

Gruppo GFT SpA

A Company Profile

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Mechtild Rosier

On behalf of ETUC-TCL in Brussels

SOMO, Keizersgracht 132, 1015 Cw Amsterdam, tel 020-5391291, fax 020-6391321

# Gruppo GFT SpA A Company Profile

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## Introduction

After three difficult years, 1994 closed positively for the (total) Italian Textile-clothing industry. Production recovered fully in a single year the drop accumulated since 1990.

The main growth factor was foreign demand, both direct (clothing and semifinished textile exports) and indirect (demand for textile products from clothing exporters). Final clothing consumption continued to stagnate, only slightly recovering at the end of the year. Exports kept up a good pace throughout 1994, becoming the motor behind the production recovery. A good part of this increase was due to the positive extra-EU markets, towards which growth was 30%, while trade flows towards EU partners only increased by 10% (3.2% in volume).

Textile-clothing prices were under a strong inflationary pressure from abroad. Prices of textile raw materials (in Lire) grew by 30.5% in 1994. In spite of this, prices in the sector's companies only increased by 3.3%, while prices of textile-clothing wholesalers (imported goods included) increased by 4.7%.

Production recovery allowed to greatly slow down the structural job losses. The work quantity actually increased. For 1995 it is expected that the growth phase will be confirmed, and that domestic consumption will slightly recover and offset a slow down in the exports growth rate<sup>1</sup>.

**Italian Gruppo GFT Spa**, the company we look at in this company profile, started as the Rivetti family's clothing group. At December 31, 1993 the company had 6,690 employees. December 1994 Gemina SpA, after an almost two years taking bidding war, won control over the company.

The headquarter GFT S.p.A. in Turin, is the Holding company of the GFT Group. Through its subsidiaries the company is engaged in the production and retailing of menswear, womenswear, and sportswear. In Italy it is market leader. The company has marketing agreements with Calvin Klein, Valentino, Giorgio Armani, and Ungaro.

GFT's subsidiaries operate both domestically and internationally. The company owns and maintains facilities and plants throughout Italy, and the following countries: USA; China; Mexico; UK; Luxembourg; Canada; Japan; France; Netherlands; Germany; and Hong Kong<sup>2</sup>. The company has reported losses for most of the 1990s, losses that have been traced to a company restructuring and an expansion into sportswear and other fields in the mid-1980s<sup>3</sup>.

The sale in September 1993 of the former CP Company **Sportswear Company SpA** essentially brought GFT's unfortunate venture into the sportswear business - which started in 1991 with the acquisition of **CP Company** and **Stratos SpA** - to an end.

The acquisitions increased GFT's debt load at a time when the market slowed dramatically, and failed to significantly boost revenue. Efforts to relaunch the businesses by attracting new partners proved unsuccessful<sup>4</sup>.

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<sup>1</sup> Comitextil, Bulletin 95/1-2, p.19-37.

<sup>2</sup> Kompass Business Disc Italia, 1995.

<sup>3</sup> Daily Record (Baltimore, MD) 7 October 1994 Page 1.

<sup>4</sup> Daily News Record 15 September 1993 Page 2.

## History

We will take a closer look at the development in and the size of the company during the last eight years, in the following overview:

### 1988

GFT established **GFT Donna Spa**, a new subsidiary in Europe;  
The women's division of the company was transferred to **GFT Donna SpA**, under which all of the Italian companies in the womenswear sector are grouped.  
GFT established **GFT Deutschland** and the **GFT USA Corporation**.

### 1989

GFT subscribed to 51% of **GFT Bäumlér A.G.**, a newly incorporated company which took full control of the **Bäumlér Group**; Company established **GFT Iberica S.A. (Spain)**.  
GFT sold **Avedar B.V.** and **Zaminder B.V.**

### 1990

**GFT Sportswear Iberica S.A.** was incorporated in Spain.  
**GFT Korea Co. Ltd.** and **GFT HongKong Ltd.** were established.

### 1991

**GFT Sportswear SpA** acquired the remaining 50% of **C.P. Company**.

### 1992

GFT disposed of interests in **Creazioni Moda SpA**, on January 1st.

### 1993

GFT sold its interests in **GFT de Mexico S.A.** and in **Starcolor Srl**.  
Company sold its data processing activities with effect from January 1st, 1993.  
Company acquired **Boggi's** national retail chain.  
At the end of May 1993 the groups **Miroglio** and **GFT** dropped their plans for a merger, because of differing views about how to operate on the market<sup>5</sup>.  
GFT July 1993 acquired **Svik s.r.o.** (Slovak Republic)  
On Sept. 10, GFT, through its subsidiary **GFT Sportswear**, sold its interests in **Sportswear Company SpA**, for Lit.16 billion<sup>6</sup>.

### 1994

**Gemina SpA**, the Fiat group investment company, takes over GFT (Dec.)

### 1995

**Gemina** launched a Lit 1.5 trillion issue, which will be used to cover losses at its publishing unit **Rizzoli**, relaunch the recently acquired apparel group GFT, and finance **Gemina's** planned participation in Italy's upcoming privatisations, with the telecoms group **STET** believed to be a prime target<sup>7</sup>.

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<sup>5</sup> Agence Europe, Reuter, 28-05-1993.

<sup>6</sup> Moody's, 1994, Italy, p.3589.

<sup>7</sup> Il Sole 24 Ore, 21 March 1995, p.29.

## Structure

The activities of the GFT Group is production and distribution of clothing mainly. Headquarter of the company is situated in Turin, Italy. Activities are grouped under three main divisions:

- Men's wear (GFT Uomo, in Italy)
- Women's Wear (GFT Donna, in Italy)
- Sportswear

Under **GFT International BV**, in the Netherlands, subsidiaries in Germany, France, Hong Kong, Netherlands, Italy and the USA are grouped. Under the German subsidiary **GFT Bäumlér AG** in its turn activities in Germany, Austria, and Hungary are grouped [see ANNEX III]<sup>8</sup>.

Bäumlér AG is situated in Ingolstadt, and in 1992 had about 2000 employees<sup>9</sup>.

## MANAGEMENT

Vittorio Levi was brought in by GFT January 1992 from outside the apparel sector to mastermind a comprehensive restructuring program designed to bring GFT back into the black<sup>10</sup>.

The Board of Directors in 1993:

M. Rivetti	Chairman
C. Signoroni	Managing Director & General Manager
H. Ergas	O. Husi
G. Joos	S. Marsaglia
C. Rivetti <sup>11</sup>	

GFT SpA suffered its first top-level management casualties since its planned sale to Miroglio fell through May 1993: The directors of its men's and women's wear units resigned.

Chief executive officer/managing director Vittorio Levi took over control of the men's division, while the women's duties would now be handled by chairman Marco Rivetti.

A GFT spokeswoman confirmed that Giorgio Brandazza, general manager of GFT Uomo SpA, and Lorenzo Trosarelli, managing director of GFT Donna SpA, had stepped down. She denied market rumors that Leopoldo Borzino, CEO of GFT USA, was also on the

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<sup>8</sup> Who Owns Whom, 1995, The Netherlands and Germany.

<sup>9</sup> Handbuch der Grossunternehmen, Band 1, 1993.

<sup>10</sup> Daily News Record 20 January 1993 Page 2.

<sup>11</sup> Moody's, 1994, Italy, p.3589.

way out<sup>12</sup>.

GFT SpA in June 1994 announced its board of directors, headed by chairman Marco Rivetti, had given new responsibilities to existing company executives following the departure of former managing director Clemente Signoroni two weeks before.

The move was seen as an effort to maintain stability and management continuity within the troubled group, which had been surrounded by turmoil about its future shareholding lineup in the midst of its *financial and industrial restructuring efforts*.

GFT said in a statement issued from its Turin headquarters that financial director Alessandro Lorenzi would oversee the company's business operations, including men's and women's apparel, international activities, GFT Bäumler in Germany and GFT USA. Lorenzi's right-hand man, Paolo Vigitello, was to acquire responsibility for GFT's personnel functions, including internal and external relations; planning, control and finance, and data systems.

'By giving these duties to these two administrators, the board of directors intends to assure the maximum stability to the company', the statement said<sup>13</sup>.

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<sup>12</sup> Daily News Record 25 May 1993 Page 2.

<sup>13</sup> Daily News Record 27 June 1994 Page 6.

## Activities

GFT SpA's primary activity is the production and distribution of high-end designer clothing.

Products are: Ready-Made Ladies' Clothes; Women's ready-to-wear; Women's overcoats, greatcoats and capes; Sportswear; Women's and girls' sports outfits; skirts; Women's and girls' tailored slacks; Ready-made boys' and men's clothes; Men's Ready-to-wear; Men's overcoats and greatcoats; Men's and boys' overcoats, jackets and capes; hunting clothes; Men's trousers; Tailors; Men's bespoke suits; Unisex Garments and leisurewear; and Jeans<sup>14</sup>.

In 1993 GFT's distribution of sales by business sector included:

Menswear	63%
Womenswear	31%
Sportswear	3.5%
Other business	2.5%

In that same year the distribution of sales by geographic area included:

Italy	24.7%
Germany	9.2%
Rest of Europe	21.0%
US/Canada/Mexico	37.4%
Far East	5.4%
Other countries	2.3% <sup>15</sup>

In 1991 of turnover of more than 1.500,000 billion Lire, 35% was derived from export.

## REGISTERED TRADEMARKS

Boneville, Carisma, Chiara Boni, Christian Dior Coordonnes, Christian Dior Monsieur, Cori, Corilady, C.P. Company, Dalton & Forsythe, Emporio Armani, Facis, Fendissime, Giorgio Armani, Groupe Bleu par J. Taverniti, Imix, Joseph Abboud, J.A.II, J.Taverniti Little, Lovis Feraud, Mani, Mani by Giorgio Armani, Martin Guy, Montana, profilo, Redi, Stone Island, Ungaro solo Donna, Ungaro parallele, Ungaro Ter, Ungaro Uomo, Valentino MissV., Valentino Boutique, Valentino Beachwear, Valentino Couture Nocturne, Valentino night, Valentino Studio, Valentino Uomo, and You Tarzan me Jane.

Production of men's clothing takes place in:

**Settimo Torinese**

**San Damiano D'Asti (AT)**

-Racconigi (CN)

-Bosconero (TO)

Production of Women's clothing takes place in: **Torino**.

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<sup>14</sup> Kompass Business Disc Italia, 1995, 00540.

<sup>15</sup> Moody's, 1994, Italy, p.3589.

GFT Donna SpA which is the headquarter of all GFT's Italian companies in Womenswear, was founded in 1970, in Turin. Products are: Ready-made Ladies' clothes; Ready-to-wear for Women; Coats; Jackets; Skirts, Two-piece suits; Blouses; Squares and Scarves.

In 1993 it employed 900 people. 78% of production in that year was exported to USA, Canada, Germany, France, UK, and Japan<sup>16</sup>.

The GFT company maintains Italian sales offices in Milano; Bologna, Roma, Bari and Catania.

Export takes place to all over the world.

In May 1993 it became clear that radical changes would have to be made to GFT USA and GFT Uomo. In the 1980s GFT's activities in the USA were highly successful and helped the whole group to grow at international level, but recession had changed this and the American holding company ended 1992 with a Dollars 22m deficit. Armani had been the only designer label that had done reasonably well for GFT, while others, including Emanuel (Ungaro) and Joseph Abboud produced hefty losses. GFT Uomo, the menswear company, with turnover of L400bn, was less dependent on designer labels than the other GFT companies, but nevertheless was estimated to have lost over L30bn in 1992<sup>17</sup>.

A spokeswoman for Gemina SpA, the Fiat group investment company that took over GFT last year, said that sales of GFT's men's wear, which make up some 70 percent of total revenues or Pounds 644 million, fell 10 percent in 1994 compared to the year before.

GFT attributed the decline to the sharp contraction in men's wear sales on the Italian market, which she said was down 23 percent overall.

The spokeswoman added that an improvement in foreign sales partly compensated for the depressed domestic market.

She said exports of men's clothing rose 10 percent last year, (1994) though she didn't provide a total figure<sup>18</sup>.

## DIVESTMENTS

In the beginning of 1993 it became clear that GFT was to withdraw from the leisurewear market and to concentrate on its core area of formal clothing for men and women and entrust production increasingly to partners. Some production operations were to be moved to Egypt, Jordan and Slovakia. Also production in China was to be increased<sup>19</sup>.

In 1993 GFT eliminated some of its collections; they gave up licenses for three

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<sup>16</sup> Kompass Business Disc Italia, 1995.

<sup>17</sup> Il Mondo, 24 May 1993.

<sup>18</sup> Daily News Record 15 June 1995 Page 10.

<sup>19</sup> Sole 24ore 13 March 1993 Page 24.



Valentino collections and a line for Christian Dior<sup>20</sup>.

In May 1993 Gruppo GFT disclosed that an agreement had been signed to sell a majority interest in the firm's Mexican subsidiary company, **GFT de Mexico**, to a group whom the firm identified as including some of Mexico's 'major entrepreneurs.'

GFT de Mexico owned weaving plants, manufactures medium- to top-tier tailored clothing and also operated a chain of stores in Mexico targeted at the high-end market. It employed a work force of 1,700 employees and had company-reported consolidated sales of around Dollars 80 million in 1992.

GFT's Mexican apparel manufacturing facility made clothing under designer labels, which were distributed in Mexico and exported to countries other than the US. The labels included: Sidi, Pierre Cardin, Jean Baptiste Caumont, Conti di Roma and Formula Uno Luciano Tessa.

According to a company statement, the agreement would entail a total transfer of GFT de Mexico, which the firm acquired in 1951, to a specially created company, Grupo Textile Mexicano, headed by Mexico businessman Fabio Covarrubias.

The deal was arranged through Citibank via its merchant bank Citinvest as advisor for the Italian group, and Serfimex, as advisor to the Mexican group. Gruppo GFT retained a minority stake in the company, which would 'likely be around 15 percent'<sup>21</sup>.

In response to market reports of trouble at its sportswear division, Gruppo GFT admitted June 1993 that the division was struggling but said it would try to meet its commitments.

Vittorio Levi, managing director of GFT, blamed the poor performance of the sportswear unit, **Stratos Confezioni SpA**, on difficult market conditions. It is based near Bergamo in northern Italy and employs about 100 people. It produces sportswear under the Brunik, 1000 Miglia and Stratos labels, in addition to its production for Mast Industries.

Stratos had 1992 revenues of around 65 billion lire.

As reported, GFT planned to sell Stratos as part of a strategy to raise capital. But efforts to find a financial partner, a buyer or a group of investors had been unsuccessful to date.

GFT acquired the company in 1991 in a bid to expand into the sportswear business, but the move significantly added to the group's debt burden and took place at a moment when the market slowed dramatically<sup>22</sup>.

Three months later, in September 1993 Gruppo GFT SpA said it had sold its **Sportswear Company SpA**, formerly CP Company, to Rivetex SpA, a company controlled by Carlo Rivetti and his sister, Cristina Rivetti, cousins of GFT chairman Marco Rivetti.

The sale, which had been long expected under GFT's restructuring plan, permitted the troubled designer-label manufacturer to reduce its net debt by about 50 billion lire to 400 billion lire, according to a GFT statement.

A spokeswoman said the 50 billion lire figure didn't represent the transaction price but the full effect of the sale on GFT's books.

Sportswear Company SpA was based in Modena and produced such names as CP Company, Stone Island, Boneville and Taverniti.

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<sup>20</sup> Women's Wear Daily 27 April 1994, page 18.

<sup>21</sup> Daily News Record 18 May 1993 Page 12.

<sup>22</sup> Women's Wear Daily 21 June 1993 Page 2.

CP Company and Stone Island were distributed in the US through CP Company Sportswear, Inc. The company had 1992 revenue of about 80 billion lire, and employed 300 people<sup>23</sup>.

In 1993 not only divestments took place. There was also the acquisition of a large retail chain:

In March GFT reached an agreement with Milan businessman Paolo Boggi to acquire **Boggi's national retail chain**, which specializes in classic, high-end men's wear.

The accord calls for GFT to supply Boggi's national network of 14 stores with its own production of high-quality suits and jackets, which will carry the Boggi label.

Boggi himself will stay on in his current capacity as manager of the operation. In addition to producing for such designer labels as Giorgio Armani Le Collezioni, Valentino, Ungaro and Montana, GFT had a number of its own brands and was also expanding its private label business.

Giorgio Brandazza, MD (until May 1993!) of GFT Uomo, explained: 'As producers, we realized that in order to improve our performance we couldn't remain solely in the business of manufacturing clothes. We needed to ally ourselves with the distribution side'.

Brandazza said the strategy was based on the need to have a reliable outlet for its products and the desire to work more closely with the retailer to improve and streamline its product selection as well as to have direct contact with the consumer.

Boggi who at that time sold some 22,000 suits and 45,000 pairs of pants each year through his stores, racked up annual revenues of some 30 billion lire. Brandazza said, as a result of the accord, GFT hoped to boost volume at Boggi's stores to some 100,000 units a year.

A spokeswoman said the Boggi acquisition was not a contradiction with the (planned) sale of its Mexican production and distribution operations, which had been deemed necessary to raise capital for the company's restructuring plans. 'That sale has been decided for financial reasons. This agreement is part of a strategy to bring ourselves closer to the European market,' she said<sup>24</sup>.

Starting in 1994 there was an upturn in performance, as could also be seen for the total Italian Textiles and Clothing Industry.

In April 1994 Signoroni said the collection GFT produces for **Armani** - a high-end diffusion line for men and women called Giorgio Armani-Le Collezioni, which represents about 22 percent of the Turin-based manufacturer's total sales - performed particularly well in fall-winter selling.

GFT's new women's label, **Sahza**, and its European private label men's wear business also showed strong increases, Signoroni said<sup>25</sup>.

Like many other textile and clothing companies, GFT is moving production to lower (labour)cost countries, like Egypt, Jordan and Slovakia. But more recently also to **China**.

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<sup>23</sup> Daily News Record 15 September 1993 Page 2.

<sup>24</sup> Daily News Record 12 March 1993 Page 11.

<sup>25</sup> Women's Wear Daily 27 April 1994 Page 18.

China's best men's suit factory, known by industry insiders as the Pierre Cardin factory, is located on a dusty road on the outskirts of Tianjin, a Northern Chinese port city more known for its heritage of heavy industry.

A joint venture opened in 1988 between Gruppo GFT and an existing factory. Last year **Tianjin Jin Tak Garments Co.** produced 350,000 men's suits, 70 percent bearing the group's private labels and destined for export, the rest either Pierre Cardin or Jin Tak suits for the domestic market.

All raw materials and accessories for export production are sourced in Italy, while locally sourced fabric is used in 90 percent of the shell production destined for the China market. 'But quality and production standards for both lines are exactly the same,' insisted production manager Antonio Siniscalchi. 'We develop our designs in Italy,' he said.

Jin Tak works now with four major fabric suppliers in China that have been trained to meet GFT standards.

Siniscalchi said that although lightweight 100 percent wools would be interesting for the Chinese market, as yet no mills can do sophisticated qualities like super 100s. 'Also, many modern suiting fabrics have a small percentage of synthetic fibers mixed in for resistance or improved hand, but so far there aren't any Chinese mills capable of doing such spinning,' he added. Acceptable Chinese suitings don't come cheap. Jin Tak operates on a six-month cycle, three to four months fabric time and six to seven weeks for bulk production. Sample fabric always comes from Italy.

Most of Jin Tak's 1,200 employees work one of two eight-hour shifts, running from 6 am to 10 pm. Trucks leave the factory three times daily and exported goods are sea-freighted in hanging containers from a bonded warehouse in Tianjin port to Italy via Hong Kong or Pusan. The plant resembles many no-frill Chinese operations, without any hi-tech overhead moving racks to hang jackets in progress, or sophisticated cutting machines.

But the work coming out of Jin Tak is impeccable, owing much to a battalion of 15 Italian managers on long-stay contracts who closely survey every phase of the factory's operations.

Jin Tak won't say how much of GFT's overseas production is currently being done in China, it is revealing only that Pierre Cardin suits are currently retailing in China at about RMB3,500-4,000 (about Pounds400 to Pounds475)<sup>26</sup>.

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<sup>26</sup> Daily News Record 1 May 1995 Page 16.

## Financial Data

In 1991 the reported loss amounted to a 43 billion lire. In May 1993 the company expected to post an estimated loss of about 70 billion lire, on unofficially estimated sales of 1500 billion lire, for the financial year 1992. One month later the official 1992 figures showed a substantially higher loss of 89 billion lire. See the next table for key figures of 1991 - 1993.

### Consolidated income Account, years ended Dec.31 in Millions of Italian Lire

	1993	1992	1991
Net revenues	1,473,902	1,554,989	1,536,516
Net income(loss)	(196,149)	(88,809)	(42,616)
Restructuring costs	39,578	27,042	10,000
Operating Profit	32,400	18,600	--

#### 1993 Auditor's Report:

"The consolidated financial statements of the GFT Group at 31 December 1993 show material net financial indebtness and negative equity (deficit), furthermore, as reported in the report of the board of directors, this deficit was covered by a capital injection during the first months of 1991. As a consequence the group's ability to continue its regular activity is dependent upon the future availability of adequate financial support for recapitalisation of the group as a whole. The consolidated financial statements have been prepared on the assumption that the group will be able to continue its regular activity."<sup>27</sup>

Turnover of the Italian Womenswear division **GFT Donna SpA** in 1993 amounted to 340,000 million Lire, of which more than three quarters was derived from exports<sup>28</sup>. 1993's operating results were over 30 billion lire, as expected, up from 18.6 billion lire in 1992.

In 1993 GFT's debt amounted to 600 billion lire, plus about 100 billion lire in debt from its German operations<sup>29</sup>.

## RESCUE PLAN

Armed with fresh loan guarantees of some 60 billion lire from the merchant bank **Mediobanca**, troubled Gruppo GFT SpA in July 1993 asked some of its fabric and yarn suppliers to have faith in its efforts to meet payments, even if they were late. Mediobanca also had won consensus for the bail-out plan from GFT's top dozen or so creditor banks, which together held some 70 percent of the company's gross debts of

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<sup>27</sup> Moody's, 1994, Italy, p.3589.

<sup>28</sup> Kompass Busines Disc Italia, 1995.

<sup>29</sup> Women's Wear Daily 11 March 1994 Page 2.

600 billion lire.

As reported, Turin-based GFT, which had a 1992 loss of about 89 billion lire, had asked Mediobanca to develop a financial rescue plan after its agreed-upon sale of a 60 percent stake to Gruppo Miroglio Tessile fell through in May 1993.

Most suppliers expressed their support for GFT, and some said they had already worked out payment schedules for overdue bills<sup>30</sup>.

In November 1993 the press stated: The Rivetti family will lose control of Gruppo GFT, the designer label manufacturer they founded, if a financial restructuring plan that has been proposed by merchant bank Mediobanca goes into effect.

The rescue plan for the troubled apparel maker called for GFT's top six creditor banks to take majority control of the company, according to banking sources familiar with the proposal.

The proposal, which still had to be approved by the banks and shareholders, would leave chairman Marco Rivetti and other family members with only a minority stake of about 3 percent, based on the 10 billion lire they injected into GFT earlier in 1993, the sources said.

The financial rescue package is designed to work hand-in-hand with the industrial restructuring strategy put together by GFT's new chief executive, Clemente Signoroni. It called for cost-cutting and streamlining the production system.

Under the first step of the financial plan, the six most exposed banks - Banca Nazionale del Lavoro (BNL), Banca di Roma, Istituto Bancario Sanpaolodi Torino, Credito Italiano, Banca Crt and Banca Commerciale Italiano - would convert their loans, which totalled about 300 billion lire into shares in GFT.

If the conversion of the debt wouldn't be carried out, GFT would register a net consolidated loss of about 170 billion lire in 1993,

the sources added<sup>31</sup>. Clemente Signoroni, chief executive of GFT SpA, commented that the projected 1993 consolidated loss of 170 billion lire represented a 'worst-case' scenario of the company's accumulated losses and financial obligations<sup>32</sup>.

However in fact, GFT ended up with an even higher 1993 loss, amounting to 196.1 billion lire.

#### 1994 key figures (in Billion Lire)

Turnover	1,490
Loss	27.8
Operating profit	87.4
Restructuring costs	72.8

#### 1994

In April 1994 GFT SpA said it expected 1994 operating profit to total about 80 billion lire, up from initial estimates of 60 billion lire and more than double the 32.4 billion lire

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<sup>30</sup> Women's Wear Daily 15 July 1993 Page 2.

<sup>31</sup> Women's Wear Daily 10 November 1993 Page 2.

<sup>32</sup> Women's Wear Daily 15 November 1993 Page 11.

in operating profit GFT reported for 1993.

GFT's Clemente Signoroni, attributed the improvement to strong selling for the upcoming fall-winter season, which he said maintained is year -earlier level despite the elimination of some collections.

Other elements brightening the 1994 forecast, Signoroni added, included the concentration of sales points to improve the overall quality of the sales network. Cost-cutting and a favorable exchange rate also played role, he said<sup>33</sup>.

GFT SpA, reported a loss of 27.8 billion lire for 1994, after taking an extraordinary hit of 72.8 billion lire in restructuring costs.

The loss came on flat sales of 1.49 trillion lire, compared with a 196.1 billion lire loss in 1993.

But GFT reported an operating profit for the year of 87.4 billion lire, up from 32.4 billion lire in 1993<sup>34</sup>.

### THE BIDDING WAR ON OWNERSHIP OF THE COMPANY

January 1993 The Rivetti family, which controlled 100 percent of Italy's giant apparel group, Gruppo GFT SpA, was shopping a controlling stake in the company to potential Italian and non-Italian buyers, according to financial and industrial sources. However GFT 'categorically denied' that a controlling stake in the company was up for sale.

Among those companies that sources said had been approached were Italian sportswear maker Gruppo Benetton SpA and Valdagno-based textile and apparel group Marzotto SpA.

The privately held GFT was owned by 49-year-old chairman Gianmarco Rivetti, his 36-year-old brother Carlo and their two sisters, Giovanna and Cristina, who were not actively involved in GFT management. Each of the four siblings held a 25 percent stake in the company. Carlo Rivetti was also a member of the board of directors of the parent company GFT SpA and managing director of the group's sportswear unit, GFT Sportswear SpA<sup>35</sup>.

In May 1993, an agreed-upon sale of a 60 percent stake of GFT to **Gruppo Miroglio Tessile**, a mid-market textile and apparel group based in nearby Alba, fell through. the 'marriage' would have created a textile and garments group with 15,000 employees<sup>36</sup>.

Carlo and Franco Miroglio, respectively chairman and managing director of the Miroglio textile and clothing group, withdrew their offer for GFT once they had closely examined its accounts. Moreover, the Miroglio and GFT groups operated along very different lines and according to very different business philosophies. Miroglio is primarily a producer of more medium-priced goods. Carlo and Franco Miroglio, who like to keep everything

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<sup>33</sup> Women's Wear Daily 27 April 1994 Page 18.

<sup>34</sup> Daily News Record 15 June 1995 Page 10.

<sup>35</sup> Daily News Record 20 January 1993 Page 2.

<sup>36</sup> Les Echos, 21 May 1993.

under close control and pay fanatical attention to organisation and to computer systems, realised that it would be too lengthy and too costly a process to adapt the GFT group to their style of management. The two major problems were the very large number of GFT's product lines and the question of designers. The deal finally collapsed when the latter was broached. Giorgio Armani proved to be the real sticking point. Franco Miroglio built up his successful business without having to use famous designers and therefore had no interest in bargaining with them<sup>37</sup>.

January 1994 **Credito Italiano**, the bank with the second-largest debt exposure to GFT, acquired a 12.9 percent stake in the designer label giant.

As reported, the majority stake in GFT was acquired one month earlier by Fiat group investment company **Gemina SpA**. Under terms of the acquisition, creditor banks had the option to become minority shareholders in GFT as final terms of the closing were worked out.

The closing procedure was extremely complicated, as contracts had to be drawn up between the 22 remaining creditor banks and GFT's numerous operating companies.

Milan merchant bank **Mediobanca**, which masterminded the sale to Gemina, declined to comment on the status of the closing<sup>38</sup>.

February 1994 Mexican industrialist **Fabio Covarrubias** said he was rounding the final bend of talks to acquire troubled GFT SpA. 'I would say we have reached agreement on 95 percent of the issues on the table. The outstanding 5 percent are technical points,' said Covarrubias during an interview in Milan.

But he added: 'On the other hand, we are still in talks, and this agreement isn't done until it's done,'.

Covarrubias, who acquired GFT's Mexican operations March 1993, said he had offered to pay 360 billion lire.

After acquiring GFT de Mexico SA, his interest in the mother company started to grow, particularly in view of the opportunities opened up by the North American Free Trade Agreement, he said. 'GFT occupies a niche market (in high-end apparel) and currently controls about 7 percent of the world market share in its sector. We feel volumes can increase - to the US, to the Far East - while in Italy, it is already a market leader,' Covarrubias said. His priority would be to strengthen GFT's relationships with its stable of designers.

'We want to be able to give the thousands of people who work for GFT a sense of trust, a sense that the company will continue. We also want to give them a pinch of adrenaline'.

He also said he had agreed to keep the Rivetti family represented in the company it founded, with a minority stake and possibly a seat on the board<sup>39</sup>.

In March 1994 however **Plaid Clothing Group** edged out Mexican magnate Fabio Covarrubias in the quest for GFT. Plaid Clothing, a private US men's wear manufacturer owned by international investors, had an exclusive agreement to acquire total control of the troubled, but slowly improving GFT, at that time being in the hands of the banks.

Covarrubias, had withdrawn his offer, which required a two-step closing.

Plaid's offer was cash, originally 388 billion lire, or 65 percent of GFT's total debt.

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<sup>37</sup> Il Mondo, 24-05-1993.

<sup>38</sup> Women's Wear Daily 5 January 1994 Page 15.

<sup>39</sup> Women's Wear Daily 10 February 1994 Page 1.

Plaid, however, reportedly sweetened its bid by offering to pay an additional 5 percent of GFT's total debt, of about 700 billion lire. The banks agreed to write off GFT's remaining debt, once the deal with Plaid would be completed.

Plaid Clothing is privately owned, with Mideastern and American investors. The company had its corporate roots in The Netherlands, where it formerly operated as Plaid NV<sup>40</sup>.

**Gemina SpA**, the Italian investment company controlled by the Fiat SpA industrial group, issued another denial June 1994 that it was eyeing at GFT SpA. Rumors about Gemina's interest in GFT started circulating early May as negotiations for GFT to be acquired by Plaid Clothing Group dragged on longer than expected<sup>41</sup>.

In September 1994 Giorgio Armani denied that he had concluded an agreement with **CVC Capital Partners**, the venture capital firm associated with Citicorp that had made an independent bid to acquire hotly contested GFT SpA, maker of the Armani men's and women's diffusion lines, among other designer labels.

Armani did acknowledge however that there had been talks with CVC and that the venture capital firm had expressed interest in an alliance that could include the troubled Simint SpA sportswear maker, which produced the Armani jeans line.

But he denied that he had agreed to back CVC in its GFT bid in exchange for help in financing the restructuring of Simint, which just before had reported a loss of 222 billion lire for the fiscal year ended April 30<sup>42</sup>.

By November 1994, as predicted, a full-fledged bidding war had gotten under way for GFT SpA as the creditor banks reportedly had turned up their noses yet again at a new 'final' offer from **Plaid Clothing Group PLC**, of 430 billion lire.

Mediobanca, which coordinated the process of selling GFT, had invited other bidders to present their offers in the third week of November.

According to sources, **Marco Rivetti** had meanwhile returned triumphant from a whirlwind tour of the US to gather allies in a bid to reacquire control of his family manufacturing empire, which he lost in 1993 when it fell into the hands of the banks. The sources said he had secured an agreement from the **Apollo Group**, another US LBO fund headed by Leon Black, to present an offer.

The first revised proposal openly on the table was from **CVC Capital Partners**, the venture capital firm associated with the Citibank financial group.

According to a spokesman, CVC, which claimed to have agreements with Giorgio Armani and former GFT managing director Clemente Signoroni (although these appeared a little shaky according to the sources), had upped its bid to 480 billion lire, from its initial bid of 455 billion lire.

Meanwhile, a spokesman for **Texas Pacific Group**, the US LBO fund that engineered the buyout of Continental Airlines and America West, confirmed it had upped its bid to 440 billion lire, from 397 billion lire. The Texas Pacific bid expired on midnight, November 20th.

There were also some new bidders in the picture, the sources said. One was from an Italian electronics firm, **Tecnicomp**, formerly of the Olivetti group, which had reportedly

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<sup>40</sup> Women's Wear Daily 11 March 1994 Page 2.

<sup>41</sup> Women's Wear Daily 8 June 1994 Page 18.

<sup>42</sup> Daily News Record 27 September 1994 Page 1.



made the highest bid to that date. According to sources, Tecnicomp had offered the equivalent of some 530 billion lire to buy the options in GFT, but would leave the debt intact. And again rumors were intensifying that Gemina SpA, or its sportswear subsidiary, Fila SpA, would present a bid before the deadline<sup>43</sup>.

Finally December 1994, with its offer for GFT SpA to the equivalent of 600 billion lire, Gemina SpA, beated back a last-minute bid by CVC Capital Partners. CVC threatened with legal action over the deal. According to sources Gemina finally clinched the acquisition after a flurry of meetings, faxes and voting by GFT's creditor banks over two days. The new bid raised the value of the deal only by about 120 billion lire, but was structured so that the creditor banks would be completely bought out. Gemina's initial offer had called for the banks to retain a 40 percent stake in GFT.

The deal ended almost two years of tumultuous negotiations to rescue the financially troubled GFT.

Valentino's chief executive Giancarlo Giammetti said: 'I'm very happy that a great Italian company will stay Italian. I'm sure Gemina will bring a new energy to GFT and strong support to the present management.

Gemina agreed to buy out the full amount of warrants the banks converted earlier that year for 104 billion lire, inject 60 billion lire of fresh capital into the company and consolidate GFT's 434 billion lire in debts into a five -year instrument.

Furthermore, Gemina agreed to bring in management for GFT that had the approval of the banks.

Although the Gemina pact appeared to put an end to a troubled episode in Italy's fashion world, some observers criticized the handling of the deal, saying that the banks favored Gemina for reasons that had nothing to do with an industrial strategy for GFT. These observers also accused Mediobanca, of favoring Gemina because the company was within its sphere of influence<sup>44</sup>.

January 1995 three more creditor banks exchanged warrants for equity in GFT. Following the lead of Credito Italiano, which one year earlier took a 12.9 percent stake in GFT, Istituto Bancario San Paolo di Torino took an 11.4 percent stake, according to documents filed with CONSOB, Italy's stock market regulatory agency.

Another creditor, Banca di Roma, acquired 13.3 percent through its Spafid subsidiary, while Banca Nazionale di Lavoro took a 12.9 percent stake.

The creditor bank acquisitions were confirmed by Gemina SpA, the company that won control of GFT one month before. Creditor banks had now taken an aggregate 50.6 percent stake in GFT in exchange for bridge financing warrants they issued in 1994.

The remaining 49.4 percent of the company, formerly in the hands of some nineteen other creditor banks, was acquired by Gemina<sup>45</sup>.

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<sup>43</sup> Daily News Record 15 November 1994 Page 1.

<sup>44</sup> Women's Wear Daily 1 December 1994 Page 1.

<sup>45</sup> Daily News Record 12 January 1995 Page 10.

## Employment

Despite Italian labor laws, which make it nearly impossible for companies to fire employees, GFT reduced its work force by some 1,650 positions to the total of 8,880 employees by the end of 1992, through a combination of attrition and government-sponsored layoff programs<sup>46</sup>.

### Number of employees Gruppo GFT 1991 - 1994

1991	10 530
1992	8 880
1993	6 690
1994	6 459

As of March 31, 1994 GFT's total work force declined to 6,495 employees from 6,690 at the end of December 1993, the company said<sup>47</sup>.

GFT Donna SpA in Turin employed in that same year (1993) about 900 people, however according to another source the number in 1994 would be between 200 and 499 people<sup>48</sup>.

In May 1993 the firm's Mexican subsidiary company, **GFT de Mexico**, was sold to a group of Mexican entrepreneurs. The company at that time employed a workforce of 1700 employees<sup>49</sup>.

At the time of the sale, September 1993, of **Sportswear company SpA**, formerly CP Company in Modena, it employed 300 people. It is unknown to the writer of this report what happened to the employees after the sale of the company to Rivetex SpA.

At the **Jin Tak** factory, a Joint-venture of GFT and a Chinese company, in 1995 1,200 people are employed, working in one or two eight-hour shifts<sup>50</sup>.

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<sup>46</sup> Daily News Record 20 January 1993 Page 2.

<sup>47</sup> Women's Wear Daily 27 April 1994 Page 18.

<sup>48</sup> Kompass Italy, 1994.

<sup>49</sup> Daily News Record 18 May 1993 Page 12.

<sup>50</sup> Daily News Record 1 May 1995 Page 16.

## ANNEX I LIST OF AVAILABLE ADDRESSES

### Italy

Gruppo GFT SpA (Headquarter)  
Corso Emilia 6  
10152 Torino (TO)  
Casella postale 445  
I-10100 Torino

tel.: 011/239.71  
fax.:011/239.73.19

Number of employees: 10 000

GFT Donna SpA  
Corso emilia 6  
10152 Torino (To)

tel.: 011/228.41.11  
fax.: 011/232510

Number of employees: 900

#### **Production men's wear:**

Settimo Torinese  
San Damiano A'Asti (AT)  
-Racconigi (CN)  
-Bosconero (TO)

str. della Cebrosa, 75  
v. Roma, 50  
c.p.ssa di piemonte, 63 and 1  
reg. Spinte - str. S. Benigno

#### **Production Women's wear:**

Torino v. Reiss Romoli 44/10  
v. Mantova, 19  
c. Vigevano, 35

### **The Netherlands**

GFT International B.V.  
Weena 127  
3013 CK, Rotterdam

tel.: 020-6647066

**Germany**

GFT Bäumler AG

86055 Ingolstadt

Friedrich Ebert strasse 86

Postfach 1 20, 8070 Ingolstadt

tel.: 0841 - 50 50

fax.: 0841 - 505-205

Number of employees: 2000 (1992)

## ANNEX II List of subsidiaries and associations (Kompas Italia)

B. & L. Industries H.K. LTD (Hong Kong)  
Chiara Boni Srl (FI)  
Cidat USA Inc. (USA)  
Confezioni di Matelica Spa, Matelica (MC)  
C.P. Company Spa, Ravarino (MO), C.P. Company Japan K.K. (Japan)  
C.P. Company Sportswear Inc. (USA)  
GFT Apparel Corp. (USA)  
GFT Baumler A.g. (Germany)  
GFT de Mexico S.A. (Mexico)  
GFT Deutschland Gmbh (Germany)  
GFT Donna spa (TO)  
GFT Enterprises of Japan KK. (Japan)  
GFT France S.a. (France)  
GFT Great Britain Ltd (GB)  
GFT Hong Kong Ltd (Hong Kong)  
GFT Iberica S.a. (Spagna)  
GFT Korea (Corea)  
GFT Mode Canada Inc. (Canada)  
GFT Mode de Espana (Spagna)  
GFT Nederland B.V. (Olanda)  
GFT Sportswear Spa, Ravarino (MO)  
GFT USA Corporation (USA)  
GFT Sportswear Iberica S.A. (Spagna)  
Giorgio Armani Fashion Corp. (USA)  
J.A. Apparel Corp. (USA)  
Madison Avenue Boutique Inc. (USA)  
Marem Spa (TO)  
Moda Distribution Services Inc. (USA)  
Oberkassel 1 Fashion Trade Gmbh (D)  
Revedi Spa - Moncalieri (TO)  
Riverside Manufacturing Co Inc. (USA)  
Sigesto Srl (TO)  
Societa' Creazione Moda per Azioni (TO)  
Tianjin jin tak garments co. Ltd (Rep. of. China)  
Unites Spa (TO)  
Vngaro Inc. (USA)  
Valentino Couture Inc. (USA)  
Valentino Enterprises Inc. (USA)

ANNEX III Subsidiaries GFT International BV and GFT Bäumlér AG,  
according to Who Owns whom

**GFT INTERNATIONAL B.V., NL-3013 CK**

*Rotterdam, Weena 127 Tel: (020) 664 70 66*

(Subsidiary of G F T S.p.A., Italy)

. GFT Deutschland GmbH	Germany
. . GFT Bäumlér AG <sup>1</sup>	Germany
. . Oberkassel 1 Fashion Trade GmbH	Germany
. GFT France S.A.	France
. . GFT Sportswear France S.A.	France
. GFT Hong Kong Ltd.	Hong Kong
. . GFT Australia Pty. Ltd.	Australia
. GFT Nederland B.V.	Netherlands
. GFT Sportswear S.p.A.	Italy
. GFT USA Corp.	U.S.A.
. . Giorgio Armani Fashion Corp.	U.S.A.
. . Riverside Holding Corp.	U.S.A.
. Madison Avenue Boutique Inc. (A)	U.S.A.
. Valentino Couture Inc. (A)	U.S.A.
. Valentino Enterprises Inc. (A)	U.S.A.
. Valentino Fashion Development B.V. (A)	Netherlands

<sup>1</sup> See separate entry Germany

**GFT BÄUMLER AG, D-85055 Ingolstadt, Friedrich-**

*Ebert-Strasse 86 Tel: (0841) 50 50*

(Subsidiary of G F T S.p.A., Italy)

. Hans Bäumlér GmbH & Co. Herrenbekleidungswerke	Germany
. . Styl AG Herrenbekleidungswerk (A)	Hungary
. Hans Bäumlér GmbH & Co. KG Herrenbekleidungswerke	Austria
. Mens Mark International Fashion GmbH	Germany
. Mens Mark International Handelsges. m.b.H.	Austria
. Hch. Muermann GmbH & Co. KG	Germany
. Schildt-Modell-Kleidung GmbH & Co. KG	Germany