

The Future of IT Holding: D-Day Fast Approaching On Blueprint for Group

By Andrew Roberts

MILAN — Eight months down and one to go.

After filing for the Italian equivalent of Chapter 11 bankruptcy protection in February, IT Holding SpA will learn its fate in a little more than a month, and its prospects look rosy — even if it doesn't remain whole.

Having invited letters of intent at the end of September, Andrea Ciccoli, one of IT Holding's three government-appointed special commissioners, told WWD he aims to identify potential buyers for some or all of the fashion group's assets in the next three to four weeks, ahead of submitting a restructuring plan to Italy's minister of economic development for approval by Nov. 10. The plan may or may not include recommendations to break the group up, he stressed.

"We want to gauge market appetite to help evaluate different courses of action before we present our recommendations to Minister [Claudio] Scajola," Ciccoli said. He and his co-administrators, Stanislao Chimenti and Roberto Spada, will send out information memoranda to interested parties in the next few days.

On the table, in principle, are the Gianfranco Ferré, Malo and Extè labels and IT Holding's licensing subsidiary Ittierre SpA, which produces the Just Cavalli, C'N'C

Costume National, Galliano and Ermanno Ermanno Scervino collections. Mediobanca SpA and Sin&ergetica Srl have been hired as advisers on the process.

Ciccoli declined to identify the level of interest, although in total, more than a dozen potential suitors already have inquired about some or all of the assets, according to sources. They include Alpha Group Private Equity, Byron Capital, Change Capital Partners, Clessidra SGR, Doughty Hanson & Co., Orlando Italy, Stirling Square Capital Partners and Sirius Equity.

Clessidra, which walked away from talks to buy Roberto Cavalli in August, is believed to be working with former Versace chief executive officer Giancarlo Di Risio on a bid for Ittierre, where Di Risio worked as ceo in the Nineties; Alpha has teamed up with industry veteran and former Malo chairman Giacomo Santucci and may bid for all of IT Holding, and Change Capital is considering a joint bid for Ferré with Usha Mittal, the wife of Indian steel magnate and the world's eighth richest man, Lakshmi Mittal, sources said. Doha, Qatar-based fund Abu Issa Holding said in February it, too, could be interested in Ferré, and a consortium of creditors also has expressed interest in acquiring Ittierre via a debt to equity swap.

Ciccoli also declined to put a value on IT Holding or its parts, but said he expects any bid, should it come, to be competitive, despite the market conditions.

"It's tough to know what the market thinks," Ciccoli admitted. "It isn't the ideal time to sell. In fact, some think it is the worst time to do so. But on the other hand, this is a unique group of businesses and brands, which are fully operational."

Of the possible scenarios, the most likely is the fashion group will cease to exist as a whole and that Ferré, Malo and Ittierre will be sold separately to investors with the financial muscle to develop them, according to Armando Branchini, deputy chairman of Milan-based consultancy Intercorporate.

"One of the reasons why IT Holding got into difficulty was that, as a conglomerate, it did not have enough inner energy or inner synergy to give a common logic to being a group of labels, brands, products and product lines," Branchini said. "Selling it lock, stock and barrel is perhaps the hardest thing.... What makes more sense is to search for a buyer for the most valuable assets and to try to get a premium price that can help improve the financial position of the whole group."

IT Holding acquired Malo in 1999 for \$55 million and Ferré in 2002 for between \$150 million and \$175 million. The fashion group had a market capitalization of 43.3 million euros, or \$63.3 million at current exchange, at the time its shares were suspended from the Milan Bourse following its petition to be placed in emergency administration under the Marzano Law. At the end of September 2008, IT Holding had net debts of 295.4 million euros, or \$432.1 million.

Whichever course is taken, IT Holding is in a much healthier

state than it was at the turn of the year, when former chairman and majority stakeholder Tonino Perna threw in the towel.

Since taking control, the administrators have trimmed between 50 million euros, or \$73.1 million, and 60 million euros, or \$87.8 million, of costs; secured a new 30 million euro, or \$43.9 million, line of credit from five

Italian banks; got deliveries back on track; brought in new management, and strengthened Ittierre's license portfolio, renewing long-term contracts with C'N'C Costume National, Just Cavalli and Galliano, and adding Galliano men's wear and Ermanno Scervino.

Branchini said resolving the group's problems in a short amount of time and, above all, in deteriorating market conditions represented a huge challenge, and he singled out Ciccoli for praise.

"I have been following [his] work closely. He is the commissioner with the competence and sector expertise in this industry, and he seems to be doing a good job," Branchini said.

C'N'C Costume National co-founder Carlo Capasa echoed those sentiments, adding his decision to sign a new deal with Ittierre for men's and women's apparel and accessories through fall-winter 2019 was a no-brainer.

"Ittierre's problems were purely financial," Capasa said, blaming mismanagement at Malo, Ferré and IT Holding's other brands. "The actual licensing business was working

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very well. We asked [the commissioners] to preserve the industrial relationship, the people that were working for us and their way of operating. They assured us they would.”

However, Capasa confirmed he was concerned who Ittierre's new owners might be if it were sold. "It's the decisive factor," Capasa said, adding he preferred a buyer with strong industrial credentials.

"We have a lot of potential as a brand. It's important for us that whoever comes in has a good idea of what we're all about and shares our vision of how and where we want to develop....Otherwise, it could become very difficult to live with a new partner," Capasa said. "At the end of the day, we need to see what [any new owner] may have in mind and who they put in place to run day-to-day operations.”

He added: "[The commissioners] gave me a moral guarantee that they would find the right partner for the company...They have done well up until now, but only time will tell.”

Ciccoli said he intends to fulfill that commitment.

"Success will be defined by getting the company back on its feet with solid shareholders behind it, who are willing to invest in the business because it makes sense to," he said.