

Rejuvenating a favourite brand

In 2003, long-established tool hire company HSS was an overly complex business delivering poor results. By 2007, a partnership with 3i had enabled HSS to streamline its operations, restore financial health and resume growth.

Rich heritage: weak performance

HSS evolved from Britain's first dedicated tool hire shop, which opened in London in 1957 to serve DIY enthusiasts and local tradesmen. In the decades that followed, HSS built a well-loved brand that operated through 550 outlets across the UK. As it grew, HSS diversified its product range, developed internationally and expanded its customer base to include major construction and facilities management companies.

By 2003, HSS had been owned for 10 years by textile maintenance giant, The Davis Service Group. Davis was looking to sell HSS for two reasons: it was a non-core business and trends in its turnover and profitability were weak. When Davis invited 3i to review HSS, the full extent of the problems became clear – the UK operations were unnecessarily complex, while the extensive US network was haemorrhaging cash.

Clear potential under fresh leadership

3i acquired HSS in January 2004 for €211m. Despite the underperformance, 3i's David Osborne had confidence in HSS's future: "We saw clear turnaround potential, based on several fundamentals: the tool hire market was growing at 6% a year, HSS was a strong brand and the company had great sites and industry-leading systems. Provided we could simplify and reposition the business, it clearly had huge scope."

Four key appointments were made from 3i's extensive People Programmes network to help lead the revival of HSS. Alan Peterson – 3i Industrialist in Residence and former CEO of Meyer International – became Chairman. He was supported by a new Chief Executive, Paul Nolan, and new finance and commercial directors. Together the quartet brought a unique blend of operational and turnaround skills, allied to deep experience of the building services industry.



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Alan Peterson, Chairman, HSS

Simplifying and streamlining the business

HSS's poorly performing operations in the US and Germany were sold at an early stage, freeing the leadership team to focus on the UK business. Throughout 2004 and 2005, the emphasis was firmly on streamlining, as Alan Peterson recalls: “HSS had a number of specialty divisions that took it into non-core activities, such as event hire. The divisions often had their own sites and sales teams, and didn't coordinate well. It was complex to manage, it eroded margins and it confused the customer.”

“To protect profitability, we tightened cost control, pruned the product range and reduced the number of branches to 300. We also launched an empowerment programme to enhance customer care, and altered our distribution model – major clients no longer expect to collect equipment, they expect tools to be delivered.”

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Planning for growth

With the decline in profitability successfully reversed, the focus turned to growth. In September 2006, a new CEO, Chris Davies, joined the business and put together a plan to guide the company's vigorous expansion through to the end of 2009.

A key element of the plan is an increase in 'Premier Centres' – large regional depots that promote greater stock availability and simpler logistics. This will help HSS enhance service to the business customers who now make up 90% of its turnover, including giants such as Network Rail and Alfred McAlpine. At the same time, a revamped website is enabling HSS to give smaller customers a better service online.

Moving forward under new ownership

The stabilisation and growth measures clearly showed in the company's performance. In 2006, turnover was almost 15% higher than it had been in 2003, while EBITDA had risen by a third. At the same time, the workforce had grown by nearly 5% and market share had reached 18%. The company's rejuvenation was confirmed when HSS was named Hire Company of the Year 2006 by the Hire Association Europe.

Following the successful repositioning of HSS, the time was right to pursue its growth plan under new ownership. In June 2007, HSS was acquired for €456m by Och-Ziff Capital Management, in partnership with Aurigo, an investment vehicle led by ex-Asda CEO and Chairman, Archie Norman. The sale delivered an IRR of 61% and an impressive 4.4x money multiple to 3i and positioned HSS for further success, guided by Archie Norman's proven expertise in growing multi-site retail businesses. The existing management team, led by Chris Davies will remain in place to take the business forwards.

For more information about HSS, visit: www.hss.com



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