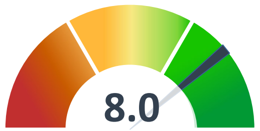
ACTEGA North America, Inc.(Guarantor & partent ACTEGA Gmbh, overall part of Altana AG)



A *1 year PD* **0.04% to 0.05%**

- Strong financial health despite revent decline in revenue. No debt, and superior liquidity-KPIs, supporting its continued R&D investments, including ESG.
- Stable leadership over the past year underlines consistent strategy and competitive strength in a regulated industry.

Strengths

- **Innovative Product Development**: ACTEGA focuses on advanced specialty chemicals, leading to robust product innovations that meet specific customer needs across various industries, enhancing its market competitiveness.
- **Market Position:** Strong presence in the specialty chemicals market, backed by a reputation for high-quality products and solutions tailored for diverse applications.
- **Financial Stability:** Solid financial health with consistent revenue growth, strong liquidity, low leverage, and at-market EBITDA Margin ensuring it can fund future expansions and withstand market fluctuations.

Challenges

- **Dependency on Raw Materials**: High dependency on specific raw materials that are subject to price volatility and supply chain disruptions, impacting production costs and profitability.
- **Environmental Regulations**: Faces significant challenges related to environmental regulations, which can increase operational costs and necessitate ongoing investments in compliance measures.
- **Market Saturation**: Operates in a highly competitive market where innovation is critical; maintaining technological leadership requires continuous and substantial investment.

Company Overview

Headquarters	Cinnaminson, NJ	U.S.
Type	Private (Non-PE)	
Employees	>500	
Year Founded	2006	
Website	https://www.actega.com/emea/en/	
Business	Manufacturer of water based coatings, inks and adhesives	
Revenues	$2,741.5M	

- **Company Overview:** ACTEGA North America, Inc. focuses on the development and production of specialized coatings, inks, adhesives, and sealing compounds.
- **Product:** Coatings and Sealants - vital for food packaging and other industrial applications, providing essential protective and aesthetic benefits. Inks and Adhesives - crucial for printing applications and secure sealing, supporting the integrity and quality of packaging. ACTEGA appears to be commitment to sustainability and safety in packaging, aligning with industry trends towards eco-friendly and efficient packaging solutions.
- **Customers:** Overall, within the Altana line of businesses, ACTEGA division's portfolio is tailored to the needs of the packaging and graphic arts industries. As such they serve a diverse clientele within the packaging industry, including sectors such as food and beverage, pharmaceuticals, and commercial printing. This reflects ACTEGA's role in meeting critical packaging needs across various industri
- **Ownership:** ACTEGA is one of four major divisions of Altana AG (publicly traded German company), that focuses on advanced specialty chemicals, across various industries. Actega is the 3rd strongest revenue producer within Altana. Altana was founded in 1977 by Herbert Quandt, who is credited by saving BMW. Given his two children still own (jointly) 50% of BMW, there may be a strong bond to the automotive industry.

Financial Statement Highlights

$ '000s	Dec-21 T12	Dec-22 T12	Dec-23 T12	Chg
Income Statement				
Total Revenue	-	3,020,990	2,741,515	-9.3%
Gross Profit	-	968,873	883,369	-8.8%
Adjusted EBITDA	-	450,619	391,327	-13.2%
Gross Profit Margin		32.1%	32.2%	+15 bps
EBITDA Margin		14.9%	14.3%	(64) bps
Balance Sheet				
Cash And Cash Equivalents	-	458,091	491,335	7.3%
Total Current Assets	-	1,775,038	1,786,980	0.7%
Total Assets	-	3,961,455	4,140,475	4.5%
Total Current Liabilities	-	503,755	494,578	-1.8%
Total Debt	-	205,608	452,444	120.1%
Total Equity	-	2,951,588	2,851,192	-3.4%
Cash Flow				
Net Income	-	232,404	110,189	-52.6%
CAPEX	-	103,493	148,281	43.3%
Depreciation & Amortization	-	164,653	168,833	2.5%
Fixed Charge Coverage Ratio		21.68x	9.37x	(-12.3)x

- Y-o-y decline in Total Revenue by -9.3%, exscerbated by a somewhat stable OPEX, essentially leading to a debline in EBITDA Margin of 64 bps, yet still above peers' median.
- Despite a decline in net income vs FY-22, they maintained a higher EBITDA margin than its peers.
- Continuesly high OPEX suggests that research and development underline the company's commitment to innovation and quality, crucial for maintaining competitiveness.

Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	75%	8.0	Liquidity	
			Leverage	
			Profitability	
Business	25%	6.4	Industry Risk	
			Competitive Position	
			Mgmt / Governance	
			Sponsor / Parent	
Modifiers		0.4	Revenue Segment	
			Trend Analysis	
			Financial Flexibility	
			Financial Transparency	

Industry Benchmarks - Primary: Specialty Chemicals

Financial Ratio Benchmarking

# of Benchmarks:	*19*	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.69	3.61	*100%*
	Quick Ratio	1.12	2.48	*94%*
Leverage	Net Debt / EBITDA	2.62	(0.10)	*100%*
	Debt to Assets	37.1%	10.9%	*100%*
Profitability	EBITDA Margin	13.2%	14.3%	*60%*
	ROCE %	9.3%	5.9%	*23%*
	Revenue	$2,510M	$2,742M	

- Maintains a healthy balance between debt and equity, reflecting prudent financial management and lower risk of financial distress.
- Strong current ratio indicates good short-term financial health, with sufficient assets covering liabilities.

Business Risk Highlights

- **Industry:** The market is significant, underpinned by the demand from major packaging and printing sectors, expected to grow at a CAGR of 4.3% over the next five years.
- **Competitive Position:** Continuous need to innovate within a crowded market where competitors are also rapidly advancing their technological capabilities.
- **Management:** Demonstrated commitment to growth and innovation, notably in sustainable products. They're strategically diversifying to mitigate market risks, but increased debt (at a low level though) and a decline in profitability necessitate a closer examination of their operational strategies to ensure long-term stability.
- **Regulatory:** Compliance with stringent global environmental and safety regulations requires significant resources, impacting operational flexibility.