Dynamic Rubber, Inc. ("DR")

CCC+

1 year PD
3.18% to 9.02%

- Strong margins, liquidity, PE-backed, and no debt support credit quality. Strong performance growth from FY-23 to FY-24.
- Seemingly high concentration on aerospace/defence, yetl imited transparency and quality of financials. The company is small, with one manufacturing facility, small team, and possible owner-transition - jointly increasing its default risk.

Strengths

- **Profitability & Leverage:** EBITDA margin rose to 20.3% in FY-24, nearly 3x their peers' (7.6%), alongside ROCE of 71.4%, signaling superior operating and capital efficiency. The entity doesn't report any debt, with Current Liabilities < Cash. Hence, they have ample liquidity to support operations, even though we have no transparency about Cash Flows.
- **PE-backing:** In January 2025 Bosworth Capital acquired the company (debt-financed). As the PE-backing generally acts as a accelerator to growth, likely with a transitional angle to the transaction (TBC). The respective impact is not yet reflecting in the financials received, nor do we have insights about an onwer-transition/strategy.
- **Diversified Sector Exposure:** The company serves at least six regulated and industrial sectors (semiconductor, medical, food, aerospace, marine, composites), reducing sector-specific volatility and reliance on any one industry.

Challenges

- **Lack of Depreciation/CapEx:** No depreciation or capex is reported in FY-24, despite references on their website about ongoing investment in new lines, MRP systems, and capacity expansion. This could point towards a gap in the financials we received.
- **Transparency:** While the company is diversified by industry, there is no disclosed customer concentration breakdown or order backlog, reducing confidence in future revenue visibility. No details about their (new) strategic direction were disclosed (yet).
- **Cash Flow Timing Risk:** A/Rs of $1.37mn vs. A/Ps of $46K implies a potential imbalance in cash inflows vs. outflows and may reflect delayed customer payments or overly generous credit terms tieying up working capital and no known R/C-line in place.

Company Overview

Headquarters	Mount Prospect, IL
Type	Private (PE)
Employees	~25
Year Founded	2002
Website	https://www.dynamicrubber.com/
Business	Custom manufacturer of inflatable rubber sealing systems.
Revenues	$7.4M

- **Company Overview:** Dynamic Rubber, Inc. is a custom manufacturer of engineered inflatable rubber sealing systems, headquartered in Mount Prospect, IL. The company was acquired by Bosworth Capital in January 2025.
- **Product:** *Inflatable Seals* - custom-engineered for cleanroom doors, fluid-bed dryers, flood protection, and composite tooling. Bladders - used in advanced composite molding, vacuum bagging, and structural laminates. Accessories - includes valves, clips, and custom retainers that support core sealing systems.
- **Customers:** Serves OEMs and industrial clients across regulated sectors including semiconductors, pharmaceuticals, aerospace, medical devices, marine transport, and industrial equipment.
- **Ownership:** Privately held; acquired by private equity firm Bosworth Capital with mezzanine financing from Medallion Capital in January 2025.
- **Debt Structure:** Financials provided don't indicate any debt on balance sheet, yet about $1.1mn in Cash.
- **Basis for Assessment:** Company-prepared, and uncommented Income Statements for FY-23, and FY-24 as well as Balance Sheets per 12/31/24 and 7/17/2025. Main basis for the Credit Risk Assessment was FY-24.
- **Single Event Risks:** The *loss of a key client*, although we currently have no transparency over the actual customer concentration risk aside from a broad range of industries that they serve, could be problematic given the comparatively small entity size. Since they only have one manufacturing facility, a *plant disruption*, could halt operations and cause delays which may lead to claims over liquidated damages - depending on contingency plans (not yet provided).

Financial Statement Highlights

$ '000s	(C) Dec-23 T12	(B) Dec-24 T12	(A) Jun-25 T6	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	5,911	7,422	-	26%	-
Gross Profit	2,370	3,472	-	46%	-
Adjusted EBITDA	746	1,510	-	103%	-
Gross Profit Margin	40.1%	46.8%		17%	-
Net Income	711	1,470	-	107%	-100.0%
Balance Sheet					
Cash And Cash Equivalents	-	526	1,085	-	106.1%
Total Current Assets	-	1,924	1,984	-	3.1%
Total Assets	-	2,133	2,289	-	7.3%
Total Current Liabilities	-	17	137	-	717.7%
Total Debt		(29)	(25)	-	13.8%
Total Equity	-	2,117	2,152	-	1.7%
Key Ratios					
Current Ratio		114.77	14.47	-	-87.4%
Quick Ratio		114.77	14.47	-	-87.4%
Net Debt / EBITDA		(0.37)		-	-
Debt to Assets		-1.4%	-1.1%	-	+27 bps
EBITDA Margin	12.6%	20.3%		61%	-
ROCE %		71.4%	0.0%	-	(7135) bps

- Revenue grew +25.6% YoY from $5.9mn (FY-23) to $7.4mn (FY-24), outpacing sector growth and supported by a strong YoY expansion in gross profit margin (from 40.1% to 46.8%).
- EBITDA more than doubled YoY from $745K to $1.51mn, with Net Income also rising from $711K to $1.5mn, pointing to operating scalability and low fixed cost leverage.
- Cash grew from $0.5mn to $1.1mn entirely by profit generation and retained earnings, but with no reported capital expenditures, raising long-term reinvestment concerns.

Scorecard Summary

Financial vs Business Risk Weighting Factors

Ownership	Private (PE)
Company Stage	Growth
Financials	Partial

	Weight	Score	Dimension	Weight	Score
Financial	20%	8.8	Liquidity	45%	10.0
			Leverage	28%	6.6
			Profitability	28%	9.1
Business	80%	4.8	Industry Risk	15%	6.4
			Competitive Position	35%	5.0
			Mgmt / Governance	15%	4.0
			Sponsor / Parent	35%	4.4
Modifiers		-1.2	Revenue Segment		(1.2)
			Trend Analysis		0.25
			Financial Flexibility		0.25

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	*113*	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.61	114.77	100%
	Quick Ratio	1.39	114.77	100%
Leverage	Net Debt / EBITDA	0.39	(0.37)	62%
	Debt to Assets	12.3%	-1.4%	
Profitability	EBITDA Margin	7.6%	20.3%	85%
	ROCE %	11.3%	71.4%	99%
	Revenue	$17M	$7M	

Industry Benchmarks - Primary: Specialty Chemicals | Secondary: Industrial Machinery and Supplies an

Debt Maturities

Business Risk Highlights

- **Industry:** The North American specialty elastomers market is a niche with moderate concentration and solid profit margins. The industry is projected to grow at a 7.0 % CAGR through 2032. Success hinges on three critical factors - *R&D-driven product innovation*, *supply chain robustness*, and *customer-specific engineering*. The commonly, deep integration with OEMs (high switching costs), demands precision engineering and customization.
- **Competitive Position:** DR has a strong moat via ISO certification, material versatility, and technical application depth (>140 seal profiles), but is relatively small with <25 employees.
- **Management:** With a lean workforce across five locations (yet, only on manufacturing site), key-person risk in technical roles (engineering, quality, compliance) is notable, especially given the absence of disclosed succession or bench strength.
- **PE Sponsor:** Founded in 2008, Bosworth is a Chicago based boutique PE-firm specialized in lower middle-market companies ($1-5mn in EBITDA). Their team consists of 3 investment professionals who executed ~14 platform investments, and 10 exits to date. Their operationally engaged model supports stability, despite limited disclosed AUM (<$200mn). Bosworth has an industrial niche expertise, and seems to align well with founder transitions. Since they just acquired Dynamic Rubber in January 2025, it is likely that they'll re-itroduce a