
THE CARLYLE GROUP

GLOBAL ALTERNATIVE ASSET MANAGEMENT

Moncler Case Study

UBS AIFI Event

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Moncler: Deal Profile

Business Description

- Leading Italian group in the high-end sportswear sector managing the brand Moncler (the leading “down jacket” in the world) and other international sportswear brands

Transaction Description

- Pre-deal (Oct 2008): Ruffini (entrepreneur) 38%, PE funds managed by the Italian merchant bank Mittel 62%
- Post 2008 deal: Carlyle 48%, Ruffini 38%, Mittel funds 14%
- Post 2011 deal: Eurazeo 45%, Ruffini 32%, Carlyle 18%, Mittel funds 5%
- Post 2013 IPO: Eurazeo 23%, Ruffini 32%, Carlyle 7%, Mittel funds 1%, free float 37%

Key Results

	2008A	2013A	CAGR
Key Financials			
Sales (€mm)	309	581	13%
o/w Moncler brand	145	581	32%
EBITDA (€mm)	53	192	29%
EBITDA %	17,2%	33,0%	
Net Debt (€mm) ⁽¹⁾	172	-9,2	
Net Debt/EBITDA (x)	3,25x	-0,05x	
Distribution Channel Mix ⁽²⁾			
Retail	13,1%	57,5%	
Wholesale	86,9%	42,5%	
Retail Network ⁽²⁾			
# direct managed stores	10	135	68%
Geographic Mix ⁽²⁾			
Italy	51,7%	22,6%	
Other EU	33,5%	34,5%	
North America	4,6%	11,6%	
Asia and RoW	10,2%	31,3%	

(1) Pro-forma for dividend distributions

(2) Only Moncler Brand

How We Sourced and Financed the Deal

- Limited process: importance for the entrepreneur to find a new partner that could bring value and fit with the company/management team
- Opportunity sourced by local contacts and rapid exclusivity following meetings with the entrepreneur
- Local presence, global franchise and industry expertise accredited Carlyle as credible investor
- Deal signed during black out of the LBO debt market during Lehman collapse
- Debt financing arranged with local small banks between signing and closing

The Value Added: Strengthening the Organization

- Redesigned group organization separating Moncler brand from the other brands into 2 divisions (in 2008) and later into dedicated legal entities (2013) to leverage exit flexibility
- Creation of geographical team (North America, Asia Pacific, Russia)
- Strengthened management team
 - New Area managers in North America, Asia and Russia, new Retail manager , new Head of HR, new Head of IT, new Director of Business Development and new Head of Digital, new managing team for the Other brand division (Head of Division and COO)

The Value Added: Insourcing Key Activities

- **Japan**

- Before

- 2nd market after Italy, distribution fully outsourced to a local partner, 100% wholesale with low-end retailers

- After

- Distribution agreements converted into JV controlled by Moncler
 - Significant restructuring of distribution network: progressive cut by 70% of the wholesale customers without losing sales
 - From 0 to 17 direct managed stores by the end of 2013

- **Kidswear line**

- Before

- Production and distribution fully licensed to a partner

- After

- In 2008 license agreement converted into JV controlled by Moncler.
 - In 2013 termination of JV and full insourcing

The Value Added: Entry in New Markets

- Developed a direct presence in the Chinese market setting-up a dedicated structure with the support of a new management team thanks to the Carlyle network- (from 0 to 19 stores by the end of 2013)
- Developed strategy to enter into US market with direct retail stores (from 0 to 8 stores by the end of 2013)
- Launching e-channel: defined e-strategy for the Moncler brand and launch of new e-store with global distribution

The Value Added: Disciplined Investment Decision Making

- Before IPO every single store opening required Board approval
- Cumulated capex of around €130 million in 5 years to expand the retail network
- Increased direct Retail sales from 13% in 2008 to 57% in 2013:
 - 125 new mono-brand stores opened in 5 years, in all markets only in top location consistently with the brand positioning
 - Very consistent and homogeneous network (in term of quality of quality of locations, type of neighbours, format) with double digit profitability
- Successful geographic diversification: between 2008 and 2013 sales in Europe (excl. Italy), Asia and North America increased by 4.1x, 5.9x and 9.1x, respectively

The Value Added: Enhanced the Supply Chain

- Closure of one production plant in France
 - Historical plant in Grenoble closed to concentrate operations in one centre in Italy
- Completed logistics outsourcing and warehousing rationalization (from 5 to 1 hub managed by a logistics partner)
- Upgrading of the supply base
 - Cutting LCC suppliers and move to 100% made in Europe to enhance in line with brand and price positioning

The Value Added: Introducing Public Company Practices

- Encouraged the company to adopt management practices of public companies
- Completed a project to improve and speed-up accounting reporting and budgeting process with fast closing procedures for quarterly reporting
- Standardized and comprehensive management reporting tool
- Transition from IT GAAP to IFRS

The First Exit: Dual Track

- In 2011 Moncler Group launched an IPO process
- In parallel we recorded strong interest from investors (traditional PE firms and Asian funds) and tested some bidders without launching a formal dual track
- Eurazeo willing to enter in joint-control position with similar governance rights as Carlyle
- Carlyle retained stake to capture further expected value creation and to secure a smooth transition to the entrepreneur
- This deal represented for Carlyle a 3.56x MOIC, o/w 2.43x realized

The Final Exit: IPO

- In view of the IPO, the Other Brands division was carved-out and sold to a new investor
- Although we recorded interest from trade buyers, strong appetite from public investors made the IPO the most favorable exit route
- Good momentum for luxury brands, deep investor education started already in the attempted IPO in 2011 together with the historical track record helped to achieve a successful IPO (Dec 2013)
 - Largest IPO in Italy since 2010, 30x oversubscribed
 - +40% appreciation in first day of trading
 - Highest trading multiples in the luxury sector (second only to Hermes and Cucinelli)
- In June, 2014 Carlyle exited completely through an ABB
- With final exit, Carlyle achieved 5.69x MOIC, 57x% IRR