



**Deloitte.**

Global Fashion  
& Luxury Private  
Equity and Investors  
Survey 2023

MAKING AN  
IMPACT THAT  
MATTERS

since 1845



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# Preface

Despite the tough geopolitical and economic environment, in 2022 companies in the F&L industry were able to benefit from continued consumer behavior normalization and rising consumer demand. While the margin framework may be a key determinant in 2023, tailwinds such as improving supply chain, moderating energy prices and declining raw material prices might offset and fuel the sector.

In this context, global investors operating or interested in the F&L industry are already taking into account such trends in their medium-term strategies, leveraging on M&A activity to better face these rapid market changes.

In order to analyze and measure market trends and expectations on M&A activities, Deloitte is ready to launch the eighth 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 2022                                                                                                                                                                    | PRIVATE EQUITY AND INVESTORS SURVEY 2023                                                                                                                                                                      |
|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|             | <ul style="list-style-type: none"> <li>Sales and margins performance by sector</li> <li>Macroeconomic impact on luxury market and expected performance in 2023 by sector</li> <li>Insights on Luxury market trends and drivers for the upcoming year</li> </ul> | <ul style="list-style-type: none"> <li>Size of M&amp;A deals by F&amp;L sector</li> <li>Target company profiles</li> <li>Investor profiles</li> <li>Analysis of global deals</li> </ul>  | <ul style="list-style-type: none"> <li>F&amp;L market outlook and macro uncertainty impact</li> <li>Exit and investment strategies in 2022</li> <li>Investors' current portfolio of F&amp;L assets</li> </ul> |
| GEO SCOPE   | Global                                                                                                                                                                                                                                                          | Global                                                                                                                                                                                   | Global                                                                                                                                                                                                        |
| DATA SOURCE | <ul style="list-style-type: none"> <li>Companies' annual financial reports and presentations</li> <li>Interviews with C-level industry experts</li> <li>Deloitte expertise</li> </ul> <p>Primary data level</p>                                                 | <ul style="list-style-type: none"> <li>News and reports from major media providers</li> <li>Investor press releases</li> <li>Company press releases</li> </ul> <p>Primary data level</p> | <ul style="list-style-type: none"> <li>Online survey based on Computer Assisted Web Interviewing (CAWI)</li> <li>Interviews with Private Equity funds' top management</li> </ul> <p>Primary data level</p>    |
| REMARKS     | <ul style="list-style-type: none"> <li>The investors' survey targeted senior members within private equity funds, with a substantial knowledge of the F&amp;L industry</li> </ul>                                                                               |                                                                                                                                                                                          |                                                                                                                                                                                                               |


○ Full secondary data    ● Full primary data

### SECTORS COVERED


#### Personal Luxury Goods



Apparel & Accessories





Cosmetics & Fragrances





Watches & Jewellery


---


  
Furniture


  
Private Jets


  
Cars

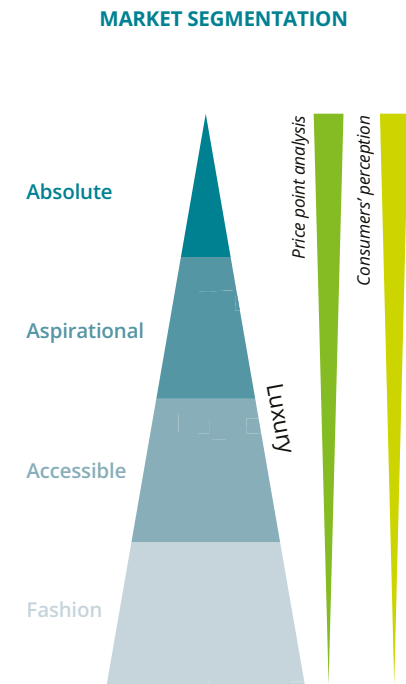
  
Electric Cars

  
Hotels

  
Cruises

  
Restaurants

  
Yachts



# Key takeaways



# Business Performance of F&L Industry

## COVID-19 impact and expected recovery by F&L sector

Considering a selected panel of 110 players, operating in the Luxury industry, the global market was valued almost \$730bn in 2021 in terms of sales (36% of which belonging to PLG sectors).

The overall industry shows a positive historical trend, with PLG outperforming other segments (+6.1% vs. +3.6% CAGR 15-21 respectively); marginality also increased over the same period, with PLG and other segments which gained +7.2 p.p. and +3.1 p.p. of EBITDA margin respectively.

F&L Companies recovered after Covid19's hit, showing positive performance in 2021 vs. 2020. PLG outperformed other segments, reporting an increase in Sales of +22.8% (PLG) and +20.1% (Other) YoY 20-21, mainly driven by the Apparel & Accessories segment in line with historical trend.

Also looking at marginality, PLG shows a better performance in 2021 with an EBITDA margin of 28.7% vs. 16.4% of other segments, driven by Apparel & Accessories (36%); Among other segments, cruises are still suffering from the Pandemic impact reporting a negative marginality.

Focusing on last year's performance, all sectors are growing in terms of Sales in 2022 vs. previous year, with Luxury Hotels outperforming others; in terms of marginality, PLG shows higher EBITDA margin vs. previous year, while Experiential segments are almost aligned.

## Insights from C-Levels on key market trends affecting the F&L industry

Main trends and strategies that luxury companies are looking at in 2023 include:

- Target investments in sustainability and ESG to both comply with increasing regulation in ESG practices and meet customers demand for more sustainable items; in that sense, key investments at the top of F&L companies' agenda involve sustainable products and sourcing, circular economy models and clean technologies
- Investing in resale platforms or initiated partnerships with such platforms to extend the lifetime of products and boost the relevance of brands among consumers, to embracing the rising interest towards second hand and pre-owned. Moreover, since some luxury houses are raising prices and tightening

distribution (e.g. Rolex and Hermès), buying luxury goods is becoming a popular option for people to invest in alternative value-holding assets, with second-hand as a good window both to buy and sell

- Digitalization as a new form of brand activation, of creation of a reinvented premium experience and a new way of expanding their customer base to a broader public (NFT, cryptocurrencies, metaverse, ...)
- F&L Companies have been resilient to the rising inflation through 2021-2022 by adopting pricing and value chain strategies to off-set cost increase. Moreover, investing in supply chain resilience, as well as automation and supply chain technologies, is at the top of Corporates' agenda to avoid future risks with a major focus on localized production



# M&A Deal Monitor 2022

## 2022 Global M&A deal overview

The Fashion & Luxury industry rebounded in 2021 and in the first half of 2022, registering a slight increase in M&A deals, but in today's fragile market, expectations of a continued recovery can downshift quickly. In 2022 the number of M&A deals were #292, with a slight increase of +8 deals in comparison to the previous year. Personal Luxury Goods deals drop (-30 deals vs 2021) with Apparel & Accessories (26% of total) showing a slight decrease with -11 deals, followed by Cosmetics & Fragrances (10% of total), that suffered the most in 2022 displaying a reduction in the number of deals (-34), while Watches & Jewellery (7% of total) rose by +15.

M&A deal volumes highlighted a positive performance in Hotels (+16), Furniture (+9), Restaurants (+8), Private Jets (+4), Cars (+2) and Cruises (+1) segments compared to 2021 while Yachts experienced a slight decrease (-2).

The largest deals were recorded in the Cars industry, with an average value of \$2,963m while PLG average deal value grew to \$1,047m in 2022. On the other side F&L average deal value drop to \$564m.

Europe showed the highest increase of Fashion & Luxury deals (+25) while North America presented the highest drop (-12).

2022 registered a decrease of 12 IPOs compared to 2021 in the fashion industry. After last year's boom, IPOs experienced a downturn counting 3 deals in the F&L sector, due to a deterioration of macroeconomic and geopolitical conditions.

## Top deals in 2022

In 2022, transactions were driven by Cosmetics & Fragrances, Cars, Apparel & Accessories and Private Jets sectors:

- Firmenich SA by Royal DSM N.V. (~\$20.6 bn for 100%)
- Dr. Ing. h.c. F. Porsche AG, going public (~\$10.8 bn for 25%)
- Tom Ford International by The Estee Lauder Companies Inc. (~\$2.9 bn for 100%)
- Flexjet LLC by Horizon Acquisition Corp II (~\$2.6 bn for 100%)

## M&A features and strategies

Among the M&A deals completed, the largest number of bidders were Financial Investors (51%), with a decrease of #15 vs 2021, whilst Strategic Investors represented 49% of total bidders, showing an increase in the number of deals of #23.

In addition, most acquisitions have been carried out through buyouts and consolidations (respectively 38% and 44% of the total).



# Private Equity and Investors Survey 2023

## Post pandemic recovery from investors' perspective

Through its Private Equity Survey, Deloitte focuses on understanding investors' perceptions regarding the potential growth in the F&L market in coming years. After the impact of the pandemic, the global backdrop has been characterized by new factors such as macroeconomic uncertainty, rising inflation and Russia-Ukraine conflict. These factors have impacted many sectors including luxury, notably on growth prospects and marginality. Despite the difficult setup, investors are still predicting a growing trend in the luxury industry especially for PLG and most notably Hotels being the category with the strongest growth expected (>10% per year) over the next 3 years. By contrary, they expect a negative performance in the Cars and Other Luxury industries. Regionally, investors expect growth to be dominant in Asia and rising economies such as the Middle East, while Europe and North America are expected to display low and mild growth, respectively. Actions taken by corporates such as the shift to e-commerce sales channel will continue to be important drivers, but attention now is increasingly leaning towards cost structure in order to preserve margins.

## 2023 investment strategy

In 2023, investors sentiment towards F&L assets is mixed but still positive, with 80% of respondents at least probably investing in the sector while 20% probably not or not investing at all. Investors interest is towards Cosmetics & Fragrances (63%), Apparel & Accessories manufacturing (50%), Furniture (50%) and Watches & Jewellery (33%). As already confirmed in the previous year, Personal Luxury Goods is still one of the most attractive sector for investors.

F&L portfolio companies adopted growth strategies such as Internationalization, new product categories development and ESG innovation, to continue rise their business. Two thirds of investors (66%) want to invest in small-sized companies and 31% of them are interested in medium-sized firms. 66% (vs 42% last year) of investors forecast an Internal Rate of Return from new investments ranging from 21% to 30%, while respondents expecting strong returns (IRR higher than 30%) have decreased from 16% to 7%.





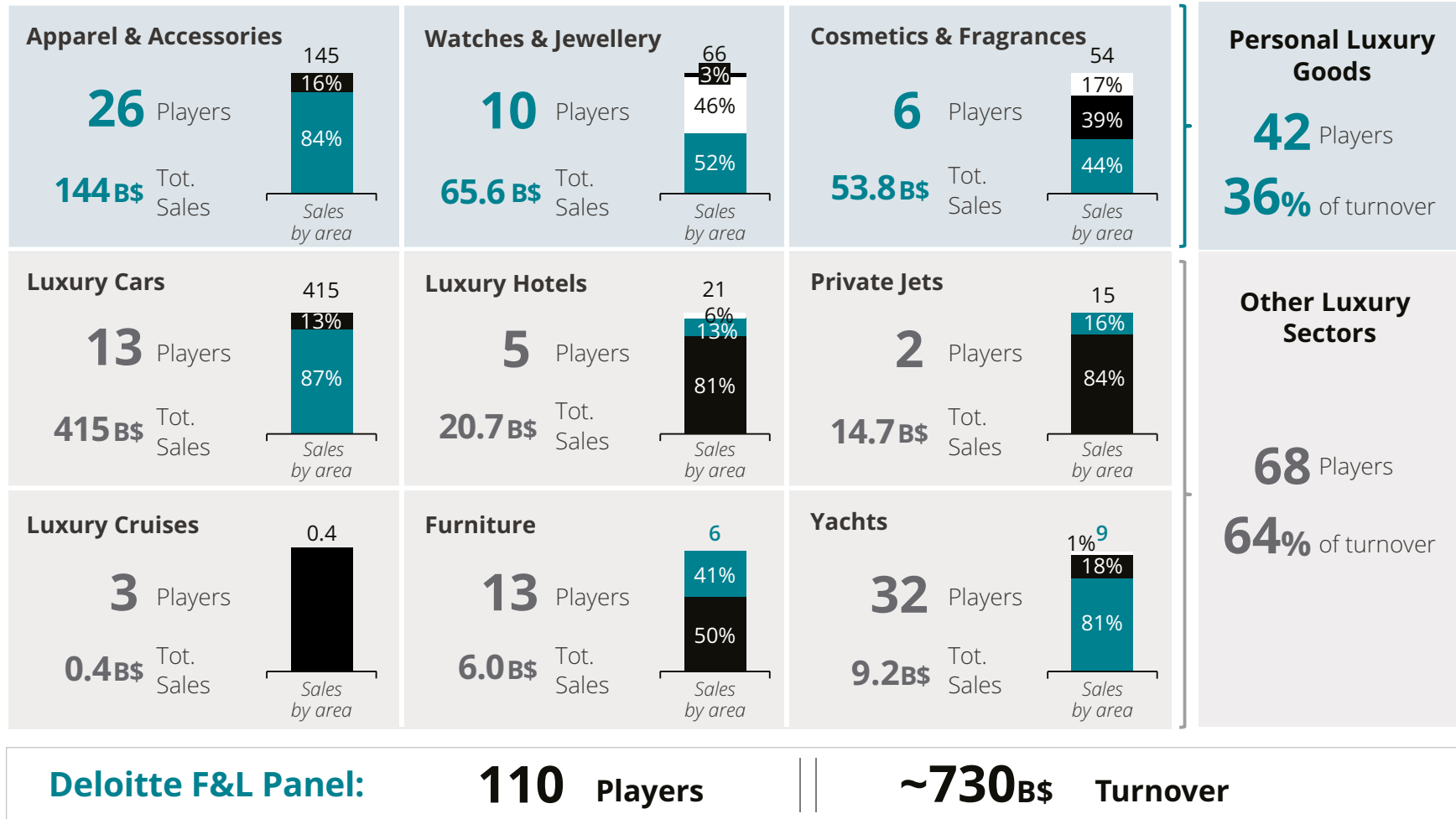


Market Insights and  
Perspective of  
F&L Industry

# Market insights: Deloitte Fashion & Luxury panel in 2021

The Fashion & Luxury industry business performance analysis was conducted on a panel of 110 companies, totalizing almost 730B\$ of sales in FY2021 (c. 50% of Global Luxury market).

Top Players Map FY2021



Rest of the World
  North America
  Europe

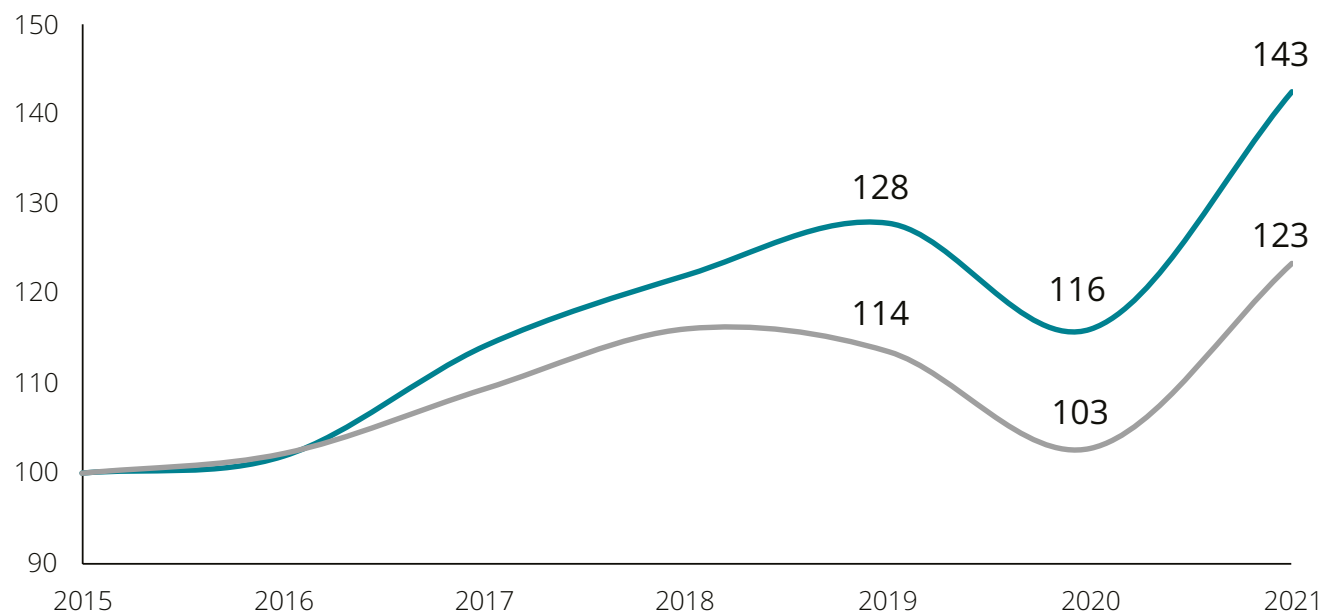
Notes: Values reported at yearly exchange rate | Source: Elaboration on Company Financial Report and Orbis data

# Market Insights: Sales performance 2015-21

Both PLG and Other Luxury segments are growing in terms of sales and marginality, with PLG highlighting better performance (+6.1% Sales CAGR 15-21 and + 7.2 p.p. of EBITDA margin). The overall industry is recovering after Covid19's hit, reporting an increase of +22.8% for PLG and +20.1% for Other luxury segment YoY 20-21.

## 2015-21 F&L Sales Index evolution

(Index of Sales 2015=100, Percentage)



| CAGR 2015-21 | YoY 2020-21 |
|--------------|-------------|
| +6.1%        | +22.8%      |
| +3.6%        | +20.1%      |

+6.1%

+22.8%

+3.6%

+20.1%

— Personal Luxury Goods

— Other Luxury Sectors

Delta p.p.  
2015-21

Delta p.p.  
2020-21

|                    | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  |
|--------------------|-------|-------|-------|-------|-------|-------|-------|
| EBITDA % PLG       | 21.5% | 21.3% | 22.1% | 23.1% | 25.3% | 22.8% | 28.7% |
| EBITDA % Other Lux | 13.2% | 15.0% | 15.1% | 14.5% | 12.9% | 12.1% | 16.4% |

+7.2

+5.9

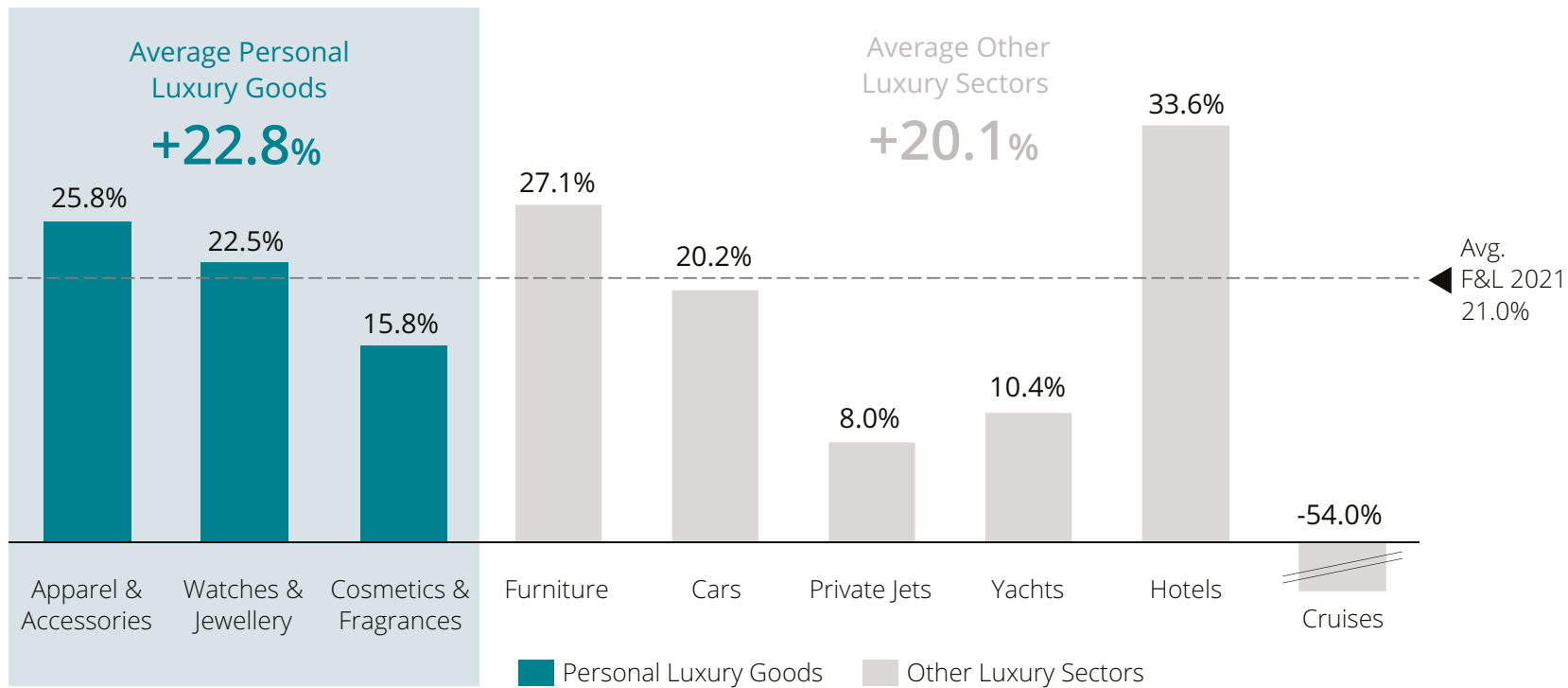
+3.1

+4.3

# Market insights: Business performance 2020 vs 2021

PLG is growing more over the last year vs. other luxury segments (+22.8% vs. +20.1% YoY 20-21); sectors highlighting the highest growth are Hotels, followed by Furniture and Apparel & Accessories.

**Average Sales growth YoY 20-21**  
(Percentage)



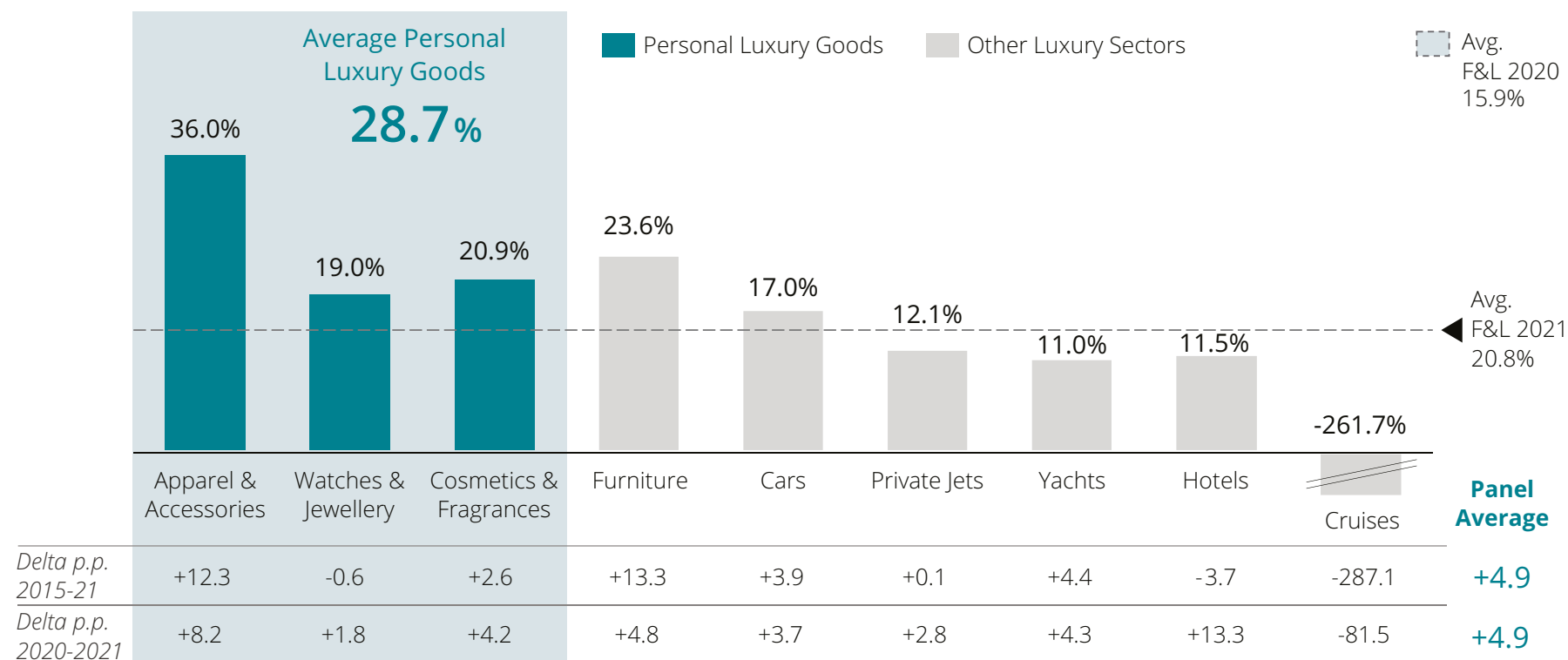
Notes: Values reported at yearly exchange rate | Source: Elaboration on Company Financial Report and Orbis data

# Market insights: Profitability performance 2021

Average EBITDA margin in Luxury Sectors is 20.8% in 2021 (+4.9 p.p. vs 2020), with Personal Luxury Goods (28.7%) outperforming the overall industry driven by Apparel and Accessories (36%). Almost all experiential segments recovered after Covid, with a growing EBITDA margin vs. previous year, while Cruises still suffering.

## 2021 Average EBITDA Margin by Sector

(Percentage)

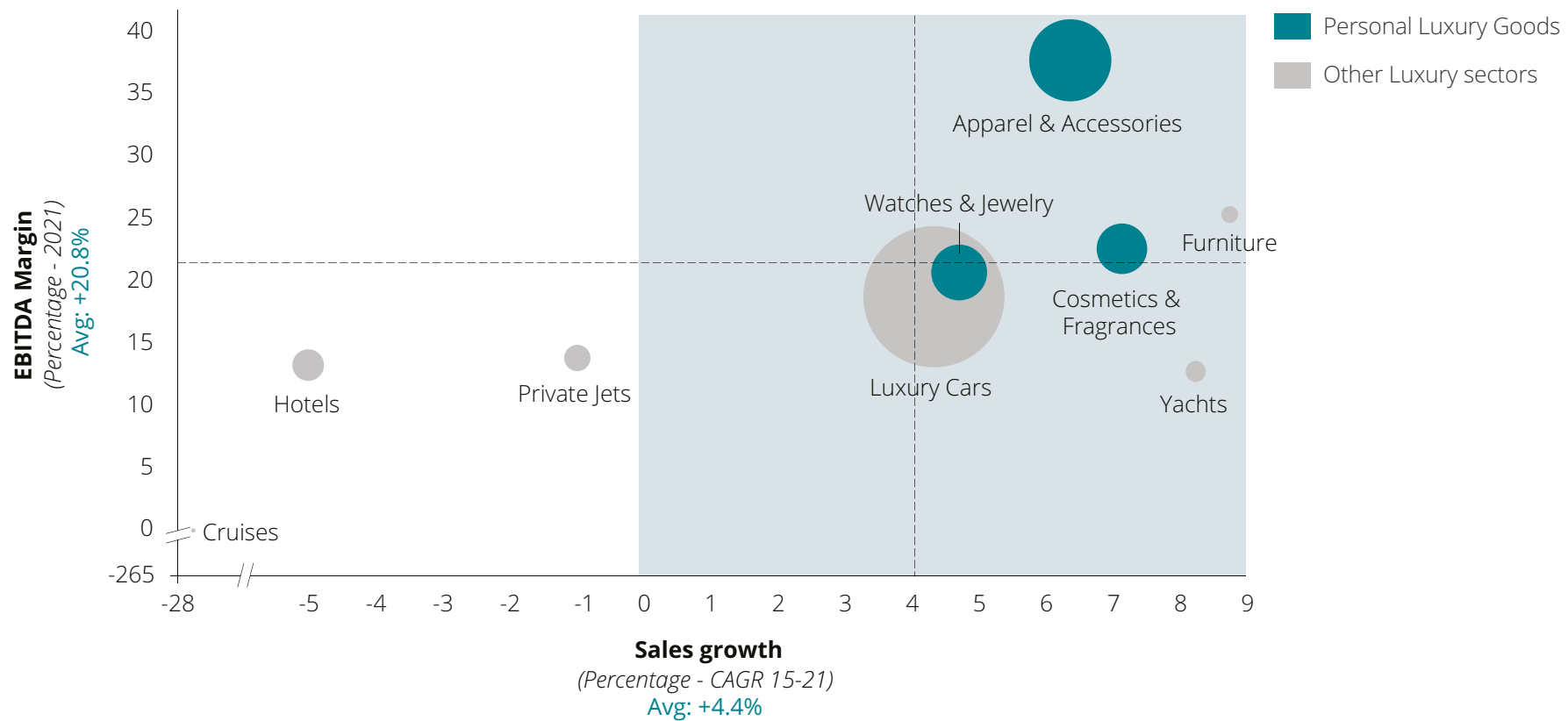


# Market insights: Business performance analysis 2021

Almost every sector shows growing sales 2015-21, recovering from Covid-19 impact; apparel and accessories is the best performer in terms of marginality, while in terms of growth furniture shows the highest value, followed by yachting.

## F&L Sectors business performance map 2021

(Percentage)



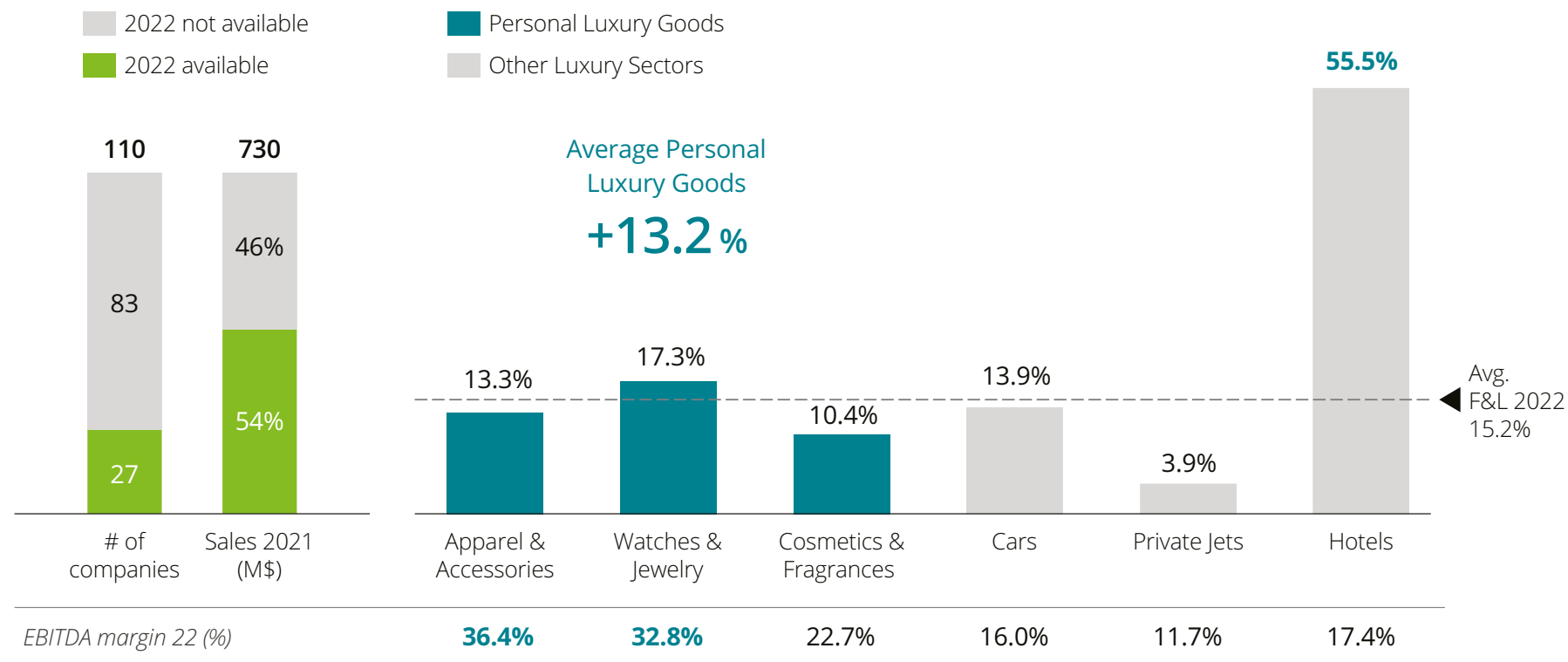
Notes: Values reported at yearly exchange rate | Source: Elaboration on Company Financial Report and Orbis data

# Market insights: 2022 Performance

Based on a selection of players that reported 2022 financials (accounting for 54% of the panel revenue), all sectors are growing in terms of sales in 2022 vs. previous year, with Luxury Hotels outperforming others; in terms of marginality, PLG shows higher EBITDA margin vs. previous year, while Experiential is almost aligned.

## Average Sales growth YoY 21-22

(Percentage)





# Key market trends in 2023

Luxury market is facing major changes and challenges for what concerns sustainability practices, including second-hand market, digitalization, transformation and consumption purchasing values and patterns.

## Top 5 trends affecting the luxury market in 2023

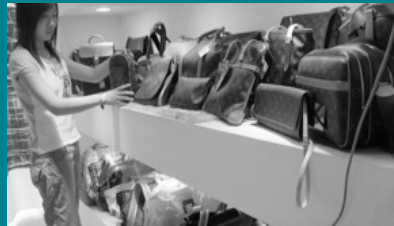


### Sustainability and ESG

Customers are demanding more sustainable items, valuing products that are developed using fair labor practices and recycled or recyclable materials.

More companies are implementing circular business models (e.g. LVMH implementation of LIFE 360 strategy).

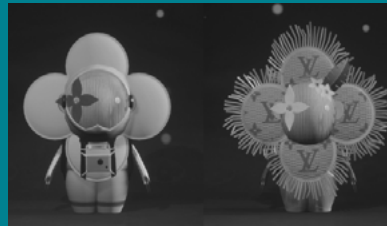
Increasing regulation in ESG practices (e.g. EU Green Deal) is driving companies to reduce pollution and emissions both to comply and to anticipate such requests.



### Second-hand market

Consumers are showing an increasing interest in the second-hand market, driven by affordability, collectability and sustainability.

Luxury firms are learning how the pre-owned category may extend the lifetime of their goods and boost the relevance of brands among consumers. As an alternative distribution channel, some firms have invested in resale platforms (e.g. Richemont acquisition of Watchfinder, watches resale platform) or initiated partnerships with such platforms.



### Digitalization

Numerous luxury businesses adopted non-fungible tokens (NFTs) and cryptocurrencies, viewing virtual metaverse platforms (e.g. Fortnite, Sandbox, Roblox, etc.) as a new form of brand activation, creation of a reinvented premium experience, and a new way of expanding their customer base to a broader public, particularly Gen Z and Gen Alpha.

In March 2022, many firms (e.g. Philippe Plein) participated to the first Metaverse Fashion Week (MFW), with virtual shows, talks, and events.



### Functional and symbolic value of goods

Although consumer spending on discretionary items and luxury items is being restricted by inflationary pressures, the demand for luxury and unique experiences is still strong.

The importance of visible functional benefits, such brand heritage, craftsmanship, and longevity, as well as improving brand communications, narrative, and experience, are being increasingly emphasized by businesses as customers adopt a more mindful approach to luxury.



### Luxury goods as financial assets

Beyond conventional investments (e.g. gold), buying luxury products is becoming a popular option for people to invest in alternative value-holding assets.

Especially now that some top legacy luxury houses are raising prices and tightening distribution, watches (e.g. Rolex) and designer bags (e.g. Hermès) tend to hold their value over time and even increase in value, making them even more alluring for wealthy consumers looking to invest in luxury items.





# Planned sustainability investment in next 5 years (PLG companies)

## Q: Which are the top sustainability investment in your agenda for the next 5 years?

(Based on percentage of respondents)

-  Sustainable Products
-  Waste and Recycling
-  Sustainable Sourcing
-  Employee Support Programmes
-  Supply Chain Resilience
-  Green/Clean Technology
-  Circular Economy Models
-  Energy Savings
-  Pollution Reduction
-  Natural Capital

- Tightening environmental regulations and increasing pressure from investors are making ESG issues increasingly relevant
- Promoting sustainable business practices is perceived more and more as a way for companies to improve their reputation, gain competitive advantage and increase profitability
- Sustainable products, waste and sourcing are the top 3 priorities, however the desire for a more diverse and inclusive world is progressively gaining importance
- The shift towards more mindful consumption is pushing fashion & luxury businesses to put value creation as the center of their marketing strategy
- The first barrier to ESG initiatives is consumers' lack of willingness to pay more for sustainable products, worsened by the effect of inflation

## Key Findings

"... Luxury companies will need to target investments where the opportunities are concentrated: ESG, chain of creativity, technology, and data. Their growth will only depend on these high-potential drivers ..."

"... If brands are to avoid "greenwashing", they must show that they are making meaningful and credible change being compliant with emerging regulatory requirements ..."

"... The entire fashion system has a significant social responsibility role that must be promoted and encouraged ..."



# Major challenges in Luxury market 2023

## Inflation

In the short-to-medium term, increased energy and raw material costs, as well as more supply chain disruptions caused by a labor shortage, are likely to continue to be the key factors driving inflation.

Rising energy costs have the potential to cause further price hikes on the market, forcing certain manufacturers, particularly energy-intensive textile factories, to impose production run limits or shut down their facilities at periods of peak energy pricing.

Since 2021, raw material prices, particularly those for cotton and petroleum-based textiles, have risen to all-time highs as a result of price inflation in energy and chemicals as well as the growing price of crude oil farther up the supply chain.

## Supply chain disruptions

Luxury firms have had to reconsider their supply chains and manufacturing sites as a result of supply chain disruptions brought on by the Covid-19 crisis and Russia-Ukraine war.

Covid-19 pandemic exposed the weaknesses and constraints of the globalized supply chain: factory closures, rising raw material and shipping costs, congested supply chains, a weak digital presence, and issues reaching consumers who are housebound.

Investing in supply chain resilience, as well as automation and supply chain technologies, is at the top of Corporates' agenda to avoid future risks with a major focus on localized production (China currently accounts for almost half of the global textile and leather goods production, but this is set to decline by 2030).

## Geo-political disorders

The invasion by Russian troops of Ukraine is causing major problems for the entire global value chain.

Even if domestic sales of luxury goods in Russia only make up around 1% of the worldwide market, manufacturers are projected to be impacted by the lack of access to this market as well as the decline in wealthy Russian visitors in popular shopping hubs across the world.

The impact of the conflict will primarily rely on how long it lasts and how it affects Russian consumers' purchasing power and wealth.

Impact of the invasion of Ukraine on Russia's luxury goods industries is mainly significant for what concerns price increases and sanctions and boycott.

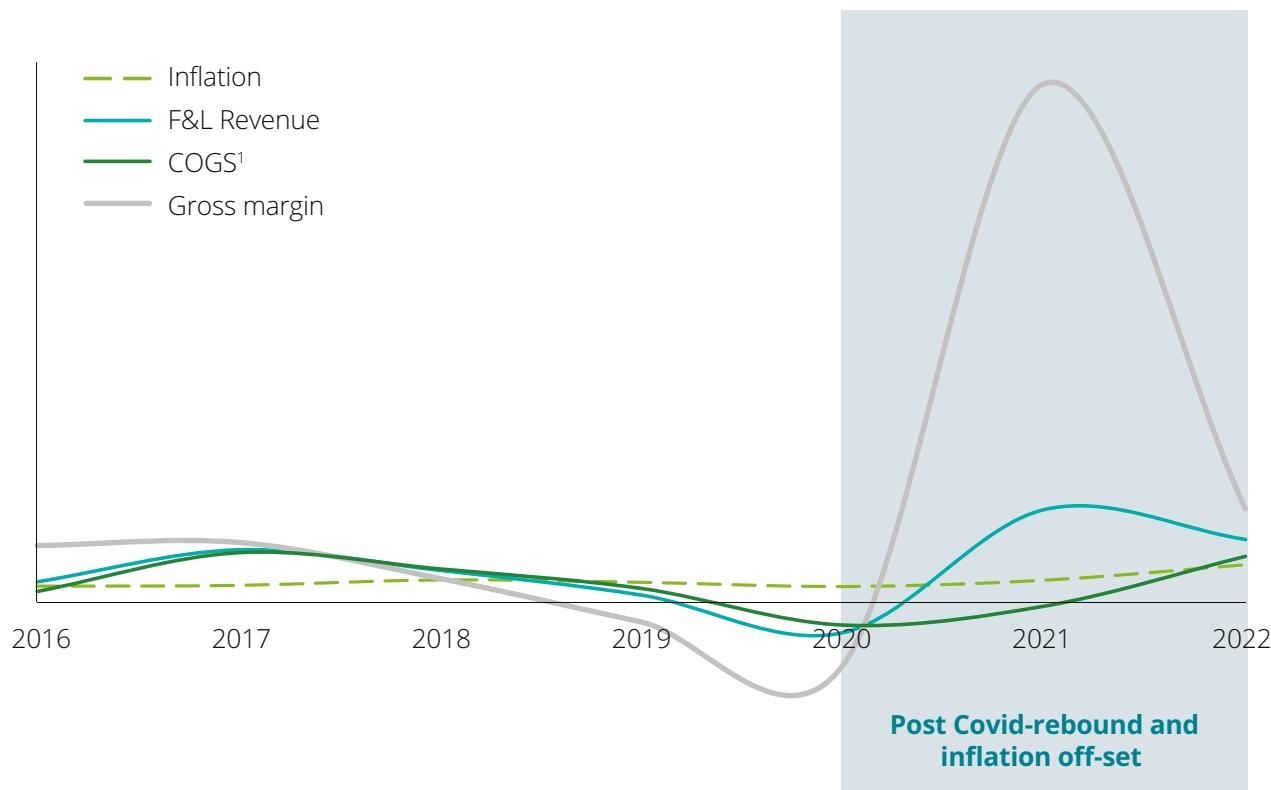
## Key Challenges

Disruptions along the value chain and inflation, worsened by Covid-19 pandemic and Geo-political disorders, are all leading to an increase in control of supply chain and distribution channels by Fashion & Luxury firms.

# Impact of Inflation on Luxury market

Luxury goods company have been resilient to the rising inflation through 2021-2022 by adopting pricing and value chain strategies to off-set cost increase.

## Global inflation vs. Luxury market trend and outlook (YoY Percentage growth)



Note: (1) gross margin computed as Revenue - COGS | Source: Elaboration on Company Financial Report  
Analysis based on a selection of players that released 2022 financials (accounting for 54% of the overall revenue of the analyzed panel)

## Key Findings

"... Most of Luxury brands responded to inflation with a price-pass-through, aggressively increasing the retail price (up to 60% since pre-Covid) especially in US and Europe ..."

"... Luxury goods demand stay relatively inelastic, with key luxury Groups registering increasing profits in 2021 ..."

"... Rising prices for iconic products didn't effect demand, asserting a strong pricing power of Luxury brands; this is also true in the secondhand market, where iconic products often experience price appreciation ..."

A wooden display case filled with a variety of patterned neckties. The ties are arranged in a grid, with some folded into bows and others rolled up. The patterns include polka dots, plaid, paisley, and geometric designs in various colors like red, blue, green, yellow, and purple.

# M&A Deal Monitor 2022

# Fashion & Luxury M&A deals

## Overview of deals in 2022 by Sector

|                        |                             | 284<br>DEALS IN 2021 | → 292<br>DEALS IN 2022 | +8<br>DEALS |
|------------------------|-----------------------------|----------------------|------------------------|-------------|
| Sector                 | Personal Luxury Goods (PLG) | 2021                 | 2022                   | Growth      |
| Apparel & Accessories  |                             | 88                   | 77*                    | -11         |
| Hotels                 |                             | 82                   | 98                     | +16         |
| Watches & Jewellery    |                             | 5                    | 20                     | +15         |
| Cosmetics & Fragrances |                             | 63                   | 29                     | -34         |
| Furniture              |                             | 27                   | 36                     | +9          |
| Private Jets           |                             | 5                    | 9                      | +4          |
| Yachts                 |                             | 5                    | 3                      | -2          |
| Cars                   |                             | 7                    | 9                      | +2          |
| Cruises                |                             | 1                    | 2                      | +1          |
| Restaurants            |                             | 1                    | 9                      | +8          |

## Top luxury deals of 2022

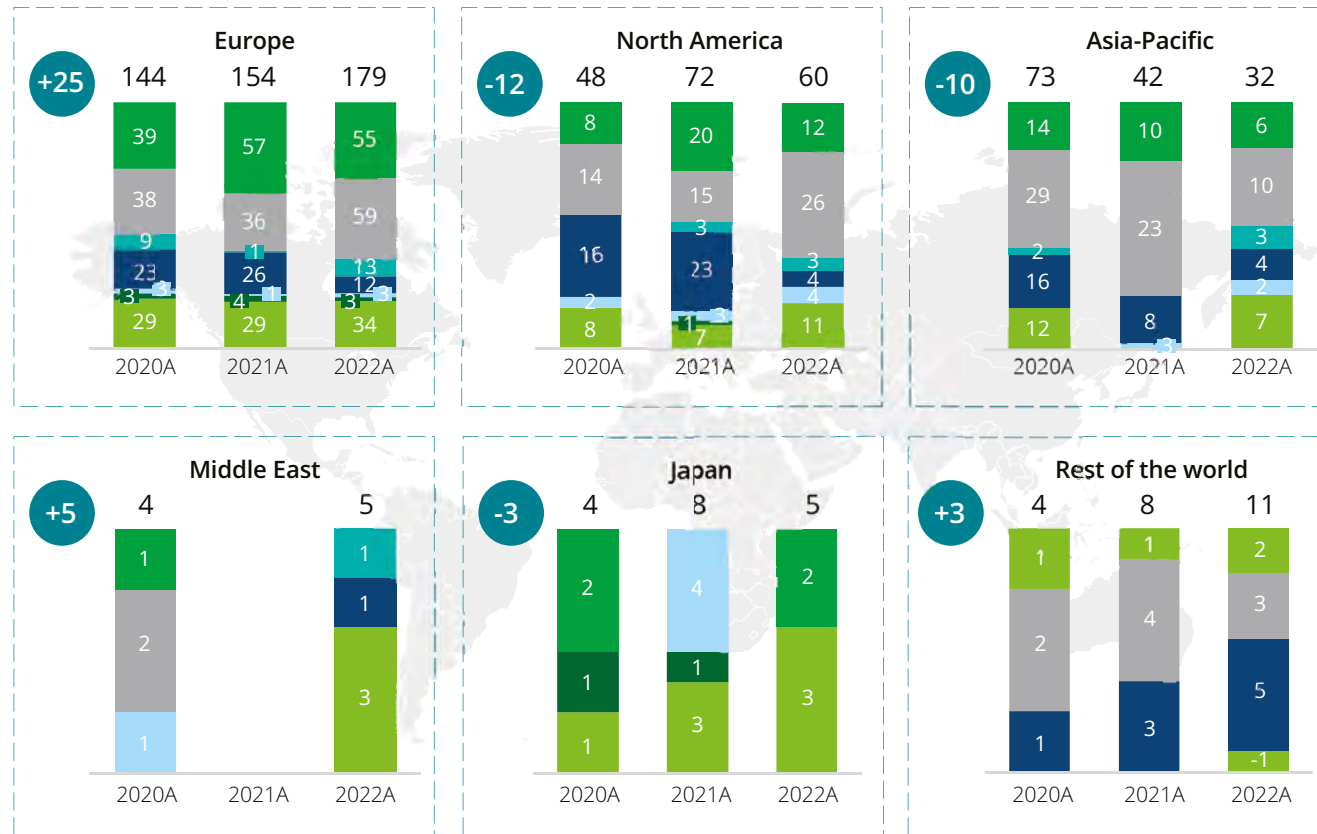
| Month | Target                       | Bidder                                                              | Stake (%) | Value (\$m) |
|-------|------------------------------|---------------------------------------------------------------------|-----------|-------------|
| May   | Firmenich SA (Switzerland)   | Royal DSM N.V. (Netherlands)                                        | 100       | 20,612      |
| Sept. | Porsche AG (Germany)         | Porsche Holding SE (Germany)                                        | 25        | 10,781      |
| Nov.  | Tom Ford International (USA) | The Estee Lauder Companies Inc (USA)                                | 100       | 2,884       |
| Oct.  | Flexjet LLC (USA)            | Horizon Acquisition Corp II (USA)                                   | 100       | 2,557       |
| Nov.  | DHC Corp (Japan)             | ORIX Corporation (Japan)                                            | 100       | 2,185       |
| Mar.  | Maui Jim (USA)               | Kering Group - Kering Italia S.p.A. (France)                        | 100       | 1,601       |
| May   | Surf Air Inc. (USA)          | Tuscan Holdings Corp II (USA)                                       | 100       | 1,250       |
| Jun.  | Byredo AB (Sweden)           | Puig S.L. (Spain)                                                   | 100       | 1,067       |
| Mar.  | Lanvin Group (China)         | Primavera Capital Acquisition Corporation (China)                   | 100       | 970         |
| Oct.  | FlyExclusive (USA)           | EG Acquisition Corp (USA)                                           | 100       | 655         |
| Jun.  | Rimac Group doo (Croatia)    | SoftBank - Porsche Holding SE - Goldman Sachs - HOF Capital (Japan) | 25        | 534         |
| Mar.  | Ted Baker Plc (UK)           | Sycamore Partners (USA)                                             | 100       | 496         |
| Nov.  | Adore Me Inc (USA)           | Victoria's Secret & Co (USA)                                        | 100       | 431         |
| Dec.  | Daiwa Resort Co Ltd (Japan)  | Ebisu Resort LLC (Japan)                                            | 100       | 413         |
| Nov.  | NWTN Inc (UAE)               | Zhejiang Jinhua Government (China)                                  | 100       | 413         |

Note: the analysis considers both closed and announced deals during 2022 | Source: Elaboration on Deloitte intelligence data

\* The value does not include Apparel retail segment, that accounts for further 26 deals.

# M&A deals by region and sector 2022

## Overview of deals in 2022 by Region



## Key Findings

Europe showed the highest increase of Fashion & Luxury deals in 2022 with 25 more deals, while North America registered a drop (-12).

Asia-Pacific and Japan registered a slight decrease in the number of deals with -10 and -3, respectively.

The Middle East presented a comeback to 2020 activity level while RoW continued to rise with +3 F&L deals in 2022.

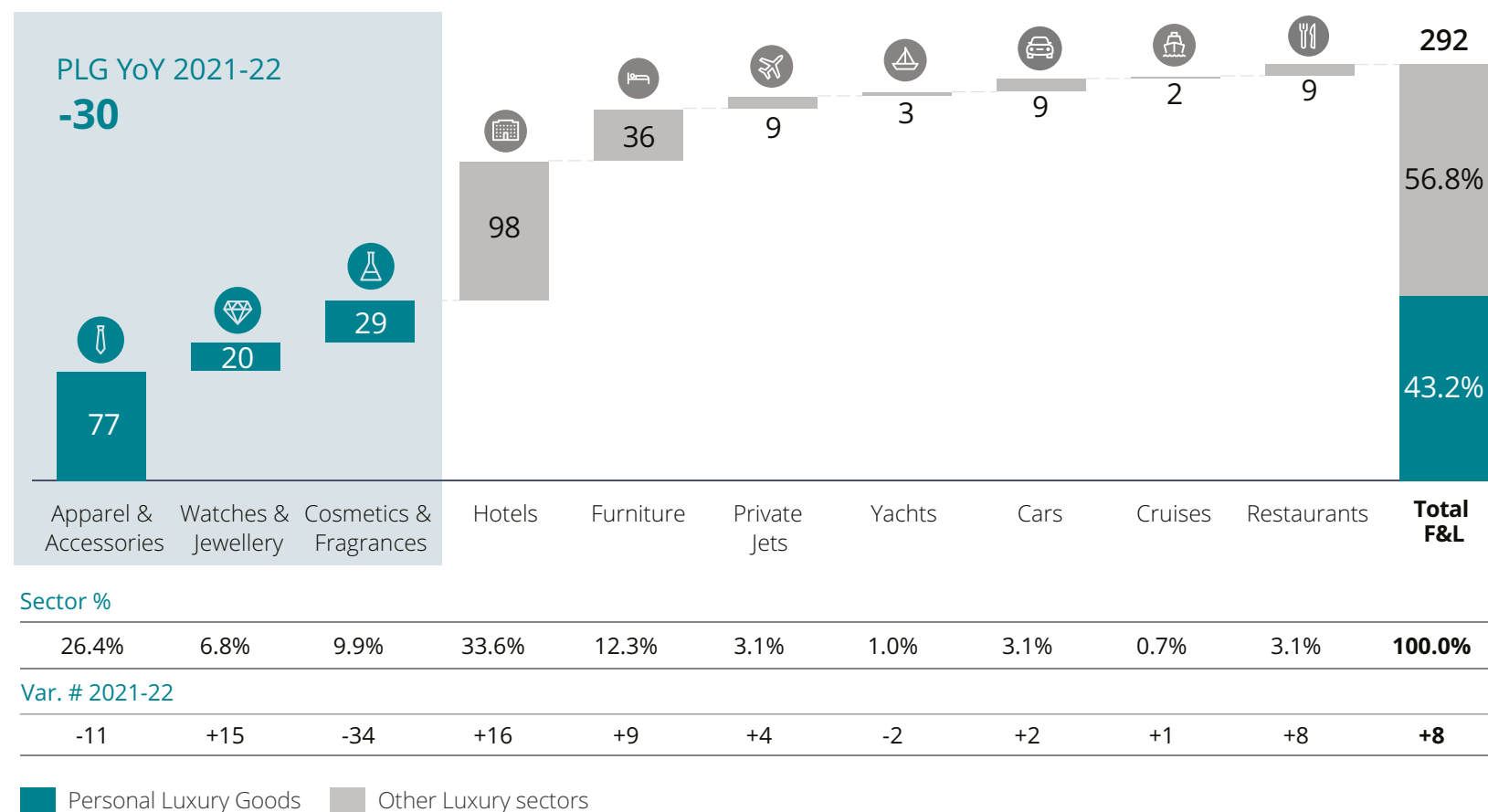
Hotels, Apparel & accessories and Cosmetics & Fragrances deals were substantial drivers of M&A activity globally in 2022.

# Size of main M&A deals

The F&L industry has continued to be a fertile one with a slight increase in transactions in 2022 (292) compared to 284 M&A deals in 2021, showing a 2.7% raise. Personal Luxury Goods (-30% pts YoY) represented about 43.2% of all deals.

## Number of deals in 2022

(Breakdown by sector)



Source: Elaboration on Deloitte intelligence data

## Key Findings

The Hotels sector has become the most attractive one to investors during 2022, becoming the top gainer in terms of deals number (#98, +16 vs 2021), while Cosmetic & Fragrances sector shows the worst performance with a significant drop of #34 deals, respect to 2021.

Watches & Jewellery and Furniture segments have registered an increase respectively by #15 and #9 deals compared to 2021. On the other hand, Apparel & Accessories and Yachts sectors fell by #11 and #2, respectively.

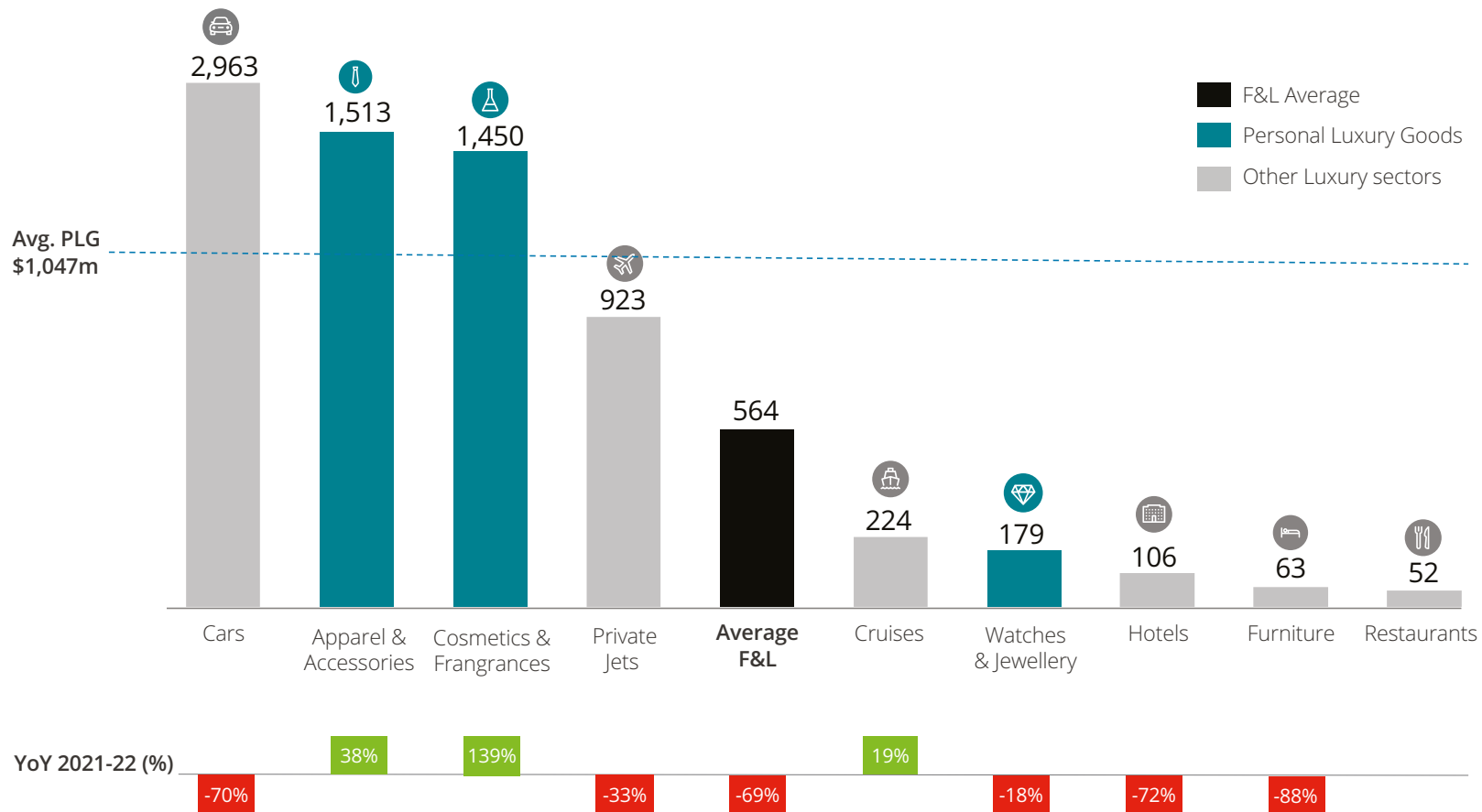
Private Jets, Restaurants and Cars slightly increased respectively by #4, #8 and #2.

# Average value of main deals by sector

Deals related to the Cars sector were the largest in 2022 with an average value of \$2,963m, followed by Apparel and Cosmetics with an average value of \$1,513m and \$1,450m, respectively. By contrast, the Restaurants sector showed the smallest average deal value (\$52m). The PLG's average deal value in 2022 was \$1,047m.

## Average value per deal in 2022 – Breakdown by sector

(\$m, Percentage)



## Key Findings

Cars saw their average deal value fall by 70% in 2022, still remaining the sector with the highest average value per deal. Personal Luxury Goods industries show a rise, reaching an average value of \$1,047m in 2022 (vs \$640m in 2021).

Cosmetics & Frangrances industry experienced an exponential rise compared to 2021, showing an increase of 139% with an average value of \$1,450m.

Furniture, Hotels, Private Jets and Watches & Jewellery witnessed a reduction in the average deal value since the previous year by -88%, -72%, -33% and -18%, respectively.

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

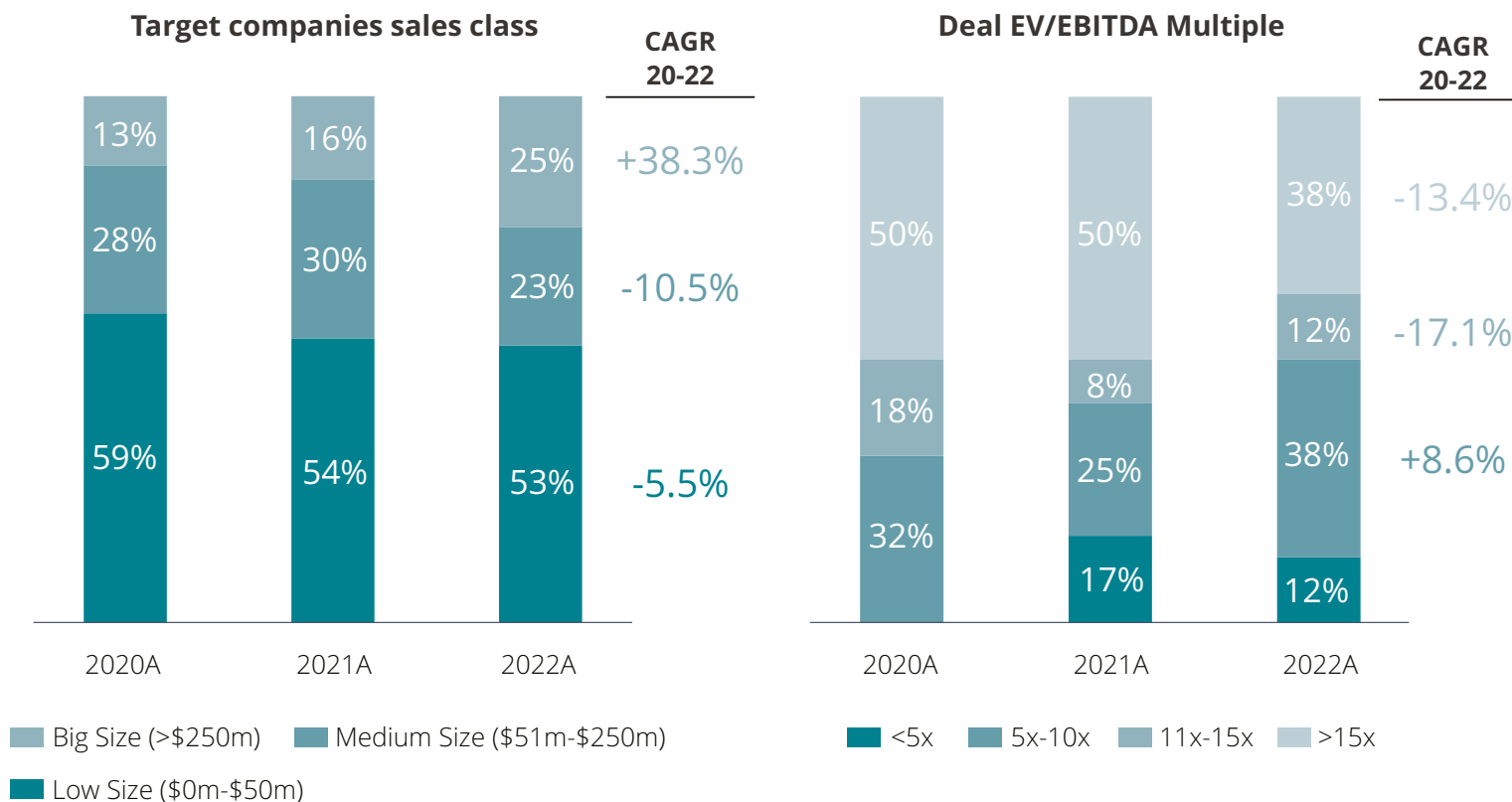


# Target company features

In 2022 the average size of targeted companies increased, as those of Large size (+9 pts) gained ground at the expenses of smaller and Medium firms. On the other hand, a reduction in high and mid range EV/EBITDA multiple categories is registered (58% of deals in 2021 vs 50% in 2022), as the 5x-10x group risen.

## Target company features - Sales Class and Multiples

(Percentage, Enterprise value - EV/EBITDA multiples)



## Key Findings

In 2022, investors were still oriented towards lower-size firms (\$0-\$51m), which accounted for 53% of deals in the year, but less than in 2021 (54%). There was a significant increase in deals involving players in the Big Size market, \$51-\$250m, by 9 pts (+38.3% CAGR 20-22).

Deals involving multiples of 5x-10x times the EBITDA increased (representing 38% of the total). Conversely, there was a drop in deals positioned on EBITDA multiples higher than 15x times.

Deals with EBITDA multiples lower than 5x re-appeared in 2021, after being zero in 2020, and remained stable during 2022.

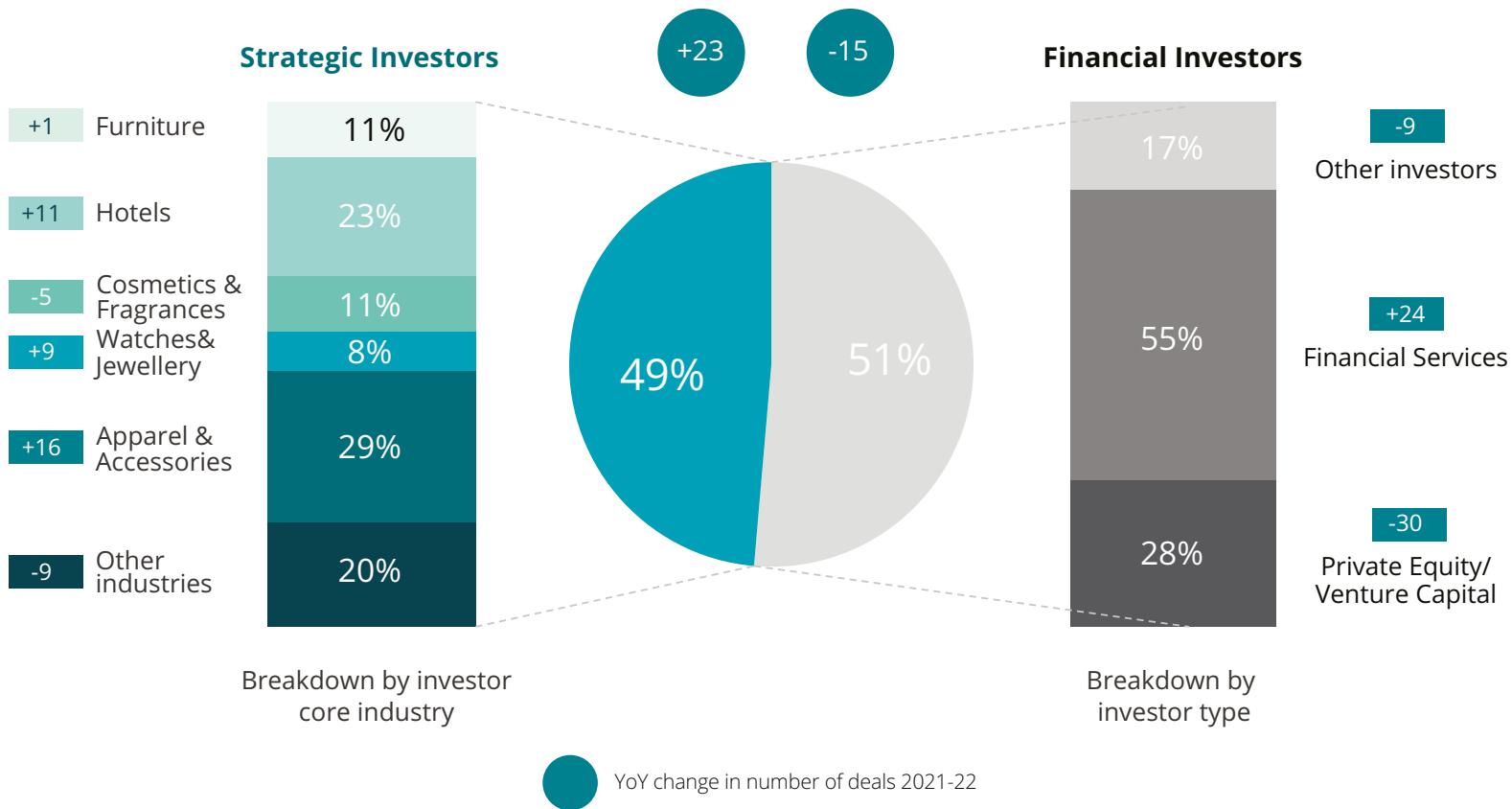
Note: The target sales class has been calculated for all companies with financial data which is publicly available | Source: Elaboration on Deloitte intelligence data

# Investor profiles

The majority of bidders were Financial Investors, of which 55% being Financial Services. On the other hand, the largest part (72%) of Strategic Investors belonged to sectors including Apparel & Accessories, Hotels and Other industries.

## Main bidders' profile

(Percentage, Number of deals)



## Key Findings

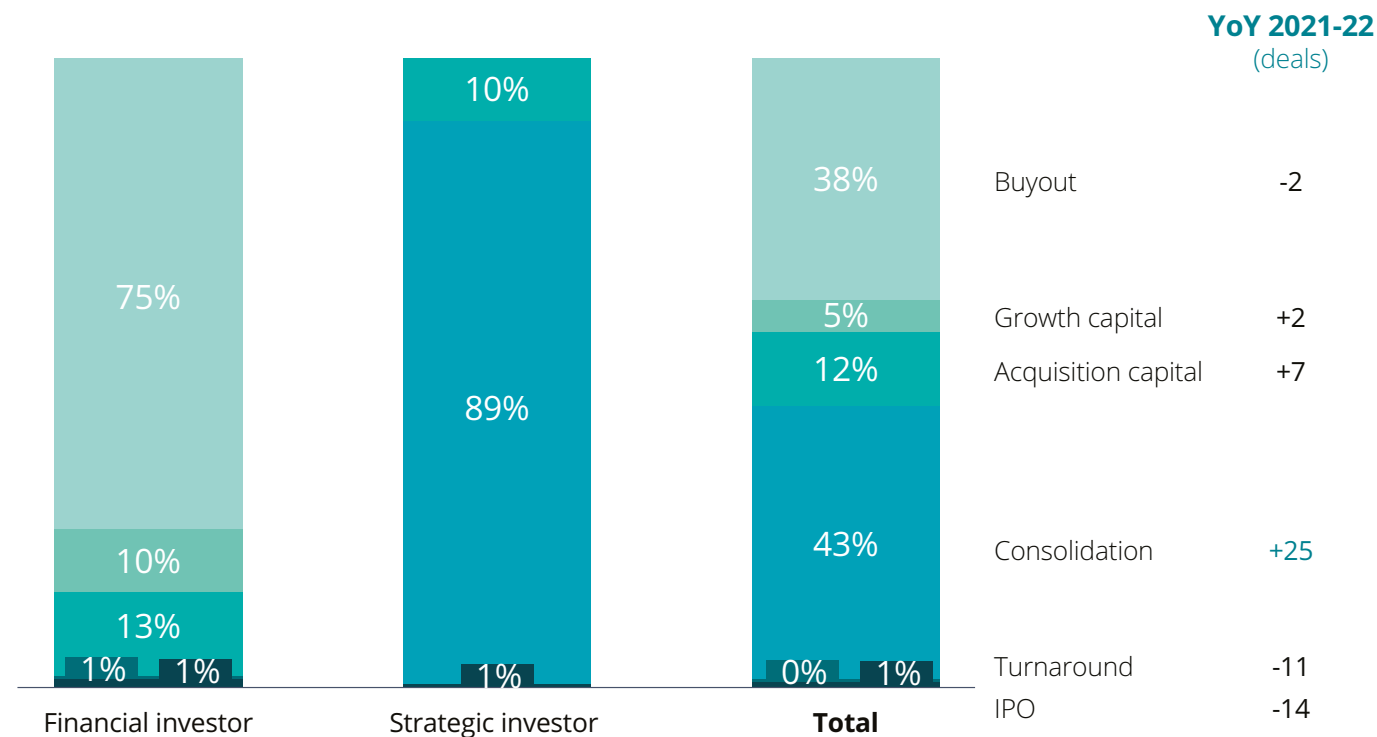
Deals conducted by strategic investors, mainly operating in the Apparel & Accessories, Hotels and Other industries, represent 72% of deals. Nonetheless, there was a notable increase in deals driven by strategic investors compared to the previous year (+23 deals).

There was a decrease in deals conducted by financial investors (-15 deals compared to 2021). Most of the financial investors' contribution comes from Financial Services (55%).

# Portfolio exit strategies

The majority of acquisitions were carried out through buyouts and consolidations (38% and 43% of the total, respectively).

**Investment strategies by bidder type**  
(Percentage, Number of deals)



## Key Findings

There was a growth in investments through Consolidation (+25 deals) and Acquisition capital (+7), while Growth capital investments slightly increased (+2 deals).

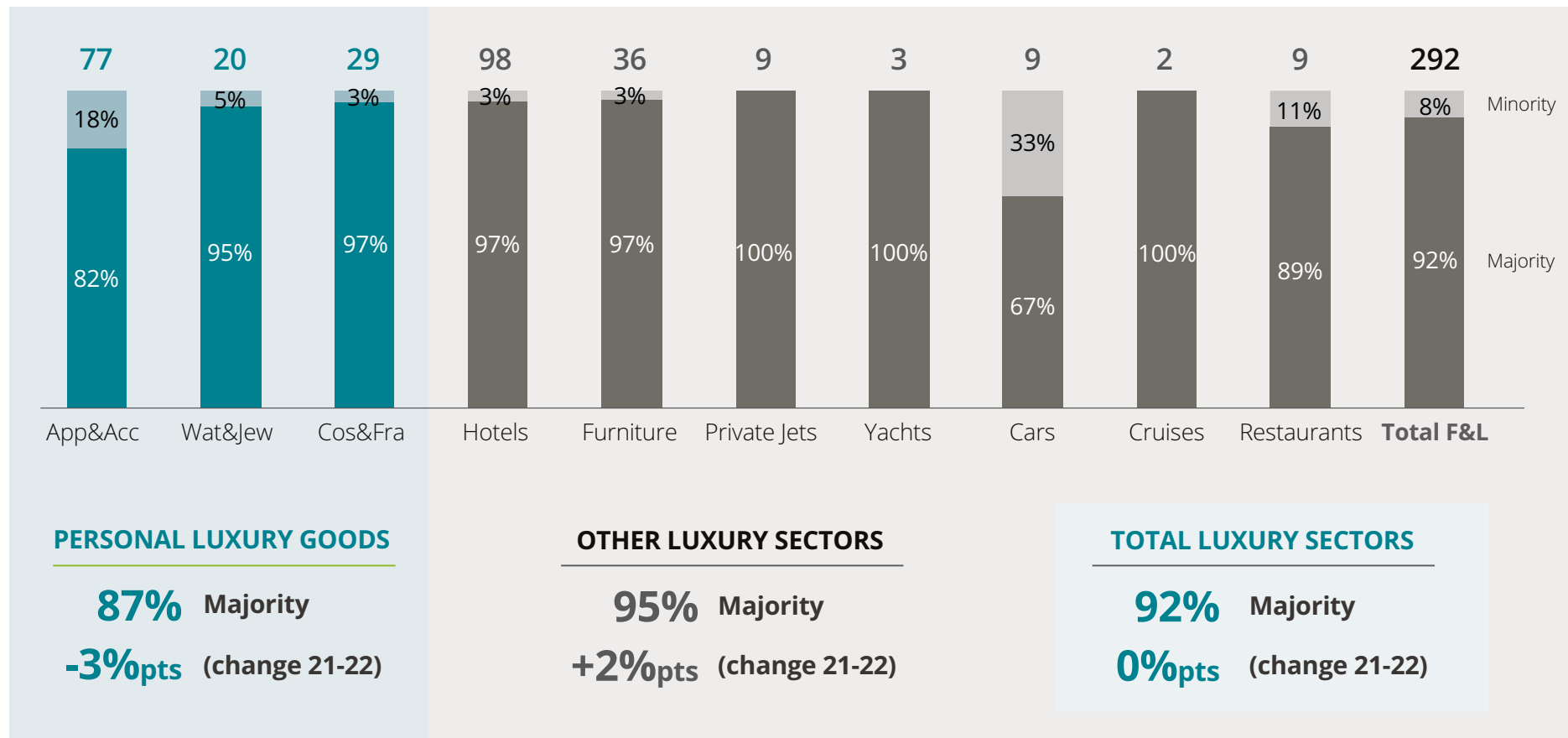
There was a strong drop in investments through IPO (-14 deals) and Turnaround (-11).

The economic downturn has led investors to reallocate their portfolios to less risky assets. Company valuations were depressed due to interest rate increases and weak equity prices, which affected many companies' prospective IPO plans. As a result, IPO activities significantly decreased compared to 2021 by #14.

# Bidders' investment stake

Majority stake deals slightly decreased in 2022, down to 87% in the Personal Luxury Goods sector (-3 pts) and the total Luxury Sectors remained stable amounting to 92%, due to the effect of a +2 pts increase in Other luxury sectors (+ 2% up to 95%).

## Investment stakes by sector



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

# Private Equity and Investors Survey 2023





# Fashion & Luxury market outlook from investors' perspective

# Market Outlook: Key trends by sector – Investors' perspective

Investors' feeling about F&L market trends for the next 3 years is to expect an increase in the Personal Luxury Goods, Restaurants, Hotels and Furniture sectors. In particular, Watches & Jewelry and Hotels are the best performing sectors. By contrary, Cars is forecast to be the worst performing sector over the period.

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

(Index on responses)



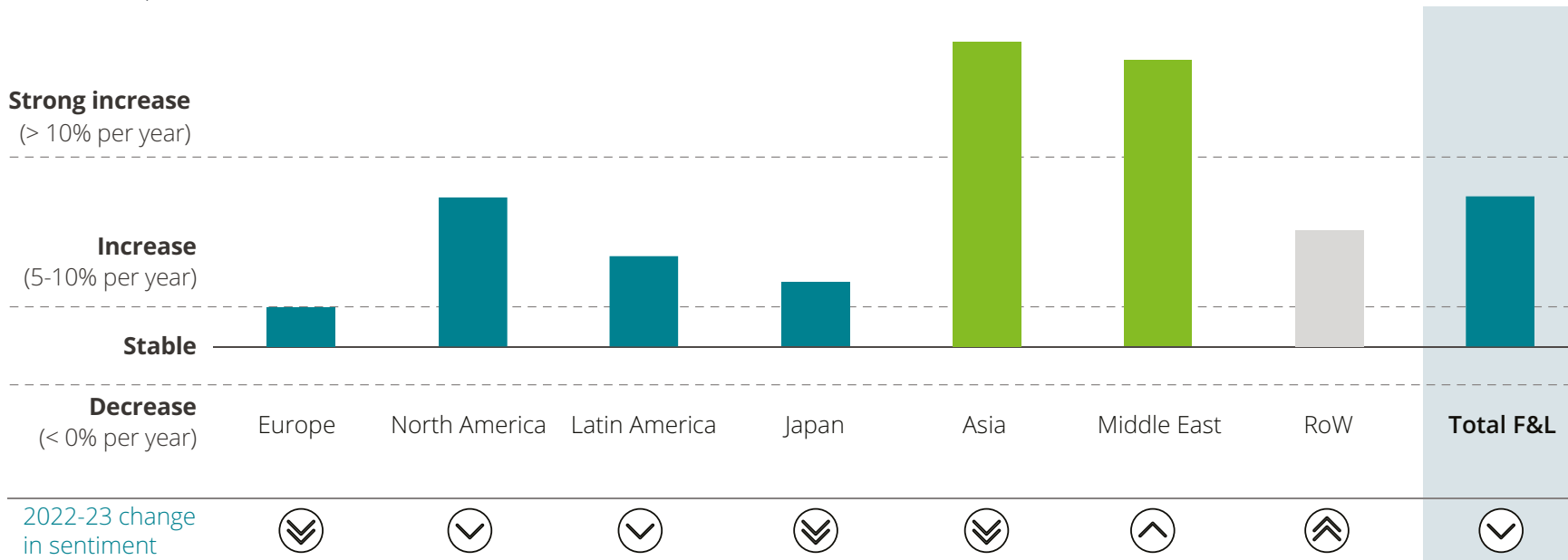
Source: Elaboration on Deloitte Survey and interviews with industry experts

# Market Outlook: Key trends by geographical area - Investors' perspective

All the regions are forecasted to have a positive trends over the next 3 years. In particular, investors foresee an increase of the F&L sectors in Asia and Middle East. The rest of the world regions are the ones that are expected to show the most significant improvement, compared to the last Survey.

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

(Index on responses)



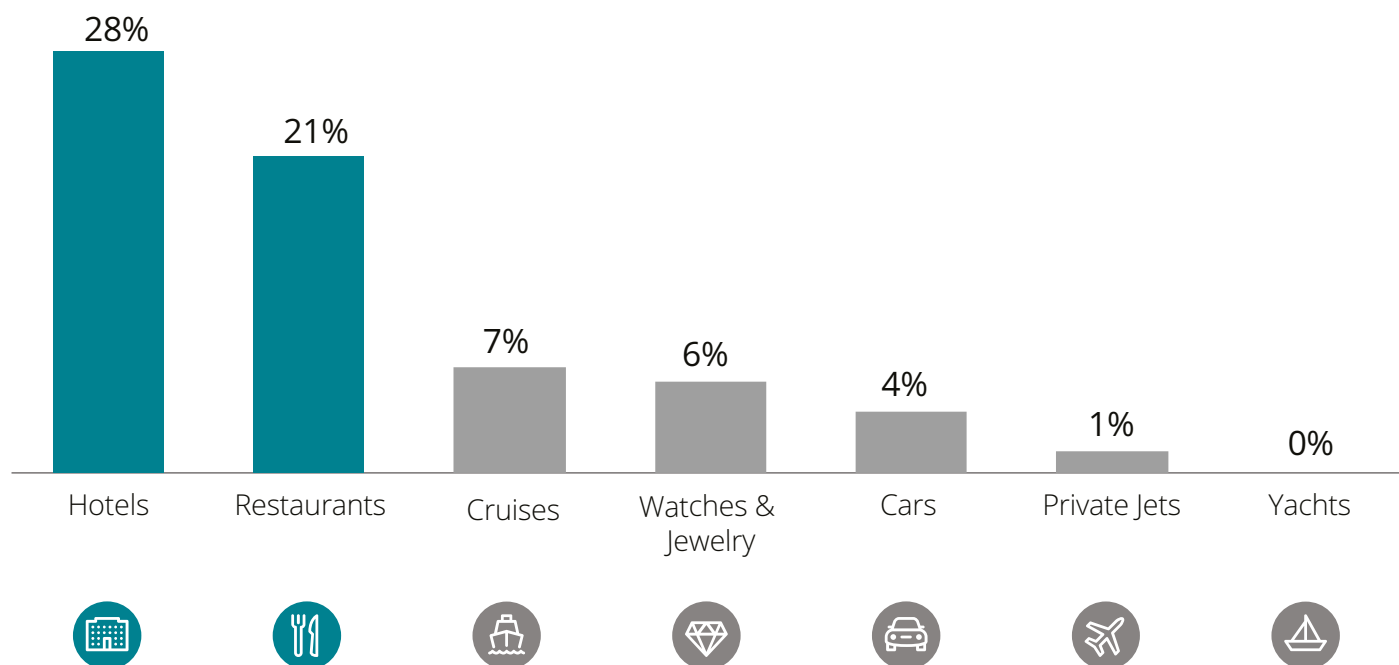


# Market Outlook: Sectors recovering from Covid-19— Investors' perspective

Covid-19 severely impacted different sectors within the Fashion & Luxury industry; in 2022 sectors that recovered most rapidly were Cosmetics & Fragrances, Furniture and Apparel & Accessories. From investors' perspective, in 2023 the sectors that will show the fastest recovery are Hotels (28%) and Restaurants (21%).

## Sectors recovering more rapidly from Covid-19

(Percentage of responses)



## Key Findings

After a slow recovery following the pandemic, nearly half of respondents (49%) believe Hotels and Restaurants will be the sectors to display the fastest growth in 2023.



# Market Outlook: Changes adopted by F&L sectors in order to recover from Covid-19

During the spread of Covid-19, companies had to define new business strategies to survive and recover from the pandemic. One of the main changes adopted by firms was the shift to e-commerce sales channel and supply chain reorganization and monitoring, in order to ensure the continuity of their business. Covid-19 forced this change, but the majority of investors expect that this will be permanent, as it has led to a greater use of e-commerce in everyday life.

## Covid-19 shift towards e-commerce

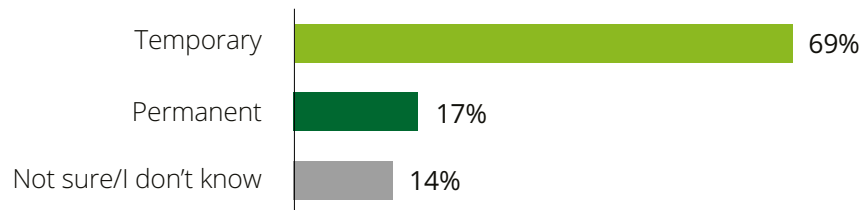
*(Percentage of responses)*



Through this, some sectors within the Fashion & Luxury industry have benefitted from Covid-19, but most investors (69%) expect these effects to be temporary.

## Benefits from Covid-19

*(Percentage of responses)*



## Key Findings

The pandemic led to a strong adoption of online sale channels. This is still expected to continue by the majority of investors (79%).

However, the benefits that many corporates took advantage of are only temporary for more than 2/3 of investors.

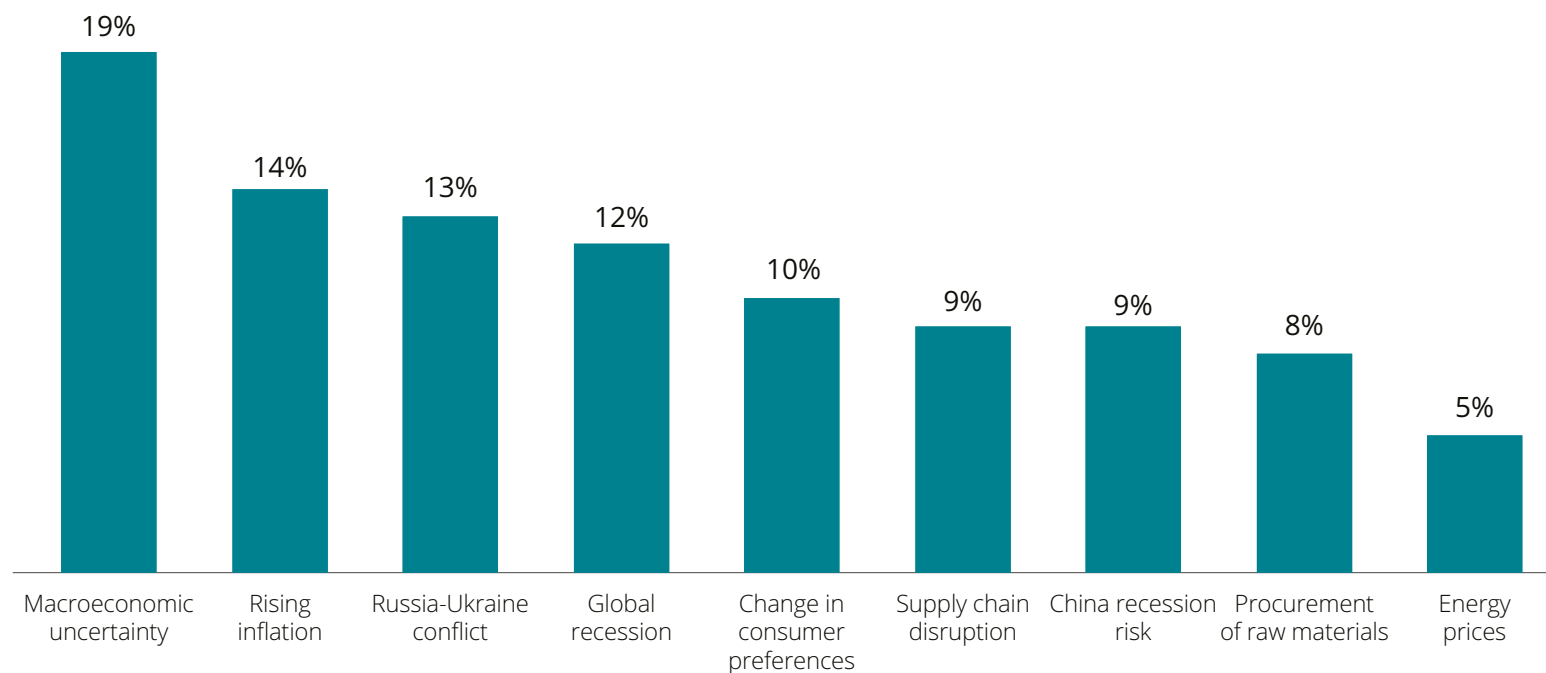


# Market Outlook: the main macroeconomic factors impacting in the F&L sectors

The main impacting factors that will characterize the most the Fashion & Luxury industry in 2023 are macroeconomic uncertainty (19%), rising inflation (14%) and Russia – Ukraine conflict (13%).

## The main factors impacting in the F&L sectors

(Percentage of responses)



Source: Elaboration on Deloitte survey

## Key Findings

Over the last 12 months, the macroeconomic backdrop has radically changed. Today more than half of respondents (57%) are primarily concerned about global uncertainty.

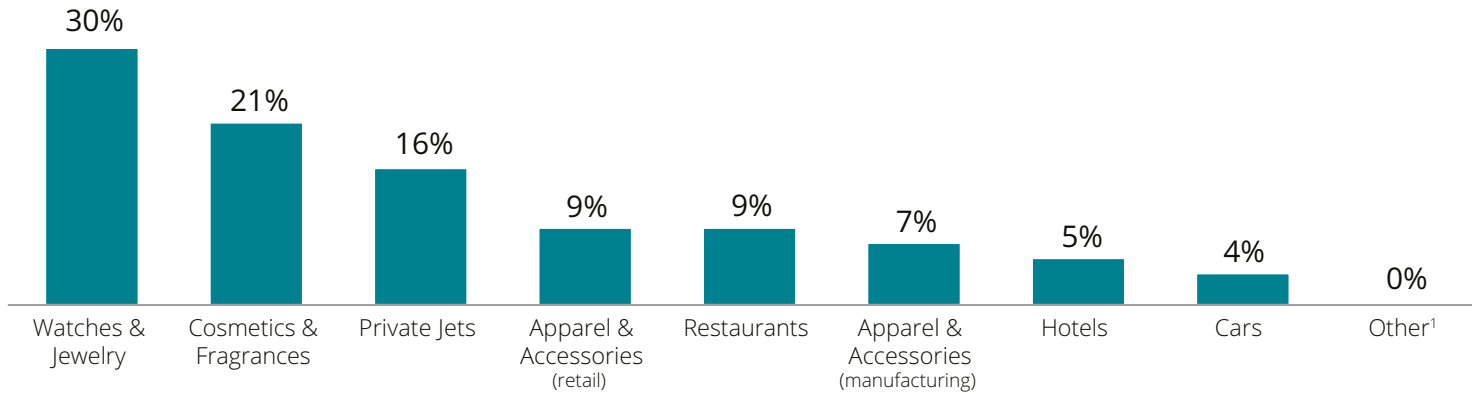
Namely, macroeconomic uncertainty (19%), followed by risk of rising inflation (14%), the still ongoing Russia-Ukraine conflict (13%) and risk of global recession (12%) are the main investors' concerns.

# Market Outlook: Inflationary pressure – Investors’ perspective

Rising inflationary pressure has been one of the key negative effects on corporates. Investors focused their attention towards sectors able to display some level of resiliency against it. Watches & Jewelry (30%) is the most resilient category while Cars is the least (4%). In order to fight rising inflation, the majority of investors (55%) think a combination of revenue increase and cost reduction is the action that corporates should adopt.

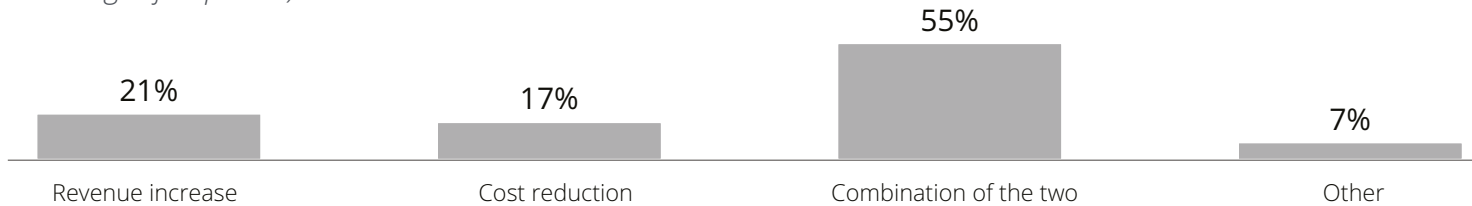
## Sectors more resilient in case of a rise in inflationary pressure

(Percentage of responses)



## Actions companies should focus on in the short/medium term

(Percentage of responses)



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

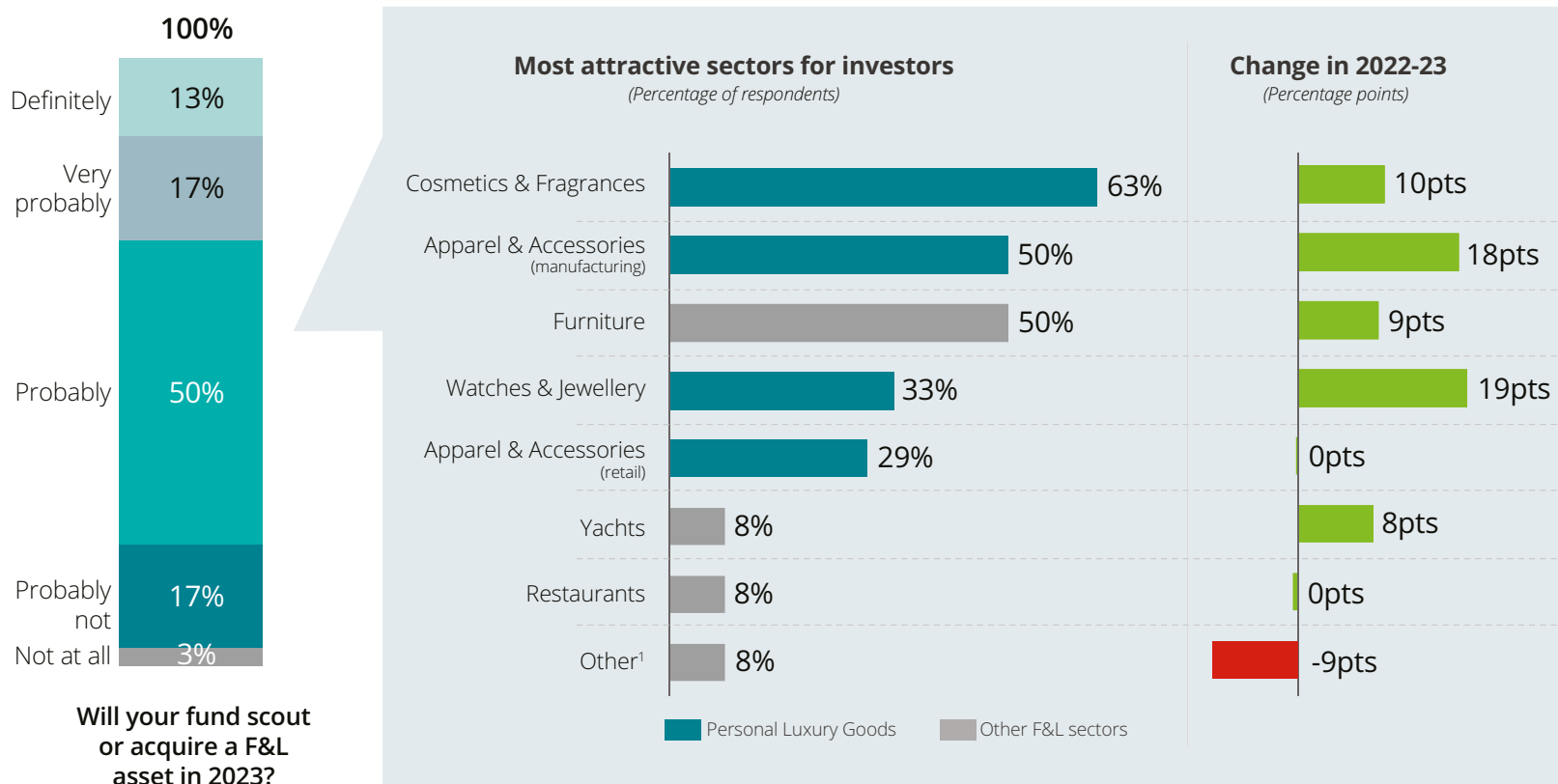




# 2023 Investment and Exit Strategy

# Expected new investments in 2023

In 2023, 80% of survey respondents could be interested in investing in Fashion & Luxury sectors. Personal Luxury Goods and Furniture are the most attractive sectors, with Cosmetics & Fragrances being the most outstanding one.



## Key Findings

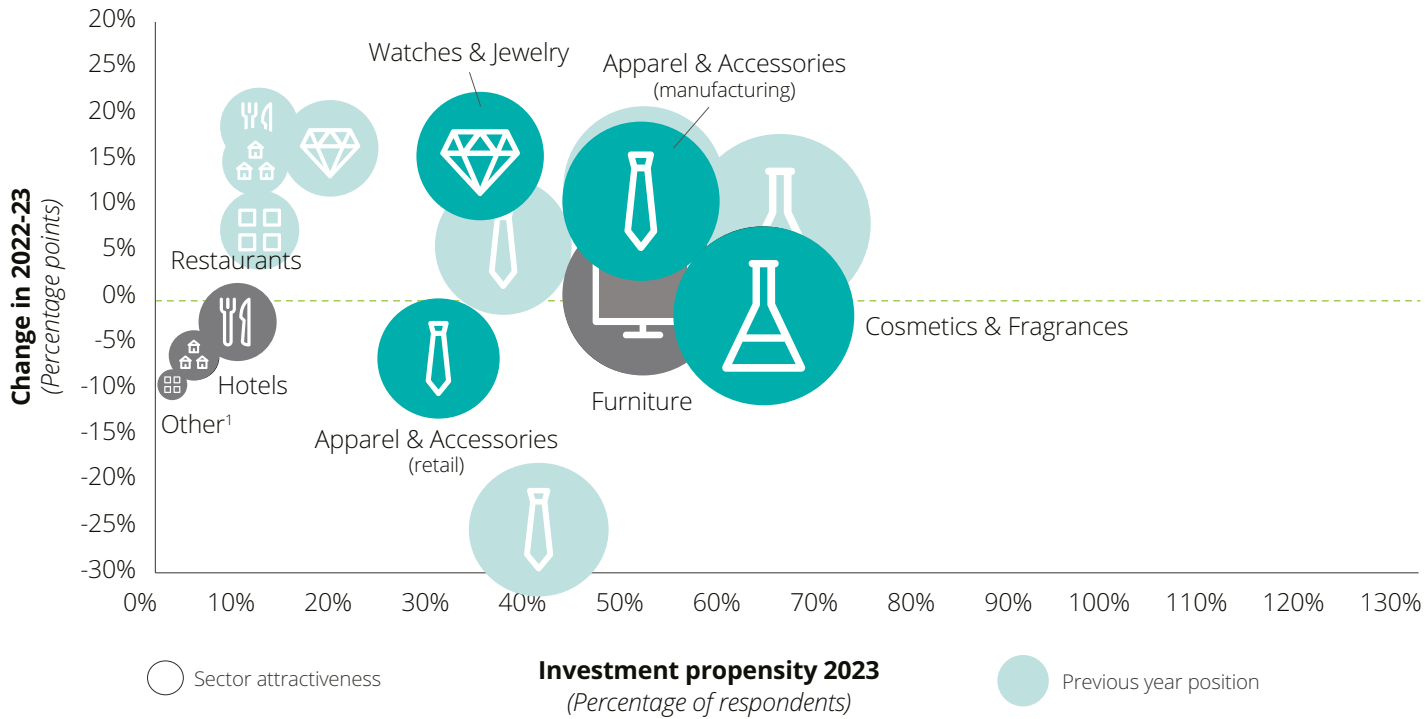
Sectors considered to be the most attractive from survey respondents are: Cosmetics & Fragrances (63%), Apparel & Accessories – manufacturing (50%), Furniture (50%) and Watches & Jewelry (33%).

Interest across sectors is changing compared to last year: Cosmetics & Fragrances and Apparel & Accessories – manufacturing show an increase of respectively +10pts and +18pts; Furniture, Watches & Jewelry and Yachts gained respectively +9pts, +19pts and +8pts. On the other hand, Hotels, Cars, Private jets and Cruises show a decline of -9pts compared to the previous year.

# F&L sector attractiveness

In 2023, Cosmetics & Fragrances, Furniture and Apparel & Accessories will be the most attractive F&L sectors, confirming investors' sentiment of the previous year.

## Map of investor attraction in F&L sectors



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





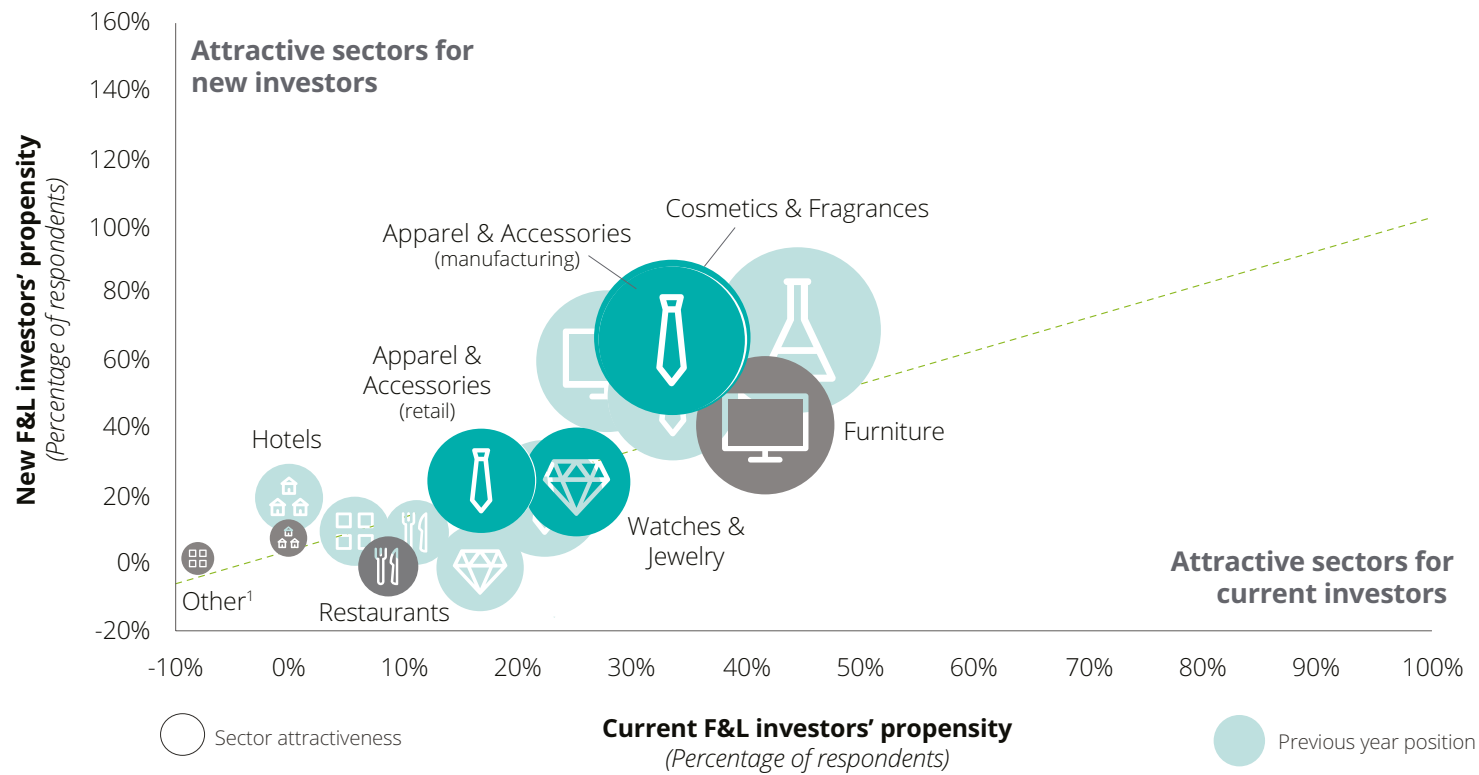


# Sector attractiveness: current vs potential investors

The main attractive sectors for both current and new F&L investors are Cosmetic & Fragrances, Apparel & Accessories and Furniture, remaining in line with the previous year's trend.

## Map of investor attraction in F&L sectors

(Current vs potential investors)



## Key Findings

Cosmetics & Fragrances, Furniture and Apparel & Accessories remain the most appealing industries for both current and potential investors in 2023.

In particular, new investors have showed a high interest in the Cosmetics & Fragrances sector.

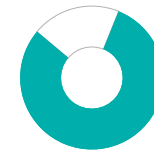
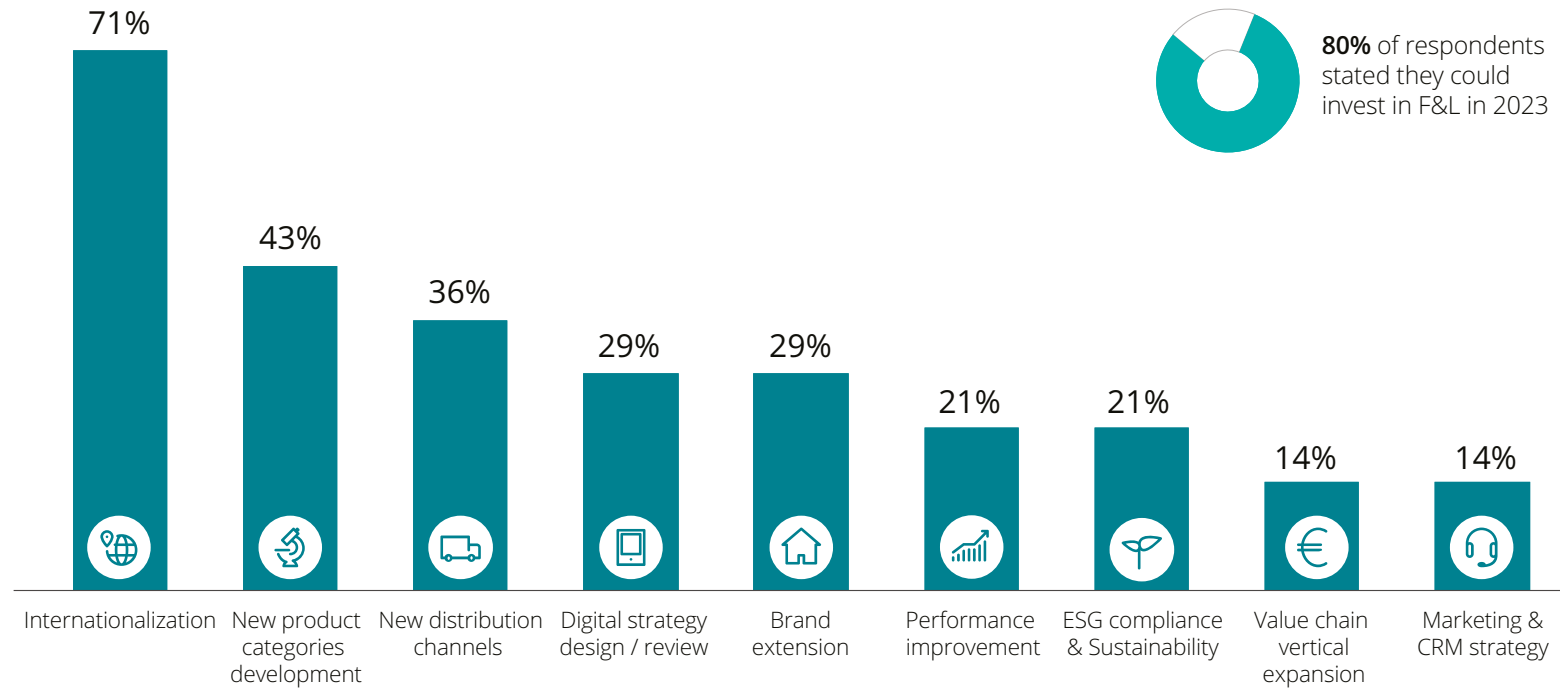
Note: 1) Other includes Private Jets, Cruises, Yachts and Cars | Source: Elaboration on Deloitte survey

# Growth strategies for the F&L portfolio

Key strategic drivers are Internationalization and New Product Categories Development. The only ones to show a negative change in sentiment, compared to the last year, are Performance Improvement which records -2.6pts and Marketing & CRM strategy which records the deepest negative change by -9.7pts.

## Main adopted strategic drivers for the F&L portfolio

(Multiple choice questions)



80% of respondents stated they could invest in F&L in 2023

### Change in % pts 2022-2023

|       |       |       |      |      |      |       |       |      |
|-------|-------|-------|------|------|------|-------|-------|------|
| +27.4 | +10.9 | +19.7 | +4.6 | +8.6 | -2.6 | +13.4 | +10.3 | -9.7 |
|-------|-------|-------|------|------|------|-------|-------|------|

## Key Findings

Internationalization and New Product Categories Development are the main strategic levers (71% and 43%) used by F&L investors to increase their asset value in 2023.

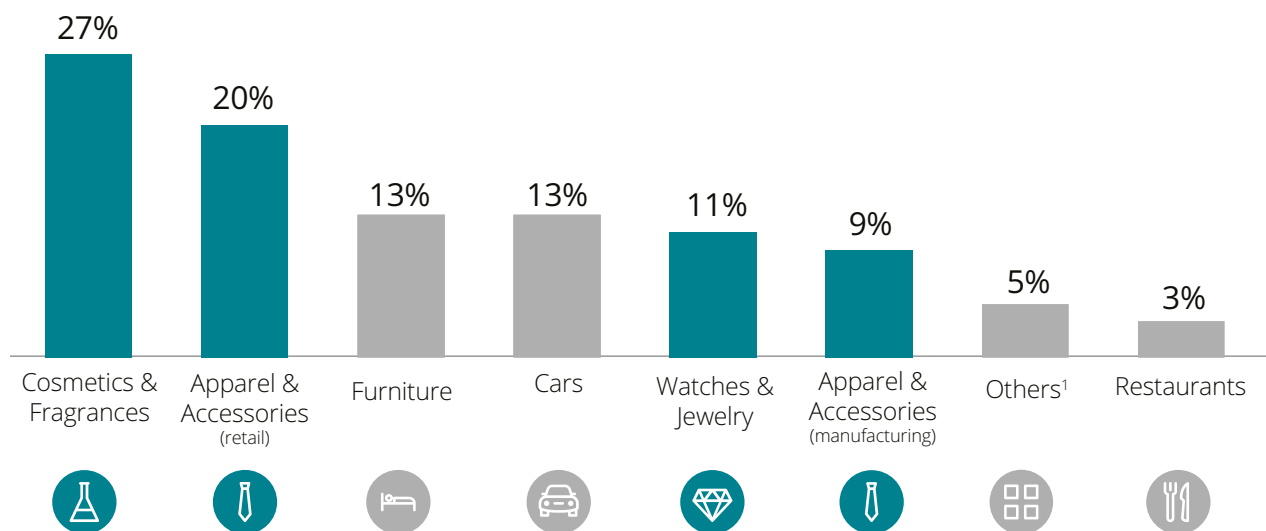
New Distribution Channels, ESG Compliance & Sustainability and Value chain vertical expansion have become significant drivers (+19.7pts, +13.4pts and +10.3pts compared to the previous year) to investors perspective to grow their business.

## ESG impact on F&L sectors

The F&L industries which are better keeping up with ESG innovations are those included in Personal Luxury Goods: Cosmetics & Fragrances and Apparel & Accessories, based on respondents' view.

### Main F&L sectors keeping up with ESG innovations

(Multiple choice questions)



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

## Key Findings

With the aim of finding new ways to connect with their customers, F&L companies are reinventing themselves: one of the pillars on which these companies are building their relaunch is sustainability.

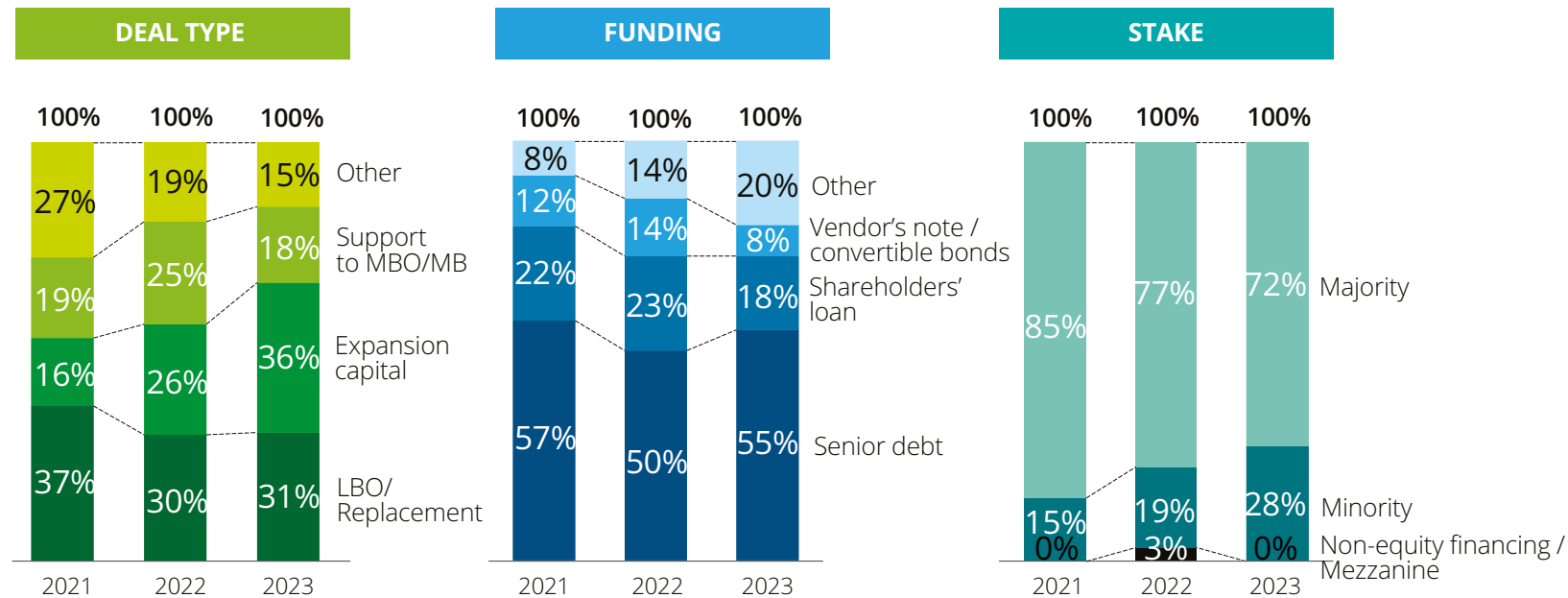
The main sectors that invest in ESG innovations are: Cosmetics & Fragrances (27%) Apparel & Accessories (retail, 20%), Furniture (13%) and Cars (13%).

# Main features of the M&A deal

The deal structures most used for new F&L investments are Expansion Capital and LBO/Replacement, funded principally by Senior debt (55%). Investors' preferred way to invest remains to acquire a majority stake (72%).

## Structure of the new F&L investment deals

(Percentage of respondents)



## Key Findings

The deal strategies preferred by investors to make new investments are Expansion Capital (36%), followed by LBO/Replacement (31%) and Support to MBO/MB (18%).

Senior debt remains one of the most used sources of funds (55%), increased by 5pts compared to the previous year, while Shareholders' loan financing decreased (18%).

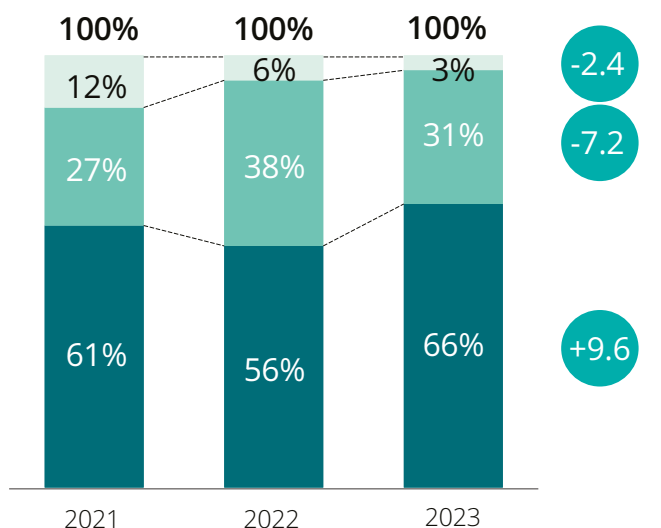
The largest part of deals take place with the acquisition of a majority stake (72%) and only 28% of them are closed with the purchase of a minority stake. No investors make new investment through Non-equity financing / Mezzanine.



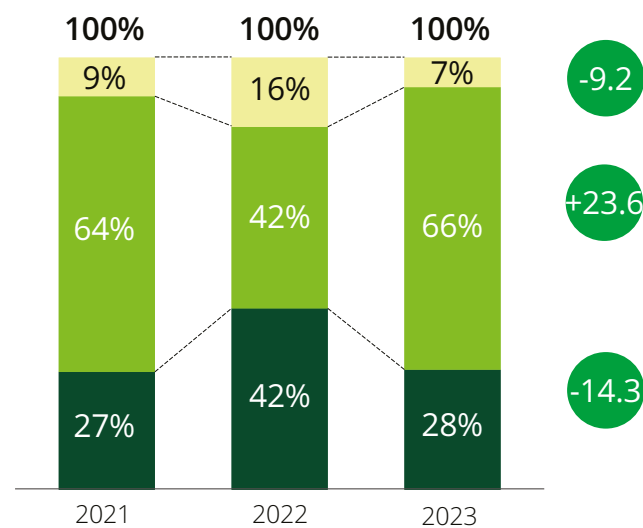
# Size and expected returns of potential investment in F&L

More than a half of investors (66%) are willing to invest in small (<\$50m) companies, and 31% of them have become less interested in medium (\$50m-\$250m) sized firms (-7.2 pts). 28% of investors foresee an Internal Rate of Return on new investments of less than 20%, while the majority (66%) forecasts a performance between 21-30%. Only the remaining 7% expect a better performance (>30%).

**Average sales of potential target companies**  
(Percentage of respondents)



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



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

● Change in 2022-23 (% points)

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

● Change in 2022-23 (% points)

## Key Findings

The majority of investors want to invest in small sized firms (+9.6 pts vs 2022), while the percentage of investors that want to invest in medium sized companies have decreased (-7.2 pts vs 2022), as well as those willing to invest in firms with sales >\$250m (-2.4 pts vs 2021).

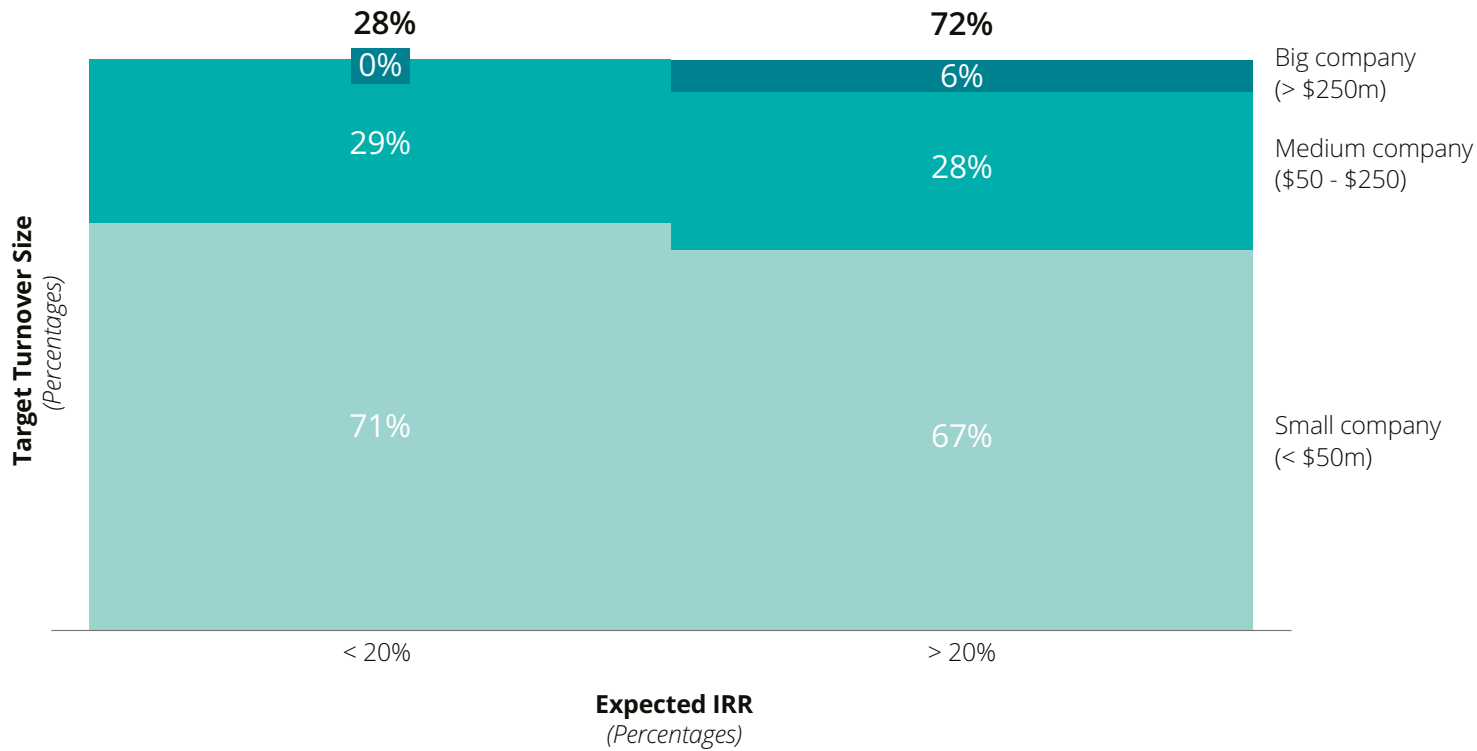
On average, investors expect an IRR from their investments of less than 30%, while a decreasing part of investors (7%, -9.2 pts vs 2022) forecasts a higher performance (IRR>30%).

# Return expected from new investments

72% of investors expect a return greater than 20% in particular from small companies (67%) followed by medium (28%) and big (6%) companies.

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

(Percentage)



## Key Findings

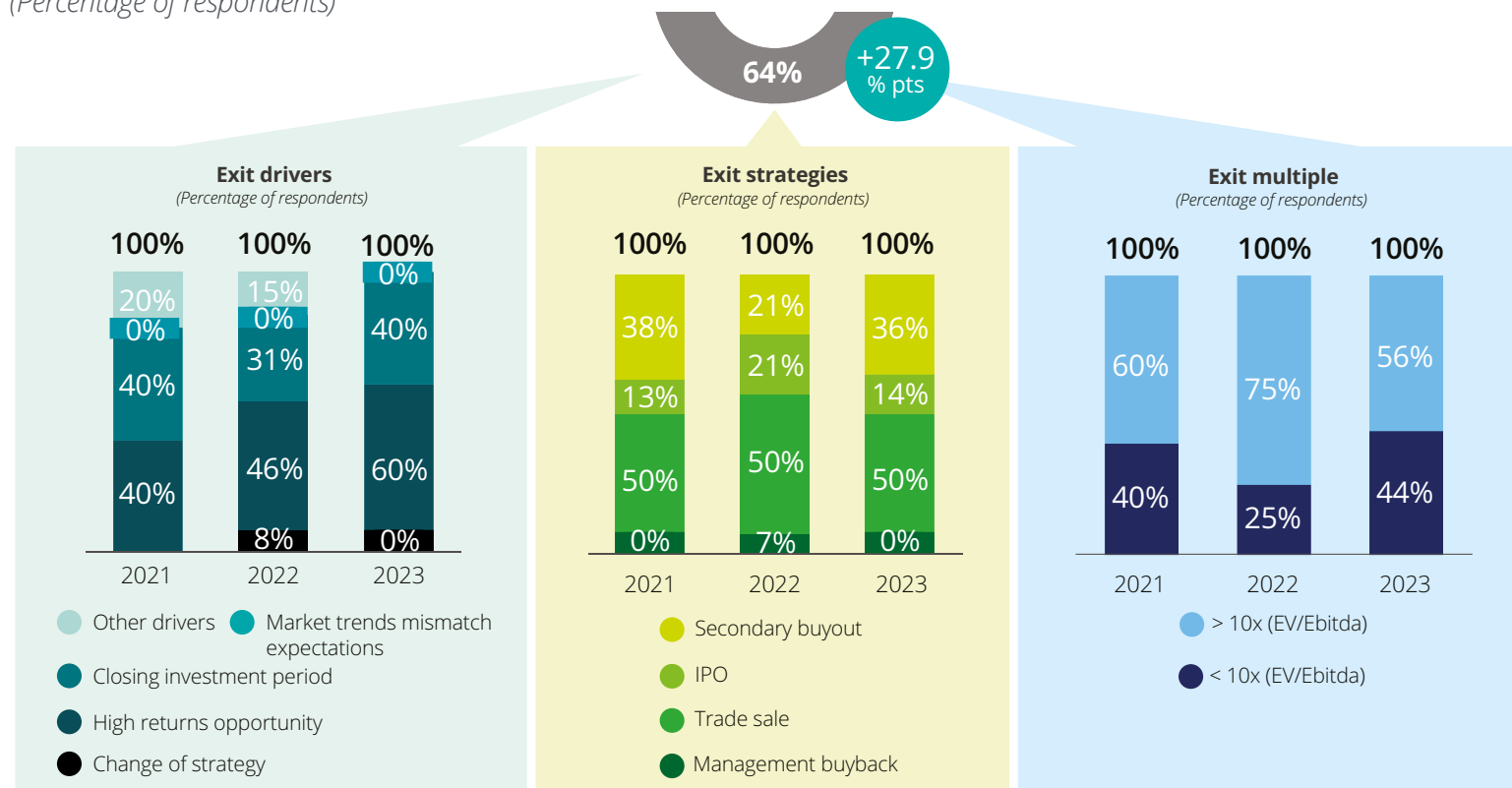
Investors' opinion about the expected IRR from new F&L investments is split in 28% of them forecasting a return lower than 20% and 72% foreseeing a return higher than 20%.

# Funds' F&L exit strategy for 2023

Funds considering divesting a F&L asset in 2023 represent 64%, showing an increase of +27.9 pts compared to 2022. The main exit drivers are High returns opportunities (60%) and Closing investment period (40%), while the main exit strategy will be Trade sale (50%). However, an increasing portion of investors consider Secondary buyout (36%). The majority of respondents (56%, -19 pts vs 2022) expect an exit EV/EBITDA multiple higher than 10x.

## Funds that are going to divest at least one asset in 2022

(Percentage of respondents)



Source: Elaboration on Deloitte survey

## Key Findings

64% of funds participating in the survey questionnaire are going to divest at least one asset of their F&L portfolio, a raise of +27.9 pts compared to the previous year.

In 2023, the main exit driver is High returns opportunity (60%) showing an increase of +14 pts respect to 2022.

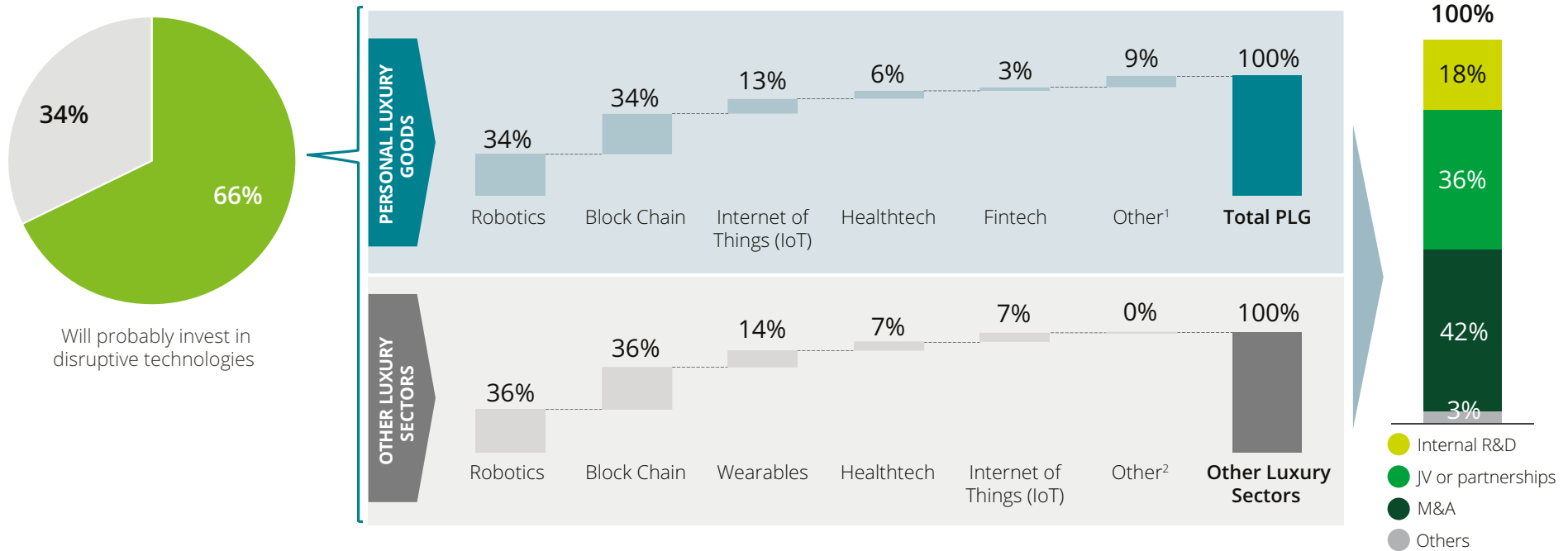
Trade Sale will continue to be the most used exit strategy (50%), although Secondary buyouts (36%) will register an increase of +14 pts. On the other hand, IPO drop by 7 pts to 14%.

# Disruptive technologies in Fashion & Luxury

In 2023, 66% of survey participants might invest in disruptive technologies in order to benefit from potential synergies, showing a decrease of -2 pts compared to 2022. As the previous year, Internet of Things, Robotics and Block Chain will have the largest impact on investors' portfolio. The main strategy adopted to develop disruptive technologies is M&A (42%), followed by Joint Venture or partnership with other players (36%).

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

(Percentage)



Note: 1) Other includes Wearables, Big Data & Cognitive Analysis, Artificial Intelligence and others; 2) Other includes Artificial Intelligence, Fintech, Big Data & Cognitive Analysis and others.  
 Source: Elaboration on Deloitte Survey







# Profile of Survey Respondents

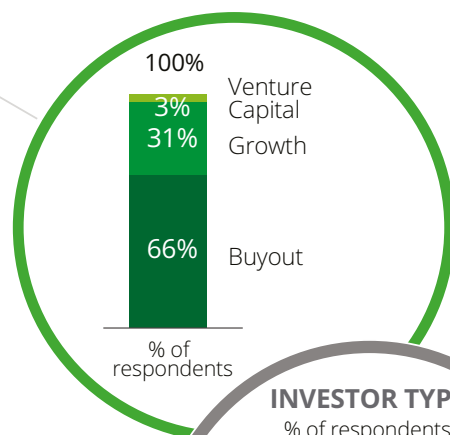


# Funds' key features

The majority of respondents, corresponding to 87% of the total, are part of Private Equity Funds, whose strategic approach is mainly based on buyouts (66%) in the Retail, Consumer and Leisure (24%), Fashion & Luxury (21%) and Industrial (21%) sectors. 59% of PE Funds own net assets between \$100m-\$500m.

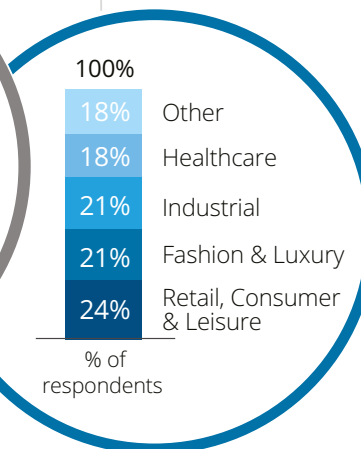
## FUND STRATEGY

The main strategic approaches of the involved funds are: Buyout (66%) and Growth (31%) strategies



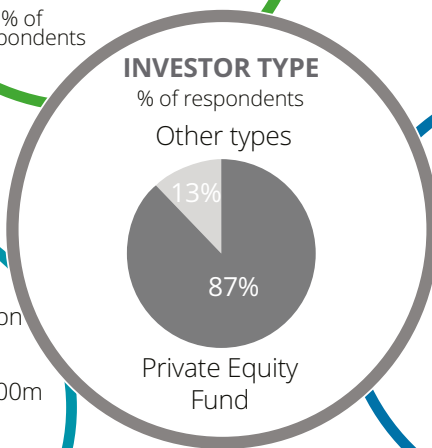
## FUND CORE INDUSTRIES

The main core industries represented in investors' portfolio are: Retail, Consumer & Leisure (24%), F&L (21%), Industrial (21%) and Healthcare (18%)



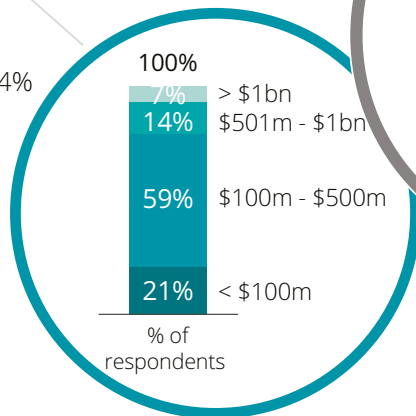
## INVESTOR TYPE

% of respondents



## FUND NET ASSETS

21% of respondents to the survey have net assets lower than \$100m, while 14% of them have net assets ranging \$501m-\$1bn and 7% have full net assets greater than \$1bn



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

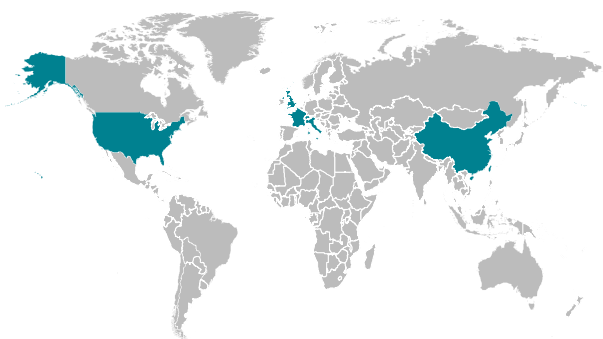


# Profile of survey respondents

The survey participants' role correspond for 55% to Managing director/Partner, 28% to Director/ Principal and 7% to Investment manager.



## Respondents' locations



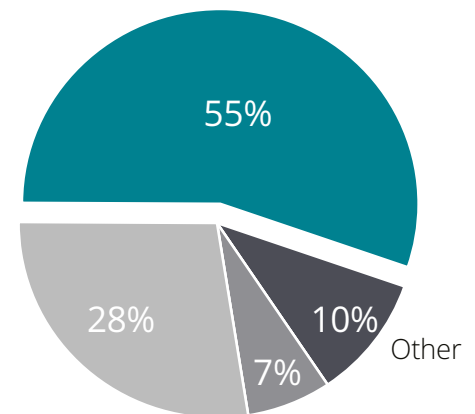
GLOBAL

Main countries

## Respondents' roles

(Percentage of respondents)

Managing Director / Partner



Director / Principal Investment manager



## Funds' current F&L portfolio: main sectors

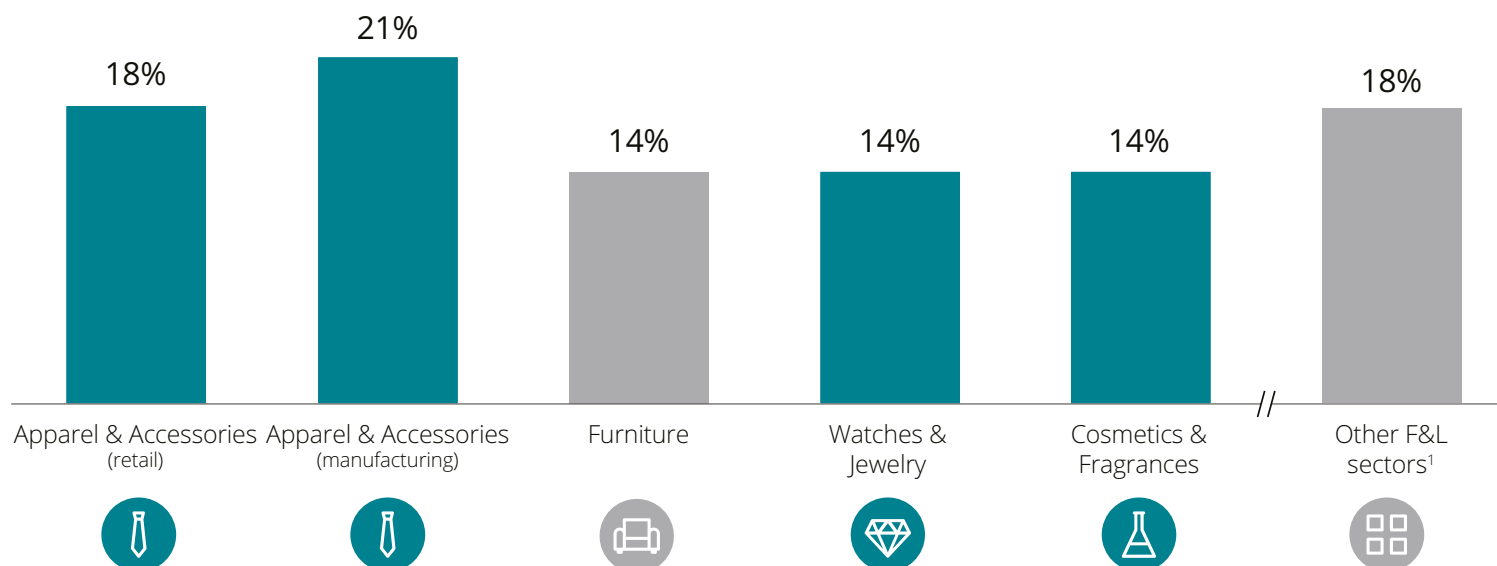
Investors mainly manage assets in Apparel & Accessories (39% of responses, including both retail and manufacturing companies) sector. Also other sectors such as Furniture, Watches & Jewelry and Cosmetics & Fragrances (all 14%) are those in which investors hold most assets.

# 47%

 of investors have a Fashion & Luxury asset in their portfolio

### Main F&L assets managed by investors

(Multiple choice answer)



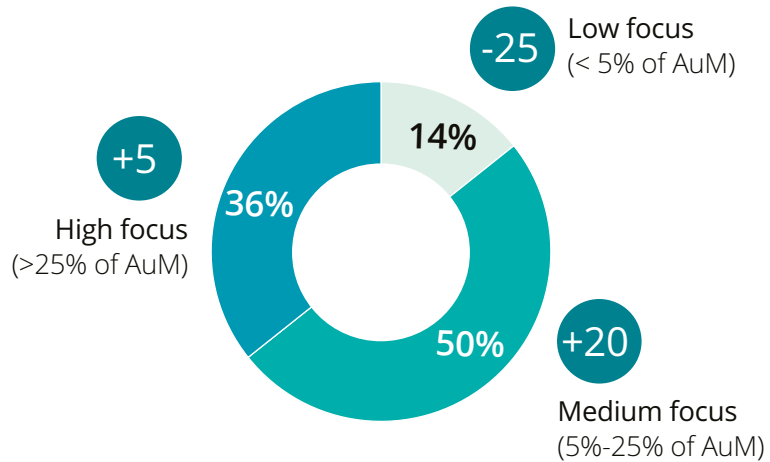
Note: 1) "Other F&L sectors" includes mainly: Restaurants, Hotels and Yachts | Source: Elaboration on Deloitte Survey

# Funds' current F&L portfolio: structure

36% of current F&L investors focus more than 25% of their overall portfolio on the F&L industry, usually holding those assets for a period in a range of 3 to 5 years and more than 5 years, mostly with a majority stake (79%).

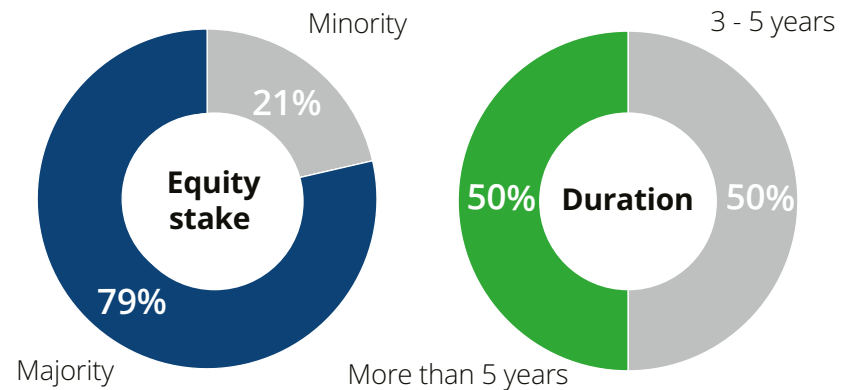
## 47% of investors have a Fashion & Luxury asset in their portfolio

**Portfolio focus in F&L industry**  
(Percentage of respondents)



● Change in 2022-23 (percentage points)

**Portfolio equity stake and duration**  
(Percentage of respondents)

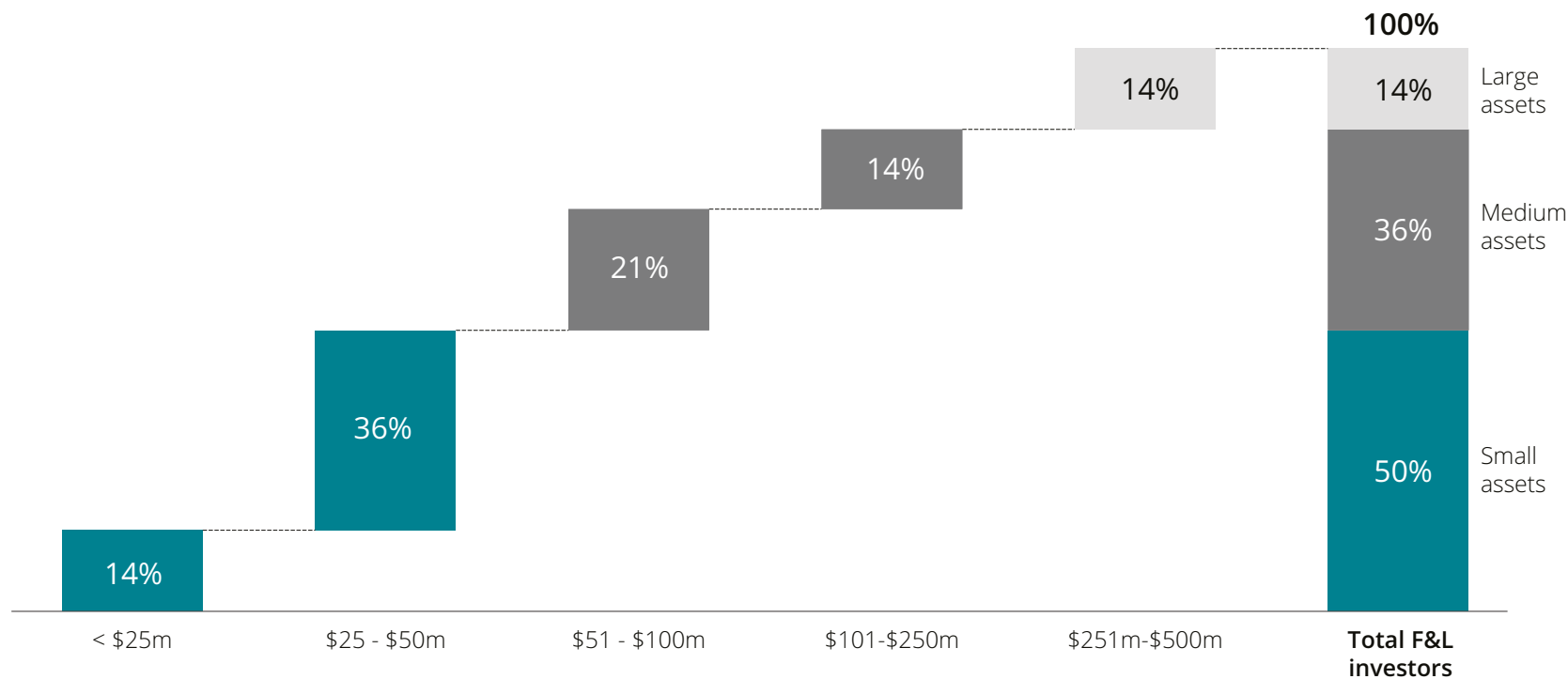




# Funds' current F&L portfolio: average asset size

50% of survey participants have in portfolio F&L assets with an average turnover which is less than \$50m, while 36% of them have medium-sized assets (\$51-\$250m) and the remaining 14% have large-sized assets (>\$250m).

**Average turnover of F&L assets in investors' portfolio**  
*(Percentage of respondents)*



Source: Elaboration on Deloitte survey

# Glossary and contacts





# Glossary

## Main terms and abbreviations

|                              |                                                                                                                          |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| <b>Personal Luxury Goods</b> | Personal Luxury Goods include the following sectors: Apparel & Accessories, Cosmetics & Fragrances and Watches & Jewelry |
| <b>AuM</b>                   | Acronym for Assets Under Management                                                                                      |
| <b>CAGR</b>                  | Acronym for Compound Annual Growth Rate                                                                                  |
| <b>F&amp;L</b>               | Abbreviation for Fashion & Luxury                                                                                        |
| <b>IRR</b>                   | Acronym for Internal Rate of Return                                                                                      |
| <b>PE</b>                    | Acronym for Private Equity                                                                                               |
| <b>PLG</b>                   | Acronym for Personal Luxury Goods                                                                                        |
| <b>RoW</b>                   | Acronym for Rest of the World                                                                                            |
| <b>Sel Ret</b>               | Abbreviation for Selective Retailing                                                                                     |



# Contacts

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