

Sannova Topco, LLC



CC 1 year PD
20.71% to 26.55%

- A consistent negative EBITDA margin, high leverage, weak liquidity, and ongoing Net Losses are substantial and not sustainable credit risks. Small size heightens default risk.
- SFW's support is vital, and has already shown signs of a positive impact with Revenue tripling in FY-23, improving operational efficiency, and debt reductions in FY-24(A).

Strengths

- PE-support:** SFW Capital acquired them in 2022, with the intend to accelerate growth. They came through by tripling revenue in FY-23, but losses increased - even net of one-off expensess. Losses are likely to decline by ~65% in FY-24(A).
- Debt & Liquidity Trend:** As of 11/24 Total Debt and Debt-to-Assets declined by -19% and 469ps, whilst Equity and liquidity improved by 3.1%, and 1/4, respectively. That aside revenue tripled in FY-23.
- Reputation and Track Record:** With over 1.3k completed studies and 18 years of operation, Sannova has established credibility in the life sciences industry, fostering client trust and repeat business for thier essential services.

Challenges

- Weak Liquidity:** Current and quick ratios of 0.20 evidence working capital challenges, with a marginal improvement to 0.25 in FY-24(A). Considering ongoing losses, they are living of their substance/debt.
- Negative Profitability Trends:** EBITDA margin (-94.7%) and ROCE (-60.1%) are far from its' peers, but include a non-cash impairment charge of Goodwill over \$5.855mn in FY-23. Hence, the annualized FY-24 KPIs are more reliable, yet still far from market. Consistently reporting Net Losses since FY-22.
- High Leverage & Size:** The debt-to-assets ratio stands at 33.2% (28.5% in 11/24), nearly double the peer median (16.7%), excluding ~81% of Assets are Goodwill and Intangibles. Cash declined by 95% since FY-22 vs 11/2024. Fairly small entity, increases empirical default risk.

Scorecard Summary

Financial vs Business Risk Weighting Factors					
Ownership		Private (PE)			
Company Stage		Transformation			
Financials		Complete			
	Weight	Score	Dimension	Weight	Score
Financial	30%	4.1	Liquidity	0%	-
			Leverage	50%	2.2
			Profitability	50%	0.3
Business	70%	6.3	Industry Risk	15%	7.9
			Competitive Position	35%	5.5
			Mgmt / Governance	15%	5.7
			Sponsor / Parent	35%	6.6
Modifiers		-2.5	Revenue Segment		(1.2)
			Trend Analysis		0.25
			Financial Flexibility		(0.50)

Company Overview

Headquarters	Somerset, NJ
Type	Private (PE)
Employees	~50
Year Founded	2006
Website	https://www.sannova.net/
Business	Contract Research Organization for drug testing.
Revenues	\$8.4M

- Company Overview:** Sannova Topco, LLC is a specialized Contract Research Organization (CRO) providing essential analytical and bioanalytical services to pharmaceutical and biotechnology companies.
- Product:** The company offers preclinical through Phase IV testing and CMC services, including stability testing, impurities analysis, and quality control
- Customers:** Its client base includes leading pharmaceutical and biotech companies, leveraging a diversified revenue stream.
- Ownership:** Privately owned, with a majority stake held by SFW Capital Partners, a private equity firm focused on life sciences investments.
- Debt Structure:** No transparency of maturity dates. \$6.5mn related party note, with the balance being operating lease liabilities. No R/C-line in place. Maturity profile is based on FY-23, based on audited, and commented financials.
- Other:** FY-24(A) financials are annualized based on T11 through Nov 2024. Based on the type of business, we didn't assume a seasonality discount. FY-22, and FY-23 are based on audited financials, YTD-2024 was unaudited and w/o notes to financials.

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	17	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.52	0.20	
	Quick Ratio	1.79	0.20	
Leverage	Net Debt / EBITDA	0.36	(1.01)	80%
	Debt to Assets	16.7%	33.2%	36%
	EBITDA Margin	16.2%	-94.7%	0%
Profitability	ROCE %	16.3%	-60.1%	0%
	Revenue	\$28M	\$9M	
Industry Benchmarks - Primary: Life Sciences Tools and Services				



Financial Statement Highlights

\$ '000s	(C) Dec-22 T12	(B) Dec-23 T12	(A) Dec-24(A) T12	Change	
				(C) to (B)	(B) to (A)
Income Statement					
Total Revenue	2,954	8,960	8,433		-5.9%
Gross Profit	1,164	4,404	3,747		-14.9%
Adjusted EBITDA	(1,738)	(8,485)	(1,763)		79.2%
Gross Profit Margin	39.4%	49.2%	44.4%		(472) bps
Net Income	(2,579)	(10,458)	(3,608)		-65.5%
Balance Sheet					
Cash And Cash Equivalents	3,279	693	154		-77.7%
Total Current Assets	4,997	2,277	1,040		-54.3%
Total Assets	38,286	27,995	26,336		-5.9%
Total Current Liabilities	10,970	11,336	4,079		-64.0%
Total Debt	9,132	9,285	7,499		-19.2%
Total Equity	24,610	14,312	14,759		3.1%
Key Ratios					
Current Ratio	0.46	0.20	0.25		26.9%
Quick Ratio	0.46	0.20	0.25		26.9%
Net Debt / EBITDA	n/a	n/a	n/a		
Debt to Assets	23.9%	33.2%	28.5%		(469) bps
EBITDA Margin	-58.8%	-94.7%	-20.9%		+7379 bps
ROCE %	-8.9%	-60.1%	-13.9%		+4621 bps

- OPEX, including one-off \$5.855mn Goodwill charge off, and \$430k in one-off acquisition expenses (part of G&A), peaked at \$14.42mn in FY-23. G&A expenses still more than doubled compared to FY-22.
- Total revenue grew from \$2.95mn in FY-22 to \$8.96mn in FY-23, but likely declining slightly to \$8.43mn in FY-24 (A).

Business Risk Highlights

- Industry:** The CRO industry is growing at a projected CAGR of 12.2% through 2031, but Sannova faces high competition and stringent regulatory requirements. Yet, they are in an essential business, with high barriers to entry.
- Competitive Position:** The company's specialized focus in bioanalytical and CMC services differentiates it from larger CROs but limits scalability. Ongoing losses are unsustainable.
- Management:** While the company benefits from nearly 20 years of operational expertise, addressing profitability and liquidity challenges will require strong governance focus. In 10/2022, shortly after SFW acquired Sannova, Jason Apter and Stephen Unger were appointed as CEO, and CFO, respectively.
- PE Sponsor:** SFW Capital Partners, founded in 2007, is a private equity firm specializing in investments within the industrial and life sciences technology sectors. The firm manages \$950mn in total capital commitments, focusing on partnerships with founder- and family-owned businesses to drive growth and create long-term value through lower leverage.