

WWD TEXTILE SPOTLIGHT

Italian Textile, Fashion Supply Chain Found Its Sweet Spot in M&A and Aggregation

The wave of acquisitions and other deals in the supply chain are being driven by industrial poles, fashion brands and small suppliers alike.

BY MARTINO CARRERA

MILAN – The wave of consolidation in Italy's supply chain is not showing any signs of a slowdown.

At a time of uncertainty and volatility marked by the swift downturn in luxury consumption seen since the last quarter of 2023, smaller suppliers in the downstream end of the fashion manufacturing pipeline are at risk of losing ground.

Small and medium-size companies make up the majority of Italy's 62,000 fashion firms, according to Confindustria Moda, forming the backbone of Made in Italy production, which entrepreneurs are increasingly willing to protect via M&A activity, partnerships and deals to reach common goals.

The trend, which emerged in the immediate post-pandemic years, has altered the landscape of the country's pipeline. It is now less reliant on tiny, family-owned businesses with little managerial and financial resources to deal with luxury juggernauts, their primary clients, as well as to face the challenges ahead, including policymakers' mandates on enhancing the sustainability practices of the fashion and textile sectors.

"The supply chain's control operated by big groups – when handled with transparency – represents a strong advantage because it tends to get rid of bad practices sometimes rooted [in the industry]," said Luca Sburlati, chief executive officer of Pattern, an Italian manufacturing pole. "Clients and big brands should consider a fair reward of the manufacturing pipeline and [better] allocation of profits to avoid the 'price war' in the supply chain that comes to the detriment of quality."

Last month in its latest M&A activity, the publicly listed Pattern, which operates in the prototyping and production of fashion collections for a range of luxury brands, bought out the storied knitwear specialist Umbria Verde Mattioli for 20 million euros, bulking up its division in that product category, which already comprises the SMT, Zanni and Nuova Nicolo companies.

Pattern joins other players active in the same space. In more ways than one, Italy's fashion system has proven to be inventive, with conglomerates that group supplier companies under a single umbrella being formed over the past 10 years.

In addition to Pattern, other examples include Gruppo Florence, a 670-million-euro group currently comprising 26 manufacturers, and Holding Industriale, founded in 2008 by Claudio Rovere with a 12-enterprise portfolio and sales of 350 million euros in 2023.

MinervaHub, established in 2021 by Matteo Marzotto, includes more than 10 companies that operate in the fashion-luxury manufacturing space for the design, sportswear, cosmetics, jewelry and automotive sectors. In April last year, investment holding San Quirico SpA acquired a 75 percent stake in MinervaHub, with Marzotto remaining a minority stakeholder and maintaining his role of president.

Smaller scale players are also rushing to protect their suppliers to avoid losing knowhow and skills. For instance, Nice Footwear – a Padua, Italy-based company that specializes in the design, development, production and distribution of leisure and sports footwear – has become an aggregator of sorts since

Inside the Scandicci, Italy, plant of Idee Partners, a Pattern company.



2021. It has acquired 80 percent of Favaro Manifattura Calzaturiera and Emmegi Srl, both footwear producers, and currently generates sales of 46.9 million euros.

"Our ambition is to continue our M&A targets to create a luxury, Made in Italy pole. Our goal is to be an aggregator of small artisanal workshops of excellence," said CEO Bruno Conterno, highlighting that the founders have always remained involved in the company's management, operations and ownership. "We like to describe [the deals] as partnerships, as we believe in the strength of networking with other enterprises."

In neighboring Treviso, Italy, Eurmoda Group, which produces and supplies accessories for high-end fashion brands, last year acquired 100 percent of Macuz Srl, a storied Florentine company active in the production of high-quality metal accessories. In October 2019, private equity firm Mindful Capital Partners took control of Eurmoda, creating the holding company Margot SpA, with the aim to build a platform of excellence in the sector throughout Italy.

Over in Como, silk specialists Ratti and Mantero joined forces in May to each acquire a 20 percent stake in dyeing and finishing company Color Como for an undisclosed sum. Commenting on the deal, Franco Mantero, president of the namesake company, said that he was "satisfied to have been able to sign the deal with Ratti, because some topics are important for everybody regardless of competition."

Polled by WWD, several entrepreneurs behind the deals highlighted how advancements in ESG, a driving factor in today's competitive landscape, are being significantly fueled within manufacturing poles.

"As majority stakeholders our goal is to value the artisans' skills, providing a range of services that smaller companies could hardly offer on their own," said Conterno, citing technological advancement, sustainability and digitalization, among others issues the group tackles on behalf of

its firms. Ultimately, he said, partnerships are aimed at enhancing competitiveness.

Through its business configuration, Pattern – like many other conglomerates – has created local, vertically integrated pipelines made up of companies based within a few miles of one another. This aligns with an ongoing trend for near- or re-shoring of production capabilities across players in the premium and luxury fashion spaces.

To this end, apparel interlinings manufacturer Chargeurs PCC – part of France-based Chargeurs, a holding company publicly listed on the Paris Stock Exchange – last month signed a binding offer for two strategic business units of Swiss company Cilander. These are its shirt-intended textile business, which includes the Alumo, Eugster & Huber, Swiss Ghutra and Brennet brands, and a factory located in Lützelflüh, Switzerland, specializing in high-end textile finishing processes.

"We are increasingly structured with an organization geared at local for local and near-shoring [manufacturing]... This allows us to have the maximum control on the supply chain, provide our clients with customized services without having to rely on a single [geographic] manufacturing hub, which we saw could result in production halts due to geopolitical difficulties," said Gianluca Tanzi, CEO and president of Chargeur PCC.

The consensus is that opening up to industrial, or private equity investments is increasingly becoming a lever to success.

According to Lincoln Germanetti, chairman at Filatura di Tollegno 1900, which in 2022 sold its wool spinning businesses in Italy and Poland to Indorama Ventures Public Company Ltd., a global sustainable chemical company, "the choice we made has offered us solidity and support, allowing us to continue our innovation journey with confidence.

The Nice Footwear headquarters in Padua, Italy.



Additionally, the partnership has opened new growth perspectives and allowed us to revise our development strategies based on new shared paradigms."

So, too, believes Fabio Campana, CEO of Lanificio dell'Olivo which is part of holding company Ethica Global Investments' Filidarte Group, established in 2020 to promote the excellence and know-how of the Italian spinning industry. The venture comprises Manifattura Sesia, whose classic, luxury-intended offering is complementary to Lanificio dell'Olivo's.

Fashion brands, too, have increasingly snatched up stakes in their suppliers – for example, Brunello Cucinelli and Chanel teamed on a deal to acquire a minority interest in yarnmaker Cariaggi, while Ermenegildo Zegna Group and Prada Group have twice joined forces to acquire a majority stake in Filati Biagioli Modesto SpA in 2021, and in 2023 to buy a 15 percent stake each in knitwear and fine yarns specialist Luigi Fedeli e Figlio Srl, which marked its 90th anniversary at Pitti Uomo this month.

Earlier this year, Missoni took over Tricotex Srl, a leading manufacturer of high-end textiles specializing in Raschel knit fabrics – a Missoni signature – which is based in Gallarate, in the outskirts of Milan.