

SLR CLOSES THIRD PRIVATE EQUITY PARTNERSHIP; SEES MORE DEMAND FOR ADVISORY SERVICES, PARTICULARLY IN M&A AND MAJOR PROJECT INVESTMENTS

SLR provides global environmental and advisory solutions from a network of offices in Europe, North America, Asia-Pacific and Africa. It delivers advice and support on a wide range of strategic and project specific issues to a diverse and growing base of business, regulatory and government clients. It specialises in the oil and gas, mining and minerals, infrastructure, built environment, industry, and power sectors. Group revenues were just over \$170m in 2017 (£129.6m) with total staff numbers just short of 1200. 46% of revenue was generated through the US and Canada. Answers provided by Neil Penhall and Kevin Rattue.

Mr. Penhall is the Chief Executive of SLR Management Limited. Prior to becoming Chief Executive in 2013, he was responsible for all international operations outside of the Americas (Europe, Africa and Asia-Pacific). In addition to leading and directing the strategic growth, operations and international diversification of the business, Neil had previously been Managing Director of the UK business from 2001 to 2009.

Mr. Rattue is responsible for operations in the Americas and serves as Chairman of SLR International Corporation in the US and President of SLR Consulting (Canada) Limited, as well as being an Executive Director of SLR Management Limited. Prior to joining SLR in 2000, Kevin was the Chief Operating Officer of SECOR International, a \$100 million turnover international environmental consultancy with its head office in Seattle.

EBJ: Congratulations on the recent investment partnership with Charterhouse Capital Partners. We know this is the 3rd major private equity infusion into the company. Was the process substantially different from your previous transactions with 3i and Livingbridge?

SLR: Thank you. The process that resulted in the Charterhouse investment was not substantially different from our previous transactions, although SLR in 2018 is much larger and geographically more diversified than the 2008 business 3i invested in, so there were various steps we needed to follow in various jurisdictions that were different this time around. The process overall was relatively straightforward and, in many ways, not dissimilar to the previous investments.

EBJ: Are we correct in assuming that the private equity partners own a majority of the ownership stake in the company? And if so, we presume that the management team and employees still have incentive to grow the business. How is this been managed and negotiated to keep everybody in the same boat and rowing in the right direction?

SLR: Yes, Charterhouse does hold a majority of the equity in the business, but the management team and other employees retain a substantial stake. As with previous investment partners, Charterhouse has non-Executive representatives on the SLR board, but there has been no change in the structure of the executive leadership of the business. Management and Charterhouse are well aligned in the development and implementation of forward-looking strat-

Charterhouse Capital Acquires Majority Stake in SLR

In March 2018, **SLR Consulting** agreed to a partnership with London-based private equity group, **Charterhouse Capital Partners**, to support the business through its next phase of development and signaled the exit of SLR's second PE investor, **3i**. Charterhouse acquired a "majority shareholding" in SLR, while management team and other employees will retain a "substantial equity stake in the business," said SLR CEO Neil Penhall. "We have ambitious plans for further organic and acquisitive growth and development of the business over the coming few years," added Penhall. "In selecting Charterhouse, we have a new financial partner who recognises SLR's unique positioning in the market and has extensive experience in the environmental and advisory services sector... Charterhouse is very keen to support our exciting ongoing acquisition plans... [and] we share the same values and a clear vision of what we can achieve together." Charterhouse has partnered with both Intertek and ERM, having exited ERM deal in 2015 with a sale to **OMERS Private Equity** and **AIMCo**. 3i first invested in SLR in 2008, taking over from the company's previous backer, **Livingbridge**, which invested in 2004. 3i came on board when SLR was valued at £100m, employing around 650 staff with a turnover of £55m (50%+ from the UK). Ten years on, SLR has more than doubled its annual revenues with over 1,100 staff based in 70 offices and international sales accounting for over two-thirds of the business. Penhall told Environment Analyst: "We've put a lot of time and effort into selecting a partner that we are aligned with but it's a mutual process. It has to be right on both sides. A typical investment is three to five years; we anticipate the link with Charterhouse to be just as supportive as those with our previous backers, Livingbridge and 3i, which saw SLR grow organically and acquisitively into a global player. Fundamentally Charterhouse has invested in our ongoing growth strategy and is supporting us as a management team to continue doing what we have been doing very successfully over the years, namely further internationalisation and scaling of the business."

egies and this includes a well-structured program to attract, retain and reward our employees.

EBJ: We believe this is not the first environmental consulting investment for Charterhouse. Was it easier for them to understand the business and come to mutually agreeable terms? Roughly how long does it take from initial introduction to closing a deal?

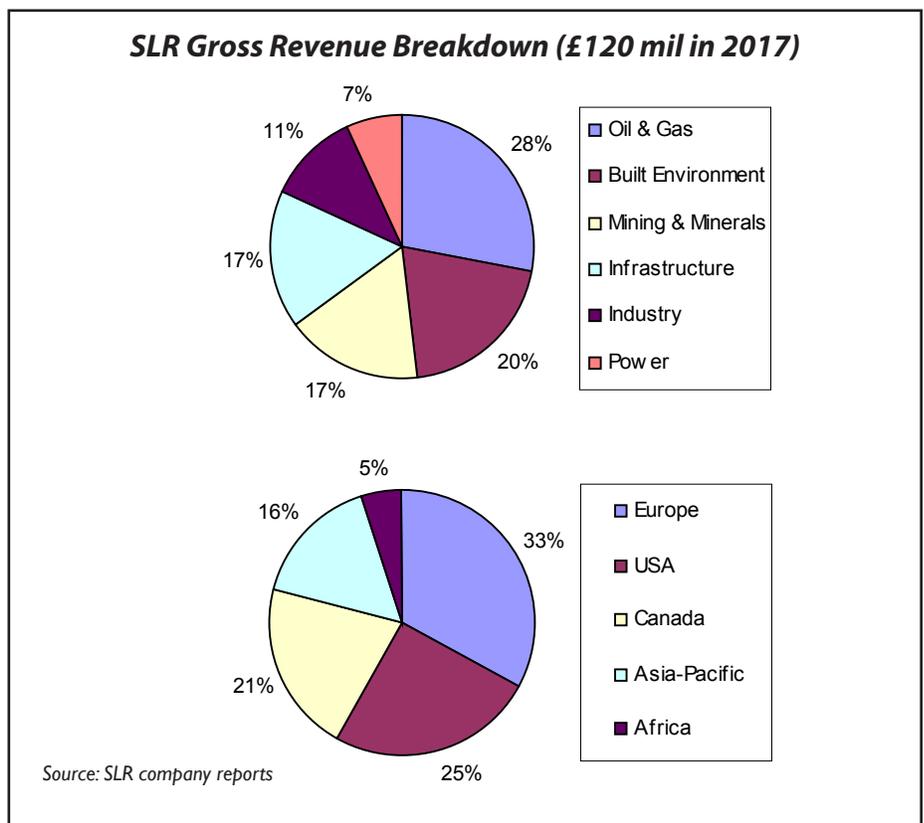
SLR: Charterhouse previously invested in ERM, so they are familiar with the sector and the opportunities it presents. Their familiarity obviously assisted discussions, but we also had strong interest in SLR from investors who had not previously invested in the sector, so, while industry knowledge is beneficial, it was one of a number of decision-making criteria. The process took roughly six months from first introduction to announcing the transaction to the public.

EBJ: You mentioned that you have ambitious plans for further organic and acquisitive growth. What is the geographic spread of your revenue and where are the most attractive opportunities for growth and for acquisitions?

SLR: At present our geographic revenue spread is 33% Europe, 25% US, 21% Canada, 16% Asia Pacific and 5% Africa. We are always listening and responding to client needs, but at present we see plenty of opportunity to expand further in our existing regions rather than focus on new countries. Given the size of our business relative to the overall market, we see particular opportunity to expand both our technical service offering and our geographic footprint throughout North America.

EBJ: When conceiving of and pursuing an acquisition strategy do you have an approach to add new services, or do you add new clients or new geographies? What type of formula drives your screening process?

SLR: Our strategy of diversifying our service and client sector footprint, within the environmental and advisory services space, has been very successful and one we aim to continue to pursue. However, the alignment of culture, values and the ambition of both the owners and staff of any



complementary business are the primary factors we consider in any screening process. Without this alignment, we would not take a potential acquisition discussion forward.

EBJ: Given that SLR currently employs over 1,100 people, what is the ideal size of possible merger or acquisition candidates? Has the recent partnership with Charterhouse allowed you to consider larger investments or acquisitions?

SLR: Size is not a particular consideration as the factors highlighted above are far more important. However, with access to expanded acquisition financing facilities, SLR is well positioned to consider and complete acquisitions at larger scale in terms of revenue, headcount and geographic coverage

EBJ: SLR has a good reputation in terms of high level advisory services as well as traditional environmental engineering

and technical projects. Where do you see the most recent growth in demand for higher level advisory services?

SLR: As environmental matters increasingly impact the strategic decisions taken by the 'C suite', we are seeing more demand for advisory services across the board, but in particular it comes to the fore in services that relate to M&A or major project investments our clients have under consideration, so the financial and legal community are key players and partners here too.

SLR provides advisory services to clients in each of our core business sectors and through our teams located in each of our regions. Within advisory services, SLR considers that London, New York, Toronto, Sydney and Houston are financial hubs in which there are significant opportunities to expand our revenues and to broaden our client base to include additional institutional investors and private equity firms and in support of transactional work across all business sectors.

As environmental matters increasingly impact the strategic decisions taken by the 'C suite', we are seeing more demand for advisory services across the board.

EBJ: Nationalist politics have concerned a number of people in our industry, but many assert it hasn't had much impact. Do you see potential concerns?

SLR: We have not seen any impact to date, but clearly any policies that hinder the free movement of trade and services will be to the detriment of our clients, particularly multi-nationals and those with a globally connected supply chain.

EBJ: Any business highlights that SLR would like to share?

SLR: We are particularly pleased with the recognition the business has received in recent years, not only from within the environmental sector (e.g. the Environment Analyst International Business Award in 2016), but also the wider business com-

munity (e.g. FT Top Track 250 'Ones to Watch' in 2017). SLR has a unique service offering and is of sufficient scale to be able to expand our revenues with clients at the regional, national and multinational level. SLR's culture is best described as collaborative and supportive of all its employees and very much focused on the delivery of client service through a global team that work together to support each other without internal constraints. ■

Excerpted from the "Environmental Industry M&A in 2018" edition of EBJ and reprinted with permission from Environmental Business International Inc.

*All rights reserved. © 2018 EBI Inc.
Visit www.ebionline.org*