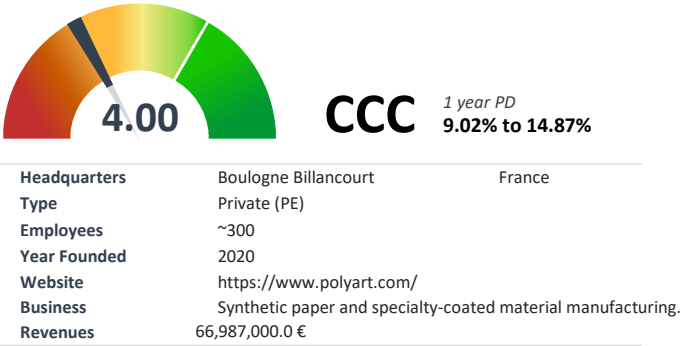


Polyart



Company Overview

- Company Overview:** Polyart is a global manufacturer of synthetic paper and specialty labeling materials, known for its durable, waterproof, and tear-resistant substrates used in multiple industries.
- Product:** Polyart® - synthetic paper designed for high-performance printing. r- Polyart - a sustainable, 30% post-consumer recycled synthetic paper option. Fiberskin - a fiber-based alternative for durable labeling needs.
- Customers:** Serves industries requiring durable, weather-resistant materials, including food & beverage, healthcare, logistics, and security applications. No disclosure of customer concentration.
- Ownership:** Prudentia Capital ("PC") merged Arjobex and MDV Group in '20, leading to the formation of Polyart Group. Est. 2017, PC is a privately-owned asset management firm based in Paris, France. Their usual targets are established SMEs across France and Europe, fosusing on building materials and consumer products. To date they made just 7 investments.
- Debt Structure:** The majority of total debt seems to be related to a line of credit (€30mn capacity, €23mn UPB), with the balance being a mix of lease, and tax liabilities, bonds. No terms were provided though.
- Basis for Assessment:** Complete and audited financials per FY-21, 22, and 23. We were leaning primarily on FY-23. Financials provided were in French.
- Other (pros/cons):** Polyart’s declining profitability and liquidity heighten short-term refinancing risks as debt shifts to short-term maturities. Although revenue volatility was COVID-driven (e.g. destocking in '23). PE-backing offers support, but PC's limited transparency raises concerns about sustained financial commitment, funding-base, and strategy. Having made just ~7 investments so far, hampers a view on track record/reputation.

Financial Snapshot

	Dec-21	Dec-22	Dec-23	Chg
EUR '000s	T12	T12	T12	%
Total Revenue	73,387	82,278	66,987	-18.6%
Gross Profit	35,477	40,488	32,869	-18.8%
Adjusted EBITDA	8,080	8,345	2,909	-65.1%
Gross Profit Margin	48.3%	49.2%	49.1%	-0.1 ppt
EBITDA Margin	11.0%	10.1%	4.3%	-5.8 ppt
Net Income	1,631	1,348	(2,144)	-259.1%

Financial Ratio Benchmarking

# of Benchmarks:	29	Industry Median	Company Metric	Percentile Rank
		\$516M	\$67M	
Liquidity	Revenue	1.75	0.91	<div></div> 18%
	Quick Ratio	0.95	0.44	<div></div> 17%
Leverage	Net Debt / EBITDA	3.99	8.36	<div></div> 19%
	Debt to Assets	50.0%	51.9%	<div></div> 45%
Profitability	EBITDA Margin	9.0%	4.3%	<div></div> 13%
	ROCE %	7.1%	-0.9%	<div></div> 22%

Weight	Rating Range		
25%	2.5	to	3.0
# of Industry Benchmarks	29		
Company Financials Date	Dec-23		

Industry Benchmarks - Primary: Paper and Plastic Packaging Products and Materials

Business Risk

Industry Group Risk Profile			Containers And Packaging			
			15%	5.5	to	7.5
Industry Risk Assessment	KPI Rating	Contribution	Industry Group Description			
Cyclicality	Intermediate risk	<div></div>	Entities that derive the majority of their revenues from plastic, paper, metal, and glass packaging products, from rigid containers to flexible films, used for packaging food, beverages, and other consumer products (such as cosmetic and personal care products); health care and medical products; and, to a lesser extent, industrial products.			
Competitive Risk	Intermediate risk	<div></div>				
Global Industry	Intermediate risk	<div></div>				
Market Segment Outlook	Above Average	<div></div>				
Competitive Position Profile			Manufacturing			
			35%	6.5	to	8.0
Competitive Position KPIs	KPI Rating	Contribution	Rating Guideline			
Cycle-Tested	>= 2020	<div></div>	No through-the-cycle operating history.			
Competitive Advantages	Above Average	<div></div>	Strong competitive position in a moderately competitive market with some barriers to entry and limited threat from substitution.			
Supplier Diversity	Satisfactory	<div></div>	Limited diversity of suppliers, reliant on a few key ones.			
Customer Concentration	Above Average	<div></div>	Top 5 customers 11-25% of revenue			
Manufacturing Redundancy	Strong	<div></div>	Multiple manufacturing sites in diverse locations.			
Demand Elasticity	Strong	<div></div>	Products have inelastic demand (necessities or unique products).			
Sustainability	Strong	<div></div>				
Geographic Diversification	Strong	<div></div>				
Management, Governance, Sponsorship			50%	6.0	to	8.0

Anchor Modifiers

Modifiers			
Revenue Segment	Normalization	<div></div>	\$50-100M
Trend Analysis	Adjustment	<div></div>	Moderate Negative
Fixed Cost Coverage Risk	Risk Flag	<div></div>	FCCR of 0.07x
Country Risk	Risk Flag	<div></div>	France: Low Risk

Rating Range (Rounded)

3.5	to	4.5
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