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MARKETPLACE

Italian Fashion House Plans to Go Public in Style

E-Commerce Company Yoox, Rare Success in Tough Business, Moves Toward IPO; 'We're Not Scared of Anything'

BY CHRISTINA PASSARIELLO

Yoox SpA, the Italian e-commerce fashion company, Wednesday took the first step toward listing on the Milan stock market—a rare success in an Italian fashion industry littered with bankrupt and cash-drained victims of the economic crisis.

The company informed Italy's market regulator, Consob, of its intention to do an initial public offering by the end of the year, making it the only Italian fashion player in more than a year to follow through on plans to list. Prada and Ferragamo both pulled the plug on their much-anticipated listings at the end of last year after the market slumped, and neither has revived those plans.

"We're not scared of anything," says founder and Chief Executive Federico Marchetti, who owns a minority stake in Yoox. "Yoox has a lot of untapped potential. We like to have a first-mover advantage."

After presenting its IPO project to the stock-market regulator, Yoox must await Consob's approval before going ahead with the marketing and the listing by the end of the year. The process could still be canceled if market conditions worsen.

When it comes to the stock market, Yoox has more in common with e-commerce giants such as **Amazon.com** Inc. than with fashion houses, Mr. Marchetti says. Founded nine years ago, Yoox operates two Web sites selling labels such as Armani and Marc Jacobs, as well as running online stores for more than a dozen fashion houses including Emporio Armani and Valentino. While Yoox's valuation has yet to be set, other e-commerce players trade at 12 to 25 times operating profit.

"The difference between us and fashion companies is really simple: We're doing fantastically well and some fashion companies this year are not going to post good results. We've not been hit by the recession," Mr. Marchetti says.

On Tuesday, Yoox reported that first-half sales rose 47% to €68.3 million ($99 million) and operating profit more than doubled to €4.2 million.

Yoox's planned listing will consist of a capital increase as well as some of the venture-capital funds, which own 75% of the company, selling their stakes. With the extra cash from the IPO, Yoox could expand its geographic reach beyond Europe, North America and Japan to emerging markets such as China.

The proposed listing is a source of optimism for investors, but overall, high-end fashion is still suffering from consumers slamming their purses shut and department stores canceling orders. **Giorgio Armani** SpA said in its annual report, released this month, that it expects profit to fall again this year after dropping 41% in 2008.

Still, as fashion houses scale back their store expansion plans, they are turning to the Internet for growth—and that is where Yoox comes in. For less than the cost of opening a traditional store, Yoox sets up and operates a brand's online boutique, selling to shoppers all over the world.

Fashion sales online haven't been hit by the economic crisis because high-speed Internet connections make it efficient to shop and entertain consumers, and customer service is excellent, Mr. Marchetti says.

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'The difference between us and fashion companies is really simple: We're doing fantastically well and some fashion companies this year are not going to post good results,' says Yoox founder Federico Marchetti, above.

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