

## Werner Aero, LLC



CCC

1 year PD

9.02% to 14.87%

- Very unfavorable leverage position. Annually renewing R/C-line and credit facility (each \$20mn) with ~\$30mn capacity (both from Sumitomo), address liquidity concerns.
- Recent aircraft acquisitions strengthen market positioning, while strong ROCE (37.1%) and Sumitomo’s backing supports credit stability despite below-peer EBITDA margins.

- Strengths
- Strong ROCE:** The company achieved an ROCE of 37.1% in FY-24, significantly above the peer median of 19.9%, which is an exceptional capital efficiency.
  - Operational Recovery:** On an annualized basis the FY-23 revenue (based on T8 = \$7.12mn) of \$10.7mn grew by 54% to \$16.49M in FY-24. Over that same timeframe their EBITDA Margin went from -9.2% to 11.2%, working towards 19.6% in FY-25 (A).
  - Partnership:** In 8/22, Sumitomo Corporation acquired 51% of Werner Aero. Sumitomo provides inter-company loans (up to \$40mn). That aside Werner pays Sumitomo \$60k annually for a business development agreement. They also have management service agreement costing Werner \$800k annually.
- Challenges
- Weak Liquidity:** A low quick ratio of 0.19 (vs. peer median 1.31) underscores a heavy reliance on inventory for liquidity, making the company vulnerable to cash flow constraints.
  - High Leverage:** Typical leverage within the industry is aout 0.1. Werner operates at a leverage of 5.2, and a debt to asset ratio of 65.5% (vs peers: 18%) making it difficult to get fair-market market financing.
  - Profitability:** While improving, the FY-24 EBITDA margin of 11.2% trails the peer median of 14.3%, depite a positive outlook for FY-25(A) with an indicative 19.6%.

### Scorecard Summary

Financial vs Business Risk Weighting Factors					
Ownership	Private (Non-PE)				
Company Stage	Stabilized				
Financials	Complete				
	Weight	Score	Dimension	Weight	Score
Financial	75%	2.7	Liquidity	40%	1.5
			Leverage	30%	2.0
			Profitability	30%	3.2
Business	25%	5.9	Industry Risk	20%	5.1
			Competitive Position	50%	6.3
			Mgmt / Governance	30%	5.7
			Sponsor / Parent		
Modifiers		0.4	Revenue Segment		(0.1)
			Trend Analysis		0.50
			Financial Flexibility		0.25

### Company Overview

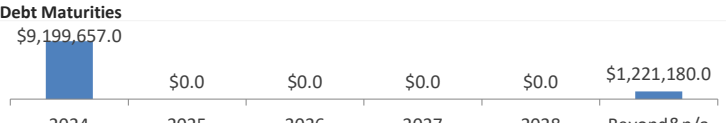
Headquarters	Mahwah, NJ
Type	Private (Non-PE)
Employees	<50
Year Founded	1993
Website	https://werneraero.com/
Business	Aviation asset management and aftermarket support.
Revenues	\$19.0M

- Company Overview:** Werner Aero, LLC, based in Mahwah, NJ, operates in aviation asset management and aftermarket solutions.
- Product:** Specializes in leasing and selling aircraft engines, APUs, and components while offering asset management services such as inventory management, repair management, and 24/7 Aircraft on Ground (AOG) support.
- Customers:** Services airlines, MROs, and leasing companies worldwide, with a focus on tailored, high-value aviation solutions.
- Ownership:** 51% of the entity was acquired by Sumitomo Corporation in 2022.
- Debt Structure:** The T8-24 (through 10/24) financial information provided was very basic. Yet we consider it likely that Sumitomo continues to extend the annual credit facility and R/C-line, given they are a 51% owner of the company.
- Sponsor:** Sumitomo is a Japanese, publicly traded company with over \$30bn in annual revenue. Given Werner doesn't have a meaningful impact on their parent's balance sheet / profits, we consider them to be not systemically relevant to Sumotomo. As such, we focused on the standalone rating of Werner, keeping the general support of their sponsor in mind. Sumitomo is rated 'A-' by S&P (last reviewed in June 2023), and 'Baa1' by Moody's (last reviewed in July 2023). Both agencies assigned a 'stable' outlook. 'Baa1' equates to a 'BBB+' on S&Ps rating scale.

### Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	22	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	3.17	1.37	17%
	Quick Ratio	1.31	0.19	6%
Leverage	Net Debt / EBITDA	0.10	5.17	22%
	Debt to Assets	18.0%	65.5%	9%
Profitability	EBITDA Margin	14.3%	11.2%	37%
	ROCE %	19.9%	37.1%	80%
	Revenue	\$18M	\$16M	

Industry Benchmarks - Primary: Aerospace and Defense



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### Financial Statement Highlights

\$ '000s	(C)	(B)	(A)	Change	
	Mar-23	Mar-24	Mar-25 (A)	(C) to (B)	(B) to (A)
	T8	T12	T12		
Income Statement					
Total Revenue	7,125	16,495	18,959		14.9%
Gross Profit	1,905	7,093	8,900		25.5%
Adjusted EBITDA	(655)	1,842	3,711		101.5%
Gross Profit Margin	26.7%	43.0%	46.9%		+394 bps
Net Income	(737)	1,270	2,923		130.2%
Balance Sheet					
Cash And Cash Equivalents	278	418	508		21.5%
Total Current Assets	6,354	13,956	14,767		5.8%
Total Assets	7,830	15,184	15,850		4.4%
Total Current Liabilities	3,951	10,213	9,468		-7.3%
Total Debt	1,498	9,940	10,492		5.5%
Total Equity	2,479	3,749	5,161		37.7%
Key Ratios					
Current Ratio	1.61	1.37	1.56		14.1%
Quick Ratio	0.45	0.19	0.22		17.7%
Net Debt / EBITDA	(1.86)	5.17	2.69		-48.0%
Debt to Assets	19.1%	65.5%	66.2%		+72 bps
EBITDA Margin	-9.2%	11.2%	19.6%		+841 bps
ROCE %	-16.9%	37.1%	58.1%		+2109 bps

- Revenue jumped from \$7.12mn (FY-23) to \$16.49mn (FY-24), followed by a projected \$19mn in FY-25(A).
- EBITDA Margin improved from -9.2% in FY-23 to 11.2% in FY-24, and likley ~19% in FY-25(A), due to cost discipline. OPEX and COGS dropped from 109% to 80% of Total Revenues between FY-23, and FY-25(A).

### Business Risk Highlights

- Industry:** The aviation aftermarket is recovering post-pandemic, with a projected global CAGR of 5.76% through 2029, driven by increased air travel demand and fleet modernization efforts.
- Competitive Position:** Werner Aero's 24/7 AOG service and diverse customer base strengthen its reputation in a fragmented market. However, profitability lags behind peers, necessitating further efficiency improvements.
- Management:** ISO 9001 certification and FAA AC0056B approval underscore strong compliance and operational standards, enhancing customer trust and creditworthiness.