CASE STUDY: ATTENDS HEALTHCARE

RUTLAND PARTNERS

A credible brand made better by modernisation

Attends Healthcare was a leading player in its market and very well respected for technical excellence. But it was in grave danger of being left behind by a dynamic and fast changing market. Demand was moving from an institutional customer base to a retail and pharmacy market with some very different demands...

Meeting strategic challenges head on

Attends Healthcare needed a hands on investor with the courage and commitment to tackle multiple challenges simultaneously. Rutland already had a reputation for doing just that. Operational re-structuring was needed to lower costs, upgrade the product portfolio, win new customers and create a modern and highly efficient production facility.

The Attends product portfolio was focused on the incontinence product needs of a low margin and declining institutional market. The dynamic and fast growing market of primarily female buyers was for light to moderate pads and pull-ons; Attends needed market-leading products in these areas fast. For that it required a new high-speed production line that would cost in the region of €15m and take nearly two years from order to install date.

Making it work

In addition to the new production line, Rutland committed to warehouse system upgrades, line rationalisation projects, de-bottlenecking of lines and initiatives to speed up lines. Reduced headcount and supply chain management improvements provided immediate cost reductions whilst the new manufacturing capabilities took shape. Rutland also managed to put in place a new strategic sourcing agreement for the high margin pull-on product, achieving significant savings. 90% of product portfolio branding was revised for the new market.

Along the way there were severe challenges to this strategy. Volatility in raw material and foreign exchange markets threatened to rock the boat – only vigilant tracking and decisive action protected the business from extreme price movements. The Bank syndicate had to be kept on side whilst profits were depressed in the short term. One bank failed and Rutland also injected further capital to provide the required headroom to finish the projects. To further complicate matters the machine supplier for the new line was itself experiencing financial difficulties and Attends had to renegotiate terms and takedelivery early. The workforce in the Swedish plant was also unionised and delicate negotiations were needed to reduce headcount.

Keeping our nerve

Having weathered a 'perfect storm' of trading issues, Rutland also had to handle a high-energy management team and some misaligned incentive issues and bonus schemes across the business. A 'one business' incentivisation scheme and equity options for 40 second tier managers improved staff retention, set clearer goals and enhanced motivation.

In January 2012 the Canadian Domtar Corporation bought Attends for €180m. This enabled them to align the Attends US business they already owned with the European divisions. During Rutland's investment, Attends' turnover rose from €126m to €140m and earnings before interest, tax, depreciation and amortisation rose from
€15.8m to €23.0m. The return on the original investment after paying back bank debt and other costs was 3.3x the equity investment of £26.4m. But most importantly Domtar acquired a robust business with a world-class facility, strong management and products on a high growth trend.

"Rutland understood our need for a broad restructuring of the Attends business. their operational focus has made them a strong and supportive investor through a period of significant change".

James Steele, CEO of Attends Healthcare