

# Reaching full potential: The Millbrook story

Even for Rutland Partners, few deals come as complex as Millbrook – but rebuilding the testing and engineering business as a standalone entity delivered strong results in record time

**C**arve-outs are some of the most complex and potentially perilous investments private equity players can undertake. Turning a captive business into a standalone entity not only requires dealing with countless day-to-day practical issues, but also often calls for a complete culture change at all levels within the organisation. When Rutland came across the opportunity to invest in Millbrook in 2013, the team immediately saw that the potential of the underinvested business would be worth the hard work.

Founded in 1968, Bedford headquartered Millbrook is one of Europe's leading test, validation and engineering service providers, mainly serving the automotive industry. Although profitable and at the cutting edge of its market from an engineering point of view, it was seen as a non-core business by its parent company General Motors (GM) and had received limited focus for a number of years before GM eventually put it up for sale.

"It was a long and complex process," says David Wardrop. "The people that would have ordinarily been attracted to the business – a lot of the trade buyers and some private equity buyers – were put off by that day-one complexity, from issues in physically carving out the business to dealing with Millbrook's initial commercial reliance on GM."



During the process, Rutland quickly identified that successfully developing an independent business would require a different, more outwardly focused culture within Millbrook, partnering with a management team fully in line with Rutland's owner-manager ethos.

With a perfect mix of engineering experience and business acumen gained as CEO of the Williams F1 team, Alex Burns certainly fitted the bill. He immediately engaged with Rutland to map the way forward for Millbrook: "I was impressed by Rutland's depth of knowledge on the business, their openness in discussing the challenges ahead, and their commitment to rebuilding the business properly, in a sustainable way," he recalls. With

*We are much more the friends of management – we get to know them thoroughly and have to support their plans, plugging the gaps where necessary. You can only do that if you are very close to the businesses day to day*

**Alex Burns, CEO, Millbrook**

Burns taking the lead as CEO, the core operational team was further bolstered with a new COO, financial director and commercial director.

## **Running start**

Establishing Millbrook as a standalone entity and putting in place a highly motivated team to lead the business was only half the challenge. Even as a self-contained facility, Millbrook had always been an in-house operation with over half of the company's sales coming directly from GM. Post-sale, the site was to initially remain a material supplier to its former parent, with on-going supply arrangements needing to be agreed – but building up a third-party client base would be essential to its long-term survival. "Our biggest challenge was to replace the business generated by GM, who had always been open about the fact they would move that activity back in-house in due course," says Burns.

This required immediate action, with Rutland involved at each step of the way from strategy to implementation.



*On acquisition, Millbrook was a unique but underutilised facility, with great unrealised potential. A clear vision for the business, and working hard to deliver that vision, was key to completing both the original acquisition as well as delivering the returns achieved*

**David Wardrop, partner**

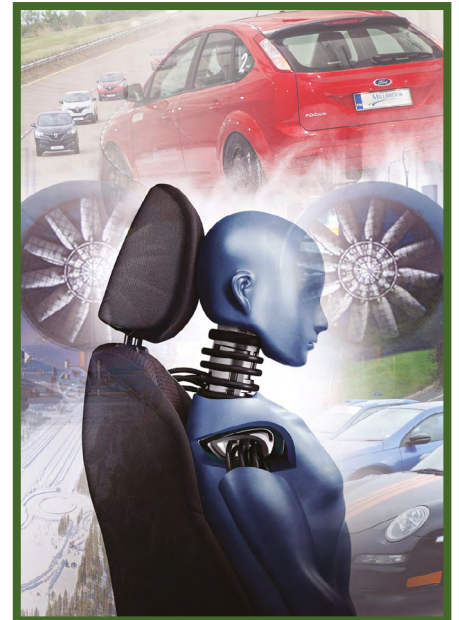
“We had to be clear about our plan and strategy from the outset,” says Wardrop. “We invested a lot of time and capital to reshape it from a company that was focused on its parent into one looking to capitalise on the market opportunity ahead of it.” That involved building a new sales and business development organisation with a 20-strong team that proactively targeted new and existing customers, including those who would not have historically traded with a GM facility.

Rutland also realised early on that internationalisation would play a key part in achieving this objective. Millbrook had historically been primarily-UK focused, and reaching out to a more international client base would naturally help in replacing the GM revenues and ultimately open new avenues for growth. That investment in the sales team included establishing sales representation overseas, with the business soon active in India, China, Japan, Turkey, the UAE and Germany.

**Future-proofing**

With Millbrook primed to reach out to customers across the world, significant investment was made in the facilities to take the business forward into new testing areas – notably linked to changing emissions legislation. Rutland supported the company with £24m of capital expenditure committed to expand capacity and capability; this was also complemented by the acquisition of Test World, a Finland-based winter vehicle and tyre testing business located within the Arctic circle, in 2015.

Beyond providing investment, Rutland also remained at the side of management along the way to help them navigate the challenges faced by a newly independent business. “Coming from a completely different ownership culture and having not seen significant investment for a number of years, the business didn’t have proper processes in place to assess capex projects, which raised such issues as how do you put these in place, how you track progress over time, etc. Rutland’s role was to bring that experience to complement the team’s skills,” says Wardrop. With Rutland’s assistance, a number of operational improvements were therefore driven through each of the facilities, improving utilisation and productivity as well as increasing margins.



The hard work certainly paid off. Millbrook managed to replace the share of revenues generated by GM within the space of two years – and by the final year of Rutland’s holding in 2016, Millbrook had a number of large automotive clients committing to multi-year contracts across a whole range of different services, leading to a sustained rate of growth and improved profitability. With third party revenues as the main driver of performance, EBITDA grew significantly, with a three-fold increase in the group’s underlying earnings enabling a very profitable exit for all parties in 2016.

