ASTROL CAPITAL – NJOY INVESTMENT SUMMARY

Astrol Capital is a family office backed by a team with 25+ years of experience building, launching, and investing in technology and specialty finance companies

www.astrolcp.com

Macro Opportunity - The Market:

In 2015, we observed the rapid growth of the electronic cigarette and vaping market. At that time, there were over 1 billion smokers globally, driving over $700 billion in annual tobacco sales. Due to a dramatic increase in the efficacy of nicotine vaping products and their safer profile, we felt that the nascent Nicotine Vaping Market was poised for significant revenue growth. We conducted a thorough analysis of the market and its key players.

Micro Opportunity – The Company:

We identified NJOY, an Arizona-based company, as well-positioned for commercial success. NJOY had raised nearly $350 million from top-tier private equity firms, successfully launched the top product in the vaping space (NJOY KING) and established a significant distribution network in the U.S. and Europe. NJOY had invested heavily in the science of vaping, leading to safe products with the highest efficacy in the market and high brand awareness. After extensive due diligence, we initially considered a secondary acquisition of founder stock as the company was working with a high-profile bank for an imminent IPO. However, despite the promising opportunity, we were not comfortable with the executive team's projections and the bankers' IPO forecast. Therefore, we decided it would be more prudent to provide mezzanine financing in the form of convertible debt.

Investment Opportunity:

Our diligence and structural adjustments to the investment were ultimately rewarded. Due to the significant equity NJOY had raised, they had little debt on their balance sheet. The Astrol convertible note effectively placed us at the top of the capital stack. In September 2016, NJOY was forced into bankruptcy. Thanks to Astrol's senior position on the cap table, our investment was protected, allowing us to maintain our position in bankruptcy proceedings. As equity investors were wiped out, Astrol partnered with the ex-Managing Partner of Homewood Capital, a board member and early investor in NJOY. Together, we replaced the management team and board, ensuring the company's continuity. We participated in raising the debtor-in-possession (DIP) financing and brought in a large New York-based PE firm to co-invest with us as we took the company out of bankruptcy.

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Deal Structure:

Coming out of bankruptcy, Astrol converted its debt into the new NJOY equity and increased its position by co-investing with NJOY's new investors. NJOY emerged from bankruptcy with a valuation of $50 million. Astrol Capital Managing Partner Allan Kaplan was asked to serve on the NJOY Board of Directors.

Successful Launch:

This new capital infusion allowed NJOY to clean up its balance sheet, bring on a tier-one management team, launch new products, and reestablish distribution channels. Unlike their competitors, Juul and Vuse, NJOY did not target teenage users, focusing instead on converting adult smokers to their vape products. Over the following years, NJOY's market value increased dramatically. In April 2022, NJOY received full licensing from the FDA, becoming one of only two vape companies with full FDA authorization.

Investment Exit:

After the FDA authorization, NJOY became an attractive acquisition target. In March 2023, Altria agreed to buy NJOY for $2.75 billion. This acquisition price resulted in a significant return on investment for Astrol Capital and their partners. Allan Kaplan, Astrol Capital Managing Partner, was actively involved as a board member and played a significant role in the success of the company.