American Expediting Logistics, LLC

CC *1 year PD* **20.71% to 26.55%**

- Losses grew by 243% in FY-23. Leverage is unsustainable (79.1% Debt-to-Assets - excl. 25% of assets are goodwill). Breach of loan covenant in F-23. Failed integration - turnaround is WIP.
- Liquidity concerns are partially offset PE-backing and addl. $10mn in equity. Ongoing PE-support is vital for the entity's survival. Entity is in transformation, aiming for b/e in 2025.

Strengths

- **Coverage and Fleet**: Operates a network of >2k independent contract drivers with more than 50 hubs, ensuring broad geographical reach and scalability.
- **Specialized Services in High-Growth Sectors**: Focus on healthcare and pharmaceutical logistics, including cold chain and time-critical deliveries, tapping into industries with strong demand.
- **PE-backing & turnaround**: M&A strategy of AEA Investors, and Clarendon Capital (2019-22) was lacking operational support, causing a dysfunct platform. New CEO and CFO were hired 5/23, additional equity of $10mn was raised to fund the course correction. Anticipating $4.5mn EBITDA in '25. $3mn burn in '24 but anticipated b/e in '25 at flat growth. Min 5-month cash in bank for $250 burn/month

Challenges

- **Liquidity & Risk Management**: The Liquidity KPIs are well below the peer median, indicating insufficient liquid assets to cover short-term liabilities. In 11/2023 they executed a forbearance agreement following the breach of a loan covenant, requiring additional $7.5mn in cash being contributed by the owners/members.
- **High Leverage and Interest Expense**: Debt-to-Assets (79.1%) and Net Debt/EBITDA (-24.08) far exceed peer benchmarks, coupled with a 138.9% YoY increase in interest expenses, stressing cash flows. Excluding goodwill from Assets, they'd be technically insolvent with a debt-to-asset ratio of ~1.05x.
- **Losses & Trend**: The EBITDA Margin (-2.2%) and ROCE (-66.5%) highlight inefficiencies and inability to generate returns on capital, with operating expenses growing faster than revenue.

Company Overview

Headquarters	Media, PA
Type	Private (PE)
Employees	300 - 400
Year Founded	1983
Website	https://americanexpediting.com/
Business	Time-critical logistics and delivery solutions.
Revenues	$139.0M

- **Company Overview:** American Expediting Logistics, LLC is a time-critical logistics service provider with specialized capabilities in healthcare and pharmaceutical transportation. The company ensures nationwide delivery through a network of independent contract drivers and over 50 operational hubs.
- **Product:** Offers tailored solutions such as same-day courier services, cold chain logistics, licensed pharmaceutical transport, and specialized time-sensitive deliveries for critical industries.
- **Customers:** Primarily serves healthcare, pharmaceuticals, manufacturing, and food and hospitality sectors, ensuring compliance with industry regulations like HIPAA and DEA standards.
- **Ownership:** Privately held, owned by private equity firms AEA Investors and Clarendon Capital, providing strategic oversight and financial backing.
- **Debt Structure:** $37mn Term Loan, maturing 3/2028, and a $7.5mn revolving line of credit. The latter has a $1.5mn L/C-sublimit. Per YE-2023 $4.8mn were drawn, leaving a remainder of $1.2mn freely available capacity. The balance is related to lease commitments, maturing gradually over time.
- **TRANSFORMATION:** The enitity is in the process to correct the failed integration of prior acquisitions. Since Q2/23 they reduced staff by 1/3, reduced 4 accounting systems into one, seven transportation management systems into 2, down to 1 by end of 2025. SG&A was reduced by ~2/3 in '24, targeting a total reduction by 80%. New CCO has been hired (12-months lasting search), who shall ignite new drive in sales focusing on 3PL and pharma. Working towards $15-$20mn EBITDA by 2027, supporting another exit.

Financial Statement Highlights

$ '000s	(C) Dec-21 T12	(B) Dec-22 T12	(A) Dec-23 T12	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	87,993	129,601	138,959		7.2%
Gross Profit	35,404	51,690	54,696		5.8%
Adjusted EBITDA	1,156	2,757	(3,028)		-209.8%
Gross Profit Margin	40.2%	39.9%	39.4%		(52) bps
Net Income	(3,859)	(7,142)	(24,526)		243.4%
Balance Sheet					
Cash And Cash Equivalents	3,926	5,045	6,482		28.5%
Total Current Assets	18,724	26,378	24,776		-6.1%
Total Assets	56,991	112,213	100,356		-10.6%
Total Current Liabilities	10,006	14,042	81,623		481.3%
Total Debt	20,193	74,064	79,385		7.2%
Total Equity	26,513	26,513	9,548		-64.0%
Key Ratios					
Current Ratio	1.87	1.88	0.30		-83.8%
Quick Ratio	1.87	1.88	0.30		-83.8%
Net Debt / EBITDA	14.07	25.04			
Debt to Assets	35.4%	66.0%	79.1%		+1310 bps
EBITDA Margin	1.3%	2.1%	-2.2%		(431) bps
ROCE %	-5.9%	-3.1%	-66.5%		(6341) bps

- Revenue increased by 58% from FY-21 to $139mn in FY-23, but at a much slower pace in FY-23 (+7.2%) compared to 47.3% in FY-22 - likely due to M&A activity.
- COGS and OPEX grew by 60%/76% since FY-21 jointly driving Operating Ratio from 1.03x to 1.09x after a slight reduction in FY-22, and thereby leading to a Loss in FY-23.
- Total debt rose dramatically from $20mn in FY-21 to $79mn in FY-23. Debt to Asset ratio of 79.1% - yet, 25% of their Assets is comprised fo Goodwill.

Scorecard Summary

Financial vs Business Risk Weighting Factors

Ownership	Private (PE)
Company Stage	Transformation
Financials	Complete

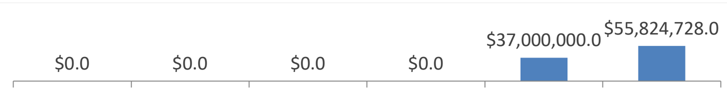
	Weight	Score	Dimension	Weight	Score
Financial	30%	0.8	Liquidity	25%	0.3
			Leverage	38%	0.3
			Profitability	38%	0.3
Business	70%	6.0	Industry Risk	15%	5.2
			Competitive Position	35%	6.8
			Mgmt / Governance	15%	5.7
			Sponsor / Parent	35%	5.8
Modifiers		-1.4	Trend Analysis		(0.4)
			Financial Flexibility		(0.50)
			Fixed Cost Coverage Risk		(1.00)

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	*62*	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.21	0.30	
	Quick Ratio	1.01	0.30	
Leverage	Net Debt / EBITDA	2.41	n/a	0%
	Debt to Assets	37.6%	79.1%	
Profitability	EBITDA Margin	8.0%	-2.2%	
	ROCE %	10.1%	-66.5%	0%
	Revenue	$456M	$139M	

Industry Benchmarks - Primary: Cargo Ground Transportation | Secondary: Air Freight and Logistics

Debt Maturities



Business Risk Highlights

- **Industry:** Operates in the fragmented logistics sector, facing economic cyclicality, regulatory pressures, and rising operational costs, but benefits from growth in healthcare logistics and cold chain solutions. The U.S. same-day delivery market is projected to grow from $9.25bn in 2024 to $13.15bn by 2030, at a CAGR of 6.03%.
- **Competitive Position:** Competes with larger players like FedEx and UPS but differentiates through specialized time-sensitive deliveries and compliance with healthcare standards.
- **Management:** Despite operational improvements, mixed employee feedback on platforms like Glassdoor highlights internal challenges that could impact execution efficiency.
- **PE Sponsor:** AEA Investors and Clarendon Capital bring financial expertise but may prioritize short-term performance over long-term stability, influencing operational decisions.