Viscot Medical, LLC

B+ *1 year PD* **0.60% to 1.89%**

- Founded 1974 the entity has as strong profitability profile. Ongoing revenue growth mitigate credit risks, but reliance on a single facility poses operational vulnerability.
- Strong liquidity and no leverage, after cash being considered, reduces default risks, countered by limited transparency, and a relatively small entity size.

Strengths

- **Financial Position**: Net of Cash, the entity is essentially debt-free, and boasts a current ratio of 4.88, significantly outperforming the peer median of 2.28, ensuring robust short-term solvency and operational flexibility.
- **Profitability Metrics**: FY-23 EBITDA margin of 20.6% and ROCE of 40.7% exceed peer medians (11.8% and 16.2%, respectively), reflecting efficient operations and strong capital returns.
- **Product Demand Resilience**: Focus on essential medical products, such as surgical skin markers, positions the company in a market with relatively inelastic demand, reducing revenue volatility risks.

Challenges

- **Manufacturing Concentration Risk**: Reliance on a single facility in East Hanover, NJ, exposes operations to local disruptions without clear redundancy or contingency plans.
- **Inventory Turnover Decline**: Inventory turnover dropped from 3.23 in FY-22 to 2.77 in FY-23, potentially tying up liquidity and impacting working capital efficiency.
- **Small Scale of Operations**: With FY-23 revenue of $15.2mn and approximately 35 employees, the company may lack the economies of scale to compete effectively with larger peers. Although the entity has been around since 1974, it's smaller size increases their empirical default risk.

Company Overview

Headquarters	East Hanover, NJ
Type	Private (Non-PE)
Employees	<50
Year Founded	1974
Website	https://www.viscot.com/
Business	Produces disposable medical products for healthcare.
Revenues	$15.2M

- **Company Overview:** Viscot Medical, LLC specializes in the production and distribution of disposable medical supplies. They seem to be a leading global manufacturer of surgical skin markers, and medication labels.
- **Product:** Mainly surgical skin markers (primary revenue driver), medication labels for accurate dosing, and disposable accessories like urinals and towels.
- **Customers:** Serves a diverse range of healthcare providers, such as hospitals, ambulatory surgery centers, and OEM partners.
- **Ownership:** Privately held and veteran-owned, with Gary Pieringer serving as CEO since 2004, emphasizing long-term stewardship. No further details about ownership were found.
- **Debt Structure:** Debt consists primarily of Operating Lease Liabilities, gradually maturing through 2028 - weighted average lease term 3.5 years. No concerns about a maturity wall. A smaller amount ($285k) represents deferred compensation. A/Rs are almost 2x A/Ps.
- **Financials:** FY-22 and FY-23 were reviewed, but not audited by a third party accountant. The T-11 income statement (through 11/2024) were annualized (provided via Excel), as an indication of a recent trend. The financials are consolidated and include majority ownership in Op-marks Medical (high quality disposable products) and AMP Medical (import of medical products for resale).
- **Other:** We are not clear yet about specific USPs, or potential competitive threads like substitution risk, supply chain. The latter includes the relevance, and sustainability of being "veteran-owned" to their business model / profitability.

Financial Statement Highlights

$ '000s	(C) Dec-24(A) T12	(B) Dec-22 T12	(A) Dec-23 T12	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	15,681	14,092	15,211		7.9%
Gross Profit	8,262	6,857	7,900		15.2%
Adjusted EBITDA	3,093	2,252	3,135		39.2%
Gross Profit Margin	52.7%	48.7%	51.9%		+328 bps
Net Income	3,114	2,162	2,963		37.1%
Balance Sheet					
Cash And Cash Equivalents	-	1,513	1,732		14.5%
Total Current Assets	-	5,646	6,690		18.5%
Total Assets	-	7,624	8,614		13.0%
Total Current Liabilities	-	1,167	1,371		17.5%
Total Debt	-	1,747	1,718		-1.7%
Total Equity	-	5,070	5,980		17.9%
Key Ratios					
Current Ratio		4.84	4.88		0.9%
Quick Ratio		2.92	2.66		-8.9%
Net Debt / EBITDA	-	0.10	(0.00)		
Debt to Assets		22.9%	19.9%		(298) bps
EBITDA Margin	19.7%	16.0%	20.6%		+463 bps
ROCE %		33.2%	40.7%		+756 bps

- Revenue increased 7.9% year-over-year from $14.1mn in FY-22 to $15.2mn in FY-23, with another projected increase by ~3.1% in FY-24.
- Gross profit margin improved from 48.7% in FY-22 to 51.9% in FY-23, reflecting enhanced cost efficiencies and product mix optimization.
- Consitently profitable with Net Income growing beyond revenue increase.

Scorecard Summary

Financial vs Business Risk Weighting Factors

Ownership	Private (Non-PE)
Company Stage	Growth
Financials	Partial

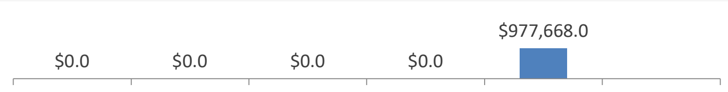
	Weight	Score	Dimension	Weight	Score
Financial	50%	6.7	Liquidity	40%	*6.4*
			Leverage	30%	*3.5*
			Profitability	30%	*3.4*
Business	50%	6.0	Industry Risk	20%	*7.3*
			Competitive Position	50%	*6.1*
			Mgmt / Governance	30%	*5.0*
			Sponsor / Parent		
Modifiers		-0.9	Revenue Segment		*(1.2)*
			Trend Analysis		*0.25*
			Financial Flexibility		*0.50*

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	*23*	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.28	4.88	*78%*
	Quick Ratio	0.85	2.66	*60%*
Leverage	Net Debt / EBITDA	1.92	(0.00)	*69%*
	Debt to Assets	32.1%	19.9%	*58%*
Profitability	EBITDA Margin	11.8%	20.6%	*65%*
	ROCE %	16.2%	40.7%	*80%*
	Revenue	$17M	$15M	

Industry Benchmarks - Primary: Health Care Supplies

Debt Maturities



Business Risk Highlights

- **Industry:** Operating in the healthcare supplies sector ensures steady demand, with global growth projections of 4.5% CAGR through 2027. The competitive landscape is fragmented, with numerous players ranging from large multinational corporations to specialized local firms. The industry as a whole is highly regulated, increasing barriers of market entry.
- **Competitive Position:** The company competes with larger peers like Aspen Surgical, emphasizing cost-effective, high-quality products. Market differentiation is crucial for sustaining margins, yet aside from their relatively niche focus on skin markers, and ink, we aren't certain yet about specific USPs. However, given they have been around since 1974, with Net Income growing beyond revenue, there certainly seems to be an edge.
- **Management:** Veteran-owned status and leadership by Gary Pieringer (CEO) provide stability, but limited disclosures on governance practices leave some uncertainties. Their CEO should approximately be in his 60s, raising questions about mid- to longer-term succession planning.
- **PE Sponsor:** N/A