

Licensing IP Value

Valuation of IP Helps Drive Series of Brand Acquisitions

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An ongoing series of brand acquisitions is being driven by a combination of their availability as companies rejigger their lineups, and the financial community's increased recognition of the value of IP.

The deals are both an overhang from the pandemic that hit companies that were already struggling - Sequential Brands Group (SBG), Global Brands Group (GBG) and Centric Brands all filed for bankruptcy during the past year - and a change in the thinking of banks and private equity firms - once more attuned to using hard assets to secure a loan - that recognizes the nuance of brand equity and licensing potential, industry executives said.

Well-funded buyers

To be sure, part of the brand buying is being driven by a new generation of well-funded, private equity-backed brand management companies such as Authentic Brands Group (ABG), Marquee Brands, WHP Global and Full Sail IP Partners.

But other companies are joining the fray. Saadia Group - a manufacturer/wholesaler/retailer in several apparel, accessories and home categories, which also relaunched Lord & Taylor as an ecommerce business in April - recently paid \$22.7 million for GBG's women's footwear Aquatalia brand.

And TAJ Imports bought GBG's Ely & Walker western apparel label for \$750,000. "There are a lot of deals being done and a lot of money chasing it," says Full Sail CEO Alan Kravetz. "There are more people interested in buying brands and clearly the world has changed relative to people's perception of the value of intellectual property.

"There was a time when banks didn't understand these types of acquisitions and weren't interested unless we had hard assets they could loan against. These days banks understand IP and often loan money based on it instead of just the private equity firms. There is a lot more money chasing these deals and that's because of the visibility of companies that have successfully done things with IP and the rankings of companies by the value of their IP."

Among recent developments:

* Full Sail's purchase of Sears' Weatherbeater paint brand is the most recent attempt by the ailing retailer to cash in on its IP. The brand hit its peak in 1980s when it was featured in national TV "More for You Life" Sears ads. The chain sidelined Weatherbeater when it dropped paint in 2012 only to bring it back four years later in a handful of stores.

Sears also has sold off other brands in recent years, including Craftsman to Stanley Black & Decker and Diehard to Advanced Auto Parts, but continues to own Kenmore. Full Sail plans to license the brand for stain, doors, windows, paint and other hardware products.

"There is a broad application for the brand and still has high residual awareness," says Kravetz. "It's very suggestive because even if you haven't seen it in a Sears store before, with Weatherbeater paint, you pretty much know what it is supposed to do."

* G-III Apparel, which has licenses for Calvin Klein and Tommy Hilfiger and owns the Donna Karen label, further expanded into the luxury segment with the purchase of Parisian fashion designer Sonia Rykiel's brand with plans to relaunch it, largely in Europe, in fall 2022.

* Advisory firm Hilco Streambank is shopping its Portico textiles brand eight years after acquiring it. The brand started as a retail store in New York in 1992, specializing in high-end furniture, home textiles and bath and spa products.

* Galaxy Universal is acquiring SBG's And1, Avia, Gaiam and SPRI brands, in a \$330 million bankruptcy court purchase that's to close later this month. Galaxy bought Apex Global Brands (formerly Cherokee) and its IP (Hi-Tec, Interceptor, 50 Peaks and Magnum), earlier this year.

* Jessica Simpson wrested control of her brand after 16 years, paying SBG for \$65 million for the 62.5% that the singer-turned-designer didn't already own. SBG paid \$117 million in 2015 for that same stake.

* In June, PVH Corp. sold its Heritage brands (Izod, Arrow, Van Heusen) to ABG for \$220 million as it further sharpened its focus on its owned Calvin Klein, Tommy Hilfiger, Warner's and other brands.

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