

# Boston Battery, LLC



- High leverage (21.37), sub-standard liquidity ratios, and and a 0.2x FCCR present significant credit risk.
- Consistent management and revenue growth under Daniel Schmitz, countered by higher than standard expense ratios, leading to losses over the past 2 years.

Strengths

- **Strong Geographic Presence:** Operates in several U.S. states, providing a broad customer base and diverse market access, enhancing its market penetration.
- **Robust Supplier Relationships:** As a franchisee of Interstate Batteries and 1-800 Radiator & AC, it benefits from established brand affiliations, ensuring a reliable supply of quality products.
- **Diverse Product Range:** Offers a wide range of automotive batteries and cooling system components, catering to various customer needs in the automotive aftermarket industry.

Challenges

- **High Leverage:** Net Debt/EBITDA ratio of 21.37, even at a debt of \$5mn the leverage would be 7.6x), significantly higher than peers. However, the bigger issue leading to the high leverage is the low EBITDA (~71% vs FY-22).
- **Liquidity Concerns:** Current and quick ratios below industry medians (0.93 and 0.28 respectively), suggesting potential challenges in meeting short-term obligations.
- **Lower Profitability:** EBITDA margin of 0.9% is considerably lower than the peer median, declining from 3.5% and 3.7% in the prior two years, and pointing to operational inefficiencies or cost management issues.

## Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	65%	2.5	Liquidity	<div></div>
			Leverage	<div></div>
			Profitability	<div></div>
Business	35%	6.2	Industry Risk	<div></div>
			Competitive Position	<div></div>
			Mgmt / Governance	<div></div>
			Sponsor / Parent	<div></div>
			Revenue Segment	<div></div>
Modifiers	-0.4		Fixed Cost Coverage Risk	<div></div>
			Other Modifier	<div></div>

Industry Benchmarks - Primary: Automotive Parts and Equipment

## Company Overview

Headquarters	Milford, MA	U.S.
Type	Private (Non-PE)	
Employees	n/a	
Year Founded	2012	
Website	https://www.bostonbattery.net/	
Business	Specializes in battery distribution and automotive parts.	
Revenues	\$64.9M	

- **Company Overview:** Boston Battery LLC is a holding company with 3 wholly-owned subsidiaries. The largest one of those is Boston Battery Wholesale LLC, which does business as Interstate Batteries in Greater Boston, North Jersey and Greater Philadelphia. Jointly they are a distributor of automotive batteries, radiators and parts, with a strong presence in the Northeastern US. Generally, they are operating as a franchisee of "Interstate Batteries". Under that label they expand within the national network by acquiring other 'territories'/dealerships. The owner and CEO, Christian Schmitz has been growing the company over the past 12 years, primarily through acquisitions, with the intention to continue that path.
- **Product:** The company distributes a variety of automotive batteries and cooling system components, catering to both wholesale and retail segments.
- **Customers:** Serves a diverse customer base including automotive repair shops, parts stores, and individual vehicle owners.
- **Ownership:** Owned by Daniel Schmitz, who acquired the original entity in 2012, after a 12 years lasting career in finance.

## Financial Ratio Benchmarking

# of Benchmarks:	22	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.35	0.93	<div>-50%</div>
	Quick Ratio	1.33	0.28	<div>-50%</div>
Leverage	Net Debt / EBITDA	1.08	21.37	<div>-41%</div>
	Debt to Assets	22.7%	68.2%	<div>-50%</div>
	EBITDA Margin	10.8%	0.9%	<div>-44%</div>
Profitability	ROCE %	19.4%	42.2%	<div>34%</div>
	Revenue	\$64M	\$65M	

- Liquidity ratios are lower than industry standards, highlighting potential short-term financial challenges.
- EBITDA margin significantly lower than peers, necessitating a focus on operational efficiency and cost management.

## Financial Statement Highlights

\$ '000s	Dec-21 T12	Dec-22 T12	Dec-23 T12	Chg
Income Statement				
Total Revenue	27,028	53,855	64,912	20.5%
Gross Profit	7,598	13,518	14,637	8.3%
Adjusted EBITDA	955	2,003	591	-70.5%
Gross Profit Margin	28.1%	25.1%	22.5%	(255) bps
EBITDA Margin	3.5%	3.7%	0.9%	(281) bps
Balance Sheet				
Cash And Cash Equivalents	1,425	439	490	11.6%
Total Current Assets	8,668	16,103	16,477	2.3%
Total Assets	9,810	17,432	19,216	10.2%
Total Current Liabilities	2,721	15,786	17,630	11.7%
Total Debt	6,062	10,503	13,111	24.8%
Total Equity	1,944	1,646	1,586	-3.6%
Cash Flow				
Net Income	1,307	(297)	(60)	-79.9%
CAPEX	98	877	-	
Depreciation & Amortization	331	2,018	278	-86.2%
Fixed Charge Coverage Ratio	3.24x	0.00x	0.18x	+0.2x

- Although Total Revenue increased from \$27mn (FY-21) to \$64.9mn (FY-23), Gross Margin declined contineously from 28.1% to 22.5% due to the accelerated growth in COGS.
- Similar to COGS, Operating Expenses rose from \$6.97mn (91.8% of Gross Profit) in FY-21 to \$13.97mn (95.4%) 2 years later, after a relative spike in FY-22 (100.1%).
- With growth in COGS and OPEX outpacing the revenue increase, Net income declined from \$1.3mn in FY-21 to a loss of -\$297k in FY-22, and -\$60k in FY-23.

## Business Risk Highlights

- **Industry:** Operates in the competitive automotive parts and equipment industry, which requires constant innovation and adaptation to technological changes. A growing market share for EVs should tentatively work in favor of the company. IBIS projected the Automobile Parts and Equipment industry to grow at a CAGR of 2.4% through 2026. Specific to the U.S. electric vehicle battery market alone, Grand View Research, project a CAGR of 16.7% from 2021 to 2028.
- **Competitive Position:** Faces competition from larger entities and specialized companies in the automotive parts distribution market.
- **Management:** Management's experience and strategy are crucial in navigating the high leverage and liquidity challenges while capitalizing on market opportunities. Owned and managed by Daniel Schmitz for the past 12 years (after 12 years in finance), yet given the private nature of the entity, we did not have further any insights about staff turnovers, succession planning, etc.