

INVESTMENT MEMORANDUM

Pinnacle Financial

Date: October 5, 2023 | Prepared by: Sarah Johnson

EXECUTIVE SUMMARY

Pinnacle Financial presents a compelling investment opportunity in the rapidly growing fintech sector, focusing on innovative payment solutions. With strong revenue growth and a solid customer base, the company is well-positioned to capture more market share.

COMPANY OVERVIEW

Founded in 2018 and headquartered in San Francisco, California, Pinnacle Financial specializes in digital payment processing and financial management solutions for small to medium-sized businesses. The company has established a robust technology platform that enhances transaction efficiency and security, serving over 10,000 clients nationwide.

INVESTMENT THESIS

- The fintech industry is projected to grow at a CAGR of 25%, creating significant opportunities for scalable payment solutions like those offered by Pinnacle Financial.
- Pinnacle Financial's competitive advantage lies in its proprietary technology and strong relationships with financial institutions, enabling it to offer superior payment solutions.

FINANCIAL SUMMARY

Revenue (TTM)	\$45M
Revenue Growth	40%
EBITDA (TTM)	\$10M
EBITDA Margin	22%
Net Debt	\$5M
EV/EBITDA	11.0x

HISTORICAL FINANCIALS

Year	Revenue	EBITDA	Margin
2021	\$25M	\$5M	20%
2022	\$32M	\$7M	22%
2023	\$45M	\$10M	22%

KEY RISKS AND MITIGANTS

Risk	Mitigant
Intense competition in the fintech space	Invest in marketing and product development to maintain competitive edge.
Regulatory changes affecting fintech operations	Establish strong compliance team to adapt to regulatory requirements.
Dependence on technology infrastructure	Implement robust IT security measures and disaster recovery plans.

VALUATION SUMMARY

Enterprise Value	\$110M
Equity Value	\$105M
EV/Revenue	2.44x
EV/EBITDA	11.0x
Target IRR	25%
Target MOIC	3.0x

RECOMMENDATION

INVEST. Pinnacle Financial's strong growth trajectory, unique technological advantages, and strategic partnerships present a solid opportunity for attractive returns in the fintech space.