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LSE

D-zine Men's Apparel

2019 YOUnivesity Deal Challenge

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Agenda

D-zine Men's Apparel

Executive Summary

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D-zine Men's Apparel

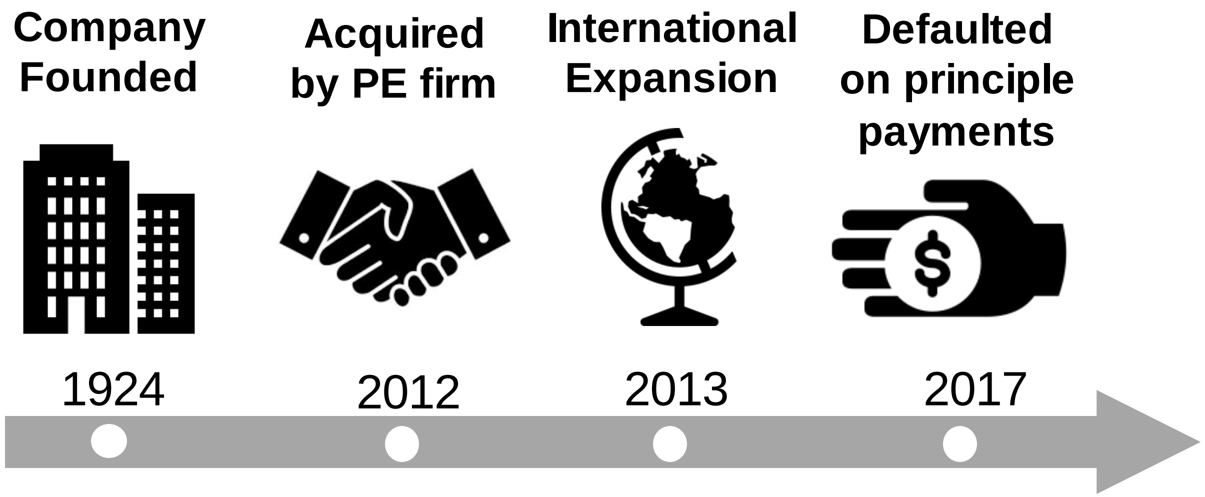
Deliverable 1	**Industry**	Stronger emphasis on digital channels and growing opportunities in the international market have been the key drivers within the luxury industry. More sales are driven by the younger generation and their purchase of casualwear.
	Company	With declining sales, DMA needs to restore growth by focusing on online channels and could potentially consider introducing new products targeting millennials and Generation-Z.
Deliverable 2	**Financial Buyer**	Lion Capital is the best financial buyer for DMA due to the add-on effects as a result of DMA joining its existing portoflio of luxury companies. The implied value range from LBO analysis is $600-$787m with an expected IRR of 17%-21%.
	Strategic Buyer	Michael Kors is the best strategic buyer because of their strategic alignment and synergy realization capability. Based on our analysis of discounted cashflows, precedent transactions and comparable companies, we estimate a price range of $699-$916m.
	Overall	We recommend the debtholders seek Michael Kors as the best buyer as Michael Kors is willing and prepared to pay the highest price for DMA. Recommended price is $807m.
Deliverable 3	**Trademark Infringement**	We calculate the damages as the licensing royalty fees that should have been paid to DMA from FPA. The better strategy for DMA in the future would be to establish a relationship with FPA by liecnsing its trademark.

Company Profile

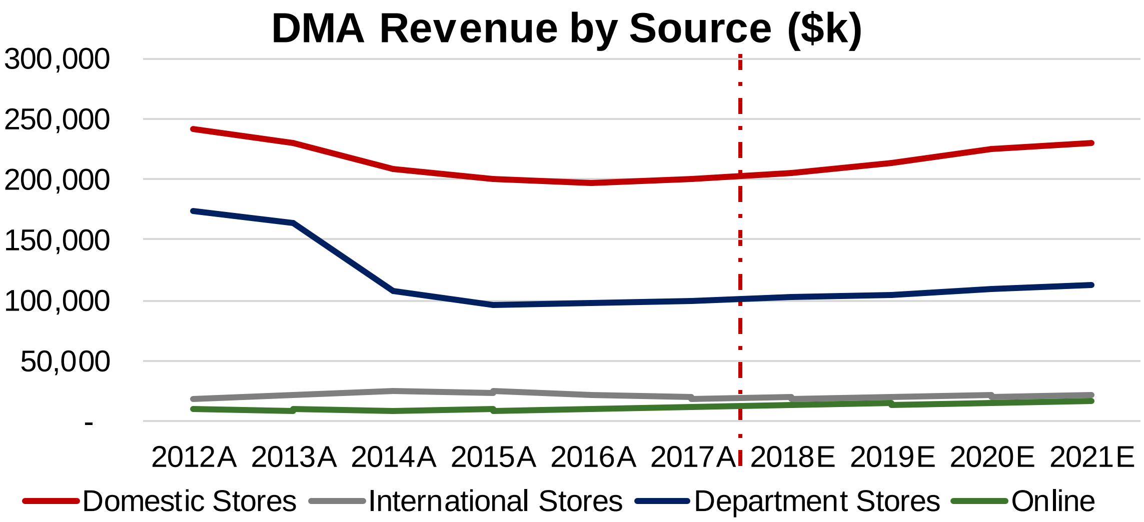
Company Overview

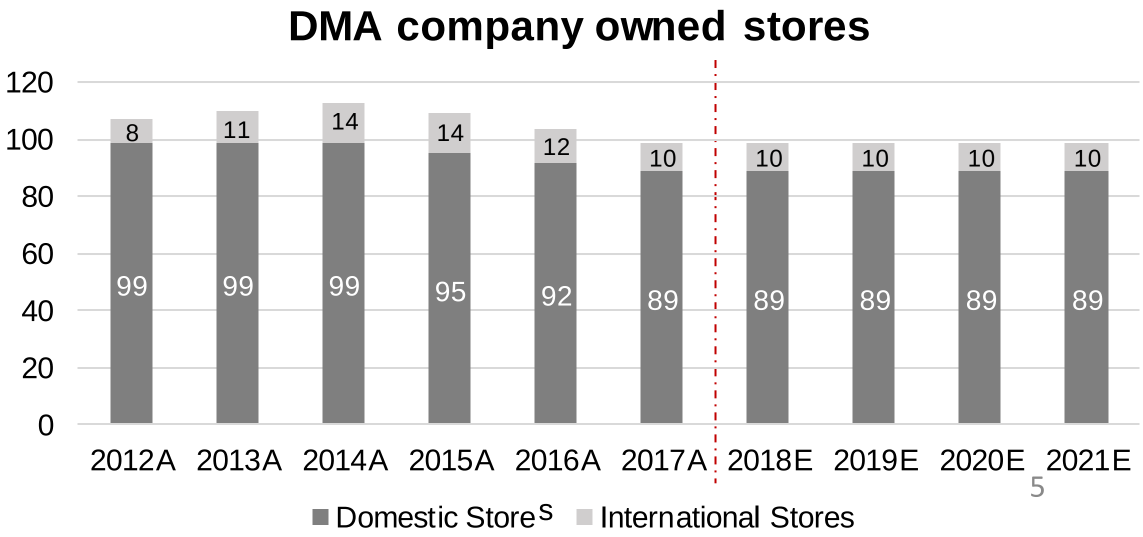
- D-zine Men's Apparel is a men's clothing and luxury products company based in the United States
- Owns 99 stores globally, with 89 in the US and 10 overseas
- Also sells through upscale department stores and online

DMA Timeline



Historical and Forecast Financials





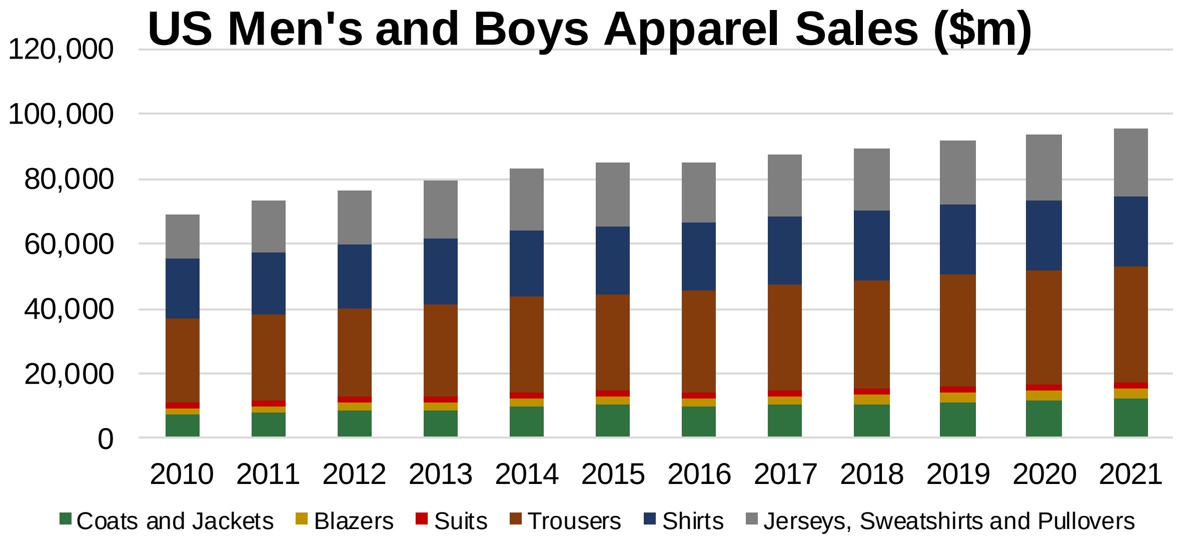
Industry Analysis

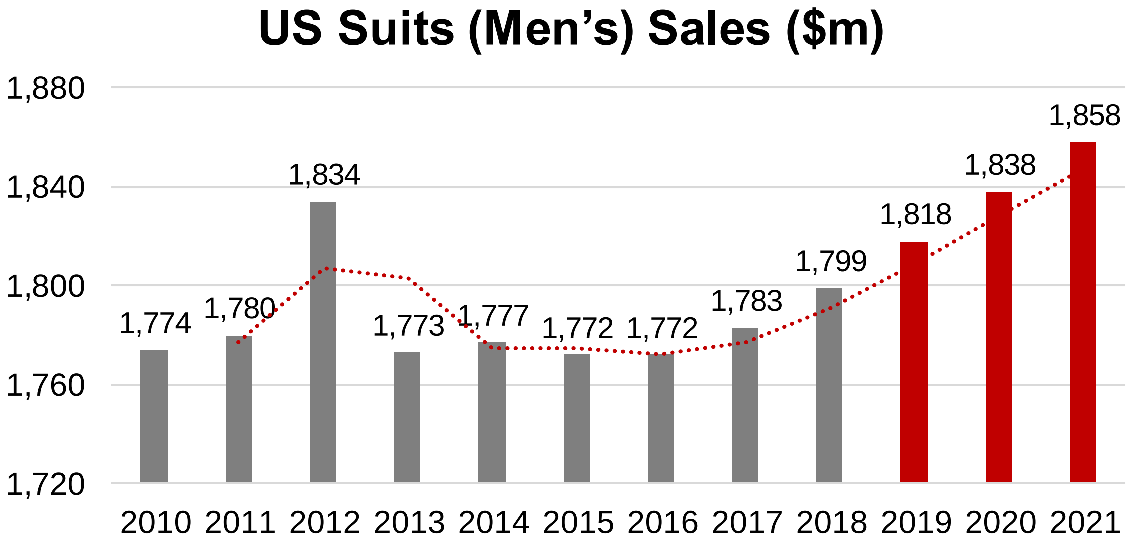
Deliverable 1

Industry Overview: Men’s & Boys Apparel

Key Information

- Men’s and boys apparel made up **26% of the global apparel market** in 2017
- Experienced growth of 3.7% in 2017, **outperforming womenswear** which grew at 3.3%
- Key growth drivers: social media influences, renewed emphasis on appearance for men, dress codes relaxing globally
- Sales of men’s and boy’s suits in the US projected to grow at CAGR of 1.1% from 2018 to 2021 - not as high as overall apparel sector growth due to **increasing popularity of casual wear and fast fashion** which has placed pressure on tailored clothing





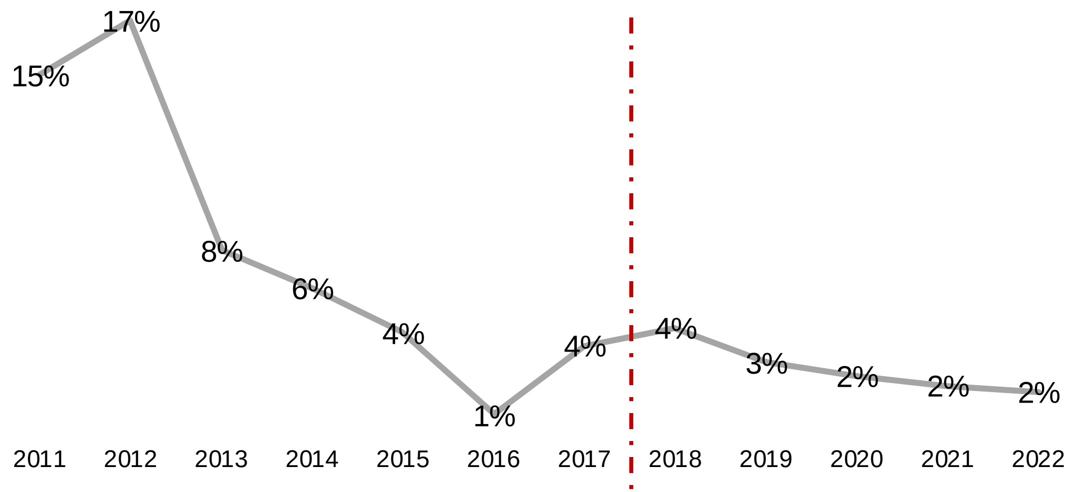
Source: *Statistica 2018, Retail Sector*

Industry Overview: Luxury Products

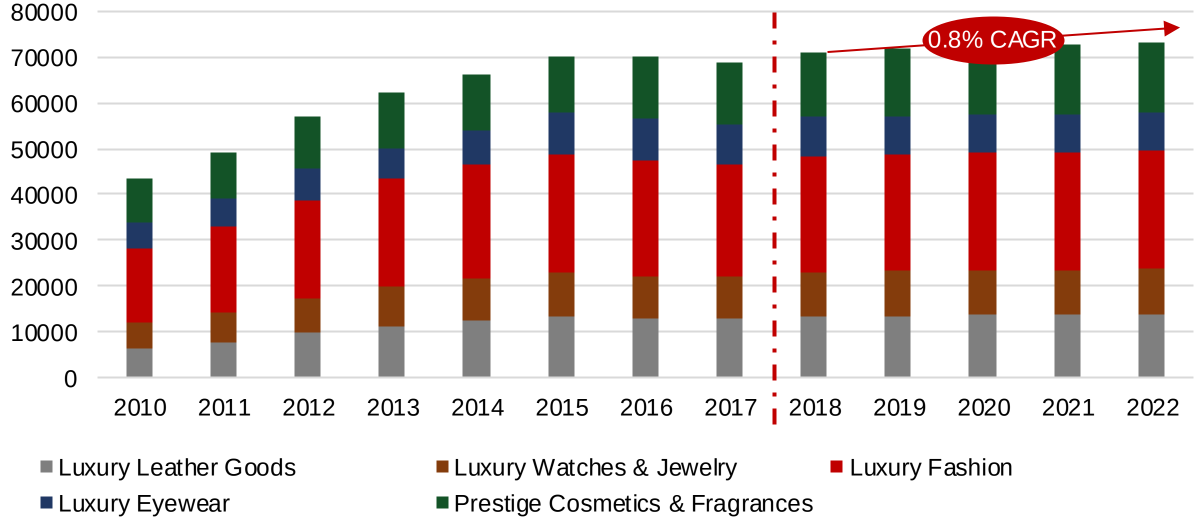
Key Information

- **US market generates most revenue** globally for luxury goods, accounting for US$71,202m of sales in 2018
- However, the **US** luxury goods market has projected **growth of only 0.8%** (CAGR 2018 to 2022)
- **Internationally**, the luxury goods market is projected to **grow by 2.1%** (CAGR 2018-2022)
- Luxury menswear growth specifically is being driven by **strong demand in China, India and the UAE**

Global Luxury Products Revenue Growth (%)



US Luxury Goods Market Revenue ($m)



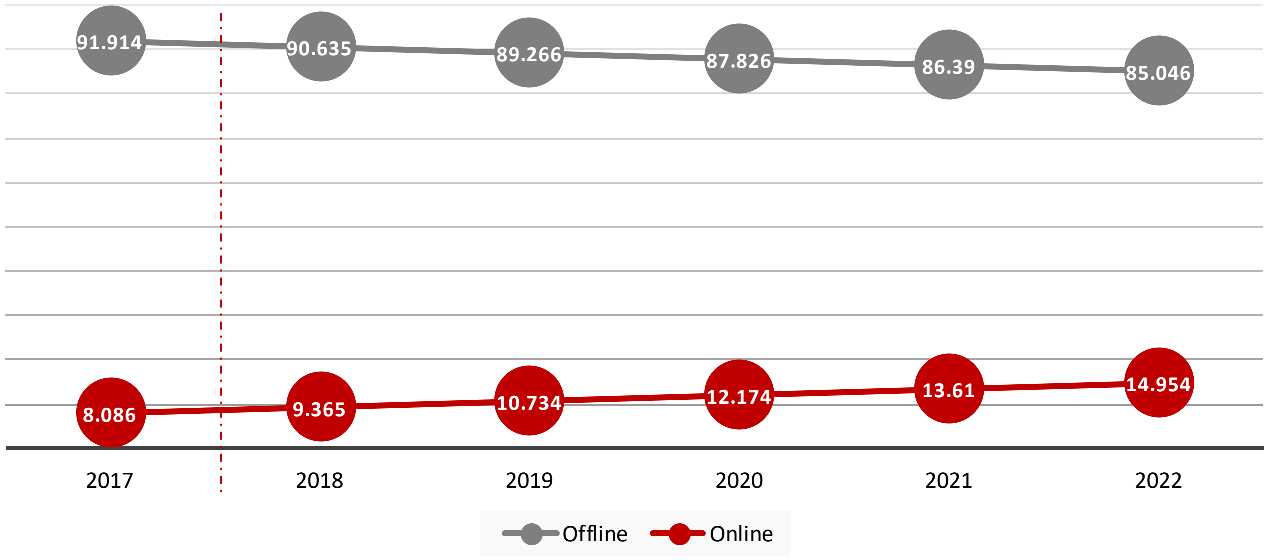
Source: Statistica 2018, Deloitte Global Powers of Luxury Goods 2018, eshopworld

Industry Overview: Instore vs Online

Key Information

- **Online** presence continues to **increase in the importance of** luxury good sales in the US - expected to make up nearly 15% of the market by 2022
- More brands selling in **online marketplace portals** such as Yoox Net-A-Porter, MatchesFashion, and Farfetch
- **Generation Y and Z** accounted for 85% of 2017's growth in luxury goods sales - value digital interactions with brands through online sites and social media content

Sales Channels of luxury goods in the US (%)



Online Marketplace Portals

YOOX NET-A-PORTER GROUP

MATCHESFASHION.COM

FARFETCH

Source: Statistica 2018, Knowledge@Wharton, Bain&Co, YNAP, MatchesFashion, Farfetch

Porter's Five Forces Analysis [1]

Bargaining Power of Suppliers

Products primarily sourced from independent suppliers so DMA has **medium** bargaining power over suppliers – but switching costs may be high due to experience needed from manufacturers

Bargaining power of consumers

Individual buyers generally have price inelastic demand for these goods and have **low** bargaining power – but bargaining power of customers **heightened** by power held by department store customers.

Industry rivalry

Medium-High competition between many brands within the industry – competition likely to **increase** due to the use of social media as companies tailor their approach towards the younger generation

Threat of new entrants

Threat of new entrants **low** within luxury goods sector due to the importance of brand value – but online sales and social media advertising has reduced barriers to entry, so threat of new entrants **increasing**

Threat of substitutes

Low threat of substitutes as product well differentiated with strong brand and high quality as well as typically high customer loyalty for menswear – but counterfeit goods poses threat for DMA's brand and products

[1] See appendix for each detailed Porter's Five Forces Analysis

Opportunities Facing DMA

Online Presence

- Online sales =15% of US luxury goods sales by 2022
- **Room to expand DMA's online sales** which in 2017, only accounted for 3.58% of total sales
- DMA can establish online presence to tailor sales approach towards millennials who want an extension of in-store experience online with the added convenience
- However, must strike balance between accessibility and exclusivity – or may damage DMA's brand value

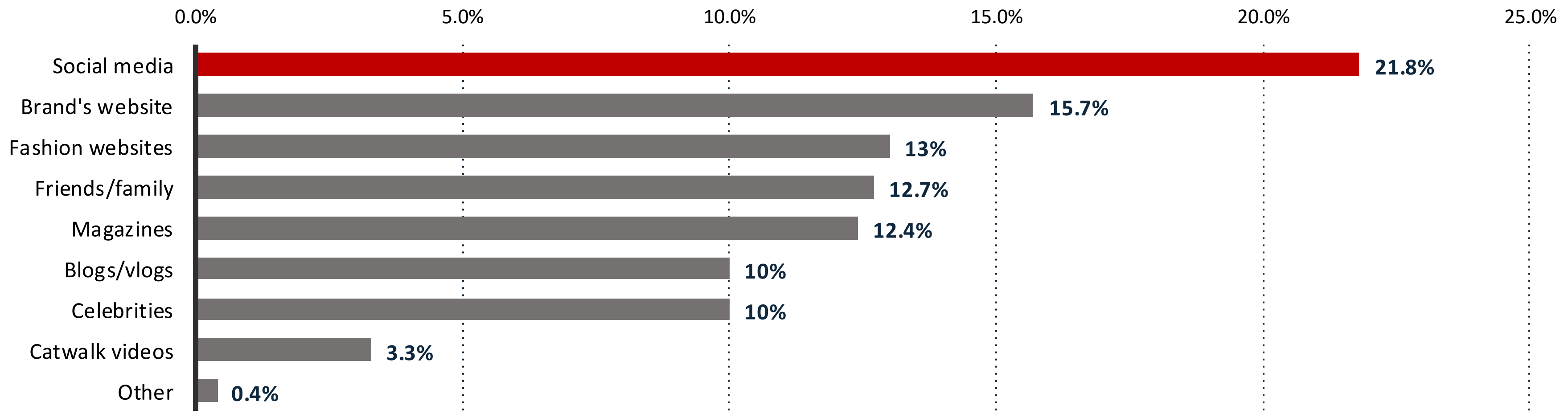
International Expansion

- Key markets for expansion: **India** where the luxury market forecasted growth is at 5.1% CAGR, **Argentina** at 6.5% CAGR, **Malaysia** at 6.5% CAGR and **China** at 2.6% CAGR
- Driven primarily by the growing middle class and increasing formal market power over the black market
- However, must ensure expansion is accompanied with **local expertise, operating experience, and available resources** or success may be hindered

Social Media and Technology

- **Generation Y and Z** made up 85% of 2017's luxury goods sales growth
- DMA should focus on young demographic
- Use of **social media platforms** to: engage, advertise and update brand's image towards younger demographic
- Use of AR and AI in shopping experience – such as LVMH "Virtual Adviser", YOOX's "Try, Share and Shop"

How millennials find high-end fashion or luxury item trends (UK 2017)



Source: Statistica 2018, Bain&Co, Deloitte Global Powers of Luxury Goods 2018, eshopworld

Risks Facing DMA

Reliance on the US Market

- **<u>US luxury market growth is slowing</u>** with projected growth of CAGR 0.8% compared to the projected global growth rate of 2.1%
- DMA is mainly concentrated in the US (89/99 stores in the US)
- Risks to future growth of DMA as may not be well positioned to take advantage of increasing demand in emerging market economies

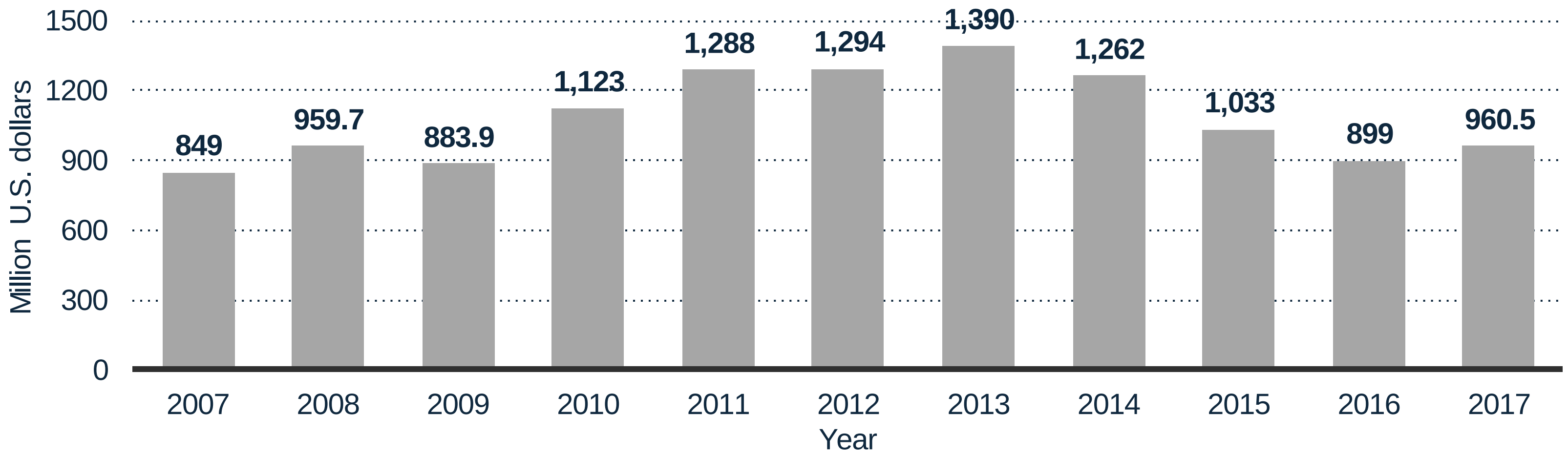
Department Store Sales

- DMA is **<u>over-reliant on department store sales</u>** - loss of one department store customer caused a huge fall in revenues in 2014
- Department stores have high customer power
- Risk for DMA as US department store revenues have fallen by an annualised rate of 4.1% from 2013 to 2018 due to competition from e-commerce stores that offer convenience, more inventories and lower prices due to low overheads

Political Instability

- **<u>US-Sino trade war</u>** has caused tariffs on the majority of US and Chinese exports
- US Luxury products have so far not been hit by tariffs, but could occur in future due to rising tensions
- Tariffs have been placed on Chinese imports of fibres and fabrics such as leathers, silk, wools
- Could impact COGS for DMA which is heavily reliant on these

Value of U.S. textile and apparel exports to China 2007-2017



Major US Department Store Closings

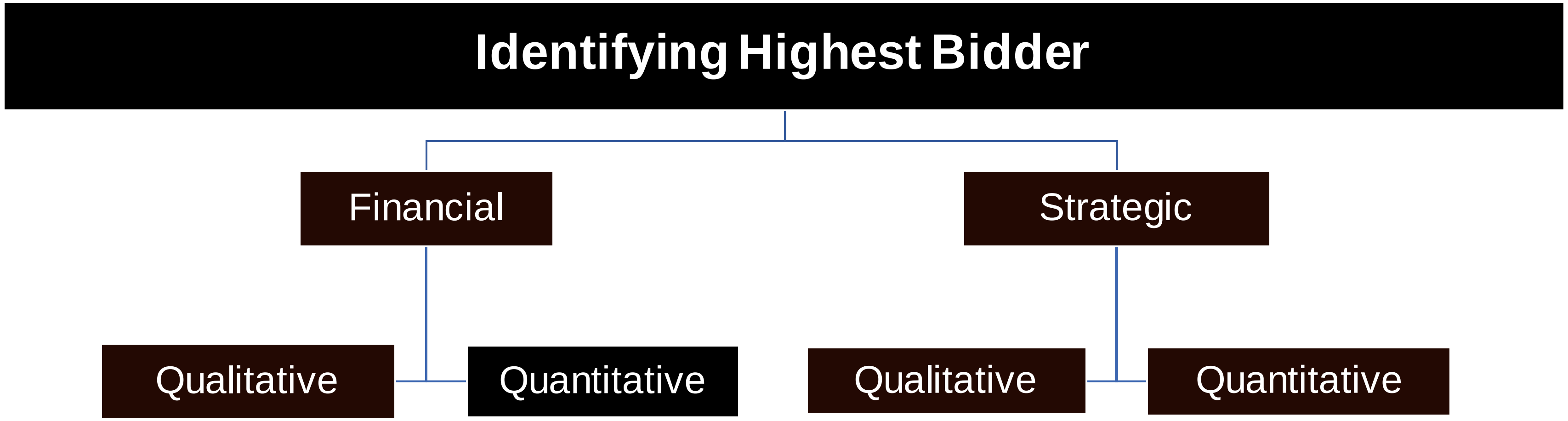
JCPenney	138 store closures in 2017
macy's	68 closures in 2017
sears / kmart	Over 350 closures by Sears and Kmart in 2017

Source: Statistica 2018, USA Today, CNBC, Clark, IBISWorld

Buyer Recommendation

Deliverable 2

Analysis Framework & Value Perspectives



Strategic Buyer	DMA Debtholders	Financial Buyer
• Expects the acquisition to be able to **achieve synergies** with the parent company or facilitate its **growth strategy** • Looks at the **long-term value** that the acquisition can generate for the consolidated company • Requires analysis on past M&A experience and financial capability of each potential buyer to assess their willingness to do the acquisition	• **Maximize value, receive full principal** paid, no interest in controlling or running the business • **Recognize** that given DMA's distressed condition, it's **possible** that their debt will be **paid at a discount** to the face value, regardless of whether the buyer is strategic or financial • **<u>Hence looks for the bidder that is willing to pay the most to acquire DMA</u>**	• **Earn a return** through business acquisition by adding value through an optimal use of debt • Expects to achieve **add-on effects** by drawing resources from firms in its existing portfolio to the target • Generally not willing to pay too much because of **the need for a target return on investment**

Financial Buyer

Deliverable 2.1

US PE Environment Overview

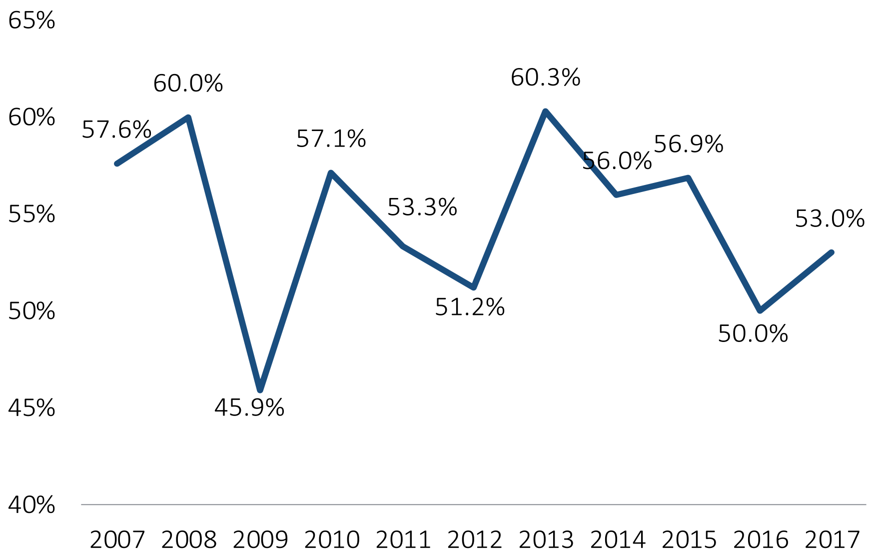
Overview

- In general, the private equity environment has remained relatively stable for the past few years
- PE firms has more cash at their disposal due to high valuations and not enough suitable buyout targets
- Debt levels have risen but remained within historical bounds

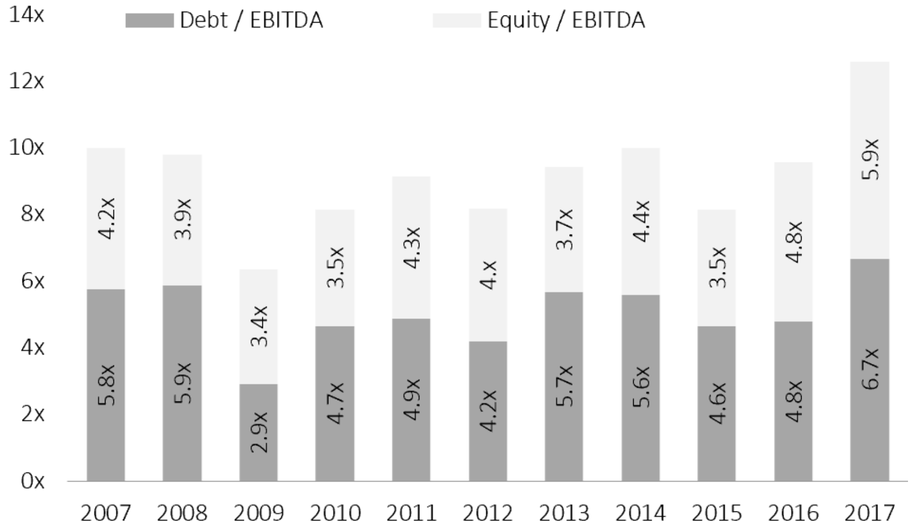
Trends within Luxury Industry

- Growing interest in **digital luxury segments** from current investors due to the synergies these disruptive technologies provide
- Newcomers prefer **consolidated segments** within this industry due to market knowledge being widespread
- Strong focus on **internationalization, digitalization,** and **restructuring strategies**

PE Median debt (%)



Median Transaction Multiples



Source: Pitchbook: 2017 Annual US PE Breakdown, Deloitte Fashion and Luxury Private Equity and Investors Survey 2018

Financial buyer selection

	Luxury & Apparel Portfolio/Exits	Operating Expertise	Perceived Interest in Deal
LION CAPITAL	**Jimmy Choo** • Acquired in 2004 • Exited in 2007 **All Saints** • Acquired in 2011 • Partnered with Goode Partners	• Consumer-focused investor, many high-profile fashion brand exits **Key Personnel:** • Lyndon Lea –MD • Board experience: Jimmy Choo, All Saints, American Apparel	• Lion has interest in consumer brands with untapped potential, product innovation or opportunity for operating improvements • Currently **controls multiple luxury brands so could generate add-on synergies for DMA**
Tengram Capital Partners	**Luciano Barbera** • Ultra-luxury apparel brand • Acquired in 2014 **Zanella** • Luxury Italian menswear brand • Acquired in 2015	• Specialises in investing in branded products and retail companies **Key Personnel:** • William Sweedler – General Partner • Board experience: NEST Fragrances, Luciano Barbera, Zanella etc	• Tengram's extensive menswear industry experience could provide significant value to DMA • However, DMA's transaction value is too big for Tengram unless financing with other funds
L CATTERTON	**R.M. Williams** • Australian brand focusing on high quality clothing and leather goods • Acquired in 2013 **Ganni** • Acquired in 2017	• Has an ongoing partnership with LVMH • Currently the largest and most globally experienced consumer-focused private equity group	• Expertise and resources from LVMH can help to revitalise DMA • However currently only has investments between \$10m and \$50m in North America so unlikely to take on such a large deal
PERMIRA	**Takko Fashion** • Acquired in 2000; Exit in 2007 **Hugo Boss** • Acquired in 2007; Exit in 2015 • Brand transformed from a wholesale supplier into a fast-growing branded retailer	**Key Personnel:** • Cheryl Potter – Co-Head of Consumer • Worked on numerous transactions involving companies such as Allegro Group, Arcaplanet, Creganna, Dr. Martens, Homebase	• Has large amount of fashion brand experience, recently transforming Hugo Boss • However, firm is more interested in larger targets, usually the leaders in the industry

Source: Company websites

PE Add-ons Overview

- **Add-ons** are used to refer **synergistic effects** that are achieved through an acquirer adding a target to its **existing portfolio platform**
- It is enabled by bringing key operational, financial, sales and marketing skills to the target company drawing on the resources from other companies that it controls

LION CAPITAL

ABG, SPENCE DIAMONDS, LOUNGERS, ALEX AND ANI, ALLSAINTS, PAIGE, john varvatos, BUSCEMI …

Marketing Add-ons

ABG

· Authentic Brands Group is a brand development company, which builds long-term value through the ownership of intellectual property associated with a global portfolio of prominent consumer brands.

· DMA could benefit from ABG's **marketing expertise and resources**, hence generating larger per store sales due to stronger brand presence and higher customer loyalty

Sales Add-ons

john varvatos

· John Varatos is an American mens clothing and lifestyle brand. Launched in 2000 with a collection of tailored clothing and sportswear, the brand now represents an entire lifestyle that includes belts, bags, footwear, eyewear, limited edition watches, luxury skincare and fragrances

· More revenue add-ons could be achieved through **cross-selling** of DMA's clothing and apparels in John Varvatos' stores. This is enabled by the similar brand positioning of the companies as they both focus on men's luxury clothing and apparels.

Operational add-ons

ALLSAINTS

· AllSaints is a contemporary fashion branded retailer of menswear, womenswear, footwear, and accessories. It's a leading global fashion brand with over 130 stand-alone shops worldwide as well as a world-class digital platform.

· DMA could benefit from reduced distribution expense as it combines some of its **distribution channels** with AllSaints.

· The strong growth momentum in DMA's online sales could be maintained, drawing on AllSaint's expertise in **digital platform** building.

Source: Lion Capital Website

LBO inputs

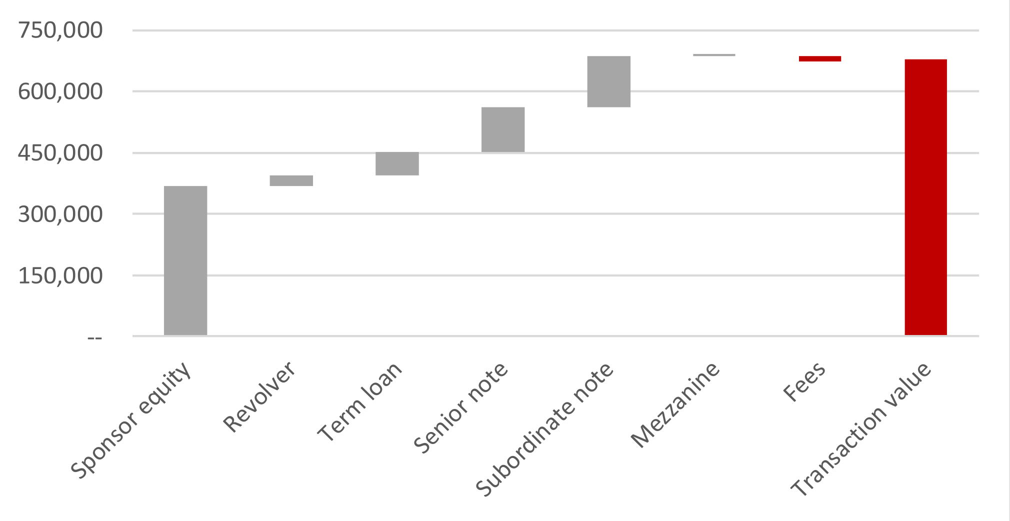
Base data

	($k)
Entry EBITDA multiple	8.0x
Exit EBITDA multiple	8.0x
Existing net debt	678,926
Current EBITDA	48,004
Minimum Cash balance	35,000
Median debt/EBITDA	5.7x
Median equity proportion	46%
Tax rate	27.5%

Key Asssumptions

- **$678,926k transaction value**
  - Assumes transaction value equal to net debt due to negative equity
- **Uses LBO-specific projection set**
  - DMA reduces international stores due to prior faliure experience and buyer's limited overseas expertise; shifts to domestic sales
  - Considered synergistic add-ons specific to Lion Capital regarding to its current investment portfolio;
  - Considered store closure/opening and other estimates mentioned in the case
  - Considered an estimation of debt schedule
- **Transaction structure** calculated based on median ratios of 2017 US PE activities[1]
- Assumed minimum cash balance of $35,000k

Sources and uses of funds



Sources and uses of funds

Sources	$k	%	Uses		$k
Sponsor equity	367,678	53%	Transaction value		678,926
Revolver	27,700	4.0%	Fees	2.00%	13,579
Term loan	55,400	8.0%			
Senior note	110,801	16.0%			
Subordinate note	117,726	17.0%			
Mezzanine	13,199	1.9%			
Total sources	**692,505**	100.0%	**Total uses**		**692,505**

Source: [1]Pitchbook: 2017 Annual US PE Breakdown

LBO Valuations and returns

Returns Analysis

(transaction value = DMA's net debt)

Exit EBITDA Multiple	Exit year 2022E	2023E	2024E
7.0x	16.3%	15.1%	14.2%
7.5x	17.9%	16.4%	15.3%
8.0x	19.5%	17.6%	16.2%
8.5x	21.0%	18.7%	17.1%
9.0x	22.5%	19.8%	18.0%

Implied EV Analysis ($k)

(exit year = 2022)

Exit EBITDA Multiple	Target IRR 17%	19%	21%
7.0x	666,244	630,858	599,737
7.5x	696,083	659,050	625,927
8.0x	726,444	687,206	652,119
8.5x	756,805	715,362	678,312
9.0x	787,166	743,518	704,505

LBO Implied value range

$600m - $787m

Other Assumptions

- Benefited from revenue and cost **add-ons** using resources from other companies held by **Lion Capital**
- Target IRR range determined from 2017 US PE activities in luxury industry. Only 25% PE expect a return > 20% for a buyout on luxury companies greater than $250m.[1] Hence assume target IRR range to be around 17%-21%
- **Interest expense** calculated from average balance of debt in the corresponding year

Method Discussion

- Using a range of multiples and target IRR, we estimate the EV range that a PE is willing to pay for DMA is between **$600m-$787m**
- However, add-on effects would be **smaller than** the synergy effect in the **strategic buyer** case, as a strategic buyer for DMA can better exploit the potential of international market
- Increase in revenue driven strongly by the introduction of **new product line** whereas loss in up-scale stores is relatively minimal due to smaller base figure

Source: [1]Fashion & Luxury Private Equity and Investors Survey (Deloitte)

Strategic Buyer

Deliverable 2.2

Global Luxury Products M&A Environment

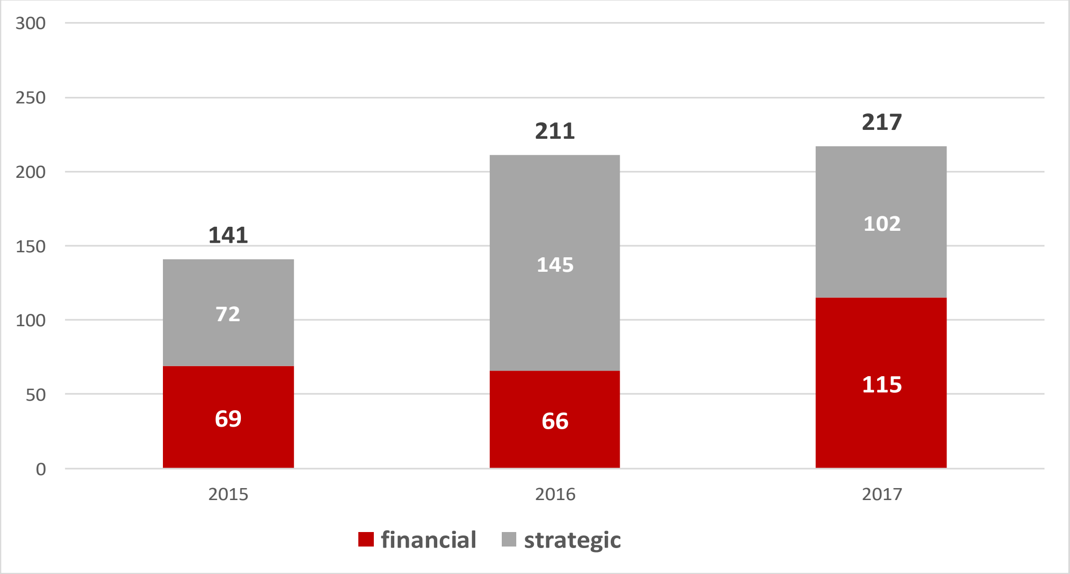
Overview

- The fashion & luxury industry saw 217 deals announced in 2017, representing an 2.8% rise from 2016
- Apparel & accessories saw an increase of 8 deals in 2017 while watches & jewellery experienced a decrease of 9 deals in the same period
- Although average deal value fell from $449M to $230M, achieved multiples grew, **showing strength in M&A activity**

Trends and Strategies

- 47% of M&A deals in the apparel and luxury products industry involved strategic investors, representing a fall of 43 deals compared to 2016
- Financial investors carried out 44 more deals than in the previous year

No. of Luxury M&A Deals by type



2017 Major Transactions

LVMH
MOËT HENNESSY . LOUIS VUITTON
Has acquired
26% of
Christian Dior
For $13.1B

tapestry
COACH | kate spade | STUART WEITZMAN
Has acquired
kate spade
NEW YORK
For $2.4B

MICHAEL KORS
Has acquired
JIMMY CHOO
For $1.35B

Source: Fashion & Luxury Private Equity and Investors Survey 2018,2017 Global report (Deloitte)

Strategic buyer selection[1]

: Low
: Medium
: High

	Acquisition experience	Strategic alignment	Financial Capability
BOSS HUGO BOSS	Low	Medium	Medium
MICHAEL KORS	Medium	High	Medium
LVMH MOËT HENNESSY . LOUIS VUITTON	High	Medium	High
tapestry COACH | kate spade | STUART WEITZMAN	Medium	Low	High

[1]See appendix for detailed buyer selection

Best strategic buyer: Michael Kors

Company Overview

MICHAEL KORS

CEO: John D. Idol
Year Founded: 1981
Products sold: Watches, handbags, footwear, accessories, apparel

Current Strategy

- Previous performances affected by the slowing retail luxury market in the US
- 'Runway 2020' plan: Expand the business though greater product diversification and geographical expansion to revive growth
- Building a U.S. based multi-brand fashion empire similar to the likes of conglomerates LVMH and Kering SA

Prior Acquisitions

Michael Kors is continuously acquiring multi-billion dollar luxury companies to expand the business and revive the growth

- $500m MK HK Ltd acquisition in 2016
- $1349.95m Jimmy Choo acquisition in 2017

Key Financial Information

Revenue	$4718.6m
EBITDA Margin	23.2%
EV/EBITDA	10.86x
Net Debt	$711.3m
Enterprise Value	$9578.9 m

Source: Michael Kors website and Bloomberg

Strategic Rationale-*Runway 2020*

MICHAEL KORS

Runway 2020 Overview

- ***Runway 2020*** is a "***long-term multi-part revitalization strategy***"[1] designed to restore MK's luxury cachet.
- **Three key pillars** of the strategy are *Product & Design, Brand Communication,* and *Customer Experience*.
- **MK's recent emphasis** on the strategy was **evidenced by** its acquisition of *Jimmy Choo* in Q4 2017, which was intended to achieve "*a more balanced portfolio with greater product diversification*" and "*further expansion in the luxury accessories market*".[2]

Key aspects of the plan	DMA's fit
Refocusing on scarcity and luxury Slumping sales and brand dilution resulted from heavy store discounting and promotion in previous years.	Known for "***high quality***" and "***premium price***"
Diversify product mix by growing men's market Forge an identity that transcends handbags, growing its menswear, ready-to-wear and footwear categories	Strong expertise and experience in **menswear**
Focus on innovation Establish stronger brand positioning by providing more unique and iconic product design.	A team of **designers different** from MK's
Favour established brands only Interested only in those with "*some longevity*" that "*may need to have a structure to accelerate their growth*." – John Idol, CEO	**93 years** of heritage since foundation

Source: [1]Digiday.com: Four months in: Michael Kors already making significant progress on Runway 2020 [2]Michael Kors news release on July 25th,2017

Synergy realization capability

Synergy refers to the interaction or cooperation between two organizations that produce a combined effect greater than the sum of their separate effects. Consideration of specific synergies also allows for more accurate forecasts of the operating model.

Sources of synergy	Michael Kors-DMA Application
Distribution ▪ Combined company benefiting from shared distribution channels	▪ Michael Kors has 1,284,400 sqr foot distribution centre in California and multiple smaller ones around the US, along with regional distribution channels in Holland, Japan, Hong Kong and Canada. Distribution expense of DMA can hence be reduced through **sharing channels or warehouses**.
Supply chain ▪ Combined company benefiting from integrated supply chain structure	▪ Since DMA outsources production to independent overseas manufacturers, acquiring DMA allows Michael Kors to further practice its **multi-supplier strategy** that provides specialist skills, scalability, flexibility and speed to market, as well as diversifying risk.
Marketing ▪ Stronger brand presence and loyalty due to combined marketing resources and digital infrastructure	▪ DMA could draw on Michael Kors' existing marketing platform that it couldn't access before due to limited size, such as **fashion shows, magazines, designer weeks, traffic directing from Michael Kors' website etc.**
Product ▪ Pooling of talents and skills from both companies brings about better product portfolio	▪ DMA's **designers can collaborate** with Michael Kors' team to generate new and unique collections featuring characteristics from both brands.
Market entry ▪ Quick and efficient way to break into untapped market and harness growth potential	▪ Michael Kors can help DMA expand internationally using existing distribution channels and operating experience. Acquisition of DMA also allows Michael Kors to **quickly enter the market** for men's luxury clothing and accessories, which aligns with its Runway 2020 growth strategy.

Comparable Company

($m)			Sales		LTM EBITDA	EBITDA			EV/EBITDA		EV/Sales	
Company	Mkt Cap	EV	LTM	2018E	Margin %	LTM	2018E	5-year CAGR	LTM	2018E	LTM	2018E
VF	29,291	31,648	11,811	12,219	15.8%	1,871	1,943	1.7%	16.9x	16.3x	2.7x	2.6x
PVH	7,093	9,582	8,203	8,915	13.2%	1,084	1,146	6.9%	8.8x	8.4x	1.2x	1.1x
Michael Kors	5,939	5,847	4,494	4,719	25.0%	1,124	1,093	16.7%	5.2x	5.4x	1.3x	1.2x
Guess	1,034	1,133	2,191	2,364	6.0%	132	149	-4.0%	8.6x	7.6x	0.5x	0.5x
Nordstorm	7,281	9,048	14,757	15,478	11.2%	1,647	1,592	6.3%	5.5x	5.7x	0.6x	0.6x
Steven Madden	2,741	2,473	1,546	1,645	13.4%	208	213	4.7%	11.9x	11.6x	1.6x	1.5x
Ralph Lauren	6,611	5,846	6,653	6,182	12.2%	812	949	-0.6%	7.2x	6.2x	0.9x	0.9x
Tapestry	13,345	11,841	4,488	5,880	22.8%	1,025	1,252	-1.2%	11.5x	9.5x	2.6x	2.0x
								Median	**8.7x**	**8.0x**	**1.2x**	**1.2x**
								1st Quartile	**6.8x**	**6.0x**	**0.8x**	**0.9x**
								3rd Quartile	**11.6x**	**10.0x**	**1.9x**	**1.6x**
								Average	**9.5x**	**8.8x**	**1.4x**	**1.3x**

Target Implied Value Range			
	($k)	Multiple	Implied EV
NTM EBITDA	59,152	8.0x	473,214
		11.6x	686,161
NTM Sales	338,630	0.9x	304,767
		1.6x	541,808
Overall Implied EV		**Low**	**473,214**
		High	**686,161**

Comps Implied value range

$473m - $686m

Method Discussion

- Useful in the sense that it reflects market perception of the firm relative to peers
- LTM EBITDA margin of peers taken generally similar to DMA's, which enhances the method's credibility
- However it considers firm on a standalone basis, not capturing synergy after acquisition or changes in operating plans

Source: Bloomberg

Precedent Transactions

($m) Precedent Transactions								
Date	**Target**	**Acquirer**	**Transaction Type**	**Transaction Size**	**Percent Sought %**	**TV/EBITDA**	**TV/Sales**	**EBITDA margin %**
2017.7	Kate Spade	Coach	Cash	$ 2,353.8	100%	10.6x	1.7x	16%
2013.8	Loro Piana	LVMH	N/A	€ 2,000.0	80%	33.1x	1.4x	4.3%
2013.3	France Croco	Kering	N/A	N/A	-	-	-	
2011.6	Volcom LLC	Kering	Cash	$ 511.9	100%	15.6x	1.5x	10%
2017.7	Jimmy Choo	Michael Kors	Cash	$ 1,350.0	100%	18.6x	2.8x	15%
2017.6	Bonobos	Walmart Inc	Cash	$ 310.0	100%	12.2x	0.6x	4.8%
2014.9	G-T International Fashion	PVH Group	Cash	$ 7.3	100%	7.4x	0.5x	6.8%
2015.5	Ann Inc	Ascena Retail Group	Cash&Stock	$ 2,006.0	100%	8.5x	0.8x	9.3%
					1st Quartile	**9.5x**	**0.7x**	
					Median	**12.2x**	**1.4x**	
					3rd Quarile	**17.1x**	**1.6x**	
					Average	**15.1x**	**1.3x**	

Target Implied Value Range			
	($k)	Multiple	Implied EV
NTM EBITDA	59,152	9.5x	564,604
		15.1x	895,305
NTM Sales	338,630	1.3x	451,345
		1.6x	550,274
Overall Implied EV		**Low**	**550,274**
		High	**895,305**

PT Implied value range

$550m - $895m

Method Discussion

- Useful in the sense that it can act as a benchmark of market perception of firm value during acquisitions and captures synergies
- However, in this case the EBITDA margins for firms selected differs relatively largely from DMA's margin, which could reduce the accuracy of this method due to the difference in business performance

Source: Bloomberg

Discounted Cash Flow

($k) DCF	2017A	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Sales	331,061	338,630	356,640	378,078	399,832	408,343	424,134	431,276
EBIT	39,106	49,852	68,135	83,519	93,690	89,155	93,324	91,953
Tax (27.5%)	-10,754	-13,709	-18,737	-22,968	-25,765	-24,518	-25,664	-25,287
+D&A	8,898	9,130	9,431	9,810	10,209	10,617	12,703	13,984
-Capex	-5,628	-8,528	-9,208	-10,208	-11,595	-13,026	-14,378	-15,052
-ΔNWC		2,064	2,345	1,826	-2,624	-2,812	-1,126	-1,310
Unlevered Free Cash Flow		**38,809**	**51,966**	**61,979**	**63,915**	**59,416**	**64,859**	**64,288**
Terminal Value								**1,105,759**
Cash flows to be discounted		38,809	51,966	61,979	63,915	59,416	64,859	1,170,048
Discount factor		0.935	0.874	0.817	0.763	0.713	0.666	0.623
PV of free cash flow		**36,299**	**45,439**	**50,634**	**48,785**	**42,373**	**43,216**	**728,395**
Implied Enterprise Value								**995,141**

Key Assumptions

- **Tax rate** = 27.5%
- Adopted **changing capital structure in first 3 years** due to gradual paydown of debt
- **WACC** (after 2020) of 7.03%
- **Perpetuity growth** assumed to be 1.5%, determined as average luxury industry growth rate in US and World[1]
- **Exit multiple** taken from median EV/EBITDA of publicly traded comparable companies

Perpetuity growth - Implied value range

$919m-$1088m

Exit Multiple - Implied value range

$763m-$914m

Sensitivity Analysis - Perpetuty Growth

Growth \ WACC	6.63%	6.83%	7.03%	7.23%	7.43%
1.0%	1,030,424	999,733	971,184	944,561	919,474
1.1%	1,044,092	1,012,404	982,962	955,537	929,720
1.2%	1,058,259	1,025,521	995,141	966,873	940,292
1.3%	1,072,953	1,039,109	1,007,741	978,589	951,207
1.4%	1,088,203	1,053,192	1,020,785	990,704	962,480

Sensitivity Analysis - Exit multiple

Exit Multiple \ WACC	6.63%	6.83%	7.03%	7.23%	7.43%
7.0x	779,669	775,332	771,051	766,827	762,622
7.5x	813,142	808,554	804,026	799,557	795,110
8.0x	846,615	841,776	837,001	832,287	827,597
8.5x	880,089	874,999	869,975	865,018	860,084
9.0x	913,562	908,221	902,950	897,748	892,571

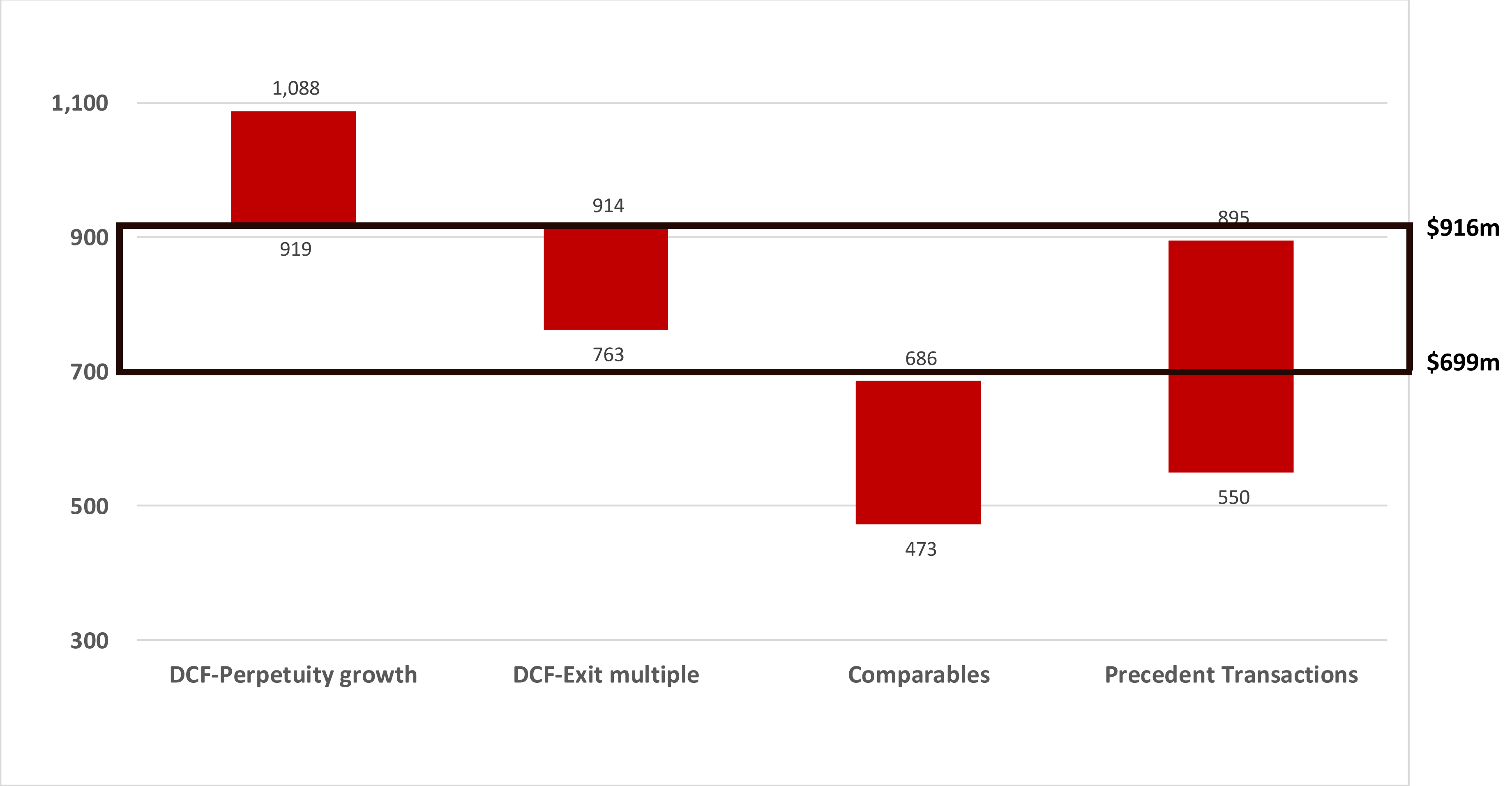
Source: [1]Statistica

Valuation football field

Implied value range

$699m - $916m

Enterprise Value Range ($millions)



Accretion/Dilution Analysis

Base data

Acquirer stock price($)	62.95
Acquirer shares outstanding	168,123,813
Interest rate	4.41%
Acquirer Tax rate (effective)	19.90%
Target Tax rate	27.50%
Transaction value($)	**807,309,374**
% Equity acquired	**100%**
% Cash proportions used	**100%**

Key Assumptions

- Assumed **all-cash transaction** as it is more likely to get the deal completed as DMA's debtholders have stronger preference for cash
- Assumed **100% equity** acquired by MK as done by MK historically for all its acquisitions
- Assumed **interest rate** of new debt issued = weighted average cost of debt of MK
- **Synergies already included** in DMA's operating model
- **Transaction value** set equal to the average of overall implied value range (see previous page)

Sources and uses of funds

Sources	($)	%	Uses	($)
Existing cash	41,172,778	5%	Transaction value	807,309,374
New debt	782,282,783	95%	Transaction fees (2%)	16,146,187
New equity		0%		
Total sources	**823,455,561**		**Total uses**	**823,455,561**

Sensitivity Analysis

Accr/Dil %	Equity % used					
	0%	20%	40%	60%	80%	100%
2017	-1.4%	-0.1%	1.2%	2.5%	3.8%	5.2%
2018	0.3%	1.3%	2.4%	3.4%	4.4%	5.5%
2019	2.0%	3.0%	3.9%	4.9%	5.8%	6.8%

Discussion

- Financing with 5% existing cash, 40% new equity, 60% new debt allows for a good level of accretion in EPS, relatively low debt burden, and relatively low dilution of control.
- Transaction becomes more accretive with increasing equity because the interest burden, which could cut into its net income, becomes lower.
- Given the strategic drivers behind the acquisition, **the Accr/Dil. analysis supports that** Michael Kors would likely submit a relatively high bid while maintaining probable shareholder support throughout.

Insufficient financing ability?

- In Q4 2017, **Michael Kors acquired Jimmy Choo PLC** for $1.35 billion, funded through a combination of borrowings under the Company's new term loan facility and the issuance of senior unsecured notes.
- However, this **does not suggest Michael Kors lacks the financial capacity** to acquire DMA.

Unused credit capacity

- **2017 Revolving Credit Facility**
- An agreement between MK and JP Morgan which allows it to borrow up to **$1 billion**[1]
- Borrowing remains **Off-Balance Sheet (OBS)**
- Still has *"**the capacity to borrow up to $804.7 million** of additional indebtedness under our undrawn revolving credit facilities"*

Leverage still within covenants

- The Revolving Credit Facility requires MK to maintain a **leverage ratio no grater than 3.5:1**[2] at the end of each fiscal quarter.
- Given the covenant requirement and the consolidated statement of MK and DMA in calendar year 2017, we calculate that it can still borrow up to **$2.4 billion.**
- Hence **even if** MK finances the deal with full debt ($0.82 billion), it is **still far from** breaking the covenants.

Management announcement

- The attitude adopted by Mr. Idol (MK's CEO) after the Jimmy Choo acquisition press release, suggested **MK is open to another deal** should the opportunity arise.
- "*We generate approximately a billion dollars in cash, so we **have the capability to do another acquisition quickly** if we had to.*" – John Idol, CEO, 2017[3]

Though the Jimmy Choo deal seems to limit its financial strength, Michael Kors still has the financial capacity to acquire DMA.

Source: [1]Michael Kors FY 2018 Annual Report [2]Michael Kors SEC filing at Aug 22nd, 2017 (8-K) [3]The New York Times: The Luxury Arms Race: Michael Kors and Coach Target Takeovers

Final Recommendation

Deliverable 2.3

Final recommendation

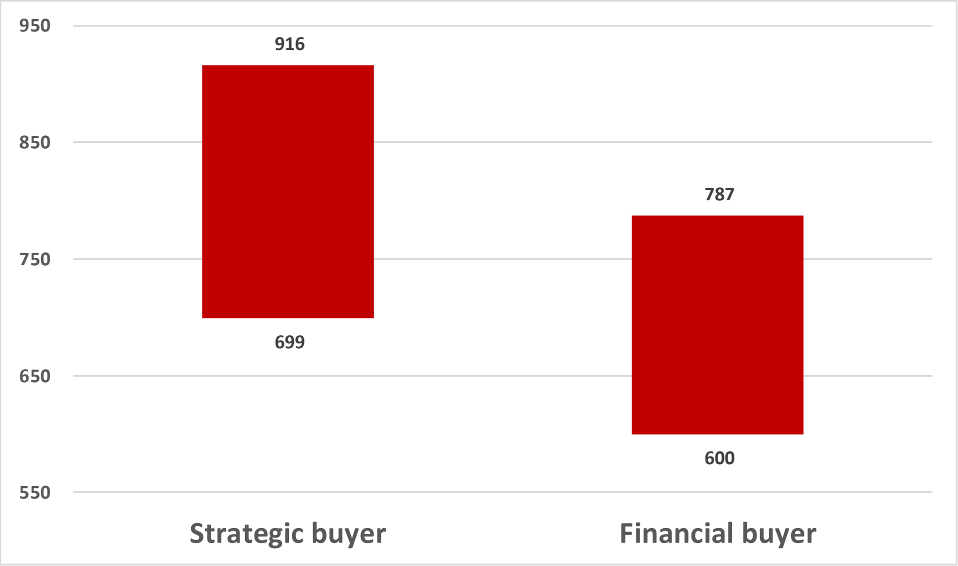
Strategic buyer – Michael Kors

- Michael Kors is able to **grow DMA internationally** by leveraging its abundant existing overseas resources and operating experience. The previous financial buyer's failure could be attributed to the lack of these key factors.
- There exists **synergy** realization potential and **EPS accretion**
- The **strategic alignment** of DMA with MK's *Runway 2020* plan offers strong incentive for MK to quickly proceed on the deal as it fits into their long term growth strategy.
- Although the deal could incur extra debt burden for MK, it **has the financial capability** to raise the necessary capital and provide an accretive transaction for its shareholders.

Financial buyer – Lion Capital

- Lion Capital has a history of luxury company buyout & exits and its current portfolio consists of many related firms in the industry that could generate **extra add-ons** for DMA.
- Primary revenue driver in this scenario is attributed to the **introduction of new product lines,** whereas losses in up-scale stores is relatively minimal.
- However, the **expected IRR** in the current PE industry for luxury companies **limits the maximum amount** that a financial buyer would be willing to pay for DMA compared to a strategic buyer.

Strategic vs Financial (Implied value range in $m)



- As a **strategic buyer**, **Michael Kors** will pay the highest price for DMA at around **$807 million.**
- However, it is **possible** that the final price paid will be a **discount** to this amount, considering DMA's distress condition. However, this would also be true for a financial buyer, hence debtholders of DMA should still choose Michael Kors to **maximize their value.**

Final recommendation

Synergy realization

Strategic alignment

EPS Accretion

Proven M&A willingness

Financial capability

MICHAEL KORS

Strategic buyer

Recommended price: **$807 million** (less possible discount)

Trademark Infringement

Deliverable 3

Background

Timeline of Events

2013
FPA introduced watch line

→

2015
DMA sued FPA

→

2017
Legal proceedings ongoing

- ➢ DMA's has registered its trademark with Spanish authorities
- ➢ FPA (fine watches company) introduced watches in Spain under the brand "DMA"
- ➢ DMA sued FPA and legal proceedings are still ongoing

Fashion Industry Licensing

- Licensing allows
  - ➢ **Licensor** to explore brand extensions that the brand may be unable to do on its own
  - ➢ **Licensee** to access another customer base and gain from licensor's brand value
- Within the watch industry: licensing less common but brands like Fossil are involved

Task

1 **Historical Damage Calculation**

2 **Future choice:**
Partnership Vs Prevention

Source: *The Fashion Network*, *The Fashion Law*

Damage Calculation 1/2

Why DMA Should Sue FPA

Legal:
- FPA has **violated trademark law** with unauthorized use of DMA's trademark
- Could be gaining sales due to brand value DMA has garnered

For Harming Brand Image & Value through:
- Inconsistencies in the pricing, style and design
- Differences in practices, management and financing

For Harming DMA's business in Spain:
- Impact DMA's strategy and business in Spain
  - ➢ May reduce sales and successfulness of DMA's international expansion

Deter customers
- Selling practices may differ drastically between the two brands
  - ➢ **Bad experiences** with FPA may wrongly deter customers from buying DMA products

Product Confusion:
- **Mislead customers** into thinking that they are buying products from DMA

Damage Calculation Method

Peer royalty rates

↓

Avg. royalty rate

×

FPA Annual Revenue

↓

$ Aggregate licensing fees unpaid

Assumption

Damages to be paid to DMA *relating to past infringing sales by FPA has been* ***calculated as*** *what* ***licensing fees*** *FPA should have paid for using DMA's brand for its watches from 2013 to 2017*

Damage Calculation 2/2

Predicted Licensing Fees ($k)

	2013A	2014A	2015A	2016A	2017A
FPA's Revenue from sale of DMA-branded watches	5,186	9,786	19,914	25,092	30,483
Predicted Royalty Rate	**10.42%**				
Annual Licensing Fees	$540.38	$1,019.70	$2,075.04	$2,614.59	$3,176.33
Aggregate Licensing Fees					**$9,426.04**
Predicted Royalty Rate Range	**6.94 - 13.89%**				
Lower Bound Annual Licensing Fees	$359.91	$679.15	$1,382.03	$1,741.38	$2,115.52
Upper Bound Annual Licensing Fees	$720.34	$1,359.28	$2,766.05	$3,485.28	$4,234.09
Aggregate Licensing Fees Range					**$6277.99 - $ 12,565.03**

Total Damages

Implied Aggregate Licensing Fees

$9,426,040

Implied Aggregate Fees Range

$6,277,990 - $ 12,565,030

Source: See Appendix 4.1

Future choice

Option 1: Establish Relationship with FPA

- **Expand** market opportunities
- Grow **brand awareness** by gaining access to each other's **customer base**
- Licensing gives access to **another entity's expertise** in manufacturing, distribution and overseas markets
- FPA's watch line has been a **success** – both revenue and EBIT are 6x that of 2013 figures so DMA can gain a mature business line via this agreement

More favourable for DMA if:

- DMA is looking to license its brand for other products or expand into other product offerings – relationship with FPA can allow it to **evaluate** this proposal
- FPA has strong marketing strategy in Spain / other international markets – can **promote DMA's brand**
- Able to preserve brand's image and retain its productive value in long term – especially important for DMA's **future licensing opportunities**

Option 2: Stop FPA from using DMA's brand

- Giving up a degree of **control** over part of their brand
- If FPA cannot match **quality** that DMA's brand commands
- Depends on **FPA's practices** – must evaluate if match with DMA's industry practices to see if FPA's use of brand will damage brand value

More favourable for DMA if:

- FPA has a chance of going into **liquidation** - may damage brand value of DMA so other firms are less likely to license DMA's brand

Our Recommendation

License brand to FPA

Taking these factors into consideration, FPA's financial figures demonstrate the success of line and so licensing the brand can represent a significant source of revenue for DMA

Executive Summary

D-zine Men's Apparel

Deliverable 1	**Industry**	Stronger emphasis on digital channels and growing opportunities in the international market have been the key drivers within the luxury industry. More sales are driven by the younger generation and their purchase of casualwear.
	Company	With declining sales, DMA needs to restore growth by focusing on online channels and could potentially consider introducing new products targeting millennials and Generation-Z.
Deliverable 2	**Financial Buyer**	Lion Capital is the best financial buyer for DMA due to the add-on effects as a result of DMA joining its existing portoflio of luxury companies. The implied value range from LBO analysis is \$600-\$787m with an expected IRR of 17%-21%.
	Strategic Buyer	Michael Kors is the best strategic buyer because of their strategic alignment and synergy realization capability. Based on our analysis of discounted cashflows, precedent transactions and comparable companies, we estimate a price range of \$699-\$916m.
	Overall	We recommend the debtholders seek Michael Kors as the best buyer as Michael Kors is willing and prepared to pay the highest price for DMA. Recommended price is \$807m.
Deliverable 3	**Trademark Infringement**	We calculate the damages as the licensing royalty fees that should have been paid to DMA from FPA. The better strategy for DMA in the future would be to establish a relationship with FPA by liecnsing its trademark.

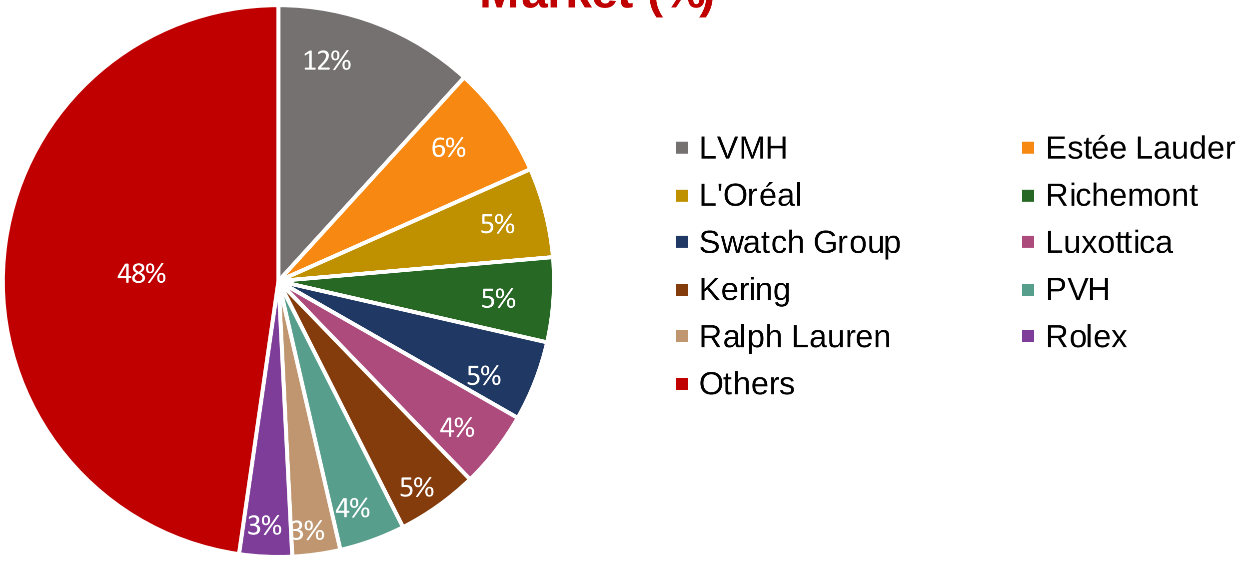
Q&A

Appendix

1.1 Porter's five forces: Industry rivalry

The luxury goods market is ***competitive*** with many brands competing within the space. The top 10 brands worldwide take up 52.3% of the market. There is also competition from ***affordable luxury brands*** such as Michael Kors and Coach. Competition, however, is likely to ***increase*** as ***social media advertising*** lowers barriers to entry into the luxury goods market and millennials and Generation Z who rely on such platforms for inspiration increase demand for luxury goods.

2018 Worldwide Competitive Landscape in Luxury Goods Market (%)

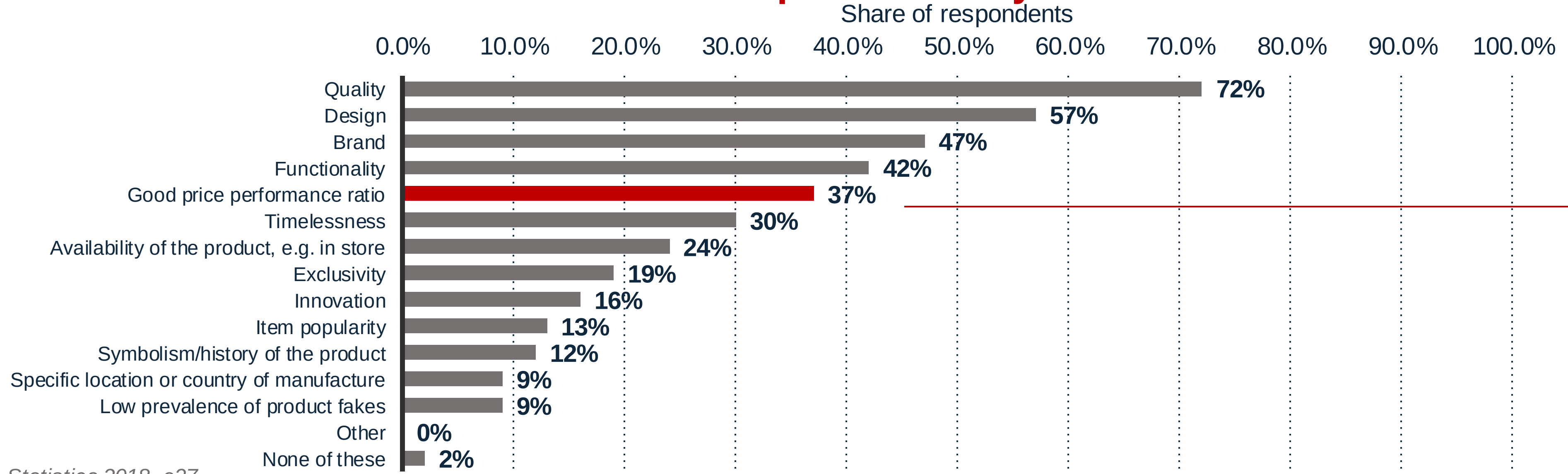


Source: Statistica 2018, Business off Fashion

1.2 Porter's Five Forces: Threat of Substitutes

For luxury brands like DMA which sell mainly menswear, there exists a ***high degree of customer loyalty***. Purchases of luxury products are also infrequent so demand is ***inelastic***. DMA's products are also well differentiated due to the ***strong brand value*** built from its 93 year history and renowned high quality. Therefore, there exists ***low threat of substitutes*** for DMA in the market. However, ***counterfeit goods*** being imported from overseas may impact DMA's brand value and product sales negatively. Yet consumers generally buy genuine goods due to the status associated with luxury purchases. Also, developments of blockchain technology by companies such as LUXCHAIN can help combat this issue in the future.

Purchase criteria for a specific luxury item in the U.S. 2018

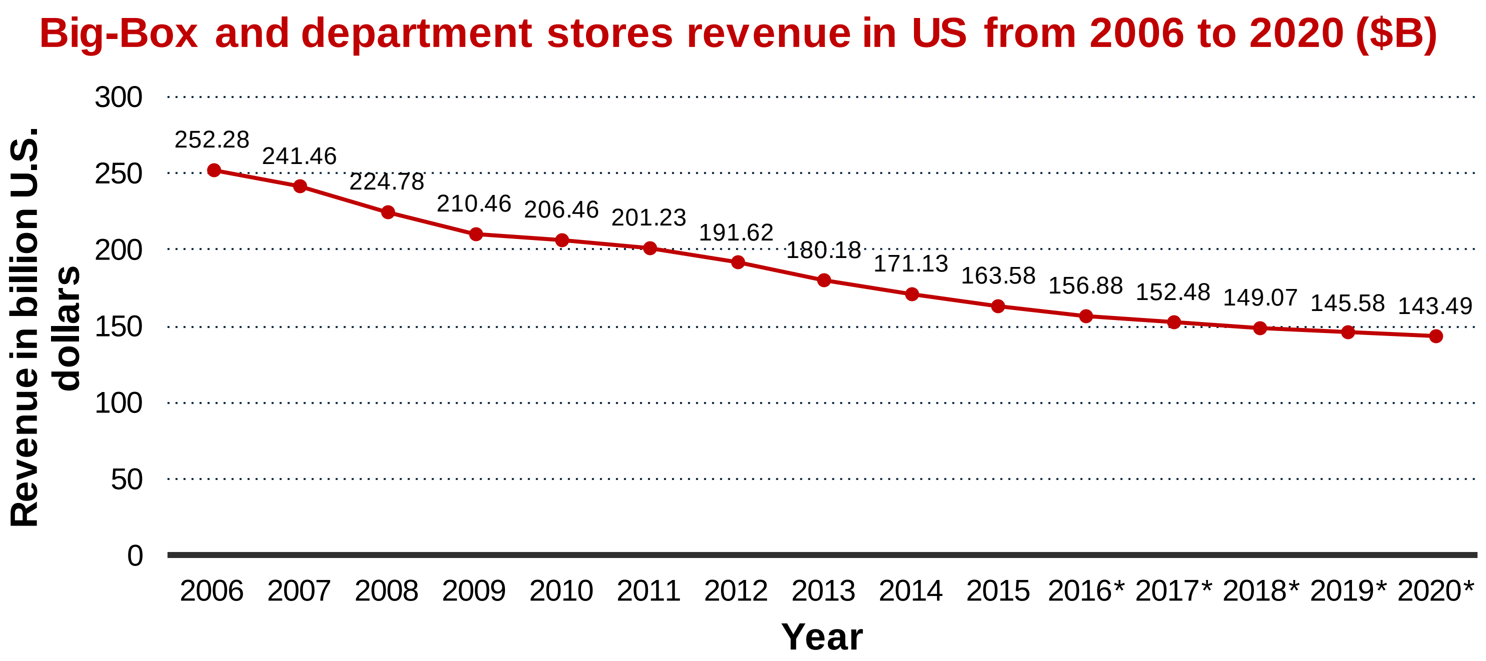


As shown by the value consumers place on a good price performance ratio, there is likely to be little impact of prices on the demand for high quality luxury goods such as DMA's products

Source: Statistica 2018, e27

1.3 Porter's Five Forces: Bargaining Power of Customers

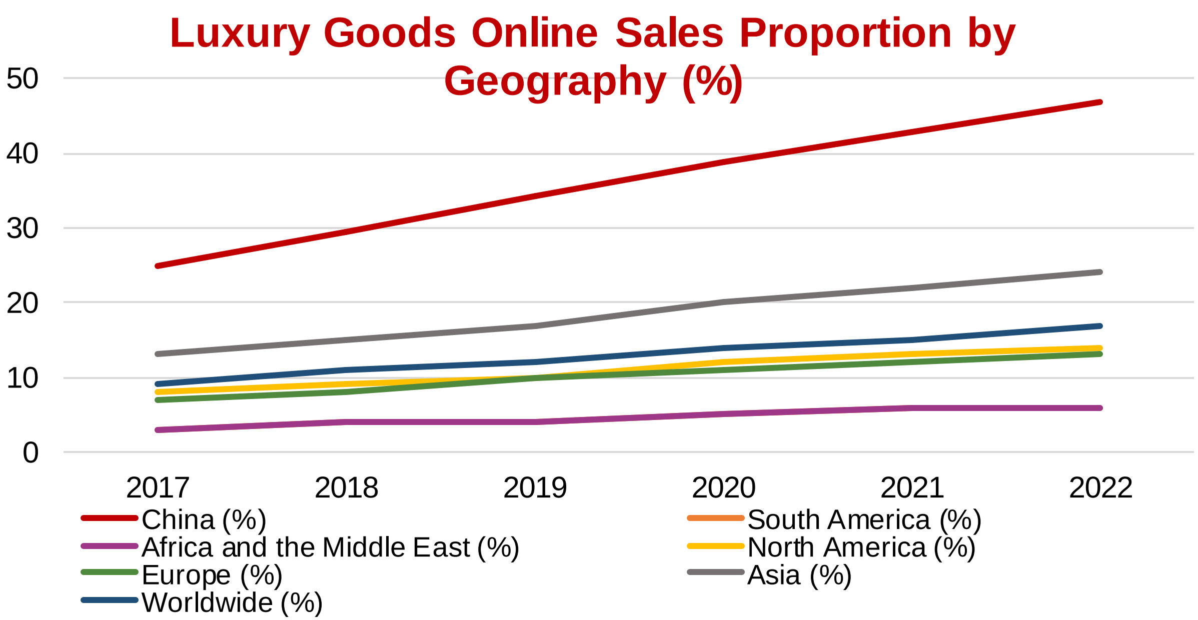
DMA's products are differentiated by quality and its luxury image, and price elasticity of demand is generally low as goods are mostly purchased by celebrities and executives. DMA sells products to men who tend to prefer brands they know and trust, and so there is a high degree of brand loyalty. Therefore, the ***bargaining power of individual customers is low***. However, given that the loss of a department customer in 2014 led to revenues falling from $428m to $350m, large ***department store customers of DMA have high bargaining power*** due to the proportion of DMA's revenues they account for (30% in 2017). This can present risks for DMA as Big Box and department store sales in the US are forecast to fall which could place pressures on department store profitability and impact DMA's sales.

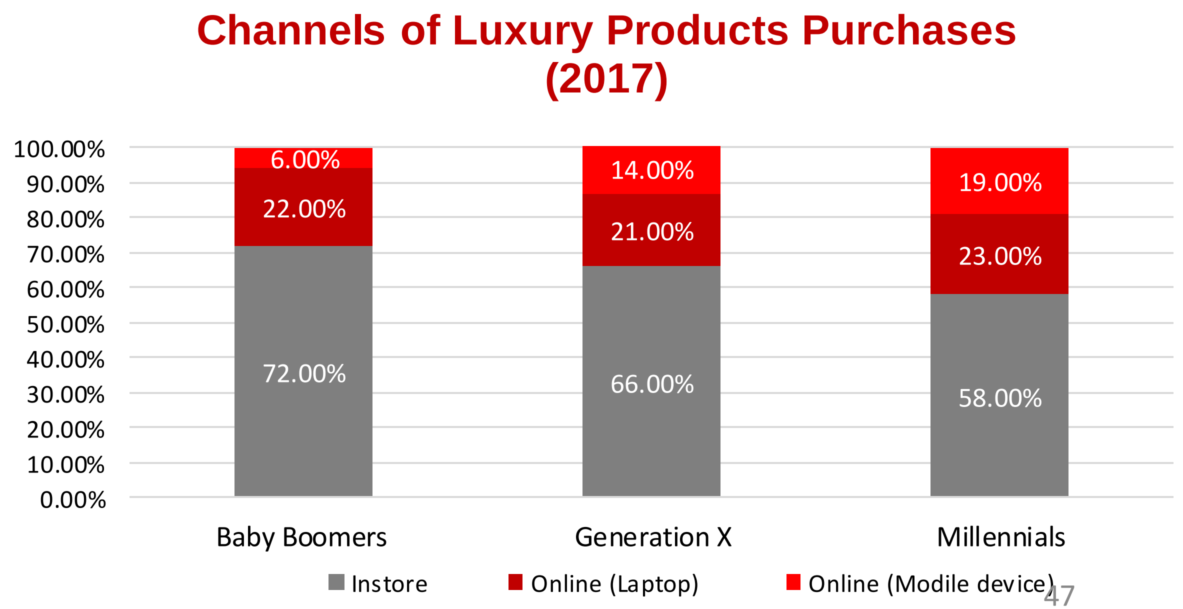


Source: Statistica 2018

1.4 Porter's Five Forces: Threat of New Entrants

Generally, the luxury goods market is associated with ***high entry barriers*** due to the importance of ***brand value*** which takes time and investments to establish. Therefore, threat of new entrants is low. However, ***online sales penetration*** into the luxury goods market is set to increase globally as the younger generation tend to make more luxury goods purchases on PCs and mobile devices, which has lowered barriers to entry. ***Social media*** has also reduced entry barriers to the apparel market by allowing brands to attract the younger customers through establishing a presence on these platforms. Therefore, there is expected to be an ***increasing threat of new entrants*** into the luxury goods market.



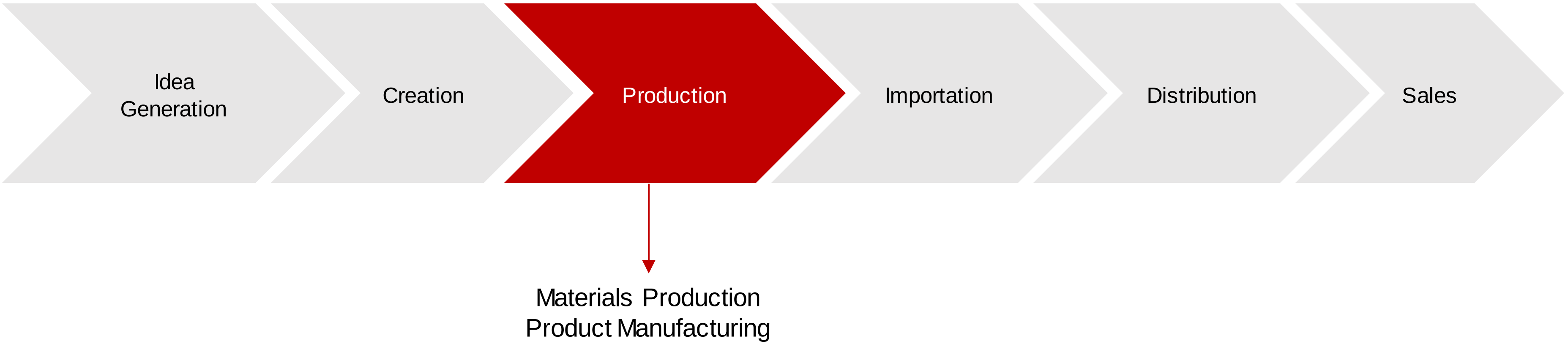


Source: Statistica 2018, Deloitte Luxury Multicountry Survey for Global Powers of Luxury Goods 2017

1.5 Porter's Five Forces: Bargaining Power of Suppliers

DMA's products are sourced from ***independent manufacturers***, who are likely to have little market share within this highly competitive market. This is due to the fact that independent manufacturers are usually ***fragmented*** so there is ***little market concentration***. Therefore, ***bargaining power of DMA's independent suppliers is likely to be low***, especially as they are mostly based overseas. However, to deliver the quality DMA needs of its products, ***DMA may require experienced manufacturers***. Therefore, there may be few suitable alternative suppliers and manufacturers to switch to, making the costs and risks associated with switching high.

Apparel Supply Chain



Number of Businesses in Global Apparel Manufacturing Industry (2018)

305,135

No company with major market share within this industry

Source: IBISWorld, Shenglu Fashion

2.1 LBO Operating Model

LBO Financials ($k)	2017A	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Domestic Stores	200,137	206,141	214,386	225,106	236,361	253,756	250,436	256,246
International Stores	19,548	19,939	20,338	20,948	19,422	18,860	19,045	16,986
Company Owned Stores	219,685	226,080	234,724	246,054	255,783	272,616	269,481	273,231
Department Stores	99,515	74,636	59,709	52,544	49,758	50,305	50,506	51,011
Growth%	2.2%	(25%)	(20%)	(12%)	(5.3%)	1.1%	0.4%	1.0%
Newstores	--	63,000	119,250	168,750	225,000	237,375	248,057	255,499
Growth%			89%	42%	33%	5.5%	4.5%	3.0%
Online	11,862	13,048	14,353	15,788	17,367	18,930	20,444	22,080
Growth%	9.9%	10.0%	10.0%	10.0%	10.0%	9.0%	8.0%	8.0%
Store closures loss		(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)
Revenue add-on		7,385	8,411	9,513	10,808	11,435	11,620	11,886
Total Sales	**331,061**	**376,650**	**428,947**	**485,149**	**551,216**	**583,160**	**592,608**	**606,207**
Growth%	1.0%	14%	14%	13%	13.6%	5.8%	1.6%	2.3%
COGS	138,052	165,726	184,447	203,762	239,779	253,675	257,785	263,700
Gross Profit	193,009	210,924	244,500	281,386	311,437	329,485	334,824	342,507
% Gross margin	58%	56%	57%	58%	57%	57%	57%	57%
SG&A	145,005	159,323	175,011	190,664	208,360	226,266	229,932	235,208
% Sales	43.8%	42.3%	40.8%	39.3%	37.8%	38.8%	38.8%	38.8%
Store closures savings		(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)
Store closure expense		3,000						
Cost add-on		(3,186)	(3,500)	(3,813)	(4,167)	(4,525)	(4,599)	(4,704)
EBITDA	**48,004**	**59,787**	**80,989**	**102,536**	**115,244**	**115,745**	**117,490**	**120,003**
% EBITDA Margin	14.5%	15.9%	18.9%	21.1%	20.9%	19.8%	19.8%	19.8%
D&A	8,898	9,130	9,431	9,810	10,209	25,922	21,951	22,455
% Sales	2.69%	2.42%	2.20%	2.02%	1.85%	4.45%	3.70%	3.70%
EBIT	**39,106**	**50,657**	**71,558**	**92,726**	**105,035**	**89,823**	**95,539**	**97,548**
Sub:Tax	(10,754)	(13,931)	(19,679)	(25,500)	(28,885)	(24,701)	(26,273)	(26,826)
Add: D&A	8,898	9,130	9,431	9,810	10,209	25,922	21,951	22,455
Sub: Capex	5,628	9,416.2	11,152.6	12,128.7	13,780.4	34,989.6	29,630.4	30,310.4
% Sales	1.7%	2.5%	2.6%	2.5%	2.5%	6.0%	5.0%	5.0%
Sub: ΔNWC		(3,524)	(1,682)	(1,653)	(7,994)	(5,615)	(579)	(1,673)
NWC	51,843	55,367	57,050	58,703	66,697	72,312	72,891	74,564
NWC as %Sales	15.7%	14.7%	13.3%	12.1%	12.1%	12.4%	12.3%	12.3%
Free Cash Flow to Firm	**31,622**	**32,916**	**48,476**	**63,254**	**64,585**	**50,439**	**61,008**	**61,194**

Other Metrics	2017A	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Domestic Stores	89	89	89	89	89	91	92	93
International Stores	10	10	10	10	9	9	9	8
Domestic per store revenue	2,249	2,316	2,409	2,529	2,656	2,789	2,722	2,755
International per store revenue	1,955	1,994	2,034	2,095	2,158	2,096	2,116	2,123

Line Item	Key assumptions/changes
Domestic stores International stores	Revenue= per store revenue x no. of stores
Department stores	1. Sales cut by half by 2021 2. Sales decrease occur faster in first years (non-linear fashion) 3.minimal growth after 2022
New stores (lower price)	Rapid growth at first and then growth levelling out after 2022
Online sales	Strong growth momentum maintained due to digital skills and resources from other firms controlled by Lion Capital
Store closure loss	Annual loss of revenue of aprox 7,500
Revenue add-on	Revenue add-ons due to cross selling and other channels(2% of original revenue)
Gross margin	Gross margin remains flat
SG&A	1. 600bp improved margin 2. assumed linear reduction in the figure over 4 years til 2021
Store closure savings	Annual savings of cost of aprox. 8,000
Store closure expense	One time store closure expense
Cost add-on	Cost-side add-ons due to recuction in staff with similar experience and harnessing existing distribution channel in other brands (4% SG&A expense)
D&A	1. D&A Converges to Capex (1.7%Sales) in first 4 years 2. Increase in Capex -- Increase in D&A proportinally
Capex	Capex increase associated with domestic store opening
NWC	1. NWC returns to industry average in 2021 2. NWC as % sales increase after 2021 due to opening new stores, higher inventories at opening, then decrease
Domestic store no. International store no.	DMA cuts its international operation and focus on domestic market due to limited expertise and prior unsuccessful
Domestic per store revenue	Per store revenue growth maintains momentum due to
International per store revenue	Current year per store revenue=average per store rev of previous 2 years

Transaction Capital structure working

Key figures

Peer Debt/EBITDA[1]	5.7x
Peer equity portion[2]	46%
DMA current EBITDA	48,004

Capital structure working

Criteria:	d/ebitda	eq %	Average
Debt	273,623	376,030	324,826
Equity	418,882	316,475	367,678
	692,505	692,505	692,505

Source:[1&2] *Pitchbook 2017 US PE Report*

2.2A LBO Debt Schedule 1/2

Types of debt used	Interest rate%	Amount	Term/yrs	Scheduled amortization	Cash sweep
Revolver	4.00%	27,700	-		100.00%
Term loan	5.00%	55,400	5	20.00%	
Senior note	7.00%	110,801	7	5.00%	
Subordinate note	9.00%	117,726	8		
Mezzanine	12.00%	13,199	8		

Sweep	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Opening Cash Balance	36,074	35,000	56,525	103,159	151,124	184,943	240,410
(-)Min cash balance	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Excess cash balance	1,074	--	21,525	68,159	116,124	149,943	205,410
(+) FCF	32,916	48,476	63,254	64,585	50,439	61,008	61,194
Total Cash available for paydown	33,990	48,476	84,779	132,744	166,563	210,950	266,605
(-) Total scheduled debt paydown	(16,620)	(16,620)	(16,620)	(16,620)	(16,620)	(5,540)	(77,561)
Cash available to Sweep/(Draw)	17,370	65,096	101,399	149,364	183,183	216,491	344,165
(-) Sweep/(Draw)	17,370	10,331	--	--	--	--	--
Closing Cash Balance	**35,000**	**56,525**	**103,159**	**151,124**	**184,943**	**240,410**	**224,044**

Revolver	**4.00%**	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Opening Balance		27,700	10,331	--	--	--	--	--
(-) Sweep/(Draw)		(17,370)	(10,331)	--	--	--	--	--
Ending Balance		10,331	--	--	--	--	--	--
Avg Balance		19,015	5,165	--	--	--	--	--
Interest expense		761	207	--	--	--	--	--

Term Loan	**5.00%**	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Opening Balance		55,400	44,320	33,240	22,160	11,080		
(-) Mandatory Paydown		(11,080)	(11,080)	(11,080)	(11,080)	(11,080)		
(-) Optional Paydown		-	-	-	-	-		
Closing Balance		44,320	33,240	22,160	11,080	0		
Avg Balance		49,860	38,780	27,700	16,620	5,540		
Interest expense		2,493	1,939	1,385	831	277		

2.2B LBO Debt Schedule 2/2

Senior Note	**7.00%**						
	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Opening Balance	110,801	105,261	99,721	94,181	88,641	83,101	77,561
(-) Mandatory Paydown	(5,540)	(5,540)	(5,540)	(5,540)	(5,540)	(5,540)	(77,561)
(-) Optional Paydown	-	-	-	-	-	-	-
Closing Balance	105,261	99,721	94,181	88,641	83,101	77,561	0
Avg Balance	108,031	102,491	96,951	91,411	85,871	80,331	-
Interest expense	7,562	7,174	6,787	6,399	6,011	5,623	-

Subordinated Note	**9.00%**						
	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Opening Balance	117,726	117,726	117,726	117,726	117,726	117,726	117,726
(-) Mandatory Paydown	-	-	-	-	-	-	-
(-) Optional Paydown	-	-	-	-	-	-	-
Closing Balance	117,726	117,726	117,726	117,726	117,726	117,726	117,726
Avg Balance	117,726	117,726	117,726	117,726	117,726	117,726	117,726
Interest expense	10,595	10,595	10,595	10,595	10,595	10,595	10,595

Mezzanine	**12.00%**						
	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Opening Balance	13,199	13,199	13,199	13,199	13,199	13,199	13,199
(-) Mandatory Paydown	-						
(-) Optional Paydown	-						
Closing Balance	13,199	13,199	13,199	13,199	13,199	13,199	13,199
Avg Balance	13,199	13,199	13,199	13,199	13,199	13,199	13,199
Interest expense	1,584	1,584	1,584	1,584	1,584	1,584	1,584

Total Debt							
	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Total Opening Balance	324,826	290,837	263,886	247,266	230,646	214,026	208,486
(-) Total Paydown/(Draw)	(33,990)	(26,951)	(16,620)	(16,620)	(16,620)	(5,540)	(77,561)
Total Closing Balance	290,837	263,886	247,266	230,646	214,026	208,486	130,925
Total interest expense	**22,995**	**21,499**	**20,351**	**19,409**	**18,467**	**17,802**	**12,179**

2.3 LBO Output

Operating Model	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Total Sales	376,650	428,947	485,149	551,216	583,160	592,608	606,207
Gross Profit	210,924	244,500	281,386	311,437	329,485	334,824	342,507
EBITDA	**59,787**	**80,989**	**102,536**	**115,244**	**115,745**	**117,490**	**120,003**
Free Cash Flow to Firm	**32,916**	**48,476**	**63,254**	**64,585**	**50,439**	**61,008**	**61,194**

Debt Schedule	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Debt Opening Balance	324,826	290,837	263,886	247,266	230,646	214,026	208,486
(-) Total Paydown/(Draw)	(33,990)	(26,951)	(16,620)	(16,620)	(16,620)	(5,540)	(77,561)
Debt Closing Balance	290,837	263,886	247,266	230,646	214,026	208,486	130,925
Total interest expense	22,995	21,499	20,351	19,409	18,467	17,802	12,179
Cash balance	35,000	56,525	103,159	151,124	184,943	240,410	224,044
Net debt	**255,837**	**207,361**	**144,107**	**79,522**	**29,083**	**(31,925)**	**(93,119)**

Returns		2018E	2019E	2020E	2021E	2022E	2023E	2024E
EBITDA		59,787	80,989	102,536	115,244	115,745	117,490	120,003
Exit Multiple	**8.0x**							
Implied EV		478,297	647,914	820,285	921,952	925,957	939,923	960,023
(-)Net debt		255,837	207,361	144,107	79,522	29,083	(31,925)	(93,119)
Exit Equity Value		222,460	440,553	676,179	842,431	896,874	971,847	1,053,142
Entry Equity	**367,678**							
Total increase in Equity		(145,218)	72,875	308,500	474,753	529,196	604,169	685,464
Equity Money Multiple						**2.4x**	**2.6x**	**2.9x**
Equity IRR						**19.5%**	**17.6%**	**16.2%**

For sensitivity analysis on LBO returns and valuation please see Deliverable 2.
The pages in appendix are illustrations of the LBO model assuming transaction value = net debt.

3.1 Comparable Companies Details

VF Corporation	PVH	Michael Kors	Guess
VF Corporation is an American worldwide apparel and footwear company, operating 30 iconic lifestyle brands which include Vans®, The North Face®, Timberland®	PVH is an American clothing company which owns brands such as Tommy Hilfiger, Calvin Klein, Van Heusen and market a variety of goods under self-owned and licensed brands.	Michael Kors Holdings Limited is an expanding global fashion luxury group that engages in the design and distribution of branded accessories, footwear, and apparel.	Guess is an American upscale retailer and brand selling clothing and other fashion accessories like watches, perfumes and jewellery.

Nordstorm	Steve Madden	Ralph Lauren	Tapestry
Nordstrom is a fashion retailer that provides apparel, shoes, cosmetics, and accessories for women, men, young adults, and children in the United States and Canada.	Steven Madden is one of the most iconic American brands in footwear, designing and marketing shoes and fashion accessories for women, men and children.	Ralph Lauren Group is an American company producing mid-range to luxury fashion products. It manages 17 fashion brands and 4 lifestyle brands across 493 stores.	Tapestry, Inc. is an American multinational luxury fashion holding company that designs and markets clothes and accessories.

Source: Company websites

3.2 Strategic Buyer Selection Details

: Low
: Medium
: High

	Acquisition experience	Strategic alignment	Financial Capability
BOSS HUGO BOSS	Currently no history of external acquisitions	Brand focuses on menswear, both formal and casual, as well as accessories. Generally high product alignment with DMA.	Cash & eqv. as of Dec 2017: €115.7m
MICHAEL KORS	Recently acquired Jimmy Choo in $1.3 Billion deal	Announced interest in growing menswear market. *Runway 2020* strategy aligns closely with DMA's business.	Cash & eqv. as of Dec 2017: $227.7m
LVMH MOËT HENNESSY . LOUIS VUITTON	Global luxury conglomerate with multiple subsidiaries, including LV, Christian Dior, Sephora, Givenchy	No particular strong strong incentive to buy DMA as LVMH is already diversifying through many other brands acquired. Also prefers to acquire smaller companies with growth potential.	Cash & eqv. as of Dec 2017: €3738.0m
tapestry COACH | kate spade | STUART WEITZMAN	America-based luxury and fashion company which recently acquired Kate Spade for $2.3 billion. Also controls Coach and Stuart Weitzman	No particular strong strong incentive to buy DMA. Tapestry's growth strategy, product focus, and current portfolio place a much heavy weighting on womenswear and handbags.	Cash & eqv. as of Dec 2017: €2672.9m

Source: *Bloomberg*

3.3 DCF – Operating Model

Financials	2017A	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Domestic Stores	200,137	206,141	214,386	225,106	230,734	227,920	231,004	231,604
International Stores	19,548	19,939	20,338	20,944	25,896	31,796	38,810	39,135
Company Owned Stores	219,685	226,080	234,724	246,050	256,630	259,717	269,814	270,739
Department Stores	99,515	102,002	105,063	108,740	112,546	114,347	116,176	118,035
Growth%	2.2%	2.5%	3.0%	3.5%	3.5%	1.6%	1.6%	1.6%
Revenue synergy		5000	10000	15000	20,000	20,900	21,632	22,389
Growth%			100%	50%	33%	5%	4%	4%
Online	11,862	13,048	14,353	15,788	18,156	20,880	24,012	27,613
Growth%	9.9%	10.0%	10.0%	10.0%	15.0%	15.0%	15.0%	15.0%
Store closures loss		-7500	-7500	-7500	-7500	-7500	-7500	-7500
Total Sales	**331,061**	**338,630**	**356,640**	**378,078**	**399,832**	**408,343**	**424,134**	**431,276**
Growth%	1.0%	2.3%	5.3%	6.0%	5.8%	2.1%	3.9%	1.7%
COGS	138,052	139,939	146,044	153,405	160,733	164,154	170,502	173,373
Gross Profit	193,009	198,691	210,596	224,673	239,100	244,189	253,632	257,903
% Gross margin	58%	59%	59%	59%	60%	60%	60%	60%
SG&A	145,005	147,709	148,030	149,344	153,201	162,417	165,605	169,966
% Sales	44%	43.6%	41.5%	39.5%	38.3%	39.8%	39.0%	39.4%
Cost synergy		-3,000	-7,000	-10,000	-10,000	-10,000	-10,000	-10,000
Store closures savings		-8,000	-8,000	-8,000	-8,000	-8,000	-8,000	-8,000
Store closure expense		3,000						
EBITDA	**48,004**	**59,152**	**77,566**	**93,329**	**103,899**	**99,772**	**106,027**	**105,937**
% EBITDA Margin	15%	17.5%	21.7%	24.7%	26.0%	24.4%	25.0%	24.6%
D&A	8,898	9,130	9,431	9,810	10,209	10,617	12,703	13,984
% Sales	2.7%	2.7%	2.6%	2.6%	2.6%	2.6%	3.0%	3.2%
EBIT	**39,106**	**49,852**	**68,135**	**83,519**	**93,690**	**89,155**	**93,324**	**91,953**
Sub:Tax	10,754	13,709	18,737	22,968	25,765	24,518	25,664	25,287
Add: D&A	8,898	9,130	9,431	9,810	10,209	10,617	12,703	13,984
Sub: Capex	5,628	8,528	9,208	10,208	11,595	13,026	14,378	15,052
% Sales	1.7%	2.5%	2.6%	2.7%	2.9%	3.2%	3.4%	3.5%
Sub: ΔNWC		(2,064)	(2,345)	(1,826)	2,624	2,812	1,126	1,310
NWC as %Sales	15.7%	14.7%	13.3%	12.1%	12.1%	12.5%	12.3%	12.4%
Free Cash Flow to Firm		**38,809**	**51,966**	**61,979**	**63,915**	**59,416**	**64,859**	**64,288**

Other Metrics	2017A	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Domestic Store	89	89	89	89	89	89	90	90
International Stores	10	10	10	11	12	13	14	15
Domestic per store revenue	2,249	2,316	2,409	2,529	2,593	2,561	2,567	2,573
International per store revenue	1,955	1,994	2,034	1,904	2,158	2,446	2,772	2,609

Terminal value	
FCF to firm in terminal year	**64,288**
Long term growth rate	1.2%
WACC	7.03%
Terminal Value	**1,105,759**

Line item	Key assumptions/changes
Domestic stores International stores	Total Sale = no. of stores*sale per store
Department stores growth	Assumed current year growth equal to avg. past 5 years growth
Revenue synergy	Revenue synergy fully realized in 2021 before growth slows down
Online growth	Online sales growth momentum maintained due to high traffic redirected from MK website and better platform design drawing on webdesign personnels from MK
Store closure loss	Annual loss in revenue aprox. 7,500
Total sales growth	1. Initially faster increase than expected primarily due to synergy 2. slower increase later due to saturation in per store revenue
Gross margin	Gross margin improves to industry average due to increasing buying power
SG&A	SG&A as % sales gradually levels out after 2021
Cost synergy	Savings in managerial, marketing and distribution expenses
Store closure savings	Annual saving of aprox 8,000
Store closure expense	One time closure expense
D&A	D&A increase due to increased capex
Tax	Blended tax rate at 27.5%
Capex	Capex increase associated with domestic store opening
NWC	increase after 2021 due to opening new stores, higher inventories at opening, then decrease
Domestic store no.	DMA focuses on international expansion hence minimal increase in domestic stores
International store no.	Company utilizes parent firm's chanel and expertise to expand overseas
Domestic per store revenue	1. Saturturation in per store revenue 2. Current year per store revenue=average per store rev of previous 2/3 years
International per store revenue	Continued growth in international market due to better marketing and management

3.4 NWC Calculations

VF

	FY 2016	FY 2017	Avg
Sales	11,026.1	11,811.2	
Current Assets:	4,293.1	4,392.1	
Less: Cash&Eqv.	1,227.9	566.1	
Operating Current Assets	**3,065.2**	**3,826.0**	
Current Liabilities	1,785.4	2,745.2	
Less: Interest-bearing current liabilities	279.7	735.5	
Operating Current Liabilities:	**1,505.7**	**2,009.7**	
NWC	1,559.5	1,816.3	
NWC/Sales	**14.1%**	**15.4%**	**14.8%**

PVH

	FY 2016	FY 2017	Avg
Sales	8020.3	8,203.1	
Current Assets:	2,804.5	2,879.6	
Less: Cash&Eqv.	556.4	730.1	
Operating Current Assets	**2,248.1**	**2,149.5**	
Current Liabilities	1,527.2	1,564.8	
Less: Interest-bearing current liabilities	162.5	19.1	
Operating Current Liabilities:	**1,364.7**	**1,545.7**	
NWC	883.4	603.8	
NWC/Sales	**11.0%**	**7.4%**	**9.2%**

Guess

	FY 2016	FY 2017	Avg
Sales	2,184.5	2,190.5	
Current Assets:	1,036.3	1,044.0	
Less: Cash&Eqv.	445.5	396.1	
Operating Current Assets	**590.8**	**647.9**	
Current Liabilities	327.1	345.5	
Less: Interest-bearing current liabilities	4.0	0.6	
Operating Current Liabilities:	**323.1**	**344.9**	
NWC	267.7	303.0	
NWC/Sales	**12.3%**	**13.8%**	**13.0%**

Michael Kors

	FY 2016	FY 2017	Avg
Sales	4,712.1	4,493.7	
Current Assets:	1,669.8	1,164.7	
Less: Cash&Eqv.	702.0	227.7	
Operating Current Assets	**967.8**	**937.0**	
Current Liabilities	435.5	565.8	
Less: Interest-bearing current liabilities	-	133.1	
Operating Current Liabilities:	**435.5**	**432.7**	
NWC	532.3	504.3	
NWC/Sales	**11.3%**	**11.2%**	**11.3%**

NWC as % sales industry average: 12.1%

Source: Bloomberg

3.5 WACC Calculations

- Assume by 2020 DMA adopts the same capital structure as the median capital structure of its peers.
- Assume a changing capital structure in first 3 years as the firm gradually pays down its debts.

Comparable Companies Unlevered β [1]

Company	Levered Beta	Debt/Equity	Unlevered β
Nordstorm	0.816	280.1%	0.725
Steven Madden	0.984	0.0%	0.976
Ralph Lauren	0.791	17.2%	0.687
Tapestry	0.817	49.3%	0.726
Michael Kors	0.698	43.2%	0.547
VF	0.651	78.6%	0.477
Guess	0.18	4.5%	-0.229
PVH	0.925	55.6%	0.887
Median		**43.20%**	**0.706**

Unlevered Beta = Predicted Levered Beta / (1 + Debt/Equity) x (1-t))

DMA Relevered Beta at Median Capital Structure

Median Unlevered Beta	Median D/E	Tax Rate	Relevered β
0.706	43.20%	27.50%	0.93

Target WACC

Target Capital Structure in 2020	
Debt / Equity	43.20%
Debt weighting	**30.17%**
Equity weighting	**69.83%**
Cost of Equity	
Risk Free Rate	2.58% [2]
Expected market return	9.17% [3]
Levered β	0.93
Cost of Equity	**8.69%**
Cost of Debt	
Cost of Debt	4.41%
Tax Rate	27.5%
Federal tax rate	21.0%
NY tax rate	6.5% [4]
After Tax Cost of Debt	**3.20%**
WACC (target)	**7.03%**

WACC - Changing capital structure in first 3 years

(Assuming gradual shift in capital structure

	2018E	2019E	2020E
Debt / Equity	**90.00%**	**66.60%**	**43.20%**
Debt weighting	47.37%	39.98%	30.17%
Equity weighting	52.63%	60.02%	69.83%
Cost of Equity			
Risk Free Rate	2.58%	2.58%	2.58%
Expected market return	9.17%	9.17%	9.17%
Levered β	1.17	1.05	92.71%
Cost of Equity	**10.26%**	**9.48%**	8.69%
Cost of Debt			
Cost of Debt	4.41%	4.41%	4.41%
Tax Rate	27.5%	27.5%	27.50%
Federal tax rate	21.0%	21.0%	21.00%
NY tax rate	6.5%	6.5%	6.50%
After Tax Cost of Debt	**3.20%**	**3.20%**	3.20%
WACC	**6.92%**	**6.97%**	**7.03%**
Discount factor	0.935	0.874	0.817

Assumptions

- Cost of debt taken assumed same as the weighted average cost of debt of acquirer(MK).
- Risk free rate assumed as 20-Year US treasury yield as of 2017.12.31.
- Total tax rate taken as federal tax rate + New York state tax rate as DMA is located in New York.

Source:[1]Bloomberg 2 treasury.gov 3Bloomberg 4tax.ny.gov

3.6 Accretion/Dilution Analysis

Michael Kors - Financial profile prior to merger

Share Price:	$62.95
Diluted Shares Outstanding	168,123,813
Market Cap (m)	$5,938.8
Effective tax rate	19.90%
Avg cost of debt	4.41%

Buyer - Income Statement ($million except EPS)

	Years		
	2017	2018	2019
Revenue:	**4,494**	**4,719**	**5,117**
Growth:	-4.6%	5.0%	8.4%
Gross Profit	2,611	2,859	3,150
Operating Income:	690	884	919
Pre-Tax Income:	689	872	857
Noncontrolling Interest:	(1.0)	0.2	-
Net Income:	**552.5**	**697.7**	**763.4**
EPS:	**$ 3.29**	**$ 4.15**	**$ 4.54**

Consolidated income statement

	Consolidated forecast		
	2017	**2018**	**2019**
Total Revenue:	4824.7	5057.2	5473.6
Adj. revenue synergies	already considered in operating model of DMA		
Gross Profit	2804.4	3058.3	3360.7
Adj. cost synergies	already considered in operating model of DMA		
Operating income	737.9	943.1	996.8
Pre-Tax Income:	727.7	921.9	926.4
Adj. new debt interest	(34.6)	(34.6)	(34.6)
Non-controlling interest	(1.0)	0.2	0.0
Net Income:	**545.3**	**699.6**	**778.8**
Pre-acquisition shares outstanding	168,123,813		
Adj. newly issue shares (at current price)	-		
Post-acquisition shares outstanding	**168,123,813**		
Pro-Forma EPS:	3.24	4.16	4.63
Buyer Standalone EPS:	3.29	4.15	4.54
Pro-Forma Accretion / (Dilution) %:	**-1.4%**	**0.3%**	**2.0%**

- **For sensitivity analysis and key inputs & assumptions please see Deliverable 2.**
- **The pages in appendix are illustrations of the merger model assuming transaction value = average of implied valuation range for strategic buyer.**

DMA - Financial profile prior to merger

Share Price:	-
Shares Outstanding (MM):	-
Market Cap:	-
Tax rate:	27.5%
Avg cost of debt:	4.41%
	-

Seller - Income Statement ($million)

	Years		
	2017	2018	2019
Revenue:	**$ 331**	**$ 339**	**$ 357**
Growth:	0.1%	2.9%	3.8%
Gross Profit	193	199	211
Operating Income:	48	59	78
Pre-Tax Income:	39	50	69
Noncontrolling Interest:	-	-	-
Net Income:	**28.3**	**36.3**	**50.0**
EPS:	-	-	-

Source: All Michael Kors' financial profile and forecast income statement adapted from Bloomberg

3.7 Credit Capacity Calculation

> The 2017 Credit Facility requires the Company to maintain a leverage ratio as of the end of each fiscal quarter of no greater than 3.5 to 1. Such leverage ratio is calculated as the ratio of the sum of total indebtedness as of the date of the measurement plus six times the consolidated rent expense for the last four consecutive fiscal quarters, to Consolidated EBITDAR (as defined below) for the last four consecutive fiscal quarters. Consolidated EBITDAR is defined as consolidated net income plus income tax expense, net interest expense, depreciation and amortization expense, consolidated rent expense and other non-cash charges, subject to certain additions and deductions. The 2017 Credit Facility also includes covenants that limit additional indebtedness,

Key abstract from Michael Kors Holdings Ltd's current report at Aug 22nd, 2017 (Form 8-K)

- *"The 2017 Credit Facility requires … a **leverage ratio** as of the end of each fiscal quarter of **no greater than 3.5 to 1**."*
- *"…calculated as **the ratio of the sum of total indebtedness as of the date of the measurement plus six times the consolidated rent expense for the last four consecutive fiscal quarters, to Consolidated EBITDAR for the last four consecutive quarters.**"*

  i.e. :
- $$\frac{\textit{Total indebtedness} + 6 \times 4\ \textit{quarters}'\ \textit{rent expense}}{4\ \textit{quaters}'\ \textit{consolidated EBITDAR}} \leq 3.5$$

MK LTM Rent & EBITDA

- MK's fiscal year begins on April 1st
- Assumed LTM rent = avg of FY2017 and FY 2018 rent

Rent	$m
MK FY2017 Rent	332.5
MK FY2018 Rent	352.2
MK LTM rent	**342.4**
EBITDA	**$m**
2017Q1	248.8
2017Q2	265.6
2017Q3	398.1
2017Q4	209.4
MK LTM EBITDA	**1121.9**

DMA LTM Rent & EBITDA

- Assume DMA's Rent as % EBITDA same as MK's.

	$m
MK Rent/EBITDA	31%
DMA LTM EBITDA	**48**
DMA LTM Rent	**14.6**

MK Total Indebtedness

- *"We financed our acquisition of Jimmy Choo **… our consolidated indebtedness was approximately $874.4million**, net of debt issuance costs and discount amortization. "*

	$m
MK Indebtedness	**874.4**

Consolidated EBITDAR

MK	**$m**
LTM Rent	342.4
LTM EBITDA	1121.9
DMA	**$m**
LTM Rent	14.6
LTM EBITDA	48.0
Consolidated EBITDAR	**1527**

Total indebtedness + 6* 4Q Rent = $874.4\text{m} + 6 \times (342.4 + 14.6) = \$3016\text{m}$

Leverage ratio when buying DMA: $\frac{3016}{1527} = 1.98$

Maximum leverage ratio = 3.5

Maximum indebtedness + 6* 4Q Rent = 3.5 × 1527 = 5344m

Extra debt allowed to take = 5344-3016 = $2.4 billion

Key Takeway:

Michael Kors can take up to $2.4 billion when acquiring DMA, which is more than enough according to the estimated valuation range.

4.1 Royalty Rate Calculation

Comparable Licensing Deals

Company	Country	Year of rate calculation	Revenues ($million)	Reason for valuation	Trademark Royalty Rate (as % of Revenues)	Average Royalty Rate (%)
Joseph Abboud	USA	2013	52	PPA - share deal	5-10%	7.50%
Brioni	Italy	2012	218	PPA - share deal	10-20%	15%
Fendi	Italy	2002	520	PPA - share deal	10-20%	15%
Gucci	Italy	2012	4,675	Impairment Test	10-20%	15%
Jos. A. Bank	USA	2014	1,032	PPA - share deal	5-10%	7.50%
Politix	Australia	2016	37	PPA - share deal	2.5-5%	3.75%
Bulgari SpA	Italy	2011	1,771	PPA - share deal	10-20%	15%
Jimmy Choo	UK	2017	540	PPA - share deal	5-10%	7.50%
Kate Spade	USA	2006	84	PPA - share deal	5-10%	7.50%

Average Royalty Rate (%)

10.42%

Royalty Rate Range (%)

6.94 – 13.89%

Company Details

Company	Company Overview
Joseph Abboud	US tailored menswear company which manufactures all clothing in US with average price of a suit US$895
Brioni	Italian menswear company celling a full range of clothing including tailored clothing, suits, and knitwear with price tag on suits ranging from US$6000 to US$17,000
Fendi	Italian luxury fashion house selling menswear, womenswear and children's clothing with men's apparel price ranging from US$400 to US$5000
Gucci	Italian luxury and fashion company selling menswear, womenswear, kidswear and accessories, beauty, shoes and bags with prices for men's ready to wear ranging from US$400 to US$11000
Jos. A. Bank	US men's apparel company which specialises in selling suits at a discount
Politix	Australian fashion brand which sells men's apparel including suits ranging from US$200 to US$300
Bulgari SpA	Italian luxury brand known for its jewelry, watches, fragrances, accessories and leather goods
Jimmy Choo	Luxury company based in UK, specialising in shoes, bags and accessories for men and women
Kate Spade	US fashion design house specialising in clothing, shoes and accessories for women

Source: Markables, The Washington Post, Barrons, Fendi, Gucci, Business Insider, Politix, Bulgari, Jimmy Choo, Kate Spade