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The Donnkenny Dance Ends

By EVAN CLARK

NEW YORK — Donnkenny is ready to start its second life — with Haim Dabah.

A bankruptcy court here approved the sale of the vendor's assets on Tuesday to Pacific Alliance, headed by Dabah, chairman and chief executive officer. Pacific Alliance, which was represented by investment bank Financo, expects to close the deal within a week.

Details are yet to be worked out, but the final price tag is expected to be about \$20 million, including the assumption of liabilities.

The acquisition strengthens the company's presence in the midtier, as Donnkenny will retain its license to make nicole by Nicole Miller sportswear, sold exclusively at J.C. Penney. Pacific Alliance already holds the master license for Daisy Fuentes, sold at Kohl's, in addition to other holdings, such as the Regatta brand.

"We're not buying it for the size of it today," said Dabah of Donnkenny, which has annual sales of just over \$90 million. "We're buying this business for the size it's going to be five years from now."

Donnkenny will continue to operate as a separate business under the leadership of Daniel Levy, who is staying on as ceo.

In addition to the nicole by Nicole Miller sportswear business, Donnkenny has a Pierre Cardin business with Goody's and a primarily private label bottoms business that focuses on replenishing stores mid-season. "The only private label business that is going to flourish is replenishment," said Dabah.

These businesses will all be kept, as will the company's Wytheville, Va., replenishment facility. Donnkenny's other lines, such as Bill Blass, had already fallen away as the company's financial troubles worsened.

Dabah plans to inject its technology and sourcing savvy into Donnkenny's operations to beef up the bottom line and better serve stores.

Donnkenny had an asset purchase agreement with Donn K Acquisition LLC, a company affiliated with Pacific Alliance, when it filed for Chapter 11 in the Southern District of New York in February.



A nicole by Nicole Miller look for J.C. Penney.
Photo By WWD Staff

That didn't stave off interest from other players, including Li & Fung and Bernard Chaus Inc., which also took part in an auction for the firm last week.

In addition to the collection sold at J.C. Penney, Donnkenny worked up a better-priced department store line called Nicole Miller New York but became too squeezed financially to get it off the ground. Ramping up these lines contributed to the company's liquidity crisis and, ultimately, to its bankruptcy.

Squeezed by sinking apparel prices, competition from larger manufacturers and increasing pressures from a rapidly consolidating retail sector, midsize vendors such as Donnkenny have in many cases struggled to stay in business and have sought to partner up to survive.

"With the consolidation going on at the retail level, it's harder and harder for the smaller company to survive and make the profits that are needed to keep them in business," said Gilbert Harrison, chairman and ceo of Financo. "The economies that come from the sourcing expertise are essential."

The sourcing muscle of Pacific Alliance was one of the things that attracted Nicole Miller chairman and ceo Bud Konheim to the company.

Konheim could have pulled the Nicole Miller license back from Donnkenny when it went bankrupt but was supportive of Dabah taking over the firm, and independently has a jeans and a children's wear license with Pacific Alliance.

"He has a vision that absolutely mirrors our strategy," said Konheim of Dabah.

That strategy entails using the brand's higher-end designer offerings, which are worn by starlets and paraded down the runway during New York Fashion Week, as a halo that gives cachet to the more accessibly priced subbrands.

Now the challenge will be to differentiate all of the Nicole Miller offerings, said Konheim. The trick will be keeping the higher-end and lower-end businesses similar enough to bear a resemblance — but different enough to not muddy the brand.



Haim Dabah, Bud Konheim and Daniel Levy.
Photo By Kyle Ericksen