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Ethel Austin in £55 Million IBO Deal

Leading discount retailer Ethel Austin Limited is to receive £11 million funding from Lloyds TSB Development Capital ('LDC') in a deal raising total funding of £55 million. The IBO was led by LDC's Manchester office and provides Ethel Austin with the opportunity to maximise its growth potential throughout the country.

Established in 1934 as a Liverpool wool shop, Ethel Austin now comprises 238 discount clothing stores spread nationally with a focus in the North of England. The business, whose central operations are based at Knowsley in Liverpool, has forecast turnover of £135 million for the current year and has built an infrastructure capable of supporting significant growth.

The management team comprises Ray Carroll (Retail Director), Steve Williams (Financial Director) Sue Tennant (Trading Director) and is led by the Chief Executive Officer, Phil Hoskinson. Hoskinson has been with the business for 27 years and has been CEO for the past 12. The Austin family is retaining a small equity stake in Ethel Austin going forward.

The discount retail market has almost doubled in the last five years, significantly out-performing non-discount clothing retailers. Ethel Austin's key differentiating factors are its focus on childrenswear and women's underwear and its strong presence in local neighbourhoods where it has over 100 stores.

In the last decade Ethel Austin opened almost 150 new stores expanding into Scotland, London and the north east of England and recently invested £12m in an extensive store

refurbishment programme and the expansion of its central warehouse facilities. An aggressive store roll-out programme is planned for the next three years.

Through offering good quality products at discount prices Ethel Austin has built up a loyal customer base with the average customer visiting a store twice per week. Further development of the business will be achieved through building on its already strong reputation for childrenswear and underwear with the addition of exciting new product areas such as branded clothing and cosmetics at heavily discounted prices. Ethel Austin will also offer its customers promotional opportunities all year round.

Underpinning all of these developments will be the core philosophy of quality at the lowest price.

Paul Johnson, Investment Manager at LDC's Manchester office comments, 'This is a market leading, well invested business operating in a rapidly expanding market. The company is led by a highly capable and experienced management team. We believe that Ethel Austin is well placed to take advantage of market changes – its recent store refurbishment programme and move to a larger store format fits well within the market.'

Phil Hoskinson adds, 'This is a very exciting opportunity and we look forward to LDC's support in taking the business forward. Whilst the discount retail market is increasingly competitive, we believe that Ethel Austin has a well defined offering and is in an excellent position to maximise growth potential.'

LDC was advised by Heath Snyder and Catherine Houghton of PricewaterhouseCoopers Corporate Finance, Manchester and Neal Shepherd and Matt Morgan of DLA, Manchester. PwC Manchester also conducted financial, operational and tax due diligence. Barclays Leveraged Finance, represented by Dion Hirst, provided significant funding. The vendors were advised by Paul Lupton and Ray Stenton of Andersen, Manchester, and Chris Wilkinson and Peter Bullivant of Bullivant Jones & Co, Liverpool. The management were advised by Hammond Suddards Edge.

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Photography available – please contact Alex Gaskell on 020 7950 2828

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Notes to Editors

Lloyds TSB Development Capital (LDC) is a leading UK venture capital company in the mid market sector, operating from 8 offices throughout the UK. The Group invests in medium sized businesses, and provides funding for management buy-outs, buy-ins and growth. In 2001, LDC invested £115 million in 28 companies, and a portfolio with an estimated value of £1.25 billion. LDC was recently named 'House of the Year' at the BVCA's Private Equity Awards 2001.

For more information, please visit: www.ldc.co.uk

The IBO applies only to the retail company Ethel Austin Limited. It does not affect the property groups Ethel Austin Properties Holdings Limited or Ethel Austin Investments Limited.