

PRECISION METAL INDUSTRIES, INC. ("PMI")



CC

1 year PD

14.87% to 20.71%

- PMI shows solid liquidity and stable ESOP ownership with exposure to resilient, compliance-driven sectors. High barrier of entry with several premier certifications being maintained.
- Cash flow strain, margin pressure, and limited visibility into backlog, ESOP repurchase obligations, and customer mix heighten medium-term credit risk. Mod to High tariff exposure.

Strengths

- Balance Sheet Liquidity:** FY2-4 current ratio of 3.63x and quick ratio of 1.91x demonstrate a strong liquidity position compared to peer medians of 2.13x and 1.32x respectively, offering short-term financial flexibility.
- Certifications and Industry Access:** PMI holds AS9100, ISO 9001, and ITAR certifications, enabling access to defense and aerospace markets with high compliance barriers that many peers cannot serve.
- Employee Ownership Structure:** Operates as a 100% ESOP since 2012, fostering cultural alignment, workforce stability, and operational discipline across its 130+ employees — often a competitive edge in high-precision manufacturing.

Challenges

- Operating Cash Flow Decline:** FY-24 operating cash flow turned negative (-\$319k) due to a steep swing in working capital, despite positive EBITDA.
- Margin and Returns Deterioration:** EBITDA margin fell from 20.0% in FY-21 to 11.4% in FY-24, and ROCE dropped to 10.1%, both trailing industry medians and suggesting weakening competitive positioning.
- Single-Site Operational Risk:** PMI’s sole facility in Pompano Beach, FL presents a concentration risk for both operations and business continuity, particularly given weather and natural disaster exposure in the region.
- Tariffs & ESOP Repurchase Obligations:** PMI faces moderate to high tariff exposure, due to its tariff-sensitive customers, limited supplier flexibility, and inability to pass through costs. Unknown ESOP Repurchase Obligations.

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%	5.5	Liquidity	40%	7.1
			Leverage	30%	4.0
			Profitability	30%	5.0
Business	35%	5.4	Industry Risk	20%	5.5
			Competitive Position	50%	5.5
			Mgmt / Governance	30%	5.0
			Sponsor / Parent		
Modifiers		-1.9	Revenue Segment		(0.7)
			Fixed Cost Coverage Risk		(0.50)
			Tariffs		(0.25)

Company Overview

Headquarters	Pompano Beach, FL
Type	Private (Non-PE)
Employees	50-100
Year Founded	1990
Website	https://pmiquality.com/
Business	Precision metal fabrication and assembly services.
Revenues	\$20.6M

- Company Overview:** Founded in 1997, Precision Metal Industries, Inc. is a precision metal fabrication and contract manufacturer HQ'd in Pompano Beach, FL.
- Product:** PMI specializes in complex sheet metal fabrication, CNC machining, value-add assemblies, and missile containers. Other key product categories include aerospace and medical enclosures, electronic housings, and electro-mechanical cabinets.
- Customers:** They serve OEMs, defense contractors, aerospace firms, and medical equipment providers. Projects range from short-run prototypes to recurring production for long-term programs. Clients are primarily B2B and concentrated within compliance-heavy sectors.
- Ownership:** Since 2012, PMI is a 100% employee-owned S-Corp, with no external sponsors or parent entities. Founder Gregory S. Wilson serves as Chairman of the Board and remains actively involved in governance.
- Debt Structure:** 3 notes over \$5.5mn (total) and an additional \$360k in UPB under an R/C-line (limit unknown). No further details about the terms, etc were provided.
- Basis for Assessment:** We received uncommented, unaudited, complete company-prepared financials (c/fs, b/s, i/s) covering FY-20 through FY-24.
- Single Event Risks:** Loss of a major customer or contract could severely impact revenue and EBITDA due to likely customer concentration. Cash flow shocks from working capital swings or ESOP repurchase obligations risk debt service disruption, especially in times when the entity isn't doing that well. A disruption at the sole FL facility could halt operations, with no redundancy plan evident.

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	117	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.13	3.63	72%
	Quick Ratio	1.32	1.91	68%
Leverage	Net Debt / EBITDA	0.61	1.68	36%
	Debt to Assets	19.1%	37.7%	27%
Profitability	EBITDA Margin	12.2%	11.4%	50%
	ROCE %	18.7%	10.1%	36%
	Revenue	\$22M	\$21M	

Industry Benchmarks - Primary: Industrial Machinery and Supplies and Components / Secondary: Aeros



Financial Statement Highlights

\$ '000s	(C) Dec-22 T12	(B) Dec-23 T12	(A) Dec-24 T12	Change (C) to (B) (B) to (A)	
Income Statement					
Total Revenue	20,015	23,019	20,647		-10.3%
Gross Profit	3,493	2,991	2,757		-7.8%
Adjusted EBITDA	2,981	2,586	2,360		-8.7%
Gross Profit Margin	17.5%	13.0%	13.4%		+36 bps
Net Income	2,205	1,830	1,576		-13.9%
Balance Sheet					
Cash And Cash Equivalents	8,376	7,353	3,464		-52.9%
Total Current Assets	20,230	17,866	14,493		-18.9%
Total Assets	25,440	23,246	19,733		-15.1%
Total Current Liabilities	8,098	7,298	3,996		-45.2%
Total Debt	10,302	8,987	7,440		-17.2%
Total Equity	8,780	8,866	10,216		15.2%
Key Ratios					
Current Ratio	2.50	2.45	3.63		48.1%
Quick Ratio	1.38	1.43	1.91		33.8%
Net Debt / EBITDA	0.65	0.63	1.68		166.5%
Debt to Assets	40.5%	38.7%	37.7%		(96) bps
EBITDA Margin	14.9%	11.2%	11.4%		+20 bps
ROCE %	12.7%	11.4%	10.1%		(130) bps

- Although PMI maintains liquidity KPIs above market, their negative FY-24 operating cash flow signals a misalignment between profitability and cash conversion.
- EBITDA margin fell from 20.0% (FY-21) to 11.4% (FY-24) and gross margin from 22.7% to 13.4%, reflecting cost pressure and possible pricing rigidity across customers.
- Net debt/EBITDA increased to 1.7x in FY-24, nearly 3x the peer median (0.61x). Although total liabilities declined, FCCR deteriorated for a second year (0.86x)

Business Risk Highlights

- Industry:** The company operates in defense, aerospace, and medical manufacturing, sectors with inherently low elasticity but high compliance standards. While these markets are more stable, government spending cycles can influence order volatility.
- Competitive Position:** PMI is a mid-sized player with differentiated certifications (AS9100, ITAR), yet limited scale and lack of manufacturing redundancy reduce pricing leverage and increase vulnerability to large-client turnover.
- Management:** Led by long-tenured founder and now Chairman Gregory S. Wilson, PMI's ESOP structure creates strong internal alignment, but could present liquidity strain from repurchase obligations if not proactively managed.
- Ownership:** The company has had founder-led stability since 1997. Gregory S. Wilson transitioned from CEO to Chairman of the Board after converting the company to a 100% ESOP in 2012. His son serves now as President though. Generally, an ESOP model supports long-term workforce alignment, which likely enhances stability, retention, and productivity. However, no disclosure on internal ESOP financial obligations or repurchase planning creates uncertainty on long-term funding demands that may affect credit risk in out-years. Latest Form 5500 filings show c. 130 participants at YE 2023; aggregate plan assets ~\$17mm