



Authentic Brands Group Acquires Ted Baker

Deal Discussion

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Transaction Overview

Transaction Overview

Authentic Brands Group (“ABG”) Acquires Ted Baker



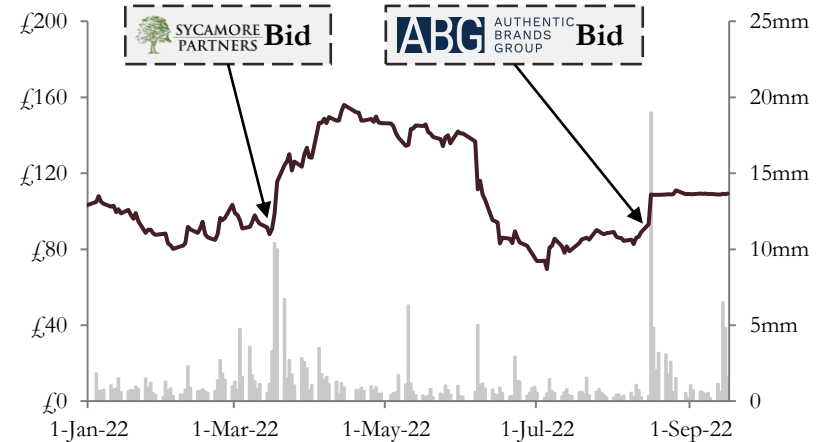
Overview

- Ted Baker launched a sale process in April 2022, after rejecting Sycamore Partners’ bid of £137.5 per share in March

Implied Enterprise Value	
Pro Forma S/O	1,846,162
Pro Forma Share Price	£110.00
Equity Value	203,077,774
Less: Cash	14,500,000
Enterprise Value	188,577,774

- ABG entered into an agreement to acquire Ted Baker for approximately £203 million all cash deal on August 16, 2022
- ABG paid £110 in cash for each Ted Baker share, representing a premium of approximately 18.2% to Ted Baker’s share price of £93.10 at close on 15 August 2022

YTD Share Price Performance



Deal Map

Financial Adviser



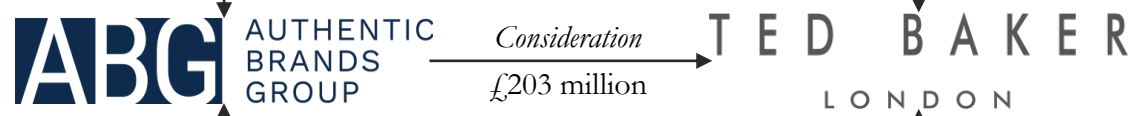
Financial Advisers



Investors



Joint Brokers



Industry Overview

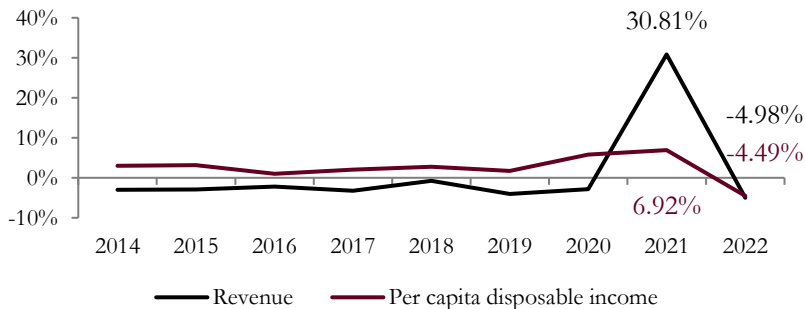
Industry Overview

Comprehensive Overview & Market Competition

Demand for the Market

- **High-End Retail:** Establishments that specialize in women's and men's luxury wear; operators undertake sales and administrative activities, such as customer service, advertising and cash handling
- Global market value stands at US\$ 72.4 Bn, and is projected to grow at a CAGR of 4% from 2021-2031
- Despite a dip in margins, discount and luxury outperformed the wider market throughout the pandemic, while the midmarket continued to be squeezed
- Growing urbanization and an ongoing rising level of disposable income continues to fuel significant demand for stylish and environmentally responsible luxury retail

Impact of Disposable Income on Top-Line Growth



Low per capita disposable income in 2022 has shifted consumer spending away from discretionary products, resulting in lower prices and earnings for retailers

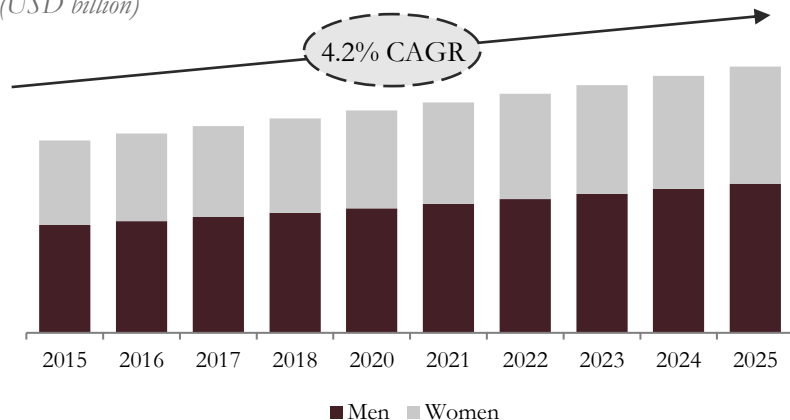
Competitive Landscape

- Growing demands from luxury's ever-evolving consumers means there has never been a more competitive time for brands to remain relevant
- Brands must consider how to address the multiple trends that are reshaping the market and demand for luxury goods, including embracing digital and devising creative and compelling content for consumers
- Industry participants competing with each other on the basis of brand image, marketing, fashion design, quality, price, customer service and store location



Luxury Apparel Market by End User, 2015-2025

(USD billion)



Emerging Challenges

Logistical Gridlock

Reliant on an intricate web of global supply chains seeing unprecedented levels of pressure due to labour shortages, the international trading environment, logistical logjams, rising shipping costs and sourcing struggles

E-Commerce

Thigh-end market continues to be step behind mass-market retailers in this area, with some still not releasing their full collections online, leading to stiff competition from multi-brand high-end ecommerce sites revolutionizing luxury

Major Trends

1 Digital Penetration & Adoption

- In order to serve to a diverse spectrum of consumers throughout the world, key firms are focused on selling their items on numerous e-commerce websites around the world
- Across the world, online shopping has surpassed brick-and-mortar retail, particularly during the ongoing pandemic
- Hyper-interactive digital environments and investment in e-commerce are increasingly the leitmotifs of brands that are pushing on fashion frontiers

2 Socially-Conscious Shopping

- More than ever, sustainability is dominating consumer priorities and the fashion agenda; consumers want to know where materials come from, how products are made, and whether the people involved are treated fairly.
- In response, companies are expanding their sustainable assortments and working to boost the sustainability of their supply chains.

3 Expansion into APAC Region

- Though Europe continues to be the largest regional market for luxury apparel, Asia Pacific has witnessed strong growth over the past few years on account of increasing consumer awareness and brand consciousness among regional consumers
- Brands are exploring untapped markets in the region owing to rising demand largely within China, HK and India

Target Overview

Target Overview

Ted Baker: A London-Based Fashion Staple



Company Overview

- Ted Baker is a fashion company that designs, retails, wholesales, and licenses menswear, womenswear and accessories.
- The company owns 500+ shops and concessions around the world and is recognized as a leading high-street clothing brand
- Ted Baker has faced a general decline after 2018 due to hard trading conditions for clothing brands, accounting errors, and founder's inappropriate behaviours and his subsequent exit.
- The board of Ted Baker has recommended the shareholders to approve the buyout for £110 per share, which 50.7% of the shareholders has approved.
- The company is trading at £109 per share; EV of £323.8m

Key Financials (in millions £)

	2019A	2020A	2021A	2022A
Total Revenue	639.6	630.5	355.3	428.2
<i>YoY Growth</i>	8.1%	(1.4%)	(43.7%)	20.5%
Gross Profit	362.0	307.1	184.4	237.6
<i>Margin %</i>	56.6%	48.7%	51.9%	55.5%
EBITDA	65.3	(2.3)	(49.0)	(27.1)
<i>Margin %</i>	10.2%	(0.4%)	(13.8%)	(6.3%)
EBIT	44.8	(24.8)	(63.6)	(38.3)
<i>Margin %</i>	7.0%	(3.9%)	(17.9%)	(8.9%)
Net Income	24.5	(68.2)	(86.4)	(35.6)
<i>NI Margin %</i>	3.8%	(10.8%)	(24.3%)	(8.3%)

Management Team



Name	Rachel Osborne	Mark Dench	Leon Shepherd
Role	CEO	CFO	CIO
Year Joined	2019	2022	2017
Past Roles	Debenhams	Joules Group	Marks & Spencer

2022 Key Stats



130 Stores worldwide, down from 180 in 2021



2,224 employees worldwide, up from 2,124



9.7% YoY decrease in digital sales



£35.6mm loss posted in 2022



£ 3.1mm cash position

Acquirer Overview

Acquiror Overview

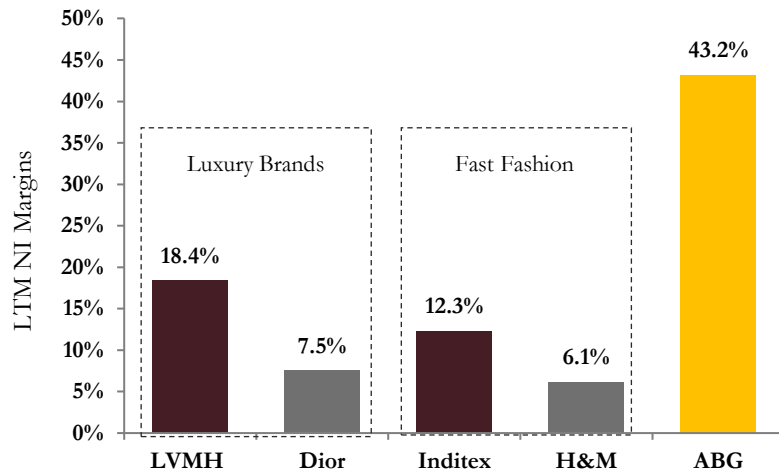
Authentic Brands Group: Consolidating Fashion Companies



Authentic Brands Group Overview

- Founded in 2010, Authentic Brands Group (ABG) is a brand management company headquartered in New York City
- It owns a variety of apparel, athletics, and entertainment brands. It also partners with other companies to license and merchandise
- ABG had pursued an aggressive acquisition strategy to fuel its growth, with some of the largest acquisitions in the industry
- It owns 50+ consumer brands including Brooks Brothers, Forever 21, Reebok, Nautica, Aéropostale, etc.
- In 2020, the Company reported US\$489m in revenue and US\$211m in net income (43% NI margin in 2020, 15% in 2019). The company is most recently valued at US\$13bn

Why Conglomerates Win Across Markets



Source(s): ABG, CapIQ, The Guardian

Management Team



Name	Jamie Salter	Nick Woodhouse	Kevin Clarke
Role	Chairman & CEO	President & CMO	CFO
Year Joined	2010 - Founder	2012	2018
Past Roles	Ride Inc.	Forzani	Bear Stearns

Authentic Brands Group Ownership Structure



Strategic Rationale

Strategic Rationale

Why Did ABG Participate In The Ted Baker Buyout?

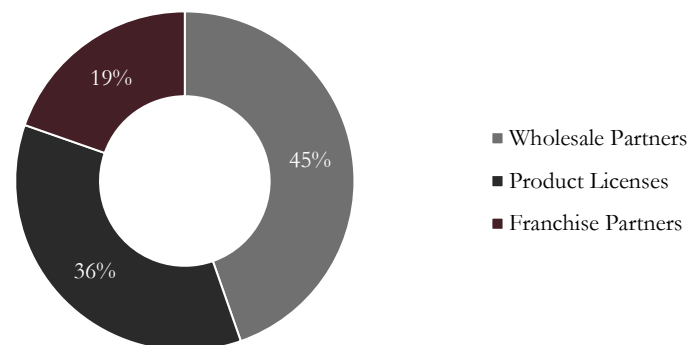
Strong, Lasting Brand Recognition

- Ted Baker's main value proposition is their strong brand recognition with a history of producing **quality designer wear**
 - Falls under the **"everyday luxury"** category, unlike many other higher-end brands
- From ABG's perspective, Ted Baker's strong brand recognition is a green flag for **capital allocation**
 - **Why Capital Allocation?**
 - Ted Baker can re-invest new capital from ABG to **maximize cost synergies**
 - Drives long-term profitability
- This moat aligns with the investment criterias of many of the private equity shareholders involved



A Global Network of Operating Partners

- These established operating partners bring **industry expertise** and **attractive business models**
 - Capitalize on **network effect**
 - Drives revenue and profitability across **merchandise categories** and **geographic lines**
- ABG has had a strong track-record of applying this **roll-up strategy** to other popular brands
 - Reebok, Brook Brothers, Nautica, Eddie Bauer
- Private equity shareholders in this deal aim to **accelerate** and **scale up** their portcos
 - Ted Baker is an ideal candidate given it's extensive **pre existing network** and unrealized potential to achieve **economies of scale**

Distribution of Operating Partners by Segment



Past Acquisitions by Authentic Brands Group



2019	2021	2021
FOREVER 21		
US\$63m minority acquisition, all cash	£20m minority acquisition; all cash	US\$2.5bn, debt financed, all cash

Strategic Rationale

Portfolio Fit and Industry-Wide Apparel Consolidation

ABG Gains Presence Across Most Apparel Segments



Segment	Brand	Year of Acquisition
Luxury	 NEIL LANE	2017
Sub-Luxury	 <i>Brooks Brothers</i>	2020
Everyday Luxury	T E D B A K E R	2022 (Pending)
Mid-Market	 Reebok	2020
Fast Fashion	FOREVER 21	2019
Discount	 AÉROPOSTALE	2017

Sources: Company filings,

Strategic Rationale

Acquisition Model Fit



Past Acquisitions

Target	Amount	Year of Acquisition	Additional Commentary
AÉROPOSTALE	\$243mm	Q3' 2016	After filing for chapter 11 bankruptcy in early 2016, ABC purchased the brand outright at 0.69x P/BV
FOREVER 21	\$81mm	Q4' 2019	Acquired 75% of assets along with Brookfield Asset Management, acquired 100% ownership in 2021
Brooks Brothers	\$325mm	Q3' 2020	Acquired 100% ownership in Q3 2021 after a chapter 11 bankruptcy filing
Reebok	\$2.5bn	Q1' 2022	Acquired 100% ownership from Adidas in 2021 after lagging sales and poor brand positioning

Side Note: Brand Management & REITs

- ABG also acquires celebrity brands and acts as a brand manager/marketer for personal labels, similar to a record label or modelling agency
 - ABG holds merchandise and endorsement rights to Elvis Presley, Greg Norman, Marilyn Monroe, Michael Jackson, Muhammad Ali, among others
- In all deals ABG partners with Simon Property Group (NYSE:SPG), who usually take partial ownership in all acquired business, in all real estate, and in ABG itself
 - Retail and e-commerce operations are owned through an equal joint venture with SPG

Acquisition Checklist

	Rationale
✓	Strong Brand Name/Recognition
✓	Significant Purchase Discount
✓	Fit into Existing Portfolio
✓	Expand into New Segments

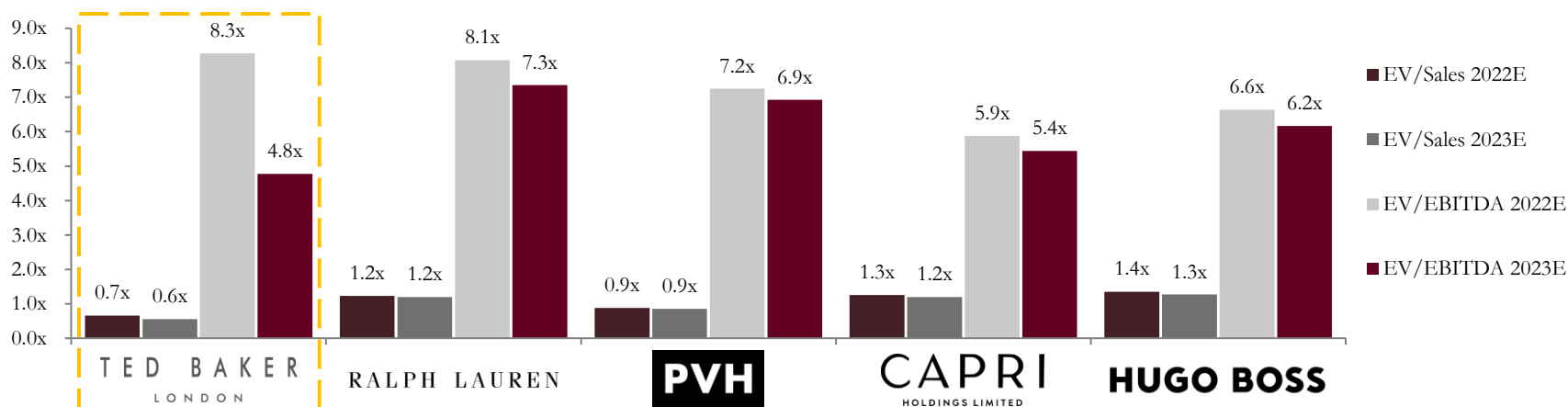
ABG, along with its REIT counterpart, Simon Property Group, purchases struggling apparel brands at a significant discounts and rolls up brands across the retail market into their robust portfolio. **Ted Baker is a prime example of this model in use.**

Valuation

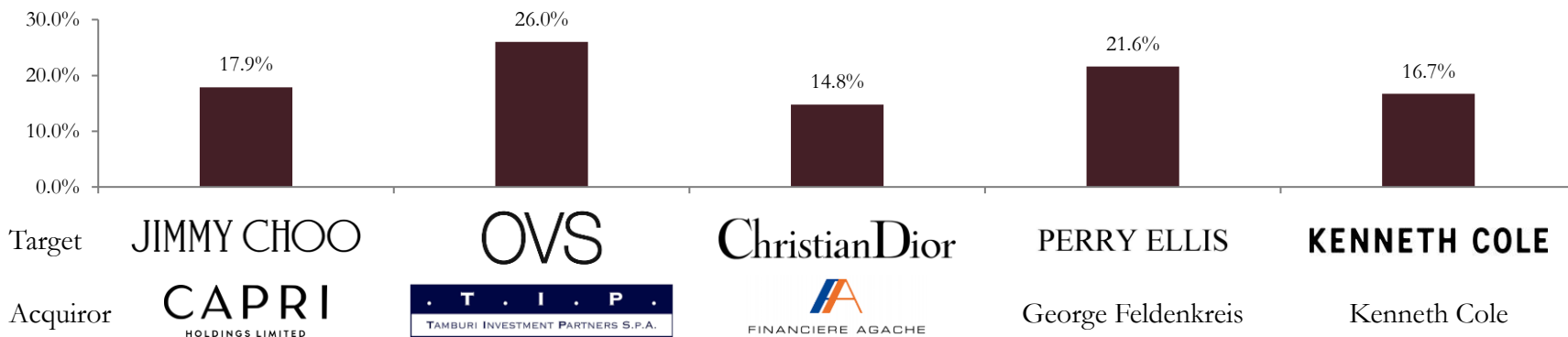
Valuation

Ted Baker Passed On Higher Control Premium Offers

Acquisition Multiple Placed Ted Baker's Valuation Nominally Above Public Peers' Trading Multiples



Premiums Analysis



Although ABG's initial offer of £160 per share drastically improved Ted Baker's share price, news of the deal being dropped in June 2022 indicated persisting issues in diligence—creating a purchase opportunity at a premium in-line with precedent transactions



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