

# TWINSET – A new era

September 2017



# TWINSET



## Agenda

Company overview

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Credit investment highlights

Historical financials



## Today's presenters



**Alessandro Varisco** 

**CEO**

■ Joined in 2015

■ **MOSCHINO** 2009-2015



**Barbara Maurer** 







**CFO**

■ Joined in 2013

■  1998-2013

## Carlyle – an experienced sponsor with demonstrated commitment to TWINSET

### Strong track record of increasing brand awareness, expanding abroad and improving profitability

Carlyle Group	<ul style="list-style-type: none"><li>■ One of the world's largest private equity firms (c.US\$170bn assets under management)</li><li>■ Global vision with local insight (&gt;625,000 investment professionals in 19 countries across 6 continents<sup>1</sup>)</li><li>■ Extensive experience of investing in the consumer and retail segment (21 senior dedicated professionals)</li><li>■ Since inception, Carlyle has invested c.17% of cumulated equity in 78 consumer and retail transactions</li><li>■ Carlyle remains fully committed to TWINSET, having increased its ownership from 72% to 90% in 2015 and subsequently acquired the remaining minority stake from Simona Barbieri in April 2017 (increasing its rights in the Company from 90% to 100%)</li></ul>			
Select consumer and retail investments	Luxury, fashion & retail	<div><sup>2</sup></div> <ul style="list-style-type: none"><li>■ Strengthened management team</li><li>■ Accelerated brand development through retail roll-out</li><li>■ Expanded internationally</li></ul>	<div></div> <ul style="list-style-type: none"><li>■ Expanded internationally</li><li>■ Omni-channel strategy</li></ul>	<div></div> <ul style="list-style-type: none"><li>■ Acceleration of worldwide retail and online presence</li><li>■ Strengthened management team</li></ul>
	Other consumer & retail	<div><sup>2</sup></div> <ul style="list-style-type: none"><li>■ Strengthened management team</li><li>■ Initiatives undertaken to achieve cost efficiencies</li><li>■ Increased penetration in fast growing channels and geographies</li></ul>	<div></div> <ul style="list-style-type: none"><li>■ Increased brand awareness</li><li>■ Expanded internationally</li></ul>	<div><sup>2</sup></div> <ul style="list-style-type: none"><li>■ Expanded store footprint</li><li>■ Increased international presence</li><li>■ Diversified distribution channels</li><li>■ Strengthened brand</li><li>■ Improved profitability</li></ul>
TWINSET investment rationale	<ul style="list-style-type: none"><li>■ Attractive “accessible” luxury segment fundamentals</li><li>■ One of the fastest growing players in Italy in the womenswear “accessible” luxury segment over the last years</li><li>■ Strong degree of operating flexibility</li><li>■ Strong operational and financial performance</li></ul>			

 Investments where Marco De Benedetti and Massimiliano Caraffa of Carlyle are / have been also board members

<sup>1</sup> Across Corporate Private Equity and Real Assets segments

<sup>2</sup> Realized investment



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## TWINSET - at a glance

### TWINSET A “total look” offering



**30 – year history**



**82 countries**

**5 renowned lines**

**51% brand awareness<sup>5</sup>**

**5,800+ wholesale doors  
o/w 2,600+ abroad**

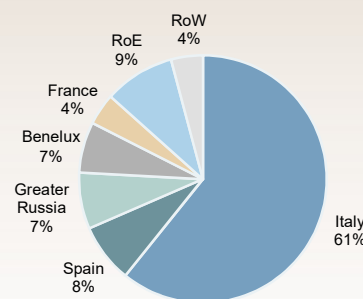
**78 retail stores  
o/w 27 abroad**

**Revenue: €243mm  
+7.8% CAGR 14-16**

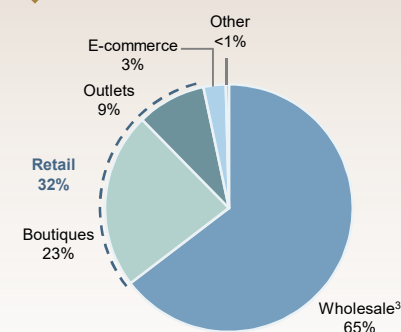
**Adj. EBITDA: €44mm  
+16.4% CAGR 14-16**

#### Revenue breakdown<sup>1</sup>

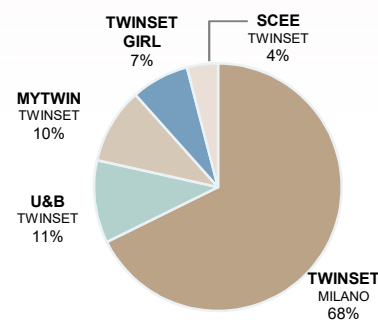
##### By geography<sup>2</sup>



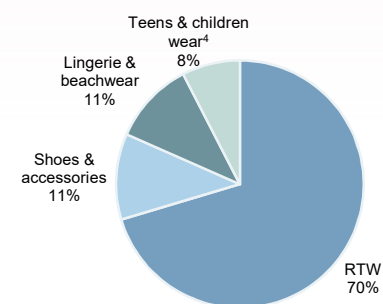
##### By channel



##### By line



##### By category

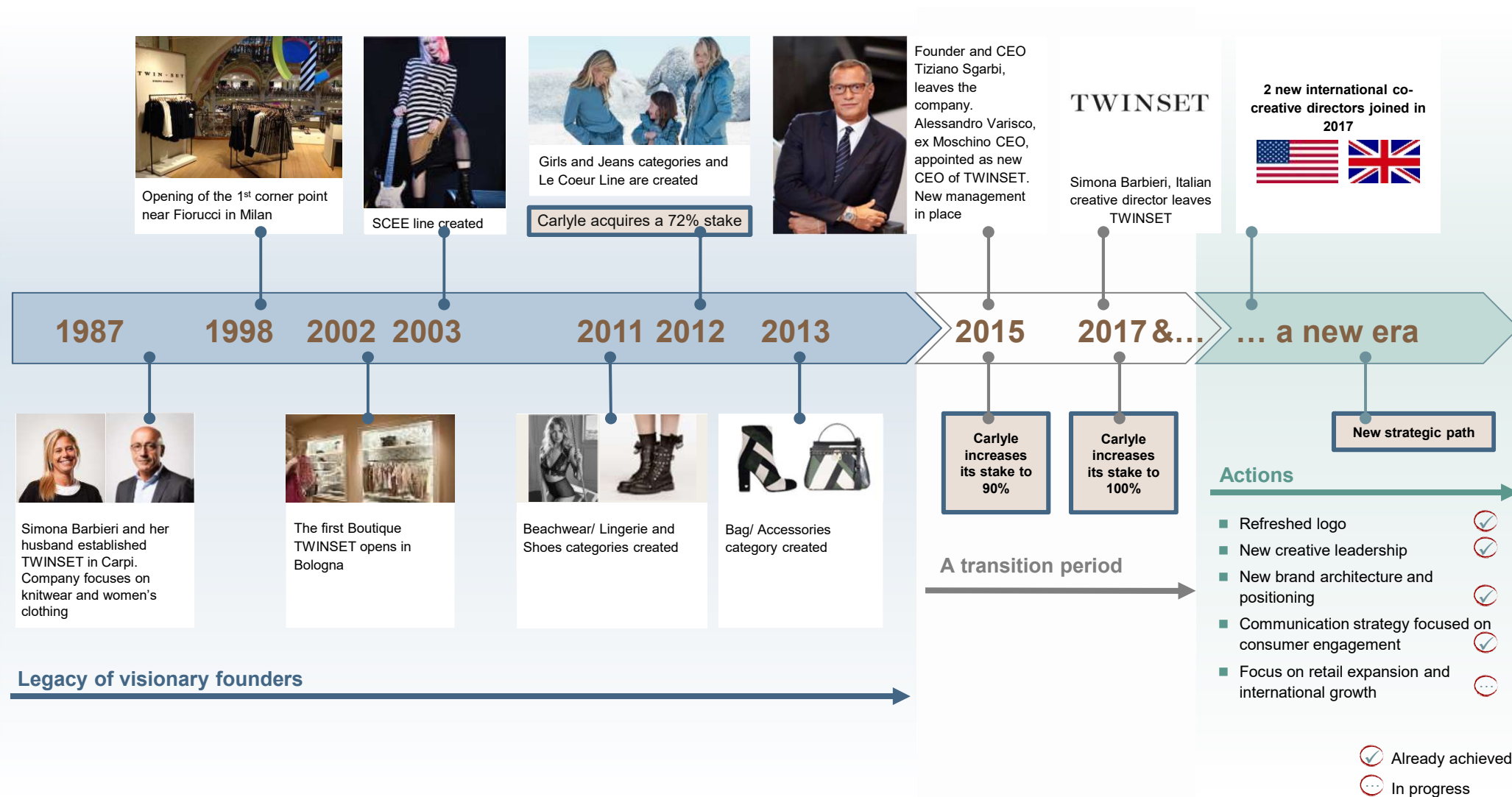


Source: Company information, FY16

Note: Revenue as presented in this presentation excludes other revenue arising from the sales to third parties of raw materials not used for internal production and the estimated value of returned items, valued at full sales price. Adjusted EBITDA defined as Reported EBITDA adjusted for non-recurring items including raw materials, non-recurring accruals, other items and the Reported EBITDA of previously-consolidated entities

<sup>1</sup> Breakdowns by category, line and geography excluding unattributed revenue; <sup>2</sup> Rest of Europe (RoE) and Rest of World (RoW); <sup>3</sup> Also includes franchise and stock; <sup>4</sup> 0-16 years old; <sup>5</sup> Prompted TWINSET brand awareness in Italy

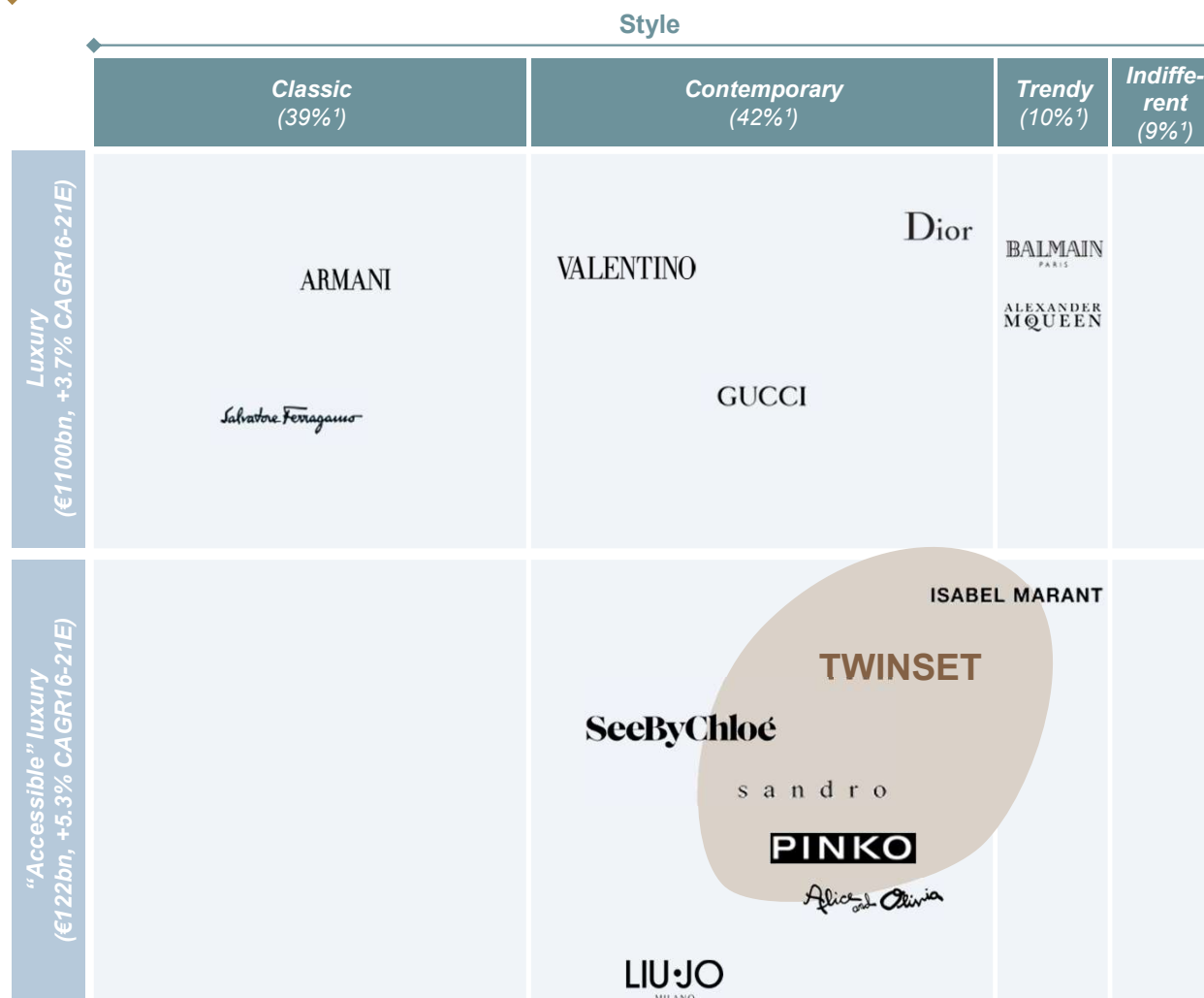
Leveraging 30 years of history, TWINSET is now set for a new era of growth





TWINSET is strategically positioned in the “contemporary accessible luxury” segment with unique and distinct attributes

## Clear positioning in the “contemporary accessible luxury” segment (2016)



## Key TWINSET brand attributes













Source: Company information, Third party data

<sup>1</sup> % of respondents to “Which of the following statements best describes your interest towards fashion?”; sample size = 6,004; ad-hoc survey; sample: women only; ~70% respondents with 50K€-100K€ income and ~30% respondents with >100K€ income; countries surveyed are France, Russia, Spain, China + Hong Kong, Germany and Italy



TWINSET offering is structured around 5 contemporary lines with distinct DNA

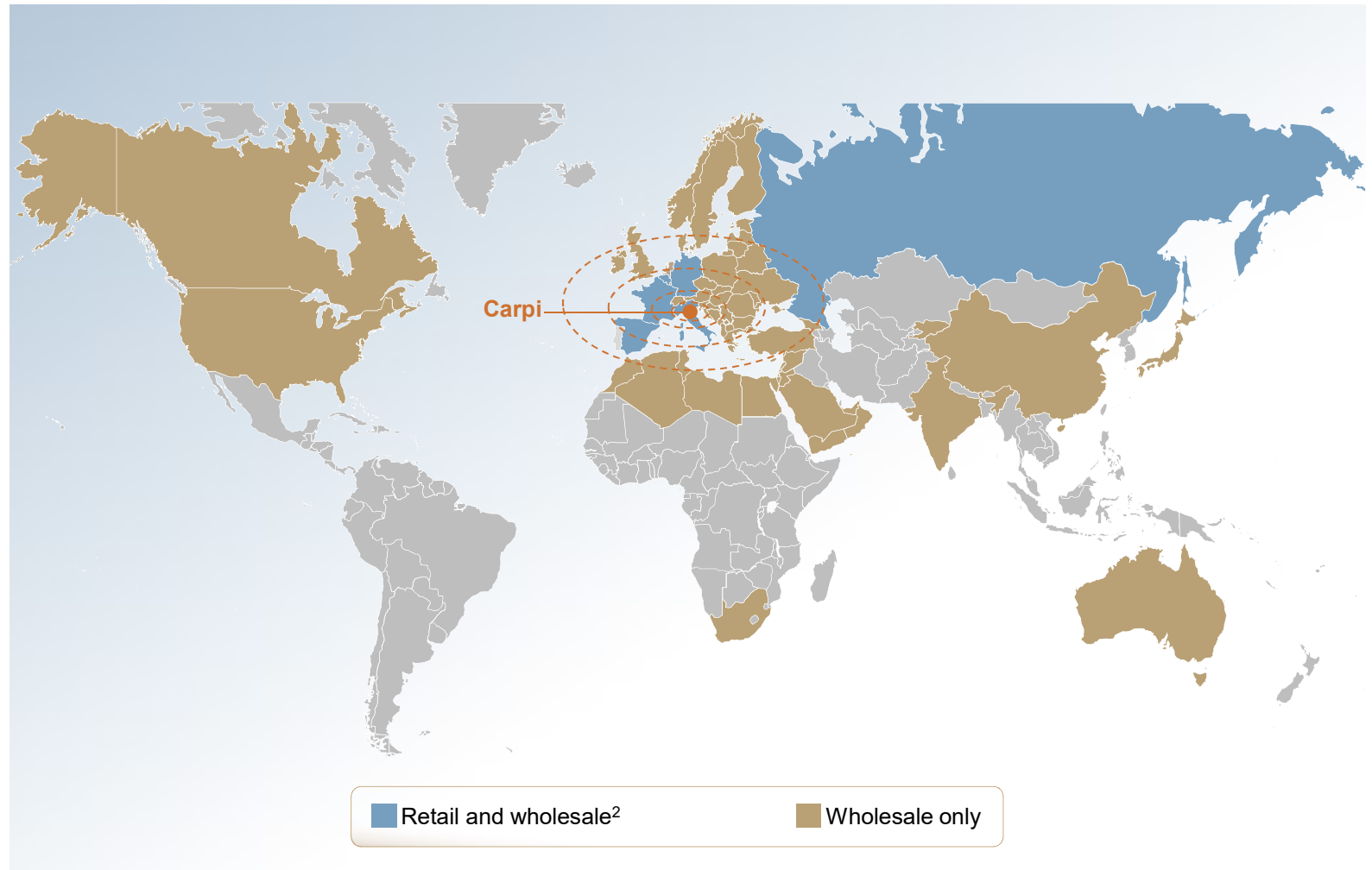
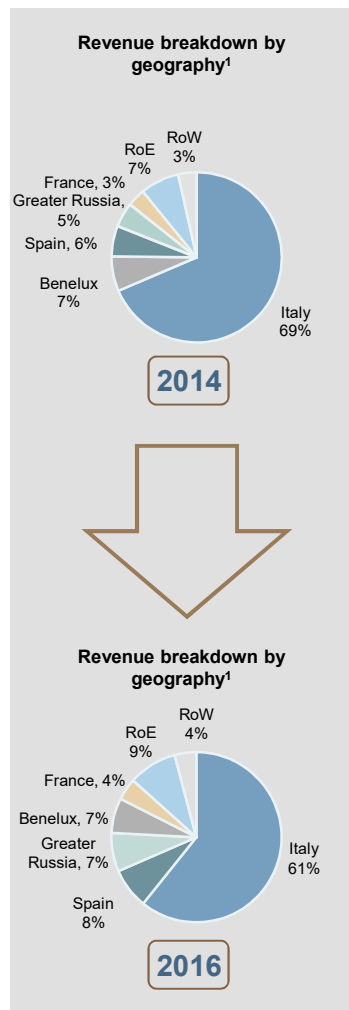
Line	“Total look”			Lingerie & beachwear	Teens & children wear
	TWINSET MILANO 	MYTWIN TWINSET 	SCEE TWINSET 	U&B TWINSET 	TWINSET GIRL 
<b>Wearing occasion</b>	■ Special occasions, events, work	■ Casual, leisure and clubbing	■ Casual, leisure, work	■ Versatile 24-hours use and beach	■ Versatile use
<b>Style</b>	■ Contemporary new romantic attitude ■ Knitwear, lace, embroideries, prints	■ Urban and sweet rock attitude ■ Denim, jersey, popeline	■ 24-hours easy chic look ■ Rouges, bows, prints	■ Seduction and intimacy ■ Technicalities and sensibility	■ Irony, playfulness and fun ■ Prints, embroidery and colours
<b>Age group (years)</b>	<b>30–50</b>	<b>18–40</b>	<b>20–35</b>	<b>18–40</b>	<b>0–16</b>
<b>Avg. price range<sup>1</sup> (€)</b>	<b>150–500</b>	<b>90–230</b>	<b>70–200</b>	<b>60–250</b>	<b>70–200</b>
<b>Category</b>					
	■ RTW ■ Shoes ■ Accessories	■ RTW ■ Shoes ■ Accessories	■ RTW	■ RTW ■ Lingerie & beachwear ■ Shoes ■ Accessories	■ RTW ■ Shoes ■ Accessories

Source: Company information  
<sup>1</sup> Average price range of dresses

TWINSET has developed global distribution capabilities  
with proven international brand desirability

### Distribution footprint

### Present in 82 countries



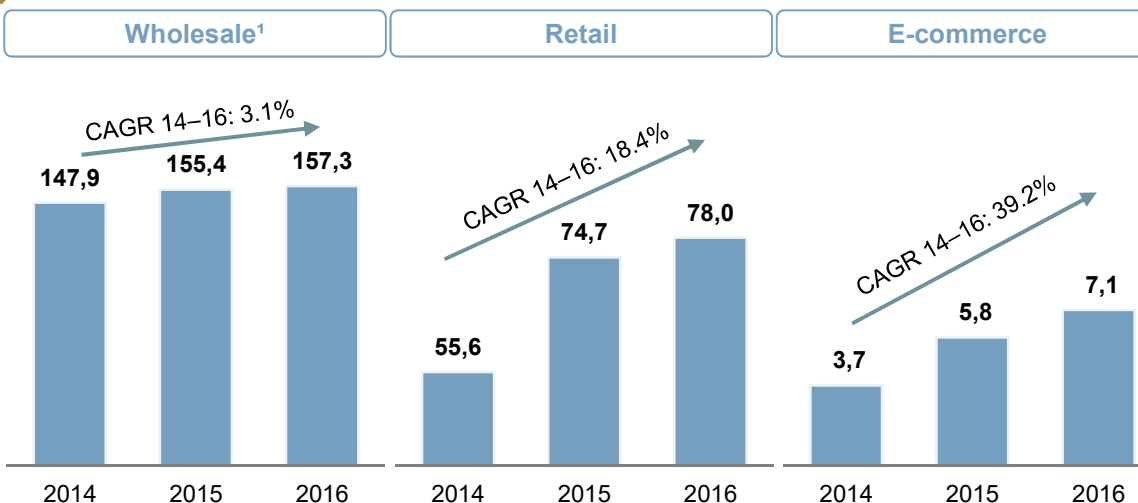
Source: Company information, FY16

<sup>1</sup> Rest of Europe (RoE) and Rest of World (RoW) excluding unattributed revenue; <sup>2</sup> Excluding E-commerce

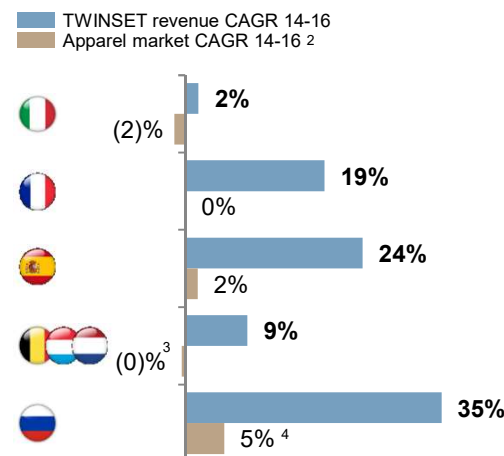
TWINSET leadership and strategic transition has only highlighted the strengths and resilience of its business model

TWINSET topline has grown consistently across channels and above market...

## Revenue (€mm)

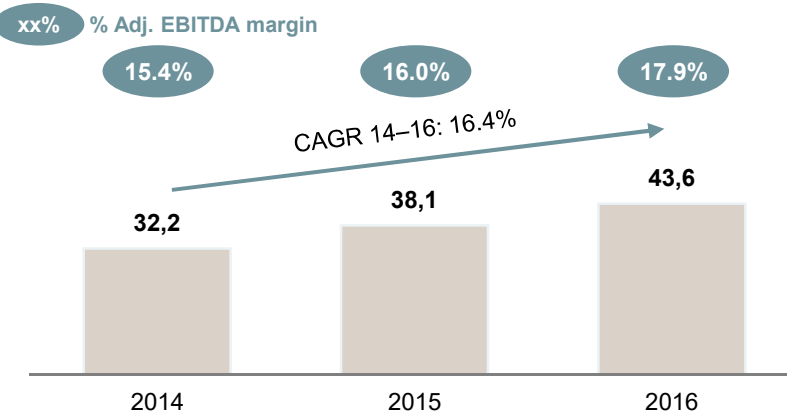


## A track record of market outperformance

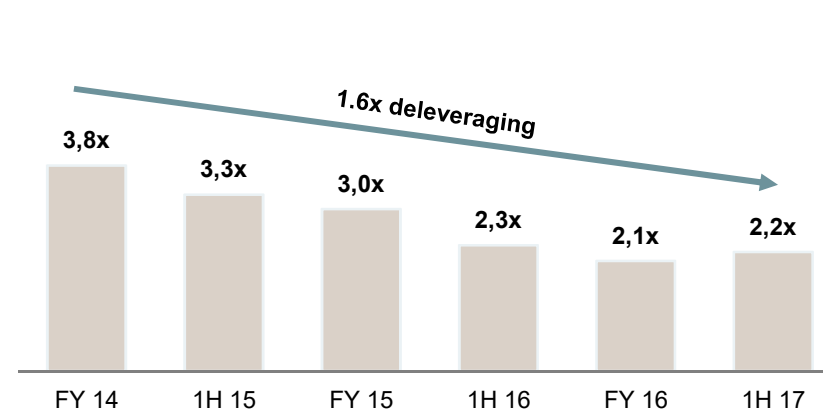


...with strong profitability and deleveraging

## Adjusted EBITDA (€mm)



## Deleveraging – Net debt / EBITDA



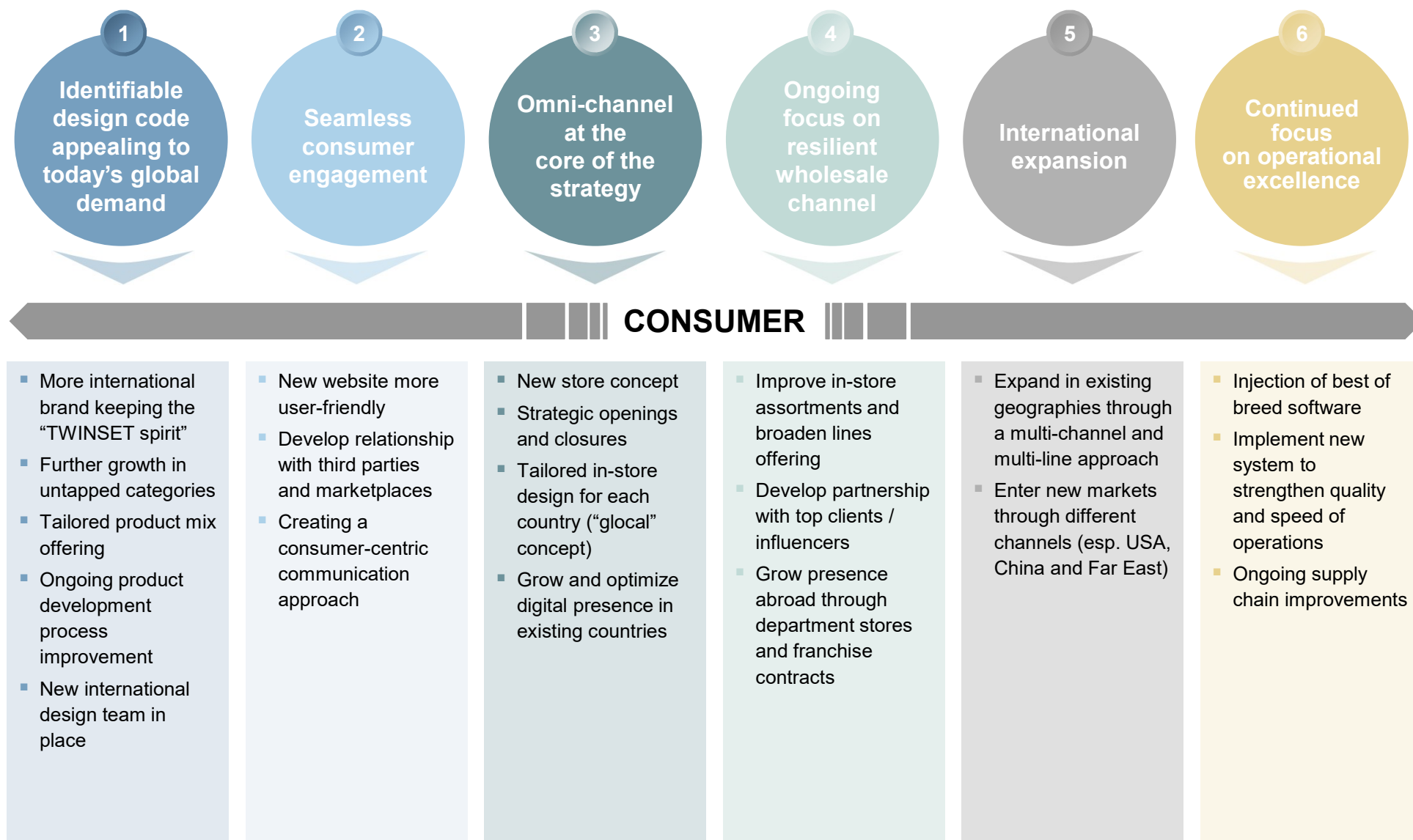
Source: Company information

Note: Revenue as presented in this presentation excludes other revenue arising from the sales to third parties of raw materials not used for internal production and the estimated value of returned items, valued at full sales price. Adjusted EBITDA defined as Reported EBITDA adjusted for non-recurring items including raw materials, non-recurring accruals, other items and the Reported EBITDA of previously-consolidated entities

<sup>1</sup> Wholesale includes wholesale, franchise and stock; <sup>2</sup> Source: third party data; <sup>3</sup> For the apparel market CAGR, "Benelux" only includes the Netherlands and does not include the other countries present in the Company's Benelux market; <sup>4</sup> For the apparel market CAGR, "Russia" only includes Russia and does not include the other countries present in the Company's Greater Russia market



## 6 strategic pillars with the consumer at the heart of TWINSET ecosystem



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**Credit investment highlights**

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## TWINSET – credit investment highlights

## TWINSET...

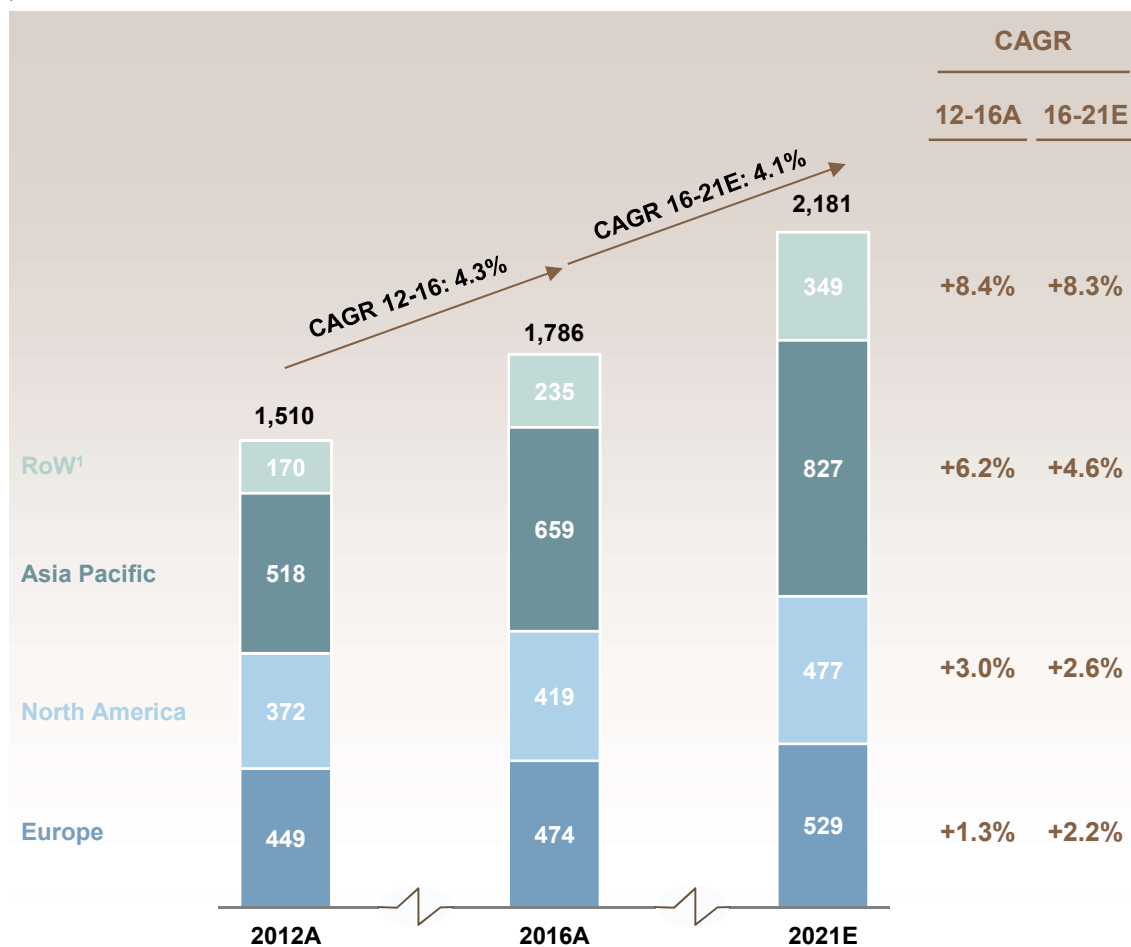
- 1 ... plays in the sweet spot of the global apparel and accessories market
- 2 ... targets the most attractive consumer base: loyal, with limited fashion risk and margin pressure
- 3 ... has developed a winning business model with proven competitive strengths
- 4 ... is a global diversified company across geographies, channels and products
- 5 ... is profitable with resilient and high cash flow generation
- 6 ... is led by an experienced management team with proven track record to deliver its next phase of growth



# 1 TWINSET... plays in the sweet spot of the global apparel and accessories market

*The global apparel and accessories market continues to deliver resilient growth across regions and categories*

Global apparel & accessories market (€bn)

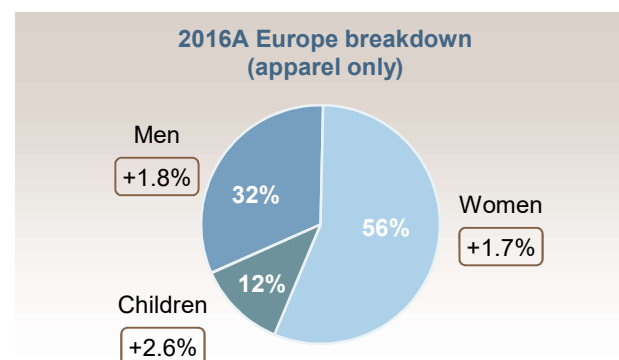


Source: Third party data  
<sup>1</sup> Rest of World (RoW)

Well-balanced growth across categories



Women and children to drive future growth

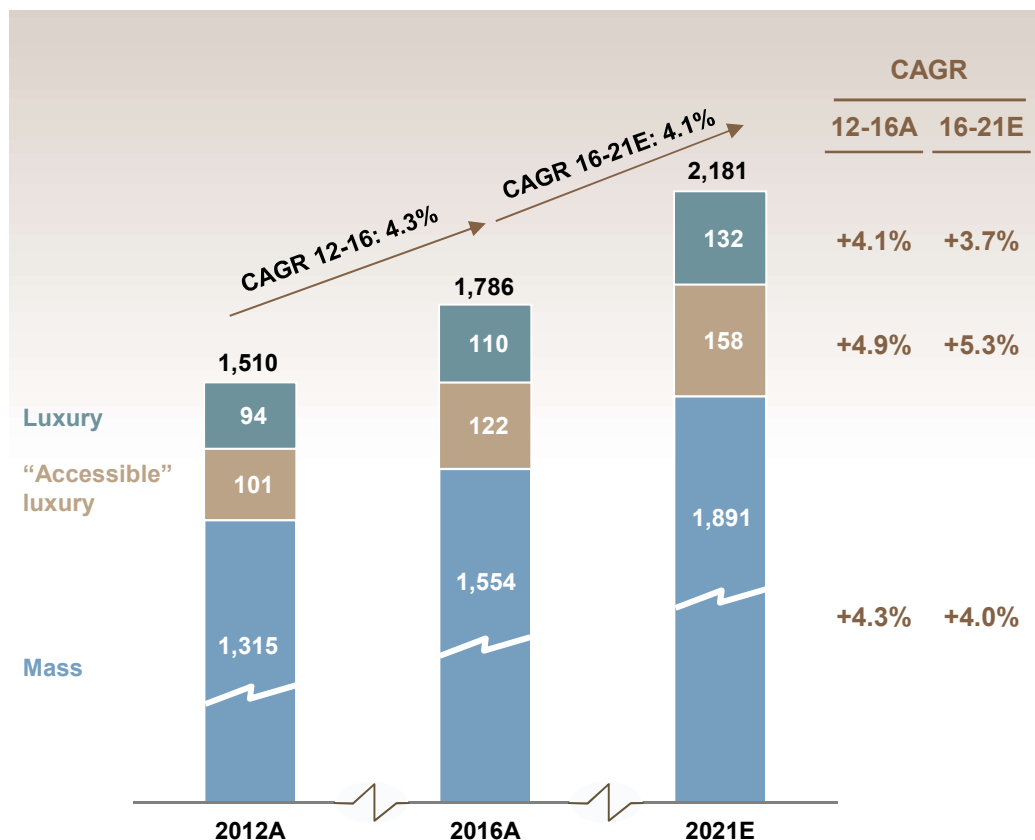


x.x% CAGR 16-21E

# 1 TWINSET... plays in the sweet spot of the global apparel and accessories market

*Today's market and consumer trends are strengthening even further the attractiveness of our positioning in the "accessible" luxury segment*

"Accessible" luxury is already the leading growth contributor...



... with current trends opening even additional opportunities

✓	Relatively fragmented market characterized by regional brands
✓	New consumer paradigm: personalization, differentiation and mix & match
✓	Consumer expectation of premium experience across segments
✓	Global consumer engagement facilitated by digital and omni-channel
✓	Traditional luxury challenged by value for money culture across price points

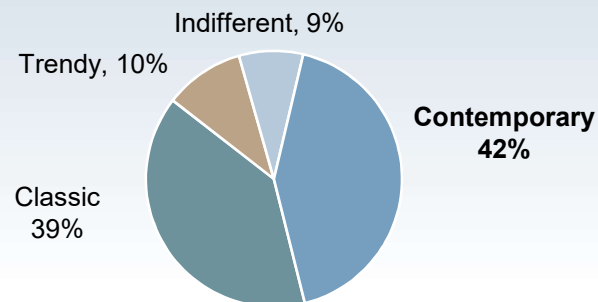
**"Accessible" luxury is the sweet spot segment with opportunity to capture demand from the luxury and mass-market consumers**

Source: Company information, third party data

## 2 TWINSET... targets the most attractive consumer base: loyal, with limited fashion risk and margin pressure

### Largest addressable segment

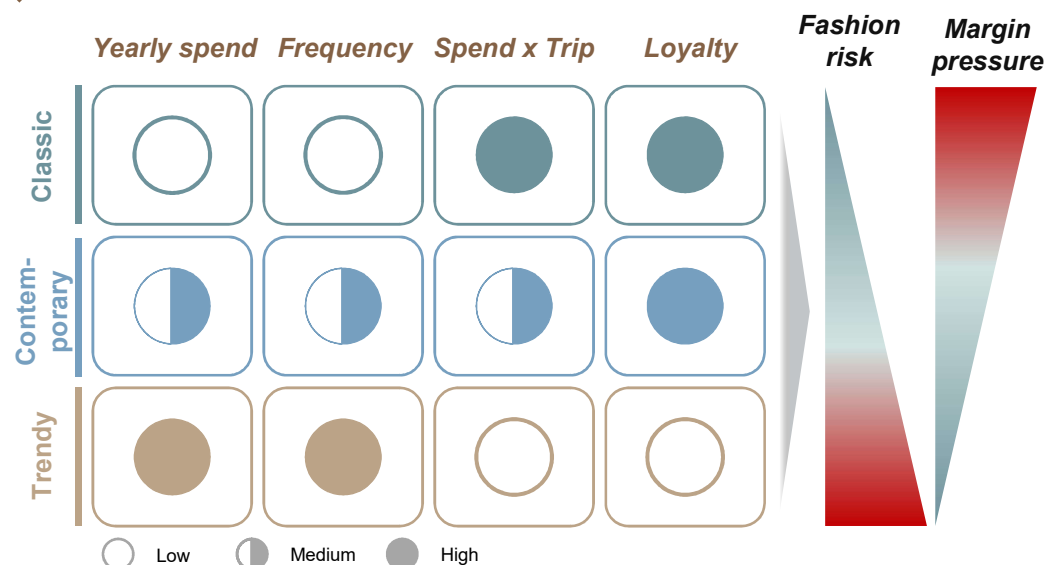
"Which of the following statements best describes your interest towards fashion?"<sup>1</sup>



### Most attractive purchase drivers

Contemporary	Classic	Trendy
Quality	Value/Money	Design
Value/Money	Price	Quality
Fit	Quality	Value/Money
Design	Fit	Fit

### Profitable consumer base with limited risk



### Shopping profile that plays perfectly into TWINSET business model

#### Contemporary customer profiling



Source: Company information, third party data

<sup>1</sup> 1% respondents; sample size = 6,004; ad-hoc survey; sample: women only; ~70% respondents with 50K€-100K€ income and ~30% respondents with >100K€ income; countries surveyed are France, Russia, Spain, China + Hong Kong, Germany and Italy; <sup>2</sup> "Please select the top three channels where you usually buy apparel and accessories; Weight assigned to the rankings: 0.5 for 1st choice, 0.3 for 2nd choice, 0.2 for 3rd choice; ad-hoc survey; sample: women only; ~70% respondents with 50K€-100K€ income and ~30% respondents with >100K€ income; countries surveyed are France, Russia, Spain, China + Hong Kong, Germany and Italy; <sup>3</sup> Also includes shop at department stores and third party web

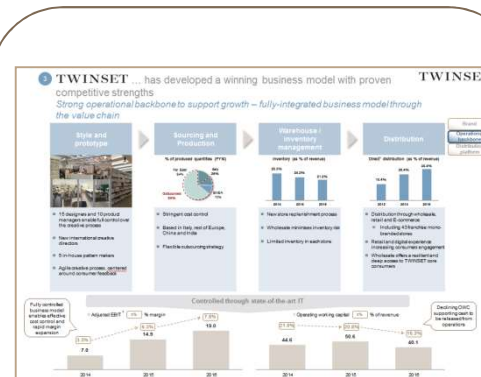


## 3 TWINSET... has developed a winning business model with proven competitive strengths

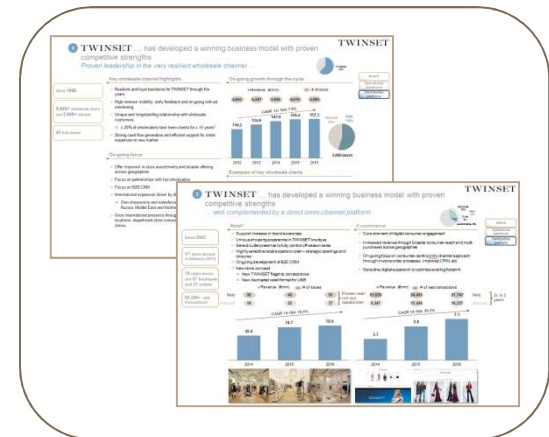
### Brand



### Value chain



### Distribution



Competitive advantage

Unique awareness  
International appeal  
Consumer engagement

Flexible  
Fully controlled  
Well coordinated

Indispensable wholesale expertise  
Direct omni-channel

## 3 TWINSET ... has developed a winning business model with proven competitive strengths

*A powerful brand with 30 years of heritage and unique high quality features*

Brand

Operational backbone

Distribution platform

### TWINSET exceptional brand awareness

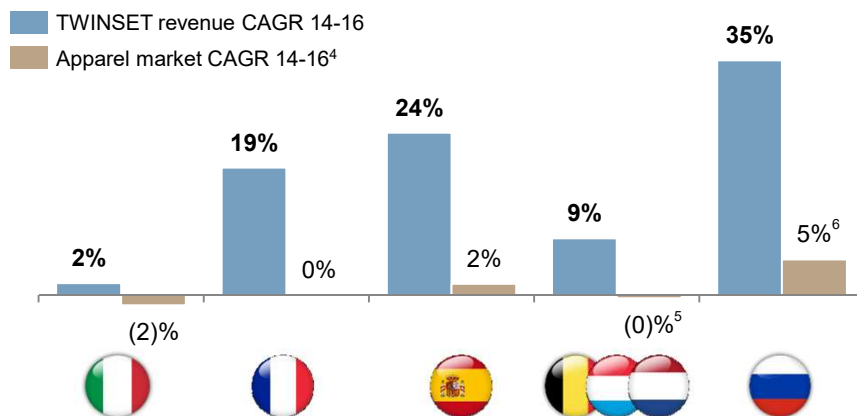
**51%** prompted TWINSET brand awareness...



... o/w **29%** purchased TWINSET<sup>2</sup>

... o/w **58%** have positive intention to buy<sup>3</sup>

### A track record of market outperformance



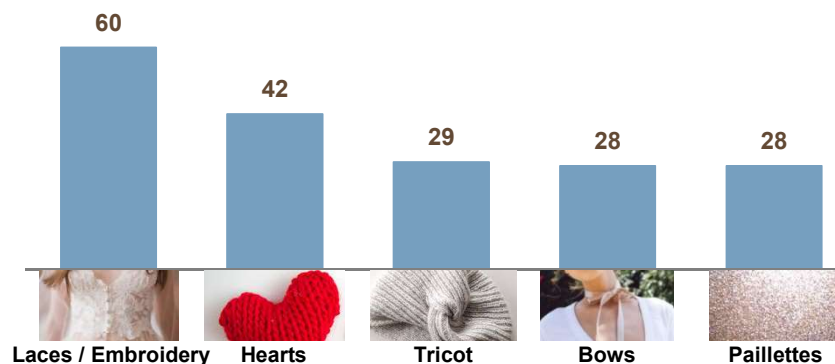
### Recognised values consistent with the modern romantic woman

"Do you agree with defining TWINSET is a... Brand?"<sup>1</sup>



### Product attributes women recognise

"Which product attribute differentiates TWINSET from other brands?"<sup>1</sup>



The TWINSET brand is a unique platform to support our ambition for growth

Further international growth

Refocus of non-RTW categories

International product appeal through a tailored approach to each market

Source: Company information, 2016 third party data

<sup>1</sup> % of yes; TWINSET users 391 cases; <sup>2</sup> In the last 12 months; <sup>3</sup> In the next 12 months; <sup>4</sup> Source: third party data; <sup>5</sup> For the apparel market CAGR, "Benelux" only includes the Netherlands and does not include the other countries present in our Benelux market;

<sup>6</sup> For the apparel market CAGR, "Russia" only includes Russia and does not include the other countries present in our Greater Russia market

## 3 TWINSET ... has developed a winning business model with proven competitive strengths

*A coherent brand experience appealing to today's evolving global demand*

### TWINSET brand ecosystem focused on direct consumer engagement

Brand

Operational backbone

Distribution platform

#### New storytelling

- ✓ 1st TWINSET short movie – “Per Sempre” (2016)
- ✓ 2nd TWINSET short movie – “IO SÌ TU NO” (2017)



#### Advertising



- ✓ National magazines to billboards in key cities and tourist destinations

#### Events

- ✓ Cannes 17 – Red Carpet with E.Ratajkowski H.Baldwin
- ✓ Milano SS17 party with E.Ratajkowski
- ✓ Multi country in store events



#### Social media



- ✓ Reach c.250k followers on Instagram – c.3x increase since Jan-16 - and c.240k followers on Facebook – c.1.5x increase since Jan-16

#### Celebrities, influencers & product placement

- ✓ From unknown testimonials to celebrities – N.Poly, E.Ratajkowski and S.Maxwell



#### Charity



Support several association:

- ✓ Associazione Chernobyl that helps children from Chernobyl area in Belarus
- ✓ “L'albero della Vita” involved in children exclusive custody

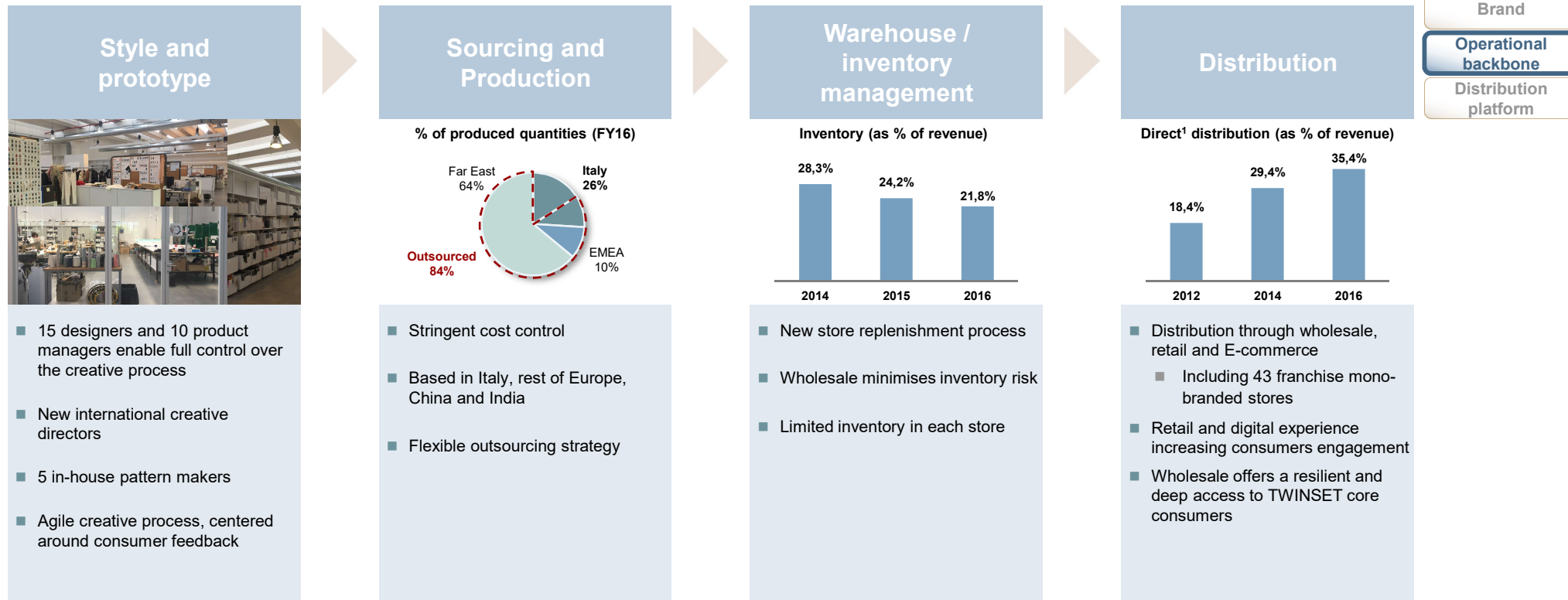


### 3 TWINSET ... has developed a winning business model with proven

TWINSET

competitive strengths

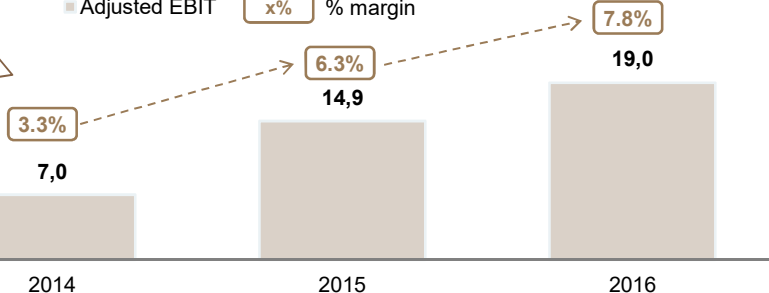
*Strong operational backbone to support growth – fully-integrated business model through the value chain*



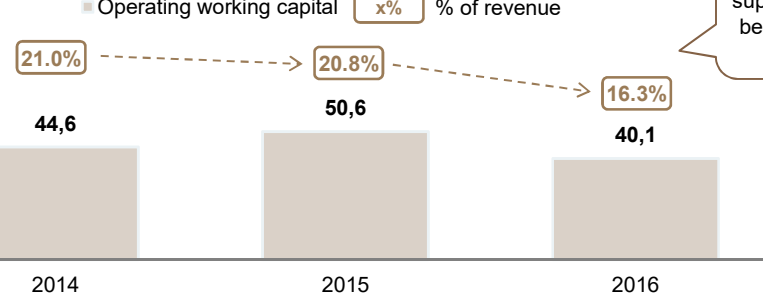
#### Controlled through state-of-the-art IT

Fully controlled business model enables effective cost control and rapid margin expansion

Adjusted EBIT<sup>2</sup> x% % margin



Operating working capital x% % of revenue



Declining OWC supporting cash to be released from operations

Source: Company information

<sup>1</sup> Including Retail (boutiques and outlets), E-commerce and Other; <sup>2</sup> Adjusted for non-recurring obsolescence provisions, certain other non-recurring costs, including provisions for risks and disputes, prior year changes on employee severance packages and the Reported EBITDA of previously-consolidated entities.

## 3 TWINSET ... has developed a winning business model with proven competitive strengths

*Proven leadership in the very resilient wholesale channel ...*



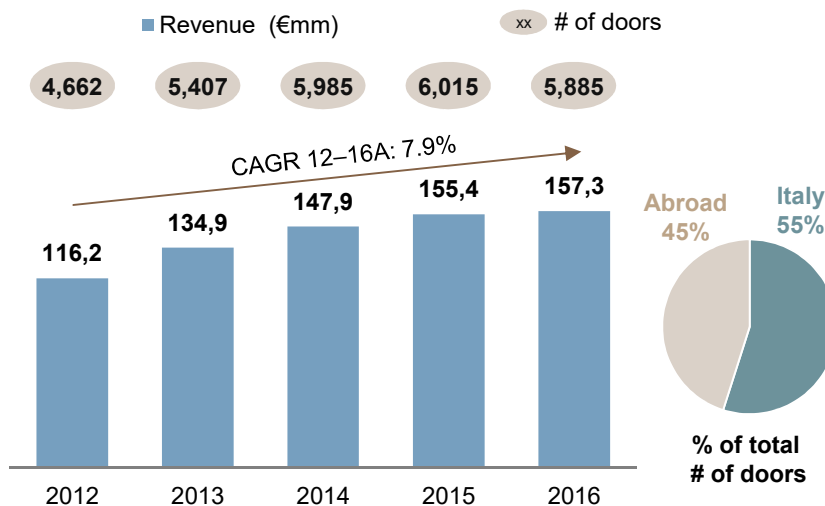
### Key wholesale channel highlights

- ✓ Resilient and loyal backbone for TWINSET through the years
- ✓ High revenue visibility, early feedback and on-going sell-out monitoring
- ✓ Unique and longstanding relationship with wholesale customers
  - c.20% of wholesalers have been clients for c.15 years<sup>1</sup>
- ✓ Strong cash flow generation and efficient support for initial expansion in new market

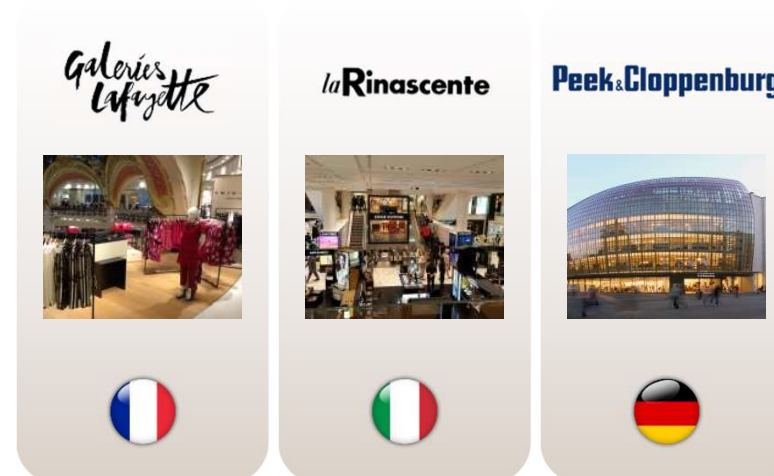
### On-going focus

- ✓ Offer improved in-store assortments and broader offering across geographies
- ✓ Focus on partnerships with top wholesalers
- ✓ Focus on B2B CRM
- ✓ International expansion driven by direct wholesale
  - Own showrooms and salesforce covering Greater Russia, Middle East and Northern Italy
- ✓ Grow international presence through branded shopping locations: department store concessions and franchise stores

### On-going growth through the cycle

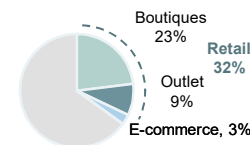


### Examples of key wholesale clients



Source: Company information  
 Note: Wholesale includes wholesale, franchise and stock  
<sup>1</sup> For TWINSET main line

## 3 TWINSET ... has developed a winning business model with proven competitive strengths ... well complemented by a direct omni-channel platform



Since 2002

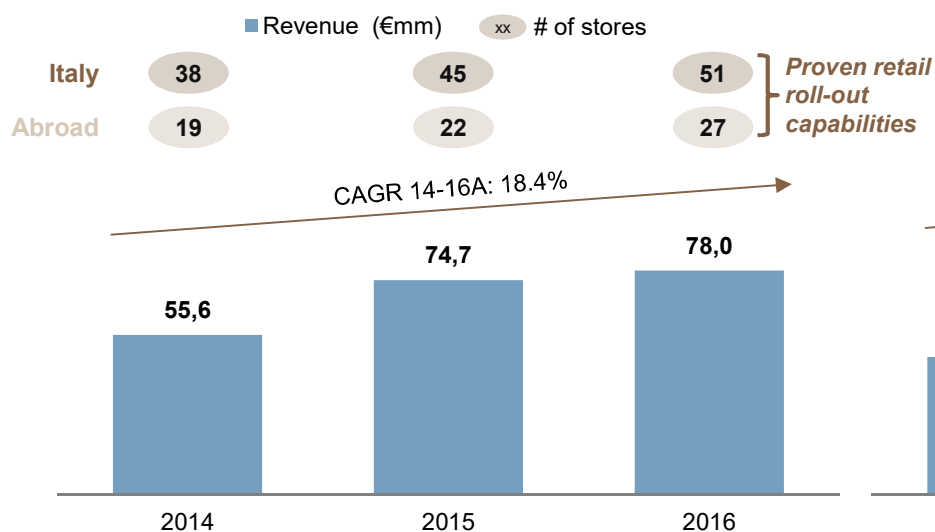
1<sup>st</sup> store abroad in Antwerp (2013)

78 retail stores o/w 57 boutiques and 21 outlets

50,200+ web transactions

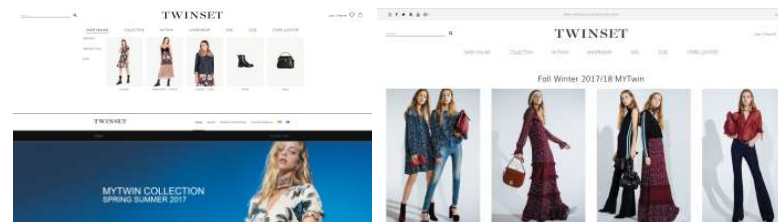
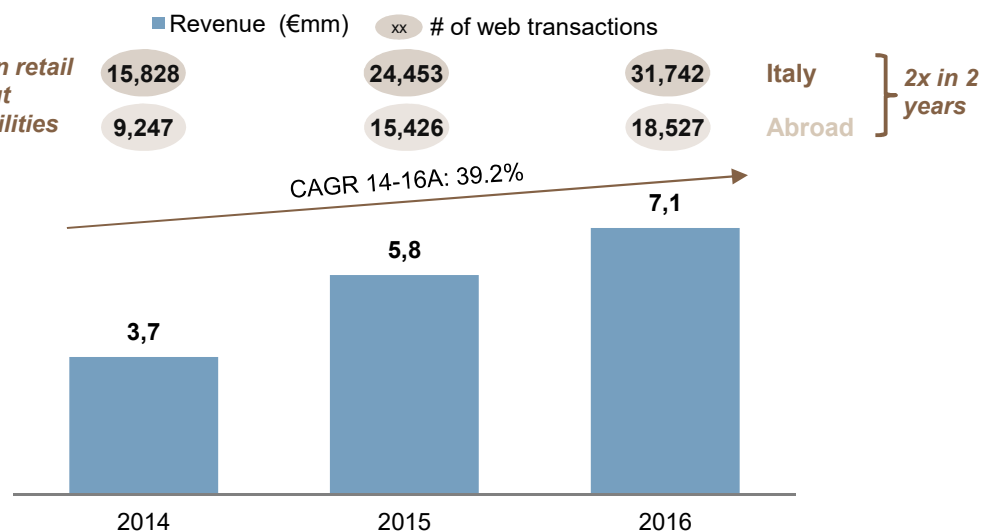
### Retail<sup>1</sup>

- ✓ Support increase in brand awareness
- ✓ Unique shopping experience in TWINSET boutique
- ✓ Select outlet presence to fully control off-season sales
- ✓ Highly selective retail expansion plan – strategic openings and closures
- ✓ Ongoing development of B2C CRM
- ✓ New store concept
  - New TWINSET flagship concept store
  - New dedicated retail format for U&B



### E-commerce

- ✓ Core element of digital consumer engagement
- ✓ Increased revenue through broader consumer reach and multi-purchases across geographies
- ✓ On-going focus on consumer-centric omni-channel approach through in-store order processes, improved CRM, etc.
- ✓ Selective digital expansion to optimize existing footprint



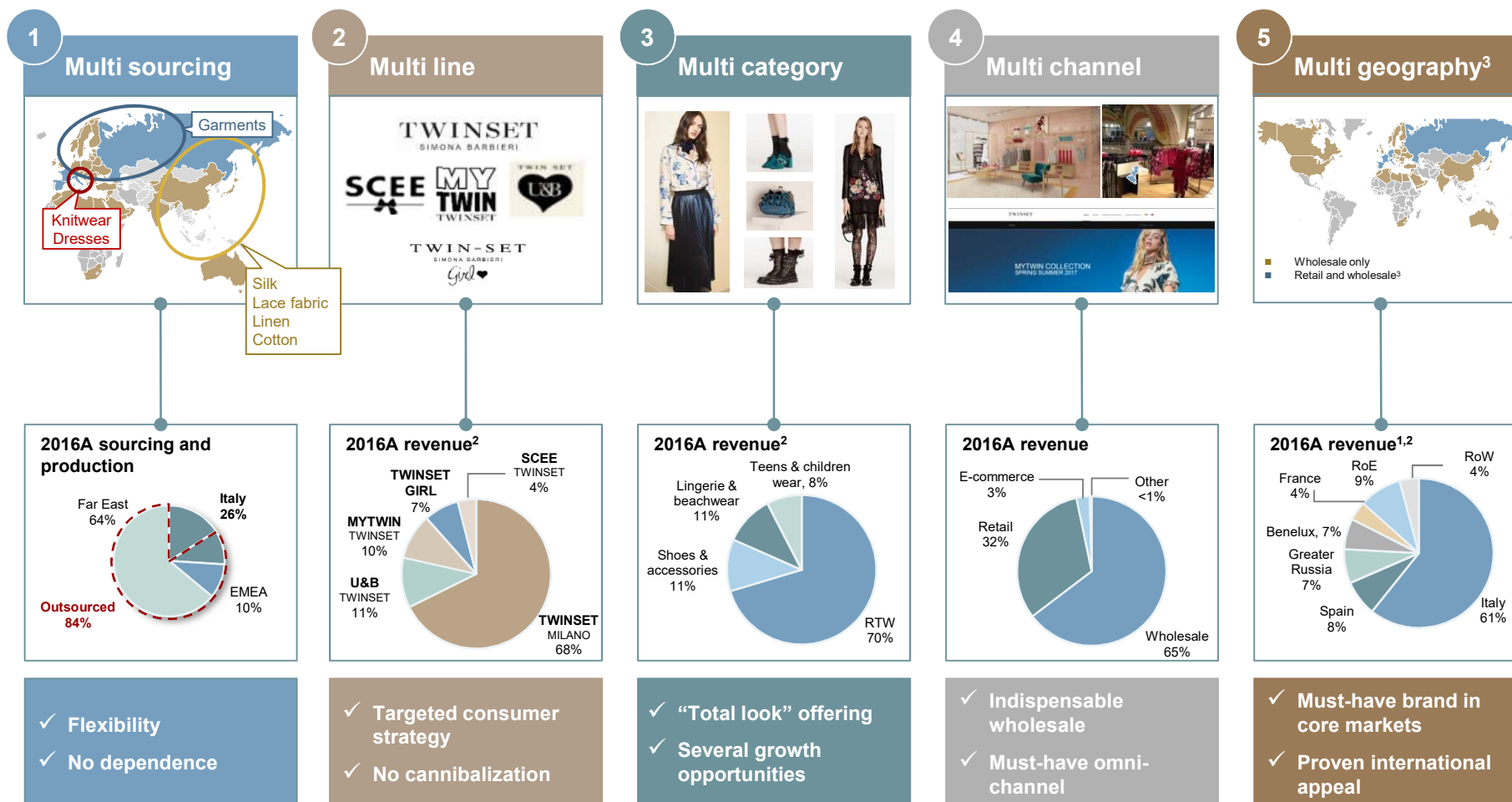
Source: Company information  
<sup>1</sup> Including boutiques and outlets

Brand

Operational backbone

Distribution platform

## 4 TWINSET... is a global diversified company across geographies, channels and products



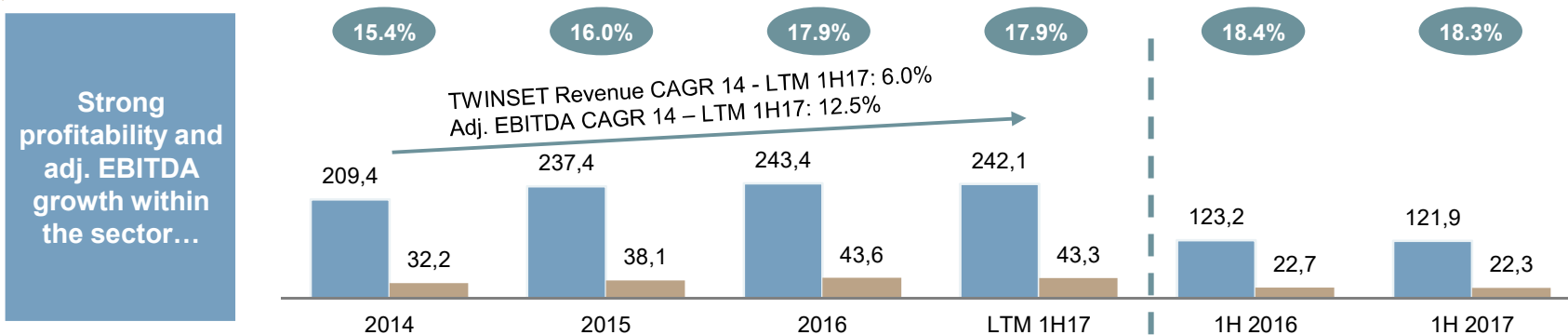
Source: Company information

<sup>1</sup> Rest of Europe (RoE) and Rest of World (RoW); <sup>2</sup> Breakdowns by category, line and geography excluding unattributed revenue; <sup>3</sup> Excluding E-commerce



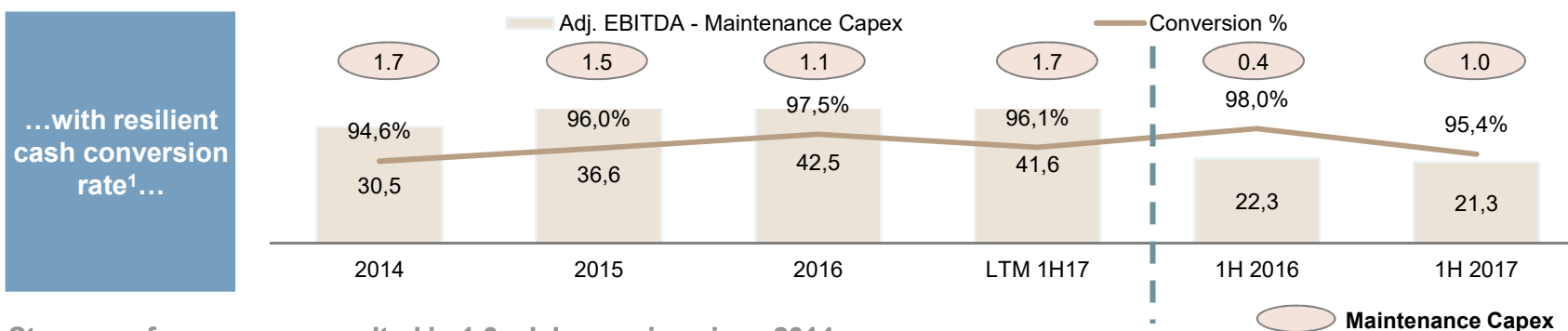
# 5 TWINSET... is profitable with resilient and high cash flow generation

## Adjusted EBITDA (€mm)

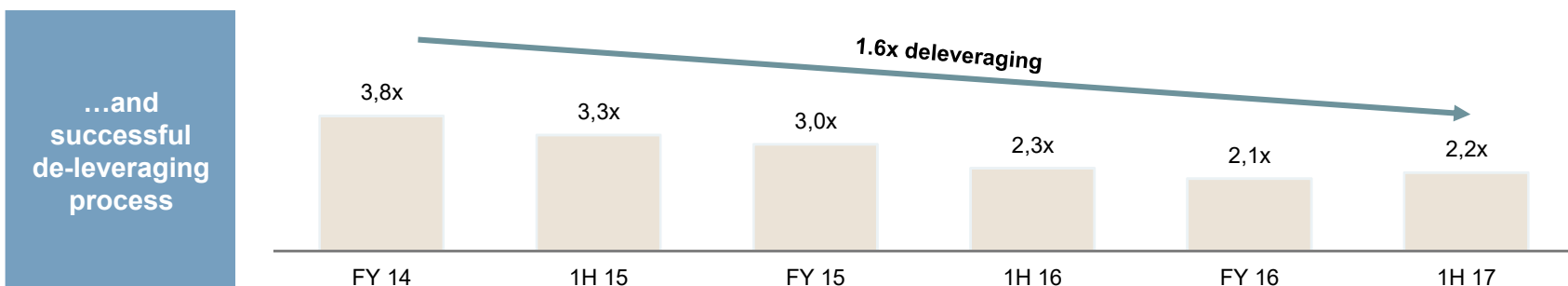


## Adjusted EBITDA – Maintenance CAPEX (€mm)

Committed to investment in growth, evidenced by low maintenance capex



## Strong performance as resulted in 1.6x deleveraging since 2014



<sup>1</sup> Defined as (Adjusted EBITDA-Maintenance Capex)/Adjusted EBITDA.

- 6 **TWINSET**... is led by an experienced management team with proven track record to deliver its next phase of growth  
*Well structured, revamped and complete organization ready for the new era*



**Highly experienced management team combining creative and design talent with proven operating credentials backed by Carlyle's ownership**

**THE CARLYLE GROUP**

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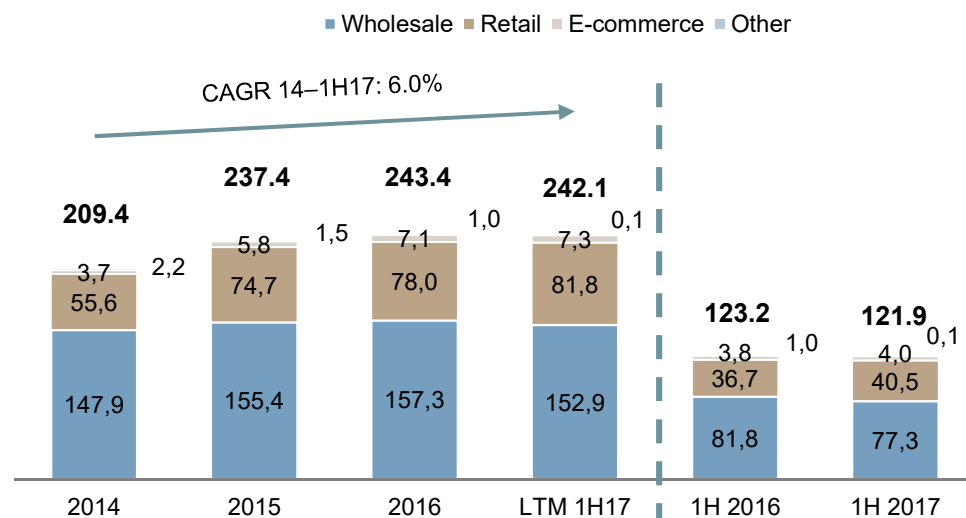
**Historical financials**

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Impressive growth in revenue and profitability

*Exceptional growth in revenue and profitability driven by a high quality and diversified distribution model providing stability to revenues*

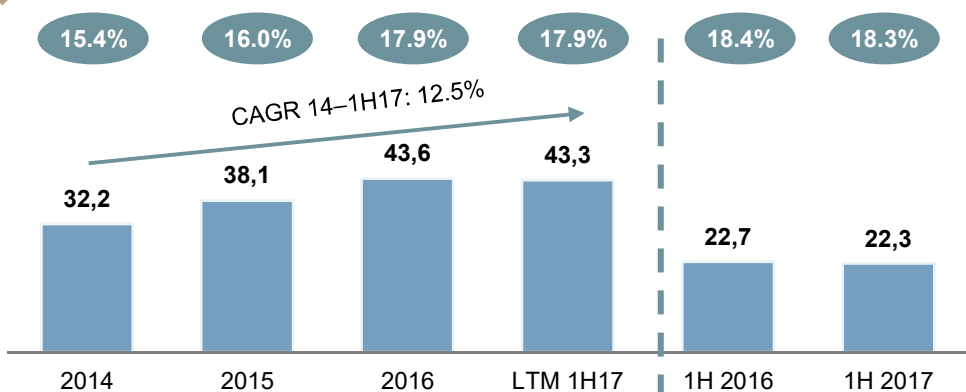
#### TWINSET revenue (€mm)



#### Commentary

- History of above-market sales growth in core geographies and categories
- Acceleration of direct retail sales +16.7% 14-1H17 CAGR, with like-for-like trend reflecting design / collection transition
- Stable wholesale performance in 1H 2017 post optimization of wholesale footprint in Italy offset by expansion abroad

#### Adjusted EBITDA (€mm)



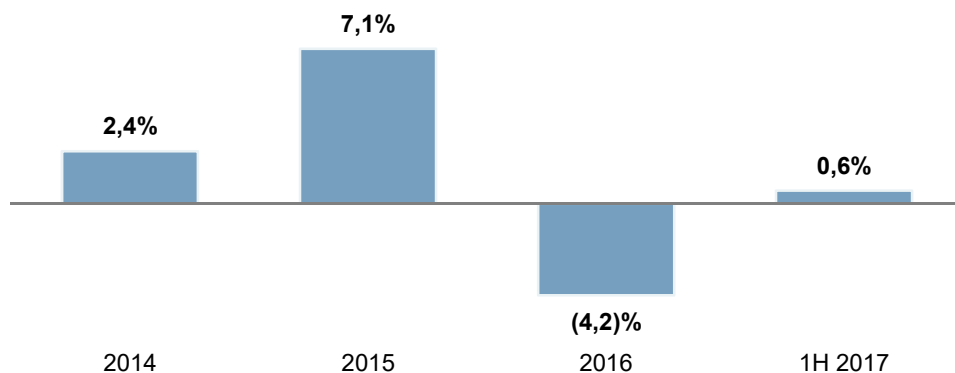
#### Commentary

- Strong 14-16A EBITDA expansion on the back of topline growth and improving operating efficiency
- Stable EBITDA performance in 1H 2017 was in line with management expectations and driven by volume reduction in wholesale and by ramp-up of new store openings, which was partially offset by stringent cost control



TWINSET has experienced like-for-like growth diversified across a broad geographic footprint

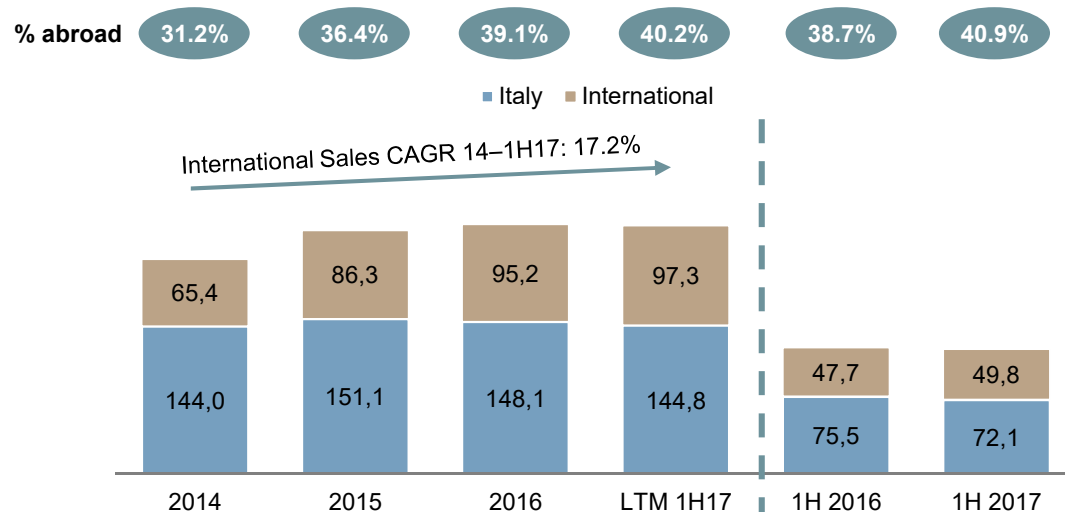
#### LFL retail growth (%)



#### Commentary

- Revenue growth supported by ability to maintain good performance on a like-for-like basis with respect to Boutiques and Outlets
- 2016 performance a result of the transition to a new brand architecture, new design team, refocused distribution platform and specific disruptive events in Paris and Brussels

#### TWINSET revenue by geography (€mm)



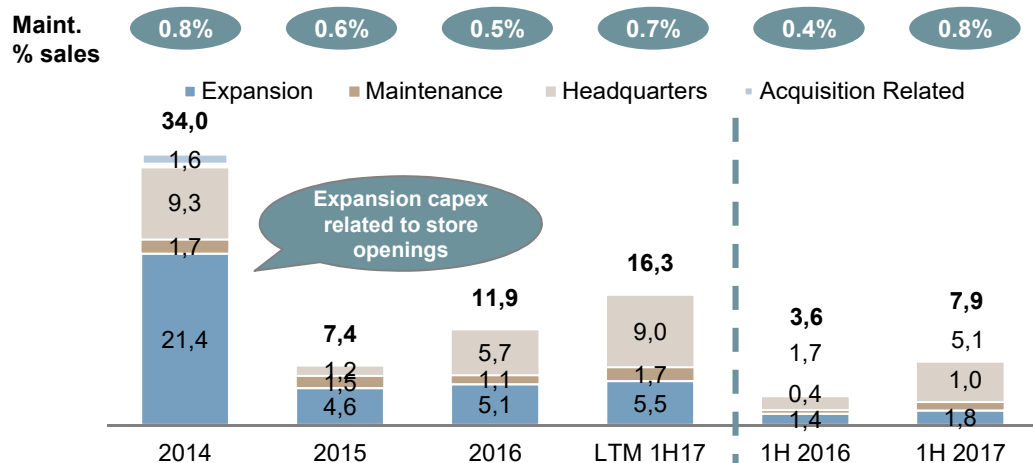
#### Commentary

- Strategic international growth driven by enhanced focus on consumer preferences in non-Italian country markets
- International growth further supported by increased penetration in the wholesale channel and improvement of franchising and E-commerce sales
- Italy impacted by rationalization of client footprint in the context of a soft overall market environment

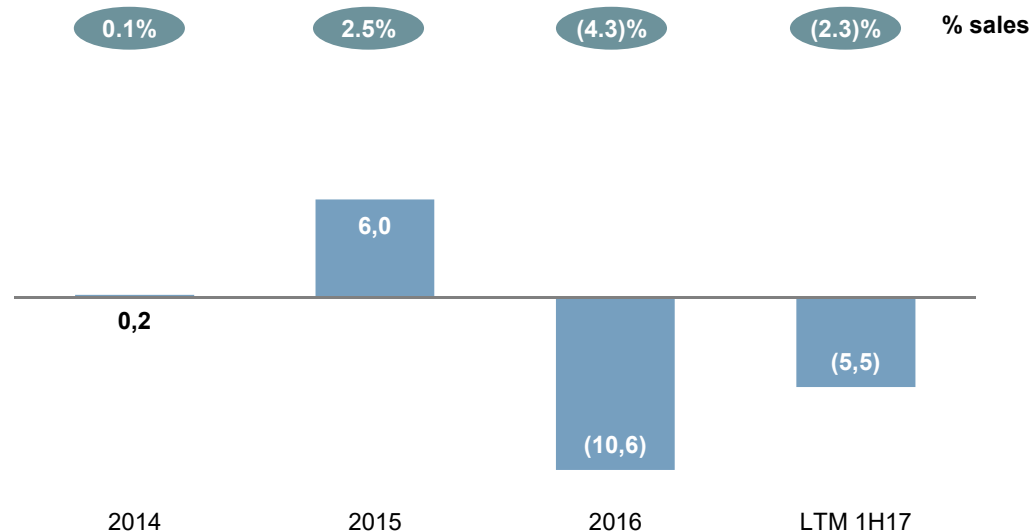
## Strong free cash flow generation

*Limited required capex and minimal working capital requirements result in strong free cash flow generation for de-leveraging*

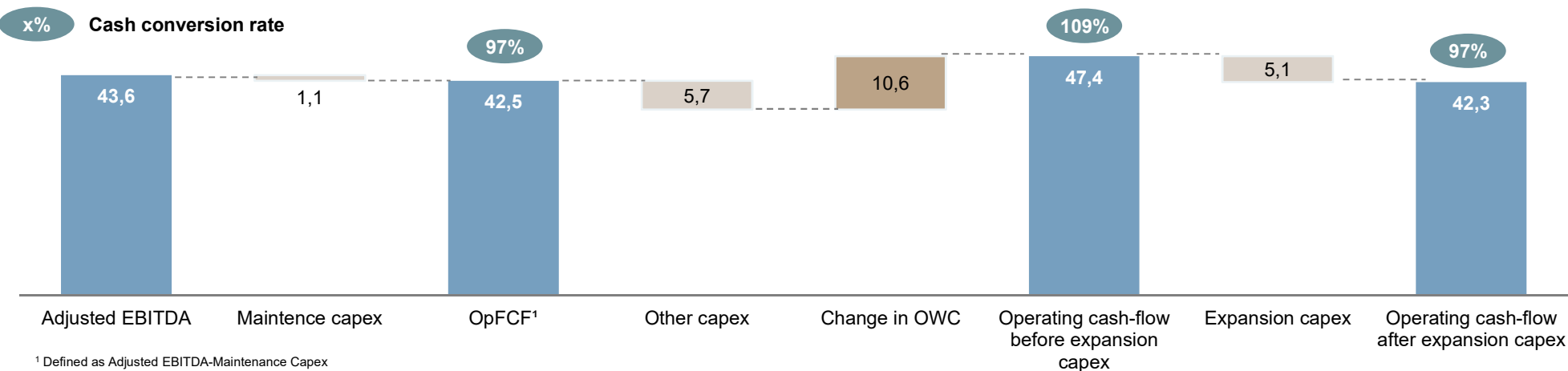
### Capital expenditures (€mm)



### Change in operating working capital (€mm)



### 2016 operating cash flow profile (€mm)



# TWINSET

