



# M&A in the Fashion & Luxury sector in Italy: Accelerate and sustain the growth

**Maurizio Castello, KPMG Advisory Partner**

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# Key questions to be addressed

## The story so far...

## ...What's next?





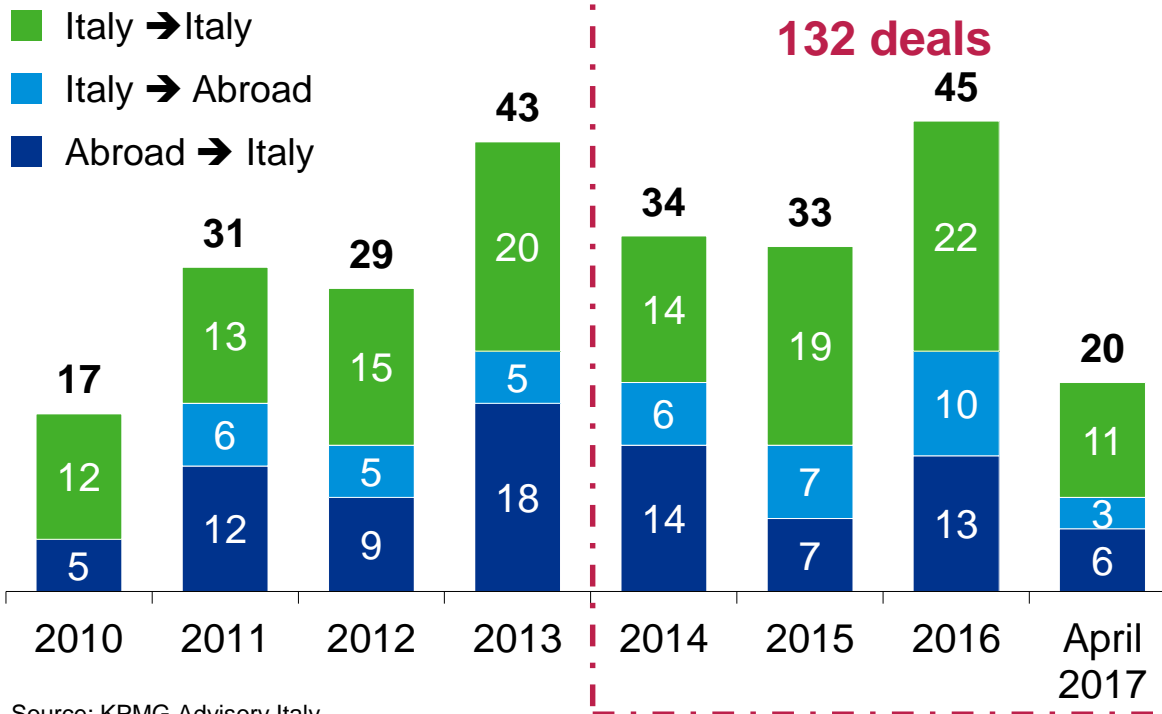
# The story so far...



## The story so far...

# Are Italian firms still preys?

## Numbers of F&L deals in Italy



## Main deals 2014-2017

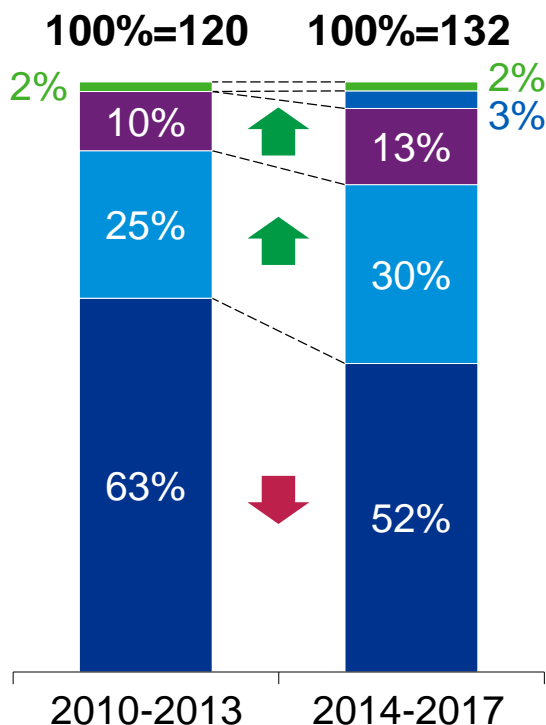
- Golden Goose/Carlyle
- Buccellati/Gansu Gangtai
- Arclinea/B&B(Investindustrial)
- Philippe Model/21 Investimenti
- Yoox/The Net-A-Porter
- Roger Vivier/Tod's Group
- Sergio Rossi/Investindustrial
- Giorgetti/Progressio
- Cavalli/Clessidra
- Moncler/Eurazeo
- Poltrona Frau/Haworth
- Versace/Blackstone

- 252 Fashion & Luxury deals completed from 2010 to 2017, of which 132 from 2014
- Foreign investors still very active (around 30% of total 2014-2016 deals)
- Italy is slowly increasing its presence abroad (e.g. Net-A-Porter, Roger Vivier, Woolrich)

## The story so far...

# Who are the main buyers and their evolution?

## N. deals by investor type



## Main buyers in 2014-2017

**Emirates investors:** Mayhoola, Alabbar Enterprises

**IPO:** OVS, Italian Wine Brands, Masi, Fope

**Other investors / financials:** Italian Holding Moda, Veneto Sviluppo, Family Offices, Club deals

**Private Equity:** Blackstone, Carlyle, Clessidra, Tamburi, L Capital/L Catterton, Investcorp, Ergon, Sator, NB Renaissance, Charme, 21 Investimenti, Investindustrial, Progressio

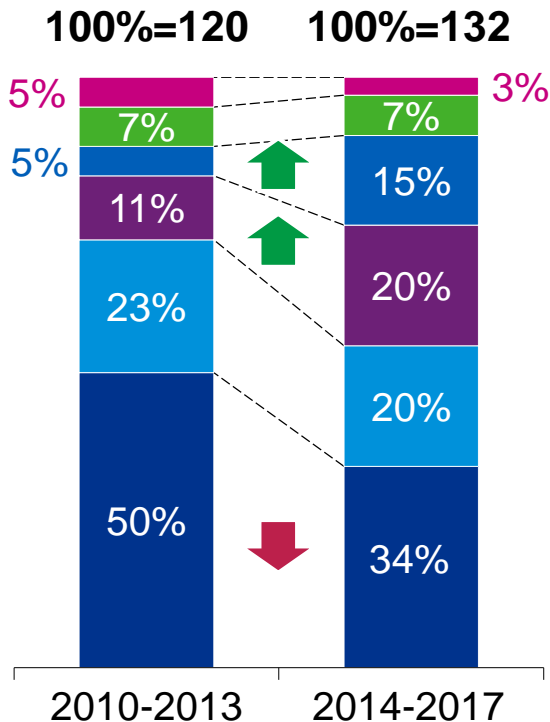
**Corporate:** Yoox Net-A-Porter, Tod's Group, Europeenne de Participations Industrielles, Campari, Haworth, Gansu Gangtai, Hanes Brands, Philipp Plein, OVS, Prada, Piquadro

- Corporate were less active in the last 3 years (no more LVMH and Kering acquisitions)
- Private Equity Houses are still a strong investors
- Going public is becoming more popular in the Italian market (OVS, Italian Wine Brands, Masi, Fope..)

## The story so far...

# What are the most wanted categories?

### N. deals by category



### Main deals in 2014-2017

**Yacht:** Azimut-Benetti, Ferretti, Bertram

**Retail:** Yoox/Net-A-Porter, Eataly, Marchesi, Sempione Retail

**Food&Beverage:** Sella&Mosca, Grand Marnier, Masi, Jacopo Biondi

**Design/Lifestyle<sup>1</sup>:** Poltrona Frau, Giorgetti, Arclinea, FontanaArte, Flos, Frette

**Accessories<sup>2</sup>:** Roger Vivier, Sergio Rossi, Buccellati, The Bridge, Golden Goose

**Apparel:** Moncler, Versace, Cavalli, Dondup, Aspesi, Corneliani, Pal Zileri, Harmont & Blaine, Champion Europe

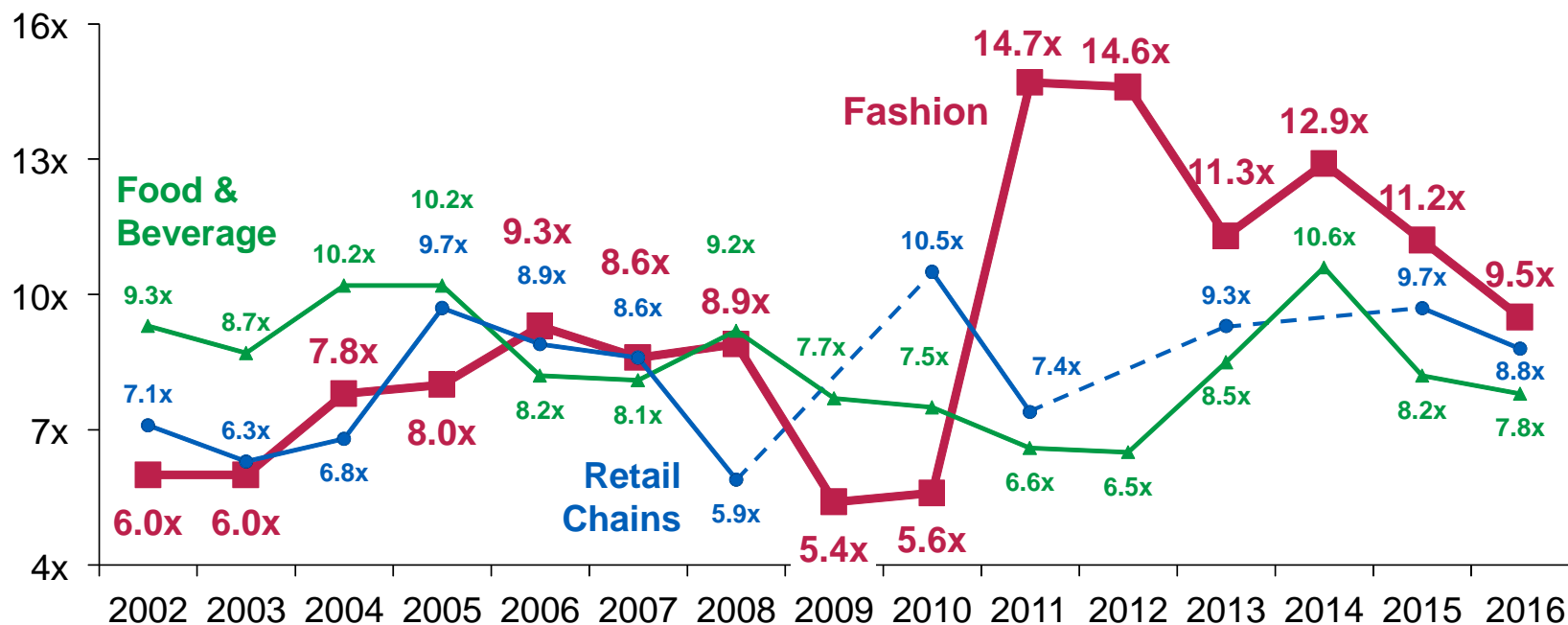
Note: (1) Furniture, Lighting, Home accessories  
(2) Shoes, Bags, Leather, Jewels & Watches, Cosmetics

- Apparel is still the largest category, but declining in number of deals due to the end of the French poles expansion period
- Few top brands still available in the market, mainly in the shoes and other Accessories segments, which is expected to revert

## The story so far...

# How much were the average EBITDA multiples?

## EV/EBITDA average multiples in various sectors



Source: Directory M&A 2016 - KPMG analysis on Fineurop Soditic data (2017)

- Fashion still represents the sector with the highest EV/EBITDA ratio
- Average Multiples are declining from the peak reached in 2011
- Multiples are just an indicator to understand if there is room for a deal

## The story so far...

# Are high multiples still sustainable?

Although transaction tickets for the period **2014/2017** are lower in value comparing to **2011/2013**, largest assets are still trading at high multiples

Year	Target	Bidder	Stake	Value (€m)	EV/ EBITDA
2011	<b>Bulgari</b>	LVMH	100%	4,300	28.7x
2011	<b>Gruppo COIN</b>	BC Partners	100%	930	6.4x
2011	<b>Moncler</b>	Eurazeo	45%	418	10.5x
2011	<b>Rinascente</b>	Central Group	100%	205	11.0x
2012	<b>Valentino</b>	Mayhoola	100%	700	31.6x
2012	<b>Brioni</b>	Kering	100%	218	14.2x
2013	<b>Loro Piana</b>	LVMH	80%	2,000	22.0x
2013	<b>Pomellato</b>	Kering	75%	n.a.	17.7x

Year	Target	Bidder	Stake	Value (€m)	EV/ EBITDA
2014	<b>Versace</b>	Blackstone	20%	210	15.7x
2014	<b>Eataly</b>	Tamburi	20%	120	14.5x
2014	<b>Poltrona Frau</b>	Haworth	100%	415	15.3x
2015	<b>Hugo Boss</b>	Zignago Holding; PFC	7%	510	12.2x
2015	<b>Cavalli</b>	Clessidra SGR	90%	390	20.9x
2015	<b>Golden Goose</b>	Ergon (75%) Zignago Holdings (25%)	100%	113	12.9x
2016	<b>Corneliani</b>	Investcorp	51%	n.a.	48.0x
2017	<b>Golden Goose</b>	The Carlyle Group	100%	400	~15.0x

- More focus on long term value creation potential rather than on multiple value
- Investors are now focusing on smaller brands with high potential on the retail channel and international expansion opportunities
- According to our interviews multiples will stay close double digit for the next few years

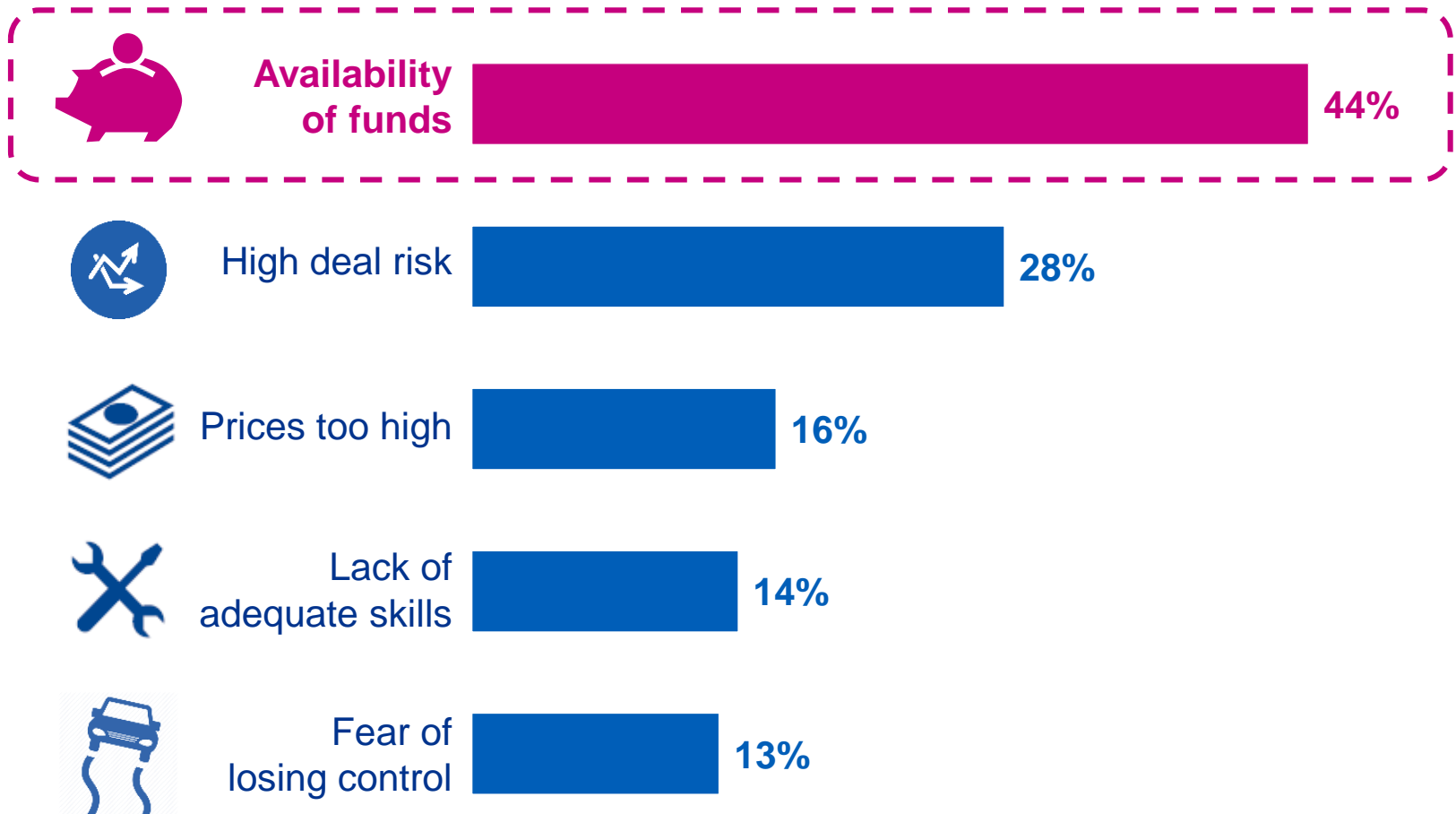


# ...What's Next?



... What's next?

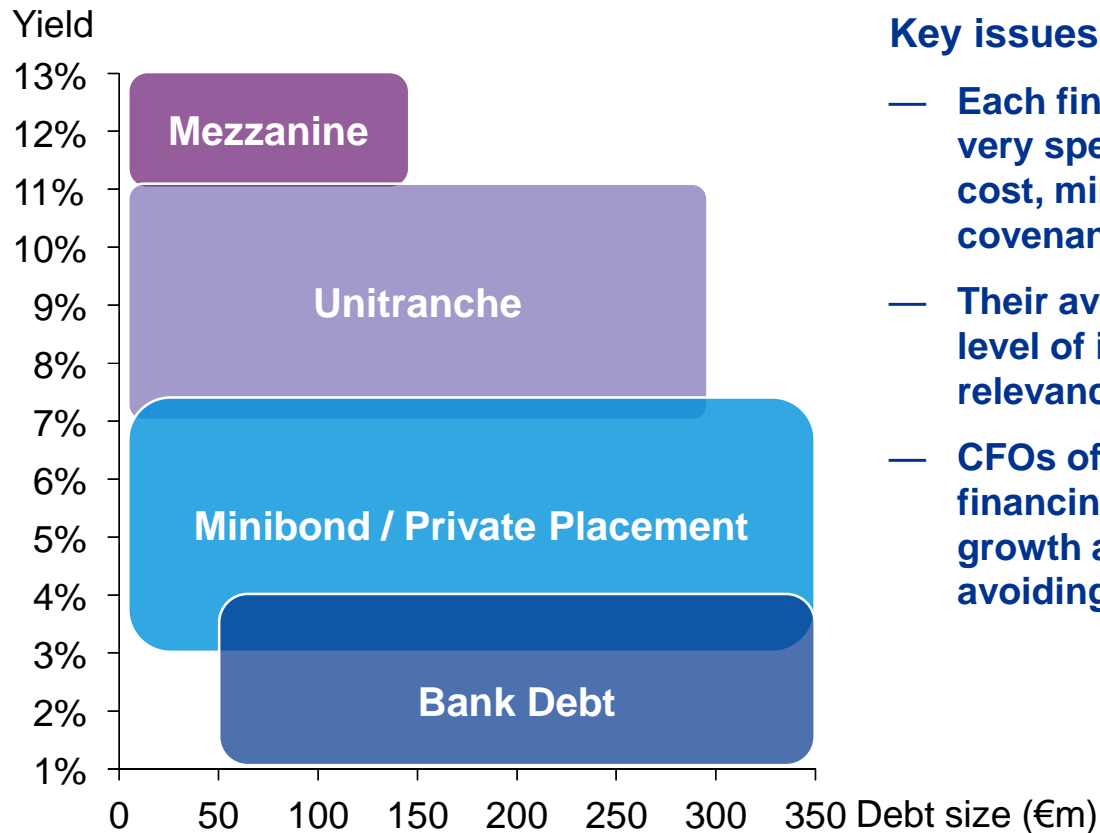
# What are the perceived barriers for acquisitions?



Source: KPMG M&A Academy Survey - 2016 (around 200 firms with revenues > €50m)

## ... What's next?

# Which are alternative financing instruments?



### Key issues

- Each financing solution comes with very specific characteristics (e.g. cost, minimum/maximum ticket, covenants)
- Their availability depend on size, level of indebtedness and brand relevance of the Company
- CFOs of SMEs must find the right financing mix to finance Company's growth at a sustainable rate while avoiding excessive financing costs

**Although there are various options for Medium Enterprises looking for alternative financing instruments, they cannot be used as a medicine to solve company's structural problems...**

... What's next?

# What are equity investors looking for in a deal?



**High-potential** Brands



Governance **well defined**  
upfront



**Scalable** business model  
for growth



"Shareholders must **behave as shareholders**" (from being an entrepreneur to a shareholder)



**Enlightened** entrepreneur  
(that knows where to go)

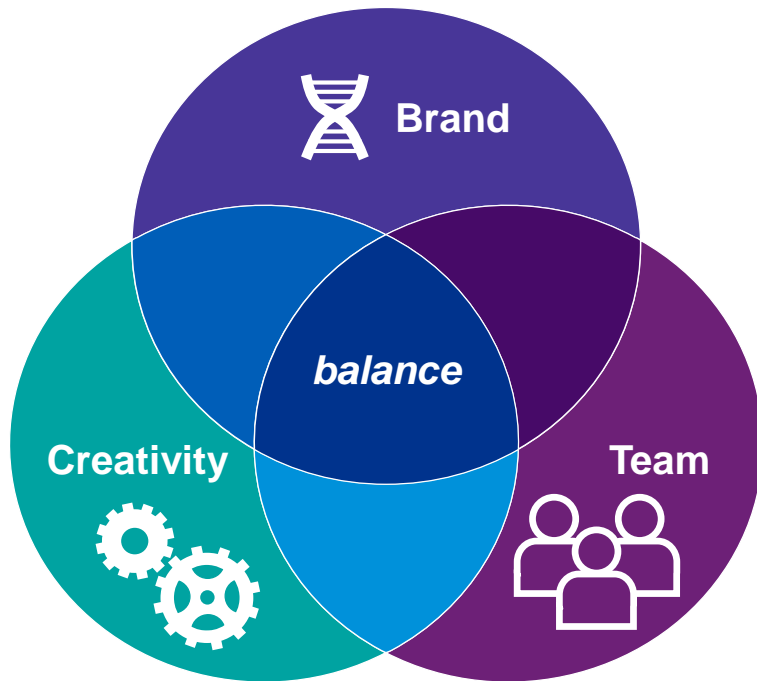


**Strong** Management team in a  
**structured** organization

— PE houses act as system aggregators: entrepreneur, management team, banks, external stakeholders, bringing finance competences and relationship network...

... What's next?

# What are the key requirements for growth?



**Structural problems in many cases are due to some lack of managerial skills or to an unclear vision of the future development of the business...**

- Focus on a solid business model finding the optimal balance among **brand, team, and creativity**
- Pay **greater attention to NEW customers** that have different needs (millennials, product characteristics, service level,...) and taste (style, image,...) depending on the Country of origin
- Have a **viable/credible growth plan** (e.g. retail expansion, e-commerce, omnichannel, international scalability,...)

... What's next?

# What are the roles of the majority Shareholder?

... and to an unhealthy overlap of Shareholders with Management

## ENTREPRENEURS GUIDELINES

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**Act as a real Shareholder** (e.g. Arnault, Pinaut,...):

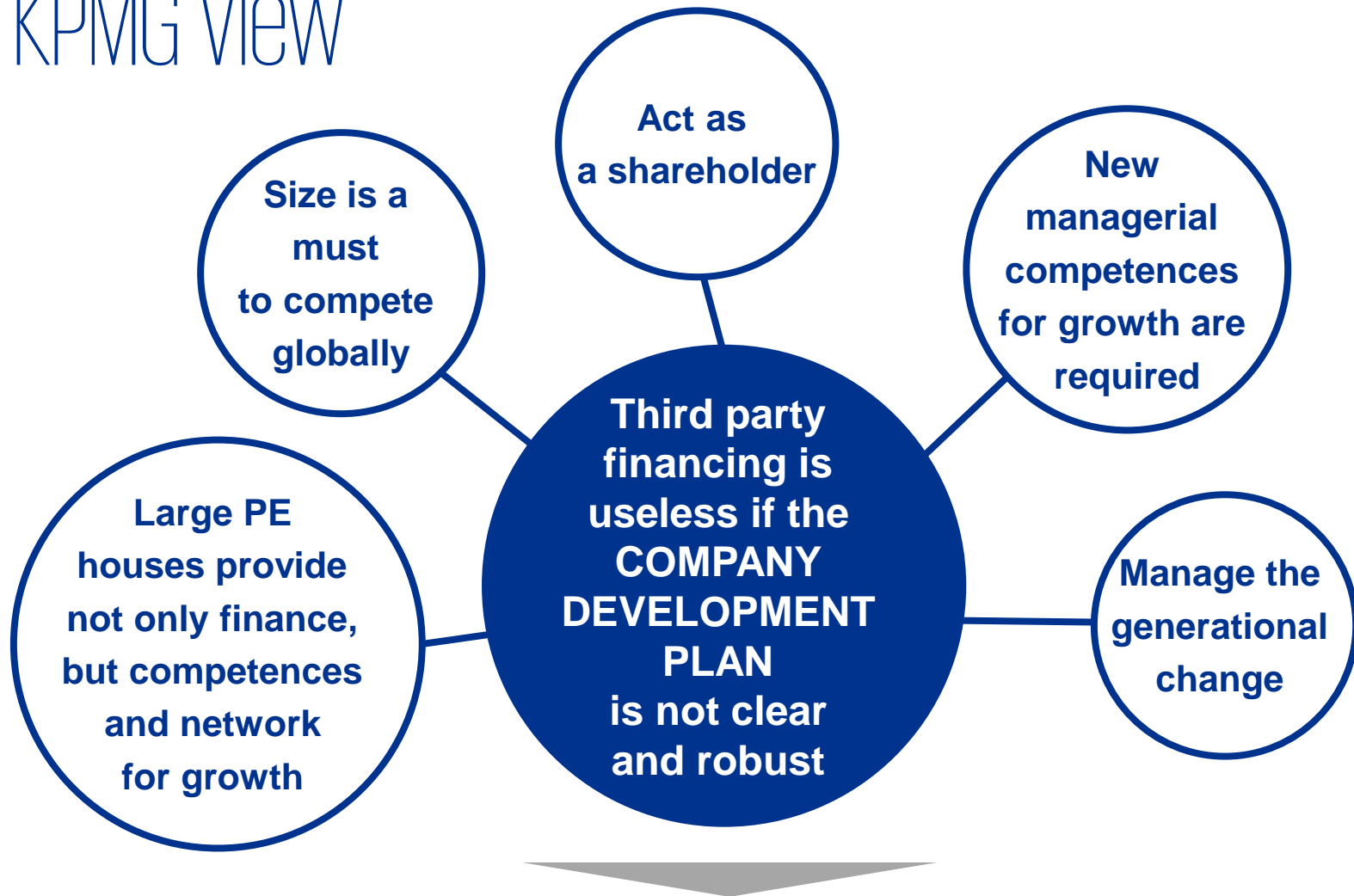
- Delegate and avoid overlap with Management in day-to-day decisions
- Respect the autonomy of your teams
- Measure the economic results
- Quickly take the proper countermeasures



**Protect and develop the "history" of the brand with a medium/long term view**



**Provide Management with support and resources to scale up to the next level**



**UNLOCK VALUE TO ACCELERATE AND SUSTAIN GROWTH**

# Contacts

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