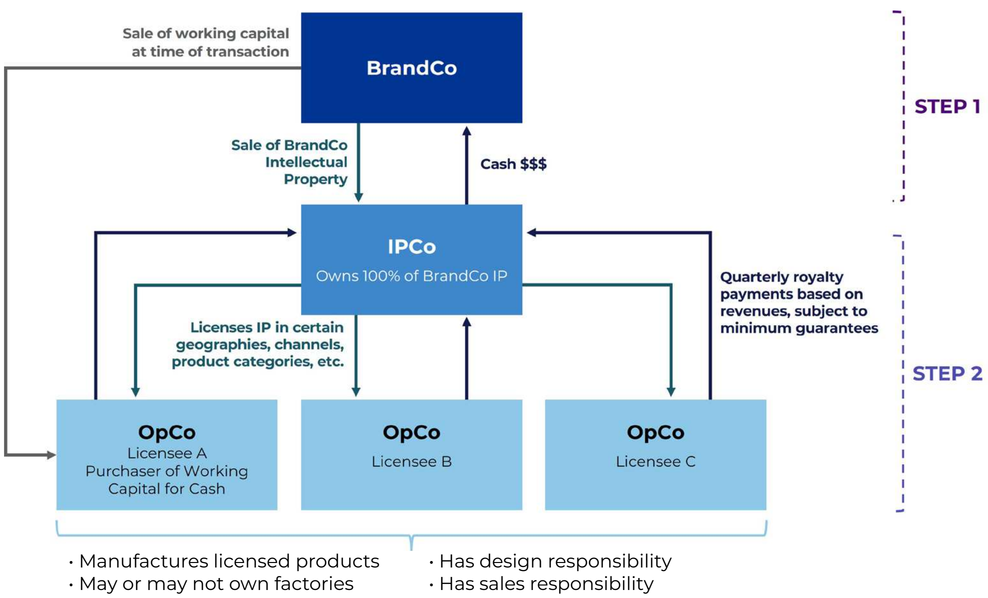
THE EVOLUTION OF BRAND MANAGEMENT COMPANIES

Walking around Manhattan, it is common to see people sporting Champion sweatshirts, rag & bone jeans, and new Reebok sneakers. At first glance, it might seem like Reebok simply makes sneakers and sells them, yet it is more complicated than that. The Reebok brand is owned by an entity that licenses the brand to manufacturers and operators, and earns royalties while leaving the heavy lifting of design, production and distribution to those licensees. Today, many popular brands, including Brooks Brothers and Bonobos, operate this way: they are owned by brand management companies, some of which have over 50 brands in their portfolios, and collectively generate billions in royalty revenue every year.

By splitting intellectual property (the "brand") from operations, companies can scale asset-light models to reduce operational risk, focus on maintaining and growing brand equity, and generate steady royalties along the way. The brand management companies are otherwise known as intellectual property companies (IPCos), while the manufacturers and operators are the operating companies (OpCos).

RELATIONSHIP BETWEEN IPCO AND OPCO



Early Days of Brand Management

The history of brand management companies and the evolution of the industry that has led to the major players today is critical to understanding how the IPCo/OpCo model serves increasingly important roles in the modern apparel, footwear, accessories, and other merchandise sectors.

Christian Dior first popularized brand licensing in the 1940s, when he allowed businesses to produce more affordable products, such as fragrances, hosiery, and accessories, using the Dior name and pay him a royalty in return. This strategy allowed Dior to expand its influence globally without directly managing the production or distribution of these products. Over 50 years later, Neil Cole, the younger brother of fashion magnate Kenneth Cole, furthered this concept by developing the first true retail brand management company. In 1991, Cole acquired Candie's, a women's footwear brand, and separated the company's intellectual property from its operations to monetize the brand through licensing.

After Candie's success, Cole recognized that scaling his business would require a larger portfolio of brands. He acquired Bongo, Badgley Mischka, Joe Boxer, and other brands over the next several years and created licensing agreements with operating companies, eventually changing the name of his company to Iconix Brand Group in 2005. "My dream was always to build a brand management company that is run like an ad agency that owns its own intellectual property," explained Cole (License Global). An aggressive acquisition spree helped turn Cole's dream into a reality. Iconix spent more than $1 billion acquiring over 20 brands, solidifying its position as one of the world's largest licensors at the time. By 2010, Iconix's annual revenue soared to $333 million — a 43% increase over the prior year (PR Newswire).

Despite early success, many high-flying public IPCos struggled under public market pressures and leveraged capital structures. First-generation players like Iconix, Sequential, and Cherokee faced numerous challenges, most notably delivering on growth expectations, managing over-levered balance sheets, and over-indexing on a small number of key retail partners. Cherokee, for example, relied heavily on Target, only to see its business unravel when Target chose not to renew the license for its brands, including its namesake brand, Cherokee, and Tony Hawk. Lacking diversification and saddled with debt, these players either filed for bankruptcy or sold their companies to competitors.

IPCos 2.0

This inflection point paved the way for a new generation of brand management companies, which have taken a different and more refined approach. Today, the model has transformed to private ownership, and a few key players dominate the brand management space. Authentic Brands Group (ABG) was founded by Jamie Salter in 2010 and boasts a diversified portfolio of over 50 brands spanning media, entertainment, sports, fashion, beauty, and wellness. ABG is backed by notable investors, including Leonard Green (its original investor), CVC, General Atlantic and BlackRock, and is the second-largest brand licensor after Disney (License Global), with over $32 billion in global annual retail sales. WHP Global, founded by Yehuda Shmidman in 2019, has quickly built a hardlines and softlines portfolio of over a dozen consumer brands, including Vera Wang, rag & bone, and Toys "R" Us. It generates over $7 billion in global annual retail sales and is backed by Oaktree, Ares, and BlackRock.

The former management team of Marquee launched a new investor model with the formation of Consortium Brand Partners in 2022. Consortium acquired Draper James and Outdoor Voices and formed a strategic partnership with American Exchange Group to acquire Jonathan Adler. Another example is Perry Ellis, a hybrid private company comprising an IPCo and OpCo with a significant inbound and outbound licensing portfolio.

TODAY'S IPCO COMPETITIVE LANDSCAPE

Key Player	authentic AUTHENTIC BRANDS GROUP	BLUESTAR ALLIANCE	CONSORTIUM BRAND PARTNERS	ICONIX INTERNATIONAL	MARQUEE BRANDS	PERRY ELLIS INTERNATIONAL	WHP GLOBAL
Leadership	Jamie Salter *Founder & CEO*	Joey Gabbay *Founder & CEO*	Cory M. Baker & Michael DeVirgilio *Founders & Managing Partners*	Bob Galvin *CEO & President*	Heath Golden *CEO*	Oscar Feldenkreis *CEO & President*	Yehuda Shmidman *Founder, Chairman & CEO*
Annual Global Retail Sales	$32B+	$9B+	ND	$5B+	$4B+	ND	$7B+
Select Investors	BlackRock Brookfield CVC General Atlantic GIC HPS Jasper Ridge Partners LGP Temasek	B. Riley Financial Hilco Global TPG Angelo Gordon	NA	Lancer Capital (Avram Glazer) Apollo	Neuberger Berman	Feldenkreis Family Fortress (Prior Investor)	Ares BlackRock Oaktree Solus
Select Owned Brands	Aéropostale Brooks Brothers Champion Eddie Bauer Forever 21 Juicy Couture Nautica Reebok Vince.	Brookstone Hurley joan vass Justice kensie Off-White™ Palm Angels Scotch & Soda Tahari	Draper James Jonathan Adler Outdoor Voices	Candie's ecko unltd. Joe Boxer Lee Cooper London Fog Shirt Life Starter umbro Waverly	BCBGMAXAZRIA Ben Sherman Body Glove Destination Maternity Laura Ashley martha stewart Motherhood Sur la table totes Isotoner	Cubavera Farah Laundry by Shelli Segal Original Penguin Perry Ellis Rafaella Savane	Anne Klein Bonobos Express Joe's Joseph Abboud Lotto rag & bone New York Toys R Us Vera Wang

Diversification Driving Today's Model

Today's key players have diversified portfolios to help mitigate risk and capitalize on various market segments, consumer trends, and brand associations. Current portfolios tend to include media and entertainment brands, heritage brands with longstanding appeal, celebrity- and influencer-driven brands, activewear and athleisure brands targeting the growing fitness and lifestyle markets, and lifestyle brands that encompass home goods and technology. These strategies have proven particularly appealing to IPCos' private equity backers. Historically, private equity funds acquired well-known brands in leveraged buyouts or founder-led management buyouts and sought to take them public or sell them to other private equity firms or strategic acquirors. Since the Great Recession, the retail dealmaking landscape has evolved. Today's macroenvironment has led many private equity and private credit firms to focus on portfolio optimization and value creation in existing investments, while waiting for more favorable conditions to invest significant additional capital into the retail sector.

Private brand management companies, however, have created investment platforms that diversify risk exposure to the retail sector, which resonates with major private equity and private credit firms. Rather than acquiring a single retail business exposed to the operational volatility of consumer trends, it became possible to invest in or acquire brand management companies that generate steady, high-margin cash flow streams through licensing deals across a wide portfolio of brands. This diversified structure strategy is more akin to an investment vehicle like a fund of funds that seeks to meaningfully diversify risk by spreading investment capital across multiple investors who themselves hold diversified portfolios.

While the advantages of this model are clear, successful execution can be complex. The difficulty lies not necessarily in the quality of the acquired assets, but in the intricacies of managing them effectively. Structuring licensing agreements, maintaining brand equity, and ensuring operators uphold quality and distribution standards require a nuanced understanding of the retail space. The most successful companies navigating how their own business may fit into the brand management ecosystem often turn to specialized financial and strategic advisors who understand both the structural mechanics and the industry dynamics needed to execute the model properly and how to extract optimal value in a potential sale to an IPCo.

Opportunities Ahead for IPCos and OpCos

Significant creativity has been brought to the forefront of dealmaking for the IPCos. ABG's SPARC, a joint venture with Simon Property Group, originally managed multiple brands including Aéropostale, Brooks Brothers, Eddie Bauer, Forever 21, Lucky Brand, and Nautica, and recently merged with JCPenney to form Catalyst Brands, further expanding its retail and brand management footprint. SHEIN, a Singapore-based next-generation fast fashion company, also became an investor in the newly formed entity due to its original ties to SPARC. WHP created its Phoenix joint venture with Simon Property Group and Brookfield Properties to oversee Express and Bonobos and furthered its creative dealmaking by partnering with Guess? on the acquisition of rag & bone. The appeal of the rag & bone transaction to Guess? lies in access to growth with less traditional brand ownership risk. Guess? gets to expand into a new brand with operational control and potential financial upside while sharing brand risk with its IPCo partner, WHP.

Looking ahead, the brand management and licensing industry is poised for meaningful activity. Key players to focus on in the sector are the OpCos who are often behind-the-scenes actors critical to the brand management ecosystem. OpCos can be owned by various entities, including private equity firms, entrepreneurs, and families. Centric Brands is one of the largest OpCos, run by the long-time CEO Jason Rabin and owned by Ares, Blackstone and HPS. Other prominent, private equity-owned OpCos include Hybrid Apparel and Mad Engine, which are owned by Altamont Capital and Platinum Equity, respectively. Additional well-known private OpCos include Komar, Randa, and O5 Group.

Unlocking Brand Management's Full Potential

Solomon is the leading seller of brands to the brand management universe. Playing an instrumental role in defining the IPCo/OpCo space for the past 15+ years, we advise leading brands, brand management companies, and operating companies on complex, high-impact transactions that address both strategic and financial objectives. By crafting tailored solutions and leveraging deep industry expertise, we help our clients unlock the full potential of their brands.

LEADING INDUSTRY TRANSACTIONS

JANUARY 2025
VERA WANG
Sale of intellectual property to
WHP GLOBAL
Served as financial advisor to VERA WANG

Solomon advised VERA WANG on the sale of its IP to WHP Global

Vera Wang sold its IP to WHP while securing a long-term strategic partnership; as part of the transaction, Vera Wang remained Chief Creative Officer and joined WHP as a shareholder, ensuring continuity of brand vision and enabling Vera Wang to accelerate global expansion across new categories and markets while benefiting from WHP's brand management expertise, underscoring Solomon's ability to structure innovative IPCo transactions that drive growth and long-term value for iconic brands.

MAY 2023
VINCE.
Sale of intellectual property to
authentic
AUTHENTIC BRANDS GROUP
Served as financial advisor to Vince

Solomon advised Vince (NYSE: VNCE) on the sale of its IP to ABG for $76.5 million in cash and a 25% membership interest in a newly formed IPCo

Vince formed a strategic partnership with ABG whereby it retained the rights to its IP through an attractive, long-term licensing agreement, with favorable royalty rates and renewal options (essentially evergreen); rather than pursue a traditional WholeCo sale, Solomon pivoted to an IP-focused transaction, generating significant interest from leading brand management firms and enabling Vince to strengthen and deleverage its balance sheet.

AUGUST 2020
$325,000,000
Brooks Brothers
Sale to
ABG AUTHENTIC BRANDS GROUP SIMON
Served as financial advisor to Brooks Brothers in its Chapter 11 bankruptcy proceedings

Solomon advised Brooks Brothers on its sale to SPARC Group for $325 million

Substantially all of Brooks Brothers global business operations were sold as a going concern to SPARC group, a joint venture between ABG and Simon Property Group, with ABG owning the Brooks Brothers IP and SPARC committing to retain at least 125 North American stores and preserve over ~2,500 jobs; the transaction represented one of the largest IPCo/OpCo §363 sales in history and is a prime example of Solomon's M&A and restructuring expertise, experience with complex situations, and commitment to achieving long-term stakeholder value.

OCTOBER 2018
$437,000,000
PERRY ELLIS
Sold to a newly formed entity controlled by Feldenkreis family
Served as financial advisor to the Special Committee of Perry Ellis

Solomon advised the Special Committee of Perry Ellis on its $437 million take-private sale to a newly formed entity controlled by Feldenkreis family

Perry Ellis' outstanding shares were acquired by an entity controlled by the Feldenkreis family for $27.50 per share, a 21.6% premium to its unaffected closing price; the transaction was financed through a $282 million debt facility provided by Fortress and equity provided by the Feldenkreis family, representing how Solomon's tailored solutions can align stakeholder interests while positioning brands like Perry Ellis for long-term growth.

APRIL 2024
rag & bone NEW YORK
Sale to
GUESS and WHP GLOBAL
Served as financial advisor to rag & bone

AUGUST 2023
DRAPER JAMES
Sale to
CONSORTIUM BRAND PARTNERS
Served as financial advisor to Draper James

MAY 2023
$75,000,000
Walmart
Sale of
BONOBOS to WHP GLOBAL EXPRESS
Served as financial advisor to Walmart

AUGUST 2021
PVH
Sale of intellectual property and certain assets of its Heritage Brands business to
ABG AUTHENTIC BRANDS GROUP
Served as financial advisor to PVH

MARCH 2020
$115,000,000
TAILORED BRANDS
Sale of the Joseph Abboud trademarks to
WHP GLOBAL
Served as financial advisor to Tailored Brands

MARCH 2017
$248,000,000
KENNETH COLE
$30 million Revolving Credit Facility
$165 million Term Loan
$53 million Commercial Mortgage
Served as financial advisor to Kenneth Cole Productions and Natixis provided real estate financing

OCTOBER 2009
$214,000,000
marc ecko enterprises
Sold its intellectual property to a joint venture 51% owned by
ICONIX
Served as financial advisor to Marc Ecko Enterprises

As always, our experienced consumer and retail advisory team is here to help our clients navigate the ever-changing market landscape and capitalize on opportunities that may strengthen the competitive and financial position of their businesses.

To learn more about our insights and capabilities, please visit Solomon Consumer Retail.

SOLOMON CONSUMER RETAIL

David Shiffman
Partner
Head of Consumer Retail
david.shiffman@solomonpartners.com

Jeff Derman
Partner
jeff.derman
@solomonpartners.com

Brandon Yoshimura
Director
brandon.yoshimura
@solomonpartners.com

Addison Bakken
Vice President
addison.bakken
@solomonpartners.com

Daniel Weld
Vice President
daniel.weld
@solomonpartners.com

Grant Kaufman
Vice President
grant.kauffman
@solomonpartners.com

DISCLAIMER