

Understanding This Report

This memorandum provides a preliminary underwriting view of Acme Manufacturing for IC review, calibrated to U.S. capital markets.

Recommendation

Pursue

PRELIMINARY DILIGENCE ONLY

This report summarizes early-stage underwriting signals based on company-provided and third-party information. Facts and claims (including management background, pipeline, and financials) are unverified and subject to confirmatory diligence. This is not investment advice, a commitment to invest, or an offer to sell securities.

Executive Summary

The Capital Maturity Spectrum is Y Capital's proprietary 0-100 scale for assessing the overall health and maturity of a company through the lens of the capital markets. It reflects where a company currently sits along the path from early ideation to exit readiness. Each stage along the spectrum corresponds to a distinct category of investor; this Analysis Report is written through the lens of the applicable category.

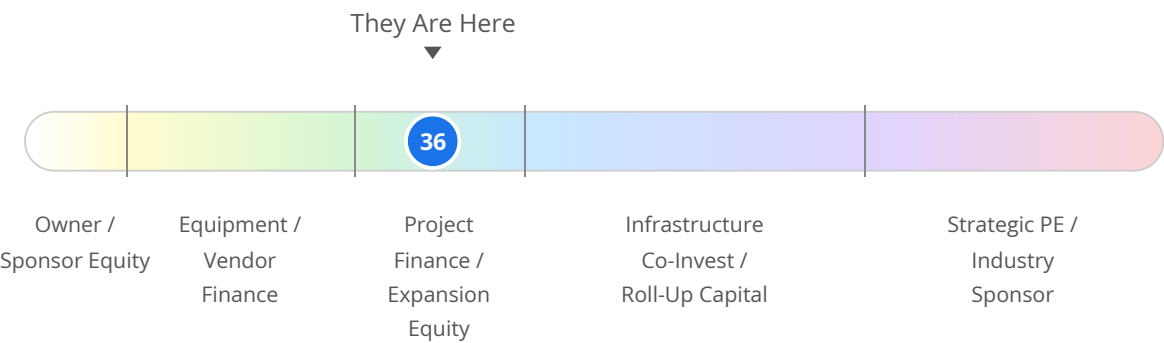
Recommendation: Pursue

Structure: Structured equity + asset-backed revolver (\$1.0M). Use of proceeds: working capital; capacity (CapEx/equipment); GTM & hiring. Follow-on contingent on: Turns $\geq 5\times$ (two consecutive quarters) and Availability $\geq 92\%$ (unplanned downtime $\leq 3\%$).

Acme Manufacturing presents as a profitable, niche industrial tooling platform with roughly \$9.8M TTM revenue, strong 40% gross margin, and 20% EBITDA margin. On Y Capital's Capital Maturity Spectrum this maps to the Project Finance / Expansion Equity stage with a funding_score of 36, supported by positive operating cash flow and solid revenue per FTE but tempered by modest growth and mid-range availability and inventory turnover.

The company's right to win is grounded in a defensible broaching niche, exclusive European import relationships, and established distribution, which together create durable demand and pricing power. Capacity utilization near 83% and throughput of 500 jobs per month on 600-job capacity indicate room to grow with targeted CapEx and working capital, while the Newco brand offers a credible path to step-change scale if GTM execution accelerates.

Key gating items for institutional Project Finance / Expansion Equity investors will be deeper visibility into backlog, customer retention, and concentration, as well as a clearer CapEx-to-throughput ROI map for the proposed \$1.0M raise. Given the business is profitable with minimal debt in the United States, we expect strong appetite for a blended structured equity plus asset-backed facility, provided diligence confirms inventory discipline, margin durability by brand, and resilience of the distribution-led demand engine.



Capital Maturity Score: 36 / 100 - Project Finance / Expansion Equity

Strong: Gross Margin, Operating Cash Flow, Revenue per FTE • **Caution:** Revenue (TTM), Availability Rate, Throughput

In the next section, we'll break down the underlying drivers of their score, explore areas of strength, and identify where further progress could improve their positioning.

Scorecard

This summary highlights Acme Manufacturing's most relevant performance metrics based on their stage and business type. Each row includes a quick-read signal and notes for consideration.

Status colors reflect the US market; non-US companies must take this into consideration.

Metric	Value	Status	Investor Lens
Revenue (TTM)	\$9,816,595	●	If pursuing, validate revenue trajectory and seasonality; scaling investors prefer visibility above \$10M with backlog support.
Gross Margin	40%	●	We underwrite to $\geq 40\%$ gross margin at this stage; confirms efficient economics for asset-backed and structured equity capital.
Operating Cash Flow	\$1,200,000	●	Condition term sheet on sustaining positive operating cash flow; supports layering of modest revolver or equipment finance.
Revenue per FTE	\$280,474	●	We underwrite to $> \$200K$ per FTE at this stage; current productivity supports incremental hiring and capacity expansion.
Availability Rate	90%	●	If pursuing, validate downtime drivers; improving to $\geq 92\%$ would support larger asset-backed facilities and tighter covenants.
Throughput	500 jobs/month	●	Pre-term sheet, verify multi-line throughput stability; move toward documented multi-line efficiency to classify as Strong.
EBITDA	20%	●	We underwrite to $\geq 15\%$ EBITDA margin; supports growth capital and structured credit if trendline remains stable.
Inventory Turnover	4	●	If pursuing, validate inventory aging and obsolescence; improving to $\geq 5x$ would justify higher advance rates on a revolver.
Capital Expenses (CapEx)	\$500,000	●	Condition close on CapEx-to-throughput ROI analysis; current level appears efficient relative to revenue and capacity expansion.

Status Legend:

Strong (Green)

Caution (Yellow)

Weak (Red)

Period conventions: Financial = **TTM**; Reliability (Availability) = **last 90-day average**; Throughput/Utilization = **monthly average (last 3 months)**.

Underwriting Analysis

Company & Business Model

Acme Manufacturing is a vertically integrated tooling platform serving the metal fabrication industry through a portfolio of six brands. Approximately half of revenue is driven by U.S.-based manufacturing and the remainder by exclusive import partnerships with high-quality European producers. Core offerings include broaching tools, both standard and CNC-compatible, as well as complementary high-performance cutting tools. Acme sells through industrial distributors and is supported by a small direct team and twelve independent manufacturer's reps.

Buyers pay for quality, reliability, and specialized capabilities in broaching applications. Acme is the sole North American producer of standard industrial keyway broaches and one of two main suppliers of CNC-compatible broaching tools. Its integrated offering, including live tooling, provides meaningful switching friction and wallet expansion opportunities. The company's niche position and brand strength support premium pricing and distributor pull-through, especially for its Newco line, which has significant latent upside in the U.S. market.

- **Product or service:** Broaching tools (standard, CNC, live tooling) plus high-performance commodity tooling imported from Europe
- **Buyer and budget owner:** Plant purchasing managers and tooling engineers; budgeted under tooling or production consumables
- **Monetization and pricing:** Transactional sales through distributors; ASP varies by SKU and complexity; no recurring revenue model
- **Contracts and renewal:** Typical end-customer contracts are transactional; 12-month exclusive supplier agreements in place with European partners
- **Route to market:** Primarily distributor sales; supported by independent reps and direct relationships with end users
- **Installed base and mix:** 50% manufactured, 50% imported; mix supports high-margin domestic production and volume from imports
- **Dependencies and concentrations:** #1 customer ~22% of revenue; exclusive import agreements present supplier concentration risk

Underwriting take: Model supports durable GM/EBITDA; execution risk concentrated in throughput efficiency and import scaling.

Market Snapshot

Utilization steady in high-80s throughput at ~83% of rated capacity inventory turnover at 4x with some excess holding.

TAM/SAM: TAM not quantified; SAM not quantified; growth drivers include reshoring of tooling production and increased demand for CNC-compatible broaching tools.

Competitor/channel map not provided; IC would require a validated list.

Primary routes to market not provided; pre-term sheet, verify direct versus channel mix and economics.

Differentiation: Sole North American producer of keyway broaches; one of two suppliers for CNC-compatible broaching tools; embedded via exclusive import rights and product breadth.

Feed from today's assets: cycle indicators align to our threshold registry (availability, turns, backlog coverage); see Appendix B for definitions.

Unit Economics & Operations

GM drivers: Gross Margin is 40%, supported by a mix of domestic production and high-quality European imports. Cost stack includes materials, skilled labor, and logistics for imported SKUs. Margin uplift is driven by proprietary broaching SKUs and premium CNC-compatible lines. Pre-term sheet, we will validate SKU-level margin contribution and import pricing stability.

Capacity and uptime: Current throughput is 500 jobs/month against a capacity of 600, indicating an 83% utilization rate. Availability Rate is 90%, below the 92% benchmark for high-performing operators. Downtime sources are not detailed; we will require a breakdown of planned vs unplanned downtime to assess credit layering potential.

Working-capital rhythm: Inventory Turnover stands at 4x, in the caution zone for manufacturing. This suggests moderate excess holding, which may constrain borrowing base efficiency. Pre-term sheet, we will request inventory aging reports and reconciliation to throughput pacing.

Tranche-2 unlock KPIs: Inventory Turnover $\geq 5x$ for two consecutive quarters; Availability Rate $\geq 92\%$ with unplanned downtime $\leq 3\%$.

Capital release gates: Inventory Turnover $\geq 5x$ for two consecutive quarters; Availability Rate $\geq 92\%$ with unplanned downtime $\leq 3\%$.

Capital gating: any incremental capital release, subsequent close, or facility step-up will be conditioned on Inventory Turnover $\geq 5x$ and Availability Rate $\geq 92\%$ with unplanned downtime $\leq 3\%$ measured over two consecutive quarters.

Underwriting take: Turns and availability are the swing metrics; tranche release and covenant intensity should align to these gates.

Financial Summary (TTM + NTM/24M)

TTM: Revenue \$9,816,595; GM 40%; EBITDA 20%; OCF \$1,200,000.

{# annual % -> monthly decimal #}

Pro forma after financing (at close): cash \approx \$1,075,000; runway \approx 26.9 months.

Cash bridge (TTM): OCF +\$1,200,000; CapEx (TTM) -\$500,000; working capital not disclosed; debt service or owner distributions not disclosed. Ending cash \$75,000 (runway \approx 1.9 months).

We underwrite to improvements in availability and inventory efficiency over the next 12–24 months, supported by stable CapEx and positive operating cash flow. Capacity exists to grow throughput by 20%; backlog conversion and Newco brand momentum are key upside drivers.

Scenario band (12–24m): Downside, flat to +3% revenue; inventory bloat & throughput plateau; Availability Rate $< 92\%$; Base, +8–12% revenue; stable margin; Inventory Turnover $\geq 5x$ by Q4; throughput to 600 jobs/month; Upside, +18–22% revenue; Newco brand lift; Availability Rate $\geq 92\%$.

Guardrails and gating: We will monitor Inventory Turnover and Availability Rate as gating metrics for capital release and covenant structure. Inventory Turnover $\geq 5x$ and Availability Rate $\geq 92\%$ are required to support revolver advance rates or mezzanine layering.

Underwriting take: Base case stays inside guardrails; downside contained by stable cash flow; upside requires availability and inventory lift.

Diligence Priorities and Management Actions

These are near-term priorities that de-risk underwriting and enable better terms:

1. Validate revenue mix and growth by brand, especially Newco, tying distribution sell through to factory throughput and margin contribution.
2. Obtain detailed backlog, reorder cadence, and Customer Retention metrics by segment; reconcile with customer count decline and top customer exposure.
3. Bridge gross margin and EBITDA margin by product family and channel; confirm sustainability under increased capacity utilization and import mix shifts.
4. Stress test inventory turnover and Availability Rate against higher volume scenarios; link required CapEx to specific throughput and scrap reduction gains.
5. Confirm AR/AP terms, working capital seasonality, and covenant headroom to size an asset backed revolver alongside structured equity.
6. Set a 12–24 month use of proceeds plan focused on GTM & hiring, capacity (CapEx/equipment), and working capital with KPI gates for margin, availability, and inventory turns.

Capital Strategy and Deal Design

Based on Acme Manufacturing's scale and maturity, here's our perspective on structure, timing, and optionality:

- Structured equity: fund GTM & hiring plus incremental CapEx while preserving flexibility on future recap options. We would target governance rights, monthly KPI reporting, and explicit use of proceeds tracking tied to throughput, margin, and Newco brand ramp.
- Asset backed revolver: align working capital to inventory and receivables cadence, reducing equity dilution. Facility sizing should follow verified inventory turnover, customer diversification, and availability metrics, with borrowing base reporting and minimum EBITDA covenants.
- Equipment finance or term loan: support specific machine upgrades or line expansions that lift capacity utilization and reduce downtime. Debt service should be sized to operating cash flow, with covenants referencing Availability Rate and documented CapEx to throughput ROI.
- Convertible structured note: as an alternative, bridge capital while Newco growth and broader GTM efficiency are proven. Conversion mechanics could step down the cap upon achieving defined revenue, EBITDA, and inventory turnover thresholds.
- Minority Project Finance / Expansion Equity round: position institutional industrial investors to back the platform's niche leadership and import portfolio. Terms should reflect current profitability but incorporate protections around customer concentration, brand mix, and execution of the Newco growth thesis.

Conclusion and Next Steps

We recommend Pursue, anchored in strong margins, positive operating cash flow, and a defensible broaching niche that fits Project Finance / Expansion Equity mandates. Immediate IC gates include validating revenue quality and growth by brand, backlog and Customer Retention dynamics, and the linkage between proposed CapEx and incremental throughput, availability, and inventory turnover.

Over the next 4–8 weeks we would run focused financial, operational, and customer diligence, including SKU and channel profitability, working capital behavior, and capacity modeling, alongside legal review of key supplier and distribution contracts. Advancement to term sheet would be triggered by confirmation of normalized EBITDA margins near current levels under higher utilization, clear evidence that Newco can scale through existing channels, and a credible 12–24 month plan for deploying structured equity and asset backed credit against defined KPI gates.

Appendix A: Inputs and Sources

Key inputs provided by the submitter and how they were interpreted for this analysis.

Period conventions: Financial = **TTM**; Reliability (Availability) = **last 90-day average**; Throughput/Utilization = **monthly average (last 3 months)**.

Input	Source	Value / Notes
Submitter & Context		
Company	Company submission	Acme Manufacturing
Website	Company submission	████████
Contact Email	Company submission	████████████████
Submission Type	Company submission	Feedback Only
Submission Made	System timestamp	July 31, 2025 at 6:08 PM UTC
Fundraising Status	Company submission	Raising Now
Amount Seeking	Company submission	\$1,000,000
Use of Funds	Company submission	Growth / GTM, Product Development, Hiring / Team Expansion, CapEx / Equipment, Working Capital, Debt Repayment
Strategic Timing Notes	Company submission	The company has strong brands and distribution. Our brands are very well known and synonymous with quality and reliability. Our newest brand, Newco is a newcomer to USA but an established 105 year old Spanish carbide manufacturer with a loyal following in Europe. We've been the exclusive USA importer for the past 4 years and although very slow out of the gate, sales are coming along and have the capacity to dwarf the rest of the company's revenue. I've organized the company to be a great platform for growth either as a stand alone or part of a larger industrial supplier.
Company Profile		
Country	Company profile	United States
Business Model	Company profile	Product-Based
Company Maturity	Company profile	Growth Stage

Input	Source	Value / Notes
Revenue Mix	Company submission	50% manufactured, 50% import/wholesale. Very little business or market concentration with #1 customer only representing about 22% of sales.
Quarterly Revenue Trend	Company submission	Fairly steady throughout the year with July and August being typically softer months due to manufacturer's vacation schedules etc.
Financial & Operating Inputs		
Revenue (TTM)	Company submission	\$9,816,595
Revenue (LFY)	Company submission	\$9,906,479
Revenue (PFY)	Company submission	\$9,449,341
Revenue Growth (YoY)	Company submission	5%
Customer Growth (YoY)	Company submission	-4%
Gross Margin	Company submission	40%
Cash	Company submission	\$75,000
Operating Cash Flow	Company submission	\$1,200,000
EBITDA (TTM)	Company submission	20%
OpEx (TTM)	Company submission	\$1,963,319
CapEx (TTM)	Company submission	\$500,000
Monthly Burn Rate	Company submission	\$40,000
Capital Raised	Company submission	\$0
Debt Outstanding	Company submission	\$40,000
Customers (Current)	Company submission	518
Customers (12 Months Ago)	Company submission	537

Input	Source	Value / Notes
Contract Length	Company submission	12.0 months
Sales & Marketing Spend (TTM)	Company submission	\$165,000
Full-time Equivalents (FTEs)	Company submission	35
Runway	Company submission	1.9 months
Inventory Turnover	Company submission	4 turns
Revenue per FTE	Company submission	\$280,474
Availability Rate	Company submission	90%
Capacity Utilization	Company submission	83%
Throughput	Company submission	500 jobs/month
Throughput Capacity	Company submission	600
Scorecard Items Referenced		
Revenue (TTM)	Company submission; classified using sector thresholds	\$9,816,595: Caution (Yellow)
Gross Margin	Company submission; classified using sector thresholds	40%: Strong (Green)
Operating Cash Flow	Company submission; classified using sector thresholds	\$1,200,000: Strong (Green)
Revenue per FTE	Company submission; classified using sector thresholds	\$280,474: Strong (Green)
Availability Rate	Company submission; classified using sector thresholds	90%: Caution (Yellow)

Input	Source	Value / Notes
Throughput	Company submission; classified using sector thresholds	500 jobs/month: Caution (Yellow)
EBITDA	Company submission; classified using sector thresholds	20%: Strong (Green)
Inventory Turnover	Company submission; classified using sector thresholds	4: Caution (Yellow)
Capital Expenses (CapEx)	Company submission; classified using sector thresholds	\$500,000: Strong (Green)

Appendix B: Benchmarks and Definitions

One-line definitions and benchmark notes for metrics referenced in this report.

- **Revenue (TTM):** Trailing twelve months recognized revenue; status per sector thresholds for the Manufacturing sector.
- **Gross Margin:** Gross profit ÷ revenue; status per sector thresholds for the Manufacturing sector.
- **Operating Cash Flow:** Cash from operations; supports non-dilutive structuring when positive and consistent.
- **Revenue per FTE:** TTM revenue ÷ full-time equivalents; gauges labor efficiency for scale and leverage.
- **Availability Rate:** Uptime as a percent of scheduled time; links directly to throughput stability.
- **Throughput:** Completed units per period; interpret with units label when provided.
- **EBITDA:** Earnings before interest, taxes, depreciation, amortization; proxy for operating cash generation.
- **Inventory Turnover:** Cost of goods sold ÷ average inventory; reflects working capital cadence.
- **Capital Expenses (CapEx):** Defined per sector benchmark library for the Manufacturing sector; status reflects inclusive ranges.
- **Status thresholds:** “Strong, Caution, Weak” are applied from sector thresholds for the Manufacturing sector; all ranges are inclusive.
- **Non-U.S. note:** Efficiency benchmarks are U.S.-calibrated; interpret wage- and cost-sensitive metrics in local context.