

HMV Canada prepares to open The Vault

Trading at HMV Canada was buoyant in the third quarter as the entertainment retailer outperformed the market and beat sales forecasts. For the year to date, like-for-like unit sales are up 2% and EBITDA is well ahead of forecast while product margin has increased by 3.2%.

Sales and margins have benefitted from an updated product mix that has seen the low margin, cash-intensive video games category replaced by music and film tie-in gifts, collectables and t-shirts, including many lines exclusive to HMV Canada.

The team has also been busy taking HMV Canada's digital strategy to the next level with the imminent launch of The Vault, a new subscription-based music streaming and download service. With all major labels and key independents on board, the high profile

service will take competitors such as Spotify, iTunes, Rdio and Music Unlimited head on in Canada's nascent digital audio market.



The Vault, which launches at the beginning of December, will be heavily promoted in store, utilising HMV Canada's unique ability to reach over 30 million store visitors per year.

HMV Canada has also revitalised its Pure customer loyalty scheme which will play a key role in joining up customer data from in store and online transactions to provide a 'single customer view' and improved strategic insight, communications and customer service. Pure, which has 1.2 million active members, is being opened up to third party affiliate brands for the first time.

Denby shakes up Canadian operations



Denby, the Derbyshire-based tabletop and homewares business, has opened an office in Toronto in order to take control of the Canadian distribution of its product range, including the Denby, Monsoon and James Martin branded collections.

Canada has long been an important market for Denby, contributing close to 10% of group turnover. The brand enjoys a high level of recognition and Denby products are stocked in leading retailers nationwide. However, the company's existing distribution arrangements through a third party sales agent were proving inadequate to achieve significant growth and the brand's development was stymied by a retail presentation that had failed to keep pace with Denby's new product development.

The establishment of the Canadian office will allow Denby to take the reins on the brand's presence in the country as well as providing improved customer service to Canadian consumers. **p2** ➤

Hilco assists Clinton's Administrator



Hilco was appointed by Zolfo Cooper, administrators of Clinton Cards plc, in June to advise on retail operations and stock realisation strategies for the greeting card retailer which trades under the Clinton Cards and Birthdays fascias. The project involved the modelling of over 100 different scenarios in the first week of appointment, enabling the Administrator to make effective strategic decisions and maximise

realisations for the company's secured creditors.

The Hilco team operated stock realisation programmes in 197 Clinton Cards and 97 Birthdays stores that had been identified as 'non-core' while the remaining 431 Clinton Cards stores transferred to a new owner – the group's largest supplier, American Greetings.

A high impact 'Store Closing' sale was launched in the Birthdays stores while a bespoke 'Biggest Ever Sale' promotion was deployed in the non-core Clinton Cards stores in order to insulate the Clinton brand from any perceived negativity relating to store closures.

Hilco assists with JJB store closures



Following the recent administration of JJB, the listed UK sports retailer, Hilco was engaged to manage the closure and clearance of stores.

Hilco was tasked with ensuring the orderly exit of a large number of stores and the handover of the stores in a 'broom clean' condition to the administrator, KPMG.

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► **p1** Additionally, the new office will enable the company to expand its online operations with the launch of a dedicated ecommerce site and associated support function for Canada where this had previously been part of Denby USA.

A key part of Denby's global appeal is that its products are designed and made in England, drawing on over two centuries of experience. The company has produced a short film, The Denby Made in England Story, to provide an insight into how Denby pottery is designed and manufactured, which is available to watch at: www.youtube.com/DenbyPottery



Denby's design team has delved into the company's archives to gather inspiration for the Heritage Collection. Each of the three new ranges – Pavilion (pictured on the previous page), Veranda and Orchard – feature subtle shape, glaze and decorative elements drawn from the archives.

In addition to the tableware which Denby is known for, the Heritage Collection includes kitchenware items such as mixing bowls and storage jars.

HRPS brings Butler & Gardener to life

The track record of Hilco's HRPS team in delivering new stores quickly, smoothly and cost effectively is increasingly attracting retailers, wholesalers and brand owners to outsource their new store operations.

HRPS recently helped a regional retailer to create its first standalone household and garden products outlet store. The 2,500 sq ft store, branded Butler & Gardener, opened in the Freeport Talke outlet village in Stoke-on-Trent in August.

The retail concept, lease negotiations, branding, IT systems, signage, shop fit and HR requirements were managed by HRPS in an accelerated process that saw Butler & Gardener progress from inception to trading in just five weeks.

The store sells a mix of discontinued merchandise at up to 75% off the RRP and the current season's lines at 10% off, bringing household and gardening products to the factory outlet sector for the first time. Butler & Gardener has already proved a hit at Talke with shoppers reacting positively to the opportunity



to buy everyday items from garden bird food to door mats at discounted prices and without having to make a dedicated trip to a garden centre or DIY store.

Once the concept has been proven over a few months of trading, Butler & Gardener will quickly be rolled out to a number of other outlet centres around the UK.

HRPS has also been busy managing the creation of a new outlet store in Portsmouth for a premium homewares brand. The 1,500 sq ft store is set to open early in October.

Designer fashion drives Wholesale growth

Hilco Wholesale, a division of Hilco UK that specialises in excess inventory solution for retailers, wholesalers and suppliers, continued to grow in the third quarter as sales of designer apparel to the fashion ecommerce sector rocketed.

The rapidly growing popularity of online fashion retailers such as ASOS, Brand Alley and Cocosa has resulted in unprecedented demand for Hilco Wholesale's stock packages of upper mid-market designer clothing and accessories.

Hilco Wholesale is also planning to expand into the

sale of designer fashion and accessories directly to consumers with the opening of a pop up store in a leading retail outlet centre scheduled for the fourth quarter of 2012 and the launch of its first transactional website in 2013.



Meanwhile, Hilco Wholesale assisted the administrators of Alders of Croydon during the store's closing down sale, with the supply of merchandise across multiple product categories including homewares, electricals and fashion. The Hilco Wholesale team managed all buying and merchandising for the department store – one of the UK's largest – during the administration.

HFS expands retail concession business



Hilco's Home Flooring Solutions business has partnered with Beales department stores to open flooring concessions in its Bournemouth, Poole, Hexham, Worthing (pictured) and Yeovil branches. HFS has re-fitted the existing departments, updated the ranges and provided training to existing staff.

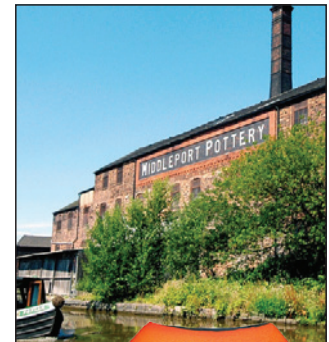
At the same time, HFS continues to grow its joint

venture with Homebase with the opening of three more flooring departments in Walthamstow, Haringey and Sittingbourne. In addition, a new Homebase concept store opens in Ruislip in October and two more departments are planned to open in Solihull and Newbury. Homebase has also added carpets to its website and HFS has been engaged to manage the back office operations and customer visits.

HFS' core insurance claims business remains strong after the summer floods and existing insurer contracts are growing, most notably with Cunningham Lindsey which has secured a pilot to supply services to Legal & General. Cunningham Lindsey have also added Sterling Insurance and Equity insurance to its book and asked for HFS to supply its services.

HFS has secured a new contract to validate and replace flooring for insurer Direct Group.

Poole transfers manufacturing to Middleport Pottery



Poole Pottery, which was acquired by the Denby Group in 2011, has joined fellow heritage pottery brand Burleigh in the latter's historic Middleport Pottery home in Burslem, Stoke-on-Trent.

Whilst Poole Pottery's visitor centre will remain at the company's original base in Dorset, manufacturing of Poole's distinctive brightly glazed products has moved to Burleigh's Middleport factory.

The six towns that make up the modern city of Stoke-on-Trent, historically known as The Potteries, have been the centre of England's ceramics industry for centuries.

The Grade II* listed Middleport Pottery, which dates back to 1888, is the subject of a large scale conservation, restoration and regeneration project, led by The Prince's Regeneration Trust.

Micro Anvika calls in administrators



Re10, the administrators of electronics specialist Micro Anvika, appointed Hilco to manage retail operations for the company's two stores on London's Tottenham Court Road in September.

Micro Anvika has scaled back its store portfolio during 2011 with the majority of locations closing following a CVA in February. One store and a concession remain.

Park Precision appoints its first chairman

Engineering business Park Precision announced the appointment of Nick Platt to the newly created position of chairman in September.

Nick brings a wealth of industry experience to the business, having spent 15 years with automotive systems specialist Valeo and eight years in senior roles at APW, a major electronics manufacturing services company. He subsequently completed an MBO of the APW Shanghai-based manufacturing facility in 2010, for whom he also continues as chairman.

Successful Boat Show for Clipper

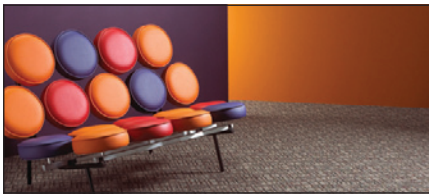


The Clipper Marine team enjoyed an extremely successful Southampton Boat Show in August, selling 14 boats totalling more than £1.5 million during the week-long event.

The star of Clipper's berths was the stunning new Bavaria Virtess 420 (pictured). The luxuriously appointed 420 is Bavaria's first motor yacht to feature a flybridge.

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Kraus Group's focus turns to operational restructuring



The Kraus Group, the Canadian flooring manufacturer and distributor acquired by Hilco in a CAD \$60 million transaction in June, has

made strong progress during the third quarter. The business has been stabilised, allowing the team's focus to turn to operational restructuring.

A series of projects and associated budgets have been formulated to enhance the Kraus Group's organisational strength so that the business will be best placed to rise to the challenges of the recent return to growth in the

North American flooring market. US housing starts rose to the highest level since 2008 in September, up 35% year-on-year.

To date, annualised cost reductions of CAD \$9 million have been identified while new investment is being made in people, new product development, and sales and marketing, and the business continues to perform to plan.

NEWS FROM ACROSS THE POND

Hilco Real Estate recently acquired the 850,000 sq ft Westport Logistics Center in Montgomery, Alabama. The distribution facility includes 48 sheltered loading docks and parking for more than 300 trailers. To enable multi-tenant occupancy, Hilco will invest additional capital to add cross-docking, expand trailer parking capacity and add a rear access drive.

Hilco Merchant Resources was engaged to operate store closure sales at 137 Ritz Camera stores across the United States in September, following the chain's bankruptcy and subsequent failure to attract a buyer Trading as Ritz Camera, Wolf Camera, Inkley's, Proex, The Camera Shop and Camera World, the 94 year old business was once the largest US speciality camera chain. Over \$25 million of inventory was sold during the closure process.

Hilco Streambank has been retained by a major US corporation to sell its rights to an entire legacy /8 block of 16.7 million IPv4 addresses – the unique identifiers that enable devices to connect to the internet. Demand for IPv4 addresses is at an all time high as most of the pool of available addresses has been allocated and the protocol's successor, IPv6, has not yet been widely implemented.

Hilco was also recently retained through the US Bankruptcy Court in Delaware to sell more than 65,000 IPv4 addresses for Chapter 11 debtor RG Steel. In a further recent transaction, Hilco sold a block of IP addresses in the Borders bankruptcy for \$12 per address, setting a new record for the highest price per address. Hilco currently represents more than 12 sellers of surplus IPv4 address blocks, offering blocks ranging from /24 (256 addresses) to the newly-assigned /8 (16.7 million addresses).

Hilco and a joint venture partner purchased the RG Steel mill at Sparrows Point, Maryland at public auction for \$72.5 million. Once the largest steel mill in the United States, Sparrows Point was idled shortly after RG Steel filed for bankruptcy in May 2012. Located in a strategically important position on Chesapeake Bay at the mouth of Baltimore Harbor, the facility includes its own port with access to the Atlantic Ocean and the capability to dock deep-water vessels. Options for the 3,400 acre site are being reviewed.

In July, **Hilco Real Estate** was engaged by underwear manufacturer Jockey International to sell two manufacturing and warehouse facilities in Jamaica. Both properties were originally constructed as sewing facilities but had latterly been retrofitted for food production by lessee Sandy Bay Sweets.

MIG provides loyalty expertise to HMV Canada

HMV Canada has appointed the Marketing Innovation Group to provide the technology and service solution that will power the retailer's relaunched Pure loyalty scheme.

MIG, which has extensive experience in operating database, loyalty and digital communications programmes for companies such as Nectar and Shell, is developing a data warehouse which will contain all points, communications and transactional information

related to Pure member activity.

MIG's solution will provide HMV Canada's Pure marketing team with live dashboard-based reporting, together with deeper analytics and digital communications platforms.

The appointment follows MIG's redevelopment of Ideal Heating's loyalty programme for boiler installers which has seen sales to members rise 35% and is projected to double in 2013.

1927 plans for big 2013

Following the work of Hilco's HRPB team in bringing designer fashion distributor 1927's first retail concession to fruition, 1927 has formulated ambitious expansion plans for 2013.

The success of 1927's House of Fraser Oxford Street concession has led to talks with a major UK department store chain regarding rolling out the concept nationwide. 1927 is also in advanced discussions with a continental department store operator.