

Background

Litho Supplies PLC was a leading national supplier of consumables, equipment and services to the UK print industry, founded in 1967 and floated in 1990 with turnover of over £80 million. Historically profitable, the business suffered some poor corporate acquisitions, a decline in the size of the industry as a whole and a run of bad debts due to the turbulent economic climate of 2008/09.

Despite attempts to restructure and refinance, the directors appointed Administrators over the group in December 2009. Each of the four group companies were then sold to trade buyers or incumbent management teams. Management of the core consumables business were introduced to Hilco Capital to assist them in funding their buyout and subsequent working capital requirements.

Hilco's Role

From the outset, a senior Hilco team was allocated to support management with the decisions necessary to restructure the business. Hilco also sourced an interim Finance Director at very short notice and leveraged its own personnel to support management on specific projects.

Key suppliers needed to be convinced to support the new business. Retention of Title claims were settled fairly and credit terms were secured for all major suppliers despite their exposure to debts from the former company.

The complexity of setting up a new business at speed and in the context of a distressed situation is often underestimated; Hilco's team were able to draw on extensive experience to support the directors through this process.

With 2,000 active customers, ensuring they pay to term was critical to getting cash flow under control. A restructuring of the company's credit control systems and processes was key to securing a competitively priced commercial finance facility.

The business also suffered from stock duplication of slow moving product across multiple sites. Purchasing and warehousing of such lines was centralised with the benefit of freeing up both space and cash.

Results

Hilco's support enabled the new company to provide continuity of supply to all customers, all major suppliers remained supportive and the business was refinanced with a first tier ABL.

In February 2011, 13 months after it was acquired by Hilco Capital and following a successful restructuring and turnaround, Litho Supplies was sold to Agfa Graphics, a leading multinational supplier to the industry, presenting a vertical integration opportunity for Agfa and providing Litho with a strong base on which to further grow the business. The refinancing and ultimate sale of the business was only possible given the extensive efforts of the Hilco and Litho teams to upgrade the finance and credit control function and drive a restructuring of the overhead cost base throughout 2010.



Key Facts

- › Founded originally in 1967, group floated on the LSE in 1990
- › Leading UK distributor of products and services to the UK print industry
- › Financed MBO of core business out of group administration (Dec 2009)

Results

- › Continuity of customer service maintained throughout process
- › All major suppliers retained on attractive credit terms
- › Return to profitable business model
- › Sold to leading industry supplier