# Built to last

Building services are often resilient in the face of economic downturns, but pressure on profits may affect valuations. However, specialists and market-leaders in defined sub-sectors can buck the trend. As three recent deals illustrate, high quality businesses will always attract serious interest.

**It was a question of succession** that prompted the shareholders of building services consultancy Roger Preston & Partners (RPP) to seek an exit, appointing Livingstone's Business Services sector team to identify a strategic partner.

"The technical consultancy market – architects, engineers, project managers and environmental experts – has been consolidating quite rapidly in the last few years," says Livingstone deal leader Kristian Gavan. "Recognising that several of its partners were approaching retirement age, RPP saw an opportunity to realise an attractive value, address the issue of management succession, and put the business into the hands of a larger group, who could take it to the next level of growth and development."

RPP's specialist focus and expertise, and its strong track record of exceptional quality work, made it an attractive acquisition target.

Headquartered in Maidenhead and with a substantial presence in Poland, it is one of the world's leading independent engineering consultancies specialising in the design of a building's internal systems. A recognised expert in vertical transportation, heating, cooling, electrical power, lighting and IT, it has a particular focus on designing sustainable buildings through energy-efficient and environmentally friendly systems. Trusted by renowned architects such as Foster & Partners, RPP consultants have worked on numerous high profile projects, including the Commerzbank headquarters in Frankfurt, Europe's tallest building, and the HSBC headquarters building in Hong Kong.

With this focus on high-profile and value-added areas, the business attracted significant interest from a number of suitors. Grontmij, the fifth largest environmental and engineering consultancy in Europe, rapidly emerged as the preferred bidder, with a strong strategic rationale for the aquisition. Derek Tuddenham, managing director of RPP, is confident it is an excellent fit.

"We are an environmental and building services consultancy and, while Grontmij has a strong capability in these areas in Europe, it didn't have a specialist presence in the UK," he says. "We are the missing piece to their jigsaw."

Grontmij clearly agreed, placing a value of up to £16.5m ($30m) on RPP. Gavan sees additional benefits for the buyer, saying, "Grontmij is buying a pool of highly experienced, qualified engineers, as well as RPP's track record and fantastic reputation. The firm's increasingly important input to rigourous planning requirements – that new buildings be truly sustainable – will also give Grontmij a valuable insight into the earliest stages in new projects."

## WIRED

Management succession was also the driver behind another recent transaction in the Business Services sector, despite gloomy market conditions. Founded in 1971, EIC is now a leading provider of mechanical and electrical contracting services, and test and maintenance solutions, to the likes of Tesco and Marks & Spencer as well as the public sector.

Although not traditionally considered a particularly niche sub-sector, EIC attracted high levels of interest. "It has a very strong client base," explains Livingstone's Graham Carberry. "It works with sectors that appeal to investors, such as food retail, where consumer spending is less discretionary, and schools, where the government is committed to levels of investment."

It is also the leader in its field. According to Ian Lyall, joint managing director, EIC's consistent focus on efficiency, even in buoyant trading times, helped to make it attractive. "We have always run our business as though recession were just around the corner," he explains. "If it comes, our staff and systems should be well prepared and will stand fast." When it comes to margins, for example, "the difference between an efficient and a non-

### DEAL AT A GLANCE

**Deal**
Roger Preston & Partners

**Client**
Shareholders/ partners

**Activity**
Building services consultants – specialising in high-rise and sustainable projects

**Deal type**
Company sale

**Deal value**
Up to £16.5m ($30.m)

### DEAL AT A GLANCE

**Deal**
EIC

**Client**
Private shareholders

**Activity**
Design, installation and maintenance of mechanical and electrical systems

**Deal type**
BIMBO

**Deal value**
£40m ($73.6m)

### DEAL AT A GLANCE

**Deal**
Hamworthy Heating

**Client**
Private shareholders

**Activity**
Independent provider of commercial boilers

**Deal type**
PE exit

**Deal value**
Undisclosed

efficient business is about two per cent. We've always had that buffer there should we need it."

With only one of the three founders still on the board and the company's shares dispersed among numerous family members, the time was right to rationalise the shareholder base and seek a partner to inject new capital to the business to help fuel its further development, organically and through acquisition. Livingstone investigated the options, considering sales to both trade and private equity.

The outcome was a BIMBO – a buy-in management buy-out. Trans-Atlantic private equity investor MML Capital Partners (MML) backed the incumbent management team, led by Ian Lyall and Nigel Le Marechal, as they acquired the business for £40m ($73.6m). Although Lyall and Le Marechal were existing shareholders, and have retained an equity stake in EIC, the deal also gave other members of the team the opportunity to acquire shares.

"We enjoy helping family-owned businesses to realise their objectives," says Livingstone partner Phillip McCreanor. "This deal has allowed Ian and Nigel to stay involved in the company that their fathers started and to restructure the shareholder base to facilitate the exciting growth plans of the management team. EIC also remains an independent company – its brand and reputation for quality live on."

As well as advising the vendor shareholders, Livingstone introduced a new chairman to EIC, namely Chris Woodwark, former chairman of Rolls Royce and one of Livingstone's own industry advisers. MML has also appointed a new finance director, Martin Glanfield. The EIC team were delighted with the outcome. "I'd give Livingstone 11 out of 10," Lyall says. "They achieved a deal that was in the best interests of the business."

Likewise, MML has no doubts about the quality of the business it has backed. "This is a fantastic opportunity to support a management team who have successfully grown EIC through a relentless focus on service and quality," says MML partner Ian Wallis.

## TESTING THE WATER

Specialist manufacturers have long been of interest to private equity investors, as the history of Hamworthy Heating illustrates. Hamworthy is one of the UK's leading providers of commercial boilers. In 2001, NBGI Private Equity backed the management team in an MBO, subsequently strengthening the business with the appointment of Nick Templeton-Ward as chairman and Andy Moore as finance director in 2005.

Since then, Hamworthy has gone from strength to strength and gained a reputation for premium quality, innovative technology and high levels of service and aftersales care.

When NBGI decided to sell the business to a successor that could help take its growth even further, this reputation and high quality proved key in attracting interest in a difficult economic environment.

"Hamworthy has a great brand and, through that, a strong position in quite a niche market," says NBGI director Richard Morley. "We were, therefore, confident that we could achieve a good result in a sale."

This confidence proved well founded, with a sale to French heating and ventilation business Groupe Atlantic. "Despite the UK economy, we were able to achieve a good deal," says Livingstone deal leader Kristian Gavan. "Hamworthy is a first class brand, and is respected and revered throughout the industry," he explains. "It also has a flexible manufacturing model: buying in component parts to deliver the benefits offered by low cost countries at the highest quality.

All high value-add work, such as testing and product development, is located in the UK. Put that business model and its high margins together with the cracking brand, and you have a very attractive opportunity."

Interest in Hamworthy came both from private equity and trade suitors, but Groupe Atlantic was considered the best home for the business. "It has a multi-territory and multi-fuel strategy," says Gavan, "and operates a highly compatible outsourced manufacturing model."

Hamworthy chairman Templeton-Ward agrees: "Combining Hamworthy's expertise with that of Groupe Atlantic will benefit both the market and our customers. We're delighted to have sold to an organisation with such an established pedigree in the industry."

NBGI's interest in the sector has been vindicated: "The investment proved a very successful one for our fund – we made six times our money," Morley notes.

Clearly, a great reputation and strong financial performance are invaluable in attracting interest and a great price. As these deals demonstrate, if a business is good enough, you can buck any trend.

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