

Denby

1809

Denby Pottery

Debt and operational restructuring and £30 million MBO

Background

Denby Pottery was established in 1809 and continues to produce its traditional, quality stoneware from its manufacturing base in Derbyshire where it also welcomes 250,000 visitors annually to the Denby Visitor Centre. With over 200 years of history, the Denby brand is recognised throughout the world for its quality, durability and unique glazes.

Acquired several years previously in a traditional Private Equity transaction, Denby became overleveraged with a £72 million historic debt burden, a substantially underfunded final salary pension scheme and a high fixed cost base. With a decline in traditional routes to market and a series of underperforming recent designs, Denby was trapped in a vicious downward spiral. BDO Stoy Hayward and Clearwater Cooper Corporate Finance had been seeking a purchaser since July 2008 and, with the lender group unwilling to advance further funds, were carrying out contingency planning for an administration. It was widely anticipated that the business would cease trading upon appointment, leading to the loss of 600 jobs and the end of another great British brand.

Hilco's Role

In acquiring Denby Pottery, Hilco Capital provided the finance and working capital needed to stabilise the business while a restructuring plan was developed and implemented. Hilco invested significant time and resources to realise the restructuring and to provide the basis for a successful turnaround in the fortunes of the business.

From the outset a senior Hilco team, led by Paul McGowan, was allocated to take non-executive Chairman and Director roles on Denby's Board, acting as a sounding board for management. A team from Hilco also worked with Denby's management team to provide operational support and expertise in areas such as IT, HR and store operations.

The Hilco team led a full review of the brand architecture directed at shifting the emphasis of the business away from manufacturing and towards a brand-led strategy. This refocusing enabled brand extensions in core pottery products into a 'good/better/best' framework, including extensions of the stoneware, china and

porcelain ranges. The brand strategy has now led to the launch of significant new product lines in kitchenware and cutlery.

As part of the new range frameworks, strategic partnerships were initiated with other major brands such as the fashion and lifestyle brand Monsoon, leading to the launch of Denby Monsoon in October 2009, creating original ranges for new demographics.

Hilco's property team was engaged to renegotiate the company's existing property leases and warehousing was relocated into a third party location, delivering significant cost savings. Hilco Property was also appointed to manage all elements of the expansion of Denby's factory outlet store portfolio, doubling the number of outlets to 28 within 18 months and increasing the company's retail turnover by 75%.

An increase in like-for-like retail sales was achieved by ensuring full stock availability in terms of range and appropriate product mix, improved sales materials and up-weighted promotional activity. Store sales increased significantly following the introduction of Denby cookware and cutlery ranges in 2010.

Results

Hilco's involvement in the business has secured 600 jobs and created a further 100 to date. Denby's management team is now pursuing the strategic growth of the business, nationally and internationally and the resulting improved financial performance has seen the business already return to operational profits for the first time in five years.

In recognition of the significant improvement in the fortunes of Denby, Hilco was awarded the Insolvency and Rescue Awards 'Business Rescue of the Year 2009'.

With Hilco's backing, the company has since gone on to acquire a number of other heritage pottery companies including Burleigh, Poole Pottery and Hartley Green's, creating one of the UK's leading homeware conglomerates.

insolvency
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Key Facts

- › 200 year old UK-based pottery manufacturer employing 600 people
- › Debt restructuring to reduce historic **£72m** debt burden
- › Hilco backed a **£30m** MBO (February 2009)

Results

- › Business achieving improved like-for-like retail sales and improved financial performance
- › Awarded Insolvency and Rescue Awards 2009 'Business Rescue of the Year £21m – £50m Turnover'
- › Acquired other British pottery brands including Burleigh, Poole Pottery and Hartley Green's