

Pizza Hut: Rising to the challenge

Catalyst for Change from navigating a challenging franchise framework to invest in and then completely rejuvenate the brand and all aspects of its restaurant experience, Pizza Hut UK stands out as an incredible investment story for Rutland.

With 270 restaurants across the UK, employing a workforce of more than 8,000 people, when Rutland sold Pizza Hut Restaurants in 2018, it was a major and successful player in the UK casual dining space, and remains so, despite the sector being under huge pressure and with many failing concepts. This is testament to the strength of its recovery under Rutland's ownership. But go back seven years and the beloved chain was struggling to keep its head above water. "The brand had been declining for close to 10 years and we were really getting into the danger zone," says CEO Jens Hofma, a food industry veteran who had been brought in by franchise owner Yum! Brands in 2009 to help turn the business around.

While Jens and his team had a vision for the business that would reconnect with customers of a modern generation it became increasingly clear that significant investment – and more autonomy from the Yum! group – would be needed to test and then implement this vision.



Rutland acquired the business in 2012, making a significant equity injection into the company and renegotiating the franchise with Yum!. Rutland looked beyond the complexity of the deal process and saw the quality of Pizza Hut's management and the brand's proven heritage as the deciding factors for investing: "When we look at something that has underperformed, we always ask ourselves if it is structural or market related, or more fundamental issues within the control of management. Pizza Hut was a business that had loyal customers, was still generating substantial revenues and a brand that was iconic. However, through ten years of lack of investment in a booming casual dining sector it had become tired and was losing relevance for a modern consumer," says Nick Morrill (see over).

“Rutland stood out above everyone else in the run-up to the deal; they weren't the highest bidder but navigated the complexity brilliantly

Jens Hofma, Pizza Hut UK

Strong base

Recognising the potential of the management team's plan, Rutland immediately sought to address two obstacles. The first was to use the cash flow generated by changes to the franchise arrangements to create a larger pool of capital alongside its own equity injection to drive a comprehensive three-year repositioning of the estate. Next on the menu was overhauling the business's culture of heavy discounting and special offers. "One of the most important things we did in that first year was persuading the management team to turn the discounting taps off," says Morrill. "Sales had to be allowed to fall in the short term to enable a much more realistic baseline for the business plan by which we could judge performance improvements and future investment."



“Jens and the team were very good at doing the heavy analytical work on a site by site basis. Our job at Rutland was to make that process more efficient, more commercially driven to drive sustainable performance and investment returns

Nick Morrill, managing partner

After many months of planning and testing, the freed-up capacity allowed the business to go full steam ahead with the development and roll-out of new restaurant concepts.

"We wanted to go back to our 80s/90s roots, but not just rely on that nostalgia factor," says Hofma. "We reimaged the restaurants and menus in an unapologetically American way, not to try and compete with the more 'culinary' approach favoured by other pizza concepts. That included everything, from the food to the atmosphere, the approach to service, etc." The refurbishment of the entire restaurant estate included the introduction of bars in certain flagship Huts for the first time, as well as a completely new menu with new items including fries, ribs, jalapeno poppers and fried pickles.

Pizza Hut went from loss-making to generating in excess of £230m in sales and £20m in EBITDA



Turning up the heat

Rutland closely supported the evolution of the repositioning with often detailed information packs prepared by management on individual site refurbishments – bringing home a deep understanding of the complexity of their business and the considerations for a great restaurant. "Rutland gave us the time to figure things out, and the confidence to try new ideas. But they were also very good at keeping us on track and making sure we didn't get distracted," Hofma adds. "When you grow up in a corporate ownership environment, you tend to focus on immediate results. Rutland encouraged us to take some short-term pain to achieve longer-term goals."

The hard work and bold decisions taken in the first months of our partnership paid off, bolstered by Rutland's overall £60m capital injection: the business turned from loss-making to one generating in excess of £230m in sales and £20m in EBITDA, creating many new jobs across the country along the way. As the new restaurant concepts were successfully rolled out, Rutland also supported significant investment in training, service and team culture, notably setting out an ambitious employee engagement programme making full use of social media.

Rutland helped management to switch to an owner/manager bottom-line mindset that was new and clearly empowered the Pizza Hut leadership team and which has sustained them going forward as the new independent owners of the business post Rutland's exit.