

## PROJECT GORDON

An exciting opportunity to acquire a Global leading rental provider of Filming Equipment for TV, High end drama and Feature film production together with world leading lens rehousing and servicing specialists

### Opportunity

- We are pleased to invite offers for the Group as a whole, or alternatively either the rental business or the lens rehousing and servicing business
- Indicative offers and proof of funds to be provided on or before 5pm on 5 August 2020
- COVID-19 has impacted the Group, particularly the rentals business which is starting to recover, and the lens servicing business returned to budgeted levels from June 2020.
- Opportunity to create an exciting and profitable group based on rationalisation of the customer base and staffing levels, restructuring of significant HP liabilities and merger of existing premises with strong projected gross margins

### Highlights

- Equipment independently valued in-situ (pre-COVID) with a significant uplift on net book values
- International leased offices through UK and USA
- 30+ year track record for quality
- Involved in award winning TV and film productions
- Work also extends to biggest SVOD's, broadcasters, event organisers and music productions globally
- 180 talented crew and technicians and other office and warehouse/driving staff, plus senior management
- Two distinct trading activities within one group:
  - Rentals business, consisting of three subsidiaries (page 2) and Lens business (page 3)

#### Consolidated profit and loss

£'000	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
	Actual	Actual	Actual	Forecast	Budget	Budget	Budget	Budget
Turnover	15,914	15,490	17,126	11,116	16,237	19,420	20,470	21,572
Gross margin	12,325	12,128	12,666	9,067	13,802	16,506	17,369	18,273
	77%	78%	74%	82%	85%	85%	85%	85%
Salaries	6,865	6,838	7,324	4,812	6,099	6,319	6,436	6,557
Overheads	2,586	2,298	2,487	2,496	2,099	2,104	2,104	2,104
EBITDA	2,874	2,992	2,855	1,759	5,605	8,084	8,828	9,612
	18%	19%	17%	16%	35%	42%	43%	45%

#### Consolidated balance sheet

£'000	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Fixed assets	9,966	8,431	7,887	8,375	7,409	6,619	6,293	6,496
Current assets								
Debtors	1,771	2,250	1,531	1,942	2,037	2,439	2,567	2,701
Cash	1,105	762	1,089	576	2,986	8,458	15,066	22,791
Other assets	1,377	1,276	1,306	1,199	1,199	1,199	1,198	1,198
Total current assets	4,253	4,288	3,926	3,717	6,222	12,096	18,831	26,691
Total assets	14,219	12,719	11,813	12,092	13,631	18,715	25,124	33,187

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### Rentals Business

Consisting of three main subsidiaries

#### Subsidiary 1

Forecast trading performance: Subsidiary 1								
£'000	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Turnover	8,975	8,687	9,667	5,066	8,001	9,601	10,136	10,696
Gross margin	6,672	6,579	6,953	4,010	6,662	7,994	8,419	8,864
	65%	66%	63%	79%	83%	83%	83%	83%
Salaries	4,486	4,428	4,743	2,827	3,498	3,571	3,644	3,719
Overheads	1,427	1,280	1,470	1,452	1,474	1,474	1,474	1,474
EBITDA	759	871	740	(268)	1,690	2,949	3,301	3,671
	7%	9%	7%	(5%)	21%	31%	39%	34%

#### Subsidiary 2

Forecast trading performance: Subsidiary 2								
£'000	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Turnover	3,634	3,126	3,121	1,903	2,721	3,265	3,447	3,658
Gross margin	2,955	2,554	2,205	1,298	2,176	2,612	2,747	2,890
	81%	82%	71%	68%	80%	80%	80%	79%
Salaries	1,302	1,335	1,324	773	1,060	1,078	1,097	1,116
Overheads	500	515	508	475	96	96	96	96
EBITDA	1,153	704	373	50	1,020	1,437	1,554	1,678
	32%	23%	12%	3%	37%	44%	45%	46%

#### Subsidiary 3

Forecast trading performance: Subsidiary 3 (USA)								
£'000	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Turnover	1,064	1,166	1,281	982	1,256	1,507	1,588	1,672
Gross margin	778	801	839	951	1,243	1,491	1,571	1,655
	73%	69%	65%	97%	99%	99%	99%	99%
Salaries	345	299	423	439	440	446	453	460
Overheads	221	67	227	228	230	230	230	230
EBITDA	212	435	189	284	573	815	887	964
	20%	37%	15%	29%	46%	54%	56%	58%

#### Key features

- These results are for the rentals business only (refer over for the lens business)
- Material sales and margin growth deliverable through restructuring, including balance sheet with substantial HP and loan note liabilities
- There will be significant upside to these results in combining Subsidiary 1 and 2 into one single trading entity

#### Key assumptions

- The projections, although shown on a standalone basis, per subsidiary, each incorporate assumptions as follows:
  - A sales profiling exercise is set to reduce customers (across the rentals subsidiary businesses) from 2,224 (2019) to 1,225 (2021), to mitigate against the costs of dealing with high-volume, low-value customers; improving margins
  - Further margin improvements, as well as salary and overhead savings are projected to account for a merger of Subsidiary 1 and Subsidiary 2 in the UK
  - A credible and progressive recovery from COVID-19 through to the end of 2020
  - Salary savings are expected because of the merger, but also because of cost cutting action by management in July 2020, to protect/stabilise profitability and cash following COVID-19, and during this process. Annualised staff savings are estimated to be circa £1.4m pa
  - Further overhead savings of c.£0.4m are to be delivered

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## Lens Business

Stand-alone subsidiary with limited central support – Finance, HR and IT

## Historic and forecast trading performance: Lens

£'000	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Turnover	2,241	2,512	3,051	3,217	4,259	5,047	5,300	5,566
Gross margin	1,920	2,194	2,669	2,808	3,720	4,408	4,632	4,865
	86%	87%	87%	87%	87%	87%	87%	87%
Salaries	732	777	835	773	1,101	1,224	1,242	1,261
Overheads	117	136	131	141	145	150	150	150
EBITDA	1,071	1,282	1,703	1,894	2,473	3,034	3,240	3,454
	48%	54%	56%	53%	58%	60%	61%	62%

## Key features

- A UK-based lens manufacture, rehousing and servicing business, that is highly cash generative due to the low direct cost and asset base; operating from one site
- Pre-COVID sales revenue levels returned in June 2020
- Historically, the cash generative lens business has financially supported the rentals businesses, which has been burdened with servicing significant HP commitments in order to build and maintain its asset pool and fund acquisitions
- Strong international presence with 60% non-UK sales, across 60 countries
- 20% EBITDA CAGR FY17-20
- 98% average operating cash conversion
- Database of 1,000+ customers
- We anticipate buyers will consider no restructuring is required for this business
- **Historics and projections are shown as a stand-alone entity: gross of any central recharges in the group**

## For Further Information

Further information is available upon completion of a Non-Disclosure Agreement (NDA), which will permit access to an online data room. Enquires should be directed in the first instance (quoting Project Gordon) to:

Surveyor: Kevin McAndrew

Email: [kevin.mcandrew@eddisons.com](mailto:kevin.mcandrew@eddisons.com)

**Indicative offers accompanied with proof of funding are invited by 5pm 5<sup>th</sup> August 2020**

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