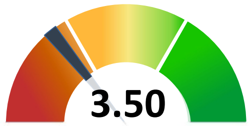
FEDERAL RENT-A-FENCE, LLC ("FRAF")



CC *1 year PD* **14.87% to 20.71%**

- Strong operating margins and customer retention, with reputable PE-firm with a solid track record actively backing their growth-strategy.
- High leverage, weak liquidity, Net Loss, and goodwill-heavy balance sheet elevate financial and refi risks. CAPEX-driven cash burn in FY-24 (negatvie FCF) - currently unstainable.

Strengths

- **EBITDA Margin & PE-backing:** Despite a Net Loss in FY-24, FARF maintained a 34.1% EBITDA margin, significantly outperforming their peers (8.7%). Argosy Capital's ("AC") provides a structured growth support and access to significant resources ($3.48bn AUM), enhancing operational scalability and strategic oversight despite the accompanying leverage increase. AC has been recognized as one of the Top 50 PE Firms in the Middle Market by Grady Campbell for 4 consecutive years.
- **Established Market Position:** >50k projects completed across 26 states, laying 100mn+ miles of fence; the company has deep regional penetration, especially in the Mid-Atlantic and Midwest, making it a leader in its niche there.
- **Customer Retention:** Approx. 90% of revenue stems from repeat customers, indicating durable relationships and high service satisfaction, key for recurring rental-based business models.

Challenges

- **Liquidity Strain:** FY-24 Current and Quick Ratios were both 0.49, far below the peer median of 1.44 and 1.09, respectively, raising near-term solvency concerns.
- **Tangible Solvency & OPEX:** While FY-24 Equity was $31.7mn, with $35.4mn of it being goodwill, meaning the company had negative tangible equity, placing it at technical insolvency without asset revaluation. OPEX increased by 1/3 in FY-24.
- **CAPEX-Driven Cash Burn:** CAPEX in FY-24 ($10.5mn) vs OCF of $4.3mn led to a negative Free Cash Flow (Cash Burn) of -$6.2mn, indicating unsustainable free cash flow dynamics. Yet, compared to FY-23, CAPEX in '24 was 140%/$6.1mn higher.

Company Overview

Headquarters	West Berlin, NJ
Type	Private (PE)
Employees	80
Year Founded	1993
Website	https://federalrentafence.com
Business	Temporary fencing and barricade rental services.
Revenues	$19.9M

- **Company Overview:** A regional provider of temporary fencing solutions serving construction, event, and emergency response markets across the Mid-Atlantic and Northeastern United States.
- **Product:** Chain link panels, post-driven fencing, privacy screens, windscreen barriers, gates, and barricades for rent. Product design supports flexibility across short- and long-term perimeter needs.
- **Customers:** The company serves general contractors, municipalities, emergency response teams, and event coordinators. It boasts high customer retention (>90%) and serves both the private and public sectors.
- **Ownership:** Acquired in early 2024 by Argosy Private Equity, a lower middle-market PE firm focused on platform growth and regional expansion strategies.
- **Debt Structure:** Long Term Debt is comprised of a $16.7mn note. No further details/terms were provided. No indications of an R/C-line.
- **Basis for Assessment:** Company prepared, partially commented FY-22/23/24.
- **Single Event Risks:** Refinancing failure due to covenant breach or debt maturity amid weak liquidity and high leverage. Revenue shock from customer loss or sector slowdown given reliance on cyclical, repeat business. Execution risk if PE-driven cost growth isn't matched by sales.

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	16,414	18,874	19,852		5.2%
Gross Profit	16,414	18,874	19,852		5.2%
Adjusted EBITDA	6,646	7,025	6,764		-3.7%
Gross Profit Margin	100.0%	100.0%	100.0%		0 bps
Net Income	1,853	3,012	(2,857)		-194.9%
Balance Sheet					
Cash And Cash Equivalents	1,313	1,241	1,597		28.7%
Total Current Assets	4,214	3,880	4,441		14.5%
Total Assets	16,052	17,031	57,380		236.9%
Total Current Liabilities	7,620	7,377	8,993		21.9%
Total Debt	138	183	16,649		8997.8%
Total Equity	8,308	9,486	31,739		234.6%
Key Ratios					
Current Ratio	0.55	0.53	0.49		-6.1%
Quick Ratio	0.55	0.53	0.49		-5.9%
Net Debt / EBITDA	(0.18)	(0.15)	2.23		
Debt to Assets	0.9%	1.1%	29.0%		+2794 bps
EBITDA Margin	40.5%	37.2%	34.1%		(315) bps
ROCE %	22.9%	32.0%	-2.4%		(3442) bps

- Swung from $3.0mn Net Income in FY-23 to a $2.9mn Net Loss in FY-24, primarily due to rising OPEX (+$5.2mn) and surging interest costs (+$1.1mn).
- Operationg Cash Flow remained positive across all years, including $4.7mn in FY-24, despite the Net Loss, aided by high depreciation and low working capital requirements.
- Net Debt/EBITDA jumped to 2.23x in FY-24 from (0.2x) in FY-23, driven by the assumption of $16.6mn in long-term liabilities, likely tied to PE-driven recapitalization.

Scorecard Summary

Financial vs Business Risk Weighting Factors

Ownership	Private (PE)
Company Stage	Growth
Financials	Complete (Unaudited)

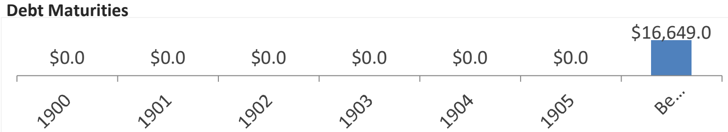
	Weight	Score	Dimension	Weight	Score
Financial	30%	5.7	Liquidity	40%	*2.8*
			Leverage	30%	*5.3*
			Profitability	30%	*10.0*
Business	70%	6.5	Industry Risk	15%	*6.5*
			Competitive Position	35%	*6.5*
			Mgmt / Governance	15%	*5.0*
			Sponsor / Parent	35%	*7.0*
Modifiers		-2.9	Revenue Segment		*(1.2)*
			Trend Analysis		*(0.22)*
			Financial Flexibility		*(0.25)*

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks: *175*		Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.44	0.49	*10%*
	Quick Ratio	1.09	0.49	*20%*
Leverage	Net Debt / EBITDA	2.01	2.23	*48%*
	Debt to Assets	25.9%	29.0%	*49%*
Profitability	EBITDA Margin	8.7%	34.1%	*100%*
	ROCE %	8.3%	-2.4%	*8%*
	Revenue	$110M	$20M	

Industry Benchmarks - Primary: Diversified Support Services

Debt Maturities



Business Risk Highlights

- **Industry:** The entity operates in a cyclical sector with exposure to construction and event-related macro trends. However, the US temporary fencing market is expected to grow at a CAGR of 7.5% through 2033, aided by infrastructure demand.The market structure is fragmented, with a mix of large firms and numerous small to medium-sized enterprises, leading to intense competition and a focus on niche service offerings to maintain market share. Critical success facotrs are (i) Operational Efficiency, (ii) Regulatory Compliance, and (iii) Technological Adaptation (e.g. IOT integrations).
- **Competitive Position:** While a top regional player, the firm faces national competition from United Rentals, Mobile Mini, and National Construction Rentals, who can bundle site services and benefit from scale economics.
- **Management:** Lack of financial discipline evidenced by a 33% OPEX-increase in FY-24 despite only 5% revenue growth. No visibility into board structure or CFO oversight, elevating execution risk.
- **PE Sponsor:** Argosy Capital, with $3.48bn AUM, >135 platform investments, and 100+ exits since 1990, brings operational rigor and capital discipline. Its structured post-acquisition engagement likely benefits Federal Rent-A-Fence's credit risk, though elevated leverage