Proven Partners Group, LLC ("PPG")

CCC

1 year PD
9.02% to 14.87%

- Low liquidity, with a current ratio of 0.53 in FY-23, and debt to asset ration 2x their peers. Unde-rutilization of Assets and relatively high debt weigh on the entity's financial flexibility.
- Operating performance with 17.3% EBITDA margin in FY-23 (almost 3x peers), is very good, countered by high Interest Expenses and Distributions taken, creating Losses.

Strengths

- **Profitability:** EBITDA margin of 17.3% in FY-23 significantly surpasses the peer median of 6.6%, indicating strong profitability and effective cost management.
- **Private Equity Support:** Tilia acquired them in 2019 with the goal of growing the business, leveraging their sector specific expertise, and bringing along a lender (LBC Credit Partners) to finance the respective investments.
- **Customer Relationships:** Maintains long-term contracts with major food brands and retailers, ensuring consistent revenue and a stable client base.

Challenges

- **Liquidity, Debt:** The current ratio of 0.53 is significantly below the industry median of 2.09, indicating potential difficulties in covering short-term liabilities. The A/P exceed A/R by ~$2.73mn, exceeding Cash & Equivalents by ~$630k. Tilia also takes annual distributions roughly matching the respective Losses they post. Leverage is below, but debt to assets is about 2x of their peers'.
- **Return on Assets (ROA) & Leverage:** The negative ROA reflects ongoing inefficiencies in asset utilization, impacting overall financial performance. Leverage is slightly below peers, although debt to assets (for asset based lending) is more than 2x higher than its peers, reducing financial flexibility.
- **Equity Decline & Losses:** The equity ratio decreased from 29.7% in FY 2022 to 10.3% in June 2024, indicating increased reliance on liabilities and reduced financial flexibility. Despite a declining trend the entity is likely to continue it's path of substantial losses through FY-24, 3rd consecutive year.

Company Overview

Headquarters	Elgin, IL
Type	Private (PE)
Employees	~300
Year Founded	2004
Website	https://www.provenpartnersgroup.com/
Business	Custom food production and logistics services.
Revenues	$73.7M

- **Company Overview:** PPG is a contract manufacturing and logistics services provider specializing in custom food products and comprehensive supply chain solutions.
- **Product:** The company focuses on private label manufacturing, co-packing services, and quality assurance, ensuring compliance with stringent industry standards and regulatory requirements.
- **Customers:** Serves major food brands, retailers, and food service providers, leveraging strong relationships to ensure consistent revenue.
- **Ownership:** In 3/2019 PPG was acquired by Tilia Holdings, who has ~$500mn in AUM. Tilia specializes in the food supply chain sector. Founded in 2017, it boasts a strong track record of strategic investments, but its recent leadership changes and financial commitments highlight potential liquidity and operational risks.
- **Debt Structure:** No debt structure has been made available in support of this assessment.
- **Other:** Underlying rationale for the assessment is the anticipated M&A-transaction between PPG, backed by Trilia, and Coregistics, backed by Red Arts Capital. Coregistics is aiming to acquire PPG. This assessment is solely based on the as-is (PPG-financials, including backing by Tilia), and mainly leaning on the FY-23 financials, with the annualized T6-figures through 6/24 providing a trend-projection. Merging the PPG with Coregistics could make sense if Coregistics wants to leverage the highly efficient and underutilized infrastructure and processes that Tilia put in place for PPG.

Financial Statement Highlights

$ '000s	(C) Jun-24* T12	(B) Dec-22 T12	(A) Dec-23 T12	Change (C) to (B)	Change (B) to (A)
Income Statement	**ANNUAL.**				
Total Revenue	75,147	68,803	73,745		7.2%
Gross Profit	23,406	15,707	20,420		30.0%
Adjusted EBITDA	14,271	11,372	12,789		12.5%
Gross Profit Margin	31.1%	22.8%	27.7%		+486 bps
Net Income	(8,242)	(11,214)	(9,351)		-16.6%
Balance Sheet					
Cash And Cash Equivalents	2,095	519	1,336		157.1%
Total Current Assets	10,315	8,286	8,633		4.2%
Total Assets	51,360	61,479	53,387		-13.2%
Total Current Liabilities	18,251	14,087	16,383		16.3%
Total Debt	27,806	29,135	27,577		-5.3%
Total Equity	5,303	18,257	9,427		-48.4%
Key Ratios					
Current Ratio	0.57	0.59	0.53		-10.4%
Quick Ratio	0.57	0.59	0.53		-10.4%
Net Debt / EBITDA	1.80	2.52	2.05		-18.5%
Debt to Assets	54.1%	47.4%	51.7%		+426 bps
EBITDA Margin	19.0%	16.5%	17.3%		+81 bps
ROCE %	18.1%	4.4%	12.6%		+814 bps

- Y-o-y total revenue increased from $68.8mn to $73.7mn (+7.2%) countered by an increase in OPEX by 15.8%, essentially accumulating to a declining, yet still substantial Loss of $9.4mn (decline by -16.6% over FY-22).
- Adjusted EBITDA rose from $11.4mn to $12.8mn FY-23, with Operating Income more than doubling from $2.1mn to $4.6mn, but essentially eaten up by increasing interest expenses which rose by $1.5mn in FY-23 and other stable non operating expenses.

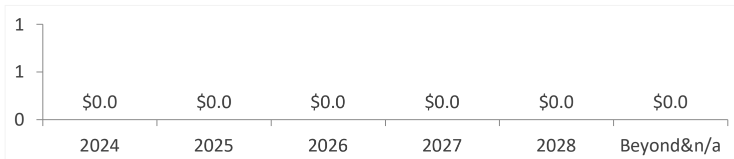
Scorecard Summary

	Weight	Score	Dimension	Weight	Score
Financial	35%	5.2	Liquidity	30%	1.8
			Leverage	35%	1.8
			Profitability	35%	2.9
Business	65%	5.9	Industry Risk	15%	6.3
			Competitive Position	35%	6.8
			Mgmt / Governance	15%	4.3
			Sponsor / Parent	35%	5.7
Modifiers		-1.6	Revenue Segment		(0.3)
			Financial Flexibility		
			Fixed Cost Coverage Risk		
Financial vs Business Risk Weighting Fac			**Other Modifier**		-0.75

Ownership	Private (PE)
Company Stage	Growth
Financials	Complete (Unaudited)

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks: 25		Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.09	0.53	5%
	Quick Ratio	1.14	0.53	13%
Leverage	Net Debt / EBITDA	2.29	2.05	54%
	Debt to Assets	25.3%	51.7%	23%
Profitability	EBITDA Margin	6.6%	17.3%	81%
	ROCE %	11.7%	12.6%	65%
	Revenue	$74M	$74M	



Industry Benchmarks - Primary: Packaged Foods and Meats

Business Risk Highlights

- **Industry:** The Packaged Foods and Meats industry in North America is a significant segment, valued at over $1trn in 2021 and projected to grow at a CAGR of 4.8% from 2022 to 2030. Similarly, the food distribution industry presents steady growth with a projected CAGR of 3.5% from 2023 to 2028, driven by increasing demand for convenience foods.
- **Competitive Position:** PPG differentiates itself with a diverse product range and strong customer relationships, positioning it well in the custom food manufacturing sector. PPGs' EBITDA Margin is nearly 3x its' peers, although countered by an Loss accumulation that's just not sustainable driven by an underutilization of assets.
- **Management:** The company benefits from strategic oversight by Tilia Holdings, ensuring alignment with best practices and growth strategies.
- **PE Sponsor:** Tilia Holdings, has ~$500mn in AUM, specializes in the food supply chain sector. Founded in 2017, it boasts a strong track record of strategic investments. In relation to PPG, they seemingly invested too much too fast. Rising interest rates related to debt financed growth and investments in infrastructure, as well as distributions that they take, are the main reason leading to Losses.