

Global Fashion & Luxury
Private Equity and
Investors Survey 2021

Global report



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Preface

During 2020 the global pandemic caused a widespread economic downturn, corresponding for the F&L industry to a reduction by one fifth of market volumes at global level.

However, **in comparison to what happened during the 2008 crisis, the negative impact of COVID-19 on the F&L industry is expected to be less tough and long-lasting.** The sector is indeed more “prepared”, as many brands are no longer dependent on physical sales thanks to the uprise of e-commerce.

With the pandemic still persisting in 2021, F&L companies will have to understand the factors and dynamics influencing the market. Examples of such dynamics and trends are digitalization, the employment of disruptive technologies such as artificial intelligence and augmented reality, the creation of a multi-channel brand (in particular with focus on e-commerce) as well as the attention for sustainability and the green agenda.

In this context, global investors interested in the Fashion & Luxury industry are already taking into account such trends in their strategies for the next years, leveraging ON M&A activity etc. to better and more timely face these rapid market changes.

In order to analyse and measure market trends and expectations on M&A activities, **Deloitte has launched the fifth edition of the “Global Fashion & Luxury Private Equity and Investors Survey”.**



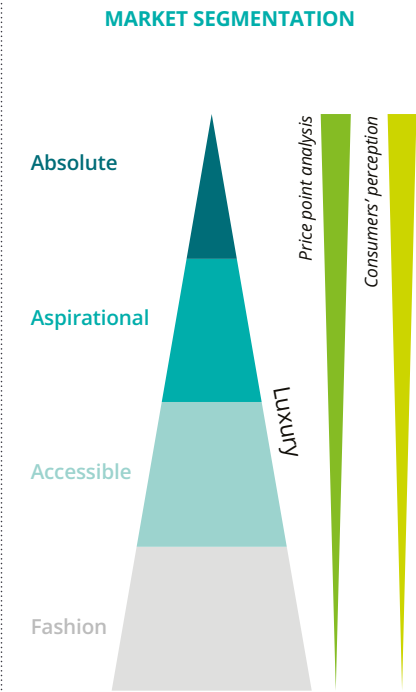
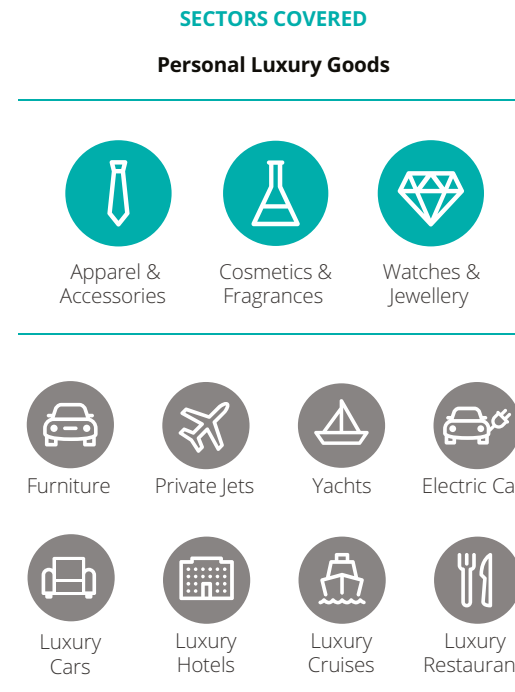


Methodology and Contents

The study considers more than ten sectors of the F&L industry, of which three are Personal Luxury Goods.

CONTENTS	F&L INDUSTRY BUSINESS PERFORMANCE	M&A DEAL MONITOR 2020	PRIVATE EQUITY AND INVESTORS SURVEY 2021
	<ul style="list-style-type: none"> Sales and margins performance by sector Analysis of F&L sectors' attractiveness for investors Covid impact assessment by sector, focusing on Personal Luxury goods 	<ul style="list-style-type: none"> Size of M&A deals by F&L sector Target company profiles Investor profiles Analysis of global deals 	<ul style="list-style-type: none"> F&L market outlook and Covid-19 impact Exit and investment strategies in 2021 Investors' current portfolio of F&L assets
GEO SCOPE	Global	Global	Global
DATA SOURCE	<ul style="list-style-type: none"> Company annual financial reports and presentations Interviews with C-level industry experts Deloitte expertise <p>Primary data level</p>	<ul style="list-style-type: none"> News and reports from major media providers Investor press releases Company press releases <p>Primary data level</p>	<ul style="list-style-type: none"> Online survey based on Computer Assisted Web Interviewing (CAWI) Interviews with Private Equity funds' top management <p>Primary data level</p>
REMARKS	<ul style="list-style-type: none"> The investors' survey targeted senior members within private equity funds, with a substantial knowledge of the F&L industry 		

○ Full secondary data ● Full primary data



The study considers more than ten sectors of the F&L industry, of which three are Personal Luxury Goods

Key
takeaways



Business Performance of F&L Industry

COVID-19 impact and expected recovery from market's perspective

Considering a selected panel of 81 players, operating in the Luxury industry, the global market was valued almost \$633bn in 2019 in terms of sales. If considering the Pre-Covid scenario, Personal Luxury Goods showed a positive growth over the last five years (+5.7% CAGR 2015-19) with a stable EBITDA %. Other luxury sectors showed a lower growth (+4.1% CAGR 2015-19), with a slight decrease in profitability.

During 2020, the pandemic crisis strongly affected the luxury market, since restrictions imposed by governments, have foreseen physical retailers closures and travel limitations. Furthermore, the economic downturn led to a contraction in people's purchasing power and willingness to buy luxury goods, especially within the affordable-luxury segment.

Experiential luxury segments, such as Hotels & Restaurants and Luxury Cruises, have been the most hit, with a market value decrease in 2020 up to -70% with respect to 2019. Personal Luxury Goods, has been more resilient, adapting to new consumer preferences and trends and relying on digital sales channels, especially for the cosmetics and fragrances segment. Yachting industry has been most resilient to

Covid downturn, since people safety awareness, led to a shift towards intimacy travel experiences. Yachting, Cosmetics & Fragrances and Luxury Cars, are expected to recovery first. For other segments, such as Hotels and Restaurants, Cruises and Apparel, the recovery strongly depends on travel restrictions removal and on store re-openings.

According to geographical areas, Europe and North America experienced a decrease in 2020 almost aligned with the market average, while APAC, showed the lowest impact in 2020. Post-Covid recovery is expected to be faster for the experiential luxury segment. In APAC, PLG segment is expected to have a strong recovery, while in Europe it is expected a moderate recovery

Insights from C-Levels on COVID-19 impact on PLG industry and key market trends

Since the pandemic started, PLG Companies are facing several issues related to:

- Excessive inventory and liquidity shortage
- Order cancellations and delay in delivery, which increased the need for control and relocation of the supply chain
- Impact on brick-and-mortar channels, which forced

players to address sales through online and digital platforms

- Demand contraction due to tourists flow reduction
- Fashion week cancelations and unsold collections, which made necessary to rethink the fashion calendar and the production

Companies are putting in place different strategies to overcome the crisis, leveraging on digital sales channels, on AI and data analytics to address and forecast the demand, focusing on local consumption and reviewing collections depth to make production more lean. Furthermore, liquidity needs and financial uncertainty, will represent the basis for creating synergies through partnerships and M&A between industrial players. Control over the supply chain and cash, in order to build solid relationships and guarantee quality and solidity to the Company, will be also a key aspect to focus on during the recovery, and will be crucial also in the new normal scenario.

Key trends that are expected in the market in 2021 are the rise of conscious consumption, the seeking for comfort and wellness, a strong acceleration of digital tools to support sales and planning, a deeper attention on sustainability and ethic and the focus on local consumption

M&A Deal Monitor 2020

2020 Global M&A deal overview

The Fashion & Luxury industry proved to be fertile soil for M&A activities despite the spread of Covid-19 pandemic, with #277 deals registered in 2020, presenting a slight but stable increase of #6 deals compared to the previous year. Personal Luxury Goods deals have increased (+37 deals vs 2019) with Cosmetics & Fragrances (20.6% of total) growing by #23 deals, and Watches & Jewellery (4.3%) and Apparel & Accessories (23.5%) rising by #1 and #13 deals respectively. Luxury Cars deals increased during 2020 (+8 deals), driven by the very active electric cars' industry.

Mainly due to Covid-19, the Hotels sector was the worst segment in terms of deals growth with respect to the previous year, falling by #30 deals. Restaurants (-6), Jets (-5) and Yachts (-1) registered a decrease. M&A deal volumes in other sectors registered a positive performance, with activity in Furniture (+2), Cars (+8) and Cruises (+1) growing compared to the previous year. The average deal value has increased to \$235 m in 2020.

M&A deals in Europe slightly decreased (-3 deals), as well as North America (-15 deals) and Middle-East (-5 deals). Asia-Pacific registered a significant increase (+33 deals).

Top deals in 2020

Acquisitions in **Cosmetics & Fragrances, Automotive and Apparel & Accessories** sectors drove numbers in 2020:

- Coty Inc. by Kohlberg Kravis Roberts & Co. L.P. (~\$2.8 bn for 60%)
- Rivian Automotive, LLC by a group of investors led by T. Rowe Price Associates, Inc. (~\$2.7 bn for 100%)
- Supreme Inc. by VF Corporation (~\$2.2 bn for 100%)

Other relevant acquisitions in 2020 involved **Cruises and Hotels** companies:

- Hapag-Lloyd Kreuzfahrten GmbH by TUI Cruises GmbH (~\$1.5 bn for 100%)
- The Ritz Hotel (London) Limited by Abdulhadi Mana A Sh Al-Hajiri (Private Investor ~\$1.1 bn for 100%)

M&A features and strategies

Of the M&A deals completed, 46% were carried out by Strategic investors (-9 p.p. vs 2019). Financial investors, involved in 54% of the total, increased the number of deals (+29 YoY).

Strategic sellers were involved in 62% of the transactions (vs.67% in 2019). Generally, bidders' investments focused mainly on a buyout and consolidation strategy (44% and 34% of the times, respectively).

Private Equity and Investors Survey 2021

COVID-19 Impact from investors' perspective

Within its Private Equity Survey, Deloitte focuses on understanding investors' perceptions of the potential growth in the F&L market in coming years. Even though the pandemic seems far to be over, companies are finding different ways to face the protracted critical period. In terms of sectors, in the next three years investors expect "Out of the home" luxury experiences as Luxury Hotels, Restaurants and Cruises to be the most affected by Covid-19. On the other hand, Personal Luxury Goods (Apparel, Watches and Cosmetics & Fragrances) are expected to have a positive performance.

Despite the persistency of the pandemic in 2021, 97% of investors declare they will continue to invest in the F&L industry. This is also due to the fact that 100% of investors expect the industry to revert the negative trend and get back to grow no later than 2022. In addition, 94% of Investors foresee that the F&L Industry will achieve pre-Covid-19 levels between 1 and 3 years from now. The recovery will be driven by sectors such as Cosmetics & Fragrances, Apparel & Accessories and Restaurants.

2021 investment strategy

100% of funds are considering investing in an F&L asset in 2021, with interest rising particularly in Apparel.& Accessories.manufacturing (67%), Cosmetics (42%), Apparel & Accessories retail and Furniture (both 30%). As for the previous year, Personal Luxury Goods continue to be among the most attractive for investors.

Both current investors and newcomers are more attracted to consolidated sectors within the F&L industry (such as Apparel & Accessories and Cosmetics & Fragrances) where market knowledge is widespread, while Furniture has become much more attractive to new investors compared to the previous year. With respect to 2020, investors are looking for higher returns by targeting small-sized companies (+8.6 percentage points), where they plan to deploy strategic levers such as internationalization, performance improvement (+8.9 and +14.6 percentage points, respectively) and new product categories development .

The consensus is that forecast returns will range from 21 to 30%.



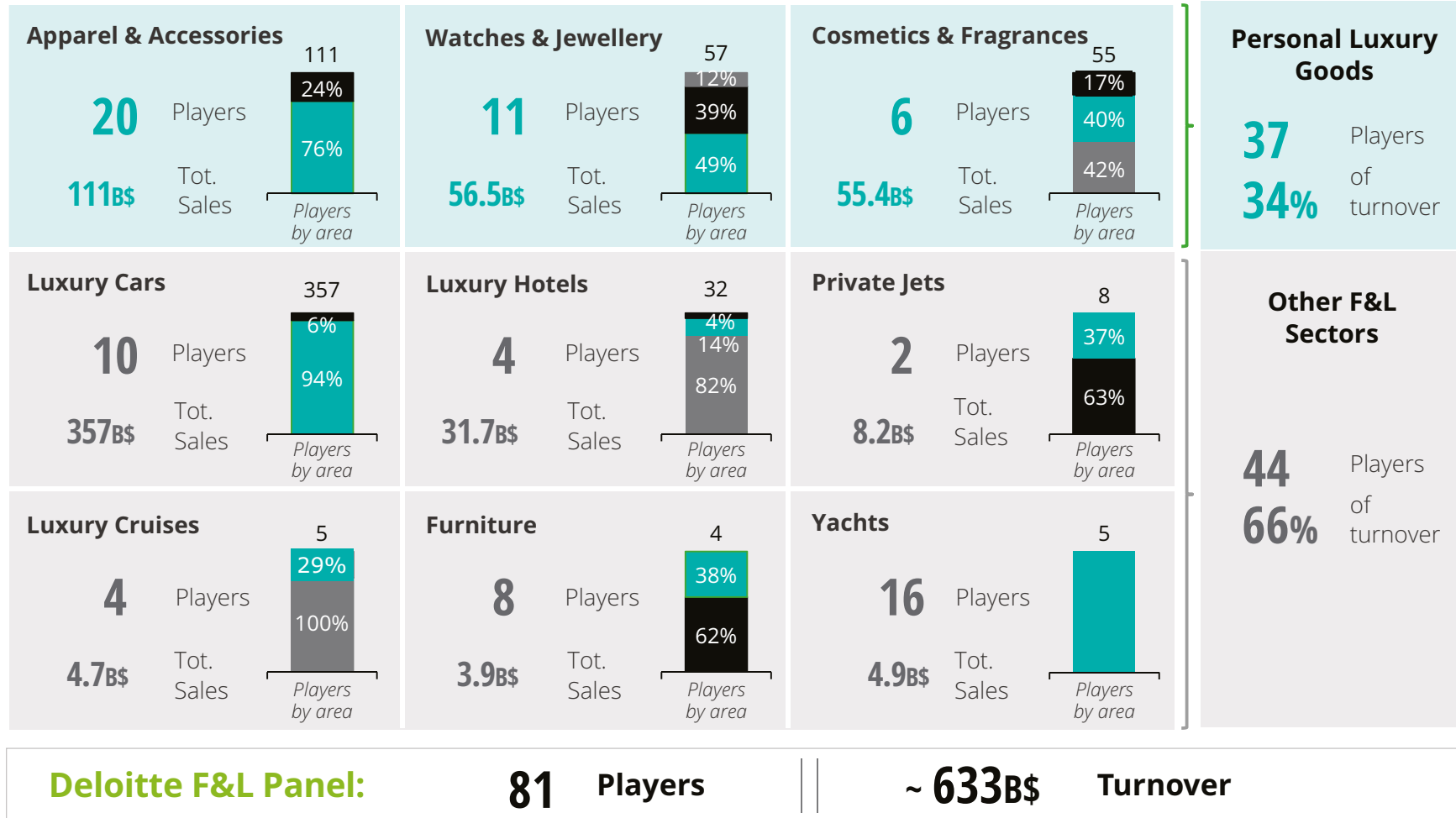


Market Insights and Perspective of F&L Industry

Market Insights: Deloitte Fashion & Luxury panel in 2019

The Fashion & Luxury industry business historical performance analysis, was conducted on a panel of 81 companies, totalizing almost \$633bn of sales in 2019.

Top Players Map FY2019



Rest of the World North America Europe

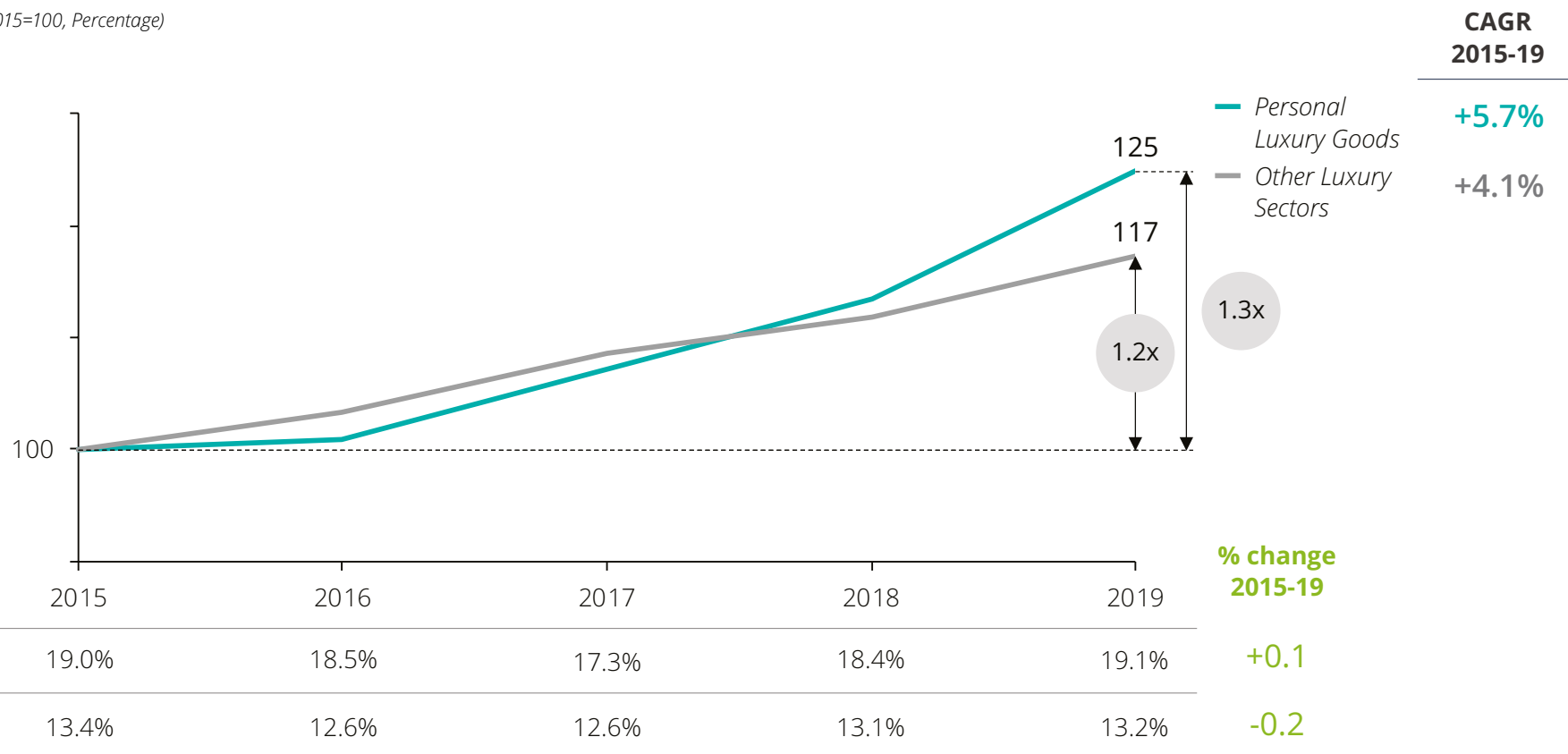
Notes: Values reported at 2019 constant exchange rate | Source: Elaboration on Company Financial Report data

Market Insights: Sales performance 2015-19

The F&L top players sales index in 2019 is 1.3x the 2015 value. Personal Luxury Goods showed a positive growth on the pre-Covid scenario (+5.7% CAGR 2015-19) with a stable EBITDA %. Other luxury sectors showed a lower growth (+4.1% CAGR 2015-19), with a slight decrease in profitability.

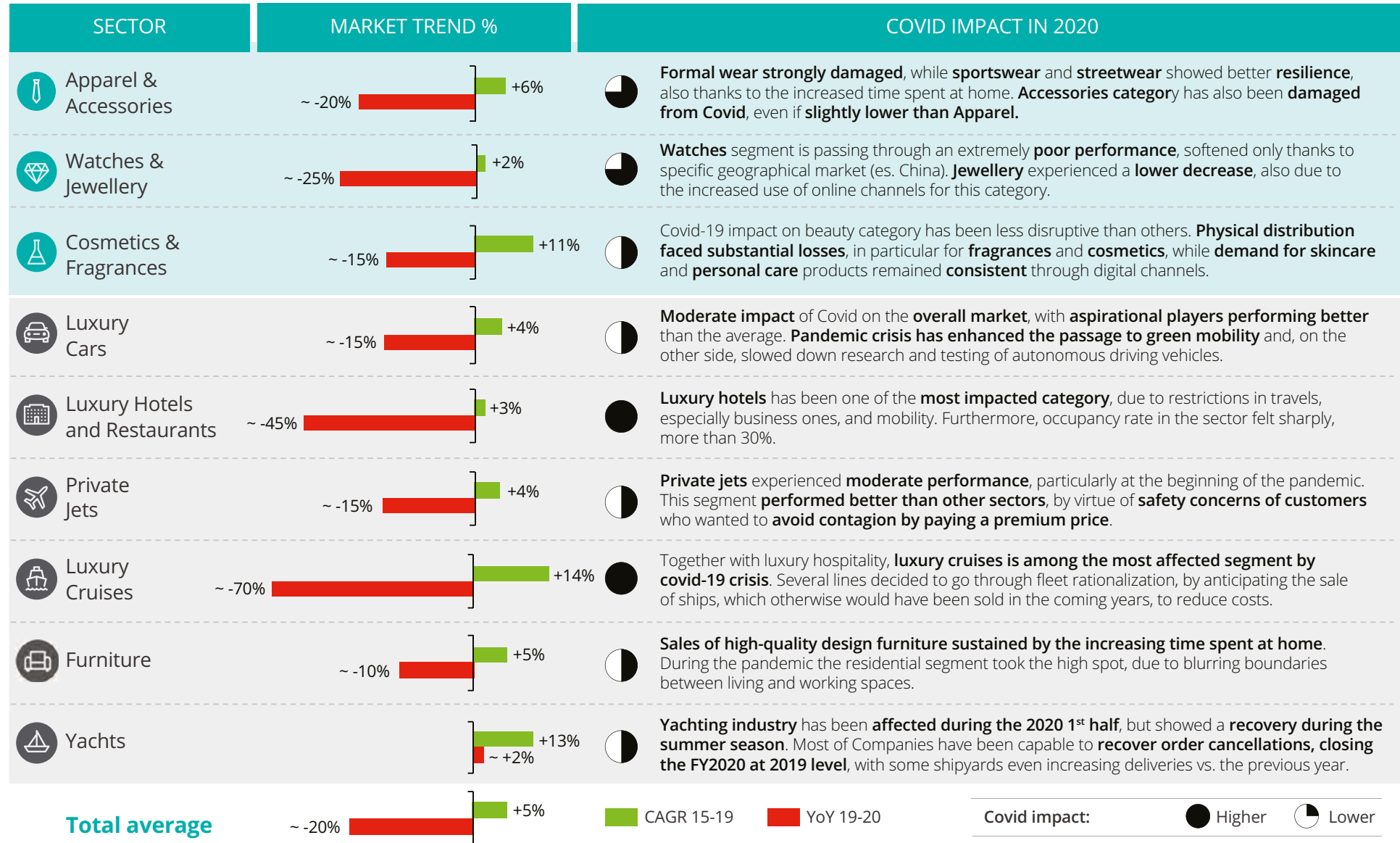
2015-19 F&L Sales Index evolution

(Index of Sales 2015=100, Percentage)



Notes: Values reported at constant exchange rate | Source: Elaboration on Company Financial Report data and Desk analysis

Market insights: Covid impact on luxury market in 2020



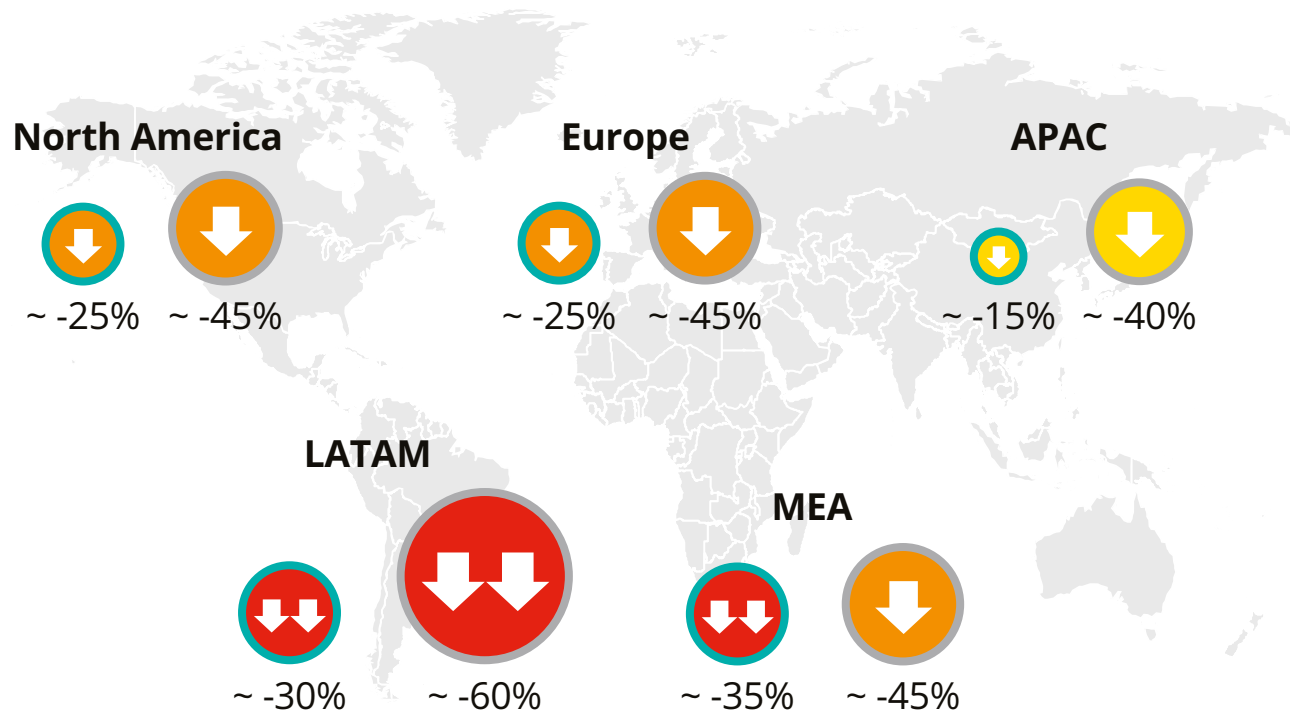
Source: Elaboration on official annual reports, official Companies press release, secondary market data and interviews with key operators/experts within the sector

Market insights: Covid impact by geographical area

APAC regions, show the lowest impact from Covid-19 in 2020, both for PLG and for Experiential luxury segments, while Europe and America show a higher impact.

Covid impact on PLG and Experiential¹ Luxury segments by geography

(Percentage)




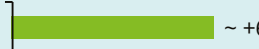

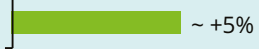



















Global market YoY 19-20

- PLG: ~ -22%
- Experiential: ~ -45%

China has been the first Country to **overcome Covid crisis**, showing a **+45% in 2020** Luxury market value vs. 2019, mainly do to a **shift of local consumption** in the national territory because of travel restrictions.

Market insights: Expected post-Covid recovery

SECTOR	MARKET TREND %	POST-COVID RECOVERY INSIGHT
 Apparel & Accessories	 ~ +5%	— Casual and sportswear are expected to recover earlier than formal wear , even if the whole apparel industry is expected to be back on track on pre-Covid level in 5 years . Brands operating in the formal wear may balance, shifting to a higher share of easy-to-wear. Accessories , such as leather goods , are expected to recover first.
 Watches & Jewellery	 ~ +6%	+ High jewelry and iconic entry prices will drive the recovery , which will take place earlier in the Chinese market . This segment will face challenges due to its legacy with physical retailers and wholesalers and it is expected to be back to pre-Covid level by 2023.
 Cosmetics & Fragrances	 ~ +5%	++ This sector is expected to recover fast , showing higher resilience than the fashion market. Digital channels and Chinese purchases will lead the recovery , whereas a sustained percentage of sales won't be recovered until travel retail will fully start over.
 Luxury Cars	 ~ +6%	++ Post Covid scenario will be focused on the green transition , with re-boost on autonomous driving investments. A partial recovery has already started, especially in specific markets (es. China). The overall industry is expected to be back to pre-Covid level by 2022.
 Luxury Hotels and Restaurants	 ~ +15%	= Luxury hospitality is not expected to recover until travel limitations will be removed ; moreover hotels will have to consider safety-related concerns of their consumers, thinking on alternatives stay experiences (es. «working-from-hotel»).
 Private Jets	 ~ +3%	+ Private jets recovery will be favored by the possibility for customers to enjoy intimate and safe stays . The shift towards private travel transportation, which occurred during the pandemic, is expected to stay also in the new normal, responding to consumers' safety needs.
 Luxury Cruises	Outlook not available	— A challenge for the restart will come from preference towards luxury charters , which offer a more intimate travelling experience. The sector is expected to recover when limitations to travel will be removed and relies on vaccination effectiveness, but consumers have already booked cruises for the years to come, showing their willingness to travel.
 Furniture	 ~ +5%	+ Furniture is expected to recover faster than other luxury categories due to the new attention on time spent at home. Key trends will be personalization, self-expression and functionality . Comfort is expected to be the most relevant key purchasing criteria.
 Yachts	 ~ +8%	++ Yachts recovery will be favored by the willingness of customers to enjoy intimate and safe stays , which will be valid also in the new normal , and will be driven mainly by purchases . Yachting companies already show a consistent order book and are investing a lot in new technologies and boat development.
Total average¹	 ~ +6%	 CAGR 20-25 Post-Covid recovery:  ++ Strong  + Fast  = Gradual  - Very slow

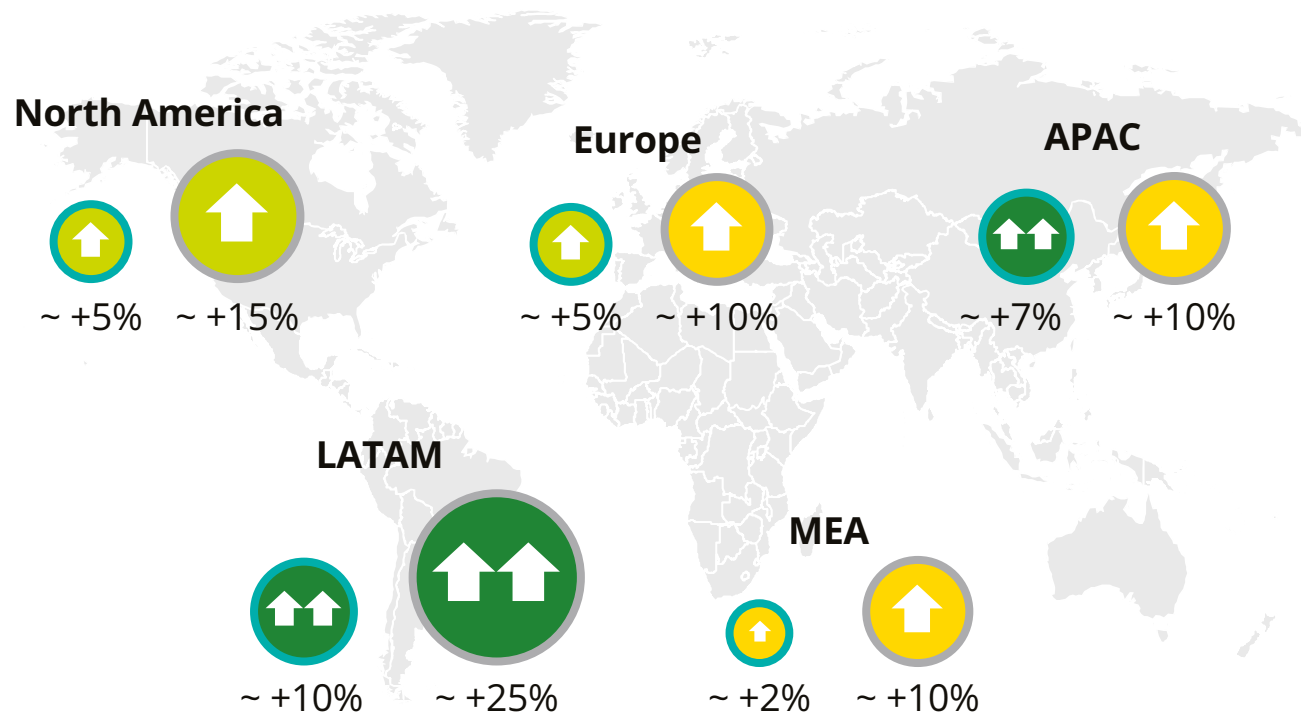
Note: (1) does not include cruises | Source: Elaboration on official annual reports, official Companies press release, secondary market data and interviews with key operators/experts within the sector

Market insights: Expected recovery by geographical area

Post-Covid recovery is expected to be faster for the experiential luxury segment. In APAC, PLG segment is expected to have a strong recovery, while in Europe it is expected a moderate recovery.

Expected recovery on PLG and Experiential¹ Luxury segments by geography

(Percentage)



Global market CAGR 20-25

- PLG: ~ +5%
- Experiential: ~ +15%

- ↑↑ Strong recovery
- ↑ Moderate recovery
- ↑ Slow recovery

Notes: (1) includes hotels and restaurants | Source: Elaboration on official annual reports, official Companies press release, secondary market data and interviews with key operators/experts within the sector

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Covid impact on PLG

Insights from industry experts

Covid-19 impact on Personal Luxury Goods – Key challenges

Question: “Which are the main criticalities that your industry/Company is facing because of Covid-19 impact?”



Stock management

Excessive inventory is a problem that **affected Luxury companies even before Covid-19**. Pandemic crisis led to a further increase in the stock level, since the most of **collections have been unsold**. To overcome excessive stock issues, luxury brands are **investing in digital development and AI**, in order to **forecast demand** and **align their offer** accordingly.



Cash and liquidity shortage

Luxury Companies are facing several issues related to **liquidity shortage**, generated by an overall **contraction in demand** (**reduction in sales and orders cancellation** as a result of store closures and economic downturn) and by **payments delays**.



Supply chain

Order cancellations, delay in deliveries and the overall economic uncertainty, increased the need for **control** and **relocation** of the **supply chain**. To mitigate future rupture, Companies are **moving away from transactional relationships**, in favor of **deeper partnerships**. Furthermore, the rise in people's consciousness towards sustainability, increased the need for control to **ensure quality and ethic standards** in production.



Channels and go-to-market

The pandemic had an heavy impact on **brick-and-mortar channels**, mainly affecting sales on **travel retail**, **department stores** and **specialty stores**, and most brands are **expected to close** a good percentage of their **physical stores**. To overcome this issue, almost all players are **addressing sales** through **online and digital platforms** and are investing in digital communication.



Demand and offer

Demand strongly suffered from **tourists flow reduction** and **contraction** in people's **purchasing power**. On the other hand, also offering has been hit: **fashion week cancellations** and **unsold collections**, made necessary to **rethink the fashion calendar, the production and the customer-base segmentation**.

Key insights from C-Level of PLG companies

“... We are trying to move from a make-to-stock to a **make-to-order** process to lean our inventory and overcome oversupply problems, following a **demand-driven approach** ...”

“... The current **number of collections** across the seasonal calendar, represents the **first impediment to a demand-focused approach**. We should restart from **seasonal schedule**, to gain **control over in-store delivery** ...”

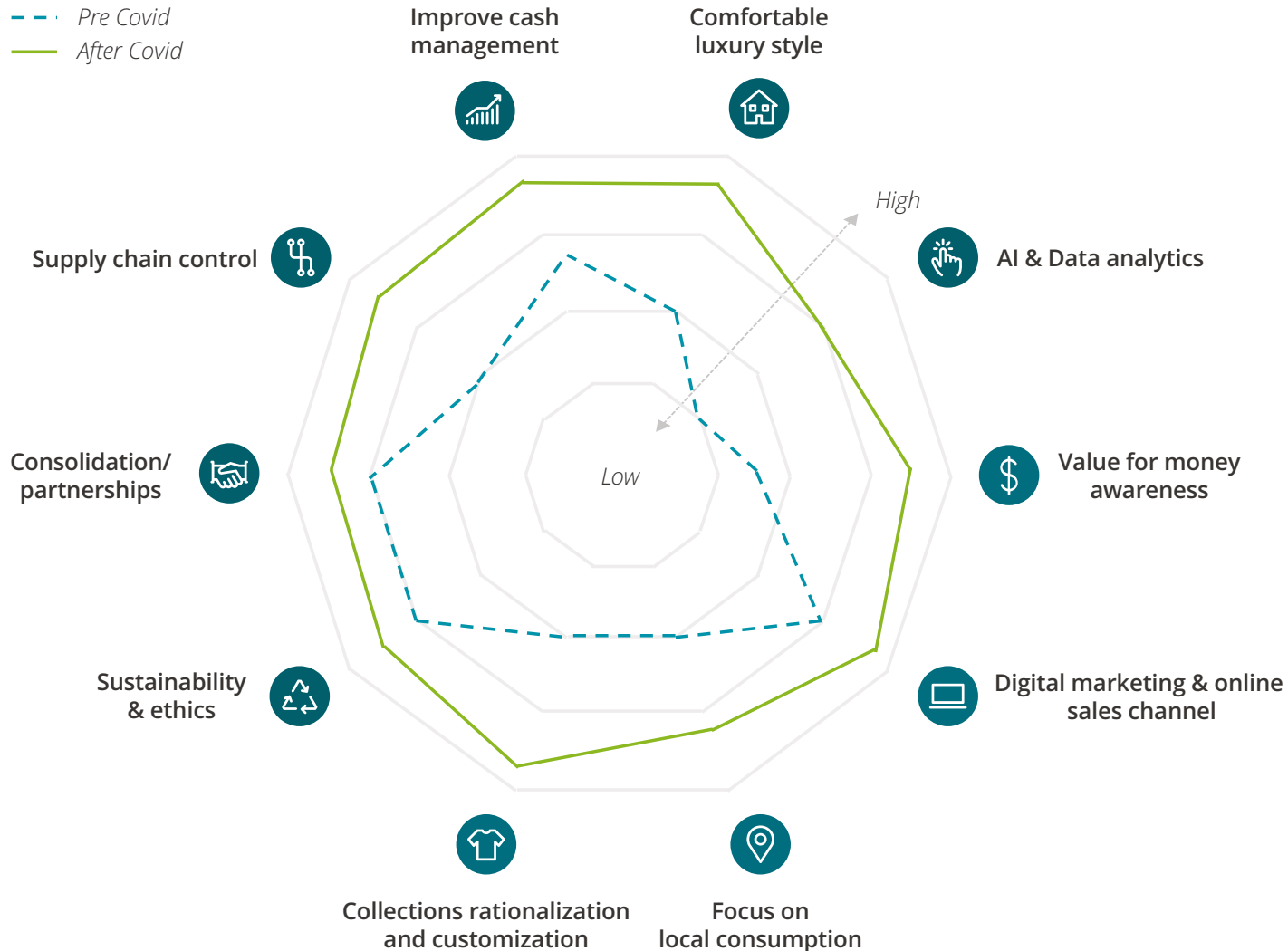
“... Retailers are **reviewing** their **store networks**, and launching initiatives to improve productivity such as **cutting staff costs** and **training staff across new skills** ...”

“... It is fundamental to create an **omni-channel approach** to remain competitive in the market, considering that online sales reached the 20% in 2020. It is also important to **invest in digital communication** to **engage new generations** and **Chinese consumers** ...”

“... If before Covid, **local consumption** was a tourists' consumption complement, since 2020 it became a **lever** which is **proactively activated** by Companies and this is expected to remain even in the following years ...”

Expected recovery on Personal Luxury Goods – Drivers and strategies

“Which will be the major drivers and strategies that you will adopt to overcome the Covid crisis?”



Key insights from C-Level of PLG companies

“... Adoption of AI and advanced analytics will become fundamental. Since **uncertainty will continue** for some time, brands need to **check on buying patterns to improve demand tracking**, in order to **manage manufacturing and stock in a more agile way ...**”

“... **Consolidation** within Luxury industry operators is **expected to rise**, in terms of M&A and partnerships, both for **economic and social rationales**. Liquidity needs of many companies will create synergies between complementary players. Furthermore, **non-Luxury investors** that are facing the crisis, might not have the competences and the willingness to overcome it, leading to **disposals ...**”

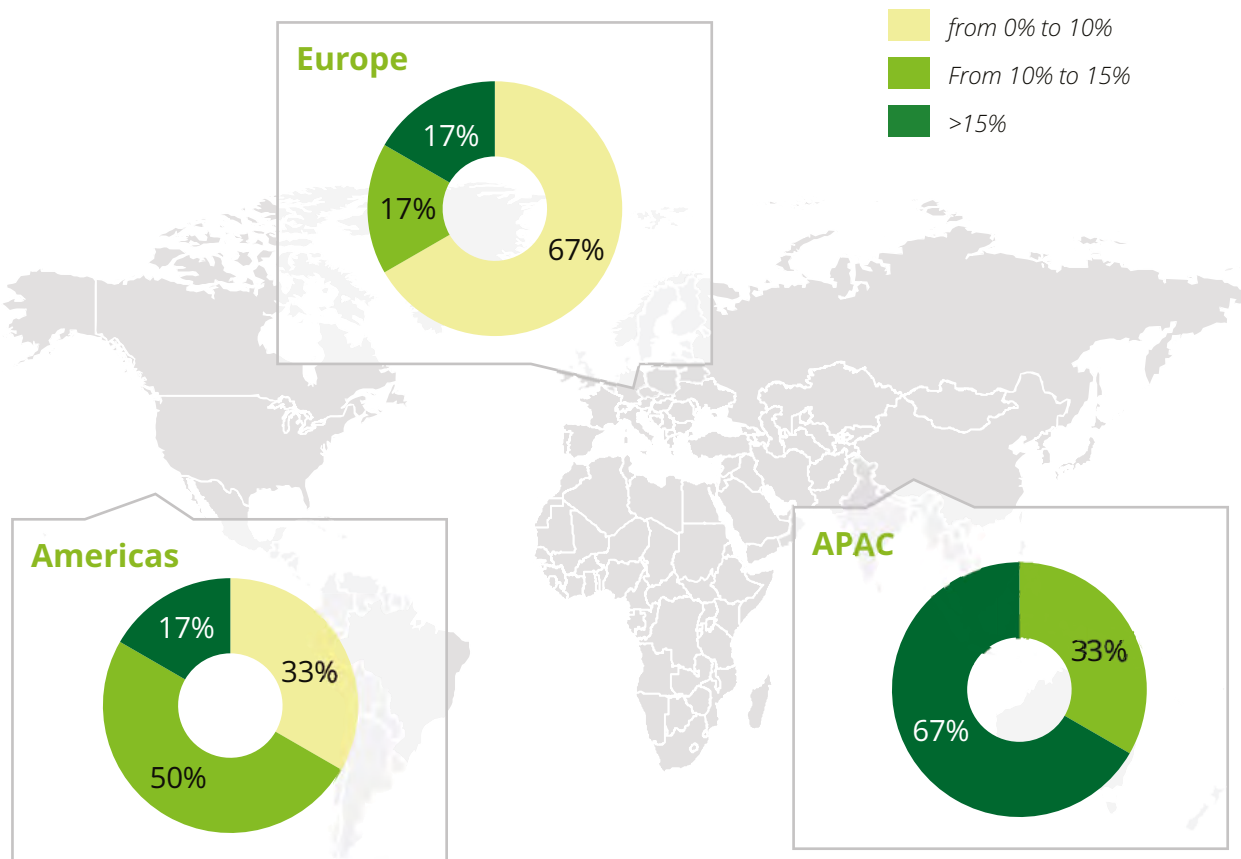
“... It is important to obtain **control and stability over the supply chain**. After years of relocation and emphasis on flexibility and price competitiveness, it could make very attractive those companies that **guarantee quality and responsibility in production ...**”

Source: Elaboration desk analysis and interviews with key operators/experts within the sector

Expected recovery on Personal Luxury Goods – Market perspective

Question: “How do you think your business will recover from Covid impact in 2021 in terms of sales, with respect to 2020?”

(Percentage on respondents)



Key insights from C-Level of PLG companies

“... Sales in the **European market** will **continue to suffer** from the pandemic evolution in the European Countries **during 2021**. Even if a **recovery phase slightly started**, leveraging on **alternative sales channels** and **random store openings**, this market will be the most affected even during this year, with respect to others, and the **recovery** strongly **relies on vaccine campaign and travel limitations ending ...**”

“... Since APAC, in particular the **Chinese market**, showed to be more **resilient** to Covid, and it is expected to **recover** at an **accelerate rate** and to become the first Luxury market in 3 years, we are **intensifying our presence in these areas** by store re-location and by addressing the production and collections towards the local demand ...”

“... We expect also that the **American sales will grow**, following the market fast recovery. **US is reaching a growth level very close to China ...**”

Expected recovery on Personal Luxury Goods – Key market trends in 2021

Top 5 trends affecting the luxury market in 2021



Conscious consumption

Contraction in purchasing power due to pandemic uncertainty and economic downturn, will lead to a **deeper attention on expenditures. Consumers are more willing to purchase those luxury goods** which are **less vulnerable to seasonality** and that are **everlasting**. Furthermore they are looking for meaning and purpose to justify high-end purchases. Precautionary **savings** are likely to **increase in the post-Covid**, making the fair **value for money** in luxury items even more **important**, especially in the **affordable luxury segment**.



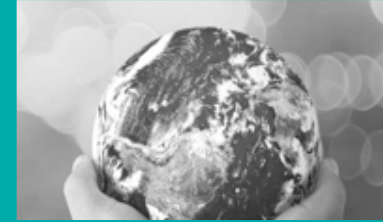
Comfort & wellness

Wellness and self-care become **key drivers in styling and purchasing decisions**, as consumers consider more valuable health and well-being. Luxury brands have to understand and reflect clients' needs and new habits, which now **prefer easy-to-wear clothes**, also due to increased time spent at home. Considering the uncertainty period, consumers need luxury brands to help them with anxiety reduction, sensory appeal, associating to them a therapeutic value. **Sportswear** and **comfortable items** are expected to represent **significant segments**.



Digital acceleration

The evolution of digital is predicted to be significant, with **e-commerce forecasted to become the first channel by 2025**. More and more **companies** are investing consistently in **building omni-channel strategies** in order to deliver consumers a **comprehensive experiences through all touch-points**. The presence of digital is going to pervade every channel, either **revolutionizing physical stores through AI and immersive technologies**, either through pure digital channels, such as web-sites and socials, while **fostering connections** between all of them. Furthermore, **AI and data analytics** are becoming **key levers** to support companies in **demand and production planning**.



Sustainability & ethics

Consumers are **more conscious about environmental and social issues**, considering sustainability in their purchasing decisions. In particular, **Millennials and GenZ** show to be **more sensitive to social and ethic themes** such as **diversity and inclusion**. Customers will ask for more **responsible and purposeful brands**, capable to convey messages. Under this scenario, luxury and fashion companies are focusing on **developing circular business models** and innovative ways to avoid wastes and use resources efficiently and are **actively engaged in social issues** such as black racial and female inclusion, unconventional beauty, etc., making **Luxury** more and more **melted with human values**.











Customization & local consumption

Domestic purchase is predicted to gain higher relevance in the coming years, with a consolidation of the local nature of the luxury market in terms of segments preferences. This will happen mainly because of movement restrictions. Consumers always look for **more personalized luxury goods and experiences**; moreover, new devices and channels are more often used to drive customization, which also enhances the interaction between consumers and brands.

Expected impact of new market trends

Question: “How do you expect the new normal scenario? Do you think that in the mid-long run your industry will be back to a pre-Covid business model, or changes that occurred during pandemic will be disruptive?”

Trend	Expected evolution	Impact
Digitalization and online sales channels	Shift towards online sales channels followed the natural evolution of the economy and society and will represent a key successful strategy even in the new normal, as well as AI and data analytics support in planning and forecasting. However luxury brands will continue investing in improving also in-store-experience making it more interactive with the support of digital tools .	
Comfortable and classy luxury style	Rising demand of comfortable and sober goods reflected the change in consumers’ habits and lifestyle due to Covid restrictions. Once back to a normal scenario , will also change this mind-set and new wearing occasions and international demand will lead to a shift towards a more fashionable style (e.g. China driven market which relies on brand exhibition and lavish luxury , Gen-Z and Millennials extravagant look).	
Focus on local consumption	Travel restriction during pandemic, forced brands to focus more on local consumption since they could no longer count on tourists flow . Once limitations will be removed , the luxury industry will gradually come back to an international perspective, without losing the focus on local clients retention . In particular, the fast growth that the Chinese market is experiencing, will lead many companies to address sales towards local demand in China .	
Conscious consumption	Economic downturn and uncertainty generated by pandemic, made consumers more conscious on their purchasing, even with luxury items. However, during the recovery phase , consumers will gradually spend more on luxury , coming back to a pre-Covid level, especially for the affordable luxury category , which has been the most damaged. Chinese consumers will lead the purchasing wave , in a sort of “ revenge buy ” especially within the PLG segment.	
Supply chain and stock control	A lesson learned from the Covid crisis, is that Companies that have been able to guarantee control over the stock and cash , and to properly manage the supply chain, have been more resilient . A deeper attention on these variables will be fundamental even in the new normal , to prevent the business from risk scenarios .	
Sustainability & ethics	Attention on sustainability and ethic themes were on trend even before pandemic , especially among the youngest generations . Covid-19 increased consumers’ sensitivity towards these issues, and it is expected that even in the new normal scenario they will be crucial in ensuring to Luxury Companies interests and loyalty from consumers.	



Legend:  Impact in the short-term followed by normalization  Disruptive effect in the new normal

M&A Deal Monitor 2020



Fashion & Luxury M&A deals

Overview of deals in 2020 by sector

		271 DEALS IN 2019	277 DEALS IN 2020	+6 DEALS
Sector	Personal Luxury Goods (PLG)	2019	2020	Growth
	Apparel & Accessories	52*	65**	+13
	Hotels	115	85	-30
	Watches & Jewellery	11	12	+1
	Cosmetics & Fragrances	34	57	+23
	Furniture	19	21	+2
	Private Jets	11	6	-5
	Yachts	4	3	-1
	Cars	12	20	+8
	Cruises	2	3	+1
	Restaurants	11	5	-6

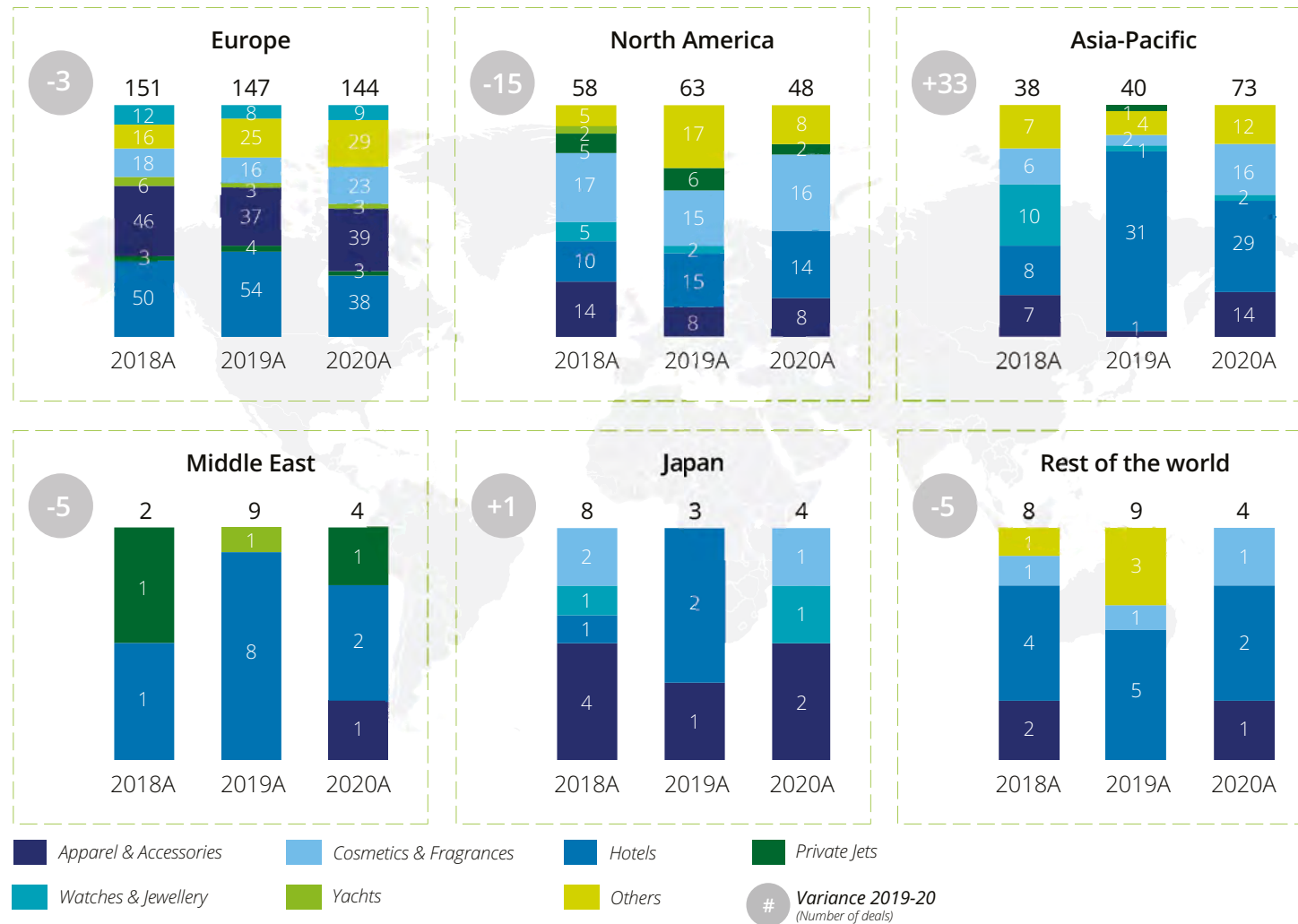
Top luxury deals of 2020

Month	Target	Bidder	Stake (%)	Value (\$m)
Jun.	Coty Inc. (USA)	Kohlberg Kravis Roberts & Co. L.P.	60	2,844
Jul.	Rivian Automotive, LLC (USA)	Amazon.com, Inc.; T. Rowe Price Associates, Inc.; BlackRock, Inc.; Soros Fund Management LLC; Fidelity Management & Research Company; Coatue Management, L.L.C	100	2,717
Nov.	Supreme Inc. (USA)	VF Corporation	100	2,173
Jul.	Fisker Inc. (USA)	Spartan Energy Acquisition Corp.	100	1,949
Aug.	Canoo Inc. (USA)	Hennessy Capital Acquisition Corp. IV	100	1,925
Jun.	Charlotte Tilbury Beauty Limited (UK)	Puig, S.L.; BDT Capital Partners, LLC	100	1,642
Sept.	WM Motor Technology Group Co., Ltd. (China)	Group of 12 different funds	100	1,541
Feb.	Hapag-Lloyd Kreuzfahrten GmbH (Germany)	TUI Cruises GmbH	100	1,473
Dec.	Sportswear Company S.p.A. (Italy)	Moncler S.p.A.	100	1,411
Apr.	NIO (Anhui) Holding Ltd. (China)	Hefei Construction Investment Holding (Group) Co., Ltd.; Anhui Provincial Emerging Industry Investment Co., Ltd.; CMG-SDIC Capital Co., Ltd.	100	1,118
Mar.	The Ritz Hotel (London) Limited (UK)	Abdulhadi Mana A Sh Al-Hajri (Private Investor)	100	1,108
Jan.	The Dedic Anthology (Italy)	Covivio S.A	100	703
Sept.	Accordia Golf Asset Godo Kaisha (Japan)	Accordia Golf Co., Ltd.	100	663
Nov.	Guangdong Xiaopeng Motors Technology Co., Ltd. (China)	Guangzhou GET Investment Holdings Co., Ltd.	100	618
Jul.	Guangzhou Xiaopeng Motors Technology Co., Ltd. (China)	Sequoia Capital; Coatue Management, L.L.C.; Hillhouse Capital Management, Ltd.; Aspex Management	100	536

* Compared to previous edition, "Digital Luxury Goods" deals for 2019 have been reallocated to "Apparel & Accessories" | ** The value does not include Apparel retail segment, that accounts for further 65 deals
Note: the analysis considers both closed and announced deals during 2019 | Source: Elaboration on Deloitte intelligence data

M&A deals by region and sector 2020

Overview of deals in 2020 by Region



Key findings

Europe presented a slight decrease (-3 deals) and **Japan** remained almost flat with respect to 2019. **Asia-Pacific** registered a substantial increase (+33).

North America was the region which saw the highest decrease of Fashion & Luxury deals in 2020, with 15 less deals.

Luxury Hotel and Apparel deals, as well as **Cosmetics & Fragrances** were present in all major regions, and were substantial drivers of M&A activity globally in 2020.

The rest of the world and the **Middle East** presented both a small decrease (-5) in F&L deals since 2019, mainly related to the Hotels segment.

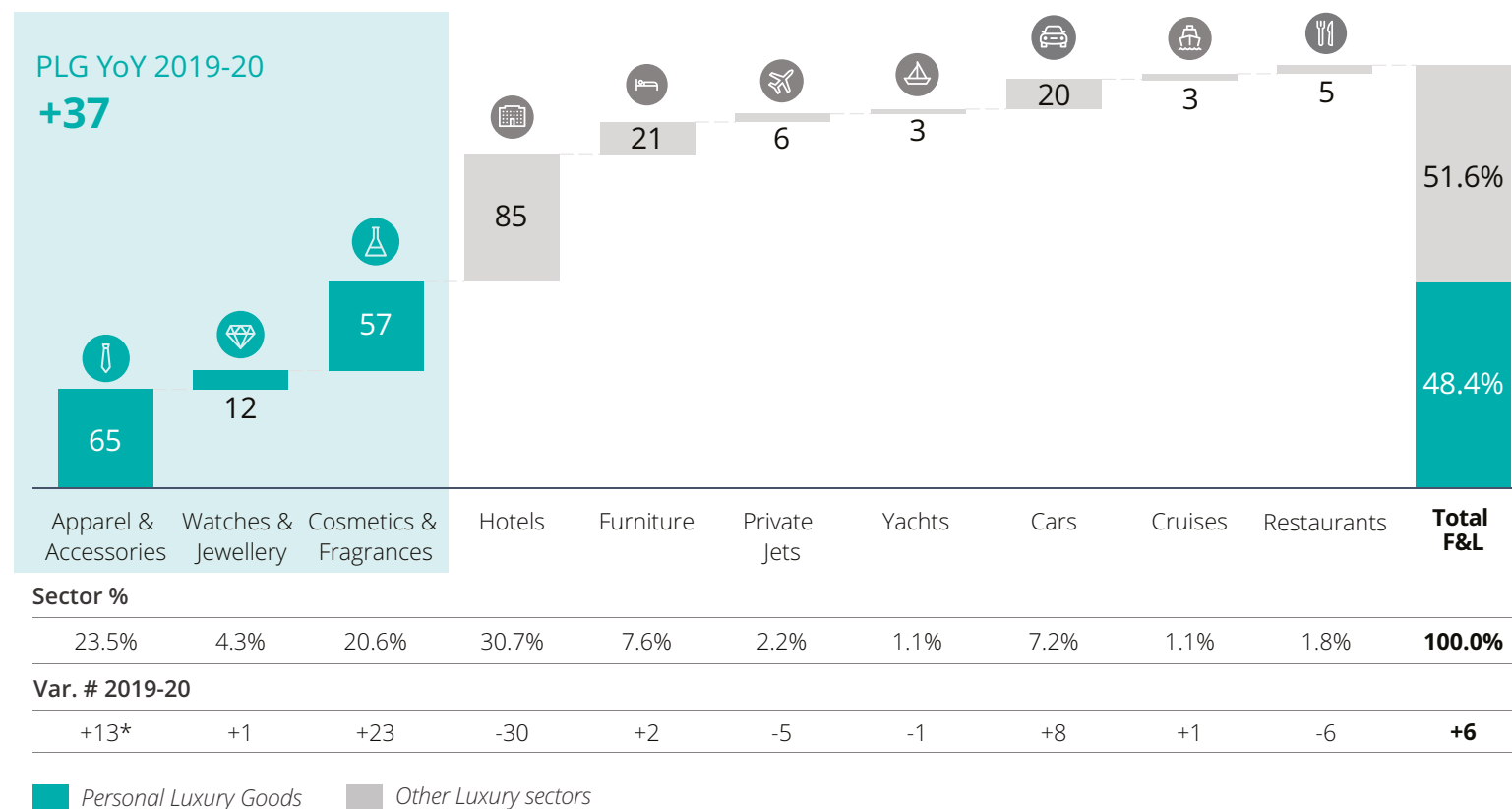
Source: Elaboration on Deloitte intelligence data

Size of main M&A deals

The F&L soil has continued to be a fertile one, with 277 M&A deals in 2020, showing a 2.2% increase from 2019. Personal Luxury Goods (+38% pts YoY) represent about 48% of all deals.

Number of deals in 2020 – Breakdown by sector

(Number of deals, Percentage)



Key findings

The Cosmetics sector has become more attractive to investors during 2020, becoming the top gainer in terms of deal number (+23).

Apparel deals increased by #13 while Hotel sector decreased by #30.

Cars registered #8 deals more respectively compared to 2019.

Private Jets and restaurants slightly decreased respectively by #5 and #6.

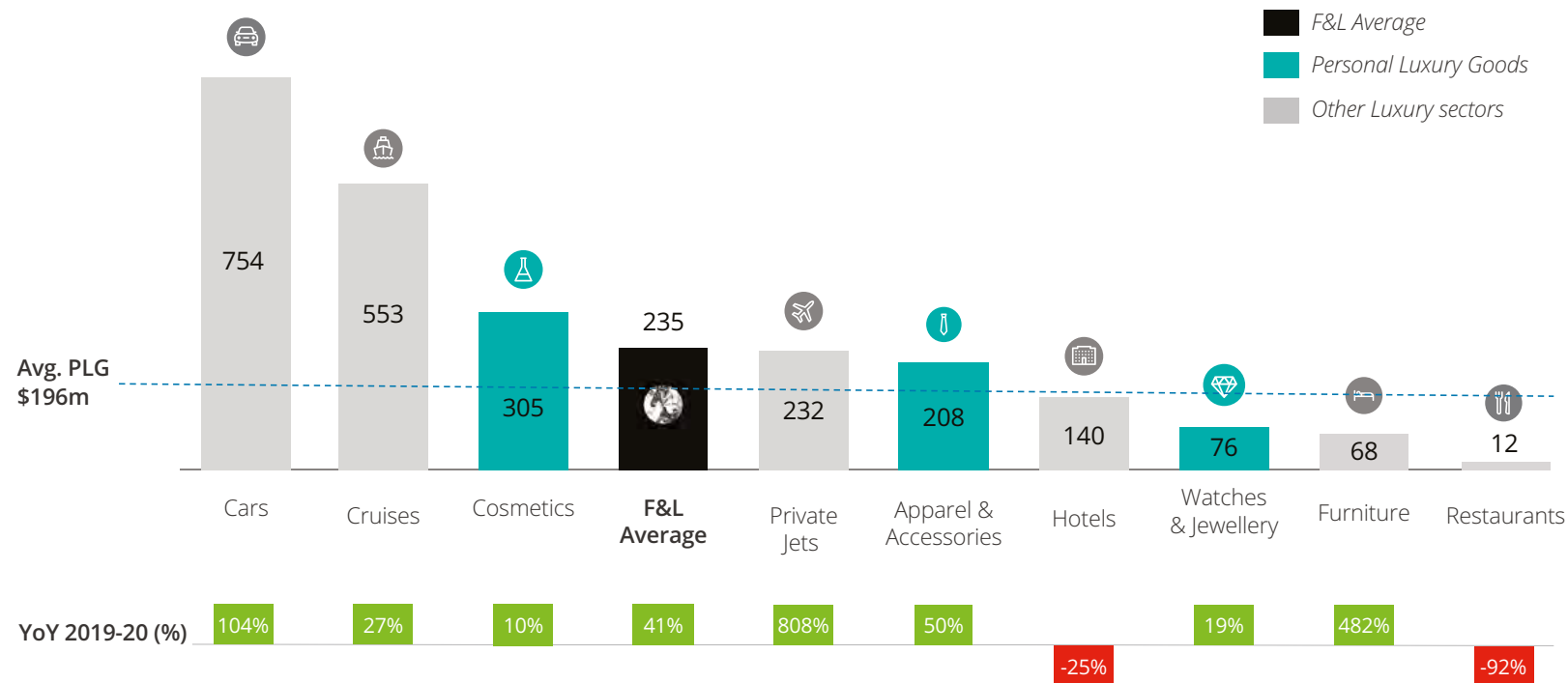
* Compared to previous edition, "Digital Luxury Goods" deals for 2019 have been reallocated to "Apparel & Accessories"
Source: Elaboration on Deloitte intelligence data

Average value of main deals by sector

Deals related to the Cars industry were the largest in 2020 with an average value of \$754m. Cruises and Cosmetics were the next largest with average value of \$553m and \$305m respectively. The average deal value of PLG's in 2020 was \$196m.

Average value per deal in 2020 – Breakdown by sector

(\$m, Percentage)



Key findings

Cars registered a significant increase (+104%), while Private Jets (+808%) and Furniture (+482%) rocketed. Cruises, Watches and Cosmetics remained quite stable, while Apparel and Accessories registered a growth of +50%. Hotels (-25%YoY) and Restaurants (-92%) saw their average value decrease in 2020.

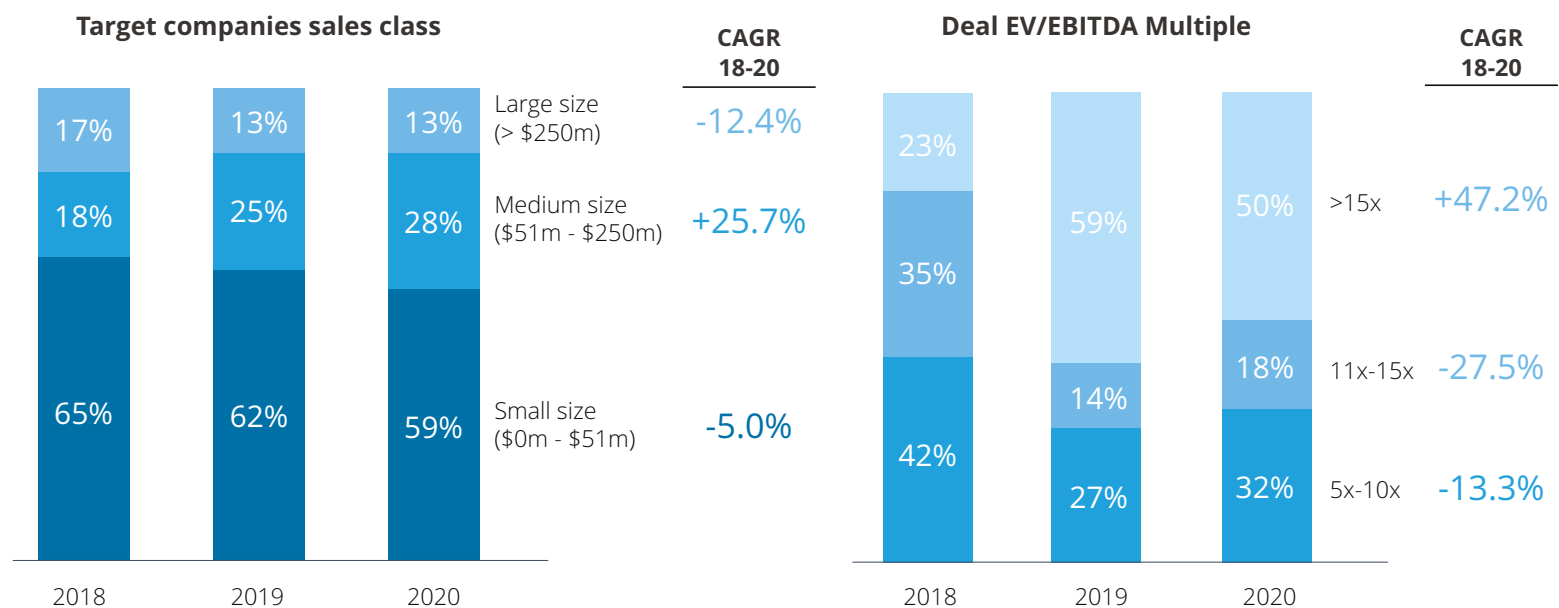
* Compared to previous edition, "Digital Luxury Goods" deals for 2019 have been reallocated to "Apparel & Accessories".
 Note: the average deal value has been calculated based upon data of disclosed transactions | Source: Elaboration on Deloitte intelligence data

Target company features

Compared to the previous year, buyers slightly increased the number of deals related to medium sized firms, with an increase in the 11x-15x EV/EBITDA multiple category (18% of deals in 2020, vs. 14% in 2019) and in the 5x-10x category (32% in 2020, vs. 27% in 2019).

Target company features - Sales Class and Multiples

(Percentage, Enterprise value - EV/EBITDA multiples)



Key findings

In 2020, investors were still oriented towards lower-sized firms (less than \$51m sales) which accounted for 59% of deals in the year, but less than in 2019 (62%).

There was a slight increase in deals involving players in the Medium size market, \$51-\$250m, by 3 pts (+25.7% CAGR 2018-20).

Deals involving multiples higher than 15 times the EBITDA decreased (representing 50% of the total), while there was an increase in deals positioned on EBITDA multiples of both 5-10x and 11-15x.

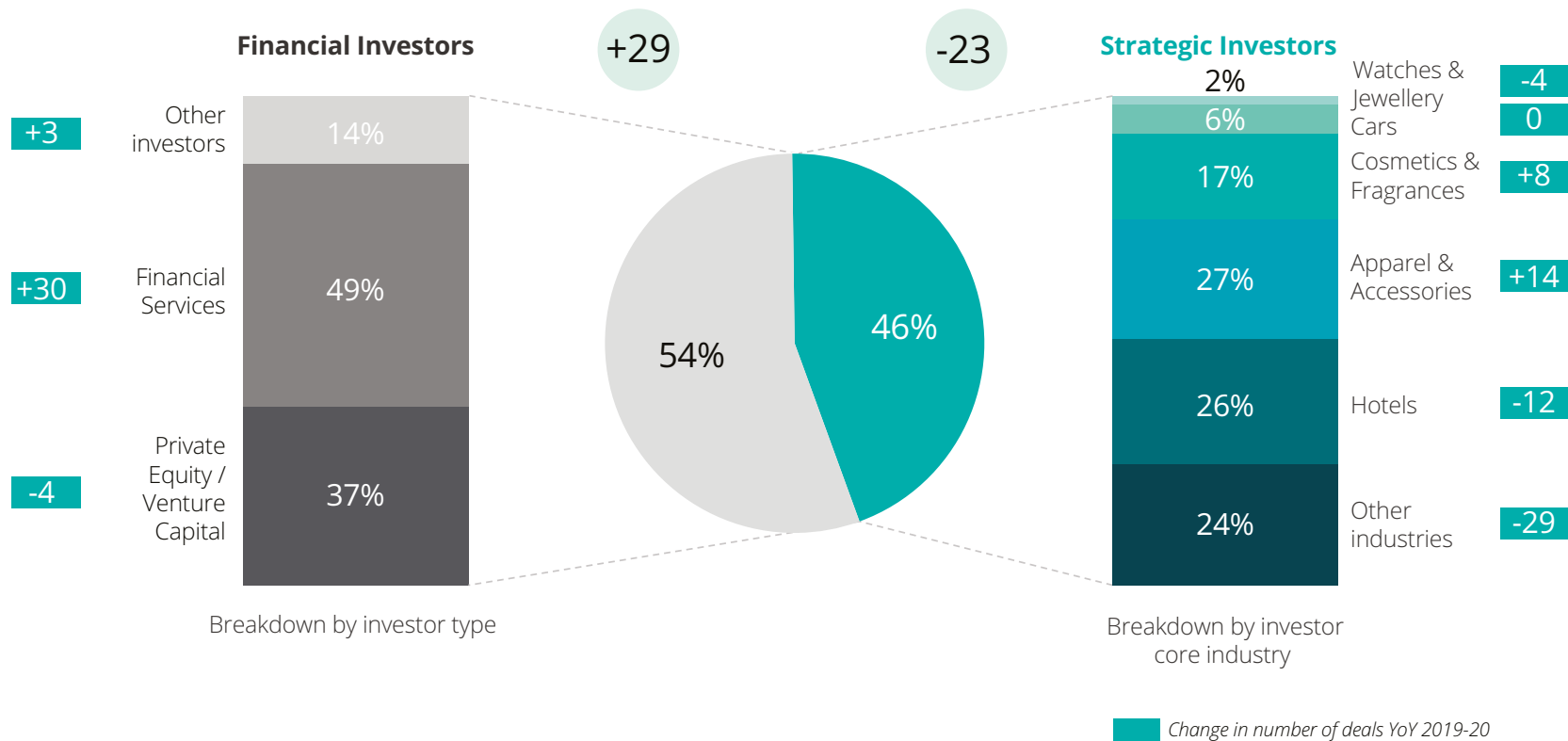
Note: The target sales class has been calculated for all companies with financial data which is publicly available | Source: Elaboration on Deloitte intelligence data

Investor profiles

Financial investors were 54% of total bidders, with Private Equity/Venture Capital representing 37% of them, while the majority of Strategic investors (75%) were involved in Apparel & Accessories, Hotels and Other industries.

Main bidders' profile

(Percentage, Number of deals)



Key findings

Among the strategic investors, the majority of them (75%) operates in the Apparel & Accessories, Hotels and Other sectors.

The growth in the number of deals with respect to the previous year was mostly driven by Financial investors (+29 deals).

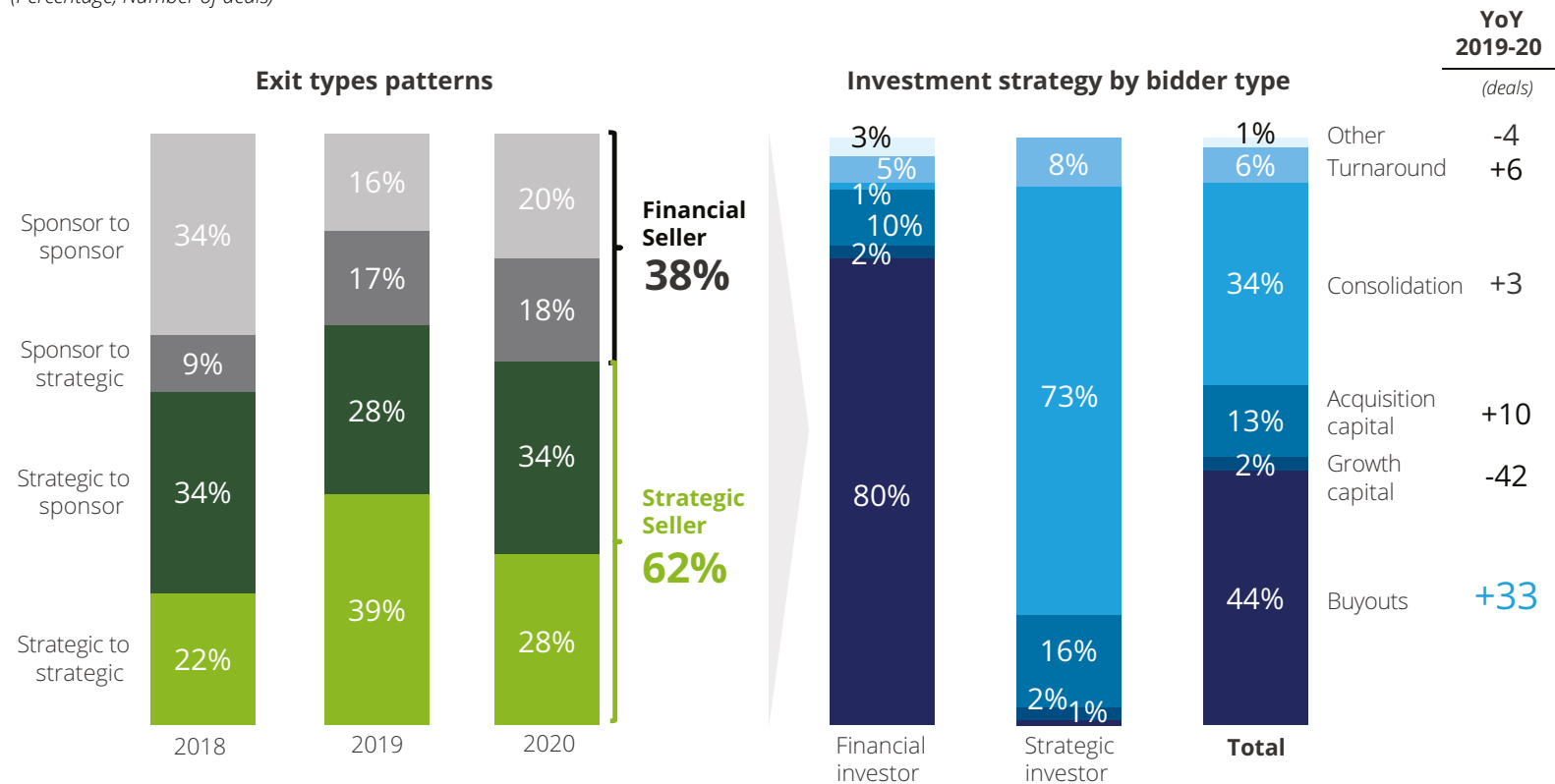
Source: Elaboration on Deloitte intelligence data

Portfolio exit strategies

In 2020 there has been a slight increase in financial sellers (38% vs 33% in 2019), with the most significant part of acquisitions carried out through buyouts and consolidations (44% and 34% of the total, respectively).

Exit types vs Investment strategies

(Percentage, Number of deals)



Key findings

There was a slight decrease in M&A operations carried out by strategic sellers in 2020 (62% vs. 67% in 2019). Furthermore, the exit patterns of Financial investors slightly increased from 33% in 2019 to 38% in 2020.

There was a slight increase in investments through Acquisition capital (+10 deals), while growth capital investments dropped significantly (-42 deals).

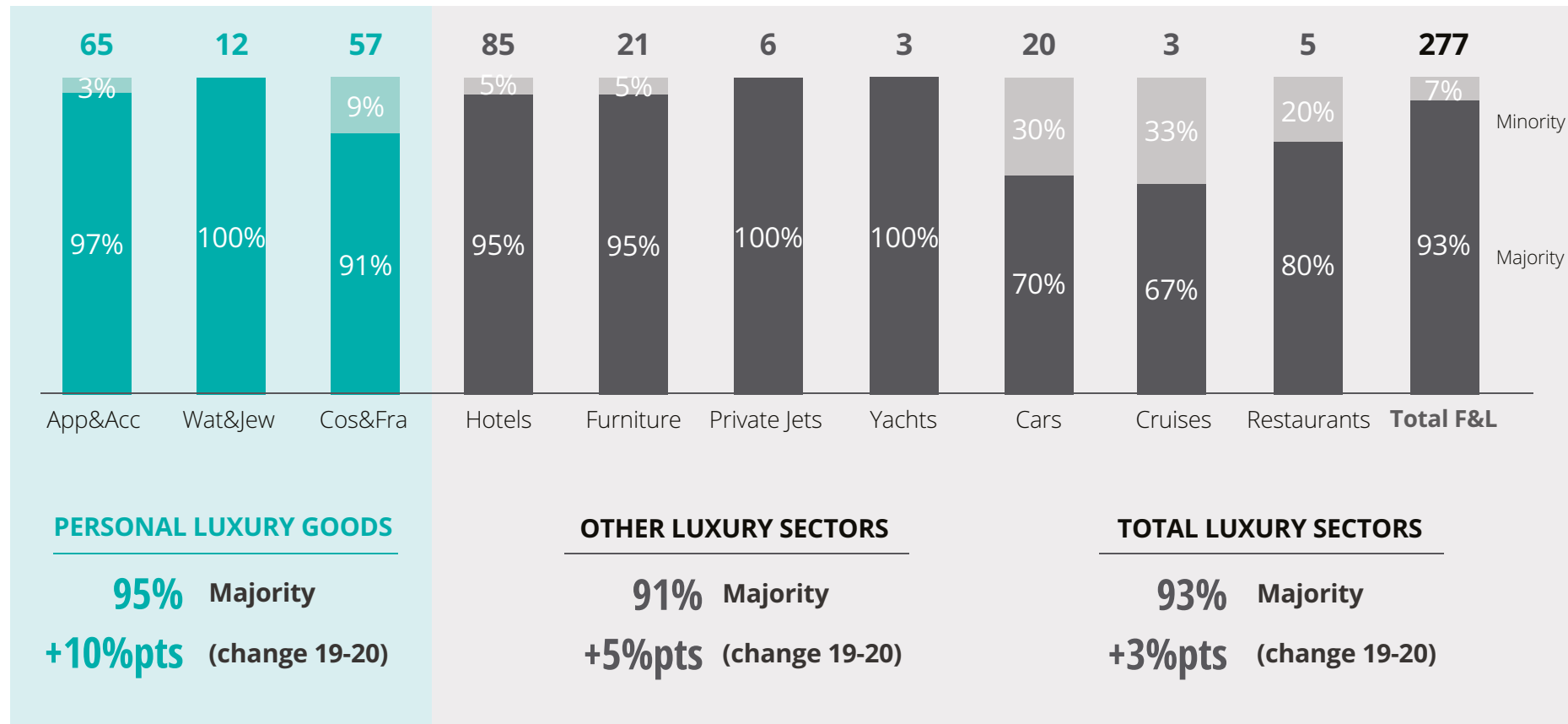
Note: the average deal value has been calculated based upon data of disclosed transactions | Source: Elaboration on Deloitte intelligence data

Bidders' investment stake

Majority stake deals significantly rose in 2020 reaching 95% in the Personal Luxury Goods sector (+10 pts), while growth has been moderate in Other luxury sectors (+ 5% pts up to 91%), corresponding to 93% for the Total F&L.

Investment stakes by sector

(Percentage)



Note: undisclosed investment stakes have been excluded from the analysis | Source: Elaboration on Deloitte intelligence data

Private Equity and Investors Survey 2021



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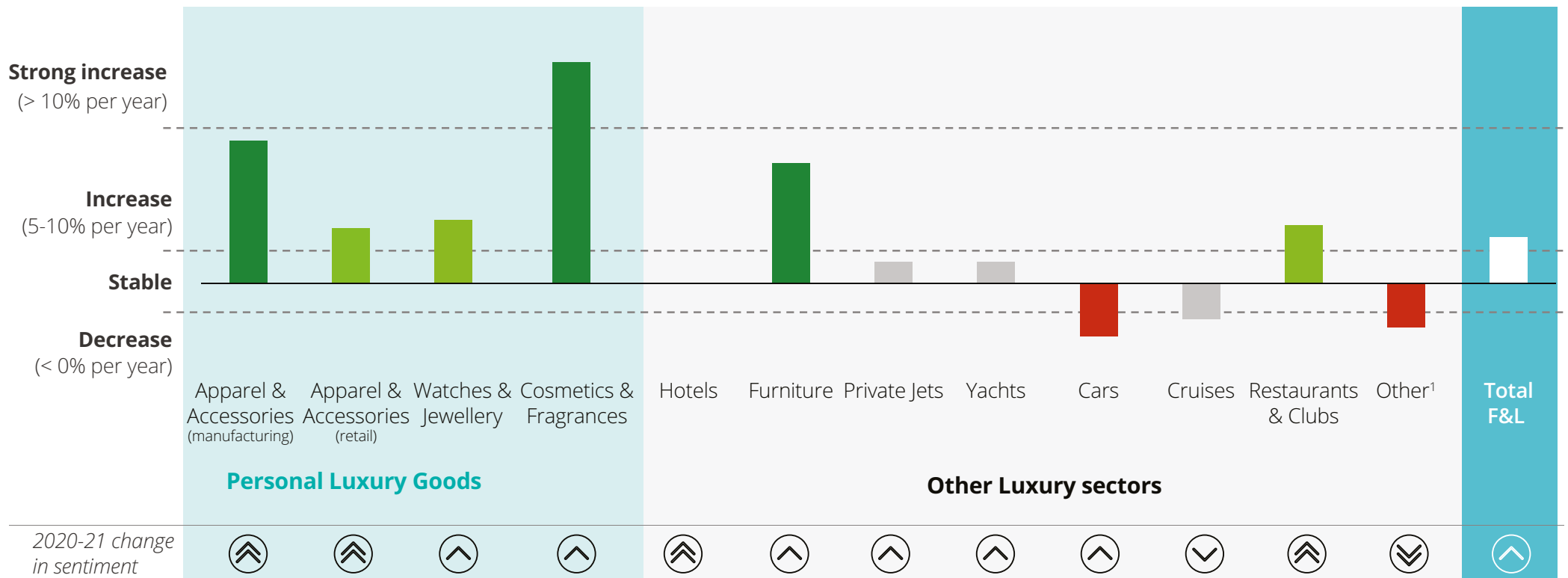
Fashion & Luxury market outlook from investors perspective

Market Outlook: Key trends by sector – Investors perspective

Investors foresee a recovery from Covid impact in the next three years, in particular in sectors including Personal Luxury Goods. Cosmetics & Fragrances and Furniture will continue to be among the sectors performing best, and Hotels and Restaurants & Clubs are foreseen to reverse the negative trends projected the previous year. Cruises are expected to be the most negatively impacted, alongside Cars.

Expected F&L market trends for the next 3 years – Breakdown by sector

(Index on responses)



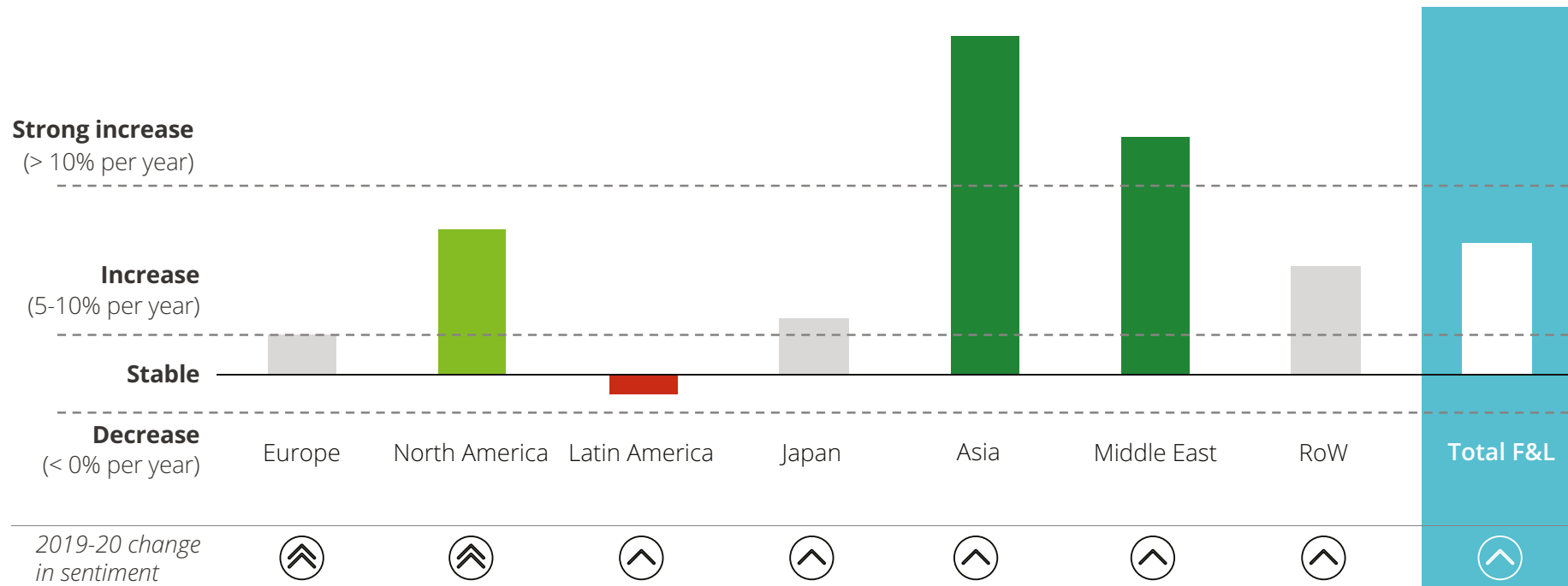
Notes: 1) The category "Digital Luxury Goods" has been included in Other in 2021 Survey. | Source: Elaboration on Deloitte survey and interviews with industry experts

Market Outlook: Key trends by geographical area - Investors perspective

Investors expect the Asian and the Middle Eastern areas to have a faster recover after the negative Covid impact, with a growth of the F&L industry. Except for Latin America, all the regions are expected to experience a positive trend: investors' sentiment has changed substantially into being positive, compared to the last Survey. Europe and North America are the regions who experienced the highest improvement in investors' expectations.

Expected F&L market trends in the next 3 years - Breakdown by region

(Index on responses)



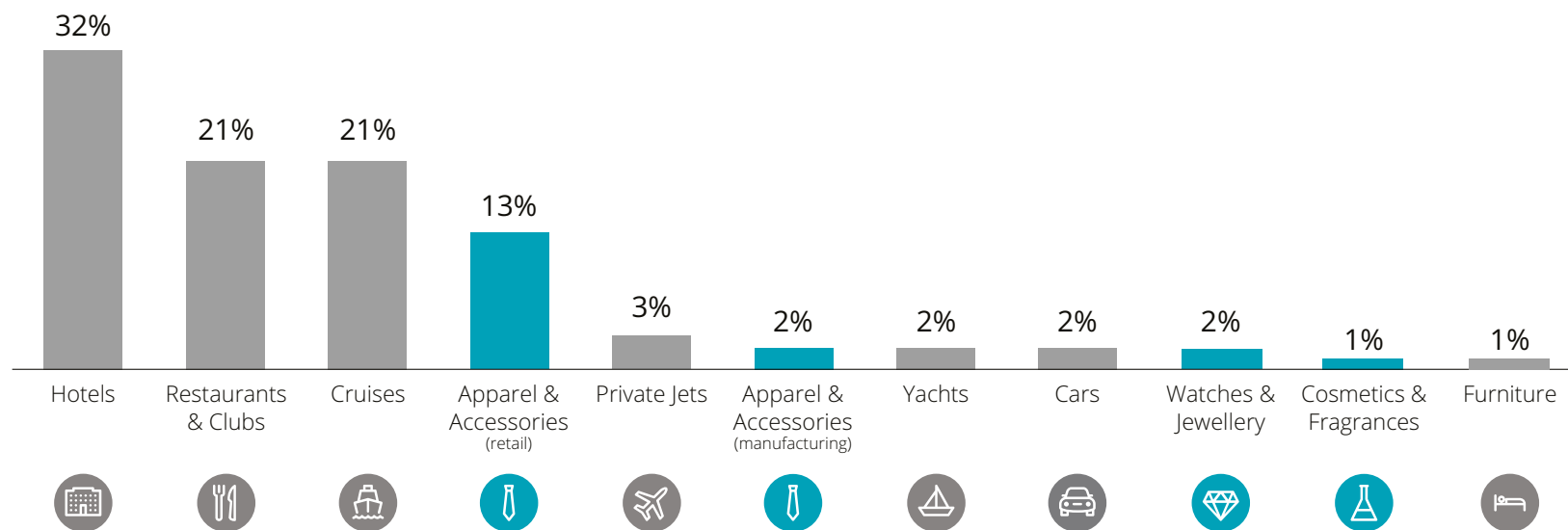
Source: Elaboration on Deloitte survey and interviews with industry experts

Market Outlook: Covid-19 impact on F&L sectors – Investors’ perspective

F&L sectors that will be mostly affected in 2021 by the restrictions imposed by Covid-19 will be Hotels (32%), Restaurants (21%), Cruises (21%) and Apparel & Accessories (15%, including both retail and manufacturing companies). As it is predictable, those sectors related to tourism will continue to be the most affected ones.

Main F&L sectors affected by Covid-19

(Percentage of responses)



Key findings

“Out of the home” luxury experiences as Luxury Hotels, Restaurants and Cruises will be the most affected by the spread of Covid-19, respectively 32%, 21% and 21%. Apparel & Accessories will also be affected but with a lower impact (13% on retail and 2% on manufacturing).

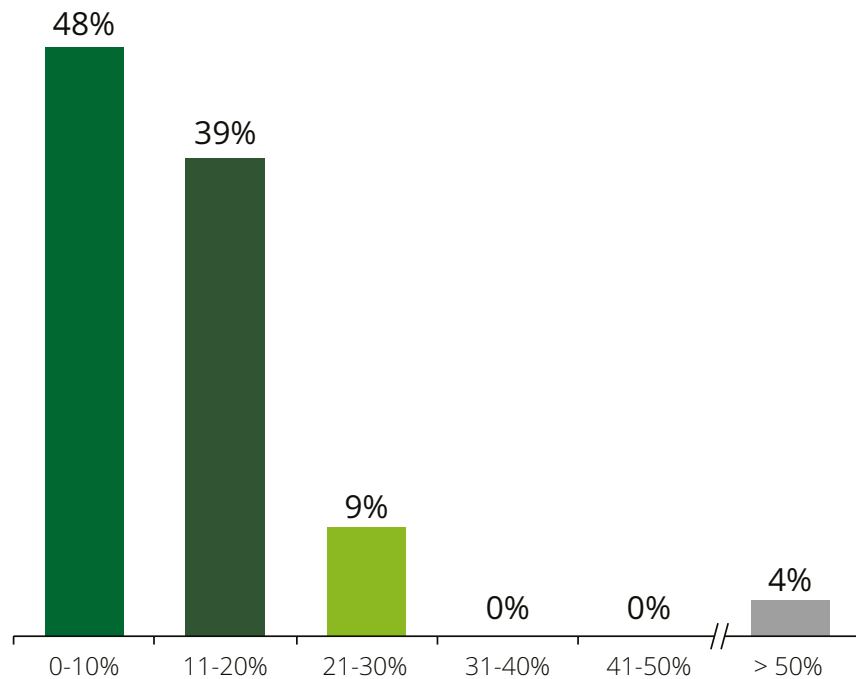
Other luxury sectors as Yachts, Cars, Cosmetics & Fragrances, Watches & Jewellery and Furniture will be less impacted by Covid-19 restrictions.

Market Outlook: Covid-19 negative impact on 2021 revenues and future investments – Investors’ perspective

Despite the fact that for 87% of investors the negative impact on revenues will be between 0 and 20%, and that for only 9% of them will be between 21 and 30%, 97% of them will continue investing or scouting in the F&L industry in the future.

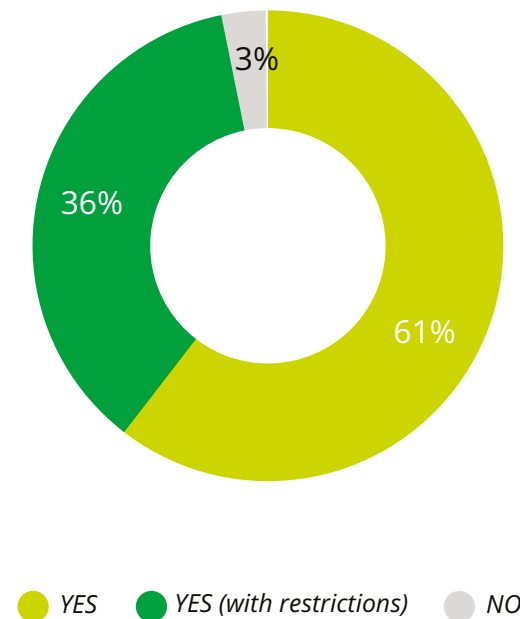
Impact on 2021 Revenues of F&L Companies

(Percentage of respondents)



Will continue investing in F&L industry

(Percentage of respondents)



Key findings

Covid-19 is expected to have negative impacts on companies’ revenues, although significantly lower compared to previous year.

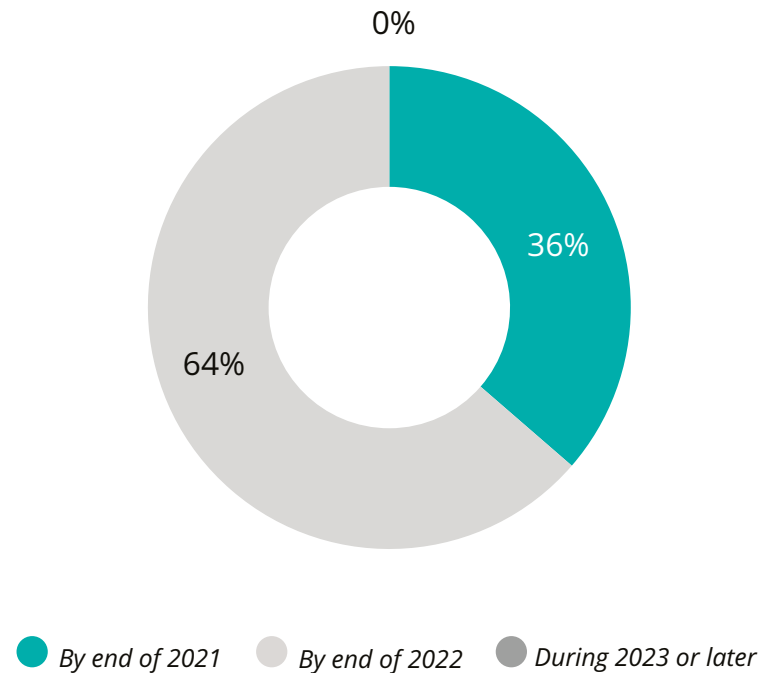
48% of investors forecast that the pandemic will have an impact lower than 10%, while 39% of them foresees an impact comprised between 11 and 20%. 97% of investors confirm they will continue investing in the F&L industry, even if with restrictions.

Market Outlook: recovery from Covid-19 – Investors’ perspective

According to the full panel of respondents, recovery from Covid-19 will occur within the end 2022, at most. In addition, 94% of Investors foresee that the F&L Industry will achieve pre-Covid-19 levels between 1 and 3 years from now, while only 6% of them consider full recovery more far in the future.

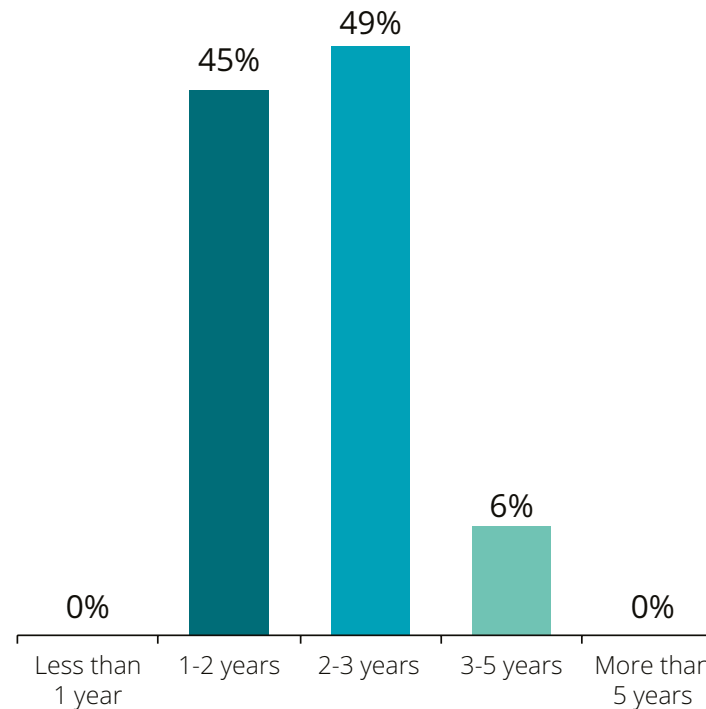
Reversal of the negative trend and growth

(Percentage of respondents)



Full recovery and achievement of pre-Covid levels

(Percentage of respondents)

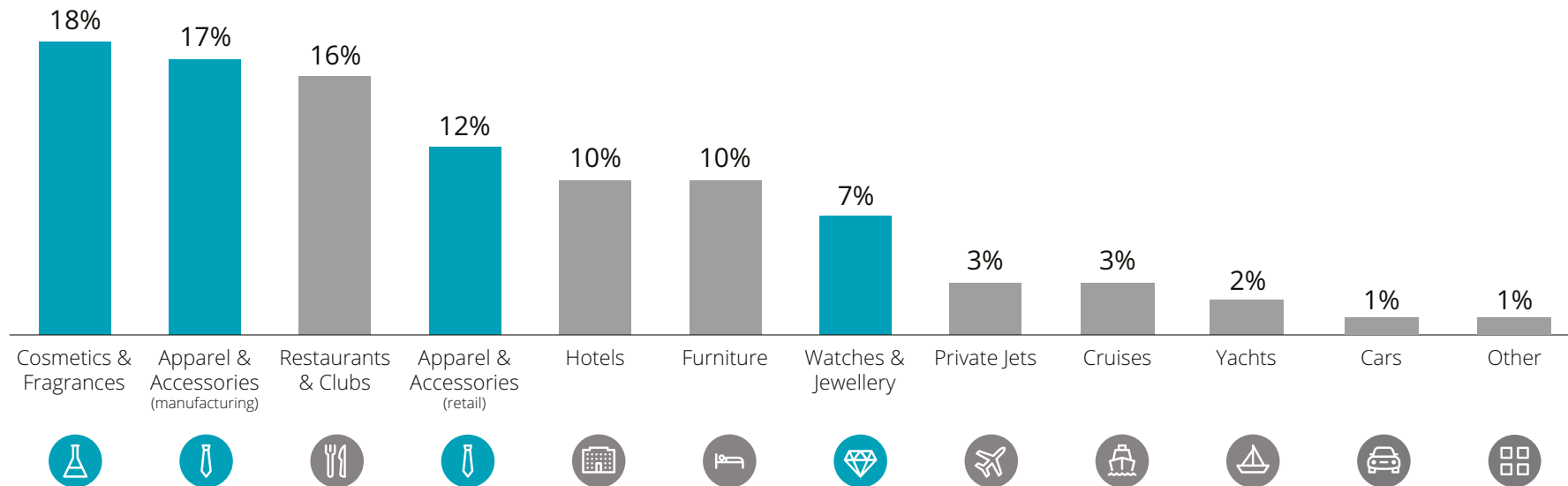


Market Outlook: Covid-19 recovery by sector – Investors’ perspective

F&L sectors are expected to recover at different paces: among all, the fastest ones will be Cosmetics & Fragrances (18% of responses), Apparel & Accessories (29%, including both retail and manufacturing companies) and Restaurants (16%). On the other hand, sectors such as Cars (1%), Yachts (2%), Cruises and Private Jets (both 3%), are expected to follow a slower path to full recovery.

Sectors recovering more rapidly from Covid-19 negative effects

(Percentage of responses)



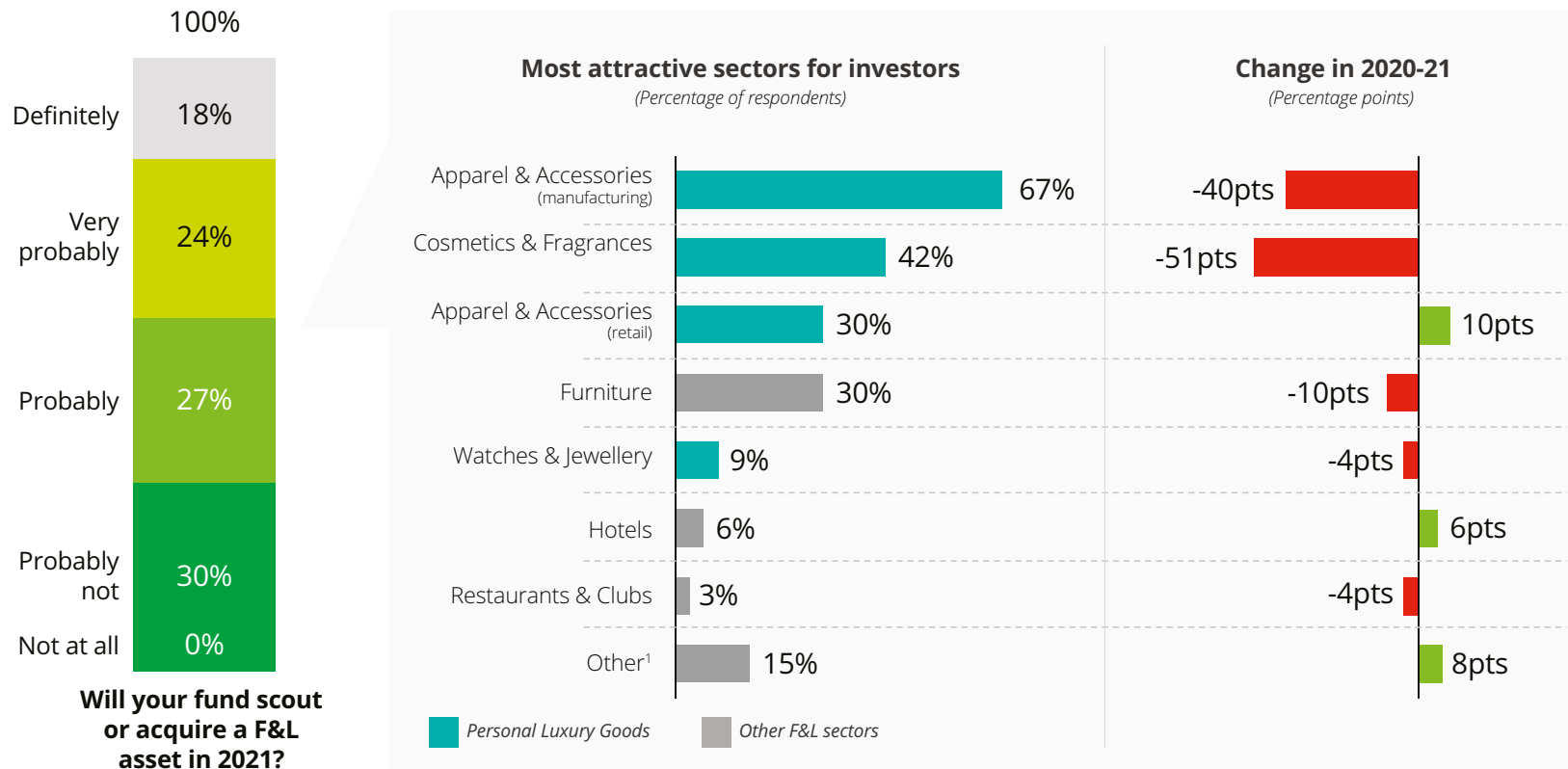
Source: Elaboration on Deloitte survey

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2021 Investment and Exit Strategy

Expected new investments in 2021

Personal Luxury Goods remain the most attractive sectors for investors, with Apparel & Accessories and Cosmetics & Fragrances being the most prominent ones. In particular, Apparel retailers have become more attractive (+10 pts vs 2020).



Key findings

The sectors considered to be most attractive based on survey respondents are: Apparel & Accessories – manufacturing (67%), Cosmetics & Fragrances (42%), Apparel & Accessories – retail (30%) and Furniture (30%).

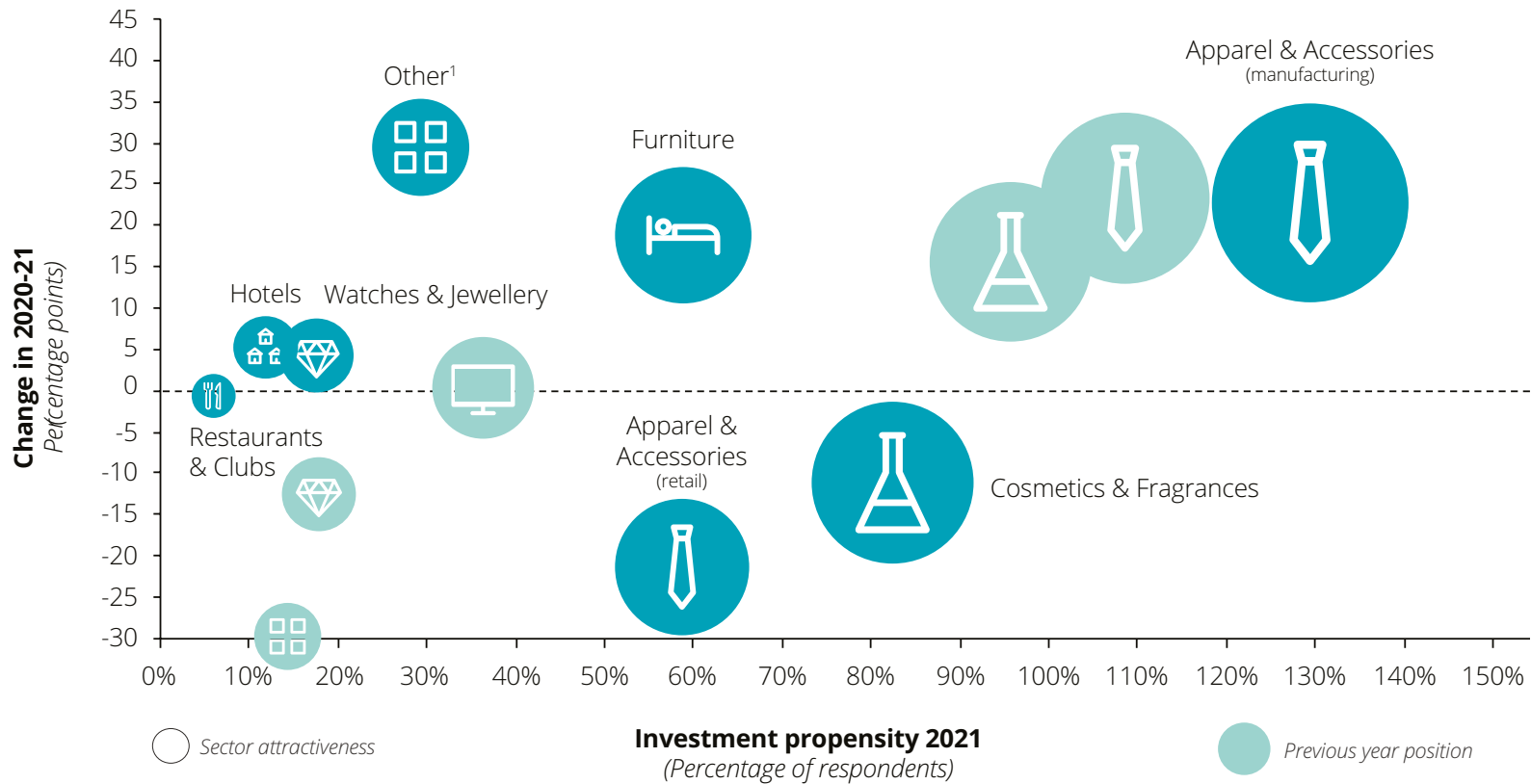
Interest across sectors is changing compared to last year: Apparel & Accessories – retail gained +10pts. Also Hotels show a slight increase with respect to the beginning of the pandemic (+6 pts).

Notes: 1) Other includes Private Jets, Cruises, Yachts and Cars; 2) The category "Digital Luxury Goods" has been included in Other in 2021 Survey. | Source: Elaboration on Deloitte survey

F&L sector attractiveness

Both Apparel & Accessories and Cosmetics & Fragrances are remarkably attractive to investors. Furniture has shown a notable increase since previous years, becoming a star sector for potential investments in the coming year.

Map of investor attraction in F&L sectors



Key findings

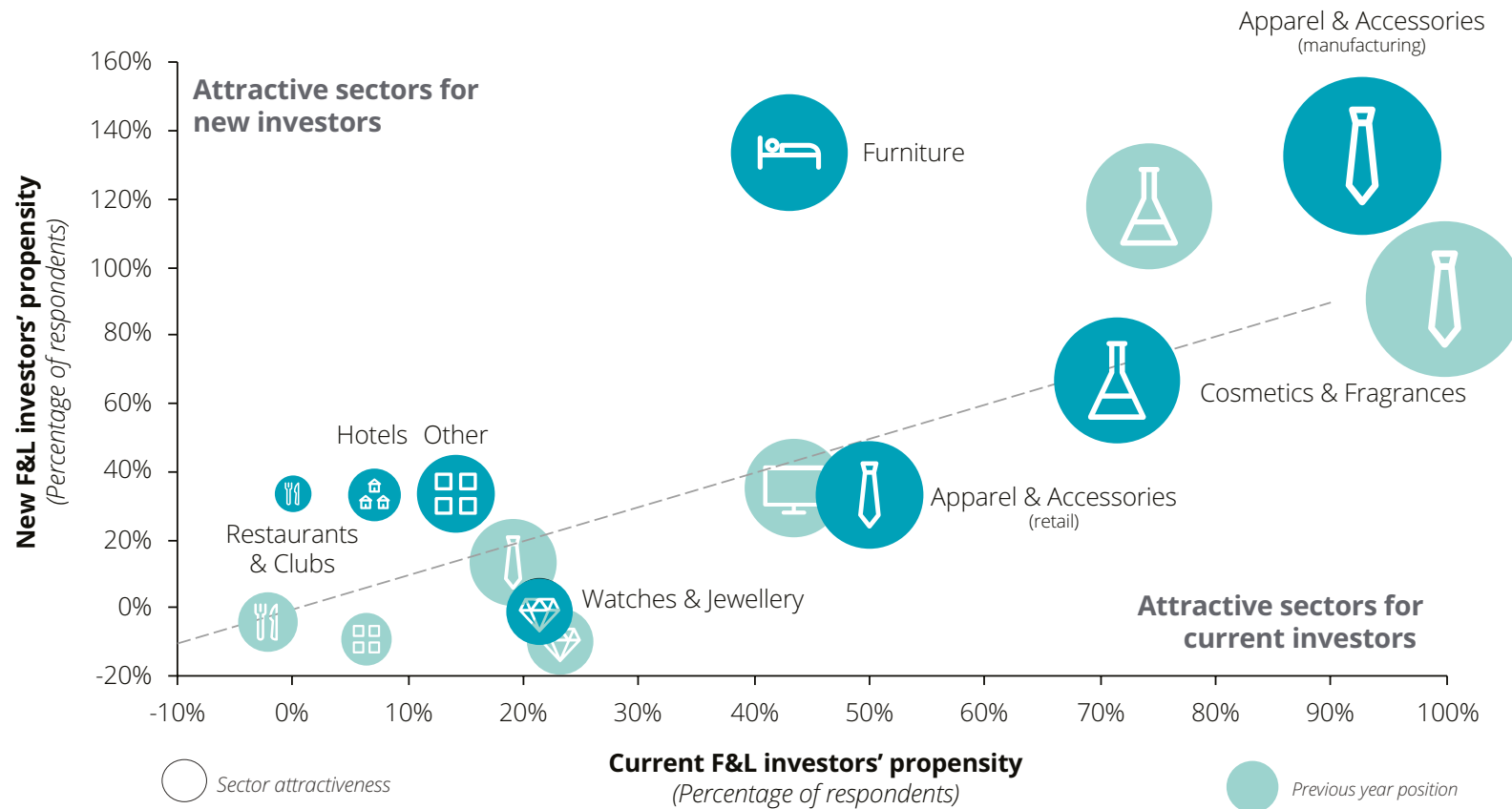
Personal Luxury Goods and Furniture sectors seem to attract more investors compared to last year, as investors are attracted by higher margin performances. Other sectors in 2021 will be much more attractive than in 2020, mainly thanks to the expectations of recovery from Covid-19.

Note: 1) Other includes Private Jets, Cruises, Yachts and Cars | Source: Elaboration on Deloitte survey

Sector attractiveness: current vs potential investors

Both current and new F&L investors are willing to invest in consolidated sectors such as Cosmetics & Fragrances and Apparel & Accessories, even though newcomers seem attracted also by other segments such as Furniture.

Map of investor attraction in F&L sectors – Current vs potential investors



Key findings

As the most established sectors, Cosmetics & Fragrances and Apparel & Accessories remain the main target for all investors.

Furniture has become a highly attractive sector for potential investors in 2021, in line with previous year's trend.

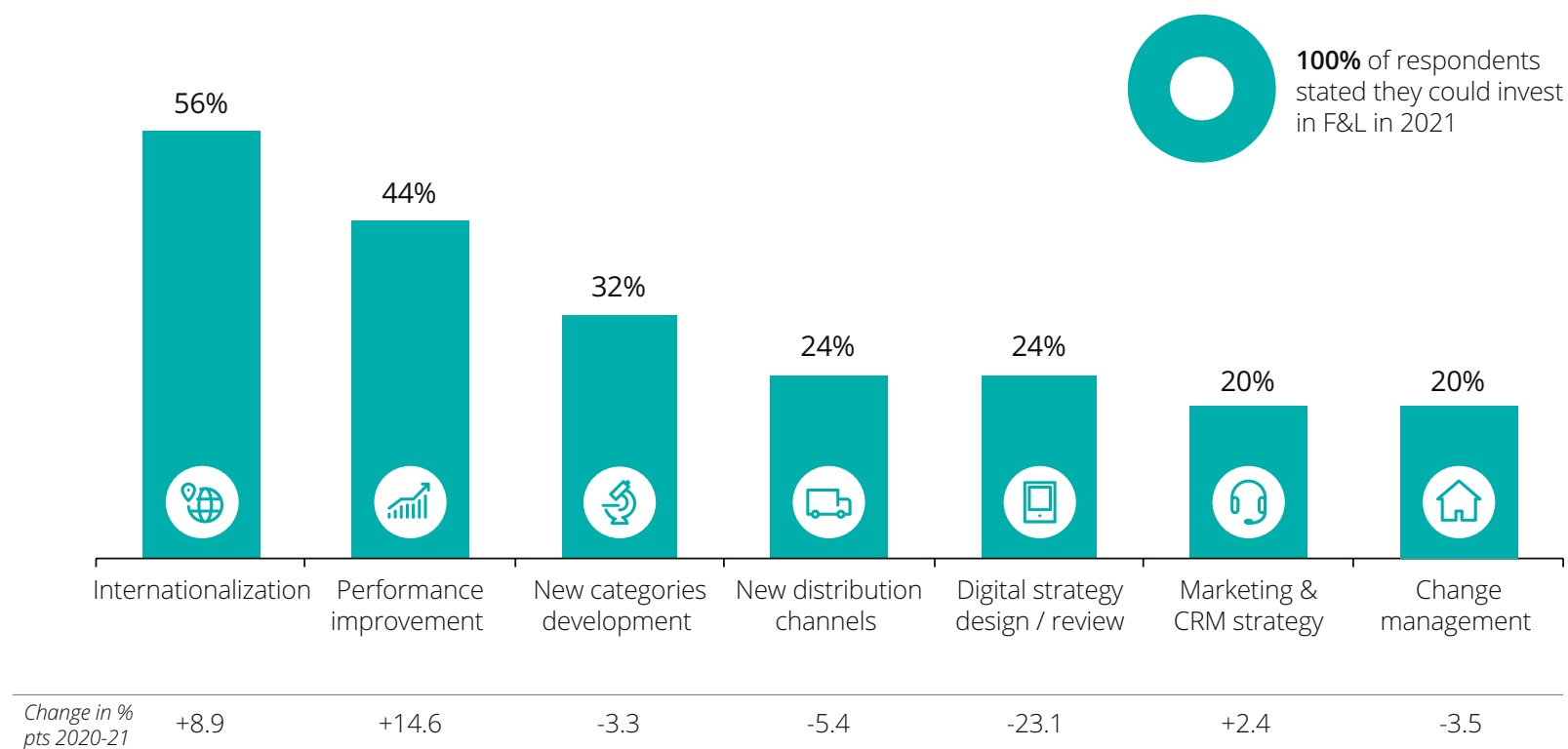
Note: 1) Other includes Private Jets, Cruises, Yachts and Cars | Source: Elaboration on Deloitte survey

Growth strategies for the F&L portfolio

Internationalization and Performance Improvement are the key strategic investment drivers for 2021. New products development has remained prominent as well, while Digital Strategy shows the highest negative change in sentiment from the previous year.

Main adopted strategic drivers for the F&L portfolio

(Multiple choice questions)



Key findings

Internationalization and Performance improvement are now the main strategic levers (56% and 44%) adopted by F&L investors to grow their asset value.

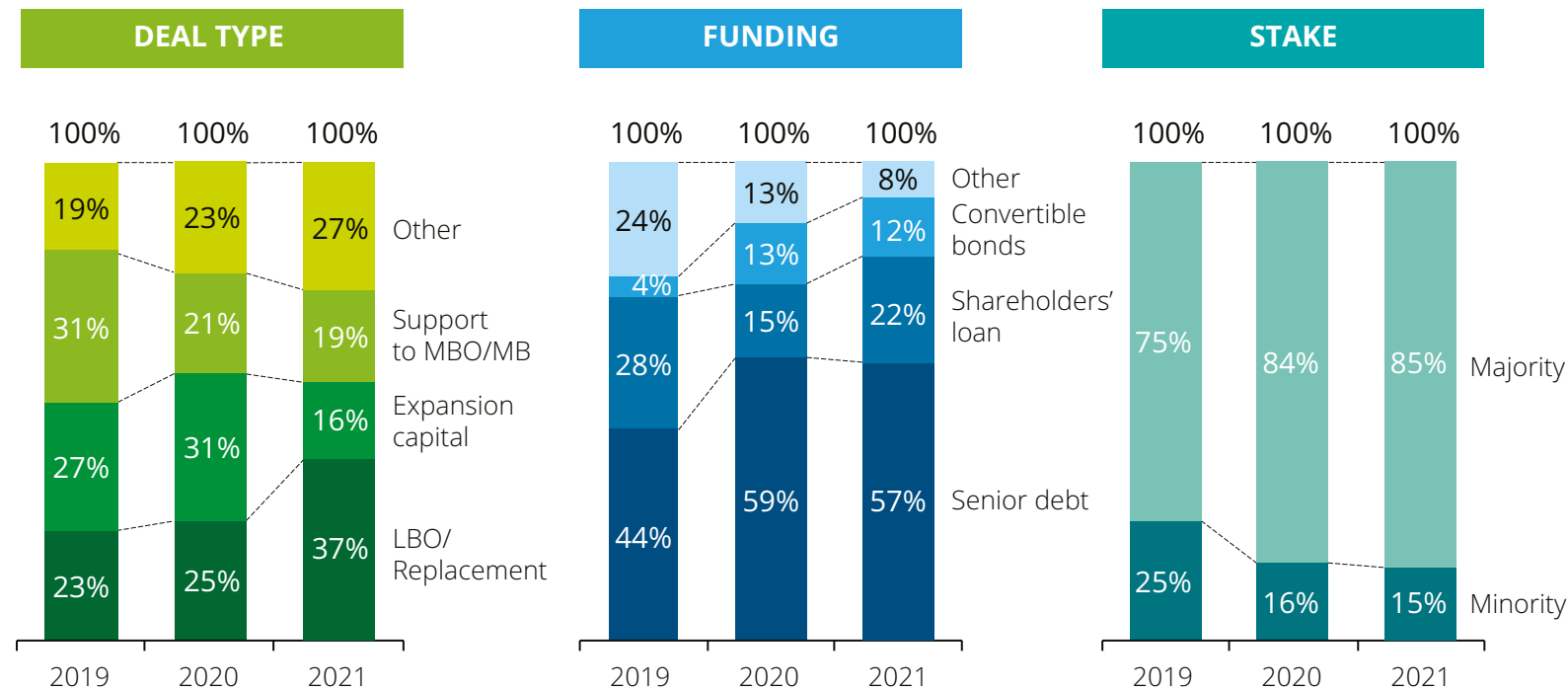
New categories development (32%) is becoming a relevant topic for F&L companies seeking growth and synergies opportunities, while digital strategy design has lost 23.1 pts.

Main features of the M&A deal

The preferred deal strategies are Leverage Buyout (LBO) and Management Buyout (MBO). Such deals will be financed mostly through senior debt (57%). Investors' appetite for acquiring a majority stake has been increasing throughout the years, up to 85% of preferences in 2021.

Structure of the new F&L investment deals

(Percentage of respondents)



Key findings

The main deal strategies to be adopted by investors in 2021 are: Support to the MBO (19%), Expansion capital (16%) and LBO/Replacement (37%).

Senior debt will remain one of the most used sources (57%), while Shareholders' loan financing has increased to 22%.

Most deals focus on acquisitions of majority stakes, and in fact, minority stakes share decreasing trend continues.

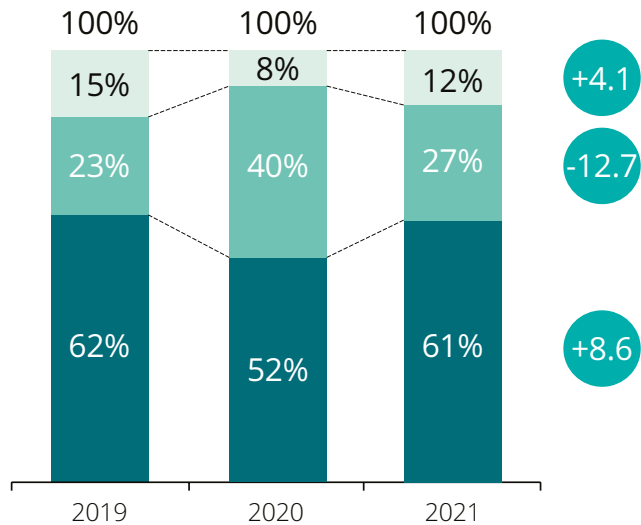
Source: Elaboration on Deloitte survey

Size and expected returns of potential investment in F&L

The F&L industry is polarizing on investors looking to acquire small sized firms. The vast majority of investors (64%) forecast that rates of return from their assets will range from 21% to 30%, while only 9% forecast a higher performance (>30%, -14,9 pts vs 2020).

Average sales of potential target companies

(Percentage of respondents)

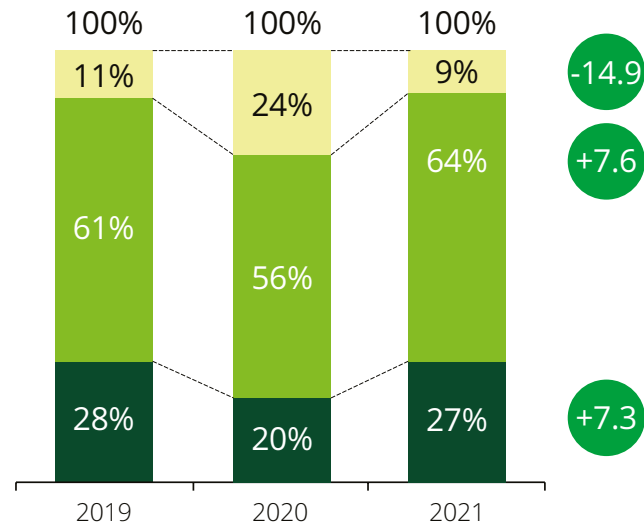


Big (> \$250m) Medium (\$50m - \$250m) Small (< \$50m)

● Change in 2020-21 (% points)

Internal Rate of Return (IRR) expected from new F&L investments

(Percentage of respondents)



Larger than 30% 21 - 30% Less than 20%

● Change in 2020-21 (% points)

Key findings

The portion of investors targeting smaller firms has increased to 61% (+8,6 pts vs 2020), as well as those willing to invest in companies with sales >\$250m (+4,1 pts).

On average, funds expect an IRR from their investments ranging from 21% to 30%, while only 9% forecast a higher performance (>30%).



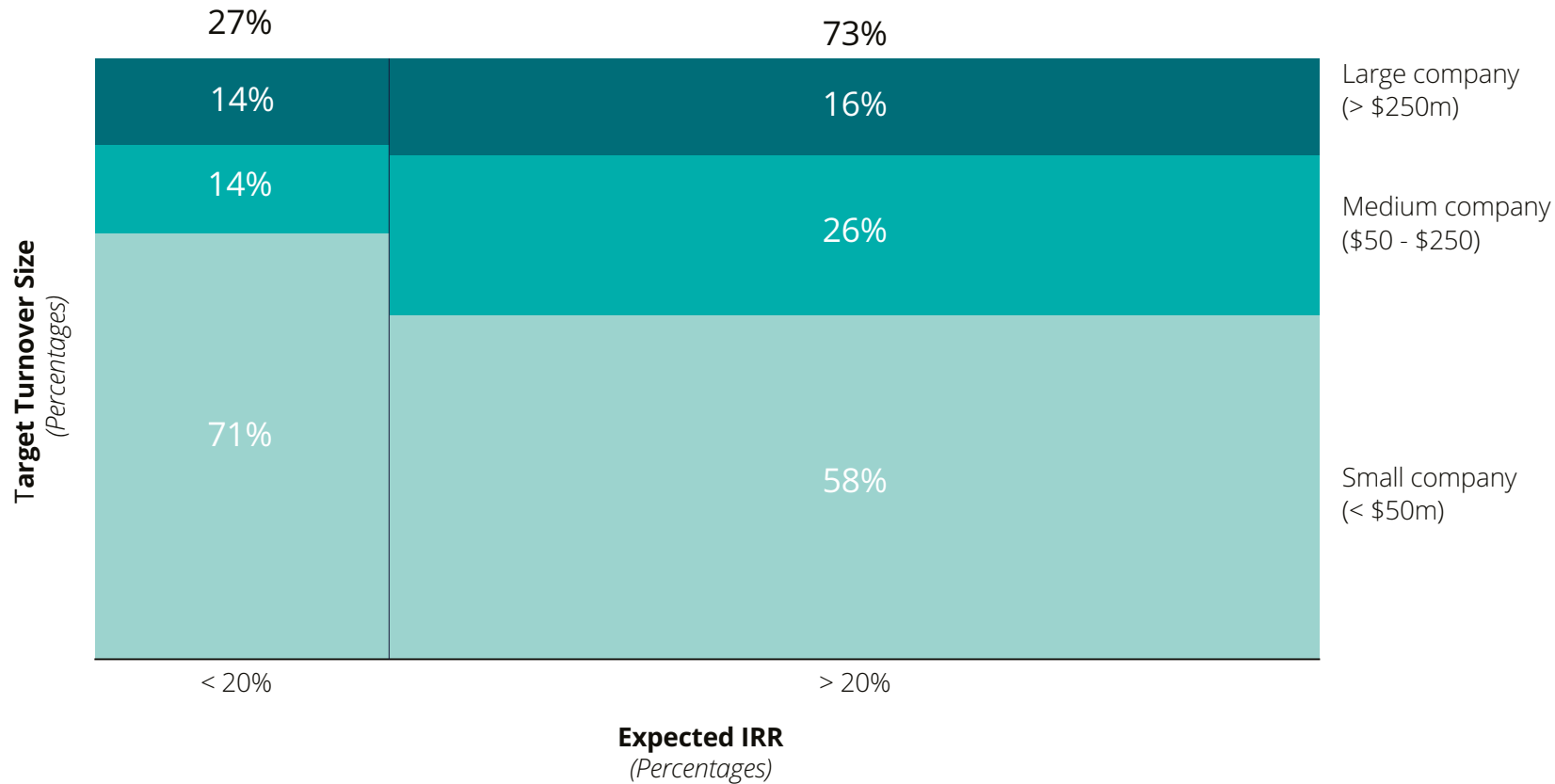
100% of respondents stated they could invest in F&L in 2021

Return expected from new investments

Respondents confirm the existence of a correlation between a target firm's size and the expected rate of return from investment. A return greater than 20% is more likely from small and big companies.

IRR expected from new F&L investments – Breakdown by target company size

(Percentage)



Key findings

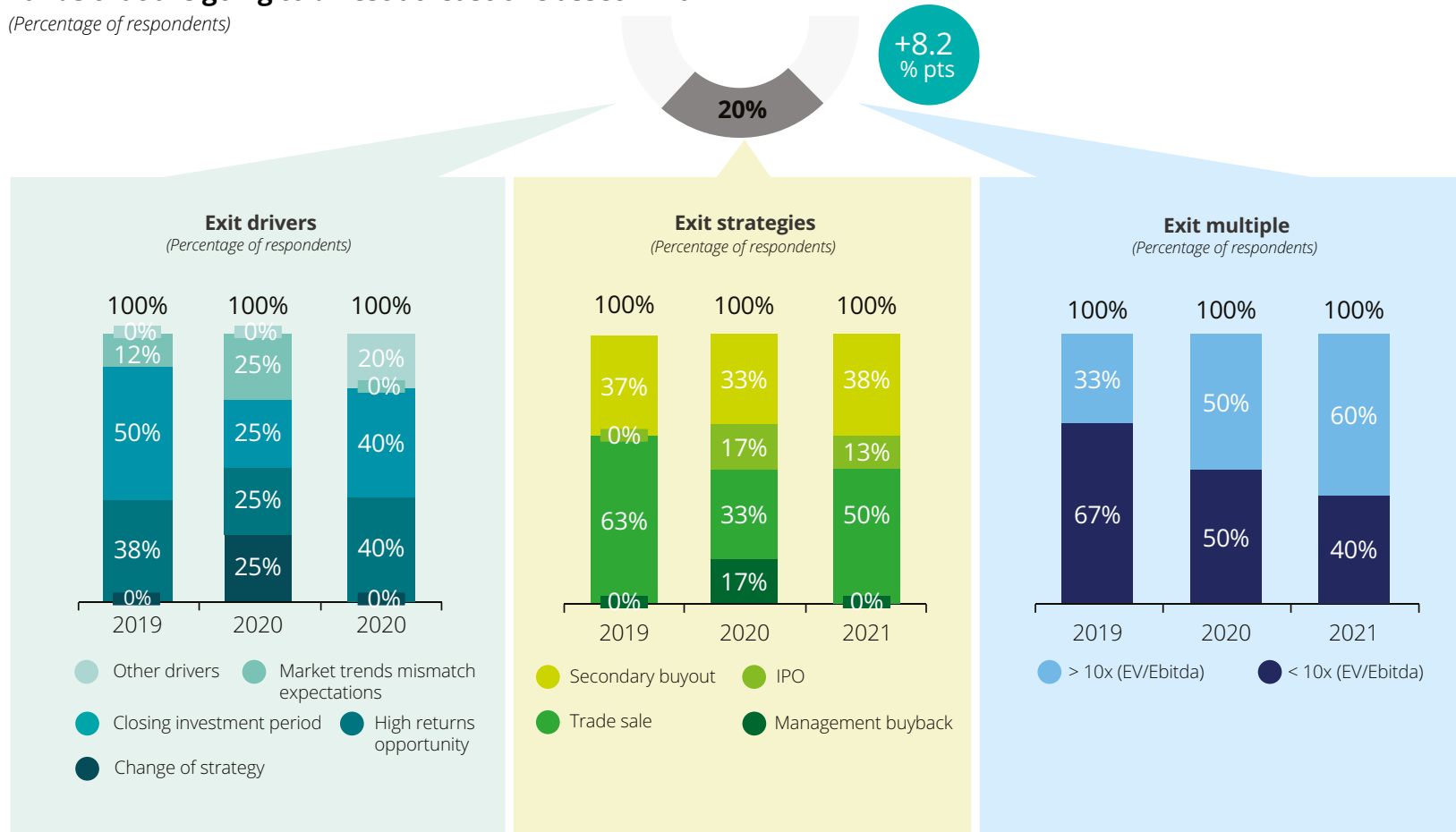
73% of investors expect an IRR > 20%, causing also a high competition in investing in the F&L sector for the incoming years.

Funds' F&L exit strategy for 2021

Funds considering divesting an F&L asset in 2021 are increasing in number (+8,2 pts). The main drivers of exit are High returns opportunity and Closing of the investment period, while the portion of those expecting exit EV/EBITDA multiples higher than 10x is slightly larger.

Funds that are going to divest at least one asset in 2021

(Percentage of respondents)



Key findings

20% of funds participating in the survey project are going to exit at least one company within their F&L portfolio, an increase compared to the results of the survey carried out last year (+8,2 percentage points). This is an indicator of expectations of recovery.

The main drivers of exit are High returns opportunity and Closing of the investment period, while the portion of those expecting exit multiples higher than 10x is slightly larger (EV/EBITDA).

In 50% of the cases, the exit will be completed through a Trade Sale, while Management Buybacks decrease from 17% to zero.

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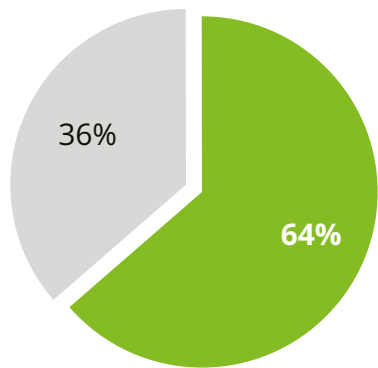
Impact of disruptive technologies

Disruptive technologies in Fashion & Luxury

64% of respondents will probably invest in disruptive technologies in order to benefit from potential synergies and pursue an omni-channel strategy, compared to 57% in 2020. Internet of Things, Robotics and Block Chain will have the largest impact on investors' portfolios according to respondents in 2021. Such technological developments will be achieved mainly through inorganic growth strategy (M&A, 41%) and Internal R&D (35%).

Fund likelihood of Investment in Disruptive Technologies

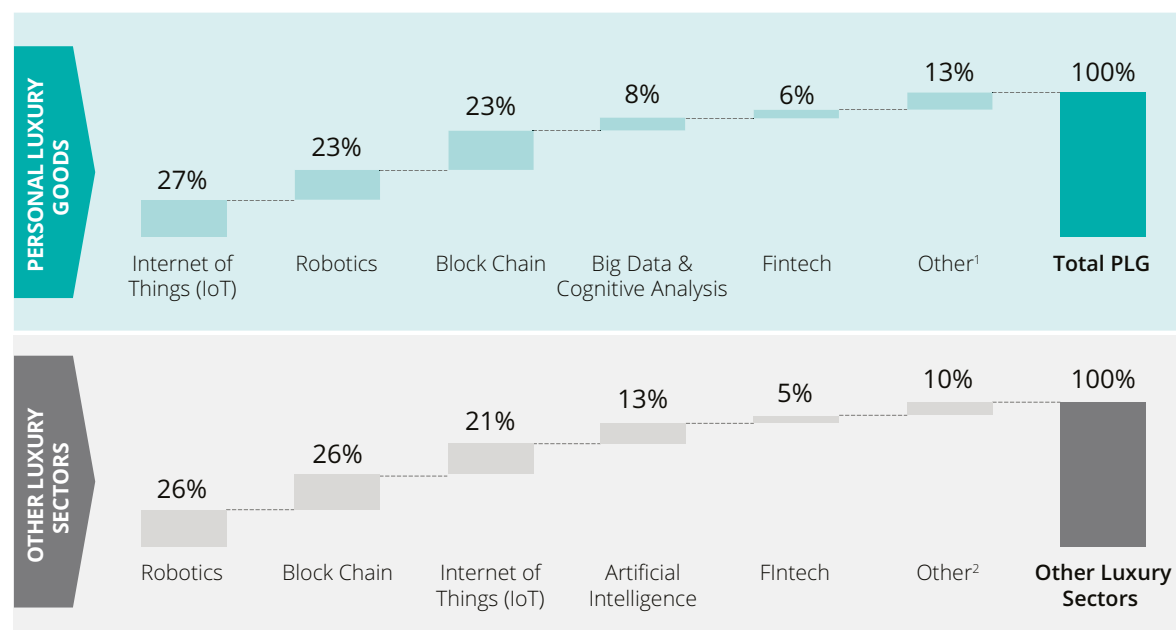
(Percentage)



Will probably invest in disruptive technologies

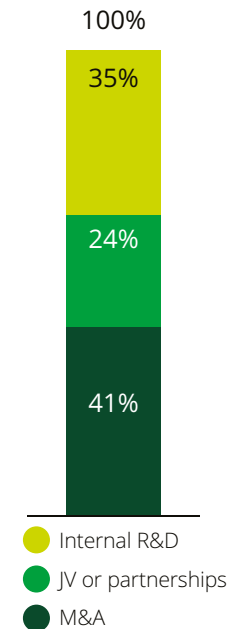
Impact of Disruptive Technology based on Portfolio Type

(Percentage of responses)



Strategies pursued to develop disruptive technologies

(Percentage of respondents)



Note: 1) Other includes artificial intelligence, wearables, healthtech and others; 2) Other includes big data & cognitive analytics, wearables, healthtech and others. | Source: Elaboration on Deloitte survey

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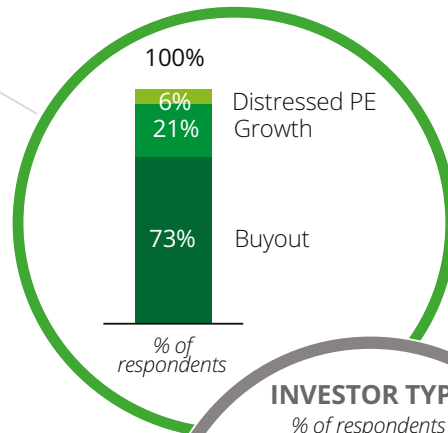
Profile of survey respondents

Funds' key features

97% of survey participants are part of Private Equity Funds, whose focus is mainly on buyouts (73%) in the Fashion & Luxury Industry (22%) and Industrial (23%) sectors. In 15% of cases, they hold a portfolio of net assets greater than \$1bn.

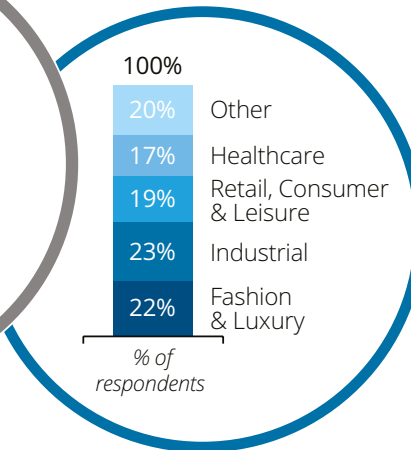
FUND STRATEGY

The main strategic approach of the involved funds is: Buyout (73%) and Growth (21%) strategies



FUND CORE INDUSTRIES

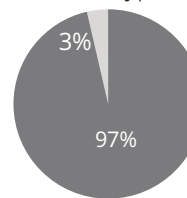
The main industries represented in investors' portfolios are: F&L (22%), Retail, Consumer & Leisure (19%), Industrial (23%) and Healthcare (17%)



INVESTOR TYPE

% of respondents

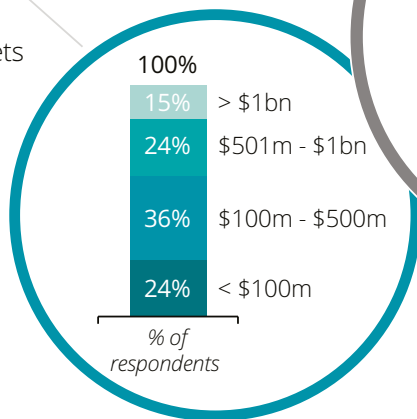
Other types¹



Private Equity Fund

FUND NET ASSETS

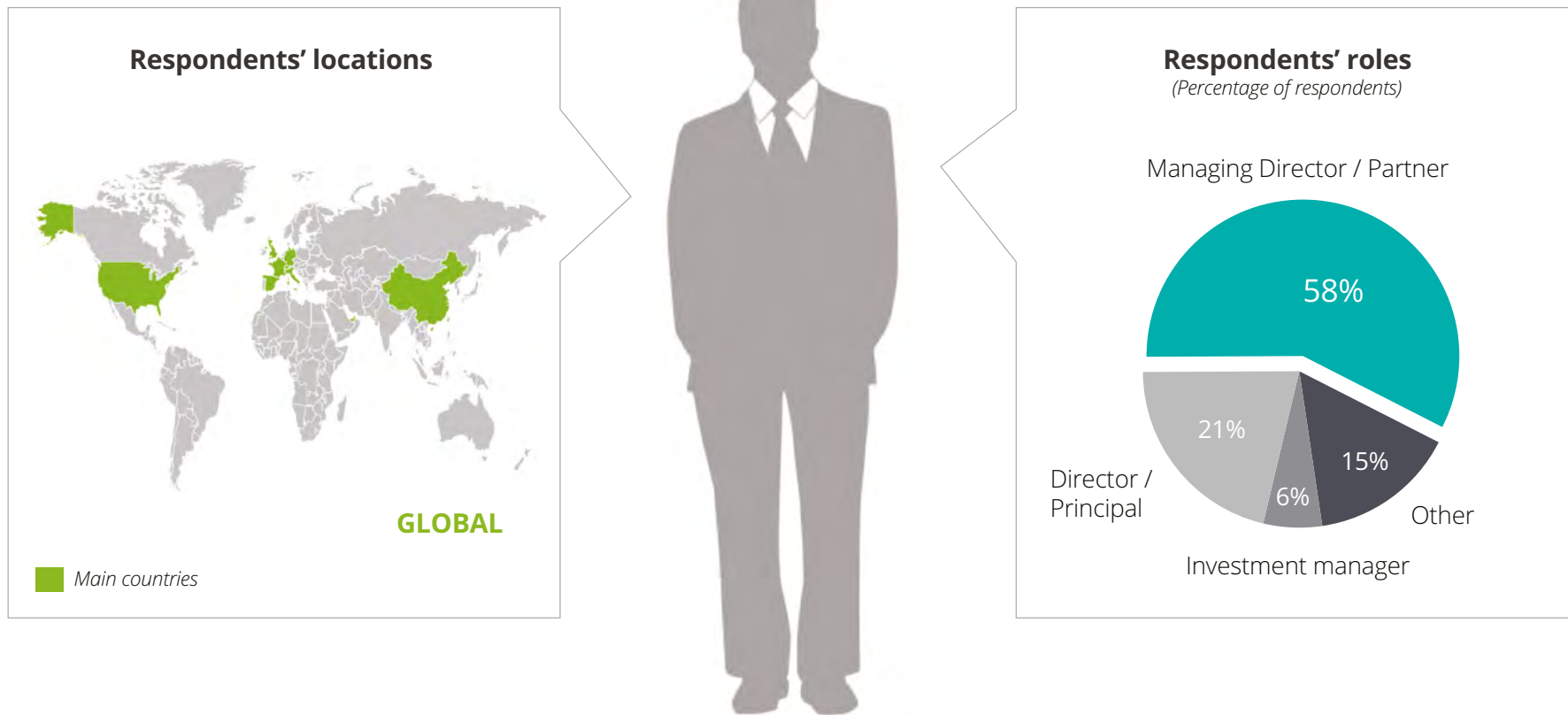
36% of funds participating in the survey have net assets ranging \$100m - \$500m, while 15% have full net assets greater than \$1bn



Note: 1) Other investors: family offices, luxury holdings and sovereign wealth funds | Source: Elaboration on Deloitte survey

Profile of survey respondents

Respondents are mainly Managing Director / Partner or Director / Principal.



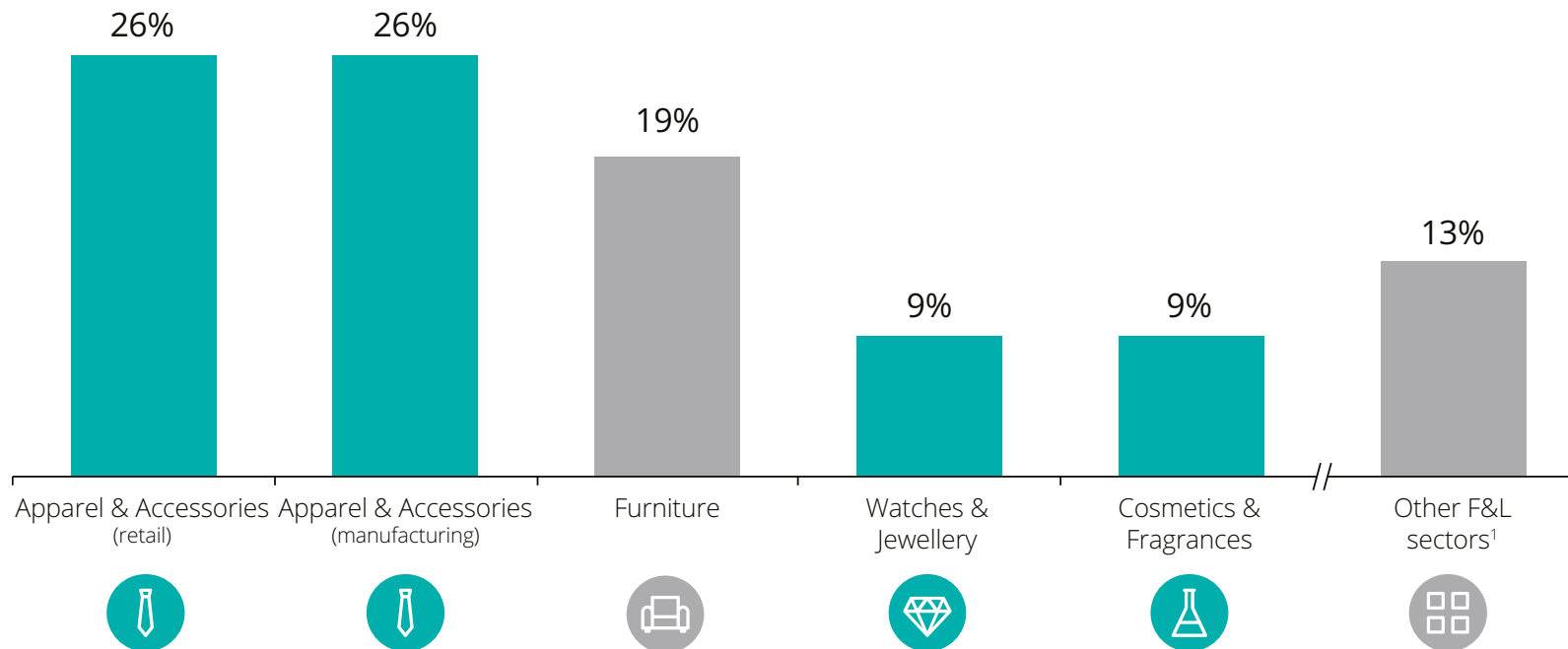
Funds' current F&L portfolio: main sectors

Investors mainly manage assets in Apparel & Accessories (52% of responses, including both retail and manufacturing companies) and Furniture (19%). Also other sectors such as Watches & Jewellery and Cosmetics & Fragrances (both 9%) are those in which investors hold most assets.

76% of investors have a Fashion & Luxury asset in their portfolio

Main F&L assets managed by investors

(Multiple choice answer)



Note: 1) "Other F&L sectors" includes mainly: Restaurants & Clubs, Hotels and Yachts. | Source: Elaboration on Deloitte survey

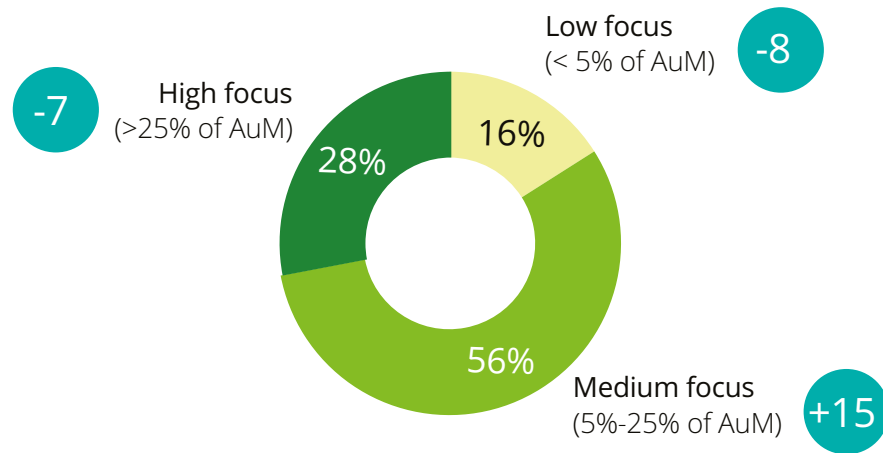
Funds' current F&L portfolio: structure

28% of current F&L investors focus 25% or more of their overall portfolio on the F&L industry. Investors usually hold their F&L assets for less than 5 years, mostly with a majority stake (88%).

76% of investors have a Fashion & Luxury asset in their portfolio

Portfolio focus in F&L industry

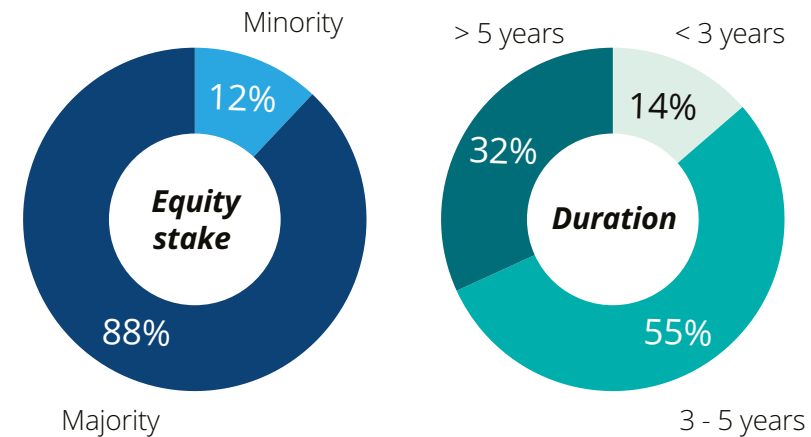
(Percentage of respondents)



● Change in 2020-21 (percentage points)

Portfolio equity stake and duration

(Percentage of respondents)

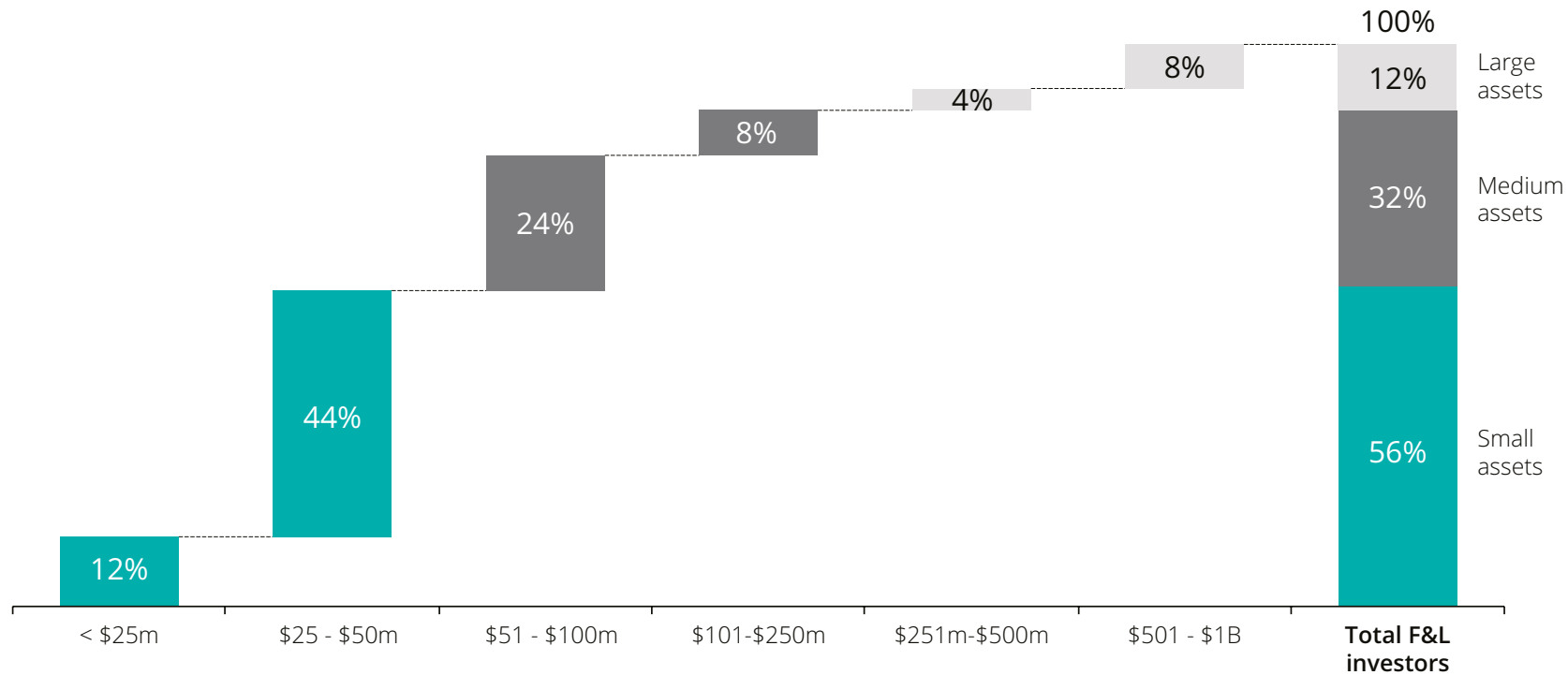


Funds' current F&L portfolio: average asset size

56% of respondents have assets with an average turnover which is less than \$50m. Large-sized assets (>\$250m) represent 12% of the average portfolio.

Average turnover of F&L assets in investors' portfolio

(Percentage of respondents)



Glossary and contacts



Glossary



Main terms and abbreviations

Personal Luxury Goods	Personal Luxury Goods include the following sectors: Apparel & Accessories, Cosmetics & Fragrances and Watches & Jewellery
App&Acc	Abbreviation for Apparel & Accessories
AuM	Acronym for Assets Under Management
CAGR	Acronym for Compound Annual Growth Rate
Cos&Fra	Abbreviation for Cosmetics & Fragrances
F&L	Abbreviation for Fashion & Luxury
IRR	Acronym for Internal Rate of Return
PE	Acronym for Private Equity
PLG	Acronym for Personal Luxury Goods
RoW	Acronym for Rest of the World
Sel Ret	Abbreviation for Selective Retailing
Wat&Jew	Abbreviation for Watches & Jewellery

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