

Central Salvage Company Inc. and Affiliates



- Superior leverage and liquidity, despite low EBITDA margin, which needs to improve to sustain profitability.
- Declining revenue, and comparably small entity size increasing empirical default probability.
- Opaque succession planning may pose challenges.

Strengths

- **Robust Liquidity:** Demonstrates a strong liquidity position, with a current and quick ratio of 2.47, substantially higher than the industry median, indicating a high ability to meet short-term obligations.
- **Market Position:** As one of the larger Demolition Contractors in the Northeast. The entity is recognized fort its expertise and safety record positioning it for continued industry recognition and contract wins.
- **No Leverage:** With a net debt to EBITDA ratio of (0.41), the company is effectively debt-free, undrepinning conservative financial strategy with minimal reliance on debt.

Challenges

- **Profitability Pressure:** An EBITDA margin lower than peers (10.7% compared to a 13.3% industry median) suggests room for improvement in operational efficiency and profitability.
- **Concentration Risk:** Without details on project backlog diversity, there's potential risk if the company depends heavily on a limited number of large-scale projects.
- **Data Gaps:** Insufficient publicly available data about qualitative factors and the backlog obscure the full picture of operational health and future revenue streams.

Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	65%	7.2	Liquidity	<div></div>
			Leverage	<div></div>
			Profitability	<div></div>
Business	35%	5.5	Industry Risk	<div></div>
			Competitive Position	<div></div>
			Mgmt / Governance	<div></div>
			Sponsor / Parent	<div></div>
			Revenue Segment	<div></div>
Modifiers		-1.0	Trend Analysis	<div></div>
			Financial Flexibility	<div></div>

Industry Benchmarks - Primary: Construction and Engineering

Company Overview

Headquarters	Philadelphia, PA	U.S.
Type	Private (Non-PE)	
Employees	50 - 200 (Linkedin)	
Year Founded	1981	
Website	http://centralsalvageco.com/	
Business	Demolition services for commercial and industrial properties	
Revenues	\$10.7M	

- **Company Overview:** Central Salvage Company Inc. is a Philadelphia-based leader in specialized demolition services, with a strong track record in selective, total, and implosion demolition projects.
- **Product:** The company’s main offerings include high-precision demolition services, underpinned by extensive experience and a notable safety record, serving commercial and industrial sectors.
- **Customers:** It caters to a client base of major construction firms, real estate developers, and governmental entities, indicating robust business relationships within the industry.
- **Ownership:** Privately owned by founders Carl and Bobbi Mason since 1981, suggesting a continuity of vision and stable leadership. Yet, we have no insights about any succession planning and/or future strategy in general.

Financial Ratio Benchmarking

# of Benchmarks:		19			
			Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio		1.37	2.47	<div></div> 72%
	Quick Ratio		1.29	2.47	<div></div> 74%
Leverage	Net Debt / EBITDA		0.96	(0.41)	<div></div> 77%
	Debt to Assets		36.9%	4.4%	<div></div> 78%
Profitability	EBITDA Margin		13.3%	10.7%	<div></div> 41%
	ROCE %		18.2%	38.2%	<div></div> 72%
	Revenue		\$13M	\$11M	

- Net debt free entity with cash exceeding debt over the past 3 years.
- ROCE of 38.2% is 20 points above the 18.2% median.
- Despite superios Liquidity and Leverage ratios, EBITDA-margin is about 1/3 below its' respective peers.

Financial Statement Highlights

\$ '000s	Dec-21 T12	Dec-22 T12	Dec-23 T12	Chg
Income Statement				
Total Revenue	12,623	13,761	10,717	-22.1%
Gross Profit	3,677	3,786	3,783	-0.1%
Adjusted EBITDA	1,211	1,616	1,148	-29.0%
Gross Profit Margin	29.1%	27.5%	35.3%	+778 bps
EBITDA Margin	9.6%	11.7%	10.7%	(103) bps
Balance Sheet				
Cash And Cash Equivalents	915	1,497	656	-56.2%
Total Current Assets	4,225	5,627	3,710	-34.1%
Total Assets	4,581	6,966	4,068	-41.6%
Total Current Liabilities	1,791	2,423	1,499	-38.1%
Total Debt	70	59	181	205.9%
Total Equity	2,766	4,512	2,538	-43.8%
Cash Flow				
Net Income	1,918	1,458	1,009	-30.8%
CAPEX	172	304	-	
Depreciation & Amortization	148	197	166	-16.1%
Fixed Charge Coverage Ratio	19.28x	44.75x	5.50x	(-39.2)x

- Over the years, liquidity has strengthened, as evidenced by rising current and quick ratios, indicating an improved capacity to meet short-term liabilities.
- The company has seen an increase in its gross profit margin from 27.5% in FY-22 to 35.3% in FY-23, showcasing enhanced cost efficiency or pricing power.
- Operating cash flow ratio has shown an improvement, underscoring the company's ability to generate cash from its operating activities effectively.

Business Risk Highlights

- **Industry:** The specialized nature of the demolition industry requires adherence to stringent safety and environmental regulations, presenting both challenges and barriers to entry. Despite recent challenges, the industry has seen a CAGR of -1.4% from 2019 to 2024, primarily due to fluctuating economic conditions and the impact of COVID-19 on nonresidential construction. A persistent, and comparatively high interest rate environment are not supporting construction projects, and consequently, demolition.
- **Competitive Position:** Strong market position and brand recognition as a specialist in demolition set the company apart in a competitive landscape.
- **Management:** With ownership tied closely to the company's founding, decision-making may be agile, but it raises questions about succession planning and governance structure.
- **PE Sponsor:** Not applicable as the company operates independently without the backing or influence of a sponsor or parent company.