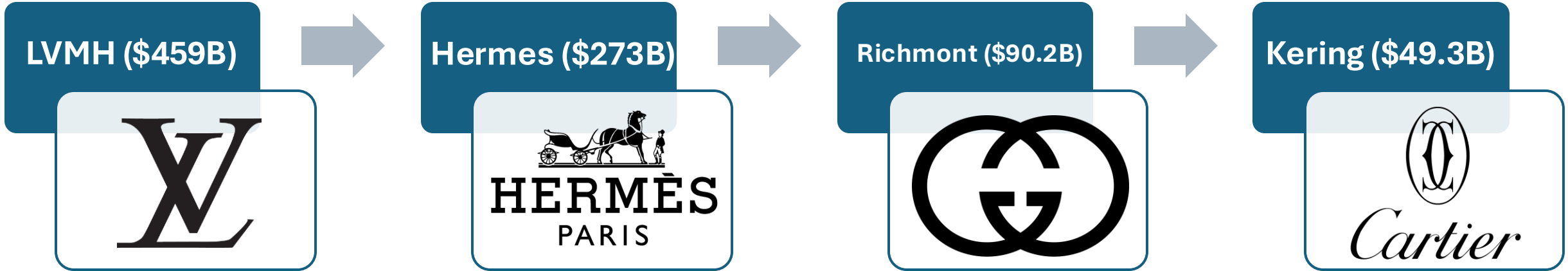




MERCURY
CAPITAL
MANAGEMENT

FASHION INDUSTRY M&A ANALYSIS

Team: Priscilla – Rhiannon, Nathalie and Pablo
Blythe – Leopold, Callum and Karen



**Market
Characteristics**



Brand Exclusivity & Prestige



Strong Emphasis on Craftmanship & Quality



High Price Elasticity of Demand



Supply Chain Control & Vertical Integration

Revenue in the Luxury Fashion market amounts to **US\$150.37bn** (2025)

The market is expected to grow annually by **3.09%** (CAGR 2025-2029)

Chinese consumers accounted for **24% (2023)** of global luxury spending, rise to **35% (2030 projection)**

Economics Sensitivities



Macroeconomic Volatility: Inflation & interest rates impact middle-to-upper class discretionary spending.



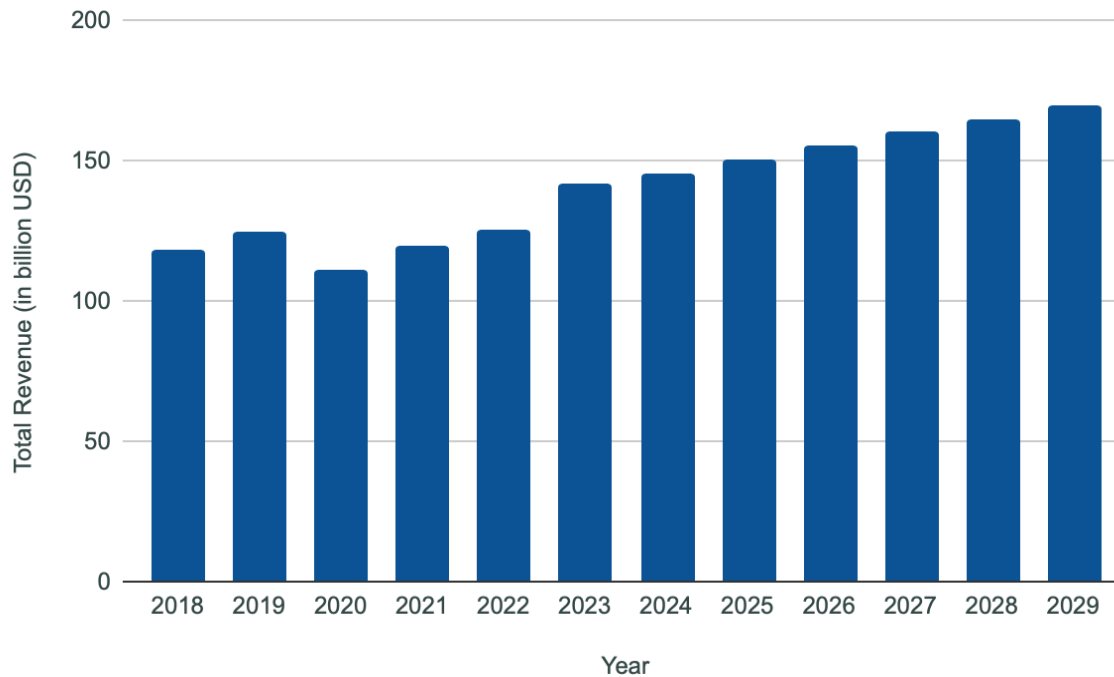
Counterfeits & Resale Market Growth: ~ \$1.2T counterfeit market threatens luxury brand equity.



Geopolitical Risks & Regulations: China's luxury crackdown, US trade tariffs could disrupt supply chains.



Foreign Exchange Fluctuations: A strong USD can hurt European luxury exports while favoring U.S. buyers.



INDUSTRY

MONCLER

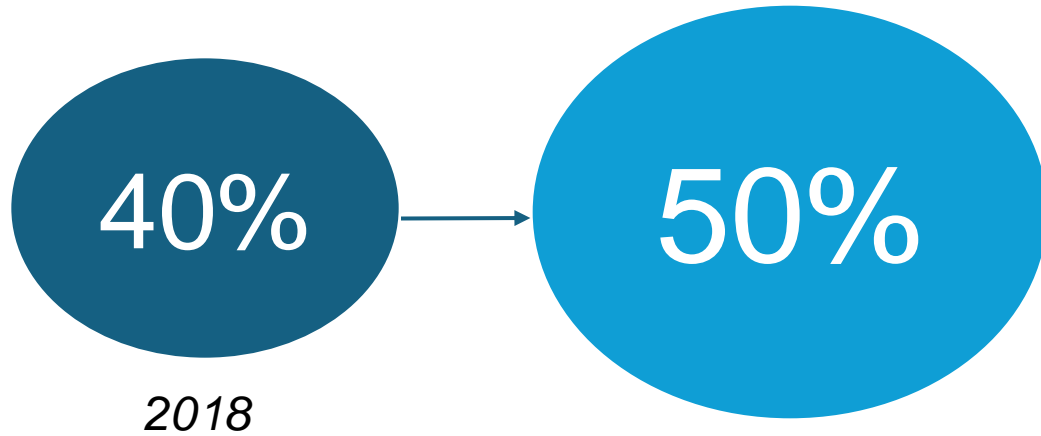
BURBERRY

PRADA

VERSACE

COMPARISON

Repeat Purchase Rate



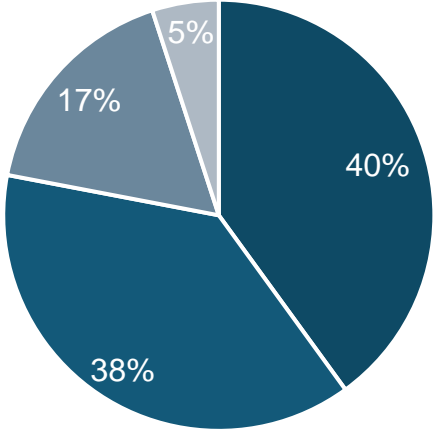
300% increase in social media traffic during Genius drops

Helped reduce average customer age from 39 to 34

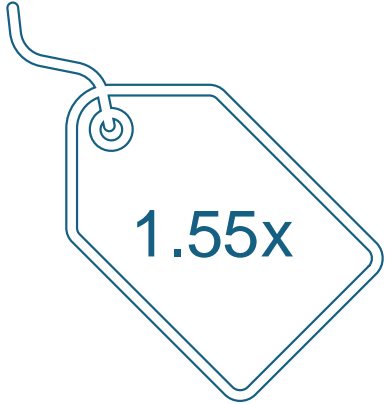
Sales Density

€42,500 per m²

2024 Revenue by Geography



■ Asia ■ EMEA ■ Americas ■ RoW



Surpassed target set in 2019 of 1.4 UPT

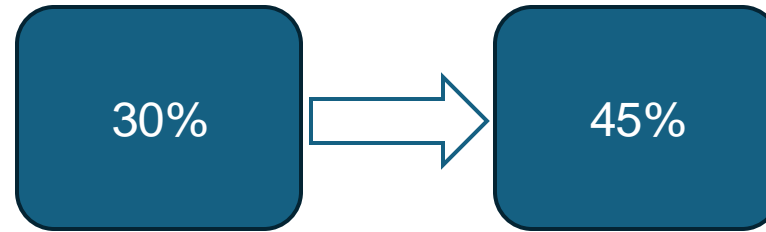
MONCLER ACQUISITION OF STONE ISLAND

€1.15
Billion

Acquisition of Stone Island in
2021 for 16.6x EBITDA

*Moncler currently trading at
13.6x EBITDA*

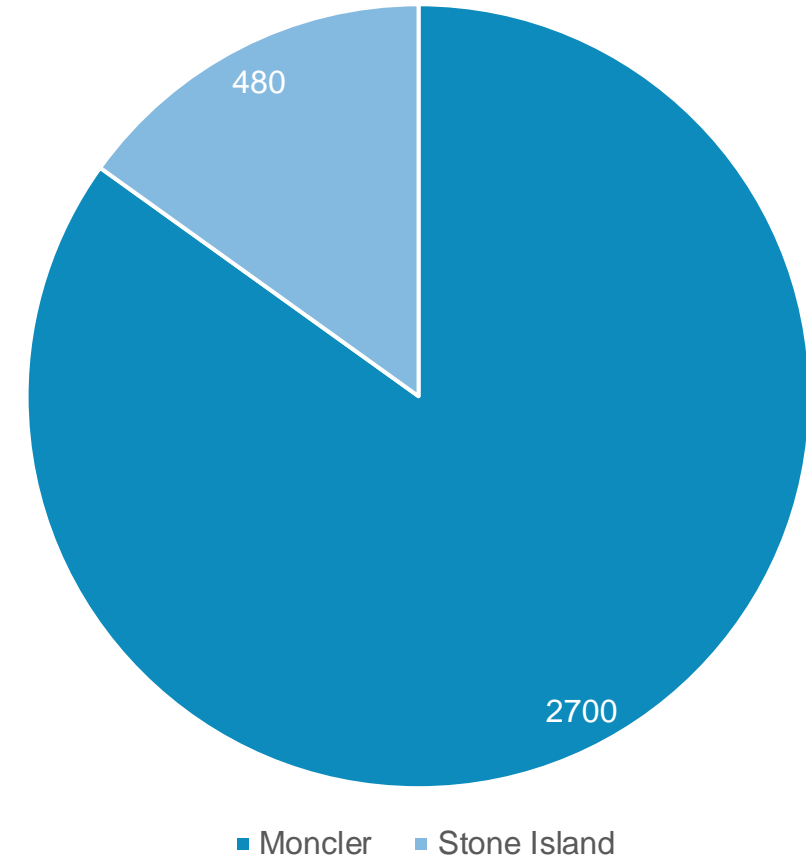
DTC (percentage of revenue)



€30
Million

Supply chain optimization has
resulted in approximately €30
million in annual cost synergies

Revenue (m)



INDUSTRY

MONCLER

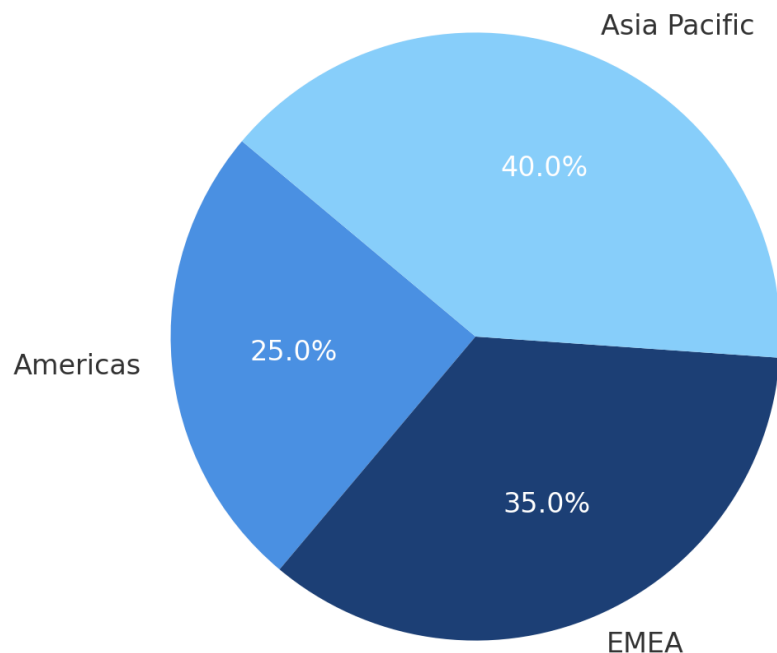
BURBERRY

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COMPARISON

Burberry Net Sales by Region



- Founded in 1856 by Thomas Burberry in London
- Famous for trench coats, check patterns, and British heritage
- Operates in luxury apparel, accessories, and fragrance markets



- Revenue: £2.66B (-15.5% YoY)
- Gross Profit Margin: 64.8%
- EBIT: £418M (5.8% margin)
- Key Regions: Asia-Pacific and the Americas



- Leadership: Joshua Schulman appointed as CEO in July 2024.
- Strategic Plan: Launched 'Burberry Forward' to revitalize brand heritage and focus on iconic products like trench coats and scarves.
- Market Share: Burberry holds 2.7% of the luxury apparel segment



- Committed to becoming carbon neutral by 2040.
- Uses 90% sustainably sourced cotton in its products.
- Opened 20+ new flagship stores in Asia over the past 2 years.

BURBERRY PAST ACQUISITION

Burberry – Pattern SpA Acquisition

- Deal Value: €21 million
- Acquired Unit Revenue: €25 million (2022)
- Acquired Unit EBITDA: €3.7 million (2022)

Strategic Impact

- Increased control over outerwear quality, costs, and supply chain efficiency
- Reducing reliance on third-party suppliers

Effect of the Acquisition:

- Short-term: Integration costs, but better production control
- Long-term: Potential margin improvement and enhanced brand positioning in technical outerwear



MULTIPLE ANALYSIS

	Burberry	Moncler	Industry Mean
TEV/Total Revenue	1.8x	5.2x	3.85x
TEV/EBITDA	5.8x	13.6x	12.18x
TEV/EBIT	10.5x	17.7x	22x
Trailing P/E	85.8x	25.9x	36.21x
P/B	1.2x	4.6x	4.5x

INDUSTRY

MONCLER

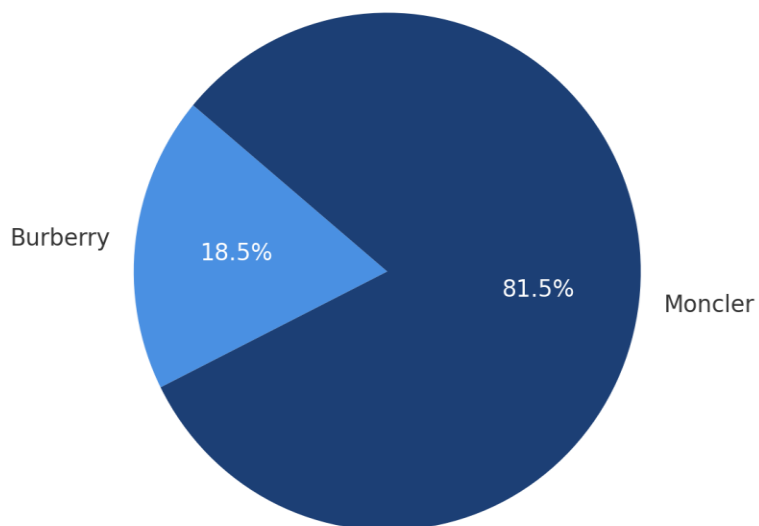
BURBERRY

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COMPARISON

Market Capitalization Distribution: Burberry & Moncler



Burberry's strength in Asia & North America complements Moncler's dominance in Europe. A combined entity enhances pricing power & luxury positioning.



Operational Synergies:
Shared supply chains reduce costs (~€100M+ expected savings). Wholesale (Moncler) + Direct Retail (Burberry) creates a balanced distribution model.

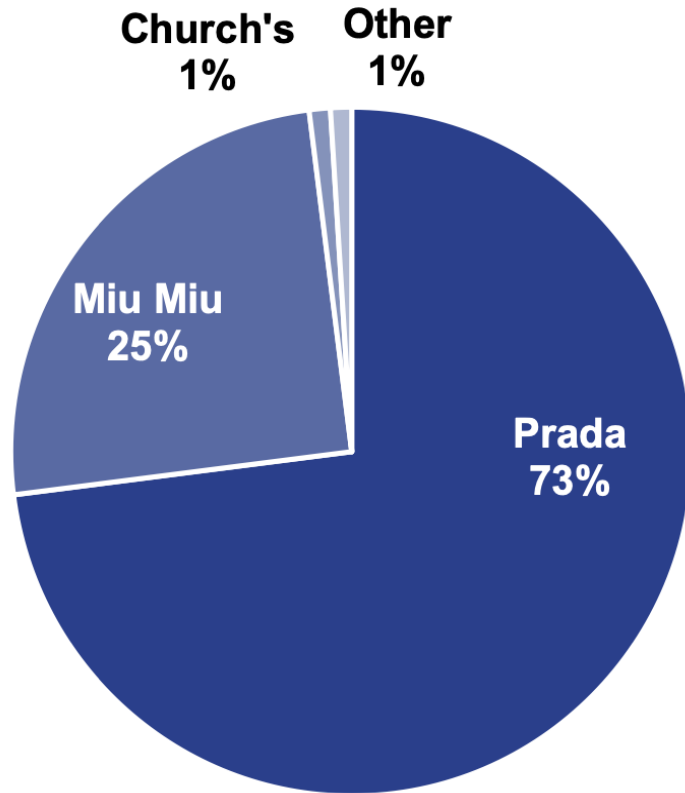


Financial & Valuation Impact:
Burberry: £3B market cap, 16.1x EBITDA
Moncler: €13.5B market cap, 18.5x EBITDA
A merger could unlock higher valuation multiples



Challenges & Risks:
Brand identity conflict (British heritage vs. Italian luxury sportswear).
Financing hurdles (Moncler significantly larger, likely stock swap or leveraged buyout).

Net Sales by Brand



PRADA

Prada was founded in 1913 by Mario Prada and his brother Martino as Fratelli Prada, a leather goods shop in Milan. In the 1970s, Miuccia Prada, Mario Prada's granddaughter, took the reins on the brand.



In 2024, Prada Group reported a 17% increase in net revenues, reaching €5.4 billion, surpassing market expectations by 2%. Significantly impacted by Miu Miu net sales.



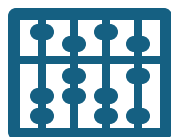
EBIT rose to €1.28 billion, with a 23.6% margin. Geographically, sales increased notably across all regions, particularly in Japan (46%) and the Middle East (26%).



sustainability strategy across all pillars: Planet, People and Culture:

- In 2023, Scope 1&2 GHG emissions reduced by 58%.
- 46% of women in top management.
- SEA BEYOND programme with UNESCO.

Background



Capri Holdings Limited is a global fashion group which has Versace, Jimmy Choo and Michael Kors. Versace was founded in 1978 in Milan, known for iconic and unmistakable style and unparalleled craftsmanship.

Expansion



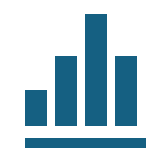
Led by Donatella Versace, the subsidiary expanded from haute couture to design, manufacturing, distribution and ready-to-wear, accessories, footwear, eyewear, watches, jewellery, fragrance and home furnishings.

Relationships



Versace has strong relationships with premier department stores around the globe including Saks Fifth Avenue in North America, Harrods and Selfridges in Europe.

Reputation



Capri Holdings has an exceptional retail store footprint with tailored store designs which average approx. 2,900 gross square feet.

INDUSTRY

MONCLER

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Strengths

- **Vertical Integration:** Prada controls its value chains.
- **Innovation in Digital Infrastructure:** Unified-CXM – identified the importance of the digital experience in the covid-19 pandemic.
- **Prada Re-Nylon** - Crafted entirely from regenerated nylon created through the recycling and purification of plastic.

Weaknesses

- **S&P Global ESG Score:** Prada received a score of 38 out of 100, and Capri received 41 out of 100.
- **Dependence:** the business relies heavily on the conditions of the luxury market.

SWOT Analysis

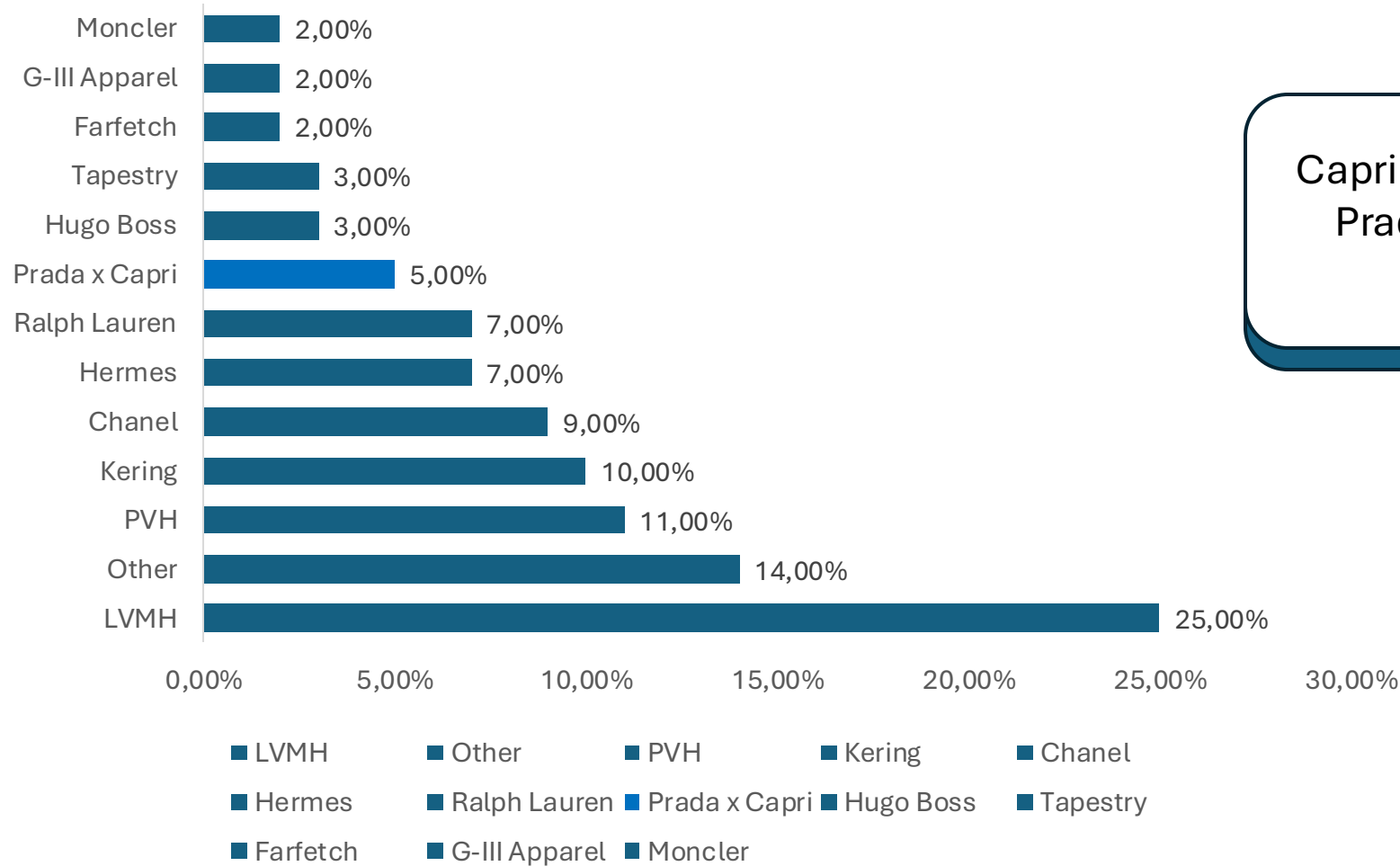
Opportunities

- **Expanding Portfolio:** benefit by expanding portfolio and market reach, complementing its minimalistic aesthetics.
- **Emerging Markets:** expanding its presence in markets such as India, Brazil, and Southeast Asia, where demand is growing.

Threats

- **Economic Downturns:** luxury goods are Veblen goods, meaning that economic fluctuations can affect the demand.
- **Competition:** Fierce competition from brands like LVMH and Kering.
- **Supply Chain Disruption:** Trump's proposed EU tariffs could raise US product prices.

PREDICTED MARKET SHARE



Capri holdings has 3% market share, and Prada has 2% - almost doubling their individual impacts.



MULTIPLE ANALYSIS

	PRADA	CAPRI HOLDINGS LIMITED	Industry Mean
TEV/Total Revenue	3.6x	1.1x	3.85x
TEV/EBITDA	9.8x	5.5x	12.18x
TEV/EBIT	15.1x	35.8x	22x
Trailing P/E	21.01x	17.8x	36.21x
P/B	4.0x	2.4x	4.5x

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Prada Group Revenue Growth


€ mln % at constant fx	FY-23	FY-24	FY-24 vs. FY-23
Asia Pacific	1,446	1,604	+13%
Europe	1,312	1,532	+18%
Americas	767	830	+9%
Japan	484	656	+46%
Middle East	180	227	+26%
Total	4,190	4,849	+18%



The Prada Versace deal could allow for Versace’s expansion into new markets, given Prada demonstrated outstanding growth in Japan (46% YOY revenue growth) and Middle East (26% YOY revenue growth).



Joint brand collaborations could help Versace boost the proportion by which accessories contribute to overall revenues (Initial goal of Capri is to boost from 20 to 50%).



Versace’s broad wholesale network (744 wholesale doors out of 967 stores) offers Prada an opportunity to expand market reach, while Prada’s strong retail control (606 directly operated stores out of 631) can enhance Versace’s brand positioning.



Versace's leadership shift hints at a cultural alignment with Prada. New CCO Dario Vitale, from Miu Miu, brings a Prada-rooted edge, while CEO Emmanuel Gintzberger's McQueen experience aligns with Versace's bold identity. This mix could bridge Prada's refinement with Versace's glamour.



Prada's brand reputation for understated luxury contrasts with Versace's bold and expressive reputation. The acquisition would require careful integration to avoid alienating existing customer bases.




Prada and Versace will be better positioned to compete with LVMH and Kering, but they must still strengthen brand identity and grow strategically. The deal can help integrate the way both Versace and Prada distribute their products.


Capri Holdings Revenue Decline

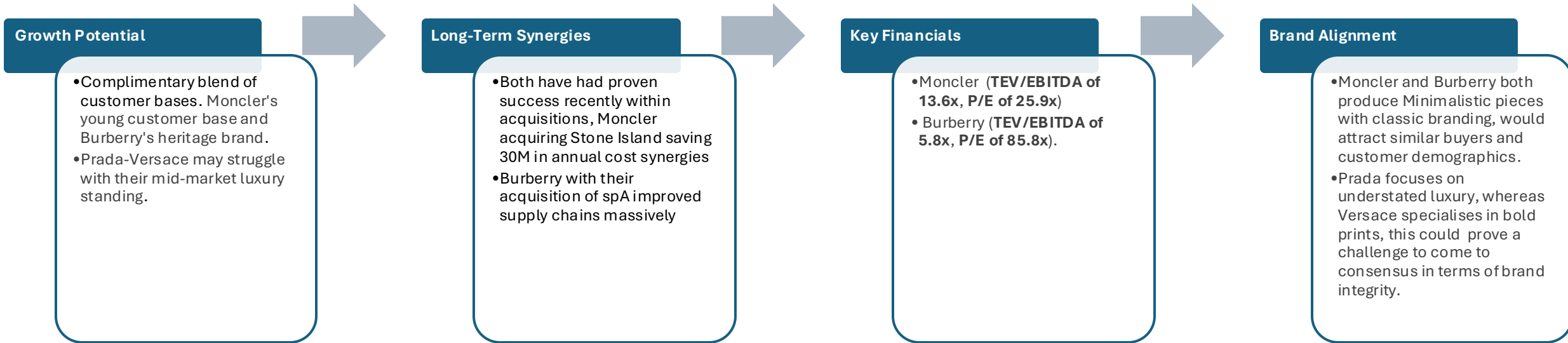
	Fiscal Years Ended		
	March 30, 2024	April 1, 2023	April 2, 2022
Versace - the Americas	\$ 338	\$ 408	\$ 408
Versace - EMEA	444	468	425
Versace - Asia	248	230	255
Total Versace revenue	1,030	1,106	1,088
Jimmy Choo - the Americas	176	196	175
Jimmy Choo - EMEA	266	255	229
Jimmy Choo - Asia	176	182	209
Total Jimmy Choo revenue	618	633	613
Michael Kors - the Americas	2,298	2,616	2,627
Michael Kors - EMEA	791	819	835
Michael Kors - Asia	433	445	491
Total Michael Kors revenue	3,522	3,880	3,953
Total - the Americas	2,812	3,220	3,210
Total - EMEA	1,501	1,542	1,489
Total - Asia	857	857	955
Total revenue	\$ 5,170	\$ 5,619	\$ 5,654

← → Prada follows a highly centralized creative and business strategy, while Versace operates under Capri Holdings’ multi-brand model. Merging these different operational philosophies may require extensive restructuring.

▶▶ Prada and Versace both sit in between the Ultra-Luxury and Affordable luxury segment, which is being squeezed as consumers either trade up or trade down. As many consumers especially in the US pull back on non-essential purchases, both brands may struggle with sales (Versace Americas revenue fell 17% YOY).

 The acquisition may reduce internal competition, strengthening price-setting power. With Italy’s competition authority recently investigating luxury brands like Armani and Dior for worker exploitation, Prada and Versace must ensure strict compliance to avoid reputational risks.

 Versace may struggle to adapt to the booming trend of second-hand luxury, where Prada holds a stronger resale value in classic pieces in contrast to Versace’s trend-driven styles which may not hold as much value over time.



Recommend : Moncler-Burberry