



# M&A DEAL OVERVIEW

## ASOS ACQUIRES TOPSHOP AND OTHERS FOR

### £330 MILLION

# ASOS TOPSHOP

<b>ACQUIRER</b>	ASOS PLC (LON: ASC)	
<b>ACQUIRER DETAILS</b>	<ul style="list-style-type: none"> <li>ASOS is the UK's largest online-only fashion retailer, with a primary target demographic of young adults aged 16-34</li> <li>The company's global distribution network allows it to offer 85,000 products from over 850 different brands, including a mix of in-house brands and products curated from other third-party brands</li> <li>Through the platform's social media presence, marketing and multi-channel approach to online shopping, ASOS has established an active customer base of 24 million customers as of 31/08/2020</li> <li>Founded in 2000, headquarters in London, United Kingdom</li> <li>Employees – 3,824</li> </ul>	
<b>ACQUIRER FINANCIAL INFORMATION</b>	<ul style="list-style-type: none"> <li>Market Cap: £4.97 billion</li> <li>EV: £4.77 billion</li> <li>LTM Revenue: £3.26 billion</li> <li>PE Ratio: 40.67</li> </ul>	<ul style="list-style-type: none"> <li>LTM EBITDA: £183.5 million</li> <li>LTM EV/Revenue: 1.46</li> <li>LTM EV/EBITDA: 26.00</li> </ul>
<b>TARGET</b>	Topshop PLC (privately held company under the Arcadia Group)	
<b>TARGET DETAILS</b>	<ul style="list-style-type: none"> <li>Topshop is a British multinational retailer specialising in women's fashion, previously operating in 510 shops worldwide alongside an online store</li> <li>The other brands being acquired in the deal are Topman (Topshop's counterpart for men's fashion), Miss Selfridge (a boutique women's fashion retailer), and HIIT (a specialist on activewear clothing). These brands are all owned by the Arcadia Group, which went into administration on 30/11/2020</li> <li>Topshop was founded in 1964 with headquarters in London, United Kingdom</li> <li>Employees – 4,792 (across Topshop and Topman)</li> </ul>	
<b>TARGET FINANCIAL INFORMATION</b>	<ul style="list-style-type: none"> <li>Market Cap: N/A</li> <li>EV: N/A</li> <li>LTM Revenue: N/A</li> <li>Forward PE Ratio: N/A</li> </ul>	<ul style="list-style-type: none"> <li>LTM EBITDA: N/A</li> <li>LTM EV/Revenue: N/A</li> <li>LTM EV/EBITDA: N/A</li> </ul>
<b>DEAL POINTS</b>	<ul style="list-style-type: none"> <li>Deal announced – 01/02/2021</li> <li>Deal Price – ASOS is paying £330 million in an all-cash deal</li> <li>The price breakdown includes £265 million to purchase the Topshop, Topman, Miss Selfridge and HIIT brands from the Arcadia Group, with an additional £30 million for existing inventory and £35 million for forward purchase orders</li> <li>ASOS shares increased by 7% on the 1st February following the announcement</li> </ul>	
<b>RATIONALE</b>	<ul style="list-style-type: none"> <li>COVID-19 has accelerated the shift in consumer preferences towards online shopping, with a year-on-year increase of 32% in retail e-commerce traffic worldwide (June 2020) while brick and mortar businesses suffered; one of the contributing factors to the Arcadia Group's administration</li> <li>ASOS experienced a 23% increase in retail sales (in the four months to December 2020) and the acquisition of these four brands will help ASOS to capitalise on this change in consumer trend</li> <li>As part of the deal, ASOS will only be acquiring the brands without the associated stores, distribution centres and the vast majority of staff. Only 300 staff in the design and product-related roles will be transferred to join the teams at ASOS to boost the development of all portfolio brands</li> <li>ASOS was already a leading sales channel for the Arcadia Group brands, with half a million Topshop jeans being sold on the platform last financial year. With this acquisition, ASOS will be able to create success from the Arcadia Group's failure, by fully integrating Topshop and the other brands into their online-only platform and distribution centres, which are purpose-built for e-commerce orders</li> <li>Topshop and the other brands can transition away from physical stores, creating cost synergies and increasing profit margins. As ASOS now owns the brands, they will also be able to capture the entire profit from the sales on their platform, as opposed to the fractional pre-deal commission</li> <li>ASOS and the acquired brands will complement each other's growth. Through ASOS' global distribution centres, as well as technology and marketing expertise, the acquired brands will be able to expand internationally. Topshop and the other brands are also iconic British brands, with a total of 19 million social media followers across Instagram, Facebook and Twitter. This has immense value as a marketing opportunity for ASOS to funnel these followers into their customer base, with the brand websites already redirecting to ASOS' platform</li> <li>ASOS CFO, Mathew Dunn, expects that while the estimated £20 million of start-up costs will cancel out any additional profit gains in the current financial year, Topshop and the other acquired brands will generate a double-digit return on capital in the following financial year</li> <li>This deal will also help ASOS to maintain competitiveness against its main online rival, Boohoo, who has made a series of brand acquisitions from the Arcadia Group (previously purchased Debenhams and Warehouse, now the remaining Burton, Dorothy Perkins and Wallis brands purchased as of 10/02/2021)</li> </ul>	