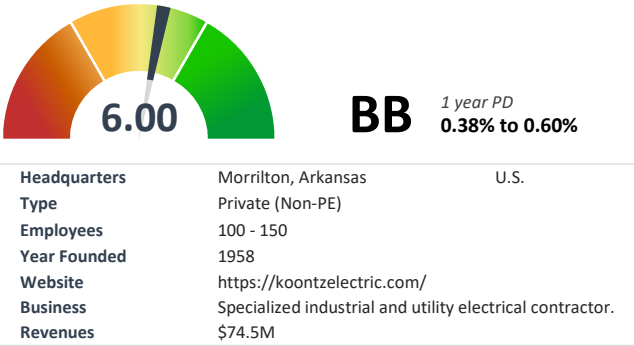


Koontz Electric Company, Incorporated



Company Overview

- Company Overview:** A privately held electrical contractor based in Arkansas, delivering complex infrastructure solutions across industrial, utility, and public sectors nationwide since 1958.
- Product:** Specializes in high-voltage systems, control automation, hydroelectric, and water treatment electrical services, with a focus on technically demanding, design-build projects.
- Customers:** Serves utility companies, government agencies, and industrial clients through long-term infrastructure and energy projects.
- Ownership:** Family-owned and operated, now led by the third generation alongside senior executives following a leadership transition in 2022.
- Debt Structure:** Debt is mainly comprised of two notes - one over \$2.5mn, due 2/29, and the other \$1.55mn, due 2/27. The interest rates are 3.15% and 3.5% respectively. Net of cash at hand, the entity is debt-free.
- Basis for Assessment:** CPA-reviewed, but unaudited, commented FY-24
- Other (pros/cons):** Strong profitability, low leverage, and stable execution support a solid credit profile. High distributions and limited backlog visibility pose reinvestment and revenue continuity risks. Potentially applicable single-event risks are the loss of major clients, over-distribution of funds during a downturn, and key-man risk. The lack of financials per FY-23, and lack of more publicly available insights limits the rating.
- Succession:** Koontz Electric underwent a leadership transition in 2022, transferring ownership and executive control to the third generation of family and senior executives

Financial Snapshot

	Oct-22	Oct-23	Oct-24	Chg
\$ '000s	T12	T12	T12	%
Total Revenue	-	-	74,467	
Gross Profit	-	-	17,576	
Adjusted EBITDA	-	-	10,297	
Gross Profit Margin	-	-	23.6%	
EBITDA Margin	-	-	13.8%	
Net Income	-	-	10,016	

				Weight	Rating Range		
				50%	8.0	to	9.0

# of Benchmarks:		35	Industry Median	Company Metric	Percentile Rank	# of Industry Benchmarks	35
			\$73M	\$74M		Company Financials Date	Oct-24
Liquidity	Current Ratio	1.56	2.17	<div></div>	74%	Industry Benchmarks - Primary: Electronic Manufacturing Services Secondary:	
	Quick Ratio	1.37	2.17	<div></div>	87%		
Leverage	Net Debt / EBITDA	1.96	(0.64)	<div></div>	87%		
	Debt to Assets	30.2%	12.6%	<div></div>	69%		
Profitability	EBITDA Margin	7.3%	13.8%	<div></div>	75%		
	ROCE %	10.6%	47.9%	<div></div>	100%		

Business Risk

Industry Group Risk Profile				Technology Hardware And Semiconductors	20%	4.0	to	5.5
Industry Risk Assessment		KPI Rating	Contribution	Industry Group Description				
Cyclicality		Moderately high risk	<div></div>	Entities that derive a majority of their revenue from the sale of technology hardware and semiconductors. This includes manufacturers of semiconductors and semiconductor equipment, computer hardware, storage, and peripherals, electronic components and equipment, office electronics, consumer electronics, communications equipment, technology distributors, and electronic manufacturing services, which currently consists of mostly outsourced manufacturing providers.				
Competitive Risk		Moderately high risk	<div></div>					
Global Industry		Moderately high risk	<div></div>					
Market Segment Outlook		Stable	<div></div>					
Competitive Position Profile				Construction	50%	6.0	to	8.0
Competitive Position KPIs		KPI Rating	Contribution	Rating Guideline				
Cylcle-Tested		< 2000	<div></div>	Navigated multiple economic down-cycles.				
Project Diversity		Above Average	<div></div>	2-3 segment focus				
Backlog		Satisfactory	<div></div>	1-2 years backlog				
Interest Environment		Strong	<div></div>	Declining or stable interest rates				
Supplier Relationships		Above Average	<div></div>	Good relationships with several suppliers.				
Quality of Work		Above Average	<div></div>	Above-average quality work.				
Customer Concentration		Satisfactory	<div></div>					
Management, Governance, Sponsorship					30%	6.0	to	8.0

Anchor Modifiers

Modifiers				
Revenue Segment		Normalization	<div></div>	\$50-100M
Financial Transparency		Risk Flag	<div></div>	Partial
Financial Flexibility		Adjustment	<div></div>	Very High

Rating Range (Rounded)

5.5	to	6.5
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