

FINANCIAL REVIEW

Companies and Markets

Zip looks boiling hot as it weds Quadrant

Journalist: Jemima Whyte and Sarah Thompson

Date: 6 December 2013

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Fifty-two years after founding one of Australia's largest private manufacturers, Zip Industries' Michael Crouch has sold to private equity in a deal estimated to value the instant boiling water business at about \$300 million.

Under the terms of the deal, Quadrant Private Equity will have the majority share of the business. The Crouch family will retain about a third of the equity.

Mr Crouch said he had fielded plenty of approaches for the business over the years. "And then we met Quadrant and it seemed a happy marriage," he said.

Mr Crouch said his son George – the only one of his three children working in the business – would remain. However, the 81-year-old will not sit on the board because "you don't want an ex-prime minister on the backbench".

Quadrant managing director Chris Hadley said he had been in discussions with Zip for three years. Mr Hadley identified Zip as a potential investment after installing its product at home three years ago. He said Quadrant hoped to grow earnings to around \$500 million or so ahead of a potential sharemarket float. Growth through connection

"The Zip brand is a fantastic brand and we intend to build on that," he said.

Mr Hadley, who will chair the company, said entering the US market was one growth option that would be considered. Other potential opportunities include expanding into Asia and boosting residential sales. About 90 per cent of the group's sales are to commercial business.

The company has doubled the bottom line earnings every five years, Mr Crouch said.

The business took off after developing the hydrotap in the late 1990s. The hydrotap sits next to ordinary taps but delivers instant boiling, chilled and sparkling water.

Zip has installed more than 300,000 systems from Buckingham Palace to Long Bay jail and operates in 70 countries.

It also has a service division with 131 red service vans. Zip is unusual in that it manufactures most of its products in Sydney's Bankstown, as well as the UK. Great bases "Australia is a great base for - manufacturing. There is great protection on [intellectual property]... and it's a very stable environment," Mr Crouch said.

Mr Crouch, who in October emerged as a major backer of the University of NSW's innovation centre and has supported the Sydney Festival, The Duke of Edinburgh's Award Scheme and sat on the

APEC business advisory council, said one of the new projects he is working with is erecting a war memorial for soldiers who fought in the Boer War.

The Crouch family also have significant beef properties, including the 6000 hectare Waverley Station near Scone, and a property in King Island, Tasmania.

Gresham advised Zip. Gilbert & Tobin and PriceWaterhouseCoopers provided legal and accounting counsel.