



## NEWSFRONT

# Li & Fung Acquires Regatta for \$145M

**NEW YORK** — Li & Fung USA has acquired Regatta USA/Pacific Alliance for a minimum of \$145 million—a move that puts the companies at the forefront of proprietary brand development.

The deal is expected to close by the end of the month. Industry sources in Hong Kong said Li & Fung USA, a subsidiary of Hong Kong-based Li & Fung Ltd., will pay an additional amount in “excess of \$100,000” if certain earn-out targets are met. Earn-out agreements in mergers and acquisitions deals typically are over a five-year period, said investment bankers not connected with the Li & Fung and Regatta transaction.

Rick Darling, president of Li & Fung USA, said Haim Dabah will continue to serve as CEO of Regatta and will also become a member of the Li & Fung USA executive board, as well as Li & Fung’s corporate policy committee. In addition, the entire management team at Regatta will continue to run Regatta.

“We’ve been talking to Haim and his team for 18 months, and we have recognized Regatta as the market leader in the development of proprietary brands,” Darling said.

Retailers have been seeking new ways to reach out to their target customer base, and many are searching for proprietary brands to draw consumers into their stores. And while Polo Ralph Lauren is doing that with American Living in partnership with J.C. Penney, its entry into the proprietary space with its new Global Brands Concept is seen as a validation of the business model.

Regatta has been at the forefront of proprietary brand development. The apparel vendor launched in 1995, but five years ago changed its business model when Dabah realized that the traditional single-brand distribution to multiple retailers was losing traction.

“The proprietary brands business model identifies the white space within the retailers, and we figure out what the product should be [in that space],” said Dabah. “Our first brand was Daisy Fuentes, which is hugely successful at Kohl’s.”

In addition to Fuentes, Regatta also designs and markets Simply Vera by Vera Wang, Nicole Miller, Metro 7, Todd Smith and B Street for Charming Shoppes. It is busy working on a new Karl Lagerfeld collection. Dabah declined to provide further details, but sources familiar with the plans said the line is geared toward department store distribution at contemporary opening price points from \$50 to \$250. —VICKI M. YOUNG



LL Cool J in Todd Smith, produced by Regatta