WWD

Designing Strategy: Bill Blass Hires Bank to Explore a Sale

Fashion house Bill Blass has been approached by a would-be suitor and is exploring its options.

By Vicki M. Young and Marc Karimzadeh on April 11, 2005 from WWD issue 04/11/2005 Download PDF

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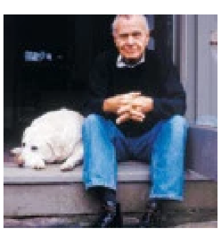

NEW YORK — Fashion house Bill Blass Ltd. has been approached by a would-be buyer and is said to be exploring its strategic options.

A financial source familiar with the negotiations confirmed the for-sale rumblings, but declined to provide the name of the suitor or a potential purchase price.

"There are rumors out there, but I can't confirm or deny them," Michael Groveman, chief executive officer of Blass, told WWD.

UCC Capital was retained last week by Blass as banker. Robert D'Loren,

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president and ceo of UCC, declined comment.

UCC Capital Corp. is the investment firm that structured the management-led takeover of Blass, which was accomplished through a bond offering tied to its trademarks. Groveman, who was part of the management-led takeover, is also on UCC's advisory board.

Mergers and acquisition specialists who focus on the fashion industry noted that Haresh T. Tharani, chairman of the company's largest licensee, The Resource Club Ltd., owns a 60 percent equity stake in Blass, while Groveman has the balance. One M&A specialist said "Tharani would like to cash out so he could then buy other things." Another source said "Tharani also owns a sleepwear business, and is interested in expanding his sleepwear operation."

Groveman and Tharani bought Blass from the designer in 1999 through a securitization that was the brainchild of D'Loren. At the time, Groveman was chief financial officer.

One factor that could affect the timing of the sale, and possibly its valuation, concerns ownership of the Blass trademarks.

In the 1999 securitization deal, Tharani and Groveman financed their purchase of Blass through the issuance of $25 million in asset-backed bonds. The bonds were secured by the Blass trademarks and licenses, which were put into an entity where there's no risk of bankruptcy. The bonds, monetized by the royalty stream generated from the licenses, are self-liquidating and due to be paid off in 2009.

Whether the bonds are an issue would depend on how the deal was structured. An investment banker with a focus on the fashion industry, who requested anonymity, said he is familiar with deals where securitizations are not a problem as long as their structure includes a provision allowing for the bondholders of the secured debt to be paid off early.

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"What would happen is that the buyer would come to the table with a check for the shareholders and another one to pay off the bondholders. After that's done, the buyer would own everything free and clear," the banker said.

The source familiar with the negotiations said the trademarks are part of the sale. And based on the company's current business, whoever buys Blass would acquire a brand management business. Over the years, Blass has licensed his name to such categories as coats, men's wear, neckwear, activewear, women's sportswear, suits, fragrances, watches, swimwear and home furnishings.

"Bill Blass is a premier American brand. Its licensing business is very good. It has couture and mainstream, moderate sportswear lines. Blass is one of the few brands that can live in multichannels simultaneously," said Andrew Jassin of the Jassin-O'Rourke Group.

Jassin-O'Rourke is a consulting firm in the fashion industry and is a brand management adviser on several securitization deals. It has a subsidiary office in Japan called MIG Japan, a joint venture with Kaz Toyota. MIG's focus is licensing and brand management of Western properties, and was instrumental in completing the Blass license for apparel in Japan in September 2004.

According to Jassin, “Blass is a wonderful example of the securitization model and how it can work in this industry. The model worked perfectly because the company has paid down the debt, it was done timely and there’s never been a hiccup. Michael Groveman has done a tremendous job of managing the process.”

The company is said to be in the process of reexamining its licenses to sharpen the overall focus. Its aim is to have a more cohesive licensing program. Last June, it promoted Michael Vollbracht from design director to creative director and hired Jean-Claude Huon as its licensing director. The duo’s mandate is to pursue new licenses and to replace underperforming ones.

In the most recent WWD100 survey of the most recognized brands by consumers, published last July, the Bill Blass name came in at 47. Last year, the collection had an estimated wholesale sales volume of $15 million, while its 40 licenses raked in about $700 million at retail.

Since Blass retired with his spring 2000 collection, the company has been in a somewhat volatile state with a revolving door that has seen four different people designing the collection over the last five years. Tharani and Groveman hired and fired staff long associated with Blass, who died in June 2002, and the company has been plagued by enough reports of internal backstabbing and jealousies that they could populate a television miniseries.

The fall 2000 collection, the first without Blass at the helm, was put together by Yvonne Miller, a longtime Blass muse who also handled public relations for the house. Steven Slowik became the first designer to replace Blass, but he was shown the door after his first collection failed to ignite editors, retailers and Blass’ loyal Park Avenue fan base. Replacement Lars Nilsson brought in a fresh sensibility, attracted a younger clientele and garnered more favorable reviews by editors and socialites, but he was rarely consulted on company decisions or licensing matters. The company claimed his collections underperformed, and he and his design team were let go the day after he showed his sixth collection for the house in February 2003.

At the time, it was rumored that Miller had created her own Blass collection and privately showed it to retailers while plotting to bring in Vollbracht, an old friend of the late Blass, fashion designer and illustrator, who had his own line in the Eighties.

Vollbracht hired Deborah Hughes as the company's external public relations firm, which unleashed a power struggle between Miller and Hughes, and resulted in Miller's dismissal in 2003. Relations between Vollbracht and Hughes have since soured, and the company dismissed Hughes after the February show, hiring Victoria Ashley to handle its public relations efforts in-house.

Vollbracht's first few collections were poorly received by editors, though reviews have recently improved. Where other houses' rejuvenation efforts involve bringing in a younger customer, Vollbracht made little secret of the fact that he targeted women over age 50. As a muse, he picked Karen Bjornson, Halston's house model in the Seventies, and she appeared in his first few runway shows alongside other older models like Pat Cleveland, Dianne deWitt and Sarah Kapp.

From a fashion point of view, his designs often seemed dated. They ranged from boxy suits to wide pleated pants and flowing evening gowns. Of the fall 2005 collection, WWD wrote, "While it appears that Vollbracht is trying to come into his own — he even cut out the camp — he still has work to do. Some of the evening numbers were way too sheer, showing some front-row editors more than they bargained for, and one iridescent silk suit with a feather underskirt peeking out from underneath would certainly not have passed muster with Blass."

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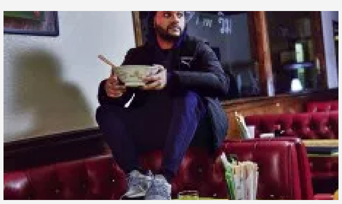

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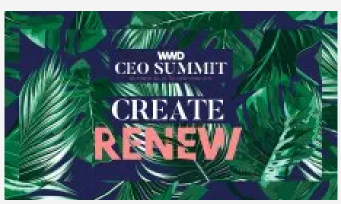

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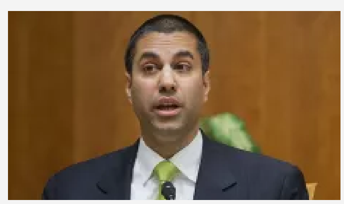

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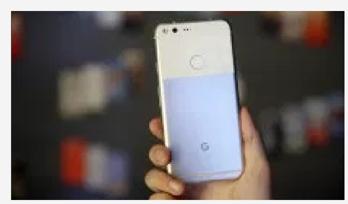

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