



## CASE STUDY – MBO, HQC – Equity and Mezzanine Finance



*“MSIF’s ability to provide a tailored package of equity and mezzanine finance enabled the HQC management team to complete the acquisition of the HQC business. We could not have financed the buy-out using bank debt alone.”*

***Keith Parkes, Managing Director, HQC***

### **The Company**

HQC, based in Haydock, provides subcontract metal enclosures and assembly services to some of the world’s leading players in the telecoms and data networking industries across Europe and the USA. These services include problem solving, design and product development, prototype supply and manufacture of fully fitted enclosures.

### **The Proposition**

In 2003 the opportunity arose for HQC’s ambitious management team to acquire the business from a retiring owner and from an investor who wanted to sell their stake in the company. The team saw the great potential to continue to develop and grow HQC, and found the idea of doing so under their control and ownership highly appealing.

### **The Transaction**

MSIF worked with HQC’s management and their advisors to structure a £2m funding package including a debt facility from Lloyds TSB Corporate. The Management Buy-Out could not have been financed by debt alone.

MSIF's tailored package included a mix of equity and mezzanine funding. MSIF's funding structure meant that the business could comfortably service the finance it had taken on, whilst the introduction of mezzanine finance enabled management to maximise the proportion of the equity they retained.

### **The Outcome**

Since MSIF's investment, the company has gone from strength-to-strength. MSIF introduced the company's Chairman, an individual with significant prior industry experience and who has also invested in the company.

In 2011 the management team involved in the initial MBO sold the company on to the next tier of management in a highly successful deal which saw a healthy return for MSIF and the exiting management team. The company continues to do well, employing 60 staff and a turnover of £4m, and is a great example of how MBOs can yield successful outcomes for all involved.

*For more information visit [www.hcq.co.uk](http://www.hcq.co.uk)*