

# LUXURY BRANDS SOLIDIFY LEADERSHIP POSITION IN APPAREL, FOOTWEAR & ACCESSORIES MARKET

APPAREL, FOOTWEAR & ACCESSORIES SECTOR UPDATE | APRIL 2023



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# TABLE OF CONTENTS

4	Key Sector Takeaways
5	Optimistic Outlook In The Luxury Brands Segment
6	Luxury Brands Stave Off Recessionary Headwinds
7	M&A Slows, Demand Persists For Brands With Resilient Margins
8	Market Overview And M&A Data
9	Notable Transactions
10	Select Recent Transactions
11	Public Company Data
13	Report Contributors
14	Firm Track Record
15	Endnotes



## CONTACT OUR APPAREL, FOOTWEAR & ACCESSORIES SECTOR BANKER



**Jesse Betzner**  
Senior Director  
617-619-3355

[jbetzner@capstonepartners.com](mailto:jbetzner@capstonepartners.com)



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# Apparel, Footwear & Accessories

## Luxury Brands Solidify Leadership Position

### KEY SECTOR TAKEAWAYS

Capstone Partners' [Consumer Investment Banking Group](#) is pleased to share its Apparel, Footwear & Accessories report. Sector participants that have demonstrated sustained growth and defensive margins have maintained buyer attention despite significant turbulence across capital markets. Several key report takeaways are outlined below.

1. The Luxury Brands segment has weathered economic headwinds better than other segments of the Apparel, Footwear & Accessories sector, largely due to an affluent consumer base that is more insulated from inflationary pressures.
2. In past recessions, luxury brands have proven to outperform the broader market from a public company EBITDA multiple perspective.
3. Merger and acquisition (M&A) activity has moderated through year-to-date (YTD) 2023 as financial and strategic buyers have cautiously approached transaction markets amid economic uncertainty and questions over the interest rate path.
4. M&A valuations for sector players have held strong with an increased emphasis on pricing power, margin strength, and omnichannel capabilities.
5. Luxury and high-end premium brands that have direct consumer relationships and consistently high gross margins are receiving out-sized multiples in the current environment, with demand persisting from both financial and strategic buyers.

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## OPTIMISTIC OUTLOOK IN THE LUXURY BRANDS SEGMENT

Elevated levels of inflation and rapid monetary tightening have created a bifurcated market in the Apparel, Footwear & Accessories sector—segmented between brands that have successfully passed costs onto consumers and maintained margins, and those with lesser brand strength whose profitability and sales growth have eroded in recent quarters. While many sector players have experienced a trade-down effect as consumers have become more cost-conscious, the Luxury Brands segment of the market has benefited from an affluent consumer base that is more insulated from inflationary and recessionary headwinds. Recognized high-end brands have continued to capture strong sales growth, evidenced by LVMH Moët Hennessy (ENXTPA:MC) recording a 23.3% year-over-year (YOY) increase in revenue in 2022 while modestly expanding its gross margin by 10 basis points to 68.4%, according to its earnings release.<sup>1</sup> Alternatively, mass-market retailers including Macy's (NYSE:M) and The Gap (NYSE:GPS) experienced YOY revenue declines of 0.1% and 6.3% in 2022, respectively, according to their earnings releases.<sup>2,3</sup> The high level of demand inelasticity among many luxury brands has contributed to the segment's recession resistant perception—creating healthy M&A and investment appetite in the space.

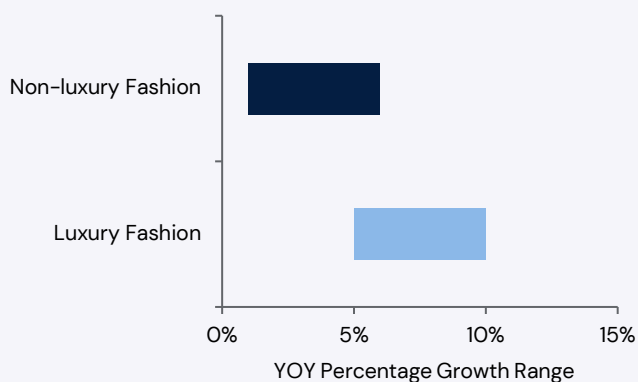


Jesse Betzner, Senior Director

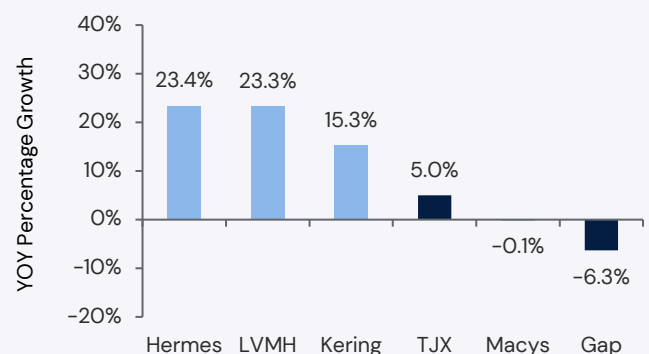
*"Luxury and high-end premium brands are building on the momentum that they developed during the pandemic. Notably, their pricing power, strength across all channels, and direct relationships with the customer have allowed them to navigate choppy waters and emerge as winners in the current environment."*

Premium and luxury sector players with entrenched customer loyalty, robust multichannel capabilities, and efficient marketing spend are poised to continue to garner healthy consumer purchases. However, supply chain issues have remained a challenge for many sector participants, complicating inventory management and leaving select companies with an overabundance of product that they have been forced to mark down. Recent turmoil in the Banking sector has also added to the uncertainty in the broader Retail environment as capital market volatility and credit conditions have presented additional challenges for privately-held businesses seeking liquidity. Despite headwinds, the Luxury Fashion segment is anticipated to achieve YOY revenue growth between 5%–10% in 2023, according to McKinsey.<sup>4</sup> This compares to the modest sales growth projections of 1%–6% in the Non-Luxury segment. In addition, the expansion of the Luxury Brands customer base will serve as a boost to growth in the long-term. Notably, the Luxury market's customer base is expected to expand to 500 million people in 2030 from 400 million in 2022, according to Bain.<sup>5</sup>

**Luxury Fashion Expected to Achieve Healthy Sales Growth**



**Luxury Brands' Most Recent Fiscal Year Sales Growth Outperform Non-Luxury Brands**



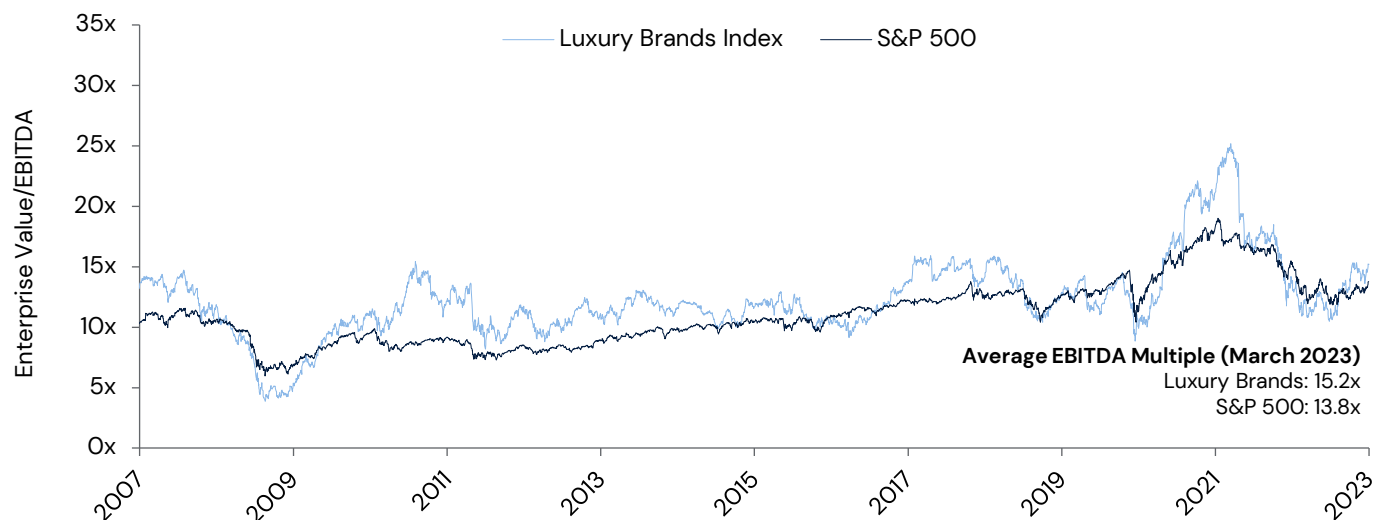
Source: McKinsey, company press releases, and Capstone Partners



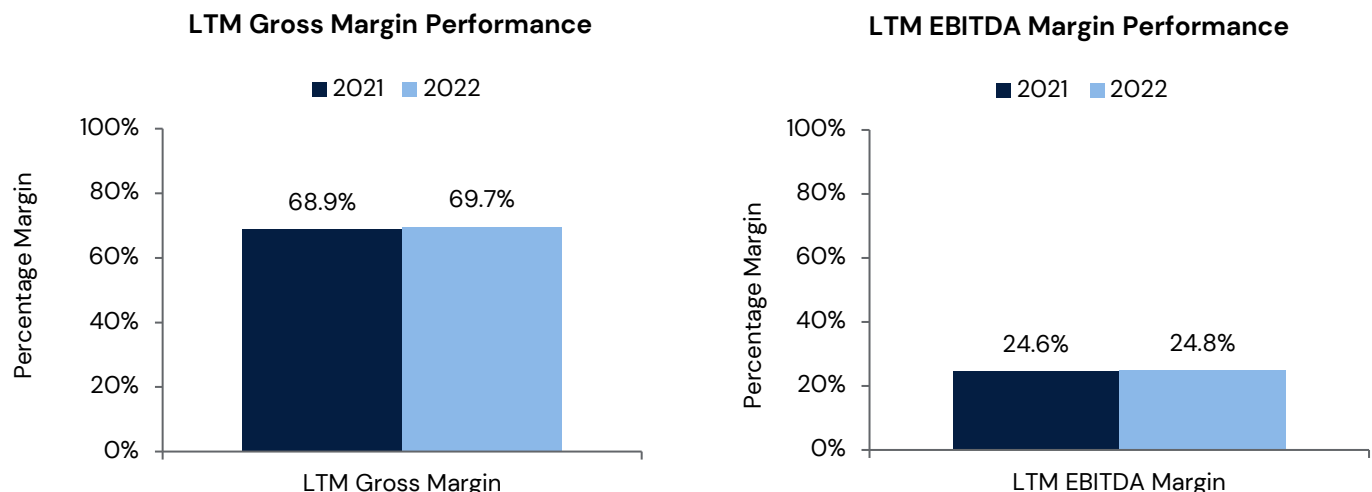
## LUXURY BRANDS STAVE OFF RECESSIONARY HEADWINDS

The Luxury Brands segment of the Apparel, Footwear & Accessories market has demonstrated a track record of recession resilience. From 2007–2009, the average EBITDA multiple among public companies in Capstone's Luxury Brand Index amounted to 10.0x compared to 9.3x in the S&P 500. This pricing dynamic has continued amid the volatile economic conditions experienced to start 2023, with the average multiple for luxury brands standing at 15.2x EV/EBITDA, outpacing the S&P 500 average of 13.8x EV/EBITDA. In addition, public companies in the Luxury Brands segment have demonstrated remarkable margin defensibility, evidenced by the index's full year 2022 gross margin expansion to 69.7% from 68.9% in 2021. EBITDA margins also improved modestly in 2022, rising to an average of 24.8% from 24.6%.

### Luxury Brands Public Company Trading Multiples vs. S&P 500



### Luxury Brands Margin Performance



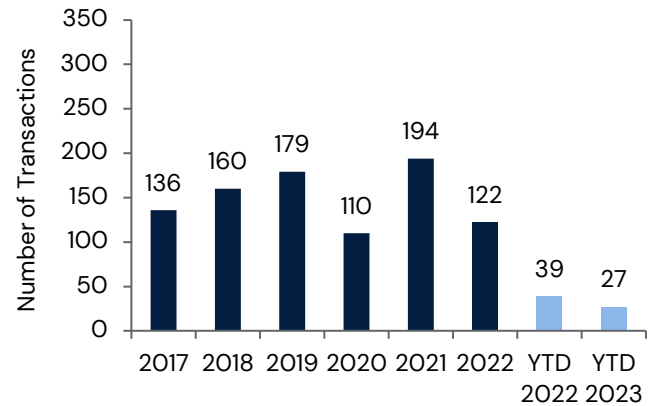
Luxury Brands Index includes: BRBY, CFR, KER, MC, PNDORA, UHR, ZGN, BOSS  
Source: Capital IQ and Capstone Partners



## M&A SLOWS, DEMAND PERSISTS FOR BRANDS WITH RESILIENT MARGINS

M&A activity has moderated in the Apparel, Footwear & Accessories sector through YTD, dragged down by a lesser appetite for non-premium or non-luxury brands. Through March 14, 27 transactions have been announced or completed, representing a 30.8% decline YOY. Across the middle market, acquirers have approached M&A with increased caution, particularly as uncertainty over the Federal Reserve's interest rate path has persisted. In addition, recent turmoil in the Banking sector has added further pressure to credit markets, which may result in an even tighter lending environment. In response, buyers have increasingly assessed target companies on their expected performance given a potential economic recession. Despite significant operational headwinds, sector players with a sticky customer base, robust same store sales, and persistently strong gross margins have continued to attract strategic and financial buyers.

**Apparel, Footwear & Accessories M&A Transaction Volume**



Year-to-date (YTD) ended March 14  
Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

Strategic buyers have comprised the vast majority of transactions through YTD 2023, accounting for 81.5% of announced or completed deals. However, the small transaction sample size early in the year may be overstating the dominance of strategics. Over the past three years, strategic acquirers have comprised an average of 62.9% of deals. Sector players have demonstrated an appetite for large-scale consolidation in the past six months as leading public companies have pursued high-quality assets. Notably, Estée Lauder (NYSE:EL) acquired leading global luxury brand Tom Ford for an enterprise value of \$2.8 billion and equivalent to ~3.0x EV/Revenue.

Financial buyers have been increasingly selective in their acquisition pursuits in recent months, accounting for a modest 18.5% of YTD transactions. Many businesses encountered operational headwinds due to inflationary pressures, which has given pause to private equity buyers. Anecdotally, Capstone has witnessed sponsors with developed sector investment theses continuing to explore acquisition opportunities, however, there has been a dearth of new sponsors entering the space.

M&A sector valuations have held steady through YTD with average multiples of 2.7x EV/Revenue and 11.1x EV/EBITDA from 2020 through YTD 2023. Transaction pricing has outpaced the average LTM multiples among public companies in the Apparel, Footwear & Accessories space as trading performance has been impacted by a volatile market through early 2023.

### Apparel, Footwear & Accessories Valuation Analysis

Valuation Method	Average Revenue Multiple	Average EBITDA Multiple
Apparel, Footwear & Accessories M&A Transactions (2020-YTD 2023)	2.7x	11.1x
Apparel, Footwear & Accessories Public Comps (LTM 2023)	1.8x	10.9x

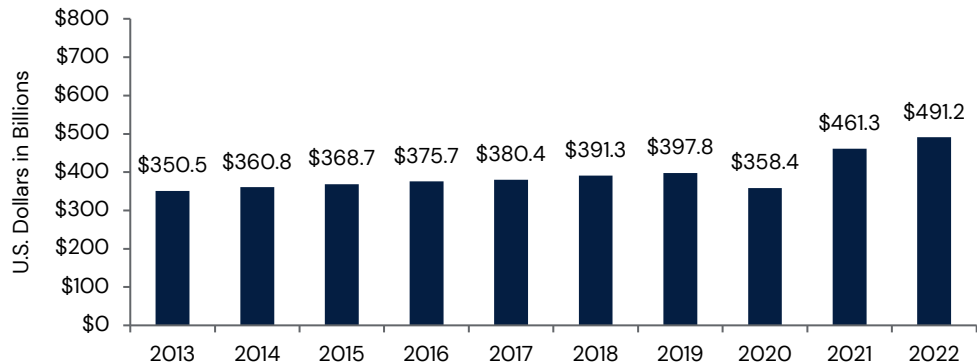
Source: Capital IQ, FactSet, PitchBook, and Capstone Partners



## MARKET OVERVIEW AND M&A DATA

### Clothing & Footwear Personal Consumption Expenditures Rise in 2022

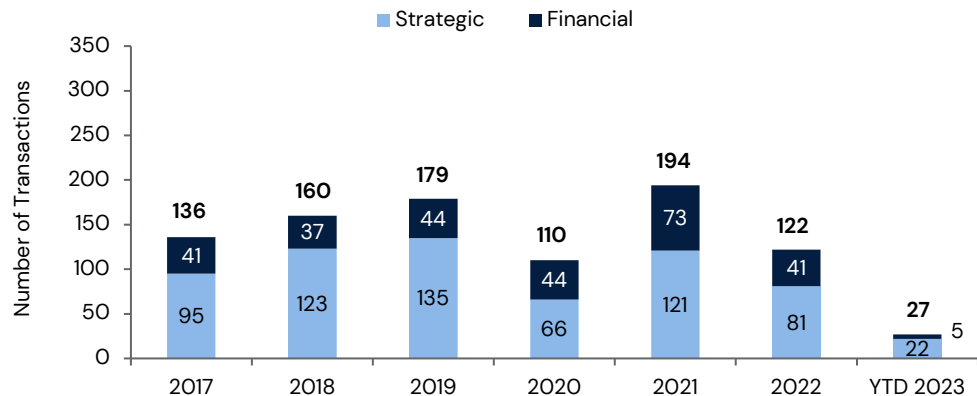
Personal consumption expenditures on clothing and footwear increased 6.5% YOY to \$491.2 billion in 2022, according to the U.S. Bureau of Economic Analysis.<sup>6</sup> Luxury items have continued to command a loyal customer base despite elevated inflation.



Source: U.S. Bureau of Economic Analysis

### M&A Activity Moderates Through Year-to-Date 2023

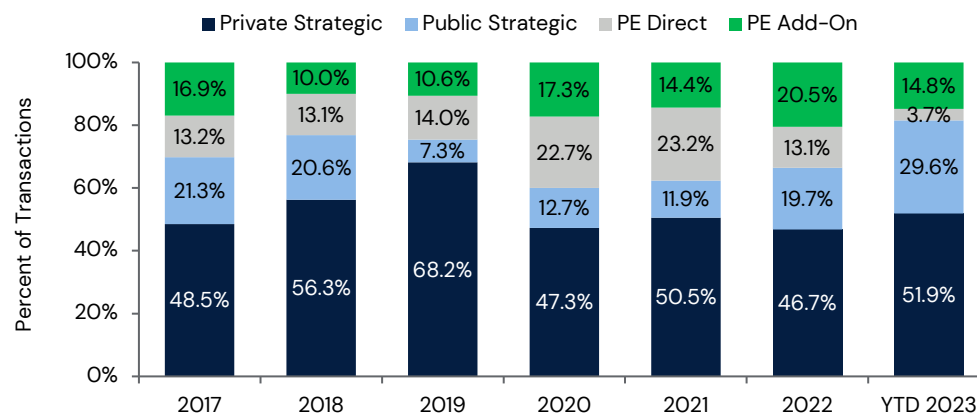
M&A activity has declined YOY as financial buyers have demonstrated increased selectivity in their acquisition pursuits. Rising costs have eroded the margins of many non-premium and non-luxury sector players.



Year-to-date (YTD) ended March 14  
Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

### Strategics Comprise Majority of Transaction Activity

Through YTD, strategic buyers have comprised the overwhelming majority of transactions at 81.5%. While 2022 witnessed a proliferation of add-on acquisitions, private equity firms have pulled back on their investments and held onto portfolio companies through early 2023.



Year-to-date (YTD) ended March 14  
Source: Capital IQ, FactSet, PitchBook, and Capstone Partners





## NOTABLE TRANSACTIONS

**L CATTERTON**

**A.P.C.**

L Catterton, a leading global consumer-focused investment firm has agreed to acquire a controlling stake in Atelier de Production et de Création (A.P.C.) for an undisclosed sum (March 2023). A.P.C. is a recognized French clothing brand offering women's and men's ready-to-wear clothing and accessories. A.P.C. holds a strong international presence, with 80% of sales outside of France and has a distribution footprint in 70 countries, according to a press release.<sup>7</sup> L Catterton is expected to leverage its sector expertise to bolster A.P.C.'s scale, international reach, and digital presence.



Jesse Betzner, Senior Director

*"Demand for high-quality luxury assets remains robust, with interest coming from strategic and financial buyers alike. Strategic buyers are capable of paying premium multiples where there is an immediate opportunity for the scaling of strong brands internationally, while savvy financial buyers are particularly drawn to DTC brands with exceptional management teams and solid growth prospects."*

**ESTÉE LAUDER**

**TOM FORD**

Estée Lauder has agreed to acquire leading global luxury brand Tom Ford for an enterprise value of \$2.8 billion and equivalent to ~3.0x EV/Revenue (November 2022). Estée Lauder has been a longstanding partner of Tom Ford and the transaction gives it sole ownership of the brand and its intellectual property. Estée Lauder expects transaction synergies to include creative oversight, increased speed and agility, and further online penetration. The strategic acquisition also bolsters Estée Lauder's presence in the Luxury Beauty segment and affirms its leadership position in the global Prestige Beauty space. The transaction also extends Tom Ford's licensing agreements with Ermenegildo Zegna (NYSE:ZGN) and Marcolin.

**NAVER**

  
**POSHMARK**

Naver (KOSE:A035420) has acquired Poshmark for an enterprise value of \$1.05 billion and equivalent to 3.0x EV/Revenue (October 2022). Poshmark is a leading social e-commerce marketplace for new and secondhand style for women, men, kids, pets, and home. It has over 80 million registered users and generated approximately \$2 billion in gross merchandise value with a gross margin of 85% in 2021, according to a press release.<sup>8</sup> The addition of Poshmark significantly expands Naver's search-driven e-commerce business into the global secondhand consumer-to-consumer Fashion market. The acquisition also provides Naver with an enhanced presence in the U.S.





## SELECT RECENT TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
02/22/23	New Moosejaw	DICK'S (NYSE:DKS)	Retails apparel and related products for men, women, and kids.	-	-	-
02/07/23	Club Glove	Acushnet (NYSE:GOLF)	Manufactures and distributes golf accessories and golf products including luggage, covers, and travel kits.	-	-	-
02/06/23	Indera Mills	Intradeco Apparel	Designs, manufactures, and distributes thermal wear for retail customers.	-	-	-
01/25/23	Norda Run	Ermenegildo Zegna (NYSE:ZGN)	Manufactures and sells trail running shoes and apparel.	-	-	-
01/19/23	Herco Jewelry	Quality Gold	Wholesales jewelry products.	-	-	-
12/19/22	Topo Athletic	Designer Brands (NYSE:DBI)	Provides athletic gear including shoes for road, trail, hiking, and recovery activity.	-	-	-
11/16/22	L2 Brands	Sentinel Capital Partners	Retails apparel, headwear, college gear, home décor, and customized products.	-	-	-
11/15/22	Tom Ford	Estée Lauder (NYSE:EL)	Offers apparel for men and women including dresses, jackets, jeans, outerwear, and accessories.	\$2,800.0	~3.0x	-
11/01/22	Adore Me	Victoria's Secret (NYSE:VSCO)	Provides lingerie and intimate products for women.	\$400.0	~1.7x	-
10/13/22	Grailed	1661	Offers an online marketplace for buying and selling men's clothing.	-	-	-
10/03/22	Poshmark	Naver	Provides a marketplace for new and secondhand style for men, women, kids, pets, and home goods.	\$1,048.3	3.0x	-
09/19/22	Johnny Was	Oxford (NYSE:OXM)	Manufactures and sells women's apparel and accessories.	\$263.7	-	-
08/09/22	Blue Nile	Sterling Jewelers	Provides online retailing of diamonds and jewelry.	\$398.2	0.8x	-
07/27/22	Simms Fishing	Vista (NYSE:VSTO)	Offers fishing products including waders, outerwear, footwear, and technical apparel.	\$192.5	1.8x	11.7x
07/08/22	Knix Wear	Essity (OM:ESSITY B)	Designs and manufactures underwear and bras for women.	\$392.5	4.5x	-
07/06/22	Fox Head	Vista (NYSE:VSTO)	Provides motocross gear and apparel for riders.	\$590.0	~1.7x	~10.7x
05/19/22	Cosabella	CALIDA (SWX:CALN)	Manufactures and supplies women's lingerie, daywear, loungewear, sleepwear, and activewear.	\$80.0	2.8x	16.7x
05/11/22	Nexbelt	TEAM Partners	Offers ratchet belts and accessories for golf, hunting, outdoors, and everyday wear.	-	-	-
05/05/22	Pearl Izumi	United Sports	Manufactures and sells sports apparel for men and women including cycling and skiing gear.	-	-	-
05/03/22	Pistil Designs	LongWater Opportunities	Offers headwear, bags, and accessories including beanies, pouches, and scarves.	-	-	-
04/26/22	Glacier Outdoor	Elvisridge Capital	Provides gloves, hats, and accessories for fishing, hunting, shooting, paddling, and cycling.	-	-	-
Mean				\$661.9	2.3x	13.0x
Median				\$398.2	2.1x	11.7x

Source: Capital IQ, PitchBook, FactSet, and Capstone Partners



## PUBLIC COMPANY DATA

### ACTIVEWEAR

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	04/04/23	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
adidas AG	\$179.40	76.5%	\$32,029.1	\$38,542.0	\$24,057.9	\$2,087.2	8.7%	1.6x	18.5x
ASICS Corporation	\$28.27	96.6%	\$5,177.4	\$5,740.7	\$3,674.8	\$382.3	10.4%	1.6x	15.0x
Foot Locker, Inc.	\$41.25	87.4%	\$3,854.0	\$6,544.0	\$8,759.0	\$1,843.0	21.0%	0.7x	3.6x
Lululemon Athletica Inc.	\$366.80	89.3%	\$46,644.0	\$46,559.5	\$8,110.5	\$2,394.9	29.5%	NM	19.4x
NIKE, Inc.	\$123.69	88.9%	\$191,789.1	\$193,553.1	\$50,626.0	\$8,391.3	16.6%	3.8x	23.1x
PUMA SE	\$60.41	69.2%	\$9,046.2	\$10,319.6	\$9,046.8	\$1,065.3	11.8%	1.1x	9.7x
Under Armour, Inc.	\$9.31	54.7%	\$3,922.6	\$4,592.2	\$5,282.2	\$180.9	3.4%	0.9x	25.4x
Mean							14.5%	1.6x	16.4x
Median							11.8%	1.4x	18.5x
Harmonic Mean							9.6%	1.2x	10.9x

EV = enterprise value; LTM = last twelve months  
\$ in millions, except per share data  
NM = Not Meaningful

### DIVERSIFIED APPAREL

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	04/04/23	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
Capri Holdings Limited	\$45.98	66.4%	\$5,780.1	\$8,843.1	\$5,776.0	\$1,670.3	28.9%	1.5x	5.3x
Delta Galil Industries Ltd.	\$40.49	63.6%	\$1,090.2	\$1,533.8	\$2,031.5	\$324.2	16.0%	0.8x	4.7x
Fox-Wizel Ltd.	\$84.75	56.4%	\$1,153.1	\$1,878.8	\$1,377.2	\$271.1	19.7%	1.4x	6.9x
Gildan Activewear Inc.	\$33.71	95.4%	\$6,061.6	\$6,915.0	\$3,240.5	\$751.8	23.2%	2.1x	9.2x
Hanesbrands Inc.	\$5.18	34.8%	\$1,809.7	\$5,871.8	\$6,233.7	\$940.4	15.1%	0.9x	6.2x
Oxford Industries, Inc.	\$104.87	85.0%	\$1,654.2	\$2,059.0	\$1,411.5	\$370.4	26.2%	1.5x	5.6x
PVH Corp.	\$87.77	92.9%	\$5,504.3	\$8,794.2	\$9,024.2	\$1,765.7	19.6%	1.0x	5.0x
Tapestry, Inc.	\$42.16	88.8%	\$9,952.9	\$12,413.2	\$6,594.3	\$1,825.2	27.7%	1.9x	6.8x
V.F. Corporation	\$22.31	37.9%	\$8,670.9	\$15,598.1	\$11,697.5	\$2,130.5	18.2%	1.3x	7.3x
Mean							21.6%	1.4x	6.3x
Median							19.7%	1.4x	6.2x
Harmonic Mean							20.6%	1.2x	6.0x

Source: Capital IQ as of April 4, 2023





## PUBLIC COMPANY DATA (CONTINUED)

### FOOTWEAR

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	04/04/23	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
Caleres, Inc.	\$21.95	70.5%	\$782.1	\$1,641.5	\$2,968.1	\$467.8	15.8%	0.6x	3.5x
Crocs, Inc.	\$127.02	88.5%	\$7,843.7	\$10,247.0	\$3,555.0	\$1,050.5	29.5%	2.9x	9.8x
Deckers Outdoor Corporation	\$455.26	99.0%	\$12,000.3	\$11,142.9	\$3,571.7	\$756.5	21.2%	3.1x	14.7x
Rocky Brands, Inc.	\$23.38	54.0%	\$171.8	\$434.2	\$615.5	\$61.1	9.9%	0.7x	7.1x
Skechers U.S.A., Inc.	\$46.83	94.5%	\$7,271.9	\$8,497.3	\$7,444.6	\$700.4	9.4%	1.1x	12.1x
Steven Madden, Ltd.	\$35.98	79.9%	\$2,766.2	\$2,597.3	\$2,122.0	\$292.9	13.8%	1.2x	8.9x
Wolverine World Wide, Inc.	\$16.97	70.5%	\$1,347.8	\$2,585.4	\$2,684.8	\$160.9	6.0%	1.0x	16.1x
Mean							15.1%	1.5x	10.3x
Median							13.8%	1.1x	9.8x
Harmonic Mean							11.8%	1.1x	6.6x

### LUXURY BRANDS

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	04/04/23	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
Burberry Group plc	\$31.47	96.7%	\$11,808.2	\$12,435.4	\$3,296.1	\$956.1	29.0%	3.8x	13.0x
Richemont SA	\$159.41	96.9%	\$91,034.5	\$90,066.4	\$20,660.9	\$5,387.3	26.1%	4.4x	16.7x
Ermenegildo Zegna N.V.	\$13.24	95.3%	\$3,291.0	\$3,707.0	\$1,486.5	\$335.1	22.5%	2.5x	11.1x
Hermès	\$2,075.62	99.5%	\$216,983.1	\$209,010.5	\$12,399.3	\$5,038.0	40.6%	NM	NM
Hugo Boss AG	\$73.18	100.0%	\$5,050.8	\$6,033.3	\$3,902.3	\$695.3	17.8%	1.5x	8.7x
Kering SA	\$640.22	96.8%	\$78,247.8	\$87,368.9	\$21,749.5	\$7,757.8	35.7%	4.0x	11.3x
LVMH Moët Hennessy – Louis Vuitton	\$932.60	99.9%	\$467,305.7	\$495,724.4	\$84,625.4	\$28,804.1	34.0%	NM	17.2x
Pandora A/S	\$94.61	94.4%	\$8,302.6	\$9,302.0	\$3,802.2	\$1,252.3	32.9%	2.4x	7.4x
The Swatch Group AG	\$333.15	88.2%	\$16,702.9	\$13,982.8	\$8,109.9	\$1,530.0	18.9%	1.7x	9.1x
Mean							28.6%	2.9x	11.8x
Median							29.0%	2.5x	11.2x
Harmonic Mean							26.6%	2.5x	10.9x

Source: Capital IQ as of April 4, 2023



## APPAREL, FOOTWEAR & ACCESSORIES REPORT CONTRIBUTORS



### Jesse Betzner

Senior Director, Specialty Retailing  
jbetzner@capstonepartners.com | 617-619-3355

Jesse is a Senior Director with Capstone's Boston investment banking team. He works as part of the banking team performing financial analysis, assisting with identification of strategic and financial buyers as well as many other deal related tasks. Prior to joining Capstone, Jesse gained seven years of M&A, Corporate Finance and Entrepreneurship experience including several years at J.P. Morgan in New York City. While with J.P. Morgan, Jesse worked with clients across various sectors, including Technology and Diversified Industries, in North America, South America and Europe. Jesse is a Series 79 Registered Investment Banking Representative and holds an MBA from London Business School and a BS in Finance and International Business from Georgetown University.



### Connor McLeod

Vice President of Market Intelligence  
cmcLeod@capstonepartners.com | 617-619-3319

Connor currently serves as Vice President of Market Intelligence at Capstone Partners. Connor provides M&A insights, capital markets analysis, and macroeconomic updates for C-suite middle market executives. He specializes in the coverage of the Consumer industry. Prior to joining the Market Intelligence Team at Capstone, Connor was a specialist with the Investor Services team at BlackRock. Connor holds a BA in Economics from Bates College. He is a Series 7 Registered Securities Representative and has passed levels I and II of the CFA program.



## FIRM TRACK RECORD

Capstone's [Consumer Investment Banking Group](#) maintains an active presence in the Apparel, Footwear & Accessories sector with in-depth knowledge of the buyer universe and business characteristics that drive premium valuations in an M&A process. Our frequent conversations with industry participants provide us with increased transparency into market trends and buyer preferences. A sampling of Capstone's closed and active deals is outlined below.

<p><b>CONFIDENTIAL</b></p> <p>CORPORATE SALE</p> <p>DESIGNER &amp; RETAILER OF PREMIUM MEN'S AND WOMEN'S CLOTHING</p>	<p>ROBBINS BROTHERS*</p> <p>COMVEST PARTNERS</p> <p>HAS BEEN ACQUIRED BY</p> <p><b>MAINST</b> CAPITAL CORPORATION</p>	<p><i>Catbird</i></p> <p>HAS RECAPITALIZED WITH</p> <p>AN UNDISCLOSED FINANCIAL PARTNER</p>	<p><i>Natures Craft</i></p> <p>HAS BEEN ACQUIRED BY</p> <p>AN UNDISCLOSED STRATEGIC BUYER</p>
<p><b>coop</b></p> <p>HAS RECAPITALIZED WITH</p> <p><i>tOpspin</i> CONSUMER PARTNERS</p>	<p>WISE OWL OUTFITTERS</p> <p>HAS BEEN ACQUIRED BY</p> <p>THRASIO</p>	<p><i>Ruffle Butts®</i></p> <p>HAS RECAPITALIZED WITH</p> <p>SUMMIT PARK</p>	<p>DC THOMSON</p> <p>HAS DIVESTED</p> <p>wild + wolf.</p>
<p><b>purple</b></p> <p>HAS BEEN ACQUIRED BY</p> <p>GP AC GLOBAL PARTNER ACQUISITION CORP</p>	<p>bobble®</p> <p>HAS BEEN ACQUIRED BY</p> <p>O2COOL® cool by design™</p>	<p>CRYSTAL BODY DEODORANT</p> <p>HAS BEEN ACQUIRED BY</p> <p>JUGGERNAUT CAPITAL PARTNERS</p>	<p>HALO® the safer way to sleep®</p> <p>HAS MERGED WITH</p> <p>aden + anais® a portfolio company of SPC SHEEPER HOLDING CORP.</p>





## ENDNOTES

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## Market Presence

With a long-established U.S. footprint, together with an international partner platform, we provide clients with broad expertise and access to key market relationships on a global basis. Our presence is backed by ~200 professionals in the U.S. with 450+ professionals across 41 countries.

