# Titan Components Manufacturing Ltd

Industry: Manufacturing

Montreal, QC

15 years in operation

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$1,000,000 requested · 60-month term · 10% p.a.

Credit Score

## 78.4 — Adequate

2026-11-19

**Partial export — this document contains only:**

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## EXECUTIVE SUMMARY

Titan Components Manufacturing Ltd is a Montreal-based manufacturing company with fifteen years of operating history. For the fiscal year ended 2025, the company generated annual revenue of $9,720,000 and EBITDA of $1,140,000, reflecting an EBITDA margin of 11.73% and a net margin of 5.41%. The business has demonstrated meaningful earnings momentum, with revenue growing 17.11% and EBITDA growing 38.52% over the period reviewed, suggesting that operating leverage is improving alongside top-line expansion. Gross margins have steadily widened to 32%, pointing to disciplined pricing and production management within a capital-intensive manufacturing environment.

Titan Components is seeking a $1,000,000 term facility over 60 months at an interest rate of 10.00%. The proceeds will be deployed primarily toward the acquisition of commercial real estate at a cost of $800,000, with the balance covering transaction fees of $50,000 and providing an injection of $150,000 into working capital. The loan proceeds fully fund the transaction, making this a fully lender-financed acquisition with no identified equity contribution from the borrower in the sources and uses presented. The working capital component is consistent with the company's current inventory buildup, which management has identified as a near-term liquidity consideration.

From a credit standpoint, leverage is low, with Debt/EBITDA of 1.28x and Debt/Equity of 0.53x, indicating the company carries the proposed facility comfortably within a conservative capital structure. Debt-service capacity is strong, supported by an Interest Coverage ratio of 13.57x and a Global DSCR of 2.54x. Key areas requiring attention prior to closing include a material discrepancy between the lender-entered existing debt of $125,000 and the $1,460,000 reflected in the FY2025 financial statements, which should be reconciled before funding. Additionally, with metric coverage at 68% of the analytical framework, approximately one-third of scoring inputs — including customer concentration, backlog quality, and contingent liabilities — could not be assessed from the financial statements provided and warrant further diligence. On the information available, Titan Components scores 78.4 out of 100, carrying a risk label of Adequate.

## FINANCIAL METRICS

*Metric coverage: 68% of the scoring framework was computable from the financial statements provided.*

### Scored Metrics

| Metric | Tier | Value | Grade | Strong | Adequate | Weak |
|---|---|---|---|---|---|---|
| DSCR (Debt Service Coverage Ratio) | Critical | 2.54x | Strong | ≥ 1.85x | 1.20x – 1.84x | < 1.20x |
| Interest Coverage Ratio | Critical | 9.52x | Strong | ≥ 6.0x | 1.8x – 5.9x | < 1.8x |
| Net Debt / EBITDA | Critical | 1.00x | Strong | ≤ 1.5x | 1.6x – 4.0x | > 4.0x |
| Accounts Payable Days (DPO) | Important | 39.2 days | Adequate | ≤ 25 days | 26 – 55 days | > 55 days |
| Accounts Receivable Turnover / DSO | Important | 44.3 days | Strong | ≤ 45 days | 45 – 65 days | > 65 days |
| Capital Expenditure (Capex) Intensity | Important | 4.1% | Adequate | ≤ 4.0% | 4.1% – 8.0% | > 8.0% |
| Cash Conversion Cycle (CCC) | Important | 87.4 days | Adequate | ≤ 60 days | 60 – 90 days | > 90 days |
| Debt / Total Assets | Important | 28.7% | Strong | ≤ 35.0% | 36.0% – 65.0% | > 65.0% |
| EBITDA – Capex Margin | Important | 7.6% | Adequate | ≥ 8% | 3% – 8% | < 3% |
| EBITDA Margin | Important | 11.7% | Adequate | ≥ 19.0% | 7.0% – 18.9% | < 7.0% |
| Free Cash Flow (FCF) / FCF Yield | Important | 1.7% | Weak | ≥ 20.0% | 5.5% – 19.9% | < 5.5% |
| Gross Leverage (Total Debt / EBITDA) | Important | 1.28x | Strong | ≤ 2.0x | 2.1x – 4.5x | > 4.5x |
| Gross Profit Margin | Important | 32.0% | Adequate | ≥ 40.0% | 19.0% – 39.9% | < 19.0% |
| Inventory Turnover | Important | 4.44x | Adequate | ≥ 6.0x | 4.0x – 6.0x | < 4.0x |
| Return on Assets (ROA) | Important | 10.3% | Strong | ≥ 10.0% | 2.5% – 9.9% | < 2.5% |
| Revenue Growth Rate | Important | 17.1% | Strong | ≥ 12.0% | 0.0% – 11.9% | < 0.0% |
| Working Capital as % of Revenue | Important | 15.9% | Adequate | ≥ 18.0% | 5.0% – 17.9% | < 5.0% |

### Not Scored

| Metric | Tier | Reason |
|---|---|---|
| Fixed Asset Coverage / Collateral Coverage | Critical | Awaiting documentation |
| Backlog / Order Book | Important | Awaiting documentation |
| Book-to-Bill Ratio | Important | Awaiting documentation |
| Customer Concentration | Important | Awaiting documentation |
| Cyclicality / Beta Sensitivity | Important | Awaiting documentation |
| Gross Margin by Product Line | Important | Awaiting documentation |
| Key Supplier Concentration | Important | Awaiting documentation |
| Machinery & Equipment Utilization Rate | Important | Awaiting documentation |

# FINANCIAL STATEMENTS

## Income Statement

| | 2023 | 2024 | 2025 |
|---|---|---|---|
| Revenue | $7.02M | $8.30M<br>+18.2% | $9.72M<br>+17.1% |
| Cost of Goods Sold | $4.91M | $5.73M<br>+16.5% | $6.61M<br>+15.4% |
| Gross Profit | $2.11M | $2.57M<br>+22.2% | $3.11M<br>+20.9% |
| Operating Expenses | $1.83M | $2.06M<br>+12.3% | $2.31M<br>+12.1% |
| EBITDA | $561.0K | $823.0K<br>+46.7% | $1.14M<br>+38.5% |
| Net Income | $151.4K | $324.1K<br>+114.1% | $526.3K<br>+62.4% |

## Balance Sheet

| | | | |
|---|---|---|---|
| Cash & Equivalents | $130.3K | $214.4K<br>+64.6% | $315.6K<br>+47.2% |
| Current Assets | $2.05M | $2.46M<br>+20.2% | $2.99M<br>+21.2% |
| Total Assets | $4.01M | $4.51M<br>+12.6% | $5.10M<br>+12.9% |
| Current Liabilities | $1.17M | $1.39M<br>+19.3% | $1.45M<br>+4.0% |
| Total Debt | $1.60M | $1.63M<br>+1.9% | $1.46M<br>-10.4% |
| Total Liabilities | $2.25M | $2.37M<br>+5.6% | $2.31M<br>-2.3% |
| Equity | $1.77M | $2.14M<br>+21.5% | $2.78M<br>+29.7% |

## Cash Flow Statement

| | | | |
|---|---|---|---|
| Operating Cash Flow | $266.4K | $399.1K<br>+49.8% | $561.3K<br>+40.6% |
| Capital Expenditures | $350.0K | $400.0K<br>+14.3% | $400.0K<br>0.0% |
| Free Cash Flow | -$83.6K | -$0.9K<br>+99.0% | $161.3K<br>+18635.6% |
| Debt Principal Repayment | — | —<br>— | —<br>— |

*FFO was not identified in the source documents.*

## ANALYST COMMENTARY

Leverage is modest, with Debt/EBITDA at 1.28x and Debt/Equity at 0.53x, both comfortably within conservative bands and strong for a capital-intensive manufacturer. Interest Coverage of 13.57x and a Global DSCR of 2.54x indicate substantial debt-service headroom, suggesting the incremental facility can be absorbed without stressing cash flow.

Profitability shows a telling divergence: gross margin is healthy at 32% and expanded steadily (30% to 31% to 32% across 2023-2025), yet EBITDA margin compresses to 11.73% and net margin thins to 5.41%, pointing to meaningful cost absorption below the gross line from plant administration and logistics. Momentum is favourable, with revenue growth of 17.11% and notably faster EBITDA growth of 38.52%, implying operating leverage is beginning to translate top-line gains into disproportionate earnings improvement rather than growth driven purely by volume.

Liquidity is sound, with a Current Ratio of 2.07x providing a cushion against the inventory buildup noted in management commentary. On balance, the credit profile reflects low leverage, strong coverage and improving earnings quality, tempered by the thin net margin that leaves limited absorption capacity for input-cost or logistics shocks.

## STRENGTHS & RISKS

### Key Strengths

- Low leverage with Debt/EBITDA at 1.28x and Debt/Equity at 0.53x, leaving ample capacity to carry the proposed facility within a conservative capital structure.
- Exceptional debt-service capacity, evidenced by Interest Coverage of 13.57x and a Global DSCR of 2.54x, both strong for the manufacturing sector.
- Strong earnings momentum, with EBITDA growth of 38.52% outpacing revenue growth of 17.11%, signalling improving operating leverage rather than purely volume-driven gains.
- Steady gross margin expansion from 30% to 32% over 2023-2025, reflecting disciplined pricing and production efficiency amid tooling and machinery reinvestment.
- Solid liquidity position, with a Current Ratio of 2.07x and available liquidity supporting working capital needs despite inventory buildup.

### Key Risks

- Net margin is thin at 5.41% despite a healthy 32% gross margin, indicating significant cost absorption below the gross line (plant administration and logistics) that leaves limited buffer against input-cost or freight shocks.
- The lender-entered existing debt total of $125,000 differs materially from the FY2025 financial statements, which show $1,460,000 — this discrepancy should be reconciled before closing, citing both the lender-confirmed figure and the statement figure.
- Inventory is building (finished goods, raw materials and WIP totalling $1,490K per management commentary), flagged as a working capital drag that could tie up liquidity if demand softens.
- EBITDA margin at 11.73% is modest for the capital investment profile, and ongoing CapEx on precision tooling and machinery could pressure free cash flow if returns on reinvestment lag.
- Metric coverage stands at 68%, meaning roughly a third of the scoring inputs are unavailable; customer concentration, backlog quality and any contingent liabilities are not evidenced in the provided data and warrant diligence.

## HISTORICAL BENCHMARK

### Canada — Canada Small Business Financing Program

**Manufacturing sector**

| Metric | Cumulative, 1999–2026 |
|---|---|
| Loans that defaulted | **19.1%** of 12,433 loans |
| Share of loaned value lost | **9.4%** of $1.51B lent |

Cumulative across the program's full history, 1999–2026.

These are different lending programs and the figures are not directly comparable. The Canadian program caps loans at $1.15 million and is heavily weighted toward accommodation and food services; the U.S. program lends up to $5 million across a broader mix. Canadian figures are cumulative long-run rates; U.S. figures are cohort default rates with a downturn scenario.

### United States — SBA 7(a)

| Segment | Loans that defaulted<br>Normal cycle · FY2010–2016 | Loans that defaulted<br>2008 downturn · FY2004–2008 |
|---|---|---|
| Manufacturing sector | **6.7%**<br>of 25,910 loans | **25.1%**<br>of 30,115 loans |
| **$1M–$2M · ≤ 60 months**<br>Loans of similar size and term | **16.4%**<br>of 195 loans | **25.2%**<br>of 107 loans |

> Loans of this size and term defaulted notably more often than the sector as a whole. In SBA lending, shorter terms are typically associated with working-capital facilities and younger or thinner-margin businesses, so this pattern likely reflects the type of borrower that seeks these terms rather than the loan structure itself.

#### LOSS GIVEN DEFAULT

When these loans did fail, lenders lost about 57 cents on every dollar lent in a normal cycle — and about 65 cents in the 2008 downturn, because collateral was worth less at the same time defaults rose.

This benchmark comes from 56,025 comparable loans within a dataset of 698,000 U.S. Small Business Administration 7(a) loans that have fully run their course. The normal-cycle figures cover loans approved between 2010 and 2016; the downturn figures cover loans approved between 2004 and 2008, which absorbed the financial crisis. This is U.S. small-business lending data shown for context. It describes how similar loans performed in the past — it is not a prediction about this borrower.

## SOURCES & USES

| USES | | SOURCES | |
|---|---|---|---|
| REAL ESTATE | $800,000 | New loan facility (this request) | $1,000,000 |
| FEES | $50,000 | | |
| WORKING CAP | $150,000 | | |
| **Total Uses** | **$1,000,000** | **Total Sources** | **$1,000,000** |

## CAPITALIZATION

*Pro-forma transaction structure — reflects the proposed deal, not the borrower's historical balance sheet.*

| Instrument | Category | Amount | % of Cap | × EBITDA |
|---|---|---|---|---|
| Existing debt (analyst-entered) | Existing debt | $125,000 | 3.2% | 0.11x |
| New facility (this request) | Senior Debt | $1,000,000 | 25.6% | 0.99x |
| Common Equity | Common Equity | $2,780,640 | 71.2% | — |
| Total Debt | | $1,125,000 | 28.8% | 0.99x |
| Total Equity | | $2,780,640 | 71.2% | — |
| **Total Capitalization** | | **$3,905,640** | 100.0% | 0.99x |

| | |
|---|---|
| Senior Debt / EBITDA (pro-forma) | **0.88x** |
| Total Debt / EBITDA (pro-forma) | **0.99x** |
| Net Debt / EBITDA (pro-forma) | **0.71x** |
| Authorized Revolver Limit | **$150,000** |
| Available Liquidity | **$340,640** |
| EV (proxy: total cap net of cash) | **$3,590,000** |
| Debt / Total Capitalization (pro-forma) | **28.8%** |

**Existing debt entered differs from the FY2025 statements ($125,000 vs $1,460,000). Please reconcile.**

*EBITDA (FY2025) $1,140,000 · Equity (FY2025) $2,780,640 · Cash (FY2025) $315,640*