Global Fashion & Luxury market
Private Equity and investors survey 2016
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Executive summary

Global Fashion & Luxury market: Private Equity and Investors Outlook 2016

- The “Global Fashion & Luxury Market: Private Equity and Investors Outlook 2016” survey conducted by Deloitte Financial Advisory analyzes the main trends that, according to the interviewed investors, are expected to characterize the performance of this industry in 2016.
- In general, prospects are very good for players in the Fashion & Luxury market; as a matter of fact, also merger & acquisition deals show signs of recovery in all areas of the luxury goods industry that have been considered.

Global Fashion & Luxury market: Key market trends

- In 2015, sales in the Luxury market reached US$ 1.2 trillion, growing by 14.8% (+5% at constant rates) over the last year mainly thanks to the Hotels and Cars sectors.
- The Personal Luxury Goods sector, which accounts for 28.2% of the total market, has grown by 12.9% (2.0% at constant rates).
- The average turnover of Fashion and Luxury companies is US$ 3.6 billion, excluding the Car sector (avg. US$ ~33 billion).
- Players in the Personal Luxury Goods sector record average sales of around US$ 5 billion per year.
- The Personal Luxury Goods sector is the best performing area of the Fashion & Luxury industry: its average margins account for 22.5% of sales compared to an average performance of 17.3% in Fashion & Luxury. The worst-faring companies are those operating in the Yachts sector as their margins are far below the general average (~2.5%).
- In 2016, the four main trends that characterize this sector and are impacting on the evolution of the reference industry are as follows: digital revolution, craftsmanship, contemporary fashion, and consolidation of the new fashion capitals.
- The positive performance of the Apparel & Accessories sector is driven by Shoes segment as well as by the stable growth of Ready-to-Wear goods. The factors that negatively impact on the sector performance are the drop in Leather Goods sales, the increasingly strong competitive pressure of Premium Fashion Brands and a slowdown in the expansion of the Retail channel.
- Luxury jewelry is the best performing sector in the Fashion & Luxury industry as a result of a growing interest of high-worth consumers and thanks to the positive performance achieved in the Branded Jewelry segment, which offset the drop in sales recorded in the Watches segment.
- The Cosmetics & Fragrances sector is growing, mainly thanks to the development of cosmetics in the Make-up category, especially for the High-End segment. The Fragrances sector is characterized by a positive trend driven by increasing prices.
- The Automotive industry is showing signs of recovery; this phenomenon is particularly evident in North America and Western Europe and is linked to the expansion of the High-End segment which takes away significant market shares from the Premium segment. The recent economic and financial turbulence has slowed down the development of the Asian and Russian markets.
- The demand for Luxury accommodation is growing in Europe, especially in large cities.
- Performance is stable in the Furniture sector, as it is driven by the European market performance. Growth opportunities have been identified in the Asia-Pacific area and in the Middle-East, where global players are scarcely present.
- The Private long-range Jets segment is expanding. The North American market is recording the best results in this segment.
- The demand for new Yachts is showing a slight increase; the segment of custom-built yachts is growing and the American market is showing signs of recovery. The high-performance yacht segment is still suffering; yacht demand shows a limited penetration, especially in emerging markets.
- A positive performance is expected for Luxury Cruise sector, driven by an increase in production capacity in 2016.
Fashion & Luxury M&A deals in 2015

• In 2015, around 141 M&A deals focused on the larger Fashion & Luxury industry were carried out, of which 48% (67 deals) were finalized in the Personal Luxury goods sector.

• The sectors that recorded the highest number of deals are: Hotels (51), Apparel & Accessories (33), Cosmetics & Fragrances (19) and Watches & Jewelry (15). The remaining 23 transactions took place in the Yachts & Private Jets and Furniture sectors.

• In 2015, 47% of the finalized deals had an average value below US$ 100 million, whereas it exceeded US$ 500 million in 18% of cases. The average value per transaction was US$ 426 million.

• The largest transactions – value above US$ 500 million – were finalized in the Private Jets, Hotels and Cosmetics & Fragrances sectors. The average value per transaction in the Personal Luxury Goods sector was US$ 278 million.

• 81 deals (57%) were finalized in Europe, mainly in the Apparel & Accessories (27 deals) and Hotels (24 deals) sectors. 35 transactions (25%) were carried out in North America, of which 13 in the Hotels sector. 13 transactions (9%) were finalized in the Asia Pacific region, of which 6 in the Hotels sector and 5 in the Watches & Jewelry sector.

• In 2015, around 70% of the acquired companies recorded sales below US$ 100 million, whereas 10% recorded sales above US$ 500 million.

• The average sales of the companies acquired in 2015 amounted to US$ 425 million. The largest players operated in the Apparel & Accessories (avg US$ 663 million) and Hotels (avg US$ 572 million) sectors, whereas the target companies operating in the Furniture and Yachts sectors were smaller (avg US$ 67 million and US$ 34 million, respectively).

• In 2015, 50% of the deals were executed by Financial Investors, who are generally more inclined to invest in the Personal Luxury Goods sector; the remaining half of deals were carried out by strategic investors operating in the Apparel & Accessories, Fragrance & Cosmetics, Hotels and Yachts sectors and more interested in consolidating their position in their respective sectors.

• In 2015, 66% of exits were carried out by Strategic Sellers who sold their business to investment funds; Financial Sellers finalized 64% of transactions with strategic investors.

• The main strategies adopted by Financial Bidders were Growth Capital (49%) and Buyout (64%) strategies, whereas Business Consolidation strategies (used in 6.6% of all transactions) were adopted almost exclusively by Strategic Investors.

• Overall, 77% of all finalized transactions resulted in the acquisition of a majority stake in the target company.

• 35% of the finalized deals achieved a 15x EBITDA multiple, mostly in the Hotels sector (driven also by the presence of property assets), whereas 20% of the deals achieved a 5-10x EBITDA multiple.
Fashion & Luxury Private Equity and
Investors Outlook 2016

• Around 60% of investors maintain they own assets in the Fashion & Luxury industry characterized by a majority stake and an average duration generally below 5 years.

• In 2015, the main strategies developed to support the creation of economic value from owned Fashion & Luxury assets were as follows:
  – development of new distribution channels - 60%;
  – penetration of new geographical markets - 51%;
  – improvement of operational performance through actions to increase efficiency - 37%;
  – development of new products - 29%.

• 44% of investors foresee at least one exit from their F&L portfolio in 2016, mainly driven by the opportunity to achieve high returns on the investment made.

• 53% of all respondents forecast an increase of over 5% (of which 15% with double-digit growth) in the Fashion & Luxury market in 2016, driven by the positive trends predicted in the following sectors: Cosmetics & Fragrances (on the increase according to 69% of investors), Furniture (60% of investors), Apparel & Accessories (59%), Cars (54%):
  – the sectors which attract the highest percentage of negative forecasts – although they are fewer than positive forecasts – are as follows: Yachts (25% predicting a decrease vs 30% predicting an increase), Private Jets (22% - decrease vs 39% - increase), Cruises (21% - decrease vs 41% - increase) and Selective Retailing (21% - decrease vs 69% - increase);
  – investors with assets in the F&L industry have better expectations, compared to potential investors who do not own F&L assets, as regards the Cosmetic & Fragrances and the Apparel & Accessories sectors.

• The geographies where investors expect growth in 2016 are the Asia-Pacific region (excluding Japan), the Middle East and North America, whereas Europe should remain stable. Investors forecast a negative trend for Latin America and Japan.

• In 2016, 76% of respondents plan to make at least one investment in the Fashion & Luxury industry, more specifically in the following sectors: Apparel & Accessories (75%), Cosmetics & Fragrances (48%), Furniture (39%).

• Investors interested in F&L maintain:
  – in 72% of cases, that they intend to acquire target companies with a turnover below US$ 100 million; 10% of investors plan on investing in companies with sales above US$ 500 million;
  – that they intend to carry out new transactions in this industry through Expansion Capital strategies (63%), Leverage buy-out strategies (61%) and Management buy-out strategies (54%), mainly acquiring a majority stake in the target organization;
  – that they intend to fund the investment using mainly senior debt (80%).

• The average return expected from investments in the Fashion & Luxury industry is very high; 70% of respondents expect investments to have an IRR exceeding 20%. The Personal Luxury Goods sectors are considered as the most profitable ones by investors, as confirmed by the business performance of the companies analyzed.

• The highest returns are expected from large-sized organizations; as a matter of fact, around 35% of investors expecting an IRR above 20% plan on acquiring companies with sales above US$ 100 million.
Methodological approach

<table>
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<th>Key market trends</th>
<th>M&amp;A deal monitor</th>
<th>PE &amp; investors survey</th>
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<td>Size of global market in 2015</td>
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<td></td>
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Main contents

- Size of global market in 2015
- Analysis of market trends by sector
- State of the market in 1Q 2016
- 2016 market outlook
- Analysis of the current portfolio of assets operating in the reference market
- Analysis of the main guidelines implemented with reference to the existing portfolio to create economic value
- Analysis of the exit strategies forecasted for 2016
- Outlook and investment strategies for 2016

Sources

- Altagamma Foundation
- Merger Market
- Online survey based on CAWI (Computer Assisted Web Interviewing)
- Annual financial report and presentation of major players
- Thomson M&A
- Interviews with executives operating in the PE sector
- Interviews with opinion leaders in the industry
- One Source
- Mint Global
- Company press releases

Geographical footprint

Primary data level

Sectors covered
Apparel & Accessories | Watches & Jewelry | Cosmetics & Fragrances | Cars | Hotels | Furniture | Private Jets | Yachts | Cruises

Market segments
The survey focuses on the «Premium» segments in the sector, defined on the basis of quantitative (e.g. price point) and qualitative (e.g. interviews with industry experts) parameters.
Global Luxury Market in 2015
In 2015, sales in the Luxury market reached US$ 1.2 trillion, growing by 14.8% (+5% at constant rates) over the last year mainly thanks to the Hotels and Cars sectors.

Key Fashion Business Trends in 2016
Four key trends are influencing the Fashion industry and consequently the strategic and operational choices of organizations.

<table>
<thead>
<tr>
<th>Key business trends</th>
<th>Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Digital Revolution</strong></td>
<td>The booming of digital is modifying companies’ distribution channels for the front-end market and business models for product development and supply chain.</td>
</tr>
<tr>
<td><strong>Craftsmanship</strong></td>
<td>The research of quality and exclusivity from end users encourages fashion luxury corporations to invest in craftsmanship, influencing production and design competencies and skills.</td>
</tr>
<tr>
<td><strong>Contemporary fashion</strong></td>
<td>The upsurge of “Contemporary Fashion” segment, represented by emerging designers launching their own start-ups.</td>
</tr>
<tr>
<td><strong>Fashion capitals</strong></td>
<td>The global growth of mature and emergent fashion capitals, driven by the economic growth of emerging markets, offering the possibility of geographical expansion to key players in the industry.</td>
</tr>
</tbody>
</table>
Global Luxury Market Outlook

Apparel & Accessories

Key attractions: This sector benefits from the positive trend of the «shoes» category, particularly in the US and China, which is driven by increasing consumer demand in the high-end market segment.

Stable growth in the Ready-to-Wear sector, driven by the by now consolidated performance of the Womenswear segment.

«Lifestyle» and «Iconic» brands are growing strongly and achieving positive results in all goods categories.

The off-price channel continues on its development path; it is used by industry players as a strategic tool to differentiate their offering based on different demand segments.

Key concerns: Leather Goods are losing market shares because of greater consumer loyalty volatility in the aspirational goods segment, which results from the sharp price increases recorded over the last few years. Increase in competitive pressure among Premium Fashion Brands in the High-End segment.

Expansion slowdown in the Retail sector. In many cases, players limit themselves to the acquisition of distribution networks managed through joint ventures in Asian markets.

Cars

Key attractions: Luxury Cars continue on their growth path, driven by progressive recovery in the automotive industry. The performance of the U.S. market and recovery in Western Europe stand out as particularly positive.

The high-end segment (2.2% of all automotive sales) is strongly expanding, driven by an extension of the range of products and services offered: new entry-level models (bridge categories) launched to take away market shares from premium players and greater customer service differentiation in order to maximize operating margins.

Key concerns: The Asian market is under scrutiny because of its unsatisfactory results, which are a direct consequence of economic and financial turbulence. The Russian market has still not been recovered.

Cosmetics & Fragrances

Key attractions: The ongoing development of the Make-up category drives growth in the Cosmetics sector, thus offsetting the poor performance of Skincare products. The positive trend in the Fragrances segment is supported by the good performance of the high-end segment; especially handcrafted products are on the increase.

What stands out is the expansion of Asian players - that take market shares away from large groups in the local markets - coupled with increasing demand, therefore attracting potential private capital investment.

Key concerns: Despite the significant role of promotional initiatives, the main growth driver in the Fragrances segment is represented by price increases in mature markets, which are somewhat resistant to product innovation.

Source: Data from Altagamma Worldwide Luxury Market Monitor.
Hotels

Key attractions: The European market is driving the sector’s performance, which is characterized by a significant increase in the demand for luxury accommodation in large cities.

Service differentiation according to different cultural and generational needs may represent a potential lever for business expansion in the future.

Key concerns: Declining performance in the United States and the Asian market, which is struggling to find a path towards sustainable development.

Competitive pressure is increasing in the sector as a result of the entry of new players and the emergence and consolidation of new online accommodation platforms, which are becoming more and more widespread in the high-end segment.

Private Jets

Key attractions: The long-range Jets segment (54% of the total market) is growing and drives the performance of the entire sector.

North America is the main market showing signs of strong expansion.

Key concerns: The performance of the small- and medium-sized Jets segment is stable.

Competitive pressure is increasing in strongly developing markets, especially in Emerging Countries.

Cruises

Key attractions: The increase in production capacity expected to take place in 2016, as a result of the delivery of new cruise ships, will be a key development driver for this sector.

In particular, the «slow cruises» - i.e. cruises on smaller ships offering alternative routes to larger ships - segment looks promising.

The expectations as to demographic and income trends support the growth expected in this sector.

Key concerns: Potential market risk associated with a failure to saturate the new capacity expected for 2016.

Furniture

Key attractions: This sector has a not yet fully exploited growth potential in the Asia-Pacific and Middle-East market.

The Living & Bedroom and Lighting categories are showing an interesting performance, whereas the Kitchens segment is recovering.

Key concerns: The performance of the entire sector is influenced by the by now stable trend in Europe, i.e. the major market worldwide.

Concentration in the European market is a potential risk factor for private capital investments.

Private Equity and investors survey 2016
Watches & Jewelry

**Key attractions:** Luxury Jewelry is the best performing sector as a result of:
- Growing interest from high-worth consumers who consider jewels, because of their intrinsic features, as an alternative investment to protect themselves against global economic and financial turbulence.
- The positive trend shown by branded jewelry and premium price products.
- The Expansion of jewelry retailers in the Asian market to the detriment of the lower-performing watch category.

**Key concerns:** The decrease in sales in the Watches segment is resulting in the accumulation of unsold stock, which is in turn determining a streamlining of distribution networks.

The appreciation of the Swiss franc is forcing top players in the Watches segment to reduce list prices, with an effect on economic performance.

Despite the still growing demand for precious stones, a deceleration has been observed in this market, in particular in the Asia-Pacific area.

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Yachts

**Key attractions:** Over the last 2 years, the market trend has indicated a slight recovery in the demand for new yachts.

Growth in the custom-built segment (recreational crafts over 50-60 mt) and in some niche segments (e.g. expedition craft segment).

The U.S. market is recovering after some years of stagnating demand.

**Key concerns:** The high-performance yacht segment is still suffering as a result of a demand shift mainly towards full-displacement or semi-displacement hulls.

The boating industry is characterized by a lower conversion rate in emerging markets resulting from the development of new consumption models (e.g. multi-ownership solutions, yachting club houses, etc.). Demand for yachts is limited compared to the potential market size.

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Source: Data from Altagamma Worldwide Luxury Market Monitor.
Business Performance Analysis: Scope of Top Players

The analysis of business performance in the Fashion & Luxury industry was conducted on a panel of 73 companies.

Panel of top players – breakdown by sector and geographical area (# ; %)

Break (%) 27.4% 8.2% 6.8% 11.0% 6.8% 13.7% 9.6% 13.7% 2.7%

Note: Consolidated data on the main corporate groups operating in the reference market are reported, segmented by business area. The collected data refer only to brands with a ‘premium’ market positioning. Source: Data from Altagamma Worldwide Luxury Market Monitor and company financial reports.

In order to analyze the business performance of the main players in the Fashion & Luxury industry, summary economic and financial data was collected from a panel of 73 companies. The panel has been selected considering the size of total revenues of each player and its representativeness in the analyzed sectors (covered market share). The organizations are mostly based in Europe and North America, but they generally have a global business scope.

Business Performance Analysis: Revenues of Top Players

F&L top players accounted for around 55% of the total market; Cars and Personal Luxury Goods made up 90% of the total revenues of F&L top players.

Total revenues of top players in 2014 – breakdown by sector (B$; %)

Break (%) 15.9% 9.2% 6.9% 59.1% 6.1% 0.6% 1.1% 0.8% 0.3% 100.0%
Top players MktShare (%) 51.5% 74.5% 65.3% 70.2% 16.9% 25.6% 44.4% 8.9% 96.8% 53.4%

Source: Data from Altagamma Worldwide Luxury Market Monitor and company financial reports.

In 2014, the total revenues recorded by the industry top players equaled around US$ 553 billion, of which 60% was represented by Luxury Cars and 32% by Personal Luxury Goods.

An analysis of the market shares held by the selected top players has highlighted the high level of concentration characterizing Fashion & Luxury sectors, where some organizations hold over 50% of the global market share. The Furniture sector appears to be highly fragmented.
Business Performance Analysis: Average Sales per Top Player

Average sales reported by Fashion & Luxury companies equaled US$ 3.6 billion, excluding the Cars sector (avg. US$ ~33 billion). Personal Luxury Goods players reported an average yearly turnover of around US$ 5 billion.

Average sales of F&L top players in 2014 – breakdown by sector (B$)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Average Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cars</td>
<td>32.7</td>
</tr>
<tr>
<td>Hotels</td>
<td>6.7</td>
</tr>
<tr>
<td>Cosmetics &amp; Fragrances</td>
<td>6.3</td>
</tr>
<tr>
<td>Watches &amp; Jewelry</td>
<td>5.1</td>
</tr>
<tr>
<td>Apparel &amp; Accessories</td>
<td>4.4</td>
</tr>
<tr>
<td>Private Jets</td>
<td>3.1</td>
</tr>
<tr>
<td>Yachts</td>
<td>0.6</td>
</tr>
<tr>
<td>Furniture</td>
<td>0.4</td>
</tr>
<tr>
<td>Cruises</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Profitability in Personal Luxury Goods companies was around 5 percentage points higher than the general Fashion & Luxury average. The best performing sectors were Apparel & Accessories (24.8%) and Watches & Jewelry (22.5%). Yacht shipyards reported margins that were clearly lower than those reached in the other sectors, with a 2.5% average operating profit.

Business Performance Analysis: Profit Pool of Top Players

Personal Luxury Goods were the most profitable industry sector, with margins averaging 22.5% of sales. The situation in the Yachts sector proved more difficult as players reported margins way below the general average (2.5%).

Average operating profit of F&L top players in 2014 – breakdown by sector (%)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Average Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel &amp; Accessories</td>
<td>24.8%</td>
</tr>
<tr>
<td>Watches &amp; Jewelry</td>
<td>22.5%</td>
</tr>
<tr>
<td>Cosmetics &amp; Fragrances</td>
<td>16.9%</td>
</tr>
<tr>
<td>Cars</td>
<td>13.9%</td>
</tr>
<tr>
<td>Hotels</td>
<td>13.9%</td>
</tr>
<tr>
<td>Cruises</td>
<td>12.4%</td>
</tr>
<tr>
<td>Private Jets</td>
<td>8.9%</td>
</tr>
<tr>
<td>Furniture</td>
<td>8.8%</td>
</tr>
<tr>
<td>Yachts</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

Key Findings

Fashion & Luxury top players reported a turnover of US$ 7.6 billion; the average figure was significantly influenced by the size of holdings in the Cars sector, where the average turnover was US$ 32.7 billion; if this sector is excluded, then the average drops to US$ 3.6 billion.

The companies operating in the Yachts, Furniture and Cruises sectors were generally small-sized (average sales around US$ 500 million). On average, companies in the Personal Luxury Goods sector had a turnover of around US$ 5 billion.

Source: Data from company financial reports.
Attractiveness of Fashion & Luxury Sectors

Apparel & Accessories and Watches & Jewelry are the top performing Fashion & Luxury sectors, both in terms of average turnover growth (+7.6%) and operating margins (24%). The Cars sector is recovering; strong growth in the Private Jets sector.

Source: Data from company financial reports.
M&A Deal Monitor 2015

Overview of global M&A deals in Fashion & Luxury - 2015

Overview by sector

- **Global**: 100% (141 deals)
- **Cosmetics & Fragrances**: 13% (19 deals)
- **Hotels**: 36% (51 deals)
- **Private jets**: 5% (7 deals)
- **Apparel & Accessories**: 23% (33 deals)
- **Watches & Jewelry**: 11% (15 deals)
- **Yachts**: 6% (9 deals)
- **Furniture**: 5% (7 deals)

Overview by geography

- **North America**: Cos&Fra 43% (35 deals)
  - 100% (29 deals)
  - 25% (11 deals)
  - 11% (4 deals)
  - Other (3 deals)

- **Europe**: Hotels 30% (81 deals)
  - 100% (56 deals)
  - 25% (21 deals)
  - 12% (10 deals)
  - Cos&Fra (5 deals)

- **Japan**: Hotels 33% (6 deals)
  - 100% (4 deals)
  - 33% (2 deals)
  - Cos&Fra (1 deal)

- **Rest of the World**: Yachts 25% (4 deals)
  - 100% (3 deals)
  - 25% (1 deal)

- **Middle East**: Furniture 50% (2 deals)
  - 100% (1 deal)
  - Other (1 deal)

- **Asia-Pacific**: Private jets 50% (13 deals)
  - 100% (11 deals)
  - 33% (4 deals)
  - Cos&Fra (3 deals)

Relevant deals in 2015

<table>
<thead>
<tr>
<th>Date</th>
<th>November</th>
<th>July</th>
<th>April</th>
<th>June</th>
<th>June</th>
<th>December</th>
<th>September</th>
<th>December</th>
<th>March</th>
<th>January</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target</strong></td>
<td>Starwood hotels</td>
<td>P&amp;G</td>
<td>Corin Ltd</td>
<td>Center Parcs</td>
<td>Douglas Holding</td>
<td>FRHI Hotels</td>
<td>Landmark aviation</td>
<td>Pepe Jeans</td>
<td>Hypermarcas</td>
<td>The Net-A-Porter Group Ltd</td>
</tr>
<tr>
<td><strong>Bidder</strong></td>
<td>Marriott Intern.</td>
<td>Coty</td>
<td>Constellation Hotels</td>
<td>Brookfield partners</td>
<td>CVC</td>
<td>Accor</td>
<td>BBA aviation</td>
<td>M1 Group</td>
<td>Coty</td>
<td>YOOX SpA</td>
</tr>
<tr>
<td><strong>Value (B$)</strong></td>
<td>–12</td>
<td>–12</td>
<td>–4.7</td>
<td>–3.7</td>
<td>–3</td>
<td>–3</td>
<td>–2</td>
<td>–1</td>
<td>–1</td>
<td>–0.8</td>
</tr>
</tbody>
</table>

Note: In the «Relevant deals in 2015» list are included both announced and closed deals.
Size of the Main M&A Deals

In 2015, the Fashion & Luxury industry recorded around 141 M&A deals globally, of which 48% focused on Personal Luxury Goods and 36% on the Hotels sector.

### Number of deals in 2015 – breakdown by sector (# ; %)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Luxury Goods</td>
<td>67</td>
</tr>
<tr>
<td>Apparel &amp; Accessories</td>
<td>19</td>
</tr>
<tr>
<td>Watches &amp; Jewelry</td>
<td>33</td>
</tr>
<tr>
<td>Cosmetics &amp; Fragrances</td>
<td>51</td>
</tr>
<tr>
<td>Yachts</td>
<td>7</td>
</tr>
<tr>
<td>Private Jets</td>
<td>7</td>
</tr>
<tr>
<td>Furniture</td>
<td>67</td>
</tr>
<tr>
<td>Hotels</td>
<td>141</td>
</tr>
<tr>
<td>Other Luxury markets</td>
<td>74</td>
</tr>
<tr>
<td>Total Fashion &amp; Luxury</td>
<td>141</td>
</tr>
</tbody>
</table>

Note: The analysis includes the main M&A deals finalized in the Fashion & Luxury industry during 2015, excluding IPOs; the analysis takes into consideration also transactions aimed at acquiring players in the Fashion & Luxury value chain as strategic suppliers and selective retailers; (1) The analysis does not include deals having the purchase of tangible assets (real estate) as sole purpose.

Source: Data from Merger Market, Thomson M&A, One Source, Mint Global and company press releases.

### Key Findings

During 2015, around 141 M&A transactions focused on the larger Fashion & Luxury sector were carried out globally; 48% of these deals (67 deals) involved Personal Luxury Goods companies. Because of the uncertainty characterizing global markets, investors turned to companies with substantial property assets, i.e. Hotels (representing 36% of total transactions), in order to protect themselves against economic and currency fluctuations. Deals were distributed as follows among the remaining sectors: Yachts 6.4% (9 deals), Private Jets 5.0% (7 deals) and Furniture 5.0% (7 deals).

### Breakdown of Deals by Average Deal Value

In 2015, 47% of deals had an average unit value below US$ 100M. The deals with a unit value above US$ 500M represented 18% of all transactions, of which 2/3 with a value exceeding US$ 1B.

### Breakdown of deals by deal value (%)

<table>
<thead>
<tr>
<th>Deal Value</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 100M$</td>
<td>47%</td>
</tr>
<tr>
<td>100-500M$</td>
<td>34%</td>
</tr>
<tr>
<td>500M$-1B$</td>
<td>2%</td>
</tr>
<tr>
<td>&gt; 1B$</td>
<td>11%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Note: The average deal value has been calculated excluding the transactions for which no specific condition details are available.

Source: Data from Merger Market, Thomson M&A, One Source, Mint Global and company press releases.

### Key Findings

In 2015, around 47% of M&A transactions had an overall value below US$ 100M. 50% of these deals focused on target companies operating in Personal Luxury Goods sectors. The deals with a unit value above US$ 500 million accounted for 18% of all transactions. In 2015, top deals – i.e. deals with value exceeding US$ 1 billion – represented 11% of transactions and were concentrated in the Hotels sector (65% of deals). The high deal value in this sector results from the very features of the transaction, which focuses on the acquisition of the business AND the purchase of the property assets owned by the target company.
Average Value of Main Deals by Sector

In 2015, the average value per deal equaled US$ 426M; the deals with a value above average were finalized in the Private Jets (US$ 2B), Hotels (US$ 573M) and Cosmetics & Fragrances (US$ 498M) sectors.

Geographical Distribution of Deals

In 2015, 57% of deals (81) were finalized in Europe, 25% (35) in North America and 9.2% (13) in the Asia-Pacific region.

Key Findings

In 2015, the most sizable acquisition deals were finalized in the Private Jets and Hotels sectors, with an average value per deal greater than US$ 500 million.

The average deal value in the Apparel & Accessories sector equaled US$ 297 million - i.e. 0.7 times the average value of the whole Fashion & Luxury industry; this was mainly a consequence of the strong focus of investors on small-sized (low-turnover), fast-growing target companies. The same applies to the Watches & Jewelry sector.

Source: Data from Merger Market, Thomson M&A, One Source, Mint Global and company press releases.
Average Size of Target Companies
In 2015, around 70% of the acquired companies reported sales below US$ 100 million and 10% exceeded US$ 500M.

In 2015, investments in the Fashion & Luxury industry were focused mainly on smaller-sized organizations: around 67% of the target companies had a turnover below US$ 100 million. Only 10% of the total number of deals involved organizations with sales exceeding US$ 500 million. The main ‘giant deals’ were as follows:
- Acquisition of Starwood Hotels by Marriott International (deal value ~12-13B$).
- Agreement between Procter&Gamble and Coty concerning the transfer of 43 haircare brands to the multinational Perfumes company (deal value ~12.5B$).
- Acquisition of the Douglas perfumery chain by the CVC Capital Partners private equity fund (deal value ~3B US$).

In 2015, the average turnover reported by the acquired companies equaled around US$ 425M; most deals involving big companies were executed in the Apparel & Accessories and Hotels sectors.

Key Findings

![Distribution of target companies across revenue classes (%)](chart)

Note: The analysis is based on a sample of target companies for which official turnover figures as at the end of FY 2014 were available. Source: Data from Merger Market, Thomson M&A, One Source, Mint Global and company press releases.

Average turnover of the acquired companies by sector (M$)

![Average turnover of the acquired companies by sector (M$)](chart)

Note: The analysis is based on a sample of target companies for which official turnover figures as at the end of FY 2014 were available. Source: Data from Merger Market, Thomson M&A, One Source, Mint Global and company press releases.
**Bidder Profile**

In 2015, 50% of deals were executed by Financial Investors, of which around 90% were Private Equity investors; the remaining half of deals were carried out by Corporate investors operating in the Fashion & Luxury industry...

In particular, an analysis of investment strategies shows that PE investors were mostly interested in Personal Luxury Goods companies, whereas large corporations tended to invest in their own sector.

The analysis of acquisition strategies confirms that Private Equity funds – despite an increased focus on experiential luxury sectors (e.g. Hotels) – still show a propensity to invest in Personal Luxury Goods companies. The most significant deals included: The acquisition of Pepe Jeans, - the Spanish premium jeans brand - by M1 Group and L Capital Asia; The acquisition of Twin-Set – an Italian player in the premium App&Acc sector - by The Carlyle Group.

The remaining Fashion & Luxury sectors mainly attracted Strategic Investors adopting consolidation and/or business growth strategies.
Exits by Seller Type

In 2015, 66% of exits were executed by Strategic Sellers selling their business to investment funds; Financial Sellers executed 64% of transactions with strategic investors.

Main Investment Strategies of Bidders

Most finalized deals were based either on a «Growth Capital» or a «Buyout» strategy as underlying logic and were mainly aimed at the acquisition of a majority stake.

Key Findings

In 2015, 66% of exit transactions were executed by Strategic Sellers; in 57% of these deals, the counterparty was a Financial Investor (Strategic to Sponsor), whereas in 43% of deals the counterparty was a Strategic Investor (Strategic to Strategic). Financial Sellers executed most deals with strategic investors; 30 Sponsor-to-Strategic transactions were finalized (representing 64% of Financial Sellers).

In 2015, 64.2% of deals were based on a «growth capital» strategy, followed by 20.4% based on a «buyout» logic, of which 64% were executed by Private Equity funds. «Business consolidation» strategies accounted only for 6.6% of all deals mainly executed by Strategic Investors (around 90%). 80% of turnaround and recapitalization deals were executed by Private Equity funds. Overall, 77% of the finalized deals were aimed at the acquisition of a majority stake in the target company; deals aimed exclusively at the acquisition of a majority stake were executed in some sectors, such as Furniture, Private Jets and Yachts.

It should be noted that 56% of the deals finalized in the Watches & Jewelry sector resulted in the acquisition of a minority stake.

Note: This analysis is based on a sample of 91 target companies for which information about the equity stake in the target company acquired through the transaction was available. Source: Data from Merger Market, Thomson M&A, One Source, Mint Global and company press releases.
Analysis of EBITDA Multiples Achieved on the Main Deals

An analysis of the EBITDA multiples achieved in this industry confirms the premium value assigned by investors to Fashion & Luxury companies; an EBITDA multiple greater than 15x was achieved on 36% of transactions.

Deal breakdown by EBITDA multiple in 2015 (%)

- <5x: 36.0%
- 5-10x: 20.0%
- 11-15x: 36.0%
- >15x: 8.0%
- Total Fashion & Luxury: 100.0%

Note: This analysis is based on a sample of 31 companies for which information about the EV/EBITDA multiple assigned to the target company was available.
Source: Data from Merger Market, Thomson M&A, One Source, Mint Global and company press releases.

Key Findings

An analysis of the Enterprise value/EBITDA multiple achieved on a sample of deals for which transaction details had been disclosed, confirms the premium value assigned by investors to Fashion & Luxury players: 36% of all deals were closed with a multiple greater than 15x.

The companies operating in the Hotels sector proved to be the best performing ones in 2015. 50% of target companies were valued above 15x, mainly thanks to the mark-up associated with property assets.

A 5-10x EBITDA multiple was achieved on 36% of deals.
Profile of Survey Respondents

Profile of Investors Participating in the Survey

90% of survey respondents are global Private Equity Funds, of which 44% have assets between EUR 100 and 500 million.

<table>
<thead>
<tr>
<th>Investor type</th>
<th>Fund’s net asset</th>
<th>Geographical presence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Equity</td>
<td>&lt; 100M</td>
<td>Europe (64.8%)</td>
</tr>
<tr>
<td>Other investors</td>
<td>100M – 500M</td>
<td>North America (25.9%)</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>&gt; 1B€</td>
<td>Asia (9.3%)</td>
</tr>
</tbody>
</table>

100.0% 100.0% 100.0%

65% of survey respondents are investors based in Europe; in 41% of cases they are Managing Directors and/or Partners.

<table>
<thead>
<tr>
<th>Investor location (%)</th>
<th>Investor role (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe (64.8%)</td>
<td>Managing Partner (40.7%)</td>
</tr>
<tr>
<td>North America (25.9%)</td>
<td>Director / Principal (35.2%)</td>
</tr>
<tr>
<td>Asia (9.3%)</td>
<td>Other role (16.7%)</td>
</tr>
</tbody>
</table>

65% of the investors participating in the survey are Private Equity funds, of which 44% manage assets for a total value between US$ 100 and 500 million and 24% have assets between US$ 500M and 1B. 20% of the funds in the survey have total assets exceeding US$ 1 billion. The geographical scope of the funds considered in the survey encompasses mainly Europe and North America.

Survey respondents are based mainly in Europe (64.8%) and North America (25.9%). In order to ensure the global representativeness of the sample, also some investors based in the Asian market – mainly in China, Hong Kong and Singapore - (9.3% of total respondents) have been interviewed. The main top management roles in Private Equity funds have been involved in the survey, e.g. Managing Directors & Partners (40.7%), Directors & Principals (35.2%) and Investment managers (16.7%).

Key Findings

Source: Deloitte survey.
Profile of Investors Participating in the Survey

Around 60% of investors have at least one Fashion & Luxury asset in their portfolio, but only 23% of them say they specialize in this industry.

### Asset portfolio focus on the F&L industry (%)

- **At least one F&L asset in the investment portfolio**: 59.3%
- **No F&L assets in the investment portfolio**: 40.7%
- **High (> 25% of AuM)**: 22.9%
- **Medium (5-25% of AuM)**: 40.0%
- **Low (< 5% of AuM)**: 37.1%

**Note:** AuM is the acronym for “Assets Under Management”.

Source: Deloitte survey.

### Key Findings

Around 60% of respondents say they manage at least one Fashion & Luxury asset in their investment portfolio. Around 23% of investors say they are highly focused on Fashion & Luxury. In general, the level of concentration in this industry is medium to low, as a matter of fact 80% of the sample maintain that the assets they own cover max. 25% of the current portfolio.

The sectors in which respondents say they have most of their F&L assets are: Apparel & Accessories (71.4%), Furniture (48.6%), Watches & Jewelry (30%) and Cosmetics & Fragrances (27%).

### Breakdown by investment sector of assets managed by investors (%)

- **Apparel & Accessories**: 71.4%
- **Furniture**: 48.6%
- **Watches & Jewelry**: 30.0%
- **Cosmetics & Fragrances**: 28.6%
- **Selective Retailing**: 27.0%
- **Other F&L sectors1**: 34.3%

% of respondents = 59.3

(1) The “other sectors” category includes: Cars, Hotels, Private Jets, Yachts and Cruises.

Source: Deloitte survey.

### Key Findings

71% of respondents who maintain they have at least one Fashion & Luxury asset in their portfolio concentrate their investments in the Apparel & Accessories sector. Among the remaining sectors, the ones in which respondents invest the most are as follows: Furniture (48.6%), Watches & Jewelry (30%) and Cosmetics & Fragrances (28.6%). The analysis shows that investors are focused mainly on Personal Luxury Goods companies.
Investors maintain that in ~72% of cases the Fashion & Luxury assets in their portfolio have sales below US$ 100M, whereas 20% of them own medium-sized assets (companies with sales between US$ 100 and 250M).

Average turnover of Fashion & Luxury assets in investors’ portfolios (%)

71.4% of the assets in the current portfolio of investors have a turnover below US$ 100 million

Only 20% of the considered sample invests in medium-sized companies, whereas only 8% has stakes in large-sized organizations.
2016 Market Outlook

Features of the Current F&L Portfolio

Around 60% of investors say they own one Fashion & Luxury asset characterized by a majority stake and an average duration below 5 years.

Equity stake and average duration of Fashion & Luxury assets (%)

- **Majority**
  - Equity stake: 71.4%
  - Average duration: < 5 years

- **Minority**
  - Equity stake: 28.6%
  - Average duration: > 5 years

Source: Deloitte survey.

71.4% of respondents maintain they have a majority stake in the Fashion & Luxury companies present in their investment portfolio; this figure is in line with data referring to deals finalized in 2015 (77%). Most cases (68.6%), the average duration of Fashion & Luxury assets present in the current portfolio of investors is below 5 years.

The development of distribution channels, internationalization, and performance improvement are the main strategies adopted by investors to promote the growth of their Fashion & Luxury assets.

Adoption of main key strategic drivers (%)

- **Creation of a new distribution channel** - 60.0%
- **Internationalization strategy** - 51.4%
- **Performance improvement** - 37.1%
- **New Product Development** - 28.6%
- **Change in management** - 22.9%
- **Brand line Extension** - 22.9%
- **Brand re-positioning** - 20.0%
- **Value chain vertical expansion** - 14.3%
- **Financial restructuring and/or leverage** - 11.4%

% of respondents = 59.3

Source: Deloitte survey.

In 2015, the main strategies used to create economic value from the assets owned were:

- «Development of new distribution channels» - 60%
- «Penetration of new geographical markets» - 51%
- «Improvement of operational performance through actions to increase efficiency» - 37%
- «Development of new products» - 29%
Exit Strategy for 2016

In 2016, 44% of investors foresee at least one exit from their F&L portfolio in 2016, mainly driven by the opportunity to achieve high returns on the investment made.

Key Findings

44% of investors maintain they intend to sell some of the Fashion & Luxury assets currently in their portfolio during 2016. Moreover, the respondents say that the possibility of maximizing the return on their investment (according to 52.6% of the sample) – as a matter of fact, 73% of investors expect to achieve EBITDA multiples above 10x – and the completion of the investment cycle (26.3%) will be the main incentives to exit in 2016. Trade sales (54.2%) and secondary buy-outs (37.5%) are likely to be the most popular exit strategies.
2016 Fashion & Luxury Market Outlook by Sector

53% of respondents forecast an increase of over 5% in the Fashion & Luxury market in 2016. The best growth expectations are observed in the Cosmetics & Fragrances and Furniture sectors.

Expected market trends in 2016 - breakdown by sector (%)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Expected Market</th>
<th>Positive sentiment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel &amp; Accessories</td>
<td>12%</td>
<td>52%</td>
</tr>
<tr>
<td>Watches &amp; Jewelry</td>
<td>11%</td>
<td>4%</td>
</tr>
<tr>
<td>Cosmetics &amp; Fragrances</td>
<td>10%</td>
<td>14%</td>
</tr>
<tr>
<td>Selective Retailing</td>
<td>9%</td>
<td>6%</td>
</tr>
<tr>
<td>Cars</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>Hotels</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>Furniture</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>Private Jets</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td>Yachts</td>
<td>3%</td>
<td>8%</td>
</tr>
<tr>
<td>Cruises</td>
<td>2%</td>
<td>7%</td>
</tr>
<tr>
<td>Total F&amp;L market</td>
<td>100%</td>
<td>69%</td>
</tr>
</tbody>
</table>

Positive sentiment = 100

Source: Deloitte survey.

Investors with assets in the F&L industry anticipate better results in the Apparel & Accessories, Cosmetic & Fragrances and Cars sectors.

Expected market trends in 2016 - breakdown by sector (%)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Expected Market</th>
<th>Delta positive sentiment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel &amp; Accessories</td>
<td>13%</td>
<td>+15%</td>
</tr>
<tr>
<td>Watches &amp; Jewelry</td>
<td>5%</td>
<td>-4%</td>
</tr>
<tr>
<td>Cosmetics &amp; Fragrances</td>
<td>14%</td>
<td>-3%</td>
</tr>
<tr>
<td>Selective Retailing</td>
<td>11%</td>
<td>-4%</td>
</tr>
<tr>
<td>Cars</td>
<td>11%</td>
<td>-4%</td>
</tr>
<tr>
<td>Hotels</td>
<td>11%</td>
<td>-4%</td>
</tr>
<tr>
<td>Furniture</td>
<td>11%</td>
<td>-4%</td>
</tr>
<tr>
<td>Private Jets</td>
<td>11%</td>
<td>-4%</td>
</tr>
<tr>
<td>Yachts</td>
<td>11%</td>
<td>-4%</td>
</tr>
<tr>
<td>Cruises</td>
<td>11%</td>
<td>-4%</td>
</tr>
<tr>
<td>Total F&amp;L market</td>
<td>100%</td>
<td>-2%</td>
</tr>
</tbody>
</table>

Delta positive sentiment: +15% -2% +33% -4% +3% -14% -24% -5% -6% +4% +1%

Note: The positive sentiment delta represents the difference expressed as a percentage between investors operating, and those not operating, in the F&L industry who expect a market growth.

Fonte: Deloitte Survey.
2016 Fashion & Luxury Market Outlook by Geographical Area

Asia, the Middle East and North America will be the main growth markets in 2016, driving the performance of the entire industry; the trend is expected to remain mainly stable in Europe.

Investors with assets in the F&L industry anticipate better results in Europe and Latin America.

Key Findings

The geographical areas that are expected to experience the strongest growth in 2016 are Asia, the Middle East and North America: over 60% of respondents expect that growth will exceed 5% in these areas.

The best performances are expected in the Asian market, where 30% of investors predict a double-digit growth. The respondents do not seem to agree on Japan: 28% of them predict a positive trend for 2016 and 24% expect a contraction of the market.

The majority of respondents expect the trend to remain stable in Europe over the next year.

Investors with assets in the F&L industry anticipate better results in Europe and Latin America.
**2016 Investment Strategy**

**Expected Investments in F&L in 2016**

In 2016, 76% of investors plan to carry out new transactions in the Fashion & Luxury industry. Personal Luxury Goods will remain the most attractive target thanks to higher growth performance and margins than the rest of the industry.

*Propensity to invest in Fashion & Luxury assets in 2016 and main target sectors (%)*

The respondents who plan to invest in the Fashion & Luxury industry (76% of all respondents) will focus on the Apparel & Accessories sector (75% of respondents).

Investors show strong interest also in the Cosmetics & Fragrances sector, where around 50% of the sample plans to finalize at least one deal. The main sectors expected to attract investments over the next year include Furniture, Selective Retailing and Watches & Jewelry; the latter draws a large number of investors from different industries (other than F&L) who are attracted by the increase in sales and operating margins characterizing this sector. General propensity to invest in Personal Luxury Goods companies.

Propensity to invest in the various F&L sectors tends to be similar among investors with or without assets in the F&L industry.

*Propensity to invest in Fashion & Luxury assets in 2016 and main target sectors (%)*
Size of Potential Investments in F&L

Investments in the Apparel & Accessories sector will target large-sized organizations in 27% of cases, whereas deals in the other sectors will focus mainly on mid-market companies.

**Average sales of potential target companies – breakdown by sector (%)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>&lt; 25M€</th>
<th>25 - 50M€</th>
<th>51 - 100M€</th>
<th>101 - 250M€</th>
<th>251 - 500M€</th>
<th>500 - 1B€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel &amp; Accessories</td>
<td>4%</td>
<td>14%</td>
<td>5%</td>
<td>14%</td>
<td>6%</td>
<td>41%</td>
</tr>
<tr>
<td>Cosmetics &amp; Fragrances</td>
<td>13%</td>
<td>20%</td>
<td>29%</td>
<td>29%</td>
<td>14%</td>
<td>19%</td>
</tr>
<tr>
<td>Watches &amp; Jewelry</td>
<td>27%</td>
<td>53%</td>
<td>13%</td>
<td>5%</td>
<td>6%</td>
<td>41%</td>
</tr>
<tr>
<td>Furniture</td>
<td>33%</td>
<td>33%</td>
<td>11%</td>
<td>4%</td>
<td>6%</td>
<td>41%</td>
</tr>
<tr>
<td>Selective Retailing</td>
<td>14%</td>
<td>12%</td>
<td>7%</td>
<td>13%</td>
<td>6%</td>
<td>41%</td>
</tr>
<tr>
<td>Other F&amp;L Sectors</td>
<td>14%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>41%</td>
</tr>
</tbody>
</table>

% of respondents = 75

(1) The «other sectors» category includes: Cars, Hotels, Private Jets, Yachts and Cruises. Source: Deloitte survey.

The survey shows an investor propensity to acquire large organizations in the Apparel & Accessories sector, which will be the main target sector in 2016; more specifically, 27% of respondents plan to invest in companies with sales over US$ 100M. 80% of respondents planning to carry out M&A deals in the Cosmetics & Fragrances, Watches & Jewelry and Furniture sectors will select small to medium-sized target companies with a turnover below US$ 100M.

Deal Characteristics: Deal Type and Equity Stake

Around 60% of investors plan to carry out new transactions in the market using Expansion Capital, Leverage Buy-out and Management Buy-out strategies to acquire a majority stake in the target company.

**New investments – breakdown by deal type and equity stake (%)**

<table>
<thead>
<tr>
<th>Deal Type</th>
<th>Minority stake</th>
<th>Majority stake</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expansion capital</td>
<td>37.0%</td>
<td>63.0%</td>
</tr>
<tr>
<td>LBO or Replacement</td>
<td>18.5%</td>
<td>81.5%</td>
</tr>
<tr>
<td>Support to MBO/MB</td>
<td>16.7%</td>
<td>83.3%</td>
</tr>
<tr>
<td>Corporate carve-out</td>
<td>33.3%</td>
<td>66.7%</td>
</tr>
<tr>
<td>Other strategies 1</td>
<td>8.3%</td>
<td>91.7%</td>
</tr>
</tbody>
</table>

% of respondents = 75

(1) The «other strategies» category includes: Turnarounds and Start-up Financing. Source: Deloitte survey.

Over 50% of respondents plan to finalize new acquisitions in the Fashion & Luxury industry through Expansion Capital, Leverage Buyout and Management Buyout strategies. Investors anticipate acquiring a majority stake in the target company through most of the transactions carried out.
Deal Characteristics: Financing Strategy

67.5% of respondents say they will buy a stake greater than 40%, using mainly senior debt to fund the transaction.

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**Equity stake to be acquired in the new asset (%)**

- 0 - 20%: 14.0%
- 21 - 40%: 18.6%
- 41 - 60%: 44.2%
- > 60%: 23.3%
- Total: 100.0%

**Funding sources (%)**

- Senior debt: 80%
- Shareholders’ loan: 43%
- Vendor’s notes or convertible bonds: 27%
- Mezzanine financing: 23%
- Other types: 9%

---

% of respondents = 100

(1) The «other types» category includes: Junior Debt, Unitranche and Equity.

Source: Deloitte survey.

---

~67% of transactions will result in the acquisition of a stake of more than 40% in the target company. Senior debt will be the main funding source for acquisition deals in the Fashion & Luxury industry. The other main funding sources mentioned by investors include Shareholders’ loans (43%), Vendor’s notes or convertible bonds (27%) and Mezzanine Financing (23%).
Return Expected From New Investments

The IRR expected from new investments in the Fashion & Luxury industry is between 20% and 30%, as confirmed by the past business performance of top players in this industry.

Internal Return Rate expected from new F&L investments – breakdown by sector (%)

On average, investors expect the new investments in the Fashion & Luxury industry to have an IRR between 21% and 30%. The best performing sector – in terms of average profitability - is expected to be Watches & Jewelry, for which around 20% of respondents forecast an IRR greater than 30%, as confirmed by an analysis of the business performance of top players.

The highest returns are expected from large-sized organizations; 35% of the investors who forecast an IRR above 20% plan to invest in companies with sales above US$ 100M.

Internal Return Rate expected from new F&L investments – breakdown by target company size (%)

Key Findings

% of respondents = 75
(1) The «other sectors» category includes: Cars, Hotels, Private Jets, Yachts and Cruises.
Source: Deloitte survey.
About Deloitte and its Fashion & Luxury Practice

Deloitte EMEA Fashion & Luxury Center of Excellence
A Network of 65 cross-functional Subject Matter Experts (SME) with competence in the Fashion & Luxury industry able to suit diverse client needs.

Countries involved
France - Germany - Italy - Netherlands - Spain - Switzerland - Turkey - United Kingdom.

Main Objective
Cross-border cooperation to leverage on specific local expertise to deliver high level services to Fashion & Luxury clients and targets across Europe.

Our Top Offerings
• Core business transformation & Global retail Transformation
• CRM & Digital Transformation
• Marketing & Sales Strategy Operations
• Contract Risk and Compliance
• Risk Analytics
• Internal Controls
• Internal Audit Services
• Sustainability
• Corporate Finance Advisory
• Strategy & Business Planning
• Transaction Services
• Forensic
• Transfer prices – supply chain
• Custom duties/vat/logistic tax issues – supply chain
• Data privacy
• Personal planning for private family

Global Fashion & Luxury: Glossary

Personal Luxury Goods
Personal Luxury Goods include the following sectors: Apparel & Accessories, Cosmetics & Fragrances and Watches & Jewelry

F&L
Abbreviation for Fashion & Luxury

App&Acc
Abbreviation for Apparel & Accessories

Cos&Fra
Abbreviation for Cosmetics & Fragrances

Wat&Jew
Abbreviation for Watches & Jewelry

PLG
Acronym for Personal Luxury Goods

IRR
Acronym for Internal Return Rate

PE
Acronym for Private Equity

M&A
Acronym for Merger & Acquisition
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