

FINANCIAL DUE DILIGENCE REPORT

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Polar Dynamics Robotics, Inc.

For the Period Ending December 31, 2023

Prepared: January 11, 2024

1. EXECUTIVE SUMMARY

This Financial Due Diligence Report presents a comprehensive analysis of the financial position, performance, and projections of Polar Dynamics Robotics, Inc. ("PDR" or "the Company"), a Delaware corporation specializing in

extreme-condition autonomous mobile robots (AMRs).

1.1 Scope of Review

The analysis covers the fiscal years 2021-2023, with particular emphasis on the most recent twelve-month period ending December 31, 2023. Our review includes audited financial statements, management accounts, financial projections, and supporting documentation.

2. FINANCIAL PERFORMANCE ANALYSIS

2.1 Revenue Analysis

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FY2023 Revenue: \$31.5M (42% YoY growth)

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FY2022 Revenue: \$22.2M

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FY2021 Revenue: \$15.8M

Key revenue streams:

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Hardware Sales (AMR Units): 68%

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Maintenance Contracts: 22%

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Software Licensing: 10%

2.2 Gross Margin Analysis

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FY2023: 62% (improvement from 58% in FY2022)

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Primary drivers: Manufacturing efficiency improvements and economic

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BlueCore(TM) technology platform contributing to margin expansion

2.3 Operating Expenses

Personnel costs represent 42% of revenue, with R&D at 18% and SG

3. BALANCE SHEET POSITION

3.1 Assets

As of December 31, 2023:

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Total Assets: \$48.2M

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Cash and Equivalents: \$12.4M

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Accounts Receivable: \$8.3M

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Inventory: \$5.7M

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Fixed Assets: \$15.8M

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Intangible Assets: \$6.0M

3.2 Liabilities

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Total Liabilities: \$18.7M

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Accounts Payable: \$4.2M

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Long-term Debt: \$8.5M

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Other Liabilities: \$6.0M

3.3 Equity Position

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Total Equity: \$29.5M

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Series A-C Preferred Stock: \$22.3M

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Retained Earnings: \$7.2M

4. WORKING CAPITAL ANALYSIS

4.1 Working Capital Metrics

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Days Sales Outstanding (DSO): 65 days

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Days Inventory Outstanding (DIO): 82 days

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Days Payable Outstanding (DPO): 58 days

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Cash Conversion Cycle: 89 days

4.2 Working Capital Adequacy

Current working capital position sufficient to support projected growth trajectory

5. CASH FLOW ANALYSIS

5.1 Operating Cash Flow

FY2023 Operating Cash Flow: \$5.8M

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Primary drivers: Improved collections and inventory management

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Operating cash flow margin: 18.4%

5.2 Investment Activities

Capital Expenditures:

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FY2023: \$4.2M

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Primary investments in manufacturing capacity and R&D equipment

6. FINANCIAL PROJECTIONS

6.1 Revenue Projections

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FY2024: \$44.1M (40% growth)

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FY2025: \$61.7M (40% growth)

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FY2026: \$83.3M (35% growth)

6.2 Margin Projections

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Gross Margin: Expected to reach 65% by FY2025

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EBITDA Margin: Projected improvement to 22% by FY2025

7. KEY FINDINGS AND RISKS

7.1 Positive Findings

Strong revenue growth trajectory

Improving gross margins

Healthy cash position

Successful completion of Series C funding

7.2 Risk Factors

Customer concentration (top 3 customers = 35% of revenue)

Supply chain dependencies

Working capital intensity

R&D investment requirements

8. DISCLAIMER

This report has been prepared solely for informational purposes and should not be construed as investment advice or a recommendation. While the information contained herein is believed to be accurate, no representations or warranties, express or implied, are made as to the accuracy or completeness of such information. This report is based on financial information provided by Dynamics Robotics, Inc. management and has not been independently

9. CERTIFICATION

Prepared by:

[Financial Advisory Firm Name]

[Lead Partner Name]

[Professional Credentials]

Date: January 11, 2024

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