



Another string to the bow

VF Corporation, which owns outdoor brand The North Face, recently added Timberland to its list of acquisitions, prompting questions about how two companies with a similar product offering can co-exist in one conglomerate.

As part of its aim to build “the premier portfolio of outdoor brands”, US retail group VF Corporation has bought footwear company Timberland in a \$2 billion cash deal. “For some time now we’ve talked about our vision for growth in acquisitions and we’ve consistently said that we’re squarely focused on building our brand portfolio in the outdoor and action sports space,” said Eric Wiseman, CEO of VF, during a recent conference call about the deal. “The combination of VF and Timberland will create a \$10 billion apparel and footwear powerhouse anchored in outdoor and action sports, our largest, most profitable and fastest growing business.”

Based on pro forma revenues for 2011, said Mr Wiseman, combining VF’s roughly \$8.4 billion in revenues and Timberland’s \$1.6 billion revenues will result in a \$10 billion combined company. Timberland has been VF’s “number one acquisition priority,” according to Mr Wiseman, as it “aligns perfectly with our strategic and financial goals and priorities”.

As part of the deal, VF has acquired the Timberland brand as well as its sister brand, Smartwool. The latter began as a sock brand and now specialises in next-to skin apparel. VF, whose portfolio of brands already includes outdoor brand The North Face as well as Vans shoes, believes that its ownership of Timberland will “perfectly complement the premium, technical positioning of The North Face brand, while the Smartwool brand will provide us with a leadership position in a new category”.

Global concern

Aside from the possibility of increasing its apparel and footwear empire, VF is keen to learn from Timberland’s sustainable ethos. “VF has publicly stated that we’re committed to developing and implementing a global approach to sustainability across our vast enterprise,” said Mr Wiseman. “We’re pleased with our progress to date, but we know that we’ll benefit from Timberland’s focus on sustainability as a driver of product innovation in its Earthkeepers line and other products and the success in addressing and reducing its impact on the environment.”

For Timberland’s part, CEO Jeff Swartz highlighted the brand’s compatibility with VF. “Our company and our brand is built on a bedrock of values that connect deeply to the way VF operates as an enterprise,” said Mr Swartz. “Sustainability is deeply relevant to the outdoors industry and we’re proud to have pioneered the Green Index Label for products and for the activities that we invest in sustainable business. Whether it’s planting trees or aggressively reducing our carbon footprint, stewarding the outdoors makes good business sense for outdoor brands like Timberland.”

Growth opportunities

“Timberland is a company with clear momentum, which we have every intention of continuing to build on,” said Steve Rendle, vice president of VF Corporation and group president of Outdoor and Action Sports Americas. “We are

targeting annual revenue growth of 10%, maintaining the growth trajectory Timberland has enjoyed over the past year and a half.”

Footwear is to remain Timberland’s primary product focus, and VF is aiming for a \$900 million growth target for the next five years. “The growth will be achieved by supporting and building on the current momentum of the fast-growing Earthkeepers and Mountain Lifestyle collections, pursuing thoughtful growth for the iconic Classics collection, expanding on the new fast-growing high-end Timberland Boot Company collection with better specialty stores around the world, and lastly, we will support and enable high single-digit growth rates in the unique Timberland Pro Work Boot business,” said Mr Rendle. “The apparel and accessories category will add \$300 million in global top-line revenue over the next five years, representing a compounded annual growth rate of 14%. Our plans for growth include enhancing the current European apparel offering, using VF Outdoor’s proven apparel expertise to bring an expanded collection of outerwear and apparel that speaks to the rugged outdoor lifestyle that this brand has been built upon.

“The North American portion of the business is expected to deliver nearly 40% of the \$900 million growth target, reaching \$1 billion in sales by 2015. The Stratham, New Hampshire office will continue to be the global headquarters for this business and we look to them to continue to oversee the global Timberland brand product and marketing strategies.”

VF also has plans to increase Timberland’s presence in Asia, as outlined by Karl Heinz Salzburger, vice president of the VF Corporation and group president of International.



(From left to right) Eric C. Wiseman, Chairman, President and CEO of VF Corporation, Karl Heinz Salzburger, VP of VF and group president, International and Steve Rendle, VP of VF and group president of Outdoor and Action Sports Americas.

CREDIT: VF CORPORATION



Timberland's outdoor footwear has an international presence and has always attracted interest at outdoor trade show, Ispo. CREDIT: MARTIN HANGEN/ISPO

"The Timberland brand has a good foothold in China and is about half the size of the North Face business there. The Timberland brand resonates well in China and we look forward to leveraging our big Asia-based platform to continue the brand's strong growth there."

Decision time

Timberland has received interest from potential buyers for the past decade, but decided to go ahead with VF's offer for the sake of the shareholder, according to Mr Swartz. "The principal issue... is what's good for the shareholder," he said. "Our Board concluded that the time is right because this serves our shareholder in a unique and special way." Mr Swartz described the acquisition as "magnificent and bittersweet". "I believe we have done what's right for our shareholder and that had to be not our first concern, it really had to be our only concern. And I think at the end of the day that's what we've done. We've rewarded the faith of our shareholders' belief in the value of the brand."

For VF, its own financial strength made the acquisition an attractive one. "VF Corporation has admired the Timberland brand and management team for a long, long time," said Mr Wiseman. "And I can say with confidence it goes back at least one decade and maybe more where our management teams have occasionally been connected on talking about strategic opportunities. What made this opportunity unique now are several things. One of course is the financial strength of VF at this moment in time. Another is we have platforms in place – if you go back say five years and look at where VF was, there were places where we could definitely

add value to this business.

"For example, China, we'd have a large and rapidly growing business in China. And we think that that platform can help enable Timberland's success. They are already there. We think it can be an accelerant to their success in China. That didn't exist five years ago.

"The other important piece is the fact that the Timberland brand and the Smartwool brands both have substantial momentum right now and great platforms of their own in places like Japan where we are much less well-developed, so there are opportunities there. Both businesses have complementary momentum and capabilities, and it's the right time to put the two together."

During the conference, some analysts expressed concern about The North Face and Timberland co-habiting under the same umbrella – suggesting that "cannabalisation" could be an issue for the two brands. Mr Wiseman responded to the suggestions by reiterating VF's stance that the deal is a "complementary acquisition". "If you think about the Timberland brand, it is positioned differently than The North Face," said Mr Wiseman. "One way to think about it is kind of below the tree line and above the tree line; another way to think about it is the activities – we worry a lot about activity-based brands, the activities that the Timberland brand users normally participate in are – I call them lower heart rate activities versus the adrenaline rush of some of The North Face equipment priorities. So they are different.

"The other big point is that 75% of the Timberland brand is anchored in footwear. That's not where The North Face is. So we think this is largely complementary." 🌱