



# Fashion Industry Snapshot

**NIBC Global Competition | First Round**

# Industry Overview

## Luxury Fashion Industry Overview

### Revenue by Major Segment

Accessories	\$118bn
Apparel	\$75bn
Beauty	\$52bn
Hard Luxury	\$32bn
Other	\$12bn
<b>Total revenue</b>	<b>\$289bn</b>
5-year revenue growth	4.7%

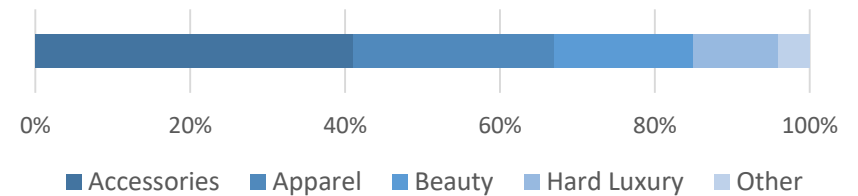
### Industry Characteristics

Total Debt/EBITDA	2.9x
EBITDA/Interest Expense	8.3x
Average EBITDA margin	7.7%
Quick Ratio	1.4x
EV/Revenue	2.0x
EV/EBITDA	12.8x

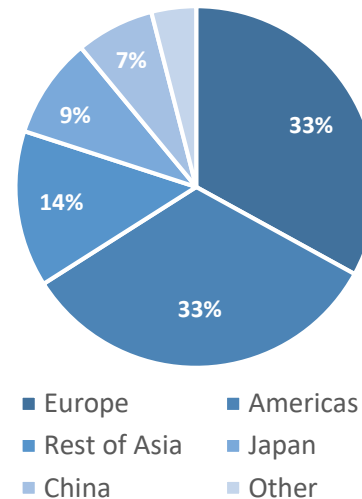
### Global Industry

Total revenue 3-year CAGR	8.1%
Forecasted 5-year revenue growth	4.4%

### Industry by Segment



### Industry by Region



### Distribution Channels



# Industry Trends



## Trends

- **Millennials:** The industry is transitioning into a new market where Millennials are contributing to significant portion of sales.
- **Digital Media:** Marketing through influencers on social media is becoming an increasingly dominant arena for brand development
- **Chinese Consumer:** Luxury products are in high demand in the Asian markets with mixed impacts from the macroeconomic

## Competition

- **Brand Acquisition:** Quality companies with attractive brands are in strong demand for conglomerates and financial buyers
- **Market Share:** Potential to expand market share and monopolize profits via acquisition

## Regional Characteristics

- **Europe:** Heart of the luxury fashion, accessories, and jewelry origination markets, and home to major conglomerates and brands
- **North America:** Less history and symbolism in relation to branding but strong contender via private equity investments
- **Asia / International:** Strong consumer demand but limited home-grown and owned luxury brands

## Key Players (% Luxury Goods Market, 2017)

- **LVMH** (10.6% - European luxury conglomerate)
- **Kering** (4.1% - European luxury conglomerate)
- **Luxottica** (0.02% - luxury accessories)
- **Tapestry** (0.01% - American luxury conglomerate)
- **Michael Kors** (0.01% - American luxury conglomerate)

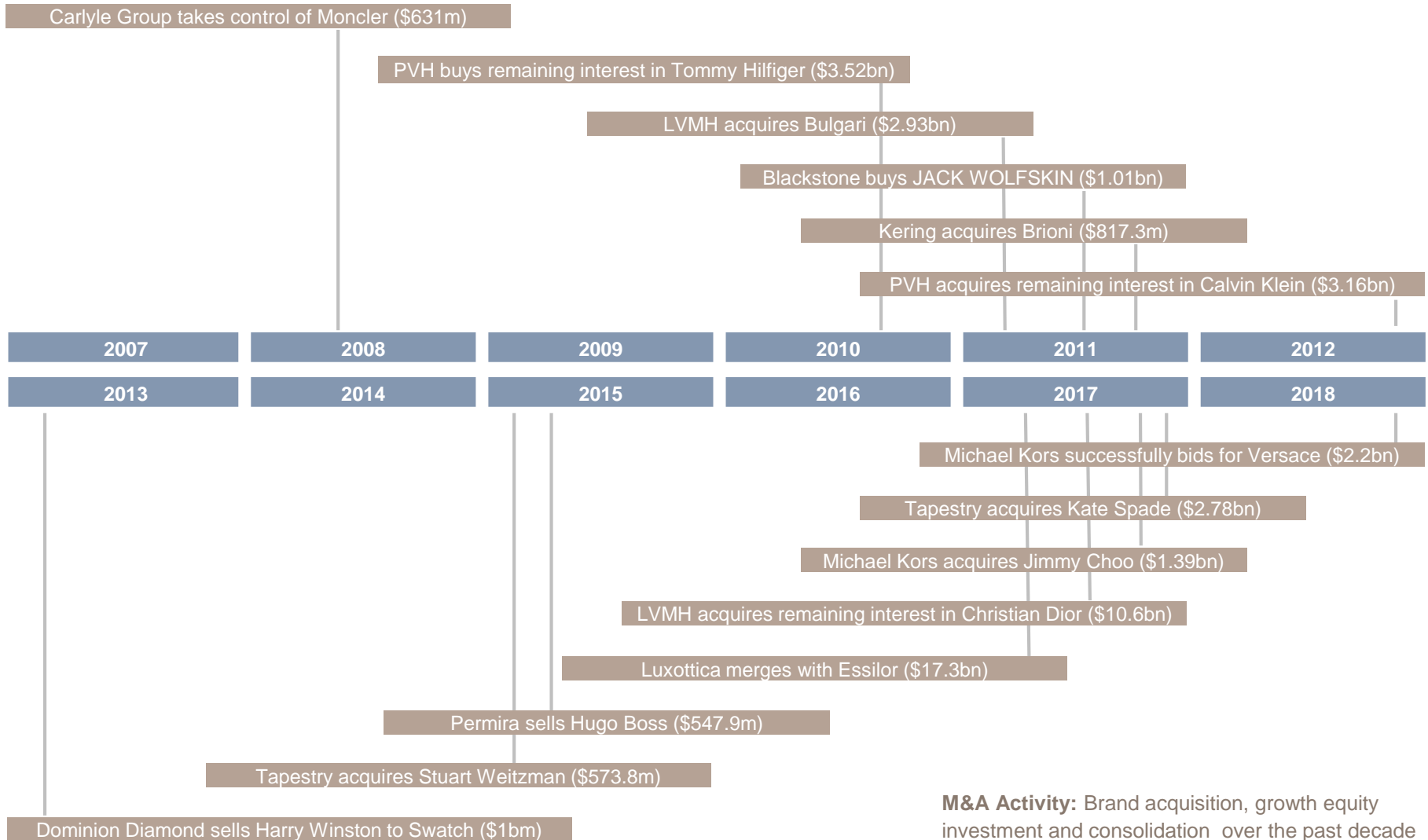


# Key Players

## 5-Year Share Price Performance and Notable Events

	<b>tapestry</b>	<b>LVMH</b>	<b>KERING</b> 	 MICHAEL KORS	 RALPH LAUREN
Genre	High-End	Luxury	Luxury	Luxury, High-End, Upscale	Upscale
Core Product Focus	Modern luxury and lifestyle	Fully diversified luxury products	Fully diversified luxury products	Accessories, footwear and apparel	Premium lifestyle products
Key Brands	Coach, Kate Spade, Stuart Weitzman	Louis Vuitton, Dior, Celine, Marc Jacobs, Givenchy, Fendi, etc	Gucci, Bottega Veneta, Brioni, Yves Saint Laurent, etc	Michael Kors, Jimmy Choo, Versace	Ralph Lauren, Club Monaco
Geography	North America (59%) Asia (24%) Other (17%)	North America (23%) Europe (28%) Asia (37%) Other (12%)	North America (19%) Europe (35%) Asia (40%) Other (6%)	North America (64%) Europe (23%) Asia (13%)	North America (56%) Europe (40%) Asia (3%) Other (1%)
CEO	Victor Luis	Bernard Arnault	François-Henri Pinault	John Idol	Patrice Louvet
Headquarters	New York City	Paris	Paris	New York City	New York City
Recent Events	Recently acquired Kate Spade	Bought remaining interest in Christian Dior brand	Sold Puma back to original shareholders	Recently acquired Versace	Closed flagship store on Fifth Avenue, New York City

# Corporate Finance Activity



# Recent Brand Acquisitions

Tapestry	LVMH	Kering
 kate spade <small>NEW YORK</small> STUART WEITZMAN	   Dior <b>CELINE</b>	<b>SAINT LAURENT</b> <small>PARIS</small> GUCCI  <b>BOTTEGA</b> <b>VENETA</b>

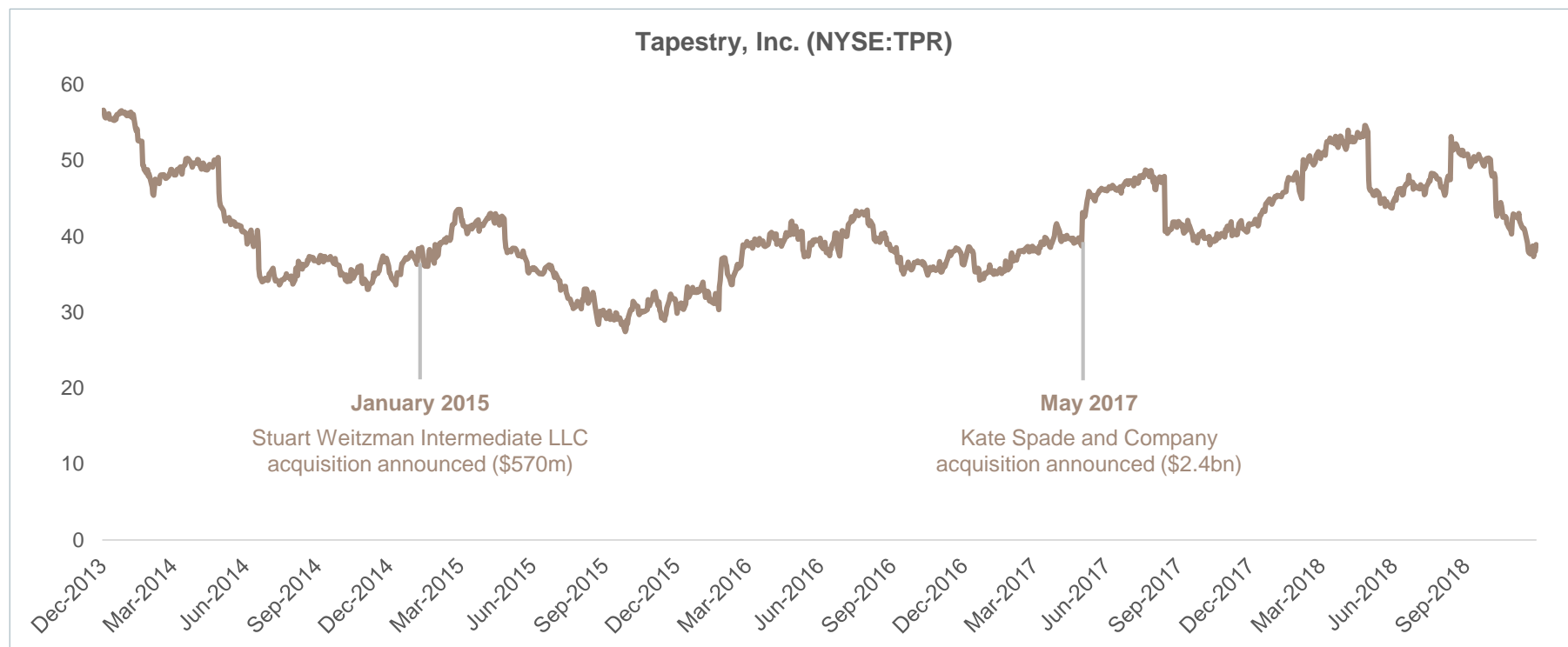
Michael Kors	Ralph Lauren	PVH
  MICHAEL KORS <b>JIMMY CHOO</b>	<b>CLUB MONACO</b>  <b>RALPH LAUREN</b>	<b>CALVIN KLEIN</b> <b>TOMMY HILFINGER</b> <b>IZOD</b>

## Recent Transactions in Luxury Segment

Tapestry acquires Kate Spade (\$2.78bn)	Michael Kors successfully bids for Versace (\$2.2bn)
LVMH acquires remaining interest in Christian Dior (\$10.6bn)	Michael Kors acquires Jimmy Choo (\$1.39bn)

# Tapestry Share Price Performance

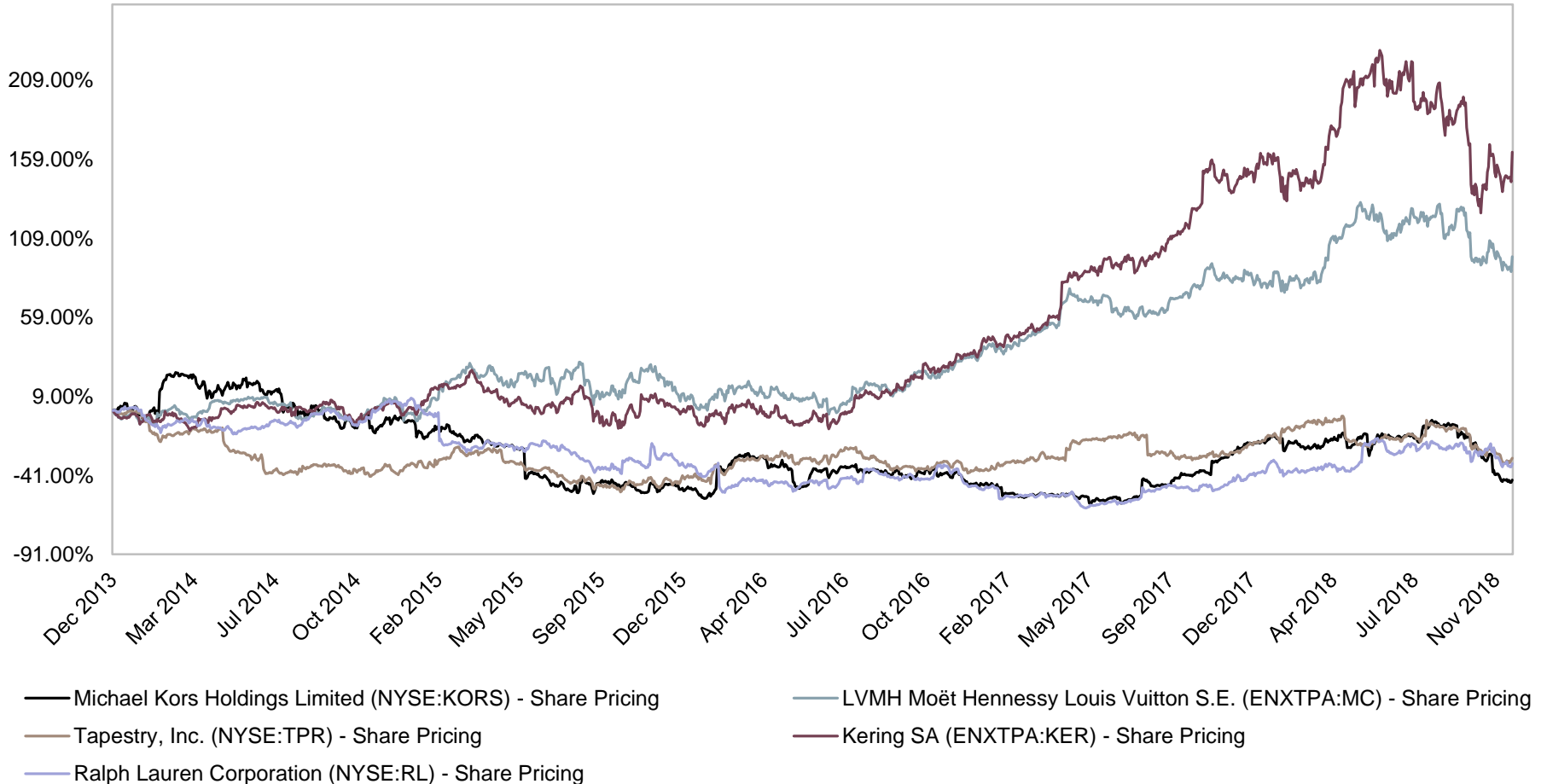
## 5-Year Share Price Performance and Notable Events



- **January 2015** – Tapestry announced \$570m cash agreement to acquire Stuart Weitzman Intermediate LLC
- **May 2017** – Tapestry announced \$2.4bn all cash tender offer to acquire Kate Spade & Company
- **Oct 2017** – Rebrands company from Coach to Tapestry to reflect diversified brand portfolio resulting from M&A

# Luxury Segment Share Price Performance

5-Year Share Price of Key Competitors



Source: Capital IQ



# Company Profile: Tapestry

Tapestry, Inc

## tapestry

### History

- The company's namesake brand, Coach, was founded in 1941 out of a family-run workshop in a Manhattan workshop
- Has since grown into a multinational holding company for luxury fashion houses Coach, Kate Spade, and Stuart Weitzman

### Operations

- Operates three core brands: Coach, Stuart Weitzman, and Kate Spade
- Sells products through Tapestry operated stores, wholesale, online, and third-party distributors / licensors
- Fun fact: Coach branded women's handbags account for 39% of revenue

### Select Financial Stats

- Exchange / Ticker: NYSE / TPR
- Stock Price: \$38.93
- Market Capitalization: \$11.46bn
- Revenue: \$5.9bn; Gross Profit: \$3.9bn; EBITDA: \$1.2bn
- Total Debt: \$1.6bn; Cash: \$1.0bn
- EV/EBITDA: 10.2x; EV/Revenue: 2.0x

### Business Strategy

- Diversification through M&A – have acquired both Stuart Weitzman and Kate Spade brands to gain market share
- Moderately grow retail presence with a focus on mainland China and Europe
- Use the data analytics to drive retail and department store traffic, with an ecommerce platform integrated into the retail experience

### Select Corporate Finance Transactions

- Acquired Kate Spade (2017): \$2.4bn
- Acquired Stuart Weitzman (2015): \$574m

### Structure

- Reported revenue in 2018 through three business segments:
- Coach (72%)
  - Kate Spade (22%)
  - Stuart Weitzman (6%)

Source: Capital IQ as of November 30, 2018; Tapestry 2018 Annual Report

# Company Profile: LVMH

LVMH Moët Hennessy Louis Vuitton S.E.

# LVMH

## History

- LVMH was formed by the merger of fashion house Louis Vuitton and wine and spirits producer Moët Hennessy in 1987
- With M&A history stretching as far back as the 80's, LVMH has come to own and operate exclusive brands across all luxury segments

## Operations

- Operates five core business groups: Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewelry, and Selective Retailing

## Select Financial Stats

- Exchange / Ticker: EPA / MC
- Stock Price: €252.55
- Market Capitalization: €126.84bn
- Revenue: €44.67bn; Gross Profit: €29.64bn; EBITDA: €10.90bn
- Total Debt: €12.37bn; Cash: €4.96bn
- EV/EBITDA: 12.4x; EV/Revenue: 3.0x

## Business Strategy

- Focus on organic growth and invests heavily in their brands
- Both upstream and downstream vertical integration enabling control over the entire value chain (protecting brand image)
- Heavy diversification to ensure stable profits and shareholder return

## Select Corporate Finance Transactions

- Acquired Christian Dior Couture S.A. (2017): \$7bn
- Purchased 80% stake in Rimowa (2016): \$716m
- Purchased 42% stake in Repossi (2015): Undisclosed
- Acquired Bulgari (2011): \$5.2bn

## Structure

- Reported revenue in 2017 through the following business segments:
- Fashion & Luxury Goods (36%)
  - Selective Retailing (30%)
  - Perfume & Cosmetics (13%)
  - Wines & Spirits (12%)
  - Watches & Jewelry (9%)

Source: Capital IQ as of November 30, 2018; LVMH 2017 Annual Report

# Company Profile: Kering

Kering SA

K E R I N G



## History

- Founded in 1963 by François Pinault as a timber trading company
- Transitioned to luxury goods in 1999, purchasing a 42% stake in Gucci Group with further acquisitions in later years

## Operations

- Three core brands (Gucci, Bottega Veneta, and Saint Laurent) represent over 50% of revenue
- Operates in all international markets through traditional retail and e-commerce

## Select Financial Stats

- Exchange / Ticker: EPA / KER
- Stock Price: €384.00
- Market Capitalization: €48.41bn
- Revenue: €16.84bn; Gross Profit: €11.24bn; EBITDA: €4.13bn
- Total Debt: €4.72bn; Cash: €1.93bn
- EV/EBITDA: 12.4x; EV/Revenue: 3.0x

## Business Strategy

- Strong focus on in-store organic sales growth – increasing sales per square meter with new concepts and unique storytelling
- Leverage social media through the GucciApp and #GucciGram
- Continue to build e-commerce platform (86% growth for Gucci sales) alongside their refocus on becoming a luxury pure player

## Select Corporate Finance Transactions

- Acquiring Stella McCartney (2018): Undisclosed
- PUMA spin-off (2018): \$4.5bn
- Sold 1,500sqm retail property (2017): Undisclosed
- Sold Kering Eyewear (2017): Undisclosed
- Sold Sergio Rossi (2017): \$65.9m

## Structure

- Reported revenue in 2017 through two business segments:
- Luxury (71%)
  - Sports & Lifestyle (29%)

Source: Capital IQ as of November 30, 2018; Kering SA 2017 Annual Report

# Company Profile: Michael Kors

## Michael Kors Holdings Limited



MICHAEL KORS

### History

- Founded by designer Michael Kors in 1990 as a licensee of Bergdorf Goodman
- Went bankrupt in 1990 but remerged in 2003 after a \$100m investment
- Completed IPO at \$3.4bn valuation on the NYSE in 2011

### Operations

- Offer four primary collections: Michael Kors Collection, MICHAEL Michael Kors, Michael Kors Men, and Jimmy Choo
- Primary revenue generation is through retail and wholesale operations
- Preparing corporate rebrand as Capri Holdings after Versace acquisition

### Select Financial Stats

- Exchange / Ticker: NYSE / KORS
- Stock Price: \$43.75
- Market Capitalization: \$6.57bn
- Revenue: \$5.07bn; Gross Profit: \$3.10bn; EBITDA: \$1.16bn
- Total Debt: \$759m; Cash: \$155m
- EV/EBITDA: 6.2x; EV/Revenue: 1.4x

### Business Strategy

- Dependent on trendsetting and innovation – unique design and style is the key differentiator in the luxury fashion industry
- Brand engagement through product placement is a core marketing strategy – leveraged celebrities through red carpet product placement and social media campaigns
- Asia market penetration – Jimmy Choo acquisition to help drive growth

### Select Corporate Finance Transactions

- Acquired Gianni Versace S.p.A. (2018): \$2.1bn
- Acquired Jimmy Choo Group Plc. (2017): \$1.3bn
- Share buyback (2017): \$1.0bn
- Share buyback (2016): \$1.0bn
- Share buyback (2014): \$1.6bn

### Structure

Reported revenue in 2018 through four business segments:

- MK Retail (57.5%)
- MK Wholesale (34.7%)
- Jimmy Choo (4.7%)
- MK Licensing (3.1%)

Source: Capital IQ as of November 30, 2018; Michael Kors Holdings Limited 2018 Annual Report

# Company Profile: Ralph Lauren

## Ralph Lauren Corporation



### History

- Founded by designer Ralph Lauren in 1967 by creating men's ties in New York City
- IPO'ed on the NYSE in 1997
- Ralph Lauren and his family retain 83% of voting shares

### Operations

- Producer and distributor of mid range to luxury products
- Uses wholesale, retail and licensing deals to generate revenue
- Merchandise is available in over 13,000 stores worldwide

### Select Financial Stats

- Exchange / Ticker: NYSE / RL
- Stock Price: \$111.40
- Market Capitalization: \$8.96bn
- Revenue: \$6.25bn; EBITDA: \$962mm
- Total Debt: \$8.26bn; Cash: \$384mm
- EV/EBITDA: 8.4x; EV/Revenue: 1.3x

### Business Strategy

- Strategy shift to focus on e-commerce verses traditional brick and mortar
- Shut down Firth Avenue flagship store in New York City
- Heavily investing in Salesforce e-commerce platform
- Further segmentation of mid range clientele from luxury clientele – luxury brand only available through premier retail outlets

### Select Corporate Finance Transactions

- Share buyback (2018): \$1bn
- Share buyback (2014): \$2.5bn
- Acquired Impact 21 (2007): \$346mm
- Acquired Ralph Lauren Media LLC (2007): \$175mm
- Acquired Sun Apparel (2005): \$355mm

### Structure

Reported revenue in 2017 through four business segments:

- North America (57%)
- Europe (23%)
- Asia (13%)
- Other (7%)

Source: Capital IQ as of November 30, 2018; Ralph Lauren Corporation 2017 Annual Report