

# Rutland Acquires GEMS International

Rutland Partners (UK) has made an EUR31 million acquisition of GEMS International NV (GEMS) which engages in subsea technical analysis and surveying. Rutland has invested EUR16 million for a majority shareholding in GEMS. Rutland was introduced to GEMS in late January, went exclusive in early February and completed the acquisition in three weeks.

Whilst GEMS is a Belgian registered company, the principal operating divisions in the GEMS group, GEMS Geotechnical and Geophysics, are based in Bath and Devizes (UK) respectively. GEMS is also engaged in near-shore investigations and environmental monitoring. Customers are principally oil and gas exploration majors, wind farm developers, telecommunications companies and port operators. In the year ended 31 December 2010, GEMS had turnover of EUR67 million but suffered significant exceptional losses.

GEMS experienced cash flow difficulties following losses on three contracts which were abnormal in their nature. All of Rutland's EUR16 million equity investment will be used to restore normal working capital levels ahead of a strong order book. GEMS operates in growing markets, has an excellent technical reputation and the current pipeline of orders is encouraging. Whilst the operating subsidiaries are sound businesses, Rutland believes that financial and management controls in the business can be significantly improved and this will be a key area of Rutland focus.

The senior management team will be led by Charles Tompkins who assumed control of the business prior to Rutland's acquisition and is a proven entrepreneur in this sector. The senior management team are investing alongside Rutland and will collectively hold the balance of the equity. New arrangements have also been entered into with the company's bankers.

The acquisition of GEMS will be Rutland's fifth investment from Rutland Fund II (GBP322 million) and the third acquisition in the last six months across both its funds. To assist with timing arrangements, the need for funds was initially met through Rutland's bridging facilities which will be replaced in due course with a draw down from investors in the Fund.

Commenting on the deal, Nick Morrill, managing partner of Rutland, said that GEMS is a world leader in subsea services but has suffered from a lack of business controls that led to its current state. "We believe that we can bring both the necessary financial support and control to GEMS and help it to capitalise on its strong market position."

Charles Tompkins of GEMS said that the GEMS management are delighted Rutland has recognised the company's potential and believe that GEMS can be developed into a larger and even more successful force in the market.

The Rutland team on the transaction comprised Nick Morrill, David Wingfield and Tristan Craddock. Mike Harris and Kajen Mohanadas provided additional support. PricewaterhouseCoopers, Eversheds and Douglas-Westwood provided due diligence support.