

BUYOUTS BEAT

FOUR QUESTIONS WITH



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1 Congratulations on your creation of Heritage Home Group LLC and the acquisition of the assets of Furniture Brands International Inc out of bankruptcy. What attracted you to this deal?

Heritage Home Group was a company we created to buy the assets and some obligations of Furniture Brands. This shows a lot about our team and the way we work at KPS. Furniture Brands had a number of brands under its umbrella—Lane, Thomasville, Broyhill, Drexel

Heritage among them—really iconic brands that had been neglected on several fronts. The company itself was broken operationally. Its manufacturing footprint wasn't optimal. It had not invested behind a lot of its brands. It had just lost its focus.

Now we have a new CEO in place, **Ira Glazer**, whom we have worked with in the past. He is really an expert in fixing broken companies. We are excited to get started and create a new business here. I think all of our stakeholders will be impressed with the new company after we have a chance to work our magic and fix it.

2 How did the company get into trouble?

With the downturn, a lot of manufacturers in the furniture industry faced many challenges due to the drop in volume in housing starts and people's confidence in the economy. That absolutely hurt Furniture Brands, but the company was already facing issues that would be magnified by that loss of volume. For instance, they had guaranteed a lot of contracts such as leases on the Thomasville side. They ended up inheriting a lot of retail oper-

ations where they didn't necessarily have the expertise. They also had a manufacturing footprint that hadn't been consolidated. Each brand had its own dedicated facility as opposed to optimizing the manufacturing, with all the upholstery in this facility, or sourcing the case goods from here. The furniture industry itself shifted at the lower end, with a lot of retailers going directly to Asia to source their products as opposed to depending on the brands. So the brands themselves, especially wholesale brands like Broyhill and Lane, suffered. You need to give your customers, the retailers, a reason to want to buy your brand. If you lose sight of that and don't give them that service and quality and working capital management, you are going to find yourself without a place in the market.

3 What was the auction process like?

Most of the time when you think of a bankruptcy auction, you think of bidding wars. From our perspective, this was a transaction that only could be completed by someone with our skill set. You look at a company that has so many challenges operationally and strategically, it takes a certain amount of courage to

take on a project like this. This was so well suited for our skill set, I think it can be a fantastic business with our help.

4 What are your plans for Heritage Home?

Optimizing the manufacturing footprint. Not necessarily consolidating, but making the right products in the right places. You have a lot of different processes, such as cut and sew and woodworking, as well as assembling the upholstered goods. So it's a matter of optimizing the manufacturing footprint. It's also about making sure we have the right support behind our brands in the right markets. From an operational perspective those are two key parts of fixing the business. The third part of fixing the business is sourcing, making sure we are properly taking advantage of this very large scale business, working with the right sourcing parties to get the product where we need to get it, supporting the brands and their growth. When you have a company that has been struggling, they don't have the resources to focus on growth. With a clean balance sheet and a new owner focused on doing more with this business, we are going to be able to grow it, not only domestically but internationally.



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