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NEWSLETTER

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Latest News from CSA

CSA supports Calculus Capital with commercial due diligence on its investment in Lime Technology

Carlton Strategy Advisors has successfully supported Calculus Capital by providing full-scope CDD in connection with its private equity investment in Lime Technology Ltd, an Oxfordshire based sustainable low carbon building materials supply business

INVESTMENT SITUATION: Young low carbon 'lime product' building systems company on an upward growth curve

Lime Technology is an emerging business at the forefront of low carbon building systems development, featuring sustainable lime-based materials technology. Key products include Limetec mortars, Baunit renders and plasters, plus Tradical Hemcrete specified by architects, contractors, developers and research bodies for application in social housing, exemplary private housing and flagship commercial warehousing and retail space. Traditionally conservative by nature, the construction industry faces imminent building regulatory changes. These, and growing public acceptances of 'green-technology', have combined to create an environment thought increasingly conducive to novel building materials.

PROJECT SCOPE: To provide Calculus with business and market insight relevant to the investment decision

After discussing potential transaction issues and agreeing scope with John Glencross, CEO of Calculus, CSA's approach followed an incremental, multi-step process. We began by meeting with Mike Eberlin, Lime's Managing Director in a discussion about the company's objectives and strategy for expanding the business. This allowed CSA to carry out an initial business plan review and 'sense check' before going on to characterise the industry supply chain by taking in its competitive 'pinch points', drivers and barriers to entry. Key aspects of the scope were to confirm the status of the impending environmental building regulations, to understand architect, developer and tenant attitudes to 'green' building technology and, finally, to provide an opinion about the propensity of the general industry to accept novel, lime-based materials.

THE RESULT: Delivery of a summary of the commercial risk and opportunity implications attached to the deal

The house-building sector is undergoing a major transformation as EU legislation is introduced, with which Member States must comply, to regulate in favour of a low-carbon environment.

Recent legislation dissuades builders from putting waste materials into landfill and has increased building standards of air tightness. Both are trends that play to Lime Technology's (Hemcrete) walling application and bio-credentials. Furthermore, the Code for Sustainable Homes of 2011 magnifies the level of opportunity – Level 4 in the short term and Levels 5 and 6 to 2016 and beyond - trends that, at least in part, run counter to the national economic cycle.

Commercial due diligence made the observation that a number of architects, developers and corporate organisations saw sustainability as a business USP, shaping innovation and competitive advantage. Customer and other business referencing undertaken by CSA confirmed Lime Technology's growing credentials, with the company having started work on a number of important landmark site installations.

The Triangle in Swindon is a project that will see the construction of 42 new homes designed to meet Level 4 of the Code for Sustainable Homes. The homes, being delivered by Hab Oakus, the joint venture between Kevin McCloud's company Hab and housing group GreenSquare, are being built using Tradical Hemcrete from Lime Technology. The main contractor is Willmott Dixon Housing.

A new 195,000 sq ft Marks & Spencer store in Cheshire Oaks is being built using Hemclad, Lime Technology's innovative prefabricated wall panel system. Offering the cost effective and fast track construction credentials associated with offsite construction, its USP is the fact that it offers high levels of insulation, thermal inertia and negative embodied carbon. Once completed, the store, which has been designed by architects Aukett Fitzroy Robinson and is being built by main contractors Simons Group, will be Marks and Spencer's largest outside of London.

CSA caught the enthusiasm of the Lime Technology management team, particularly the company's commitment to quality, design innovation and low-carbon efficiency.

John Glencross, said of the commercial due diligence; "CSA communicated well, keeping us informed about progress and the potential issues as they arose. They provided valuable insight and their analysis was backed up by good supporting evidence and thorough referencing."

Mike Eberlin commented; "The CDD provided some strong, independent opinion about the competitive structure of the building materials sector and the forces shaping the opportunities for thermally efficient and carbon neutral building systems. In particular, the CDD gave valuable insight into the image and strengths of the company, as seen through our customers' eyes. I and our management team viewed the outcome very positively."

***David McClelland** is Director of Carlton Strategy Advisors Ltd. CSA is a commercial due diligence and business strategy consultancy, with clients across the Private Equity, Bank and Corporate sectors.*