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WACHNER STYLE QUESTIONED IN WARNACO TROUBLE

Once one of the most powerful women in the fashion industry, Linda Wachner helped bring designer clothes by Ralph Lauren, Oscar de la Renta and Calvin Klein out of fancy boutiques and into malls.

But, with the Chapter 11 bankruptcy filing of Warnaco Group Inc. (WAC) on Monday, shareholders were asking themselves whether the sometimes imperious style of its CEO was to blame, and whether the one-time darling of Wall Street could yet turn the company round.

"You have to take chances, that was part of her job," said Richard Hastings of Global Credit Services, a retail industry credit rating firm. "The fact that conditions were changing around her in a way that she was not able to anticipate, well, she's not the only one."

Shareholders, he said, should thank Wachner. "Whatever wealth was gained by price increases in the stock seven to 10 years ago, they certainly have her to thank. She's the one who built up the enterprise, but just because she accomplished what she did doesn't mean that she has a crystal ball."

The 55-year-old widow acquired the apparel company in a leveraged buyout in 1986 and took it public five years later. It is now in debt to the tune of \$3.1 billion.

Steven Grey, a Manhattan fund manager who is an individual Warnaco shareholder, said Wachner should be held responsible for her company's decline as much as its success.

"There's been a lot of emotion expressed in evaluating her tenure. But the criticism of her stewardship has been more than justified," Grey told Reuters. "Much of the credit (for Warnaco's success) goes to her, but its problems too. If they don't fall on her shoulders, why has she been so generously compensated?"

Ed Nardoza, editor-in-chief of Women's Wear Daily, said much was made of Wachner's often brusque manner. "(But) I don't think personality takes a company into Chapter 11," he said. "She is controversial and has ruffled a few feathers, but so have others, and she ran a great business. Linda Wachner is a very smart and tough woman and many companies that have gone into Chapter 11 have emerged healthier after."

He said Warnaco's problems were not unusual in the garment industry, where department store consolidations along with multiple labels and distribution channels have made it increasingly competitive.

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"This is very significant because Warnaco is a major player in the innerwear (ladies' underwear) and jeans market. Any time you have a Chapter 11 from a company like that with influence and penetration it shakes the industry," said Nardoza.

January's highly publicized settlement with Calvin Klein over a lawsuit was a "public relations nightmare" for Wachner, he said.

Klein, whose apparel accounted for about \$1 billion of Warnaco's \$2.1 billion sales in 1999, sued Warnaco and Wachner alleging they tarnished his trademark and broke a licensing contract by selling to warehouse discounters. In January, Wachner and Klein settled with a public kiss minutes before a trial was to open, but details were secret.

The resulting negative headlines, combined with the first-quarter loss, a plunge in the share price and a shareholders' suit alleging Wachner concealed Warnaco's true financial situation, came to the surface in an unruly annual meeting last month.

Wachner, who has become something of a legend on Wall Street and in the Garment District, was not talking Monday, but in past interviews the Manhattan-born executive has attributed her toughness to being confined to a full body-cast because of scoliosis for a year when she was 11. Early in her career, she was a brassiere buyer at Macy's and later helped turn around legendary cosmetics company Max Factor. Her husband died in 1983 and three years later, she bought Warnaco, a struggling \$425 million-a-year clothing company in a hostile buyout. It made Wachner the first woman to run a Fortune 500 company.

Since then, her company's share price has plunged from \$8.58 a year ago to just 39 cents on Friday. It did not trade on Monday and risks being delisted from the New York Stock Exchange, which would be a personal embarrassment since Wachner is an NYSE director.

Warnaco's decline has been hard financially for Wachner, who owns 25 percent of the company's shares, according to Thomson Financial/First Call's ShareWatch. She was dropped last year from Fortune magazine's list of most powerful female executives. In 1994, she made \$10 million, more than legendary Jack Welch earned at General Electric that year, but last year she earned \$2.8 million, the company said.

[SG Editorial Note: The quote above isn't verbatim, but it's adequately accurate.]

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