

The Evolution of Consumer Brand Investments

13 May 2021

Presenting today....

Introducing your Gordon Brothers team



Tobias Nanda

President,
Brands

e: tnanda@gordonbrothers.com



Nimit Shah

Managing Director,
Financial Planning & Analysis

e: nshah@gordonbrothers.com

Agenda

- 1. Gordon Brothers Introduction**
 - a. Brands Capabilities Overview

- 2. Conversion from OpCo to IpCo**

- 3. Laura Ashley Case Study**
 - a. Background & Transaction
 - b. Laying Foundation Post Closing
 - c. Re-Branding, Re-Launch & New Partnerships

- 4. Sector Outlook**

- 5. Q & A**

Introduction

Who we are...

118
year history



Rapid



Understand assets
values and
opportunities



operated over
100k
stores, factories
and brands



Leader in brand
valuation and
monetisation
sector

Customised



€60B
of appraisals and
dispositions
annually



Provide flexible,
global solutions for
branded consumer
companies



30+
offices

Monetise IP
assets through
debt and equity
solutions

appraised
€800B
of assets

Guaranteed

€600M
of available
capital

VALUATIONS / DISPOSITIONS / OPERATIONS / INVESTMENTS



**Gordon
Brothers**



OUR GORDON BROTHERS STORY

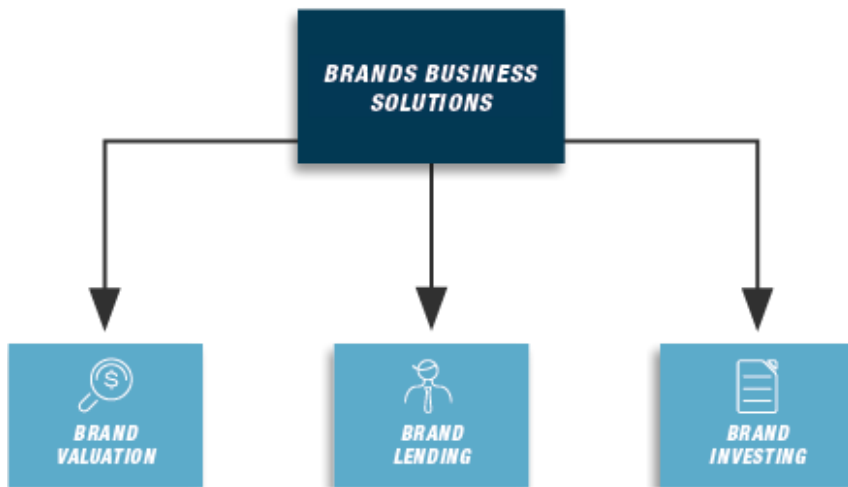
Since 1903,
Gordon Brothers
*has pioneered the art and
science of identifying and
unlocking the value of
all types of assets.*

Brands

*builds upon this legacy of
leadership by focusing on
acquiring, restructuring and
reviving some of the world's
most iconic brands.*

Brands Capabilities Overview

- Valuations
- Debt
- Equity



Brand Valuations

How We Do It

- Brand valuations form an integral part of the Brands' business showcasing our brand expertise to senior lenders, management teams and private equity investors
- Brand valuations are unique in the market and viewed as the "gold standard" in their prudent, analytical approach to valuation
- Clients take comfort knowing the Brands team at Gordon Brothers approaches brand valuations from the perspective of an active player in the brand investment arena and not just a passive valuations firm

ALEX AND ANI 

BIRCHBOX 

Don & Sons

DXL

Gibson

Jeni's
SPLENDID ICE CREAMS

Wilde Type

NEW YORK & COMPANY

SABRETT



SNOWJOE

Brand Debt

How We Do It

- Our Brands team works with lenders, private equity firms, companies and sponsors to provide liquidity based on the value of a brand
- We mostly focus on lending roughly 50% of the brands Net Order Liquidation Value (NOLV)
- By leveraging our in-depth understanding of brand value, through all of Gordon Brothers' capabilities, we can provide additional liquidity to borrowers many of our competitors can't
- With our best-in-class Valuations team, our Brands team can confidently underwrite loans centered around brand value, which in turn protects our capital through worst case scenarios



Case Study: Nicole Miller

Consumer Space: Home Furnishing, Apparel, Beauty

Structure:

- The Brands team provided a term loan against the brand value.
- The loan is secured by a first priority security interest in all intellectual property/brand of the company and FF&E.
- Loan-to-value (LTV) of the deal was between 40%-50% during underwriting.

Brand Equity

How We Do It

- Our deep understanding of brand value and brand extensions through licensing make us a global player in the brand management and acquisition sector
- We actively look to acquire companies with leading brands we believe we can grow into new categories and additional geographic territories
- Most of the brands we acquire are at an inflection point in their development, so we can invest in them at attractive values while remaining confident in their growth prospects

Investments have included

LINENS·N·THINGS®

 Polaroid

Wet Seal

LAURA ASHLEY

**SHARPER
IMAGE®**

Bench.

Ben Sherman®

Conversion from OpCo to IpCo

Conversion from OpCo to IpCo

Saving the Brand



Traditional Vertical Brand Company



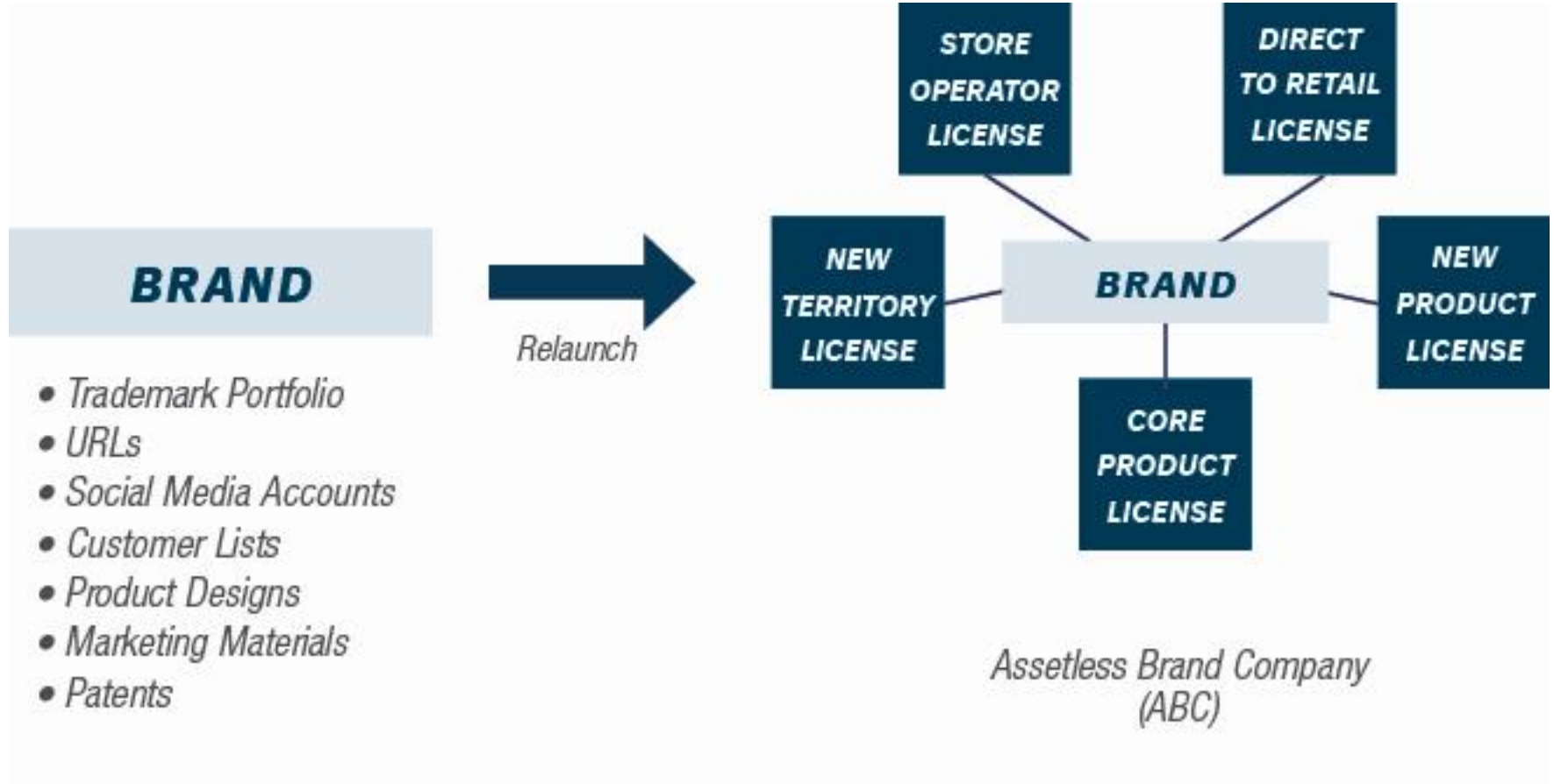
*Bankruptcy or Other
Court-Mandated Process*

BRAND

- *Trademark Portfolio*
- *URLs*
- *Social Media Accounts*
- *Customer Lists*
- *Product Designs*
- *Marketing Materials*
- *Patents*

Conversion from OpCo to IpCo

Leveraging the Brand



OpCo to IpCo

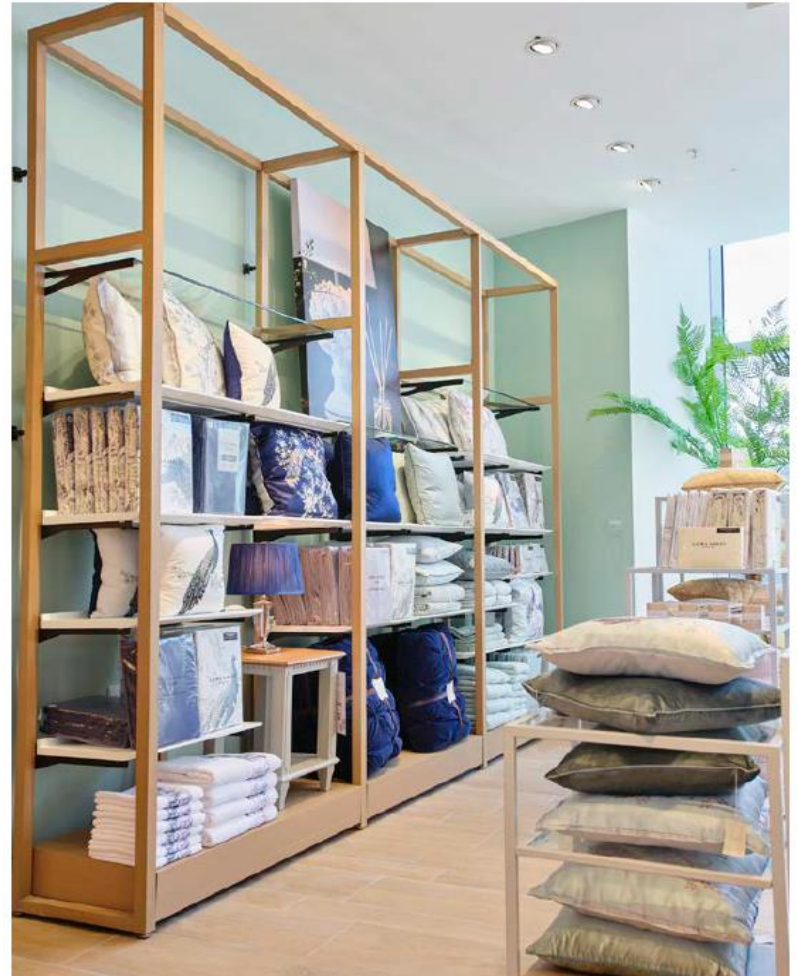
The Checklist

1.

Is the brand a retail brand, a product brand or both?

Additional considerations

- Do consumers view the brand as a destination to find a multitude of other brands or as specific products/ product categories?
- If the brand is associated with products, have these products been sold in channels other than the brands' own stores or ecommerce website?



OpCo to IpCo

The Checklist

2.

Does the brand have enough brand value to consumers to be licensed out?

Additional considerations

- What does this brand mean in the consumer market? Enough to generate volume and margins which justify a third party to pay royalties and potentially guarantee minimum royalties and sales over time?
- Can this brand live in a world without its own retail stores?



OpCo to IpCo

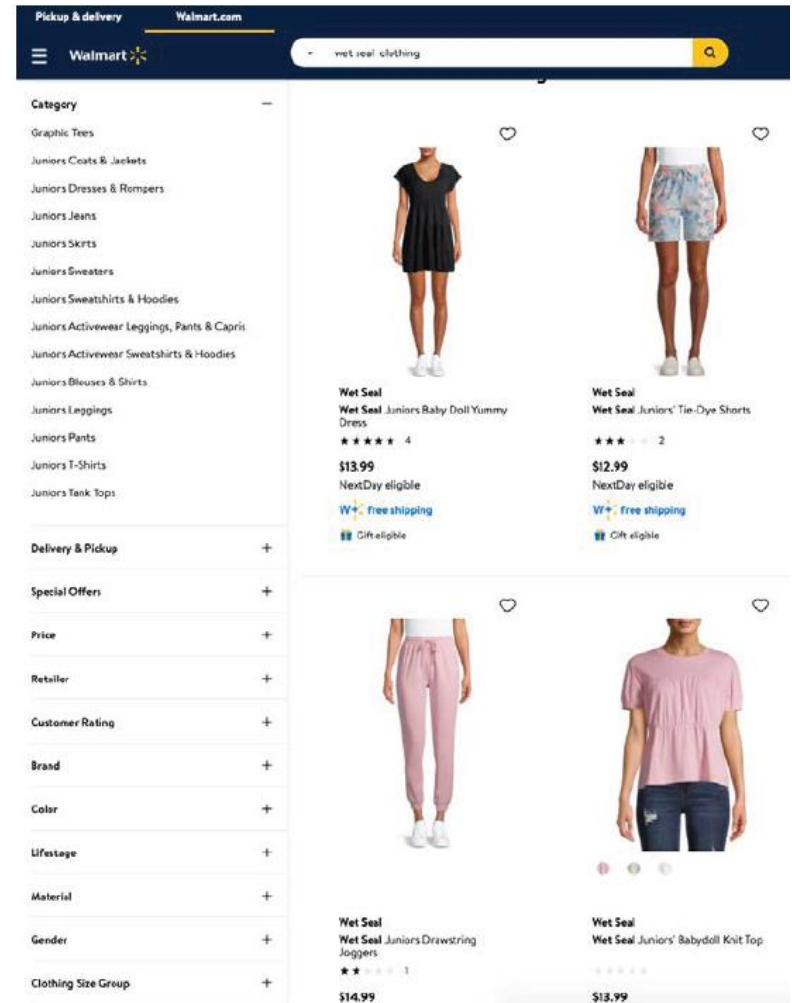
The Checklist

3.

If the brand is valuable enough, what type of licensing partners will you need?

Additional considerations

- Is this a wholesale brand that can capture enough shelf/ rack space at existing retailers?
- Can this brand be licensed to strictly ecommerce players? Or would it perform better with omni-channel licensees?
- Find an operating partner that could run retail locations and website



OpCo to IpCo

The Checklist

4.

You need to pick the right licensees. Are the potential licensees capable of designing and sourcing their own products?

Additional considerations

- This is vital because it will allow the OpCo to oversee the products but not have to invest the capital in developing and sourcing products
- What channels will these licensees be selling through?



OpCo to IpCo

The Checklist

5.

How can you minimise disruption in the conversion from full or partially vertically-integrated to fully licensed?

Additional considerations

- How can disruption to the supply chain be minimized/ mitigated? This requires a deep understanding of the timing of the production cycle, design, sourcing and placement.
- What is the quickest and smoothest way you can get the business back in the market under the licensing model?
- The partner needs a defined business strategy to launch



OpCo to IpCo

The Checklist

6.

The former operating company will need to be separated into two companies: OpCo and IPCo

Additional considerations

- Can you separate the operating company into an OpCo and an IpCo?

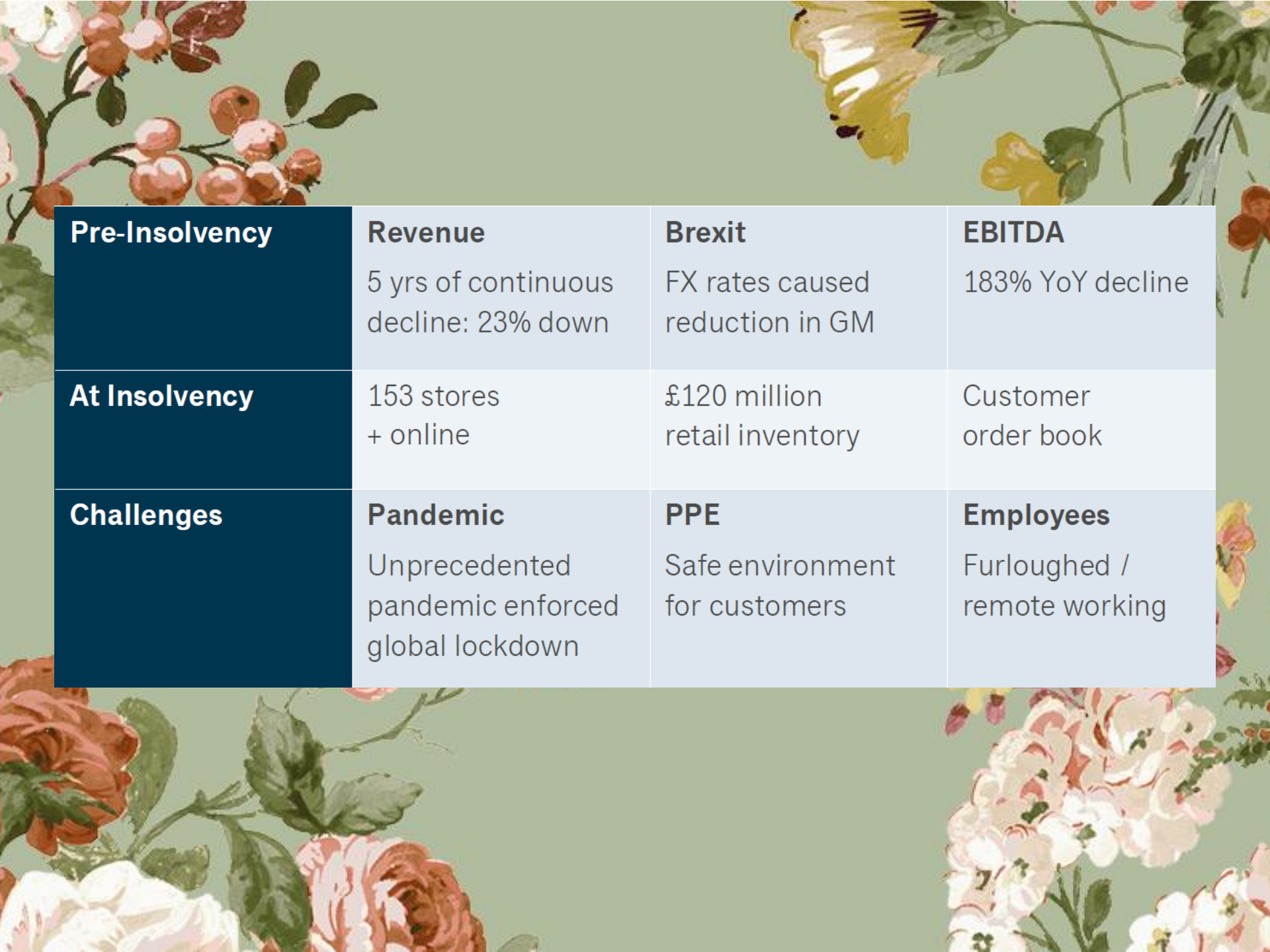


Significant Market Activity Around Asset-Lite Brand Companies

SPYDER	2013	Sportswear	Licensed sportswear, e-commerce site
JUICY COUTURE	2013	Apparel	Licensed apparel, e-commerce site
JOE'S JEANS	2015	Apparel	Licensed apparel, e-commerce site; small number of brick-and-mortar boutiques
MARTHA STEWART	2015	Apparel	License agreements with third-party brands like Target, Wal-Mart, and Macy's; license partners also handle editorial and operations for Martha Stewart Living magazine
BEN SHERMAN	2015	Publishing, Apparel, Housewares	Licensed apparel, e-commerce site
AEROPOSTALE	2016	Apparel	Operations of 200+ retail stores licensed to real estate developers
WET SEAL	2016	Retail	Relaunched as a digitally native e-commerce business across apparel, accessories, footwear, beauty, and sunglasses
VINCE CAMUTO	2018	Apparel	Licensed products in 30 categories, including footwear, sportswear, dresses, handbags, jewelry, swimwear, fragrance and menswear
NAUTICA	2018	Apparel	Transformed into an ABC after VF spin-out with Licensed Apparel and other lifestyle products
SPORTS ILLUSTRATED	2019	Publishing	Full conversion into a lifestyle brand via licensed product and media partnerships
ANNE KLEIN	2019	Apparel	Licensed apparel continuing growth in the ABC business model
FOREVER 21	2020	Retail	Operations of 750+ retail stores that partnered with licensing firm ABG and real estate company Simon Properties
LAURA ASHLEY	2020	Retail, Housewares	Licensed home products; closed down retail locations; converting Company into ABC

Laura Ashley Case Study





Pre-Insolvency	Revenue 5 yrs of continuous decline: 23% down	Brexit FX rates caused reduction in GM	EBITDA 183% YoY decline
At Insolvency	153 stores + online	£120 million retail inventory	Customer order book
Challenges	Pandemic Unprecedented pandemic enforced global lockdown	PPE Safe environment for customers	Employees Furloughed / remote working

LAURA ASHLEY

LONDON PARIS NEW YORK

BRIDGE · EDINBURGH · CANTERBURY

LONDON · PARIS · NEW YORK · A



Laura Ashley B

- Retail or Product Brand
- Brand set for licencing
- Type of licencing partne
- Correct licensees
- Disruptions
- IpcO / OpCo separation

LAURA ASHLEY INTRODUCTION



Laura Ashley: almost seventy years of authentic brand heritage

For almost seventy years Laura Ashley has been an iconic and well-loved British brand, one that has been a favourite for women's fashion and home décor all around the world. With a distinct design aesthetic featuring scenes of florals and birds placed on high-quality fashion and home décor, we believe the Laura Ashley heritage will continue to entice consumers for years to come.

Licensed product and retail partners



HOME (UK PARTNERS):

- **Next Plc.** — Upholstered furniture, home fragrance, fresh & faux florals, seasonal home accessories and childrenswear
- **Ashley Wilde** — soft furnishings
- **Graham & Brown** — Wallpaper, paint, murals, wall art & clocks
- **Qualita** — Cabinet furniture
- **Dar** — Lighting, mirrors & picture frames
- **Wegter** — tabletop & kitchen textiles
- **Symphony** — fitted kitchens & bedrooms
- **Casatex** — bedding & bath
- **Brintons** — carpets
- **Daro** — cane & outdoor furniture
- **New Dawn Innovations** — digital radios & small domestic appliances
- **IRG** — Glass splashbacks
- **Treadstone** — Garden accessories
- **ASIR** — handbags
- **SLG** — toiletries

RETAIL (GLOBAL):

- **Next Plc.** — flagship shop-in-shop London
- **Itochu** — Japan
- **Laura Ashley Korea** — Korea
- **Gomez y Gomez** — Spain & Portugal
- **Laura Ashley, Inc** — North & South Americas

Tea rooms and hospitality



Laura Ashley will proudly continue The Tea Room. Decorated in signature Laura Ashley style, we endeavour to create a unique and memorable experience for our guests. With a choice of nine charming Tea Rooms and two hotels, guests can enjoy and discover our delightful selection of sandwiches, scones, homemade cakes and world teas for a quintessentially British treat for special occasions and more.

We are in discussions with a partner to bring The Tea Room to new overseas markets in 2021.

TEA ROOM & HOTEL LOCATIONS:

- Fairwater Head Hotel, Axminster, Devon — Adam & Carrie Southwell
- The Cornwall Hotel, St Austell, Cornwall — Bella Isle Hotels Ltd
- Southcrest Manor Hotel, Redditch, Worcestershire — Simon Chopra
- Kenwood Hall Hotel, Sheffield — Vine Hotels
- Cwrt Bleddyn Hotel, Usk, [Monmouthshire](#) — Lester Hotels
- Villiers Hotel, Buckingham — Active Hospitality
- Burnham Beeches Hotel, Slough — County hotels
- The Iliffe Hotel, Coventry — Corus Hotels
- The Regency Hotel, [Solihull](#) — [Delaquest Hotels](#)

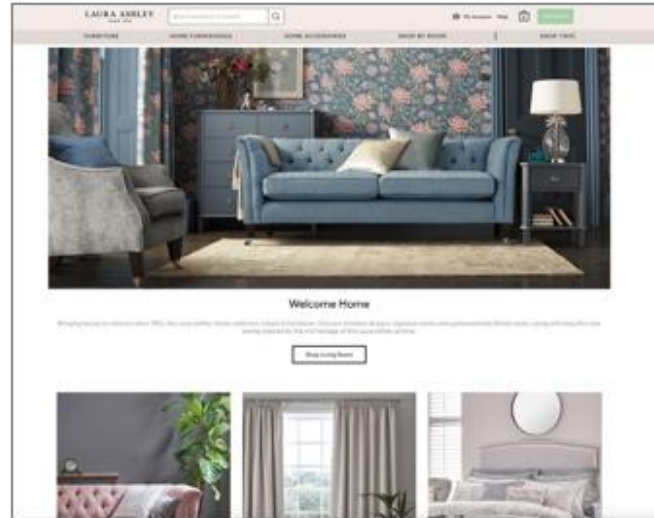
HOTELS:

- [The Belsfield](#) — Bowness on Windermere — Belsfield LLP
- [The Iliffe](#) — Coventry — Corus Hotels

From our romantic past to our inspiring future, the Laura Ashley story continues to grow...

In spring 2021, the Laura Ashley Home collection was successfully relaunched, with the return of customer's most-loved pieces, favourite prints and timeless designs from the home product range. Alongside beautiful new designs inspired by the rich heritage of the Laura Ashley archive.

The home collection is now available on a refreshed e-commerce platform and customers are able to experience the brand they love in a London based flagship store, as well as in over 45 retail locations across the U.K. & the Republic of Ireland.



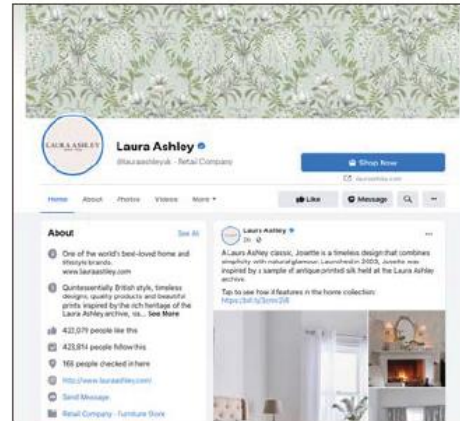
LAURA ASHLEY COMMUNITY SNAPSHOT

An active and engaged community of loyal brand followers

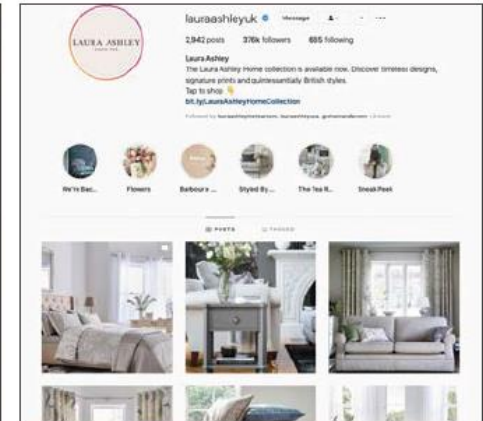
The Laura Ashley social communities are incredibly passionate and protective of the Laura Ashley brand.

Facebook, Instagram, Twitter and Pinterest are all key platforms in our community building, with each platform creating an inspirational, informative and engaging space.

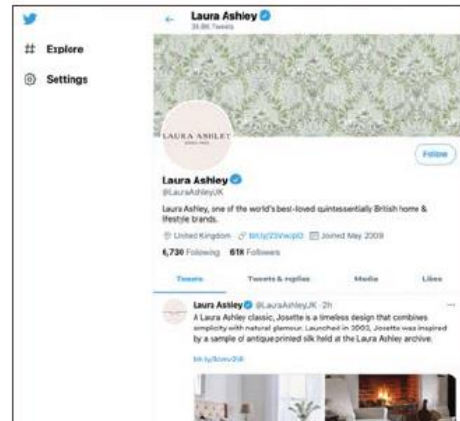
Our followers are caring and curious. They are life-long fans, as well as new-aspiring shoppers. They are highly engaged and often proud brand advocates.



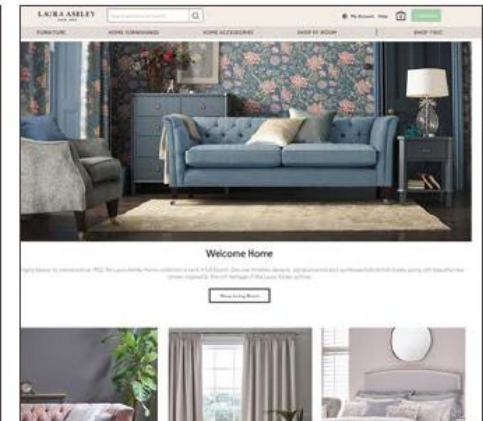
424k Facebook Followers



376k Instagram Followers



61k Twitter Followers



#1 most searched brand on Next.co.uk

NEW VENTURES / MORE COMING



- Our strategy for the year focuses on finding new territories for the brand through Master License Agreements and extended distribution for existing licensee.
- We continue to develop the brand in key territories. Four new Laura Ashley concessions have opened in Japan in 2021.
- Autumn Winter collections are in development as we begin to look at the trends for Spring 2022.

Sector Outlook

- The effects of COVID-19 and the resulting economic fallout is yet to be fully realised
- Changes in consumer shopping habits and spending power will drive companies to continue to evolve and seek alternative structures to promote their brands
- These disruptions in the marketplace will drive growth of the asset-lite brand model
- The move to this structure is one that should be embraced by all stakeholders as it enables many valuable brands to survive and thrive in a tumultuous environment
- By emphasising flexibility, the asset-lite model benefits companies and consumers alike by empowering brands to reach new audiences across multiple categories and geographies

Stay in Touch

Follow Gordon Brothers for updates on the latest deals, upcoming events, company news and thought leadership.



<https://www.linkedin.com/company/gordon-brothers/>



<https://twitter.com/GordonBrothers/>



<https://www.facebook.com/gordonbrothers/>

Our next [Retail Expert Series](#) video which will take a deeper look at the Laura Ashley Case Study will be available soon...stay tuned!

Q & A
