# SABBOW AND CO., INC. (d/b/a WTC Granite Industries, and Phoenix Precast)



**B** <sup>1 year PD</sup> 1.89% to 3.18%

- Operating under a very high, yet reduced leverage (4.7), debt-toassets at 56.0%, and low liquidity (1.7 current/0.27 quick ratio), post SLB, but all substantially worse than their peers.
- High revenue stability due to diversification, superb management and operational efficiency with EBITDA Margin being >2x their peers. Very low customer concentration.

## Strengths

- Diversification & Investments: Dual focus on precast concrete products and granite
  memorials enables it to serve construction and commemorative markets, providing
  diversification against cyclical demand in one area. During FY-23 and FY-24 they
  invested >\$10mn in CAPEX. They continuously operate at a profit even during FY-21
  (peak of COVID).
- EBITDA Margin: Achieving an EBITDA margin of 12.7% in FY-23 (18.1% per FY-24 (A), well above the 9.0% peer median.
- Management: Operator-owners are very versatile, flexible, experienced and know what
  they are doing. A high level of risk, financial, and entrepreneurial expertise serves them
  well pursuing a growth strategy via acquisitions whilst understanding market dynamics
  as well as banks/lender/investors. They plan to hand over ~1/3 of the firm to
  employees by 2027/28, and move to a board position.

### Challenges

- High Leverage: With a debt-to-assets ratio of 66.2% in FY-23 / 56.0% per FY-24 (A) after \$2.5mn SLB injection, and a leverage ratio of 8.25/4.7 respectively, they are operating under a much higher leverage than their peers (12.3%/0.46).
- Low Liquidity: Current and quick ratio (1.70/0.28) are well below peer medians, post SLB. R/C-lines' covenants are restrictive and checked quarterly.
- Integration Risk: Like any acquisition, adding new companies occasionally comes with unexpected surprises, which can have costly consequences if not managed.

## **Scorecard Summary**

Ownership Company Stage Financials		Private (Non-PE) Growth Complete (Unaudited)				
	Weight	Score	Dimension	Weight	Sc	core
Financial	50%	4.1	Liquidity	40%		3.0
			Leverage	30%		1.0
			Profitability	30%		3.9
Business	50%	7.7	Industry Risk	20%		5.5
			Competitive Position	50%		7.8
			Mgmt / Governance	30%		9.0
			Sponsor / Parent			
Modifiers		-1.2	Revenue Segment		<b>(</b>	0.9)
			Trend Analysis		0	.25
			Financial Flexibility		(0	0.50)

## **Company Overview**

Headquarters	Littleton, NH
Туре	Private (Non-PE)
Employees	~100
Year Founded	1990
Website	https://phoenixprecast.com/, and https://www.wotrco.com/
Business	Manufactures precast concrete and granite memorials.
Revenues	\$22.2M

- Company Overview: Sabbow and Co., Inc. is a private company est in 1990. They operate
  primarily under the brands WTC Granite Industries and Phoenix Precast.
- Product: The product portfolio includes precast concrete items like drainage systems and retaining walls (Phoenix Precast), as well as granite memorial products such as mausoleums and monuments (WTC Granite Industries).
- Customers: Primary customers include construction companies, municipalities, cemetery
  operators, funeral homes, and landscaping firms.
- Ownership: Privately held, with by Charles Morley, serving as President & Treasurer.
- Debt Structure: The majority of debt reflected in the maturity profile relates to
  equipment loans. Per YE-2023 about \$8.3mn related to two lines of credit for which we
  haven't been able to gather a maturity date (yet), which jointly increased to almost
  \$10mn by 9/2024.
- Assessment basis, assumptions (FY-24(A)) & proforma (FY-25(P)): The rating is based on the FY-24 (A- financials comprised of T9 actual financials through 9/24, and a projection for the remaining 3 months. We made conservative adjustments to the tenant projection for the remainder of FY-24 (e.g. reduced \$1.9mn in net income, by 20%). The company has been operating for >30 years, so we assume that the subject property is essentially fully depreciated (increases tax liability at sale). Hence, we did not reduce assets as part of the SLB-proforma. Management calculates with a net return from the sale of \$2.5mn (after taxes). They intend to reduce debt with it, which we applied to the R/C-line in FY-24(A). The FY-25 proforma is based on the tenants revenue estimate (\$28mn). We kept the proportional expense ratios for OPEX and COGS per FY-24, plus the additional SLB-rent.

# Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	22	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.40	1.70	43%
	Quick Ratio	1.67	0.27	22%
Leverage	Net Debt / EBITDA	0.42	4.72	12%
	Debt to Assets	11.6%	56.0%	11%
Profitability	EBITDA Margin	8.8%	18.1%	75%
	ROCE %	4.9%	0.2%	33%
	Revenue	\$25M	\$22M	

Industry Benchmarks - Primary: Broadcasting | Secondary: Specialized Consumer Services

#### **Debt Maturities**

					\$18,638,15	1.0
\$0.0	\$0.0	\$0.0	\$641,393.0	\$1,236,215.0		
2024	2025	2026	דרחר	2020	Davand 0.n	1-

# Financial Statement Highlights

	(C)	(B)	(A)	
\$ '000s	Dec-22	Dec-23	Dec-24 (A)	Change
<i>p</i> 0003	T12	T12	T12	(C) to (B) (B) to (A)
Income Statement	112	112	112	(C) to (B) (B) to (A)
Total Revenue	18,518	18,565	22,200	19.6%
Gross Profit	11,988	8,786	11,245	28.0%
Adjusted EBITDA	2,022	2,353	4,018	70.8%
Gross Profit Margin	64.7%	47.3%	50.7%	+333 bps
Net Income	1,115	575	1,520	164.2%
Balance Sheet				
Cash And Cash Equivalents	76	(134)	404	401.2%
Total Current Assets	12,776	16,806	19,200	14.2%
Total Assets	18,336	29,131	34,569	18.7%
<b>Total Current Liabilities</b>	5,477	10,838	11,266	4.0%
Total Debt	8,296	19,280	19,363	0.4%
Total Equity	7,378	7,953	8,943	12.4%
Key Ratios				
Current Ratio	2.33	1.55	1.70	9.9%
Quick Ratio	0.44	0.28	0.27	-4.8%
Net Debt / EBITDA	4.07	8.25	4.72	-42.8%
Debt to Assets	45.2%	66.2%	56.0%	(1017) bp
EBITDA Margin	10.9%	12.7%	18.1%	+542 bp
ROCE %	10.9%	7.3%	13.1%	+585 bp

- Flat revenue growth (FY-22 to FY-23), yet increase by 19.6% in FY-24, and substantial CAPEX (>\$10mn in FY-23 and FY-24).
- Total Debt increased substantially from \$6.25mn in FY-21 to \$19.36mn post SLB in 9/2024 (3.1x increase). Yet, EBITDA grew 4.8x and Assets 2.5x during that timeframe.
- Consistently delivered a profit since FY-21, aiming for a record high in FY-24.

# Business Risk Highlights

- Industry: The construction materials and specialized consumer services industries face
  moderate growth potential, with construction materials projected at a CAGR of 5.3% vs 3.1%
  for specialized consumer services through 2028. Regulatory requirements on emissions are
  significant, particularly for concrete production, and may impact operational costs.
- Competitive Position: The company holds a differentiated position through its dual product focus, but its limited geographic presence in New England may restrict competitive scalability compared to peers with national reach. Yet, the company is pursuing a growth strategy in acquiring other entities.
- Management: Closely managed by owner-operator Charles P. Morley, suggesting strong
  internal control, though reliance on a small leadership team, which could limit strategic
  agility in scaling or expanding. However, during a call with Chuck and Peter on 11/20/2024
  we think that the company has a very strong foundation, with employees sharing
  responsibilities and stepping up, considering the outlook of becoming a partial owner in 3-4
  years. Chuck used to work as a CPA, lawyer, engineer and controller. He has a very good,
  holistic understanding of seemingly every aspect of the WTC Granite. Their history of