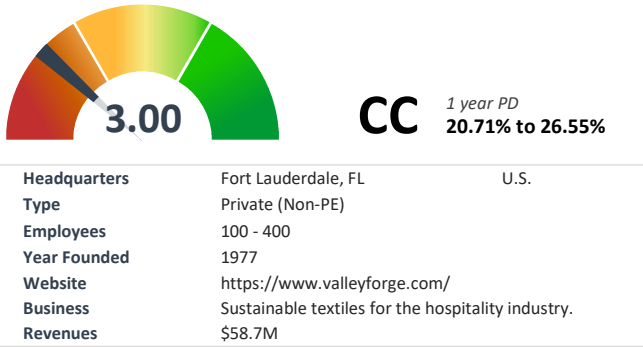


VALLEY FORGE FABRICS, INC.



Company Overview

- Company Overview:** A family-owned manufacturer of decorative, sustainable performance textiles tailored to the hospitality industry.
- Product:** Specializes in upholstery fabrics, drapery, roller shades, and bedding products.
- Customers:** Primarily serves the hospitality sector (hotels, resorts, casinos, and cruise ships), emphasizing high-quality and eco-friendly solutions to meet industry-specific needs.
- Ownership:** Privately owned by the Dobin family, the company emphasizes personalized service and sustainability.
- Debt Structure:** No debt maturities weren't provided. Long-term debt consists of a Note payable over \$6.8mn, a \$3.8mn note to prior owner (presumably Dan and Judy Dobin) plus \$3.4mn in lease liabilities. An additional \$1.7mn of debt sits in credit cards. We aren't aware of an R/C-line. A/Rs exceed A/Ps marginally by just about 10%.
- Other (pros/cons):** High leverage (exceeding peers almost 3-fold) and low profitability (EBITDA margin below 1/5 of peers) signal elevated credit risk and operational inefficiencies. High leverage is mainly an EBITDA-weakness given Debt-to-Asset ratio is about 1/4 below their peers. They seem to have a strong market position in sustainable textiles. Jointly with a stable management (3 generations involved) partly offset risks, but profitability must improve for financial resilience. Negative Operating Income (recovered by sale of "CDI") leads to a negative FCCR, which is not good, aside from an small Net Loss (-\$21k) - yet, \$17mn in Equity. General lack of transparency given private nature, although the qualitative KPIs seem to outperform their quantitative KPIs.

Financial Snapshot

	Oct-22	Oct-23	Oct-24	Chg
\$ '000s	T12	T12	T12	%
Total Revenue	-	-	58,669	
Gross Profit	-	-	27,468	
Adjusted EBITDA	-	-	1,177	
Gross Profit Margin	-	-	46.8%	
EBITDA Margin	-	-	2.0%	
Net Income	-	-	(21)	

		Weight		Rating Range	
		50%		3.0	to 4.0

Financial Ratio Benchmarking

# of Benchmarks:		20	Industry Median	Company Metric	Percentile Rank	# of Industry Benchmarks		20
			\$80M	\$59M		Company Financials Date		Oct-24
Liquidity	Revenue					Industry Benchmarks - Primary: Textiles		
	Current Ratio	1.39	1.25	<div></div>	37%			
Leverage	Quick Ratio	0.60	0.68	<div></div>	58%			
	Net Debt / EBITDA	3.42	10.04	<div></div>	15%			
Profitability	Debt to Assets	49.1%	37.0%	<div></div>	57%			
	EBITDA Margin	9.7%	2.0%	<div></div>	14%			
	ROCE %	11.1%	-4.9%	<div></div>	10%			

Business Risk

Industry Group Risk Profile		Consumer Durables		20%	4.5	to	6.5
Industry Risk Assessment		KPI Rating	Contribution	Industry Group Description			
Cyclicality		Intermediate risk	<div></div>	Entities that derive a majority of their revenue from the manufacture and marketing of diversified and miscellaneous consumer products, including home appliances, furniture, home improvement products and fixtures, small appliances, sporting equipment and other durable goods.			
Competitive Risk		Intermediate risk	<div></div>				
Global Industry		Intermediate risk	<div></div>				
Market Segment Outlook		Stable	<div></div>				
Competitive Position Profile		Manufacturing		50%	5.5	to	7.0
Competitive Position KPIs		KPI Rating	Contribution	Rating Guideline			
Cycle-Tested		< 2000	<div></div>	Navigated multiple economic down-cycles.			
Competitive Advantages		Above Average	<div></div>	Strong competitive position in a moderately competitive market with some barriers to entry and limited threat from substitution.			
Supplier Diversity		Above Average	<div></div>	A variety of suppliers in different regions.			
Customer Concentration		Satisfactory	<div></div>	Top 5 customers 26-40% of revenue			
Manufacturing Redundancy		Above Average	<div></div>	Multiple manufacturing sites in similar locations.			
Demand Elasticity		Weak	<div></div>	Products have highly elastic demand (many substitutes available).			
Contract Terms		Satisfactory	<div></div>				
Management, Governance, Sponsorship		30%	6.0	to	8.0		

Anchor Modifiers

Modifiers					
Revenue Segment	Normalization	<div></div>	\$50-100M		
Financial Flexibility	Adjustment	<div></div>	Limited		
Fixed Cost Coverage Risk	Risk Flag	<div></div>	FCCR of -2.82x		
Other Modifier	Risk Flag	<div></div>	No Notes to Financials		

Rating Range (Rounded)

2.5	to	3.5
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