

Gores Group Picks Up Big Strike Inc.

by Rachel Brown

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LOS ANGELES — After striking its first fashion deal for J.Mendel last year, private equity firm The Gores Group is demonstrating an appetite for diverse apparel investments with its newest pickup of moderately-priced wholesale specialist Big Strike Inc.

The Gores Group, which is based in Los Angeles not far from Big Strike's headquarters in Gardena, Calif., has acquired a majority ownership in Big Strike for an undisclosed amount. Big Strike's founders Lars Viklund, Jodi Sundberg, and Kevin Talbot will remain with the company, and Paula Schneider, formerly president of Warnaco Group Inc.'s swimwear division and president of Liz Claiborne Inc.-owned Laundry by Shellie Segal, will join them in Big Strike's management ranks as chief executive officer.

Jeff Schwartz, managing director of The Gores Group, said Big Strike has generated \$100 million in annual revenues, and its three biggest retail customers are J.C. Penney, Sears and Kohl's. Big Strike's strength is affordable career tops in the juniors category under its largest brands Heart N Soul and Soulmates. The company also has branched into bottoms with the acquisition of J.C. Penney staple Tracy Evans out of bankruptcy. The average retail price for Big Strike's brands is roughly \$20.

"We identified Big Strike five months ago, and we were very impressed with their position in the market, their relationship with their customers and their process of bringing product to market that provided a very good price value," said Schwartz. "We were very impressed with how they performed over the last few years in obviously a very difficult climate."

Viklund, Big Strike's president, said, "The Gores Group is an ideal partner to help take Big Strike to the next level. They have incredible strategic and operational capabilities, with access to an abundance of capital that can be used to support our anticipated growth. Together we will take advantages of the opportunities we see in our marketplace, and build the necessary infrastructure to capitalize on our full potential." Big Strike was advised by The Sage Group LLC on the deal.

In each of the last three years, Schwartz said Big Strike posted double-digit sales growth, and he expected yearly double-digit sales increases to continue, if not accelerate, over the next few years. To boost its sales, he explained Big Strike would look to enter the missy category, expand its junior tops

business and dive more heavily into bottoms. The Gores Group will address Big Strike's infrastructure from technology to supply chain to design capabilities in order to ready the company for further sales growth.

"We believe we are at a nice inflection point from a size standpoint that if we are able to make a few acquisitions and continue the organic growth, we will have a substantially larger company," said Schwartz.

"Once we get to \$200 million, \$300 million, \$400 million in revenue, which we think is really very much achievable, that will put us at a whole new category for [exit] opportunities" such as an initial public offering or a sale to a strategic or financial player.

Schwartz said The Gores Group's investment horizon is typically three to five years, but he added a caveat that the firm foresees Big Strike "being a longer rather than a shorter hold." Funding for apparel and retail investments comes from The Gores Group's third fund, Gores Capital Partners III L.P., that has \$2 billion to put toward telecommunications, business services, industrial, health care and consumer sectors, including apparel and retail. In total, The Gores Group, founded by Alec E. Gores in 1987, has \$4 billion in committed equity capital currently under management across companies as different as DVD, CD and video game distributor Alliance Entertainment and automotive body cloth maker Sage Automotive Interiors.

Over the next three years, Schwartz said The Gores Group anticipates acquiring another two to three companies in retail or apparel and could invest in companies registering up to \$1 billion in annual revenues. Lewis "Lee" Bird, who The Gores Group brought on board earlier this year, will chair the boards of companies in The Gores Group's retail and apparel portfolio. Bird was previously group president of Nike Inc.'s affiliate brands Bauer, Cole Haan, Converse, Hurley, Starter and Umbro, executive vice president of new business development at Gap Inc., and chief operating officer and chief financial officer of Old Navy.

At The Gores Group, Bird said his role is to be actively overseeing the companies in the apparel and retail space. "It is an operations-driven model," he said. "Other private equity firms run a very different model where it is more financial engineering."