



July 2022

Executive Summary

We started Lined Pipe Systems (LPS) in 2017 with the goal of solving one of the largest problems in pipeline infrastructure: protecting the interior of welded joints from corrosion. Five years later we not only have the most elegant solution for this problem, but we've adapted the technology for applications as diverse as transport of desalinated water, offshore oil, mineral slurries, and captured carbon.

The pipeline industry needs our technology. Our product advantage varies based on diameter, pressure, distance, and corrosiveness but in many cases is something like "50% lower cost", "300% increase in lifespan", or even "making natural resource projects possible". Brazil's largest construction company increased productivity by 28% when they started using our joint product, and in doing so won a prestigious award for the most innovative construction product of 2021. Large corrosion protection companies are actively testing our technology and would like to distribute our products world-wide.

The hole in the marketplace is waiting to be filled and LPS is starting to be recognized as the front runner to fill this hole. Our technology is now field-proven, and we are qualifying the technology at the engineering stage of several projects. Overcoming the inertia of the status quo takes time and money. This Series B round of funding will carry LPS until these projects commence and allow us to scale our manufacturing capacity to accommodate the large orders on the horizon.

Markets

Pipelines are essential to transportation of raw materials that support modern civilization. More and longer pipelines are required as nearby sources of water, oil, copper, iron, and other commodities dry up.

The market for our product can be divided into two categories: existing and disruptive. The existing market is where clients are already familiar with internal sleeves, and this is primarily the onshore oil & gas market for small diameter pipe (12" & under). Competitor sleeves have been used in larger diameter and offshore pipelines but not extensively because they are difficult to work with at larger sizes. We expect to win a majority of the ~\$30 - \$50M existing market within 3 to 5 years. Our technical and cost advantages are not quite as significant here, but there's not much engineering change involved and every contractor we've worked with instantly sees the advantages of our product.

Long distance, larger diameter, slurry, and off-shore pipelines in the domestic water, oil, and mining sectors is where our technology is truly disruptive and which can drive LPS' annual revenue past \$50M within 3 years. Our technical and cost advantages are often very large and obvious for these pipelines. Examples of such markets are pipelines taking desalinated water to Chile's massive copper mines, off-shore oil production lines in Brazil, and long-distance mineral slurry pipelines world-wide, which together represent more than \$100M in potential annual revenue. We are talking to key decision makers in each of the markets, and they all agree it's only a matter of time before we'll have the case history and testing that's required for such high-profile pipelines.



8814 Industrial Lane | Rancho Cucamonga, CA 91730 | USA
W +1 949-317-1110 www.linedpipesystems.com

Domestic water pipelines represent a tremendous market, where the stone-age technique of using cement mortar linings and humans to enter the pipe and patch each joint is still often employed. The water market is ripe for innovation and LPS' FlexSleeve is the most logical choice for internal joint protection as water agencies move toward polymer internal linings.

The total available market for the disruptive category approaches \$1B and will take longer to fully penetrate, but time will only strengthen our position as the most cost-effective long-term joint solution. A good sign is that our first major project was in this disruptive category.

Partners

We are actively engaged with several large partners that wish to use our technology. LPS is a natural acquisition target for any of them, and a major reason for this round of funding is get further down the road and have better leverage when negotiating distribution or licensing deals with these companies.

The following is a list of the companies with intense interest in our technology, reflecting the market demand:

NOV Tuboscope

Tuboscope is a \$1.2B division of NOV, a ~\$6B provider of equipment and technologies to the oil & gas industry. Tuboscope has numerous internal pipe coating plants throughout the world and was the original inventor of internal sleeves to protect pipe joints from corrosion. They saw us at a trade show and immediately recognized the innovations of our FlexSleeve product. We've met several times, are in the final stages of testing, and they want to distribute our product for at least their 12" – 24" pipelines.

Western Falcon

Western Falcon is a provider of down-hole tubing for oil & gas wells and has one of the most innovative internal lining technologies in the industry. The superiority of their thermoplastic polymer lining technology is undebatable, as they have more than 70 million feet of pipe installed in down-hole environments that are far more aggressive than typical pipelines.

They are in the process of expanding to surface pipelines both offshore and onshore (with sites on expansion internationally), and the one thing they need is what we have: a welded joint solution. We have adapted our technology to function with thick polymer linings like Western Falcon's and have a separate patent pending for this. The combination of our technologies will provide the optimal long-term solution to internal corrosion that will truly differentiate from other solutions.

Seal for Life

Seal for Life is owned by an aggressive private equity company that has an extensive sales network selling protective materials for pipelines worldwide. Through acquisitions they now have a monopoly on sleeves that protect the exterior of welded pipe joints from corrosion.

They currently distribute competitor internal sleeves into the MENA and Asia markets but after trialing FlexSleeve they intend to switch to distribution of LPS' FlexSleeve. We've quoted more than \$15M worth of projects to them recently and are developing the trial scopes for their clients.



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APCO

APCO is one of the major pipe coating companies in Saudi Arabia. They have garnered the interest of Saudi Arabia's water agency in FlexSleeve for thousands of kilometers of desalinated water pipelines that will be built over the next several years. We are negotiating a contract with APCO to bring FlexSleeve to Saudi Arabia for demonstrations and trials. This is one of the largest opportunities worldwide and a primary focus.

Alvenius

Alvenius is a major pipe mill in Brazil that reached out to LPS to form a partnership to go after the water market in Brazil with their pipe and FlexSleeve. They are very

The point in detailing our relationships with these companies is to further substantiate the market need and intrinsic value of our technology. All of these companies are dedicating resources to trial our products, partnership negotiations are underway with them, and it will only be a matter of time before these relationships yield orders. Several of these companies are well-backed organizations for which LPS would be a natural fit for acquisition.

Investment Amount / Use of Funds

We are seeking to raise \$2M at a pre-money valuation of \$8M to cover overhead until we have sufficient revenue to be cash-flow positive.

We currently subcontract manufacturing to a metal fabricator in Brazil, where LPS' co-founder/CTO and a 7 person team of engineers and technicians are located. When we win a sufficiently large project we have plans to establish a manufacturing facility in Brazil that would cost ~\$1.2M.

Our current monthly expenses are ~\$50,000/ month. At \$100,000/ month we would be able to add a few key operations personnel and add to our sales & marketing efforts. We will also use a portion of the investment capital to apply for new patents and enter the national patent stage in several foreign countries.

Return on Investment

Considering that our products are field-proven, sufficient investment will all but ensure success because we will have time to win projects. The product advantages are so large that word will spread quickly in certain markets, and engineers will specify our products after they have more successful case histories for support.

The main risk factor at this point would be manufacturing quality, which we will counter with appropriate quality control measures. The other risk is copy-cats, which we will counter with patent protection, forming partnerships with major players in each region, and creating a well-known brand as the technical experts for internally lined pipe.

We expect to hit \$50M revenue by 2025. In a majority of applications we do not expect much price pressure due to our significant cost advantages over competitive options. We therefore expect gross profit to exceed 50% and net profit to be in the range of \$20M. A fast-growing company with disruptive technology can fetch a 10x multiple, and LPS' goal is to have a value exceeding \$200M by 2026. There would potentially be some dilution if additional growth capital is needed and raised



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with equity instead of financing, but either way LPS' goal is also to achieve a 20x return for investors within 5 years.

Summary

LPS has spent several years and more than \$3M in product development/testing of a technology that fills a widely recognized hole in the pipeline market. Dozens of engineers and contractors turn out for our product demonstrations, large multi-national companies are discussing how to partner with us, and our first project won an innovation award due to the increase in productivity that our technology allowed.

The risk is relatively low due to the advanced stage of the technology and the upside is significant: market need will transition to significant demand as soon we win a few major projects. This is a unique opportunity to tap into the infrastructure sector as demand grows for the commodities that these pipelines transport. We look forward to earning a substantial return for any investors willing to join us in our quest to make it easy to construct pipelines that will last a very long time.