


Used JDM Engine Inc / Sunshine State JDM Inc

("JDM" - consolidated)



CCC

1 year PD

9.02% to 14.87%

Headquarters	Halethorpe, MD / Orlando FL	U.S.
Type	Private (Non-PE)	
Employees	<25	
Year Founded	2014 / 2016	
Website	https://www.jdmenginedepotinc.com/ / https://sunshinestatejdm.com/	
Business	Imports and sells used Japanese engines.	
Revenues	\$6.3M	

Company Overview

- Company Overview:** JPM is a U.S.-based importer and reseller specializing in used Japanese engines and transmissions through two locations in Maryland and Florida - yet, it could also have an even broader footprint.
- Product:** Offers low-mileage JDM engines, transmissions, and performance swap kits primarily for Japanese vehicle makes like Honda, Toyota, Nissan, and Subaru.
- Customers:** Serves automotive enthusiasts, DIY hobbyists, and small repair shops seeking cost-effective engine replacements or performance upgrades.
- Ownership:** Privately owned, with strong indicators of shared control across both entities despite separate legal registration.
- Debt Structure:** Entity is effectively debt-free.
- Basis for Assessment:** Company-prepared, uncommented and partially incorrect FY-22, and FY-23. The rating is mainly based on FY-23.
- Other (pros/cons):** JDM is highly profitable, growing, with strong liquidity and no debt, limiting near-term credit risk substantially. Long-term risk remains due to full reliance on combustion engine parts with no clear EV transition plan. Tariffs may also have (had) an adverse effect on their business, at least temporarily. The entity is comparatively small, which increases empirical near-term default risk. Single event risks include supply disruptions, key man risk (small entity, yet we are lacking transparency), and legal/regulatory action (e.g. loss of license). The latter is of relevance due to allegations that the firm would have falsified documents to win a credit card chargeback claim in 2023 (BBB). Some mistakes identified in their financials are leaving a bit of an after-taste.

Financial Snapshot

		Dec-22	Dec-23	Chg
\$ '000s	T12	T12	T12	%
Total Revenue	#N/A	5,607	6,342	13.1%
Gross Profit	#N/A	1,108	1,498	35.2%
Adjusted EBITDA	#N/A	486	654	34.5%
Gross Profit Margin	#N/A	19.8%	23.6%	3.9 ppt
EBITDA Margin	#N/A	8.7%	10.3%	1.6 ppt
Net Income	#N/A	382	503	31.6%

Financial Ratio Benchmarking

# of Benchmarks:		19	Industry Median	Company Metric	Percentile Rank	# of Industry Benchmarks	19
			\$28M	\$6M		Company Financials Date	Dec-23
Liquidity	Revenue					Industry Benchmarks - Primary: Automotive Retail	
	Current Ratio	1.26	3.07	<div></div>	75%		
Leverage	Quick Ratio	0.80	2.38	<div></div>	76%		
	Net Debt / EBITDA	2.93	(2.26)				
	Debt to Assets	51.1%	0.3%	<div></div>	94%		
Profitability	EBITDA Margin	5.4%	10.3%	<div></div>	74%		
	ROCE %	15.1%	42.6%	<div></div>	81%		

Business Risk

Industry Group Risk Profile		Retail And Restaurants		50%	3.5	to	6.0
Industry Risk Assessment		KPI Rating	Contribution	Industry Group Description			
Cyclicality		Intermediate risk	<div></div>	Entities that derive a majority of their revenue from selling goods or services directly to the individual consumer through stores, catalogues, or online operations--or a combination of these channels. We include restaurants, automotive retailers, and grocery wholesalers in this sector given that the fundamentals of operating these businesses are largely the same as general retailing with similar unit economics.			
Competitive Risk		Intermediate risk	<div></div>				
Global Industry		Intermediate risk	<div></div>				
Market Segment Outlook		Stable	<div></div>				
Competitive Position Profile		Retail And Restaurants		50%	3.0	to	4.5
Competitive Position KPIs		KPI Rating	Contribution	Rating Guideline			
Cycle-Tested		>= 2020	<div></div>	No through-the-cycle operating history.			
Brand Reputation and Marketing		Satisfactory	<div></div>	Average brand reputation, limited price premiums			
Geographic Diversity		Above Average	<div></div>	Presence in multiple states but not international			
Concept Diversification		Weak	<div></div>	One weakly positioned concept			
Gross Margin		Above Average	<div></div>	Above average but not leading			
SG&A to Sales		Weak	<div></div>	High SG&A due to rent or labor, less competitive			
Inventory Turnover		Satisfactory	<div></div>	Average, some markdown risk			
Management, Governance, Sponsorship		30%	3.0	to	4.0		

Anchor Modifiers

Modifiers			
Revenue Segment	Normalization	<div></div>	\$5-10M
Trend Analysis	Adjustment	<div></div>	Strong Positive
Financial Flexibility	Adjustment	<div></div>	Above Average
Tariffs	Adjustment	<div></div>	Mod to High

Rating Range (Rounded)

3.5

to

4.5