R. L. Hulett

Project NORTHSTAR – IT Data, AI and Consulting Services Business

Teaser

Investment Considerations

Our client is a Northeast-based IT data, AI and consulting services business that specializes in assisting other businesses by implementing digital technologies ranging from cloud computing and data analytics to artificial intelligence and machine learning. R.L. Hulett has been retained as exclusive financial advisor to explore strategic alternatives for the business, including a potential sale. Ownership is seeking a buyer who recognizes the value of the business and who is interested in continuing to build on the platform developed over many years.

Key Investment Highlights

Re-occurring Revenue Model: The Company benefits from high rates of re-occurring business, strong visibility into future revenue, and low levels of client attrition.

Five-star Client Roster: Includes some large and well-established entities including health care providers and digital entities, higher education, automotive and governmental institutions.

Proprietary Software Products: The Company has developed a Multi-Cloud Management product and a healthcare Claims Scoring product. Management believes there is a significant opportunity to monetize these products as well as to continue to develop additional software platforms for both its existing client base and targeted clients.

(In thousands $'s)	Years ended December 31,				TTM	Run Rate*	Years ended December 31,	
	2019A	2020A	2021A	2022A	July 2023	Aug. 2023	2024F	2025F
Revenue	$ 6,692	$ 18,243	$ 14,378	$ 14,651	$ 9,838	$ 12,653	$ 14,150	$ 16,672
Revenue Growth		*172.6%*	*-21.2%*	*1.9%*	*-32.8%*	*28.6%*	*59.9%*	*17.8%*
Cost of Goods Sold	4,443	12,175	10,276	10,904	7,165	8,893	9,746	11,265
Gross profit	2,250	6,068	4,102	3,747	2,673	3,761	4,404	5,407
Gross Profit Margin	*33.6%*	*33.3%*	*28.5%*	*25.6%*	*27.2%*	*29.7%*	*31.1%*	*32.4%*
SG&A Expenses	1,206	1,236	2,187	2,501	1,210	1,785	2,045	2,250
Operating Profit	1,044	4,832	1,915	1,245	1,463	1,975	2,359	3,157
Operating Profit Margin	*23.5%*	*39.7%*	*18.6%*	*11.4%*	*20.4%*	*22.2%*	*24.2%*	*28.0%*
Other Income (Expense)	(118)	(177)	(53)	795	178	178	(750)	(985)
Pre-Tax Earnings	**926**	**4,655**	**1,863**	**2,040**	**1,641**	**2,153**	**1,609**	**2,172**
Add back:								
Interest (Income) Expense	109	168	(4)	(0)	(0)	(0)	(0)	(0)
Income Tax							605	817
Depreciation & Amortization	9	9	6	15	25	25	145	169
EBITDA, as adjusted	**$ 1,044**	**$ 4,832**	**$ 1,865**	**$ 2,055**	**$ 1,666**	**$ 2,178**	**$ 2,359**	**$ 3,157**
EBITDA Margin	*15.6%*	*26.5%*	*13.0%*	*14.0%*	*16.9%*	*17.2%*	*16.7%*	*18.9%*

* The Company closed on an acquisition in September 2023. The run rate contemplates a full year of integrated financial data.

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Key Investment Highlights

Strong Sales Pipeline: NORTHSTAR's revenue model is aligned closely with its clients' success and growth. As its clients grow and increase their revenues and scope and operations, NORTHSTAR directly benefits. NORTHSTAR also has a significant sales pipeline with new customers in defense, health care and other industries.
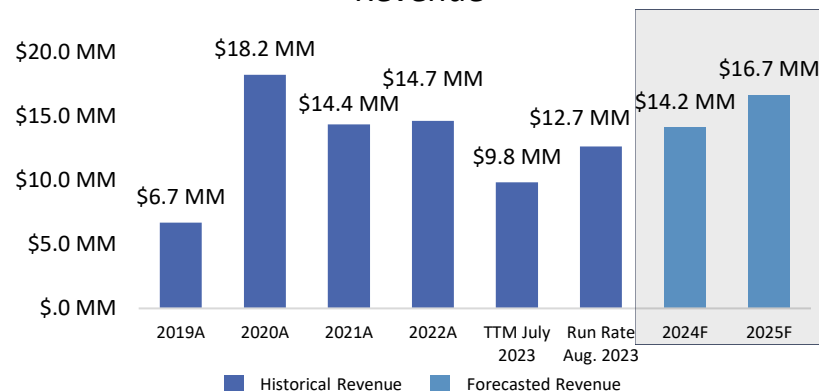
Strong, Experienced Management Team: The Company's CEO and founder is an established technology industry executive, and along with the senior management team, has overseen the deployment and successful completion of numerous initiatives over the past 10 years that have helped create a leading technology services firm.

Unique Service Model: The Company utilizes a unique combination of proprietary software, workflow and analytics complemented by a "blended shore" highly skilled workforce to deliver custom tailored solutions for clients.

Attractive Industry Fundamentals: The Company is well-positioned to continue to take market share from smaller competitors who cannot make the necessary investments to compete in a highly fragmented and competitive environment. According to a report by GlobalNewswire, the global digital transformation market is expected to grow from $469.8 billion in 2020 to $1.1 trillion by 2025 (CAGR 16.5%). Additionally, the company is positioned to benefit from the growth of the Generative AI industry which is currently valued at $13.7B and is expected to increase to $165.0B (CAGR 34.6%) by 2032.

First-mover Advantage: The Company has established itself as a first-mover in the Generative AI (GAI) Industry. The Company has begun executing client projects related to GAI and has recently launched its GAI Center of Excellence.

Revenue

Period	Value
2019A	$6.7 MM
2020A	$18.2 MM
2021A	$14.4 MM
2022A	$14.7 MM
TTM July 2023	$9.8 MM
Run Rate Aug. 2023	$12.7 MM
2024F	$14.2 MM
2025F	$16.7 MM

Historical Revenue / Forecasted Revenue

EBITDA & Gross Profit Margin

Period	Value
2019A	$1.0 MM
2020A	$4.8 MM
2021A	$1.9 MM
2022A	$2.1 MM
TTM July 2023	$1.7 MM
Run Rate Aug. 2023	$2.2 MM
2024F	$2.4 MM
2025F	$3.2 MM

Historical EBITDA, as adjusted / Forecasted EBITDA, as adjusted / Gross Profit Margin

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