

Atlas Packaging, Inc.



- 43% increase in Revenue since FY-2021, EBITDA Margin doubled to 12.3% in FY-2023, and the entity is debt free.
- Empirically, smaller entities are more likely having to file for bankruptcy than larger corporations. The relatively low total revenue indicates an elevated bk-vulnerability.

Strengths

- Profitability & Growth:** EBITDA expanded substantially from 7.3% in FY-2021 to 12.3% in FY-2023, whilst ROCE is almost 4x the industry median. Although Revenue only grew by 1.6% since FY-2022, the growth since FY-2021 was 43%. Despite that growth, operating expenses increased by just 14.4% over the past 3 years.
- Low Leverage:** Atlas has been debt-free for the past 3 years.
- Strong Liquidity Position:** Liquidity ratios are ~2-3x of the respective industry medians, and y-o-y Cash and Cash Equivalents grew by 24% in FY-2023 and 67% compared to FY-2021. Eventually, FCCR as been greater than 2.5x since FY-2021, currently at 3.1x.

Challenges

- Small revenue base:** Compared to many of its' peers Atlas is rather a smaller player. Empirically speaking, smaller entities are much more susceptible to filing for bankruptcy over time than larger corporations.
- Limited Information on Management:** Missing insights about management and governance practices.
- Lower proportion of Fixed Assets:** Fixed Assets comprises of only 10% of Total Assets as of FY-2023 which may restrict the company's ability to raise money from capital market in times of need.

Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	65%	9.6	Liquidity	<div></div>
			Leverage	<div></div>
			Profitability	<div></div>
Business	35%	6.4	Industry Risk	<div></div>
			Competitive Position	<div></div>
			Mgmt / Governance	<div></div>
			Sponsor / Parent	<div></div>
Modifiers		-1.7	Revenue Segment	<div></div>
			Trend Analysis	<div></div>
			Financial Flexibility	<div></div>

Industry Benchmarks - Primary: Paper and Plastic Packaging Products and Materials

Company Overview

Headquarters	Opa Locka, FL	U.S.
Type	Private (Non-PE)	
Employees	40-50	
Year Founded	1980	
Website	https://www.atlaspackaginginc.com/	
Business	Manufacturer and distributor of packaging products	
Revenues	\$17.7M	

- Company Overview:** Atlas Packaging ("Atlas") has been serving the needs of customers for >40 years. With their manufacturing plant being located in Miami, FL, they serve all of South FL as well as the Southeast region of the US. Atlas was founded with the vision of manufacturing innovative, value-added products from recycled and renewable materials. As part of their commitment to corporate social responsibility, Atlas strives to implement sustainable practices in every step of production.
- Product:** Atlas Packaging provides a diverse portfolio of packaging solutions, including Corrugated cardboard POP displays, counter displays, floor displays, free standing displays, pallet displays, retail boxes, folding carton, kit boxes, retail ready, auto bottom boxes, and protective packaging products, meeting the needs of different industries.
- Customers:** The company serves a broad customer base, including pharmaceuticals, e-commerce, food & beverage, education, hospitality, electronics, retail & industrial.
- Ownership:** Per 2022 Tax Return, the company is 60% owned by the founder, T. Walter Shields and 40% owned by Charles R. Meissner. Walter's son-in-law Chip Meissner who joined the company in 1990, has led the company till today and currently holds the position of General Manager.

Financial Ratio Benchmarking

# of Benchmarks:		6	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.74	6.67		
	Quick Ratio	1.51	5.80		
Leverage	Net Debt / EBITDA	0.21	0.0%		
	Debt to Assets	7.3%			
Profitability	EBITDA Margin	7.2%	12.3%		
	ROCE %	8.3%	32.4%		
	Revenue	\$53M	\$18M		

- Liquidity KPIs are significantly higher than the respective industry median
- EBITDA Margin of 12.3% is almost twice the industry median of 7.2%, and the entity has been debt-free for the past 3 years.

Financial Statement Highlights

\$ '000s	Aug-21 T12	Aug-22 T12	Aug-23 T12	Chg
Income Statement				
Total Revenue	12,344	17,385	17,669	1.6%
Gross Profit	3,268	3,832	4,936	28.8%
Adjusted EBITDA	907	1,062	2,167	104.1%
Gross Profit Margin	26.5%	22.0%	27.9%	+589 bps
EBITDA Margin	7.3%	6.1%	12.3%	+616 bps
Balance Sheet				
Cash And Cash Equivalents	2,032	2,744	3,403	24.0%
Total Current Assets	4,379	4,782	6,745	41.0%
Total Assets	4,550	5,596	7,466	33.4%
Total Current Liabilities	906	1,237	1,012	-18.2%
Total Debt	-	-	-	
Total Equity	3,552	4,278	6,374	49.0%
Cash Flow				
Net Income	620	726	2,096	188.7%
CAPEX	-	369	-	
Depreciation & Amortization	126	40	77	94.1%
Fixed Charge Coverage Ratio	2.59x	2.84x	3.07x	+0.2x

- Historically, the company has maintained strong balance sheet with Total Debt being "zero".
- EBITDA Margins significantly expanded from 7.3% in FY-2021 to 12.3% in FY-2023 primarily driven by -6% decrease in COGS for a +1.6% increase in Revenues.
- Cash balance of \$3.4mn (as of FY-2023) appears sufficient to meet short term fixed obligations (eg: Rent Expenses of \$1.0mn).

Business Risk Highlights

- Industry:** The packaging industry is moderately concentrated and expected to grow at a CAGR of ~3.5% from 2023 to 2028.
- Competitive Position:** Based on the Financial Ratio Benchmarking, Atlas Packaging Inc. has a strong position relative to its' peers. However, their comparatively small size may not allow them to compete at a broader level.
- Management:** Owner and founder, T. Walter Shield's son-in-law, is currently leading the company and holds the position of General Manager.
- PE Sponsor:** n/a