


New York Label & Box Corporation ("NYLB")



CCC

1 year PD
9.02% to 14.87%

- High leverage and operational inefficiencies present notable credit risks, necessitating financial discipline.
- Management's strategic initiatives are promising, but their effectiveness in mitigating credit risk remains to be proven. Tenant call was very encouraging through.

Strengths

- Innovative Product Offering:** Pioneered high-end proofing and offers a range of products including labels and cartons, enhancing brand protection, solving client challenges, and thereby providing a USP over their peers.
- Customer and Market Diversity:** Serves various industries, reducing dependency on any single customer segment and mitigating risks associated with customer concentration - work in progress.
- Operational Resilience & Turnaround Actions:** Adapted to significant market changes, including the loss of major clients and the COVID-19 pandemic, indicating strong crisis management capabilities. Substantial reduction in expenses for staffing and operations in Q4-2023 (->\$1.5mn), plus reinvestments of SLB (\$1.05mn) into the entity (projection).

Challenges

- Financial Vulnerability:** High Debt to Assets ratio (90.9%, 91.2% per 9/2023) and negative EBITDA Margin (-1.9%), which increased to -4.5% in 2023, validate financial instability and operational inefficiencies.
- Client Dependency and Uncertainty:** Past heavy reliance on a few major clients like L’Oreal and Kiehl’s led to significant business disruption when these clients were lost. New paying customers need to be acquired.
- Strategy Implementation:** Setbacks in 2023 due to client and equipment issues, highlighting challenges in executing strategic initiatives.

Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	65%	3.7	Liquidity	<div></div>
			Leverage	<div></div>
			Profitability	<div></div>
Business	35%	6.0	Industry Risk	<div></div>
			Competitive Position	<div></div>
			Mgmt / Governance	<div></div>
			Sponsor / Parent	<div></div>
Modifiers		-0.3	Revenue Segment	<div></div>
			Financial Flexibility	<div></div>
			Fixed Cost Coverage Risk	<div></div>
			Other Modifier	<div></div>

Industry Benchmarks - Primary: Paper and Plastic Packaging Products and Materials | Secondary: Commercial Printing

Company Overview

Headquarters	Islandia, NY	U.S.
Type	Private (Non-PE)	
Employees	n/a	
Year Founded	1878	
Website	https://www.since1878.com/	
Business	Folding cartons, labels, and specialty packaging.	
Revenues	\$9.8M	

- Company Overview:** New York Label & Box Corporation is a specialized provider of packaging services, focusing on paper packaging and commercial printing.
- Product:** Offers folding cartons, labels, and specialty packaging, with capabilities in custom substrates, coatings, and adhesives.
- Customers:** Serves a broad range of industries including cosmetics, health, food, beverages, pharmaceuticals, and nutraceuticals.
- Ownership:** Privately held, with a history of adapting its business model to meet market demands and recover from setbacks. Seemingly strong emotional bond between the current CEO (heir of the entity), NYLB and their staff.
- Other:** Following a series of setbacks (e.g. loss of major clients 14/15, COVID-19, 1-year delay implementing new equipment, top clients not ordering as much as anticipated (2023)) management did insitute its first layoff plan and payroll cuts (Q4-2023) delivering ~1.5mn in lower expenses. They eliminated an unprofitable segment, raise prices (+3%), and focus on increased sales activities (increased sales staff >50%). They self-proclaim that they'd be able to beat much larger entities in a competitive offering. Management seems to be driven, resilient, and proactively taking actions to make the right steps towards a better future. To further substantiate their commitment they are reinvesitng \$1.05mn in the entity following a pending SLB-transaction.

Financial Ratio Benchmarking

# of Benchmarks:	21	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.90	0.91	<div></div>
	Quick Ratio	1.14	0.59	<div></div>
Leverage	Net Debt / EBITDA	2.73	(31.31)	<div></div>
	Debt to Assets	42.1%	90.9%	<div></div>
Profitability	EBITDA Margin	10.2%	-1.9%	<div></div>
	ROCE %	6.2%	-11.2%	<div></div>
	Revenue	\$75M	\$13M	

- Current and quick ratios are below industry median indicating potential liquidity challenges whereby their leverage significantly outpaces their peers underpinning a reliance on debt financing.
- Negative EBITDA Margin and ROCE% highlight operational challenges and profitability issues.

Financial Statement Highlights

\$ '000s	Dec-21 T12	Dec-22 T12	Sep-23 T9	Chg
Income Statement				
Total Revenue	11,281	13,360	9,831	-26.4%
Gross Profit	3,305	3,510	2,414	-31.2%
Adjusted EBITDA	(97)	(252)	(441)	-74.9%
Gross Profit Margin	29.3%	26.3%	24.6%	(172) bps
EBITDA Margin	-0.9%	-1.9%	-4.5%	(260) bps
Balance Sheet				
Cash And Cash Equivalents	708	119	557	368.8%
Total Current Assets	2,777	3,072	3,135	2.1%
Total Assets	8,297	8,814	9,060	2.8%
Total Current Liabilities	2,379	3,384	2,882	-14.8%
Total Debt	7,603	8,013	8,267	3.2%
Total Equity	(1,256)	(1,967)	(1,660)	-15.6%
Cash Flow				
Net Income	397	(761)	(930)	22.2%
CAPEX	-	-	-	
Depreciation & Amortization	333	450	355	-21.1%
Fixed Charge Coverage Ratio	0.17x	-0.06x	-0.24x	(-0.2)x

- High Debt to Assets ratio (90.9%) doesn't leave much room for further asset backed financing activities, which increased to 91.2% by 9/2023.
- Negative EBITDA Margin (-1.9%) widened to -4.5% in 9/2023, thereby reflecting operational inefficiencies.
- Growing losses (22.2% increase during T9 in 2023 vs T12 through 12/2022), negative Equity, and FCCR likley putting a stop to (new) debt financing activites for the time being.

Business Risk Highlights

- Industry:** Operates in the competitive Paper Packaging and Commercial Printing industry, requiring constant innovation and adaptation. The North American paperboard packaging marke is expected to grow at a CAGR of 4.9% reaching \$62.4bn by 2029.
- Competitive Position:** Despite setbacks, they maintain a competitive edge through product innovation and a diversity in industries that they service.
- Management:** Demonstrated resilience and adaptability in management strategies, particularly in response to significant client losses and market changes. Highly motivated, proactive and strategy driven over the past few years - pending success.