EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC., PBC

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

- Strong balance sheet - effectively debt-free, and mission-aligned governance support stability and long-term continuity. Profits increased in FY-23, despite a decline in revenue.
- Below-peer margins and no insight on ESOP-obligations pose moderate cash flow risks. Missing details about exposure to public office vs DOGE, FY-24 financials, FY-22 c/f-statement.

Strengths

- **Exceptional Balance Sheet Health:** Net debt/EBITDA stands at –1.7x and debt-to-assets at 9.9%, well below the 24.9% peer median—highlighting EA's ability to absorb shocks and maintain funding flexibility.
- **Strong Capital Efficiency:** ROCE at 14.2% exceeds the 13.0% peer median, supported by a prudent reinvestment discipline, indicating management's effective use of capital resources.
- **Diverse Contract Base and Geographic Footprint:** With 27 offices across the U.S. and clients spanning federal, state, municipal, and private sectors, EA shows strong insulation from regional or sectoral demand risk.

Challenges

- **Thin Profitability Relative to Peers:** FY-23 EBITDA margin was 4.9%, underperforming the 10.6% peer median, suggesting structurally lower pricing power or inefficiencies linked to PBC mission alignment.
- **Working Capital Volatility:** Operating cash flow dropped to $1.02mn despite $12.2mn in net income, driven by a $5.7mn rise in AR and $9.8mn drop in AP—raising short-term liquidity execution concerns.
- **Lack of Full Transparency on ESOP Repurchase & Cash Flow Details:** The absence of a cash flow statement and unreported ESOP obligations obscure future liquidity risks, which can be material in a 100% employee-owned structure.

Company Overview

Headquarters	Hunt Valley, MD
Type	Private (Non-PE)
Employees	>500
Year Founded	1973
Website	https://eaest.com/
Business	Environmental consulting and infrastructure engineering services.
Revenues	$244.7M

- **Company Overview:** EA Engineering, Science, and Technology, Inc., PBC is a national multidisciplinary environmental consulting and engineering firm dedicated to solving environmental and infrastructure challenges. As a Public Benefit Corporation, EA integrates sustainability goals with its professional services mission.
- **Product:** Offers environmental compliance, remediation, natural resource management, infrastructure engineering, EHS services, and GIS-based data management.
- **Customers:** Serves federal agencies (EPA, DoD), state/local governments, private sector clients (utilities, energy), and nonprofits, with contracts often spanning multiple years.
- **Ownership:** 100% employee-owned via an Employee Stock Ownership Plan (ESOP); structured as a Public Benefit Corporation under U.S. corporate law.
- **Debt Structure:** Vast majority of total debt is comprised of lease liabilities ($11.8mn). Given ~$33.6mn in Cash, the entity is effectviely debt-free.
- **Basis for Assessment:** FY-22, and FY-23 tax filings prepared by Grant Thornton.
- **Single Event Risks:** ESOP Liquidity Shock - potential spike(s) in repurchase obligations given a lack of visibility and funding structure. Termination or delay of key government contracts, or working sapital stress (e.g. prolonged AR buildup or AP compression).

Financial Statement Highlights

$ '000s	(C)	(B) Dec-22	(A) Dec-23	Change (C) to (B)	Change (B) to (A)
	T0	T12	T12		
Income Statement					
Total Revenue		257,227	244,734		-4.9%
Gross Profit		90,118	99,444		10.3%
Adjusted EBITDA		10,203	11,927		16.9%
Gross Profit Margin		35.0%	40.6%		+560 bps
Net Income		11,489	12,152		5.8%
Balance Sheet					
Cash And Cash Equivalents		44,712	33,604		-24.8%
Total Current Assets		109,868	93,929		-14.5%
Total Assets		121,032	132,676		9.6%
Total Current Liabilities		53,829	50,022		-7.1%
Total Debt		8,667	13,095		51.1%
Total Equity		58,536	69,560		18.8%
Key Ratios					
Current Ratio		2.04	1.88		-8.0%
Quick Ratio		2.04	1.88		-8.0%
Net Debt / EBITDA		(3.53)	(1.72)		-51.3%
Debt to Assets		7.2%	9.9%		+271 bps
EBITDA Margin		4.0%	4.9%		+91 bps
ROCE %		15.0%	14.2%		(83) bps

- Revenue fell 5% YoY from $257.2mn to $244.7mn, yet EBITDA rose from $10.2mn to $11.9mn, and gross margin improved from 35.0% to 40.6%.
- Equity rose 19% YoY to $69.6mn, while liabilities remained nearly flat—debt to equity edged up only slightly from 0.15x to 0.19x.
- Cash and equivalents fell 25% to $33.6mn, primarily due to working capital swings and a $27.8M investment cash outflow (details undisclosed).

Scorecard Summary

Financial vs Business Risk Weighting Factors

Ownership	Private (Non-PE)
Company Stage	Stabilized
Financials	Partial

	Weight	Score	Dimension	Weight	Score
Financial	50%	4.6	Liquidity	25%	7.6
			Leverage	38%	3.3
			Profitability	38%	4.0
Business	50%	5.3	Industry Risk	20%	3.6
			Competitive Position	50%	6.0
			Mgmt / Governance	30%	5.3
			Sponsor / Parent		
Modifiers		0.0	Financial Flexibility		0.3

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks: *68*		Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.52	1.88	67%
	Quick Ratio	1.37	1.88	79%
Leverage	Net Debt / EBITDA	1.66	(1.72)	
	Debt to Assets	24.9%	9.9%	70%
Profitability	EBITDA Margin	10.6%	4.9%	18%
	ROCE %	13.0%	14.2%	58%
	Revenue	$243M	$245M	

Industry Benchmarks - Primary: Construction and Engineering | Secondary: Research and Consulting Se

Debt Maturities

Business Risk Highlights

- **Industry:** Environmental consulting remains fragmented but is projected to grow at 6.0% CAGR globally, driven by regulation and ESG commitments. As of 2025, the industry is valued at approximately $27.5bn, having grown at a CAGR of 2.7% from 2020 to 2025. EA operates in a lower-margin, labor-intensive segment with exposure to budget volatility. Given it's relative focus on federal agencies, and environmental issues, we consider the segment to be declining over the next 2-3 years, considering the agenda of the current federal administration.
- **Competitive Position:** While smaller than peers like Tetra Tech or HDR, EA leverages its Public Benefit Corporation status and interdisciplinary capabilities to build trust with government and mission-aligned clients.
- **Management:** The 100% ESOP model incentivizes internal accountability but also creates future liquidity risk from equity repurchase obligations; management appears operationally disciplined with improving ROCE and profitability. They approved a c-suite succession plan in 2024.
- **Sponsorship:** EA is independently managed and not owned by private equity or strategic investors, ensuring mission alignment but limiting access to third-party capital in downturn