

Background

Since its launch as a womenswear brand in 1982, Nicole Farhi has become one of the world's most influential fashion and lifestyle houses, boasting a number of critically acclaimed collections including womenswear, menswear, diffusion lines, homewares and an ecommerce site. The Nicole Farhi brand has continued to grow over its 30 year history and now includes a range of accessories such as shoes and bags. The company functions both as a retailer, through stores and concessions, and a wholesaler to over 350 wholesale accounts, ranging from large department stores such as John Lewis to independent boutiques.

Nicole Farhi originally operated as a division of French Connection. However, as a result of a lack of financial control and senior management team, the company suffered heavy losses, with a net loss of £5.8 million in 2009 on revenues of £23.5 million. This led to a US private equity fund purchasing the company and installing an ABL to provide a facility to fund the working capital requirement of the business. Throughout 2011 the shareholders undertook a number of cost saving initiatives but found themselves in a position during early September where the ABL wanted to exit its position and the likely result would have been an administration of the company. With no other lenders prepared to fund the business, the management team was introduced to Hilco Capital.

The Transaction

Within a short time period, Hilco settled the existing ABL position and provided further funding on top of the existing levels to provide the working capital needed to help stabilise the business and provide the platform for continued restructuring.

During this period of stabilisation, the shareholders' plan was to market the business for sale in order to obtain the investor required to take the business to the next level internationally. This required Hilco's support in terms of funding through the low months in order to deliver a viable business to a purchaser.

Hilco's Role

From the outset, the Hilco team worked closely with the Nicole Farhi management team to ensure the business was stabilised

and sufficient working capital was available to help the business return to normality.

A key issue from day one of the transaction was the supply chain and the stops that had been put in place by a number of suppliers due to non-payment in previous months. Through installing a specialist within the company, Hilco was well placed to understand the suppliers on an individual basis and, with this information, provide the extra funding required to unlock the supply chain and restore supplier confidence.

Through restoring these relationships, the business' supply chain was restored and onward sale to the company's consumer and wholesaler customer base was uninterrupted. Like for like sales during the 2011 Christmas period were up 20%, a particularly strong result compared to the rest of the market.

Behind the scenes a number of interested parties had been whittled down to one and in early January 2012 the business was purchased by a UK private equity fund.

Results

Through the investment of knowledge, time and money, Hilco worked with the Nicole Farhi management team and existing shareholders to help rescue the business from a potential administration, saving more than 200 jobs in the process. Hilco's support, funding the business at levels far above those any other lender was prepared to provide, enabled the stabilisation of the business and supply chain.

Ultimately, Hilco's intervention facilitated the successful onward sale of Nicole Farhi to a new investor which committed to injecting significant capital to help grow the business and its profitability.



Key Facts

- › Influential global and lifestyle brand with retail and wholesale operations
- › Loss making following a lack of management and control under former owner
- › ABL sought to exit position, placing business at high risk of Administration
- › Hilco provided funding at levels far in excess of previous ABL

Results

- › Supply chain restored and business stabilised, saving over 200 jobs
- › Strong Christmas trading, significantly outperforming the market
- › Onward sale to new investor