



HMV Canada

Share purchase, operational support and seasonal working capital facility

Background

HMV is Canada's last remaining nationwide bricks and mortar specialist retailer of audio and visual entertainment products. Operating from 107 stores across nine Canadian provinces, the long-established business is the cornerstone of the Canadian entertainment market.

Although profitable, HMV Canada was suffering from declining performance due to a number of external factors. The impact of widespread price deflation, combined with increased competition from large non-specialist retailers focusing on chart products was compounded by rising store overheads, reduced footfall due to fewer blockbuster releases and the rapid growth of digital media distribution.

In addition, HMV Canada's parent, the UK-based HMV Group, was similarly suffering from declining financial performance in its other trading markets, coupled with significant seasonal funding requirements.

The Transaction

Hilco Capital acquired the equity and rights to the HMV brand in Canada from HMV Group. Additionally, Hilco provided HMV Canada with a CAD \$26 million working capital facility to allow the business to trade through its peak holiday period.

Hilco's Role

Hilco provided additional operational support to HMV Canada's board. In particular, Hilco assisted the management team in designing a revised marketing and promotional plan, including new signage and marketing collateral, and has provided management with additional financial resources to support capital expenditure in new revenue streams for the retail business.

Hilco and HMV Canada's management held discussions with the key suppliers to the business to ensure their continued support in maintaining current terms offered to the company. The key suppliers have been supportive to date and remain of critical importance to the future of the business.

Hilco's operational team provided HMV Canada's management with additional advisory to identify ways of reversing sales declines and increasing volumes. By moving away from multi-buy promotions to single pricepoints and emphasising everyday low prices, store traffic has been converted from double digit year-on-year declines to year-on-year growth and has led to significant increases in sales trends. These trends have further been reinforced through additional weekend promotional campaigns.

HMV Canada has a small number of loss making stores and is negotiating with landlords in an effort to find a solution. In circumstances where a compromise cannot be reached and leases are due to expire, Hilco has worked with the company to design and implement store closure sales, augmented with additional product acquired specifically to support the closure process. In all cases these have generated significant sales uplifts at only modest levels of discounting.

Results

The support of Hilco Capital has ensured that approximately 1,500 jobs have been preserved and Canada's last remaining specialist entertainment retailer continues to trade. The business has been re-energised and is making excellent progress in extending its lifespan in a declining market.



Key Facts

- › 119 stores
- › CAD \$300m turnover
- › Last remaining specialist entertainment retailer in Canada
- › Provision of financial and operational support
- › CAD \$26m seasonal working capital facility

Results

- › Key suppliers remain supportive
- › Extension of the lifespan of a nationally important business