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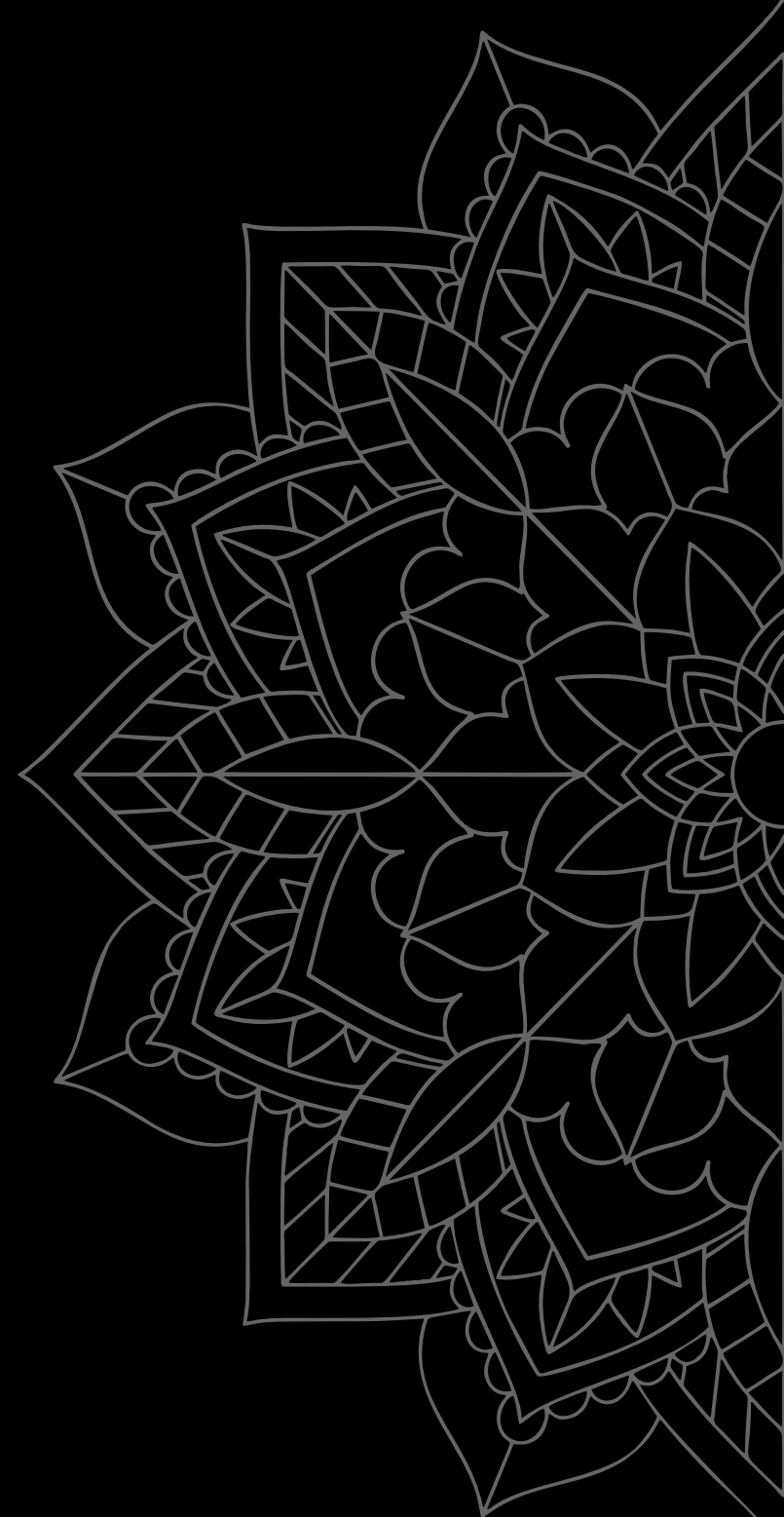


Global Fashion
& Luxury Private
Equity and Investors
Survey 2022



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Preface

In comparison to the **sudden economic downturn** that the global economy suffered in 2020, the sentiment gradually recovered during 2021 in the wake of **new strategies adopted** by companies **such as new digitalization strategies, disruptive technologies and strong sustainability commitments**.

Even though the **global shortage of raw materials supply** represented a severe headwind for the F&L industry, companies were able to meet a **significant rebound in consumer demand** and close the year with encouraging results.

In 2022, F&L sector is expected to further accelerate with a **double-digit growth** and reach **pre-pandemic levels**, even if some investors affirm that some sectors have already reached pre-covid levels.

In this context, such market trends are already taken into account in the current strategies of global investors interested in the F&L industry, who are facing these rapid market changes in a better and more timely way by leveraging on M&A activity.

In order to analyze and measure market trends and expectations on M&A activities, **Deloitte** is ready to launch the **seventh edition of the “Global Fashion & Luxury Private Equity and Investors Survey”**.

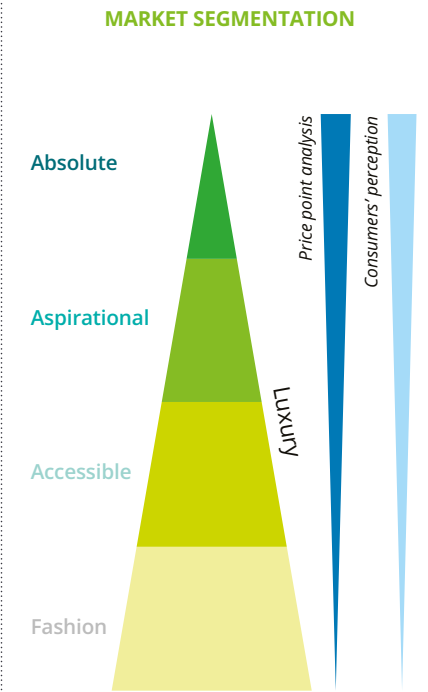
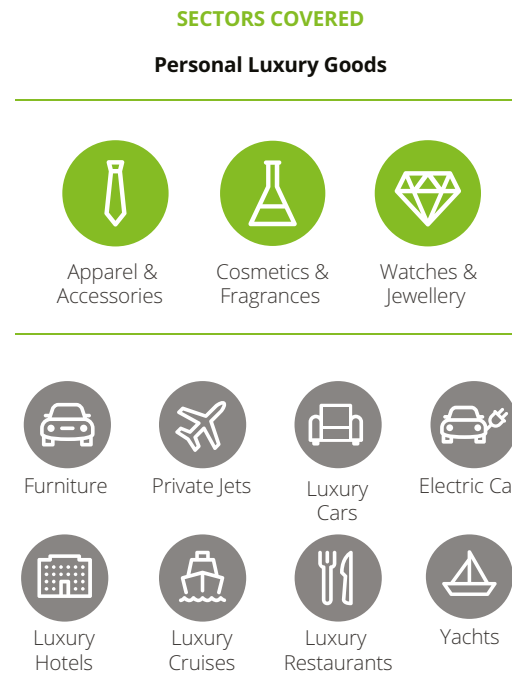


Methodology and Contents

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 2021	PRIVATE EQUITY AND INVESTORS SURVEY 2022
	<ul style="list-style-type: none"> Sales and margins performance by sector Covid impact on luxury market and expected performance in 2021 by sector Insights on Luxury market trends and drivers for the upcoming year 	<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 recovery post pandemic impact Exit and investment strategies in 2022 Investors' current portfolio of F&L assets
GEO SCOPE	Global	Global	Global
DATA SOURCE	<ul style="list-style-type: none"> Companies' 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 by F&L sector

Considering a selected panel of 97 players, operating in the Luxury industry, the global market was valued almost \$599bn in 2020 in terms of sales (37% of which belonging to PLG sectors). Considering the Pre-Covid scenario, Personal Luxury Goods showed a positive sales trend over the last five years, outperforming other luxury sectors (+6.5% vs. + 3.4% CAGR 15-19 respectively), with a growing marginality.

During 2020, the pandemic crisis strongly affected the luxury industry, which showed negative performance in terms of sales especially for PLG. The downturn in Experiential Luxury Revenue in 2020 (-10.5% YoY 19-20) has been positively affected by the luxury cars segment, which experienced a lower decrease in revenue (-6.5%) if compared with Hotels (-53.0%), Cruises (-77.7%) and other experiential segments, while Furniture and Yachts are the only two sectors that showed a positive growth 19-20 (+4.2% and +3.0% respectively).

Average EBITDA margin in Luxury Sectors is 15.9% in 2020 (-1.5 p.p. vs 2019), with Personal Luxury Goods (22.3%) outperforming the overall industry although showing a decrease of -2.8 p.p. vs. 2019. Within experiential segments, Hotels and Cruises are the most impacted by Covid-19 in terms of marginality (-15.1 and -208.1 delta p.p. in EBITDA margin vs 2019).

Among a selected sample of players (27 out of 97) representing 51% of Revenue, 2021 represented a year of re-start after Covid, with rising revenue and marginality. Luxury cruises still suffered the Pandemic effects, showing negative performances vs. 2020 (-54% Revenue; - 33% EBITDA).

Insights from C-Levels on key market trends and drivers for the luxury industry

Main trends and strategies that luxury companies are looking at in 2022 include:

- Building a strong digital presence by targeting disruptive channels such as the Metaverse to distribute and promote products, engaging young customers. If considering that by 2025 Gen Z is expected to account for 1 out of 5 luxury purchases, Luxury Brands are adopting ad hoc strategies to reach younger gen. (e.g. investing in gaming and NFTs, collaborations/mashups, launching and revamping new product lines, etc.)
- Secure presence in China through local e-tailers and digital platforms, since by 2025 it is expected that almost 50% of luxury shopping will be carried out by Chinese consumers

- Incorporating re-commerce (pre-loved, re-selling and rental) to meet customers increasing concern towards sustainability
- Commitment to ethical issues through concrete actions, to show closeness to customers values

On the supply side, a key issue is related to the increase in prices, mainly due to higher material and labor costs. As a result, customers are responding with more conscious consumption, including second-hand purchases.

Under a geographical perspective, Asia and US are leading the recovery, with Chinese consumers confirmed as best performers in 2022, fueled by a dynamic domestic market.

Among channels, e-commerce maintains its relevance with Brands leveraging their own websites to gain more control over customer experience.

M&A Deal Monitor 2021

2021 Global M&A deal overview

The Fashion & Luxury industry has proven to be a wealthy target for M&A activities mostly due to the rapid recovery of the majority of sectors from the spread of Covid-19 pandemic. In 2021 the number of M&A deals were #284, registering a slight increase of #7 deals in comparison to the previous year.

Personal Luxury Goods deals rose (+22 deals vs 2020) with Apparel & Accessories (30,1% of total) showing the highest growth with 23 more deals, followed by Cosmetics & Fragrances (22.2% of total) rising by #6, while Watches & Jewellery (1.8% of total) fell by #7.

Cars was one of the sectors that suffer the most in 2021 in terms of a reduction in the number of deals of #13 compared to the prior year. Other sectors that registered a decrease in terms of deals were Restaurants (-4), Hotels (-3), Cruises (-2) and Private Jets (-1). M&A deal volumes highlighted a positive performance in Furniture (+6) and Yachts (+2) segments respect to 2020. The largest deals were recorded in the Cars industry, with an average value of \$9,783 m as well as the F&L average deal value grew to \$1,801 m in 2021.

North America showed the highest increase of Fashion & Luxury deals (+24) while Asia-Pacific presented the highest drop (-31).

2021 has registered breaking records of IPO with 9 more companies going public compared to 2020. The high number of IPO is linked to the optimism sentiment among investors due to the recovery of global economies from the downturn of 2020, the injection of liquidity from governments monetary policies and the launch of Covid-19 vaccines.

Top deals in 2021

In 2021, transactions were driven by **Automotive and Apparel & Accessories** sectors:

- Atieva Inc. by Lucid Group Inc. (~\$26.6 bn for 100%)
- Polestar Performance AB, going public via SPAC with Gores Guggenheim, Inc. (~\$19.3 bn for 100%)
- On Holding AG, going public (~\$10.9 bn EV)
- Kinnevik AB spin-off 21% stake in Zalando SE and then Kinnevik AB shareholders received Zalando SE shares (~\$6.1 bn for 21%)

Another important acquisition in 2021 is the one in the **Private Jets** segment involving Signature Aviation Plc by Blackstone Infrastructure - Blackstone Core Equity - GIP - Cascade Consortium (~\$5.7 bn for 81%).

M&A features and strategies

Among the M&A deals completed, the largest number of bidders were Financial Investors (58%), with a deals growth of #15 vs 2020, whilst Strategic Investors represented 42% of total bidders, showing a decrease in the number of deals of #8.

In addition, 46% of the transactions involved financial sellers (vs.38% in 2020), with the majority of acquisitions being carried out through buyouts and consolidations (respectively 40% and 36% of the total).



Private Equity and Investors Survey 2022

COVID-19 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. Even if the pandemic is not over yet, 50% of investors expect a total recovery and achievement of pre-Covid levels in less than 1 year, while 21% of them sustain that sectors have already recovered and reached pre-Covid levels in 2021.

In 2022, the main sectors that will be still affected by the pandemic are Hotels (28%), Cruises (28%) and Restaurants & Clubs (25%). As it is predictable, those sectors linked to tourism will continue to be the most affected ones. In the next three years, investors' sentiment about F&L market trends is an increase in the Personal Luxury Goods, Furniture and Hotels sectors. By contrary, they expect a negative performance in the Private Jets and Cars industries.

In addition, during the pandemic, companies had to define new business strategies to overcome the crisis. One of the main changes adopted by firms (25%) was to shift to e-commerce sales channel, in order to continue their business.

2022 investment strategy

In 2022, 100% of funds are considering investing in an F&L asset, with a high interest particularly towards Cosmetics & Fragrances (53%), Furniture (41%), Apparel & Accessories manufacturing (32%) and Retail (29%). As already confirmed in the previous year, Personal Luxury Goods is still one of the most attractive sector for investors.

Companies adopted growth strategies such as Internationalization, New product categories development and ESG innovation, to continue rise their business. More than a half of investor (56%) want to invest in small-sized companies and 38% of them are interested in medium-sized firms. 42% of investors forecast an Internal Rate of Return from new investments ranging from \$0 to 30%.

Market Insights and Perspective of F&L Industry





Market Insights: Deloitte Fashion & Luxury panel in 2020

The Fashion & Luxury industry business performance analysis was conducted on a panel of 97 companies, totaling almost 599B\$ of sales in FY2020.

Top Players Map FY2020



Deloitte F&L Panel: 97 Players | ~599B\$ Turnover

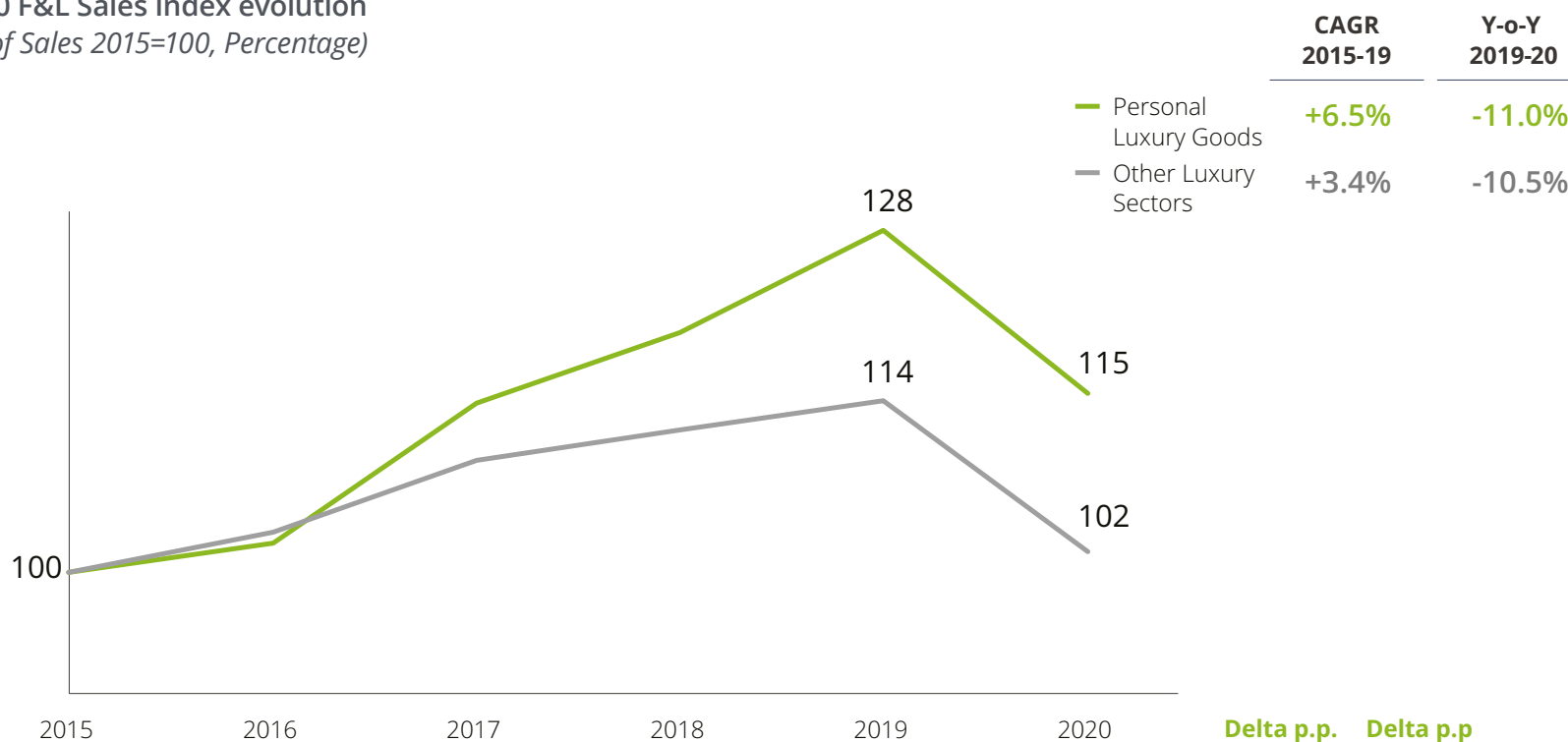
Rest of the World North America Europe

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

Market Insights: Sales performance 2015-20

Personal Luxury Goods show a positive growth in terms of sales (+6.5% CAGR 2015-19) and EBITDA% (+3.8 p.p. 2015-19). Other luxury sectors are growing at a lower speed (+3.4% CAGR 2015-19), with stable profitability. Covid-19 had a negative impact on the overall industry, reporting a decrease of -11.0% for Personal Luxury Goods and -10.5% for Other luxury segment, with a slight decrease in the profitability for both categories.

2015-20 F&L Sales Index evolution (Index of Sales 2015=100, Percentage)



	CAGR 2015-19	Y-o-Y 2019-20
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Personal Luxury Goods	+6.5%	-11.0%
Other Luxury Sectors	+3.4%	-10.5%

	2015	2016	2017	2018	2019	2020
EBITDA % PLG	21.3%	21.2%	21.9%	22.8%	25.1%	22.3%
EBITDA % Other Lux	13.1%	15.1%	15.2%	14.5%	12.9%	12.1%

	Delta p.p. 2015-19	Delta p.p. 2019-20
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EBITDA % PLG	+3.8	-2.8
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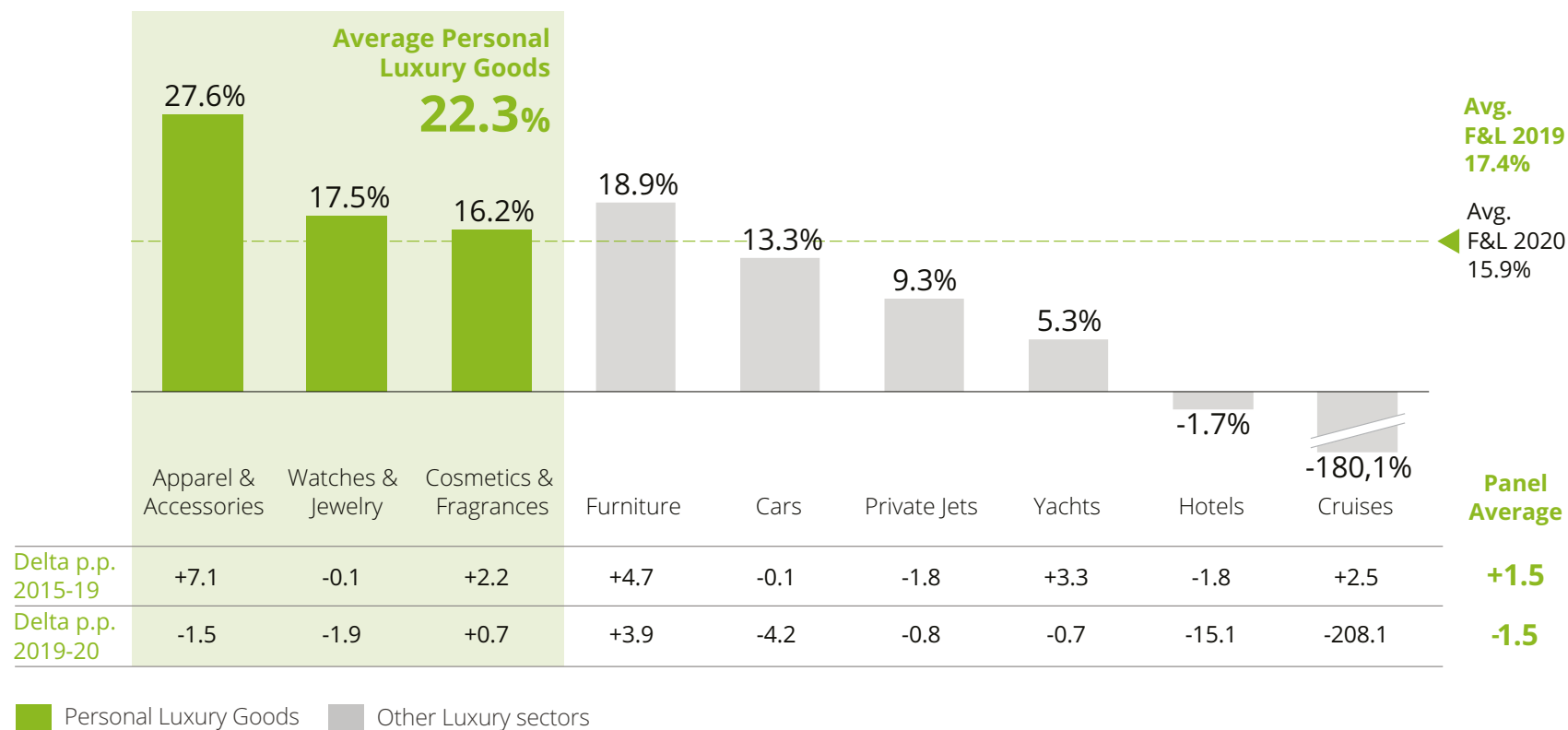
EBITDA % Other Lux	-0.2	-0.8
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Market insights: Profitability performance 2015-20

Average EBITDA margin in Luxury Sectors is 15.9% in 2020 (-1.5 p.p. vs 2019), with Personal Luxury Goods (22.3%) outperforming the overall industry. Hotels and Cruises are the sectors most impacted by Covid-19 (-15.1 and -208.1 delta p.p. in marginality vs 2019).

2020 Average EBITDA Margin by Sector
(Percentage)

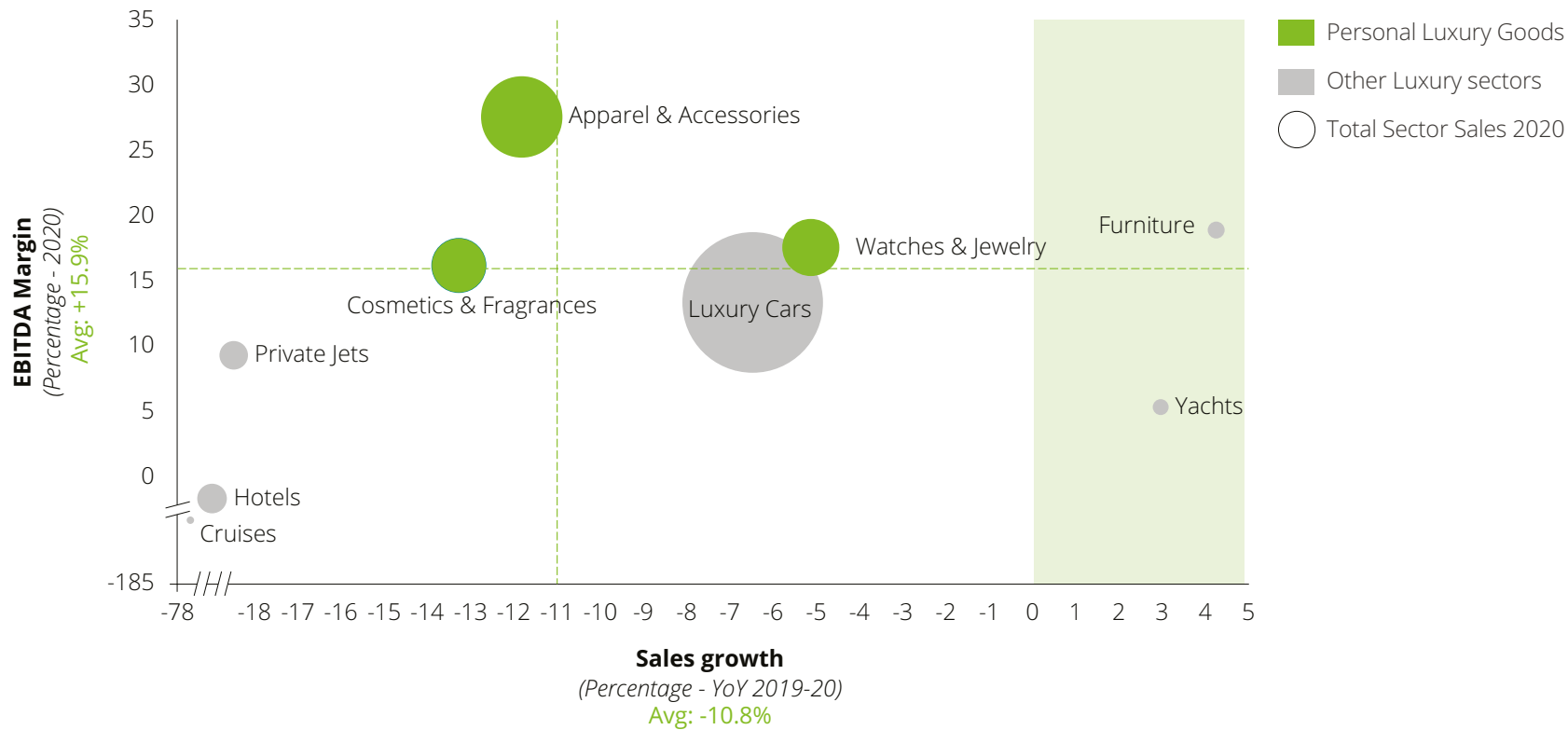


Notes: Values reported at constant exchange rate | Source: Elaboration on Company Financial Report data

Market insights: Business performance analysis 2019-20

Furniture and Yachts are the only two sectors that show a positive growth in 2020 compared to 2019. Apparel & Accessories still represents the top performing category in terms of marginality.

F&L Sectors business performance map 2020
(Percentage)



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



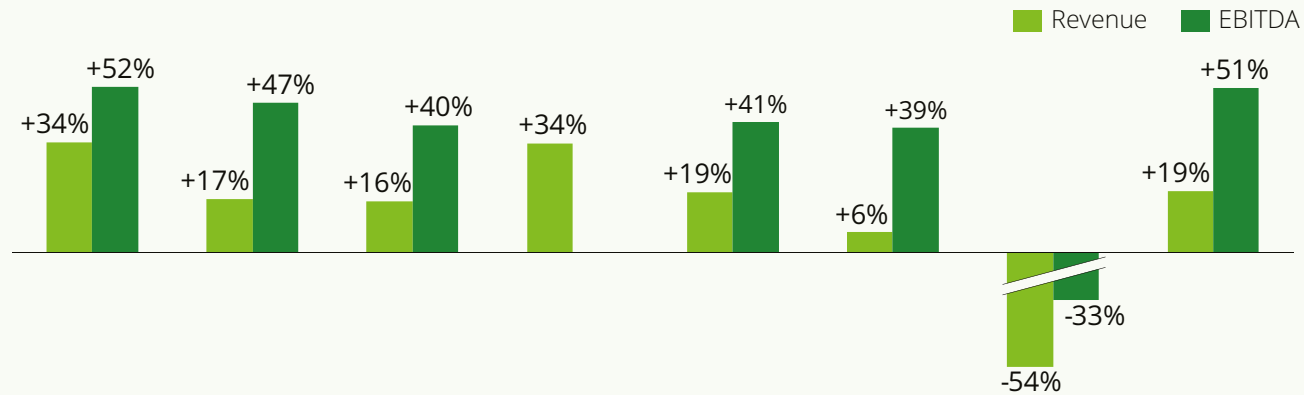
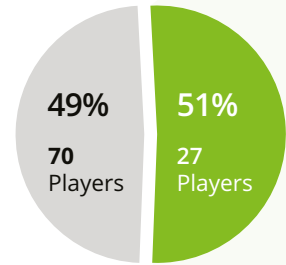
Market insights: 2021 Performance

Among the full list of players, 27 show data availability for 2021 (51% in terms of revenue). In almost all industries, 2021 represented a year of re-start after Covid, with rising revenue and marginality. Luxury cruises still suffered the Pandemic effects, showing negative performances.

Revenue and EBITDA growth by sector (YoY 20-21; Percentage)

Panel Revenue (Percentage)

2021 available



Watches & Jewellery Apparel & Accessories Cosmetics & Fragrances Luxury Hotels & Restaurants Luxury Cars Private Jets Luxury Cruises **Total**



EBITDA margin 2021 (%)

30.7% 35.3% 23.2% 11.6% 14.8% 10.1% -261.7% 20.5%

Personal Luxury Goods

+19%

+46%

Other Luxury Sectors

+19%

+59%

Notes: Values reported at constant exchange rate; data for Yachting and Furniture industries are not available | Source: Elaboration on Company Financial Report data

Key market trends in 2022

Luxury Brands aim to develop a strong digital strategy, leveraging also rising channels such as the Metaverse, building trust and engagement with Gen Z and younger customers.

Top 5 trends affecting the luxury market in 2022



Secure presence in China

By 2025, almost 50% of luxury shopping will be carried out by Chinese consumers and will occur mainly at home.

Chinese spending are also expected to double by 2030, hence luxury brands are adopting strategies for securing their presence in China, leveraging digital channels such as Tmall Luxury Pavillon, the 1st digital market-place in China, or promoting through anime, comics and games platforms such as Bilibili.



Disruptive digital channels

Digital channels go hand in hand with real world; it is recently gathering peace the Metaverse (immersive open-source universes), with tech giants already investing significantly on it.

Luxury brands have already started using Metaverse to distribute and promote their products (e.g. Balenciaga created its own game to launch the Fall 2021 collection, as well as a phygital limited-edition collection that customers could buy on Fortnite).



Engage young generations

By 2025, Gen Z is expected to account for 1 out of 5 luxury purchases. To reach younger generations, brands are adopting the following strategies:

- Investing in gaming partnerships and NFTs
- Collaborations and mashups among brands (e.g. Gucci-The North Face and Balenciaga-Gucci)
- Launching and revamping casual product lines (e.g. Giorgio Armani opened the first AX store in Milan in February 2022)



Incorporate re-commerce

Customers attention towards sustainability is reflected also in a rising sensitivity towards “pre-loved”, “re-selling” and “rental” fashion.

Gen Z and millennials seem to be the main target for this trend, due to their increasing concern towards sustainability issues.

Brands are starting incorporating re-commerce also in their websites, while specialized digital platforms are rising (e.g. My Wardrobe, Vestiaire Collective, Vinted, etc.)



Local unique experiences

Customers are tired of homogenization and are looking for brands capable of offering localized and unique experiences.

In response to this, Luxury companies are investing to create more personalized experiences, to increase local shoppers' engagement and retention (e.g. Stella McCartney celebrated the g-local community by launching regional popups; Mandarin Oriental ensures that every property has features which reflects local customs, etc.)



Major expected changes in Luxury market | 2022

Channels and go-to-market

Despite the reopening of stores, the distribution ecosystem is pushing for digital channels, which are expected to grow +15% vs. 2021, with main brands oriented towards their official websites (brand.com).

Physical channels maintain their relevance, despite a slow recovery in travel and tourism shopping in 2022, even though brands are re-thinking the in-store experience, adopting a personalized and “phygital” approach to engage customers.

Social commerce has gained ground since its recent appearance, developing better-enhanced functionalities for a smoother shopping experience.

Communication & Marketing

Brand social media channels become also virtual showcases, representing a key asset for the Company's marketing strategy.

Platforms like Twitch and TikTok, previously ignored by luxury brands, are now fundamental to engage young generations and digital natives which aim at finding their favorite products in their favorite virtual spaces.

Pricing

In 2022 most of the leading luxury brands will increase their recommended retail prices (up to +40% vs. 2020 for some brand's leather goods) due to the rising costs of raw materials and labor. The most considerable increase is currently happening within accessories, especially handbags.

Second-hand market is rising, and it is expected to further grow at a faster rate; this market is mainly fueled by customers awareness towards products life-cycle extension due to environmental beliefs and price convenience.

Geographies

Asia and US seem to have completely overcome the crisis and are leading the recovery, with Chinese consumers confirming as the best performers in 2022, fueled by a dynamic domestic market.

▶ The new luxury paradigm

- ▶ The upcoming Luxury industry will be totally customer-centric; customers aim at being involved as critics and creators rather than simply passive shoppers.

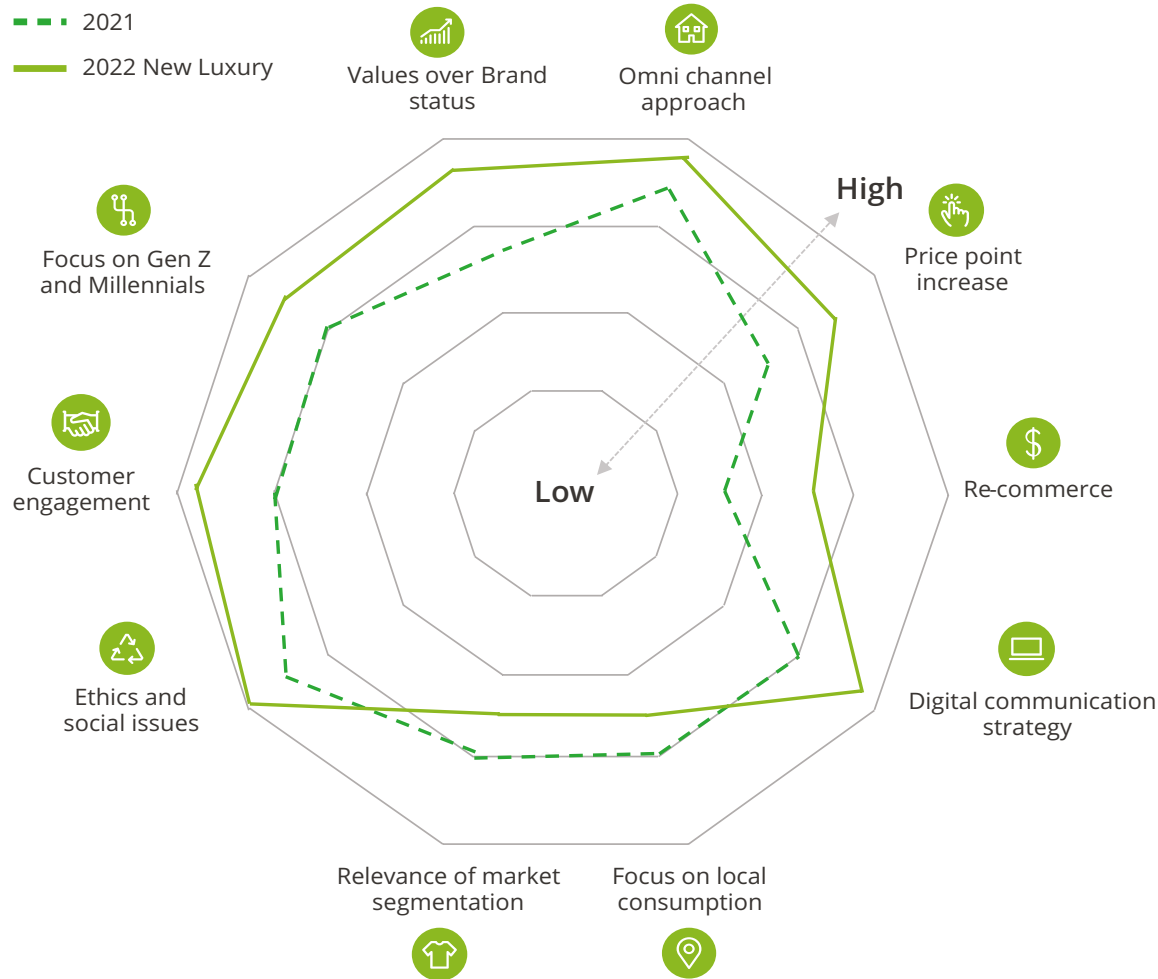
Under this perspective,

- ▶ Brands empower self-expression with a strong cultural credibility to reflect customers values.

- ▶ Frontiers of absolute luxury are faltering, favoring a mix & match between vintage/new and high/low, in a way of more conscious and connected shopping experience.

Expected Luxury drivers and strategies

"Which will be the major drivers and strategies that luxury companies will adopt?"



Key insights from C-Level of PLG companies

"... Social media are becoming an essential channel for Luxury brands marketing and comm. strategy, targeting new platforms such as TikTok and Twitch, which are rising also as direct-selling channels ..."

"... Price increase is pushing awareness towards second-hand, in a Luxury environment where boundaries are becoming less defined with overlapping among absolute, aspirational and accessible segments ..."

"... Since in 2022 travel did not fully restart, online sales are becoming fundamental. Brands are leveraging their brand.com, which allow them to have more control on customer experience and data gathering and processing ..."

"... Luxury brands must be committed to ethical issues through concrete actions, promoted through social networks and press release. Companies responded actively also to recent happenings, such as Ukraine emergency, through donations and awareness-rising campaigns ..."

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

M&A Deal Monitor 2021



Fashion & Luxury M&A deals

Overview of deals in 2021 by Sector

		277 DEALS IN 2020	284 DEALS IN 2021	+7 DEALS
Sector	Personal Luxury Goods (PLG)	2020	2021	Growth
	Apparel & Accessories	65	88	+23
	Hotels	85	82	-3
	Watches & Jewellery	12	5	-7
	Cosmetics & Fragrances	57	63	+6
	Furniture	21	25	+6
	Private Jets	6	5	-1
	Yachts	3	5	+2
	Cars	20	7	-13
	Cruises	3	1	-2
	Restaurants	5	1	-4

Top luxury deals of 2021

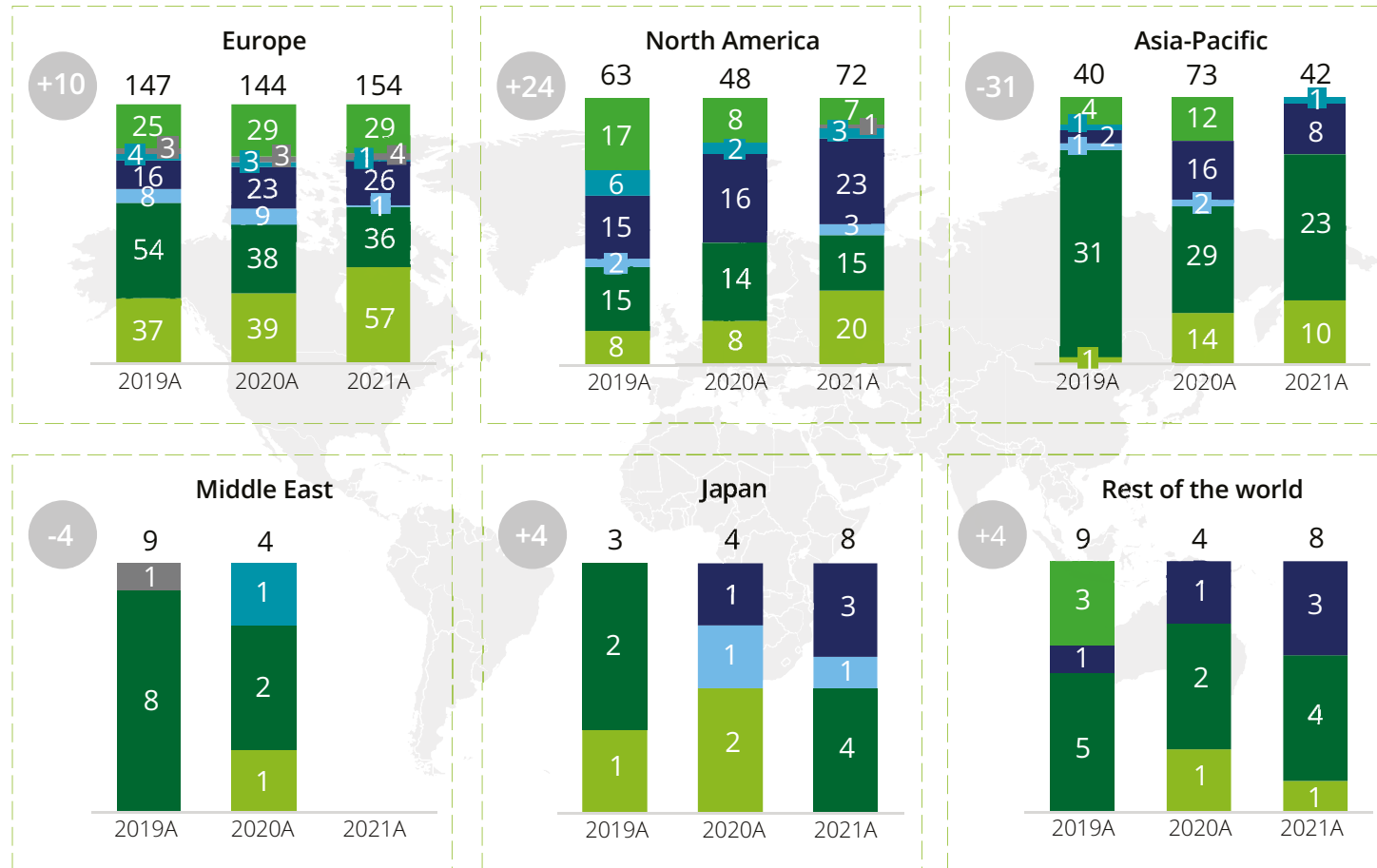
Month	Target	Bidder	Stake (%)	Value (\$m)
Feb.	Atleva, Inc. (USA)	Lucid Group, Inc.	100	26,587
Sept.	Polestar Performance AB (Sweden)	IPO via SPAC with Gores Guggenheim, Inc.	100	19,327
Sept.	On Holding AG (Switzerland)	IPO	100	10,878
Feb.	Zalando SE (Germany)	Kinnevik AB (Shareholders)	21	6,123
Feb.	Signature Aviation plc (UK)	Blackstone Infrastructure - Blackstone Core Equity - GIP - Cascade Consortium (USA)	81	5,739
Sept.	The Cosmopolitan of Las Vegas (USA)	MGM Resorts International - Stonepeak Infrastructure Partners - Cherng Family Trust - Blackstone Real Estate Income Trust, Inc. (USA)	100	5,459
Jul.	Victoria's Secret & Co (USA)	Bath & Body Works, Inc. - Shareholders (USA)	100	4,912
Jan.	Dr. Martens (UK)	IPO (UK)	40	4,676
Feb.	Birkenstock GmbH & Co. KG (Germany)	L. Catterton Management Limited - Financiere Agache (USA)	85	4,286
Nov.	Allbirds (USA)	IPO (USA)	100	4,005
Nov.	Accordia Golf Co., Ltd.	SoftBank Group Corp. (Japan)	100	3,487
Apr.	The Cabinetworks Group (USA)	Platinum Equity, LLC (USA)	100	3,364
Dec.	Heydude (Italy)	Crocs, Inc. (USA)	100	2,500
Aug.	Reebok International Limited (USA)	Authentic Brands Group, LLC (USA)	100	2,378
Oct.	Tiger Resort, Leisure and Entertainment Inc. (Philippines)	26 Capital Acquisition Corp. (USA)	100	2,233

Note: the analysis considers both closed and announced deals during 2021 | Source: Elaboration on Deloitte intelligence data



M&A deals by region and sector 2021

Overview of deals in 2021 by Region



Key Findings

North America showed the highest increase of Fashion & Luxury deals in 2021 with 24 more deals, while Asia-Pacific registered a substantial drop (-31).

Europe, Japan and the Rest of the World registered a slight raise in the number of deals with +10, +4 and +4, respectively.

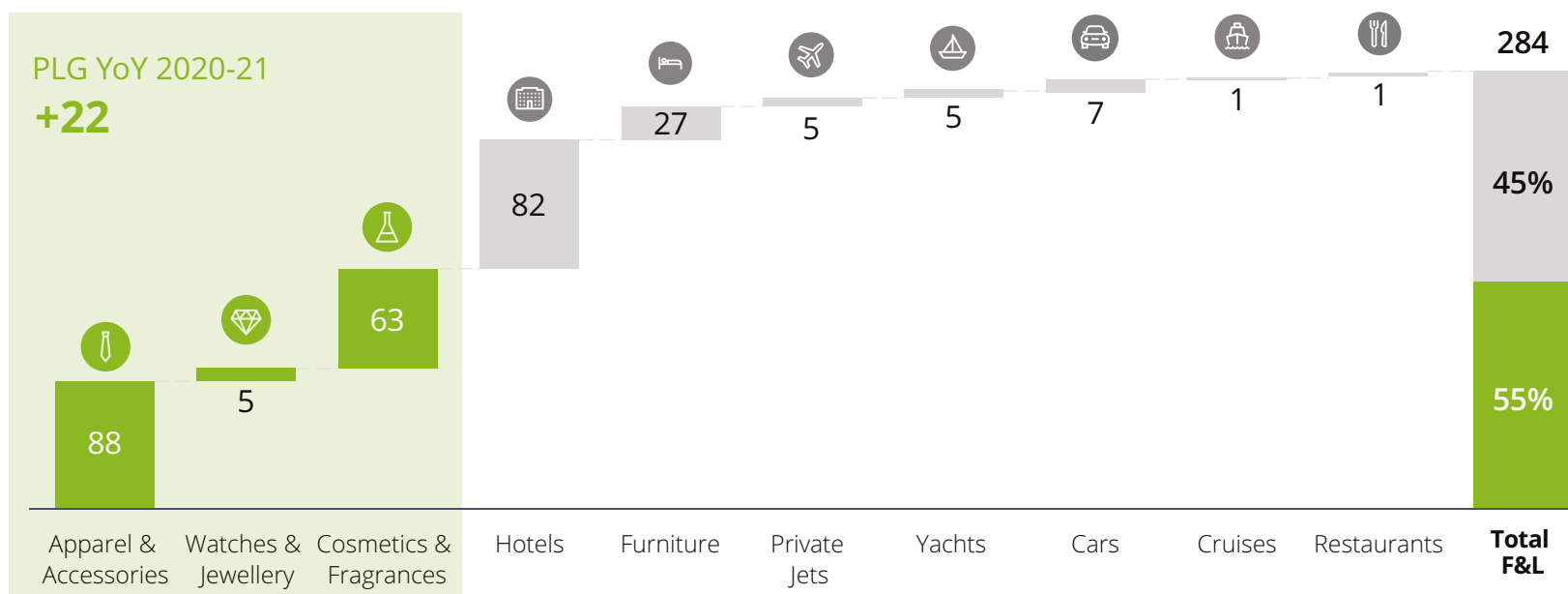
The Middle East presented a reduction (-4) with 0 F&L deals in 2021.

Luxury Hotel, Apparel & Accessories and Cosmetics & Fragrances deals were substantial drivers of M&A activity globally in 2021.

Size of main M&A deals

The F&L industry continued to prove itself a prosperous target for M&A, registering a slight increase in transactions in 2021 (284) compared to 277 M&A deals in 2020, showing a 2.5% raise. Personal Luxury Goods (+22% pts YoY) represented about 55% of all deals.

Number of deals in 2021 - Breakdown by sector



Sector %

31%	1.8%	22.2%	28.9%	9.5%	1.8%	1.8%	2.5%	0.4%	0.4%	100.0%
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Var. # 2020-21

+23	-7	+6	-3	+6	-1	+2	-13	-2	-4	+7
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■ Personal Luxury Goods ■ Other Luxury sectors

Key Findings

The Apparel & Accessories sector has registered the largest number of deals (88, +23 vs 2020), becoming the most attractive one to investors during 2021.

Cosmetic & Fragrances sector was the third most targeted (63 deals), going up by #6, while the Watches & Jewellery sector fell by #7. The Hotels sector registered 82 deals, being the second largest, despite a reduction of #3 transactions vs 2020.

Cars showed a reduction by #13 deals compared to 2020.

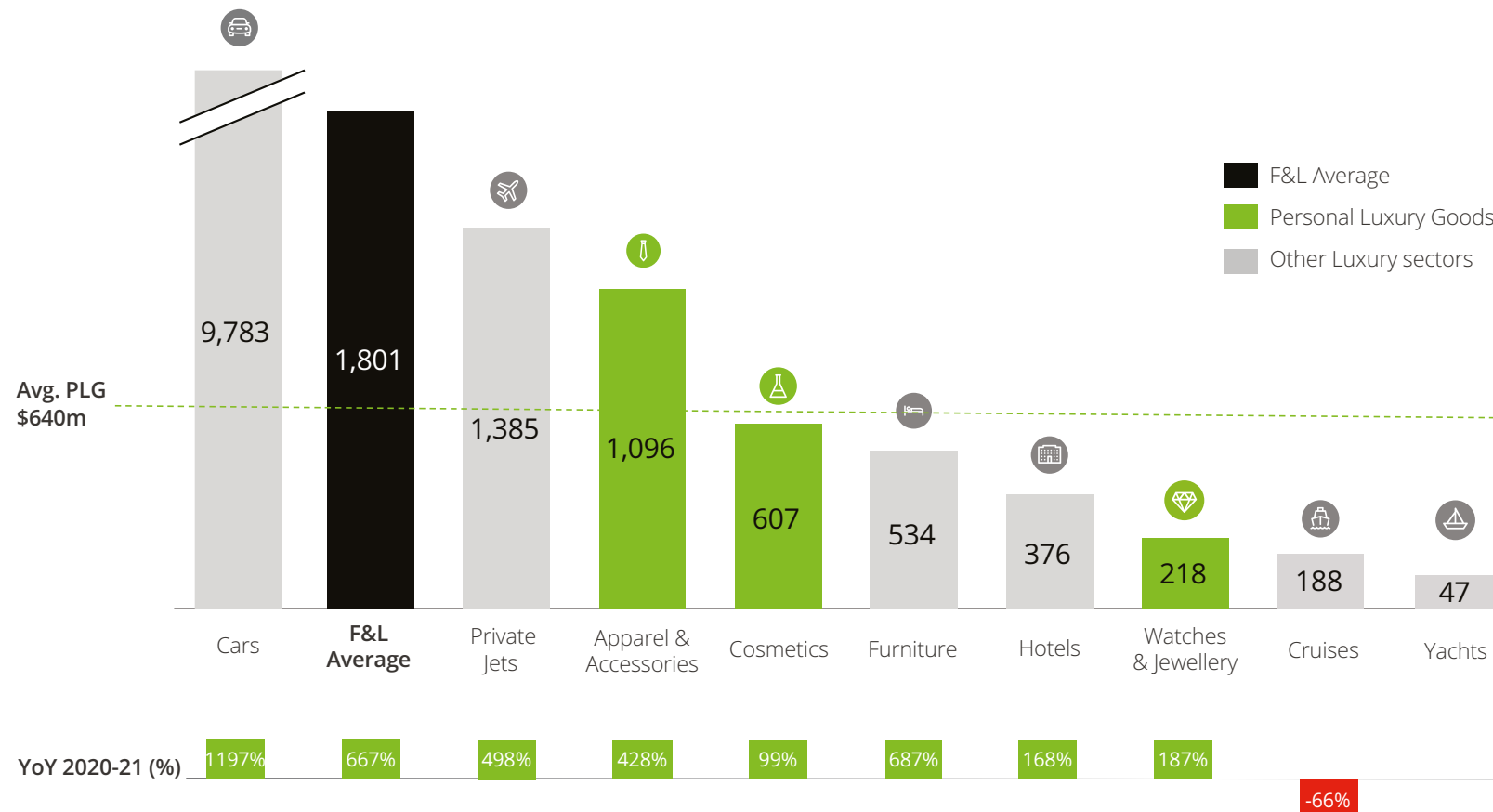
Private Jets, Restaurants and Cruises slightly decreased respectively by #1, #4 and #2.



Average value of main deals by sector

The largest deals in 2021 were registered in the Cars industry, with an average value of \$9,783m, followed by Private Jets and Apparel with average value of \$1,385m and \$1,096m, respectively. By contrast, the Yachts sector showed the smallest average deal value (\$47m). The PLG's average deal value in 2021 was \$640m.

Average value per deal in 2021 – Breakdown by sector
(\$m, Percentage)



Key Findings

Deal values in the Cars industry experienced an exponential rise compared to 2020, reaching an average of \$9.783m (+1,197% vs 2020), followed by Furniture (+687%), Private Jets (+498%) and Apparel & Accessories (+428%).

Although of smaller magnitude, substantial growth was registered also by Watches & Jewellery (+187%) and Hotels (+168%), while Cosmetics rose by +99%.

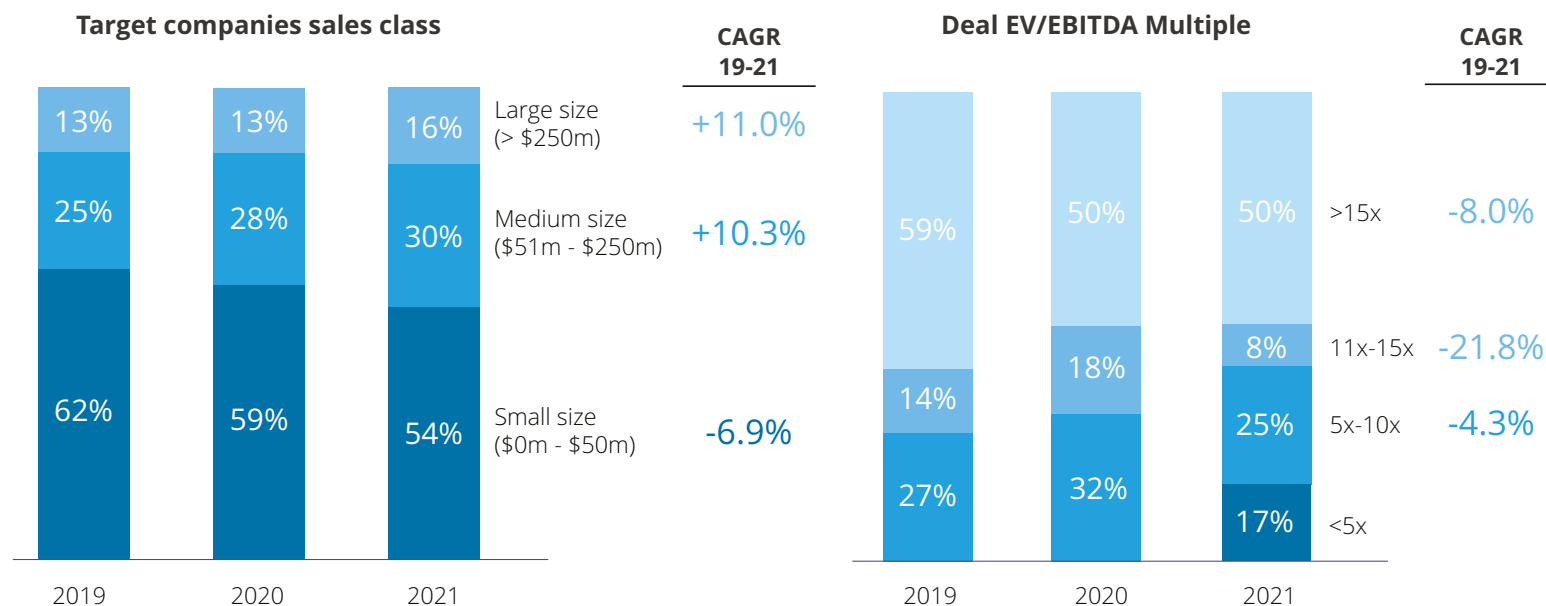
Only Cruises witnessed a reduction in the average deal value since the previous year (-66%).

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

Target company features

In 2021 the average size of targeted companies increased, as both those of Medium size (+2 pts) and Large size (+3 pts) gained ground at the expenses of smaller firms. On the other hand, a reduction in mid-range EV/EBITDA multiple categories is registered (50% of deals in 2020 vs 33% in 2021), as the <5x group risen.

Target company features - Sales Class and Multiples (Percentage, Enterprise value - EV/EBITDA multiples)



Key Findings

In 2021, investors continue to prefer lower-sized firms (\$0-\$51m) which accounted for 54% of deals in the year, although reduced in comparison to 2020 (59%).

There was a slight rise in deals involving players in the Medium Size market, \$51-\$250m, by 2 pts (+10.3% CAGR 2019-21) and in the Large Size market, >\$250m, by 3 pts (+11.0% CAGR 2019-21).

Deals involving multiples higher than 15 times the EBITDA remained stable (representing 50% of the total), while there was a drop in deals positioned on EBITDA multiples of both 5-10x and 11-15x. On the other hand, deals with EBITDA multiples lower than 5x re-appeared, after being zero in recent editions of the Survey.

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

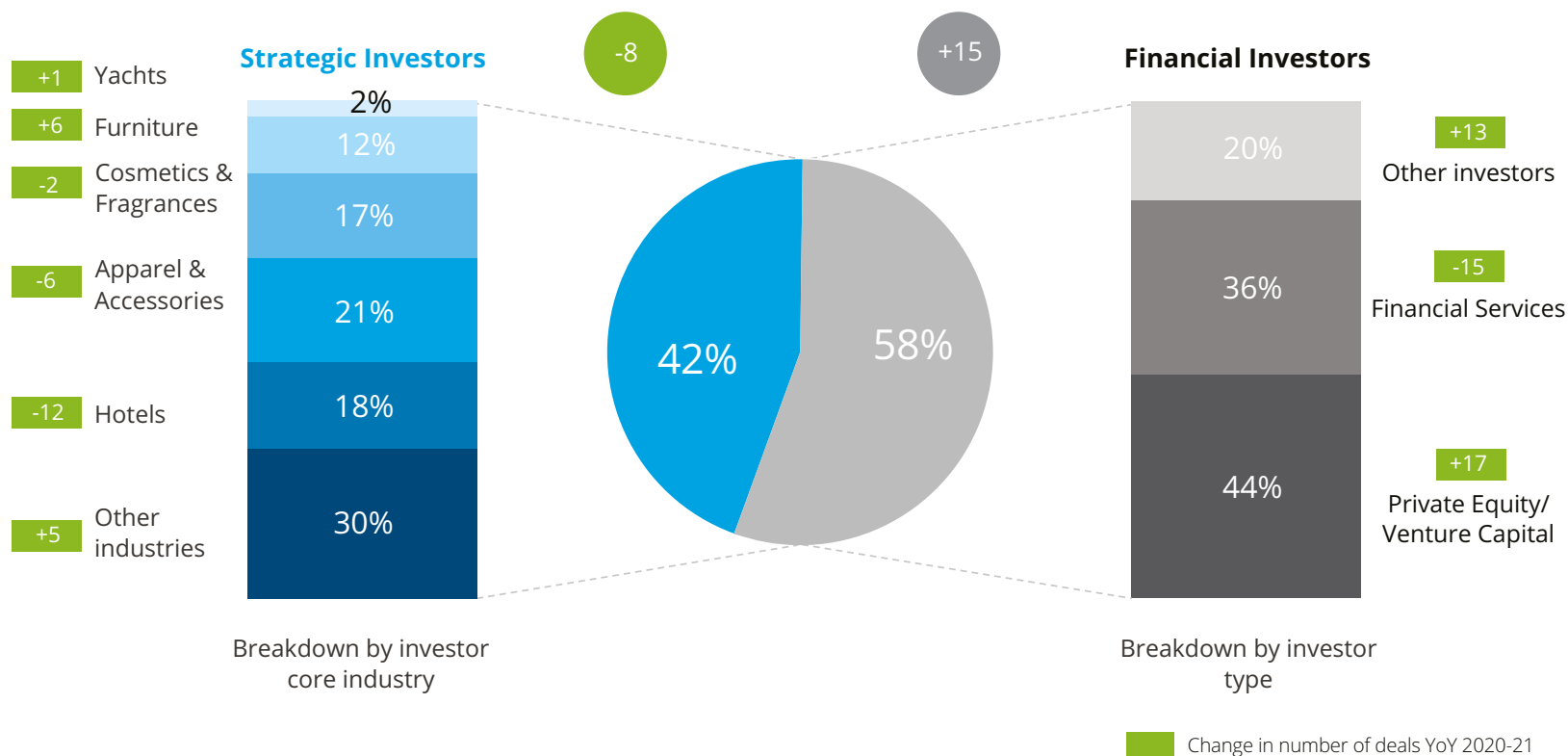


Investor profiles

The majority of bidders were Financial Investors, of which 44% being Private Equity and Venture Capital funds. On the other hand, the largest part (69%) of Strategic Investors belonged to sectors including Apparel & Accessories, Hotels and Other industries.

Main bidders' profile

(Percentage, Number of deals)



Key Findings

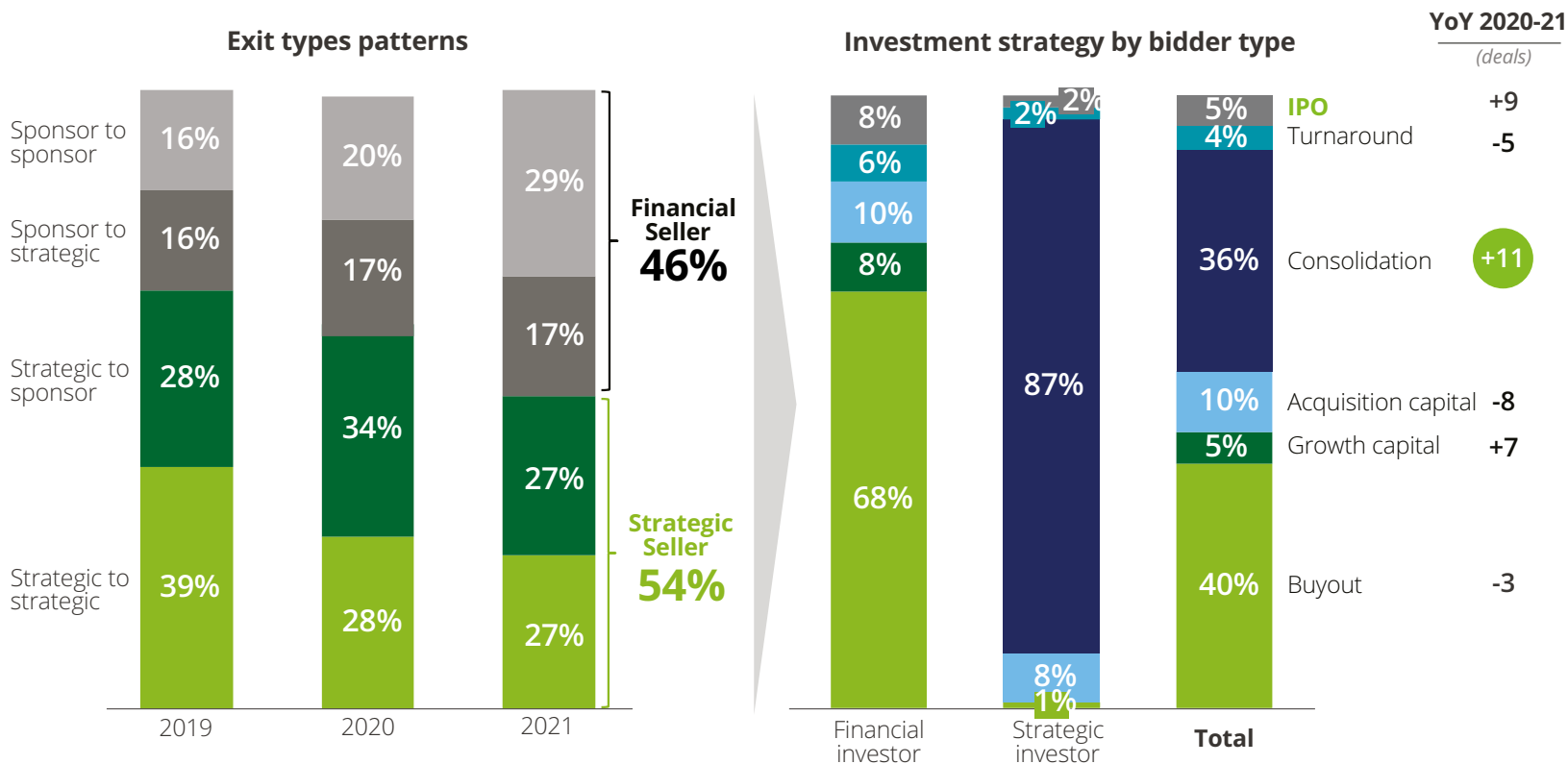
Compared to last year, strategic investors displayed a reduction in the number of deals (-8), while the growth of the transactions was mostly to be attributed to Financial investors (+15 deals).

In particular, the number of transactions carried out by Private Equity and Venture Capital funds increased substantially (+17 deals).

Portfolio exit strategies

Regarding Sellers' profiles, the trend of increasing Financial Sellers continued also in 2021 (46% vs 38% in 2020), with the majority of acquisitions carried out through Buyouts and Consolidations (40% and 36% 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 2021 (54% vs. 62% in 2020). Furthermore, the exit patterns of Financial investors increased from 38% in 2020 to 46% in 2021.

There was a growth in investments through Consolidation (+11 deals) and Growth Capital (+7), while Acquisition capital investments slightly decreased (-8 deals).

The IPO registered in 2021 showed an increase of 9 more companies going public compared to 2020, pointing out the market optimism mostly due to the global economies upturn, a wide liquidity stimulus set by governments and the launch of Covid-19 vaccines.



Bidders' investment stake

Majority stake deals slightly decreased in 2021, down to 90% in the Personal Luxury Goods sector (-5 pts) and amounting to 92% in total (-1 pts vs 2020), due to the effect of a +2 pts increase in Other luxury sectors (+ 2% up to 93%).


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 2022



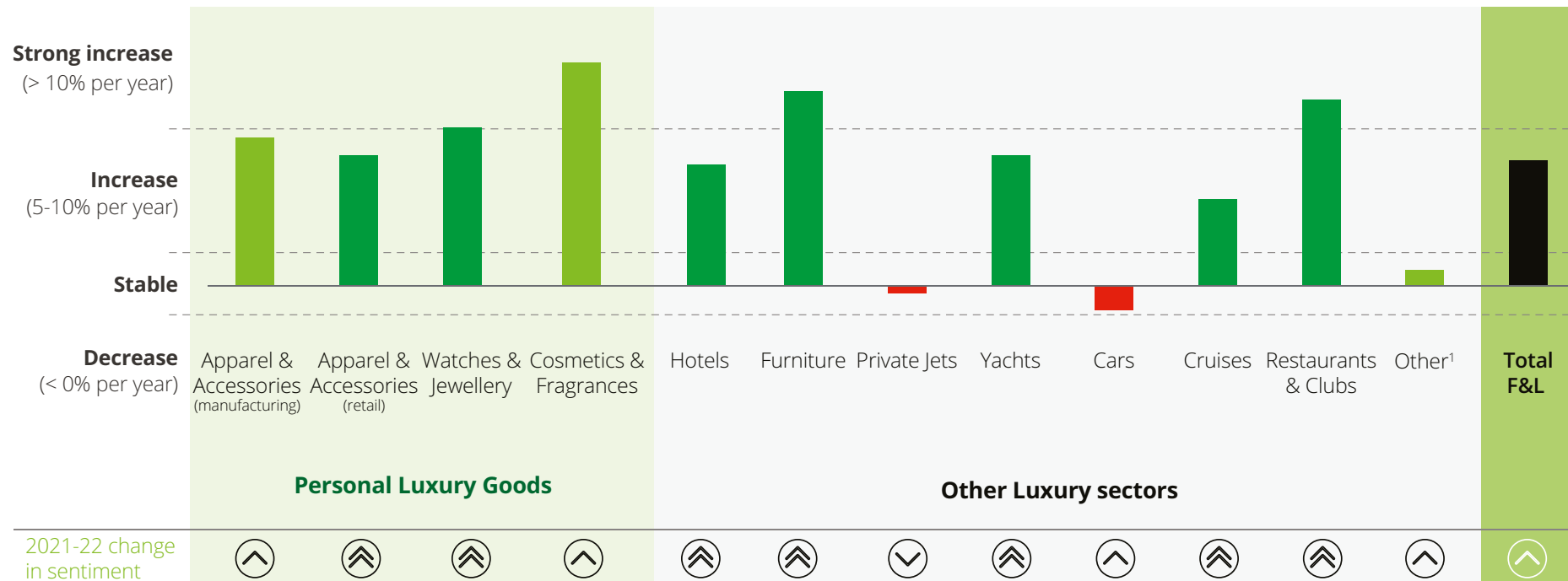
A blurred background of a clothing store. In the foreground, there are racks of clothes, including several light-colored sweaters and a striped garment. In the background, there are mannequins and other clothing items, all out of focus. The lighting is warm and indoor.

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, Furniture and Hotels sectors. In particular, Cosmetics & Fragrances and Furniture will continue to be the best performing sectors, as the previous year. By contrary, Private Jets and Cars are forecasted to be the worst performing sectors over the period.

Expected F&L market trends for the next 3 years – Breakdown by sector
(Index on responses)



Notes: 1) Other includes Private Jets, Cruises, Yachts and Cars | Source: Elaboration on Deloitte survey and interviews with industry experts

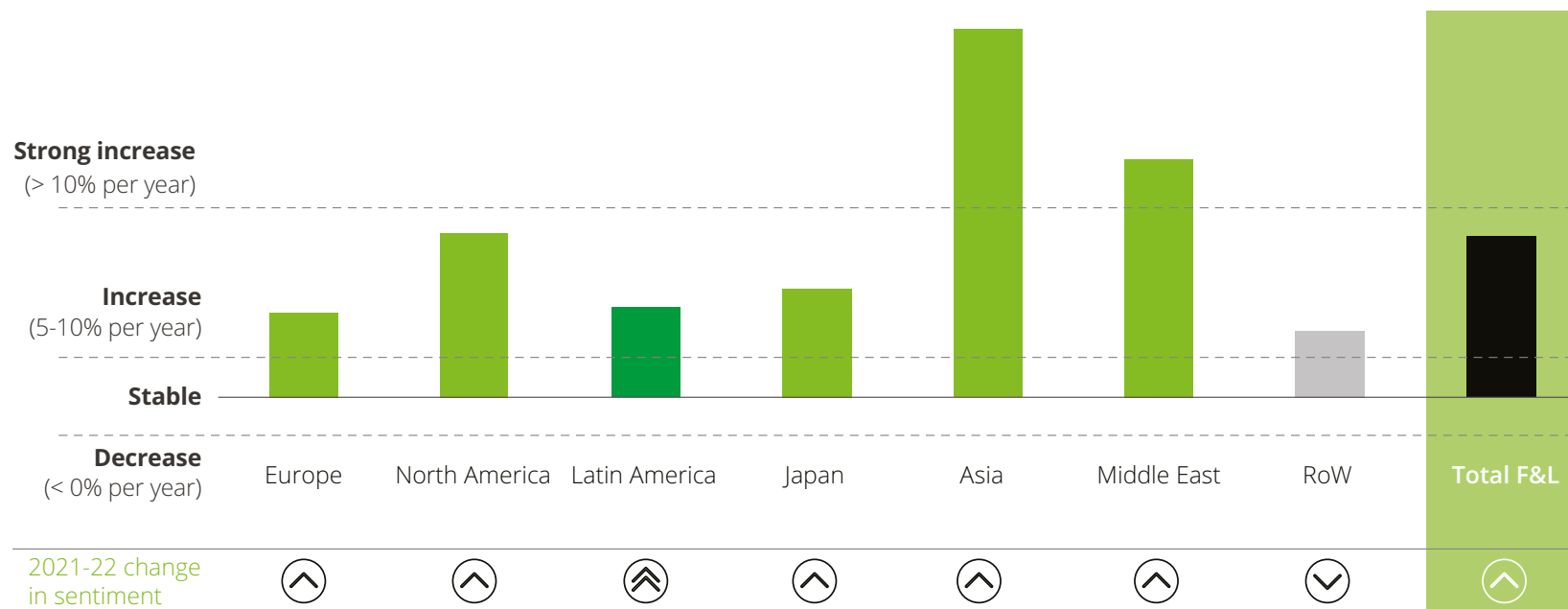


Market Outlook: Key trends by geographical area - Investors' perspective

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. Latin America is projected to see the most significant increase in investors' expectations. The rest of the world regions are the ones that are expected to show the lowest improvement, compared to the last Survey.

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

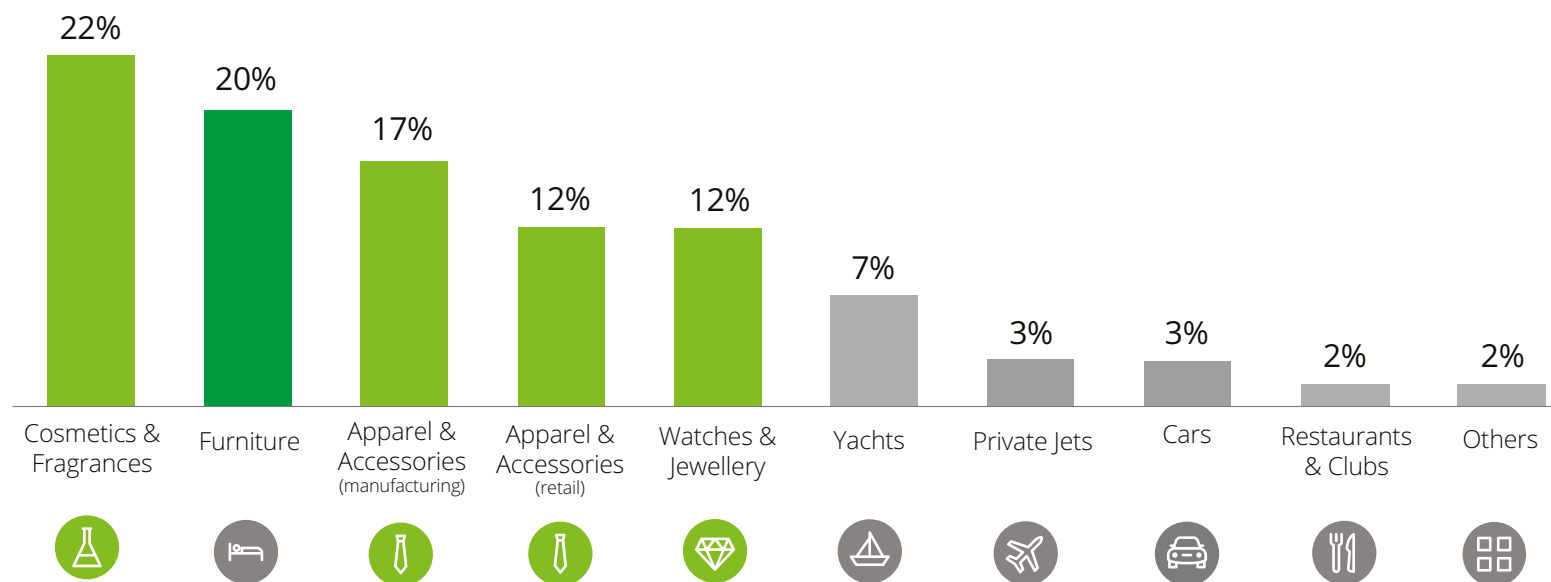
(Index on responses)



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

F&L sectors that have recovered more rapidly from Covid-19 are Cosmetics & Fragrances (22%), Furniture (20%) and Apparel & Accessories (17%, manufacturing only). On the other hand, according to investors sectors with more difficulty to recover are especially those related to tourism.

Sectors recovering more rapidly from Covid-19 negative effects
(Percentage of responses)



Source: Elaboration on Deloitte survey

Key Findings

Luxury sectors such as Private Jets, Cars, Restaurants & Club and Others (that includes Hotels and Cruises) are the ones which are recovering more slowly from the negative effects of Covid-19.

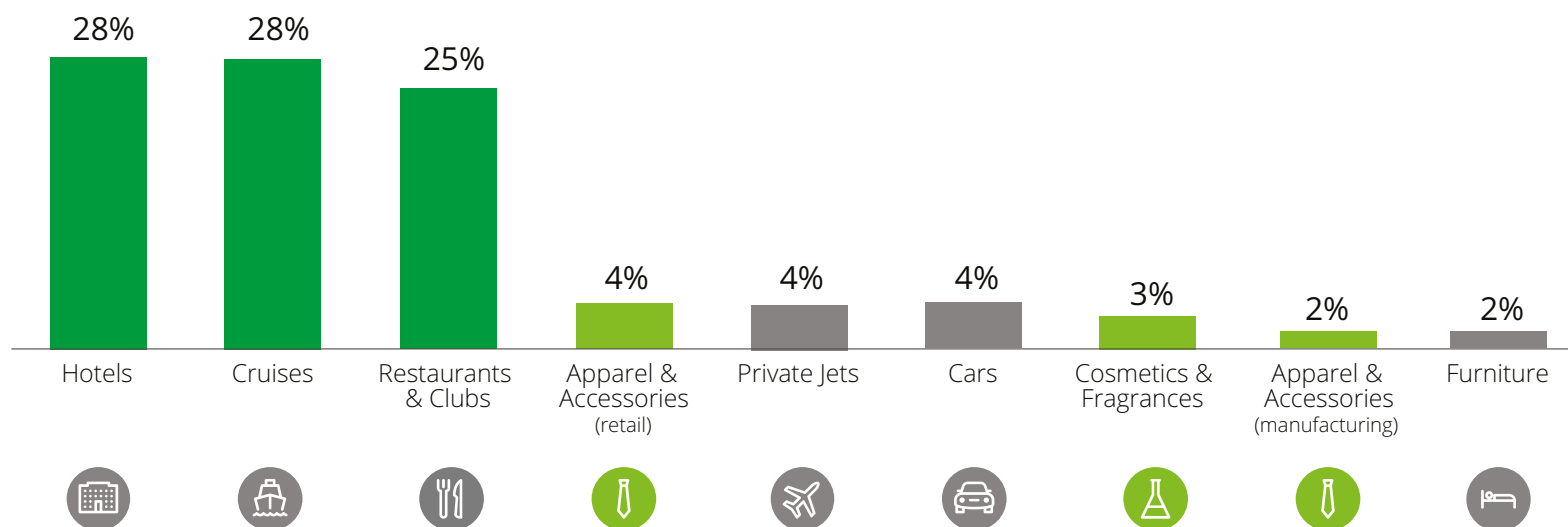
By contrary, the majority of investors affirmed that Personal Luxury Goods (63%) and Furniture (20%) are the sectors that shown the fastest recovery after the pandemic.



Market Outlook: Sectors still affected by Covid-19 negative effects – Investors’ perspective

The main F&L sectors that will be still affected by the restrictions imposed by Covid-19 in 2022 are Hotels (28%), Cruises (28%) and Restaurants & Clubs (25%). As it is predictable, those sectors linked to tourism will continue to be the most affected ones.

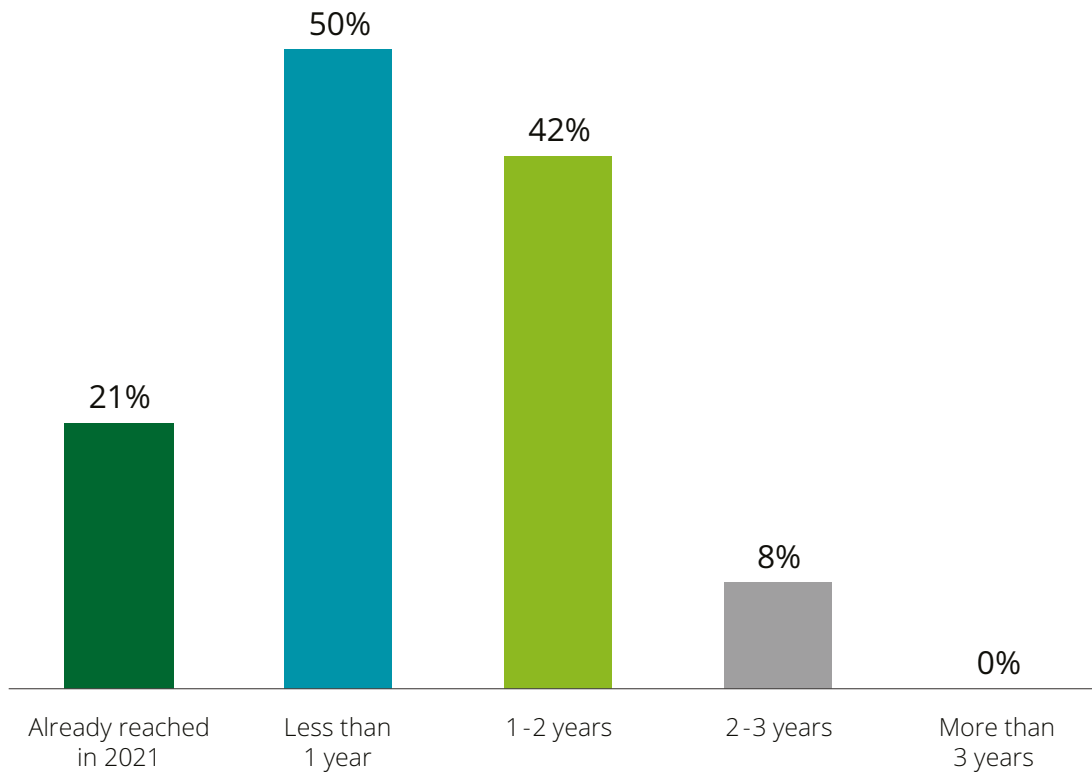
Main F&L sectors still affected by Covid-19
(Percentage of responses)



Market Outlook: full recovery and achievement of pre-Covid levels – Investors’ perspective

50% of investors expects a total recovery and achievement of pre-Covid levels in less than 1 year, while 42% of them foresee it in 1-2 years. 21% of the total investors sustain that sectors have already recovered and reached pre-Covid levels in 2021, while only 8% of them expect recovery to take place in more than 2 years.

Full recovery and achievement of pre-Covid levels
(Percentage of responses)



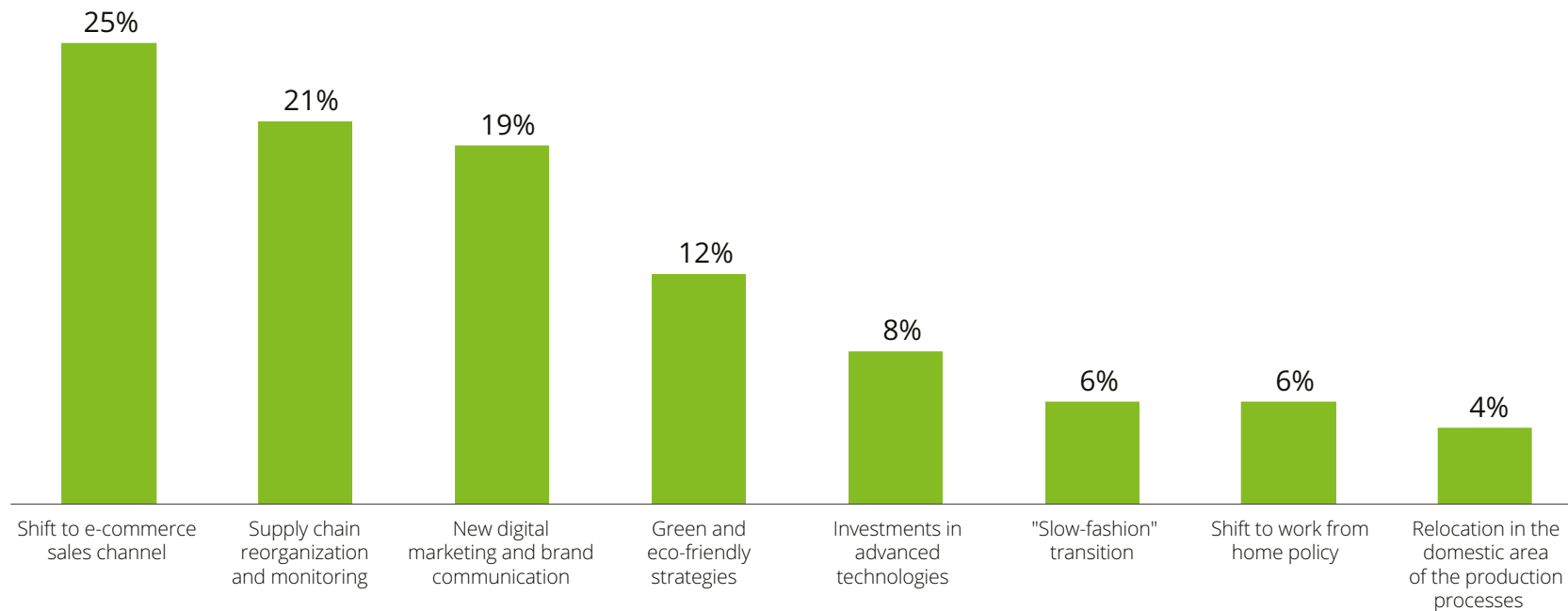
Source: Elaboration on Deloitte survey



Market Outlook: the main changes adopted by F&L sectors in order to recover from Covid-19

After 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 (25%) was the shift to e-commerce sales channel, in order to ensure the continuity of their business.

The main changes adopted to recover from Covid-19 (Percentage of responses)



Key Findings

Shift to e-commerce sales channel and Supply chain reorganization and monitoring represent the main new strategies adopted by companies to overcome the pandemic.

Other business strategies used by firms are: New digital marketing and brand communication (19%), Green and eco-friendly strategies (12%), Investments in advanced technologies (8%), as well as "Slow-fashion" transition and Shift to work from home policy (both 6%) and Relocation in the domestic area of the production processes (4%).

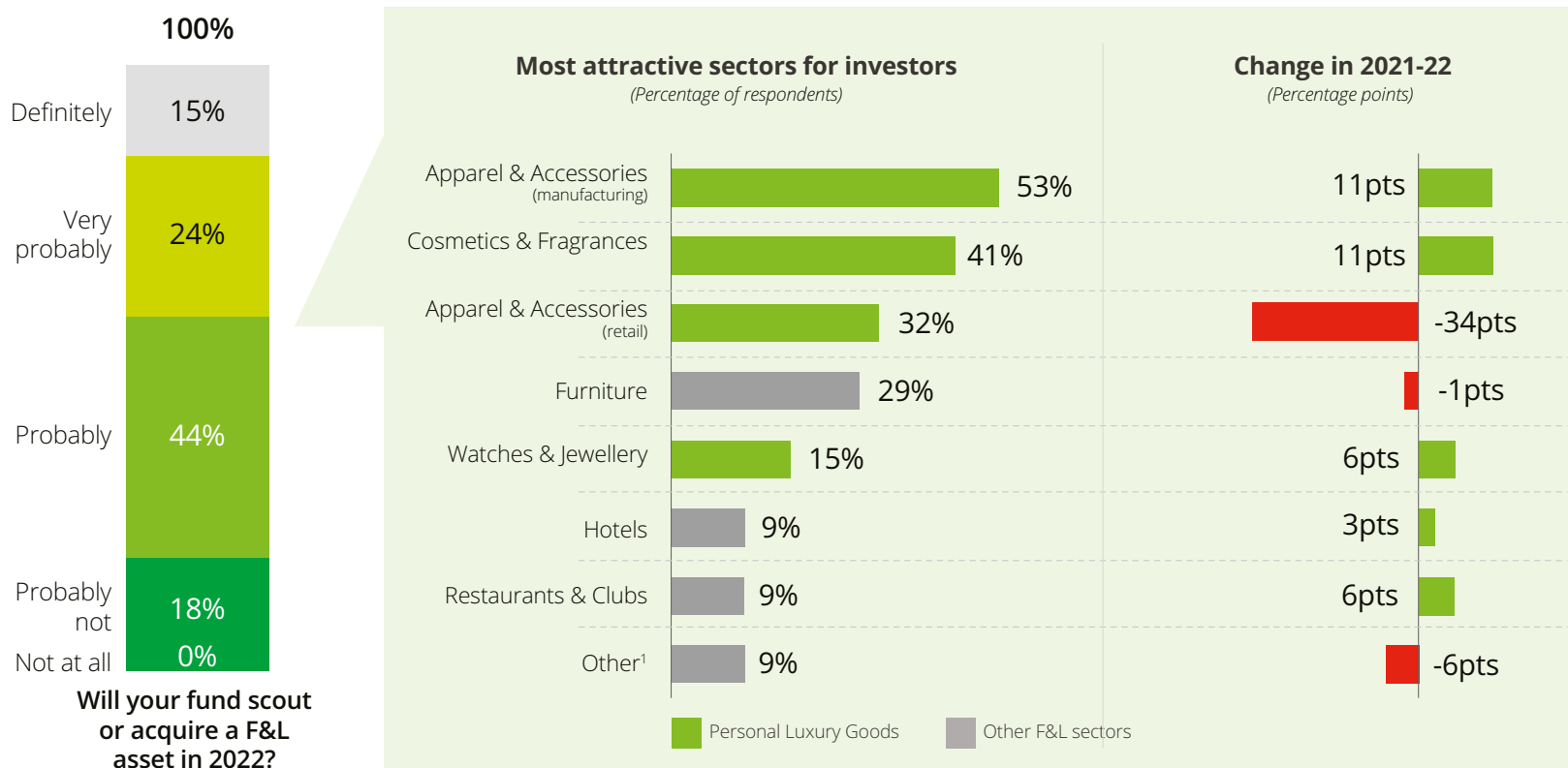
2022 Investment and Exit Strategy





Expected new investments in 2022

In 2022, more than 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 (53%), Furniture (41%), Apparel & Accessories – manufacturing (32%) and Apparel and Accessories – retail (29%).

Interest across sectors is changing compared to last year: Cosmetics & Fragrances and Furniture both show an increase of +11pts and Watches & Jewelry, Hotels and Restaurants & Clubs gained respectively +6pts, +3pts and +6pts.

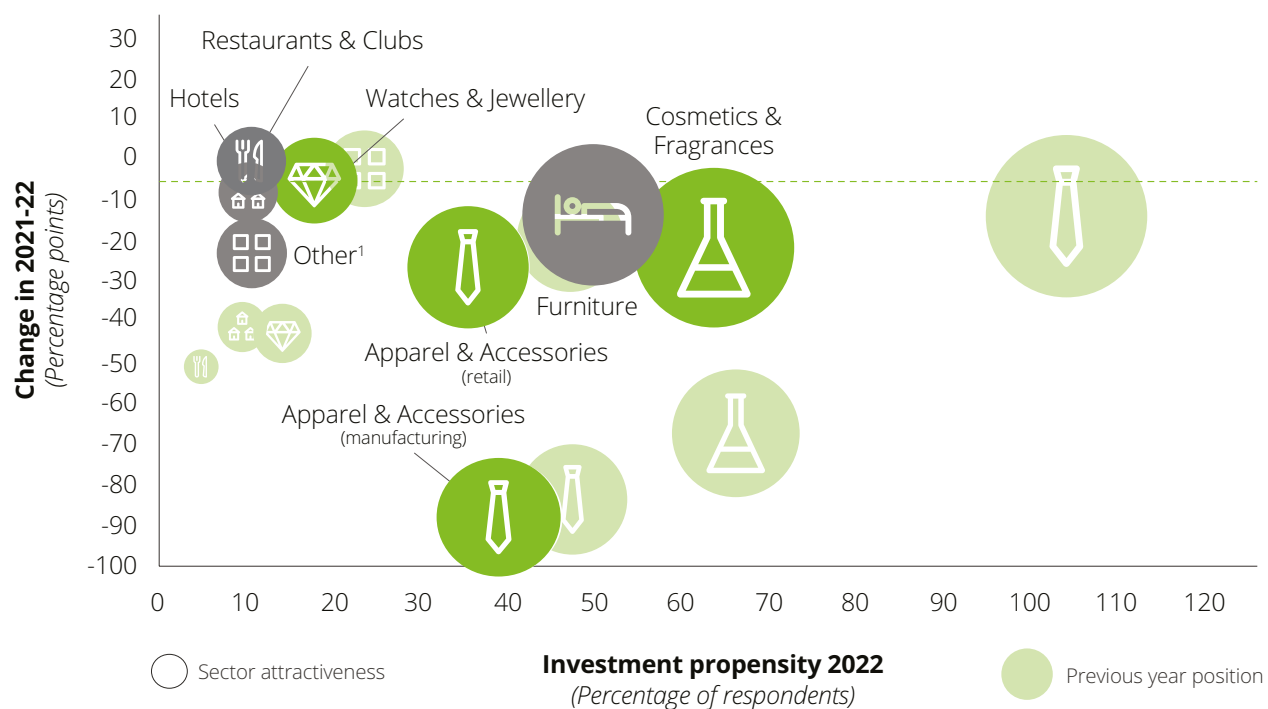
On the other hand, Apparel & Accessories – Manufacturing show a severe decline of -34pts compared to the previous year.

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

F&L sector attractiveness

In 2022, 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



Key Findings

Cosmetics & Fragrances and Furniture are the most attractive sectors according to investors.

In 2022, sectors such as Hotels, Restaurants & Clubs and Watch & Jewelry will become much more attractive than in 2021, principally due to the recovery from Covid-19 negative effects.

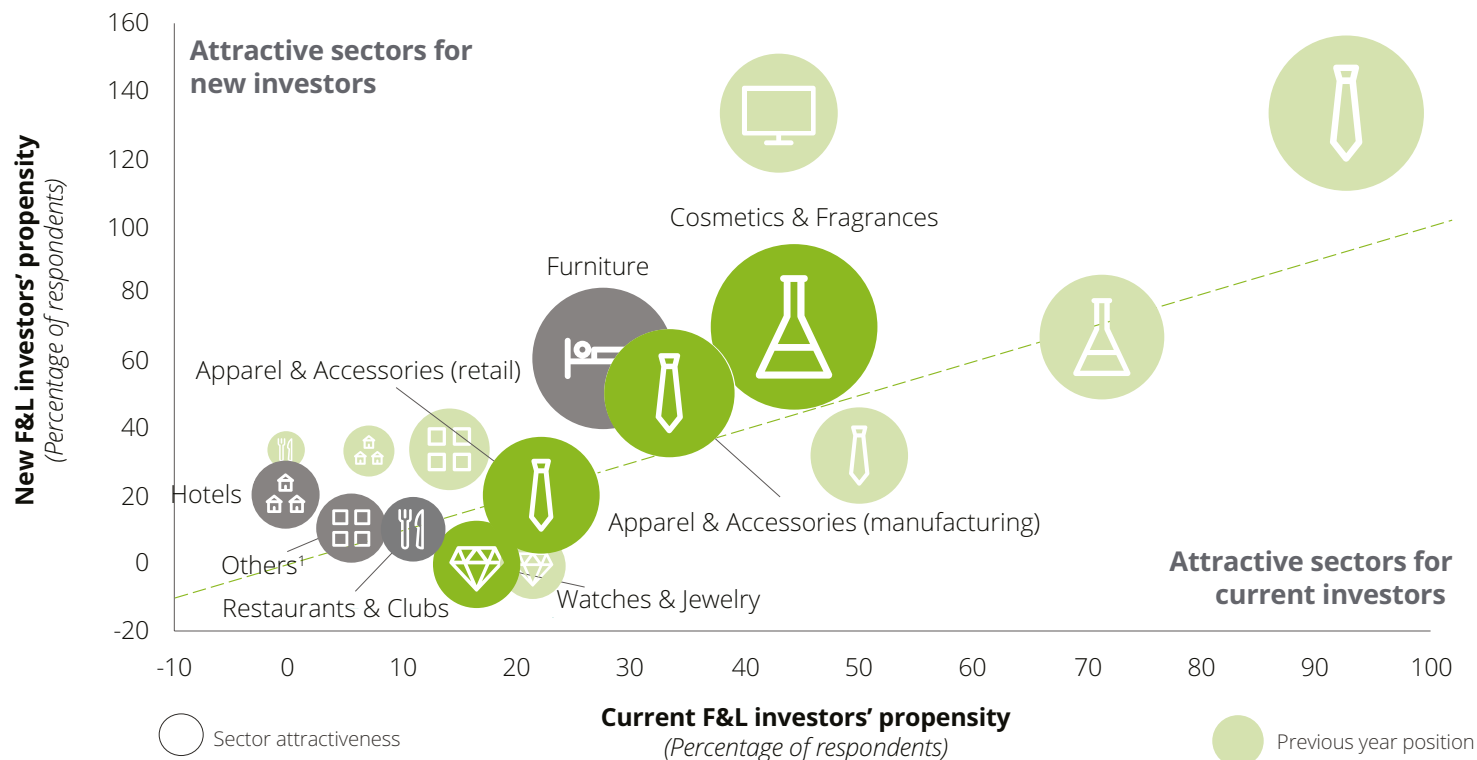
Note: 1) Other includes Private Jets, Cruises, Yachts and Cars | Source: Elaboration on Deloitte survey



Sector attractiveness: current vs potential investors

The main attractive sectors for both current and new F&L investors are Cosmetic & Fragrances, Furniture and Apparel & Accessories, 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 2022.

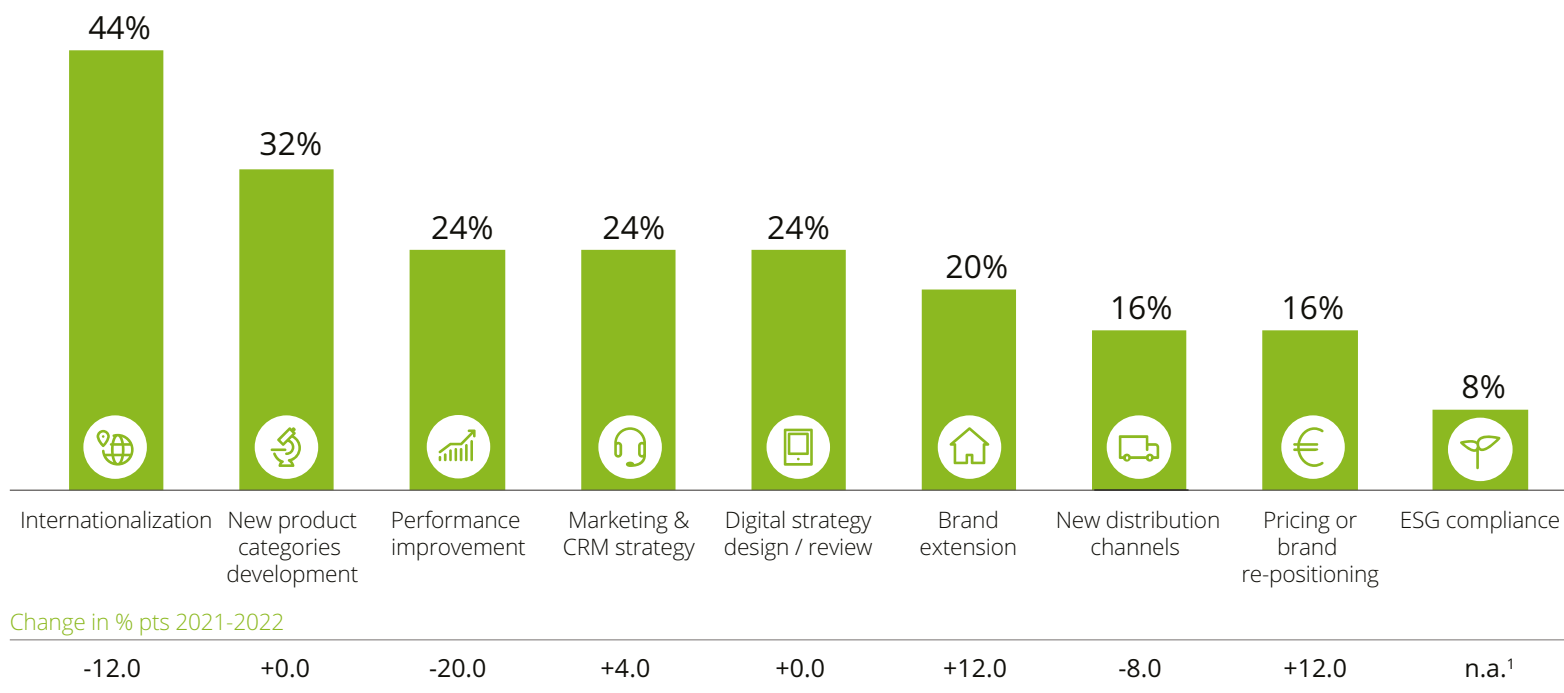
In particular, new investors have showed a high interest in the Cosmetics & Fragrances sector.

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, even though Internationalization shows a negative change in sentiment compared to the last year, as well as Performance Improvement which records the deepest negative change by -20pts.

Main adopted strategic drivers for the F&L portfolio
(Multiple choice questions)



Change in % pts 2021-2022

Note: 1) Not present in the 2021 Edition of the survey | Source: Elaboration on Deloitte survey

Key Findings

Internationalization and New Product Categories Development are the main strategic levers (44% and 32%) used by F&L investors to increase their asset value in 2022.

New Distribution Channels registered a loss of 8pts while Brand Extension has become a significant driver (+12pts compared to the previous year) to investors perspective to grow their business.

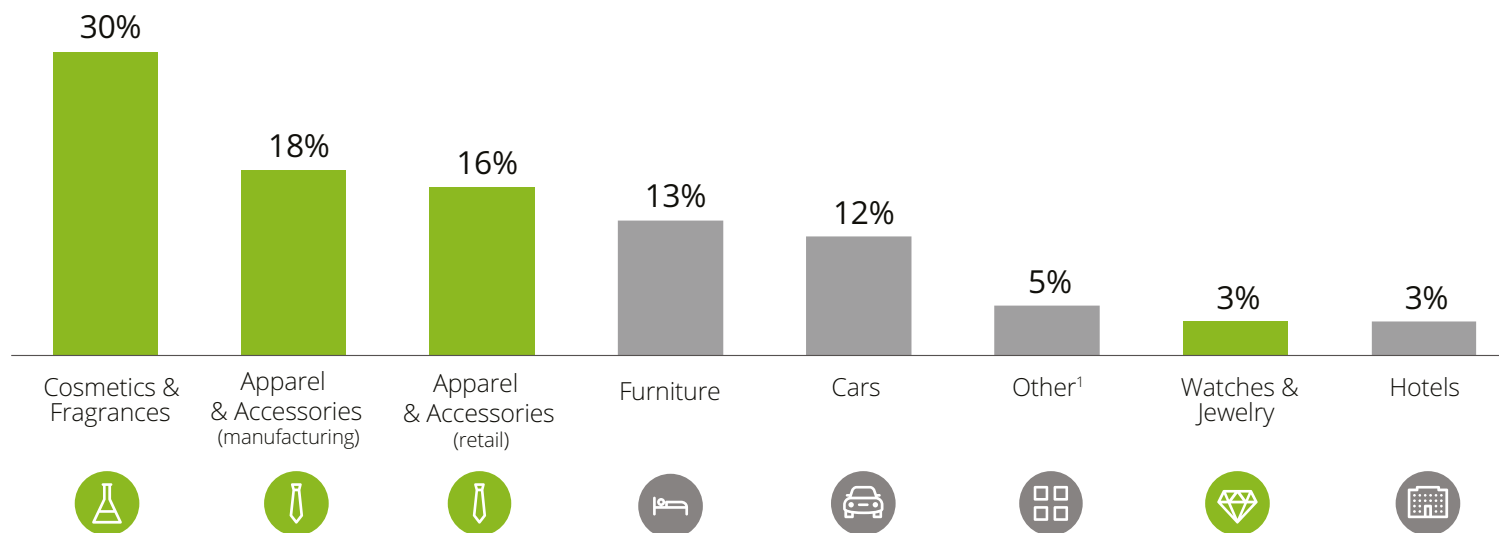
100% of respondents stated they could invest in F&L in 2022



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 Private Jets, Cruises, Yachts and Cars | Source: Elaboration on Deloitte survey

Key Findings



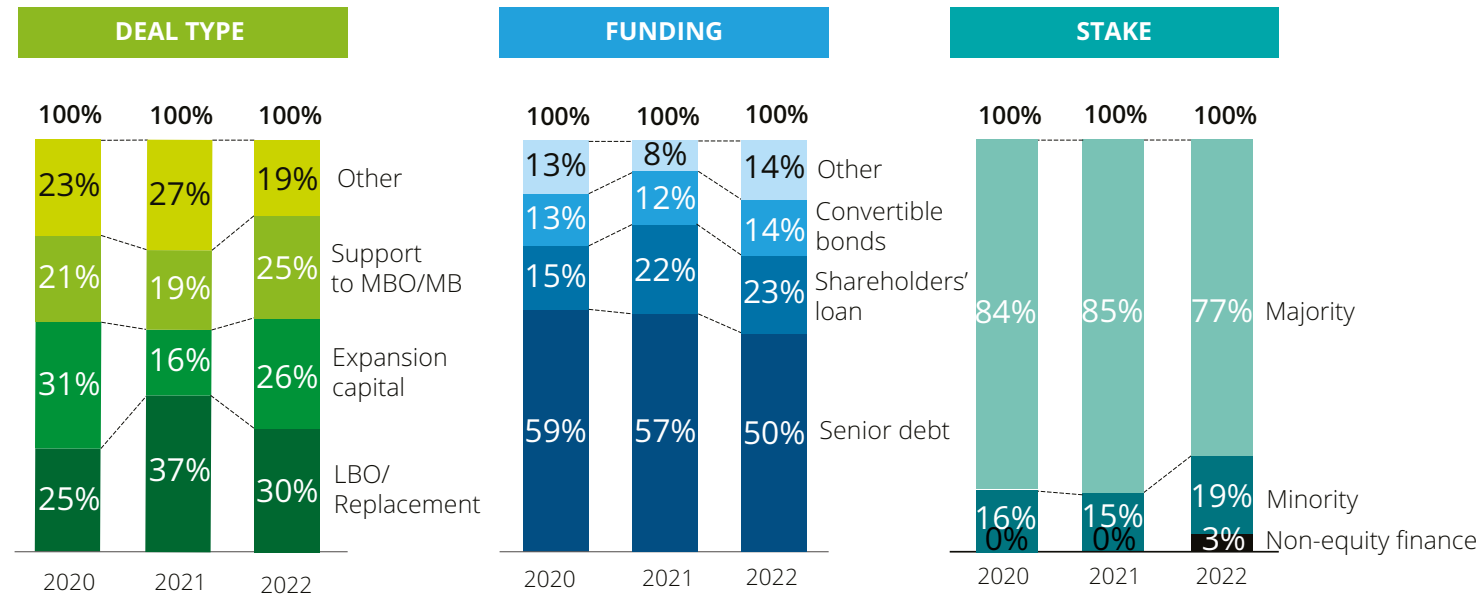
With the aim of finding new ways to connect with their customers, F&L companies are reinventing themselves: one of the pillars on which these companies are building their relaunch is sustainability.

The main sectors that invest in ESG innovations are: Cosmetics & Fragrances (30%) Apparel & Accessories (both manufacturing and retail, 34%), Furniture (13%) and Cars (12%).

Main features of the M&A deal

The most employed deal structures for new F&L investments is LBO/Replacement and Expansion Capital, funded principally by Senior debt (50%). Investors' preferred way to invest remains to acquire a majority stake (77%).

Structure of the new F&L investment deals (Percentage of respondents)



Key Findings

The deal strategies preferred by investors to make new investments are LBO/Replacement (30%), followed by Expansion Capital (26%) and Support to MBO/MB (25%).

Senior debt remains one of the most used sources of funds (50%), even though it decreased by 7pts compared to the previous year, while Shareholders' loan financing remains stable (23%). The largest part of deals take place with the acquisition of a majority stake (77%) and only 19% of them are closed with the purchase of a minority stake.

Finally, only 3% of investors make new investment through Non-equity financing / Mezzanine.

100% of respondents stated they could invest in F&L in 2022

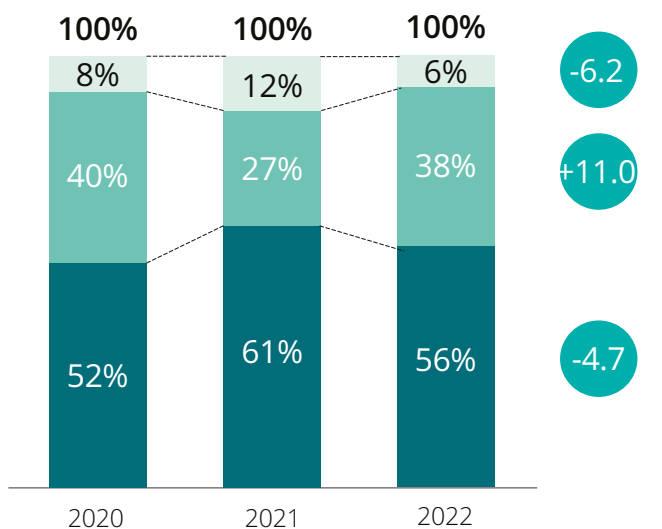
Source: Elaboration on Deloitte survey



Size and expected returns of potential investment in F&L

More than a half of investors 56% are willing to invest in small (<\$50m) companies, even though 38% of them have become highly interested in medium (\$50m-\$250m) sized firms (+11 pts). 42% of investors foresee that the Internal Rate of Return from new investments will be less than 20% and between 21-30%. Only the remaining 16% expect a better performance (>30%).

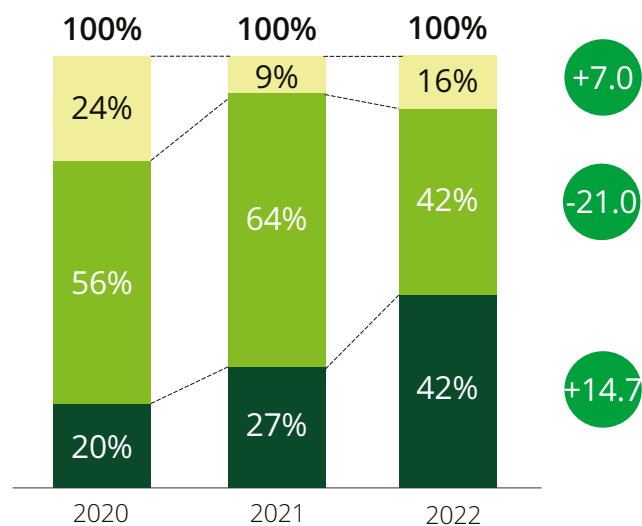
Average sales of potential target companies
(Percentage of respondents)



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

Change in 2021-22 (% points)

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



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

Change in 2021-22 (% points)

Key Findings

The majority of investors want to invest in small sized firms, even if they decreased to 56% (-4.7 pts vs 2021), as well as those willing to invest in firms with sales >\$250m (-6.2 pts vs 2021). Otherwise, investors wishing to invest in medium sized companies have grown up to 38% (+11.0 pts vs 2021).

On average, investors expect an IRR from their investments of less than 30%, while an increasing part of investors (16%, +7.0 pts vs 2021) forecasts a higher performance (IRR>30%).

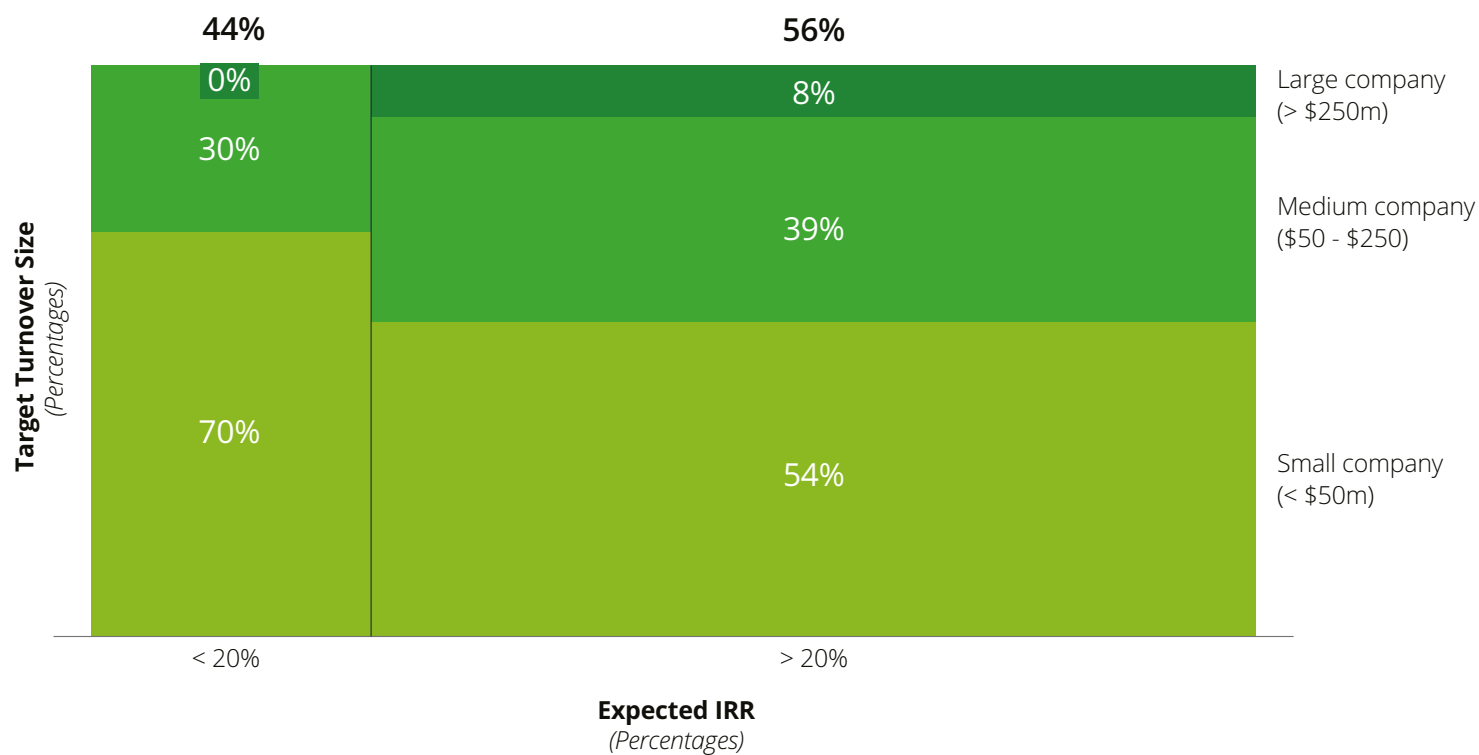


100% of respondents stated they could invest in F&L in 2022

Return expected from new investments

56% of investors expect a return greater than 20% in particular from small companies (54%) followed by medium (39%) and big (8%) 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 44% of them forecasting a return lower than 20% and 56% foreseeing a return higher than 20%.

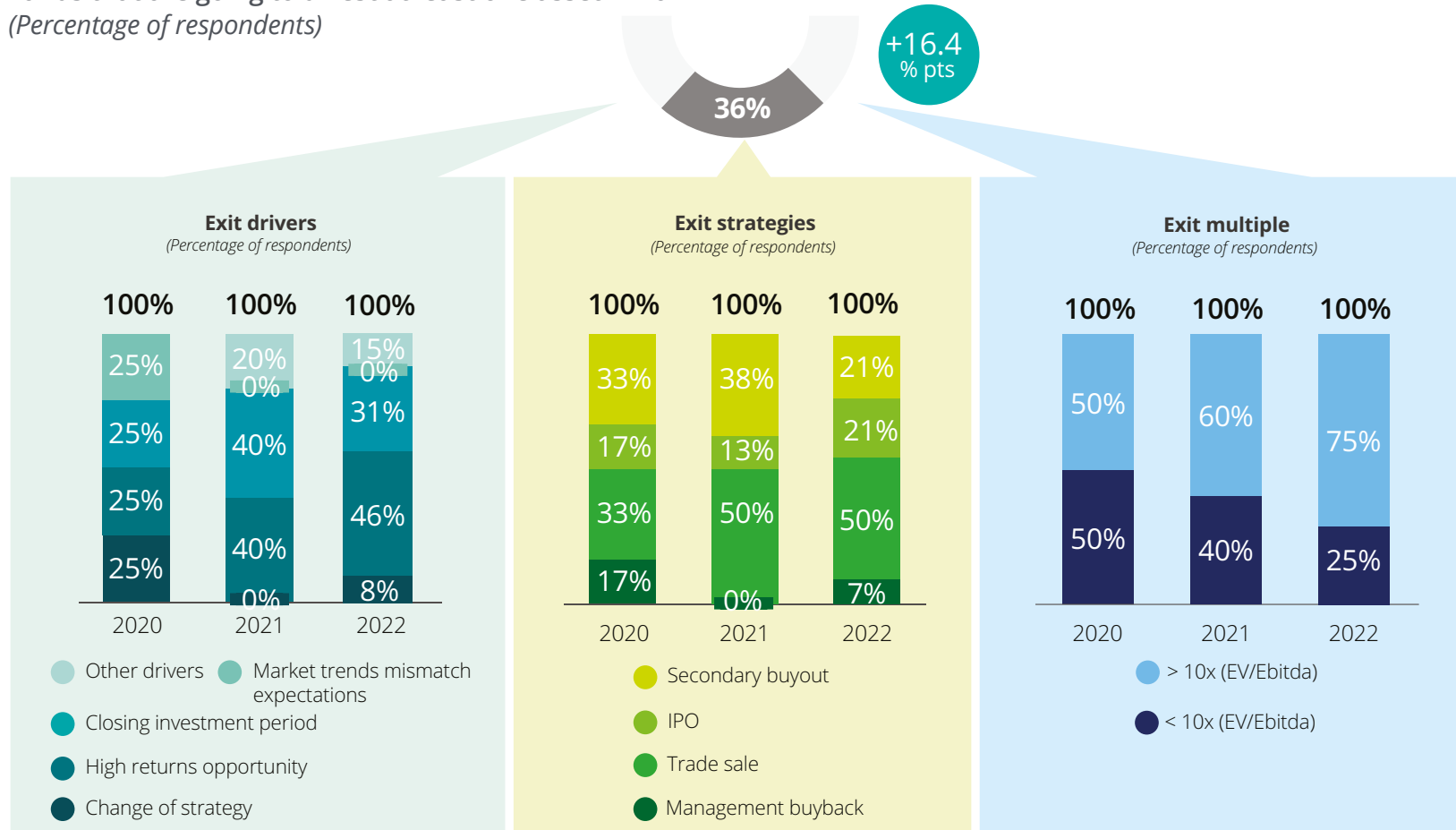


Funds' F&L exit strategy for 2022

Funds considering divesting a F&L asset in 2022 represent 36%, showing an increase of +16.4 pts compared to 2021. The main exit drivers are High returns opportunities (46%) and Closing investment period (31%), while the main exit strategy will be Trade sale (50%). However, an increasing portion of investors consider IPO (21%). The majority of respondents (75%, +15 pts vs 2021) expect an exit EV/EBITDA multiple higher than 10x.

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

(Percentage of respondents)



Key Findings

36% of funds participating in the survey questionnaire are going to divest at least one asset of their F&L portfolio, a raise of +16.4 pts compared to the previous year, indicating expectations of positive trends on the market.

In 2022, the main exit driver is High returns opportunity (46%) showing an increase of +6 pts respect to 2021.

Trade Sale will continue to be the most used exit strategy (50%), although IPO (21%) will register an increase respectively by +8 pts. On the other hand, Secondary buyouts drop by 17 pts to 21%.

Impact of Disruptive Technologies

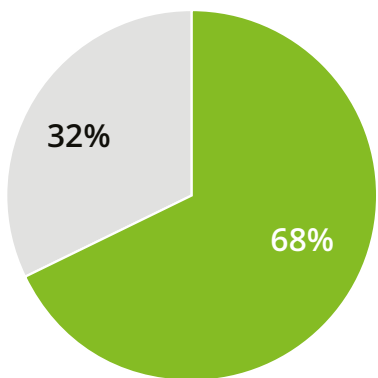




Disruptive technologies in Fashion & Luxury

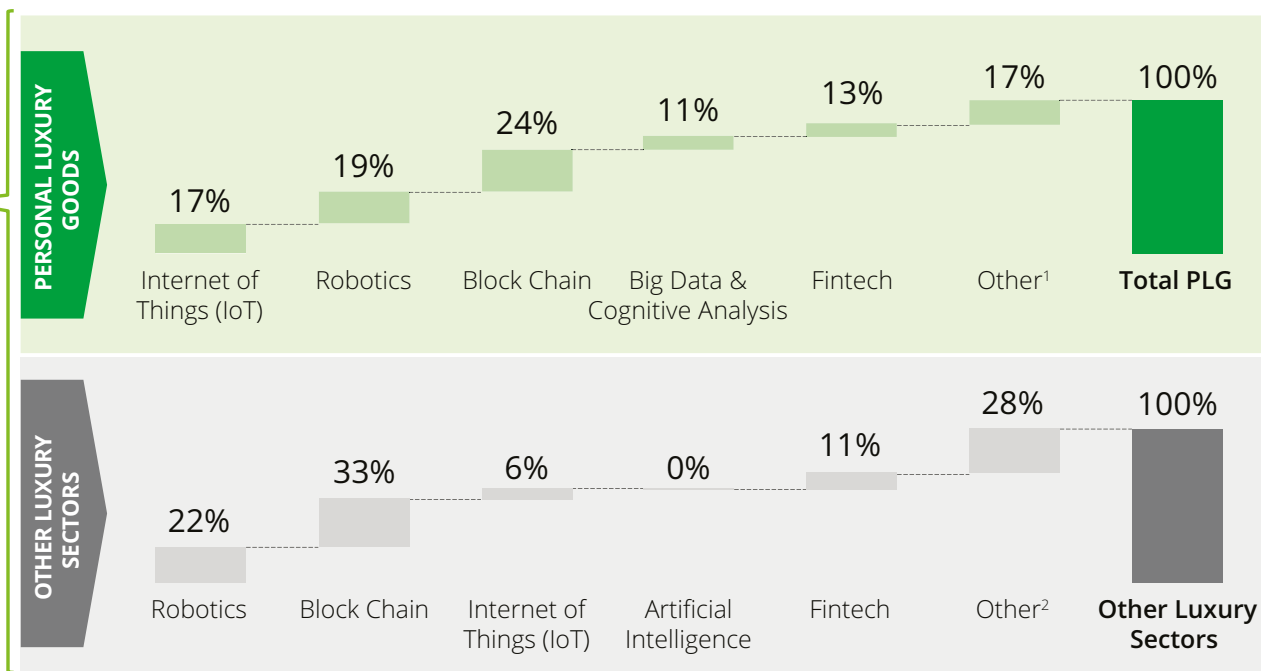
In 2022, 68% of survey participants might invest in disruptive technologies in order to benefit from potential synergies, showing an increase of +4 pts compared to 2021. As the previous year, Internet of Things, Robotics and Block Chain will have the largest impact on investors' portfolio. The main strategy adopted to develop disruptive technologies is Joint Venture or partnership with other players (47%), followed by M&A (34%).

Fund likelihood of Investment in Disruptive Technologies
(Percentage)

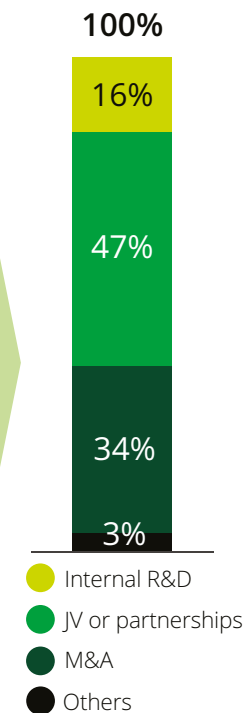


Will probably invest in disruptive technologies

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

Profile of Survey Respondents



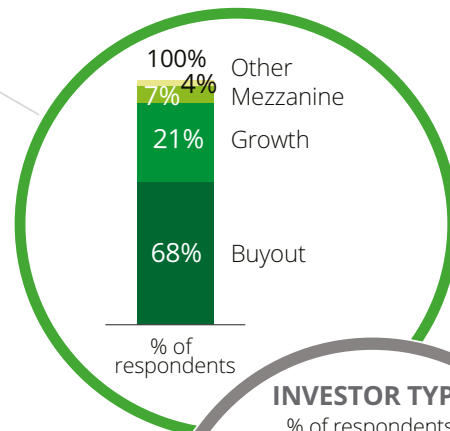


Funds' key features

The majority of respondents, corresponding to 81% of the total, are part of Private Equity Funds, whose strategic approach is mainly based on buyouts (68%) in the Fashion & Luxury Industry (25%) and Retail, Consumer and Leisure (20%). 43% of PE Funds own net assets lower than \$100m.

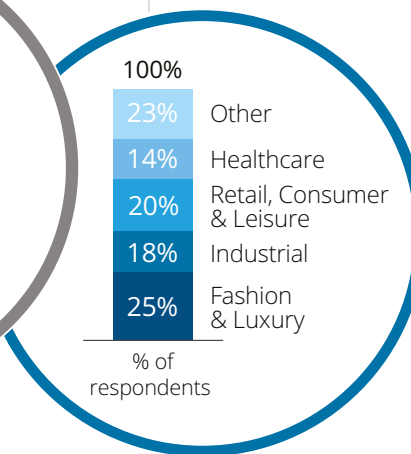
FUND STRATEGY

The main strategic approaches of the involved funds are: Buyout (68%) and Growth (21%) strategies



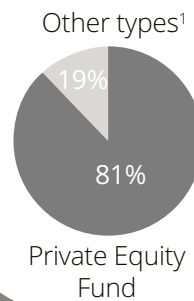
FUND CORE INDUSTRIES

The main core industries performed in investors' portfolio are: F&L (25%), Retail, Consumer & Leisure (20%), Industrial (18%) and Healthcare (14%)



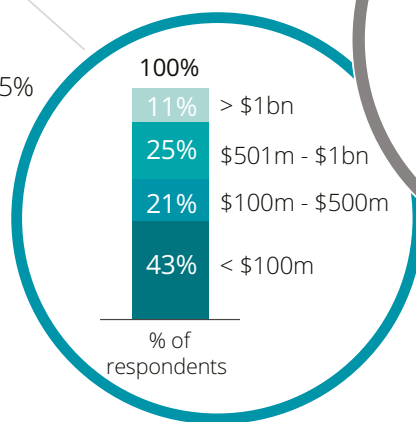
INVESTOR TYPE

% of respondents



FUND NET ASSETS

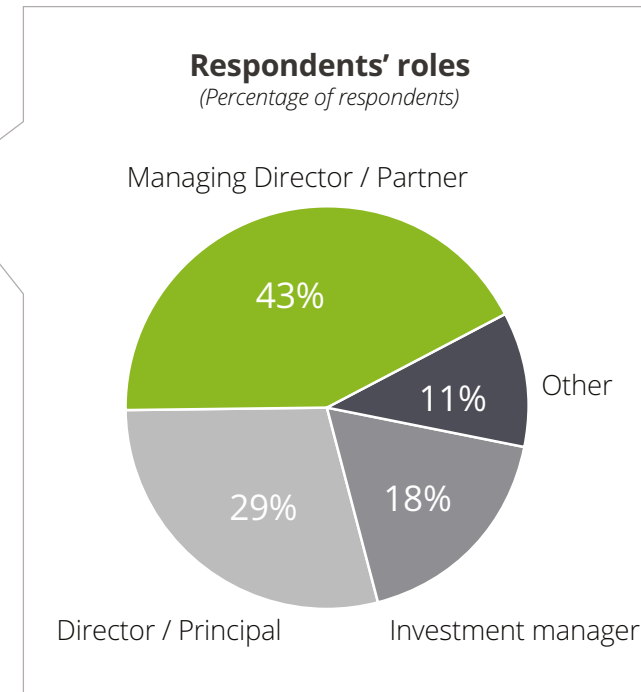
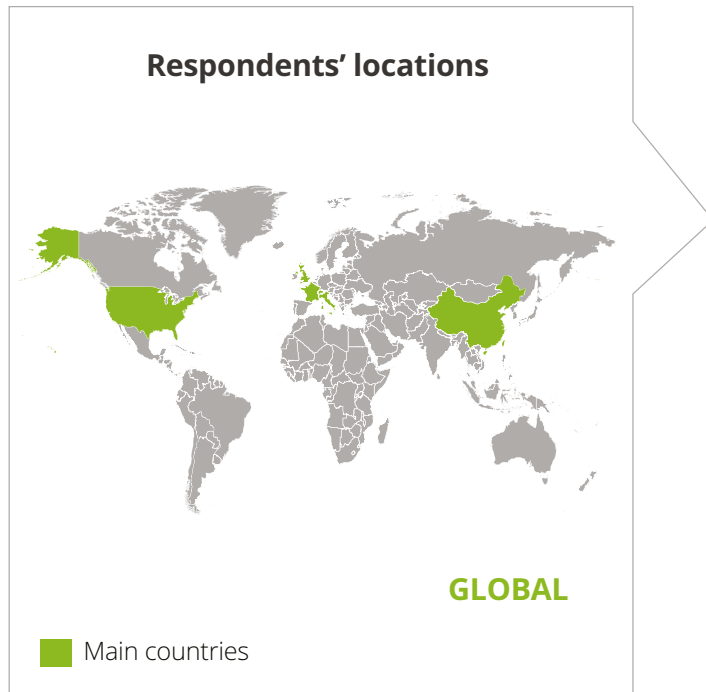
43% of respondents to the survey have net assets lower than \$100m, while 25% of them have net assets ranging \$501m-\$1bn and 11% have full net assets greater than \$1bn



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

Profile of survey respondents

The survey participants' role correspond for 43% to Managing director/Partner, 29% to Director/ Principal and 18% to Investment manager.





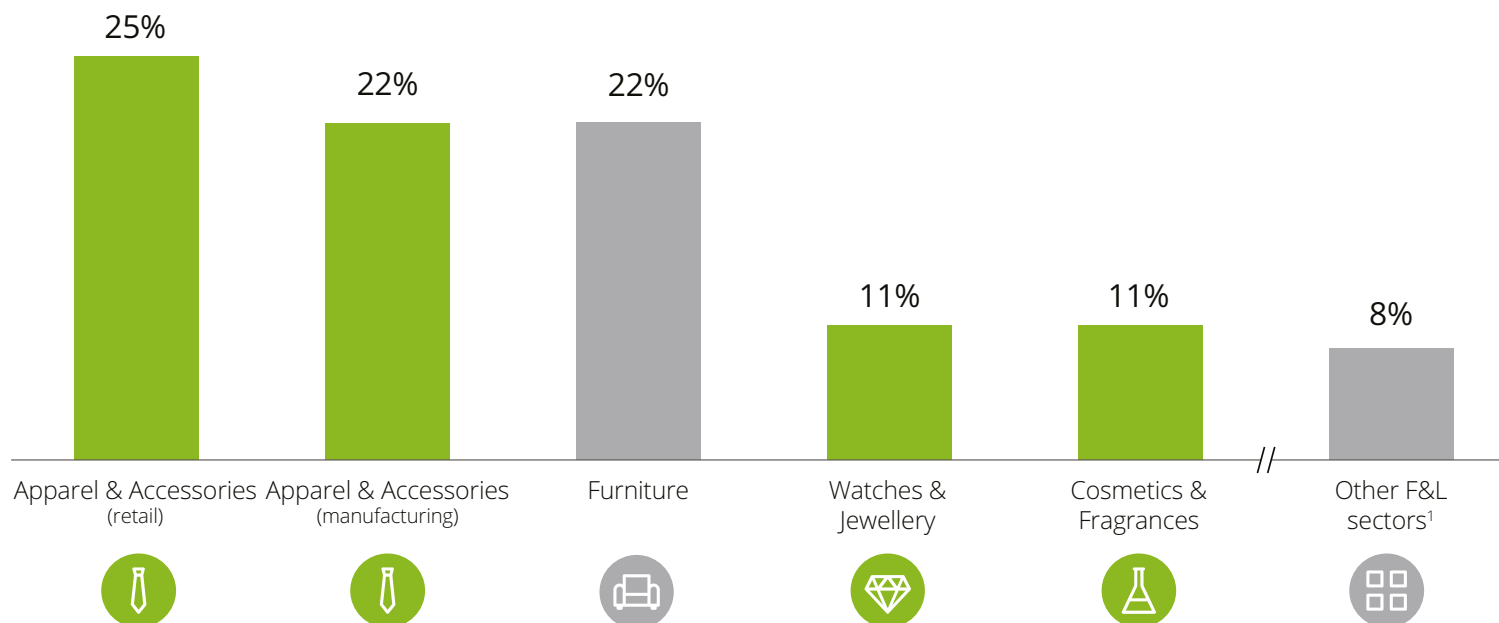
Funds' current F&L portfolio: main sectors

The main F&L assets held by investors are Apparel & Accessories (47%, including both retail and manufacturing companies), Furniture (22%), Watches & Jewelry and Cosmetics & Fragrances (both 11%).

68%

 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 and Hotels. | Source: Elaboration on Deloitte survey

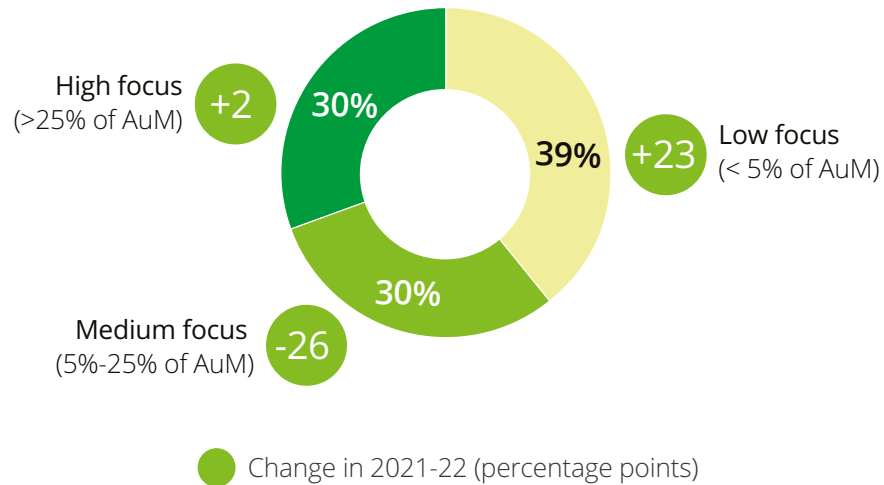
Funds' current F&L portfolio: structure

30% 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, mostly with a majority stake (82%).

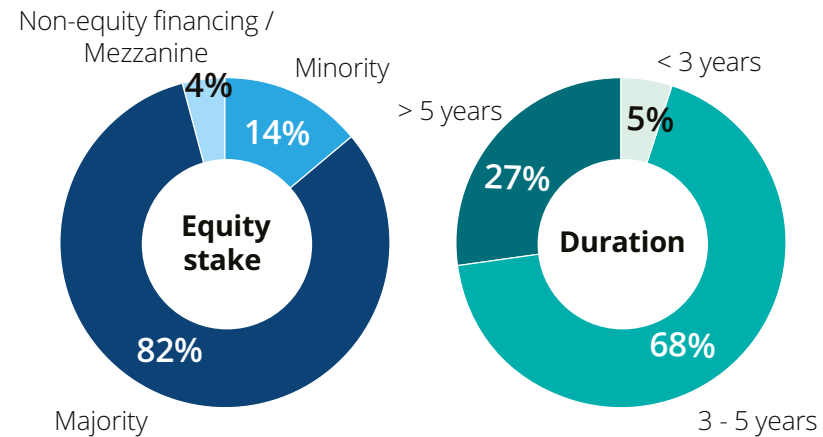
68%

 of investors have a Fashion & Luxury asset in their portfolio

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



Portfolio equity stake and duration
(Percentage of respondents)

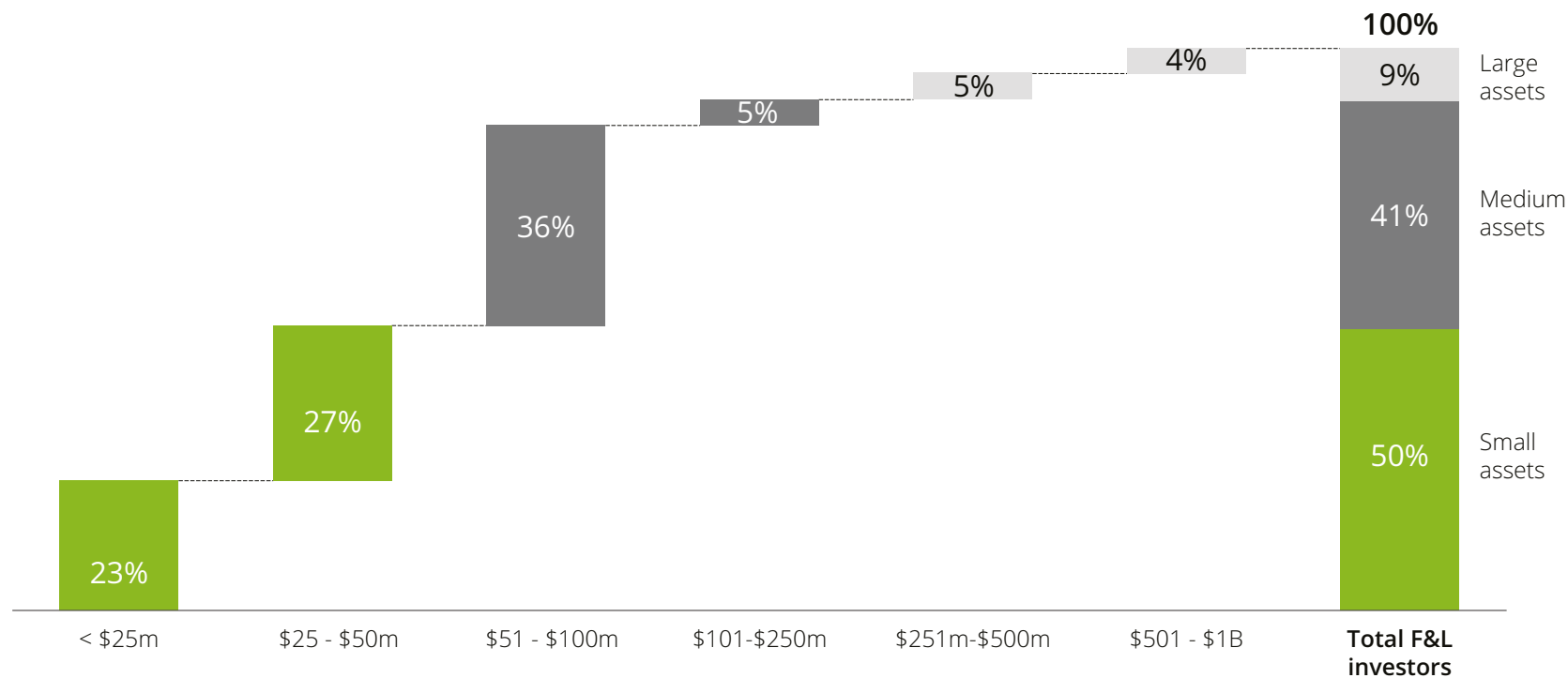




Funds' current F&L portfolio: average asset size

50% of survey participants have in portfolio F&L assets with an average turnover which is less than \$50m, while 41% of them have medium-sized assets (\$51-\$250m) and the remaining 9% 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

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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