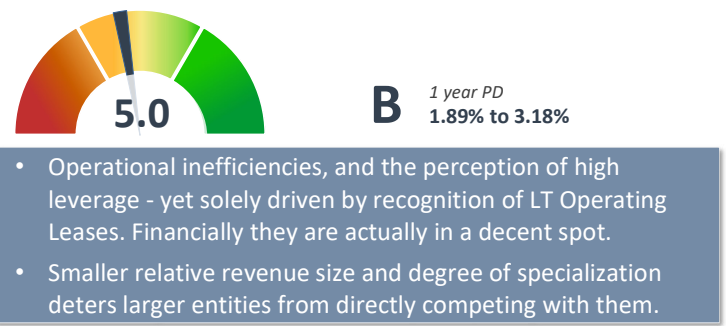


Southern Aluminum Finishing Company, Inc.



Strengths

- Specialized Product Offering:** Focus on aluminum fabrication and finishing, particularly in architectural products, requires niche market expertise, and therefore protects them to an extend from much larger competitors from the alluminum business to step on thier turf.
- Solid Customer Relationships:** Established ties in the building industry suggest a stable and, more than likely, very loyal customer base.
- Financial Strength:** Net of incorporation of ASC 842, leverage would be at 1.42x and debt to asset ratio at 22.2%. There was no substantial increase in debt from FY-2022 to FY-2023. We adjusted for that as the benchmark data likely didn't fully recognize ASC 842 in FY-2022.

Challenges

- High Leverage (post adoption ASC 842) :** Elevated net debt to EBITDA ratio (4.76) compared to peers (2.6x) would signal significant financial risk and potential debt management challenges.
- Operational Efficiency Concerns:** Lower EBITDA margin (5.4%) compared to industry peers indicates potential inefficiencies.
- Smaller Revenue Size:** Compared to most peers in that industry, the company's smaller revenue size may limit market influence and competitive dynamics (lacking economies of scale).

Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	75%	4.6	Liquidity	<div></div>
			Leverage	<div></div>
			Profitability	<div></div>
Business	25%	5.4	Industry Risk	<div></div>
			Competitive Position	<div></div>
			Mgmt / Governance	<div></div>
			Sponsor / Parent	<div></div>
			Revenue Segment	<div></div>
Modifiers		0.1	Financial Flexibility	<div></div>
			Other Modifier	<div></div>

Industry Benchmarks - Primary: Aluminum

Company Overview

Headquarters	Atlanta, GA	U.S.
Type	Private (Non-PE)	
Employees	80 - 300	
Year Founded	1946	
Website	https://www.saf.com/	
Business	Processor and distributor of aluminum and other metals	
Revenues	\$44.5M	

- Company Overview:** Southern Aluminum Finishing Company, Inc. ("SAF") specializes in high quality metal fabrication, finishing, and distribution, of mainly aluminum products. The Company operates plants in Atlanta, Georgia; Villa Rica, Georgia; Nashville, Tennessee; Redding, California; Indianapolis, Indiana and Temple, Texas.
- Product:** Company's products include commercial roofing trim, column covers, building panel systems and architectural metalwork. Production offerings include the custom fabrication of aluminum and other metals, distribution of aluminum sheet and extrusions, aluminum batch and coil anodizing, painting and powder coating.
- Customers:** Customers include glazing contractors, roofing contractors, other building product manufacturers, metal distributors throughout North America, and aluminum extruders in the southeastern United States.
- Ownership:** Assumed to be privately held, and independent without meaningful PE-backing.

Financial Ratio Benchmarking

# of Benchmarks:		12		Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio			1.63	1.80	<div></div> 15%
	Quick Ratio			0.74	0.86	<div></div> 13%
Leverage	Net Debt / EBITDA			2.58	4.76	<div></div> -22%
	Debt to Assets			31.7%	45.2%	<div></div> -8%
Profitability	EBITDA Margin			7.8%	5.4%	<div></div> -36%
	ROCE %			15.3%	8.2%	<div></div> -27%
	Revenue			\$381M	\$45M	

- High leverage ratio (4.8) vs peers, with a comparatively low ROCE (8.2%) suggesting less effective capital use (post ASC 842!)
- Current and quick ratios range above the peer median, indicating stronger short-term financial health.

Financial Statement Highlights

\$ '000s	Jul-21 T12	Jul-22 T12	Jul-23 T12	Chg
Income Statement				
Total Revenue	-	47,094	44,535	-5.4%
Gross Profit	-	10,182	9,718	-4.6%
Adjusted EBITDA	-	2,309	2,391	3.6%
Gross Profit Margin		21.6%	21.8%	+20 bps
EBITDA Margin		4.9%	5.4%	+47 bps
Balance Sheet				
Cash And Cash Equivalents	-	-	132	
Total Current Assets	-	12,286	10,953	-10.9%
Total Assets	-	16,633	25,459	53.1%
Total Current Liabilities	-	5,839	6,071	4.0%
Total Debt	-	2,829	11,503	306.6%
Total Equity	-	10,004	10,843	8.4%
Cash Flow				
Net Income	-	1,516	1,435	-5.4%
CAPEX	-	-	1,757	
Depreciation & Amortization	-	918	803	-12.5%
Fixed Charge Coverage Ratio		1.57x	1.49x	(-0.1)x

- Decrease in total revenue from \$47.1mn to \$44.5mn, could be marginal, yet hard to tell without more historical data.
- Reduction in cost of revenue, as well as other expense-positions (e.g. distributions, advdertising, etc) reflect a reaction of management to the lower revenue, improving efficiency.
- Current ratio improved to 1.80, showcasing their ability to meet short-term liabilities.

Business Risk Highlights

- Industry:** Operates in a competitive aluminum industry, requiring innovation and market adaptation. North American aluminum market is projected to grow at a CAGR of around 3.1% from 2021 to 2026. Ctital success factors are operational efficiency, innovation/product development, and maintaining strong relations with suppliers and customers alike.
- Competitive Position:** Strong product differentiation but faces challenges in operational efficiency.
- Management:** Improving profitability is key to sustainability. Research indicated that the current owners and CEO/CFO being somewhat older. We are not aware of any succession plans, in conjunction with and/or without their strategy over the coming years.
- PE Sponsor:** n/a