

USA Wheel & Tire Outlet, Inc.



CCC 1 year PD
9.02% to 14.87%

- Net Debt/EBITDA (6.97) is high due to a low EBITDA Margin, as debt-to-assets is just slightly above peers. Liquidity seems rather tight, without an R/C-line, and A/Ps>A/Rs by ~50%.
- Strong ROCE (12.8%), growth +19% in FY-23, and positive outlook on revenue in FY-24, but low EBITDA margin (2.1%) and rising working capital pressures are concerning.

Strengths

- Geographic Coverage / Growth:** The company operates multiple warehouses nationwide, including major hubs like Atlanta, Dallas, and Houston, enabling broad and efficient U.S. market penetration. Steep growth ratios of +19% in FY-23 and 12.7% (annualized based on T7-24 financials through July).
- Product Range:** Offers a diverse inventory of over 500k tires and custom wheels, including proprietary brands like XM Luxury and Xtreme Mudder Wheels, showcasing product innovation.
- ROCE Performance:** Strong ROCE of 12.8% (vs. peer median 7.1%) in FY 2023 indicates efficient utilization of capital, reflecting management’s ability to generate returns despite weak profitability margins.

Challenges

- Leverage and Debt Risk:** Net Debt/EBITDA of 6.97 in FY-23 far exceeds the peer median of 1.39, although that's mainly a result of a low EBITDA, given Debt-to-Asset Ratio is not too far off from their peers. Yet - it is an elevated risk. Accounts Payables exceeds A/Rs by about 50% over the past 2.5 years.
- Liquidity Constraints:** The Quick Ratio (0.32) lags behind the peer median (0.48), reflecting heavy reliance on inventory and inadequate short-term cash buffers. No insights about an R/C-line of sorts.
- Profitability Challenges:** EBITDA Margin of 2.1% in FY 2023 is less than half the peer median (4.9%), highlighting inefficiencies in converting revenue to operating income.

Scorecard Summary

Financial vs Business Risk Weighting Factors					
Ownership	Private (Non-PE)				
Company Stage	Growth				
Financials	Complete (Unaudited)				
	Weight	Score	Dimension	Weight	Score
Financial	65%	3.5	Liquidity	30%	4.8
			Leverage	35%	1.9
			Profitability	35%	2.0
Business	35%	5.8	Industry Risk	20%	6.5
			Competitive Position	50%	6.3
			Mgmt / Governance	30%	4.5
			Sponsor / Parent		
Modifiers	-0.3		Revenue Segment		(0.1)
			Trend Analysis		0.25
			Financial Flexibility		(0.25)

Company Overview

Headquarters	Mesquite, TX
Type	Private (Non-PE)
Employees	<100
Year Founded	2006
Website	https://usawheelstires.com/
Business	Wholesale distributor of tires and wheels.
Revenues	\$87.9M

- Company Overview:** USA Wheel & Tire Outlet, Inc. is a U.S. distributor of tires and custom wheels. The company operates multiple warehouses nationwide, ensuring efficient product distribution.
- Product:** Specializes in an extensive range of tires across multiple tiers and proprietary wheel brands, including XM Luxury, Xtreme Mudder Wheels, and XM Street.
- Customers:** Primarily serves wholesale clients such as automotive dealerships and service centers, focusing on customer satisfaction and long-term relationships.
- Ownership:** Family-owned and operated, emphasizing a commitment to quality service and fostering loyalty among customers.
- Debt Structure:** Financials provided came without notes, rates, maturity dates.
- Other:** FCCR was calculating with 0.23 per FY-23 due to a lump sum in debt maturing that year. However, as of 7/24 the entity addressed that (e.g. renewed loans), which is why we considered it a on-off, no longer applicable. Therefore, we normalized the -0.5 modifier adjustment suggested by the model via "Other Modifier".

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	24	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.44	1.16	28%
	Quick Ratio	0.48	0.32	42%
Leverage	Net Debt / EBITDA	1.39	6.97	15%
	Debt to Assets	23.3%	29.0%	39%
Profitability	EBITDA Margin	4.9%	2.1%	24%
	ROCE %	7.1%	12.8%	67%
	Revenue	\$81M	\$78M	

Industry Benchmarks - Primary: Other Specialty Retail



Financial Statement Highlights

\$ '000s	(C) Dec-22 T12	(B) Dec-23 T12	(A) Dec-24(A) T12	Change	
				(C) to (B)	(B) to (A)
Income Statement					
Total Revenue	65,464	78,006	87,904		12.7%
Gross Profit	9,082	11,243	11,460		1.9%
Adjusted EBITDA	1,359	1,667	1,622		-2.7%
Gross Profit Margin	13.9%	14.4%	13.0%		(138) bps
Net Income	781	1,991	996		-50.0%
Balance Sheet					
Cash And Cash Equivalents	425	554	310		-44.0%
Total Current Assets	31,187	34,705	37,492		8.0%
Total Assets	32,725	41,933	39,039		-6.9%
Total Current Liabilities	16,727	29,980	21,143		-29.5%
Total Debt	11,031	12,178	11,609		-4.7%
Total Equity	6,537	7,430	8,585		15.5%
Key Ratios					
Current Ratio	1.86	1.16	1.77		53.2%
Quick Ratio	0.60	0.32	0.59		84.8%
Net Debt / EBITDA	7.80	6.97	6.96		-0.1%
Debt to Assets	33.7%	29.0%	29.7%		+69 bps
EBITDA Margin	2.1%	2.1%	1.8%		(29) bps
ROCE %	6.9%	12.8%	8.5%		(435) bps

- Total revenue increased by 19% from \$65.5mn in FY-22 to \$78.0mn in FY-23, driven by expanded product offerings and market reach. Positive trend of continued revenue growth in FY-24(A), base on T7-24 through July.
- Ongoing weakness of EBITDA Margin, which seems to worsen in 2024 (from 2.1% to 1.8%), with ROCE declining to 8.5%.

Business Risk Highlights

- Industry:** The U.S. Tire Market is experiencing robust growth, marked by an impressive increase in market size. Projected to grow from \$128bn in 2023 to an estimated \$225bn by 2032, the market is set to expand at a CAGR of 6.50% from 2024 to 2032.
- Competitive Position:** Strong product range and geographic coverage position the company as a competitive player in the fragmented U.S. specialty retail and distribution market. Low EBITDA Margin suggests either operatoinal inefficiencies or a price leadership role through which they accelerate their gain in revenue beyond the market growth projections.
- Management:** Family-owned structure promotes stability and customer focus but may limit access to external equity financing for expansion or debt reduction.
- PE Sponsor:** N/A
- Other:** XYZ