

VF Corp. Buys Timberland Co. For \$2.2 Billion

Mae Anderson, AP Retail Writer

NEW YORK (AP) — Clothing and footwear maker VF Corp., whose brands include Wrangler, Nautica and The North Face, said Monday it will buy boot and clothing maker Timberland Co. for more than \$2.2 billion as it seeks to expand its outdoor offerings.

VF plans to make Timberland part of its outdoor and actions sports business, and it said Timberland's headquarters will remain in Stratham, New Hampshire. With the addition of Timberland, VF's outdoor and action sports business, which also includes Vans, Jansport, Eastpak and other brands, will make up 50 percent of the company's total revenue. They expect that to grow to 60 percent by 2015.

VF is offering \$43 for each Timberland share, a premium of 43.4 percent to Timberland's closing price last week.

Timberland shares climbed \$12.79, or 42.7 percent, to \$42.78 in midday trading. Timberland stock has traded between \$15.07 and \$45.72 in the last year. VF shares rose \$10.08, or 11 percent, to \$101.88.

Greensboro, North Carolina-based VF said the boards of both companies have approved the deal. It expects the sale to close during the third quarter.

VF has focused on expanding through acquisitions and made up a list of 50 companies that could help the outdoor segment grow about a year ago, Said VF CEO Eric Wiseman in a call with analysts. The list was shortened and refined over time, he said.

"At the very top of that list was Timberland," Wiseman said.

Timberland is expected to have about \$1.6 billion in sales in 2011, and VF said it is targeting annual revenue growth of 10 percent for the company.

VF said the deal will add 25 cents per share to its profit and \$700 million to its revenue in 2011. It said the deal will add 75 cents to its profit in 2012. Those estimates include transaction expenses of about 20 cents per share this year and 15 cents per share in 2012.

Timberland, which also owns the SmartWool brand, made its name in the 1970s with its waterproof heavy duty boot and later, boat shoes. The company suffered from a sales drop during the recession. Results have improved in recent quarters, but in May the company missed first-quarter expectations, causing its shares to plummet. The company's stock closed down 28 percent on Friday from its price prior to the earnings report in May.

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VF executives said they plan to expand Timberland's apparel offerings and spur growth overseas in countries such as China.

The acquisition gives VF ways to cut costs, an opportunity to better position the Timberland brand, and hidden growth drivers with Timberland's other brands, Earthkeepers and Smart Wool, said Wall Street Strategies analyst Brian Sozzi.

"This is a fantastic deal strategically and valuation wise for VF Corp.," Sozzi said.

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AP Business Writer Marley Seaman contributed to this report.

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