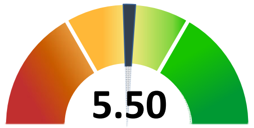
Clean Solutions Group, Inc. ("CSG")



B+ *1 year PD* **0.60% to 1.89%**

- Elevated financial risk due to high leverage and negative net income in FY-23, despite strong EBITDA margin(16.3%). LTM-based turnaround with profitability and wider margins.
- Wind Point Partners (PE) supports long-term growth (organic and via M&A), via hands-on and strategic support. Debt concentration risk - refi'd in 9/24.

Strengths

- **Trend & Approach:** The entity turned a $1.8mn Loss (FY-23) into a $3.8mn profit (LTM). Main driver is the "matt"-business at the subject property. Increased debt (+$30mn since 9/24) has been incorporated in the FY-23 financials, ignoring higher sales per LTM (+31.5%), which is a conservative approach.
- **Liquidity:** Per FY-23 CSG boasts a current ratio of 4.00 and a quick ratio of 2.31, both significantly higher than the peer medians (1.83 and 1.25, respectively), ensuring short-term financial stability. Following their refi in 9/24, the entity added a $30mn R/C-line ($26mn unutilized) mainly for potential acquisitions.
- **EBITDA Margin:** Consistently widened from 13.8% in FY-22 to 20.7% over the LTM vs the peer median of 10.1%. Due to high ratio of fixed expenses, their profitability increases with volume. Highly diversified set of products supports their overall flexibility to react to changing demands. They don't expect any slow-downs.

Challenges

- **Leverage:** The Net Debt/EBITDA ratio of 10.7 and Debt-to-Assets ratio of 85.0% reflect excessive reliance on debt and WPP (peer medians: 1.80 and 31.4%). Based on their LTM-based EBITDA increase (+67%), leverage shall range between 6x-7x.
- **Capital Utilization:** Declining fixed asset turnover ratio (6.84 in FY-22 to 4.1 in FY-23) and ROCE of 8.5% (peers' 16.3%) suggest underutilization of assets and suboptimal returns on capital investments per FY-23, which likely improved LTM.
- **Net Loss:** Despite strong EBITDA, they reported a Loss of -$1.8mn (FY-23), mainly due to interest expenses, which rose from $6.3mn to $9.3mn. Goodwill amortization and Depreciation per FY-23 were $457k and $1.7mn respectively (non-cash).

Company Overview

Headquarters	Mooresville, NC
Type	Private (PE)
Employees	~400
Year Founded	1969
Website	https://cleangrp.com/ (joint); (americomfg.com/promomatting.com)
Business	Produces sustainable nonwoven air, sanitation and floormat products.
Revenues	$112.0M

- **Company Overview:** CSG is a NC-based manufacturer of nonwoven fabrics, matts, and cleaning products.
- **Product:** *Air Filtration Media* - customized filtration materials for industrial and commercial use; *Sanitation Products* - floor pads, cleaning accessories, and matting solutions; *Specialty Nonwoven Materials* - **e**ngineered materials for safety matting and industrial applications.
- **Customers:** Diverse base of air filter manufacturers, janitorial services, and industrial sectors across North America. Higher customer concentration amongst their filtration segment vs matts. The latter also reaches into retail (e.g. Costco). Overall their largest customer unites 6.3% annual revenue, with the top 5 representing 29%.
- **Ownership & strategic direction:** Owned by Wind Point Partners, a PE firm focused on growth-oriented businesses. Strategy is to grow revenue either organically or via bolt-on acquisitions, taking advantage of economies of scale.
- **Debt Structure:** Refi in 9/24 led to an increase by ~$30mn in UPB split between Churchill (1st Lien - $125mn UPB, and $30mn R/C-line of which $4mn utilized, 8.0x leverage covenant, due 9/30, 9/32 fully extended) and Acquiom (2nd Lien - $47mn UPB, 9.25 leverage covenant, due 9/31, 9/32 fully extended). Churchill syndicated the loan with institutional lenders providing most funds. Acquiom as the Admin Agent got Northwestern Mutual Insurance backing 90% of the loan.
- **Other:** This analysis is based on audited financials per FY-23/22, a T12 income statement per 11/24, and a tenant inter7.view on 1/8/25. Given a lack of FY-24 financials, the most recent debt structure/level has been incorporated into FY-23. Depreciation and Goodwill Amortization (non-cash expenses) in FY-23 was $1.7mn.

Financial Statement Highlights

$ '000s	(C) Nov-24 T12	(B) Dec-22 T12	(A) Dec-23 T12	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	147,256	103,575	111,991		8.1%
Gross Profit	40,663	26,388	30,653		16.2%
Adjusted EBITDA	30,539	14,265	18,238		27.9%
Gross Profit Margin	27.6%	25.5%	27.4%		+189 bps
Net Income	3,777	(46)	(1,820)		3856.5%
Balance Sheet					
Cash And Cash Equivalents	-	6,620	9,798		48.0%
Total Current Assets	-	30,704	43,167		40.6%
Total Assets	-	128,184	204,690		59.7%
Total Current Liabilities	-	14,513	14,781		1.8%
Total Debt	-	95,310	205,058		115.1%
Total Equity	-	23,398	21,731		-7.1%
Key Ratios					
Current Ratio		2.12	2.92		38.0%
Quick Ratio		1.14	1.69		48.3%
Net Debt / EBITDA	-	6.22	10.71		72.2%
Debt to Assets		74.4%	100.2%		+2583 bps
EBITDA Margin	20.7%	13.8%	16.3%		+251 bps
ROCE %		11.5%	8.7%		(279) bps

- Total revenue grew by 8.1% in FY-23, and an additional 31.5% over LTM through 11/24, mainly due to matting and the acquisition of HDG in 11/23.
- Net Income turned a profit over the LTM through 11/23, with EBITDA Margin increasing by almost 7 points since FY-22, mainly driven by economies of scale.
- Total Debt increased by about $30mn in FY-24, pushing leverage back to 6x/7x in FY-24.

Scorecard Summary

Financial vs Business Risk Weighting Factors

Ownership	Private (PE)
Company Stage	Growth
Financials	Partial

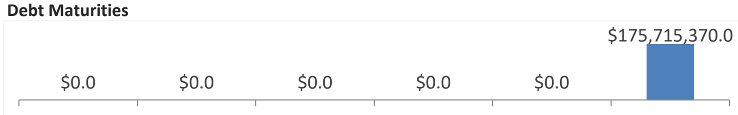
	Weight	Score	Dimension	Weight	Score
Financial	20%	5.9	Liquidity	25%	7.8
			Leverage	38%	0.5
			Profitability	38%	1.6
Business	80%	6.8	Industry Risk	15%	5.1
			Competitive Position	35%	6.3
			Mgmt / Governance	15%	7.7
			Sponsor / Parent	35%	7.8
Modifiers		-1.1	Financial Transparency		(1.1)
			Trend Analysis		0.50
			Financial Flexibility		(0.25)

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	*21*	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.83	2.92	83%
	Quick Ratio	1.25	1.69	68%
Leverage	Net Debt / EBITDA	1.80	10.71	18%
	Debt to Assets	31.4%	100.2%	18%
Profitability	EBITDA Margin	10.1%	16.3%	77%
	ROCE %	16.3%	8.7%	28%
	Revenue	$108M	$112M	

Industry Benchmarks - Primary: Building Products

Debt Maturities



Business Risk Highlights

- **Industry:** The nonwoven fabrics and air filtration market is expected to grow at CAGRs of 5.0% and 5.6%, respectively between 2024 and 2030. The U.S. entrance matting industry is projected to grow at a CAGR of 4.7% over the same timeframe.
- **Competitive Position:** CSG relies on product innovation and acquisitions to maintain relevance in a highly competitive landscape. Economies of scale is the key to their success given a relatively high fixed expense ratio.
- **Management:** The management team has leveraged strategic acquisitions, resulting in a goodwill increase of 82% YoY (mainly HDK), but needs to demonstrate effective integration for long-term value creation. As of FY-24 they consider the integration of HDK, acquired for ~$70mn in 11/23, (mainly unified ERP system) as materially completed.
- **PE Sponsor:** Established 1984 (one of the oldest PE-firms in Chicago), ~$7bn AUM (6/24), >90 platform acqustions and more than 400 add-ons, WPP has extensive experience in acquiring and growing middle-market businesses across North America. They can be very involved/hands-on and/or rather strategic in their approach - depending on what's most beneficial (confirmed by the CSG on our call). They are known for a collaborative approach