|  |  |
| --- | --- |
| **Legal Name and Structure** | [LCI INDUSTRIES](https://d18rn0p25nwr6d.cloudfront.net/CIK-0000763744/6a10fd64-7997-48a6-b07d-e866dac9dad6.pdf), Delaware Corporation |
| **Ownership Details** | [3.73% Held by Insiders, 43.71% Held by Institutions Holding More than 5%](https://finance.yahoo.com/quote/LCII/holders/) |
| **Industry** | [336390 - Other Motor Vehicle Parts Manufacturing](https://www.naics.com/company-profile-page/?co=4551) |
| **Markets** | NA and EU, OEM and Aftermarket RV parts (2024 10-K) |
| **Competitive Position** | Industry leader in the NA RV market (2024 10-K) |
| **Management Team** | [Average management tenure of 17 years](https://investors.lci1.com/why-invest/default.aspx) |
| **Years in Operation** | 41 years (Delaware Division of Corporations) |
| **Customer Concentration** | 2 Customers comprise 34% of Net Sales (2024 10-K). |
| **Collateral Coverage** | Discounted Land, Building, and Equipment Fixed Assets: $645,687,200 |
| **Risk Rating** | 2.5 out of 5 |
| **Recommendation** | SOFR +2% positioned above existing term and revolving credit |

**Financial Ratios**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Efficiency Analysis** | **2022** | **2023** | **2024** | **Trend** | **Quality** |
| AR / Net Sales | 4.23% | 5.82% | 5.48% | Fluctuating | Satisfactory (3) |
| Days Sales Outstanding | 15.43 | 21.26 | 20.00 | Fluctuating | Satisfactory (3) |
|  |  |  |  |  |  |
| **Liquidity Analysis** | **2022** | **2023** | **2024** | **Trend** | **Quality** |
| Current Ratio | 3.30 | 2.83 | 2.82 | Stable | Superior (1) |
| Quick Ratio | 0.64 | 0.73 | 0.90 | Increasing | Strong (2) |
| Working Capital | $ 969,476 | $ 721,878 | $ 748,185 | Recovering | Watch (4) |
| Free Cash Flow | $ 733,155 | $ 589,438 | $ 412,617 | Decreasing | Watch (4) |
|  |  |  |  |  |  |
| **Profitability Analysis** | **2022** | **2023** | **2024** | **Trend** | **Quality** |
| Gross Margin | 24.45% | 20.51% | 23.51% | Recovering | Satisfactory (3) |
| Net Income | $ 394,974 | $ 64,195 | $ 142,867 | Recovering | Satisfactory (3) |
| Net Income Margin | 7.59% | 1.70% | 3.82% | Recovering | Satisfactory (3) |
| EBITDA | $ 682,240 | $ 255,196 | $ 343,930 | Recovering | Satisfactory (3) |
| EBITDA Margin | 13.10% | 6.74% | 9.19% | Recovering | Satisfactory (3) |
| Return on Assets | 12.16% | 2.17% | 4.94% | Recovering | Strong (2) |
|  |  |  |  |  |  |
| **Leverage Analysis** | **2022** | **2023** | **2024** | **Trend** | **Quality** |
| Debt to Equity | 0.81 | 0.63 | 0.55 | Decreasing | Satisfactory (3) |
| Debt to EBITDA | 1.64 | 3.32 | 2.20 | Fluctuating | Watch (4) |
| Interest Coverage | 20.06 | 3.05 | 7.55 | Recovering | Satisfactory (3) |

**Industry Analysis**

LCI Industries and [the wider RV industry still have not fully recovered from the sales slump that followed the pandemic, driven by high interest rates and a booming used market.](https://rvbusiness.com/wsj-its-a-buyers-market-for-rvs-boats-other-pandemic-toys/) [The industry association for RVs has a consensus growth estimate of 4.91%.](https://www.rvia.org/rv-roadsigns-quarterly-forecast) We can expect LCI Industries to track the performance of its industry [due to it performing similarly to its benchmark in the past.](https://s24.q4cdn.com/983662463/files/doc_financials/2024/ar/Lippert-2024-Annual-Report-2025012234-WEB-RA.pdf)

**Interest Coverage Sensitivity Based on Current Interest and New Debt**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Current Interest | $ - | $ 600,000 | $ 650,000 | $ 700,000 | $ 1,200,000 |
| $ 28,899 | 7.55 | 3.26 | 3.11 | 2.98 | 2.08 |
| $ 62,300 | 3.50 | 2.17 | 2.11 | 2.05 | 1.58 |

**Preliminary Recommendation**

Extend credit to LCI Industries up to $650,000,000 at SOFR +2% to position this credit line behind the existing credit line at SOFR +0.875% and term loan at SOFR +1.875%. The heightened interest rate is a result of the deteriorated creditworthiness of the firm since past credit was issued. At this credit limit, interest coverage will not drop below 3x at current borrowing levels and will not drop below 2x at the maximum possible borrowing level, given the existing credit facilities.