Zeus Scientific, Inc.

CCC+

1 year PD
3.18% to 9.02%

- Strong liquidity (current ratio: 7.14), but declining revenues and negative cash flows raise profitability concerns and increases leverage ratio. >90% Goodwill masks the actual debt-to-asset ratio vs peers.
- Acquired by Sebia in '22 and rebranding (as of 1/2024) offers growth potential but increase integration/operational risks.

Strengths

- **Liquidity Position:** Exceptional liquidity metrics with a current ratio of 7.14 and quick ratio of 2.88 in FY-23, significantly outperforming the peer medians of 2.07 and 1.41.
- **Regulatory Compliance:** Consistent adherence to FDA and ISO 13485 standards ensures product reliability and strengthens customer trust in a highly regulated industry. High level of regulatory requirements serve as a barrier to entry.
- **Technological Innovation:** Investment in advanced products like the dIFine® digital immunofluorescence system positions the company competitively in the diagnostic tools market, sustaining demand for specialized offerings.

Challenges

- **Declining Revenue Trend & Size:** Revenue decreased from $20.5mn in FY-21 to $19.3mn in FY-23 (~6% decline), indicating challenges in maintaining growth amidst competitive pressures. Small entity size increases emprirical defautl risk.
- **Profitability Concerns:** ROCE of 2.6% lags behind the peer median of 5.1%, signaling inefficiencies in capital utilization and a need for improved operational performance.
- **Leverage:** Debt-to-assets ratio of 3.9% and a leverage ratio of 1.24 tentatively indicate a conservative debt management, considering a peer median debt-to-assets ratio of 14.3%. However, this is under consideration of >95% of Assets being Goodwill. Excluding Goodwill the entity had about 20% debt-to-assets ratio. Consequently, leverage ratio is higher than the peers.

Company Overview

Headquarters	Branchburg, NJ
Type	Private (Non-PE)
Employees	<100
Year Founded	1976
Website	https://www.zeusscientific.com/
Business	Diagnostic immunoassays for disease detection.
Revenues	$19.3M

- **Company Overview:** Zeus Scientific, Inc., established in 1976, develops and manufactures in vitro diagnostic immunoassays, specializing in products for infectious diseases and autoimmune disorders.
- **Product:** Multiplex assays, ELISA kits, and immunofluorescence systems, with the innovative dIFine® digital immunofluorescence platform.
- **Customers:** Serves hospitals, clinical laboratories, and research institutions, ensuring a diversified customer base across healthcare providers.
- **Ownership:** A wholly-owned subsidiary of Sebia (French company, who acquired them in 2022), which is backed by private equity firm CVC Capital Partners since 2018.
- **Debt Structure:** We have not received sufficient financial details to opine on the respective debt structure (yet).
- **Other:** We assessed the company on a standalone basis as we did not receive financials on the parent entity - Sebia. Consequently, we did not take into account the respective PE-backing that CVC Capital Partners provides to Sebia. Finding out more about the rationale behind the steady decline in revenue, and efficiency during a call could be very beneficial as a basis for assessing the validity of their "going-forward"-plan.

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	20,530	19,777	19,327		-2.3%
Gross Profit	11,394	11,036	10,235		-7.3%
Adjusted EBITDA	3,013	560	1,973		252.2%
Gross Profit Margin	55.5%	55.8%	53.0%		(284) bps
Net Income	1,962	(364)	1,058		-390.8%
Balance Sheet					
Cash And Cash Equivalents	2,127	446	514		15.4%
Total Current Assets	8,465	8,015	10,800		34.7%
Total Assets	9,989	59,800	62,440		4.4%
Total Current Liabilities	2,081	931	1,513		62.5%
Total Debt	289	1,456	2,456		68.7%
Total Equity	7,619	57,413	58,471		1.8%
Key Ratios					
Current Ratio	4.07	8.61	7.14		-17.1%
Quick Ratio	1.81	3.25	2.88		-11.6%
Debt / EBITDA	0.10	2.60	1.24		-52.1%
Debt to Assets	2.9%	2.4%	3.9%		+150 bps
EBITDA Margin	14.7%	2.8%	10.2%		+738 bps
ROCE %	32.3%	0.2%	2.6%		+241 bps

- Total Revenue - EBITDA margins rebounded from 2.8% in FY-22 to 10.2% in FY23, but profitability (ROCE) remains below peers, at 2.6% compared to 5.1% (peers). Yet the T10 financials throgh 10/2024 indicate of another setback w/ EBITDA Margin at 5.2%.
- Net Income declined in FY-22 with a $364k loss - followed by a likely profit of >$700mn b/e in FY-24. EBITDA Margin seems to be on a declining track, even in 10/24.

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%	6.0	Liquidity	40%	*7.3*
			Leverage	30%	*3.2*
			Profitability	30%	*3.5*
Business	35%	6.5	Industry Risk	20%	*7.3*
			Competitive Position	50%	*7.0*
			Mgmt / Governance	30%	*5.0*
			Sponsor / Parent		
Modifiers		-1.7	Revenue Segment		*(1.2)*
			Trend Analysis		*(0.22)*
			Other Modifier		*(0.34)*

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	*34*	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.07	7.14	*90%*
	Quick Ratio	1.41	2.88	*70%*
Leverage	Debt / EBITDA	1.00	1.24	*38%*
	Debt to Assets	14.3%	3.9%	*63%*
Profitability	EBITDA Margin	10.3%	10.2%	*49%*
	ROCE %	5.1%	2.6%	*28%*
	Revenue	$22M	$19M	

Industry Benchmarks - Primary: Health Care Equipment

Debt Maturities

Business Risk Highlights

- **Industry:** Operating in the health care equipment industry with a projected CAGR of 5.8% through 2030 offers steady demand but high regulatory scrutiny, especially in maintaining FDA and ISO standards.
- **Competitive Position:** Presumably strong market presence bolstered by over 40 years of experience, advanced product innovation, and compliance with industry standards ensures differentiation in a fragmented market.
- **Management:** As a subsidiary of Sebia, management's strategic autonomy may be influenced by parent and sponsor objectives, impacting operational priorities and long-term focus. Prior to the sale to Sebia in 2022, the company was family owned and led. Over the past 3+ years the entity's experienced a moderate, yet continuous decline. Given it's been over such a long period of time, it's tough not to consider Management to be (at least partially) responsible, which may result into a broader replacement exercise.
- **PE Sponsor:** Indirectly via Sebia (parent entity) - CVC Capital Partners