

Bunting Magnetics Co.



BB

1 year PD
0.38% to 0.60%

- Declining profitability, margin compression and cash flow erosion since FY-22 increase financial risks. A relatively small entity size raises their empirical default risk.
- Debt-free (after cash), and an exceptionally high liquidity provide strong financial flexibility. High level of product and geographic diversity lowers concentration risks (tentatively).

- Strengths
- Financial Stability & Liquidity:** The entity maintains exceptionally strong liquidity, with a Current and Quick Ratio of 5.3/4.2 (vs peers' 1.9/1.25). After Cash, the entity is effectively debt-free by a substantial margin.
 - Product & Market Diversification:** Broad range of magnetic technology solutions across multiple industries, including food processing, plastics, recycling, mining, and printing, reducing reliance on a single sector. Customization capabilities allow for differentiated, high-margin product offerings in niche industrial applications.
 - Global Presence & Expansion Strategy:** Operates in the US, Europe, and Asia, with a strategic acquisition of UK-based Master Magnets Ltd., expanding its EU footprint - essentially diversifying regional economic risks and revenue streams.
- Challenges
- Declining Profitability:** EBITDA Margin dropped from 16.9% (FY-22) to 7.5% (FY-24), below their peers 9.5%. ROCE deteriorated to 3.3% (FY-24), significantly lower than the 15.7% benchmark, raising concerns over "poor" capital deployment.
 - Trend & Size:** Despite Revenue declining from \$41.2mn (FY-22) to \$38.5mn (FY-24), a -7% drop, COGS and OPEX each increased by (jointly) by about +7%. Eventually, EBITDA Margin, and Net Income declined by -9.5pts / -73.6% respectively, since FY-22. Comparatively small entity size, increases default risk.
 - Cash Flow Deterioration & WC:** Operating Cash Flow dropped from \$3.97mn (FY-23) to \$2.8mn (FY-24), a 29.4% decline. ARs growth (\$8.35mn in FY-24 vs. \$7.25mn in FY23) outpacing APs increase (\$1.7mn vs. \$1.3mn) suggests potential cash collection inefficiencies

Scorecard Summary

Financial vs Business Risk Weighting Factors					
Ownership		Private (Non-PE)			
Company Stage		Stabilized			
Financials		Complete			
	Weight	Score	Dimension	Weight	Score
Financial	75%	7.6	Liquidity	35%	9.8
			Leverage	33%	6.9
			Profitability	33%	2.9
Business	25%	6.6	Industry Risk	20%	6.5
			Competitive Position	50%	6.8
			Mgmt / Governance	30%	6.3
			Sponsor / Parent		
Modifiers	-1.4		Revenue Segment		(1.1)
			Trend Analysis		(0.50)
			Financial Flexibility		0.50

Company Overview

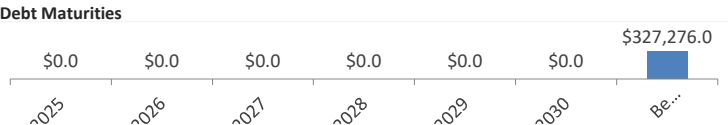
Headquarters	Newton, KS
Type	Private (Non-PE)
Employees	390
Year Founded	1959
Website	https://buntingmagnetics.com/
Business	Magnetic technology solutions for industrial applications.
Revenues	\$38.5M

- Company Overview:** Bunting Magnetics Co. is a manufacturer of industrial magnetic technology solutions, serving industries such as food processing, plastics, mining, printing, and recycling.
- Product:** Magnetic Separation & Metal Detection - protects equipment by removing metal contaminants. Material Handling Equipment - magnetic conveyors, pulleys, and magnetic assemblies. Custom Magnetic Assemblies - engineered solutions for specialized applications.
- Customers:** Serves industrial and manufacturing clients worldwide. Products are sold through direct sales, distributors, and online platforms.
- Ownership:** Privately held by the Bunting family since inception in 1959, with no publicly available equity or debt issuance.
- Debt Structure:** Some minor LT-debt, no terms were provided.
- Basis for Assessment:** Unaudited, un-reviewed, and un-commented FY-22, FY-23, FY-24 financials (b/s, i/s, cf/s). We were primarily leaning on FY-24.
- Single Event Risks:** The most immediate risk to default is a sudden customer loss or demand collapse, given stagnant revenues and cash flow pressure. The most structural risk is cost pressure-driven margin erosion, which seems to be a theme over the last two years. Leadership execution risk is a secondary factor but remains critical, given expansion plans and generational transitions.

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	58	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.90	5.33	89%
	Quick Ratio	1.25	4.24	100%
Leverage	Net Debt / EBITDA	1.44	(3.85)	91%
	Debt to Assets	22.2%	0.5%	89%
Profitability	EBITDA Margin	9.5%	7.5%	37%
	ROCE %	15.7%	3.3%	24%
	Revenue	\$43M	\$38M	

Industry Benchmarks - Primary: Industrial Machinery and Supplies and Components



Financial Statement Highlights

\$ '000s	(C) Dec-22 T12	(B) Dec-23 T12	(A) Dec-24 T12	Change	
				(C) to (B)	(B) to (A)
Income Statement					
Total Revenue	41,167	38,707	38,462		-0.6%
Gross Profit	18,558	15,975	14,707		-7.9%
Adjusted EBITDA	6,966	4,371	2,874		-34.2%
Gross Profit Margin	45.1%	41.3%	38.2%		(304) bps
Net Income	4,157	3,822	1,099		-71.2%
Balance Sheet					
Cash And Cash Equivalents	10,596	12,816	11,382		-11.2%
Total Current Assets	26,403	28,611	26,616		-7.0%
Total Assets	55,352	58,574	59,742		2.0%
Total Current Liabilities	5,700	4,925	4,995		1.4%
Total Debt	327	327	327		0.0%
Total Equity	49,325	53,321	54,421		2.1%
Key Ratios					
Current Ratio	4.63	5.81	5.33		-8.3%
Quick Ratio	3.62	4.46	4.24		-5.0%
Net Debt / EBITDA	(1.47)	(2.86)	(3.85)		34.6%
Debt to Assets	0.6%	0.6%	0.5%		(1) bps
EBITDA Margin	16.9%	11.3%	7.5%		(382) bps
ROCE %	14.0%	6.5%	3.3%		(327) bps

- EBITDA declined 34.2% YoY from \$4.4mn (FY-23) to \$2.9mn (FY-24), following a larger drop from \$7.0mn in FY-22. Gross Profit Margin compressed from 45.1% (FY-22) to 38.2% (FY-24), reflecting increasing cost pressures.
- Inventory Turnover improved to 3.93 (FY-24), suggesting better stock management, but revenue has not grown accordingly. Operating Cash Flow declined -29.4% YoY, limiting reinvestment capacity.

Business Risk Highlights

- Industry:** The industrial machinery market faces cyclical demand, with sectors like manufacturing and mining experiencing periodic downturns that could impact revenue consistency. The North American Material Handling Equipment "(MHE)" industry is integral to sectors such as manufacturing, logistics, and retail, facilitating the efficient movement, storage, and control of goods. In '23, the market was valued at ~\$51.1bn, projected to reach \$74.2bn by 2030, reflecting a CAGR of 5.5% from 2024 to 2030.
- Competitive Position:** Faces competition from Eriez Manufacturing, MPI, and Industrial Magnetics, all of which offer similar industrial magnetic solutions. Lower-than-peer EBITDA margins and ROCE suggest Bunting lacks pricing power or cost efficiencies.
- Management:** No publicly available governance disclosures, making transparency into financial decision-making, risk management, and strategic planning limited. The lack of disclosed succession planning or executive leadership strategy presents an additional risk factor.
- PE Sponsor:** N/A
- Other:** The company remains self-funded, avoiding external debt financing. While financially stable, its conservative leverage strategy may limit its ability to scale aggressively compared to leveraged peers.