

TOUGH ROAD FOR CAFTA/12 THEORY'S REALITY/20

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Global Edition

GENERAL

- 1** As Chinese and U.S. diplomats worked toward an agreement on textile and apparel imports, domestic producers field more safeguard petitions.
- 20** Theory, a contemporary brand that generates \$300 million in wholesale volume, is making key moves to establish itself as a global player.
- 22** An era ends Wednesday when May Co. stages its final annual meeting here, marking the demise of a giant retailer and familiar nameplates.

EYE

- 6** Although the social scene in New York has slowed to a mere trickle, it was in full force in the Hamptons this past weekend.

20 WWD/GLOBAL, JULY 2005

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As Theory Shares Soar, Rosen Details Growth Plan

By Lisa Lockwood

NEW YORK — Theory, a contemporary brand that generates over \$300 million in wholesale volume, is making key moves to establish itself as a global player.

Since June 9 when the firm went public on the Tokyo Stock Exchange, shares of Link Theory Holdings Co. Ltd. have risen 25 percent. The stock, which opened at 848,000 yen (\$7,577) on June 9, closed Monday at 1.06 million yen (\$9,471.50). Both figures are at current exchange rates.

Link Theory Holdings owns the Theory business in Japan and the U.S. and is headed by Ricky Sasaki, 54, chief executive officer. Andrew Rosen, 48, is president of Theory Holdings Inc., the U.S. business, of which he owns 11 percent. He doesn't have an ownership stake in Link Theory Holdings Co. Ltd., nor does he have a position at the Japanese company or on its board.

In an interview in Japan, Sasaki told WWD he decided to take Link Theory public because of the brand's growth potential. "I had that idea before I bought Theory. There are few apparel companies whose business became better after being listed, but that's because they went public at their peak and they are able to expand business only by starting new brands," said Sasaki. "But we have many factors to expand this brand — direct management of the business in the U.S.; opening the flagship shop in New York in fall 2006 [at 40 Gansevoort Street]; establishing business in European and Asian countries, including China; developing the accessories and licensing businesses, and strengthening the men's wear business.

"Theory will grow up to a global brand that generates 100 billion yen [\$892.9 million]," he predicted.

For the fiscal year ending Aug. 31, Link Theory Holdings projects sales of \$315.6 million, up from \$224 million a year ago. Net profits are expected to be \$21.4 million, versus a loss of \$16.9 million a year ago.

Through the public offering, Link Theory raised 9 billion yen, or \$85 million. Some 15,780 shares were sold to the public out of a total of 70,520. At the time of the IPO, the company had a market capitalization of approximately \$550 million, said Rosen in an interview last week.

Theory, which was established by Rosen and Elie Tahari in 1997, has built a solid following in the contemporary market. The line began with great-fitting pants with stretch and evolved into a complete sportswear collection using modern silhouettes and innovative fabrics.

In 2003, Rosen and Tahari, who were 50-50 partners,

Andrew Rosen



sold their stakes in the firm to Link International, Theory's Japanese licensee, and Fast Retailing Co. Ltd., a multibillion-dollar retailer and owner of the 590-unit Uniqlo brand in Japan and the U.K. The selling price wasn't disclosed at the time. Link and Fast Retailing together purchased 89 percent of the U.S. firm, while Rosen retained 11 percent. Tahari sold his stake in the company and reportedly made over \$50 million in the deal.

But according to sources, Tahari is extremely upset that he has missed out on the public offering, especially since he was the principal investor in Theory and Tahari's company continues to handle certain back-office functions. He was traveling in Europe and unavailable for comment. However, a spokesman for Tahari said he had retained counsel to deal with these issues.

Apparently, Sasaki had been pursuing Rosen and Tahari for more than a year and a half to acquire the company. Sasaki was originally Theory's sourcing agent in Hong Kong and became its Japanese licensee in 1998. Sasaki and Rosen have known each other for 25 years, having met when Sasaki manufactured the Girbaud line, which was part of Puritan Fashions Corp. (which was headed by Carl Rosen, and where the younger Rosen worked, as well), in the early Eighties. Sasaki, a manufac-

turing agent, was also an associate of Frank Mori and Tomio Taki, partners in Takihyo Ltd., which owned Anne Klein and half of Donna Karan.

Rosen said last Thursday, "It was always the intention that sometime this company could go public." He said Theory was developing a European presence and currently sells at stores in France, the United Kingdom, Italy, Germany and Belgium.

Asked what attracted him to a public offering, Rosen said, "From our perspective, it's not like we needed the capital. But to expand the business is very good, and it creates some valuation for the company."

Over half the Theory business is currently generated by the U.S. company. In Japan, about 85 percent of the business is done through leased areas within Japanese department stores and 10 to 11 freestanding stores. Fifteen percent of sales is generated by specialty stores. There are plans for new stores throughout the region, including in Hong Kong and China.

Rosen believes the Theory business in Japan is mirroring what is happening in the U.S., noting that the brand is the dominant player in the contemporary market in Japan. "Everything that's done here is done there. Design, creativity and merchandising ideas come from the U.S.," he said. Some of the line is manufactured in Hong Kong and Italy for both Japanese and U.S. distribution.

In March, Theory named Istvan Francer as women's design director, replacing Jarlath Mellett, who left Theory to focus on his retail venture, Jarlathdan, in Amagansett, N.Y. Francer, who spent many years at Donna Karan Collection, is part of Rosen's plan to continue to evolve Theory in the contemporary market.

"Strategically, our objective is to have a diversified, global business," he said. "There's no immediate strategy to aggressively overexpand. One area we see as a huge opportunity is China. How quickly that happens remains to be seen."

Despite the ebbs and flows of the contemporary market over the years, Rosen is confident of the company's positioning.

"The beauty of what we're doing, the real philosophy and concept, is in terms of owning the contemporary marketplace," he said. "I always felt the most important segment was contemporary. We felt it was a global business. Our strategy has always been to take a leadership position in the marketplace. We're solely focused on that mission."

— With contributions from Koji Hirano, Tokyo