ALLIANCE RESEARCH

# TENANT CREDIT REVIEW

## Orgill, Inc.

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A L L I A N C E R E S E A R C H

# Tenant Credit Review

Helping the Commercial Real Estate Industry Reduce Financial Risk Since 1989

## Orgill, Inc.

### Highlights

**Key Positives**

- Orgill, Inc. ("Orgill" or "the Company") is one of the largest privately held hardware distributors in the U.S., with $3.9 billion in 2025 revenues and a deeply entrenched position in the independent hardware channel that we assess as difficult to replicate or disrupt.
- The Company has maintained positive net income and operating cash flow in each year of the eightyear review period.
- FCF exceeded $100 million annually since 2018, approaching ~$1 billion cumulatively since 2018, although cash distributions have been material.
- CAPEX declined in 2025, leading to improved FCF, potentially reflecting a more normalized period of expenditures going forward, leading to higher FCF in future periods. However, we did not speak directly with Management, nor were we provided with forwardlooking projections.
- Leverage of approximately 3.1X is well within manageable levels, although the ratio did increase in recent periods.
- Combined revolving credit availability of >$200 million at YE 2025 provides ample liquidity, despite a modest cash balance.
- The interest rate on the revolver has been as slow as SOFR plus 1.25%, and some of the longterm debt does not mature until the late 2040s and carries modest fixed interest rates.
- The Company's brandagnostic wholesale model and scale give it durable competitive advantages relative to cooperative peers.

**Key Negatives/Risks**

- Profitability has moderated from peak levels, with 2025 EBITDA margins representing the lowest figure of the review period, which may have been driven in part by tariffs.
- The CNRG retail segment generated nearbreakeven operating results in 2025, with impairment charges in both 2024 and 2025.
- Shareholder distributions have been substantial and often neared FCF.
- Revolving credit facilities mature in 2027. Successful refinancing will be an important nearterm credit event, while the Bank of America covenant accommodation in December 2025 warrants monitoring and/or inquiry.
- The broader industry is intensely competitive with several scale players.

### Financial Highlights

| ($millions) | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| Revenues | $3,185 | $3,609 | $3,958 | $3,872 | $3,768 | $3,877 |
| EBITDA | 183 | 168 | 203 | 221 | 185 | 151 |
| Cash & equivalents | 18 | 14 | 13 | 28 | 5 | 7 |
| Total assets | 1,274 | 1,483 | 1,550 | 1,520 | 1,727 | 1,666 |
| Total debt | 232 | 359 | 387 | 363 | 462 | 470 |
| Equity | 173 | 188 | 205 | 267 | 298 | 294 |

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### Conclusions

**Risk Assessment/Credit Quality**

As one of the largest privately held distributors serving hardware stores in the US (with a sizable 140store footprint and a wellestablished retail consulting and analytics platform), Orgill's nearly $4 billion in revenue reflects its wellentrenched position in the landscape built on its nearly 180year operating history. Although the industry is fiercely competitive, with several large players, we feel Orgill's position is difficult to disrupt overall. As such, Orgill screens relatively well on most credit metrics, with modest revenue growth, consistent profitability, manageable leverage ratios, and ample FCF


However, many metrics saw pressure in more recent periods, though not to overly concerning levels, which may have led to certain covenants being adjusted in the Company's credit agreements late in 2025. All told, Orgill's dominant market position in the independent hardware distribution channel, consistent profitability across market cycles, manageable leverage, and strong liquidity position through remaining available capacity result in a tenant risk rating of 7.4, which is relatively low and indicative of a viable tenant.


Alex Phillips, CFA
Kyle Blackman, CFA

April 15

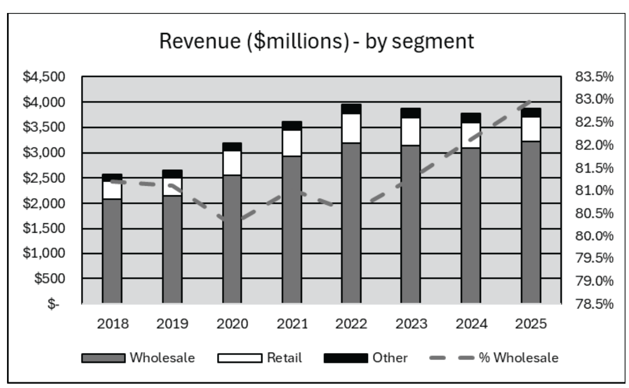
# Analyst Notes

**Revenues** – Orgill, Inc. ("Orgill" or "the Company") is one of the largest privately held wholesale hardware distributors in the United States. Headquartered in Memphis, Tennessee, the Company was founded in 1847 and has operated continuously for nearly 180 years, distributing hardware and related durable goods to national, regional, and local independent hardware, home center, and lumberyard retailers primarily in the United States but also in more than 60 countries worldwide. Orgill also provides promotional and marketing services through its Tyndale Advisors arm to its retail customers. As of yearend (YE) 2025, the Company operated 8 distribution centers in Georgia, West Virginia, Utah, Missouri, Texas, Idaho, New York, and Ontario, Canada, opening a new Innovation Center in Memphis, Tennessee in 2025. Tyndale is located in Oregon. Additionally, Orgill's wholly owned subsidiary, Central Network Retail Group, LLC ("CNRG"), operated 140 retail hardware stores across the US as of December 31, 2025. CNRG has grown through a series of acquisitions, most notably Frattallone's Ace Hardware (22 stores in Minnesota) in 2021, as well as smaller bolton store acquisitions in 2022 and 2023.

Orgill's core wholesale distribution business is best understood within the broader context of the U.S. hardware and home improvement supply chain, which is large, multilayered, and serves distinctly different customer types. Home Depot (NYSE: HD, ~$310 billion market capitalization) and Lowe's (NYSE: LOW, ~$130 billion market cap) are the dominant forces in the consumer retail hardware space, together generating over $230 billion in combined annual revenues. However, they are not direct competitors to Orgill in a strict sense. HD and LOW sell to end consumers and, to some extent, professional contractors through their own companyoperated store networks. Orgill, by contrast, sells to independent hardware retailers, home centers, and lumberyards, effectively serving as the supply chain backbone for the independent channel that competes with bigbox home improvement stores at the store level.

The more relevant competitive set for Orgill's wholesale segment is the universe of independent hardware distributors and cooperatives, including the likes of True Value Company and Do it Best Corp. (which combined in 2024), and Ace Hardware Corporation, headquartered in Illinois, which is the largest hardware cooperative in the world and a direct competitive presence. Ace has massive scale, with more than 5,500 independently owned and operated Ace Hardware stores globally. While Ace's cooperative model differs somewhat from Orgill's approach (Ace members carry the Ace brand, whereas Orgill's customers retain their own store identities, under 17 distinct brands, according to the website), the competitive overlap is real and significant. However, Orgill has certainly carved out a presence through its business model in the broader hardware distribution and retail landscape, offering a differentiated position that does not require retailers to adopt a specific brand or a cooperative membership structure. This brandagnostic approach is likely a competitive advantage in the independent channel, as it attracts retailers who value flexibility and do not wish to convert to a coop model, while providing the requisite distribution scale to offer competitive pricing.

To that end, Orgill generated $3.9 billion in total revenues in 2025, representing 3% yearoveryear (y/y) growth from 2024 and a compound annual growth rate (CAGR) of 6.1% from 2018, although down from peak revenues of ~$4 billion in 2022. Revenues are derived from the three distinct segments previously mentioned. Wholesale Distribution accounted for $3.2 billion in 2025; Retail Operations (through CNRG) generated $489 million in revenue; and Other revenue (likely primarily consulting and marketing services) totaled $171 million.




On the CNRG retail side, Orgill’s 140 retail hardware stores make the Company a midsized player in the fragmented independent hardware retail market, competing with HD/LOW and their 4k+ combined stores, Ace, True Value, Menards, and various regional and local independent operators, many of which likely

# Analyst Notes

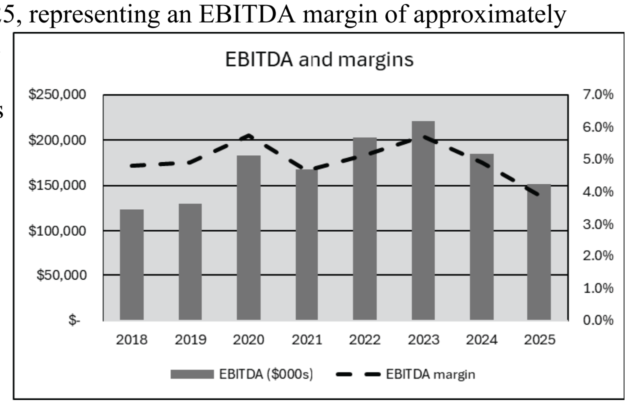
use theCompany’s distribution services. CNRG's competitive strategy is centered on community proximity, localized assortment, and customer service, which are attributes that larger format competitors likely struggle to match at the neighborhood level. That said, CNRG's financial performance has shown some pressure in recent periods. Moreover, Orgill's Other segment is the smallest, but it still generated $171 million in 2025 and is designed to help independent retailers compete more effectively against the digital capabilities of bigbox retailers and ecommerce players like Amazon. Additionally, Tyndale can create interesting opportunities in the CNRG segment, as demonstrated by the Germantown Hardware case study included in the materials.

All told, the competitive landscape for technology and distribution services to independent hardware retailers is evolving rapidly. Amazon Business, part of the B2B arm of Amazon (Nasdaq: AMZN, ~$2.1 trillion market cap), represents a meaningful emerging competitive threat at the margin, as it provides professional procurement capabilities to small businesses. HD and LOW’s digital investments also represent competitive pressure at the retail level. However, providing wholesaleadjacent services to independent retailers is not a primary focus for these large competitors, and Orgill's deep customer relationships and embedded presence within the independent channel provide a degree of insulation. The independent hardware distribution and retail industry is highly fragmented, which we mostly view positively from a credit standpoint, but do note that AMZN can theoretically absorb losses while gaining share, which is somewhat of a blueprint for them.

Overall, we view Orgill's scale and market position within a fragmented industry as a net credit positive. The Company's size, geographic reach, and supplier relationships are genuinely difficult to replicate, and the structural demand for a wholesale distribution intermediary in the independent hardware channel is wellestablished and unlikely to disappear in any nearterm scenario. In general, we view scale as essentially a differentiator in distribution, and Orgill has this in the hardware retail space, with a substantial operating history.

**Profitability** – Orgill's gross margins were relatively consistent over the review period [we note that we were provided with Audited financials dating back to 2018, which is a very strong dataset to evaluate patterns and beyond what we are typically provided]. Gross margins ranged from 22.8% to 24.2% over the timeframe, reflecting the inherently lowmargin nature of wholesale distribution, but not viewed as any particular cause for concern. The Company's peak gross margin of 24.2% was achieved in 2023, and while the 2025 gross margin of 22.8% represents some compression relative to 2023–2024, the absolute dollar gross profit of $883 million remains reflective of Orgill’s position as a scale distributor.

EBITDA declined to approximately $151 million in 2025, representing an EBITDA margin of approximately 3.9%, down from a high of 5.7% in 2023 and the lowest level since 2018. While viewed as a net credit negative and certainly a trend to monitor, this compression seems mostly attributable to gross margins at the lower end of their historical range and operating expenses at the higher end, both of which are within normal ranges when evaluated in isolation. That said, it is possible that tariffs created some of the gross margin headwinds in 2025, especially given the 2025 audit report notes that Orgill has filed a court action to obtain rebates after the Supreme Court declared them unconstitutional. However, it also appears that wholesale operating expenses are trending upwards, and that CNRG has been a recent source of margin pressure as well. The Company recognized $1.1 million in impairment charges related to six underperforming retail locations in 2025, following $1.9 million in similar charges in 2024. We do not view retail impairments at this scale as a significant credit concern given the overall size of the enterprise, but we note that retail profitability and overall margin trends will be an area to monitor, potentially reflecting heightened competition.

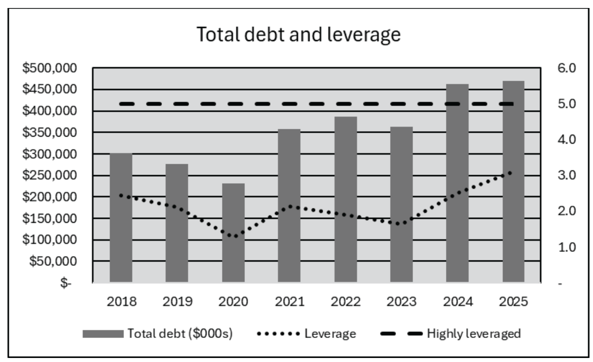


# Analyst Notes

Overall, while profitability has moderated from its 2021–2023 peak, we view the underlying earnings power of the wholesale distribution segment as durable and reflective of a wellrun, essentialservices business. In general, we tend to view scale distributors positively from a credit standpoint due to their ability to maintain profitability absent any significant degradation of the revenue base. Orgill has demonstrated this notion since 2018.

**Capitalization** – Total assets were ~$1.7 billion at yearend YE 2025, down modestly from YE 2024, driven by modest reductions in accounts receivable and inventories. The asset base is predominantly current in nature, with $958 million of the $1.7 billion in total assets held under current assets. Inventories of $579 million were the largest single asset, followed by accounts receivable of $339 million. The Company typically carries a modest cash balance, which measured $6.9 million at YE 2025, and we also note that outstanding checks exceeded cash balances at points. However, we again point to Orgill's considerable scale and to the Company's active use of its revolving credit facility to manage working capital, which will be discussed shortly. Property and equipment, net, was $303 million at YE 2025, a large increase from $123 million at YE 2018, reflecting significant investment in the Company's distribution infrastructure over the period, including the construction of a new Georgia distribution center (DC). Operating lease rightofuse (ROU) assets were $337 million at YE 2025, reflecting a meaningful portfolio of longterm (LT) facility leases across the DC and retail store footprint.

On the liability side, the Company carried $286 million in outstanding drafts under its revolving credit agreements (LOC) and had $165 million in LT debt and financing lease obligations, with $342 million in total operating lease liabilities. Total debt was ~$470 million at YE 2025, resulting in a leverage ratio of 3.1X, well within levels we consider manageable for a distribution business of Orgill's scale and profile; however, this has increased in recent periods and does not improve on a net debt basis, given what we mentioned above with regard to cash balances. On the other hand, a material portion of Orgill's term debt does not mature until 2031 or later, with some of the larger tranches maturing in the late 2040s and carrying fixed interest rates of 2.804.99%, which is very attractive. The Company has also utilized interest rate swaps to bring down its effective rates over time.




The December 2025 amendment to the Bank of America credit agreement, which increased the maximum permitted Consolidated Leverage Ratio to 3.0X through YE 2026, is a noteworthy covenant accommodation that warrants monitoring but does not represent an overly material credit concern in our view. Lastly, we note that a small portion of the LT debt consists of notes payable to former stockholders for stock repurchases, which may entail some flexibility. Also, we note that the December amendment to the credit agreement does not explicitly state the spread to the Secured Overnight Financing Rate (SOFR), but we generally note that past spreads on previous agreements (the 2024 audit report stated that the largest line of credit paid SOFR plus 1.25%, which is a low spread) generally reflect how we view Orgill's credit standing overall and are somewhat reflective of lowtomoderate risk assessment among the lender, but this may have changed to some degree with the recent amendment. We also note that unless this changed with the amendment, the revolving credit facility is set to mature in 2027, yielding some refinancing risk. That said, unless operating results deteriorate meaningfully, we would expect a relatively successful refinancing at similar terms to the current facility as a reasonable base case assumption.

Total equity was $294 million at YE 2025, with retained earnings of $272 million, reflecting the cumulative earnings net of substantial shareholder distributions, which will be discussed further below. Given the lack of significant intangibles and goodwill, tangible net worth was only slightly less than shareholders' equity, which we view as an overall positive.

# Analyst Notes

**Cash Flow/Liquidity** – Orgill's revolving credit facility with Bank of America, N.A. was expanded to $300 million in September 2025 and matures in April 2027, with $223 million outstanding at YE 2025. The Company also carried a $175 million CNRG revolving facility (maturing March 2027, $64.3 million outstanding at YE 2025). We view access to these large, multibank facilities as a significant liquidity positive, but do note the negative offsets in the preceding section related to the apparent increase in the maximum permitted leverage ratio and the lack of insight into the LOC spread.

On the positive side, Orgill generated $113 million in net cash from operating activities in 2025, a meaningful improvement from $51 million in 2024, which was negatively impacted by working capital builds in accounts receivable and inventory. In 2025, both working capital items reversed favorably, with accounts receivable contributing $1 million and inventory $31 million to operating cash flow, driving the improvement despite lower net income.

Capital expenditures (CAPEX) declined sharply to $36 million in 2025 from $77 million in 2024 and $70 million in 2023, as the Company completed a major DC construction cycle. However, free cash flow (FCF) over all periods reviewed often exceeded $100 million annually, representing a material credit positive. While the interest coverage ratio was measured as reasonably healthy at 5.0X in 2025, it contracted in more recent periods, consistent with other trends mentioned throughout this Report. Additionally, cash distributions are substantial given the Scorporation structure, but we view this as expected behavior rather than a concern.

Lastly, the current ratio was 1.6X at YE 2025, consistent with historical levels and reflective of an adequately liquid balance sheet. The quick ratio of 0.6X reflects the inventoryheavy nature of the distribution business and is similarly consistent with the historical trend, screening positively when compared to other distributors that we have evaluated.

## Corporate Profile

Orgill, Inc. ("Orgill" or "the Company") is one of the largest privately held wholesale hardware distributors in the United States. Headquartered in Memphis, Tennessee, the Company was founded in 1847 and has operated continuously for nearly 180 years, distributing hardware and related durable goods to national, regional, and local independent hardware, home center, and lumberyard retailers primarily in the United States but also in more than 60 countries worldwide. Additionally, Orgill's wholly owned subsidiary, Central Network Retail Group, LLC ("CNRG"), operates ~140 retail hardware stores across the US, and Orgill also provides promotional and marketing services through its Tyndale Advisors arm to its retail customers.

## Scope of Analysis

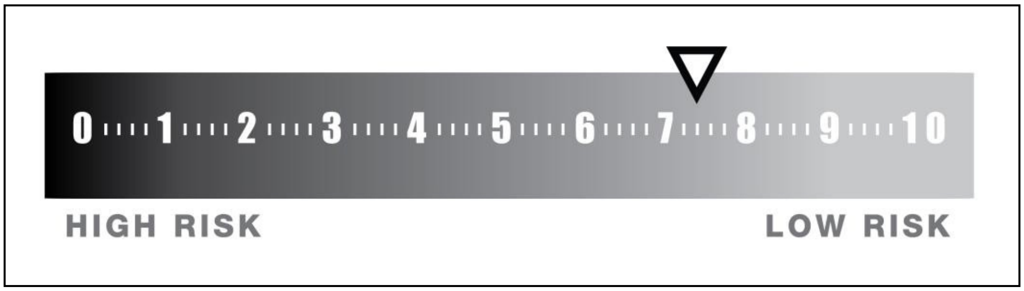
Our analysis of Orgill, Inc. included (i) a review of the Company’s audited financials from 2018 to 2025; (ii) an online search and review of information about the Company, the industry, and its competitors; (iii) a review of trade and business publications about the Company; (iv) an assessment of metrics compared to other publicly comparable companies; and (v) a review of various provided documents, such as the Germantown Case Study.

**Orgill**
**, Inc.**

| ($millions)<br>Fiscal year end December 31 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|
| ***For the period*** | | | | | | | | |
| Revenues | $2,567 | $2,649 | $3,185 | $3,609 | $3,958 | $3,872 | $3,768 | $3,877 |
| Year to year growth rate | --- | 3% | 20% | 13% | 10% | (2%) | (3%) | 3% |
| Pre tax income (as reported) | 87 | 96 | 149 | 127 | 156 | 168 | 128 | 91 |
| EBITDA | 123 | 130 | 183 | 168 | 203 | 221 | 185 | 151 |
| Margins | | | | | | | | |
| Gross margin | 22.8% | 23.3% | 23.9% | 22.8% | 23.2% | 24.2% | 23.8% | 22.8% |
| Operating income margin | 3.9% | 4.0% | 5.0% | 3.8% | 4.3% | 4.8% | 3.8% | 2.9% |
| EBITDA margin | 4.8% | 4.9% | 5.8% | 4.7% | 5.1% | 5.7% | 4.9% | 3.9% |
| Expense ratios (% of revs.) | | | | | | | | |
| Wholesale expense | 6.7% | 6.7% | 6.5% | 6.8% | 13.7% | 14.0% | 14.5% | 14.6% |
| Retail expense | 2.9% | 3.1% | 3.5% | 3.3% | 5.3% | 5.4% | 5.5% | 5.2% |
| Selling & advertising expense | 4.5% | 4.5% | 3.8% | 3.7% | --- | --- | --- | --- |
| G&A expense | 4.7% | 5.1% | 5.1% | 5.1% | --- | --- | --- | --- |
| Total operating expense | 18.9% | 19.4% | 19.0% | 19.0% | 18.9% | 19.4% | 20.0% | 19.9% |
| Cash Flow | | | | | | | | |
| EBITDA | 123 | 130 | 183 | 168 | 203 | 221 | 185 | 151 |
| Capital expenditures | (21) | (21) | (69) | (61) | (30) | (69) | (77) | (36) |
| Free cash flow | 102 | 109 | 115 | 107 | 173 | 152 | 108 | 116 |
| Interest expense | (10) | (11) | (9) | (10) | (14) | (18) | (18) | (23) |
| Interest coverage | 9.9X | 10.3X | 12.8X | 10.6X | 12.2X | 8.2X | 6.0X | 5.0X |
| From operating activities | 79 | 123 | 264 | 81 | 129 | 243 | 51 | 113 |
| From investing activities | (21) | (11) | (71) | (93) | (38) | (70) | (76) | (35) |
| From financing activities | (55) | (112) | (189) | 8 | (91) | (159) | 2 | (75) |
| Net change in cash & equiv. | 3 | 0 | 4 | (4) | (10) | 14 | (23) | 2 |
| ***At period end***[1] | | | | | | | | |
| Assets | | | | | | | | |
| Cash & equivalents | 134 | 14 | 18 | 14 | 13 | 28 | 5 | 7 |
| Accounts receivable, net | 201 | 205 | 265 | 303 | 309 | 289 | 364 | 339 |
| Inventories | 415 | 428 | 430 | 526 | 560 | 514 | 609 | 579 |
| Total current assets | 642 | 666 | 733 | 865 | 908 | 857 | 1,003 | 958 |
| PP&E, net | 123 | 122 | 179 | 219 | 220 | 260 | 301 | 303 |
| Operating lease ROU assets | --- | --- | 320 | 343 | 352 | 349 | 368 | 337 |
| Goodwill and intangibles, net | 456 | 40 | 34 | 41 | 35 | 29 | 23 | 19 |
| Total assets | 828 | 842 | 1,274 | 1,483 | 1,550 | 1,520 | 1,727 | 1,666 |
| Liabilities/Equity | | | | | | | | |
| Accounts payable | 270 | 285 | 371 | 380 | 355 | 361 | 404 | 371 |
| Outstanding checks (or cash overdraft) | --- | 1 | 12 | 10 | 8 | --- | 19 | 7 |
| Operating lease liabilities, curr. port. | --- | --- | 32 | 38 | 38 | 42 | 41 | 40 |
| Curr. port. of LT debt and fin. lease ob. | 24 | 28 | 32 | 34 | 12 | 10 | 19 | 20 |
| Total current liabilities | 393 | 427 | 606 | 657 | 651 | 587 | 652 | 616 |
| Line of credit (LOC), net | 133 | 103 | 59 | 130 | 268 | 254 | 271 | 286 |
| Operating lease liabs., net | --- | --- | 288 | 308 | 317 | 310 | 331 | 302 |
| LT debt and finance lease ob., net | 144 | 146 | 140 | 195 | 107 | 100 | 173 | 165 |
| Total stockholders' equity | 156 | 161 | 173 | 189 | 205 | 267 | 298 | 294 |
| ***Key financial ratios*** | | | | | | | | |
| Current ratio | 1.6 | 1.6 | 1.2 | 1.3 | 1.4 | 1.5 | 1.5 | 1.6 |
| Quick ratio | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 |
| Leverage ratio | 2.4 | 2.1 | 1.3 | 2.1 | 1.9 | 1.6 | 2.5 | 3.1 |
| Net debt/EBITDA | 2.3 | 2.0 | 1.2 | 2.1 | 1.9 | 1.5 | 2.6 | 3.1 |

[1] These are balance sheet highlights. Certain line items have been excluded.

# Rating Guide




## Tenant Risk[1]/Credit Quality

| Rating | Tenant Risk | Credit Quality | Security Recommended |
|---|---|---|---|
| 0 –1 | Very high | Deficient | Avoid as tenant |
| 1 –3 | High | Unsafe | Full security |
| 3 –5 | Worrisome | Poor | Full/Partial security |
| 5 –7 | Some concerns | Fair | Partial security |
| 7 –9 | Low | Good | None or partial security |
| 9 – 10 | Very low | Excellent | No security |

This rating is based on an analysis of a company's key financial documents and business fundamentals, as well as comparative data drawn from the Alliance Group's proprietary Tenant Index of more than 6,000 companies that reside in our research database. In our peer group studies, IndexSearch software is used to categorize and weigh companies by size, industry, risk levels, and other key factors to narrow the peer group and ensure a meaningful group of comparable companies.

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*Michael F. Calhoun has 25 years of experience in financial analysis, business management and corporate evaluation. He is President of The Alliance Group, a consulting firm specializing in corporate due diligence studies, acquisition searches, business valuations, and investment analysis services. Mr. Calhoun is a former investment analyst for both the Dreyfus Corporation and Oppenheimer Management.*

[1] Tenant Risk refers to the possibility that a tenant will default during the life of a lease.