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Loewe Seeks a White Knight In Bid to Deter Moet Vuitton

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MADRID—Determined to thwart a possible takeover by LVMH Moet Hennesy Louis Vuitton SA of France, Spain's most prestigious luxury-goods concern, Grupo Loewe SA, is looking for a white knight.

Enrique Loewe, chairman of the family-owned manufacturing and retailing group, acknowledged that the company has opened negotiations with "a foreign luxury-goods retailer."

Market analysts view the talks as a strategic move to beat back a takeover bid and suggest the foreign retailer is likely France's Cartier SA, which has a long-standing commercial relationship with the 145-year-old Spanish business.

However, a Cartier spokeswoman in Paris said the jewelry and leather goods company was not holding any talks with Loewe. "There are no negotiations," she said.

Leather Unit Stake Sale

According to the Loewe chairman, the board of directors aims to sell a 50% stake in Loewe's leather goods unit, Loewe SA, giving the new shareholder a significant foothold in the luxury-goods group.

Loewe's defensive posture was triggered by Moet Vuitton's purchase last September of a 10.8% stake in Grupo Loewe, a move that the Spanish company considered hostile. In Paris, a Moet Vuitton spokesman denied that the purchase of the shares was hostile. But he declined to comment on whether the French company had any intention of further raising its stake in Loewe.

Reacting to the acquisition, a core group of shareholders quickly formed a holding company to shield the luxury concern from the possibility Moet Vuitton would buy up packages of the remaining stock.

But even Mr. Loewe concedes the strategy isn't watertight. He worries that a greater Moet Vuitton presence in his company could affect the "distinctly Spanish flavor" of the concern's designs.

"The company's roots are Spanish, and we want to preserve its distinct cultural tradition," he said. "We didn't create the holding to put ourselves in a better bargaining position, but to guarantee the company's autonomy remains intact."

Agreement Has Helped

Still, the 49-year-old chairman is quick to recognize that a five-year-old cooperation agreement with the French company has helped Loewe establish a strong presence in cities around the world and boost group net profit.

In 1986, Loewe and Louis Vuitton agreed to form Loewe International SA with starting capital of 15 million French francs ($2.59 million at current exchange rates). Loewe saw the venture, which is separate from the Loewe group, as a way to increase the volume of its trade outside Spain and help increase its international chain of stores.

Under the accord, Louis Vuitton — now has a 5% holding that will gradually rise to 51% by 1998.

Loewe International posted net profit of 600 million pesetas ($5.7 million) for last year on sales of 5.4 billion pesetas, doubling 1989 net profit.

But since the agreement was signed, Louis Vuitton merged with Moet Hennessy after a protracted boardroom struggle. And for Loewe, the implications of the merger remain unclear.

Loewe worries that the French company will no longer respect the terms of the 1986 accord and seek instead to maintain control of Loewe International while at the same time bidding for a majority stake in Grupo Loewe.

The merger of the family business Louis Vuitton and Moet Hennessy was plagued by problems ending in the ouster by Bernard Arnault of Vuitton's Henri Recamier. The Loewe group was hurt by infighting between brothers Enrique (the father of the current chairman) and German Loewe Knappe over who would succeed them.

Ownership was eventually split between Frenchman Louis Urvois, who controls 22%, and Luca Spinola of Italy's Martini-Rossi, with 13%. Individual Spanish shareholders retain the remaining 65%. Of these, the chairman holds 5%. None of the shares are publicly traded.

For 1990, Grupo Loewe reported consolidated net profit surged to 1.09 billion pesetas from 721 million pesetas a year earlier. It described 1990 as a "fantastic year" for the group but projected less spectacular results for 1991.

Group exports aren't expected to show marked improvement this year. Loewe also said that a drop in Spanish tourism is likely to hit sales at home.

Still, expansion plans are expected to proceed unhindered, with two new stores on line in Germany and Rome and a remodeling of Loewe's London outlet also scheduled. The total investment is seen exceeding 350 million pesetas.

"The push now is in Europe," Mr. Loewe said, noting that the backbone of Loewe's international operations has long been in Asia. In Japan alone, Loewe boasts 20 stores of a world-wide network of 50.

"It's a little illogical, considering the rest of Europe is our back yard," he added.

U.S. Move Faltered

Loewe's move into the U.S. has proved one of its more unsuccessful ventures.

In 1982, the luxury goods retailer opened a store in New York's Trump Tower, hoping the address would draw the kind of clientele already familiar with stores such as Gucci and Hermes. Within a year, the store had chalked up losses of more than $3.5 million, prompting a decision to close shop and move to a less expensive Madison Avenue address.

With Spanish fashion fast gaining world-wide recognition and Loewe along with it, the company hopes to eventually launch a network of stores in the U.S., once its internal troubles are hammered out.

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