

## Jade Carpentry Contractors, Inc.



- Strong liquidity and a debt-free status mitigate short-term risk, but weak profitability and cash flow efficiency raise long-term concerns. FY-23 includes a post-COVID bounce-back.
- Stable operations and repeat business support consistency. Limited financing options, thin margins, and small entity size, increase empirical default risks and limits growth options.

Strengths

- Financial Health:** Strong liquidity position with a Current Ratio of 2.68x vs. peer median of 1.36x, providing a significant buffer against short-term financial obligations despite profitability concerns. Debt-to-Assets is low at 10.7% vs. industry median of 33.9%, reducing financial risk.
- Customer Retention & Repeat Business:** 80% of revenue comes from repeat customers. This provides stability in an otherwise competitive construction market.
- Project Diversity & Industry Presence:** They worked on high-profile projects such as Northwestern Memorial Hospital, Bass Pro Shop, and Navy Pier. Its strong presence in both commercial and residential markets reduces exposure to downturns in any single sector. Women-owned business status provides addes support.

Challenges

- Weak Profitability:** EBITDA margin and ROCE are only 1.5% / 5.9% vs peers' of 11.9% / 22.3%, respectively. This indicates either a high operating costs or pricing pressures in the competitive carpentry sector.
- Accounts Receivable Growth & Cash Flow Concerns:** AR rose from \$1.74mn in FY-22 to \$2.21mn in FY-23, while Operating Cash Flow Ratio declined from 26.3% to 17.2%. This suggests potential delays in customer payments, which may lead to liquidity strain despite a strong cash position.
- Limited Growth Financing & Size:** The low leverage strategy (Net Debt/EBITDA of -4.69 vs. peer median of 0.61) reduces financial risk but may also limit scalability. General lack of an R/C-line, and a limited/no access to capital markets (lower financial flexibility) and small entity size increases empirical default risk.

### Scorecard Summary

Financial vs Business Risk Weighting Factors					
Ownership		Private (Non-PE)			
Company Stage		Stabilized			
Financials		Partial			
	Weight	Score	Dimension	Weight	Score
Financial	50%	7.1	Liquidity	40%	9.0
			Leverage	30%	4.7
			Profitability	30%	1.1
Business	50%	5.6	Industry Risk	20%	5.1
			Competitive Position	50%	6.1
			Mgmt / Governance	30%	5.0
			Sponsor / Parent		
Modifiers		-1.2	Revenue Segment		(1.2)
			Financial Flexibility		0.25
			Other Modifier		(0.25)

### Company Overview

Headquarters	Bensenville, IL
Type	Private (Non-PE)
Employees	<50
Year Founded	1990
Website	https://www.jadecarpentry.com/
Business	Specialized carpentry for construction and renovation projects.
Revenues	\$10.6M

- Company Overview:** Jade Carpentry Contractors, Inc. is a Chicago-based carpentry and drywall contractor specializing in commercial and residential projects. The company has established a strong industry presence through high-profile contracts and a high client retention rate.
- Product:** The company provides framing, drywall installation, millwork, and other carpentry services. Its projects range from hospitals to retail and residential developments, ensuring exposure across multiple construction sectors.
- Customers:** The company serves a mix of commercial, institutional, and residential clients, with 80% of revenue derived from repeat customers.
- Ownership:** Privately owned - most likely by Mrs Judy DeAngelo.
- Debt Structure:** N/A - net of Cash the entity is debt-free.
- Basis for Assessment:** Accountant-reviewed, yet, unaudited, and uncommented FY-21, FY-22, and FY-23.
- Other (pros/cons):** Strong liquidity and low leverage (essentially debt-free) mitigate short-term risk, but weak profitability and cash flow efficiency raise long-term concerns. Stable operations and repeat business support consistency, but limited financing and thin margins may hinder growth and resilience. Relatively small entity size increases the empirical default size.
- 2023 Drivers of Profitability:** Main reason for the profitability increase in FY23 was driven by "Other Income", comprised of Workers Compensation refunds, SBA PPP Loan forgiveness, Misc Exp, Loss on sale of Fixed Assets, and Employee retention tax credit. All these are/were real, but only one-offs.

### Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	22	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.36	2.68	77%
	Quick Ratio	1.28	2.68	100%
Leverage	Net Debt / EBITDA	0.61	(4.69)	100%
	Debt to Assets	33.9%	10.7%	70%
Profitability	EBITDA Margin	11.9%	1.5%	10%
	ROCE %	22.3%	5.9%	21%
	Revenue	\$13M	\$11M	

Industry Benchmarks - Primary: Construction and Engineering



### Financial Statement Highlights

\$ '000s	(C)	(B)	(A)	Change	
	Dec-21	Dec-22	Dec-23	(C) to (B)	(B) to (A)
Income Statement					
Total Revenue	8,580	10,424	10,635		2.0%
Gross Profit	1,698	2,332	2,395		2.7%
Adjusted EBITDA	(593)	65	156		141.1%
Gross Profit Margin	19.8%	22.4%	22.5%		+15 bps
Net Income	705	35	504		1348.4%
Balance Sheet					
Cash And Cash Equivalents	871	1,100	1,169		6.3%
Total Current Assets	3,400	3,656	3,877		6.0%
Total Assets	3,501	3,915	4,087		4.4%
Total Current Liabilities	1,149	1,549	1,446		-6.6%
Total Debt	130	622	436		-30.0%
Total Equity	2,352	2,214	2,544		14.9%
Key Ratios					
Current Ratio	2.96	2.36	2.68		13.6%
Quick Ratio	2.96	2.36	2.68		13.6%
Net Debt / EBITDA		(7.37)	(4.69)		-36.4%
Debt to Assets	3.7%	15.9%	10.7%		(523) bps
EBITDA Margin	-6.9%	0.6%	1.5%		+85 bps
ROCE %	-25.2%	2.7%	5.9%		+318 bps

- Revenue grew from \$10.4mn in FY-22 to \$10.6mn in FY-23. Yet, the growth rate has slowed considerably from the previous year.
- EBITDA margin improved from 0.6% in FY-22 to 1.5% in FY-23, but it remains sub-market. Net income rose from \$34.8k in FY-22 to \$503.8k in FY-23, indicating gradual improvement but continued pressure on margins.

### Business Risk Highlights

- Industry:** The construction sector is highly cyclical and influenced by macroeconomic factors such as interest rates, material costs, and labor shortages. The U.S. construction and engineering industry, valued at approximately \$3.3trn in 2024, is projected to grow at a CAGR)of 1.6% from 2019 to 2024.
- Competitive Position:** The company’s strong repeat business (80% - self-proclaimed) provides stability, but its low EBITDA margin (1.5%) suggests aggressive pricing or inefficiencies compared to competitors. High-profile projects enhance credibility, but scaling profitably remains a challenge.
- Management:** Continuous cash distributions (~\$173K annually) despite low profitability may indicate limited reinvestment into growth initiatives. Management’s low-leverage strategy reduces risk but could constrain expansion. The entity is Women-Owned, which shall open few conversations to them, and may award them certain deals.
- PE Sponsor:** N/A