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## Talbots Shares Soar as Buyers Circle Firm

By EVAN CLARK and VICKI M. YOUNG



Outside the Talbots store.

*Photo By Courtesy Photo*

The Talbots Inc. could have a new owner by the ides of March.

Shares of Talbots shot up 50 cents, or 18.6 percent, to \$3.19 Friday following reports that TPG and Golden Gate Capital were mulling bids to buy the troubled firm, which last month hired Perella Weinberg Partners to explore its “strategic alternatives.” More than 7.4 million of the retailer’s shares traded hands, about six times the stock’s three-month average volume.

Talbots said that it was contacted by the New York Stock Exchange regarding the unusual trading and that it would not comment on the market activity.

The retailer has signed nondisclosure agreements with a number of potentially interested parties and expects to ask for bids later next month in a two-stage auction process, said one person familiar with the process.

There are expected to be at least a dozen companies participating in the process, including private equity firms and other retailers. One retail possibility is the acquisition-minded Ascena Retail Group Inc., which operates the Dress Barn chain.

The 566-door Hingham, Mass.-based Talbots has closed stores and suffered through declining revenues as it sought to update its image to attract young customers.

What it did attract was the interest of Stefan Kaluzny, managing director of Sycamore Partners, which unveiled a

9.9 percent stake in the company in August. Talbots adopted a poison pill stockholder rights plan to avoid a takeover, but continued to struggle. President and chief executive officer Trudy Sullivan ousted the firm's chief creative officer, Michael Smaldone, and temporarily took on the creative reins herself. Last month Sullivan said she would step down once a new ceo was found for the firm. That's when Sycamore made its move.

Kaluzny, who used to work at Golden Gate, sent a letter to the company's board offering to buy the shares it didn't already own for \$3 a share, valuing the retailer at \$211.5 million. Talbots rejected the offer and started the current process.

In addition to already controlling 7 million shares of the firm, Sycamore owns 51 percent of Mast Global Fashions, the former sourcing division of Limited Brands Inc. If Sycamore prevailed and acquired Talbots, Mast might be able to take some business away from Li & Fung, which currently handles the retailer's sourcing.

Both Golden Gate and TPG are also seen as logical buyers of Talbots.

Golden Gate has stakes in Eddie Bauer, Zale Corp., Pacific Sunwear of California Inc. and Express, while private equity giant TPG counts J. Crew and Neiman Marcus among its investments.

"Golden Gate is the most logical since it has a history of buying firms with both catalogue and retail stores operations," said one investment expert. Another financial source also said that there were a few strategic players eyeing the landscape. He said there had been "one or two" considering a bid before Sycamore made its interest known.

One financial source with ties to the investment banking community said that bankers for Talbots "contacted everyone whom they thought might be interested and capable of making an offer for Talbots, both financial and strategic."

Another source said many of those contacted would likely sign confidentiality agreements since it would get them access to the so-called "data room" where they could see Talbots' financials. But interest in an earlier stage in the process does not necessarily translate into a bid.

Spokesmen for Golden Gate and Sycamore declined to comment and a representative for TPG could not be reached Friday.

Whoever does acquire Talbots faces a major turnaround task. Talbots has been struggling for years in the increasingly squeezed missy market.

For the nine months ended Oct. 29, the retailer posted a loss from continuing operations of \$58.6 million, which compared with income of \$10.4 million a year earlier. Sales decreased 7.5 percent to \$851.9 million.

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