Caldic Holdings B.V.

B *1 year PD* **1.89% to 3.18%**

- Significant leverage due to PE-backed M&A growth strategy. Synergies shall boost EBITDA Margin in FY-25 by 10%+, and avoid further downgrades. Positive trend in FY-24(A) visible.
- Strong liquidity with~€265mn in cash and R/C-availability, despite macroeconomic pressures and integration costs weighing on EBITDA. US subsidiary is profitable and growing.

Strengths

- **Private Equity & growth:** Acquired in 3/22 by Advent International L.P (founded 1984, $88.8bn AUM). Caldic became a top three global players in specialty chemicals and life sciences distribution, after merging with GTM ('22) and Connell ('23), growing annual sales from €1.8bn to €2.2bn, along with increased purchasing power and global access to suppliers, customers, and markets.
- **Strong Liquidity | improving profitability**: As of 9/23, Caldic had €109.6mn in cash and €155mn R/C-line availability, mitigating immediate liquidity risks. EBITDA Margin widened by 240bps, with ROCE jumping by 700 bps over FY-23. Targeting a 10%+ EBITDA growth in FY-25 mainly due to cost savings/synergies.
- **Product and Customer Diversity**: Operates across life sciences and industrial markets, serving >30k customers globally with a diversified product portfolio, reducing revenue concentration risks.

Challenges

- **High Leverage**: Leverage net of Cash was 7.2x in 2023 and 7.0 over the past 12 months through 9/24. The increase in EBITDA by 23.7% overcompensated the reduction in cash by about 51.6% and increase in total debt by 10.8%.
- **Integration Risks**: High costs and execution challenges related to the GTM and Connell mergers weigh on EBITDA generation and synergy realization (€57mn target). Entity is expecting 2025 to be their turnaround year.
- **Debt Structure & Maturity Wall:** Vast majority of debt matures in 2029, with the balance in 2030 - excluding the R/C-line, and operating leases. The fully unused R/C-line is maturing in 2028. High likelihood that Advent will exit prior to 2029.

Company Overview

Headquarters	Rotterdam, Netherlands
Type	Private (PE)
Employees	~4,000 (globally), of which about 1,000 in North America
Year Founded	1970
Website	https://www.caldic.com/
Business	Distributes and manufactures specialty chemicals, ingredients.
Revenues	$2,222.4M

- **Company Overview:** Caldic Holdings B.V. is a global leader in specialty chemicals and life sciences distribution, owned primarily by Advent International.
- **Product:** Includes specialty chemicals and ingredients for food, pharma, personal care, and industrial applications, with added services like blending and packaging.
- **Customers:** Serves >30k clients globally with ~3% max revenue of max revenue per top customer, diversified across 43 countries, and several industries.
- **Ownership:** Owned by Advent International since 2022, with contributions from Wilbur-Ellis and the management team. Likely exit 2027/2028.
- **Debt Structure:** Maturity Wall in 2029, with >3/4 of long-term debt maturing.
- **External ratings:** Moody's affirmed the issuer rating of Caldic in February '24 ('B2' / S&P equivalent of 'B') yet assigned a 'negative' outlook over efficiency and integration issues.
- **US Subsidiary:** Although comparatively insignificant to the parent in terms of revenue (contributes 3.5% in annual revenue (FY-24 (A), through 9/24, after converting USD to EUR at 1.05), the contribution of EBITDA by the US branch was 5.5%. Yet, along with M&A consolidation/integration, and the realization of synergies (e.g. digitization, global HR-system, Finance/ERP-system) to reduce their cost base, growth in North America (organic, and M&A) is a top priority with the subject property being a key location for expansion to them. Compared to the parent entity, the US division turned a loss of -$368k into a profit of $2.87mn, with an annualized revenue growth rate in FY-24 of 10%. Running a proxy light assessment on the US sub in isolation suggests a rating of ~6.0, provided liquidity is being provided from the partent entity (most likely).

Financial Statement Highlights

EUR '000s	(C) Dec-22 T12	(B) Dec-23 T12	(A) Sep-24 LTM	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	1,847,640	2,315,809	2,222,400		-4.0%
Gross Profit	368,955	509,490	607,200		19.2%
Adjusted EBITDA	163,404	193,622	239,600		23.7%
Gross Profit Margin	20.0%	22.0%	27.3%		+532 bps
Net Income	(80,254)	(102,308)	(113,400)		10.8%
Balance Sheet					
Cash And Cash Equivalents	149,229	226,652	109,600		-51.6%
Total Current Assets	802,525	832,561	781,000		-6.2%
Total Assets	3,015,769	3,285,037	3,193,900		-2.8%
Total Current Liabilities	657,929	479,920	543,100		13.2%
Total Debt	1,561,875	1,612,876	1,787,000		10.8%
Total Equity	873,614	1,023,614	863,900		-15.6%
Key Ratios					
Current Ratio	1.22	1.73	1.44		-17.1%
Quick Ratio	0.80	1.13	0.85		-24.9%
Net Debt / EBITDA	8.65	7.16	7.00		-2.2%
Debt to Assets	51.8%	49.1%	56.0%		+685 bps
EBITDA Margin	8.8%	8.4%	10.8%		+242 bps
ROCE %	2.9%	2.5%	4.1%		+158 bps

- Revenues decreased slightly to €2.2bn (LTM 9/24) from €2.3bn in FY-23.
- Despite an improved EBITDA margin of 10.8% (LTM), high integration costs and macroeconomic pressures resulted in persistent net losses (-€113.4mn) - consolidated.
- Strong liquidity with €109.6mn in cash and €155M RCF availability sustains operations despite weak free cash flow generation (€17.1M).

Scorecard Summary

Financial vs Business Risk Weighting Factors

Ownership	Private (PE)
Company Stage	Stabilized
Financials	Complete (Unaudited)

	Weight	Score	Dimension	Weight	Score
Financial	35%	2.3	Liquidity	15%	2.7
			Leverage	40%	0.4
			Profitability	45%	1.1
Business	65%	7.2	Industry Risk	15%	5.9
			Competitive Position	35%	7.2
			Mgmt / Governance	15%	7.0
			Sponsor / Parent	35%	7.8
Modifiers		-0.6	Revenue Segment		0.4
			Trend Analysis		(0.25)
			Financial Flexibility		(0.25)

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	*34*	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.89	1.44	26%
	Quick Ratio	1.16	0.85	11%
Leverage	Net Debt / EBITDA	2.57	7.00	0%
	Debt to Assets	37.1%	56.0%	12%
Profitability	EBITDA Margin	13.6%	10.8%	31%
	ROCE %	9.3%	4.1%	15%
	Revenue	$2,350M	$2,222M	

Industry Benchmarks - Primary: Specialty Chemicals

Debt Maturities

Business Risk Highlights

- **Industry:** Specialty chemicals distribution faces modest organic growth (~3.31% CAGR) with high integration costs and competitive pressure.
- **Competitive Position:** Caldic's scale and diversified product portfolio strengthen its market position but underperformance in emerging markets weakens comparative standing.
- **Management:** Backed by Advent International, providing strategic oversight and financial support to mitigate operational risks.
- **PE Sponsor:** Advent International L.P., founded in 1984 by Peter Brooke, is a leading global PE firm headquartered in Boston. The firm specializes in buyouts and growth equity investments across five core sectors: business and financial services; healthcare; industrial; retail, consumer, and leisure; and technology. As of 6/24, Advent manages approximately $88.8bn in assets.
- **Other:** Realizing synergies (€57mn target) from GTM and Connell mergers is critical to restoring profitability and reducing leverage.