

Polo shops to close, firm has new focus

THE ASSOCIATED PRESS

NEW YORK — Polo Ralph Lauren Corp. plans to close all 12 of its Polo Jeans Co. stores and shutter 11 of its Club Monaco boutiques in a bid to retool the retail side of its business.

The fashion maker said Thursday that the moves are part of its increased focus on selling luxury products in the stores it owns.

The changes "are expected to enhance our ability to continue to grow Polo as a premier global luxury company with greater efficiencies," company President Roger Farah said, in a written statement.

Analysts said the store closings point to the company's efforts to be more disciplined its growth, rather than a weakness in its business.

"It's not really a change in strategy. I would call it much more of a focus on profitability," said Margaret Mager, an analyst with Goldman Sachs.

Investors were pleased with the moves. The company's shares closed Thursday up \$2.88, or nearly 18 percent, to \$19.00 on the New York Stock Exchange.

Most of the Club Monaco closings will come at the chain's 56 stores in Canada. But the retailer has plans to open new Club Monaco stores in Los Angeles, New York and South Miami Beach. It currently has 15 U.S. stores.

The New York-based company said it also plans to expand some of its 28 Polo Ralph Lauren stores and open new ones, with larger inventories of luxury accessories and other higher-priced items. Polo Jeans will continue to be sold in department stores.

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The changes, resulting in an after-tax charge of \$110 million to \$115 million in the quarter that ended September 30, flesh out the company's broader talk of a restructuring earlier this year.

Getting rid of the Polo Jeans stores makes sense because that product line is made by a licensee.

Polo Ralph Lauren must buy the products from the licensee, which limits the profit it can turn in its own stores, analysts said. The jeans continue to sell well, they said.

The Club Monaco closings, meanwhile, demonstrate Polo's reshaping of the specialty chain it purchased last year for \$52.5 million and the assumption of debt.

The chain, founded in Canada, began as a retailer of basic clothing. But Polo wants to expand it in the United States, offering higher-priced European-style clothing, analysts said.

"It's a different type of business than it was prior to when Polo bought it," said Dennis Rosenberg, an analyst with Credit Suisse First Boston.

Excluding the charges for restructuring, Polo Ralph Lauren said it expects to report second-quarter earnings in line with earlier expectations of 50 cents a share.

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