

Our investments continued

Consumer



Maxeda

www.maxeda.com

Activity	Non-food retailer
Location	Benelux region
Acquired	September 2004
Transaction value	€2,350 million
Sales*	€2,341.8 million
Cinven representatives	Caspar Berendsen, Rory Neeson
Senior management	<i>Chairman</i> Tony DeNunzio <i>DIY CEO</i> George Adams <i>CFO</i> Ronald van der Mark

*to end January 2010 (pro-forma)

Company description

At the time of acquisition, Maxeda was the largest non-food retailer in the Benelux region, operating across multiple retail segments including department stores, DIY, apparel and consumer electronics. In 2010, the group was comprised of brands within two divisions: Fashion and DIY. The sale of the Fashion formats was completed in January 2011, leaving the DIY division as the last remaining part of the Maxeda group. The DIY business is a leading player in the Benelux region and comprises four key brands: Praxis and Formido in the Netherlands and Brico and Plan It in Belgium.

Cinven origination

Cinven's Consumer team identified Maxeda (then Vendex KBB) as an attractive investment opportunity based on the potential for organic growth and operational improvement in the business. Maxeda was an underperforming publicly-listed company. Its share price had fallen in 2003, prompting Cinven to approach the management team to discuss a potential public-to-private transaction.

The relationship Cinven built with the management team, combined with its deep sector expertise, provided a competitive advantage during the limited auction process which was initiated by the company's supervisory board in the first quarter of 2004. As this process unfolded, Cinven decided to partner with another private equity sponsor to acquire the company and then teamed up with another consortium, when it became clear that they shared Cinven's strategic vision for Maxeda.

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Investment rationale and strategy

Cinven was attracted to Maxeda because, although it was a market-leader, it was underperforming against a number of best practice measures. Cinven's strategy, alongside the rest of the investor group, was to focus Maxeda on its core retailing business while improving operations and rationalising the company. Since the acquisition, significant changes have been made to augment the management team. In 2005, Tony DeNunzio joined as Chairman of the executive board and further senior management changes have since been made, both centrally and at format level.

The management team and the investor group agreed a strategy that encompassed initiatives in key areas such as:

- improving retail execution;
- undertaking store refurbishments in selected formats;
- focusing on operational efficiency and cost savings across the business;
- purchasing (Asian sourcing) and supply chain improvements;
- restructuring the balance sheet through the sale of property and optimising working capital; and
- rationalising the group through individual format sales.

Cinven value creation

During Cinven's ownership period, retailing best practice has been implemented across all of Maxeda's formats and successful formats have been rolled out in existing markets and internationally. Since the new management was appointed, value creation initiatives have included:

- implementation of improved retailing best practice across formats, including better customer service and the refurbishment of selected stores;
- working capital management has been improved, leading to a significant improvement in cash flow;
- cost savings and restructuring initiatives including implementation of company-wide procurement, increased Asian sourcing (supported by Cinven's Portfolio team in Asia) and closer cooperation between formats;
- the disposal of the significant freehold property portfolio has been completed;
- the capital structure of the business was improved;
- the company bought back €463 million of Maxeda DIY debt at a significant discount to par; and
- the sale of individual businesses including Hema, consumer electronics and the fashion formats.

Cinven has played a full and active part in planning and implementing these initiatives. For example, Cinven's Portfolio team in Asia helped the DIY management team with a pilot Asian sourcing project that proved highly successful.