

RNS Number:1020J
John David Group (The) PLC
04 December 2007

THE JOHN DAVID GROUP PLC

4 December 2007

Strategic Investment in The Focus Group

The John David Group plc (JD), the sports and leisurewear retailer, announces that on 3 December 2007 it acquired 49.0% of the entire issued share capital of Focus Brands Limited (Newco) which is a new company set up for the purposes of acquiring Focus Group Holdings Limited and its subsidiary companies (Focus Group) from Michael Gilbert, David Gilbert, David Tolman, Mark Schaffer and Trevor Freeman (the Vendors).

The Focus Group was founded in 1976 and has become one of the leading companies in the UK for the design, sourcing and distribution of branded and own brand footwear, apparel and accessories. Focus Group holds a number of third party licences and also designs and sources product from a number of sports and fashion retailers. Immediately prior to this transaction taking place Focus Group's UK license with Converse has been transferred outside of the Focus Group.

The key employees of the Focus Group are its two founders, Michael Gilbert and David Gilbert, together with the Marketing and Design Director, David Tolman, who joined the Focus Group in 1992. All three will continue in their current operational roles within the management team of the Focus Group.

JD has invested £49,000 by way of share capital and £2.45m by way of loan notes into Newco with these loan notes carrying a coupon of 1.5% above Barclays Bank base rate.

Pending a refinancing of Newco, JD and the Vendors have guaranteed a £6.5m bridging loan facility in Newco on a several basis with JD liable for 49% of this guarantee in line with its shareholding. It is intended that the refinancing will take place shortly after completion. Upon refinancing, it is intended that the guarantee from JD and the Vendors will continue on a several basis in the same proportions as the bridging loan facility.

Deferred consideration may be payable to the Vendors in the event that the profit before amortisation and after tax of the Focus Group exceeds certain thresholds in the period to 31 January 2013. The maximum total deferred consideration that could be payable to the Vendors is approximately £12.4m.

The Vendors have also granted JD a call option over the 51.0% of Newco's issued share capital which is owned by the Vendors. This option is exercisable by JD at any time after the fifth anniversary of completion of the acquisition.

JD has also acquired a sub-licence to 2019 of the Sergio Tacchini brand in the UK from Focus Italy srl, a wholly owned subsidiary of Focus Group Holdings Limited, with advanced royalties of £4.3m payable in cash.

JD has also acquired from the Focus Group a freehold property in St Albans for the current market valuation of £4m payable in cash. This building has been let back to the Focus Group on a 15 year lease at an initial rental of £320,000, which represents the market rent for the property.

