Snap Tire Inc.

CC *1 year PD* **14.87% to 20.71%**

- FY-23: Sales declined steeper (-11.2%) than OPEX & COGS (-7.0%) causing a Loss of -$709k, and lower Equity by -41.3%.
- Reduction in Total Debt by -54.4%, driven by owner's increasing/decreasing commitment - kind of a swingline.
- Small entity size increases empirical default risk.

Strengths

- **Leverage:** Strong debt-to-assets ratio of 24.2%, is significantly below the peer median of 66.6%, and thereby provided more balance sheet flexibility.
- **Employee Retention:** In 2023 they implemented an automated 401(k) plan with a safe harbor contribution, resulting in significantly reduced employee turnover. This focus on employee retention enhances operational stability, profitability, and freeing up management to focus on expansion.

Challenges

- **Declining Profitability:** EBITDA margin declined from 1.6% in FY-2022 to an unsustainable -2.5% in FY-23, well below the peer median of 4.6%, indicating severe operational challenges and inefficiencies.
- **Revenue Decline & Entity Size:** Total revenue fell from $18.95mn in FY-22 to $16.8mn in FY-23, suggesting potential loss of market share or demand. Relatively small entity size increasing emprirical default risk.
- **Limited Online Strategy:** Weak online presence is a significant disadvantage in an industry increasingly driven by digital sales.

Company Overview

Headquarters	Jonesboro, GA
Type	Private (Non-PE)
Employees	~30
Year Founded	2015
Website	https://snaptireonline.com
Business	Tire sales and services for budget-conscious customers.
Revenues	$16.8M

- **Company Overview:** Snap Tire Inc. is a tire retailer and distributor based in Jonesboro, GA, specializing in both new and used tires, primarily catering to budget-conscious consumers. Over the past couple of years they opend another location in Columbus, GA, expanding their business.
- **Product:** Offers a wide range of new and used tires, as well as tire installation and repair services. Used tires seems to be a key product line, appealing to customers seeking cost-effective options.
- **Customers:** Primarily serves individual consumers in the local market(s), focusing on those looking for affordable tire solutions. The company may also cater to local automotive businesses.
- **Ownership:** Privately owned, reflecting its local focus and smaller scale of operations.
- **Debt Structure:** n/a - insufficient information to substantiate a maturity profile.
- **Other:** The owner and CEO, Sean Richards, has a type of swingline with the entity. In FY-22, instead of making an equity contribution to the company Sean Richards made a loan to the entity over $1.4mn. During FY-23 and Q2-24, the character of that balance sheet item changed to the extent that the prior loan turned into a receivable of sorts with a balance of $390k, and $661k respectively. During the call with Sean Richards on 8/16/2024 he also mentioned that his new location in Columbus was running at a deficit, but currently making a turnaround.

Financial Statement Highlights

$ '000s	(C) Dec-21 T12	(B) Dec-22 T12	(A) Dec-23 T12	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	-	18,954	16,839		-11.2%
Gross Profit	-	4,184	3,262		-22.0%
Adjusted EBITDA	-	309	(415)		-234.3%
Gross Profit Margin	-	22.1%	19.4%		(270) bps
Net Income	-	94	(709)		-854.1%
Balance Sheet					
Cash And Cash Equivalents	-	64	59		-8.6%
Total Current Assets	-	5,916	3,550		-40.0%
Total Assets	-	6,721	4,817		-28.3%
Total Current Liabilities	-	2,931	2,928		-0.1%
Total Debt	-	2,560	1,167		-54.4%
Total Equity	-	1,231	722		-41.3%
Key Ratios					
Current Ratio		2.02	1.21		-39.9%
Quick Ratio		0.34	0.37		8.7%
Net Debt / EBITDA		8.07	(2.67)		
Debt to Assets		38.1%	24.2%		(1386) bps
EBITDA Margin		1.6%	-2.5%		(410) bps
ROCE %		5.2%	-32.2%		(3731) bps

- Total revenue decreased by approximately 11% from $18.95mn to $16.8mn in FY-23, highlighting potential challenges in maintaining market share or pricing power.
- EBITDA turned negative in FY-23, dropping to -$415k from $378k in FY22, indicating worsening operational efficiency and increasing costs relative to revenues.

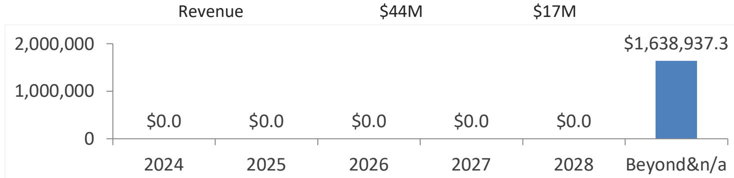
Scorecard Summary

	Weight	Score	Dimension	Weight	Score
Financial	65%	6.5	Liquidity	57%	5.5
			Leverage	43%	5.1
			Profitability	0%	-
Business	35%	4.4	Industry Risk	20%	5.5
			Competitive Position	50%	4.5
			Mgmt / Governance	30%	3.7
			Sponsor / Parent		
Modifiers		-2.4	Revenue Segment		(0.9)
			Trend Analysis		
			Fixed Cost Coverage Risk		
Financial vs Business Risk Weighting Fac			**Other Modifier**		-0.25

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

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	*15*	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.19	1.21	52%
	Quick Ratio	0.37	0.37	50%
Leverage	Net Debt / EBITDA	2.93	(2.67)	
	Debt to Assets	66.6%	24.2%	76%
Profitability	EBITDA Margin	4.6%	-2.5%	
	ROCE %	14.6%	-32.2%	18%
	Revenue	$44M	$17M	



Industry Benchmarks - Primary: Automotive Retail

Business Risk Highlights

- **Industry:** The tire retail industry is competitive, with moderate profitability and exposure to economic cycles. The shift towards online sales poses additional challenges for smaller, locally focused retailers like Snap Tire Inc. The industry is projected to grow at a CAGR of 3.5% from 2023 to 2028 . Managing debt levels effectively, optimizing supply chains, and adapting to technological and environmental shifts are crucial for sustained success in this evolving market.
- **Competitive Position:** The company's focus on used tires in a highly competitive market could limit its growth potential, especially against larger players with broader product offerings and stronger brands.
- **Management:** The company's ability to navigate declining profitability and implement effective turnaround strategies will be critical. Limited information on management's strategic direction raises concerns.
- **PE Sponsor:** n/a - privately owned
- **Other:** Geographic concentration in a single market increases exposure to local economic downturns, while limited online strategy may hinder adaptation to broader industry trends.