

# NDT Group Ltd

## Full Engagement File Summary

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### Executive Summary

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NDT Group Ltd (Company Reg: 11049062) is a private UK-based non-destructive testing and specialist inspection company located in Sandycroft/Deeside. They offer a range of services including radiography, phased array (PAUT), TOFD, eddy current, ultrasonic, dye penetrant, magnetic particle testing, corrosion mapping, and EEMUA tank inspections. A key asset is their large indoor radiography bay with 24/7 capability. The directors are M Conway, D K Jones, and C A Stewart, with Salisbury & Company as their accountants.

### Critical Findings Requiring Immediate Attention

- **Negative Shareholders' Funds (-GBP 37,880 as of Dec 2024):** This indicates potential historical losses, dividend extraction, or director loan issues. A buyer should investigate the cause and anticipate a working capital injection of GBP 75-100k at closing.
- **Critically Low Cash Position (GBP 2,816):** Current liabilities (GBP 515,482) significantly exceed current assets (GBP 442,194) by GBP 73,288, pointing to substantial working capital pressure.
- **Intercompany Receivable (GBP 68,874):** A material amount owed by a group entity suggests NDT Group may be part of a wider structure. The buyer must verify recoverability, settlement upon completion, and the existence of a controlling parent entity.
- **No Income Statement Filed:** Companies House filings lack a Profit & Loss statement, making revenue and profitability estimates unverified. Management accounts are crucial for accurate assessment.
- **Key Person Risk:** With only 17 employees, the business is highly dependent on a small number of certified NDT technicians. The loss of 2-3 key personnel post-acquisition could severely impact revenue and contract delivery.

**Overall Preliminary Risk Rating: MEDIUM-HIGH.** NDT Group is an attractive specialist operator with differentiated capabilities, but significant balance sheet and working capital issues require remediation.

## Verified Balance Sheet (Companies House, FY2024)

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Item	2024 (GBP)	2023 (GBP)
Intangible assets (net)	28,019	19,934
Tangible assets (net)	303,128	299,060
<b>Total fixed assets</b>	<b>331,147</b>	<b>318,994</b>
Stocks (WIP)	50,489	N/A
Trade debtors	255,754	N/A
Intercompany receivable	68,874	N/A
Other debtors	64,261	N/A
Cash at bank	2,816	N/A
<b>Total current assets</b>	<b>442,194</b>	<b>N/A</b>
Creditors due < 1 year	(515,482)	N/A
<b>Net current liabilities</b>	<b>(73,288)</b>	<b>N/A</b>
Bank loans (>1 year)	239,218	N/A
Hire purchase (>1 year)	56,521	N/A
<b>Total interest-bearing debt</b>	<b>~472,830</b>	<b>N/A</b>
Shareholders' funds	(37,880)	N/A

Source: Companies House, unaudited financial statements for year ended 31 December 2024. Filing does not include income statement.

## Key Observations from Balance Sheet

- **Capex Investment:** Visible increase in tangible fixed asset cost (additions GBP 81,967; depreciation GBP 76,709) in 2024, consistent with equipment investment for radiography capabilities.
- **UKAS Accreditation Capitalized:** Intangible additions of GBP 15,184 (amortisation GBP 7,099) indicate active investment in maintaining/expanding accreditations.
- **Working Capital Pressure:** Current liabilities exceed current assets by GBP 73,288 with negligible cash. A buyer should budget GBP 75-100k for working capital injection at completion.
- **Leverage:** Net debt is approximately GBP 470k. At a base-case EBITDA of GBP 245k, this implies ~1.9x net debt/EBITDA, which is manageable but significant for a micro-cap operator.
- **Intercompany Structure:** The GBP 68,874 owed by a group entity requires investigation to confirm NDT Group's operational independence.

## Revenue & EBITDA Estimates

Given the absence of a filed income statement, revenue is estimated using the employee count (17 employees in 2024) as an anchor. Revenue per FTE benchmarks for specialist NDT firms range from GBP 80k (basic services) to GBP 200k (advanced PAUT/radiography specialists with 24/7 capability). NDT Group's advanced service mix suggests revenue per FTE is likely in the upper half of this range.

Scenario	Rev/ FTE	Revenue	EBITDA Margin	EBITDA
Conservative	GBP 80k	GBP 1.36M	8%	GBP 109k
Base case	GBP 120k	GBP 2.04M	12%	GBP 245k
Upside	GBP 160k	GBP 2.72M	15%	GBP 408k
Specialist upside	GBP 200k	GBP 3.40M	15%	GBP 510k

**Confidence Level: MEDIUM-LOW.** These estimates are directional and highly sensitive to the revenue per FTE assumption, pending verification with management accounts.

## LBO Return Sensitivities

**Base Model Assumptions:** 5% revenue CAGR, 12% EBITDA margin, 5-year hold, debt amortised over 5 years at 7% interest, exit at 5.0x Year-5 EBITDA, 19% tax rate, and working capital at 10% of revenue.

## Base Case IRRs by Entry Multiple

Entry EV/ EBITDA	EV (GBP)	Equity at Entry	Exit EV (Y5)	5-Year IRR
4.0x	979,200	509,186	1,562,167	~29%
5.0x	1,224,000	753,986	1,562,167	~19%
6.0x	1,468,800	998,786	1,562,167	~13%

## Three-Scenario Summary

	Downside	Base	Upside
Revenue growth	Flat	5% p.a.	8% p.a.
EBITDA margin	10%	12%	15%
Interest rate	8%	7%	6%
IRR @ 4x entry	~24%	~29%	~31%
IRR @ 5x entry	~13%	~19%	~22%
IRR @ 6x entry	~6%	~13%	~16%

## Key Sensitivities

- **Entry Multiple:** The largest driver of returns; a 4x vs. 6x entry can result in a ~16 percentage point difference in IRR.
- **Exit Multiple:** Has the most significant impact on realized value. A 5.0x exit multiple is assumed, achievable with business professionalization.
- **Revenue Growth + Margin Improvement:** Materially increase exit EV and Free Cash Flow to Equity (FCFE).
- **Debt Schedule:** Significantly affects early cash flows.
- **Working Capital Injection:** GBP 75-100k should be modeled as additional equity at entry.
- **Transaction Costs:** (Legal, DD, stamp duty) of 3-5% of EV are not included and would reduce equity IRR by 1-3 points.

**Model Limitations:** Assumes a single interest rate, straight-line amortization, no management rollover, and no transaction costs. Refinement is needed with actual management accounts and lender terms.

## Risk Assessment

Category	Rating	Key Finding
Financial	HIGH	Negative equity, low cash, no P&L filed
Commercial	MEDIUM	Unknown customer concentration; strong service mix
Operational	MEDIUM	17 employees; key person risk on certified techs
Legal/Regulatory	LOW-MEDIUM	UKAS accredited; verify HSE compliance history
Human Capital	MEDIUM-HIGH	Small team; retention of PCN-certified staff critical
Technology/IP	LOW	Equipment-based; UKAS accreditations are defensible

**Overall: MEDIUM-HIGH risk.** The company is an attractive specialist operator, but balance sheet remediation and management account verification are essential before proceeding.

# Transaction Document Package

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Illustrative templates are provided, requiring review by qualified legal counsel.

## Letter of Intent (LOI) — Key Terms

- **Target:** 100% of issued share capital of NDT Group Ltd (11049062).
- **Purchase Price:** EV = [multiple] x trailing EBITDA. Equity = EV minus net debt (subject to true-up).
- **Working Capital Target:** 10% of annualized trailing revenue, with a standard 90-day true-up.
- **Escrow:** 10% of equity price, 12-month hold (50% released at 6 months, 50% at 12 months).
- **Earn-out (optional):** Up to 15% of consideration based on 24-month cumulative EBITDA thresholds.
- **Conditions:** Satisfactory Due Diligence (DD), no material adverse change, lender consents, key employee retention agreements.
- **Exclusivity:** 30 days from LOI signature. Target completion 45-60 days.

## Mutual NDA — Core Terms

- **Parties:** [Buyer] and NDT Group Ltd.
- **Purpose:** Evaluate potential transaction.
- **Confidentiality Obligations:** 3 years. Each party maintains confidentiality, uses information solely for evaluation, may disclose to advisors under confidentiality, and returns/destroys materials upon request.
- **Governing Law:** England & Wales.

## Priority Document Request (Post-NDA)

Priority A — Pre-LOI (must have before submitting offer):

1. Last 3 years statutory accounts + latest 12 months management accounts (monthly P&L, BS, CF).
2. Customer revenue schedule (24 months): names, amounts, % revenue, contract type, notice periods.
3. Aged receivable & payable ledgers (balance sheet date and current).
4. Bank facility letters & hire-purchase agreements (balances, covenants, security).
5. Fixed asset register & HP repayment schedules.
6. Top 20 projects (24 months) with margins and recurring/non-recurring classification.

Priority B — Post-LOI (detailed DD):

1. Insurance policies and claims history.
2. Employee list with certifications (PCN/IRATA), notice periods, compensation.
3. Key contracts (top 10 by revenue).
4. Intercompany schedules (including GBP 68,874 owed by group).
5. Tax computations, PAYE/NI filings.
6. HSE incident logs and environmental compliance records.

## Management Outreach Email Template

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**Subject:** Confidential -- Potential acquisition discussion re: NDT Group Ltd

Dear [Name],

I am writing to express our interest in exploring a potential acquisition of NDT Group Ltd. We are an investment group focused on acquiring and growing specialist UK testing and inspection businesses, and NDT Group's technical capabilities and market position align well with our criteria.

We would welcome the opportunity to learn more about the business. As a first step, I have attached a mutual NDA. Once executed, we would appreciate if you could share the following initial documents:

1. Last 3 years statutory accounts + latest management accounts (monthly)
2. Customer revenue schedule (last 24 months) -- top customers and % of revenue
3. Aged receivables and payables (current)
4. Bank facility letter(s) and hire-purchase schedules
5. Fixed asset register
6. Top 20 projects with scope and margins

We aim to review within 5 business days and provide an indicative offer within 7-10 business days if the opportunity is a good fit. Please confirm NDA execution and expected timing for documents.

Best regards,  
[Your name / contact details]

## Recommended Next Steps

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1. Execute mutual NDA with NDT Group management.
2. Obtain Priority A document set (items 1-6 above). Management accounts are the critical item.
3. Confirm bank facility details and lender consent requirements.
4. Run management-provided financials through a 3-statement model; refine revenue and margin assumptions.
5. Site visit to Sandycroft to inspect the radiography bay/equipment and meet technical leadership.
6. Investigate the cause of negative shareholders' funds and intercompany receivable.
7. If acceptable, submit LOI with working capital true-up, debt assumption, escrow, and earn-out.
8. Engage qualified legal counsel (corporate M&A solicitor) to review LOI and NDA before submission.

## Sources & Data Gaps

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### Verified Sources

- Companies House filing: NDT Group Ltd (11049062) — unaudited accounts to 31 Dec 2024
- NDT Group website: [ndtgroup.co.uk](http://ndtgroup.co.uk)
- Companies House register: [find-and-update.company-information.service.gov.uk](http://find-and-update.company-information.service.gov.uk)

## Critical Data Gaps (must resolve before LOI)

- Income statement / P&L and turnover (not included in Companies House filing)
- Customer concentration and contract terms
- Monthly management accounts (2024/2025 YTD)
- Order backlog and pipeline
- Explanation for negative shareholders' funds
- Lender covenants and security details
- Intercompany structure and recoverability of GBP 68,874 receivable

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This report is for informational purposes only and does not constitute investment, legal, or financial advice. Transaction document templates are illustrative starting points and must be reviewed by qualified legal counsel before use. All financial estimates are preliminary and subject to verification with management-provided data.

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