



M & A
WORLDWIDE

Chic Mergers: Tailoring the Future of Personal Luxury Goods

CONSUMER AND RETAIL INDUSTRY GROUP
REPORT - Q1 2024

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1. Executive summary

This report focuses on the M&A in the luxury sector, specifically in the personal goods (including fashion, leather goods, watches & jewellery and eyewear, and excluding cosmetics & fragrances) and furniture subsectors. The object of our analysis were consumer-facing luxury brands, and thus their suppliers or retailers with no labels of their own have been excluded from our analysis.

One key finding is that the market is being driven by the younger consumers, with almost half (~47%) of the demand for such goods coming from Gen Y (30-42 years old). A major consequence of this is that companies are acutely aware about the consumer's preference for sustainability and circularity.

Robust Chinese demand played a crucial role in the sector's post-pandemic recovery. Nonetheless, the largest diversified luxury brands such as LVMH, Kering, Richemont, Chanel and Hermès, etc. are mostly based in Europe, with the continent also having the highest share of transactions (over 40% since 2018) amongst all the regions covered, namely North America, Europe, Asia, LatAm and the Middle East.

Apparel and Accessories subsector accounts for almost 60% of all transactions made in the past 5 years, with both leather goods, jewellery & watches also being seen as safe investments by investors post-Covid.

While most companies never have to think twice about becoming more accessible, the ones in the luxury sector are the exceptions to the rule as the leading players are trying to walk a tightrope between achieving sufficient scale while still maintaining that aura of desirability and exclusivity, and this will certainly cause more dealmaking in the future as the simplest way to do this is to acquire established brands.

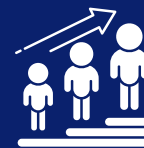


7 out of the 10
biggest companies in
the market are from
Europe



Top 3 countries with
most deals

- US
- Italy
- UK



Companies are
looking for *large*
transactions to stay
competitive



16.0x EV/EBITDA
Average value of
global luxury brands
over the past 5 years



Cross-border deals
have picked up over
the past couple of
years reflecting
robust demand



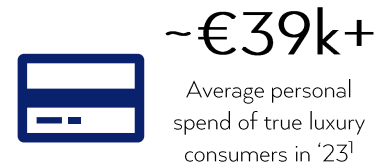
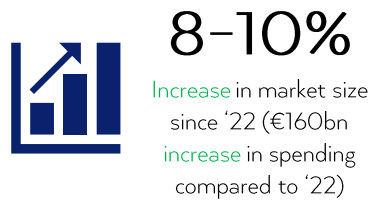
Sponsor interest has
kept its resilience,
despite high interest
rates in the past few
years

2. Introduction

2.1. How big is the luxury market?

Overcoming its pandemic-induced slump (-€300bn decrease from '19 to '20), the luxury market reached a **record €1.5 trillion in 2023**, surpassing its 2019 highs on the back of surging demand, especially for luxury experiences such as hospitality and fine dining by the younger generation.

Chinese spending has been a key driver of the market's recovery, with the European market also returning to pre-Covid levels while the American market observes a slow in growth as its top consumers prioritize spending their money overseas.



2.2. What do we mean by consumer durables in the luxury market?

Luxury consumer durables include all products that aren't perishable. This includes both personal luxury goods (fashion, leather goods, watches and jewellery) and designer furniture². **China, US and Japan lead in revenues** in all the above categories, except in eyewear.

In 2028, the durable personal luxury goods market is expected to reach a value of €332bn, a CAGR of 3% from '23-'28. In 2022, almost half (~47%) of the consumers were Gen Y (30 to 42 years.) and thus companies are repositioning their portfolios towards the younger demographic.



2.3. What are some of the most influential trends in sector?





















| | | |
|---|--|--|
| <p>Gen Y With new generations having different tastes from Gen X, the market is adapting to appeal to both types of costumers</p> | <p>Resilience Jewellery, watches and leather goods have seen the highest growth as consumers see them as safe investments</p> | <p>ESG Brands are increasingly conscious about sustainability given its increasing awareness amongst the young and affluent</p> |
| <p>Experiential Retail Brands are focusing on immersive in-store experiences, driven by disruptive technologies as video shopping, Extended Reality, IoT, and AI</p> | <p>Democratization Companies are exploring how they can become more accessible while still maintaining desirability and brand value</p> | <p>Physical Retail By 2025, around 70% of luxury sales are still expected to come from offline retail channels</p> |

- Greater awareness about sustainability and circularity have allowed the second-hand luxury market to flourish, with its value increasing by €11bn from 2018-2021
- Brands are also beginning to incorporate AI on all fronts, ranging from their supply chains to personalization of products to authenticity verification and even enhancing clients' in-store experience

¹Includes personal and experiential luxury (excluding cars, yachts, smartphones and smartwatches) of 12,000+ respondents. True Luxury consumers are all consumers of luxury products that have spent more than €2k/ year in luxury worldwide; ²Technological goods were excluded from this report

Sources: Deloitte, Statista, Bain, Altagamma, McKinsey, M&A Worldwide analysis

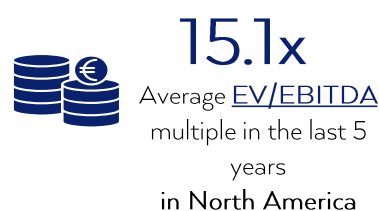
2.4. Which companies are leading the market?

| Company | Country | Notable brands | Last Available Revenue (€m) |
|--|---|--|-----------------------------|
|  LVMH |  | Louis Vuitton, Christian Dior, Celine, Tiffany & Co., Bvlgari, Loro Piana, Emilio Pucci, OffWhite, TAG Heuer, Birkenstock (through L. Catterton) | 86,153 |
|  KERING |  | Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Brioni, Boucheron, Pomellato, Qeelin | 19,566 |
|  RICHEMONT |  | Cartier, Van Cleef & Arpels, Buccellati, Piaget, Montblanc, Jaeger-LeCoultre, Vacheron Constantin, IWC, Chloé, Panerai | 19,953 |
|  CHANEL |  | Chanel | 16,385 |
|  周大福 CHOW TAI FOOK |  | Chow Tai Fook, T Mark, Hearts on Fire, Enzo, Soinlove, Monologue | 11,611 |
|  HERMÈS |  | Hermès, John Lobb | 13,427 |
|  ROLEX |  | Rolex, Tudor | 10,520 |
|  LAO FENG XIANG |  | Lao Fengxiang | 9,336 |
|  PVH |  | Tommy Hilfiger, Calvin Klein | 8,619 |
|  SWATCH GROUP |  | Omega, Longines, Breguet, Harry Winston, Rado, Blancpain | 8,122 |

- Over 60% of all companies providing luxury clothing and footwear are Europe-based, with Italy accounting for 41%
- Italy and the US account for most companies focused on bags and accessories, including eyewear
- China leads in jewellery and watches, accounting for 30% of the market, while Switzerland accounts for 25%
- Companies with a diverse portfolio of luxury goods are mostly Europe-based, such as LVMH, Kering, Chanel, etc.

3. M&A analysis

3.1. Valuation

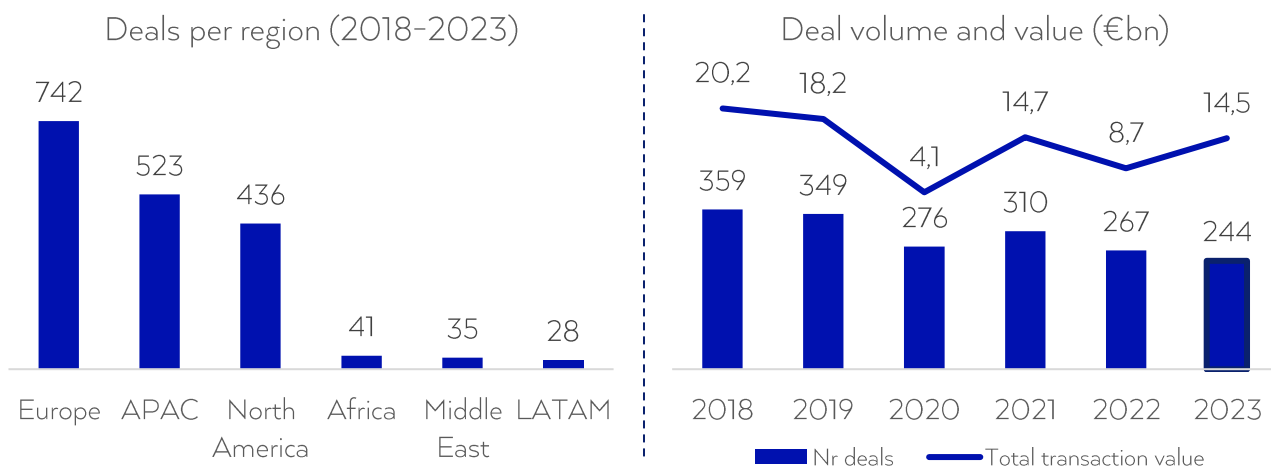


- Worldwide average of 16.0x EV/EBITDA since 2018, according to our database, with Europe trading at premium, as Europe's luxury brand pedigree and heritage command a slight valuation premium over their American counterparts.
- In 2022, 58% of all deals were in the Apparel & Accessories sector (including leather goods and eyewear), with Furniture accounting for over 27% and Jewellery & Watches accounting for the remaining 15%
- For context, in 2019 the Apparel & Accessories accounted for 63% of the deals, Furniture 23% and Jewellery & Watches for 13%

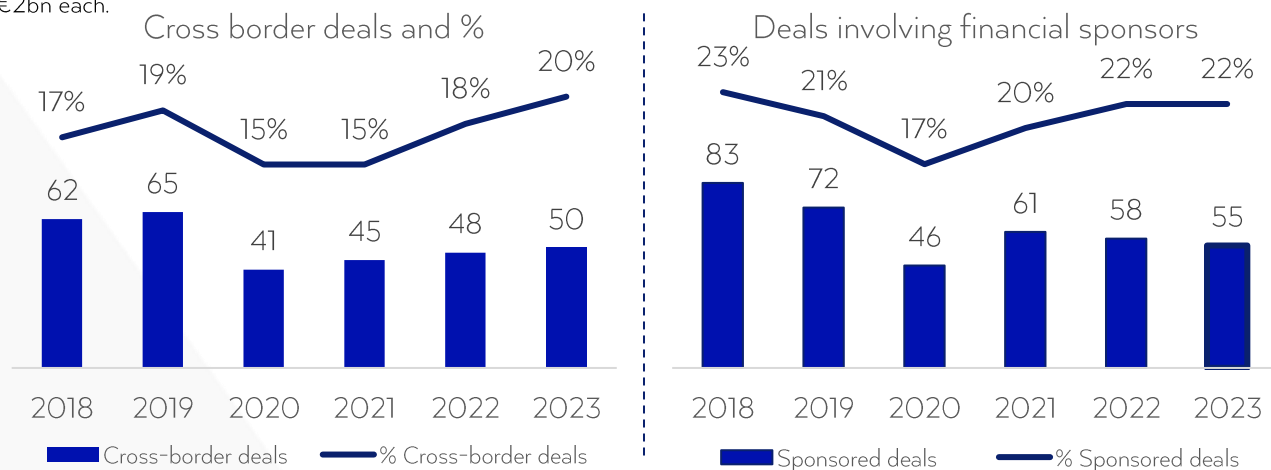
¹Deloitte's Report on Global Powers of Luxury Goods 2023. ²Altgamma Consensus 2024

Sources: Deloitte, Statista, Bain, Altgamma, McKinsey, M&A Worldwide analysis

3.2. Trends



Over the past few years, transaction value has proven to be more resilient than volume, indicating that leading companies are in search for marquee deals as opposed to smaller bolt-ons in a bid to stay competitive. **The average disclosed deal value in 2023 was over €190m, an 18% increase compared to 2019.** Exemplifying this trend are transactions such as Tapestry’s acquisition of Capri Holdings for €9bn, Estee Lauder’s acquisition of Tom Ford and Kering’s 30% stake purchase in Valentino, both around €2bn each.



The proportion of cross-border deals has increased despite geopolitical tensions while sponsor interest hasn’t wavered in the face of high interest rates as well, indicating luxury’s resilience and potential.

3.3. Who are the most active buyers of luxury consumer durables brands?

| Buyer (Sponsor) | Country | Description | Nr relevant deals 2018-2023 |
|-----------------------------|-------------|---|-----------------------------|
| LVMH | France | Luxury fashion and accessories products | 15 |
| Reliance Industries Limited | India | Conglomerate | 8 |
| L Catterton Partners | USA | Private Equity- investment arm of LVMH | 6 |
| Digital Brands Group, Inc. | USA | Collection of luxury lifestyle brands | 4 |
| Richemont | Switzerland | Luxury jewellery and accessories provider | 4 |

- Tapestry’s acquisition of Capri Holdings, the owner of iconic brands such as Versace, Jimmy Choo and Michael Kors, for €9.4bn in August 2023, elevated it to the top 10 global luxury brands based on revenue

3.4. Notable mid-market¹ deals

| Date | Target | Country | Specialty | Deal type | Buyer (PE) | Deal value (€ millions) |
|--------|------------------------------------|---------|----------------|-----------|---|-------------------------|
| Sep-23 | Sporoptic Pouilloux SA | FR | Eyewear | Majority | LVMH | N/A |
| Sep-23 | Georg Jensen Investment | DK | Jewellery | Majority | Fiskars Oyj Abp | 155 |
| Jul-23 | Gianvito Rossi S.r.l. | IT | Footwear | Majority | Richemont | N/A |
| Jun-23 | Luigi Fedeli e Figlio S.r.l. | IT | Apparel | Minority | Ermenegildo Zegna and Prada | N/A |
| Apr-23 | Cerruti 1881 S.A. | FR | Apparel | Majority | Hong Kong Carritt Ltd | 57 |
| Jan-23 | Mirabello Carrara | IT | Home Furniture | Minority | Minerva S.R.L. | 2 |
| Dec-22 | Cerreria Molla 1899, S.L. | ES | Home Furniture | Majority | Queka Real Partners | 31 |
| Aug-22 | Blue Nile, Inc. | US | Jewellery | Majority | Signet Jewelers Limited (Bain Capital) | 396 |
| Aug-22 | Ted Baker Plc | UK | Accessories | Majority | Authentic Brands Group | 373 |
| Jun-22 | X Diamond Capital Pte | SG | Jewellery | Majority | Metech International Ltd | 9 |
| May-22 | Karl Lagerfeld BV | NL | Apparel | Majority | G-III Apparel Group Ltd | 251 |
| May-22 | Luemme, Inc. | US | Apparel | Majority | CALIDA Holding AG | 75 |
| Dec-21 | Thélios S.p.A. | IT | Eyewear | Majority | LVMH | 171 |
| Oct-21 | S.T. Dupont S.A. | FR | Accessories | Minority | D and D International B.V. | 3 |
| Oct-21 | Diamonds Direct USA | US | Jewellery | Majority | Signet Jewelers Limited | 434 |
| Sep-21 | GaUCHO Group, Inc. | US | Apparel | Minority | GaUCHO Group Holdings | 2 |
| Sep-21 | Lugano Diamonds & Jewelry Inc. | US | Jewellery | Majority | Compass Diversified | 222 |
| Jul-21 | Moschino S.p.A. | IT | Apparel | Minority | Aeffe S.p.A. | 67 |
| Jun-21 | Delvaux Createur SA | BE | Leather goods | Majority | Richemont | 178 |
| May-21 | Majorica S.A. | ES | Jewellery | Majority | Majolaperla SL | 12 |
| Mar-21 | JIL Sander GmbH | DE | Apparel | Majority | OTB S.p.A. | N/A |
| Jan-21 | Sabyasachi Couture Private limited | IN | Jewellery | Majority | Aditya Birla Fashion and Retail Limited | 44 |
| Jun-20 | Luxury Goods Trading Co.SA Ltd. | | Jewellery | Majority | Individual | 3 |
| Feb-20 | Fope S.p.A. | IT | Jewellery | Majority | Individuals | 33 |
| Feb-20 | Southern Comfort Conversions, Inc. | US | Accessories | Majority | Fox Factory Holding Corp. | 308 |

¹Mid-market includes all deals valued below €1 bn
 Sources: M&A Worldwide analysis

- The industry has also witnessed a number of significant Large Cap transactions in recent years, enabling major industry participants to strengthen their position and diminish competitive pressure. Noteworthy transactions include the acquisition of Capri Holdings by Tapestry for €9.4 billion in mid-2023, the purchase of Valentino by Kering for €1.7 billion during the same period, the acquisition of Tom Ford by Estée Lauder for €2.3 billion at the close of 2022, and the acquisition of Birkenstock by one of LVMH's investment entity L. Catterton for €4 billion at the outset of 2021.

3.5. Other notable drivers of deal activity



Vertical Integration

- Richemont acquired Gianvito Rossi (shoemaker) in Jul 23
- Chanel acquired a minority stake in Cariaggi Lanificio (textiles manufacturer) in May 23
- OTB acquired Frassinetti (leather goods manufacturer) in May 23



Digitization

- Chanel acquired Yangi AB (packaging optimization software) in Jan 23
- Chanel invested in Perfect Corp. (Saas AI and AR) in Mar 22
- LVMH invested in Replika Software, Inc. in Jan 21



Distribution

- Coupang acquisition of Farfetch (online marketplace) in Jan 24
- Burberry Group acquiring its Turin business unit in Mar 23
- Farfetch's intention to acquire YNAP (online fashion & accessories business) in Aug 22



Circularity

- Rolex new program enabled retailers to sell second-hand models in Dec 22
- Kering invests in release platform Vestiaire in Jan 21
- Alexander McQueen Launches a Buy-Back Program With Vestiaire Collective in Feb 21

4. Conclusion

As we alluded to earlier, luxury brands cannot simply chase a larger customer base by flooding the market with their products or selling them at deep discounts as they risk compromising hard-earned customer goodwill and watering down their carefully curated aura of exclusivity and desirability,

Thus, one of the most sensible ways for incumbents to expand market share while still maintaining brand value is by acquiring their competitors. LVMH is a prime example of this horizontal consolidation strategy as it has acquired 15 companies in the past 5 years, allowing it expand to almost ~25% of the total luxury consumer goods market.

Asia has been another notable driver of the luxury goods segment, with Chinese demand fuelling the luxury sector's post-pandemic bounce back. Over the last few years, a lot of Chinese companies have also entered the world's top 20 luxury brands list by revenue, with most of them focused on jewellery and watches, like Chow Tai Fook Jewellery Group, Lao Feng Xiang, China National Gold Group and Gold Jewellery Co.

India's importance has also been increasing, both as a consumer and producer, with a rapidly expanding middle-class providing potentially huge demand for such aspirational goods over the coming years. This is exemplified by Reliance Industries, one of the largest Indian conglomerates, and the second most active buyer of luxury brands from our research. India's Malabar Gold & Diamonds group is also a global top 20 name.

Lastly, with almost half of the demand for luxury goods coming from Gen Y (between 30 and 42 years) consumers, older incumbents will have to keep playing catch-up with their evolving preferences such as sustainability, circularity and digitization. The easiest way to accomplish this and breathe new life into their established brands and bring young people into the fold is by acquiring smaller, agile, upcoming brands focused on all these values.

5. Notable Transactions

| | | |
|--|--|--|
| <p>France</p> <p>SCHUTTE</p> <p>Home Furniture</p> <p>LUISINA</p> <p>Sell-side</p> | <p>Portugal</p> <p>BBG</p> <p>Gift Producers</p> <p>ARCH BRITO</p> <p>Consulting</p> | <p>Netherlands</p> <p>MBO</p> <p>Hairdressers</p> <p>HUIZENAAR KAPPERS.</p> <p>Sell-side</p> |
| <p>USA</p> <p>WEAVE GROWTH PARTNERS</p> <p>Ecommerce</p> <p>STROLLERIA</p> <p>Sell- side</p> | <p>Norway</p> <p>KVANUM AB</p> <p>Kitchen Retail</p> <p>STUDIO KVANUM OSLO AS</p> <p>Sell-side</p> | <p>U.K</p> <p>CHRONO24 GMBH</p> <p>Luxury Goods</p> <p>XUPES</p> <p>Sell-side</p> |
| <p>Norway</p> <p>EUROPRIS ASA</p> <p>Retail and Franchising</p> <p>LEKEKASSEN</p> <p>Sell-side</p> | <p>Finland</p> <p>MANNA & CO OY</p> <p>Luxury Clothing & Textiles</p> <p>LEXINGTON</p> <p>Buy-side</p> | <p>Brasil</p> <p>RAIZEN COMBUSTIVEIS</p> <p>Retail</p> <p>FEMSA</p> <p>Sell-side</p> |

6. Consumer and Retail Industry Group Team

OUR EXPERTS TEAM



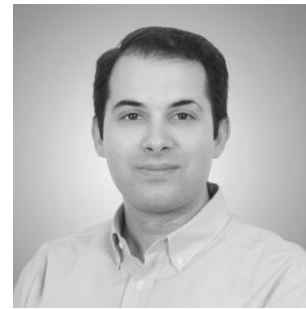
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