



RDI Chemical Corporation

Confidential Investment Memorandum

BEACON
MERGERS & ACQUISITIONS

Table of Contents

Business Overview	4
Financial Performance	5 - 6
Revenue Breakdown	7
Location & Lease Term	8
Organizational Hierarchy	9
Investment Thesis	10
SWOT Analysis	11
Industry Overview	12
Competitor Analysis	13
Appendix: Financial Statements	15 - 19



Disclaimer

This Confidential Investment Memorandum (“CIM”) is intended to acquaint a prospective purchaser with preliminary information regarding Toronto Generators (“the Company”) whose business is currently available for acquisition, sale or merger. The format of the CIM is designed to reflect to a prospective purchaser the factors that create value within the Company.

The information presented in this document is highly sensitive and confidential and is for use only by those who have signed the NDA as deemed necessary by the Broker’s sole judgment for the purpose of considering the Company or its business described herein for acquisition. This CIM and the information presented shall be treated as Secret and Confidential and no part of it shall be disclosed to others, except as provided in the NDA. It is highly important to the Company and its current owners that all Confidential Information be held in the strictest of confidence.

The Company has supplied the information contained in this Document. The information has not been audited or otherwise confirmed by Beacon, and Beacon makes no representations, expressed or implied, as to its accuracy or completeness or the conclusions to be drawn and shall in no way be responsible for the content, accuracy, and truthfulness of such information. Any and all representations shall be made solely by the Company as set forth in a signed agreement or purchase contract, which agreement or contract shall control the representations and warranties, if any. By requesting this information package, the recipient acknowledges the responsibility to perform a due diligence review prior to any acquisition of in whole or in part and or merger or interest with or of the Company.

The marketing information presented in this CIM is the result of the Client’s or Management’s representations and research utilizing sources and materials considered to be reliable and to contain information deemed to be relevant to the Company but without any guarantees or specific statements or implied.



Business Overview

Company Summary

- Founded in 1983, RDI Chemical is a prominent player in the chemical manufacturing and distribution sector that's based in Mississauga, Ontario
- The company has a diverse product portfolio developed through its own R&D and asset acquisitions from companies such as Research Development Industries Limited, Research Development Manufacturing Limited, and Admiral Inc.

Product Offering

- RDI Chemical Corporation offers a diverse product mix that caters to various sectors.
- The company's primary focus is on water treatment solutions for HVAC and mechanical systems, which constitute 50-60% of their business.
- RDI's other offerings include janitorial products, wastewater treatment solutions, environmental cleaners, solvents, detergents, and healthcare-related chemicals

Client Base

- 95% of sales are direct to end users
- Company has diverse client base with top 10 customers account for 30% of revenue
- RDI serves a diversified industrial and institutional client base.
- Specialty chemical distributors rely on RDI for high-performance solutions

5-year Average Financial Metrics (2020-2024)

\$2,452,000
Revenue

\$500,000
Normalized EBITDA

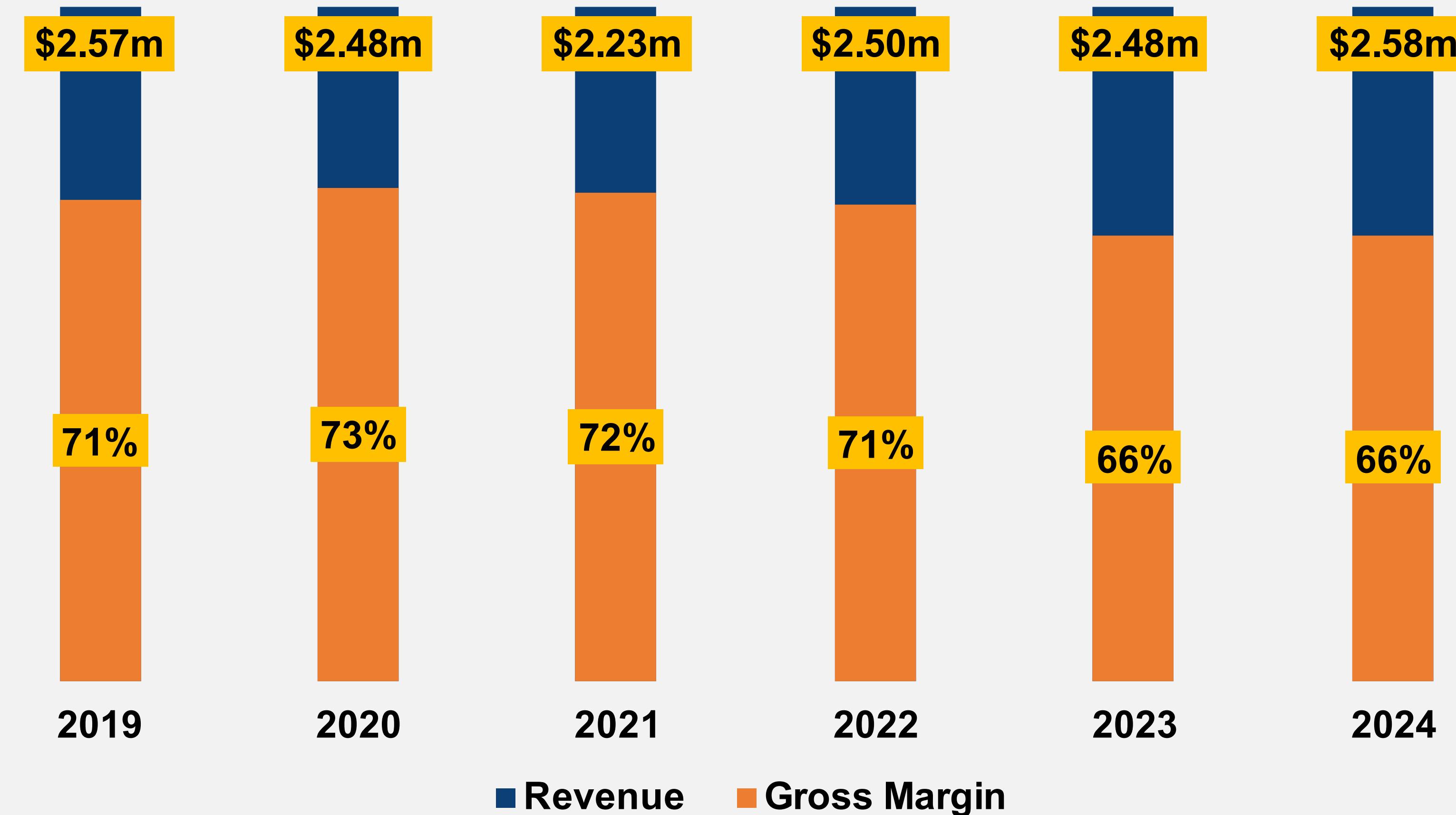
69.6%
Gross Profit

\$1,450,000
Asking price for a Share Transaction with a Normal W/C, on a
No-Cash, No-Debt Basis

*\$ in CAD

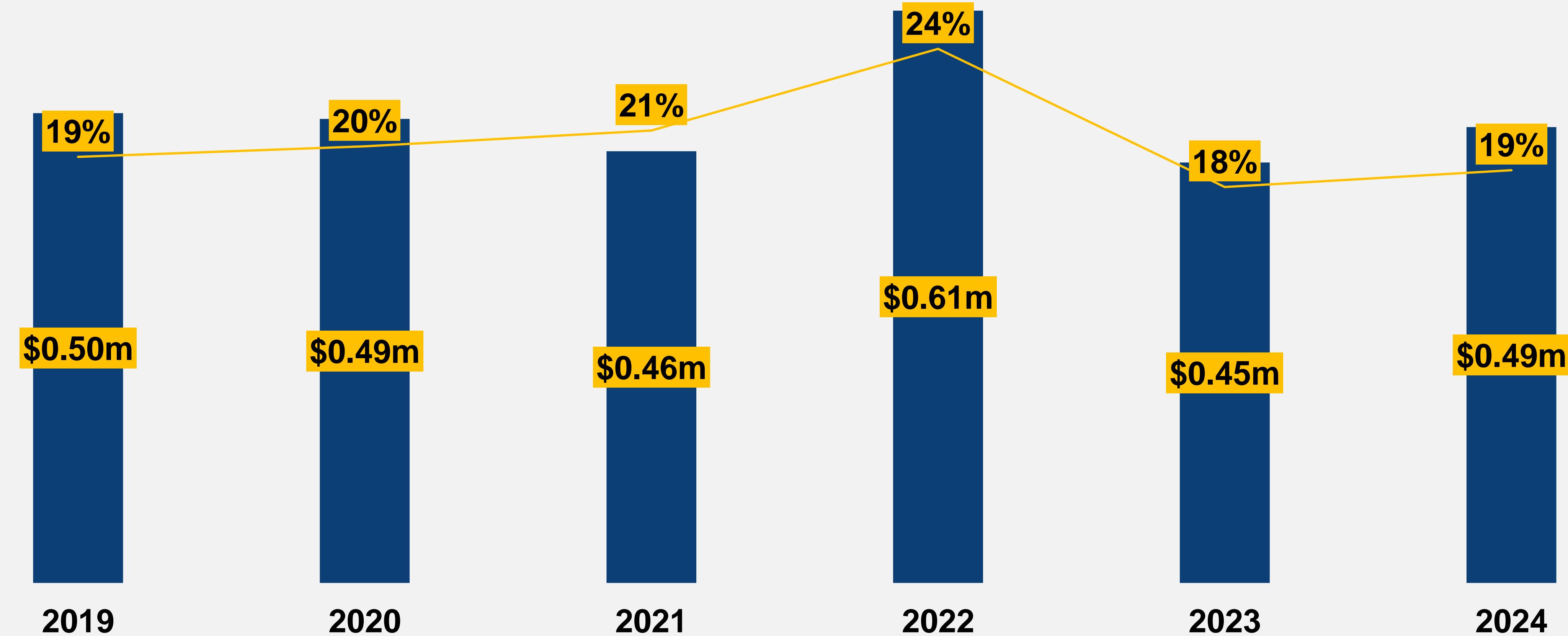
Financial Performance (2019 – 2024)

Revenue & Gross Profit Margin



Financial Performance (2019 – 2024)

Normalized EBITDA and EBITDA Margin



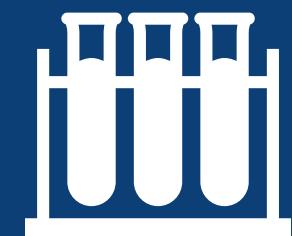
Revenue Breakdown*

- Specialized water treatment for HVAC and mechanical systems. These solutions prevent rust, calcium buildup, and ensure efficient operation of commercial cooling towers



Industrial Water Treatment

- Wide range of industrial chemicals for various applications, including solvents, degreasers, coating, cleaning and disinfectants



Industrial Chemicals

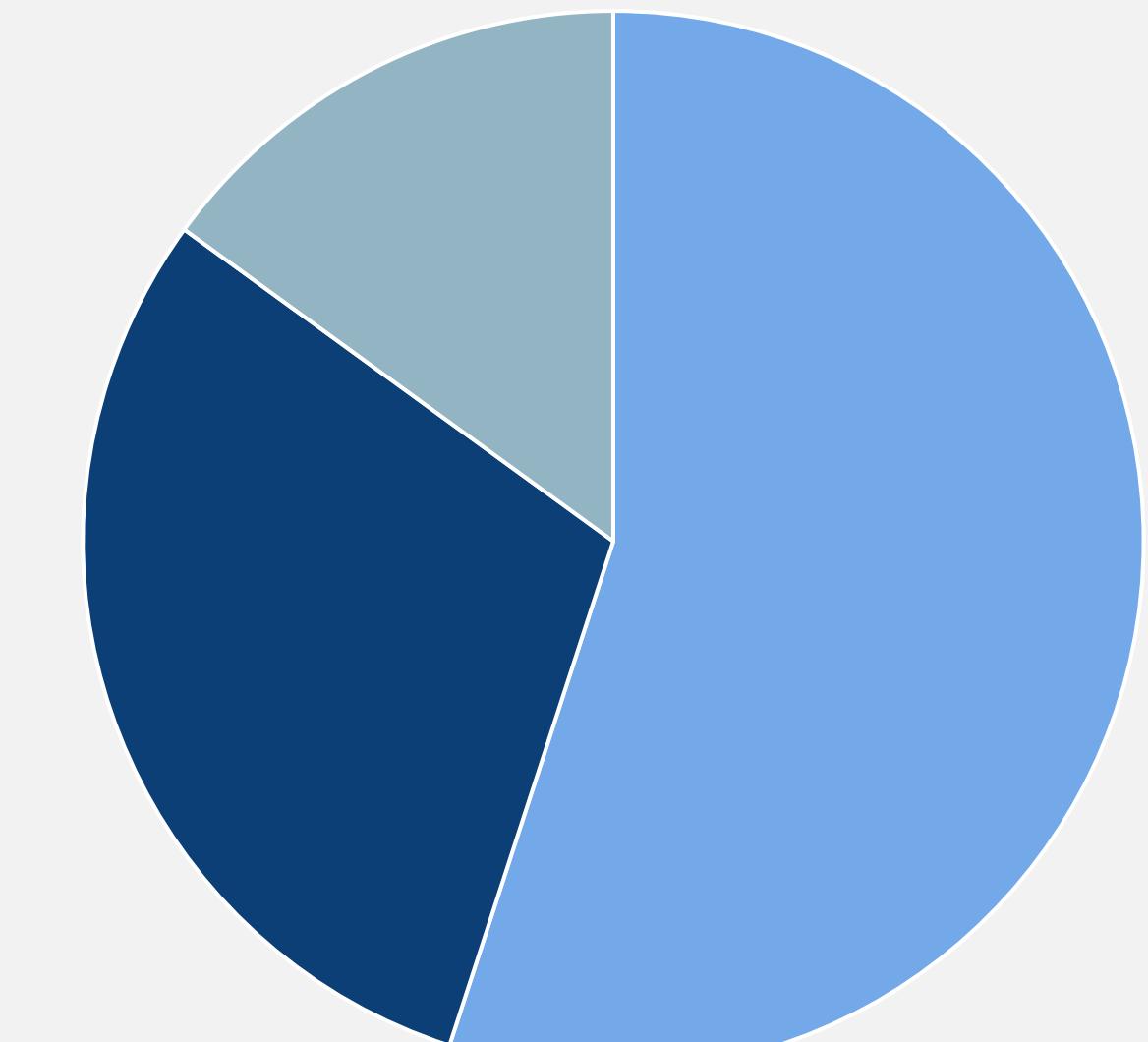
- Organic laundry chemicals designed to meet the rigorous demands of institutional and commercial laundry operations, ensuring effective stain removal, fabric care, and sanitation.



Industrial Laundry

Revenue by Department

- Water Treatment **55%**
- Industrial Chemicals **30%**
- Industrial Laundry **15%**



*Approximation based on management accounts

Location and Lease Terms

Building Details

- Current facility operates at ~ **60% utilization**.
- Renewal of the current lease is not recommended due to the building's size and condition
- Potential solutions for the buyer:
 - Relocate to a new facility under 10,500 sq ft.
 - Utilize spare capacity in an existing facility with overlapping inventory such as mixers and chemicals (5,000 sq ft)



15,700 sq ft Warehouse

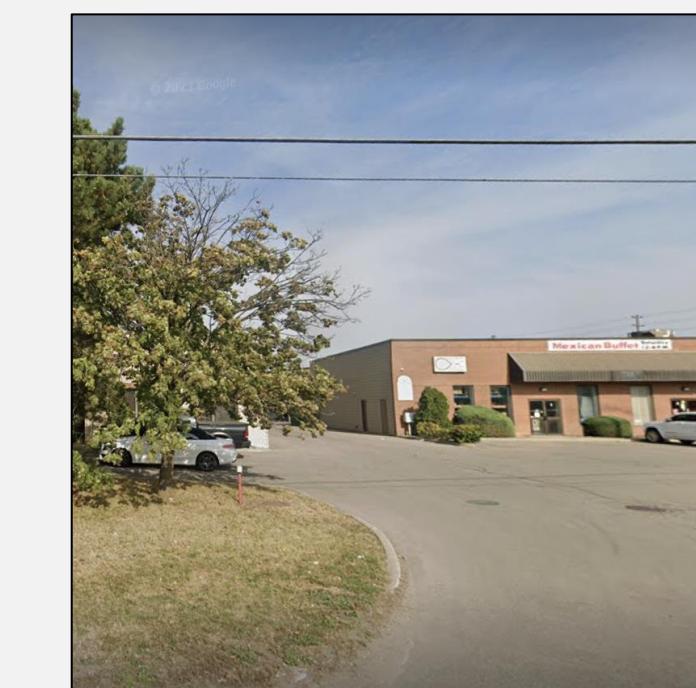


1,800 sq ft Office Space

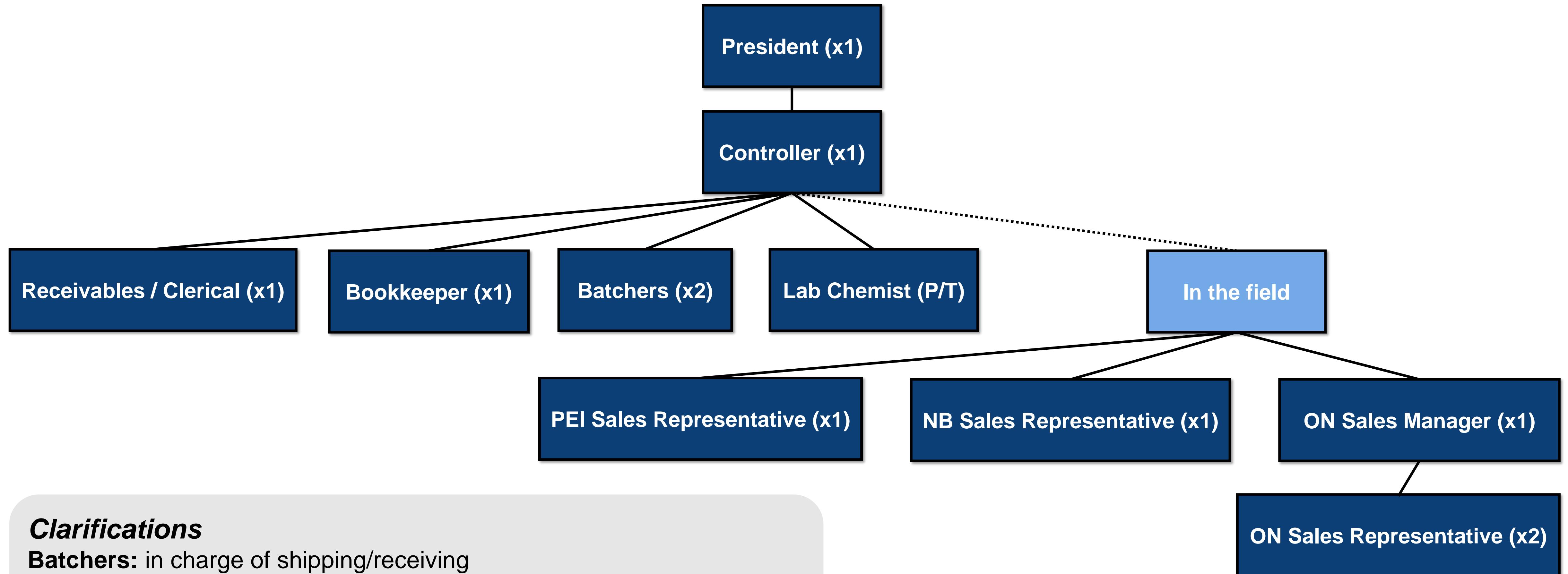
Lease Terms

Address: 1875 Drew Rd, Mississauga, ON L5S1J5

- **Size:** 17,500 sq ft.
- **Rent:** \$7 / sq ft
- **TMI :** \$3 / sq ft
- **Lease Expiry:** February 28, 2025



Organizational Hierarchy



Clarifications

Batchers: in charge of shipping/receiving

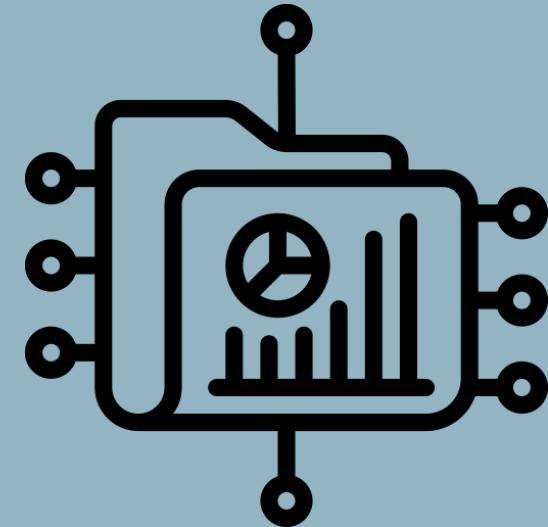
PEI Sales Rep: mainly oversees laundry

NB Sales Rep: mainly oversees chemical sales

ON Sales Manager and Reps: mainly oversee water treatment

Investment Thesis

Diverse Portfolio & Market Presence



- RDI Chemical offers a wide range of products, including water treatment and specialty chemicals. Its strong market presence and ability to create custom-labeled products provide a competitive edge and stable revenue.

Strong R&D Capabilities



- Continuous investment in R&D has produced unique formulas and innovative solutions, positioning RDI as an industry leader. Expertise in niche markets, like healthcare and transportation cleaners, ensures the company stays ahead of regulatory changes and market demands.

Established Client Base



- Clients include areas such as industrial, janitorial, and government sectors. RDI has CFIA-approved products, which ensure quality and compliance, making them a trusted supplier and enhances their market credibility and reliability.

Strategic Acquisitions & Expansion



- RDI's strategic acquisitions have significantly broadened its market reach and capabilities. By streamlining operations and focusing on high-margin clients, RDI has improved profitability. Its lean organizational structure enhances efficiency, making RDI a financially robust company.

SWOT Analysis

RDI Chemical Corporation's technological innovation and diverse product range ensure resilience

- ✓ In business since 1983
- ✓ Ability to cross-pollinate technology across different areas, reducing learning curves and inventory costs
- ✓ Several hundred formulas and in-house R&D

- ✓ Expansion into new markets and geographical areas
- ✓ Increased innovations in water treatment and other chemicals
- ✓ If relocated, possibility of establishing a wholesale outlet on the premises



- x Small company with only 7 employees, reducing operational scalability
- x Need for a new, modern website to replace the current outdated one
- x Sanctions on Russia and rising energy costs affecting supply chain
- x Strong competition from large firms like State Chemicals and EcoLab

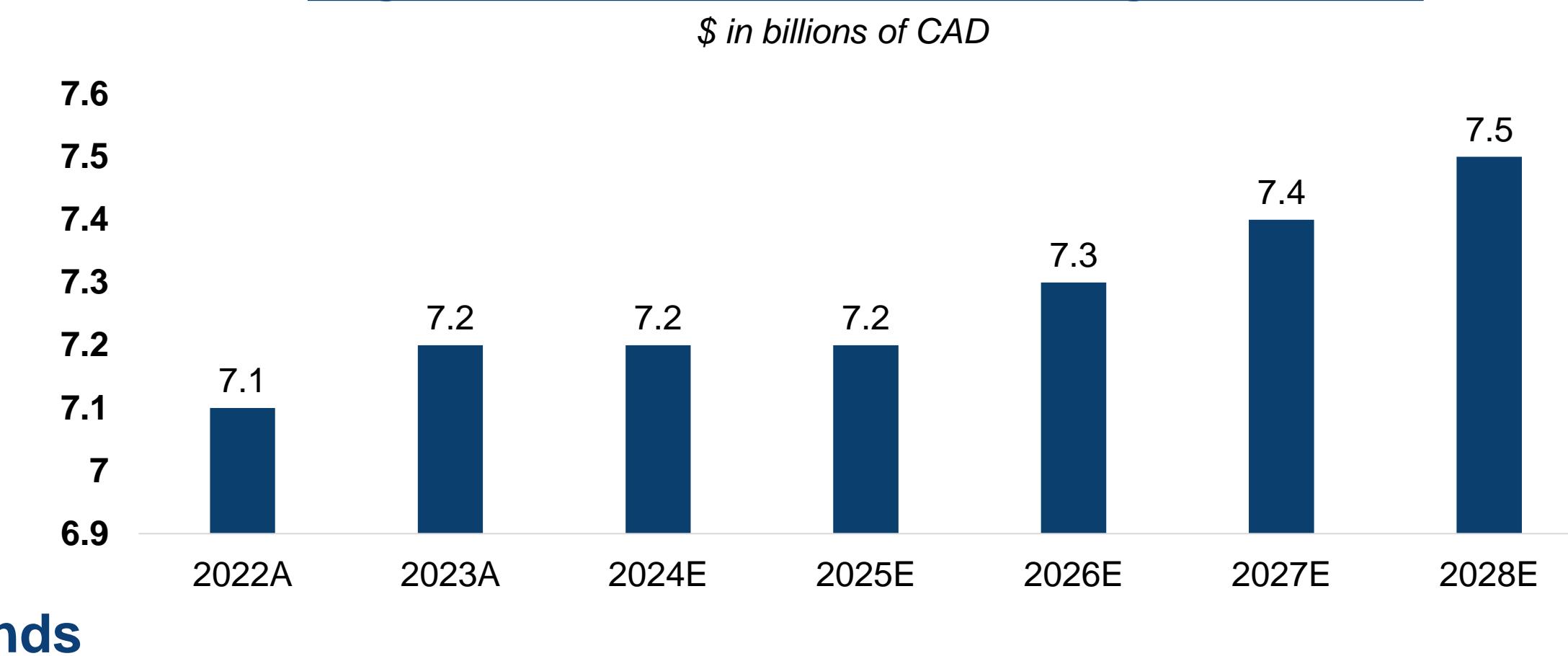
Industry Overview

The Organic Chemical Manufacturing industry is expected to grow at a CAGR of 1.1% over the next five years to 2028

Industry Size and Growth

- From 2022 to 2028, the Canadian Organic Chemical Manufacturing Industry is forecasted to grow revenue at a CAGR of 1.1% and is expected to reach ~\$7.5 billion in annual revenue by 2028.
- This industry is expected to experience an increase of 195+ new jobs created by 2028 due to stable growth and demand for generator manufacturing

Organic Chemical Manufacturing in Canada



Government Regulations

Government regulations and incentives promoting sustainability directly impact the demand for organic chemical manufacturing by encouraging businesses to adopt organic processes.



Raw Material Costs

Fluctuations in raw material costs, such as traditional chemical feedstocks, can influence demand for organic chemical manufacturing as companies seek alternatives amidst rising prices.



Consumer Preference Shifts

Consumer preference shifts towards organic products can drive up demand for organic chemical manufacturing due to health and environmental concerns.

Competitor Analysis*



First Genesis

- Revenue: ~\$3,260,000
- Employees: ~10
- Description: Founded in 1992, First Genesis is a leading suppliers of Rubber Bands, LDPE Poly Resealable Zipper Bags and other ploy-related products. Specializing in commercial production, First Genesis has been able to engaged in the wholesale distribution of plastics materials, and of unsupported plastics films.



GLEN CHEMICALS LIMITED

- Revenue: ~\$2,530,000
- Employees: ~10
- Description: Glen Chemicals Limited is a chemical wholesale and distribution company, established as a limited corporation in 1971. They specialize product lines such as janitorial and laundry/housekeeping supplies, swimming pool chemicals and water treatment chemicals as well as custom-packaging of Sodium Hypochlorite of all types and sizes.



Aldert Chemicals

- Revenue: ~\$2,030,000
- Employees: ~8
- Description: Aldert Chemical is a chemical company that many commercial and industrial businesses nationwide for custom chemicals and compounds. They specialize in paraffin wax to manufacture candles and various types of rapid test papers.

*Revenue and employee counts are estimates based on data from Dun and Bradstreet Canada

Appendix

Financial Statements

Historical Income Statements: 2019 – 2024

RDI Chemical Corporation Income Statement						
For the year ending March 31	2019	2020	2021	2022	2023	2024
\$ in CAD						
Sales						
Revenue	\$2,572,322	\$2,479,559	\$2,226,089	\$2,500,370	\$2,477,135	\$2,576,903
Total Sales	\$2,572,322	\$2,479,559	\$2,226,089	\$2,500,370	\$2,477,135	\$2,576,903
Cost of Goods Sold						
Cost of sales	\$740,359	\$667,168	\$617,403	\$734,227	\$839,960	\$874,396
Total Cost of Goods Sold	\$740,359	\$667,168	\$617,403	\$734,227	\$839,960	\$874,396
Gross (loss) profit	\$1,831,963	\$1,812,391	\$1,608,686	\$1,766,143	\$1,637,175	\$1,702,507
	71.2%	73.1%	72.3%	70.6%	66.1%	66.1%
Expenses						
Advertising and promotion	\$3,872	\$3,104	\$599	\$500	\$0	\$3,349
Commissions	\$205,330	\$187,678	\$148,355	\$157,247	\$160,671	\$197,579
Equipment rental	\$9,398	\$0				\$501
Insurance	\$36,010	\$27,938	\$49,567	\$47,967	\$51,854	\$36,126
Interest and bank charges	\$15,940	\$21,295	\$18,737	\$9,638	\$15,825	\$37,763
Interest and penalties						
Meals and entertainment	\$2,037	\$189	\$2,381	\$1,200	\$2,481	\$3,301
Office	\$15,242	\$29,336	\$31,872	\$12,198	\$9,513	\$14,859
Professional fees	\$38,374	\$35,927	\$11,462	\$15,466	\$6,958	\$6,031
Promotions and discounts	\$2,329	\$9,468	\$2,676	\$293	\$1,307	
Publications and subscriptions	\$12,576	\$7,885	\$10,106	\$22,053	\$15,220	\$6,146
Rental	\$154,964	\$157,500	\$160,416	\$157,500	\$157,689	\$157,500
Repairs and maintenance	\$49,442	\$23,714	\$16,966	\$11,120	\$16,258	\$18,372
Salaries, wages and benefits	\$860,192	\$865,797	\$790,934	\$830,050	\$829,331	\$807,536
Supplies	\$4,015	\$14,593	\$5,620	\$5,139	\$5,683	\$9,986
Telephone, fax and internet	\$20,534	\$19,428	\$21,250	\$22,878	\$20,761	\$21,179
Travel	\$20,661	\$23,788	\$12,847	\$16,043	\$18,135	\$23,825
Utilities	\$21,958	\$20,785	\$22,831	\$23,145	\$28,957	\$25,725
Vehicle	\$107,249	\$87,354	\$66,091	\$66,231	\$68,912	\$73,487
Total Expenses	\$1,580,123	\$1,535,779	\$1,372,710	\$1,398,668	\$1,409,555	\$1,443,265
Operating Income	\$251,840	\$276,612	\$235,976	\$367,475	\$227,620	\$259,242

Historical Income Statements: 2019 – 2024 (Continued)

RDI Chemical Corporation Income Statement						
Other Income and (Expenses)	2019	2020	2021	2022	2023	2024
Gain (Loss) on asset disposal					\$31,048	
Foreign exchange gain (loss)						
Other income						
Total Other Income and (Expenses)	\$0	\$0	\$0	\$31,048	\$0	\$0
EBITDA	\$251,840	\$276,612	\$235,976	\$398,523	\$227,620	\$259,242
Depreciation and Amortization	\$38,161	\$40,437	\$33,625	\$14,911	\$10,426	\$8,467
EBIT	\$213,679	\$236,175	\$202,351	\$383,612	\$217,194	\$250,775
Interest Expense						
EBT	\$213,679	\$236,175	\$202,351	\$383,612	\$217,194	\$250,775
Provision for Income Taxes	\$29,027	\$31,171	\$25,433	\$45,943	\$27,043	\$34,451
Net income (loss) after taxes	\$184,652	\$205,004	\$176,918	\$337,669	\$190,151	\$216,324

EBITDA Normalization Adjustments: 2019 - 2024

Normalization Adjustments	2019	2020	2021	2022	2023	2024
Net Profit (Reported)	184,652	205,004	176,918	337,669	190,151	216,324
Add back:						
Taxes	29,027	31,171	25,433	45,943	27,043	34,451
Interest	-	-	-	-	-	-
Depreciation	38,161	40,437	33,625	14,911	10,426	8,467
EBITDA	251,840	276,612	235,976	398,523	227,620	259,242
Normalization Adjustments						
1. Discretionary Items						
Insurance	20,634	19,860	17,204	16,313	16,518	17,226
Interest and bank charges	11,547	11,114	9,628	9,129	9,244	-
Meals and entertainment	159	153	133	126	128	68
Office	2,601	2,503	2,168	2,056	2,082	508
Professional fees	1,497	1,441	1,248	1,183	1,198	-
Promotions and discounts	150	144	125	119	120	-
Publications and subscriptions	2,674	2,574	2,230	2,114	2,141	241
Telephone, fax and internet	5,145	4,952	4,290	4,068	4,119	1,851
Travel	5,736	5,521	4,783	4,535	4,592	3,723
Vehicle	13,178	12,684	10,987	10,418	10,549	16,563
Warehouse Expense	-	-	-	-	-	3,473
2. Owner Compensation						
Jane Damianoff	145,313	145,313	145,313	145,313	145,313	153,688
James Damianoff	143,563	143,563	143,563	143,563	143,563	149,563
FMV advised	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)
3. Premises						
Actual costs, TMI, repairs	231,512	202,995	217,311	207,279	215,795	214,590
FMV advised	(210,000)	(210,000)	(210,000)	(210,000)	(210,000)	(210,000)
Normalization Adjustments	248,709	217,817	223,982	211,216	220,360	226,494
Normalized EBITDA	500,549	494,429	459,958	609,739	447,980	485,736

the review of the Financial Statements from management, we have adjusted the EBITDA for various normalization requirements.

Discretionary Expense Adjustments:

- Advertising: Non-Business
- Auto: Personal
- Travel: Personal
- Donations: Non-Business
- Meals and Entertainment: Personal
- Telephone: Personal
- Building Repairs: One-time roof, electrical, flooring renovation
- Wages MS: Family member above market payment salary adjustment
- Warehouse: One-time cleaning fee for discontinued product, non-recurring.

Owner Compensation

- Owner Compensation is based on actual payroll
- FMV for owner involvement is based on management feedback

Premises

- Actual rent expense includes base rent, maintenance, taxes and insurance
- FMV was derived through the current 60% utilization of the 17,500 sqft plant with a \$15/sqft base rent and \$5/sqft TMI assumption

Historical Balance Sheets: 2019 – 2024

RDI Chemical Corporation Balance Sheet						
For the year ending March 31						
	2019	2020	2021	2022	2023	2024
ASSETS						
Current Assets						
Cash	\$403,161	\$315,402	\$170,893	\$117,114	\$96,909	\$131,734
GIC Investment	\$500,000					
Accounts receivable	\$335,908	\$213,028	\$248,652	\$261,885	\$301,888	\$258,440
Inventory	\$122,745	\$123,140	\$109,037	\$120,349	\$92,637	\$57,910
Prepaid expenses and deposits	\$12,589	\$22,067	\$28,598	\$35,095	\$40,250	\$40,510
Total Current Assets	\$1,374,403	\$673,637	\$557,180	\$534,443	\$531,684	\$488,594
Non Current Assets						
Equipment	\$126,461	\$99,810	\$101,717	\$40,956	\$33,989	\$27,907
Due from 1571238 Ontario Inc	\$169,677	\$206,261	\$474,261	\$441,075	\$319,977	\$0
Due from 2695035 Ontario Limited		\$210,000	\$460,000		\$6,371	
Total Non Current Assets	\$296,138	\$516,071	\$1,035,978	\$488,402	\$353,966	\$27,907
Total Assets	\$1,670,541	\$1,189,708	\$1,593,158	\$1,022,845	\$885,650	\$516,501
LIABILITIES						
Current Liabilities						
Accounts payable and accrued charg	\$413,697	\$472,092	\$625,857	\$432,125	\$378,921	\$322,789
Income taxes payable	\$53,851	\$59,599	\$93,892	\$47,683	\$28,006	\$33,904
Due to shareholders			\$38,474	\$30,433	\$25,968	\$23,587
Total Current Liabilities	\$467,548	\$531,691	\$758,223	\$510,241	\$432,895	\$380,280
Long Term Liabilities						
NCL 1						
Total Long Term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$467,548	\$531,691	\$758,223	\$510,241	\$432,895	\$380,280
Shareholder's Equity						
Paid Up Capital	\$10	\$30	\$30	\$30	\$30	\$30
Retained earnings	\$1,202,983	\$657,987	\$834,905	\$512,574	\$452,725	\$136,191
Total Shareholder's Equity	\$1,202,993	\$658,017	\$834,935	\$512,604	\$452,755	\$136,221
Total Shareholder's Earnings & Liabilities	\$1,670,541	\$1,189,708	\$1,593,158	\$1,022,845	\$885,650	\$516,501

Working Capital Analysis: 2019 – 2024

RDI Chemical Corporation Working Capital Analysis						
	2019	2020	2021	2022	2023	2024
Working Capital Analysis						
Accounts receivable	\$335,908	\$213,028	\$248,652	\$261,885	\$301,888	\$258,440
Inventory	\$122,745	\$123,140	\$109,037	\$120,349	\$92,637	\$57,910
Prepaid expenses and deposits	\$12,589	\$22,067	\$28,598	\$35,095	\$40,250	\$40,510
Accounts payable and accrued charges	(\$413,697)	(\$472,092)	(\$625,857)	(\$432,125)	(\$378,921)	(\$322,789)
Non Cash Working Capital	\$57,545	(\$113,857)	(\$239,570)	(\$14,796)	\$55,854	\$34,071
Revenue	\$2,572,322	\$2,479,559	\$2,226,089	\$2,500,370	\$2,477,135	\$2,576,903
NCWM to revenue	2.2%	-4.6%	-10.8%	-0.6%	2.3%	1%
Excess (shortfall) in NCWC:						
Actual WC as at March 31, 2023						\$34,071
Target working capital						\$51,538
Excess (shortfall) in NCWC:						(\$17,467)
Sustainable NCWC:						
Target NCWC to revenue:		Assume neutral WC				2%
Sustainable growth rate				2%		
Maintainable working capital requirements:						\$1,031



CONTACT

Get in touch.

To request any further information please contact:

Alex Shteriev, Partner



alex@beaconadvisors.com



+1 416-228-1200



beaconadvisors.com