Project Heels – Information Memorandum

2020 Duff & Phelps YOUniversity Deal Challenge

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Agenda

Executive Summary

Maison Jacquelyn

- **Industry:** Fashion Luxury
- **Product:** Footwear - full line of shoes, specialized in heels
- **Geography:** Europe, marginal exposure to USA and Asia
- **Size and Profitability:** Revenues '18 of € 170.1m, EBITDA '18 of € 23.2m
- **Ownership:** Owned by creditors following its default in 2018
- **Retail Network:** 99 shops in 2018 (10 outside France)
- **Headquarter:** Paris, France
- **Main Clients:** Celebrities and high profile executives

Company Financials

Revenue recovery in 2018 after drop in turnover due to loss of business client in 2015

€m	2013	2014	2015	2016	2017	2018	CAGR 13-18
Total Revenues	**228.7**	**219.8**	**180.1**	**170.5**	**168.3**	**170.1**	**-5.8%**
COGS	-92.4	-90.1	-78.6	-73.2	-71.4	-71.6	-5.0%
% of Revenues	*40.4%*	*41.0%*	*43.6%*	*42.9%*	*42.4%*	*42.1%*	
Sales & Marketing	-86.9	-88.1	-79.9	-77.5	-75.8	-75.3	-2.8%
% of Revenues	*38.0%*	*40.1%*	*44.3%*	*45.5%*	*45.1%*	*44.2%*	
Total Expenses	**-179.3**	**-178.3**	**-158.5**	**-150.7**	**-147.3**	**-146.9**	**-3.9%**
% of Revenues	*78.4%*	*81.1%*	*88.0%*	*88.4%*	*87.5%*	*86.4%*	
EBITDA	**49.4**	**41.5**	**21.6**	**19.8**	**21.1**	**23.2**	**-14.1%**
% of Revenues	*21.6%*	*18.9%*	*12.0%*	*11.6%*	*12.5%*	*13.6%*	
EBIT	**43.8**	**36.0**	**17.1**	**15.4**	**16.8**	**18.8**	**-15.5%**
% of Revenues	*19.1%*	*16.4%*	*9.5%*	*9.0%*	*10.0%*	*11.1%*	

Exit Opportunities

- Creditors pursuing sale of own stake in Maison Jacquelyn after company defaulted on principal repayments (exposure of **€ 357.5m**)
- Creditors willing to accept the offer which **maximizes** their value in terms of exposure recovery
- **Scenario I:** Sale to a strategic bidder aimed at boosting revenues through department stores channel and aligning cost margins to industry average
- **Scenario II:** Sale to a financial sponsor willing to improve market positioning and develop new distribution channels (online sales)

Conclusions and Recommendations

- **Scenario I:** Strategic bidder valuing the firm between € 261.7m - € 318.6m(1)
- **Scenario II:** Financial sponsor valuing the firm between € 244.0m - € 293.9m(2)
- **Small gap** between valuations, **however** we recommend pursuing the **sale to the strategic bidder** in order to **ensure:**
  - **Higher** price and creditors' **recovery rate**
  - **Better strategic fit** for the company
  - **Faster closing and smoother transaction,** critical due to financial distress of the Company

1. *Data obtained from Gordon Growth DCF model (15.1% - 17.1% WACC and 1.5% - 2.5% g)*
2. *Data obtained from LBO model (22.5% - 27.5% IRR and 7.5x – 8.5x Exit Multiple)*

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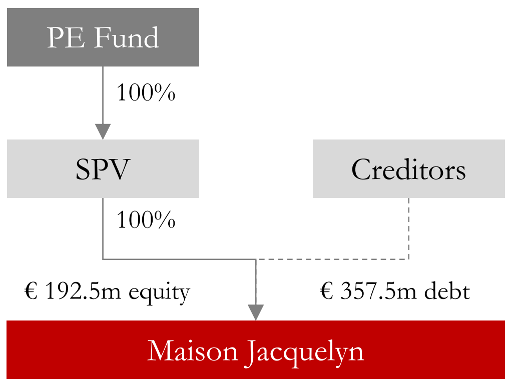
Company Overview

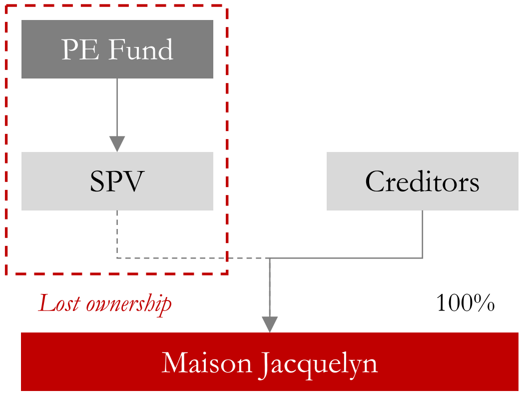
Recent years and Financial Distress

- Maison Jaquelyn (MJ hereinafter) defaulted in 2018 on principal repayments after a LBO occurred in 2013
- The private equity fund entered at an EV of € 550.0m with € 357.5m of debt representing a 7.2x leverage and a 65% D/EV
- During the period 2013 - 2015 MJ suffered from sales reduction mostly due to the loss of a major business client after a disagreement related to the pricing strategy

2013 LBO



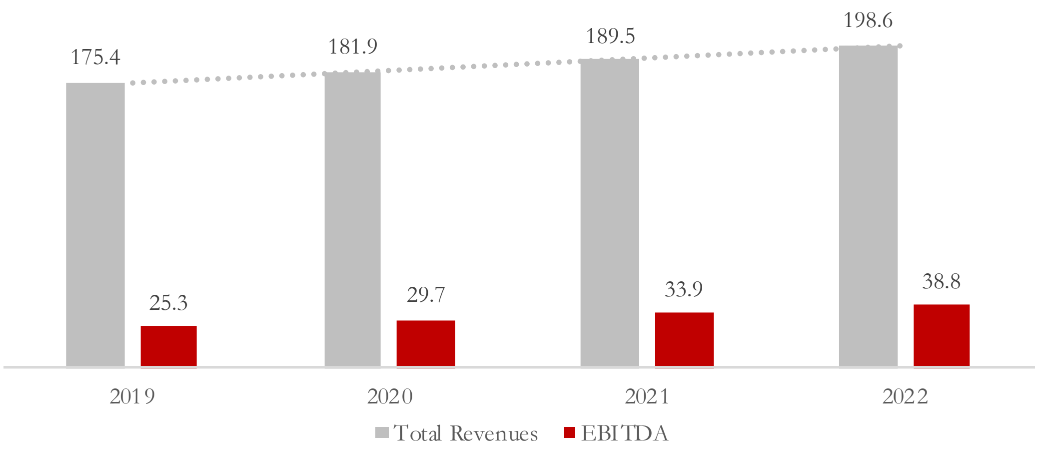
2018 post default



Management Business Plan (Pre Transaction)

- Management plan forecasting **Revenues growth** over the next years (**4.2% CAGR 19 - 22**), mostly driven by sales through domestic stores and expansion of the online segment
- **EBITDA Margin** expected to increase from 14.3% to **19.6%** in the 4-year forecast period pushed by top line expansion and cost reduction:
  - **COGS Margin**: **decreasing** by c.a. **2.0%** over the period
  - **SG&A Margin**: **decreasing** by c.a. **4.0%** over the period
- **Number of stores** reaching pre-crisis values within 2022 driven by the **international segment** (from 7.5% of stores in 2019 to 12.8% in 2022)

Total Revenues and EBITDA development 2019 - 2022 (€m)



Company Overview – Porter's 5 Forces

Threat of **new entrants**	Threat of **substitutes**	Competitive **rivalry**	Bargaining power of **suppliers**	Bargaining power of **customers**
LOW	**LOW**	**HIGH**	**MEDIUM**	**LOW-MEDIUM**
• Strength of established and famous brands to support premium prices and profitability • Customer loyalty, luxury reputation and brand awareness are crucial drivers hardly obtainable • Economies of scale and various financing options for industry players	• Lack of real substitutes and high customer loyalty • No other goods evoking the same kind of elite status symbol that luxury goods provide • No major technological disruptions that can create substitutes to the product	• Very competitive industry characterized by well-known players with solid financials • Design innovation and launch of new models can lead to loss of market share and of premium status • Differentiation-driven competition, rather than price	• Manufacturing takes place outside Europe, where we are experiencing an increasing trend in the cost of labour • Need for specialized and trained workforce with a high level of know-how	• B2C: customers are not sensitive to price changes, but rather to innovation and introduction of new models • Inelastic clients' demand but low switching costs • B2B: department stores have high bargaining power due to fierce competition

Company Overview – SWOT Analysis

Strengths

- High quality product commanding a premium price
- Celebrity and high-profile executive endorsement
- Brand awareness thanks to strong and recognizable brand (MJ Logo)
- Presence in all the major European markets

Weaknesses

- Mainly European presence with only few stores in Asia and decreasing number of domestic and overseas stores
- Lack of digital/online sales channel
- Strong dependence on purchasing agreements (low contractual power) and undiversified commercial customer base (B2B)
- Shoe producer only, not a "Made in France" product

S W O T

Opportunities

- Digitalization and development of online sales channel
- Expansion of distribution network in emerging markets, in particular in Asia
- Investments in social media marketing to target a broader customer base
- Increase in the number of working women and need for status symbol at the workplace

Threaths

- Unfavourable macro conditions in Europe (trade war, slow growth)
- Stronger competition from existing players and lack of innovation
- Reputational risk and loss of luxury positioning perception due to financial distress and prolonged discount policies

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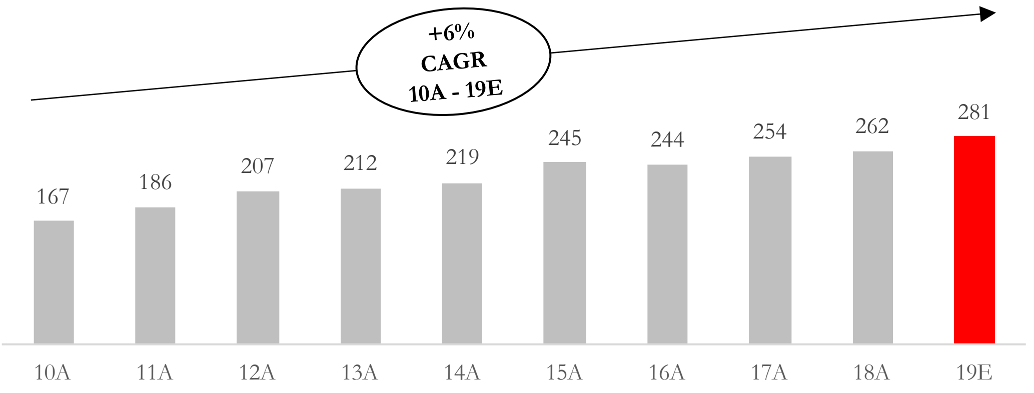
Market Overview – Data and Outlook

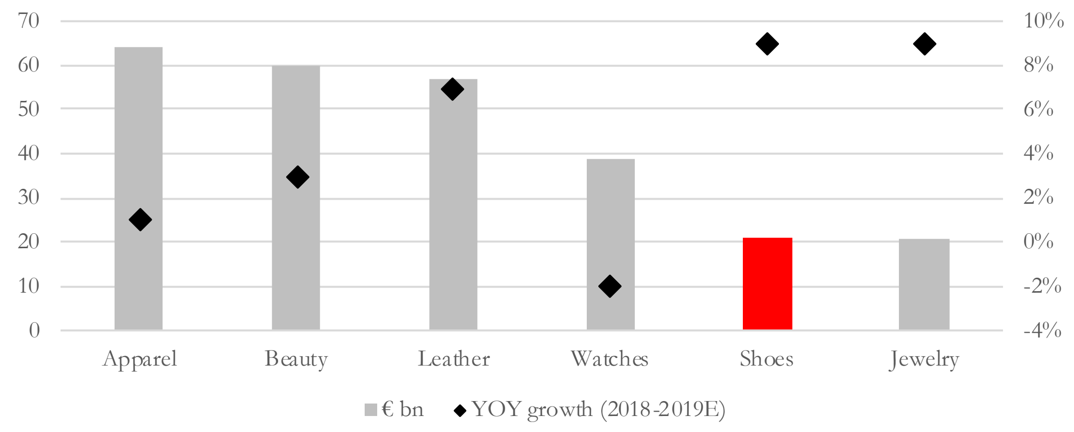
Industry data and outlook[1]

- **Luxury market** grew 4% in 2019 to an estimated € 1.3 trillion globally, with positive performance across most segments (**personal luxury** goods market grew 7% to € 281bn in 2019)
- **Fastest-growing** categories were **shoes** and **jewellery** (+ 9% each) followed by leather goods (+7%) and beauty (+3%)
- **Chinese customers** represented 35% of the value of luxury goods sold worldwide, accounting for 90% of global growth in 2019
- Europe and Americas, the top regions for sales, experienced sluggish growth (+1% and 0% respectively)
- Retail channel recorded +7% in 2019 (+6% from same-store sales, +1% from new openings), but wholesale remained the largest channel (61% of all sales)
- European **department stores** delivered better performance than US ones thanks to higher flexibility (i.e., concessions)
- **Online shopping** was a key trend representing 12% of overall luxury sales, with 75% of luxury purchases influenced by the online channel
- **Millennial** customers accounted for 35% of purchases in 2019, whereas **Generation Z** is expected to account for 40% of the market by 2035
- Increasing importance of **sustainability** and **social responsibility** concerns (80% of luxury costumers say they prefer brands that are socially responsible)

Global personal luxury goods market (€bn)



Global personal luxury goods market, by product category, 2019E



1. Growth shown at constant exchange rates

Sources

" Bain-Altagamma 2019 Worldwide Luxury Market Monitor" by Bain & Company - Altagamma

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3. Market Overview
4. **Market-based Valuation**
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6. Scenario II – Sale to Financial Sponsor
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Market-based Valuation – Trading Comparable

Selected Trading Peers

Double step analysis considering both the multiples of the **relevant industry** (fashion luxury) and a peer group of European (generic consumer and luxury) **companies** currently **in financial distress** to better assess the discount priced by the market for unsustainable leverage

EV/EBITDA as main valuation metric as is **not affected by accounting policies, tax rates** and **differences in capital structure**

€m	Country	Market Cap	Net Financial Debt	EV	EV/Revenues			EV/EBITDA			EV/EBIT		
1 - Fashion Luxury					Last FY	FY+1	LTL	Last FY	FY+1	LTL	Last FY	FY+1	LTL
TOD'S		1,314.5	2.9	1,317.4	1.4x	1.4x	1.4x	11.1x	13.3x	n.a.	18.4x	97.1x	n.a.
Salvatore Ferragamo		2,943.7	-132.3	2,811.4	2.1x	2.0x	2.0x	13.1x	11.5x	9.1x	18.8x	19.4x	18.4x
Burberry € [(1)]		10,040.9	-780.8	9,260.1	2.9x	2.8x	2.8x	14.3x	12.7x	13.6x	18.0x	17.1x	16.9x
Brunello Cuccinelli		2,031.8	15.6	2,047.5	3.7x	3.4x	3.5x	21.5x	16.4x	n.a.	29.4x	25.8x	n.a.
Moncler		9,738.4	-369.9	9,368.5	6.6x	5.8x	6.1x	19.9x	16.2x	n.a.	22.6x	19.3x	n.a.
Prada		8,057.7	62.0	8,119.7	2.6x	2.5x	2.6x	14.9x	12.1x	15.2x	25.1x	25.8x	25.8x
Minimum		1,314.5	-780.8	1,317.4	1.4x	1.4x	1.4x	11.1x	11.5x	9.1x	18.0x	17.1x	16.9x
Q1		2,259.8	-310.5	2,238.5	2.2x	2.2x	2.2x	13.4x	12.3x	11.4x	18.5x	19.3x	17.6x
Average		5,687.8	-200.4	5,487.4	3.2x	3.0x	3.1x	15.8x	13.7x	12.7x	22.1x	34.1x	20.3x
Median		5,500.7	-64.7	5,465.6	2.7x	2.7x	2.7x	14.6x	13.0x	13.6x	20.7x	22.6x	18.4x
Q3		9,318.2	12.5	8,975.0	3.5x	3.2x	3.3x	18.7x	15.5x	14.4x	24.5x	25.8x	22.1x
Maximum		10,040.9	62.0	9,368.5	6.6x	5.8x	6.1x	21.5x	16.4x	15.2x	29.4x	97.1x	25.8x
2 - European Companies in Financial Distress													
Pandora € [(1)]		3,699.5	903.4	4,602.9	1.5x	1.6x	1.6x	4.6x	5.3x	5.6x	5.3x	7.3x	8.5x
St Dupont		68.2	1.8	70.0	1.3x	n.a.	n.a.	33.3x	n.a.	10.2x	-700.0x	n.a.	15.3x
Catana Group		96.3	-5.2	91.1	1.7x	1.2x	n.a.	14.6x	9.3x	n.a.	26.9x	16.6x	n.a.
Augros Cosmetic Packaging		8.7	2.2	11.0	0.6x	n.a.	n.a.	5.0x	n.a.	n.a.	7.1x	n.a.	n.a.
Catenon SA		6.4	2.6	9.0	1.6x	n.a.	n.a.	11.8x	n.a.	n.a.	74.8x	n.a.	n.a.
Minimum		6.4	-5.2	9.0	0.6x	1.2x	1.6x	4.6x	5.3x	5.6x	-700.0x	7.3x	8.5x
Q1		8.7	1.8	11.0	1.3x	1.3x	1.6x	5.0x	6.3x	6.8x	5.3x	9.6x	10.2x
Average		775.8	181.0	956.8	1.3x	1.4x	1.6x	13.9x	7.3x	7.9x	-117.2x	11.9x	11.9x
Median		68.2	2.2	70.0	1.5x	1.4x	1.6x	11.8x	7.3x	7.9x	7.1x	11.9x	11.9x
Q3		96.3	2.6	91.1	1.6x	1.5x	1.6x	14.6x	8.3x	9.1x	26.9x	14.3x	13.6x
Maximum		3,699.5	903.4	4,602.9	1.7x	1.6x	1.6x	33.3x	9.3x	10.2x	74.8x	16.6x	15.3x

1. *Exchange Rates as of 11/27/2019: GPB to EUR sourced from Morningstar, DKK to EUR sourced from ECB*

Market-based Valuation – Transaction Comparable

Selected Comparable Transactions

Peer group made of transactions in the fashion luxury segment, including processes involving companies in **financial distress**

Regional focus on **European transactions** across **recent years** (from 2015 to 2019)

Peer group including also companies larger than MJ due to lack of information about transactions involving small private firms

€m		Deal Value	EV	Revenues LFY	EV/Revenues	EBITDA LFY	EV/EBITDA	EBIT LFY	EV/EBIT
1 - Fashion Luxury									
Roberto Cavalli	Damac Properties	160.0	160.0	160.0	1.0x	n.a.	n.a.	n.a.	n.a.
Trussardi	QuattroR	50.0	154.0	154.0	1.0x	n.a.	n.a.	n.a.	n.a.
Missoni	FSI SGR	n.a.	70.0	150.0	0.5x	n.a.	n.a.	n.a.	n.a.
Jimmy Choo	Capri Holdings	1,158.0	1,158.0	425.0	2.7x	65.5	17.7x	47.3	24.5x
Stefanel	Stefanel, Oxy	126.0	126.0	134.1	0.9x	n.a.	n.a.	n.a.	n.a.
Kate Spade	Tapestry	2,144.0	2,144.0	1,311.2	1.6x	212.3	10.1x	167.5	12.8x
Corneliani	Investcorp	88.0	88.0	111.5	0.8x	3.7	23.8x	n.a.	n.a.
Sergio Rossi	Investindustrial	100.0	100.0	65.5	1.5x	n.a.	n.a.	n.a.	n.a.
Minimum		50.0	70.0	65.5	0.5x	3.7	10.1x	47.3	12.8x
Q1		94.0	97.0	128.4	0.9x	34.6	13.9x	77.4	15.7x
Average		546.6	500.0	313.9	1.3x	93.8	17.2x	107.4	18.6x
Median		126.0	140.0	152.0	1.0x	65.5	17.7x	107.4	18.6x
Q3		659.0	409.5	226.3	1.6x	138.9	20.7x	137.5	21.6x
Maximum		2,144.0	2,144.0	1,311.2	2.7x	212.3	23.8x	167.5	24.5x

Transaction target in financial distress at the moment of acquisition

Sources
Mergermarket - Transactions in the Fashion Luxury industry 2015-2019

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Scenario I – WACC Computation

Components	Source	Value
Cost of Equity 15.63%	• 30yrs French government bonds used as proxy for **Risk Free Rate** (negative yield for 10yrs maturity) from Bloomberg	0.73 %
	• **Market Risk Premium** for France taken from Damodaran	6.65 %
	• Industry Beta computed with respect to the MSCI World Index and then unlevered taking into account comparables financial structure and tax effect to obtain MJ's **Unlevered Beta**	0.87
	• Additional **Risk Premium** over CAPM based on Altman Z-Score+ for MJ	9.14 %
Cost of Debt 0.00%	• **Absence of debt** in the target capital structure (net cash position)	0.00%
Capital Structure	• **Leverage**: net cash position in line with average capital structure within the peer group	-3.00%
	• **Equity**	103.00%
WACC	• Based on the assumptions above, we obtain a Weighted Average Cost of Capital of 16.09%	**16.09%**

Scenario I – Business Plan

Strategic buyer acquiring the target: growth driven by increase in Revenues from department stores and COGS reduction

IS (€k)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	CAGR 19-22	CAGR 13-22
Domestic stores	124,608	118,627	106,883	102,769	101,315	102,814	102,649	106,885	111,290	117,017	4.5%	-0.7%
% of Revenues	*54.5%*	*54.0%*	*59.3%*	*60.3%*	*60.2%*	*60.5%*	*58.8%*	*58.2%*	*57.5%*	*57.0%*		
International stores	9,755	11,494	13,137	12,704	11,444	10,042	10,243	10,448	10,761	11,192	3.0%	1.5%
% of Revenues	*4.3%*	*5.2%*	*7.3%*	*7.5%*	*6.8%*	*5.9%*	*5.9%*	*5.7%*	*5.6%*	*5.5%*		
Department stores	89,172	84,624	55,175	49,823	50,022	51,123	54,900	58,710	63,090	67,536	7.1%	-3.0%
% of Revenues	*39.0%*	*38.5%*	*30.6%*	*29.2%*	*29.7%*	*30.1%*	*31.4%*	*32.0%*	*32.6%*	*32.9%*		
Online & Other	5,176	5,036	4,930	5,192	5,545	6,094	6,825	7,644	8,561	9,589	12.0%	7.1%
% of Revenues	*2.3%*	*2.3%*	*2.7%*	*3.0%*	*3.3%*	*3.6%*	*3.9%*	*4.2%*	*4.4%*	*4.7%*		
Total Revenues	**228,711**	**219,781**	**180,125**	**170,488**	**168,326**	**170,073**	**174,617**	**183,687**	**193,702**	**205,334**	**5.5%**	**-1.2%**
COGS	(92,419)	(90,143)	(78,609)	(73,198)	(71,420)	(71,645)	(68,266)	(66,243)	(63,983)	(61,600)	-3.4%	-4.4%
% of Revenues	*40.4%*	*41.0%*	*43.6%*	*42.9%*	*42.4%*	*42.1%*	*39.1%*	*36.1%*	*33.0%*	*30.0%*		
Sales & Marketing	(86,874)	(88,145)	(79,883)	(77,503)	(75,841)	(75,253)	(67,758)	(68,065)	(68,836)	(70,704)	1.4%	-2.3%
% of Revenues	*38.0%*	*40.1%*	*44.3%*	*45.5%*	*45.1%*	*44.2%*	*38.8%*	*37.1%*	*35.5%*	*34.4%*		
Non Recurring Expenses	0	0	0	0	0	0	(1,500)	0	0	0		
% of Revenues	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.9%*	*0.0%*	*0.0%*	*0.0%*		
Total Expenses	**(179,293)**	**(178,288)**	**(158,492)**	**(150,701)**	**(147,261)**	**(146,898)**	**(137,524)**	**(134,308)**	**(132,819)**	**(132,304)**	**-1.3%**	**-3.3%**
% of Revenues	*78.4%*	*81.1%*	*88.0%*	*88.4%*	*87.5%*	*86.4%*	*78.8%*	*73.1%*	*68.6%*	*64.4%*		
EBITDA	**49,418**	**41,493**	**21,633**	**19,787**	**21,065**	**23,175**	**37,093**	**49,379**	**60,883**	**73,030**	**25.3%**	**4.4%**
% of Revenues	*21.6%*	*18.9%*	*12.0%*	*11.6%*	*12.5%*	*13.6%*	*21.2%*	*26.9%*	*31.4%*	*35.6%*		
EBITDA w/o one-offs	**49,418**	**41,493**	**21,633**	**19,787**	**21,065**	**23,175**	**38,593**	**49,379**	**60,883**	**73,030**	**23.7%**	**4.4%**
% of Revenues	*21.6%*	*18.9%*	*12.0%*	*11.6%*	*12.5%*	*13.6%*	*22.1%*	*26.9%*	*31.4%*	*35.6%*		
Depreciation	(5,643)	(5,447)	(4,574)	(4,362)	(4,315)	(4,353)	(4,462)	(4,600)	(4,766)	(4,957)	3.6%	-1.4%
% of Revenues	*-2.5%*	*-2.5%*	*-2.5%*	*-2.6%*	*-2.6%*	*-2.6%*	*-2.6%*	*-2.5%*	*-2.5%*	*-2.4%*		
EBIT	**43,775**	**36,046**	**17,059**	**15,425**	**16,750**	**18,822**	**32,631**	**44,779**	**56,117**	**68,073**	**27.8%**	**5.0%**
% of Revenues	*19.1%*	*16.4%*	*9.5%*	*9.0%*	*10.0%*	*11.1%*	*18.7%*	*24.4%*	*29.0%*	*33.2%*		

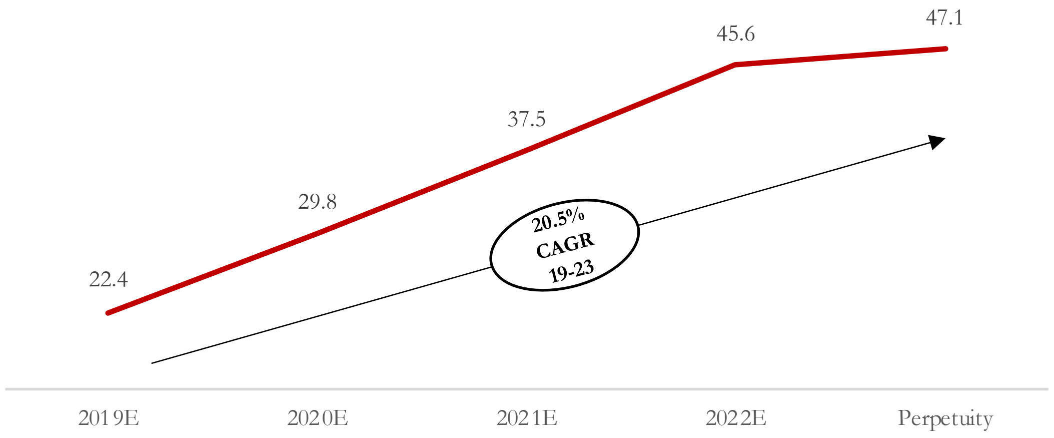
Revenues synergies due to existing relations with departments stores

Improvement in profitability due to COGS efficiencies, aligned with industry average

Scenario I – Company Valuation (DCF)

Unlevered Free Cash Flows (€m)

€m	2019E	2020E	2021E	2022E	TV
EBIT	**32.6**	**44.8**	**56.1**	**68.1**	**69.4**
- Pro Forma Taxes	-10.1	-13.9	-17.4	-21.1	-21.5
NOPAT	**22.5**	**30.9**	**38.7**	**47.0**	**47.9**
+ D&A	4.5	4.6	4.8	5.0	4.7
- Delta NWC	-0.5	-1.2	-1.6	-1.7	-0.8
- Capital Expenditures	-4.1	-4.4	-4.4	-4.6	-4.7
Unlevered Free Cash Flow	**22.4**	**29.8**	**37.5**	**45.6**	**47.1**



- Last year **Capex normalized** with D&A in order to avoid **decrease in asset value** in perpetuity
- Marginal **tax rate** '19 for France of **31.0%** from **KPMG** regional tax rate report

EV (€m) – Gordon Growth

- Gordon growth method leading to a valuation of c.a. **€ 287.2m**, corresponding to a recovery rate on the original credit of approximately 80.3%
- Intrinsic valuation accounting for risk premium required for distress situation (reflected in the high WACC) and the risky BP (challenging cost restructuring)

WACC	Growth rate: 1.0%	1.5%	2.0%	2.5%	3.0%
14.1%	319.3 €	328.0 €	337.3 €	347.5 €	358.5 €
15.1%	295.4 €	302.6 €	310.3 €	318.6 €	327.7 €
16.1%	274.6 €	280.7 €	287.2 €	294.1 €	301.6 €
17.1%	256.5 €	261.7 €	267.2 €	273.0 €	279.3 €
18.1%	240.6 €	245.0 €	249.7 €	254.7 €	260.0 €

WACC	Growth rate: 1.0%	1.5%	2.0%	2.5%	3.0%
14.1%	89.3%	91.7%	94.4%	97.2%	100.3%
15.1%	82.6%	84.6%	86.8%	89.1%	91.7%
16.1%	76.8%	78.5%	80.3%	82.3%	84.4%
17.1%	71.8%	73.2%	74.7%	76.4%	78.1%
18.1%	67.3%	68.5%	69.8%	71.2%	72.7%

EV (€m) – Exit multiple

- Exit multiple method resulting in **misleading valuation** due to steep increase in EBITDA (96.8% increase over 2019 - 2022 period), **overestimation of terminal value** of the firm
- **Recovery rates** well above 100.0% of the original credit (**too optimistic**)

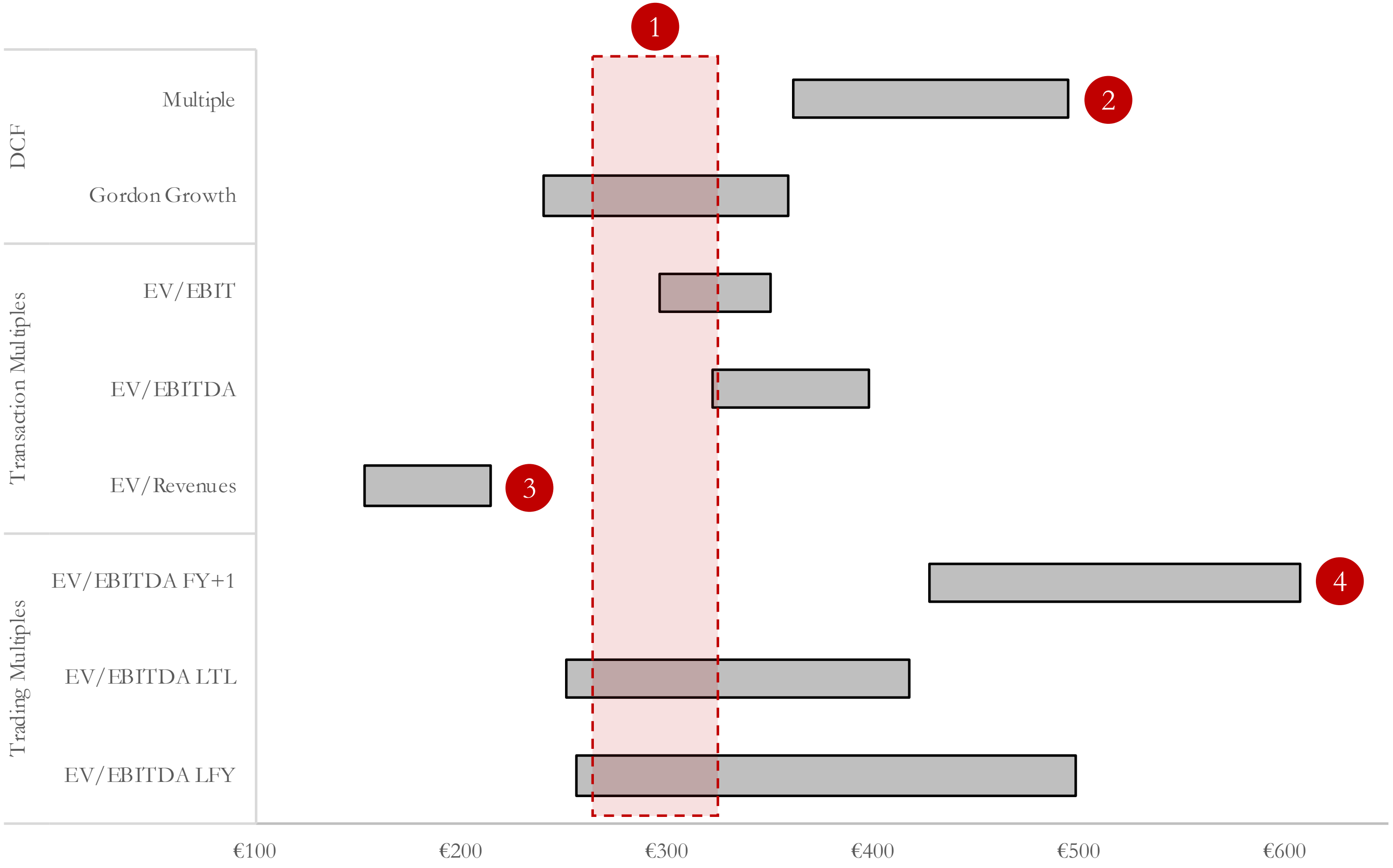
WACC	Exit Multiple: 7.0x	7.5x	8.0x	8.5x	9.0x
14.1%	408.9 €	430.4 €	452.0 €	473.5 €	495.1 €
15.1%	396.4 €	417.2 €	438.0 €	458.8 €	479.6 €
16.1%	384.4 €	404.5 €	424.6 €	444.7 €	464.8 €
17.1%	372.9 €	392.3 €	411.8 €	431.2 €	450.6 €
18.1%	361.9 €	380.7 €	399.4 €	418.2 €	437.0 €

WACC	Exit Multiple: 7.0x	7.5x	8.0x	8.5x	9.0x
14.1%	114.4%	120.4%	126.4%	132.5%	138.5%
15.1%	110.9%	116.7%	122.5%	128.3%	134.2%
16.1%	107.5%	113.1%	118.8%	124.4%	130.0%
17.1%	104.3%	109.7%	115.2%	120.6%	126.0%
18.1%	101.2%	106.5%	111.7%	117.0%	122.2%

Scenario I – Company Valuation (Football field)

EV Valuation Range for the Strategic Buyer (€m)

Intrinsic valuation (DCF) preferred over market approach (multiples valuation) due to lack of truly comparable companies and transactions (combination of industry and financial distress), which explains the width of the valuation ranges using multiples



Range for multiples valuation obtained taking the bottom value based on the minimum multiple within the selected peer group and the top value based on the maximum multiple within the selected peer group

1. **Implied Valuation Range** resulting from Gordon Growth DCF (15.1% - 17.1% WACC and 1.5% - 2.5% g): **€ 261.7m - € 318.6m**

2. **DCF Valuation** with **exit multiple** leading to **overestimation of EV** and misleading valuation, due to EBITDA growth at a 26.0% CAGR 19 - 22

3. **EV/Revenues** multiple obtained from **Transaction comps** analysis leading to **underestimation of EV** due to presence of distressed targets payed at a discount in the peer group

4. **EV/EBITDA FY+1** obtained from **trading comps analysis** leading to **overestimation of EV** due to **aggressive** EBITDA **growth** assumptions (+60.1% from 2018 EBITDA)

Agenda

Scenario II – Business Plan

Financial Sponsor acquiring the firm: growth pushed by change in strategy, new pricing and development of new distribution channels and lower SG&A margin

IS (€k)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	CAGR 19-22	CAGR 13-22
Domestic stores	124,608	118,627	106,883	102,769	101,315	102,814	102,649	106,885	111,290	117,017	4.5%	-0.7%
% of Revenues	*54.5%*	*54.0%*	*59.3%*	*60.3%*	*60.2%*	*60.5%*	*51.4%*	*45.7%*	*41.4%*	*38.3%*		
International stores	9,755	11,494	13,137	12,704	11,444	10,042	10,243	10,448	10,761	11,192	3.0%	1.5%
% of Revenues	*4.3%*	*5.2%*	*7.3%*	*7.5%*	*6.8%*	*5.9%*	*5.1%*	*4.5%*	*4.0%*	*3.7%*		
Department stores	89,172	84,624	55,175	49,823	50,022	51,123	52,400	53,710	55,590	57,536	3.2%	-4.8%
% of Revenues	*39.0%*	*38.5%*	*30.6%*	*29.2%*	*29.7%*	*30.1%*	*26.3%*	*23.0%*	*20.7%*	*18.8%*		
Online & Other	5,176	5,036	4,930	5,192	5,545	6,094	34,325	62,644	91,061	119,589	51.6%	41.7%
% of Revenues	*2.3%*	*2.3%*	*2.7%*	*3.0%*	*3.3%*	*3.6%*	*17.2%*	*26.8%*	*33.9%*	*39.2%*		
Total Revenues	**228,711**	**219,781**	**180,125**	**170,488**	**168,326**	**170,073**	**199,617**	**233,687**	**268,702**	**305,334**	**15.2%**	**3.3%**
COGS	(92,419)	(90,143)	(78,609)	(73,198)	(71,420)	(71,645)	(84,091)	(98,443)	(113,193)	(128,625)	15.2%	3.7%
% of Revenues	*40.4%*	*41.0%*	*43.6%*	*42.9%*	*42.4%*	*42.1%*	*42.1%*	*42.1%*	*42.1%*	*42.1%*		
Sales & Marketing	(86,874)	(88,145)	(79,883)	(77,503)	(75,841)	(75,253)	(82,306)	(94,671)	(106,737)	(118,744)	13.0%	3.5%
% of Revenues	*38.0%*	*40.1%*	*44.3%*	*45.5%*	*45.1%*	*44.2%*	*41.2%*	*40.5%*	*39.7%*	*38.9%*		
Non Recurring Expenses	0	0	0	0	0	0	(1,500)	0	0	0		
% of Revenues	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.8%*	*0.0%*	*0.0%*	*0.0%*		
Total Expenses	**(179,293)**	**(178,288)**	**(158,492)**	**(150,701)**	**(147,261)**	**(146,898)**	**(167,896)**	**(193,114)**	**(219,931)**	**(247,369)**	**13.8%**	**3.6%**
% of Revenues	*78.4%*	*81.1%*	*88.0%*	*88.4%*	*87.5%*	*86.4%*	*84.1%*	*82.6%*	*81.8%*	*81.0%*		
EBITDA	**49,418**	**41,493**	**21,633**	**19,787**	**21,065**	**23,175**	**31,721**	**40,573**	**48,771**	**57,965**	**22.3%**	**1.8%**
% of Revenues	*21.6%*	*18.9%*	*12.0%*	*11.6%*	*12.5%*	*13.6%*	*15.9%*	*17.4%*	*18.2%*	*19.0%*		
EBITDA w/o one-offs	**49,418**	**41,493**	**21,633**	**19,787**	**21,065**	**23,175**	**33,221**	**40,573**	**48,771**	**57,965**	**20.4%**	**1.8%**
% of Revenues	*21.6%*	*18.9%*	*12.0%*	*11.6%*	*12.5%*	*13.6%*	*16.6%*	*17.4%*	*18.2%*	*19.0%*		
Depreciation	(5,643)	(5,447)	(4,574)	(4,362)	(4,315)	(4,353)	(4,462)	(4,600)	(4,766)	(4,957)	3.6%	-1.4%
% of Revenues	*-2.5%*	*-2.5%*	*-2.5%*	*-2.6%*	*-2.6%*	*-2.6%*	*-2.2%*	*-2.0%*	*-1.8%*	*-1.6%*		
EBIT	**43,775**	**36,046**	**17,059**	**15,425**	**16,750**	**18,822**	**27,259**	**35,973**	**44,005**	**53,008**	**24.8%**	**2.1%**
% of Revenues	*19.1%*	*16.4%*	*9.5%*	*9.0%*	*10.0%*	*11.1%*	*13.7%*	*15.4%*	*16.4%*	*17.4%*		

Development of online sales channel in line with industry best practice. Potential build-up to scale business

SG&A projections below previous management business plan

Scenario II – Potential Build-Up Targets

Company[1]	Geography	Company Overview	Key Financials
STYLEBOP.com		• Founded in 2004, STYLEBOP.com is a leading player in luxury e-commerce, with an offer of over 200 international fashion brands. The Company has developed its own Mobile App to maximize accessibility and guarantees next day deliveries in Europe, as well as express deliveries to the United States, Asia, Australia, and Middle East	• Sales: € 46.6m • EBITDA: € -6.9m
LUISAVIAROMA.COM		• LuisaViaRoma is a global leader in luxury e-commerce, generating 90% of total revenues from online sales of luxury items. The Company has recently developed a mobile app and its website, available in 9 languages, recorded 53 million visits in 2017 (+3,533% from 2008). LuisaViaRoma generates most of its sales from US, China, Germany, UK, France and Italy. Besides shipping luxury products worldwide, the Company manages 2 physical ateliers in Florence	• Sales: € 121.1m • EBITDA: € -3.5m
MODA OPERANDI		• Founded in 2011, Moda Operandi is a fashion discovery platform that gives customers the possibility to shop directly from designers' runway collections. The Company is the only online retailer to allow clients to pre-order next-season's looks straight from the runway. In addition, Moda Operandi offers online personal stylist advice for an unmatched customer experience. The Company ships luxury products worldwide with an express delivery service in the US	• Sales: c.a. $ 20m • EBITDA: n.a.

1. Other companies considered in our analysis include: Mytheresa, THE OUTNET, MatchesFashion.com, SSENSE, TheCorner.com, Bluefly, Gilt, Farfetch, YNAP

Scenario II – Potential Build-Up Targets' Criteria and Conclusions

Criteria	Rationale	Conclusions
Strategic fit	• **Online luxury retailer** in order to scale up quickly in the online sales channel through external growth	• Online sales channel is a key trend in the global luxury industry, with an increasing number of both niche and established players
Size	• Being a bolt-on acquisition, target should be a **small-cap** company (Revenues € 15 - 100m) in order to be financially sustainable	• Most of the well-performing and known players are large-cap (Revenues larger than € 200m), exceeding the desired size for a build-up
Operating Performance	• **Solid growth** and **high profitability** in order to positively contribute to value creation and accretive effect on margins	• Large players manage to reach profitability thanks to their scale and extended network, while small and medium players still struggle to make profits
Leverage	• **Moderate leverage** in order to avoid refinancing and huge impact on MJ's balance sheet	• Leverage is on average low in the industry, but many players (especially the small ones) still do not succeed in generating cashflows for debt service
Geography	• **Global footprint** and **shipping services** in order to target a broader market and expand distribution network in new geographies (e.g. Asia)	• Most of the analyzed players have a global network and ship their products worldwide, allowing the penetration of new geographies

Recommendations

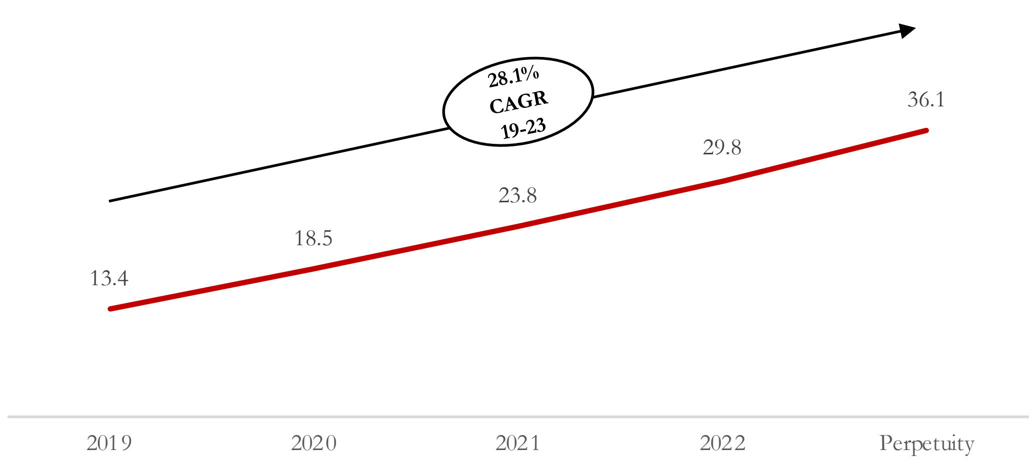
• Despite being an attractive and growing industry, we **do not see good targets** for a build-up due to a lack of a company complying with all the desirable acquisition criteria. An alternative and less expensive strategy to penetrate the online sales channel could be the **signing of a distribution agreement** with one of the reported players. In addition, we do not believe a deep discount to be a remunerative long-term strategy mainly due to a possible damage to MJ's luxury positioning perception and a probable worsening of the profitability

Scenario II – Purchase Price for a PE

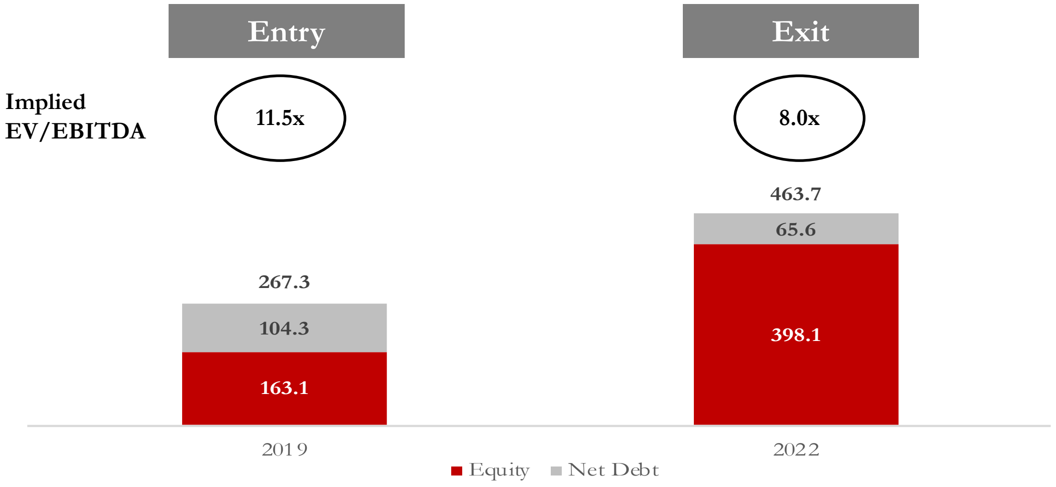
Main Assumptions

- Financial sponsor target **IRR** set at **25.0%, 4 years holding period** assumed (entry at 31/12/2018)
- Debt at entry set at **4.5x EBITDA** (total debt of € 104.3m), **12.0%** interest rate
- Cash sweep hypothesis, **37.2% of initial debt repaid** over the time period
- No revolving credit facility, principal and interest repaid with company cash
- Minimum cash equal to historical 2018 cash
- Exit multiple set at **8.0x**, conservative assumptions over market conditions at the end of the investment period
- Implied entry multiple at **11.5x**, in line with peer group lower bound

Unlevered Cash Flows (€m)



Value Creation (€m)



Sensitivities on Exit Multiple and IRR

- **Enterprise value** implied by Base Case business plan equal to **€ 267.3m**, corresponding to a **74.8% of recovery rate** on the initial credit
- The **sensitivity tables** below show the variation of EV and recovery rate related to **changes in discount rate** or **exit multiple**

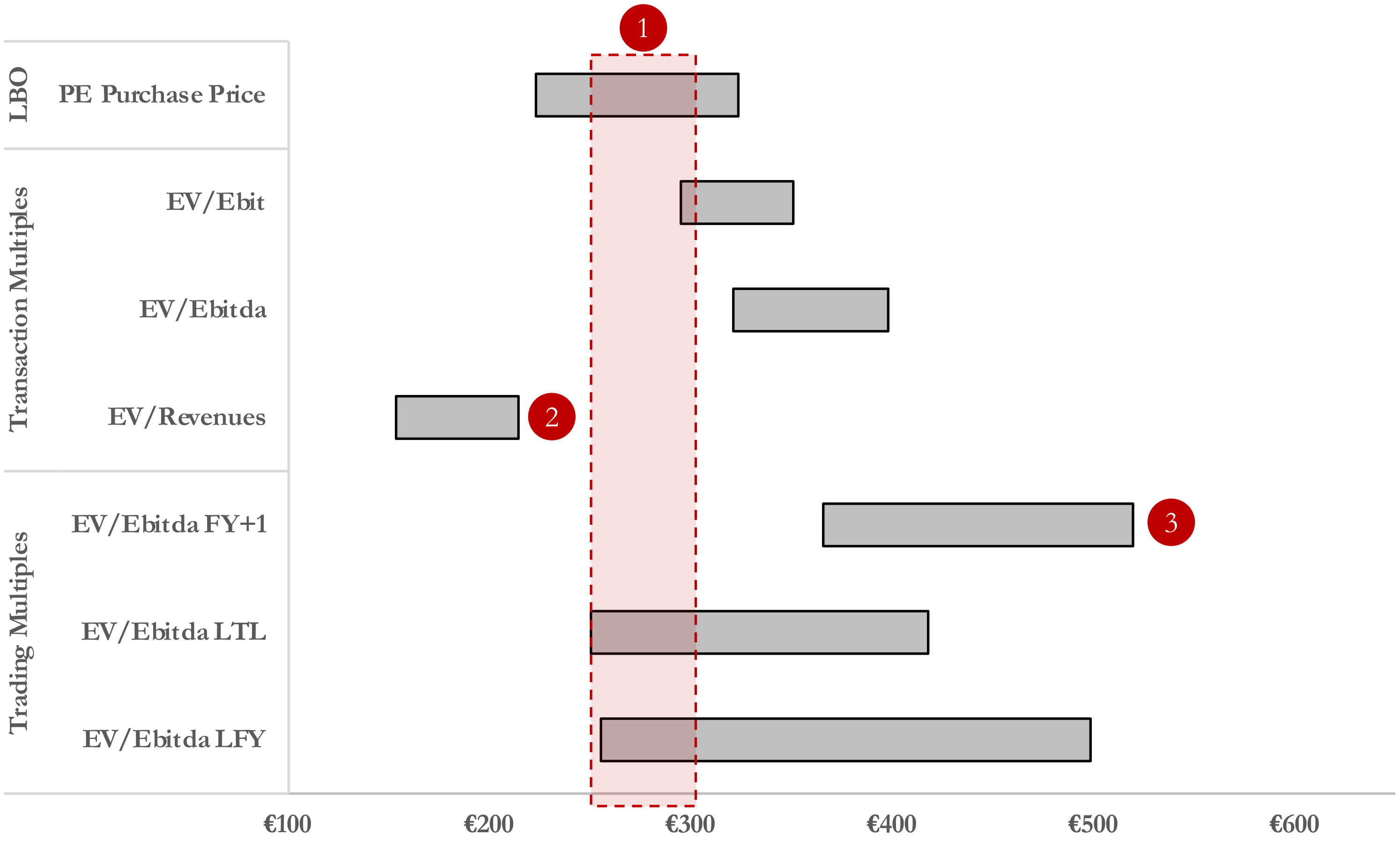
Exit Multiple	Target IRR 20.0%	22.5%	25.0%	27.5%	30.0%
7.0x	268.3 €	255.3 €	243.6 €	233.0 €	223.4 €
7.5x	282.3 €	268.2 €	255.5 €	244.0 €	233.5 €
8.0x	296.3 €	281.1 €	267.3 €	254.9 €	243.7 €
8.5x	310.2 €	293.9 €	279.2 €	265.9 €	253.8 €
9.0x	324.2 €	306.8 €	291.1 €	276.9 €	264.0 €

Exit Multiple	Target IRR 20.0%	22.5%	25.0%	27.5%	30.0%
7.0x	75.1%	71.4%	68.1%	65.2%	62.5%
7.5x	79.0%	75.0%	71.5%	68.2%	65.3%
8.0x	82.9%	78.6%	74.8%	71.3%	68.2%
8.5x	86.8%	82.2%	78.1%	74.4%	71.0%
9.0x	90.7%	85.8%	81.4%	77.4%	73.8%

Scenario II – Company Valuation (Football field)

EV Valuation Range for the Financial Sponsor (€m)

Intrinsic valuation preferred over market approach due to lack of truly comparable companies and transactions (combination of industry and financial distress), which explains the width of the valuation ranges using multiples



1. **Implied Valuation Range** resulting from LBO model (22.5% - 27.5% IRR and 7.5x – 8.5x Exit Multiple): **€ 244.0m - € 293.9m**

2. **Transaction comps** including acquisitions of distressed targets payed **at a discount** over **EV/Revenues** multiple which explains the lower valuation range

3. **EV/EBITDA FY+1** leading to **overestimation** of EV due to **aggressive** EBITDA growth **assumptions** (+36.9% from 2018 EBITDA)

Agenda

Recommendations and Conclusions – Assumptions Comparison

	Scenario I (Strategic bidder)	Scenario II (PE fund)	Comments
Revenue from department stores	€ 10m of annual revenue synergies	n.a.	Strategic buyer able to achieve revenue synergies thanks to existing relationships with department stores
Revenues from online channel	n.a.	Rapid increase until reaching € 120m in 2022	Online expansion strategy pursued by the PE fund in line with industry best practices
Efficiency gains	Gross margins converging to industry averages 30.0%	Gross margins remain flat at 2018 levels	Change in pricing strategy introduced by PE fund will leave margins at current value
Cost synergies	Cost savings of € 5m per annum for back-office headcount reduction	n.a.	Predictable cost savings thanks to workforce reduction
Economies of scale	n.a.	SG&A expenses (as a % of revenues) 400bps lower than 2018 levels	Higher profitability due to decreasing SG&A cost margins
Termination of lease for 10 stores	€ 3.3m of lost revenue and € 4.0m of cost savings per annum	€ 3.3m of lost revenue and € 4.0m of cost savings per annum	Termination of inefficient stores leads to profit generation (cost savings offset decrease in Revenues)
One-offs	€ 12.5m increased value of distribution network € 1.5m expense associated with lease termination	€ 1.5m expense associated with lease termination	Current distribution network is valuable to a strategic buyer and could provide significant synergies

Recommendations and Conclusions – Sensitivities

Strategic Bidder

- Sensitivities on the main operational and investment assumptions with regards to the Strategic bidder BP **have limited impact on EV** resulting from Gordon Growth DCF
- **Most sensitive** assumption is the forecasted **COGS margin**, which is supposed to **align with industry average** (c.a. 30.0%, considering Burberry, Prada etc.)

€m		
Strategic Bidder	**EV**	**Delta**
Base Case	**287.2**	**0.0%**
Revenues		
Department Stores -5%	285.9	(0.4%)
Department Stores +5%	288.4	0.4%
Costs		
COGS Margin +5%	275.3	(4.1%)
COGS Margin -5%	299.0	4.1%
SG&A Reduction +10%	283.0	(1.5%)
SG&A Reduction -10%	291.4	1.5%
Cash Flow		
Capex +5%	286.6	(0.2%)
Capex +10%	285.9	(0.4%)

PE Fund

- **Sensitivities** with regards to the Financial sponsor BP highlight **greater dependence on operational assumptions**
- LBO result **mostly impacted by sensitivities on COGS margin** (conservatively set equal to 2018 level), however **change in pricing** strategy might anyway result in **higher than forecasted COGS margin**

€m		
Financial Sponsor	**EV**	**Delta**
Base Case	**267.3**	**0.0%**
Revenues		
Online Sales -5%	263.9	(1.3%)
Online Sales +5%	270.7	1.3%
Costs		
COGS Margin +5%	239.0	(10.6%)
COGS Margin -5%	295.7	10.6%
SG&A Margin +5%	243.0	(9.1%)
SG&A Margin -5%	291.7	9.1%
Cash Flow		
Capex +5%	266.9	(0.2%)
Capex +10%	266.5	(0.3%)

Strategic bidder BP results safer than Financial sponsor BP also after stressing main operational assumptions, more certainty over expected value of the firm

Recommendations and Conclusions – Final Recommendation

Final Recommendation

We recommend pursuing the **sale to the Strategic bidder** in order to **ensure higher price, recovery rate, better strategic fit** for the company and a **smoother transaction**

	PROS	CONS
Strategic Bidder	• Higher price range resulting from intrinsic valuation (DCF Gordon Growth) **€ 261.7m - € 318.6m** • **Higher recovery rate** with regards to the initial credit (estimated range between 73.2% and 89.1%) • **Better strategic fit**: pricing and distribution in line with Management BP, with room for additional cost efficiencies • Financing of the transaction likely via buyer's cash, implying **faster execution and closing** of the transaction	• Aggressive assumption on cost optimization, which implies a prompt and drastic turnaround of existing processes • **Slower expansion towards new distribution channels** such as online retail • Room for revenues cannibalization if acquirer serving the same market segment and client base of the target • SG&A restructuring implying personnel reduction
PE Fund	• Valuation range not significantly different from strategic bidder and highly reliant on Exit Multiple (set **conservatively at 8.0x**) • Creation of a **new distribution channel in a fast-growing segment** which is becoming more determinant in driving revenues, fostered by a potential build-up or partnership in the sector	• **New pricing and distribution** strategies imply change in general organization and re-branding, which is **hard and expensive** to implement (hiring new management, etc.) • **Lower profitability** due to change in pricing • **More aggressive BP,** highly affected by deviations of main operational assumptions from the original BP • **Slower negotiation** due to new financing and bank's due diligence, particularly costly due to distressed nature of target

Agenda

1. Executive Summary
2. Company Overview
3. Market Overview
4. Market-based Valuation
5. Scenario I: Sale to Strategic Bidder
6. Scenario II: Sale to Financial Sponsor
7. Recommendations and Conclusions
8. **Appendix**

Appendix – Altman Z-score+

Z-Score+ General Formula

Z-Score+ = 0.717 * Working Capital/Total Assets + 0.847 * Retained Earnings/Total Assets + 3.107 * EBIT/Total Assets + 0.420 * BV of Equity/Total Liabilities + 0.998 * Sales/Total Assets

MJ's Z-Score+ Computation

Working Capital/Total Assets	0.15	BV of Equity/Total Assets	1.00
Retained Earnings/Total Assets	0.00	Sales/Total Assets	0.77
EBIT/Total Assets	0.09	MJ's Z-Score+	1.57

- Altman Z-Score+ enables to associate a specific risk premium to a company based on its overall score
- According to our computation, MJ has a score equal to 1.57, which is associated with a **9.14% equity risk premium** (risk premium for **distressed firms**)