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Xcel Brand Inks Fast-Fashion Deal With Hudson's Bay Co. and Lord & Taylor

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Xcel Brands Inc. is not just in the licensing business. It's now into fast fashion.

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Xcel has entered into an exclusive partnership with Hudson's Bay and Lord & Taylor via a new business model involving a Quick Time Response program. The program has Xcel designing and managing the production for four of the company's brands: IMNYC, which is designed by Isaac Mizrahi; H by Halston; C. Wonder Ltd., and a brand targeting the Millennial consumer created exclusively for the program. Quick Time Response is a supply-chain model developed by Xcel to create new ways for retailers to manage inventory in today's market environment, the company said.

The partnership enables Hudson's Bay and Lord & Taylor to manage assortments of inventory that respond to customer demands, with Hudson's Bay and Lord & Taylor the exclusive retail partners for the program for North America.

Robert D'Loren, chairman and chief executive officer of Xcel, said his company is looking forward to working with the team at Hudson's Bay and Lord & Taylor in "launching this much-needed inventory-management solution." D'Loren acknowledged the assistance of Ben Malka and his team at House of Halston for "their collaborative work on this project."

D'Loren said that, to succeed, retailers need "proprietary brands and brands that are delivering in real-time to consumer demands. So speed to market will become increasingly important particularly to the department store channel where they have to manage inventory and keep the customer coming in."

Malka is on Xcel's board. D'Loren and Malka head the teams who coordinate the aesthetics for the product lines for House of Halston and H by Halston and the consumer distribution channels each line targets. Xcel acquired the Halston diffusion lines in December 2014 for \$27.7 million in a combination of cash, shares of Xcel Brands stock and warrants, while House of Halston retained ownership of its Halston and Halston Heritage brands.

Liz Rodbell, president of Hudson's Bay and Lord & Taylor, said, "This new business model will help us quickly react to what's working and better serve our customers."

The collections will be available at Lord & Taylor and Hudson's Bay retail stores, and at lordandtaylor.com and thebay.com beginning in spring.

Eric Beder, analyst at Wunderlich Securities, said the deal is a "long-term game changer," and reiterated his "buy" rating on the stock, with an \$11 price target.

"While the loss of other wholesale licenses and ramp-up costs will be a drag in 2015 and 2016, we view this alliance as a harbinger of further deals and profitable expansion and we believe we are being very conservative in our projections," Beder said.

According to the analyst, the two nameplates represent 140 doors and about 23 million square feet of retailing space. Beder noted that while the agreement does not initially assume a presence at sister properties Saks Fifth Avenue and Kaufhof, which can be additional expansion opportunities, it does allow Xcel to sign up other partners outside of Germany, Luxembourg and North America.