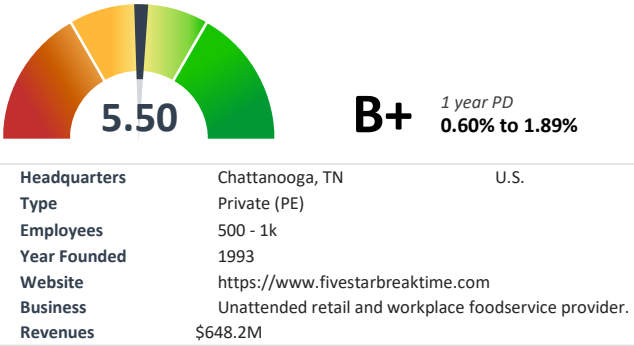


# Five Star Food Service, Inc.



## Company Overview

- Company Overview:** Five Star Food Service, Inc. is a leading regional provider of unattended retail and full-service food and beverage solutions, HQ'd in Chattanooga, TN. Backed by Freeman Spogli & Co., the company has grown through acquisitions and operational scaling since its founding.
- Product:** Micro Markets & Vending - thousands of self-service food and beverage stations across workplaces and institutions. Office Coffee & Pantry - tailored coffee, water, and pantry programs for employee refreshment. Dining & Catering - full-scale B2B dining programs.
- Customers:** Employers in manufacturing, logistics, education, and healthcare, offering both long-term contracts and point-of-service models.
- Ownership:** Privately owned by Freeman Spogli & Co., a U.S.-based PE firm with a track record in consumer-facing service platforms.
- Debt Structure:** The entity carries almost \$350mn in LT debt, which is not further qualified (e.g. terms). We aren't aware of an R/C-line.
- Basis for Assessment:** FY-21 - FY-24 audited, yet abbreviated financials (no c/f,-statement, and no notes to financials). FY-24 is most important.
- Other (pros/cons):** Strong revenue growth and margins (almost 60%> peers), backed by experienced leadership and PE support, partially offsets liquidity pressure. Structural issues like their very high leverage (substantial refi-risk, vulnerability if economic conditions should deteriorate), negative equity, 63% of assets being Goodwill and Itangibles, and technical insolvency (Total Liabilities > Total Assets) continue to constrain financial flexibility. Given they are profitable, PE-backing is less critical from an operational perspective. However, the high leverage and thereby limited financial flexibility reduce their ability to absorb shocks.

## Financial Snapshot

	Mar-21	Mar-22	Mar-23	Chg
\$ '000s	T12	T12	T12	%
Total Revenue	273,604	437,270	552,509	26.4%
Gross Profit	154,067	247,557	314,138	26.9%
Adjusted EBITDA	36,454	65,162	84,551	29.8%
Gross Profit Margin	56.3%	56.6%	56.9%	0.2 ppt
EBITDA Margin	13.3%	14.9%	15.3%	0.4 ppt
Net Income	849	19,505	19,101	-2.1%

	Weight	Rating Range		
	35%	5.0	to	6.0

## Financial Ratio Benchmarking

# of Benchmarks:	28	Industry Median	Company Metric	Percentile Rank
Liquidity	Revenue			
	\$572M			
	\$648M			
Leverage	Current Ratio			
	1.49			
	1.14			
Profitability	Quick Ratio			
	1.11			
	0.74			
Liquidity	Net Debt / EBITDA			
	2.80			
	3.66			
Leverage	Debt to Assets			
	32.6%			
	87.7%			
Profitability	EBITDA Margin			
	9.9%			
	15.3%			
Liquidity	ROCE %			
	6.3%			
	16.1%			

# of Industry Benchmarks 28  
Company Financials Date Mar-24

Industry Benchmarks - Primary: Diversified Support Services

## Business Risk

Industry Group Risk Profile	Business And Consumer Services	15%	4.5	to	6.5
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Industry Risk Assessment	KPI Rating	Contribution	Industry Group Description
Cyclicality	Intermediate risk	<div></div>	Primary revenues from offering solutions for noncore activities or providing varied business and consumer services, including: services for direct consumer needs; product distribution services; facilities services for maintaining other businesses' premises or staffing; and general and professional services for complex business support.
Competitive Risk	Intermediate risk	<div></div>	
Global Industry	Intermediate risk	<div></div>	
Market Segment Outlook	Stable	<div></div>	

Competitive Position Profile	Business And Consumer Services	35%	6.5	to	8.0
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Competitive Position KPIs	KPI Rating	Contribution	Rating Guideline
Cycle-Tested	< 2000	<div></div>	Navigated multiple economic down-cycles.
Market Position	Strong	<div></div>	Favorable market position with barriers to entry, ability to integrate services into customer's operations.
Brand Equity and Reputation	Above Average	<div></div>	Good brand with some ability to command a price premium.
Business Strategy	Above Average	<div></div>	Mostly consistent strategy with minor areas for improvement.
Customer & End-Market Diversity	Above Average	<div></div>	Good customer diversity; limited reliance on specific customers.
Service Diversity	Strong	<div></div>	Offers a wide range of services that cater to diverse customer needs.
Geographic Diversity	Above Average	<div></div>	Moderate geographic diversification. Some dependence on specific regions.
Expense Structure	Satisfactory	<div></div>	Limited ability to flex staff or inventory. Higher direct labor expense.
Working Capital Management	Satisfactory	<div></div>	Average working capital management with some volatility.

Management, Governance, Sponsorship	50%	6.5	to	8.5
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## Anchor Modifiers

Modifiers			
Trend Analysis	Adjustment	<div></div>	Strong Positive
Financial Flexibility	Adjustment	<div></div>	Strained
Other Modifier	Risk Flag	<div></div>	Missing notes to financials (-0.25), structural issues including >60% of Total Assets being Goodwill and Intangibles, high refi-risk, technical insolv

## Rating Range (Rounded)

5.0	to	6.0
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