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TPG snaps up Republic in £300m deal

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By Martin Arnold

Youth fashion retailer Republic has been bought by TPG for £300m, underlining how some of the world's biggest private equity groups are being forced to consider smaller deals in the absence of strong debt markets.

TPG is financing the purchase with equity from its \$18bn (£12bn) global buy-out fund in one of the San Francisco-based group's smallest deals in Europe.

Other big US buy-out groups forced to dip down into the UK midmarket to do smaller deals include KKR, which bought Pets at Home for £950m this year, and Blackstone which narrowly missed out on buying Hobbycraft for about £100m.

TPG aims to at least double the number of Republic stores in the UK and Ireland from 103 to more than 200. It hopes to repeat the success of J Crew, the US fashion chain which quadrupled its store network in the decade of TPG's ownership.

Republic has fared well in the recession partly because of its young target market. In spite of high youth unemployment, UK retailers say that student loans and financial support from parents have sustained youth spending while older consumers have cut back.

Founders Tim Whitworth and Carl Brewins have reinvested much of the proceeds from selling their 40 per cent stake in the retailer, which made £173m of net sales and £33.5m of

earnings before interest, tax, depreciation and amortisation last year.

The chain started life in Leeds as a men's denim retailer in 1986. It stocks branded casual fashion for both men and women, as well as its own brands, including Soul-Cal. Its website is the UK's second-biggest multi-brand fashion site, after leader Asos.

The deal will generate a 4.7-times return on the initial investment by Change Capital Partners, the consumer goods-focused private equity group run by former Marks and Spencer executives Luc Vandeveld and Roger Holmes.

The profits offset Change Capital's losses on its £30m stake in Robert Dyas, the hardware retail chain that went bankrupt last year, and its €50m (£42bn) investment in Prometheus, a Spanish electrical appliance retailer that went bankrupt in 2008.

TPG is also looking at bigger deals and is in talks to buy Royal Bank of Scotland's payment processing business for about £2.5bn, having recently teamed up with its US buy-out rival Clayton Dubilier & Rice in the final round of bidding.