

## Case study

## The Right Fit



# KURT GEIGER

## Kurt Geiger

Private equity helps to grow one of Britain's best known footwear retailers

Funded by



Kurt Geiger is among the most recognised shoe brands in the world and a genuine UK success story. Opening its doors for the first time in 1963, Kurt Geiger today sells more than two million pairs of shoes a year, or 10 pairs every minute.

In 2008, UK private equity house Graphite Capital led a £95m management buyout (MBO) of the business, which has since opened 20 stand-alone stores across the country and created more than 600 new jobs. And, despite the recession, recorded a 17% increase in turnover and a 21% increase in earnings in 2009.

### Strategy

With the help of Graphite's expertise in the retail sector, the MBO offered Kurt Geiger the opportunity to grow both nationally and internationally across all its distribution channels. In the UK the business had identified a roadmap for rolling out its highly successful own-store model to additional high street and airport locations. There was also strong scope to strengthen the company's existing partnerships with premium department store groups where Kurt Geiger operates all aspects of the multi-branded shoe departments.

The company's international footprint was still relatively limited at the time of the MBO, meaning there was an opportunity to target new territories. Other business areas, such as licensing and online sales, were underdeveloped and offered potential for growth.

### Achievements

Since the MBO, the group has opened over 20 stand-alone Kurt Geiger stores in the UK, including a new flagship concept store in Covent Garden.

Under Graphite's ownership, the company has won a number of new contracts, including further selling space within the Selfridges and Fenwick's store groups as well as a new contract with Debenhams. It has also signed an exclusive UK distribution agreement with Nine West, a US-based footwear brand.

Internationally, it has expanded its franchise agreement in the Middle East, with stores opening in Dubai, Kuwait, Qatar and Bahrain. More recently, it has signed agreements with franchise partners in Russia, Turkey and Malaysia.

### Performance

Despite the challenging economic backdrop for retailers, Kurt Geiger has performed strongly, thanks to its focus on luxury and premium product, geographic spread and multi-channel, multi-brand business model.

EBITDA (earnings before interest, taxes, depreciation, and amortization) has risen by more than 20% in each of the past two financial years to a record £14.7m in the year to January 2010. Like-for-like sales have risen strongly, with designer shoe sales within department store partners Harrods, Selfridges and Liberty at a record high. Internet sales trebled and now account for 15% of own brand sales.

### Job creation

Kurt Geiger has created more than 600 new jobs since its acquisition by Graphite in January 2008, reflecting the rapid expansion of its sales channels and international penetration. With original design as a core principle, the group has more than doubled the size of its design team since the MBO.

Investor:	Graphite Capital
Location:	London
Sector:	Retail
Stage:	MBO-2008
Exit:	Currently in portfolio
Company Website:	<a href="http://www.kurtgeiger.com">www.kurtgeiger.com</a>
Investor Website:	<a href="http://www.graphitecapital.com">www.graphitecapital.com</a>

“We were impressed by Graphite's strong track record of successful investments in retail and consumer businesses. We offer some of the world's best shoes in an unrivalled retail environment and are well recognised for the quality of our range and the high standard of our customer service. With Graphite's retail expertise and support we are pursuing our strategic objective of becoming the leading global luxury and premium shoe retailer.”

**Neil Clifford, chief executive, Kurt Geiger**