

**Northern Bear Plc**

# Group Overview

March 2024



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If any recipient would like any further information on the Company, they should contact the Finance Director, Tom Hayes via [info@northernbearplc.com](mailto:info@northernbearplc.com).



**Northern Bear**



# Northern Bear Plc

## Who we are

Northern Bear plc is an AIM quoted specialist building services provider serving the support services sector. The Group comprises ten businesses in Northern England covering roofing, materials handling, and specialist building services.

Clients include local authorities, housing associations, NHS trusts, universities, construction companies and national house builders.

Each company within the Group operates as an autonomous business, with Northern Bear providing Group strategic management and financial consolidation.

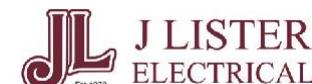
## Roofing

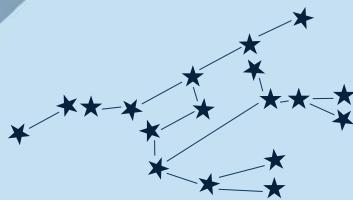


## Materials Handling



## Specialist Building Services





## Northern Bear Plc

# Who we are: PLC Directors

### Executive Directors



Keith Soulsby  
Operations Director  
(Retires 31<sup>st</sup> March 2024)



John Davies  
Executive Director  
(CEO from 1<sup>st</sup> April 2024)



Tom Hayes  
Finance Director



Steve Roberts  
Executive Director

### Non-Executive Directors



Harry Samuel  
Interim Chairman



Martin Boden



Anil Khera



## JENNINGS ROOFING LTD

Jennings Roofing is a roofing contractor providing slating, tiling, felting, leadwork, general roof repairs, refurbishment and maintenance services. The company operates throughout Northern England with a focus on the Yorkshire market.

Key customers include local authorities and housing associations, often via framework agreements, along with construction companies and housebuilders.

The strategic balance of public and private sector customers provides a degree of protection from the cyclical nature of the construction industry.

### Key information

<b>Location</b>	<b>Leeds</b>
<b>MD</b>	<b>Martin Briggs</b>
<b>Employees</b>	<b>58</b>





**Springs Roofing, based in County Durham, is a leading roofing contractor in North East England, providing a comprehensive range of services including slating, tiling, felting, single-ply membrane and leadwork.**

Over a quarter of a century the company has built strong relationships with its major clients, who include local authorities and housing associations, again often via framework agreements, along with major housebuilders, smaller contractors and private individuals.

The majority of Springs' work is either public sector contracted or funded.

### Key information

**Location** Chester-le-Street

**MD** Matthew Rowley

**Employees** 52





Wensley Roofing provides a broad range of roofing services with a focus on the North East. Key services include roof slating, tiling, leadwork, felting and liquid roofing services, with particular expertise in heritage renovations.

Key customers include major housebuilders, local authorities, housing associations, NHS trusts, churches and universities.

Wensley Roofing has a greater focus on new build housing and heritage work, and is currently seeking MCS accreditation to supply and install solar PV roof systems, which will be expanded to the other roofing companies in due course.

### Key information

<b>Location</b>	<b>Chester-le-Street</b>
<b>MD</b>	<b>Steven Luke</b>
<b>Employees</b>	<b>63</b>





Alcor is one of the largest independent Mitsubishi dealers in the country with comprehensive sales, hire, maintenance and repair options for customers throughout the North East and in Cumbria. It also provides specialist handling, cleaning and access equipment, and warehousing solutions.

The hire fleet of forklift trucks has grown from 271 in 2019 to 427 currently, and we invested in a move to the current, larger premises in 2022 which provides scope for further expansion.

Alcor has benefited from decarbonisation in recent years with customers replacing diesel-fuelled trucks with electric or gas-powered options to help meet their emissions targets.

## Key information

<b>Location</b>	<b>Newcastle</b>
<b>MD</b>	<b>Stuart Dawson</b>
<b>Employees</b>	<b>20</b>





**MGM undertakes a wide range of contracts for local authorities, heritage organisations and private customers, with a particular speciality in restoration and refurbishment.**

The company works on properties of all sizes and descriptions from small private dwellings to large commercial and public buildings, including many historic listed buildings.

The Group has invested in MGM's senior management team in recent years which reflects confidence in future commercial opportunities.

## Key information

**Location** Newcastle

**MD** Phil Burridge

**Employees** 63



Arcas Building Solutions is a building contractor offering services including feasibility studies, design and build, principal contractor work, value engineering, and maintenance services, for both new build and refurbishment contracts.

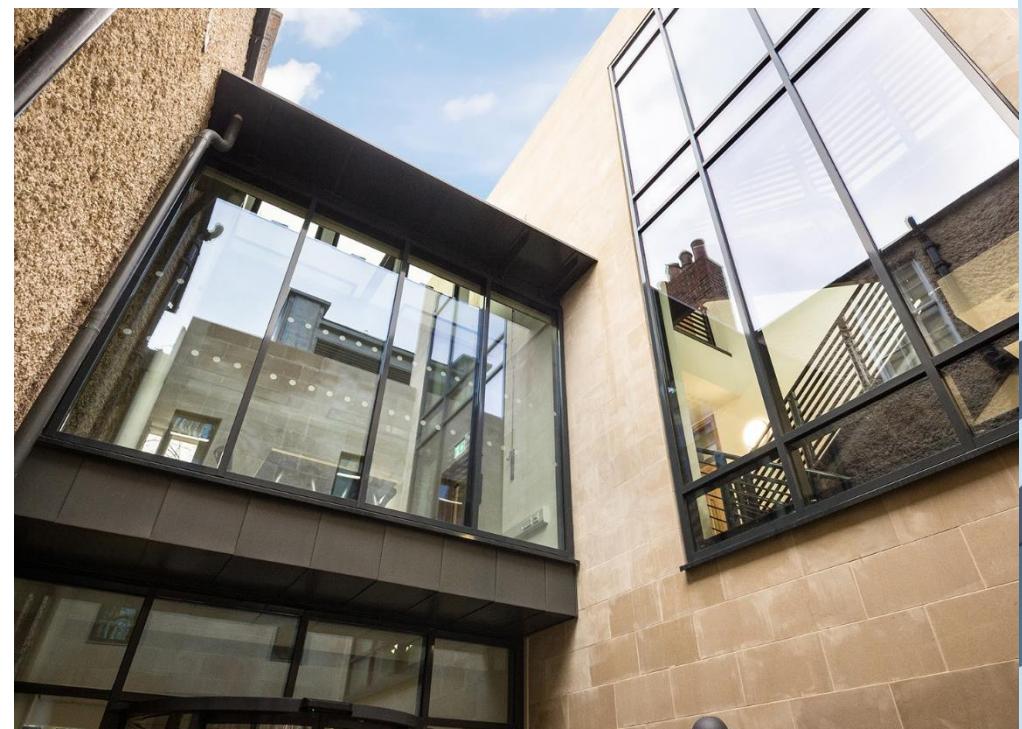
The team at Arcas has experience across many sectors, having completed projects for clients in education, commercial, health, local authority and residential categories. Recent projects include the Hard Rock Café in Newcastle pictured opposite.

## Key information

**Location** Newcastle

**Director** Michael Nesbit

**Employees** 21



# ISOLER

Building Integrity Services

**Isoler are building integrity specialists, offering a range of comprehensive services to the public sector and construction industry in the UK.**

The company installs fire stopping/compartmentation, specialist fire doors, fire dampers, intumescent paint, and structural board protection.

Isoler's services also include inspection of both new build and existing structures, waking watch services, and safety consultancy and compliance surveys.

Isoler has seen significant growth opportunities in recent years, winning expanded mandates from general contractor customers and local social housing providers, and is increasingly contracting with end users rather than working as a subcontractor.

## Key information

Location	Newcastle/Sunderland
MD	John Gilstin
Employees	77





H Peel & Sons provides refurbishment and fit-out of commercial interiors for hospitality customers, universities, hotels, health clubs, schools, care homes and offices throughout the UK.

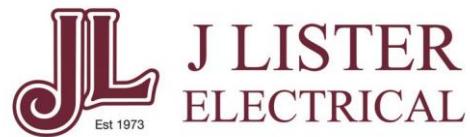
The company's group of specialist craftsmen and designers produce hand-finished bespoke joinery using a workshop located in Dewsbury.

H Peel has endured challenging trading conditions in recent years due to the impact of COVID-19 on its end markets, which are slowly recovering, but retains a good reputation with its customer base.

## Key information

<b>Location</b>	Dewsbury
<b>MD</b>	Russell Crowther
<b>Employees</b>	8





J Lister Electrical provide a comprehensive range of electrical contractor services for companies of all sizes, including universities, the NHS, and large commercial organisations, via both frameworks and standalone contracts. The Company is based in York with a focus on Yorkshire and the North East.

Key services include installation and maintenance, inspection and testing, fire alarms and emergency lighting, door access systems, and CAD drawings.

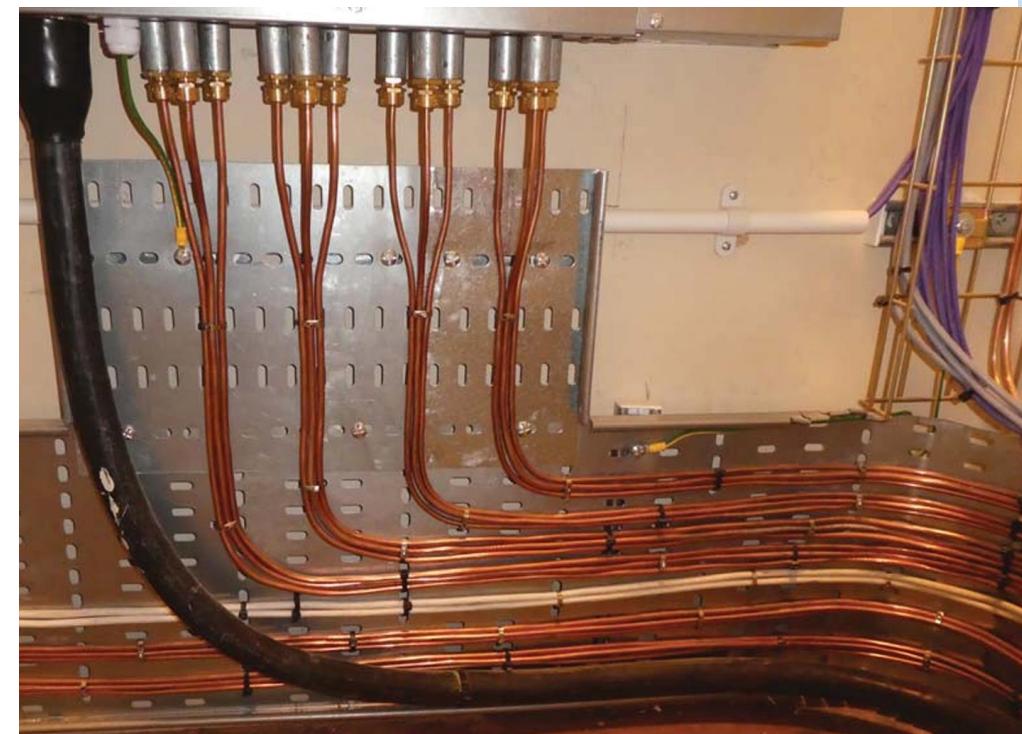
J Lister is benefiting from a focus on decarbonisation via contracts to install energy-efficient LED lighting for its customer base.

### Key information

**Location** York

**MD** Nigel Shorney

**Employees** 38





Northern Bear Safety is a health and safety consultancy, providing the Group and external clients with support across all aspects of health, safety and environment. Its consultants are all chartered safety professionals.

The company works with Group businesses to support and monitor Health and Safety compliance, carrying out inspections on a regular basis across construction sites.

Northern Bear Safety has recently supported all Group companies being awarded CHAS Elite accreditation, which is designed for organisations that go above and beyond standard health and safety practices.

## Key information

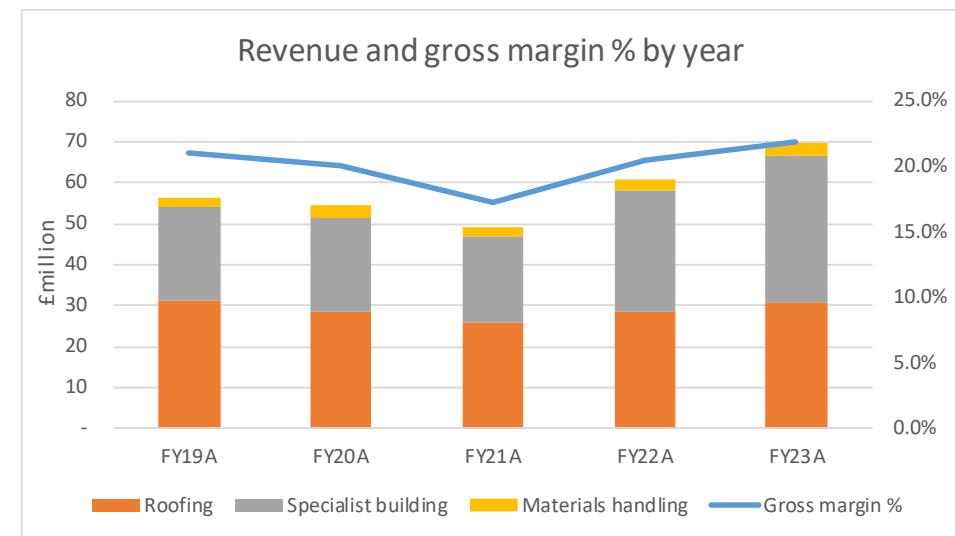
<b>Location</b>	<b>Newcastle</b>
<b>MD</b>	<b>Jason Harrison</b>
<b>Employees</b>	<b>4</b>



# Financial Overview

## Income statements

Income statement	12m FY19A	12m FY20A	12m FY21A	12m FY22A	12m FY23A	6m FY24H1A
	£m	£m	£m	£m	£m	£m
<b>Revenue</b>	<b>56.6</b>	<b>54.4</b>	<b>49.2</b>	<b>61.1</b>	<b>66.8</b>	<b>36.9</b>
Cost of Sales	(44.7)	(43.5)	(40.7)	(48.6)	(52.2)	(28.7)
<b>Gross Profit</b>	<b>11.9</b>	<b>10.9</b>	<b>8.5</b>	<b>12.5</b>	<b>14.6</b>	<b>8.2</b>
Overheads	(8.2)	(7.7)	(7.6)	(8.9)	(10.6)	(5.7)
Other operating income	-	-	1.5	0.1	-	-
<b>EBITDA</b>	<b>3.7</b>	<b>3.2</b>	<b>2.4</b>	<b>3.7</b>	<b>4.0</b>	<b>2.5</b>
Depreciation and Amortisation	(0.7)	(1.1)	(1.0)	(1.1)	(1.2)	(0.7)
<b>EBIT (pre one-off costs)</b>	<b>3.0</b>	<b>2.1</b>	<b>1.4</b>	<b>2.6</b>	<b>2.8</b>	<b>1.8</b>
One-off income/(costs)	0.3	-	(2.8)	(3.3)	(0.7)	-
<b>EBIT (reported)</b>	<b>3.3</b>	<b>2.1</b>	<b>(1.4)</b>	<b>(0.7)</b>	<b>2.1</b>	<b>1.8</b>
Finance costs	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)
Taxation	(0.5)	(0.4)	(0.2)	(0.4)	(0.3)	(0.4)
<b>Retained earnings/(loss)</b>	<b>2.6</b>	<b>1.5</b>	<b>(1.8)</b>	<b>(1.3)</b>	<b>1.6</b>	<b>1.3</b>
Earnings per share (reported)	14.0p	8.0p	-9.6p	-7.1p	8.5p	6.7p
Earnings per share (adjusted)	13.5p	8.7p	5.5p	9.8p	11.7p	6.8p
<b>One-off costs:</b>						
Goodwill impairment	-	-	2.8	2.6	-	-
Other one-off costs	(0.3)	-	-	0.7	0.7	-
	(0.3)	-	2.8	3.3	0.7	-
<i>Note: FY23 results are adjusted to show the impact of certain loss-making contracts as one-off costs with the related revenue and cost of sales also adjusted above</i>						



### Key points to note:

- Growth in revenue has been achieved mostly via the specialist building services and materials handling divisions, including the acquisition of J Lister Electrical in January 2020.
- A degree of seasonality exists due to winter weather and Christmas shutdowns, which gives greater weighting to H1.
- FY20 and FY21 results were impacted by COVID-19 restrictions. Other operating income in FY21 is CJRS (COVID support) receipts.
- IFRS 16, which required capitalisation of operating leases, was applied for the first time in FY20 hence depreciation is lower in FY19.

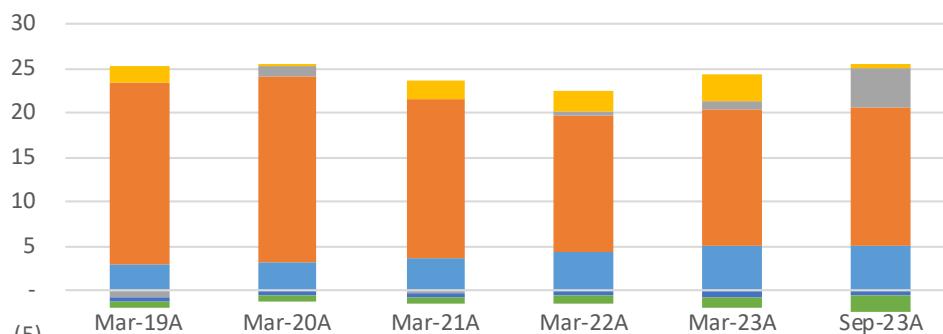
# Financial Overview

## Balance sheets

Balance sheet summary	Mar-19A £m	Mar-20A £m	Mar-21A £m	Mar-22A £m	Mar-23A £m	Sep-23A £m
Property, plant and equipment	3.0	3.2	3.6	4.4	5.0	5.2
Intangible assets	20.5	20.9	18.0	15.4	15.4	15.4
Net working capital	(0.7)	1.1	(0.4)	0.4	1.0	4.6
Net cash/(debt)*	1.7	-	2.0	2.2	3.1	0.4
Net leases and HP liability	(0.5)	(0.4)	(0.4)	(0.5)	(0.7)	(0.6)
Current and deferred tax	(0.8)	(0.7)	(0.5)	(0.9)	(1.2)	(1.7)
<b>Net assets</b>	<b>23.2</b>	<b>24.1</b>	<b>22.3</b>	<b>21.0</b>	<b>22.6</b>	<b>23.3</b>
<b>Net working capital balances (including receivables/payables &gt; 1 year)</b>						
Trade and other receivables	9.8	9.3	10.7	12.9	13.6	14.9
Trade and other payables	(11.2)	(9.2)	(12.1)	(13.9)	(14.0)	(11.7)
Inventories	0.7	1.0	1.0	1.4	1.4	1.4
<b>Net working capital</b>	<b>(0.7)</b>	<b>1.1</b>	<b>(0.4)</b>	<b>0.4</b>	<b>1.0</b>	<b>4.6</b>

\* includes cash, bank debt, and deferred consideration balances at Mar-19 and Mar-20

Balance sheet summary (£m)



Legend:

- Property, plant and equipment
- Intangible assets
- Net working capital
- Net leases and HP liability
- Current and deferred tax
- Net cash/(debt)

Key points to note are:

- PPE is mostly motor vehicles and the materials handling fleet, where significant investment has been made in recent years.
- Intangible assets are goodwill and other intangibles created on acquisition of subsidiaries.
- Working capital is principally customer and supplier balances. These can fluctuate significantly on a month-to-month basis, and the year-end position is usually a low point for working capital and a high point for the Group's cash balance.
- The Group carries limited inventory as some materials are purchased on a contract-by-contract basis.
- Tax liabilities have increased due to deferred tax liabilities, mostly where 100% capital allowances have been available on capital investment in the materials handling fleet in the year of purchase.
- The Company completed a tender offer in December 2023 to repurchase £3.1m of shares at a price of 62p per ordinary share. The impact of this is not reflected in the numbers opposite, or the earnings per share numbers on the prior page.
- This was funded via the Group's bank facilities, which now comprise a £3.5m term loan facility, a £1.0m overdraft, and a £1.0m revolving credit facility.

# Financial Overview

## Cash flow statements

Cash flow statement	12m FY19A	12m FY20A	12m FY21A	12m FY22A	12m FY23A	6m FY24H1A
	£m	£m	£m	£m	£m	£m
<b>Operating profit/(loss)</b>	<b>3.3</b>	<b>2.1</b>	<b>(1.5)</b>	<b>(0.7)</b>	<b>2.1</b>	<b>1.8</b>
Depreciation and amortisation	0.7	1.1	1.0	1.0	1.2	0.7
Non-cash one-off items	(0.3)	(0.3)	2.8	2.6	-	-
Profit/(loss) on PPE	-	-	-	-	-	-
Change in working capital	1.4	(1.5)	1.5	(0.7)	(0.6)	(3.7)
<b>Cash generated from operations</b>	<b>5.1</b>	<b>1.4</b>	<b>3.8</b>	<b>2.2</b>	<b>2.8</b>	<b>(1.3)</b>
Interest paid	(0.1)	(0.2)	(0.2)	(0.1)	(0.2)	-
Tax paid	(0.7)	(0.4)	(0.2)	(0.1)	-	-
<b>Net cash flow from operating activities</b>	<b>4.3</b>	<b>0.8</b>	<b>3.4</b>	<b>2.0</b>	<b>2.6</b>	<b>(1.3)</b>
<i>Investing cash flows</i>						
Net capital expenditure	(0.1)	(0.5)	(0.8)	(1.2)	(0.9)	(0.5)
Net spend on acquisitions	(0.4)	(0.9)	-	(0.1)	-	-
	<b>(0.5)</b>	<b>(1.4)</b>	<b>(0.8)</b>	<b>(1.3)</b>	<b>(0.9)</b>	<b>(0.5)</b>
<i>Financing cash flows</i>						
Movement in borrowings	(1.5)	2.5	(3.5)	1.0	(1.0)	-
Repayment of lease liabilities	(0.3)	(0.6)	(0.6)	(0.6)	(0.8)	(0.3)
Dividend payments	(0.7)	(0.7)	-	-	-	(0.6)
	<b>(2.5)</b>	<b>1.2</b>	<b>(4.1)</b>	<b>0.4</b>	<b>(1.8)</b>	<b>(0.9)</b>
<b>Net cash flow</b>	<b>1.3</b>	<b>0.6</b>	<b>(1.5)</b>	<b>1.1</b>	<b>(0.1)</b>	<b>(2.7)</b>

Key points to note are:

- Cash flow can be volatile on a month-to-month and annual basis, depending on the mix of work and related working capital requirements, but on a three to five year view cash conversion (EBITDA to cash generated from operations) is more predictable.
- We increased capital expenditure from FY21 to support growth in the plant hire fleet at Alcor Handling Solutions, which has been reflected in higher revenues and profits in that business.
- Should growth continue at Alcor we have other options to fund investment including asset finance and using the main supplier (Mitsubishi) to fund customer deals.
- The dividend payment was 4p per ordinary share in FY19 and FY20, but was cancelled in FY21 due to uncertainty caused by COVID-19 and the significant government support we received via CJRS. Following a strategic review the dividend was reinstated in July 2023 at 4p ordinary and 1p special per ordinary share, with 3p paid in Sep 2023 and 2p paid in March 2024.
- The cash outflow in H1 FY24 was partly due to working capital swings and also due to the loss-making contracts in Arcas Building Solutions (fully provided in the FY23 numbers) trading out.

# Future growth opportunities:

- **Regulatory-driven growth:** market growth opportunities e.g Isoler providing building integrity solutions, low capital intensity, investing in people and premises to support expansion.
- **Decarbonisation:** Supporting customer base to reduce carbon emissions, e.g.
  - Roofing - Solar PV accreditation to install roof systems.
  - Materials handling – replacing diesel-fuelled machinery with electric trucks.
  - Specialist building – installation of LED electrical lighting systems.
- **Materials handling:** further expansion of plant hire fleet supported by long-term customer leases, residual asset values, and flexible funding options.
- **Geographic expansion:** replicating existing business models in adjacent geographical areas.
- **M&A:** acquisition of established, profitable and cash generative companies with management teams in place to complement the Group's existing operations.



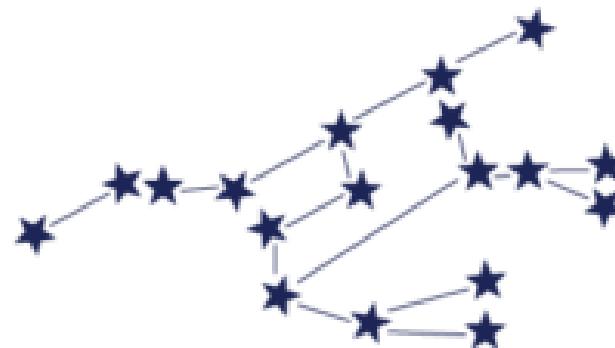
# Acquisition criteria:

## What we are looking for:

- Specialist building and support services businesses based in Northern England or adjacent markets.
- A focus on social housing and renewables with a significant proportion of turnover coming from public sector funded projects.
- An established management team who want to remain with the business, ideally with succession planning already in place for the medium term.
- A track record of consistent profit and cash generation throughout the economic cycle.
- Companies that do not require major capital investment to generate earnings.
- A strong record in health and safety compliance.

## What we offer vendors:

- An opportunity to realise equity value whilst remaining in charge of day-to-day operations.
- The chance to join an established Group of companies listed on London Stock Exchange with the benefits of cross-selling, group procurement and central services.
- The freedom to continue running the company as before - we won't change the name, close the office, relocate operations or make valued staff redundant.
- Continued investment in the workforce.
- Additional capital to invest in the business.
- Support and shared resource from companies working in the same sector.



# Northern Bear

# Business Case Summary:

- **Established:** Specialist building services companies with well-established business models and market positions in the North of England, supporting social housing, construction and infrastructure:
  - Balance of public and private-sector customers provides some protection from cyclicalities.
  - Group of delivery businesses with own in-house resources.
  - Majority of contracts are short-term which makes inputs and margins more predictable.
  - Experienced management teams with succession in place.
  - Wide range of trade accreditations to support quality and safety procedures.
- **Resilient:** Our companies have traded through COVID-19 disruption, labour/materials cost inflation, and skilled labour shortages in recent years and the Group has been consistently profitable and cash generative at a trading level on an annual basis.
- **Greater focus on investor relations:** Increasing commitment to good governance (experienced board appointments, broker research, and engagement with shareholders).

