

Deal appetite mounts in luxury sector

Ultra-wealthy eye exclusive brands

Interest from Asia and Middle East

By Richard Milne in Frankfurt

Wealthy individuals used to be content buying a luxury watch or boat. Now they are looking at buying the company as well.

Luxury goods analysts say the sector could see another

wave of deals as ultra-wealthy individuals and investors from Asia and the Middle East increasingly seek out companies to buy.

"You can buy a yacht but you can also now buy your yacht builder. That is something we are seeing more and more of as it is an interesting market for ultra high-net worth people and their friends," said Gerard Aquilina, head of international private banking at Barclays Wealth.

Robert Burke, the head of a US luxury goods consultancy, said: "We help bankers screen companies and we have never been busier than in the past few weeks.

"We are seeing a lot of interest from places like Korea and the Middle East, and also from rich individuals for smaller deals. That is very new."

LVMH, the world's largest luxury goods group, this week unveiled its first acquisition for some time as it

bought Hublot, the upmarket watchmaker, leading some analysts to predict increasing merger and acquisition activity from companies too. Mr Burke said: "Before it was only seen that the likes of LVMH and Gucci were buying luxury goods groups but this time it will be broader just because that it where the money is."

Few companies have openly said they are for sale but analysts say attempts to buy some of the big name

fashion houses are likely. "All the potential target companies say they are not for sale but I think we will still see some approaches," said Allegra Perry, analyst at Lehman Brothers.

She said she expected the big companies only to get involved if share prices continued to drop.

The increase in interest in luxury acquisitions comes amid the first signs of the financial crisis hitting the sector. Gucci unveiled weak-

er-than-expected sales this week and many analysts are predicting a shake-out could take place as the lower-end and more aspirational brands suffer more than traditional, exclusive names.

Analysts point to Mulberry and Burberry - and even to Gucci - as brands that could come under threat, while top-end brands such as Hermes and Chanel are more likely to escape.

"The higher the prices for the products, the more insu-

lated the company will be. The more accessible brands will suffer more," said Rogerio Fujimori, analyst at Credit Suisse.

Mr Burke, a former senior executive at luxury retailer Bergdorf Goodman, said: "There is going to be a major shake-out of the companies. When times gets tough the aspirational luxury buyer gets pinched out first."

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