Under-pressure fashion group French Connection said on Monday that it plans to sell its Toast brand to Danish group Bestseller, the owner of Vero Moda and Jack & Jones.

The company, along with Toast founders Jamie and Jessica Seaton, has entered into an agreement, "conditional upon French Connection shareholder approval," to sell the entire issued share capital of Toast (Mail Order) Limited for a gross figure of £23.3 million.

Toast is a premium lifestyle brand which sells womenswear, accessories, nightwear, loungewear and homewares, and is headed by Suzie de Rohan Willner. It sells its products online, as well as via its 12 retail stores and through wholesale arrangements with John Lewis.

The company said that the disposal represents an enterprise valuation of around 12.2 times Toast's EBITDA for the year ended January 31 and that it will allow its soon-to-be former owner “to focus further on the French Connection brand in its core retail, wholesale and licensing businesses.”

The net cash proceeds will be used for general corporate and working capital purposes and “to support the company's continued turnaround and return to profitability.” The deal is expected to complete by the end of April.

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French Connection owns 75% of Toast and the Seatons own the rest. After they take their cut, and other costs are taken into account, French Connection should gain around £14 million from the deal.

So what will Bestseller gain? In its latest year, Toast generated £19 million of revenue, up from £16.7 million a year earlier, and £1.5 million of underlying pre-tax operating profit, compared to £1.1 million in the prior year.

Those figures may not be huge compared to the rest of Bestseller’s business but with Toast operating in the same part of the market as larger brands such as Boden, it has plenty of growth potential.

Stephen Marks, Chairman and Chief Executive of French Connection, said of the deal: "Toast is a very strong brand and I have no doubt that the team will continue to develop it further under Bestseller’s ownership and Suzie’s continued leadership."

"We are proud to welcome Toast into our family," said Bestseller CEO and owner Anders Holch Povlsen. "As fashion retailers we have been impressed with the business for some time, and our meetings with the management team have confirmed the potential and documented that it is a solid company with sound values and great people.

"Toast has developed an impressive reputation for re-energising traditional textiles within women's clothing and homeware. [It] will become part of Bestseller's family of brands but will remain an independent unit with its existing employees that will continue to run the Toast company."

By Sandra Halliday

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