

International Consumer Products Business Seeks Senior Financing

Our client (the “Company”) is seeking a new operating line or asset based facility, supported by accounts receivable and inventory, to fund the operations of its wholesaling and direct-marketing business headquartered in Ontario, Canada.

The Company develops and/or licenses unique consumer products and sells them to millions of consumers in numerous countries around the world. Sales are indirect, through retailers or other direct marketers, and direct to consumer through direct response television (DRTV) commercials and websites. Orders are filled through leased distribution facilities in North America, the United Kingdom, Australia, Scandinavia, the Netherlands and Mexico. The Company’s revenue in 2016 was over \$135 million (all dollar references herein are in US currency).

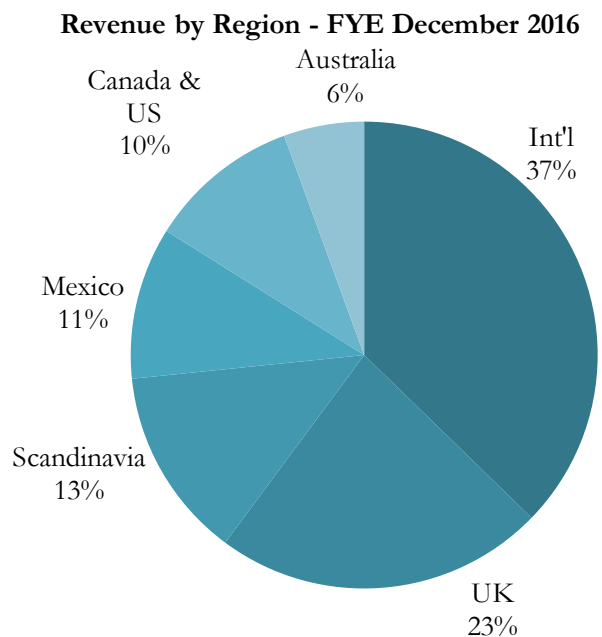
The Company seeks a new operating debt facility in the range of \$15.0 to \$20.0 million. Preference will be given to a single global supplier of the facility however consideration will be given to lenders that can provide funding on certain working capital assets or that provide specific regional solutions.

Business Overview

The Company develops and/or licenses a portfolio of consumer products with global appeal in the housewares, health, beauty and fitness sectors. It leverages its historical expertise in television marketing to create a multi-channel sales strategy that consists primarily of global wholesaling, DRTV and internet sales.

The Company maintains access to over 10,000 retail stores in a number of countries and 260 websites. Wholesale revenue to traditional retailers and other direct marketers comprised 65% of total sales in 2016 with the remaining 35% coming from the Company’s own direct to consumer sales platforms.

Founded in 1990, the Company’s ownership and management team have changed over the years. In 2014 and 2015, the Company experienced a decline in business and financial difficulty resulting from a number of factors including a general decline in the effectiveness of DRTV, a slow transition to



indirect revenue sources and web based sales, being locked into unprofitable media contracts and an over-reliance on star products with short life cycles.

In 2016, current management purchased majority ownership of the Company and has done an excellent job exiting bad contracts and transitioning away from an over reliance on DRTV and star products. The Company is growing rapidly and has more than sufficient cash flow, even during its troubled period, to service the desired debt facility.

Financial Highlights

\$'000,000s	Actual FYE Mar 2012	Actual FYE Mar 2013	Actual FYE Mar 2014	Actual FYE Mar 2015	Actual FYE Dec 2016	Projected FYE Dec 2017	Projected FYE Dec 2018	Projected FYE Dec 2019
Revenue	316.8	317.4	256.9	202.0	135.6	159.8	183.8	211.4
EBITDA	40.3	41.0	15.5	5.2	7.1	9.5	12.3	16.4

The Company has an approximate \$50 million term loan from financial institutions that are also minority shareholders. The term loan would expect to be subordinated to the new senior lender.

Working Capital Assets and Current Operating Facilities

The Company has three general categories of working capital assets:

- Wholesale accounts receivable are due from traditional retail customers around the world and from other direct to consumer companies operating in countries not serviced by the Company. The wholesale accounts receivables are credit insured and are typically due on terms of 60 to 90 days.
- Consumer accounts receivable arise from DRTV commercial and website sales and are typically paid in three or four monthly instalments. Instalment payments are processed through the consumers' credit card that is submitted at the time of sale. Bad debt rates on consumer receivables have been very low, averaging 0.75% - 2.29% globally, peaking at 7.36% in the UK in 2016, which was an anomaly due to a problem with the credit card processor that has now been fixed and bad debts have returned to normal levels.
- Inventory is comprised of the various consumer products in each category and is located in leased warehouse facilities in North America, the UK, Scandinavia, the Netherlands, Australia and Mexico.

A mix of Canadian banks and local regional lenders provide the Company's current working capital funds.

Wholesale accounts receivable in the US, Canada and the UK are margined at 90% and inventory is generally margined at 50%. However, there is an effective ceiling on total borrowings of approximately \$6 million, which is insufficient working capital to support a business with \$135 million of revenue. In addition, wholesale receivables and inventory in certain jurisdictions and all of the consumer receivables are not margined at all.

The Company's current debt facilities provide margining on working capital assets as outlined below:

Margining Provided by Current Working Capital Facilities

Division	Wholesale A/R Margin %	Consumer A/R Margin %	Inventory Margin %	Wholesale A/R 2017 Peak \$	Consumer A/R 2017 Peak \$	Inventory 2017 Peak \$
Global Wholesale	90%	0%	50%	3,419,000	0	1,000,000
Canada	90%	0%	50%	1,561,000	171,000	1,376,000
USA	90%	0%	50%	328,000	366,000	343,000
UK	90%	0%	75%	5,209,000	1,717,000	5,041,000
Scandinavia	0%	0%	0%	227,000	469,000	1,070,000
Mexico	0%	0%	0%	1,466,000	374,000	2,506,000
Australia	60%	0%	0%	864,000	1,208,000	1,771,000
Total				13,074,000	4,305,000	13,107,000

The Company is seeking a senior lender or combination of lenders to expand its borrowing base to include all wholesale receivables, inventory and consumer receivables.

Process

Interested parties should contact the undersigned. At Sinclair Range's discretion, a non-disclosure agreement will be sent to you for execution (the "NDA"). Following receipt of the executed NDA, Sinclair Range and the Company will be available for discussion and due diligence disclosure. This communication is not, and under no circumstances is to be construed as, an offering or solicitation by our client or Sinclair Range.

Please direct enquiries to:

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