



TOMMY'S CAUSE

◀Tommy Hilfiger will be honored at a gala prior to the opening of the Martin Luther King Jr. Memorial this weekend — and he's outfitting the crowd and others with signature gear. **PAGE 11**



PLUS: The retail mood at the Vegas shows, from MAGIC to Project. **PAGE 3**

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MONEY MATTERS

M&A Deals Roll On Despite Stock Market

By VICKI M. YOUNG AND EVAN CLARK

GLOBAL STOCK MARKETS might be yo-yoing, but plenty of companies are still shouting, "Let's make a deal."

Mergers and acquisitions activity continues to percolate in the fashion world even as the market for initial public offerings is slowing and venture capital firms appear to be shifting from seeding startups that might blossom to making safer bets on proven, growing concepts.

"Deal activity by its nature is long dated and, subject to the availability of financing, will continue despite the equity market volatility," said Mike Calbert, head of the retail investment group at private equity giant KKR.

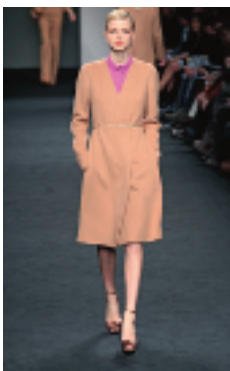
According to data from PCE Investment Bankers, M&A transactions were up on a sequential quarterly basis, rebounding from a slight dip in the first quarter. Acquisitions during the second quarter in the \$50 million to \$100 million and \$100 million to \$250 million segments grew 51.4 percent and 52.7 percent, respectively, versus the year-ago periods.

Richard Kestenbaum, partner at investment banking firm Triangle Capital LLC, hasn't seen a slowdown in the M&A world just yet, but said one is inevitable if there's extended volatility in the equity markets.

"When there's great volatility, people need time to adjust. Right now,

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Carlos Slim Ups Saks Stake **PAGE 2**
FINANCIAL: The Mexican billionaire edges out Diego Della Valle as the largest single shareholder in Saks Inc.

◀**Brioni Said Ending Women's Line** **PAGE 2**
NEWS: The Italian brand is said to be shuttering its women's wear plant and ending the contract of Alessandra Dell'Acqua as talks reportedly are continuing with PPR over a possible takeover.

Gap to Cut Emissions **PAGE 8**
RETAIL: In its biennial report on social and environmental responsibility, Gap sets a goal of cutting greenhouse gas emissions in the U.S. by 20 percent by 2015.



Making Waves

Nature has long been a leading designer inspiration, and for resort, those influences are reflected in both bold and subtle ways. Take, for instance, Roland Nivelais' folded silk lamé peplum top and long silk taffeta skirt, shown here, which bring to mind the soft shimmer of ocean waves. For more, see pages 4 and 5.

PHOTO BY KYLE ERICKSEN; STYLED BY BOBBI QUEEN

MODEL: DANIA V. NUSS; MAKEUP BY CARRERA ROSADO; HAIR BY MICHELE SALVADORI FOR MARIO DIB; HAIRCARE AT LA TELIER NYC; FASHION ASSISTANT: DANICA TERLITSKY

M&A Deal Activity Remains Strong

(Continued from page one)

we don't see a slowdown yet. If it's like 1987, then it'll feel like a brief trauma and people will go back to building businesses...If the drop is over a long period, people will need time to adjust, and how much time will depend on how deep are the changes and whether it affects people's wealth materially," Kestenbaum said.

The stock market crash of Oct. 19, 1987 was marked by panic selling and a 508-point plunge, or about a \$1 trillion loss, but it didn't lead to a bear market. Instead, after 8 days of volatility, the market rallied through the 1990s until 2001.

Ken Berliner, president of investment banking firm Peter J. Solomon Co., said, "When the market is up 240 points, then down 300 points and then up again, it can be hard to price transactions. People may want to take a short breather while they pause to see what happens to the markets."

He doesn't believe the current volatility is a repeat of late 2007 and 2008.

"There were real fundamental issues with the financial system then. This is different now... [M]ost of the people I'm talking to don't think there's a double-dip recession ahead, although they do think that growth will be slower and longer than hoped," he said.

Berliner said because economic fundamentals haven't really changed much in spite of the market swings, businesses will continue to pursue their strategic plans. "While you can't dismiss the impact of any market turmoil, that's much more an emotional reaction than a practical or strategic reaction," he emphasized.

Gilbert Harrison, chairman of investment banking firm Financo Inc., also thinks the U.S. economy is holding its own, despite the swings in the equity markets.

"I think the economy is stronger than people expect it to be. The biggest problem is the psychological factor that people have. If there are swings up and down over a longer period of time, people will need to adjust to the new normal of the world," the banker said.

Allan Ellinger, senior managing partner of Marketing Management Group, said, "The recent volatility in the stock market will not have any negative impact on M&A activity in our sector as very little stock is used as currency...The only potential problem could be restrictions in credit availability if banks decide to limit lending."

Companies that are on the prowl for the right transaction remain open to new opportunities.

Michael Kramer, president and chief executive officer of Kellwood Co., said, "The market volatility has not impacted Kellwood's acquisition strategy. We're continuing to explore partnerships with brands that have great potential for growth in the marketplace."

Financial sources said the firm is eyeing a handful of companies and will probably make another acquisition before yearend. One company that might no longer be on that list is Catherine Malandrino, which Kellwood was in talks with in May. Market sources said that those discussions have since stalled. Kramer declined comment.

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— MIKE CALBERT, KKR

Earlier this month, Hong Kong-based Li & Fung revealed two acquisitions: children's apparel firm Fishman & Tobin and costume jewelry firm Crimzon Rose. The acquisitions fall under LF USA, the US arm of Li & Fung.

Many in the markets view the Fishman & Tobin acquisition as a complementary business to LF USA's 2009 acquisition of Kids Headquarters, whereas Crimzon represents a totally new business area. The expectation is that each company will remain separate operating entities under the LF USA umbrella.

Despite the global market volatility and questions about the impact on the pace of future M&A deals, Rick Darling president of LF USA, said, "I'm certainly not get-

ting any sense of any slowdown. We're always open for an opportunity. Regardless of the challenges short-term, we're looking at the long term."

The jury is still out, however, on the IPO front which saw a slew of activity this summer, led by Prada and Ferragamo.

Triangle Capital's Kestenbaum noted, "The IPO market is the most fickle of the financial markets. That window opens and closes very quickly."

Tom Chin, managing director at Telsey Advisory Group, said, "Volatility is not conducive for transactions in terms of IPOs. That doesn't mean companies are going to halt the processes, but timing-wise they'd want to see more stability in order to get investor interest in those transactions."

The market for IPOs has been on the upswing this year and remained strong past the Fourth of July, when action typically slows down, said Scott Gehsmann, a partner in the transaction services group of consultancy firm PricewaterhouseCoopers.

According to PwC U.S., 79 companies raised a total of \$24.3 billion through IPOs in the first half, more than twice the \$9.4 billion raised a year earlier. But many have pushed back their plans given the market turmoil this month.

"It really hasn't had a tremendous impact on the companies that have been at this process for a while and carefully planning and managing their business for a successful offering," said Gehsmann.

The longer companies hold off on IPOs, the longer potential acquirers have to consider their options and make an offer.

"In almost all cases, there will be a merger- or acquisition-oriented song-and-dance that will go on around the company before it goes public," Gehsmann said. "It very much comes back to the whole process of planning and preparing and being ready to be a public company, which in and of itself makes them an attractive acquisition target."

When there's great volatility, people need time to adjust. Right now, we don't see a slowdown yet.

— RICHARD KESTENBAUM,
TRIANGLE CAPITAL LLC

Recent fashion IPOs have had a mixed showing in the markets this far.

Since their June IPOs, Prada's stock has fallen 9 percent to 35.95 Hong Kong dollars, or \$4.61 at current exchange, in Hong Kong, while Ferragamo's stock is up 6.5 percent to 10.33 euros, or \$14.86, in Milan. In the U.S., Francesca's Holdings Corp. has slipped 8.3 percent to \$21.09 since its July IPO.

To be sure, what happens on the IPO front could also impact venture capital investments. That's because a strong IPO pipeline is often one way for VCs to cash out on their investments.

LinkedIn Corp. went public on July 11 and opened at \$97.75 a share. It saw its shares soar to as high as \$109.97 a few days later, but is now trading in the \$75 a share range after the past few weeks of trading volatility. It's too soon to tell how the recent market swings could impact the valuation of daily deal site Groupon. In June, Groupon filed with the Securities and Exchange Commission to go public in a \$750 million offering in September.

In the meantime, there may be a shift in where VCs are investing.

According to The Silicon Valley Venture Capitalist Confidence Index, a survey of 35 San Francisco Bay VCs conducted in June, caution was on the rise as the index fell to 3.66 on a scale of 5 in the second quarter from 3.91 in the first quarter.

While liquidity seems available and the sentiment fairly high on technology and consumer investments, comments of those surveyed before the August market swings suggest that the VCs were already focusing less on early-stage investments and more on later-stage firms that have an established track record.



An ad for the Tommy Hilf line produced by Fishman & Tobin which was acquired by LF USA earlier this month.

Stocks Tick Ahead In Choppy Trade

By EVAN CLARK

STOCKS INCHED FORWARD in the U.S. and Europe Monday, but the drumbeat of bad economic news and dire consumer projections combined with the swings in the market over the past three weeks have left investors without a clear path forward.

The S&P Retail Index gained 0.7 percent, or 3.23 points, to 469.45, as the Dow Jones Industrial Average rose 0.3 percent, or 37 points, to 10,854.65. Even after that gain, retail stocks are down 12.9 percent for the month so far and fears surrounding a U.S. malaise and Europe's sovereign debt crisis remain sharp.

Europe's markets led the way and largely held to their upward trend Monday. The FTSE 100 in London closed up 1.1 percent and the FTSE MIB in Milan gained 1.8 percent.

Luxury and retail stocks were mixed. Shares of Guess Inc. gained 4 percent, and Tiffany & Co. rose 2.9 percent on Wall Street. In Europe, French Connection gained 12.2 percent and Ferragamo rose 4.1 percent, though Marcolin declined 1.6 percent and Mulberry fell 6 percent. In Hong Kong, where the Hang Seng Index increased 0.5 percent, Prada fell 6 percent.

Markets were buoyed by energy stocks, which rose on the hopes that Libya's oil exports would resume should the rebel forces that advanced into Tripoli Monday stabilize the country.

However, the Organization for Economic Cooperation and Development said second-quarter GDP growth in its 34 member countries — which include the U.K., the U.S., France and Germany — slowed to 0.2 percent from 0.3 per-

12.9

The percentage decrease in U.S. retail stocks this month.

cent in the first quarter. That's the fourth-consecutive quarter of economic deceleration for the group.

And IHS Global Insight projected growth in U.S. back-to-school sales would slow to 2.8 percent this year from 5 percent last year, when the total take amounted to almost \$38 billion.

Investors are looking ahead to a meeting of central bankers in Jackson Hole, Wyo., with many speculating Federal Reserve chairman Ben S. Bernanke will hint at steps to help boost the U.S. economy during a speech Friday.

But the devil might be in the demographic details. And even though the U.S. still has a growing working-age population — while Japan and other developed countries have seen their potential workforce diminish — that growth has slowed and could ultimately pressure merchants.

"All of the monetary and fiscal stimuli in the world will not make America young again," said John Lonski, team managing director of Moody's Analytics' economics group, in a recent analysis titled, "Overleveraged and 'Over-the-Hill' Consumers Weigh on the U.S.' Long-Term Outlook."

Lonski said growth in consumer spending was generally stronger when there were more Americans in the 15-to-49 age range, noting that the year-over-year growth in the U.S. working-age population has slowed to a record low of 0.75 percent.

Consumer spending grew at an annual rate of 3.2 percent from 1971 to 1996, and then slowed to 2.8 percent, Lonski said, noting that demographic trends suggest spending growth will moderate toward 2 percent to 2.5 percent.

The aging population also poses problems for the housing market and costs for programs such as Medicare.

"Fiscal austerity at all levels of government and an aging population signal slower economic growth, less price inflation and lower benchmark borrowing costs compared to what many currently anticipate," Lonski said.

—WITH CONTRIBUTIONS FROM NINA JONES