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Coverage Initiation

Industry: Wearable Technology

## ABOM, INC. Poised to Disrupt and Expand the Major Wearables Markets

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### COMPANY SUMMARY

Abom, Inc. specializes in active anti-fog heating and power delivery platform technologies for a variety of eyewear products. Representing a total market opportunity in excess of \$5 billion, Abom technologies target consumer and industrial use across sports, military/tactical, safety, medical, and other burgeoning markets, including smart eyewear and AR/VR.

### KEY STATISTICS

Inception Date	2012
Funding-to-Date	\$10M+
Addressable Market Size	\$5B+
Funding Sought	~\$6M
Est. Post-Money Valuation	\$26.7M
3-Year Projected Valuation	\$183M

### COMPANY INFORMATION

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### INVESTMENT HIGHLIGHTS

**Abom is a technology platform leader for eyewear products used in markets representing a combined \$5 billion.** Sales commenced in 2015 and the Company is targeting the sports, military, safety/industrial, smart eyewear and AR/VR markets.

**Abom is set to achieve key milestones over the next 12 months which serve as major positives for Abom.** The Company plans to close a \$6M funding, will become an approved military vendor in its category, should receive multi-million dollar military orders and end the next fiscal year EBITDA-positive.

**An innovative tech firm with 24 patents awarded and 32 pending, Abom's offerings have major advantages over other approaches, including an active heat technology anti-fog platform, long battery life, and high quality lenses.**

**We project that sales will rise from \$8.8M in the next fiscal year to \$73.2M in 3 years, with EBITDA of \$16.8M.** Also, sales could reach hyper-growth levels as Abom enters the smart eyewear and AR/VR market.

**Using a conservative discount rate, we project current post-money fair value for Abom of \$26.7M and a 3-year projected value of \$183M.** With a critical mass of sales from multiple channels ahead, tremendous IP and an innovative product roadmap we believe Abom will emerge as an attractive acquisition target that could command a premium valuation.

## COMPANY OVERVIEW

### The Skinny

Tracing its roots to 2011, **Abom, Inc.** is primed to disrupt and expand key wearable technology vertical markets. In our view, Abom's unique platform and vertical market roadmap lead to a series of inflection points, beginning with increased meaningful sales later this coming fiscal year (which starts April 1, 2018). Future catalysts include building on its leadership in battery powered heated anti-fog eyewear industry with penetration into the growing smart eyewear and AR/VR arena, which could culminate in the Company's IPO and acquisition.

Leveraging an innovative technology platform that boasts 24 issued patents and 32 pending, Abom is a wearable technology company that designs, markets and sells innovative, active anti-fog technology products for use in eyewear applications. The Company's current target markets represent a combined \$5 billion+ opportunity and include military and industrial/safety protective eyewear, along with snow sports and other sports accessories.

Abom's novel active heat technology, along with other competitive advantages position the Company's flagship products *ABOM ONE* and *ABOM HEET*, as popular and highly rated snow sport goggles. Future versions and next generation products primarily target the military and safety segments and fulfill a critical unmet need for users while offering a rich feature-set at reasonable prices.

### The Backstory

In 2011, Abom's President and co-founder, an avid skier, got fed up with foggy goggles while on the slopes. A number of goggles claimed to be 'anti-fog'-- none of which met expectations. A quick survey of the snow sport eyewear market indicates that the traditional approach was originally focused on fog resistance rather than anti-fog.



Led by 2 other founders, the 3 partners sought a way to get heat into a goggle and Abom's predecessor company was formed. The breakthrough Abom technology addresses the "fog" issue before it occurs with active anti-fog goggle heating units that are continuously powered thereby eliminating condensation before it starts. This clever method has proven highly effective and appears simplistic in its approach.

(Think of the rear window defogger feature on your car.) However, since 2012 Abom has spent nearly \$4M in R&D and IP to perfect the superior functionality, features, form factors, etc.

Varying fog resistant approaches in this space by industry leaders including Smith, ESS, Uvex and others include the incorporation of vents, micro fans, and hydrophilic fog coating on soft acetate plastic inner lenses. These solutions are lacking in efficacy. By the time fog has occurred, it is already too late. Plus, the lenses have a short lifespan as they are susceptible to scratching and general lens damage. Micro fans have their own issues. They tend to be noisy and are prone to malfunction. For these and other reasons, major verticals such as the military and prospective users have an aversion to these types of anti-fog eyewear.

Conversely, Abom's approach places an invisible electrically-conductive film between a two-part lens. Controlled by a micro-controller, the battery sends a current through the film to heat the lens and keep fog away all day. As a result, Abom's products offer active (and on-demand) anti-fog protection, harder, more durable, high quality lenses, long, battery life, and one button operation.

### The Opportunity

The Company's technology platform and functionality can be used with varying form factors and with additional features (Bluetooth, sensor tracking, microphone) as a smart eyewear platform with functions required by the eyewear application. Abom clearly has an opportunity to garner meaningful market share in the estimated \$500M snow sports market, in which it began to record sales in 2015. However, since the Company offers such a rare combination of form and function, large-scale orders in the military, safety/industrial/ markets offer low-hanging fruit, and with fewer marketing dollars associated with their sale. Thus, we believe that orders for tens of thousands of units from the military will begin to occur inside of the next year. Other verticals, including non-snow sports, medical and other segments also offer revenue potential as well.

Looking ahead, we believe that the Company's strength in design, technology, form and features will enable it to enter into licensing or partnership agreements in the smart eyewear and AR/VR (augmented reality/virtual reality) segments, which are slated to enjoy hyper growth in the coming years. In fact, this segment alone could provide outsized gains for Abom. We are clearly not alone as the Company has raised over \$10M to date, including from highly regarded angel investor groups, such as the Keiretsu Forum.

### The Model

The Abom revenue model is fairly straightforward. The Company sells both direct and through channel and wholesale partners, including dozens of dealers in North America and abroad for the snow sport market. Abom sells direct or through sales partners in the military marketplace and only direct in the industrial safety market sector while it develops sales partners in this sector in 2018 (with multiple parties in discussions). Retail pricing for snow sports goggles ranges from \$250 - \$289, while industrial/safety and military products retail for over \$400 per unit in some configurations. Leveraging its technology, the Company also records OEM, licensing and royalty fees, although this line item should trend at lower run rates than pure sales.

Going forward, it is anticipated that sales to the military and tactical markets – which will include varying form factors and functions – will dominate sales, followed closely by significant growth safety/industrial and snow and other sports. As result, we believe that for the fiscal year beginning April 2018, Abom will record several million dollars in military sales along with EBITDA profitability. We should note that our model does not break out revenue by form; i.e., smart eyewear, potential licensing or AR-related products, which we believe could be a huge revenue driver as broad adoption occurs in the next few years. Thus, investors should view market penetration in this segment as a bonus.

We currently project revenue will reach \$8.8M in sales and \$302,000 in EBITDA in the next fiscal year, with revenue topping over \$73M in 3 years, along with \$16.8M in EBITDA, a 23% margin. These figures are subject to change based upon the timing of worldwide military and tactical orders ramp up post projected issuance of Authorized Protective Eyewear List (APEL) status for Abom in late 2018.

### The Valuation

In our view, Abom has an enviable positioning which should result in an IPO and then an acquisition in the next few years, commanding a premium valuation. Our sentiment is based on typical quantitative metrics as well as the evolution of enterprise wearables applications. Today, the Company has a deep IP portfolio in a space in which it is highly regarded and fulfills unmet needs in varied, multi-billion dollar markets. The Company seeks to raise up to \$6M in equity to grow the business, satisfy expected orders from a growing snow sports and safety business, and satisfy large military orders that could range from \$10M-\$20M in value each year (projected to start in the next 12-15 months), as well as perform next generation product R&D and build out its sales and customer support force.

As noted above, we forecast \$73M in sales 3 years from today with EBITDA of \$16.8M. Sales from the military are projected to account for slightly more than half of total sales. Given the high concentration of sales to the military market (with a primary customer with over 25% of the sales in the channel, though to several divisions therein, i.e. the US military and the remainder to domestic tactical purchasers, i.e. local and regional police forces and international government military purchasers outside of the US), and that there are at times delays associated with sales to this government channel, we assign a present value of 26.7M to Abom, on a post-money basis. This figure is derived by discounting the sales forecast back 3 years with a 40% discount rate. If the sales and EBITDA estimates hold, we believe that Abom could be afforded a valuation of around \$183M in 3 years. This figure is based upon (what would be) 2.5x trailing 12-month revenue of \$73M in 3 years' time, which is affirmed by an 11x EBITDA multiple on the \$16.8M projection.

It should be noted that we modeled preliminary figures for FY21 and FY22; however, we elected not to use these figures in our valuation theses at this time. This decision reflects the anticipated shifts in the wearables industry whereby Abom could enjoy a re-valuation. It is our contention that while the current model offers strong top-line growth and very healthy margins, Abom's technology platform will likely begin to play a major role in the higher valuation smart eyewear and AR wearables segment as broad adoption occurs during FY20, which would warrant a higher overall value for the Company.

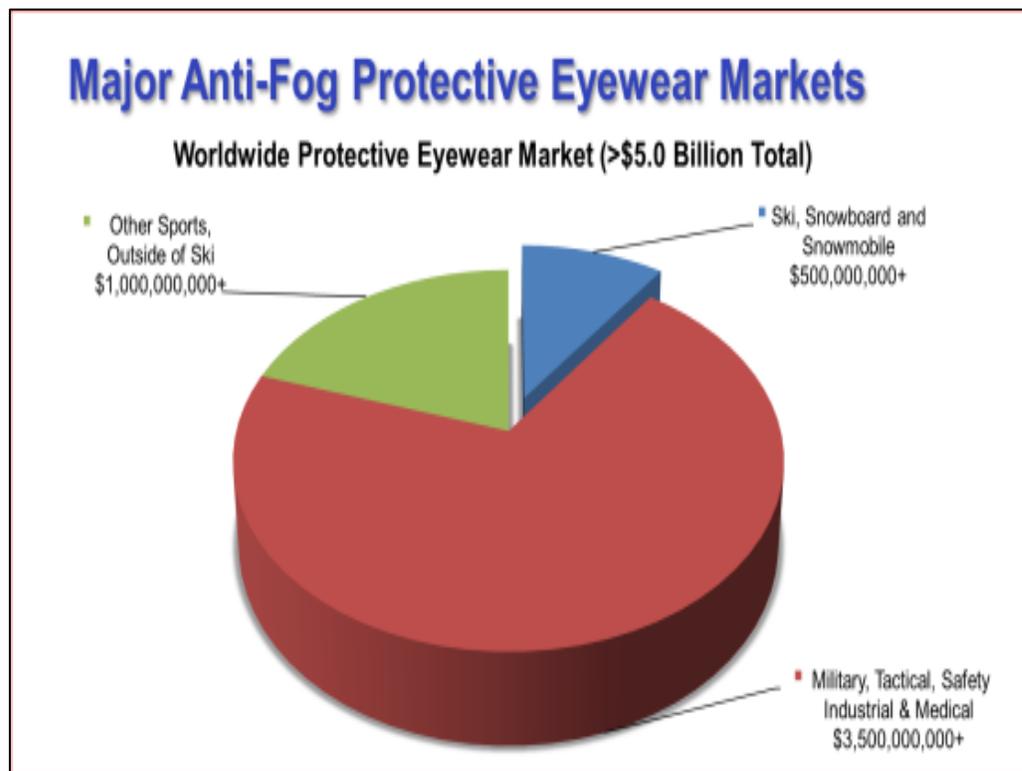
We envision that during this period Abom will emerge as an attractive takeover target for a variety of firms in the space due to its heavy IP and highly effective platform technology. Prospective acquirers include major players in the consumer and commercial eyewear arena such as Safilo, Uvex and Essilor/Luxottica Group. Abom will also likely catch the eye of hyper-growth, high-end smart eyewear and AR and VR firms seeking to own an early functional advantage over competing wearables firms like **Vuzix (NASDAQ – VUZX – NR)** which caters to the commercial/enterprise market. Given the expected critical mass of commercial sales to the military and industrial segments, it is possible that Abom could be the "prettiest girl at the dance," for firms of varying sizes and competencies and may ultimately command a valuation higher than the projected value noted above.

## INDUSTRY OVERVIEW

The size of the overall global eyewear industry is likely well over the \$100 billion mark. Unlike many markets, there truly is one 800 pound gorilla that dominates the space. Luxottica and Essilor have just received EU and U.S. approval for their merger, and the combined company controls over 80% of optometrists and own Pearle Vision, Lenscrafters, Sunglass Hut, and popular brands Oakley and Ray-Ban. While the combined company is the dominant consumer eyewear group, Abom

essentially directly competes with Essilor in the military and safety arena, and Oakley in the military and snow sports verticals. The Safilo Smith Optics division also competes in both of these segments. Uvex, among others participates in the safety/industrial space, for the most part, along with the snow sports vertical.

For the purposes of this report, we have elected to focus on the \$5B+ “niche”, anti-fog eyewear segments within this overall industry in which Abom is expected to garner meaningful market share. These include snow sports, non-snow sports, military, industrial/safety, first responders, and augmented reality (AR). As the Company broadens its technology platform and product offerings, it will compete head-to-head against these and other players, depending upon the applications and functions.



*Figure 1: Near Term Target Markets*

Source: Abom, Inc.

### Military



Clearly the military segment is the Company's most important target market for growth in the next few years. Transparency Market Research recently issued a market report on the military eyewear market, which includes sunglasses, goggles, shields, safety glasses, and night vision eyewear systems. In the report, the company notes that one of the challenges militaries across the globe are seeking to

overcome is fogging, along with abrasion caused from the elements and scratching.

Vendors seeking to sell Military Combat Eye Protection (MCEP) products to the U.S. military must first be qualified as an "Approved Protective Eyewear List (APEL). One major positive for companies such as Abom is the fact that these procurements are streamlined---products purchased for all military branches goes through one group based in Fort Belvoir, VA. After working on military/tactical product development and US military processes for approximately three years, Abom is slated to join this list for its flagship cold weather military goggles in late 2018, with larger procurement orders expected in early 2019 and some smaller orders expected prior to 2019.

The approved list is relatively small in our view, with 15 types of goggles produced by Essilor and Oakley (part of Essilor/Luxottica Group post completion of the acquisition, which is expected to culminate around mid-2018), Smith Optics, Revision, Honeywell, and Wiley. This "smallish" direct competitor list is a key, understated positive for Abom. Moreover, we believe that the novel active heat technology in the Abom products holds considerable advantages over competitors' offerings in several environments and it is not uncommon for the U.S. military to procure tens of thousands of units to newly approved vendors followed by regular annual orders of similar numbers of units (since regular maximum replacement cycles of such equipment are required – every six months for lenses and every two years for goggles). This cycle of purchasing would serve both as a great start in building the Abom military installed base and in growing its orders over time in this market segment (as adoption expands along with reorders).

In terms of revenue opportunity, roughly 20% of the 15M members of American armed forces and its allies are likely candidates for Abom anti-fog products, with that number to rise, going forward. This is due to the migration from warm weather (desert) to cold weather (winter) deployments (where fogging is more prevalent), night vision device propagation in Special Forces and other active duty units, added

functionality that improve the field of view and other factors. For now, the likely market opportunity totals \$1.35 billion, with sales driven by the U.S military, its worldwide military allies, and police and homeland security units that procure in part based on what the US military buys in the personal protective equipment arena.

### Industrial/Safety

According to a 2017 Research and Markets report, the global protective eyewear market is expected to reach \$2.79 billion in 2024. North America and Europe likely serve as the largest markets for these products, followed by Asia, as regulatory agencies and corporations seek to improve worker safety, with efficacy and comfort of protective eyewear secondary concerns. Essilor, Honeywell, 3M, Uvex and others lead market share in this segment and given the environments in which Abom products could be used (i.e., oil and gas) the market size is estimated to be 1 million workers, representing a \$350M opportunity.



### First Responders

A sleeper market for protective eyewear such as the Abom anti-fog offerings, first responders including police and firefighters routinely struggle with eyewear fogging. We believe that Abom will focus its efforts in the U.S. on the state and local level, where as many as 2 million units could be purchased for a roughly \$600M market opportunity and later expand to the international market in this segment, expanding its overall market opportunity as Abom grows.

### Snow Sports

With thousands of units sold and tremendous reviews from users and influencers, more than 10% of the 115 million skiers and snowboarders reside in North America, which is a great benefit to the Company. Interestingly, by reviewing sales penetration by competitors such as Oakley, Smith Optics, Uvex and others, the snow goggle market worldwide is roughly \$500M. Abom sells its flagship snow sport active anti-fog goggles direct to consumers and through dealers.

### Other Sports

Clearly sports such as scuba diving, swimming, motocross racing are low hanging fruit for the retail market and with other segments, the usual cast of characters lead the branding and utilization but are primed to be replaced by Abom's superior offerings.

### Augmented Reality and Smart Eyewear

According to Wikipedia: "**Augmented reality (AR)** is a live direct or indirect view of a physical, real-world environment whose elements are "augmented" by computer-generated perceptual information, ideally across multiple sensory modalities... The primary value of Augmented reality is that it brings components of the digital world into a person's perception of the real world, and does so not as a simple display of data, but through the integration of immersive sensations that are perceived as natural parts of an environment... Augmented reality is used to enhance the natural environments or situations and offer perceptually enriched experiences. With the help of advanced AR technologies the surrounding real world of the user becomes interactive and digitally manipulable."

According to Wikipedia: "**Smartglasses** or **smart glasses** are wearable computer glasses that add information alongside or to what the wearer sees. Superimposing information onto a field of view is achieved through an optical head-mounted display (OHMD) or embedded wireless glasses with transparent heads-up display (HUD) or augmented reality (AR) overlay that has the capability of reflecting projected digital images as well as allowing the user to see through it, or see better with it. Like other computers, smartglasses may collect information from internal or external sensors. It may control or retrieve data from other instruments or computers. It may support wireless technologies like Bluetooth, Wi-Fi, and GPS." For purposes of this report, we call this general category "smart eyewear" as it goes beyond glasses to include goggles, eye shields and other form factors.



In smart eyewear and AR environments, head-mounted displays (HMDs), head-up displays (HUDs) and smart glasses are used to project AR images and/or other information. Tractica predicts smart glasses deployments in the enterprise will leap from 100,000 in 2016 to 3 million in 2018 and 22 million+ in 2022. The enterprise is

expected to drive the market with millions of users in warehouse, field service, maintenance, and other enterprise users all incorporating the devices. Today, the enterprise is just beginning to explore pilot projects. Leading players include **Google** (Glass) (**NASDAQ – GOOG - NR**), **Microsoft** (Hololens) (**NASDAQ – MSFT - NR**), **Sony** (**NYSE – SNE – NR**), and a whole host of AR-focused firms such as **Vuzix** (**NASDAQ – VUZX – NR**), a publicly-traded pure play that trades 10x 2018 projected sales. Vuzix is a leading supplier of Smart-Glasses and Augmented Reality (AR) technologies and products for the consumer and enterprise markets. The Company's products include personal display and wearable computing devices that offer users a portable high-quality viewing experience, provide solutions for mobility, wearable displays and virtual and augmented reality.

So where does Abom fit in with smart eyewear and AR/VR?

While we review the product roadmap in the next section, it is important to note that Abom is not a one-trick pony. It is not just a provider of active anti-fog goggles. The Company's strength in innovation and R&D enable the Abom platform to design and market eyewear in different form factors with cutting edge features and functionality that can be stand-alone or incorporated into existing eyewear products of prospective partners. Given the huge growth expected in the AR glasses arena, which dovetails with the Abom roadmap, we expect Abom will begin to play a role in the deployment of smart eyewear and AR in the enterprise, while it achieves critical mass of sales and status in the military, industrial, and sports segments.

## THE ABOM APPROACH

The genesis of Abom came from a passion for skiing and a common problem faced by a multitude of snow sports enthusiasts: foggy goggles. Founder David McCulloch recruited inventor Jack Cornelius and presented the challenge in 2011. Together with intellectual property protection manager Howard Russell, the three men pursued thin-film transparent heaters and lithium battery technology and formed Abominable Labs in 2012. In 2014, Don Megrath joined the team and Abom, Inc. was founded with Abominable Labs, LLC remaining a wholly-owned subsidiary. The Company brought its first products to the market for the snow sport enthusiast in 2015 and it has developed a solid reputation and growing customer base since. The Company has even been involved in OEM work for other firms.

Abom, Inc. is a wearable technology company that is in the business of inventing, producing, marketing and selling innovative anti-fog technology products in eyewear markets. Abom's team has invented and patented an active anti-fog technology that will not allow fog to survive in sports or industrial protective eyewear. The two primary eyewear Abom products, *ABOM ONE* and *ABOM HEET* are currently

designed for use in snow sports and other periphery activities, military and tactical applications, and safety/industrial uses.

The ABOM goggle incorporates an invisible, transparent, conductive film between a two polycarbonate anti-scratch lenses. The micro-controller, which utilizes proprietary software, sends a signal to the lithium-ion battery unit which in turn charges and sends a current through the film to heat the lenses and keeps fog off of them. The battery is re-chargeable in two and a half hours from a micro-USB port and can be used for six hours of constant use.

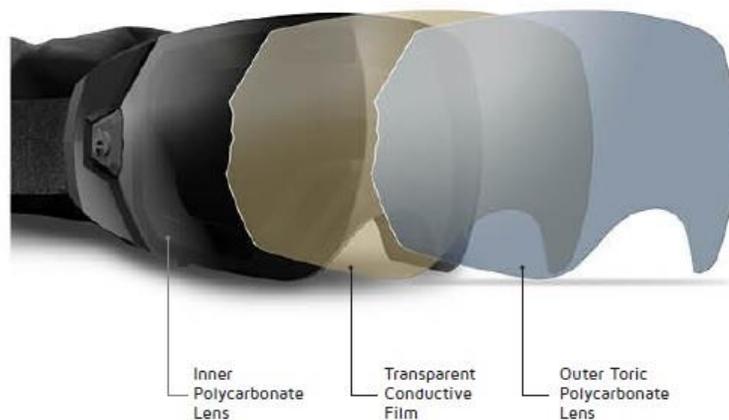


Figure 2: Abom Technology

Source: Abom, Inc.

The ABOM goggles operate in two distinct modes to optimize user visibility and battery usage. *On-Demand Mode* de-fogs at the user's direction. The heating unit then remains on for a period of ten minutes before shutting off to conserve battery use. The battery can last over a week on a single charge depending on the conditions. *Always-On Mode* operates exactly how it sounds, always on. The battery can last up to ten hours without a re-charge. When the operator is in *Always-On Mode* an amber indicator light is visible and in *On-Demand Mode* a blue indicator lights up. In both modes, a quick tap at any time creates a heat burst to deal with excessive fog. Finally, a red indicator light begins to blink if battery power drops below 10%.

The first product to the market was the *ABOM ONE*, introduced in 2015. The *ABOM HEET* was released in 2017 and is smaller than *ONE* and includes a humidity sensor to activate the anti-fog heater along with other innovations in its electronics package. The *HEET* design makes possible a low profile, lightweight design that rides closer to your eyes and adeptly fits the contours of the user's face. Additionally, the Company has developed the *Abom Cold Weather Mobility* goggle system tailored specifically for military and industrial uses. The patented *ABOM* technology makes it impossible

for fog to penetrate the inner surface of the eyewear. Retail pricing for snow sports goggles ranges from \$250 - \$289, while industrial/safety and military products retail for over \$400 per unit in some configurations.

The intellectual property portfolio for Abom is tremendously impressive and keeps growing. It is highlighted with twenty-four (24) patent issues, thirty-two (32) patents in application pending status, and forty-eight (48) trademark applications. The figure below is an exhibit illustrating some of these outstanding achievements in both the United States and internationally with some patent reference numbers.



A brief summary of the patents and pending patents in the following areas are listed below:

- Heating systems
- Batteries
- Lens design
- Anti-fogging
- Electronics

## LOOKING AHEAD

Abom is reminiscent of 1990's military technology companies that were wildly successful in commercializing their products for enterprise sales. Although the technology concept began on the consumer side which has since been more than proven, we view Abom as a company on a multi-stage path:

Military → Industrial → Consumer → Innovative AR for Enterprise → IPO/M&A

Today, the Company's existing platform features the no-fog goggle, lithium-ion powered battery, micro controller with proprietary software, active and on-demand modes, feature-rich lenses, and other benefits. Approximately 10,000 units of the snow sport models have been sold to rave industry and user reviews and are currently available online and through dozens of dealers and specialty shops.

Ahead of joining the APEL, whereby it can then formally sell to the U.S. military for large Department of Defense orders (some government agencies, such as special operations and DHS can buy prior to APEL status), the Company has formalized sales alliances with ADS, Inc. for military sales, distribution across the globe, and an 8 person shared direct sales team for snow sports sales. Peter Pace, former Chairman of the Joints Chief of Staff and an Abom board member, and other parties that Abom is poised to bring on board in greater capacities in the next few weeks, such as Joe Austin, should also play a role in the Company's endeavors in growing the military market. Ned Post, former President of Smith Sport Optics and an Abom board member, and other parties that Abom is working with will continue to play a role in the Company's endeavors in growing the snow sports market. Moreover, there are a number of reference accounts with Fortune 100 companies for use in industrial/safety applications and multiple parties focused on the industrial safety markets are in current discussions to potentially work with Abom to accelerate its safety product sales growth, which should bear fruit next year.

Future development includes several demand-driven added functions and features that are primed to drive smart eyewear product extensions and market growth and consumer brand loyalty for Abom. These include a sensing, computing, heads-up display system. Additionally, Bluetooth connectivity, accelerometer and GPS, and ultraviolet and infrared light detection are currently in the works. Finally, enhanced communications, a video module, and an eye-tracking sensor are technologies the Company wishes to add to the already impressive feature-set.

Finally, in addition to closing out a \$6M equity fundraising in the spring of 2018, we expect that once the Company has a critical mass of 12-months sales management may consider taking Abom public, ahead of a possible sale to an acquirer.

## ABOM LEADERSHIP TEAM

Abom boasts an enviable leadership team which includes executives at the C-level as well as those with a history of successes as entrepreneurs, and in the technology, financial, consumer, and sports recreation, military and legal fields.

### **Jack Cornelius: Chief Executive Officer, Board Member and Co-Founder**

Mr. Cornelius has greater than 30 years of experience inventor, founder and leader with startups and in large companies rolling out new products & technologies. He has served

as Abom's Chief Executive Officer and one of its board members its founding in April 2014 after serving earlier as one of the founders and managers of Abominable Labs, LLC since its founding in 2012 (Abominable Labs, LLC is now a wholly-owned subsidiary of Abom, Inc.). A visionary and inventor, Jack Cornelius, has changed the way people use technology to improve their lives and is one of the primary inventors of Abom's technology. As an Enterprise Certified Network Engineer, Jack has authored numerous training books, holds several patents, and industry certifications. After a couple of years of electrical engineering classes Jack left Clackamas Community College and built his own computer lab. Two years later he started his own consultancy creating graphics and data management tools for industry leaders including NASA, Monsanto, Boeing, Ford, National Institute of Health, U.S. Geological Services, U.S. Navy, GM, Kodak, Lockheed, GTE, EMI, Monsanto, Fender, ITT, Goodyear, U.S. Naval Academy and others. Jack's creations have also been used by music industry giants, such as Cheap Trick, The Police, Toto, The Doors, Frank Zappa, Heart, The Cars, Queen, The Rolling Stones and others. He has traveled internationally over a million miles to roll out new products and technologies for industry leaders Hewlett-Packard and Intel. Later he founded a financial services internet startup which grew from one person (Jack) to 120 people in 14 months and was subsequently acquired by a major financial services company. For the last five years prior to founding Abom, Inc. in 2014, Jack partnered with intellectual property attorney Howard Russell creating patent portfolios for high-tech companies. Jack produced a highly effective IP strategy where multiple aspects of an invention are patented separately for multiple clients, which has also been executed as part Abom's strategy. Jack lives with his wife and their two sons in Lake Oswego, Oregon.

### **David McCulloch: Board Chairman, President and Co-Founder**

Mr. McCulloch has greater than 30 years of experience in building and leading businesses and accelerating sales growth. David McCulloch is the original idea guy behind the anti-fog technology that Abom has created and is bringing to market. His enthusiasm for creating a true no-fog ski goggle, leadership and support have been key ingredients to make Abom, Inc. what it is today. David serves as Abom's Board Chairman and President. Mr. McCulloch has served on Abom's board since its founding in April 2014 after serving earlier as one of the founders and managers of Abominable Labs, LLC since its founding in 2012. Between graduating with a BS in Business at Fresno State College in 1971 and getting an MBA from the University of California in 1977, David McCulloch began his career with Wickes Lumber Company where he held various managerial positions. David worked as a manager at a variety of lumber companies for the next ten years which included his own company, Yosemite Builders and Supply Company, from 1983-1985. After getting involved in sales for a two technology companies (Dataline, a division of Convergent Technologies and Denver-based Computer System Dynamic), David went back to school and received a minor emphasis in Real Estate Investment from the University of Colorado, Boulder. Since then David has worked in the Real Estate industry, and currently is the trustee of the Katherine Marsh Bird Trust, which has a primary investment focus in multi-family

residential real estate. Up until its purchase by Fidelity Capital in 2008, for several years David was a board member for Lanoga Corporation, which was at the time the third largest professional building materials dealer in the US. David also is an active volunteer, from leading a Boy Scouts of America Troop as Scoutmaster for several years to being an Entrepreneurship Founder for the BYU Marriot School of Business and other positions. David and his wife are the proud parents of three children and reside in Lake Oswego, Oregon from which David is known to launch multiple ski adventures to different leading ski resorts each winter.

### **Vince O'Malley: Chief Technology Officer**

Mr. O'Malley has greater than 20 years of experience in leading engineering and product development efforts in businesses. Vince O'Malley joined Abom, Inc. as our first dedicated Chief Technology Officer in June, 2014. Vince is responsible for the overall product development of the Abom goggle and other products as well as the detailed design of the underlying electronics that are encased within Abom's products. Vince first engaged with Abom in 2013 as an electronics engineering consultant to help develop Abom first goggle prototype. His research and detailed product design skills have significantly shaped the direction and design of the current Abom goggle. Prior to his engagement with Abom, Vince performed detailed electronics design services across a variety of consumer electronics products for various companies including Intel, Cellpoint, and Fuse ID. Prior to starting his electronics consulting business, Vince was the Vice President of Video Systems Engineering for Omneon Video Networks, which was purchased by Harmonic Inc. in 2011. In his role with Omneon he was responsible for managing a team of 60 engineers in the company's Portland office. During his tenure, he grew this team from 25 to 60 engineers and lead the team in the development of multiple generations of Omneon's widely deployed video server system. Prior to Omneon, Vince held various engineering management positions at nCUBE, including VP, Engineering. As VP, Engineering he was responsible for as many as 120 engineers and all aspects of product development for nCUBE's Video On Demand system targeted at the Cable TV industry. NCube was ultimately purchased by C-COR. Vince lives in the Portland, Oregon area with his wife and children from which each winter he and his family enjoy multiple visits to local and regional ski areas.

### **Don Megrath: Chief Financial Officer, Secretary and Co-Founder**

Mr. Megrath has over 25 years of experience in board, finance and operational roles in a variety of industries and disciplines, including finance, information technology, strategic planning and implementation, operations, investment banking, business development and corporate development. He has served as Abom's CFO since its founding in April 2014 after serving earlier with Abominable Labs, LLC in an advisory capacity. On October 7, 2016 he added the corporate Secretary role and title. Don is also the co-founder of VectorPoint Ventures where he brings his extensive experience in growth capital investing, portfolio company management, entrepreneurship and finance to bear. Earlier in his career, he founded technology and media start-ups and held key

management positions in other middle market companies, including serving as VP Finance, CFO and board director positions in private and public companies. Before his most recent endeavors, he served over 5 years as a Senior Associate with a Portland-based investment manager where he also at times served as an officer or director in certain portfolio companies and where he was actively involved in structuring and closing over \$100 million in total financing in over 50 transactions, including preferred equity, senior debt, and mezzanine debt financing in middle market private and public companies in a variety of industries. Prior to his work with the investment manager, Mr. Megrath served 8 years in the CFO and Vice President Operations roles at Integrated Information Systems, Inc. (publicly traded) and STEP Technology, Inc. Prior to serving at STEP, Don began his career in business to business marketing as a producer, director and owner in four media services companies. Mr. Megrath invested in his education at Oregon State University (undergraduate) and Portland State University (graduate), and for each area of study finished university work at George Fox University, obtaining a BA degree in Telecommunications and an MBA. Don is a member of the Keiretsu Forum Angel Investment Group (formerly President of the Portland, Oregon Chapter) and Financial Executives International. Don lives in the Portland, Oregon area with his wife and two sons and regularly finds time for adventures in the Pacific Northwest outdoors with his family and friends.

**Joe McNeal: Director of Strategic Product Development**

Mr. McNeal has over 35 years' experience in snow sports, military and other product development. He has served as an Abom team member since July 2016. Previously, Joe served as the Direct of Product Development and Director of Research and Development for Smith Sport Optics for 21 years. Prior to his tenure at Smith Sport Optics he was involved in many capacities at Scott USA, including Line Worker, Production Forman, Manager of QC Department, Product Manager Ski Boots, Product Manager Boots and Goggles, Product Manager Boots, Goggles and Ski Poles, Product Manager Winter Sport Products, and Director of Research and Development. In the middle of his tenure at Scott USA, Joe helped develop one of the first companies developing and selling mountain bikes in the US, from 1979 to 1981. Prior to starting at Scott USA in 1972, Mr. McNeal was in the US Naval reserve for three years. Joe McNeal is inventor or co-inventor named in seventeen patents and has an extensive track record of innovation in military and active consumer sports protective eyewear innovation. Joe has a Bachelor of Arts degree from the University of Virginia. He is an avid mountain biker, skier and outdoorsman and lives with his wife in Ketchum, Idaho.

**Eric H. Hanson MD, MPH: Global Military / Tactical Sales Executive**

Dr. Eric Hanson has over 25 years of experience serving in U.S. Air Force (USAF) and continues working daily with DoD researchers and scientists to identify technologies that serve our military personnel. He has served as an Abom advisor and team member since fall 2014. Dr. Hanson is a dual-board certified physician with Preventive Medicine and Aerospace Medicine residency training. He has a Masters of Public Health (MPH)

degree in epidemiology with a genetics concentration from Johns Hopkins University. He is a former USAF Senior Flight Surgeon with operational training/experience and over 750 flying hours in 36 different aircraft. He served as the Division Chief for Science & Technology and the Chief of Operational Biotechnology and Genomics at the USAF Surgeon General's office where he performed technology assessments, research oversight and funding prioritization. In this position, he also served as the USAF lead for the Congressionally Directed Medical Research Programs (CDMRP). Dr. Hanson was the original author of the Epidemic Outbreak Surveillance (EOS) biodefense program that utilized highly multiplexed microarrays to diagnose 59 upper respiratory infection pathogens and 193 serotype, strain, and strain variants with forensic sequence information in eight hours. Microarrays comprised one component of this "systems of systems" biodefense program and Dr. Hanson directed the ethical/legal/social domains and the FDA regulatory filings for the Investigational Device Exemption (IDE). Following service in the USAF, he founded Advanced Medical Imaging and Genetics (Amigenics) to translate imaging, genetic/genomics and internet-based tools into clinical practice. During this time, he also founded and has continuously served as the CEO for Tier 7 Research and Development. Tier 7 is a biomedical business development company that connects civilian industry with technologies, resources and researchers in the Department of Defense, Veterans Affairs and other Federal Agencies. Tier 7 is a service-disabled veteran-owned small business (SDVOSB)-certified company and Dr. Hanson maintains a Top Secret security clearance at the Joint Personnel Adjudication System. Dr. Hanson has been awarded over \$58 million in research grants as a principal investigator. He has four books, two dozen peer-reviewed articles and eight patents. He is an affiliate Associate Professor and Graduate Faculty Advisor at Oregon Health & Science University in the Department of Medical Informatics and Clinical Epidemiology (DMICE) and is also an adjunct Associate Professor at the University of Nevada Las Vegas in the Department of Health Physics and Diagnostic Sciences. He also serves on the Oregon Translation Research and Development Institute Bioscience Incubator (OBI) advisory board as a BioMentor and in the investment and partnership subcommittees. Eric lives in the Portland, Oregon area with his wife and family.

**Joe Austin: Advisor and Global Military / Tactical Sales Executive**

Joe Austin has over 40 years of experience serving in the U.S. Army and business. Most recently, he is a Management Consultant specializing in sales, marketing, and procurement strategies for companies that seek success in the government market sector. He has served as an Abom advisor and team member starting in 2018. In 1998 he founded Government Marketing and Procurement (GMP), a Service Disabled Veteran Owned Small Business and a government technology solutions provider delivering breakthrough technology including military and medical equipment, information technology software, hardware, and services/support solutions to federal, state and local government agencies. In 2003 GMP was awarded a GSA Information Technology Schedule and in 2015 was the largest Service Disabled Veteran Owned Small Business Schedule holder for IT products in the US with over \$15 million in

Schedule sales. In 2012 GMP was recognized by INC. Magazine as #593 on the INC 5000 Fastest Growing Companies in the US. GMP was acquired in a private sale in 2015. Prior to founding GMP in 1998, Mr. Austin was Senior Vice President, Interface, Inc., where he was responsible for federal marketing and sales activities in the energy, defense and environmental sectors. In this capacity, he was directly responsible for over 150 million dollars in federal contract awards for Interface clients. From 1970-1991 he served on active duty as a Regular Army Officer in the United States Army. From 1970 to 1981 he served as an Armor Officer and Aviator in the 1st Armored Division, 82nd Airborne Division and 24th Infantry Division. After attending advanced civil schooling and the Armed Forces Staff College, he graduated from the Austrian General Staff College and served from 1984 to 1986 in the Office of the Deputy Chief of Staff for Operations and Plans as an Army Strategist. He spent his last five years of service in the Office of the Secretary of the Army as a Legislative Liaison Officer to both the Senate and House of Representatives. In this capacity he was responsible for such diverse activities as Interparliamentary Exchanges, Army Intelligence Programs, and Special Actions for the Secretary of the Army. He retired from the Army in 1991 with the rank of Lieutenant Colonel. Mr. Austin graduated from Virginia Tech with a B.A., Indiana University with a M.A. and is a graduate of the Advanced Management Program of the Harvard Business School

### **Bryan Greear: Advisor and Technology Platform Expert**

An Abom advisor since 2017, Mr. Greear is a business executive with over 25 years of experience in the identification, evaluation, development and implementation of semiconductors and electronics hardware programs. His areas of expertise include: consumer electronics product development; global sales and business development; partner/alliance development; IP licensing and contract development marketing operations, strategic sourcing and quality engineering; NPI product launch management; and supply chain management. SME in product management and preparation of technical sales and marketing tools leading to fast time-to-market results and successful product road-mapping analysis. He has in depth experience with IP licensing, new product launch engineering, and product road-map development while working at numerous Fortune 100 companies worldwide. Mr. Greear has recent experience in creating growth strategies involving bioinformatics data collection, business processes analysis and documentation support for operations quality system development. He is highly experienced with Asia market sourcing and international market project management providing operations support using SCRUM team management methodologies for new product roadmap execution. He has vast experience directing multiple technology partnerships and alliances leading to strategic sourcing relationships and IP licensing partnerships in more than 12 countries globally.

### **Marty Carrigan: Global Sales & Licensing Executive**

Mr. Carrigan has greater than 30 years of experience in leading sales and marketing in the ski, snowboard and the outdoor active lifestyle business. Marty Carrigan joined the

Abom team in the summer of 2014. Marty and his sales team at Sales Guys (dba Global Sales Guys) bring specialty products for specialty shops in a full service global sales and marketing management agency whose non-traditional executive leaders and managers provide an affordable result driven solution that is an excellent alternative to the old and more costly business model of delivering sales for small brands. This team's major value-add and secret sauce are the broad connections they have with buyers and others in the ski / snowboard and the outdoor active lifestyle business. Before founding Global Sales Guys in 2008, Marty was Vice President of Global Sales and Marketing at Boa Technology, Inc. for three years. Before his tenure at Boa, Marty served as Vice President of Global Sales and Operations at Palmer Snowboards for seven years starting in 1998, where he also was responsible for licensing. At Morrow Snowboards Marty was Vice President of Global Sales and Marketing for five years starting in 1993, where he was part of the executive team that grew the company from a garage to 32 million dollars in sales and took the company public with Smith Barney. He cut his teeth in the ski business at Hart Ski Company in sales and marketing for nine years starting in 1984. With offices and a showroom in Denver, Marty lives in Steamboat Springs, Colorado with his wife and children and regularly enjoys time on the slopes and water with his family and friends.

### **Howard Russell: IP Counsel, Treasurer and Co-Founder**

Mr. Russell has over 20 years of experience as an intellectual property attorney, having practice in patent and trademark prosecution, and IP litigation. Howard has served as Abom's Intellectual Property Counsel and Treasurer since its founding in April 2014. From founding until October 7, 2016 he was also an Abom board member, but stepped down when Abom completed the first closing of its Series I Preferred financing and three outside directors joined Abom's board. Earlier, he served as one of the founders and managers of Abominable Labs, LLC since its founding in 2012. Howard graduated with honors, Juris Doctor cum laude, from the J. Reuben Clark Law School at Brigham Young University in 1989. Howard's undergraduate Bachelors of Science degree was obtained in 1986 in the field of Design Engineering Technology, BSEDET, also from BYU. It was here that Howard developed his understanding and passion for computer-aided mechanical design and the patent law process. Out of school, Howard went to work for the 125+ patent attorney intellectual property law firm of Arnold, White and Durkee (now Arnold and Porter) in Houston, Texas. After working there over 2 years, Howard relocated to his home town of Portland, Oregon where he worked for 4 years as in-house counsel at the software development and technical training firm Zydigo Technologies, Inc. Later he worked in a larger law firm setting, at Schwabe, Williamson & Wyatt for 2 years, and since then he has worked at his own sole practice law firm for 14 years. Howard enjoys outdoor recreational and fitness-related activities, including skiing, golf and training for marathons. He is an active volunteer in his church, Boy Scouts and in the community. Howard and his wife are parents to five children in varying stages of life, ranging from Jr. High School to married and in college.

**Crystal Sharkey, MBA: Production Manager and Controller**

Mrs. Sharkey has over 10 years' experience in business including Accounting, Operations, and Human Resources. Crystal became an Abom team member in October 2016. She has been responsible for Accounting, sales orders, fulfillment, the warehouse, customer service, and hiring seasonal staff. Previously, Crystal's experience included 9 years in the US Navy. During Operation Enduring Freedom she served onboard the USS Carl Vinson. Her military career included many firsts for women since her field was a ratio of 10 males to 1 female. She was the first female in her department, first female enlisted Targeteer, first female manager and the first female to work directly with the Admiral and Chief of Staff. Crystal received training from the US Marine Corps, Defense Intelligence Agency, and National Security Agency. Crystal led 35 military staff in a Top-Secret environment where new military technology was being tested. Following the Navy, Crystal earned a Bachelors in Business from Pfeiffer University. While in college she worked as a Forensic Accountant. Crystal performed analytical work involving advanced mathematics for the Department of Insurance and State of California. Her passion for mathematics and problem solving led her to earn a double master's degree in Finance and Business from Marylhurst University. With an MBA, she served as a Funds Controller for the US Department of Energy where she managed Billions of dollars. At the end of 2014, Crystal relocated to Portland Oregon. She began a career working with startups and also met her husband. Crystal enjoys swimming, running, and cycling. Her favorite activity includes fat tire cycling in the snow. She and her husband volunteer their time building mountain bike trails and supporting the local non-profit bicycle shops.

**Toren Orzeck: Advisor, Industrial Design and Mechanical Engineering**

Toren Orzeck: Principal of Portland, Oregon design studio FUSE, which he co-founded with in 1996. For over 20 years the studio has specialized in industrial design and product development. In that time, they have designed everything from slick looking lockboxes for General Electric and shoes for Nike and Keen, to furniture for Herman Miller and several product designs for Abom. He has also done work for Intel, In Focus, Fiskars, Patagonia, Gerber, HP, Building Industry Products, An industry veteran and a highly creative mind, Toren's has garnered several patents and awards.

**Peter Pace, Board Director**

Originally an Abom, Inc. advisor, General Pace also joined Abom's Board of Directors in October 2016. Peter is a retired United States Marine Corps General, sixteenth Chairman of the US Joint Chiefs of Staff. He also serves as advisor or board member at several respected corporations or non-profit organizations, including Pelican Products and ILC Industries, Inc. (both Behrman Capital portfolio companies). Pace was the first Marine officer appointed as chairman, and the first Marine officer to be appointed to three different four-star assignments; the others as the 6th Vice Chairman of the Joint Chiefs of Staff from October 1, 2001, to August 12, 2005, and as Commander-in-Chief, U.S. Southern Command from September 8, 2000, to September 30, 2001. Appointed

chairman by President George W. Bush, Pace succeeded U.S. Air Force General Richard Myers on September 30, 2005. Secretary of Defense Robert Gates announced on June 8, 2007, that he would advise the President to not re-nominate Pace for a second term. Pace retired from the Marine Corps and stepped down as chairman on October 1, 2007. After his retirement ceremony, Pace left to visit the Vietnam Veterans Memorial in Washington, D.C. There, he left several handwritten notes with a set of his general's rank insignia attached to each one.

**Ned Post, Board Director**

Originally an Abom, Inc. advisor, Mr. Post also joined Abom's Board of Directors in October 2016. A former Senior Executive Outdoor – Lifestyle – Sporting Goods – Eyewear Industries, President of Smith Sport Optics for 21 years. Ned spent more than 20 years as president of Smith Optics, transforming it from a \$15 million goggle company to a \$110 million global outdoor and lifestyle accessories business. Post spearheaded Smith's expansion of its sunglass, optical eyewear, winter and bike helmet and military eye protection businesses. A Harvard Business School graduate, Post has spent more than 35 years in the international outdoor and sport space, including presidential roles at Scott USA and Wilson Sporting Goods. Post has also served on the board of a number of industry organizations, including Snow Sports Industries of America (SIA), and he has become a household name and major influencer in the outdoor industry.

**Greg Van Gasse, Board Director**

Greg joined Abom's Board of Directors in October 2016. Now retired, Mr. Van Gasse has over three decades of experience with global brands in the footwear industry and in personal care products. His footwear career began as SVP with Florsheim, where he was responsible for Marketing, Sales, and Strategic Planning. In 1998, he was hired as President of Brown Branded to turnaround their \$300 million portfolio of women's brands that included Naturalizer, which he built into the #2 brand of women's footwear. Mr. Van Gasse was President and CEO of Dr. Martens footwear, where he returned the brand to profitability, and relocated manufacturing from the UK to Asia. Mr. Van Gasse has successfully led divisions of Fortune 500 companies, including his global management experience with Colgate-Palmolive and Unilever and has successfully launched and re-launched some of the world's best-known brands. Greg has an MBA in Marketing from Michigan State University, and an BA in Business Administration from Central Michigan University.

## FINANCIALS

Clearly, savvy investors see the huge upside inherent in Abom. The Company has raised just over \$10M to date, including from highly regarded angel investor groups, such as Keiretsu Forum. Thus far, management has been judicious in spending, in our view. The Company has spent roughly \$4M on R&D and related IP for its technology platform, and has essentially had a burn-rate average of \$150K-\$175K burn rate per month since 2012 (with periods of less than a \$125K burn rate at times to address capital availability and other factors), which is about average for a company of this type and stage. The Abom revenue model is fairly straightforward. The Company sells both direct and through channel and wholesale partners, including dozens of dealers in North America and abroad for the snow sport market. Retail pricing for snow sports goggles ranges from \$250 - \$289, while industrial/safety and military products retail for over \$400 per unit in some configurations. Leveraging its technology, the Company also records OEM, licensing and royalty fees, although this line item should trend at lower run rates than pure sales.

Going forward, it is anticipated that sales to the military, which will include varying form factors and functions will dominate sales, followed by safety/industrial and snow and other sports. As result, we believe that for the fiscal year beginning April 2018, Abom will record several million dollars in military sales (from orders totalling in the tens of thousands of units) along with EBITDA profitability. We should note that our model does not break out revenue by form; i.e., smart eyewear and glasses, potential licensing or AR-related products, which we believe could be a huge revenue driver as broad adoption occurs in the next few years. Thus, investors should view market penetration in this segment as a bonus.

We currently project revenue will reach \$8.8M in sales and \$302,000 in EBITDA in the next fiscal year, with revenue topping \$73M in 3 years, along with \$16.8M in EBITDA, a 23% margin. These figures are subject to change based upon the timing of the military orders, which can be susceptible to periodic delays, and other factors. These figures are very achievable and reflect the closing of an upcoming \$6M fundraising round in the spring of this year. Note that our forecasts for FY21 and FY22 are preliminary and are subject to change based upon timing and magnitude of military orders as well as progress on the smart eyewear and AR/VR front.

<b>Abom, Inc.</b>						
Historical & Projected Income Statement						
(\$, thousands)						
	<u>FY17E</u>	<u>FY18E</u>	<u>FY19E</u>	<u>FY20E</u>	<u>FY21P</u>	<u>FY22P</u>
<b>Revenue</b>						
Snow Sports	\$489	\$1,779	\$5,274	\$10,100	\$20,500	\$30,800
Other	\$35	\$368	\$2,259	\$7,698	\$10,400	\$17,200
Military	\$6	\$5,509	\$24,400	\$41,800	\$63,700	\$82,000
Industrial	\$3	\$1,178	\$6,638	\$13,600	\$20,400	\$27,000
<b>TOTAL REVENUE</b>	<b>\$533</b>	<b>\$8,834</b>	<b>\$38,571</b>	<b>\$73,198</b>	<b>\$115,000</b>	<b>\$157,000</b>
<b>Cost of Sales</b>	\$420	\$4,000	\$13,494	\$24,486	\$36,500	\$47,000
<b>Gross Profit</b>	\$113	\$4,834	\$25,077	\$48,712	\$78,500	\$110,000
<i>Gross Margin</i>	21%	55%	65%	67%	68%	70%
<b>Operating Expenses</b>						
Research & Development	\$203	\$1,005	\$3,930	\$6,994	\$10,300	\$13,300
Sales & Marketing	\$376	\$1,391	\$6,376	\$12,494	\$20,100	\$27,500
General & Administrative	\$1,206	\$2,136	\$6,274	\$12,409	\$18,500	\$24,600
<b>TOTAL OPERATING EXPENSES</b>	<b>\$1,785</b>	<b>\$4,532</b>	<b>\$16,580</b>	<b>\$31,897</b>	<b>\$48,900</b>	<b>\$65,400</b>
<i>Opex as a Perc of Rev</i>	335%	51%	43%	44%	43%	42%
<b>EBITDA</b>	<b>(\$1,672)</b>	<b>\$302</b>	<b>\$8,497</b>	<b>\$16,815</b>	<b>\$29,600</b>	<b>\$44,600</b>
<i>EBITDA Margin</i>	-314%	3%	22%	23%	26%	28%
NOTES:						
Abom is on a March 31 Fiscal Year						
"P" denotes preliminary forecasts.						
Figures may not add due to rounding.						
Source: Abom, Inc. and Marble Arch Research, Inc.						

Figure 3: Abom P&L

## RISK FACTORS

As a low-revenue company, Abom faces a number of hurdles, including platform and new product development, new channel sales, signing up new partners, along with financial issues and others. One major risk is the susceptibility related to the timing and magnitude of military sales as well as sales to major industrial companies, as Abom has shifted some of its sales focus to “whale hunting” in the industrial safety and military verticals versus pure consumer product marketing and wholesale sales focus in the snow sports vertical. Other risks include competition from current or new entrants into the field as well as the timing of the current or future funding rounds. Nonetheless, given the Company’s current standing, approach, innovation and a deep, enviable leadership team, we do not believe that funding itself may be a risk, merely the timing of closing. In any event, all of these risk factors are commensurate with companies of Abom’s size and standing.

## VALUATION AND CONCLUSION

Abom has a series of milestone events ahead, including:

- Closing a \$6M Series A-2 round
- Joining the military’s APEL
- Garnering first large military orders
- Introducing new industrial/safety products and expanding distribution in this market
- Achieving EBITDA profit next fiscal year
- Building next gen offerings including smart eyewear and AR/VR
- Going public
- Being acquired

In our view, Abom has enviable positioning which should result in an IPO and then an acquisition in the next few years, commanding a premium valuation. Our sentiment is based on typical quantitative metrics as well as the evolution of enterprise wearables applications. Today, the Company has a deep IP portfolio in a space in which it is highly regarded and fulfills unmet needs in varied, multi-billion dollar markets. The Company seeks to raise up to \$6M in equity to satisfy an expected initial large orders from the military that could range from \$10M-\$20M in value, as well as perform next generation product R&D and build out its sales and customer support force.

As noted above, we forecast \$73M in sales 3 years from today with EBITDA of \$16.8M. Sales from the military are projected to account for slightly more than half of total sales. Given the high concentration of sales to the military market (with a

primary customer with over 25% of the sales in the channel, though to several divisions therein, i.e. the US military and the remainder to domestic tactical purchasers, i.e. local and regional police forces and international government military purchasers outside of the US), and that there are at times delays associated with sales to this channel, we assign a present value of \$26.7M to Abom, on a post-money basis. This figure is derived by discounting the sales forecast back 3 years with a 40% discount rate. If the sales and EBITDA estimates hold, we believe that Abom could be afforded a valuation of around \$183M in 3 years. This figure is based upon (what would be) 2.5x trailing 12-month revenue of \$73M in 3 years' time, which is affirmed by an 11x EBITDA multiple on the \$16.8M projection.

It should be noted that we modeled preliminary figures for FY21 and FY22; however, we elected not to use these figures in our valuation theses at this time. This decision reflects the anticipated shifts in the smart eyewear and wearables industry whereby Abom could enjoy a re-valuation. It is our contention that while the current model offers strong top-line growth and very healthy margins, Abom's technology platform will likely begin to play a major role in the higher valuation AR wearables segment as broad adoption occurs during FY20, which would warrant a higher overall value for the Company.

We envision that during this period Abom will emerge as an attractive takeover target for a variety of firms in the space due to its heavy IP and highly effective platform technology. Prospective acquirers include major players in the consumer and commercial eyewear arena such as Safilo, Uvex and Essilor/Luxottica Group. Abom will also likely catch the eye of hyper-growth, high-end smart eyewear and AR and VR firms seeking to own an early functional advantage over competing wearables firms like Vuzix which caters to the commercial/enterprise market. Given the expected critical mass of commercial sales to the military and industrial segments, it is possible that Abom could be the "prettiest girl at the dance" for firms of varying sizes and competencies and may ultimately command a valuation higher than the projected value noted above.



## SENIOR ANALYST: ROBERT GOLDMAN

Rob Goldman joined Marble Arch Research as Managing Director, Research, in 2016. In 2009, he founded and still operates Goldman Small Cap Research and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

## ANALYST CERTIFICATION

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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