

## Breadpartners, Inc.



- EBITDA margin increased from 2.6% in FY-23 to 12.0% in T8-24. In light of operational efficiency gains Net Income increased 5.2x during T8-24 vs FY-23.
- Liquidity in line with market despite low Cash Reserves (-\$163k per 8/24). Lack of transparency related to R&D investments/strategy as well as supplier concentration.

Strengths

- Financial Improvement:** Breadpartners saw significant profitability growth in T8-24, with Net Income increasing from \$361K in FY-23 to \$2.2M. EBITDA margin surged from 2.6% to 12.0%, reflecting operational efficiencies and stronger cash flow, critical for debt servicing and reinvestment.
- Low Leverage:** The company’s debt-to-assets ratio dropped from 25.1% in FY-23 to 11.9% in T8-24, vs the industry median of 30%, indicating low reliance on external financing, which reduces the credit risk posed by excessive debt.
- Innovative Product Offering:** They focus on cutting-edge bakery ingredients like dough conditioners, emulsifiers, and shelf-life extenders, which are highly demanded within the bakery industry.

Challenges

- Limited Brand Recognition:** While Breadpartners has a solid U.S. presence, its limited international reach hinders brand recognition globally, restricting its ability to tap into expanding global markets.
- Low Cash Reserves:** Breadpartners had minimal cash and cash equivalents as of T8-24, ending with a negative cash balance of -\$163k.
- Potential Risk from Underinvestment in Innovation:** The entity considers itself as innovative in product development. Yet, there’s limited visibility on R&D investments and a long-term innovation strategy. There is currently a lack of transparency related to this critical competitive factor.

### Scorecard Summary

Financial vs Business Risk Weighting Factors					
Ownership		Private (Non-PE)			
Company Stage		Growth			
Financials		Complete (Unaudited)			
	Weight	Score	Dimension	Weight	Score
Financial	65%	4.4	Liquidity	35%	4.7
			Leverage	33%	3.6
			Profitability	33%	1.9
Business	35%	6.4	Industry Risk	20%	6.3
			Competitive Position	50%	5.8
			Mgmt / Governance	30%	7.7
			Sponsor / Parent		
Modifiers		-0.4	Revenue Segment		(0.4)
			Trend Analysis		0.25
			Financial Flexibility		0.25

### Company Overview

Headquarters	Cinnaminson, NJ
Type	Private (Non-PE)
Employees	<50
Year Founded	2007
Website	https://breadpartners.com/
Business	Supplies innovative ingredients for bakery products.
Revenues	\$27.7M

- Company Overview:** Breadpartners, Inc. is a privately held manufacturer and supplier of innovative ingredient solutions for the bakery industry.
- Product:** They offer dough conditioners, emulsifiers, and shelf-life extenders, tailored to improve the quality, consistency, and performance of bakery products like bread and cakes.
- Customers:** The company primarily serves large-scale commercial bakeries, providing solutions that enhance efficiency and product quality.
- Ownership:** Privately owned, led by President Denis Wellington, with no public or institutional ownership reported.
- Debt Structure:** Extracted from Tax filings there was not details to be found related to loan terms/maturity/etc. No notes to financials were provided in support of this assessment. However, the current long-term debt is comparatively minor. ~70% of the debt is flagged as a loan from shareholders.
- Other:** The financial information used for this assessment was sourced from the 2023 and 2022 tax returns, supplemented by a balance sheet and P&L over the past 8 months (through 8/24) in Excel. Although the majority of this assessment is based on the FY-23 financials, we gave credit for the reduction in debt (-53%), in FY-24 (T8), and a substantially improved Net Income (5.2x increase). However, these adjustments were balanced by the lack of transparency in part owed to the private nature of the entity, as well as missing notes to financials, etc.

### Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	21	Industry Median	Company Metric	Percentile Rank	
Liquidity	Current Ratio	1.43	1.13	<div></div>	42%
	Quick Ratio	0.76	0.62	<div></div>	39%
Leverage	Net Debt / EBITDA	2.76	2.85	<div></div>	49%
	Debt to Assets	30.0%	25.1%	<div></div>	55%
Profitability	EBITDA Margin	5.9%	2.6%	<div></div>	21%
	ROCE %	6.6%	8.5%	<div></div>	58%
	Revenue	\$26M	\$28M		

Industry Benchmarks - Primary: Packaged Foods and Meats



### Financial Statement Highlights

\$ '000s	(C) Aug-24 T8	(B) Dec-22 T12	(A) Dec-23 T12	Change	
				(C) to (B)	(B) to (A)
Income Statement					
Total Revenue	19,018	23,827	27,696		16.2%
Gross Profit	7,766	2,560	3,611		41.0%
Adjusted EBITDA	2,275	(96)	726		855.8%
Gross Profit Margin	40.8%	10.7%	13.0%		+229 bps
Net Income	2,236	137	361		162.9%
Balance Sheet					
Cash And Cash Equivalents	(163)	0	0		66.7%
Total Current Assets	5,788	5,542	6,194		11.8%
Total Assets	8,182	7,981	8,241		3.3%
Total Current Liabilities	3,889	5,396	5,496		1.8%
Total Debt	972	2,343	2,070		-11.7%
Total Equity	3,757	1,763	1,847		4.8%
Key Ratios					
Current Ratio	1.49	1.03	1.13		9.7%
Quick Ratio	0.75	0.62	0.62		0.2%
Net Debt / EBITDA	0.50	(24.39)	2.85		
Debt to Assets	11.9%	29.4%	25.1%		(424) bps
EBITDA Margin	12.0%	-0.4%	2.6%		+302 bps
ROCE %	49.4%	-8.4%	8.5%		+1694 bps

- Total revenue grew from \$23.8mn to \$27.7mn in FY-23, with T8 FY-24 reaching \$19.0M, indicating continued growth momentum.
- Net Income increased significantly, from a \$137k in FY-22 to \$2.2mn during T8-24.
- Total debt decreased from \$2.3mn in FY-22 to \$972k in 8/2024, significantly lowering financial leverage and risk exposure.

### Business Risk Highlights

- Industry:** The bakery ingredients market is projected to grow, with a focus on clean-label and shelf-life solutions. Breadpartners aligns well with industry trends, but the market is competitive and subject to fluctuations in raw material prices. The broader Packaged Foods and Meats industry in N.A. is a mature market valued at over \$1trn, with steady growth projected at a CAGR of around 4.3% through 2028.
- Competitive Position:** Breadpartners faces stiff competition from larger industry players like Corbion and AB Mauri, which dominate market share due to scale and international presence.
- Management:** Led by President Denis Wellington, Breadpartners’ management appears focused on operational efficiency and innovation. However, transparency on long-term strategic initiatives and succession planning would provide more clarity on governance strength.
- PE Sponsor:** n/a
- Other:** Although no supplier concentration issues have been highlighted, supply chain disruptions or price volatility could impact Breadpartners, especially given their reliance on