



Xtra-vision

Business and asset purchase, operational support and seasonal working capital facility

Background

Xtra-vision is Ireland's leading home entertainment business and is recognised as one of the most recognisable brands in the country. Founded in 1980 as a film rental company it experienced rapid growth in the early 2000's and diversified into film retail, console games and related entertainment products.

In the late 2000s the company started to experience significant declines in revenue and margins. The downturn in the Irish economy, significant price deflation, rising property costs and the growth in alternative forms of entertainment were key factors. Due to the deterioration in the rental revenue that historically sustained Xtra-vision's cash flow during quieter retail months, the Company was unable to meet all commitments as they fell due. As a consequence and the resultant impact on working capital, the company entered receivership in April 2013.

Earlier that year, HMV had also entered receivership in Ireland and all Irish stores had been closed.

The Transaction

Hilco identified an opportunity to create an enhanced home entertainment group in Ireland by combining the Xtra-vision and HMV businesses and implementing a dual-branded offering.

Hilco acquired the business and assets of Xtra-vision from the Receiver in June 2013 and put in place a €7.5m seasonal working capital facility. It took forward a core estate of 95 stores and was appointed by the Receiver to liquidate the remaining 35 stores, where excess stocks were cleared.

Hilco's Role

Hilco put in place a new management team supported by key Hilco personnel, and undertook a full operational review of each of the stores within the business. In particular, Hilco assisted management with a full product range review, developing core business categories on film and game, by improved supplier terms and expanding the range and copy depth through consignment arrangements with major suppliers.

Hilco also provided management with additional financial

resources to support a number of new revenue-enhancing initiatives including the introduction of a dual Xtra-vision and HMV branded offering in 46 of the Xtra-vision stores, a new rental vending solution developed for locations where there is no longer a physical store, an online selling platform in the Republic of Ireland and Northern Ireland, a new digital platform, and the introducing a credible music range into the business. In addition, significant investment was made in reopening eight standalone HMV stores, with plans in place to open more in 2014.

Hilco, together with Xtra-vision's management, identified areas where the cost base could be reduced in the short-term, through a detailed focus on payroll and head office costs. In particular, Hilco's specialist property team identified significant cost savings which could be realised in rent and other property related costs. New leases were renegotiated for all continuing Xtra-vision stores, and for the eight Irish and Northern Irish HMV stores which were reopened.

Results

750 jobs were saved when the Xtra-vision business was acquired, and a further 300 jobs have been created since acquisition. The business has been completely re-energised and has grown rapidly, delivering a strong positive trading performance.



Key Facts

- › Approximately 75% of the Xtra-vision stores recued
- › Implemented new management and operation teams
- › Provision of operational and financial turnaround support
- › More flexible property portfolio
- › Revenue enhancing initiatives

Result

- › Successful turnaround of a failing business
- › 750 jobs saved, with a further 300 created
- › EBITDA positive business