NewCo Plastics, LLC (platform company)

B+ *1 year PD*
0.60% to 1.89%

- NewCo Plastics' impressive revenue growth is offset by high leverage and weak capital efficiency, increasing financial risk.
- PE backed expansion and diversification. Aggressive acquisitions, strain liquidity. If synergies from recent acquisitions won't materialize, covenant breaches or cash flow insolvency might threaten the PE-investment. Substantial investments in FY-24.

Strengths

- **Diversification & Demand Stability:** They operate across aerospace, defense, medical, automotive, and industrial sectors, reducing cyclicality risk. The medical and defense industries provide demand stability due to inelastic needs.
- **Operational Scale & Certifications:** With multiple manufacturing sites across the Midwest, NewCo Plastics has built redundancy in its production network. The company holds ISO 9001:2015, IATF 16949, Aerospace AS9100 P1, and MedAccred for Plastics, enabling access to high-barrier markets.
- **Growth & PE support:** Revenue grew 24.8% in FY-24 driven by market demand, and acquisitions. Founded 2011, White Wolf Capital has been recognized as a Top 50 Middle Market PE firm for 7 consecutive years, with ~$640mn in AUM per 12/2023. In FY-24 (TTM) they invested heavily in people, systems, certs', and PP&E.

Challenges

- **Elevated Leverage & Debt Metrics:** Net Debt/EBITDA of 3.66x is >2x the peer median of 1.79x. Debt surged by 46% YoY to $57.3mn in FY-24.
- **Liquidity:** YoY Cash reserves plummeted from $3.1mn to $432K in FY-24, while operating cash flow declined from $10.3mn to $3.5mn.
- **Profitability & Integration Risk:** ROCE at -4.9% vs. peer median of 9.1% indicates that capital investments may not yield expected returns. If expected synergies from recent acquisitions (e.g., Magenta, Permian Plastics, MM Plastics) won't materialize, margin compression and inefficient capital allocation could deteriorate profitability, leading to covenant breaches or cash flow insolvency. Heavy investments and consolidation efforts in FY-24 cloud the perspective.

Company Overview

Headquarters	Miami, FL
Type	Private (PE)
Employees	~200
Year Founded	1969
Website	https://www.newcoplastics.com/
Business	Custom plastic injection molding and coatings.
Revenues	$129.7M

- **Company Overview:** NewCo Plastics, LLC is a plastics manufacturing platform specializing in custom injection molding, precision tooling, and hard-coating applications. The company follows an acquisition-driven growth model.
- **Product:** Custom Injection Molding - specializing in medical, aerospace, and industrial-grade plastic components. Precision Tooling & Mold Design - in-house design and engineering services for complex parts. Abrasion-Resistant Hard Coating - enhances durability for high-performance plastic components.
- **Customers:** Serves automotive, medical, defense, industrial, and consumer goods sectors, ensuring demand resilience. Contracts with OEMs, Tier 1 & Tier 2 suppliers, and government agencies.
- **Ownership:** Private Equity-backed by White Wolf Capital. Functions as a platform entity (est. 2020), continuously acquiring smaller plastics manufacturers (6 to date) to expand its market presence.
- **Basis for Assessment:** Uncommented, and unaudited high level consolidated financials (FY-21 - FY-23 and T9 through 9/24). Supported by partial QoEs.
- **Debt Structure:** Total Debt consists mainly of a senior (amortizing) TL, and a subordinated TL, jointly ~$37.7mn. Beyond that they carry ~$11mn UPB under an R/C-line. We did not receive due dates. Most debt is subject to floating rate interest.
- **Single Event Risks:** Failure to Integrate Acquisitions & Achieve Synergies, yet WWC does not have a fixed investment horizon. Yet, if performance wouldn't meet investor expectations, potential cost-cutting measures or divestitures could impact long-term operational stability. We are following up on a more detailed sales pipeline and FY-25 proforma. Debt Refi Risk - we are following up about loan terms.

Financial Statement Highlights

$ '000s	(C) Dec-21 T12	(B) Dec-23 T12	(A) Dec-24(A) T12	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	86,423	103,914	129,676		24.8%
Gross Profit	22,556	26,330	32,444		23.2%
Adjusted EBITDA	13,098	14,431	15,528		7.6%
Gross Profit Margin	26.1%	25.3%	25.0%		(32) bps
Net Income	7,106	4,367	769		-82.4%
Balance Sheet					
Cash And Cash Equivalents	6,707	3,122	432		-86.2%
Total Current Assets	31,572	29,517	29,498		-0.1%
Total Assets	55,702	68,102	118,197		73.6%
Total Current Liabilities	12,672	14,004	13,219		-5.6%
Total Debt	32,663	39,168	57,315		46.3%
Total Equity	10,367	14,929	47,662		219.3%
Key Ratios					
Current Ratio	2.49	2.11	2.23		5.9%
Quick Ratio	1.65	1.31	1.29		-1.7%
Net Debt / EBITDA	1.98	2.50	3.66		46.7%
Debt to Assets	58.6%	57.5%	48.5%		(902) bps
EBITDA Margin	15.2%	13.9%	12.0%		(191) bps
ROCE %	19.9%	16.0%	6.3%		(965) bps

- Sales increased 24.8% YoY to $129.7M in FY 2024. However, the EBITDA margin declined slightly to 12.0% (vs. 13.9% in FY 2023), indicating rising operational costs.
- Cash reserves fell from $3.1mn in FY-23 to $432K in FY-24, while operating cash flow dropped to $3.5mn ($10.3M in FY-23), signaling liquidity concerns.
- Total debt increased by 46% to $57.3mn in FY-24 vs FY-23), and interest expense surged to $4.7mn, straining financial flexibility.

Scorecard Summary

Financial vs Business Risk Weighting Factors

Ownership	Private (PE)
Company Stage	Growth
Financials	Complete (Unaudited)

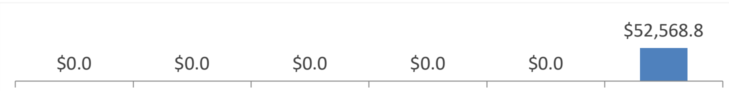
	Weight	Score	Dimension	Weight	Score
Financial	30%	4.8	Liquidity	25%	*6.2*
			Leverage	38%	*1.4*
			Profitability	38%	*1.2*
Business	70%	6.8	Industry Risk	15%	*5.9*
			Competitive Position	35%	*6.5*
			Mgmt / Governance	15%	*7.0*
			Sponsor / Parent	35%	*7.4*
Modifiers		-0.7	Financial Transparency		*(0.2)*
			Trend Analysis		*0.22*
			Financial Flexibility		*0.25*

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	*39*	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.12	2.23	*58%*
	Quick Ratio	1.19	1.29	*57%*
Leverage	Net Debt / EBITDA	1.79	3.66	*42%*
	Debt to Assets	31.1%	48.5%	*36%*
Profitability	EBITDA Margin	11.2%	12.0%	*52%*
	ROCE %	9.1%	-4.9%	***10%***
	Revenue	$123M	$130M	

Industry Benchmarks - Primary: Specialty Chemicals | Secondary: Metal, Glass and Plastic Containers

Debt Maturities



Business Risk Highlights

- **Industry:** While the plastics manufacturing sector faces pricing pressure, exposure to medical and defense markets provides stability. Regulatory pressures on plastic sustainability could increase costs.
- **Competitive Position:** The company's ISO 9001:2015, IATF 16949, and Aerospace AS9100 P1 certifications provide access to regulated, high-margin industries. Multiple manufacturing sites reduce operational risk.
- **Management:** NewCo Plastics follows a roll-up strategy, acquiring multiple companies under one platform. The success of this approach depends on effective post-merger integration and cost synergies.
- **PE Sponsor:** White Wolf Capital Group, established in 2011, is a private investment firm specializing in management buyouts, recapitalizations, and growth investments in leading middle-market companies across North America. The firm operates from offices in Miami, New York, Chicago, and Montreal. They typically partner with sellers who retain a meaningful equity stake, fostering a collaborative partnership dynamic.