2020 YOUniversity Deal Challenge

Maison Jacquelyn

Strategy Discussion Document

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Executive Summary

Maison Jacquelyn

Situation Overview	• Luxury footwear company exiting financial distress with the intent of maximizing debtholder value
MJ Valuation	• Analysis of different scenarios between strategic and financial acquirers utilizing discounted cash flow, trading comps, and precedent transaction analysis
Deep Discounts	• Evaluation of deep discounts as a strategy to attract market share
Recommendation	• We recommend that MJ sell to a strategic buyer and avoid using deep discounts

Deliverable I

Industry Overview

Industry Overview

Company Overview

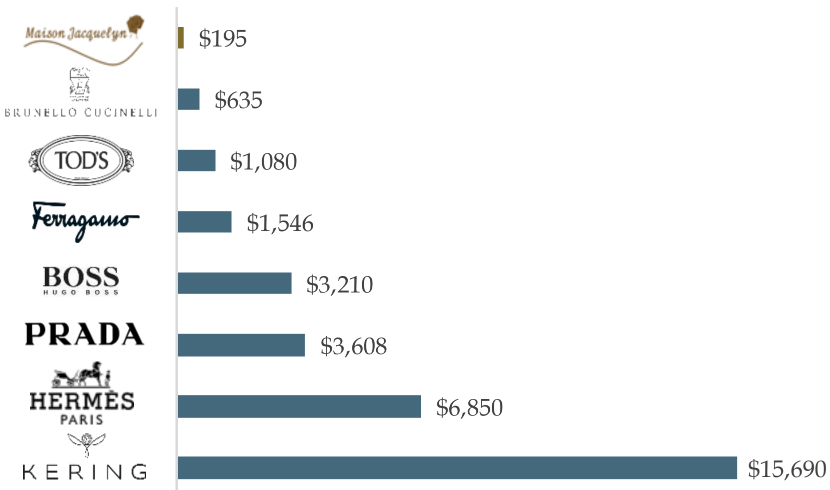
History

- Maison Jacquelyn ("MJ" or "the Company") is a luxury brand based in Paris, France that sells women's luxury shoes
- The company was founded in 1960 by a French tailor and currently operates primarily through 99 brick and mortar stores
- MJ was purchased for $550M by a private equity firm in 2013, implying an EV/ FY2013 EBITDA multiple of 9.7x

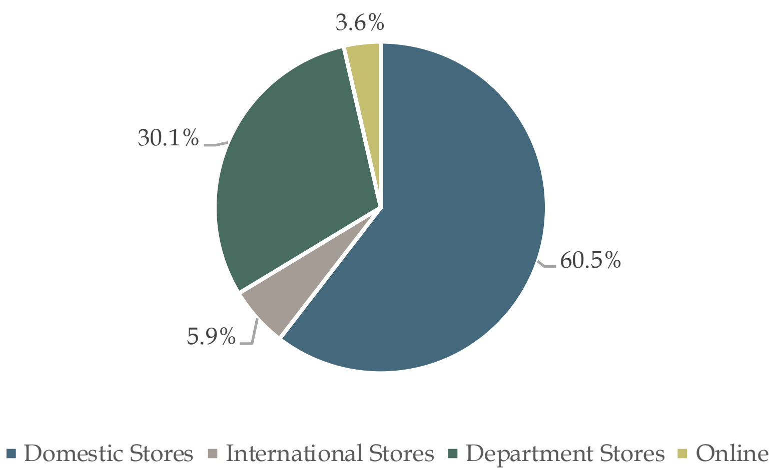
Market

- MJ has direct sales channels in all major European markets, with Western Europe being the top geographic area by size for revenue generation in the luxury segment
- MJ's customer base of celebrities and executives is attributed to its high-quality offerings and geographic location
- MJ faces stiff competition in Paris, France, where many of the top players in the luxury segment are based

Positioning by 2018 Total Revenue ($ MM)



Revenue Breakdown



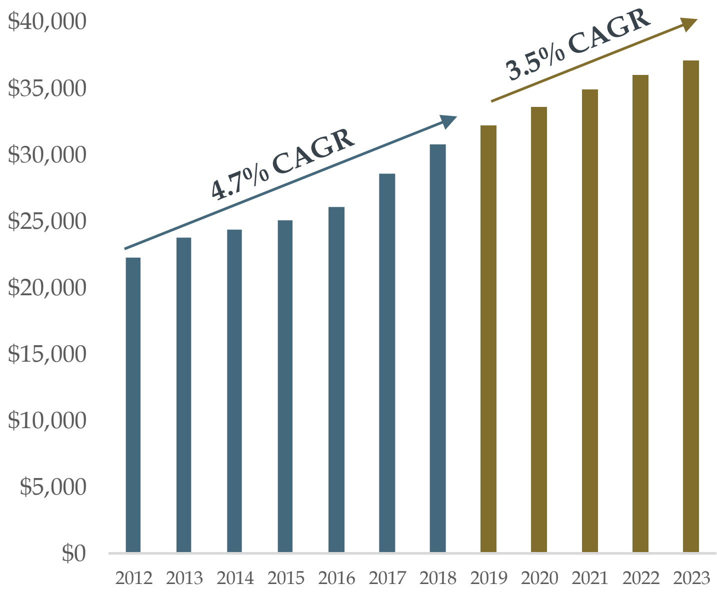
Industry Overview
Luxury Goods

Maison Jacquelyn

- Maison Jacquelyn falls within the Luxury Fashion segment of the Luxury Goods industry as a Luxury Footwear firm
  - 2019 expected revenue in the Luxury Footwear segment amounts to $32.3B. The market is expected to grow annually by 3.5% (CAGR 2019-2023) [1]
  - Globally, the United States holds the largest single country market share ($7.1B in 2019) [1]
- **In 2018, average online luxury footwear expenditure per transaction increased 4% to $794 (versus $782 for accessories and $716 for apparel), and purchase frequency edged up to 1.6 times per year [2]**

Industry Structure

Luxury Footwear Global Revenue Market ($ MM)



[1] Statista [2] Footwear News

Industry Overview
Key Growth Drivers

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As Millennials and Chinese / Asia Pacific groups represent a greater proportion of luxury consumers, retailers must continue to adapt differentiated strategies to compete for their consumption.

Asian Markets

- By revenue alone, China is the top consumer of fashion (but currently third in luxury footwear), and Asia Pacific is projected to make up 38% of fashion market demand in 2020 [1]
- Chinese consumers led the positive growth trend around the world in 2018. Their share of global luxury spending continues to rise (now 33% of the total, up from 32% in 2017), driven by rising demand [2]

Millennial & Generation Z

- Millennials and Gen Z accounted for 47% of luxury consumers in 2018 and for 33% of luxury purchases; however, they contributed virtually all of the market's growth [2]
- These groups will represent approximately 55% of the 2025 market and will contribute 130% of market growth between now and then, offsetting the decline in sales among older generations [2]

Social Media & Story Telling

- As a result of shifting demographics, luxury brands are adapting to the preferences of younger consumers in terms of engagement strategies, using social media advertisements and purchased endorsements from influencers
- Firms are also transforming their stores to create millennial friendly, meaningful shopping experiences (Gucci recently unveiled a new concept store in NYC) [1]

Athleisure & Streetwear

- Participation in sports is projected to increase at an annualized rate of 1.8% to 2024 [3]
- Athletic footwear saw the largest revenue gains in 2018, achieving a 9.5% YOY increase vs. textile / other (4.6%) and leather (-2.9%) [4]
- Growing up in sportswear brands, millennial consumers value the flexibility that casual attire offers and, now coming into their own wealth, seek an upscale version of casual wear

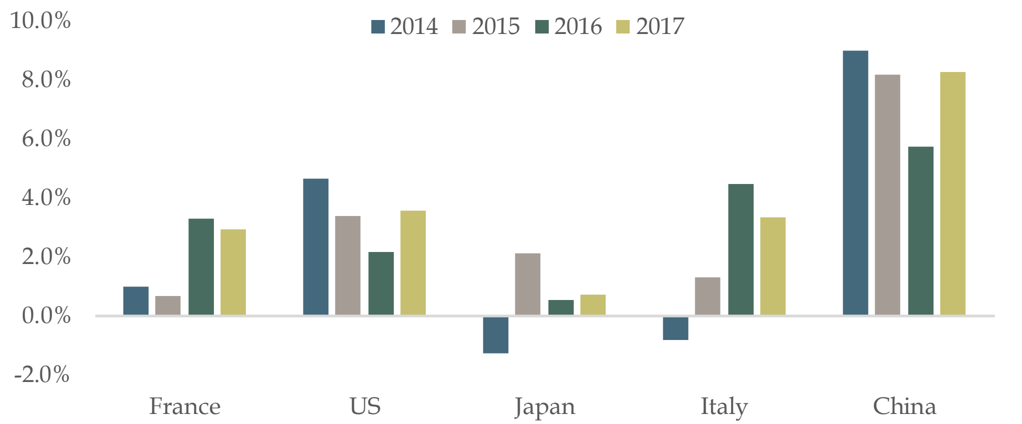
[1] ShopifyPlus [2] Bain & Company [3] IBS [4] Brandon Gaille

Industry Overview

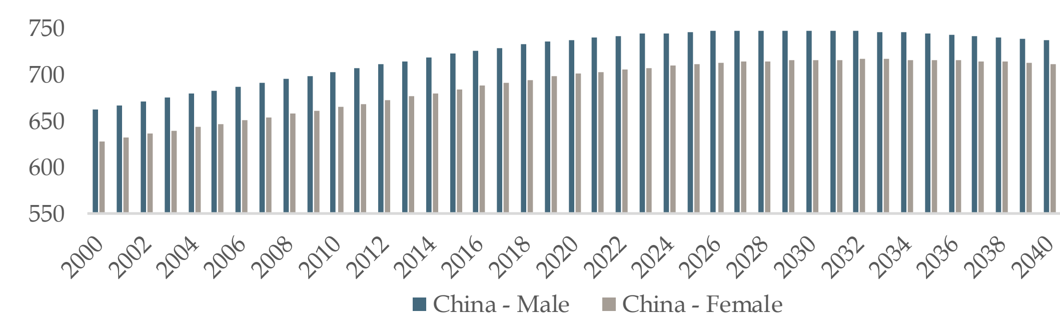
Macroeconomic Indicators: Growth Opportunities in China

The luxury footwear market is presently dominated by the US with major growth recently seen in China, which increasingly outpaces historically dominant European markets as their disposable income grows. Additionally, China has 4x the population of the US and 11x, 24x, and 22x the populations of Japan, Italy, and France, respectively.

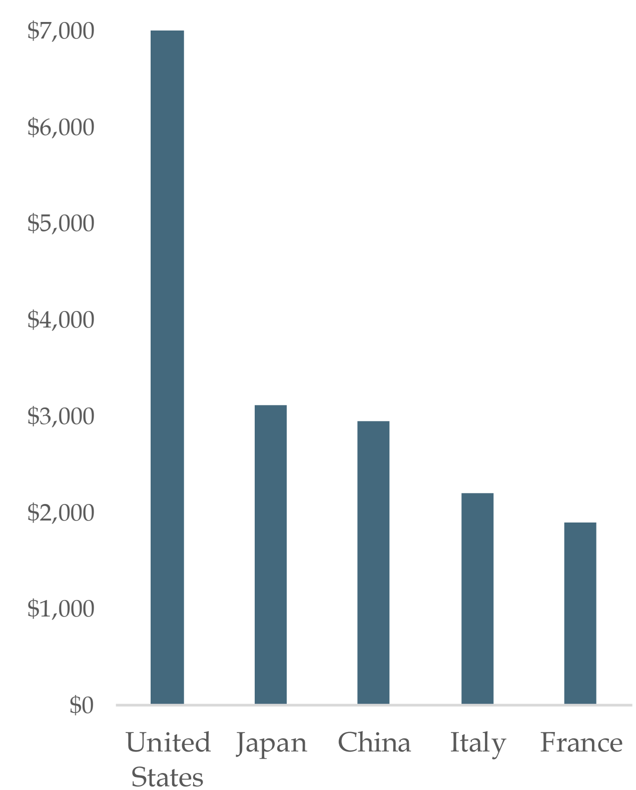
Disposable Income % Growth [1]



Chinese Population (MM) [2]



Top 5 Luxury Footwear Markets by Country ($ MM) [3]



[1] OECD [2] United Nations [3] Statista

Industry Overview
SWOT Analysis Overview

Strengths

- MJ's direct sales channels in all major European markets solidifies market share in Western Europe, which is one of the top geographic areas for revenue generation in the luxury segment
- A customer base comprised of celebrities and high net-worth executives creates significant brand value through influencers that improve social media strategy to target younger generations
- Being from Western Europe (specifically Paris) allows unique brand identification associated with geography and creates the impression of exoticism in the minds of consumers, particularly US, Asia, and South America

Weaknesses

- Capital intensive nature of the brick and mortar business model requires increased financing sources and, as a result, has increased leverage and resulted in the company's present state of financial distress
- Lack of digital presence restricts geographic market reach, advertising capabilities through social media and influencers, and customer optionality
- Minimal exposure to China and Asia Pacific markets hinders sales growth in areas where disposable income and demand for luxury goods is rising most

Opportunities

- The continued growth of consumer engagement with luxury brands through social media will provide MJ with increased exposure and geographic reach
- Opportunity to participate in brand collaborations, celebrity sponsorships, and a lower-cost product line could allow MJ to appeal to younger generations
- The rise of e-commerce and increased web traffic to luxury brand sites presents the Company with room to improve its online segment

Threats

- Stiff competition and fads in the luxury segment impact customer retention and expansion of market capitalization
- Operating margins are highly susceptible to trade war tariffs as additional fees threaten to increase manufacturing costs and disrupt distribution channels
- Significant capital invested in outdated business model induces reluctance to exit underperforming markets and stores
- Due to its financial distress, MJ's competitors will have better access to cheap capital – even if they escape distress, they will continue to struggle to obtain cheap debt and investors for years in the future

Industry Overview

SWOT Analysis: Weaknesses

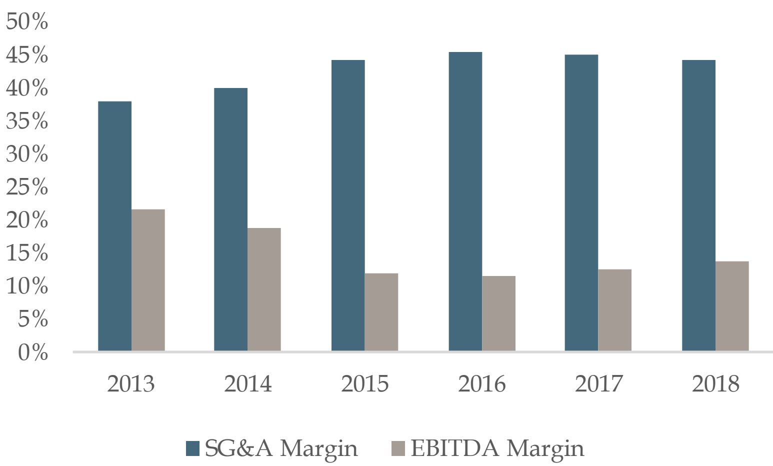
Operational Inefficiencies

- MJ's SG&A margin currently sits at 44.2%, which is higher than industry average of ~36% in 2017
- In this industry, SG&A cost discipline differentiates top and bottom performers
- A focus on cost cutting and operational efficiency are key to growing the bottom line and generating strong free cash flow
- Margin expansion is the key to a healthier capital structure

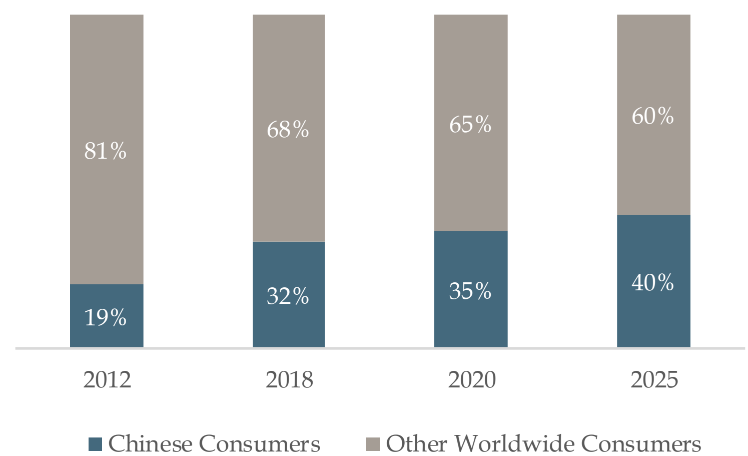
Lack of International Presence in Asia

- MJ has yet to capitalize on its expansion into international markets
- International sales for top luxury fashion brands such as Gucci and Hermes comprise 72% and 68% of sales, respectively, compared to MJ, who only generates 5.9% of its revenues abroad [1]
- China delivered more than half the global growth in luxury spending between 2012-2018, and is expected to deliver 65% of the world's additional spending heading into 2025 [1]

MJ Margins



Global Luxury Goods Consumption [1]



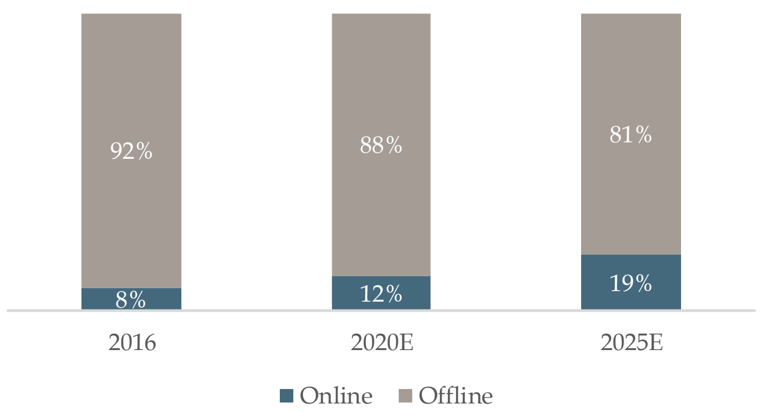
[1] McKinsey

SWOT Analysis: Opportunities in E-Commerce

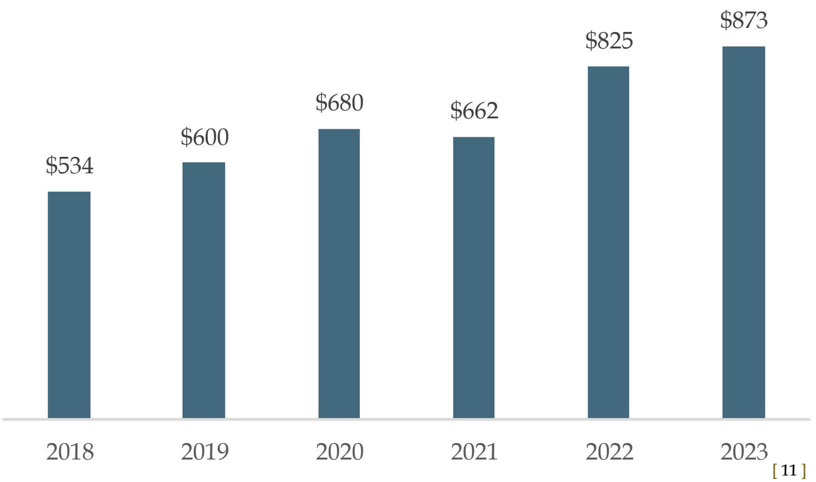
E-Commerce Opportunities

- MJ's consumer base of high-profile individuals provides the Company additional growth opportunities to leverage social media and promote limited edition products via these customers' accounts
- 93% of consumer engagement with luxury brands occurs through social media [1]
- By utilizing the virtual marketplace, celebrity collaboration could generate media buzz and increase demand for MJ's products, furthering the Company's perceived scarcity and increasing revenue without brand dilution
- MJ generates the least amount of revenue from its online segment, which stands at only 3.6% of total sales
- Contribution of online luxury sales to global high-end markets are set to triple by 2025, accounting for 20% of all luxury purchases made [2]
- Web traffic to luxury brand sites increased by 16% YOY in 2018 signifying consumer trends that favor online sales [2]
- Online sales present a clear opportunity for growth for MJ that the Company is failing to capitalize on

Sales of Personal Luxury Goods [3]



Global Online Fashion Sales ($ BN) [3]



[1] Digimind [2] McKinsey [3] Statista

Industry Overview
Porter's Five Forces Overview

Competition in the Industry

- The luxury goods industry is a largely saturated market dominated by renowned key players, each with distinct intrinsic value and consumer sentiment
- Brand reputation and customer loyalty are the primary drivers of consumer choice
- Older generation is more tied to traditional and less open to new entrants, but as customer base shifts to younger generations, the customer base becomes less stable

Power of Suppliers

- Suppliers of raw materials (leather, textiles, rubber, polyurethane, etc.) are generally numerous and equally balanced which drives down input prices
- Most big-name brands refuse to compromise artisanal production processes even in the name of achieving economies of scale
- Uncertain tariffs could play a role long-term, as the labor-heavy manufacturing process is centrally located while inputs must be sourced internationally

Power of Buyers

- Increased discretionary income and fashion conscientiousness of the general public means that luxury products are no longer reserved for the highest echelons of society, and increased mass consumption decreases the relative power of individual buyers
- Buyers lack concentration and purchase in small quantities—often only purchasing one item one time—which also decreases buyer power
- However, with no switching costs, contracts, or interconnectivity benefits, the consumer has the ultimate choice

Threat of Substitution

- MJ's target market is made up of a loyal and dedicated customer base (celebrities, executives, etc.) whose substantial income generally mitigates the impact of an economic downtown on their consumer spending habits
- However, their peripheral customer base of lower upper-class consumers have a more elastic demand; these consumers, known as HENRYs (High-Earners-Not-Rich-Yet), are likely to turn to a cheaper alternative in the event of an economic downturn; substitution risk is higher with these consumers
- A significant portion of the value associated with a designer product is intrinsic in the name and is not easily substituted for another, but consumers of one luxury brand often make purchases of other brands

Threat of New Entry

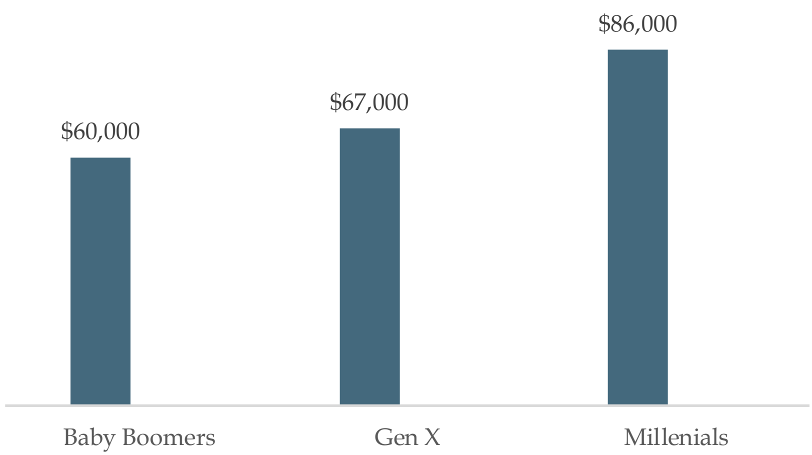
- The glamor, history, and intrigue that surround brand names are extremely difficult for new entrants to recreate
- While input costs and equipment requirements are low, which would suggest easy entry, the hallmarks of luxury brands such as heritage craftsmanship, brand name, and existing customer loyalty create high barriers to entry
- In recent years, new entrants such as Golden Goose have been able to carve a niche space in the luxury sneaker market, but it is unlikely that these fad brands will significantly infringe on the market share of traditional, well-known products and brands

Industry Overview
HENRYs

Moving forward, luxury brands need to capitalize on the deep and developing class of High-Earners-Not-Rich-Yet, better known as HENRYs.

- HENRYs are classified as having an average age of 43 years, earning an annual income of more than $100,000, and controlling less than $1 million in investable assets [1]
- This new demographic is digital savvy, makes many online purchases, and has a high ceiling for discretionary expenditures
- HENRYs engage in "aspirational spending"; that is, spending just within their means (as opposed to saving or investing) in order to be perceived as a member of an elite class
- Because this class of citizens is young, image-driven, and highly influenced by modern technology, most well-known luxury brands such as Gucci and Louis Vuitton have exponentially increased their social media presence
- Early establishment of a relationship with this group will secure sales in the short-run and build customer loyalty in perpetuity

Average Annual Spending per HENRY Household [2]



Social Media Following by Platform

Brand	Instagram	Facebook	Twitter
Louis Vuitton	35.3M	23.4M	7.4M
Gucci	37.7M	18.6M	5.7M
Dior	28.4M	16.8M	8M
Burberry	16M	17.4M	8.3M
Prada	21.6M	6.7M	1.1M
Calvin Klein	19.5M	13M	3.6M
Versace	20.3M	5.5M	4.7M

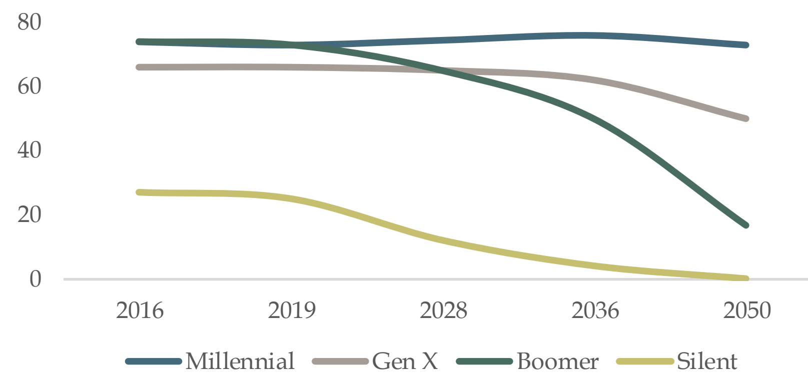
[1] Equifax [2] Deloitte

Brand collaborations are a powerful tool used by luxury brands to increase engagement with new audiences, specifically the rising millennial generation.

Brand Collaborations

- Brand collaborations are no longer a tool used only by start-ups to gain endorsement of an established brand
- There has been a significant increase in recent years of luxury brands with established customer bases of their own working with different brands for various reasons
- A luxury brand may collaborate in order to reach new markets, gain intangible expertise, offer new products to existing customers, or revitalize a dying brand
- It is important to cater to millennials because they are now the most numerous living generation and their spending power is expected to reach $1.4 trillion by 2020 [1]

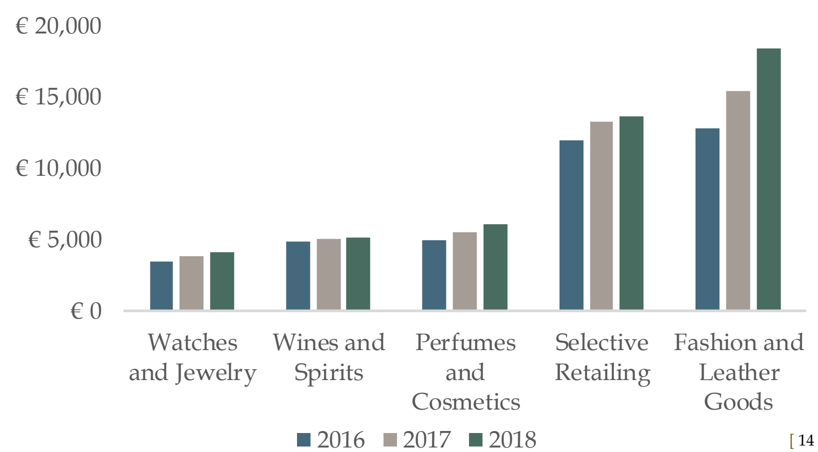
U.S. Population by Generation (MM) [2]



Case Study – Louis Vuitton x Supreme

- In June of 2017, Louis Vuitton and Supreme launched one of the most successful collaborations to date
- Louis Vuitton, one of the most respected luxury brands by Boomers and Gen X'ers, was able to gain entry into the style-conscious millennial market by associating themselves with Supreme, a 90s-era skate wear brand
- Since the launch of the collaboration, Louis Vuitton's Fashion and Leather Goods segment has grown at rates of 21% and 18% in 2017 and 2018, respectively – far surpassing the growth in their other segments

Louis Vuitton Sales Post Collab (€ MM)



[1] WWD [2] U.S. Census Bureau

Payless ShoeSource Bankruptcy Case Study

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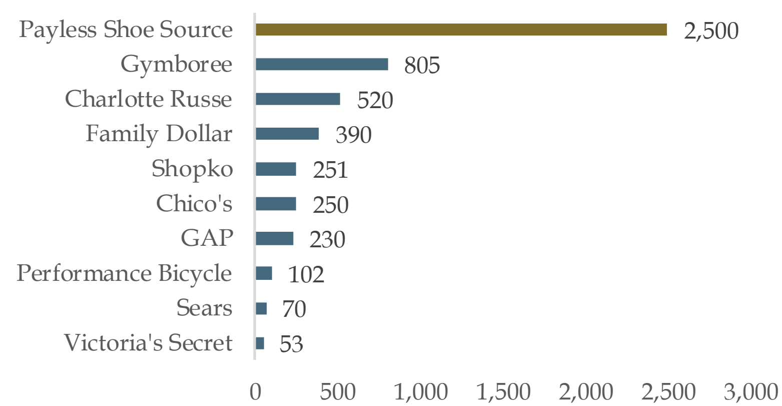
The rise of e-commerce along with stiff industry competition has led to a trend of retail bankruptcies and store closures.

Retail Bankruptcies

- Payless ShoeSource's second bankruptcy in two years signifies the industry's shift away from brick-and-mortar retail as well as the detrimental impacts of private equity dividend recapitalizations
- Stiff competition from larger competitors, antiquated inventory management during holiday seasons, and inability to capitalize on online sales led to lack of profitable stores from Payless and an inability to pay off debt from dividend recaps
- This phenomenon isn't unique to Payless, popular brands such as J.C. Penny, Sears, and Gymboree all underwent bankruptcies and store closures
- Traditional retailers are struggling to attract and retain customers as online retailers like Amazon are beginning to take over market share

High Profile Retail Store Closures

Retail Store Closures by Brand [1]



[1] Business Insider

Appendix
Payless ShoeSource Bankruptcy Case Study

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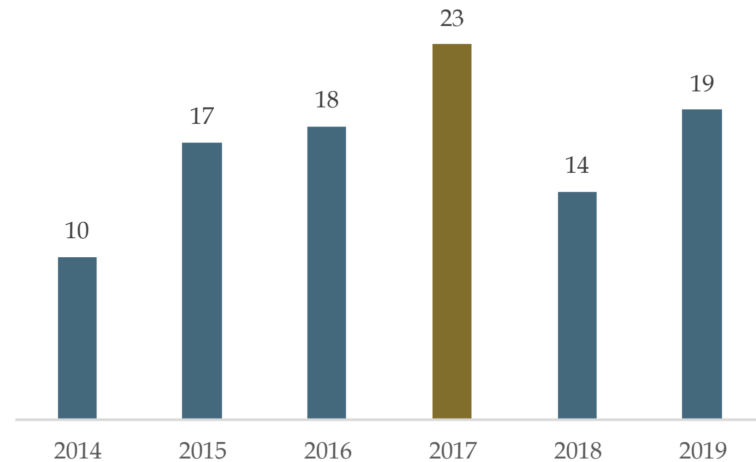
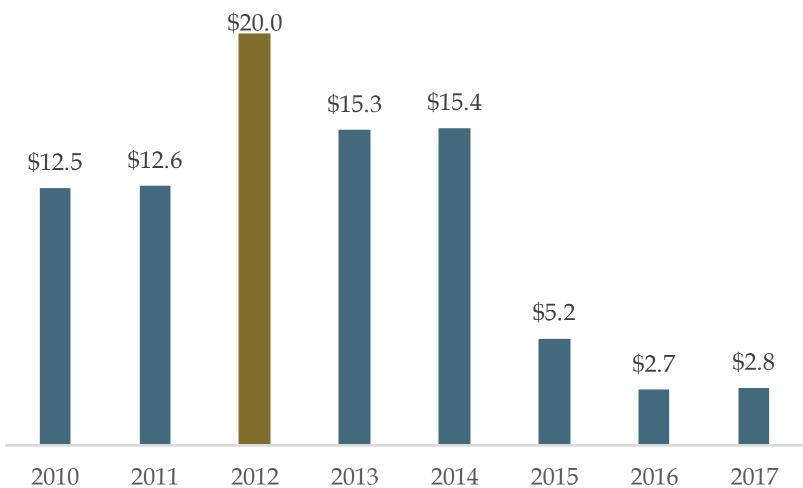
Bankruptcy Overview

- On February 19, 2019, Payless ShoeSource filed for Chapter 11 bankruptcy with plans to close all 2,500 U.S. and Canadian stores.
- This is the second bankruptcy for the company since 2017, where Payless arranged a deal to cut debts accumulated through a private equity deal and close struggling stores
- Payless had about $470MM in outstanding debt at the time of filing

Major Retail Bankruptcy Filings [2]



Dividend Related Leveraged Loan Volume for PE Owned Retail Borrowers ($ BN) [1]



[1] WSJ [2] FT

Private Equity Dividend Recapitalizations

- Financial sponsors Golden Gate Capital and Blum Capital paid themselves $350MM in dividends after an LBO in 2012, forcing Payless to take out leveraged loans
- Low interest rate environment during the time period led to lower cost of borrowing
- Dividend recaps added over $700MM in debt to Payless's balance sheet
- Reorganization plans in 2019 cite that debtors will reorganize around the company's existing Amazon sales channel and Latin American joint ventures

Deliverable II

Acquisition Analysis

Deliverable II: Acquisition Analysis
Factors to Consider when Acquiring

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When considering a strategic acquisition of an online retailer in the case of Scenario II, it is first crucial that MJ determines the acquisition's ROIC is greater than the cost of capital. If this holds true, they should examine the following attributes:

Marketplace Business Model

- Lack of physical inventory to eliminate MJ's burden to manage other brands working capital
- Price setting optionality for seller and a history of consistent pricing with minimal discounts and sales

Quality Delivery Services

- Ability to offer high quality delivery services such as same-day shipping, special packaging, and online live tracking, offering easy to navigate product return policies

Operating Efficiency

- Strategy focused on minimizing operating costs for margin improvement
- Proper management of working capital to improve short term liquidity and maximize free cash flow and ROE

Product Listings

- Product offerings will impact the MJ brand's sales: how many other brands will be offered, will these brands cannibalize or compliment MJ's sales, and does MJ have the capacity to manage such a marketplace

Digital Presence

- Seamless integration of store atmosphere, social media, and digital marketplace to engage consumers
- Aggregated data collecting system to improve upon strategy and enhance customer experience

Deliverable II: Acquisition Analysis
Potential Targets

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Atterley

Revenue	~£20M – £50M
Headquarters	Edinburgh, Scotland

- E-commerce retailer for independent fashion boutiques
- Founded by the online retail entrepreneur, Mike Welch, in 2016 after selling his previous endeavor, Blackcircles, for ~£50M
- "On track for sales growth of 150% in 2019, while non-EU sales are increasing and now make up a third of its revenues" – Mike Welch (The Herald)
- Marketplace business model aligns with the needs of MJ

Browns

Revenue	~£100M - £120M
Headquarters	London, England

- Multi-brand fashion boutique with a digital and brick-and-mortar presence founded in 1970
- Acquired by Farfetch in May of 2015 to expand online retail and reach a more global market
- Famous for discovering designers from Alexander McQueen and John Galliano to Christopher Kane and Simone Rocha
- Brick and mortar is contrary to strategic initiative of MJ to reduce physical presence

LUISAVIAROMA

Revenue	~€130M
Headquarters	Florence, Italy

- Carries over 500 of the world's leading designers in men's women's, and children's fashion as well as home goods
- Offers customer service in 9 languages and shipping is available worldwide
- Founder is originally from Paris and the brand has maintained close ties with renowned brands Balenciaga, Balmain, Saint Laurent, and Givenchy, etc. since 1968
- Broad range of good offerings dilutes the emphasis on shoes, MJ's main focus

M'O MODA OPERANDI

Revenue	~$180M - $200M
Headquarters	New York, United States

- Philosophy is "high-tech meets high-touch," meaning an experienced team of industry specialists are a click away
- Offers professionally curated in-season "boutiques" that feature clothing, shoes, and accessories for both men and women
- Preserves the shopping experience that elite clientele are accustomed to
- Headquarters in NYC could make integration into MJ's Paris-based business difficult

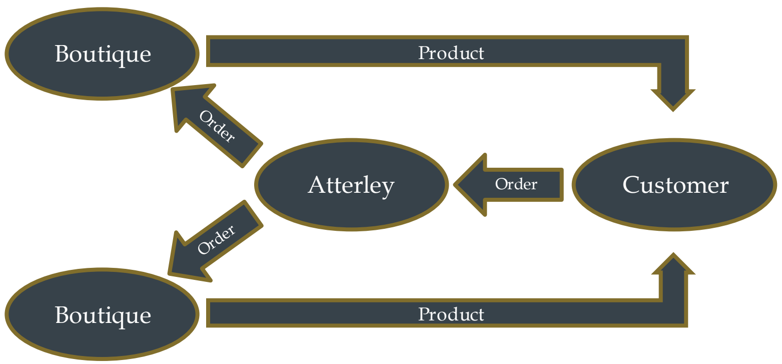
Source: Revenue figures are internal estimates

Atterley

Overview

- British boutique e-commerce platform with over 250 boutiques and 70,000 luxury apparel products
- Developed global sales network that covers 94 countries, 80 languages, and 10 currencies
- Marketplace business model that connects boutiques with online customers, receiving commission on each sale
- Experienced e-commerce entrepreneur, Mike Welch, acquired the IP asset of Atterley Road in February 2016 to create the company

Marketplace Business Model



Strategic Rationale

- Atterley's estimated ~£20M – £50M in sales make it an ideal add-on acquisition target with regards to size
- Mike Welch, Atterley's founder, has successfully developed other e-commerce businesses and would partner well with the MJ management team
    - He founded an online tire retail business, blackcircles.com, in 2003 and sold it to Michelin in 2015 for £50M
- The company would allow MJ to quickly scale into the global digital marketplace
- For Atterley, a partnership with MJ and a Financial Buyer would be very attractive because the company is at an inflection point of its business lifecycle where it needs capital to scale and penetrate the online luxury goods market
    - Mike Welch states his current acquisition cost per customer is less than £10, which is very attractive when the average product price is ~€700, a similar price point to MJ
- Additional synergies could be found in the combined entity through existing supply chain networks and distribution centers

Source: atterley.com, drapersonline.com, heraldscotland.com

Deliverable II: Deep Discounts
Deep Discounts: Overview

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Pros

- Discounted offerings drive sales in the short-term to counteract periods of weak consumer demand
- Worthwhile discounts have the potential to attract new customers and expose different product offerings to current customer base
- Deep discounting expedites sales of outdated inventory that may remain from previous seasons
- Price promotions provide a competitive advantage in a challenging retail space

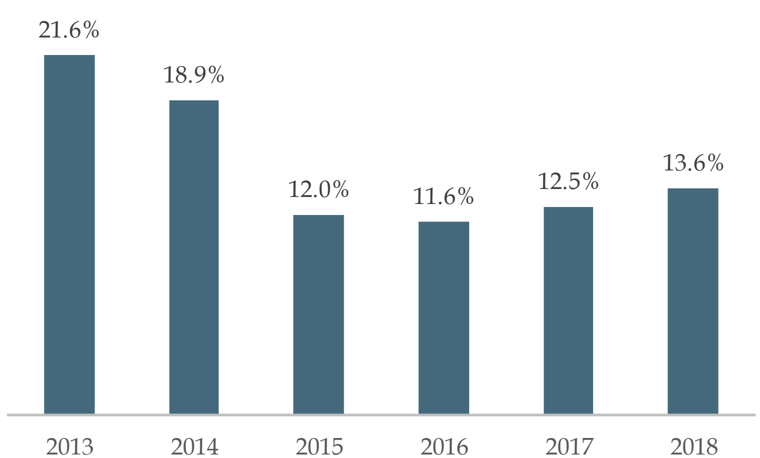
Cons

- Frequent discounting from a luxury brand signifies a loss in the ability to demand and defend higher prices
- An expanded customer base to individuals with less disposable income has the potential to strip away the luxury status of a brand due to increased accessibility of product offerings
- Continued discounting has a negative impact on margins

Deep Discounts

- Luxury brands across the industry have been implementing price promotions through retail distributors in order to better manage their distribution and inventory count
- Struggling department stores in the luxury segment have relied on deep discounts to entice shoppers
- On the flip side, many luxury brands have been reducing wholesale sales and cutting down on participation in promotional markdowns to avoid damage to their brands' exclusive reputation
- In the case of MJ, excessive discounts would further depress their already struggling margins

MJ EBITDA Margin



Deliverable II: Deep Discounts
Deep Discounts: Case Study - Coach

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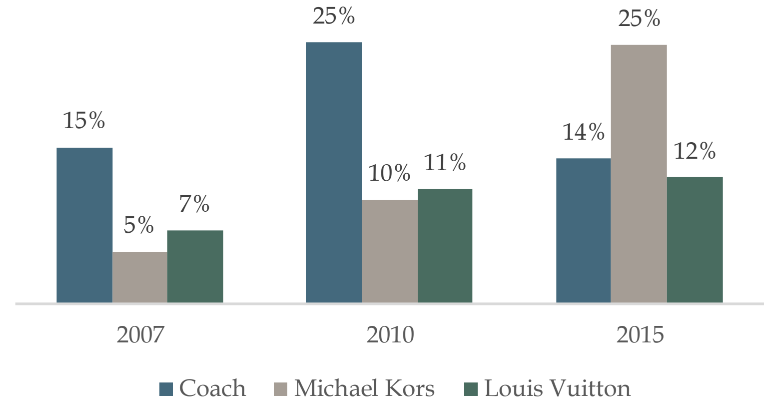
Situational Overview

- Coach's rapid expansion in the early 2000s created a handbag boom before losing market share in 2010
- The company aggressively discounted items to compensate, resulting in lower gross margins and operating profits—hitting a 10-year low in 2014
- As a result of excessive discounting, customers were unwilling to pay full price for Coach items in expectation of sales
- Brand perception became an issue as Coach began to lose its title as a high-end fashion brand

North American Handbag Market Share



Strategic Turnaround

- Closed 20% of existing North American retail outlets that offered steep price discounts
- Undertook initiatives to transform into a higher end luxury retailer including bringing in top brand designers and avoiding discount outlets and margin crushing promotions
- Completed acquisition of Kate Spade with the focus on delivering high quality exclusive products and forming new partnerships to strengthen brand

Adjustment Results

- Reduction of deep discounts resulted in lifting the company's gross profit margin on its merchandise by 2.1%
- Coach's North American same store sales rose by 2% after announcing their plan to pull away from excessive department store discounts
- In Q1 of 2017, 55% of Coach's handbags sold for $400 or more, up from 30% in 2015

Source: Fortune

Deliverable II: Deep Discounts

Deep Discounts: Final Recommendation

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Final Recommendation → **No Deep Discounts**

Rationale

Erosion of Brand Value

- MJ's product line of high-quality heels commands a premium price that is intrinsically tied to the value of its brand

Diluted Customer Base

- Expanding product accessibility diminishes the sense of exclusivity and high social status associated with the MJ brand

Price Setting Power

- Resisting the urge to offer deep discounts gives MJ the control a luxury brand needs to accurately set purchase price based off the true value of a product

Margin Decline

- MJ's low EBITDA margins would continue to suffer if products are sold at a lower price point

Deliverable III

Scenario Analysis & Recommendation

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Scenario Analysis & Recommendation
Scenario Recommendation

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General Assumptions

- Scenario II add on acquisition is conditional to merger and both merger and acquisition will become effective on December 31st, 2018
- Unless otherwise stated by prompt, synergies, cost-savings, and store closings become effective December 31st, 2018, are fully reflected in fiscal year 2019, and are not compounding
- Valuation occurs on December 31st, 2018 and conversion rate from Euros to USD for all financials is as of valuation date

Scenario I Highlights

- Strategic buyer interested primarily in the brand, seeking to realize synergies while employing a similar pricing and distribution strategy
- Emphasis on bottom line growth rather than top line growth, focusing on increasing the efficiency of the business model
- Revenue by segment distribution remains approximately the same with a 1.1% increase in Online as a % of sales by 2022
- Discounted cash flow analysis yields a higher valuation, maximizing value to debt holders with 100% recovery of capital

Scenario II Highlights

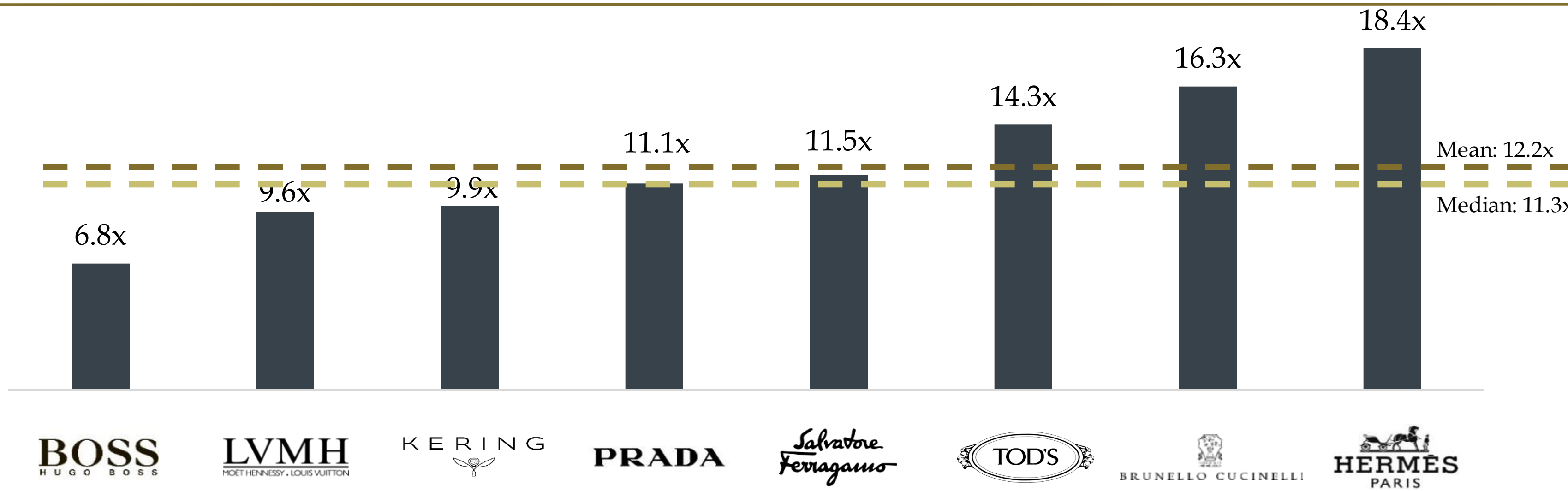
- Financial buyer interested in operating MJ on a stand-alone basis, targeting new sales channels
- Emphasis on top line growth with limited margin expansion; gross margins remain flat, but management realizes improvement in SG&A through increase of scale
- Seeks to expand online sales through the acquisition of an online retailer (33% increase in Online as a % of sales) and other segment sales through the creation of a lower price line of shoes
- Discounted cash flow analysis yields 80 - 90% recovery of debt holder capital

Recommendation

- We recommend Valuation Scenario I to management and debtholders with an estimated enterprise value of $400 to $450 MM
- We believe a strategic buyer maximizes value by realizing cost-saving synergies and improving both SG&A and gross margins, increasing EBIT margin to 29.2% by 2022 (vs. Scenario II's EBIT margin of 16.5%), while Scenario II focuses on increasing revenue at the cost of diluting the brand value and depressing margins below their full potential

Trading Comparables

2019 EV/EBITDA



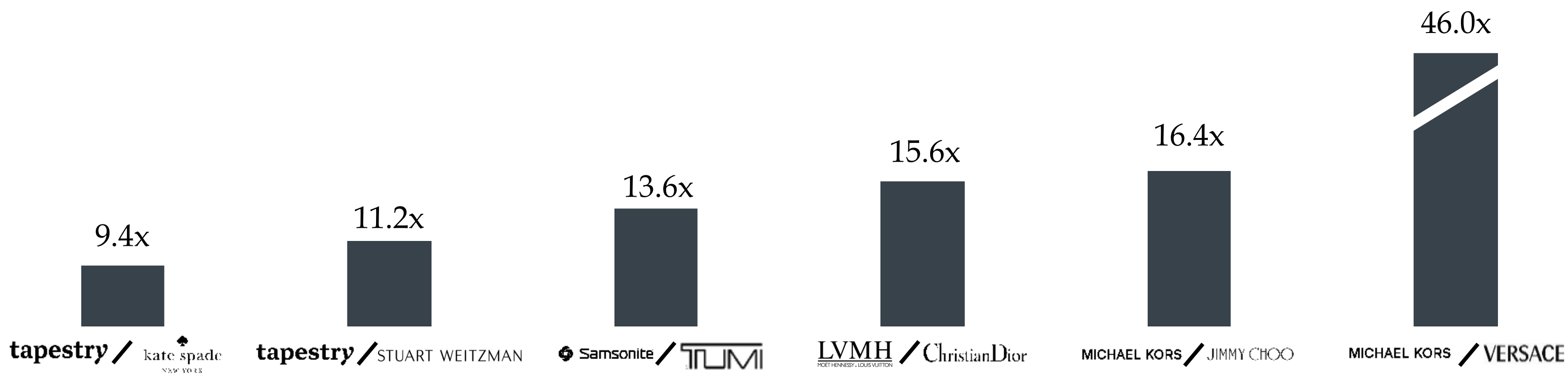
Maison Jacquelyn Trading Comparables Analysis ($ Millions)

Company	Market Cap	Total Enterprise Value	Net Debt / FY18 EBITDA	Gross Margin	% Equity	% Debt	Enterprise Value / EBITDA 2018	2019	2020	Price / Earnings 2018P	2019	2020
Louis Vuitton	149,089	158,374	0.5x	66.6%	92.3%	7.7%	11.2x	9.6x	8.8x	20.1x	17.7x	15.9x
Salvatore Ferragamo	3,421	3,259	-0.8x	64.0%	98.7%	1.3%	12.8x	11.5x	10.6x	33.3x	33.1x	29.0x
Brunello Cucinelli	2,346	2,376	0.2x	--	96.2%	3.8%	21.6x	16.3x	15.0x	44.4x	38.6x	36.9x
Hugo Boss	4,273	4,270	0.0x	65.2%	95.5%	4.5%	7.4x	6.8x	6.5x	14.5x	16.3x	14.7x
Tod's	1,569	1,654	0.6x	--	83.7%	16.3%	11.9x	14.3x	12.7x	28.3x	333.2x	--
Hermes	58,765	56,115	-0.9x	70.0%	97.8%	2.2%	19.2x	18.4x	16.8x	36.1x	33.6x	30.2x
Kering	59,679	62,392	0.5x	74.6%	92.1%	7.9%	12.2x	9.9x	9.1x	18.8x	17.4x	14.6x
Prada	8,168	8,545	0.6x	72.0%	88.7%	11.3%	13.5x	11.1x	10.1x	33.7x	27.8x	29.7x
Median	**$6,220**	**$6,407**	**0.4x**	**68.3%**	**93.9%**	**6.1%**	**12.5x**	**11.3x**	**10.4x**	**30.8x**	**30.5x**	**29.0x**
Mean	**$35,914**	**$37,123**	**0.1x**	**68.7%**	**93.1%**	**6.9%**	**13.7x**	**12.2x**	**11.2x**	**28.6x**	**64.7x**	**24.4x**

See Slide 52 for further analysis

Scenario Analysis & Recommendation
Precedent Transactions

Maison Jacquelyn



Date Announced	Acquirer	Target	EV / LTM EBITDA	Transaction Value *($ millions)*	Target LTM EBITDA *($ millions)*
May 2017	tapestry	kate spade NEW YORK	9.4x	2,400	255
January 2015	tapestry	STUART WEITZMAN	11.2x	574	51
March 2016	Samsonite	TUMI	13.6x	1,800	132
April 2017	LVMH MOËT HENNESSY . LOUIS VUITTON	Christian Dior	15.6x	7,268	466
July 2017	MICHAEL KORS	JIMMY CHOO	16.4x	1,350	82
September 2018	MICHAEL KORS	VERSACE	46.0x	2,120	46

	Incl. Versace	Excl. Versace
Mean	**18.7x**	**13.2x**
Median	**14.6x**	**13.6x**

Scenario Analysis & Recommendation
Strategic Buyer Recommendations

Maison Jacquelyn

KERING

- A global luxury group headquartered in Paris, France dedicated to the development of 15 renowned brands
- Holds risk-taking and sincerity at the core of their business model which would allow MJ to explore new lucrative markets while staying true to their luxurious brand image

LVMH
MOËT HENNESSY . LOUIS VUITTON

- French luxury conglomerate headquartered in Paris
- Controls around 60 subsidiaries that manage some of the world's most prestigious brands
- Offers intrinsic value via reputation as the upper echelon of the luxury goods market with extensive industry expertise

GUCCI, YVES SAINT LAURENT, BOTTEGA VENETA, ULYSSE NARDIN, BOUCHERON PARIS, Alexander McQUEEN, BALENCIAGA, GIRARD-PERREGAUX, DoDo, qeelin, Brioni ROMA

Christian Dior, FENDI, GIVENCHY, LV, Dom Pérignon, ACQUA DI PARMA, TAG HEUER, MARC JACOBS, GUERLAIN, MOËT & CHANDON CHAMPAGNE, Hennessy COGNAC, benefit, BVLGARI, HUBLOT, ZENITH

Financial Highlights

USD in millions	Kering	LVMH
LTM Revenue	$15,690	$53,766
Enterprise Value	$62,392	$158,374
Net Debt	$2,534	$7,374
EBITDA Margin	30.91%	25.96%
Net Debt / FY18 EBITDA	0.5x	0.5x

- Both companies exhibit significantly higher EBITDA margins than MJ signaling room for efficiency improvements upon acquisition
- Both companies presently hold minimal debt with the ability to take on leverage to make an opportunistic acquisition

Scenario Analysis & Recommendation
Scenario I Analysis

Revenue Assumptions

- **Domestic Stores:** Assumed base growth rates remain in line with management's projections. Reduced revenue by loss of $3.25MM from store closings along with the compounding revenue growth that would have occurred on same store sales
- **International Stores:** Growth rates in line with management
- **Department Stores**: Assumed MJ achieved annual revenue synergies of $10MM by 2022 with 50% being achieved in 2019 by quickly introducing initiatives to drive sales and the rest gradually being realized through 2022. Base growth rates in line with management
- **Online:** Growth rates in line with management

Maison Jacquelyn Income Statement ($ Thousands)

Fiscal Year	2017A	2018A	2019P	2020P	2021P	2022P
Fiscal Year End Date	*12/31/17*	*12/31/18*	*12/31/19*	*12/31/20*	*12/31/21*	*12/31/22*
Revenue Channels						
Domestic Stores	$ 116,330	$ 118,051	$ 118,246	$ 123,073	$ 128,126	$ 134,660
International Stores	13,140	11,530	$ 11,761	$ 11,996	$ 12,356	$ 12,851
Department Stores	57,435	58,699	$ 65,166	$ 68,670	$ 72,828	$ 76,063
Online	6,367	6,997	$ 7,836	$ 8,777	$ 9,830	$ 11,010
Total Revenue	**$ 193,272**	**$ 195,278**	**$ 203,009**	**$ 212,516**	**$ 223,140**	**$ 234,583**
% Growth	*-1.3%*	*1.0%*	*4.0%*	*4.7%*	*5.0%*	*5.1%*
Cost of Goods Sold	82,004	82,263	75,113	74,381	73,636	75,067
Gross Margin	**$ 111,267**	**$ 113,015**	**$ 127,896**	**$ 138,136**	**$ 149,503**	**$ 159,517**
Sales & Marketing	87,081	86,405	79,857	81,018	82,676	85,153
One Time Store Closings Expenses	--	--	1,500	--	--	--
EBITDA	$ 24,187	$ 26,610	$ 46,539	$ 57,118	$ 66,827	$ 74,364
Adjustment	--	--	--	--	--	--
Adjusted EBITDA	$ 24,187	$ 26,610	$ 46,539	$ 57,118	$ 66,827	$ 74,364
Depreciation	4,954	4,998	5,165	5,373	5,613	5,856
EBIT	**$ 19,232**	**$ 21,611**	**$ 41,373**	**$ 51,745**	**$ 61,214**	**$ 68,508**
% Margin	*10.0%*	*11.1%*	*20.4%*	*24.3%*	*27.4%*	*29.2%*

Cost Assumptions

- **Cost of Goods Sold:** Gross margins expected to increase to comp set average of 68%
- **Sales and Marketing:** Management's expectations for SG&A margin declines are used as a base, then the SG&A margin reductions from store closings ($4MM annually) and synergies ($5MM annually) are then subtracted to yield predicted SG&A margin
- **One Time Store Closings Expenses**: Created single line item on income statement to account for cost of closing stores, assuming store closings occur at the beginning of 2019
- **Depreciation:** Remain in line with management's projections

Maison Jacquelyn Discounted Cash Flow Model

Free Cash Flow Buildup				
Fiscal Year	**2019P**	**2020P**	**2021P**	**2022P**
Fiscal Year End Date	*12/31/19*	*12/31/20*	*12/31/21*	*12/31/22*
EBITDA	46,539	57,118	66,827	74,364
EBIT	41,373	51,745	61,214	68,508
Tax Rate	*31.0%*	*28.0%*	*26.5%*	*25.0%*
EBIAT (NOPAT)	**$ 28,548**	**$ 37,256**	**$ 44,992**	**$ 51,381**
+Depreciation & Amortization	5,165	5,373	5,613	5,856
+Net Changes in Working Capital	$ (644)	$ (1,331)	$ (1,487)	$ (1,602)
Unlevered CFO	**$ 33,069**	**$ 41,298**	**$ 49,118**	**$ 55,635**
- Capital Expenditures	4,872	5,100	5,132	5,395
Unlevered FCF	**$ 28,197**	**$ 36,198**	**$ 43,986**	**$ 50,239**
% growth				
Discount factor	100%	200%	300%	400%
Present value of Unlevered FCF	**26,504**	**30,061**	**32,273**	**32,568**

Fair Value

	Perpetuity	EBITDA
Enterprise value - before Sale of Distribution Center	427,493	438,588
After Tax Benefit from Sale of Distrubution Center	8,625	8,625
Enterprise value - post Sale of Distribution Center	436,118	447,213
Less: Net debt	(381,914)	(381,914)
Equity value	**54,203**	**65,298**

See Slide 26, 31, 47, 49, 50, and 51 for details on calculation

DCF Assumptions

- **Tax Rate:** In 2019, the standard French CIT rate for all companies will be 28% on taxable income up to €500,000, and 31% on taxable income exceeding that amount – see Appendix slide 51
- **Net Changes in Working Capital:** Assumed MJ's NWC to stay a consistent percentage of revenue based off FY2018, which was 14% – see Appendix Slide 49
- **Capital Expenditures**: Capex is expected to continue to stay at current levels as a % of revenue through 2022
- **After-Tax Benefit from Sale of Distribution Center:** Assumed the facility has been depreciated down to zero such that its book value is zero; if book value is zero, and the Company sells it for $12.5MM; they then must pay taxes on it at the 2019 corporate tax rate. Thus, the after-tax value of the center was added to the EV post valuation

Scenario Analysis & Recommendation
Scenario I Valuation Summary

Maison Jacquelyn

Valuation Methodology

Precedent Transactions [1]

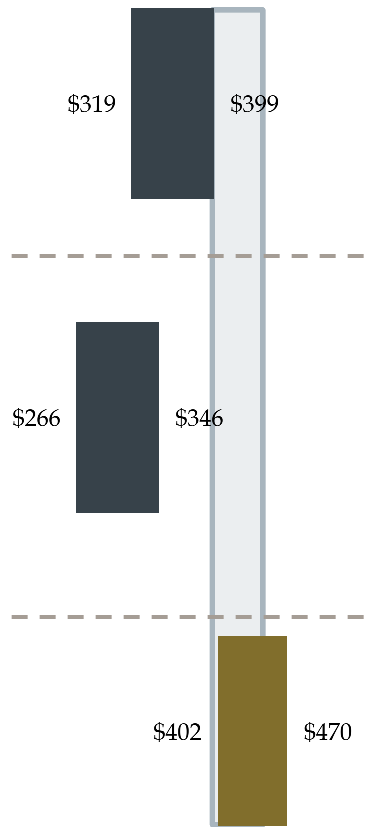
2018 EBITDA: 26,610
Multiple: 12.0x – 15.0x

Trading Comparables [2]

2018 EBITDA: 26,610
Multiple: 10.0x – 13.0x

Discounted Cash Flow Analysis [3]

WACC: 13.2%
Exit EBITDA Multiple: 6.0x – 8.0x



Final Valuation
$400 - $450 MM

Commentary

Precedent Transactions

- Analysis consisted of 5 transactions with dates ranging from 2015 to 2018
- Median EBITDA multiple of 13.6x and mean EBITDA multiple of 13.2x [4]
- The selected valuation range of $400 – 450 MM implies an EV / FY2018 EBITDA multiple of 15.0x – 17.0x, slightly above this range

Trading Comparables

- Analysis consisted of 8 publicly traded peers
- Median EBITDA multiple of 11.3x and mean EBITDA multiple of 12.2x

Discounted Cash Flow Analysis

- Assumed an Exit EBITDA Multiple between 6.0x and 8.0x – a discount to trading comps due to small size, private company status, limited geographic reach, and a less stable track record of earnings

[1] Slide 27 [2] Slide 26 [3] Slide 30 [4] Excludes Versace transaction

Scenario Analysis & Recommendation
Scenario II Analysis

Maison Jacquelyn

Maison Jacquelyn Income Statement ($ Thousands)	2017A	2018A	2019P	2020P	2021P	2022P
Fiscal Year	2017A	2018A	2019P	2020P	2021P	2022P
Fiscal Year End Date	*12/31/17*	*12/31/18*	*12/31/19*	*12/31/20*	*12/31/21*	*12/31/22*
Revenue Channels						
Domestic Stores	$ 116,330	$ 118,051	$ 118,246	$ 123,073	$ 128,126	$ 134,660
International Stores	13,140	11,530	$ 11,761	$ 11,996	$ 12,356	$ 12,851
Department Stores	57,435	58,699	$ 60,166	$ 61,670	$ 63,828	$ 66,063
Online	6,367	6,997	$ 13,994	$ 29,388	$ 64,653	$ 119,932
Total Revenue	**$ 193,272**	**$ 195,278**	**$ 204,167**	**$ 226,127**	**$ 268,963**	**$ 333,505**
% Growth	*-1.3%*	*1.0%*	*4.6%*	*10.8%*	*18.9%*	*24.0%*
Cost of Goods Sold	82,004	82,263	85,750	94,973	112,965	140,072
Gross Margin	**$ 111,267**	**$ 113,015**	**$ 118,417**	**$ 131,154**	**$ 155,999**	**$ 193,433**
Sales & Marketing	87,081	86,405	84,200	91,426	106,813	130,069
One Time Store Closings Expenses	--	--	1,500	--	--	--
EBITDA	$ 24,187	$ 26,610	$ 32,717	$ 39,728	$ 49,186	$ 63,364
Adjustment	--	--	--	--	--	--
Adjusted EBITDA	$ 24,187	$ 26,610	$ 32,717	$ 39,728	$ 49,186	$ 63,364
Depreciation	4,954	4,998	5,195	5,717	6,766	8,325
EBIT	**$ 19,232**	**$ 21,611**	**$ 27,522**	**$ 34,011**	**$ 42,420**	**$ 55,039**
% Margin	*10.0%*	*11.1%*	*13.5%*	*15.0%*	*15.8%*	*16.5%*

Revenue Assumptions

- **Domestic Stores:** Assumed base growth rates remain in line with management's projections. Reduced revenue by loss of $3.25MM from store closings along with the compounding revenue growth that would have occurred on same store sales
- **International Stores:** Growth rates in line with management
- **Department Stores**: Growth rates in line with management
- **Online:** Grew revenue to reach approximately $120MM by 2022, reflecting the rapid online growth MJ would experience from an online retailer acquisition

Cost Assumptions

- **Cost of Goods Sold:** Straight-lined gross margin in line with 2018
- **Sales and Marketing:** Economies of Scale Impacted SG&A margin is used as a base (reflected improvements in SG&A margin beyond management's projections with step down of 100bps annually, reaching 400bps decrease by 2022), then the SG&A margin reductions from store closings ($4MM annually) is subtracted out to yield Scenario II Impacted SG&A Margin
- **One Time Store Closings Expenses**: Created single line item on income statement to account for cost of closing stores, assuming store closings occur at the beginning of 2019
- **Depreciation:** Remain in line with management's projections

Scenario II Analysis

Maison Jacquelyn

Maison Jacquelyn Discounted Cash Flow Model

Free Cash Flow Buildup				
Fiscal Year	**2019P**	**2020P**	**2021P**	**2022P**
Fiscal Year End Date	*12/31/19*	*12/31/20*	*12/31/21*	*12/31/22*
EBITDA	32,717	39,728	49,186	63,364
EBIT	27,522	34,011	42,420	55,039
Tax Rate	*31.0%*	*28.0%*	*26.5%*	*25.0%*
EBIAT (NOPAT)	**$ 18,990**	**$ 24,488**	**$ 31,178**	**$ 41,279**
+Depreciation & Amortization	5,195	5,717	6,766	8,325
+Net Changes in Working Capital	(806)	(813)	(2,879)	(4,410)
Unlevered CFO	**$ 23,379**	**$ 29,392**	**$ 35,066**	**$ 45,194**
- Capital Expenditures	4,900	5,427	6,186	7,671
Unlevered FCF	**$ 18,479**	**$ 23,965**	**$ 28,879**	**$ 37,524**
% growth				
Discount factor	100%	200%	300%	400%
Present value of Unlevered FCF	**17,369**	**19,902**	**21,189**	**24,325**

Fair Value

	Perpetuity	EBITDA
Enterprise value	311,401	353,050
Less: Net debt	(381,914)	(381,914)
Equity value	**(70,514)**	**(28,865)**

DCF Assumptions

- **Tax Rate:** In 2019, the standard French CIT rate for all companies will be 28% on taxable income up to €500,000, and 31% on taxable income exceeding that amount – see Appendix slide 51
- **Net Changes in Working Capital:** An increase in MJ's revenue (particularly Domestic, Department, and International Sales) would grow current assets. However, because the majority of growth stems from the Online segment, which would likely be a marketplace business model where the company maintains no extra inventory for other brands' shoes, we assumed a gradual stepdown in NWC as a % of revenue to account for the fact that majority of growth comes from online (stepping down from 14% margin in 2019 to 11% in 2022) – see Appendix slide 49
- **Capital Expenditures**: Capex is expected to continue to stay at current levels as a % of revenue through 2022

See Slide 29, 31, 47, 49, 50, and 51 for details on calculation

Scenario Analysis & Recommendation

Scenario II Valuation Summary

Valuation Methodology

Precedent Transactions [1]

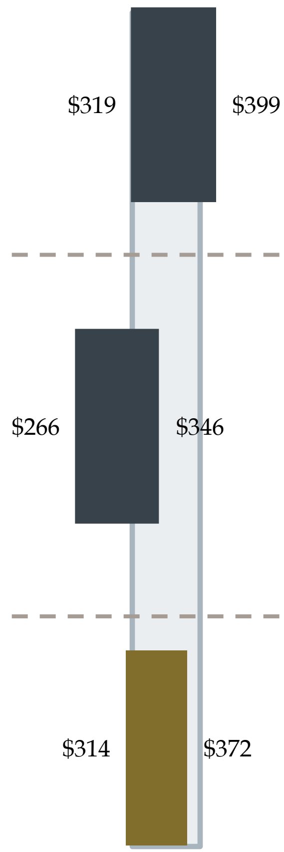
2018 EBITDA: 26,610
Multiple: 12.0x – 15.0x

Trading Comparables [2]

2018 EBITDA: 26,610
Multiple: 10.0x – 13.0x

Discounted Cash Flow Analysis [3]

WACC: 13.2%
Exit EBITDA Multiple: 6.0x – 8.0x



Final Valuation
$315 - $380 MM

Commentary

- Analysis consisted of 5 transactions with dates ranging from 2015 to 2018
- Median EBITDA multiple of 13.6x and mean EBITDA multiple of 13.2x [4]
- The selected valuation range of $315 – 380 MM implies an EV / FY2018 EBITDA multiple of 11.8x – 14.3x, which is within this multiples range

- Analysis consisted of 8 publicly traded peers
- Median EBITDA multiple of 11.3x and mean EBITDA multiple of 12.2x

- Assumed an Exit EBITDA Multiple between 6.0x and 8.0x– a discount to trading comps because of its small size, private company status, limited geographic reach, and a less stable track record of earnings
- Heavier weight placed on DCF valuation given due to higher scrutiny and conservative pricing of a financial buyer

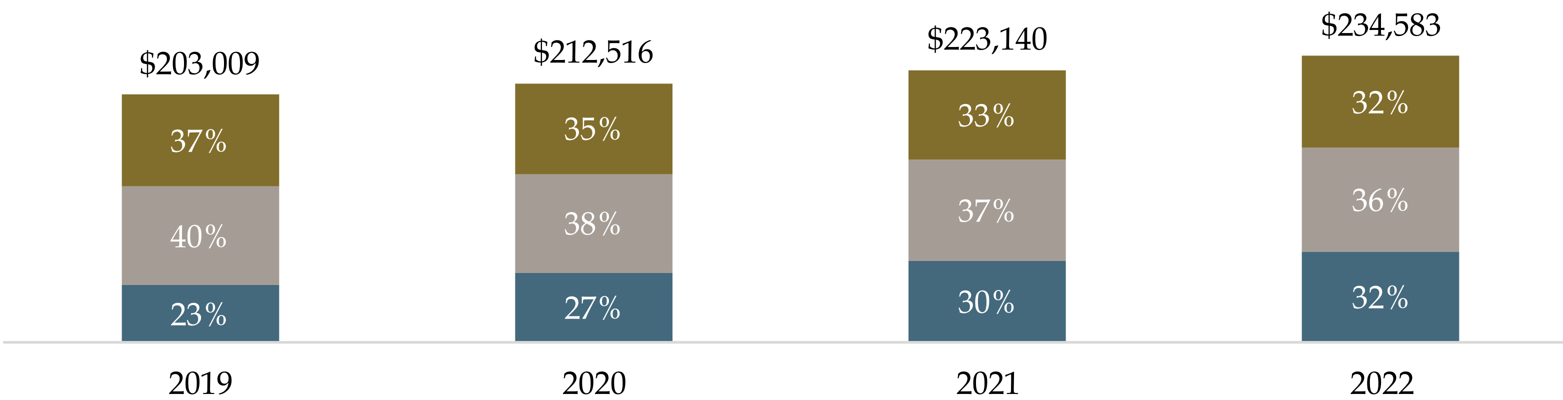
[1] Slide 27 [2] Slide 26 [3] Slide 33 [4] Excludes Versace transaction

Scenario Analysis & Recommendation

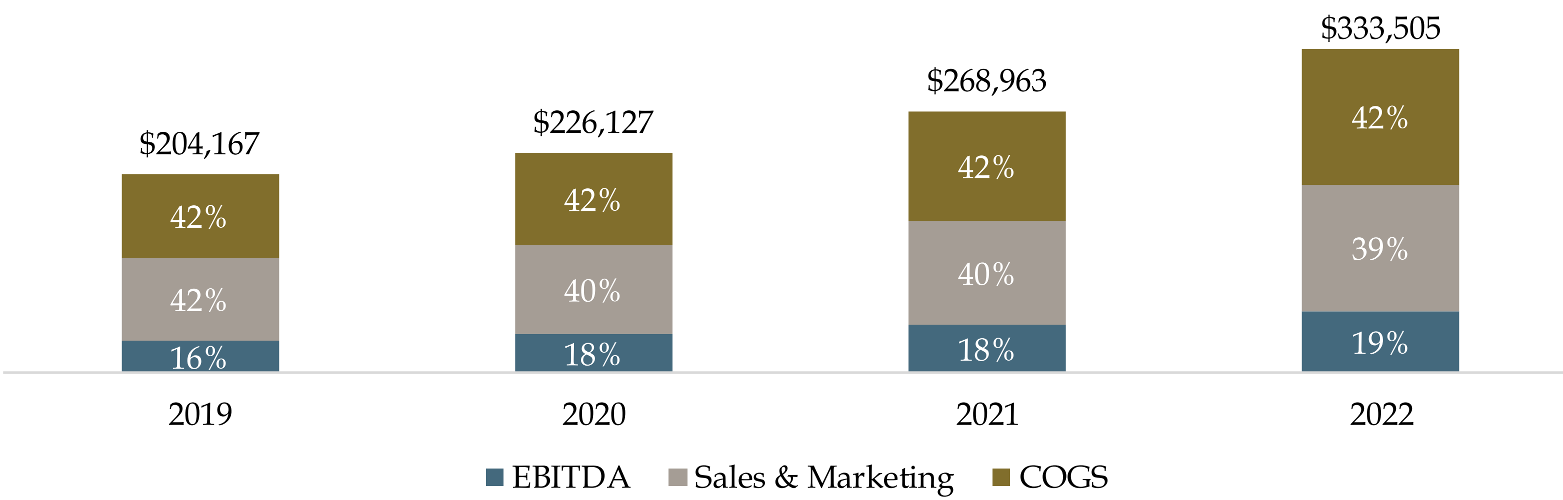
Profitability Comparison (% of Revenue)

Maison Jacquelyn

Scenario I



Scenario II



Scenario Analysis & Recommendation
WACC & Capital Structure Assumptions

Maison Jacquelyn

WACC Calculations

Capital Weights	
% Debt	5.0%
% Equity	95.0%
Cost of Debt	
Pre-Tax Cost of Debt	6.00%
Assumed Tax Rate	31.0%
After-Tax Cost of Debt	4.14%
Cost of Equity	
Risk Free Rate	3.00%
Unlevered Beta	0.95
Debt / Equity	5.3%
Relevered Beta	0.989
Equity Risk Premium	5.44%
Size Premium	5.28%
Cost of Equity	13.66%
WACC	**13.2%**

WACC Analysis for Maison Jacquelyn

Tickers	Company	Debt / Equity	Debt / Total Cap.	Adj. 2 Year Beta	Unlevered Beta 2-Year	Effective Tax Rate
LVMUYEUR EU	Louis Vuitton	8.4%	7.7%	1.342	1.264	26.3%
SFER EU	Salvatore Ferragamo	1.3%	1.3%	0.803	0.796	32.2%
BC1 EU	Brunello Cucinelli	3.9%	3.8%	0.933	0.905	21.7%
BOSS EU	Hugo Boss	4.7%	4.5%	0.836	0.809	29.8%
TOD EU	Tod's	19.5%	16.3%	0.809	0.711	29.3%
RMS EU	Hermes	2.3%	2.2%	0.857	0.844	32.5%
KER1 EU	Kering	8.6%	7.9%	1.321	1.241	24.7%
1913EUR EU	Prada	12.7%	11.3%	1.159	1.066	31.2%
Mean		**7.7%**	**6.9%**	**1.01**	**0.95**	**28.5%**
Median		**6.6%**	**6.1%**	**0.90**	**0.87**	**29.6%**

*in Millions, Analysis Date as of 12/31/2018

WACC Assumptions

- **Beta:** Average Bloomberg Adjusted Two-Year Beta between equity and Bloomberg European 500 – all equities pulled from European Composite and financials converted as of December 31st, 2018 Euro to USD conversion rate
- **Capital Weights:** Assumed 95% equity financing due to the distressed, over-leveraged nature of the business. Additionally, comparable companies held minimal to no debt as of 12/31/2018 and small cap companies held even less debt, which we felt further justified this assumption. Note that French interest rates dropped to zero in 2018 and many of the companies took on leverage after FY2018
- **Cost of Debt:** Estimated using firm's assumed bond rating [1]
- **Risk Free Rate**: Normalized to 3.00% per Duff and Phelps
- **Equity Risk Premium:** As of November 2019 per Damodaran research
- **Size Premium:** Per 10th decile Duff and Phelps size premium [2]

[1] See Appendix Slide 48 [2] See Appendix Slide 51

Scenario Analysis & Recommendation
Financial Buyer vs. Strategic Buyer

Strategic Buyer (Scenario I)

- A strategic buyer's goal is to identify companies whose products or services can synergistically integrate with their existing business model to create incremental, long-term shareholder value through vertical or horizontal integration
- In the case of Scenario I, a strategic buyer could sell off MJ's distribution center and realize significant savings in SG&A through back office reductions
- Additionally, a strategic buyer's existing relationships with distributors (department stores and online retailers) as well as potential international presence would allow revenue growth and increases in scale, driving top and bottom line growth

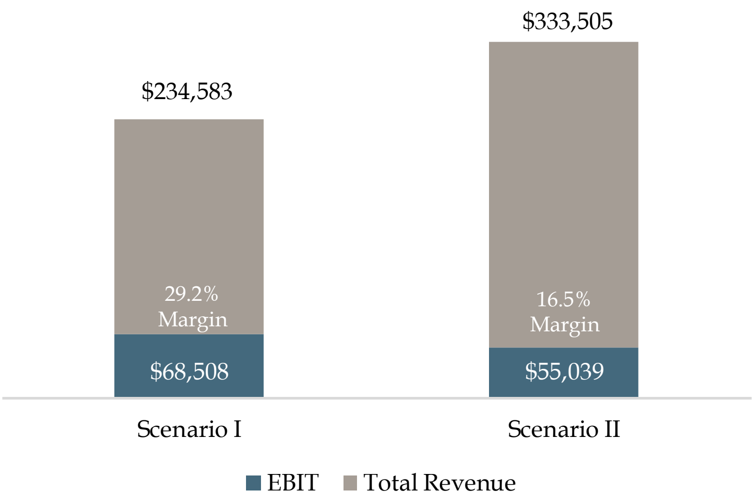
Revenue vs. Cost Synergies

- A *revenue synergy* is when, as a result of an acquisition, the combined company is able to generate more sales than the two companies would be able to separately
    - On each additional dollar of revenue synergies, the Company has to pay additional expenses and taxes
- A *cost synergy* refers to the opportunity, as a result of an acquisition, for the combined company to reduce costs more than the two companies would be able to do individually
    - Cost synergies have a direct impact on free cash flow, making them more valuable than revenue synergies

Financial Buyer (Scenario II)

- A financial buyer seeks robust free cash flow, leading market position, growth opportunities, and efficiency opportunities in a potential acquisition target
- However, in acquisition Scenario II, MJ fails to realize significant improvements in operating margins in comparison to a strategic buyer
- Additionally, MJ lacks a dominant position in the luxury shoe market when compared to their public comparables
- Finally, the brick and mortar business model is capital intensive and does not leave room for the additional leverage that an LBO requires; as a result, the 2013 LBO of MJ was unsuccessful, and the debt holders are attempting to exit

2022 Scenario I & II Profitability ($ Thousands)



LBO Valuation

Establish Capital Structure & Cost of Debt

- A typical LBO capital structure is highly levered
- Because of this high debt/equity ratio, the bonds issued in the buyout are not investment grade and have comparatively higher interest rates
- Proper Scenario II analysis would require establishing an LBO capital structure by looking at previous financials acquisitions in the retail space and determining interest rates

Determine Hurdle Rates

- Financial buyers have higher hurdle rates, so the cost of capital in Scenario I and II would likely be different
- The hurdle rate of Scenario II depends on the private equity buyer and their assessed risk of MJ
- A financial buyer could likely purchase MJ at a low EBITDA multiple due to its previous distress

Perform LBO Valuation for Financial Buyer

- With the determined capital structure, cost of debt, and required rate of return, an LBO valuation and waterfall analysis could be performed
- The LBO valuation of MJ would likely be lower than the one we calculated through DCF analysis, primarily due to the differences in cost of debt and capital structure

Scenario Analysis & Recommendation

Appropriateness of Extrinsic vs. Intrinsic Valuation

Maison Jacquelyn

Extrinsic (Precedent and Trading Comp Analysis)

- M&A activity within the luxury goods industry is active and provides up to date insight on market valuation
- Limited amounts of comparable transactions and publicly traded companies that fall within the size range of MJ means focusing on timeframe and similarities in product offerings when selecting precedent transactions
- Public markets have an established understanding of luxury goods companies and their valuation nuances, and trading comps establish the market's price point for MJ in comparison to peers

Pros & Cons

✓ Precedent transaction multiples are time sensitive and reflect market sentiment of the time period of the transaction

✓ Trading comps provide a useful way to assess market assumptions of fundamental characteristics baked into valuations

x M&A deals can be unique in specific processes with many factors influencing valuation

x Trading comps are heavily influenced by market dynamics and other non-fundamental factors

Intrinsic (DCF Analysis)

- Given comprehensive guidance from management, intrinsic valuation might lead to a more appropriate valuation methodology but is heavily dependent on the accuracy of management's guidance
- MJ's business post bankruptcy is very moldable to management's decision making, therefore intrinsic valuation in combination with management guidance reflects more accurate insight
- Due to the cyclical nature of the luxury fashion industry, the DCF's ability to perform a sensitivity analysis is advantageous

Pros & Cons

✓ A DCF provides a thorough approach to valuation by accounting for profitability, growth, capital structure, and discount rate

✓ Reliance on free cash flow as opposed to accounting figures provides a better measure of intrinsic value

x Valuation range is highly sensitive to forecasts and assumptions set by management which can be hard to predict

x The terminal value represents a large portion of total value at times

Conclusion

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MJ Valuation

- MJ should be valued at $400MM to $450MM based on a discounted cash flow, trading comps, and precedent transaction methodology

Sale to a Strategic Buyer

- Sale to a strategic buyer yields a higher valuation due to greater operational efficiency than can be achieved by a financial buyer
- Furthermore, a strategic buyer would maintain lower leverage, therefore, achieving the purpose of the restructuring

Pricing Strategy

- MJ should not develop a lower price point line due to brand dilution and margin compression

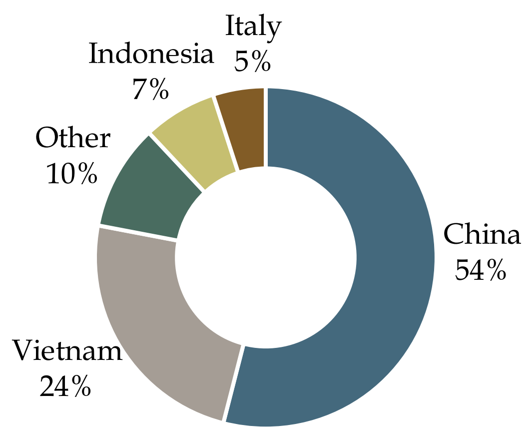
Appendix

Industry Overview
SWOT Analysis: *Trade War*

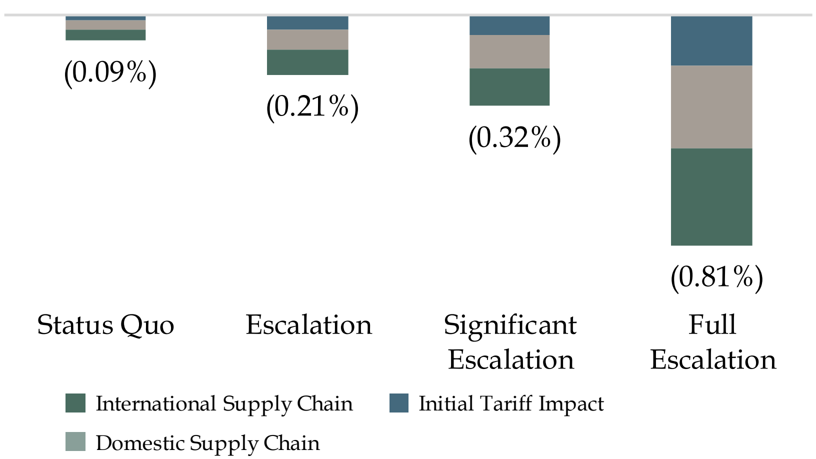
Effects of trade war on MJ's manufacturing processes has the potential to significantly impact gross margins in the event of political tension escalation.

- Since footwear manufacturing, especially high-end products, is very labor intensive, the shoe industry relies heavily on international trade and outsourcing
- Many high-end fashion brands have invested heavily and chosen to establish their specialized manufacturing processes in China
    - There are limited economical outsourcing opportunities for high-end shoe manufacturing outside of China
- The US-China trade war poses a definite risk to the high-end shoe industry and its supply chain

U.S. Shoe Imports by Country [1]



Estimated Trade War Impact on Global GDP [2]



[1] Data from USITC [2] Data from Morgan Stanley Research estimates

Appendix
Scenario I Analysis : Growth Rates & Margins

Growth Rates and Margins	2017	2018	2019	2020	2021	2022
Revenue Metrics						
Domestic Stores Revenue as a % of Total Revenue	60.2%	60.5%	58.2%	57.9%	57.4%	57.4%
International Stores Revenue as a % of Total Revenue	6.8%	5.9%	5.8%	5.6%	5.5%	5.5%
Department Stores Revenue as a % of Total Revenue	29.7%	30.1%	32.1%	32.3%	32.6%	32.4%
Online Revenue as a % of Total Revenue	3.3%	3.6%	3.9%	4.1%	4.4%	4.7%
Cost Metrics						
Gross Margin	57.6%	57.9%	63.0%	65.0%	67.0%	68.0%
Sales & Marketing as a % of Total Revenue	45.1%	44.2%	39.3%	38.1%	37.1%	36.3%
Depreciation as a % of Total Revenue	2.6%	2.6%	2.5%	2.5%	2.5%	2.5%
EBITDA Margin	12.5%	13.6%	22.9%	26.9%	29.9%	31.7%
EBIT Margin	10.0%	11.1%	20.4%	24.3%	27.4%	29.2%
Store Metrics						
Domestic Store Count	92	89	79	79	79	79
Domestic Stores Revenue per Store	*$ 1,264*	*$ 1,326*	*$ 1,497*	*$ 1,558*	*$ 1,622*	*$ 1,705*
International Store Count	12	10	10	10	10	10
International Stores Revenue per Store	*$ 1,095*	*$ 1,153*	*$ 1,176*	*$ 1,200*	*$ 1,236*	*$ 1,285*
Additional Information						
Capital Expenditures	$ 3,313	$ 3,161	$ 4,872	$ 5,100	$ 5,132	$ 5,395
Capital Expenditures as a % of Total Revenue	1.7%	1.6%	2.4%	2.4%	2.3%	2.3%
Growth Trends						
Domestic Stores	-1.4%	1.5%	0.2%	4.1%	4.1%	5.1%
International Stores	-9.9%	-12.3%	2.0%	2.0%	3.0%	4.0%
Department Stores	0.4%	2.2%	11.0%	5.4%	6.1%	4.4%
Online	6.8%	9.9%	12.0%	12.0%	12.0%	12.0%
Total Revenue	**-1.3%**	**1.0%**	**4.0%**	**4.7%**	**5.0%**	**5.1%**
Cost of Goods Sold	-2.4%	0.3%	-8.7%	-1.0%	-1.0%	1.9%
SG&A	-2.1%	-0.8%	-7.6%	1.5%	2.0%	3.0%
Total Costs	**-2.3%**	**-0.2%**	**-8.1%**	**0.3%**	**0.6%**	**2.5%**
EBITDA	6.5%	10.0%	74.9%	22.7%	17.0%	11.3%
EBIT	8.6%	12.4%	91.4%	25.1%	18.3%	11.9%

Appendix
Scenario I Analysis : Revenue & Cost Builds

Scenario Assumptions						
Fiscal Year	**2017A**	**2018A**	**2019P**	**2020P**	**2021P**	**2022P**
Fiscal Year End Date	*12/31/17*	*12/31/18*	*12/31/19*	*12/31/20*	*12/31/21*	*12/31/22*
Domestic Revenue						
Domestic Stores Management Planned Revenue	116,330	118,051	121,593	126,457	131,515	138,091
Store Closing Impact			(3,250)	(3,250)	(3,250)	(3,250)
Cumulative Loss of Growth of Compounding from Store Closures			(98)	(231)	(371)	(552)
Annual Loss of Compounding Growth from Store Closures			(98)	(134)	(139)	(181)
Domestic Store Revenue Growth Rates - In Line with Management			3.0%	4.0%	4.0%	5.0%
Assumed Post Store Closing Domestic Revenue			118,246	123,073	128,126	134,660
Implied Scenario I Domestic Growth Rate			0.2%	4.1%	4.1%	5.1%
International Revenue						
International Revenue - In Line with Management Projections	13,140	11,530	11,761	11,996	12,356	12,851
Implied Scenario I International Growth Rate			2.0%	2.0%	3.0%	4.0%
Department Revenue						
Department Stores Management Projected Revenue	57,435	58,699	60,166	61,670	63,828	66,063
Total Department Synergies Realized			5,000	7,000	9,000	10,000
Department Revenue Synergies Annualized Annually			5,000	2,000	2,000	1,000
Department Stores Revenue Growth Rates - In Line with Management			2.5%	2.5%	3.5%	3.5%
Synergy Impacted Department Stores Revenue			65,166	68,670	72,828	76,063
Implied Scenario I Department Growth Rate			11.0%	5.4%	6.1%	4.4%
Online Revenue						
Online Management Planned Revenue	6,367	6,997	7,836	8,777	9,830	11,010
Implied Scenario I Online Revenue Growth Rate			12.0%	12.0%	12.0%	12.0%
Cost of Goods Sold						
Scenario I Gross Margin - In Line with Industry by 2022	57.6%	57.9%	63.0%	65.0%	67.0%	68.0%
Sales & Marketing						
Scenario I Projected Revenue	193,272	195,278	203,009	212,516	223,140	234,583
Management Predicted SG&A Margins	45.1%	44.2%	43.8%	42.4%	41.1%	40.1%
Annual Store Closing Savings	--	--	4,000	4,000	4,000	4,000
Store Savings as a % of Revenue	--	--	2.0%	1.9%	1.8%	1.7%
Backoffice Synergies	--	--	5,000	5,000	5,000	5,000
Backoffice Synergies as a % of Revenue			2.5%	2.4%	2.2%	2.1%
Scenario II Impacted SG&A Margin			39.3%	38.1%	37.1%	36.3%
Depreciation						
Depreciation as a % of Revenue - In Line with Management Plan			2.5%	2.5%	2.5%	2.5%

Appendix
Scenario II Analysis : Growth Rates & Margins

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Growth Rates and Margins	2017	2018	2019	2020	2021	2022
Revenue Metrics						
Domestic Stores Revenue as a % of Total Revenue	60.2%	60.5%	57.9%	54.4%	47.6%	40.4%
International Stores Revenue as a % of Total Revenue	6.8%	5.9%	5.8%	5.3%	4.6%	3.9%
Department Stores Revenue as a % of Total Revenue	29.7%	30.1%	29.5%	27.3%	23.7%	19.8%
Online Revenue as a % of Total Revenue	3.3%	3.6%	6.9%	13.0%	24.0%	36.0%
Cost Metrics						
Gross Margin	57.6%	57.9%	58.0%	58.0%	58.0%	58.0%
Sales & Marketing as a % of Total Revenue	45.1%	44.2%	41.2%	40.4%	39.7%	39.0%
Depreciation as a % of Total Revenue	2.6%	2.6%	2.5%	2.5%	2.5%	2.5%
EBITDA Margin	12.5%	13.6%	16.0%	17.6%	18.3%	19.0%
EBIT Margin	10.0%	11.1%	13.5%	15.0%	15.8%	16.5%
Store Metrics						
Domestic Store Count	92	89	79	79	79	79
Domestic Stores Revenue per Store	*$ 1,264*	*$ 1,326*	*$ 1,497*	*$ 1,558*	*$ 1,622*	*$ 1,705*
International Store Count	12	10	10	10	10	10
International Stores Revenue per Store	*$ 1,095*	*$ 1,153*	*$ 1,176*	*$ 1,200*	*$ 1,236*	*$ 1,285*
Additional Information						
Capital Expenditures	$ 3,313	$ 3,161	$ 4,900	$ 5,427	$ 6,186	$ 7,671
Capital Expenditures as a % of Total Revenue	1.7%	1.6%	2.4%	2.4%	2.3%	2.3%
Growth Trends						
Domestic Stores	-1.4%	1.5%	0.2%	4.1%	4.1%	5.1%
International Stores	-9.9%	-12.3%	2.0%	2.0%	3.0%	4.0%
Department Stores	0.4%	2.2%	2.5%	2.5%	3.5%	3.5%
Online	6.8%	9.9%	100.0%	110.0%	120.0%	85.5%
Total Revenue	**-1.3%**	**1.0%**	**4.6%**	**10.8%**	**18.9%**	**24.0%**
Cost of Goods Sold	-2.4%	0.3%	4.2%	10.8%	18.9%	24.0%
SG&A	-2.1%	-0.8%	-2.6%	8.6%	16.8%	21.8%
Total Costs	**-2.3%**	**-0.2%**	**0.8%**	**9.7%**	**17.9%**	**22.9%**
EBITDA	6.5%	10.0%	23.0%	21.4%	23.8%	28.8%
EBIT	8.6%	12.4%	27.3%	23.6%	24.7%	29.7%

Appendix
Scenario II Analysis : Revenue & Cost Builds

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Scenario Assumptions						
Fiscal Year	**2017A**	**2018A**	**2019P**	**2020P**	**2021P**	**2022P**
Fiscal Year End Date	*12/31/17*	*12/31/18*	*12/31/19*	*12/31/20*	*12/31/21*	*12/31/22*
Domestic Revenue						
Domestic Stores Management Planned Revenue	116,330	118,051	121,593	126,457	131,515	138,091
Store Closing Impact			(3,250)	(3,250)	(3,250)	(3,250)
Cumulative Loss of Growth of Compounding from Store Closures			(98)	(231)	(371)	(552)
Annual Loss of Compounding Growth from Store Closures			(98)	(134)	(139)	(181)
Domestic Store Revenue Growth Rates - In Line with Management			3.0%	4.0%	4.0%	5.0%
Assumed Post Store Closing Domestic Revenue			118,246	123,073	128,126	134,660
Implied Scenario II Domestic Revenue Growth Rate			0.2%	4.1%	4.1%	5.1%
International Revenue						
International Revenue - In Line with Management Projections	13,140	11,530	11,761	11,996	12,356	12,851
Implied Scenario II International Growth Rate			2.0%	2.0%	3.0%	4.0%
Department Revenue						
Department Revenue - In Line with Management Projections	57,435	58,699	60,166	61,670	63,828	66,063
Implied Scenario II Department Growth Rate			2.5%	2.5%	3.5%	3.5%
Online Revenue						
Online Management Planned Revenue	6,367	6,997	7,836	8,777	9,830	11,010
Scenario II Impacted Revenue			13,994	29,388	64,653	119,932
Implied Growth Rate			100.0%	110.0%	120.0%	85.5%
Cost of Goods Sold						
Scenario II Gross Margin - In Line with 2018	57.6%	57.9%	58.0%	58.0%	58.0%	58.0%
Sales & Marketing						
Scenario II Projected Revenue	193,272	195,278	204,167	226,127	268,963	333,505
Economies of Scale Impacted SG&A Margin	45.1%	44.2%	43.2%	42.2%	41.2%	40.2%
Annual Store Closing Savings	--	--	4,000	4,000	4,000	4,000
Store Savings as a % of Revenue	--	--	2.0%	1.8%	1.5%	1.2%
Scenario II Impacted SG&A Margin			41.2%	40.4%	39.7%	39.0%
Depreciation						
Depreciation as a % of Revenue - In Line with Management Plan			2.5%	2.5%	2.5%	2.5%

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Scenario I Analysis

Enterprise Value

		Long term growth rate (g):				
	$436,118	1.3%	1.8%	2.3%	2.8%	3.3%
WACC:	15.2%	349,178	358,671	368,900	379,955	391,940
	14.2%	376,116	387,415	399,664	412,990	427,539
	13.2%	407,623	421,244	436,118	452,423	470,378
	12.2%	444,960	461,631	479,989	500,303	522,903
	11.2%	489,898	510,672	533,784	559,652	588,801

Enterprise Value

		Exit EBITDA Multiple				
	$447,213	6.0x	6.5x	7.0x	7.5x	8.0x
WACC:	13.8%	394,883	417,065	439,247	461,429	483,611
	13.7%	396,041	418,301	440,561	462,821	485,081
	13.2%	401,901	424,557	447,213	469,869	492,525
	12.7%	407,885	430,946	454,007	477,067	500,128
	12.2%	413,997	437,472	460,946	484,421	507,895

Enterprise Value

		Exit EBITDA Multiple			
EBITDA % of plan	$447,213	6.0x	6.5x	7.0x	7.5x
70%	52,055	320,340	336,199	352,058	367,917
85%	63,209	361,120	380,378	399,635	418,893
100%	74,364	401,901	424,557	447,213	469,869
115%	85,518	442,682	468,736	494,790	520,844
130%	96,673	483,462	512,915	542,367	571,820

Scenario II Analysis

Enterprise Value

		Long term growth rate (g):				
	$311,401	1.3%	1.8%	2.3%	2.8%	3.3%
WACC:	15.2%	246,678	253,768	261,408	269,665	278,617
	14.2%	266,693	275,132	284,281	294,234	305,101
	13.2%	290,118	300,292	311,401	323,579	336,990
	12.2%	317,894	330,346	344,057	359,230	376,110
	11.2%	351,345	366,861	384,123	403,444	425,216

Enterprise Value

		Exit EBITDA Multiple				
	$353,050	6.0x	6.5x	7.0x	7.5x	8.0x
WACC:	13.8%	308,665	327,566	346,467	365,367	384,268
	13.7%	309,618	328,585	347,552	366,520	385,487
	13.2%	314,440	333,745	353,050	372,354	391,659
	12.7%	319,366	339,016	358,665	378,315	397,964
	12.2%	324,398	344,400	364,402	384,405	404,407

Enterprise Value

		Exit EBITDA Multiple			
EBITDA % of plan	$353,050	6.0x	6.5x	7.0x	7.5x
70%	44,355	244,944	258,457	271,970	285,484
85%	53,859	279,692	296,101	312,510	328,919
100%	63,364	314,440	333,745	353,050	372,354
115%	72,869	349,189	371,389	393,589	415,790

Note: Highlighted numbers are those that do not provide full return to debt holders

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Default Risk Spread [1]

Interest Coverage Ratio	Credit Rating	Spread [2]
0.00 – 0.49	D2/D	19.38%
0.50 – 0.79	C2/C	14.54%
0.80 -1.24	Ca2/CC	11.08%
1.25 – 1.49	Caa/CCC	9.00%
1.50 – 1.99	B3/B-	6.60%
2.00 – 2.49	B2/B	5.40%
2.50 – 2.99	B1/B+	4.50%
3.00 – 3.49	Ba2/BB	3.60%
3.50 – 3.99	Ba1/BB+	3.00%
4.00 – 4.49	Baa2/BBB	2.00%
4.50 – 5.99	A3/A-	1.56%
6.00 – 7.49	A2/A	1.38%
7.50 – 9.49	A1/A+	1.25%
9.50 – 12.49	Aa2/AA	1.00%
≥12.5	Aaa/AAA	0.75%

Synthetic Rating Estimation

- Several assumptions must be made since historical interest expense information is not given
- We estimate that Maison Jacquelyn would be able to raise debt at a cost similar to Ba1/BB+ rated companies
- BB+ is one of the lower credit ratings given to a prospective borrower by a ratings agency, is generally not of investment grade, and suggests a company or government faces significant uncertainties and may be exposed to adverse economic conditions [3]
- The Company's distressed history would indicate a higher cost of debt; however, because their capital structure, based on their peers, is primarily equity, cost of debt has little impact on their WACC

WACC Sensitivity Analysis

	After-Tax Cost of Debt				
13.2%	3.1%	3.6%	4.1%	4.6%	5.1%
15.7%	15.0%	15.1%	15.1%	15.1%	15.1%
14.7%	14.1%	14.1%	14.1%	14.2%	14.2%
13.7%	13.1%	13.2%	13.2%	13.2%	13.2%
12.7%	12.2%	12.2%	12.2%	12.3%	12.3%
11.7%	11.2%	11.3%	11.3%	11.3%	11.3%

Cost of Equity

[1] NYU Stern Business School [2] Spread over normalized risk-free rate of 3% [3] Capital.com

Appendix
NWC Assumptions

General Assumptions

- NWC for 2018 was calculated by subtracting current liabilities (excluding Current Portion of Debt) from current assets (excluding Cash & Cash Equivalents)
- Current assets includes Accounts Receivable, Inventories, and Other Current Assets
- Current liabilities includes Accounts Payable, Accrued Expenses, and Other Current Liabilities
- 2018 NWC as a % of Sales was 14.2% and was used as a base assumption for MJ's working capital needs

Scenario I NWC Assumptions

NWC Assumptions					
Fiscal Year	**2018A**	**2019P**	**2020P**	**2021P**	**2022P**
Fiscal Year End Date	*12/31/18*	*12/31/19*	*12/31/20*	*12/31/21*	*12/31/22*
NWC	27,777	28,421	29,752	31,240	32,842
NWC as a % of Revenue	14.2%	14.0%	14.0%	14.0%	14.0%
YOY Change		644	1,331	1,487	1,602

- NWC for Scenario I was assumed to remain in line with 2018 as the segment breakdown of sales remains consistent
- We assumed NWC would remain ~14% of total revenue

Scenario II NWC Assumptions

NWC Assumptions					
Fiscal Year	**2018A**	**2019P**	**2020P**	**2021P**	**2022P**
Fiscal Year End Date	*12/31/18*	*12/31/19*	*12/31/20*	*12/31/21*	*12/31/22*
NWC	27,777	28,583	29,397	32,276	36,686
NWC as a % of Revenue	14.2%	14.0%	13.0%	12.0%	11.0%
YOY Change		806	813	2,879	4,410

- We assumed a gradual stepdown in NWC as a % of revenue to account for the fact that majority of growth comes from online (stepping down from 14% margin in 2019 to 11% in 2022), which will require less current assets / inventory

Appendix
Implied Multiples & Growth Rates

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Scenario I Assumptions

Perpetuity Approach	
FCF in Last Forecast Period	50,239
FCF^{t+1}	51,395
Long term growth rate (g)	2.3%
Terminal value	502,338
Present value of terminal value	306,087
Present value of stage 1 cash flows	121,406
Enterprise value	**427,493**
Implied TV exit EBITDA multiple	*6.755x*

- **Growth Rate:** Management assumes the company will grow in perpetuity at the rate of inflation. Pulled IMF's projection for inflation in Western Europe to estimate what MJ's long-term growth would be
- **Implied TV exit EBITDA multiple:** The DCF with a growth rate of 2.3% gave an implied exit EBITDA multiple of 6.8x, which is justified given MJ's private status, small cap nature, limited geographic reach, and inconsistent profit history
- This enterprise value yields an implied EV/ LTM EBITDA of 16.0x, EV/ FY+1 EBITDA of 9.2x, and EV/ FY+2 EBITDA of 7.5x, which is in line with precedent transactions

Scenario II Assumptions

Perpetuity Approach	
FCF in Last Forecast Period	37,524
FCF^{t+1}	38,387
Long term growth rate (g)	2.3%
Terminal value	375,195
Present value of terminal value	228,615
Present value of stage 1 cash flows	82,785
Enterprise value	**311,401**
Implied TV exit EBITDA multiple	*5.921x*

- **Growth Rate:** Management assumes the company will grow in perpetuity at the rate of inflation. Pulled IMF's projection for inflation in Western Europe to estimate what MJ's long-term growth would be
- **Implied TV exit EBITDA multiple:** The DCF with a growth rate of 2.3% gave an implied exit EBITDA multiple of 5.9x, which is justified given MJ's private status, small cap nature, limited geographic reach, inconsistent profit history, and lower profitability vs. Scenario I
- This enterprise value yields an implied EV/LTM EBITDA of 11.7x, EV/ FY+1 EBITDA of 11.3x, and EV/ FY+2 EBITDA of 7.8x

Appendix
Tax Rate & Size Premium Assumptions

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French Corporate Tax Rate – KPMG

FY Opened From	Profit Range	Corporate Income Tax Rate	
January 1st, 2019	€0 - €500,000		28.0%
	Over €500,000	Revenue < €250 million	31.0%
		Revenue > €250 million	31.3%
January 1st, 2020	All	Revenue < €250 million	28.0%
	€0 - €500,000	Revenue > €250 million	28.0%
	Over €500,000		31.0%
January 1st, 2021	All	Revenue < €250 million	26.5%
		Revenue > €250 million	27.5%
Junary 1st, 2022	All		25.0%

WACC Tax Rate

Duff & Phelps Size Premiums

Decile	Market Value of Equity	Size Premium
1	$1,073,391	-0.30%
2	$29,023	0.52%
3	$13,456	0.81%
4	$7,254	0.85%
5	$4,504	1.28%
6	$2,992	1.50%
7	$1,960	1.58%
8	$1,292	1.80%
9	$728	2.46%
10	$322	5.22%

Selected Size Premium

Appendix
Trading Comparables

Maison Jacquelyn

Company	HQ	EV ($m)	Revenue ($m) *% EBITDA Margin*	Select Brands	Commentary
LVMH MOËT HENNESSY . LOUIS VUITTON	Paris, France	$158,374	$53,766 *26%*	Louis Vuitton, Fendi, Bulgari, Loro Piana, Marc Jacobs	Multinational luxury goods conglomerate with some of the largest brands in the luxury shoe market
KERING	Paris, France	$62,392	$15,690 *31%*	Gucci, Bottega Veneta, Saint Laurent, Balenciaga	Owns several of the most prolific brands in the luxury shoe market
HERMÈS PARIS	Paris, France	$56,115	$6,850 *43%*	Hermes, John Lobb	Established global brand and major player in the luxury goods industry
PRADA	Milan, Italy	$8,545	$3,608 *17%*	Prada, Miu Miu, Church's, Car Shoe	Wide product offering within the luxury goods market, but with a heightened focus on shoes
BOSS HUGO BOSS	Metzingen, Germany	$4,270	$3,210 *17%*	BOSS, HUGO	Concentrated geographic market with Europe representing 62% of sales
Salvatore Ferragamo	Florence, Italy	$3,259	$1,546 *16%*	Salvatore Ferragamo	Extensive brand integration with celebrities and influencers
BRUNELLO CUCINELLI	Corciano, Italy	$2,376	$635 *17%*	Brunello Cucinelli	Brand image of deeply rooted moral values and craftsmanship
TOD'S	Marche, Italy	$1,654	$1,080 *13%*	Tod's, Hogan, Fay, Roger Vivier	Shoe sales represent majority of the business

Financial Information as of 12/31/2018