American Spraytech Holdings, LLC

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

- Consistently profitable, with sustained top-line and profit growth, robust customer retention, and proprietary formulations support margin stability and a solid competitive edge.
- Elevated leverage and modest liquidity reduce financial flexibility, not considering ~$20mn in free capacity under their R/C-line. PE-support provides stability, although currently in transition.

Strengths

- **Strong EBITDA Margin and Capital Efficiency:** Despite scale-up efforts, the FY-24 EBITDA margin stood at 8.6% (vs. 7.7% peers), with a robust ROCE of 18.0% (vs. 9.5% peers), reflecting capital discipline and pricing power. The industry is projected to grow at a 7.9% CAGR. Liquidity is mainly provided through their $40mn R/C-line, with a ~$19mn capacity per 03/25. $17mn contingency debt - g'tee for a BBH-loan.
- **PE Sponsorship:** Still backed by BBH Capital Partners, a reputable mid-market PE firm with $1.3bn in committed capital since inception. Near-term exit for contemplated 10x EBITDA multiplier is currently under negotiation. No furter insights yet (6/30/25).
- **Unique Competitive Positioning:** AST claims to be the only aerosol body scent manufacturer in NJ, and operates the only nitrogen-dedicated aerosol line in its category, supporting technical differentiation and barriers to entry.

Challenges

- **Leverage and Liquidity:** Net Debt/EBITDA is elevated at 5.6x (vs. 1.75x peers), with a Quick Ratio of 0.92 and Current Ratio of 1.56, both trailing peer medians, while operating cash flow was breakeven despite $11.6mn in Net Income.
- **Material Intangible Asset Base:** With $30.8mn in goodwill (18.5% of total assets), asset quality is vulnerable to write-down risk, particularly in adverse market cycles or underperformance of acquired assets
- **High Customer Concentration:** Despite covering a broad spectrum of products and services (vertially integrated, highly innovative), their top 5 customers make about 55% of their total reveue (e.g. Walgreens, Kroger, L'Oréal, etc).

Company Overview

Headquarters	Branchburg, NJ
Type	Private (PE)
Employees	550
Year Founded	2003
Website	https://www.americanspraytech.com/
Business	Contract manufacturer of aerosol and Bag-on-Valve products.
Revenues	$202.1M

- **Company Overview:** Founded in 2003 and HQ'd in Branchburg, NJ, AST is a private contract manufacturer specializing in aerosol and bag-on-valve spray products for the personal care, over-the-counter (OTC), and medical device industries.
- **Product:** The company offers a wide range of products, including dry shampoos, make-up setting mists, pain relief foams, and other spray-based formulations.
- **Customers:** Serving both emerging brands and established corporations, American Spraytech's clientele includes major retailers and consumer goods companies.
- **Ownership:** The entity is currently held by BBHCP, a PE-sponsor, but is actively being marketed for sale at an estimated 10x EBITDA multiple. The current CEO is a second-generation operator, with the founder still serving on the board.
- **Debt Structure:** ~$7mn of their Total Debt is traditionally financed (long-term), plus an additional $25.9mn in LT Lease Liabilities, and a $40.9mn mortgage. The balance is primarily comprised of $21.5mn (per 12/24) under their $40mn R/C-line, due for renewal 9/26. Events subsequent include a 12M CAPEX draw-down line of credit over an additional $6.5mn, which closed in 2/25. They also carry a guarantee over $12.75mn for a loan taken by BBH. There is no material near-term maturity risk, but lumpiness with the R/C-line.
- **Basis for Assessment:** Complete, audited financials covering FY-22, '23, and '24.
- **Single Event Risks:** Loss of a key customer could severely disrupt cash flow given revenue concentration and limited liquidity - one of their largest customers is from a related party of BBH. Working capital strain from high A/Rs and inventory levels may trigger a liquidity shortfall. Inability to refinance debt amid high leverage poses default risk if external funding support lapses. 90% of their materials are source domestically, with US customers being their main end-market. Uncertainty about future PE-partner / transition-risk.

Financial Statement Highlights

$ '000s	(C) Dec-22 T12	(B) Dec-23 T12	(A) Dec-24 T12	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	122,075	142,691	202,099		41.6%
Gross Profit	22,426	24,078	30,087		25.0%
Adjusted EBITDA	12,973	13,504	17,373		28.7%
Gross Profit Margin	18.4%	16.9%	14.9%		(199) bps
Net Income	9,516	9,284	11,553		24.4%
Balance Sheet					
Cash And Cash Equivalents	1	449	2,469		449.9%
Total Current Assets	42,529	50,230	72,395		44.1%
Total Assets	63,641	99,392	123,988		24.7%
Total Current Liabilities	21,527	32,004	46,343		44.8%
Total Debt	19,071	48,895	99,290		103.1%
Total Equity	31,318	34,802	44,855		28.9%
Key Ratios					
Current Ratio	1.98	1.57	1.56		-0.5%
Quick Ratio	1.15	0.84	0.92		10.1%
Net Debt / EBITDA	1.47	3.59	5.57		55.3%
Debt to Assets	30.0%	49.2%	80.1%		+3089 bps
EBITDA Margin	10.6%	9.5%	8.6%		(87) bps
ROCE %	25.8%	16.4%	18.0%		+165 bps

- total revenue grew from $142.7mn in FY-23 to $202.1mn in FY-24 (+41.6%), with further growth expected from Line 9 coming online 9/25.
- Despite steady EBITDA of $11.5mn (8.6% margin), OCF dropped to near zero due to rising working capital requirements (A/Rs-driven) and higher interest/rent burdens.
- FY-24 CAPEX surged to $10.5mn (up from $4.9mn in FY-23), tied to Line 7 and Line 8 deployment. Line 9 funding is coming from the $40mn revolver (~50% drawn as of 6/25).

Scorecard Summary

Financial vs Business Risk Weighting Factors

Ownership	Private (PE)
Company Stage	Growth
Financials	Complete

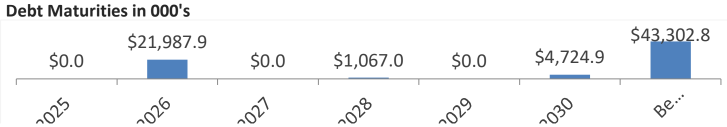
	Weight	Score	Dimension	Weight	Score
Financial	35%	4.2	Liquidity	25%	*3.9*
			Leverage	38%	*2.4*
			Profitability	38%	*6.2*
Business	65%	5.5	Industry Risk	15%	*6.8*
			Competitive Position	35%	*6.2*
			Mgmt / Governance	15%	*6.0*
			Sponsor / Parent	35%	*4.0*
Modifiers		0.5	Trend Analysis		*0.5*

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks: *27*		Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.68	1.56	*35%*
	Quick Ratio	1.05	0.92	*31%*
Leverage	Net Debt / EBITDA	1.75	5.57	*19%*
	Debt to Assets	27.1%	80.1%	*7%*
Profitability	EBITDA Margin	7.7%	8.6%	*58%*
	ROCE %	9.5%	18.0%	*71%*
	Revenue	$80M	$202M	

Industry Benchmarks - Primary: Personal Care Products

Debt Maturities in 000's



Business Risk Highlights

- **Industry:** Operating in the personal care and OTC sectors, the company is subject to regulatory scrutiny and changing consumer preferences, which can impact product demand and compliance requirements. The US personal care contract manufacturing industry, encompassing services like formulation, filling, and packaging for skincare, haircare, and hygiene products, was valued at approximately $3.3bn in 2024 and is projected to grow at a 7.9% CAGR through 2030.
- **Competitive Position:** While AST has a diverse client base, the contract manufacturing industry is highly competitive, with pressure on pricing, demanding continuous innovation. AST's technical differentiation (nitrogen line, proprietary formulation, largest chemist team in category) supports strong customer retention, with no outbound sales team needed.
- **Management:** Led by Executive Chairman Allen S. Lalwani, the company's leadership stability and strategic direction are crucial for navigating industry challenges and sustaining growth - Key Man Risk.
- **PE Sponsor:** BBH Capital Partners (BBHCP), the private equity division of Brown Brothers Harriman & Co. (BBH), was established in 1989. It focuses on providing customized capital solutions to lower middle-market companies, typically investing between $50mn and