



HGM210 - Manufacturer and Distributor of Fuel Additives Company for Sale

Business Summary

- Outstanding opportunity to acquire the manufacturer and distributor of the leading fuel additives brand in the UK fuel industry.
- Based in the Midlands, the company was founded in 2005.
- The company boasts high gross margins and has an efficient operational base giving rise to an excellent level of net profitability.
- The company has a range of robust, valuable Intellectual Property with a patent in place and several other potential patents. There are also several trademarks and registered design rights for many of its products.
- The existing patent complies with the UK's 'patent box' legislation and therefore not only significantly reduces the company's own corporation tax, but also could reduce the corporation tax of any acquirer if already in the fuel distribution sector.
- The extensive range of products is sold throughout the UK and Ireland (450+ delivery points) under the company's own brand identity as well as via a white label service.
- The company works closely with fuel distributors, agricultural machinery suppliers, OEMs and fuel users to provide fuel quality advice and to achieve optimal fuel efficiency.
- Products are formulated to upgrade fuel quality and to reduce field problems in the domestic, agricultural, construction, marine and industrial sectors.
- Supply is mainly on a B2B basis, but the automotive range of fuel additives is also available through the retail channel.
- Revenues for the year 2015/16 were c.£2.2 million with an adjusted EBITDA of c.£450k. The forecast to end of March 2017 is for revenue of c.£2.3m and adjusted EBITDA of c.£402k
- The company has no serious direct competitors and certainly none that have such an extensive product range, have as much technical knowledge or provide as much technical support.
- The company has high client retention rates; 76% of the top 25 customers have been with the company for more than 5 years.
- Approximately 94% of sales are to fuel distributors or online fuel brokers. The rest are to additive re-bottlers, additive re-sellers, online additive suppliers and agricultural parts retailers. 70% of turnover is related to kerosene.
- The company has ISO 9001 accreditation, holds HMRC duty bonded warehouse status and separate registration with HMRC as a fuel substitute's manufacturer.
- The sale offers an outstanding acquisition opportunity for an existing fuel distribution company; a lubricant manufacturer and distributor; companies providing oil fired boiler servicing; other fuel additive manufacturers; or for an investor looking for a business with both high margins and valuable Intellectual Property.



Products and Services

- The company manufactures over 50 'off-the-peg' fuel solution products which are supplied primarily through fuel distributors into 4 main areas: cleaning, maintenance, economy and performance in the oil fired homes, off-road and on-road industry sectors.
- Additionally, it formulates, manufactures and distributes fuel additive solutions to hundreds of wholesale and retail businesses.
- The company operates as a technical resource for the UK's fuel supply sector; it offers an extensive range of tests to analyse and provide reports on fuel quality.
- Other Services provided by the company include:
 - Technical Audits
 - Development of Bespoke Fuel Solutions
 - Corporate White Label Service
 - Fuel Consulting e.g. problem solving

Employees

- An extremely strong team of 22 highly qualified and accredited staff led by a full-time Managing Director and General Manager.
- Production and administrative operations are managed by the General Manager and technical operations by the Technology Manager.

Premises

- The business operates from a 17,000 sq. ft. commercial unit comprising of offices, a warehouse and a laboratory.
- A five-year lease began on 1st November 2013. Rent, rates and all other associated building costs total £124,099 pa.

Reason for sale

- Two of the vendors have extremely limited part time roles in the business and one wishes to exit the business due to ill-health but will support a handover and is happy to act as consultant on an ad-hoc basis for the medium term. The second wishes to exit entirely. The third is the current MD; responsible for running the business day to day. He will fully support a transition of the business into new ownership and would consider staying with the business in the longer term if this was mutually agreeable.

Financial overview

<i>Year ending 31st March</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
Sales revenue	£1,975,310	£2,154,196	£2,166,676	£2,268,839
Gross profit	£1,436,148	£1,598,391	£1,575,044	£1,588,964
<i>Percentage</i>	73%	74%	73%	70%
Adjusted EBITDA	£207,509	£433,729	£405,241	£402,658
<i>Percentage</i>	11%	20%	19%	18%

Following significant year on year growth in the years to 2014, 2014-2016 revenues remained consistent due mainly to several mild winters and lack of predicted automotive sales.

Offers invited