R8 LABS

Meridian

FINANCIAL DIAGNOSTIC

Apex Precision Manufacturing

A portfolio company of Summit Growth Partners

Report Generated: March 2026

Fiscal Year Ending December 2025

Executive Summary

OVERALL HEALTH

72 / 100

MERIDIAN COMPOSITE SCORE

Peer Median: 65

Top Quartile: 80+

Apex Precision Manufacturing demonstrates solid operational fundamentals with above-median financial health relative to peers in the precision manufacturing sector. Revenue growth remains strong at 12.3% YoY, though margin compression in Q3-Q4 warrants attention. Working capital management is a clear strength, with DSO improving by 8 days over the prior period.

Key Findings

STRENGTH

Cash conversion cycle of 42 days outperforms peer median of 58 days, indicating efficient working capital management.

WATCH

EBITDA margin declined 180bps sequentially in Q4, driven by raw material cost increases and labor cost pressures.

ACTION NEEDED

Interest coverage ratio of 3.2x is approaching covenant threshold of 3.0x. Refinancing or debt paydown recommended.

Performance Analysis

REVENUE (TTM)
$47.2M
+12.3% YoY

GROSS MARGIN
41.8%
-90bps YoY

EBITDA
$8.1M
+6.7% YoY

EBITDA MARGIN
17.2%
-180bps seq.

Quarterly Revenue Trend ($M)

Quarter	Revenue	Growth	Margin
Q1 2025	$11.2M	+14.1%	43.2%
Q2 2025	$12.1M	+13.8%	42.5%
Q3 2025	$12.4M	+11.2%	41.1%
Q4 2025	$11.5M	+10.1%	40.3%

Peer Benchmarking

Metric	Apex	Peer Median	Percentile
Revenue Growth	12.3%	8.7%	71st
Gross Margin	41.8%	38.4%	63rd
EBITDA Margin	17.2%	15.1%	58th

Working Capital Deep Dive

DSO (DAYS SALES OUTSTANDING)
38
Improved 8 days YoY

DPO (DAYS PAYABLE OUTSTANDING)
45
Extended 3 days YoY

DIO (DAYS INVENTORY OUTSTANDING)
49
Increased 5 days YoY

CASH CONVERSION CYCLE
42
vs. Peer Median: 58

Apex demonstrates strong working capital management. The 42-day cash conversion cycle significantly outperforms the peer median of 58 days, indicating efficient management of receivables, payables, and inventory. The 8-day improvement in DSO reflects successful implementation of automated invoicing and collections follow-up processes.

Cash Conversion Trend (Days)

Period	DSO	DPO	DIO	CCC
FY 2023	52	40	44	56
FY 2024	46	42	44	48
FY 2025	38	45	49	42

Liquidity & Risk Assessment

CURRENT RATIO
1.8x
HEALTHY

QUICK RATIO
1.2x
ADEQUATE

DEBT-TO-EQUITY
2.1x
ELEVATED

INTEREST COVERAGE
3.2x
NEAR COVENANT

Risk Tier Classification

Risk Category	Assessment	Score	Trend
Liquidity Risk	Low	82/100	Stable
Credit Risk	Moderate	61/100	Deteriorating
Operational Risk	Low-Mod	74/100	Stable
Market Risk	Moderate	58/100	Improving

The primary risk concern is the interest coverage ratio at 3.2x, approaching the senior credit facility covenant of 3.0x. This is driven by increased debt load from the Q2 acquisition of MicroTech Components and rising benchmark rates. Management should prioritize accelerating debt paydown or pursuing refinancing at more favorable terms.

Prioritized Actions

Recommendations ranked by estimated financial impact and implementation feasibility.

HIGH PRIORITY

Est. Impact: $1.2-1.8M

1. Refinance Senior Credit Facility

Current 7.25% rate with 3.0x coverage covenant. Market conditions support refinancing at 6.50-6.75% with relaxed covenants. Target completion: Q2 2026.

Difficulty: Moderate

Timeline: 60-90 days

MEDIUM PRIORITY

Est. Impact: $800K-1.1M

2. Renegotiate Raw Material Contracts

Aluminum and specialty steel contracts expire Q3 2026. Consolidate suppliers from 12 to 5-6 for volume leverage. Lock 18-month pricing.

Difficulty: Moderate

Timeline: 90-120 days

MEDIUM PRIORITY

Est. Impact: $500-700K

3. Implement Dynamic Pricing Model

Current flat pricing does not account for material cost volatility. Implement quarterly price adjustment clauses tied to commodity indices for new contracts.

Difficulty: Low

Timeline: 30-60 days

QUICK WIN

Est. Impact: $200-350K

4. Extend Payables to Net-60

Current Net-30 terms with 8 of 12 suppliers. Negotiate Net-60 with early-pay discount option. Improves free cash flow with minimal supplier friction.

Difficulty: Low

Timeline: 15-30 days

Methodology & Confidence

The Meridian Composite Score is calculated using a weighted ensemble of 23 financial metrics across five categories. Each metric is benchmarked against a curated peer set and scored on a 0-100 scale.

Scoring Weights

Category	Weight	Score	Confidence
Revenue & Growth	25%	78/100	High
Profitability	25%	68/100	High
Working Capital	20%	85/100	High
Liquidity & Leverage	20%	56/100	Medium
Operational Efficiency	10%	71/100	Medium

Data Quality

Data Source: Management-provided financials (unaudited)

Reporting Period: FY 2025 (Jan-Dec)

Peer Set: 14 companies in precision manufacturing ($20-100M revenue)

Overall Data Confidence: HIGH (92% of required data points available)

Disclaimer