

OHL placed in receivership

Receiver confident of sale

Changes in the New Zealand optometry market have been further evidenced with the country's only optometrist owned wholesale supplier of frames and optical equipment, Optical Holdings Limited (OHL), being placed in receivership.

OHL went into receivership on Monday July 26. The company is now in the hands of the receiver, McGrathNicol. A number of staff were laid off immediately but the receiver Mr William Black of McGrathNicol said he is continuing to run the business and it is being advertised for sale this week (see advert opposite).

"A number of staff were made redundant but the company is continuing to trade with a reduced number of staff so the business can be best positioned to achieve a sale," he said.

Despite the current business climate, Mr Black is confident that the business can be sold as a going concern.

He said there has been a great amount of competition out in the market, certainly the launch of Specsavers into the market has impacted the wholesale business. "This is also a situation brought about as a result of the economic slowdown and is a situation being faced by many companies in the business environment," he said.

Mr Black said the OHL Board did all it could by undertaking a restructuring but ultimately it proved to be insufficient and has resulted in the appointment of receivers.

The sale of the business includes stock and access to the brand licenses that are held by the company.

Company Chairman, Richard Newson explained that consumer demand had declined significantly and this had impacted on the wholesale supply.

"Concurrent with this has been a change in the market dynamics with international retail groups bringing their own supply chains further impacting our business," he said.

Mr Newson referred to

efforts the company had undertaken to adapt the business to the changed environment. However the level of fixed cost and obligations to the bank made the continuing operation unsustainable.

At its prime, the capitalisation of the company stood at around \$14 million.

OHL is made up of a group of companies that provide a wide range of products and services to the optical industry.

The OHL group's wholesale equipment and distribution division comprises OHL Eyewear Ltd, ARCO Optical Ltd and Eye Concepts Ltd which supply New Zealand's optical profession and associated organisations with a world class range of fashion eyewear, contact lenses and accessories, as well as a comprehensive range of specialised ophthalmic equipment through its division OHL EyeTech. The company is also a preferred supplier to the Visique group.

In the past year the company reduced its overheads and personnel costs, sold the Visique Intellectual Property (IP) to Visique 2009 Ltd, a company owned by the Visique members, wound down the Visbiz operation and implemented a new management structure.

Total assets at June 30 2009 stood at \$9.8m, a decrease of \$7.0m over the previous year as a result of an inventory reduction of \$2.6m and \$1.8m from reduction of goodwill for the Australian business. The bank debt at June 30 2009 stood at a manageable \$1.3m.

OHL posted a loss of \$0.8m for the year ended June 30 2009, an improvement on the loss of \$1.9m for the previous year which was partially caused by the Australian operation which was subsequently put into voluntary liquidation at the end of 2008.

Sales for the year ended June 30, 2009 were down 25 percent compared to the previous year. Shares in the company traded as high as \$3.30 per share in 2008.

As well as the changing market conditions, many other factors have led to the demise of what was New Zealand's biggest optical wholesale and distribution company, and a company in which many industry personnel have worked. Back in 2008 the then Chairman of the OHL Board, Paul Rose, said it (the 2007/2008) had been the toughest and most disappointing year in OHL's history.

He commented that 'poor performance and the lack of loyalty in some areas have caused great damage to the company and its committed stakeholders. Competitor activities, exchange rate fluctuations, declining consumer confidence, difficult product supply, high levels of debt and poor cash-flow have exacerbated the difficult situation. The company is doing all that it can to overcome these difficulties'.

A lot of the company's problems go back to July 2006 when the then chairman of OHL Neil Richardson and group managing director Graeme Edmond announced the company had purchased a 50 percent stake in Engelhardt, an Australian eyewear distribution company. In March 2007,

OHL took complete control of the company and it was renamed OHL Australia Pty Ltd. In June 2007, OHL Australia acquired the brand licences and assets of the Beauvision Group in Australia and New Zealand to get a foothold into the Australian optical market. OHL in New Zealand got dragged down by the Australian operation with its entry into that market coinciding with possibly the most significant changes to affect the Australian optical industry for many years. In December 2008 OHL placed its Australian subsidiary into administration with a debt of SAUD 2.7M.

With OHL having suffered from a number of losses over the previous two years many questioned whether the company could recover. The newly appointed chairman of the board at the time, Richard Newson, said the company's core business was strong and robust and key strategies were introduced to turn the company around.

Despite enormous efforts by the current board and staff, the rapid market changes meant they have been unable to arrest the decline in sales. ●



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The closing date for receipt of binding offers is 5.00 pm 11 August 2010. The Receivers reserve the right to accept an offer prior to 11 August 2010.

Further information is available for prospective purchasers and appointments for inspection of stock can be made with the Receivers. Enquiries should be directed to:

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