



August 12, 2010

Li & Fung, Jimlar Deal Lauded

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The footwear industry is cheering the new union between LF USA and Jimlar Corp.

Retailers and analysts said the purchase by LF USA — a division of Hong Kong-based sourcing giant Li & Fung Ltd. — of Jimlar, which owns the Frye trademark and is the licensee for Coach and Calvin Klein footwear, can only mean quicker expansion of those brands.

“Larry [Tarica] called me first thing [Thursday] morning and shared the news,” said Fred Mossler, head of merchandising at Zappos.com. “It is great for Jimlar and Li & Fung. They are both wonderful companies, and I believe it will be a strong partnership.”

Tom Murry, president and CEO of Calvin Klein Inc., said he enthusiastically supports the deal. “Jimlar has done a terrific job of building the Calvin Klein footwear business over the past years, and we have every reason to believe this trajectory will continue under Li & Fung’s ownership,” he said.

A spokesperson for Coach expressed that the company is “fully supportive of the transaction and look[s] forward to continuing to work with Jimlar’s management under their new ownership structure.”

Retail honchos also said the deal affords Jimlar deeper pockets and greater access to capital, credit and resources, all of which translate into powerful potential growth.

“The Taricas are very, very smart people, [but] sometimes you need that extra funding to move ahead,” said Danny Wasserman, owner of Tip Top Shoes in New York. “After a while, you hit a wall and can only go so far. ... There are a lot of things they can expand on.”

Fraser Ross, owner of Kitson, noted that the acquisition could help Jimlar’s Frye division be more competitive in the men’s business, which is much smaller than the women’s division.

“The brand is so strong and recognizable, and they’ve got the basic infrastructure there,” he said. “Being part of a larger private company could help them grow bigger and be better.”

Tarek Hassan, owner of The Tannery stores in Massachusetts, said he sees potential for Frye, which has sizable brand equity in boots, to grow into a lifestyle label reaching beyond footwear.

“[It could expand] maybe into leather jackets and leather belts. They’ve made the brand so powerful and healthy, and they’ve done so much with it that there’s no other way to grow,” added Hassan.

Jimlar was founded in Great Neck, N.Y., in 1956 by Victor and Madeleine Tarica and has remained a tight-knit family business over the years. Under the stewardship of brothers Jim and Larry Tarica for the last 30 years, Jimlar has expanded to become a worldwide operation, boasting a staff of more than 700, with international offices in Italy, China, Hong Kong, Holland, Switzerland and Mexico. The Taricas will remain on board as co-presidents of Jimlar’s management team and will report to LF USA President Rick Darling.

For its part, Li & Fung has been open about its desire to expand in footwear, and the acquisition, the latest in its string of deals over the last six weeks, marks its most significant industry move to date. Already, LF USA has signed four licensing deals this year.

Li & Fung said in a company statement last Thursday it still had some \$1 billion in capital to spare for more acquisitions. It also reported a 55 percent jump in first-half profit to 2.17 billion Hong Kong dollars, or \$279.5 million at current exchange. Sales for the six months ended June 30 rose 12 percent to 51.79 billion Hong Kong dollars, or \$6.67 billion. The company attributed the results to the “nascent economic recovery in the U.S.,” along with contributions from acquisitions and outsourcing deals.

Darling told Footwear News that LF USA has been actively seeking to add a strong footwear platform to its portfolio for more than three years.

“We feel that Jimlar has an incredibly strong position in the market and is a real leader in the category,” he said. “Their relationships with their brand licensors and retailers are the best in the business, and they have a strong management team. In addition, Jim and Larry have a long track record of success and have built a culture that we are very comfortable with.”

A price was not disclosed in Thursday’s announcement, but Darling told FN: “We have acquired 100 percent of the capital stock of Jimlar and its subsidiaries, [and] we feel we have reached a fair value for both sides.”

Previous industry sources had put a price of \$450 million on the deal, which has been signed but not yet closed, according to investment bank MMG, which advised Jimlar on the sale.

“[A value of] \$450 million would represent the total potential earnings for [Jimlar]. From the structure I know of for Li & Fung, my guess is they probably paid half of that up front, and assuming Jimlar continues to perform at the level they have been, they have the opportunity to earn [the remainder] over the next three or four years,” said Jack Hendler, president of Net Worth Solutions Inc.

And while industry analysts said there is no reason for Jimlar’s growth trajectory to flatten going forward, retailers hope to see minimal change at management levels.

“Any time you have a larger company take over a small private one, you do run the risk of losing personalization,” said Scott Krasik, an analyst at BB&T Capital Markets.

Tip Top’s Wasserman agreed, saying that part of what makes Jimlar great is the Tarica family.

“I just hope things don’t change and that management remains as it was and the company mission and policies remain consistent to what they have been,” he said.

Both Darling and Larry Tarica assured FN that the Tarica brothers, as well as their entire leadership team and design teams, will remain intact at Jimlar. Meanwhile, LF USA will provide back office and sourcing support.

“I do not expect to make changes that could disrupt the business. I do think Jimlar has tremendous growth opportunities, and Li & Fung can help them realize that growth in the U.S. and overseas,” said Darling.

Added Tarica, “[The sale] is quite a big change, [but] we’re enthusiastic about our new opportunities.”