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# Lanvin staff seek guarantees about jobs in wake of Fosun deal

By Astrid Wendlandt - February 14, 2018

Lanvin staff will grill management and Fosun International at a works council meeting on Thursday, in an attempt to get guarantees about jobs after the Chinese group clinched a deal to buy a controlling stake in France’s oldest fashion brand on Friday, sources close to the matter have said.


*Lanvin, Spring/Summer 2018 - Pixelformula*

Employees at Lanvin, who by law must be informed when a sale is agreed, will also ask questions about future strategy, and about the Chinese conglomerate itself which has no track record of turning around a luxury brand.

It is expected that Fosun will inject more than 100 million euros in the business once it buys control from Chinese media magnate Shaw-Lan Wang based in Taiwan. However, it is not clear how much of that amount will land in her pockets.

Lanvin employees are concerned about layoffs once the transaction with Fosun closes as the French fashion brand has been accumulating losses since 2016, now totalling more than 30 million euros. Fosun could be considering adjusting the company's cost base to its lower revenues. Annual sales at Lanvin more than halved in the past three years from more than 200 million euros at the end of 2014.

Many employees left Lanvin after the brand sacked its star designer Alber Elbaz in 2015. Some took early retirement while others are still in proceedings against Lanvin for unfair dismissal. "Lanvin's works council will try to get as much information and guarantees about jobs," a source close to the company said on condition of anonymity.

Founded in 1889, Lanvin is one of France's last major independent fashion labels, in the same league as family-controlled Hermès and Chanel in terms of prestige and heritage, if not revenues. It has attracted much interest from potential buyers as it is the oldest French fashion brand still in activity, with full access to its historic archives.

Last week, Fosun unexpectedly beat Mayhoola, the Qatari investment company that owns Valentino and Balmain and had been courting Lanvin for more than a decade, to acquire Lanvin. "To be frank, many are not surprised that Mrs Wang sold to the Chinese as she had always said that if she left, the business would stay in Chinese hands," one of the sources close to Lanvin said.

According to several sources, Mrs Wang obtained guarantees from Fosun that she will retain a 20 percent stake in Lanvin – which means that even if she does not get a board seat, she could still meddle. Mrs Wang took over the management of Lanvin after former Gucci Group, LVMH executive Thierry Andretta departed in 2013 over diverging opinions about the company's future direction. Andretta now runs London-listed Mulberry leather goods brand.

It is not clear what strategy Fosun will choose to bring back Lanvin to its former glory nor whether it has lined up a chief executive and designer duo who can craft a credible and coherent creative vision. Many industry observers believe it could be difficult to erase the legacy of Alber Elbaz. Elbaz was at the brand's creative helm for 14 years and is still associated with the brand in the mind of many buyers as he was the one who turned the once-dormant Lanvin into a glamorous fashion label known for its colourful cocktail dresses.

Just before Christmas Elbaz won his claim against Lanvin's parent company, Jeanne Lanvin SA for having ousted him before his contract was due to end. Following a settlement through arbitration (an out-of-court procedure), Elbaz was awarded more than 10 million euros in compensation, sources say.

Lanvin said in an e-mail sent by a spokeswoman that half of the amount Elbaz received was for the remuneration he was entitled to according to his contract and the other half was to compensate for his early departure. Elbaz did not win a claim that he suffered a prejudice from having lost out on an opportunity to sell his stake to Mayhoola before he was ousted when he said an indicative offer of more than 400 million euros from the Qataris was on the table. In its email, Lanvin said that Elbaz did not win his claim for damages and moral prejudice of 20 million euros nor his claim of 50 million euros which he alleged he could have received from selling his indirect stake. Lanvin refused to provide more detail. Elbaz declined to comment.

Elbaz borrowed money from Mrs Wang to purchase shares and amassed a stake of around 20 percent in a unit that indirectly controls Lanvin. It is not clear whether Elbaz still has a sizeable indirect minority stake in Lanvin since there remained unsettled debts between him and Mrs Wang after he left. Elbaz was ousted by Mrs Wang after a violent row during a boardroom meeting, several sources said.

Swiss-German investor Ralph Bartel, which owns a 25 percent stake in Lanvin and has invested several dozens of millions of euros since 2010, has also obtained from Fosun assurances that he will remain a shareholder with a stake of between 20-25 percent, according to one source close to the deal. Last year, Mrs Wang brought back as manager her friend Nicolas Druz, a journalist who created a newspaper for Chinese expatriates in Paris in the 1990s. Druz declined to comment. In July, Mrs Wang parted ways with designer Bouchra Jarrar after two seasons and appointed Olivier Lapidus without consulting Bartel. Lapidus' first collection presented last fall failed to impress buyers and the press. Lanvin said it would go ahead with its fashion show on February 28 after miscommunicating with the French Couture and Fashion Federation which had understood it would be replaced by a presentation.

Little is known in Europe about Shanghai-based group Fosun International aside from the fact that it is one of China's most active deal-makers and that the group has never turned around a luxury brand, let alone one the size and significance of Lanvin. Fosun has invested in Greek jeweller Folli Follie and US knitwear brand St. John but the two brands are not known for their significant commercial success. Earlier this year, Fosun was in the closing stages of acquiring a controlling stake in Italian lingerie brand La Perla.

Fosun did not respond to repeated e-mail requests for information and comment.

Fosun is headed by billionaire chairman Guo Guangchang who triggered headlines in 2015 and 2017 after Fosun shares fell on reports that he had gone missing.  Each time, he re-appeared a few days later.  His disappearances coincided with reports that Chinese authorities were investigating large groups that had been making many investments overseas. Fosun has publicly declared its backing of the ruling Communist party.

Together with  private equity group Carlyle Fosun set up in 2010 an investment fund in high-growth companies in China and has invested in a wide range of industries. Starting with property in Manhattan to banks and insurance companies in Portugal to Quebec's Cirque du Soleil. It also controls Club Med in France and Britain's Wolverhampton Wanderers Football Club and just bought a stake in Tsingtao, China's second largest brewer.

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