

MWD Logistics, Inc.



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1 year PD

20.71% to 26.55%

- Highly flexible business model as they rent property to sublease as WHs. Having anchor clients renting a WH in line with their own lease terms puts them essentially risk-flat.
- Weak margins, high leverage, and thin rent coverage raise concerns over long-term financial sustainability. Relatively small entity size increases empirical default risk.

Strengths

- Strong Liquidity & Positive Cash Flow:** FY-24 current and quick ratios of 2.39 both exceed peers' (2.25x/1.66)x, despite eroding profitability and revenue decline. Operating cash flow was \$519k in FY-24, showing resilience in cash generation despite a sharp EBITDA drop to \$460k.
- Technological Capabilities:** Advanced inventory management and real-time tracking systems enhance operational efficiency and customer service, crucial for maintaining a competitive edge in logistics.
- Relationships:** Their business is built on developing deep rooted relationships with their anchor clients. The entity usually rents real estate to sub-lease it to tenants, which provides them with a high level of flexibility.

Challenges

- Profitability & Leverage:** Adjusted EBITDA fell 50% in FY-24; ROCE dropped from 8.9% in FY-22 to just 1.0%, well below market (18.2%). Net Debt/EBITDA increased from 1.2x in FY-21 to 7.4x in FY-24, >100x above their peers 0.06x, signaling an unsustainable capital structure.
- Customer Concentration & Entity Size:** About 70% of their revenue is coming from their top 5 customers. The entity is comparatively small, which increases the emprirical default risk.
- Thin Rent Coverage:** EBITDAR-to-Rent fell to 1.11x in FY-24, indicating the company is operating dangerously close to its fixed cost threshold, leaving minimal room for operational shocks.

Scorecard Summary

Financial vs Business Risk Weighting Factors					
Ownership		Private (Non-PE)			
Company Stage		Stabilized			
Financials		Complete (Unaudited)			
	Weight	Score	Dimension	Weight	Score
Financial	65%	3.4	Liquidity	40%	6.6
			Leverage	30%	1.4
			Profitability	30%	1.0
Business	35%	5.1	Industry Risk	20%	5.3
			Competitive Position	50%	6.0
			Mgmt / Governance	30%	3.3
			Sponsor / Parent		
Modifiers		-0.9	Revenue Segment		🚩 (0.1)
			Fixed Cost Coverage Risk		(0.50)

Company Overview

Headquarters	Mansfield, OH
Type	Private (Non-PE)
Employees	~100
Year Founded	1991
Website	https://www.mwdlogistics.com/
Business	Warehouse and inventory management services (3PL)
Revenues	\$12.5M

- Company Overview:** MWD Logistics, Inc. is a comprehensive third-party Warehouse/storage provider based in Mansfield, Ohio.
- Product:** MWD offers extensive warehousing solutions across multiple U.S. locations, including material handling and real-time inventory tracking.
- Customers:** They serve a diverse range of industries including automotive, feed and seed, and bulk fertilizer, leveraging strong client relationships to ensure consistent service delivery. They emphasize their intent to build partnerships with clients, focusing on a personalized service and operational excellence as their core strengths. They are only in the B2B / wholesale business, and therefore aren't offering fulfillment services like Amazon.
- Ownership:** Privately held, by the Glowaski family, and Stuart Lichter (IRG).
- Basis for Assessment:** Company-prepared, uncommented b/s and i/s 2021-24.
- Debt Structure:** About 2/3 of their LT-debt are intercompany loans. The balance is a mix of bank debt, and leases. Their negative cash balance per FY-24 implies that they'd have an R/C-line. No terms/maturities/etc were provided.
- Single Event Risks:** Loss of a key customer could immediately impair cash flow given thin margins and unknown concentration risk. Lease non-renewal or rent hike would strain EBITDAR coverage and disrupt operations.
- Other:** During a call with Chris Laux (VP of Sales) on 8/9/24 they confirmed ~\$12mn in annual revenue as a normalized post-COVID figure. Since FY-22 they closed 3 WHs as the respective anchor tenants decided to build and manage their own.

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	14	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.25	2.39	<div></div> 56%
	Quick Ratio	1.66	2.39	<div></div> 67%
Leverage	Net Debt / EBITDA	0.06	7.40	<div></div> 0%
	Debt to Assets	17.8%	35.4%	<div></div> 18%
Profitability	EBITDA Margin	10.5%	3.7%	<div></div> 18%
	ROCE %	18.2%	1.0%	
	Revenue	\$21M	\$12M	

Industry Benchmarks - Primary: Electronic Manufacturing Services



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	16,761	17,347	12,463		-28.2%
Gross Profit	16,761	17,347	12,463		-28.2%
Adjusted EBITDA	1,207	918	461		-49.8%
Gross Profit Margin	100.0%	100.0%	100.0%		0 bps
Net Income	720	307	79		-74.1%
Balance Sheet					
Cash And Cash Equivalents	2	-	244		FALSE
Total Current Assets	2,619	-	1,918		FALSE
Total Assets	10,629	-	10,314		FALSE
Total Current Liabilities	1,522	1,307	802		-38.7%
Total Debt	3,666	4,178	3,654		-12.5%
Total Equity	5,738	6,045	6,124		1.3%
Key Ratios					
Current Ratio	1.72	-	2.39		FALSE
Quick Ratio	1.72	-	2.39		FALSE
Net Debt / EBITDA	3.03	4.55	7.40		62.5%
Debt to Assets	34.5%		35.4%		
EBITDA Margin	7.2%	5.3%	3.7%		(159) bps
ROCE %	8.9%	-35.7%	1.0%		+3675 bps

- Total revenue increased from \$11.3mn in FY-20 to \$16.8mn in FY-22 driven by COVID. OPEX-increase in excess of revenue growth in FY-22 by 3.4 points due to hiring challenges during COVID. \$12.4mn FY-24 revenue is viewed as normalized post COVID.
- Net Income was mainly driven by Other Income between FY-20 and FY-22 due to PPP, CARES-Act, etc.
- Despite modest debt reduction in FY-24, elevated leverage persists.

Business Risk Highlights

- Industry:** Operates in a growing 3PL industry projected to grow at 6.3% CAGR in the U.S. through 2030, but faces volatility from labor, fuel, and rent inflation.
- Competitive Position:** MWD's advanced technological capabilities and extensive warehousing infrastructure provide a competitive edge, though profitability pressures need addressing. The entity currently lacks the scale of major 3PL players.
- Management:** Strong focus on customer relationships and operational excellence, yet more financial transparency could have helped us to asses the entity better.
- PE Sponsor:** n/a
- Other:** Growing emphasis on sustainability, but specific initiatives and impacts need further detailing to assess long-term compliance and market positioning.