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Business

Posted on Thu, Jul. 10, 2003

PIONEER PRESS

Nike to acquire Converse

BY JUSTIN POPE
Associated Press

BOSTON — Chuck Taylor basketball shoes are getting a Nike swoosh.

Nike Inc. announced Wednesday it had agreed to buy Converse Inc., which dominated the basketball shoe market from the 1920s to the 1970s and is best known for its famed "Chuck Taylor All Star" sneakers, for \$305 million, plus the assumption of certain liabilities.

By the 1980s, Beaverton, Ore.-based Nike had overtaken Converse's rubber-toed product as the dominant basketball shoe. Converse filed for bankruptcy in January 2001, shifting production from Lumberton, N.C., to Asia. Later that year, the North Andover, Mass.-based company was bought by private investors who have tried to revive the brand.

Last year, Nike had \$10.7 billion in revenue, while Converse reported \$205 million.

Robert Toomey, an analyst for RBC Dain Rauscher in Seattle, said Nike was probably looking to cash in on the popularity of "retro" shoes and Converse's close brand association with basketball, particularly for Americans who grew up in the 1950s and '60s.

Earlier this year, New Balance relaunched its PF Flyers canvas sneakers, jumping on the retro bandwagon.

"Retro styling has come back so strong, a lot stronger than I would have expected," Toomey said.

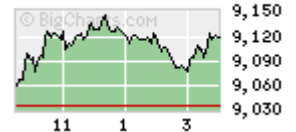
When asked if Nike would pay cash, Nike spokeswoman Joani Komlos said the payment process would not be revealed until after the deal is closed.

"Converse is one of the strongest footwear brands in the world with great heritage and a long history of success," said Tom Clarke, Nike's president of new business ventures.

Converse invented basketball shoes in the early days of the game, and "Chucks" got their name from Chuck Taylor, a Converse salesman who traveled the country from the 1920s until the 1960s,

Financial Markets

Dow Jones Industrial Avg.



DJIA	9,119.59	▲ 83.55
NASDAQ	1,733.93	▲ 18.07
S&P 500	998.14	▲ 9.44
TGT	38.43	▲ 0.69
MMM	129.24	▲ 0.34
NWAC	10.82	▲ 0.09

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evangelizing the game and selling shoes.

But by the 1970s it was crippled by internal problems — including the disastrous acquisition of apparel-maker ApexOne.

There was also bad luck. While Nike signed Michael Jordan, who became the NBA's greatest star, Converse signed Latrell Sprewell, who once tried to choke his coach during a practice and was dropped as an endorser.

During the 1980s, Chuck Taylor shoes, which the company still sells, enjoyed a renaissance. But this time the customers were grunge rockers and baby boomers, not basketball players. Its "Grandma-ma" ads with basketball player Larry Johnson were a hit, but the sneakers continued to struggle.


Apparel-industry veterans Marsden Cason and William Simon bought the company out of bankruptcy and tried to rebuild Converse's reputation as a maker of top-of-the-line basketball shoes.

Converse did expand its brands with the Jack Purcell and One Star brands, and the company has made some progress. The year before bankruptcy, sales were \$145 million.

The deal, which remains subject to regulatory approval, would give Converse the deep-pocketed backing and marketing depth to push its brand worldwide, while offering Nike a fashion niche it may have been missing.

Toomey said the deal was the latest "selective acquisition" for Nike, which has expanded its portfolio to include Cole Haan, Bauer and Hurley International, a teen line.

"They're always on the lookout for building their market share and strengthening their stable of products and brands," Toomey said.



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