

SOVEREIGN CAPITAL

THE UK'S BUY & BUILD SPECIALIST

INVESTING IN **SOcial HOUSING** TO DELIVER VALUE AND BUILD SCALE



SOVEREIGN CAPITAL HAS DEVELOPED AN IN-DEPTH KNOWLEDGE OF THE SOCIAL HOUSING MAINTENANCE MARKET. IT PROVIDES INVESTMENT FOR FABRIC AND GAS MAINTENANCE PROVIDERS TO ENABLE THEM TO BUILD SCALE AND REACH THEIR FULL POTENTIAL.



SOVEREIGN: EXPERTISE, COMMITMENT AND TRACK RECORD OF INVESTING IN THE SOCIAL HOUSING MAINTENANCE MARKET.

Sovereign has built up considerable expertise in this sector through its development of the Kinetics Group since 2006. In this time, revenues and employee numbers have approximately tripled and the Group has won a Silver RoSPA award for occupational health and safety.

In Kinetics, Sovereign have created a unique national provider of high quality social housing and maintenance services that is well positioned to compete for the increasingly larger contracts being awarded by its customers and the growing number of procurement clubs, whilst retaining its regional identity and strong local customer relationships.

The Group has developed through a combination of organic and acquisitive growth. Acquisitions have included the West Midlands groups Sureway and Walmotts and London-based group TA Horn.

TERRY GRIFFIN, FOUNDER OF SUREWAY, EXPLAINS WHY HE CHOSE TO JOIN KINETICS GROUP.

20 years ago, Terry and Paul Griffin set up Sureway to protect the British Gas ethos of putting safety and service at the heart of gas maintenance. They were building a company that, first and foremost, looked after the long-term interests of its customers and employees.

Over time, though, the customer markets consolidated, the contracts got bigger and the margins got smaller. When Sureway lost a contract to a bigger entrant that tendered significantly below-cost, Terry realised that he had to cut costs just to compete. Joining up with another company to achieve economies of scale seemed like the logical next step.

“We began talking to Walmotts, who were themselves in discussion with two private equity companies. One lot were pure numbers people. They weren’t interested in the depth of the company, just the size of the order book. They didn’t seem focused on the people or the health and safety issues.

“Sovereign felt more personal – like they want to make a success of your vision, not impose a vision of their own. We have never been short of advice and support. Everyone’s very positive. They understand our people and that safety is the number one element. Delivery of a safe appliance is the most important thing.

“Paul and myself have carved our business from giving customers a fun and professional experience from the first call to paying the invoice. That’s very important to me. But in today’s world, where costs are a very big driver, you are expected to deliver excellent service at cheaper value. If you stay small, you’d just have to give up. We saw the opportunity to join a bigger group and get the economies of scale to buy raw materials more cheaply and win bigger contracts.”

Terry also sees joining the Kinetics Group as a real positive for his employees. “Before, if you’d wanted to move down south, say, you’d have had to leave and get another job. Now, they have a future with Kinetics wherever they want to work.”

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TERRY GRIFFIN

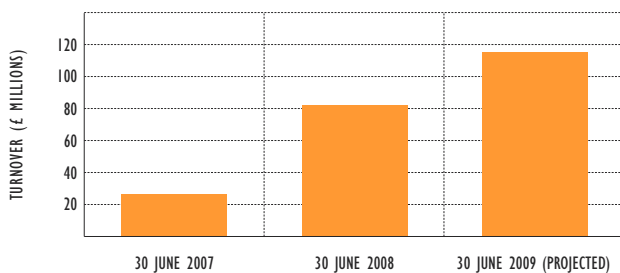
HOW KINETICS HAS DEVELOPED

When Sovereign Capital first invested in Seaflame and Camerons, the foundation companies of the Kinetics Group, in 2006, it committed a further £10m of finance to expand the group.

As a result Sovereign and management have:

- Increased revenues from £32m to over £115m per annum
- Increased employee numbers from 460 to 1250
- Developed the service portfolio to include military housing, NHS and school building maintenance
- Achieved 100% access within the HomeZone Housing Association (Walmotts)
- Scored the highest ranking of any contractor working with the London Borough of Camden, with 97.9% first-time fixes (Seaflame)
- Won a Silver RoSPA Occupational Health and Safety award for the Kinetics Group reflecting the importance placed on robust health and safety management systems and procedures

KINETICS GROUP TURNOVER



“WE HAVE OPEN AND FRANK DISCUSSIONS AND WE GET THE SUPPORT WE NEED TO EVOLVE THE BUSINESS.”

ED HICKEY

ED HICKEY, COMMERCIAL DIRECTOR, GAS FACILITY SERVICES AT TA HORN, EXPLAINS THE BENEFITS OF WORKING WITH THE BROADER KINETICS GROUP AND SOVEREIGN.

Ed joined TA Horn, then an owner-operated company, in 2000. Having been in business since 1957, TA Horn had grown into a £10 million turnover business and had developed strong customer relationships in and around the London social housing market.

When TA Horn joined Kinetics in June 2007, Ed and his colleagues quickly realised that being part of a bigger group brought staff and their customers instant benefits: “Joining Kinetics and Sovereign has given us options that we never thought we had” explains Ed. “There is a true synergy between the entrepreneurial spirit that exists at TA Horn and the structured approach and economies of scale that being part of a wider organisation brings with it.”

The broader group management has allowed TA Horn to change the way that they perceive client needs and benchmark their business against the overall market. “Being part of a larger group means that we have a bigger voice in the market which has allowed us to win new business and achieve organic growth that we couldn’t have done in isolation. The investment in training has meant that everyone at TA Horn has benefited and the scale of the larger group has led to a national pilot apprenticeship scheme with CORGI, which wouldn’t have happened before.”

Ed has appreciated the partnership between TA Horn, Kinetics and Sovereign, describing it as being part of an extended family where: “We have open and frank discussions and we get the support we need to evolve the business. We like the direct approach and feel we can speak openly and candidly. The total buy-in from staff and management can be directly attributed to the way that Sovereign has handled the business.” He adds: “The ongoing, regular communication has overcome any initial uncertainties that may have existed with the staff and some of our customers, who have now become advocates for the firm.”

Ed’s enthusiasm for the opportunities now available to TA Horn means that he sees the business becoming “the ultimate benchmark” and looks forward to role that the firm will play in Kinetics’ future development.

Sovereign will continue to invest in the UK social housing market over the next few years. If you would like to have a confidential conversation with us about your organisation please call Rob Simpson on 020 7828 6944 or visit our website: www.sovereigncapital.co.uk

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Sovereign Capital, the UK private equity Buy & Build specialist, has a strong track record and specific expertise in the service based sectors of healthcare, education & training and business support services. Sovereign Capital is focused on investing in lower mid-market UK consolidators requiring £5m–£20m of equity.

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