Is Shandong Ruyi in talks to buy Arcadia Group?

By Sandra Halliday - 19 February 2018

After news that it will buy Bally, Shandong Ruyi was believed to be on the verge of making an even bigger splash in the fashion sector with a report that it has been in talks to buy Arcadia, the owner of Topshop and other chains. But it has flatly denied the story, a spokesperson telling Fashion Network on Monday that “Shandong Ruyi is not in talks [with] Sir Philip Green for any acquisition.”

Sir Philip Green has also categorically denied the story.

The Sunday Times had claimed that Sir Philip could be planning to sell “all or part” of Arcadia, which would bring an end to the billionaire’s 50 years as a major presence on the UK high street.

A source close to the situation had told the newspaper that a team from Shandong Ruyi had been “in discussions and looking at the books” at Arcadia’s London HQ.

Sir Philip is not the sole owner of Arcadia and wouldn't be making any sale decision alone. US private equity firm Leonard Green has held a 25% stake in Topshop since 2012 and this could be significant if Arcadia ever changes hands. The newspaper said that the agreement under which it bought its stake “allows either side to trigger a sale or float of the business after five years” and that the lock-up period expired in December.

The Chinese Textiles giant is known to be acquisition-hungry as it also controls France’s SMCP (the owner of Sandro, Maje and Claudie Pierlot), and an Arcadia buy would have been an enormous boost to its already-large fashion ops. Arcadia operates 2,800 global stores and has 26,000 employees.
TOPSHOP STRUGGLES

Rumours of Arcadia being up for sale are perhaps be no surprise. It has struggled in recent periods with even influencer label Topshop not immune to the troubles in fashion retail around the world.

There’s little reliable information available about Arcadia’s performance given that it’s privately owned. But the newspaper said that leaked Christmas 2016 results showed comparable sales at Topshop down almost 11% with Arcadia as a whole down 6.5%. And the performance is “believed to have deteriorated further since then”.

And Shandong Ruyi would have been seen as a dream buyer with very deep pockets to help it develop any business it takes on. It is not only one of the biggest textile firms in China but one of the biggest worldwide and its buying spree has also included Invista’s Apparel & Advanced Textiles business (giving it the Lycra brand), as well as Aquascutum, Gieves & Hawkes and Kent & Curwen.

Sir Philip Green has been a major player on the UK high street for decades having started in the fashion retail business in the 1970s before running listed discounter Amber Day. Ousted from that role, he took over Sears in the UK in the late 1990s then acquired BHS in 2000 and Arcadia in 2002. He had also made two hostile bids for M&S but didn’t succeed in taking over the firm.

His reputation was dealt a huge blow when, after years of trying to turn BHS around, he sold it for £1 to Dominic Chappell. Its subsequent failure saw him attacked in Parliament and in the UK press and meant he eventually pumped £363 million into BHS’s pension fund under a deal with the pensions regulator.

The Sunday Times also said that Sir Philip Green has been speaking to bankers at HSBC about separating Topshop from Arcadia since at least 2016. But Arcadia’s pension trustees and the regulator might not be happy to see the most valuable part of the group separated out as Arcadia itself also has a major pensions deficit.