

Talent Scouts

Looking for Value? Some Savvy Investors Are Hot on 'Latin Cool' Argentine Designer Makes Some Major Alterations To Suit the New Boss Evaluating 'the Creatives'

By CRAIG TORRES
And TERI AGINS

Staff Reporters of THE WALL STREET JOURNAL

BUENOS AIRES — Juan Navarro is the king of the Latin American buyout game.

His Exxel Group has made hundreds of millions of dollars for blue-chip clients like Princeton University and the Ford Foundation by buying and restructuring dozens of the region's often-inefficient businesses.

Now, Mr. Navarro, who is seldom seen without a massive Cuban cigar, is testing his strategy on a new asset — and one that isn't made of bricks and mortar. Her name is Paula Cahen d'Anvers.

The 35-year-old Ms. Cahen d'Anvers is a red-hot Argentine fashion designer who wears black denim and midriff sweaters and loathes the buttoned-down corporate

world Exxel represents. Mr. Navarro, 46, bought control of her label for \$14 million last year and plans to turn it into an international powerhouse of style—provided he can get her to run it with Exxel's brand of rigor.

"There are no geniuses, no Mozart that would justify breaking our culture," says Mr. Navarro, whose own tastes run to \$3,000 Brioni pinstripe suits.

Ms. Cahen d'Anvers, whose spring line was modeled by Kate Moss, has her own word for Exxel's culture of high-pressure deal-making: "disgusting."

Mr. Navarro has never set foot in her office, but already he has engulfed her in a

whirlwind of change. He is relocating her sunny suburban studio here to one of the city's low-rent districts, and the circle of friends and family that make up her team could lose their jobs if they don't meet his fund's exacting performance standards. Thanks to Exxel's contacts, however, Ms. Cahen d'Anvers is in talks with cosmetics maker Estee Lauder Cos. about licensing her name for a fragrance. She also is launching a line of shoes and handbags and a new collection tailored for Brazil, where Exxel wants her to open at least four boutiques over the next year.

For all their differences, Mr. Navarro and Ms. Cahen d'Anvers have one thing in common: They are riding the crest of a new wave of wealth creation in Latin America. At a time when Puerto Rican singer Ricky Martin tops the U.S. pop charts and Brazilian soccer stars like Ronaldinho have become Nike poster boys, some of the same investors who plowed billions into the region's bank, utility and natural-resource privatizations are shifting their cash into fashion, music, sports and other businesses that define "Latin cool."

Indeed, the values to be had in Latin America these days, "are less often in factories and plants and more often in people and brands," says Paul Savoldelli, a Buenos Aires-based managing director of Hicks, Muse, Tate & Furst. His Dallas-based buyout firm, for example, recently bought the rights to the Corinthians, the big Sao Paulo, Brazil, soccer franchise. BankAmerica Corp. and a subsidiary of American International Group have teamed up with Argentine Venture Partners, another buyout fund, to invest in Vitamina, a local fashion house that recently hired Naomi Campbell to model its saucy fall line. And Merchant Bankers Asociados SA is launching a local mutual fund that aims to scoop up South American paintings before wealthy Americans and Europeans discover local artists.

Mr. Navarro is a pioneer of the latest investment wave, just as he was a leader earlier this decade when his fund invested millions in hospitals, electricity distributors and other basic industries in the region. The Uruguayan-born investor worked for Citicorp before striking out on his own to start Exxel Group in 1992 with \$46.7 million.

Today, the fund controls \$1.6 billion of investments spread across more than a dozen companies with total revenue of more than \$4 billion. "Juan learned his lessons pretty well," says former Citicorp colleague John Whitman, now a venture capitalist, who is married to New Jersey Gov. Christine Todd Whitman. Mr. Navarro was one of the first to bring most American management and financial methods to South America, he adds.

In recent years, Mr. Navarro has gobbled up supermarkets, South America's most famous ice-cream company and Argentina's largest music chain and most-celebrated gourmet-cookie maker. He also is building International Brand Group, a portfolio of luxury labels patterned after France's LVMH Moët-Hennessy Louis Vuitton.

In the global economy, brands travel on a two-way street. Mr. Navarro has secured the South American franchises for such well-known global fashion labels as Polo Ralph Lauren, Lacoste, and Kenzo. Meanwhile, he is snapping up promising local outfits such as Coniglio, Argentina's home-grown version of Baby Gap. Now, he faces the challenge of meshing Exxel's bottom-line-oriented culture with businesses whose value resides in the names and imaginations of their creators.

Ms. Cahen d'Anvers, whose name has become synonymous with Argentine chic, started her apparel line five years ago with one store and now has 19 outlets that are expected to generate about \$20 million in sales this year. Her trademark — a discreet embroidered crown — has become so sought-after by status-conscious Argentines that she has trouble selling clothes that don't include it. (The emblem recalls her aristocratic roots: She says her grandfather was a wayward French count who married an Argentine.)

Fabian Dwek, who owns several apparel franchises, including a Paula Cahen d'Anvers outlet, says the designer's styles combine the elegance of Argentina's country-club scene with the provocative styling of Buenos Aires women's daywear. He says some customers come into his store daily to buy her tight-fitting cotton tops that range from \$20 to \$40, or more expensive items, such as a \$165 wool twinset that features a tank top with a low-cut V-neck. He says the outlet is racking up sales of \$130,000 a month even though Argentina is in the grips of a deep recession.

Ms. Cahen d'Anvers started designing clothes 15 years ago as Argentina was emerging from the influence of a repressive military dictatorship. Her fashions



Paula Cahen d'Anvers



Juan Navarro

(over please)

were also political statements. Her first venture, a boutique called Via Vai, was known for lycra shirts and short shorts that fit like shrink wrap. To underscore the sensual message of her designs, Ms. Cahen d'Anvers and her partner posed nude in magazine ads and staged fashion shows where models paraded to rock music wearing miniskirts in the colors of the Argentine flag. A group of scandalized conservatives tried unsuccessfully to shut her store down, even as its sales soared.

In 1993, Ms. Cahen d'Anvers ended her romance with her Via Vai partner. Within days, she fell in love again — with the store's marketing consultant, Federico Alvarez Castillo, who now lives with her and is the father of her toddler daughter. To escape the resulting emotional triangle, she cashed out of the partnership.

She started over in business with her brother Juan in borrowed hall space in an old Buenos Aires office building, where she threw a board across two sawhorses to create a makeshift design room. Soon, she was able to open her first store under her own name in this city's prestigious Paseo Alcora shopping center.

When their talks began two years ago, Ms. Cahen d'Anvers initially balked at Mr. Navarro's offer, objecting to Exxel's insistence that she surrender rights to her name. But the dream of expanding her success proved too tempting; last November she sold Exxel a 65% stake in her business.

'A Great Error'

It didn't take long for her to feel Exxel's bear hug. Under orders, she is moving to IBG's headquarters here, a chilly converted warehouse in a trash-strewn commercial neighborhood. And she reports to Hugo Chiera, who formerly ran Exxel's MasterCard franchise. "To allow this business to be run by creatives would be a great error," says Mr. Chiera, who studies logic as a hobby and already has fired 10 managers at IBG's various labels.

Mr. Chiera is imposing stringent budgets on his charges, as well as evalua-

tion and bonus systems. "We are going to put their products on a financial statement and see how successful their collection really is," he says. "That is going to be a challenge for some people."

Asked if she has ever spoken to Mr. Chiera, Ms. Cahen d'Anvers smiles and says: "Maybe once, socially." Mr. Navarro lets the designer and Mr. Chiera communicate through go-betweens: her brother, Juan Cahen d'Anvers, 33, and Mr. Alvarez Castillo, 40.

Mr. Navarro has given both men key roles at IBG. He picked Mr. Cahen d'Anvers to head both IBG's Polo franchise and his sister's label, and he asked Mr. Alvarez Castillo, a marketing guru known for developing Motor Oil, a popular local line of designer jeans, to work for IBG full-time as a brand developer. Mr. Alvarez Castillo, who sports long black hair, a beard and a neck tattoo, was Mr. Navarro's ally in convincing Ms. Cahen d'Anvers and her brother that the Exxel deal would bring their company huge benefits.

Cashing In on Cachet

At Mr. Navarro's behest, Mr. Chiera and Ms. Cahen d'Anvers and her team are using the cachet of her name to sell an array of new products. Mr. Alvarez Castillo already has mockups of a petite rectangular bottle for the proposed new fragrance, and IBG executives say Ms. Cahen d'Anvers plans to meet with Estee Lauder about it soon in New York. William T. Lauder, an Estee Lauder director, declines to comment, but he says his company's strategy includes looking for lesser-known brands it could expand internationally.

Like many designers, Ms. Cahen d'Anvers had thought of expanding her label into accessories, such as shoes and handbags, where fashion houses like Gucci and Prada make most of their money. Exxel seized the idea and slapped a deadline on it. The designer is scheduled to open at least two new shoe and handbag

stores next month, even though her team still hasn't decided what to call them.

The new pressures sometimes have forced Ms. Cahen d'Anvers to leave the role of artist for that of administrator. She has hired a footwear designer, and in between huddling with her new assistant to churn out around 40 shoe styles, she has been shuttling back and forth to Brazil to find the right shoe manufacturer and to research Brazilian tastes in fashion.

Cutting Costs

Ms. Cahen d'Anvers also faces a financial challenge. Her label's costs must drop sharply if it is to compete with the high-volume clothing giants moving into South America, such as Zara, a Spanish retailer that just opened a vast store here next to one of Ms. Cahen d'Anvers outlets. Outsourcing is one of the ways Exxel is hoping to boost the line's competitiveness. Ms. Cahen d'Anvers is planning trips to Asia to inspect textile producers there and to Italy to meet directly with fabric suppliers.

Meanwhile, Mr. Navarro is trying to build synergies between his apparel brands and Exxel's other businesses. Mr. Alvarez Castillo says Exxel will roll out at least 10 new brands in its supermarkets, ranging from jeans and athletic wear to children's clothing. He also is developing CDs featuring Celtic flutes that aim to capture the spirit of Ms. Cahen d'Anvers's label. Exxel, which owns a private postal service, also is exploring catalog sales.

Mr. Navarro wants Ms. Cahen d'Anvers to exchange her remaining shares in her company for a stake in IBG. Exxel envisions her in an executive role where she would participate in a committee that oversees all the brands, in much the same way that Gucci's Tom Ford has become that company's global brand manager.

But Ms. Cahen d'Anvers, who says she is working flat out just to meet Exxel's short-term demands, wavers when asked about the stock trade and the new position: "I feel a lot of pressure to do things well because Exxel bet on us," she says. But, she adds, "I feel less freedom."