

Northern Bear plc

Interim results

December 2024



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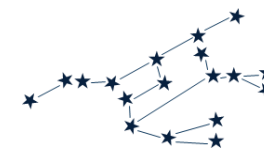
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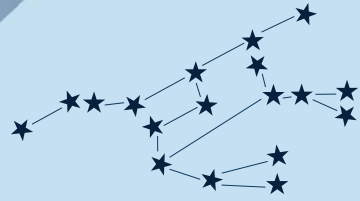
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If any recipient would like any further information on the Company, they should contact the Finance Director, Tom Hayes via info@northernbearplc.com.



Northern Bear



Northern Bear Plc

Contents

1. Interim results – key points
2. Overview of Group divisions
3. Financial overview
4. Future growth opportunities
5. Business case

Interim results to 30 September 2024 – key points

Financial Summary and Outlook

- Revenue of £37.6m (H1 FY24: £36.9m).
- Improved gross margin at 23.8% (H1 FY24: 22.2%).
- Operating profit of £1.7m (H1 FY24: £1.8m) following significant investment in operations.
- Trading in line with market expectations with potential to trade ahead of market expectations and strong prior year in H2. This is subject to several assumptions, as stated in the interim results.
- Further £0.5m repaid on term loan in November due to strong cash flows

Continued investment in operations, including:

- Isoler – promotion of Josh Watson to Joint Managing Director, relocation to larger premises in Durham, and established Southern delivery hub.
- Callisto Glass Facades – new division of MGM providing bespoke design, manufacture, and installation of architectural glass facades.
- PV installations being incorporated into roofing division
- Alcor Handling Solutions – continued investment in fleet.



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



Materials Handling



Specialist Building Services



Our markets and divisions – overview and FY24 results

Roofing



Building Services



Materials Handling



Fire Stopping



Key information

Employees	167
Revenue	£32.4 million
Gross margin	19.4%
Operating profit	£2.3 million

Key information

Employees	135
Revenue	£25.0 million
Gross margin	18.1%
Operating profit	£0.4 million

Key information

Employees	21
Revenue	£3.8 million
Gross margin	42.3%
Operating profit	£0.3 million

Key information

Employees	79
Revenue	£7.5 million
Gross margin	42.4%
Operating profit	£0.9 million

Northern Bear Roofing - overview

- We are the largest roofing installation group in the north of England.
- Services include slating, tiling, felting, leadwork, repairs and maintenance.
- Key blue-chip customers include local authorities, housing associations, and national housebuilders.
- The balance of public and private sector customers provides a high degree of protection from the cyclical nature of the construction industry.
- Currently have received accreditation to supply and install solar PV roof systems in one company.
- We see this as a growth market going forward with the potential to roll out into our other roofing companies.

Northern Bear Building Services - overview

- We provide a range of specialist contracting and building services via five separate businesses in our Building Services segment.
- MGM is a traditional building fast-track main contractor focusing on the historic build and maintenance frameworks for public sector clients. They have a high level of inhouse skilled tradesmen that deliver to the highest level in this sector and sets them apart from competitors.
- Arcas Building Solutions are a fast-track project management contractor, offering feasibility studies, design and build, principal contractor work, and value engineering, for both new build and refurbishment contracts.
- H Peel provides refurbishment and fit-out of commercial interiors.
- J Lister Electrical provides a range of electrical contracting services.
- Northern Bear Safety is a health and safety consultancy, supporting both the Group and external clients.

Materials Handling - Alcor Handling Solutions - overview

- 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, along with specialist handling, cleaning and access equipment, and warehousing solutions.
- The hire fleet of forklift trucks has grown from 271 in 2019 to 428 currently, and we invested in 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.

Fire Stopping - Isoler - overview

- Isoler is a passive fire solutions specialist, offering a range of fire stopping services to both public and private sector clients. Services also include inspection, waking watch services, and safety consultancy and compliance surveys.
- Isoler has seen significant growth recently, winning expanded mandates from private developers, social housing providers, and hoteliers, and is increasingly contracting with end users.
- Due to the one stop shop service provided to end users the business is focused on adding value to clients.
- The business has recently relocated to larger bespoke premises to support future training and growth.
- Looking to develop a southern hub in 2025 to cement position as a national fire solutions contractor.

Financial Overview

Income statement

Income statement	6m	6m	12m
Financial year-end 31st March	Sep-24	Sep-23	Mar-24
	£m	£m	£m
Revenue	37.6	36.9	68.7
Gross profit	8.9	8.2	15.9
Gross margin %	23.8%	22.2%	23.1%
EBITDA (pre one-off costs)	2.5	2.4	4.1
EBIT (pre one-off costs)	1.7	1.8	2.6
EBIT (reported)	1.7	1.8	2.4
Profit before tax	1.5	1.7	2.1
Earnings per share	8.4p	6.7p	9.5p

Key points to note:

- Revenue and profits ahead of management expectations in the Period
- Improved gross margins through growth in higher-margin segments, along with strong execution.
- Continued investment in our operations to support future growth opportunities resulted in EBIT broadly in line with prior period.
- Earnings per share benefited from tender offer to shareholders completed in December 2023.

Financial Overview

Balance sheet

Balance sheet summary			
Financial year-end 31st March	Sep-24	Sep-23	Mar-24
	£m	£m	£m
Property, plant and equipment	5.9	5.2	5.5
Intangibles and lease assets	16.7	17.0	16.8
Net working capital	3.1	4.0	3.4
Cash	1.4	0.4	1.0
Loans and borrowings	(2.8)	(0.1)	(3.2)
Lease liabilities	(1.9)	(2.2)	(2.0)
Deferred tax	(1.2)	(1.1)	(1.2)
Net assets	21.1	23.3	20.3

Key points to note are:

- PPE is mostly motor vehicles and the materials handling fleet.
- Intangible assets are goodwill and other intangibles created through acquisitions.
- Net working capital is principally customer and supplier balances. These can fluctuate significantly on a month-to-month basis. The Group carries limited inventory.
- 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 a bank term loan.
- The Group had £2m of working capital facilities at Sep 2024 in addition to the term loan shown on the balance sheet.

Financial Overview

Cash flow statements

Cash flow summary	6m	6m	12m
Financial year-end 31st March	Sep-24	Sep-23	Mar-24
	£m	£m	£m
Net cash flow from operations	2.2	(1.3)	1.1
Interest and tax payments	(0.1)	(0.0)	(0.4)
Net capital expenditure	(0.6)	(0.5)	(1.2)
Net movement in borrowings	(0.4)	0.0	3.2
Payment of lease liabilities	(0.4)	(0.4)	(0.9)
Tender offer to shareholders	-	-	(3.1)
Dividends paid	(0.3)	(0.6)	(0.8)
Net movement in cash	0.5	(2.7)	(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, and the timing of Easter in relation to year-end.
- Capital spend is primarily on the hire fleet at Alcor which has supported revenue and profit growth in that business. We have other funding options available if required.
- FY24 dividends were declared pre-tender offer. We paid a final dividend of 2p per ordinary share in Sep 2024.

Future growth opportunities:

- **Regulatory-driven growth:** market growth opportunities e.g Isolier providing building integrity solutions, low capital intensity.
- **Investment-led growth:** investing in people and premises to support expansion, e.g. Callisto Glass Facades as new division within MGM.
- **Decarbonisation:** Supporting customer base to reduce carbon emissions,
 - Roofing - Solar PV accreditation to install roof systems.
 - Materials handling – replacing diesel machinery with electric trucks.
 - Specialist building – installation of LED electrical lighting systems.



Future growth opportunities (continued):

- **Materials handling:** further expansion of plant hire fleet supported by long-term customer leases, residual asset values, and flexible funding.
- **Geographic expansion:** replicating existing business models in adjacent geographical areas.
- **M&A:** acquisition of established, profitable and cash generative companies to complement the Group's existing operations.



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.
- **Resilient:** Our companies have traded profitably through COVID-19 disruption, labour/materials cost inflation, and skilled labour shortages in recent years.
- **Balanced:** good mix of blue-chip private and public sector clients.
- **Future growth opportunities:** both regulatory-driven and investment-led:
 - Fire solutions
 - Solar
 - Lighting
 - Affordable Housing
 - Electrification