Authentic Brands acquires Izod, Arrow and Van Heusen from PVH

By Olivier Guyot - 24 June 2021

It's one of the first major decisions to be taken by Stefan Larsson as CEO of PVH Corp, the owner of the Tommy Hilfiger and Calvin Klein brands. The Swedish executive, who succeeded the iconic Emanuel Chirico in his current role, had already let some of the American fashion giant's managers go, but now the company is saying goodbye to a historic segment of its operations. The company has signed a deal with New York-based Authentic Brands Group (ABG) to sell its heritage brands business for $220 million.

"This was a difficult decision, as we recognize that our Heritage Brands business provided the resources that laid the foundation and gave us the opportunity to build PVH into one of the largest fashion companies in the world today," said Larsson in a release. "We have been proactively optimizing our Heritage Brands business over the past few years, while focusing on allocating resources to higher-return businesses to maximize shareholder value. We believe ABG is well positioned to develop and invest in these brands for their future success."

If the separation seems symbolic, it's because these heritage brands constitute the roots of the group. Founded as a clothing company specialized in work shirts in Pennsylvania in 1881, Phillips-Van Heusen evolved into a prime purveyor of shirts for businessmen in the 20th century. PVH is therefore a historic player in the men's formalwear sector, and developed its operations through the Izod, Arrow and Van Heusen brands. In 2017, the group added the eponymous label of the late American designer, Geoffrey Beene, to its heritage portfolio.

The segment represented the smallest of PVH's three business pillars, but, despite being primarily tied to the North American market, generated $1.8 billion in revenue in 2020. Having removed these brands from its activities, PVH has reviewed its objectives for 2021. The company currently expects its annual revenues to increase in the range of 22% to 24% compared to 2020, versus its previous guidance predicting a rise of between 24% and 26%. The group expects its net income before tax to increase by $100 million.
ABG rounds out its high-end menswear offering

"It’s exciting to welcome the storied Heritage Brands into the ABG portfolio," said ABG founder, chairman and CEO Jamie Salter in a release. "We intend to leverage our global partner network and brand development expertise to continue the good work PVH has done in creating a sustainable licensing business for the brands."

In line with the details of the transaction outlined by the two companies, PVH will continue to own and operate the intimates and underwear businesses led by Warner’s and will also continue to operate the dress shirts and neckwear business. As for the Izod, Van Heusen and Arrow sportswear businesses, licenses have been confided to Centric Brands, which notably works with Hudson Jeans and Joe’s Jeans, but also with kidswear for Tommy Hilfiger and Under Armour, as well as to United Legwear & Apparel Company, whose partners include Champion and Skechers.

ABG is a marketing specialist that develops relevant brand image strategies and finds manufacturing and distribution partners for products. Over the last few years, the company has constructed an impressive portfolio of brands including the likes of Volcom, Forever 21, Nautica, Prince, Spyder and Tretorn, as well as Hervé Léger, Jones New York and Adrienne Vittadini.

The group's biggest success, however, was purchasing department store Barneys. With its latest acquisition, which should conclude in the third quarter of this year, the company consolidates its high-end formal menswear business, which, aside from the newly purchased heritage brands, includes Brooks Brothers, Hart Schaffner and Hickey Freeman.

All these assets would seem to constitute a solid argument for pursuing another grand project. And indeed, Bloomberg recently reported that ABG is preparing an IPO. In 2019, following investment firm Blackrock's acquisition of an $875 million stake in the group, the company was valued at around $4 billion. According to Bloomberg's sources, ABG's management would be shooting for a valuation of over $10 billion with its IPO.

By Olivier Guyot
Translated by Robin Driver

Copyright © 2021 FashionNetwork.com All rights reserved.