Processing Technologies International, LLC ("PTI")

CCC+

1 year PD
3.18% to 9.02%

- Strong balance sheet and stable customer base offer near-term credit protection. Despite their challenges they had a positive operating cf each year, projecting $3.7mn Net Profit in FY-25.
- Steep decline in revenue, margins and misaligned capital allocation (e.g. distributions) question ownerships strategy (e.g. cash-out), and operational capabilities.

Strengths

- **Conservative Leverage & Positive Cashflow:** A Net Debt/EBITDA of just 0.16x and Debt-to-Assets of 6.9%, substantially below their peers (1.31x / 22.2%, respectively), provides significant financial flexibility and resilience. Despite their steep decline since FY-22, they still had a positive operting cf in FY-24 ($1.7mn).
- **High Customer Retention and Project Management Continuity:** With a model focused on long-term capital equipment contracts and historical customer relationships spanning >20 years, PTI benefits from consistent demand across economic cycles.
- **Diversity & Outlook:** Serves packaging, construction, automotive, signage, and appliance markets across 20+ countries, buffering demand volatility in any one vertical. They project a growth in Revenue / Net Income by 21.5% / 367% in FY-25.

Challenges

- **Rapid Profitability Deterioration:** EBITDA margin dropped from 14.4% to 4.7% and ROCE fell from 25.8% to 4.8%, significantly trailing industry medians (9.5% and 13.4%).
- **Distributions Amid Earnings Collapse:** Although 79% below FY-22, they distributed $1.1mn in FY-24, (133% of Net Income), despite a 73% drop in EBITDA, signaling poor capital prioritization during contraction, and questions commitment.
- **Receivables Collapse and Revenue Contraction:** Accounts receivable fell 81% YoY and revenue declined -33% since FY-22, possibly due to delayed orders, client loss, or shift in billing practices.

Company Overview

Headquarters	Aurora, Illinois
Type	Private (Non-PE)
Employees	~100
Year Founded	1988
Website	https://www.ptiextruders.com/
Business	Designs and manufactures plastic sheet extruders.
Revenues	$34.7M

- **Company Overview:** PTI is a privately held U.S.-based manufacturer of high-performance plastic sheet extrusion systems. Headquartered in Aurora, Illinois, the company designs, engineers, and services capital equipment solutions used in industrial-scale thermoplastic processing.
- **Product:** Offers a range of mono- and co-extrusion sheet systems, HVTSE® single-screw extruders, G-Series® and Multi-Nip™ roll stands, TITAN® process control systems, and ancillary sheet handling solutions such as winders and slitter
- **Customers:** Services industrial manufacturers across packaging, construction, automotive, appliance, lawn & garden, and signage sectors, with installations in more than 20 countries.
- **Ownership:** Privately owned following a 2011 management buyout by founders Dana Hanson and Jon Roberts; no PE or sponsor involvement since then.
- **Debt Structure:** Vast majority of Total Debt ($1.4mn) is made of Operating Lease Liabilities. The entity has R/C-line over $5mn, fully unused per end of FY-24, providing additional liquidity support, with a 2.5x max Debt/EBITDA covenant.
- **Basis for Assessment:** Complete and commented, audited financials per 2022, 2023, and 2024.
- **Single Event Risks:** Major customer loss could abruptly cut revenue, straining cash flow and fixed cost coverage (depending on rationale behind the drop in revenue/profitability since FY-22). Sustained margin pressure risks cash burn and default on lease or trade obligations. Key leadership exit (e.g. cash-out) without succession could disrupt operations and weaken client retention.

Financial Statement Highlights

$ '000s	*(C)* Dec-22 T12	*(B)* Dec-23 T12	*(A)* Dec-24 T12	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	51,847	42,463	34,699		-18.3%
Gross Profit	15,421	13,695	10,311		-24.7%
Adjusted EBITDA	7,650	6,117	1,631		-73.3%
Gross Profit Margin	29.7%	32.3%	29.7%		(254) bps
Net Income	6,173	5,083	792		-84.4%
Balance Sheet					
Cash And Cash Equivalents	2,976	1,951	1,846		-5.4%
Total Current Assets	25,062	23,090	16,686		-27.7%
Total Assets	38,980	36,506	30,681		-16.0%
Total Current Liabilities	19,851	15,071	10,180		-32.5%
Total Debt	3,390	2,757	2,102		-23.8%
Total Equity	16,372	19,333	19,076		-1.3%
Key Ratios					
Current Ratio	1.26	1.53	1.64		7.0%
Quick Ratio	0.70	0.62	0.54		-13.3%
Net Debt / EBITDA	0.05	0.13	0.16		19.0%
Debt to Assets	8.7%	7.6%	6.9%		(70) bps
EBITDA Margin	14.8%	14.4%	4.7%		(971) bps
ROCE %	36.7%	25.8%	4.8%		(2097) bps

- Total revenue declined from $51.8mn in FY-22 to $34.7mn in FY-24, a 33% reduction, indicating either weakened demand or competitive erosion.
- While operating expenses remained largely stable over the period, EBITDA dropped from $7.6mn to $1.6mn, reflecting margin erosion rather than cost expansion.
- Operating cash flow remained positive all 3 years, despite the revenue challenges, and declining profitability.

Scorecard Summary

Financial vs Business Risk Weighting Factors

Ownership	Private (Non-PE)
Company Stage	Stabilized
Financials	Complete

	Weight	Score	Dimension	Weight	Score
Financial	75%	3.9	Liquidity	35%	*1.9*
			Leverage	33%	*6.7*
			Profitability	33%	*3.2*
Business	25%	5.1	Industry Risk	20%	*5.5*
			Competitive Position	50%	*5.4*
			Mgmt / Governance	30%	*4.3*
			Sponsor / Parent		
Modifiers		0.2	Revenue Segment		*(0.2)*
			Trend Analysis		*(0.17)*
			Financial Flexibility		*0.50*

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks: *48*		Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.88	1.64	*39%*
	Quick Ratio	1.25	0.54	***10%***
Leverage	Net Debt / EBITDA	1.31	0.16	*63%*
	Debt to Assets	22.2%	6.9%	*66%*
Profitability	EBITDA Margin	9.5%	4.7%	***18%***
	ROCE %	13.4%	4.8%	*32%*
	Revenue	$36M	$35M	

Industry Benchmarks - Primary: Industrial Machinery and Supplies and Components

Debt Maturities

Business Risk Highlights

- **Industry:** Operates within the North American plastic extrusion machinery market, forecasted to grow at a 4.0% CAGR through 2030; however, the segment is cyclical and sensitive to industrial capex trends.
- **Competitive Position:** Faces strong U.S. competition from Davis-Standard, Graham Engineering (Welex), and Milacron, each offering similarly integrated extrusion systems with broader scale and tentatively better margin retention.
- **Management:** Despite declining profitability, the company continued to distribute dividends at unsustainable levels, raising questions about capital discipline and governance in owner-operated structures.
- **PE Sponsor:** PTi is a privately held, founder-led company that has operated under the same ownership since a 2011 management-led buyout (LBO), benefiting from stable, technically skilled leadership. However, continued shareholder distributions despite profit deterioration raise concerns over financial discipline and long-term creditor protection.