China's Shandong Ruyi to take over Sandro, Maje labels

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China's Shandong Ruyi is set to buy control of SMCP, the French firm behind fashion brands Sandro, Maje and Claudie Pierlot, for 1.3 billion euros ($1.5 billion) including debt, two sources close to the deal said on Tuesday.

The deal, which as of early Tuesday evening had not yet been signed, was expected to be announced on Wednesday, they added.

Sandro, Maje and Claudie Pierlot, which sell dresses priced at around 200 euros, operate in the so-called accessible segment of the luxury market, enjoying solid demand among fast-growing middle classes, particularly in countries such as China.

SMCP, which is controlled by private equity firm KKR, had filed documents this month to launch an initial public offering in Paris as early as April.

The company's preparations for a float had added pressure on the Chinese group to strike a deal, the sources said. One of the sources said that talks had accelerated in the past week.

The sources confirmed a report by the Financial Times.

KKR declined to comment and no-one at SMCP was immediately available for comment.

Talks with textile group Shandong Ruyi had been going on for at least six months, but had gone cold earlier in the year over price differences, sources close to the talks had told Reuters.

One of the sources said that founders Evelyne, Ylan Chetrite and Judith Milgrom, who together own 21.11 percent of the company were more in favor of an IPO but KKR, which has 70 percent, backed a deal with the Chinese group.

The founders, together with the company's management will retain a minority stake under the deal, the sources said.
SMCP plans to expand outside of France, where it makes just under half of its sales, particularly in China, the U.S., Britain, Spain and Italy. It also wants to develop digital sales, menswear and strengthen its leather goods offering.

The IPO was meant to pay down the company's high yield debt, which stood at around 290 million euros.

Last year, SMCP made earnings before interest, tax, depreciation and amortization (EBITDA) of 107 million euros on revenue of 675 million euros, up 33 percent and 11 percent, this did not include a boost from new stores.

$1 = 0.8870 euros