PRIVATE EQUITY

Private Briefing: Coordinating Luxury Fashion M&A

Dries van Note and Acne Studios are the most recent companies to hit the block, but more consolidation is coming, according to industry experts.

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Dealmakers in the luxury fashion space are having a field day.

Dries van Noten, the Belgian designer known for his drapey silhouettes and cerebral prints, is the latest house to court outside investors with the help of international M&A adviser, Vendôme Global Partners, Women's Wear Daily reported this week. Van Noten joins Acne Studios, the Stockholm-based ready-to-wear brand that hit the market earlier this month, on the auction block. And in February, China's Fosun International **scooped up French label Lanvin**.

Acne is working with **Goldman Sachs & Co.** to find buyers. It has an annual revenue of about 200 million euros, according to WWD.

What accounts for this flurry of deals, considering the sales strength of luxury apparel over retail at large? The timing, for one, is promising, as investors are flush with cash -- especially in Asia. But intensified competition from the major conglomerates — **LVMH Moët Hennessy Louis Vuitton** SE and **Kering SA** — may also play a role, sources say.

"Luxury is doing really well right now and investors are looking for differentiated products, while certain brands like Dries van Noten may have hit a saturation point and need growth financing," Gabriella Santaniello, consultant and founder of A Line Partners, told The Deal.

Case in point? Van Noten does not advertise or engage in social media, unlike its luxury cohorts such as LVMH's Gucci, which has made an intensive push for marketing toward younger consumers through celebrity sponsorships and **Instagram** campaigns. Founded in 1986, van Noten opened his first plagship in Antwerp in 1989. The designer now has seven eponymous storefronts in the world.

"It's hard to compete with these brands with big money behind them, whether if it's another banner or a private equity fund," Santaniello said.

Dries van Noten, she added, would be a good fit for a large global banner like LVMH and **Kering** because the designer already operates in seasonal collections. "If they had a large conglomerate behind them, there'd be money for marketing, store presentation and support inside those stores."

Kering just confirmed Thursday the exit of **Stella** McCartney from its portfolio, which would make room for another brand. Kering and LVMH, both helmed by French families, have been steadily accumulating brands for the past two decades, slowly eating up the entire industry into what's effectively a duopoly. Meanwhile in the U.S., **Coach Inc.** — now **Tapestry** Inc. (TPR) — is following suit, acquiring brands like Kate Spade, Stuart Weitzman and Jimmy Choo in the past three years.

Whether it's umbrella companies or private equity investors, right now makes for a perfect M&A market because of investors' current prosperity and the prevalence of strong performing brands, according to **Justine Mannering**, managing director at investment bank **Alantra**.

"It's a good time to take advantage of the liquidity in the market right now," she said. "There seems to be an emergence of interest from investors for high-quality liquidity."

While Dries van Noten may be best equipped to be swallowed, at least partially, by a banner, Acne will likely to go a private equity player, according to Santaniello. Global players based in the U.S. like **Bain Capital**, **Carlyle Group LP** (CG) and **KKR** & Co. (KKR) could be interested, she said, but Mannering points to European Groups like **L Catterton**, Experienced Capital and **Lion Capital**.

Carlyle, for instance, **bought a majority stake** in street style brand Supreme last October, and L Catterton has long invested in consumer brands like jewelry designer **John Hardy** and athleisure brand Sweaty Betty. Lion Capital, similarly, has invested in upscale brands like Allsaints, **John Varvatos** and Paige.

Mannering and Santaniello both emphasize the likelihood of Chinese buyers, however, given China's appetite for luxury fashion. Beyond Lanvin's deal with Fosun, a handful of other brands have sold stakes to Chinese investors in recent months, including British label Mary Katrantzou, with Chinese heiress **Wendy Yu**, and Bally, with **Shandong Ruyi Group**. Ruyi also owns **SCMP**, which operates French brands Sandro, Claudie Pierlot and Maje.

Mannering also gave the examples of Fujian Septwolves Industry Co. Ltd. acquiring a stake in Karl Lagerfeld Greater China Holdings for $48 million in August and **Shenzhen** Ellssay Fashion Co. Ltd.'s $5.5 million purchase of designer Vivienne Tam's brand rights in China.

"Growth in Asian markets is significantly higher than anywhere else," she said.