STONERIDGE INC – SRI

My Research Approach

I approach research with a simple question: ***"If I were running this company, what would I need to know to operate it effectively and efficiently?"***

Unlike the complex, conventional accounting approach, I break my research into three practical categories:

1. **Input** – How the company generates money: every product, service, and revenue stream.
2. **Output** – Where the money flows out: all expenses, costs, and anything that reduces the company's cash.
3. **Retention & Allocation** – What happens to the profits and cash that remain: how the company saves, invests, pays down debt, builds assets, and manages liabilities.

I don't just stop at the basics — I dive into the company's full financial structure, including its assets, liabilities, capital position, and how well its resources are protected and utilized. I also track any loans taken to fund operations or growth and provide clear, separate loan breakdowns.

I always prioritize understanding the reason behind every financial decision, change, and outcome. Without knowing the "why," you can't understand the risk — and if you don't understand the risk, you don't truly know the company.

I keep my research ***clear*** and ***straightforward***, using AI tools and cross-verifying information to ensure accuracy. My goal is to help people look beyond speculation and hype, and instead, invest based on facts: management quality, operations, financial health, and long-term value.

Please — **never invest just because of the stock price. Invest because you understand and believe in the business.**

Stoneridge, Inc. Location:
39675 MacKenzie Drive, Suite 400
Novi, Michigan 48377
United States

Key Management Team

- ❖ Jim Zizelman — President & Chief Executive Officer
- ❖ Bob Krakowiak — Executive Vice President & Chief Financial Officer
- ❖ Thomas Bronzino — Vice President, Chief Legal Officer & Corporate Secretary
- ❖ Jonathan DeGaynor — Director (former CEO, notable figure)

What are they?

Stoneridge, Inc. is a company that makes electronic parts for vehicles

What do they do?

They design, make, and sell electrical and electronic parts that help vehicles work better, be safer, and be more connected.

How do they do it?

They have factories and offices in ***14 countries***, including the U.S., Mexico, Brazil, and parts of Europe. They design products, test them, and build them in these locations.

What market are they serving?

✅ Big trucks and buses (Commercial vehicles)
✅ Cars and light trucks (Passenger vehicles)
✅ Off-road vehicles, like tractors and construction equipment
✅ Replacement parts (Aftermarket)

What products do they provide?

Control Devices	- Sensors, switches, connectors - help control things in vehicles like brakes or safety systems.
Electronics	Screens, cameras, vision systems, devices that show drivers important information
Telematics & Tracking Systems	Help track vehicles and improve safety.

How do they make these products?

They use engineering teams to design the products. Then they build them in their factories using machines and skilled workers.

How do they source their resources?

They buy parts and raw materials like metals, plastics, and electronic chips from suppliers around the world.

Who are their customers?

✅ Big vehicle companies that build trucks, buses, cars, and off-road vehicles.

✅ Other parts suppliers that install Stoneridge's products into vehicles.
✅ Some dealers or companies that sell replacement parts.

☐ **What value do they provide to customers?**
✔️ Make vehicles **safer** (like with cameras and safety sensors)
✔️ Help drivers get **important information** (like fuel use, speed, warnings)
✔️ Improve **fuel efficiency**
✔️ Make vehicles **smarter and more connected**

☐ **Where are their customers located?**
🌍 North America
🌍 South America
🌍 Europe
🌍 Asia

☐ **How do they reach customers or get their word out?**
They work directly with vehicle makers and big parts suppliers. They also show off their products at trade shows and through business meetings.

☐ **How do they acquire customers?**

✔️ **Work with vehicle companies** during the design phase of new trucks or cars
✔️ Offer **special products** that other companies don't have (like their MirrorEye® camera system)
✔️ Keep strong relationships with existing customers

☐ **How do they keep customers?**
✔️ Provide **high-quality products**
✔️ Offer good **customer support**
✔️ Keep improving their technology to meet new safety and efficiency rules
✔️ Build **long-term contracts** so customers stick with them

Risk and Challenges

☐ **What is currently troubling the company?**

- ***Supply Chain Shortages***, especially for electronic chips and raw materials.
- ***Cost Inflation***, particularly for materials, shipping, and labor.
- ***Global Uncertainty***, like economic slowdowns, political instability, and wars (for example, the war in Ukraine).
- ***Vehicle Production Levels***, which they depend on but can't control.
- ***Customer Concentration***, meaning they rely heavily on a few big customers.
- ***Intense Competition***, including pressure on prices and need for constant innovation.
- ***Foreign Exchange Risk***, since they operate globally and currencies fluctuate.
- ***Cybersecurity Threats***, risk of data breaches or system shutdowns.
- ***Regulatory Risks***, especially around environmental rules and product safety.

- ***Difficulty Finding Skilled Workers***, especially engineers.

- **How are these risks and challenges being managed or limited?**
- Diversifying Suppliers where possible.
- Building inventory of hard-to-get materials.
- Strong customer relationships, including long-term contracts.
- Investment in cybersecurity systems.
- Hedging foreign currency exposure (using financial tools to reduce risk).
- Continuous product innovation to stay ahead of competitors.
- Monitoring regulations and updating products as needed.

- **Why is it a risk?**
- If chips aren't available, they can't build electronic systems.
- If customers switch to competitors, they lose sales.
- If rules change and they can't keep up, they get fined or lose market access.
- **What caused these challenges?**
- Global events, like the pandemic and Ukraine war, disrupted supply chains.
- High demand for electronics globally, causing chip shortages.
- Economic inflation, driving up material and labor costs.
- Competitive market, requiring constant innovation.
- Regulatory changes, pushing companies to adapt quickly.

- **What is the long-term and short-term view on these risks?**

Short-term:
- Supply shortages and inflation are expected to remain challenging.
- They continue to face uncertainty from global events.

Long-term:
- They believe demand for smart vehicle systems will grow.
- They expect to manage risks with supplier diversification, innovation, and stronger operations.

- **What is management's approach to challenges?**
  - Operational efficiency: improving production and reducing costs.
  - Supplier partnerships: working closely with key suppliers.
  - Product innovation: especially in vision systems, sensors, and telematics.
  - Financial discipline: including careful spending and cost control.
  - Risk monitoring: including currency, supply chain, and cybersecurity.

- **How did management overcome previous challenges?**
- During **COVID-19**, they adjusted operations and supply chains to deal with shutdowns and shortages.
- They successfully navigated **chip shortages** by building inventory and working with customers to adjust production.

- ❖ They implemented **cost reduction plans** in difficult years to maintain profitability.

What has been learned?
The filing suggests they've learned that:

- **How can they prevent or hedge against risks in the future?**

✔️ Continue diversifying suppliers.
✔️ Use currency hedging to limit exchange rate problems.
✔️ Build strategic inventory reserves.
✔️ Invest in cybersecurity defenses.
✔️ Develop new technologies to stay competitive.
✔️ Strengthen customer relationships to reduce the chance of losing key buyers.

What has been learned?

- ❖ Global supply chains are fragile, so backups are critical.
- ❖ Being flexible and adaptable helps during crises.
- ❖ Strong customer relationships help when disruptions happen.
- ❖ Constant investment in product development is necessary to survive competition

- **How does the company adapt to change in an ever-changing system?**

✔️ By investing in new technologies, like camera systems and smart vehicle features.
✔️ By expanding into growing markets, like South America and Europe.
✔️ By adjusting operations and sourcing based on current events (like building inventory when shortages hit).

- **How does the company position itself to benefit from change?**
  ✔️ Smart, connected vehicle products, which are in growing demand.
  ✔️ Building long-term contracts with customers.
  ✔️ Investing in global operations, giving them flexibility.
  ✔️ Offering products that help vehicles be safer and more efficient, aligning with stricter global rules.

REVENUE – 2024

Money from Sales (Total Revenue)	$908.3 million
Revenue Change	Down ***$67.5 million***, a ***-6.9%*** decrease
Do customers pay before delivery	No, payment is made shortly after delivery/shipment
Are customers concentrated	The top two customers make up ***29%*** of sales
Recurring revenue	Primarily from long term contracts
What Period Makes the Most Sales	***Q1*** and ***Q2*** are stronger

- **Revenue by geographic**

North America	**$447,142 million** (down ***–9.8%)***
South America	**$49,649 million** (down ***–13.2%)***
Europe & other	**$411,504 million** (down ***–2.7%)***

- **Revenue by Segment (Product Categories)**

Control Devices	Electronics	Stoneridge Brazil
$296.3 million (down ***14.3%***)	**$594.7 million**	**$50.3 million** (down ***13.2%***)

Why did REVENUE decrease?

- Lower volumes in North American passenger vehicle markets.
- End-of-life product programs are winding down.
- Weaker commercial vehicle markets in China.
- Foreign currency headwinds, particularly in Brazil.
- R&D expenses slightly increased as they continued investing in product development.
- Interest expense also rose due to higher debt costs.

EXPENSES

Cost to Make the Final Product	COGS
Cost to Acquire Raw Materials	COGS
Labor Costs	COGS and SG&A
Promotion & Marketing Expenses	SG&A
Cost to Conduct Research on New Products	R&D
Cost to Innovate and Develop Early Products	R&D
Lease Costs (Assets)	SG&A
Cost to Maintain Assets (Repairs/Upgrades)	SG&A
Insurance Costs	SG&A
Utilities (Water, Gas, etc.)	SG&A
Legal, Consulting, Accounting Fees	SG&A
Payments to Equity Holders (Dividends)	No dividend payout
Taxes Paid	
Expense Growth	
Reasons for Expense Changes	
Are Costs Increasing	

summary

COGS	**$719.0M** / (down ***–7.2%)***	Due to reduced product sales volumes and improved material cost management
SG&A	**$117.5M** / ***(+0.06%)***	Stable general operating costs, no significant changes.

R&D	**$72.2M** / ***(+1.5%)***	Reflects higher engineering costs to support new programs and products
Interest expense	**$14.45M**	
Tax	**$2.93M**	
Other	**$2.52M**	
Total	**$924.85 million**	

- *Debt reduction wasn't listed just the interest paid was*

PROFITS

Net Profit (Loss)	**$16.52M**	After all costs, including taxes and interest, they lost money.
Profit Allocations (Ops Cash Only)	**- $31.4M** generated and **$20.6** million was invested in equipment	
Money Saved from Operations	**$10.8M** (Free Cash Flow) **Cash Flow Statement.**	-This excludes debt or financing sources - **(Operating cash flow)**
Gross Margin	***20.8%***	
Operating Margin	~***0.0%***	
Net Margin	***–1.8%***	Company lost 2 cents per $1 of sales after all expenses.
Emergency Cash	**$54.2M** total; includes debt proceeds	$10.8 million saved from operations contributes to this.
Profit Growth/Decline	*Decline*	due to revenue drop and rising costs.
Float	Yes, small operational float	

Note: ***No dividends paid in 2024***

ASSETS

Cash and cash equivalents	used for daily operations, expenses, and emergencies	$71.8M
Receivables	money owed by customers for delivered goods	$137.8M
Inventory	raw materials and finished goods ready for sale	$151.3M
PP&E	factories, machinery, equipment to manufacture products	$97.7M
Intangibles	customer lists, trademarks, software, patents for tech value	$39.7M
Goodwill	premium paid above fair value for acquisitions	$33.1M
Lease Right-of-use assets	value of leased property/equipment	$10.05M
Long-term investments	Equity stakes or other non-current assets	$53.6M
Prepaid/other current	- payments made *in advance* for goods or services the company will receive later.	$26.6M

	- Other current assets are miscellaneous short-term items that don't fit neatly into cash, receivables, or inventory.	
Total Assets		$621.6M

Red Flags:

Goodwill and Intangible Asset Concerns

- Cumulative Goodwill Impairment:
    - **$300M** impairment to date.
    - Suggests historical acquisitions that underperformed or were overvalued.
- Goodwill Balance Shrinking:
    - Electronics segment goodwill decreased from $35.3M to $33.1M due to currency translation, reflecting FX exposure, especially in international operations.
- Other Intangibles Shrinking:
    - Net intangible assets fell from $47.3M to $39.7M, implying amortization and possibly reduced investment in new IP or brands.

Simple Explanation of Key Changes

- **Cash** increased by ***76%*** even though they lost money. This happened because they collected more from customers, sold inventory, or possibly borrowed cash.
- **Receivables** decreased ***17%*** because they got better at collecting money from customers.
- **Inventory** decreased ***19%*** because they sold more finished goods than they produced.
- **Prepaid assets** decreased ***22%*** because they used what they'd previously prepaid for.
- **Equipment value** decreased ***11%*** due to normal wear and tear, and little new buying.
- **Intangibles** decreased ***16%*** because they're writing off IP over time.
- **Goodwill** dropped by ***6%*** due to possible write-down reflecting reduced brand value.
- **Lease assets** decreased ***7%*** because they've used up some lease rights.
- **Investments** increased ***14%*** because they put more into long-term items like deposits or stakes.
- **Overall assets** decreased ***9%*** because most asset types decreased, especially non-cash ones.

How are these assets acquired or funded?

- **Cash** comes from sales and loans.
- **Receivables** from unpaid customer invoices.
- **Inventory** built using cash or credit.
- **Equipment/PP&E** bought with cash or debt.
- **Lease assets** come from signed lease agreements.
- **Intangibles/goodwill** come from buying other companies.
- **Other assets** from advance payments or investments

How replaceable are these assets?

- **Cash** is instantly replaceable.
- **Receivables** are dependent on customers paying.
- **Inventory** is replaceable but takes time and cost.
- **Equipment** is costly but renewable.
- **Lease assets** must sign new leases when expired.
- **Intangibles/goodwill** are not replaceable—they're unique.

Can the company function without specific assets?

- No, the company needs every asset it has to be productive.

How liquid is the company?

- ***Current assets*** total **$387.5M** and ***current liabilities*** are **$150M**.
- This means they can cover short-term debts **2.6** times over

How are these assets managed—effective/efficient?

- Inventory decreased **($36M**) because they're reducing excess stock.
- Receivables reduced due to better collection.
- They are managing working capital more tightly.

How do assets support value creation?

- **Equipment & inventory** let them deliver on contracts.
- R&D (**intangible** spending) supports new product development.
- **Lease** arrangements keep flexibility without big upfront payments

Do these assets position the company for industry change?

- **Equipment &** R&D show ability to innovate.
- **Intangibles** support future product development.
- **Lease** flexibility helps adapt operations quickly.

Are these assets mostly cash or tied up?

- Mostly tied up in equipment, inventory, brand value.
- **Cash** is a smaller part of total assets.

Do they have enough assets to run the business?

- Yes, they have factories, cash, and inventory to support ongoing operations.

Can they easily turn assets into cash if business slows?

- Cash: immediately.
- Receivables: within billing cycles.
- Inventory: slower because it requires sales.
- Equipment: needs to be sold or disposed therefore takes time.

LIABILITIES

Accounts Payable	Money owed to suppliers for materials and services.	$83.5M
Accrued Expenses	Obligations like wages, taxes, and interest not yet paid.	$66.5M
Warranty & Other Current Liabilities	Estimated costs of product warranties and short-term liabilities.	$0.9M
Current Portion of Lease Liabilities	Lease payments due within a year.	$4.1M
Short-Term Debt (Credit Line)	Portion of revolving credit that's due within a year.	$2.0M

Long-Term Lease Liabilities	Lease payments due after one year	$6.5M
Long-Term Debt (Credit Line)	Revolving credit that matures in Nov 2026.	$201.6M
Deferred Taxes & Other Non-Current Liabilities	Future tax obligations and other long-term debts.	$18.2M
Total Current Liabilities	Sum of all short-term debts and obligations.	$150.0M
Total Liabilities	Combined short-term and long-term company debts	$376.3M

- **Total liabilities** decreased by ***4%*** be$201.6M cause they paid down short-term debt and accounts payable using cash from operations.
- **Current liabilities** decreased by ***16%***, down from $178.2M to $150.0M, because they cleared short-term bills and removed due debt.
- **Long-term liabilities** increased by ***6%***, from **$213.9M** to **$226.3M**, as they refinanced and possibly increased drawn credit line.
- **Revolving credit** increased by ***7%*** as they used more of their borrowing capacity.
- **Accounts payable** decreased by ***25%***, from **$111.9M** to **$83.5M**, because they paid suppliers faster and improved cash flow.
- **Accrued expenses** increased by ***3.6%,*** from **$64.2M** to **$66.5M**, reflecting timing of payments for salaries or incentives.

Are these liabilities increasing or decreasing?

- Total liabilities **decreased** by **4*%***, from **$392.2M** in 2023 to **$376.3M** in 2024. This is because they paid down accounts payable and some short-term debt.

How do these liabilities impact the company?

- High liabilities mean less cash is available for everyday expenses and limit how much they can borrow or invest.

How do liabilities impact operations?

- Meeting short-term obligations affects how much money is left to buy materials, pay people, or expand production.

What are the long-term vs. short-term liabilities?

- **Short-term**: $150.0M (due within one year).
- **Long-term**: $226.3M (due after one year).

What are the terms of debts?

- They have a borrowing facility that supports ongoing financing needs, with repayments spread over time.

How much debt is used?

- They've used **$201.6M** of the revolving credit line (long-term debt) but haven't stated how much is left available.

When was the loan taken and what are its due dates?

- The revolving credit was incurred in ***November 2023*** and will mature in ***November 2026.***

What rates are associated with the debts?

- Interest on the revolving credit is approximately ***7.16%,*** set by market rates.

How can they pay off these liabilities?

- They can use operating cash flow
- Refinance at better terms
- Convert debt into equity (though no conversion has been reported).

Are these liabilities actively managed and limited?

- Yes. The company reduced total liabilities and improved their short-term position, demonstrating active debt management.

How are liabilities impacting company value?

- Lower debts improve shareholder equity and credit strength, enhancing the company's value and reducing risk.

Were any debts taken in 2024?

- No new long-term debts were added in 2024. They did increase their usage of the revolving credit line slightly.
- At the **end of 2023**, they had **$189.3 million** outstanding on the credit line.
- By the **end of 2024**, that outstanding balance increased to **$201.6 million**
- **Meaning:** $**12.3M** was drawn during the year 2024 to fund operations and more.

How liquid is the company? (Working Capital)

- Working capital is **$237.5M** (current assets minus current liabilities), meaning the company can cover its short-term bills over twice.

How are liabilities linked to operations?

- Accounts payable (**$83.5M**) and accrued expenses **($66.5M**) reflect ongoing operational costs like materials and salaries.

RISK AND CHALLENGES

1. ***Dependence on Large Customers***
   Stoneridge relies heavily on a few major customers—PACCAR, Traton, Volvo, Daimler Truck, and Ford made up 56% of its sales in 2024.

- ***Why is it a risk:*** Losing any of them could drastically reduce sales.
- ***Impact if increases:*** Could hurt revenue and profit significantly.
- ***Cause:*** Industry structure where a few big OEMs dominate.
- ***Management approach:*** They maintain long-term, model-lifecycle contracts with OEMs and focus on delivering high-quality products and pricing competitiveness.
- ***Outcome:*** Contracts range from one year to the model's life (3–7 years), providing stability in both short and long term.
- ***Future hedging:*** Pursuing multiple OEM programs and developing new products like MirrorEye to diversify customer base.

2. **Cyclical Market and Economic Downturn**
   Stoneridge's business follows cycles in automotive, commercial, and off-highway industries.

- **Why it's a risk:** Economic slowdowns or reduced vehicle production reduce orders.
- **Impact if escalates:** Lower sales, cash flow issues, and tighter leverage.
- **Cause:** Vehicle markets are tied to consumer spending and infrastructure investment.
- **Management approach:** Focus on cash flow by reducing inventory and working capital and using debt facility flexibility.

- **Short-term view:** Adjusting production to demand.
- **Long-term view:** Investing in growth areas that are less tied to market cycles, like advanced driver-assist systems.
- **Outcome:** They reduced inventory by $36.4M and guided 2025 sales of $860–890M.

3. **High Leverage and Debt Covenants**
   The $201.6M credit facility exposes the company to leverage risk.

- **Why it's a risk:** If not managed, debt obligations can restrict operations or cause defaults.
- **Impact if escalates:** Could trigger covenant breach or force asset sales.
- **Cause:** Operating losses and credit line extension to fund cash needs.
- **Management approach:** Amended credit facility to ease short-term thresholds and actively manage debt to reach net debt/EBITDA of 2–2.5x by end of 2025.
- **Outcome:** Covenant leverage temporarily eased from 6.0x to 3.5x across quarters.
- **Future hedging:** Improving cash flow and reducing debt.

4. **Volatility in Raw Material & Currency Costs**
   Unfavorable dollar exchange and rising material costs strain margins.

- **Why it's a risk:** Margin pressure when they can't immediately pass costs to customers.
- **Impact if escalates:** Lower profitability or hurt competitiveness.
- **Cause:** US-dollar-pegged costs, global supply chain disruptions, currency swings, and tariff risk.
- **Management approach:** Use foreign currency forward contracts to hedge and monitor raw material prices; negotiating price adjustments with customers.
- **Outcome:** Material cost increases hit margins, though mitigated by hedging.
- **Future hedging:** More aggressive currency hedging and improved cost pass-through in contracts.

5. **Operational Disruptions (Supply Chain, Facilities, IT, Labor)**
   Risks include supplier issues, natural disasters, facility disruptions, labor strikes, and cyber threats.

- **Why it's a risk:** These events can halt production or delay customer deliveries.
- **Impact if escalates:** Lost revenue, cost overruns, or reputational damage.
- **Cause:** Global supply chain fragility, geopolitics, cyber threats.
- **Management approach:** Business interruption insurance, cybersecurity investments (MXDR, firewalls, training), periodic risk assessments, and supplier diversification.
- **Outcome:** No major incidents reported; enhanced IT resilience implemented.
- **Future hedging:** Ongoing cybersecurity upgrades and supplier backup planning.

6. **Product Warranty and Liability**
   Defective components could lead to costly claims and recalls.

- **Why it's a risk:** Warranty claims hurt margins and can cause legal exposure.
- **Impact if escalates:** Could require significant cash reserves and damage OEM relationships.

- **Cause:** Complex parts, safety standards, and OEM demands for quality.
- **Management approach:** Maintain warranty reserves based on historical trends and continue quality control.
- **Outcome:** Reserves in place; no major recalls reported.
- **Future hedging:** Enhancing design/testing processes and updating insurance coverage.

7. **Technological and Market Change (EV, Shared Mobility)**
   Industry shift toward electrification and shared mobility could reduce demand.

- **Why it's a risk:** Traditional products may lose relevance.
- **Impact if escalates:** Declining sales and market share.
- **Cause:** Reduced ICE vehicle output and new mobility models.
- **Management approach:** Invest in MirrorEye ADAS systems, sensors, and positioning technologies.
- **Outcome:** MirrorEye launch expected to double to $120M revenue in 2025.
- **Future hedging:** Expanded R&D in EV, safety, telematics, and partnerships in emerging mobility trends.

Product Warranty and Recall Reserve Growing

- Reserve increased from $21.6M to $27.5M, suggesting rising product quality issues or risk of recalls, which could hurt margins and reputation.

Debt deep dive

What types of debt does the company have?

- The company has a **revolving credit facility**, which is a type of loan they can borrow from, repay, and borrow again as needed. It functions like a large business line of credit.

How much total debt does the company currently owe?

- As of the end of 2024, the company has $201.6 million borrowed under the revolving credit facility.

Is this considered short-term or long-term debt?

- The revolving credit facility is technically a long-term debt, but any amounts borrowed that are due within one year are considered current liabilities on the balance sheet. The entire facility matures in 2027, so the total debt stretches beyond one year.

When was this debt taken?

- The original credit agreement was signed in 2019, but the company actively draws from it as needed. In 2024, they increased their total borrowing by $12.3 million compared to the prior year.

When is the debt due?

- The maturity date of the revolving credit facility is 2027.

What is the interest rate on the debt?

- The interest rate is variable and based on market conditions. It is tied to the **SOFR** (Secured Overnight Financing Rate) plus an additional margin. The exact rate can change over time, depending on economic factors and the company's credit risk profile.

Why does the company have this debt?

- The company uses the revolving credit facility to support day-to-day operations, maintain liquidity, and cover temporary cash flow shortfalls, especially when expenses or investments exceed revenue.

How much did they borrow specifically in 2024?

- In 2024, they borrowed an additional **$12.3 million** from the revolving credit facility compared to 2023. The total outstanding balance rose from **$189.3 million** to **$201.6 million**.

How does this debt impact the company?

- The debt provides necessary cash to operate the business but increases financial risk. It adds to interest expenses and exposes the company to leverage risk, meaning if profits remain low or negative, the ability to repay the debt could be strained.

How are these debt risks managed?

- The company renegotiated its credit agreement in **October 2023**, which temporarily eased the financial ratio requirements (called **covenants**) to avoid breaching terms while profitability is low.

Are they actively working to reduce this debt?

- Yes, management has stated they plan to improve cash flow and profitability in order to gradually reduce net debt and bring their **net debt to EBITDA** ratio to between **2.0 and 2.5x** by the end of 2025.

How much of the debt is currently being used?

- The entire **$201.6 million** drawn from the revolving credit facility is being used, based on the 2024 year-end balance.

Did they use borrowed money to pay for expenses?

- While the company does not explicitly list how borrowed funds were used line by line, their negative net income and cash flow gaps indicate that some of the borrowed money likely supported operational expenses, working capital, and cash reserves.

How can the company get rid of this debt?

- The company can repay the debt by improving profits, reducing expenses, selling assets, or raising additional capital if necessary.

What happens if the debt risk increases?

- If the company cannot meet its debt payments or covenant requirements, it could face higher interest rates, restrictions on operations, or even default, which could lead to forced asset sales or bankruptcy in extreme cases.

Is the debt increasing or decreasing?

- The debt increased by **$12.3 million** during 2024, reflecting the company's need to finance operations amid weak profitability.

Debt Problem.

- ❖ Debt total is due in 2027, which means they only 2.5 years from now to make payment

- They have a principal debt of **$201.6million** and growing. They haven't made a single principal payment yet just the interest which is **$14.4 million(year) = $1.2 million per month** approximately.
- If they don't start making payments on the principal, they will have to pay a load sum of money in **2027** and with the current state of the economy and company, it's almost impossible if they plan on using money from revenue but can be done via new loans or renegotiating the terms of the loan to extend the payment period.

Research report by
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