

IMI Management, Inc. ("IMI")



B 1 year PD
1.89% to 3.18%

- Below-peer profitability margins pose financial risks, partially mitigated by strong cash flow and capital efficiency. Execution Risk is countered by Icon being in business since '95.
- Customer concentration risks is likley high (TBD). Substantial debt-burden (due to Employee Buyout, and deferred revenue) warrants close monitoring.

Strengths

- Revenue Growth and Operational Scale:** FY-24 revenue grew by 14.2% YoY to \$402mn, with a cumulative 76% increase from FY-22, reflecting strong operational performance and market demand across its subsidiaries 70% Icon and 25% iEng.
- Capital Efficiency:** ROCE of 23.7% significantly outpaces the peer median of 10.4%, demonstrating efficient use of capital despite tight margins and elevated debt.
- Diversified Market Presence:** Operating across 31 U.S. states and serving high-profile clients like Amazon, Tesla, and Boeing, IMI reduces dependency on any single geography or customer base.

Challenges

- Weak Profitability Margins:** EBITDA margin of 4.4% lags behind the peer median of 6.7%, indicating subpar cost efficiency and pricing power, which limits the ability to reinvest or absorb shocks.
- Customer Concentration/Reputation:** IMI seems to rely on a small number of high-profile clients such as Amazon, Tesla, and Boeing, making it vulnerable to revenue shocks if one or more clients reduce or terminate contracts. Similarly if a high profile project fials, it could have a severe impact on their reputation, aside from potential losses, considering the comparatively slim margin.
- Leverage and Debt:** Debt/EBITDA of 0.47 and debt-to-assets at 26.3% exceed peer medians of 0.39 and 16.3%. The vast majority of debt relates to the prior Employee Buyout (\$36.3mn). However, it does not include deferred revenues (~\$47mn) which may in part be refundable, which increased substantiallylly since FY-21 (\$13mn).

Scorecard Summary

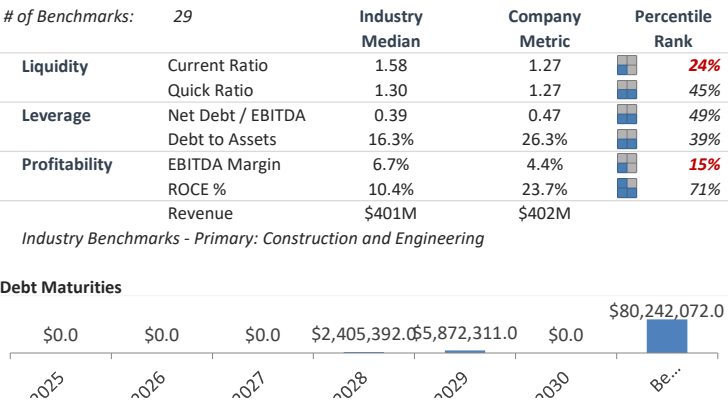
Financial vs Business Risk Weighting Factors					
	Ownership	Private (Non-PE)			
	Company Stage	Stabilized			
	Financials	Complete (Unaudited)			
	Weight	Score	Dimension	Weight	Score
Financial	65%	4.6	Liquidity	25%	<div><div></div></div> 4.1
			Leverage	38%	<div><div></div></div> 3.4
			Profitability	38%	<div><div></div></div> 2.9
Business	35%	5.4	Industry Risk	20%	<div><div></div></div> 5.1
			Competitive Position	50%	<div><div></div></div> 5.8
			Mgmt / Governance	30%	<div><div></div></div> 5.0
			Sponsor / Parent		
Modifiers		0.3	Trend Analysis		<div><div></div></div> 0.3

Company Overview

Headquarters	Granite City, IL
Type	Private (Non-PE)
Employees	<20
Year Founded	2008
Website	IconMech, iengtobuilt, eaglecontrols, isuitellc)
Business	Engineering, construction, automation, and support services.
Revenues	\$401.9M

- Company Overview:** IMI is an employee owned holding comprised of four subs covering engineering, construction, automation, and business services. 70% of revenue and 46% of Net Income is generated by ICON Mechanical, followed by iEng (25%/58%), which seems to be much more profitable. The remaining two contribute about 4.0% in revenue and about the same percentage in an annual Net Loss.
- Product:** ICON Mechanical - design-build mechanical systems, including modular HVAC, plumbing, and piping solutions. Industrial Enginuity (iENG) - engineering and virtual design construction (BIM/VDC) for industrial clients. Eagle Controls - automation and controls engineering, specializing in DDC and PLC systems. iSuite LLC - business support services such as IT, HR, and marketing.
- Customers:** Wide range of high-profile clients, including Amazon, Pfizer, Boeing, and Tesla across sectors like healthcare, manufacturing, data centers, and aerospace.
- Ownership:** IMI Management, Inc. is 100% employee-owned, fostering a collaborative and motivated workforce aligned with long-term growth.
- Debt Structure:** They have a fully unused \$40mn R/C-line. \$36.3mn of their debt relates to the Employee Buyout - due 2029, and 2033 (90%). An additional \$47mn are billings in excess of costs and estimated earnings on contracts in progress (w/o interest) - deferred revenue. The balance are leases, and other current liabilities.
- Basis for Assessment:** Unaudited but accountant reviewed full financials (FY-22, and FY-23). FY-24 was a draft-version from the same accountant.
- Negative Equity:** Due to Employee Buyout (debt financed), Balance Sheet was temporarily showing negative Equity in FY-23, which was resolved by a \$14.16mn Net Income the following year.

Financial Benchmarking & Debt Maturity Profile



Financial Statement Highlights

\$ '000s	(C) Sep-22 T12	(B) Sep-23 T12	(A) Sep-24 T12	Change (C) to (B) (B) to (A)	
Income Statement					
Total Revenue	228,148	351,991	401,938		14.2%
Gross Profit	32,922	43,399	53,436		23.1%
Adjusted EBITDA	9,267	13,140	17,702		34.7%
Gross Profit Margin	14.4%	12.3%	13.3%		+97 bps
Net Income	8,955	10,112	14,160		40.0%
Balance Sheet					
Cash And Cash Equivalents	14,422	21,601	38,827		79.7%
Total Current Assets	81,230	131,214	162,245		23.6%
Total Assets	86,669	143,816	179,411		24.8%
Total Current Liabilities	51,293	104,989	127,955		21.9%
Total Debt	7,708	52,704	47,187		-10.5%
Total Equity	30,837	(252)	15,285		6169.7%
Key Ratios					
Current Ratio	1.58	1.25	1.27		1.5%
Quick Ratio	1.58	1.25	1.27		1.5%
Net Debt / EBITDA	(0.72)	2.37	0.47		-80.0%
Debt to Assets	8.9%	36.6%	26.3%		(1035) bps
EBITDA Margin	4.1%	3.7%	4.4%		+67 bps
ROCE %	25.7%	20.9%	23.7%		+286 bps

- Total revenue increased from \$228mn in FY-22 to \$402mn in FY-24, reflecting a CAGR of 32.6% over three years!
- Y-o-y Net Income increased by 40% in FY-24, exceeding by 25.8 points. Yet, total debt rose from \$20.7mn in FY-22 to \$94mn in FY-24.
- Gross profit margin improved slightly from 12.3% (FY2023) to 13.3% (FY2024), while EBITDA margin saw a modest rise to 4.4%.

Business Risk Highlights

- Industry:** The U.S. construction and engineering industry likely surpassed \$2.0tn in '24. Projections indicate a CAGR of approximately 4.0% from '24 to '30, reaching \$2.52tn by '30. Although, the construction and engineering industry is moderately volatile, stable or tentatively declining interest rates over the next few years shall provide growth support. The U.S. industrial automation market was valued at approximately \$43bn in '23 and is projected to grow at a CAGR of 10.3% through '30.
- Competitive Position:** IMI leverages advanced technologies like BIM and modular construction to differentiate itself. Strong client relationships with industry leaders like Amazon and Tesla bolster its competitive standing (strong references).
- Management:** The employee-owned structure aligns management with long-term performance. However, the company’s elevated debt levels suggest potential overextension in financial planning.
- PE Sponsor:** N/A
- Other:** The lack of external sponsorship limits financial backing but ensures operational autonomy. An employee-owned model generally drives internal accountability and stakeholder alignment.