

BUSINESS DAY

Buyout Firm Said to Be in Deal to Unite No. 2 and No. 3 Chains in Premium Ice Cream

By MICHAEL BARBARO FEB. 15, 2007

The premium ice cream wars are heating up.

A New York investment firm is buying Marble Slab Creamery and MaggieMoo's International, the nation's second- and third-biggest high-end ice cream chains, in a bid to overtake the No. 1 player, Cold Stone Creamery, according to people involved with the deal.

The purchases, which are expected to be announced today, could shake up the young industry, which in the last decade has transformed ice cream from a simple and relatively inexpensive pleasure into a luxury product, blended by hand on marble slabs with mix-ins, like crumbled cookies and fruit, often at a cost of \$5 or more a scoop.

The chains, with more than 520 franchise locations between them and combined sales of about \$140 million, are expected to be bought for \$37 million in cash and stock.

The buyer, NexCen Brands, is only six months old, but it has already made its presence known on Wall Street, buying the footwear chain Athlete's Foot and the

designer clothing label Bill Blass.

Unlike traditional buyout firms, NexCen says it intends to keep its acquisitions, rather than quickly spin them off, creating a conglomerate whose disparate divisions in food, fashion, furniture and sports build off one another.

The idea is for Bill Blass designers to eventually make athletic clothing to be sold at Athlete's Foot, and for MaggieMoo's to use executives at Athlete's Foot to pitch franchises to prospective owners in the Middle East.

Robert W. D'Loren, the chief executive of NexCen Brands, calls it a "think tank" approach to building brands that cuts across industries. At companies like Iconix and UCC Capital, Mr. D'Loren pioneered the business of buying and expanding strong consumer brands that did not own their manufacturing plants or stores, minimizing investors' risk.

Most of NexCen's revenue comes from royalties — from franchisees, in the case of Athlete's Foot, or licensees, in the case of Bill Blass.

MaggieMoo's, based in Columbia, Md., and Marble Slab, based in Houston, would be Mr. D'Loren's first purchases in what is known as the quick-service restaurant industry, but in an interview he said they were unlikely to be the last.

The goal with MaggieMoo's and Marble Slab "is to buy the No. 2 and No. 3 chains and become the No. 1 on the back of the Athlete's Foot."

NexCen will purchase MaggieMoo's for \$10.6 million in cash and \$5.5 million in NexCen stock. To buy Marble Slab, the company will pay \$16 million in cash and \$5 million in seller notes, payable in either cash or stock.

Both ice cream chains have grown rapidly in the last five years, riding a wave of consumer interest in premium versions of everyday products like coffee, candles and even air fresheners in a business model patterned after Starbucks, which found success selling expensive coffee.

MaggieMoo's opened its first store in 1989 and has more than 150 franchises under development. Marble Slab opened its first store in 1983 and has 157 stores

under development.

Cold Stone Creamery, founded in 1988, has 1,400 stores worldwide.

It is unclear how big the premium ice cream market can become. Sales at Cold Stone stores open at least a year fell for the first time in 2005, by 6.6 percent, and analysts speculated the market might be reaching a saturation point.

Mr. D'Loren said he planned to expand the chains on the West Coast and abroad, relying on the franchise network developed by Athlete's Foot.

Owners of an Athlete's Foot franchise will be offered a chance to open a Maggie Moo's or a Marble Slab, he said. "Our plan is to take both of these brands and export them around the world," Mr. D'Loren said.

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