

Wincup, Inc. (& Subsidiaries)



- Recent profitability contrasts with ongoing liquidity challenges, yet PE-backing and ~\$20mn remaining capacity under the revolver are comforting.
- Atars' sustainable focus positions Wincup for growth, but competition remains a key stability factor, as operating expenses declined steeper than revenue.

Strengths:

- High Profitability:** EBITDA Margin of 11.1% in FY-22, and 15.9% in FY-23 surpasses the industry median of 9.0% - strong operational efficiency.
- Effective Debt Management:** Net Debt/EBITDA ratio of 2.80, significantly better than the peer median of 5.28, showing efficient debt handling. Although there is a maturity wall (majority of debt is due in 2025), Wincup has currently an unused capacity under its' RC-line of ~\$20mn.
- Strong Market Position within their core segment:** Specialization in biodegradable and compostable packaging products, aligning with growing environmental sustainability trend - especially in North America & Europe (core markets for sustainable products).

Concerns

- Liquidity Concerns:** Current Ratio (0.98) and Quick Ratio (0.41) below industry medians, indicating potential short-term financial challenges.
- Substitution Risk:** Moderate risk from emerging sustainable materials, necessitating continuous innovation.
- Customer Concentration:** Reliance on specific sectors like quick-service restaurants and convenience stores, posing a risk of customer dependency, althouth we did not have sufficient information at this point in time to further substantiate.

Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	40%	6.3	Liquidity	
			Leverage	
			Profitability	
Business	60%	6.7	Industry Risk	
			Competitive Position	
			Mgmt / Governance	
			Sponsor / Parent	
			Trend Analysis	
Modifiers	0.1		Financial Flexibility	
			Other Modifier	

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

Company Overview

Headquarters	Stone Mountain, GA	U.S.
Type	Private (PE)	
Employees	~1000	
Year Founded	1962	
Website	https://wincup.com/	
Business	Manufactures and distributes plastics and foam products.	
Revenues	\$251.9M	

- Company Overview:** Wincup Inc. is a prominent manufacturer and distributor of disposable packaging products, specializing in environmentally sustainable solutions.
- Product:** The company's product lineup includes VIO™ Biodegradable Foam Cups and Phade Marine Biodegradable Straws, catering to the growing demand for eco-friendly products.
- Customers:** Wincup serves a diverse customer base, including club stores, convenience stores, and quick-service restaurants.
- Ownership:** Wincup operates as a privately held company, backed by Atar Capital, who acquired them in 9/2020. As part of the acquisition the entity's strategy shifted to a focus on sustainable cups, straws and otherwise eco-friendly products. Along with that came a change at the helm, as the prior CEO was replaced with Brad Laport, joint by the new Chief Revenue Officer Michael Winters.
- Other:** We have not detailed insight into Atar's funding base. All of Wincups' loans, incl RC-line, excl. LT Operating Leases will mature in 2025. The entity operates under very tight liquidity ratios (although they got about ~\$20mn in capacity left under their revolver), and capital markets (risk-return oriented) are trending somewhat away from PE-investment due to more attractive alternative options (e.g. bonds), we are taking a more conservative approach, and giving less benefit to the PE-investor.

Financial Ratio Benchmarking

# of Benchmarks:	20	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.74	0.98	
	Quick Ratio	0.98	0.41	
Leverage	Net Debt / EBITDA	5.28	2.80	
	Debt to Assets	52.2%	56.5%	
Profitability	EBITDA Margin	9.0%	15.9%	
	ROCE %	7.1%	24.7%	
	Revenue	\$344M	\$252M	

- Despite decline in ROCE from 36.2% (FY-22), to 24.7% (FY-23), substantially higher than peers, they still deliver a strong returns.
- Comparatively low leverage and Debt to Assets ratio substantiate increased financial flexibility, provided they stay profitable.

Financial Statement Highlights

\$ '000s	Dec-21 T12	Dec-22 T12	Dec-23 T12	Chg
Income Statement				
Total Revenue	194,998	261,808	251,876	-3.8%
Gross Profit	20,110	49,710	62,316	25.4%
Adjusted EBITDA	5,069	30,159	40,112	33.0%
Gross Profit Margin	10.3%	19.0%	24.7%	+575 bps
EBITDA Margin	2.6%	11.5%	15.9%	+441 bps
Balance Sheet				
Cash And Cash Equivalents	1,681	1,726	2,319	34.4%
Total Current Assets	59,243	66,667	72,107	8.2%
Total Assets	113,746	167,860	203,084	21.0%
Total Current Liabilities	61,960	65,231	73,905	13.3%
Total Debt	34,866	51,526	114,757	122.7%
Total Equity	32,084	34,636	48,230	39.2%
Cash Flow				
Net Income	(4,718)	13,752	21,919	59.4%
CAPEX	3,893	6,034	8,065	33.7%
Depreciation & Amortization	5,837	7,177	8,236	14.8%
Fixed Charge Coverage Ratio	-0.12x	3.27x	4.77x	+1.5x

- Total Revenue increased from \$161mn in FY-20 to \$262mn in FY-22, showing significant growth (+61.9%). The correction in FY-23 (-3.8%) was accompanied with lower COGS & Operating Expenses (jointly) by -10.6%.
- Transition from a net loss in FY-20 and FY-21 to a net profit of \$21.9mn in FY-23.
- Historically, OPEX grew from \$15.7mn in FY-20 to \$27.9mn in FY-22 (+77.7%), reflecting higher costs associated with growth in revenue over that timeframe (see above).

Business Risk Highlights

- Industry:** The global biodegradable food packaging market was anticipated to accumulate a market value of \$216bn in 2023 and is expected to garner a valuation of \$355bn (CAGR of 5.1%) between 2023 and 2033. Although innovation is a key factor to success, the main markets of such product are North America and Europe (~70%)
- Competitive Position:** Strong focus on product differentiation through biodegradable products, but facing competition from similar sustainable offerings. Despite the ESG-focus taken upon acquisition by Atar Capital in 9/2020, they still offer traditional cups and packaging products, overall balancing their business model.
- Management:** The effectiveness of management strategies in areas like innovation, market expansion, and customer diversification is crucial.
- PE Sponsor:** Atar Capital's emphasis on sustainability and strategic acquisitions presents both growth opportunities and competitive challenges for Wincup Inc. in the dynamic packaging sector.