M&A DEAL OVERVIEW

BOOHOO TO ACQUIRE DEBENHAMS' IP FOR £55 MILLION

boohoo Debenhams

ACQUIRER	Boohoo Group PLC (LON: BOO)	
ACQUIRER DETAILS	- A United Kingdom-based online fashion retailer, with a target market of 16 to 30-year-olds - Boohoo specialises in own-brand fashion clothing with over 36,000 products. Its core products include dresses and tops, with over 27,000 clothing styles - The company has a prominent social media presence with over 10 million followers across all their platforms - Founded in 2006, headquarters in Manchester, United Kingdom - Employees – 2,619	
ACQUIRER FINANCIAL INFORMATION	- Market Cap: £4.33 billion - EV: £4.00 billion - LTM Revenue: £1.49 billion - Forward PE Ratio: 41.89	- LTM EBITDA: £131.93 million - LTM EV/Revenue: 2.69 - LTM EV/EBITDA: 30.33
TARGET	Debenhams PLC (previously LSE: DEB before it was delisted in April 2019)	
TARGET DETAILS	- A British multinational retailer with multi-channel department stores in the United Kingdom and Denmark and franchise stores in other countries. Before 2019, it had 200 stores across 18 countries - Debenhams has a top 5 market share in womenswear and menswear and a top 10 share in childrenswear in the UK - Founded in 1778, headquarters in London, United Kingdom - Employees – 12,000	
TARGET FINANCIAL INFORMATION	- Market Cap: £22.47 million - EV: £651.27 million - LTM Revenue: N/A - Forward PE Ratio: N/A	- LTM EBITDA: N/A - LTM EV/Revenue: N/A - LTM EV/EBITDA: N/A
DEAL POINTS	- Deal announced – 25/01/2021 - Deal Price – £55 million all-cash deal, with Boohoo paying mainly for the intellectual property, including customer data of Debenhams - Boohoo shares increased by over 3% on the morning of 25th January - Boohoo does not wish to operate physical shops, meaning that post-deal, the remaining 118 stores of Debenhams will close	
RATIONALE	- Boohoo's main drive to acquire the Debenhams brand is the fact that it can use a marketplace model. This is where third parties can sell their own products through a marketplace, like what happens with Amazon and eBay. Boohoo would own the market place with third party companies selling through it. Operationally, this is immensely beneficial since Boohoo can sell numerous brands without needing to stock the products. Moreover, it is a high-margin model as Boohoo would collect a fee on each transaction - Debenhams is a top 10 retail website in the UK with 300 million visitors annually and £400 million of sales in the year to August 2020. This will massively aid Boohoo to gain traction in the initial months as it stocks Boohoo and Debenhams own brands. Following this, it will be able to welcome an unlimited number of third party brands to its marketplace - Online marketplace spend is projected to grow by 50.1% by 2024. The online UK fashion market grew 26% in 2020 despite the Covid-19 pandemic. These promising figures suggest high-growth potential for Boohoo in the coming years - Boohoo will be able to enter the beauty, sports and homeware markets through this deal, making its decision even more attractive. These markets are linked to fashion, giving scope for a quicker and smoother entry - The UK beauty market is worth £11.93 billion and Debenhams is a leading beauty retailer. Hence, this acquisition could lead to a higher market share through access to 6 million beauty shoppers and the opportunity to relaunch the loyal Beauty Club scheme which consists of 1.4 million members. This could help Boohoo gain a competitive edge against its rival ASOS who has developed a successful beauty business over the past year - Debenhams went into administration for the second time last April. Boohoo has prospered during the global pandemic, stealing market share from store-based rivals that were forced to shut during UK lockdowns. This implies strong prospects for Debenhams' failed brand to be revived successfully	