

SE Entrepreneurs

HD **Still in control: why the \$500m Lorna Jane sale was iced** Still in control: Lorna Jane sale iced It was ultimately our decision that we needed to remain in control...if we didn't, we wouldn't get there. **Bill Clarkson Exclusive Lorna Jane founders tell Simon Evans why the sale of their activewear chain was pulled this week. Activewear Lorna and Bill Clarkson want global domination for their business.**

BY Simon Evans

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Lorna Jane Clarkson always had much bigger dreams when she was peering into the mouths of local schoolchildren in Cairns in a dental caravan and wiping spittle from their chins in the late 1980s.

She'd occasionally have to yank out a tooth herself, but it was mainly teaching the youngsters who'd troop in one-by-one to brush properly, and where to go for expert help if there was a badly overcrowded mouth.

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Each day when she was packing away implements and floss after her school visits as a dental therapist in far north Queensland, her mind was whirring and an entrepreneurial streak forming. After finishing work she would then head on to a second job as an aerobics instructor, and when the sweat-fuelled classes were over, go home for her third iteration, baking sugar-free cakes and vegetable frittatas for delivery to local cafes.

Together with husband Bill, whom she met in Cairns in 1986, the pair have created a \$500 million activewear and sportswear company. They were moving towards a massive pay day, with part owners, private equity firm CHAMP, having spearheaded a sales process that first started in May.

But on Tuesday the plug was mysteriously pulled. Lorna and Bill spoke to AFR Weekend in their first interview to talk about why.

The pair said Lorna Jane is at the forefront of a new category where fashion meets fitness. There are now 144 retail outlets in Australia, 35 in the United States and a fast-growing online sales presence that makes up 14 per cent of total revenues.

"We are a brand like no other," Lorna said. "It's always been about fashion and function."Flashdance inspiration

The range of activewear led by what the firm calls "Flashdance pants", tights, singlets, yoga pants and sports bras has been phenomenally successful as it rides the wave in a changing society, where fashionable exercise gear is increasingly worn throughout the day. The post-workout look is super-trendy even if there may have been no workout in the first place.

Building a big business like Lorna Jane requires large amounts of capital. In 2010 CHAMP bought into the business. It holds a 40 per cent stake. In May this year CHAMP appointed investment bank Credit Suisse to find a buyer for its stake.

After a lengthy process which in the early stages included large American retailers wanting to buy the whole business, a series of private equity firms including London-based Permira, and Bain Capital made offers for the CHAMP stake.

But on Tuesday Lorna, Bill and CHAMP terminated the **sale** process, unhappy with the offers. Lorna and Bill say they always wanted to retain majority control and their aspirations of building a truly global **brand** won't happen unless they are in the driver's seat. It was the third major deal in corporate Australia in the past month where private **equity** buyers haven't been able to pull off a deal after heavy due diligence, the others being Treasury **Wine** Estates, and standards and compliance **firm** SAI Global.

But was it also that the offers were simply not high enough? They will now press on with the current structure, but the sceptics are asking how a truly global expansion can be funded without outside help.

Bill Clarkson, who rarely speaks publicly, said in the early stages of the process there were 40 interested parties. One option considered was to sell the whole **business**.

"The option was given to us to take a lot of money off the table," he said. "It was ultimately our decision that we needed to remain in control, because if we didn't, we wouldn't get there."

Getting there is a reference to the ambition to create a global **brand** that has the power and clout of giants like adidas and Nike.

Bill, who married Lorna in 1994, said his wife is a real pioneer who has been able to build a category that was still evolving when the first store was opened in 1990, in what was "the nosebleed section" of an upper floor of Broadway on the Mall, in Brisbane's CBD. Female wear only

Lorna is still the head designer alongside three others for the range of women's activewear and there is not a male garment in sight.

This is an important element in the **brand's** success, and in total contrast to adidas and Nike.

"Those brands do come out of a man's head," Mr Clarkson said.

"She will go down as a founder of this category."

There is speculation that retailers such as Foot Locker and Urban Outfitters looked at buying the **business** early in the **sale** process. But if a US retailer had been successful, it was likely to have been on the basis of an American expansion only.

Lorna said she wants global domination. She began the **business** on her own kitchen table, designing and sewing her own gear because she couldn't find what she liked in existing stores. She said fitness and looking after one's own health is so ingrained in every facet of life now, that activewear is immune from swings in cycles and fads.

Other categories such as surfwear have fluctuated as they move in and out of the spotlight, with the high-profile Billabong **brand** having been one of the high-fliers, from Australia, in surfwear that is now struggling.

"Surfwear was hot, now it's not so hot," she said. Mainstream sporty casual

The highly fashionable activewear items mean they have crossed over into the mainstream as part of an everyday wardrobe, and women are proud to show them off.

"They want to tell the world that they do care about their health and fitness."

Lorna says it is similar to the corporate world, where a person wants to wear something that makes them feel strong. "You want to wear a suit that makes you feel powerful."

So with activewear booming, is it peculiar that the Lorna Jane **business** didn't sell?

There are some in the marketplace who talk about sales having softened slightly and the trajectory of growth becoming harder to maintain.

Bill wouldn't comment on the profits that Lorna Jane is making, as it is a private **company**.

But he said online sales revenue has risen by 46 per cent in 2014, and overall profits are up by 19 per cent. Aggressive growth targets

Lorna Jane has aggressive growth targets in the US, where one of its main competitors is Lululemon Athletica, which had some trouble in the past two years. Those travails have included the production of a batch of Lululemon yoga pants that became see-through when wearers bent over in a pose, with the hi-tech fabric not up to scratch.

Bill said Lorna Jane wants to have 50 stores up and running in the US by June 2015, up from 35 now. It has an aggressive online growth strategy with a particular focus on the US west coast.

Bill is 52, and Lorna turns 50 in November. They are planning a celebration in Byron Bay to mark Lorna's milestone.

She doesn't miss her dental therapy days. "Absolutely not. When I was a dental therapist I was always doing something else."

Lorna does yoga three times a week, strength training, cardio workouts and makes sure she does some form of exercise each day.

The **brand** is also stocked in about 45 different international stores and retailers including Key Power Sports in Singapore, Sterling Sports in New Zealand, and will soon launch in Breuninger department stores in Germany. There is also a strong online presence through sites such as Stylerunner. In Australia's Lorna Jane also has a strong relationship with David Jones, which is the exclusive department store stockist. Myer is out in the cold.

Part of that is historical. In the early days of the **business**, Bill battled to gain much headway when explaining about activewear and that it shouldn't be in the sports section, when he was trying to sell to a merchandise buyer at Myer.

"The buyer looked at me like I was crazy. They had no box to put me in."

Eventually Myer bought some garments for five of its stores. But when Bill and Lorna went hunting for it in the stores there was a sinking feeling because it was pushed into a non-descript corner without any presence. "It was put into a corner between swimwear and lingerie. They missed the point completely."

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