

REALSTEEL S CORPORATION

■ Automating the Future of Framing

Investor Return Comparison — Base vs Preferred 1.5x Model

3-Year Financial Forecast

Year	Revenue	Gross Margin	Operating Costs	Net Profit
Year 1	\$2,000,000	35%	\$1,300,000	\$700,000
Year 2	\$2,500,000	40%	\$1,500,000	\$1,000,000
Year 3	\$3,000,000	42%	\$1,750,000	\$1,250,000

Base 30% vs Preferred 1.5x (30%)

Metric	Base 30% Equity	Preferred 1.5x (30%)
Capital Invested	\$400,000	\$400,000
Ownership	30%	30%
Payback Timing	≈ mid Year 3	≈ mid Year 2
Cumulative Return (3 yrs)	\$885,000 (2.21x)	\$1,305,000 (3.26x)
ROI % (3 yrs)	121%	226%
Founder Ownership Retained	70%	70%

Preferred Return Model (1.5x) — Cash Flow to Investor

Year	Net Profit	Paid Toward Pref (to \$600k)	Balance to Split (30%)	Investor Payout	Cumulative
Y1	\$700k	\$400k	\$90k	\$490k	\$490k
Y2	\$1,000k	\$200k	\$240k	\$440k	\$930k
Y3	\$1,250k	Pref met	\$375k	\$375k	\$1,305k

Startup Capital Requirements

Item	Cost
Cold Roll Forming Machine	\$100,000
Forklift	\$25,000
Steel Coil Inventory (50 tons @ \$0.80/lb)	\$80,000
Screws (1,000 boxes @ \$40)	\$40,000
Shop Setup / Capital Expenditures	\$100,000
TOTAL INITIAL INVESTMENT	\$395,000

Under the Preferred 1.5× model, investors receive their \$400k capital plus a 50% preferred return (\$600k total) before any profit split. After the hurdle is met (~Month 18), profits split pro-rata (30% investor / 70% founder). This accelerates payback while preserving founder control.

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