National Convenience Distributors, LLC ("NCD")

B+ *1 year PD* **0.60% to 1.89%**

- Strong regional presence, solid liquidity, a positive profitability-trend, and new strategy (IQ-G: wider margins, revenue growth, and up to $166mn new equity) support near-term stability.
- High leverage, weak margins, and a pending $230mn refi are main credit concerns, considering the weak level of improvement (revenue and profitability) from FY-20 to FY-24.

Strengths

- **Scale, and Trend:** NCD operates across 13 states from MN to FL with ~330 trucks and a >23k customers, positioning it as a key player in the regional distribution landscape, #4 in the country. A 0.5% budgeted growth in FY-25, and slightly declining OPEX (and stable COGS) shall turn Net Income from a Loss to a Profit.
- **Superior Liquidity Profile:** As of FY Nov-24, the current ratio stood at 2.62 and the quick ratio at 1.36, outperforming peer medians (1.54 and 0.79 respectively), offering a solid short-term buffer despite operating losses. Budgeted FY-25 projects a substantial turnaround with Net Income turning into a profit.
- **Product Breadth and PE-strategy:** NCD carries over 18k SKUs, including exclusive brands. IQ-G wants to increase proprietary products (higher margin), and invest >$150mn in equity for M&A and organic growth (national scale & e-commerce).

Challenges

- **Leverage and FCCR:** Desptie a decline in Net Debt/EBITDA from 9.4x in FY-24 to 6.3x (higher EBITDA projection vs. 4.6x peers'), while the FCCR (improved from 0.48x to 1.07x) is still a concern, signaling a tight debt servicing ability.
- **Value Extraction & Lacking M&A benefits** FY Nov-24 saw -$17.4mn in OCF despite $29.7mn in EBITDA. Meanwhile, NCD made $58.6mn in distributions, implying significant liquidity leakage and misaligned (prior) stakeholder interests. Built from multiple acquisitions (e.g. J. Polep, Allen Brothers), synergy has been lacking so far.
- **Profitability Challenges:** EBITDA margin, although projected to improve to 1.4% in 2025, remains structurally weak (0.7%–1.0% since 2020), relative to peers' 2.4%.

Company Overview

Headquarters	Farmingdale, NY
Type	Private (PE)
Employees	2,200
Year Founded	1898
Website	https://www.thencd.com
Business	Wholesale distributor to convenience store retailers.
Revenues	$3,244.5M

- **Company Overview:** NCD is a leading wholesale distributor of convenience products across the East Coast. Established through the roll-up of regional players, it serves as a vital supply chain partner for thousands of small-format retailers.
- **Product:** Offers over 18k SKUs including tobacco, snacks, beverages, fresh foods, and proprietary brands tailored to convenience store needs.
- **Customers:** Serves >23,800 clients including independent convenience stores, gas stations, and institutional foodservice accounts across 13 states.
- **Ownership:** Privately owned by Palm Beach Capital, a Florida-based private equity firm focused on mid-market growth-stage investments.
- **Debt Structure:** We received no detailed debt structure, nor terms, etc. $237mn were reported as LT-Debt, $67mn are other LT liabilities, including leases.
- **Basis for Assessment:** Unaudited and mostly uncommented i/s and b/s from a QoE-report by Grant Thornton per 4/25, covering FY-22, FY-23, and T12-11/24. Budgeted financials for FY-25 were provided via the Broker of the SLB-transaction. We excluded organic and M&A-based growth assumptions ($1.8bn in additional revenue - an proforma increase by about 50% in FY-25 (P).
- **Single Event Risks** Execution Risk - IQ-G wants to nationalize the company to capture additional business from existing clients, aggressively grow e-commerce, and acquire 4-5 companies along the way. To do so they plan on investing up to 166.5mn in equity. Although IQ-G has been around since 2013, we were unable to get much insights about their track record/repuration. Refi-risk - ABL-position ($230mn) due 6/25, is under negotiatoin with IQ-G and BofA.

Financial Statement Highlights

16%

$ '000s	(C) Dec-23 T12	(B) Nov-24 T12	(A) Dec-25(B) T12	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	3,143,881	3,227,717	3,244,512		0.5%
Gross Profit	229,951	235,478	245,109		4.1%
Adjusted EBITDA	31,984	29,676	44,294		49.3%
Gross Profit Margin	7.3%	7.3%	7.6%		+26 bps
Net Income	(8,774)	(13,751)	1,333		-109.7%
Balance Sheet					
Cash And Cash Equivalents	22,626	33,608	33,608		0.0%
Total Current Assets	336,618	367,280	367,280		0.0%
Total Assets	470,090	486,870	486,870		0.0%
Total Current Liabilities	377,663	140,434	140,434		0.0%
Total Debt	103,365	313,534	313,534		0.0%
Total Equity	(2,652)	42,193	42,193		0.0%
Key Ratios					
Current Ratio	0.89	2.62	2.62		0.0%
Quick Ratio	0.46	1.36	1.36		0.0%
Net Debt / EBITDA	2.52	9.43	6.32		-33.0%
Debt to Assets	22.0%	64.4%	64.4%		0 bps
EBITDA Margin	1.0%	0.9%	1.4%		+45 bps
ROCE %	16.6%	3.5%	7.9%		+439 bps

- Revenue grew from $2.79bn (FY-21) to $3.2bn (FY Nov-24), reflecting a modest 3.7% CAGR, which underwhelms given its acquisition-driven growth strategy.
- Despite rising gross profits, net income turned negative in FY-22, declining to -$13.8mn (T12-11/24), yet OPEX-discipline is projecting a Net Income turnaround in FY-25 .
- Budgeted FY-25 financials don't include a projected 50% increase in revenue, nor the announced $66.5mn equity investment supporting e-commerce, and M&A (mainly).

Scorecard Summary

Financial vs Business Risk Weighting Factors

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

	Weight	Score	Dimension	Weight	Score
Financial	30%	3.4	Liquidity	15%	*10.0*
			Leverage	40%	*2.6*
			Profitability	45%	*1.9*
Business	70%	6.3	Industry Risk	15%	*7.5*
			Competitive Position	35%	*7.0*
			Mgmt / Governance	15%	*5.7*
			Sponsor / Parent	35%	*5.4*
Modifiers		0.2	Revenue Segment		*0.4*
			Fixed Cost Coverage Risk		*(0.25)*

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	*27*	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.54	2.62	*100%*
	Quick Ratio	0.79	1.36	*84%*
Leverage	Net Debt / EBITDA	4.63	6.32	*21%*
	Debt to Assets	38.5%	64.4%	*7%*
Profitability	EBITDA Margin	2.4%	1.4%	*10%*
	ROCE %	9.3%	7.9%	*42%*
	Revenue	$4,769M	$3,245M	

Industry Benchmarks - Primary: Food Distributors

Debt Maturities in USD '000'

Business Risk Highlights

- **Industry:** Operates in the low-margin food and convenience distribution industry, which is highly competitive, susceptible to price sensitivity, and dependent on consumer demand stability. The US foodservice distribution industry is projected to grow at a CAGR of 10.03% from 2023 to 2030, reaching $1.77trn by 2030.
- **Competitive Position:** Despite a large regional footprint, EBITDA margins (0.9%) and ROCE (3.5%) significantly lag industry peers (2.4% and 9.3%, respectively), reflecting efficiency and pricing power challenges.
- **Management:** Recent $58.6mn equity distribution from the current/prior PE-owner amid cash losses and a thin equity ratio of 8.7% raised concern over sponsor-driven financial policy misalignment with creditors. IQ-G is planning to invest heavily into growth, and profitability (e.g. acquiring 4-5 entities likely also paired with SLBs, push into e-commerce, turn the brand into a national player, focus more on fresh food and proprietary products - wider margins).
- **PE Sponsor:** IQ-G Partners, a boutique PE firm founded in 2013, discloses no AUM, track record, or sector-relevant investments; absent transparency and scale, its involvement offers limited credit risk mitigation for National Convenience Distributors, LLC despite