

OpenGate Acquires Nicole Farhi

By Nina Jones

LONDON — Nicole Farhi's new owners have big plans for the British brand, including internationally.

On Monday, OpenGate Capital, a Los Angeles-based private equity firm, said it had acquired the company — including its inventory, retail locations and intellectual property — for 5 million pounds, or \$7.5 million at current exchange rates, from French Connection Group Plc. News of the deal was first reported on WWD.com on Sunday.

Designer Nicole Farhi will remain creative director of the label and Nicki Scordi, managing director of Nicole Farhi, has been named chief executive officer. Scordi said Monday that during the next 90 days as the deal is completed, management will discuss "growing the business internationally."

"We want to be as present internationally as in the U.K.," said Scordi. "Having a U.S.-based owner really adds to our ability to grow there."

OpenGate said it plans to grow Farhi's retail presence in cities such as Paris, Hong Kong, Tokyo and New York. French Connection said Monday that Farhi had an operating loss of 5.6 million pounds, or \$8.8 million, in the year to Jan. 31 on sales of 21.7 million pounds, or \$34.3 million. Dollar figures have been calculated at average exchange rates for the period.

However, Andrew Nikou, founder and ceo of OpenGate Capital, who will also serve as chairman of Nicole Farhi, said he expects the business to be profitable within its first year of being owned by the private equity firm. "[The company] has a great designer and a great management team," said Nikou. "We're in a position to invest to provide the proper air cushion for the label to grow wholesale distribution, retail, its online business and through different licenses."

The deal, which was advised by lawyers Maxwell Winward for OpenGate while Osborne Clarke and Richard Morgan Advisory were legal

and financial advisers to French Connection, is structured so OpenGate will pay an initial 500,000 pounds, or \$752,000, when the deal is completed, and then 5 million pounds, or \$7.5 million, in a series of yearly installments depending on the net cash the Farhi business generates each year.

The sale was part of a downsizing at French Connection, instigated by a strategic review begun last year with the aim to "enhance both profitability and cash generation."

Stephen Marks, chairman and ceo of French Connection, said he was "quite sad" to see the business sold. Farhi launched her collection in 1983 as part of Marks' business — the two were former partners and have a daughter together — after she had designed women's wear at French Connection. "Obviously it was incredibly difficult," said Marks. "[But] OpenGate have shown a great passion and have interesting plans for the business."

French Connection also said Monday it would be closing the majority of its U.S. retail stores as part of the strategic review, taking the number of stores in America to six from 23. The store closures will cost 6.5 million pounds, or \$9.8 million, the company said, but will result in an annual reduction in losses of 3.2 million pounds, or \$4.8 million.

The closures and sale of the Farhi business were revealed Monday as French Connection reported net losses of 24.9 million pounds, or \$39.3 million, in the year to Jan. 31, compared with

losses of 16.4 million pounds, or \$29.7 million, the previous year. The widening losses were partly due to increased losses from the group's discontinued operations, including Farhi, 21 stores that were closed in Japan and the closure of the Northern European retail operations. The group's revenues from continuing operations rose 0.3 percent, to 214.3 million pounds, or \$338.6 million, from 213.6 million pounds, or \$336.6 million, in the previous year.



A Nicole Farhi look on the runway.

WWD TUESDAY

Ready-to-Wear/Textiles

FASHION

6 Designers were investing in gold this season, as the metallic hue made its mark on everything from sexy dresses to shiny jackets.

GENERAL

- 1** Phillips-Van Heusen said it will acquire Tommy Hilf from Apax Partners, creating an apparel powerhouse with revenue of roughly \$4.6 billion.
- 3** Mauboussin opened a boutique inside Bloomingdale's in Chestnut Hill, a suburb of Boston, and is seeking more doors for wholesaling and retailing.
- 8** RTW: Undeterred by flash-in-the-pan tie-ups like Lindsay Lohan at Ungaro, yet another wave of celebrities is breaking into the fashion game.
- 9** TEXTILES: Apparel companies are concerned about President Obama's trade agenda, seeking clarity so they can best strategize their sourcing plans.

EYE

- 4** Chattering with Rhys Ifans, who stars opposite Ben Stiller in "Greenberg," and covering Francisco Costa's visit to Melbourne on Sunday.



Louise van de Vorst

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U.S., China Spar Over Currency

By Kristi Ellis and Kathleen E. McLaughlin

THE U.S. AND CHINA ARE GEARING UP FOR A new battle over China's currency policy in advance of a key Treasury Department report next month and Congressional midterm elections in November.

On Monday, 130 House lawmakers sent a bipartisan letter to Treasury Secretary Timothy Geithner and Commerce Secretary Gary Locke urging the cabinet officials to take action against China's currency policy, which they claim hurts U.S. manufacturers by undervaluing exports and making them cheaper, putting U.S. companies at a competitive disadvantage.

The lawmakers' call for action followed remarks from Chinese Premier Wen Jiabao last weekend in which he defended his country's trade and currency policies.

China's currency policies have long been a target of U.S. lawmakers, who have attacked an undervalued Chinese yuan with several proposed legislative measures, ranging from imposing punitive tariffs on Chinese imports to making currency manipulation a subsidy and actionable under U.S. trade remedy laws.

Momentum for passing the legislation slowed after China delinked its currency to the dollar in 2005 and allowed it to rise by 20 percent through 2008. But the yuan has been frozen for over a year as the global economy grappled with a recession that is slowly easing, which could provide momentum for action this year.

With a key Treasury report due by April 15 and looming midterm Congressional elections that will put the entire House up for election and one-third of the Senate, lawmakers are turning up the heat again on China and the Obama administration, putting partial blame on China for the high U.S. unemployment rate and record trade deficit.

"China's currency manipulation essentially subsidizes Chinese exports and imposes tariffs on foreign imports," said Rep. Mike Michaud (D., Maine), who is co-chair of the House Trade Working Group. "If the administration fails to act on this issue it will hold back our economic recov-

ery, and hurt the ability of American small businesses and manufacturers to increase their production, keep their doors open and create jobs."

Lawmakers reiterated their request that the Commerce Department apply U.S. countervailing duty law to currency manipulation and also asked the Treasury Department to cite China for currency manipulation in its biannual report. If the Treasury deems China a currency manipulator, the U.S. could take China to the World Trade Organization and press for punitive tariffs if China refuses to let its currency appreciate.

President Obama, who backed off heated campaign rhetoric against China during his first year in office, pressed the Asian nation in a speech on Thursday to move "to a more market-oriented exchange rate" to help in the "global rebalancing effort."

Relations between the U.S. and China have become strained in recent weeks over broader issues such as U.S. arms sales to Taiwan, Obama's meeting with the exiled Tibetan spiritual leader the Dalai Lama and China's reluctance to join in sanctions against Iran.

Wen, speaking Sunday to reporters in his once-a-year news conference, blamed recent steps by the Obama administration for the tensions.

"These moves have violated China's sovereignty and territorial integrity," said Wen. "The responsibility does not lie with the Chinese side but with the United States."

Wen, whose news conference wrapped up China's 10-day annual meeting of the National People's Congress, spent much of the two hours answering questions about economics and trade and defending China's currency policies. He said China's stability has helped shepherd global recovery from the financial meltdown.

"We have made strong efforts to keep the exchange rate at a stable level," said Wen. "This has played a role in the global recovery."

Seemingly referring to the U.S., he said, "I understand that some countries want to increase their exports," noting 60 percent of China's exports are made by foreign-invested or partnered companies.

DAILY QUOTE "I discovered being an actor is pretty similar: You get up at irrational hours of the day; the food's free, and you're surrounded by bullsh-t most of the time."

— Rhys Ifans on why he decided not to become a farmer. Page 4.

CORRECTION

Gap Inc.'s capital expense budget is \$575 million this year. The figure was incorrect in a story on page 2, Friday.



PHOTO BY STEVE BOCHNER

Iman and Rachel Roy

TODAY ON
WWD
.COM

- More images of the DVF awards ceremony and the Calvin Klein party in Australia
- The Fashion System: Conversations with Giorgio Armani and Gucci's Frida Giannini and Patrizio di Marco
- Additional images of the Allegra Hicks store in London