Rutland Partners disposes of Interfloor

Rutland Partners, the UK private equity partnership, has agreed the sale of Interfloor Group Limited to a management team backed by European Acquisition Capital in a secondary buy-out for a consideration of £84.1 million.

Interfloor is the largest manufacturer of carpet and laminate underlay and related products in Europe, having the leading position in the mature UK sponge underlay market, with total UK sales of £122 million.

Rutland formed Interfloor in May 2002 following the simultaneous acquisitions of Duralay from Cinven and Gates Consumer and Industrial from Tomkins plc for a combined purchase price of £60 million (excluding transaction costs). The original acquisition was funded with £21.2 million of equity from the Fund and £42 million of debt.

Kaupthing Bank was the Senior Debt provider.

Hutton Collins & Company, the UK provider of mezzanine and preferred equity capital, supported the acquisition.

Matthew Collins, co-founder of Hutton Collins, said: "We are very pleased to be investing alongside EAC, Phil Reeder and his team in the acquisition of Interfloor. Phil has an outstanding track record in leading established manufacturing businesses and we are excited about the opportunities for value creation that this transaction presents."

Bisham Consulting was responsible for reviewing Interfloor's logistics operations including customer service, transport, warehousing and inventory.

Neil Middleton, who led the Bisham team, said: "The objective was to develop a logistics strategy which would improve customer service while reducing operating costs over the medium-term. The strategy work included a practical implementation plan to deliver the planned operational improvements.

"It is a challenge in most businesses to improve customer service while remaining cost efficient, especially in demanding retail and wholesale markets. In the case of Interfloor, it is the nature of the product which adds complexity to the operation. Flooring is made up of large, awkward items which are intrinsically difficult to handle along the supply chain. Improving the flow of goods is a key element in providing better customer service and it was meeting this challenge which made the transaction so interesting for us."

Ian Kennett and Brian Morgan of Heath Lambert provided risk and insurance (including pensions) due diligence to EAC.

Mr Kennett said: "We had to ensure that the key business issues and liabilities were highlighted and that an appropriate insurance programme was in place which satisfied the respective financial parties. We were pleased to be able to work closely with EAC to both reduce expenditure in the general insurance area and provide a review of the pensions, an area which is becoming increasingly more important."

ERM acted as environmental, health and safety advisor throughout the transaction.

Andrew Radcliff led the ERM team and explained: "This transaction was particularly interesting from an EHS perspective as some of the key Interfloor operations fall within the recently introduced Integrated Pollution Prevention and Control (IPPC) Regulations. As such, we were required to work closely with the deal team to forecast capital expenditure spend and timeframe, associated with the implementation of that legislation."

Due diligence was provided by LEK Consulting, Heath Lambert and KPMG. Clearwater Corporate Finance advised the EAC Group.

Norton Rose acted as legal adviser to EAC with David Bayliss leading the team. Taylor Wessing and Ernst & Young advised Rutland Partners LLP.

Interfloor secondary buy-out

Private Equity provided by:

EAC

Senior Debt provided by:

KAUPTHING BANK

Mezzanine Finance & Private Equity provided by:

HUTTON COLLINS & COMPANY LIMITED

Financial due diligence provided by:

KPMG

Risk & Insurance due diligence provided by:

Heath Lambert Group

Environmental due diligence provided by:

ERM

Logistics due diligence provided by:

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