

# Vantec Hitachi Transport System (USA), Inc.



- Solid financial health with strong liquidity and low leverage, balanced a risk concentration in automotive.
- Rebranding to LOGISTEED after the parent was aquired by KKR in 2023 may alter their strategy and market position.
- Elevated debt and cash position raise strategy-questions.

**Strengths**

- **Strong Liquidity Position:** Current and Quick Ratios at 1.34, significantly higher than peer median, indicating robust short-term financial health.
- **Conservative Leverage:** Net Debt/EBITDA at 0.51, much lower than peers, showing prudent financial management and lower risk. This is a result from a dramatic improvement in EBITDA from FY-21 to FY-23 (+344%) despite an increase in total debt by 822%, yet an increase in Cash & Equivalents by 479%. Despite a decline in revenue by -8.6% in FY-23, Net Income doubled, mainly due to a decline in COGS by 19% or \$27.8mn.
- **High Capital Efficiency:** ROCE at 21.4% vs its' peers (10.9%) even at an EBITDA Margin that's basically in line with market, but improved substantially since FY-21 (1.7% --> 6.0%).

**Challenges**

- **Concentration Risk:** Main focus is on logistical solutions to the automotive industry, indicating an industry concentration and suggesting a potential risk of customer concentration.
- **Moderate EBITDA Margin:** Slightly below peer median (6.0% vs. 6.3%), indicating room for improvement in operational efficiency.
- **Dependence on Parent Company:** As a subsidiary of Hitachi Transport System, potential risks from parent company's strategic decisions.

## Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	60%	6.5	Liquidity	<div></div>
			Leverage	<div></div>
			Profitability	<div></div>
Business	40%	5.4	Industry Risk	<div></div>
			Competitive Position	<div></div>
			Mgmt / Governance	<div></div>
			Sponsor / Parent	<div></div>
Modifiers		0.0	Trend Analysis	<div></div>
			Financial Flexibility	<div></div>
			Other Modifier	<div></div>

Industry Benchmarks - Primary: Air Freight and Logistics

## Company Overview

Headquarters	Torrance, CA	U.S.
Type	Private (Non-PE)	
Employees	n/a	
Year Founded	1987	
Website	https://www.vantec-gl.com/	
Business	Logistics and supply chain solutions provider.	
Revenues	\$172.7M	

- **Company Overview:** Vantec Hitachi Transport System (USA), Inc. is a logistics and supply chain solutions provider, specializing in auto parts logistics. They are a wholly-owned subsidiary of Hitachi Transport System ("HTS") since 2012. Upon acquisition by KKR HTS was delisted (fromerly publicly traded at the Tokyo Stock Exchange) in 3/2023, and rebranded to "Logisteed, Ltd" in April that year.
- **Product:** Offers comprehensive services including ocean and air freight transport, 3PL/contract logistics, customs brokerage, and supply chain management.
- **Customers:** Primarily serves the automotive industry, including manufacturers and suppliers.
- **Ownership:** Wholly-owned subsidiary of Hitachi Transport System, Ltd. ("HTS"), which was acquired by KKR in March 2023.
- **NOTE:** Although the tenant is a wholly-owned subsidiary of HTS, which makes HTS the Credit Risk bearing entity, we focused on assessing the tenants' credit risk, excluding the support from KKR. Should we get financials from the parent entity, we would adjust the perspective, and assess the actual Credit Risk Entity and the respective PE-support that it enjoys from KKR.

## Financial Ratio Benchmarking

# of Benchmarks:		11		Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio			1.17	1.34	<div></div> 14%
	Quick Ratio			0.90	1.34	<div></div> 25%
Leverage	Net Debt / EBITDA			3.18	0.51	<div></div> 34%
	Debt to Assets			37.7%	28.8%	<div></div> 21%
Profitability	EBITDA Margin			6.3%	6.0%	<div></div> -17%
	ROCE %			10.9%	21.4%	<div></div> 38%
	Revenue			\$317M	\$173M	

- Current and Quick Ratios significantly higher than peers, showcasing a strong ability to meet short-term liabilities.
- Leverage ratio is substantially lower than peer median, with Margins roughly at par and ROCE more than twice of their competitors.

## Financial Statement Highlights

\$ '000s	Mar-21 T12	Mar-22 T12	Mar-23 T12	Chg
Income Statement				
Total Revenue	137,652	189,001	172,733	-8.6%
Gross Profit	49,414	42,061	53,605	27.4%
Adjusted EBITDA	2,329	5,572	10,340	85.6%
Gross Profit Margin	35.9%	22.3%	31.0%	+878 bps
EBITDA Margin	1.7%	2.9%	6.0%	+304 bps
Balance Sheet				
Cash And Cash Equivalents	2,480	6,545	14,357	119.4%
Total Current Assets	41,107	61,025	39,225	-35.7%
Total Assets	43,542	68,640	68,241	-0.6%
Total Current Liabilities	31,472	41,872	29,223	-30.2%
Total Debt	2,131	19,000	19,649	3.4%
Total Equity	11,630	16,532	27,406	65.8%
Cash Flow				
Net Income	537	4,113	8,305	101.9%
CAPEX	341	5,444	4,714	-13.4%
Depreciation & Amortization	1,191	612	1,987	224.7%
Fixed Charge Coverage Ratio	0.83x	0.66x	1.79x	+1.1x

- Net Income and EBITDA showing upward trend over the past three years, with EBITDA Margin increasing from 1.7% in FY-21 to 6.0% in FY-23 (prior to acquisition by KKR!).
- Despite a decrease in Asset Turnover Ratio, ROA and ROE improved significantly, indicating better overall asset and equity utilization.
- Operating Cash Flow Ratio saw a significant improvement in FY-23, indicating stronger operational cash generation capabilities.

## Business Risk Highlights

- **Industry:** Operates in the competitive Air Freight & Logistics industry, requiring constant innovation and efficiency.
- **Competitive Position:** Faces intense competition from larger multinational corporations and specialized firms in logistics.
- **Management:** As a subsidiary, its strategies and operations might be heavily influenced by the parent company, Hitachi Transport System, which was acquired by KKR in 3/23.
- **PE Sponsor:** KKR (indirectly via HTS)