Chinese textile group Shandong Ruyi has agreed to acquire the apparel and advanced textiles business of Invista, which includes the Lycra fibre brand. It is one of a number of acquisitions it has made as it seeks greater control over its supply chain.

Mighty oaks from little acorns grow

Shandong Jining Woolen Mill was founded in 1972 in China's coastal Shandong province, the birthplace of philosophers Confucius and Mencius. From that single factory it has grown into one of China's largest textile manufacturers. Now known as Shandong Ruyi Group, it operates a fully integrated textile value chain, including raw material cultivation (primarily cotton and wool), textile processing, and apparel design and sales. It also has 13 industrial parks across China, with production lines that incorporate state-of-the-art technology and machinery, and manages a sizeable global distribution network.

But, the company wants more. Over the past 18 months, it has made a series of acquisitions to further strengthen its control over its supply chain and to open up opportunities in new geographical markets and product sectors.

Eyes on the US

In November 2017, Shandong Ruyi purchased a majority stake in Hong Kong-based menswear retailer Trinity, paying more than HK$2.2 billion ($285 million at the time of purchase) for 51.38% of the company. At the time of the acquisition, Ruyi chairman Qiu Yafu said: "Our investment in Trinity will mark a significant milestone in our continued efforts to expand our business from being the leading



Lycra is one of the brands that Shandong Ruyi has agreed to acquire from Invista.
Invista

COPYRIGHT WTP ©



Bally was put up for sale in 2017 by Luxembourg-based investment firm JAB Luxury.

Bally

upstream textile manufacturer in China to a long-term global player in the downstream global menswear market."

A desire to make strides into the menswear market was one of the reasons Ruyi chose to also invest in Israel-based tailored clothing company Bagir. It acquired a 54% share of the business at the end of 2017 for $16.5 million. These funds will be used to expand Bagir's production line for trousers and jackets at its manufacturing facility in Ethiopia, as well as to enhance its research and development capabilities.

Bagir's presence in Ethiopia was reportedly another of the key motivations behind Ruyi's decision to invest. The rising cost of manufacturing in China has forced it to explore alternative production locations and purchasing Bagir means it can make use of an existing plant in the country rather than having to build its own. An advantage of manufacturing in Ethiopia is that a number of products the country exports, including apparel and textiles, benefit from duty-free access to the US market as part of the African Growth and Opportunity Act (AGOA). This trade agreement came into force in 2000 and was renewed in 2016 for a further ten years.

Ruyi had already signalled its intention to make inroads into the US with the announcement it would build its first factory in North America in Forrest City, Arkansas. This facility, into which Ruyi plans to invest $410 million, will spin more than 200,000 tonnes of cotton into yarn each year, the company has said. It is expected to generate around 800 jobs, with Ruyi moving to secure a long-term supply of skilled workers by partnering with local colleges and training institutions. Production should begin by mid-2018.

"Ruyi Group, as the largest textile manufacturer in China, has been expanding globally. Our manufacturing facility in Arkansas will become the first milestone of Ruyi's steps into the United States. We are dedicated to providing product with cutting edge technology and superior quality," Mr Qiu said in Arkansas.

Luxury pursuits

The luxury industry is another area Ruyi is exploring. This February, it confirmed the acquisition of a controlling stake in Swiss high-end shoe brand Bally for an undisclosed sum. The brand's current owner, Luxembourg-based investment firm JAB Luxury, will retain a minority interest. The transaction is subject to closing conditions including customary regulatory approvals. Ruyi has said it intends to "maintain the DNA and unique identity" of Bally, which has its head office and main factory in Caslano, Switzerland.

Commenting on the deal, Mr Qiu said: "Bally is one of the most important luxury shoe and leather accessories brands with a heritage going back more than a century. Bally's history and its products greatly complement our existing strength in ready-to-wear apparel. This is an important milestone for Shandong Ruyi Group in our enterprise to become a global leader in the fashion apparel sector."

For his part, Bally chief executive, Frédéric de Narp, predicted that Shandong Ruyi's involvement "will significantly accelerate our growth in key segments and territories as we

COPYRIGHT WTP ©

complete the turnaround of this iconic brand."

This deal marks Ruyi's second foray into luxury, having bought a controlling stake in French fashion company SMCP in 2016. The value of the deal was not confirmed at the time, but sources close to the matter were quoted as saying Ruyi paid around $1.5 billion for the group, which owns the Sandro, Maje and Claudie Pierlot brands.

A perfect fit

For readers of *WSA* magazine, the most significant acquisition Ruyi has made is the apparel and advanced textiles business of polymer and fibre manufacturer Invista. It announced a "definitive agreement" to purchase this division from Invista's owner Koch Industries in October; quoting people with knowledge of the negotiation, Bloomberg said it will pay more than $2 billion, although neither party has confirmed this.

The transaction includes a number of important textile players, most notably the Lycra and Coolmax fibre brands, and fibre and insulation brand Thermolite. Functional fabric developer Cordura is not included as it is part of Invista's performance solutions business. In addition, Ruyi will acquire the global manufacturing assets, research and development centres, and sales offices of all brands in the apparel and advanced textiles business.

Around 3,000 employees will move between the two companies. They will be joining an organisation which places high importance on the personal development of its workforces. As well as offering support to its employees so they can participate in skills training programmes both in China and overseas, Ruyi also operates its own business college and training centre, offering an array of internal courses from secondary to undergraduate level.

Invista chairman and CEO, Jeff Gentry, described the apparel and advanced business as "a strategic and valued part of our portfolio". Nevertheless, he explained: "We engaged the market because we want this business to be owned by the company that can create the greatest value for customers, employees and stockholders."

Mr Gentry insists Shandong Ruyi has "the knowledge and capability that will enable this business to thrive and succeed over the long term." Its track record of innovation-led growth would suggest he is correct. Ruyi operates its own technology research institute equipped with advanced dyeing equipment, seamless knitting technology and smart machinery. Its purpose is to explore and implement new technologies, products and equipment in fields such as dyeing, spinning, weaving, fabrics and printing. Current projects include a 3D printing technology and a digitalised customised clothing technology.

"Invista's world-class assets and consumer-recognised brands are a perfect fit for our growing portfolio of textile-related products," said Shandong Ruyi chairman Qiu Yafu. He made special mention of the Lycra brand, which he said has "transformed the apparel industry, and continues to do so today".

Mr Qiu believes Ruyi's existing capabilities, including its spandex manufacturing assets, will enable the apparel and advanced textiles business to "move to the next level". It intends to invest in innovation to ensure this is the case but will maintain the "unique identity" of its new acquisition by keeping its current vision, strategy and organisational structure in place.

What next for Invista?

With the sales of its apparel and advanced textiles business expected to be completed by mid-2018, subject to regulatory clearance from competition authorities, Invista has said 2018 promises to be an interesting year for it as a whole and for its portfolio of performance textiles brands. These include those that are part of the Shandong Ruyi transaction, Lycra, Coolmax and Thermolite, as well as the Cordura brand, which is not.

In conversation with *WSA* magazine at the start of the year, Cordura's brand and marketing director, Cindy McNaull, said: "Coming off an action-packed 12 months of celebration last year for our fiftieth anniversary, 2018 is shaping up to be another exciting year, full of product innovations and investment in state-of-the art capabilities for the Cordura brand."

One example is a $65 million investment to expand production capacity for nylon 6.6 fibre at Cordura's facility in Camden, South Carolina. This expansion, which is already under way, will result in a range of applications, including solution-dyed nylon (SDN) yarns for outdoor and military uses.

"The lifecycle analysis study we conducted on SDN technology demonstrates a real opportunity for reductions in water, energy, and carbon emissions in the textile processing chain, helping us to offer a broader portfolio of eco-efficient durable fabric solutions," Ms McNaull explained. "This technology also allows a consistent colour story from lot to lot and offers the opportunity for greater custom colour options and smaller run sizes. This expansion is a great foundation to start our fifty-first year, and our team has already been hard at work on new colour palettes."

She added that Invista is also expanding its global Cordura brand team, including new commercial capabilities focused on the active, outdoor and lifestyle markets.

In February, Italian yarn-maker Aquafil announced it had signed an agreement to acquire "certain tangible and intangible assets" related to fibre manufacturer Invista's nylon 6 business in Asia Pacific.

The assets in question relate to Invista's Polyamide 6 BCF Fibre business in the region, which Aquafil said has a turnover of around $50 million. The transaction does not include Invista's other businesses in Asia, such as its nylon 6,6, polyester, polyols and licensing businesses. It gave no indication of the value of the deal but said it expects it to close at the end of March.

COPYRIGHT WTP ©