

# Frozen assets



JULIE FABRIS TELLS  
**GRAHAM BUCK**  
ABOUT WOOLWORTHS'  
UNSUCCESSFUL BATTLE  
TO SURVIVE AND HER  
NEW ROLE AT THE  
CENTRE OF BIRDS EYE  
IGLO'S FROZEN  
FOODS EMPIRE.

PHOTOGRAPHER: ROGER HARRIS

From Captain Birdseye to the polar bear in the fridge voiced by Hollywood star Willem Dafoe, Birds Eye is one of the most familiar names to supermarket customers.

"As Europe's leading frozen foods brand, it really is the must-have food stock in every household," says Julie Fabris, group treasurer at Birds Eye Iglo. The company operates across the UK and much of Europe, and was acquired by private equity fund Permira from Unilever for £1.3bn in the autumn of 2006 through a highly leveraged structured deal. The funding terms were, in retrospect, fairly attractive as it was one of the last major leveraged buy-outs before the credit crunch hit.

Despite these more straitened times, the group demonstrated in July this year that the financial markets are still lending when it beat off competing bids for Findus Italy, picking it up from Unilever for €805m. "As treasurer, my job is managing that leveraged finance and ensuring that the business operates within quite stringent covenants," says Fabris. "As a private equity firm, Permira will ultimately look for an exit from Birds Eye Iglo at what it decides to be the right time to seek a buyer for the business. And I'm looking forward to whatever form that exit might take."

In the meantime, the business is performing strongly. The economic outlook might be frosty, but Birds Eye Iglo has proved resilient.

Like many of her peers, Fabris admits her move into treasury was partly accidental. "I trained as a chartered accountant and my very first job was with a medium-sized accountancy firm," she says. "Once I had qualified I looked around for a nice niche job such as finance director, possibly working for a small family-run business."

However, the company she joined in 1991 was FTSE 100 blue chip Redland. At that time the building materials group was in acquisitive mood, and three months after Fabris joined, the group launched a £625m hostile takeover bid for rival Steetley. "Very quickly I was at the centre of events and gained lots of experience in treasury," she recalls.

"What often surprises banks is that even in major companies the corporate treasury department is relatively small. At Redland I was able to get a feeling for its activities early on. What particularly appealed to me was the great variety."

Six years later, though, it was Redland's turn to be on the receiving end of a successful £1.8bn hostile bid by French group Lafarge. The prospect of relocating to France did not appeal to Fabris, and in 1998 she became head of treasury at MEPC, at that time the UK's fourth-largest listed property company.

"It was a very different industry sector," she says, "but I quickly discovered that the fundamentals of treasury are basically the same no matter where you work. The basic task is to get the right amount of cash in the right place at the right time and in the right currency."

With a booming property market, her work for MEPC involved a great deal of financing for the acquisition of large properties and hedging that finance.

"Having gained my AMCT qualification fairly early on while at Redland, I held off proceeding to MCT for a few years," she adds. "However, it was evident that having the full qualification was essential, especially for the value-added skills. Nonetheless, finding the right moment to embark on MCT and devote sufficient time to study wasn't easy. It's a very fine balancing act as a lot of study is required, and I don't mind admitting that it took me two attempts to succeed!"

She was also active at this time in running the ACT's Central London regional group. "The groups are a great networking opportunity for treasurers in an informal atmosphere to share issues and also their specific problems. They also provided an opportunity to select topics that were particularly relevant to me. I would recommend treasurers to use this forum whenever they can."

In 2000, when Hermes and GE Capital joined forces with a £3.5bn offer to take MEPC private, her work snowballed, as she structured and dealt with long-term debt. She says that going private was the right thing to do to focus on managing the assets efficiently, but as the need for a treasurer diminished she left in 2003.

A career break followed as she devoted her time to her children. But by 2007 she was ready to return to work.

"I can't mention my career without mentioning my mentor Stephen East, past president of the ACT," she says. "He was treasurer at Redland when I joined and I again worked with him at MEPC. I was also fortunate to work with Stephen again when I joined Woolworths as group treasurer. At that time it appeared to offer a gentle reintroduction to the workplace after my time away!"

Although the retailer had performed poorly for years, Woolworths was still a major high-street presence with a network of 800 stores, mostly rental occupancies. Although the credit crunch had begun to bite by then, Woolworths was still able to refinance its debt through a £350m asset-backed lending facility completed in January 2008, the largest ever deal to date in European retail.

"We combined all of the assets within the group and were able to raise funding off the back of our stock and debtors," says Fabris.

**"I WAS PUSHED INTO THE SPOTLIGHT AS THE CASHFLOW CONSTRAINTS CONTINUED TO DEEPEN."**



"It was a major challenge as treasurer to administer this facility. The availability of capital was dependent on the level of working capital as well as the group's cashflow requirement."

Woolworths was a particularly seasonal business, generating around 40% of its annual sales during the 10-week trading period over Christmas, and the group was able to fund more as stock levels rose. But by autumn 2008 it was hit by a perfect storm: it was suffering weakening sales but remained tied in by fixed rentals for its properties, and there were credit insurance issues and the financial crisis post-Lehman Brothers.

Credit insurers had been left jittery after several high-profile retail casualties. This had repercussions for Woolworths' most profitable division Entertainment UK, which sold CDs and DVDs to other retailers.

"Following the demise of Lehman that September the general banking market was teetering on the verge and requesting an additional facility from our banking syndicate members just wasn't possible," Fabris recalls. The board came up with a number of options to resolve the situation, but none proved acceptable.

"It was a very stressful period, although at the same time it again underlined the importance of accuracy in your basic cashflow forecasting. I was pushed into the spotlight as the cashflow constraints continued to deepen."

By the end of November, the battle had been lost and the company went into administration. "It was a bitter disappointment that our efforts weren't enough to keep the company afloat and we really felt for the loyal staff who lost their jobs," says Fabris. "A lot of work went on in the background to try and sell a number of stores as a going concern, but to no avail."

"As for me, once the administrators come in, your role as treasurer rapidly diminishes. I spent the fortnight before Christmas back home again and it was an unpleasant time reading the daily events in the press. It felt like a period of mourning."

In February 2009, she joined Birds Eye Iglo. She says that working for a private equity-owned company is very different and offers the treasurer plenty of diversity. "While you might not be directly involved in arranging the company's major financing, you are exposed

to managing its day-to-day operations, including FX issues, covenants and compliance with the banking documentation. My passion is cashflow forecasting. I strongly believe that every company needs a good, or at least reasonably accurate, short-term cashflow forecast. It's the bread and butter of a treasury organisation and without it you're exposed to all types of potential pitfalls – as my experience at Woolworths demonstrated."

Like most of her peers, she is braced for some tough years in which treasurers will find it more expensive to raise finance, and maintaining good banking relationships will continue to be vital.

"Birds Eye Iglo depends on its bank-secured funding, although if your organisation is large enough you have the option of approaching the capital markets. There is once again a demand for public paper. However, my concern right now is embedding our new tranche of debt financing for Findus Italy and helping to integrate the business to deliver its synergies. It's just as well my husband is half Italian, as my language skills are pretty poor!"

Graham Buck is a reporter on The Treasurer.

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### Box: Quick-fire quotes

**WORDS YOU MOST OFTEN SAY TO YOUR CFO?** "I almost always have a pen in hand and some documents that require a signature."

**WORDS YOU MOST OFTEN SAY TO YOUR TEAM?** "A good reliable team is essential especially when the going gets tough and you need everyone to pitch in to meet deadlines. Thank yous are handed out often."

**DOUBLE DIP OR GROWTH?** "That's a difficult question best left to the economists! My feeling is of a smaller dip and then a slow return to growth."

**DEBT OR EQUITY?** "Depends on too many factors to mention here. In the long term it has to be a balance between accessibility of equity versus sustainability of debt."

**FIXED OR FLOATING INTEREST RATE?** "Depends on the type of industry but ultimately the exposures you are comfortable living with which impact the level of total profits of the business – and of course covenant requirements."

**BIGGEST SUCCESS IN YOUR CAREER?** "Launching the €1bn medium term note programme for MEPC in 1999. It was great to see the success of issuing notes from the programme at competitive rates."

**DEAL YOU ARE MOST PROUD OF?** "The asset-backed lending facility with Woolworths. While it did not work out for the company, there is still potential for a facility to help fund businesses when their assets are higher and funding requirements are at their peak."

