

# Los Angeles Times

cc

Tuesday, January 10, 2017

latimes.com/news

## American Apparel is sold at auction to Canada's Gildan Activewear

By SHAN LI  
TIMES STAFF WRITER

For years, American Apparel proudly touted its “Made in Los Angeles” motto. With its sale Tuesday to a Canadian sportswear firm, neither American Apparel’s name nor its motto will ring so true.

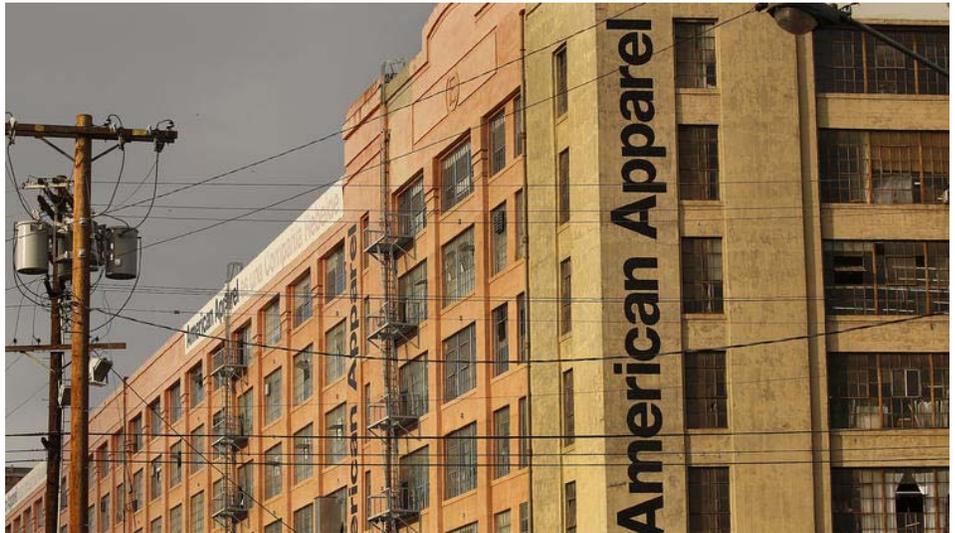
Gildan Activewear agreed to pay \$88 million in a winning auction bid for the American Apparel brand and some manufacturing equipment, the company said Tuesday. The deal for American Apparel, which filed for bankruptcy in November for the second time, still requires approval from a Delaware bankruptcy court judge Thursday.

Gildan did not buy any of the company’s 110 retail stores in the U.S. Those stores are likely to close within a few months, analysts said.

Glenn Chamandy, chief executive of Gildan, said that American Apparel “will be a strong complementary addition” to its portfolio.

“We see strong potential to grow American Apparel sales,” he said in a statement. There is potential “to drive further market share penetration in the fashion basics segment” both in North America and internationally.

Gildan may keep some warehouse and manufacturing operations in Los Angeles, but analysts said that the vast majority of American Apparel factory workers in the Southland will be out of a job. In December, American Apparel notified nearly 3,500 Southland employees that they may lose their jobs. The message went to 332 workers in Garden Grove, 959 workers in South Gate and 2,166 workers at the company’s sprawling headquarters in downtown Los Angeles.



Gildan Activewear says it agreed to pay \$88 million for the American Apparel brand and some manufacturing equipment. (Al Seib / Los Angeles Times)

**“It’s a very sad end of the road,” said Lloyd Greif, chief executive of Los Angeles investment banking firm Greif & Co. “It’s been a long, painful journey.”**

Gildan, which originally bid \$66 million, upped its bid by a third after competitors expressed interest. Brand licensing firm Authentic Brands Group was in talks with cheap-chic retailer Forever 21 to partner on a deal, but ultimately the two sides couldn’t see eye-to-eye, according to a person familiar with the matter who wasn’t authorized to speak publicly. Authentic was interested in the brand, while Forever 21 wanted some stores and manufacturing facilities.

Gildan, which said it will buy American Apparel’s inventory in a separate deal, will now move most, if not all, production to its manufacturing hubs in Central America and the Caribbean, analysts said. With mini-

mum wage going up in the state, a company like Gildan would view manufacturing in L.A. as more of a liability than an asset.

Even with a change of ownership, industry watchers say the future of American Apparel is in doubt. Since ousting founder and Chief Executive Dov Charney in 2014, the company has been hit with one crisis after another. Constant turmoil and poor design has hurt the brand in the eyes of its young consumers.

**With its stores soon to close, American Apparel will have to rely on e-commerce and selling in other retailers. Ultimately, the company’s products will likely be sold at a low-cost chain such as Target, Greif said.**

**“American Apparel is headed to the discount bin,” he said. “What was once considered to be an upscale brand doesn’t have that cachet anymore.”**