

Krowne Metal Corporation



- High liquidity and low leverage contrasted by efficiency concerns - yet tentatively less critical given ownership.
- Substantial and continues growth in revenue and gross profits over the past 3 years, likely supported by their technological strengths.

Strengths

- **Exceptional Liquidity:** Current and quick ratios significantly higher than industry median (Current Ratio: 5.29; Quick Ratio: 4.04), indicating robust short-term financial health.
- **Low Leverage:** Debt to assets ratio of 1.4% is much lower than the industry median of 17.3%, reflecting a conservative and low-risk capital structure.
- **Advanced Technology Integration:** Use of technologies like 3D renderings and virtual reality enhances customer experience and operational efficiency, setting Krowne apart in its niche.

Challenges

- **Lower Profitability:** EBITDA margin (4.5%) is below the industry median (10.5%), indicating potential operational efficiency or cost management issues.
- **Industry Concentration:** Primary focus on the hospitality industry, particularly bars and restaurants, could pose risks in sector-specific downturns.
- **Competitive Market Position:** Faces competition from larger companies in the industry, which could dampen market share and growth potential.

Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	65%	7.2	Liquidity	<div></div>
			Leverage	<div></div>
			Profitability	<div></div>
Business	35%	6.3	Industry Risk	<div></div>
			Competitive Position	<div></div>
			Mgmt / Governance	<div></div>
			Sponsor / Parent	<div></div>
			Revenue Segment	<div></div>
Modifiers	0.4		Trend Analysis	<div></div>
			Financial Flexibility	<div></div>

Industry Benchmarks - Primary: Industrial Machinery and Supplies and Components

Company Overview

Headquarters	Wayne, NJ	U.S.
Type	Private (Non-PE)	
Employees	n/a	
Year Founded	1948	
Website	https://krowne.com/	
Business	Manufacturer & supplier of stainless steel underbar equipment	
Revenues	\$91.3M	

- **Company Overview:** Krowne Metal Corporation is a specialized manufacturer and distributor of bar equipment and plumbing products, primarily serving the hospitality industry.
- **Product:** The company's diverse range includes underbar equipment, refrigeration systems, beverage dispensing systems, and commercial plumbing products, integrating advanced technologies for enhanced functionality.
- **Customers:** Their main clientele comprises businesses in the hospitality sector, especially bars and restaurants, catering to their specific equipment needs.
- **Ownership:** It is a family-owned business, emphasizing U.S.-based manufacturing and a commitment to quality and innovation.
- **Other:** We consider the lower EBITDA Margin to be a minor concern, given the ownership structure. We also think that the tightening might just be a result of growing pains over the past few years with COGS and OPEX jointly growing at a faster pace than revenue since FY-2021 (e.g. 79% vs 73%). From FY-2021 to FY-2022 the respective ratios were (51% vs 43%) although the last year marked a slight improvement over FY-2022.

Financial Ratio Benchmarking

# of Benchmarks:	29	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.00	5.29	<div></div>
	Quick Ratio	1.34	4.04	<div></div>
Leverage	Net Debt / EBITDA	1.60	n/a	<div></div>
	Debt to Assets	17.3%	1.4%	<div></div>
Profitability	EBITDA Margin	10.5%	4.5%	<div></div>
	ROCE %	14.7%	18.9%	<div></div>
	Revenue	\$81M	\$91M	

- Liquidity and leverage ratios are substantially ouperforming the industry median, underpinning their capability to meet short-term obligations and overall financial stability relative to their peers.
- The comparatively low EBITDA margin suggests areas for improvement in operational efficiency or cost management.

Financial Statement Highlights

\$ '000s	Jun-21 T12	Jun-22 T12	Jun-23 T12	Chg
Income Statement				
Total Revenue	52,814	75,739	91,305	20.6%
Gross Profit	32,018	44,537	58,760	31.9%
Adjusted EBITDA	4,349	2,334	4,111	76.2%
Gross Profit Margin	60.6%	58.8%	64.4%	+555 bps
EBITDA Margin	8.2%	3.1%	4.5%	+142 bps
Balance Sheet				
Cash And Cash Equivalents	7,352	6,008	7,058	17.5%
Total Current Assets	14,274	15,885	18,625	17.3%
Total Assets	16,932	19,433	21,943	12.9%
Total Current Liabilities	2,117	3,787	3,518	-7.1%
Total Debt	300	300	300	0.0%
Total Equity	14,514	15,346	18,125	18.1%
Cash Flow				
Net Income	4,130	832	2,779	234.1%
CAPEX	-	-	-	
Depreciation & Amortization	475	472	636	34.8%
Fixed Charge Coverage Ratio	2.67x	2.68x	2.41x	(-0.3)x

- The company's liquidity metrics have shown improvement over time, with current and quick ratios indicating strong short-term financial stability.
- Maintaining a consistently low debt to assets ratio, they demonstrate a risk-averse financial strategy.
- Despite fluctuations in profitability metrics like EBITDA margin, there is an indication of recovery and growth, suggesting potential for future profitability improvements.

Business Risk Highlights

- **Industry:** Operating in the competitive "Industrial Machinery and Supplies and Components" industry, Krowne faces risks associated with economic cycles affecting the hospitality sector.
- **Competitive Position:** While Krowne has technological and manufacturing strengths, it competes with larger entities in the industry, posing challenges in market share and growth.
- **Management:** As a family-owned business, Krowne's management and governance structures might differ from publicly traded companies, impacting strategic agility and decision-making processes.
- **PE Sponsor:** n/a