

The Rutland way

In a market now served by a vast number of financial backers, Rutland puts an emphasis on impacting concrete, positive change in businesses that need help to fulfil their true potential.

With roots going back 30 years, when Rutland started life as a public company, the firm has used these decades of experience to refine their contribution to the UK mid-market space. In that time, the country's private equity market has grown exponentially, from specialist distressed investors to large funds focusing mainly on predictable, cash generative business models. Instead, Rutland has chosen to focus on a still underserved area of the market: investing in potentially good businesses, but those that need to change or adapt to reach their full potential. "That is a different model compared to traditional private equity: 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," says Nick Morrill.



Complexity as opportunity

With a well-established profile, and deeply embedded in the UK's financial advisory community, Rutland's team will consider more than 250 investment opportunities in any given year across a wide variety of investment scenarios: MBOs, MBIs, IBOs, P2Ps, complex carve-outs, replacement capital, etc. Ultimately, Rutland will only transact in a small number, providing equity tickets in the £10-50m range for businesses valued between £20-150m.

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Nick Morrill, managing partner

Given that the companies Rutland looks to back need much more than just capital to thrive, this degree of selection is paramount. This is especially true in the new post financial crisis/Covid environment, when companies cannot just rely on the rising tide of a booming economy to keep growing or even stay afloat. Where other private equity firms might look for market growth to justify their investment, Rutland will look to the inherent potential in the business for improved performance.

The first two areas Rutland focusses on is the scale of the business and the resilience of its market. The team then considers what the fundamental change opportunity is: this could be anything from a transition process, to an in-depth restructuring or a carve-out from a larger structure. This allows the team to work closely with management to gauge the inherent level of complexity and change needed in any potential investment.

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Oliver Jones, partner

The process requires significant time and effort, in order to understand both the intricacies of a particular business and the wider drivers at play in the market it operates in. However, it doesn't mean that Rutland avoids all elements of risk: the key aim for Rutland's investment team (supported by specialist advisers where necessary) is to understand where these risks lie, and how to mitigate and control them going forward.

Enacting change

Once Rutland spots the potential of an investment opportunity, the first step is always to ensure there is financial stability. "Some of the businesses we invest in will have come from a background of stress or relative underperformance, so we need to ensure they have a strong balance sheet, an adequate amount of cash, and more importantly headroom over the period of enacting a plan," says Oliver Jones.

Once this is in place, Rutland agrees with management a clear suite of controllable actions that are needed to deliver the change within the investment period. The goal is to start acting on these priorities during the first 100-day period of the investment and lay the groundwork for future growth as quickly as possible.



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Ben Slatter, partner

Unlocking growth

Once the groundwork is laid, what follows is often an intensive transformational phase, lasting from 6 to 18 months, where the bulk of the changes are implemented. Again, flexibility is key. "No two investments are the same – some need more investment down the line, some are suitable for bolt-on acquisitions," continues Slatter. "Our role is to continue providing support to the management team to help them with whatever the business needs, be it as a financial backer or as a strategic partner to think through opportunities and react to unforeseen events."

Rutland will ultimately look to achieve its objectives and exit their investment over a three or four year timescale, depending on the pace at which transformation can take place sustainably. The time and actions needed might vary from business to business, but the result of a successful Rutland investment will always remain the same: a reinvigorated business led by a motivated management team, with healthy financial foundations and a clear path for future growth.

These strong fundamentals mean that the next ownership step for the business can remain wide open. Rutland's past investments have proven highly attractive to mainstream mid-market private equity funds and trade buyers alike, and some of the management teams have even been empowered to gain control of their business in its next growth stage as owner/managers.

