

BOTTEGA VENETA

AVA COHEN, INÈS GREEN, LILIAN NASR,
TAHHIRA BRAR





EXECUTIVE SUMMARY

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- Bottega Veneta was founded in 1966 in the Veneto region of Italy by Michele Taddei and Renzo Zengiaro with its primary product being leather goods
- The Italian label was bought by Kering in 2001. In February 2001, the Kering Group acquired a 66.7 percent stake in Bottega Veneta and in July 2001, acquired an additional 11.8 percent raising its interest in the company to 78.5 percent
- In 2016 the Italian label suffered a fall in sales. A loss of 9% in revenue from the previous year.
- In July 2018, Bottega Veneta embarked on a new chapter in its history with the arrival of British Creative Director Daniel Lee.
- Kering implemented a strategy. One part of Bottega's success, as seen during the first few months of 2020, was strengthened relationships between the brand and its global wholesale accounts. Kering cited a 55.1% growth in wholesale account orders.
- On November 10, 2021, Bottega Veneta and Daniel Lee announced the creative director's departure from the label after three years and announced Matthieu Blazy as the new CD.

BRAND DESCRIPTION

- Founded in 1966, Veneto, Italy by Michele Taddei and Renzo Zengiaro.
- Very restrained with its logo. The distinguishing feature is the leather mesh.
- Some of the most popular products: the Cabat, the Knot and the Pouch bags.
- Bottega Veneta is the second largest revenue generator in the Kering group.
- As for December 21, 2021 - Bottega Veneta has 263 directly operating stores, including 125 emerging markets.



VISUAL DESCRIPTION

- “Silent luxury brand”
- No Logo
- Catching the eye without compromising the image of discretion
- Bottega Green



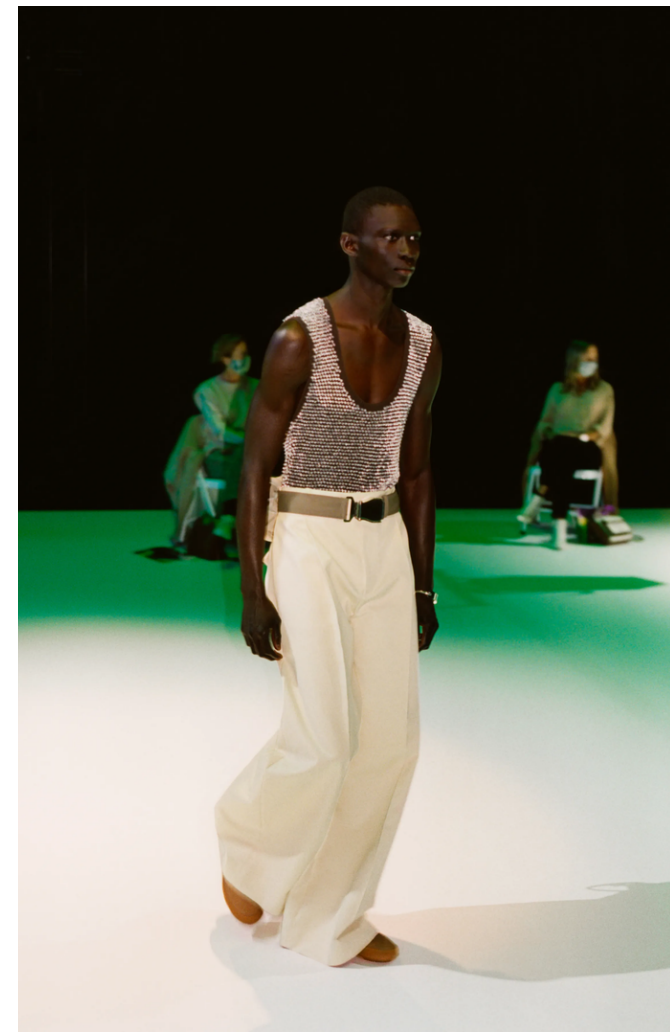
MAIN PRODUCTS



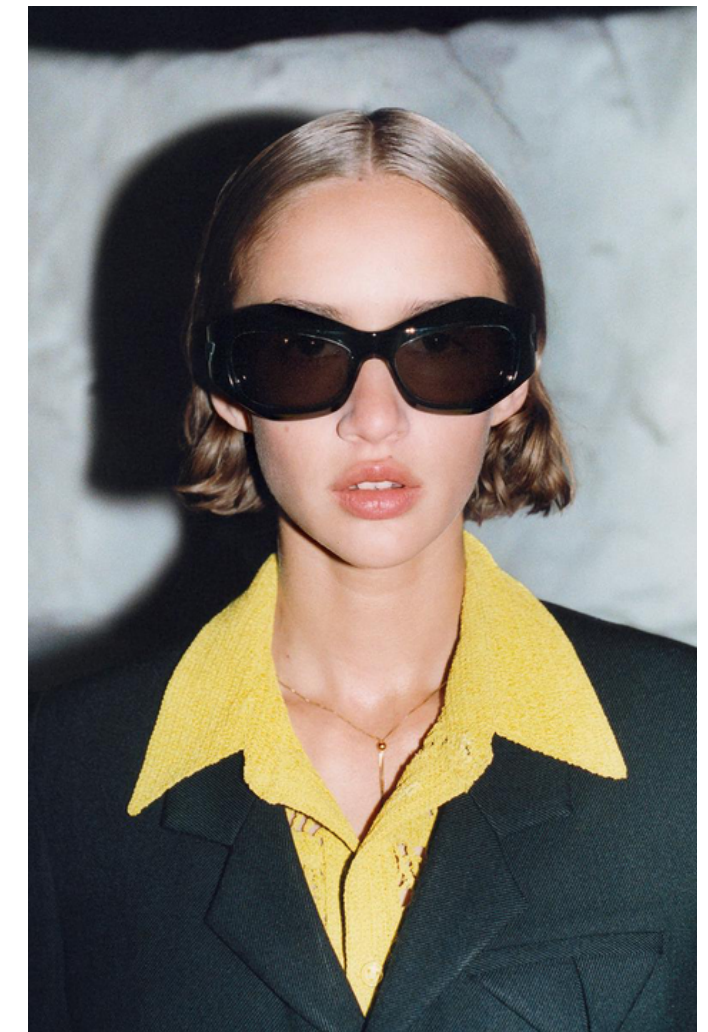
LEATHER GOODS
71%



SHOES
18%

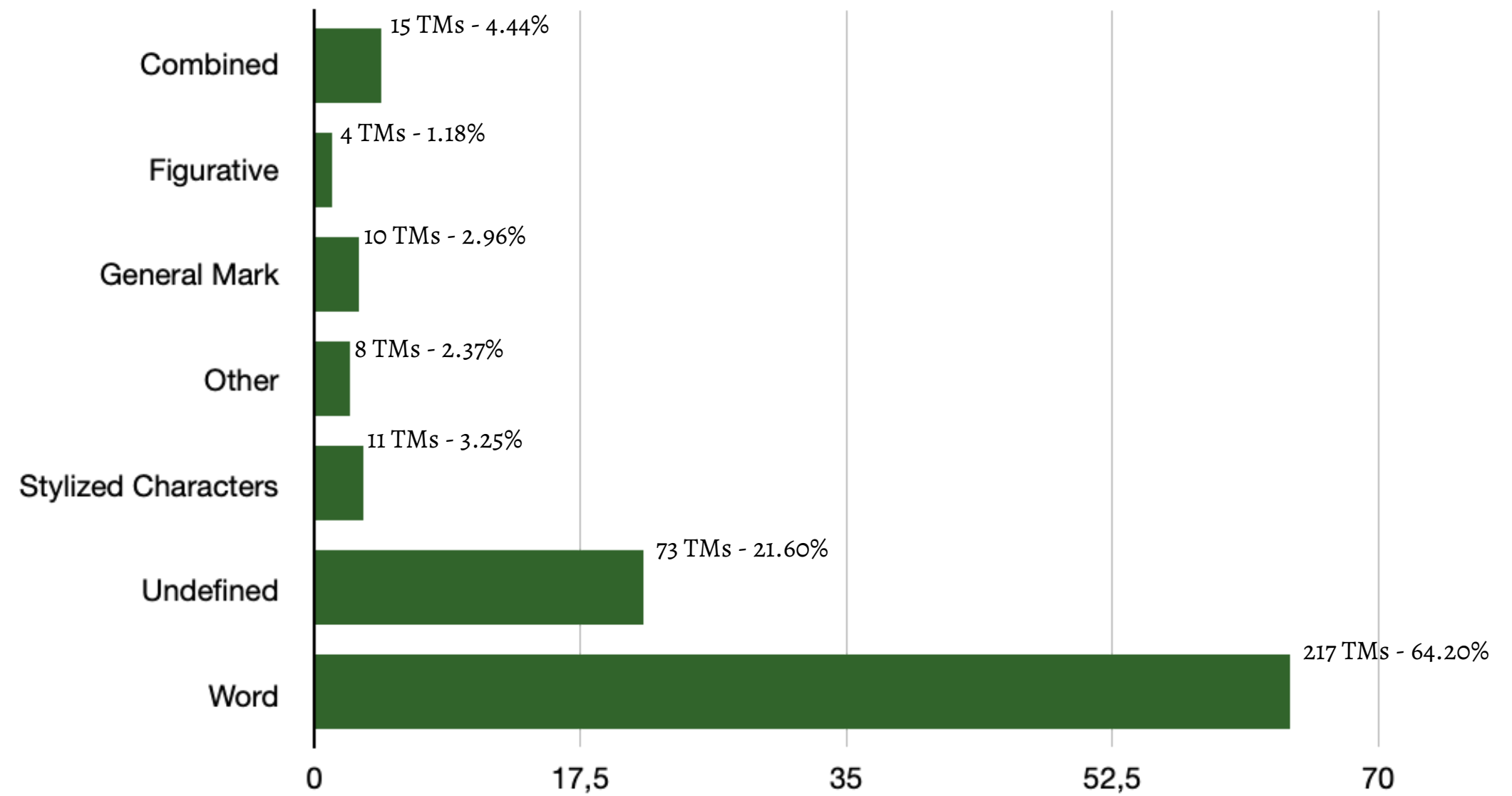
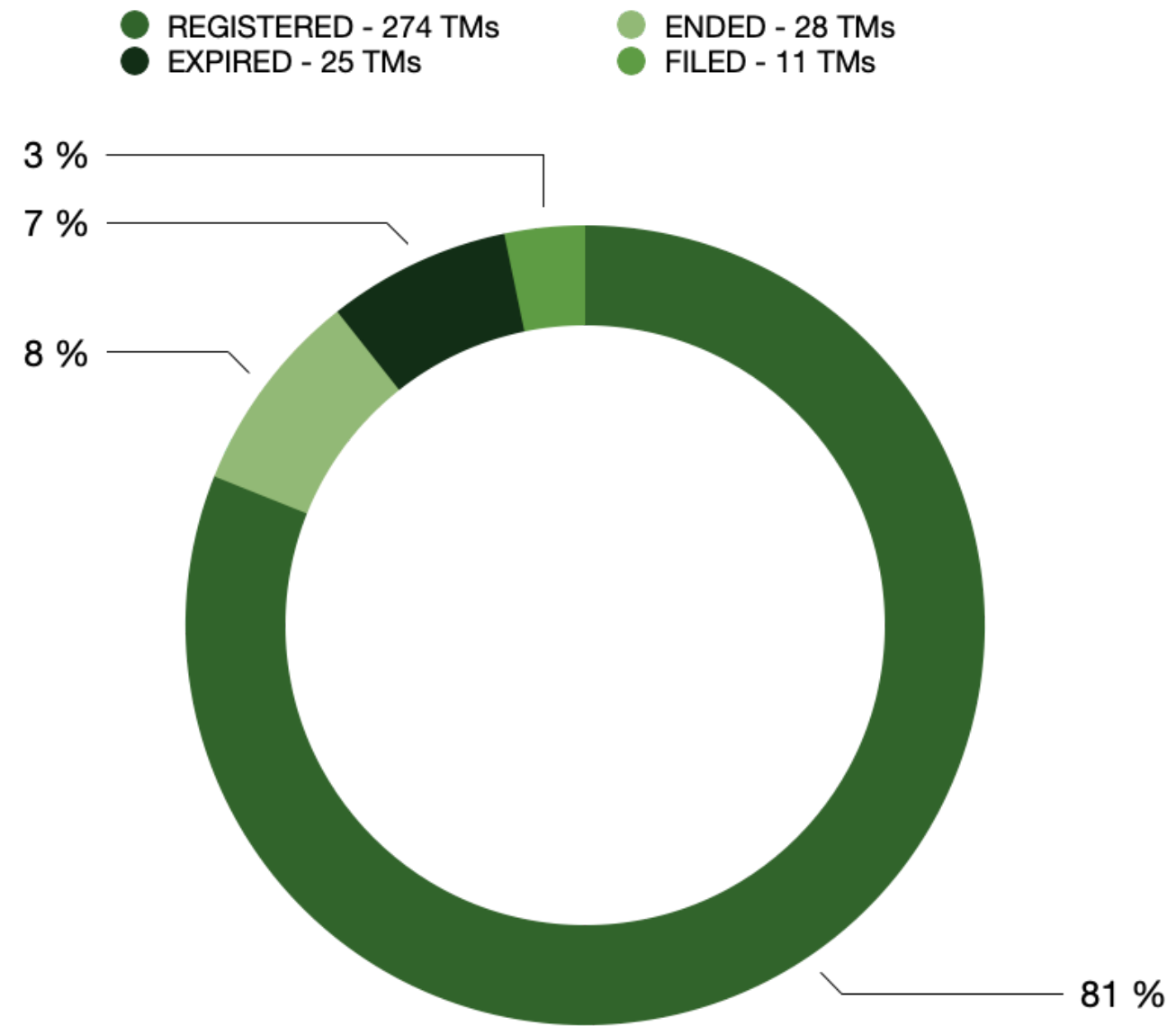


READY TO WEAR
9%



OTHER
2%

LEGAL ANALYSIS



**COMPANY
INFORMATION**



COMPANY DESCRIPTION : K E R I N G



- Founded by François Pinault as a lumber and building materials business, the Kering group repositioned itself on the retail market in the 1990s and soon became one of the leading European players in the sector.
- Manages the development of a series of renowned houses in fashion, leather goods, jewelry and watches.
- Kering enables its Houses to set new limits in terms of creative expression while crafting tomorrow's Luxury in a sustainable and responsible way.
- Guided by a commitment to constantly seek growth and create value.

KERING GROUP

01

VISION

Embracing creativity for a modern, bold vision of Luxury

02

MULTI-BRAND MODEL

built on a long-term approach and creative autonomy for the Houses

03

VALUE CHAIN

bringing key advantages, Upstream positioning and integration in the value chain, e.g., Kering Eyewear

04

STRATEGY

that aims to harness the full potential of Luxury to grow faster than markets, Promoting, enhancing organic synergies, developing growth platforms.

05

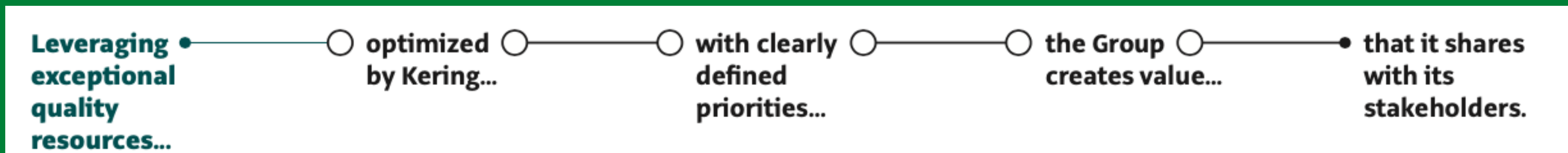
TO SUPPORT AMBITION

To be the world's most influential Luxury group in terms of creativity, sustainability and long-term economic performance.

BUISNESS MODEL AND VALUE CREATION

KERING VALUE CREATION METHOD :

The Group refers to the value creation model- to create both economic value (measured through financial metrics) and value for society as a whole (measured through corporate social responsibility metrics).



SPECIFIC DATA
ON BOTTEGA



BOTTEGA VENETA : REVENUE

<i>(in € millions)</i>	2021	2020	Change	2019
Revenue	1,502.8	1,210.3	+24.2%	1,167.6
Recurring operating income	286.5	172.0	+66.6%	215.2
<i>% of revenue</i>	19.1%	14.2%	+4.9 pts	18.4%
EBITDA	448.9	333.6	+34.6%	374.3
<i>% of revenue</i>	29.9%	27.6%	+2.3 pts	32.1%
Acquisitions of property, plant and equipment and intangible assets	67.0	48.4	+38.4%	57.8
Average FTE headcount	3,777	3,831	-1.4%	3,754

- Bottega Veneta's revenue hit an all-time high of €1,503 million in 2021,
- Compared to 2019, sales rose 31.8% at constant exchange rates in 2021.
- Wholesale sales were up 15.7% compared to 2020 and up 72.9% relative to 2019, testifying to the brand's renewed appeal with professional buyers.

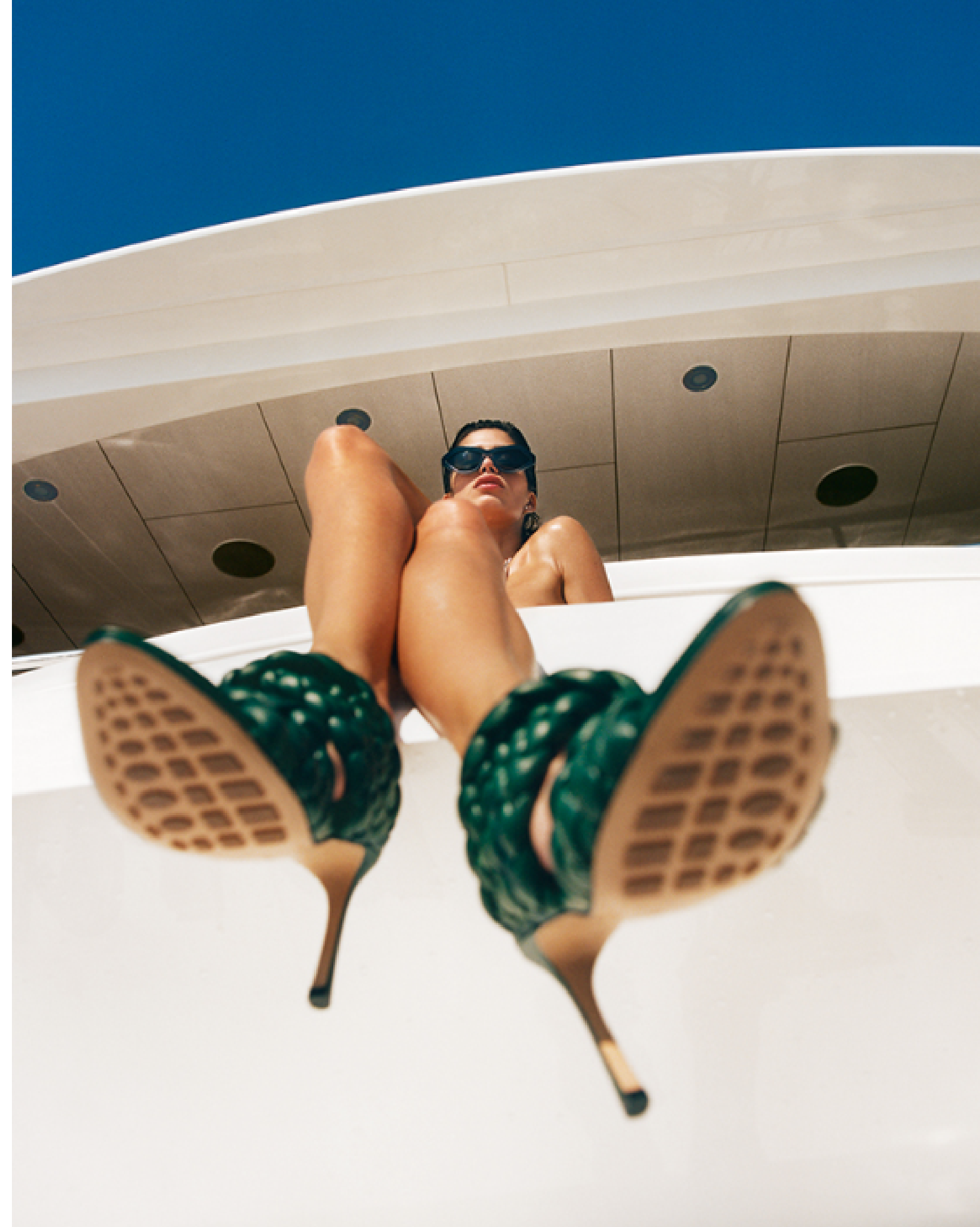
SALES ANALYSIS

Bottega Veneta's products are sold through a distribution network of :

- **Directly operated stores**, complemented by **exclusive franchise stores**
- **Select department** and **specialty stores** worldwide.
- **Online** store in 51 countries, including Mainland China.

2019 Bottega Veneta generated revenue of €1,168 million in 2019, up 2.2% based on comparable data and 5.3% as reported.

2021 Bottega Veneta's 2021 revenue hit an all time high of €1.5 billion (\$1.71 billion), up 25 percent compared to 2020 and 32 percent compared to 2019



Quarterly revenue by activity

<i>(in € millions)</i>	First quarter	Second quarter	Third quarter	Fourth quarter	2021
Gucci	2,167.7	2,311.6	2,181.8	3,069.8	9,730.9
Yves Saint Laurent	516.7	528.8	652.9	822.6	2,521.0
Bottega Veneta	328.2	379.4	363.4	431.8	1,502.8
Other Houses	714.3	761.3	843.7	945.4	3,264.7
Total Luxury Houses	3,726.9	3,981.1	4,041.8	5,269.6	17,019.4
Corporate and other	163.1	176.1	146.0	140.6	625.8
Total revenue	3,890.0	4,157.2	4,187.8	5,410.2	17,645.2

<i>(in € millions)</i>	First quarter	Second quarter	Third quarter	Fourth quarter	2020
Gucci	1,804.1	1,268.1	2,087.8	2,280.6	7,440.6
Yves Saint Laurent	434.6	246.5	510.7	552.6	1,744.4
Bottega Veneta	273.7	229.4	332.5	374.7	1,210.3
Other Houses	553.3	365.8	669.1	693.1	2,281.3
Total Luxury Houses	3,065.7	2,109.8	3,600.1	3,901.0	12,676.6
Corporate and other	137.5	65.3	117.6	103.2	423.6
Total revenue	3,203.2	2,175.1	3,717.7	4,004.2	13,100.2

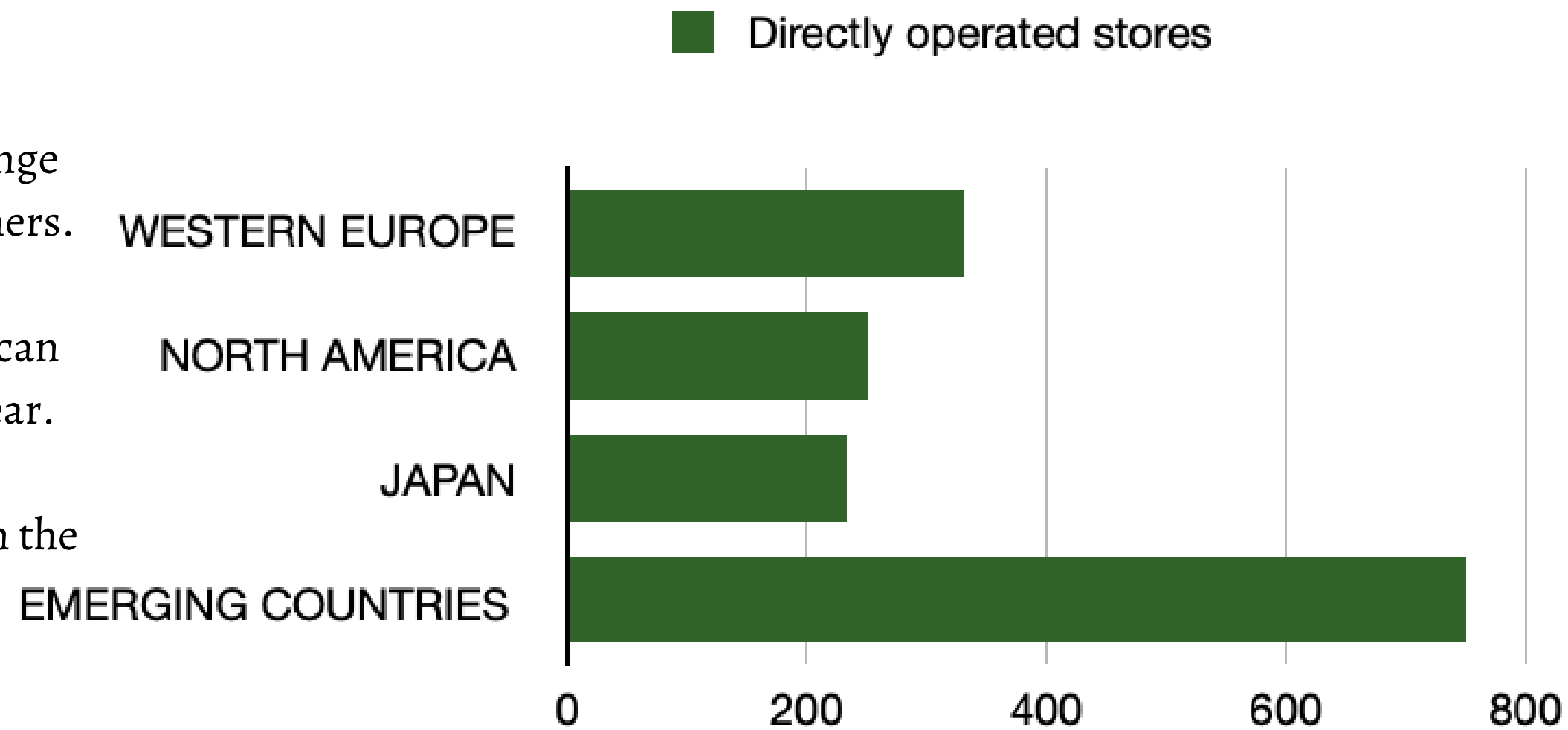
<i>(comparable change⁽¹⁾)</i>	Q1 2021/2020 change	Q2 2021/2020 change	Q3 2021/2020 change	Q4 2021/2020 change	2021/2020 change
Gucci	+24.6%	+86.1%	+3.8%	+31.6%	+31.2%
Yves Saint Laurent	+23.4%	+118.5%	+28.1%	+46.8%	+45.6%
Bottega Veneta	+24.6%	+69.0%	+8.9%	+13.7%	+25.1%
Other Houses	+33.1%	+111.3%	+26.0%	+34.2%	+43.8%
Total Luxury Houses	+26.0%	+92.5%	+11.8%	+32.5%	+34.9%
Corporate and other	+22.9%	+176.5%	+24.1%	+13.8%	+43.0%
Total revenue	+25.8%	+95.0%	+12.2%	+31.9%	+35.2%

(1) On a comparable scope and exchange rate basis. Comparable revenue is defined on page 36.

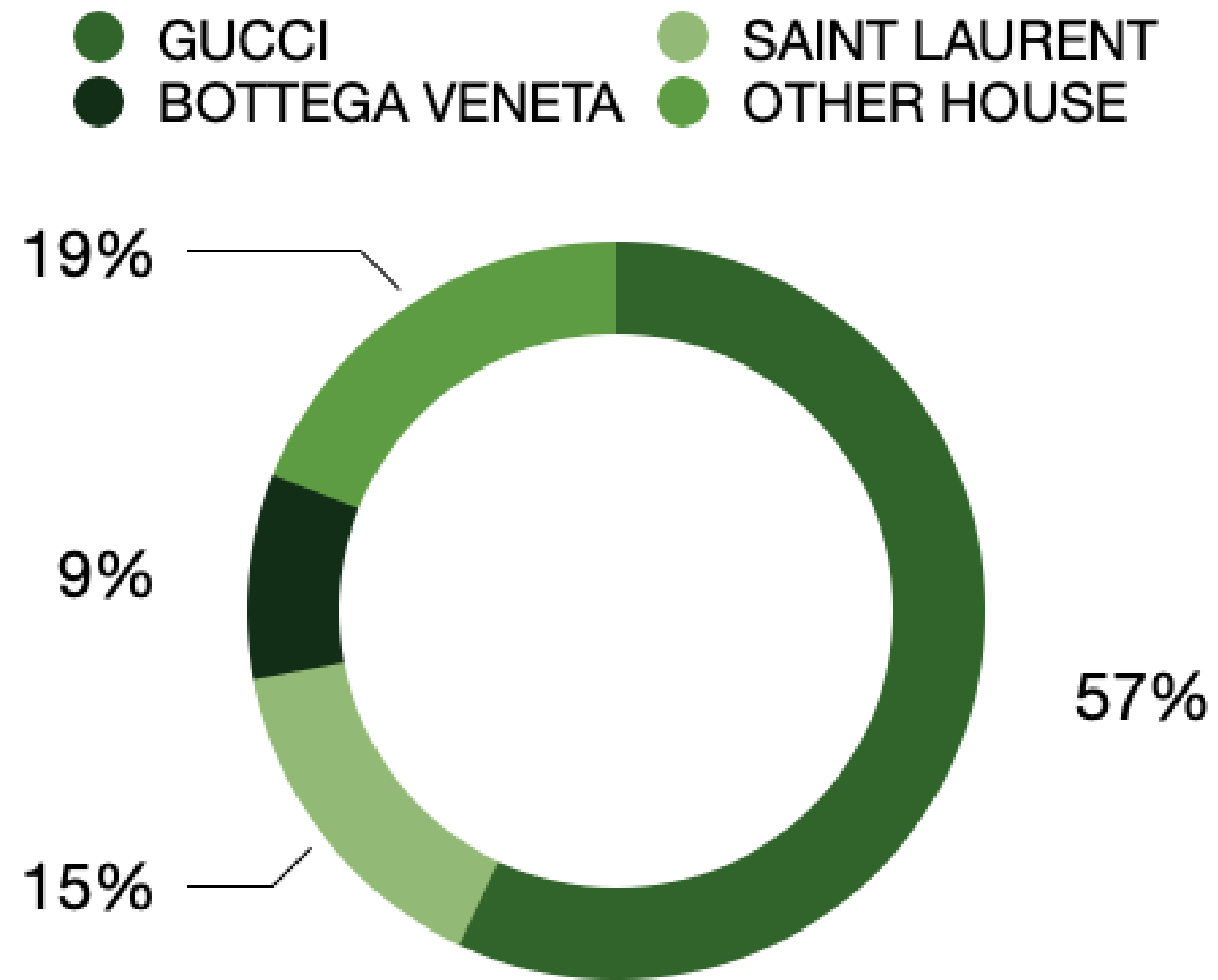
KERING BUSINESS
ACTIVITY
(Quarterly)
For the years 2021, 2020

REVENUE BY REGION

- New **women's collections** – in leather goods, ready-to-wear and shoes – popular in mature markets.
- **Western Europe** - sales climbed 7.4% at constant exchange rates, with a significant contribution from local customers.
- **North America**, where sales were up 5.7%, due to American customers, as tourist numbers were lower during the year.
- **Japan** - sales contracted 5.0% , down by performance in the fourth quarter, brand's **new creative aesthetic** is taking longer to be accepted in Japan.
- **Emerging markets**, sales went down 0.7% year on year - picked up in the second half, **Mainland China** and **South Korea** – the brand's two main emerging markets.



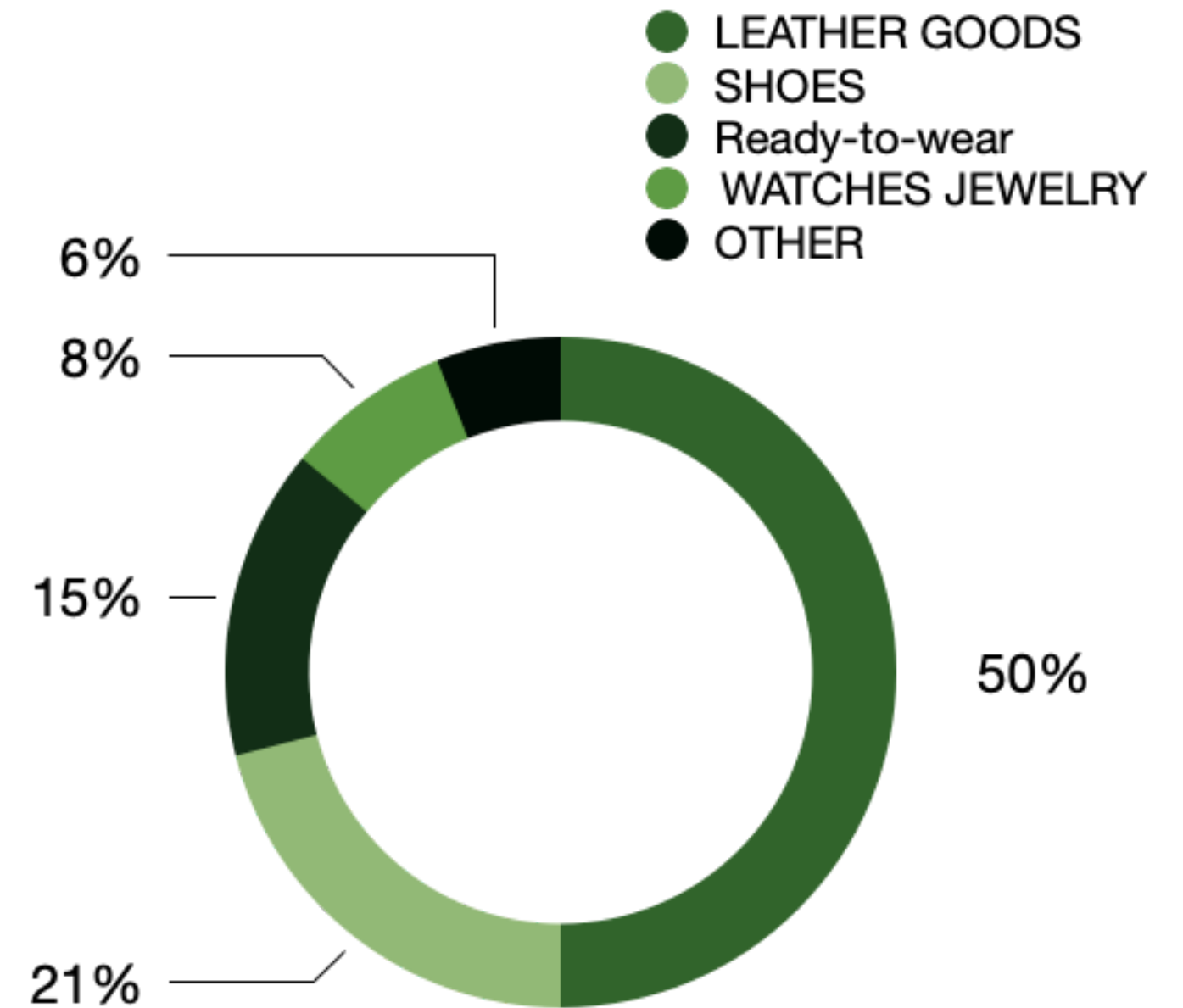
BREAKDOWN OF REVENUE BY HOUSE :



- Gucci
- Saint Laurent
- Bottega Veneta
- Balenciaga
- Alexander McQueen
- Brioni
- Boucheron
- Pomellato
- Dodo
- Qeelin
- Ulysses nardin
- Girard perregaux
- Kering eyewear

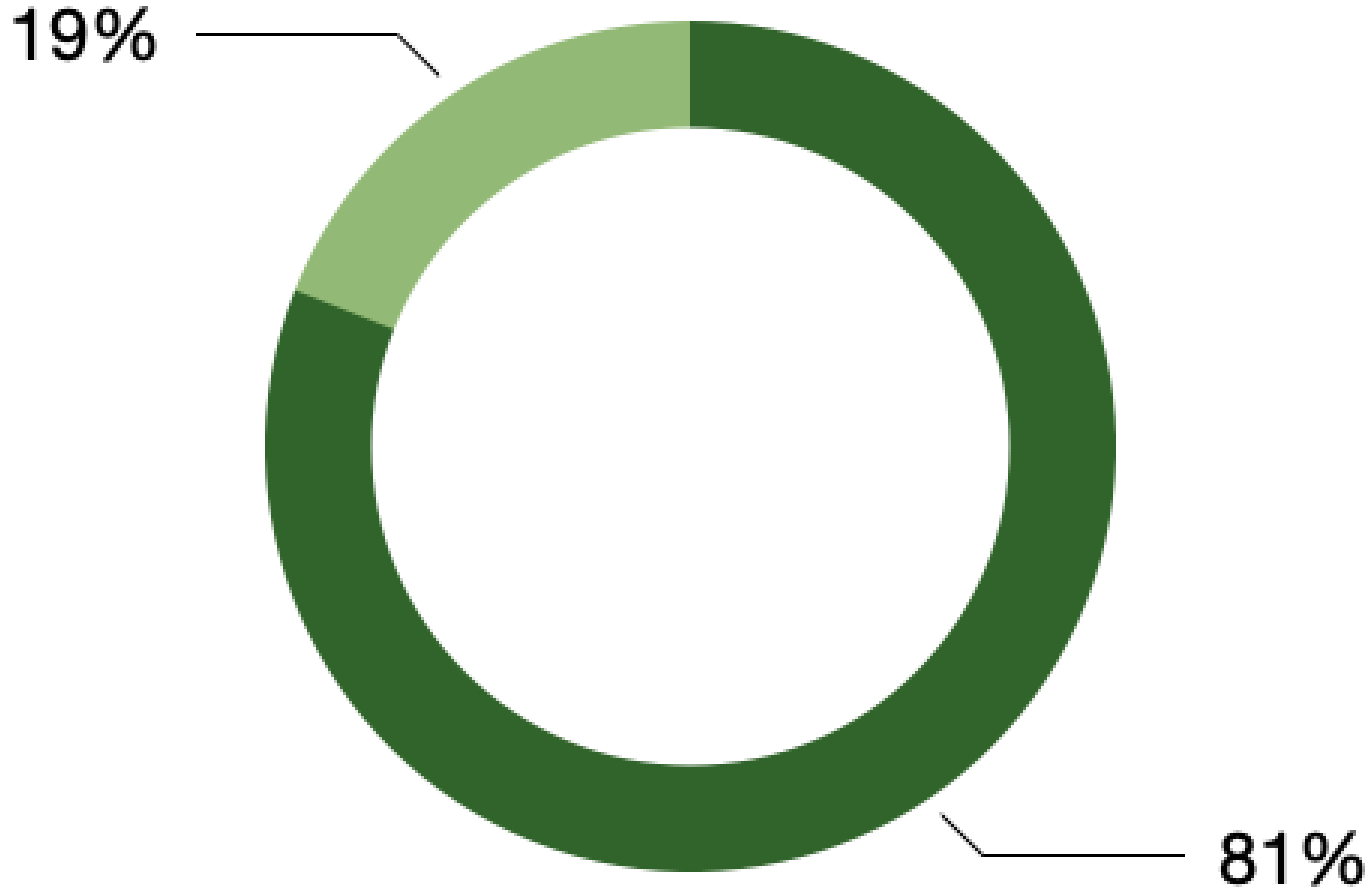
BREAKDOWN OF REVENUE BY PRODUCT CATEGORY:

- The **leather goods** – core business, 74% of its total sales, including wholesalers – shows slight revenue decrease for the year.
- **New lines** (The Pouch, Maxi Cabat and Arco)
- Growth in **women's leather goods** – the first product category to benefit from the brand's revisited offerings
- Revenue for all of Bottega Veneta's **other categories** rose in 2019, by the success of its women's ready-to-wear and shoes collections.



BREAK DOWN OF REVENUE BY DISTRIBUTION CHANNEL :

- SALES in directly operated stores
- WHOLESALE & OTHER REVENUE



- Preferred **distribution channel** : **directly operated stores** - accounted for **81.1%** of total sales, 2019
- Revenue from **retail sales** in **directly operated stores** rose 1.3% for the year as a whole and 7.2% in the second half (due to mature markets and online distribution channel).
- **Wholesale** sales were up 6.8%, due to faster growth in the second half as a result of orders for new collections.
- Gradually replacing **old collections** with **new** ones- to only working with best-in-class partners and minimizing the risk of saturating points of sale.



BRAND VALUATION
OF BOTTEGA





SENSITIVITY ANALYSIS

SENSITIVITY ANALYSIS

Accounting Info	2019	2020	2021							CAGR	8.78%
Revenue+	1167.6	1210.3	1502.8							Royalty Rate	15%
YoY Growth in Rev		3.52%	24.16%							Costs Used with Brand	1%
EBITDA+	374.3	333.6	448.9							Tax Rate	28%
Finance Expense	9,235.70		8,557.40							WACC	34%
Net Income	2189.7		3244.8							Wd (Weight of Debt)	0.54%
Total Assets	27,148.20	28,005.40	31,067.60							We (Weight of Equity)	99.46%
Debt	2,812.20	2,148.70	168.4							Kd (Cost of Debt)	5081.59%
										Ke (Cost of Equity)	6.48%
	2019	2020	2021	2022	2023	2024	2040	2060		rf	-0.26%
Revenues	1167.6	1210.3	1502.8	1,634.70	1,778.17	1,934.23	33051.68375	1192761.447		Beta	1.05
Royalty Rate				15%	15%	15%	15%	15%		Mrkt Premium	6.42%
Gross Royalty				245.20	266.73	290.13	4,957.75	178,914.22			
Cost in %				1%	1%	1%	1%	1%			
Cost in Euros				16.35	17.78	19.34	330.5168375	11927.61447			
Royalty Before Tax				228.86	248.94	270.79	4,627.24	166,986.60			
Taxes in %				28%	28%	28%	28%	28%			
Taxes in Euros				64.31	69.95	76.09	1295.626003	46756.24873			
Net Royalty				164.55	178.99	194.70	3,331.61	120,230.35			
WACC				34%	34%	34%	34%	34%			
PV Net Royalty				122.8062254	99.69712935	80.93659395	23.00766517	3.19331223			
BV				361.2976272	293.3103444	238.1165878	67.68887169	9.394769099			
TV				1,209.85	983.74	270.15	76.45	10.59			
BV + TV				1332.82	1058.11	330.7	143.65	19.98			

RELIEF FROM ROYALTY METHOD

Brand value refers to the present value of earnings specifically related to brand reputation

$$V_B = \sum_{t=1}^n \frac{[(Rev_t \times r) - C_t] \times (1 - Tax\ rate)}{(1 + WACC)^t} + TV$$

RELIEF FROM ROYALTY METHOD 2022

T = 1 **Rev_t = 1634.70** **r = 15%** **C_t = 16.35** **Tax Rate = 28%** **WACC = 34%** **TV = 1209**

$$\mathbf{TV} = A \times (1 + g) / (i - g)$$

$$\mathbf{TV} = 364.13 \times (1 + 0.03) / (0.34 - 0.03)$$

$$\mathbf{TV} = 1209.85$$

$$\mathbf{V_B} = \sum_{t=1}^n \frac{[(1634.70 \times 15\%) - 16.35] \times (1 - 28\%)}{(1 + 34\%)^t} + 1,209.85$$
$$= 1332.82$$

RELIEF FROM ROYALTY METHOD

2023

$T = 2$ $Rev_t = 1778.17$ $r = 15\%$ $C_t = 17.78$ $Tax\ Rate = 28\%$ $WACC = 34\%$ $TV = 983.74$

$$TV = A \times (1 + g) / (i - g)$$

$$TV = 296.08 \times (1 + 0.03) / (0.34 - 0.03)$$

$$TV = 983.74$$

$$V_B = \sum_{t=2}^n \frac{[(1778.17 \times 15\%) - 17.78] \times (1 - 28\%)}{(1 + 34\%)^2} + 983.74$$
$$= 1075.79$$

RELIEF FROM ROYALTY METHOD

2024

T = 3 **Rev_t = 1934.23** **r = 15%** **C_t = 19.34** **Tax Rate = 28%** **WACC = 34%** **TV = 270.15**

$$\mathbf{TV} = A \times (1 + g) / (i - g)$$

$$\mathbf{TV} = 81.32 \times (1 + 0.03) / (0.34 - 0.03)$$

$$\mathbf{TV} = 270.15$$

$$\mathbf{V_B} = \sum_{t=3}^n \frac{[(1934.23 \times 15\%) - 19.34] \times (1 - 28\%)}{(1 + 34\%)^3} + 270.15$$
$$= 351.05$$

RELIEF FROM ROYALTY METHOD

Forever - 2040

$T = 17$ $Rev_t = 33051.68$ $r = 15\%$ $C_t = 330.52$ Tax Rate = 28% WACC = 34% TV = 76.45

$$TV = A \times (1 + g) / (i - g)$$

$$TV = 23.01 \times (1 + 0.03) / (0.34 - 0.03)$$

$$TV = 76.45$$

$$V_B = \sum_{t=17}^n \frac{23.01 * [(1 - (1 + 34\%)^{-17})]}{34\%} + 76.45$$
$$= 143.65$$

RELIEF FROM ROYALTY METHOD

Forever - 2060

T = 36 **Rev_t = 1,192,761.45** **r = 15%** **C_t = 11927.61** **Tax Rate = 28%** **WACC = 34%** **TV = 10.59**

$$\mathbf{TV} = A \times (1 + g) / (i - g)$$

$$\mathbf{TV} = 3.19 \times (1 + 0.03) / (0.34 - 0.03)$$

$$\mathbf{TV} = 10.59$$

$$\mathbf{V_B} = \sum_{t=36}^n \frac{3.19 * [(1 - (1 + 34\%)^{-36})]}{34\%} + 10.59$$
$$= 19.98$$

CONCLUSIONS

Relief From Royalty Method
Brand Value Range from 19 - 1,300



SOURCES

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