

ELEVATION CAPITAL RESEARCH ANNUAL 2017

Dear Investors,

IT IS WITH GREAT PLEASURE WE PRESENT THE ELEVATION CAPITAL RESEARCH ANNUAL 2017.

Elevation Capital was founded on the philosophy of “Independent Thinking – Disciplined Investing”.

INDEPENDENT THINKING [In-de-pend-ent Think-ing] ində'pendənt THiNkiNG verb

Is essential to long-term investment success. We are often contrarian and do not pay attention to index compositions when making investment decisions. We believe that when you're several thousand miles away from Wall Street in a different nation, it's easier to be independent and buy the things that other people are selling, and sell the things that other people are buying. We also believe that cash is sometimes the most attractive investment.

DISCIPLINED INVESTING [Dis-ci-plined In-vest-ing] disciplinəd invest'ing verb

The market presents opportunities every day, but disciplined investing is as much about the opportunities you do not take. Our investments are premised on the concept of “Margin of Safety” which we believe reduces risk.

We believe this research publication clearly emphasises our continued adherence to our founding philosophy. It provides our investors, and potential investors, with the ability to review and critique our investment ideas, which are presented on an annual basis in this format.

While it is important to be able to articulate our investment process and ideas clearly, it is also critical to ensure those ideas add value. With this in mind we have also published our “batting average” and “industry contribution data” from within the Elevation Capital Value Fund.

Since Inception Date - 9 December 2008 to 31 December 2017 the "portfolio data" and “industry contribution data” is as follows:

Portfolio Data - Since Inception

Number of Exited Positions: 213

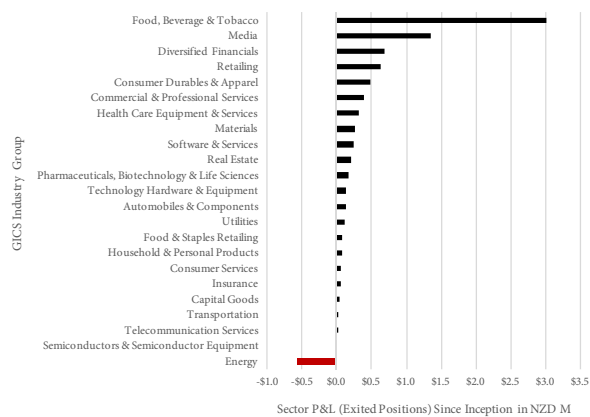
Profitable Positions in Local Currency: 185

Profitable Positions in New Zealand Dollars: 176

Batting Average in Local Currency: 86.9%*

Batting Average in New Zealand Dollars: 82.6%*

Industry Contribution Data - Since Inception**



We trust you find this publication useful and that it continues to highlight the rigor and thought processes behind how Elevation Capital invests on behalf of our clients.

Yours sincerely,

Christopher Swasbrook

Richard Milsom

John Tsai

* Batting average is defined as the overall percentage of investments that have delivered positive returns for the Elevation Capital Value Fund since inception.

** Based on Elevation Capital Management Limited data.

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Elevation Capital is the manager of the Elevation Capital Value Fund (“Fund”). A copy of the Product Disclosure Statement in respect of the Fund is available on request from:

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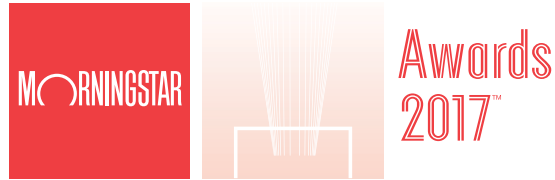
155

TIFFANY & CO [TIF:US]

264

SUMMARIES

2017 AWARDS



**MORNINGSTAR
INTERNATIONAL EQUITIES
CATEGORY FUND MANAGER OF
THE YEAR 2017, NEW ZEALAND**

HISTORICAL AWARDS



**MORNINGSTAR INTERNATIONAL EQUITIES CATEGORY
FUND MANAGER OF THE YEAR 2017,
NEW ZEALAND**



**NOMINEE  MORNINGSTAR INTERNATIONAL EQUITIES
CATEGORY FUND MANAGER OF THE YEAR 2012,
NEW ZEALAND**



**NOMINEE  FUNDSOURCE INTERNATIONAL EQUITY
SECTOR FUND MANAGER OF THE YEAR 2013,
NEW ZEALAND**



**NOMINEE  FUNDSOURCE INTERNATIONAL EQUITY
SECTOR FUND MANAGER OF THE YEAR 2012,
NEW ZEALAND**

2017

HIGHLIGHTS

TOTAL RETURN FOR THE CALENDAR YEAR (AFTER FEES & FUND TAXES) WAS

+11.96%*

This was achieved with no more than 4.5% of the portfolio invested in any one company and with an average cash balance of approximately 23% (i.e. \$23 out of every \$100 remained in cash).

* Net of fees, expenses and taxes (accrued in the Fund).

REALISED INVESTMENTS FOR THE
2017 CALENDAR YEAR:

10

POSITIONS SOLD IN 2017

+15%

AVERAGE RETURN ON
PROFITABLE REALISED
POSITIONS IN LOCAL
CURRENCY TERMS

100%

OF ALL POSITIONS SOLD
WERE PROFITABLE IN LOCAL
CURRENCY TERMS

FEATURED REALISED POSITION FOR THE 2017 CALENDAR YEAR: TIME INC.

On 16 November 2017, the Wall Street Journal broke the story that Meredith Corp had lined up financing commitments in pursuit of Time Inc. On 26 November 2017, Meredith announced it was acquiring Time Inc. for \$18.50 per share in an all cash transaction valued at US\$2.8 Billion.



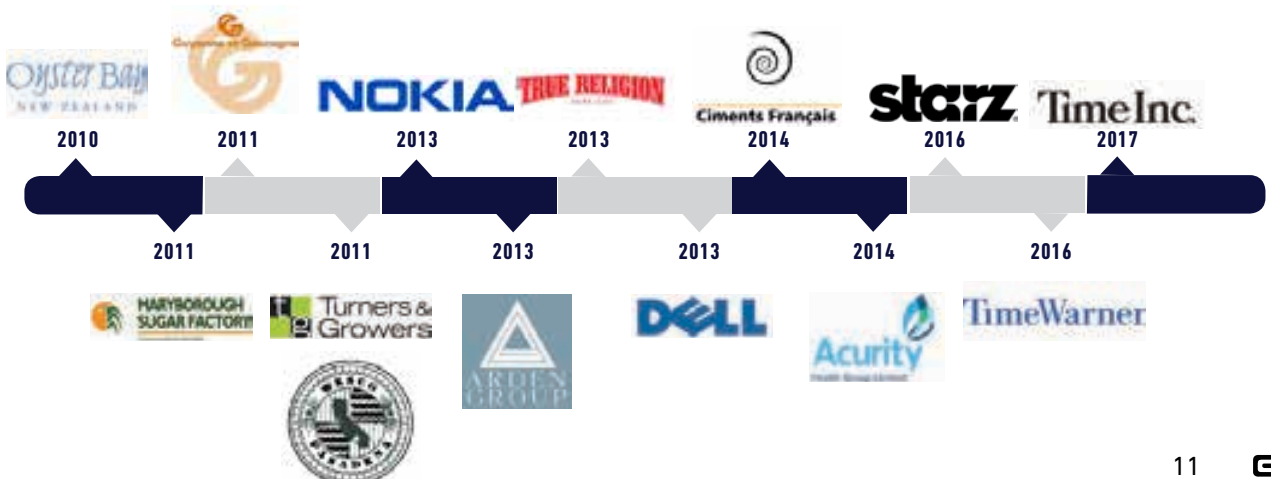
Our position in Time Inc. appreciated

+45.1%

in November 2017
based on our average exit price.

Time Inc. adds to the Fund's successful track record of receiving takeover offers for some of its holdings since inception as detailed by the timeline below:

ELEVATION CAPITAL VALUE FUND TAKEOVER HISTORY



HIGHLIGHT JUNE 2017: US BUSINESS PUBLICATION BARRON'S FEATURED ELEVATION CAPITAL'S RESEARCH ON COTY INC.



LARGEST POSITION AS AT 31 DEC 2017



L BRANDS

L Brands Inc. is an American fashion retailer based in Columbus, Ohio. Its flagship brands include Victoria's Secret and Bath & Body Works.

NEW POSITION AS AT 31 DEC 2017



SANRIO

Sanrio Co., Ltd. is a Japanese company that designs, licenses and produces products focusing on the kawaii (cute) segment of Japanese popular culture. Their products include stationery, school supplies, gifts and accessories. Sanrio's best-known character is Hello Kitty.

2017 INVESTMENT REALISATIONS

10

REALISED INVESTMENTS
IN 2017
(AS AT 31 DECEMBER)

10

REALISED POSITIONS WERE
PROFITABLE IN 2017
(IN LOCAL CURRENCY TERMS)

0

REALISED POSITION WAS
UNPROFITABLE IN 2017
(IN LOCAL CURRENCY TERMS)


+15%

AVERAGE RETURN ON PROFITABLE
REALISED INVESTMENTS
(IN LOCAL CURRENCY TERMS)

100%

BATTING AVERAGE* IN 2017
(IN LOCAL CURRENCY TERMS)

— 2017 REALISED INVESTMENTS BY COMPANY —

Company	Domicile	Initial Position	Exited Position	Holding Period (Years)	Total Return (Local Currency)	Per Annum Return** (Local Currency)	Presentation/ Summary on Website
 APTIV		Aug 2016	Feb 2017	0.5yr	+15.0%		
 Tribune Media		Oct 2015	May 2017	1.5yrs	+29.9%	+21.7%	
 Contact		Aug 2016	Aug 2017	1.0yr	+3.2%		
 Givaudan		Aug 2015	Sep 2017	2.0yrs	+25.2%	+12.6%	
 BENTLEY		Mar 2017	Sep 2017	0.5yr	+11.6%		
 InLine		Feb 2015	Sep 2017	2.6yrs	+26.2%	+12.9%	
 AMC NETWORKS		Jul 2016	Oct 2017	1.3yrs	+0.06%	+0.04%	
 MSC		Dec 2015	Oct 2017	1.9yrs	+15.5%	+10.7%	
 OAKTREE		Aug 2016	Oct 2017	1.2yrs	+16.8%	+15.7%	
 Time Inc.		Oct 2014	Nov 2017	3.1yrs	+10.3%	+7.7%	

INSI



GHTS

OCTOBER 31, 2017

The Death Of Value?

Value Investing Underperforming In 2017

“Value investing is mired in one of its worst stretches on record, prompting concerns that the investment style favoured by generations of fund managers is losing its effectiveness...

Value fund managers have felt the pinch. The median value fund around the world lagged behind the median growth fund by 7 percentage points in the first half of the year, on pace for the worst underperformance since 2007, according to eVestment.” – WSJ 6 August 2017[1]

VALUE INVESTING CURRENTLY OUT OF FAVOUR

“Investors have pulled \$116 billion from U.S. large-cap value funds over the past 10 years, according to Morningstar, with more than one-fourth of that outflow occurring over the past 12 months.” – WSJ – 6 August 2017

[1] <https://www.wsj.com/articles/hot-stock-rally-tests-the-patience-of-a-choosy-lot-value-investors-1502020804>



VALUE INVESTING IN THE PAST

“The market’s attraction to highflying stocks punished value investors in a similar fashion in the late 1990s during the dot-com bubble. Growth stocks beat their value peers toward the end of two major bull markets that peaked in 2000 and 2007, before large market selloffs reversed the trend, putting value stocks ahead.” – WSJ – 6 August 2017

VALUE INVESTING UNDERPERFORMANCE EXPLAINED

“The attraction to growth stocks, investors and analysts say, stems from the low interest rates, slow economic growth and mild inflation that have gripped the world. Central

banks have been accommodative for so long that they have skewed conventional investor wisdom, analysts say, benefiting companies that can generate growth.” – WSJ – 6 August 2017

“In this low-inflation, low-growth world we’ve become accustomed to, investors are chasing anything that has growth tied to it. When that happens, value suffers.” - Kelman Li, Bernstein Research

“Generally, factors perform well when they are thought to be in short supply. When times are bad, investors gobble up stocks that can show growth, because this is in short supply. When the economy has momentum, they choose “value” stocks as their way to participate most cheaply in the upswing. So value underperformance generally implies that investors are feeling negative. And value, all across the world, is enduring a terrible year.” – FT – 8 September 2017[1]

OPPORTUNITIES FOR VALUE INVESTORS

1. A Large Market Selloffs

“The super-stocks that lead a bull market inevitably become priced for perfection. And in many cases, the companies’ perfection turns out eventually to be either illusory or ephemeral.” - Howard Marks
Elevation Capital Commentary: With potentially tighter monetary policy in the US and around the world in the near term, geopolitical and economic shocks will have greater effect on stock markets around the world.

2. Contrarian Play vs Herding

“Comparing the valuation of different stocks suggests that value is radically out of favour. Value stocks will always by definition be cheaper than others, but at a global level they are trading at a deeper discount to other stocks, in terms of price/earnings multiples, than at any time in a decade. There appear to be compelling bargains out there, but people are still not picking them up.” – FT – 8 September 2017

3. The Beginning of a Bear Market (i.e., The End of the Current Bull Market)

“To be sure, much of value’s underperformance could still be cyclical. Historically, calling the end of value investing has been a fraught exercise.” – WSJ – 6 August 2017
“Several statistical measurements demonstrate how unusual this market environment has been. The most obvious is the bull market’s longevity, fuelled largely by the Federal Reserve’s ultra-low interest rates and voracious bond buying. The upward trend in stocks already ranks as the second longest in American history since 1900 and the third highest in percentage gains, according to a tally by Bespoke Investment Group. From the trend’s start, in 2009, through its latest high, on Aug. 7, the Standard & Poor’s 500 has risen 267 percent.” – The New York Times – 19 August 2017[2]

[1] <https://www.ft.com/content/2c633312-9471-11e7-a9e6-11d2f0ebb7f0>

[2] <https://www.nytimes.com/2017/08/19/business/the-stock-market-has-been-magical-it-cant-last.html>

1. Mean Reversion - Historically Value Has Beaten Growth

“Some of the biggest and longest underperformance episodes for value have been followed by big stock declines in the aftermath of glamorous growth stock eras (1973-1974 and 2000-2003). Eras of anaemic economic output like 1933-1940 and the recent episode from 2007-2017 would need to end for value to succeed.” – Smead Capital – 3 October 2017[1]

Over the past five years (at the end of 2016), Growth has outperformed Value. According to Bloomberg[2]:

- MSCI USA Growth Index outperformed MSCI USA Value Index by an average of 0.3% annually over rolling five-year periods.
- MSCI EAFE Growth Index outperformed MSCI EAFE Value Index by an average of 0.2% annually over rolling five-year periods.
- MSCI Emerging Markets Growth Index outperformed MSCI Emerging Markets Value Index by an average of 2.8% annually over rolling five-year periods.

However, over a longer period, Value has beaten Growth. According to Bloomberg[3], at the end of 2016:

- MSCI USA Value Index outperformed MSCI USA Growth Index by an average of 0.2% annually over rolling five-year periods since 1979.
- MSCI EAFE Value Index outperformed MSCI EAFE Growth Index by an average of 3.1% annually over rolling five-year periods since 1979.
- MSCI Emerging Markets Value Index outperformed MSCI Emerging Markets Growth Index by an average of 2.1% annually over rolling five-year periods since 1979.

[1] <https://smeadcap.com/smead-strategies/smead-blog/entries/2017/10/02/value-investing-dead/>

[2] <https://www.bloomberg.com/gadfly/articles/2017-01-06/value-investing-resurges-after-being-knocked-down>

[3] <https://www.bloomberg.com/gadfly/articles/2017-01-06/value-investing-resurges-after-being-knocked-down>



Holdings-Based Style Trail (Source: Morningstar Direct)

EVEN “THE BEST” VALUE INVESTORS GO THROUGH DIFFICULT PERIODS

“A certain Midwest money manager has compiled an excellent record despite having underperformed the S&P over a third of rolling three-year periods in the past 30 years and almost a fifth of rolling five-year intervals in the same span. Warren Buffett is the name of that up-and-down investor. Think about how many investment committees would have forced you to fire a manager who had that degree of underperformance over that time frame.” – Grant’s Interest Rate Observer – 20 October 2017

THE ELEVATION CAPITAL VALUE FUND – A CONSISTENT & DISCIPLINED VALUE INVESTOR SINCE INCEPTION

The Elevation Capital Value Fund has shown consistent discipline over nearly ten years - remaining focused on value stocks. It has also maintained an absolute return focus with conservative cash levels – cash balance is currently 23.71% (as at 30 November 2017) and has been on average 20.5%, 21.4%, 26.8% in the last 3yrs, 5yrs and Since Inception.

THE ELEVATION CAPITAL VALUE FUND PORTFOLIO HOLDINGS AS AT 30 NOVEMBER 2017

The portfolio consists of high quality global names that are simply out-of-favour versus being out-of-business:



RESE



ARCH





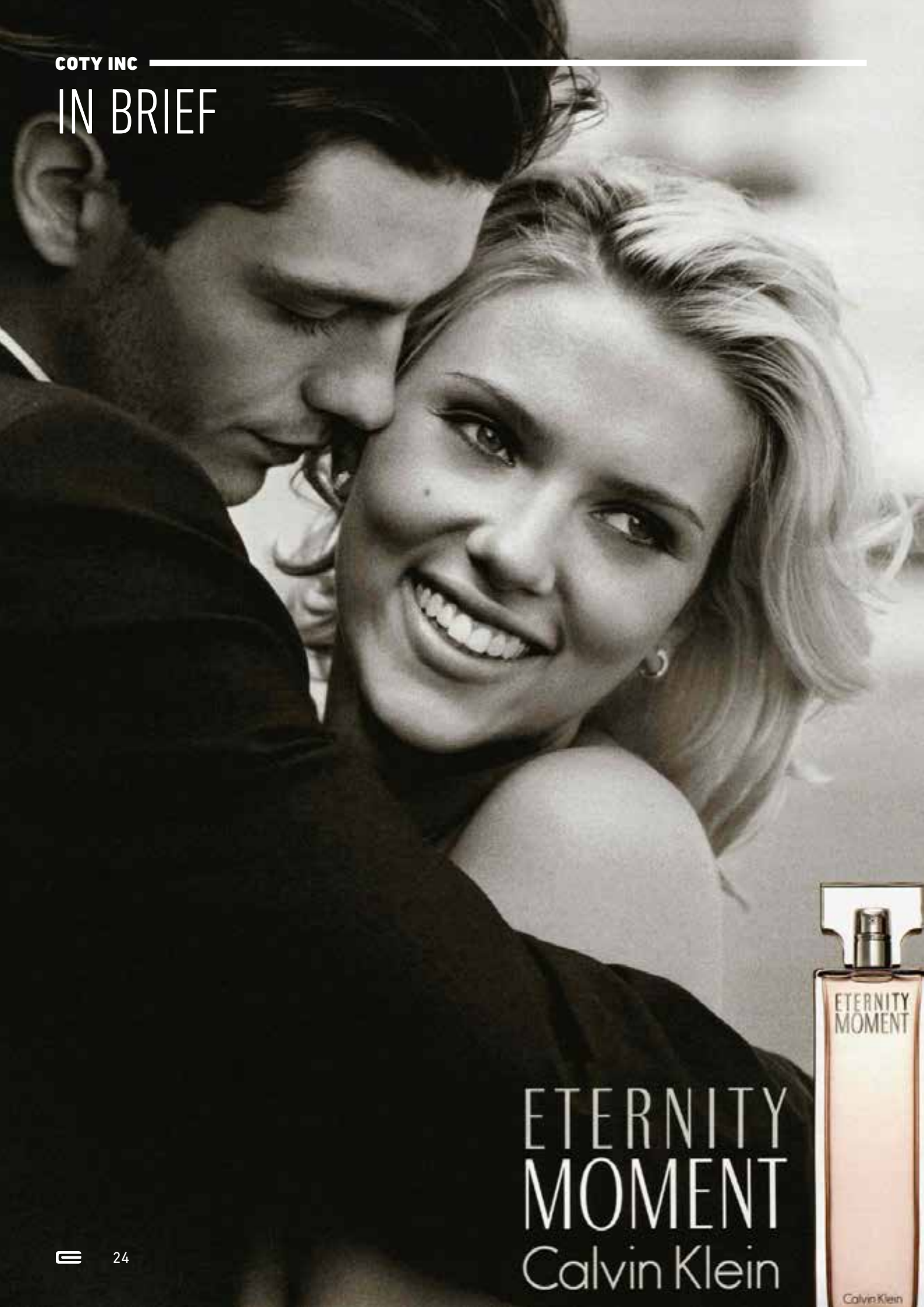
ELEVATION CAPITAL MANAGEMENT LIMITED: COTY INC [COTY:US]

Research Presentation released in April 2017



COTY INC

IN BRIEF



ETERNITY
MOMENT
Calvin Klein

STRONG GLOBAL POSITIONS IN BEAUTY INDUSTRY

#1

In Fragrances

#2

In Professional
Salon Hair Colour
& Styling

#3

In Colour Cosmetics

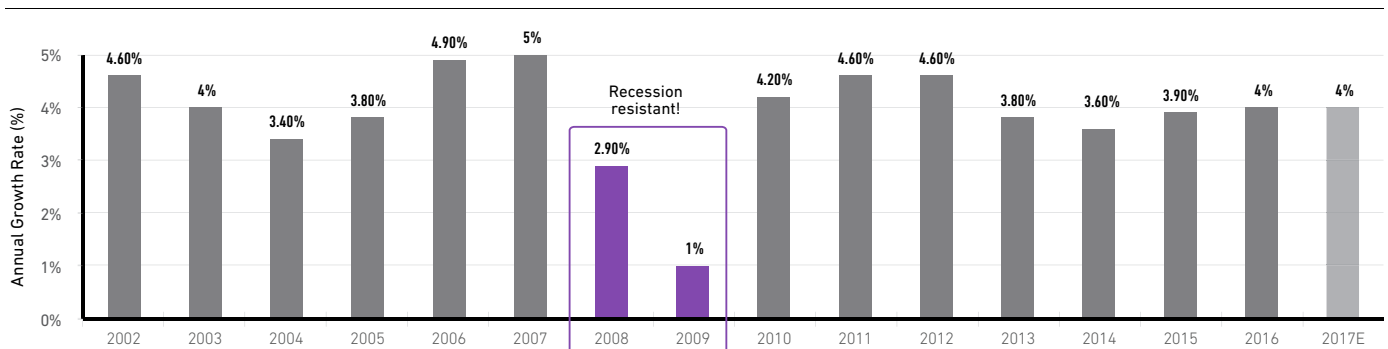
BEAUTY A HIGHLY ATTRACTIVE INDUSTRY

The worldwide beauty/cosmetics market is estimated* to total €205B/USD216B, with a stable (and an impressive) average growth rate of +3.9% over the past 15 years. L'Oréal estimates that the market will grow +4% in 2017.

The beauty/cosmetics industry is historically recession resistant, as is evidenced from the continued growth during the most recent global recession. We note the following commentary from the L'Oréal 2011 Annual Report:

“The worldwide cosmetics market is a particularly solid market, which is steadily expanding, while proving very resilient when economic conditions are at their most difficult. The cosmetics consumer’s behaviour has not changed since the beginning of the (global financial) crisis. There has been no devaluation, banalisation or massification of the market. On the contrary, consumers’ aspirations for quality are higher than ever, with a special interest for technology and new ideas. The cosmetics market remains a supply-led market, driven by innovation, and consumers are always looking for quality, performance and perceived results.”

GROWTH OF THE WORLDWIDE COSMETICS MARKET*



A PORTFOLIO OF ICONIC BRANDS



Calvin Klein



Chloé



CLAIROL



COVERGIRL®



MARC JACOBS



O·P·I



philosophy



RIMMEL
LONDON



Sally Hansen



WELLA



BURBERRY
BEAUTY



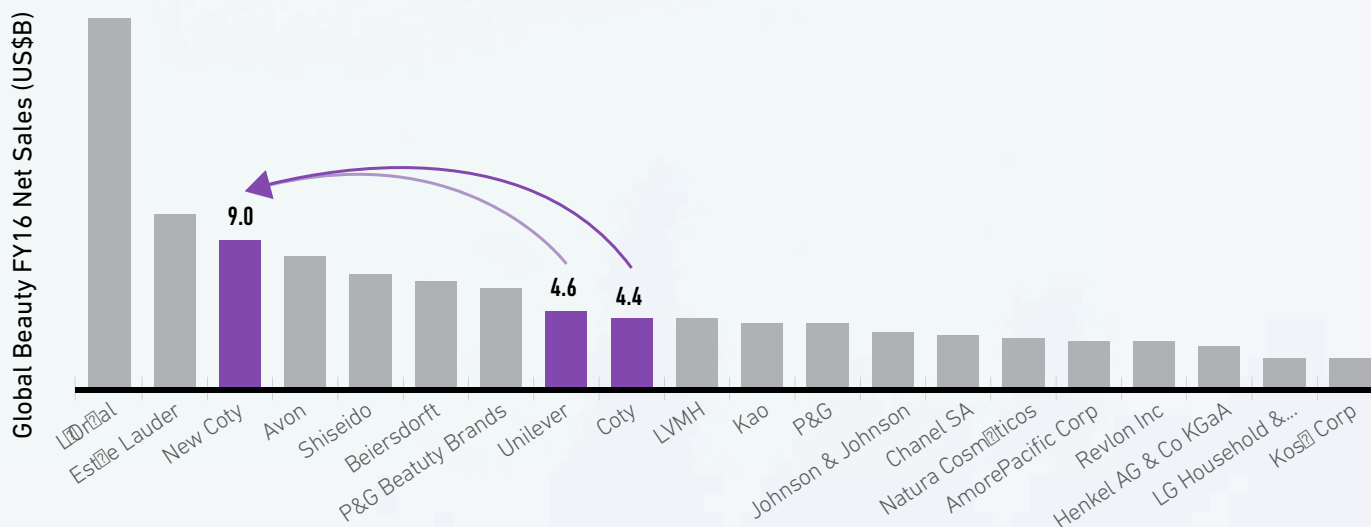
NEW COTY = OLD COTY + 41 P&G BEAUTY BRANDS

AUG 2014 P&G announces its intention to divest up to 100 brands to revive sales and cut costs.

JUN 2015 Coty wins three auctions to acquire a total of 43 P&G beauty brands for US\$12.5B.

OCT 2016 Coty completes a Reverse Morris Trust* transaction to merge P&G's 41** beauty brands with Coty, becoming the third-largest beauty company in the world (#1 in fragrances, #2 in salon hair, #3 in colour cosmetics).

GLOBAL BEAUTY FY16 NET SALES



COVERGIRL®



* A Reverse Morris Trust transaction is a complex transaction to exit assets out of the parent company in a tax efficient manner. The shareholders receive all the benefits and potential upside of a pre-arranged M&A transaction.

** Dolce & Gabbana and Christina Aguilera were excluded as consents to transfer the licenses were not received.

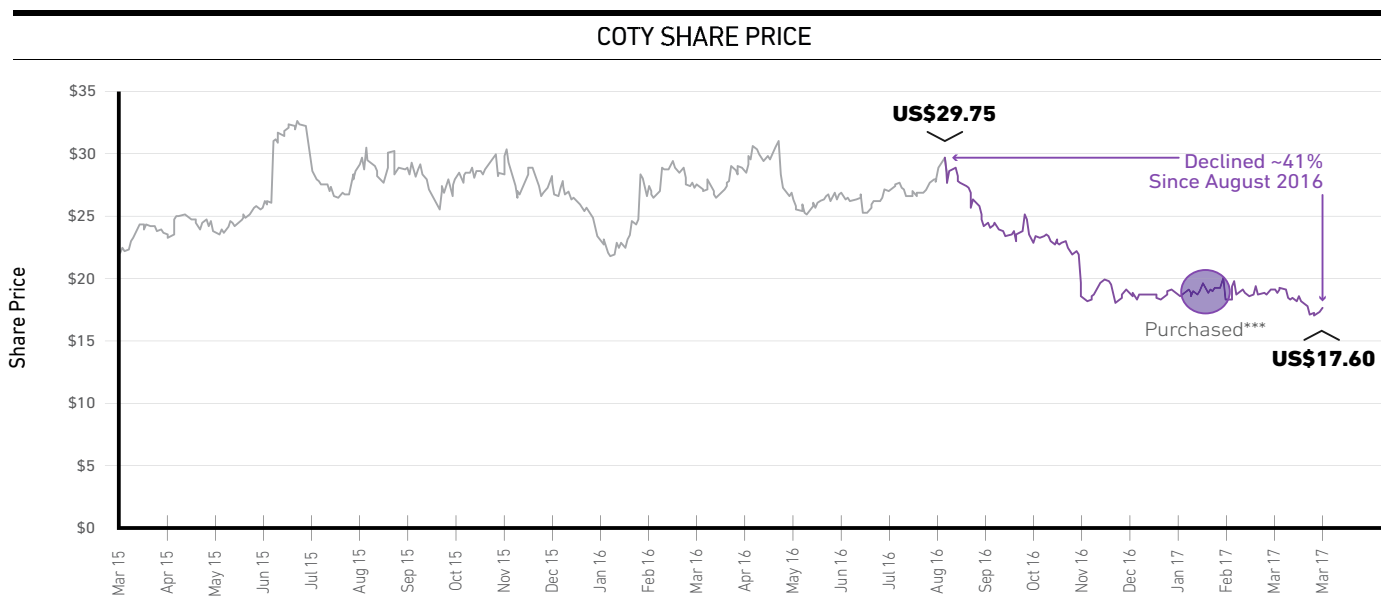
Chart Source: Coty Investor Factsheet – As at 28 February 2017

MERGER RISKS & ISSUES PROVIDED INVESTMENT OPPORTUNITY

Coty has experienced negative investor sentiment following weak quarterly results, significantly higher than anticipated inventory levels (for acquired brands), increased likelihood of multi-year integration complications, and uncertainty towards the timing of synergy extraction. The stock has fallen 41% from its recent high of US\$29.75 in August 2016 to US\$17.60 in April 2017*.

The Elevation Capital Value Fund began to establish a position in Coty in January 2017, at an average cost of US\$18.72** to date.

Current share price* = US\$17.60 (Market Capitalisation = US\$13.3B)



* As at 12 April 2016

** Elevation Capital Value Fund historical trades as at 10 March 2017, including dividends received

*** Between 18 January 2017 – 9 February 2017

A woman with long, wavy brown hair and blue eyes is the central figure. She is wearing a vibrant magenta, spaghetti-strap, floor-length gown that flows around her. She holds a bouquet of purple orchids in front of her chest. The background is a dramatic sunset over a body of water, with a dark, rocky coastline in the foreground. The sky is filled with soft, pink and orange clouds.

HISTORY & LARGEST SHAREHOLDER

A CENTURY-OLD PIONEER IN FRAGRANCE AND COSMETICS

- 
- 
- 1904 François Coty creates his first perfume - La Rose Jacqueminot.
- 1908 François Coty commissions French jeweller Lalique to design fragrance bottles, a move that changed the fragrance industry forever.
- 1934 François Coty dies - the family stays in control of the Company, remaining on the board of directors until the 1960's.
- 1963 Coty is acquired by Chas. Pfizer & Co. for ~US\$26M, becoming part of Pfizer's consumer products group.
- 1992 Coty is sold to Joh. A. Benckiser GmbH (i.e., JAB Holding Company).
- 2005 Coty acquires Unilever's prestige fragrance division, including licenses for Calvin Klein & Chloe for US\$800M.
- 2007 Coty acquires DLI Holding Corp., which owns cosmetics brands such as Sally Hansen and N.Y.C. for an estimated US\$800M.
- 2009 Coty signs the license for Playboy.
- 2010 Coty acquires Manhattan, Calvin Klein's Colour Cosmetics, OPI (~US\$1B), philosophy (~US\$1B) and T Joy (~US\$400M).
- 2013 13 June 2013, Coty lists on the NYSE via an IPO for \$17.50 per share.
- 2015 Coty acquires Beamly, a digital marketing firm based in NY and London with core capability around social media.
- 2016 Coty completes acquisition of Hypermarchés' Beauty & Personal Care business for ~US\$1B. It significantly strengthens Coty's presence in Brazil, the third largest beauty market in the world.
Coty completes the merger with P&G's 41 beauty brands, making it the third largest beauty company in the world.
Coty acquires ghd ("Good Hair Day"), the world's premium hair straighteners & appliances company for £420M.
- 2017 Coty acquires a 60% stake in Younique, a leading online peer-to-peer social selling platform in beauty for US\$600M.
Coty acquires exclusive long-term license rights for Burberry Beauty luxury fragrances, cosmetics and skincare for £130M, and £50M for Burberry's inventory.

LARGEST SHAREHOLDER ? JAB HOLDING COMPANY

JAB Holding Company (“JAB” or Joh. A. Benckiser) is a private investment company headquartered in Luxembourg which focuses on long-term investments in companies with premium brands, attractive growth and strong margin dynamics. Total assets = €21.3B*.

JAB is 95% owned by four of Albert Reimann, Jr.’s** children, and is managed by three highly experienced senior partners: Peter Harf (ex-Chairman of AB InBev), Bart Becht (ex-CEO of

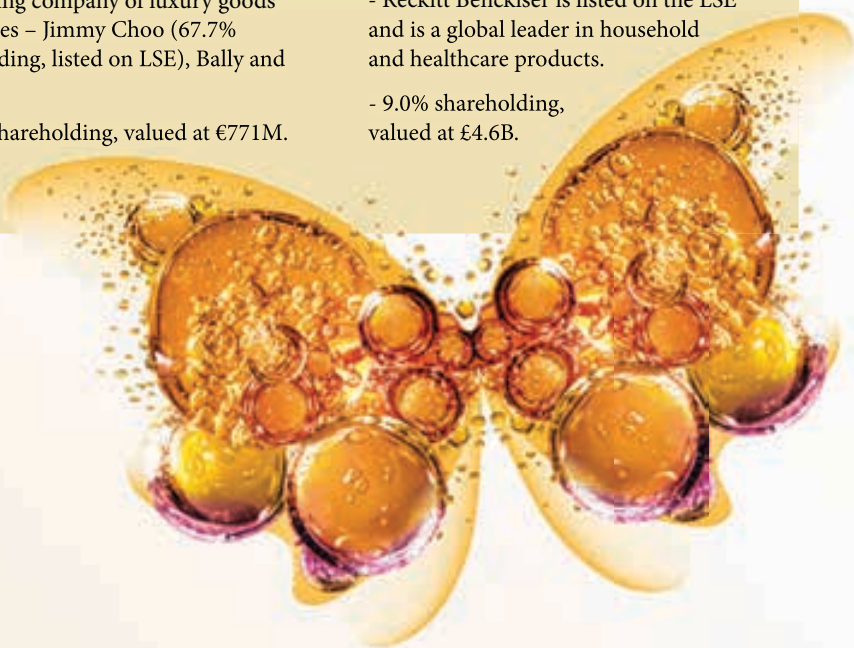
Reckitt Benckiser) and Olivier Goudet (Chairman of AB InBev).

JAB has direct ties to renowned investment firm 3G Capital - Olivier Goudet currently serves as chairman of 3G-controlled Anheuser-Busch InBev. Both JAB and 3G have a history of investing in consumer brands with a focus toward cost reduction. We believe JAB’s cornerstone shareholding is extremely positive for long-term minded minority shareholders.

JAB HOLDING

<p style="text-align: center; font-weight: bold; font-size: 1.2em;">COTY</p> <ul style="list-style-type: none"> - Listed on the NYSE and now ranked as the #3 player in Beauty worldwide. - 36.8% shareholding (79.6% before the merger (acquisition) with P&G’s 41 beauty brands), valued at US\$5.2B. 	<p style="text-align: center; font-weight: bold; font-size: 1.2em;">ACORN HOLDINGS</p> <ul style="list-style-type: none"> - A holding company of JDE, a global leader in coffee, and Keurig Green Mountain Inc., a leader in speciality coffee and coffee brewers in the US and Canada. - 58.0% shareholding, valued at €8,629M. 	<p style="text-align: center; font-weight: bold; font-size: 1.2em;">JAB BEECH</p> <ul style="list-style-type: none"> - A holding company of leading premium retail coffee brands in the US – Peet’s Coffee, Caribou Coffee and Einstein Noah, and a leading international premium retailer of sweet treats – Krispy Kreme. - 58.0% shareholding, valued at €2,148M.
<p style="text-align: center; font-weight: bold; font-size: 1.2em;">JAB COFFEE HOLDING</p> <ul style="list-style-type: none"> - A holding company of leading premium retail coffee brands in the Nordics – Espresso House and Baresso. - 51.9% shareholding, valued at €149M. 	<p style="text-align: center; font-weight: bold; font-size: 1.2em;">JAB LUXURY</p> <ul style="list-style-type: none"> - A holding company of luxury goods companies – Jimmy Choo (67.7% shareholding, listed on LSE), Bally and Belstaff. - 100% shareholding, valued at €771M. 	<p style="text-align: center; font-weight: bold; font-size: 1.2em;">RECKITT BENCKISER</p> <ul style="list-style-type: none"> - Reckitt Benckiser is listed on the LSE and is a global leader in household and healthcare products. - 9.0% shareholding, valued at £4.6B.

In February 2017, JAB acquired an additional €72M of Coty shares. We believe this reinforces JAB’s confidence in Coty’s execution of its integration plan, and highlights the apparent value gap between the current share price and JAB’s estimated intrinsic value of Coty.



* As at 31 December 2016

** Albert Reimann Jr. is the great-grandson of German chemist Ludwig Reimann, who married Johann Adam Benckiser’s daughter, and later inherited the entire Benckiser business. Albert Reimann Jr. took the helm in 1952 and steered the company towards consumer goods. Benckiser went public in 1997, and merged with Reckitt & Colman in 1999 to form Reckitt Benckiser Group.

MARKET POSITION & BUSINESS SEGMENTS

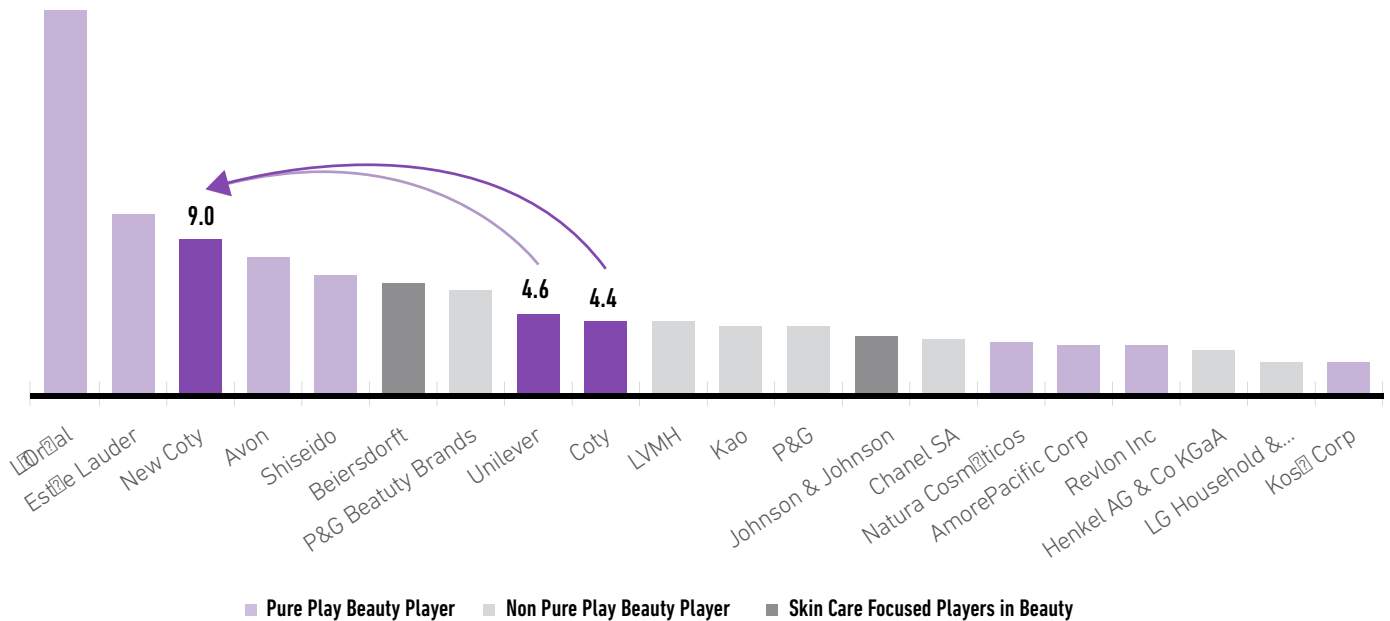


STRONG MARKET POSITION: #3 PLAYER IN BEAUTY WORLDWIDE

Coty is now very well positioned as the #3 player in “Beauty” worldwide.

The potential for further consolidation in the industry is likely, with small non-pure play beauty participants exiting the industry due to sub-optimal size versus large pure play participants that occupy the top five positions in the industry.

GLOBAL BEAUTY PLAYER



THREE BUSINESS SEGMENTS & KEY BRANDS

LUXURY

36% NET REVENUE*
31% OPERATING INCOME*

KEY BRANDS**:

Calvin Klein

BOTTEGA VENETA

JIL SANDER

Chloé

philosophy®

TIFFANY & Co.

MARC JACOBS

GUCCI

miu miu

JOOP!

HUGO BOSS

CONSUMER BEAUTY

44% NET REVENUE*
30% OPERATING INCOME*

KEY BRANDS**:

COVERGIRL®

RIMMEL
LONDON

MAX FACTOR X

Sally Hansen®

BOURJOIS
PARIS

nice'n
easy
CLAIROL®

KOLESTON
PERFECT


adidas®

PROFESSIONAL BEAUTY

20% NET REVENUE*
39% OPERATING INCOME*

KEY BRANDS**:


WELLA
PROFESSIONALS

O·P·I

PROFESSIONAL
SEBASTIAN®

SYSTEM
PROFESSIONAL

CLAIROL
PROFESSIONAL

NIOXIN

Londa
PROFESSIONAL

SASSOON
PROFESSIONAL

* Q2 FY2017 – i.e., Three months ended 31 December 2016

** Coty Investor Factsheet – As at 28 February 2017

BUSINESS SEGMENT #1: LUXURY

This division focuses on prestige fragrances and premium skin care. It generated 36% of Q2FY17 Net Revenue. The portfolio of brands in this division spans the prestige fragrance category from low-premium to ultra-premium.

It is important Coty continues to implement its 'brand premiumisation' strategy within its Luxury division. Management has indicated that the revenue trends in this division are expected to continue to improve in the near term.

KEY BRANDS:

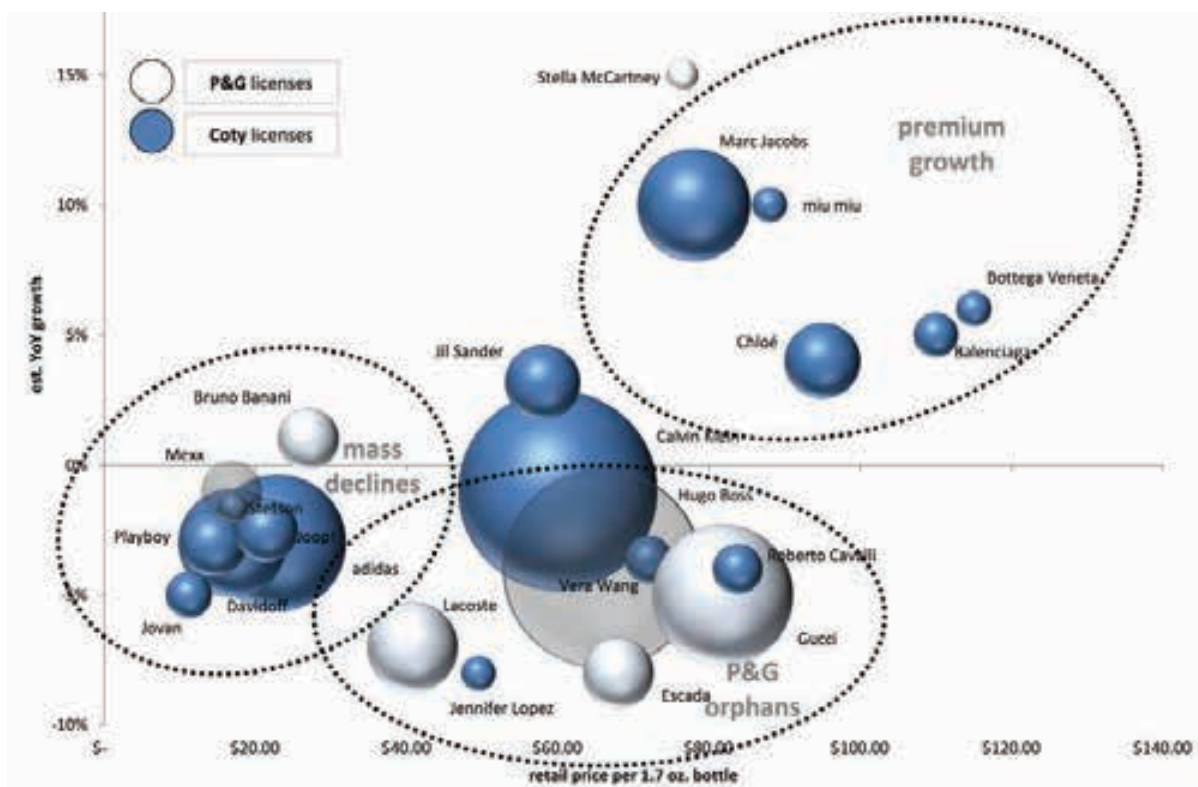
Calvin Klein GUCCI HUGO BOSS

Chloé philosophy MARC JACOBS JOOP!

BOTTEGA VENETA **JIL SANDER** TIFFANY & Co.

MIU MIU

BURBERRY
BEAUTY



BUSINESS SEGMENT #2: CONSUMER BEAUTY

This division focuses on colour cosmetics, retail hair colouring and styling products, mass fragrance, mass skin care and body care. It generated 44% of Q2FY17 Net Revenue. Half of the sales comes from colour cosmetics, and the other half from retail hair, body care and mass fragrances combined.

The business has underperformed recently. Management has identified* the several challenges and attributed the problems to:

- Key brands from P&G being orphaned and neglected for years.
- Increased competition.
- A changing market environment.
- Highly elevated inventories (for acquired P&G brands) that were built before the close of the merger.

Management has proposed* to turn the division around by:

- Slashing the average time-to-market (currently 12-18 months).
- Shifting advertising spending from traditional media to digital media.
- Building better partnership relationships with retailers.
- Relaunching key brands (COVERGIRL, Max Factor, etc.) with new brand positioning, new creative, new packaging, and new in-store appearance.
- Identifying and exploring alternatives for a portfolio of non-core brands, representing 6%-8% of Coty's current net revenues.

KEY BRANDS:

COVERGIRL

Sally Hansen

KOLESTON
PERFECT

RIMMEL
LONDON

BOURJOIS

MAX FACTOR X

nice'n
easy
CLAIROL

adidas



BUSINESS SEGMENT #3: PROFESSIONAL BEAUTY

This division focuses on hair and nail care products for professionals. It generated 20% of Q2FY17 Net Revenue.

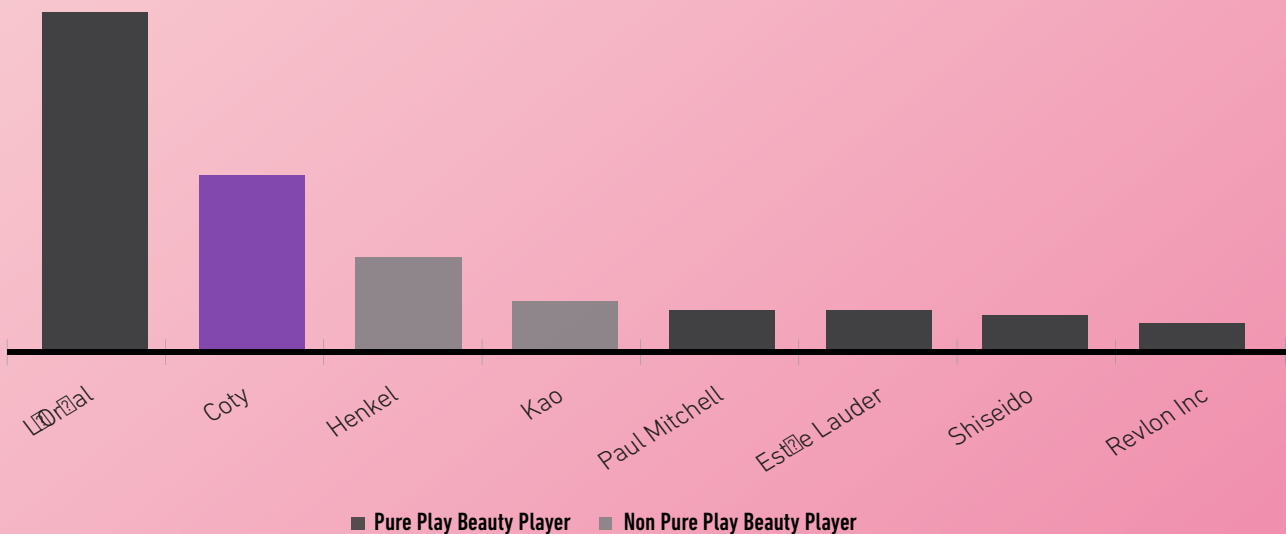
By acquiring P&G’s salon professional & hair colour brands, Coty suddenly becomes the #2 player worldwide in Hair Salon, behind L’Oréal.

The state of P&G’s hair salon business in recent years can be summarised by the comments made by the CEO of competitor L’Oréal in 2016 - *“to be honest, we didn’t have any serious competition for many years... our number one competitor (P&G) was not really interested in this business”* *.

It is a pleasant surprise when Wella, which has been struggling for years is showing strong performance under Coty’s short period of ownership.

We are optimistic that Coty can quickly integrate the acquired P&G hair salon business with Coty’s own professional beauty brands (OPI, newly acquire ghd), and in the medium term start to challenge the #1 player – L’Oréal.

KEY BRANDS:

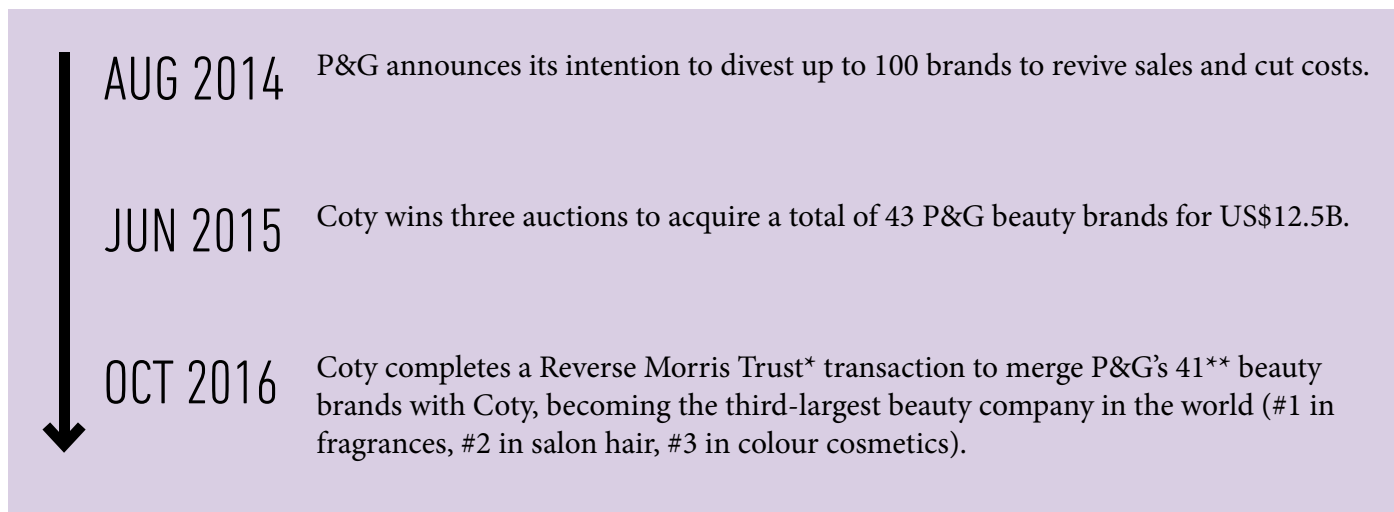


THE COTY / P&G BEAUTY BRANDS MERGER?

“The Reverse Morris Trust carve-out merger with the P&G Beauty Business was and still is an enormously complex and challenging transaction globally. It is the largest beauty deal in history...”

– Coty CFO Patrice de Talhouet
9 February 2017

NEW COTY = OLD COTY + 41 P&G BEAUTY BRANDS



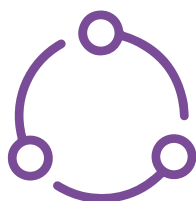
The merger (acquisition) transaction doubles Coty's revenue to ~US\$9.0B.

The total value of the transaction is US\$11.57B (Equity consideration = US\$9.63B, Assumed Debt = US\$1.94B).

P&G shareholders hold 54% of the "New Coty", and pre-merger Coty shareholders hold 46% of the "New Coty".

The "Reverse Morris Trust"* transaction is a tax-efficient way for P&G to spin-off its 41 beauty brands to its shareholders and merge them with Coty. However, Coty is restricted in some activities so not to affect the tax-free treatment of the transactions.

Since the transaction required P&G shareholders to hold over 50% of new Coty in value or votes. JAB agreed to convert all of its super-voting Class B Coty shares into Class A Coty shares so JAB owns only 36.8% of new Coty after the merger.



MERGER ECONOMICS SYNERGIES

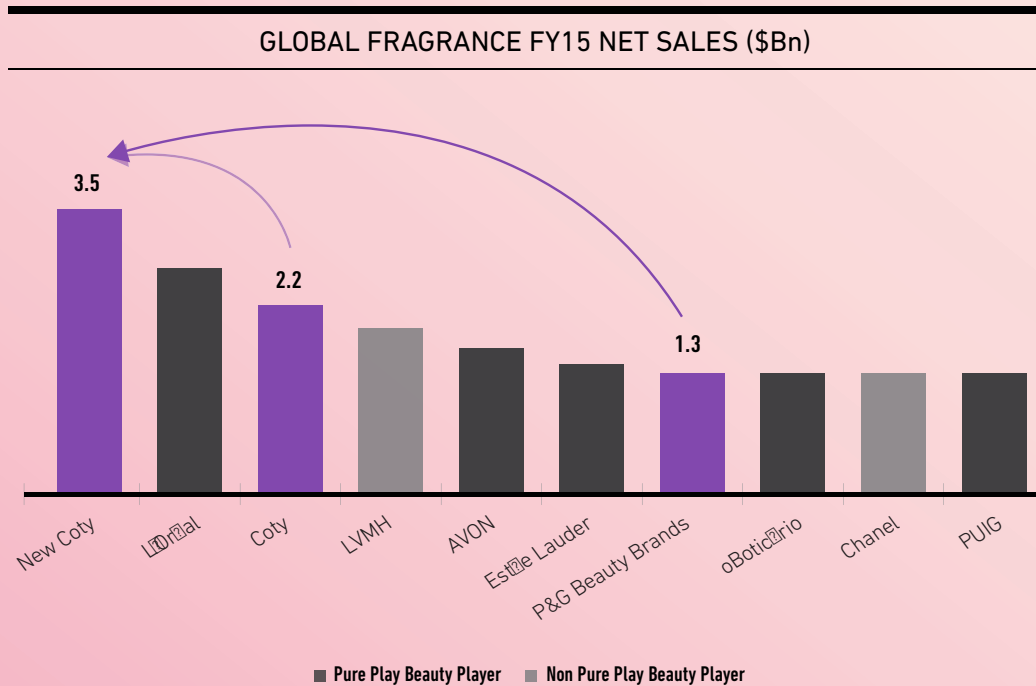
US\$750M synergies: 20% in FY17, 30% in FY18, 30% in FY19, 20% in FY20
US\$500M working capital benefit



MERGER ECONOMICS COSTS

US\$1.2B one-time costs
US\$500M one-time CapEx by FY2020

A NEW #1 PLAYER WORLDWIDE IN FRAGRANCES



COTY BRANDS:



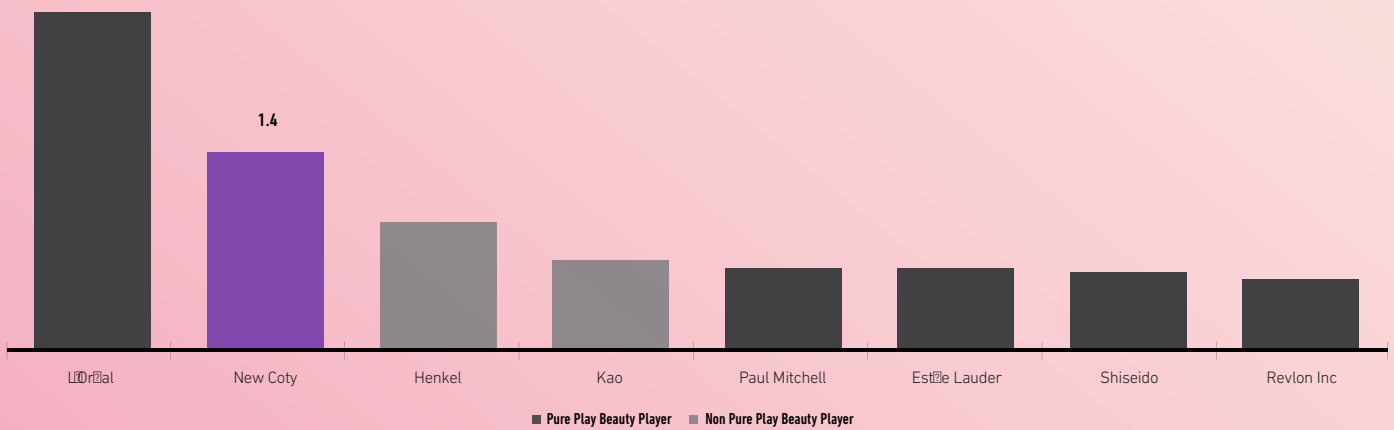
P&G BRANDS:

NEW LICENSE:



A STRONG #2 PLAYER WORLDWIDE IN SALON HAIR

GLOBAL SALON FY15 NET SALES (\$Bn)



COTY BRANDS:

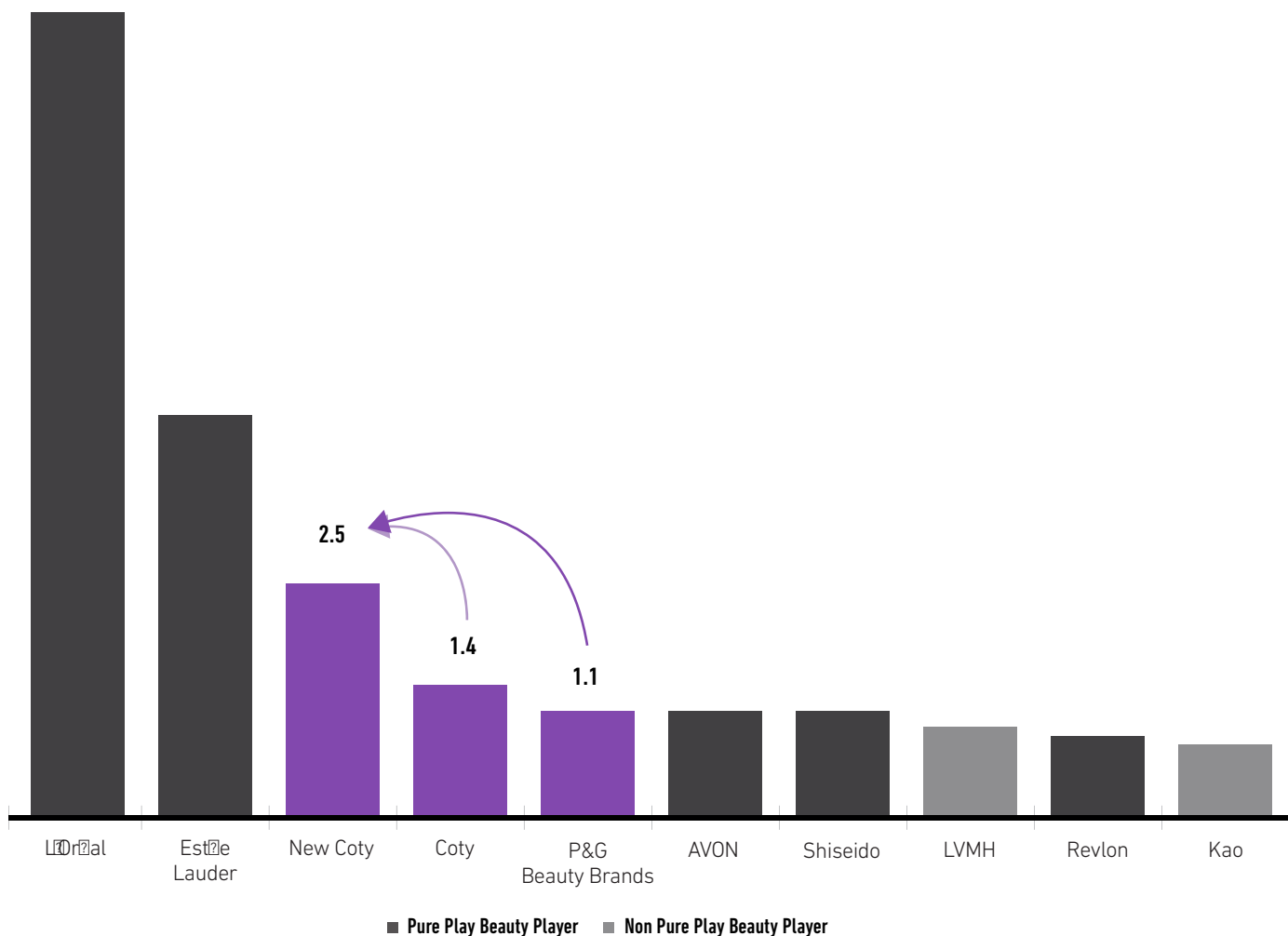


P&G BRANDS:



#3 PLAYER WORLDWIDE IN COLOUR COSMETICS

GLOBAL COLOR FY15 NET SALES (\$Bn)



COTY BRANDS:



P&G BRANDS:



NEW LICENSE:



GOOD NEWS FIRST? THE BENEFITS OF THIS MEGA MERGER?

ECONOMIES OF SCALE

As the #3 player in the industry [vs. #7 ranking before the merger (acquisition)], Coty is now in an even stronger position to negotiate with retailers, advertising agencies, suppliers, etc. The Company has already established a name for itself as a tough negotiator including the insistence of 120-day payment terms for marketing contracts.

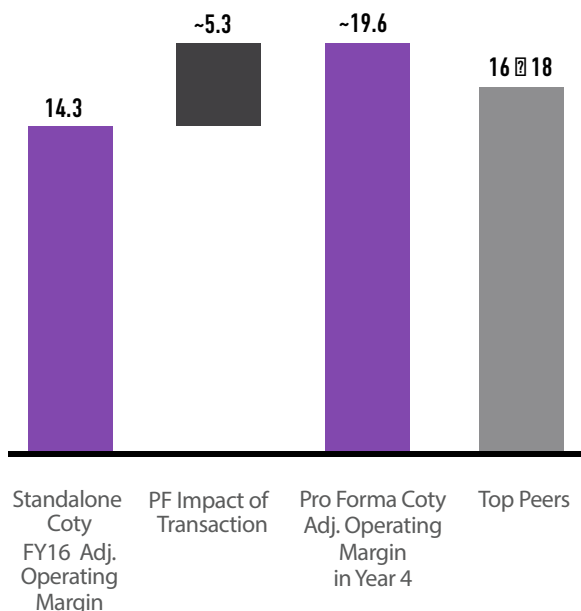
We also believe that Coty's scale will enable the Company to accelerate revenue growth through the acquisition of smaller products/brands, utilising their distribution and sales networks to enhance their value, as evidenced by the recent acquisition (3 April 2017) of the Burberry licence rights.

MORE DIVERSIFIED PRESENCE

Following the merger (acquisition), Coty was propelled to the #2 player in hair salon worldwide. Coty had previously only had a minor presence in the professional beauty business. This further expands and diversifies Coty's revenue streams.

MARGIN ENHANCEMENT

The merger (acquisition) is expected to add ~500-600 basis points to Coty's operating profit margins over a 4-year period*.



MERGER TO CREATE A NEW GLOBAL LEADER AND CHALLENGER IN THE BEAUTY INDUSTRY

Coty Inc. to Merge P&G's Fragrance, Color Cosmetics and Hair Color Business into the Company Through a Reverse Morris Trust Structure

Post-Integration, Will Create Strong Platform for Future Growth, Organically or Through Acquisitions

Meaningful EPS Accretion and Unlocking of Synergies

Increase in Annual Dividend to \$0.50 per share Post-Closing

JULY 09, 2015 08:15 AM

NEW YORK (BUSINESS WIRE) Coty Inc. (NYSE:COTY) announced today the signing of a definitive agreement to merge The Procter & Gamble Company's (NYSE:PG) fragrance, color cosmetics, and hair color businesses (P&G Beauty Business) into Coty through a tax-free Reverse Morris Trust transaction. The transaction is based on a proposal by Coty valuing the P&G Beauty Business at approximately \$12.5 billion at the time the proposal was made. Following the transaction, P&G shareholders will own 52% of all outstanding shares on a fully diluted basis (inclusive of all outstanding equity grants), while Coty's existing shareholders would own 48% percent of the combined company. The transaction will instantly create one of the world's largest beauty companies, with pro forma combined annual revenues of more than \$10 billion based on fiscal year 2014 performance, strengthening its leadership position in the \$300 billion global beauty industry. Together with P&G's businesses, Coty is expected to become the global leader in fragrances and to significantly enhance its position in color cosmetics. P&G's businesses include leading fragrance brands such as Hugo Boss, Dolce & Gabbana and Gucci and the color cosmetics brands COVERGIRL and Max Factor. The transaction also gives Coty an attractive new category in the beauty industry through the addition of P&G's hair color business, led by Wella and Clairol. The transaction will significantly expand Coty's geographical footprint, providing scale in large beauty markets like Brazil and Japan, while also increasing critical mass in important geographies in which Coty currently operates, such as in North America, Europe, the Middle East and Asia.

BAD NEWS + SHORT-TERM UNCERTAINTY = OPPORTUNITY



We have always found it fascinating to observe the actions of a new CEO following his/her appointment. This is particularly the case for Coty's appointment of Camillo Pane which coincided with the closing of the merger (acquisition) with (of) P&G's beauty brands (1 October 2016).

In the latest Q2 FY2017 Coty earnings call on 9 February 2017, Management stated the following:

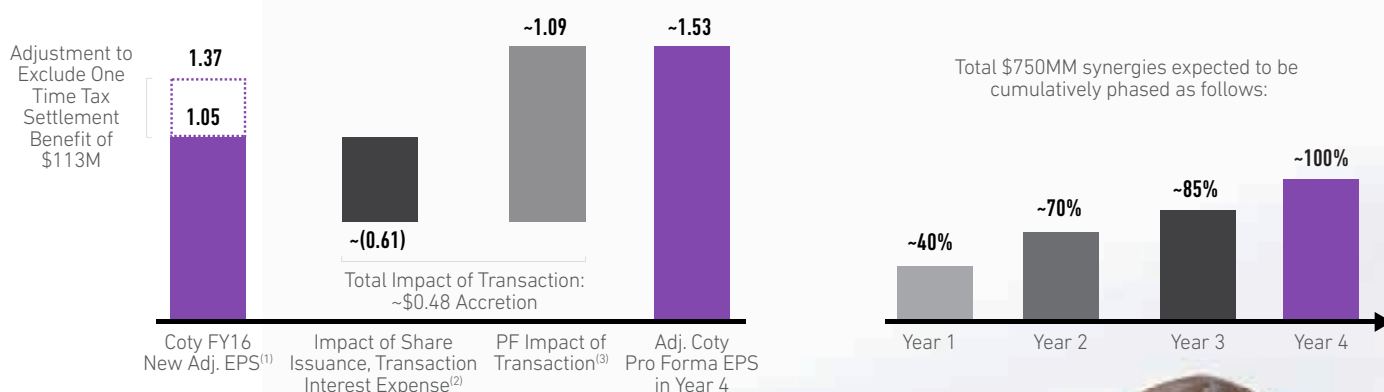
"we remain committed to our previously committed adjusted EPS target of \$1.53 for FY20. This being said, there are many different ways to get there, and it is fair to say we will also use our balance sheet to shift the growth profile part of the Company and

hit the above target."

"With regard to synergies, with the two businesses now running together, allowing leadership better insight into their individual cost structures, we are refining the phasing of the \$750 million synergies..."

We speculate that Management's cautious tone has been to temper investor expectation yet sell-side analysts (and investors) have fixated on the uncertainties Management introduced in this quarterly results. Coty's share price dropped 9% on the day.

The Elevation Capital Value Fund acquired additional Coty shares on the day, as we believe investors and sell-side analysts are missing the "bigger picture", by fixating on short-term uncertainties/issues.



FINANCIALS, FINANCIAL STRUCTURE & CAPITAL RETURN HISTORY



BUSINESS SEGMENT REVENUES, OPERATING PROFITS & MARGINS

The changes in revenues, operating profits and margins based on the three new business segments presented below show the overall picture of the business after the merger (acquisition) of P&G's beauty brands completed on 1 October 2016.

Revenues, operating profits and margins for all divisions have been negatively affected in the short term (to varying degrees) by the integration process.

Early indication from Management is that post merger (acquisition), the Professional Beauty division has performed well, the Luxury division has been improving its revenue trends, and the Consumer Beauty division is struggling and requires much more effort to turnaround.

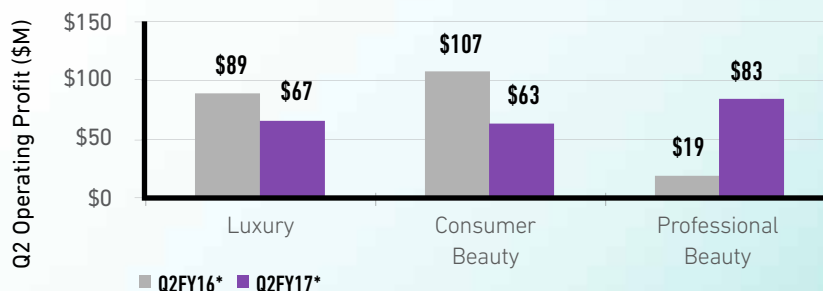
Investors must look beyond short-term margin compression, and focus on the potential margin-enhancement once the integration is completed.



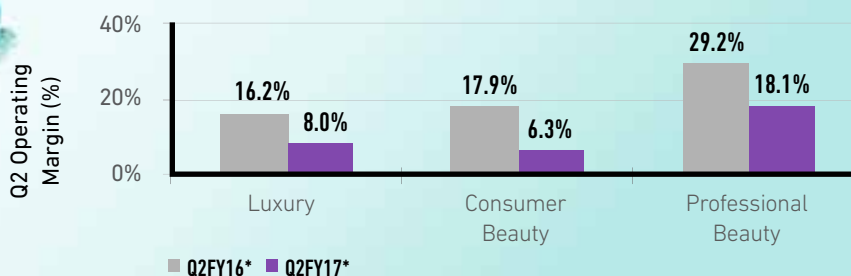
REVENUE BY BUSINESS SEGMENT



OPERATING PROFIT BY BUSINESS SEGMENT



OPERATING MARGIN BY BUSINESS SEGMENT



* Q2FY16 is for the quarter ending 31 December 2015, and Q2FY17 is for the quarter ending 31 December 2016.



GEOGRAPHIC SEGMENT REVENUES & ASSETS

We see quantum changes in Coty’s revenues by geographic segments since the P&G beauty brands merger (acquisition). However, as a percentage of sales, the three geographic segments remain stable: North America = 31% of revenue, Europe = 49% and Asia, Latin America, the Middle East, Africa and Australia (ALMEA) = 20%*.

As 69% of the revenue is generated outside North America, accordingly we see potential for revenue volatility due to possible currency fluctuations. However, the exposure outside North America

(including Emerging Markets) is another attractive attribute to Coty for long-term minded investors.

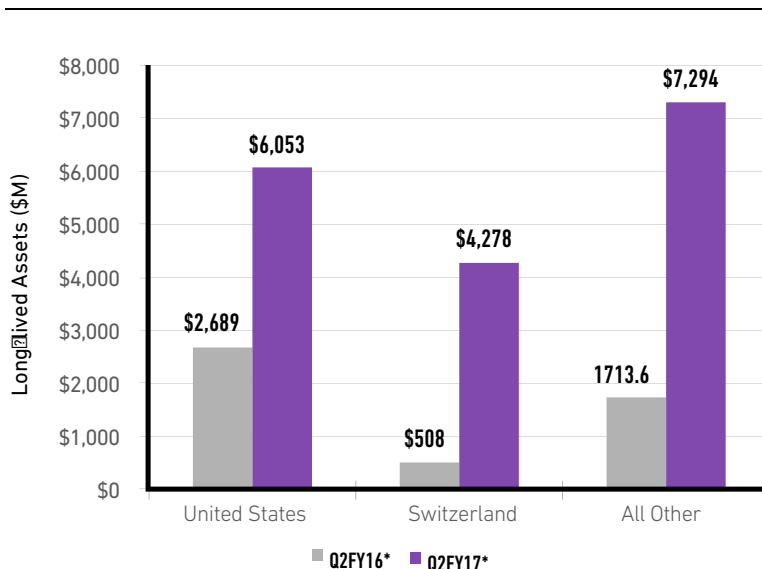
The significant increase in the value of the long-lived assets is due to the intangible assets acquired from P&G.

There remain some long-lived assets under Coty’s “All Other” category. These are intangible assets acquired from P&G which have not been allocated geographically as yet.

REVENUE BY GEOGRAPHIC SEGMENT



LONG-LIVED ASSETS BY GEOGRAPHIC SEGMENT

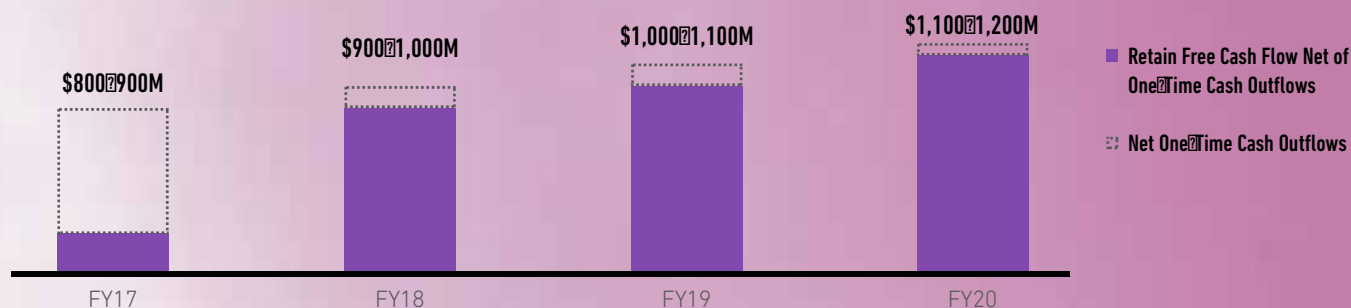


* Source: Coty Q2 FY2017 10Q Report. ALMEA = Asia, Latin America, the Middle East, Africa and Australia
 ** Q2FY16 is for the quarter ending 31 December 2015, and Q2FY17 is for the quarter ending 31 December 2016.

FREE CASH FLOW GENERATION

The Company has released its free cash flow model/profile for the multi-year integration period. i.e., from FY2017 to FY2020.

PRO FORMA FREE CASH FLOW, NET OF ONE-TIME ITEMS



Total pro forma free cash flow per annum; reflects tax-affected synergy benefits, but excludes any underlying growth in the business.

It is important to understand a company's ability to generate cash without external financings. We look at measures such as Free Cash Flow (FCF) Efficiency* to assess the robustness of a company's earnings performance and to gauge the resources available for strategic opportunities. This includes a company's ability to undertake acquisitions, reinvest in current business and reduce debt.

Based on Management's forecasts of FY2020 FCF of \$1.1B-\$1.2B* and EPS of \$1.53*, we suggest it is targeting to achieve Free Cash Flow Efficiency** of ~100% in FY2020.

Management's bonus scheme is based on growth measured by cash conversion. This incentivises Management to focus on driving **only profitable & highly cash generative growth.**



ETERNITY

introducing love
eau de parfum
limited edition

Calvin Klein

* Chart Source: Coty Investor Presentation – September 2016

** Free Cash Flow Efficiency is defined as Free Cash Flow / Net Income and it illustrates how efficient the business is at generating free cash flow versus its reported/accounting net income

FINANCIAL POSITION

BALANCE SHEET

The Company has been acquiring assets to diversify its revenue, increase scale and improve margins. Note the substantial increase in asset value in Q2FY17 as Coty completed the merger (acquisition) of P&G’s beauty brands.

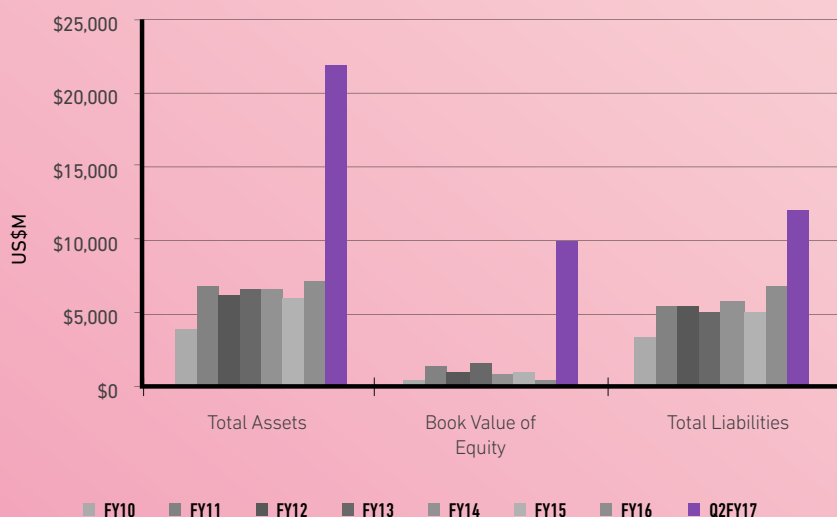
The major percentage of assets acquired from P&G is goodwill and intangible assets. The total value of these intangible assets (including goodwill) increased from US\$4.2B* in Q1FY17 to US\$16.2B*

in Q2FY17 after the completion of the merger (acquisition). These intangible assets (including goodwill) amount to 74% of Total Assets**.

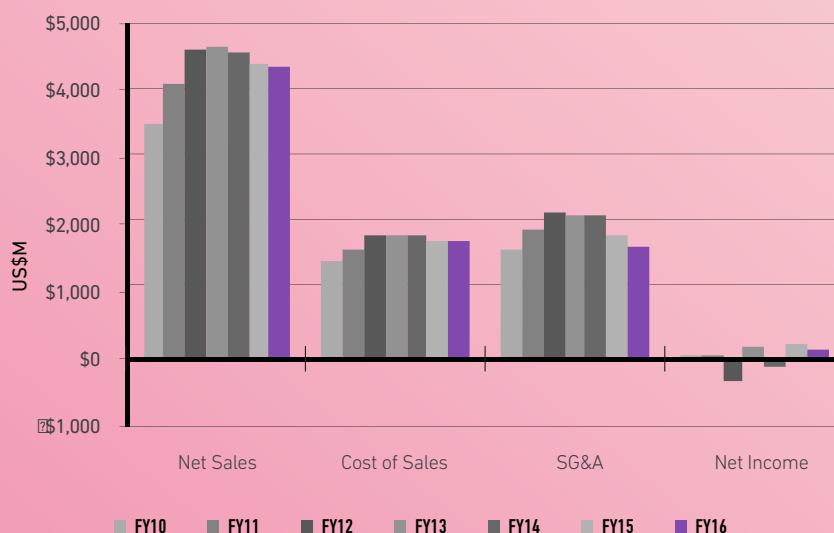
INCOME STATEMENT

There are two main reasons why revenues and profits have been in decline in recent years: the negative impact of the strengthening of US Dollar, and underperformance in some of Coty’s consumer brands.

BOOK VALUE VS. TOTAL LIABILITIES



REVENUE, COSTS AND PROFITS

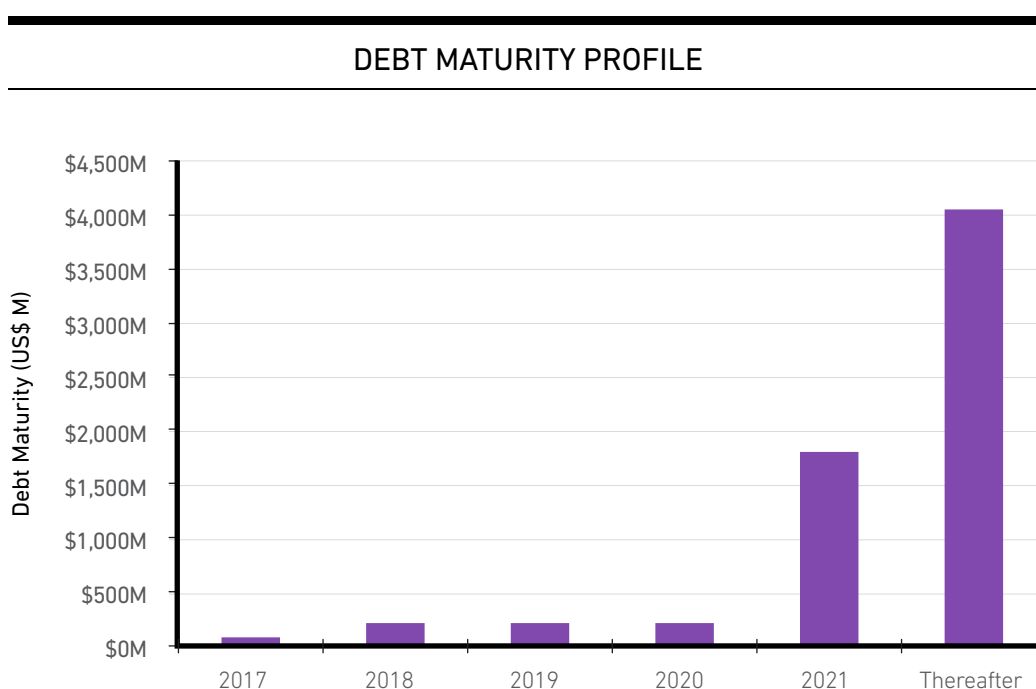
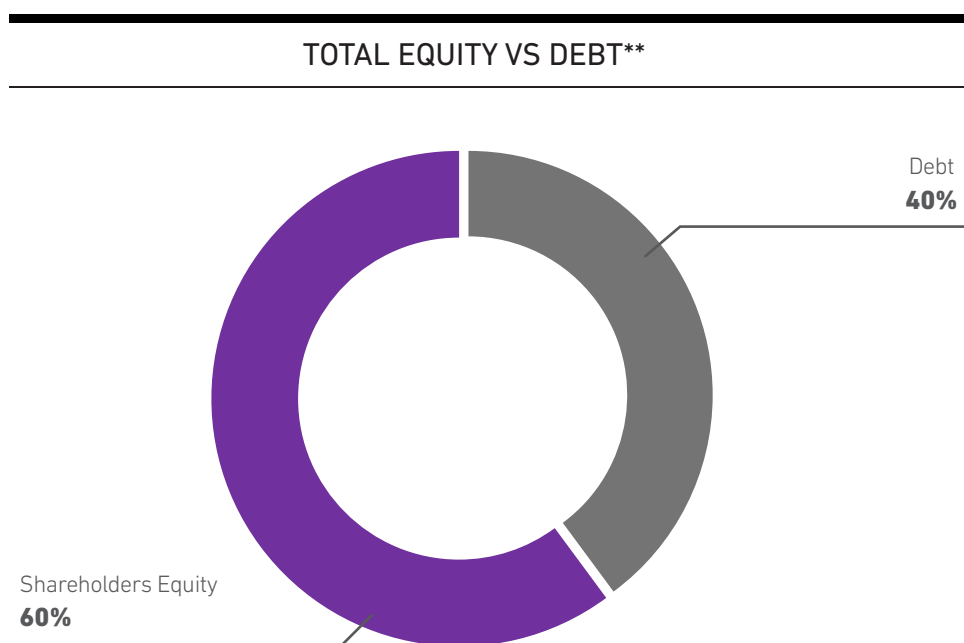


DEBT & TERM STRUCTURE

DEBT

Coty currently has one of the highest debt levels amongst its peers. However, its debt maturity profile suggests that the Company will have time to enhance its cash flow generation capability to deleverage its balance sheet.

As at 31 December 2016 the Company has debt totalling US\$ 6.5B*, and it has an S&P Long-Term Issuer Rating of BB+ with a 'stable outlook' as at 6 October 2016.



* As at 31 December 2016

** Data Source: Thomson Reuters Eikon as at 15 March 2017

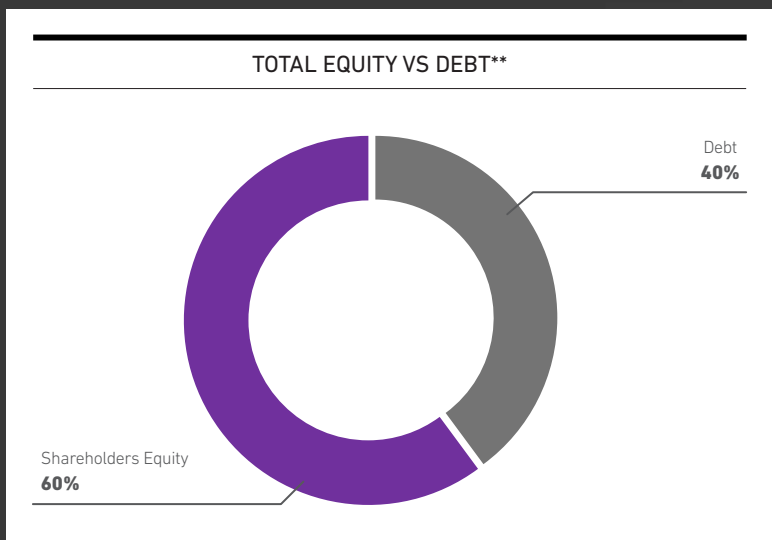
EQUITY OWNERSHIP

EQUITY

- # of Shares Outstanding = 747M*
- Total Equity (Book Value) = US\$ 9.8B**
- Market Capitalisation = US\$ 13.3B*

Even after the merger (acquisition) with (of) P&G's brands, JAB remains the largest shareholder, with a shareholding of 36.84%. We note that as part of the merger deal, JAB converted all of its super-voting Class B shares to Class A shares on 30 September 2016. As a result, Coty is no longer a majority-owned subsidiary of JAB.

We also note that CHANEL has a 1.95% stake in Coty. This came about when Coty purchased CHANEL's Bourjois cosmetics brand in 2014 with shares.



Top 10 Shareholders*	%*
JAB Cosmetics B.V.	36.84%
MFS Investment Management	10.92%
Fidelity Management & Research Company	7.95%
The Vanguard Group	5.74%
Wellington Management Company	4.67%
T. Rowe Price Associates	3.69%
BlackRock Institutional Trust Company	2.79%
State Street Global Advisors	2.58%
Capital World Investors	2.19%
Mousseluxe S.a.r.l. (a subsidiary of CHANEL)	1.95%
Top 10 Shareholders:	79.32%



CAPITAL RETURNS VIA DIVIDENDS & SHARE BUYBACKS

Management is showing great confidence in Coty's cash flow generation capability by transitioning to quarterly dividends, and at the same time increasing dividends by 82% to \$0.125 per quarter. This implies a dividend yield of 2.8%*, which is 73% higher than peer group average of 1.5%.

The quarterly dividend amounted to \$93.4M vs Coty's Free Cash Flow of \$567M in the same

quarter. Accordingly we believe the dividend is sustainable and there exists scope to grow the dividend over time as the integration program gathers momentum.

The Company also repurchased 1.4M shares for the six-month period ending 31 December 2016, in a price range of \$25.35 - \$27.40.

“We continue to drive shareholder value to an 82% increase in dividends and transition to a quarterly dividend payout. This policy is a good reflection of the strong balance sheet and cash flow generation, and will likely remain unchanged in the short term.

We also retain our remaining \$400 million share buyback authorization, and we will remain opportunistic, as we always have been, in the way we potentially use this. And we know we have the long-term support from our largest shareholder, JAB.”

– Coty CFO Patrice de Talhouet
9 February 2017



* Based on Coty's share price of US\$17.60 as at 12 April 2017

MANAGEMENT, COMPANY CULTURE, & EMPLOYEE EFFICIENCY

DAISY
MARC JACOBS

EAU SO FRESH

EXPLORE +



HIGHLY EXPERIENCED LEADERSHIP

Chairman Bart Becht is one of the three senior partners at JAB. He is also the chairman of JDE, Keurig Green Mountain.

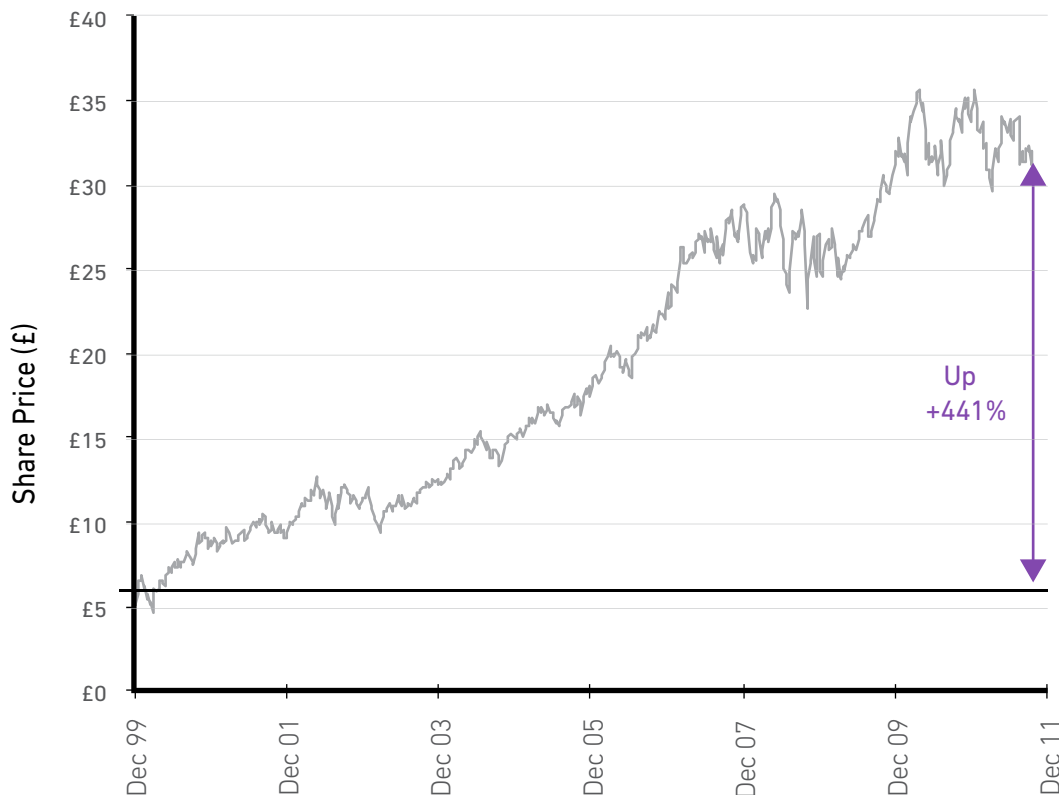
Mr. Becht was appointed the CEO of Benckiser NV in 1995, and then the CEO of Reckitt Benckiser (RB) when Benckiser NV merged with Reckitt & Colman PLC in 1999. Mr. Becht retired from the this role twelve years later in 2011.

CEO Camillo Pane also has a long history working at RB, dating back to 1996. He later held various senior positions in RB until he was hired by Coty

in July 2015 as Executive Vice President, Category Development. He became the CEO of Coty on 1 October 2016 after Coty completed its merger (acquisition) with (of) P&G's beauty brands.

We note that under Bart Becht's leadership as the CEO of Reckitt Benckiser, significant value was created for long-term shareholders, as the RB stock price appreciated 441%, from £5.91 on 10 December 1999 to £31.99 on 30 September 2011, which resulted in an impressive annualised total return* of +18.6% for those twelve years.

RECKITT BENCKISER SHARE PRICE HISTORY 1999 TO 2011



* Source: Thomson Reuters Eikon – Total Return (incl. dividends reinvested) of 650.42% between 10 December 1999 and 30 September 2011



HIGHLY EXPERIENCED MANAGEMENT TEAM

The current management team is also highly experienced both operationally and via M&A in the global consumer product markets.

	Bart Becht (Chairman)	Camillo Pane (CEO)	Patrice de Talouët (CFO)	Edgar Huber (President, Coty Luxury)	Laurent Kleitman (President, Coty Consumer Beauty)	Sylvie Moreau (President, Coty Professional Beauty)	Ralph Macchio (Chief Scientific Officer)	Mario Reis (Chief Supply Officer)	Greerson McMullen (Chief Legal Officer, General Counsel & Secretary)	Sebastien Froidefond (Chief Human Resources Officer)
Operational Experience	COTY (2 years)	COTY (1 year)	COTY (3 years)	COTY (1 year)	Starts in May 2017	ABG (22 years)	COTY (24 years)	COTY (2 years)	COTY (1 year)	COTY (1 year)
	(33 years)	(19 years)	MARS (7 years)	LANDS' END (4 years)	Unilever (24 years)	REVION (12 years)	DANONE (16 years)	SWM (3 years)	SANOFI (13 years)	
M&A Experience	RECKITT BENCKISER Merger	BOEY HEALTHCARE	Acacel-Luxant Merger	Kiehl's	NIOXIN	Unilever Cosmetics	NUMICO	BOURJOIS	sanofi aventis	
	BOEY HEALTHCARE	RESPIRATORY	BOURJOIS	YVES SAINT LAURENT	philosophy	UB	genvyme	MERIAL	CHATTEM	
	RESPIRATORY	SSL	hypemartian	VICTOR L ROLF	O·P·I	Carve-out	KEURIG	Schiff	shu uemura	
	MASTER BLENDS	hypemartian	hypemartian	hypemartian	Sally Hansen	BOURJOIS	hypemartian	hypemartian	hypemartian	



MANAGEMENT INCENTIVE/S

Management is incentivised to be shareholder-oriented toward long-term value creation. Incentives are structured through Employee Bonuses and Long-Term Incentive Compensation.

Bonuses are conditional on increased profitability and improvements in cash generation. Key metrics include: revenue growth, profit growth and cash conversion.

Coty also encourages Management to acquire & hold their personal wealth in directly held shares. Executive Committee members are expected to hold US\$1.8M-US\$5M of Coty shares. Coty’s top-80 leaders are individually expected to hold up to US\$1M of Coty shares. The table below highlights insiders (Management, Directors and JAB) have been actively buying Coty shares since the merger (acquisition) with (of) P&G’s beauty brands was completed on 1 October 2016.

Name	Position	% Outstanding	Position (# of Shares)	Position Change	Value of Position*	Filing Date
Sylvie Moreau	President, Coty Professional Beauty	0.01%	47,718	+2,500	\$840K	24/2/17
Camillo Pane	CEO	0.04%	287,657	+72,350	\$5.1M	16/2/17
JAB	Largest shareholder	36.84%	275,208,041	+4,090,000	\$4.84B	14/2/17
Greerson McMullen	Chief Legal Officer, General Counsel	0.01%	40,500	+40,500	\$713K	10/2/17
Robert Singer	Director	0.01%	90,000	+30,000	\$1.6M	5/12/16
Peter Harf	Director	0.61%	4,570,719	-	\$80.4M	23/11/16
Bart Becht	Chairman	0.63%	4,687,996	+19,186	\$82.5M	16/11/16
Erhard Schoewel	Director	0.05%	361,473	+9,021	\$6.4M	15/11/16
Joachim Faber	Director	0.03%	203,068	+9,007	\$3.6M	15/11/16



* Based on Coty’s share price of US\$17.60 as at 12 April 2017

COMPANY CULTURE / WORKPLACE

We investigated Glassdoor (www.glassdoor.com) where employees and former employees anonymously review companies and their management.

Although the percentage of people who would recommend Coty to a friend is relatively low (53%), possibly due to the significant integration process. It is interesting to note that the new CEO Camillo Pane still has a high approval rating (83%) from Coty's employees and former employees.

The screenshot displays the Glassdoor profile for Coty. At the top, the Coty logo is visible. Below it, navigation tabs include Overview (selected), 350 Reviews, 439 Salaries, and 193 Jobs. Action buttons for 'Follow' and '+ Add a Review' are present. The 'Coty Overview' section lists: Website (www.coty.com), Size (10000+ employees), Type (Company - Public (COTY)), Revenue (\$10+ billion (USD) per year), Headquarters (New York, NY), Founded (1904), and Industry (Manufacturing). A brief description follows: 'Coty is one of the world's largest beauty companies with about \$9 billion in revenue. Its strong entrepreneurial heritage has created an iconic portfolio of leading beauty brands. Coty is the global leader in fragrance, a strong number two in professional salon hair ... Read more'. The 'Coty Reviews' section shows a 3.0 star rating (3 stars highlighted) and a 'Rating Trends' link. Below this, three circular progress indicators are shown: '53% Recommend to a friend', '83% Approve of CEO', and 'Camillo Pane 24 Ratings'.

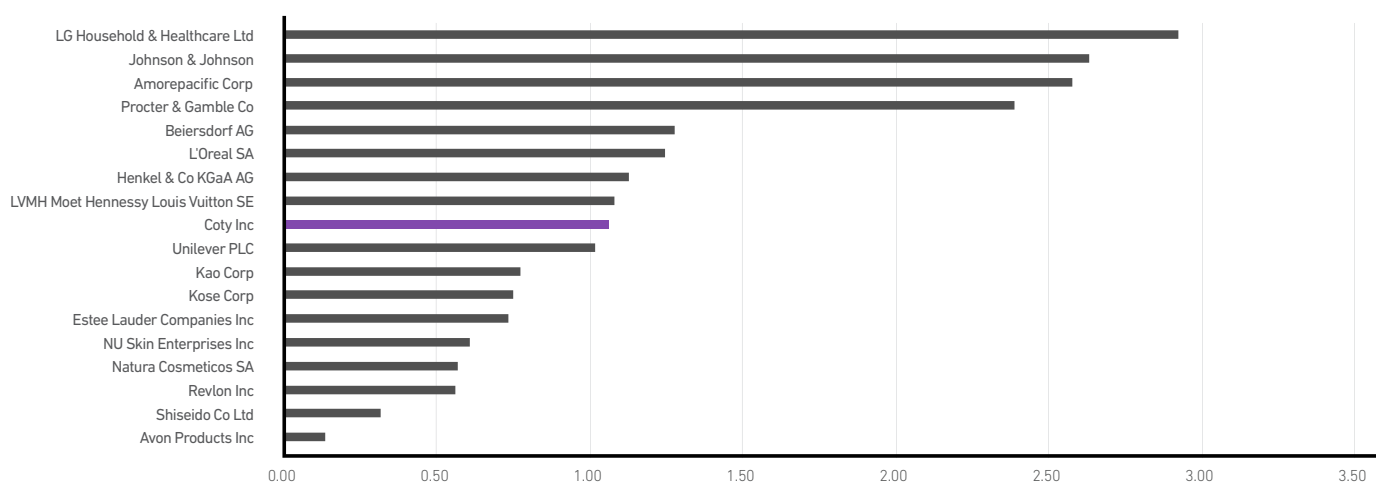
EMPLOYEE EFFICIENCY

We utilise the Enterprise Value to Employee Ratio to measure how worker-intensive a business or industry is. We also use this metric to compare businesses within the same industry to rank their relative efficiency.

We estimated the number of Coty employees after the P&G beauty brands merger (acquisition) to stand at ~19,000. This suggests Coty has an average employee efficiency versus its peers.

We acknowledge the limitation of this analysis (within the beauty industry), given some companies employ direct selling strategies that potentially distort the number of employees. This includes: Avon, Amorepacific, Natura, LG, NU Skin, and others.

EV / NUMBER OF EMPLOYEES



COMPARABLE COMPANIES



DAVID
BECKHAM

MADE OF
INSTINCT



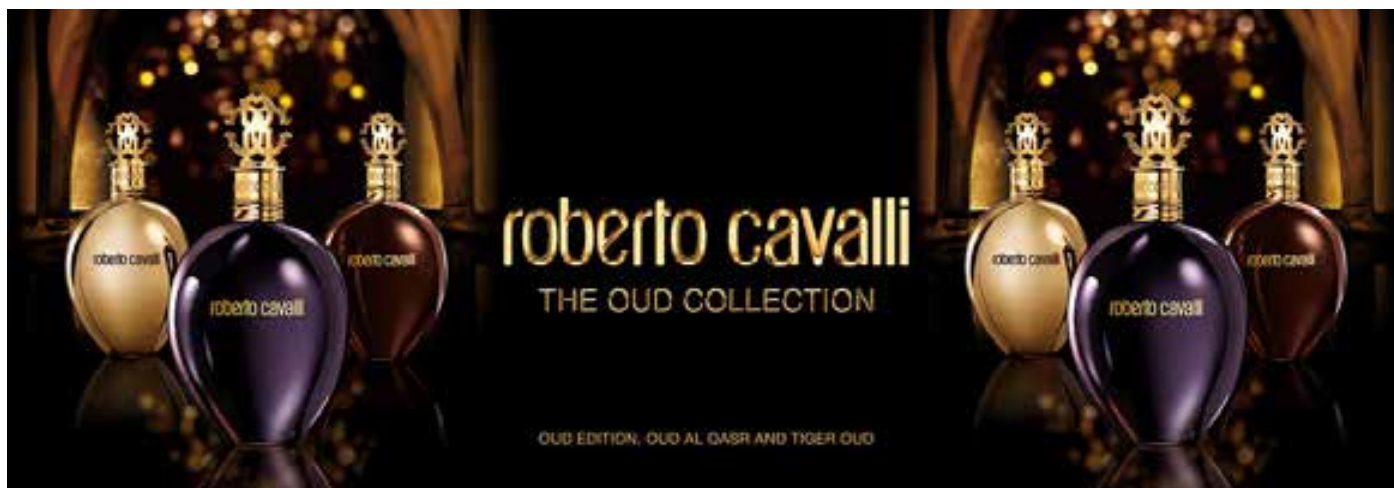
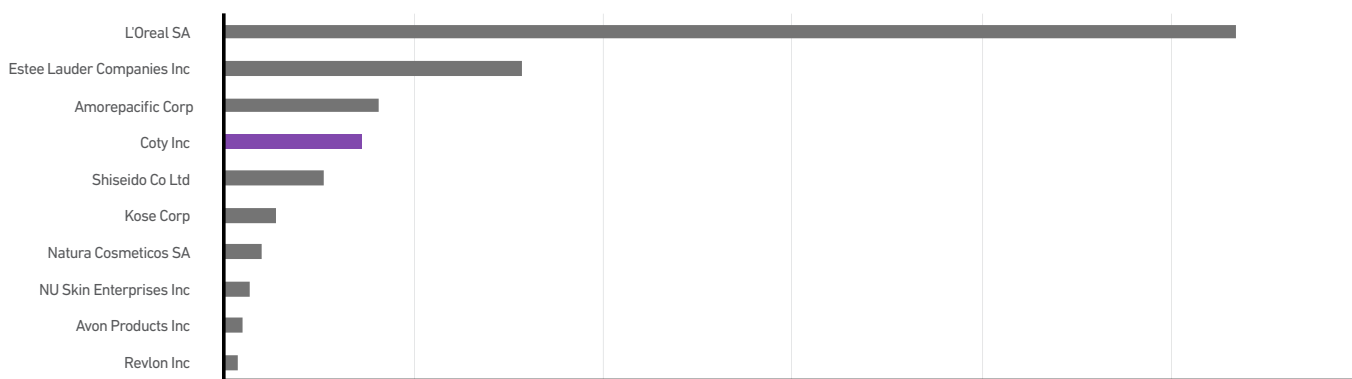
THE NEW FRAGRANCE

MARKET CAPITALISATION

Coty is the #3 player in beauty worldwide yet the Company's market capitalisation does not reflect this reality. Coty is only ranked #4 among the pure-play beauty companies, behind South Korea-based Amorepacific Corp.

We believe this disconnect will be rectified when progress on Coty's integration process appears within its financial reporting. The uncertainty of such timing has provided investors with an opportunity to acquire Coty shares at a discount to its intrinsic value (such as JAB's February 2017 purchase valued at €72M).

MARKET CAPITALISATION (US\$ M)



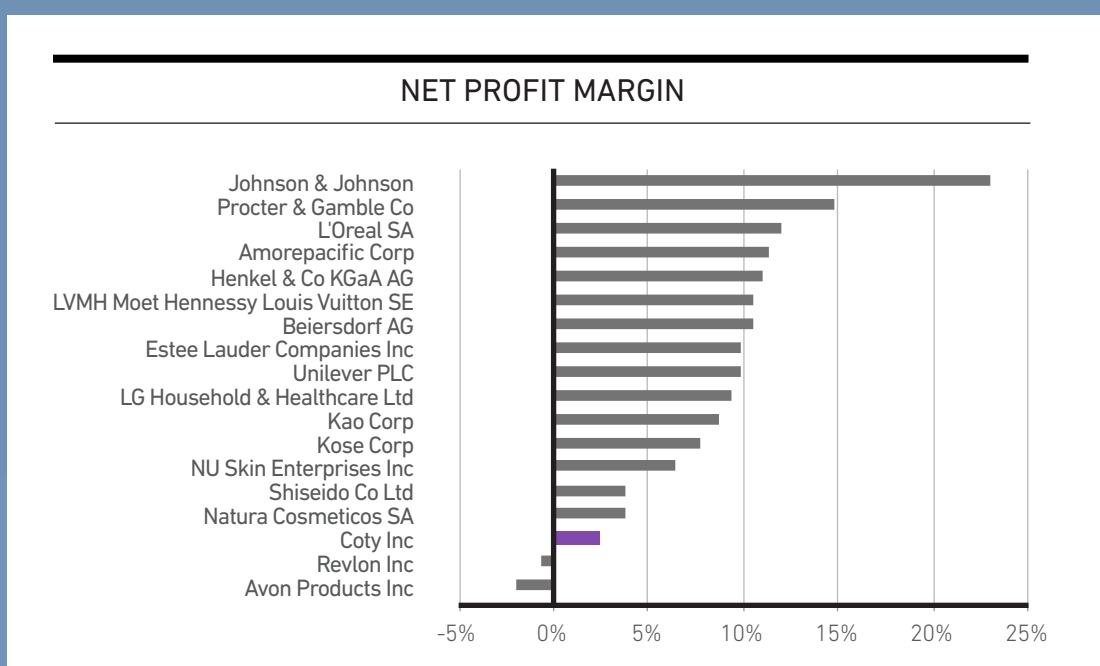
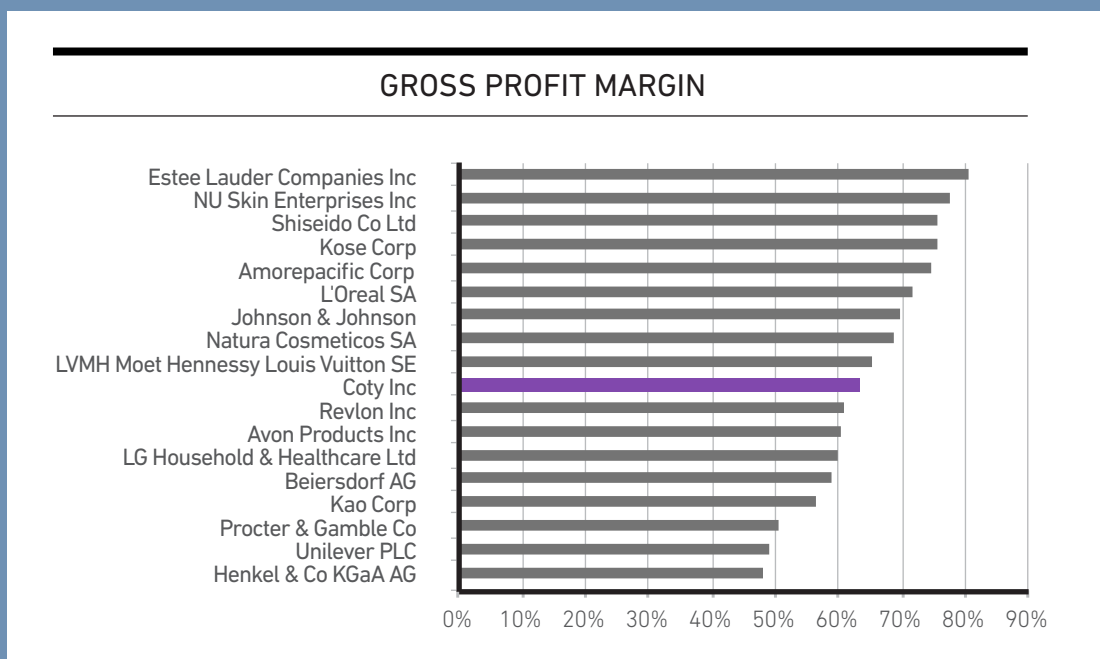
MARGINS AND RETURNS

As expected, Coty's margins have been negatively affected by current integration efforts. As noted by Management, FY2017 is a transitional year for the Company with many moving parts and one-time items.

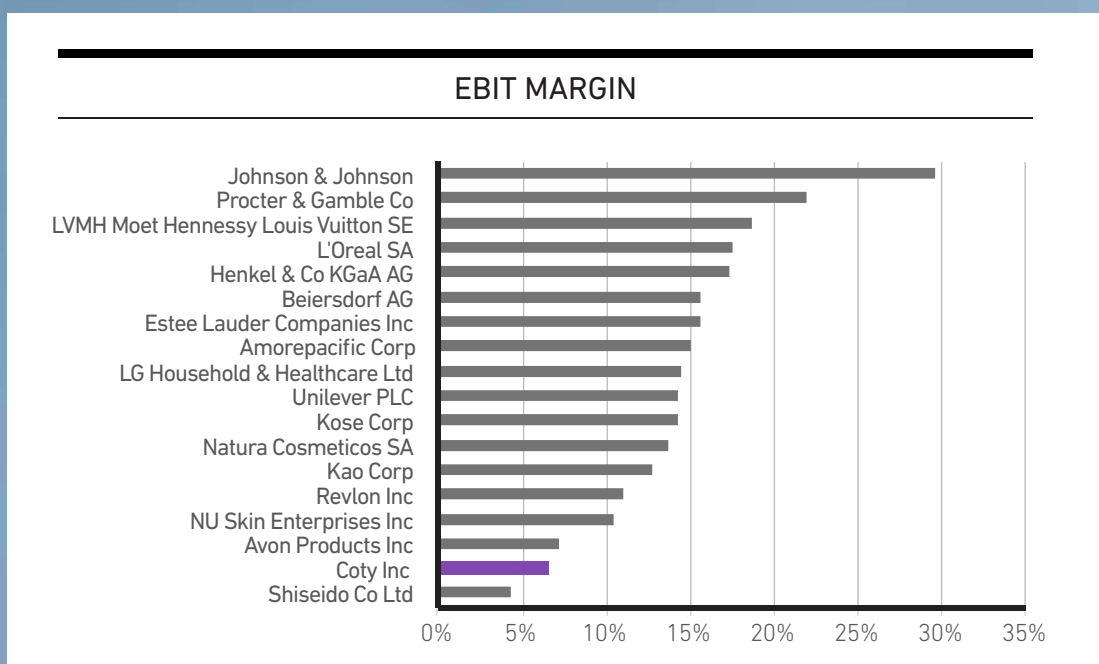
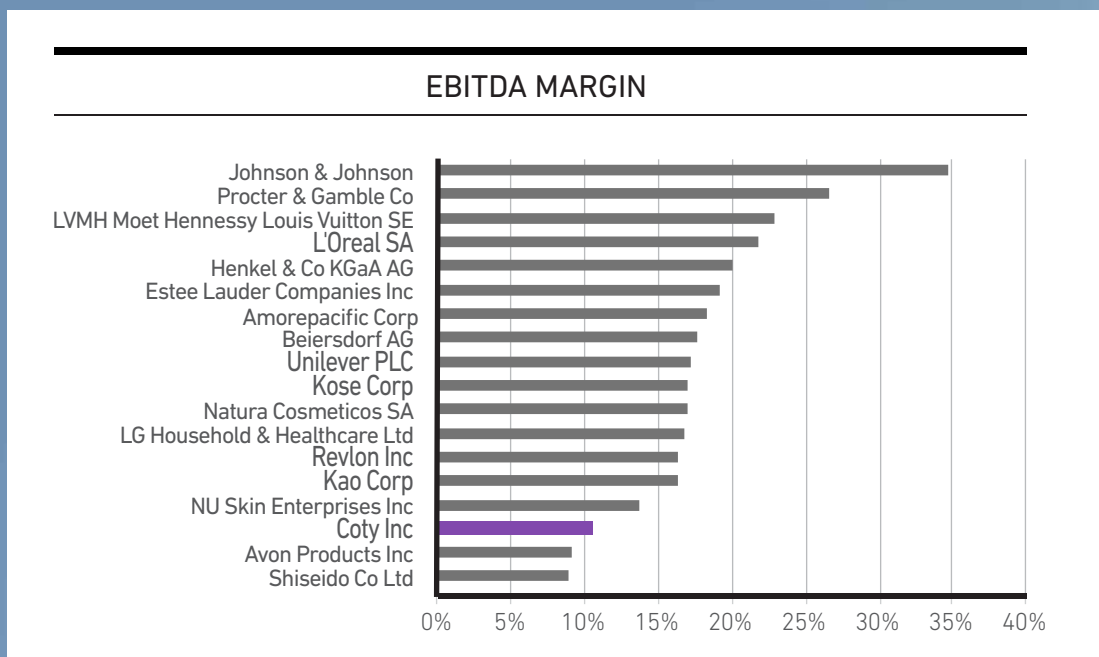
The key question is whether Management can revive those P&G orphaned beauty brands and

achieve the margin enhancement target in 2020 that it has indicated to investors.

As illustrated below (and on the next pages) the potential margin enhancement story is compelling when Coty is compared to its wider peer group.



MARGINS AND RETURNS CONTINUED



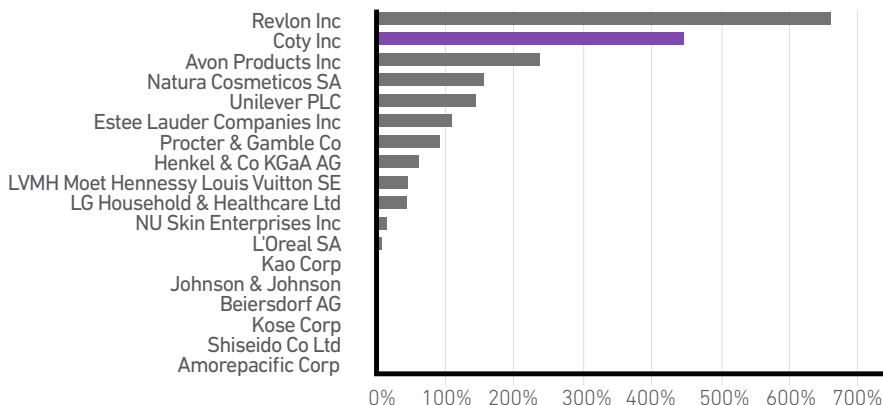
FINANCIAL LEVERAGE

As a result of recent merger & acquisition activities, Coty has one of the highest levels of financial leverage amongst its peer group.

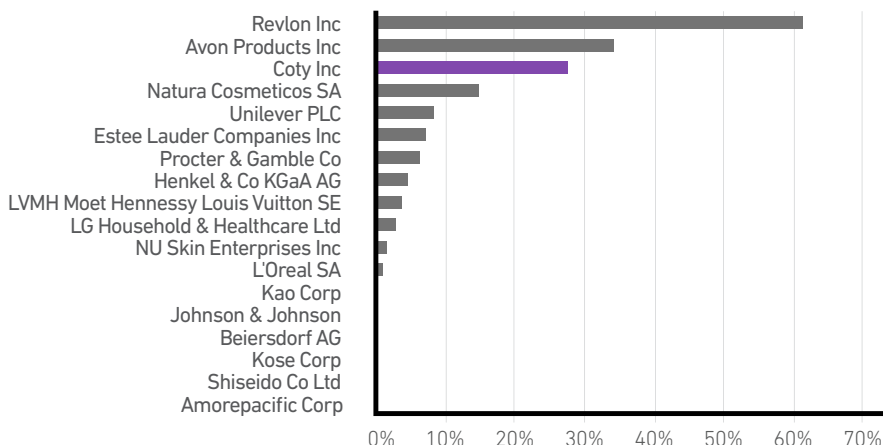
Our view is that Management will focus its efforts on integration and deleveraging. This should cool the Company's appetite for further acquisitions in the short to medium term.



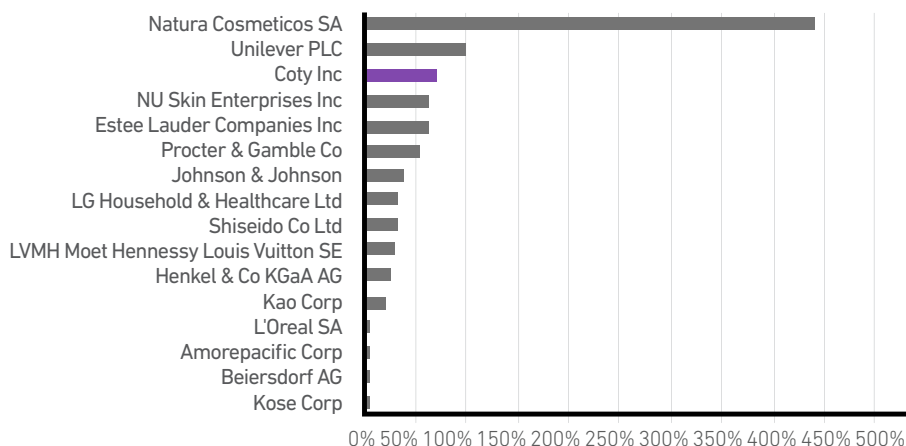
NET DEBT TO EBITDA



NET DEBT TO EV



TOTAL DEBT TO TOTAL EQUITY



P/E VALUATION AND DIVIDEND YIELD

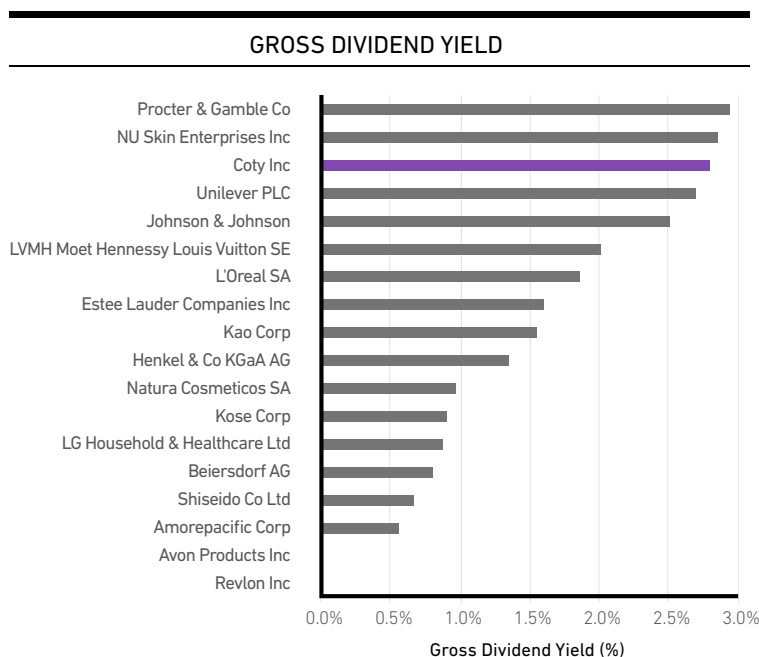
The integration process is creating a large amount of “noise” and interruptions in the current financial year.

We expect the stock to start trading above peer group average when the Company begins to demonstrate that it is making solid progress on its integration progress.

Coty currently has one of the highest dividend

yields amongst its peers at 2.8%*. The Q2 FY2017 quarterly dividend amounted to \$93.4M vs Coty’s Free Cash Flow of \$567M in the same quarter.

Accordingly we believe the dividend is sustainable and there exists scope to grow the dividend over time as the integration program gathers momentum. Also, assuming sustainable cash flow generation, the attractive yield should reduce downside risk in a market sell-off.



COTY VS L'ORÉAL VS ESTÉE LAUDER

COTY
L'ORÉAL
ESTÉE LAUDER

MARKET CAP*:	US\$ 13.3B	€101.9B	US\$ 31.1B
NET REVENUE*:	US\$ 9B**	€25.8B	US\$ 11.3B
KEY BRANDS:	adidas, BOTTEGA VENETA, Bourjois, Calvin Klein, chopard, Chloé, Clairol, COVERGIRL, Hugo Boss, ghd, Gucci, JIL SANDER, JOOP!, KOLESTON, Marc Jacobs, Max Factor, miu miu, Nioxin, OPI, philosophy, Rimmel, Sally Hansen, Sassoon Professional, Sebastian Professional, System Professional, Tiffany, Wella Professionals	L'Oréal Paris, Garnier, NYX, Dark and Lovely, Magic Mask, Kiehl's, Lancôme, Giorgio Armani Beauty, Yves Saint Laurent Beauté, Ralph Lauren, Clarisonic, Maybelline New York, Essie, Kérastase, Biotherm, Shu Uemura, Viktor&Rolf, Maison Martin Margiela, Urban Decay, Redken, Vichy, La Roche-Posay, Diesel, The Body Shop, DIESEL, Helena Rubinstein, cacharel, IT Cosmetics, Yue Sai, Matrix, Pureology, Decléor, Carita, SkinCeuticals, Roger & Gallet	AERIN Beauty, Aramis, Aveda, BECCA, Bobbi Brown, Bumble and bumble, Clinique, Darphin, DKNY, Donna Karan, Frédéric Malle, Ermenegildo Zegna, Estée Lauder, GLAMGLOW, Jo Malone London, KILIAN, Kiton, La Mer, Lab Series, Le Labo, M·A·C, Michael Kors, Origins, RODIN olio lusso, Smashbox, Tom Ford, Tommy Hilfiger, Too Faced, Tory Burch
FORWARD P/E*:	22.7x ← Cheaper	26.2x	25.5x
FORWARD ANALYST ESTIMATED EPS*:	US\$ 0.78 (US\$ 0.65-US\$ 0.85)	€6.95 (€6.50-€7.15)	US\$ 3.33 (US\$ 3.26-US\$ 3.39)
GROSS DIVIDEND YIELD*:	2.8%	1.9%	1.6%
NET PROFIT MARGINS*:	2.5%	12.0%	9.9%
GROSS PROFIT MARGINS*:	63.3%	71.6%	80.6%
EBITDA MARGINS*:	10.5%	21.7%	19.2%
NET DEBT TO EV*:	27.6%	0.3%	7.0%
NET DEBT TO EBITDA*:	446.6%	6.5%	108.6%
TOTAL DEBT TO EQUITY*:	70.8%	5.2%	62.8%

* Data Source: Thomson Reuters Eikon as at 12 April 2017

** Coty Investor Factsheet - As at 28 February 2017 (FY2016 Pro-forma Net Sales = US\$ 4.6B from Coty + US\$ 4.4B from P&G Beauty Brands = US\$ 9.0B)

KEY RISKS & OPPORTUNITIES



DAVIDOFF
Cool Water
WOMAN



KEY RISKS

MACROECONOMIC SLOWDOWN

As a consumer products company, Coty's performance is highly influenced by global consumer confidence. A macroeconomic deterioration within one of Coty's key markets would reduce consumer spending (especially on discretionary items), and hence reduce demand for Coty's products, adversely affecting business performance. Albeit the beauty industry is less affected/susceptible than others (refer the chart on page 8).

FORMIDABLE COMPETITION

Even as Coty becomes the #3 global beauty player, it continues to face fierce competition from other large pure play beauty players such as L'Oréal, Estee Lauder, Avon, Shiseido, Natura, Amorepacific, Revlon and Kose. Also, some of the largest multinational consumer products companies such as Beiersdorf, Unilever, LVMH, kao, P&G, J&J and Henkel all have the financial capacity to expand their existing beauty businesses should they find the industry to be attractive.

FINANCIAL LEVERAGE

With debts totalling US\$ 6.5B* (vs. current market capitalisation of US\$13.3B**), Coty currently has one of the highest levels of financial leverage amongst its peers. However, the debt maturity profile suggests that the Company will have time to enhance its cash flow generation capability. Also, we believe in the short term Management will be focusing its efforts on integration and deleveraging slowing down acquisitions over the short to medium term.

DISRUPTOR TO THE TRADITIONAL RETAIL MODELS

Amazon continues to “disrupt” the retail environment and as Scott Galloway from NYU Stern School of Business and L2 Inc. suggests creates a “war on brands”.

We believe cosmetics is one of the few categories where “private label” has not made significant inroads and that Amazon's ability to “disrupt” cosmetic brands is lower than other categories.

However, Amazon is clearly impacting the traditional distribution mechanism (e.g., department stores) for a large percentage of cosmetics companies, and this is why Coty must better develop online strategies and ensure it is in fast growing customer facing channels like Sephora (owned by LVMH).



KEY RISKS CONTINUED

M&A INTEGRATION

The extent to which an unsuccessful acquisition can impact a company is demonstrated by Coty's 2010 acquisition of Tjoy in China for \$352M. Management called the transaction "*a complete debacle*", as the Company had to write off \$317M in FY2014 and sold the brand back to Tjoy's Chinese founder in 2015. If you focus solely on this historical transaction, it may be somewhat understandable that investors are sceptical as to whether Management can achieve the promised synergies from the largest beauty deal in history. *(However, on the flipside, this ignores the relative success of other recent acquisitions such as Hypermecas, Bourjois, OPI, Manhattan and philosophy.)*

Our analysis suggests that in the short to medium term, Coty is likely to experience a period of increased uncertainty and volatility. This is due to the Company's massive integration and reorganisation project. However, we continue to have confidence in both Management and the Board to execute on its transition plan. We do not see the specific/precise timings surrounding this process as a condition to our investment thesis. Furthermore, we believe the investments into P&G's orphaned brands (e.g. the relaunch and repositioning of COVERGIRL and Max Factor) could yield unexpected upside in the medium term and this is not currently being considered by the market.

BRAND RELATED RISK

One of Coty's competitive advantages is the strength of its brands. Thus, any deterioration in brand equity will cause harm to Coty's business (and its balance sheet). The depth of Coty's brand portfolio (i.e., diversification) and relative independence between brands minimises this risk. For example, a deterioration in COVERGIRL's brand image will not materially impact Wella's performance.

More specifically, in early 2017, Coty acquired 60% of Younique, a leading online beauty platform for US\$600M. Younique has received some harsh criticism from its former distributors (i.e., presenters) and consumers for its poor product quality - some have gone so far as to suggest it is a scam. It is our view that access to Coty's production/R&D facilities will enable Younique to improve and expand their own product suite. This will aid in restoring Younique's brand image.

CURRENCY/FX

Currency movements could materially and adversely affect Coty's results as 69% of Coty's revenue is generated outside North America*. We clearly see potential headwinds for the Company should the US Dollar continue to appreciate against global currencies.

LICENSE RENEWALS

As at the end of FY2016, Coty maintained 29 brand license agreements that accounted for 53% of its FY2016 revenue. There are a further ten brand license agreements from the acquisition of P&G's beauty brands. The risk is that the Company might not be able to renew a brand license agreement, or renew on favourable economic terms.

The threat of a non-renewal of a license agreement is very real, as was demonstrated by Dolce & Gabbana's (D&G) refusal to grant consent to transfer fragrance license from P&G to Coty. However, the recent acquisition of the Burberry licence has offset the loss of D&G in our view.

JAB HOLDING COMPANY

JAB is no longer the controlling shareholder of Coty, but maintains a 36.8% stake. To this extent, JAB continues to have significant influence over the strategic direction of the Company thus JAB's decisions may adversely impact minority shareholders. *(Note that we continue to view JAB's shareholding as highly positive for other shareholders based on long-term track record.)*

KEY OPPORTUNITIES

MARGIN ENHANCEMENT

The most important value creation from the acquisition of P&G’s beauty brands is Management’s estimated improvement of Coty’s operating profit margins from 14.3%* (Standalone Coty FY16 adj. operating profit margin) to ~19.6% in FY2020* (Pro forma Coty adj. operating margin). If achieved, this will make Coty an industry leader in profit margin terms.

There exists scepticism toward whether this is achievable by 2020. However, it is our view that even if Management missed their target by 1%, i.e., only achieved an 18.6% operating margin by 2020, the significant improvement would see the market re-rate the stock. Lastly, we highlight that the margin improvement forecast does not include the anticipated portfolio rationalisation and any underlying growth in the newly combined business.

PORTFOLIO RATIONALISATION – ALTERNATIVE PLAN FOR NON-CORE BRANDS (~6%-8% OF NET REVENUE)

Management has identified the non-core brands (but has not disclosed them), and are exploring potential alternatives (e.g., divestment) for these brands. We believe that this is one short-term catalyst that can improve margins, revenue/profit growth and at the same time deleverage the balance sheet.

THE COLLAPSE OF DUAL-CLASS SHARE STRUCTURE

When Coty merged with P&G’s beauty brands on 30 September 2016, JAB converted all of its supervoting Class B shares to ~262M Class A shares. JAB currently owns ~36.84%** of shares outstanding.

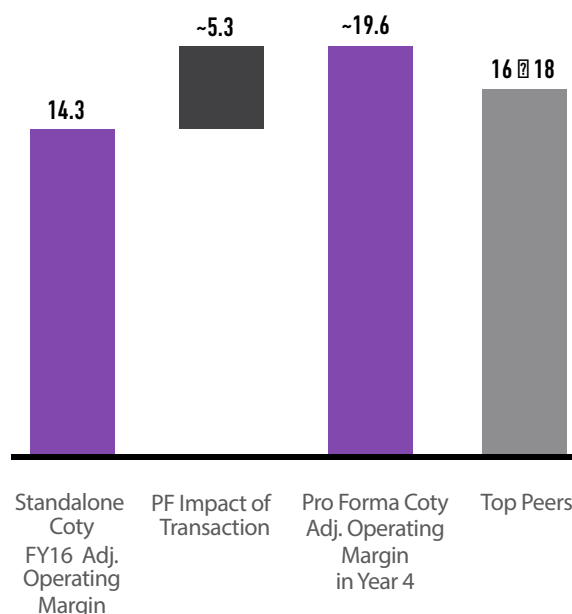
With the conversion, JAB’s voting rights declined from 97.5% to 36.8%. While JAB still has considerable influence over the Company, the collapse of the dual-class share structure allows the Company to improve transparency and governance. More importantly, it introduced the possibility for other shareholders to have influence over the Company.

CONTINUED AND STABLE GROWTH IN BEAUTY

The beauty market has an impressive and stable average growth rate of +3.9% for the past 15 years. Coty anticipates the market to continue to grow in the range of +3%–+4% annually. Market leader L’Oréal estimates that the market will grow +4% in 2017. This industry tailwind is beneficial to a company like Coty which is undergoing a massive multi-year integration and reorganisation project.

OPPORTUNISTIC M&A

Over the past two years, Coty has acquired Bourjois (from CHANEL), Hypermarchas, 41 P&G beauty brands, ghd, Beamy, in addition to investing in Younique. Management stated that Coty is now in a “stabilisation mode” with focus being placed on returning the business to organic growth while completing the multi-year integration process*. However, Management has not ruled out opportunistic M&A should it provide growth opportunities and not significantly disrupt current integration efforts. This is demonstrated by the recent announced acquisition of the long-term license rights for – Burberry Beauty – which included: luxury fragrances, cosmetics and skincare – on 3 April 2017.



* Source: Coty Investor Presentation – September 2016 - Management expects ~500-600 basis points improvement to Coty’s FY16 operating profit margin of 14.3% in four years time.
 ** Coty Q2 2017 Earnings Call – 9 February 2017

KEY OPPORTUNITIES CONTINUED

SOCIAL PHOTO SHARING

With the advance in internet connectivity and digital camera capability on smartphones, we see a huge growth in photo sharing. Makeup and skin care have become part of the selfie uniform for teens and young adults across the world. Deloitte Global predicted that 2.5 trillion photos would be shared or stored online in 2016. Google reported that 24 billion of selfies were uploaded to its Google Photos application in 2015.

#1 Beauty player L'Oréal suggests that this new era of social beauty, which emphasises appearance, self-expression, social sharing and self-esteem provide the growth engine for the beauty industry.



E-COMMERCE & LOYALTY PROGRAMMES

Deutsche Bank estimated* that “*global eCommerce share of skin care has doubled over the last five years to 10%...while fragrance eCommerce market share is up almost 50% to 6.6%*”. Coty has so far failed to capitalise on this substantial growth opportunity. As at 30 June 2016**, Coty had only two brands which exhibited e-commerce capabilities, while only 12 were sold on branded e-commerce sites. Transitioning Coty brands online and expanding digital capabilities will be an important part of Coty’s growth profile going forward.

In 2015, the Company acquired Beamly, a leading global digital marketing agency with the aim of driving audience growth and engagement for Coty’s brands online.

In early 2017, Coty acquired 60% of Younique, a leading online peer-to-peer social selling platform in beauty for US\$600M. This allows Coty to access a direct distribution channel, a peer-to-peer mobile-first e-commerce platform that has ~200,000 active presenters and over 4.1M consumers in 10 countries, and to improve and strengthen Coty’s eCommerce capability. This deal has a number of similarities to Unilever’s 2016 estimated ~US\$1Bln acquisition of Dollar Shave Club (DSC) to access and expand DSC’s subscription model.

Loyalty programmes will also be an increasing focus for companies in the beauty sector. They have proven lucrative for many prestige brands, which is why mass brands are catching on. According to L2 Inc. (Homa Zaryouni), L’Oréal-owned Lancôme, for example has achieved a 60% action rate, just a month after launching its loyalty programme.

Top Image Source: <http://abcnews.go.com/blogs/entertainment/2014/03/ellens-oscar-selfie-most-retweeted-tweet-ever/>, Bottom Image

Source: <https://www.oscars.org/sites/oscars/files/highlights21.jpg>

*Deutsche Bank Coty research report – 31 May 2016

**Coty FY2016 Annual Report

CONCLUSION, ESTIMATED INTRINSIC VALUE RANGE & LIQUIDITY



ELEVATION CAPITAL CONCLUSION

Coty is the #3 player in an industry that has extremely attractive characteristics: growth, high margins and strong cash flow generation.

Following the completion of Coty's complex multi-year integration process, we expect the Company to emerge as a formidable challenger to leading peers of L'Oréal and Estee Lauder. A focus on increased scale and business segment expansion are expected to deliver economies of scale and diversification, allowing Coty to significantly improve its margins and stabilise its earnings profile.

The largest shareholder – JAB (36.8% of shareholding) has significant influence/control over the Company. We view JAB's shareholding as completely aligned with other shareholders given their positive track record of value creation. Coty's senior management are also aligned with shareholders via direct equity interests in the Company.

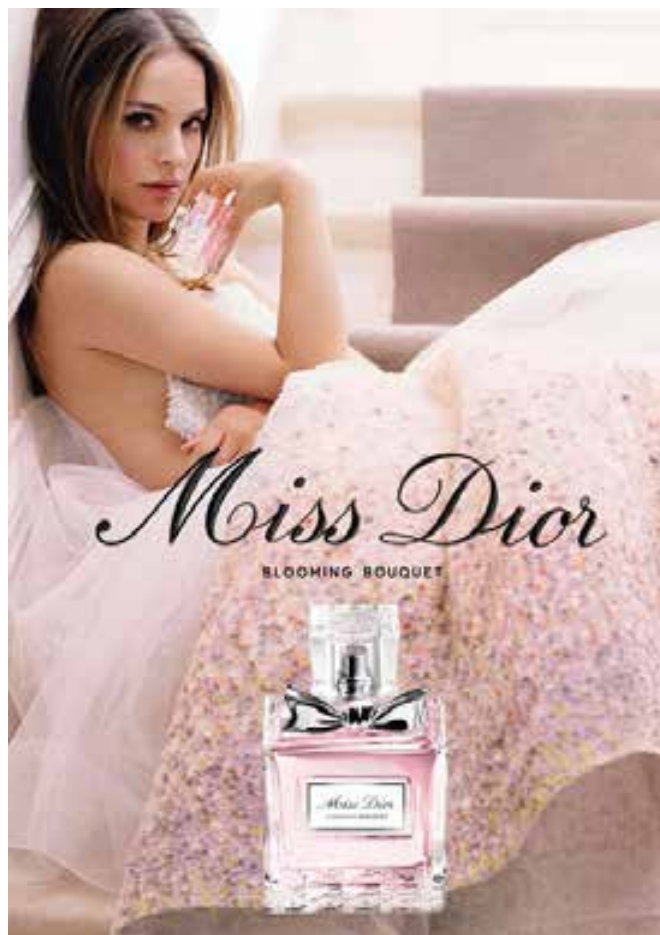
Coty has experienced negative investor sentiment following weak quarterly results, significantly higher than anticipated inventory levels (for the acquired P&G Beauty business), a likelihood of integration complications, and uncertainty towards the timing of synergy extraction. The stock has declined by over 40% from its recent high of US\$29.75 in August 2016 to prices ranged-bound between US\$17 and US\$20 in 2017.

In January 2017, the Elevation Capital Value Fund began to initiate a position at an average cost of US\$18.72* to date.

Due to the massive integration and reorganisation project, Coty can be expected to experience a period of short-term uncertainty and volatility. However, we have confidence in both the Board and Management to execute on its plan, based on their historical track record/s. Furthermore, we believe the investments into P&G's orphaned beauty brands (e.g., the relaunch and repositioning of COVERGIRL and Max Factor) could yield surprising upside in the medium term that is not currently being considered by the market.

In the meantime, we are paid to be patient, as Coty pays what we believe to be a sustainable dividend which currently yields above its peers at 2.8%* per annum. Assuming sustainable cash flow generation, the attractive yield should reduce downside risk in a market sell-off.

If we assume the Company is able to achieve its target FY2020 EPS of \$1.53, and applying the current peer group average P/E of 22.7x, we arrive at a valuation of US\$34.73. This suggests an upside potential of +97% in approximately four years, or a potential IRR of +23% per annum based on the current stock price of US\$17.60*.

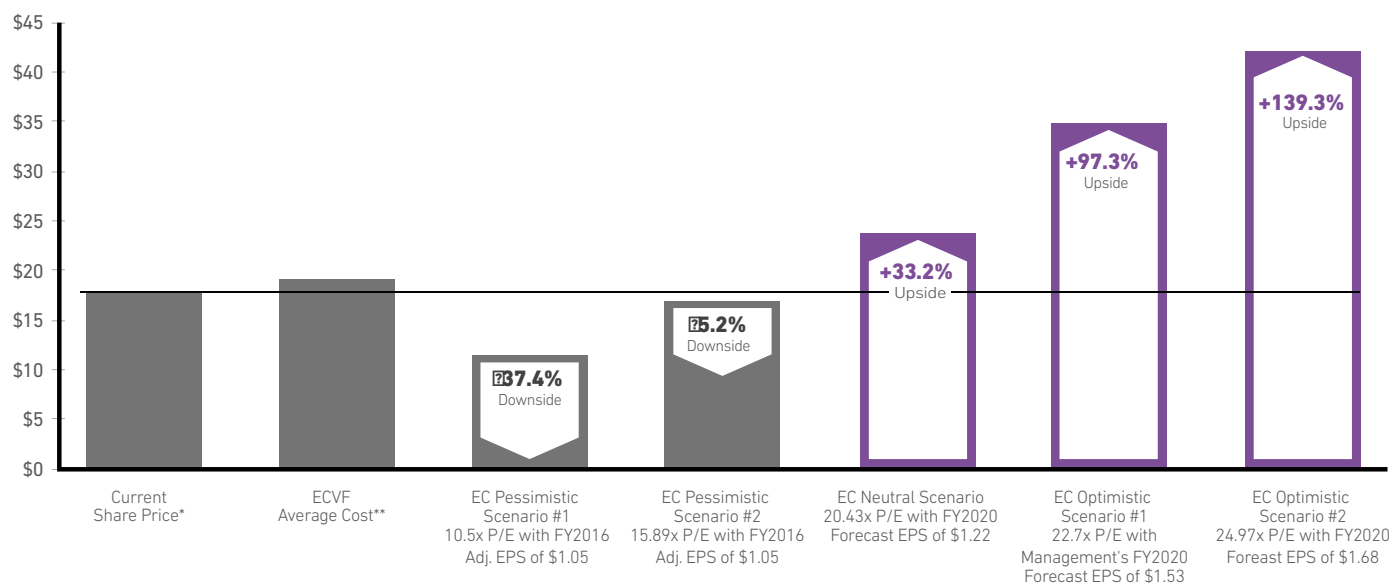


* As at 12 April 2017

ELEVATION CAPITAL ESTIMATED INTRINSIC VALUE RANGE

ELEVATION CAPITAL ESTIMATED INTRINSIC VALUE RANGE:
US\$ 11.02 ? US\$ 42.02 PER SHARE

ESTIMATED INTRINSIC VALUE SUMMARY



DOWNSIDE / UPSIDE POTENTIAL RANGE:

7.4% ? +139%

* Current Share Price = US\$ 17.60 (as at 12 April 2017)

** Elevation Capital Value Fund ("ECVF") Average Cost = US\$ 18.72 as at 12 April 2017

EC = Elevation Capital, ECVF = Elevation Capital Value Fund

ASSUMPTIONS FOR OUR ESTIMATED INTRINSIC VALUES

SCENARIO

ASSUMPTIONS

EC Pessimistic Scenario #1

We assume the Company's earnings stagnate at FY2016 Adjusted EPS of \$1.05.

We also assume GFC low P/E ratio of 10.49x, which is the average of the lowest P/E ratio of L'Oréal (11.32x*) and Estee Lauder (9.66x*) during this time period.

EC Pessimistic Scenario #2

We assume the Company's earnings stagnate at FY2016 Adjusted EPS of \$1.05.

To simulate the market pessimism/disappointment, we apply a 30% discount to the current peer group average Forward P/E multiple of 22.7x that provides us with a 15.89x P/E ratio.

EC Neutral Scenario

We assume Management is only able to achieve some of the forecast margin/profitability improvement. We apply a 25% discount to Management's FY2020 Forecast EPS of \$1.53 and arrive at our estimated FY2020 EPS of \$1.22.

We think it is appropriate to discount the current peer group average Forward P/E multiple of 22.7x by 10% in this neutral scenario that provides us with a 20.43x P/E ratio.

EC Optimistic Scenario #1

We assume Management is able to achieve its forecast margin/profitability improvement, and achieve its FY2020 Forecast EPS of \$1.53.

We utilise the current peer group average Forward P/E multiple of 22.7x in this scenario.

EC Optimistic Scenario #2

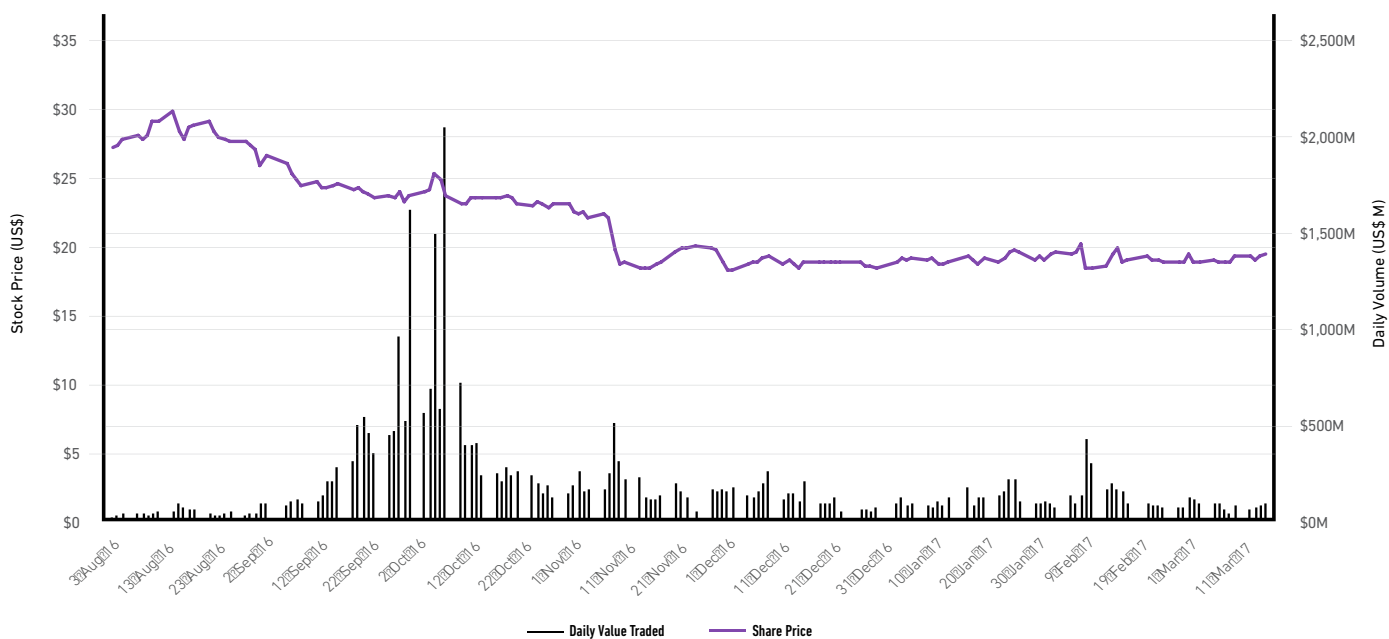
We assume Management is able to achieve its forecast margin/profitability improvement, but is also able to grow the business organically and achieve further margin improvement from planned divestments. We apply a 10% premium to Management's FY2020 Forecast EPS of \$1.53.

In this Optimistic Scenario, we suggest the market is willing to pay a 10% premium to the current peer group average Forward P/E multiple of 22.7x, this implies a Forward P/E multiple of 24.97x.

LIQUIDITY ANALYSIS

The one-year average daily trading volume in Coty totals US\$146M (~1.1% of the current market cap of \$13.3B*).

COTY STOCK PRICE VS. DAILY VALUE TRADED



* As at 12 April 2017
Data Source: Thomson Reuters Eikon



ELEVATION CAPITAL MANAGEMENT LIMITED: TOD'S SPA [TOD:IM]

Research Presentation released in October 2017



“The new concept is that the point of view of fashion of the past is gone. Now designers are more PR people rather than actual designers trained the old-fashion way. They’re friends of bloggers and are like celebrities who can create buzz and have many followers. Sometimes they’re good designers but most of the time they’re just personalities, which means that the quality is going down. Back in the days, as a designer you were an apprentice and would learn slowly but now many young designers recycle items from the supermarket and turn them into fashion, just for fun, which is pure marketing so you have to be careful because the history of fashion is getting lost. Not to be heavy and serious, but you need to know about Yves Saint Laurent, Elsa Schiaparelli, Coco Chanel... There’s too much excitement in the market now and you have to be careful with that. As a brand, you have to be careful not to stay behind but at the same time not to move too fast and follow fads for no reason.”

- Diego Della Valle, Chairman and CEO of Tod's – May 2017

VALUE TRAP OR VALUE OPPORTUNITY?



Original workbench of Filippo Della Valle



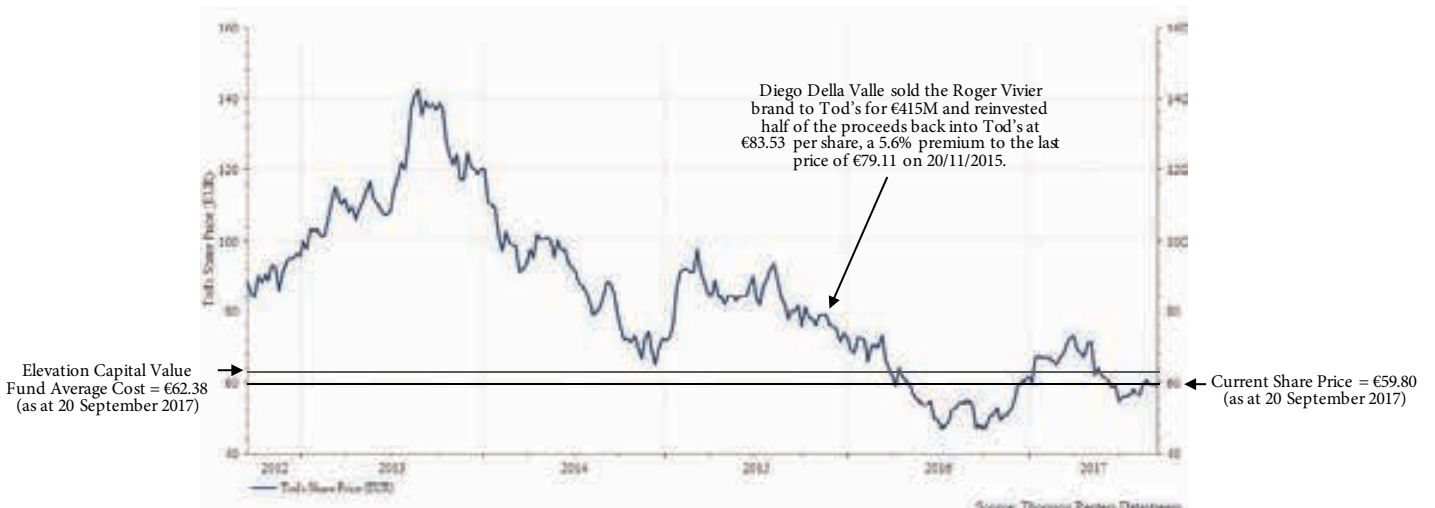
VALUE TRAP OR VALUE OPPORTUNITY?

After reaching an all time high of €142.30 on 23/8/2013, Tod's share price has declined 67% in the last four years to a low of €46.99 on 30/9/2016. It has since recovered to €59.80 as at 20 September 2017.

Tod's is currently (as at 20 September 2017) the sixth largest position in Elevation Capital Value Fund, comprising 3.54% of the Portfolio.

When we initiated a position in Tod's in 2014, the stock was down more than -30% since its highs and the overall luxury sector had seen a sell-off due to anti-graft/anti-corruption policy in China. Tod's represented compelling absolute & relative value then. *The key question is does it now?*

While other luxury players have seen recovery in their businesses, and their stock prices. Tod's is currently underperforming due to some company specific issues. *The question again is whether these issues can be resolved in a reasonable and timely fashion?*



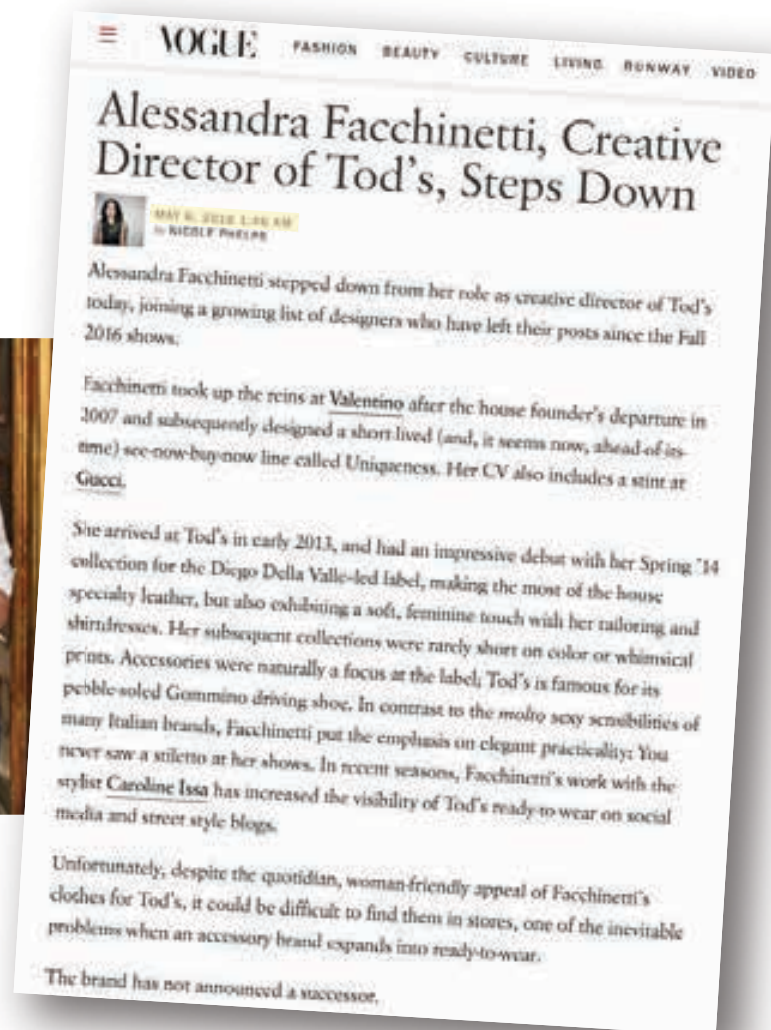
VALUE TRAP OR VALUE OPPORTUNITY?

“We are getting out of the trouble we had with the strategy that we started a few years ago with the fashion component of our collections. So when we decided to give, under Mrs. Facchinetti’s responsibility, the Tod’s collection that was -- as we realized, so to speak, too much fashion for our old clients and not enough fashion to attract new clients.”

- Emilio MacEllari, CFO of Tod’s – May 2017

“The idea of just having one designer can become a bit tired... we need a group of people who understand our DNA, our identity, which is based on the Made in Italy, Italian quality and Italian lifestyle.”

- Diego Della Valle, Chairman and CEO of Tod’s – May 2017



VALUE TRAP OR VALUE OPPORTUNITY?

FAY INTRODUCES ARTHUR ARBESSER

MILAN, 18 SEPTEMBER 2017 - FAY - CLOTHING BRAND OF TOD'S GROUP - IS PLEASED TO ANNOUNCE THE BEGINNING OF ITS PARTNERSHIP WITH THE DESIGNER ARTHUR ARBESSER, WHO TAKES THE CREATIVE DIRECTION OF THE BRAND. THE FIRST FALL/WINTER COLLECTION, FRUIT OF THIS PARTNERSHIP, WILL BE PRESENTED AT THE START OF 2018.

BORN AND RAISED IN VIENNA, ARBESSER CULTIVATED HIS PASSION FOR ART AND DESIGN, WHICH DEEPLY INSPIRE THE DESIGNER'S CREATIONS TODAY. AFTER GRADUATING FROM CENTRAL SAINT MARTIN'S COLLEGE FOR ART AND DESIGN, HE MOVED TO MILAN, WHERE HE DESIGNED FOR ONE OF THE MOST PRESTIGIOUS FASHION HOUSES, ARMANI, IN THE FOLLOWING YEARS.

IN 2013, HE LAUNCHED HIS EPONYMOUS LABEL, SOON ACCLAIMED BY INTERNATIONAL PRESS AND, IN 2015, HE WAS ONE OF THE FINALISTS AT THE SECOND EDITION OF THE LVMH PRIZE.

"WE ARE THRILLED ABOUT THIS NEW PARTNERSHIP," SAID ANDREA DELLA VALLE, VICE CHAIRMAN OF TOD'S GROUP.

"WE BELIEVE THAT ARTHUR'S CREATIVE FLAIR AND FRESHNESS, COMBINED WITH HIS PASSION FOR ART, WILL PERFECTLY MATCH FAY AND ITS LIFESTYLE, GENERATING A HIGHLY POSITIVE RELATIONSHIP."

"FAY IS A BRAND WITH IDENTITY, CLASS AND HISTORY. I'M REALLY THRILLED AND CONFIDENT THAT THIS WILL BE THE BEGINNING OF A NEW AND INTERESTING JOURNEY FOR BOTH MYSELF AND THE BRAND," SAID ARTHUR ARBESSER.

FASHION NETWORK

Tod's economic indicators all down at end 2016, store closures on the cards

By Damiano Mucchi 16 March 2017

The performance of Italian luxury footwear label Tod's in 2016 was very disappointing, and the group is seeking to right its course this year. All of Tod's economic indicators were down at the end of last year, and the group is pinning its hopes on a new store concept, a strengthening of its e-tailing business and of digital communications, and on organic store growth, as illustrated in the press release issued for the publication of Tod's annual results.

FASHION NETWORK

Designers for Fay label leave Tod's luxury group

17 July 2017

Fay, a unit of Italian luxury group Tod's, said on Friday its two designers were leaving, amid a general rethink of company strategy that aims to increase clients and sales.

The Tod's group said it would be challenging to meet market expectations for earnings this year after it posted a 4.4 percent drop in first-quarter revenue.

Chairman Diego Della Valle said the company would see positive results in the next couple of years from strategies aiming at both "traditional and new clients".

Fay, a part of the Tod's group, said in a statement that designers Tommaso Aquilano and Roberto Rimondi would stop working for the label, after six years of service.

Deputy Chairman Andrea Della Valle said "the collaboration was fruitful for both sides", without giving reasons for their departure.

The company and the designers would pursue "new paths", a Tod's spokesperson said, adding the original five-year contract with the designers had already been extended by a year.

The last collection designed by Aquilano and Rimondi will be for Spring-Summer 2018, which will be in shops from January 2018, the statement said.

VALUE TRAP OR VALUE OPPORTUNITY?

Tod's launches men's capsule collection for YNAP's Mr Porter

#CONSUMER PRODUCTS & RETAIL NEWS JUNE 16, 2017 7:15:34 AM

Giulia Segreti

MILAN, June 17 (Reuters) - Italian luxury group Tod's on Saturday launched a menswear capsule collection for Yoox Net-a-Porter in a bid to increase its reach to online customers.

The brand is pushing to regain appeal among fashionistas despite expecting like-for-like retail sales to be flat overall in 2017.

The "Tod's X Mr Porter" collection is aimed at YNAP's in-season online store dedicated to men, with 27 items for the summer, designed by Tod's menswear Creative Director Andrea Incontri.

It includes new, coloured models of the group's iconic 'Gommino' loafers, suede bomber jackets and printed swimming shorts, all in the tones of blue, red and white.

Despite already selling shoes, clothes, and accessories through YNAP's websites, the collection is the Italian brand's first exclusive collaboration with the successful online luxury group.

It's the first dedicated 'see-now-buy-now' collection for the group, presented on Saturday in Milan and on sale this coming week, a statement said.

"Since launching Tod's ready-to-wear business in 2015, we have wanted to work on an exclusive collection ... giving our global customer base something special which they cannot find anywhere else," Mr Porter Buying Director Fiona Pirth said in a statement.

Luxury groups have been coming under pressure from increasingly young clients to present more collections during the year, including highly-attractive limited and exclusive capsule lines.

Tod's says 2017 consensus earnings forecast a challenge - RTRS

06 May 2017 07:05

(Recasts with comments from conference call)

MILAN, May 5 (Reuters) - Italian luxury goods company Tod's **TOD.MI** said it may struggle to meet market expectations for earnings this year after a bigger than forecast 4.4 percent drop in first-quarter revenue, down by shrinking Italian and U.S. sales.

Tod's, famous for its Gommino loafers, said on Friday its first-quarter revenue was 238.5 million euros (\$262 million), below a Thomson Reuters consensus estimate of 248 million euros and down 5 percent from a year earlier at constant currencies.

Revenue in Italy, its biggest market, fell 8.7 percent while sales in the Americas dropped 10.7 percent as fewer tourists visited the United States. In Greater China though, sales rose 3.8 percent despite ongoing weakness in Hong Kong.

Chief Financial Officer Emilio Macellari told analysts that full-year forecasts for revenues and earnings before interest, tax, depreciation and amortisation (EBITDA) "could be a bit challenging" to meet.

Analysts said the market was looking for full-year sales of 1.04 billion euros and EBITDA of 191 million euros. Macellari said a weakness in wholesale revenues may extend beyond the first quarter, which recorded a 9.5 percent drop, while retail sales were flat during the period.

Macellari said he expected like-for-like retail sales to be "flatish" overall in 2017 after a 12 percent drop last year. In the first quarter, like-for-like retail sales fell 3.2 percent but the CFO said the drop should ease in the second quarter and sales should rise in the second half.

In a further boost, Tod's is planning to add about 10 new shops to its network this year. (\$1 = 0.0095 euro)

Italy's Tod's ready to make short-term sacrifices for medium-term growth

MILAN, JUNE 16, 2017 7:15:34 AM

Reuters Staff

MILAN (Reuters) - Italian luxury group Tod's said on Thursday it was ready to make short-term sacrifices in margins and revenues in pursuit of medium-term growth as it turns away from fashion to focus on higher-end products.

The brand, known for its traditional Gommino loafers, has struggled in recent years to broaden its product range and diversify from its best-selling but more class- items.

Chief Financial Officer Emilio Macellari told analysts on Thursday the group did not want to compete with fashion brands but would turn to "a more reliable, regular and stable kind of market, in more iconic and traditional products," closer to the brand's heritage.

These would include high-end bags, shoes and clothing.

Macellari said the change in strategy would provide Tod's with a regular growth trend in the years to come.

TOD'S

INTRODUCTION



HISTORY

- 1900 In the early 1900's Filippo Della Valle, Grandfather of current Chairman and CEO Diego Della Valle, found a small shoe workshop in Le Marche, Eastern Italy.
- 1940 From the 1940's the business began exporting shoes to markets outside Italy and Europe, supplying private label shoes to American outlets including Neiman Marcus and Saks Fifth Avenue.
- 1970 Over the next ten years, Diego Della Valle took charge of the operations of Tod's and immediately recognised the potential of the business he had inherited. Instead of selling shoes to department stores under a private label agreement, he realised that he must develop a recognisable brand to realise the potential of the business, thus the brand Tod's was formed. The Company also acquired the FAY brand during this period.
- 1980 To further diversify Tod's product range, Diego Della Valle developed the new brand Hogan during the 80's. Hogan was among the first producers of "luxury sneakers", one of the most popular product categories today.
- 2000 Tod's held an IPO in November 2000, raising €210M. Diego Della Valle (personally) acquired the brand Roger Vivier.
- 2001 Diego Della Valle licensed the Roger Vivier brand to Tod's.
- 2006 Diego Della Valle (personally) acquired haute couture label - Schiaparelli.
- 2013 Alessandra Facchinetti, a former Gucci and Valentino head designer was hired by Tod's as its creative director, with a broader responsibility across Tod's ready-to-wear lines.
- 2015 Diego Della Valle sold the Roger Vivier brand to Tod's for €415M.
- 2016 Alessandra Facchinetti stepped down as the creative director of Tod's after three years.
- 2017 Two designers for Fay leave after six years working for the brand.



DIEGO DELLA VALLE

CHAIRMAN AND CEO OF TOD'S

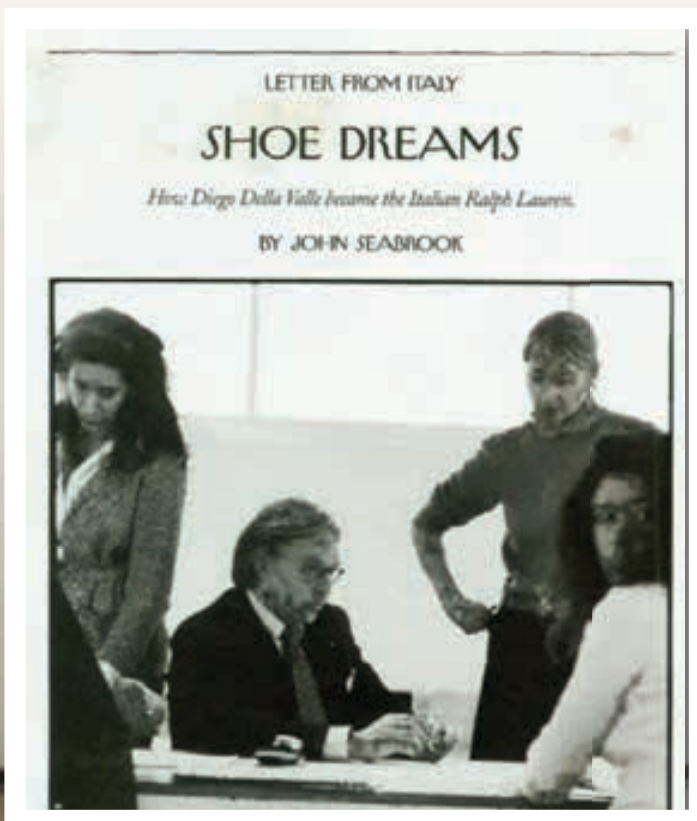
- The grandson of Filippo Della Valle, who started his shoemaking business in the 1920s.
- The New Yorker called him the “*Italian Ralph Lauren*”^{*}.
- After inheriting the business from his father, Diego successfully expanded the business and built the now famous Tod's brand. He also created the Hogan brand. Fay and Roger Vivier are the two brands acquired and developed by Diego Della Valle.

MAJORITY AND CONTROLLING OWNER

- After Diego Della Valle sold the Roger Vivier brand to Tod's for €415M in 2015 and reinvested half of the proceeds back into Tod's (at €83.53 per share), Diego Della Valle now owns 60.66% of Tod's.

INFLUENTIAL IN THE GLOBAL FASHION AND LUXURY INDUSTRY

- He is on the board of LVMH, and was on the board of Ferrari SpA.
- The former is a connection which we suggest may eventually champion a takeover bid from LVMH.
- The latter has led to collaboration, with Tod's producing a line of shoes and leather goods with the Ferrari brand.



BRAND PORTFOLIO



Tod's is best known for its shoes and luxury leather goods that represent of Italian tradition, quality and modernity.

**54.9% OF 1H 2017
TOTAL SALES**
(2006 = 57.0%)



Since 1986, Hogan was among the first producers of “luxury sneakers”, one of the most popular product categories today.

**20.4% OF 1H 2017
TOTAL SALES**
(2006 = 27.1%)



Fay was acquired in the late seventies, and developed by Tod's to produce a range of high quality casualwear & coats.

**5.4% OF 1H 2017
TOTAL SALES**
(2006 = 14.4%)



Famous for its extravagant and luxuriously decorated shoes. Roger Vivier now extends its product range to include handbags, small leather goods, jewellery and sunglasses.

**19.2% OF 1H 2017
TOTAL SALES**
(2006 = 1.1%)

TOD'S

INDUSTRY OUTLOOK



REGIONAL OUTLOOK

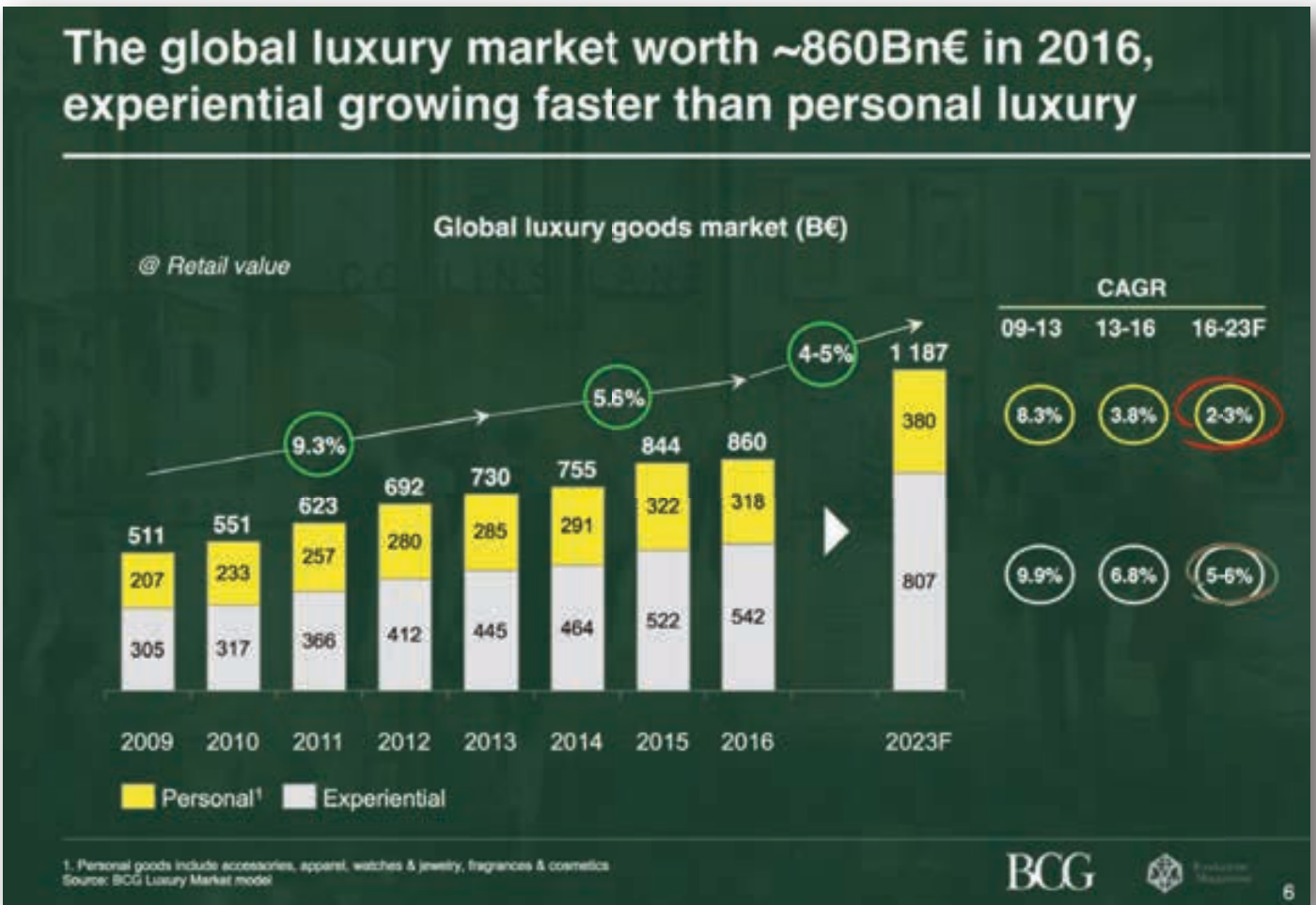


2017

HIGHLIGHTS

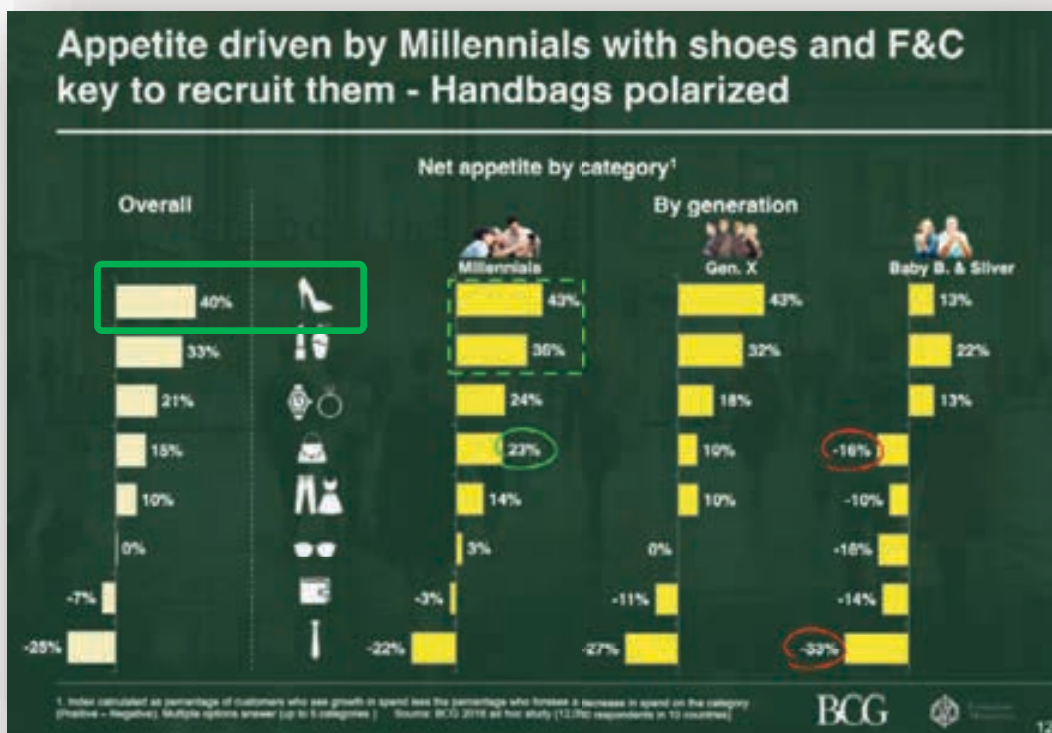
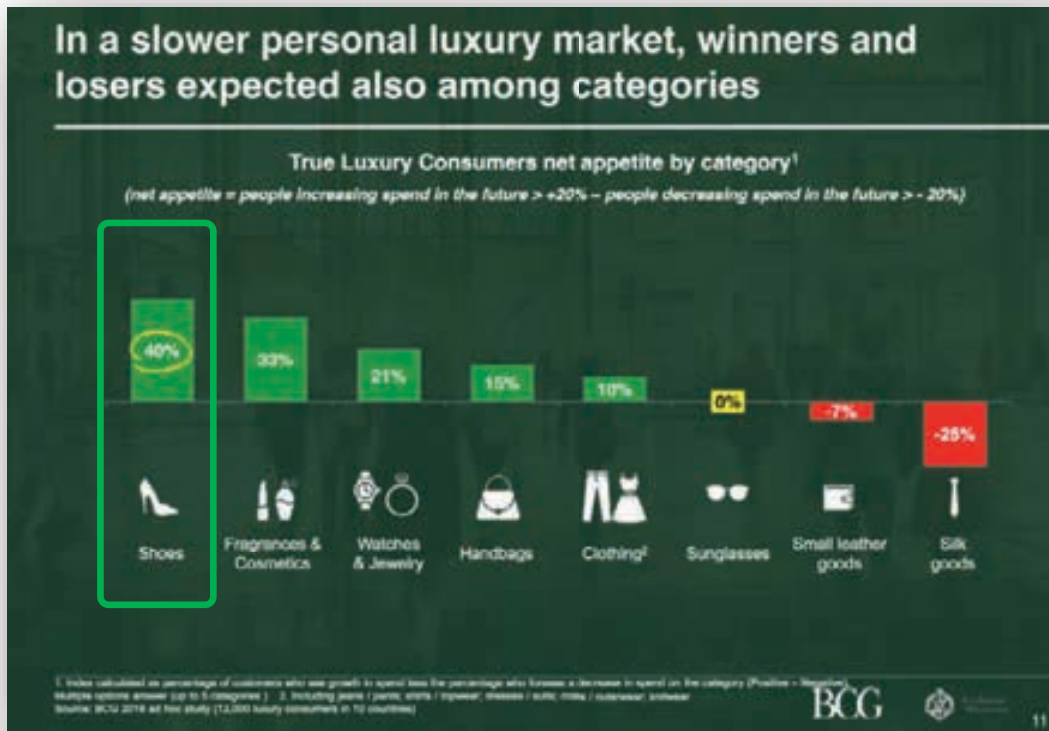
GROWTH FORECAST

The global personal luxury sector is expected to grow at +2% - +3% annually from 2016-2023.



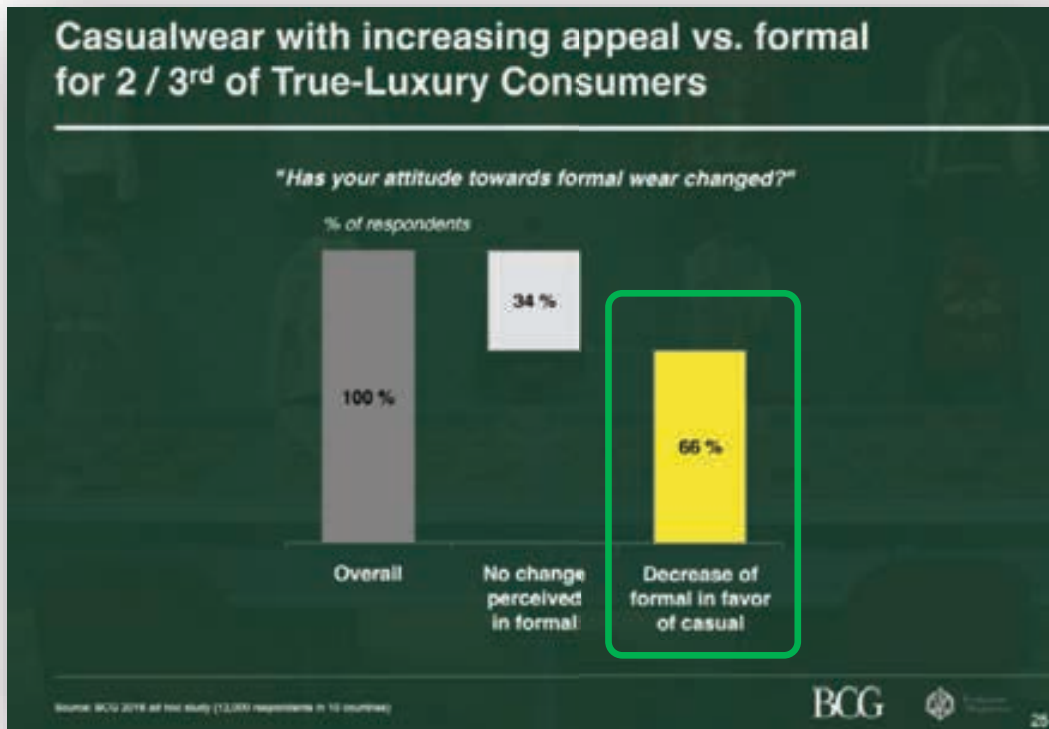
BY CATEGORY

Luxury consumers are expected to increase their spending on shoes. This is clearly positive news for Tod's, of which shoes accounts for ~80% of its total sales.



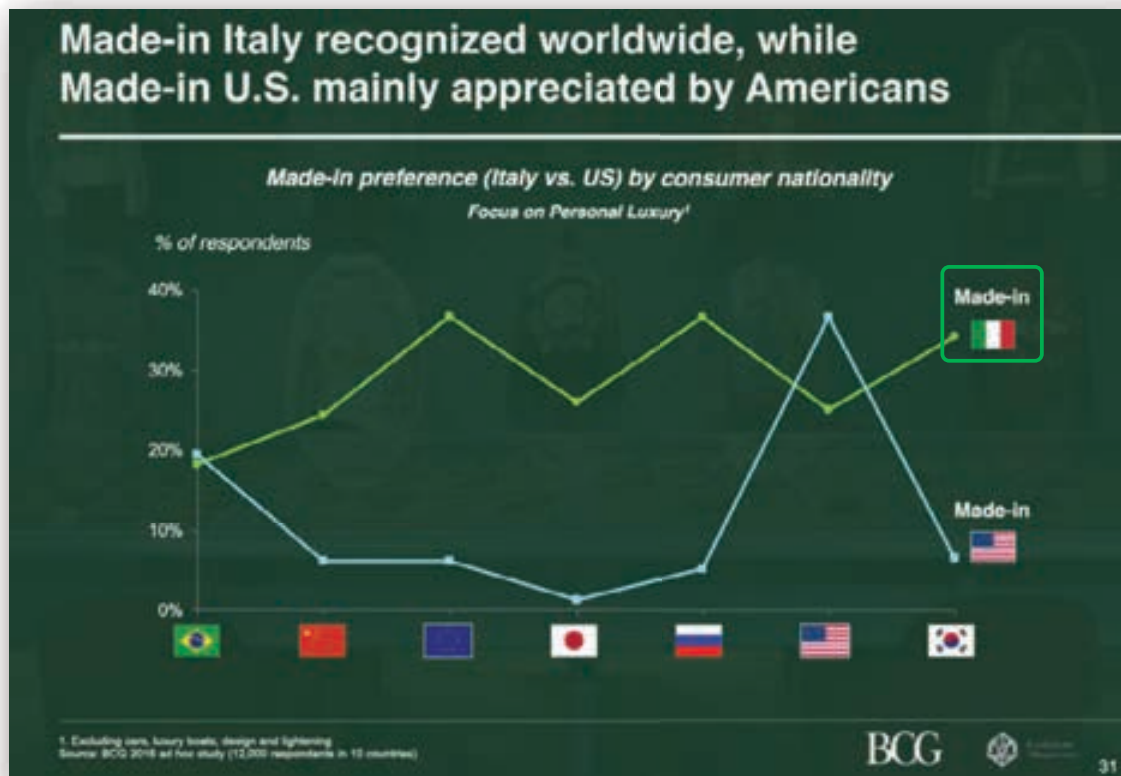
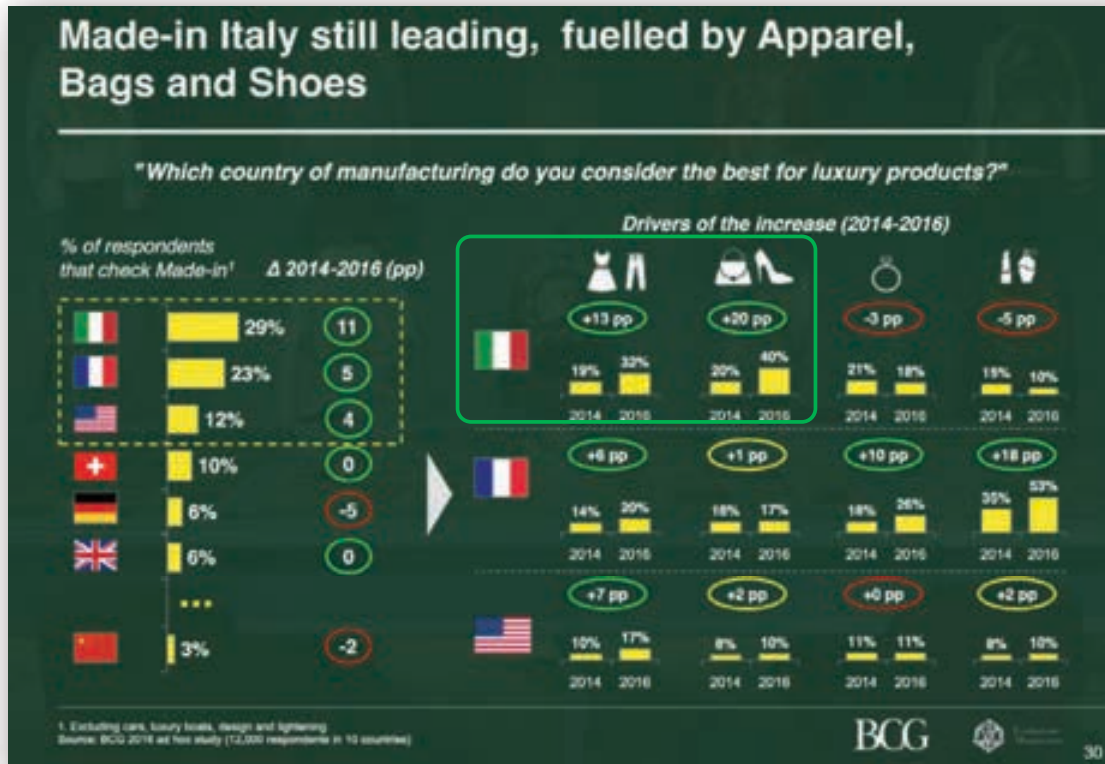
CASUALWEAR

The increasing appeal of casualwear versus formalwear amongst luxury consumers, and the “luxurisation” of casualwear should benefit Tod’s core product lines.



MADE IN ITALY

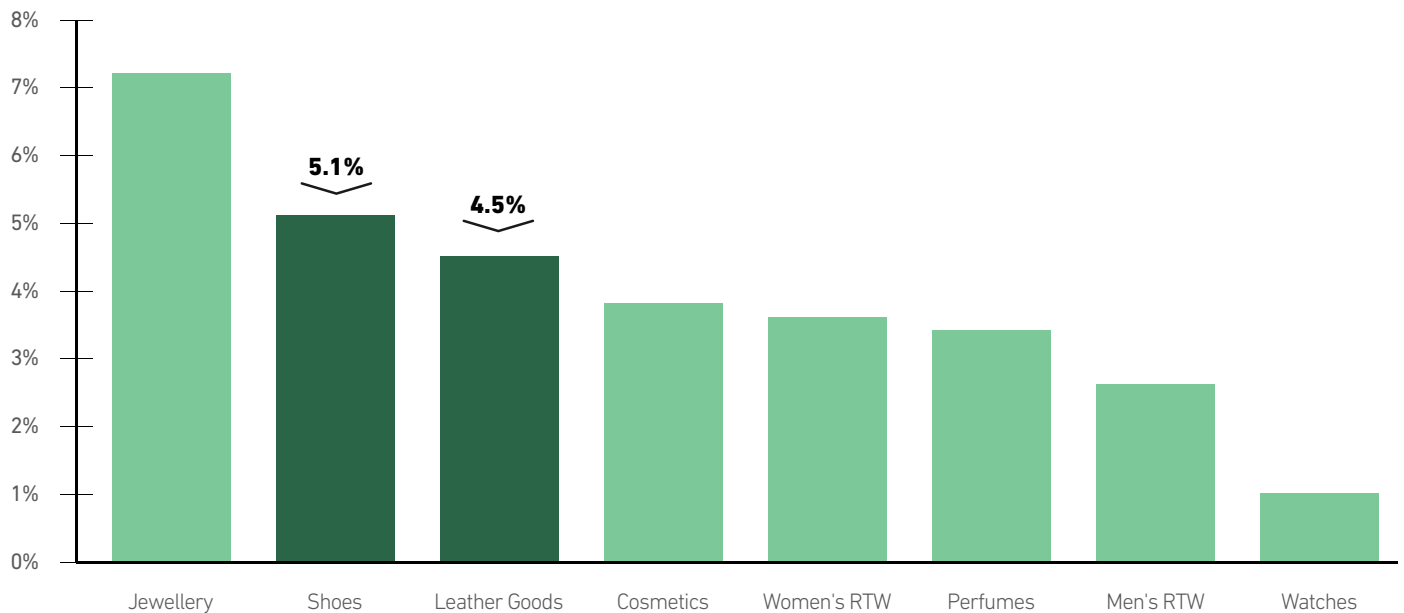
Tod's DNA of "Made in Italy, Italian quality and Italian lifestyle" is highly valued by luxury consumers worldwide.



SHOES & LEATHER GOODS OUTPERFORMING

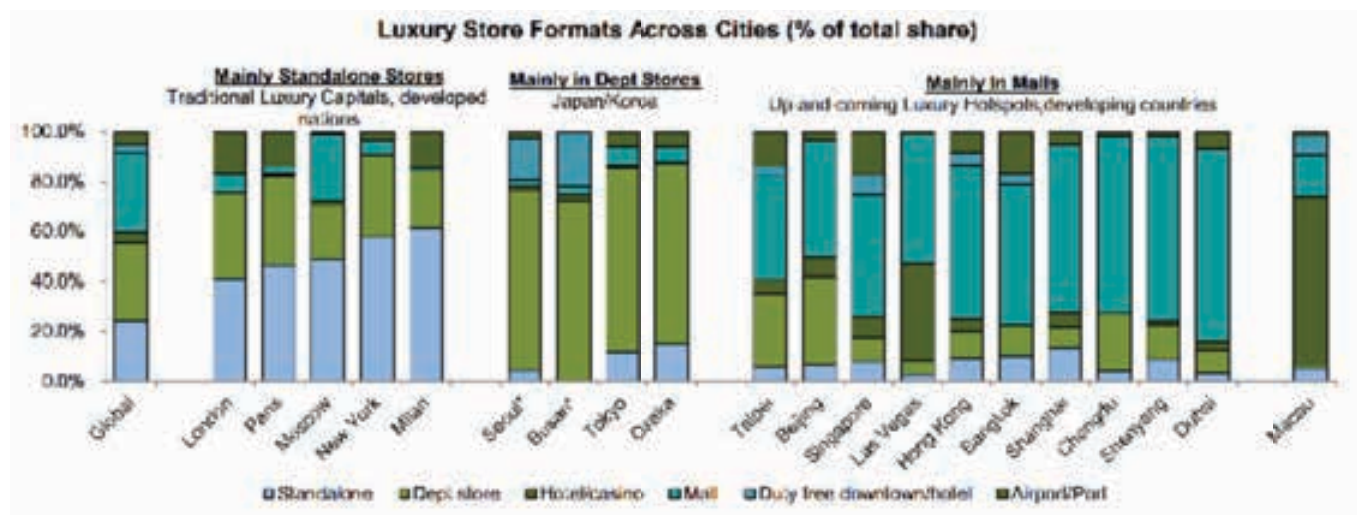
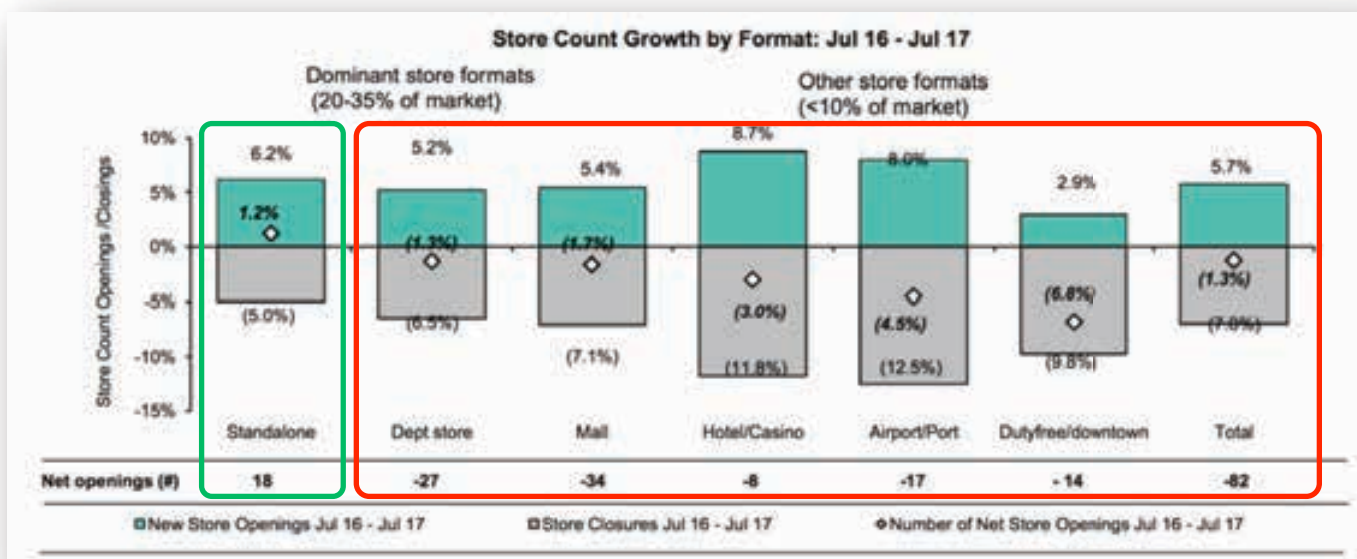
The two categories that Tod's generate the majority of its revenue from are forecast to grow at above average annualised growth rates (Shoes: +5.1%, Leather Goods: +4.5%) versus the broader global personal luxury sector.

PERSONAL LUXURY SEGMENT FORECAST GROWTH (2015-2020 CAGR)



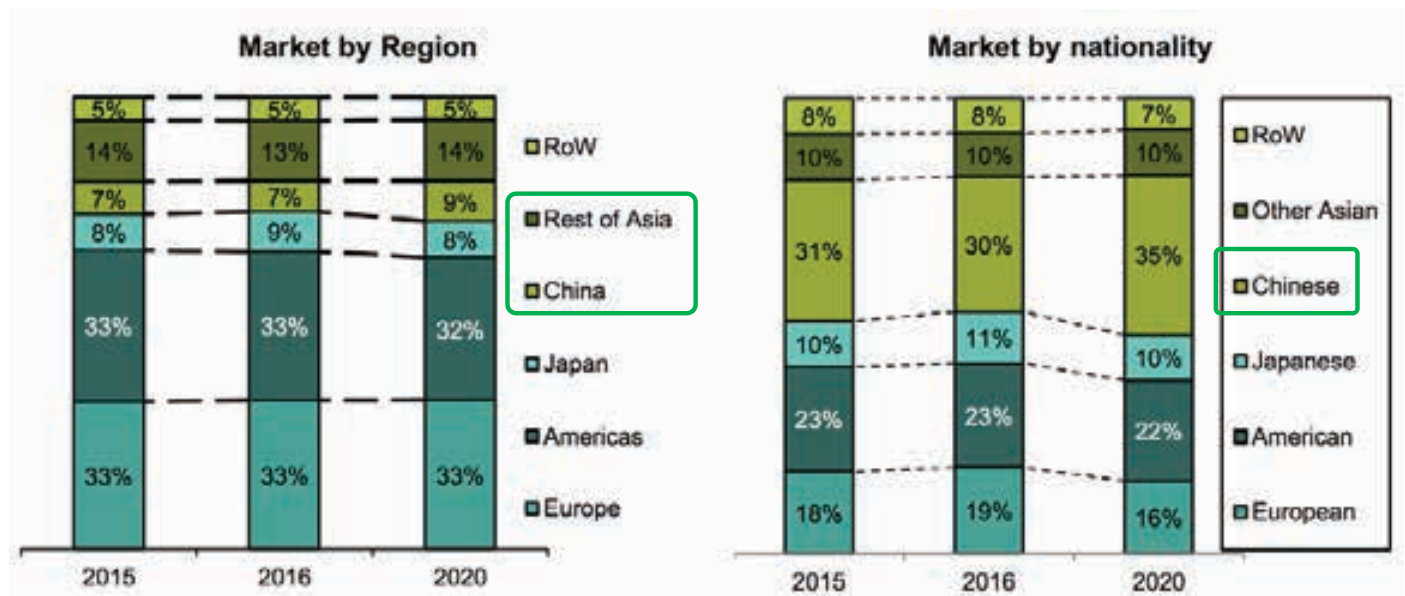
STORE NETWORK RESTRUCTURING

Weakness in luxury spending in recent years has resulted in many luxury operators restructuring their stores to deal with previous over-expansion in footprint, especially in the Greater China region (Tod's has 80 directly operated stores and 31 franchised stores in the region as at 1H 2017 - 29.4% of Tod's store count). Also, the changing retail landscape, particularly the declining traffic for many department stores and malls in the US are of concern to the luxury retailers.



THE IMPORTANCE OF THE CHINESE MARKET (1)

The Chinese market is one of the most important markets (both in terms of geography and nationality) for global luxury operators. This market has been weak in recent years but there is some evidence of a recovery.

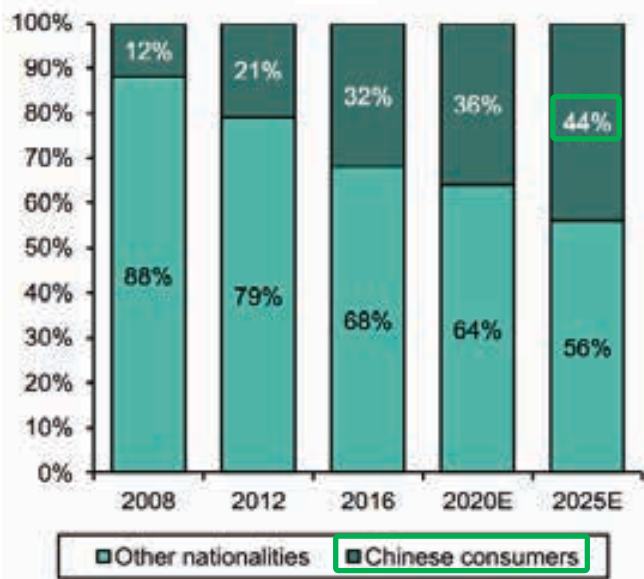


Tods Billboard on Najing Road in Downtown Shangha

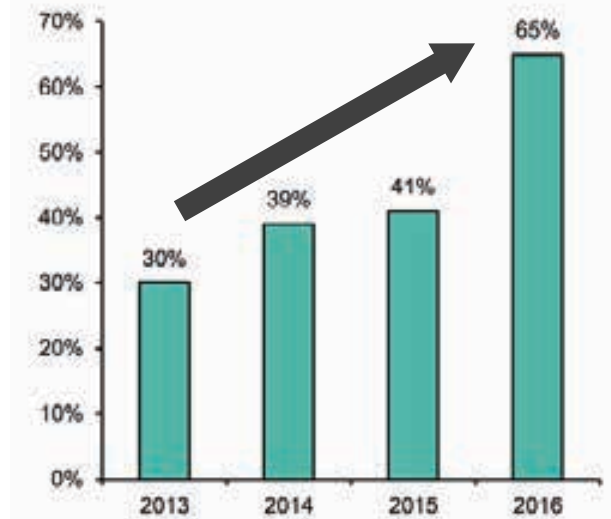
THE IMPORTANCE OF THE CHINESE MARKET (2)

Currently, Tod's has a sizable presence in Greater China – 29.4% of its store count, but only 22.5% of total sales. We believe a recent trend of repatriation of luxury spending and reduced pricing differentials in China should assist the situation.

Global Luxury Goods - Nationality Split

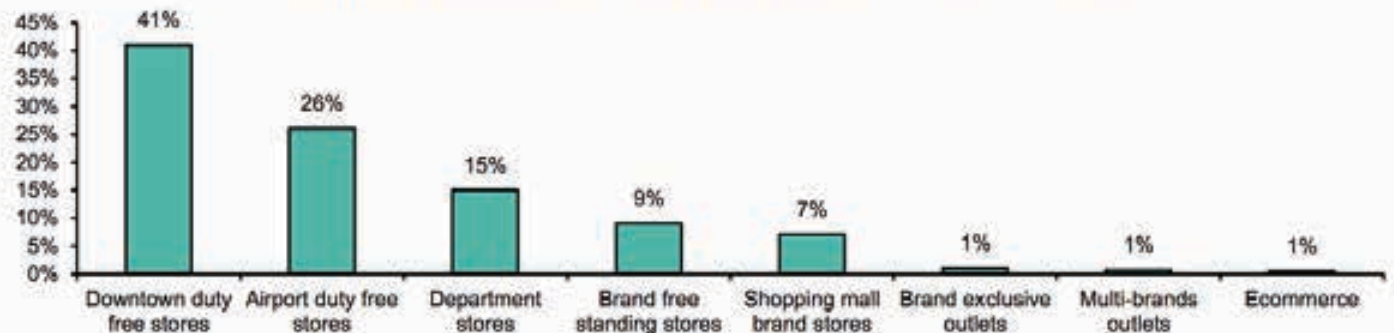


% of Chinese buying locally*



Note: *Excluding Taiwan, Hong Kong, Macau

Shopping channels used by Chinese consumers when overseas



BUSINESS & GEOGRAPHIC SEGMENTS, STORES AND INVENTORY



THE BREAKDOWN

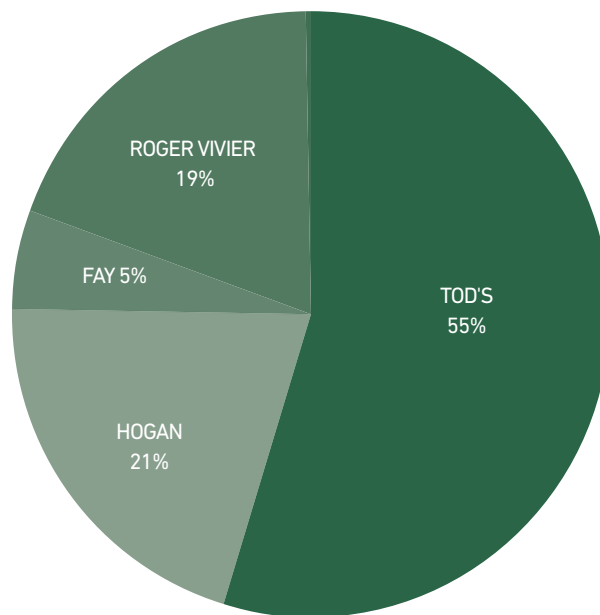
The Tod's brand makes up 54.9% of total sales, while Hogan and Roger Vivier make up 20.4% and 19.2% respectively. Fay comprises 5.4%, and others 0.1%.

Italy and Europe make up ~55% of total sales, while Greater China contributing ~23%.

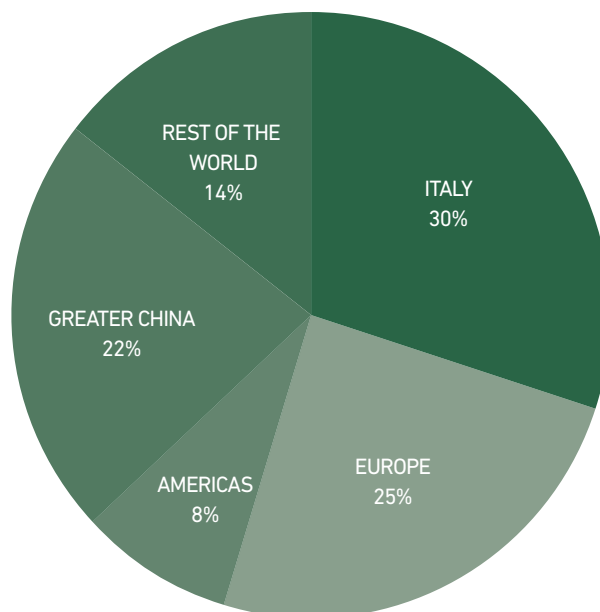
The world's largest luxury market – the US only generates ~8% of total sales.

Roger Vivier has grown sales at an annual compound rate of +35.4% in the last five years, and is the star performer of the Group.

TOTAL SALES BY BRAND



TOTAL SALES BY GEOGRAPHY



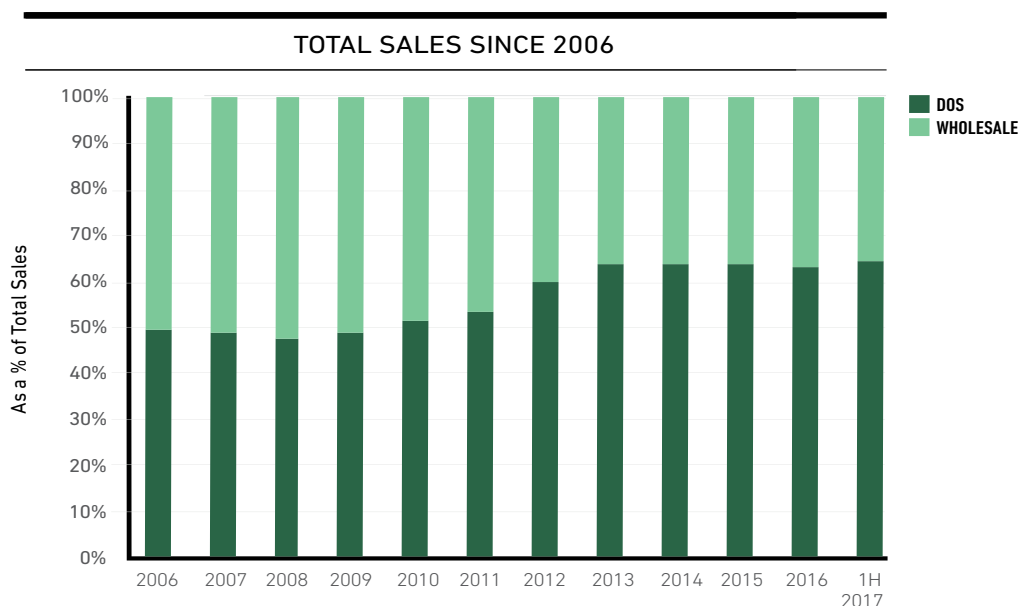
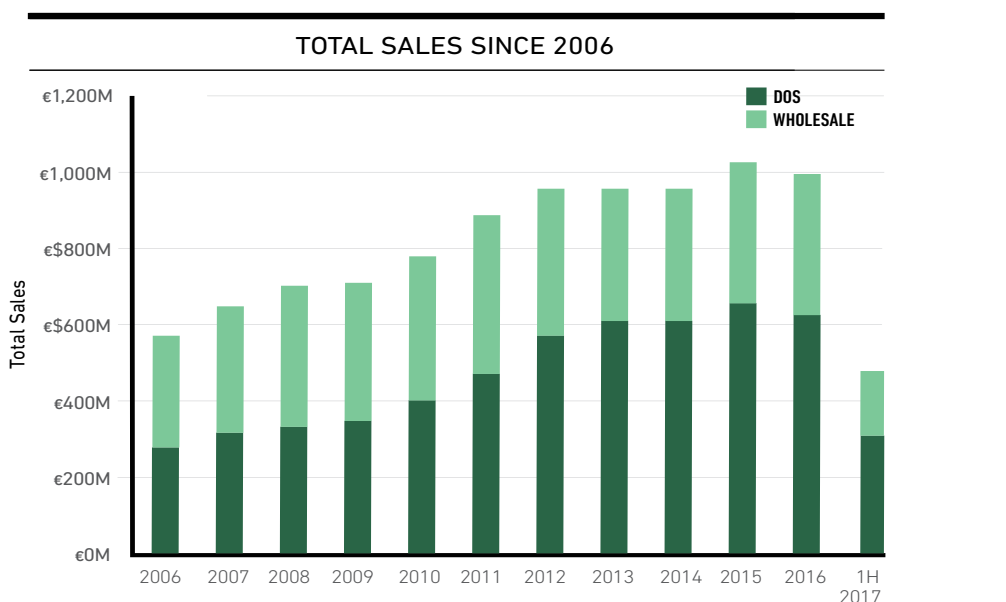
BY CHANNEL

The Company relies principally on three channels: Directly Operated Stores (“DOS”), franchised retail stores, and some selected independent multibrand stores:

- Retail (DOS): 64.3% of 1H 2017 Total Sales
- Wholesale (Franchised Retail Stores + Independent Multibrand Stores): 35.7% of 1H 2017 Total Sales

We see a trend of channel shift towards retail/DOS, as weakness in the wholesale channel persists. Commentary by Management also noted unforeseen additional weakness in the wholesale channels in 1H 2017.

The Company also has E-Commerce enabled brand websites. Its products are also available on multibrand online stores such as YOOX Net-A-Porter/Mr Porter and The Luxer (Part-owned by Diego Della Valle).



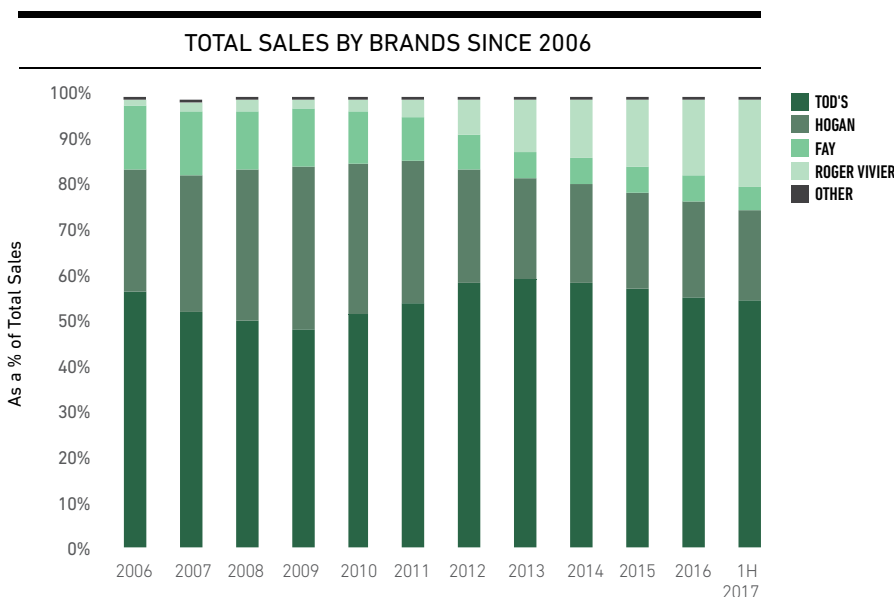
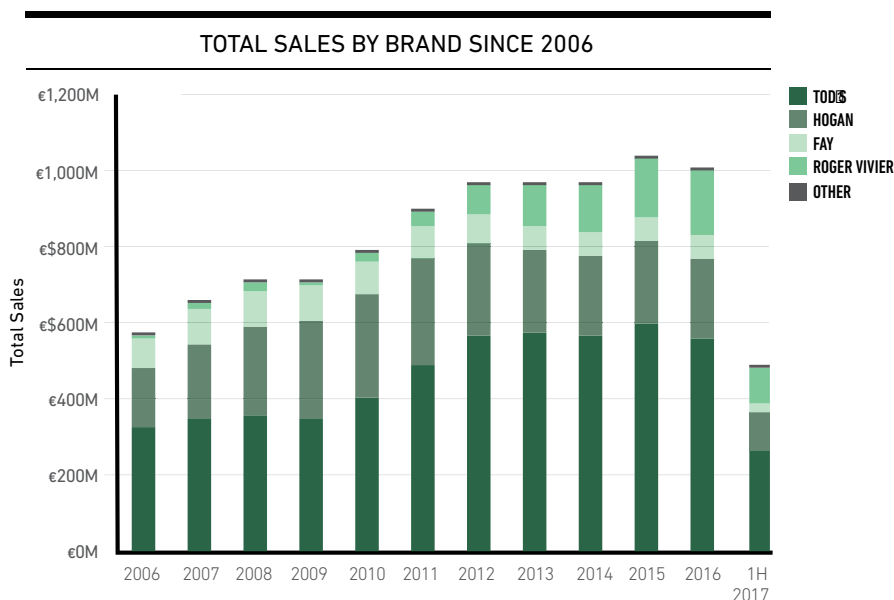
BY BRAND

The Tod's brand makes up 54.9% of total sales, while Hogan and Roger Vivier make up 20.4% and 19.2% respectively. Fay comprises 5.4%, and Other 0.1%.

We note the impressive growth of the Roger Vivier brand (Compound annual growth rate of +38.3% from 2006 to 2016). However, both Hogan and Fay have struggled to grow (internationally) since 2009, this resulted in two designers for Fay leaving the Company in July 2017 after six years working for the brand.

Hogan has been particularly disappointing given it really invented the “fashion” sneaker category, but has failed to capitalise on the current global fashion sneaker growth due to its lack of an international expansion strategy, as it continued to be very domestically focused and wholesale driven.

The Tod's brand has also experienced no growth since 2012/2013, which resulted in Alessandra Facchinetti stepping down as the creative director of Tod's after three years (2013-2016). The too-assertive shift to fashion by the designer had alienated and confused Tod's core customer base and worse failed to attract new customers.



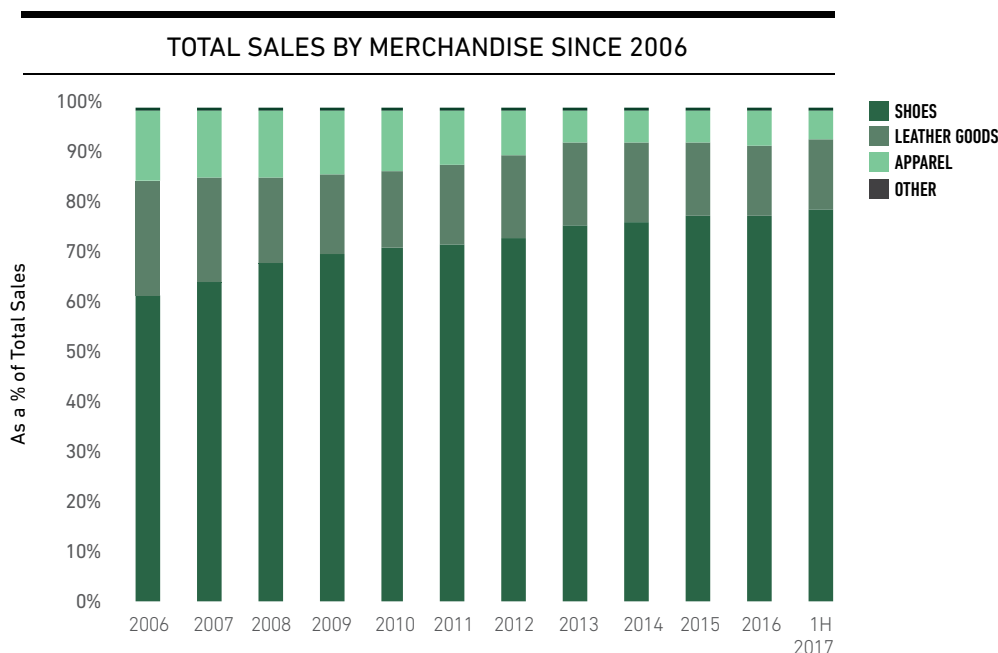
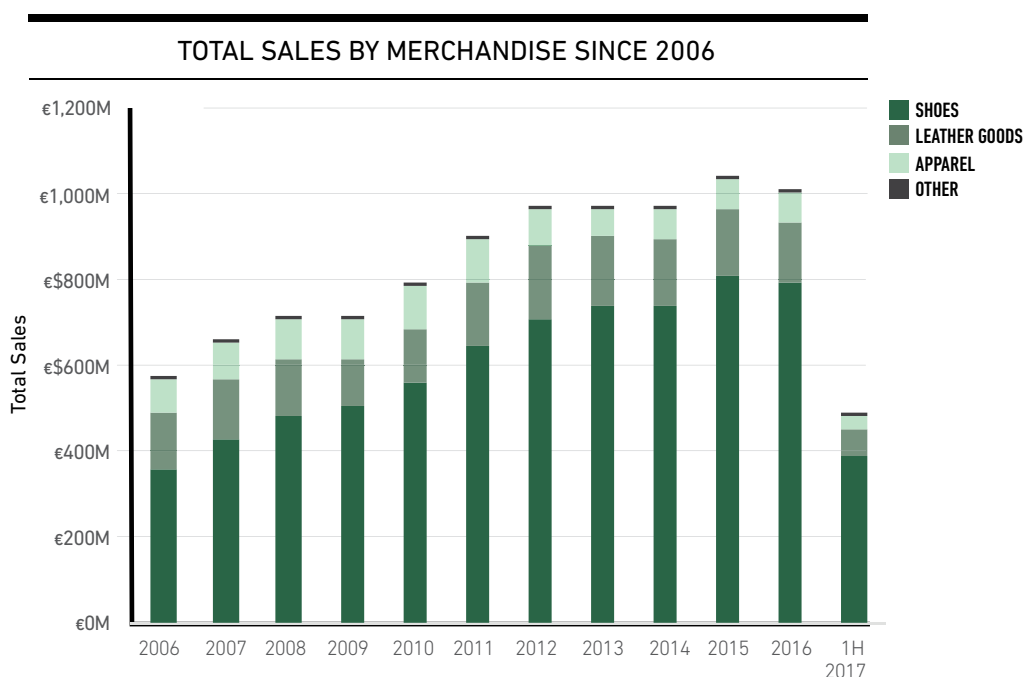
BY MERCHANDISE CATEGORY

Shoes are the most important part of Tod's product portfolio, making up ~80% of total sales.

Roger Vivier continues to add to overall shoes sales, while other categories have been weak in the last few years.

Again, weakness outside shoes is one of the reasons why Alessandra Facchinetti stepped down as the creative director of Tod's after three years, as she was unable to grow categories outside shoes (leather goods, ready-to-wear, etc.).

The Company has now reverted back to create products with an inhouse design team that embed Tod's DNA, its identity: Made in Italy, Italian quality and Italian lifestyle.

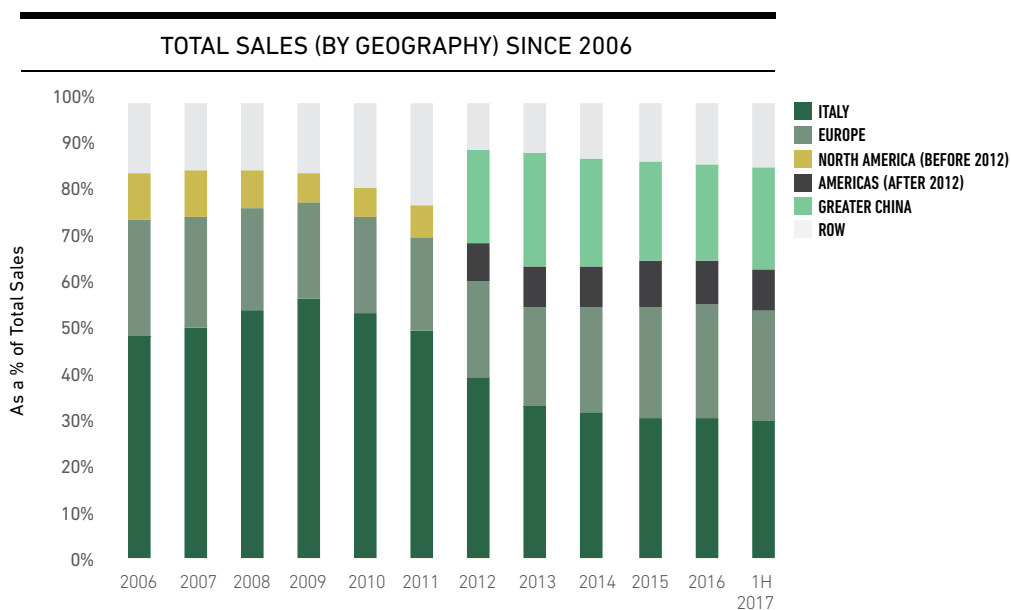
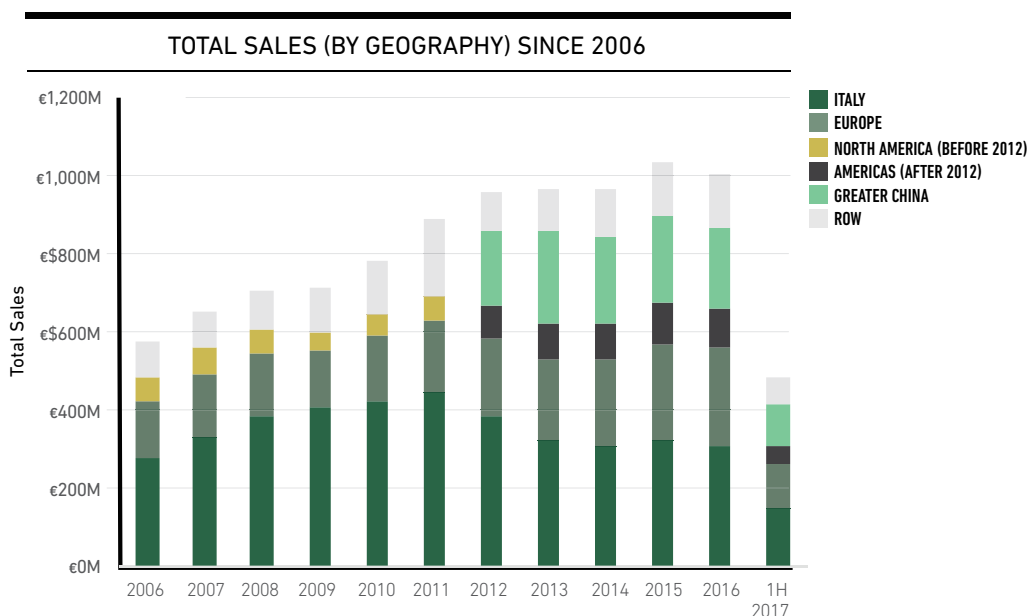


BY GEOGRAPHIC REGION

Total sales in Tod's "Home Country" – Italy – declined from 49% in 2006 to only ~30% in 1H 2017. This is the result of both weak sales in Italy in recent years and significant international expansion.

Greater China (China, HK, Macao and Taiwan) was separated out in 2012 from Rest of the World ("RoW") in reporting as its store count grew. However, total sales in this market have been in decline since 2013. The region now accounts for 22.5% of total sales.

The US market - the world's largest luxury market, only generates ~8% of total sales, and its revenue growth has been slow: €60M in 2006 to €97M in 2016 (# of stores: 13 in 2006 to 23 in 1H 2017). The US underperformance is glaring in our view and presents an opportunity for the future, given the quality and conservative positioning of the underlying products (and the fact that Diego Della Valle found the inspiration for the famous "Il Gommino" at a New York flea market in the late 1970s!).



TOTAL SALES VERSUS NUMBER OF STORES

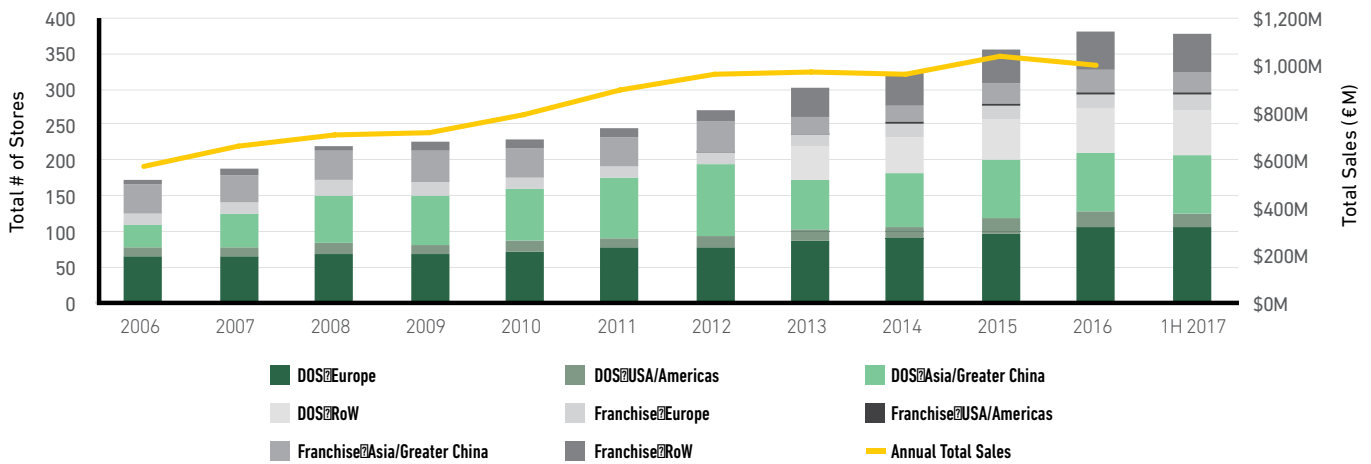
At the end of 1H 2017, the Company had 378 stores (270 Direct-Owned-Stores, 108 Franchised Stores).

Putting aside macroeconomics, the Company has really underperformed with its product portfolio as aggressive footprint expansion across brands did not translate into an increase in sales.

Aggressive footprint expansion in Greater China is the reason that the region accounts for 29.4% of store count, but only 22.5% of total sales.

We believe the recent trend of repatriation of luxury spending and reduced pricing differentials in China should ease the situation, but clearly product/collection performance and marketing have to improve.

TOTAL # OF STORE SINCE 2006

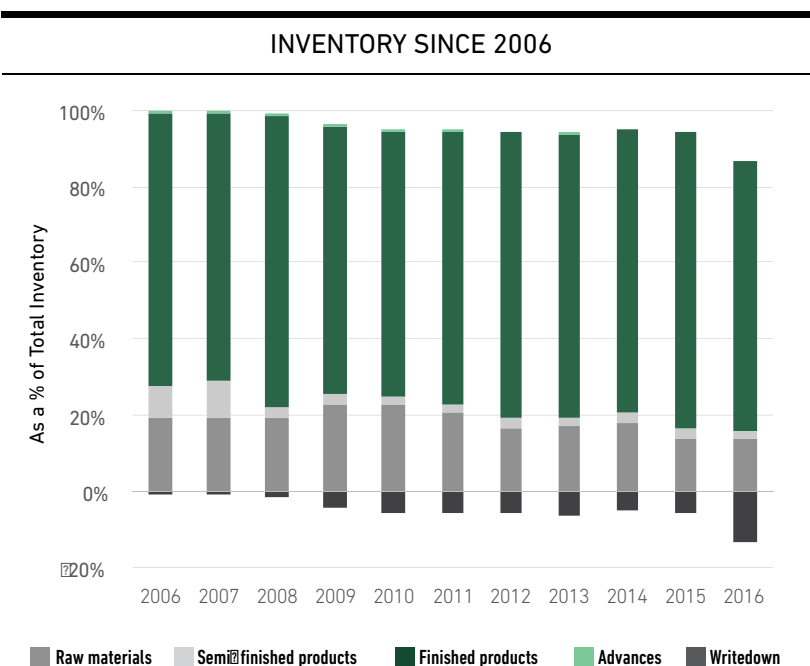
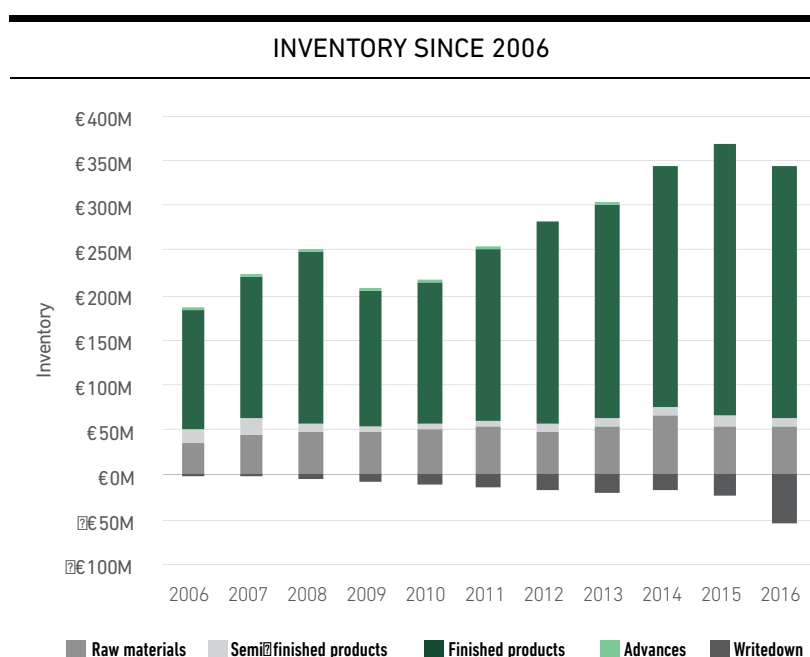


INVENTORY

The significant impairment of €52.9M in inventory in 2016 includes a one-off write-off of part of the non-current season stock (€24.2M) post the Company's acquisition of the Roger Vivier brand in 2015*.

Adjusting for the above one-off writedown, the normalised writedown in 2016 is €28.7M, which is still 29% higher than 2015 (Average writedown 2006-2016 = -5.8%, Average writedown during Facchinetti period (2013-2016) = -9.3%).

These larger writedowns are primarily due to the change/correction of strategic direction with regard to Tod's fashion component of the collection/s. We expect these writedowns to diminish going forward as Tod's reverts back to its more historical "DNA".



* €24.2M was 5.8% of the €415M acquisition price
Source: Tod's SpA Annual Reports

TOD'S

COMPARABLE COMPANIES



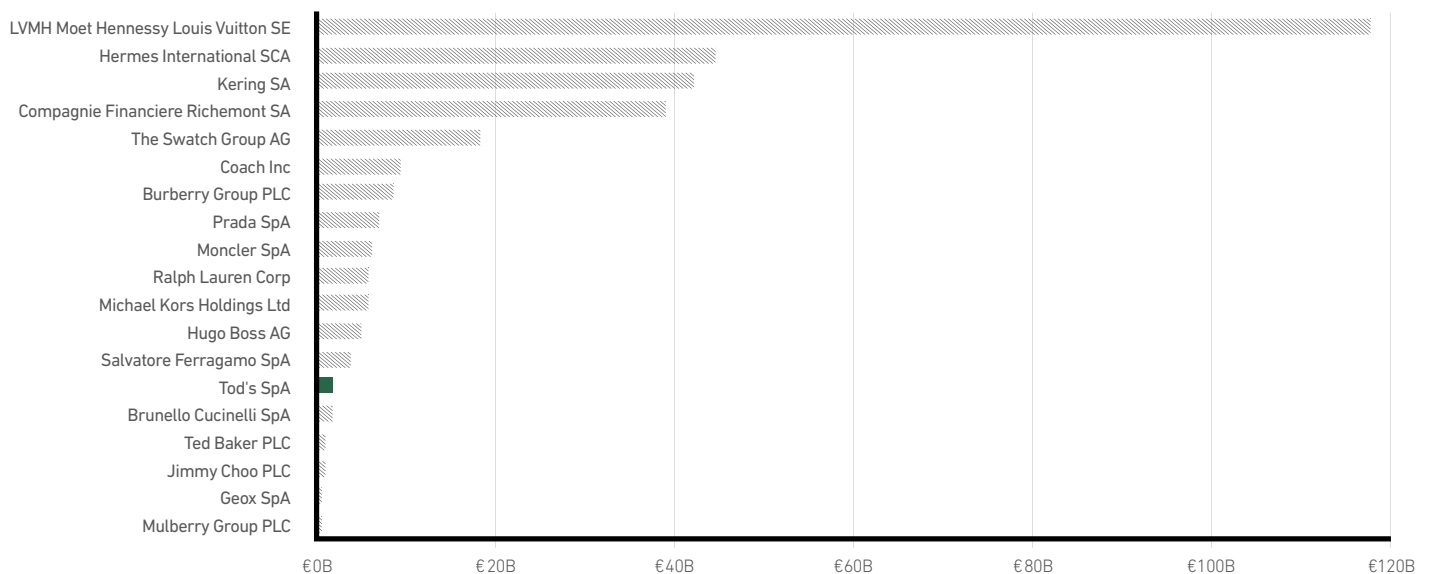
MARKET CAPITALISATION

Tod's is one of the smaller global luxury players - Market Capitalisation = €2.0 Billion (as at 20 September 2017). It is dwarfed by the large multibrand luxury players such as LVMH, Kering, Richemont and Swatch.

We believe it is in Diego Della Valle's interest to consider positioning Tod's part of a large luxury conglomerate such as LVMH or Kering for family estate planning and succession planning purposes.

Also, we believe smaller luxury players are incentivised to merge together to form a larger entity to extract significant potential synergies, and to increase scale and reduce risk/s, as we have recently observed in Coach/Kate Spade, Michael Kors/Jimmy Choo transactions.

MARKET CAPITALISATION (€ BILLIONS)

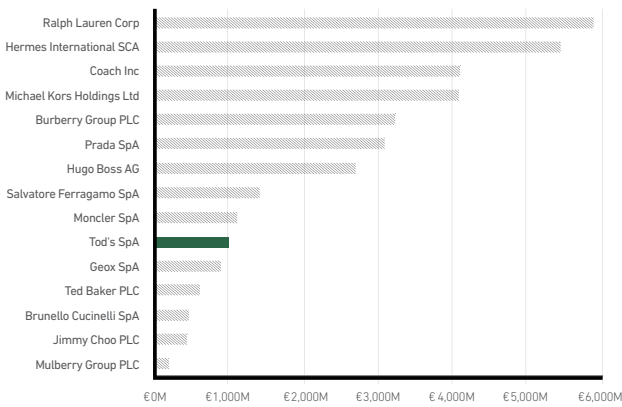


SALES & SALES PRODUCTIVITY

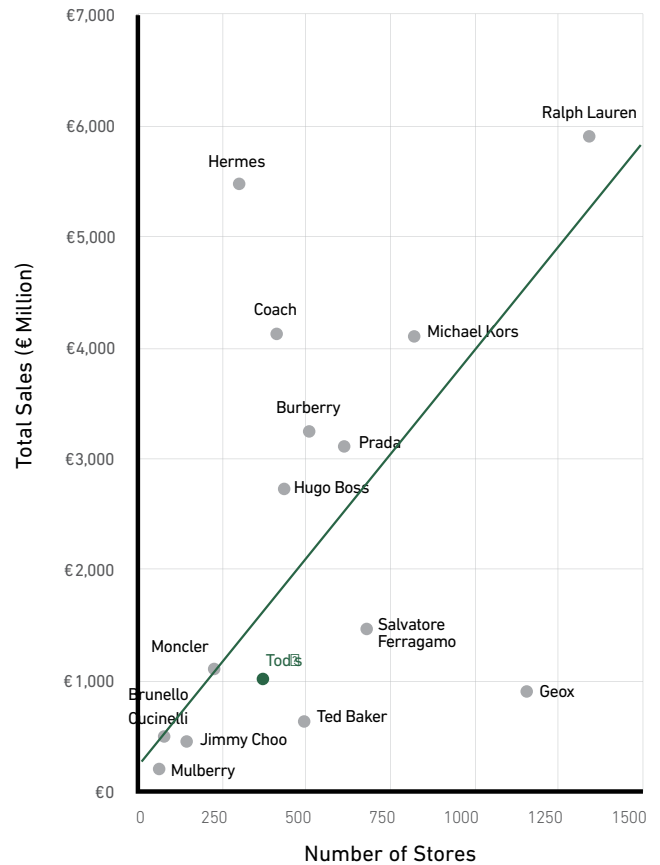
Even after excluding the large multibrand luxury players such as LVMH, Kering, Richemont and Swatch, Tod's is still one of the smaller global luxury players with revenue of €1.0 Billion in FY2016.

We then compare Tod's versus its wider peer group (but excluding the large four conglomerates) based on Total Sales / Number of Stores metric to assess Tod's store productivity. We see that currently Tod's is underperforming its peers.

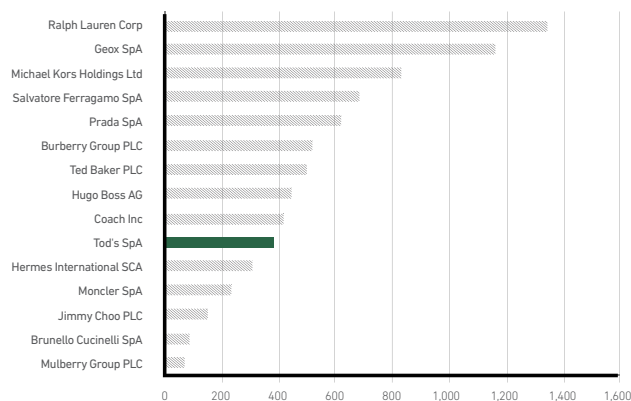
FY16 TOTAL SALES (€ MILLION)



FY16 TOTAL SALES VS NUMBER OF STORES



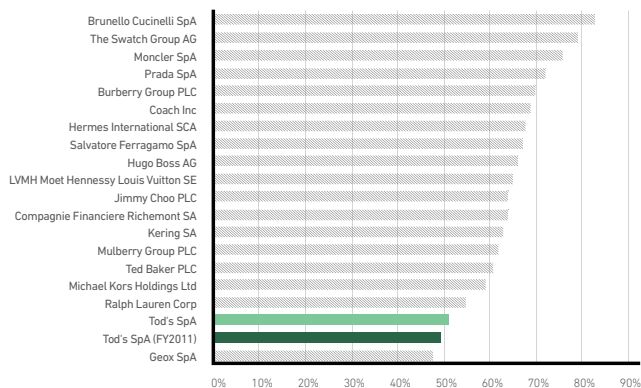
OF STORES



MARGINS

Currently, Tod's has below average margins when compared to its global peers. We attribute this entirely to Management's poor execution in the last few years as it sought to increase the fashion component of Tod's business. We expect margins to improve as/when Management refocuses its efforts on creating products that truly embed Tod's DNA, its identity: Made in Italy, Italian quality and Italian lifestyle.

GROSS PROFIT MARGIN LFY



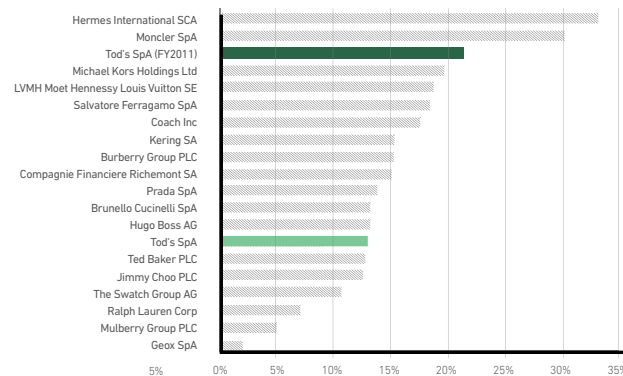
NET PROFIT MARGIN LFY



EBITDA MARGIN LFY



EBIT MARGIN LFY



Data Source: Thomson Reuters Eikon as at 20 September 2017

Tod's Historical (FY2011) Margins: Gross Profit Margin = 49.6%, Net Profit Margin = 14.9%, EBITDA Margin = 24.9%, EBIT Margin = 21.4%

Tod's Historical (1/H FY2017) Margins: Gross Profit Margin = 51.2%, Net Profit Margin = 7.1%, EBITDA Margin = 15.5%, EBIT Margin = 10.7%

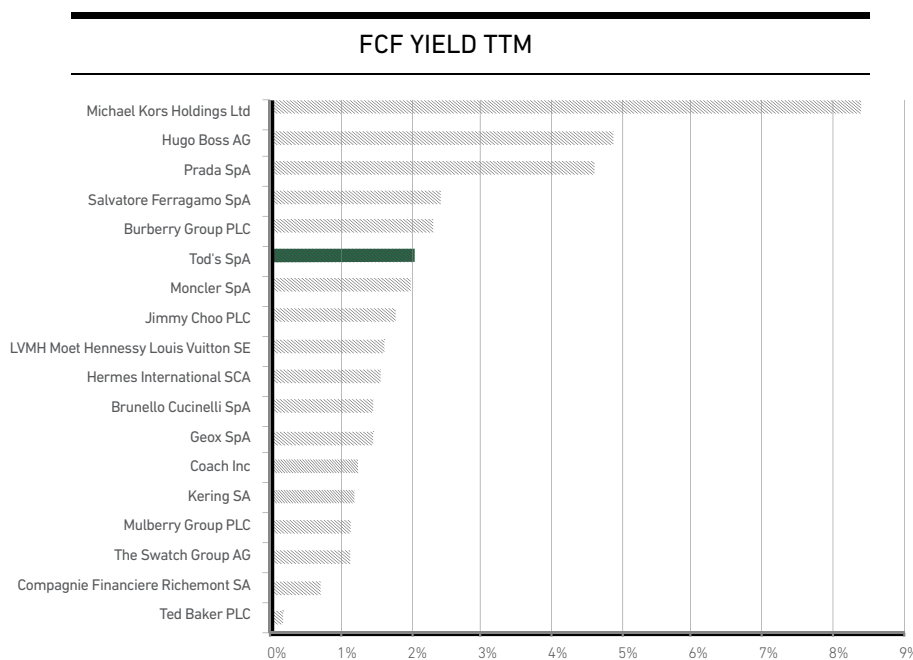
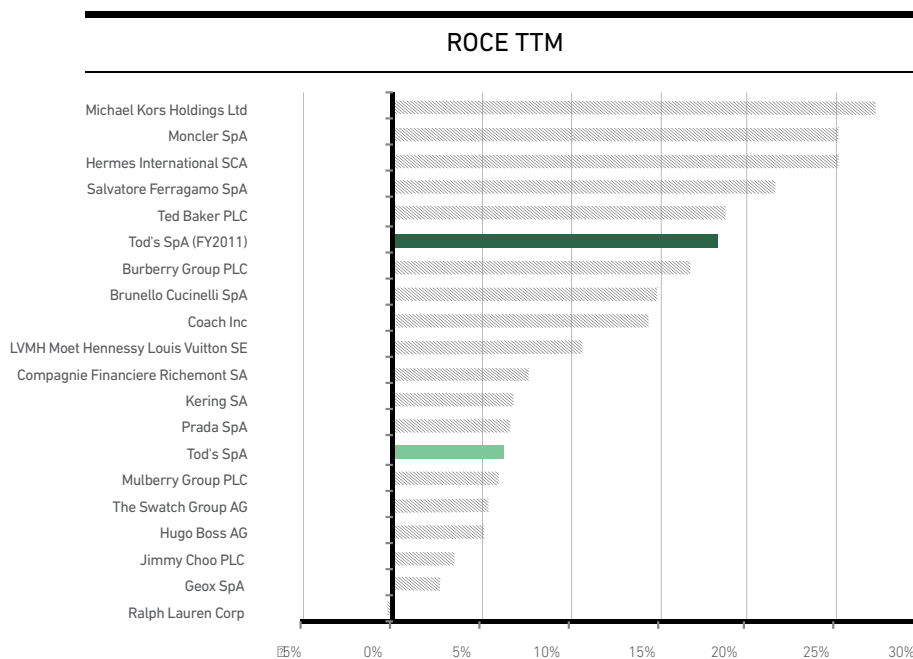


RETURN ON CAPITAL EMPLOYED (ROCE) & FREE CASH FLOW (FCF) YIELD

Tod's depressed margins/earnings means that its Return On Capital Employed (ROCE) is below its global peer group average, and below historical levels.

In 2011, ROCE was 18.3% vs 7.3% in 2016.

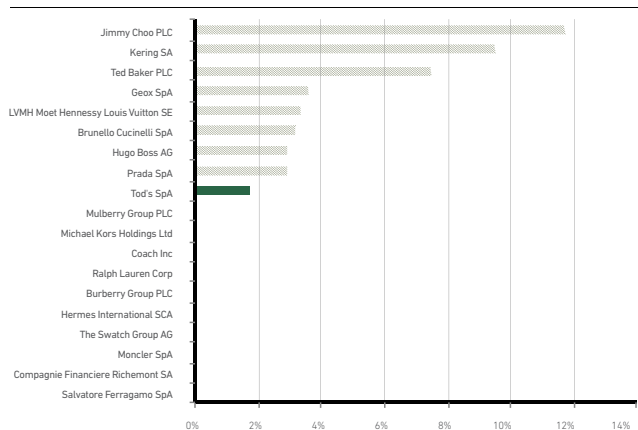
Despite poor returns, Tod's is still cash generative and in sound fiscal health.



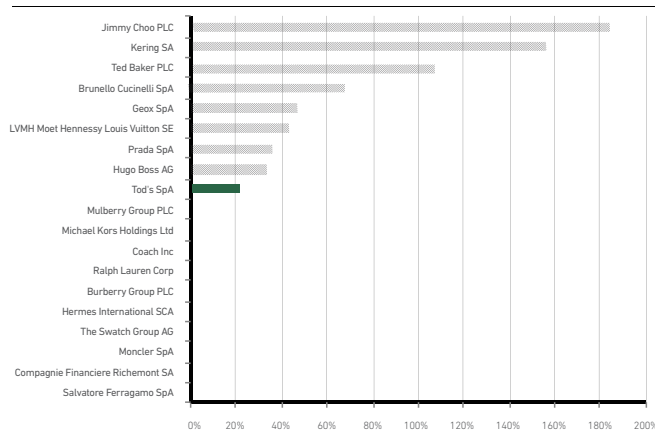
NET FINANCIAL LEVERAGE

More than half of Tod's peers are in a Net Cash position. This seems to suggest that Tod's has a higher leverage than its peers (Tod's only moved into a position of having debt in 2015 when the acquisition of Roger Vivier for €415M was financed with existing credit facilities, available cash and €300M drawn from the syndicated loan entered into during 2014). Tod's Net Debt currently totals €35.5M. Additionally, once we have incorporated Operating Leases into the equation, Tod's becomes one of the least leveraged companies amongst its peers. We believe this strength in the balance sheet is a real attraction to any potential acquirers, and is also a reflection of the conservative positioning of the Company.

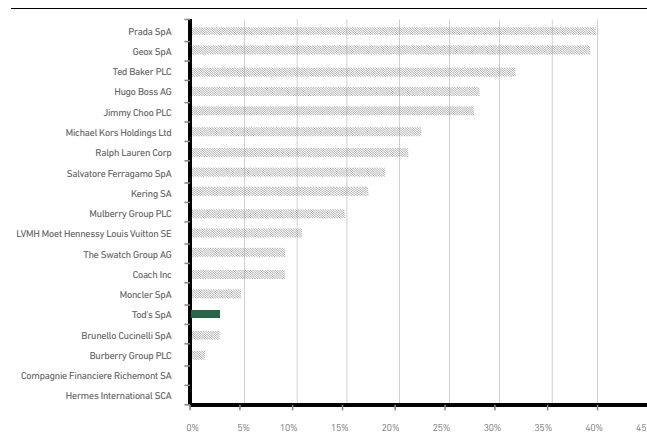
NET DEBT TO EV



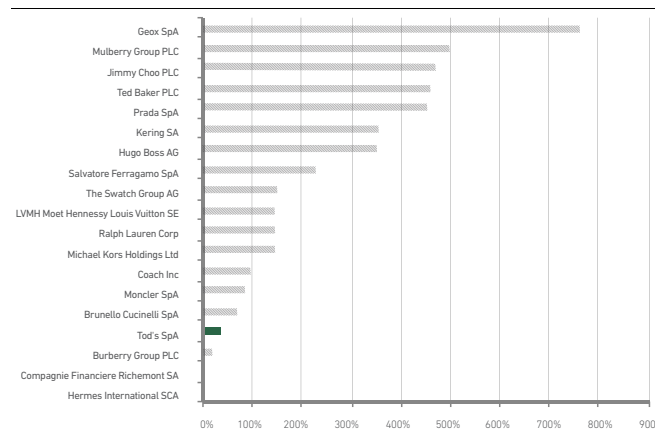
NET DEBT TO EBITDA TTM



NET DEBT+OPERATING LEASE TO EV



NET DEBT+OPERATING LEASE TO EBITDA TTM

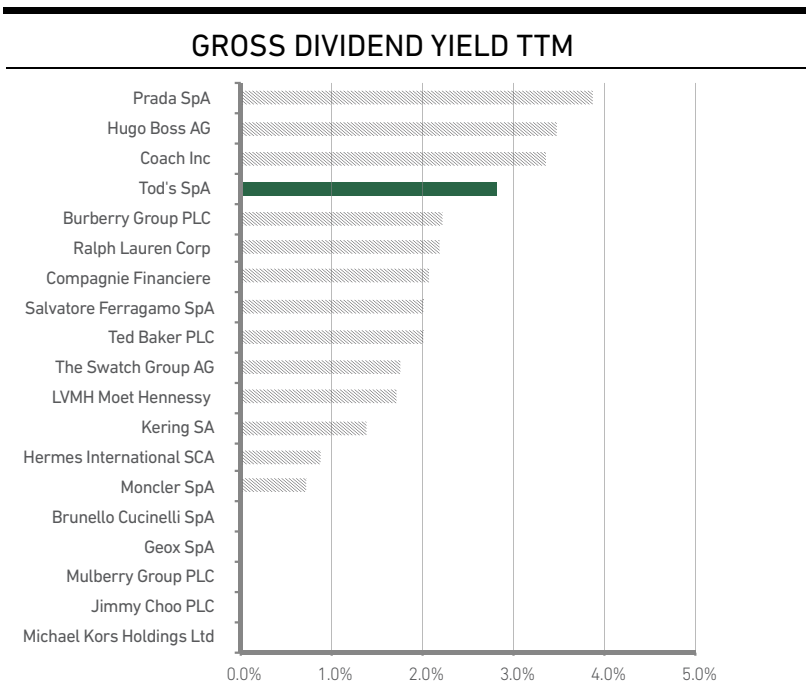


DIVIDEND

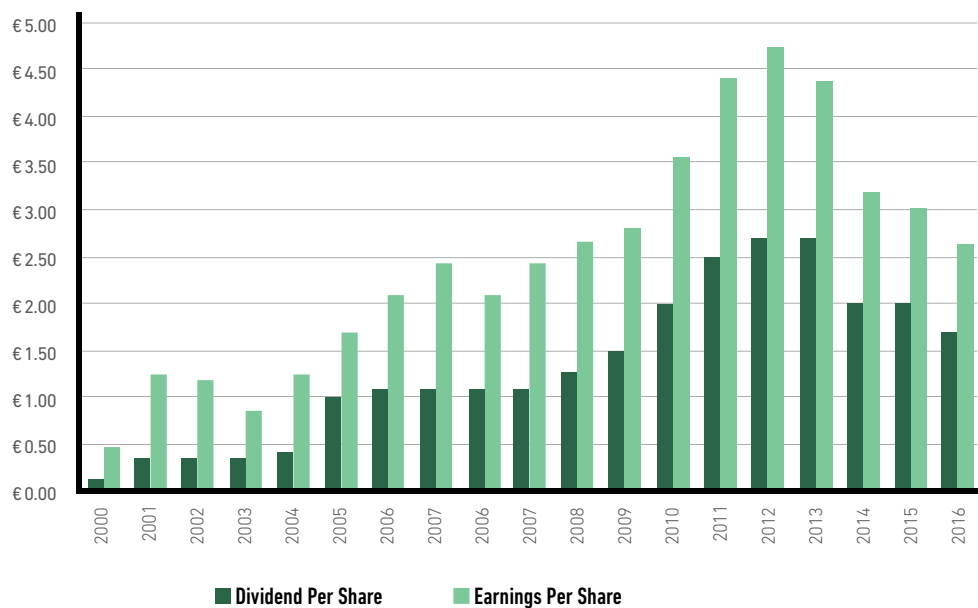
Tod's provides a significantly higher dividend yield to its shareholders than its peers. It is currently yielding 2.84% per annum*. Based on our analysis, the Company pays out roughly 50% to 70% of its net profit to its shareholders via this dividend payment. The FY2016 payout ratio was 65%.

Tod's provides an attractive dividend yield* of:
2.84%

Peer group average dividend yield is:
1.70%



DIVIDEND AND EARNINGS PER SHARE SINCE 2000



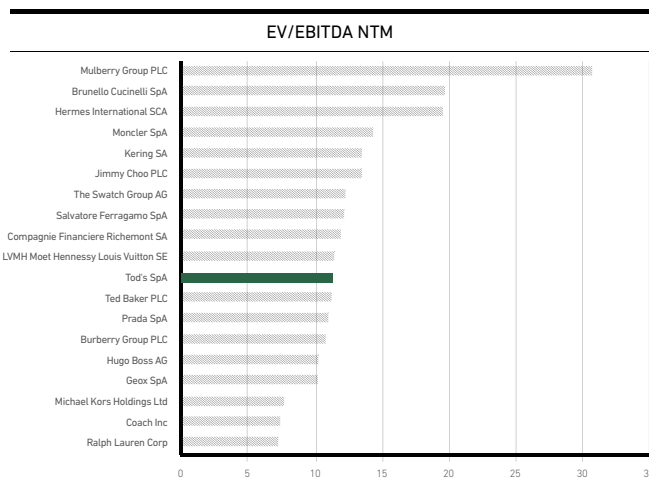
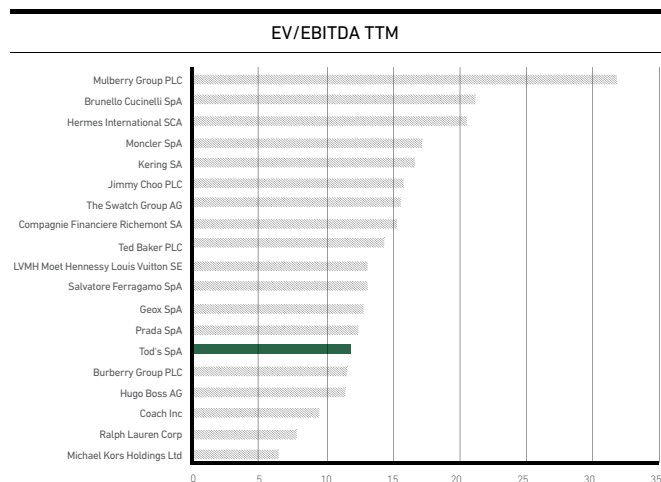
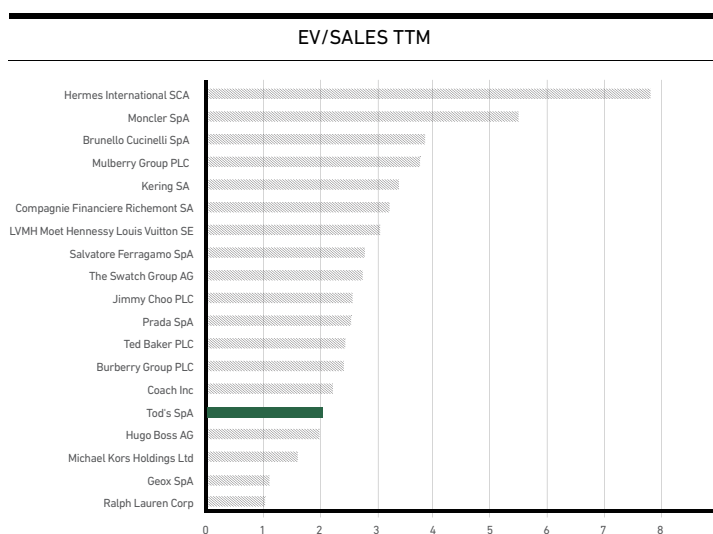
VALUATION

Tod's is currently trading at the lower end of its wider peer group both in EV/EBITDA and EV/Sales, as its recent business performance has been poor. However, we believe those company specific issues can be fixed in a reasonable and timely fashion by a motivated 60.6% owner.

Based on Forecast EBITDA of €170M for FY2017 and applying the current peer group average multiple of 14.7x to this we derived an Intrinsic Value Estimate of €74.42, with an upside potential of +24.4%.

To cross-check this valuation, we utilise EV/Sales (a useful metric to compare companies in the sector as earnings are compressed by years of underperformance). Based on Forecast Revenue of €987M for FY2017 and applying the current peer group average multiple of 3.2x to this we derived an Intrinsic Value Estimate of €94.31, with an upside potential of +57.7%. This number exceeds our EV/EBITDA valuation of €74.42 by 26.7%, which indicates Tod's key issue/problem is its declining and below-average margins that needs to be resolved before the market will re-rate the stock.

We also believe that Tod's is a potential takeover target. *Therefore, investors need to consider what multiple a potential acquirer would have to pay so that Diego Della Valle may say yes?*



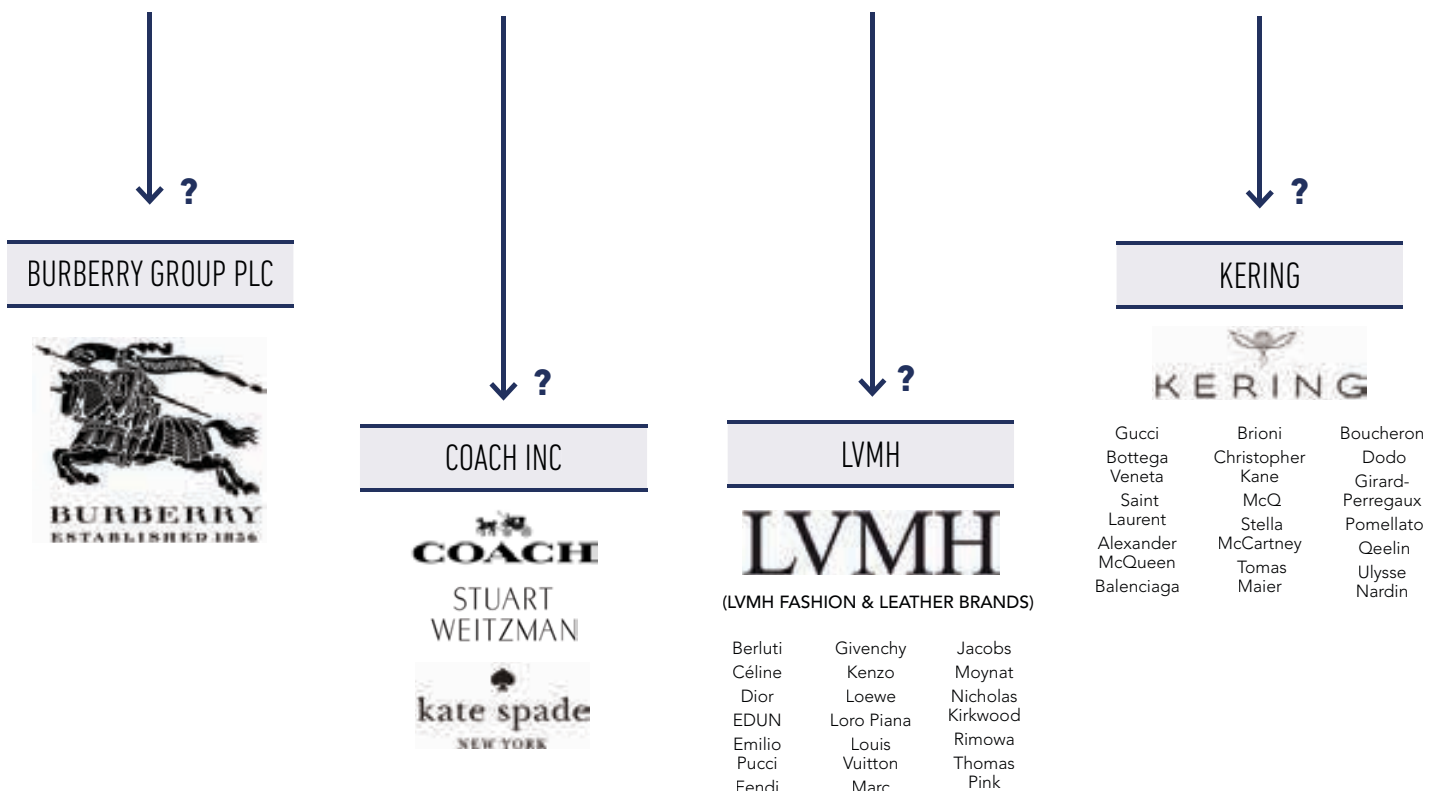
M&A + PRIVATE MARKET VALUE



AS A POTENTIAL TAKEOVER TARGET

As Diego Della Valle (63) approaches retirement, and with his interests in politics*, we see Tod's as a potential takeover target for:

- **LVMH or Kering:** two of the largest luxury goods firms in the world, especially LVMH as:
 - Bernard Arnault, Chairman and CEO of LVMH, personally owns 3.5% of Tod's shares.
 - Diego Della Valle sits on the Board of LVMH.
- **Coach:** The aspiring multi-brand operator with 52% of its revenue generated from North America.
- **Burberry:** Burberry could remain a UK/European brand operator but with improved diversification and the potential for a re-rating to be more inline with multi-brand luxury houses.



* <https://www.nytimes.com/2016/09/23/t-magazine/fashion/diego-della-valle-tods-interview-milan-fashion-week.html>

VALUATION PRIVATE MARKET VALUE

We believe based on historical transactions the appropriate multiple range for an acquisition of Tod's would be in the range of **15-17x EV/EBITDA**, depending on the potential synergy and benefits of the acquisition/merger for the acquirer.

Acquirer	Target	Year	Deal Value (US \$)	EV/TTM EBITDA
LVMH	Bulgari	2011	5.20B	25.0x
LVMH	Hermes International (17% Stake)	2011	2.00B	15.5x
PPR	Brioni SpA	2011	0.41B	30.0x
Eurazeo	Moncler SpA (45% Stake)	2011	0.61B	11.8x
Central Retail Corp	La Rinascente	2011	0.37B	11.0x
Mayhoola	Valentino	2012	0.86B	20.0x
LVMH	Loro Piana	2013	2.57B	18.0x
Swatch	Harry Winston	2013	1.00B	23.0x
Signet	Zale	2014	1.46B	15.0x
Samsonite	Tumi	2016	1.81B	14.5x
Coach	Kate Spade	2017	2.38B	10.4x
Michael Kors	Jimmy Choo	2017	1.17B	15.7x
LVMH	Christian Dior	2017	13.1B	15.6x
Essilor	Luxottica	2017	23.9B	12.7x
Average (Incl. Jewellery**)				17.0x
Average (Excl. Jewellery**)				15.9x
Tod's			EV = €2.0B	11.9x

Based on FY2017E EBITDA of €170M (Forecast EBITDA Margin of 17.2%)*, we estimate the current "Private Market Value" or Intrinsic Value to be in the range of €75.96 and €86.24, with upside potential of +27.0% and +44.2%, from the current market price of €59.80 as at 20 September 2017.

However, we do not believe Mr. Della Valle would sell Tod's when EBITDA has retreated from €250M (EBITDA Margin = 26.0%) in 2012 to a forecast €170M (Forecast EBITDA Margin of 17.2%*** in 2017.

Additionally, after Mr. Della Valle sold the Roger Vivier brand to Tod's, he invested half of the €415M proceeds back into Tod's at €83.53 per share.

To be conservative, we assume that Management is able to improve EBITDA to €200M in 2020 which is only 80% of the 2012 level (with a Forecast EBITDA Margin of 18.3% vs 26.0% in 2012****). Based on this assumption, we estimate the Private Market Value range of Tod's would increase to €93.11 - €105.19 per share. This presents upside potential of +55.7% to +75.9%, with an IRR/Annualised Return range of +17.3% to +22.6% per annum assuming an exit in the middle of 2020*****.

Looking forward with optimism (and motivation of a 60.6% majority shareholder), if EBITDA can return to €250M in 2020 (with a Forecast EBITDA Margin of 22.9% vs 26.0% in 2012**), we estimate the Private Market Value range of Tod's would increase to €115.77 - €130.88 per share. This presents upside potential of +93.6% to +118.9%, with an IRR/Annualised Return range of +26.9% to +32.6% per annum assuming an exit in the middle of 2020*****.

* Data Source: Thomson Reuters Eikon as at 20 September 2017. FY2017 EBITDA forecast are analysts' consensus forecast collected by Thomson Reuters.

** Jewellery related transactions are Bulgari (2011), Harry Winston (2013) and Zale (2014).

*** FY2017 EBITDA and Revenue forecasts are analysts' consensus forecasts collected by Thomson Reuters. FY2017 Revenue forecast = €987M (-1.7% decline versus industry forecasts of +2% - +3% annually from 2016-2023).

**** FY2020 EBITDA Margin forecast is based on Elevation Capital EBITDA estimates and FY2020 Revenue forecast of €1,093M from analysts' consensus forecasts collected by Thomson Reuters. This assumes revenue growth of +8.9% from FY2016 revenue of €1,004M.

***** Based on share price of €59.80 as at 20 September 2017, and an exit price range of €93.11 to €105.19 on 30 June 2020

***** Based on share price of €59.80 as at 20 September 2017, and an exit price range of €115.77 to €130.88 on 30 June 2020

SO IS THE COMPANY REALLY BROKEN?



Tod's "Leather Bank" on 18 July 2017

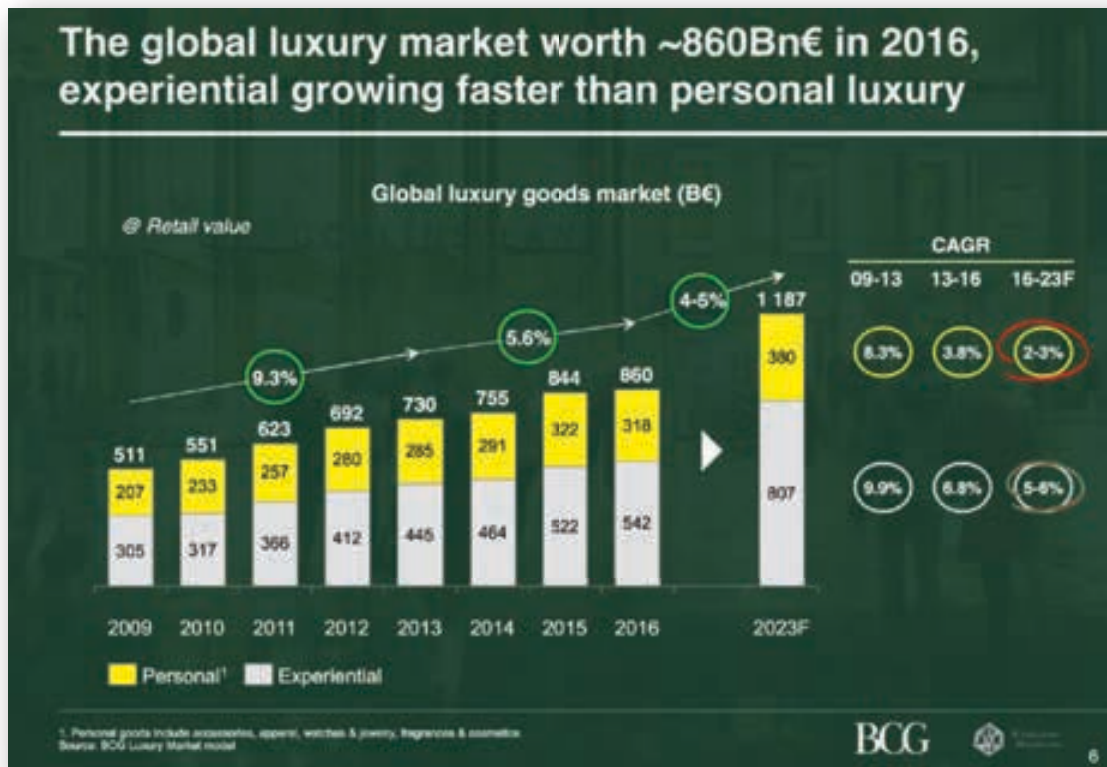
TOD'S

KEY RISKS



#1 Shifting Spending From Goods to Experiences

Overall consumer spending has continued to grow in recent years. However, people are spending less on durable goods, and more on recreation, travel and other experience-based spending. This directly impacts the luxury goods companies such as Tod's.



#2

Regional Risks

77%* of Tod's revenue is generated by three key markets: Italy (30.1%), Europe (24.7%) and Greater China (22.5%). Therefore, any significant changes in these regions' economic/political outlook will affect consumer confidence, and hence Tod's business performance.



#3

Rising Input Costs

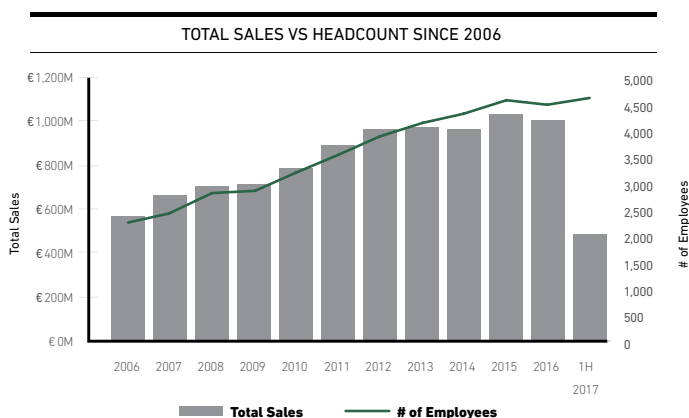
The price of leather, one of Tod's key input costs, can fluctuate significantly, contributing to the volatility in margins and profits.



#4

Increasing Head Count

The number of employees at Tod's has continued to increase, while revenue growth has slowed and even turned negative. The Company has not managed its cost base adequately in our view, and while we understand the need to maintain quality standards and investment in the future, we also wish to see some cost discipline implemented.



#5

Margins Continue To Erode

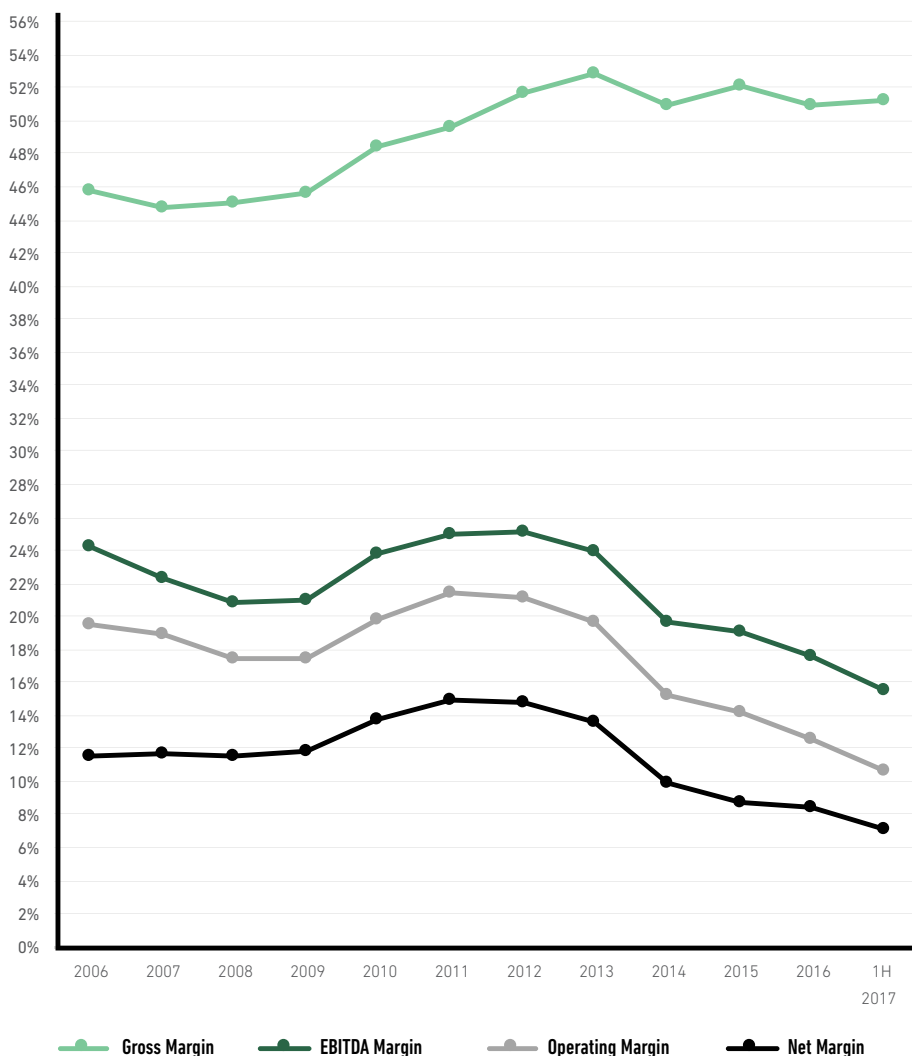
Tod's margins (except gross margin) have declined in the last 5 1/2 years. This began in 2012, accelerated in 2013/2014 and has continued to trend down at the end of 1H 2017.

Gross Margin - 2011: 49.6%, 1H 2017: 51.2%
 EBITDA Margin - 2011: 24.9%, 1H 2017: 15.5%
 Operating Margin - 2011: 21.4%, 1H 2017: 10.7%
 Net Margin - 2011: 14.9%, 1H 2017: 7.1%

This was principally driven by a desire for legitimacy in handbags that pushed the Company to over-invest in the build-up of credibility and collections in handbags from 2013 to 2016. Deutsche Bank estimates “that the investments in a renowned (but ineffective) designer and the structure to support her creative efforts (from catwalks to collections PR and marketing) cost at least 4-5pp of EBITDA margin”.

However, we believe Management should be able to reverse the recent trend. If Management is able to restore margins to anywhere close to historical levels (historical average 2006-2012 = 23.2%), profits can be expected to increase significantly from current levels.

TOD'S HISTORICAL MARGINS SINCE 2006





#6

Diego Della Valle

A key risk with Tod's is the major shareholder and the “related party” deals that have and may occur in the future.

While we do not believe Mr. Della Valle has advantaged himself at the expense of other Tod's shareholders, we acknowledge as a 60.66% owner and family employed within the business (Andrea Della Valle (brother) is the Vice Chairman and Managing Director, Emanuele Della Valle (elder son) is a Non-Executive Director and was the Creative Director of Tod's, Fabrizio Della Valle (cousin) was an Executive Director (until 2015)). These factors present a potential risk of “value transfer”.

The Independent Directors of the Company (six out of fourteen directors) are critical and comprise:

- Luigi Abete
- Luigi Cambri
- Pierfrancesco Saviotti
- Vincenzo Manes
- Romina Guglielmetti
- Sveva Dalmaso

We believe to date the independent directors have served the minorities well – It is evidenced when Mr. Della Valle sold the Roger Vivier brand to Tod's for €415M and agreed to reinvest half of the proceeds back into Tod's at €83.53 per share, a 5.6% premium to the last sales price of €79.11 on 20/11/2015.

While the subsequent inventory writedown of €24.2M in 2016, directly relating to the acquisition of the Roger Vivier brand was disappointing, the minorities share of this writedown was 39.4% of €24.2M. i.e., €9.5M

We must also be fair to Mr. Della Valle – “he has more to lose than anybody” if he does not execute well and implement a turnaround in performance. Further his track record of brand creation and execution is very good over time and we feel comfortable investing alongside such a proven performer. He also continues to operate Tod's in a fiscally conservative manner with an attractive dividend yield for all shareholders.

#7

Poor ESG Rating

Tod's scores poorly in Environmental, Social and Governance based on Thomson Reuters ESG Score of D+. We recognise Tod's and Diego Della Valle's efforts to promote and contribute to its home country Italy. For example, the contribution of €25M to the Colosseum restoration project, and its promotion and investment in "Made in Italy" products, in the skills, traditions and culture of Italy. However, from an ESG reporting perspective, Tod's is poor in terms of self-reported ESG performance (i.e., lack of audited annual ESG reporting), and hence the low score.

As more investors start to incorporate ESG into their investment selection process, it is important for Tod's to lift their ESG reporting efforts so not to create an ESG discount to its shares and to exclude institutional investors.



TOD'S

KEY OPPORTUNITIES



00 pm The Show. Beautiful. Who was that model from Rome?





#1

Reinstate Tradition

Management admitted the strategy of trying to transform Tod's from a shoe brand to a lifestyle/fashion brand was pushed too far from 2013 to 2016 under its creative director Alessandra Facchinetti:

“Too much fashion for our old clients and not enough fashion to attract new clients”

- Emilio MacEllari, CFO of Tod's, May 2017

Management has determined to return to its roots and strength – to create products that reflect the brands' DNA and tradition – Made in Italy, Italian quality and Italian lifestyle. Tod's Spring/Summer 2018 Menswear Collection is the first collection completely designed by Tod's in-house design team after the departure of Alessandra Facchinetti.



#2

Roger Vivier

Roger Vivier is an ultra high-end fashion brand, producing shoes, handbags, sunglasses, jewellery, leather goods and accessories.

Diego Della Valle personally purchased the Roger Vivier brand in 2000 and has since invested in its development. He finally sold the brand to Tod's in 2015 for €415M.

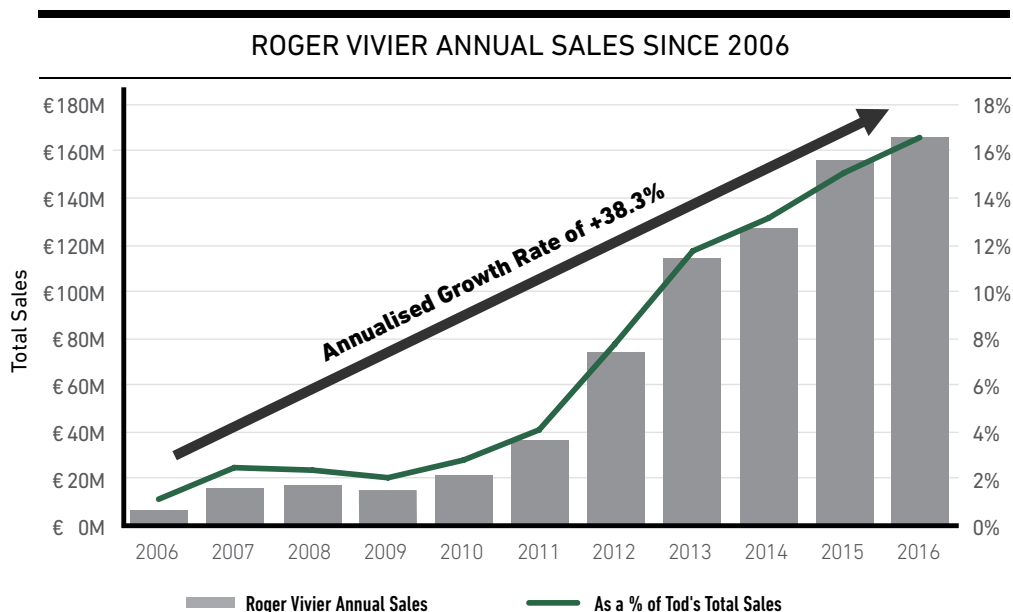
The brand has had an explosive growth profile over the past ten years, with an annualised growth rate of +38.3%.

If we narrow the focus to the last five years, the annualised growth rate is still an impressive +35.4%.

In 1H 2017, Roger Vivier generated 19.2% of Tod's Total Sales (2006 = 1.1%). We expect the brand to become Tod's most important brand in the next ten years in terms of future growth opportunities with attractive margins, as it continues to expand its distribution network and product diversification. Roger Vivier should allow the Company to capitalise on increasing consumer sophistication and wealth polarisation.



One of the most expensive shoes in the world, Roger Vivier's shoes designed for Princess Soraya of Iran in 1962, sold for \$26,629.06 in a 2011 auction.



#3

Consolidating & Extending International Network Across Brands

Tod's international presence is not balanced. The core Tod's brand is under-represented in Europe and the US. Hogan offers expansion opportunities globally as does balanced development of Roger Vivier.

USA

The world's largest luxury market only generates ~8% of total sales currently. Management acknowledged that the Tod's brand was regarded by US customers as a casual brand that is a bit too expensive. Therefore, market re/positioning and marketing will be the key to improve business performance in this critical market.

Greater China

The growth in sales in this region has been impressive until 2013, but have been in decline since then due partially to the anti-corruption/anti-graft campaign under Xi Jinping which began in 2012. However, we believe that a trend of repatriation of luxury spending in China will start to benefit Tod's which already has 111 stores (DOS+Franchised) in the Greater China region. We are also pleased to see that Tod's has recruited Liu Shishi, the famous Chinese actress to promote the Tod's brand within the Chinese market.

Rest-of-the-World / South America

We also believe there are growth opportunities in these regions that currently are operated mostly under the franchise model.



Tod's stores around the world (D = DOS, F = Franchised Stores)*

Liu Shishi showcased Tod's Autumn/Winter 2017-18 Collection

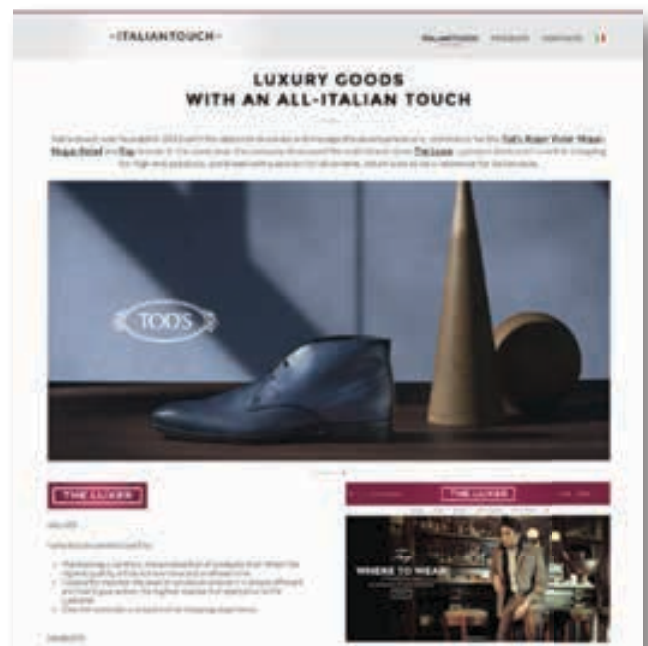
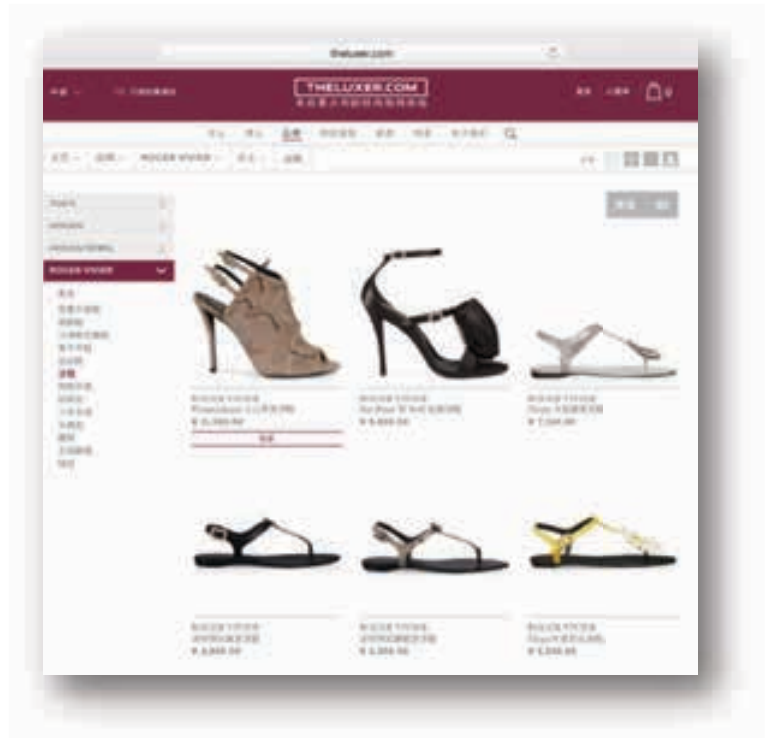
#4

E-Commerce

The Company's E-Commerce capability for its various brands is developed through its 2012 partnership with Italiantouch S.r.l. (www.italiantouch.com), a company controlled by Diego Della Valle.

This company also developed The Luxer (www.theluxer.com) online multibrand store that sells all of Tod's brands.

Tod's products are also available on multibrand online stores such as Net-A-Porter/Mr Porter (since 2015). The Company has yet to disclose how much the E-Commerce channel has contributed to the total sales, but simply noted that it "is getting more relevant". The suggested implication is that there should be significant room for growth for its E-Commerce channel.



#5

Social Media Engagement

Tod's has a reasonable online presence on Facebook and Instagram. However, it has a small presence on Pinterest, and none on Twitter.

Tod's has ~4,000 subscribers on YouTube, and has seven videos with over one million of views.

We believe the Company should place additional efforts/resources to improve its digital platforms as these are influential touchpoints for many of the luxury consumers today.



1.1M
FOLLOWERS



820K
FOLLOWERS



7K
FOLLOWERS



#6

Re-Emergence Of Global Travel:

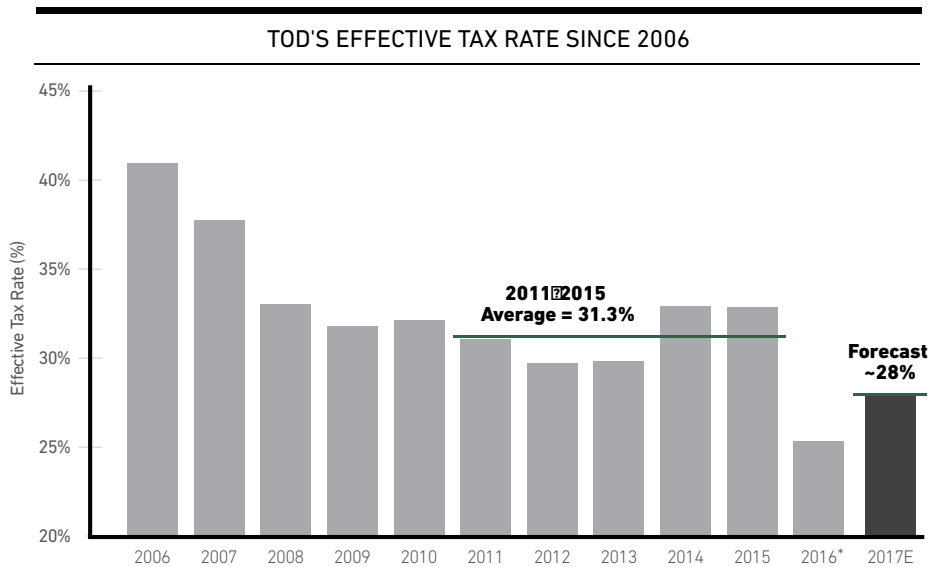
With the global recovery has come an increase in the level of global travel. Tod's therefore needs to increase its travel retail site count across brands.

#7

Modernisation of Stores:

Tod's recent refurbished Bond Street London flagship store is an example of refreshed Tod's aesthetic that will in time roll out across its global network.





#9

Favourable Tax Regime Adoption in Italy:

From FY2016, Tod's will benefit from Italy's adoption of "Patent Box" tax regime where a portion of the income generated from the direct and indirect use of intangibles will be exempt from Italy's ~31% corporate tax rate. Management forecasts FY2017 tax rate to be in the region of 28%**, which is ~10% lower than the historical average tax rate of 31.3% between FY2011 and FY2015. This tax regime adoption will improve Tod's Net Margins going forward versus prior to adoption / prior periods.



#8

Potential Spin-Off's/Divestment:

Tod's could spin-off/divest one or more of its brands, potentially adding value for shareholders. Fay is a prime candidate for divestment in our view given its focus on the crowded apparel and outerwear market.

* The FY2016 effective tax rate of 25.4% includes the benefit linked to the Patent box regime for both FY2015 and FY2016.

** Tod's SpA FY2016 Earnings Call Transcript - 14 March 2017

#10

Schiaparelli

Schiaparelli is a haute couture label, purchased by Diego Della Valle personally in 2006. The brand was re-launched in 2012, with a focus on the ultra high-end market. The strategy thus far has been one of exclusivity, targeting the ultra-high-end market with a by appointment boutique in Paris (pictured below) being the only way to view and purchase from the range. Although Schiaparelli

is yet to see significant growth, we anticipate the possibility that Tod's may acquire the licence to the Schiaparelli brand in potentially the same way as it acquired Roger Vivier as Schiaparelli would target (alongside Roger Vivier) the high-end (and high margin) customers and capitalise on wealth polarisation (again).



<http://www.schiaparelli.com> (Also refer to Appendix 6)

TOD'S

CONCLUSION, ELEVATION CAPITAL INTRINSIC VALUE ESTIMATES & LIQUIDITY



CONCLUSION

Turnaround Driven By Motivated (and Aligned) 60.6% Majority Shareholder

Diego Della Valle is a proven performer in brand creation, development and growth. The market is not giving him any credit for this track record.

Industry Tailwinds

We believe that Tod's is positioned favourably to execute its turnaround plan as well as the continuation of cost efficiency measures with the following industry tailwinds to assist its efforts:

- Continued Growth in Luxury – The global personal luxury sector is expected to grow at +2% - +3% annually from 2016-2023.
- Shoes/Leather Goods – The two categories that Tod's generate majority of its revenue from are forecast to grow at above average annualised growth rates (Shoes: +5.1%, Leather Goods: +4.5%) versus the broader global personal luxury sector.
- China – Currently, Tod's has a sizable presence in Greater China – 29.4% of its store count, but only 22.5% of total sales. We believe the recent trend of repatriation of luxury spending and reduced pricing differentials in China should assist the situation.
- Casualwear – The increasing appeal of casual wear versus formal wear amongst luxury consumers, and the “luxurisation” of casualwear should further benefit Tod's core product lines.

Earnings Recovery Story and Possible Acquisition Target Beyond 2020

Tod's is forecast to deliver €170M of EBITDA in FY2017 assuming the business stabilises. Applying the Peer Group multiple to this we derived an Intrinsic Value Estimate of €74.42, with an upside potential of +24.4%.

The continuing trend of consolidation in the luxury goods industry is also a reason for our favourable view of Tod's. We see Tod's as a possible acquisition target for several other larger global luxury players. Based on FY2017 Consensus Forecast EBITDA of €170M*, we estimate the current “Private Market Value” or Intrinsic Value

to be in the range of €75.96 and €86.24, with upside potential of +27.0% and +44.2%.

However, we see further upside potential as we believe Management can rectify the mistakes they have made in recent years, and improve profits and margins to previous levels in a reasonable timeframe. If Management is able to improve EBITDA to €200M (Forecast EBITDA Margin of 18.3%) in 2020, which is only 80% of the 2012 level, we estimate the Private Market Value range of Tod's would increase to €93.11 - €105.19 per share. This presents upside potential of +55.7% to +75.9%, with an IRR range of +17.3% to +22.6% per annum assuming an exit in the middle of 2020**.

If Management is able to improve EBITDA to €250M (Forecast EBITDA Margin of 22.9%) in 2020, which is back to 2012 levels, we estimate the Private Market Value range of Tod's would increase to €115.77 - €130.88 per share. This presents upside potential of +93.6% to +118.9%, with an IRR range of +26.9% to +32.6% per annum assuming an exit in the middle of 2020***.

Dividends

In the meanwhile, shareholders are paid to wait. With a dividend yield of 2.84%*, Tod's yields significantly more than the industry average of 1.70%.

Strong Balance Sheet

We believe that Tod's has one of the strongest balance sheets of any firm in the luxury goods sector, contributing to our margin of safety and making Tod's more attractive to potential acquirers.

Value Opportunity

We conclude that Tod's is not a “Value Trap” but it requires patience as the Company restores historical profitability and continues a targeted and disciplined expansion programme. We believe investors should be focusing on a return to former profitability levels by 2020 with a potential sale of the Company to a luxury conglomerate after that.

* As at 20 September 2017. FY2017 EBITDA forecast are analysts' consensus forecast collected by Thomson Reuters

** Based on share price of €59.80 as at 20 September 2017, and an exit price range of €93.11 to €105.19 on 30 June 2020

*** Based on share price of €59.80 as at 20 September 2017, and an exit price range of €115.77 to €130.88 on 30 June 2020

ESTIMATED INTRINSIC VALUE RANGE/S

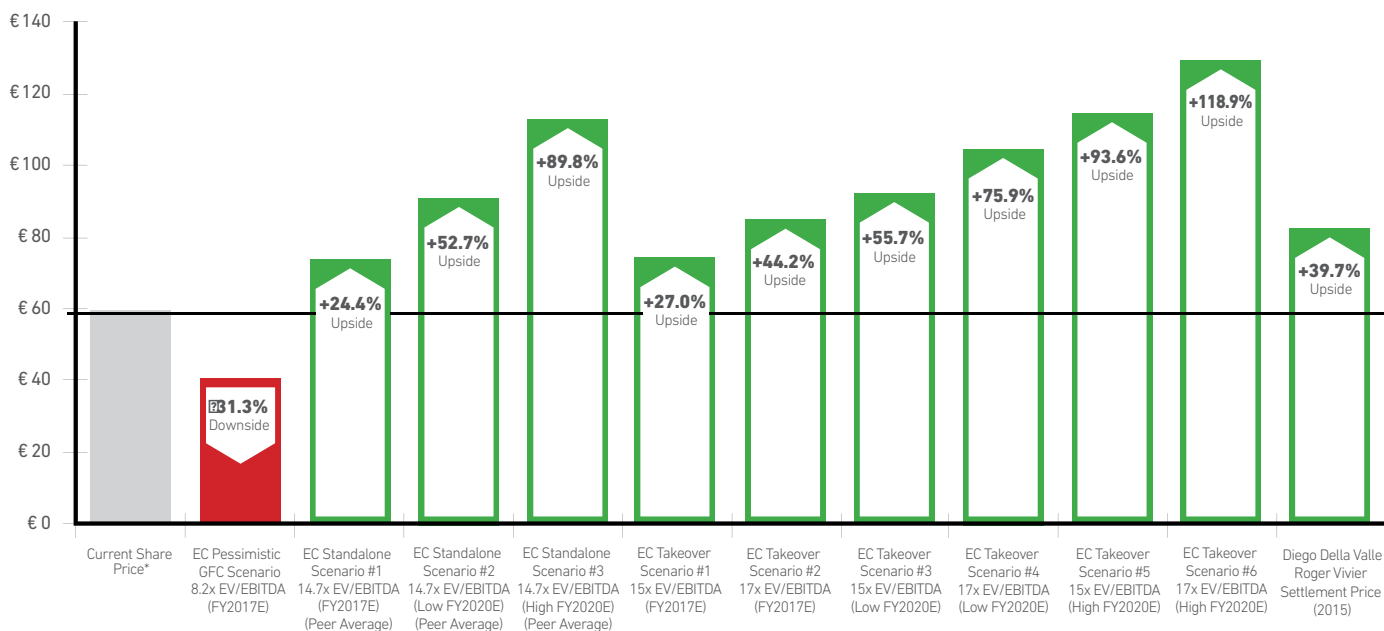
Elevation Capital
Estimated Intrinsic Value Range:

€41.06 [?] €130.88
PER SHARE

Downside/Upward Potential Range:

[?] -31.3% [?] +118.9%

VALUATION SUMMARY

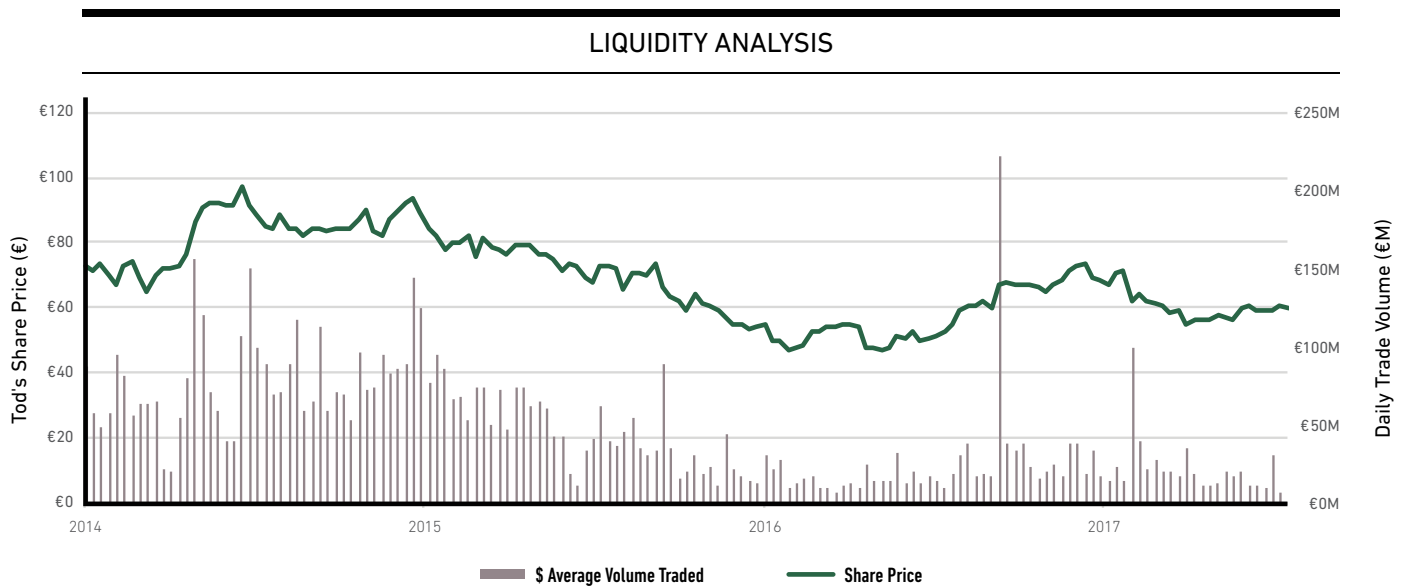


ASSUMPTIONS FOR OUR ESTIMATED INTRINSIC VALUES

SCENARIO	ASSUMPTIONS
EC Pessimistic GFC Scenario	We assume the shares trade at 8.2x EV/EBTIDA, which is the average EV/EBITDA ratio during 2008-2010.
EC Standalone Scenario #1	We assume the Company does not get taken over, and the shares trade at the peer average EV/EBITDA of 14.7x.
EC Standalone Scenario #2	We assume the Company does not get taken over, and the shares trade at the peer average EV/EBITDA of 14.7x. However, we assume by 2020 EBITDA profitability is restored to €200M (80% of FY2012 level, and Forecast EBITDA Margin of 18.3%).
EC Standalone Scenario #3	We assume the Company does not get taken over, and the shares trade at the peer average EV/EBITDA of 14.7x. However, we assume by 2020 EBITDA profitability is restored to €250M (100% of FY2012 level, and Forecast EBITDA Margin of 22.9%).
EC Takeover Scenario #1	We assume the Company is taken over at 15.0x EV/EBITDA valuation, which is 12% discount to our selected transactions average, and based on consensus FY2017 Forecast EBITDA of €170M.
EC Takeover Scenario #2	We assume the Company is taken over at 17.0x EV/EBITDA valuation, which is our selected transactions average, and based on consensus FY2017 Forecast EBITDA of €170M.
EC Takeover Scenario #3	We assume the Company is taken over at 15.0x EV/EBITDA valuation, which is 12% discount to our selected transactions average, and based on our FY2020 Forecast EBITDA of €200M (80% of FY2012 level, and Forecast EBITDA Margin of 18.3%).
EC Takeover Scenario #4	We assume the Company is taken over at 17.0x EV/EBITDA valuation, which is our selected transactions average, and based on our FY2020 Forecast EBITDA of €200M (80% of FY2012 level, and Forecast EBITDA Margin of 18.3%).
EC Takeover Scenario #5	We assume the Company is taken over at 15.0x EV/EBITDA valuation, which is 12% discount to our selected transactions average, and based on our FY2020 Forecast EBITDA of €250M (100% of FY2012 level, and Forecast EBITDA Margin of 22.9%).
EC Takeover Scenario #6	We assume the Company is taken over at 17.0x EV/EBITDA valuation, which is our selected transactions average, and based on our FY2020 Forecast EBITDA of €250M (100% of FY2012 level, and Forecast EBITDA Margin of 22.9%).

LIQUIDITY ANALYSIS

Tod's one-year average daily trading volume is €26.14M (~0.13% of market capitalisation). The reason for the low liquidity is due to Diego Della Valle's 60.66% majority stake in Tod's.



APPENDICES



APPENDIX DIRECTORY

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Appendix 11 - Our Other Websites/Associates

APPENDIX 1 ? BACKGROUND OF TOD'S INDEPENDENT DIRECTORS

NAME	BACKGROUND
Pierfrancesco Saviotti	Dr. Pier Francesco Saviotti serves as Non-Executive Lead Independent Director of Tod's S.p.A. since April 20, 2009. Prior to his appointment he served as Non-Executive Independent Director of the Company since 2003. He is also Member of the Remuneration and Audit and Risks Committees and Chairman of Independent Directors Committee of the Company. He was Chief Executive Officer of Banca Commerciale Italiana and General Manager (Loan Business Unit) of Banca Intesa. After having been senior advisor for Italy and Vice Chairman of Merrill Lynch Europe, he has been appointed Chief Executive Officer of Banco Popolare Societa Cooperativa. He also sits on the boards of directors of several listed Italian companies. He also serves as Director of Brembo SpA, Moncler Srl, Nuovo Trasporto Viaggiatori SpA and Stefanel SpA.
Luigi Abete	Independent director without executive authority, was born in Rome (RM) on February 17th, 1947. Graduated in law, he was Chairman of Confindustria from 1992 to 1996. He has been Chairman of Banca Nazionale del Lavoro S.p.A. since 1998. In 2007 also received a degree honoris causa in Business and Economics from the University of Sannio. In 2009, he was appointed Chairman of ASSONIME - Association of Italian Public Limited Companies. He has been a member of the Board of Directors of Tod's S.p.A. since October 7th, 2000.
Luigi Cambri	Independent director without executive authority, was born in Taranto (TA) on September 10th, 1955. Graduated in law, he is a notary public ("notaio" and operates his own firm in Milan. He has been a member of the Tod's S.p.A. Board of Directors since April 27th, 2005.
Vincenzo Manes	Non-executive and independent Director, was born in Venafrò (IS), on 1st April 1960. He graduated in Economics and Commerce from Luiss University in Rome. He is the founder and Chairman of Intek Group (a holding company listed on the Milan Stock Exchange and operating in the sectors of industry, finance and renewable energy), as well as of the Dynamo Foundation, aimed at contributing to the development of philanthropy in Italy. In 2013 he was awarded the honour of Knight of Labour (Cavaliere al Merito del Lavoro). He has been a member of the Company's Board of Directors since 22nd April 2015.
Romina Guglielmetti	Non-executive Director, was born in Piacenza (PC), on 18 March 1973. She is a lawyer and operates her own firm in Milan. She has gained a significant experience in the field of company law, banking law, corporate governance and financial markets. She has been a member of the Company's Board of Directors since 22nd April 2015.
Sveva Dalmaso	Non-executive and independent Director, was born in Rome on 9 December 1956. She has graduated in Law, is a notary public and her office is located Milan. From 1998 to 2003 she held the position of Standing Auditor of the National Notaries' Provident Fund (Cassa Nazionale del Notariato); currently she is a member of the Chamber of Notaries (Consiglio Notarile) in Milan. She has been a member of the Company's Board of Directors since 22nd April 2015.

APPENDIX 2 ? TOD'S BRAND HISTORY

Tod's was established in 1978 by designer Diego Della Valle, in Casette d'Ete in the Marche region of Italy. Descended from a family of shoemakers, Diego Della Valle spent his childhood surrounded by skins and leathers in the workshop of his father, who owned a shoe-making company.

Having studied Law in Bologna, at the end of the 1970s the designer spent some time in New York where, he spotted a driving shoe - a Portuguese-manufactured slipper with rubber soles and stud embellishment designed for driving - while strolling through Manhattan. Diego Della Valle took the shoe back to Italy and redesigned the model, creating a very soft handmade slipper embellished with 133 studs, which soon became the house's signature Il Gommino model. That year, the designer gifted a pair to one of Italy's most charismatic businessmen, Giovanni Agnelli, who wore them for a televised interview, boosting both the sales and reputation of Tod's.

After becoming the label's chairman in 1980, Diego Della Valle expanded his empire to create Hogan, a sportswear and sneakers brand, then Fay, a ready-to-wear collection orientated around design innovation, of which the jewel in the crown is a coat with a four-hook closure, inspired by New York firemen's uniforms.

From 1996, photos of historic driving shoe fans Audrey Hepburn, Cary Grant and Steve McQueen appeared in the label's advertising campaigns and the Tod's look was born. In 1997 a line of handbags and leather goods was launched. The first bag released, the D-Bag, was available in five sizes, each adaptable for personal preference. In 2006, Tod's introduced its first ready-to-wear womenswear collection under the creative direction of Derek Lam. The designer stayed at the house's helm for a further six years until stepping down in November 2012. In July 2011 the house sponsored the exhibition dedicated to ex-first lady of the United States Jaqueline Kennedy-Onassis at the Conchiglia Library in Capri's Hotel Quisisana, redesigning three of its most iconic accessories in a limited edition for the occasion - the Rounded bracelet, the Il Gommino slipper and the D-Bag, in an eye-catching blue-green, emblematic of the island of Capri.

“But he needed a name. And it would have to be easy to pronounce around the world. Legend has it that Della Valle picked the name J.P. Tod's from the Boston phone book, but he says the choice was more studied than that—he spent a month looking at combinations of letters. “It's a round name, it's a sound with a friendly character, it's not rigid,” he says. “It's like if you choose a note on the piano.” (In 1999, Della Valle dropped the first initials after the brand started to become known as J.P. in the U.S., his brother Andrea says.)”

WSJ Magazine - October/November 2010



APPENDIX 3 HOGAN BRAND HISTORY

Although Hogan footwear was born in 1986, the first sneakers line came along only in 1995, the year that saw the athletic model launched on the market.

The Interactive line, the Hogan shoe style we're all familiar with, came just two years later.

2004 saw the launch of Olympia, more elegant and slender.

Dedicated entirely to the female customer is Attractive, immediately followed by Hippie Logo bags and Hogan eyewear sunglasses.

From 1986 to the present, the always-comfortable Hogan shoe has changed its shape and decoration, but its style is always the same: winning and in the forefront of fashion.

The timeless taste of these shoes is above all that of a status symbol, an image of elegance and luxury.

Hogan footwear and its label have always aimed at quality, which is why it belongs to the higher price range: every tiny detail is attended to with extreme accuracy and the materials used are, of course, top quality.



APPENDIX 4 ? FAY BRAND HISTORY



Taken over in the late seventies by the Tod's Group, Fay was originally developed in the United States as a brand specialised in the production of outerwear inspired by the uniforms of American firefighters, with a four hook closure. The evolution of the brand, which now includes men's

and women's lines, complete with accessories, is characterised by the double-life philosophy: each piece is designed to be worn on different occasions – from business to leisure, from the city to dynamic outdoor experiences.

The “Fay code” is synonymous with casual elegance and a sophisticated, modern and versatile expression of an Italian taste that perfectly and timelessly combines quality, innovation and luxury. It's the perfect balance between British flavour and local craftsmanship.

APPENDIX 5 □ ROGER VIVIER BRAND HISTORY



Described as the “Fabergé of Footwear” and accredited with creating the first stiletto heel in the 1950’s, Roger Vivier designed extravagant, luxuriantly embellished shoes he described as sculptures.

The artistic heritage and exceptional tradition of the Maison Roger Vivier found new life with the renaissance of the brand in 2003 through the acquisition of Diego Della Valle.

Under the Creative Direction of Bruno Frisoni, the work and vision of M Vivier was pursued, adding new chapters to this unique story each season and extending its expertise beyond shoes to include bags, small leather goods, jewellery and sunglasses.

Ines de la Fressange, acclaimed figure of quintessentially French elegance, represents the refined allure of this Parisian Maison with an irony and fantasy that

makes the Roger Vivier style so distinctive and inimitable.

Roger Vivier today proffers a unique experience of imperceptible paradoxes, set soaring through a spectacular universe of dreams and desires, enchanting the most elegant and fascinating of women the world over. A timeless Parisian elegance, sophisticated and extravagant, a rare luxury.

APPENDIX 6 ? SCHIAPARELLI GAINING RECOGNITION

These 5 Designers Are Ruffling Feathers at Paris Haute Couture Week

These are the names garnering recognition for their intricacy, precision and their beautiful eye for design

By [Kerensa Williams](#) and [Katie Hooton](#)



All models were styled at Schiaparelli, Paris, France

Schiaparelli's runway show is a spectacle of inspired and bygone styles, from 1930s-inspired, ornate and intricate designs to a modern woman, for being Lee Miller and Ava Gardner. All of these influences are explored by Schiaparelli's latest collection for the label. It's been designed in the heart of style for Schiaparelli for just over two years now, he recently worked for Christian Lacroix and Valentino.

Given Schiaparelli's history in the fashion world, it's not surprising that the brand's early work was heavily influenced by the work of other designers. The most recent show was a mix of 1930s and 1940s styles, with a focus on the brand's early work. Schiaparelli's early work was heavily influenced by the work of other designers, such as Christian Lacroix and Valentino. The brand's early work was heavily influenced by the work of other designers, such as Christian Lacroix and Valentino.

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Schiaparelli's Storied Golden Palm Motif Makes a Comeback

An eye-catching pattern shows up in a collection that's

[www.surfacemag.com](#)

Ever since Schiaparelli had a big hit with her 1930s-inspired collection for women in 1935, the brand has been known for its iconic golden palm motif. In 1935, the brand's iconic golden palm motif was introduced to the world by Schiaparelli's collection for women. The brand's iconic golden palm motif was introduced to the world by Schiaparelli's collection for women. The brand's iconic golden palm motif was introduced to the world by Schiaparelli's collection for women.




Schiaparelli's Golden Palm motif is a classic design that's been used in many of the brand's collections.

Brie Larson and Dianna Agron in Schiaparelli Haute Couture at the 42nd Toronto International Film Festival



APPENDIX 7 THE NEW YORKER: SHOE DREAMS

10 MAY 2004

LETTER FROM ITALY

SHOE DREAMS

How Diego Della Valle Invents the Italian Right Leaver.

BY JOHN SEAROCK



Diego Valle and employees at the Tod's factory. Photograph by Fabrizio Mura-Rosini.

Quarreling, he manufacturing success in Eastern Europe and China.

Three casual Casareti I met last fall. A day of thick fog I was reporting to find shouting men lined with children, cheerfully passing pairs into socks, but I could see through the glass windows industrial space, where workers needed nothing of what came on inside. They, out of the fog, emerged in a row, white, simple, plain. This was the main plant for Tod's, an Italian company that American owners in British and that the British World in America. It is one of the largest leather-shoe factories in the world, producing fifteen thousand pairs a day. On a small hill nearby, I could just make out the tower of what used to be a medieval monastery and is now the site of an Italian university in the home of Diego Della Valle, the founder of Tod's and the king of the Made-in-Italy shoes.

The world of newly made leather shoes presented the master of the factory. It was especially powerful in the huge outdoors, where thousands of pairs of oxford, moccasin, and dress shoes in brown, black, pink, purple, and green, were piled on shelves. There was ten million dollars' worth of leather, from to produce a pair's worth of shoes without anything. The factory was not, with the wide floor, a modern industrial; it felt like a fourteenth-century square-footed building. In the main room, dozens of men in white shirts and dark trousers, some of the employees on the main and dozens of people who worked in the factory, Diego's father. They were wearing pairs of shoes on wheels, some from one station to the next, in a row, some, stretched, pulled, wrapped, polished, and boxed. Once a left and a right shoe had been cut from a piece of hide, the two shoes stayed together throughout the line, so that at the end of the pair and, at the end of the pair would match. No one interrupted, moved, passed along the way, and at the end of the line the shoes had to just through a period of inspection before they were placed in orange Tod's boxes and dispatched to one of Tod's hundred and twenty-two retail outlets around the world.

It is probably off tending to some aspect of his life—writing or reading or listening to the people who report back of events in Argentina, to make sure the books on their shelves are thick enough in his papers, or who dreamed from a side case in France, where the main part's distinctive natural-colored "bat" leather is tanned, or who argued for Michael Douglas to have a very special pair of Tod's loafers or Julia Roberts to have a Tod's bag. It's easy to spot the Tod's airplanes, because the leather plane has Della Valle's initials on it. Inside, the seats are covered in natural leather.

On the day I visited Casareti of Edo, Della Valle was at the center of a dozen people in a conference room, with handbags and shoes on a table on the floor around them, clearly managing a busy handbag. He has long hair, a bright face, a compact build, and very mobile systems. He does not sit stiffly, although in Italy a man may be fifty and his joints be stiff. Unlike the back of most other European luxury-goods makers, with their white trousers and Old World manner, he is joyful and accessible. He'll take your hand in both of his when he shakes it, and touch the back of it in the same way you see his hands, and will tell you a joke. He has the handily and playfully of someone who is willing to be both a man of the world and a man of letters. He seems to be both a very direct man, a fighter. He seems to be both a man of the world and a man of letters. He seems to be both a man of the world and a man of letters. He seems to be both a man of the world and a man of letters.

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APPENDIX 8 ? TOD'S SHORT SUMMARY



TOD'S (Italy:TOD) is one of the leading global players that produces and sells shoes, luxury leather goods and casual wear. It is 60.66% owned by Diego Della Valle. Tod's has underperformed in recent years due to Management's poor execution and a failed change in strategic direction which sought to increase the fashion component of Tod's business. We expect margins to improve as Management refocuses its efforts on creating products that truly reflect Tod's core proposition: Made in Italy, Italian quality and Italian lifestyle. We believe the stock is significantly undervalued

either; (i) if it remains a standalone company and delivers a turnaround by 2020 that improves EBITDA profitability to its FY2012 level of €250M (Intrinsic Value Estimate of €113.50); or, (ii) if Diego Della Valle sells Tod's (in the price range of 15-17x EV/EBITDA) to a large luxury conglomerate such as LVMH or Kering for family estate planning and succession planning purposes (Intrinsic Value Estimate Range of €115.77 to €130.88 based on successful turnaround efforts to return EBITDA back to FY2012 level's of €250M).

APPENDIX 9 ? THIS PRESENTATION WAS DELIVERED TO...

This presentation was delivered publicly at the following conferences in October 2017:

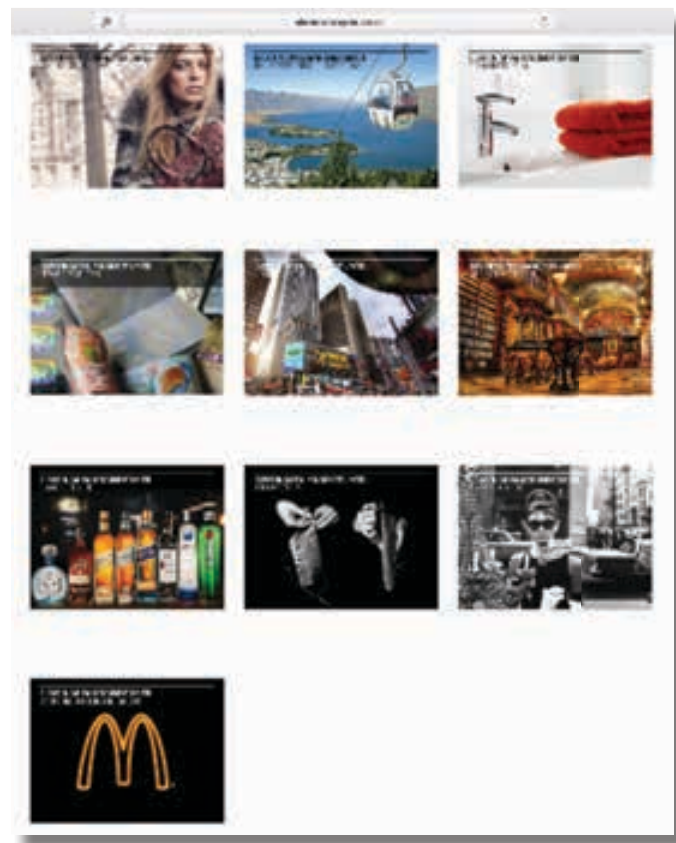
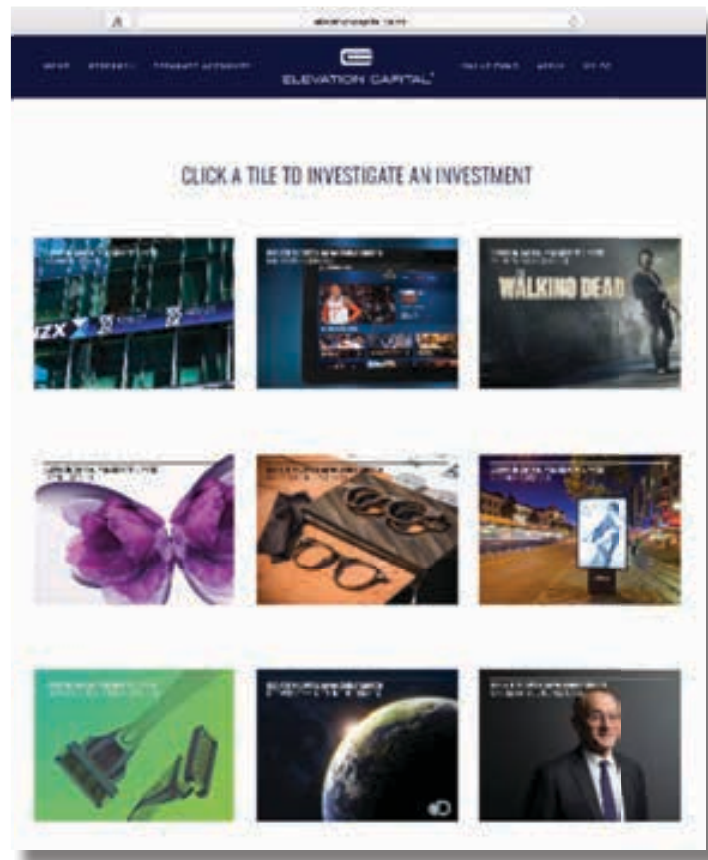


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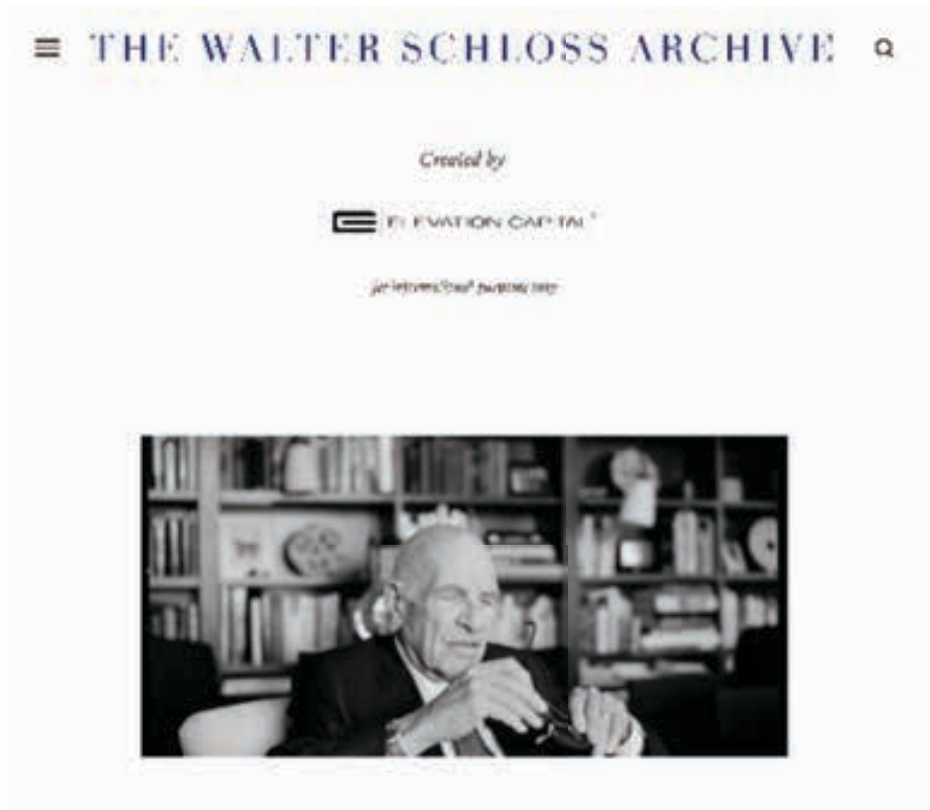


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APPENDIX 10 □ OUR CURRENT INVESTMENTS



APPENDIX 11 ? OUR OTHER WEBSITES/ASSOCIATES



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ELEVATION CAPITAL MANAGEMENT LIMITED: TIFFANY & CO. [TIF:US]

Research Presentation released in December 2017



“We call our positioning “inclusive luxury”, not exclusive luxury – and that’s a very American approach. You know, the fact that everyone can come to Tiffany, you start coming to Tiffany when you are very young, and maybe you can look for the most beautiful diamond in the world, then you keep coming back to Tiffany as you grow up, achieve in life and can afford bigger and more beautiful things.”

Nicola Andretta, Tiffany & Co’s Head of Watches



AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?



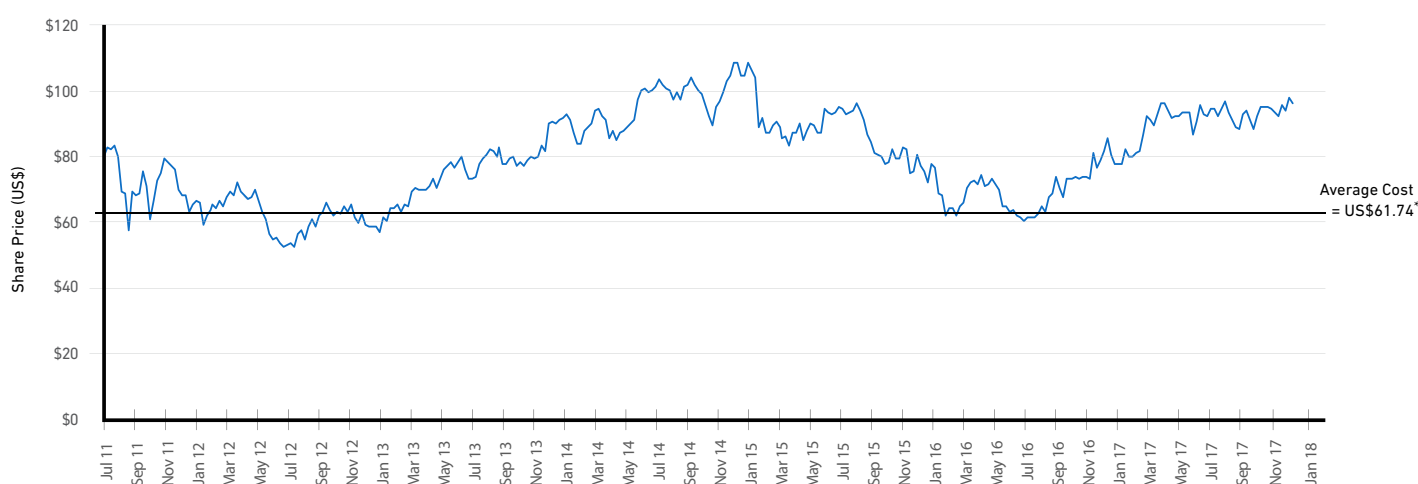
AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?

Many of the global luxury players have struggled in recent years as macro-economic uncertainty and headwinds in Europe and America, and the tightening of anti-corruption laws in China negatively impacted consumer sentiments and spending.

Recently, a number of Tiffany's luxury peers like Kering, Richemont, LVMH and others have returned to growth. However, Tiffany has continued to struggle with disappointing financial results, partially due to the strong US Dollar, soft tourism numbers and a weak retail environment in the US. Some have blamed the poor performance on a tired brand image and lack of compelling products/collections to attract younger customers. Lastly, the proximity of its important New York Flagship store to Trump Tower also negatively impacted sales during the US Presidential Election.

Tiffany is one of the oldest positions in the Elevation Capital Value Fund, as we have viewed the brand/company as underappreciated and undervalued. We first established a position in Tiffany in April 2012, and currently have an average cost of US\$61.74* (vs a current price of US\$95.52 as at 7 December 2017) since this position was initiated.

Recent events such as the dismissal of Ex-CEO Frédéric Cuménil, the hiring of Reed Krakoff as Chief Artistic Officer, the involvement of activist investor JANA Partners in February 2017, and the hiring of new CEO Alessandro Bogliolo in July 2017 have built expectation of improved business performance and shareholder returns.



AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?



Tiffany's Store on Old Bond Street, London

AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?

Tiffany's 'old-world luxury' fails to charm millennials

May 23, 2016

by Shikharish Corvle and Robert Patnick, reuters.com

(Reuters) - For Alan Feid, a 28-year-old looking to buy an engagement ring for his fiancée, the rings he found in the diamond district in Manhattan were just as good as the ones he saw at Tiffany & Co's (TIF.N) flagship store on Fifth Avenue. And they cost less than half the price.

"At the end of the day, I don't think there's much of a difference when it comes to the style or the quality," said Feid, a resident of Jersey City, New Jersey.

Tiffany's jewelry, long considered a status symbol, has been patronized by Hollywood A-listers and the political elite, and coveted by well-to-do baby boomers who made the brand synonymous with weddings and anniversaries.

But for millennials, increasingly unmoved by brand names and seeking more bang for their buck, Tiffany's "old world luxury" charm isn't working, said Neil Saunders, chief executive of retail research firm Conlumina.

The company's problems are shared by department store operators such as Macy's Inc (M.N), whose customers are switching to off-price retailers like TJX Cos Inc (TJX.N), where they get similar apparel for much less.

This growing demographic of high-earning but not-yet-rich millennials - with annual salaries of \$100,000-\$250,000 - are spending more on brands that offer them a more contemporary look or on jewelry made by niche designers.

The rise of online shopping has also exposed these tech-savvy shoppers to a broader array of smaller brands, and conditioned them to wait for deals.

The effect of these trends are being reflected in the century-old retailer's sales, which have fallen for six straight quarters. The company reported on Wednesday its biggest drop in quarterly sales since 2009.

"The brand is not seen very negatively but it is seen as being somewhat tired and traditional," Saunders said.

"Younger consumers especially see it as a place that is for the older generation and for a different era."



AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?

A luxury jewelry company that is nearly 200 years old, Tiffany has long been cashing in on the gift-giving traditions of heteronormative romance. Audrey Hepburn's Holly Golightly might have described its stores' masculine appeal best when she mused in *Breakfast at Tiffany's* that "nothing very bad could happen to you there, not with those kind men in their nice suits." The 1961 film (and the Truman Capote novella on which it was based) accurately depicts how, while Tiffany was a place for Holly to window-shop, it was her love interest Paul who would be doing the buying.



Tiffany has long been cashing in on the gift-giving traditions of heteronormative romance.

As it tries to figure out how to jolt declining sales, Tiffany has found itself in turmoil, dismissing its head of design and CEO in quick succession. It believes the self-purchasing woman is key to getting back on track. What better way to increase purchases than by zeroing in on a huge and hugely influential demographic that they've heretofore underestimated?

theguardian

Tiffany & Co sales lose sparkle as tourists shun high-end jewellery

Wednesday 26 May 2016 11:34 BST

Shares drop 4.5% after jeweller reports steepest decline in quarterly sales since peak of the global financial crisis



© Cate Blanchett wearing Tiffany & Co jewellery at 89th year's Oscars ceremony. Photograph: Suzi O'Neil/Visuals/Reuters/Universal

Tiffany & Co has reported its steepest drop in quarterly sales since the peak of the global financial crisis, as a strong dollar discouraged tourists from buying its high-end jewellery and eroded revenue from markets outside the United States.

Shares of the company, whose designs were worn by Cate Blanchett on the Oscars red carpet this year, fell 4.5% in pre-market trading on Wednesday.

In the Americas region, Tiffany's sales at stores open more than a year plunged 10% in the first quarter. Analysts on average had expected a 9.1% decline, according to research firm Consensus Metrix.

"Decline in customer share is evident among most shopper segments, including more affluent households," said Neil Saunders, the chief executive of research firm Conlumino.

"It is especially pronounced among affluent younger shoppers where the brand is seen as representing 'old world luxury'."

Luxury slowdown aside, a longer-term threat lurks for Tiffany

Krystina Gustafson | @KrystinaGustaf

Published 10:59 AM ET Wed, 26 May 2016 | Updated 12:34 PM ET Wed, 26 May 2016



A global luxury slowdown isn't the only thing eating away at Tiffany's revenues — and it's this less-talked-about threat that could have longer-lasting effects on the brand's revenues.

As the luxury jewelry maker on Wednesday reported another quarterly sales dip, analysts questioned whether its struggles in the U.S. were not only the result of fewer international tourists, but also a lack of interest from millennial shoppers.

Millennials will only become more important to luxury brands as they work their way up into higher-paying jobs.

"We continue to wonder if there is something beyond the macro, and more about the Tiffany brand itself not resonating with certain customers," Citi analyst Paul Lejuez told investors Wednesday.

AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?



Tiffany & Co. Releases Their First Fragrance in 15 Years

Tiffany offers a sparkling scent 'for all the women who love jewellery'

CAITLIN AGNEW
SPECIAL TO THE GLOBE AND MAIL
NOVEMBER 18, 2017

Some women sleep in nothing but their signature fragrance, while others prefer to wear only their jewels to bed. This season, Tiffany & Co. offers both audiences something suitable with a new namesake perfume.

"This fragrance is for all the women who love jewellery," says Daniela Andrier, the Givaudan master perfumer who created the eau de parfum. When setting out to capture the iconic Fifth Avenue brand in scent, Andrier took a personal approach. "I chose the parts that I am the most touched by – the romance, the joy, the promise and also the elegance of Tiffany."

The result is a sparkling floral musk that offers a contemporary take on the classic ingredients of *haute parfumerie*, mirroring the design ethos at Tiffany.

"It's a very beautiful way to mix romance and modernity, because it allows us to create something with a lot of tradition that smells really different than ever before," says Andrier.

Opening with *vert de mandarine*, the fragrance transitions to a heart of iris, a French flower found in some of the earliest sketches at Tiffany. Finally, a base of patchouli wrapped in a blend of musks dries down to a sensual finish. "It's very chic, clean and sophisticated," Andrier says.

This uptown sensibility is matched by the glass bottle, which takes its cues from the house's signature diamond cuts. The faceting at the base is reminiscent of the world-famous 128.54-karat Tiffany Diamond, while the lines at the shoulders nod to the Lucida-cut engagement ring. Of course, like any purchase made at the jewellery house, the fragrance comes packaged in a signature Tiffany-blue box.

AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?

EATER
NEW YORK

Here's What Breakfast at Tiffany's Really Looks Like

Photographing a meal at Tiffany's new Blue Box Cafe

By Stefanie Tudor | @stefanietudor | Nov 13, 2017, 3:45pm EST
Photography by Jesse Jacobson

Twitter Facebook Pinterest

In Holly Golightly's now-iconic 1961 breakfast outside of **Tiffany's**, her morning meal consisted of a *hodgepodge croissant* and coffee, leisurely consumed while yearningly window shopping. In the real-life cafe, now open for four days at the Fifth Avenue store, it's a **rushed, sit-down affair** that sets diners back at least \$29.

Blue Box Cafe swung open its luxurious doors last week and has been packed ever since — people who arrived even an hour before the 10 a.m. opening on Saturday were sent home since reservations were already full for the rest of the day. People returned to queue up the next day more than four hours in advance of Sunday's noon opening.

The cafe is the luxury jeweler's first foray into food, with set breakfast, lunch, and tea service at \$29, \$39, and \$49 respectively. Bloggers and Breakfast at Tiffany's lovers filled the room this weekend, devouring avocado toast, truffled eggs, finger sandwiches, and lots of tea.


Blue Box Cafe is the culmination of Tiffany's attempt to connect with millennials and **modernize the struggling brand**. Back in January, the 180-year-old retailer brought on chief artistic officer **Reed Krakoff** to create a line of homewares and accessories called "Everyday Objects." These everyday objects include a \$1,000 tin cup and a \$9,000 silver ball of yarn that have been **making the social media rounds**.

They're all housed on a redesigned fourth floor of the flagship store, and the cafe is meant to be a way to lure people to spend money on the highly Instagrammable new line. **Richard Moore**, the vice president creative director overseeing all things store and window design, told Vanity Fair that they hope the cafe "will draw customers up to experience the artfully composed home of Tiffany's new luxury home and accessories collection of elevated everyday objects."

DL IDL Worldwide @IDLWorldwide · Nov 14

This weekend, @TiffanyAndCo opened the doors to an on-brand **Tiffany blue café** at their NYC flagship — joining the movement of increasing "focus on cultivating experiences for shoppers".

#nytimes
#breakfastatTiffanys
#BringTheReal #DL WW



Finally, You Can Have Breakfast at Tiffany

Tiffany & Co. opened the first-ever café at its flagship New York store, where visitors can now have breakfast and channel Audrey Hepburn.

nytimes.com

Fans Line Up To Eat Breakfast At Tiffany's

A crowd of "Breakfast at Tiffany's" fans stretched around the block Friday to dine at the iconic jewelry company's new cafe.



AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?

Tiffany & Co.'s New Home and Accessories Line is Absurd in the Best Way Possible

Among our favorite items? A \$1,500 tin can, a \$9,000 ball of yarn, and \$95 Tiffany blue paper cups.

By LINDSAY SILBERMAN NOV 2, 2017

Just in time for the holidays, Tiffany & Co. has unveiled its latest Home and Accessories collection—and well, it is truly something else. Beyond the classic pieces we've come to expect from the heritage brand (like sterling money clips and crystal glassware) you'll also find a range of products that Tiffany's describes as "ordinary objects made extraordinary," which is an understatement, to say the least. There's a \$9,000 ball of yarn, a set of "paper cups" made of bone china, and a sterling silver tin can. If this launch is any indication of what the company's new chief artistic officer Reed Krakoff has in store, we're eager to see what's next.

Home & Accessories

Tiffany's take on modern life, the new collection is designed with quality, utility and craftsmanship. Explore the designs, now available in stores and on Tiffany.com.

SHOP THE COLLECTION



AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?

Globe-Trotter and Tiffany & Co. Team up for Limited Edition Luggage Collection

In Tiffany Blue, of course.

By Sara Horvath / Nov 24, 2011 / Travel

Tiffany & Co. is known for its classic "Tiffany Blue" packaging with a white ribbon, as well as beautiful jewelry and exquisite diamonds. Now, the brand has teamed up with [Globe-Trotter](#) for a limited-edition collection. Tiffany's unique and identifiable aesthetic has been translated into a five-piece suitcase range, featuring a jewelry case, four trolley suitcases and a vanity case, all produced with vulcanized fibreboard in the highest quality.

The suitcases are all handmade, and will be available at Tiffany & Co.'s Fifth Avenue Flagship, as well as select stores, from November 1. Peep the luxury suitcases above, and get ready to travel in style. Don't forget to check out Tiffany's recent [diamond necklace collection](#) while you're at it.



AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?

Tiffany bets NYC pop-up stores will renew sparkle

By Lisa Fekenscher

October 26, 2017 | 5:10pm | Updated

**MORE ON:
TIFFANY & CO**

Tiffany's new cafe is every Holly Golightly fan's Instagram dream

Holly Golightly wouldn't approve of real-life breakfast at Tiffany's

For the pup that has everything, there's this \$2K Tiffany dog bowl

Tiffany's flagship recovers from Trump Tower disruptions

Tiffany & Co., unable to build its same-store sales over the past 2 1/2 years, will reach deep into its bag of tricks this holiday season.

The storied jeweler will open two tourist-focused pop-up stores in Manhattan next month — one in Grand Central Terminal and the other in Rockefeller Center, The Post has learned.

It is believed to be the first time Tiffany's has turned to pop-up stores in the US — although the company may have operated a few overseas, sources said.

The pop-ups will stock pre-wrapped jewelry, accessories and home gifts among other items.

"Tiffany & Co. has long been a destination for visitors from around the world," Senior Vice President Philippe Galtie said in a statement. "With new concept stores at two iconic New York City landmarks, we're embracing the spirit of gifting this holiday season and beyond."

The pop-up stores will be open for 12 to 18 months, according to a spokesman.



AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?



Breakfast at Tiffany's Opening Scene - HQ



Tiffany & Co. - Kids Talk About True Love



Tiffany & Co. - The 2017 Tiffany Blue Book



Tiffany & Co. - The Dream Maker

TIFFANY & CO.

INTRODUCTION



ONE OF THE MOST VALUABLE GLOBAL LUXURY BRANDS

Based on Interbrand's Best Global Brands 2017 Rankings, Tiffany is one of the most valuable global luxury brands, ranked #5 amongst the top global luxury players in the top 100 global brands.

If we only consider American luxury brands, then Tiffany is the #1 American luxury brand.



#1



#2

GUCCI

#3

Cartier

#4

TIFFANY & Co.

#5*

PRADA

#6

BURBERRY

#7

Dior

#8

A STORIED AMERICAN LUXURY HOUSE WITH BRAND MOAT

Tiffany & Co. is one of America's few heritage luxury houses.

It currently operates 315 stores in 30 countries*.

The Tiffany brand is one of the most iconic global luxury brands, with a storied history that started in New York City 180 years ago when Charles Tiffany founded it in 1837.

Tiffany is one of the few jewellers that has established a vertically integrated business model that provides a perception of quality and luxury to its products and services.

We concur with Morningstar's assessment of Tiffany's moat...

“it is relatively harder to establish an enduring brand moat in precious jewellery than in other luxury goods categories, given high raw material value and fewer opportunities to communicate the brand. Only a handful of precious jewellery brands have time-tested global recognition, and even fewer generate good capital returns. Tiffany's brand equity is supported by iconic and long-lived collections, instantly recognisable blue boxes, and the “Tiffany blue” colour.”

Morningstar 23/1/2017



TIFFANY'S EMOTIONAL CONNECTION TO THE AMERICAN PUBLIC

Marilyn Monroe's famous 1953 hit "Diamonds are a Girl's Best Friend" helped to place Tiffany into the American public consciousness.

Tiffany was then immortalised by the 1961 movie "Breakfast at Tiffany's", starring film and fashion icon Audrey Hepburn, where the movie portrays the story of a young girl who transforms herself through aspiration.



THE WORLD OF TIFFANY



“Whether it is the irreverent, flighty, and fun designs of Jean Schlumberger, the delicate, sculptural forms of Elsa Peretti, or the bold colourful statement pieces of Paloma Picasso, Tiffany has created some of the most iconic, complex, and yet somehow complementary accessories for America’s frequently pared-down, effortless, smart, and adaptable fashion style.”



TIFFANY & CO.

TIFFANY HISTORY, AND AN EVENTFUL 2017...



IT ALL STARTED IN 1837

- 1837 Charles Lewis Tiffany and John F. Young opens Tiffany & Young, a store selling stationery and a variety of “fancy goods” at 259 Broadway in New York.
- 1845 Tiffany publishes the first “Blue Book” mail-order catalogue.
- 1853 Tiffany bought out his partners and the Company was renamed Tiffany & Co.
- 1878 Charles Lewis Tiffany purchases a 287-carat fancy yellow diamond. It is cut to 128.54 carats and named the Tiffany Diamond.
- 1880's Tiffany redesigned the Great Seal of the United States, which can be seen on the dollar bill.
- 1886 Tiffany introduces the Tiffany Setting diamond engagement ring.
- 1902 Louis Comfort Tiffany, son of Charles Lewis Tiffany, becomes the Company’s first official design director.
- 1940 Tiffany opens its now world-renowned Tiffany flagship store at the corner of Fifth Avenue and 57th Street.
- 1978 Tiffany & Co. was sold to Avon Products Inc. for about US\$104M.
- 1984 Avon sold Tiffany to an investor group led by William R. Chaney for US\$136M. Avon also sold the land and building of the Fifth Avenue flagship store to an investment group from Texas for US\$66.5M. The group sold the land and building to Daiichi Real Estate Company for US\$94.35M one year later, at the height of the real estate boom.
- 1987 The Company's initial public offering occurred on May 5, 1987. This time, the Company no longer owned the Fifth Avenue building nor the land beneath it, which it first purchased for US\$2.8M in 1963.



AN EVENTFUL 2017

1999

Tiffany repurchased its Fifth Avenue flagship store for US\$94M. Michael Kowalski was appointed CEO. He first joined Tiffany in 1983.

2003

Michael Kowalski assumed the role of Chairman of the Board.

2015

Frédéric Cuménil, the former president and CEO at LVMH's Moët & Chandon succeeded Michael Kowalski as CEO.

2017

Activist investor JANA Partners and Francesco Trapani (former CEO of Bulgari) together purchased a ~5.1% stake in Tiffany.

Tiffany named Reed Krakoff as its Chief Artistic Officer, effective 1 February 2017.

Frédéric Cuménil resigned after only 22 months as CEO due to disappointing financial results. He is replaced by Chairman and former CEO Michael Kowalski.

Lady Gaga is featured in Tiffany's first Super Bowl commercial.

Tiffany announces that it has agreed to appoint three new directors to its board in a deal with JANA Partners and Francesco Trapani.

Tiffany named Alessandro Bogliolo as its new CEO, effective 2 October 2017.

Tiffany named Roger Farah as its new Chairman, effective 2 October 2017. Michael Kowalski remains a director.



2017 FRÉDÉRIC CUMÉNAL STEPPED DOWN AS CEO



Frédéric Cuménil abruptly stepped down as CEO hours before Tiffany’s first Super Bowl commercial featuring Lady Gaga was aired on 5 February 2017 (See page 111 for the video).

This followed the second consecutive year where revenue and profits declined under Cuménil’s leadership (Tiffany’s financial year ends on 31 January).

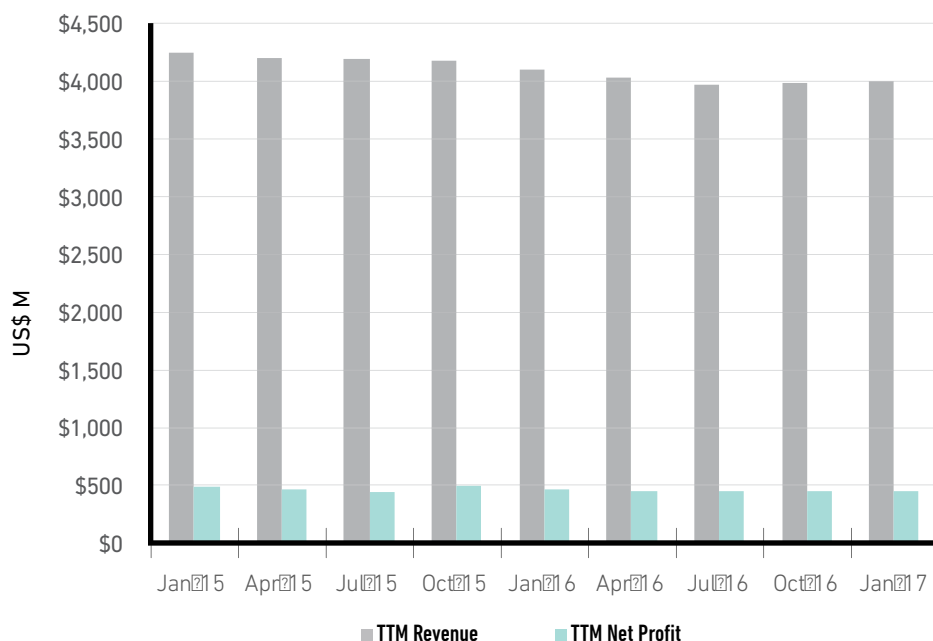
It was also reported in The Wall Street Journal (“WSJ”)* that just two days before the Super Bowl, JANA Partners informed the Company that it had built a stake and was seeking a meeting.

On the surface, the reasons for Cuménil’s dismissal were due to the lack of progress Cuménil had made in the previous two years, and also his low expectations for a quick turnaround in the near future*.

However, it was also speculated that Tiffany’s problem with Cuménil ran much deeper*, starting with his poor relationship and lack of communication with the Board, and also his hierarchical/structured management style that clashed with the more open style atmosphere which Mr. Kowalski promoted in the past decade.

We believe the announcement of Cuménil’s immediate dismissal just before Tiffany’s first ever Super Bowl commercial signalled the Board’s strong disapproval of where Cuménil was taking Tiffany.

TTM REVENUE & NET PROFIT



Tiffany’s trailing twelve months revenue and profits continued to decline during Frédéric Cuménil’s tenure.

“The Board is committed to our current core business strategies, but has been disappointed by recent financial results. The Board believes that accelerating execution of those strategies is necessary to compete more effectively in today’s global luxury market and improve performance.”

Tiffany’s announcement of Frédéric Cuménil stepping down as CEO on 5 February 2017.

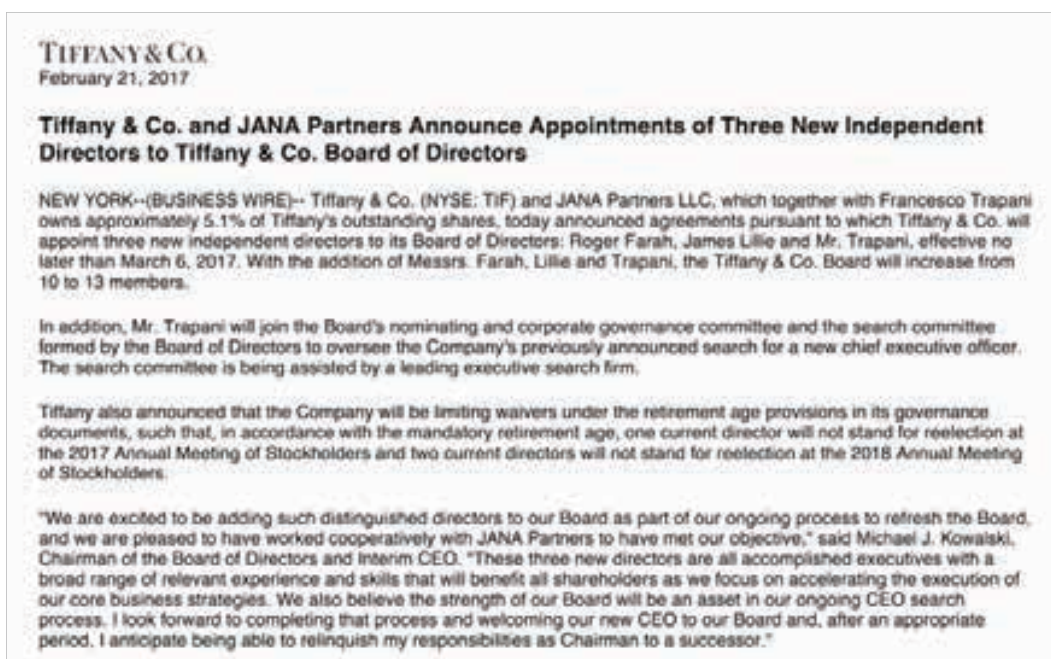
*<https://www.wsj.com/articles/tiffany-hunts-for-path-to-regain-cool-1499621248>

2017 JANA PARTNERS & FRANCESCO TRAPANI

On 21 February 2017, Tiffany announced that...

- JANA Partners with Mr. Francesco Trapani own ~5.1% of Tiffany’s outstanding shares.
- Tiffany agrees to appoint three new independent directors to its Board of Directors:
 - Francesco Trapani: Former CEO of Bulgari, former Head of Watches and Jewellery at LVMH, and the great-grandson of the Bulgari group founder Sotirio Bulgari;
 - Roger Farah: Co-CEO of the fashion brand Tory Burch (and former president of Ralph Lauren);
 - James Lillie: Former CEO of the consumer products conglomerate Jarden Corp which is now part of Newell Rubbermaid.

To date, we have observed the Board has taken a positive and co-operative step towards working with JANA/Trapani instead of trying to fight off a potential activist campaign. We suggest this is highly beneficial to the Company and all shareholders, as observed from the successful recruitment of Alessandro Bogliolo, the former COO of Bulgari (and more recently former CEO of Diesel) as Tiffany’s new CEO, and the naming of Roger Farah, one of the three new directors as Chairman.



*Barry Rosenstein,
Founder, Managing
Partner and Co-Portfolio
Manager of JANA
Partners*



*Francesco Trapani,
the former CEO of
the Italian jewellery
house, Bulgari*

2017 NEW CEO ALESSANDRO BOGLIOLO



On 13 July 2017, Tiffany named Alessandro Bogliolo as its new CEO, effective 2 October 2017.

Alessandro Bogliolo was the CEO of the Italian fashion brand Diesel since 2013. He was previously the COO of the Italian jewellery and luxury goods brand Bulgari for many years until it was acquired by LVMH in 2011. We note that Mr. Bogliolo had worked with Mr. Francesco Trapani for many years when Mr. Trapani was the CEO of Bulgari.

We believe the key reasons to Mr. Bogliolo's appointment as Tiffany's new CEO are:

1. Mr. Bogliolo's long history working at the prestigious luxury house of Bulgari in a senior leadership position;
2. Mr. Bogliolo's efforts and positive results in revitalising the Diesel brand in a relatively short period of time since his hiring in 2013; and,
3. Mr. Trapani's personal endorsement as Bogliolo's former boss, and the support of the JANA/Trapani alliance.

"Alessandro has a well-deserved reputation for creativity and execution, having previously led a number of international brands to success and improved performance. I also believe that his vision and team-oriented approach make him an ideal fit with Tiffany's long-standing values."

Michael J. Kowalski, Chairman and interim CEO, 13 July 2017.

"We are delighted to have been able to attract a leader who has the global experience and passion for our brand and heritage to drive extraordinary design, outstanding customer experience and capital efficiency. He is a proven executive with the skills necessary to accelerate revenue growth and increase value for all shareholders during this next chapter for Tiffany."

Rose Marie Bravo, Chairwoman of the Search Committee of the Board of Directors, 13 July 2017.

2017 NEW CHAIRMAN & NEW CHIEF ARTISTIC OFFICER



New Chairman – Roger Farah

- On 21 September 2017, Tiffany named Roger Farah as its new Chairman, effective 2 October 2017. Mr. Farah has over 40 years of experience in the lifestyle products and retailing sectors.
- Mr. Farah served as the Co-CEO of Tory Burch from 2014 to 2017. He also served as President and COO of Ralph Lauren from 2000 to 2013 and as Executive Vice Chairman from November 2013 to May 2014. Prior to joining Ralph Lauren, he served as Chairman of the Board and CEO of Venator Group (now Foot Locker)

Newly Created Position – Chief Artistic Officer – Reed Krakoff

- On 17 January 2017, Tiffany named Reed Krakoff as its Chief Artistic Officer, effective 1 February 2017.
- Krakoff began designing for classic American design houses such as Anne Klein and Ralph Lauren. Krakoff became known throughout the industry for his time spent with iconic accessories brand, Coach, and spent most of his 16 years with the company as President and Executive Creative Director.
- Krakoff has been working with Tiffany from 2016 as a creative collaborator on the launch of a new Home & Accessories Collection that debuted in November 2017.
- He directs design for Tiffany & Co. brand jewellery, as well as luxury accessories, and leads the brand's overarching artistic and design vision with respect to stores, e-commerce, marketing and advertising.



INDUSTRY OUTLOOK



RETURN TO TIFFANY®

SHOP GIFTS FOR HER



REGIONAL OUTLOOK

REST OF ASIA
WEL M. CHENG
Undermined by repatriation of Chinese consumption
HK & MACAU NEGATIVE YET 'AIDS ARE GONE'
TAIWAN & SEA SUFFERING FROM CHINESE DROP, SINGAPORE ON RECOVERY TRAJECTORY, SOUTH KOREA WEAKENED BY LOCAL POLITICAL TENSIONS

ROW
Quiet, waiting for the next hot spot to emerge
MIDDLE EAST FLAT, FACING A SLOWDOWN OF LOCALS WITH THE EXCEPTION OF DUBAI
AUSTRALIA DILUTED BY REDUCED CHINESE TOURISM
AFRICA NOT YET RELEASING ITS VALUE

JAPAN
Sluggish but 'safe harbor'
MATURE AND SLOW-MOVING BUT STILL A SAFE MARKET FOR LUXURY BRANDS
HIT BY DROP IN TOURISM, ESPECIALLY FROM CHINA, BUT STILL SUPPORTED BY LOCAL SPENDING

2017 FULL YEAR OUTLOOK

AMERICAS
Continuing to underperform with unclear outlook
US FACING STRONG DOLLAR AND FEAR POLITICS AND DEPARTMENT OF JUSTICE
LATAM FUELED BY LOCALS ALSO DUE TO US LIMITATIONS
CANADA DYNAMIC YET SLIGHTLY SLOWING DOWN

EUROPE
Shining, progressively overcoming 'terrorism shock'
INCREASINGLY ATTRACTIVE FOR TOURISTS OF ALL NATIONALITIES
PERCEIVED TO BE SAFER, POST-BREXIT UK OVERPERFORMS
LOCALS REGAINING CONFIDENCE IN ALL COUNTRIES

MAINLAND CHINA
Firm rebound with healthier local consumption
CHINESE SHOWING ROBUST IMPULSE TO MAINLAND CHINA
LOCALS INCREASINGLY PREFERRING TO BUY LUXURY AT HOME; STILL TRAVELLING BUT BUYING LESS ABROAD

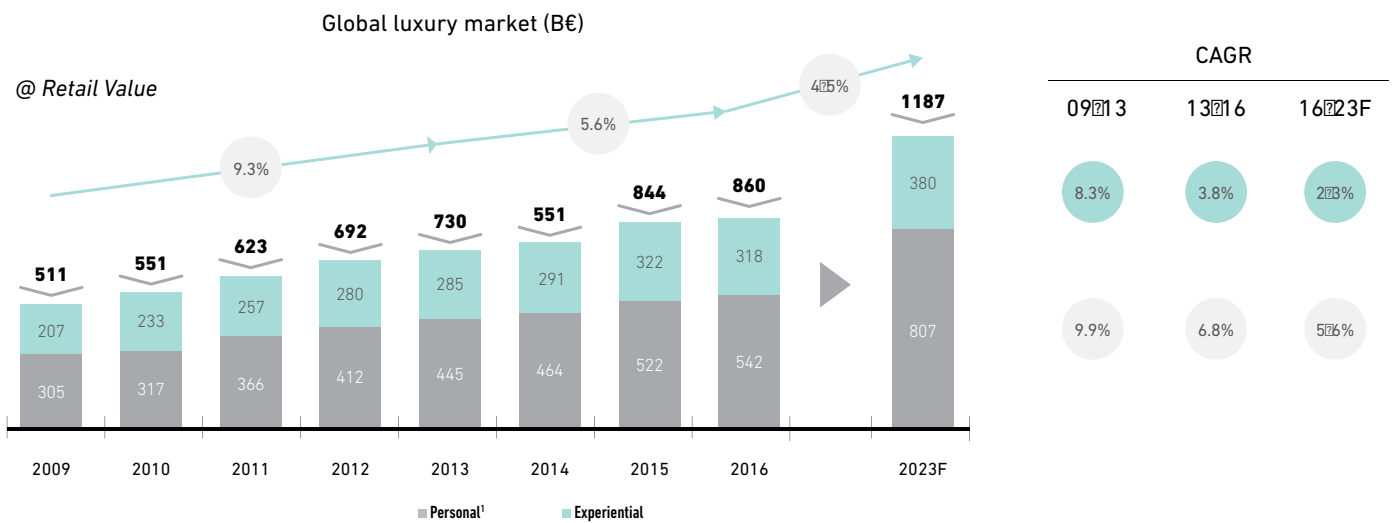
2017 FULL YEAR OUTLOOK

WORLDWIDE LUXURY MARKET MONITOR
2017 SPRING UPDATE
20 MAY 2017
BAIN & COMPANY
MCGRAW HILL

GROWTH FORECAST

The global personal luxury sector is expected to grow at +2% - +3% annually from 2016-2023.

THE GLOBAL LUXURY MARKET WORTH ~860Bn€ IN 2016,
EXPERIENTIAL GROWING FASTER THAN PERSONAL LUXURY



1. Personal goods include accessories, apparel, watches @ jewelry, fragrances & cosmetics
Source: BCG Luxury Market model

BY CATEGORY

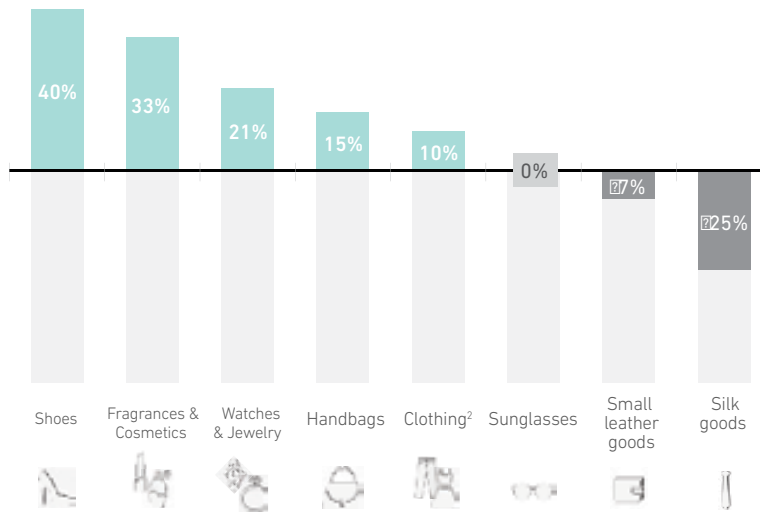
Luxury consumers are expected to increase their spending on fragrances, watches and jewellery.

Tiffany has recently released their first fragrance product in 15 years (manufacturer and marketed by Coty).

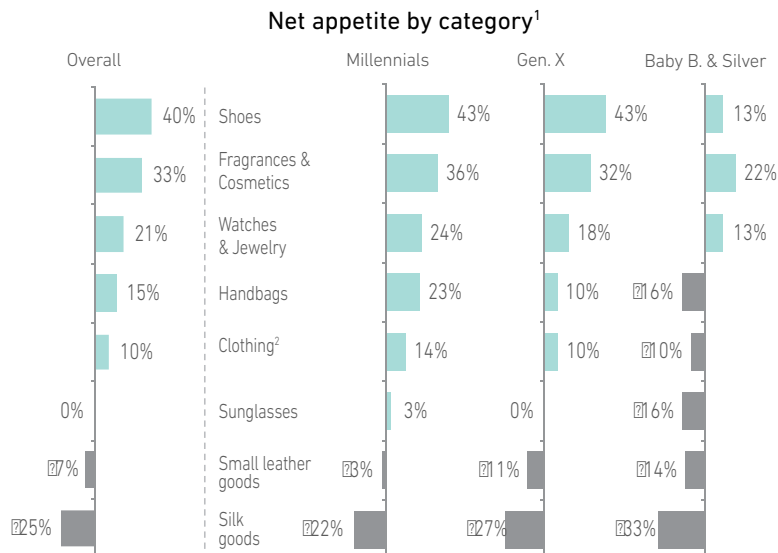
Tiffany is rebuilding its watch business after the failed JV with Swatch.

IN A SLOWER PERSONAL LUXURY MARKET, WINNERS AND LOSER EXPECTED ALSO AMONG CATEGORIES

True Luxury Consumers net appetite by category¹
 (net appetite = people increasing spend in the future > +20% □ people decreasing spend in the future > -20%)



APPETITE DRIVEN BY MILLENNIALS WITH SHOES AND F&C KEY TO RECRUIT THEM □ HANDBAGS POLARIZED

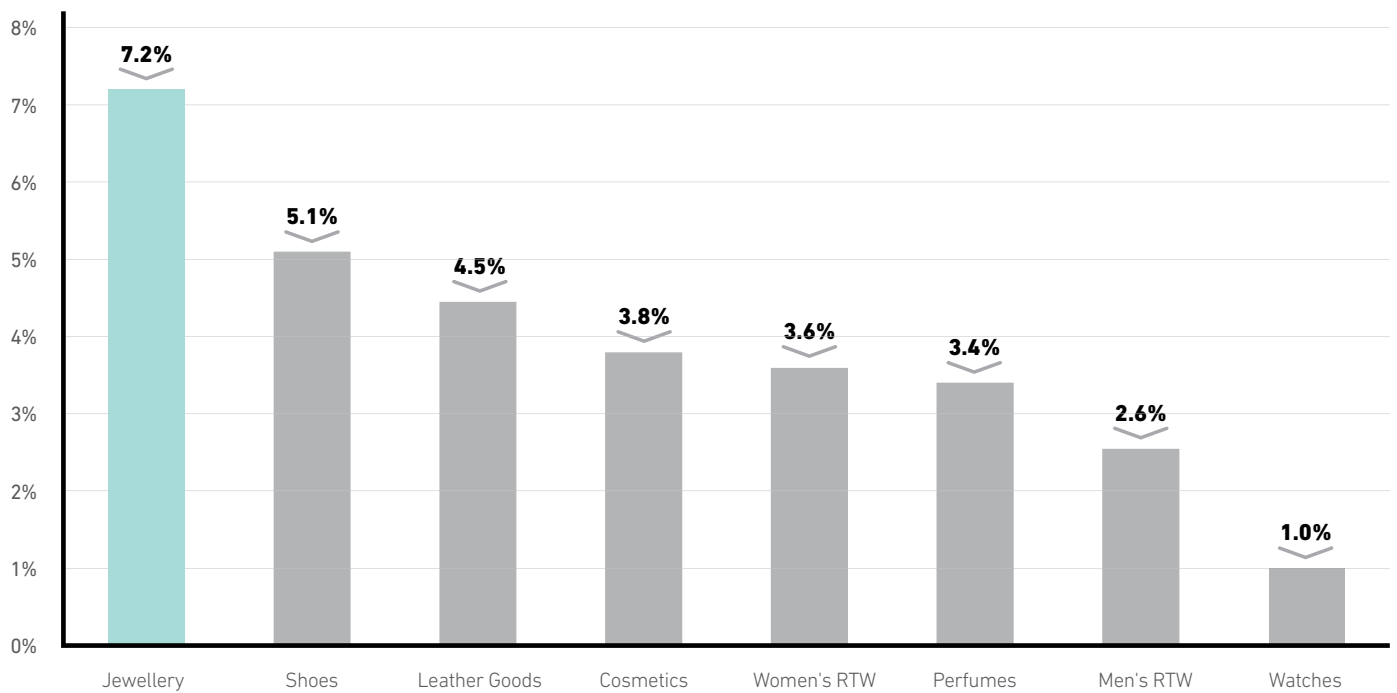


JEWELLERY TO OUTPERFORM

Tiffany generates the majority of its sales from its jewellery offering (92% of Tiffany’s FY2016 sales).

Jewellery is forecast to be the strongest growing category, with a forecast annualised growth rate of +7.2% versus the broader global personal luxury sector from 2015 to 2020*.

PERSONAL LUXURY SEGMENT FORECAST GROWTH (2015-2020 CAGR)*



* Source: Bain Altgamma, Bernstein Research



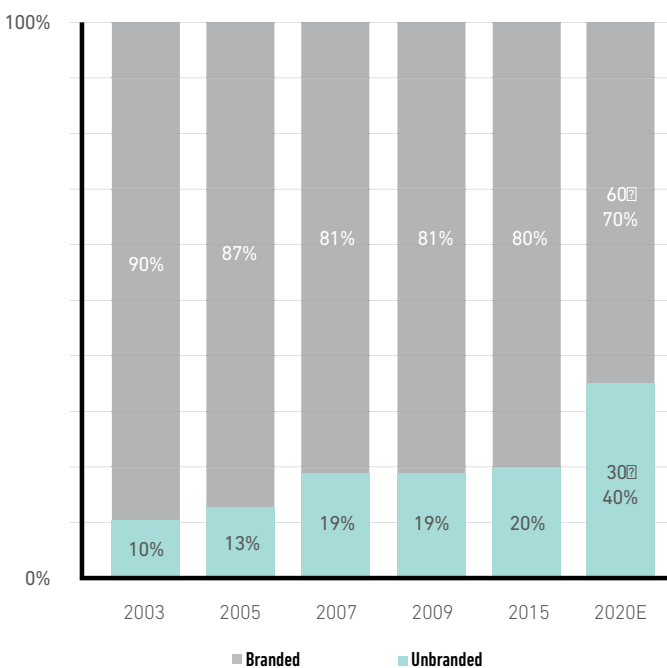
BRANDED vs UNBRANDED JEWELLERY

The jewellery industry is primarily local, and ~80% of all jewellery sold is unbranded jewellery sold by local/national retailers.

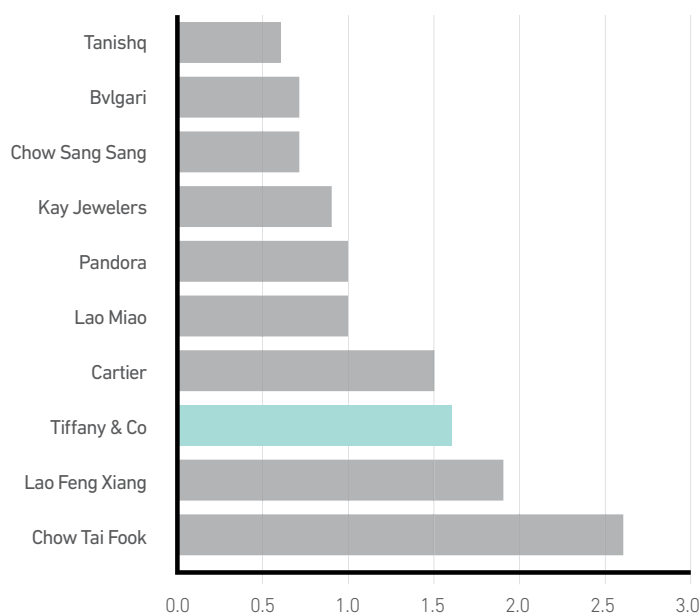
However, there is a growing trend towards branded jewellery as many consumers in growth markets such as India and China begin to shift purchase decisions from value to design/fashion/branding.

According to Bernstein Research*, branded jewellery is expected to be the fastest growing personal luxury segment in coming years. The strong brand awareness globally for Tiffany should allow the Company to capitalise on this trend.

BRANDED VS UNBRANDED JEWELLERY (%)*



MARKET SHARE (%) 2 TOP 10 GLOBAL BRANDS*



*Source: Bernstein Research - Tiffany: Time to get engaged? June 2016

1 Tanishq is a jewellery brand in India. It is a division of Titan Company (TTAN:IN).

2 Chow Sang Sang (116:HK) is a HK-based jewellery retailer/precious metals wholesaler, with over 200 stores in the Greater China region.

3 Kay Jewelers is one of the store brands owned by Sterling Jewelers, which is a wholly owned subsidiary of UK-based Signet Jewelers (SIG:US).

4 Lao Miao is a subsidiary of Shanghai Yuyuan Tourist Mart (600655:CH), the largest retailing conglomerate in China.

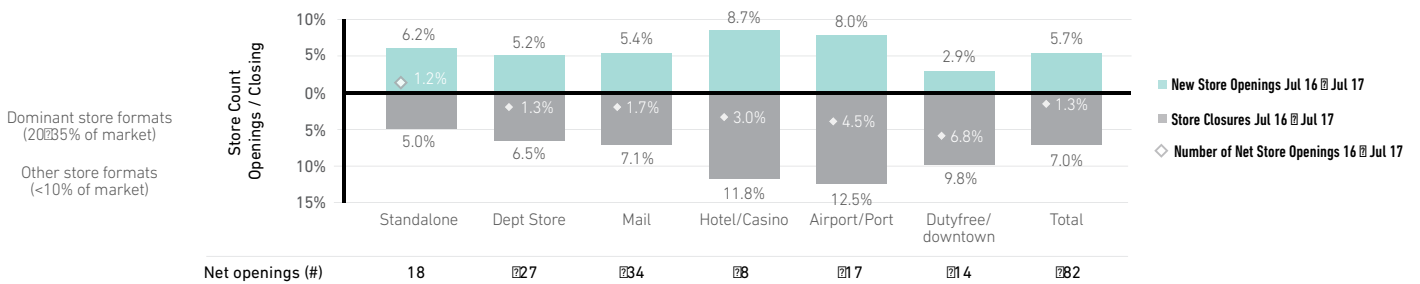
5 Lao Feng Xiang (600612:CH/900905:CH) is one of the oldest Chinese jewellery brands in existence (started in 1848). It operates over 3,000 stores worldwide, most of them in China.

6 Chow Tai Fook (1929:HK) is a multi-brand jewellery retailer (Chow-Tai Fook, Hearts On Fire, SOINLOVE, MONOLOGUE, CTF Watch) that operates 2,300 stores worldwide, most of them in China.

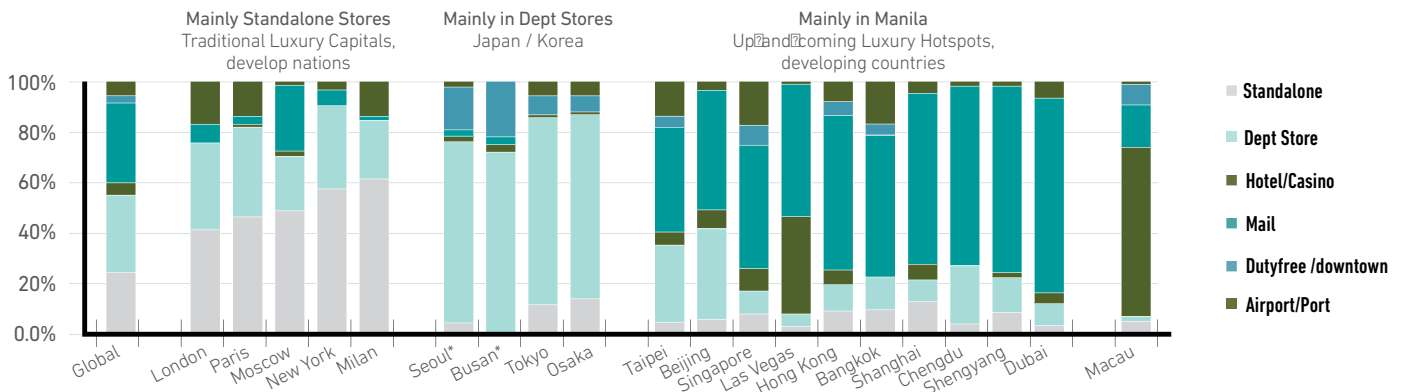
STORE NETWORK RESTRUCTURING

Weakness in luxury spending in recent years has resulted in many luxury operators restructuring their stores to deal with previous over-expansion in footprint, especially in the Greater China region (Tiffany only has ~10% of its stores located in China). Additionally, the changing retail landscape, particularly the declining traffic for many department stores and malls in the US are of concern to the luxury retailers.

STORE COUNT GROWTH BY FORMAT: JUL 16 @ JUL 17



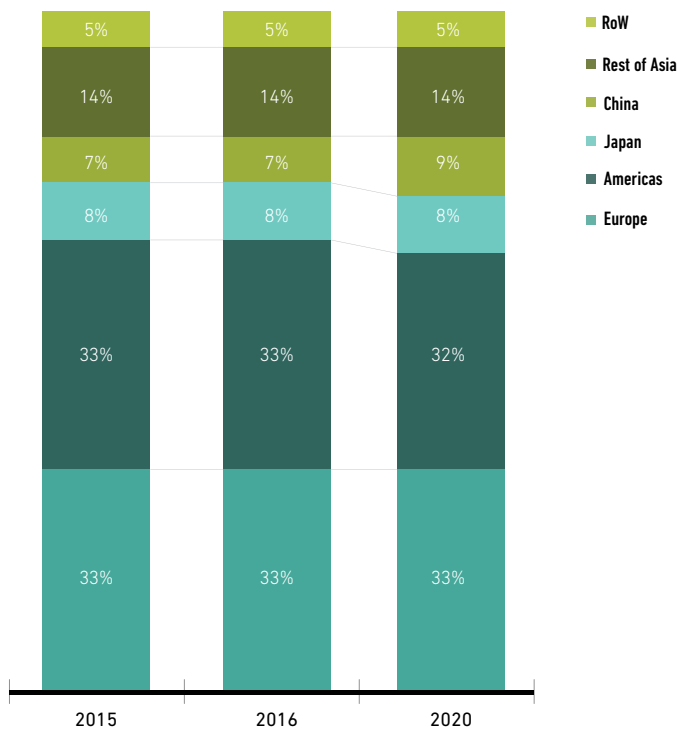
LUXURY STORE FORMATS ACROSS CITIES(% OF TOTAL SHARE)



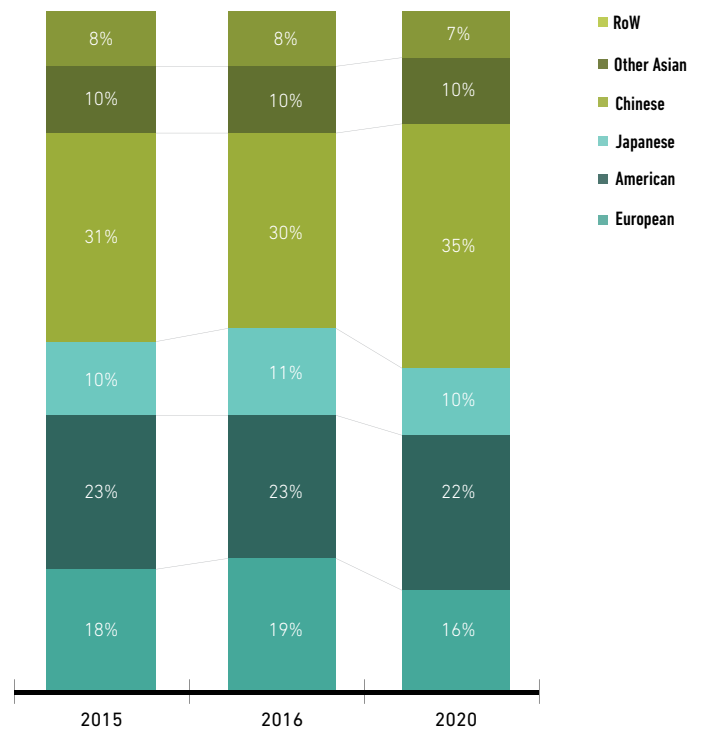
THE IMPORTANCE OF CHINA (1)

The Chinese market is one of the most important markets (both in terms of geography and nationality) for global luxury operators. This market has been weak in recent years but there is now clear evidence of a recovery.

MARKET BY REGION



MARKET BY NATIONALITY



THE IMPORTANCE OF CHINA (2)

It is forecast that the percentage of global luxury goods purchased by Chinese consumers will increase from an already impressive 32% in 2016 to 44% in 2025.

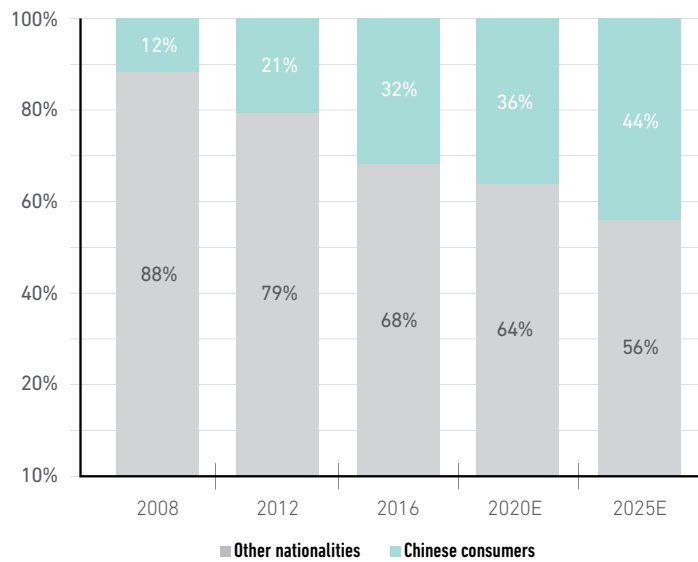
Importantly, there is a trend in the last few years for the Chinese consumers to increase consumption of luxury goods in China.

With relatively few stores in China (~10% of total stores), Tiffany is in a good position to steadily grow its store footprint in China with this increasing demand from Chinese domestic consumers.

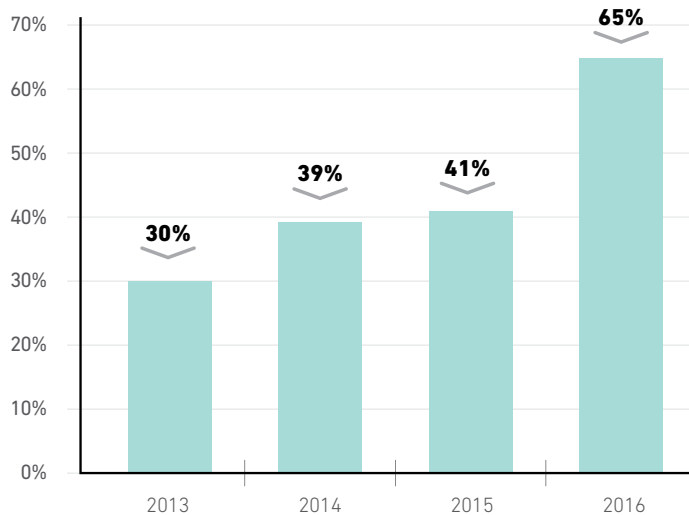
“The (Asia-Pacific) region’s sales increase came from the continuation of very strong comparable store sales growth in Mainland China.”

Tiffany Q3 FY2017 conference call (29 November 2017)

GLOBAL LUXURY GOODS NATIONALITY SPLIT



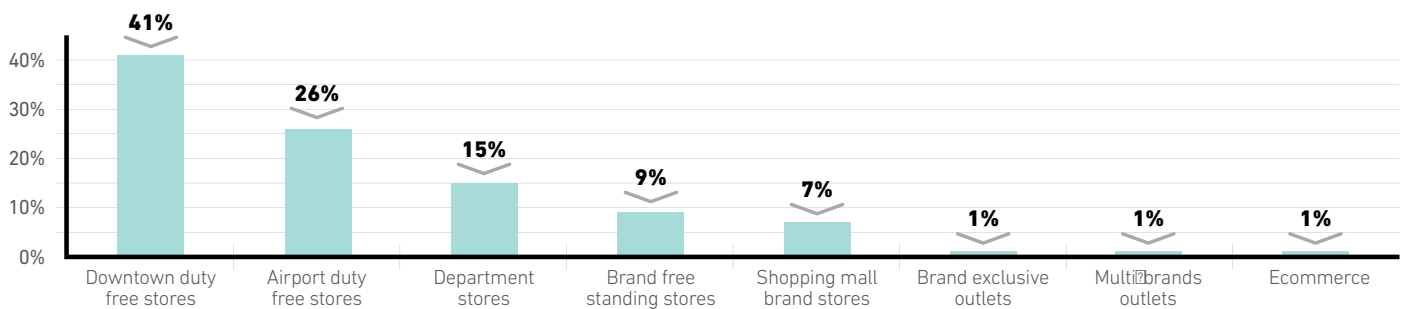
% OF CHINESE BUYING LOCALLY*



THE IMPORTANCE OF CHINA (3)



SHOPPING CHANNELS USED BY CHINESE CONSUMERS WHEN OVERSEAS



BUSINESS & GEOGRAPHIC SEGMENTS, STORES AND INVENTORY



OVERVIEW

Tiffany management is challenged to delicately balance the idea of “inclusiveness” and “luxury” in its product offerings, as fashion jewellery continues to increase as a percentage of total sales in recent years.

Tiffany breaks down its offering into five categories:



HIGH, FINE & SOLITAIRE JEWELLERY

19% of Sales
Average Selling Price
= US\$6,300



ENGAGEMENT JEWELLERY & WEDDING BANDS

28% of Sales
Average Selling Price
= US\$3,400



FASHION JEWELLERY

33% of Sales
Average Selling Price
= US\$350



DESIGNER JEWELLERY

12% of Sales
Average Selling Price
= US\$530



OTHER

8% of Sales

SALES BY REPORTABLE SEGMENT



BUSINESS SEGMENTS ? HIGH, FINE & SOLITAIRE JEWELLERY

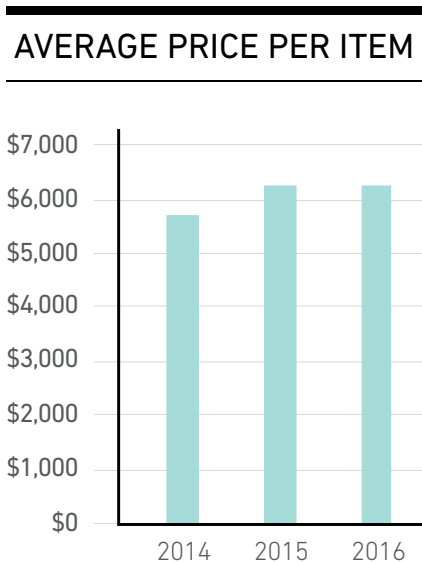
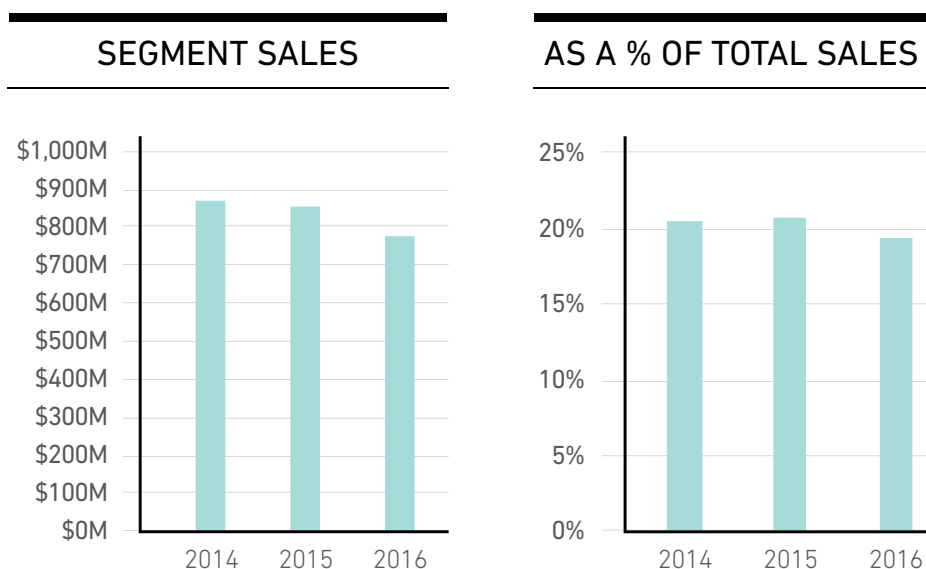
This category includes Tiffany’s high, fine and solitaire (other than engagement) jewellery.

The Company notes that most sales in this category are of items containing diamonds, other gemstones or both. Most jewellery in this category is constructed of platinum, only 15% of sales are jewellery constructed primarily in gold.

From the charts below, we see the category is in decline in terms of both absolute sales and percentage of total sales. The Company was unable to increase prices in 2016 due to further deterioration in demand.

Management admitted there is a shift in mix away from high, fine & solitaire jewellery to fashion jewellery.

Clearly this is a primary area of focus for the new CEO Alessandro Bogliolo.



BUSINESS SEGMENTS ? ENGAGEMENT JEWELLERY & WEDDING BANDS

This category includes Tiffany’s engagement rings (~60% of the category) and wedding bands (~40%).

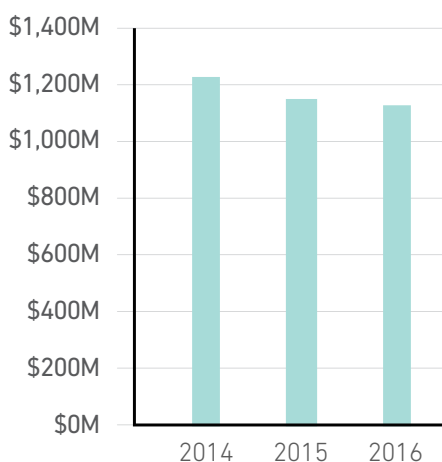
The Company notes that most sales in this category are of items containing diamonds. Most jewellery in this category is constructed of platinum, and 10% of sales are jewellery items constructed primarily in gold.

From the charts on the right, we see the category is also in decline in terms of both sales and % of sales. Worse, the average prices also declined in 2015 and 2016.

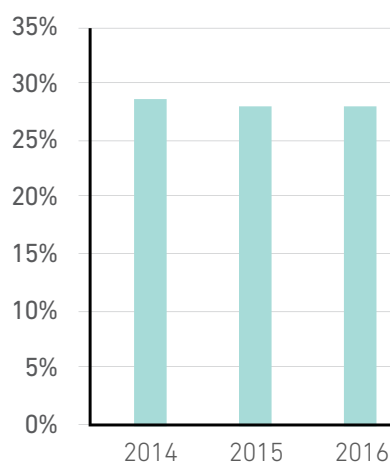
Management noted a shift from engagement rings to wedding bands.

The main concern for this category is the continued decline in traditional marriage rates in recent years in the western world.

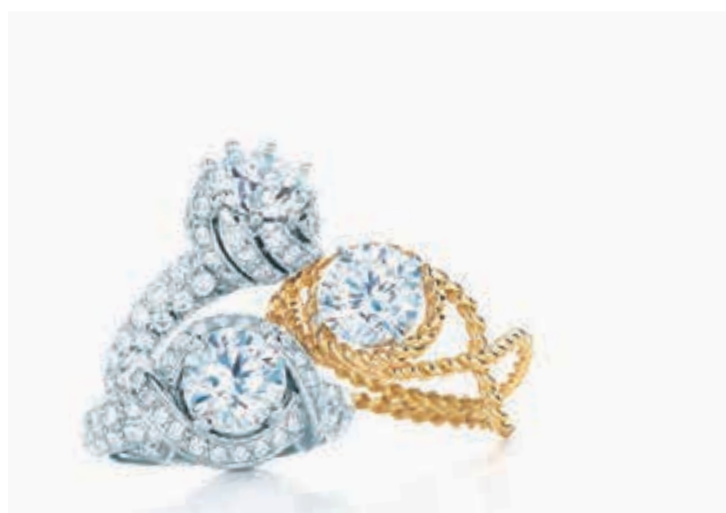
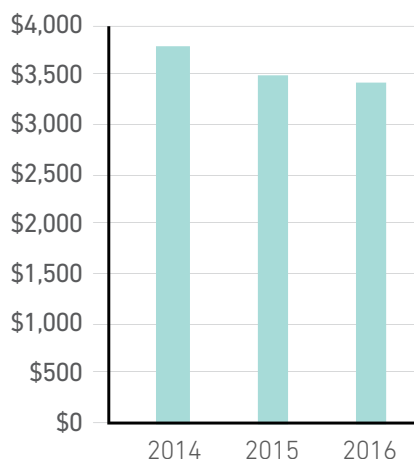
SEGMENT SALES



AS A % OF TOTAL SALES



AVERAGE PRICE PER ITEM



BUSINESS SEGMENTS ? FASHION JEWELLERY

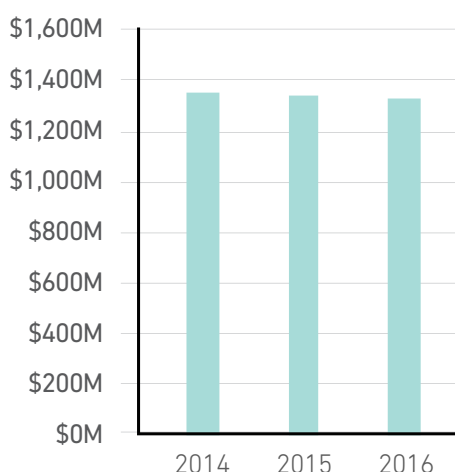
Fashion jewellery, which represented 33% of Tiffany’s FY2016 sales, primarily consists of non-gemstone gold and silver jewellery. This category has relatively higher margins than Tiffany’s other categories.

This category has outperformed Tiffany’s other categories for the last three quarters, driven partly by demand for gold jewellery and items from the “Tiffany T” collection (introduced in 2014).

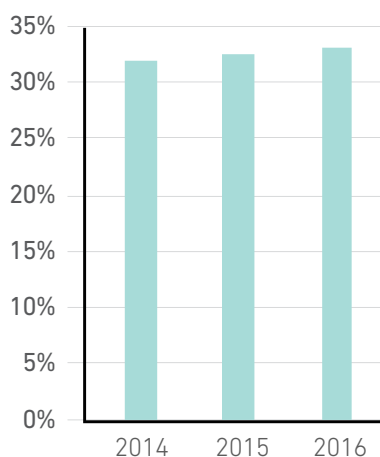
The Company has been able to improve the average price sold under this category from US\$310 in FY2014 to US\$350 in FY2016 (an increase of 13%).

We see this category continuing to grow in importance for Tiffany. However, we do recognise the challenge of expanding this category without potentially cheapening the Tiffany brand.

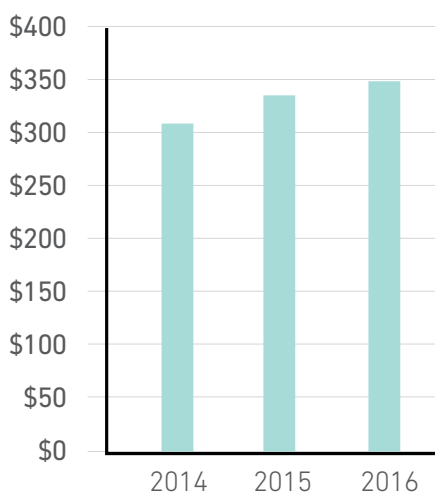
SEGMENT SALES



AS A % OF TOTAL SALES



AVERAGE PRICE PER ITEM



BUSINESS SEGMENTS ? DESIGNER JEWELLERY

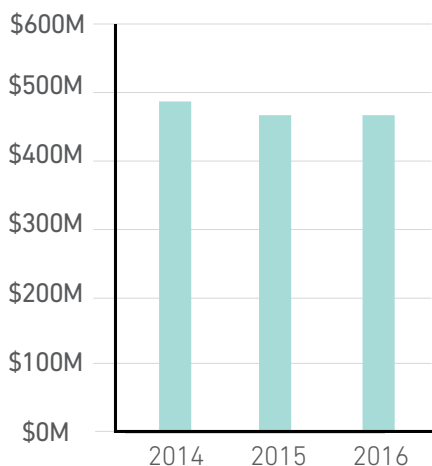
In 2016, the Company decided to create a new reportable segment – “Designer Jewellery” such that public financial reporting will conform with Management’s current internal analysis of product sales.

This category includes items bearing the name of and attributed to one of the Company’s “named” designers: Elsa Peretti and Paloma Picasso.

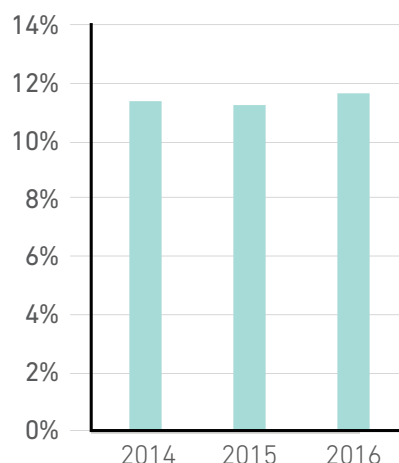
Most merchandise consists of sterling silver and gold jewellery.

From the charts below, we see the category is relatively stable. However, since the category has a higher average price than the Fashion category (~50% higher), we suggest that this is one category that Management would like to be able to grow alongside its Fashion category.

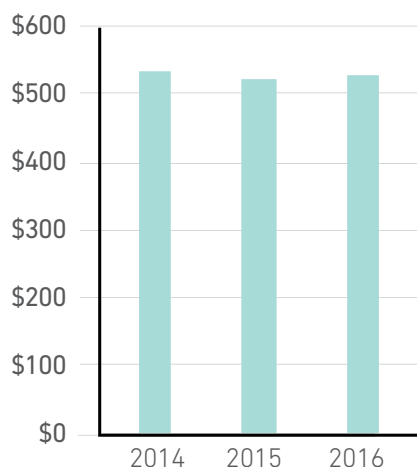
SEGMENT SALES



AS A % OF TOTAL SALES



AVERAGE PRICE PER ITEM



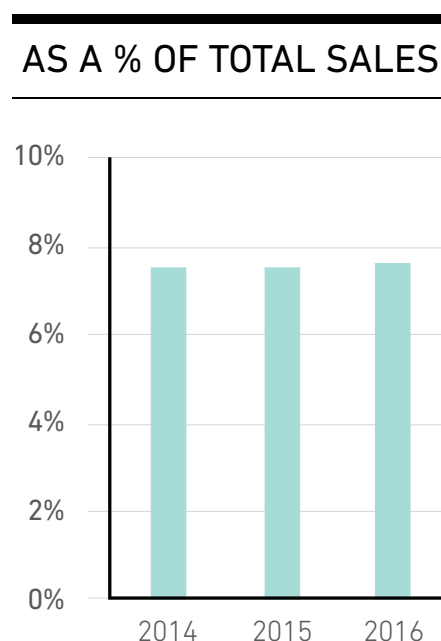
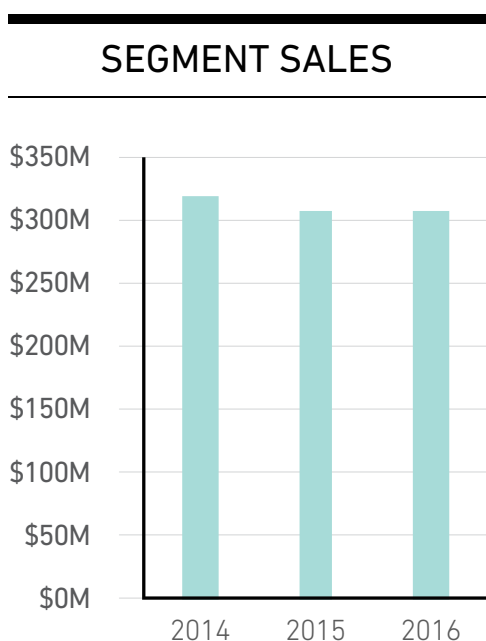
BUSINESS SEGMENTS ? ALL OTHER

Outside Tiffany’s jewellery offering (92% of Tiffany’s FY2016 sales), the Company also sells timepieces, leather goods, sterling silverware, china, crystal, stationery, fragrances and accessories. Some of the earnings come from third-party licensing agreements (e.g., fragrances with Coty, sunglasses with Luxottica).

Tiffany also engages in wholesale sales of diamonds.

Tiffany recently launched a home & accessories collection (designed by Reed Krakoff) that has been creating quite a bit of buzz on social media and is likely to lure curious Millennial shoppers to walk into the store.

We believe with the relaunching of watches, the expansion into adjacent categories through third-party licensing and in-house designed new collections, this segment will provide meaningful growth opportunities for the future.



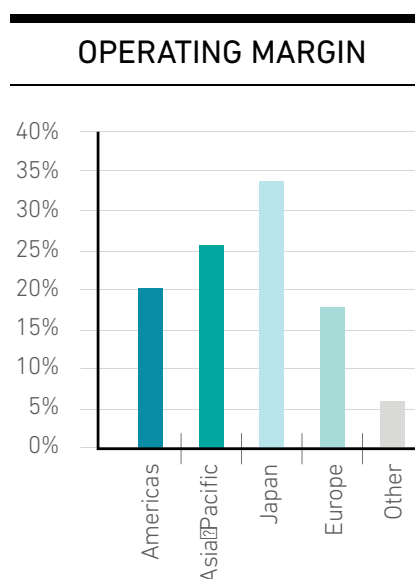
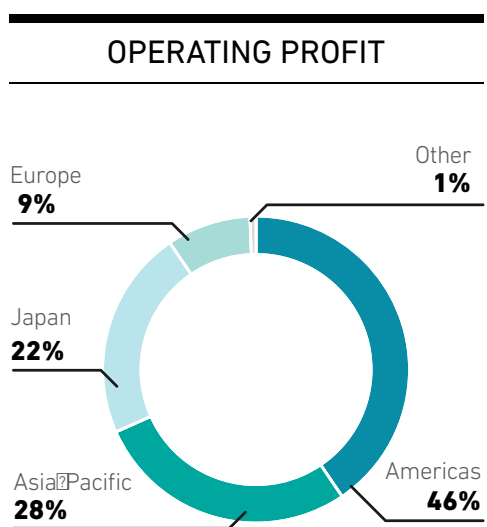
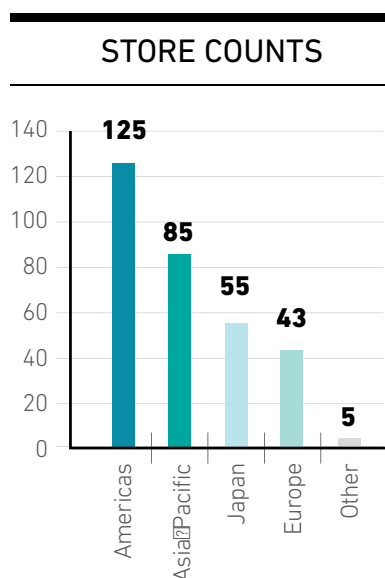
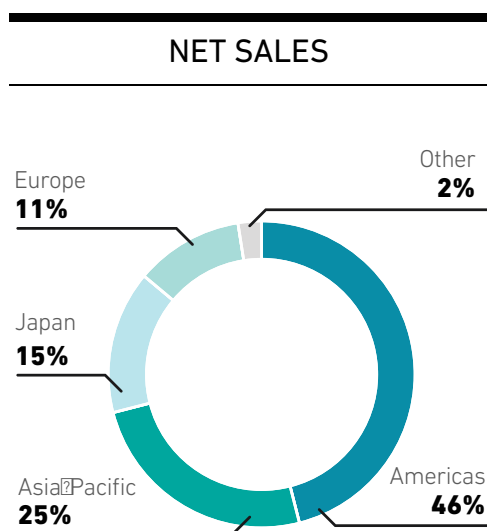
GEOGRAPHIC SEGMENTS FY2017

Tiffany’s largest three markets are Americas, Asia-Pacific and Japan.

From a profit margin perspective, we see Japan as one of the key markets for Tiffany. The macro-economic future for Japan (e.g., Abenomics) could have a material effect on Tiffany’s results.

From a revenue growth perspective, Asia-Pacific/China and Europe will be the driving force for Tiffany.

Lastly, investors are sometimes unaware of the importance of Tiffany’s famous Flagship Store on Fifth Avenue, NYC. The Company only discloses that the Flagship Store accounts for <10% of worldwide net sales. If we assume the Flagship Store accounts for ~10% of Tiffany’s worldwide sales, it implies that this single store generates almost as much sales as the 43 Tiffany stores in Europe and UK each year!

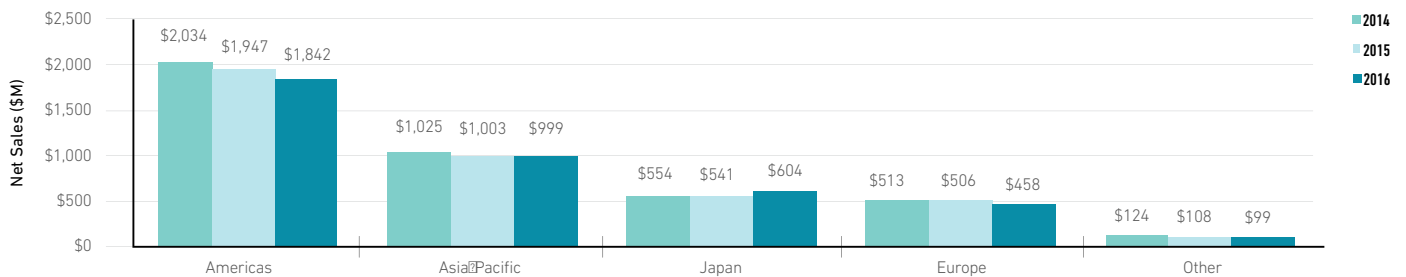


GEOGRAPHIC SEGMENTS RECENT TRENDS

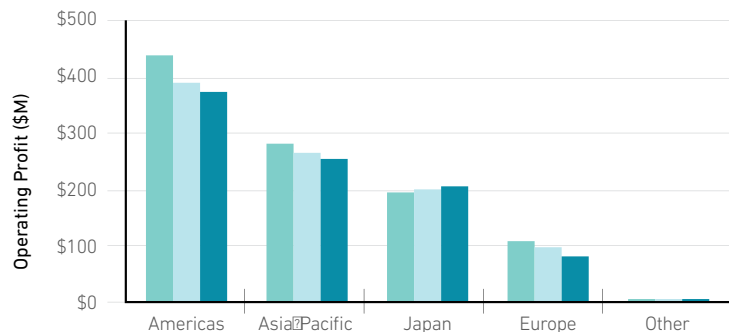
The following three charts (below) tell the story of why Frédéric Cuménil was dismissed after the 2016 financial year ended.

Almost all trends for all five segments and all three metrics for the past three years were downward, with the exception of revenue/operating profit for Japan in 2016.

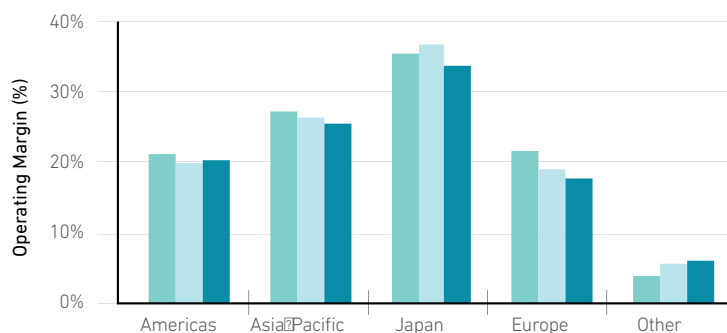
REVENUE BY GEOGRAPHIC SEGMENT



OPERATING PROFIT BY GEOGRAPHIC SEGMENT



OPERATING MARGIN BY GEOGRAPHIC SEGMENT



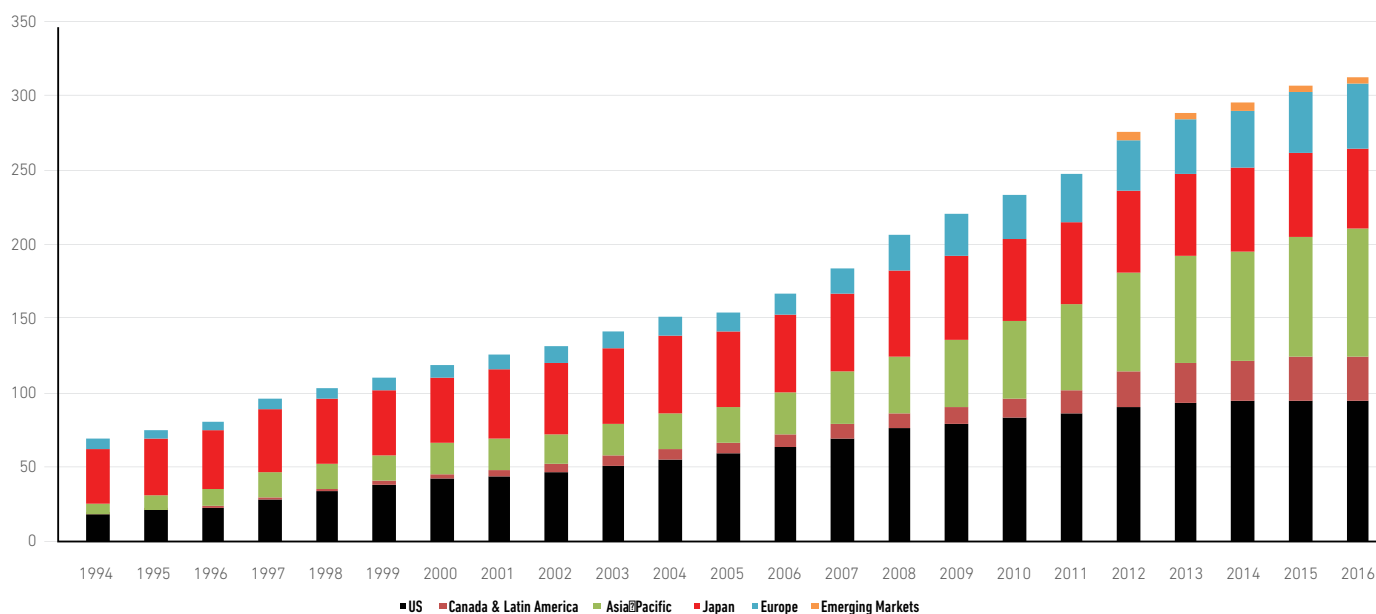
315 STORES IN 30 COUNTRIES AROUND THE WORLD

Currently, Tiffany operates 315 stores in 30 countries around the world*.

Historically, Tiffany management have executed a very conservative footage expansion strategy. As mentioned earlier, weakness in luxury spending in recent years has resulted in many luxury operators restructuring their stores to deal with previous over-expansion in footprint, especially in the Greater China region. However, Tiffany only has ~10% of its total store count located in China (31 stores in FY2016, vs 26 stores in FY2014).

Based on Management’s comments, we believe that a steady 2% annual growth and optimisation in Tiffany’s square footage around the world, especially in Asia-Pacific/China, Europe, Latin America and other Emerging Markets will provide a steady base for top line growth for Tiffany in the foreseeable future.

HISTORICAL STORE COUNTS

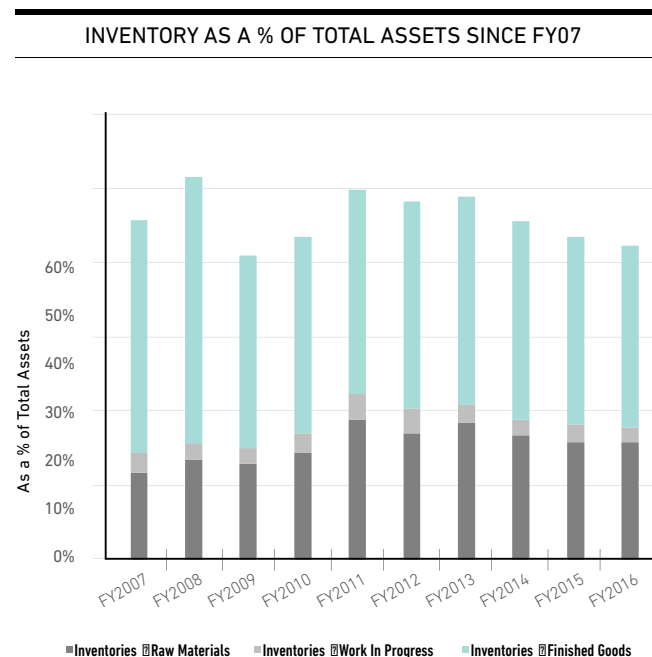
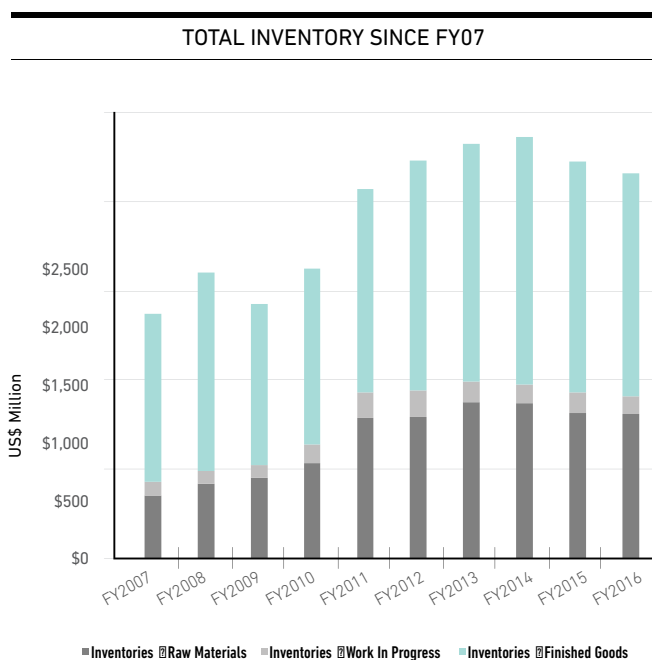


INVENTORY

Historically, the Company’s inventory strategy was to always maintain deep assortments and high availability in their stores. However, since 2015, Management also added a long-term objective of keeping inventory growth below the rate of sales growth.

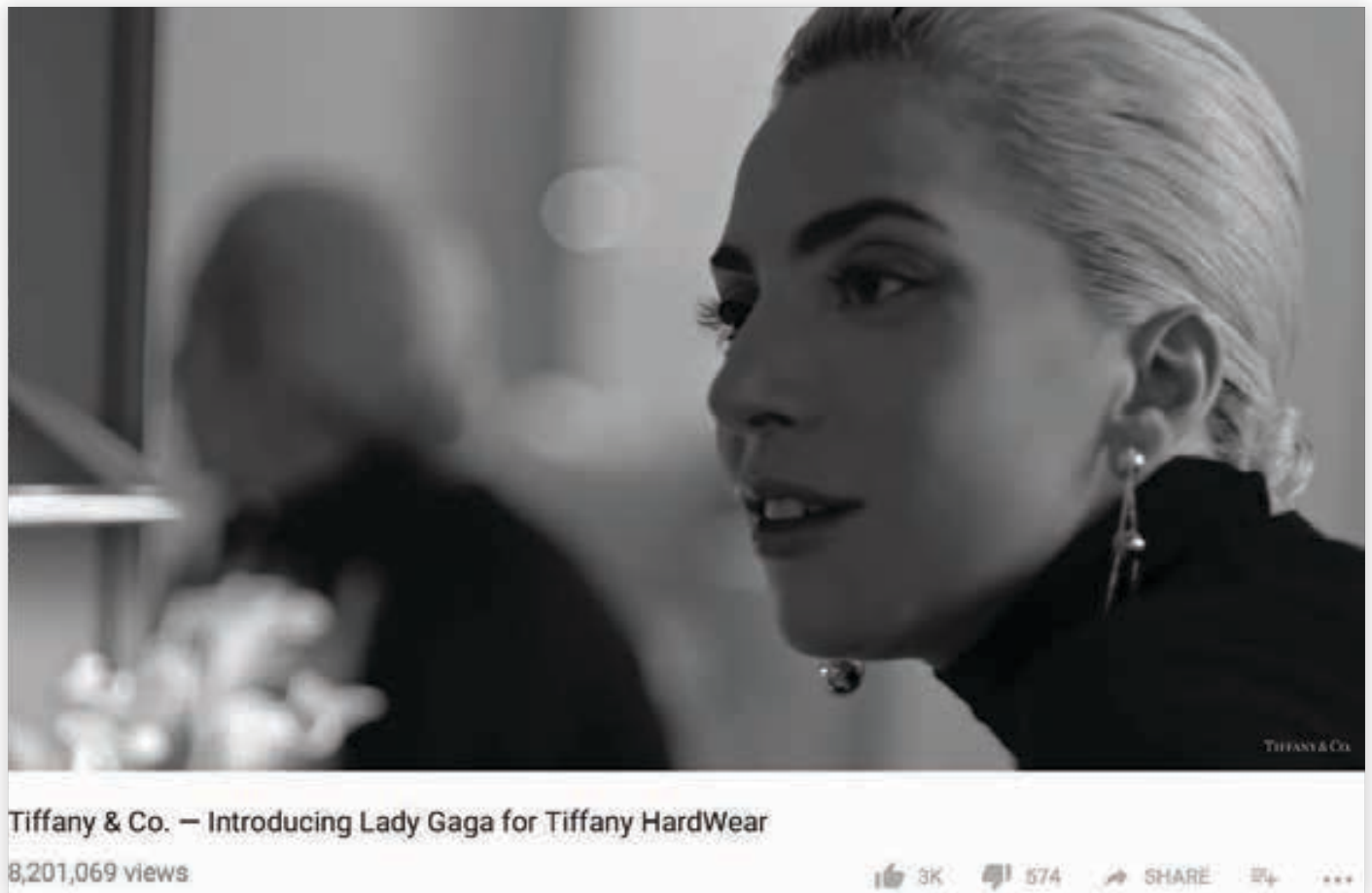
Management has focused on managing inventories more efficiently both through process improvements and by deploying a new inventory management system (fully implemented over the next several years).

Management expects inventory level for FY2017 to be similar to FY2016 due to new product introductions in 2017.



E-COMMERCE, SOCIAL MEDIA ENGAGEMENT





“As millennials become the new luxury consumers, heritage brands may find that maintaining an aura of exclusivity is less important than engaging shoppers. In 2015, millennials accounted for 41% of retail diamond sales in the US. By running campaigns with influencers like Lady Gaga and offering products at a lower price point, Tiffany gives those future luxury shoppers an entry point so that when their spending power eventually increases, the brand remains top of mind.”

L2 Inc. 10 July 2017*

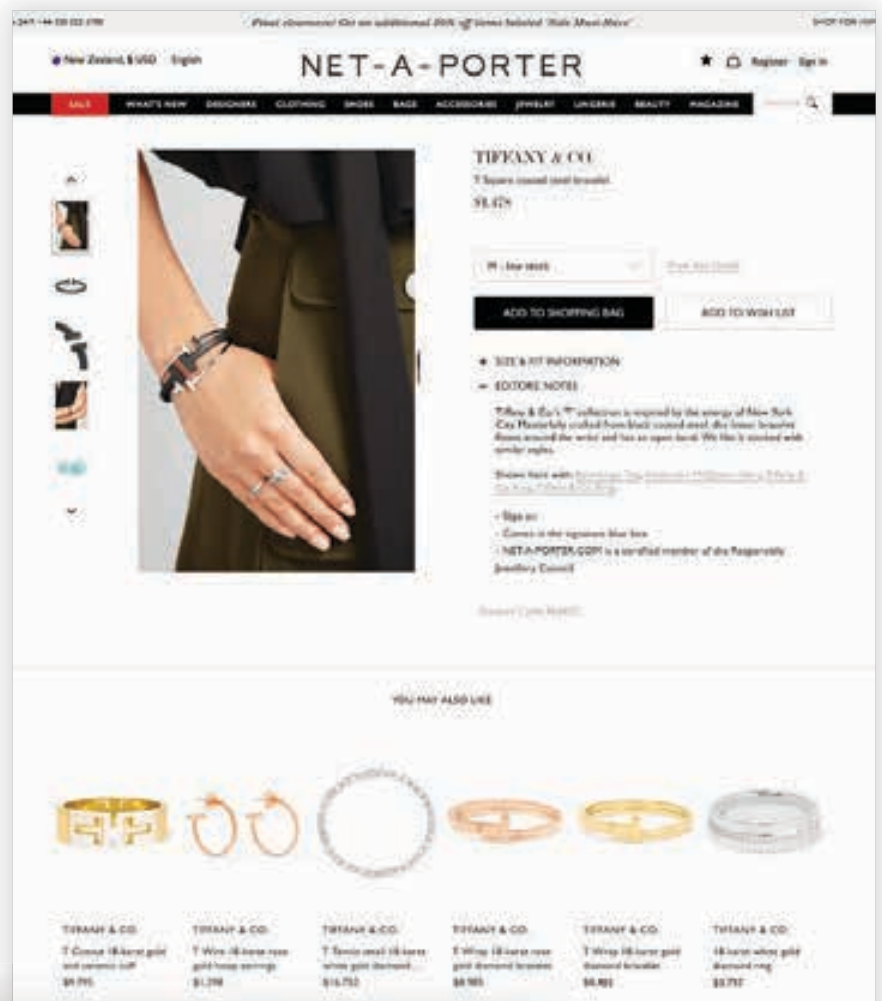
ECOMMERCE

The Company currently sells its products in 13 countries through its own e-commerce enabled websites.

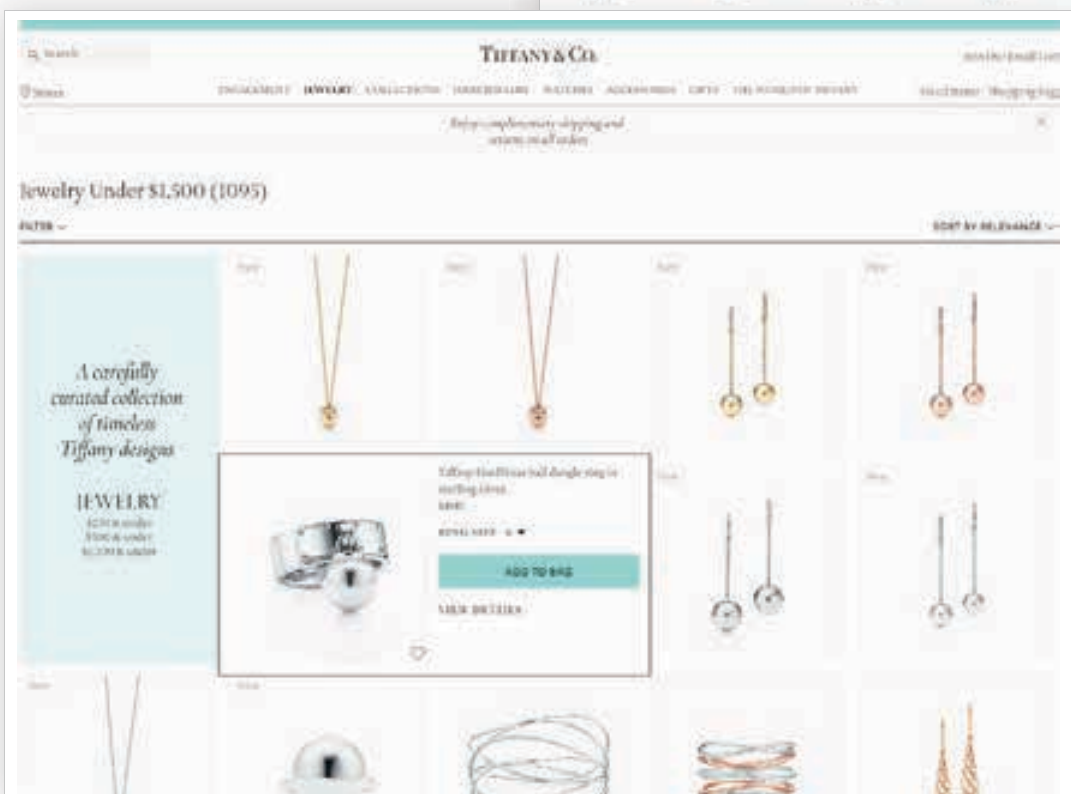
Tiffany has also been selling selected jewellery on NET-A-PORTER.COM since 27 April 2016. This partnership allows selected Tiffany jewellery to be purchased online in over 170 countries, which significantly furthers the reach of Tiffany’s online presence.

Online sales have accounted for ~6% of worldwide sales each year from 2014 to 2016.

Management noted that it is possible to have online sales move up to 8% or even 10%. But Tiffany’s online presence is also (or more so) about delivering marketing communication that drives broad awareness and store traffic.



https://www.net-a-porter.com/us/en/Shop/Designers/Tiffany_and_Co



<http://www.tiffany.com>

SOCIAL MEDIA ENGAGEMENT (1)

Tiffany is one of the best retail brands on social media, with very high social media engagement levels.

With Tiffany's renewed focus on increasing pace of newness & innovation of products, especially in the fashion jewellery segment, we believe the Company can take advantage of its high social media engagement levels to increase its online sales from 6% of worldwide sales to at least 8% in the next few years.



9.5M LIKES



1.6M FOLLOWERS



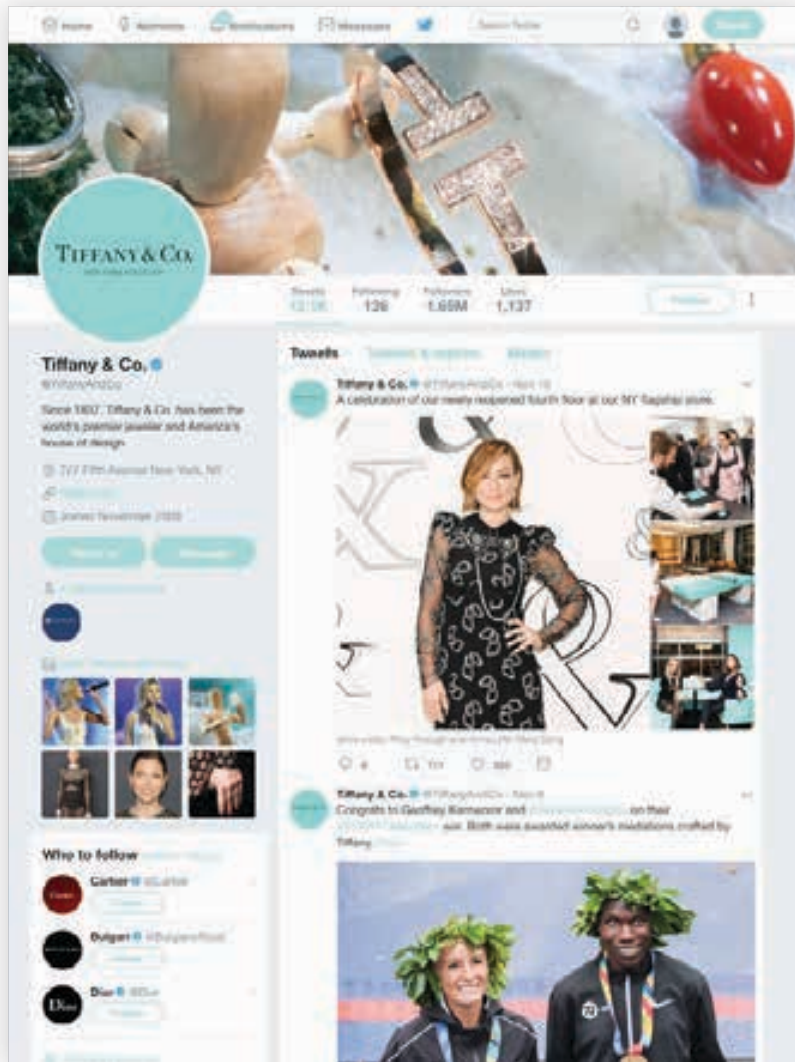
7.6M FOLLOWERS



173K FOLLOWERS



SOCIAL MEDIA ENGAGEMENT (2)

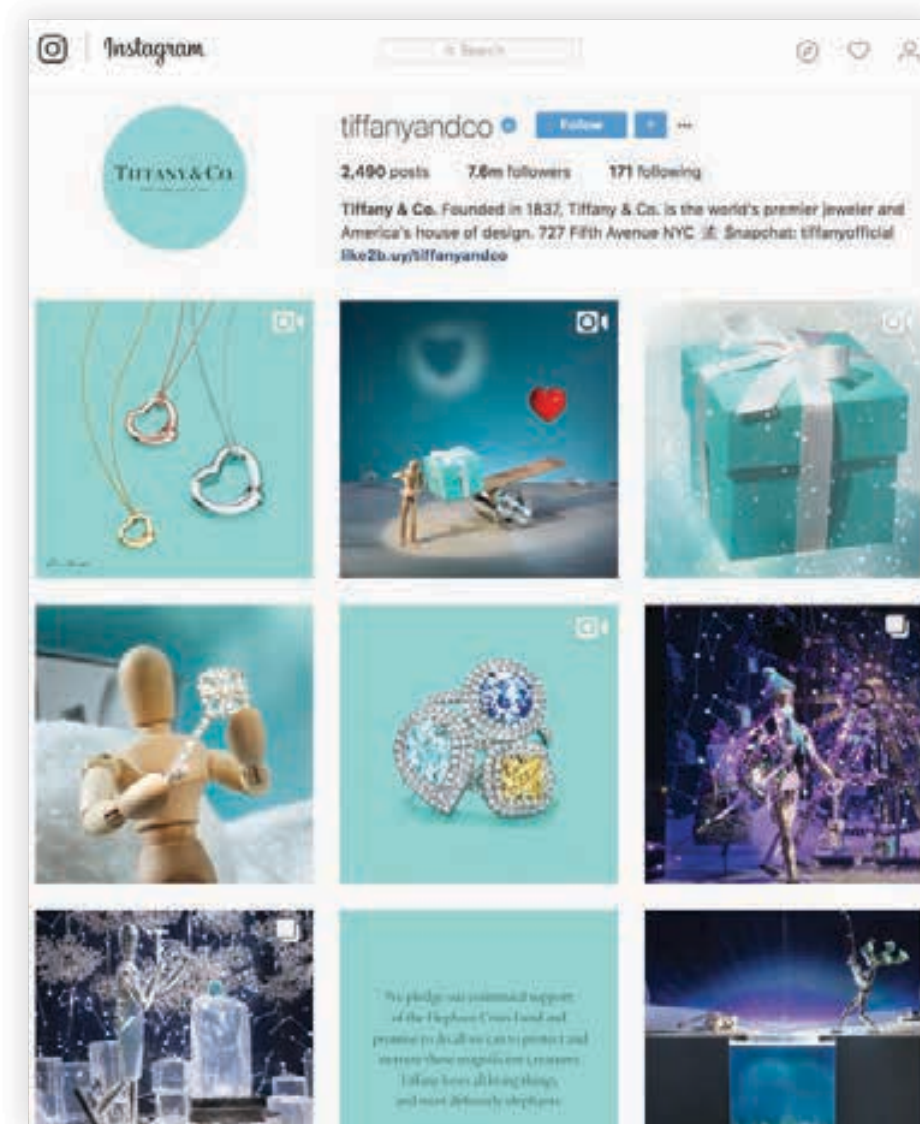


<https://twitter.com/TiffanyAndCo>

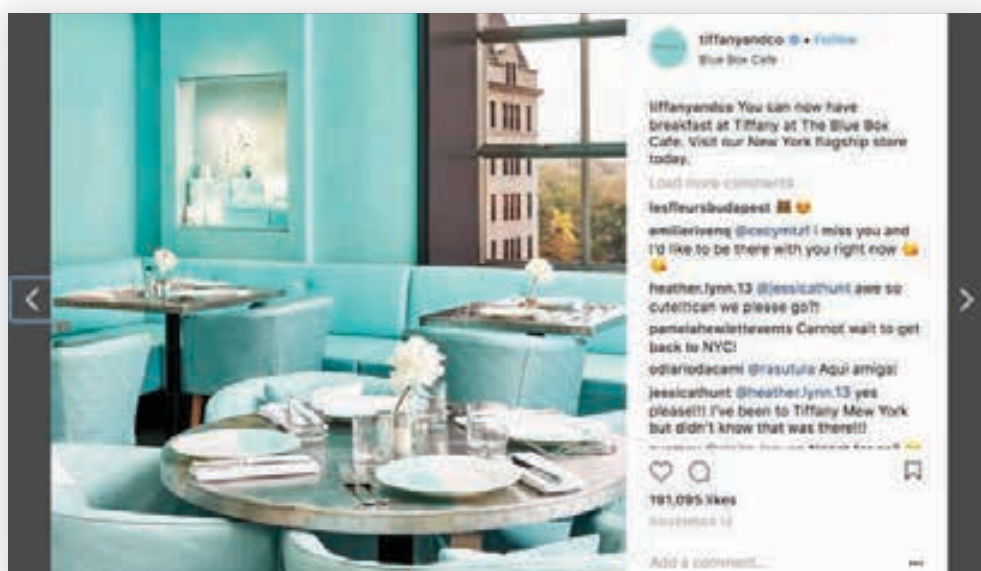


<https://twitter.com/TiffanyAndCo>

SOCIAL MEDIA ENGAGEMENT (3)

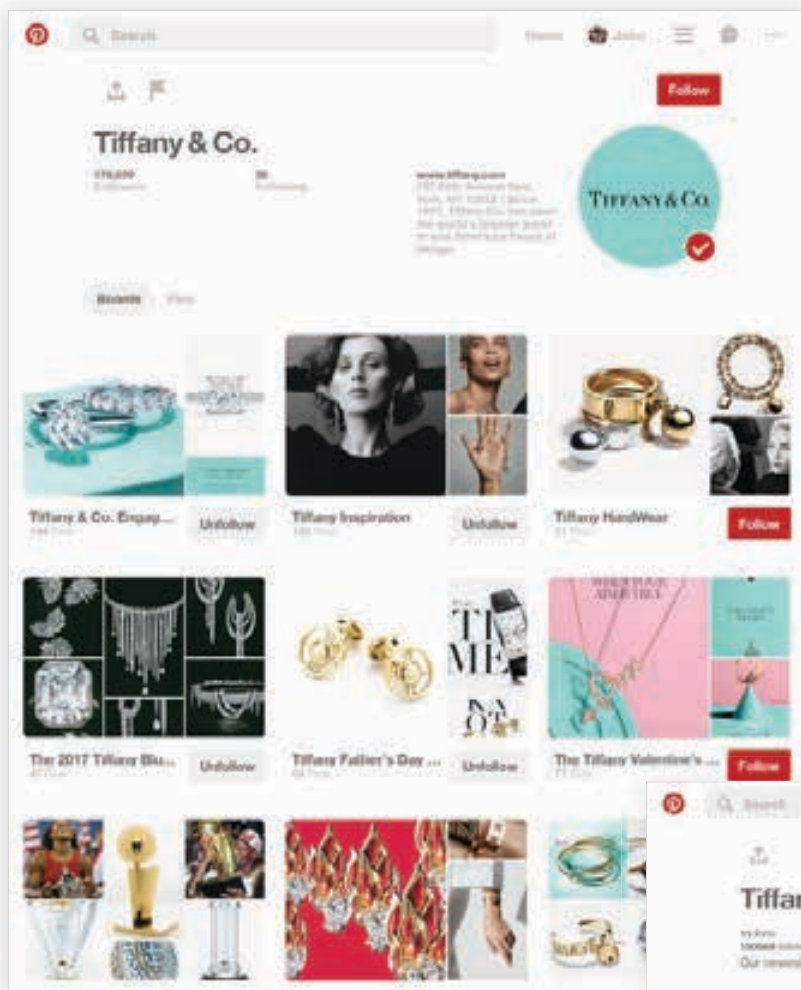


<https://www.instagram.com/tiffanyandco/>

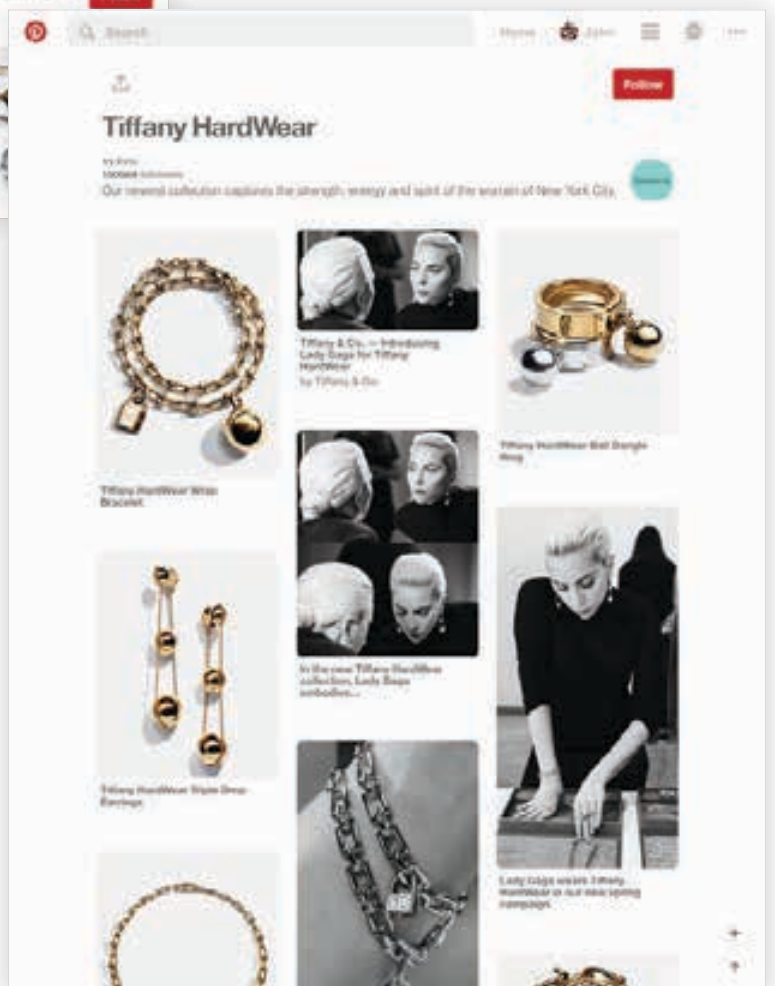


<https://www.instagram.com/tiffanyandco/>

SOCIAL MEDIA ENGAGEMENT (4)

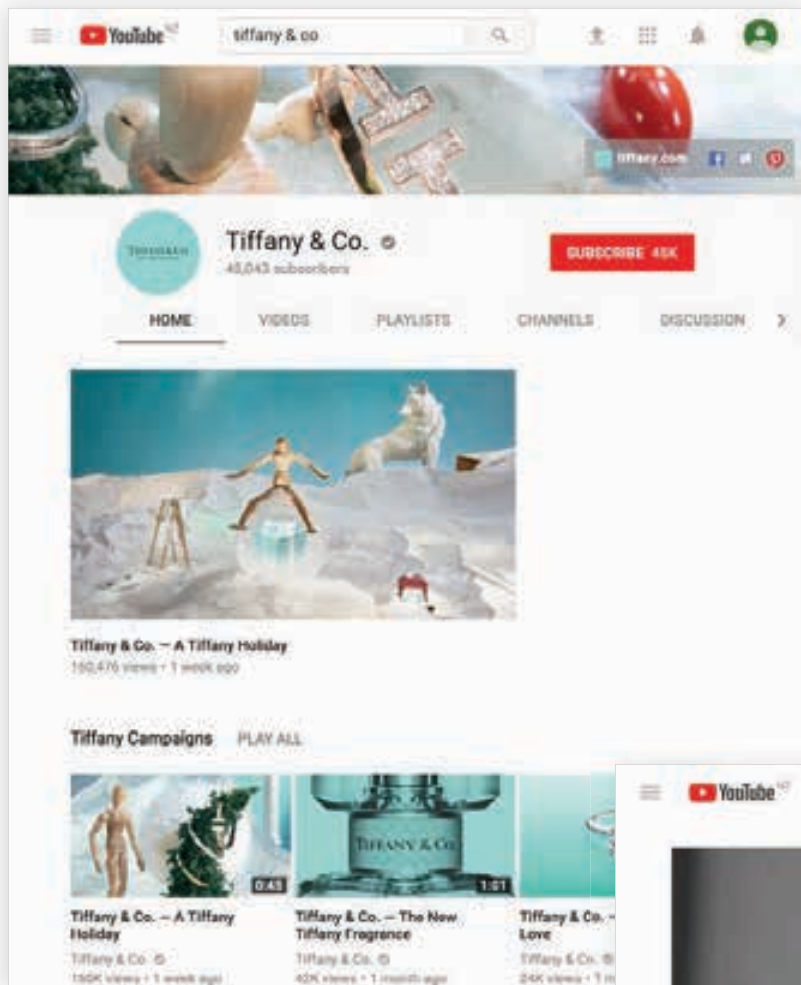


<https://www.pinterest.com/tiffanyandco/>

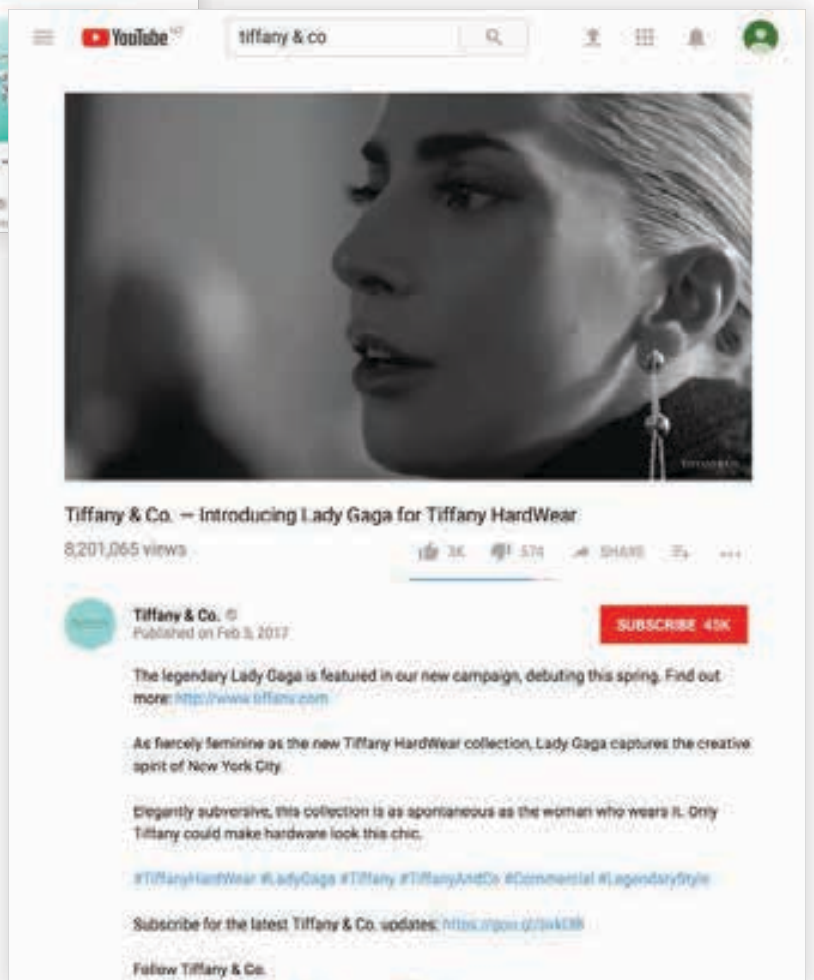


<https://www.pinterest.com/tiffanyandco/>

SOCIAL MEDIA ENGAGEMENT (5)



<https://www.youtube.com/user/OfficialTiffanyAndCo>



<https://www.youtube.com/watch?v=tGuNdkyvJSc>

FINANCIALS, FINANCIAL STRUCTURE & CAPITAL RETURN HISTORY



HISTORICAL REVENUE & NET PROFIT

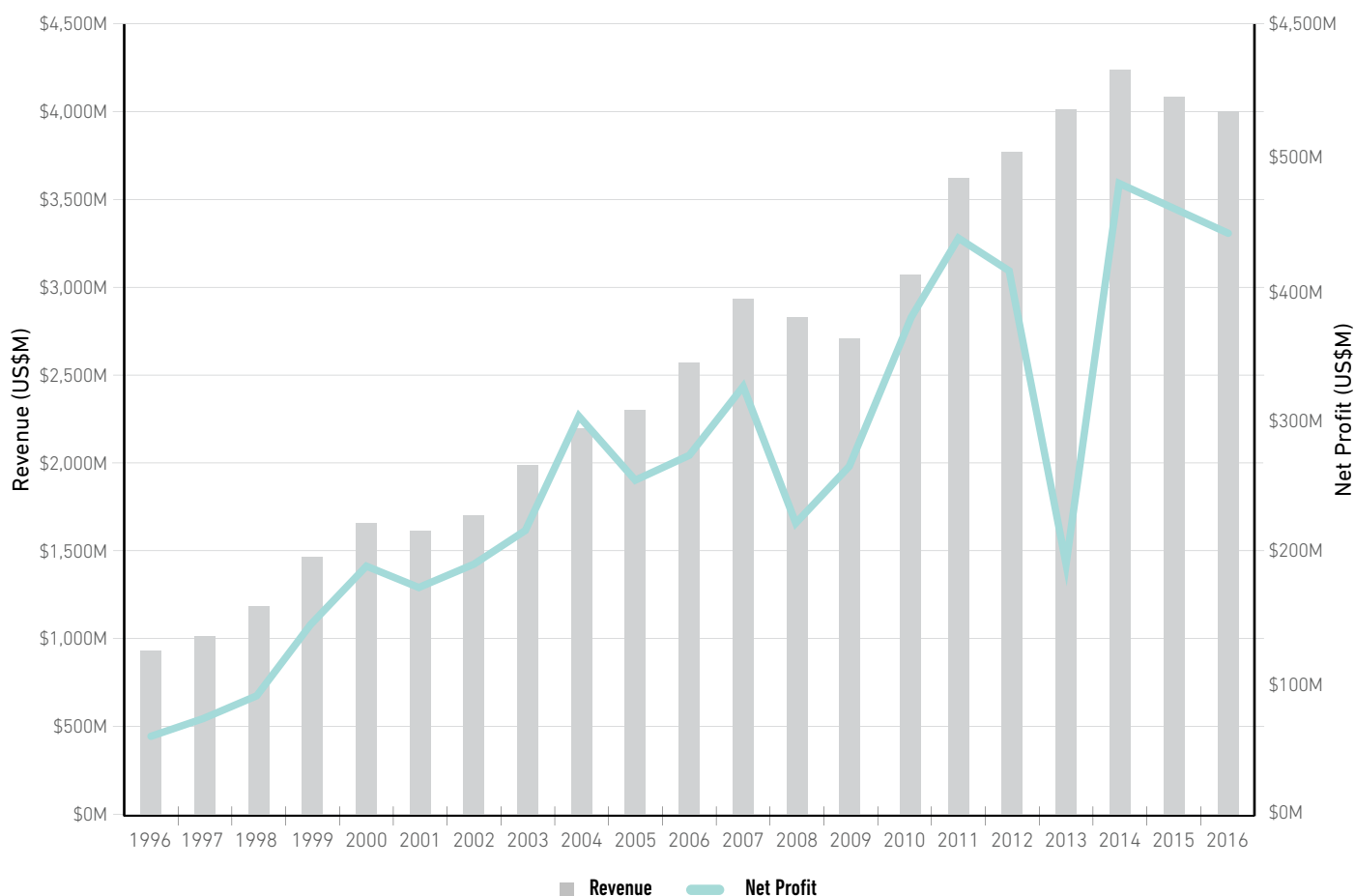
For the past twenty years, Tiffany has grown its revenue at a compound rate of 7.6%, and its net profit at 10.7%.

During one of the worst financial crises in history - the GFC, revenue declined 7.4% (in total) from 31 January 2008 to 31 January 2010 and then recovered subsequently, while net profit took a dive in 2008 (-32%*) but staged a recovery in the next year and took less than two years to recover fully.

The steep decline in earnings in 2014 was caused by the Company recording a charge of US\$480M after a Dutch arbitration court ruled in December 2013 that Tiffany should pay ~US\$450M (original claim of CHF3.8B) in damages to Swatch for the failed JV “Tiffany & Co. Watches”.

Former CEO Frédéric Cuménil abruptly stepped down in February 2017, following the second consecutive year where revenue and profits declined under Cuménil’s leadership.

REVENUE & NET PROFIT SINCE 1996



Data Source: Thomson Reuters Eikon

* In FY2008, the Company took a pre-tax charge of US\$97.8M from staffing reductions, a US\$12.4M pre-tax impairment charge for its investment in Target Resources PLC, and other pre-tax charges of US\$10.9M relating to the closing of the Company’s IRIDESSE stores and a diamond polishing facility in Yellowknife, Northwest Territories.



REVENUE/PROFIT WEAKNESSES DOMINATE HEADLINES

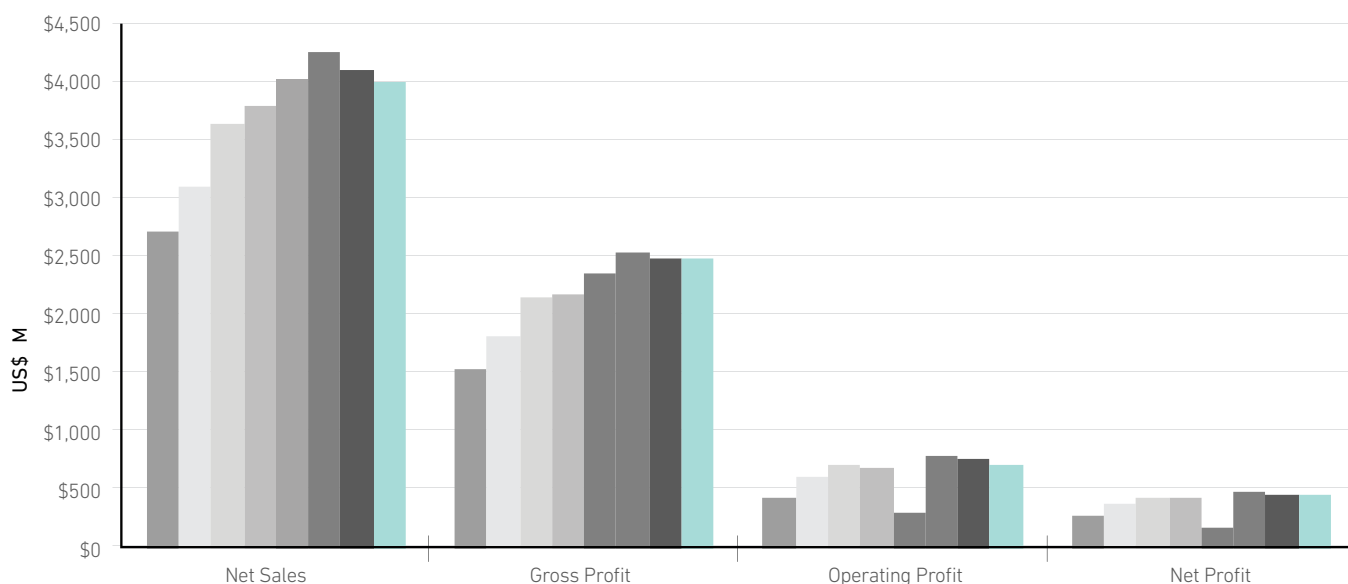
The key question on many investors' minds is whether the decline in Tiffany's sales and profits in the last two years is/are cyclical or secular in nature.

Some negative factors to consider include millennials' change of luxury spending from "things" to "experiences", declining marriage rates and the threat of lab-grown/synthetic diamonds.

Our view is that the decline is caused by both cyclical and secular factors. However, in the medium to long run, the addressable market for Tiffany should grow through the reversal of cyclical factors and also positive secular factors globally. See our comments on an increase in global square footage/store counts on page 90.



NET SALES, GROSS PROFIT, OPERATING PROFIT AND NET PROFIT



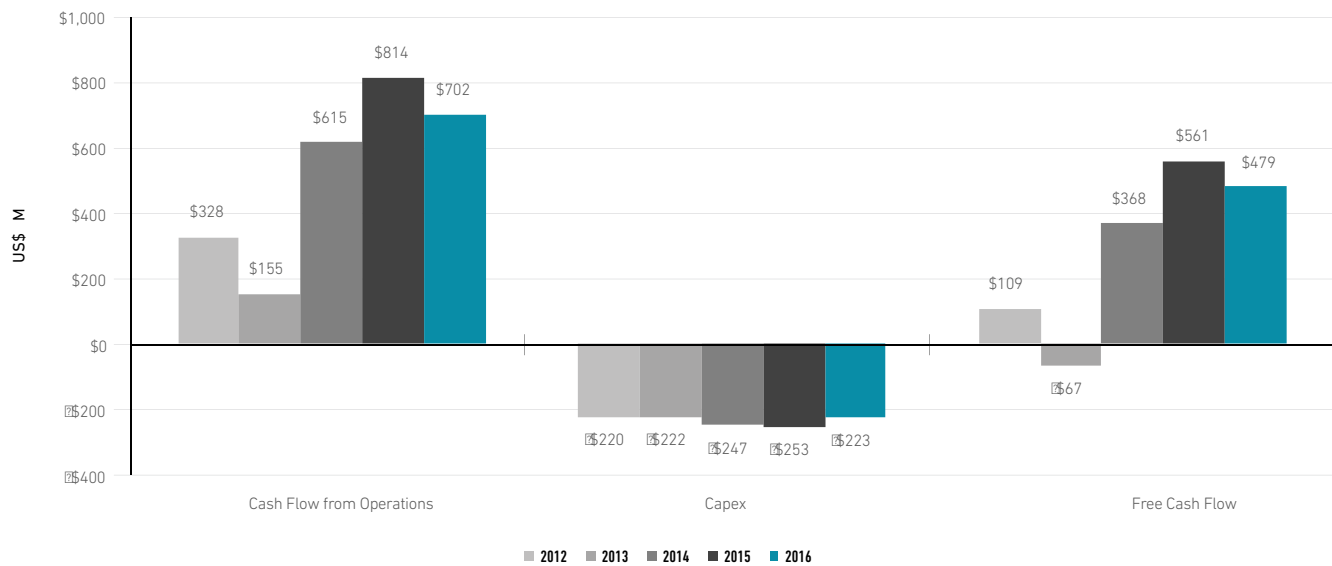
CAPITAL EXPENDITURE & FREE CASH FLOW GENERATION

The Company has the ability to generate strong Free Cash Flow (“FCF”).

Capex represented ~6% of worldwide sales in both 2015 and 2016. Management continues to anticipate an annual Capex of ~6% and 7% of sales.

Free Cash Flow declined in 2016 reflecting a voluntary cash contribution of US\$120M made by the Company to its U.S. pension plan (The underfunded amount of the Company’s total pension/post retirement benefits obligation is US\$326.1M as at 31 March 2017).

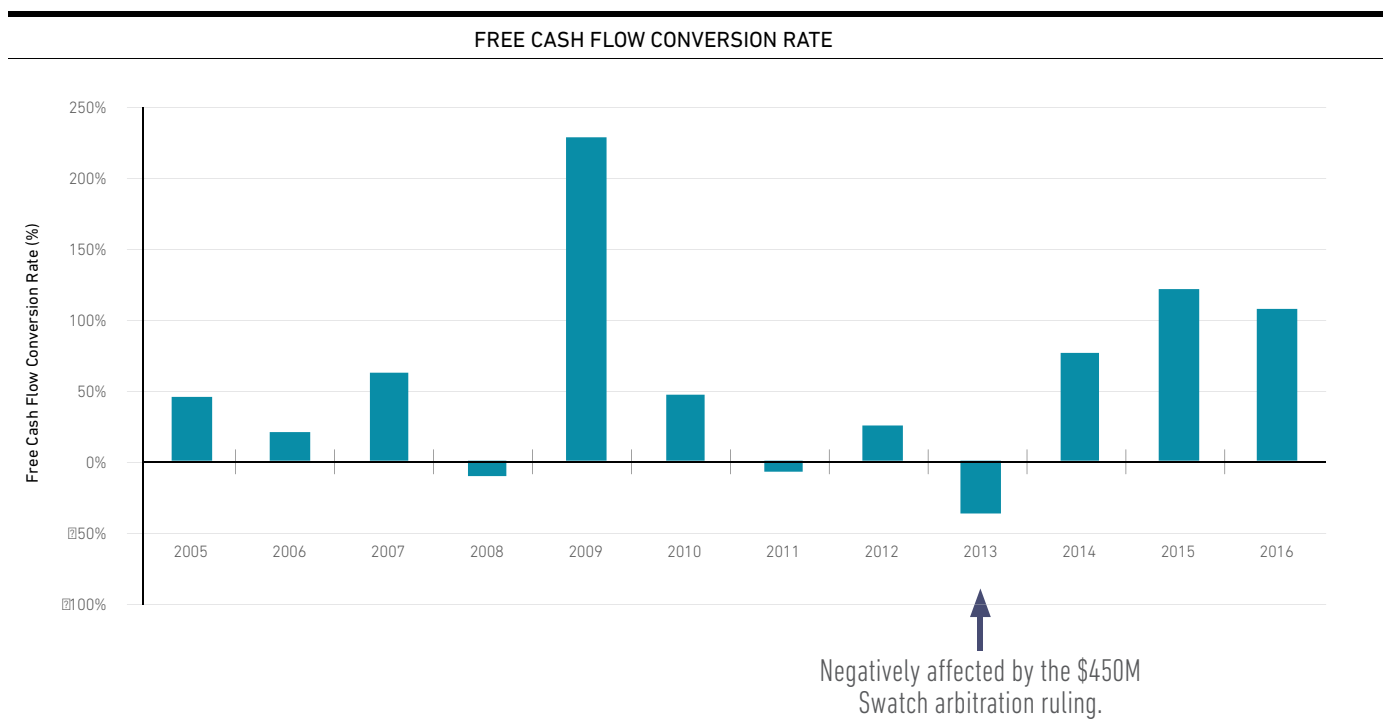
OPERATING CASH FLOW, CAPEX AND FREE CASH FLOW



FREE CASH FLOW EFFICIENCY

It is important to understand a company’s ability to generate cash without external financings. We look at measures such as Free Cash Flow (FCF) Efficiency* to help gauge the resources available for strategic opportunities such as undertaking acquisitions, investing in the business, strengthening the balance sheet, and to assess the robustness of a company’s earnings performance.

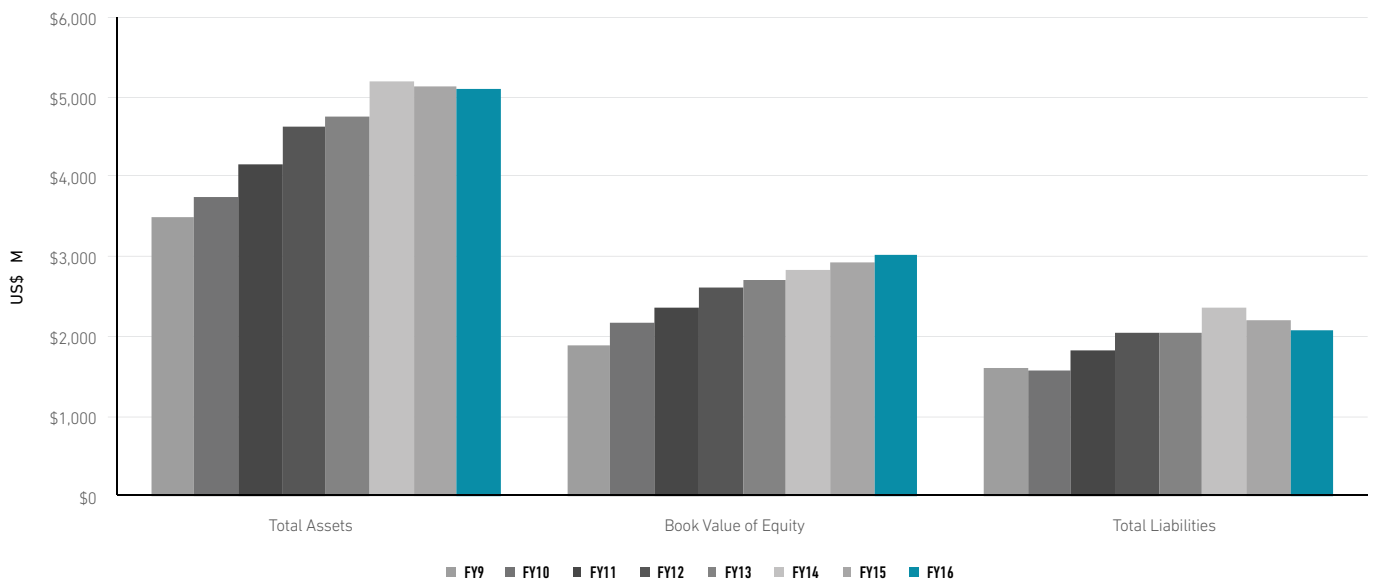
Tiffany’s historical FCF Efficiency is volatile due to the nature of its business (it is in the consumer discretionary/luxury sector, and it is also a significant commodity purchaser). However, the results from the last few years seem to suggest improvement.



BALANCE SHEET

The Company has a solid balance sheet, with only US\$78.2M of Net Debt* vs Total Assets of US\$5,314.0M*. Management has been able to grow Book Value consistently at a compound rate of +6.9% over the last seven years.

BOOK VALUE VS TOTAL LIABILITIES



CREDIT RATING & TERM STRUCTURE OF DEBT

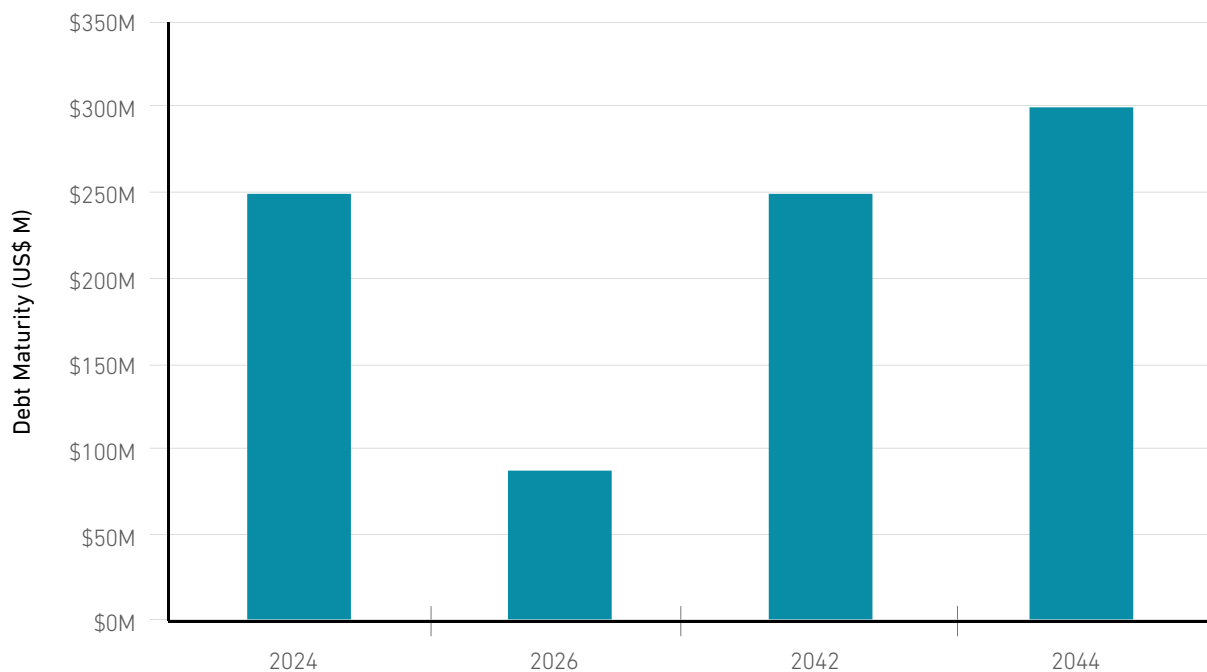
Tiffany has an S&P Long-Term Issuer Rating of BBB+ (“Investment Grade”), and Moody’s Long-term Issuer Ratings of Baa2 since 2014.

The Company has debt totalling US\$1,072M*, and the debt maturity profile shows minimal stress to cash flow.

Adjusting for the US\$1,009M Cash and Short-Term Investments, Net Debt is only US\$78.2M*.



LONG TERM DEBT MATURITY PROFILE **



EQUITY OWNERSHIP

of Shares Outstanding = 124.3M* (Market Capitalisation = US\$ 11.87B*)

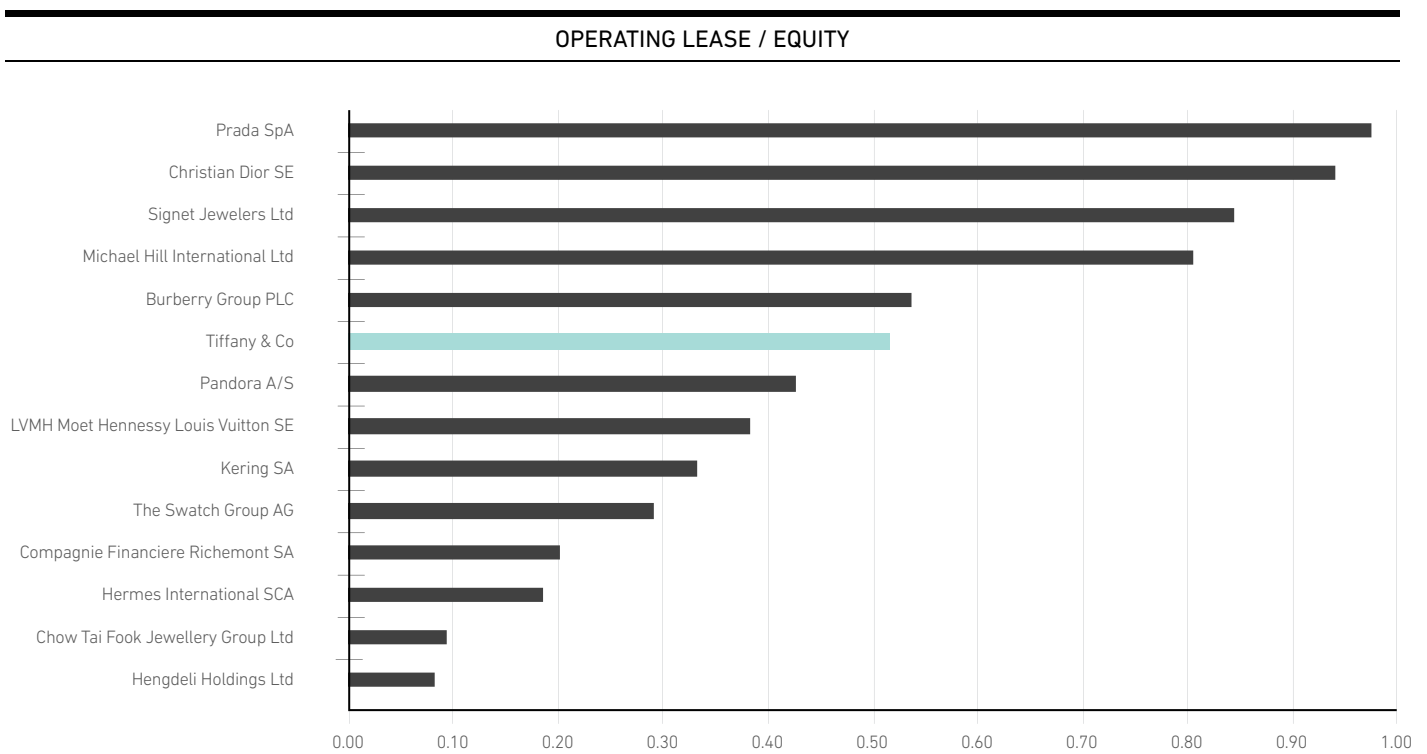
Large institutional investors make up the majority of the top ten holders. One of the top shareholders is Qatar's \$335B sovereign wealth fund, which currently owns 9.51% of Tiffany's shares outstanding.

We also note JANA Partners, the activist hedge fund and First Eagle, a successful value-oriented mutual fund manager are among the top ten holders.

Top 10 Shareholders *	%*
The Vanguard Group	9.80%
Qatar Investment Authority	9.51%
BlackRock Institutional Trust Company	4.00%
JANA Partners	3.82%
State Street Global Advisors (US)	3.64%
First Eagle Investment Management	3.10%
JP Morgan Asset Management	3.08%
Managed Account Advisors	2.81%
OppenheimerFunds	2.24%
Fidelity Management & Research Company	1.94%
Top 10 Shareholders:	43.94%

LEASE LIABILITIES

The Company has higher operating lease liability leverage when compared to some global peers, as it leases all its stores except its New York Flagship Store (Operating Lease / Equity = 0.52x).



PENSION PLAN & POST-RETIREMENT BENEFITS OBLIGATION

Currently, Tiffany’s total pension/post-retirement benefits obligation is underfunded by US\$326M, after the Company made a voluntary cash contribution of US\$120M to its pension plan in FY2016.

We concur with Management’s decision to bring down its pension/post retirement benefits obligation, as has occurred in recent years.

With a strong cash flow generative business, we see current pension/post retirement benefits obligation level to be manageable, *but would prefer this to be moved to a fully funded status in the years ahead (interest rates normalising will also “naturally” assist in reducing this deficit).*

TIFFANY PENSION/POSTRETIREMENT BENEFITS OBLIGATION FUNDED STATUS



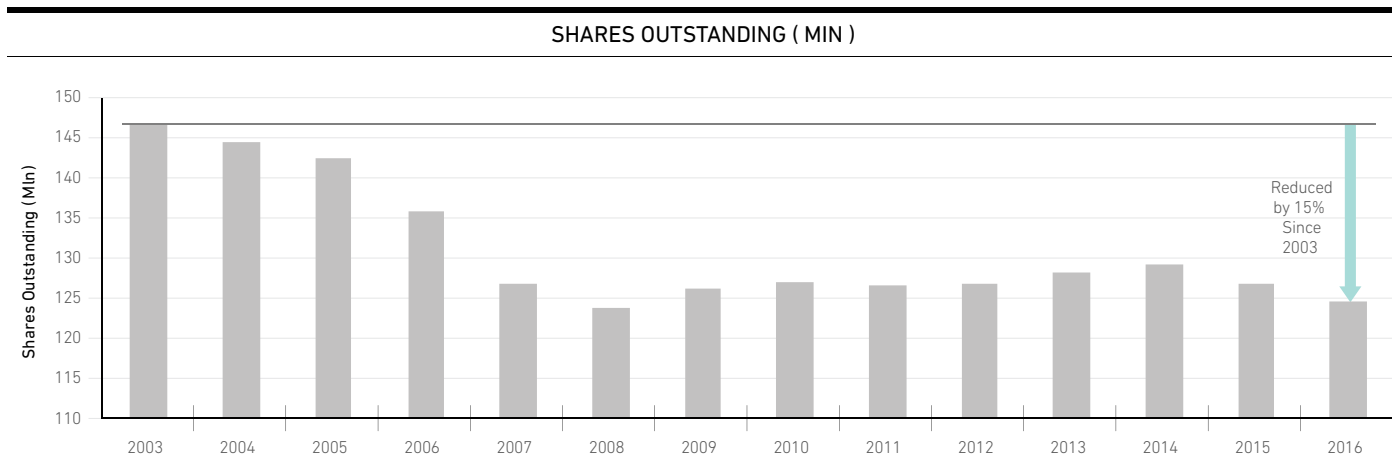
CAPITAL RETURNS VIA SHARE BUYBACKS

The Company periodically returns capital to its shareholders through share repurchases and quarterly dividends. The track record on repurchase is very mixed in our opinion.

In January 2016, the Board authorised a US\$500M share repurchase program. Management was able to repurchase 2.8M shares at an average cost of \$65.24 per share during FY2016 (total cost = US\$183.6M).

Management has more recently slowed down share repurchasing for the first nine-month of FY2017 as the share price recovered, with only 0.65M shares repurchased at an average cost of \$92.16 per share (total cost = US\$60.2M).

We would prefer Management to be far more opportunistic in share repurchases. A share count decline by only 15% since 2003 is not a ringing endorsement of capital allocation skills.



CAPITAL RETURNS VIA DIVIDENDS

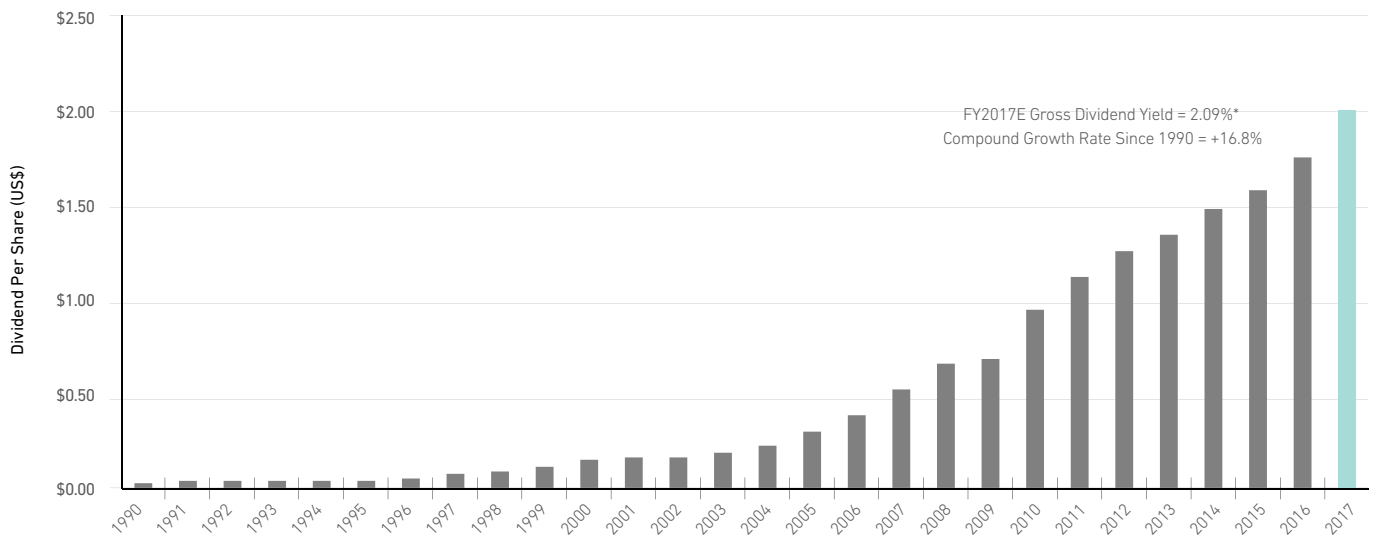
The Company has a long history and a far more impressive track record of returning capital to shareholders via dividends.

The Company increased the quarterly dividend by 11% in May, which marked the 16th dividend increase in the past 15 years.

Dividend Payout Ratio: 2016 = 49%, 2015 = 44%, 2014 = 39%

Based on latest quarterly dividend of US\$0.50, the FY2017E gross dividend yield is estimated at 2.09%*.

DIVIDEND HISTORY



* Based on Tiffany's share price of US\$95.52 as at 7 December 2017



BOARD & MANAGEMENT, COMPANY CULTURE & EMPLOYEE EFFICIENCY



WELCOME CHANGES TO THE BOARD*

NEW APPOINTMENTS IN 2017

The following three new directors were nominated by JANA and appointed to the Tiffany Board in February 2017:



Roger N. Farah – New Chairman from 2 October 2017

- Executive Director of Tory Burch, COO of Ralph Lauren from 2000 to 2013
- During Farah's tenure, Ralph Lauren stock increased 1,100%**



James E. Lillie - Director

- Former CEO of Jarden Corporation
- During Lillie's tenure, Jarden's sales increased by 30 times**



Francesco Trapani - Director

- Former CEO of Bulgari, and the great-grandson of the Bulgari group founder Sotirio Bulgari
- During Trapani's tenure, he built Bulgari into a multi billion company, and sold it to LVMH for \$5.2B (3x sales)**
- Trapani has personally invested US\$31.6M in Tiffany stock***.

These three highly experienced new directors should be able to assist new CEO Alessandro Bogliolo to both accelerate growth and improve margins.



Michael J. Kowalski – Retired as Chairman on 2 October 2017

- Joined Tiffany in 1983 as director of planning
- Appointed president of Tiffany in 1996
- Assume of role of CEO in 1999, and retired as CEO in 2015 (16 years in total)
- Appointed Chairman in 2003 and retired as Chairman in October 2017 (14 years in total)

* See Appendix 1 for more in-depth biographies for each of the entire Board Directors.

** <https://www.barrons.com/articles/jana-partners-sees-sparkle-in-tiffany-1488608009?mg=prod/accounts-barrons>.

*** As at 16 November 2017 – It includes the initial US\$16M investment, and the US\$15.6M purchases in the market between 28 August 2017 and 26 September 2017.

SIGNIFICANT CHANGES TO MANAGEMENT TEAM IN RECENT YEARS

New CEO

- Alessandro Bogliolo joined Tiffany on 2 October 2017
- Former CEO of Diesel
- Former COO of Bulgari

Chief Artistic Officer

- Reed Krakoff joined Tiffany on 1 February 2017
- Former President and Executive Creative Director of Coach

Executive Vice President and Chief Financial Officer

- Mark Erceg joined Tiffany in October 2016
- Former CFO of Canadian Pacific Railway, and was with P&G for 18 years

Senior Vice President – International

- Philippe Galtié joined Tiffany in August 2015
- International Retail Director at Cartier since 2011
- Country/Region Head at Cartier throughout Japan, Greater China and the Asia Pacific regions from 2000 to 2011

Senior Vice President – Northern America

- Jennifer de Winter joined Tiffany in March 2015
- Executive Vice President and Chief Merchandising Officer of Saks Fifth Avenue until 2015
- Executive Vice President, Stores at Saks Fifth Avenue from 2008 to 2013

Senior Vice President – Strategy and Business Development

- Jean-Marc Bellaiche joined Tiffany in June 2014
- Boston Consulting Group from 1992 to 2014

We suspect further management change is likely after new CEO Alessandro Bogliolo is firmly in place.

COMPANY CULTURE / WORKPLACE

We investigated Glassdoor (www.glassdoor.com) where employees and former employees anonymously review companies and their management.

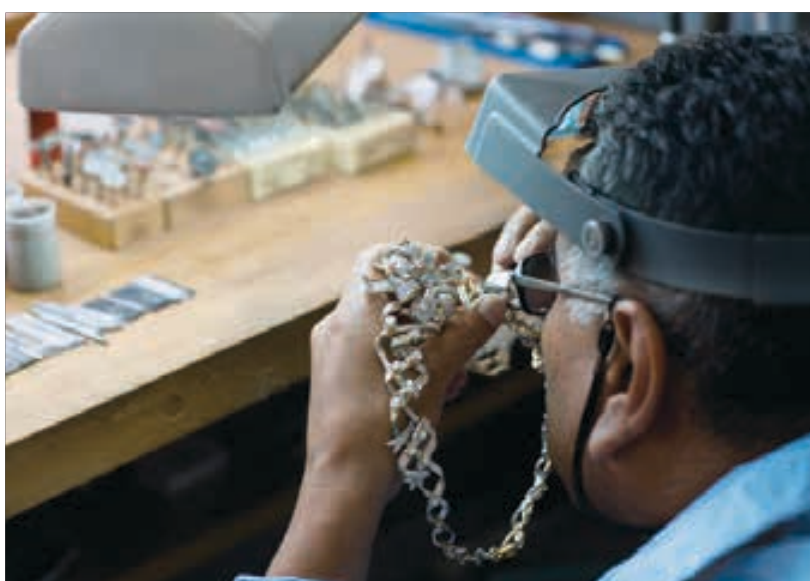
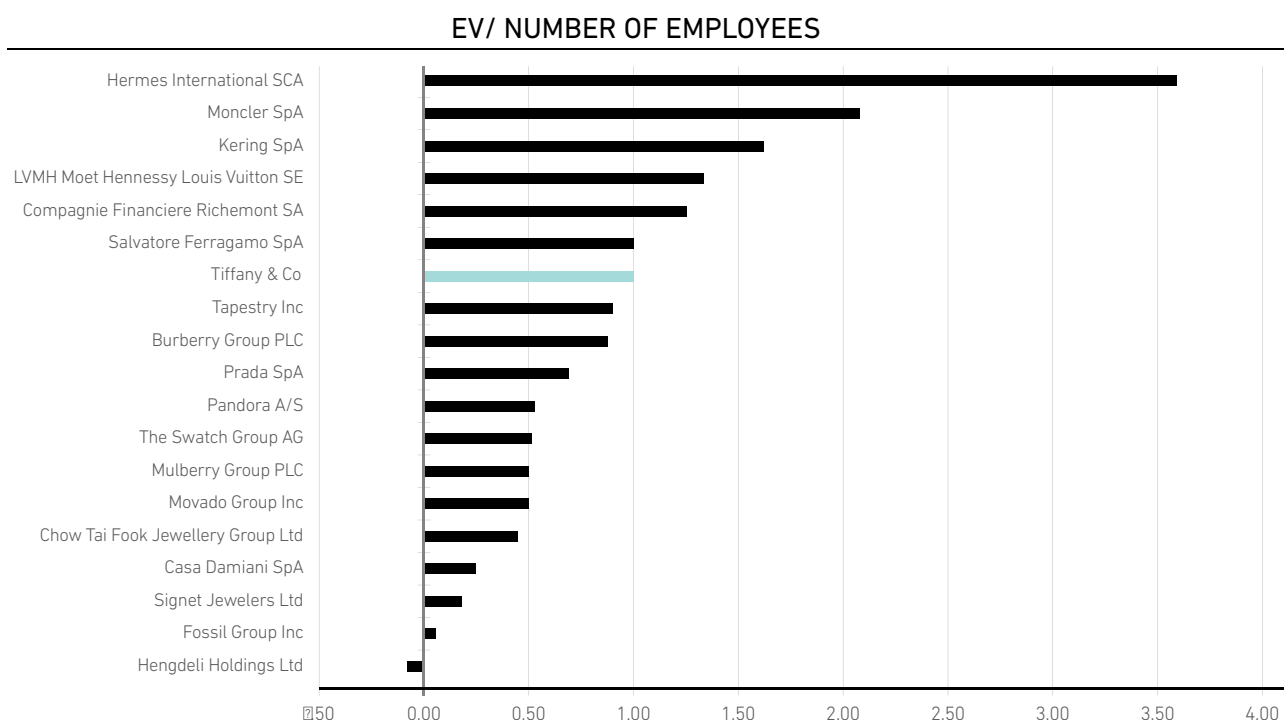
Tiffany has above average ratings and improving trends based on the reviews. The approval rating for the just retired interim CEO (and Chairman) Michael Kowalski is especially high. However, employees do recognise the difficult business environment, and hence the relatively low 53% “Recommend to a friend” rating and 39% rating for “Positive Business Outlook”.



EMPLOYEE EFFICIENCY

We utilise the Enterprise Value to Employee Ratio to measure how worker-intensive a business or industry is. We also use this metric to compare businesses within the same industry to rank their relative efficiency.

Tiffany has a slightly above-average EV/Employee ratio vs its global peers. We suggest one of the key reasons for this less-than impressive record is a vertically integrated business model/supply chain that provides traceability to its products, perception of quality and luxury to its products and services, but with the downside of increased number of employees, which impacts returns and margins.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RATING



The jewellery industry has entrenched ESG challenges such as human rights abuses and environmentally remonstrable mining operations.

The 2006 movie “Blood Diamond”, starring Leonardo DiCaprio, put phrases such “blood diamonds” and “conflict diamonds” into people’s consciousness globally.

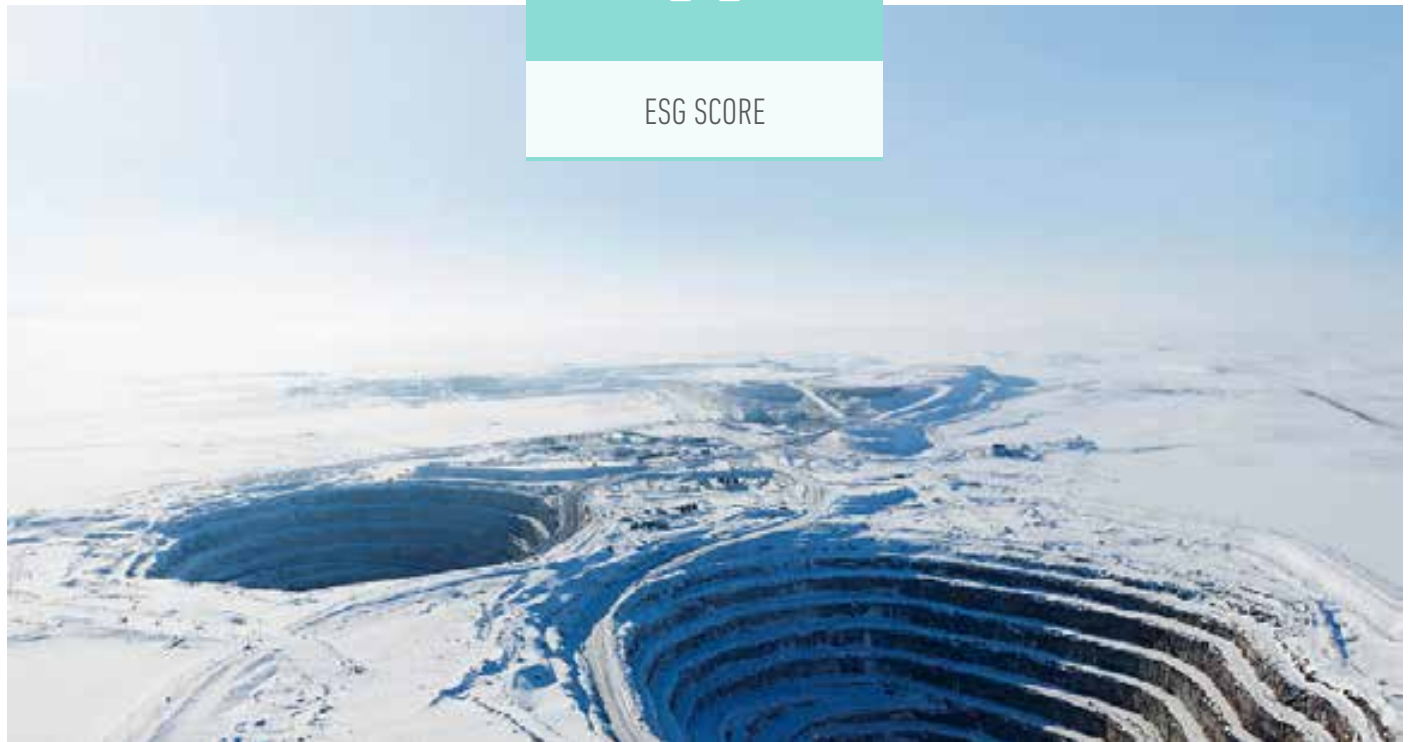
One of the key reasons for Tiffany’s pursuit of a vertically integrated business model is to lead the industry in ethically produced jewellery. As former CEO Frédéric Cuménal noted that “traceability is the best means of ensuring social and environmental responsibility”*.

We encourage the readers of this presentation to download Tiffany’s latest Sustainability Report which details its progress on many of the 17 UN Sustainable Development Goals: <http://www.tiffany.com/sustainability>

Below we show Thomson Reuters Eikon’s ESG score for Tiffany**:

A

ESG SCORE



COMPARABLE COMPANIES

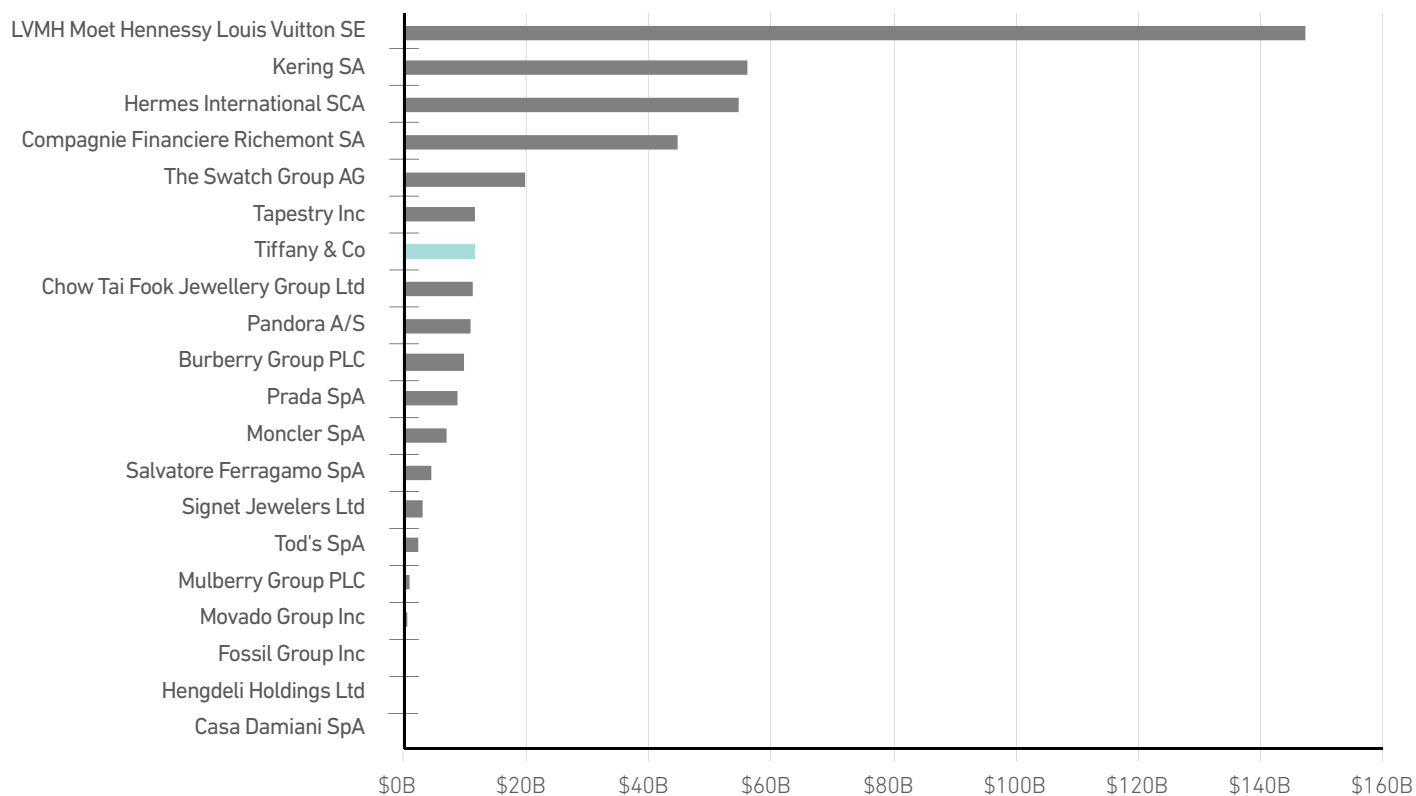


MARKET CAPITALISATION

Tiffany is one of the largest monobrand luxury players - Market Capitalisation = US\$11.87 Billion (as at 7 December 2017). However, it is still dwarfed by the large multibrand luxury players such as: LVMH, Kering, Richemont and Swatch.

We principally believe that monobrand luxury players such as Tiffany are potential acquisition targets for the larger multibrand luxury players in the market. On the other hand, some monobrand players might consider merging together to form a new multibrand entity to increase scale and reduce risk/s.

MARKET CAPITALISATION (US\$ BILLIONS)

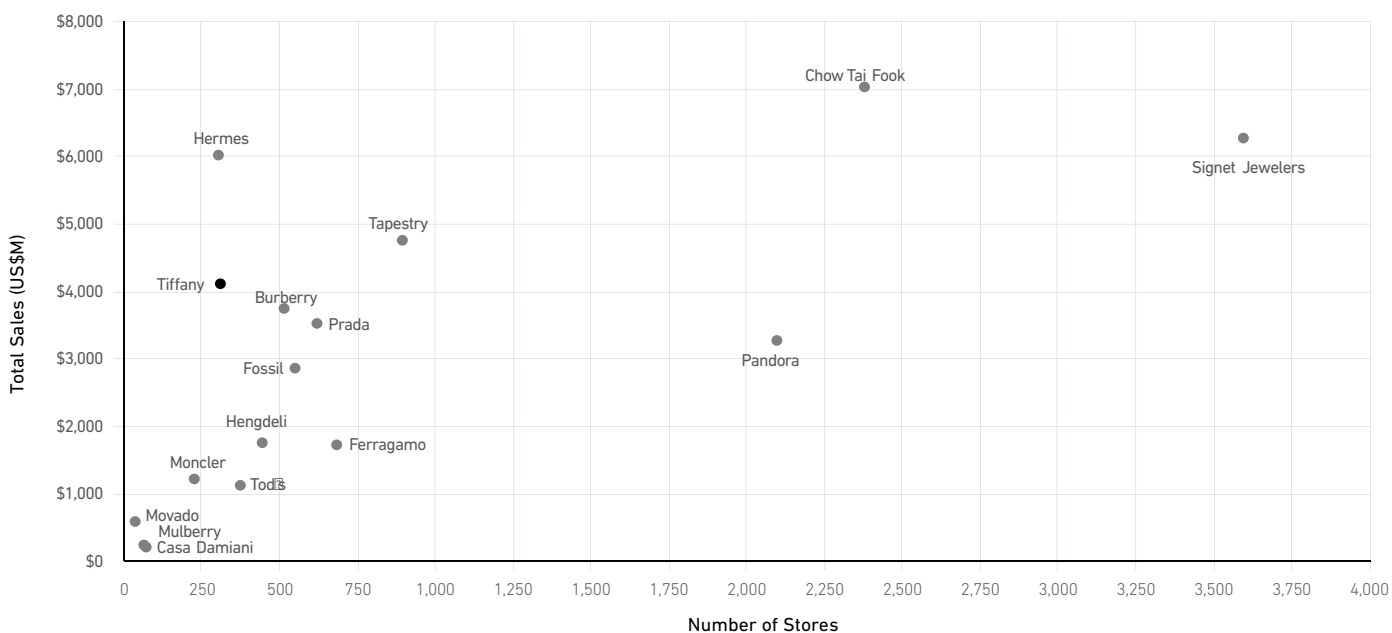


SALES PRODUCTIVITY

Below we compare Tiffany versus its international peer group (but exclude the large four conglomerates) based on Total Sales / Number of Stores metric to assess Tiffany’s store productivity. From the chart below we can see that Tiffany is outperforming the majority of its peers.

The chart also suggests that growth opportunities for Tiffany are to: (1) increase its global footprint and (2) increase same store sales.

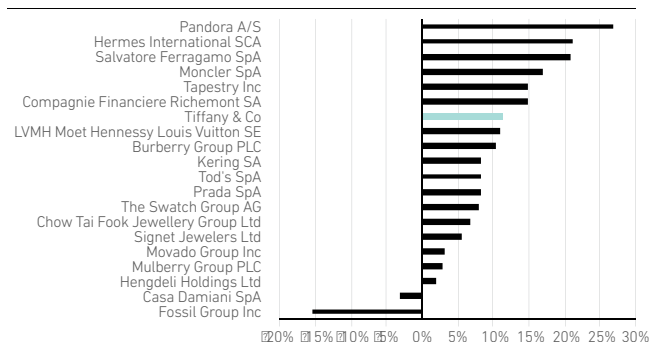
TTM TOTAL SALES (US\$M) VS NUMBER OF STORES



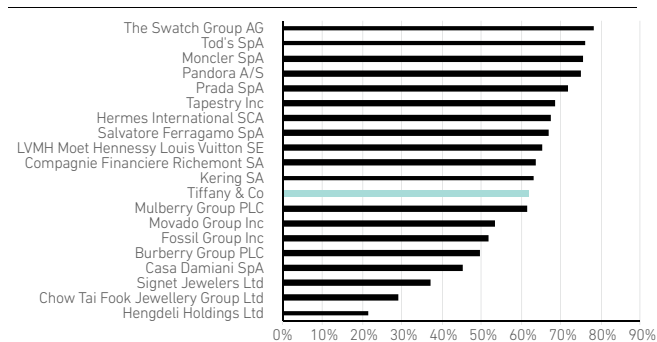
MARGINS AND RETURNS

Tiffany has above average margins when compared to its peers. With the higher margin fashion jewellery expected to become a larger percentage of sales, it is likely margins will improve in the ensuing years.

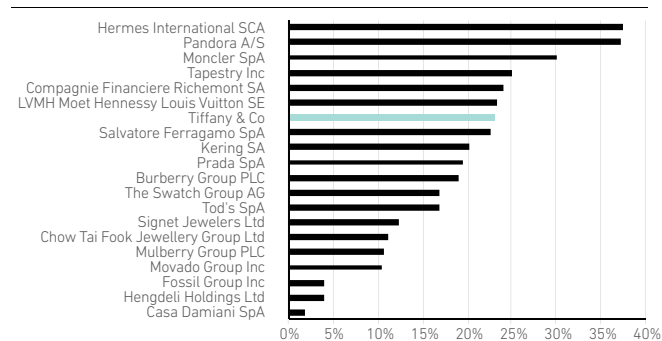
NET PROFIT MARGIN TTM



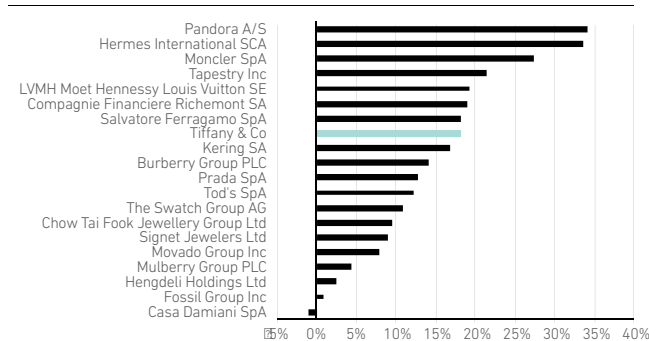
GROSS PROFIT MARGIN TTM



EBITDA MARGIN TTM



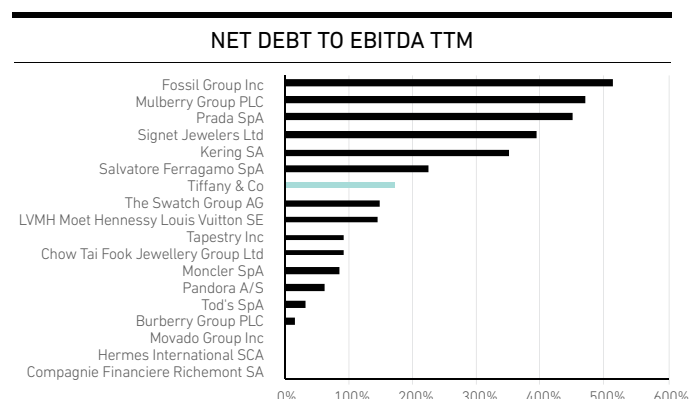
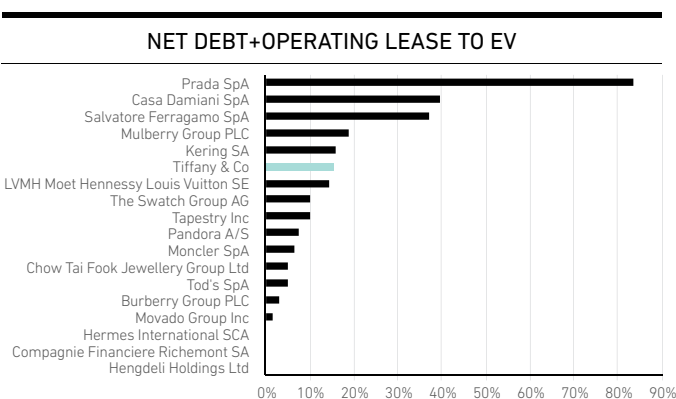
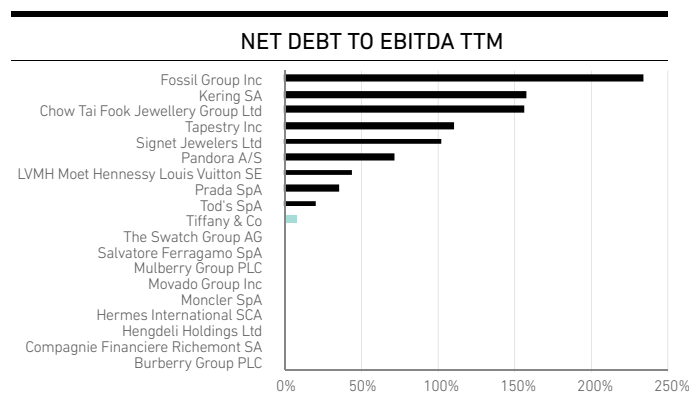
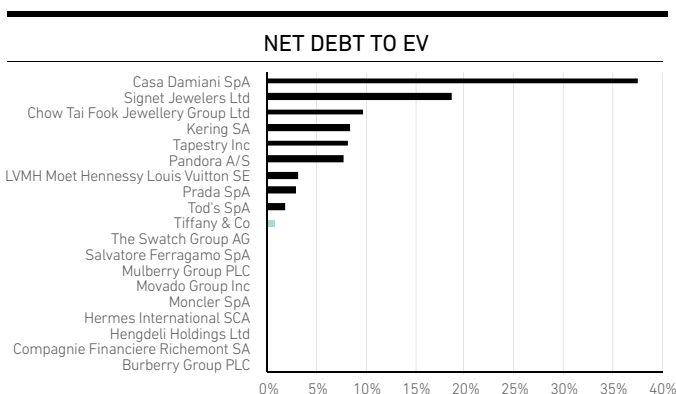
EBIT MARGIN TTM



NET FINANCIAL LEVERAGE

Tiffany has a slightly below average net financial leverage ratios versus its global peers.

This suggests that Management could conservatively leverage the Company to improve returns to shareholders. However, we do recognise that as a monobrand operator, the higher revenue/profit volatility is one possible reason for balance sheet conservatism.



VALUATION AND DIVIDEND YIELD

Tiffany is trading at a slight discount to the peer averages in both EV/EBITDA (Both TTM & NTM) and P/E (TTM). Tiffany also has an above average dividend yield at 2.1%*.

We also believe that the required EV/EBITDA multiple to acquire Tiffany is much higher than the current trading levels.

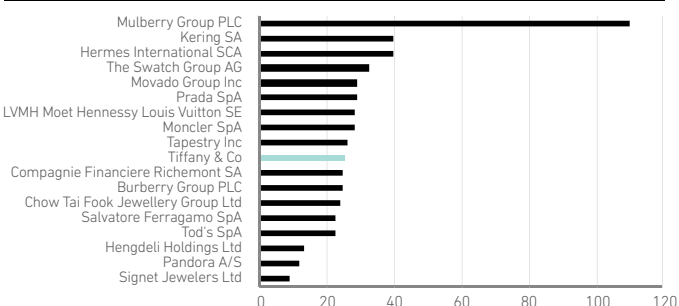
EV/EBITDA TTM



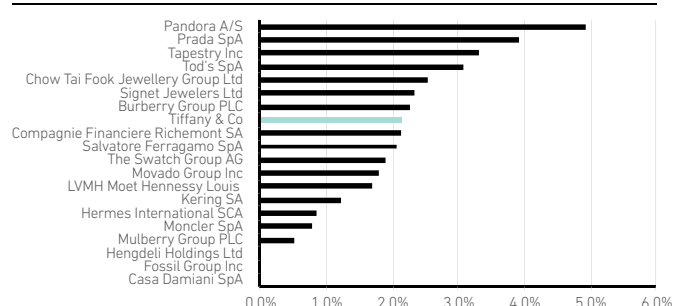
EV/EBITDA NTM



P/E TTM



GROSS DIVIDEND YIELD TTM



PRIVATE MARKET VALUE + M&A



VALUATION ? ? PRIVATE MARKET VALUE ?

The luxury sector continues to see M&A activity. LVMH, Kering, Richemont and Swatch are all seen as natural acquirers in an industry which has already experienced significant consolidation. Monobrand operators are also looking to evolve into multibrand operators [Tapestry (formerly Coach), Michael Kors, etc.].

Detailed below is a list of industry transactions since 2011:

Acquirer	Target	Year	Deal Value (US\$)	EV/TTM EBITDA
LVMH	Bulgari	2011	5.20B	25.0x
LVMH	Hermes International (17% Stake)	2011	2.00B	15.5x
PPR	Brioni SpA	2011	0.41B	30.0x
Eurazeo	Moncler SpA (45% Stake)	2011	0.61B	11.8x
Central Retail Corp	La Rinascente	2011	0.37B	11.0x
Mayhoola	Valentino	2012	0.86B	20.0x
LVMH	Loro Piana	2013	2.57B	18.0x
Swatch	Harry Winston	2013	1.00B	23.0x
Signet	Zale	2014	1.46B	15.0x
Samsonite	Tumi	2016	1.81B	14.5x
Coach	Kate Spade	2017	2.38B	10.4x
Michael Kors	Jimmy Choo	2017	1.17B	15.7x
LVMH	Christian Dior	2017	13.1B	15.6x
Essilor	Luxottica	2017	23.9B	12.7x
			Average	17.0x
			Tiffany	EV = 11.8B 12.6x

Based on FY2017E EBITDA of US\$1,000M (Forecast EBITDA Margin of 24.4%)*, and 17.0x EV/EBITDA multiple, we estimate the current “Private Market Value” or Intrinsic Value of Tiffany to be US\$135.83 per share, translating to upside potential of +42%, from the current market price of US\$95.52 as at 7 December 2017.

AS A POTENTIAL TAKEOVER TARGET

We continue to believe that Tiffany is a likely acquisition target for large luxury conglomerates such as LVMH, Kering, Richemont or Swatch. We suggest that the probability of Tiffany being acquired by LVMH has increased now that the former Head of Watches and Jewellery at LVMH (and CEO of Bulgari) is on Tiffany's Board, and the former COO of Bulgari, now a subsidiary of LVMH is the new CEO of Tiffany.

Also, Mr. Arnault has tidied up LVMH's structure by acquiring Christian Dior. While this transaction is still to complete, LVMH with a Debt:Equity ratio of 0.46* could easily finance an acquisition of Tiffany's at multiples we have detailed.

Kering post the divestment of its 85.81% stake in Puma (reportedly valued in the region of €5B and €6B) would be in a position to also bid for Tiffany in our view.

Richemont has net cash of €4.6B** and could easily fund a takeover of Tiffany.



Warren Buffett sells jewellery at Borsheims during the 2013 Berkshire Hathaway shareholders meeting.

We also posit that Mr. Buffett and his Berkshire Hathaway could acquire Tiffany, as he is in the diamond business through Borsheim's and Helzberg Diamonds, and he will appreciate the enduring nature of Tiffany's brand. However, we acknowledge that Borsheim's & Helzberg Diamonds operate under very different business models to Tiffany's.

Mr. Buffett is also very familiar with Tiffany's given he provided Tiffany US\$250M of funding in the depths of the Financial Crisis!

* As at 30 June 2017

** As at 30 September 2017

KEY RISKS & OPPORTUNITIES

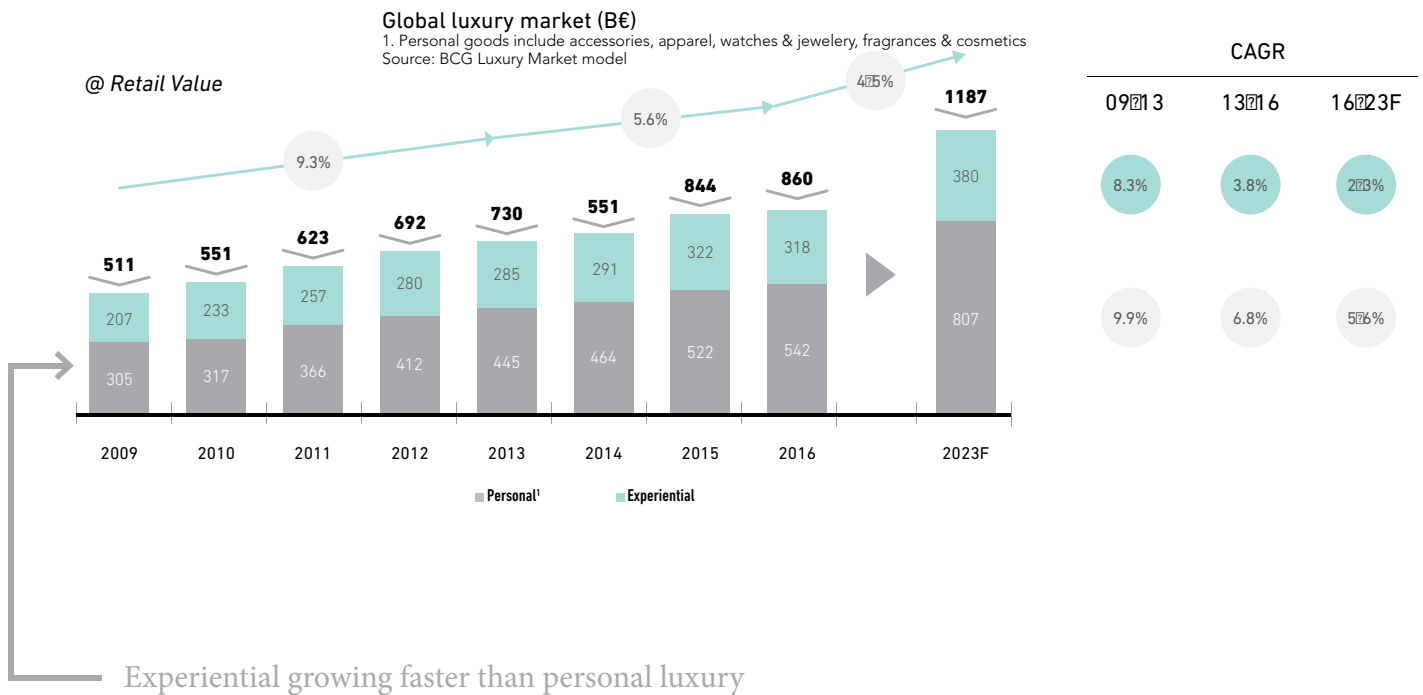


KEY RISKS (1)

SHIFTING SPENDING FROM GOODS TO EXPERIENCES

Overall consumer spending has continued to grow in recent years. However, people are spending less on durable goods, and more on recreation, travel and other experience-based spending. This applies to both the average consumers and the wealthy, and hence directly impacts the luxury goods companies such as Tiffany. It is important for Tiffany to recognise the shift and pro-actively engage the consumers by including experiences as part of the goods & services the Company provides to its customers.

THE GLOBAL LUXURY MARKET WORTH ~860Bn€ IN 2016, EXPERIENTIAL GROWING FASTER THAN PERSONAL LUXURY



¹ Personal goods include accessories, apparel, watches & jewelry, fragrance & cosmetics
 Source: BCG Luxury Market model

KEY RISKS (2)

MACROECONOMIC SLOWDOWN

As a retailer of discretionary items, Management acknowledges that the macroeconomic environment is the single most critical factor to Tiffany's success, as it is a business built on consumer confidence. As business recovery in the US enters its eighth year. Investors are concerned about the length of this economic expansion, and the possible factors (geopolitical uncertainties, changing consumer confidence, etc.) that would derail the US and global economies in the near term.

INCREASING COMPETITION

Tiffany is one of the most famous and trusted jewellers globally. However, as fashion jewellery continues to increase as a percentage of Tiffany's total sales in recent years (FY2016 = 33%), and as self-purchasing is increasing as a share of sales versus bridal and gift buying. We suggest that brand is less of a consideration than design for these self-purchasing/fashion jewellery buyers. The Company's lack of newness and innovation in product design in recent years has allowed other competitors such as Pandora (www.pandora.net) to take market share.

FURTHER INVESTOR ACTIVISM

We suggest that investor activism can be both a risk & opportunity for the Company and its shareholders. In the case of JANA/Trapani, we believe their involvement brings benefits to the Company and all shareholders.

However, there are examples where management and the board are distracted by investor activism, or they are pressured into strategies and directions that can bring short-term returns but value destruction in the long run.

CURRENCY/FX

Currency movements could materially and adversely affect Tiffany's results as 69% of Tiffany's revenue is generated outside North America*. We also see potential headwinds for the Company should the US Dollar appreciate against global currencies which would also affect the number of foreign tourists travelling to the US and their total value of spending.

SYNTHETIC DIAMONDS

The idea of synthetic diamonds has been around for at least a century since the discovery that diamond was just pure carbon in 1797. To date, Tiffany has been able to market its ethical/conflict free natural diamonds and convince the customers of their superiority and premium over lab grown diamonds. The risk is whether the next generation of consumers will care whether the diamonds that they are planning to purchase are lab-grown or not, as production capability and quality continue to improve for these lab grown diamonds.



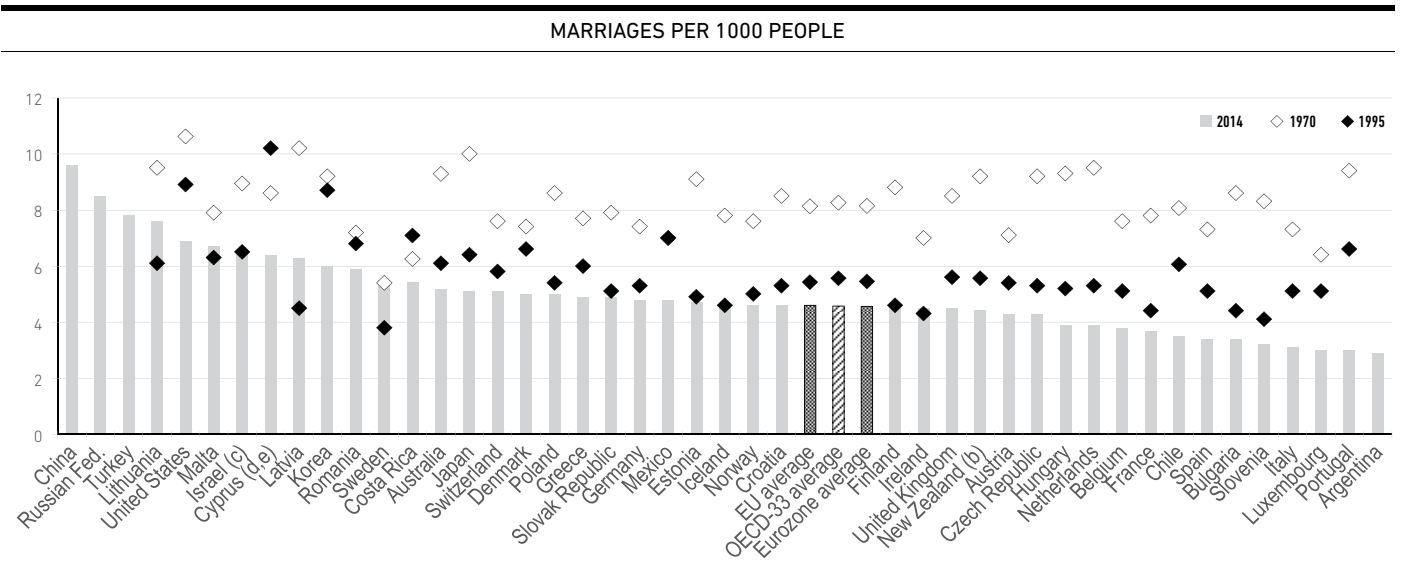
KEY RISKS (3)

LOSING TOUCH WITH CONSUMERS

With fashion jewellery continuing to increase as a percentage of total sales in recent years, it is important for Tiffany to connect to its customers constantly and respond to consumer trends. Tiffany needs to be the “Arbiter of Taste and Style” for consumers today. If not, there is a risk that the Tiffany brand will be viewed by the next generation of consumers as “old world luxury” and ignored by younger consumers.

DECLINING MARRIAGE RATE/S

Based on an OECD report*, rates of marriage are declining in almost all OECD countries since 1970. This secular trend is likely to continue in the near future. Even in countries with strong traditional marriage customs like China, the marriage rate is declining too in recent years.



* Source: https://www.oecd.org/els/family/SF_3_1_Marriage_and_divorce_rates.pdf



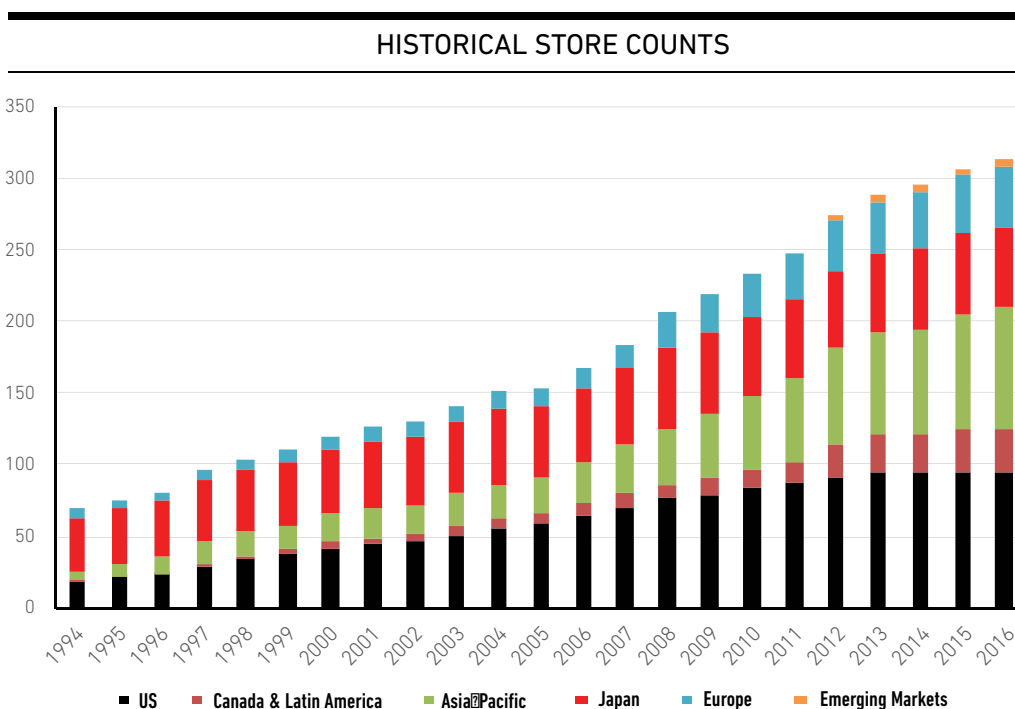
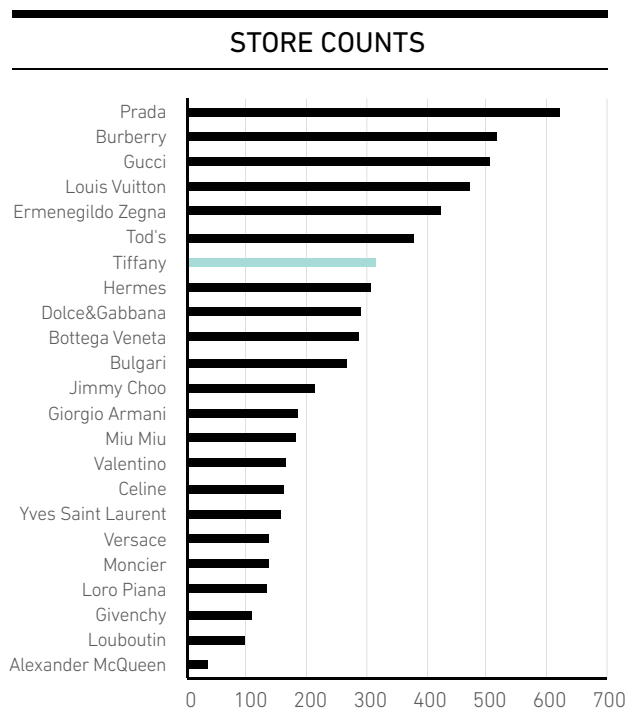
KEY OPPORTUNITIES (1)

INCREASE IN GLOBAL SQUARE FOOTAGE

Currently, Tiffany has 315 stores worldwide*. Based on Management’s comments, we believe that a steady 2% annual growth and optimisation in Tiffany’s square footage around the world, especially in Asia-Pacific/China, Europe, Latin America and other Emerging Markets will provide a steady base for top line growth for Tiffany in the foreseeable future.

“Our strategies partly revolve around optimizing our worldwide store base through openings, relocations, renovations and closings. We expect this to result in increase in global square footage by approximately 2% a year for the foreseeable future.”

Tiffany Q4 FY2016 conference call (17 March 2017)



KEY OPPORTUNITIES (2)

CHINA

The Tiffany brand has been one of the favourite American luxury brands for the all important Chinese shopper in recent years. At the same time, Tiffany is relatively underexposed to China, with only ~10% of its stores located in China, and accordingly therein lies the growth opportunity.

In De Beers Diamond Insight Report 2016, it notes that 68% of diamond jewellery (by value) in China are purchased by so-called millennials (aged 18-34). Many of these Chinese millennials prefer buying diamonds instead of jade or gold jewellery versus their parents' generation. Also, they are buying diamonds more for fashion than as a symbol of everlasting love.

We believe the Company's new Jewellery Research Design Centre should allow the Company to have shorter product development lead times, faster reaction time and focus to respond to the need of more innovation and newness in fashion jewellery.

China exposure of major Luxury Goods Brands (# of stores)

Brand	China	World	China / World (%)
Versace	30	187	15.9
Ermenegildo Zegna	74	423	17.5
Givenchy	18	110	16.4
Moncler	22	135	16.3
Dolce&Gabbana	47	290	16.2
Tod's	38	242	15.7
Celine	23	161	14.3
Bottega Veneta	40	286	14.0
Alexander McQueen	5	36	13.9
Miu Miu	24	182	13.2
Salvatore Ferragamo	74	562	13.2
Burberry	59	465	12.7
Valentino	20	165	12.1
Gucci	59	503	11.7
Bulgari	31	265	11.7
Loro Piana	15	132	11.4
Swatch	255	2262	11.3
Louis Vuitton	52	473	10.9
Prada	40	381	10.5
Yves Saint Laurent	18	165	10.3
Giorgio Armani	19	186	10.2
Tiffany	31	313	9.9
Louis Vuitton	9	98	9.2
Hermes	24	313	7.7
Michael Kors	36	734	4.9
Total / Average	3060	9009	11.8

Source: Exane BNP Paribas analysis, RE-Analytics


Source: <https://www.businessoffashion.com/articles/opinion/michael-kors-hermes-and-tiffany-only-major-brands-underexposed-to-china>

Tiffany & Co. is now the no. 1 American luxury brand for Chinese shoppers

Jing Daily
© Feb. 17, 2015, 2:13 PM ▲ 1,829

While European luxury brands have been longtime favorites in China, iconic labels hailing from the United States and the UK are gaining a growing amount of influence over Chinese shoppers' hearts and wallets.

According to recent survey results released by the Hurun Report, iconic jewelry brand Tiffany & Co. is the number one American luxury brand for Chinese high-net-worth individuals (HNWI), while Burberry tops the list of UK brands.



Tiffany & Co. is Chinese consumers' favorite American luxury brand and their third favorite jewelry brand.

These labels aren't just popular stacked up against their domestic rivals—they're also holding their own against French and Italian luxury stalwarts.

For the first time, Tiffany made it on to the list of Chinese consumers' top three favorite jewelry brands globally, coming in behind Bulgari and Cartier (in addition, fellow U.S. jeweler Harry Winston wasn't far behind in 11th place).

Source: <http://www.businessinsider.com/tiffany-and-co-is-now-the-number-one-american-luxury-brand-for-chinese-shoppers-2015-2>



Source: <https://www.bloomberg.com/news/articles/2016-12-18/diamonds-not-marriage-are-forever-for-china-s-millennials>



KEY OPPORTUNITIES (3)

GROWTH IN FASHION JEWELLERY

Here we compare two of the largest monobrand jewellery players in the world: Tiffany and Pandora.

As Tiffany’s fashion jewellery business becomes more important. We present Pandora as an example of when fashion jewellery is well executed, it can be hugely profitable and offer significant growth potential.

We also attribute Pandora’s success, especially in its popular bracelets to the successful commercialisation of people’s memory (anniversaries, birthdays, weddings, graduations, etc.). Obviously this is one area that Tiffany also excels, albeit at much higher price levels.

	TIFFANY & CO.	PANDORA
Market Cap (US\$)	US\$11.5B	US\$12.1B
Sales (US\$)	US\$4.0B	US\$2.9B
Net Profit (US\$)	US\$446M	US\$853M
P/E	25.0x	12.7x
Forward P/E	23.2x	11.8x
P/S	2.9x	3.6x
EV/ Normalised EBITDA	12.3x	9.8x
P/CF	14.7x	12.0x
P/B	3.7x	12.4x
Gross Dividend Yield	2.1%	4.4%
Net Profit Margin	11.1%	29.7%
Gross Profit Margin	62.2%	75.1%
Normalised EBITDA Margin	23.2%	39.1%
Normalised EBIT Margin	18.0%	36.5%
ROE	15.2%	102.2%
ROA	8.7%	42.4%
Net Debt To EV	0.6%	4.6%
Net Debt To Normalised EBITDA	7.7%	45.1%
Total Debt to Total Equity	36.7%	44.3%
Quick Ratio	2.24	0.83



KEY OPPORTUNITIES (4)

WATCHES

In December 2013, a Dutch arbitration court ruled that Tiffany should pay ~USD450M (original claim of CHF3.8B) in damages to Swatch for the failed JV “Tiffany & Co. Watches” that started in 2007.

It may surprise many people that Tiffany has been making watches since 1847. The Company used to derive ~9% of sales from watches, but since Tiffany’s relationship with Swatch soured, watch sales declined to ~1% of total sales in recent years (2013-2016).

The Company has allocated resources to rebuild its Watch/es business. It announced in 2015 that its target is to restore watches to ~10% of total sales within ten years.

Tiffany’s unique offering of watches (“Swiss Made” and “New York”) could be one of the long-term growth engines for the Company. However, we think it will take a while for Tiffany to re-establish itself as a premier luxury watch brand.

Strategic Opportunities to Grow Watches at Tiffany & Co.

Achieve financial success		<ul style="list-style-type: none"> • Large sales potential • Anticipated High Gross Margin • Significant value for shareholders
Elevate the Tiffany brand		<ul style="list-style-type: none"> • Strengthening positioning as Luxury house and secretive • High average price (entry at \$3k, core at \$5k-10k, cocktail >\$20k) • Great platform to talk about Craftsmanship and Heritage
Better serve our customers		<ul style="list-style-type: none"> • New and rich way to express Tiffany’s style • Improved coverage of key moments of life/ celebration/ gift
Reach new customers		<ul style="list-style-type: none"> • Men • Chinese, European • Self-purchaser/ style seekers

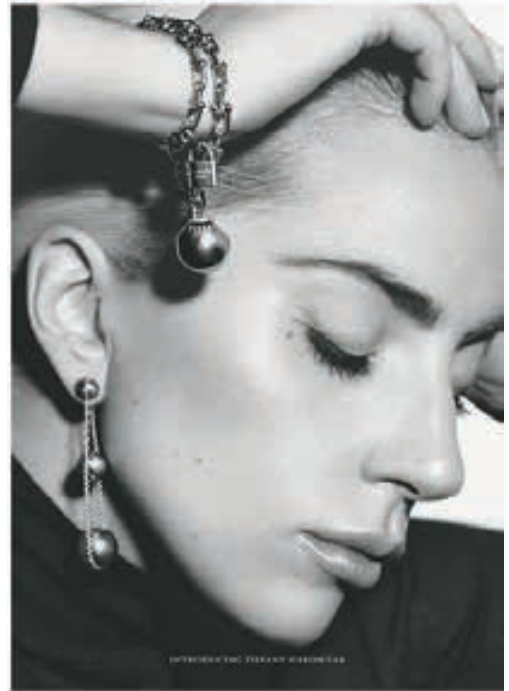
©2016 TIFFANY & CO. TIFFANY & CO.



KEY OPPORTUNITIES (5)

NEW COLLABORATION – LADY GAGA
Tiffany announced on 31 January 2017 that Lady Gaga will represent Tiffany in its latest “Legendary Style” campaign, launching the new fashion jewellery collection - Tiffany HardWear in a 60-second film which aired during Super Bowl on 5 February 2017, a first for Tiffany.

We believe that Co-Lab’s will be extremely important for Tiffany’s as they are for other major brands now, as demonstrated by the success of Louis Vuitton’s collaboration with New York skateboard label Supreme.



The 2017 Tiffany Hardwear Collection (Source: Tiffany & Co.)



<https://www.youtube.com/watch?v=tGuNdkyvfSc>

KEY OPPORTUNITIES (6)

ACQUISITION TARGET

We continue to believe that Tiffany is a likely acquisition target for large luxury conglomerates such as LVMH, Kering, Richemont and/or Swatch. We also posit that Berkshire Hathaway should consider acquiring Tiffany to enhance its jewellery/diamond businesses.

E-COMMERCE

With Tiffany’s renewed focus on increasing pace of newness & innovation of products, we see more products that are e-commerce friendly. We believe the Company can take advantage of its high social media engagement levels to increase its online sales from 6% of worldwide sales to at least 8% in the next few years.

PRODUCT EXPANSION OUTSIDE DIAMOND/GEMSTONE JEWELLERY

We have noticed that Tiffany is slowly but noticeably developing more non-gemstone jewellery (e.g., its growing fashion jewellery category, and most of the items in the Tiffany HardWear Collection) and non-gemstone product categories (e.g., the new Home & Accessories Collection, the new Tiffany fragrance) that have higher margins and faster inventory turnover.

We recognise this move as both defensive (diversification from diamond/gemstone jewellery category that is important but with slow growth potential) and offensive (growth opportunities in fashion jewellery, watches, fragrance, home & accessories, etc.).



“Beautiful things should not be limited to special occasions...”

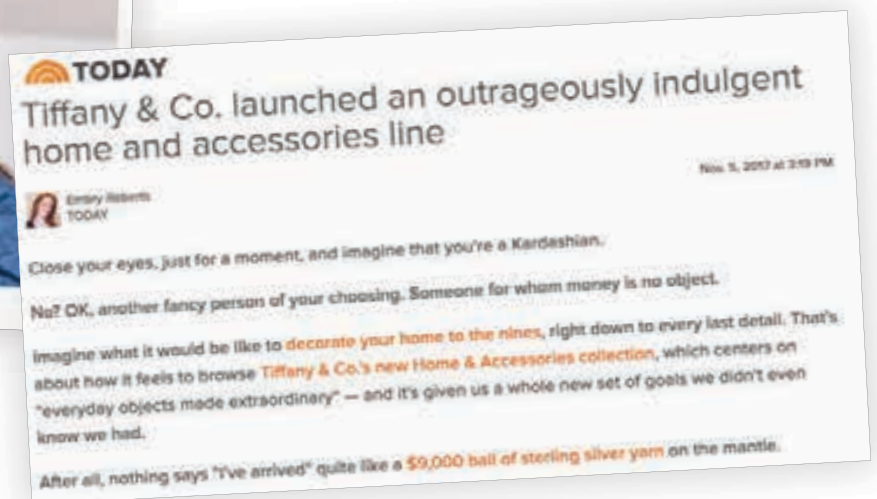
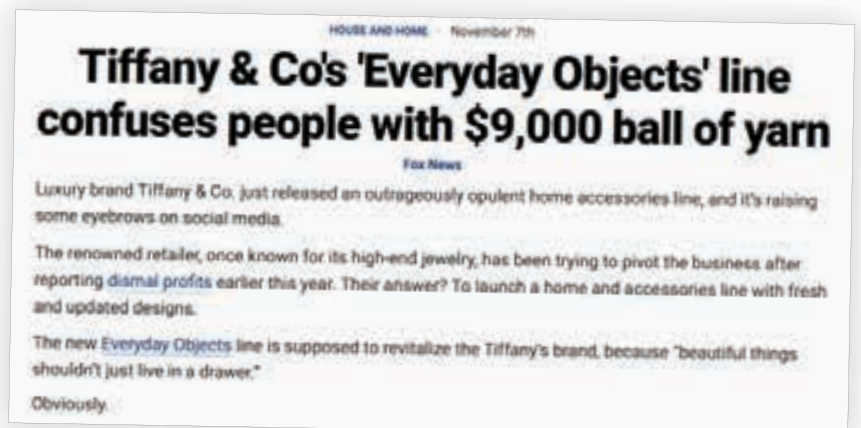
Tiffany’s announcement of the new Home & Accessories Collection on 6 November 2017

KEY OPPORTUNITIES (7)

SOCIAL MEDIA ENGAGEMENT

Tiffany is one of the best performing retail brands on social media, with very high social media engagement levels. Management noted that Tiffany's strong online presence is however more about delivering marketing communication that drives broad awareness, interests and store traffic.

We observed that the new management and design team seem to be comfortable taking some risks in product R&D, and to step outside its core diamond/jewellery genre to generate social media conversation and brand awareness. The recent "online buzz" relating to Tiffany's foray into "Everyday objects", such as the US\$14,900 ball of yarn and the US\$1,000 sterling silver tin can from the new Home & Accessories Collection are examples of product design and marketing that generate interests/curiosity that could lead to increased store traffic and sales.



KEY OPPORTUNITIES (8)

FURTHER INVESTOR ACTIVISM

Furthermore, we suggest that if the Company continued to underperform, not only JANA, but other activist investors such as Pershing Square (connected to Tiffany's current CFO via its Canadian Pacific investment), Triam Partners (who exited its position in Tiffany last year, and its co-founding partner Peter May has just retired from Tiffany's board this year) might re-engage to push for quick/short-term value realisation.

FINANCIAL LEVERAGE

JANA might push the Board to opportunistically repurchase its shares before material improvement in Tiffany's business performance is visible. We believe Tiffany's strong balance sheet would allow the Company to leverage its balance sheet and execute share buybacks opportunistically.

“JANA and Mr. Trapani invested in the Issuer because they believe the Shares are undervalued and represent an attractive investment opportunity. The Reporting Persons have had discussions with the Issuer regarding the Issuer's balance sheet, potential opportunities to accelerate top line growth and expand margins, supply chain, working capital and the composition of the Board.”

JANA Partners 13D Filings 22 February 2017

TAX EFFICIENCY

Over half of Tiffany's sales are generated outside the US. However, Tiffany's effective tax rates are consistently above 34% in the last few years (versus Apple's 24.6% in 2016). If the Company is able to manage the tax rate lower, it will have a meaningful positive impact on earnings.

Tax reform in the US with regard to repatriation of foreign profits may also assist.



CONCLUSION, ELEVATION CAPITAL INTRINSIC VALUE ESTIMATES & LIQUIDITY ASSESSMENT



ELEVATION CAPITAL ? CONCLUSION (1)

AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?

Not at all in our view. Tiffany is one of the most valuable global luxury brands, and the number one American luxury brand. However, the Management & the Board have been under significant pressure to find growth when Tiffany's traditional core product category (jewellery with diamonds/gemstones) has been suffering from weak demand in recent years.

Many on "The Street" believe that the Tiffany brand has lost touch with the next generation of consumers, and they regard the brand as tired and old world.

2017 WILL BE VIEWED AS A TRANSFORMATIVE YEAR

- 2017 is an important year for Tiffany. Significant senior management/board changes happened during the year, mainly due to activist investor JANA Partners' involvement.
- We believe that Tiffany, now led by new Chairman Roger Farah and new CEO Alessandro Bogliolo, with support from an expanded board and Chief Artistic Officer Reed Krakoff is now moving in the right direction.
- We acknowledge that the new direction taken by the Management is not without risks. However, the status quo was not an option. With its strong brand image and improving execution, the Company is in a sound position to grow in the years ahead by expanding its "inclusive luxury" offerings to include new/additional categories/products (e.g., home & accessories collection) outside its traditional core product category (jewellery with diamonds/gemstones), and into underserved markets such as Asia (Greater China), Europe and Latin America.
- More importantly, we believe there is an elevated energy around the Tiffany brand in 2017 and leading into 2018. People are talking about Tiffany's, whether it is Tiffany's open letter to President Trump on climate change, Tiffany's "save the wild elephants" collection/campaign, Tiffany's first perfume in 15 years, the opening of The Blue Box Café (Breakfast at Tiffany's), or Reed Krakoff's new Home & Accessories Collection.

CHALLENGES AND OPPORTUNITIES ABOUND

- As discussed in the Risks section, we recognise that the Company is facing some macro/microeconomic challenges. However, we have also tabled the numerous potential opportunities for the Management to create significant value for long-term minded shareholders.
- The test for the now reinvigorated board and management in the next 24 months is whether the Company can maintain the currently elevated energy and high engagement with the public and its customers/potential customers with new collections and marketing campaigns that capture the public's imagination, and then convert this high engagement into actual growth in comparable store sales by the end of FY2019 (31/1/2020).

ELEVATION CAPITAL ? CONCLUSION (2)

POTENTIAL ACQUISITION TARGET

We believe as the Company begins to deliver results consistent with a company offering a growth profile, not only will the stock re-rate to levels above peer group averages, it will also make the Company a more attractive acquisition target for the big multibrand luxury players in the market (e.g., LVMH, Richemont, Kering and/or Swatch) who could pay up for quality, growth and reduced company-specific risks. We believe at that stage the stock is worth in the range of US\$135.83* to US\$175.98** per share, compared to the current share price of US\$95.52***.

"A DIAMOND EMERGING FROM THE ROUGH"

For patient value-minded investors, we conclude that Tiffany is indeed "a diamond emerging from the rough". Even though the stock has recovered from its recent low of \$57.48 (27/6/2016) to US\$95.52***, it is still trading at a discount to its global listed peers, and is trading at a significant discount to our current "Private Market Value" estimates.



ELEVATION CAPITAL [?] ESTIMATED INTRINSIC VALUE RANGE

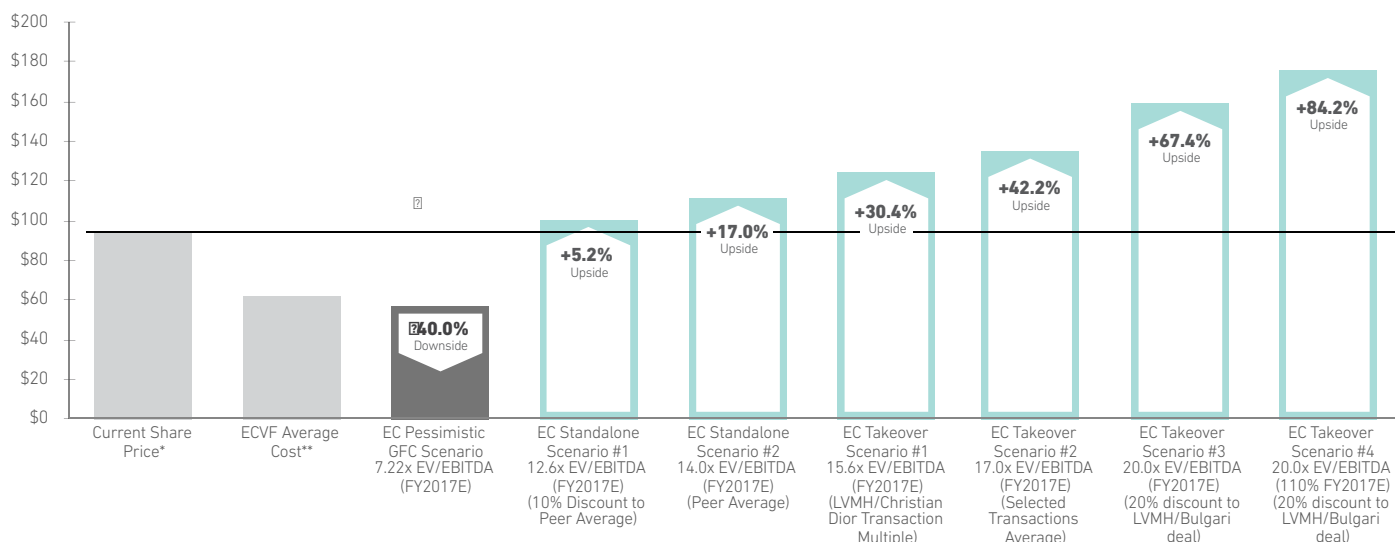
Elevation Capital
Estimated Intrinsic Value Range:

US\$ 57.28
[?] **US\$ 175.98**
PER SHARE

Downside/Upside
Potential Range:

[?] 40.0%
[?] **+84.2%**

VALUATION SUMMARY



* Current Share Price = US\$ 95.52 (as at 7 December 2017)

** Elevation Capital Value Fund ("ECVF") Average Cost = US\$ 61.74 as at 7 December 2017

EC = Elevation Capital, ECVF = Elevation Capital Value Fund



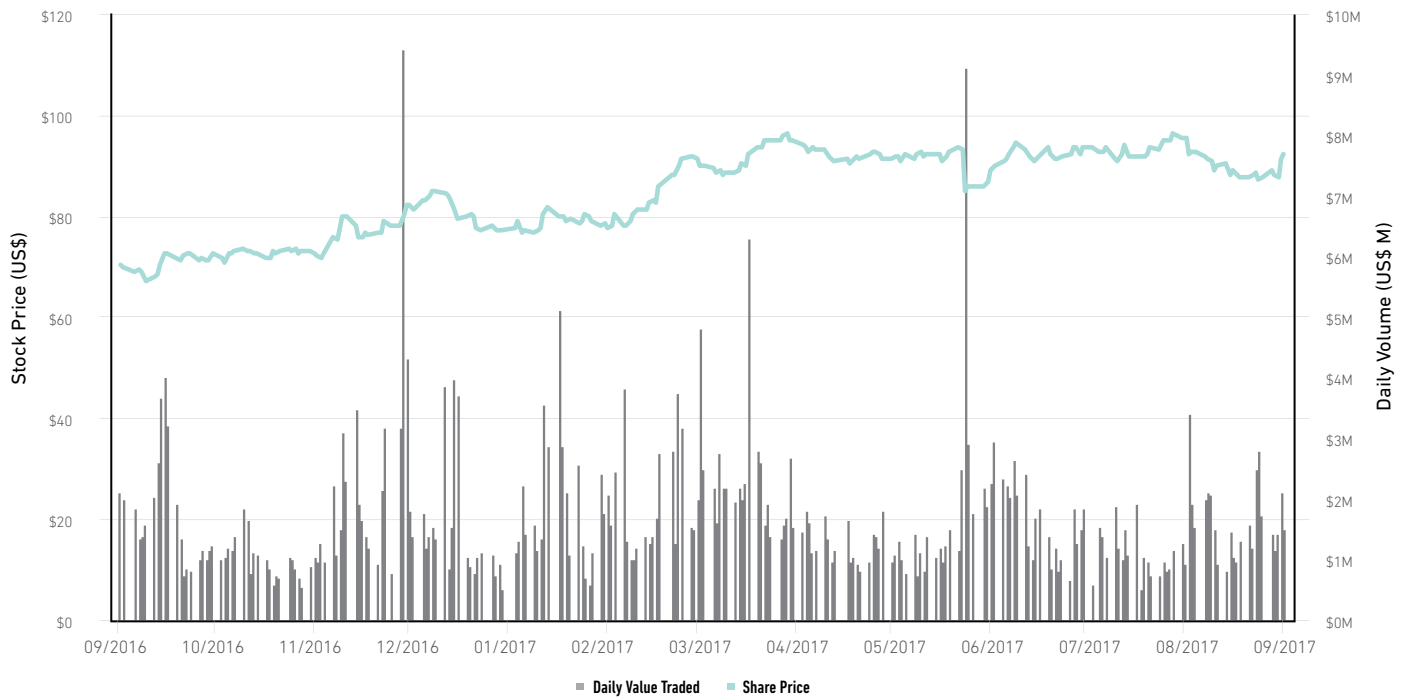
ASSUMPTIONS FOR OUR ESTIMATED INTRINSIC VALUES

Scenario	Assumptions
EC Pessimistic GFC Scenario	We assume the shares trade at 7.22x EV/EBITDA, which is the average EV/EBITDA ratio during 2008 - 2009, and with FY2017E Forecast EBITDA of US\$1,000M.
EC Standalone Scenario #1	We assume the Company does not get taken over, and the shares trade at EV/EBITDA of 12.6x, a 10% discount to the peer average, and with FY2017E Forecast EBITDA of US\$1,000M.
EC Standalone Scenario #2	We assume the Company does not get taken over, and the shares trade at the peer average EV/EBITDA of 14.0x due to improvement in the underlying business, and with FY2017E Forecast EBITDA of US\$1,000M.
EC Takeover Scenario #1	We assume the Company is taken over at 15.6x EV/EBITDA valuation, which is the multiple that LVMH utilised to acquire the remaining 26% of Christian Dior it does not already own, and with FY2017E Forecast EBITDA of US\$1,000M.
EC Takeover Scenario #2	We assume the Company is taken over at 17.0x EV/EBITDA valuation, which is our selected transaction/s average, and with FY2017E Forecast EBITDA of US\$1,000M.
EC Takeover Scenario #3	We assume the Company is taken over at 20.0x EV/EBITDA valuation, which is 20% discount to LVMH/Bulgari transaction EV/EBITDA multiple of 25x, and with FY2017E Forecast EBITDA of US\$1,000M.
EC Takeover Scenario #4	We assume the Company is taken over at 20.0x EV/EBITDA valuation, which is 20% discount to LVMH/Bulgari transaction EV/EBITDA multiple of 25x, and with an improved EBITDA of US\$1.1B (10% higher than FY2017E EBITDA of US\$1,000M).

LIQUIDITY ASSESSMENT

The one-year average daily trading volume in Tiffany totals US\$143M (~1.2% of the current market cap of \$11.87B*).

TIFFANY STOCK PRICE VS DAILY VALUE TRADED



* As at 7 December 2017
Data Source: Thomson Reuters Eikon



APPENDICES



APPENDIX 1: DIRECTOR/S BIOS (1)*

Roger N. Farah (Chairman of the Board, Tiffany & Co.)

Mr. Farah, 64, became a director in March 2017 and was elected Chairman of the Board effective October 2, 2017. He served as the Co-Chief Executive Officer and as a member of the board of Tory Burch LLC from 2014-2017. Mr. Farah has over 40 years of experience in the lifestyle products and retailing sectors. Mr. Farah was a member of the board of Ralph Lauren Corporation from 2000 to 2014, where he also served as President and Chief Operating Officer from 2000 to 2013 and as Executive Vice Chairman from November 2013 to May 2014. Prior to joining Ralph Lauren Corporation, he served as Chairman of the Board and Chief Executive Officer of Venator Group, Inc. (now Foot Locker, Inc.), as President and Chief Operating Officer of R.H. Macy & Co., Inc. and as Chairman and Chief Executive Officer of Federated Merchandising Services. Mr. Farah currently serves on the boards of The Progressive Corporation and Aetna, Inc., and as a non-executive director of Metro Bank PLC. Mr. Farah holds a B.S. from the University of Pennsylvania, Wharton School of Business.

Alessandro Bogliolo (Chief Executive Officer, Tiffany & Co.)

Alessandro Bogliolo is chief executive officer of Tiffany & Co. Mr. Bogliolo assumed this position and joined the Tiffany Board of Directors in October 2017. Mr. Bogliolo is a veteran luxury industry executive with nearly three decades of experience in general management, operations and marketing for luxury, fashion, jewelry and automotive brands. He started his career in 1989 at Bain & Co., a global consulting firm, advising clients on mergers, acquisitions and strategy projects. He held positions at the Italian motorcycle and scooter company, Piaggio, before moving on to Bulgari SpA, the Italian jewelry and luxury goods brand. Mr. Bogliolo served 16 years at Bulgari SpA, including as executive vice president – jewelry, watches & accessories from 2001-2007 and as chief operating officer from 2008-2012. Subsequently, he served as chief operating officer for North America at Sephora, owned by LVMH Louis Vuitton Moët Hennessy. Most recently he was chief executive officer of Diesel, the internationally distinguished Italian denim and lifestyle brand, where he led the company's efforts to revitalize its brand and enhance their customer experience. Mr. Bogliolo earned a degree in business administration from Università Bocconi in Milan, Italy and completed the International Management Program at HEC (Ecole des Hautes Etudes Commerciales) in Paris, France.

Rose Marie Bravo CBE (Chief Executive Officer (Retired), Burberry Limited)

Ms. Bravo, CBE, 65, became a director of Tiffany & Co. in 1997. Ms. Bravo previously served as CEO of Burberry Limited from 1997 until 2006 and as President of Saks Fifth Avenue from 1992 to 1997. Prior to Saks, Ms. Bravo held a series of merchandising jobs at Macy's, culminating in the Chairman & CEO role at I. Magnin, which was a division of R. H. Macy & Co. Ms. Bravo also serves on the Board of Directors of Estee Lauder Companies Inc. and Williams-Sonoma, Inc.

Gary E. Costley Ph.D. (Chairman and Chief Executive Officer (Retired), International Multifoods Corporation)

Dr. Costley, 72, became a director of Tiffany & Co. in 2007. He served as Chairman and CEO of International Multifoods Corporation, a manufacturer and marketer of branded consumer food and food service products, from 1997 until his retirement in 2004. Dr. Costley was Dean of the Graduate School of Management at Wake Forest University from 1995 until 1997. Dr. Costley held numerous positions at the Kellogg Company from 1970 until 1994 when he was President of Kellogg North America. Dr. Costley serves on the Board of Directors of The Principal Financial Group and Prestige Brands Holdings, Inc. He has also served on the Board of Directors of the following public company during the past five years: Covance Inc.

* <http://investor.tiffany.com/directors.cfm>

APPENDIX 1: DIRECTOR/S BIOS (2)*

Lawrence K. Fish (Chairman and Chief Executive Officer (Retired), Citizens Financial Group, Inc.)

Mr. Fish, 71, became a director of Tiffany & Co. in 2008. Mr. Fish previously served as Chairman, President and CEO of Citizens Financial Group, Inc. ("Citizens") from 1992 until 2005, when he relinquished the title of President. Mr. Fish relinquished the title of CEO of Citizens in 2007 and retired as Chairman in 2009. Mr. Fish is a member of the Corporation and Executive Committee of Massachusetts Institute of Technology. Mr. Fish serves as Chairman of Houghton Mifflin Harcourt and as a member of the Board of Directors of Textron. He has also served on the Board of Directors of the following public company during the past five years: National Bank Holdings. Mr. Fish serves as a Trustee Emeritus of The Brookings Institution and as Chairman of Management Sciences for Health.

Abby F. Kohnstamm (Executive Vice President and Chief Marketing Officer, Pitney Bowes, Inc.)

Ms. Kohnstamm, 62, is Executive Vice President and Chief Marketing Officer at Pitney Bowes Inc. ("Pitney Bowes"). In this role, she oversees all of Pitney Bowes's marketing and communications worldwide, as well as citizenship and philanthropy. Before joining Pitney Bowes in June 2013, Ms. Kohnstamm was the President and founder of Abby F. Kohnstamm & Associates, Inc., a marketing and consulting firm. Prior to establishing her company in 2006, Ms. Kohnstamm served as Senior Vice President, Marketing (Chief Marketing Officer) of IBM Corporation from 1993 through 2005. In that capacity, she had overall responsibility for all aspects of marketing across IBM on a global basis. Before joining IBM, Ms. Kohnstamm held a number of senior marketing positions at American Express from 1979 through 1993. She is also a member of the Board of Directors of the Roundabout Theatre Company and is a Trustee Emeritus of Tufts University after serving 10 years on the Board of Trustees. She became a director of Tiffany & Co. in 2001. Ms. Kohnstamm also served on the Board of Directors of the following public companies during the past five years: The Progressive Corporation and World Fuel Services Corporation. She holds a B.A. from Tufts University, an M.A. in Education from New York University and an M.B.A. from New York University.

Michael J. Kowalski (Former Chairman of the Board and Former Chief Executive Officer, Tiffany & Co.)

Mr. Kowalski, 65, is the former Chairman of the Board of Tiffany & Co. and former Chief Executive Officer. Mr. Kowalski has been a director of Tiffany & Co. since 1995, was Chairman from Fiscal 2002 until October 2017 and was interim CEO from February 2017 to October 2017. Mr. Kowalski joined Tiffany in 1983 and was Chief Executive Officer ("CEO") from 1999 until his retirement effective March 31, 2015. He has also served on the Board of Directors of the following public company during the past five years: The Bank of New York Mellon Corporation. The Bank of New York Mellon Corporation is one of Tiffany & Co.'s principal banking relationships, serving as a co-syndication agent and lender under Tiffany & Co.'s revolving credit facilities, as the trustee under the indenture governing certain of Tiffany & Co.'s senior notes and as the trustee and investment manager for the Tiffany and Company Pension Plan. Mr. Kowalski holds a B.S. from the University of Pennsylvania's Wharton School and an M.B.A. from the Harvard Business School.

James E. Lillie (Former Chief Executive Officer, Jarden Corporation)

Mr. Lillie, 55, is the former Chief Executive Officer at Jarden Corporation. Mr. Lillie has over 20 years of experience in the consumer products sector. Mr. Lillie held senior positions at Jarden Corporation from August 2003 through the sale of the company to Newell Brands in April 2016, including as Chief Operating Officer immediately prior to assuming the role of Chief Executive Officer. Prior to joining Jarden, Mr. Lillie served as Executive Vice President of Operations at Moore Corporation Limited and held several senior level management positions at portfolio companies of Kohlberg, Kravis, Roberts & Company. Mr. Lillie serves on the boards of Nomad Foods Limited and Royal Oak Charcoal, and previously served on the boards of Radio Prisa in Spain and the US-China Business Council. Mr. Lillie holds a B.A. from the University of Wisconsin.

APPENDIX 1: DIRECTOR/S BIO(S) (3)*

Charles K. Marquis (Senior Advisor, Investcorp International, Inc.)

Mr. Marquis, 73, has been a Senior Advisor to Investcorp International, Inc. since 1999. From 1974 through 1998, he was a partner in the law firm of Gibson, Dunn & Crutcher L.L.P., where he practiced securities and mergers and acquisitions law. He was first elected a director of Tiffany & Co. in 1984.

William A. Shutzer (Senior Managing Director, Evercore Partners)

Mr. Shutzer, 69, has been a Senior Managing Director of Evercore Partners, a financial advisory and private equity firm, since 2004. He previously served as a Managing Director of Lehman Brothers from 2000 through 2003, a Partner in Thomas Weisel Partners LLC, a merchant banking firm, from 1999 through 2000, as Executive Vice President of ING Baring Furman Selz LLC from 1998 through 1999, President of Furman Selz Inc. from 1995 through 1997 and as a Managing Director of Lehman Brothers and its predecessors from 1978 through 1994. He was first elected a director of Tiffany & Co. in 1984. Mr. Shutzer serves on the Board of Directors of ExamWorks Group, Inc., Evercore Trust Company and RSI Home Products, Inc. He has also served on the Board of Directors of the following public company during the past five years: Mecklermedia Corporation (formerly known as Mediabistro Inc.).

Robert S. Singer (Former Chief Executive Officer of Barilla Holding SpA)

Mr. Singer, 64, served as CEO of Barilla Holding S.p.A, a major Italian food company, from 2006 to 2009. From 2004 to 2005, Mr. Singer served as President and Chief Operating Officer of Abercrombie & Fitch Co., an American clothing retailer. Prior to joining Abercrombie, Mr. Singer served as Chief Financial Officer of Gucci Group NV, a leading luxury goods company, from 1995 to 2004. From 1987 to 1995, Mr. Singer was a Partner at Coopers & Lybrand. Mr. Singer served on the Board of Directors of Benetton S.p.A. from 2006 to 2010, and on the Board of Directors of Fairmont Hotels & Resorts, Inc. from 2003 to 2006. Mr. Singer currently serves on the Board of Directors of the following public companies: Mead Johnson Nutrition Company, Coty Inc. and Jimmy Choo PLC. Mr. Singer also currently serves on the Board of Directors of several non-public companies. Mr. Singer was first elected a director of Tiffany & Co. in 2012.

Francesco Trapani (Former Chief Executive Officer, Bulgari)

Mr. Trapani, 59, is the former Chief Executive Officer at Bulgari. Mr. Trapani has over three decades of experience in the luxury retail sector. From 1984 until 2011, Mr. Trapani led Bulgari, including in connection with the company's listing on the Italian Stock Exchange, creation of Bulgari Hotels & Resorts, and acquisition by LVMH in 2011. From 2011 to 2014, Mr. Trapani served as Chairman and Chief Executive Officer of the LVMH Watches and Jewelry Division. Mr. Trapani joined Clessidra SGR, the largest private equity fund in Italy, as Executive Vice-Chairman in 2014, and later served as Chairman of the Board until the company's sale in 2016. Mr. Trapani holds a degree in business administration from the University of Naples.

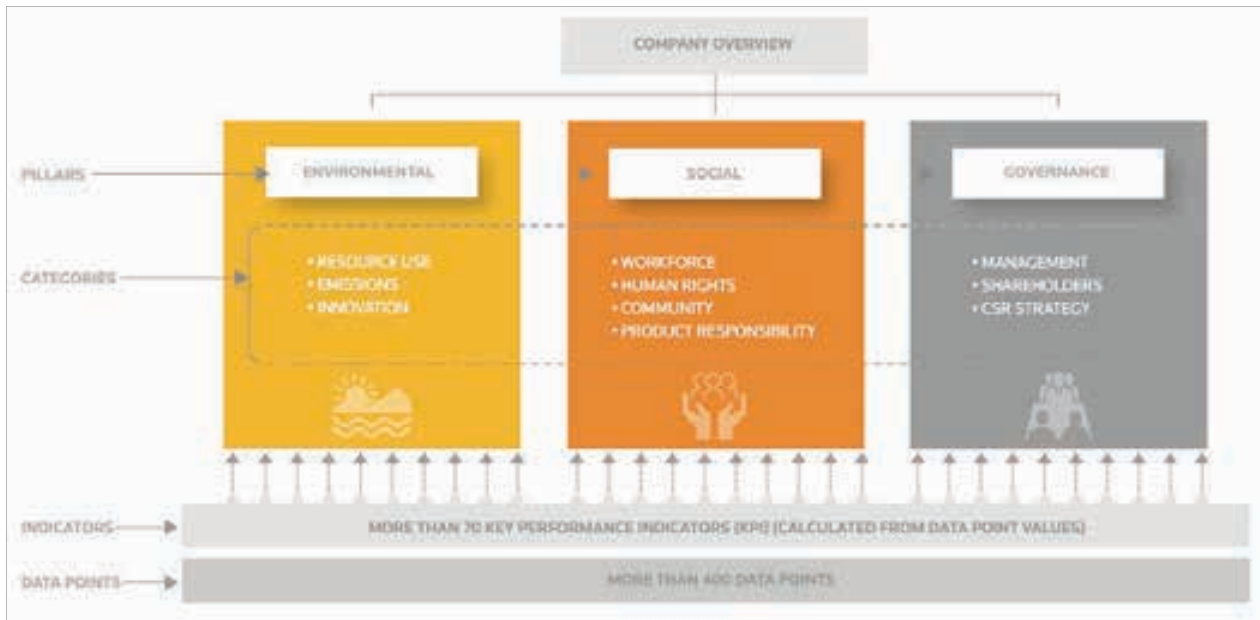
APPENDIX 2: THOMSON REUTERS EIKON ESG SCORE SYSTEM

We utilise Thomson Reuters ESG scores to evaluate a company's ESG efforts.

It offers one of the most comprehensive ESG databases in the industry covering over 6,000 public companies, across more than 400 different company level ESG metrics.



400 company level ESG measures collected



Thomson Reuters ESG Framework

Score Range	Grade
0.0 <= score <= 0.083333	D-
0.083333 < score <= 0.166666	D
0.166666 < score <= 0.250000	D+
0.250000 < score <= 0.333333	C-
0.333333 < score <= 0.416666	C
0.416666 < score <= 0.500000	C+
0.500000 < score <= 0.583333	B-
0.583333 < score <= 0.666666	B
0.666666 < score <= 0.750000	B+
0.750000 < score <= 0.833333	A-
0.833333 < score <= 0.916666	A
0.916666 < score <= 1	A+

Thomson Reuters ESG Score Range / Grade

APPENDIX 3: REAL ESTATE ASSET ? FLAGSHIP STORE ON FIFTH AVENUE, NEW YORK

The only store property the company owns is the Tiffany Flagship Store on Fifth Avenue. It is not mortgaged and is not currently for sale.

The store was built for Tiffany in 1940. The company undertook a LBO from Avon and sold the building in the 1980's. They bought the building back from a Japanese corporation in 1999 for US\$ 94M. We do not believe the building has been revalued in the books since 1999.

The Tiffany diamond is also on display at the store – it is our understanding that it is also in the books for a very low carrying value but is believed to be worth more than US\$ 20M today.

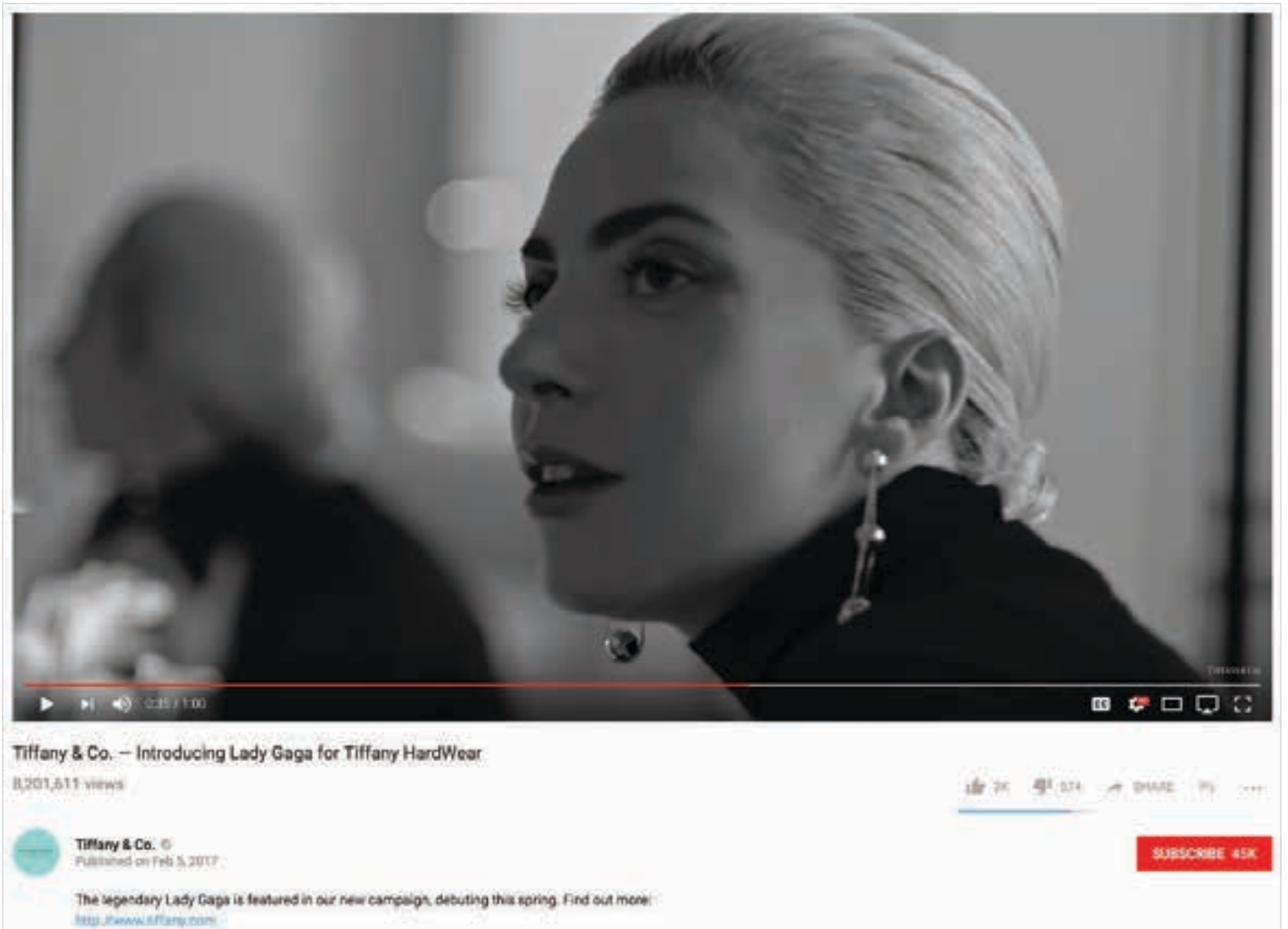


The Tiffany Flagship Store today

The Tiffany Diamond is presented in a phenomenal new setting specially created in honour of Tiffany's 175th anniversary.



APPENDIX 4: VIDEO [?] TIFFANY'S FIRST SUPER BOWL COMMERCIAL



Tiffany & Co. — Introducing Lady Gaga for Tiffany HardWear

8,201,611 views

Tiffany & Co. ©
Published on Feb 5, 2017

The legendary Lady Gaga is featured in our new campaign, debuting this spring. Find out more:
<http://www.tiffany.com>

SUBSCRIBE 45K

<https://www.youtube.com/watch?v=tGuNdkyvfSc>

INVEST SUMMM

INVESTMENT STRATEGIES

INVESTMENT SUMMARY

COTY – A WORLD LEADER IN BEAUTY

Coty (COTY:US, Market Capitalisation US\$ 13.3B) is a significant player in global beauty. The Company manufactures, markets and sells branded beauty products in the fragrance, colour cosmetics (including nail care) and skin & body care categories. Products are sold in more than 130 countries worldwide using a multichannel distribution strategy with products positioned across a variety of price points, including prestige and mass market channels.

GROWTH THROUGH M&A

Coty's strong market position is the result of its aggressive M&A strategy. In October 2016, Coty doubled in size through the merger (acquisition) with (of) P&G's beauty business. The merger (acquisition), initially valued at US\$ 12.5B, was by way of a Reverse Morris Trust and saw Coty take control over some 41 brands previously owned by P&G. The transformational deal bolstered sales and expanded Coty's product suite to include the addition of 'salon professional' and hair colouring brands. Coty is now ranked as the third largest beauty manufacturer in the world, holding dominant positions across key beauty categories including #1 in fragrances, #2 in salon hair, and #3 in colour cosmetics. However, the deal has not been without its challenges.

STOCK PRICE WEAKNESS PRESENTS A LONG-TERM OPPORTUNITY

Coty has experienced negative investor sentiment following trading disruption around the close of the P&G beauty deal and concerns toward slowing revenue growth and capital expenditure. Coty has posted weak quarterly results while inventory levels (for acquired brands) have been significantly higher than anticipated. There appears an increased likelihood of integration complications with inherent uncertainty towards the timing of synergy extraction. As a result, Coty's stock has fallen 41% from its recent high of US\$29.75 in August 2016 to US\$17.60 in April 2017.

The Elevation Capital Value Fund began to establish a position in Coty in January 2017, at an average cost of US\$18.72 per share (as at 12 April 2017).

M&A INTEGRATION

The most important value creation from the merger (acquisition) of P&G's beauty brands is Management's estimated improvement of Coty's operating profit margins from 14.3% (*Standalone Coty FY16 adj. operating profit margin*) to ~19.6% in FY2020 (Pro forma Coty adj. operating margin). This will make Coty an industry leader in profit margins. There exists scepticism toward whether this is achievable by 2020. However, it is our view that even if Management missed their target by say 1%, i.e., only achieved an 18.6% operating margin by 2020, the significant improvement would still require the market to re-rate the stock. We also note that the margin improvement forecast does not include the anticipated portfolio rationalisation and any underlying growth in the newly combined business.

ECONOMIES OF SCALE

The completion of the P&G deal marked the largest beauty portfolio acquisition in history, significantly increasing Coty's scale. It saw the Company become the third largest beauty company globally, from seventh before the merger (acquisition). The move places Coty in an even stronger position when negotiating with suppliers, retailers, advertising agencies, and the likes. The Company has already established a name for itself as a tough negotiator including the insistence of 120-day payment terms for marketing contracts. (*Advertising agency Grey, recently resigned its Coty account citing financial differences – we hypothesise this represents a push by Coty to reduce its cost base*). We further assert that Coty's scale will enable the Company to accelerate revenue growth through the acquisition of smaller products/brands, utilising their distribution and sales networks to enhance their value.

DIVERSIFIED PORTFOLIO OF ICONIC BRANDS

Coty has a broad, well-diversified portfolio of more than 70 iconic brands including Calvin Klein, Chloé, Clairol, CoverGirl, Marc Jacobs, Max Factor and Wella to name a few. We see additional upside through further optimisation of Coty's brand portfolio. We suggest that the acquired P&G brands have not received the necessary attention required to run them optimally as they were being prepared for sale. We further highlight the 16-month window that the Coty/P&G deal took to close during which time P&G would have had little incentive to invest in the growth of these brands. We look to Coty to continue to strengthen its global brands by directing resources to higher growth potential brands while stabilising remaining brands. Coty has openly stated its intent to explore alternatives for non-core brands including the potential for divestment. We believe that this is one short-term catalyst that can improve margins, revenue/profit growth and at the same time deleverage the balance sheet.

CORNERSTONE SHAREHOLDER OF POSITIVE INFLUENCE

JAB Holding Company ("JAB") is Coty's largest shareholder, with a shareholding of 36.84% (~US\$ 5B as February 2017). JAB is the investment arm and holding company of the billionaire Reimann family. JAB focuses on long-term investments in companies with premium brands, attractive growth and strong margin dynamics (*Assets as at 31 December 2016 totalled € 21.3B including a ~9% stake in Reckitt Benckiser*). JAB stands out, mainly due to the immense experience of the people who run it, particularly within the consumer products industry. Current management consists of Peter Harf (ex-Chairman of Anheuser-Busch InBev), Bart Becht (ex-CEO of Reckitt Benckiser) and Olivier Goudet (Chairman of Anheuser-Busch InBev). JAB has direct ties to renowned investment firm 3G Capital - Olivier Goudet currently serves as chairman of 3G-controlled Anheuser-Busch InBev. Both JAB and 3G have a history of investing in consumer brands with a focus toward cost reduction. We believe JAB's cornerstone shareholding is extremely positive for long-term minded minority shareholders.

THE COLLAPSE OF DUAL-CLASS SHARE STRUCTURE

Following Coty's merger (acquisition) with (of) P&G's beauty brands, JAB converted all its super-voting Class B shares to ordinary Class A shares for nil compensation. With this conversion, JAB's voting rights declined from 97.5% to 36.8%. While JAB continues to have considerable influence over the Company, the collapse of the dual-class share structure allows the Company to improve transparency and governance. It also opens the door for other shareholders to have an influence over the Company.

MANAGEMENT INCENTIVES

Management is incentivised to be shareholder-oriented toward long-term value creation. Current incentive plans are structured through Employee Bonuses and Long-Term Incentive Compensation. Bonuses are conditional on increased profitability and improvements in cash generation where key performance metrics include; revenue growth, profit growth and cash conversion. Coty also encourages Management to acquire & hold their personal wealth in shares - Executive Committee members are expected to hold US\$1.8M-US\$5M of Coty shares while the 'top-80' leaders are expected to hold up to US\$1M of Coty shares.

INSIDER TRADES

'Insiders' (including Management, Directors and JAB) have been actively buying Coty shares since the completion of the merger (acquisition) with (of) P&G's beauty brands. This includes an additional ~€ 72M of Coty shares acquired by JAB in February 2017. Such acquisitions highlight JAB's confidence in Coty's to execute on its integration strategy. We view such stock purchases as affirmation of the apparent value gap between Coty's current share price and its intrinsic value.

RETURNING CAPITAL TO SHAREHOLDERS

Management continues to show confidence in Coty's cash flow generation capability – the Company recently transitioned to quarterly dividends and increased its dividend payment by 82% to \$0.125 per quarter (*this amounted to US\$93.4M, vs Coty's Free Cash Flow of US\$567M in Q2/17*). This implies a dividend yield of 2.8% (*based on Coty's share price of US\$17.60 as at 12 April 2017*), which is currently 87% higher than the industry peer group average of 1.5%. Furthermore, Coty bought back 1.4M shares for the six-month period ending 31 December 2016, with a price range of \$25.35 - \$27.40.

INVESTMENT THESIS - SUMMARY

Following the completion of Coty's complicated multi-year integration process, we expect the Company to emerge as a formidable challenger to leading peers of L'Oréal and Estée Lauder. A focus on increased scale and business segment expansion are projected to deliver economies of scale and further diversify revenue streams. We see this as a catalyst for Coty to improve its margins and stabilise its earnings profile.

Due to the extent of integration and reorganisation required, we expect Coty to experience a period of short-term

uncertainty and volatility. However, we continue to have confidence in both the Board and Management to execute on its plan. Furthermore, we believe the investments into P&G's orphaned beauty brands (e.g., the relaunch and repositioning of COVERGIRL and Max Factor) could yield surprising upside in the medium term that is not currently being considered by the market. In the meantime, we are paid to be patient, as Coty currently pays what we believe to be a sustainable dividend which yields above its peers at 2.8%. Assuming sustainable cash flow generation, the attractive yield should reduce downside risk in a market sell-off.

Coty currently trades at US\$ 17.60 per share (*as at 12 April 2017*), at an implied P/E multiple of 16.76x (*based on an adjusted FY16 EPS of US\$ 1.05*). We estimate Coty's Intrinsic Value to be between US\$ 16.68 - US\$ 42.02 assuming normalised trading conditions. Our valuation/s represent downside/upside potential of between -5.2% to +138.8%.

(*Note: All data as at April 2017*)

INVESTMENT SUMMARY

TOD'S – AN ITALIAN LUXURY FASHION HOUSE

Tod's (TOD.IM, Market Capitalisation €2.0B) Tod's SpA is one of the smaller global luxury players. The Company produces luxury shoes, leather goods, accessories and apparel, and distributes them worldwide through 378 stores (270 Direct-Owned-Stores, 108 Franchised Stores), independent multi-brand stores, its own online stores and third party online stores such as YOOX Net-A-Porter/Mr Porter.

BRAND PORTFOLIO

- **Tod's** is best known for its shoes and luxury leather goods that represent - Italian tradition, quality and modernity.
- **Hogan** was among the first producers of “luxury” sneakers, one of the most popular product categories today.
- **Fay** was acquired in the late seventies, and developed by Tod's to produce a range of high quality casualwear & coats.
- **Roger Vivier** is famous for its extravagant and luxuriously decorated shoes. The brand now extends its product range to include handbags, small leather goods, jewellery and sunglasses.

MAJORITY (60.66%) SHAREHOLDER/CHAIRMAN/CEO – DIEGO DELLA VALLE

Diego Della Valle is the grandson of Filippo Della Valle, who started his shoemaking business in the 1920s. After inheriting the business from his father, Diego successfully expanded the business and built the now famous Tod's brand. He also created the Hogan brand. Fay and Roger Vivier are the two brands acquired and developed by Diego Della Valle. The New Yorker (10 May 2004) called him the “Italian Ralph Lauren”.

VALUE TRAP OR VALUE OPPORTUNITY?

After reaching an all-time high of €142.30 on 23/8/2013, Tod's share price has declined 67% in the last four years to a low of €46.99 on 30/9/2016. It has since recovered to €59.89 as at 20 September 2017. Tod's is currently (as at 20 September 2017) the sixth largest position in Elevation Capital Value Fund. We initiated a position in Tod's in 2014 after the share price declined more than 30% from its all time high in 2013 and the overall luxury sector had seen a sell-off due to anti-graft/anti-corruption policy in China. Tod's represented compelling absolute & relative value then. *The key question is does it now?* While other luxury players have seen recovery in their businesses, and their stock prices. Tod's is currently underperforming due to several company specific issues. *The question again is whether these issues can be resolved in a reasonable and timely fashion?*

UNDERPERFORMANCE IN RECENT YEARS

Tod's has underperformed in recent years as the strategy of trying to transform Tod's from a shoe brand to a lifestyle/fashion brand was pushed too far from 2013 to 2016 under its then creative director Alessandra Facchinetti. As Management commented that it was “*too much fashion for our old clients and not enough fashion to attract new clients*”. Although Roger Vivier has continued its impressive growth (Compound annual growth rate of +38.3% from 2006 to 2016), both Hogan and Fay have struggled to grow since 2009, this resulted in two designers for Fay leaving the Company in July 2017 after six years working for the brand. Hogan has been

particularly disappointing given it really invented the “fashion” sneaker category, but has failed to capitalise on the current global fashion sneaker growth due to its lack of an international expansion strategy, as it continued to focused domestically and wholesale driven.

TURNAROUND TO BE DRIVEN BY MOTIVATED 60.6% MAJORITY SHAREHOLDER

We believe the specific issues that have plagued the Company in the last few years can be fixed in a reasonable and timely fashion by a motivated 60.6% owner. Management is determined to return to its roots and strength – to create products that reflect the brands' DNA and tradition – Made in Italy, Italian quality and Italian lifestyle. At the same time, Management needs to continue its efforts on improving cost efficiency.

Patience is rewarded if we assume by 2020 EBITDA profitability is restored to €200M (80% of 2012 level, with a Forecast EBITDA Margin of 18.3% vs. 26.0% in 2012) or €250M (100% of 2012 level, with a Forecast EBITDA Margin of 22.9% vs. 26.0% in 2012) and apply the current peer group EV/EBITDA multiple of 14.7x which provides an upside potential of +52.7% or +89.8% (IRR/Annualised Return = +16.5% or +26.0%, assuming an exit in the middle of 2020) - not including dividends. (Tod's has a current gross dividend yield of 2.84% per annum, which is amongst the highest in the sector globally.)

SECULAR TAILWIND

We believe that Tod's is positioned favourably to execute its turnaround plan as well as the continuation of cost efficiency measures with the following secular tailwinds to assist its efforts:

- Continued Growth in Luxury – The global personal luxury sector is expected to grow at +2% - +3% annually from 2016-2023;
- Shoes/Leather Goods – The two categories that Tod's generate most of its revenue from are forecast to grow at above average annualised growth rates (Shoes: +5.1%, Leather Goods: +4.5%) versus the broader global personal luxury sector;
- China – Currently, Tod's has a sizable presence in Greater China – 29.4% of its store count, but only 22.5% of total sales. We believe the recent trend of repatriation of luxury spending and reduced pricing differentials in China should assist the situation; and,
- Casualwear – The increasing appeal of casualwear versus formalwear amongst luxury consumers, and the “luxurisation” of casualwear should further benefit Tod's core product lines.

A POTENTIAL TAKEOVER TARGET

As Diego Della Valle (63) approaches retirement, and with his interests in politics, we see Tod's as a potential takeover target for:

- LVMH or Kering: two of the largest luxury goods firms in the world, especially LVMH as Bernard Arnault, Chairman and CEO of LVMH, personally owns 3.5% of Tod's shares, and Diego Della Valle sits on the board of LVMH.
- Coach: The aspiring multi-brand operator with 52% of its revenue generated from North America.
- Burberry: Burberry can remain an UK/European brand operator but with improved diversification.

VALUATION – “PRIVATE MARKET VALUE”

We believe based on historical transactions the appropriate multiple ranges to acquire Tod's would be in the range of 15-17x EV/EBITDA, depending on the potential synergy benefits of the acquisition/merger for the acquirer. Based on FY2017E EBITDA of €170M, we estimate the current “Private Market Value” or Intrinsic Value to be in the range of €75.96 and €86.24, with upside potential of +27.0% and +44.2%. However, we do not believe Mr. Della Valle would sell Tod's when EBITDA has retreated from €250M in 2012 to a forecast €170M in 2017. Additionally, after Mr. Della Valle sold the Roger Vivier brand to Tod's, he invested half of the €415M proceeds back into Tod's at €83.53 per share (versus the current share price of €59.80 as at 20 September 2017).

To be conservative, we assume that Management can improve EBITDA to €200M in 2020 (80% of 2012 level, with a Forecast EBITDA Margin of 18.3% vs. 26.0% in 2012). Based on this assumption, we estimate the Private Market Value range of Tod's would increase to €93.11 - €105.19 per share. This presents upside potential of +55.7% to +75.9%, with an IRR/Annualised Return range of +17.3% to +22.6% per annum (excluding dividends) assuming an exit in the middle of 2020.

Looking forward with optimism (and motivation of a 60.6% majority shareholder), if EBITDA can return to €250M in 2020 (100% of 2012 level, with a Forecast EBITDA Margin of 22.9% vs. 26.0% in 2012), we estimate the Private Market Value range of Tod's would increase to €115.77 - €130.88 per share. This presents upside potential of +93.6% to +118.9%, with an IRR/Annualised Return range of +26.9% to +32.6% per annum (excluding dividends) assuming an exit in the middle of 2020.

VALUE OPPORTUNITY

We conclude that Tod's is not a “Value Trap” but it requires patience as the Company restores historical profitability and implements a more targeted expansion programme. We believe investors should be focusing on a return to former profitability levels by 2020 with a potential sale of the Company to a luxury conglomerate thereafter.

INVESTMENT THESIS - SUMMARY

Tod's is one of the leading global players that produces and sells shoes, luxury leather goods and casual wear. It is 60.66% owned by Diego Della Valle. Tod's has underperformed in recent years due to Management's poor execution and a failed change in strategic direction that sought to increase the fashion component of Tod's business.

We expect margins to improve as Management refocuses its efforts on creating products that truly reflect Tod's core proposition: Made in Italy, Italian quality and Italian lifestyle. We believe the stock is significantly undervalued either; (i) if it remains a standalone company and delivers a turnaround by 2020 that improves EBITDA profitability at/near its FY2012 level of €250M; or, (ii) if Diego Della Valle sells Tod's (in the price range of 15-17x EV/EBITDA) to a large luxury conglomerate such as LVMH or Kering for family estate planning and succession planning purposes.

Tod's currently trades at €59.80 per share (as at 20 September 2017), EV/TTM EBITDA multiple of 11.9x.

We estimate Tod's Intrinsic Value to be in a range of €74.42 - €130.88 assuming normal trading conditions and under various valuation scenarios as detailed in our in-depth appraisal/presentation on Tod's.

Our valuation/s represent upside potential of between +24.4% to +118.9% from prevailing market prices for the stock.

This summary report was written as at 20 September 2017.

INVESTMENT SUMMARY

ONE OF THE OLDEST POSITIONS IN THE ELEVATION CAPITAL VALUE FUND

Tiffany is one of the oldest positions in the Elevation Capital Value Fund, as we have viewed the brand/company as underappreciated and undervalued. We first established a position in Tiffany in April 2012, and currently have an average cost of US\$61.74¹ (vs a current price of US\$95.521) since this position was initiated.

TIFFANY & CO. – A STORIED AMERICAN LUXURY HOUSE WITH BRAND MOAT

Tiffany & Co. (TIF:US, Market Capitalisation US\$11.9B) is one of America's few heritage luxury houses. It currently operates 315 stores in 30 countries. The Tiffany brand is one of the most iconic global luxury brands, with a storied history that started in New York City 180 years ago when Charles Tiffany founded it in 1837.

TIFFANY - THE NUMBER ONE AMERICAN LUXURY BRAND

Based on Interbrand's Best Global Brands 2017 Rankings, Tiffany is one of the most valuable global luxury brands, ranked #5 amongst the top global luxury players in the top 100 global brands. If we only consider American luxury brands, Tiffany is the #1 American luxury brand.

TIFFANY'S EMOTIONAL CONNECTION TO THE AMERICAN PUBLIC

Marilyn Monroe's famous 1953 hit "Diamonds are a Girl's Best Friend" helped to place Tiffany into the American public consciousness. Tiffany was then immortalised by the 1961 movie "Breakfast at Tiffany's", starring film and fashion icon Audrey Hepburn, where the movie portrays the story of a young girl who transforms herself through aspiration.

VERTICALLY INTEGRATED BUSINESS MODEL

Tiffany is one of the few jewellers that has established a vertically integrated business model that provides a perception of quality and luxury to its products and services. Also, it allows Tiffany to lead the industry in ethically produced jewellery, as it believes traceability is the best means of ensuring social and environmental responsibility. However, it does increase the cost of operations, and lead to lower returns and margins.

STRONG BALANCE SHEET AND GROWING DIVIDENDS, BUT PRESSURE HAS BEEN BUILDING TO IMPROVE FINANCIAL PERFORMANCE

Tiffany has net debt totalling US\$78.2M vs a market capitalisation of US\$ 11.9B, has grown its dividend 16 times in the past 15 years and is currently yielding 2.09%. Despite these clear merits, Management & the Board have been under significant pressure to find growth when Tiffany's traditional core product category (jewellery with diamonds/gemstones) has been suffering from weak demand in recent years. Potentially worse, some investors believe that the Tiffany brand has lost touch with the next generation consumers, and they regard the brand as tired and old world.

AS A RESULT ACTIVIST INVESTORS ARRIVED IN THE FORM OF JANA PARTNERS & FRANCESCO TRAPANI

On 21 February 2017, Tiffany announced that JANA Partners with Mr. Francesco Trapani own ~5.1% of Tiffany's outstanding shares. Tiffany agrees to appoint three new independent directors to its Board of Directors:

1. Francesco Trapani: Former CEO of Bulgari, and former Head of Watches and Jewellery at LVMH;
2. Roger Farah: Co-CEO of the fashion brand Tory Burch (and former president of Ralph Lauren);
3. James Lillie: Former CEO of the consumer products conglomerate Jarden Corp which is now part of Newell Rubbermaid.

To date, we have observed the Board has taken a positive and co-operative step towards working with JANA/Trapani instead of trying to fight off a potential activist campaign. We suggest this is highly beneficial to the Company and all shareholders, as observed from the successful recruitment of Alessandro Bogliolo, the former COO of Bulgari (and more recently former CEO of Diesel) as Tiffany's new CEO, and the naming of Roger Farah, one of the three new directors as Chairman.

NEW CEO – ALESSANDRO BOGLIOLO

On 13 July 2017, Tiffany named Alessandro Bogliolo as its new CEO, effective 2 October 2017. Alessandro Bogliolo was the CEO of the Italian fashion brand Diesel since 2013. He was previously the COO of the Italian jewellery and luxury goods brand Bulgari for many years until it was acquired by LVMH in 2011 (at 21x EV/EBITDA). We note that Mr. Bogliolo had worked with Mr. Francesco Trapani for many years when Mr. Trapani was the CEO of Bulgari. We believe the key reasons to Mr. Bogliolo's appointment as Tiffany's new CEO are:

1. Mr. Bogliolo's long history working at the prestigious luxury house of Bulgari in a senior leadership position;
2. Mr. Bogliolo's efforts and positive results in revitalising the Diesel brand in a relatively short period of time since his hiring in 2013;
3. Mr. Trapani's personal endorsement as Bogliolo's former boss, and the support of the JANA/Trapani alliance.

2017 WILL BE VIEWED AS A TRANSFORMATIVE YEAR

2017 is an important year for Tiffany. Significant senior management/board changes happened during the year, mainly due to activist investor JANA Partners' involvement.

We believe that Tiffany, now led by new Chairman Roger Farah and new CEO Alessandro Bogliolo, with support from an expanded board and Chief Artistic Officer Reed Krakoff is beginning to move in the right direction.

We acknowledge that the new direction taken by the Management is not without risks. However, the status quo was not an option. With its strong brand image and an improving execution, the Company is in a sound position to grow in the years ahead

by expanding its “inclusive luxury” offerings to include new/ additional categories/products (e.g., home & accessories collection) outside its traditional core product category (jewellery with diamonds/gemstones), and into underserved markets such as Asia (Greater China), Europe and Latin America.

More importantly, we believe there is an elevated energy around the Tiffany brand in 2017. People are talking about Tiffany’s, whether it is Tiffany’s open letter to President Trump on climate change, Tiffany’s “save the wild elephants” collection/campaign, Tiffany’s first perfume in 15 years, the opening of The Blue Box Café (Breakfast at Tiffany’s), or Reed Krakoff’s new Home & Accessories Collection.

CHALLENGES AND OPPORTUNITIES ABOUND

We recognise that the Company is facing some macro/ microeconomic challenges. However, we also believe that there are numerous potential opportunities for the Management to create significant value for long-term minded shareholders².

The test for the now reinvigorated board and management in the next 24 months is whether the Company can maintain the currently elevated energy and high engagement with the public and its customers/potential customers with new collections and marketing campaigns that capture the public’s imagination, and then convert this high engagement into actual growth in comparable store sales by the end of FY2019 (31/1/2020).

UNDERVALUED BASED ON OUR ESTIMATES OF PRIVATE MARKET VALUE

Based on FY2017E EBITDA of US\$1,000M (Forecast EBITDA Margin of 24.4%), and 17.0x EV/EBITDA multiple, we estimate the current “Private Market Value” or Intrinsic Value to be US\$135.83 per share, with upside potential of +42%, from the current market price of US\$95.52³.

GROWTH, STOCK RE-RATING AND ACQUISITION

TARGET OPPORTUNITY

We believe as the Company starts to deliver results consistent with a company offering a growth profile, not only will the stock re-rate to levels above peer group averages, it will also make the Company a more attractive acquisition target for the big multibrand luxury players in the market (e.g., LVMH, Richemont, Kering and/or Swatch) who could pay up for quality, growth and reduced company-specific risks. We believe at that stage the stock is worth in the range of US\$135.83⁴ to US\$175.98⁵ per share, compared to the current share price of US\$95.52³.

“A DIAMOND EMERGING FROM THE ROUGH”

For patient value-minded investors, we conclude that Tiffany is indeed “a diamond emerging from the rough.” Even though the stock has recovered from its recent lows of \$57.48 (27/6/2016) to US\$95.52³, it is still trading at a discount to its global listed peers, and is trading at a significant discount to our current “Private Market Value” estimates.

This summary report was written in December 2017.

¹ As at 7 December 2017

² A detailed section on Tiffany’s potential risks and opportunities is included in our full presentation from page 84 to page 96 at <http://www.elevationcapital.co.nz/tiffany-co>

³ As at 7 December 2017

⁴ 17x EV/FY2017E EBITDA, FY2017E EBITDA = 1,000M

⁵ 20x EV/(110% FY2017E EBITDA), FY2017E EBITDA = 1,000M

INVESTMENT SUMMARY

EXECUTIVE SUMMARY

NZX operates a monopoly-like business that retains the ability to at least grow in line with GDP; however,

The business has suffered from ill discipline over the past five years, with operating margin declining by over 50%, and total return to shareholders of +22.5% significantly underperforming the NZX50's +105.1%.

While the Agri data and publishing businesses have in the past been strong contributors to profit, the publishing landscape has changed, and NZX was slow to react;

The significant acquisition of SuperLife has also suffered from a lack of focus on costs and opex investments subsequent to acquisition;

The Board has pulled one of the two levers available to them and replaced the CEO. The new CEO now has the opportunity to clearly articulate a strategy for improving returns and profitably growing the business over the long term;

It is our view that NZX is worth ~NZ\$1.44 a share assuming the following steps are undertaken:

- Immediate remediation of the cost base to return the business to its prior mid-30's operating margins;
- Review strategic alternatives for the funds management businesses including the potential sale of the business to a specialist global player;
- Handover regulatory functions of the markets business to the FMA;
- Develop a credible plan with growth options for the business or become a "utility";
- Return NZ\$20M to NZ\$30M in capital to shareholders via a tax-efficient buyback at present prices; and,
- Further broaden board member skill-sets with international investing/exchange experience as well as business development skills.

OVERVIEW

NZX Limited (NZX:NZ, Market Capitalisation NZ\$278M) operates various capital markets within New Zealand providing trading, post-trade and data services, as well as a central securities depository. As New Zealand's only registered Securities Exchange, the Group operates multiple 'markets' including the NZX Main Board (NZX), NZX Alternative Market (NZAX) and the NXT. NZX also operates several other markets on behalf of third parties such as the New Zealand electricity market under long-term contracts from the Electricity Authority and the Fonterra Shareholders' Market on behalf of Fonterra. As of 30 April 2017, total debt and equity listing across NZX's exchanges held respective market capitalisations of NZ\$26.6B and NZ\$119.9B.

ATTRACTIVE BUSINESS MODEL

NZX has a near monopoly in the New Zealand primary listed equity and debt markets. Core market operations represent 68% (NZ\$52.9M) of Group revenues and include initial/annual listing fees, data fees, and trading & settlement fees. One of the most attractive qualities of NZX's core markets business is the consistent nature of its recurring revenues. Notably, the Group's annual listing fees, which provide a robust platform for NZX to leverage future growth. To this extent, attracting new businesses to list on their platform is a key imperative to driving sustainable long-term growth.

DESPITE MONOPOLISTIC CHARACTERISTICS THERE EXISTS A COMPETITIVE ENVIRONMENT

The advent of new technologies has contributed to the globalisation of business and capital flows, vastly changing the competitive landscape for stock exchanges. In response, leading stock exchanges have restructured their businesses, pursued foreign company listings and explored M&A opportunities/strategic alliances. This has resulted in renewed focus on improving product offerings (IPOs), listing standards, fee structures, and regulation. In contrast, NZX has remained relatively insulated from such pressures, providing little impetus for increasing efficiency or promoting its business. Left unaddressed; such factors may support an exodus of larger New Zealand companies to ASX. As it stands, NZX/ASX dual-listed stocks account for 9 out of the 10 S&P/NZX10 constituents, and approximately 60% of the S&P/NZX50 constituents.

ASX'S COMPETITIVE ADVANTAGE

Economies of scale and network effects significantly contribute to liquidity and market depth; where studies have revealed size and liquidity to be the top considerations for new businesses seeking to list on an exchange. As at December 2016, listed entities on NZX had a total market capitalisation of ~NZ\$115.5B, versus ~NZ\$1.8T of total market capitalisation on the ASX; while trading volumes were similarly low at 37% of market capitalisation versus 72% of ASX. The comparatively small market/trading volumes of NZX place it at a substantial disadvantage when competing for new listings, leading to a vicious cycle. Offsetting this, and highlighting in our opinion a failure to "communicate and sell" effectively, are the higher multiples NZX listed companies currently fetch versus global peers across the broad industry spectrum and the higher than average forward multiples the market continues to trade at which should make listing in New Zealand attractive. (*Forsyth Barr in a report dated 12 June 2017, currently estimates the 12 month forward-weighted PE multiple for the New Zealand market to be 19.5x, or +10% above the five-year average.*)

CONSOLIDATION OF MARKETS

It has been well publicised that despite strong equity market performance, NZX currently lacks a meaningful IPO pipeline. In 2015, NZX achieved a total of three IPOs while 2016 was similarly underwhelming with the IPOs of Tegel Group, Investore Property and New Zealand King Salmon. However, one has to acknowledge that this is the experience globally, predominantly as a result of regulatory creep and the growth in private equity funding which allows companies to stay private longer. Jason Zweig in the Wall Street Journal on 23 June 2017 – using the chart (below), highlighted the declining number of listings in the US capital markets since 1980.



Source: *The Wall Street Journal*¹

The new SEC Chairman according this Reuters article [<http://www.reuters.com/article/us-usa-sec-ipo-idUSKBN19D1S2>] is also investigating why IPO volumes in the US have declined by as much as one third since 2015.

NZX management has also made attempts to try and create an attractive environment for smaller companies to list. Launched in 2016, NXT was developed as a marketplace for fast-growing, small and mid-sized businesses. NXT is intended to provide SMEs with the necessary capital required to expand their business in addition to creating a viable runway for SMEs to graduate to NZX's Main Board. Its reception thus far has been underwhelming and as at December 2016, NXT had a total of four listings with no apparent pipeline for growth and one of the four recently announcing a proposal to delist. While alternate exchanges have proved successful overseas (such as the FTSE AIM in London), it is our view that the small size of New Zealand's capital markets makes it hard to justify the existence of three separate equity markets (the Main Board, NZAX and NXT). It is worth considering that ASX, which is approximately 16x the size of NZX, continues to run a single equity market. We assert that companies listed on NZAX and NXT may be better served under the umbrella of NZX's Main Board with a simplified rule set for small-cap listed companies – e.g. for companies with a market capitalisation below NZ\$ 25.00 million.

REVIEW REGULATORY FUNCTIONS

We recognise that self-regulation has its benefits, including an overall increase in regulatory resources and an ability to leverage inside knowledge/expertise of industry professionals. However, we suggest there exists significant benefits toward adopting a government/statutory model similar to that of the ASX. Such a centralised approach promotes efficiency and reduces the duplication/layering of regulation, including supporting infrastructure and oversight activities. We further suggest that the FMA would be better positioned to deliver more effective

regulation as a single agency, as it would have broad jurisdiction over all market participants; avoiding conflicts of interest between NZX's commercial functions as a "for-profit" entity, and their position as a regulator - we point to the significant costs associated with regulatory functions while disciplining your own customers counteracts relationship building activities essential to all businesses. We suggest that transferring regulatory responsibilities to the FMA would rebalance NZX's competitive position relative to the ASX, which currently has a cost advantage due to their adoption of a government/statutory model in 2010. Finally, it is our belief, that New Zealand is well suited to this model due to the small size of its market – traditionally, one of the major headwinds for large complex markets wanting to adopt centralised regulatory models has been the overwhelming resource required to do so; this is simply not the case for NZX.

COSTS UNDERMINE RETURNS

The biggest failure in our opinion for NZX over the past five years has simply been that increases in expenditure have consistently outpaced revenue growth and weakened NZX's bottom-line performance. Over the past five years, the Group's operating margin has more than halved, declining from 38% (FY2011) to 18% (FY2016). As a result, NZX ranks as the worst performing exchange when observing Revenue, EBITDA and NIAT generated per employee across a broad peer group (on an unadjusted basis). To put this in perspective, in 2016, NZX generated NZ\$0.10M in EBITDA (unadjusted) per employee whereas ASX generated NZ\$1.41M - some 14 times greater. In addition to labour costs, several loss-making ventures and cyclical IT expenditures have compounded NZX's profitability problems. Going forward, reducing costs, driving operating leverage and increasing efficiencies must be a primary focus for Management. We are aware that 2016 marked a transitional year for the Company with substantial one-off costs being incurred. While the removal of these costs is expected to be a key driver for improved performance in 2017 (refer Appendix #1 for a breakdown of these costs), we maintain that there remains significant scope to reduce expenses further through a range of productivity and efficiency initiatives in relation to their net worth.

INVESTMENT SUMMARY CONTINUED

EMPLOYEE EFFICIENCY

Company	Market Cap (NZ\$/m)	Revenue (NZ\$/m)	EBITDA (NZ\$/m)	NIAT (NZ\$/m)	FTE	Revenue/FTE (NZ\$/m)	EBITDA/FTE (NZ\$/m)	NIAT/FTE (NZ\$/m)
Intercontinental Exchange	51,986	6,482	4,116	2,170	5,631	1.15	0.73	0.39
Hong Kong Exchanges & Clearing	43,725	1,932	1,314	1,083	1,610	1.20	0.82	0.67
Deutsche Boerse	23,672	3,680	1,964	1,251	5,116	0.72	0.38	0.24
London Stock Exchange	18,839	2,945	1,364	580	5,551	0.53	0.25	0.10
Nasdaq	17,063	5,338	1,622	951	4,325	1.23	0.38	0.22
Japan Exchange Group	11,380	1,505	1,079	575	1,088	1.38	0.99	0.53
ASX	10,752	948	767	445	546	1.74	1.41	0.82
CBOE Holdings	9,431	946	494	268	553	1.71	0.89	0.48
Singapore Exchange	8,319	852	489	369	762	1.12	0.64	0.48
Euronext NV	4,411	752	430	310	635	1.18	0.68	0.49
TMX Group	4,046	862	408	234	1,075	0.80	0.38	0.22
Bolsas y Mercados Espanoles	3,829	485	328	240	762	0.64	0.43	0.32
NZX Limited	287	78	23	10	237	0.33	0.10	0.04

Date Source: Thomson Reuters

FTE: Full-Time Employee

EBITDA: Earnings Before Interest, Tax, Depreciation & Amortisation

NIAT: Net Income After Tax

Figures reported in Millions/NZD using FY16 data, where FY16 data is yet to be reported, consensus estimates have been used.

MARGIN ANALYSIS

Company	EBITDA Margin	Operating Margin	Net Profit Margin
ASX	80.9%	76.2%	47.0%
Hong Kong Exchanges and Clearing	68.0%	66.3%	55.5%
Bolsas y Mercados Espanoles Sociedad	67.5%	65.8%	50.0%
Japan Exchange Group	64.4%	55.0%	39.0%
Intercontinental Exchange	63.5%	48.2%	31.6%
Singapore Exchange	57.3%	49.3%	42.7%
Euronext	57.2%	52.1%	39.7%
TMX Group	47.3%	36.0%	24.4%
London Stock Exchange	46.3%	25.8%	13.4%
Nasdaq	30.4%	7.0%	2.9%
NZX (Unadjusted)	30.0%	17.6%	11.8%
NZX (Adjusted)*	37.9%	25.5%	19.7%
Mean	58.3%	48.2%	34.6%
Median	60.4%	50.7%	39.3%

Data Source: Thomson Reuters reported FY16 data

* NZX Adjusted figures assume removal of NZ\$6.1M in hard cost however we estimate total cost-out potential in FY17 could be up to ~NZ\$9.0M.

** No other adjustments have been made to other exchanges data sourced from Thomson Reuters.

NEW FUND-RAISING MODELS EMERGING

Alternative models for sourcing growth capital such as crowd funding and peer-to-peer lending have emerged from the fringes of the financial sector and are now considered viable growth capital sources for mainstream businesses. Between 2012 and 2015, the global crowd funding market grew more than +1000% (albeit from a small base) with total sums raised in 2015 totalling US\$34.4B (Massolution Crowd Funding Industry 2015 Report). Peer-to-peer lending made up the majority of funds raised with equity accounting for only c.7% (US\$2.5B) of the market in 2015. However, the rapid pace at which the industry is expanding both in terms of funds raised and increases in the average amount of capital invested, suggests crowd funding is a potential challenger to traditional exchanges, especially within the SME sector. Many exchanges around the world are already exploring ways of integrating crowd funding platforms into their current business models. In 2016, the Syndicate Room (a leading equity crowd funding platform in the UK) became a member of the London Stock Exchange. The partnership allowed retail investors to participate in the IPO 'market placings' traditionally reserved for institutions and professionals. In theory, this is intended to enable retail investors to benefit from the same discounts as professionals for new equity issues. Other adaptations include; the Deutsche Borse Venture Network, a pre-IPO platform, the Korea Exchange KRX Start-up Market, a secondary market for crowd funded shares, and the Taipei Exchange Gofunding Zone, an aggregation platform for crowd funding initiatives.

DEBT MARKET OPPORTUNITY

Underwriting and distributing debt and hybrid products is a pillar of the financial markets and is an important component in NZX's business offering counter-cyclical protection to the Group's listing business. NZX has experienced vigorous growth within their debt markets over the past 10 years, with total debt market capitalisation expanding from NZ\$7B in 2006 to more than NZ\$25B in 2016. This represents an impressive compound annual growth rate of 13%. Underpinned by domestic investors err for conservatism and appetite for government bonds and property, we see the potential for further development of this market. However, whether this growth in listed debt has translated into profit growth is unclear, and we suggest that Management provides further insight into this.

DIRECTORS & MANAGEMENT ON NOTICE TO IMPROVE PERFORMANCE

As stated earlier, it is our view that ill discipline has been the largest destroyer of value for NZX shareholders. Over the past five years (ending Q1-2017), NZX has significantly underperformed the market (NZX50) in addition to delivering the worst return for its shareholders when measured against a broad peer group. Total return (including dividends) over the five-year period was just +22.5% (or +4.2% on an annualised basis). In contrast, the S&P/NZX50 Index delivered a total return of +105.1% or +15.6% annualised over the same period.

FIVE-YEAR STOCK PRICE RETURN: APRIL 2012 - MARCH 2017

Name	Price Return	Annualized Price Return	Total Return	Annualized Total Return	CCY
Japan Exchange Group	308.0%	33.5%	351.3%	36.3%	JPY
London Stock Exchange	232.9%	27.1%	263.4%	29.3%	GBP
CBOE Holdings	188.0%	23.6%	221.9%	26.3%	USD
Nasdaq	168.1%	21.8%	192.4%	23.9%	USD
Bolsas y Mercados Espanoles Sociedad	63.8%	10.2%	137.6%	18.6%	EUR
Euronext	108.7%	15.6%	120.0%	16.8%	EUR
ASX	55.8%	9.3%	117.1%	16.8%	AUD
Deutsche Boerse	70.7%	11.1%	112.5%	16.0%	EUR
TMX Group	50.5%	8.6%	75.9%	12.1%	CAD
Singapore Exchange	11.0%	2.1%	34.8%	6.2%	SGD
NZX	-10.1%	-2.1%	22.5%	4.2%	NZD

Date Source: Thomson Reuters, extracted 14/03/17

Ranked by Total Return, which includes price return and dividends

SUGGESTIONS TO THE NEW CEO & BOARD FOR UNLOCKING VALUE

1. IMMEDIATELY REMEDIATE COSTS

The business has been poorly managed over the past five years with operating margin declining by over 50%, and total return to shareholders of +22.5% significantly underperforming the NZX50's +105.1%. Immediate remediation of costs must occur to return the business to its prior mid 30's to low 40's operating margins.

2. REVIEW STRATEGIC ALTERNATIVES

While both SuperLife and Smartshares are highly scalable businesses, it is unclear that NZX is the highest value owner of these businesses. Therefore, NZX should consider strategic alternatives including the potential sale of these businesses to a specialist global player. There exist other smaller businesses within the NZX that should also be reviewed for divestment – e.g. FundSource and NZ Farmers Weekly. NZX should also undertake a review as to whether retaining regulatory oversight is in the long-term best interests of both itself and shareholders.

3. DEVELOP GROWTH OPTIONS OR BECOME A "UTILITY"

We believe NZX should assess how it can position itself to capitalise on new and emerging models for sourcing growth capital such as crowd-funding and peer-to-peer lending which would leverage NZX's expertise as a 'platform manager' and be more suitable to the SME marketplace than NZX's current NXT marketplace. This could provide NZX with a valuable source of future Main Board listings and aid in the overall development of the capital markets. If the Board and Management do not consider this an option, then we suggest NZX should be run as a utility – focus should be placed on right-sizing costs, achieving world-class operating margins (after capex), and returning all excess capital to shareholders in a tax-efficient manner.

INVESTMENT SUMMARY CONTINUED

4. ACCRETIVE CAPITAL RETURN TO SHAREHOLDERS

With NZX's strong balance sheet, predictable cash flow generating capabilities, and the present low interest rate environment, Management can create value for shareholders by conducting a highly accretive NZ\$20-NZ\$30M stock buyback. For example, if NZX source term debt at 5%, buying back shares trading at a gross yield of ~8% is compelling.

5. FURTHER BROADENING OF BOARD MEMBER SKILL-SETS

International investing experience (including knowledge of and participation in/on other international exchanges) as well as business development skills are lacking from the current Board and this needs to be addressed. We also believe some level of ownership or responsibility for an ownership stake in NZX should be a function in selecting new directors to ensure an alignment of interests with Board members and Shareholders.

expanding at 2% per annum - approximately in line with average NZ GDP growth forecast over the next 10 years. We conservatively adjust for one-off costs in 2016, and model a further deterioration of margins going forward by 10% over the next five years. In this circumstance, we see NZX experiencing multiple compression relative to higher growth global peers. As this is representative of what we believe to be a worst-case scenario, we use the lowest modelled price over the five years. Using a 30% discounted EV/EBITDA multiple of 8.03x, against forecast FY19 EBITDA of NZ\$27.98M generates an intrinsic value estimate of NZ\$0.84 cents per share, representing downside potential of -19%.

This summary report was written in March 2017 and subsequently updated in June 2017.

ELEVATION CAPITAL PROPRIETARY VALUATION SCENARIOS

OPTIMISTIC VALUATION SCENARIO

Our Optimistic Valuation Scenario assumes NZX successfully pursues real growth opportunities and is efficacious in driving operating leverage through the business. This scenario assesses NZX on a sum-of-the-parts basis reflective of our view that the Funds Services business should be divested. (1) We fully remove one-off costs relating to NZX's markets business, positively impacting segment EBITDA by NZ\$5.2M. We apply an international (markets based) peer group multiple of 11.47x against adjusted EBITDA of NZ\$29.96M. (2) We value the Funds Services at 2% of total FUM of NZ\$2.15B. (3) We write off NZX's Agri business, as its contribution toward our SOTP calculation is negligible. This results in an intrinsic value estimate of NZ\$1.44 per share representing upside potential of +39%.

NEUTRAL VALUATION SCENARIO

Our Neutral Valuation Scenario, like our Pessimistic Scenario, assumes NZX is a mature business growing approximately in line with average New Zealand GDP growth. We adjust for one-off costs in 2016, modelling an amelioration of cost over the next five years with NZX's EBITDA margin returning toward its 10-year historic median of 41%. We continue to place NZX on a discounted peer group multiple given the potential for low growth across its core markets business. Utilising an EV/EBITDA multiple of 10.32x (a 10% discount to average international peer multiples), against forecast FY19 EBITDA of NZ\$32.09M generates an intrinsic value estimate of NZ\$1.24 per share, representing upside potential of +19%.

PESSIMISTIC VALUATION SCENARIO

Our Pessimistic Valuation Scenario assumes NZX has reached maturity with no real growth options and revenues

APPENDIX #1

POTENTIAL COST-OUTS FOR 2017

- RALEC litigation costs (NZ\$3.0M),
- Transitioning Smartshares and SuperLife funds to new FMCA regulations (NZ\$1.0M),
- CEO transitioning (NZ\$1.6M),
- Restructure of Agribusinesses (NZ\$0.4M)
- Improvement of rent arrangements (NZ\$0.4M)
- Operating loss of divested Clear Grain Exchange (~NZ\$0.5M)
- Higher doubtful debts than usual (~NZ\$0.2M)
- Operating loss relating to NZX Wealth - projected to break even in 2017 due to on boarding of new clients (~NZ\$1.4M)
- Losses related to early stage ETFs expected to reach necessary scale for profitability in 2017 (~NZ\$0.5M)

¹ <https://www.wsj.com/articles-stock-picking-is-dying-because-there-are-no-more-stocks-to-pick-1498240513>



INDEPENDENT THINKING DISCIPLINED INVESTING

INDEPENDENT THINKING

[In-de-pend-ent Think-ing] **ində'pendənt THiNkiNG** *verb*

Is essential to long-term investment success. We are often contrarian and do not pay attention to index compositions when making investment decisions. We believe that when you're several thousand miles away from Wall Street in a different nation, it's easier to be independent and buy the things that other people are selling, and sell the things that other people are buying.

We also believe that cash is sometimes the most attractive investment.

DISCIPLINED INVESTING

[Dis-ci-plined In-vest-ing] **disciplinəd inves'ting** *verb*

The market presents opportunities every day, but disciplined investing is as much about the opportunities you do not take.

Our investments are premised on the concept of "Margin of Safety" which we believe reduces risk.

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