



Gresham Private Equity Fund 2

Witchery

Gresham Private Equity has acquired Witchery Fashions Pty Limited (“Witchery”).

SUMMARY OF DEAL

Gresham Private Equity has completed the acquisition of the highly successful retailer of ladies apparel and accessories, Witchery Fashions Pty Limited.

The business operates a network of more than 70 stores located in major shopping centres, strip malls and high streets, David Jones concessions and clearance centres.

Witchery is a well respected brand with a loyal customer base, a disciplined business model and strong operating performance. Significant growth potential exists through further store roll-outs, improved product sourcing, category growth and a range of other business improvement opportunities.

The business was acquired by way of private treaty, the terms of which are subject to legal confidentiality. Gresham was advised by Citigroup and supported during transaction due diligence by KPMG, Freehills, Marsh and PricewaterhouseCoopers.



BACKGROUND

Since its establishment more than 40 years ago, Witchery has proven itself as a leading apparel retailer through its focus on fashionably designed and high quality ladies apparel. More recently it has expanded successfully into ladies accessories such as shoes, bags, belts, scarves and hats.

Witchery has invested heavily in its brand, stores and product development capability, providing a strong platform for future growth.

THE BUSINESS

Witchery operates under the philosophy of *smart, simple style*. It has a wide and loyal customer base attracted to its range of stylish, high quality apparel and accessories.

With headquarters in Melbourne, Witchery has a portfolio of more than 70 stores located in some of Australia's best retail destinations. In recent years, its store roll-out has included a number of stores within David Jones, a leading department store retailer. This has proven to be an extremely successful strategy for the business, delivering increased exposure to its core target market and driving revenue growth. In addition, Witchery also operates a rapidly growing internet and mail order business.

The management culture within Witchery has a strong focus on maintaining commercial disciplines across the entire business. The executive team has an established record of successfully managing category expansion, buying, discounting and new store opening approvals.

WITCHERY

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TRANSACTION RATIONALE

Highly Respected Brand

Witchery has an established and highly respected brand supported by a growing and extremely loyal customer base.

Platform for Growth

In recent years, Witchery has invested heavily in a new store concept which, together with its quality product and strong brand, provides an excellent platform for continued store roll-out throughout Australia.

Significant Business Improvement Opportunities

During due diligence, Gresham and its advisers identified a number of profit improvement opportunities across the business including clearance store performance, supply chain management and category growth.

Experienced Management Team

The business has a highly experienced management team with an average length of service of more than eight years. This team will be joined by Iain Nairn, who has more than 25 years retailing experience in the United Kingdom and Australia.

MANAGEMENT

Iain Nairn has been appointed as Chief Executive Officer of Witchery. He has significant experience in apparel and footwear retailing, including senior executive positions with Laura Ashley, River Island and Principles in the United Kingdom, and with Colorado and Sportscraft in Australia.

Gresham worked extensively with Iain during due diligence and transaction execution. Iain is leading a highly experienced incumbent management team who, in their new capacity as shareholders, are extremely excited about the opportunity to continue Witchery's growth and success.

Gresham executives Roy McKelvie, Guy Reypert and Mark Rimmer have joined the Board.

Peter Wilkinson has been appointed as independent Chairman. Peter is a highly experienced retailer, whose career has included a period as Chief Executive Officer of David Jones from 1997 to 2003, Managing Director of Just Jeans, and Group Managing Director, Department Stores, Coles Myer.