GC Packaging, LLC ("GCP") - acquired by Fanatics Holdings

BB *1 year PD* **0.38% to 0.60%**

- Strong cash flow, low leverage, and solid EBITDA margins support a stable financial profile, further backed by Fanatics ($9bn annual revenue), who considers GCP mission critical.
- Y-o-y margin compression and revenue decline due to Panini pulling out (was expected), and CAPEX investments by GCP --> basis for scaling (2025-27) as they take over NBA & MLB licenses.

Strengths

- **Low Leverage:** Net Debt/EBITDA stood at 0.12x and Debt to Assets at 14.4% in FY-24, far below peer medians of 2.36x and 44.1%, respectively, offering high financial resilience even amid operational pressure.
- **Superior EBITDA:** Despite a significant y-o-y drop, FY-24 EBITDA margin was 17.1%, still well above the peers 10.8%, reflecting efficiency in cost management and value-add services in a niche segment.
- **Strong Cash Flow and Retention Discipline:** GCP generated $18.4mn in FCF in FY-24, retained all prior earnings, and nearly tripled cash balances to $32.5mn, signaling prudent capital stewardship amid profit normalization.

Challenges

- **Declining Revenue and Gross Margin:** FY-24 revenue dropped 15.6%, and gross margin fell from 40.2% to 19.7%. During our call with the tenant, it was confirmed that it's been due to Panini pulling out (disappointed over loss of exclusivity with NBA, NFL, and MLB to Fanatics), and CAPEX investments into processes, manufacturing, and quality control to enable future growth.
- **Legal Dispute:** Fanatics' acquisition of GCP has been cited in an antitrust lawsuit filed by Panini. The lawsuit alleges that the acquisition was intended to undermine Panini's ability to compete by controlling a critical supplier. Fanatics doesn't expect it to go to trial as their patriach (driving force) recently passed away, and the grounds for the suit would quite baseless. If it would come to a trial they expect earliest 2029/30.
- **Below-Peer Liquidity Ratios:** FY-24 current & quick ratio (1.49 /0.88) improved YoY but remain below peers (1.80 / 1.27), limiting short-term financial flexibility.

Company Overview

Headquarters	Allen, TX
Type	Private (Non-PE)
Employees	245
Year Founded	1976
Website	https://www.gcpackaging.com/
Business	Custom packaging, printing, and collectible-card production.
Revenues	$206.3M

- **Company Overview:** GCP is a privately held commercial printing and packaging provider hq'd in Allen, TX. They specialize in customized, high-value production for the collectible card industry and related sectors.
- **Product:** Their high-end trading and collectible cards are enhanced with foil stamping, UV coating, embossing, and custom packaging solutions like folding cartons and collating. Fulfillment and logistics round out its vertically integrated service platform.
- **Customers:** The firm primarily serves collectible and entertainment brands requiring bespoke, visually enhanced products. Panini America was previously one of its largest clients, and relationships in this niche remain strategically significant. About 30% of their current revenue is through direct sales through their own platforms. Wallmart and Target are their biggest wholesale customers jointly ~10-15%.
- **Ownership:** Founded in 1976, it operates independently under CEO Steve Skalski. Fanatics Holdings acquired them in March 2022. Earlier this year Fanatics also acquired "Color Dynamics" to complete the vertical integration under their Collectibles division.
- **Debt Structure:** Debt is almost entirely comprised of Operating Leases ($32mn), which includes $6.5mn in rent, vs $32.5mn in Cash at hand.
- **Basis for Assessment:** Company-prepared, and uncommented FY-23/24, with FY-24 being the main basis to assess GCP on a standalone basis, plus a tenant call on 7/15/25.
- **Single Event Risks:** Loss of Exclusivity was addressed by 15 years to maturity (weighted average) and a % of revenue being due to NFL, NBA, and MLB. Legal Risk is not considered to be material by the tenant at this point in time. Player strikes and the disruption of productions by Hurricanes (although the got a backup generator follow 1 week loss of production in FY-24), are their biggest self-identified concerns.

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	-	244,520	206,254		-15.6%
Gross Profit	-	98,402	40,538		-58.8%
Adjusted EBITDA	-	88,042	35,341		-59.9%
Gross Profit Margin		40.2%	19.7%		(2059) bps
Net Income	-	82,274	28,003		-66.0%
Balance Sheet					
Cash And Cash Equivalents	-	11,807	32,492		175.2%
Total Current Assets	-	39,933	89,975		125.3%
Total Assets	-	207,997	254,604		22.4%
Total Current Liabilities	-	37,620	60,251		60.2%
Total Debt	-	40,747	36,652		-10.0%
Total Equity	-	133,774	161,777		20.9%
Key Ratios					
Current Ratio		1.06	1.49		40.7%
Quick Ratio		0.55	0.88		59.7%
Net Debt / EBITDA		0.33	0.12		-64.2%
Debt to Assets		19.6%	14.4%		(519) bps
EBITDA Margin		36.0%	17.1%		(1887) bps
ROCE %		48.3%	14.2%		(3405) bps

- FY-24 net income declined from $82.3mn to $28mn, largely driven by gross margin erosion and a 16% revenue drop, resulting from Panini pulling contracts and CAPEX investments.
- A/R and inventory roughly doubled in FY-24, tying up liquidity and pressuring cash conversion. These are results of larger contracts finished in Q1-25 - see deferred revenue.
- FY-24 cash from operations totaled $29.1mn, and FCF reached $18.4mn, supported by large customer prepayments, and retained earnings, not asset disposals or financing.

Scorecard Summary

Financial vs Business Risk Weighting Factors

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

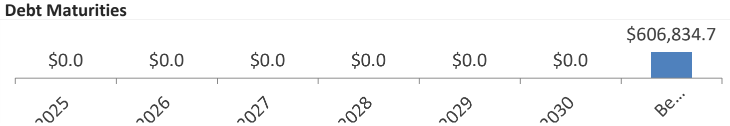
	Weight	Score	Dimension	Weight	Score
Financial	50%	7.1	Liquidity	25%	*3.7*
			Leverage	38%	*7.7*
			Profitability	38%	*8.7*
Business	50%	6.3	Industry Risk	20%	*5.0*
			Competitive Position	50%	*7.4*
			Mgmt / Governance	30%	*5.3*
			Sponsor / Parent		
Modifiers		-0.7	Financial Transparency		*(0.7)*
			Financial Flexibility		*0.50*

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks: 36		Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.80	1.49	*37%*
	Quick Ratio	1.27	0.88	*22%*
Leverage	Net Debt / EBITDA	2.36	0.12	*75%*
	Debt to Assets	44.1%	14.4%	*72%*
Profitability	EBITDA Margin	10.8%	17.1%	*86%*
	ROCE %	10.4%	14.2%	*61%*
	Revenue	$196M	$206M	

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

Debt Maturities



Business Risk Highlights

- **Industry:** The U.S. commercial printing and packaging sector is moderately volatile, with a projected 3.1% - 4.4% CAGR depending on segment. Being part of the sports-cards collectible business, secured by exclusive rights from NBA, NFL and MLB, acts as a strong protection of Fanatics' turf over the next 15 years (weighted average tenure of licenses).
- **Competitive Position:** GC Packaging is considered a top-tier supplier for collectible card production, offering specialized finishing capabilities. Its high EBITDA margins and diverse service portfolio affirm a defensible niche but also depend on customer loyalty and branding. This is supported by the fact that Panini, from whom Fanatics snatched the exclusivity rights, and that sued Fanatics, still has a few contracts running through GCP - due to a lack of suitable alternatives (e.g. quality, reliability).
- **Management:** Steve Skalski is listed as the CEO of GCP. There is limited information on the broader executive team's structure or any designated successors, making it challenging to assess the company's on a standalone basis. Yet, in aggregate with Fanatics there is substantial bench-strength, in case of adversity.
- **Ownership:** Although assessed standalone, the entity is a wholly-owned subsidiary of Fanatics Holdings. The revenue and margin downturn post-acquisition was primarily a result