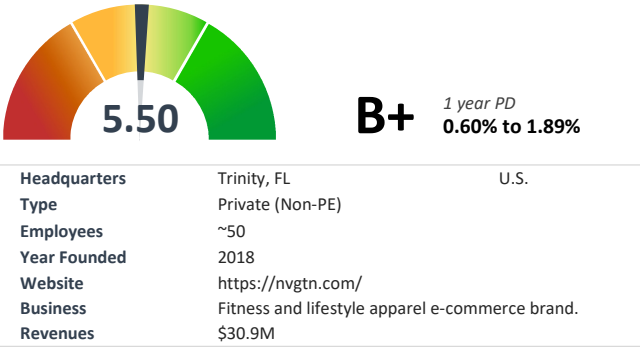


NVGTN, LLC



Company Overview

- Company Overview:** NVGTN, LLC is a direct-to-consumer fitness and lifestyle apparel brand that operates entirely online. They leverage influencer marketing, social media engagement, and a limited-release strategy to drive demand. They work with offshore contract manufacturerers.
- Product:** Activewear - includes leggings, sports bras, shorts, and tops designed for fitness enthusiasts. Lifestyle Apparel, and Accessories - select workout and athleisure accessories to complement core apparel offerings.
- Customers:** Primarily millennial, female, and Gen Z fitness-conscious consumers who engage with fitness influencers. International reach (180+ countries), but primarily U.S.-based in terms of brand positioning.
- Ownership:** Privately owned by Brett and Ashleigh Schneggenburger, with no external investors or institutional backing.
- Debt Structure:** The entity is effectively debt-free.
- Basis for Assessment:** Company prepared, unaudited/reviewed FY-21/22/23.
- Other (pros/cons):** Declining revenue and rising inventory signal demand volatility, posing potential liquidity risks should the trend continue. At this point we can only speculate about the potential reasons (e.g. post COVID normalization, etc). Strong profitability (almost 5x peers') and debt-free status mitigate near-term risk, but high shareholder distributions (\$17mn since FY-21) and customer service challenges (e.g. 'F' from BBB, customer concerns about product quality) may impact long-term stability. The latter has the potential to erode brand loyalty, and triggering a sales decline. They were potentially overstocking in FY-23 as inventory increased by 162%, as revenue declined by -19.4%. Yet, despite the inventory, they report no A/Ps. Minimal CAPEX (\$137k in FY-23) raise concerns of underinvestments.

Financial Snapshot

	Dec-21	Dec-22	Dec-23	Chg
\$ '000s	T12	T12	T12	%
Total Revenue	35,536	38,339	30,905	-19.4%
Gross Profit	13,492	16,082	12,648	-21.4%
Adjusted EBITDA	7,931	10,344	8,041	-22.3%
Gross Profit Margin	38.0%	41.9%	40.9%	-1.0 ppt
EBITDA Margin	22.3%	27.0%	26.0%	-1.0 ppt
Net Income	7,902	10,344	8,008	-22.6%

Financial Ratio Benchmarking

		# of Benchmarks:		75	Industry Median	Company Metric	Percentile Rank	# of Industry Benchmarks		75	# of Industry Benchmarks		75	Company Financials Date		Dec-23
Liquidity	Revenue				\$67M	\$31M										
	Current Ratio			1.75	18.36		100%									
Leverage	Quick Ratio			0.72	8.89		100%									
	Net Debt / EBITDA			1.13	(0.53)		80%									
Profitability	Debt to Assets			19.4%	0.8%		90%									
	EBITDA Margin			5.6%	26.0%		100%									
	ROCE %			10.2%	86.7%		96%									

Business Risk

Industry Group Risk Profile			Retail And Restaurants		20%	5.5	to	7.5
Industry Risk Assessment	KPI Rating	Contribution	Industry Group Description					
Cyclicality	Intermediate risk	<div><div></div></div>	Entities that derive a majority of their revenue from selling goods or services directly to the individual consumer through stores, catalogues, or online operations--or a combination of these channels. We include restaurants, automotive retailers, and grocery wholesalers in this sector given that the fundamentals of operating these businesses are largely the same as general retailing with similar unit economics.					
Competitive Risk	Intermediate risk	<div><div></div></div>						
Global Industry	Intermediate risk	<div><div></div></div>						
Market Segment Outlook	Above Average	<div><div></div></div>						
Competitive Position Profile			Retail And Restaurants		50%	5.0	to	6.5
Competitive Position KPIs	KPI Rating	Contribution	Rating Guideline					
Cycle-Tested	2009-2019	<div><div></div></div>	Pre-COVID.					
Merchandising Strategy	Above Average	<div><div></div></div>	Good strategy but occasional deviations					
Brand Reputation and Marketing	Above Average	<div><div></div></div>	Good brand reputation but not market-leading					
Online Strategy	Above Average	<div><div></div></div>	Good online presence, some future channel support					
Scale and Scope	Above Average	<div><div></div></div>	Moderate scale, some bargaining power					
Geographic Diversity	Above Average	<div><div></div></div>	Presence in multiple states but not international					
Customer Service Challenges	Weak	<div><div></div></div>	One weakly positioned concept					
Product Quality Perception	Weak	<div><div></div></div>	Declining trends, lagging behind peers					
Management, Governance, Sponsorship					30%	5.0	to	6.5

Anchor Modifiers

Modifiers					
Revenue Segment	Normalization			\$25-50M	
Financial Transparency	Risk Flag			Partial	
Trend Analysis	Adjustment			Strong Negative	
Financial Flexibility	Adjustment			Very High	

Rating Range (Rounded)

5.0 to 6.0