



## HEM024 – Environmental Engineering Company

### Business Overview

- A highly profitable and well established UK leader in Environmental Engineering, based in the North of England.
- Company turnover in the financial year to December 2013 was £7.4m with gross margin of 71% and EBITDA of £1.9m (26%). Projected turnover for the year to December 2014 is £8.1m with EBITDA of c.£2.3m (28%).
- The business has traded consistently and profitably through the recent economic downturn and has a strong balance sheet, is highly cash generative and debt free.
- In recent years the business has been run with a philosophy of containment rather than pursuing growth. Now in anticipation of a change in ownership philosophy due to the sale, the management team have developed a five year business plan which predicts significant growth in revenues and profitability.
- The company provides a range of Internal Environmental services including the surveying, removal and management of Asbestos, and also a range of External services with a particular focus on high sensitivity utility sites.
- There is an increasing synergy between the two key areas of the business due for example to the commercial requirement to deal with asbestos contaminated land which is an explosive area of growth. The company is uniquely positioned for addressing this area of opportunity as it has skilled operatives who can deal with all aspects of this process.
- The company has an extensive customer portfolio which provides a wide range of high profile companies in both public and private sectors including housing trusts, town councils, highways management companies and also has a major external works framework agreement with a national utility organisation.
- The proportion of revenues generated through the company's key medium to long term Framework Contracts has grown dramatically in recent years. In 2013 over 90% of the company revenue was through these framework contracts (85% in Asbestos and 100% in External Works).
- Some of the framework contracts have significant growth potential within them which have previously not been pursued by the company.
- The company consistently wins new projects based on its reputation within their specialist sectors and they have just been awarded two high profile framework contracts that will add significant incremental revenue and profitability.
- The potential in the asbestos market is enormous with less than 10% of asbestos and related materials having been removed from premises in the UK.



- There is more and more traction in the area of asbestos contaminated land and the opportunities in this area in the coming years will be enormous. The potential projects being discussed by just one of the company's current key clients should provide for a new wave of extensive, highly profitable contracts.
- The company has developed its own intellectual property by way of asbestos management software and customers are given a gateway into this system to enable them to manage their own asbestos removal programmes and compliance. This not only provides the company with a distinct point of difference in the market but it also significantly increases customer dependency on the company.
- The business has a strong team of over 110 staff lead by the General Manager and a strong management team who have day to day operational control of the business.
- Established for more than 30 years, the business has a full list of accreditations and is one of the only asbestos handling companies to be offered an unconditional Asbestos Removal Licence, and operates its own fully licensed transfer station.
- The company owns a full fleet of construction plant and vehicles including excavators, dumpers, compressors, rollers, skips, asbestos removal vehicles and general vans, all purchased from new.
- The company operates from a site in the North of England of just over 3000 square metres with three portal steel buildings totalling 440 square metres, 500 square metres of offices over two floors and a range of temporary offices and container units.
- As the company operates within an LLP structure, it is likely that the premise of the sale will be on the basis of assets and goodwill which could enable any buyer to derive significant tax advantages.

## Financial overview

<i>YE: 31st Dec</i>	<b>2012</b>	<b>2013</b>	<b>2014 (Proj)</b>
<b>Sales revenue</b>	£7,386,179	£7,418,132	£8,100,000
Gross Profit	£5,218,991	£5,315,889	£5,800,000
<i>Percentage</i>	71%	72%	72%
<b>EBITDA</b>	<b>£1,454,130</b>	<b>£2,055,441</b>	<b>£2,300,000</b>
<i>Percentage</i>	20%	28%	28%