INFORMATION MEMORANDUM

Northstar Components Ltd

£10.5m senior secured refinancing and growth facility

Company: Northstar Components Ltd (trading as Northstar Components), company number 09999999

Facilities requested: £9.8m senior term loan and £0.7m committed revolving credit facility, 5 yrs tenor

Prepared by: Solon Corporate Finance, financial adviser to the Company

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Distribution: Format demonstration: built on a fictional borrower; not a live mandate.

Basis: Illustrative specimen: not a live mandate

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Contents

1. 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. A component is engineered into the customer's platform and validated over a c.15-month qualification cycle, after which the OEM reorders the qualified part for the platform's production life; reorders of previously qualified parts account for 85% of LTM revenue (FY2025), so revenue recurs and pricing holds. LTM revenue is £36.4m (FY2025), up from £32.1m in FY2023A at a 15.7% adjusted-EBITDA margin, forecast toward 17.0% by FY2028E as the automation programme lands.

The Company is seeking committed facilities of £10.5m over 5 yrs, comprising a £9.8m senior term loan and a £0.7m revolving credit facility, to refinance bank debt, fund automation capex and add a committed undrawn RCF for working-capital seasonality.

- Revenue of £36.4m and adjusted EBITDA of £5.7m (15.7% margin) on a last-twelve-months basis (LTM FY2025).
- Pro forma opening net leverage of 2.0x on the requested facilities.
- First-year interest cover of 5.8x and a debt-service cover proxy of 2.0x in the base case.
- Own-cash liquidity headroom of £0.3m over the covenant floor in the first forecast year, before any draw on the committed RCF (£1.0m including the undrawn revolving facility).

Components qualified into OEM platforms convert into repeat, multi-year demand. Northstar's parts are designed into customer equipment and validated over a c.15-month qualification cycle, then reordered for the platform's production life. Reorders are 85% of LTM revenue across c.40 OEM customers.

The qualification barrier both wins the customer and defends the margin. Requalifying a competing part costs the OEM a c.15-month programme, so pricing holds: gross margin rose from 38.6% (FY2023A) to 40.9% (LTM FY2025), adjusted-EBITDA margin 15.7%, forecast toward 17.0% by FY2028E.

The business is structurally cash-generative after capex. The model converts adjusted EBITDA to free cash flow at 54.4% on an LTM basis (FY2025) after £1.0m maintenance capex, and that cash funds scheduled amortisation and the 50% cash sweep.

Framework call-offs from the qualified base carry the growth forecast. Framework call-offs from the qualified base underwrite the plan: the forecast rests on a 4.5-month order book, 12 months of visibility and a 1.06 book-to-bill, and the top-five OEMs have reordered for 11 years. That pipeline carried a 6.5% revenue CAGR to £36.4m LTM (FY2025).

Proceeds refinance bank debt and fund phaseable productivity capex. Proceeds refinance £7.8m of existing bank debt and fund a £1.6m phaseable productivity-capex programme; opening net leverage is 2.0x, inside the 2.75x covenant. The automation tranche is contracted cell by cell.

The structure opens conservatively inside its covenant package. Pro-forma net leverage opens at 2.02x against a 2.75x covenant, with 5.8x FY1 interest cover and 2.0x debt-service cover. The £10.5m facility is a £9.8m term loan and £0.7m undrawn RCF, alongside £0.8m retained senior.

2. The Financing Request

2.1 Transaction summary

Item	Detail
Borrower	Northstar Components Ltd
Transaction	Senior secured refinancing and growth facility
Purpose	Refinance bank debt, automation capex, committed RCF.
Existing facilities	The incumbent facilities approach maturity and a committed five-year structure is being put in place.
Facilities requested	£10.5m committed: £9.8m term loan, £0.7m revolving credit facility
Tenor	5 yrs
Targeted completion	30 Sep 2026

2.2 Sources and uses

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

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

The term loan is drawn at completion to fund the uses; the revolving facility is undrawn at completion and is sized to the working-capital cycle.

2.3 Indicative timetable

Week	Milestone
Week 1	Access agreed
Week 2	IM and data-room release
Week 5	Management meetings
Week 7	Indicative term sheets due
Week 9	Final terms and lender selection
Week 11	Credit approval

Week	Milestone
Week 12	Documentation and CPs
Week 14	Completion and drawdown

3. Business Overview

3.1 The group

Northstar Components is founder-owned. Andrew Beckwith has held the controlling equity since inception, with a small option pool for senior managers, and a professional finance director was appointed in 2018 to build the monthly reporting and controls that a leveraged structure requires. An independent non-executive chair joined the board in 2021. The leadership team covers operations, engineering and quality, and commercial, each reporting directly to the managing director. Key-person risk is mitigated by a documented deputy in operations and by holding the qualification know-how across the engineering team rather than in any single individual.

3.2 Operations

Manufacturing and assembly run from the Greater Manchester site across engineering, machining and assembly, at 78% capacity utilisation and c.2,050 units a year, with 90% equipment availability and 98.5% first-pass quality.

3.3 Customers

The base is c.40 OEM automation manufacturers who design Northstar's parts into their platforms. Top-five customers are 58% of revenue at 11 years' average tenure, and a qualified-in part is displaced only after a fresh qualification programme.

3.4 Recent trading

Revenue rose £4.3m, or 13.4%, to £36.4m LTM (FY2025) from £32.1m in FY2023A; gross profit tracked to £14.9m at a 40.9% gross margin, up from 38.6%. The 15.7% adjusted-EBITDA margin is forecast toward 17.0% by FY2028E; FCF conversion is 54.4% after maintenance capex.

3.5 Key performance indicators

Indicator	Value
Adjusted EBITDA margin (LTM)	15.7% (FY2025), forecast 17.0% by FY2028E
Free-cash-flow conversion (LTM)	54.4% after maintenance capex
Reorder share of revenue	85% from previously qualified parts
Order-book cover	4.5 months firm; 12 months framework call-off visibility
Qualification cycle	c.15 months from design-in to first production order

4. Market

4.1 Market definition

The business supplies precision-engineered components that OEM automation manufacturers design into their platforms, serving UK and European industrial automation demand.

4.2 Structure and competitive dynamics

The market is specialised: the durable competitive position comes from being designed into an OEM's platform, where switching a component means a c.15-month requalification and often a platform redesign. A small supplier base, high entry costs and long validation lead times concentrate volume on incumbent suppliers.

4.3 Demand drivers

1. Reshoring of manufacturing. Bringing production back to UK and European sites raises demand for the automation these parts go into.

2. Labour scarcity driving automation. Persistent skilled-labour shortages push manufacturers to automate, structurally supporting component demand.

3. Sustained factory-productivity investment. Ongoing productivity capex across industry underwrites a durable, non-cyclical demand base for automation components.

4. Designed-in OEM stickiness. Once a part is specified into a platform, it recurs across that platform's production life, turning a design win into a multi-year revenue stream.

4.4 Market size and demand visibility

- 4.66m industrial robots in operation worldwide (2024); demand doubled in a decade (source 1).
- 28,831 UK industrial-robot installed base, +9% YoY (source 2).
- ~$50bn European industrial-automation market (2024), growing ~8.5% a year (source 3).

Demand for precision automation components is structurally supported by the reshoring of manufacturing, labour scarcity and sustained factory-productivity investment across UK and European industry. The European industrial-automation market was c.$50bn in 2024, growing at c.8.5% a year, and the UK industrial-robot installed base of 28,831 units grew 9% year on year.

4.5 The Company's position

The parts are designed into OEM customers' platforms, so the top-five relationships (58% of revenue, 11 years' average tenure) are the stickiest in the book: displacing a designed-in component requires a c.15-month requalification and often a platform redesign. The engineering team carries the design and qualification capability that keeps parts specified in across each platform's production life.

4.6 Demand resilience

85% of revenue recurs as qualified-part reorders, and demand tracks a secular automation and reshoring trend, the UK robot installed base up 9% year on year. The credit rests on design wins in production, not market growth.

5. Historical Financial Performance

The tables in this section are drawn from the Company's statutory accounts and management information as spread in the financial model accompanying this Memorandum.

5.1 Trading record

Metric	FY2023A	FY2024A	LTM FY2025
Revenue	£32.1m	£34.8m	£36.4m
Revenue growth	n/a	8.4%	4.6%
Gross profit	£12.4m	£13.8m	£14.9m
Gross margin	38.6%	39.7%	40.9%
Reported EBITDA	£4.4m	£4.8m	£5.1m
EBITDA margin	13.7%	13.8%	14.0%
Cash	£0.6m	£0.7m	£0.8m
Net debt	£9.9m	£9.3m	£9.0m

5.2 Adjusted EBITDA

Item	Amount (£'000)	Basis
Reported EBITDA (LTM FY2025)	5,100	Statutory accounts and management information
Owner remuneration normalisation	200	Salary benchmarking memo and payroll
One-off refinancing and legal fees	150	Invoice support
Automation installation disruption	250	Board pack and supplier invoices
Total adjustments	**600**	
Adjusted EBITDA	**5,700**	**Basis for the leverage metrics in this Memorandum**

6. Financial Forecasts

The forecasts summarised in this section are management's base case, set out in full in the three-statement financial model accompanying this Memorandum. Assumptions, monthly phasing and downside cases are contained in the model.

6.1 Base case

Metric	Latest year	FY2026E	FY2027E	FY2028E
Revenue	£36.4m	£38.4m	£40.3m	£42.1m
Adjusted EBITDA	£5.7m	£6.3m	£6.8m	£7.2m
Adjusted EBITDA margin	15.7%	16.5%	16.8%	17.0%
Free cash flow before debt service		£2.8m	£3.2m	£3.6m
Closing net debt	£9.0m	£8.7m	£5.5m	£1.9m
Net leverage	1.6x	1.4x	0.8x	0.3x
Interest cover		5.8x	7.2x	9.3x
Debt-service cover proxy		2.0x	2.4x	2.8x

The LTM current net leverage of 1.6x is the pre-transaction position; pro forma opening net leverage on the requested facilities is 2.0x.

6.2 Liquidity

Monthly liquidity is modelled through the first forecast year. Own-cash liquidity headroom over the £250k covenant floor, before any draw on the committed revolving facility, is £0.3m; including the undrawn revolving facility it is £1.0m.

Month	Closing cash	RCF drawn	Liquidity headroom
Month 1	572	0	1,022
Month 2	864	0	1,314
Month 3	947	0	1,397
Month 4	1,301	0	1,751
Month 5	1,676	0	2,126
Month 6	1,130	0	1,580
Month 7	1,597	0	2,047
Month 8	2,130	0	2,580
Month 9	2,419	0	2,869
Month 10	2,956	0	3,406
Month 11	3,462	0	3,912
Month 12	1,540	0	1,990

£'000. Liquidity headroom is closing cash plus the undrawn revolving facility over the £250k covenant floor; the first-year test is on the lowest month-end position.

6.3 Scenario analysis

Scenario	Revenue stress	EBITDA stress	Year-1 EBITDA	Year-1 leverage	Minimum monthly liquidity headroom (£'000)
Base	0.0%	0.0%	£6.3m	1.38x	1,022
Downside	(10.0%)	(18.0%)	£5.2m	1.84x	849
Severe downside	(24.0%)	(43.0%)	£3.6m	2.98x	(735)

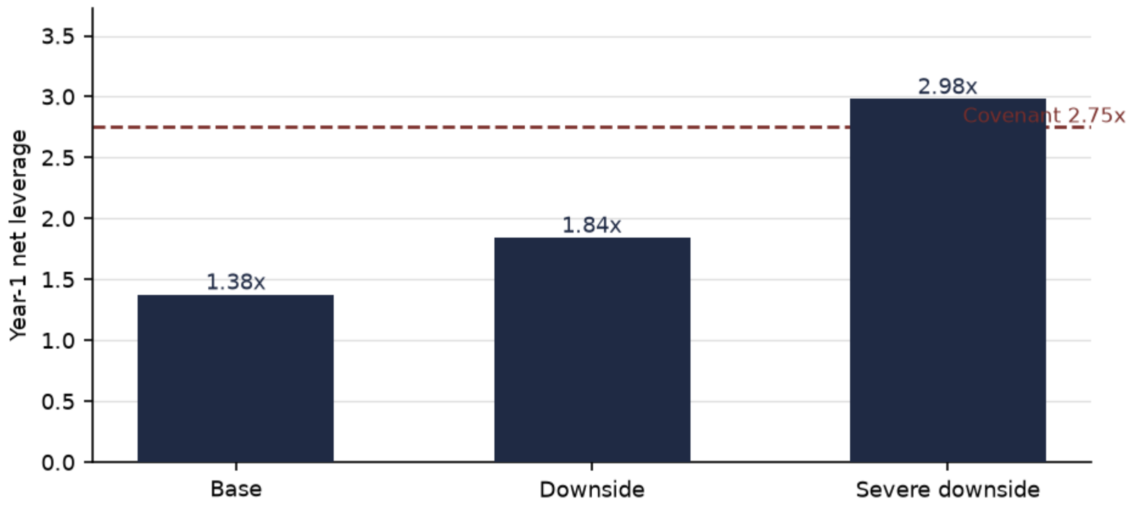

Figure 1: year-1 net leverage by scenario against the proposed covenant level.

7. Proposed Facilities, Security and Covenants

7.1 Facilities

Facility	Type	Amount	Terms requested
Facility A	Senior term loan	£9.8m	Drawn at completion; scheduled amortisation per the model over 5 yrs
Facility B	Revolving credit facility	£0.7m	Committed, undrawn at completion; working-capital purposes
Total		**£10.5m**	

Pricing, fees and full terms are for discussion in each lender's term sheet.

7.2 Security

Item	Detail
Ranking	Senior secured, first-ranking
Instrument	Debenture (fixed and floating charge) over the whole of the obligor group
Obligor group	Northstar Components Ltd as the sole borrowing obligor
Guarantees	Debenture over the Borrower as the sole obligor; any entity that becomes a material subsidiary accedes as a guarantor
Asset cover	Going-concern enterprise value of £22.8m against pro forma gross debt of £11.8m: 1.9x gross cover

7.3 Financial covenants proposed

Covenant	FY2026E	FY2027E	FY2028E
Net leverage: covenant level	2.75x	2.5x	2.25x
Net leverage: base case	1.4x	0.8x	0.3x
Interest cover: covenant level	2.5x	2.75x	3.0x
Interest cover: base case	5.8x	7.2x	9.3x
Minimum liquidity headroom to covenant (£'000)	1,022	3,389	4,943

Covenant levels are the Company's proposal for discussion. Liquidity headroom is cash above the covenant floor including the undrawn revolving facility; year 1 is tested on the lowest month-end position, year-end thereafter.

8. Management and Ownership

Founder-owned; professional finance director appointed 2018.

Name	Role	Since	Background	Source
Andrew Beckwith	Managing Director	1999	Founder and controlling shareholder. 22 years in precision manufacturing, holding the business since inception.	Companies House
Sarah Whitfield	Finance Director	2018	Professional FD, appointed 2018. Built the monthly reporting and controls a leveraged structure requires.	Companies House
Michael Ackland	Operations Director	2015	Runs manufacturing and assembly. 18 years in precision engineering, across the Greater Manchester site.	Company information
Priya Nair	Technical Director	·	Owns design-in and qualification. Holds the 98.5% first-pass record and keeps parts specified into OEM platforms.	Company information
Daniel Okoro	Commercial Director	2013	Manages the top-five OEM relationships. 12 years in industrial automation, owning the framework call-off book.	Company information
Helen Prescott	Non-Executive Chair	2021	Independent non-executive chair. Added governance to the board ahead of a committed leveraged structure.	Companies House

The organisation is structured across Operations (led by Michael Ackland, ~150 people), Engineering and Quality (led by Priya Nair, ~45 people), Commercial (led by Daniel Okoro, ~20 people), and Finance and Administration (led by Sarah Whitfield, ~15 people). Total headcount is approximately 230.

9. Risk Factors

Prospective lenders should consider the following risk factors, together with the rest of this Memorandum and their own investigation of the Company, before providing facilities. The list does not purport to be exhaustive.

9.1 Revenue concentration. Top-five customers account for 58% of revenue.

Top-five customers are 58% of revenue at 11 years' tenure; 85% of LTM revenue (FY2025) is qualified reorders.

Mitigation. Multi-year frameworks and qualification lead times reduce churn risk.

9.2 Input-cost pressure. Metals and energy costs can move quickly.

Price-reset clauses cover 70% of key-account revenue; gross margin rose 38.6% (FY2023A) to 40.9% (LTM FY2025).

Mitigation. Price-reset mechanisms exist on key accounts.

9.3 Capex execution. Automation programme must land on time.

The £1.6m automation tranche is contracted cell by cell, each at c.42% incremental margin, c.28-month payback.

Mitigation. Capex is modular and can be phased if volumes weaken.

10. Basis of Preparation and Information Sources

Historical financial information is drawn from the Company's statutory accounts and management information. Forecast information is management's base case, set out in full in the three-statement financial model that accompanies this Memorandum; every financial figure in this Memorandum is produced by that model from a single input set.

Market figures are attributed to the following numbered public sources:

1. International Federation of Robotics (IFR), World Robotics 2025

2. IFR, World Robotics, UK data (2024)

3. Market Data Forecast, Europe Industrial Automation Market (2024)

4. Automate UK (PPMA / BARA), industry association

Accompanying materials	Format
Three-statement financial model (base and downside cases)	Excel workbook
Data room, indexed by folder with document-level permissions	Virtual data room

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