

In M&A NeWS Today...

Net Worth Solutions, Inc.



Jack Hendler and Matt Polsky

Smart business owners are continually assessing their ability to meet the challenge of future growth and profitability. Sometimes this challenge demands consideration of strategic initiatives, including merger, acquisition or crisis management assistance. When that need occurs, business owners want to work with experienced, reliable teams of Merger & Acquisition experts or turnaround professionals who can confidentially assist them in accomplishing their business objectives. Net Worth Solutions, Inc. (“NeWS”) is the fashion industry’s answer to this need.

NeWS focuses primarily on businesses involved in importing, manufacturing and wholesale or retail distribution of consumer products—apparel and accessories, home furnishings, jewelry and HBA. These are areas where valuation often depends more on brand equity than on capital investment, and seasonal debt requirements often render traditional enterprise valuation models unreliable and inaccurate. The firm, which works primarily with middle market companies that range in annual revenues from \$10 million to \$200 million, has expertise in:

- Selling healthy businesses to strategic and financial buyers,
- Merging or selling troubled companies to compatible partners with the goal of preserving value for principals,
- Performing crisis management, turn-around, restructuring and general advisory assignments,

- Implementing recapitalizations to enable owners to diversify their net worth without overburdening company balance sheets with senior debt, and to facilitate succession planning,
- Seeking out acquisitions for healthy, growth-oriented businesses,
- Tapping into the value of intangible assets for consumer product firms seeking licenses for either well-known or “orphan” brands.

While “do as I say” is a frequent mantra among M&A and turnaround advisors, at NeWS, the “not as I do” tagline does not apply. Before becoming M&A specialists, each of the investment bankers and consultants of NeWS, at some point in his career, ran a business or a division of a major fashion company. So meeting a payroll, preparing a budget, and “beating LY” are not foreign concepts to this group.

“Our collective experience operating businesses provides us with a unique perspective when we market businesses,” says Jack Hendler, NeWS’ President and founder. “Selling a business can be emotionally wrenching, regardless of whether the sale takes place at a peak valuation, or if the owner is looking down the barrel of a lender’s shotgun. By understanding, first hand, a principal’s commitment to something he or she has built from zero and nurtured, we can better represent the transaction, and negotiate harder on the deal points that go to the heart of this emotional breakup.”

As one recent transaction was in final negotiations, a selling principal was also about to see her last child depart for college. Mr. Hendler and Matt Polsky, director and Jack’s “right hand man,” sensed that the “loss” of both the business and family structure was preventing her from responding to a very attractive bid. They suggested to the acquisition group that they offer to buy only 90%, leaving the seller with the solace that all was not being “taken away.” When the emotional trauma had subsided, and the anticipation of a rich payday had overtaken other concerns, the transaction closed for the original 100% sale.

There are no easy transactions, regardless of how compelling an offer or urgent a strategic merger may be. “There are 1,000 things that can go wrong, and only one thing that can go right,” says Polsky, “and our job is to keep pushing forward even when the principals, and their attorneys, have thrown in the towel—often in disgust.” Diverging objectives of multiple selling partners, sometimes highlighted by an acquirer’s preference to retain only one; unrealistic price expectations, sometimes fueled by a semi-retired senior principal who believes the company can return to the good old days; hurdles thrown up by licensing agreements—any of these can cause a deal to implode. The NeWS team is known for patience and persistence, tenacious qualities that their clients value as much as their advocacy and immense range of industry contacts.

Hendler himself built and sold an early discount apparel chain, Cogito, following which he owned an intimate apparel firm with 600 operators in Puerto Rico. With 32 years of industry background—the last dozen as an investment banker, during which time he is credited with developing the practice of strategically merging, as opposed to liquidating, distressed firms in the fashion industry—Jack has the stature and reputation that has enabled him to market Segret Olsen to Liz Claiborne, Bill Blass Outerwear to DonnKenny, Periscope and Hartstrings to private equity investors, the Buster Brown apparel business and brand through a bankruptcy auction, and the “strategic” sale of troubled businesses such as Pyramid Accessories, Dawn Joy dresses and I. Appel loungewear to healthy acquirers.

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With a menswear family background, Polsky spent his early career in Asia, first with Irving Trust in Taipei, and later as an importer. In the mid-1980’s, he took over a troubled leather garment lease department operation, growing it to 26 retail locations nationwide, before assembling a consortium of menswear manufacturers to acquire the bankrupt Bonds menswear chain through a 363 auction. Later, he joined a turnaround and advisory firm, and completed M&A and growth finance transactions for a diverse clientele—a security guard firm, a commercial laundry, a wireline meter-reading company, a sterilizer manufacturer and a steel wire producer, to name a few.

The newest member of the NeWS team is John Wilson, former President of Vestimenta USA and earlier a senior executive at Ferragamo and Nordstrom. With Mr. Wilson’s luxury apparel background, in Hendler’s words, “John will open doors to international luxury brand acquirers and sellers that need access to American distribution channels or capital.”

Given their diverse backgrounds and experience, it is not surprising that lenders often recommend NeWS to evaluate troubled situations and help principals sort things out. While NeWS has

assisted financially stressed companies to obtain temporary accommodations from their lenders, the team has recently resolved to build its turnaround practice side-by-side with M&A.

David Golden, a CPA and apparel industry senior executive and consultant, has joined NeWS as Director of Restructuring and Turnaround Services. David’s team will handle both long-term advisory roles and provide “transition services”—attending to the myriad tasks that acquirers require to assure the smooth transfer and integration of transaction-related assets and licenses.

“Combining operational and financial expertise with NeWS’ industry-leading M&A savvy truly differentiates us from every other advisory group in this market,” says Golden. “Our cost-effective professional services now extend from structuring transactions into due diligence, “situation analysis” for lenders, operational and strategic analysis for businesses in transition, crisis management, growth planning and dealing with the day-to-day management issues that distract business owners from focusing on the things they need to do to make money—merchandising and sales.”

Says Hendler, “When we sold the Kleinert’s sleepwear business as a going concern last year, it enabled lenders to recover four-to-five times more than liquidation would have produced, and more quickly. Keeping a business operating until we can effect a strategic merger is often a far better alternative for both owners and lenders. With David’s team now in place, we have the firepower to help manage the operational issues to preserve value and prevent further decline.”

The common thread in all of NeWS activities is to maximize value, be it either through a “healthy company” sale with an immediate “payday,” or via a strategic “troubled company” merger that will enable lenders to accelerate their recovery (and particularly permit the orderly collection of receivables)—while preserving the opportunity for owners to recoup, over time, some value that reflects their years of effort.

This diverse and multi-talented team is ably assisted by Amy Norris, who lived and worked for 4 years in Kuwait before returning to the US to attend business school. With the intention to become involved in fashion industry finance, Amy researched the market and sought out NeWS as the firm she preferred to join. Her choice, after much investigation, confirms what we are saying: When it comes to M&A, Net Worth Solutions should be on your radar screen, too.

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