

## Great Wall Textile Inc.



- Profitability and liquidity improved markedly, signaling a positive shift in core operations, likely due to drop in A/Rs.
- High leverage due to drop in Total Assets (nearing technical insolvency), and limited transparency weigh on credit quality. Tariffs are challenging the business model. Being a very small entity that leads to an even higher empirical default risk.

Strengths

- Margin & Operating Efficiency Recovery:** FY-23 saw a strong EBITDA margin of 17.4% (vs. -2.4% prior year), with EBITDAR/Rent coverage improving to 2.84x, showing operational recovery and improving cost structure.
- Return on Capital and Asset Turnover Surge:** ROCE spiked to 611.2% and Asset Turnover to 1,254%, supported by lean assets and improved profit performance - even though driven by the disappearance of A/Rs. (~\$200k) y-o-y.
- Peer-Beating Liquidity Profile (on Quick Ratio basis):** While overall liquidity remains tight, the Quick Ratio of 1.06 outperforms the peer median of 0.94, reflecting efficient inventory use and immediate liquidity sufficiency.

Challenges

- Heavy Structural Leverage with Technical Insolvency Risk:** Debt-to-Assets is 96.8%, well above peers' 26.5%, and equity remains minimal at \$2.7k, leaving them highly exposed to asset value shocks.
- Severe Cash Flow Misalignment:** Despite \$18.5k in Net Income, Operating Cash Flow was -\$108.3k, due to settlement of all A/Ps (\$350k) and FCF -\$84.9K, signaling poor earnings quality and dependence on asset sales for liquidity.
- Distributions Despite Negative FCF and Entity Size:** The company paid out \$96.7k in distributions during a year of negative free cash flow, suggesting poor capital retention and governance risk amid financial fragility - questioning the owners commitment. A comparatively small size of the company increases it's empirical default risk.

### Scorecard Summary

Financial vs Business Risk Weighting Factors					
	Ownership		Private (Non-PE)		
	Company Stage		Stabilized		
	Financials		Partial		
	Weight	Score	Dimension	Weight	Score
Financial	50%	5.2	Liquidity	50%	3.4
			Leverage	25%	5.0
			Profitability	25%	8.8
Business	50%	3.5	Industry Risk	20%	5.0
			Competitive Position	50%	3.7
			Mgmt / Governance	30%	2.0
			Sponsor / Parent		
Modifiers		-1.7	Revenue Segment		► (0.5)
			Tariffs		(1.00)

### Company Overview

Headquarters	Los Angeles, CA
Type	Private (Non-PE)
Employees	n/a
Year Founded	2015
Website	n/a
Business	Textile wholesaler/importer and sublimation equipment supplier.
Revenues	\$1.0M

- Company Overview:** Great Wall Textile Inc. is a small-scale, privately owned textile distributor based in Vernon, California, specializing in imported knit fabrics and sublimation printing supplies primarily serving the Southern California garment sector.
- Product:** Offers a wide assortment of rayon, polyester, and spandex-blended knit fabrics, sublimation printing equipment, and related consumables such as inks, thermal transfer paper, and packaging materials.
- Customers:** Serves small to mid-sized apparel manufacturers, custom print shops, and textile resellers in Southern California, with a lean operation of approximately 5 employees and annual revenue around \$1.03M.
- Ownership:** Privately owned, with Kewei Xie as the listed CEO; no indication of institutional or private equity ownership or external sponsor involvement.
- Debt Structure:** The entity carries a minimal amount of debt, after liquidating / returning a substantial part of their assets. On the long-term side they have an equipment loan over \$25k. \$42k of their total debt is a credit card balance, and \$12k debt to a shareholder. No other lines or any terms were provided.
- Basis for Assessment:** 2023 & '24 tax filings prepared by a 3rd party.
- Single Event Risks:** Supplier Disruption/tariffs - heavy reliance on Asian imports; any interruption could halt operations and impair cash flow swiftly leading to bk. Receivables Shock - weak cash reserves and negative CFO leave little cushion against delayed or defaulted customer payments. Strategic Direction - during FY-23 management seemingly distributed nearly \$100k despite a negative company cash-flow.

### Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	50	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.82	1.06	
	Quick Ratio	0.94	1.06	■ 50%
Leverage	Net Debt / EBITDA	1.14	0.30	■ 62%
	Debt to Assets	26.5%	96.8%	
Profitability	EBITDA Margin	8.1%	17.4%	■ 87%
	ROCE %	25.0%	611.2%	■ 100%
	Revenue	\$21M	\$1M	
Industry Benchmarks - Primary: Distributors   Secondary: Textiles				



### Financial Statement Highlights

\$ '000s	(C)	(B)	(A)	Change	
	T0	Dec-22 T12	Dec-23 T12	(C) to (B)	(B) to (A)
Income Statement					
Total Revenue		766	1,029		34.4%
Gross Profit		290	590		103.2%
Adjusted EBITDA		(18)	179		1090.4%
Gross Profit Margin		37.9%	57.3%		+1941 bps
Net Income		(21)	19		-188.4%
Balance Sheet					
Cash And Cash Equivalents		42	26		-38.3%
Total Current Assets		265	58		-78.3%
Total Assets		331	82		-75.2%
Total Current Liabilities		382	54		-85.8%
Total Debt		89	79		-10.8%
Total Equity		(113)	3		102.4%
Key Ratios					
Current Ratio		0.69	1.06		52.8%
Quick Ratio		0.68	1.06		55.9%
Net Debt / EBITDA			0.30		
Debt to Assets		26.9%	96.8%		+6987 bps
EBITDA Margin		-2.4%	17.4%		+1975 bps
ROCE %		47.3%	611.2%		+56389 bps

- After a net loss of -\$21k in FY-22, the company turned profitable in FY-23 with \$18.5K net income, while adjusted EBITDA rose from -\$18.1k to \$179k.
- Total assets declined sharply from \$331k to \$82k, mainly due to reduction in A/Rs by \$200k, and the sale of \$23.4k in fixed assets, likely due to liquidity backfill needs.
- Shareholder equity moved from negative -\$113k in FY-22 to positive \$2.7k in FY-23, primarily via earnings rather than capital injection - still too low for comfort.

### Business Risk Highlights

- Industry:** Operates in the highly competitive U.S. textile distribution segment, which faces pricing pressure, thin margins, and rising regulation around sourcing and environmental compliance. The US textile distribution industry, is a vital segment of the broader textile market, which reached approximately \$259bn in '23 and is projected to grow at a CAGR of 3.12% through 2033.
- Competitive Position:** Well-located in Los Angeles, but with limited scale, no visible tech investment, and minimal brand visibility, GWTI faces challenges in differentiation and scalability.
- Management:** Owner-managed structure raises concerns over capital discipline, evidenced by distributions during a cash-deficient year, and absence of clear governance practices or reporting transparency.