



Leading Pharma, LLC



- Fluctuating profitability, and recent negative EBITs indicates operational challenges and credit concerns.
- Strong backing by three PE firms provides a buffer against immediate financial distress and offers potential for strategic growth.

Credit Highlights

- **Strengths**
 - Backed by three PE firms, collectively boasting a strong track record and combined capital commitments exceeding \$1.2bn.
 - Within their respective niche of manufacturing and distributing generic pharmaceuticals, the company has established a meaningful market presence, benefiting from the combined industry expertise of its investors.
 - The company has maintained a favorable liquidity position, with a current ratio of 2.59, exceeding the industry median.
- **Weaknesses:**
 - Leading Pharma has been operating at a loss (past three years), with negative EBIT figures for the past two years.
 - Debt to Assets ratio stands at 33.2%, which exceeds the respective industry median by more than 8 points. Combined with a fairly high leverage, and a maturity wall in 2024, the reliance on the PE-investors future commitment seems rather high.
 - A significant stake held by the PE consortium could lead to potential governance concerns with diverse opinions/influence on business decisions.

Scorecard Summary

	Weight	Score	Scaled Rating Contribution	
Financial	35%	3.35	Liquidity	<div><div></div></div>
			Leverage	<div><div></div></div>
			Profitability	<div><div></div></div>
Business	65%	6.08	Industry Risk	<div><div></div></div>
			Competitive Position	<div><div></div></div>
			Mgmt / Governance	<div><div></div></div>
			Sponsor / Parent	<div><div></div></div>
			Revenue Segment	<div><div></div></div>
Modifiers	-1.23		Trend Analysis	<div><div></div></div>
			Financial Flexibility	<div><div></div></div>
			Fixed Cost Coverage Risk	<div><div></div></div>

Industry Benchmarks - Primary: Pharmaceuticals

Company Overview

Headquarters	3 Oak Road, Fairfield, NJ 07004
Type	Private (PE)
Employees	200+
Year Founded	2014
Website	https://www.leadingpharma.com/
Business	Generic pharmaceutical company
Revenues	\$53M

- Leading Pharma, manufactures, markets, and distributes generic pharmaceutical products. The company's operations are bolstered by the strategic insights and financial backing of three PE firms.
- **Products:** The company develops, purchases, and licenses products in different dosages and forms including oral solid dose products across therapeutic areas under the "Leading" brand. Their products are catering to diverse medical needs.
- **Customers:** Serving a vast clientele, the company has established strong relationships with wholesalers, distributors, drugstore chains, mass merchandisers, government agencies, and managed care accounts in the United States.
- **Ownership:** A significant part of their equity is held by Cane Investments, LLC, Crestline Investors, Inc., and Signet Healthcare Partners, reflecting a combined vision and strategy for growth. The three PE-firms jointly invested \$40mn at the end of 2017.

Financial Ratio Benchmarking

# of Benchmarks:	58	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.98	2.59	<div><div></div></div>
	Quick Ratio	1.11	1.57	<div><div></div></div>
Leverage	Net Debt / EBITDA	1.42	57.33	<div><div></div></div>
	Debt to Assets	25.0%	33.2%	<div><div></div></div>
Profitability	EBITDA Margin	15.3%	0.6%	<div><div></div></div>
	ROCE %	10.9%	-4.6%	<div><div></div></div>
	Revenue	\$74M	\$53M	

- Current ratio of 2.59 is substantially above the industry median.
- Debt to Assets ratio of 33.2% is signaling potential credit risk, increasing reliance on PE-investors.
- The company's EBITDA Margin stands at 0.6%, significantly below the industry median, highlighting concerns about operational profitability.

Financial Statement Highlights

\$ '000s	Dec-21 T12	Dec-22 T12	YOY Chg
Income Statement			
Total Revenue	44,643	53,490	19.8%
Adjusted EBITDA	(2,570)	315	
Gross Profit Margin	52.5%	48.9%	(356) bps
EBITDA Margin	-5.8%	0.6%	+635 bps

Balance Sheet			
Cash And Cash Equivalents	862	265	-69.3%
Total Current Assets	28,935	36,013	24.5%
Total Goodwill & Intangibles	4,917	4,414	-10.2%
Total Assets	47,482	55,235	16.3%
Total Debt	11,554	18,351	58.8%
Total Liabilities	22,163	30,971	39.7%
Total Shareholder Equity	25,319	24,264	-4.2%

Cash Flow			
Net Income	(5,402)	(1,054)	-80.5%
CAPEX	226	360	59.2%
Depreciation & Amortization	2,314	2,235	-3.4%
Free Cash Flow			
Fixed Charge Coverage Ratio	-5.69x	-1.27x	+4.4x

- Despite a dip in 2021 (-8.1% over FY-2020), revenue rebounded in 2022, reaching \$53.5mn (+19.8% vs FY-2021), indicating a potential turnaround.
- Cash and Cash Equivalents decreased significantly over the three-year period, dropping to \$265k in 2022 (-69.3% from FY-2021 to FY-2022)
- Total Debt increased to \$18.4mn in 2022 (+58.8%), emphasizing the need for an effective debt management (all maturing in 2024).

Business Risk Highlights

- **Industry Dynamics:** Operating in the pharmaceutical distribution sector exposes the company to regulatory, supply chain, and competitive risks.
- **Governance Structure:** The significant stake held by the three PE firms could influence business decisions, strategy, and governance.
- **Operational Efficiency:** The company's ability to manage its operating expenses amidst fluctuating revenues is crucial for its long-term sustainability.
- **Competitive Position:** XYZ
- **Management:** XYZ