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VF goes high-end with acquisitions

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GREENSBORO — VF Corp., whose Wrangler blue jeans are as iconic as the cowboys who wear them, strode into a whole new scene Thursday with its biggest purchase ever.

The Greensboro company stepped into premium jeans maker 7 For All Mankind, paying \$775 million for a company whose jeans have hugged the hips of celebrities ranging from Cameron Diaz to Britney Spears.

7 For All Mankind jeans sell in Greensboro stores for between \$140 and \$295 a pair.

VF also said it would spend \$110 million for Lucy activewear, a Portland, Ore.-based women's label.

"It is certainly a different customer than their core businesses," said Dave Remick, director of The Mercanti Group, a boutique merger and acquisitions adviser in Minneapolis, Minn. "It gives them a lot of cache that Wrangler doesn't have."

Indeed, Thursday's purchases mark a move for one of Greensboro's leading companies into high-end fashion and women's labels. Those are areas where VF Chairman and CEO Mackey J. McDonald, said the company had been "underdeveloped." The company is best known for brands such as Wrangler, Nautica and The North Face.

The acquisitions, which should be complete by the end of August, also give VF the opportunity to add a new division, called contemporary brands.

The company said it planned to add other brands to the division but did not provide specifics.

"Both of these brands are at a point they have had significant growth, but they have large opportunities ahead," McDonald said in a conference call. "They are two brands that just fit perfectly in our overall growth strategy."

The two brands have annual revenues of more than \$350 million. The company said the

new labels' revenues should increase at a 15 percent to 20 percent annual rate over the next five years.

The company said the acquisition would be financed through existing cash, credit and long-term debt.

"This is close to a billion in cash and debt that they are taking on," Remick said. "The only way they can make it work is to grow it."

In Thursday's trading, VF's shares dropped \$1.89, or 2.14 percent, closing at \$86.63. The decline came on a day when the Dow plunged more than 300 points.

Company officials said the \$775 million paid for 7 For All Mankind tops the \$750 million acquisition of Greensboro-based Blue Bell in 1986.

For all their exposure with the celebrity jet set, the jeans aren't the most expensive in VF's stable. The company offers a small number of premium jeans under the John Varvatos and Wrangler labels for between \$200 and \$350 a pair.

The acquisition will give McDonald, who wears jeans to work, a new clothing option.

"I have not been a 7 For All Mankind consumer up to this point," McDonald said in a telephone interview. "But I will definitely give them a try."