



## **MEDIA INFORMATION**

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@ 22 December 2006

### **ALL ADDING UP - LH SAFETY LOOKS TO DOUBLE TURNOVER WITH INNOVATIVE TRANSACTION**

Rawtenstall-based LH Safety is set for significant expansion following an innovative multi-million pound deal which has seen the French listed company Delta Plus Group acquire a significant stake in the business.

The transaction, one of the first genuine trade buy-outs (TBOs) seen in the UK, was arranged by Clearwater Corporate Finance with backing from Lloyds TSB.

LH Safety supplies safety footwear to a range of businesses. Delta is a specialist provider of PPE (Personal Protective Equipment) including protective headgear and clothing, and plans to double the Lancashire firm's turnover over the next four years. Through Delta, LH Safety will benefit from an enhanced UK product offering and access to Europe-wide sales channels for its safety shoes.

LH Safety currently has a 12 per cent UK market share for safety footwear and sells 650,000 pairs of shoes and boots a year. Demand within the market has grown year on year since 1999 as a result of new health and safety legislation.

Delta has a turnover of over €140 million. With eight manufacturing sites across the world, including China, India and Morocco, the company employs 500 staff and sells 1,500 different products.

LH will continue as a stand alone firm, operating with a UK board led by current joint managing directors, Gary Smith and Richard Fletcher, who retain a significant minority shareholding.

Paul Jones, partner with Clearwater Corporate Finance in Manchester, explained: "Following a successful MBO five years ago, LH Safety had established itself as a leading safety footwear provider. However the owners wanted to expand into personal protective equipment and at the same time realise some of the value they had accrued in the business.

"Through our international corporate finance network IMAP, we were able to find an ideal solution. We discovered that Delta was looking to expand in the UK and the cultures and product offerings of the two businesses were an ideal match."

Clearwater recommended an innovative private equity-type structure which allowed the owners to cash out part of their shareholding but retain a significant minority stake in an independently managed business which would benefit fully from the numerous trading synergies.

The Acquisition Finance team within Lloyds TSB Corporate Markets provided all senior debt alongside the bank's asset-backed lending division, which partly funded the acquisition and has established an ongoing working capital facility.

Noel Stubbley, director at Lloyds TSB Corporate Markets Acquisition Finance in Manchester, said: “Despite the European market for protective clothing being worth over £5 billion, much of the market in the UK is fragmented and characterised by a large number of small players offering a poor service.

“Delta has recognised that LH Safety is different. It’s well established, has a good sized chunk of the market, and provides a fantastic route into the UK for its protective clothing products. The deal signals good news for both Delta and LH Safety.”

LH Safety is a long-standing customer of Lloyds TSB Corporate Markets, which provides day-to-day banking facilities and supported the company’s original MBO from Lambert Howarth in 2001.

Gary Smith, joint managing director at LH Safety, said: “LH Safety has always had its sights set on expansion of its product range, and this strategic partnership with Delta now enables us to realise these plans by providing a wider range of products to existing UK customers. It gives us the opportunity to create more jobs in the UK as the business expands.”

Law firm DWF provided legal advice to LH Safety. Gareth McIntegart, corporate partner added: “Advisers are increasingly thinking outside the box to create shareholder value. The structure of this deal ensures a strong partnership between the two companies while giving the shareholders of LH Safety the opportunity to realise part of the value of the business and at the same time maintain independent management. With the abundance of trading synergies, it also provides them with potential for exceptional returns when they sell their remaining stakes.”

As for the trade buy-out structure, it is one Clearwater certainly sees becoming more widespread. “The deal structure is a marriage between a trade sale and a private equity transaction,” continued Jones.

“It will be particularly attractive to growth driven mid-cap plcs that wish to take a majority stake in another company at relatively low group risk, as the debt provided is independent of the rest of the group.”

Delta Plus Group was advised by the Manchester office of accountants and business advisors, Mazars and law firm Campbell Cooper. Hammonds advised Lloyds TSB.

## **ENDS**

### **List of advisers/funders included:**

Corporate Finance advisers to LH Safety – Clearwater Corporate Finance (Paul Jones and Jon Mercer)

Legal advisers to LH Safety - DWF (Gareth McIntegart)

Legal advisers to Delta Plus Group – Campbell Hooper (Martin Wright)

Senior debt provided by Lloyds TSB Corporate Markets Acquisition Finance (Noel Stublely)

Providing of funding and ongoing working capital facility - Lloyds TSB Commercial Finance (Mike Scowen)

Advisers to Delta Plus Group - Mazars Accountants and Business Advisors (Tim Hudson)

## **Notes to Editors**

**Clearwater Corporate Finance LLP** is the largest independent corporate finance house in the UK, focusing on unquoted mid-market transactions. Its services are always led by one of Clearwater’s ten partners who have personally completed over 300 transactions worth an aggregate value in excess of E4 billion, split equally between purchaser and vendor assignments.

A key strength is Clearwater's research and deal origination skills – 25 per cent of its corporate finance specialists are dedicated to this creative aspect of deal activity. Clearwater focuses on a number of sectors including: engineering, food, healthcare, home & building products, print & packaging, retail & consumer products, support services and technology.

Clearwater’s partners are all owners of the business and have been involved in the sale of their business and subsequent MBO, which led to the formation of Clearwater Corporate Finance LLP.

Clearwater offers tailored corporate finance solutions to owner-managers, management teams, private equity houses and larger corporate groups on a variety of transactions, such as exit strategies, company sales, MBOs and MBIs, corporate transactions and development and replacement capital.

Alongside its ten partners, Clearwater has an additional 24 staff and provides national coverage from offices in Birmingham, London, Manchester and Nottingham.

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Clearwater is a member of the International Network of M&A Partners (IMAP), an exclusive global partnership of corporate finance lead advisory firms. IMAP has unmatched global reach, with 350 dealmakers spread across 25 countries, covering North and South America, Europe and Asia. Globally, IMAP advises on circa 200 completed transactions per annum.

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