

Premio Foods, Inc.



- Premio Foods recently improved operational efficiency substantially, along with almost all other relevant KPIs - despite a decline in revenue by -3.7%.
- They are debt free, adn have substantial liquidity/dry-powder. Strategic direction is generally unknown though.

Strengths

- **Strong Liquidity Position:** Premio maintains a robust liquidity position with cash and equivalents of \$33.3mn (FY-23). This enhances their ability to meet short-term obligations and invest in growth opportunities/acquisitions.
- **Debt-Free Status:** They have no long-term debt or interest expenses. This debt-free position reduces financial risk and provides substantial flexibility.
- **Products & Investments:** Range of Italian sausages (core focus) and global flavors, which they expanded to chicken sausages. Modest overall diversity for their size, yet focus on quality, tradition, and heritage. The entity is heavily investing into its future (Assets +26.4% / CAPEX +36.6%), all whilst Cash doulbed from \$16.2mn to \$33.3mn.

Challenges

- **Profitability Challenges:** Despite a significant improvement in profitability from 6.8% to 10.4% in FY-23 (EBITDA Margin), it still compares rather modest to market (12.5%).
- **Limited Information about Competitive Edge & Innovation:** The company operates in a highly competitive industry. Premio seems to rely a lot on its' relationships, quality, and heritage/experience. Their level of innovation and openness to change, as non-meat alternatives, or organic meat options (both of which were gaining substantial market share over the past few years especially amongst the younger generation) is generally unknown.

Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	65%	7.9	Liquidity	<div></div>
			Leverage	<div></div>
			Profitability	<div></div>
Business	35%	5.6	Industry Risk	<div></div>
			Competitive Position	<div></div>
			Mgmt / Governance	<div></div>
			Sponsor / Parent	<div></div>
Modifiers		0.5	Financial Flexibility	<div></div>

Industry Benchmarks - Primary: Packaged Foods and Meats

Company Overview

Headquarters	Fair Lawn, NJ	U.S.
Type	Private (Non-PE)	
Employees	~400	
Year Founded	1978	
Website	https://www.premiofoods.com/	
Business	Crafts mainly Italian sausages for diverse tastes.	
Revenues	\$266.6M	

- **Company Overview:** Premio Foods, Inc., headquartered in Fair Lawn, New Jersey, specializes in crafting mainly fine Italian sausages. They pride themselves in using traditional recipes, high-quality cuts of meat, and decades of Italian sausage-making heritage.
- **Product:** They offer Italian sausages (Hot, Mild, Sweet), as well as "global flavors" (Bratwurst, Cajun, Chorizo), and chicken sausages (healthier choice). Their diverse product portfolio caters to various tastes and dietary preferences, although we found no indication to further broaden their variety further (e.g. organic meats, meat substitutes, etc).
- **Customers:** Premio serves a broad customer base through retail channels, including grocery stores and specialty food markets. Their e-commerce presence further expands their reach.
- **Ownership:** While specific ownership details are not readily available, The Cinque-family (Joseph, Steven, and Marc - of whom the latter serves as President & CEO) originally founded Premio Foods. The entity has also expanded through successful acquisitions, such as Appetito Provision Co., Inc. in Union City, NJ (2017).

Financial Ratio Benchmarking

# of Benchmarks:		22			
Liquidity	Current Ratio	1.90	Industry Median	Company Metric	Percentile Rank
	Quick Ratio	1.14		5.22	<div>100%</div>
Leverage	Net Debt / EBITDA	5.24		4.81	<div>100%</div>
	Debt to Assets	71.2%		0.0%	<div>96%</div>
Profitability	EBITDA Margin	12.5%		10.4%	<div>36%</div>
	ROCE %	9.7%		40.3%	<div>93%</div>
	Revenue	\$257M		\$267M	

- Premio has substantially more cash than debt, leading to outstanding leverage and liquidity parameters defining their financial stability.
- ROCE is more then 4x above market. Only EBITDA Margin is trailing by about 2.1 points or ~20%, indicating operational challenges.

Financial Statement Highlights

\$ '000s	Dec-21 T12	Dec-22 T12	Dec-23 T12	Chg
Income Statement				
Total Revenue	-	276,810	266,565	-3.7%
Gross Profit	-	46,373	54,115	16.7%
Adjusted EBITDA	-	18,890	27,689	46.6%
Gross Profit Margin		16.8%	20.3%	+355 bps
EBITDA Margin		6.8%	10.4%	+356 bps
Balance Sheet				
Cash And Cash Equivalents	-	16,216	33,293	105.3%
Total Current Assets	-	40,116	56,032	39.7%
Total Assets	-	54,466	68,867	26.4%
Total Current Liabilities	-	11,630	10,728	-7.8%
Total Debt	-	-	-	
Total Equity	-	42,835	58,139	35.7%
Cash Flow				
Net Income	-	14,486	24,701	70.5%
CAPEX	-	1,835	2,507	36.6%
Depreciation & Amortization	-	4,506	4,003	-11.2%
Fixed Charge Coverage Ratio				

- Despite a decline in revenue by -3.7% then entity managed to improve all other critical KPIs substantially.
- Improvement in operational efficiency (e.g. EBITDA Margin from 6.8% to 10.4%) was mainly driven by a reduction in COGS (-7.8% or -\$18mn).
- Net Income and Cash & Equivalents increases tremendously by 105.3% and 70.5%, respectively, whilst the entity invests meaningfully (Assets +26.4%, CAPEX +36.6%).

Business Risk Highlights

- **Industry:** The US market for sausages is expected to reach \$6.5bn in 2024, and a CAGR of 5.48% through 2029. The market is driven by evolving consumer trends and a shift towards convenient and nutritious food options, including organic options, as well as meat substitutes (the latter had a CAGR of 13.2% over the past 5 years).
- **Competitive Position:** Premio's varied offerings reduce reliance on a single product category. Despite competition, it's brand recognition stands out as a top player in the industry (especially in the northeast). Their transition to Shopify enhances their online presence and aligns with market trends (online sales channel).
- **Management:** Although we were unable to gather much insights, the entity seems to be family owned and operated in (at least) 2nd generation with Marc Cinque as the CEO.
- **PE Sponsor:** N/A