



Core & Main, Inc.



BBB+ 1 year PD
0.05% to 0.10%

- Strong credit profile supported by robust financial performance, high efficiency, and positive outlook.
- Expansive U.S. presence and resilience during the pandemic underscore a dominant market stance.

Key Strengths

- CNM's nationwide service covers 45 states, supported by over 250 branches and warehouses, ensuring a strong distribution network. The company has forged strong ties with a diverse supplier base of over 3,000 entities.
- CNM prioritizes R&D and innovation, to maintain a competitive edge. Their diversified product range and end markets reduces reliance on demand shift from any particular product category and geography.
- Management's focus on innovation and customer-centricity indicates a proactive approach to meeting market demands and staying ahead of industry trends.
- The company exhibits superior liquidity (88th percentile), leverage (67th percentile, and profitability (71st percentile) metrics compared to benchmarked industries.

Key Risks

- Risk areas are general cyclical patterns of the capital goods sector. The company also faces some regulatory challenges in Europe, which could pose threats to future revenues and operations.

Scorecard Summary

	Weight	Score	Scaled Rating	Contribution
Financial	60%	7.39	Liquidity	<div><div></div></div>
			Leverage	<div><div></div></div>
			Profitability	<div><div></div></div>
Business	40%	6.58	Industry Risk	<div><div></div></div>
			Competitive Position	<div><div></div></div>
			Mgmt / Governance	<div><div></div></div>
			Sponsor / Parent	<div><div></div></div>
			Revenue Segment	<div><div></div></div>
Modifiers		0.64	Trend Analysis	<div><div></div></div>

Company Overview

Headquarters	St. Louis, MO	
Type	Public	Ticker: CNM
Employees	4,500	
Year Founded	1874	
Website	https://coreandmain.com/	
Business	Specialty Distributor (Pipes, Valves)	
Revenues (2023)	\$6,651M	

- Core & Main is a specialized distributor that focuses on water, wastewater, storm drainage, and fire protection products.
- Network of approximately 320 branch locations in 48 states across the United States.
- **Products:** Core and Main's specialty products and services are used in the maintenance, repair, replacement and new construction of water, wastewater, storm drainage and fire protection infrastructure. Its product portfolio consists of more than 200,000 SKUs. Its offering consists of pipes, valves and fittings, storm drainage products, fire protection products and fabrication services, and smart metering products and technology.
- **Customers:** Municipalities, private water companies, and contractors across municipal, non-residential and residential end markets, nationwide.
- **Ownership:** Publicly traded company (NYSE: CNM).

Financial Ratio Benchmarking

# of Benchmarks:	571	Benchmark Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.82	3.05	<div><div></div></div>
	Quick Ratio	1.09	1.60	<div><div></div></div>
Leverage	Net Debt / EBITDA	2.73	1.56	<div><div></div></div>
	Debt to Assets	37.6%	29.7%	<div><div></div></div>
Profitability	EBITDA Margin	8.8%	14.1%	<div><div></div></div>
	ROCE %	11.7%	18.5%	<div><div></div></div>
	Revenue	\$259M	\$6,651M	

Financial Statement Highlights

\$ Millions	Jan-22 T12	Jan-23 T12	YOY Chg
Income Statement			
Total Revenue	5,004	6,651	32.9%
Adjusted EBITDA	604	935	54.8%
Gross Profit Margin	25.7%	27.0%	+137 bps
EBITDA Margin	12.1%	14.1%	+199 bps

Balance Sheet			
Cash And Cash Equivalents	1	177	
Total Current Assets	1,767	2,211	25.1%
Total Goodwill & Intangibles	2,386	2,330	-2.3%
Total Assets	4,434	4,909	10.7%
Total Debt	1,623	1,634	0.7%
Total Liabilities	2,603	2,499	-4.0%
Total Shareholder Equity	1,831	2,410	31.6%

Cash Flow			
Net Income	225	581	158.2%
CAPEX	20	25	25.0%
Depreciation & Amortization	142	143	0.7%
Free Cash Flow	42	430	923.8%
Fixed Charge Coverage Ratio	2.72x	5.74x	+3.0x

- Earnings have increased from \$1.85 to \$2.14 over the past 5 quarters, but quarterly growth rates have decelerated.
- With a 95% operational efficiency rate and the introduction of automation processes, CNM has streamlined its operations, leading to cost savings.

Business Risk Highlights

- Collaborations with key industry players enhance CNM's competitive position by expanding its service offerings and reaching new customer segments.
- The company's focus on the Asian market, which saw a 20% increase in sales, indicates a strategic approach to tap into high-growth regions.
- The launch of new product lines and the filing of 10 patents during 2Q 2023 demonstrate the company's commitment to innovation.
- Despite facing regulatory challenges in Europe, the company's strategic partnerships and focus on renewable energy signal a proactive approach to industry shifts.