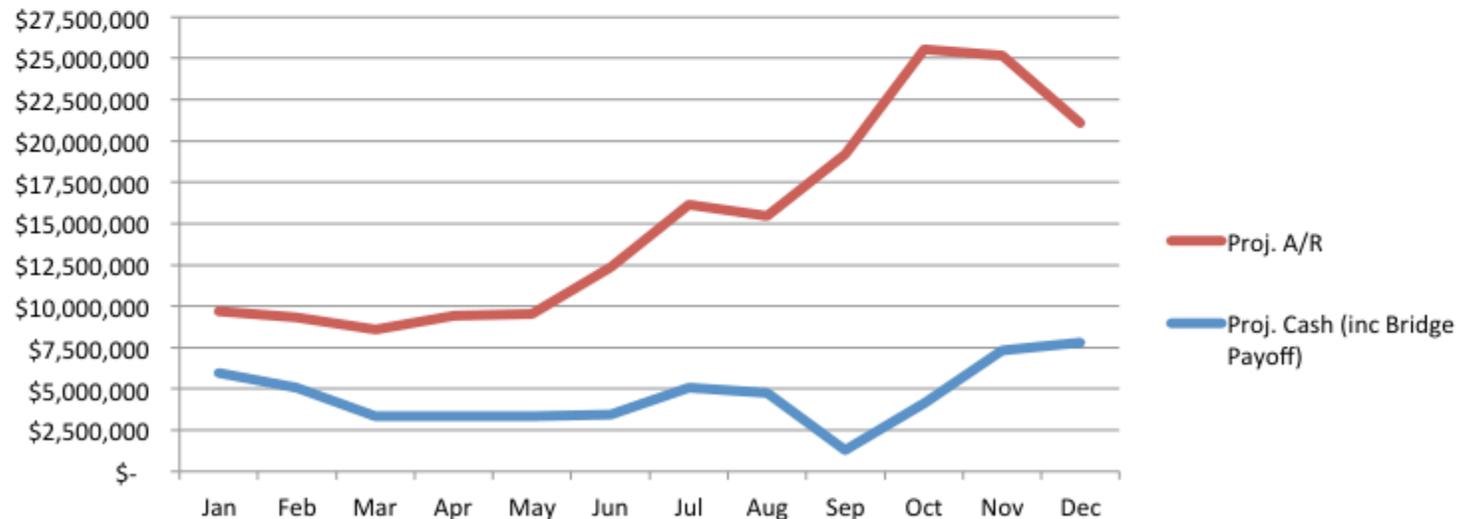
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## The funding need is short-term

**This cash need is caused by the seasonality of the business, but slow season is when it is needed most**

- The funding need is due to the fact that over 70% of the revenue will be realized in the second half of the year
- A/R for that revenue will be collateralized to expand senior debt facility by Q3
- Cash projections expect to have a cushion of \$5m during the time bridge loan is needed
- Cash balance is expected to climb over \$7.5m by the end of the year (inc. all P&I payments)
- Over \$35m of work is already specified and in production at ImageOne (as of Feb. 1)



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## Unsecured Note Terms

- **Value:** \$5,000,000
- **Rate:** 13% (annualized)
- **Issue Date:** 3/15/2016
- **Maturity Date:** 11/15/2016
- **Duration:** 8 months
- **Structure:** Bullet (Principal & interest paid at end of investment period)

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