Differential Brands Group signs $1.38 billion purchase agreement for majority of Global Brands Group's North American division

By Robin Driver - 27 June 2018

California-based Differential Brands Group announced on Wednesday that it has entered into an agreement to acquire the majority of Hong Kong-based Global Brands Group Holding Limited's North American licensing division, a business which currently holds licenses for brands including Disney, Star Wars, Calvin Klein, Tommy Hilfiger, Under Armour, Michael Kors and Kenneth Cole, among others.

The $1.38 billion purchase is intended to create a leading North American branded goods company expected to achieve annual revenues of $2.3 billion through a wide portfolio of men's, women's and kids' apparel and accessories brands targeting a diverse customer base.

The purchase price will be paid in cash and debt financing will be provided by Ares Capital Management LLC, HPS Investment Partners, LLC and GSO Capital Partners LP.

"On behalf of the Board, I am thrilled that we were able to structure a transaction with the Fung family to acquire one of the leading branded consumer soft goods companies in North America with a world class management..."
team led by Jason Rabin," said William Sweedler, chairman of the Board of Directors of Differential Brands Group, in a release.

Sweedler is also a managing partner of Tengram Capital Partners LP, a firm which played a crucial role in negotiations between the two companies.

"Jason and his team plan to invest significant capital into this Transaction, which will transform Differential into a large scale North American branded platform," he concluded.

Differential Brands Group's portfolio currently includes denim label Hudson, Robert Graham and Scandinavian lifestyle brand Swims. The company reported a 3% decrease in net sales in the first quarter of 2018, contributing to a total net loss of $4.09 million.

"We are thrilled to join Differential Brands Group and lead our combined platform by leveraging our expansive infrastructure, distribution and sourcing networks to drive growth, and we look forward to working with the Differential management team and Tengram to help support the Company's growth as it capitalizes on promising market opportunities," added Jason Rabin, president of Global Brands Group North America.

From Global Brands' perspective, the company hopes that divesting itself of a significant portion of its North American business will allow it to streamline its operations in the region, where it will now focus on its remaining fashion and footwear businesses which, according to the group, are less established and have good growth potential.

Funds from the sale will go toward improving the company's balance sheet.

"We conducted a strategic review of the Group to determine the best way to improve shareholder value," explained Global Brands Group CEO and Vice Chairman Bruce Rockowitz. "We concluded that divesting the portion of our business that has a high present-day value, was the way to move forward."

Global Brands also released its full-year 2018 results on Wednesday, reporting $4,023 million in revenue, a 3.4% rise in comparison to the previous year. This rise was, however, offset by the fact that during the period the company's Coach footwear and Quiksilver kids fashion licenses came to an end.

Global Brands therefore recorded a net loss of $887 million for the year, a figure that was also negatively impacted by a 37.3% increase in operating costs, as well as by one-off non-cash adjustments and a non-cash goodwill impairment amounting to $1,050 million.

The acquisition is expected to close in Q3 2018 but the conclusion of the transaction is subject to customary closing conditions, including the fulfilment of requirements laid out by antitrust legislation and the approval of both companies' stockholders.

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