

3i achieves 80% IRR on Republic sale

An innovative funding package has enabled Republic to expand its operations and has provided 3i with an excellent return on its investment.

A strong performer

Republic is a leading UK fashion retailer with 76 stores across the country. The business – which is aimed primarily at fashion conscious 18-30 year olds – stocks a number of brands such as FCUK, Bench, Hooch, Levis, and G-Star, alongside the company's own products. Combined with an outstanding retail format, this has allowed Republic to outperform its competitors for many years. In 2003, the three shareholder directors of Republic decided to explore a sale of the business.

After building up the company into a 40 store chain, they felt that the time had come to realise their investment. Following an introduction by PricewaterhouseCoopers, 3i director Phil Greves approached the founders and persuaded them to halt the sale. In return for a private placing of €22m, 3i would take a 17% minority stake in the business and help it develop over a two to three year period before an exit.

A flexible funding package

3i was able to provide Republic's management team – headed by chief executive Tim Whitworth – with a flexible funding package specifically tailored to its requirements. Phil Greves said: "We proposed an investment structure that was not only low risk for the company, but also enabled the management team to retain a majority of the equity in the business. In combination with the value we are able to deliver through our unique scale, this persuaded the management shareholders to work with 3i, rather than pursuing a full exit or raising bank debt."





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Tim Whitworth, chief executive of Republic

Adding value

Shortly after completion, 3i introduced Richard Tonks to the business as chairman. Tonks had previously built up Savers drugstores (a former 3i investment) and was now able to provide strategic advice to the management team during its rapid store expansion programme. On the product side, two new buyers were introduced, one to manage the branded ranges and the other to manage the own brand range. A new financial controller was also appointed to support finance director Ron Scott. Between 2003 and 2005 21 new stores were opened and the business increased its profits to over £10m. In September 2005, 3i and Republic decided that the time had come for an exit. The company was sold to Change Capital Partners, providing 3i with a 2.25x return on their investment and an IRR of 80%.

Phil Greves, 3i investment director, said: “This has been an outstanding investment for 3i, backing an excellent team and a great business. We believe that the business will continue to develop under the leadership of Tim Whitworth alongside the new shareholders.”

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**For more information
about Republic, visit:
www.jointherepublic.co.uk**



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