

INITIATION OF COVERAGE

Equity | Investment Company/ Private Equity

**1847 Holdings LLC.**  
**(NYSEAM:EFSH; Target Price: \$10.0)**

This is our first report on 1847 Holdings, a publicly traded diversified acquisition holding company that is focused on acquiring controlling stakes in small business enterprises or lower-middle market businesses with a high intrinsic value for reasonable multiples of cash flow and then deploy resources to strengthen the infrastructure and systems of those businesses in order to improve operations. It has a unique approach of SMB private equity type investing and provides capital market investors with the ability to have access to a diversified portfolio of high-cash-flow-generating SMBs. The company was recently in the news for announcing its plan to divest one of its key holdings, 1847 Asien Inc., a provider of a broad range of appliance services. The objective of this report is to delve into the operations of the company and evaluate its investment potential.

**INVESTMENT THESIS**

This is our first report on 1847 Holdings and we look to provide a detailed account of the drivers that will propel the stock in the near future. The core of 1847 Holdings' strategy lies in the extensive investment experience and execution capabilities of its management team, which have historically led to value-oriented acquisitions and appreciable value creation across a portfolio of small businesses. The company benefits from a robust national network established through a multi-platform marketing strategy, enabling close relationships with a vast array of intermediaries, seasoned executives, and business owners. This network not only facilitates a disciplined deal sourcing approach, generating a large number of attractive acquisition opportunities but also enhances the company's differentiated acquisition capabilities. 1847 Holdings' approach is characterized by creative acquisition structures, conservative capitalization, and the engagement of seasoned operating partners to drive operational improvements and strategic growth initiatives. Overall, we believe that 1847 Holdings has phenomenal growth prospects and is an excellent investment prospect. Baptista Research looks to evaluate the different factors that could influence 1847 Holdings' price in the near future and attempts to carry out an independent valuation of the company using a Discounted Cash Flow (DCF) methodology to determine a suitable price for the company's stock.

**COMPANY OVERVIEW**

1847 Holdings LLC is a New York-based holding company operating using a private equity investment model by acquiring and effectively managing a variety of small businesses across multiple sectors. With operations spanning Retail and Appliances, Custom Carpentry, Automotive Supplies, and Eyewear segments, the company has carved out a niche in offering specialized products and services. In Sonoma County, California, its Retail and Appliances segment excels in providing comprehensive appliance solutions, including sales, installation, and repair services. Meanwhile, the Custom Carpentry segment delivers bespoke woodwork, ranging from doors and cabinets to bookcases and fireplace mantles. The Automotive Supplies division is known for its innovative horn and safety products catering to a wide array of vehicles and industrial equipment, alongside essential emergency lighting solutions. Additionally, the Eyewear Products segment meets consumer demands for over-the-counter eyewear and health items, including reading glasses and protective face masks, underscoring 1847 Holdings LLC's adaptability and commitment to diversification since its inception in 1948.

**Key Report Highlights**

Industry View:	Attractive
Stock Rating:	Buy
Price Target:	\$10.00
Current Price:	\$3.05
52-Week-Range:	\$1.22 - \$169.00

<b>Annual Income Statement</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>
Revenues	48.93	66.21	90.00
Cost of Goods Sold	-33.23	-42.93	-57.73
Gross Income (excl. D&A)	82.16	109.15	147.73
EBITDA	-3.70	-4.01	14.27
EBIT (incl. extraordinary exp)	-5.74	-6.34	11.64
Net Income	-10.16	-13.56	4.64
Cash from Operations	-4.13	-3.01	11.81
Free Cash Flows	-4.39	-3.25	11.58

<b>Growth &amp; Margins</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>
Sales Growth	59.6%	35.3%	35.9%
EBITDA Margin	-7.6%	-6.1%	15.9%
EBIT Margin	-11.7%	-9.6%	12.9%
Net Profit Margin	-20.8%	-20.5%	5.2%

## KEY FACTORS DRIVING THE COMPANY'S PERFORMANCE

<b>1.</b>	<b>SOLID INVESTMENT STRATEGY</b>
<b>2.</b>	<b>DIVERSIFIED PORTFOLIO OF ASSETS</b>
<b>3.</b>	<b>HUGE MARKET OPPORTUNITY</b>
<b>4.</b>	<b>A UNIQUE INVESTMENT STYLE</b>
<b>5.</b>	<b>EXPERIENCED MANAGEMENT TEAM</b>

### Solid Investment Strategy

- 1847 Holdings LLC is focused on acquiring small businesses in promising sectors without over-leveraging, a practice distinguishing it from peers who often depend heavily on debt.
- By capping its debt to EBITDA ratio at a conservative 1.25x to 1 for operating subsidiaries, 1847 Holdings aims to maintain financial flexibility and ensure sustainable growth, eschewing the pitfalls of excessive leverage which can stifle operational dynamism and lead to adverse outcomes irrespective of underlying business profitability.
- The holding company's management strategy is directed towards bolstering the performance of its investee companies organically and through strategic add-ons.
- This approach is underpinned by a belief in the transformative power of intellectual capital to enhance business operations and drive earnings growth.
- A key aspect of the firm's operational philosophy involves supporting acquired businesses through comprehensive management support, including incentive programs, financial discipline, growth strategy development, and operational optimization.

- This hands-on approach extends to recruiting experienced managers and forming robust subsidiary boards, aiming to instill a culture of excellence and strategic focus.
- 1847 Holdings targets the fragmented market of small businesses, identifying opportunities to acquire at attractive multiples and leverage its managerial expertise for operational improvements and strategic expansions.
- 1847 Holdings' acquisition strategy is carefully crafted to target stable, cash-flow positive small businesses across a variety of industries, from business services to consumer products and niche manufacturing. These targets are selected for their potential to generate attractive returns and benefit from 1847 Holdings' operational and strategic interventions.
- The management also exhibits a pragmatic approach to capital raising for acquisitions, opting for debt financing at the operational level, equity offerings, or asset sales, reflecting a flexible and strategic approach to funding growth.
- Lastly, 1847 Holdings' philosophy encompasses a long-term view towards ownership and operational growth, with the potential for strategic divestitures to optimize its business portfolio and shareholder returns.

## Investment Highlights

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Source: Company Presentation

## Diversified Portfolio Of Assets

### Asien Appliances

- Asien's, has established itself as a cornerstone in the appliance sector in the North Bay area of Sonoma County, California, since 1948. Asien's, one of the oldest and most esteemed appliance retailers in the San Francisco Bay Area, has contributed significantly to the company's revenue, accounting for 21.8% and 41.6% of total revenues in the years ended December 31, 2022, and 2021, respectively.
- In the nine months ended September 30, 2023, this segment provided 12.9% of the company's revenues, demonstrating a strategic emphasis on growth and market share expansion.
- The company's operations encompass a broad spectrum of appliance services, including sales, delivery and installation, in-home service and repair, extended warranties, and financing options, all aimed at delivering personalized sales and exceptional service at competitive prices.
- With a strong foothold in the community, Asien's benefits from robust relationships with homeowners, builders, and designers, and leverages its membership in BrandSource to offer an extensive range of products and services from top U.S. and international brands.
- This solid foundation is enhanced by 1847 Holdings' management team's extensive experience in scaling high-growth retail operations, positioning Asien's for continued success and a more dominant presence in its market.
- 1847 Holdings LLC recently announced its plan to divest its subsidiary, 1847 Asien Inc., a provider of a broad range of appliance services. This decision, as outlined by CEO Ellery W. Roberts, is anticipated to significantly reduce the company's expenses by approximately \$10.9 million annually and lower its total liabilities by around \$4.5 million, marking a pivotal step towards optimizing shareholder value and concentrating on core business lines.

### Acquisition of Asien's Appliance

In May 2020, 1847 acquired Asien's Appliance for an aggregate purchase price of approximately \$2.1 million

Brief Overview	Acquisition Details																																										
																																											
<ul style="list-style-type: none"> <li>Asien's has been in business since 1948 serving the North Bay area of Sonoma County, California</li> <li>It provides a wide variety of appliance services, including sales, delivery/installation, in-home service and repair, extended warranties, and financing</li> <li>Its focus is delivering personal sales and exceptional service to its customers at competitive prices</li> <li>Established strong relationships with customers and contractors in the community and provide products and services to a diverse group of customers, including homeowners, builders, and designers</li> </ul>	<table border="1"> <thead> <tr> <th colspan="2" style="background-color: #2c4e64; color: white;">Purchase Consideration at Fair Value:</th> </tr> </thead> <tbody> <tr><td>Common Shares</td><td style="text-align: right;">\$ 1,037,500</td></tr> <tr><td>Notes Payable</td><td style="text-align: right;">855,000</td></tr> <tr><td>Cash Paid to Seller (Post-Closing)</td><td style="text-align: right;">233,000</td></tr> <tr><td>Amount of Consideration</td><td style="text-align: right; border-top: 1px solid black;">2,125,500</td></tr> <tr> <th colspan="2" style="background-color: #2c4e64; color: white;">Assets Acquired &amp; Liabilities Assumed at Fair Value:</th> </tr> <tr><td>Cash</td><td style="text-align: right;">\$ 1,501,285</td></tr> <tr><td>Account Receivable</td><td style="text-align: right;">235,746</td></tr> <tr><td>Inventories</td><td style="text-align: right;">1,457,489</td></tr> <tr><td>Other Current Assets</td><td style="text-align: right;">41,427</td></tr> <tr><td>Property &amp; Equipment</td><td style="text-align: right;">157,052</td></tr> <tr><td>Customer Related Intangibles</td><td style="text-align: right;">462,000</td></tr> <tr><td>Marketing Related Intangibles</td><td style="text-align: right;">547,000</td></tr> <tr><td>Accounts Payable &amp; Accrued Expenses</td><td style="text-align: right;">(280,752)</td></tr> <tr><td>Customer Deposits</td><td style="text-align: right;">(2,405,703)</td></tr> <tr><td>Notes Payable</td><td style="text-align: right;">(509,272)</td></tr> <tr><td>Other Liabilities</td><td style="text-align: right;">(23,347)</td></tr> <tr><td>Net Assets Acquired</td><td style="text-align: right; border-top: 1px solid black;">\$ 1,182,925</td></tr> <tr><td>Total Net Assets Acquired</td><td style="text-align: right;">\$ 1,182,925</td></tr> <tr><td>Consideration Paid</td><td style="text-align: right;">2,125,500</td></tr> <tr><td>Goodwill</td><td style="text-align: right; border-top: 1px solid black;">\$ 942,575</td></tr> </tbody> </table>	Purchase Consideration at Fair Value:		Common Shares	\$ 1,037,500	Notes Payable	855,000	Cash Paid to Seller (Post-Closing)	233,000	Amount of Consideration	2,125,500	Assets Acquired & Liabilities Assumed at Fair Value:		Cash	\$ 1,501,285	Account Receivable	235,746	Inventories	1,457,489	Other Current Assets	41,427	Property & Equipment	157,052	Customer Related Intangibles	462,000	Marketing Related Intangibles	547,000	Accounts Payable & Accrued Expenses	(280,752)	Customer Deposits	(2,405,703)	Notes Payable	(509,272)	Other Liabilities	(23,347)	Net Assets Acquired	\$ 1,182,925	Total Net Assets Acquired	\$ 1,182,925	Consideration Paid	2,125,500	Goodwill	\$ 942,575
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<ul style="list-style-type: none"> <li>Operates <b>one of the area's oldest appliance stores</b> and are well known and highly respected throughout the North Bay area</li> <li><b>Strong, established relationships</b> with customers and contractors in the community</li> <li>Provides products and services to a <b>diverse group of customers</b>, including homeowners, buildings, and designers</li> <li>As a member of BrandSource, a buying group that offers vendor programs, factory direct deals, marketing support, opportunity buys, close-outs, consumer rebates, finance offers, and similar benefits, Asien Appliances offers a <b>full line of top brands</b> from U.S. and international manufacturers</li> </ul>	    <p>Refrigeration    Laundry    Cooking    Housewares</p>    <p>Dishwashers    Outdoor    Small Appliances</p>																																										

Source: Company Presentation

## WOLO Manufacturing Corp.

- WOLO Manufacturing Corp., a pioneering force in horn technology and vehicle emergency warning lights, has been delivering top-tier products for cars, trucks, and industrial equipment for over 45 years.
- Based in Deer Park, New York since its inception in 1965, WOLO operates as a crucial segment of the automotive supplies business, contributing 13.3% and 18.6% to total revenues in the years ending December 31, 2022, and 2021, respectively.
- With a product lineup that includes electric, air, truck, marine, motorcycle, and industrial equipment horns, alongside emergency and safety warning lights, WOLO has established a robust presence in the automotive and industrial aftermarket.
- This business segment caters to a diverse clientele, including big-box national retail chains, specialty and industrial distributors, online and mail order retailers, as well as original equipment manufacturers (OEMs).
- Despite the fluctuations in revenue contributions over recent periods—6.6% and 13.0% of total revenues for the nine months ended September 30, 2023, and 2022, respectively—WOLO continues to stand as a key player in its field, with revenues of \$6,489,088 and \$5,716,031 for the years ended December 31, 2022, and 2021, and \$3,507,383 and \$5,114,755 for the nine months ended September 30, 2023, and 2022.

## Acquisition of Wolo

In March 2021, 1847 acquired Wolo for an aggregate purchase price of approximately \$8.3 million

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<ul style="list-style-type: none"> <li>• Wolo designs and sells horn and safety products (electric, air, truck, marine, motorcycle and industrial equipment), and offers vehicle emergency and safety warning lights for cars, trucks, industrial equipment and emergency vehicles</li> </ul> 	<ul style="list-style-type: none"> <li>• Focused on the automotive and industrial after-market, we sell our products to big-box national retail chains, through specialty and industrial distributors, as well as on-line/mail order retailers and OEMs</li> <li>• With a stellar reputation for innovative design, our current product line consists of over 455 products, including 54 patented products, as well as over 90 exclusive trademarks</li> </ul>																																						
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<ul style="list-style-type: none"> <li>• Revenues from the automotive supplies segment decreased by \$606,630, or 40.7%, to \$883,080 for the three months ended September 30, 2023, from \$1,489,710 for the three months ended September 30, 2022. The decline in revenues was primarily attributed to ongoing supply chain delays with manufacturers and decreased customer demand.</li> <li>• Cost of revenues for the automotive supplies segment decreased by \$241,731, or 27.9%, to \$625,841 for the three months ended September 30, 2023, from \$867,572 for the three months ended September 30, 2022.</li> </ul>	<table border="1"> <thead> <tr> <th style="background-color: #4F81BD; color: white;">Lighting</th> <th style="background-color: #4F81BD; color: white;">Horns</th> <th style="background-color: #4F81BD; color: white;">Alarms / Sirens</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Lighting	Horns	Alarms / Sirens																																			
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Source: Company Presentation

## ICU Eyewear

- Founded in 1956 and based in Hollister, California, ICU Eyewear Holdings Inc. ("ICU") stands as a prominent provider in the eyewear industry, specializing in reading glasses, sunglasses, and a selection of health and personal care products.
- With an extensive portfolio that includes 10 brands and over 3,000 SKUs, ICU caters to a diverse customer base across more than 7,500 retail locations nationwide.
- The company distinguishes itself by achieving significant market penetration across all major retail channels in the U.S., including grocery, specialty, office supply, pharmacy, and outdoor sports stores, a feat unmatched by other over-the-counter (OTC) eyewear suppliers.
- Since its acquisition in the first quarter of 2023, the eyewear products segment operated by ICU has contributed approximately 21.5% to the company's total revenues for the nine months ending September 30, 2023.
- ICU's innovative approach extends to its product line, offering non-prescription reading glasses, sunglasses, blue light blocking eyewear, sun readers, outdoor specialty sunglasses, and select health and personal care items like surgical face masks, serving big-box national retail chains, distributors, and direct online consumers.
- This strategy has enabled ICU Eyewear to generate significant revenues, underlining its robust position in the market.

## Acquisition of ICU Eyewear, a Leading Eyewear Designer

In Feb 2023, 1847 acquired ICU Eyewear for an aggregate purchase price of approximately \$4.5 million

Brief Overview	Acquisition Details																																		
 <ul style="list-style-type: none"> <li>• ICU Eyewear Holdings Inc. was founded in 1956 and is headquartered in Hollister, California</li> <li>• ICU Eyewear is a recognized leading designer of Over-the-Counter (OTC), non-prescription reading glasses, sunglasses, blue light blocking eyewear, sun readers and outdoor specialty sunglasses</li> <li>• ICU is the only OTC eyewear supplier in the U.S. to have meaningful penetration in all significant retail channels including grocery, specialty, office supply, pharmacy, and outdoor sports stores</li> <li>• ICU's line of distinctive eyewear has earned itself the title of #1 provider of OTC eyewear at Target</li> </ul>	<p><b>Purchase Consideration at Fair Value:</b></p> <table border="1"> <tr><td>Common Shares</td><td style="text-align: right;">\$ 4,000,000</td></tr> <tr><td>Notes Payable</td><td style="text-align: right;">500,000</td></tr> <tr><td><b>Amount of Consideration</b></td><td style="text-align: right;"><b>4,500,000</b></td></tr> </table> <p><b>Assets Acquired &amp; Liabilities Assumed at Fair Value:</b></p> <table border="1"> <tr><td>Cash</td><td style="text-align: right;">\$ 963,625</td></tr> <tr><td>Account Receivable</td><td style="text-align: right;">2,077,905</td></tr> <tr><td>Inventories</td><td style="text-align: right;">10,432,728</td></tr> <tr><td>Other Current Assets</td><td style="text-align: right;">130,094</td></tr> <tr><td>NBV PP&amp;E</td><td style="text-align: right;">304,256</td></tr> <tr><td>Intangibles Assets</td><td style="text-align: right;">3,700,000</td></tr> <tr><td>Other Assets</td><td style="text-align: right;">74,800</td></tr> <tr><td>Line of Credit</td><td style="text-align: right;">(2,872,206)</td></tr> <tr><td>Accounts Payable</td><td style="text-align: right;">(5,643,970)</td></tr> <tr><td>Accrued Liabilities</td><td style="text-align: right;">(191,726)</td></tr> <tr><td><b>Net Assets Acquired</b></td><td style="text-align: right;"><b>\$ 8,975,505</b></td></tr> <tr><td><b>Total Net Assets Acquired</b></td><td style="text-align: right;"><b>\$ 8,975,505</b></td></tr> <tr><td><b>Consideration Paid</b></td><td style="text-align: right;"><b>4,500,000</b></td></tr> <tr><td>Goodwill</td><td style="text-align: right;">\$ 0</td></tr> </table>	Common Shares	\$ 4,000,000	Notes Payable	500,000	<b>Amount of Consideration</b>	<b>4,500,000</b>	Cash	\$ 963,625	Account Receivable	2,077,905	Inventories	10,432,728	Other Current Assets	130,094	NBV PP&E	304,256	Intangibles Assets	3,700,000	Other Assets	74,800	Line of Credit	(2,872,206)	Accounts Payable	(5,643,970)	Accrued Liabilities	(191,726)	<b>Net Assets Acquired</b>	<b>\$ 8,975,505</b>	<b>Total Net Assets Acquired</b>	<b>\$ 8,975,505</b>	<b>Consideration Paid</b>	<b>4,500,000</b>	Goodwill	\$ 0
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<ul style="list-style-type: none"> <li>• Revenue in Excess of \$19.0 million and \$1.7 million of Adjusted EBITDA in 2021</li> <li>• ICU has developed a highly profitable and sustainable business model, with solid financials, positive EBITDA and gross margin of approximately 40%</li> <li>• ICU has 10 brands and a comprehensive and innovative product offering of over 3,000 SKUs across the reading glass, sunglass, and health &amp; personal care segments</li> <li>• ICU's customer base consists of a broad range of national, regional and specialty retailers comprising over 7,500 retail locations</li> </ul>	<div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%; text-align: center;">  <p>Readers</p> </div> <div style="width: 50%; text-align: center;">  <p>Sun</p> </div> <div style="width: 50%; text-align: center;">  <p>Personal Care</p> </div> <div style="width: 50%; text-align: center;">  <p>Outdoor</p> </div> </div>																																		

Source: Company Presentation

## Construction Businesses – Kyle's, High Mountain and Innovative Cabinets

- 1847 Holdings operates its construction business through three subsidiaries: Kyle's, High Mountain, and Innovative Cabinets, all contributing significantly to the company's revenue.
- Kyle's, based in the Boise, Idaho area and the greater Reno-Sparks-Fernley metro area in Nevada, offers a comprehensive range of finished carpentry products and services. This includes doors, door frames, base boards, crown molding, cabinetry, and more, catering primarily to large homebuilders, homeowners, and commercial and multi-family developers.
- The company is well-positioned to benefit from the strong housing demand driven by out-of-state immigration into Idaho, with plans to expand capacity and broaden its product line and sales channels.
- High Mountain serves a different segment of the construction industry, focusing on windows, doors, hardware, millwork, and other standard carpentry needs. While offering a selection of products directly online, High Mountain caters to a broader range of building needs, indicating a flexible, customer-focused approach.
- Innovative Cabinets & Design, based in Reno, NV, specializes in custom cabinetry, offering exceptional craftsmanship and customer service for homes and businesses across northern Nevada. Their mission emphasizes delivering high-quality cabinets, countertops, and custom designs tailored to the unique needs of each location.
- Together, these three construction businesses accounted for a substantial portion of 1847 Holdings' revenue, marking 64.9% and 39.8% for the years ended December 31, 2022, and 2021, respectively.
- For the nine months ended September 30, 2023, and 2022, they constituted 59.1% and 65.9% of total revenues, respectively. The construction segment alone generated \$31,768,907 and \$12,203,890 for the years ended December 31, 2022, and 2021, respectively, and \$31,647,199 and \$26,000,227 for the nine months ended September 30, 2023, and 2022, showcasing a significant growth trajectory and an essential contribution to the company's overall performance.

## Acquisition of High Mountain Door & Trim, Inc. and Innovative Cabinets & Design

In October 2021, 1847 acquired High Mountain Door & Trim, Inc. & Innovative Cabinets & Design for an aggregate purchase price of approximately \$15.4 million

### Brief Overview



- High Mountain specializes in all aspects of finished carpentry products and services, including doors, door frames, base boards, crown molding, cabinetry, bathroom sinks and cabinets, bookcases, built-in closets, fireplace mantles, etc., working primarily with large homebuilders of single-family homes and commercial and multi-family developers
- Sierra Homes d/b/a Innovative Cabinets & Design specializes in custom cabinetry and countertops for a client base consisting of single-family homeowners, builders of multi-family homes, as well as commercial clients

### Financial Highlights<sup>(1)</sup>

- Revenues from the construction segment increased by \$1,182,633, or 11.8%, to \$11,230,579 for the three months ended September 30, 2023, from \$10,047,946 for the three months ended September 30, 2022. The increase in revenues was primarily attributed to an increase in new multi-family projects and an increase in the average customer contract value.
- Cost of revenues for the construction segment decreased by \$1,072,127, or 16.4%, to \$5,472,716 for the three months ended September 30, 2023, from \$6,544,843 for the three months ended September 30, 2022.

### Acquisition Details

Purchase Consideration at Preliminary Fair Value:	
Cash	\$ 10,687,500
Notes Payable, Net of Debt Discount	4,753,673
Amount of Consideration	\$ 15,441,173
Assets Acquired & Liabilities Assumed at Preliminary Fair Value:	
Cash	\$ 208,552
Accounts Receivable	1,042,194
Inventory	1,848,729
Contract Assets	367,177
Other Current Assets	80,771
Marketing Intangible	1,610,000
Customer Intangible	4,843,000
Property & Equipment	610,882
Operating Lease Assets	831,951
Other Assets	-
Accounts Payable & Accrued Expenses	(1,207,424)
Contract Liabilities	(3,770,081)
Deferred Tax Liabilities	(1,670,000)
Lease Liabilities	(856,377)
Financing Leases	(18,600)
Loans Payable	(204,399)
Net Tangible Assets Acquired	\$ 3,716,375
Total Net Assets Acquired	\$ 3,716,375
Consideration Paid	15,441,173
Preliminary Goodwill	\$ 11,724,798

### Services & Products



- Entry & Interior Doors
- Windows
- Millwork
- Showers



- Custom Cabinetry
- Custom Countertops
- Home, Office, & Other Renovations



Source: Company Presentation

## Huge Market Opportunity

- 1847 Holdings LLC strategically positions itself within the fragmented small business acquisition market, focusing on enterprises valued under \$50 million to leverage significant opportunities for growth and value creation.
- This approach capitalizes on the market's inefficiencies, where smaller businesses often command lower acquisition multiples compared to their larger counterparts.
- Factors such as limited buyer competition, constrained financing options for acquisitions, sellers' non-economic considerations, and a less frequent use of auction sales processes contribute to more favorable purchase conditions.
- 1847 Holdings leverages its management team's extensive network of business brokers, investment bankers, and other professionals to identify and secure these opportunities, underscoring the strategic advantage held by the firm in navigating this space.

- The company's belief in its potential to enhance the operational performance of acquired businesses further bolsters its strategy. With a history of acquiring entities from seasoned entrepreneurs or corporate parents, 1847 Holdings sees ample room for improvement in management teams, financial reporting, and information systems.
- This perspective not only promises enhanced earnings and cash flow but also opens avenues for organic and external growth previously untapped by former owners. Such operational enhancements are central to the firm's value proposition, offering a clear path to increased efficiency and profitability.
- Investors are presented with a unique opportunity to engage with a portfolio traditionally dominated by private equity, individual proprietors, or large conglomerates.
- Through controlling interests in businesses that exhibit stable earnings, minimal obsolescence risks, and competent management, 1847 Holdings aims to foster long-term growth and shareholder returns.
- This ambition is supported by the company's focus on industries poised for macroeconomic expansion, ensuring a strategic alignment with broader economic trends.
- By actively managing and expanding its subsidiaries through organic growth, strategic acquisitions, and operational improvements, 1847 Holdings aspires to fulfill its commitment to enhancing shareholder value and regular distributions, reflecting a promising and proactive approach to small business investment and management.

## Small Business Investment Criteria & Market Opportunity

### The investment criteria includes the following:

- Revenues of at least **\$5.0 million**
- Current year EBITDA / Pre-tax Income of at least **\$1.5 million** with a history of positive cash flow
- Clearly identifiable “blueprint” for growth with the potential for break-out returns
- Well-positioned companies within our management’s core industry categories (consumer-driven, business-to-business, light manufacturing, and specialty finance)
- Opportunities wherein building management team, infrastructure, and access to capital are the primary drivers of creating value
- Headquartered in North America

### Market Opportunity

- Merger and acquisition market for small businesses is highly fragmented and provides significant opportunities to purchase business at attractive prices
- For example, according to the GF Data, platform acquisitions with enterprise values greater than \$50.0 million commanded valuation premiums 30% higher than platform acquisitions with enterprise values less than \$50.0 million (8.2x trailing 12-month adj. EBITDA vs. 6.3x trailing 12-month adj. EBITDA)
- The following factors contribute to lower acquisition multiples for small businesses:
  1. Typically, fewer potential acquirers
  2. 3rd-party financing generally is less available
  3. Sellers of these businesses may consider non-economic features, such as continuing board membership or the effect of sale on their employees
  4. These businesses are generally less frequently sold pursuant to auction process

Source: Company Presentation

## A Unique Value Proposition

- 1847 Holdings LLC stands out in the small business acquisition market through its unique combination of seasoned management, strategic partnerships, and a disciplined, value-oriented investment approach.
- The management team's extensive experience and established network place the company in a "top of mind" position among business brokers and investment bankers, enabling it to identify and secure acquisitions at value-oriented multiples.
- This network, built through proactive and multi-platform marketing strategies, not only establishes a robust presence in the small business market but also fosters a preferred partnership status for business acquisitions.
- The company's disciplined approach to deal sourcing is another cornerstone of its strategy, leveraging relationships with over 3,000 deal sources and employing a variety of methods to maintain visibility and leadership in the market.
- This extensive outreach, combined with targeted searches, cultivates a steady flow of attractive acquisition opportunities, distinguishing 1847 Holdings from its competitors.
- 1847 Holdings' acquisition capabilities are further enhanced by its differentiated approach, focusing on mature companies that align with its resources and expertise.
- This strategy involves significant input from operating partners with relevant industry experience, ensuring that each acquisition is supported by deep operational and strategic insights.
- Such partnerships not only improve the due diligence process but also enable creative structuring of deals to meet sellers' needs, providing a competitive edge over more rigid buyers.
- The value proposition for business owners is compelling, with flexible acquisition structures tailored to their liquidity needs and strategic goals. By allowing sellers to retain economic interests and operational control, 1847 Holdings positions itself as a dynamic and resource-rich buyer capable of supporting strategic initiatives and adding equity value.
- Moreover, the operating partner model sets 1847 Holdings apart, leveraging the expertise of seasoned entrepreneurs and executives to drive operational improvements and strategic growth.
- This hands-on approach facilitates significant enhancements in performance and value creation, surpassing traditional investment firms that lack this operational focus.

## Experienced Management Team

- 1847 Holdings LLC is steered by a highly experienced management team, with Chairman, CEO, and President Ellery W. Roberts at the helm since the company's inception in January 2013.
- Roberts brings over two decades of private equity investing experience, highlighting his expertise in navigating the complexities of the investment landscape.
- His leadership foundation was laid at The 1847 Companies LLC, where he began leveraging his personal capital along with that of high net worth individuals.
- Roberts' prior roles include co-founder and co-managing principal of RW Capital Partners LLC and a founding member of Parallel Investment Partners, LP, emphasizing his extensive background in equity fund management focused on lower middle market companies across the U.S.
- His tenure at prestigious firms such as Lazard Group LLC and Colony Capital, Inc., coupled with his analytical role at Smith Barney Inc., underscores his comprehensive financial and strategic acumen. Roberts' educational background from Stanford University, combined with his leadership roles in other companies, such as Polished.com Inc. and Western Capital Resources, Inc., showcases his broad expertise and leadership capabilities, making him a pivotal figure in guiding 1847 Holdings toward achieving its strategic objectives.
- The management team is complemented by Vernice L. Howard, the CFO since September 2021, bringing over 30 years of finance and accounting experience. Her diverse background spans from public accounting to leadership roles in various sectors, emphasizing her versatile skill set.
- Glyn C. Milburn, the Vice President of Operations, adds value with his experience in government affairs, strategy, and management, reflecting the team's multi-dimensional expertise.
- Board member Robert D. Barry brings a wealth of financial knowledge and business expertise, further solidifying the team's foundation. Michele A. Chow-Tai, with her extensive global banking and financial services experience, rounds out the team, providing a global perspective and strategic insight into financial management and business development.
- This seasoned management team's diverse expertise and strategic vision position 1847 Holdings LLC for informed decision-making, effective strategy execution, and potential growth in its investment endeavors.

## HISTORICAL FINANCIAL STATEMENTS & PROJECTIONS

### Historical Quarterly Statement Analysis - Income Statement & Cash Flows (USD Million)

Particulars	12/31/22	3/31/23	6/30/23	9/30/23
Revenues	9.5	15.4	19.4	18.8
<i>% growth</i>		62.3%	25.9%	-3.1%
Cost of Goods Sold	-8.1	-9.6	-12.5	-10.7
<i>% of revenue</i>	-85.6%	-62.1%	-64.3%	-57.2%
Gross Income (excl. D&A)	1.4	5.8	6.9	8.0
<i>% of revenue</i>	14.4%	37.9%	35.7%	42.8%
EBITDA	-4.1	0.5	-0.2	-0.2
<i>% of revenue</i>	-43.5%	3.2%	-1.1%	-0.9%
Depreciation & Amortization	0.7	0.8	0.8	0.9
Extraordinary Expenses	-0.2	-0.2	-0.2	-0.3
EBIT	-4.6	-0.1	-0.8	-0.8
<i>% of revenue</i>	-48.9%	-0.5%	-4.3%	-4.2%
Pretax Income	-5.5	0.8	-3.0	-6.3
<i>% of revenue</i>	-58.2%	5.1%	-15.7%	-33.3%
Income Tax	-0.4	-0.3	0.7	-0.4
<i>% rate</i>	8.2%	-42.3%	-24.0%	6.9%
Net Income	-5.1	1.1	-3.8	-5.8
<i>% of revenue</i>	-53.4%	7.2%	-19.4%	-31.0%

### Quarterly Cash Flow Summary (USD Million)

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<b>Particulars</b>	<b>12/31/22</b>	<b>3/31/23</b>	<b>6/30/23</b>	<b>9/30/23</b>
Cash from Operations	-0.2	-1.9	-0.7	-3.2
<i>% of revenue</i>	<i>-1.6%</i>	<i>-12.0%</i>	<i>-3.6%</i>	<i>-16.8%</i>
Cash from Investing	0.0	3.7	0.2	0.0
Free Cash Flows	-0.1	-5.6	-0.9	-3.2
<i>% of revenue</i>	<i>-1.4%</i>	<i>-36.2%</i>	<i>-4.4%</i>	<i>-16.8%</i>

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- Let us start off with analyzing the most recent and historical quarterly data reported by the company.
- 1847 Holdings has reported a top-line of \$18.78 million in its recent quarterly result which is a -3.15% depreciation over the previous quarter.
- The company reported a positive gross margin of 42.81% for the quarter ended 9/30/23.
- Its EBITDA for the quarter was \$-0.16 million and the EBITDA margin was -0.85%.
- This was a 0.23% margin expansion at the EBITDA level which is definitely a positive outcome.
- 1847 Holdings' operating income (EBIT) was reported at \$-0.79 million and a margin of -4.21%. This EBIT margin grew by 0.07% in this quarter. The company's pre-tax margin for the quarter was -33.33%.
- 1847 Holdings reported a net income of \$-5.83 million which resulted in a diluted earnings per share (EPS) of \$-12.04. The company's net margin was -31.04%.
- Now let us move on to the cash flow generation in the recent quarter. 1847 Holdings burnt \$-3.15 million in terms of operating cash flows for the quarter ended 9/30/23.
- The company was able to convert about -16.77% of its revenues into operating cash flows in the recent quarter. This quarter's EBITDA-to-operating cash flow conversion ratio is 1968.75%
- Overall, 1847 Holdings delivered a negative free cash flow of \$3.16 million for the past quarter.

### Historical Quarterly Statement Analysis - Balance Sheet (USD Million)

Balance Sheet	12/31/22	3/31/23	6/30/23	9/30/23
<b>Assets</b>				
Net Intangible Fixed Assets	29.4	29.4	29.0	29.4
Net Tangible Fixed Assets	4.7	5.0	4.7	6.5
<b>Total Fixed Assets</b>	<b>34.2</b>	<b>34.3</b>	<b>33.7</b>	<b>36.0</b>

<i>% of revenue</i>	360.2%	222.9%	173.7%	191.5%
LT Investments	0.0	0.0	0.0	0.0
Inventories	4.2	14.0	13.1	14.0
<i>% of revenue</i>	44.0%	91.1%	67.8%	74.3%
Accounts Receivable	5.2	7.4	8.7	7.8
<i>% of revenue</i>	54.8%	47.9%	44.8%	41.5%
Cash and ST Investments	1.4	2.6	0.8	2.3
<i>% of revenue</i>	14.3%	16.8%	4.3%	12.4%
Other Current Assets	0.5	0.6	1.8	1.3
<b>Total Current Assets</b>	<b>11.2</b>	<b>24.6</b>	<b>24.4</b>	<b>25.4</b>
Other Assets	0.1	0.2	0.2	-0.6
<b>Total Assets</b>	<b>45.5</b>	<b>59.0</b>	<b>58.3</b>	<b>60.7</b>

## Liabilities & Shareholder's Equity

Equity & Minorities	2.9	5.3	1.3	2.5
<i>% of capital employed</i>	9.2%	14.8%	3.9%	6.9%
LT Debt	24.8	25.0	25.2	28.9
Other LT Liabilities	3.6	3.0	3.8	4.6

<b>Total LT Liabilities</b>	<b>28.4</b>	<b>28.0</b>	<b>28.9</b>	<b>33.5</b>
<i>% of capital employed</i>	90.8%		89.3%	92.2%
ST Debt	0.0	2.4	2.2	0.4
<i>% of capital employed</i>	0.0%	6.8%	6.7%	1.0%
Accounts Payable	4.1	8.6	9.6	9.1
<i>% of COGS</i>	43.5%	55.6%	49.7%	48.5%
Other ST Liabilities	10.0	14.8	16.3	15.3
<i>% of revenue</i>	105.7%	96.1%	83.9%	81.4%
<b>Total Current Liabilities</b>	<b>14.2</b>	<b>25.8</b>	<b>28.1</b>	<b>24.8</b>
<b>Total Liabilities</b>	<b>42.6</b>	<b>53.8</b>	<b>57.0</b>	<b>58.2</b>
	<b>45.5</b>	<b>59.0</b>	<b>58.3</b>	<b>60.7</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>				

- When we look at the quarterly Balance Sheet of the company, we see that the Fixed Asset base has evolved from \$33.69 million to \$35.96 million over the last 2 quarters.
- The current level of fixed assets, including tangibles & intangibles, is around 191.48% of the company's quarterly turnover.
- The company's receivables were around 41.53% of the quarterly top-line.
- As a result of the negative free cash flows, the company had a final cash and short-term investment balance of \$2.33 million.
- When we analyze the capital structure of 1847 Holdings, we realize that the company relies more on debt to finance its operations.
- The company's equity accounts for 6.86% of its total capital employed whereas debt (both long-term and short-term) accounts for about 93.14% of the total capital.
- 1847 Holdings's payables account for 48.51% of its cost of goods sold.

## Historical Income Statement - Annual (USD Million)

Particulars	2020	2021	2022
Revenues	8.8	30.7	48.9
<i>% growth</i>		250.4%	59.6%
Cost of Goods Sold	-6.5	-20.1	-33.2
<i>% of revenue</i>		-65.6%	-67.9%
Gross Income (excl. D&A)	2.2	10.6	15.7
<i>% of revenue</i>	25.4%	34.4%	32.1%
EBITDA	-1.2	-0.2	-3.7
<i>% of revenue</i>	-13.4%	-0.6%	-7.6%
Depreciation & Amortization	0.2	1.1	2.6
<i>% of Fixed Assets</i>	1.8%	3.0%	7.7%

Extraordinary Expenses	0.0	-0.2	-0.6
EBIT	-1.4	-1.1	-5.7
<i>% of revenue</i>	-15.4%	-3.6%	-11.7%
Pretax Income	-1.9	-3.5	-12.5
<i>% of revenue</i>	-21.7%	-11.4%	-25.5%
Income Tax	7.7	-0.2	-2.3
<i>% rate</i>	-405.8%	5.7%	18.6%
Net Income	-9.6	-3.3	-10.2
<i>% of revenue</i>	-109.8%	-10.8%	-20.8%

- When we analyze the company's annualized historical income statement, we see that the top-line was \$48.93 million for the previous financial year ending in 2022.
- 1847 Holdings's cost of goods sold has decreased from -65.56% to -67.91% as a percentage of the top-line resulting in a rise in the gross margins.
- The company's overall annual EBITDA margin of -7.56% is lower than the reported quarterly EBITDA margin for the most recent quarter.
- Non-cash expenses in the form of depreciation and amortization have gone up as compared to the result in 2021.
- In terms of the bottom-line, 1847 Holdings reported an operating income (EBIT) of \$-5.74 million and a net income of \$-10.16 million resulting in an EPS of \$-0.71.
- The slightly worrying news for investors holding the stock is that its net margin had decreased from -10.76% in 2021 to -20.76% in 2022.

## Historical Balance Sheet - Annual (USD Million)

Particulars	2020	2021	2022
<b>Assets</b>			
Net Intangible Fixed Assets	10	31	29
Net Tangible Fixed Assets	1	5	5
<b>Total Fixed Assets</b>	<b>11</b>	<b>36</b>	<b>34</b>
LT Investments	0	0	0
Inventories	2	5	4
<i>% of revenue</i>		17.7%	8.5%
Accounts Receivable	0	3	5
<i>% of revenue</i>		10.9%	10.6%
Cash and ST Investments	1	2	1
<i>% of revenue</i>		5.4%	2.8%
Other Current Assets	2	1	0
<b>Total Current Assets</b>	<b>6</b>	<b>11</b>	<b>11</b>
Other Assets	3	0	0
<b>Total Assets</b>	<b>19</b>	<b>47</b>	<b>45</b>
<b>Liabilities &amp; Shareholder's Equity</b>			
Equity & Minorities	3	2	3

LT Debt	2	28	25
Other LT Liabilities	6	5	4
<b>Total LT Liabilities</b>	<b>8</b>	<b>33</b>	<b>28</b>
ST Debt	0	0	0
Accounts Payable	3	3	4
<i>% of COGS</i>		<i>10.2%</i>	<i>8.4%</i>
Other ST Liabilities	5	9	10
<b>Total Current Liabilities</b>	<b>8</b>	<b>12</b>	<b>14</b>
<b>Total Liabilities</b>	<b>16</b>	<b>45</b>	<b>43</b>
	<b>19</b>	<b>47</b>	<b>45</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>			

- We can observe that the company's receivables of \$5.2 million are about 10.63% of the top-line.
- 1847 Holdings has close to \$1.36 million in terms of liquidity i.e. cash and short term investments.
- On the other hand, its payables for 2022 account for around 8.44% of the cost of goods sold.
- The company's long term debt is around 9.8x times its equity.

## Forecasted Income Statement - Annual (USD Million)

Particulars	2021	2022	2023E	2024E	2025E
Revenues	30.7	48.9	66.2	90.0	129.0
<i>% growth</i>		59.6%	35.3%	35.9%	43.3%
Cost of Goods Sold	-20.1	-33.2	-42.9	-57.7	-81.8
<i>% of revenue</i>	-65.6%	-67.9%	-64.8%	-64.1%	-63.4%
Gross Income (excl. D&A)	10.6	15.7	23.3	32.3	47.2
<i>% of revenue</i>	34.4%	32.1%	35.2%	35.9%	36.6%
EBITDA	-0.2	-3.7	-4.0	14.3	29.2
<i>% of revenue</i>	-0.6%	-7.6%	-6.1%	15.9%	22.6%
Depreciation & Amortization	1.1	2.6	2.6	2.6	2.6
EBIT	-1.1	-5.7	-6.3	11.6	26.6
<i>% of revenue</i>	-3.6%	-11.7%	-9.6%	12.9%	20.6%
EBT (GAAP)	-3.5	-12.5	-14.0	4.6	19.6
<i>% of revenue</i>	-11.4%	-25.5%	-21.2%	5.2%	15.2%

Net Income (GAAP)	-3.3	-10.2	-13.6	4.6	19.6
<i>% of revenue</i>	<i>-10.8%</i>	<i>-20.8%</i>	<i>-20.5%</i>	<i>5.2%</i>	<i>15.2%</i>

**Forecasted Cash Flow Statement (USD Million)**

<b>Particulars</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Net Income (GAAP)	-3.3	-10.2	-13.6	4.6	19.6
+ Depreciation & Amortization	1.1	2.6	2.6	2.6	2.6
+/- Working Capital, Deferred Taxes & Other Adjustments	0.9	3.4	7.9	4.5	1.7
<b>Cash Flow from Operations</b>	<b>-1.3</b>	<b>-4.1</b>	<b>-3.0</b>	<b>11.8</b>	<b>23.9</b>
<i>% of EBITDA</i>	<i>700.0%</i>	<i>111.6%</i>	<i>74.9%</i>	<i>82.7%</i>	<i>81.9%</i>
Capital Expenditure	-0.2	-0.3	-0.2	-0.2	-0.2
<i>% of revenues</i>	<i>0.6%</i>	<i>0.5%</i>	<i>0.4%</i>	<i>0.3%</i>	<i>0.2%</i>
Other Investment Cash Flow items	-15	0	0	0	0
<b>Cash Flow after Investments</b>	<b>-15.0</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>
<b>Free Cash Flow</b>	<b>-1.5</b>	<b>-4.4</b>	<b>-3.3</b>	<b>11.6</b>	<b>23.7</b>

**Key Ratios**

<b>Growth &amp; Margins</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Sales Growth	250.4%	59.6%	35.3%	35.9%	43.3%
EBITDA Margin	-0.6%	-7.6%	-6.1%	15.9%	22.6%
EBIT Margin	-3.6%	-11.7%	-9.6%	12.9%	20.6%
Net Profit Margin	-10.8%	-20.8%	-20.5%	5.2%	15.2%

<b>Leverage Ratios</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Net Debt	26	23	27	15	0
Net Debt/ Equity	16.8	8.1			
Net Debt/ EBITDA	-138.0	-6.3	-6.7	1.1	NA

- Now let us move on to Baptista Research's forecasts for 1847 Holdings' income statement and cash flows.
- We forecast a top-line growth of 35.3% for 2023, around 35.9% for 2024, and about 35.9% for 2025.
- This growth is expected to translate into an EBITDA of \$-4.01 million in 2023 with a margin of -6.06%
- 1847 Holdings' EBIT margin is expected to be -9.58% in 2023, about 12.94% in 2024, and 12.94% in 2025.
- Our estimate for the company's Net Income (GAAP) is \$-13.56 million implying a net margin of -20.48% and resulting in an earnings per share of \$0.00.
- We expect the growth to follow a similar trend in 2024 and 2025.
- In terms of the cash flows, we expect 1847 Holdings to generate around \$-3.00511 million in operating cash flows in 2023.
- This implies an EBITDA-to-Operating-Cash-Flow conversion ratio of 74.94%
- 1847 Holdings is expected to invest a lower amount in capex and other investing activities in 2023.
- Overall, the company is expected to generate free cash flows to the tune of \$-3.25211 million in 2023.
- 1847 Holdings' Net Debt is expected to increase in 2023 and is expected to follow a similar trend over the coming years.
- The Net Debt-to-EBITDA ratio is a measure of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. It shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
- 1847 Holdings' Net Debt-to-EBITDA ratio is expected to be -6.66 in 2023 which indicates that the company is not leveraged.
- Net-Debt-to-Equity ratio, also known as the gearing ratio shows how encumbered a company is with its debt.
- The company's Net Debt-to-Equity ratio for 2022 is 8.11 and it indicates that the company has high gearing.

**DISCOUNTED CASH FLOW (DCF) VALUATION**

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**Key DCF Assumptions**

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WACC	27.2%
CoD	31.4%
CoE	10.1%
Market Rate	6.0%
Risk Free Rate	4.3%
Beta	0.97
Perpetual Growth Rate (g)	-4.8%
Terminal Value	74
Tax Rate	18.6%

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- For the purpose of carrying out the discounted cash flow valuation of 1847 Holdings, we have used the standard capital asset pricing model (CAPM).
- We have used a 6.0% equity market risk premium based on the S&P 500 returns for the past 5 years.
- The risk-free rate has been assumed as the 10-year Treasury Constant Maturity Rate of the U.S. at 4.30%.
- The company's stock is less volatile than the market as a whole and has a beta of 1.0 which we shall use without leveraging the same as we are going for the enterprise value approach."
- This is used in order to arrive at the cost of equity (CoE) of 10.1% which appears reasonable for a company like 1847 Holdings.
- Based on the company's long term debt and interest payments, the cost of debt is 31.4%.
- After incorporating the CoE and the CoD and average tax rate of 18.6%, we arrive at a Weighted Average Cost of Capital (WACC) of 27.2%.
- The terminal value is a key component of any DCF valuation as it accounts for the largest chunk of the total projected value of the company. There are a number of methodologies used to determine the same such as the perpetual growth rate method or the multiples method.
- In this case, we have gone ahead and determined the terminal value by applying the current EV/Sales ratio of 0.4 to our forecasted revenues of 2025.

<b>EV and Market Cap</b>	<b>Current</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Price (\$)	3.1	10.0	21.0	73.0
Outstanding Number of shares (million)	0.79	0.79	0.79	0.79
Total Market Cap (billion)	0.00	0.01	0.02	0.06
Net Debt	23	27	15	0
Enterprise Value (billion)	0.03	0.03	0.03	0.06

- After applying the discount rate (WACC) of 27.2%, we arrive at a price target of \$10.0 for 2023.
- Our target price at the end of 2024 is \$21.0 and for 2025 is \$73.0 which implies a total appreciation of nearly 2294.5% in the coming 3 years in the stock price.
- During this phase, we see the EV/ EBITDA to be in the range of 1.98 and 2.22. The EV/ EBIT will be in the range of -5.00 to 4.96 over the coming 3 years.

Valuation Ratios	Current	2023E	2024E	2025E
EV/ Sales	0.5	0.5	0.4	0.4
EV/ EBITDA	NA	NA	2.2	2.0
EV/ EBIT	NA	NA	-5.0	5.0
Price/Earnings	NA	NA	3.6	3.0

## KEY RISKS

- It is important to highlight the key risks associated with an investment in 1847 Holdings as well as the inherent risks associated with the financial projections and price forecasts presented in this report.
- Geopolitical conflicts may negatively impact 1847 Holdings' business operations and financial results.
- Integration challenges with acquired businesses could strain resources and disrupt ongoing operations.
- Difficulties in effectively evaluating, acquiring, and integrating new businesses may hinder growth and drain resources.
- Limited access to debt or equity financing on favorable terms could impede the company's acquisition strategy and growth plans.
- Dependence on dividends and interest from businesses for cash flow could risk the ability to make shareholder distributions if insufficient.
- The loss of key customers in the construction business could materially affect financial outcomes.
- The eyewear products business faces challenges in product innovation, brand development, and maintaining inventory levels to meet customer demand.
- The retail and appliances business must continuously attract and retain customers cost-effectively to achieve profitability and manage competitive pressures.
- In the automotive supply business, reliance on key suppliers and manufacturers, particularly in Taiwan and China, introduces regulatory and logistical challenges, with potential for business interruptions and product liability lawsuits.
- Another one of the biggest risks to 1847 Holdings' model is the fact that the company's top-line growth is assumed to be consistently growing by a certain rate in the model. There is a possibility that this assumption might not hold true. With respect to our price projection, we would like to clarify that the valuation of 1847 Holdings in this report is specific to the date of the analysis i.e., 21<sup>st</sup> February 2024.
- We must emphasize that the projected valuation and the share price of 1847 Holdings are dependent on the realization of the revenue growth, free cash flows and the other assumptions taken into account. Our analysis cannot be directed to providing any assurance about the achievability of these financial forecasts. There is a possibility that the actual results of the company are different from the projected results as a result of unexpected events and circumstances such as the realization of the threats mentioned in the paragraph above. Lastly, we would like to clarify that we had no interaction with the management of the company and they did not comment on the achievability or the reasonableness of the assumptions underlying the financial forecasts. Please check out our detailed disclosures at the end for further details.

## ANALYST RATINGS

- Buy: Expected to outperform market over next 6 to 12 months. Minimal risk to fundamentals and valuation. Good long-term investment.
- Outperform: Expected to outperform the market over next 6 to 12 months but there is a moderate risk to fundamentals and valuation.
- Sell: Expected to significantly underperform the market over next 6 to 12 months. There is a strong likelihood of the security delivering negative returns and a very high risk to fundamentals and valuation.
- Underperform: Expected to underperform the market over next 6 to 12. There is a moderate to high risk to fundamentals and valuation.
- Hold: Expected to perform in line with the market over next 6 to 12 months. However, there is a moderate to high risk to fundamentals and valuation.

## ANALYST INDUSTRY VIEWS

- Attractive: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
- In-Line: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
- Cautious: The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
- Benchmarks for each region are as follows: North America - S&P 500; Latin America – MSCI EM Latin America Index; Europe – MSCI Europe; Japan - TOPIX; Asia - relevant country index or sub-regional index. Please contact us to know the relevant index in case it is not specified in the report.

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