

# The Whitaker Group, Inc.



- ROCE of 12.6% reflects superior operational efficiency despite sharply declining EBITDA Margin since FY-21.
- A strong net cash position, and minimal leverage mitigates liquidity concerns, despite declining revenue.
- Pending clarification about legal entity & registration.

**Strengths**

- **Brand and Cultural Impact:** Established as an influential player with strong community ties, fostering brand loyalty which is critical for sustained consumer interest.
- **Operational Efficiency:** High ROCE at 12.6%, nearly doubling the industry median, signifying effective use of capital.
- **Net Cash Position:** With a net debt to EBITDA ratio of (0.21), the company is in a net cash position, indicating low solvency risk and good debt management.

**Challenges**

- **Liquidity Challenges:** A current ratio of 1.61 and a quick ratio of 0.35, both below industry median, hint at potential cash flow issues.
- **Profitability Pressure:** A decline in EBITDA margin to 5.5% (roughly at par with market) from 33.6% in FY-21 and 12.8% in FY-22 raises concerns about the company's ability to sustain its cost structure against revenues.
- **Competitive Market Pressures:** Operating in the highly competitive apparel retail sector necessitates continuous innovation and adaptation, posing a risk to maintaining market share.

## Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	65%	5.8	Liquidity	
			Leverage	
			Profitability	
Business	35%	5.4	Industry Risk	
			Competitive Position	
			Mgmt / Governance	
			Sponsor / Parent	
			Revenue Segment	
Modifiers	-0.5		Trend Analysis	
			Financial Flexibility	
			Other Modifier	

Industry Benchmarks - Primary: Apparel Retail

## Company Overview

Headquarters	Charlotte, NC	U.S.
Type	Private (Non-PE)	
Employees	200-500 (Linkedin)	
Year Founded	2005	
Website	https://thewhitakergrp.com/	
Business	Retail fashion stores	
Revenues	\$83.9M	

- **Company Overview:** The Whitaker Group, Inc. operates at the nexus of culture and retail, creating unique experiences through a portfolio of fashion and lifestyle brands. This enterprise leverages storytelling to connect with diverse communities, enhancing its market presence.
- **Product:** Offers luxury and lifestyle goods across several distinctive brands.
- **Customers:** Targets culturally aware consumers seeking unique, high-quality experiences.
- **Ownership:** Privately held, emphasizing creative control and cultural alignment. The fournder and CEO of the enitty is James Whitner. He controls the entity through equity ownership via Jaizai Investment Inc and Trois Investment Inc. Jaizai and Troi are also his entities.

## Financial Ratio Benchmarking

# of Benchmarks:		14		Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.11	1.61			-8%
	Quick Ratio	0.46	0.35			-20%
Leverage	Net Debt / EBITDA	1.80	(0.21)			19%
	Debt to Assets	16.3%	12.4%			10%
Profitability	EBITDA Margin	5.1%	5.5%			4%
	ROCE %	6.8%	12.6%			12%
	Revenue	\$97M	\$84M			

- Liquidity ratios below peer median, indicating tighter liquidity which requires close monitoring (excluding any R/C-lines). Yet, a net debt `free, and strong cash position provide ample financial flexibility.
- High asset turnover ratio, enables profitability at lower margins.

## Financial Statement Highlights

\$ '000s	Dec-21 T12	Dec-22 T12	Dec-23 T12 (annualized)	Chg
Income Statement				
Total Revenue	90,121	90,334	83,861	-7.2%
Gross Profit	38,451	28,024	22,059	-21.3%
Adjusted EBITDA	30,285	11,599	4,616	-60.2%
Gross Profit Margin	42.7%	31.0%	26.3%	(472) bps
EBITDA Margin	33.6%	12.8%	5.5%	(734) bps
Balance Sheet				
Cash And Cash Equivalents	4,188	7,856	8,150	3.8%
Total Current Assets	18,509	46,656	38,072	-18.4%
Total Assets	19,455	56,507	57,952	2.6%
Total Current Liabilities	4,344	17,647	23,680	34.2%
Total Debt	1,068	10,017	7,174	-28.4%
Total Equity	14,913	33,635	37,345	11.0%
Cash Flow				
Net Income	29,576	11,208	4,350	-61.2%
CAPEX	-	772	-	
Depreciation & Amortization	1,057	282	289	2.3%
Fixed Charge Coverage Ratio	26.36x	4.95x	3.45x	(-1.5)x

- Following a stable revenue line between FY-21 and FY-22, the annualized T8 financials per 2023 showcase a decline by 7.2%, and an even steeper compression of Gross Profit (-21.3%).
- Rising cost is not just isn't just driving COGS, but also OPEX over the past couple of years with EBITDA Margin declining from 33.6% to 12.8% in FY-22, and currently just 5.5%.
- Consistently strong equity base with an improving debt to equity ratio, suggests a solid capital structure, providing ample of room for the entity to react, and turn the trend around.

## Business Risk Highlights

- **Industry:** The dynamic fashion retail industry demands constant innovation to stay relevant, presenting both a challenge and an opportunity for The Whitaker Group. In order to achieve higher margins, branding, brand positioning, and the overall customer experience are critical especially in the effectively declining fashion retail segment, considering inflation rates at or above 3.0%. The industry's growth is projected to continue, albeit at a slow pace, with a forecasted CAGR of approximately 1.6% from 2022 to 2026.
- **Competitive Position:** Strong brand reputation offers a competitive advantage in a saturated market, yet necessitates strategic marketing and product differentiation.
- **Management:** As a privately-held entity, the company's decision-making and governance structures are pivotal to strategic agility and creditworthiness. As of this point in time we were unable to gather more insights into the entity's management, attrition rate, and risk management procedures/structures.