Solon. CORPORATE FINANCE · DEBT ADVISORY

SPECIMEN CREDIT MEMORANDUM · FICTIONAL BORROWER · FORMAT DEMONSTRATION

Northstar Components Ltd

£10.5m senior secured refinancing and growth facility · 7 Jul 2026 · **Illustrative specimen · fictional borrower**

> **Credit view.** Proceed to lender soft-soundings. Base case: 2.0x opening leverage, 5.8x FY1 interest cover, positive monthly liquidity headroom.

EXECUTIVE SUMMARY

- Northstar Components is a Greater Manchester manufacturer of precision-engineered components for industrial automation: the machined and assembled parts that OEMs design into their automation equipment (founder-owned; professional finance director appointed 2018).
- Purpose: refinance incumbent bank debt, fund automation capex, and put a committed undrawn revolving facility in place for working-capital seasonality.
- Requested: £10.5m committed, comprising a £9.8m senior term loan drawn at close + £0.7m undrawn RCF, 5-year tenor.
- Key metrics: PF net leverage 2.0x, FY1 interest cover 5.8x, minimum monthly liquidity headroom £1.0m.

SOURCES & USES

USES	
Refinance existing debt	£7.8m
Automation capex	£1.6m
Fees and expenses	£0.4m
Total uses	**£9.8m**

SOURCES	
Senior term loan (drawn at close)	£9.8m
Total sources	**£9.8m**

Source: management information; forecast per the Solon debt model.

CREDIT METRICS

METRIC	LTM	FY2026E	FY2027E	FY2028E
Revenue	£36.4m	£38.4m	£40.3m	£42.1m
Adjusted EBITDA	£5.7m	£6.3m	£6.8m	£7.2m
Net leverage	1.6x	1.4x	0.8x	0.3x
Interest cover	n/a	5.8x	7.2x	9.3x
DSCR proxy	n/a	2.0x	2.4x	2.8x

Source: management information; forecast per the Solon debt model. LTM net leverage shown on a current basis; pro forma opening leverage is 2.0x.

ADJUSTED EBITDA BRIDGE (£'000)

COMPONENT	£'000
LTM reported EBITDA	5,100
+ Owner remuneration normalisation	200
+ One-off refinancing and legal fees	150
+ Automation installation disruption	250
Total add-backs	600
Adjusted EBITDA (£5.7m)	**5,700**

Source: management information; forecast per the Solon debt model.

COVENANT HEADROOM

TEST	FY2026E	FY2027E	FY2028E
Net leverage (actual)	1.4x	0.8x	0.3x
Net leverage (threshold)	2.75x	2.5x	2.25x
Interest cover (actual)	5.8x	7.2x	9.3x
Interest cover (threshold)	2.5x	2.75x	3.0x
Min liquidity (floor)	£250k	£250k	£250k
Min liquidity headroom	£1.0m	£3.4m	£4.9m

Source: management information; forecast per the Solon debt model.

SCENARIOS

SCENARIO	REV STRESS	EBITDA STRESS	FY1 LEVERAGE	MIN LIQ. HEADROOM
Base	0.0%	0.0%	1.38x	£1.0m
Downside	(10.0%)	(18.0%)	1.84x	£0.8m
Severe downside	(24.0%)	(43.0%)	2.98x	(£0.7m)
Management Upside	5.0%	8.0%	1.22x	£1.1m

Source: management information; forecast per the Solon debt model. Each scenario is a full re-forecast: stressed EBITDA flows through the FY1 cash walk, so net debt moves with the scenario. The severe-downside case is a deliberate over-stress in which the intra-year liquidity trough breaches through the RCF mid-year, ahead of the year-end leverage covenant, which also breaches at 2.98x against 2.75x.

RISKS & MITIGANTS

- **Customer concentration.** Top-five customers account for 58% of revenue. **Mitigant:** multi-year frameworks and qualification lead times reduce churn risk. *Source: customer revenue analysis and qualification register (data room).*
- **Input-cost pressure.** Metals and energy costs can move quickly. **Mitigant:** price-reset mechanisms exist on key accounts. *Source: framework contract terms and gross-margin bridge (data room).*
- **Capex execution.** Automation programme must land on time. **Mitigant:** capex is modular and can be phased if volumes weaken. *Source: capex programme schedule and supplier quotations (board pack).*