
2020 YOUNiversity Deal Challenge

14 August 2020

Maison Jacquelyn

Team Profile

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Major in BBA (Hons) Accounting
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Expected to graduate in 2021

“Work Hard Play Hard”

Grace Guanxiu Lin



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*“Unreachable is not ten years
later but yesterday”*

James Jingzhe Chen



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*“If you do not believe in yourself
no one will do it for you”*

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1.

Executive Summary

Executive Summary

Situation Overview

- Debtholders look for exit options due to weak revenue performance of Maison Jacquelyn (“MJ”)
- MJ launched new line of shoes at a lower price to boost sales in more mainstream department stores
- **Standalone, MJ is valued at € 326 mm** based on cash flows, trading multiples, and precedent transactions

Acquisition Analysis

- Strategic buyer: Tapestry would be the potential buyer to MJ due to the alignment in corporate strategies and the distribution resources
- **Tapestry can pay € 491 mm**
- Private equity buyer: The Carlyle Group can help MJ to quickly scale into the online luxury retail market and strengthen MJ’s businesses
- **The Carlyle Group can pay € 506 mm**
- **The Carlyle Group is the final recommended potential buyer**

Online Luxury Retailer Acquisition Recommendation

- **LUISAVIAROMA is recommended as the potential acquisition target** for MJ to quickly scale into online luxury sales

Maison Jacquelyn (MJ) Overview

Operations Overview



MJ brand is known for being high quality and commands a premium price in the **women's luxury shoes sales**.

Headquarter	Paris, France
Distribution	Retail store (domestic and international), department store, online channel
License	MJ does not license its brand to third parties
Workforce	600 employees and an experienced senior management team

Financials

(Units: € thousands)	2016A	2017A	2018A
Revenue	170,488	168,326	170,073
Growth	-5.4%	-1.3%	1.0%
Gross Profit	97,290	96,906	98,428
Margin	57.1%	57.6%	57.9%
EBITDA	19,787	21,065	23,175
Margin	11.6%	12.5%	13.6%
EBIT	15,425	16,750	18,822
Margin	9.0%	10.0%	11.1%

2.

Deliverable 1: Industry Analysis

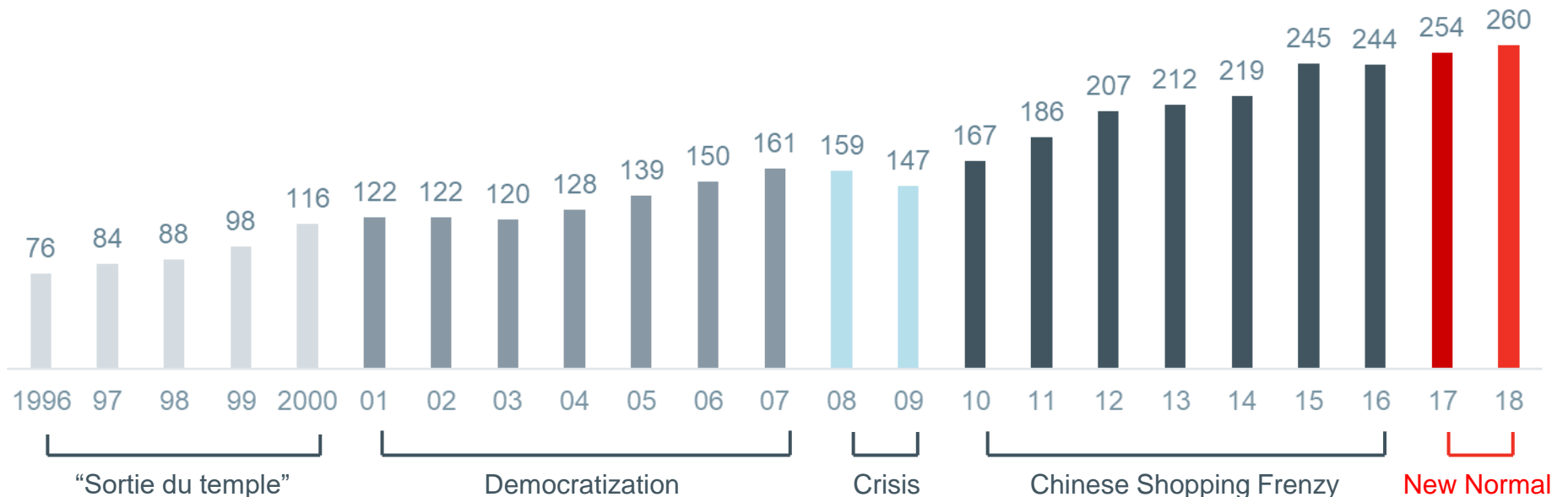
The World of Luxury - Personal Luxury Goods Industry

In the world of luxury, there are several components, including personal luxury goods, at-home-luxury experience (e.g. artworks), luxury toys, out-of-home luxury experience (e.g. hotel).

Personal Luxury Goods Industry

- The company, MJ, under the personal luxury goods industry, which posts healthy growth in recent years. The CAGR from 1996 to 2018 is 6%
- The industry experienced robust growth from the year of 2010 to 2015 stimulated by Chinese market growth, with 6% CAGR. After a pause in 2016, the market returned to a “new normal” of moderate growth

Global Personal Luxury Goods Market Sales (€ billions)



Source: Bain & Company

Personal Luxury Goods Industry Overview

Personal Luxury Goods Industry Segments

The personal luxury goods industry can be divided into 5 segments and 7 sub-segments.

Luxury Leather Goods



Luxury Watches & Jewelry



Luxury Watches
Luxury Jewelry

Luxury Fashion



Luxury Apparel

Luxury Footwear

Maison Jacquelyn



Luxury Eyewear



Prestige Cosmetics & Fragrances



Prestige Cosmetics
Prestige Skin Care
Prestige Fragrances

Personal Luxury Goods Companies Breakdown

The companies break down by business model, and the conglomerate model outperformed in the industry.

Conglomerate

- Having a portfolio of brands which operate in multiple segments



(No. of brands: 15)



(No. of brands: 19)



(No. of brands: 75)



(No. of brands: 18)

Multi-brand Company

- Having a portfolio of few brands which operate in single or few segments



(No. of brands: 3)



(No. of brands: 4)



(No. of brands: 3)



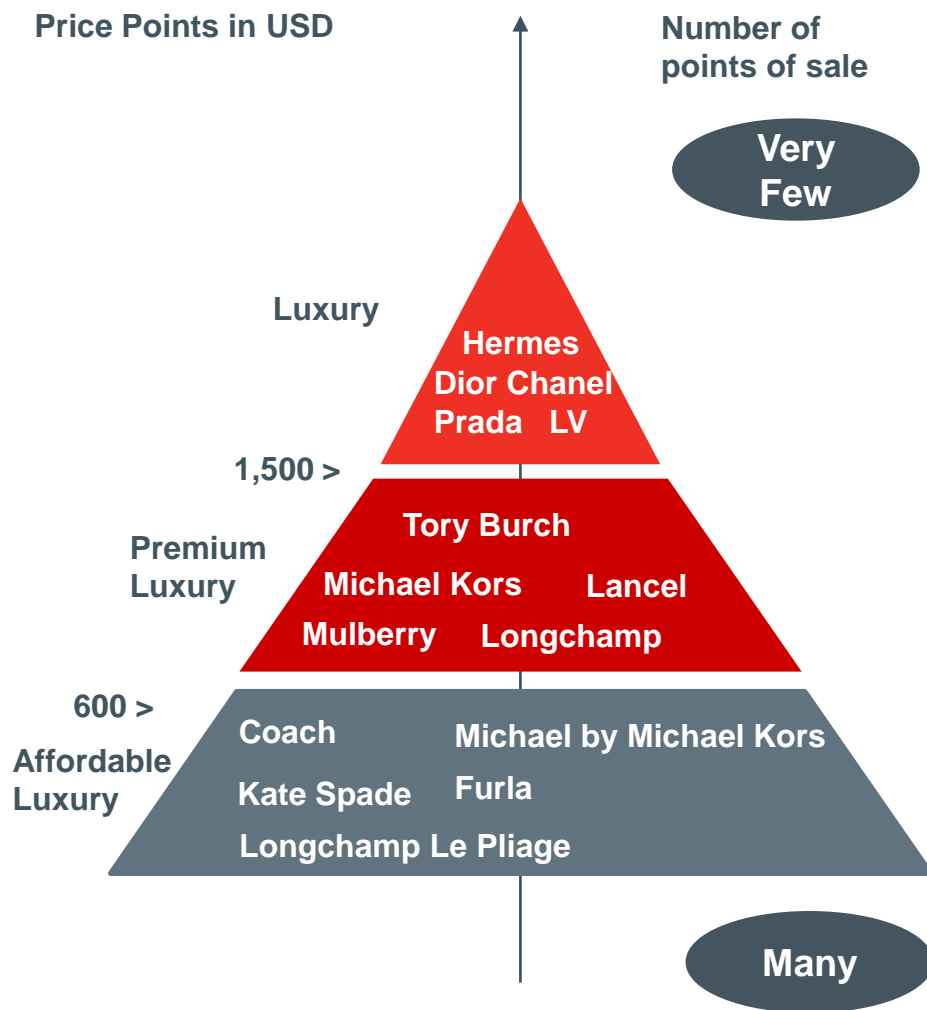
(No. of brands: 8)

Mono-brand Company

- Operating single brand under the company



Pyramid of Personal Luxury Goods Brands



Pyramid of Personal Luxury Goods Brands

- Among the personal luxury goods brands, the brands can be sub-categorized into **luxury**, **premium luxury** and **affordable luxury brands** based on their price points and number of points of sale
- **The brand, MJ, is classified as premium luxury brand**

Categorizing into Luxury and Premium Companies

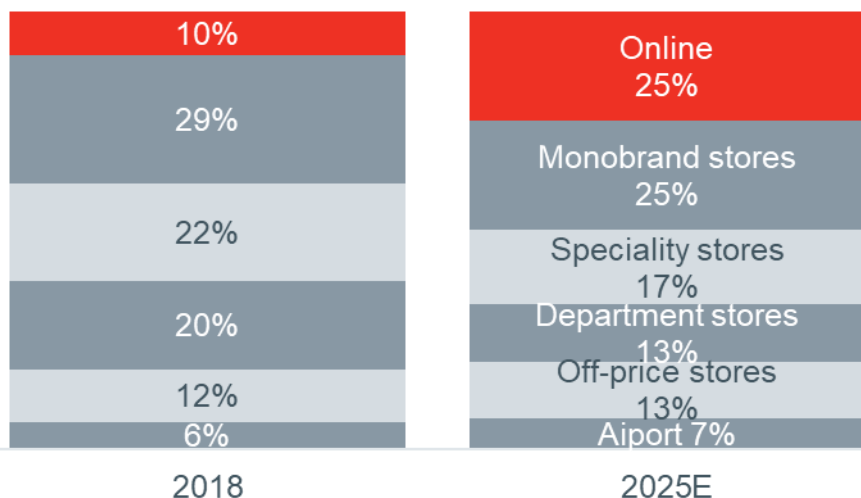
- In the comparable companies analysis, instead of choosing comparable companies by business model, accessing the type of brands under the company is applied
- If the company owns brands are mostly luxury brands, the company is categorized to “Luxury Companies”; if the brands under company are mostly premium and affordable luxury brands, the company is categorized to “Premium Companies”
- **MJ, as a company, is categorized as “premium companies”**

Personal Luxury Goods Industry Trends

Luxury Consumers are Shopping Online

- Online luxury shopping takes up **10% of all luxury sales** in 2018, it continued to accelerate in 2018, growing 22% to nearly €27 billion
- **Region Performance:** Americas represents 44% of online sales, followed by Asia as a new growth engine for luxury online, slightly ahead of Europe
- **Segment Performance:** Leather goods and footwear remained the top sales, beauty and “hard luxury” (jewelry and watches) categories were both on the rise
- **Distribution channels:** The biggest online channels were online retailers, brand.com and retailers’ website

Share of Global Personal Luxury Goods Market, by Distribution Channel and Format



Source: Bain & Company, Statista, BCG estimates

Experiential Luxury

- The **growing demand for experiential luxury** will affect the personal luxury goods industry because it represents a fundamental shift in consumer behavior from only owning physical goods to emotional fulfillment
- This trend is driven majorly by the growing dominance of millennials in the market
- Luxury brands provide the experiences while customers shop the products, the experiences are majorly around the product. As for now, the experience economy has been increasingly considered as a whole and independent business
- Some key areas of experiential luxury:
 - Food
 - Wellness
 - Hospitality

Personal Luxury Goods Industry Trends

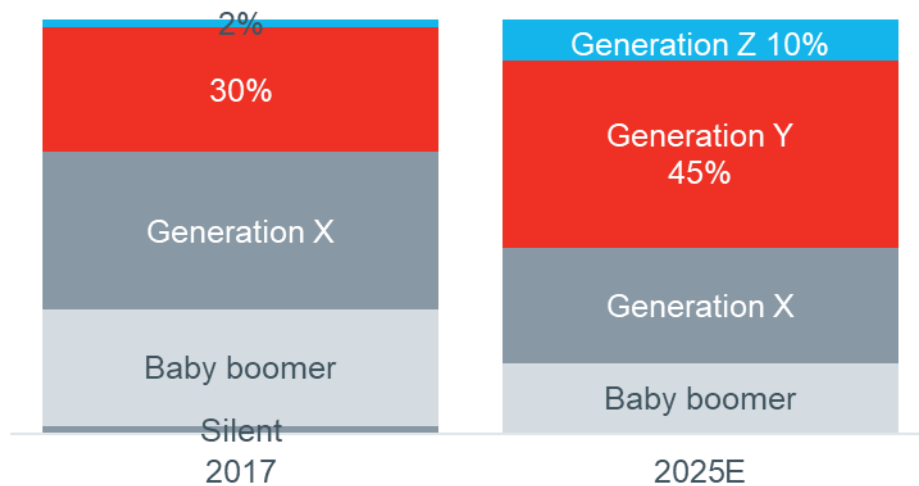
The Influence of Younger Consumers Grows

- Generation Y and Z (people aged up to 39 years old) accounted for 47% of luxury consumers in 2018 and 33% of luxury purchases
- Considering the younger consumers' contribution to the overall growth and sales, brands are adapting to the preferences of younger consumers
- **In the year 2025, Generation Y and Z will approximately account for 55% of sales**

Industry Consolidation in Progress

- The opportunity for consolidation in the luxury industry has made the sector a compelling play over the years. **The conglomerate model has outperformed in luxury, where managing luxury brands in a portfolio of brands becomes common**
- The multi-brand company looks for building its own conglomerate in the industry, the mono-brand company may have the possibility that being acquired by other companies

Share of Global Personal Luxury Goods, by Generation



Source: Bain & Company, Deutsche Bank

Porter's Five Forces Analysis

Porter's Five Forces Analysis aims at accessing the attractiveness of the industry. In conclusion, **the attractiveness of the personal luxury goods industry is moderate.**

Threat of New Entrants: MODERATE

- **Barriers to entry are moderate**
 - The capital requirements are moderate, depending on the scale of business
 - The product differentiation is moderate, even different brands may have their styles, they still have similar product line and products
- **Expected retaliation from incumbents is low**
 - Personal luxury goods brand relies on its product and exposure to consumers

Bargaining Power of Suppliers: LOW

- **Industry firms' dependency upon suppliers is low:** the suppliers are categorized as raw materials, manufacture, finished products, and services. The choices of suppliers are abundant
- **The threat of suppliers integrating forward is low**

Intensity of Rivalry: INTENSE

- There are **numerous competitors in the industry**
- The industry growth is moderate
- **High fixed cost is needed** to run the business

Bargaining Power of Customer: MODERATE

- **The buyer group is relatively less price-sensitive** because people who have the intention to buy luxury goods may already have the power of buying
- **Buyer switching costs to substitute products are low:** the substitute would be something that delivers the same value to the luxury goods buyer, for example, luxurious experience
- **The buyer group is not concentrated in large quantities**
- **The threat of buyer integrating backward is low**

Threat of Substitute Products: LOW

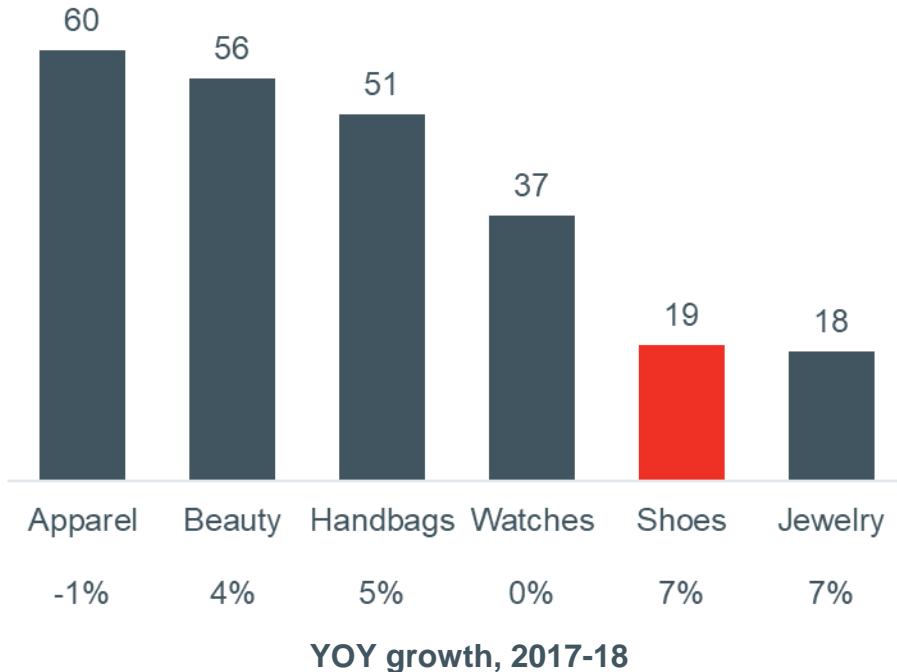
- Price-performance ratio offered by substitutes: similar to personal luxury goods
- **Buyer switching cost to substitutes is moderate**

Luxury Footwear Segment Overview

Recent Performance

- Commonly, the luxury footwear **includes a brand with multiple product lines**. A luxury brand with only single shoe line, such as MJ, is not a common existence
- The luxury footwear is the fastest-growing product category in personal luxury goods market, regarding the YoY performance

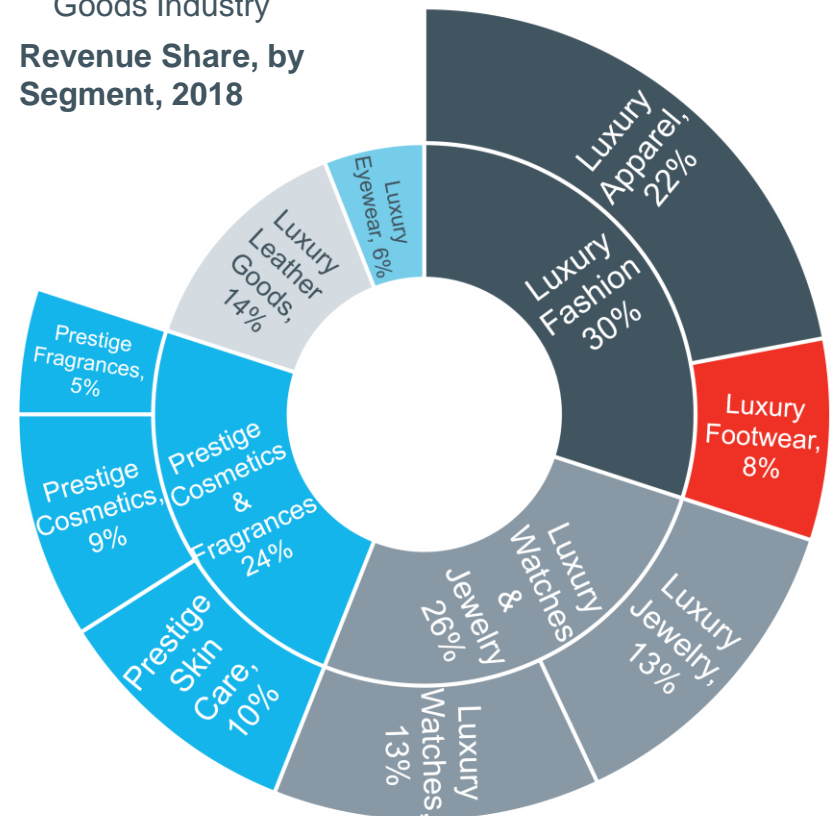
Global Personal Luxury Goods Market, by Product Segment, 2018 (€ billions)



Market Share

- Luxury Footwear represents 8% of the whole market sales. In the segments categorization, Luxury Footwear is under the segment of Luxury Fashion, where it accounts for the biggest share in the Personal Luxury Goods Industry

Revenue Share, by Segment, 2018



Source: Bain & Company, Statista

SWOT Analysis of MJ

Strengths

- **Unique brand identity:** MJ as luxury shoes are known to be worn by celebrities and high-profile executives
- **Well-established relationships with department stores:** department stores are an important revenue stream for MJ

Weaknesses

- **Lacking global presence:** MJ's international stores only take part of 10% of the total number of stores, which indicate the imbalance market distribution
- **Limited distribution channel:** MJ's own website does not allow for online purchases
- **Limited product line:** MJ only offers a full line of shoes and specialize in heels

Opportunities

- **Increasing purchasing power of younger generation:** Generation X and Y are expected to reach about 55% of total sales
- **Developing emerging markets:** Many developing countries are now having growing demands in luxury industry. Especially China, where Chinese consumers will account for 46% of the personal luxury goods market by 2025

Threats

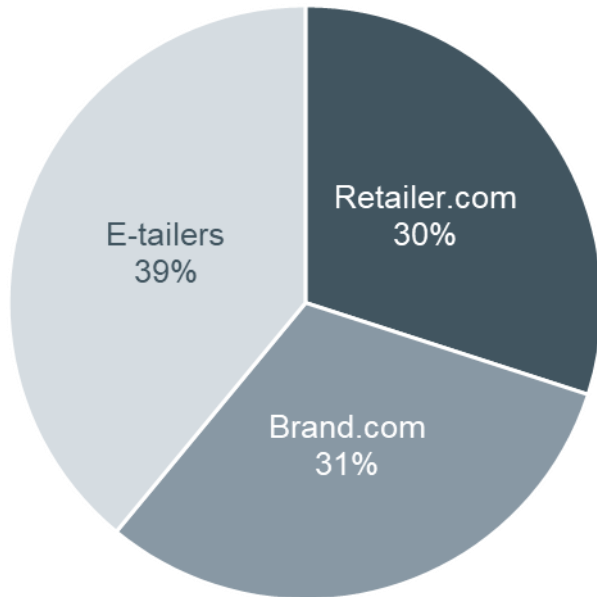
- **Growing demand of experiential luxury:** The shifts in consumers' behavior toward more emotional fulfillment products may switch away the demand of physical luxury
- **Intense competition:** The continuously increasing number of competitors may occupy MJ's market shares, while Conglomerate has demonstrated better performance in the industry than mono-brand company

3.

Deliverable 2: Online Luxury Retailer Acquisition Recommendation

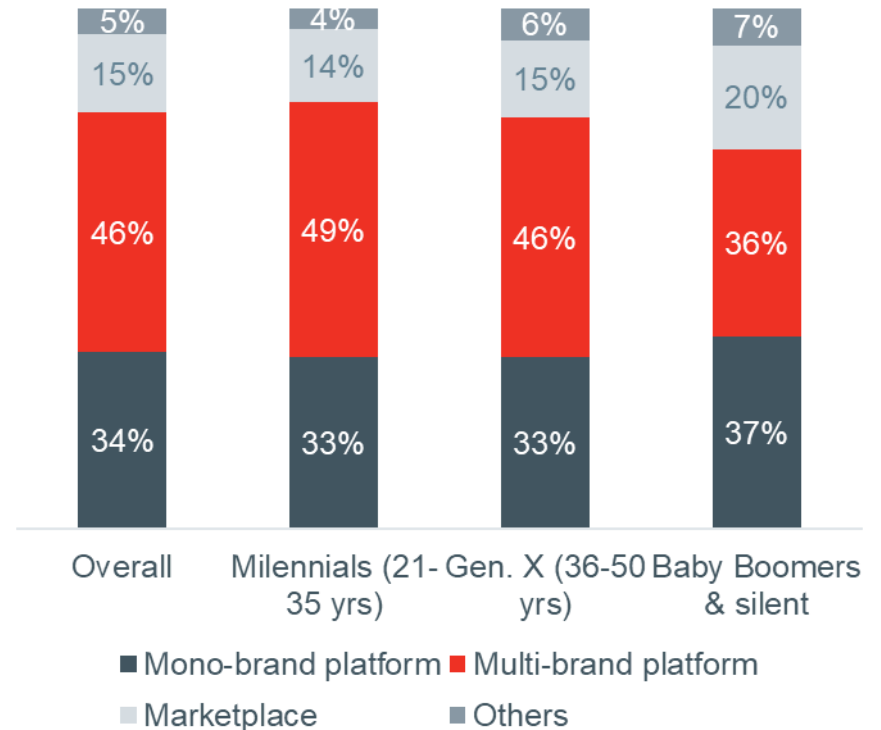
Online Luxury Retailer Overview

Online Luxury Retailer Share by Platform Type



- On the online luxury selling markets, three types of platform are generally evenly divided:
 - E-tailers (multi-brand retailer)** : Wholesale agreements
 - Retailer.com**: Retail structured online (e.g: marketplaces)
 - Brand.com**: Direct operated retail under own brand
- Online multi-brand retailer (e-tailers) accounts for the biggest share of online luxury sales**

Preferred Online Luxury Retailer Sales Channel



- Multi-brand platform is the most preferred channel of all ages.** MJ's luxury product line targets more on the purchasing power of Gen. X, while the recent commoditized product line emphasize the focuses on Millennials. To quickly scale into the online retail market, the most preferred type should be selected

Online Luxury Retailer Acquisition Target: Criteria of Selection

Criteria of Selecting Online Luxury Retailer

Criteria	Explanation
Solid Supply Chain Management	The supply chain management directly links to the inventory management, customer satisfaction upon delivery and receipt of goods, etc.
Type of Online Retailer Channel	<p>The type of online retailer channel include:</p> <ul style="list-style-type: none">• Mono-brand retailer: “brand.com”, single brand directly operated under its own brand• Multi-brand retailer: “e-tailers”, act as wholesale accounts to the brands, buying merchandise from them and reselling it to the end consumers• Marketplace: “retailer.com”, act as intermediaries between the seller (boutique or brand) and the end consumers
Integration and Adaptability	The online retailer should fit MJ’s organizational structure, strategically aid the brand to quickly scale into the online retail market
Centralized Master Data Maintenance	The platform should provide multiple types of data, for enabling the acquired brand to reflect on its sales performance, forecasting future production, implementing business strategy, etc.
Commission Fee Structure	For acquiring an online retailer platform, besides considering quick entry to the online luxury sales, the effectiveness of company’s revenue model should also be considered
Organization Structure	The current organization structure may affect the acquisition procedure, for example, whether the online retailer has a parent company

Potential Acquisition Targets

Potential Acquisition Targets Overview

	FARFETCH	MATCHESFASHION.COM	LUISAVIAROMA	NET-A-PORTER
Parent Organization	N/A	Apax Partners (Private Equity)	N/A	Richemont
Founded	2007	1987	2000	2000
Based City	London, UK	London, UK	Florence, Italy	Milan, Italy
Number of Brands Offered	Over 700	Over 400	Over 600	Over 800
Area Served	Worldwide	Worldwide	Worldwide	Worldwide
CEO	José Neves	Ulric Jerome	Andrea Panconesi	Federico Marchetti
Public Listed?	Yes, NYSE: FTCH	N/A	N/A	N/A
Revenue of Y2018 (€ mm)	927	446	121	779 (Y2017)
Type of Platform	Marketplace	Multi-brand Retailer	Multi-brand Retailer	Multi-brand Retailer/Provide services to mono-brand website (e.g. Moncler.com)

Source: Capital IQ, Wikipedia

Acquisition Target Recommendation

Company Overview

LUISAVIAROMA

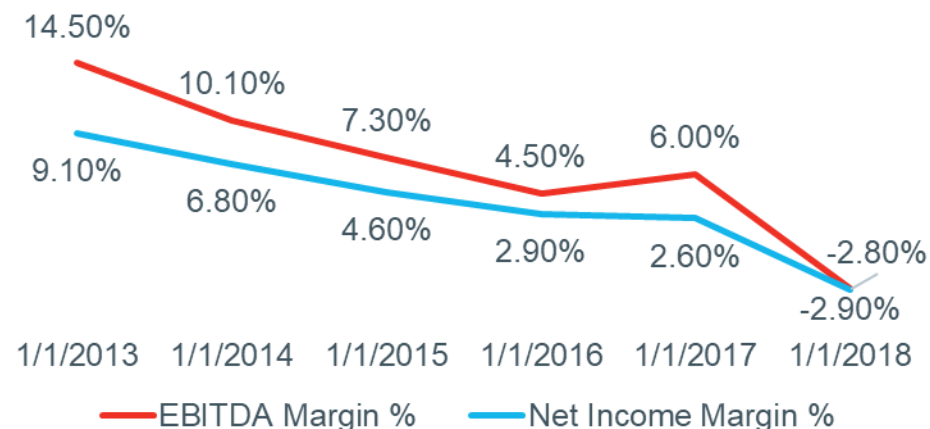
Headquarter	Florence, Italy
Type	100% private owned
Workforce	200+ employees from 15 countries
Active User	53 million (2017)
Major Selling Area	U.S.A, Germany, UK, Italy, China, France

Company Features

- **Platform Type:** LUISAVIAROMA is regarded as a multi-brand retailer based on its coverage, distribution channel and no. of partnership
- **Well-established supply chain and partnership management:** established distribution network, provided online shopping experiences to over 200 countries with more than 600 brands
- **Corporate philosophy:** LUISAVIAROMA aims at the high-end luxury market and would like extend more high-end designer product
- Organizational structure: LUISAVIAROMA is **operating on a standalone basis, without controlling by any parent company, currently the company is not public listed**

Financial Performance

- LUISAVIAROMA faced declining EBITDA margin and net Income margin starting from 2014, which is largely attributed to the drop in the net operating income and sales revenue
- ROA%, ROE%, and ROC% also keep declining from 2014 due to the drop in the net income
- The inventory level of LUISAVIAROMA is below its comparable companies
- The company recorded negative net income last year, however, the platform has its market recognition in the industry. The company may also look for an external party to bring new power, to further develop its company



Source: Capital IQ

Synergies Overview for Acquiring LUISAVIAROMA

Larger Consumer Exposure

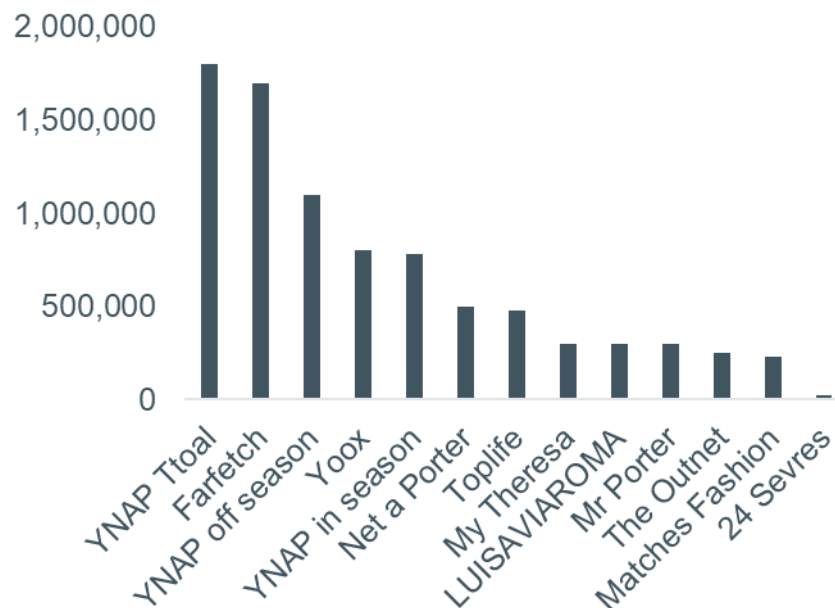
- LUISAVIAROMA's broad partnership coverage indicates its ability to the addressable market, MJ can gain access to valuable data intelligence to drive higher incremental profit contribution
- A higher consumer traffic contributes to MJ's consumer analytic ability to provide more tailored marketing efforts
- These may finally induce the transformation of MJ's operation model from traditional to digital

Optimize Resources Allocation

- MJ's current sales are largely contributed by traditional brick & mortar shops ($\geq 95\%$ of revenue), which put high burden on costs due to leasing
- Acquiring online retailer and improved data analytics across retail will help MJ reconsider the resource allocation among the existing stores
- MJ might finally reduce the store densities in certain regions which online selling appear better performance

Potential to Gain Market Share via Mobile App

IOS App Downloads for E-commerce Platforms From March 2018 to Mar 2019



- LUISAVIAROMA has its own mobile application and the multi-brand platforms have the highest download among other types of platforms
- Mobile application, as a form of online retail, MJ may gain market share through this channel by further developing the application and the market

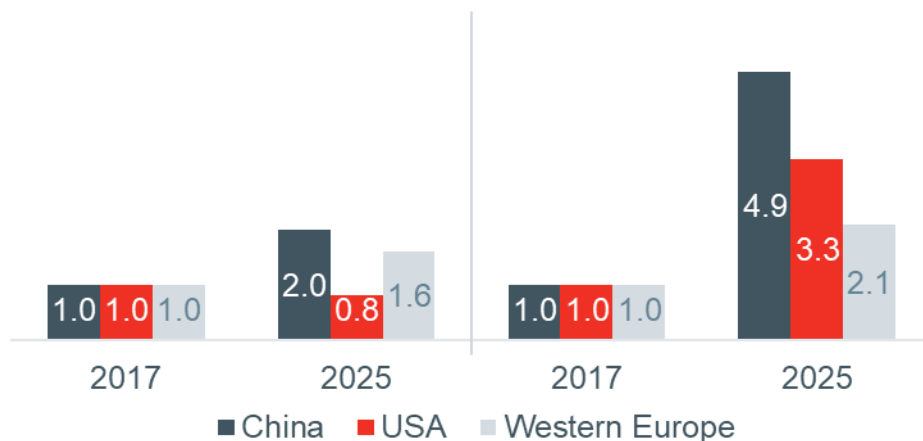
Potential of Keeping Low Price Product Line

Booming Demand in Luxury Market

Gross Income (Units: US trillions)

Millennials

Generation Z



- Applying deep discount product line grasps the market share of Millennials and Generation Z who is still with limited purchasing ability
- By 2025, Millennials and Generation Z are expected to earn at least 2x of their current gross income

Align the Strategy to Acquire Online Luxury Retailer

- MJ's plan on acquiring online retailer demonstrates its strategy of expanding the distribution channels by striking deals using online platform for easier and faster purchase
- The digitalization strategy symbiotic with the deep discount product line, aiming to attract a higher consumer traffic and turnover rate
- Consider the high traffic under digital strategy, a wider range of product line should be offered to cater the diversity

Offering Deep Discounts in the Long Term?

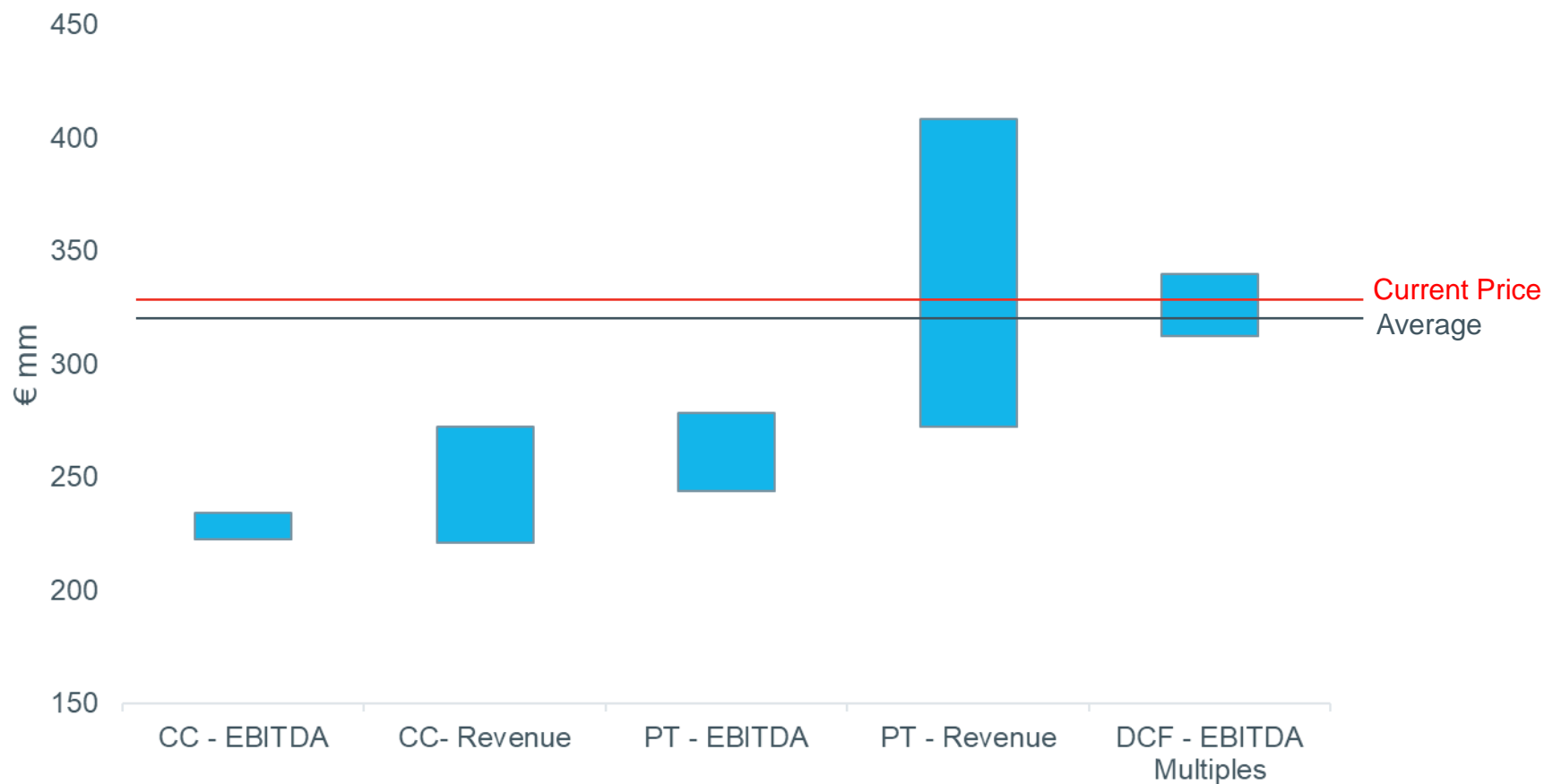
- **MJ should keep its deep discount product line as it enlarges the consumer exposure** by grasping a higher percentage of Generation Z and millennials, which might boost its sales within a decade
- Low price product line aligns with the digital strategy, which is essential to MJ's future transformation
- MJ is currently a mono-brand company, extending the product line is not very likely to result in the brand dilution with proper advertising strategies

4. Deliverable 3: Valuation

Football Field Valuation Summary

Enterprise Value Ranges with Implied EBITDA Multiples

CC - Comparable Companies Analysis **PT** - Precedent Transactions Analysis **DCF** - Discounted Cash Flow Analysis



Comparable Companies Analysis

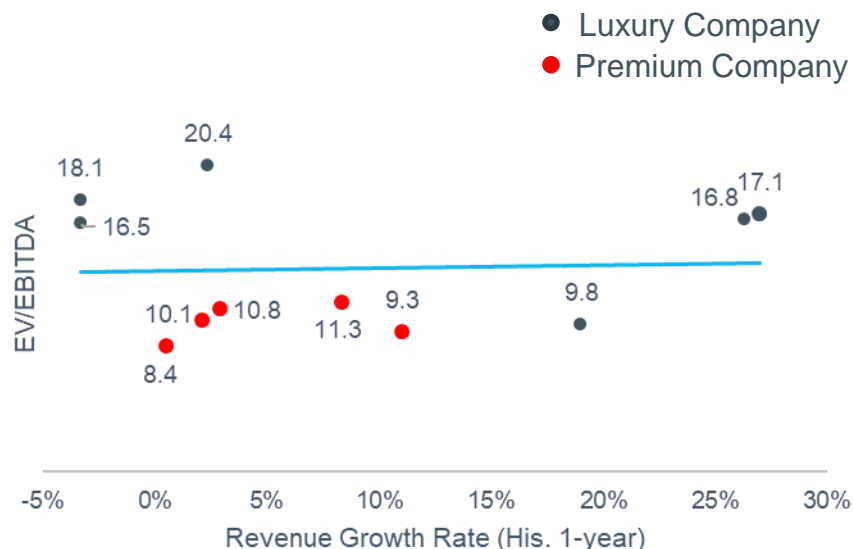
Unit used in Comparable Companies Analysis: € millions, except multiples, share price

General Information					LTM Financial		EV/Sales		EV/EBITDA		EV/EBIT		LTM EBITDA Margin
Company Name	Ticker	Current Share Price	Equity Value	Enterprise Value	Sales	EBITDA	LTM	2018A	LTM	2018A	LTM	2018A	
Luxury Companies													
Richemont SA	CFR	68.5	17004.4	40445.0	14529.7	2583.4	2.8x	3.7x	15.7x	17.1x	20.5x	21.6x	17.8%
Prada SpA	1913.HK	3.3	3008.7	11269.7	3296.1	535.7	3.4x	3.5x	21.0x	20.4x	34.5x	33.5x	9.9%
TOD's SpA BIT	TOD	40.8	1028.6	1860.3	927.5	72.8	2.0x	2.0x	25.6x	16.5x	54.6x	24.8x	7.9%
Moncler	MONC	42.2	1005.7	10815.5	1496.8	488.9	7.2x	7.6x	9.3x	9.8x	22.1x	23.2x	32.7%
Salavatore Ferragamo	SFER	19.1	737.2	3777.5	1369.3	302.3	2.8x	2.8x	12.5x	18.1x	24.3x	24.8x	22.1%
Kering	KER	549.1	9276.2	74820.5	14871.7	4917.9	5.0x	5.5x	15.2x	16.8x	16.9x	19.0x	33.1%
Premium Companies													
Genesco Inc	GCO	45.7	525.2	1304.6	1977.8	118.0	0.7x	0.7x	11.1x	10.8x	15.6x	17.6x	6.0%
Tapestry Inc	TPR	24.1	2778.2	9443.8	5403.4	1016.6	1.7x	1.8x	9.3x	8.4x	12.2x	10.6x	18.8%
PVH Corp	PVH	91.3	5386.6	10795.3	8813.0	1124.5	1.2x	1.3x	9.6x	11.3x	12.9x	16.3x	12.8%
Capri Holding Limited	CPRI	34.3	2164.5	9160.1	5013.0	933.3	1.8x	2.2x	9.8x	9.3x	12.8x	11.5x	18.6%
Ralph Lauren	RL	100.5	2622.2	8612.9	5729.9	893.9	1.5x	1.5x	9.6x	10.1x	13.2x	14.4x	61.9%
Mean			4139.8	16573.2	5766.2	1180.7	2.7x	3.0x	13.5x	13.5x	21.8x	19.9x	22.0%
Median			2622.2	9443.8	5013.0	893.9	2.0x	2.2x	11.1x	11.3x	16.9x	19.0x	18.6%
Premium Companies													
Mean			2695.4	7863.3	5387.4	817.3	1.4x	1.5x	9.9x	10.0x	13.4x	14.1x	23.6%
Median			2622.2	9160.1	5403.4	933.3	1.5x	1.5x	9.6x	10.1x	12.9x	14.4x	18.6%

Source: Capital IQ, Yahoo Finance

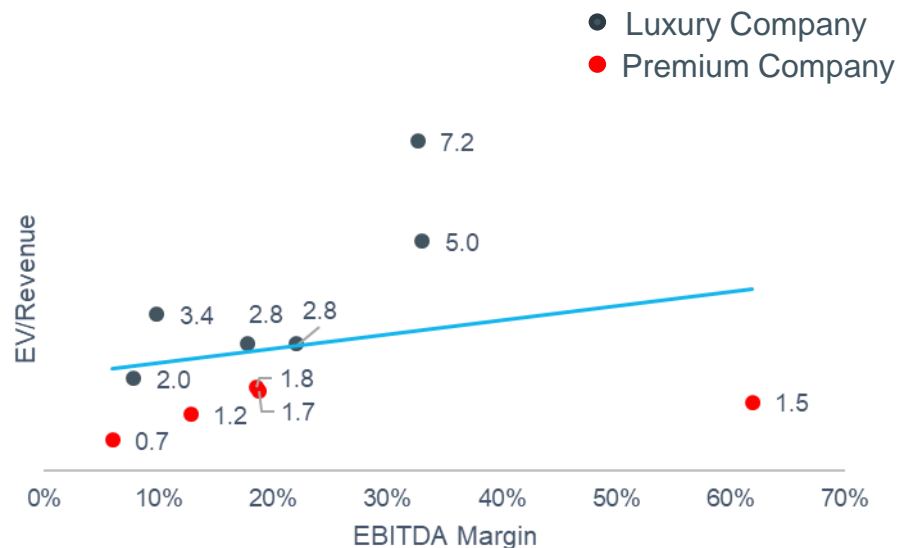
Comparable Companies Analysis

EBITDA Multiple vs. Historical 1-Year Sale Growth



- Historical sales growth rate (1-year) has weak correlation with EV/EBITDA
- In this regard, we leverage the multiple range on **mean and median value of the premium brand** as the comparable
- Premium Brand's EBITDA Multiple:
 - Mean: 9.9x
 - Median: 9.6x
 - Applied Range: 9.6x - 10.1x

LTM Revenue Multiple vs. EBITDA Margin



- EBITDA margin has positive correlation with EV/Sales, namely, higher EBITDA margin is likely to result in higher revenue multiple
- MJ's EBITDA margin on 2018A is 13.63%, with the **continuously declining performance** from 2013 to 2018, so the applied range is narrowed correspondingly
- Premium Brand's Sales Multiple:
 - Mean: 1.4x
 - Median: 1.5x
 - Applied Range: 1.3x - 1.6x

Comparable Companies Analysis

Implied Valuation Range (Unit: € thousands)

	As of 31/12/2018	Range	Implied EV
EBITDA	€ 23,175.0	9.6x - 10.1x	€ 222,480.0 - € 234,067.5
Revenue	€ 170,073.0	1.3x - 1.6x	€ 221,094.9 - € 272,116.8

Discussion

- The public comparable companies have been divided into two types, Luxury Companies and Premium Companies. Premium companies offer more affordable luxury brands to customers
- Companies selected cover at least one of the following segment in the personal luxury good industry: appeals, footwear, accessories, leather goods, eyewear to provide a reference to MJ's business coverage
- Companies focus on footwear will be given higher priority due to the better goodness of fit
- Only public-listed companies are selected due to the data availability and reliability concerns
- The EV/EBITDA multiples and sales multiples being used are the mean and median of premium brands, which are more comparable to MJ

Companies Selection

• Luxury Companies:



PRADA

TOD'S



Salvatore Ferragamo

• Premium Companies:

GENESCO

tapestry

CAPRI
HOLDINGS LIMITED

RALPH LAUREN

PVH

Note: Appendix 4.1 Comparable Companies Selection Overview

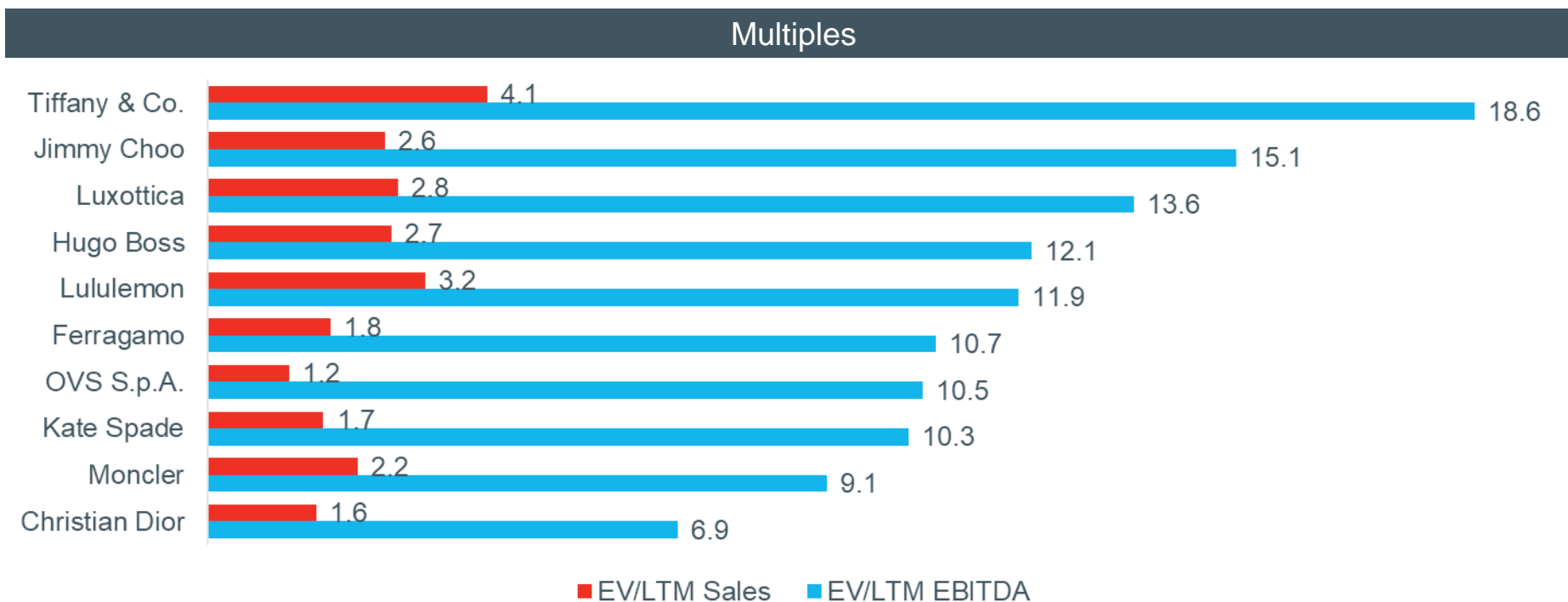
Precedent Transactions Analysis

Unit used in Precedent Transactions Analysis: € millions, except multiples

Date	Target	Acquirer/Investor	Payment Type	Value	EV/LTM EBITDA	EV/LTM Sales
28/Oct/19	Tiffany & Co.	LVMH	Cash	16266.6	18.6x	4.1x
03/Dec/18	Luxottica Group S.p.A.	EssilorLuxottica	Cash	25170.3	13.6x	2.8x
12/May/17	OVS S.p.A.	Carlyle Group L.P.	Cash	1794.7	10.5x	1.2x
25/Jul/17	Jimmy Choo Group Plc	Capri Holding Limited	Cash	1236.9	15.1x	2.6x
08/May/17	Kate Spade & Company	Tapestry Inc	Cash, Equity	2118.7	10.3x	1.7x
25/Apr/17	Christian Dior SE	Semyrhamis SA	Cash Option, Equity	70064.5	6.9x	1.6x
10/Feb/15	Hugo Boss AG	PFC S.r.L., Zignago Holding	Cash	6926.3	12.1x	2.7x
07/Aug/14	Lululemon Athletica Inc.	Advent International Corp.	Cash	4850.3	11.9x	3.2x
12/Jul/11	Salvatore Ferragamo	Ferragamo Finanziaria	Cash	1619.2	10.7x	1.8x
06/Jun/11	Moncler	Eurazeo SE	Cash	928.9	9.1x	2.2x
Mean				13097.6	11.9x	2.4x
Median				3484.5	11.3x	2.4x
High				70064.5	18.6x	4.1x
Low				928.9	6.9x	1.2x

Source: Capital IQ

Precedent Transactions Analysis



Implied Valuation Range (Unit: € thousands)

	As of 31/12/2018	Range	Implied EV
EBITDA	€ 23,175.0	10.5x - 12.0x	€ 243,337.5 - € 278,400.0
Sales	€ 170,073.0	1.6x - 2.4x	€ 272,116.8 - € 408,175.2

Discussion

- Precedent transactions on similar industry provides reference on implied enterprise value, which reflects potential synergies integrated in the transaction
- The most relevant transaction is that Jimmy Choo acquired by Capri. Jimmy Choo is a brand focusing on women luxury footwear, and Capri was a mono-brand company at that time

Discounted Cash Flow Analysis

Income Statement (Unit: € thousands, except margin, discount period and factor)

Income Statement	2019E	2020E	2021E	2022E
Domestic Stores	105,898.42	110,134.36	114,539.73	120,266.72
International Stores	10,242.84	10,447.70	10,761.13	11,191.57
Department Stores	52,401.08	53,711.10	55,590.99	57,536.68
Online	6,825.28	7,644.31	8,561.63	9,589.03
Total Revenue	175,367.62	181,937.47	189,453.48	198,583.99
Cost of Goods Sold	73,303.66	75,140.17	77,675.93	80,029.35
Gross Profit	102,063.95	106,797.29	111,777.55	118,554.64
Margin	0.58	0.59	0.59	0.60
SG&A	76,811.02	77,141.49	77,865.38	79,632.18
EBITDA	25,252.94	29,655.81	33,912.17	38,922.46
Depreciation	4,384.19	4,548.44	4,736.34	4,964.60
EBIT	20,868.75	25,107.37	29,175.84	33,957.86
Taxes	6,469.31	7,783.28	9,044.51	10,526.94
EBIAT	14,399.43	17,324.09	20,131.33	23,430.93
Plus: Depreciation	4,384.19	4,548.44	4,736.34	4,964.60
Less: Capex	(4,208.82)	(4,366.50)	(4,546.88)	(4,766.02)
Less: Inc. in NWC	-	-	-	-
Unleveraged Free Cash Flow	14,574.80	17,506.02	20,320.78	23,629.51
Discount Period	0.5	1.5	2.5	3.5
Discount Factor @ 9.17% WACC	0.96	0.88	0.80	0.74
PV of FCF	13949.26	15347.32	16318.57	17381.73

Note: Appendix 4.2 Base Scenario Assumptions; 4.3 WACC Calculation; 4.4 NWC Assumptions

Discounted Cash Flow Analysis

Enterprise Value – EBITDA Multiple Method

Terminal Value (Unit: € thousands)

Terminal Year EBITDA (2022E)	38,922.46
Exit Multiple (implied from the median of EV/EBITDA of the publicly trading comparable companies)	9.6x
Terminal Value	373,655.64
Discount Factor	0.70
Present Value of Terminal Value	263,062.11

Enterprise Value (Unit: € thousands)

Present Value of Free Cash Flow	62996.88
Enterprise Value	326,058.99

Enterprise Value

		Exit Multiple		
		9.1x	9.6x	10.1x
WACC	8.67%	317,586.91	328,750.96	345,497.03
	9.17%	312,357.84	323,318.76	339,760.14
	9.67%	307,243.55	318,005.95	334,149.54

Implied Enterprise Value: € 307,243.55 - 345,497.03

Implied Perpetuity Growth Rate

Terminal Year Free Cash Flow (2022E)	23,629.51
WACC	9.17%
Terminal Value	373,655.64
Implied Perpetuity Growth Rate	2.41%

		Exit Multiple		
		9.1x	9.6x	10.1x
WACC	8.67%	1.60%	1.95%	2.26%
	9.17%	2.06%	2.41%	2.72%
	9.67%	2.51%	2.86%	3.18%

5.

Strategic Buyer Acquisition

Strategic Buyers Universe

MJ's most likely buyer will come from the three types of companies listed below (conglomerate, multi-brand company, and mono-brand company).

	Conglomerate	Multi-brand Company	Mono-brand Company
Strategic Rationale	<ul style="list-style-type: none"> Conglomerate has experiences on acquiring relatively small-scale company and manage them in a portfolio of brands Ability to bring strong strategic plan for further growth of the acquired target Potential to aid the company expand globally 	<ul style="list-style-type: none"> The company looks forward to strengthening businesses and diversification of categories The company may already stepped into acquiring brands for building its mini-conglomerate The acquired target would benefit from the company's ambition on growth and receive all-rounded help 	<ul style="list-style-type: none"> The company wants to improve the growth and its business not only on a standalone basis, but also from potential acquisition Diversification of categories is one of the key aims on acquisition The company would help the acquired data to release its growth opportunity
Recent M&A Activity	<ul style="list-style-type: none"> 2019 - LVMH acquired Tiffany & Co 2019 - Richemont acquired Buccellati 	<ul style="list-style-type: none"> 2017 - Tapestry acquired Kate Spade 2015 - Tod's SpA acquired Roger Vivier 	<ul style="list-style-type: none"> 2017 - Capri acquired Jimmy Choo 2015 - Tapestry acquired Stuart Weitzman
Potential Buyers	<ul style="list-style-type: none"> Richemont Kering 	<ul style="list-style-type: none"> Tapestry Capri Tod's S.p.A 	<ul style="list-style-type: none"> Moncler Salvatore Ferragamo S.p.A.

Potential Strategic Buyers

Potential Strategic Buyers Overview

K E R I N G



tapestry

MONCLER®

Type of Company

Conglomerate, owning Gucci, Balenciaga, Bottega Veneta, Alexander McQueen, etc.

Multi-brand Company, owning Coach, Kate Spade, and Stuart Weitzman

Mono-brand Company

Distribution Network

Brand has its own distribution network

The company has its own distribution network

Moncler.com, powered by YNAP(net-a-porter)

Liquidity Status

Current Ratio: 0.9x
Cash and Cash Equivalents: € 2,450.9 mm

Current Ratio: 1.8x
Cash and Cash Equivalents: € 580.1 mm

Current Ratio: 1.8x
Cash and Cash Equivalents: € 490.5 mm

Enterprise Value and Multiple

EV: € 76,433.3 mm
EBITDA Multiple: 16.2x

EV: € 11407.7 mm
EBITDA Multiple: 6.4x

EV: € 10,487.5 mm
EBITDA Multiple: 21.2x

Recommendation

- For MJ, Tapestry has good liquidity status and its own distribution network. The company acquired women luxury footwear Stuart Weitzman at past, they have the experiences on managing footwear brand
- For Tapestry, by acquiring MJ, the company moves toward building a conglomerate, achieve diversification of categories, strengthening businesses and increase critical mass

Strategic Buyer Acquisition Recommendation

Company Overview

tapestry

Headquarter	New York, United States
Founded	2017 (history started on 1941)
Type	Public Company, S&P500 components
Workforce	17,000+ employees
Brands	Coach, Kate Spade, Stuart Weitzman

Tapestry's Net Sales of Each Product Category

(Units: US\$ millions)	2018	%	2017	%
Coach	4221.5	72%	4114.7	92%
Women's Handbags	2298.2	39	2308.0	52
Men's	844.6	14	808.0	18
Women's Accessories	747.1	13	721.0	16
Other Products	331.6	6	277.7	6
Kate Spade	1284.7	22%	-	-
Women's Handbags	703.4	12	-	-
Other Products	311.6	5	-	-
Women's Accessories	269.7	5	-	-
Stuart Weitzman	373.8	6%	373.6	8%
Total Net Sales	5880.0	100%	4488.3	100%

Recommendation Summary

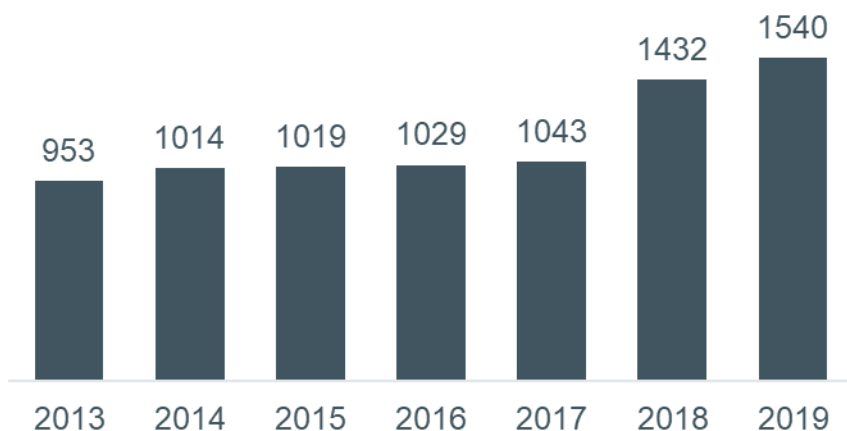
- **Acquiring MJ accelerates the diversification of Tapestry's brand portfolio**, with the special reinforcement in the market position of luxury footwear segment. This contributes to Tapestry's harness of the multi-brand benefits by the possible manufacturing planning cycle reform and the product innovation
- **MJ's existing customer basis will provide extensive consumer data to Tapestry**, which generates extra incentives for Tapestry's current investment on AI tools and data analytics
- Tapestry's readily established distribution centers can directly incorporate with MJ's distribution points. The deep-going cooperation with prestigious department stores broadens MJ's number of selling points while maintaining its high-end profile, this provides synergies by building the economics of scale with maximize cost efficiency

Source: Tapestry's 10-K, Aug-15-2019

Strategic Buyer Synergies Overview

Strong Direct and Department Stores Network

Number of Direct Stores under Tapestry, 2013 - 2019



- Tapestry continuously increases the number of the sales points in recent years. Until 2019, Tapestry has more than 1,500 direct stores and 4,000 distributors/wholesale locations worldwide
- Coach has developed **extensive partnership with prestigious department stores** including Macy's, Dillard's, Hudson's Bay, Nordstrom, etc.
- The **department store resources could be shared** after acquisition. MJ can widen its consumer exposure given the improvement in the selling scales and audience group

Developed Distribution Network

- Tapestry **owns distributions centres** worldwide, including the major selling areas such as United States, Canada, Spain, Italy and China
- The company also has regional distribution centres powered by 3rd parties in some less major area to support directly operated local markets
- Tapestry has developed **automated warehouse management system** and **electronic data interchange system** through years of practice to facilitate the distribution process
- MJ may leverage on these **readily-established smart distribution network** with limited costs after acquisition

Emphasis on Digital Transformation

- With the goal to expand to Greater China area, Tapestry strongly emphasizes on digital transformation by heavily investing on the digital analytics portals and real-time consumer analysis.
- The acquisition of MJ provides mutual-benefits to both parties. Tapestry may obtain substantial consumer data for a more comprehensive analysis, while MJ can reach **marketing synergies using the AI tools**

Max Purchase Price by Tapestry

Scenario 1: Strategic Buyer, Assumptions (Unit: € thousands)

	2019E	2020E	2021E	2022E
Domestic Stores Growth (% change)	8%	8%	6%	5%
Domestic Stores Closing Revenue Lost	(3,250.00)	(3,250.00)	(3,250.00)	(3,250.00)
International Stores Growth (% change)	4%	4%	6%	6%
Department Stores Growth (% change)	6.00%	7.00%	8.00%	8.00%
Online Growth (% change)	12%	12%	14%	14%
Cost of Goods Sold (% of revenue)	42.00%	40.00%	38.00%	36.00%
SG&A (% of revenue)	43.80%	42.40%	41.10%	40.10%
Cost Savings	7,500.00	9,000.00	9,000.00	9,000.00
Depreciation (% of sales)	1.50%	1.50%	1.50%	1.50%
Tax Rate (% of Earning Before Tax)	31%	31%	31%	31%
Capex (% of revenue)	2.40%	2.40%	2.40%	2.40%

Explanation

Item	Reasoning	Item	Reasoning
Stores Growth	It is expected that strategic buyer would focus on existing stores growth and achieve 10,000k revenue synergies; department stores sales strengthening	Depreciation	Lower rate due to distribution center incorporated by buyer
Domestic Stores Closing	Revenue loss 3,250k per annual, savings 4,000 per annum, one-time expense 1,500k	SG&A	Cost savings synergy 5,000k per annum
Cost of Goods Sold	Gross margin improves to industry average	Tax Rate, Capex	Remain same level as management plan forecasts

Note: Appendix 5.1: Industry Average Gross Margin

Max Purchase Price by Tapestry

Income Statement (Unit: € thousands, except margin, discount period and factor)

Income Statement	2019E	2020E	2021E	2022E
Domestic Stores	107,789.12	113,162.25	116,701.98	119,287.08
International Stores	10,443.68	10,861.43	11,513.11	12,203.90
Department Stores	54,190.38	57,983.71	62,622.40	67,632.20
Online	6,825.28	7,644.31	8,714.52	9,934.55
Total Revenue	179,248.46	189,651.70	199,552.02	209,057.73
Cost of Goods Sold	75,284.35	75,860.68	75,829.77	75,260.78
Gross Profit	103,964.11	113,791.02	123,722.25	133,796.95
Margin	0.58	0.60	0.62	0.64
SG&A	71,010.83	71,412.32	73,015.88	74,832.15
EBITDA	32,953.28	42,378.70	50,706.37	58,964.80
Depreciation	2,688.73	2,844.78	2,993.28	3,135.87
EBIT	30,264.55	39,533.92	47,713.09	55,828.93
Taxes	9,382.01	12,255.52	14,791.06	17,306.97
EBIAT	20,882.54	27,278.41	32,922.03	38,521.96
Plus: Depreciation	2,688.73	2,844.78	2,993.28	3,135.87
Less: Capex	(4,301.96)	(4,551.64)	(4,789.25)	(5,017.39)
Less: Inc. in NWC	-	-	-	-
Unleveraged Free Cash Flow	19,269.31	25,571.54	31,126.06	36,640.44
Discount Period	0.5	1.5	2.5	3.5
Discount Factor @ 9.17% WACC	0.96	0.88	0.80	0.74
PV of FCF	18442.27	22418.26	24995.74	26952.50

Max Purchase Price: € 491,329.40

6.

Private Equity Buyer Acquisition

Potential Private Equity Buyers

Potential Buyers Overview



THE CARLYLE GROUP

Company Overview

L Catterton focuses on investments in leading consumer brands across all segments of the consumer industry, based in Greenwich

British private equity firm specializing in investments in the consumer sector. The company passionate about investing in brands about which people are passionate

American multinational private equity, the firm is organized into 4 business segments, including corporate private equity, real assets, etc.

Historical Investment in Personal Luxury Goods Industry

Acquired TWC in 2011, engineered the merge with IWG in 2012, built ILG, a multi-category group of fashion luxury

Acquired a majority shareholding of Jimmy Choo in 2004, and the company was sold in 2007 to TowerBrook Capital Partners for £225 million (2.25x)

Acquired a 48% stake in Moncler S.p.A. in 2008 and exit in 2013. Moncler S.p.A. successfully went IPO in 2011

Current Holdings

2017 - Ganni: luxury womenswear brand
2014 - Giuseppe Zanotti: Italian luxury footwear

2015 - Busemi: luxury footwear and accessories brand
2012 - John Varatos

2017 - Golden Goose: now working on potential exit deal
2017 – Supreme

Other Considerations

Catterton, LVMH, and Grope Arnault partnered to create L Catterton

Great experiences in apparel & accessories brands investments

In Moncler's acquisition, not only capital, provided support on company operations

Source: Wikipedia, L Catterton, Lion Capital, The Carlyle Group

Private Equity Buyer Acquisition Recommendation

Company Overview



THE CARLYLE GROUP

Headquarter	Washington, D.C., United States
Founded	1987
Type	Public Company
Workforce	900,000+ employees
Coverage	Corporate Private Equity, Real Assets, Global Credit, Investment Solutions

Financials

- The full year 2019 Distributable Earnings of \$647 million, or \$1.70 per common share; and for year of 2017 and 2018, being \$670 and \$674 million, where the company's overall performance remains stable under the challenging environment
- Total Assets Under Management: \$224 billion, up 4% year-over-year

Recommendation Summary

- The corporate private equity business of The Carlyle Group (CG) has been well developed in the past years. It has great coverage worldwide, including Europe. Acquiring MJ could **diversify its investment portfolio in personal luxury goods industry** and applying their past experiences on MJ to receive high returns
- MJ's unique positioning in the market and the established brand recognition make the brand being attractive in the capital market, it would be a good timing for CG to acquire MJ as MJ are now on the stage of growth
- The online retailer acquisition become highly possible if MJ acquired by CG. CG has **healthy balance sheet** and from their past investments in luxury industry, they are willing to help and provide finance for the acquired company

Private Equity Buyer Synergies Overview

International Geographical Expansion Support

- MJ is focusing on domestic market with slow and ineffective international expansion
- From the case of CG and Moncler, CG creates geographical team for Moncler. **MJ may receive strong support and experiential guideline from CG to develop international market, including construction of distribution network, local stores opening, human capital management etc.**
 - Moncler case: before acquisition, Japan is the second market after Italy and distribution fully outsourced to local partner and 100% wholesale; after acquisition, distribution agreement was converted into joint venture controlled by Moncler, restructuring the distribution network by cutting 70% of the wholesale customers without losing sales and opened 17 new direct managed stores by the end of 2013

Strengthening the Organization

- Effective management team is crucial to MJ
- CG is able **to redesign the organization and assign new area managers** for MJ based on their past investment performance

Entry in New Markets

- Entry to new markets include 2 aspects: being the global presence and market digitalization
- As for entering digital market, CG may provide the following support:
 - **Acquire online luxury retailer platform (potentially being LUISAVIAROMA):** strong balance sheet and willingness to invest of CG
 - **Enhance the supply chain** by redesigning the production plant and warehouse rationalization
 - **Set up specific teams and recruit team managers** to quickly scale into the new market

Introducing Public Company Practices

- The brand recognition of MJ is one of the key values for the company, after acquiring by CG, it is expected that the revenue would increase significantly, as well as global presence, the cost management will also be improved
- CG played a key role as a investor for Moncler's successful IPO by improving its accounting reporting and budgeting process
- MJ is likely to **receive comprehensive guide on how to adopt management practices of public company**

Max Purchase Price by The Carlyle Group

Scenario 2: Private Equity Buyer, Assumptions (Unit: € thousands)

	2019E	2020E	2021E	2022E
Domestic Stores Growth (% change)	4%	4%	5%	5%
Domestic Stores Closing Revenue Lost	(3,250.00)	(3,250.00)	(3,250.00)	(3,250.00)
International Stores Growth (% change)	2%	2%	3%	4%
Department Stores Growth (% change)	2.50%	2.50%	3.50%	3.50%
Online Growth (% change)	100%	100%	120%	125%
Cost of Goods Sold (% of revenue)	41.80%	41.30%	41.00%	40.30%
SG&A (% of revenue)	43.80%	42.40%	41.10%	40.10%
Cost Savings	2,500.00	4,000.00	4,000.00	4,000.00
Depreciation (% of sales)	2.50%	2.50%	2.50%	2.50%
Tax Rate (% of Earning Before Tax)	31%	31%	31%	31%
Capex (% of revenue)	2.40%	2.40%	2.40%	2.40%

Explanation

Item	Reasoning	Item	Reasoning
Stores Growth	It is expected that private equity buyer would focus on online channel growth and achieve 120,000k revenue synergies	Depreciation, SG&A, Tax Rate, Capex	Remain same level as management plan forecasts
Domestic Stores Closing	Revenue loss 3,250k per annual, savings 4,000 per annum, one-time expense 1,500k		
Cost of Goods Sold	Gross margin remain similar level as current years		

Note: Appendix 5.1: Industry Average Gross Margin

Max Purchase Price by The Carlyle Group

Income Statement (Unit: € thousands, except margin, discount period and factor)

Income Statement	2019E	2020E	2021E	2022E
Domestic Stores	103,676.56	104,573.62	106,552.30	108,629.92
International Stores	10,242.84	10,447.70	10,761.13	11,191.57
Department Stores	52,401.08	53,711.10	55,590.99	57,536.68
Online	12,188.00	24,376.00	53,627.20	120,661.20
Total Revenue	178,508.48	193,108.42	226,531.62	298,019.37
Cost of Goods Sold	74,616.54	79,753.78	92,877.96	120,101.80
Gross Profit	103,891.93	113,354.64	133,653.66	177,917.56
Margin	0.58	0.59	0.59	0.60
SG&A	75,686.71	77,877.97	89,104.50	115,505.77
EBITDA	28,205.22	35,476.67	44,549.16	62,411.80
Depreciation	4,462.71	4,827.71	5,663.29	7,450.48
EBIT	23,742.51	30,648.96	38,885.87	54,961.31
Taxes	7,360.18	9,501.18	12,054.62	17,038.01
EBIAT	16,382.33	21,147.78	26,831.25	37,923.31
Plus: Depreciation	4,462.71	4,827.71	5,663.29	7,450.48
Less: Capex	(4,284.20)	(4,634.60)	(5,436.76)	(7,152.46)
Less: Inc. in NWC	-	-	-	-
Unleveraged Free Cash Flow	16,560.84	21,340.89	27,057.78	38,221.32
Discount Period	0.5	1.5	2.5	3.5
Discount Factor @ 9.17% WACC	0.96	0.88	0.80	0.74
PV of FCF	15850.05	18709.30	21728.71	28115.39

Max Purchase Price: € 506,221.03

7.

Final Recommendation on Potential Sale

Final Recommendation

Strategic Acquisition - Tapestry

- Strategic Acquisition, in MJ's case, the buyer may be able to pay lower price than private equity buyer. The strategic buyer may not aid the company to largely and quickly scale into the online luxury retail market, where the revenue synergy is flat
- The industry is in consolidation stage, Tapestry has solid liquidity status currently and the company is looking for building its own conglomerate. MJ will be a good fit for Tapestry, enable the company to diversify its portfolio of brands

Private Equity Acquisition - The Carlyle Group

- The Carlyle Group has experiences in investing in Moncler. During the time of holding, CG not only provide financial support, but also supported international network expansion and restructure its management team
- The synergy for online luxury retail is expected to be significantly high, MJ is in the fastest growing segment of personal luxury goods industry

Final Recommendation

- Positive view on online luxury retail market and expected rapid growth from this revenue stream are attractive
- The cost savings and revenue synergies are possibly realized through the acquisition between The Carlyle Group and MJ
- The Carlyle Group will pay the highest price for MJ

8.

Appendix

Appendix: Exchange Rate Applied

Exchange Rate

- The exchange rate applied as follows:

USD:EUR 1:0.9

EUR:HKD 1:0.12

CHF:EUR 1:0.91

GBP:EUR 1:1.2

Appendix 4.1: Comparable Companies Selection

Luxury Companies



- Switzerland-based
- Offer jewelry, watches, leather goods, pens, firearms, clothing and accessories

PRADA

- Italian company, specialize in leather handbags, travel accessories, shoes, ready-to-wear & perfumes and accessories

Salvatore Ferragamo

- Italian company, manufacture shoes and other leather goods
- License for eyewear and timepiece accessories that targets man and women

TOD'S

- Italian company, specialize in luxury shoes and other leather goods
- Own advanced online channel focus on accessories selling



- Italian company
- Famous for down jackets and sportswear
- Manufacture accessories which target to men, women and kids



- French luxury group
- Primarily offer luxury apparels and accessories
- Own brand including Gucci, YSL, Balenciaga, Boucheron, Brioni, etc.

Premium Companies

GENESCO

- American Retailer
- Produce footwear and accessories
- Wholesaler of branded footwear under its Johnston & Murphy brand

tapestry

- American company
- Focus on fashion appeals, footwears and accessories
- Parent company of Coach, Kate Spade and Stuart Weitzman

PVH

- American company
- Own multi-brands focusing on cloth & textile industry
- Parent company of Van Heusen, Tommy Hilfiger, Calvin Kelvin

CAPRI
HOLDINGS LIMITED

- Multinational company consisting of iconic brands that focusing women and men's footwear, apparels etc.
- Parent company of Versace, Jimmy Choo and Michael Kors

RALPH LAUREN

- American company, produce mid-range to luxury level clothes
- Focus on home, accessories and fragrances products

Appendix 4.2: DCF Base Scenario Assumptions

Base Scenario, Assumptions

	2019E	2020E	2021E	2022E
Domestic Stores Growth (% change)	3%	4%	4%	5%
Domestic Stores Closing Revenue Lost	-	-	-	-
International Stores Growth (% change)	2%	2%	3%	4%
Department Stores Growth (% change)	2.50%	2.50%	3.50%	3.50%
Online Growth (% change)	12%	12%	12%	12%
Cost of Goods Sold (% of revenue)	41.80%	41.30%	41.00%	40.30%
SG&A (% of revenue)	43.80%	42.40%	41.10%	40.10%
Cost Savings	-	-	-	-
Depreciation (% of sales)	2.50%	2.50%	2.50%	2.50%
Tax Rate (% of Earning Before Tax)	31%	31%	31%	31%
Capex (% of revenue)	2.40%	2.40%	2.40%	2.40%

Explanation

Item	Reasoning
Tax Rate	31%, Deloitte: International Tax France Highlight 2019
Other items	Stated as Management Plan

Appendix 4.3: WACC Calculation

WACC Calculation		Reasoning		
<i>Target Capital Structure</i>		Item	Value	Reasoning
Debt-to-Total Capitalization	49.19%	Target Capital Structure	Implied from Debt/Equity Ratio = 96.83%	Median of capital structures of comparable companies
Equity-to-Total Capitalization	50.81%			
<i>Cost of Debt</i>		Cost of Debt	13.84%	S&P Rate on BB
Cost of Debt	13.84%	Tax Rate	31.00%	Deloitte: International Tax France Highlight 2019
Tax Rate	31.00%			
After-Tax Cost of Debt	9.55%	Risk-free Rate	1.20%	Average risk-free rate (RF) of investment for France; Data source: IESE
<i>Cost of Equity</i>		Market Risk Premium	6.00%	Average market risk premium (MRP) for France; Data source: IESE
Risk-free Rate	1.20%			
Market Risk Premium	6.00%	Unlevered Beta	0.41	Average of Comparable Companies
Levered Beta	0.69			
Size Premium	3.47%	Levered Beta	0.69	
Cost of Equity	8.81%	Size Premium	3.47%	Size premium for micro-capitalization stocks; Data source: Ibbotson
WACC	9.17%			

Appendix 4.3: WACC Calculation

Capital Structure Benchmark

Company	Market Cap (Euro mm)	Debt/Equity	Levered Beta	Unlevered Beta
Richemont SA	46264	61.1%	1.16	0.51
Prada SpA	8251	111.4%	1.18	0.52
TOD's SpA BIT	1380	68.0%	0.35	0.15
Moncler	10620	65.5%	0.81	0.36
Salavatore Ferragamo S.p.A.	2970	96.8%	0.96	0.42
Kering	67710	89.5%	1.12	0.49
Genesco Inc	868	151.8%	0.48	0.21
Tapestry Inc	7822	126.3%	1.04	0.46
PVH Corp	8356	84.1%	1.5	0.66
Capri Holding Limited	6278	189.4%	0.88	0.39
Ralph Lauren	9456	97.0%	0.92	0.40
Mean	15452	103.73%	0.95	0.41
Median	8251	96.83%	0.96	0.42

Source: Yahoo Finance, Capital IQ

Appendix 4.4: Net Working Capital Assumption

Net Working Capital			
2018A			
Current Asset			
Cash & Cash Equivalents	17,945		
Accounts Receivable	11,779		
Inventories	35,662		
Other Current Asset	17,895		
Total Current Assets	83,281		
Current Liabilities			
Account Payable	15,955		
Accrued Expense	17,071		
Current Portion of Debt	350,565		
Other Current Liabilities	8,118		
Total Current Liabilities	391,709		
Total Current Assets	83,281		
Less: Total Current Liabilities	391,709		
Net Working Capital	(308,428)		

- Due to the large negative number for NWC represent in the year of 2018, and limited information disclosure in the past years, it is assumed that the net working capital would be equal to 0 for the projection years in valuation

Appendix 5.1: Industry Average Gross Margin

Industry Average Gross Margin	
Company	Gross Margin
Richemont SA	61.7%
Prada S.p.A	71.8%
TOD's S.p.A BIT	68.4%
Moncler	77.6%
Salavatore Ferragamo S.p.A.	64.9%
Kering	74.5%
Genesco Inc	48.4%
Tapestry Inc	67.7%
PVH Corp	54.7%
Capri Holding Limited	60.6%
Ralph Lauren	61.9%
Mean	64.7%