

The Deal Pipeline

Apparel seller Dress Barn dons Tween Brands

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Dress Barn Inc. said Thursday it would acquire struggling retailer Tween Brands Inc. in an all-stock deal valued at about \$320 million including debt.

Under the terms, Dress Barn will swap 0.47 shares for each Tween Brands issue, valuing Tween at \$6.22 per share, or \$157 million. That's a 20% premium to Wednesday's closing price of \$5.18. Suffern, N.Y.-based Dress Barn also agreed to pay Tween's \$165 million in debt with cash on hand.

Investors cheered Dress Barn's efforts to diversify, adding the trendy tween segment to apparel for professional women, sending shares higher by 5% in premarket trading, to \$13.90. Tween jumped 21%, to \$6.29.

Upon closing, Tween shareholders will own about 16% of Dress Barn and Tween will operate as a separate subsidiary.

Tween, based in New Albany, Ohio, operates 908 Justice stores that target 7- to 14-year-olds with low-priced fashion items. Dress Barn has 841 namesake stores and 716 Maurice's stores, which cater to younger women. The combined company would operate 2,465 stores and generate annual sales of about \$2.4 billion.

David R. Jaffe, Dress Barn's CEO, said Tween complements his company's portfolio of stores. "The Justice concept, which offers an attractive mix of well-priced fashion for girls ages 7 to 14, will diversify and complement our existing business," Jaffee said in a statement.

Tween has struggled along with the economy and under a pile of debt. It posted a loss of \$1.4 million on a 23% drop in sales at stores open more than a year. "The repayment of Tween Brands Inc.'s bank debt immediately alleviates the financial pressures on the Justice business so that it can reach its full potential," Jaffee said.

Tween Brands executives, including CEO Mike Rayden will remain in their posts and manage Justice.

Dress Barn tapped **Bank of America Merrill Lynch** for financial advice, and **Proskauer Rose LLP** provided legal counsel. **Peter J. Solomon Co. LP** is financial adviser to Tween Brands and **O'Melveny & Myers LLP** is outside counsel. **Willkie Farr & Gallagher LLP** partners Steven Seidman and Laura Delaney were counsel to **Peter J. Solomon**.