Premier Specialties, Inc. (d/b/a OnScent - trademark)

B *1 year PD* **1.89% to 3.18%**

- Onscent is projected to reduce it's FY-25 Net Loss, yet to remain unprofitable, despite a 25.4% EBITDA margin. Depreciation expenses exceed Net Income by ~$7mn. Heavy interest burden.
- Liquidity is anticipated to improve, but substantial debt-levels causes financial strain and dependency on success of PE strategy. PE firm expressed interest to add more firms through '28.

Strengths

- **Strong EBITDA Margins Despite Net Loss:** OnScent maintains exceptionally high EBITDA margins (> 22.0% in FY-24/25), far exceeding the industry median of 5.8%, suggesting superior operational efficiency and cost control.
- **Improved Liquidity Position:** Current and quick ratio shall improve from 1.61/0.95 in FY-24 to 2.38/1.65 in FY-25, showing improved short-term financial stability and essentially aligning with their peers (1.66 and 0.94).
- **PE-support & Trend:** Excluding non-cash Depreciation (~$21mn) in FY-24, and FY-25, the entity's operating performance is improving, with EBITDA increasing nearly 30% YoY. The integration of 5 firms since 6/21 is coming along and integration expenses are rolling off (e.g. ERP system, consultants/temps, consolidations, etc ~$-2mn). The entity has a 97% Gross Revenue retention, planning to add 2-3 more entities by '28.

Challenges

- **Persistent Net Loss:** Persistent Net Losses of -$22.3mn in FY-24, improving only to -$15.7mn in FY-25. Non-operating costs, particularly interest expense ($12.4mn in FY-24, slightly reducing to $11.2mn in FY-25), continue to drag earnings.
- **High Leverage**: Debt-to-assets increases from 61.5% to 66.3%, and debt-to-equity deteriorates from 1.98x to 2.73x, signaling an increasing reliance on debt financing. Total Assets likley contain a substantial amount of Goodwill, which wasn't broken out. Negative FCCR is a concern today that will prevail in FY-25. Maturity Wall in '27.
- **PE-strategy:** The Riverside Company follows a buy-and-build strategy - relying on a high leverage. Should they exit without securing new funding or a strategic buyer, Premier would likely struggle to refinance its obligations independently.

Company Overview

Headquarters	Hackensack, NJ
Type	Private (PE)
Employees	<100
Year Founded	1998
Website	https://onscent.com/
Business	Fragrance and cosmetic ingredient manufacturing.
Revenues	$70.4M

- **Company Overview:** Premier Specialties, Inc. (d/b/a OnScent) specializes in formulating, manufacturing, and distributing fragrance and botanical cosmetic ingredients for personal care, home care, and industrial applications. The company emerged in 2021 through the merger of Fragrance Solutions Corporation and Intarome Fragrance Corporation and is backed by The Riverside Company (PE-firm).
- **Product:** Fragrances - custom scent solutions for personal care, home care, fabric care, and fine fragrance applications. Botanical Cosmetic Ingredients - natural bioactives, floral waxes, plant-based butters, oils, exfoliants, and antimicrobial agents.
- **Customers:** Serves consumer-packaged goods brands, private-label manufacturers, and contract manufacturers requiring customized fragrance and ingredient solutions.
- **Ownership:** Fully owned by The Riverside Company ("TRC"), which acquired and merged Fragrance Solutions Corporation and Intarome Fragrance Corp in 2021.
- **Debt Structure:** $91mn Senior Term Loan, $10mn R/C-line with ~$3mn currently drawn, due 8/27. Private Lenders are Ares and Apogem. Lending rate is SOFR+575-700, with a 8.75x max leverage (going-in) stepping down to 6.0x.
- **Basis for Assessment:** Unaudited, and uncommented company-created high level financials for FY-24 and FY-25 (budget). FY-24 is most relevant to this rating.
- **Single Event Risks:** PE-execution risk, and refinancing risk of large single loan exposure in 2027 (2 private lenders, regulatory compliance issues, and the loss of customers (40% of sales - top 5 customers) in a heavily relationship driven industry (e.g. loss of key sales person/people). 2025 Sales Pipeline has ~$24mn potential revenue. TRC plans to amend and extend loans with Ares and Apogem. Otherwise they feel confident being able to shop the deal amongst their vast network of capable lenders.

Financial Statement Highlights

$ '000s	(C) Dec-23 T12	(B) Dec-24 T12	(A) Dec-25 12 (P)	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	-	61,877	70,395		13.8%
Gross Profit	-	30,632	35,403		15.6%
Adjusted EBITDA	-	13,836	17,907		29.4%
Gross Profit Margin	-	49.5%	50.3%		+79 bps
Net Income	-	(22,323)	(15,736)		-29.5%
Balance Sheet					
Cash And Cash Equivalents	-	1,221	3,144		157.5%
Total Current Assets	-	20,822	22,339		7.3%
Total Assets	-	153,239	138,775		-9.4%
Total Current Liabilities	-	12,957	9,376		-27.6%
Total Debt	-	94,243	91,959		-2.4%
Total Equity	-	47,538	33,640		-29.2%
Key Ratios					
Current Ratio		1.61	2.38		48.3%
Quick Ratio		0.95	1.65		74.6%
Net Debt / EBITDA		6.72	4.96		-26.2%
Debt to Assets		61.5%	66.3%		+476 bps
EBITDA Margin		22.4%	25.4%		+308 bps
ROCE %		-5.1%	-2.9%		+222 bps

- Cash reserves remain low ($1.2mn in FY-24, to $3.1mn in FY-25), yet they have $7mn capacity under an R/C-line.
- Total assets to decline by -9.4% to $P138.8mn in FY-25 - likely Goodwill amortization, while total liabilities remain stable at ~$105mn, worsening leverage ratios and reducing financial flexibility. Due to the elevated debt levels, Interest expenses remain substantial ($12.4mn in FY-24, $11.2mn in FY-25).

Scorecard Summary

Financial vs Business Risk Weighting Factors

Ownership	Private (PE)
Company Stage	Growth
Financials	Partial

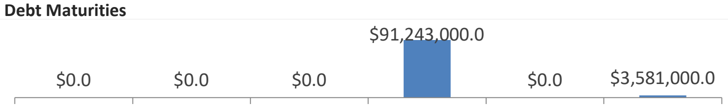
	Weight	Score	Dimension	Weight	Score
Financial	20%	3.7	Liquidity	46%	*4.9*
			Leverage	54%	*0.6*
			Profitability	0%	-
Business	80%	6.5	Industry Risk	15%	*6.3*
			Competitive Position	35%	*6.3*
			Mgmt / Governance	15%	*5.0*
			Sponsor / Parent	35%	*7.4*
Modifiers		-0.9	Revenue Segment		*(0.3)*
			Financial Transparency		*(0.12)*
			Trend Analysis		*0.50*

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks: *26*		Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.66	1.61	*43%*
	Quick Ratio	0.94	0.95	*44%*
Leverage	Net Debt / EBITDA	2.03	6.72	***24%***
	Debt to Assets	23.3%	61.5%	
Profitability	EBITDA Margin	5.8%	22.4%	
	ROCE %	6.7%	-5.1%	***25%***
	Revenue	$61M	$62M	

Industry Benchmarks - Primary: Personal Care Products | Secondary: Specialty Chemicals

Debt Maturities



Business Risk Highlights

- **Industry:** The U.S. flavors and fragrances market size was estimated at $5.8bn in 2023 and is expected to expand at a CAGR of 3.6% through 2030. The competitive landscape is fragmented, with numerous players ranging from large multinationals to specialized niche players. Technological advancements, particularly in sustainable and eco-friendly formulations, are pivotal for maintaining market relevance. Innovation, regulatory compliance, and robust supply chain management are crtitial.
- **Competitive Position:** OnScent competes with major fragrance and ingredient firms like International Flavors & Fragrances (IFF), Sensient Technologies, and Bell Flavors & Fragrances. The company lacks publicly available market share data, making its industry standing unclear. Yet, it is a heavily relationship driven industry.
- **Management:** The Riverside Company owns OnScent but has not publicly disclosed its long-term strategy, creating uncertainty about potential capital investments, cost control measures, and an exit timeline.
- **PE Sponsor:** TRC has ~$14bn AUM and has a track record of >1k investments in middle-market firms, including Premier Specialties, Inc. They pursue a buy-and-build strategy that's 3rd party debt-funded. Yet, TRC has invested ~$100mn so far (highly committed), with no