

Profile of Iconix Brand Group: a unique business model for managing brands

<https://marketpublishers.com/r/P067D6CA263EN.html>

Date: July 2009

Pages: 19

Price: US\$ 520.00 (Single User License)

ID: P067D6CA263EN

Abstracts

Iconix Brand Group has grown rapidly since it began a transformation from a traditional clothing manufacturing firm to a brand management business. Speedy growth has come thanks to an aggressive strategy of brand acquisition and international expansion.

The brand management model which Iconix employs is unique. It allows the company to concentrate on value-adding services of licensing and marketing, leaving responsibility for design, production, inventory management, distribution and retail to the licensee. This model brings about many advantages. In particular, the licence agreements into which Iconix enters include guaranteed minimum levels of royalty payments. Also, the model eliminates the need for inventories, and requires minimal amounts of working capital.

From a financial perspective, these characteristics provide the company with plenty of free cash flow which it has reinvested in growth via the acquisition of more brands or international expansion of its existing portfolio. In particular, the guaranteed levels of royalty payments provide the company with an unusually low level of risk. Reflecting this, the company's net income doubled in 2006 and 2007 and, despite the global slowdown, it still grew by a respectable 10% in 2008.

For 2009 the company has forecast that revenues will remain more or less static, at US\$210 mn-US\$220 mn, due to the challenging economic environment. On the other hand, executives have raised their expectations of earnings per share (EPS) for the year, which is a promising sign.

In the long term, growth is expected to continue through further acquisitions, international expansion and product diversification for each of its brands.

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