

PNC Sees Growth Potential In Eyewear Co. Hilsinger

By **Paul Ziobro**

Personal & Household Goods

1/3/2007 – PNC Equity Partners has bought Hilsinger Holdings, a maker of eyewear and related accessories, from its buyout backers ICV Capital Partners LLC and Palladium Equity Partners. The deal was valued at between \$100 million and \$110 million, several people familiar with the matter said.

ICV and Palladium each earned gross internal rates of return of more than 30% on their investment in Hilsinger. The two firms originally invested a combined \$30 million in the company.

Based in Plainville, Mass., Hilsinger makes eyeglass frames and specialty eyewear like safety and sports eyewear, as well as accessories including sunglass clips and cleaning solutions. The company sells its products primarily under the Hilco, Wilson Ophthalmic and Leader Sports brands and has about 270 employees located mostly in the U.S., Canada and the U.K.

PNC Equity appreciated the company's broad base of customers, which includes both major eyewear retailers and independent mom-and-pop shops.

"They have unique access to all of the channels that consumers go to for their vision care needs," said Wali Bacdayan, a PNC Equity managing director.

Hilsinger's sales have increased to \$60 million in 2006 from about \$44 million in 2003, and its earnings before interest, taxes, depreciation and amortization have improved by some 50%, said Tarrus L. Richardson, a managing director at ICV. The growth was in part due to three add-on deals after Palladium and ICV bought Hilsinger from its previous owner, a buyout firm called Capital Partners.

PNC Equity, a fund affiliated with PNC Financial Services Group Inc., plans to continue that growth by ramping up Hilsinger's expansion in Europe and continue to pursue add-on deals, said Bacdayan.

PNC Equity won a sales process run by middle-market investment bank Harris Williams & Co., which is also owned by PNC Financial. PNC Equity offered the

best value and set conditions that would expedite the deal, Bill Roman, a managing director at Harris Williams, said.

Hilsinger primarily attracted interest from private equity firms, as no logical strategic buyer existed that matched the company's broad offering of products, Roman said. Private equity firms like the eyewear sector, in part, due to the aging population and stability of the business. Hilsinger also sells replacement parts for eyeglasses, providing a continuous revenue stream.

ICV and Palladium had already gotten back some of their original investment in the company through a dividend recapitalization in May 2004, Marcos A. Rodriguez, Palladium's founder and managing director, said.

ICV, of New York, invested in Hilsinger out of ICV Partners LP, a \$130 million fund raised in 2001. That fund is on track for an IRR in the mid-20s, Richardson said, and has two active investments remaining. The firm raised its second fund, ICV Partners II LP, last September with \$313 million.

New York-based Palladium tapped Palladium Equity Partners II LP, which closed in 2000 with \$300 million, for its investment in Hilsinger. The firm, which focuses on investing in Hispanic focused companies, raised its \$520 million third fund last April.

PNC Equity, which is based in Pittsburgh, Pa., is tapping equity from its \$300 million PNC Equity Partners LP, which closed in 2001, to buy Hilsinger. Its former affiliate, PNC Financial Services, is making a co-investment. PNC is also targeting \$300 million for its second fund, PNC Equity Partners II LP, LBO Wire has reported.

GE Antares and Merrill Lynch & Co. are providing senior debt for the deal. Audax Mezzanine and New York Life Capital Partners are providing mezzanine financing.

Kirkland & Ellis LLP advised ICV and Palladium on the sale, which closed December 21.

Reach ICV Capital Partners LLC at 212-455-9600; Palladium Equity Partners at 212-218-5150; PNC Equity Partners at 412-762-8892.

<http://www.pncequity.com>

<http://www.palladiumequity.com>

<http://www.icvcapital.com>

<http://www.hilco.com>