G & W Products, Inc.

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

- Strong profitability and capital efficiency, but rising debt and owner distributions raise questions about financial discipline, commitment, strategy, and liquidity.
- Diversified industry exposure and operational efficiencies, yet single-site reliance and weaker liquidity pose continuity risks. Lack of clarity about succession, and concentration risks.

Strengths

- **Strong Profitability & Capital Efficiency:** EBITDA margin (11.6%) exceeds the peer median (9.2%), and ROCE (38.9%) is more than double the industry benchmark (15.6%), highlighting efficient operations and strong returns on invested capital.
- **Diverse Industry Exposure:** The company serves multiple industries, including power distribution, construction, military, energy, and transportation, mitigating the risk of overdependence on a single sector.
- **Operational Efficiency:** Implementation of Plex Manufacturing Cloud ERP led to a 25% inventory reduction and improved profitability, demonstrating commitment to technological adoption for efficiency gains.

Challenges

- **Liquidity:** Current & quick ratio (1.52/0.75) are both below the industry medians (1.91 and 1.16, respectively). Although operating cash flow has strengthened (124.2%), continued capital-intensive investments may strain liquidity.
- **Leverage & Cash Drain via Distributions**: Total debt increased from \$2.3mn to \$4.8mn in FY-24, reversing the previous deleveraging trend. Distributions nearly tripled (\$0.6mn to \$1.8mn) while debt more than doubled, which could indicate an unsustainable cash outflow pattern.
- **Business Continuity Risk & Transparency:** The entity operates out of a single 140k sqft facility, which increases vulnerability to operational disruptions, supply chain bottlenecks, or unforeseen events like natural disasters. Lacking insights about concentration risks, contingency/succession planning (Gary Johns, CEO is likely in his late 60s/early 70s), etc.

Company Overview

Headquarters	Fairfield, OH
Type	Private (Non-PE)
Employees	50 - 100
Year Founded	1968
Website	https://www.gandwproductsinc.com/
Business	Metal fabrication, stamping, welding, and coating.
Revenues	\$49.9M

- **Company Overview:** G & W Products, Inc. is a precision metal fabrication and stamping company providing custom metal manufacturing solutions for diverse industries, including power distribution, military, transportation, construction, and energy.
- **Product:** <u>Metal Fabrication</u> - laser cutting, stamping, forming, welding, powder coating, and assembly. <u>Value-Added Services</u> - engineering support, prototyping, supply chain solutions.
- **Customers:** Serves OEMs, industrial manufacturers, and defense contractors across multiple industries.
- **Ownership:** Privately held, with financials indicating significant owner withdrawals despite rising debt levels.
- **Debt Structure:** Total LT-debt (\$3.4mn) is comprised of a member note and a lease note. No additional terms or insights were provided (e.g. maturity, rates, seniority, R/C-line (Y/N), covenants, etc).
- **Basis for Assessment:** Company-prepared (uncommented) financials per FY-22, FY-23, and FY-24. We were leaning primarily on FY-24 for the evaluation.
- **Single Event Risks:** <u>Major customer loss or default</u> – high reliance on key clients with unclear concentration risks could strain cash flow, given weak liquidity. <u>Single facility disruption</u> – any operational failure or supply chain issue could halt production, risking revenue loss and fixed cost burdens. <u>Rising Leverage & Liquidity Erosion</u> – increased debt and owner distributions without matching EBITDA growth heighten default and refinancing risks.

Financial Statement Highlights

\$ '000s	(C) Dec-22 T12	(B) Dec-23 T12	(A) Dec-24 T12	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	29,318	40,509	49,939		23.3%
Gross Profit	5,436	8,961	12,333		37.6%
Adjusted EBITDA	1,565	3,384	5,777		70.7%
Gross Profit Margin	18.5%	22.1%	24.7%		+258 bps
Net Income	850	2,625	4,865		85.3%
Balance Sheet					
Cash And Cash Equivalents	1,824	148	1,439		874.4%
Total Current Assets	7,891	7,857	8,035		2.3%
Total Assets	13,429	12,710	17,929		41.1%
Total Current Liabilities	6,767	5,220	5,274		1.0%
Total Debt	6,337	2,340	4,807		105.4%
Total Equity	4,210	6,222	9,256		48.8%
Key Ratios					
Current Ratio	1.17	1.51	1.52		1.2%
Quick Ratio	0.69	0.71	0.75		6.4%
Net Debt / EBITDA	2.88	0.65	0.58		-10.0%
Debt to Assets	47.2%	18.4%	26.8%		+840 bps
EBITDA Margin	5.3%	8.4%	11.6%		+321 bps
ROCE %	14.8%	36.7%	38.9%		+219 bps

- Revenue grew from \$29.3mn (FY-22) to \$49.9mn (FY-24), a CAGR of 30%, while gross profit margin improved from 18.5% to 24.7%.
- Total debt rose from \$2.3mn to \$4.8mn in FY-24, reflecting investment in assets, yet fixed asset turnover declined from 8.35 to 5.05, signaling a delay in monetizing new investments. Distributions nearly tripled (from \$612K in FY-23 to \$1.83mn in FY-24), potentially hinder reinvestment capabilities.

Scorecard Summary

Financial vs Business Risk Weighting Factors

Ownership	Private (Non-PE)
Company Stage	Stabilized
Financials	Complete (Unaudited)

	Weight	Score	Dimension	Weight	Score
Financial	65%	6.1	Liquidity	35%	3.8
			Leverage	33%	4.4
			Profitability	33%	5.2
Business	35%	5.6	Industry Risk	20%	4.8
			Competitive Position	50%	6.3
			Mgmt / Governance	30%	5.0
			Sponsor / Parent		
Modifiers		-0.4	Revenue Segment		(0.6)
			Trend Analysis		0.50
			Other Modifier		(0.25)

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	*43*	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.91	1.52	33%
	Quick Ratio	1.16	0.75	28%
Leverage	Net Debt / EBITDA	1.60	0.58	69%
	Debt to Assets	30.0%	26.8%	51%
Profitability	EBITDA Margin	9.2%	11.6%	63%
	ROCE %	15.6%	38.9%	88%
	Revenue	\$53M	\$50M	

Industry Benchmarks - Primary: Electronic Manufacturing Services

Debt Maturities

Business Risk Highlights

- **Industry:** Metal fabrication is a capital-intensive, cyclical industry tied to construction, transportation, and industrial manufacturing. Demand is sensitive to economic slowdowns, raw material price fluctuations, and supply chain constraints, increaseing the criticality of diversification. The U.S. metal fabrication industry had a market size of approximately \$362.4bn in 2020, and is projected to surpass \$473.7bn by 2031, reflecting a CAGR of 2.5%
- **Competitive Position:** The company's strong EBITDA margins (11.6%) and superior ROCE (38.9%) suggest effective cost control and operational efficiency. However, reliance on competitive pricing to secure contracts in a fragmented industry presents margin risks.
- **Management:** Rapid debt growth (+\$2.47M) alongside increasing distributions (\$1.83M in FY-24) raises concerns about capital allocation discipline. Strong profitability could be undermined if leverage continues rising without clear ROI. Online research during the assessment indicated that management has a strong focus on efficiency and profitability, and rewards those employees that contribute to that. The CEO, Gary Johns is likely in his late 60s / early 70s putting making succession planning more tangible.
- **PE Sponsor:** N/A