

BARBEQUES GALORE

BARBEQUES GALORE Investment Report

1. Summary of the Deal

On 26 October 2005, Ironbridge completed the management buyout of Barbeques Galore Ltd ("BBQ"), a public company listed on NASDAQ. BBQ operates more than 165 owned and licensed retail stores in Australia and the USA. BBQ is a leading specialty retailer of barbeques and barbeque accessories, with annual revenues of circa \$300m.

We viewed BBQ as an attractive investment opportunity as it has a strong brand, high gross margins and a competitive advantage in the high growth top-end barbeques market.

The two key initiatives undertaken by Ironbridge in developing our investment case were to identify an excellent retail management team to replace the retiring founders and to analyse and prove up a cost initiatives program which should substantially improve the underlying earnings of the business.



Ironbridge worked closely with Jonathan Pinshaw on this transaction, a pre-eminent Australian retailer who had previously successfully turned around and run similar substantial retail offerings in Australia.

In September 2008, the US operations of Barbeques Galore were sold to Grand Home, a subsidiary of a Taiwanese company Grand Home.

2. The Business

BBQ has a range of proprietary barbeque brands which generate high product margins (Grand Turbo, Turbo, Apollo, Cordon Bleu, Cap'n Cook, Cook-on, Beefmaster). These products, in common with the bulk of its competitors' products, are sourced competitively from major suppliers in China. The stores also stock third party barbeques, fireside products, proprietary heater products and barbeque accessories. In Australia the stores also carry a range of outdoor furniture.

Brand strength: BBQ has a strong brand presence in Australia with 72% unaided awareness and 90% prompted awareness.

Market: The barbeque market in Australia, including accessories, is worth c. A\$300m, growing at 2.4% pa. BBQ is strongest in the "best" product segment (stainless steel barbeques >\$1,000).

Competitors: In Australia, BBQ is the market leader and has 27% market share of the retail barbeque business. Competition is primarily focused on low to mid range products and is driven by major home renovation chains. BBQ distinguishes itself through range, product quality, advice, service, accessories, spare parts and warranties.

3. The Management Team

The BBQ management team had significant experience in the category but we believed the team would benefit from the introduction of a number of new strategic and operational initiatives.

Jonathan Pinshaw, Chairman, Jonathan is a highly regarded senior executive. He has previously successfully acted as CEO for Freedom Furniture and OPSM Group and is currently the Chairman of Just Group. Jonathan has a strong track record in retail turnarounds and will be taking an active role in the business as Chairman.



4. Transaction Rationale

Leading brand and market position BBQ is the leading Australian barbeques retailer with a market share of more than 27%.

Attractive business fundamental The Australian business has consistently delivered attractive gross margins and steady sales growth.

Operational improvement opportunity as new management practices, operational benchmarking and direct control of corporate cost are assumed.

