Motorvation, LLC --> INSOVLENT AS OF 9/24

C *1 year PD* **26.55% to 60.78%**

- -1.9% EBITDA Margin in FY-24(A), 92-day inventory turnover (~2x their historic rate), no cash, negative Equity, Debt > Assets = Insolvency, and a growing Loss since FY-22.
- Inevitable layoffs after years of mismanagement and cultural erosion require experienced leadership and turnaround management which ownership is open to bringing in.

Strengths

- **Revenue Growth:** Annualized revenue grew 116% from $28.9mn in FY-22, to ~$48mn in FY-23 and $62.4M in FY-24, suggesting an ability to scale.
- **Willingness to Restructure:** Management has demonstrated motivation to address issues, with recent leadership changes, operational cost-cutting, the exploration of subletting underutilized space.
- **External Support:** They are leveraging BofA's advisory team for financial and operational restructuring, providing a critical lifeline for its turnaround efforts.

Challenges

- **Liquidity Challenges and Leverage**: No cash reserves per 9/24, and a quick/current ratio of 0/16/0.97 are immediate liquidity concerns, requiring imminent action. Debt exceeds Assets!
- **Profitability Decline**: Negative EBITDA margin of -1.9%, highlighting severe operational and strategic inefficiencies. The company focused much more on the backend sale (e.g. warranties, insurances), of which many were canceled shortly after a sale, instead of making a profit from the sale of a vehicle. Increased turnover (~2x) affects the entity twice - from a cashflow perspetive as well as a reduced book-value of the assets/vehicles the longer they sit.
- **Leadership Gaps**: Mismanagement, coupled with the owner's prior hands-off approach, has led to cultural issues within the firm, operational instability, and the collapse of key backend and wholesale functions. From our conversations so far it may require an external resource to manage/support the turnaround.

Company Overview

Headquarters	Jonesboro, GA
Type	Private (Non-PE)
Employees	<50
Year Founded	2011
Website	https://www.motorvationtrucks.com/
Business	Used vehicle dealership specializing in trucks.
Revenues	$62.4M

- **Company Overview:** Motorvation, LLC is a local player in automotive retail, specializing in used vehicle sales. The company operates primarily in Atlanta and Jonesboro, GA, while navigating financial and operational challenges.
- **Product:** Motorvation sells used vehicles. Up until recently they had a focus on backend sales like warranties and insurances, and wholesale. As of mid-November the wholesale business has been shut down, and the owner is trying to change its' fortunes by recalibrating the team/culture, customer relations, whilst re-focusing on making profits from selling vehicles.
- **Customers:** The business caters (again) to local individual buyers in the Atlanta area, relying on strong customer satisfaction and repeat business - which requires the return to great service and customer relations, both of which suffered in the past few years (see customer reviews).
- **Ownership:** Privately owned, with leadership under the son of the founder, who has recently taken a more active role in restructuring operations.
- **Debt Structure:** $500k SBA loan, w/o any maturity or rate disclosures. The balance consists mainly of $5.7mn Floorplan debt, an R/C-line with BoA and Credit Card Debt.
- **Other:** This assessment leverages FY-24 (annualized) financials, based on their T9-24 financials, since we only received T9/23 financials for the prior year. This approach may overstate the annual revenue given they had an aution sale a few weeks ago with the intent to bring in additional liquidity. However, according to management it was highly disappointing, further increasing losses, despite higher revenue. The owners seems to be in the process of selling a primary residence to inject additional cash into the company.

Financial Statement Highlights

$ '000s	(C) Dec-21 T12	(B) Sep-23 T9	(A) Dec-24 (A) T12	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	24,442	36,035	62,391		73.1%
Gross Profit	4,398	3,403	4,639		36.3%
Adjusted EBITDA	382	(633)	(1,170)		-84.9%
Gross Profit Margin	18.0%	9.4%	7.4%		(201) bps
Net Income	210	(752)	(1,293)		72.0%
Balance Sheet					
Cash And Cash Equivalents	214	412	(157)		-138.1%
Total Current Assets	4,963	9,052	8,444		-6.7%
Total Assets	5,342	9,359	8,685		-7.2%
Total Current Liabilities	3,941	8,955	8,707		-2.8%
Total Debt	4,407	9,503	9,207		-3.1%
Total Equity	901	(144)	(521)		-262.8%
Key Ratios					
Current Ratio	1.26	1.01	0.97		-4.0%
Quick Ratio	0.20	0.28	0.16		-43.3%
Net Debt / EBITDA	n/a	n/a	n/a		n/a
Debt to Assets	82.5%	101.5%	106.0%		+446 bps
EBITDA Margin	1.6%	-1.8%	-1.9%		(12) bps
ROCE %	16.1%	-177.7%	n/a		n/a

- Revenue grew significantly from $24.4mn in FY-21 to an estimated $62.4mn in FY-24, yet a substantially declining EBITDA (from $382K in FY-21 to -$1.17mn in FY-24).
- Total debt increased from $4.4mn in FY-21 to $9.2mn in 9/24, with interest expenses growing 5x over the same period and Total Assets of just $8.7mn per 9/24 (below debt).
- Equity decline by $1.4mn since FY-21, and essentially no cash are limiting their options.

Scorecard Summary

Financial vs Business Risk Weighting Factors

Ownership	Private (Non-PE)
Company Stage	Stabilized
Financials	Complete (Unaudited)

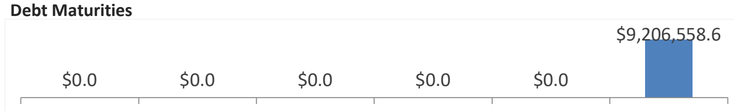
	Weight	Score	Dimension	Weight	Score
Financial	65%	2.0	Liquidity	46%	*3.1*
			Leverage	54%	*0.7*
			Profitability	0%	-
Business	35%	4.2	Industry Risk	20%	*5.5*
			Competitive Position	50%	*4.1*
			Mgmt / Governance	30%	*3.5*
			Sponsor / Parent		
Modifiers		-0.2	Trend Analysis		*(0.2)*
			Financial Flexibility		*(0.50)*
			Fixed Cost Coverage Risk		*(1.00)*

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	*22*	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.50	0.97	*19%*
	Quick Ratio	0.66	0.16	*28%*
Leverage	Net Debt / EBITDA	3.46	n/a	*0%*
	Debt to Assets	48.4%	106.0%	
Profitability	EBITDA Margin	4.7%	-1.9%	
	ROCE %	13.4%	6482.7%	*100%*
	Revenue	$45M	$62M	

Industry Benchmarks - Primary: Automotive Retail

Debt Maturities



Business Risk Highlights

- **Industry:** Automotive retail is highly sensitive to economic conditions like interest rates and consumer demand. Rising rates have negatively impacted vehicle sales, worsening the company's financial stress. Growth projections indicate a CAGR of approximately 4% during the forecast period from 2024 to 2029.
- **Competitive Position:** Operational inefficiencies, failed strategy of focusing primarily on the backend market, a strained relationship with customers, errosion of corporate culture, and limited geographic presence undermine the company's ability to capitalize on its historical customer satisfaction strength.
- **Management:** Chronic leadership challenges, including ineffective oversight, mismanagement of backend and wholesale functions, and a history of cultural complacency, continue to impede recovery. Recent leadership changes provide hope but require effective execution, and experience within a narrowing window.