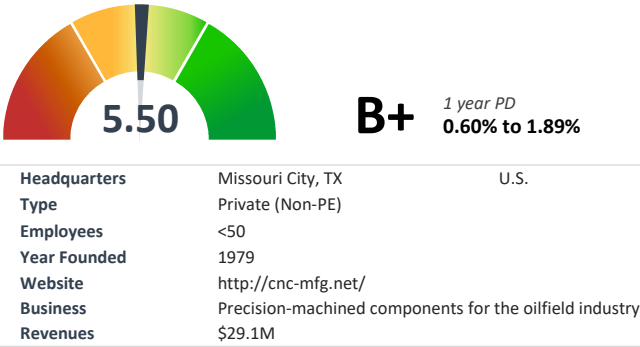


CNC Manufacturing, Inc.



Company Overview

- Company Overview:** CNC Manufacturing, Inc. is a precision machining company specializing in custom components for the oilfield industry, operating from a single 37,000 sq. ft. facility in Missouri City, Texas.
- Product:** CNC offers advanced precision-machined components using cutting-edge equipment like Okuma MB-8000H and LB45 III CNC machines.
- Customers:** Serves leading oilfield service and equipment providers, leveraging long-term relationships to ensure business stability.
- Ownership:** Privately owned, led by founder and President Jim Crosby, reflecting experienced and consistent leadership.
- Debt Structure:** N/A - entity is effectively debt-free, after cash taken into consideration.
- Other (pros/cons):** Strong liquidity (current ratio 4.26) and minimal leverage (0.4% debt-to-assets) mitigate financial risks substantially lower the inherent credit risk. Although, a very low EBITDA margin (3.8% vs peers 13.4%) signals profitability challenges. Cyclical oilfield exposure increases revenue volatility, though efficient asset utilization (262.8% turnover) and stable leadership support operational continuity. Very positive growth trend in FY-24, after FY-23 was a setback where the entity generated a loss. Yet, prior to FY-23, the entity was already in growth mode, which has been exceeded by FY-24. Hence, FY-23 seems more like an exception. A/Rs are about 2x A/Ps, which provides grounds for an R/C-line if needed, which would rather likely be EBITDA constraint, considering their low margin. We have very limited insights to populate qualitative KPIs, financials provided are unaudited.

Financial Snapshot

	Dec-22	Dec-23	Dec-24	Chg
\$ '000s	T12	T12	T12	%
Total Revenue	23,230	21,956	29,149	32.8%
Gross Profit	11,488	8,798	12,133	37.9%
Adjusted EBITDA	786	(620)	1,095	276.6%
Gross Profit Margin	49.5%	40.1%	41.6%	1.6 ppt
EBITDA Margin	3.4%	-2.8%	3.8%	6.6 ppt
Net Income	1,129	(568)	1,179	307.7%

				Weight	Rating Range		
				65%	6.5	to	7.5

# of Benchmarks:		77	Industry Median	Company Metric	Percentile Rank	# of Industry Benchmarks		77
			\$28M	\$29M		Company Financials Date		Dec-24
Liquidity	Revenue	1.66	4.26	<div></div>	90%	Industry Benchmarks - Primary: Industrial Machinery and Supplies and Components Secondary: Oil and Gas Equipment and Services		
	Quick Ratio	1.18	2.74	<div></div>	87%			
Leverage	Net Debt / EBITDA	1.48	(0.99)	<div></div>	84%			
	Debt to Assets	28.2%	0.4%	<div></div>	85%			
Profitability	EBITDA Margin	13.4%	3.8%	<div></div>	15%			
	ROCE %	14.7%	13.7%	<div></div>	48%			

Business Risk

Industry Group Risk Profile				Capital Goods	20%	4.5	to	6.5
Industry Risk Assessment		KPI Rating	Contribution	Industry Group Description				
Cyclicality		Intermediate risk	<div></div>	Entities that derive a majority of their revenues from manufacturing and/or servicing industrial equipment. This includes manufacturers of heavy and light industrial equipment, machinery, industrial components, and systems, as well as providers of related services, such as construction equipment rental companies or industrial distributors.				
Competitive Risk		Intermediate risk	<div></div>					
Global Industry		Intermediate risk	<div></div>					
Market Segment Outlook		Stable	<div></div>					
Competitive Position Profile				Manufacturing	50%	5.0	to	6.5
Competitive Position KPIs		KPI Rating	Contribution	Rating Guideline				
Cycle-Tested		< 2000	<div></div>	Navigated multiple economic down-cycles.				
Competitive Advantages		Satisfactory	<div></div>	Average position in a market with several competitors; moderate threat of new entry and substitution.				
Supplier Diversity		Satisfactory	<div></div>	Limited diversity of suppliers, reliant on a few key ones.				
Customer Concentration		Satisfactory	<div></div>	Top 5 customers 26-40% of revenue				
Manufacturing Redundancy		Satisfactory	<div></div>	Single manufacturing site with limited exposure to natural disasters or other risks that could shutter the operation.				
Demand Elasticity		Satisfactory	<div></div>	Products have moderately elastic demand (some substitutes available).				
Contract Terms		Satisfactory	<div></div>					
Backlog		Satisfactory	<div></div>					
Industry Expirience and Quality		Above Average	<div></div>					
Management, Governance, Sponsorship					30%	5.0	to	6.5

Anchor Modifiers

Modifiers								
Revenue Segment		Normalization	<div></div>	\$25-50M				
Financial Flexibility		Adjustment	<div></div>	Above Average				
Other Modifier		Risk Flag	<div></div>	Very limited transparency to populate qualitative KPIs at this point in time (-0.25)				
					No long term debt reported, hence no			

Rating Range (Rounded)

	5.0	to	6.0
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