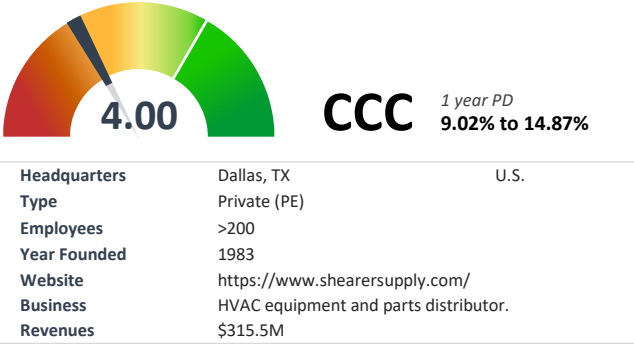


Shearer Holdco, LLC



Company Overview

- Company Overview:** Shearer Holdco, LLC (d/b/a Shearer Supply) is a leading regional HVAC distributor focused on serving contractors in the residential and light commercial markets across the South-Central USA.
- Product:** Offers a focused line of HVAC systems, parts, and supplies. Core product lines include American Standard (primary brand), Samsung HVAC, and Ameristar, supported by accessory lines and technical services.
- Customers:** Services a diversified base of 5,500+ independent HVAC contractors, builders, and service companies, primarily through in-branch transactions and regional deliveries.
- Ownership:** Acquired by Investcorp in 4/23. Investcorp has \$55bn AUM, and a strong mid-market track record. They made HVAC-relevant investments prior, suggesting a capable sponsorship.
- Debt Structure:** Maturity wall in 2030 with effectively all debt becoming due, including a \$25mn R/C-line (\$4.5mn UPB). As of 8/24 the entity reported compliance with all covenants.
- Basis for Assessment:** Audited and commented full financials covering FY-23, and FY-24. The assessment is mainly based on FY-24.
- Other (pros/cons):** Shearer Holdco, LLC shows EBITDA recovery and revenue growth post-acquisition by Investcorp. Investcorp is a seasoned, liquid, and highly qualified PE sponsor. High leverage and weak cash flow, alongside limited risk visibility, remain key credit concerns. Continued PE-support is vital, as FCCR is negative at the moment. 61% of Total Assest is comprised of Goodwill and Intangibles (\$242mn) annually amortizing with \$20.2mn. In light of their growth and acquisitions strategy, SG&A/OPEX might be inflated due to one-off, acquisitions/integration expenses.

Financial Snapshot

	Apr-23	Aug-23 (A2)	Aug-24	Chg
\$ '000s	T12	T12	T12	%
Total Revenue	#N/A	354,536	315,462	-11.0%
Gross Profit	#N/A	84,694	74,416	-12.1%
Adjusted EBITDA	#N/A	31,984	9,137	-71.4%
Gross Profit Margin	#N/A	23.9%	23.6%	-0.3 ppt
EBITDA Margin	#N/A	9.0%	2.9%	-6.1 ppt
Net Income	#N/A	(1,641)	(27,735)	-1590.1%
Depreciation & Amorti	#N/A	20,909	21,967	5.1%

	Weight	Rating Range		
	35%	1.5	to	2.0

Financial Ratio Benchmarking

# of Benchmarks:	50	Industry Median	Company Metric	Percentile Rank
Liquidity	Revenue	\$301M	\$315M	
	Current Ratio	1.96	1.79	44%
	Quick Ratio	1.02	0.72	19%
Leverage	Net Debt / EBITDA	2.16	15.95	0%
	Debt to Assets	35.0%	37.9%	47%
Profitability	EBITDA Margin	9.3%	2.9%	7%
	ROCE %	12.9%	-3.9%	

of Industry Benchmarks 50
Company Financials Date Aug-24

Industry Benchmarks - Primary: Electronic Manufacturing Services

Business Risk

Industry Group Risk Profile		Technology Hardware And Semiconductors	15%	5.0	to	6.5
Industry Risk Assessment	KPI Rating	Contribution	Industry Group Description			
Cyclicality	Moderately high risk		Entities that derive a majority of their revenue from the sale of technology hardware and semiconductors. This includes manufacturers of semiconductors and semiconductor equipment, computer hardware, storage, and peripherals, electronic components and equipment, office electronics, consumer electronics, communications equipment, technology distributors, and electronic manufacturing services, which currently consists of mostly outsourced manufacturing providers.			
Competitive Risk	Moderately high risk					
Global Industry	Moderately high risk					
Market Segment Outlook	Above Average					
Competitive Position Profile		Distribution	35%	5.5	to	7.5
Competitive Position KPIs	KPI Rating	Contribution	Rating Guideline			
Cycle-Tested	< 2000		Navigated multiple economic down-cycles.			
Geographic Coverage	Satisfactory		Distribution network covers several key areas regionally.			
Supplier Relationships	Above Average		Has solid relationships with multiple suppliers.			
Product Range	Above Average		Has a broad product range within a specific category.			
Customer Relationships	Above Average		Good relationships with both large and small retailers.			
Delivery Speed	Satisfactory		Average delivery times, comparable to industry peers.			
Inventory Management	Satisfactory		Average inventory management, occasional stockouts or overstock.			
Value-Added Services	Above Average		Provides a few value-added services.			
Technology Use	Above Average		Good use of technology for key operations, some areas still manual.			
Management, Governance, Sponsorship			50%	4.0	to	5.0

Anchor Modifiers

Modifiers	Risk Flag	FCCR of -0.28x
Fixed Cost Coverage Risk		

Rating Range (Rounded)

3.5 to 4.5