

INVESTMENT COMMITTEE MEMO

Project Harbor: Harborline Route Software, Inc.

Majority Recapitalization - Work Sample

SAMPLE - fictionalized company, deal, and figures. Illustrative only; not a real client, transaction, or investment recommendation.

To: Investment Committee

From: Deal Team, with research and financial analysis support from HSM Strategic

Re: Project Harbor - Proposed Majority Recapitalization of Harborline Route Software, Inc.

Date: June 30, 2025

1. Transaction Overview

Harborline Route Software, Inc. ("Harborline" or the "Company") is a founder-owned provider of route optimization and dispatch software for regional field-service and last-mile delivery operators. Founded in 2011 and based in the Midwest, the Company employs approximately 38 people and has grown primarily through founder-led sales and referral, without institutional capital to date.

The proposed transaction is a majority recapitalization: the sponsor would acquire a controlling interest, with the founder rolling approximately 20% of proceeds into the new capital structure and remaining in an operating role. Approximately \$2.5M of primary capital would be allocated to sales hiring, a technology migration (Section 4), and working capital, alongside partial founder liquidity.

Harborline was sourced through direct outreach as part of HSM Strategic's ongoing origination work in the vertical-market software space; this memo reflects diligence and analysis performed jointly by the deal team and HSM Strategic over a four-week window.

2. Investment Thesis

- Recurring, sticky revenue: 92% of revenue is subscription-based with net revenue retention around 108%; routing data and integrations are embedded in customer dispatch workflows, creating high switching costs.
- Narrow category leadership: fewer than five credible direct competitors serve regional route optimization for field-service operators at Harborline's scale, and the Company holds the leading position among them.
- Founder succession creates entry opportunity: the founder is seeking partial liquidity and a path to reduced day-to-day involvement, which supports a reasonable entry multiple relative to the Company's growth and margin profile.
- Clear margin expansion path: gross margin of 78% against an EBITDA margin of roughly 25% reflects underinvestment in a dedicated sales function rather than a structural cost problem; professionalizing go-to-market is the primary post-close lever.

3. Financial Summary

Metric	Value	Notes
LTM Revenue	\$9.2M	14% year-over-year growth
Reported EBITDA	\$1.85M	20.1% margin; per FY2024 financials
Adjusted EBITDA	\$2.337M	25.4% margin; see companion EBITDA Bridge sample
Total Addbacks	\$530K (28.6% of reported EBITDA)	Documented and independently supportable; within normal range

Implied Enterprise Value	\$38.4M to \$41.0M	Comparable company analysis, revenue and EBITDA multiples; see companion Comp Set sample
Implied EV / Adjusted EBITDA	16.4x to 17.5x	Consistent with peer set median of 16.4x

4. Key Diligence Findings

- Customer concentration is moderate: the top five customers represent 31% of revenue, with no single customer above 9%. Multi-year contracts are in place on four of the top five accounts.
- Owner compensation and related-party facility rent were identified and normalized in the EBITDA bridge; both are documented with market comps and independently verifiable.
- A one-time IP dispute settlement (concluded Q3 2024) was identified, confirmed non-recurring, and excluded from run-rate earnings.
- Sales function is currently founder-led, supported by two account managers, with no dedicated sales leadership. Flagged as a priority for the first 100 days post-close, not a deal blocker.
- Technology runs on a single-tenant legacy hosting architecture. A migration to multi-tenant cloud infrastructure is estimated at \$150K to \$250K over 12 months; vendor quotes have been obtained and the cost is reflected in the post-close capital plan rather than in headline EBITDA.

5. Risks & Mitigants

Risk	Mitigant
Key person dependency: founder is the primary technical architect and holds the Company's largest sales relationships.	Founder rolling ~20% equity, 3-year employment agreement, and a structured technical knowledge-transfer plan over the first 12 months.
Customer concentration in top five accounts.	Multi-year contracts in place on four of five top accounts; no near-term renewal risk identified.
Legacy single-tenant technology stack.	Migration plan budgeted with vendor quotes obtained; included in post-close capital plan, not assumed as a cost-free upgrade.
Narrow niche limits organic addressable market.	Adjacent-vertical expansion (waste management routing) identified as a specific, evaluated whitespace for post-close growth.

6. Recommendation

We recommend proceeding to exclusivity and a letter of intent at a valuation within the implied range of \$38.4M to \$41.0M enterprise value, subject to: (i) confirmatory quality-of-earnings review of the addbacks identified in the attached EBITDA bridge, (ii) customer reference calls with each of the top five accounts, and (iii) a technical architecture review ahead of finalizing the multi-tenant migration budget.

No condition identified to date is expected to be a deal blocker; each is a standard confirmatory item ahead of a signed agreement.

Illustrative sample only. Company, transaction, and all figures are fictional and do not represent any real business, client, or deal. This memo does not constitute financial, investment, accounting, or legal advice, and is not an offer or recommendation regarding any security or transaction. HSM Strategic - research & execution support only. No investment advice, valuation opinions, or intermediary services.