

## Chemisys Laboratories, LLC



CC

1 year PD

14.87% to 20.71%

- Returned to modest profitability with a positive and improving cash flow coverage, and reduced debt levels (essentially debt-free), showing early signs of stabilization.
- Thin margins, negative equity, and limited scale pose ongoing credit risk concerns. A history of legal disputes and substantial distributions despite distress, questions mgmt quality.

### Strengths

- Cash Flow Recovery in FY-24:** Operating cash flow rose to \$1.14M, driven by favorable working capital changes, reversing two consecutive years of cash burn and providing short-term liquidity relief.
- Positive EBITDA and Net Income Turnaround:** After two years of negative results, Chemisys achieved \$256k in EBITDA and \$170k in Net Income in FY-24, indicating initial signs of financial stabilization.
- Rent Coverage Has Improved:** EBITDAR-to-Rent ratio rose to 2.03x in FY-24, from 1.52x in FY-23 and negative in FY-22, reaching a level often viewed as adequate for lease sustainability.

### Challenges

- Technical Insolvency:** FY-24 ended with negative equity of -\$517k, and total liabilities exceeded assets by >\$0.5mn - a structural balance sheet weakness.
- Management:** Withdrawal \$823k in distributions (TBC) over FY-2023–24 despite prior cumulative losses, minimal earnings, and technical insolvency/negative equity suggesting poor capital discipline and strategic direction/intentions. A litigative history civil (Ahmed Kamel), contract disputes (company), and recently settled dissolution filing from former partners raise concerns. Ex-partners have a similarly active litigative history, including a criminal case, and FDA-issues.
- Weak Liquidity and Peer Underperformance:** Current and quick ratios were just 0.87 in FY-24, vs peers' 1.66 and 1.38 respectively, reflecting liquidity constraints and operational strain.

### Scorecard Summary

Financial vs Business Risk Weighting Factors					
Ownership	Private (Non-PE)				
	Stabilized				
	Complete				
Company Stage					
Financials					
	Weight	Score	Dimension	Weight	Score
Financial	75%	4.1	Liquidity	45%	4.0
			Leverage	28%	7.2
			Profitability	28%	1.2
Business	25%	4.1	Industry Risk	20%	6.4
			Competitive Position	50%	4.0
			Mgmt / Governance	30%	2.7
			Sponsor / Parent		
Modifiers		-0.6	Revenue Segment		► (0.4)
			Trend Analysis		0.25

### Company Overview

Headquarters	Fair Lawn, NJ
Type	Private (Non-PE)
Employees	~65
Year Founded	2016
Website	https://chemisys.net/
Business	Clinical diagnostic testing and laboratory services.
Revenues	\$8.5M

- Company Overview:** Chemisys Laboratories, LLC is a New Jersey-based, privately held clinical diagnostic testing laboratory focused on high-volume, fast-turnaround services. The company operates from its primary location in Fair Lawn, NJ, with a business model anchored in affordability and efficiency.
- Product:** Offers a range of diagnostic services including blood panels, metabolic testing, infection detection (e.g. COVID-19), and customized testing panels for physician and institutional clients. Turnaround time is typically within 24 hours.
- Customers:** Serves healthcare providers, clinics, and uninsured patients on a direct-pay basis. Indirect revenue is also generated through contract work with larger laboratory networks.
- Ownership:** Privately owned and led by Ahmed Kamel (President), with former members Farrukh Khwaja and Adil Palwala involved in prior governance and internal legal disputes.
- Debt Structure:** \$0.5mn SBA Loan and about \$0.24mn in Credit Cards / Line of Credit. No terms or maturity dates were provided.
- Basis for Assessment:** Uncommented, company-prepared, high level FY-22/23/24 financials, with FY-24 as the core financial basis for this assessment.
- Single Event Risks:** Key man risk - loss of core leadership could disrupt operations and compliance, with no visible succession plan. Payer disruption - suspension of major reimbursement could quickly exhaust liquidity, given thin margins and weak balance sheet. Regulatory breach - compliance failure (e.g., CLIA, HIPAA) may trigger sanctions or shutdown, posing existential risk.

### Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	42	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.66	0.87	29%
	Quick Ratio	1.38	0.87	37%
Leverage	Net Debt / EBITDA	1.31	(0.84)	87%
	Debt to Assets	26.9%	52.5%	
Profitability	EBITDA Margin	12.9%	3.0%	
	ROCE %	21.0%	-1307.8%	0%
	Revenue	\$17M	\$8M	

Industry Benchmarks - Primary: Health Care Services | Secondary: Life Sciences Tools and Services

#### Debt Maturities



### Financial Statement Highlights

\$ '000s	(C)	(B)	(A)	Change	
	Dec-22	Dec-23	Dec-24	(C) to (B)	(B) to (A)
	T12	T12	T12		
Income Statement					
Total Revenue	9,831	7,933	8,483		6.9%
Gross Profit	7,325	6,060	6,439		6.3%
Adjusted EBITDA	(368)	67	256		280.6%
Gross Profit Margin	74.5%	76.4%	75.9%		(49) bps
Net Income	(502)	(75)	170		325.7%
Balance Sheet					
Cash And Cash Equivalents	518	247	1,008		308.2%
Total Current Assets	748	521	1,328		154.8%
Total Assets	917	694	1,511		117.9%
Total Current Liabilities	206	511	1,531		199.8%
Total Debt	706	869	794		-8.7%
Total Equity	211	(317)	(517)		-63.0%
Key Ratios					
Current Ratio	3.63	1.02	0.87		-15.0%
Quick Ratio	3.63	1.02	0.87		-15.0%
Net Debt / EBITDA		9.27	(0.84)		
Debt to Assets	77.0%	125.3%	52.5%		(7279) bps
EBITDA Margin	-3.7%	0.8%	3.0%		+217 bps
ROCE %	-65.5%	-5.9%	-1307.8%		(130184) bps

- Revenue declined from \$9.8mn in FY-22 to \$7.9mn in FY-23, followed by a mild recovery to \$8.5mn in FY-24, suggesting instability in customer base or volume.
- Net income turned positive in FY-24 at \$170k, compared to losses of -\$75k in FY-23 and -\$502k in FY-22, supported by controlled expense growth.
- Cash increased from \$247k in FY-23 to \$1mn in FY-24, driven by a one-off \$975k swing in working capital, not recurring earnings.

### Business Risk Highlights

- Industry:** The U.S. clinical lab testing industry is projected to grow at 7.3% CAGR through 2032, yet it is highly competitive and regulated, with new FDA oversight proposed for lab-developed tests (LDTs).
- Competitive Position:** The company lacks scale relative to giants like Quest and Labcorp (EBITDA margins ~13%), with Chemisys posting only 3.0% in FY-2024. No clear price or specialization advantage is articulated.
- Management:** Internal dissolution filings (2020) between owners and ongoing litigation history raise concerns about stability, transparency, and execution risk.
- PE Sponsor:** The company operates without the support of a parent entity or private equity sponsor, limiting access to capital or professionalized board oversight during periods of stress.