

# Great profit improvement for EB Brands (UK)

**CLIENT:** EB Brands  
**SECTOR:** Fitness

**ADDED VALUE:** Avoiding future ongoing costs  
 Initial saving

Through deep industry knowledge, ERA find large savings in property costs for EB Brands, providing a significant contribution to the company's overall annual budget and improving cash flow.

## THE CHALLENGE

When EB Brands (UK) was looking to make substantial cost savings, it immediately looked at its property costs as part of a wholesale cost review. Occupying both a 47,000 sq ft warehouse and retaining a second 32,000 sq ft sub let property beyond a lease break was clearly unnecessary and, understandably, the lease on the smaller unit was terminated. Whether they could break the lease of the main unit and move to smaller premises of similar quality in a good location was the missing piece of the company's budget savings jigsaw.

Expense Reduction Analysts (ERA) Associate and Relationship Manager, Hugh Swainston became aware of the review and referred EB Brands to property experts Paul Giness and Andrew Pegg to investigate the scope of any potential savings opportunity. Paul comments, "Hugh provided us with a lot of useful information to assess the cost saving potential at hand and alerted us to the fact that any break notice on the warehouse had to be served in little over a month's time.

This meant that Andrew and I needed to get things moving quickly as we both understood the complexities of tenancy contracts and their break clause mechanisms which are often drafted to make their operation difficult."

Paul and Andrew began discussions with Sharon Beddall, UK Finance Director for EB Brands, who was overseeing the project internally. They impressed upon her the fact that dealing with break clauses can lead to great difficulties which would ultimately cost EB Brands money because they could not operate the break. Therefore Sharon agreed to Expense Reduction Analysts (ERA) undertaking a one-day consultancy to produce a report and action plan to help the US parent company see the best way forward.

During the consultancy review, it became apparent that the lease break terms for both EB Brands' warehouses were extremely restrictive and unless very careful, the company would not be able to serve notice early as had been planned.

A crucial concern for Sharon was whether relocation of the business could be cost effective and early research and study enabled her to confirm that this was unlikely and more costly. At this point Sharon raised the question as to whether a rent reduction could be negotiated but, thanks to an "upwards only" rent review policy, this would have been highly unlikely without an appropriate negotiation strategy.




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**SHARON BEDDALL, UK FINANCE DIRECTOR, EB BRANDS**

## THE SOLUTION

Although we had not identified a suitable alternative property, we made the landlord aware of our market research and that there were alternatives out there at lower cost. The landlord was clear that securing our tenancy for another six years meant they avoided reletting risks and costs and were therefore willing to offer a six months rent free period if we were willing to stay on and drop the break. This equated to a £98,000 rent saving in the current financial year, critical to the company's cost reduction targets as well as effectively a reduced fixed rent cost for six years. Both parties were happy with these terms and with us managing the legal process and helping get the necessary approvals and signed documents from the US the deal was completed just hours before the break notice was due to be served.

This proved to be an excellent result for EB Brands, providing a significant contribution to the company's overall budget plan for the current year and an immediate improvement in the cash flow position of the business, but also for the landlord who was able to guarantee an ongoing lease for its property. Sharon concludes, "I was initially unsure that Expense Reduction Analysts would be able to achieve savings over those that I had already identified. However, Paul and Andrew demonstrated that their knowledge of property leases is incredibly thorough and they were able to both prevent us from potentially incurring unnecessary ongoing future costs but also providing us with a huge saving."