



# Fashion's art and science reinvented

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“We have already seen many brands acquiring their artisan producers, renouncing licensing agreements, and investing massively in e-commerce. We forecast these trends will persist and the largest groups will enjoy a boom in their market valuations as they protect their brand image by bringing more operations in-house.”

**MICHELE SALERI**

CONTEMPORARY & ACCESSIBLE FASHION  
SPECIALIST, OAKLINS

## MARKET OVERVIEW

### Fashion faces the future

Reinvented role for physical stores, omnichannel strategies and sustainability concerns together dictate fashion's new normal.

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## SPOTLIGHT

### Portrait of a pioneer

A snapshot of PINKO, the Italy-based contemporary fashion brand reinventing the role of its points of sale and highlighting the importance of riding the digital trends.

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### The moment to act

There is no better time for acquisitions than early in the recovery cycle, which is exactly what is happening now in the market.

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# Market overview

Lockdown and ongoing conversations about ‘back-to-normality’ and what the new normal will look like have nudged consumers to revise their values and habits — and this will have a long-lasting impact on the fashion industry. However, with recovery inevitable, in this Spot On we contemplate the factors that will shape the future of fashion.

After travel and hospitality, fashion is the industry most affected by COVID. A shift in attitudes comparable to the Great Depression created a real shock to the system in terms of demand. However, even when people are faced with the most challenging times in a generation, self-expression is a fundamental human need and is here to stay. As such, fashion’s recovery is assured. The main questions are when is that going to happen, and what will it look like. Below, we contemplate the factors that will shape fashion’s new reality.

## CASUALIZATION

Consumers were leaning into streetwear even before the pandemic. We remember when all the brands — even the chicest ones — suddenly added sneakers to their collections. However, the year or so spent working from home in sweatpants and T-shirts, and the lack of events for which people normally dress up, have accelerated the trend:

athleisure and casualwear sales have seen a considerable boost during this pandemic. This has resulted in the ‘relaxed tailoring’ concept and prompted many fashion players, even such luxury brands as Louis Vuitton and Christian Dior, to revise their product mixes. We believe that those brands with a strong grip on their sales and consumer data and that don’t have to deal with too much legacy in how they work will lead the way in the post-emergency rebound. Fashion is all about art and science. The art component will always be strong: once you understand product trends, you’re back in the game. However, the science factor is important, too, and it has become challenging for some.

## DIGITALIZATION

In the pre-digital era, interaction with customers was very personal, either through bricks-and-mortar stores or distributors and franchisers who contributed to a feedback loop to the

designer. E-commerce depersonalized shopping and turned customers into ‘carts.’ And this is exactly where the science factor steps in. Slow adopters of e-commerce — with no budgets to invest in the future and a lot of legacy associated with store management — face particular obstacles. For starters, they have no tools to keep track of what their customers are looking for. In contrast, during the pandemic, early adopters of direct-to-customer strategies had their infrastructures ready and could take advantage of the hordes of data, AI miracles and tailwind of improvements in payment and subscription solutions that now make it easier for customers to stay online with them rather than reverting to pre-COVID buying behavior.

## OMNICHANNEL STRATEGIES

However, the most critical error for fashion brands is in treating digital as a separate entity from the rest of their operations. Such a misconception could

prove expensive. A company's digital approach must be aligned with its overall strategy: digital experience must work in tandem with and complement offline activities. Luckily, the omnichannel strategies that everybody has been talking about for a while are finally a reality. For example, we've seen players draw customers onto a website, where they are able to connect with in-store staff for customer service. In many cases we've seen shop assistants starting to pick and pack customer orders ready to ship. In addition, some brands now allow returns and exchanges across e-commerce and stores. Once customers experience this convenience and flexibility, it won't be easy to convince them to continue with those brands that don't provide them.

## A company's digital approach must be aligned with its overall strategy

### SUSTAINABILITY

As the world's second most environmentally unfriendly industry — after oil — fashion is a major contributor to climate change and biodiversity loss. As a result, any sustainability efforts it undertakes are vital for our planet's health. With the new generation of customers expecting, and soon to demand, a sustainability focus, simply revising the old ways of doing business is not ideal or enough. The first thing brands should do is switch to sustainable raw materials: these could be recycled materials or those with a lower CO<sub>2</sub> impact, such as organic cotton instead of regular cotton. Carbon neutral in its own operations since 2018, Gucci has partnered with lenders to allow small- and medium-sized companies in Gucci's supply chain to benefit from financing lines and facilitated access to loans at better terms and conditions to launch their own approach to sustainability and environmental and social development.

The second action a brand must take is revamp its business model towards a

circular economy. For example, we have seen Carlyle-owned and Milan-based Twinset launching its "Please, Don't Buy" campaign to promote its rental services. As soon as some brands make it easy for customers to return rented clothing and footwear into a circular cycle — which means having them collected from the customer's home rather than them needing to go to the store — and actually know what clients have in their wardrobes, bid for it and send reminders about what could be brought back into the rental cycle, then the experience becomes so pleasant that large numbers of consumers will take part. However, while the industry has taken the initial steps towards improving the first part of this process, the second still feels a long way off. Embracing the booming second-hand, or pre-owned, market could be a good first step.

### SECOND-HAND MARKET

## The second-hand market has had a massive boost through digital innovation and lost much of its stigma

The second-hand market got a massive boost through digital innovation and, as a consequence, lost much of the stigma associated with it. Other factors that have fueled its rise include limited capsule drops that increase scarcity, and a new generation of sustainability-conscious consumers. Nowadays, the pre-owned luxury goods market is growing, and neither luxury houses nor accessible fashion brands can afford to ignore it. Luxury houses must ensure that their goods are displayed properly, while the accessible brands have to compete on price with this new kid on the block. Most fashion houses are currently sitting out the resale market boom, with only Kering trying to test the waters through its 5% stake in Vestaire Collective. The flow of M&A deals in resale e-commerce (aka re-commerce) and their valuations suggest that the segment has massive rewards to be reaped. We expect

resellers to compete for official partnerships with luxury houses and exclusivity on their behalf.

### STATE OF FASHION M&A

Considering all the factors mentioned above, we anticipate massive consolidation in the industry, which will open new market-share opportunities for the most flexible and rapid players. We're living in a decade marked by the innovative ways with which brands will seek to attract and engage consumers in a growing market. We have already seen many brands acquiring their artisan producers, renouncing licensing agreements and investing massively in e-commerce. We forecast these trends will persist and the largest groups will enjoy a boom in their market valuations as they protect their brand image by bringing more operations in-house. So, what are the key characteristics of such companies? In a nutshell: strong brands with strong balance sheets. Stronger exposure to China is also important, as is a digital strategy that is integrated with all other business activities. These companies also have a pipeline of investments in sustainability and know their consumers through social media and other innovations that the industry offers and will continue to offer, as the boom in fashion tech venture investments suggests. In the last 10 years, the art and science of fashion has become notably science-heavy.

## Brands are using innovative ways to attract and engage customers

# Spotlight:

# Pietro Negra on the importance of riding the digital trends

## Q&A

**The coronavirus emergency has impacted all fashion companies, and there is a growing conversation about the fact that consumers and their consumption patterns will be different. What will be the drivers of growth for fashion companies, in your opinion?**

**Pietro Negra:** We have faced the last two years with great determination, as COVID has made us stronger by allowing us to know our customers even better and to support the wholesale channel in the middle of the pandemic period.

The strength of our brand is already a driver of our recovery. Innovation, creativity and a precise identity have always represented PINKO, together with the quality of our manufacturing.

Digital has been our fundamental ally to get out of this crisis, and technology in general is at the heart of our business decisions, so we see technology as instrumental in offering better service to our customers and leveraging the efficiency it can bring to the physical channel.

The most important driver, however, is the evolution of points of sale. We are trying to test various ways we can use our stores as a customer attraction point that is not limited to just selling. For example, the 'House of Fun' concept we tested in Forte dei Marmi, Tuscany, Italy, where a new layout that combines play and glamour for an entertainment-focused shopping experience provided us with some insight into how we can move forward. In addition to increasing traffic, the concept allowed us to increase conversion and feed our customer database.

On top of that, I think it's uninspiring for consumers to go around various countries and find the same store setup everywhere. So, the same consumer visiting Shanghai, London and Milan needs to be excited and surprised by the opportunity to see something different, some store layout that reflects the spirit of the location she is in. We've also learned that consumers at this point want to have a dialog with brands; the communication has to be two-way, interactive.

**How do you think product mixes will look post-COVID? Will yours change somehow?**

**Pietro Negra:** COVID has accelerated trends that were already underway. Formalwear categories have declined rapidly in favor of sportier categories such as athleisure and activewear. We also see so much interest in the intense use of accessories, so many patterns, the extreme use of color — a sort of shift from minimalism to maximalism and self-expression.

There is also a desire for a more transitional product; the disappearance of seasonal collections is spreading rapidly among operators.

We are also experiencing a trend towards change in the supply chain. COVID has made the supply chain more united and resilient, with stronger partnerships.

**Who do you think e-marketplaces are competing with more: e-commerce or department stores? Or both? How do you see their future in your ecosystem?**

**Pietro Negra:** E-commerce platforms brought generational and disruptive changes to our industry, as they did to



**PIETRO NEGRA**

Founder & CEO

**PINKO**

so many others. Speaking frankly, we experienced their impact across all sales channels and geographies. But at PINKO, we don't tend to see them as 'competition' or a 'threat.' For us, it's more an opportunity to develop and increase brand awareness at domestic and international levels, and drive visibility about the quality of our product. We have invested a lot of effort in the last few years in brand and product identity, and now we are reaping the benefits on top-level platforms such as Farfetch. Such marketplaces generate traffic and sales like no other store has been able to do so far, and that makes them unique.

**Do you think that explosive growth in the second-hand market is going to affect your price segment?**

**Pietro Negra:** We are definitely experiencing a trend in buying pre-owned products, and the phenomenon is primarily affecting the younger generations who are more sensitive to the life cycle of products



in terms of sustainability and spending. We think it started, as always, with the most valuable items, and will slowly start reaching our segment as well. Whereas vintage stores once had limited and exclusive traffic, thanks to digitalization, the second-hand market can now have a totally different second life and generate substantial numbers. We are observing the trends of this market, in part through a small investment in a startup operating in the sector. As we see now, the pre-owned items that are particularly popular are accessories while clothing is a little bit less so. We are also evaluating rental opportunities; in general, “giving more life to the product” is an opportunity to extend its life cycle, contribute to the circular economy, and make our brand and products more accessible to new generations.

**The market suggests that you were experimenting with super-innovative sales tools in China. Any plans to adopt them in Europe?**

**Pietro Negra:** Absolutely. China is by far our biggest market abroad, and since Chinese consumers are expected to account for 50% of the global fashion market by 2025, we continue to watch with great attention and interest what happens in the Far East, which for

PINKO is already a ‘second home.’ For us, our activities in China are an exciting laboratory, where the market is very young, dynamic and digitized. However, whatever we learn there should be adapted with consideration for local tastes elsewhere.

Opening up to innovative channels helped us a lot during the pandemic and is instrumental in our recovery, which is faster compared to the rest of the market. We’ve also used these channels to generate in-store traffic and facilitate personalized service.

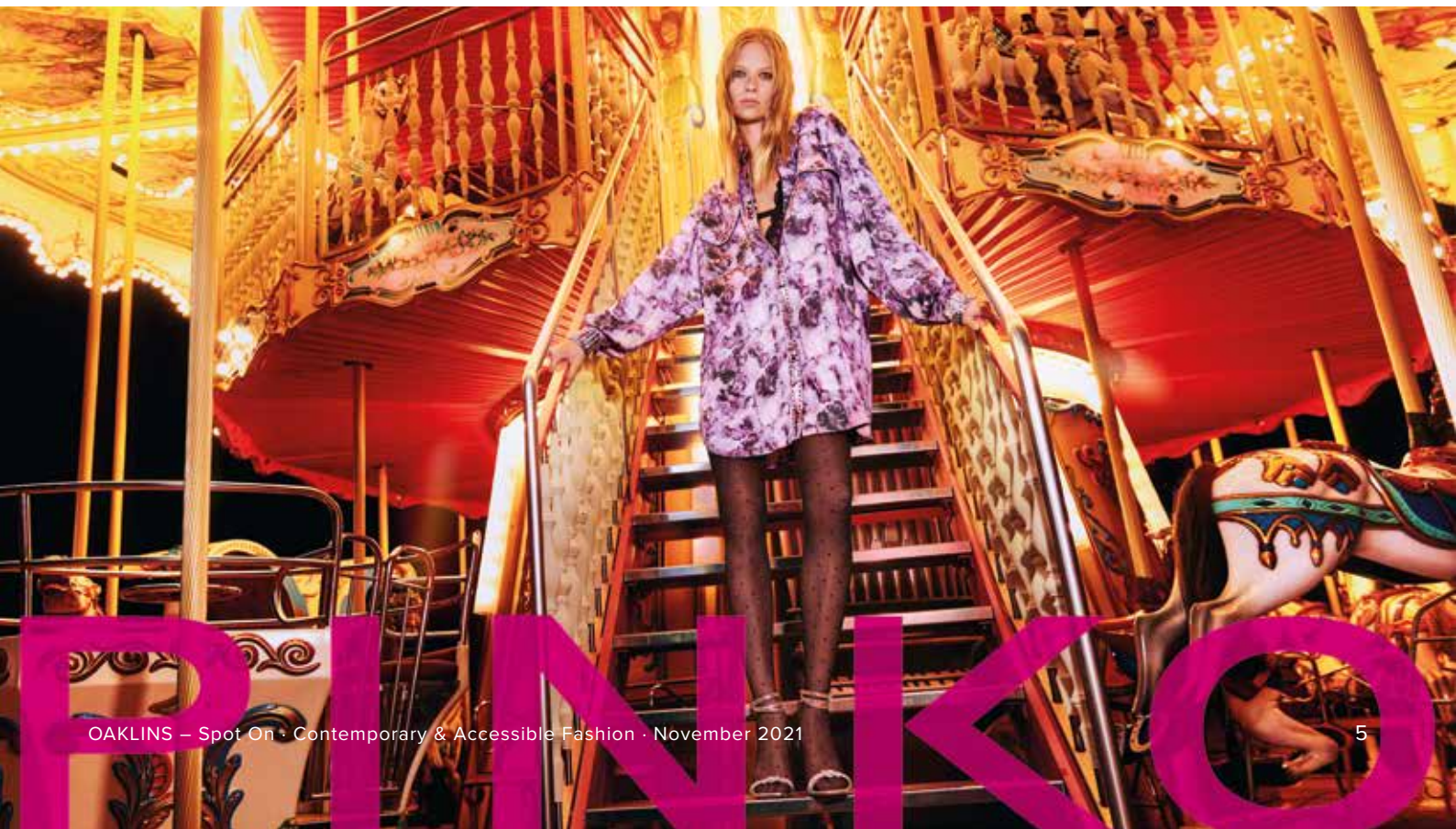
Nowadays, as the digital giants dominate in ‘new traffic,’ which is no longer physical but digital, we always take pride in our capacities to generate traffic and revenues via WeChat, Weibo, TikTok and others.

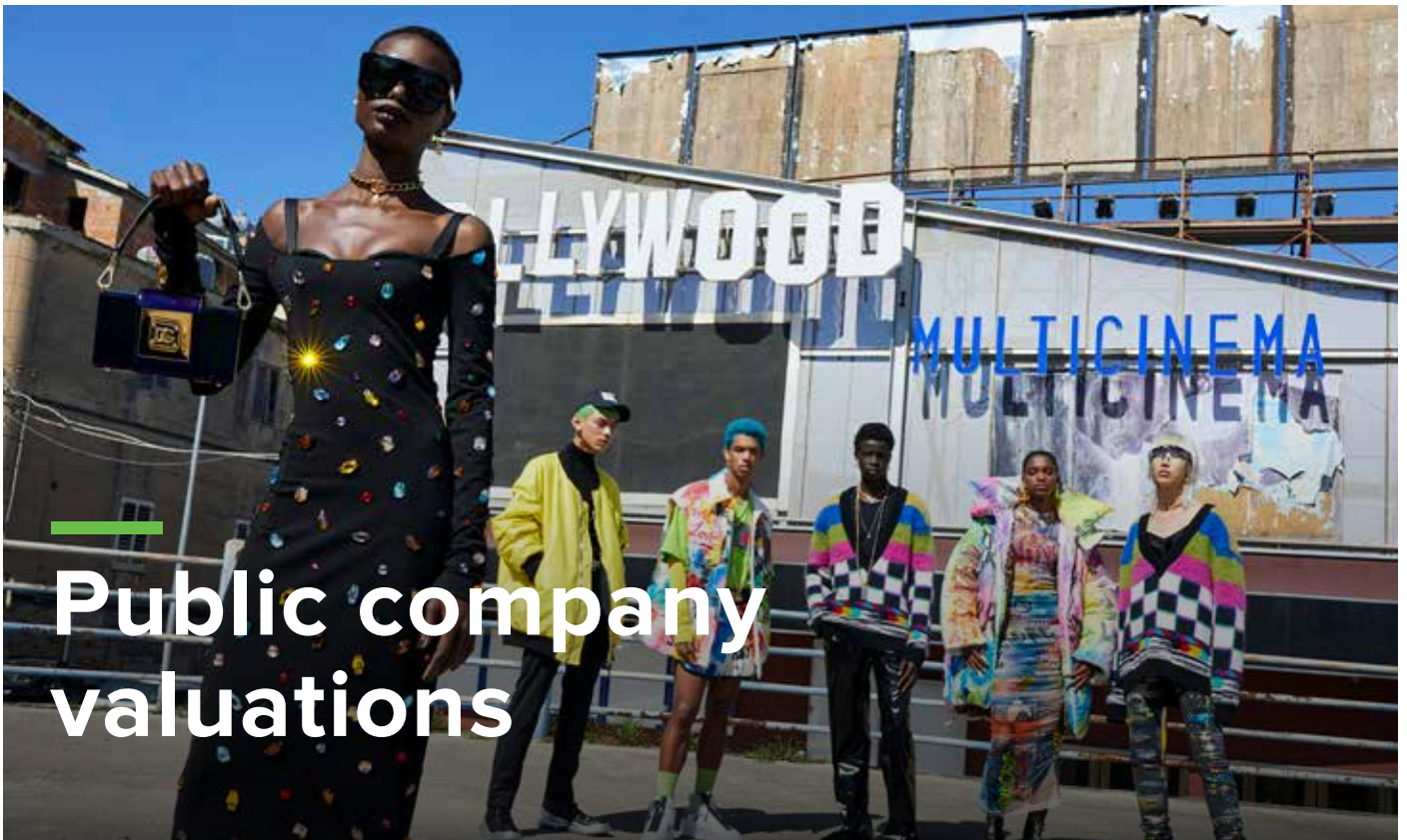
**It feels like sustainability is becoming a top priority on fashion’s agenda. Would you mind sharing your vision with us?**

**Pietro Negra:** Sustainability is increasingly playing an important role in purchasing decisions and is also becoming an element that justifies premium prices. In the meantime, our industry has to deal with two critical factors: the first is the traceability of

our fabrics and the world is working in that direction. The second factor is that nobody buys a product just because it is sustainable. Consumers buy a product because they like it, and if it’s sustainable, that adds value. We read that half of consumers seem willing to pay a premium of up to 20% for clothing with a significant environmental and social impact. In terms of a commitment to safeguarding the planet, sustainability is not optional anymore, with the importance of keeping the supply chain transparent and reducing energy and water consumption.

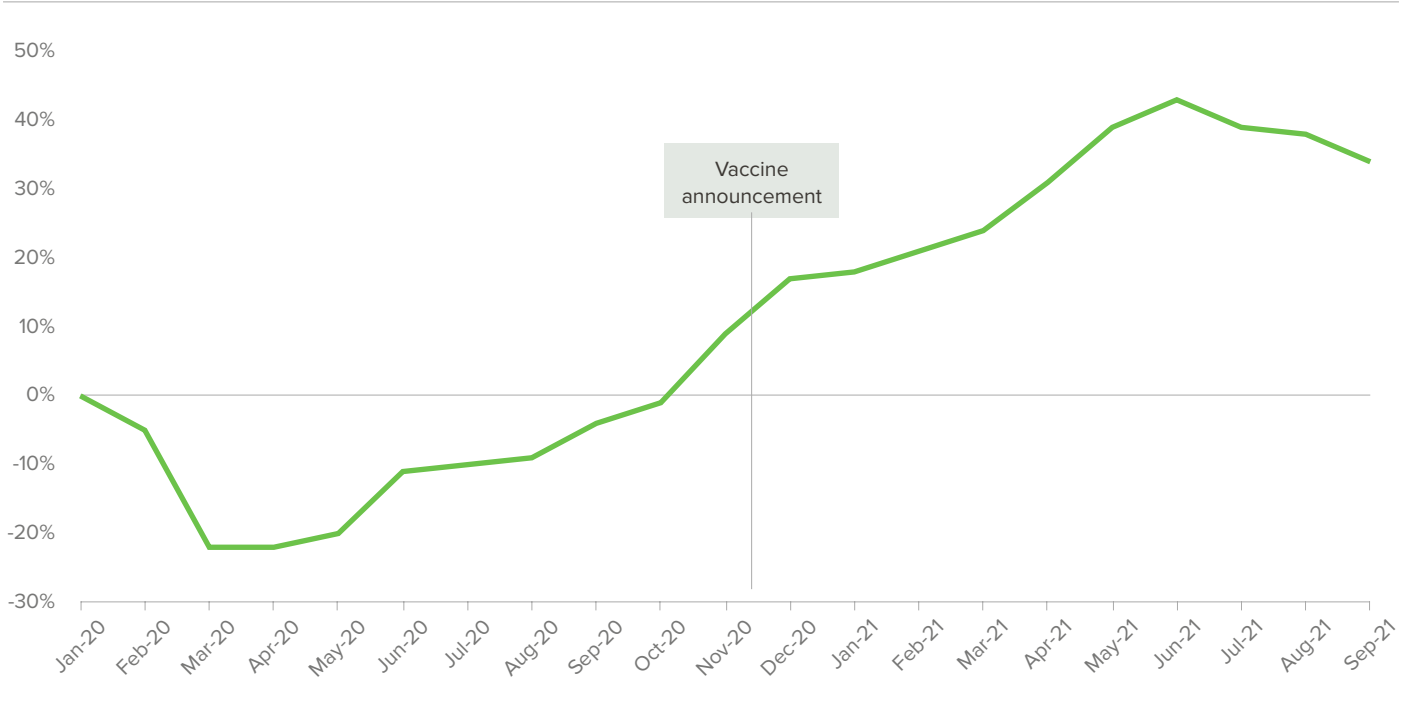
In this sense, we have great plans, as these values have always been at the core of our business. Our headquarters are an interesting architectural project integrated with the natural landscape, a real “factory in the green” that reflects our values of quality of work and attention to the human factor. We have launched “Reimagine” collections, in collaboration with the designer Patrick McDowell, with the aim of restoring and recycling garments. In addition, we are launching a vertical investment vehicle in green tech that aims to support sustainability startups. Sustainability is absolutely the way to go. We play our part, but to come up with tangible solutions, all stakeholders must contribute.





As of the end of September 2021, the cumulative enterprise values of the selected companies we look at in this overview were about 34% higher as compared with January 2020. This growth is mostly driven by large luxury groups — some of them have doubled their values. However, with only some exceptions, most of the companies have exceeded or at least returned to their January 2020 levels.













### POST-COVID DEVELOPMENT OF MARKET VALUATIONS















Source: Capital IQ. Numbers are calculated on the last day of the month as the average of the previous 30 days



# Selected listed companies

Company	Description	Country	Valuation		
			EV (US\$m)	EV/ Revenues	EV/ EBITDA
	Develops, markets and sells luxury spirits, clothing, footwear and accessories under LVMH, Christian Dior, Bulgari, Celine and 70+ other brands		408,406	5.9x	17.7x
	Designs, markets and sells luxury clothing and accessories		152,886	15.1x	35.9x
	Designs, markets and sells mass clothing and accessories under Zara, Massimo Dutti, Bershka, Stradivarius and other brands		115,007	3.7x	13.8x
	Develops, markets and sells luxury clothing, footwear and accessories under Gucci, YSL, Brioni, Balenciaga and other brands		97,929	5.0x	14.0x
	Designs, markets and sells mass clothing and accessories under Uniqlo, Theory, Comptoir des Cotonniers, Helmut Lang and other brands		67,521	3.3x	16.6x
	Designs, markets and sells mass clothing and accessories under H&M, Cos, Weekday, Monki and other brands		38,521	1.6x	8.9x
	Engages in the design, production, procurement, marketing and distribution of branded lifestyle apparel, footwear and related products under Timberland, North Face, Eastpak and other labels		30,942	2.8x	18.4x
	Develops, markets and sells premium clothing, footwear and accessories under Moncler and Stone Island brands		17,191	7.5x	18.0x
	Develops, markets and sells luxury clothing, footwear and accessories under Prada, Miu Miu, Church's and other brands		16,632	4.4x	18.1x
	Designs, markets and sells clothing and accessories under Calvin Klein, Tommy Hilfiger, Izod and several other brands		10,764	1.2x	9.7x
	Designs, markets, distributes and retails women's and men's apparel and accessories under Michael Kors, Versace and Jimmy Choo brands		10,660	2.1x	10.9x
	Designs, markets and sells premium clothing and accessories		10,037	2.8x	10.1x

## Selected listed companies

Company	Description	Country	Valuation		
			EV (US\$m)	EV/ Revenues	EV/ EBITDA
	Designs, markets and sells footwear for men and women		5,846	4.9x	17.4x
<b>HUGO BOSS</b>	Develops, markets and distributes fashion and accessories for men and women worldwide		5,192	1.7x	8.5x
	Designs, markets and sells luxury clothing		4,606	5.9x	22.9x
	Designs, markets and sells premium clothing and accessories		3,927	3.0x	11.4x
<b>TOD'S</b>	Creates, produces and distributes shoes, leather goods and accessories, and apparel under Tod's, Roger Vivier, Hogan and Fay labels		2,392	2.5x	14.1x
<b>OVS</b>	Designs, markets and sells mass clothing and accessories under OVS, Upim and Stefanel brands		2,114	1.5x	15.5x
<b>SMCP</b> <small>sandro - maje - claudie pierlot - de la rive</small>	Designs, markets, distributes and retails apparel and accessories under Sandro, Maje and Claudie Pierlot brands		1,443	1.2x	5.0x
	Designs, markets and retails apparel and accessories under Alberta Ferretti, Moschino and Pollini brands		413	1.2x	11.9x

Source: FactSet  
Data as of 21 September 2021

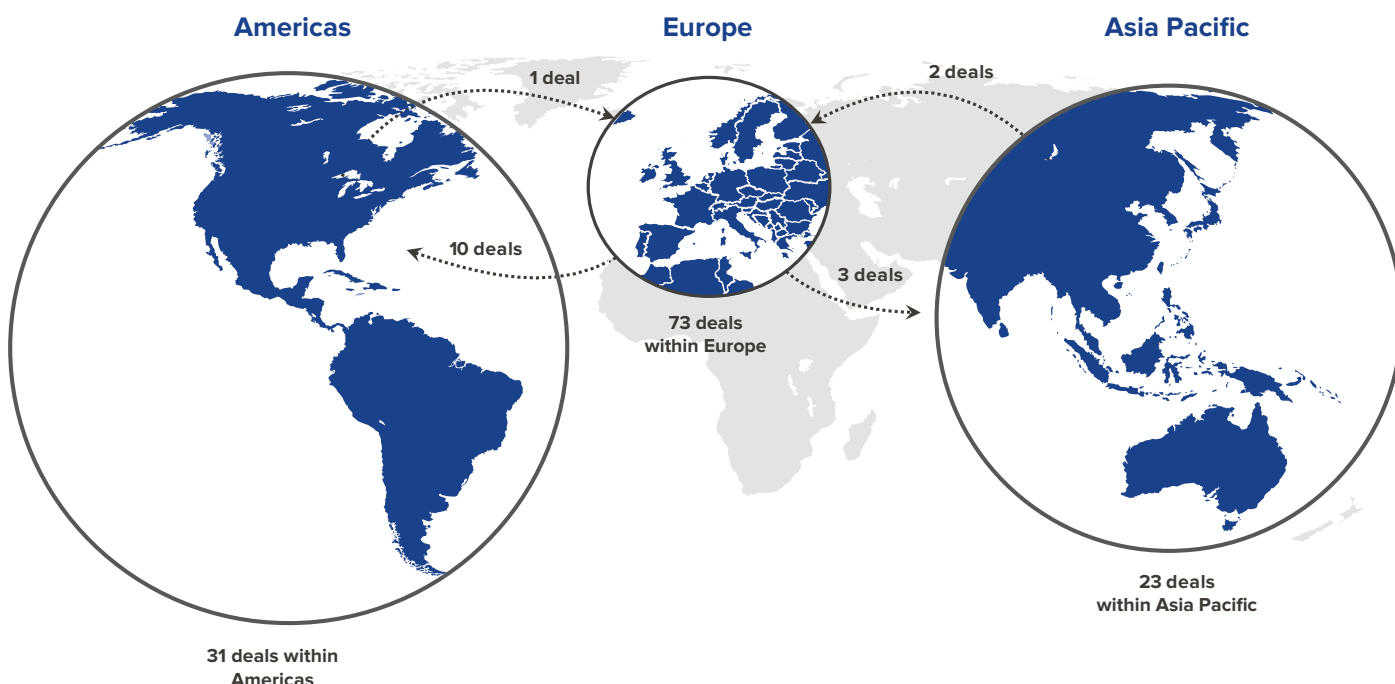




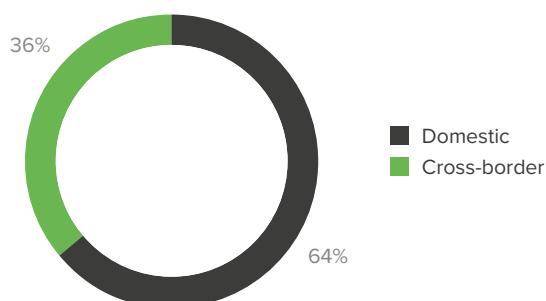
# M&A activity

There is no better time for acquisitions than early in the recovery cycle, which is exactly what is happening now in the market. We see substantial growth in the share of cross-border operations, and relative activation of strategic buyers. The share of other industries getting into fashion has remained at its previous level; among such industries are e-commerce, transportation and chemicals.

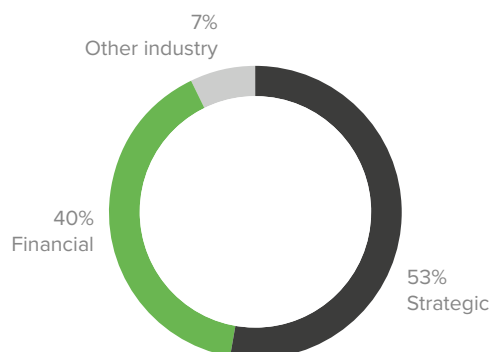
Global M&A flow from January 2021 to August 2021



Type of deals (Jan 2021 to Aug 2021)








































Type of investors (Jan 2021 to Aug 2021)



























Sources: Capital IQ, Mergermarket, Oaklins

## SELECTED M&amp;A TRANSACTIONS

Date	Target	Target business description	Buyer	Country	Valuation		
					Implied EV (US\$m)	EV/ Revenues	EV/ EBITDA
Aug-21		Designs, markets and sells sportswear	Authentic Brands Group		2,464	N/A	N/A
Aug-21		Fitness and lifestyle brand	Wolverine World Wide		410	N/A	N/A
Jul-21		Manufactures, markets, and sells shorts and trousers for men	Capital A Investment Partners		N/A	N/A	N/A
Jul-21		Designs, markets and sells clothing, footwear and accessories	Aeffe		N/A	N/A	N/A
Jul-21		Manufactures luxury clothing	Florence Group		N/A	N/A	N/A
Jul-21		Manufactures, markets and sells premium apparel and fragrances for men and women	L-Catterton		590	N/A	N/A
Jul-21	Paima	Manufactures clothing for large luxury fashion groups	Chanel		N/A	N/A	N/A
Jun-21		Produces, markets and sells a range of leather products, including handbags, wallets and other accessories	Richemont		297	3.1x	N/A
Jun-21		Produces and sells premium sneakers	Made in Italy		N/A	N/A	N/A
Jun-21	Izod, Van Heusen, Arrow and Geoffrey Beene	Heritage brands of the PVH Group, which designs, markets and sells clothing and accessories under Calvin Klein, Tommy Hilfiger and other brands	Authentic Brands Group		220	0.9x	N/A
Jun-21		Designs, markets and sells sailing apparel	Vam Investments		N/A	N/A	N/A
Jun-21		Produces cashmere and premium yarns	E. Zegna - Prada		N/A	N/A	N/A
Jun-21		Designs, markets and sells female shirts	Fenicia Spa (Camicissima)		N/A	N/A	N/A

Date	Target	Target business description	Buyer	Country	Valuation		
					Implied EV (US\$m)	EV/ Revenues	EV/ EBITDA
Jun-21	ICONIX	Manages 30 clothing brands including Umbro and Lee Cooper	Lancer Capital		585	5.4x	12.0x
Jun-21	sergio rossi	Designs, markets and sells premium women's footwear	Fosun		N/A	N/A	N/A
Jun-21	 tessitura ubertino	Produces high quality textile	Ermenegildo Zegna		N/A	N/A	N/A
Mar-21	DONDUP MADE IN ITALY	Designs, markets and sells premium apparel for women and men	Made in Italy		N/A	N/A	N/A
Mar-21		Designs, markets, and sells high-end women's footwear	Exor		2,600	3.3x	N/A
Mar-21	REISS	Designs, markets and sells premium clothing and accessories	Next		N/A	N/A	N/A
Feb-21	BIRKENSTOCK	Designs, markets and sells footwear	L-Catterton		4,587	5.5x	21.3x
Jan-21		Designs, markets and sells activewear for men, women and kids	L-Catterton		N/A	N/A	N/A
Dec-20		Produces footwear	Gruppo Manifatture Italiane		N/A	N/A	N/A
Dec-20	STONE ISLAND	Designs, markets and sells activewear for men	Moncler		1,398	4.7x	16.6x
Dec-20	ZIMMERMANN	Designs, markets and sells premium apparel, footwear and accessories for women	Style Capital		399	2.6x	9.3x
Nov-20	Lanificio Piemontese	Produces high-quality wool	F.Ili Piacenza		N/A	N/A	N/A
Nov-20	GCDS	Designs, markets, and sells streetwear for men, women and kids	Made in Italy		N/A	N/A	15.0x

Date	Target	Target business description	Buyer	Country	Valuation		
					Implied EV (US\$m)	EV/ Revenues	EV/ EBITDA
Nov-20	<b>AXEL ARIGATO</b>	Designs, markets and sells minimalist sneakers	Eurazeo	 / 	N/A	N/A	N/A
Nov-20	<b>Supreme</b>	Designs, markets and sells streetwear for men and women	VF Corp	 / 	2,100	4.2x	15.0x
Oct-20	<b>TIFFANY &amp; CO.</b>	Designs, manufactures and sells jewelry	LVMH Group	 / 	16,480	3.7x	16.2x
Oct-20	Florence (Giuntini SpA; Ciemmecci Fashion; Mely's Maglieria)	A group of companies specialized in production for high-end brands	Fondo Italiano d'Investimento & Vam Investments	 / 	194	1.9x	7.7x
Oct-20	 <b>ballin</b>	Produces high-end shoes	Chanel	 / 	N/A	N/A	N/A
Oct-20	<b>TCX</b>	Designs, markets and sells motorsport accessories	Dainese	 / 	N/A	N/A	N/A
Sep-20	<b>demenego</b>	Designs, markets and sells eyewear	Vam Investments	 / 	N/A	N/A	N/A
Sep-20	<b>ROSANTICA</b>	Jewelry	Made in Italy	 / 	N/A	N/A	N/A
Feb-20	<b>GOLDEN GOOSE</b> / ★	Manufactures and markets casualwear, shoes and accessories for men and women	Permira	 / 	1,395	4.9x	15.5x
Jan-20	<b>AMBUSH®</b>	Manufactures and sells jewelry and clothing	New Guards Group	 / 	N/A	N/A	N/A
Jan-20	 <b>SUNDEK</b>	Manufactures and markets beachwear products under the Sundeck brand	Mo.da Gioielli	 / 	N/A	N/A	N/A

Sources: Mergermarket, Pambianco



# Deep local roots, global commitment

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- M&A advisory (buy- and sell-side)
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- Corporate finance services

Contemporary & accessible fashion is one of our focus areas. Combining comprehensive sector knowledge with global execution has led Oaklins to become one of the most experienced M&A advisors in the contemporary & accessible fashion sector, with a large network of relevant market players worldwide. This results in the best possible merger, acquisition and divestment opportunities for contemporary & accessible fashion companies.

If mergers, acquisitions, or divestitures of businesses or business units are part of your strategy, we would welcome the opportunity to exchange ideas with you.



✉ **MICHELE SALERI**

Managing Director  
Milan, Italy  
T: +39 335 775 5872

Michele leads Oaklins' contemporary & accessible fashion team and is a managing director at Oaklins Italy. With over 15 years of experience in mergers & acquisitions and an exclusive focus on the fashion and luxury sectors, he continuously follows developments, attends major events and maintains regular contact with the key players. Consequently, Michele has a deep understanding of the market dynamics and value drivers in the fashion industry. Clients he has advised include TOD'S, a symbol of Italian excellence in footwear and leather goods; Marcolin, a designer, producer and distributor of sunglasses; Technogym, the recognized worldwide leader in wellness and design products; and Saks, one of the most important US department stores.

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