

GREAT SOUTHERN COPACKERS LLC (f/k/a Brew Theory)



C1 year PD
26.55% to 60.78%

- Total Debt > Total Assets = technically insolvent. Declining revenues, negative EBITDA, and growing losses since FY-21.
- Tight liquidity and operational inefficiencies pose near-term risks. However, positive sales signals for FY-25, based on POS, and LOIs shared. Brew Theory also turned profitable since April 2024.

Strengths

- **SLB & Projection:** Promising pipeline underpinned by POs and LOIs provided to us during the assessment process. Operational turnaround for Brew Theory as of April 2024.
- **Product Diversity:** The company offers a broad range of beverages, including non-alcoholic drinks (coffee, tea, soda) and alcoholic products (cider, mead), catering to varied customer preferences.
- **Growing Industry Demand:** Operating in the non-alcoholic beverage industry, which has a projected CAGR of 7.4% through 2030, provides opportunities for revenue growth.

Challenges

- **Profitability Deficit:** The EBITDA Margin of -51.3% in FY2023, compared to a peer median of 13.4%, highlights severe operational inefficiencies.
- **Leverage Concerns:** A Debt-to-Assets Ratio of 177.8% far exceeds the peer median of 23.5%, indicating excessive reliance on debt and solvency risk. With Debt exceeding Assets, and a substantially negative Equity, the company is in technical insolvency.
- **Liquidity Strain:** A Current Ratio of 1.01 and Quick Ratio of 0.41 in FY-23 show limited ability to meet short-term liabilities compared to peers (1.99 and 1.59, respectively). The entity is leveraging several corporate credit card lines with unknown capacity.

Scorecard Summary

Financial vs Business Risk Weighting Factors					
Ownership		Private (PE)			
Company Stage		Transformation			
Financials		Complete (Unaudited)			
	Weight	Score	Dimension	Weight	Score
Financial	25%	1.6	Liquidity	40%	2.4
			Leverage	30%	0.3
			Profitability	30%	0.3
Business	75%	5.5	Industry Risk	15%	7.3
			Competitive Position	35%	5.4
			Mgmt / Governance	15%	5.0
			Sponsor / Parent	35%	5.0
Modifiers	-2.0		Revenue Segment		(0.5)
			Financial Flexibility		(0.25)
			Fixed Cost Coverage Risk		(1.00)

Company Overview

Headquarters	Orlando, FL
Type	Private (PE)
Employees	~50
Year Founded	2017
Website	https://www.brew-theory.com, and https://www.brewhub.com
Business	Contract beverage manufacturing and distribution services.
Revenues	\$14.7M

- **Company Overview:** Great Southern Copackers LLC is a contract beverage manufacturer specializing in both non-alcoholic and alcoholic beverages. It provides comprehensive co-packing services, including manufacturing, packaging, warehousing, and order fulfillment, tailored to a wide variety of beverage categories.
- **Product:** Offers a diverse portfolio ranging from non-alcoholic beverages (coffee, tea, water, soda) ~70% to alcoholic products (cider, mead, spirits) ~30%.
- **Customers:** Primarily serves hyperlocal, regional, and statewide beverage brands seeking scalable manufacturing solutions.
- **Ownership:** The company emerged from the acquisition of Brew Hub by Brew Theory, operating under experienced leadership, including Jeremy Roberts as Manager.
- **Debt Structure:** Almost 3/4 of all long term debt is contributed by Brew Hub to the transaciton. No R/C-lines specifically, but many credit cards. No maturity days were shared.

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	22	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.99	1.01	29%
	Quick Ratio	1.59	0.41	12%
Leverage	Net Debt / EBITDA	1.20	(6.01)	0%
	Debt to Assets	23.5%	177.8%	0%
Profitability	EBITDA Margin	13.4%	-51.3%	0%
	ROCE %	16.7%	-49.7%	0%
	Revenue	\$18M	\$15M	
Industry Benchmarks - Primary: Brewers Secondary: Soft Drinks and Non-alcoholic Beverages				



Financial Statement Highlights

\$ '000s	(C) Dec-21 T12	(B) Dec-22 T12	(A) Dec-23 T12	Change	
				(C) to (B)	(B) to (A)
Income Statement					
Total Revenue	18,583	17,247	14,746		-14.5%
Gross Profit	4,510	3,515	(222)		-106.3%
Adjusted EBITDA	2,633	441	(7,566)		-1814.7%
Gross Profit Margin	24.3%	20.4%	-1.5%		(2189) bps
Net Income	(484)	(8,787)	(13,281)		51.2%
Balance Sheet					
Cash And Cash Equivalents	1,282	75	870		1061.2%
Total Current Assets	5,945	2,877	6,258		117.5%
Total Assets	24,243	4,057	26,054		542.3%
Total Current Liabilities	1,783	390	6,208		1493.6%
Total Debt	27,982	27,885	46,325		66.1%
Total Equity	(5,256)	(5,328)	(26,203)		-391.8%
Key Ratios					
Current Ratio	3.33	7.39	1.01		-86.4%
Quick Ratio	1.52	0.76	0.41		-46.6%
Net Debt / EBITDA	10.14	63.03			
Debt to Assets	115.4%	687.4%	177.8%		(50961) bps
EBITDA Margin	14.2%	2.6%	-51.3%		(5387) bps
ROCE %	6.0%	-157.6%	-49.7%		+10796 bps

- Revenue declined 20.7% from FY-21 to FY-23, dropping from \$18.6mn to \$14.75mn.
- Gross Profit Margin turned negative in FY-23 (-1.5%) due to rising costs and declining sales, contrasting with 24.3% in FY-21.
- Total debt increased 66.1% from FY-21 to FY-23, reaching \$46.3mn, intensifying financial strain and repayment challenges.

Business Risk Highlights

- **Industry:** Operating in the competitive soft drinks and brewing industries, the company faces pressure from dominant players and evolving consumer preferences. The U.S. soft drinks and non-alcoholic beverages market was valued at approximately \$280bn in 2023, with an expected compound annual growth rate (CAGR) of 7.4% from 2024 to 2030
- **Competitive Position:** Despite its diverse product portfolio, declining revenues suggest difficulties in maintaining market position amid industry fragmentation.
- **Management:** Jeremy Roberts, the current Manager, previously founded Brew Theory in 2018 and Orange County Brewers in 2017, indicating experience in the beverage industry.
- **PE Sponsor:** N/A
- **Other:** N/A