



Chirico's 4 a.m. Ice Cream Seals Tommy Hilfiger Deal (Update 1)

By Cotten Timberlake



March 16 (Bloomberg) -- It took **Phillips-Van Heusen Corp.** Chief Executive Officer **Emanuel Chirico** more than 2 years and 15 pints of ice cream to seal the \$3 billion takeover of Tommy Hilfiger BV.

"It just seemed natural to us," Chirico, 52, said yesterday in an interview after announcing the agreement to buy the clothing company from Apax Partners LP. Having won over namesake designer **Tommy Hilfiger** and CEO **Fred Gehring**, he said the purchase will more than double revenue growth and fuel a European expansion.

The takeover fits with Chirico's strategy to acquire brands with global reach that add to **profit** immediately. New York-based Phillips-Van Heusen, which also makes Izod sportswear and Arrow shirts, bought Calvin Klein for about \$430 million in 2003 -- a transaction that London-based Apax helped to finance. Phillips-Van Heusen extended gains in New York trading today.

"Phillips-Van Heusen did a great job on the Calvin Klein acquisition, growing the business and increasing profitability significantly," said **Clifton S. Robbins**, CEO of Greenwich, Connecticut-based Blue Harbour Group LP, which holds 1.5 million Phillips-Van Heusen **shares**. "Buying a powerful global brand like Tommy Hilfiger is the kind of smart move we expected."

Häagen-Dazs

At about 4 a.m. yesterday in New York, a member of the catering staff at Wachtell, Lipton, Rosen & Katz, the law firm that advised Phillips-Van Heusen, brought about 15 pints of Häagen-Dazs ice cream to the negotiating table, said **Kenneth T. Berliner**, president of Peter J. Solomon Co. in New York, which advised Phillips-Van Heusen.

"The ice cream pushed us over the edge to finish," Berliner said. The deal was announced at 7:15 a.m.

Chirico, who goes by Manny, joined Phillips-Van Heusen in 1993 and became CEO four years ago. He said he and Gehring began discussing collaboration two and a half years ago. Phillips-Van Heusen started making **Tommy Hilfiger** neckwear under license in 2007, adding shirts in 2009.

The talks became more serious in December, Berliner said.

"It's about the talent, the Tommy Hilfiger talent and the Tommy Hilfiger team and Calvin Klein. They all needed to get courted and needed to feel comfortable about the combination," Berliner said. "Without Manny's people skills, I don't think this deal would have happened."

Phillips-Van Heusen rose \$1.24, or 2.4 percent, to \$53.64 at 12:48 p.m. in New York Stock Exchange

composite [trading](#). The stock had gained 29 percent this year through yesterday, giving the company a market value of about \$2.7 billion.

American Preppie

The combined businesses will have annual [sales](#) of \$4.6 billion, 60 percent of it from the U.S. About two-thirds of Tommy Hilfiger's revenue comes from outside the U.S. Apax bought Amsterdam-based Tommy Hilfiger in 2006 for about \$1.6 billion.

"We're not in competition with Calvin directly because he is a very modern, minimalist look and we are very American- heritage-preppie," Tommy Hilfiger, 58, the principal designer at the company that bears his name, said in a telephone interview yesterday. "We fit right in."

Chirico took over as CEO in February 2006, replacing Mark Weber, who served in the post for less than a year. Since then, Phillips-Van Heusen shares have climbed 42 percent while the [S&P 500 Index](#) has declined 11 percent. In three years, sales grew about 30 percent as the CEO added designer names to his stable of brands.

He obtained the rights to make Tommy Hilfiger neckwear with the 2007 takeover of [Superba Inc.](#) and acquired neckwear brand licenses including Kenneth Cole and Liz Claiborne from Mulberry Thai Silks Inc. in 2008.

Existing Brands

Chirico uses the licensing fees that [Warnaco Group Inc.](#) pays to make Calvin Klein clothes to invest in other brands, backing them with marketing and advertising, said [Jason Asaeda](#), an equities analyst with Standard & Poor's. He also has persuaded chains like Macy's Inc. to replace rivals' unproductive brands with Phillips-Van Heusen lines, said Asaeda, who is based in New York and recommends [holding](#) the shares.

"He has been instrumental in reenergizing what had been a fairly tired collection of brands in Arrow, Izod and, over the last few years, Calvin Klein," said [Craig Johnson](#) of Customer Growth Partners LLC, a consulting company based in New Canaan, Connecticut. "He has also brought the debt level down, so the company could take on the slightly larger Tommy Hilfiger."

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