

# Reliable Restoration, LLC



- Strong growth and profitability (+4.1x since FY-20), with an EBITDA margin improving to 17.3% (vs -0.2% in FY-20), and high customer satisfaction ratings.
- High liquidity and a debt-free entity (post cash) lower credit risk substantially, solely countered by a small entity size, increasing the empirical default risk.

Strengths

- Profitability:** EBITDA margin improved from -0.2% in FY-20 to 17.3% in FY-23, indicating substantially better operational efficiency and profitability.
- Liquidity:** Current and quick ratios are 3.73, significantly higher than the peer median of 1.12 and 0.92 respectively, indicating a strong ability to cover short-term liabilities with short-term assets.
- Growth:** Total revenue grew from \$3.7mn in FY-20 to \$18.9mn in FY-23, demonstrating strong business growth. T5-24 suggests continued growth.

Challenges

- Unaudited Financials:** The company has not provided detailed audited financial statements, including balance sheets, income statements, and cash flow statements for the past few years - only tax filings or high level figures upon request (yet they did eventually provide FY-23 and T5-24 figures).
- Limited Growth Opportunities:** Unsustainable increase in COGS since FY-20 +7.7x vs revenue +4.1x), fuelling the extraordinary growth, yet compensated by substantial improvements to operational efficiency (just +68%). COGS are projected to decline in FY-24, and growth slows to 9.4%. Entity wants to grow by adding more services, but they have no plans to take over another entity at this point, which they admitted limits their future growth opportunities.
- Entity Size:** Relatively small entity size increases the empirical default risk.

## Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	50%	8.7	Liquidity	<div></div>
			Leverage	<div></div>
			Profitability	<div></div>
Business	50%	6.7	Industry Risk	<div></div>
			Competitive Position	<div></div>
			Mgmt / Governance	<div></div>
			Sponsor / Parent	<div></div>
			Revenue Segment	<div></div>
Modifiers		-0.9	Trend Analysis	<div></div>
			Financial Flexibility	<div></div>

## Company Overview

Headquarters	Atlanta, GA	U.S.
Type	Private (Non-PE)	
Employees	50-200	
Year Founded	2009	
Website	https://choosereliable.com/	
Business	Provides restoration and construction services in Southeast.	
Revenues	\$18.9M	

- Company Overview:** Reliable Restoration, LLC' is a full-service restoration and construction company based in Atlanta, GA, providing emergency response services across Northwest Georgia.
- Product:** The company specializes in water damage restoration, flood clean up, fire mitigation, and mold mitigation services.
- Customers:** Main customers are homeowners (75-80%), with the balance being made with businesses in need of restoration services due to water, fire, or mold damage.
- Ownership:** Wes, the CEO, has 2 partners - his brother (22.5%, silent to buy out original cofounder Peter Hajjar) and Rne Revell, who owns 10%.
- Debt Profile:** The entity is essentially debt-free (net of cash at hand).
- NOTE:** After Peter Hajjar retired in 2016, Wes made strategic changes to boost growth. Although COGS growing in excess over revenues is generally not sustainable (mid- to longer term,) the fact that Net Income increased even steeper than revenues since FY-20 (4.2x vs 4.1x) addresses that concern quite impressively. Rating capped at 6.5 for entities with less than \$50mn in applicable annual revenue. Following a call with management, we learnt that process is the key differntiator in the "insurance-game" that they are operating in. Apparently, it took them a long time to figure it out, but now they are reaping the benefits. They are currently expanding their service offering to continue organic growth (e.g. asbestos).

## Financial Ratio Benchmarking

# of Benchmarks:	20	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.12	3.73	<div></div> 88%
	Quick Ratio	0.92	3.73	<div></div> 94%
Leverage	Net Debt / EBITDA	1.81	(0.57)	<div></div> 85%
	Debt to Assets	38.4%	4.0%	<div></div> 82%
Profitability	EBITDA Margin	11.1%	17.3%	<div></div> 77%
	ROCE %	13.1%	42.8%	<div></div> 81%
	Revenue	\$10M	\$19M	

- Liquidity ratios outrank its' peers substantially with a net Net debt to EBITDA ratio of -0.57, highlighting a debt-free status after Cash.
- EBITA Margin and ROCE also substantially exceed peers.

## Financial Statement Highlights

\$ '000s	Dec-21 T12	Dec-22 T12	Dec-23 T12	Chg
Income Statement				
Total Revenue	6,030	7,774	18,912	143.3%
Gross Profit	3,181	4,760	7,455	56.6%
Adjusted EBITDA	258	1,177	3,266	177.5%
Gross Profit Margin	52.7%	61.2%	39.4%	(2182) bps
EBITDA Margin	4.3%	15.1%	17.3%	+213 bps
Balance Sheet				
Cash And Cash Equivalents	296	703	2,257	220.8%
Total Current Assets	4,118	5,409	8,545	58.0%
Total Assets	5,142	6,516	10,288	57.9%
Total Current Liabilities	1,779	2,008	2,290	14.0%
Total Debt	384	347	407	17.2%
Total Equity	2,440	3,888	7,447	91.5%
Cash Flow				
Net Income	1,425	1,473	4,016	172.7%
CAPEX	401	245	636	159.1%
Depreciation & Amortization	96	163	-	
Fixed Charge Coverage Ratio	2.81x	8.42x	86.76x	+78.3x

- Total revenue grew more than 4x from \$3.7mn in FY-20 to \$18.9mn in FY-23, and seems to continue to grow by another 9.4% when annualizing the first 5 months of 2024.
- EBITDA margin has significantly increased from -0.2% in FY -20 to 17.3% in FY-23, and 25.7% through 5/24 (T5). Since FY-20 COGS increased 7.7x compared to the revenue growth of 4.1x, yet anticipated to celine by ~14% in FY-24 (T5 annualized).
- OPEX though grew by just 68% from FY-20 through FY-2023.

## Business Risk Highlights

- Industry:** The company operates in the construction and restoration industry, which is subject to various regulations and influenced by unpredictable events such as natural disasters. The Construction and Engineering industry in the US, had an estimated market size valued at around \$1.8trn in 2022, and is expected to grow at a CAGR of 7% between 2024 and 2032. Fluctuations in material prices, labor costs, regulatory changes, and technological advancements (e.g. digitalization, AI,) are reshaping the industry.
- Competitive Position:** They face competition from players like Excel Builders and Precision Painting Plus. However, they differentiate themselves through a diverse range of services, process, and numerous very positive customer reviews (see their website).
- Management:** Wes Thornton hired a team of trusted and experienced professionals that relieve him from many responsibilities so he can focus to grow their most important department (resoncstruction), whilst others (like the GM) can drive new services for future and continued growth. Their success (since FY-20) speaks for them.