

**Ironbridge**



**RECREATIONAL TOURISM GROUP  
Investment Report**

**1. Summary of the Deal**

On 22nd May 2006, Ironbridge completed the acquisition of Super A-Mart from the founder and owner John Van Lieshout, together with Ironbridge Fund investors GIC, Partners Group and Macquarie Funds Management and the management team of the company. Ironbridge led the \$500m management buyout with an investment of \$70m in the company.

Super A-Mart is Queensland and Northern New South Wales' leading furniture retailer with a portfolio of "Big Box" retail stores in the region, annual revenues approaching \$400m and a share of approximately 20% of the Queensland retail furniture market. The business has enjoyed outstanding growth since its establishment in 1970.

Ironbridge viewed Super A-Mart as an attractive investment because of its leading position in the Queensland market, enduring customer proposition (focusing on low price, wide range and immediate product availability), strong historical profit performance and significant growth opportunities within its current store network and through new store expansion in the fast growing southern Queensland region and, over time, throughout Australia.

Ironbridge worked closely with the Company's management team developing a detailed 5 year plan for the business which focuses on an initial phase of incremental expansion in Super A-Mart's strong home market of Queensland, where a number of new sites have already been identified. Owing freehold property has historically been a pre-requisite to new store expansion for the business and Ironbridge and

management believe that significant new growth opportunities will now be available to the business as the company takes a more flexible approach to new site development.

Companies associated with John Van Lieshout own all of Super A-Mart's retail sites. Long term leases for each of these have been entered into on market terms.

**2. Background**

Super A-Mart was started in 1970 with the opening of its first store in suburban Brisbane. It was the beginning of a new model in the retail furniture market, based on large format, standalone sites of between 6,000 and 10,000 square meters, typically located on major highways with good access and parking.

The company has grown steadily over its 36 year history, securing well located sites in most of the strong growth corridors throughout Queensland.

Ironbridge was introduced to the company's founder, John Van Lieshout, through our advisor on the transaction, the Oaktower Partnership, who has advised Ironbridge Partners on a number of transactions including Riviera and Affinity Health.



John Van Lieshout was attracted to a private equity sale because of the confidential manner in which the due diligence process could be completed and the fact that the senior management team, many of whom

have worked with him for more than 20 years, would continue to manage and grow the business and would become investors.

Ironbridge conducted extensive financial, legal, commercial and property diligence using Ernst and Young, Clayton Utz, and Crescendo Partners.

### 3. The Business

Super A-Mart has grown substantially since it was acquired in June of 2006. Under Ironbridge ownership the number of stores has increased from 21 to 29 with 3 stores now located in Western Australia, the first stores outside of its core market in Queensland. Each store ranges from 6000 to 10,000 square meters. The company stocks more than 5,000 furniture items sourced from Australia and Asia in the major categories of lounge, dining, outdoor furniture and bedding. Other categories include office furniture, blinds and air conditioners, although the range is constantly being changed to meet consumer demands.

The company has several well established competitive advantages, including its unique big box store format; low price low cost business model; strong corporate culture; experienced management team; and its customer driven sales strategy.

The business markets itself as the price leader and its low price, high sales volume strategy has enabled the business to consistently be one of the highest profit margin businesses in the industry.

The business has a 20% share of the Queensland furniture market making it the number 1 retailer in that region. Historically Queensland has experienced growth rates in retail furniture sales above those of the rest of the country. Our analysis indicates that the growth should continue and that there are still locations in this region where Super A-Mart is under represented.



### 4. The Management Team

Super A-Mart has an experienced and motivated senior management team, led by

Eddie MacDonald (CEO). Eddie has had a long history of running Queensland based specialty retail businesses and over the past couple of years has built around him a dedicated team of professionals to grow the business. The business has a very strong corporate culture with an emphasis on urgency to win, open and honest communication, customer focus and maximising profit by incentivising staff and sharing the company's success.

*"Super A-Mart has a strong market position and excellent growth opportunities. We believe we can support the proven management team to create a successful private equity investment."*

- Greg Ruddock, Managing Partner, Ironbridge

[back to top](#)

### 5. Transaction Rationale

**Leading market position** in Queensland's retail furniture market, with a market share of approximately 20%, which is twice the size of its nearest competitor and has been steadily growing over the last five years.

**Strong competitive position** with a unique big box store format, low price and low cost business model, strong corporate culture, experienced management team and flexible, customer driven product and marketing strategy provide the business with a significant competitive advantage.

**Strong market growth** as the Queensland retail furniture market is forecast to continue to exhibit strong growth and outperform the Australian market.

**Significant growth opportunities** within the current store network and through new store expansion in the fast growing southern Queensland region and, over time, a national store roll-out program.

**Good exit opportunities** through an IPO or trade sale as the business continues to exploit its substantial growth opportunities.