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KENDAL GROUP BOOSTS EQUITY FOR GROWTH

The Gestetner brothers have attracted fresh capital to speed up the growth of Zoggs and PureLime, the two sportswear brands that they acquired over the last two years. Octopus Asset Management, a London-based private equity firm, has pumped more than £1.5 million (£2.2m-\$2.6m) into their holding company, called the Kendal Group (TKG), in exchange for a large minority stake and a seat on TKG's board.

Two years ago Daniel and Leo Gestetner, heirs to the family that sold the eponymous photocopying business for £179 million (£266m-\$314m) ten years ago, set up TKG to buy Zoggs, an Australian swimwear brand. This was followed last year by the acquisition of PureLime, a Danish brand of women's gymwear.

Mark Hammersley is the chief executive for both brands, which should jointly reach sales of about £12.5 million (£18.5m-\$21.9m) this year, a double-digit increase compared with the previous year. Himself a shareholder in KPG, Hammersley boasts a long career in the industry, including a stint as international president for Speedo. He has also been an active participant in The Sports Industries Federation of Great Britain, which is being renamed (see separate story).

The capital infusion is chiefly intended to foster the development potential of Zoggs and PureLime in international markets. In Europe, Zoggs is mostly sold in the United Kingdom, which makes up about half of the brand's sales. The brand looks set to expand further in the country through new deals with leading supermarket chains like Tesco.

However, Zoggs has recently signed a flurry of distribution contracts that will establish the brand in 28 other countries. One of the most recent agreements was a U.S. licensing deal for its swimwear with Mystic Apparel, which will start up next year. The new financial resources should enable Zoggs to move ahead with additional partnerships in Asia, particularly in Japan.

PureLime is still a much smaller operation, but it is strongly established in Denmark and is distributed in a dozen other countries. Its sales have been growing most steeply in the UK, where the brand benefits from Zoggs' distribution network. This brand is equally supervised by Hammersley but one of the previous owners, Christian Friis Olesen, has stayed on in Copenhagen as managing director.

The Gestetners have previously indicated that they would be interested in complementing their portfolio of sports brands with a label of outdoor clothing and equipment and a more general sports equipment business. They would like to see these acquisitions completed over the next two years, to help constitute a sports group with a turnover of about £50 million. Barring unforeseen opportunities, however, the management wants to consolidate the existing businesses before it embarks on other buys in the second half of next year.

Along with TKG, the Gestetner brothers have formed another holding company, First Sports Group. This is a vehicle that was set up to acquire the Northkey Group, whose interests include First Retail, a sports retailer that has outlets in private British health and leisure clubs. Another investor in this group is Simon Bentley, who joined First Retail as a non-executive chairman. Bentley was formerly a major investor and chief executive of Blacks Leisure Group, which sold its First Sport chain to JD Sports a few years ago.

Both in their early thirties, the Gestetner brothers previously rose to fame in the UK as the founders of Smartshop.com, a website that compares prices on the internet.