



Request: **E. & A. Scheer BV**

Registered address: Herengracht 316; 1016 CD Amsterdam  
Netherlands

Date: April 3rd, 2020

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## **OWN SCORING**

PH Global Advisor provides a scoring for each customer, that goes from 0% to 100%. It uses its own scoring matrix, which has been successfully used for over 20 years in various industries. This precise scoring applies to all entities. It allows you to score your overall portfolio and also see the evaluation of the portfolio over time.

## **COMPLIANCE INFORMATION**

PH Global Advisor report includes a compliance section, that would detail the shareholding of the entity reviewed, up to its ultimate shareholders and would also provide the results of a compliance check on its shareholders and entities of the Group.

## **UPDATED INFORMATION**

PH Global Advisor will always provide a review based on the latest information available. As opposed to most existing credit databases, the information would never be obsolete.

## **MEANINGFUL INFORMATION**

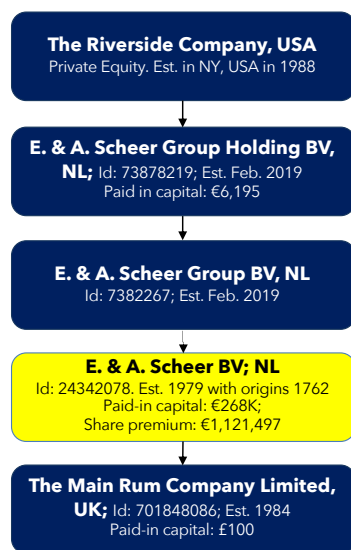
PH Global Advisor provides report that are meaningful. The ultimate goal is to make you aware of the rationales to develop business with a customer but also the risks you are taking in developing business with customers.

## **COMMERCIAL INSIGHTS**

The report contains information about customer that may prove useful in actually developing business.



## HISTORY AND SHAREHOLDING



**E. & A. Scheer BV (« EAS »)** is a private limited liability company that has origins from 1762 (as a ship owning company. E & A stands for Evert and Anthonie Scheer, the founders) but bears its current legal form since 1979. It is registered in Amsterdam, the Netherlands. Its id number (kvk) is 24342078. Its paid-in capital is €268K (US\$ 292K). EAS only has one wholly owned large subsidiary: The Main Rum Company Limited, established in Liverpool, UK. EAS is jointly and severally liable for the liabilities of another related entity: RumArak Holding BV (minor company with €1,800 of paid in capital).

EAS is wholly owned by E. & A. Scheer Group BV, itself wholly owned by E. & A. Scheer Group Holding BV, recently established (in February 2019).

Ultimately, EAS is in its vast majority controlled by « **the Riverside Company** » (« Riverside »), a private equity company established in the USA with headquarters in New York in 1988 (co HQ in Cleveland). It is a global private equity firm focused on making control and non-control

investments in growing businesses valued at up to US\$400 millions. Since its founding, Riverside has invested in more than 560 transactions. The firm's international portfolio includes more than 80 companies. Following a standard compliance check, and to the best of my knowledge, there is no significant adverse information on the company, the Group or the Riverside Company.

Its office address is: Herengracht 316, 1016 CD Amsterdam, the Netherlands; Its warehouse address is Deccaweg 22, 1042 AD Amsterdam, the Netherlands. It is ISO 9001:2015 Certified. Its bank is Rabobank in Amsterdam.

## EAS ACTIVITY

**E&A Scheer** is one of the world's largest Rum specialist, connecting the Rum suppliers (distilleries) with Rum brands, bottlers and distributors with a value-added service including blend creation, ageing, storage and distribution. The company specialises premium Rum to create tailored recipes with consistent taste and quality for the premium Rum market.

EAS offers expertise in bulk sugarcane distillates, mainly Rum, Batavia Arrack and Cachaça. EAS is a market leader. It is the « purveyor to the royal household » since 2017.

Overall, EAS imports bulk rums into the Netherlands from more than 20 countries, blends them to customer specifications, and sells them to brands in over 50 countries. Each year, EAS sells the equivalent volume of more than 35 million bottles of rum, making their volumes larger than Appelton and in the same league as Havana Club. EAS customers range from inexpensive supermarket labels up through well known and highly regarded brands revered by the rum cognoscenti.

In addition to importing, blending and selling rums from Amsterdam, the company also owns **the Main Rum Company, located in Liverpool, England**. While the Amsterdam operation focuses on younger rums and blending, the Main Rum Company (a 2001 acquisition) focuses on older, vintage rums (usually casked, not bulk) in smaller quantities. Rum residing in Amsterdam rests in neutral containers, so products don't age any further or change flavour profile, whereas the Main Rum Company's stocks are allowed to continue to age in barrels prior to being sold.

Denizen Rum is **the only customer** that openly state their relationship with EAS. EAS has vast supplies of distillates from numerous producers at their disposal, and they possess the ever-evolving expertise to modify recipes on the fly as needed to maintain a consistent flavour profile. In the face of inconsistent batches or distilleries not being able to supply in sufficient quantity, a brand like Denizen can place a reliable product on bar shelves, year after year.

**Batavia Arrack**, a sugarcane distillate from the Indonesian island of Java (previously a Dutch colony involved in the East Indies trade), was once the main driver of their business. The company still buys and sells it, although worldwide demand has waned. A key difference between Batavia Arrack and rum is that Batavia Arrack uses red rice as a starter in the fermentation process. It's a challenging mix of flavours, including high-ester funk with a slight petrol after-burn.

The twenty-plus countries from which E&A Scheer purchases distillate are primarily in the Caribbean, Central America, and Indonesia. A few of these countries have only one or two producers making rum at scale, so it's easy to guess their sources. Rum from Trinidad? It's going to be from Trinidad Distillers (aka Angostura). Rum from Panama? There are very few players. From Guyana? Has to be Demerara Distillers Ltd. Barbados? Either Foursquare or West Indies Rum Distillery. Or perhaps both.

As individual batches of rum from distilleries arrive in Amsterdam, they are nosed and blended down into 25 or so different intermediate blends. These blends are described with names known only to the blenders—E&A Scheer “marks” so to speak. When creating a new recipe for a customer, the blenders use the set of intermediate blends as building blocks, combined with single source rums in many different proportions.

Customers can purchase blended rums in quantities as small as 200 liters (~53 gallons) and as large as 25,000 liter (~6,600 gallon) ISO tanks.

**The company sells to four primary industry markets:** drinks/spirits, aroma, food, and tobacco. Blended rum and vintage rum (via the Main Rum Company) are subsets of the drinks industry. The Group also produces blends used as flavour or scent additives in products as varied as candy, perfumes, and cigarettes, for instance.

## THE RIVERSIDE COMPANY'S ACTIVITY

**The Riverside Company:** Riverside is a global private equity firm co-headquartered in Cleveland (with New York) that invests in growing businesses valued at up to US\$400 million. The firm seeks to make a majority, minority, and ESG investments through buyouts, growth equity and corporate divestiture. The firm prefers to invest in commercial distribution, commercial services, education and training, healthcare, software, information technology, manufacturing, advanced manufacturing sectors in the United States, Canada, Europe, and Australia. As at today, Riverside is considered to be a US\$10 billion global equity firm.

Riverside has made « a significant » investment in EAS in February 2019 (estimated to over US\$100 millions, according to « Financieele Dagblad », a Dutch financial paper). Financing for the transaction was provided by Blackrock and Rabobank. Allen & Overy and Advocatenkantoor Parmentier provided legal counsel on the transaction for Riverside. Deloitte provided finance and tax due diligence, Bain & Co. offered commercial due diligence and PwC assisted with M&A and debt advisory support. The investment sum is said to support EAS' expansion and continued growth. The Dutch firm claims to be the “largest global blender and vendor of premium rum in bulk”. Rum is the fourth or fifth most consumed spirit category in the world, and also one of the fastest growing, due to the emergence of artisanal and craft brands and an ongoing premiumisation of the category.

## FINANCIAL INFORMATION

**Consolidated 2018 financial information.** Figures are available for the consolidated Group E&A Scheer BV (at that time, it included all Group's activities as its current immediate Group and Holding companies established early 2019 only). Figures are expressed in euros and translated in US\$ (US\$1 = EUR 0.87356). At the end of 2018, EAS was by far the largest entity within the Group. 2019 financial figures should be available in June 2020. Figures follow Dutch Accounting Standards, which are reliable. Figures were audited by « VDGC accountants en belastingadviseurs » (<https://www.vdgc.nl>), a medium-size but reputable company. Total revenues have been estimated, based on 60 days of DSO in Account Receivables at the end of 2018.

<b>E &amp; A Scheer BV consolidated</b>		<b>Unqualified</b>	<b>Unqualified</b>
<b>US\$ 000</b>		<b>Fye 31/12/18</b>	<b>Fye 31/12/17</b>
		<b>12 months</b>	<b>12 months</b>
<b>Total Revenue</b>		<b>30 801</b>	<b>22 449</b>
	% change	37,2%	
<b>Gross margin</b>		<b>42,5%</b>	<b>31,1%</b>
<b>Net Income</b>		<b>9 916</b>	<b>5 185</b>
	Net profit margin	32,2%	23,1%
	Net profit change	91,2%	
	Dividends distributed	460	1 588
<b>EBITDA</b>		<b>13 383</b>	<b>7 130</b>
	% of total revenue	43,4%	31,8%
	EBITDA change	87,7%	
EBITDA/Interest		263,90	42,68
EBITDA/Debt service		60,17	21,05
Gap between EBITDA and debt obligations		13 160	6 791
<b>Equity</b>		<b>25 040</b>	<b>15 647</b>
	% of total Assets	72,9%	61,4%
<b>Financial Debt</b>		<b>2 627</b>	<b>4 122</b>
	Financial Debt/Equity	0,10	0,26
<b>3rd party Financial Debt</b>		<b>2 627</b>	<b>3 890</b>
	3rd party Financial Debt/EBITDA	0,20	0,55
	3rd party Financial Debt/Equity	0,10	0,25
<b>Cash and Mark. securities</b>		<b>1 340</b>	<b>855</b>
	% of total Assets	3,9%	3,4%
	Operating CF before working capital	9 961	5 336
	Operating Cash Flows	1 296	2 777
	Investing Cash Flows	- 117	- 2 020
	Financing Cash Flows	- 695	- 993
Current ratio		3,79	2,70
Quick ratio		0,88	0,64
DSO customers (in days)		60	64
DSO suppliers (in days)		71	40
<b>Net Fixed Tangible Assets</b>		<b>1 991</b>	<b>2 178</b>
	% of total Assets	5,8%	8,6%
<b>TOTAL ASSETS</b>		<b>34 344</b>	<b>25 466</b>

EAS Group is a large Group that generated US\$30.8mm of total revenues in 2018, representing 37.2% increase as compared to 2017 (US\$22.5mm).

Gross margin increased from 31.1% to 42.5%.

In 2018, EAS Group generated net profits of US\$9.9mm, i.e. 91.2% increase as compared to 2017. The increase was primarily the result of 88% improvement in EBITDA from US\$7.1mm, or 31.2% of 2017 total revenues to US\$13.4mm, or 43.4% of 2018 total revenues. EBITDA was largely adequate to meet debt service obligations (consisting on small CPLTD and interest on long-term borrowings but also on overdraft facilities).

Balance Sheet is short term oriented, but well capitalised. In 2018, capital structure strengthened with Equity increasing from US\$15.6mm by 2017, funding 61.4% of Total Assets to US\$24.0mm by 2018, funding 72.9% of Total Assets. At the same time, third party financial debts decreased by 32% at US\$2.6mm, leading leverage to decrease from 25% to 10% (low level).

Cash position strengthened slightly at US\$1.3mm, representing 3.9% of Total Assets as compared to US\$0.9mm, and 3.4% of Total Assets a year earlier. We note, however, a significant surge in Operating Cash Flow before working capital changes. Current ratio was strong, but supported by high levels of inventory. DSO customers was 60 days on average at the end of 2018 (mediocre), while EAS paid its suppliers at 71 days on average, i.e. 31 days more than as at the end of 2017.

Net Tangible Fixed Assets base was mediocre at US\$2.0mm, representing less than 6% of Total Assets. At the end of 2018, ES Group counted 23 employees.

**In summary, EAS Group is large, and has been growing in 2018, in terms of total revenues, gross, net and operating margins. Its operating performance was largely able to meet debt obligations. Its Balance Sheet was short-term oriented, but well capitalised, with a lowering leverage, and decent Cash and liquidity positions.**

We note that at the end of 2018, EAS, the parent company, displayed Total Assets, representing 97% of the EAS' Group Total Assets and 99% of its Equity.

## RATIONALE

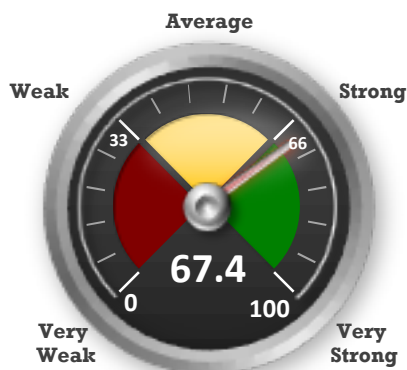
- A very long-established and reputable company and Group
- Very long established supply chains
- Rum is one of the fast growing spirits in the world
- EAS obtained Quality certificates
- EAS Group is a leader in its niche market
- Increasing total revenues in 2018
- Improving gross, operating and net margins in 2018
- 2018 EBITDA largely able to meet debt requirements
- Strong capital structure, with decreasing leverage at the end of 2018

## BUSINESS RISKS

- Financial information is getting obsolete
- Organisational structure of the Group has changed since the end of 2018
- The new controlling party is a private Equity. It does not necessarily intends to maintain the Group in its control in the long-term
- Weak Net Tangible Fixed Assets base
- Some country risks on suppliers side but strong historic relationships
- Mediocre Cash position and liquidity supported by high levels of inventory, but both positions actually strengthened in 2018. Additionally, Operating cash flow before working capital changes, was particularly high in 2018
- A significant share of Equity is distributable, but dividends distribution has been historically reasonable
- Weakening DSO suppliers

## SCORING

Scoring is 67.4% (**strong**).



Activity sub scoring is 20.8% over 40.0%, which is « average ». It is driven down by its shareholding, some limited uncertainty over the outlook, and some country risk related to its main activities

Financial sub scoring is 46.6% over 60.0%, which is « strong ». It is driven down by the fact that the figures are getting obsolete, by its mediocre cash position, mediocre DSOs and the low level of Net Tangible Fixed Assets.



## SCORING MATRIX

### DESCRIPTION

Name of customer	<b>E. &amp; A. Scheer BV</b>
Country of incorporation	Netherlands
Date of current review	03/04/2020
Date of previous review	N/A
Focus entity for financial scoring	Consolidated Group

### ACTIVITY

Years of existence of customer	<b>300</b>
Years of existence of the Group	<b>300</b>
Volatility of activity and costs	Mostly secured business flow
Ownership	Some involvement of strong Group
Dominance in the trade	Dominant position in market or large
Outlook	More positive variables expected than
Total revenue of customer	<b>31</b>
Net Tangible Fixed Assets of customer	<b>2</b>
Country Risk of Incorporation	Neg A1 and A2 on average (country/business)
Country Risk of Head Office	Neg A1 and A2 on average (country/business)
Country Risk of main activities	Neg B on average
<b>TOTAL Country Risk penalty</b>	

	<b>SCORE</b>
In years	2,0% / <b>2,0%</b>
In years	2,0% / <b>2,0%</b>
	6,0% / <b>7,5%</b>
	3,0% / <b>7,5%</b>
	4,5% / <b>7,5%</b>
	4,5% / <b>7,5%</b>
In US\$ millions	1,2% / <b>3,0%</b>
In US\$ millions	0,6% / <b>3,0%</b>
	0,0%
	0,0%
	-3,0%
<b>Maximum 6% penalty</b>	<b>-3,0%</b>

<b>Subtotal Activity</b>	<b>20,8% / 40,0%</b>
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### FINANCIALS

Reliability of financials	Neg	No reservation
Date of last financials available	Neg	From 12 to 18 months
Net profit margin		<b>32,2%</b>
Debt service coverage		<b>60,17</b>
Equity/Total Assets		<b>72,9%</b>
% of net profits distributed as dividend		<b>13,56%</b>
Leverage		<b>0,10</b>
Cash position		<b>3,9%</b>
Current ratio		<b>3,79</b>
DSO customers		<b>60</b>
DSO suppliers		<b>71</b>
Net Tangible Fixed Assets/ Total Assets		<b>5,8%</b>
Yearly change in total revenues	Neg	<b>37,2%</b>
Yearly change in FFO	Neg	<b>86,7%</b>

	<b>0,0%</b>
	<b>-2,5%</b>
% of total revenues	5,0% / <b>5,0%</b>
EBITDA/Debt service	17,5% / <b>17,5%</b>
%	5,0% / <b>5,0%</b>
%	4,0% / <b>5,0%</b>
Number	10,0% / <b>10,0%</b>
Cash/Total Assets	0,8% / <b>4,0%</b>
Cur. Assets/Cur. Liabilities	3,5% / <b>3,5%</b>
A/R / Total revenues *365	0,9% / <b>1,5%</b>
A/P/Cost of sales*365	1,4% / <b>3,5%</b>
%	1,0% / <b>5,0%</b>
% change	<b>0,0%</b>
% change	<b>0,0%</b>

<b>Subtotal Financials</b>	<b>46,6% / 60,0%</b>
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<b>GRAND TOTAL</b>	<b>67,4% / 100%</b>
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