

FINANCIAL SERVICES

Luxury M&A to continue due to succession, technology

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Trussardi sold a stake to QuattroR. Image credit: Trussardi

By SARAH JONES

MADRID Luxury investments are different, with deals often centered on intangible assets such as branding or the desire for a relationship, according to a panel at the FT Business of Luxury Summit.

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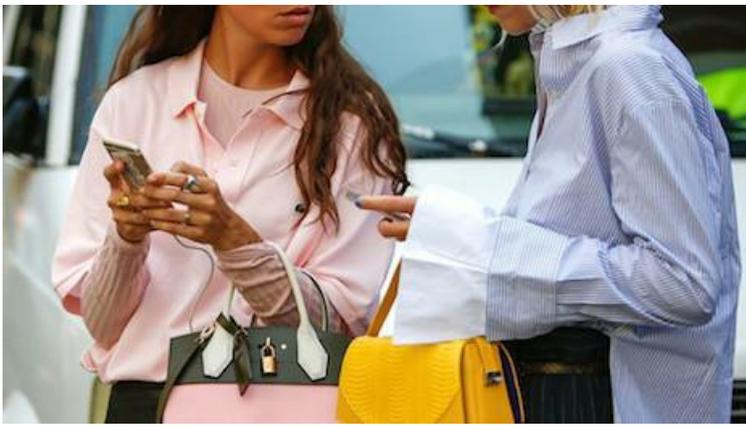
The market capitalizations for the biggest luxury companies have risen significantly in the last decade, often driven by mergers and acquisitions. Per the session on May 21 moderated by *Financial Times* Milan correspondent Rachel Sanderson, luxury firms will continue to see M&A activity, partly due to the business' need for evolution.

"There's no doubt that deals get done because people require an amount of investment of knowledge and stability, because of supply chain, distribution that didn't exist before, so that helps the deal through," said Andrea Bonomi, chairman of **Investindustrial**. "But the main issue is the change to the consumer philosophy."

M&A trends

Michael Zaoui, founding partner of **Zaoui & Co.**, noted that personal luxury goods companies have been growing at a rate of about 6 percent per year for the last two decades. Luxury brands also trade at a 30 percent premium over the market.

However, luxury represents a small fraction of M&A activity by volume, about 0.5 percent of the total deals.



YNAP is now controlled by Richemont. Image credit: Yoox

Mr. Bonomi of Investindustrial, whose portfolio includes Aston Martin and Sergio Rossi, noted that it is a small number of investors behind most of the recent deals in luxury.

Per Mr. Zaoui, the three game-changing moves in recent years were Kering's acquisition of Gucci, Richemont's Yoox Net-A-Porter purchase and Moncler's public listing.

Panelists see a strategic benefit for both conglomerates and smaller companies, as groups are able to diversify brands while medium firms have room for growth. However, Mr. Bonomi argued that being a private company is preferable since it can be difficult to keep up with the quarter to quarter results when public.

Technology is changing the luxury business at a rapid pace, and M&A offers a chance for companies to get the capital needed to fuel an evolution.

Luisa Delgado, the former CEO of Safilo and the founding partner of Orthenstein, is using microinvestments to protect and preserve craft. Ms. Delgado sees blockchain and technology as a game changer, allowing companies to offer both transparency and uniqueness, for example a customized handbag.

Technology is also rethinking craft, enabling products that rely on traditional artisanal production to remain relevant amid changing consumer behavior and needs.

For instance, silverware is headed for a decline as consumers do not have the patience or staff to polish cutlery. However, scientists are studying ways to prevent oxidation, removing the need for polishing.

Per Ms. Delgado, companies will need to find a balance between automation and handcraft, finding which steps in the process are best done by person or machine.



Technology breakthroughs are impacting craftsmanship. Image credit: Prada

"[The luxury] industry really touches society in a very broad way from a production perspective, even though the product is for the few," said Ms. Delgado. "And if you reflect on that and couple that with the zeitgeist of today, clearly it's the topic of this summit, 'Rethinking Luxury,' we talk about sustainability, inclusion, we talk about a series of broader responsibilities that business is expected to take on in society.

"And if you combine those two things the zeitgeist and the fact that so many people in the background, often not known, are involved in luxury and you add on technology, which somehow now connects us all so much faster, so much more transparently, I think there's an obvious conclusion for investment, which is there is also an opportunity

to rethink investment," she said.

Mr. Zaoui also sees the potential that big technology firms will move into the luxury business.

Family focus

M&A in the luxury business often revolves around family-owned brands.

In response to an increasingly competitive and expensive luxury business, a number of independent luxury houses have sought outside capital through acquisitions or investments.

Last June, Italian lifestyle label Missoni sold a stake in its brand, following in the footsteps of other family-owned labels including Versace ([see story](#)).

Italian fashion label Trussardi sold an approximate 60 percent stake in its company to investment fund Quattro R.

The deal, announced Feb. 13, establishes a new holding company Levriero Holding, which will have an 86 percent ownership of Trussardi's sole shareholder Finos. Creating consistency, Tomaso Trussardi is staying on as chairman of the board of Trussardi and Finos, according to a report from *Women's Wear Daily* ([see story](#)).

Andrea Morante, chairman of [Quattro R](#) and Sergio Rossi and vice chairman of Trussardi Group, said that Trussardi was an attractive buy because it needed to be restructured, the brand had a significant archive and it has the ability to extend into other categories.

Mr. Morante noted that a number of other luxury brands are prime for sales. Per the executive, Armani and Prada are overdue for an acquisition.

"One of the weakness of a family-owned company is precisely that incapacity to understand when you need to pass the baton to someone else," Mr. Morante said. "The company is so important in fact it's more important than your own child in many cases and as a result, you're not going to give away your child very easily.

"Does Armani care really about the future of his company?" he said. "I think he cares more that extent that he's still there, he's enjoying every minute of it, and it's his life.

"Yes, there will be M&A transactions in the Italian market, and it will be driven by necessity rather than virtue."