CASE STUDY:
HEREFORD CONTRACT CANNING

RUTLAND PARTNERS

Its in the can for Rutland Partners

Hereford Contract Canning (HCC) is a leading independent third-party canning business, providing beverage mixing and canning services to some of the largest consumer brands and own label suppliers in the UK. The company was established in 2009 by vendors who needed their own in-house canning operation and saw underlying demand for an independent canning operator servicing short to medium length runs to an underserved sector.

Rapid growth

The business grew steadily from formation, driven largely by the owners branded drinks business. However, the proliferation of drinks brands in line with rising consumption of craft-orientated products and the industry-wide focus on reducing plastic created a different opportunity difficult to achieve with a heavy reliance on a major branded drinks customer. Despite incremental investment, demand continued to outrun supply leading to many potential opportunities being turned down.

Whilst the business had looked to invest ahead of demand through improved line capacity, HCC reached a point where it required an experience partner to provide strategic and financial direction, guidance around investment in a second line, people, systems and processes in order to enable it to cope with the increase in scale and market opportunity.

Investment rationale

Rutland was attracted to HCC due to its market leading and defensible position in an underserved sector, underpinned by a strong reputation for quality and flexibility. It was operating at capacity but, with the maturation of existing capex and the addition of a new higher capacity line, there was the potential to create a scale business in an attractive niche.

Couple this with a new, high calibre management team led by Julian Aitken (CEO) and Robert Leechman (Chairman), both of whom have excellent pedigrees in the broader beverage market, and the operational expertise Rutland brings, the business would be able to develop into a standalone market leader in its niche. It also offered exciting strategic and financial exit options given the supply/demand imbalance, projected market growth and the prospect to build scale further.

Value creation

Creating value in HCC is all about transition. Rutland has addressed its historic dependencies through new management and a different culture. It has focused on broadening the sales base to be the dominant operator in its market niche allowing it to attract high profile customers and secure better margins and efficiencies. In doing so it enables the building out of a balanced and fully utilised line one, necessitating a second line and possibly a third line, thereby enhancing exit options.

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