Harimatec, Inc (wholly-owned sub of Harima Chemicals Group, Inc - TYO: 4410)

B *1 year PD* **1.89% to 3.18%**

- Strong liquidity and low leverage, with recurring profitability in a niche market, supports near-term credit stability. Owned by publicly traded multinational corporation.
- Margin compression, challenges with tariffs, integration and key man risk causes credit concerns. T5-25 figures indicate a steep revenue decline, and potential cashflow issue.

Strengths

- **Exceptional Liquidity and Conservative Leverage:** FY-24 current and quick ratio of 6.04x/3.70x, both well above peers' (2.60x/1.36x), reflect strong liquidity and limited reliance on short-term borrowing.
- **Prudent Debt Management and Strong Equity Base:** With a Net Debt/EBITDA of just 0.4x and Debt-to-Assets at 4.6% (vs. peers' 15.5%), they maintains a conservative balance sheet, supported by stable retained earnings of $4.4mn and no long-term debt.
- **Resilient Operating Cash Flow Amid Margin Pressure:** Despite EBITDA margins trailing peers (4.8% vs. 7.5%), they generated a positive operating cash flow in FY-24, supporting ongoing operations even with limited profitability.

Challenges

- **Profitability Deterioration and Margin Compression:** EBITDA fell to $531k in FY-24 (from $1mn in FY-23), while EBITDA margin declined from 9.1% to 4.8%, due to increase in COGS+OPEX growing faster than revenue - likely integration costs.
- **Integration Risk & 2025 Trend:** Revenues remained stable in FY-24 at $11.1mn, but margins declined. This might be a result of the ongoing integration expenses from their acqusition of Henkels' solder materials business, including commercial rights, assets, and employees, as of June 2, 2022, which changed the nature of the business. Annualized T5-revenue indicates a drop in Revenue by almost 17%.
- **Inefficient Working Capital Usage:** Inventory nearly doubled to $1.85mn, causing turnover to decline (12.0x to 6.5x), amidst declining revenue (but tariffs), implies an inefficient use of working capital. A a shortfall in OCF/FCF during FY-25 is possible.

Company Overview

Headquarters	Duluth, GA
Type	Private (Non-PE)
Employees	<25
Year Founded	2003
Website	https://harimatec.com/
Business	Manufactures specialty solder and brazing materials.
Revenues	$11.1M

- **Company Overview:** Harimatec, Inc. is a specialty manufacturer of solder and brazing materials, primarily serving the electronics and automotive industries.
- **Product:** Harimatec's product lines include aluminum and zinc solders, thermal interface materials, and advanced fluxe, engineered for OEM electronics, battery systems, and automotive applications. Post-acquisition of Henkel's aluminum solder business (2022), Harimatec transitioned to in-house manufacturing and R&D.
- **Customers:** U.S.-based manufacturers across industrial electronics, energy storage, and automotive platforms. Given the technical nature of the products, customer relationships are long-cycle, with qualification barriers acting as a moat but also extending onboarding timelines.
- **Ownership:** Harimatec is 100% owned by Harima Chemicals Group, Inc., which operates globally in chemicals, electronics materials, and related sectors.
- **Debt Structure:** The entity does not report any LT-debt. Total Debt is comprised of $165k in current and the balance being ST operating lease liabilities.
- **Basis for Assessment:** Company prepared, uncommented FY-22/23/24, and YTD-5/25
- **Single Event Risks:** Key Man Risk - operational dependence on 1–2 leaders (e.g. Milan Kittler) without visible succession plans poses business continuity risk. Integration Risk- loss of product continuity during re-integration of manufacturing capabilities from an acquisition mid-2022. Market Volatility & TARIFFS - unhedged metal input costs, strong imports from Asia, and reliance on cyclical OEM customers (electronics, semiconductors).

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	7,504	11,327	11,110		-1.9%
Gross Profit	1,213	2,253	1,995		-11.5%
Adjusted EBITDA	490	1,034	531		-48.7%
Gross Profit Margin	16.2%	19.9%	18.0%		(193) bps
Net Income	378	899	426		-52.5%
Balance Sheet					
Cash And Cash Equivalents	-	11	33		213.4%
Total Current Assets	4,028	4,895	4,770		-2.6%
Total Assets	4,769	5,631	5,248		-6.8%
Total Current Liabilities	790	1,068	790		-26.0%
Total Debt	384	590	240		-59.4%
Total Equity	3,779	4,489	4,458		-0.7%
Key Ratios					
Current Ratio	5.10	4.58	6.04		31.7%
Quick Ratio	4.39	3.69	3.70		0.0%
Net Debt / EBITDA	0.78	0.56	0.39		-30.5%
Debt to Assets	8.1%	10.5%	4.6%		(591) bps
EBITDA Margin	6.5%	9.1%	4.8%		(436) bps
ROCE %	11.2%	20.9%	9.8%		(1113) bps

- Revenue grew from $7.5mn in FY-22 to $11.3mn in FY-23, then retreated to $11.1mn, reflecting the tail-end of integration gains and potential softening in end-markets.
- Gross Margin declined to 18.0% in FY-24, pulling EBITDA down by ~49% YoY - indicating cost pressure or inefficiencies in internalized production. Yet 180bps above FY-22.
- Despite margin compression, FY-24 FCF was positive at $441k, supported by earnings discipline and low CAPEX.

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%	6.8	Liquidity	40%	*8.9*
			Leverage	30%	*6.1*
			Profitability	30%	*4.8*
Business	35%	5.7	Industry Risk	20%	*6.4*
			Competitive Position	50%	*5.7*
			Mgmt / Governance	30%	*5.3*
			Sponsor / Parent		
Modifiers		-1.4	Revenue Segment		*(1.2)*
			Trend Analysis		*(0.50)*
			Financial Flexibility		*0.50*

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks: *72*		Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.60	6.04	*90%*
	Quick Ratio	1.36	3.70	*86%*
Leverage	Net Debt / EBITDA	0.83	0.39	*52%*
	Debt to Assets	15.5%	4.6%	*70%*
Profitability	EBITDA Margin	7.5%	4.8%	*37%*
	ROCE %	9.8%	9.8%	*50%*
	Revenue	$26M	$11M	

Industry Benchmarks - Primary: Specialty Chemicals | Secondary: Electronic Components

Debt Maturities

Business Risk Highlights

- **Industry:** The global solder materials segment is expected to grow at ~5.1% CAGR through 2030, but is sensitive to cyclical downturns in electronics and auto sectors. Success is tied to qualification cycles and OEM specifications.
- **Competitive Position:** Internalizing previously outsourced production introduces execution risk, especially in quality assurance and customer acceptance. The impact is reflected in FY-24's gross margin and EBITDA compression. While the parent company has global reach, Harimatec operates in a niche domain without clear evidence of significant scale or broad U.S. market presence, which may limit negotiating leverage with large OEMs.
- **Management:** Publicly available information on senior leadership, governance structures, or succession planning is limited, making it challenging to assess the depth and resilience of the management team.
- **Ownership:** Harimatec, Inc. is a wholly-owned U.S. subsidiary of Harima Chemicals Group, Inc., a Japan-based global chemicals manufacturer. Acquired in 2017, Harimatec serves as the group's North American production and distribution hub, benefiting from Harima's technical resources, supplier networks, and strategic direction.