

surfing the twin track process

with Louise Barnes, CEO Fat Face

If only it could happen to you. Two ski bums fund their laid back lifestyle by selling t-shirts to holidaymakers. Demand is so strong that the pair hock their van and cash in some shares to open a shop. Barely 12 years later, the company is valued in excess of £100 million. Our heroes agree to a Secondary Buy Out and head for a new life of sporting adventure and leisurely days on a sun-kissed beach.



In 1984, Tim Slade and Jules Leaver were making ends meet (just) behind a bar in Meribel. In an effort to raise some much needed funds, they produced 100 'been there, done that' t-shirts which were snapped up by eager tourists. The pair tentatively

expanded their print run to 800 before - as you do - setting off for a trip around the world.

Having funded their odyssey with sales in various ports, the pair opened their first shop in Fulham in 1993. Fat Face primarily appealed to customers in their early thirties, evenly split between the sexes. Expanding the product range into merchandising for people who were interested in sailing and windsurfing, even the recession had little impact upon spiraling profits.

By 2000, Fat Face had expanded to 28 stores and was looking to grow further. An injection of venture capital finance was provided by Isis Equity Partners, giving rise to a further period of exponential growth.

In 2003, they recruited Louise Barnes as CEO, to drive forward the growth and plan for the exit of both VC's and Founders. 'The Fat Face opportunity found me' Louise recalls. 'I was working for Monsoon and had never even heard of them. I visited a few stores and saw the opportunity but they were a bit behind the pace. Great brand, fabulous marketing message but the basics were lacking. Meeting Tim and Jules was great fun but bizarre. They were surf dudes wearing shorts and no shoes around the office'.

'The reason I was brought in was that they wanted to leave. The founders had spent 15 years building up the business and were a bit taken aback by how

“A company like ours quickly outgrows people and their capabilities. Interims have helped us take leaps forward much bigger and far quicker than we would otherwise have been able to manage”

big it had become. What they really wanted to do was concentrate on their sport, see the world and get back to life ‘out there’.

Louise Barnes is passionate about most things but particularly retail (‘our industry doesn’t get taken seriously. After all, it’s only shopping’). Having started her career with The Burton Group, she left to join Etam before moving to Monsoon.

Fat Face and Louise are made for each other. Embodying the independent spirit at the heart of Fat Face’s success, she assumed the leadership of the business with FD Stuart Owens in 2003.

By 2005, the clock was ticking. The Fat Face chain had expanded to 98 stores, Tim and Jules were itching to move on while Isis Equity Partners were sitting on an 11.9 times return. Bringing in ABN AMRO as corporate advisers and Brunswick to act as PR minders, Louise and Stuart Owens set about sourcing fresh finance.

‘First of all’ suggests Louise ‘we spent a lot of time defining what we were selling. Who were we? What was our USP? Why were we an attractive proposition? The days and nights and wee small hours we spent honing that strategy were the best thing we ever did’.

‘We wanted vendors to come and do the deal pretty quickly. So we did all the prep work ourselves instead of finding

a vendor. I think at one time we had all the Big Four accountancy firms in our building, crawling over our business doing due diligence’.

‘But that was interesting. People compiling reports on your business, trying to understand what the risks are and how you mitigate them forces you to come up with meaningful answers. All these smart guys questioning you on your business strategy and what you’re thinking really sharpens you up’.

Fat Face was, by any calculation, a sexy investment. All four strands of corporate activity - premium sites, city stores, affluent markets and ALOA (at location of activity) - registered significant and sustainable growth. Research also identified over 250 potential locations for new stores in out-of-town areas free from competition from Building Societies or High Street chains. In other words, at reasonable rents.

‘We decided to run a twin track process’ explains Louise ‘that would culminate in a float or Secondary Buy-Out. We did the Beauty Parade with the Private Equity boys while at the same time going through a public process. It’s a bit of an estate agent’s job in Private Equity - ‘here’s what we’re going to do and look at how great it’s going to be’ - but no forecasts are allowed in documents prepared for the city’.

‘We got a tick, everyone was very excited. But by then the market was a bit wobbly and it came down to sheer maths. The amount we were going to get in the public arena just couldn’t compete’.

‘We gave the Private Equity Houses two weeks to get their offers in. Otherwise, we’d revert to Plan A and announce our intention to go to market’.





Louise Barnes is a delightful raconteur. One of many anecdotes from a sleep-free period involved a tense conversation with her Chairman in the back of a cab. Arriving at her destination in a state of raw anger, she was solicited by the cabbie not to make her 'boss' any more tea. He had assumed she was the secretary.

'At times, it was a bit like the Cuban Missile Crisis' she chortles. 'There would be us on one side of the table and some Private Equity team on the other. If we'd had a testosterone monitor on the wall, it would have exploded under all the pressure'.

'Not many girls in these processes, just a lot of City blokes and me. That turned out to be an advantage. Someone would say 'Louise, you go and talk to them'. It was easier for me to be a bit softer and not try and be too aggressive'.

The appetite for Secondary Buy Outs in the UK is exploding. According to figures released by Deloitte & Touche, half of the top 35 deals in 2005 have taken the form of SBOs.

Louise Barnes concedes that Fat Face's decision to take the SBO route was driven by financial necessity. However, she provides a list of supporting arguments that leave scant room for debate.

'Fat Face is still quite a shopkeeper's job' she asserts. 'We're deeply involved in developing the business, driving the sales, evolving the team'.

'When you are a young company, a lot of things change day by day and private equity is far more receptive to the kind of risks that come with those companies. You can easily get caught up in taking decisions for what the shareholders want which is not necessarily the same

as what is best for the growth of the business. I think we're a bit of a spotty adolescent at the moment. Once we get through that and we are all grown up, the public market may be where we'll want to be'.

In May 2005, Fat Face was acquired by Advent International for an undisclosed sum, believed to be in the region of £100 million. Louise insists that price was not the determining factor.

The purchase has saddled Fat Face with an unprecedented level of debt. Seemingly unperturbed by servicing the debt at a time of declining High Street sales, Louise insists that Fat Face's niche market insulates the organisation from the true effects of a downturn.

'That kind of debt does focus your mind' she smiles. 'It's a bit like having a massive mortgage and not being able to buy shoes'.

'At the end of the day, our partners are in it to make money. If you want to do something that you think is in the best commercial interests of the company but doesn't reconcile with the covenants, then you have to talk to them. Explain the way you're feeling, what you'd like to do and then you make the decision together. My own view of the debt is 'don't get too hung up on it'.

Fat Face now accounts for 5% of the UK active casual wear market. The chain has grown to 107 stores across the UK and Fat Face's rollout strategy demands opening a further 54 shops over the next 3 years.

The pace of expansion places a daunting workload on members of staff. Instead of adding full-time employees to the payroll, Louise has come to appreciate the value of Interim Executives.

Calibre One Ltd 38 Welbeck Street, London W1G 8DP

Tel: +44 (0) 20 7070 3000 Fax: +44 (0) 20 7070 3001 Email: info@calibreone.com Web: www.calibreoneinterim.co.uk



“Interims give you huge impetus, a massive head start. You get someone who has had so much experience and provides instant expertise”

‘A company like ours’ she asserts ‘quickly outgrows people and their capabilities. Interims have helped us take leaps forward much bigger and far quicker than we would otherwise have been able to manage’.

‘For example, we’ve been working with an Interim HR Director for eight months who has restructured the entire department. That would have taken a couple of years if I had been driving the permanent team. Interims give you huge impetus, a massive head start. You get someone who has had so much experience and provides instant expertise’.

Louise Barnes has a compelling vision for Fat Face. Although the company has only just opened its first overseas store - in Reykjavik - Louise is committed to building a global active lifestyle brand. Multinational licensing, wholesaling and concessions are all part of her masterplan.

Fat Face sponsors its own ‘team riders’ competing in such ‘out there’ sports as kite surfing, mountain boarding and water skiing. Team Riders embody the full on philosophy pioneered by Tim Slade and Jules Leaver, a mindset that Louise insists will shape corporate direction.

‘Our dream’ she proclaims ‘is Fat Face Island. Forget Comet or Dixons or Halfords, think of a big out of town shed next to water’.

‘We’ll have team rider clinics - anyone will be able to go and have a day’s coaching in these events. You will be able to have lunch in our Fat Cafe, buy some clothes and have a go on our simulators’.

‘From there we can move across into extreme Fat Face holidays. What we stand for isn’t limited by fashion or nationality. People leading this kind of lifestyle will buy whatever we put the brand into’.

‘Fat Face has an identity, Fat Face is different. Fat Face flies in the face of homogenous High Street retailing. Fat Face is exciting and fun and out of the ordinary’.

‘I hope Tim and Jules are enjoying their retirement. I don’t envy them at all. They are living their dream and I am living mine’.

Written by Gary Leboff from BBC2’s *The Challenge*, www.garyleboff.com

Photos by: Ross Martin (Skier, Pg 1, Pg 4), Flo Ducat (Kite Surfer, Pg3), Alex Williams (Surfer, Pg3), Christian Black (Kite Surfer, Pg4)