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RETAIL

Farfetch acquires Yoox Net-A-Porter from Richemont

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Farfetch has helped luxury brands imagine the future of retail, doing so once again for Richemont and YNAP by way of lending its advanced technology to the former and acquiring the latter. Image credit: Farfetch

By LUXURY DAILY NEWS SERVICE

Online retailer Farfetch is pushing a new vision for luxury retail with its latest acquisition.

In the interest of digitizing luxury retail, Richemont has sold 47.5 percent and 3.2 percent stakes in Yoox Net-A-Porter (YNAP) respectively to Farfetch and Symphony Global LLC, a group associated with Emirati entrepreneur and figure responsible for Dubai's rapid economic growth Mohamed Alabbar. Farfetch and the founder of Emaar Properties and leading developer of Dubai Mall, as well as the world's tallest tower, will complete the two-stage transaction, which involves an opportunity for future acquisition of remaining YNAP shares, subject to a number of conditions.

"Today's announcement is a significant step towards the realization of a dream I first voiced in 2015 of building an independent, neutral online platform for the luxury industry that would be highly attractive to both luxury brands and their discerning clientele," said Johann Rupert, chairman of Richemont, in a statement.

"We knew back then that if we wished to control our own destiny and protect the uniqueness of the luxury industry as it was digitalized, we would need to collaborate as the task was too big to undertake on our own."

Business is booming

Notably, by way of this deal, Richemont will adopt FARFETCH's Platform Solutions to connect the e-commerce operations of brands under its portfolio including Armani, Cartier and Valentino to their physical locations globally, creating a seamless omnichannel experience for customers.

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Conversely, YNAP will use FARFETCH's Platform Solutions to shift towards a hybrid retail-marketplace business model. The historic sale centers on pushing the digitization of luxury retail forward and will be completed in two stages.

In this initial stage, Farfetch and Mr. Alabbar's shares of the company will match Richemont's half, rendering YNAP a neutral platform with no controlling shareholder. Farfetch and its partner will pay Richemont $53.0-58.5 million dollars worth of Farfetch shares, in addition to a future payment of $250 million also expected to be paid out in Farfetch shares on the fifth anniversary of the initial stage transaction's completion.

Though complex in its fiscal stipulations, this plan ensures that YNAP will come of the transaction completely debt free, with a minimum $290 million dollars in cash on the books at the initial stage-end, expected by the end of 2023.

For the second transaction stage, Richemont, Farfetch and its partner have agreed to what is known as a "put and call option" structure, more simply described as an initial down payment investment with a path towards the future acquisition of remaining YNAP shares.

As options trading has historically proven risky for parties involved, Richemont has strategically employed this financial mechanism that will lead to Farfetch and its partner's eventual 100 percent ownership in YNAP. As part of the deal, Farfetch has reduced YNAP's value for what it is willing to pay, forcing Richemont to implement a non-cash write-down of around 2.7 billion euros for the entity.

Farfetch is no stranger to strategy, and its industry influence is quickly growing.

This month, Italian fashion house Salvatore Ferragamo and the digital luxury retailer announced a global integrated partnership to boost digital innovation capabilities and reach new consumer segments (see story).

The online retailer has also taken its stake in fashion's eco-movement, partnering with sustainability ratings platform Good On You to launch a new innovative sustainability hub for the fashion industry (see story).