



Borders UK

Seasonal working capital facility, operational management and lease disposal programme

Background

Borders UK Limited, was demerged from the US-based Borders Inc. business in September 2007. The business struggled to manage the process and suffered numerous systems issues. These problems occurred against a background of falling sales as a result of consumers increasingly moving away from traditional bookshops towards online operators, supermarkets and e-books. This situation was compounded by the impact of reduced margins as the overall selling price of books, CDs and DVDs continued to fall.

Hilco's Role

Having acquired the existing bank debt from the company's lenders, Hilco Capital provided an additional working capital facility of £8 million in order to assist with the seasonal peak requirements of the business and provided support to the Borders management team with system improvements, space planning and visual merchandising.

Prior to Hilco's involvement, Borders had closed four stores but the proceeds from liquidation of the stock in these stores was less than optima. Consequently, Hilco was instructed to manage the closure of Borders' loss-making *Books, etc.* fascia. The closures, under Hilco's management, recovered a net cash amount in excess of £2 million, far in excess of management's expectations.

The internal and external challenges for the Borders business inevitably became too great to bear with sales falling and inventory replenishment processes failing. As a result, the company entered administration in November 2009.

Acting as agent for the Administrators, Hilco provided a complete suite of operational management services including retail operations, marketing, IT, HR and merchandise management. Hilco deployed 46 consultants to the Borders stores and managed the closure of each of the stores in accordance with an agreed process and timetable.

Results

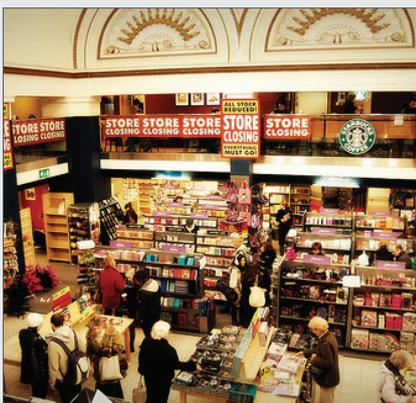
Hilco funded the purchase of £4 million of additional stock on behalf of the Administrators, increasing cash recoveries to the administration while insulating the Administrators from the risk associated with continuing to trade the business while buyers were sought for the business or assets.

Hilco supported the Administrators in the settlement of the many complex Retention of Title claims which arose during the course of the administration, acting as a conduit to the publishers and other suppliers in all negotiations.

During the Administrators' trading period of approximately one month, net sales totalling £27 million were achieved. After paying all operating costs the process created an overall recovery to the administration of £10.3 million.

The Hilco Property team managed the disposal of a large proportion of the stores, generating additional cash recoveries to the administration.

As a result of the management of the operational and property disposal processes, all secured debt was recovered in full.



Key Facts

- › 37 Borders and nine *Books, etc.* stores throughout the UK
- › Provided complex liquidation modelling and a managed store closure programme
- › Provided **£4 million** of augment stock on behalf of the Administrators

Results

- › *Books etc.* closure generated **£2 million**, significantly ahead of management's expectations
- › Borders closure achieved an overall recovery to the administration of **£10.3 million**