



Polo buys kids wear licensee

by Kelly Holman Posted 03:34 EST, 26, May 2004

Polo Ralph Lauren Corp. said Wednesday, May 26, it has agreed to acquire **RL Childrenswear Co. LLC**, one of its chief licensees, for \$230 million in cash.

New York-based RL Childrenswear holds a license to make and sell newborn, infant and children's apparel in the U.S., Canada and Mexico under the Ralph Lauren brand through 2013. Polo, also based in New York, will buy RL Childrenswear and its affiliate S. Schwab Co., which designs children's apparel under the Little Me and Little Tikes brands, using cash on hand. Polo has a current cash position of roughly \$343 million.

RL Childrenswear did not return calls.

"I'm sure it is going to bring a bottom-line boost to their company, and hopefully they'll be able to take this childrenswear business and make it into a top-line generator," said Lawrence Kaplan, a managing director and founder of New York financial advisory firm **Corporate Solutions Group LLC**, which has a strong focus on the retail apparel business.

The deal comes as Polo struggles to maintain revenue growth and its brand image, Kaplan said. "The big question is whether Polo Ralph Lauren is a mature brand. If it is, it could be the kiss of death for the company."

Polo's shares fell 1.2%, to \$33.21, in midday trading Wednesday after the announcement.

The acquisition is part of a strategic initiative Polo launched four years ago to buy back licensees around the world so it can better control its brands and how they are merchandised.

In January 2000 it paid \$200 million for Paris-based Poloco SAS, which held licenses to sell men's and boys' Polo apparel, men's and women's Polo Jeans and some Polo accessories in Europe.

In July 2001 Polo acquired PRL Fashions of Europe Srl, which held the European license to sell Ralph Lauren women's apparel and men's and boys' Polo Ralph Lauren apparel plus Polo Jeans in Italy for \$22 million. In February 2003, Polo completed the purchase of a 50% stake in its Japanese master license, which Seibu Department Stores Ltd. had held since 1978, and an 18% equity interest in a company that will hold the sublicenses for Polo's men's, women's and Polo Jeans businesses in Japan, for \$70 million.

Paul, Weiss, Rifkind, Wharton & Garrison LLP partner Douglas Cifu and associate Angelo Bonvin represented Polo Ralph Lauren. **UBS Investment Bank's** Blair Efron, global head of consumer and retail investment banking, Andrew Corrie, executive director, and Robert Quinn, director, were financial advisers to Polo Ralph Lauren. **Covington & Burling** partner Stephen A. Infante and **Neuberger, Quinn, Gielen, Rubin & Gibber PA** partner Isaac M. Neuberger were counsel to RL Childrenswear.