

Strictly confidential

Acquisition opportunity

High-quality menswear company

-

August 2014

Suitness Project

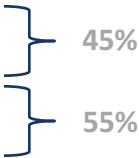
1. Background and context

Created more than 50 years ago in Paris, Suitness is a family-owned business specialising in the design and sale of mid- to high-end men's suits. Since 2006, 75% of these suits have been made in China and the remaining 25% in Europe

Suitness's sales currently stand at €8.5 million in a structurally bearish menswear market (down 11% in value since 2008)

It has a 10-person staff

The company's customer base currently consists primarily of:

- ✓ Department stores
 - ✓ Prominent chains
 - ✓ Independent retailers positioned in the mid-/high-end segment
 - ✓ A factory outlet
- 
- | | | |
|---|---|-----|
| Department stores | } | 45% |
| Prominent chains | | |
| Independent retailers positioned in the mid-/high-end segment | } | 55% |
| A factory outlet | | |

In the last 18 months, it has begun to expand this customer base while also establishing a position in e-commerce

Suitness therefore has strong growth potential due to the proven quality of its business model, its strong reputation among retailers, its experience, its expertise in men's fashion and its roots in Paris, the fashion capital of the world

While the company remains family-run, it expects to achieve a 2014 EBITDA/sales ratio of 8.0%, below the level generated at the beginning of the current decade but above the figure reported at end-2013. Its financial position is very sound

The majority shareholder and founder would like to retire and sell the business

Project Suitness

2. Economic model

The company's economic model is thus to develop a competitive men's ready-to-wear line whose production is split between Chinese and European subcontractors depending on the size of the dedicated markets

The benefits of this model are, first, a very nimble cost structure (10 employees) that is nevertheless able to handle, within this same organisation, approximately 30% more orders and, second, a high degree of attentiveness and responsiveness to customers' needs

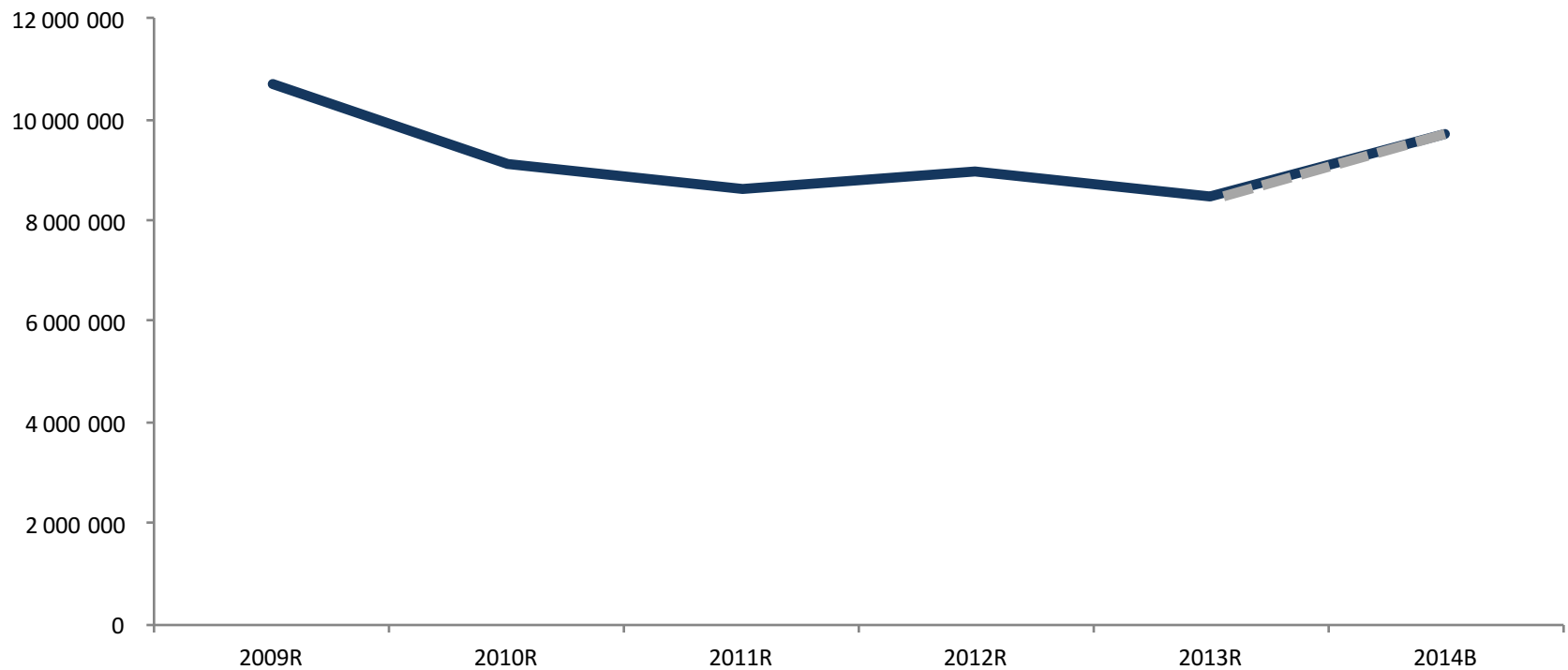
Against this backdrop, and even as it bolsters its service to these major players, Suitness is also focused on strengthening its business relationships with independent retailers and small chains with 2-4 points of sale, positioned in the mid- to high-end segment and offering much higher margins than those of the large retailers

Suitness's teams strive every day to improve their products and internal work organisation, but also their customer and supplier relations ; that is the secret to their nearly five-decade-long success

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3. Business data

1. Change in sales



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3. Business data

2. Type of customer

	TOP 10 2009	TOP 10 2010	TOP 10 2011	TOP 10 2012	TOP 10 2013	TOP 10 2014 (6 months)
Total number of customers	116	113	100	117	89	84
Balance at reporting date	12,733	15,690	8,295	9,337	6,257	5,369
Total Top 10	8,541	12,193	5,657	5,911	3,760	3,765
<i>as % of balance at reporting date</i>	<i>67%</i>	<i>78%</i>	<i>68%</i>	<i>63%</i>	<i>60%</i>	<i>70%</i>
No. of customers representing more than €50k	22	21	16	20	14	7
Orders in €k	2,407	2,308	1,557	2,116	1,206	562
As % of balance at reporting date	19%	15%	19%	23%	19%	10%
Unit order in €k	109.4	109.9	97.3	105.8	86.1	80.3
Large customers (>€50k) as a % of total	86%	92%	87%	86%	79%	81%
% of large customers (>€50k)	28%	27%	26%	26%	27%	20%

In addition:

- Only 40% of customers who were in the Top 10 in the customer balance in 2009 were still there at end-2013
- Moreover, 75% of the latter have, on average, cut their orders in half compared with 2009, except for one which increased its orders by 19%

Under these circumstances, the company has demonstrated an exceptional ability to attract new customers despite the structural decline in the market during the reference period

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4. Financial information

- Historical and estimated operating statement and balance sheet

Operating statement

€ thousands	2010A	2011A	2012A	2013A	2014E	2015E	2016E	2017E	2018E	2019E
Sales for the fiscal year (pre-tax)	9,126	8,639	8,982	8,459	9,728	10,020	10,521	11,047	11,599	12,469
<i>Rate of growth in pre-tax sales</i>		-5.34%	3.97%	-5.82%	15.00%	3.00%	5.00%	5.00%	5.00%	7.50%
Purchases	3,302	3,345	3,328	3,246	3,794	3,883	4,050	4,225	4,408	4,707
Gross margin	5,510	5,985	6,058	5,068	5,934	6,137	6,470	6,821	7,191	7,762
Value added	2,240	1,964	1,821	1,409	2,043	2,530	2,735	2,955	3,190	3,522
<i>As % of pre-tax sales</i>	24.5%	22.7%	20.3%	16.7%	21.0%	25.3%	26.0%	26.8%	27.5%	28.3%
EBITDA	1,262	869	708	348	775	1,063	1,127	1,195	1,267	1,390
Net profit	867	716	547	390	401	606	648	689	791	808

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Balance sheet to end-2013

€ thousands (at 31/12)	2010A	2011A	2012A	2013A
Working capital	15,552	14,949	13,008	13,315
Shareholders' equity (<i>incl. provisions</i>)	18,501	18,741	19,267	19,656
Medium- and long-term debt	18	18	5	3
Net fixed assets	2,967	3,810	6,264	6,344
Gross WCR	2,743	3,236	3,830	3,295
<i>As % of pre-tax sales</i>	30.1%	37.5%	42.6%	39.0%
Net cash	12,809	11,713	9,178	10,020

Opening balance sheet

€ thousands (at 31/12)	2013 PF
Working capital	2,599
Shareholders' equity (<i>incl. provisions</i>)	2,266
Medium- and long-term debt	1,133
Net fixed assets	800
Gross WCR	2,166
<i>As % of pre-tax sales</i>	25.6%
Net cash	1,733

Pro forma balance sheet as from 2014

€ thousands (at 31/12)	2014E	2015E	2016E	2017E	2018E	2019E
Working capital	2,697	3,023	3,413	3,868	4,650	5,384
Shareholders' equity (<i>incl. provisions</i>)	2,667	3,272	3,920	4,609	5,400	6,208
Medium- and long-term debt	883	622	352	71	75	107
Net fixed assets	852	872	859	813	825	931
Gross WCR	3,794	3,707	3,682	3,645	3,596	3,616
<i>As % of pre-tax sales</i>	39.0%	37.0%	35.0%	33.0%	31.0%	29.0%
Net cash	-1,097	-685	-269	222	1,054	1,768

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5. SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> - In business for nearly five decades - Proven track record - Present in the fashion capital of the world (Paris) - Competitive - Flexible model - Outperformed the market in the last decade 	<ul style="list-style-type: none"> - No growth strategy or large-scale marketing operations until a year ago - Sales erosion in the last three years - Family management of the company's assets (decision to turn towards real estate) - Manager built the business from scratch ; importance of his personal business relationships remains a question mark - Lack of sales networks (including e-commerce)
Opportunities	Threats
<ul style="list-style-type: none"> - Decline in the overall menswear offer works in the company's favour (-> competitive edge) - New opportunities offered by the initial impact of the business development strategy - Ability to make targeted acquisitions - Development of e-commerce - Acquisitions of retail chains 	<ul style="list-style-type: none"> - Customers' vertical integration policies - Changes in consumption patterns -> decline in clothing purchases - Threats to traditional distribution channels - Risk the business model will lose the personal touch (->inability to replace lost customers)

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