



L.B. Plastics, Inc



BB 1 year PD
0.38% to 0.60%

- Consistently rising margins for gross profit and EBITDA signify an improved operational efficiency.
- High Debt to Assets ratio (44.9%) highlights credit risk concerns, which is effectively addressed by PE-ownership (ARC Industries).

Credit Highlights

- **Strengths**
 - L.B. Plastics, Inc. offers a wide array of building products, catering to various customer needs, which is positioning the entity rather favorably in the market.
 - The company's short-term financial health is fairly robust with a current ratio of 3.3x (T9 through 9/2022).
 - Being in operation for over 50 years, they have a well-established market presence and brand recognition.
- **Weaknesses:**
 - The company's revenue is significantly dependent on a few key customers, leading to a revenue concentration risk (top 5 make about 60% in revenue)
 - Elevated Leverage position of 2.3x relative to its peers (1.9x), and a less favorable Debt to Asset ratio limiting its' own financial flexibility (excluding PE-support) after increasing debt by nearly 30% since DEC-2022. Debt increase mainly driven by larger inventory position though.
 - Their industry is quite competitive and fragmented, with a mix of established players and new entrants. Hence, they face larger players and price pressures.

Scorecard Summary

	Weight	Score	Scaled Rating	Contribution
Financial	25%	6.05	Liquidity	
			Leverage	
			Profitability	
Business	75%	6.99	Industry Risk	
			Competitive Position	
			Mgmt / Governance	
			Sponsor / Parent	
			Revenue Segment	
Modifiers	-0.94		Trend Analysis	
			Financial Flexibility	

Company Overview

Headquarters	482 East Plaza Drive, Mooresville, NC 28115
Type	Private (PE)
Employees	0
Year Founded	1977
Website	https://www.lbplastics.com/
Business	Plastics manufacturing
Revenues	\$11M

- L.B. Plastics, Inc. is a seasoned manufacturer specializing in building products. With over half a century of experience, the company has carved a niche for itself in the market. They are one of the largest players in the SouthEast, yet not one of the largest players within the Building Products space. They found themselves a good niche, which allows them to have some price control. They are also very innovative and benefit substantially from their investors expertise, drive, and commitment.
- **Products:** L.B. Plastics, Inc. offers a comprehensive range of building products, including sheathing, window profiles, and custom extrusions, catering to a broad spectrum of construction needs.
- **Customers:** They serve a broad customer base, including construction and remodeling companies, contractors, and individual consumers.
- **Ownership:** The company is 100% owned and operated by ARC Industries, Inc., a private equity firm with a history of nurturing and growing its portfolio companies. Earnie and Matt have a thorough understanding of the company, as well as a vision on how to grow it (portfolio of new products). They want to also grow the company along the value chain, mainly related to aluminum products/railings.

Financial Ratio Benchmarking

# of Benchmarks:	36	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.61	3.28	
	Quick Ratio	0.99	1.43	
Leverage	Net Debt / EBITDA	1.92	2.31	
	Debt to Assets	30.8%	44.9%	
	EBITDA Margin	9.2%	10.7%	
Profitability	ROCE %	13.3%	22.6%	
	Revenue	\$26M	\$11M	

- Short-term liquidity is not an issue to the company, as highlighted by a very positive Current and Quick Ratio.
- Debt to Assets ratio of 44.9x exceeds the industry median by nearly 50%.
- An ROCE of 22.6% of suggests a very efficient utilization of capital.

Financial Statement Highlights

\$ '000s	Dec-21 T12	Sep-22 T9	YOY Chg
Income Statement			
Total Revenue	13,421	10,547	-21.4%
Adjusted EBITDA	1,152	1,123	-2.5%
Gross Profit Margin	17.7%	35.6%	+1789 bps
EBITDA Margin	8.6%	10.7%	+207 bps
Balance Sheet			
Cash And Cash Equivalents	36	36	-0.4%
Total Current Assets	4,021	4,603	14.5%
Total Goodwill & Intangibles	336	-	
Total Assets	5,337	5,856	9.7%
Total Debt	2,057	2,630	27.8%
Total Liabilities	4,183	4,033	-3.6%
Total Shareholder Equity	1,154	1,823	57.9%
Cash Flow			
Net Income	543	669	23.2%
CAPEX	220	104	-52.6%
Depreciation & Amortization	220	117	-46.7%
Free Cash Flow			
Fixed Charge Coverage Ratio	2.40x	3.41x	+1.0x

- Despite a slight dip in 2021, the company's revenue grew by 29.6% from Dec-20 to Dec-21
- Gross Profit margin and EBITDA margin improved significantly from Dec-20 through Sept-22 from 13.3% / 2.7% to 35.6% / 10.7% respectively.

Business Risk Highlights

- **Industry Risk:** The building products industry is cyclical, influenced by economic conditions and housing market dynamics.
- **Competitive Position:** L.B. Plastics, Inc. faces limited competition from larger industry players within a fragmented market, despite their 50+ years of presence. They found their spot/size within the market.
- **Direct Management/Governance:** The company benefits from the strategic oversight of ARC Industries, Inc., which brings industry expertise and financial acumen.
- **Sponsor/Parent Entity:** Wholly owned by ARC Industries since 2015, when they acquired it from the prior owner who was in his 70s. Since then they invested into the company (machinery, tools, processes) and thereby reducing OPEX significantly. They hold plenty of inventory to satisfy customers also in times of supply chain issues. 90% of their raw material is sourced within the US.