



# RxSource (NJ) Inc.



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

- RXSource demonstrated significant revenue growth over the past 3 years but needs to manage its rising OPEX to ensure consistent profitability.
- Their liquidity position (e.g. current ratio of 1.77 in Dec-22), and a favorable Net Debt to EBITDA (-49.8%), suggests financial resilience and the capability to navigate short-term financial challenges.

## Credit Highlights:

- **2022 Financials:** RXSource had a notable growth trajectory, with sales revenue increasing from \$9.4 million in Dec-21 to \$13.4 million in Dec-22. Main driver behind the respective growth is a fairly new line of business through which they provide their respective services for clinical trials.
- **Financial Health:** RXSource's strong liquidity position, evidenced by a current ratio of 1.77 in Dec-22, combined with a Net Debt to EBITDA of -49.8%, showcases their financial flexibility. Management is pursuing a strategy to grow the company organically for the time being, and fund its' expansion from profits generated.
- **Competitive Position:** Operating in the healthcare distribution sector, RXSource faces stiff competition. As a smaller player though, they usually have an edge over the larger peers when it comes to agility, bureaucracy, and client focus, which results in a lead time of about 20 days or less.

## Scorecard Summary

	Weight	Score	Scaled Rating Contribution
Financial	65%	6.88	Liquidity
			Leverage
			Profitability
Business	35%	6.07	Industry Risk
			Competitive Position
			Mgmt / Governance
			Sponsor / Parent
Modifiers		-0.57	Revenue Segment
			Trend Analysis
			Financial Flexibility

## Company Overview

Headquarters	Secaucus, New Jersey
Type	Private (Non-PE)
Employees	n/a
Year Founded	2005
Website	<a href="https://rxsource.com/welcome">https://rxsource.com/welcome</a>
Business	Sources, packages, labels, stores, & distributes medical products.
Revenues (2022)	\$13M

- **Products:** The US entity originally inherited a book of clients service out of Canada. Rather recently the entity started a new line of business, which essentially offers the same types of services, yet structured / customized for clinical trials (project based). The latter is lumpier, but has a higher margin (~\$8mn or roughly 2/3 of the total revenue in FY-2022).
- **Customers:** As a provider of clinical services, the entity is focused on hospital as their main type of customers. Customer concentration risk for the US entity differentiates vividly between their traditional, recurring business segment (<10% for top 5 clients) their project based vendor service for clinical trials (~50% for top 5 clients) - jointly about 20% - 30% of total revenue amongst top 5 clients.
- **Ownership:** RXsource (NJ).inc is a wholly-owned subsidiary of the parents' sub in Ireland (Rxsource, Limited). In turn Rxsource limited is a wholly-owned subsidiary of the ultimate parent (Rxsource, Corp). The latter is a Canadian entity, based in Richmond Hill, ON. The ultimate parent is owned by 3 individuals.

## Financial Ratio Benchmarking

Financial Ratios		Benchmark	Company	Percentile
		Median	Metric	Rank
Liquidity	Current Ratio	1.41	1.77	
	Quick Ratio	0.98	1.57	
Leverage	Net Debt / EBITDA	1.70	(0.50)	
	Debt to Assets	33.5%	-29.8%	
Profitability	EBITDA Margin	7.6%	7.8%	
	ROCE %	13.5%	76.6%	

- **Liquidity Strength:** RXSource's current ratio of 1.77 in Dec-22 indicates a strong ability to cover its short-term liabilities with its short-term assets.
- **Debt Management:** Net Debt to EBITDA ratio of -49.8% in Dec-22 showcases minimal reliance on debt and a strong cash position.

## Financial Statement Highlights

\$ Millions	Dec-21 T12	Dec-22 T12	YOY Chg
<b>Income Statement</b>			
Total Revenue	9.4	13.5	43.1%
Adjusted EBITDA	0.4	1.1	179.3%
Gross Profit Margin	18.1%	21.7%	+365 bps
EBITDA Margin	4.0%	7.8%	+383 bps
<b>Balance Sheet</b>			
Cash And Cash Equivalents	1.4	0.5	-61.7%
Total Current Assets	1.5	0.7	-54.4%
Total Goodwill & Intangibles	-	-	
Total Assets	1.6	1.8	9.2%
Total Debt	-	-	
Total Liabilities	1.3	0.4	-70.3%
Total Shareholder Equity	0.3	1.4	326.7%
<b>Cash Flow</b>			
Net Income	0.3	1.1	232.6%
CAPEX	0.0	0.0	-54.6%
Depreciation & Amortization	0.0	-	
Free Cash Flow	2.3	1.2	-48.7%
Fixed Charge Coverage Ratio	3.02x	9.04x	+6.0x

- **Operational Efficiency:** RXSource increased revenue by 43.1%, while keeping OPEX under control (EBITDA Margin widened from 4.0% to 7.8%, roughly in line with market).
- **Financial Flexibility:** The entity has rarely any debt. In its' early years the company was cross-financed by its' parent.

## Business Risk Highlights

- **Industry Risk:** RXSource operates in the healthcare distribution sector, which is undergoing rapid technological advancements, especially with the integration of AI, enhancing supply chain efficiency. The entity however is not materially affected by these developments, as they provide a fairly hands-on service.
- **Market Dynamics:** The healthcare distribution market's dynamics, characterized by regulatory challenges and evolving customer needs. The entity is compliant with all regulatory requirements and licenses.
- **Risk Management:** Sensitized by the regulatory requirements they need to adhere to, they do an annual risk review exercise, to identify areas of concerns, that they need to consider solutions for. Rather unusual for entities of this size.