

CONFIDENTIAL PROFILE

Company	Project POLY (“POLY” or the “Company”)
Industry	Manufacturer of polyurethane truck parts for the heavy-duty truck market
Transaction Type	Purchase of Assets by NewCo LLC
Effective Multiple at Close (incl. Fees & Expenses)	\$61.5 million including transaction fees and expenses at closing Purchase multiple of 8.0x Adjusted EBITDA at close, plus fees and expenses
Financial Profile	Revenue – \$28.3 million at December 31, 2019 Adjusted EBITDA – approximately \$7.5 million at December 31, 2019
Financial Sponsor	Alitus Partners, LLC (www.alituspartners.com)

Company Overview

POLY is a value-added designer and manufacturer of specialized polyurethane parts for heavy-duty trucks and equipment. What began as a better solution for replacement torque rod bushings has grown to a full line of bumper-to-bumper parts including torque rods, suspension, under hood and cab, and trailer parts – more than 1,000 custom engineered SKUs in total with current applications across the heavy-duty truck spectrum. The Company’s products are used for a variety of purposes, including load bearing, dampening, transmission, shock absorption, and stabilization. New products are being launched that are designed to withstand extreme temperatures and will allow POLY to further expand its product set. With manufacturing based in the Midwest, warehouses in Texas, Georgia, Pennsylvania, California, and Oregon, and an excellent dealer network, the Company has a broad distribution footprint with the ability to deliver products next day.

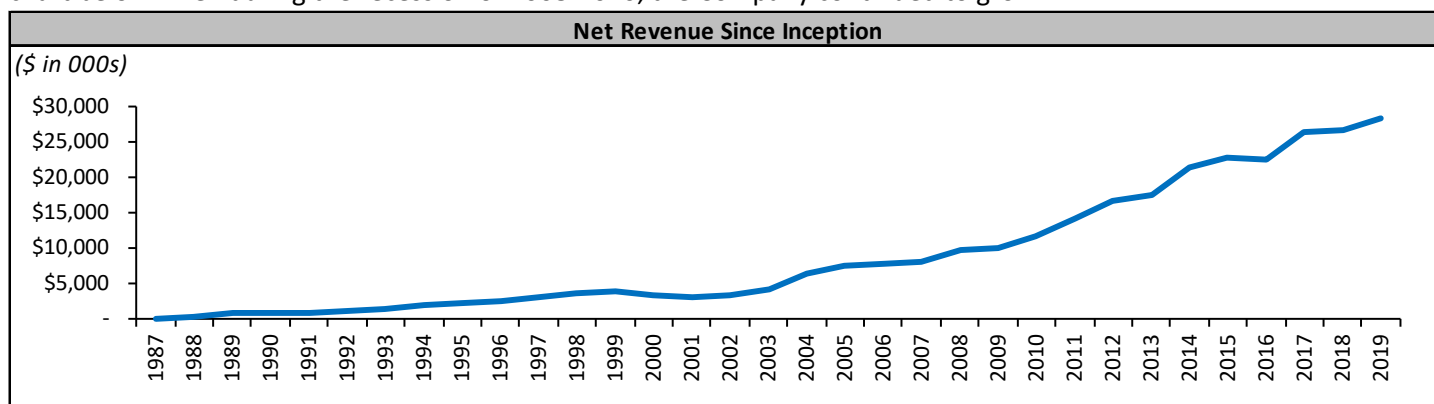
POLY’s products are unique in that they are made from custom-blended, and in many cases proprietary, polyurethane formulations which act as a substitute for rubber but with substantially greater durability. Oils and grease cause rubber to turn soft while diesel fuel and cleaning solvents cause rubber to turn brittle. High heat also greatly reduces the life of rubber. POLY’s polyurethane blends are impervious to attacks from chemicals and temperature conditions commonly affecting heavy-duty trucks. Its parts are 2 to 5 times stronger than standard rubber parts with great tensile strength, tear strength, and enhanced elongation properties. Its products are stronger than rubber without being harder and exceed OE specs.

The Company is competing against full line distributors of imported products, which do not have significant engineering capabilities or the ability to have input into the materials selection processes. Customers have demonstrated a willingness to pay 20% more for POLY’s custom-blended polyurethane products which last 3 times as long as competing rubber products, as the value proposition lies in the decreased long-term operating cost of the equipment. The Company performs regular tests to compare its products with competing products and has never lost a test. POLY backs its products with a best-in-class three-year warranty, versus the industry standard one year, and experiences minimal warranty claims (less than 1/10 of 1% of revenue annually). The Company has an excellent reputation for quality and service in the industry.

Post-closing growth opportunities are significant. POLY is the leading designer and manufacturer of polyurethane torque rod components with a 70% market share of the urethane market for those parts. Only 8% of torque rod components for heavy-duty trucks are currently made from polyurethane, meaning there is significant opportunity for POLY to expand its addressable market while remaining the dominant player in the heavy-duty truck market. Additionally, there is tremendous opportunity to expand the product offering into the medium and light-duty truck markets, which are significantly larger than the heavy-duty market. Product extensions offer significant growth opportunities as does international expansion. The Company is currently selling its products through distributors in the US, Canada, and Australia. Its products are not sold in China, India, or Europe where there is a significant opportunity. The Company has not explored alternative distribution strategies which may also provide enhanced revenue and margin opportunities.

Historical Financial and Operating Information

The Company, founded in 1987, has a long record of continuous revenue growth since inception, as exhibited by the sales chart below. Even during the recession of 2008-2010, the Company continued to grow.



Along with consistent revenue growth, the Company also has excellent margins. From 2014 to 2019, the Company experienced a net revenue CAGR of 5.8% with EBITDA growth of 7.7%. The Company has modest capex requirements to sustain current operations and will require minimal injections to facilitate future growth opportunities. Because the owner was not contemplating selling the business, during 2019 the owner committed significant capital and a tremendous amount of personnel resources to implement a Net Suite ERP system, a very comprehensive new website, and made significant capital investments which were not necessary for the current operations. The current manufacturing facility is only running one shift, which provides ample capacity for increased volume.

Summary Financial Performance ⁽¹⁾							
(\$ in 000s)	FYE December 31,						'14-'19 CAGR
	2014	2015	2016	2017	2018	2019	
Net Revenue	\$21,389	\$22,871	\$22,647	\$26,363	\$26,658	\$28,312	5.8%
% growth		6.9%	(1.0%)	16.4%	1.1%	6.2%	
Gross Profit	\$11,337	\$11,791	\$10,803	\$13,294	\$13,916	\$13,609	3.7%
% margin	53.0%	51.6%	47.7%	50.4%	52.2%	48.1%	
EBITDA - As Reported	\$4,284	\$4,926	\$5,477	\$5,711	\$5,565	\$6,215	7.7%
% margin	20.0%	21.5%	24.2%	21.7%	20.9%	22.0%	
Adjusted EBITDA ⁽²⁾						\$7,500	n.a.
% margin						26.5%	

(1) 2014-2018 financials are reviewed; 2019 financials are internal.

(2) Adjusted EBITDA reflects adjustments for owner-related costs and one-time expenses largely associated with systems implementation.

Industry Overview

POLY operates in a niche of the \$100 billion global commercial vehicle aftermarket supplier (manufacturer) industry. The Company is primarily selling its products in North America, which makes up +\$20 billion of the global market. While POLY is currently only supplying the heavy-duty market, management believes there is a significant opportunity to enter the medium-duty market with similar products. The medium-duty segment is made up of Class 4-5 vehicles weighing between 14,000 and 19,500 lbs while the heavy-duty segment comprises Class 6-8 vehicles, or vehicles weighing more than 19,500 lbs.

There are several economic, operational, and legislative macro factors which will impact POLY. Economic and operational factors include GDP growth, fuel prices, industrial production, freight demand, and the ageing truck population. Increasing shipment of goods is resulting in increased numbers of vehicles in operation and miles driven. Higher demand is also leading to increased vehicle sales, increasing the number of vehicles on the road. Because freight demand remains high,

fleets and independent operators are keeping vehicles on the road longer, which is resulting in higher average vehicle age. Older vehicles with more miles require more frequent repairs. With fleet managers heavily focused on total cost of operating and fleet uptime, it is anticipated they will continue to favor longer lasting products to reduce the frequency with which vehicles must be repaired, thereby increasing uptime. Diesel prices are expected to rise as are driver costs associated with the driver shortage, forcing operators to look for places where they can save on the lifetime cost of fleet operations with a very significant component being downtime.

Company Leadership

Post-closing, the sellers will retain a minority interest in the Company. A capable management team is in place and will continue to run the day-to-day operations. Alitus will work with the existing management team to identify any gaps in the organization. The Company will seek to add additional depth in its leadership team with early emphasis on plant operations, sales and marketing, and finance. These additions will serve to provide necessary expertise to support future growth.

The President of POLY joined the Company in August 2019 as the Chief Financial Officer and was recently promoted to his current position. Prior to POLY, he was the CFO and COO at a large specialized lubricant manufacturer. He brings a new level of professionalization to the management team, which is already having a positive impact on the Company.

Transaction Summary

Alitus Partners has an executed Letter of Intent to acquire a controlling interest in the Company. The Total Enterprise Value for a 100% interest in the Company is \$60.0 million at closing – inclusive of estimated transaction fees and expenses, the total transaction will be \$61.5 million. As part of the transaction, existing ownership is rolling a portion of their interest into the business, valued at \$3.525 million for a 10% stake in the Company. Alitus Partners will invest \$31.725 million of equity to complete the transaction. The modest level of leverage – at 3.5x adjusted EBITDA (\$7.5 million) – will allow the business to make long term investments in necessary systems, operating talent and sales expertise without causing the Company to manage against restrictive covenants or debt service requirements.

(\$ in 000s)	Sources & Uses at Close						
	\$	EBITDA Mult. 2019	Equity Ownership	Capitalization at Closing	Uses	\$	EBITDA Mult. 2019
Sources							
Total Debt	26,250	3.5x		42.7%	Cash Proceeds	56,475	7.5x
Alitus Equity	31,725	4.2x	90.0%	51.6%	Rollover Equity	3,525	0.5x
Rollover Equity	3,525	0.5x	10.0%	5.7%	Fees & Expenses ⁽¹⁾	1,500	0.2x
Total Sources	\$61,500	8.2x			Total Uses	\$61,500	8.2x

(1) Estimate.

A comprehensive data room will be made available to investors well in advance of closing. Diligence providers and expected timing of deliverables include:

- Business and Operations Review Alitus Partners – ongoing through closing
- Quality of Earnings and Tax Diligence BDO – preliminary report no later than 4/01/2020
- Legal & Human Resources Compliance Bryan Cave Leighton Passner – preliminary feedback by 4/01/2020
- Market Study TBD (provider selected by 2/24/2020) – report no later than 4/01/2020
- Background Checks Capture Research – completed by 4/15/2020

A complete investment memorandum, including a company summary, industry overview, financial forecast, and key diligence findings, will be provided by April 15, 2020. Equity commitments will be expected shortly thereafter, in anticipation of a May 15, 2020 closing date.

Growth Drivers and Opportunities

Polyurethane Torque Rod Market Expansion

The heavy-duty truck market for polyurethane torque rod components is \$12 million which is only 8% of the \$147 million total addressable market for POLY's torque rod products (North America figures only).

- While the Company has 70% of the heavy-duty truck polyurethane torque rod market, that subsegment is only 8% of the total potential market, with the remaining 92% of the market using rubber components.
- Growing the total polyurethane market presents a significant opportunity, especially if it can maintain its dominant market share.
- Electric vehicles generate more torque than traditional combustion engines and due to the increased weight of the batteries, require stiffer components. The rise of electric vehicles should act as a tailwind for polyurethane parts.

Product Line Extensions

The Company is focused on designing products for a few specific applications on heavy-duty vehicles.

- The ability to continue broadening its existing product lines to include applications for other problem areas on heavy-duty vehicles as well as expand into a new line of products directed towards medium- and light- duty vehicles provides tremendous potential.
- While POLY is focused exclusively on the automotive industry, there are significant opportunities to develop rubber replacement products with industrial applications such as forklift tires and applications in other industries.

International Expansion

POLY is primarily selling its products through US distributors (5% is international sales).

- The Company produces products for most vehicle manufacturers, so its geographic and brand reach is not limited.
- Significant opportunity exists to broaden distribution to include Asia (specifically China and India) and Europe.
 - China has 14.8 million vehicles in operation at an average age of 7.6 years. The commercial vehicle aftermarket supplier market is \$29.8 billion (2018).
 - India has 4.8 million vehicles in operation at an average age of 9.0 years. Commercial vehicles sales are expected to increase with strong GDP growth. Two brands control more than 84% of the new truck market as well as a significant share of the aftermarket, so finding a partner in India is key. The commercial vehicle aftermarket supplier market is \$9.2 billion (2018).
 - Russia has 4.3 million vehicles in operation at an average life of 10.1 years with very high commercial truck sales growth. They have an extensive fleet of vehicles aged more than 15 years, requiring more routine maintenance and replacement parts. The commercial vehicle aftermarket supplier market is \$7.5 billion (2018).

Distribution Strategy

POLY is currently selling its products through distributors and has not evaluated other approaches such as selling direct to fleets or to OEs.

Other Factors Impacting Growth

There are a variety of macroeconomic tailwinds that will support growth.

- Increasing shipment of goods is resulting in more vehicles in operation and more miles driven, which creates more opportunities for aftermarket providers.
- Heavy- and medium-duty vehicle age has and will continue to increase to meet growing shipping demands.
- Increased demand also increases the need to improve vehicle uptime, which makes regular repairs and maintenance parts replacement more habitual rather than deferred.
- With diesel prices expected to increase, the total cost of operating commercial vehicles increases. This means less disposable income for fleet operators and therefore less spending on repairs and maintenance; however, it becomes more critical for fleet managers to look for ways to decrease total operating cost with replacement parts that have longer lives.

Alitus Partners is a St. Louis, Missouri-based direct investing platform with a passion for growing small businesses into long-term sustainable organizations, generating superior value appreciation for all stakeholders in the process. Combined, the principals of Alitus have over 100 years of operating and investment experience, each having built their businesses into leaders in their respective industries. Alitus Partners differs from traditional private equity as they embody a unique blend of private equity discipline and a family office long term hold with a conservative capital structure investing philosophy. This drives operating decisions with a focus on value creation rather than short-term gain. Alitus' principals also invest their own capital, fully aligning the interests of the incumbent and incoming management teams and equity investors.

The Alitus Partners team will work closely with the management team to formalize and execute strategic growth plans as well as provide board level guidance and oversight. Additionally, Alitus provides on the ground resources for six to twelve months post-closing to onboard new platform companies, facilitating a smooth transition to the new ownership expectations. The Alitus Partners' Operation Partner who sourced the deal has served as an advisory board member to the Company for the last several years, and will continue to work with the Company in a similar capacity on Alitus' behalf following closing.

Key Investment Strengths

Superior Value Proposition	<ul style="list-style-type: none">• POLY's products are made from custom and proprietary blends of polyurethane which acts as a substitute for rubber but with substantially greater durability.• Its polyurethane blends are chemically resistant and impervious to attacks from chemicals and temperature conditions commonly affecting heavy-duty trucks.• Its products are 2 to 5 times stronger than rubber, without being harder, and exceed OE specs with longer lasting parts (3 times or more) that sell for approximately 20% more than standard replacement parts.• This means fewer replacements over the life of the equipment, decreasing total maintenance expenses while increasing vehicle uptime.
Significant Growth Opportunities	<ul style="list-style-type: none">• Polyurethane torque rod market expansion• International expansion• Product line extensions• Accessing the medium- and light- duty truck markets• Distribution strategy• Macro tailwinds
Recession-Resistant Category Niche	<ul style="list-style-type: none">• While the market for new automobiles is highly cyclical, the automotive aftermarket industry is much less impacted by economic slowdowns, as companies look to make repairs on aging vehicles and minimize expenses rather than purchasing new equipment.• POLY grew revenue significantly through the recession (14% CAGR from 2007-2010) with no years of negative growth.
Attractive Financial Profile	<ul style="list-style-type: none">• Long track record of steady growth; over the last 17 years, the Company has grown revenue at a 13% CAGR with only 1 year of negative revenue growth (1%). EBITDA grew by a 21% CAGR over the same period.• Strong gross margins averaging +45-50%.• High free cash flow conversion driven by minimal maintenance capex requirements.