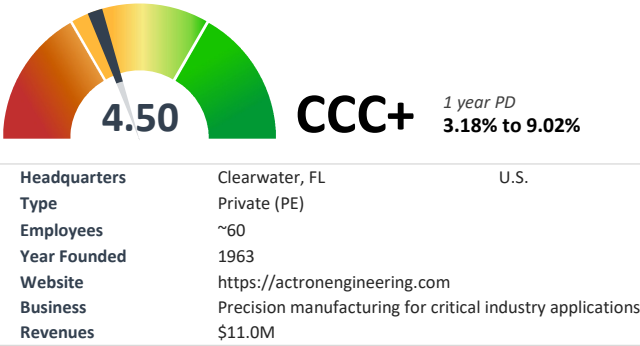


# Actron Entities, Inc (d/b/a Actron Engineering)



## Company Overview

- Company Overview:** Actron Entities, Inc. (d/b/a Actron Engineering) is a precision manufacturer specializing in mission-critical components for aerospace & defense (>85% of revenue), and industrial markets.
- Product:** High-tolerance components and sub-assemblies through milling, turning, waterjet cutting, powder coating, and more. Actron also supports military programs like the MK41 Vertical Launching System.
- Customers:** Primarily serves defense giants (e.g. Lockheed Martin, Airbus Leonardo, Raytheon, Crane, Sanmina, and other industrial/medical markets.
- Ownership:** Kirtland Capital Partners (owns 85.1%), est in 1977, is a PE firm based in Orange Village, OH. They specialize in control investments in lower middle-market companies across the eastern US and Canada, focusing on the 3 sectors branded food and beverage, precision manufacturing, and business services. ~\$150mn AUM, 62 investments and 30 exits.
- Debt Structure:** Consists of an R/C-line (\$1mn), Capex LOC (\$1.5mn), A \$1.5mn TL, and \$1mn subordinate debt - all provided by KCP. We assume the TL to be due 2031, the R/C-line and Capex LOC in 2029.
- Other (pros/cons):** Strong liquidity offsets risks from high leverage (75.4% debt-to-assets) due to PP&E being almost entirely depreciated (hence, the CAPEX LOC), and likely wrong inventory numbers. Robust \$14.3mn backlog supports growth, but reliance on top 3 clients (65% revenue) are a concern as their FY-21 performance dip (Lockheed slowdown) demonstrated. Yet >100% customer retention in FY-22/23. Relatively small entity size increases empirical default risk, but PE-backing by KCP shall support growth, improve operational efficiency, and provide funding. The QoE pointed out an inappropriate inventory management/accounting.

## Financial Snapshot

	Dec-21	Dec-22	Dec-23	Chg
\$ '000s	T12	T12	T12	%
Total Revenue	7,228	9,003	11,021	22.4%
Gross Profit	808	1,650	2,537	53.8%
Adjusted EBITDA	(100)	589	1,361	131.1%
Gross Profit Margin	11.2%	18.3%	23.0%	4.7 ppt
EBITDA Margin	-1.4%	6.5%	12.3%	5.8 ppt
Net Income	(517)	(74)	533	820.3%

## Financial Ratio Benchmarking

# of Benchmarks:		62	Industry Median	Company Metric	Percentile Rank	# of Industry Benchmarks		62
			\$14M	\$11M		Company Financials Date		Dec-23
Liquidity	Revenue							
	Current Ratio		3.01	2.60	<div></div>	46%		
Leverage	Quick Ratio		1.55	2.00	<div></div>	58%		
	Net Debt / EBITDA		0.18	1.27	<div></div>	26%		
Profitability	Debt to Assets		15.7%	75.4%	<div></div>	2%		
	EBITDA Margin		17.0%	12.3%	<div></div>	34%		
	ROCE %		27.7%	40.7%	<div></div>	68%		

Industry Benchmarks - Primary: Industrial Machinery and Supplies and Components | Secondary: Aerospace and Defense

## Business Risk

Industry Group Risk Profile		Capital Goods		15%	4.5	to	6.5
Industry Risk Assessment		KPI Rating	Contribution	Industry Group Description			
Cyclicality		Intermediate risk	<div></div>	Entities that derive a majority of their revenues from manufacturing and/or servicing industrial equipment. This includes manufacturers of heavy and light industrial equipment, machinery, industrial components, and systems, as well as providers of related services, such as construction equipment rental companies or industrial distributors.			
Competitive Risk		Intermediate risk	<div></div>				
Global Industry		Intermediate risk	<div></div>				
Market Segment Outlook		Stable	<div></div>				
Competitive Position Profile		Capital Goods		35%	5.0	to	6.5
Competitive Position KPIs		KPI Rating	Contribution	Rating Guideline			
Cycle-Tested		< 2000	<div></div>	Navigated multiple economic down-cycles.			
Product & Market Diversity		Satisfactory	<div></div>	Some product and market diversification but may have concentration areas.			
Geographic Balance		Weak	<div></div>	Mainly focused in one region or country, posing high geographic risk.			
Customer & Supplier Concentration		Weak	<div></div>	High concentration with specific customers or suppliers, posing significant risks.			
Product and Service Differentiation		Satisfactory	<div></div>	Some differentiation but faces competition in branding and pricing.			
Customer Leverage & Retention		Above Average	<div></div>	Good leverage with customers; evident long-term relationships and decent retention.			
Supplier Leverage		Above Average	<div></div>	Some leverage with suppliers, mostly favorable terms.			
Project Execution		Above Average	<div></div>	Strong track record with minor issues occasionally.			
Contract Terms		Satisfactory	<div></div>				
Backlog		Above Average	<div></div>				
Management, Governance, Sponsorship				50%	5.5	to	7.0

## Anchor Modifiers

Modifiers			
Revenue Segment	Normalization	<div></div>	\$10-25M
Trend Analysis	Adjustment	<div></div>	Moderate Positive
Financial Flexibility	Adjustment	<div></div>	Limited
Other Modifier	Risk Flag	<div></div>	Some debt related notes, but high level.

## Rating Range (Rounded)

4.0 to 5.0