

ACQUISITION OPPORTUNITY

PROJECT FIBRE (“the Company”)

Kroll has been retained to seek an investor and/or a purchaser for the business and/or assets of the Company. All communications, enquiries and requests for information should be addressed to the professionals listed below.

BUSINESS DESCRIPTION

- An opportunity exists to acquire a well-established UK based manufacturer of sterile barrier papers used for the packaging of both reusable and single use medical devices.
- The Company holds the leading market position in coating base papers and is in the second and third position in direct seal papers and reinforced papers, respectively.
- Production is carried out at a specialised paper mill situated in the north of England and products are sold globally to customers in 49 countries, serving over 220 clients, with a product range that includes over 50 professional paper products.
- Historically, surplus capacity across the two paper machines and four creping machines was used to manufacture grease resistant paper for quick-service restaurant use (the product mix was previously 75% medical and 25% food).
- However, in line with management’s long-term strategy, the product mix has shifted over the last 12 months towards medical papers (given the higher gross margin achieved), with sales now exclusively to the higher margin medical sector.
- The Company has in-house technical expertise with around 150 employees across the business, following a recent headcount restructure in June 2024.

INVESTMENT HIGHLIGHTS

- Accredited supplier of medical packaging paper in sector with high regulatory barriers to entry.
- Medical paper sector is growing and non-cyclical. Niche nature means no new specialist facilities are likely to be built.
- Order book has recovered from post COVID industry wide de-stocking.
- Leader in innovation, with new high margin products in both development and ramp up phase.
- Significant new volumes coming on stream in Q1 2025 and new development projects with key customers giving entry to wipes, tray liners, USA dental crepe market and significant growth in USA, following product development with two major suppliers to the medical packaging industry.
- Strong management team with a wealth of experience and expertise supported by a highly knowledgeable workforce.
- The business has returned to profitability from July 2024 onwards.

REASONS FOR ACCELERATED SALE

- The business has faced a number of one-off trading challenges over recent years, including energy inflation in 2022 (with energy hedges placed at the top of the market), post COVID destocking in 2023 and pulp inflation in 2024.
- All of these issues are now resolved, with pulp price declining and energy pricing / customer demand back to historical levels.
- Alongside this, a number of initiatives have been implemented by the management team which have improved performance in the short to medium term including a price reset, shift in sales mix and diversifying pulp supply. This has generated positive EBITDA in the three months to September 2024.
- However, the one-off issues from the past few years have resulted in balance sheet stress, which has been accentuated following withdrawal of credit insurance upon filing of the FY23 accounts at Companies House.

BUSINESS OVERVIEW

Long-standing customer relationships

Average paper production of over 34,000 tonnes per year

Strong revenue forecast £42m in FY25

Over 50 years manufacturing experience

Fully accredited and consistently achieving highest standards

Leading market position in coating base papers

FINANCIAL HIGHLIGHTS

Profit and loss account £'000s	FY20 Stat	FY21 Stat	FY22 Stat	FY23 Stat	FY24 (YTD) MI (9m)
Revenue	40,907	41,352	58,108	45,422	33,449
Cost of sales	(29,928)	(36,001)	(49,974)	(41,028)	(31,102)
Gross profit	10,979	5,351	8,134	4,394	2,347
Gross margin %	26.8%	12.9%	14.0%	9.7%	7.0%
Overheads	(6,310)	(6,463)	(7,923)	(8,174)	(3,822)
EBITDA / (LBITDA)	4,669	(1,112)	211	(3,780)	(1,475)
Energy hedge impact	-	-	-	3,995	2,473
Adjusted EBITDA	4,669	(1,112)	211	215	998

*recent losses driven by adverse energy hedge (c£6.5m impact over last 18 months), however, the business has returned to profitability in the quarter to September 2024 (c£200k EBITDA).

**Impact of adverse energy hedge in FY23 and FY24 (YTD) based on management estimation.

Balance sheet £'000s	FY20 Stat	FY21 Stat	FY22 Stat	FY23 Stat	FY24 MI
Fixed assets					
Tangible assets	4,959	4,752	5,228	5,335	5,768
Intangible assets	-	-	429	656	69
Investments	-	-	81	81	81
	4,959	4,752	5,738	6,072	5,918
Current assets					
Inventory	6,988	8,700	7,649	6,983	4,913
Debtors	8,112	10,669	12,032	6,589	6,484
Other	8,847	4,686	5,766	3,466	549
	23,947	24,055	25,447	17,038	11,946
Current liabilities	(16,360)	(15,798)	(18,499)	(14,493)	(12,464)
Long term liabilities	(283)	(3,213)	(3,384)	(4,638)	(5,801)
Net assets / (liabilities)	12,263	9,796	9,302	3,979	(401)

EXPRESSIONS OF INTEREST: Please confirm in writing your interest in progressing with this opportunity by 15 November 2024.

To find out more about Kroll Advisory Ltd and other businesses available for sale visit www.kroll.com/en-gb/services/restructuring-advisory

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