

OXFORD DIECAST SELL TO HORNBY OXFORD



CORGI®



AS we predicted on the front cover of the December 2017 issue of *Diecast Collector* magazine, Oxford Diecast is indeed becoming part of the Hornby group. On 5th December, at a General Meeting held at Hornby's solicitors Taylor Wessing LLP it was voted that Hornby were to release further shares in the company to raise approximately £12million, with a view to restructuring previous financial arrangements and to purchase a 49% stake in LCD Enterprises, the holding company for the Oxford Diecast Group.

This £12million fund will be split between five major investments. £1.6million will be used to purchase the 49% stake in LCD Enterprises. £1.1million will be used to "invigorate the Group's key brands through additional capital expenditure". £2.4million will be used to fund expected restructuring costs (including the costs of this share release amounting to roughly half a million pounds). £3.2 million will be used to reduce the Group's net debt and £3.7million will be used to provide working capital to support appropriate product pricing.

This product pricing point is actually quite important – historically, Hornby have offered large discounts to retailers (and indeed, collectors) when they have found themselves in surplus on a particular model. This has caused unrest with retailers who have previously bought at a higher price and found themselves with stock that, in some cases, cost them more to purchase than the discounted retail prices. One of the first changes that has been put forward is to put an end to this pricing structure, meaning the days of waiting a few months to get a cheaper model are gone – whilst some collectors may mourn this, it was not a sustainable business model and will make stocking Corgi more attractive to retailers. However, there are costs in doing this – as there will be a short-term lack of cash flow for the group.

It appears that Lyndon Davies' influence is already been felt with regard to investment in the Hornby brands. £1.6million is being used to invigorate existing brands – this can only be a good thing. Hopefully this will mean more investment in tooling, plus there is a hint that current and future Oxford

Diecast releases could play a part in Corgi releases. David Adams, Interim Chairman said "With new management in place and an exciting new strategy to execute, the board of Hornby is seeking new funds to support the next stage of its development. Lyndon Davies and his team has identified the need for further investment in the Company's brands. This will come in the form of direct capital expenditure and the acquisition of the stake in LCD Enterprises." Hornby even state in their Half Yearly report that they plan "to develop products which are targets at younger-aged groups to attract a new generation of consumers". Whilst this is possibly targeting their train markets, as diecast enthusiasts we cannot help but hope that this will also correspond into developing the Corgi brand. Certainly, the management team has identified some areas where efficiencies can be made to systems and processes – and one wonders if part of that is to use some of Oxford Diecast's considerable new-release savvy and infrastructure for future Corgi releases.

It also appears that the long-term idea is to fully absorb Oxford Diecast into the Hornby Group. The terms of the sale state that at the end of the lock-in period (three years from the date of the initial acquisition), assuming Lyndon Davies is still the Chief Executive Officer, Hornby become entitled to purchase the remaining 51% of Oxford Diecast. The price of this would be negotiated at that moment in time up to a capped value of £7million. Additionally, if Lyndon leaves during this period, he has the right to buy Oxford Diecast back for the same money that Hornby bought it.

It would also appear that there are no plans currently to move Oxford Diecast's base from Wales. Likewise, there doesn't appear to be any plans to move Hornby's offices from Kent. It is a case of business as normal for both companies, at least for the time being.

This is a fascinating development to the on-going changes at Hornby. We at the team of *Diecast Collector* wish every success to all involved and we will keep you informed of progress. ■