

Navis reaps 50% IRR on King's trade sale

NAVIS CAPITAL PARTNERS HAS GIVEN ITS investors reason for cheer. Not only did the firm exit its 2008 investment in King's Safetywear last week for well above 50% IRR (4-5x money multiple), it also signed off the buyout of the field marketing and retail agencies division of Australia's Photon Group.

"King's follows the Navis book perfectly: we went in early, we improved capital efficiency and margins and we penetrated new markets," says Rodney Muse, the firm's co-managing partner, who managed the deal. "We couldn't have done it without a strong management team, but King's has one of the top-five teams of the 51 companies we've backed over the past decade."

When Navis purchased the safety footwear manufacturer three years ago, it sought to ramp up production at the company's low-cost factory in Batam, Indonesia, and make supply chain and working capital improvements. "One of our big supply chain improvements was taking the leather upper of the shoe and shifting it from Eastern Europe to India," explains Muse. "That took a significant amount of cost out of the shoe,

which is important in an industrial brand which doesn't benefit from consumer premiums."

With regards to inorganic growth, Navis also led King's in acquiring Oliver, the number-one industrial boots brand in Australia. As the firm also owned Otter in Europe, this provided "a number of different weapons to attack any market", Muse says, as King's targeted the company's low-end core market while Oliver targeted higher-end customers. Part of Oliver's range began producing in Indonesia, which enabled more competitive pricing.

Muse claims Navis exceeded even its own expectations with the deal, having hoped to achieve returns of around 3x. This goes some way to explaining why it decided to exit so early. "The company had been on the radar screen for strategics since before the latest global crisis which arose a few months ago," says Muse. "When

you see that perfect storm of strategic interest, strong financial performance and a readiness to take on that next leg of growth, it's time to sell."

As for Navis' investment in the eight Photon marketing agencies, Muse says the challenge was to develop confidence in the operating and management capabilities of the subsidiaries. Of

the \$146.5 million buyout price, around \$90m was equity channeled via Navis' fifth fund. Management acquired a 5% stake in exchange for \$2-3 million, while a debt package of just over \$50 million was provided by Australia's Westpac Bank. Philip Latham, a partner at Navis, revealed the PE firm was



King's owns several safetywear brands

approached by Photon Field Marketing's CEO, Craig Hart, due to its ability to expand the businesses into Southeast Asia. It claims to be the only regional private equity firm with operations that straddle Australia and Southeast Asia. ■