

Growth came from one customer. Margin and cash went with it.

Three years of financials, spread the way a buyer's analyst would build them, with each proposed adjustment and its supporting assumptions.

\$12.8M

LTM revenue, +33% vs. FY 2023

\$1.17M

Adjusted EBITDA, 9.2% margin (FY 2023: 10.3%)

20%

of LTM sales from Customer A, won Q4 2024, at 23% gross margin

(\$605k)

cash absorbed by working capital in the last twelve months

The read. Bluestem is a sound \$12.8M distributor with adjusted earnings of about \$1.17M under the sample assumptions, roughly 9% of sales. That is a lower margin than two years ago and a different business than the one the P&L suggests at first glance: since FY 2023 the base book grew 6%, Customer A added \$2.60M at a 23% margin, gross margin fell 3.5% points, and receivables and inventory absorbed (\$605k) of cash that the line of credit is now funding. These are the earnings and cash issues to work through. The improvement scenarios on page 8 show their size and timing assumptions.

Snapshot

US\$ in 000s

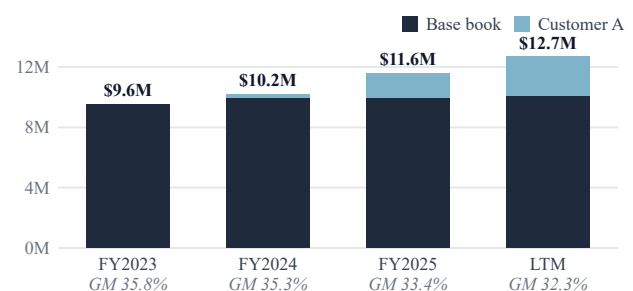
	FY 2023	FY 2024	FY 2025	YTD Jun-25	YTD Jun-26	LTM Jun-26
Total revenue	\$9,607	\$10,279	\$11,660	\$5,628	\$6,732	\$12,764
% growth		7.0%	13.4%		19.6%	9.5%
Gross margin	36.2%	35.6%	33.7%	34.1%	32.0%	32.7%
EBITDA, reclassified	\$890	\$901	\$839	\$473	\$594	\$961
Adjustments, net (applied)	104	161	247	102	68	213
Adjusted EBITDA	\$994	\$1,062	\$1,085	\$574	\$663	\$1,174
% margin	10.3%	10.3%	9.3%	10.2%	9.8%	9.2%
Net working capital (period-end)	\$2,307	\$2,594	\$3,250	\$2,857	\$3,462	\$3,462
Free cash flow (proxy)	n.m.	\$664	\$60	\$204	\$429	\$285
Line of credit drawn (period-end)	\$350	\$520	\$820	\$680	\$920	\$920

Adjusted EBITDA applies the register on page 3: the owner's proposed add-backs after the treatment shown in the register, and less market rent on the owner-owned building. Free cash flow = Adj. EBITDA less the change in working capital less capex; FY 2023 n.m. because the Dec-22 balance sheet is not in the package. YTD growth is against prior-year YTD; LTM against FY 2025.

What stands out

- **The adjusted view is \$1.17M, compared with \$846k in the books.** Rebates sit in Other Income (+\$115k), owner and one-time items add \$279k, and market rent takes \$66k back. Three proposed add-backs worth \$158k were left in earnings.
- **Margin fell 3.5% points and two thirds of that is Customer A.** On the product lines, mix toward A cost 2.4% points; the base book gave up 1.1% points as supplier increases outran price files.
- **Working capital moved from 24% to 27% of sales.** DSO went from 52 to 59 days; \$310k of stock has not moved in a year. The line of credit went from \$350k to \$920k.
- **Distributions ran ahead of cash.** \$504k came out in the last twelve months against \$267k of operating cash flow; debt filled the gap.

Revenue: base book vs. Customer A



Product-line sales, excluding discounts and freight billed.

What would change the read fastest. A signed renewal with Customer A at 4 points of additional margin and a working-capital plan that takes DSO back to 52 days. Together those are worth about \$101k of annual EBITDA and \$240k of one-time cash, under the stated assumptions, before implementation costs and any overlap.

Exhibit A · Financial spread and adjusted EBITDA

Standardized from the QuickBooks exports (73 accounts mapped to class and category) · US\$ in 000s · reconciled to the workbook

Bluestem Industrial Supply Co. Historical Operating Summary US\$ in 000s						
Workbook category lines use SUMIFS of mapped accounts in Cons. P&L. This fixed exhibit uses the same source data. Green = mapped source; bold = calculation.						
	FY 2023	FY 2024	FY 2025	YTD Jun-25	YTD Jun-26	LTM Jun-26
Revenue						
Cutting Tools & Abrasives	\$3,900	\$4,212	\$5,010	\$2,400	\$3,020	\$5,630
Fasteners & Hardware	2,650	2,848	3,380	1,620	2,030	3,790
Safety & PPE	1,980	2,060	2,050	1,010	1,040	2,080
VMI Programs & Services	1,020	1,100	1,160	570	610	1,200
Shipping & Handling Billed	148	156	171	82	96	185
Discounts, Returns & Allowances	(91)	(97)	(111)	(54)	(64)	(121)
Total revenue	\$9,607	\$10,279	\$11,660	\$5,628	\$6,732	\$12,764
% growth		7.0%	13.4%		19.6%	9.5%
Cost of goods sold						
Product Purchases	(\$5,804)	(\$6,281)	(\$7,327)	(\$3,527)	(\$4,363)	(\$8,163)
Inbound Freight	(201)	(215)	(244)	(118)	(141)	(267)
Purchase Discounts & Rebates	145	155	176	83	98	191
Inventory Adjustments & Write-downs	(25)	(17)	(60)	(12)	(31)	(78)
Direct Labor	(248)	(258)	(272)	(134)	(141)	(279)
Gross profit	\$3,475	\$3,664	\$3,933	\$1,920	\$2,155	\$4,168
Gross margin	36.2%	35.6%	33.7%	34.1%	32.0%	32.7%
Operating expenses (excl. D&A)						
Owner Compensation	(\$285)	(\$295)	(\$295)	(\$148)	(\$153)	(\$300)
Sales	(487)	(512)	(561)	(273)	(305)	(593)
Operations	(407)	(419)	(498)	(223)	(246)	(521)
Outbound Freight & Delivery	(294)	(312)	(344)	(164)	(190)	(370)
Occupancy	(294)	(296)	(345)	(151)	(151)	(345)
Other Staffing	(315)	(340)	(351)	(151)	(164)	(364)
Admin Fixed	(341)	(405)	(377)	(187)	(198)	(388)
Admin Variable	(91)	(105)	(130)	(56)	(81)	(154)
IT	(42)	(45)	(155)	(76)	(51)	(130)
Marketing	(30)	(35)	(39)	(20)	(23)	(42)
Operating expenses	(\$2,585)	(\$2,763)	(\$3,094)	(\$1,448)	(\$1,561)	(\$3,208)
% of revenue	26.9%	26.9%	26.5%	25.7%	23.2%	25.1%
EBITDA (reclassified)	\$890	\$901	\$839	\$473	\$594	\$961
% margin	9.3%	8.8%	7.2%	8.4%	8.8%	7.5%

EBITDA Adjustments register on page 3; % applied per item						
	FY 2023	FY 2024	FY 2025	YTD Jun-25	YTD Jun-26	LTM Jun-26
Reported EBITDA, per the books (Net Ordinary Income + D&A + interest)	\$802	\$807	\$733	\$424	\$536	\$846
(+) Reclassification: vendor rebates booked in Other Income	88	94	106	49	58	115
EBITDA (reclassified)	\$890	\$901	\$839	\$473	\$594	\$961
(+) Owner compensation above replacement cost	89	99	99	50	55	104
(+) Family payroll above value of role (60% applied)	26	28	29	14	15	29
(+) Owner personal expenses (vehicle, club, giving, M&E share, life insurance)	54	58	62	30	32	64
(+) One-time items (ERP, settlement, storm, warehouse move)	-	43	123	41	-	82
(-) Related-party rent reset to market	(66)	(66)	(66)	(33)	(33)	(66)
Adjusted EBITDA	\$994	\$1,062	\$1,085	\$574	\$663	\$1,174
Adj. EBITDA margin	10.3%	10.3%	9.3%	10.2%	9.8%	9.2%
Adjustments % of revenue	1.1%	1.6%	2.1%	1.8%	1.0%	1.7%

Free Cash Flow Proxy pre-tax, pre-interest						
	FY 2023	FY 2024	FY 2025	YTD Jun-25	YTD Jun-26	LTM Jun-26
Adjusted EBITDA	\$994	\$1,062	\$1,085	\$574	\$663	\$1,174
(- / +) Change in working capital	n.m.	(287)	(656)	(263)	(212)	(605)
(-) Capital expenditures	(118)	(111)	(369)	(107)	(22)	(284)
Free cash flow (proxy)	n.m.	\$664	\$60	\$204	\$429	\$285
Conversion of Adj. EBITDA		62.5%	5.6%	35.6%	64.7%	24.3%
Working capital per the Con. BS schedule (owner receivable and line of credit excluded). Capex from the gross fixed-asset roll plus disposals; FY 2025 includes \$145k of racking and \$112k of capitalized ERP. FY 2023 change in working capital n.m. (Dec-22 balance sheet not in package).						