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L&T Parent NRDC Set to Revive Fortunoff

By David Moin

NEW YORK — A reversal of fortune is in store for Fortunoff.

Last week, NRDC Equity Partners received court approval to buy Fortunoff out of bankruptcy, and this week, most likely Wednesday, the deal will close, according to parties close to the jewelry and home furnishings business.

"Everything was approved in court on Thursday. The financing for the company is there and it's looking great," Arnie Orlick, Fortunoff's chief executive officer, told WWD Sunday.

"The beauty of this is that it allows us to be an ongoing concern, which is helpful to our manufacturers and vendors. And it also puts us on a growth path," Orlick said.

"But it's also really important for our 2,400 employees. Certainly, most will retain their jobs. It's the best possible scenario."

NRDC, the parent of Lord & Taylor and Creative Design Studio, will pay about \$80 million to buy Fortunoff and another \$30 million to resolve the chain's debt, gift card, benefits and other obligations, as previously reported.

NRDC outbid a few private equity firms and liquidators for Lord & Taylor.

Fortunoff is being purchased from Trimaran Capital Partners, an equity group that along with K Group, another private equity firm, bought the company in 2004.

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Arnie Orlick, Fortunoff

Fortunoff, with \$439 million in sales last year, filed for bankruptcy on Feb. 4. The chain has suffered from liquidity problems and has been slow to pay vendors. It also has a dated image, needs renovations and is very promotional in home areas. Last holiday season, the store saw a shift in shopping away from luxury products, with fewer purchases of diamond jewelry in the \$20,000 to \$100,000 range, and greater purchasing of living room furniture.

As Richard Baker, president and ceo of NRDC, said last month in an interview, Fortunoff, with synergies with Lord & Taylor, will create "a lot of value in a very short period of time." Baker intends to create Fortunoff jewelry departments and home stores with bridal registries in the 47 Lord & Taylor stores within the next 12 months and spend \$100 million to renovate Fortunoff stores and open additional units. New systems and a renewed focus on upgrading the vendor mix are also planned.

"Certainly, the opportunity of expanding some businesses into Lord & Taylor stores is enormous," Orlick said. "It will complete Lord & Taylor as a total department store and creates immediate expansion capabilities for Fortunoff.

"Lord & Taylor and Fortunoff's are both fabulous names in retail that don't conflict with the merchandise they carry." They also cater to similar demographics — to a large extent the suburban shopper in the New York City metro area. L&T for the last four years has been elevating its merchandise presentation to focus on better, bridge and contemporary collections, and eliminated the moderate goods and much of the clutter for which it was known.

No closings are foreseen at Fortunoff, which operates 23 stores in New York and New Jersey, including four full-line units; 14 outdoor furniture units that convert to indoor furniture in the winter; two jewelry stores; a baby store selling furniture, clothes and gifts; a watch shop, and a clearance center.

A high-profile Fortunoff jewelry store opened on 57th Street adjacent to Bergdorf Goodman three months ago, replacing the former Fifth Avenue store.

After Wednesday, "For us, it will be business as usual," Orlick said. However, recently, "Business has been tough for everyone, and a little tougher for us. We haven't had a flow of receipts for two months and have been in dire need of fresh, new, exciting merchandise. We had no fill-ins on basics and very little marketing." Nevertheless, "The business not only held up but there were substantial increases to the outdoor furniture business....In this macroeconomic environment, the backyard is still the retreat from all the stresses in life."

With the deal's closing imminent, the merchandise flow will normalize in the next few weeks, Orlick added. Originally, the closing was set for today, but some logistics issues with attorneys necessitated a slight postponement, Orlick explained.