Reports this week suggested that what could be one of luxury's biggest deals yet is being considered. LVMH is said to be in talks around a possible Ralph Lauren buy.

Or, more specifically, sources close to the situation said the French luxury giant has held “exploratory discussions” with one of the biggest names in American fashion “over the past couple of years” about a potential acquisition. That's according to news site Axios.

It’s unclear whether those talks are ongoing, and if they are, whether a carefully timed leak might even be all about flushing out more potential bidders.
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But were it to happen, it would be a mega deal with Ralph Lauren’s market capitalisation based on its share price today being over $9 billion. Any deal would be expected to come with a price premium.

Neither Ralph Lauren nor LVMH have commented, which in itself is interesting because it means there’s been no firm denial.

Analysts have suggested the two companies are a good fit, which makes sense as LVMH would be one of the few businesses out there that could handle taking on a company of Ralph Lauren’s size.

It would also clearly signal Ralph Lauren’s intention to stay firmly in the luxury sphere rather than moving to a more premium positioning.

And those intentions are clearly an issue. Given that founder Ralph Lauren controls the biggest chunk of voting rights in the company named after him but that he’s now aged 82, there will always be speculation about his plans for his company, just as there are around Giorgio Armani in Italy.

If the French group did win the prize, it would bring one of the biggest names in the American fashion sector into its group of power brands and would be only the latest US-focused deal for the group after it acquired Tiffany. That buy seems to have been a good move based on recent results. However, its 2001 purchase of another American name, Donna Karan, was less successful and it later went on to sell that business.

But as mentioned, for now, there’s no definite news and the people involved are staying tight-lipped so it looks like we’ll simply have to wait and watch.

By Sandra Halliday

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