Zina's Salads, Inc.

CCC+

1 year PD
3.18% to 9.02%

- Revenues recovered 70% in FY-23, with $1.1mn in operating cash flow and a $340K net income (3x improvement over FY-22). High Cash with might be needed for high A/Ps.
- Despite better liquidity and lower leverage, the 0.4% EBITDA margin remains a concern, yet they are working on operational improvements. Relatively small entity size.

Strengths

- **Strong Cash Flow Improvement:** Operating cash flow surged to $1.1mn in FY-23, reflecting effective working capital management and improved liquidity.
- **Debt Reduction:** Debt levels improved significantly, with the debt-to-equity ratio improving from (11.8) in FY-22 to 0.90 in FY-23.
- **Product Diversity:** Offers a variety of salads (classic, grain, pasta, quinoa), allowing flexibility in catering to growing consumer preferences for healthy, ready-to-eat meals. Looking to diversify further (e.g. frozen/cooked meals).

Challenges

- **Profitability Struggles:** Despite improvements, EBITDA margin remains low at 0.4%, significantly below the industry median of 6.3%. Valentin mentioned that in their niche, the reference EBITDA Margin should be more like 3-4%, yet they are still substantially below where they should/want to be.
- **Customer & Supplier Concentration:** During our call they stated a 70% customer concentration (top 5), which could be even higher on the supplier side, which they recently internationalized further (higher supply chain risk).
- **Accounts Payable & Size:** A/Ps increased 2.7x in FY-23 vs A/Ps which doubled. High amount of cash is likely required to settle some of these expenses for high quality ingredients. Small entity size increases empirical default risk.

Company Overview

Headquarters	South Plainfield, NJ
Type	Private (Non-PE)
Employees	<250
Year Founded	1983
Website	https://www.zsalads.com
Business	Wholesale manufacturer of fresh, ready-to-eat salads.
Revenues	$14.2M

- **Company Overview:** Zina's Salads, Inc. is a privately-owned wholesale manufacturer of ready-to-eat salads based in South Plainfield, NJ.
- **Product:** They specialize in classic, grain, pasta, and quinoa salads, serving a mix of grocery retailers and foodservice operators.
- **Customers:** Primarily focused on bulk wholesale distribution to retail grocers and foodservice providers.
- **Ownership:** Privately held, led by CEO Valentin Chelnokov. Original founder passed away in 2008. Her husband is still involved (presumably as a majority shareholder), but there seems to be an additional investor who prefers to remain unknown.
- **Debt Structure:** No maturity profile or covenants for R/C-line were provided.
- **Other:** During our call with Alex (CFO) and Valentin (CEO) on 10/25/2024 there were several inconsistencies/contradictions that we came across. There were tangible examples of clear mismanagement (e.g. improvement of manufacturing facility is >1 year delayed, but equipment purchased already), but also very positive success sotries (e.g. high level of versatility, creativity, and drive helped them to make it through COVID). As of 10/25/2024 we had a few follow-up questions to get further clarity.

Financial Statement Highlights

$ '000s	(C) Dec-21 T12	(B) Dec-22 T12	(A) Dec-23 T12	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	11,005	8,308	14,155		70.4%
Gross Profit	3,234	3,883	4,587		18.1%
Adjusted EBITDA	(472)	(226)	56		125.0%
Gross Profit Margin	29.4%	46.7%	32.4%		(1433) bps
Net Income	284	(174)	340		295.2%
Balance Sheet					
Cash And Cash Equivalents	-	126	1,048		730.7%
Total Current Assets	-	795	2,211		178.3%
Total Assets	-	1,906	3,339		75.2%
Total Current Liabilities	-	1,050	2,302		119.2%
Total Debt	-	1,414	815		-42.3%
Total Equity	-	(120)	909		856.4%
Key Ratios					
Current Ratio		0.76	0.96		26.9%
Quick Ratio		0.76	0.96		26.9%
Net Debt / EBITDA	-	(5.69)	(4.12)		-27.5%
Debt to Assets		74.2%	24.4%		(4975) bps
EBITDA Margin	-4.3%	-2.7%	0.4%		+312 bps
ROCE %		-26.5%	5.4%		+3190 bps

- Revenue increased from $8.3mn in FY-22 to $14.1mn in FY-23. During the same time the entity shifted from a Loss -$174k to profit $340k.
- Cash and equivalents grew from $126K in FY-22 to $1.04mn in FY-23, from operations. Yet, A/Ps rising 2.7x may require such funds in the near-term to settle vendor balances - which will increase leverage and reduce liquidity.

Scorecard Summary

Financial vs Business Risk Weighting Factors

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

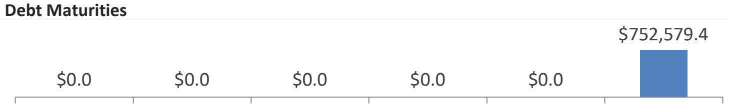
	Weight	Score	Dimension	Weight	Score
Financial	65%	6.3	Liquidity	57%	*4.8*
			Leverage	43%	*5.4*
			Profitability	0%	-
Business	35%	5.4	Industry Risk	20%	*6.3*
			Competitive Position	50%	*5.7*
			Mgmt / Governance	30%	*4.3*
			Sponsor / Parent		
Modifiers		-1.4	Revenue Segment		*(0.9)*
			Trend Analysis		*0.50*
			Fixed Cost Coverage Risk		*(0.25)*

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	*27*	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.53	0.96	*34%*
	Quick Ratio	0.84	0.96	*51%*
Leverage	Net Debt / EBITDA	0.36	(4.12)	*95%*
	Debt to Assets	23.9%	24.4%	*39%*
Profitability	EBITDA Margin	6.3%	0.4%	
	ROCE %	6.6%	5.4%	*36%*
	Revenue	$14M	$14M	

Industry Benchmarks - Primary: Packaged Foods and Meats

Debt Maturities



Business Risk Highlights

- **Industry:** The packaged foods industry, particularly healthy ready-to-eat meals, is projected to grow at 4.1% CAGR through 2028, reflecting favorable demand trends.
- **Competitive Position:** The company faces significant competition from larger players like Taylor Farms and Dole, with limited market share. To remain competitive and support long-term sustainability they are working on improving their facility which shall reduce labor expenses by about 30%, increase throughput, and drive EBITDA Margin to 5.0%.
- **Management:** CEO Valentin Chelnokov's leadership is critical, but no further information about governance or succession/contingency planning is available.
- **PE Sponsor:** N/A
- **Other:** The entity has a high customer concentration. The same seems to apply to their suppliers. Importing many ingredients is further increasing their operational risks. It is not clear when they will be able to complete the enhancements to the manufacturing facility, yet it should be within the next 12 months. Risk Awareness is not their strong suit, but as long as they remain profitable, they have time to learn and fix their issues.