

CASE STUDY: BRANDON HIRE



A reshaped national business for local markets

Brandon Hire is a leading UK tool and equipment hire company employing over 900 people, which operates across more than 140 branches throughout England, Scotland and Wales. The complex carve-out of the business from Wolseley plc (now Ferguson plc) took some eighteen months to complete with Brandon Hire restructured and new branches opened.

A difficult history

Brandon Hire had experienced a challenging trading period under Wolseley's ownership with a slow integration into its existing tool hire operations plus unnecessary inefficiencies in processes. In addition, the situation was further aggravated by the downturn in 2008/09, which materially impacted performance.

Understanding the carve-out of the business from Wolseley was integral to assessing the Brandon opportunity and securing the deal. The complex nature of the carve-out was due to a significant number of shared sites with other Wolseley businesses as well as other issues regarding pensions, the transfer of employees and services; IT, property, health and safety, HR and finance operations. However, underneath the complexity, Brandon was an attractive investment opportunity.

A leading industry player

Brandon Hire was an established business with a clear market niche, focused on tool hire to the local and SME market. Brandon Hire already had a loyal customer base trading with approximately 30,000 regular customers and less price sensitive with no reliance on any single customer. Operating from a nationwide depot network gave Brandon the edge over its' competitors who were largely independent operators who lacked the breadth and depth of equipment offered by Brandon Hire. Brandon Hire's fleet was also very well invested with the potential for strong cash generation and an ability to flex fleet investment in response to changes in market conditions. The company additionally benefitted from a strong incumbent CEO, in Tim Smith, to lead the recovery plan for the business.

Post Wolseley

Following a successful, clean separation from Wolseley, exiting shared sites whilst retaining the bulk of the revenues and key clients, Brandon Hire emerged independent and standalone under a refocused brand with a strategy to further develop the company as the leading national player focused on the local market.

Asset efficiency and utilisation was also improved with strong focus on local repair and maintenance, generating market leading returns on capital with strong investment paybacks. This, amongst other projects and margin initiatives, helped the business generate substantial levels of free cash flow.

Bolt-on acquisitions were also considered during the life cycle of the investment to strengthen and broaden Brandon's offering. Rutland assisted the company in acquiring and successfully integrating Phoenix Surveying Equipment, which broadened Brandon's offering into the specialist survey equipment market.

In addition, the management team was strengthened with the appointment of new Finance and Commercial Directors and by continuing to empower management and challenge decision-making processes post Wolseley's corporate ownership the company was returned to growth.

A Successful Exit

The successful implementation of the Group's strategy following the complex carve-out from Wolseley, enabled Brandon Hire to achieve a c.65% increase in earnings with substantial levels of cash generation during Rutland's ownership.

A strong reputation in the marketplace as a well-run, well-positioned business, which remained highly invested made Brandon Hire attractive strategically to a wide range of buyers, including competitors, building material groups, plant hire operators and financial buyers, and in November 2017 Rutland completed the sale of Brandon Hire to Vp plc, a UK listed specialist rental group.

The sale expanded Vp's existing tool hire offering and the consideration represented an enterprise value of £69m, which in turn represented a 2.6x money multiple return and a 22% IRR.

"Rutland asked the questions that we would have asked as managers, and made the effort to properly understand the business and the market."

Tim Smith, CEO