

Equity/ M&A Sell-side Opportunity: Premier Manufacturer of Conveyor Systems & Components

Business Overview

Project Delta ("Delta" or the "Company") was originally founded in 1979 when two life-long friends partnered up to purchase a conveyor manufacturing business that was up for auction. Since the early 1980's, Delta has provided conveyor systems, parts, and maintenance for companies in the mining industry. The Company provides the custom framework, designs, engineering, steel fabrication, and relies on manufacturing vendors to supply steel and other inputs.

Historically, the Company primarily serviced the coal mining industry until 2010 when Delta began diversifying its downstream industries and began servicing the potash industry. Today, the Company services salt, gypsum, copper, trona, zinc, sand, and gravel mining companies across the United States and Canada. Delta also recently began selling into the agriculture industry.

Delta sells conveyor products, conveyor belt drives, conveyor components and parts, and provides special design and fabrication as well as several different types of conveyor services. Recently, the Company has started selling conveyor structure and conveyor belts to customers. Senior management has been servicing operators in the mining industry for decades and has knowledge about the types of equipment currently being operated in mines. This has prompted Delta to carry unique products that are not sold by the Company's competitors. Delta is one of the top three bidders on large conveyor projects in the United States and Canada.

Transaction Overview

The Owners of Delta are seeking an equity partner who can facilitate the buy-out of one of the current shareholders who is nearing retirement.

Delta is targeting an investment from a strategic equity partner that could improve the Company's market penetration in the above-ground mining industry as well as other industries that utilize conveyor systems and components.

The Company is well-positioned to leverage its design & manufacturing capabilities, robust distribution network, and extensive experience in the mining industry as it continues to pursue high-margin opportunities, both domestically and abroad.

Key Investment Considerations

Established Brand Name

- Market leader in supplying conveyor products to mining operators in several industries
- Majority of business is procured through repeat business, word of mouth marketing, sales and marketing strategies, and through repeat business.

Solidified & Repeat Customer Base

- Large, reputable & global operators
- Over 90% of sales originate from repeat customers

Specialty & Customization Capabilities

- Work closely with clients through design, engineering, and manufacturing to ensure all needs and capabilities are met
- Invested in upgrading facility, lasers, and other specialty manufacturing machines that are equip with specialty customization capabilities.

Financial Performance Brief

in \$(000)

FYE December 31	Historical			Estimated		Projected		
	2016	2017	2018	2019	2020	2021	2022	2023
Total Revenue	\$ 10,286	\$ 14,919	\$ 17,445	\$ 22,006	\$ 26,407	\$ 31,689	\$ 34,858	\$ 38,343
Δ YoY	(12.3)%	45.0%	16.9%	26.1%	20.0%	20.0%	10.0%	10.0%
Gross Profit	\$ 3,405	\$ 3,418	\$ 4,285	\$ 6,465	\$ 7,758	\$ 9,310	\$ 10,241	\$ 11,265
GP Margin	33.1%	22.9%	24.6%	29.4%	29.4%	29.4%	29.4%	29.4%
Operating Income	\$ 572	\$ 451	\$ 1,272	\$ 3,497	\$ 4,495	\$ 5,886	\$ 6,649	\$ 7,497
EBIT Margin	5.6%	3.0%	7.3%	15.9%	17.0%	18.6%	19.1%	19.6%
EBITDA (Reported)	\$ 760	\$ 612	\$ 1,421	\$ 3,701	\$ 4,706	\$ 6,105	\$ 6,876	\$ 7,732
EBITDA Margin	7.4%	4.1%	8.1%	16.8%	17.8%	19.3%	19.7%	20.2%



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CONFIDENTIALITY AGREEMENT

CLIENT: Project Delta

This Confidentiality Agreement ("Agreement") will confirm our mutual understanding in connection with Madison Street Capital ("Madison") providing, and your receipt of, information regarding the project-designated Client listed above.

1. Information means all oral or written data, reports, records or materials ("Information") obtained from Madison or the Client, including the name, address and type of business of the Client, the knowledge that the Client may be considering a capital partner, or even the fact that Information has been provided. Information shall not include, and all obligations as to non-disclosure by the undersigned shall cease to any part of, such Information to the extent that such Information: (i) is or becomes public other than as a result of acts by the undersigned; (ii) can be shown was already known to the undersigned at the time of its disclosure hereunder; (iii) is independently obtained by the undersigned from a third party having no duty of confidentiality to the Client; (iv) is independently developed by the undersigned without use of any Information supplied hereunder; or (v) is obligated to be disclosed pursuant to applicable law, regulation or legal process.
2. Information is being furnished solely in connection with your consideration to invest in the Client and shall solely be used by you in connection therewith, and shall be treated as "secret" and "confidential" and no portion of it shall be disclosed to others, except to those of your affiliates and your and their principals, employees and agents (collectively, "Representatives") whose knowledge of the Information is desirable for you to evaluate the Client as a potential investment and who shall be deemed to have assumed the same obligations as you under this Agreement. The undersigned hereby assumes full responsibility for the compliance of such Representatives to the terms of this Agreement. The undersigned agrees to, at its sole expense, direct any such Representatives not to disclose or use the Information in violation of this Agreement.
3. The undersigned further agrees that it will not interfere with any business of the Client through the use of any Information or knowledge acquired under this Agreement nor use any such Information for its own account.
4. It is understood that the Client is the intended party and beneficiary whose rights are being protected and may enforce the terms of this Agreement as if it were a party to this Agreement.
5. All Information shall be promptly returned or destroyed, as directed by Madison or the Client in writing; provided, that you shall be permitted to retain such Information as required by law, rule, regulation or internal compliance policies (it being agreed and understood that any Information so retained shall remain subject to the terms of this Agreement).
6. It is understood that (a) no representations or warranties are being made as to the completeness or accuracy of any Information and (b) any and all representations and warranties shall be made solely by the Client in a signed definitive agreement or contract and then be subject to the provisions thereof.
7. The undersigned acknowledges the responsibility to perform a due diligence review at its own cost and expense prior to any investment in the Client.
8. The respective obligations of the parties under this Agreement shall survive for a period of two years following the date hereof.

Agreed and accepted by:**Name:****Barry Petersen****Title:****Managing Director****Company:**

Madison Street Capital, LLC

Address:

105 W. Madison Street, Suite 1200

City, State:

Chicago, IL 60602

Signature: _____

Signature:



Name: _____

Date: _____