

Marlowe TIC

Standalone sponsor LBO assessment

COMMITTEE DECISION

DO NOT APPROVE

at the illustrative £240m enterprise value

BASE GROSS IRR

12.9%

vs 20% hurdle

SPONSOR MOIC

1.84x

Five-year exit

TARGET RETURN EV

£190.7m

Illustrative affordability

INDEPENDENT RETROSPECTIVE CASE STUDY

William Traore | 24 October 2026

Built from public issuer disclosures and explicit analyst assumptions.

Not a client mandate, transaction pitch, investment advice or live acquisition.

01 / THE DECISION

An investable business can still be an unattractive buyout at the wrong price.

Hypothetical five-year standalone sponsor case; FY26-FY30 are scenarios, not actual results.

PURCHASE EV £240m 12.0x entry cash EBITDA	TARGET RETURN 20.0% Gross sponsor IRR	BASE RETURN 12.9% 7.1pp below hurdle
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RECOMMENDATION / REJECT AT TESTED PRICE

The business quality and recurring-service thesis are insufficient to offset entry price, cash-earnings uncertainty and a downside funding gap.

COMMITTEE ANSWER IN THREE TESTS

01 EARNINGS	Reported adjusted EBITDA is £32.8m; post-rent / incentive underwriting EBITDA is £20.0m. The gap controls debt capacity.
02 RETURNS	The model supports £190.66m EV at a 20% base IRR, not £240m. This is a model-derived bidding ceiling, not fair value.
03 RESILIENCE	Downside needs £20.67m incremental equity and delivers only 0.47x MOIC assuming that equity is actually provided.

FIVE-YEAR SPONSOR OUTCOMES

Metric	Base	Downside	Upside
Gross sponsor IRR	12.9%	(14.5%)	23.1%
Gross sponsor MOIC	1.84x	0.47x	2.83x
FY30 cash EBITDA (£m)	30.79	15.53	41.74
FY30 senior debt (£m)	15.58	43.48	0.00
Additional sponsor equity (£m)	0.00	20.67	0.00

02 / BUSINESS & UNDERWRITING PERIMETER

Compliance-driven activity; not a substitute for evidence of renewal economics.

Observed issuer disclosures [S1-S2] versus the analyst hypotheses below.

FY25 REVENUE £304.5m Continuing TIC operations	CUSTOMERS ~27,000 Company-reported scale	RECURRING MIX ~75% Indicative; not all contracted
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ACTUAL PERIMETER AND MARKET STRUCTURE

The remaining Marlowe business comprised Fire Safety & Security and Water & Air Hygiene after the GRC disposals and Occupational Health demerger. Historical figures in this report use continuing operations only, not the former diversified group.

FIRE / SECURITY Regulatory inspections, planned maintenance, remediation and project-led systems work.	WATER / AIR Water hygiene, treatment, testing and air-quality compliance services.
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THESIS — AND WHAT WOULD DISPROVE IT

Value creation hypothesis	Evidence needed	Kill signal
Sticky compliance visits	Renewal cohorts by site; win / loss data	Price concessions or tender churn
Engineer productivity	Billable hours, routing, overtime	Service failures erase savings
Cross-sell	Attach rates by customer and service	Separate procurement prevents sales
Working capital control	Invoice aging and dispute review	Unbilled work not collectible

Excluded: bolt-on M&A, assumed market-share gains and Mitie-specific strategic synergies [S3].

03 / EARNINGS QUALITY

The £12.8m underwriting haircut is a return driver.

Clear distinction among issuer reported performance, management adjustments and sponsor assumptions.

Continuing operations / £m	FY24	FY25
Revenue	292.30	304.50
Unadjusted EBITDA	15.50	23.60
Adjusted EBITDA after central costs	31.60	32.80
Statutory operating profit	(3.20)	5.00

FY25 EBITDA RECONCILIATION / £M

Issuer EBITDA		23.60
Restructuring		+5.20
Share-based pay		+2.00
Contingent adj.		+2.00
Reported adj. EBITDA		32.80
Cash-rent proxy		-10.80
Incentive replacement		-2.00
Underwriting EBITDA		20.00

CRITICAL ACCOUNTING POLICY

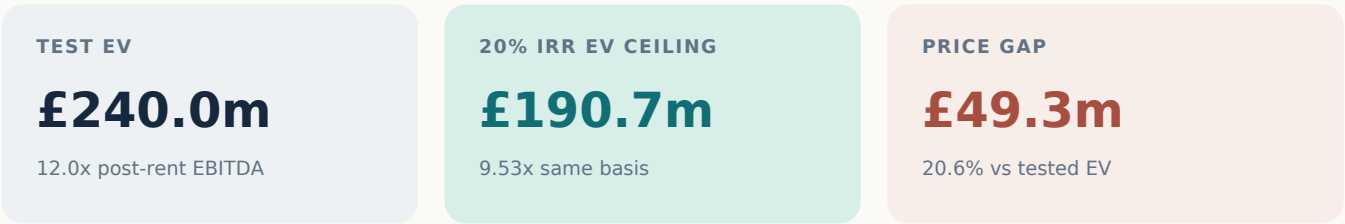
The entry model measures EBITDA after an operating cash-rent proxy; financial net debt excludes lease liabilities. Confirm actual principal, interest and lease renewals before financing. This is not an IFRS-standard EBITDA measure.

Bridge: £23.6m + £5.2m + £2.0m + £2.0m = £32.8m; less £10.8m disclosed lease-cost proxy and £2.0m assumed incentive replacement = £20.0m. Add-back recurrence is not verified [S1-S2].

04 / VALUATION & PRICE DISCIPLINE

Price to meet the hurdle is substantially below the tested enterprise value.

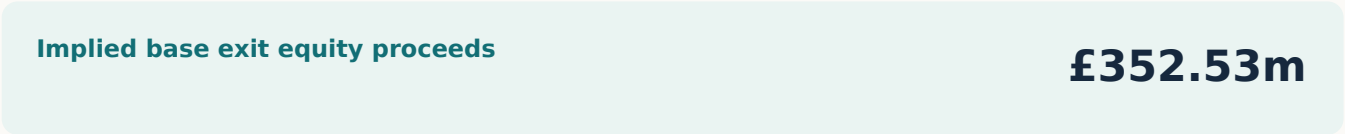
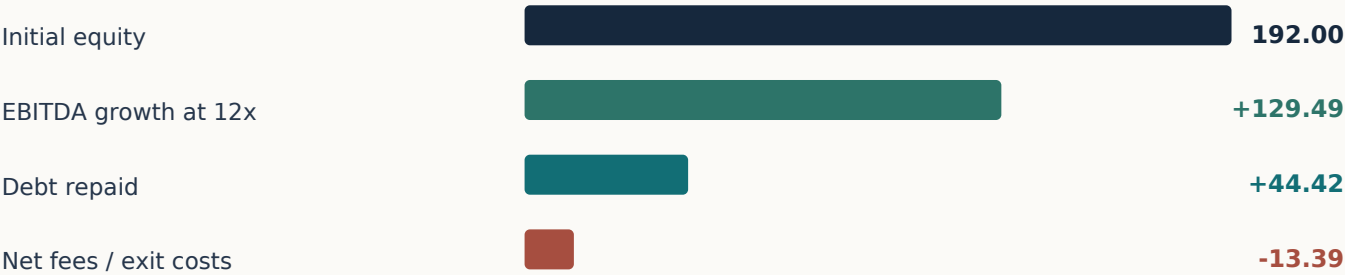
All acquisition and benchmark figures use different economic and accounting perimeters.



PUBLIC TRANSACTIONS: CONTEXT, NOT LIKE-FOR-LIKE MULTIPLES

Reference	Figure	What it actually means
Argus Fire / Oct 2024	£38m / £3.8m	~10x stated EBITDA; rent and adjustment bases differ.
Marlowe offer / Jun 2025	~£366m	Announced equity value; cash/share consideration.
March 2025 EV proxy	~£343.8m	£366m equity less £22.2m net cash; not closing EV.
Our price test	£240m	Hypothetical enterprise value; no real seller quote.

BASE CASE EQUITY VALUE CREATION / £M



Exit EV: £30.79m EBITDA × 12.0x = £369.49m; subtract £15.58m debt and modeled sale expenses. Strategic synergies are excluded.

05 / OPERATING ASSUMPTIONS

Growth is earned through retention, pricing and new recognized sales.

Each driver below is an analyst assumption requiring commercial validation.

Driver / FY26 → FY30	Base	Downside	Upside
Annual recurring retention	95% → 95%	90% → 95%	96% → 96%
Price on retained recurring	3% → 3%	1% → 2%	4% → 4%
New sales / prior recurring	6.2% → 6.2%	4% → 5%	7% → 7%
Project revenue growth	4% → 4%	-12% → 3%	6% → 6%
Margin pre-rent / incentives	10.4% → 12.5%	8.5% → 10%	11% → 14%
Cash rent / sales	3.55%	3.80%	3.40%
Cash capex / sales	2.0%	2.5% → 2%	2.2%
NWC / sales	4.96%	7.5% → 6%	5.0%
Implementation spend / 5y	£3.0m	£5.0m	£3.5m
Exit EBITDA multiple	12.0x	9.0x	13.0x

COMMERCIAL UNDERWRITING JUDGMENT

BASE CALIBRATION

95% retention, 3% pricing on retained accounts and 6.2% new recognised sales imply ~4.05% recurring growth—not audited cohort evidence.

WHAT THE MODEL NEEDS

Contract-level renewals, sales conversion, technician capacity, gross-profit by service line and a funded transformation plan.

Projects, working capital, maintenance capex and the cash-rent fraction are separately forecast. All forecast years FY26–FY30 are illustrative and do not represent Mitie/Marlowe published results.

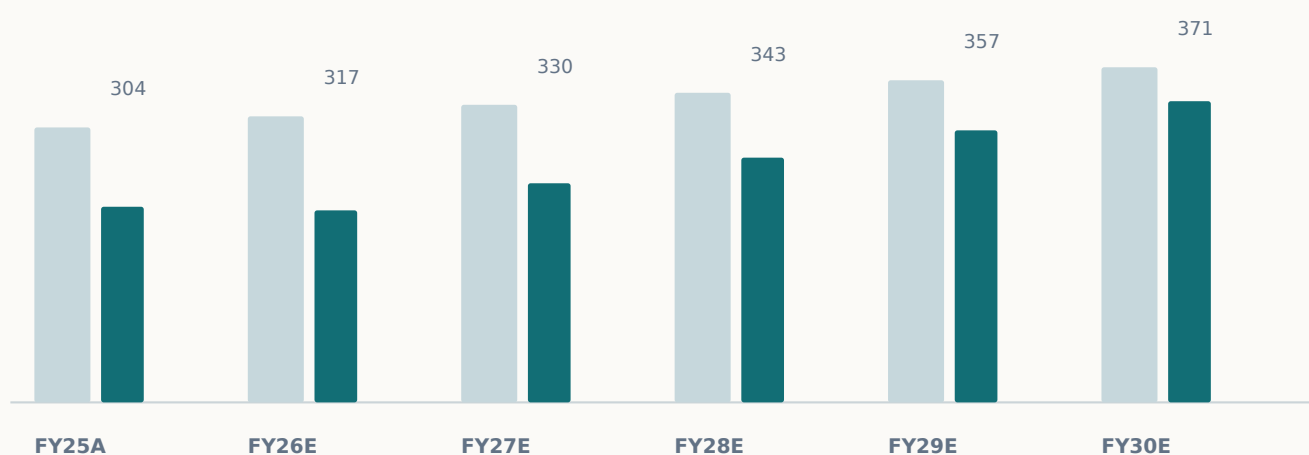
06 / FIVE-YEAR CASH FLOW

Earnings rise, but deleveraging depends on cash conversion.

Base case / £m; financial years end 31 March. Annual outcomes reflect model assumptions.

Base / £m	FY26	FY27	FY28	FY29	FY30
Revenue	316.79	329.58	342.89	356.74	371.14
Underwriting EBITDA	19.63	22.40	25.02	27.81	30.79
Cash pre-principal	3.84	6.28	8.74	11.46	14.10
Cash interest	4.80	4.49	3.99	3.29	2.37
Principal repaid	3.84	6.28	8.74	11.46	14.10
Senior debt at year-end	56.16	49.88	41.14	29.68	15.58
Operating cash reserve	6.00	6.00	6.00	6.00	6.00

REVENUE AND UNDERWRITING EBITDA TRAJECTORY



PALE BARS: REVENUE / TEAL: UNDERWRITING EBITDA

FINANCING INTERPRETATION

Underwriting EBITDA grows to £30.79m by FY30; senior debt still stands at £15.58m. The £6m cash buffer is fixed and has not been stress-tested weekly.

07 / SOURCES, USES & DEBT

Conservative opening leverage does not eliminate funding risk.

Illustrative cash-free/debt-free purchase; not the historic Mitie transaction financing.

ENTRY FUNDING / £M

USES

Business enterprise value £240.00
 Transaction expenses £4.80
 Debt arrangement fees £1.20
 Opening operating cash £6.00
TOTAL USES £252.00

SOURCES

Senior term debt £60.00
 Sponsor equity £192.00
TOTAL SOURCES £252.00

ENTRY LEVERAGE

3.0x

Debt / cash EBITDA

CASH INTEREST

8.0%

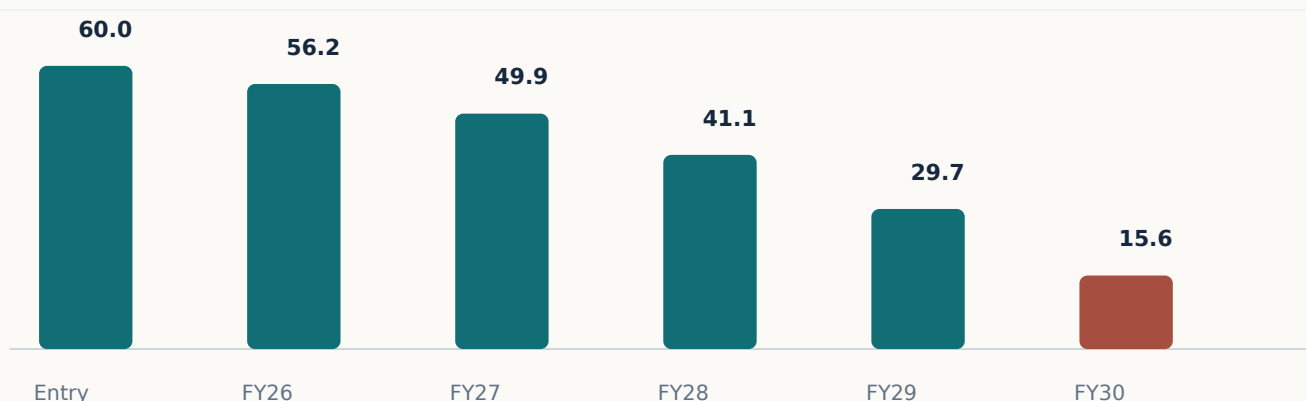
Opening-principal charge

SCHEDULED AMORT.

£3.0m

Annual, plus cash sweep

DEBT REDUCTION VERSUS RESIDUAL MATURITY



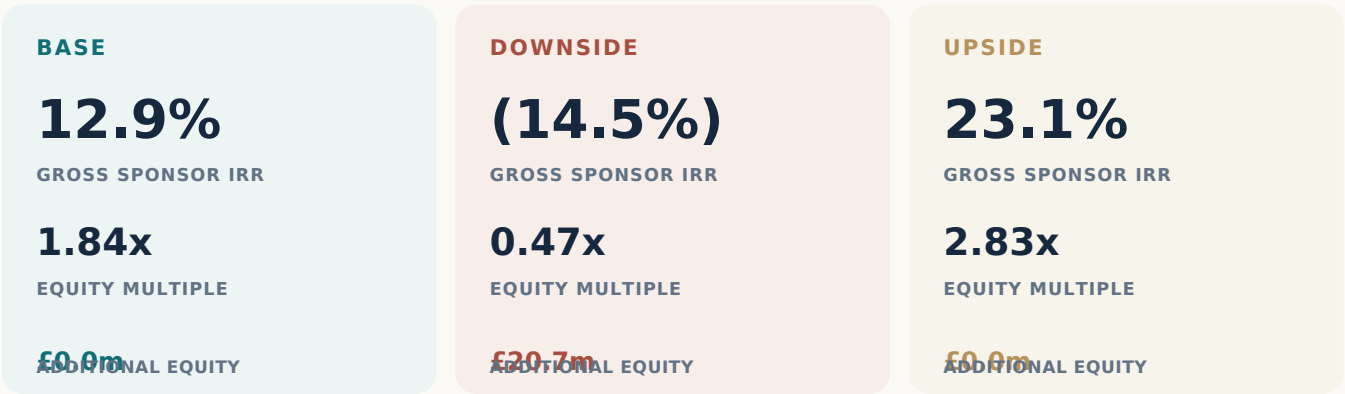
KEY LEVERAGED-FINANCE GAPS

Five-year term maturity leaves £15.58m base debt and £43.48m downside debt. The 2.0x minimum interest cover and 4.5x net leverage caps are analytical diagnostics, not bank covenants. The model has no revolver, waiver or default mechanics.

08 / SCENARIO ECONOMICS

The downside is an equity-call problem before it is an exit problem.

Gross unlevered business outcome differs from sponsor cash-on-cash outcome.



WHY DOWNSIDE CAPITAL SUPPORT IS DECISION-CRITICAL

The adverse case combines weak project demand, lower retention, less pricing, margin pressure, higher working capital and a 9.0x exit EBITDA multiple. It assumes the sponsor funds £20.67m in additional equity; without committed access to that cash, the modeled financing path may be infeasible.

LOSS BRIDGE / DOWNSIDE

Initial sponsor equity £192.00m + additional equity £20.67m = total sponsor capital £212.67m. Modeled exit proceeds £99.53m; gross capital recovered 46.8%, corresponding to a loss of £113.14m.

EXIT EBITDA AND DEBT BURDEN

Metric / £m	Base	Downside	Upside
FY30 underwriting EBITDA	30.79	15.53	41.74
Exit multiple	12.0x	9.0x	13.0x
Closing senior term debt	15.58	43.48	0.00
Additional sponsor equity	0.00	20.67	0.00

Scenario probabilities are not assigned. The downside is an adverse modeled case, not a statistical worst case. IRRs assume annual, year-end support and exit cash flows.

09 / RETURN SENSITIVITY

Small changes in the operating case matter; entry and exit price compound.

One-factor deviations preserve the remaining base assumptions.

Shock versus base	IRR	MOIC	New EQ
Unchanged base	12.9%	1.84x	0.00
EBITDA margin -1pp / year	8.9%	1.53x	1.53
Cash interest +2pp / year	12.6%	1.81x	0.06
NWC / sales +1pp / year	12.6%	1.81x	2.32
Exit multiple 10x vs 12x	8.8%	1.52x	0.00

FIVE-YEAR BASE SPONSOR MOIC / ENTRY × EXIT CASH EBITDA MULTIPLE

ENTRY	8X	10X	12X	14X	16X
8x	2.10x	2.65x	3.19x	3.74x	4.29x
10x	1.53x	1.93x	2.33x	2.73x	3.13x
12x	1.21x	1.52x	1.84x	2.15x	2.46x
14x	1.00x	1.26x	1.51x	1.77x	2.03x
16x	0.85x	1.07x	1.29x	1.51x	1.73x

EXIT MULTIPLE ACROSS COLUMNS

Reading the matrix: 12x entry / 12x exit gives 1.84x, falling to 1.52x at 10x exit. Debt is kept fixed at £60m. These scenarios include modeled entry and exit costs and are not a valuation opinion.

10 / INVESTMENT COMMITTEE GATES

Specific evidence is required to overturn the rejection.

A live underwriting process should disconfirm the thesis before expanding model detail.

01 Quality of earnings

Audited P&L and ledgers; independent QoE; add-back recurrence and management incentives.

GATE Verified cash-earnings base, agreed with audit and investment team.

02 Customer revenue

Cohort retention, pricing by site, project mix, concentration and win/loss evidence.

GATE Base sales bridge supported at customer-contract level.

03 Rent and maintenance

All leases, variable rent, renewal commitments and engineer fleet capex.

GATE Lease-neutral debt and EBITDA definitions with sustainable capex.

04 Cash & working capital

13-week liquidity, receivables aging, unbilled balances, completion accounts.

GATE Uncommitted equity support is not required to fund operations.

05 Value creation

Utilisation, gross margin, wage pressure, operating KPI owners and budgets.

GATE Named initiatives with quantified costs and monthly milestones.

06 Lender / governance

Binding terms, covenant definitions, maturity, security, management equity.

GATE Capital structure survives the agreed downside without assumed waivers.

WHAT REOPENS THIS CASE

An achievable EV inside the agreed risk-adjusted return ceiling, independently evidenced cash EBITDA, committed liquidity and a fully costed standalone plan. None of these conditions is established by the public-data sample.

11 / RESEARCH AUDIT TRAIL

Decision-useful, source-labelled, and explicit about what remains unknown.

Retrospective case updated 24 October 2026; original analytical study prepared 15 September 2026.

WHAT IS SOURCED, CALCULATED AND ASSUMED

[S] ISSUER-DISCLOSED FY24-FY25 Marlowe continuing operations, stated business profile, announced transactions.

[C] CALCULATED Sponsor cash-flow model, debt schedules, scenario returns, bridge, implied price ceilings.

[A] ASSUMED Buyer entry EV, leverage and loan terms, churn / pricing / margins, rents, capex, taxes, exit multiples.

MODEL CONVENTIONS AND EXCLUSIONS

Five-year annual cash-flow LBO; no full acquisition balance sheet, purchase-price allocation, IFRS deferred tax roll-forward or quarterly liquidity model. Cash tax assumes 25% of positive modeled profit with simplified depreciation and interest deductibility. Lease liability accounting is approximated using an operating cash-rent convention. The entry date (31 March 2025) predates publication of FY25 preliminary results; this is not point-in-time hindsight-free underwriting.

No distressed refinancing, acceleration, revolving credit, M&A pipeline, strategic synergies, management equity dilution, sponsor monitoring fees or carried-interest allocations. Downside sponsor capital calls are assumed funded; no bank term sheet, customer diligence, management interview or independent valuation was obtained.

PRIMARY SOURCE REGISTER / PUBLIC ISSUER DISCLOSURES

[S1] Marlowe plc | FY25 Preliminary Results | 26 June 2025

[OPEN SOURCE ↗](#)

[S2] Marlowe plc | Annual Report 2025 | issuer-hosted PDF

[OPEN SOURCE ↗](#)

[S3] Mitie Group plc | Marlowe offer and completion | 5 Jun / 4 Aug 2025

[OPEN SOURCE ↗](#)

[S4] Mitie Group plc | Argus Fire acquisition RNS | 24 Oct 2024

[OPEN SOURCE ↗](#)

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Independent illustrative financial analysis prepared by William Traore, Alpine Bridge Partners. Not produced for or endorsed by Marlowe, Mitie or any sponsor. Not a completed mandate, investment recommendation or offer to finance/acquire a company.

Companion working model: Technical_Services_LBO_Seerius.xlsx (not revised in this phase). The PDF is a static export; changes to assumptions require model reruns and a newly reconciled memorandum.