

RD Foods Americas Inc. (wholly-owned sub of RD Corporation)



B 1 year PD
1.89% to 3.18%

- FY23 revenue drop (-35.5%) and a decreasing already low profitability indicate financial instability & high credit risk.
- Despite a declining profit (-63.5%) in FY-23 they did not have a loss. Although the current ratio improved, leverage increased to 16.3x (!) vs peers 0.9x - yet backed by parent.

Strengths

- Distribution & Supply:** Multiple warehouse locations across the US, allowing them to service customers in large metropolitan areas and more remote locales. Exclusive relationship, with RD Corporation (parent entity) that sources fish from the Philippines, Indonesia, and Papua New Guinea.
- Strategic Support:** The tenant is supported by its' parent, RD Corporation, one of the fastest growing conglomerates in the Phillipines. The relationship allows RD Corporation to extend and deepen its' economic value add.
- Diverse Product Range:** Diverse range of products, including seafood and high-volume commodity items like canned fruits and vegetables. This variety allows them to cater to different customer needs and preferences.

Challenges

- Liquidity Concerns:** Current and quick ratios are lower than the industry median, indicating less short-term liquidity. This could pose challenges in meeting short-term financial obligations.
- High Financial Leverage:** Net debt to EBITDA ratio is significantly higher than the industry median, and more than doubled since FY-22 due to the decline in EBITDA by -66.6%. Yet, the Debt to Asset ratio is almost half of its' peers.
- Decreased Profitability:** EBITDA margin and ROCE % have decreased from FY-22 to FY-23, indicating reduced operational efficiency and profitability, and may impact the company's ability to generate profits over time.
- Execution Risk:** If they cannot run the plant, the US entity will likely default.

Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	30%	3.0	Liquidity	<div></div>
			Leverage	<div></div>
			Profitability	<div></div>
Business	70%	6.3	Industry Risk	<div></div>
			Competitive Position	<div></div>
			Mgmt / Governance	<div></div>
			Sponsor / Parent	<div></div>
Modifiers		0.0	Revenue Segment	<div></div>
			Trend Analysis	<div></div>
			Fixed Cost Coverage Risk	<div></div>
			Other Modifier	<div></div>

Industry Benchmarks - Primary: Food Distributors | Secondary: Packaged Foods and Meats

Company Overview

Headquarters	Fair Lawn, NJ	U.S.
Type	Private (Non-PE)	
Employees	n/a	
Year Founded	2014	
Website	https://rdfoodsamericas.com/	
Business	Wholesale importer and distributor of canned food products	
Revenues	\$15.3M	

- Company Overview:** RD Foods Americas, Inc. is a wholesale importer and distributor of canned food products, and wholly-owned subsidiary of RD Corporation. We consider them a startup as they are part of a plan by the parent to enter the US including their own plant to package tuna products.
- Product:** They source fish from the Philippines, Indonesia, and Papua New Guinea and also offer high-volume commodity items like canned fruits and vegetables.
- Customers:** They service a wide range of customers from retail to food service and industrial trade across the country.
- Ownership:** Key principal of the subsidiary, the tenant, is Hillel Bibergal. Founded as a pawnshop in General Santos City '76, today, RD Corp is engaged in fishing, ship building and repair, manufacturing, aquaculture and processing, finance, agri-business, hotels and resorts, retail and realty development in the Philippines, Southeast Asia, Malaisa, Europe and the US. RD Corp is one of the fastest growing conglomerates in the Phillipines.
- NOTE:** RD Corps' plan is to establish an entity in the US to build an infrastructure for distribution, sales relationships and marketing. At the same time they invested in the construction of a packaging plant, which shall be up and running by end of 2024. D&A have not been incorporated yet (\$2.4mn annually), although they are going to split the entity in two to run the plant separately (so we ignore D&S). The latter has recently been accredited by Walmart who they plan to supply ~\$100mn in tuna in 2025. Hence, we ascribe a high level of commitment by the parent entity to cover overruns.

Financial Ratio Benchmarking

# of Benchmarks:	10	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.12	0.89	<div><div></div></div> 34%
	Quick Ratio	0.83	0.41	<div><div></div></div> 25%
Leverage	Net Debt / EBITDA	0.86	16.13	<div><div></div></div> 1%
	Debt to Assets	34.4%	19.0%	<div><div></div></div> 74%
Profitability	EBITDA Margin	4.8%	1.3%	<div><div></div></div> 21%
	ROCE %	7.9%	0.9%	<div><div></div></div> 34%
Revenue		\$38M	\$15M	

- Current ratio has improved from 0.44 in FY-22 to 0.89 in FY-23, but it's still lower than the industry median of 1.12.
- Net debt to EBITDA ratio is much higher than the industry median, suggesting higher financial risk, yet Debt to Assets is nearly half of market.

Financial Statement Highlights

\$ '000s	Dec-21 T12	Dec-22 T12	Dec-23 T12	Chg
Income Statement				
Total Revenue	19,231	23,637	15,257	-35.5%
Gross Profit	1,752	1,921	1,388	-27.7%
Adjusted EBITDA	536	598	202	-66.2%
Gross Profit Margin	9.1%	8.1%	9.1%	+97 bps
EBITDA Margin	2.8%	2.5%	1.3%	(120) bps
Balance Sheet				
Cash And Cash Equivalents	438	1,986	2,773	39.6%
Total Current Assets	12,004	9,457	8,155	-13.8%
Total Assets	30,869	32,692	31,706	-3.0%
Total Current Liabilities	19,999	21,592	9,137	-57.7%
Total Debt	5,397	6,294	6,038	-4.1%
Total Equity	9,734	10,183	10,352	1.7%
Cash Flow				
Net Income	434	449	165	-63.4%
CAPEX	7,527	3,473	-	
Depreciation & Amortization	-	-	-	
Fixed Charge Coverage Ratio	0.12x	0.14x	0.05x	(-0.1)x

- Significant drop in total revenue from FY-22 to FY-23 from \$23.6mn to \$15.3mn (-35.5%).
- Following the subsequent decline in EBITDA (-66.6%), and a despite a lower Total Debt (-4.1%) their Leverage Ratio has increased significantly from 7.2x in FY-22 to 16.3x in FY-23.
- Despite a decline in Net Income by 63.4% in FY-23, the entity still struck a profit of \$165k.
- CAPEX has declined down to <zero> which may imply a melting ice-cube, and is not a good sign considering the seemingly low operational efficiency compared to market.

Business Risk Highlights

- Industry:** The company operates in the Food Distributors industry, which is characterized by its vast size and generally operating on a low profit margin. The industry is projected to grow at a CAGR of 6.5% in the US from 2023 to 2028. The US Food & Beverage industry as a whole had a size of \$1.8trn in 2020.
- Competitive Position:** RD Foods Americas, Inc. offers a diverse range of products and has established relationships with various suppliers globally, yet mainly with RD Corporation. The comparatively low EBITDA Margin, relative to its peers may indicate operational inefficiencies, a price leadership strategy, or a combination of both. The recent decline in revenue (-35.5%) is particularly concerning as it is a business that's mainly driven by volume and operational efficiency.
- Management:** Given the private nature of the entity there hasn't been much information available. Yet, declining EBITDA Margin, dropped sales in FY-23, almost insignificant ROCE, and no CAPEX in FY-23 all don't speak in favor of the current management.
- PE Sponsor:** n/a