DUFF & PHELPS
Protect, Restore and Maximize Value

2020 Duff & Phelps YOUniversity Deal Challenge

October 2019

Contents

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Section I

Executive Summary

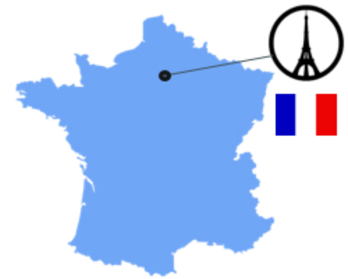
Executive Summary

- Maison Jacquelyn ("MJ" or the "Company) engages in the sale of women's luxury shoes and is based in Europe.
    - MJ sells to customers throughout the Europe, with some exposure in selected countries in the USA and Asia.
    - The Company offers a full line of shoes and specializes in heels.
    - Maison Jacquelyn's Revenue in 2018 was approximately $170 million and is expected to grow to $175 million in 2019. EBITDA in 2018 was approximately $23 million and is expected to grow to $25 million in 2019.
    - MJ is heavily leveraged and its financial performance has deteriorated since being acquired by a private equity firm in 2013. The Company was unable to refinance its debt in recent years.
- Maison Jacquelyn defaulted on principal payments in 2018. The debtholders have taken control of the Company and have hired consultants to advise on different exit scenarios that will maximize the value of their holdings in the Company.

Section II

Company Overview

Key Company Characteristics



- Maison Jacquelyn is headquartered in Paris, France.
- The Company was founded in 1960 by Jacquelyn Noreau, a French tailor.
- MJ began by selling handmade women shoes out of a small shop in Paris.
- The Company expanded products over time to include a full line of women's shoes and fashion accessories. All products are branded with the "MJ" trademark.
- MJ operates primarily through 99 brick-and-mortar stores and distributes to upscale department stores. The Company leases all of its storefronts.
- Maison Jacquelyn has a website with an "About Us" page, but the website does not allow for online purchases.
- The Company currently has direct sales channels in all major European markets and has a small international presence, with 10 stores in the USA and Asia.

Business Description

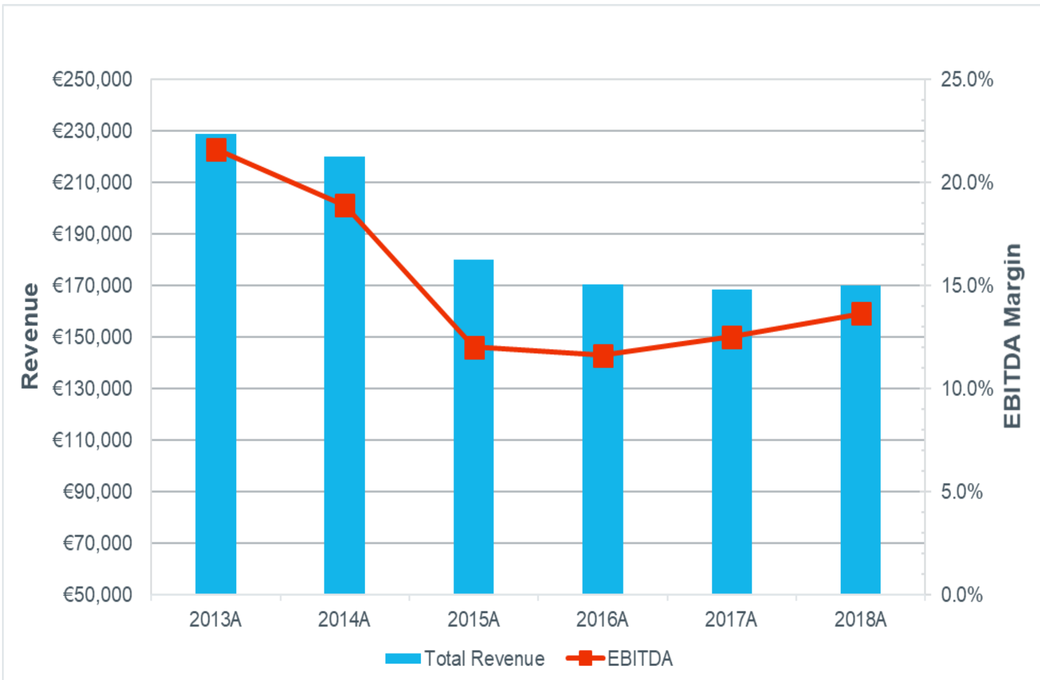
Maison Jacquelyn

- The MJ brand is known for being high quality and commands a premium price. MJ shoes are known to be worn by celebrities and high profile executives.
- All MJ products are sourced from independent manufacturers. Most manufacturing takes place outside Europe. MJ does not currently license its brands to third parties.
- The Company's workforce includes approximately 600 employees and an experienced senior management team.
- In July 2013, MJ was acquired by a private equity firm for $0.55 billion. The acquisition was funded with 65% debt and 35% equity. The acquirer believed there was an opportunity to significantly expand international operations and sales.
- In 2015, MJ lost a large department store customer after disagreements about pricing and marketing strategies, which caused a significant decline in revenues.

Historical Financial Information

2013A – 2018A Highlights

- MJ lost a major upscale department store customer in 2015.
- While revenue has stabilized in recent years, results are still well below 2013 levels.
- EBITDA margin reduction in recent years is mainly the result of significant lost revenues, while the Company's cost cutting efforts have not kept pace with the declines in revenue.



Historical Financial Information

Detailed Financial Results (in thousands)

		2013A		2014A		2015A		2016A		2017A		2018A
Domestic Stores	€	124,608	€	118,627	€	106,883	€	102,769	€	101,315	€	102,814
International Stores		9,755		11,494		13,137		12,704		11,444		10,042
Department Stores		89,172		84,624		55,175		49,823		50,022		51,123
Online		5,176		5,036		4,930		5,192		5,545		6,094
Total Revenue	**€**	**228,710**	**€**	**219,781**	**€**	**180,125**	**€**	**170,487**	**€**	**168,326**	**€**	**170,073**
Costs of Goods Sold	€	92,419	€	90,143	€	78,609	€	73,198	€	71,420	€	71,645
Sales & Marketing		86,874		88,145		79,883		77,503		75,841		75,253
Total Expenses	**€**	**179,293**	**€**	**178,288**	**€**	**158,492**	**€**	**150,701**	**€**	**147,260**	**€**	**146,898**
EBITDA	€	49,417	€	41,493	€	21,633	€	19,786	€	21,066	€	23,175
Depreciation		5,643		5,447		4,574		4,362		4,315		4,353
EBIT	**€**	**43,774**	**€**	**36,047**	**€**	**17,058**	**€**	**15,424**	**€**	**16,751**	**€**	**18,822**
Capital Expenditures	**€**	**4,574**	**€**	**5,233**	**€**	**4,803**	**€**	**3,409**	**€**	**2,885**	**€**	**2,753**
Other Metrics (Stores)												
Domestic Stores		99		99		99		95		92		89
International Stores		8		11		14		14		12		10

Historical Financial Information

Margins (% of Revenue)

	2013A	2014A	2015A	2016A	2017A	2018A
Domestic Stores	54.5%	54.0%	59.3%	60.3%	60.2%	60.5%
International Stores	4.3%	5.2%	7.3%	7.5%	6.8%	5.9%
Department Stores	39.0%	38.5%	30.6%	29.2%	29.7%	30.1%
Online	2.3%	2.3%	2.7%	3.0%	3.3%	3.6%
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Costs of Goods Sold	40.4%	41.0%	43.6%	42.9%	42.4%	42.1%
SG&A	38.0%	40.1%	44.3%	45.5%	45.1%	44.2%
Total Expenses	78.4%	81.1%	88.0%	88.4%	87.5%	86.4%
EBITDA	21.6%	18.9%	12.0%	11.6%	12.5%	13.6%
Depreciation	38.0%	40.1%	44.3%	45.5%	45.1%	44.2%
EBIT	19.1%	16.4%	9.5%	9.0%	10.0%	11.1%
Capital Expenditures	**2.0%**	**2.4%**	**2.7%**	**2.0%**	**1.7%**	**1.6%**

Historical Financial Information

Historical Growth (in %)

	2013A	2014A	2015A	2016A	2017A	2018A
Domestic Stores	N/A	-4.8%	-9.9%	-3.8%	-1.4%	1.5%
International Stores	N/A	17.8%	14.3%	-3.3%	-9.9%	-12.3%
Department Stores	N/A	-5.1%	-34.8%	-9.7%	0.4%	2.2%
Online	N/A	-2.7%	-2.1%	5.3%	6.8%	9.9%
Total Revenue	**N/A**	-3.9%	-18.0%	-5.4%	-1.3%	1.0%
Costs of Goods Sold	N/A	-2.5%	-12.8%	-6.9%	-2.4%	0.3%
SG&A	N/A	1.5%	-9.4%	-3.0%	-2.1%	-0.8%
Total Expenses	**N/A**	-0.6%	-11.1%	-4.9%	-2.3%	-0.2%
EBITDA	N/A	-16.0%	-47.9%	-8.5%	6.5%	10.0%
Depreciation	N/A	-3.5%	-16.0%	-4.6%	-1.1%	0.9%
EBIT	**N/A**	-17.7%	-52.7%	-9.6%	8.6%	12.4%
Capital Expenditures	**N/A**	**14.4%**	**-8.2%**	**-29.0%**	**-15.4%**	**-4.6%**

Historical Financial Information

Balance Sheet as of December 31, 2018 (€ thousands)

Assets	31-Dec-18
Cash & Cash Equivalents	17,945
Accounts Receivable	11,779
Inventories	35,662
Other Current Assets	17,895
Total Current Assets	83,281
PP&E (net)	24,785
Intangibles	94,423
Goodwill	
Other Assets	17,014
Total Assets	**219,503**

Liabilities & Equity	31-Dec-18
Accounts Payable	15,955
Accrued Expenses	17,071
Current Portion of Debt	350,565
Other Current Liabilities	8,118
Total Current Liabilities	391,709
Long-term Debt	-
Other Long-term Liabilities	10,835
Total Liabilities	**402,544**
Equity	-183,041
Total Liabilities and Equity	**219,503**

Section III

Management Plan

Management Plan Background and 2019-2022 Estimates

- Management provided the plan on the following page for the business prior to entering bankruptcy.

- Management has stated that the projections assume the business continues to operate "as is."

- Highlights of the plan include:
  - In 2018, MJ had its first year of positive revenue growth since the acquisition in 2013. Revenue growth in 2019 is expected to improve moderately before growth increases in 2021 and 2022. Beyond 2022, growth is anticipated to move in line with inflationary expectations.
  - Gross margins are expected to improve in the next few years before leveling out in 2022.
  - As revenue growth returns, SG&A expenses are expected to increase at a slower pace than revenue. Therefore, EBITDA margins are projected to expand over the next few years before leveling out in 2022.
  - Capital expenditures are expected to continue to stay around historical levels (as a % of revenue) through 2022. No major capital spending projects are expected in the near future given that there are no plans to open new stores.

Management Plan Background and 2019-2022 Estimates

Financial Projections (in thousands)

	2019E	2020E	2021E	2022E
Domestic Stores	€ 105,899	€ 110,135	€ 114,540	€ 120,267
International Stores	10,243	10,448	10,761	11,192
Department Stores	52,400	53,710	55,590	57,536
Online	6,825	7,644	8,561	9,589
Total Revenue	**€ 175,367**	**€ 181,937**	**€ 189,453**	**€ 198,584**
Costs of Goods Sold	€ 73,293	€ 75,198	€ 77,755	€ 80,088
Sales & Marketing	76,758	77,065	77,836	79,704
Total Expenses	**€ 150,051**	**€ 152,264**	**€ 155,591**	**€ 159,792**
EBITDA	€ 25,261	€ 29,404	€ 34,108	€ 38,031
Depreciation	4,462	4,600	4,766	4,957
EBIT	**€ 20,799**	**€ 24,803**	**€ 29,342**	**€ 33,074**
Capital Expenditures	**4,130**	**4,419**	**4,446**	**4,646**
Other Metrics (Stores)				
Domestic Stores	99	99	99	95
International Stores	8	11	14	14

Management Plan Background and 2019-2022 Estimates

Margins (% of Revenue)

	2019E	2020E	2021E	2022E
Domestic Stores	60.4%	60.5%	60.5%	60.6%
International Stores	5.8%	5.7%	5.7%	5.6%
Department Stores	29.9%	29.5%	29.3%	29.0%
Online	3.9%	4.2%	4.5%	4.8%
Total Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Costs of Goods Sold	41.8%	41.3%	41.0%	40.3%
SG&A	43.8%	42.4%	41.1%	40.1%
Total Expenses	**85.6%**	**83.7%**	**82.1%**	**80.5%**
EBITDA	14.4%	16.2%	18.0%	19.2%
Depreciation	2.5%	2.5%	2.5%	2.5%
EBIT	**11.9%**	**13.6%**	**15.5%**	**16.7%**
Capital Expenditures	**2.4%**	**2.4%**	**2.3%**	**2.3%**

Management Plan Background and 2019-2022 Estimates

Growth Trends

	2019E	2020E	2021E	2022E
Domestic Stores	3.0%	4.0%	4.0%	5.0%
International Stores	2.0%	2.0%	3.0%	4.0%
Department Stores	2.5%	2.5%	3.5%	3.5%
Online	12.0%	12.0%	12.0%	12.0%
Total Revenue	**3.1%**	**3.7%**	**4.1%**	**4.8%**
Costs of Goods Sold	2.3%	2.6%	3.4%	3.0%
SG&A	2.0%	0.4%	1.0%	2.4%
Total Expenses	**2.1%**	**1.5%**	**2.2%**	**2.7%**
EBITDA	9.0%	16.4%	16.0%	11.5%
Depreciation	2.5%	3.1%	3.6%	4.0%
EBIT	**10.5%**	**19.3%**	**18.3%**	**12.7%**
Capital Expenditures	**50.0%**	**7.0%**	**0.6%**	**4.5%**

Section IV

Financial Distress Scenarios

Financial Distress Scenarios

- In July 2018, the principal on the Company's debt came due. MJ was unable to refinance the debt and defaulted on its obligations.

- The Company's equity holders recently proposed a plan for reemergence that was rejected by the bankruptcy court.

- The debtholders are now set to propose a plan for exit. The debtholders have no interest in running the business.

- Accordingly, the debtholders and Management have asked the consultants to research and assess the following two scenarios, which they believe are the best options for maximizing the value of the business:

Scenario 1: Selling the Company to a strategic buyer.

Scenario 2: Selling the Company to a new private equity buyer that will operate the Company on a standalone basis, but with a different branding and sales channel strategy, including identifying an established online retailer acquisition target that will allow the Company to quickly scale its entry into the digital marketplace.

Scenario 1

- Under **Scenario 1**, a strategic buyer will be primarily interested in the brand. Buyers would look to maintain the integrity of the brand and employ a similar pricing strategy while merging the operations of the business with their own. Specific opportunities related to this strategy include:
  - In this scenario, buyers would have their own distribution network and would be able to incorporate MJ's distribution center. The facility has been appraised recently at $12.5 million.
  - Management believes that the right strategic buyer would be able to achieve approximately $10 million of annual revenue synergies by 2022 by driving additional sales through existing relationships with prestigious department stores.
  - Gross margins would be expected to improve to industry averages given scale and buying power improvements.
  - Additional cost savings of $5 million per annum could be realized by a strategic buyer through management and back-office headcount reductions.

Scenario 1

- Management has stated that 10 of its domestic stores operate at a loss. They believe these leases can be terminated through the bankruptcy for a relatively small fee. Closing these 10 stores would result in $3.25 million of lost annual revenue, but SG&A cost savings would be approximately $4.0 million per annum. One-time expenses associated with store closings and lease terminations would be approximately $1.5 million.

Scenario 2

- Under **Scenario 2**, a private equity buyer would operate Maison Jacquelyn on a standalone basis and target new sales channels. Additionally the private equity buyer would attempt to identify an established online retailer acquisition target that will allow the Company to quickly scale an entry into the digital marketplace. Management believes that a strategic player is unlikely to pursue this strategy due to risk to the brand. Specific opportunities related to this strategy include:
  - Outside of its owned stores, MJ's products are currently only sold in some department stores. Management has recently explored selling a new line of shoes (under the MJ brand) at a lower price point through more mainstream department stores, retail outlets, and a revamped online presence. Management believes an opportunity exists to substantially increase the Company's revenue and estimates the following impacts of this strategy:
    - Revenues at company owned stores would remain relatively similar to Management's current plan.
    - Revenue from the new channels and through an online presence would be expected to increase rapidly until reaching approximately $120 million in 2022.

Scenario 2

- Given the introduction of a lower-priced product line, the gross margin improvements outlined in Management's plan would likely not materialize. Gross margins are expected to remain flat at current 2018 levels.
- Cost savings associated with store closings would be expected to be the same as outlined in **Scenario 1**.
- SG&A expenses (not including savings associated with store closings) would be expected to improve (as a percentage of revenue) over Management's current plan as the increased revenue would provide the Company with scale advantages. By 2022, Management estimates SG&A as a percentage of revenue will be 400 bps lower than 2018 levels.

Section V

Deliverables

Deliverables

Deliverable #1

- To assess the Company's competitive landscape and better inform a decision between Scenario 1 and Scenario 2:
    1) Provide a brief overview of the industry in which MJ operates.
    2) Perform a full SWOT analysis.
    3) Discuss the impact of Porter's 5 Forces on MJ.

Deliverables

Deliverable #2

- If Scenario 2 is selected, one of the steps the private equity buyer would undertake would be attempting to identify an established online retailer acquisition target that will allow the Company to quickly scale its entry into the digital marketplace.

    1) Describe in detail the qualitative and quantitative factors that should be considered when identifying a potential acquisition target for MJ..

    2) Identify 3-6 potential acquisition targets for MJ.

    3) Based on the criteria described in (1), select one of the potential acquisition targets from those identified in (2) to recommend to Management. Explain the rationale for the decision.

    4) Upon MJ's completion of the acquisition of an online retailer, would you advise offering deep discounts as a long-term strategy for MJ's online business? Discuss the reasoning for your recommendation.

Deliverables

Deliverable #3

- Which Scenario offers a more advantageous exit for the debtholders (i.e., maximizes value)? Conclusions should assess all facts and circumstances.
- Assume a deal closing date (and valuation date) of **December 31, 2018**.
- Deliverables **must include, but are not limited to**:

1) Your team's recommendation on which Scenario the debtholders should pursue. Assessment should include your recommendation on the price a buyer would be willing to pay and who the buyer might be.
2) Discounted Cash Flow (DCF) analyses for MJ to determine enterprise values under both Scenarios.
   - The DCF analyses should include calculations for revenue, EBITDA, depreciation, capital expenditures, working capital, present value factors, and residual period amounts. Synergy considerations, if any, should be assessed and specifically identified. Key inputs should also be detailed in the models.
3) Calculation of the weighted average cost of capital (WACC) for use in the DCF models.
4) Utilization of Market Approach analyses to determine enterprise values under both Scenarios.
   - These analyses should utilize public information on comparable companies and/or recent transactions.
   - Consider and comment on the appropriateness of the market approach relative to the income approach.
5) Qualitative list of issues analyzed, and support for final assumptions.

Deliverables

Form of all Deliverables*

- Please provide a document containing your qualitative analysis (likely completed in PowerPoint) and your quantitative analysis (likely Excel). Your deliverable should clearly present your conclusions and provide an understanding of how you arrived at them.

*Any assumptions that need to be made in the analysis will be accepted by the Committee as long at they are validated by qualitative and/or quantitative support.