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GROWTH STRATEGIES

Nudy Patooty seeks Dragons' help to keep clothes fresh and presentable in the work world

[Mary Teresa Bitti](#) | March 6, 2017 2:46 PM ET



CBC *Michelle Shimelt pitches the Dragons on her Nudy Patooty undergarment line.*

Each week, Financial Post contributor Mary Teresa Bitti revisits the previous week's episode of CBC's Dragons' Den. We capture what the cameras didn't and in the process provide a case study for readers, zeroing in on what pitchers and dragons were thinking and what the challenges for the deal are going forward.

The pitch

Michelle Shemilt, founder of Toronto-based organic bamboo women's undershirt maker Nudy Patooty, was an institutional equity trader on Bay Street when she hit on the idea for her business. "One day I realized I wasn't wearing my favourite clothes, because of embarrassing perspiration stains and the high cost of dry cleaning. When I looked to the market for something I could wear under my clothes to protect them, there was nothing," said Shemilt. "Tank tops and camisoles don't do anything to help keep your clothes clean longer. Armpit pads are uncomfortable and can't be worn under lightweight fabrics."

The more she spoke with female colleagues, clients and friends, the more she saw opportunity. During a trip to New York where she was interviewing for a new role with a hedge fund, she decided to find out what it would take to build her own business.

She set up appointments with 20 local manufacturers she found through a Google search. "They thought I was crazy. I didn't have a company, a sample or pattern," said Shemilt. "A woman at one of these companies offered to work with me. I ended up doing my first prototype and production run through that manufacturer."

In 2013, Shemilt launched a crowdfunding campaign and raised \$35,000, proving demand. In 2014 she launched the e-commerce site and focused on customer feedback to refine the product. That led to the **development of Nudy Patooty's high-performance fabric Sweat-Secret Technology**. Built into the underarms of its undershirts, it promises to wick day-to-day sweat and moisture from the body to prevent sweat stains. Shemilt has patented the technology and moved all production to Toronto from New York.

In 2015, she started selling wholesale, focusing largely on independent lingerie and ready-to-wear stores. By the time she entered the Den, Nudy Patooty was being carried in 70 stores, primarily in Ontario, with a few in upstate New York and Massachusetts. The products cost about \$12.50 to make, wholesale between \$23 and \$29 and retail from \$48 to \$60.

The deal

Shemilt asked for \$100,000 in exchange for a 20% equity stake, valuing the business at \$500,000. At that time, sales were on track to hit \$190,000 for 2016. (That target has been met.) She received three offers and accepted an on-air deal from Manjit Minhas who asked for a 25% equity stake. Those negotiations are still in progress. In the meantime, Shemilt has been accepted into the Joe Fresh Centre for Fashion Innovation, a **fashion incubator linked to Ryerson's DMZ, and is working toward her goal of landing larger retail accounts in Canada and the U.S.** Nudy Patooty is now in 85 stores — accounts Shemilt landed by knocking on doors, armed with a garment bag carrying her line of products. She thinks The Shopping Channel and QVC would

be great distribution channels, allowing her to educate potential consumers about the product. “Right now our online customers are primarily in the U.S. We’re interested to see how Dragons’ Den might help us introduce Nudy Patooty to more Canadian customers. Our return rate online is less than two per cent. Customers love the product. It’s a matter of educating people that we’re out there and what we do because it’s not a category that currently exists.”

A dragon’s point of view

Manjit Minhas was travelling at the time of writing but did provide this comment: “She’s a great girl and I’ve met with with her twice. I’m hoping to close the deal and help her with retailing and marketing.”

An expert’s opinion

Brad Cherniak, partner at Toronto-based business advisory firm Sapien Capital Partners, has a few concerns. “How do you build buzz about a product that is designed to be invisible? It’s not going to be terribly social. There is no viral component. There also seems to be confusion as to whether this is a consumer or a utility product. On her site she has gift sets, but who are you going to gift this to? It’s like gifting people with breath mints or deodorant. To me, the crux of this is the patent. It suggests she would do well to license the technology to an apparel company with a broad line of products, who can bake it into their own designs. If the patent can be worked around [by a competitor], then she has a problem. If it’s strong, she should try to license it.”