CLARION TECHNOLOGIES, INC.

CC *1 year PD* **20.71% to 26.55%**

- As of Q1-25 Clarion is ahead of its budget (EBITDA >2x budget), providing confidence of a successful '25. Yet, continued Net Loss, depleting Equity, and tariffs are persistent concerns.
- High customer concentration, yet protected by being a critical supplier in a highly sophisticated supply chain (automotive). Continued support by Craig Wierda (majority Owner/HNWI).

Strengths

- **Operational Flexibility:** Operates multiple manufacturing sites across the MW, SE, and TX, strengthening their operational stability, and serves as a USP given logistical proximity to customers within a highly complex supply chain.
- **Trend & Craig Wierda:** Total revenue increased from $67.3mn in FY-22 to $80.4mn in FY-24, reflecting a 19.5% growth. FY-25 EBITDA is projected to hit $2.5mn supported by Q1-25 (as-is). Craig Wierda slated to invest additional equity.
- **End of New Product Introduction Cycle:** 2024 marked a year of significant re-tooling for several new end-products (e.g. vehicles), causing COGS and CAPEX to spike. In 2025 the trend is projected to reverse (e.g. Q1-25 - COGS in % of Revenue declined from 99% to 95%), which typically lasts about 5 years (automotive).

Challenges

- **Unsustainable Leverage & Deteriorating Equity:** Debt-to-Equity has risen sharply from 2.17x in FY-23 to 5.77x in FY-24 and is projected to hit 9.41x in FY-25, while total equity shrunk from $9.7mn to $4.5mn over the past year. This signals a capital structure imbalance that heightens default risk.
- **Profitability & Cash Flow:** EBITDA margin (-1.3%) vs. a peers 11.8%, and negative adjusted EBITDA of -$1.1mn in FY-24. Operating Cashflow turned negative in FY-24 (-$3.2mn), raising concerns about long-term viability - yet reversing in Q1-25.
- **Concentrations, Debt Management, Tariffs:** Reliance on major customers such as Electrolux and Adient poses a high concentration risk. All debt is maturing in or prior to 12/26, R/C-line is effectively max'd out. Low to moderate tariff risk. Their clients are automotive OEMs/Tier1s, yet 92% of their resin is sourced domesically.

Company Overview

Headquarters	Holland, MI
Type	Private (Non-PE)
Employees	~800
Year Founded	1988
Website	https://www.clariontechnologies.com/
Business	Injection-molded plastic components manufacturer.
Revenues	$80.4M

- **Company Overview:** Mainly a Tier 2 manufacturer of custom injection-molded plastic components. The company specializes in producing precision-engineered plastic parts using advanced molding technologies.
- **Product:** Automotive Components - interior and exterior plastic parts for vehicle manufacturers and suppliers. Home Appliance Parts - injection-molded parts for washing machines, refrigerators, and kitchen appliances. Consumer Goods Plastics - for diverse applications, including packaging and industrial use.
- **Customers:** Adient - automotive(1/3), Electrolux - home appliances (1/3), Piston Interiors - automotive (9%), Trane - HVAC (8%), US Farathane (7%). Serves OEMs and Tier-1 suppliers in the automotive and home appliance industries**.**
- **Ownership:** Privately held, by Chairman and majority shareholder Craig Wierda
- **Debt Structure:** ~$10mn is long-term debt, with about $3mn in captial leases. They have an R/C-line with an undisclosed capacity, but $12mn UPB. No further details (maturity dates, seniority, rates) were provided.
- **Basis for Assessment:** Company-prepared, uncommented, unreviewed FY22 - FY25(P). We were mainly leaning on FY-24 financials.
- **Single Event Risks:** Key Customer Loss – Adient (automotive) and Electrolux (via Frigidaire) each make about 1/3 of the entity's total revenue. Refinancing Risk / Maturity Wall (12/26) – elevated debt and poor cash flow make default likely if capital access fails (e.g. Craig Wierda - unconfirmed Net Worth, but with take-out intentions pertaining to subordinate debt (contemplated). Liquidity – substantial APs (allegedlgy preferential supplier terms), and max'd out R/C-line (under negotiation with Byline Bank). Strikes - mentioned as a core issue if it should happen.

Financial Statement Highlights

$ '000s	(C) Dec-22 T12	(B) Dec-23 T12	(A) Dec-24 T12	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	67,285	74,730	80,364		7.5%
Gross Profit	(40)	3,481	357		-89.7%
Adjusted EBITDA	(1,590)	1,691	(1,048)		-161.9%
Gross Profit Margin	-0.1%	4.7%	0.4%		(421) bps
Net Income	(2,902)	(1,079)	(5,210)		382.9%
Balance Sheet					
Cash And Cash Equivalents	8	14	20		50.1%
Total Current Assets	16,089	15,455	18,081		17.0%
Total Assets	41,909	40,146	41,821		4.2%
Total Current Liabilities	10,979	9,860	11,986		21.6%
Total Debt	20,531	20,966	25,724		22.7%
Total Equity	10,749	9,670	4,460		-53.9%
Key Ratios					
Current Ratio	1.47	1.57	1.51		-3.8%
Quick Ratio	1.03	1.08	1.13		4.6%
Net Debt / EBITDA		12.39			
Debt to Assets	49.0%	52.2%	61.5%		+929 bps
EBITDA Margin	-2.4%	2.3%	-1.3%		(357) bps
ROCE %	-11.9%	-1.5%	-10.8%		(929) bps

- Revenue grew 19.5% from FY-22 ($67.3mn) to FY-24, yet projected to decline by -3.1% in FY-25 ($77.9mn), due to transition from tooling/prep stage to production.
- Debt increased by $4.8mn in FY-24, while total equity dropped from $9.7mn to $4.5mn, pushing leverage to unsustainable levels.
- Operating cash flow turned negative in FY-24 (-$1.5mn) despite prior improvements, raising liquidity concerns.

Scorecard Summary

Financial vs Business Risk Weighting Factors

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

	Weight	Score	Dimension	Weight	Score
Financial	65%	2.1	Liquidity	46%	*3.2*
			Leverage	54%	*1.1*
			Profitability	0%	-
Business	35%	6.8	Industry Risk	20%	*5.8*
			Competitive Position	50%	*7.0*
			Mgmt / Governance	30%	*7.0*
			Sponsor / Parent		
Modifiers		-0.8	Revenue Segment		*(0.0)*
			Trend Analysis		*0.25*
			Financial Flexibility		*(0.25)*

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	*32*	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.05	1.51	*24%*
	Quick Ratio	1.32	1.13	*43%*
Leverage	Net Debt / EBITDA	1.10	n/a	*0%*
	Debt to Assets	30.4%	61.5%	*4%*
Profitability	EBITDA Margin	11.8%	-1.3%	
	ROCE %	18.2%	-10.8%	
	Revenue	$89M	$80M	

Industry Benchmarks - Primary: Automotive Parts and Equipment

Debt Maturities

Business Risk Highlights

- **Industry:** The automotive plastics industry is **cyclical**, highly dependent on vehicle production and consumer spending. Economic downturns or slowdowns in auto sales could adversely impact revenue. To stabilize the business, hey also work with Electrolux (home appliances) and Trane (HVAC).
- **Competitive Position:** The company is a critical Tier 1 and 2 supplier of the automotive industry (primarily) with the the capability to produce at a consistently high quality, at scale, and to deliver its products in time and in sequence. Ongoing compliance with regulations, certifications, specifications and other requirements by their customers - all of which are regularlily audited, paired with the infrastructure required, provides them with a fairly isolated position where competition isn't a major concern. That aside, even their customers would rather fix something than replace a supplier.
- **Management:** CEO John Brownlow has been with the company since 2000. Patrick Kinstle, CFO, since 2012. There are succession plans with the son of John Brownlow (with the entity since 2019) and the son of Craig Wierda (with them since 2017). We believe that management mistakes partially led to the situation they are currently in.
- **Strategic Capital Support:** Craig Wierda, Chairman since 1/2001, has deep automotive and