

Q&A: Tim Smith, chair of Total Rail Solutions

Tim Smith initially partnered with Rutland as CEO of equipment hire business Brandon Hire, and is now chairman of another Rutland investment, Total Rail Solutions.



At the time of the Brandon Hire sale in 2010, what were your initial thoughts on partnering with a financial backer as opposed to a trade buyer?

“Brandon Hire had been owned by Wolseley for around three years at the time and there were two clear options in the 2010 sale process: a trade buyer, or a private equity investor. If we had gone to trade, the likely outcome was that the business would have been part of a consolidation process, and that didn't seem right to us given our Wolseley experience. Brandon Hire was a strong, vibrant business that deserved to stand on its own. The preferred option was to find the right financial backer to keep climbing out of the global financial crisis and give the business the oxygen it needed to reach its full potential.

But the sale process involved significant complexity, from dealing with TUP transfers to the fact that 40 sites were co-located with Wolseley facilities. During the discussions, it quickly became clear that Rutland understood these factors; and where other PE houses just saw risk and difficulty, Rutland saw opportunities. They had the rationale and vision to figure out how value could be created from these uncertainties.”

How did the relationship develop throughout Rutland's investment in Brandon Hire?

“Regardless of how healthy a business is to start with - as Brandon Hire was when Rutland invested - all relationships between management and PE owners can be tested over time. A month into the partnership, our largest customer unexpectedly went into administration. That would strain any relationship between financial owner and managers! But because we had been open and transparent before and after the deal, Rutland trusted us to deal with it as best as we could and did not panic. Furthermore, as the business developed and we wanted to take on new initiatives, Rutland immediately knew what needed to be done. This is actually testament to their pre-deal approach and work ethic: they had done more homework than others during the process. They asked the

questions that we would have asked as managers, and made the effort properly to understand the business and the market. Larger PE houses may boast dedicated sector teams or have specialists for the diligence but it becomes much less personal, whereas the partners at Rutland get to know the nuts and bolts of a specific business and stay involved throughout.”

Although Brandon Hire is no longer in Rutland's portfolio, the relationship continues as you are now chair of Total Rail Solutions (TRS), another Rutland investment - how did that opportunity come about and why did you choose to stay involved with them?

“I stayed in touch with Rutland following the sale of Brandon Hire in late 2017, and they asked for advice on some of the investment ideas they were looking at. In the summer of 2018, we started talking about the TRS opportunity and I became involved in the early stages of that. Rutland would be investing in a new sector and in a business where the owner would leave on day one; they needed someone they knew and trusted to be involved, right from the start. I realised I had learned a lot from partnering with Rutland and seeing how they work on the Board of a business - it made the transition from CEO to non-exec a natural step. Perhaps, without ever doing it deliberately, working with Rutland resulted in significant management development for me.”

What key piece of advice would you give to other managers who may be thinking of partnering with a private equity backer?

“Without a doubt: find the PE house that is the best fit for the business you are running. They are all different and if you are not honest about the nature of the company and the challenges ahead, you will end up with a mismatch - not necessarily a bad PE house per se, but the wrong one for management and the business. Managers must also make the transition from running a business to also leading an investment; they do not necessarily conflict but you can't be totally blind to the investment aspect, or you'll always run into bumps down the road.”

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