



Close Brothers Growth Capital Backs Secondary Buyout of Killby & Gayford

Close Brothers Growth Capital (CGC), the hybrid equity and debt finance provider, has backed the secondary buyout of award winning specialist building contractor Killby & Gayford Group, from 3i. CGC will have a significant minority equity stake, with Killby & Gayford's management taking a majority.

James Blake, Director of CGC, said "Killby & Gayford has an experienced management team who have grown the business from a turnover of £37.4m in 1998 to £80m today. It is differentiated in the market by its longstanding reputation, quality of workmanship, and people. The track record of the business and expertise of its team came through strongly in due diligence. The company is a market leader with substantial repeat business from longstanding relationships with a number of blue chip customers through framework/preferred supplier agreements.

"The business is heavily skewed to the South East and geographical expansion is a significant opportunity for further growth. Also there are opportunities for further growth in the financial services fit-out market as demand for bank refurbishment is driven by the need for branch updating, rising number of employees needing office space, re-branding and a stock of old buildings."

Customers are in the banking, commercial, government, healthcare and retail sectors. They include Royal Botanic Gardens (Kew), Royal Household, Sadler's Wells Theatre, The Wallace Collection, Kensington, Chelsea & Westminster Health Authority, Royal Society of Medicine, Royal Veterinary College, Diocese of London, Westminster School, The Crown Estate, Unilever UK Ltd, Wellcome Trust, Grosvenor Estates, Barclays Bank plc, Bloomberg LP, Coutts & Co, HBOS, HSBC, Lloyds TSB Bank.

Recent projects include:

- Alpine House, Royal Botanic Gardens (Kew) - construction of a new glasshouse using modern engineering to replicate an alpine environment at Kew Gardens
- Royal Society of Medicine, London - Major refurbishment of the Wimpole Street HQ including construction of a new lecture theatre and refurbishment of a world-class medical library
- St Paul's Cathedral, London - Creation of education centre and interpretation facilities

The transaction provides an exit for 3i and the Group Chief Executive, Terry Smith who joined the business in 1970. Chris Chivers currently Managing Director of Killby & Gayford Limited will become Chief Executive of the Group. He and Chris Boyle (Construction Director) hold equity from the original buyout, and will reinvest part of their sale proceeds. The wider management team of Richard Bell, Kevin Browne, Jon Coles and Jeremy Vickers will also invest and hold equity in the new company.

Robin Williams has been appointed as Chairman. He has a track record of generating strong returns having co-founded Britton Group, a start-up in the packaging industry, which he grew through acquisition before selling it, generating substantial equity value. Since then, Williams has been successfully involved with a building products turnaround and a number of other businesses.

Chris Chivers commented: "CGC is a supportive investor with a clearly aligned agenda. They provided a quick, efficient and streamlined process with the ability to underwrite the whole deal.

"Their rapid decision making enabled us to compete effectively with a trade bid process whilst retaining a majority equity stake, something we would not have been able to negotiate with many private equity houses."

Malcolm Heggie of Bank of Scotland commented "Bank of Scotland is pleased to have provided support for this transaction and continue it's long relationship with Killby and Gayford".



Killby & Gayford employs c300 staff, operating from premises in Clapham (London) and Billericay (Essex). The Clapham office is the Group's headquarters and London regional office and also houses centralised management, accounts and IT support functions. Killby & Gayford's Billericay facility consists of offices, a 20,000 sq ft manufacturing site and a closely located plant yard. It houses the joinery, security and automated teller machine (ATM) services of the Group.

The UK construction market accounts for 9% of the UK's GDP and has grown steadily for the past decade with only a blip in 2005 due to a weak private sector and a drop in public sector spend. Growth is estimated to be 3.1% in 2007 and 2.7% in 2008 driven in large part by government spending. Government spending is set to continue at robust levels and projects such as Heathrow T5 and the Olympics means there are significant opportunities for UK construction.

Close Growth Capital – James Blake, Justin Slabbert
Banking – Bank of Scotland, Charles Simpson, Malcolm Heggie

Advisors:

Newco legals – OC Reading, Greg Leyshon, Hugh Jones, Helen Porter
Management legals – DLA, Andrew Holt
Vendor's legals – TSB
Financial due diligence – Tenon Southampton, Peter Vandervelde, Sue Pople
Commercial due diligence – CIL, Martin Bean, Tom Fletcher
Management advisors – Wyvern, Martin Kitcatt
Vendor's advisors – BDO London, Peter Hemington

Ends

Editors' Notes

About Close Growth Capital

Close Growth Capital provides combined equity and debt funding to **UK mid market companies through a distinctive single source approach**. This includes finance for management buy-outs/buy-ins, companies requiring growth capital and secondary buy-outs, with a typical transaction size of £5million - £30million.

The investment takes the form of a tailor-made instrument combining the best elements of a secured loan with those of equity. The management team in an MBO or MBI typically retain a greater proportion of their company's equity and benefit from significantly enhanced flexibility in the repayment of the funding package.

Recent transactions include backing the £32 million secondary buyout of A-Gas International, the MBI of Toms Confectionery Ltd, and the acquisition of the confectionery arm of Burton's Foods for an undisclosed sum.

Close Growth Capital, an investment arm of Close Brothers Group plc, was started in 1999 to provide combined equity and debt funding to UK SMEs. **CGC invests in mid-market businesses** in all sectors, but has a proven track record in: business support services, leisure, transport and distribution, consumer products and specialist engineering.

Close Growth Capital is the trading name of Close Brothers Growth Capital Limited, which is authorised and regulated by the Financial Services Authority.