

MWD Logistics, Inc.



CC

1 year PD

14.87% to 20.71%

- Highly flexible business model as they rent property to sublease as warehouses. Having anchor clients renting a WH in line with their own lease puts them essentially risk-flat.
- Net Income declined by ~30% in FY-22 as COVID subsidies went away. During COVID they took on PPP-funds, yet had substantial distributions (fraudulent?!). Lacking transparency.

Strengths

- Technological Capabilities:** Advanced inventory management and real-time tracking systems enhance operational efficiency and customer service, crucial for maintaining a competitive edge in logistics.
- Relationships:** Their business is built on developing deep rooted relationships with their anchor clients. The entity usually rents real estate to sub-lease it to tenants, which provides them with a high level of flexibility.

Challenges

- Profitability & Leverage:** Declining profitability with net income decreasing from \$1.0mn in FY-21 to \$0.7mn in FY-22 and an EBITDA margin of 7.2%, highlighting the need for better cost management. Leverage is very high, considering the company doesn't own the warehouses (acc. to Chris Laux).
- Customer Concentration & Entity Size:** About 70% of their revenue is coming from their top 5 customers. The entity is comparatively small, which increases the emprirical default risk.
- Lack of Transparency:** During COVID the entitty took on PPP-funds (of which at least 60% need to go to wages). During that time and the following year management withdrew \$586k (main driver of profitability in FY-20 and FY-21), but put \$1.2mn back into the entity in FY-22. The entity did not respond to questions about the underlying rational, nor did they provide current details about their debt structure.

Scorecard Summary

	Weight	Score	Dimension	Weight	Score
Financial	50%	4.7	Liquidity	40%	<div></div> 5.2
			Leverage	30%	<div></div> 2.3
			Profitability	30%	<div></div> 2.0
Business	50%	6.0	Industry Risk	20%	<div></div> 5.9
			Competitive Position	50%	<div></div> 7.0
			Mgmt / Governance	30%	<div></div> 4.3
			Sponsor / Parent		
Modifiers		-1.7	Revenue Segment		<div></div> (0.7)
			Fixed Cost Coverage Risk		<div></div>
			Other Modifier		<div></div>
Financial vs Business Risk Weighting Factors					
Ownership		Private (Non-PE)			
Company Stage		Growth			
Financials		Partial			

Company Overview

Headquarters	Mansfield, OH
Type	Private (Non-PE)
Employees	~100
Year Founded	1991
Website	https://www.mwdlogistics.com/
Business	Warehouse and inventory management services.
Revenues	\$16.8M

- Company Overview:** MWD Logistics, Inc. is a comprehensive third-party Warehouse/storage provider based in Mansfield, Ohio.
- Product:** MWD offers extensive warehousing solutions across multiple U.S. locations, including material handling and real-time inventory tracking.
- Customers:** They serve a diverse range of industries including automotive, feed and seed, and bulk fertilizer, leveraging strong client relationships to ensure consistent service delivery. They emphasize their intent to build partnerships with clients, focusing on a personalized service and operational excellence as their core strengths. They are only in the B2B / wholesale business, and therefore aren't offering fulfillment services like Amazon.
- Ownership:** Privately held, by the Glowaski family, and Stuart Lichter (IRG).
- Debt Structure:** No details about the debt structure were shared in conjunction with this assessment. Most recent financials were as of FY-22.
- Other:** During a call with Chris Laux (VP of Sales) on 8/9/24 he confirmed that they are on track to reach ~\$12mn in revenue during FY-24, which is the normalized figure post COVID. Since FY-22 they closed 3 WHs as the respective anchor tenants decided to build and manage their own. He was unable to address several questions about debt profile, distributions taken during COVID, etc. However, Chris corrected our perspective in a sense that the entity gave up all transportation and brokerage business a while a go. They also don't offer any fulfillment services. The last two points forced us to change the industry benchmark from "Air Freight & Logistics" to "Diversified Support Services".

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	14	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.25	1.72	<div></div> 42%
	Quick Ratio	1.66	1.72	<div></div> 51%
Leverage	Net Debt / EBITDA	0.06	1.15	<div></div> 33%
	Debt to Assets	17.8%	13.1%	<div></div> 61%
	EBITDA Margin	10.5%	7.2%	<div></div> 34%
Profitability	ROCE %	18.2%	8.9%	<div></div> 18%
	Revenue	\$21M	\$17M	



Industry Benchmarks - Primary: Air Freight and Logistics

Financial Statement Highlights

\$ '000s	(C) Dec-20 T12	(B) Dec-21 T12	(A) Dec-22 T12	Change	
				(C) to (B)	(B) to (A)
Income Statement					
Total Revenue	11,305	13,123	16,761		27.7%
Gross Profit	11,305	13,123	16,761		27.7%
Adjusted EBITDA	1,185	1,275	1,207		-5.3%
Gross Profit Margin	100.0%	100.0%	100.0%		0 bps
Net Income	1,451	1,006	720		-28.4%
Balance Sheet					
Cash And Cash Equivalents	877	2	2		0.0%
Total Current Assets	2,375	2,985	2,619		-12.3%
Total Assets	5,197	7,390	10,629		43.8%
Total Current Liabilities	1,032	2,236	1,522		-31.9%
Total Debt	792	1,575	1,387		-11.9%
Total Equity	3,597	4,153	5,738		38.2%
Key Ratios					
Current Ratio	2.30	1.33	1.72		28.9%
Quick Ratio	2.30	1.33	1.72		28.9%
Net Debt / EBITDA	(0.07)	1.23	1.15		-7.0%
Debt to Assets	15.2%	21.3%	13.1%		(826) bps
EBITDA Margin	10.5%	9.7%	7.2%		(251) bps
ROCE %	21.7%	18.6%	8.9%		(960) bps

- Total revenue increased from \$11.3mn in FY-20 to \$16.8mn in FY-22 driven by COVID. In FY-24 they aim for \$12mn in annual revenue. The increase in OPEX in excess of revenue growth in FY-22 by 3.4 points due to hiring challenges during COVID.
- Net Income was mainly driven by Other Income between FY-20 and FY-22 due to PPP, CARES-Act, etc.

Business Risk Highlights

- Industry:** The logistics industry is competitive, with moderate volatility due to economic cycles and fuel cost fluctuations, requiring strategic planning to maintain stability. Specifically the Warehouse and Storage industry in the US is valued at about \$30bn in 2024. It is projected to grow at a CAGR of 3.6% from 2023 to 2028, driven by continued e-commerce expansion and the need for efficient supply chain solutions
- Competitive Position:** MWD's advanced technological capabilities and extensive warehousing infrastructure provide a competitive edge, though profitability pressures need addressing.
- Management:** Strong focus on customer relationships and operational excellence, yet more financial transparency could have helped us to asses the entity better.
- PE Sponsor:** n/a
- Other:** Growing emphasis on sustainability, but specific initiatives and impacts need further detailing to assess long-term compliance and market positioning.