

Motorvation LLC



- Net Losses of -\$321k in FY-22 more than doubled through 9/2023 to -\$732k.
- A rapidly declining current ratio 1.15x in FY-22 to 1.03x (T9 in 2023), in conjunction with a high debt to asset ratio (78.1%) drive concerns of a near-term liquidity issue.

Strengths

- Diverse Truck Brands:** Motorvation LLC offers a wide range of truck brands, including Freightliner, Peterbilt, Kenworth, Volvo, and International. This allows them to cater to a broader customer base and potentially capture a larger market share. Entity is rated 'B' by BBB, putting them in the top-third.
- Financing Options:** Motorvation LLC provides financing options to customers, which can attract more buyers and facilitate sales.
- Service Department:** The company has a service department to support customers' maintenance and repair needs, enhancing customer satisfaction and potentially fostering repeat business.

Challenges

- High Leverage:** The company's debt to equity ratio has been high, indicating a significant reliance on debt financing. This could increase financial risk and limit the company's flexibility in the long term.
- Profitability:** In FY-2022 and T9 Sep 2023, the company reported an increasing Net Loss (-\$321k to \$732k), and a growing negative EBITDA (-0.7% to -1.7%) whilst ROCE is currently at -137.7%.
- Competition:** Motorvation LLC faces competition from other truck dealerships, such as Arrow Truck Sales and Ryder Used Trucks, which offer similar products and services.

Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	65%	4.6	Liquidity	<div></div>
			Leverage	<div></div>
			Profitability	<div></div>
Business	35%	5.4	Industry Risk	<div></div>
			Competitive Position	<div></div>
			Mgmt / Governance	<div></div>
			Sponsor / Parent	<div></div>
Modifiers		-1.9	Revenue Segment	<div></div>
			Trend Analysis	<div></div>
			Financial Flexibility	<div></div>
			Fixed Cost Coverage Risk	<div></div>

Industry Benchmarks - Primary: Specialized Consumer Services

Company Overview

Headquarters	Jonesboro, GA	U.S.
Type	Private (Non-PE)	
Employees	n/a	
Year Founded	2014	
Website	www.motorvationtrucks.com	
Business	Specializes in selling pre-owned trucks.	
Revenues	\$28.9M	

- Company Overview:** Motorvation LLC is a truck dealership based in Jonesboro, GA, specializing in the sale of pre-owned heavy-duty trucks to customers in the transportation industry.
- Product:** Motorvation LLC offers a wide range of truck brands, including Freightliner, Peterbilt, Kenworth, Volvo, and International.
- Customers:** The company serves individuals and businesses in the transportation industry, providing them with pre-owned heavy-duty trucks.
- Ownership:** Family-owned, we were unable to unvail more details beyond that.

Financial Ratio Benchmarking

# of Benchmarks: 9		Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	0.98	1.03	<div></div>
	Quick Ratio	0.36	0.18	<div></div>
Leverage	Net Debt / EBITDA	5.22	(9.98)	<div></div>
	Debt to Assets	54.5%	78.1%	<div></div>
Profitability	EBITDA Margin	9.8%	-1.7%	<div></div>
	ROCE %	2.2%	-137.7%	<div></div>
	Revenue	\$26M	\$36M	<div></div>

- EBITDA Margin of -1.7% is significantly lower than overall median of 9.8%.
- Debt to Asset Ratio is substantially higher than peers, limiting their borrowing capacity.

Financial Statement Highlights

\$ '000s	Dec-20 T12	Dec-21 T12	Dec-22 T12	Chg
Income Statement				
Total Revenue	12,387	24,442	28,904	18.3%
Gross Profit	2,441	4,398	4,846	10.2%
Adjusted EBITDA	256	382	(196)	
Gross Profit Margin	19.7%	18.0%	16.8%	(123) bps
EBITDA Margin	2.1%	1.6%	-0.7%	(224) bps
Balance Sheet				
Cash And Cash Equivalents	175	214	201	-6.1%
Total Current Assets	3,453	4,963	6,664	34.3%
Total Assets	4,209	5,342	7,047	31.9%
Total Current Liabilities	3,250	3,941	5,788	46.9%
Total Debt	3,250	4,101	6,041	47.3%
Total Equity	959	901	689	-23.6%
Cash Flow				
Net Income	267	210	(321)	
CAPEX	-	-	-	
Depreciation & Amortization	40	156	119	-23.7%
Fixed Charge Coverage Ratio	0.14x	0.19x	0.10x	(-0.1)x

- +23.7% increase in OPEX outweighed double digit revenue growth of 18.3% in FY-22.
- The company reported negative EBITDA in FY-22 which resulted in a Net Loss (-\$321k). This trend continued through the following 9 months, ending Sep 2023 with the company reporting a Net Loss of -\$732k.
- Growth in Currrent and Total Assets (34.3%/31.9%) was exceeded by the increase in Current Liabilities and Total Debt (46.9%/47.3%)

Business Risk Highlights

- Industry:** The commercial vehicle marekt is projected to grow by a CAGR of 10.4% through 2030. Main drivers behind the growth are electrification, autonomous driving, increasing urbanization, e-commerce, and re-industrialization.
- Competitive Position:** Motorvation LLC faces competition from other truck dealerships, such as Arrow Truck Sales and Ryder Used Trucks, which offer similar products and services.
- Management:** n/a.
- Ownership:** Family-owned.