Northern Bear Plc

Group Overview

July 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.

Northern Bear

Northern Bear Plc

Agenda

1. Who we are
2. Overview of Group companies
3. Financial overview
4. Future growth opportunities / Acquisitions
5. Business case
6. Q&A

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, hotels, 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

JENNINGS ROOFING LTD

Springs Roofing Ltd

WENSLEY ROOFING

Materials Handling

ALCOR HANDLING SOLUTIONS LTD

Specialist Building Services

MGM CONSTRUCTION

ARCAS BUILDING SOLUTIONS

ISOLER Building Integrity Services

PEEL Creating amazing spaces

J LISTER ELECTRICAL Est 1973

Northern Bear SAFETY

Northern Bear Plc

Who we are:
PLC
Directors

Executive Directors

John Davies
Chief Executive Officer

Tom Hayes
Finance Director

Steve Roberts
Executive Director

Non-Executive Directors

Simon Carr CBE
Chairman

Martin Boden

Harry Samuel

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	
Location	Leeds
MD	Martin Briggs
Employees	55

Springs Roofing Ltd

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	**50**

WENSLEY ROOFING

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	
Location	**Chester-le-Street**
MD	**Steven Luke**
Employees	**62**

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	
Location	Newcastle
MD	Stuart Dawson
Employees	21

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.

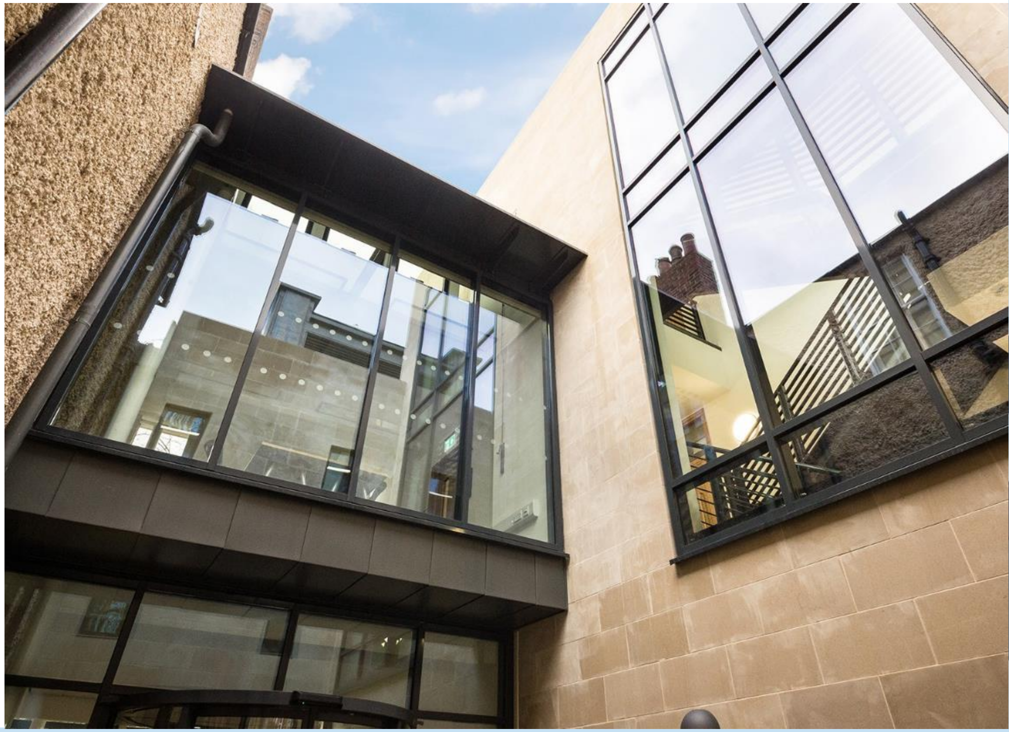
Key information	
Location	Newcastle
MD	Phil Burridge
Employees	68

ARCAS
BUILDING SOLUTIONS

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	**16**



ISOLER

Building Integrity Services

Isoler are a Passive fire solutions specialist, offering a range of comprehensive services to both public and private sector clients.

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

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

Isoler has seen significant growth recently, winning expanded mandates from private developers, social housing providers, and hoteliers, and is increasingly contracting with end users rather than working as a subcontractor. The business has recently relocated to larger bespoke premises to support future training and growth.

Key information

Location	**Newcastle/Sunderland**
Joint MDs	**John Gilstin/Josh Watson**
Employees	**79**

PEEL
Creating amazing spaces

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

Location	**Dewsbury**
MD	**Russell Crowther**
Employees	**10**

J LISTER ELECTRICAL
Est 1973

J Lister Electrical provide a comprehensive range of electrical contractor services for companies of all sizes, including universities, the NHS, and 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	37

Northern Bear SAFETY

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, including documentation, site inspections, and training. 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

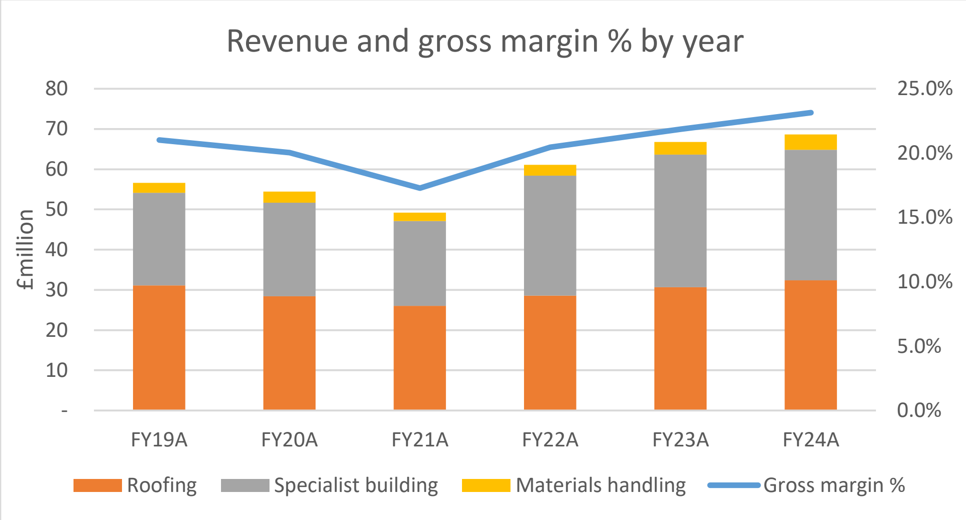
Location	**Newcastle**
MD	**Jason Harrison**
Employees	**4**

Financial Overview

Income statements

Income statement Financial year-end 31st March	12m FY19A £m	12m FY20A £m	12m FY21A £m	12m FY22A £m	12m FY23A £m	12m FY24A £m
Revenue	**56.6**	**54.4**	**49.2**	**61.1**	**66.8**	**68.7**
Cost of Sales	(44.7)	(43.5)	(40.7)	(48.6)	(52.2)	(52.8)
Gross Profit	**11.9**	**10.9**	**8.5**	**12.5**	**14.6**	**15.9**
Administrative expenses	(8.2)	(7.7)	(7.6)	(8.9)	(10.6)	(11.9)
Other operating income	-	-	1.5	0.1	-	-
EBITDA	**3.7**	**3.2**	**2.4**	**3.7**	**4.0**	**4.0**
Depreciation and Amortisation	(0.7)	(1.1)	(1.0)	(1.1)	(1.2)	(1.4)
EBIT (pre one-off costs)	**3.0**	**2.1**	**1.4**	**2.6**	**2.8**	**2.6**
One-off income/(costs)	0.3	-	(2.8)	(3.3)	(0.7)	(0.2)
EBIT (reported)	**3.3**	**2.1**	**(1.4)**	**(0.7)**	**2.1**	**2.4**
Finance costs	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)
Taxation	(0.5)	(0.4)	(0.2)	(0.4)	(0.3)	(0.5)
Retained earnings/(loss)	**2.6**	**1.5**	**(1.8)**	**(1.3)**	**1.6**	**1.6**
Earnings per share (reported)	14.0p	8.0p	-9.6p	-7.1p	8.5p	9.5p
Earnings per share (adjusted)	13.5p	8.7p	5.5p	9.8p	11.7p	10.7p
One-off costs:						
Goodwill impairment	-	-	2.8	2.6	-	-
Other one-off costs	(0.3)	-	-	0.7	0.7	0.2
	(0.3)	**-**	**2.8**	**3.3**	**0.7**	**0.2**

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



Key points to note:

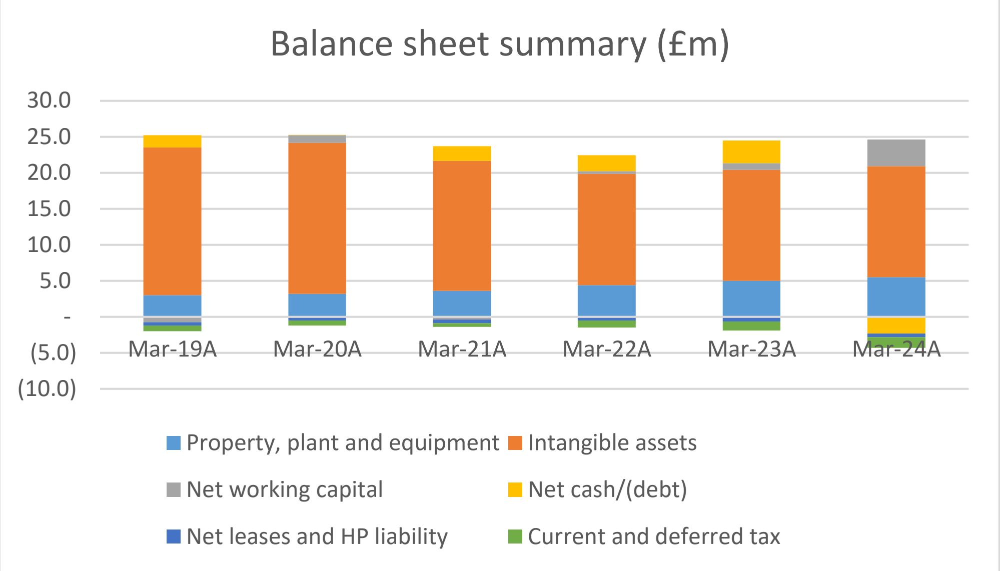
- Growth in revenue has been achieved mostly via the specialist building services and materials handling divisions, including the acquisition of J Lister Electrical in January 2020.
- A degree of seasonality exists due to winter weather and Christmas shutdowns, which gives greater weighting to H1.
- 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	Mar-24A £m
Property, plant and equipment	3.0	3.2	3.6	4.4	5.0	5.5
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	3.7
Net cash/(debt)*	1.7	-	2.0	2.2	3.1	(2.3)
Net leases and HP liability	(0.5)	(0.4)	(0.4)	(0.5)	(0.7)	(0.5)
Current and deferred tax	(0.8)	(0.7)	(0.5)	(0.9)	(1.2)	(1.5)
Net assets	**23.2**	**24.1**	**22.3**	**21.0**	**22.6**	**20.3**
Net working capital balances (including receivables/payables > 1 year)						
Trade and other receivables	9.8	9.3	10.7	12.9	13.6	14.5
Trade and other payables	(11.2)	(9.2)	(12.1)	(13.9)	(14.0)	(12.3)
Inventories	0.7	1.0	1.0	1.4	1.4	1.5
Net working capital	**(0.7)**	**1.1**	**(0.4)**	**0.4**	**1.0**	**3.7**

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



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, in part due to the public-sector year-end in March.

- 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.

- This was funded via the Group's new 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**	**12m**	**12m**	**12m**	**12m**	**12m**
Financial year-end 31 March	**FY19A**	**FY20A**	**FY21A**	**FY22A**	**FY23A**	**FY24A**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Operating profit/(loss)	**3.3**	**2.1**	**(1.5)**	**(0.7)**	**2.1**	**2.4**
Depreciation and amortisation	0.7	1.1	1.0	1.0	1.2	1.4
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)	(2.7)
Cash generated from operations	**5.1**	**1.4**	**3.8**	**2.2**	**2.8**	**1.1**
Interest paid	(0.1)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)
Tax paid	(0.7)	(0.4)	(0.2)	(0.1)	-	(0.2)
Net cash flow from operating activities	**4.3**	**0.8**	**3.4**	**2.0**	**2.6**	**0.7**
Investing cash flows						
Net capital expenditure	(0.1)	(0.5)	(0.8)	(1.2)	(0.9)	(1.2)
Net spend on acquisitions	(0.4)	(0.9)	-	(0.1)	-	-
	(0.5)	**(1.4)**	**(0.8)**	**(1.3)**	**(0.9)**	**(1.2)**
Financing cash flows						
Movement in borrowings	(1.5)	2.5	(3.5)	1.0	(1.0)	3.2
Repayment of lease liabilities	(0.3)	(0.6)	(0.6)	(0.6)	(0.8)	(1.0)
Dividend payments	(0.7)	(0.7)	-	-	-	(0.8)
Tender offer payment	-	-	-	-	-	(3.1)
	(2.5)	**1.2**	**(4.1)**	**0.4**	**(1.8)**	**(1.7)**
Net cash flow	**1.3**	**0.6**	**(1.5)**	**1.1**	**(0.1)**	**(2.2)**

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. The dividend was reinstated in FY24 at 4p plus 1p special and, post tender offer, a further 2p final dividend is proposed for FY25.

- The cash outflow in FY24 was partly due to working capital swings with Easter falling on 31 March, 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 cyclicality.
  - 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:** increased commitment to corporate governance (experienced board appointments, broker research, and engagement with shareholders).