Polestar

Manufacturing & Distribution

2023/2024 Sector Review/Outlook

2023/2024 UK Macro Outlook

The UK economy outperformed expectations in 2023. That bellwether of how middle England feels, house prices, were forecast to drop by 8%. In reality, they dropped by 1.8%. Whilst GDP was forecast to drop 1%, it looks like it may have grown by a mighty 0.5%. If we delve a little deeper that growth came in the first half of the year; Q3 showed a 0.1% fall followed by a 0.3% fall in Q4. Following this weakness, the Bank of England is projecting GDP to gradually pick back up, as shown in the forecast summary table from the BoE's February report.

The fall in energy prices, coupled with the dramatic rise in the cost of borrowing, pulled down headline inflation to 4.0% in December 2023 from its 11.1% peak in October 2022. This is still the highest of the G7, which many economists attribute to frictions in the movement of people and trade and replicates the situation that prevailed before the advent of the European single market, which the older amongst us will recall as a period when we had higher inflation and interest rates than Germany and pressure on the pound.

With the sharpest rate tightening cycle since the 1980s concluded, the question has now moved to: "when will the rates start to drop?" Whilst many commentators are pressing that to be sooner rather than later, central banks around the world having been caught out by inflation's surge, are signalling a more cautious approach. UK core inflation was still 5.1% at the end of 2023, due to the effects of the tight labour market, strong services price inflation and the need for firms to pass higher costs onto consumers. Although, the genie of inflation appears to be finally contained, many are concerned it could jump straight back out the bottle – the US grew by a staggering 3.3% in Q4 23.

Whilst UK performance has hardly been stellar, 2023 thankfully has left us all in about the same place as when we started the year which, when you consider the strong headwinds, is cause for a minor celebration. However, the UK's outlook remains weak and vulnerable to shocks: headwinds remain; the >30% corporation tax increase which will strip c.£20 billion p.a. of cash from companies and their shareholders; the cost of borrowing remains high; and we still do not have enough workers to meet the needs of the economy.

The effects of these factors continue to stall economic recovery as consumers and businesses have limited confidence or spending power and are faced with more volatile markets and hostile borrowing conditions, some of which are still to flow though. Around 1.5 million fixed-rate mortgages are set to expire in 2024 which will result in higher mortgage payments for these UK households, further depressing real household incomes with a consequent effect on economic growth. Little wonder the OECD is forecast a low, 7% growth for 2024.

Source: https://commonslibrary.parliament.uk/research-briefings/sn02802/#:~:text=The%20MPC's%20cycle%20of%20rate,reaching%202.8%25%20in%20Q1%202025.,

It is not surprising that many commentators are suggesting inflation could undershoot the target of 2% and are pressing for monetary and fiscal easing; the long-term doves at Capital Economics forecast base rates of 3% by the end of 2025. The Bank of England now expects inflation to fall to its 2.0% target briefly in Q2 2024 before rising again and reaching 2.8% by Q1 2025; it has warned that a reduction in rate is not an automatic consequence of hitting the 2% target and the MPC now predicts it is unlikely to trigger any significant cuts before 2025, when GDP growth is expected to rise to 1.8%.

So, what does 2024 look like? Pretty much the same as 2023 – an uncertain world grappling with increased nationalism, unpleasant headlines and the push-me-pull-you of inflation caused by scarce resources vs. interest rates.

BoE Forecast Summary Table

Shown in (%)	2024 Q1	2025 Q1	2026 Q1	2027 Q1
GDP	0.0 (0.2)	0.5 (0.0)	0.8 (0.6)	1.5
Modal CPI inflation	3.6 (4.4)	2.8 (2.5)	2.3 (1.9)	1.9
Mean CPI inflation	3.7 (4.4)	3.0 (2.8)	2.3 (2.2)	1.9
Unemployment rate	4.4 (4.4)	4.7 (4.8)	4.9 (5.0)	4.9
**Excess supply/Excess demand	-0.25 (-0.25)	-0.5 (-1)	-1 (-1.5)	-0.75
Bank Rate	5.1 (5.3)	3.9 (5.0)	3.3 (4.4)	3.2

**Figures in parentheses show the corresponding projections in the November 2023 Monetary Policy Report*
*** Per cent of potential GDP. A negative figure implies output is below potential and a positive that it is above.*

Global 2024 Trends

One of the key issues facing developed economies is a shortage of workers and, for many, AI appears to be the solution; as was the case with industrialisation in the 18th and 19th centuries in the UK, when the country was forced to innovate to offset its comparatively small and expensive workforce. The answer then was using the cheap energy that came from its abundant supplies of coal, exploited by new industrial machines to increase efficiencies exponentially. With the cost of technology now being so cheap and cost of labour so high, little wonder there is so much excitement.

AI - A Minefield?

AI was the buzzword throughout 2023 with the launch of Open AI's ChatGPT in November 2022, attracting huge attention. AI development is accelerating exponentially and will doubtlessly increase its influence on business operations during 2024. However, it is also a widely adopted acronym, not always merited – Not everything badged GTI was great to drive!

Generative AI ("GenAI"), a little-known term before Chat GPT's stratospheric launch, is distinct from what we traditionally thought of as "AI". "Traditional" AI analyses large datasets and tells you what it sees whilst GenAI carries out the same process and then goes on to create entirely new data, often in response to a simple question. GenAI certainly appears to be the "real McCoy" however it is raising a number of serious issues ranging from the fear it will ultimately bring an end to civilisation to who owns its output. Some regulations concerning its development, how it can be trained, and how it can be acquired are already in place but are not yet tried and tested, many leading lights are calling for a moratorium on its development to enable regulation to catch up. Lawsuits have content owners such as the New York Times suing OpenAI and Microsoft over the use of its content to train generative artificial intelligence and large-language model systems, a move that could see the company receive billions of dollars in damages. Until this issue is resolved the questions of copyright infringement and who owns what IP remain largely unanswered. This does not put investors at ease and undoubtedly complicates how businesses incorporating GenAI can be valued.

Whilst it is clear that huge strides will be taken in relatively short time frames, those concerns over IP ownership and worries that new models or applications will surpass existing models makes the assessment and timing of adoption of GenAI solutions highly risky, especially for those in the lower mid-market. Why invest in your own solutions when ultimately there is risk of being leap-frogged by a far cheaper solution?

Consequently, we expect to see a developing picture of mixed adoption, as those with sufficient resources to invest, and/or those which have access to suitable data, aim to get first mover advantage whilst others wait and see. Those that press on will typically be larger businesses, cash rich or backed by large PE firms, who can leverage across an extended portfolio or specialist, younger, firms operating in niches which can rapidly own a market. The opportunities for those younger, agile businesses to take risk and steal a march by early adoption will be too enticing for owners and investors. As ever there will be winners and losers, but doubtlessly new megaliths will appear. That said, here in the UK there is far more caution around venture funding for early stage/start-ups seeking to beat the incumbent leaders.

Doing nothing can be as risky - businesses stuck in the middle could be rapidly surpassed by substitute solutions or suffer a slow decline. Judging when and how much to invest will need skill and some luck. Some early adopters will surely steal a march, even if they subsequently get consolidated or switch technology; others will face considerable uncertainty and failure.

Internet of Things

The 'internet of things' ("IoT") , whilst separate from AI, will enable AI solutions to develop. Put simply, IoT is a collective network of connected devices and the technology that facilitates communication between them and the cloud. This helps automate systems as well as gather large quantities of data from all areas of the network. This data can then be used by GenAI to deliver quality data, solutions and services to businesses and consumers for little cost – this may prove to be one of its primary sources of value as the technology develops. Currently, the data used to train GenAI models may be a better commodity to invest in than the AI itself. This will become even more valuable as AI-generated content continues to proliferate online; GenAI models trained on online content will eventually start using AI-generated content as its training data, leading to what Cornell University researchers have called 'model collapse' where GenAI models enter a kind of echo chamber, only able to parrot the same data as each other.

For SMEs facing relatively restricted resources from which to allocate, laying the groundwork in the business for later adoption can include addressing weaknesses and thinking through automation across infrastructure, IT service management, and cybersecurity, amongst others. Preparing for the leap that will arrive is likely a more certain investment in the short term.

Global 2024 Trends

Systemic & Geo-economic Risks Coupled with Restrictive Interest Rates

2024 will see the biggest year for elections in history, with four billion people due to vote in national elections. With this comes the potential for huge geo-economic risks due to potential re-alignments of foreign and economic policy if countries vote for the wave of nationalistic leaders gaining prominence around the world.

The Financial Stability Board (FSB), a Swiss international body set up by the G20, is concerned that almost half of global assets ($239.3trillion) are now located within the shadow banking system, up from $60 trillion since 2010; one of the drivers of the growth has been the desire to escape banking regulation and capital requirements. Through the use of structured finance vehicles and financial holding companies, firms can increase their leverage, which increases not only their expected returns but also their exposure to aggregate risks; the 2008 financial crisis was triggered by panic in the shadow banking system which flooded over into the regulated sector. The subsequent increased regulation of the banks has, on the face of it, protected government and consumer's, but the increased costs of doing business as a bank has driven many of those with capital to seek greater returns, hence the shadow banking system's four-fold increase.

Shadow banking does, however, remain closely interconnected with the banks so, if we see another failure, then the 2008 crash could be repeated. Of particular concern is that much of the long-term lending is supported by short-term funding, so panic could spread rapidly if there is capital flight (as indeed Silicon Valley Bank experienced in microcosm in March 2023) which could pull the world into recession. One current example of this is the level of debt secured against property in China, where 40% of the country's loans are tied up in shadow banking activities; the country's largest property developer, Evergrande, was recently ordered to liquidate with more than $300bn in liabilities.

2023 saw the developed world facing low consumer confidence and an unpredictable investment environment due to inflation and interest rates. With the anticipated reduction in global interest rates, confidence is expected to improve throughout 2024, with consumer spending projected to rise world wide. Business leaders are expected to continue to take a cautious view, with many firms holding back financing and capital investment until there is more clarity on the availability of labour, and cost of capital and a reduction in the risk of geo-political shocks.

2024 is expected to see a dynamic shift in tax policies to transform governments grappling with fiscal challenges. Governments will need to strike a delicate balance between securing tax revenues and fostering a competitive business landscape in which firms and individuals feel motivated to increase their efforts and productivity.

Sustainability and Transparency

Despite pressure from the right in the US, Sustainability and Carbon reduction are expected to remain at the forefront of decision-making globally, with increasing pressure on boards from shareholders and regulators to turn pledges into measurable action. Firms increasingly need to integrate sustainability considerations into their core strategies, not only to comply with regulations, but to meet the rising expectations of an increasingly environmentally conscious public.

Investment in carbon reduction is accelerating; 2023 saw investment into renewable energy ($1.1 trillion) exceeding the amount spent on carbon-based energy for the first time. Investments supporting zero-carbon progress are expected to accelerate in 2024 as countries, firms and consumers must make changes to keep the promises made by central governments; key to this is measuring the true carbon usage.

A systemic shift towards transparency is underway, with businesses of every size bracing over greater scrutiny of sustainability practices. The EU's Corporate Sustainability Reporting Directive (CSRD) comes into effect in 2024 for all large or listed businesses with operations in Europe, thereby picking up many US, Chinese and UK firms.

Manufacturing & Distribution Overview

Over 2023 we observed a recovery in the manufacturing sector as it navigated emerging technologies, and benefited from more stable input pricing and supply chains. Additionally those providing solutions for the aerospace and defence industries are seeing order books building as a consequence of increased national defence budgets. We expect to see the sector on a stable but uphill trajectory, despite economic turbulence and workforce shortages.

In the Autumn budget, the Chancellor pledged £4.5 billion to the industry as part of the Government's Advanced Manufacturing Plan. This was to help stabilise the UK manufacturing scene as firms begin to incorporate sustainability initiatives to help with net-zero targets announced by Sunak in September.

Part of this plan is the Department for Business & Trade's Battery Strategy to position the UK at the forefront of advancement in the specialist manufacturing and aerospace & defence spaces. This initiative aims to create a resilient global green-battery supply chain by 2030 as we move away from using fossil fuels.

Key Themes for 2024

2024 will see improved investment within the sector, helping manufacturers grow and shift into more sustainable business practices with an expected CAGR of 3.6% until 2028.

Consumer & Branded assets remain popular, which represented 103 trade deals which was a drop of 2.83% on 2022. There is however plenty of cash available in 2024 as investors are in search of premium assets to add to their portfolios; now is a good time for owners of quality businesses to begin considering funding and exit options.

Polestar has identified the following factors likely to influence the sector this year:

Shifting Workforce

Firms are integrating digital tools to understand the staffing needs at certain stages of the production line, demonstrating key areas of training and development that would increase overall efficiency.

The importance of utilising retiree knowledge within the workforce will grow exponentially; in 2022 almost 1/3 of the manufacturing workforce was over 55. There will be an influx in the development of alumni programs for retired employees and engagement may be maintained to help transfer important knowledge on to the younger workers.

AI and Industry 4.0 will provide the tools required to replace less skilled roles, staff will need to be trained in its use and will provide higher value and productivity for each hour worked. Consequently firms are looking for new ways of creating upskilling opportunities for existing employees, for example, hours could be freed up by automation and digitalisation offering new time for developed training sessions. This will allow companies to train employees in current and future roles without sacrificing the production line.

Sustainability

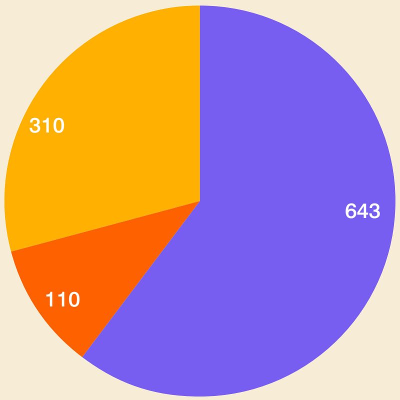
Sustainability continues to be a key value driver as companies feel increased pressure to pursue net-zero initiatives from both consumers and regulators.

Government funds and incentives, partnered with a general drive towards a net-zero future, have led to investment in product electrification and decarbonisation. Manufacturers are implementing a variety of strategies to overcome some of the challenges associated with the transition. The choice to integrate green opportunities into operations will focus on the reduction of waste and fossil fuel usage, along with lower carbon emissions. The efficiency provided by new technology is enabling manufacturers to hit sustainability targets more easily.

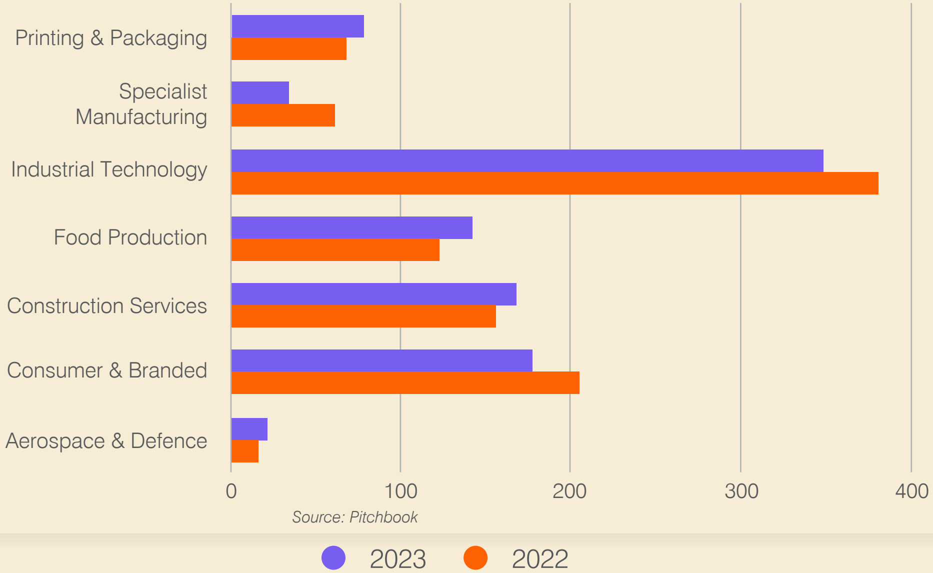
Smart factories will allow for increased visibility around maintenance, with equipment in place that prevents breakdowns or reduced capacity, ensuring a sustained energy management plan. Whilst implementing sustainable practices is difficult for smaller companies who have less cash to hand, they are considered valuable by private equity firms and are favourable to incorporate, especially when preparing to sell.

Manufacturing & Distribution Overview

Spread of deal type activity in 2023



Number of deals per subsector in 2023 vs 2022



Global companies have and continue to invest in smart machines & factories as part of "Industry 4.0". These produce informed data that increases the efficiency of production in the manufacturing process itself, and through the supply chain. To stay competitive smaller regional firms need to invest time in finding accessible technologies such as specialist procurement software and in the Internet of Things ("IoT") which will enable them to keep pace. IoT, for instance, can be used to monitor stock levels in real time which in turn can ensure efficient purchasing. How long will it be until a small defence business in Poole will be able to utilise emerging technologies such as digital twins?

- With a sector CAGR of 3.6% projected until 2028, 2 key challenges are evident:
- Staff Recruitment and retention:
  - Recruitment proved a challenge last year, with many graduates and school-leavers choosing employment in other sectors that are more attractive to the workforce of tomorrow. The UK faced a shortage of 74,000 factory workers which cost the economy around £6.5bn.
  - An example of this is the integration of automated guided vehicles (AGVs) that replace the labour-intensive process of transferring parts to an assembly line via fork-lifts. This allows for workers to be redistributed to skilled-tasks that cannot yet be automated.

Selected Transaction

Jan 2023

headlam group plc acquired **Birch Close Trading Ltd**

Birch Close Trading Ltd is the parent company of Melrose Interiors Ltd, a manufacturer, importer and distributor of rugs and flooring products. Melrose is the largest independent supplier to the UK online rug industry, with operations in third-party logistics, upcycling and recycling. The company specialises in B2B and B2C fulfilment, this looks to provide some attractive synergies to the wider Headlam Group.

Deal size: £4.1m	Revenue Multiple: 0.5x	EBITDA Multiple: 29.5x

Manufacturing & Distribution Overview

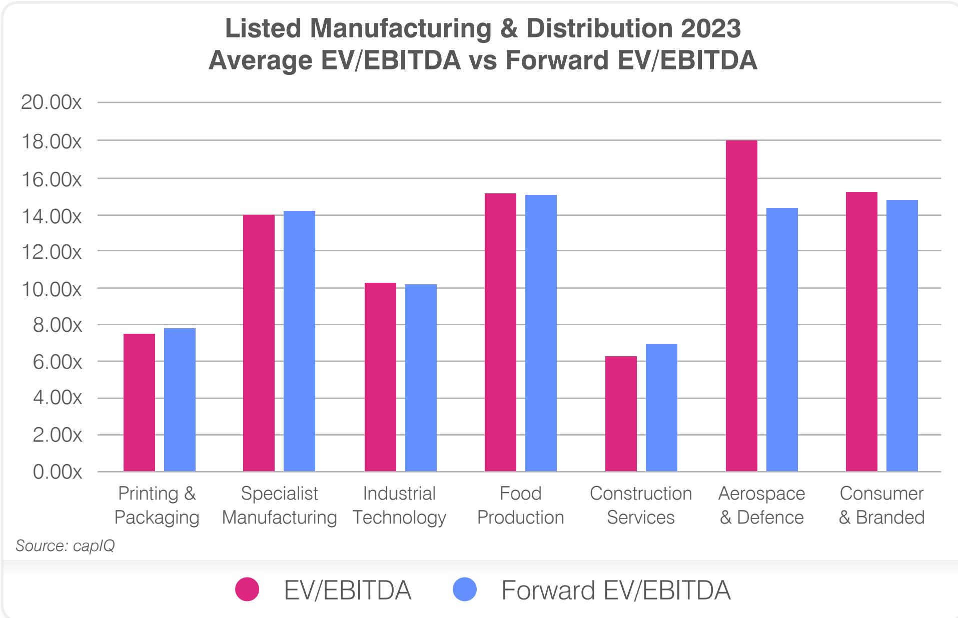
- Geopolitical and Sustainability:
  - We are all very aware of recent supply chains disruptions, be it trade disputes, Brexit, COVID, blockages in the Suez Canal, and now Russia's war in Ukraine. Unsurprisingly, firms are making significant changes to keep up with geopolitical and sustainability demands, key to which is far more onshoring, a demand that can only be met by use of increased automation. Firms that provide this will thrive.
  - Increasing regulation, consumer demand and reporting for sustainability is requiring all participants in the supply chain to adopt sustainable working practices. This is reinforced by cost efficiencies, enjoyed by waste reduction. It is little surprise that Polestar's 2023 sustainability survey showed manufacturers leading the way in the introduction of new waste-related sustainability initiatives.

Trade activity dominated the sector last year, with venture capital investments having been more limited. However, the Specialist Manufacturing sub-sector is particularly VC heavy, with 32 out of 34 reported deals last year involving venture capital. This contrasts with the picture across the wider sector where PE and M&A transactions are the norm.

Listed EBITDA multiples remain stable despite the aforementioned myriad of supply chain issues faced by firms operating in the sector

European cumulative defence spending is estimated to increase from EUR 700bn to 800bn by 2028. With this pressure on nations to increase their defence spending it is unsurprising that we are seeing strong forecast revenue and profit growth in Aerospace & Defence space - these geopolitical issues provide strong tail winds.

A Trump victory may add more fuel to this fire…



Active Investors and Buyers

Active PE/VC Investors in the past 12 months	Subindustry	Number of Investments in 2023
A2E Industries	Aerospace and Defence	27
SFC Capital	Construction Services	4
The FSE Group	Consumer and Branded	28
Parkwalk Advisors	Industrial Technology	2
BGF	Printing and Packaging	3
Plug and Play Tech	Specialist Manufacturing	7

Source: Pitchbook

- Plug and Play, an international early-stage VC, invests primarily in robotics. Its investment in Soft Robotic and Navflex has kickstarted the development of a manufacturing packing superpower. Soft Robotoic is a fast 3d packing system that focuses on the bulk food production line, Navflex's focus is on automated container and trailer loading and unloading through its autonomous vehicle (AV) technology. Another investment is Squint AI – a factory optimisation technology, streamlining data entry and, enabling custom procedures, whilst also acting as a training and guidance platform.

- Parkwalk is an investor in "hard science" companies, assisting in the commercialisation of discoveries made at UK research universities. The company currently has over £500m of assets under management, with funds managed in conjunction with the universities of Oxford, Cambridge, Imperial and Bristol. A recent investment was into PrOXisense, a Manufacturer and developer of environment proximity sensors and fluid contamination systems designed to improve the performance and efficiency of complex rotating equipment.

- BGF's invested in Fresh, a food packaging technology which protects food quality and reduces food waste and Scrumble, an eco-friendly pet food company which provides sustainable and healthy meals for pets in eco-friendly packaging.

- FSE dipped its fingers into many manufacturing-adjacent pies across 2023, ranging from food brands and clothing manufacturers to home tools. We have seen the majority of early-stage funds shift to more sustainable investments throughout 2023, this trend is set to be a permanent fixture in investment strategies moving forward.

- Aerospace and Defence has continued to attract considerable backing from VC and PE in 2023. Whilst the new space race persists, backers have begun to place their bets on which space tech will ultimately change the landscape over the next 10 years.

Active Trade Investors in the past 12 months	Subindustry	Number of Investments in 2023
Iveco Defence Vehicles	Aerospace and Defence	1
Browmer + Kirkland	Construction Services	1
Compagnie Financiere Richemont	Consumer and Branded	1
Nikon	Industrial Technology	1
Biffa	Printing and Packaging	1
Topcon	Specialist Manufacturing	2

Source: Pitchbook

- Topcon, a manufacturing specialist in medical equipment and machine controls, acquired VISIA Imaging Manufacturer of optical measurement and control equipment for clinical diagnostics with a specific focus on ophthalmology, autoimmunity, digital pathology and cytogenetics applications.

- Nikon's acquisition of Avonix Immaging is a precursor of the larger deals we expect to see in 2024, firms buy-in new technologies to support and expand their offerings.

- Biffa Waste bought Esterform Packaging , which will enhance its green packaging solutions.

- Browmer and Kirkland bought Innovare, which demonstrates a wider shift towards technological construction advancements, linked to monitoring and designing high-quality, low-cost, low-carbon, high-performance buildings.

- Iveco Defence Vehicles' bought Horiba Mira (Mira Uncrewed Ground Vehicle) as the sector continues to consolidate.

Selected Transactions - Private Equity

Consumer and Branded
December 2023

Investor	Target
Inspirit Capital	thisworks MODERN NATURAL BEAUTY

The company, a subsidiary of Canopy Growth, was acquired by Inspirit Capital through an estimated GBP 9.3 million LBO on December 18, 2023. The consideration consists of GBP 2.7 million in cash and in other consideration, a loan note issued by the buyer and a contingent earn-out. The transaction was supported by debt financing.

Deal Size: £9.3m	Revenue Multiple: N/K	EBITDA Multiple: N/K

Industrial Technology
September 2023

Investor	Target
Rcapital	sti SURFACE TECHNOLOGY INTERNATIONAL

STI was acquired by Rcapital Partners through an estimated GBP 7.5 million LBO on October 31, 2023. As part of the transaction, Rcapital Partners will lead a full refinancing of the company that will enable the business to accelerate its growth strategy in its core Defense and Aerospace markets.

Deal Size: £7.5m	Revenue Multiple:N/K	EBITDA Multiple:N/K

Aerospace and Defence
October 2023

Investor	Target
OSL BGF	nexus nine

BGF was the financial sponsor of Operational Solutions LBO of Nexus Nine. The deal signifies a promising future for both organisations, leading to the development of groundbreaking tech and services within the aircraft operations.

Deal Size: N/K	Revenue Multiple: N/K	EBITDA Multiple: N/K

Printing and Packaging
June 2023

Investor	Target
WATERLAND PRIVATE EQUITY INVESTMENTS	wrapology

The company was acquired by Carton Group, via its financial sponsor Waterland Private Equity Investments through a $7.23 million LBO on October 27, 2023

Deal Size: £5.94m	Revenue Multiple: N/K	EBITDA Multiple: N/K

Construction
October 2023

Investor	Target
the nabo group	PINNACLE PROPERTY MANAGEMENT

Pinnacle, a subsidiary of Longmead Capital, was acquired by Nabo Group, via its financial sponsor Fidelio Capital, through a GBP £10 million LBO on October 1, 2023.

Deal Size: £10m	Revenue Multiple: N/K	EBITDA Multiple: N/K

Specialist Manufacturing
January 2023

Investor	Target
DMP	Cambrian vision system

The company raised $3.48 million of venture funding from Digital Media Professionals and other undisclosed investors on November 13, 2023. The funds will be used to further expand the company's business in the electronics field and resolve social issues such as labour shortages and productivity improvements due to the declining birthrate and aging population.

Deal Size: £3.75m	Revenue Multiple: N/K	EBITDA Multiple:N/K

Source: Pitchbook

Selected Transaction - Corporate

Investor	Target
MDA	SatixFy

Aerospace and Defence
October 2023

MDA is a global space missions partner and a specialist in robotics, satellite systems and geointelligence. The deal helps to accelerate MDA market expansion in the UK and adds strategic in-country capability to produce satellite payload. SatixFy's specialism in satellites and chip technology will enhance MDA's offering and capabilities.

Deal Size: £32.87m	Revenue Multiple: N/K	EBITDA Multiple: N/K

Investor	Target
Nikon	AVONIX IMAGING

Industrial Technology
April 2023

This deal is set to deliver seamless x-ray solutions tailored to customer's specific inspection needs. A representative from Nikon commented that "merging the respective strength of [the] companies will reinforce [Nikon's] position as market leader in 3d and 2d x-ray inspection and measurement" adding that it will "enhance [Nikon's] ability to deliver best-in-class, next-generation solutions to the manufacturing industry."

Deal Size: N/K	Revenue Multiple: N/K	EBITDA Multiple: N/K

Investor	Target
MailSolutions	Adare SEC (Kalamazoo)

Printing and Packaging
October 2023

Kalamazoo is a provider of printing services for the governmental, educational and commercial sectors. The company specialises in certificates and government documents, cheque printing, election services, tax stamps and sticks, providing customised prints for businesses. The acquisition of Kalamazoo will enable mail solutions group to provide its customers with printing solutions.

Deal Size: N/K	Revenue Multiple: N/K	EBITDA Multiple: N/K

Investor	Target
DDK Positioning	TOPCON

Specialist Manufacturing
February 2023

DDK Positioning is a complex satellite-focused positioning company with a practice grounded in robustness, resilience and accuracy. Its satellite technologies pose strong synergies with investor Topcon, allowing for a future in the development of positioning services that can be utilised across Topcon's infrastructure and agricultural services. Topcon's undisclosed amount of financing will ensure global growth within DDK Positioning's expansion goals.

Deal Size: N/K	Revenue Multiple: N/K	EBITDA Multiple: N/K

Investor	Target
Franchise Brands	PIRTEK

Construction
April 2023

Pirtek, a hydraulic hose specialist, was acquired by Franchise Brands (LON: FRAN) for £224 million. The company will receive a contingent payout of £12.2 million upon the completion of future performance terms. Previously, the company received an undisclosed amount of debt financing in the form of a senior loan from Golub Capital on June 17, 2022. The funds will be used to support future acquisitions.

Deal Size: £224m	Revenue Multiple: 15x	EBITDA Multiple: 19.5x

Investor	Target
headlam group plc	Birch Close Trading Ltd

Consumer and Branded
January 2023

Birch Close Trading Ltd is the parent company of Melrose Interiors Ltd, the company, a manufacturer, importer and distributor of rugs and flooring products. Melrose is the largest independent supplier to the UK online rug industry, with operations in third-party logistics, upcycling and recycling. The company specialises in B2B and B2C fulfilment, making it a high-quality asset for Headlam Group.

Deal Size: £4.1m	Revenue Multiple: 0.5x	EBITDA Multiple: 29.48x

Source: Pitchbook

Polestar Manufacturing & Distribution Deals

Sector	Deal Type	Company
E-Commerce Specialist	Exit	Soak&Sleep
Waste Management	Exit	AASVOGEL The complete skip hire solution / VALLEY TRADING
Plastic Tableware Manufacturer	Debt Advisory	Plastico ...creating the dining experience of tomorrow
Railway Services	MBO	READYPOWER GROUP
Engineering Consultant	Exit	EDRIVE Engineering Services
Elevator Manufacturer	Exit	GARTEC AN ARITCO GROUP COMPANY
Flow Meter Manufacturer	MBO	micronics Through measurement comes control
Electronics Manufacturer	MBO	gtk
Fire Suppression Specialist	Equity	iMIST
Smart Packaging & Tableware Supplier	Debt Advisory	eGreen Smart Packaging & Tableware.
Retail Packaging	MBO	OFFSET PRINT & PACKAGING
Environmental Consultant	Strategic Support	spiralite® energy saving ductwork

Polestar: Uncompromised Advice

Mission: to guide shareholders to achieve their business goals and give our people rewarding and purposeful work.

Polestar is a mid-market corporate finance boutique providing advisory services to businesses across our five key sectors: Business Services; Software, Media & Technology; Manufacturing & Distribution; Health & Education; and Sustainability.

Our team comprises six M&A and corporate finance professionals with many decades of experience in lead advisory services including debt and equity raising, corporate restructuring, buyside advisory and management buyouts.

Since inception, we have completed more than 200 deals with a combined value of >£6bn worth of transactions. Over the years we have won a number of awards, most recently the Insider Media South East Dealmakers Awards for Corporate Finance Advisory Team of the year 2023. The key to our success is that we will always advise as if we would do the deal on the table; on occasions, we have followed that up by co-investing. We pride ourselves on building an inclusive and exciting environment for all our staff, the heart of which is in our Guildford office. The culture we have developed focuses on personal development offering the opportunity to both learn and grow. In our work we follow three key principles - collaboration, innovation and creativity.

These principles underpin the work we undertake as every deal has its unique challenges and nuances that must be navigated and overcome. Like the Polestar, otherwise known as the North Star, used by maritime navigators as a constant for plotting their route, we will pilot you safely to your destination.

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