

Ox Industries, Inc.



- Volatility in Leverage, Debt, and Revenue are the result of an acquisition (FY-22) that had a major hiccup, a burnt down mill in FY-22, all hitting in FY-23. R/C-line max'd out.
- Drop in Profits (-75%), countered by consistent growth, investments in operational efficiency, and replacements of their lost mill & major client. Mills run currently at capacity

- Strengths**
- Market Position:** Ox Industries, Inc. is the largest independently owned, vertically integrated manufacturer of 100% recycled paperboard, specialty papers, paper tubes & cores, and edge protection products in the US. They found a good niche below the 2 largest entities that command prices.
 - Sustainability & Growth:** Commitet to using 100% recycled waste material for its products aligns with the growing trend towards sustainability and gives the company a competitive edge. The entity is currently focusing on organic growth, consolidation and efficiency improvements - as of 04/05 2024 they are having record revenues, aiming for \$30mn EBITDA in FY-24.
 - Product Diversity:** Wide range of products, serving a diverse range of markets including the film and flexible packaging industry, tape and label industry, and the textile industry, which provides a steady revenue stream. After a non-compete ran out, they plan to re-enter building products market.
- Challenges**
- Financial Constraints:** Maturity Wall in 2025 over the entirety of their debt, including a max'd out R/C-line, limiting financial flexibility.
 - Leverage:** Their Net Debt/EBITDA ratio has increased significantly, due to a steep increase in OPEX (+53%) vs rising revenue of just +8.5%.
 - Profitability:** EBITDA Margin (7.6%) is lower than their peers', following an 11.3% in FY-23, suggests a decline in operational efficiency.
 - Trend:** T7 financials suggest an annual decline in Net Income by 30% in FY-24.

Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	65%	4.2	Liquidity	
			Leverage	
			Profitability	
Business	35%	6.9	Industry Risk	
			Competitive Position	
			Mgmt / Governance	
			Sponsor / Parent	
Modifiers		-0.7	Trend Analysis	
			Financial Flexibility	
			Other Modifier	

Company Overview

Headquarters	Hanover, PA	U.S.
Type	Private (Non-PE)	
Employees	~600	
Year Founded	1996	
Website	https://oxindustries.com/	
Business	Manufactures recycled paperboard and protective packaging products.	
Revenues	\$272.7M	

- Company Overview:** Ox is a leading manufacturer specialized in recycled paperboard, specialty papers, paper tubes & cores, and edge protection. They grew from a single tube & core facility to a fully vertically integrated operation with multiple mills and converting-facilities across the country.
- Product:** Their primary product lines are paperboard products, paper tube and core, and protective packaging.
- Customers:** They have a diverse range of markets including the film and flexible packaging industry, tape and label industry, and the textile industry. Their products are essential for these industries as they provide structural support and serve as a sturdy foundation to keep materials wound tightly and protect them from damage.
- Ownership:** Ox Industries, Inc. is an independently owned company and has made several acquisitions over the years to expand its operations.
- NOTE - TENANT CALL:** The entity is actively working on refinancing it's debt, maturing in 2025. The last 2 months were record months for them, targeting \$30mn in EBITDA by YE-2024, which would bring them back into 4.5x range for leverage (market) and improve their chances for a successful refi - yet T7 doesn't support that, instead suggests a decline in profitability by -30% in FY-24. Strong, tightly knit management team that doesn't shy back from making tough decisions. OPEX and Revenue volatility due to loss of a paper mill in FY-22, and a major acquisition that same year, where a major customer canceled its' contract and thereby breaching the terms of a PSA. All mills are currently at capacity.

Financial Ratio Benchmarking

# of Benchmarks:		16		Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.70		1.01		19%
	Quick Ratio	0.92		0.81		42%
Leverage	Net Debt / EBITDA	4.43		5.76		42%
	Debt to Assets	48.6%		44.8%		55%
Profitability	EBITDA Margin	9.8%		7.6%		33%
	ROCE %	6.5%		7.3%		53%
	Revenue	\$268M		\$273M		

- Liquidity ratios ranging below, and leveravge above their peers' has a tentatively limiting impact on financial flexibility, yet with a Debt to Asset ratio below market and a r/c-line capacity (TBD) this may balance out.
- An EBITDA Margin below competitors suggests operational inefficiency.

Financial Statement Highlights

\$ '000s	Dec-21 T12	Dec-22 T12	Dec-23 T12	Chg
Income Statement				
Total Revenue	179,133	251,347	272,723	8.5%
Gross Profit	29,277	56,151	62,831	11.9%
Adjusted EBITDA	7,440	28,394	20,605	-27.4%
Gross Profit Margin	16.3%	22.3%	23.0%	+70 bps
EBITDA Margin	4.2%	11.3%	7.6%	(374) bps
Balance Sheet				
Cash And Cash Equivalents	2,187	2,155	1,068	-50.4%
Total Current Assets	61,127	73,143	102,546	40.2%
Total Assets	133,759	220,134	267,122	21.3%
Total Current Liabilities	67,225	68,494	101,598	48.3%
Total Debt	41,336	108,129	119,673	10.7%
Total Equity	37,245	45,512	59,850	31.5%
Cash Flow				
Net Income	83	18,824	4,680	-75.1%
CAPEX	-	77,324	31,471	-59.3%
Depreciation & Amortization	5,797	7,418	10,529	41.9%
Fixed Charge Coverage Ratio	2.28x	12.17x	1.70x	(-10.5)x

- Total revenue has been growing year over year, which support their growth strategy ad trajectory, likely causing some volatility in OPEX and CAPEX in relation to new acquisitions, investments into operations, and overal integration of companies.
- Increase in OPEX during FY-23 by +53% led to a steep decline in EBITDA / EBITDA Margin, eventually driving up Net EBITDA as well as an increase in Total Debt by 10.7%.
- Inventory turnover ratio has decreased, indicating some operational challenges.

Business Risk Highlights

- Industry:** The company operates in the Cardboard & Paperboard Mills industry, which faces challenges from environmental regulations and the shift towards digital media. Growth projection is challenging as they operate in several markets, yet we anticipate a CAGR of ~4.1% from FY-22 through FY-29.
- Competitive Position:** The company's main competitors include Aspen Products, Papelsa, Ariva, and Reno de Medici. Commitment to use solely recycled waste for production gives the entity a competitive advantage, aside from their vertical integration. They found a niche below the 2 largest market players, focusing on more custom jobs.
- Management:** The executive team at Ox Industries, Inc. includes Kevin Hayward (CEO), Kirby Orewiler (CFO), Steve O'Donnell (General Counsel), and several Vice Presidents overseeing various departments, which shares responsibilities, and broadens the pool of experienced and flexible talent. The executive team knows each other personally since high school and they are very committed.