

# **Project Chalk** Management Presentation January 2021



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# **Executive Summary**





#### Overview

- Established in 1999, Advanced Classroom Technology (ACT) is a supplier, distributor, and installation service provider of high-tech integrated classroom technology products including interactive displays, overhead projectors, tablets, whiteboards, and other audio/visual solutions to schools.
- Headquartered in Arlington (WA), ACT serves over 20 million students in over 10,000 schools.
  - ACT has a 12,000 square feet facility in Arlington consisting of the main office and a warehouse, and a 3,000 square feet facility based in Ontario (CA), from where it services the California market.
- Prominent partners include Promethean, Boxlight, EPSON, BenQ, Smart Technologies, Belkin, and so on.
- ACT is the only major technology reseller that provides leading manufacturer technology sales as well as installation and support services in the markets they service.
- ACT is registered multiple purchasing contract administrations such as California Multiple Award Schedules, Digital Edge Purchasing Contract, KCDA Purchasing Cooperative, and OETC Purchasing Contract.

# **Competitive Advantages & Opportunity Summary**





### **Key Differentiators**



ACT is the only major company in the Northwest that both sells and installs, giving it a massive competitive advantage to act as a one-stop-shop for general contractors and school districts.



ACT has started inventorying key items with **better** shipping and better pricing, allowing the Company to react quicker than other players in the market.

### **Acquisition Opportunity Highlights**



**Established Player in a Market** with Strong Barriers to Entry



Strong Relationship with **Customers and Partners** 



**Geographic Diversity** 



**Expanding Player in a Growth** 

## **Products and Services (1/2)**





**Solutions** 



#### **Interactive Technology Solutions**

Provides a range of high-quality interactive displays from several manufacturers such as Promethean, Boxlight, Smart, and Newline Interactive.



#### Classroom Audio & Video Solutions

Specializes in providing classroom audio and video systems.



#### **Safety And Security Solutions**

Integrates surveillance and locking mechanisms that help deter campus violence and secure school facilities.



#### **Software Solutions**

Engages in technology implementation of collaborative classroom learning solutions.

- ACT has Registered Pricing for most of the products it sells, giving it a pricing advantage over its competitors
- The Company also performs installation services for most of the products sold, and uses sub-contractors as needed



#### **STEM & STEAM Solutions**

Offers inquiry-based learning tools for STEM & STEAM.



#### The Padcaster

Provides a distance virtual learning tool that allows video pre-recording, live lecture stream, integration with streaming platforms, and arranging student & parent meetings.



#### The Lü Interactive Playground

Allows for innovative gamification of physical education to engage children.

# **Products and Services (2/2)**





Services



#### **Technology Sales & Support**

- ACT helps in designing and implementing classroom technology solutions using a multitude of products from partner brands
- The Company also provides supplementary services such as in-house customer support, product demonstrations, certified installations, and professional development trainings



#### **Certified White Glove Installation**

ACT provides schools with professional installation services through a team of qualified installers to assist with interactive whiteboard, projector, audio system, low voltage cabling, and many other classroom installation needs



#### **Professional Development**

- The ACT team includes a Professional Development department dedicated to tailoring programs specific to each learning district, school, and teachers' needs
- The department arranges for group instructional seminars as well as individual training programs, and also helps in customizing online learning modules as per the customers' needs

### **Notable Projects**





**Client:** Lake Washington School District

City, State: Redmond, WA **Project List & Description:** 

- 1700 Classroom Smart Interactive Flat Panel Integration. OETC Contract (2018-Current)
- 1700 Classroom Interactive Projector Refresh Project (2012)
- 1700 Classroom Audio System Installation (2007-2017)
- 1700 Classroom Promethean ActivBoard & Interactive Projector Integration, Digital Edge Contract (2007-2008)

**Client:** Northshore School District

City, State: Bothell, WA **Project List & Description:** 

- 200 Classroom Boxlight and Promethean Interactive Flat Panel Installation, Digital Edge Contract (2018-2019)
- 1500 Classroom Audio System Installation. OETC Contract (2010)
- 1500 Classroom Interactive Projector refresh project. Digital Edge Contract (2009-2012)
- 1500 Classroom Promethean ActivBoard & Interactive Projector Integration. Digital Edge Contract (2006-2007)

Client: Lakewood School District

City, State: Marysville, WA **Project List & Description:** 

- New High School Digital Signage, Video Wall with electrical installation. KCDA Contract (2019)
- 250 Classroom Boxlight Interactive Flat Panel Integration, Installation included. Digital Edge Contract (2018-Current)
- 250 Classroom Audio Enhancement audio system integration (2017)
- District-wide Rukus wireless data installation. E-rate funded (2017)

**Client:** Marysville School District

City, State: Marysville, WA **Project List & Description:** 

- 600 Classroom Sharp Flat Panel display installation. KCDA Contract (2019)
- District-wide Rukus wireless data installation. E-rate funded (2015-2016)
- 600 Classroom Projector Installation

**Client:** Washoe County School District

City, State: Reno, NV

#### **Project List & Description:**

- 400 Classroom Promethean Interactive and Non-Interactive Flat Panel integration, height-adjustable mobile carts. Digital Edge Contract (2019)
- 3000 Classroom Promethean ActivBoard integration. Digital Edge Contract (2006-Current)



Client: Mukilteo School District

City, State: Everett, WA **Project List & Description:** 

- 900 Classroom Promethean Interactive Flat Panel Integration. Digital Edge Contract (2018-2019)
- 900 Classroom Promethean ActivBoard & Interactive Projector Integration. Digital Edge Contract (2009-2010)

### **Customers**





Top 10 customers account for a minimum of 70% of the total revenue

_	2016	2017	2018	2019	Nov-20	TOTAL
Lake Washington School District	\$186,576	\$134,908	\$3,123,555	\$2,476,245	\$2,232,223	\$8,153,507
Antelope Vally High School District	\$0	\$337,860	\$1,017,377	\$727,631	\$3,608,152	\$5,691,020
Washoe County School District	\$914,060	\$681,725	\$1,314,596	\$780,418	\$1,587,576	\$5,278,376
Mukilteo School District	\$324,509	\$460,877	\$2,385,802	\$1,694,796	\$275,704	\$5,141,688
Renton School District	\$339	\$0	\$0	\$708,418	\$2,678,780	\$3,387,537
Monroe School District	\$15,141	\$2,168,359	\$47,306	\$21,120	\$27,887	\$2,279,812
McKinstry	\$433,145	\$278,968	\$162,189	\$371,304	\$486,121	\$1,731,727
Federal Way Public Schools	\$51,967	\$8,487	\$698	\$1,019,452	\$460,485	\$1,541,089
National School District	\$0	\$0	\$128,600	\$1,050,392	\$100,185	\$1,279,177
Northshore School District	\$0	\$513,617	\$155,355	\$292,705	\$313,292	\$1,274,970
Oxnard School District	\$366,076	\$337,125	\$322,761	\$157,763	\$26,771	\$1,210,495

### **Partners**





ACT has aligned itself with some of the most innovative and influential education technology manufacturers and solution providers in the world

















































# **Partners – Purchases by Year, Last Three Years**





Purchases, by Vendor				
_	2018	2019	YTD Nov 2020	TOTAL
Promethean, Inc.	\$3,017,416	\$3,010,666	\$5,899,260	\$11,927,342
SMART Technologies Corporation	\$2,535,012	\$3,558,708	\$2,370,024	\$8,463,744
BoxLight	\$1,524,432	\$1,435,600	\$377,913	\$3,337,946
Audio Enhancement	\$563,867	\$572,744	\$474,457	\$1,611,068
Elan Corporate	\$239,058	\$287,727	\$268,268	\$795,054
TradeStar	\$119,961	\$309,736	\$345,025	\$774,722
ADI	\$222,862	\$306,942	\$180,517	\$710,320
Copernicus Educational Products	\$181,922	\$61,820	\$164,434	\$408,176
Airtame	\$349	\$192,321	\$87,781	\$280,451
Graphics Distribution, Inc.	\$67,324	\$146,037	\$23,258	\$236,618
SYNNEX Corporation	\$107,149	\$86,340	\$22,165	\$215,655

### **Business Model**













Offering	Revenue	Percent of Income		
Installation	20%	50%		
Product Sales	75%	50%		
Training / Professional Development	5%	-		

ACT is a part of several Purchasing Consortiums, giving it access to contracts from several school districts

# **Geographic Coverage and Facilities**







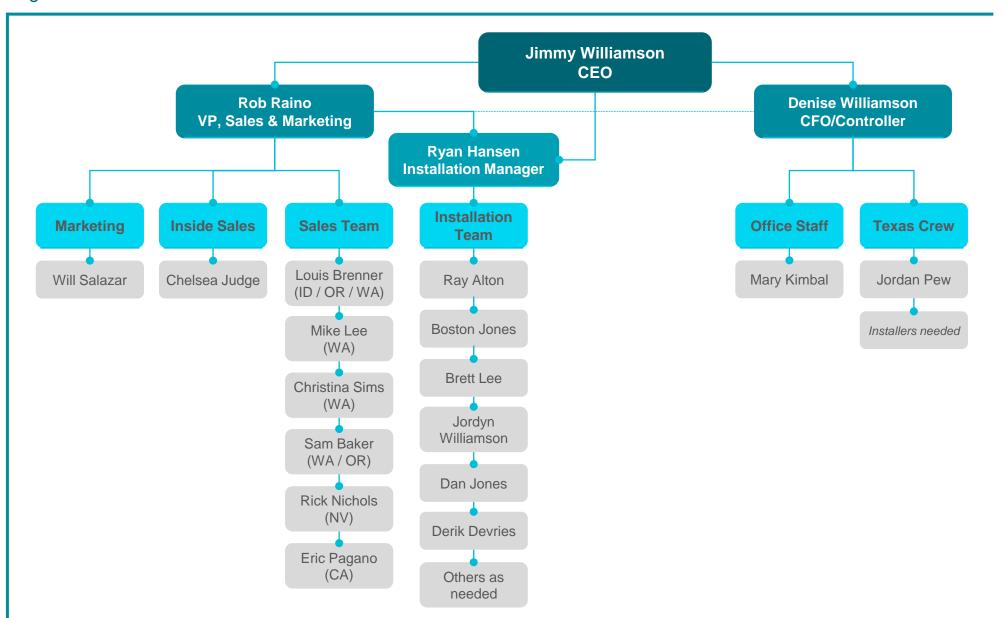
- ACT's office in Arlington (WA) is a 12,000 square feet facility consisting of the main office and a warehouse
  - The Company's new lease is on a month-to-month basis
- ACT also has a 3,000 square feet facility based in Ontario (CA), from where it services the California market
- 7 of the Company's employees work from its main office
- The remainder of the Company's employees are either regional sales representatives that work from home or installers who travel extensively
- The Company also maintains a small warehouse and storage facility in Reno, Nevada and uses when necessary

# **Management & Organization (1/3)**





Organizational chart



# **Management & Organization (2/3)**





The backbone of ACT is a team of passionate professionals



Jim Williamson CEO



Rob Raino VP, Sales & Marketing



Denise Williamson (unrelated to Jim) Director of Finance



William Salazar Director of Marketing



Chelsea Judge Inside Sales Manager



Ryan Hansen Installation Manager



Mike Lee
Regional Account Executive



Rick Nichols
Regional Account Executive



Mike Lee Regional Account Executive



Christina Sim
Regional Account Executive



Sam Baker Technology Consultant

# **Management & Organization (3/3)**





Key management biographies



**Rob Raino** VP, Sales & Marketing

- Rob has held multiple positions over his tenure of 20 years at ACT
- He started out his career with installation of products sold by ACT, next moving into the service department for a few years, and later holding the position of installation manager for several years
- In 2016, he transitioned into the sales department on customer demand and after 3 years as a sales representative, was promoted to be the first VP ACT has ever had. He is now the VP of sales and marketing since early 2020
- Despite a pandemic situation, Rob has delivered exceptional revenue and profit in his first year as the VP of the sales & marketing department



**Denise Williamson** CFO/Controller

- Denise has been with the company for 20+ years
- Initially involved in handling basic part time bookkeeping, she has now grown to handle all financial aspects from AR, AP, payroll, 401K, HR, medical insurance as well as bonding and licensing requirements
- She holds a degree in accounting and finance from Seattle University



Ryan Hansen Installation Manager

- Ryan has been associated with ACT for 15+ years
- Ryan has been in his current role for about 5 years
- He started out his career in the field. doing installations, later assisting Rob in managing installation projects

# **Sales and Marketing**

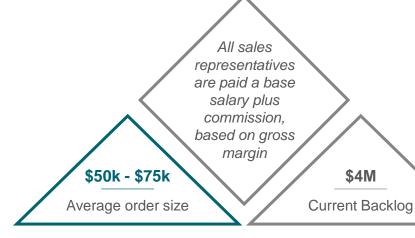






#### Sales

Sales Organization									
Rob Raino - Vice President, Sales & Marketing									
State Outside Sales Inside Sales Resource Resource									
Washington	3	1							
California	2	-							
Idaho	1	-							
Nevada	1	-							
Total	7	1							



### Marketing



**Executes marketing** campaigns in coordination with manufacturers



Attends major trade **shows** and has launched email campaigns



Started door-to-door promotions with select school districts



# **Growth Opportunities**





ACT has developed its distinctive value proposition in EdTech products. Management is now seeking an acquisition to enable the Company to achieve its growth potential by taking advantage of the following opportunities:



#### **Sales Team Expansion**

- ACT has effectively achieved business growth by leveraging its sales resources
- The Company has a history of success in addition of sales team members
- Target areas for future resource addition / expansion include: Bay Area (CA), Sacramento, Portland, Salt Lake City, Phoenix, and San Diego



#### **Targeted Acquisitions**

- The EdTech products and services market is fragmented
- ACT is aiming for easy value accretion through acquisitions – adding installation services and utilizing pricing advantages
- ACT has shortlisted a few acquisition targets, with whom the Company has engaged with through several discussions



### **Targeting Private Sector**

- Corporate clients present significant growth opportunities for the Company, which until now was focused exclusively on educational markets
- A new dedicated sales team will be a good support for this initiative
- ACT can also utilize the capabilities of the current installation team for servicing this market



#### **Product Line Expansion**

- The Company can expand its portfolio to include security products
- Additionally, complementary educational offerings such as online / remote learning products and software also provide substantial growth prospects for ACT

# **Acquisition Opportunity**

Key strategic acquisition considerations







#### **Established Player in a Market with Strong Barriers to Entry**

- ACT possesses necessary licenses required by contractors to perform installations - a prerequisite in each state
- The Company also holds the highest tier of pricing discounts with all manufacturers it represents
- ACT has established relationships with many major school districts, allowing it to operate outside of the bidding process



#### **Strong Relationship with Customers** and Partners

- ACT works directly with School Districts and General Contractors
  - 85% of revenue is contributed by existing schools
  - 15% of revenue is contributed by new construction
- The Company also operates as a vendor of choice for many school districts



### Appropriate Geographic Diversity

 A diversified customer base across the geographies served, reduces ACT's regional sales concentration and related risks

Sales Distribution	2019	6Mo 2020
Washington	50%	45%
California	25%	45%
Nevada	25%	10%



# **Expanding Player in a Growth Market**

- ACT has established itself as a leading player for EdTech products, and this growth is expected to continue as demand for innovative learning tools from schools and school districts continues to expand exponentially
- The Company accounts for an estimated 5% of market share in Washington and even less in the other markets it services

# **Growth Opportunities – Acquisition Candidates**





Management at ACT has kept a peer group whose owners have expressed a near-term desire for liquidity:

#### **Company A**

- HQ Texas
- Markets Texas & Oklahoma
- Revenue \$30m
- EBITDA \$2m

### **Company B**

- HQ Louisiana
- Markets Arkansas. Mississippi, Louisiana and Alabama
- Revenue \$21m
- EBITDA \$2.5m

### **Company C**

- HQ Kansas
- Markets 7 nearby states
- Revenue \$10m
- EBITDA \$1.1m

Proforma revenue: \$80m Proforma EBITDA: \$7.8m Before any cost savings or cross-selling







#### Steady growth coupled with attractive EBITDA margin

Advanced Classroom Technologies Income Statement						
	2018	2019	1	l1 mo 2020	2020 (P)	2021 (P)
Total Revenue	\$ 12,017,561	\$ 14,839,460	\$	15,379,645	\$ 15,551,754	\$ 17,106,929
Cost Of Sales						
Total - Cost Of Sales	9,466,912	11,029,211		11,689,895	11,477,194	12,624,914
Gross Profit	2 550 640	2 910 240		2 690 750	4 074 560	1 102 N1E
GIOSS PIOIIL	2,550,649	3,810,249 25.7%		3,689,750 24.0%	4,074,560 26.2%	4,482,015 26.2%
Operating Expense	21.2%	25.7%		24.0%	20.2%	20.2%
Total - Expense	1,772,357	2,172,121		1,872,170	2,237,285	2,349,149
Net Ordinary Income	\$ 778,293	\$ 1,638,128	\$	1,817,580	\$ 1,837,275	\$ 2,132,867
EBITDA						
Income	\$ 778,293	\$ 1,638,128	\$	1,817,580	\$ 1,837,275	\$ 2,132,867
Interest	34,020	14,560		13,154	4,595	4,595
Officer salary	148,216	128,908		107,420	107,423	107,423
Officer wife salary	65,000	65,000		48,750	65,000	65,000
Owner personal expenses	 92,000	92,000		94,447	92,000	92,000
TOTAL EBITDA	\$ 1,117,529	\$ 1,938,596	\$	2,081,351	\$ 2,106,293	\$ 2,401,885
	9.3%	13.1%		13.5%	13.5%	14.0%

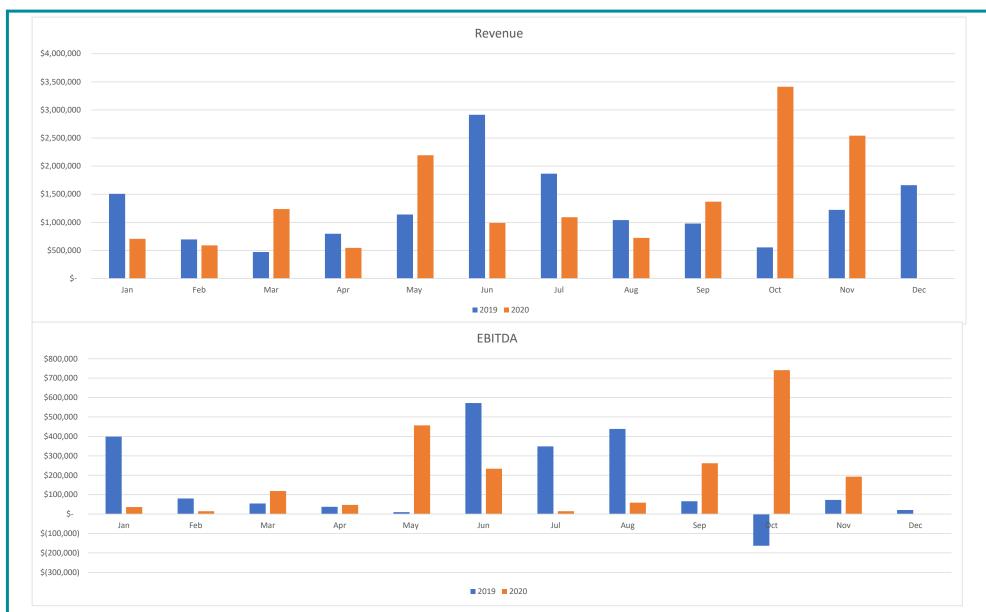
### Commentary

- The Company has recorded steady growth since 2018, which has been achieved by leveraging its sales resources
- The operating EBITDA margin has been consistently increasing, showcasing the effective management of resources and strong relationship with customers and partners
- Current backlog is sufficient to meet the 2020 Projection.





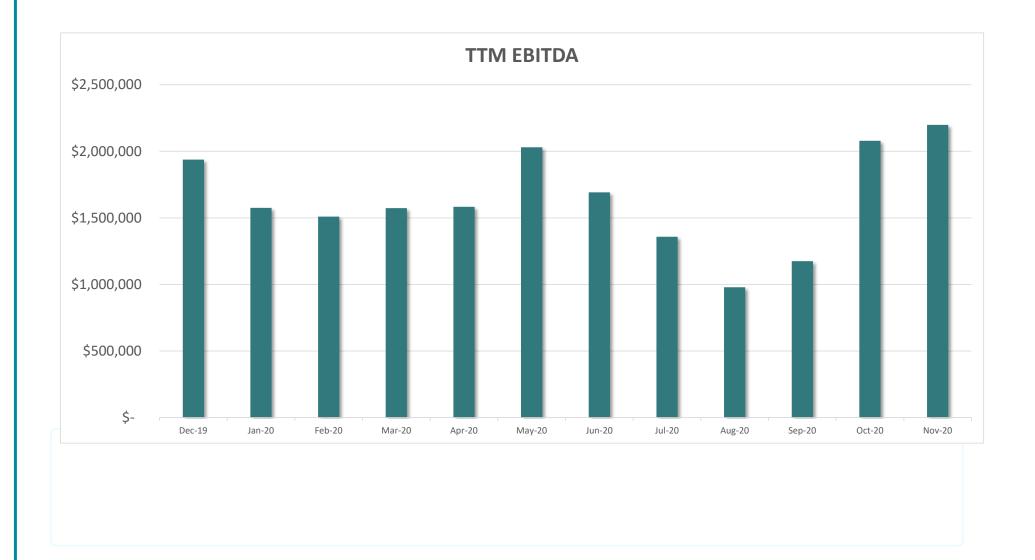
### Monthly Income Statement







TTM EBITDA







### **Current Open Sales Orders**

Date	Customer	Status	Open Amount
9/3/2020	Renton School District 403	Pending Billing/Partially Fulfilled	\$1,063,651
10/6/2020	Antelope Valley High School District	Partially Fulfilled	\$452,010
12/7/2020	Washoe County School District : Hug High School	Pending Fulfillment	\$298,110
12/22/2020	Antelope Valley High School District	Pending Fulfillment	\$266,210
12/18/2020	Antelope Valley High School District	Pending Billing/Partially Fulfilled	\$240,576
11/19/2020	Coalinga-Huron Unified School District	Pending Fulfillment	\$227,453
12/21/2020	Washoe County School District : O'Brien Middle School	Pending Fulfillment	\$208,677
12/7/2020	Washoe County School District : Swope Middle School	Pending Fulfillment	\$178,866
11/30/2020	Northshore School District 417 : Lockwood Elementary School	Pending Fulfillment	\$167,981
12/1/2020	Coalinga-Huron Unified School District	Pending Fulfillment	\$95,266
9/25/2020	Antelope Valley High School District	Pending Billing/Partially Fulfilled	\$84,151
10/28/2020	Antelope Valley High School District	Pending Billing	\$80,975
12/18/2020	Antelope Valley High School District	Pending Fulfillment	\$54,470
12/21/2020	Mountain Empire Unified School District	Pending Fulfillment	\$46,587
7/9/2020	Wallace School District : Silver Hills Elementary School	Pending Billing/Partially Fulfilled	\$42,968
9/17/2020	Washoe County School District : Mike Inskeep Elementary	Pending Billing	\$40,921
12/22/2020	Washoe County School District : Elizabeth Lenz Elem School	Pending Fulfillment	\$29,162
12/7/2020	Coalinga-Huron Unified School District	Pending Fulfillment	\$26,321
9/8/2020	Lake Washington School District 414 : STEM School	Pending Fulfillment	\$20,113
12/29/2020	Chowchilla Elementary School District	Pending Fulfillment	\$10,609
	Under \$10,000		\$68,052
TOTAL			\$3,703,127