

## Ludlow Manufacturing, Inc.



CCC+

1 year PD  
3.18% to 9.02%

- Strong profitability and low leverage support financial stability, but liquidity constraints and working capital imbalances pose potential short-term risks - pending more clarity on debt profile
- High customer concentration remains a key risk at this point, while automation investments enhance long-term resilience. Management seems highly capable, and set up broadly.

Strengths

- Strong Profitability & Margin Resilience:** EBITDA margin (18.1%) significantly outperforms their peers (10.3%), showcasing strong cost efficiency and pricing power. ROCE (18.1%) aligns with market, indicating competitive capital utilization.
- Reduced Leverage:** Total debt declined from \$7.1mn to \$6.0mn, improving the Net Debt/EBITDA ratio to 0.26x (vs. 0.96x peers). Debt-to-assets ratio improved YoY from 28.3% to 20.9%.
- Significant Investments in Automation & Mgmt:** \$3.5mn in CAPEX in FY-24 increased PP&E from \$14.2mn to \$17.6mn, positioning them for long-term operational efficiency. The addition of advanced machinery, such as a 15kW Bystronic laser, enhances productivity and reduces labor dependency. 2 Generations are involved in the company. They also won an Industry Award from "The Fabricator" in 2024 based on management, investing and growing a business.

Challenges

- Customer Concentration Risk & Entity Size:** Historically, 70%+ of revenue came from a single customer, presenting a major credit risk if the customer reduces or ceases orders. Relatively small entity size increases empirical default risk.
- Liquidity & W/C:** Current and quick ratio (1.61x/1.45x) are below industry medians (2.18x and 1.55x, respectively), indicating potential short-term liquidity constraints. A/R declined by -13.5% while A/P increased by 74%.
- Distributions & CAPEX Strain on Cash Flow:** \$775K in distributions despite \$3.5mn in CAPEX investments may suggest cash being drained while the company expands. Behaviour raises questions about ownership commitment/strategy.

### Scorecard Summary

Financial vs Business Risk Weighting Factors					
Ownership		Private (Non-PE)			
Company Stage		Stabilized			
Financials		Partial			
	Weight	Score	Dimension	Weight	Score
Financial	50%	5.8	Liquidity	40%	4.4
			Leverage	30%	3.1
			Profitability	30%	3.6
Business	50%	6.3	Industry Risk	20%	5.5
			Competitive Position	50%	6.1
			Mgmt / Governance	30%	7.0
			Sponsor / Parent		
Modifiers		-1.4	Revenue Segment		(1.2)
			Trend Analysis		(0.22)
			Financial Flexibility		0.25

### Company Overview

Headquarters	Waukegan, IL
Type	Private (Non-PE)
Employees	<100
Year Founded	2000
Website	https://www.ludlowmfg.com/
Business	Precision metal fabrication for OEMs.
Revenues	\$21.9M

- Company Overview:** Ludlow Manufacturing, Inc. is a precision metal fabrication company based in Waukegan, IL, specializing in custom solutions for OEMs using advanced manufacturing technologies.
- Product:** The company provides laser cutting, CNC forming, machining, welding, and engineering services, utilizing high-tech equipment to deliver customized metal fabrication solutions.
- Customers:** Ludlow primarily serves Original Equipment Manufacturers (OEMs) across various industries, offering tailored fabrication solutions to meet specialized design and production needs.Historically reliant on a single customer (70%+ of revenue).
- Ownership:** The company is privately owned and led by Todd Ludlow, maintaining family-run management with a focus on long-term growth and innovation as supported by strong investment activities in automation and infrastructure.
- Debt Structure:** No maturity dates/loan terms were provided (yet). Majority of debt seems to be comprised of leases and short term debt, potentially in conjunction with a revolver (tbd).
- Basis for Assessment:** Company prepared, unaudited, unreviewed, uncommented FY-24/23 balance sheet and FY-24 income statement.
- Single Event Risks:** Loss of key customer (~70% concentration in 2019/2020), liquidity crunch with A/Rs declining and A/Ps rising paired with high CAPEX and distributions, and potential supply chain distruptions in general.

### Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	35	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.18	1.61	35%
	Quick Ratio	1.55	1.45	48%
Leverage	Net Debt / EBITDA	0.96	0.26	57%
	Debt to Assets	22.8%	20.9%	56%
Profitability	EBITDA Margin	10.3%	18.1%	81%
	ROCE %	18.1%	18.1%	50%
	Revenue	\$25M	\$22M	

Industry Benchmarks - Primary: Industrial Machinery and Supplies and Components



### Financial Statement Highlights

\$ '000s	(C) Dec-22 T12	(B) Dec-23 T12	(A) Dec-24 T12	Change	
				(C) to (B)	(B) to (A)
Income Statement					
Total Revenue	-	-	21,866		FALSE
Gross Profit	-	-	14,400		FALSE
Adjusted EBITDA	-	-	3,962		FALSE
Gross Profit Margin			65.9%		
Net Income	-	-	3,734		
Balance Sheet					
Cash And Cash Equivalents	-	4,406	4,983	13.1%	
Total Current Assets	-	10,698	11,078	3.6%	
Total Assets	-	24,946	28,785	15.4%	
Total Current Liabilities	-	5,816	6,864	18.0%	
Total Debt		7,072	6,030	-14.7%	
Total Equity	-	17,179	20,138	17.2%	
Key Ratios					
Current Ratio		1.84	1.61	-12.2%	
Quick Ratio		1.70	1.45	-14.5%	
Net Debt / EBITDA			0.26		
Debt to Assets		28.3%	20.9%	(740) bps	
EBITDA Margin			18.1%		
ROCE %		0.0%	18.1%	+1807 bps	

- EBITDA margin (18.1%) significantly above the 10.3% industry median.
- Total debt reduced from \$7.1mn to \$6.0mn, improving the Debt-to-Assets ratio from 28.3% to 20.9%.
- \$3.5mn in CAPEX in FY-24, increasing PP&E from \$14.2mn to \$17.6mn, reflecting investment in automation and infrastructure.

### Business Risk Highlights

- Industry:** The metal fabrication industry is sensitive to raw material price fluctuations, with steel shortages in 2021 impacting costs and availability. Demand is subject to industrial production cycles and economic downturns.
- Competitive Position:** Investments in automation and high-precision laser cutting technology provide an edge over traditional fabricators, but the industry remains highly competitive.
- Management:** The company is led by CEO Todd Ludlow and President Jenny Ludlow, with two of their three children, Jackson (Assistant Plant Manager) and Joseph (Information Technology Specialist), actively involved. In 2024 "The Fabricator" awarded them as winner of their Industry Award, with Ludlow providing a blueprint for shop floor management, investing in technology, growing a business. Yet, while the company invested heavily in CAPEX (\$3.5mn), it also paid \$775K in distributions, raising questions about capital allocation priorities and reinvestment strategies.
- PE Sponsor:** N/A