

Quiksilver Refinances, Restructures

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Quiksilver Inc. on Monday simplified its finances and organizational structure as it returned to profitability in the second quarter.

The embattled firm, seeking to extract itself from the problematic purchase and subsequent sale of Rossignol, struck an agreement with private equity firm Rhône to take a five-year secured term loan of about \$150 million to improve its liquidity position and refinanced its credit facility with a new three-year, \$200 million asset-based line with Bank of America and GE Capital as joint lead arrangers. Additionally, it's in negotiations with its French banks to consolidate European debts into a new committed multiyear facility.

Closer to home, Quiksilver combined the merchandising and design divisions of its juniors brand, Roxy, with the Quiksilver Women's contemporary line. Laurie Etheridge, senior vice president overseeing merchandising and design for sportswear, accessories and the girls' business at Roxy, will also oversee merchandising and design at Quiksilver Women's. Summer Rapp, vice president of design for Quiksilver Women's, will add the role of vice president of design and creative director for the sportswear and kids' component of Roxy.

The Huntington Beach, Calif.-based firm said it would appoint two new Rhône-designated directors to the board and use the proceeds from the term loan to pay down existing debt. Long-term debt stood at \$604.4 million at quarter's end.

Rhône will also receive detachable warrants with the right to buy about 20 percent of the future outstanding shares of Quiksilver's stock at a strike price of \$1.86. Shares closed Monday at \$3.62, up 13 cents, or 3.7 percent.

For the three months ended April 30, Quiksilver posted net income of \$2.8 million, or 2 cents a diluted share, compared with a net loss of \$206.2 million, or \$1.64 a share, in the year-ago period. Excluding items, the company said it had a \$6.6 million profit, or 5 cents a share. Slumping sales in the U.S. and Europe dragged down revenues 17.1 percent to \$494.2 million, from \$596.3 million.

Losses from discontinued operations, principally related to Rossignol, were \$2.1 million this year and \$244.9 million in last year's quarter.

Peter J. Solomon Co. advised Quiksilver on the new term loan and credit facility.