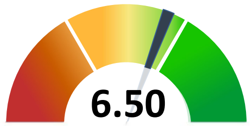
Mitchell Industrial Tire Co., Inc. ("MITCO")



BB+ *1 year PD* **0.15% to 0.38%**

- Despite a flat growth, EBITDA margin grew 175bps to 11.5%, surpassing peers by 2.7points, and Net Income growing by 14.4%. Far superior liquidity, and no debt reduce credit risk.
- Limited transparency, potential supply chain / operational risks, concentration and credit/default risks (high level of A/R) are some of the biggest concerns.

Strengths

- **Liquidity:** The company's current ratio of 12.7 and quick ratio of 8.7 far exceed industry medians, primarily bolstered by an increase in inventory, and cash by 36%/20% in FY-23, and A/Rs being 4x the value A/Ps.
- **Leverage:** Mitchell has zero Total Debt, with a negative leveage ratio of -2.7, significantly lower than the industry median of 0.54.
- **Profitability:** Their EBITDA margin of 11.5% exceeds the peer median of 8.8%, and its ROCE of 18.3% (almost 2x peer median) demonstrates strong operational efficiency and capital returns.

Challenges

- **A/R- Credit Default Risk:** Over the past 3 years A/Rs were 8x- 4x A/Ps, suggesting a certain level of financial inefficiency. Although we assume that they have a fairly granular customer base, we don't have transparency of any customer concentration. Given the relatively high level of Accounts Receivables therere might be an elevated credit default risk that MITCO is carrying.
- **Manufacturing Redundancy:** The company appears to lack geographic manufacturing redundancy, creating operational risks in case of facility disruptions.
- **Transparency:** Financials provided lack detail, preventing a more differentiated perspective (e.g. notes to financials). Similarly, we did not find much about the company to substantiating the qualitative KPIs.

Company Overview

Headquarters	Chattanooga, TN
Type	Private (Non-PE)
Employees	~100
Year Founded	1953
Website	https://www.mitco.com/
Business	Manufactures and distributes industrial tires.
Revenues	$71.8M

- **Company Overview:** Mitchell Industrial Tire Co., Inc. ("MITCO") is a leading manufacturer and distributor of industrial tires, founded in 1953 and based in Chattanooga, TN. The company specializes in providing durable tire solutions for forklifts and industrial vehicles, focusing on sectors such as material handling, construction, and logistics.
- **Product:** MITCO offers solid press-on tires, pneumatic tires, and cushion tires for industrial use, particularly in the material handling and construction industries.
- **Customers:** They serve a broad customer base, including large warehouse operators, logistics firms, and construction companies.
- **Ownership:** The company is privately held, with no known public ownership or parent company. However, online resources point towards the Frost Family as a owner who allegedly bought the entity in 1992. Since Frost also owns Professional Industrial Tire, Inc. ("PRO"), they are operating as sister companies since. Both manufacture in Chattanooga, and together they are the US market leader in their segment, jointly selling over 250k tires a year nationwide.
- **Debt Structure:** N/A - the financials provided did not indicate any long-term debt or a utilization under an R/C-line.

Financial Statement Highlights

$ '000s	(C) Jun-22 T12	(B) Jun-23 T12	(A) Jun-24 T12	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	65,090	71,144	71,780		0.9%
Gross Profit	12,293	15,257	17,946		17.6%
Adjusted EBITDA	6,096	6,903	8,220		19.1%
Gross Profit Margin	18.9%	21.4%	25.0%		+356 bps
Net Income	3,182	4,827	5,523		14.4%
Balance Sheet					
Cash And Cash Equivalents	15,510	18,603	17,122		-8.0%
Total Current Assets	37,279	42,196	47,461		12.5%
Total Assets	37,946	42,772	48,347		13.0%
Total Current Liabilities	3,313	3,312	3,367		1.7%
Total Debt	-	-	-		-
Total Equity	34,632	39,460	44,980		14.0%
Key Ratios					
Current Ratio	11.25	12.74	14.10		10.6%
Quick Ratio	8.24	8.65	8.00		-7.6%
Net Debt / EBITDA	(2.54)	(2.69)	(2.08)		-22.7%
Debt to Assets	0.0%	0.0%	0.0%		-
EBITDA Margin	9.4%	9.7%	11.5%		+175 bps
ROCE %	17.6%	17.5%	18.3%		+78 bps

- Total revenue grew 9.3% to $71mn in FY-23, and then remained almost flat in FY-24.
- Gross profit and EBITDA margin increased from 18.9%/9.4% (FY-22) to 25%/11.5% (FY-24), following improved operational efficiency causing 14.4% higher Net Income (FY-24).
- Cash reserves grew from $15.5mn to $18.6mn in FY-23, to slightly decline to $17.1mn in FY-24.

Scorecard Summary

Financial vs Business Risk Weighting Factors

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

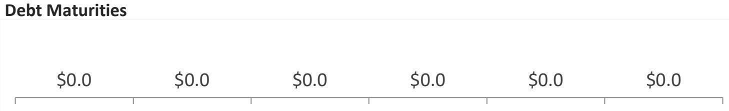
	Weight	Score	Dimension	Weight	Score
Financial	65%	8.9	Liquidity	46%	10.0
			Leverage	0%	-
			Profitability	54%	5.2
Business	35%	5.7	Industry Risk	20%	4.8
			Competitive Position	50%	5.8
			Mgmt / Governance	30%	6.3
			Sponsor / Parent		
Modifiers		-1.1	Revenue Segment		(1.0)
			Financial Transparency		(0.78)
			Trend Analysis		0.22

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	*7*	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.44	14.10	100%
	Quick Ratio	1.64	8.00	100%
Leverage	Net Debt / EBITDA	0.54	(2.08)	
	Debt to Assets	31.9%	0.0%	
Profitability	EBITDA Margin	8.8%	11.5%	78%
	ROCE %	9.2%	18.3%	76%
	Revenue	$603M	$72M	

Industry Benchmarks - Primary: Tires and Rubber

Debt Maturities



Business Risk Highlights

- **Industry:** The industrial tire market shows steady growth driven by demand in material handling and construction, but it faces moderate volatility due to raw material price fluctuations. In North America the tire and rubber industry, specifically within the industrial segment, is valued at >$19bn, growing at a projected 3.4% CAGR through '28.
- **Competitive Position:** Mitchell competes with key players like Trelleborg and Camso, but its strong product specialization in industrial tires gives it a competitive edge.
- **Management:** The privately held company shows effective capital management, but lacks transparency on its customer concentration and supply chain risk mitigation.
- **PE Sponsor:** N/A
- **Other:** The lack of geographic manufacturing redundancy increases vulnerability to production disruptions, which could impact operational continuity.