

Unifoil Holdings Inc.



- 25% revenue growth since FY-22, but jump in total debt (+\$5.8mn) increased net leverage from 0 to 1.7 in FY-22.
- Despite a competitive market advantage in light of heightened ESG-sensitivity, the entity has low liquidity, yet improving operational efficiency and growing profits.

Strengths

- **Product Differentiation & Sustainability:** UniFoil's main product line, UniLustre®, is unique in the market, offering a competitive advantage. Their products are 100% recyclable, aligning with increasing consumer demand for sustainable packaging solutions.
- **Customer Diversity:** UniFoil serves leading consumer brands, providing a diverse customer base and stable revenue streams.
- **Profitability:** EBITDA margin in FY-22 was slightly higher than the industry median, yet it's been substantially higher when looking at FY-2021 as well as FY-23 (13.7%) pointing towards heightened operational efficiencies.

Challenges

- **Liquidity:** The company's current ratio and quick ratio declined sharply, and are below their peers, with limited r/c-capacity of about \$500k per FY-22.
- **Leverage:** Net debt to EBITDA ratio is slightly higher than the industry median, yet Debt to Assets are not as far off. The vast majority of debt is through Operating Leases (\$4.9mn) which may have just been recognized in FY-22 due to ASC-842 (change in accounting rules).
- **Market Volatility:** The packaging industry has a raw material content of 50-70%, making it highly sensitive to price fluctuations. The industry is also at the forefront of sustainability efforts, facing regulatory changes and shifting consumer preferences towards environmentally friendly packaging.

Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	75%	4.9	Liquidity	
			Leverage	
			Profitability	
Business	25%	7.1	Industry Risk	
			Competitive Position	
			Mgmt / Governance	
			Sponsor / Parent	
			Revenue Segment	
Modifiers	-0.3		Trend Analysis	
			Fixed Cost Coverage Risk	
			Other Modifier	

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

Company Overview

Headquarters	Fairfield, NJ	U.S.
Type	Private (Non-PE)	
Employees		
Year Founded	1980	
Website	https://unifoil.com/	
Business	Creates recyclable packaging for consumer goods industries.	
Revenues	\$30.9M	

- **Company Overview:** UniFoil Holdings, Inc. is a global provider of value-added paper and paperboard products for consumer goods packaging.
- **Product:** The company's main product line, UniLustre®, decorates paperboard without the need for an additional plastic substrate, making it unique and environmentally friendly.
- **Customers:** UniFoil serves leading consumer brands such as Anheuser-Busch, Procter & Gamble, Colgate-Palmolive, Unilever, and other Fortune 500 companies.
- **Ownership:** The company operates as a corporation and is currently in IPO Registration, preparing for its initial public offering.
- **NOTE:** Given the substantial impact of the entity's recognition of Operating Leases as Debt (in line with ASC-842) in FY-22, we granted a 0.25 modifier to as the benchmark data is likely not fully reflective of such accounting change yet either (technical data cut-off), and therefore putting unjustified pressure on the rating of UniFoil.

Financial Ratio Benchmarking

# of Benchmarks:		10	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.42	1.71		38%
	Quick Ratio	1.20	0.71		26%
Leverage	Net Debt / EBITDA	1.20	1.70		47%
	Debt to Assets	25.7%	29.2%		49%
Profitability	EBITDA Margin	8.2%	9.3%		56%
	ROCE %	1.0%	11.1%		60%
	Revenue	\$74M	\$30M		

- Net Leverage ratios are slightly off the respective industry medians, although there might be a disparity pertaining to ASC-842.
- Profitability KPIs on the other hand are very positive, even though EBITDA Margin was at a low in FY-22, yet still exceeding the median.

Financial Statement Highlights				
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\$ '000s	Dec-21	Dec-22	Nov-23	Chg
	T12	T12	T12 annualized	
Income Statement				
Total Revenue	24,738	30,217	30,896	2.2%
Gross Profit	4,538	4,740	5,517	16.4%
Adjusted EBITDA	2,505	2,813	4,224	50.1%
Gross Profit Margin	18.3%	15.7%	17.9%	+217 bps
EBITDA Margin	10.1%	9.3%	13.7%	+436 bps
Balance Sheet				
Cash And Cash Equivalents	1,117	1,912	-	
Total Current Assets	9,892	11,899	-	
Total Assets	16,348	22,955	-	
Total Current Liabilities	4,647	6,972	-	
Total Debt	874	6,709	-	
Total Equity	(4,937)	(4,178)	-	
Cash Flow				
Net Income	922	766	1,641	114.2%
CAPEX	1,247	776	-	
Depreciation & Amortization	703	1,045	1,045	0.0%
Fixed Charge Coverage Ratio	1.49x	1.09x	n/a	

- Total revenue has been growing, with an increase from \$24.7mn in FY-21 to \$30.2mn in FY-22, and an annualized revenue of \$30.9mn for the period ending in November 2023.
- EBITDA margin decreased slightly from 10.1% in FY 2021 to 9.3% in FY-22, suggesting a slight decrease in operational profitability.
- Current ratio and quick ratio decreased from 2.13 and 0.78 in FY-21 to 1.71 and 0.71 in FY-22, respectively, indicating a potential liquidity risk.

Business Risk Highlights

- **Industry:** The company operates in the "Paper and Plastic Packaging Products and Materials" industry, which is expected to reach USD 244.17 billion by 2029, growing at a CAGR of 3.97%.
- **Competitive Position:** UniFoil's main product line, UniLustre®, is unique in the market, offering a competitive advantage.
- **Management:** The company operates as a corporation and is currently in IPO Registration, indicating strong governance and management structures.
- **PE Sponsor:** n/a