



CONSUMER & RETAIL

Deal flash, May 2017

SALE OF A LEADING SUPPLIER OF EQUESTRIAN EQUIPMENT TO A FINANCIAL INVESTOR

Deal snapshot

- The shareholder of HKM Group has sold a majority stake in the company to Frankfurt-based private equity investor Finatem.
- HKM Group consists of HKM Sports Equipment and HKM Textil. HKM Sports Equipment is the market leader in providing a full range of equestrian products in Germany and Europe as well as offering a differentiated and focused portfolio of products across all price segments. HKM Textil is Europe's market leader in applications for sewing and ironing textiles. In 2017, HKM Group achieved revenues of US\$30 million with approximately 100 employees. More than 80% of these revenues were generated in Europe, with approximately 50% in Germany.
- Finatem is an independent, private equity firm seeking majority investments in mid-cap companies primarily in Germany, Austria and Switzerland.



What our client said

Klaus Egbers, Managing Director, HKM Group, Germany

"Since the 1980s, we have been active as a specialist firm for equestrian products and have been able to establish a leading position in our industry. The demand for our products is as high as ever and we see further growth opportunities in the market. Finatem is the right partner to take advantage of these opportunities.

Selling shares in our family company was a once-in-a-lifetime experience. Thanks to the expertise and commitment of the Oaklins team in Germany, this complex international process was completed to my highest satisfaction."

Our role in the transaction

Oaklins' team in Germany advised the managing shareholder of HKM Group in a structured, international sale process.



Market trends and deal drivers

- The market for equestrian equipment is constantly growing and has hardly been affected by macroeconomic dynamics. Consumer willingness to spend is high, since riders are very demanding about animal care and consider their horses to be beloved family members.
- Equestrian equipment distribution is largely fragmented, with independent mom-and-pop stores dominating the market sphere across almost all geographies. However, consolidation is ongoing and has seen larger specialist retailers prosper, particularly in Germany. Experts forecast that e-commerce will play an increasing role in the supply of equestrian equipment and provide significant growth potential to market players.
- Additionally, the global supply of equestrian equipment is highly fragmented, with a variety of brands competing in the market. There is strong potential for international expansion in both developed and developing regions.

M&A valuation aspects

- The market for equestrian equipment has experienced low transaction activity in recent years and has not seen any major players significantly driving consolidation.
- From the HKM managing shareholder's perspective, a structured and international sale process was the ideal option to achieve the perfect succession solution and also the best valuation.
- A valuation of the business in the upper single-digit multiple range on EBITDA was eventually achieved, reflecting the current attractive market for equestrian equipment.

Oaklins industry specialists



✉ **Lutz Becker**, Managing Partner, Oaklins, Germany

Lutz has more than 25 years of experience advising private individuals, mid-cap companies and private equities in consumer and retail, with special expertise in the fashion and textiles segment. He has an established network of contacts in many of the large and mid-market companies in the sector. "Selling the business to an experienced private equity fund with the seller's reparticipation and an incentivisation scheme for the managers was the optimal deal structure for our client."



✉ **Christoph Wilk**, Senior Associate, Oaklins, Germany

Christoph is focused on consumer and retail businesses and has executed a number of transactions in the sector in recent years. "Not only strategic players but also financial investors showed interest in this asset. The market is attractive as it is characterized by stability and steady industry growth. We believe this transaction reflects the beginning of upcoming consolidation in the still largely fragmented market for equestrian equipment. In fact, there is a lot of potential for building local and global champions."

OAKLINS HAS CLOSED 494 DEALS IN CONSUMER & RETAIL

Oaklins is the world's most experienced mid-market M&A advisor, with 700 professionals globally and dedicated industry teams in 40 countries worldwide. We have closed over 1,500 transactions in the past five years.