

---

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

Research Presentation released in October 2017



# DISCLAIMER

This presentation was published in October 2017.

## DISCLAIMER

This presentation has been prepared by Elevation Capital Management Limited ("Elevation Capital") for distribution to clients of Elevation Capital in New Zealand and other jurisdictions to whom, under relevant law, this presentation lawfully may be distributed. It may not be distributed in any other jurisdiction or to any other persons.

The information, investment views and recommendations in this presentation are provided for general information purposes only. To the extent that any such information, views, and recommendations constitute advice, they do not take into account any person's particular financial situation or goals and, accordingly, do not constitute personalised financial advice under the Financial Advisers Act 2008, nor do they constitute advice of a legal, tax, accounting or other nature to any person. Elevation Capital recommends that recipients seek advice specific to their circumstances from their adviser before making any investment decision or taking any action.

## NON-RELIANCE, NO WARRANTIES, NO LIABILITY

This presentation does not, and does not attempt to, contain all material or relevant information about all companies/stocks referred to in this Presentation or other matters referred to in this presentation. The presentation is published in good faith and is based on publicly available information. Information and opinions contained in this presentation reflect a judgment at the date of publication by Elevation Capital and are subject to change without notice. Elevation Capital is under no obligation to update or keep current any of the information in this publication.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, or correctness of the information, assumptions, views, opinions, statements, data or conclusions contained, referred to, or reflected in, or supplied or communicated orally or in writing to any person in connection with, this presentation (together, the "Information"), or as to the reasonableness of such Information. Nothing in this presentation should be construed as a solicitation to buy or sell any security or other product, or to engage in or refrain from doing so or engaging in any other transaction.

To the maximum extent permitted by law, neither Elevation Capital nor any of Elevation Capital's directors, employees, shareholders, subsidiaries, agents, advisers or any other person shall have any liability to any person for any loss (including, without limitation, any liability arising from any fault or negligence on the part of Elevation Capital or any of Elevation Capital's directors, employees, shareholders, subsidiaries, agents, advisers or any other person) arising in respect of or in relation to this presentation or any of the Information.

Certain Information used in this presentation has been derived or obtained from filings made with the Securities and Exchange Commission ("SEC") or other regulatory authorities and from other third party sources. Elevation Capital has not sought or obtained consent from any third party to use any such Information. The use of any such Information should not be viewed as indicating the support of such third party for the views expressed in this presentation by Elevation Capital or Elevation Capital's endorsement of such third party Information. No warranty is made that any Information, whether derived

or obtained from filings made with the SEC, any other regulatory agency, from any third party or otherwise, is accurate. Past performance is not an indication of future results. No audit or review has been undertaken by an independent third party of this presentation or the Information.

## FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements. All statements contained in this presentation that are not clearly historical in nature or that necessarily depend on future events are forward-looking, and the words "anticipate," "believe," "expect," "possible," "potential," "opportunity," "estimate," "plan," and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements are subject to various risks and uncertainties. Nothing in this presentation is a promise or representation as to the future. Statements or assumptions in this presentation as to future matters may prove to be incorrect. Neither Elevation Capital nor any of Elevation Capital's directors, employees, shareholders, subsidiaries, agents, advisers or any other person makes any representation or warranty as to the accuracy of such statements or assumptions. Circumstances may change and the contents of this presentation may become outdated as a result. No audit or review has been undertaken by an independent third party of the assumptions, data, results, calculations and forecasts contained in or referred to in this presentation.

## CONCERNING INTELLECTUAL PROPERTY

All registered or unregistered service marks, trade marks and trade names referred to in this presentation are the property of their respective owners, and Elevation Capital's use in this presentation does not imply an affiliation with, or endorsement by, the owners of these service marks, trade marks and trade names.

## CONCERNING ELEVATION CAPITAL

Elevation Capital is registered as a financial service provider in New Zealand under the Financial Service Providers (Registration and Disputes Resolution) Act 2008 (FSP# 9601). Christopher Swasbrook is also registered under that Act (FSP# 110649); however, he is not an authorised financial adviser for the purposes of the Financial Advisers Act 2008. Despite such registration, neither Elevation Capital nor Mr Swasbrook is providing any personalised financial advice to any person as a result of this presentation.

Elevation Capital is the manager of the Elevation Capital Value Fund ("Fund"). Copies of the Product Disclosure Statement ("PDS") & Statement of Investment Policy ("SIPO") in respect of the Fund are available on request from:

Mail: PO Box 911145, Victoria Street West, Auckland 1142, New Zealand;

Email: [info@elevationcapital.co.nz](mailto:info@elevationcapital.co.nz)

Phone: +64 9 379 6493

At the date of this presentation, Elevation Capital, Elevation Capital Value Fund and accounts managed by Elevation Capital and other persons associated with Elevation Capital may own (legally, beneficially or both) and/or have an interest (economic or otherwise) in securities of the Issuer referenced.

*“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



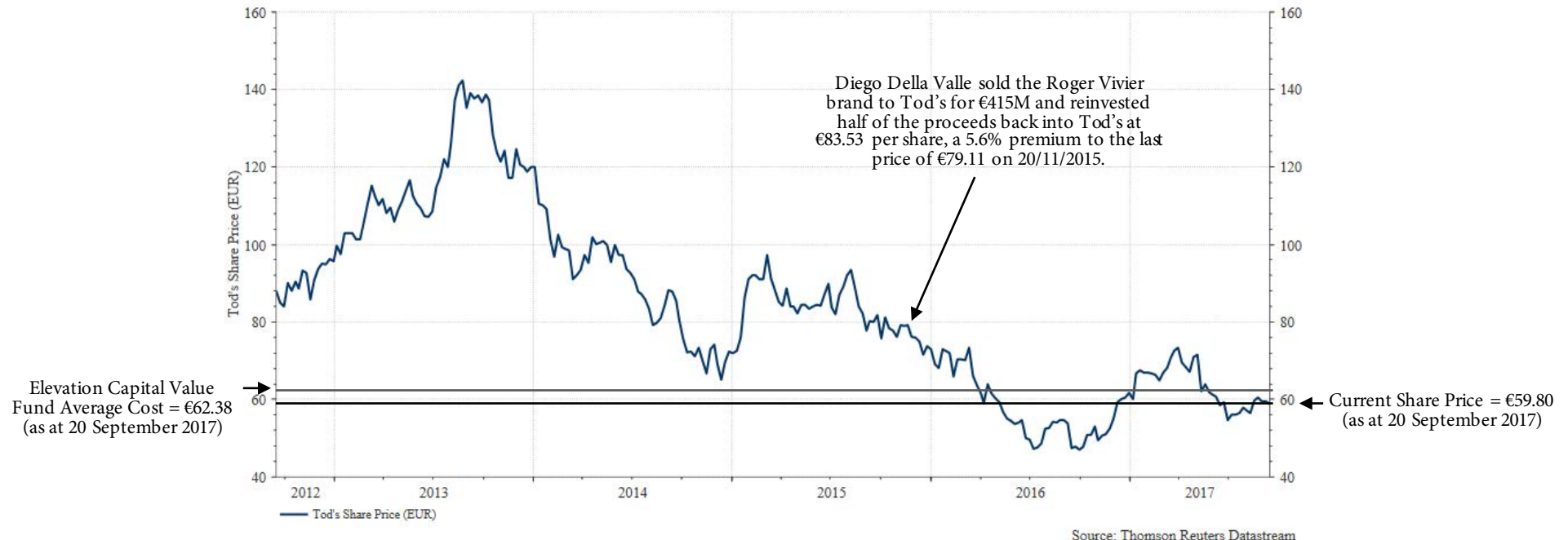
# VALUE TRAP OR VALUE OPPORTUNITY?

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



VOGUE FASHION BEAUTY CULTURE LIVING RUNWAY VIDEO

## Alessandra Facchinetti, Creative Director of Tod’s, Steps Down

MAY 6, 2016 1:46 AM  
by NICOLE PHELPS

Alessandra Facchinetti stepped down from her role as creative director of Tod’s today, joining a growing list of designers who have left their posts since the Fall 2016 shows.

Facchinetti took up the reins at Valentino after the house founder’s departure in 2007 and subsequently designed a short-lived (and, it seems now, ahead-of-its-time) see-now-buy-now line called Uniqueness. Her CV also includes a stint at Gucci.

She arrived at Tod’s in early 2013, and had an impressive debut with her Spring ’14 collection for the Diego Della Valle–led label, making the most of the house specialty leather, but also exhibiting a soft, feminine touch with her tailoring and shirtdresses. Her subsequent collections were rarely short on color or whimsical prints. Accessories were naturally a focus at the label; Tod’s is famous for its pebble-soled Gommino driving shoe. In contrast to the *molto* sexy sensibilities of many Italian brands, Facchinetti put the emphasis on elegant practicality: You never saw a stiletto at her shows. In recent seasons, Facchinetti’s work with the stylist Caroline Issa has increased the visibility of Tod’s ready-to-wear on social media and street style blogs.

Unfortunately, despite the quotidian, woman-friendly appeal of Facchinetti’s clothes for Tod’s, it could be difficult to find them in stores, one of the inevitable problems when an accessory brand expands into ready-to-wear.

The brand has not announced a successor.

# VALUE TRAP OR VALUE OPPORTUNITY?

## FASHION NETWORK

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

By [Dominique Muret](#) - 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.

© Thomson Reuters 2017 All rights reserved.

## 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 MARTINS 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.



# VALUE TRAP OR VALUE OPPORTUNITY?

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

#CONSUMER PRODUCTS & RETAIL NEWS | JUNE 18, 2017 / 12:57 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 Firth 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, driven 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 15.7 percent as fewer tourists visited the United States. In Greater China though, sales rose 3.6 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. Weakness in wholesale revenue may extend beyond the first quarter, which recorded a 9.5 percent drop from a year earlier. Earnings were flat during the period.

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

#INTEL | AUGUST 4, 2017 / 9:54 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 classic 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's** 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's** 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's** 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's** 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's** 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

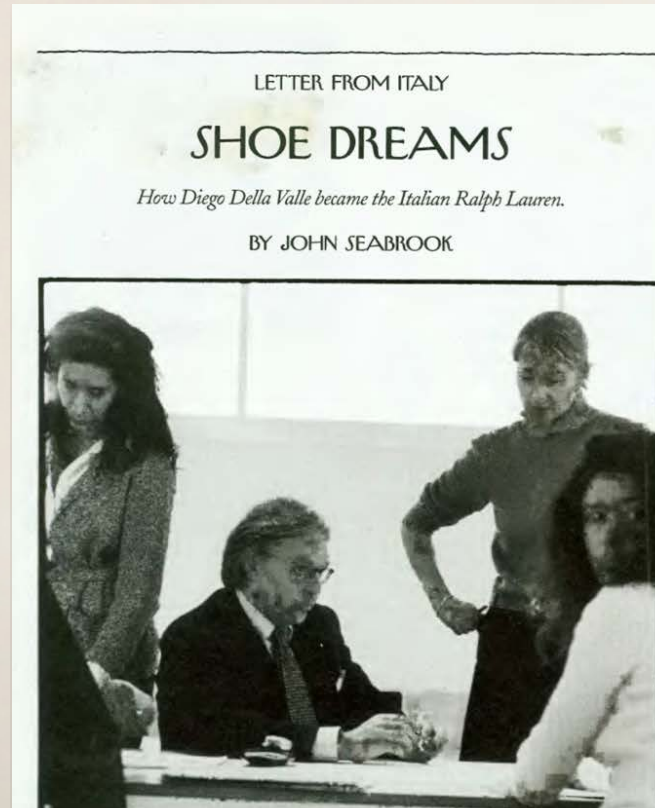
- The grandson of Filippo Della Valle, who started his shoemaking business in the 1920s.
- The New Yorker called him the “*Italian Ralph Lauren*”<sup>\*</sup>.
- After inheriting the business from his father, Diego successfully expanded the business and built the now famous Tod's brand. He also created 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.



<sup>\*</sup> "Shoe Dreams – How Diego Della Valle became the Italian Ralph Lauren" - The New Yorker – 10 May 2004

# 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

**AMERICAS**  
Continuing to underperform with unclear outlook  
US FACING STRONG DOLLAR, UNCLEAR POLITICS AND WEAK DEPARTMENT STORES  
LATAM FUELED BY LOCALS ALSO DUE TO US LIMITATIONS  
CANADA DYNAMIC YET SLIGHTLY SLOWING DOWN

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

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

**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

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

**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

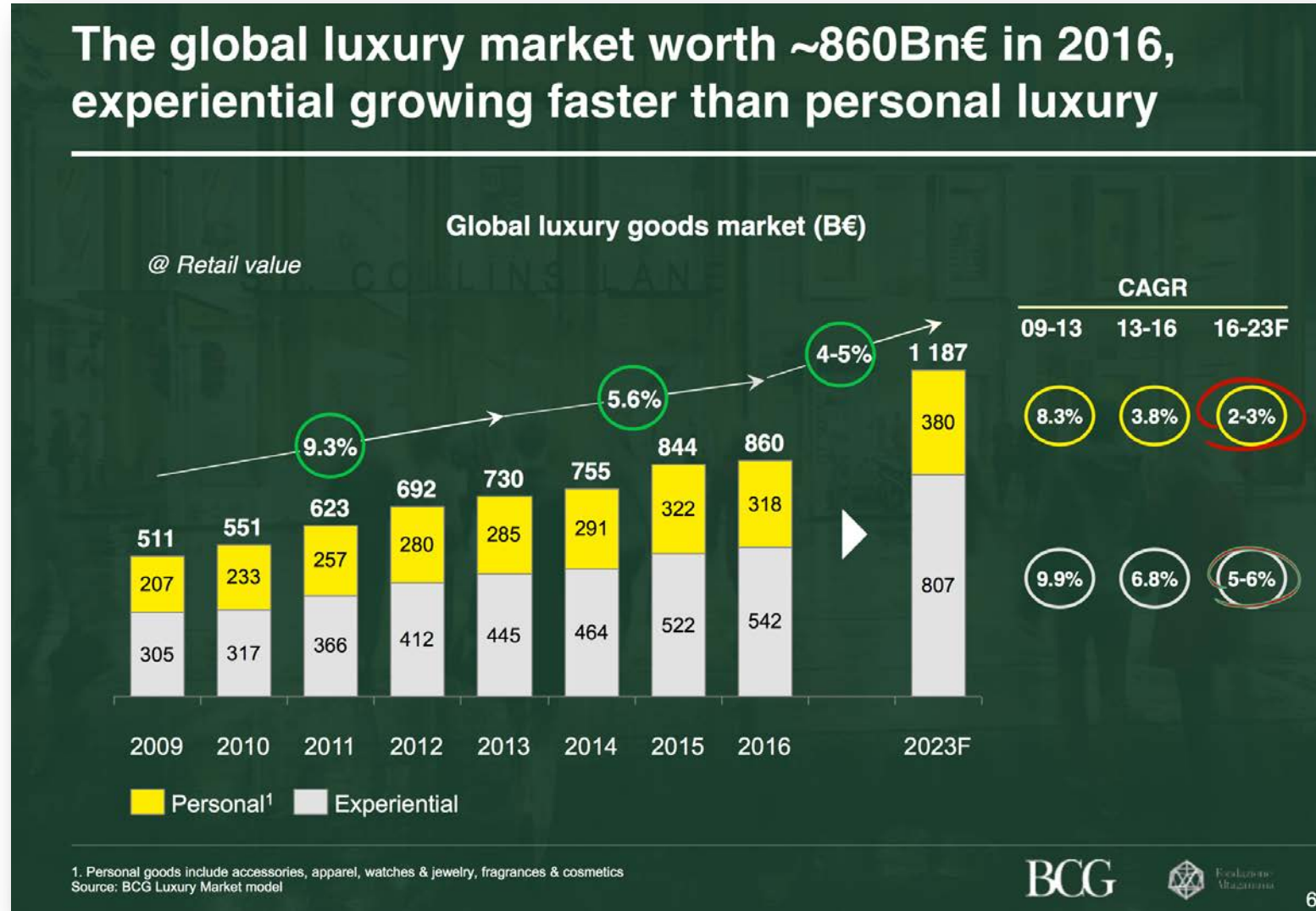
**2017 FULL YEAR OUTLOOK**

**WORLDWIDE LUXURY MARKET MONITOR**  
2017 SPRING UPDATE  
29 MAY 2017  
BAIN & COMPANY  
ALTAGAMMA



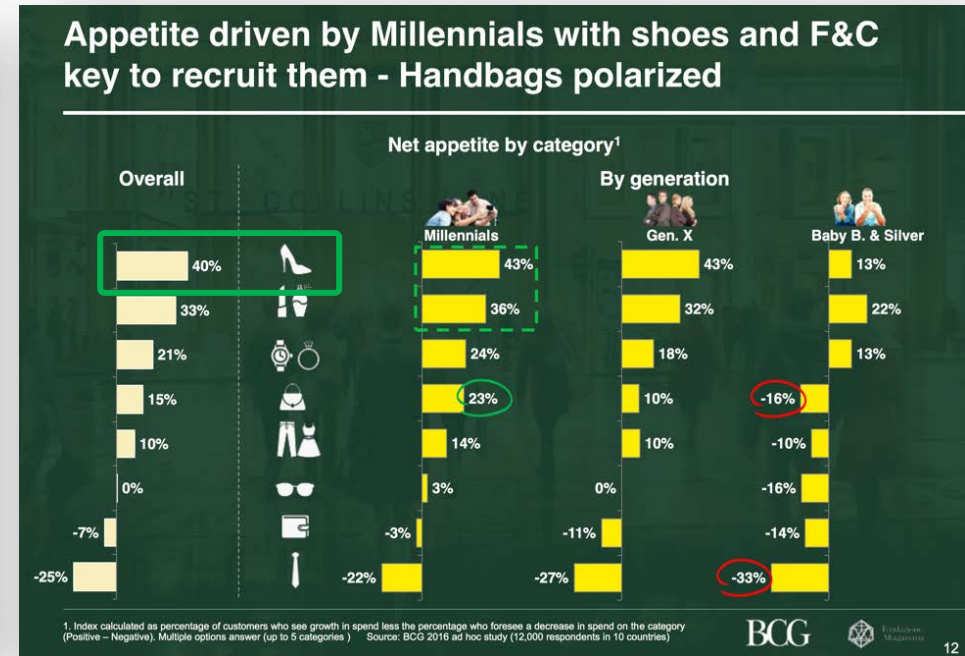
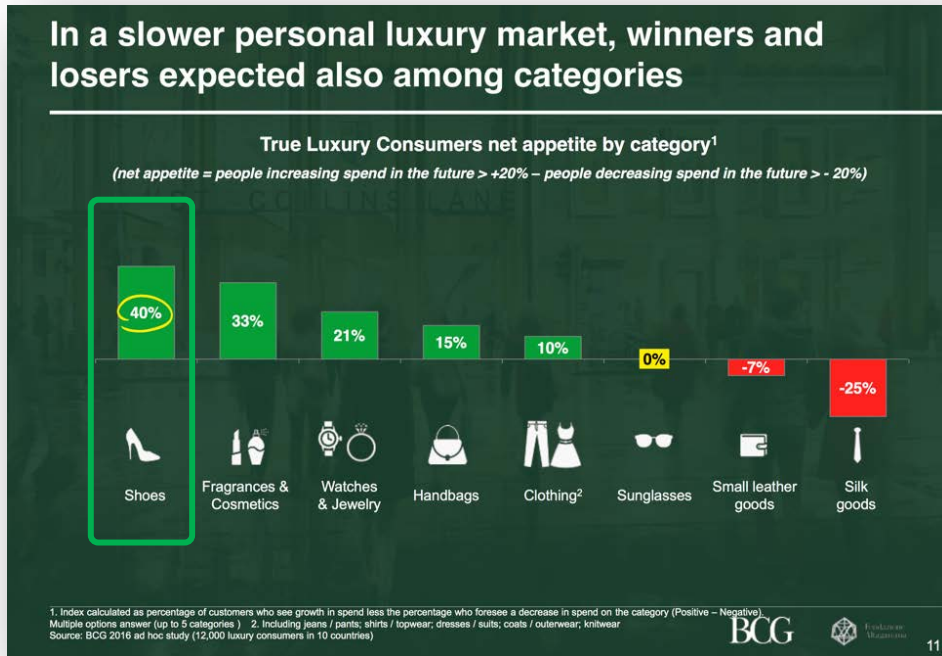
# GROWTH FORECAST

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



# BY CATEGORY

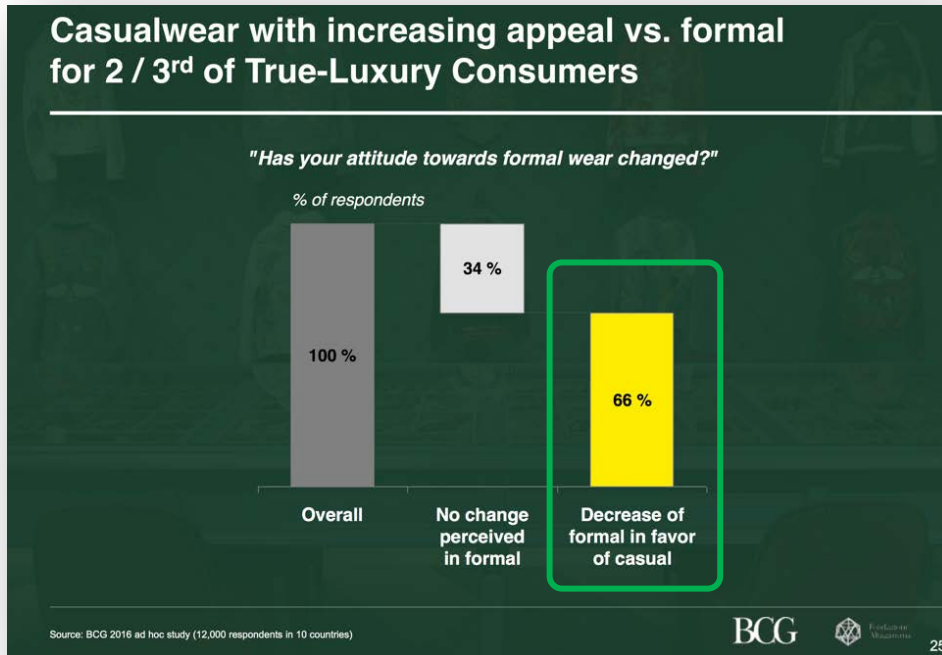
Luxury consumers are expected to increase their spending on shoes. This is clearly positive news for Tod's, of which shoes accounts for ~80% of its total sales.





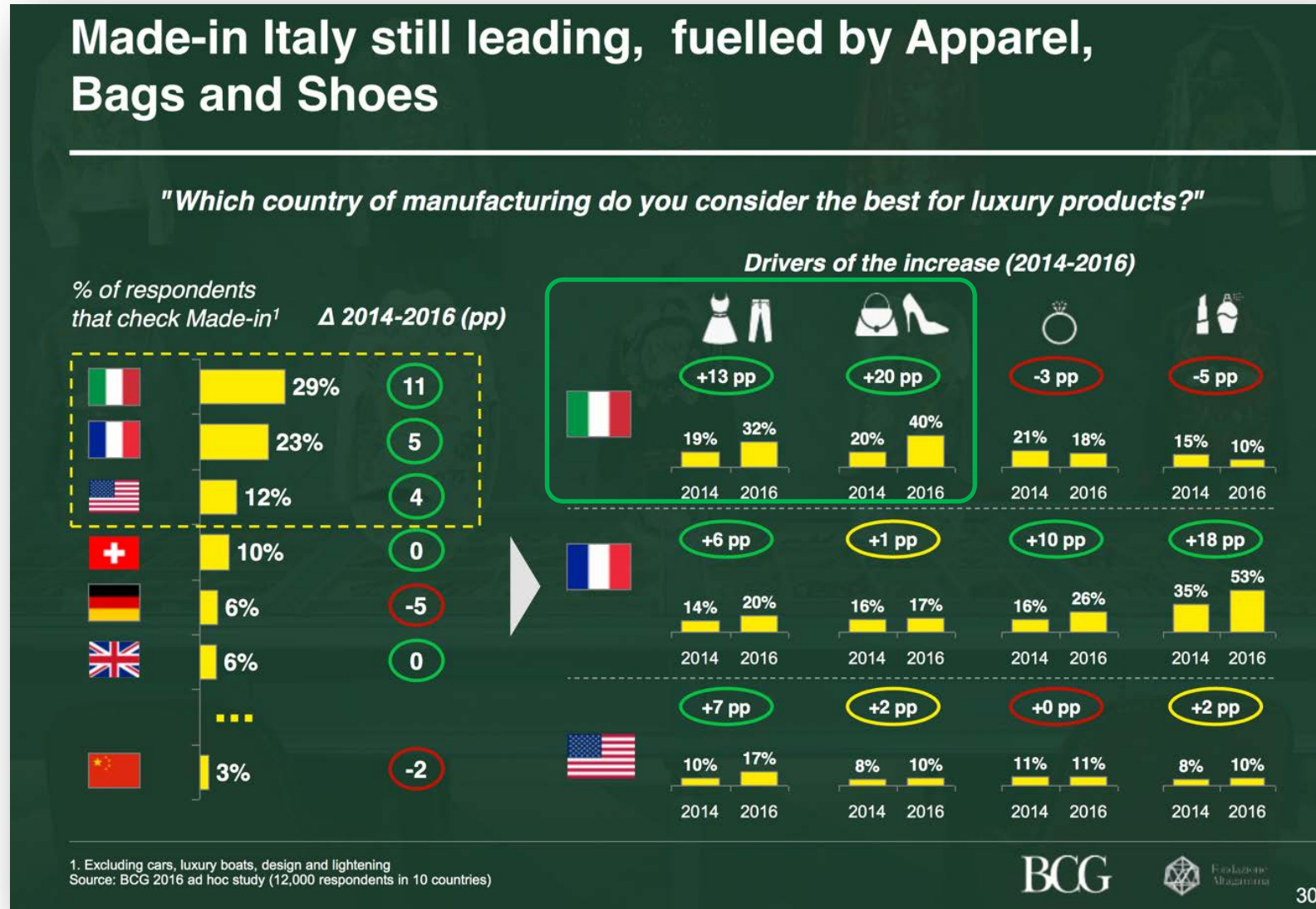
# CASUALWEAR

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

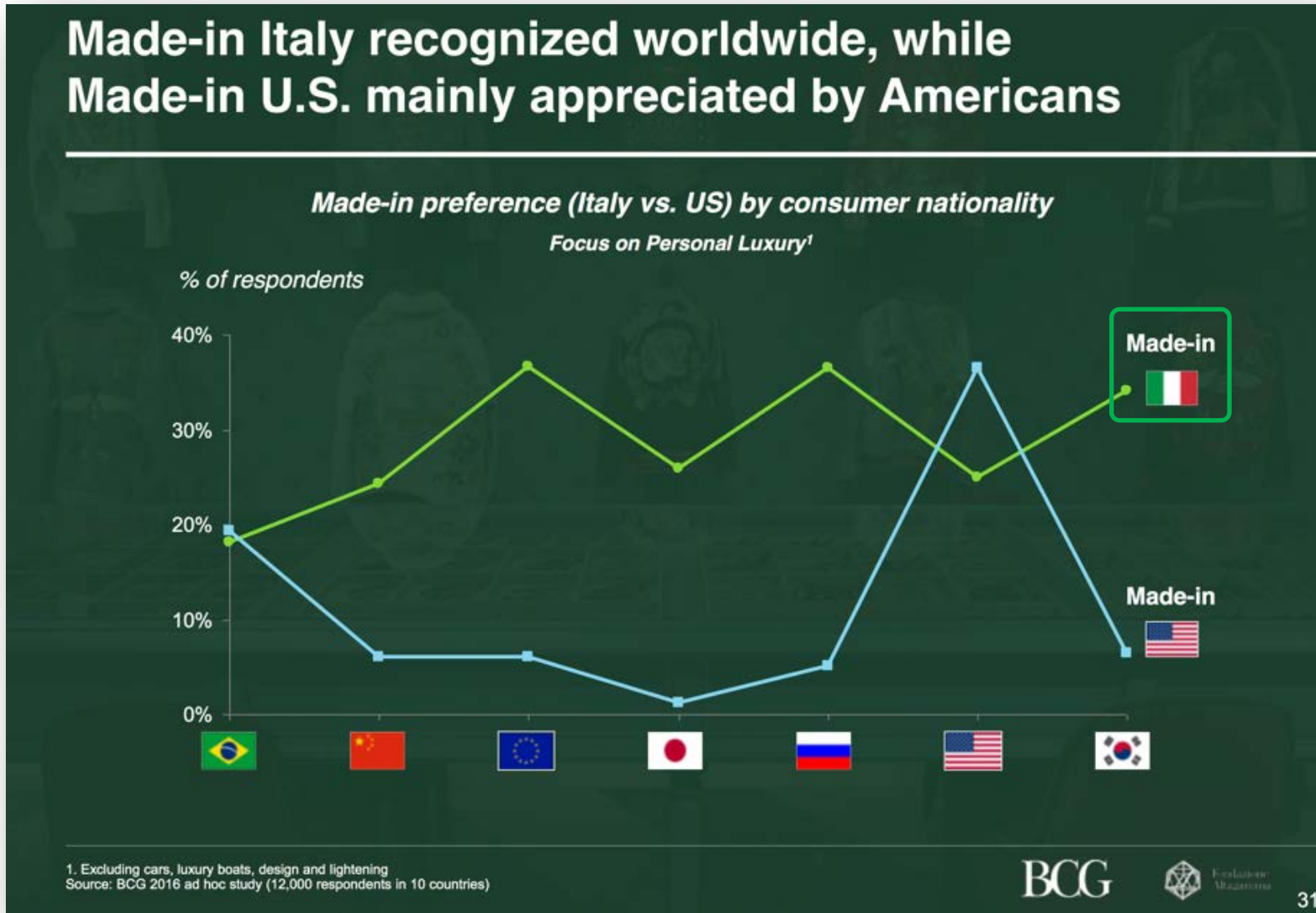
Tod's DNA of "Made in Italy, Italian quality and Italian lifestyle" is highly valued by luxury consumers worldwide.





# MADE IN ITALY

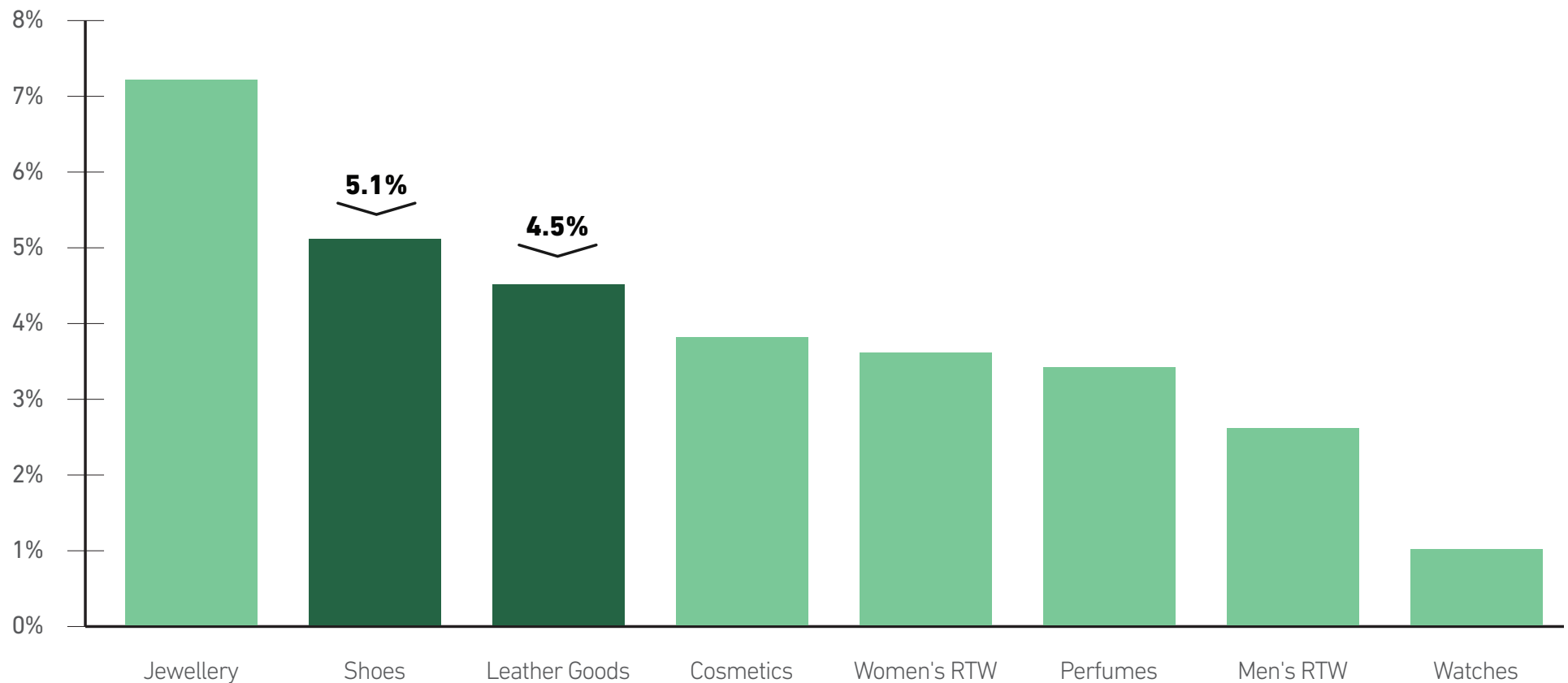
Tod's DNA of "Made in Italy, Italian quality and Italian lifestyle" is highly valued by luxury consumers worldwide.



# 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.

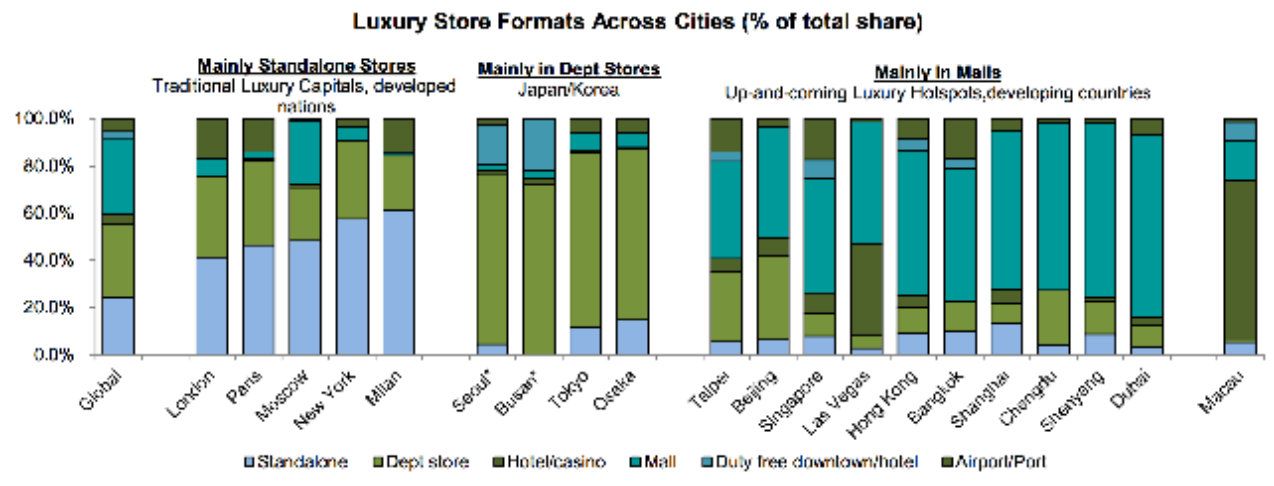
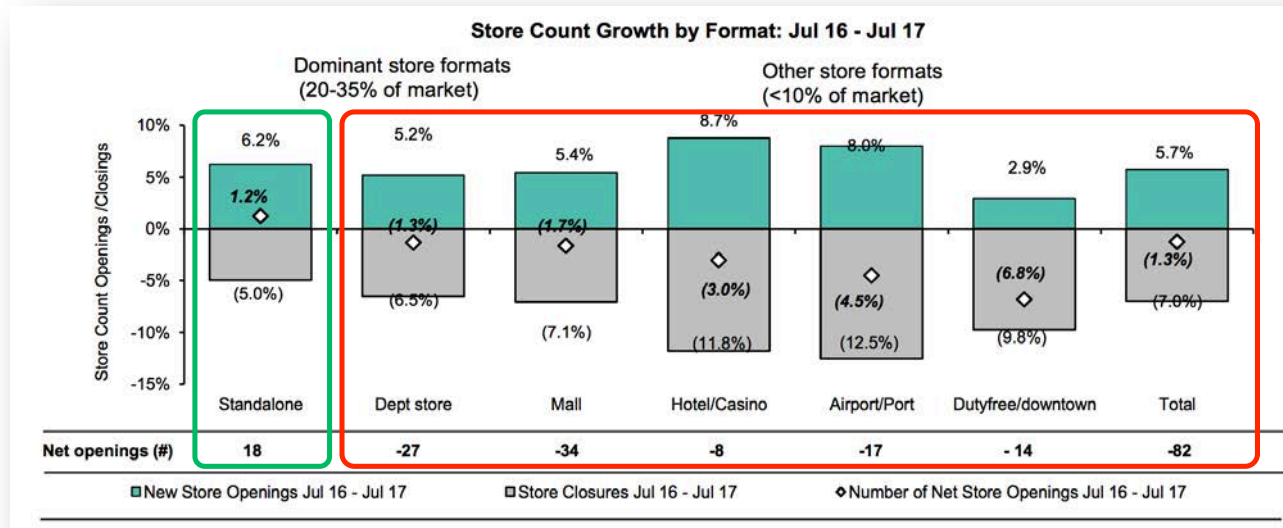
PERSONAL LUXURY SEGMENT FORECAST GROWTH (2015-2020 CAGR)





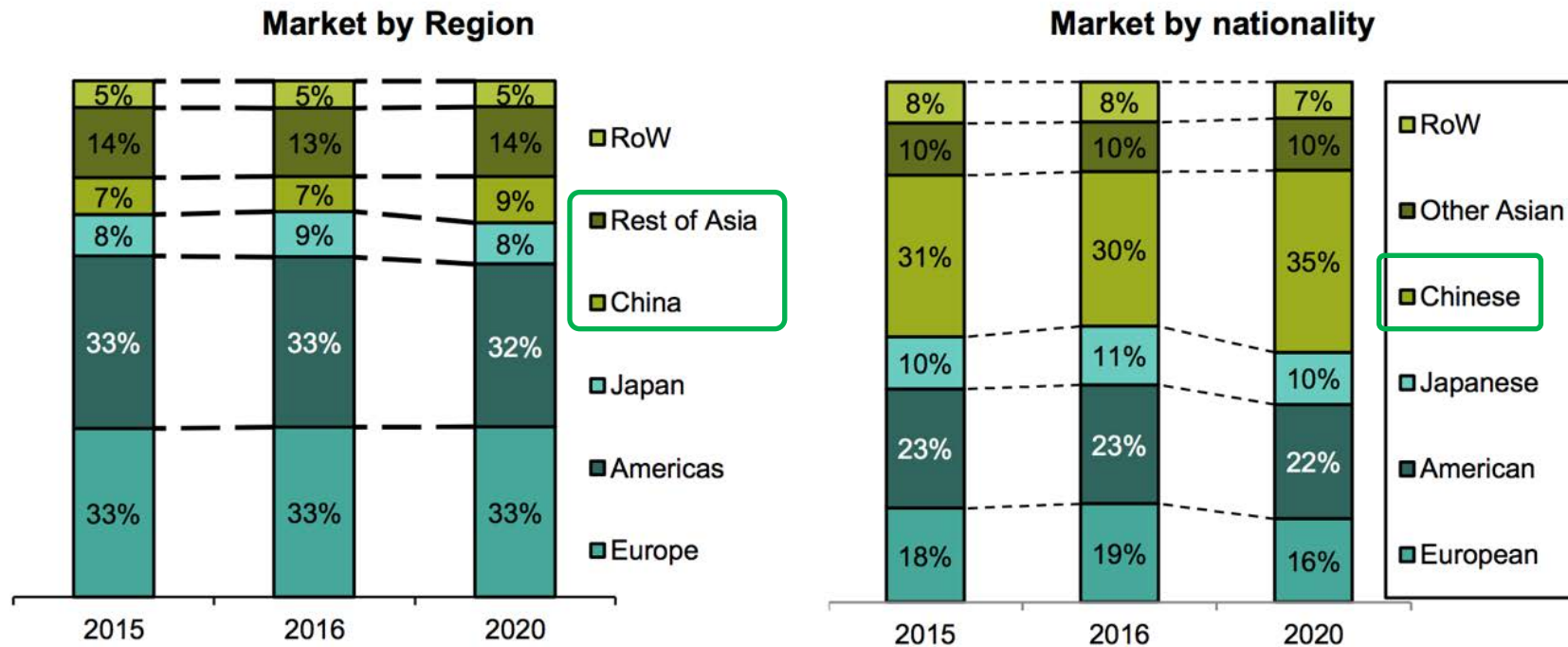
# STORE NETWORK RESTRUCTURING

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)

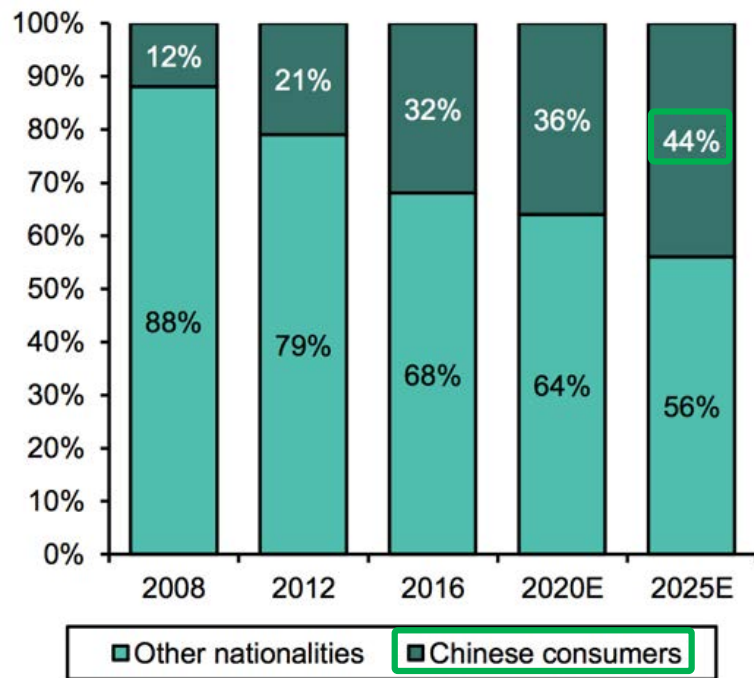
The Chinese market is one of the most important markets (both in terms of geography and nationality) for global luxury operators. This market has been weak in recent years but there is some evidence of a recovery.



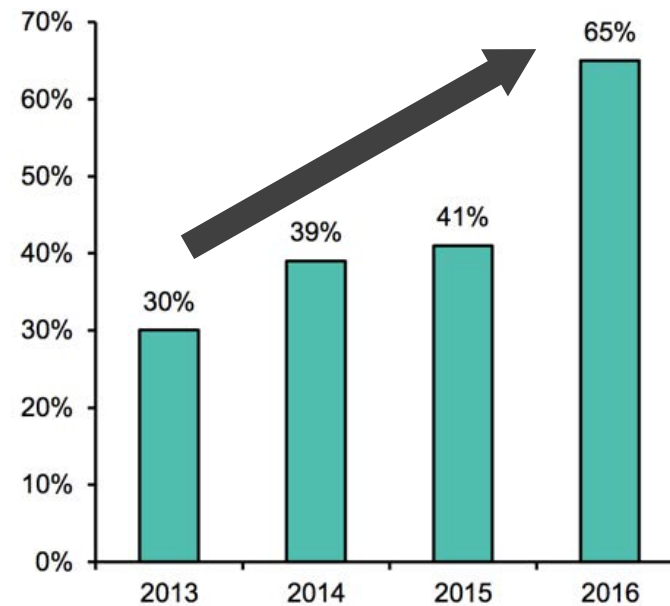
# THE IMPORTANCE OF THE CHINESE MARKET (2)

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\***

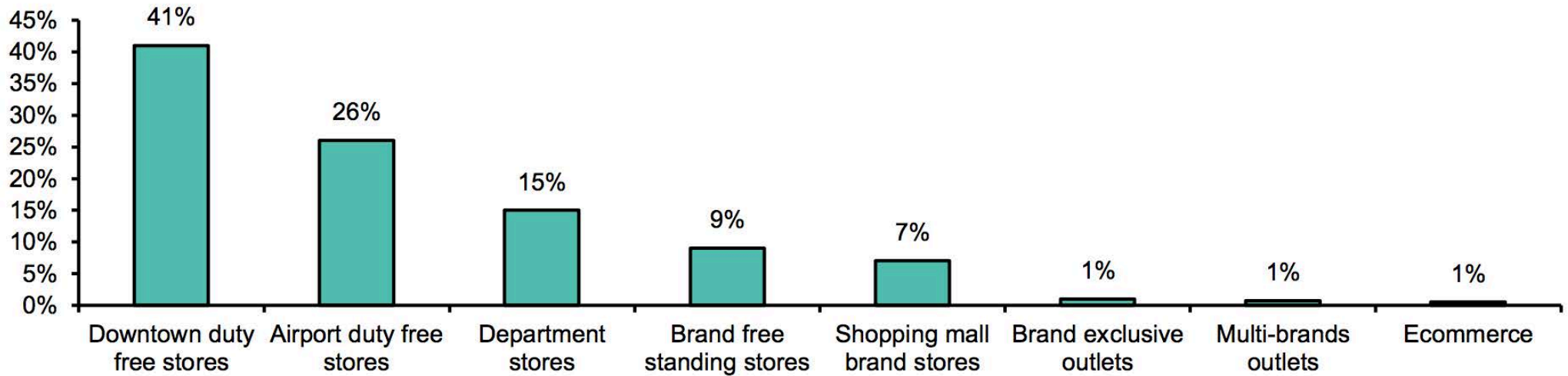


Note: \*Excluding Taiwan, Hong Kong, Macau



# THE IMPORTANCE OF THE CHINESE MARKET (3)

Shopping channels used by Chinese consumers when overseas





TOD'S

# BUSINESS & GEOGRAPHIC SEGMENTS, STORES AND INVENTORY



# THE BREAKDOWN

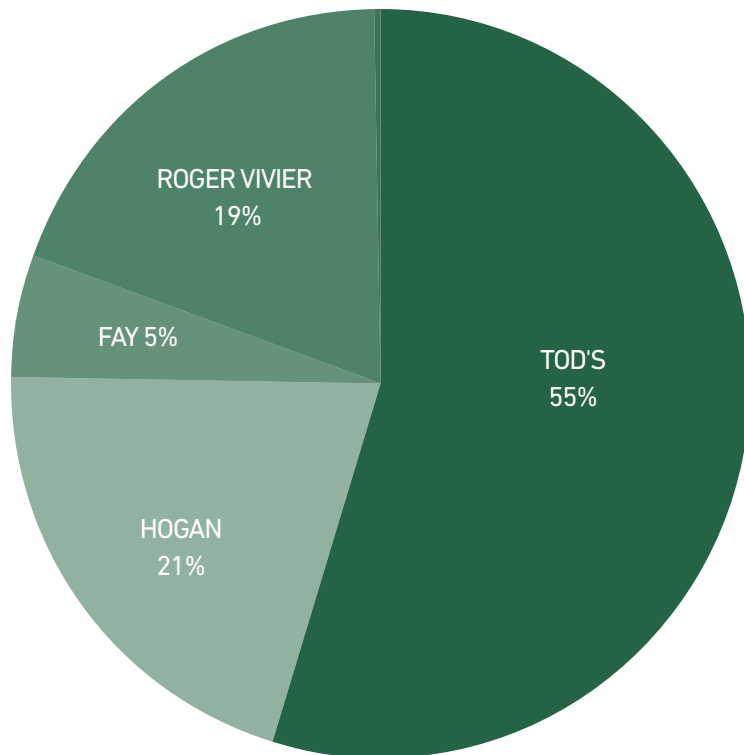
The Tod's brand makes up 54.9% of total sales, while Hogan and Roger Vivier make up 20.4% and 19.2% respectively. Fay comprises 5.4%, and others 0.1%.

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

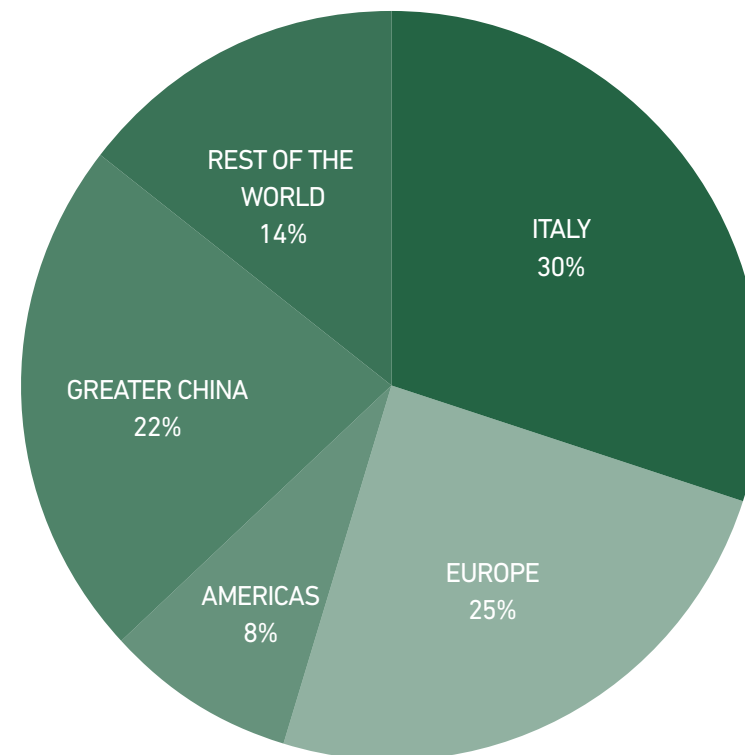
**The world's largest luxury market – the US only generates ~8% of total sales.**

*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





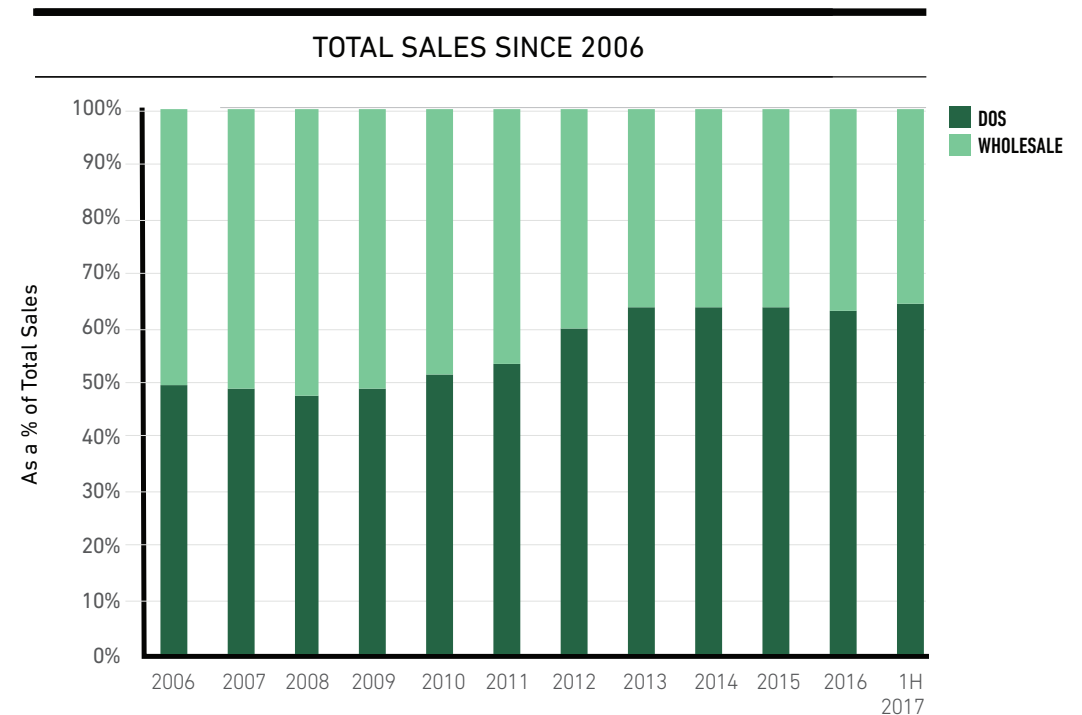
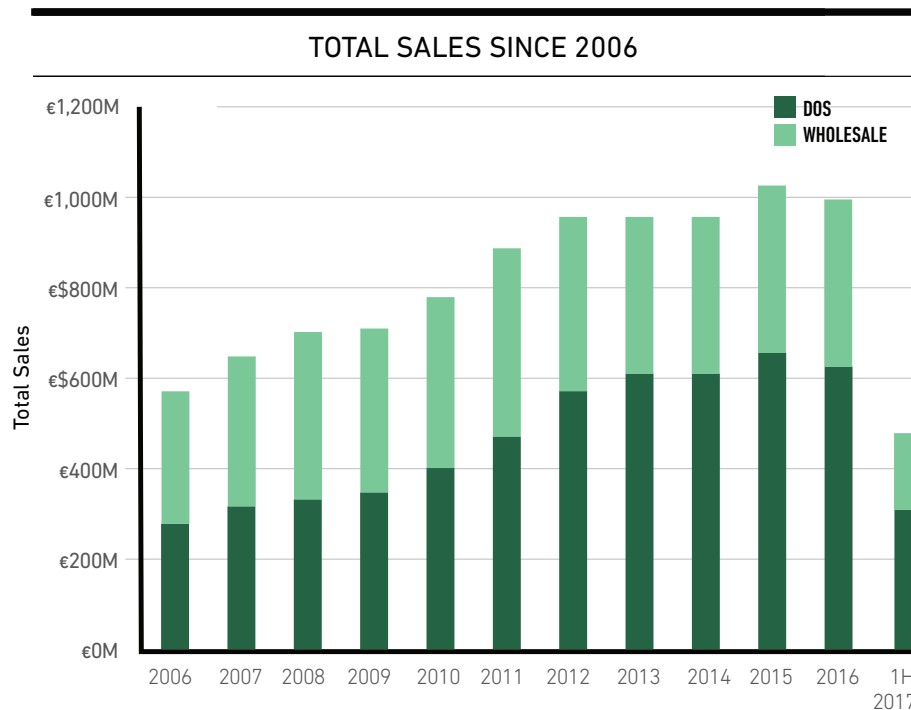
# BY CHANNEL

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

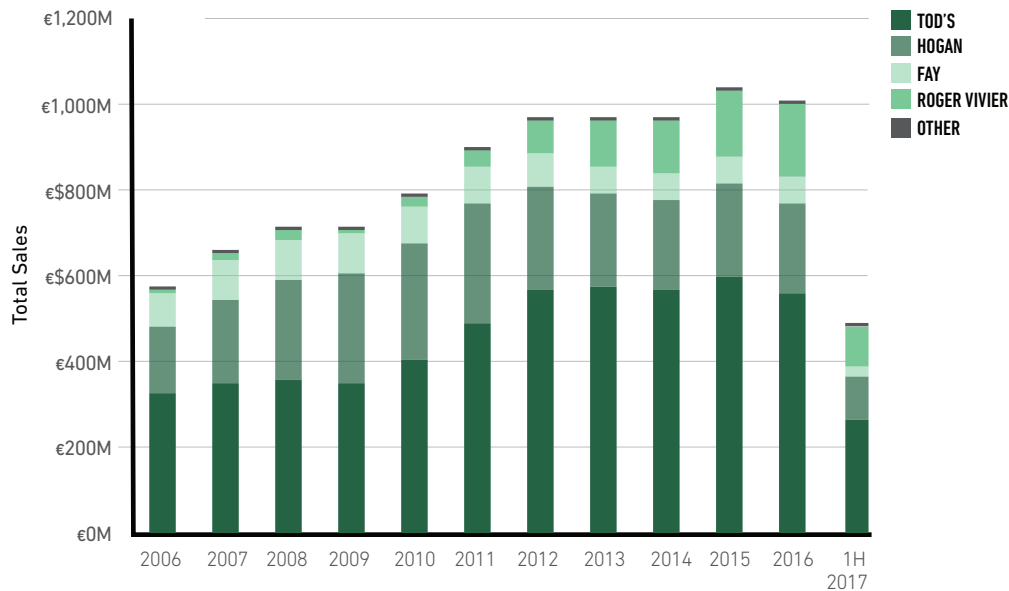
The Tod's brand makes up 54.9% of total sales, while Hogan and Roger Vivier make up 20.4% and 19.2% respectively. Fay comprises 5.4%, and Other 0.1%.

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.

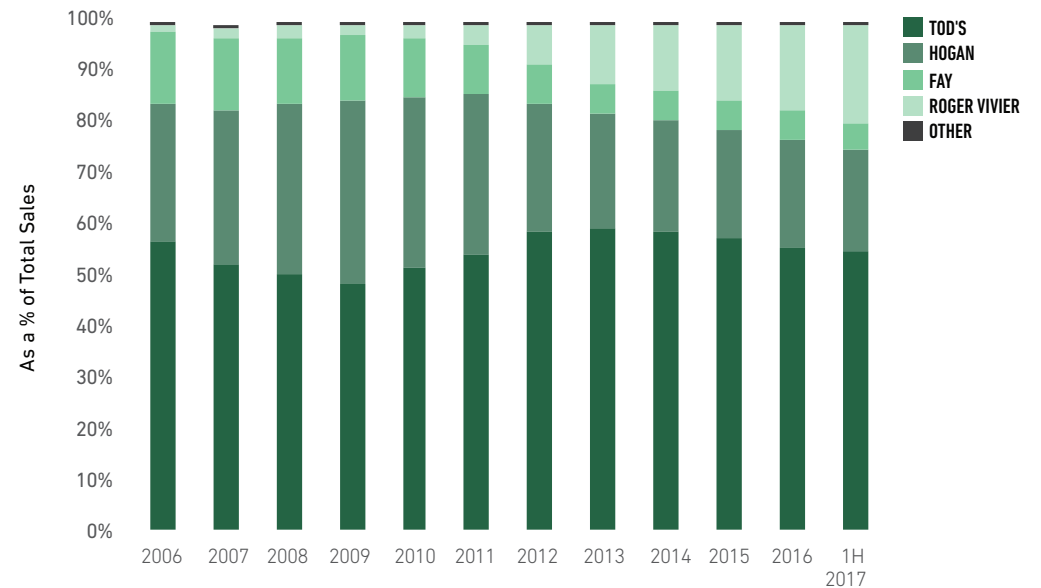
Hogan has been particularly disappointing given it really invented the “fashion” sneaker category, but has failed to capitalise on the current global fashion sneaker growth due to its lack of an international expansion strategy, as it continued to be very domestically focused and wholesale driven.

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.

TOTAL SALES BY BRAND SINCE 2006



TOTAL SALES BY BRANDS SINCE 2006



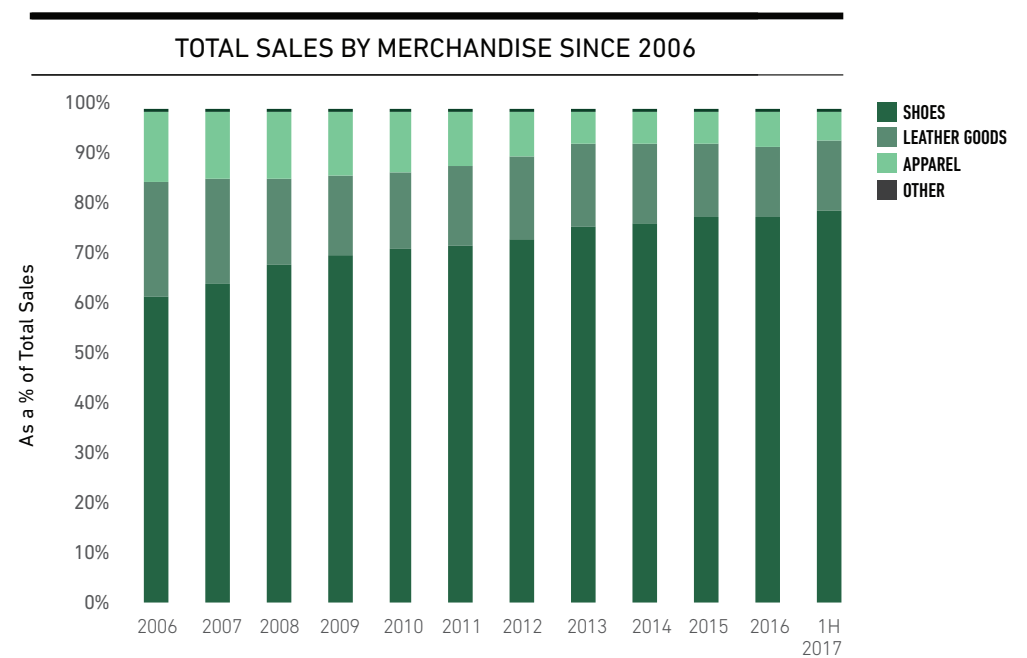
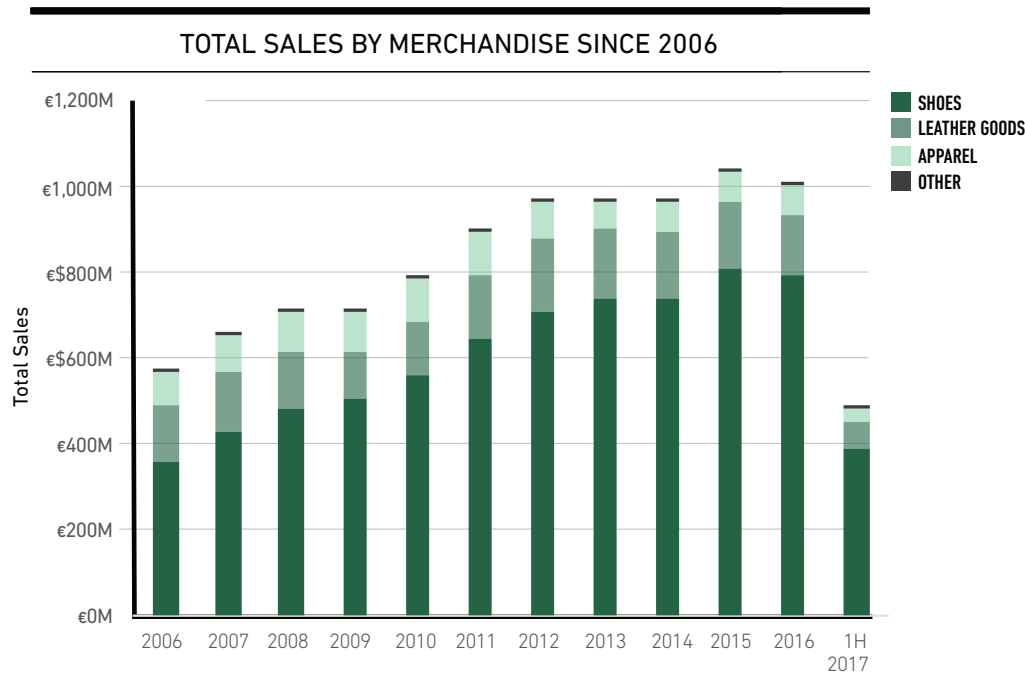
# BY MERCHANDISE CATEGORY

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.



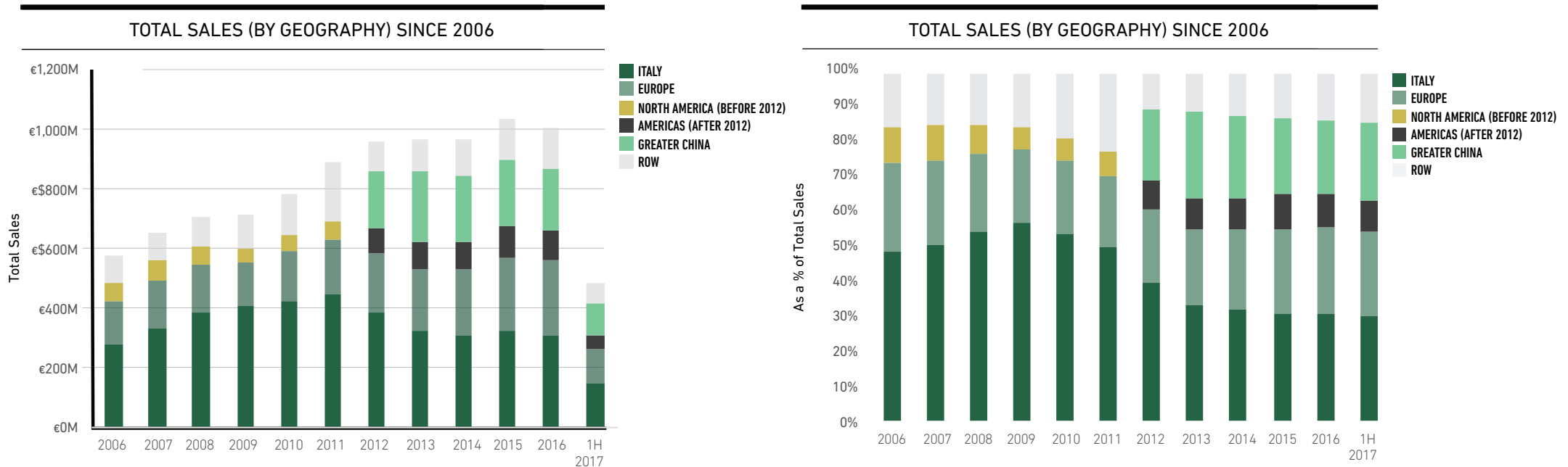


# BY GEOGRAPHIC REGION

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!).



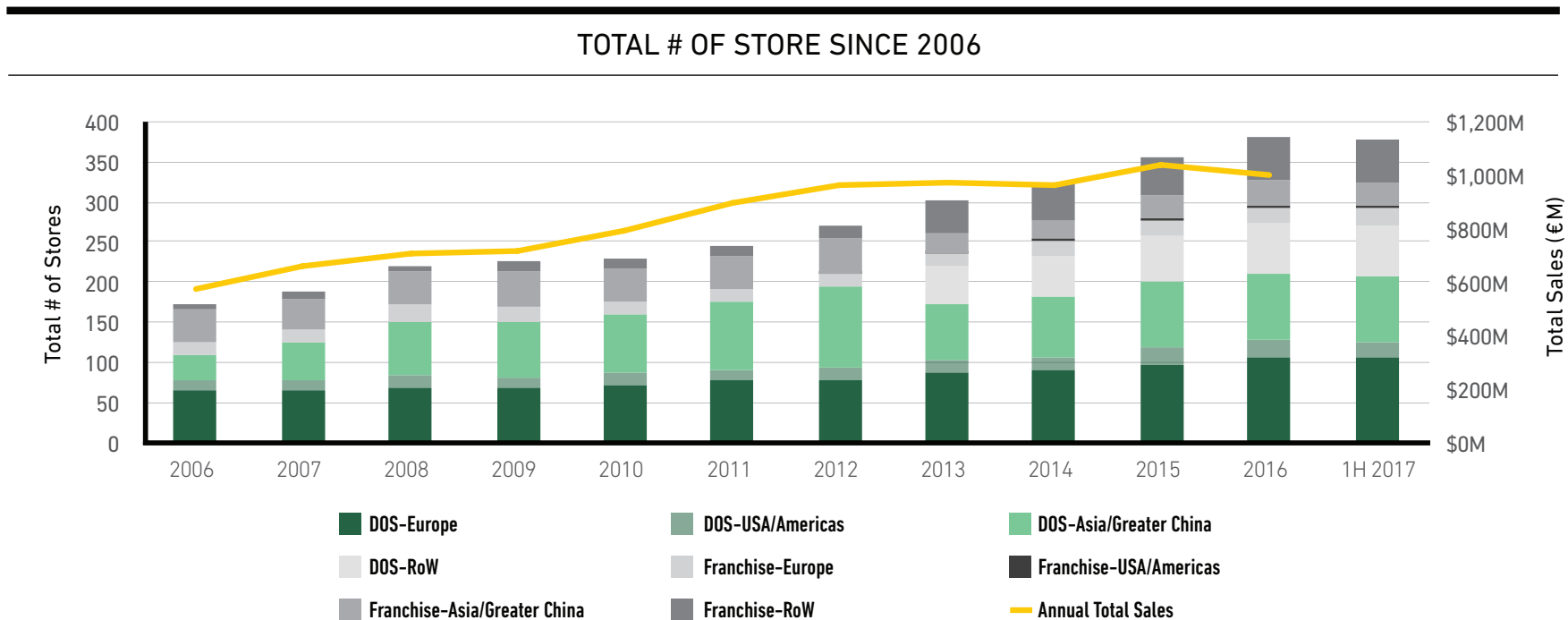
# TOTAL SALES VERSUS NUMBER OF STORES

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.



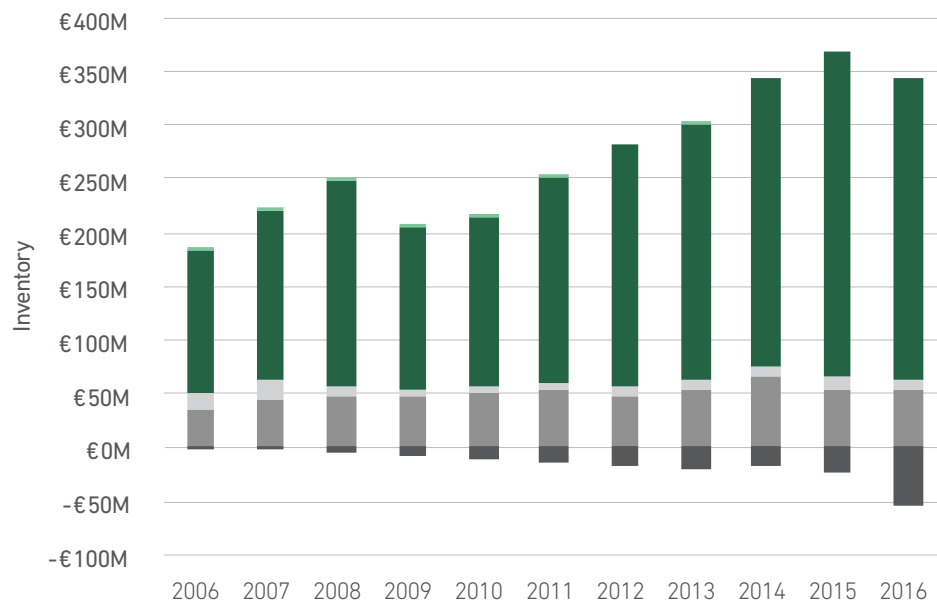
# INVENTORY

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\*.

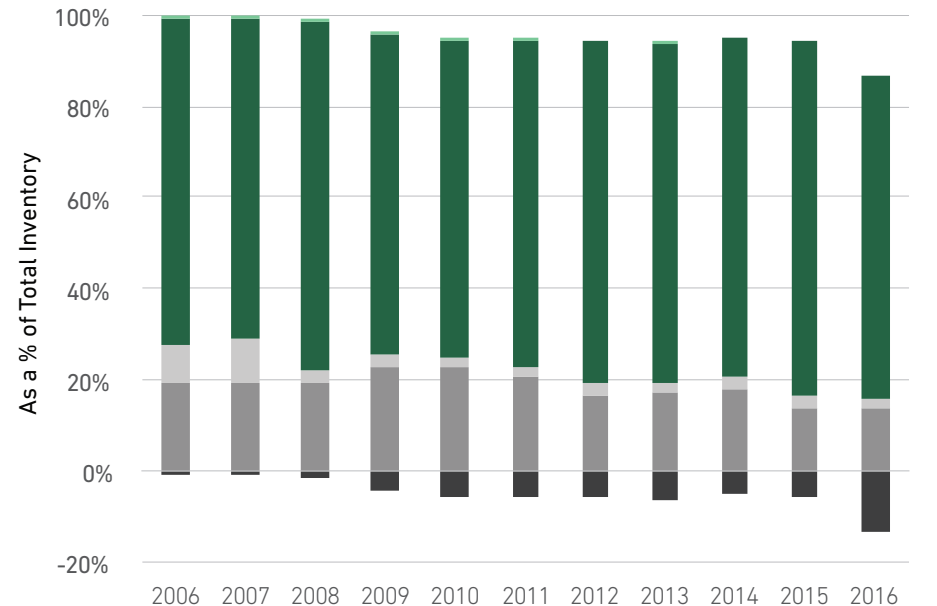
Adjusting for the above one-off writedown, the normalised writedown in 2016 is €28.7M, which is still 29% higher than 2015 (Average writedown 2006-2016 = -5.8%, Average writedown during Facchinetti period (2013-2016) = -9.3%).

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".

INVENTORY SINCE 2006



INVENTORY SINCE 2006



Raw materials Semi-finished products Finished products Advances Writedown

Raw materials Semi-finished products Finished products Advances Writedown

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





TOD'S

# COMPARABLE COMPANIES

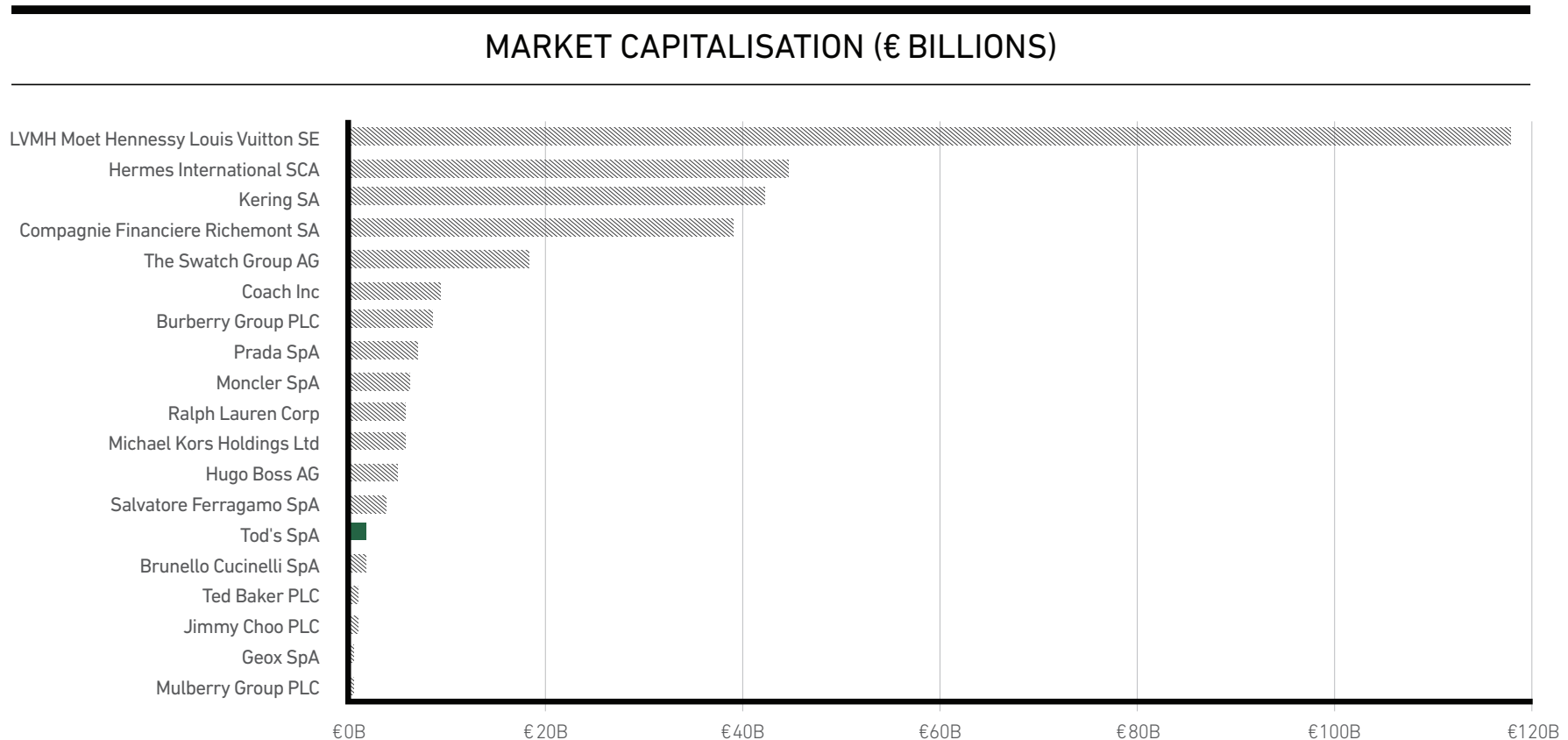


# MARKET CAPITALISATION

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.

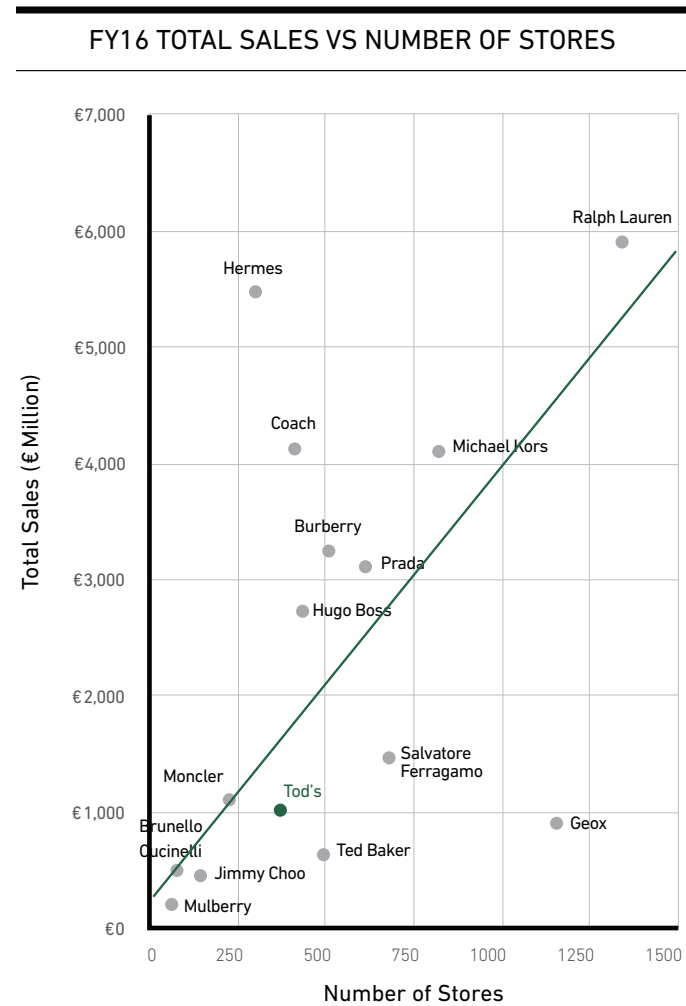
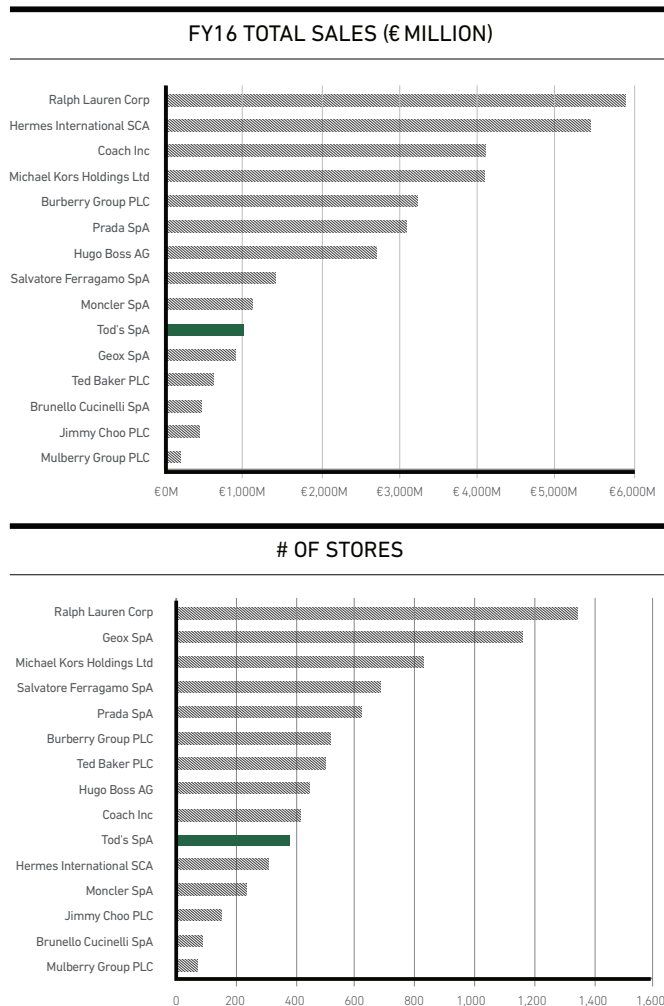




# SALES & SALES PRODUCTIVITY

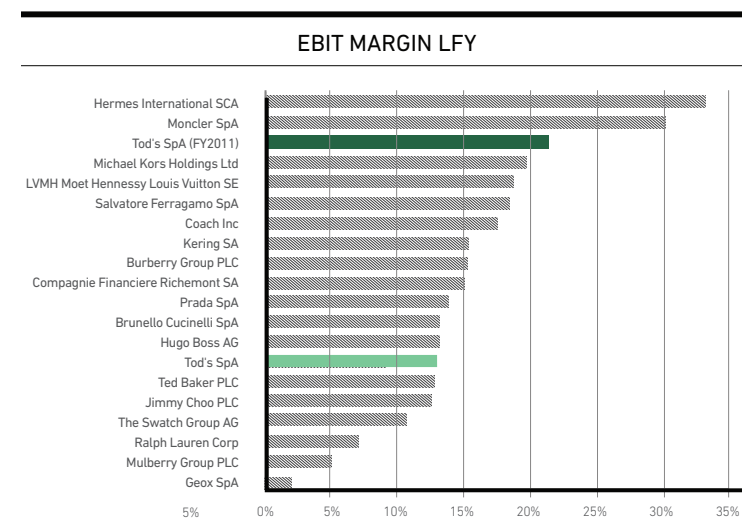
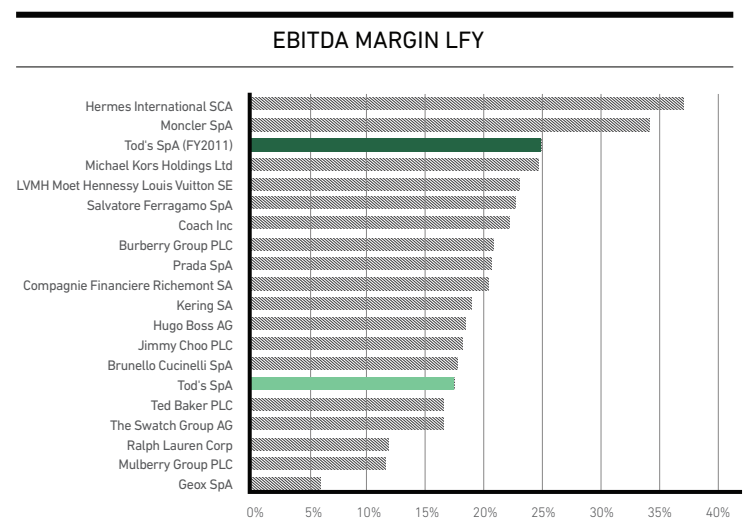
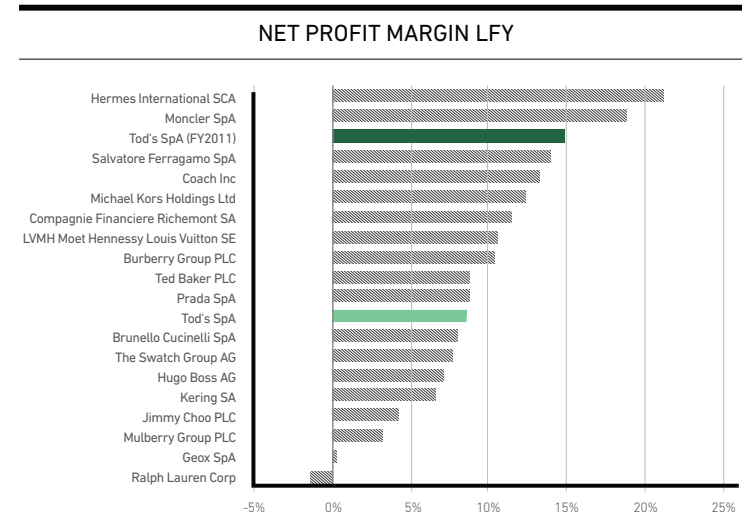
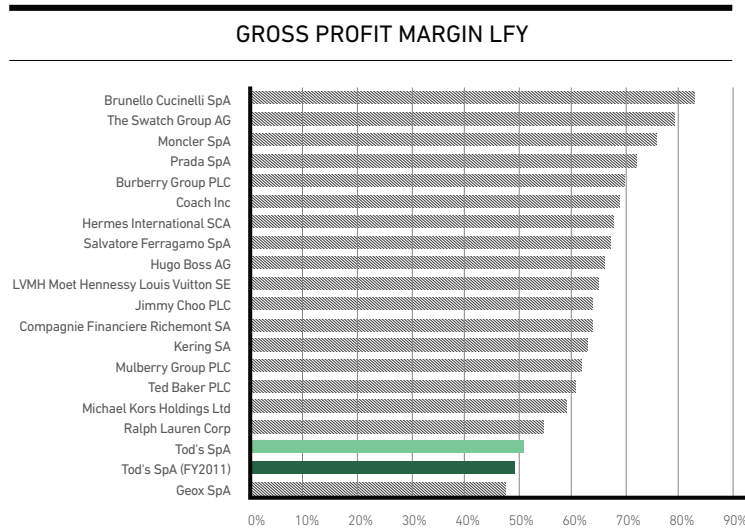
Even after excluding the large multibrand luxury players such as LVMH, Kering, Richemont and Swatch, Tod's is still one of the smaller global luxury players with revenue of €1.0 Billion in FY2016.

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.



# 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.



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%

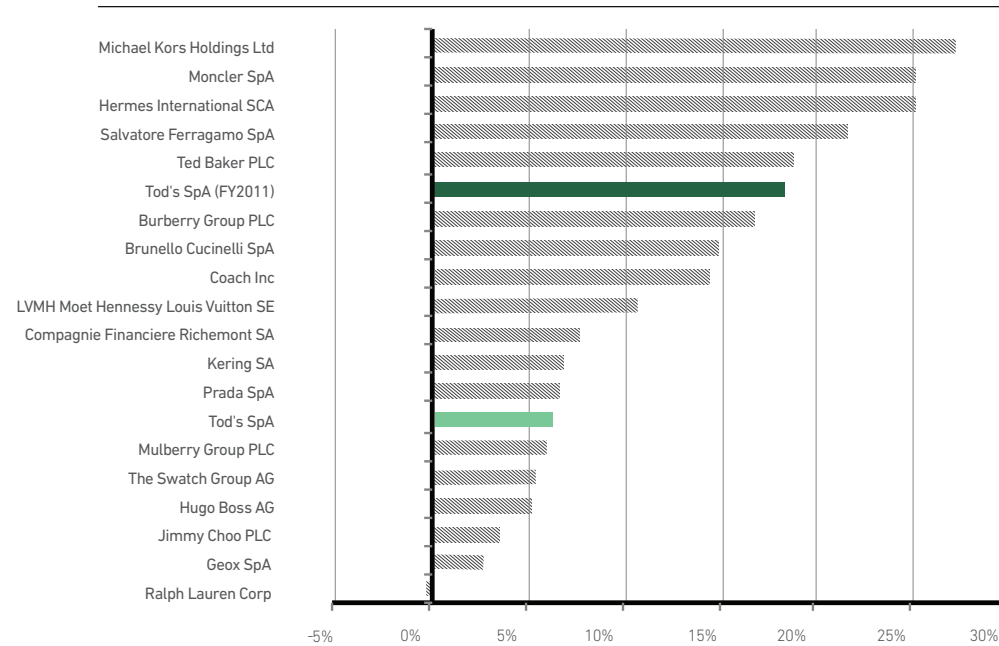


# RETURN ON CAPITAL EMPLOYED (ROCE) & FREE CASH FLOW (FCF) YIELD

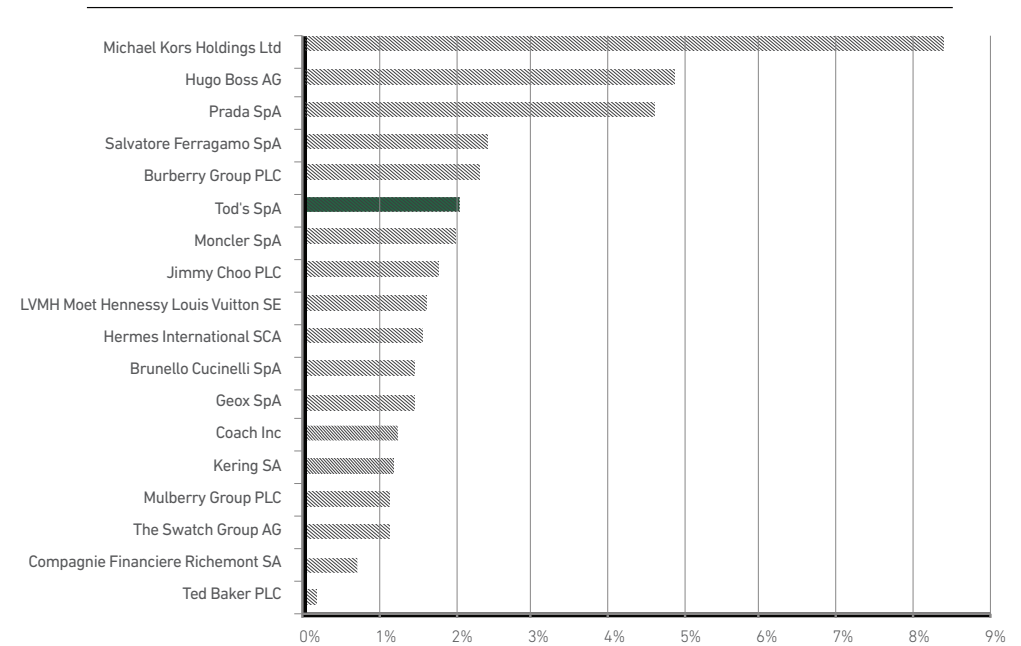
Tod's depressed margins/earnings means that its Return On Capital Employed (ROCE) is below its global peer group average, and below historical levels. In 2011, ROCE was 18.3% vs 7.3% in 2016.

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

ROCE TTM

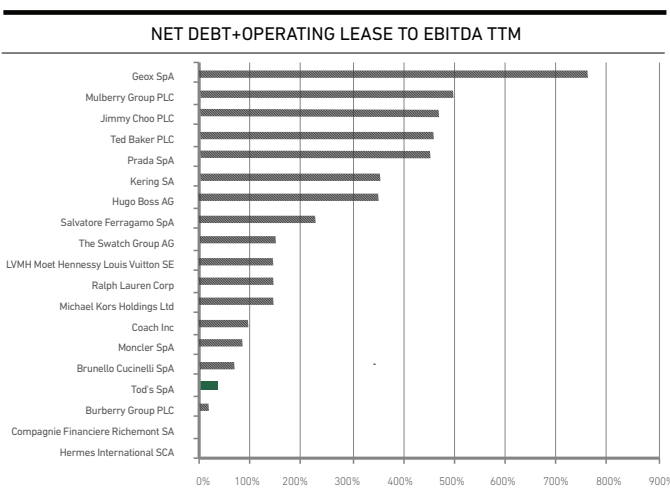
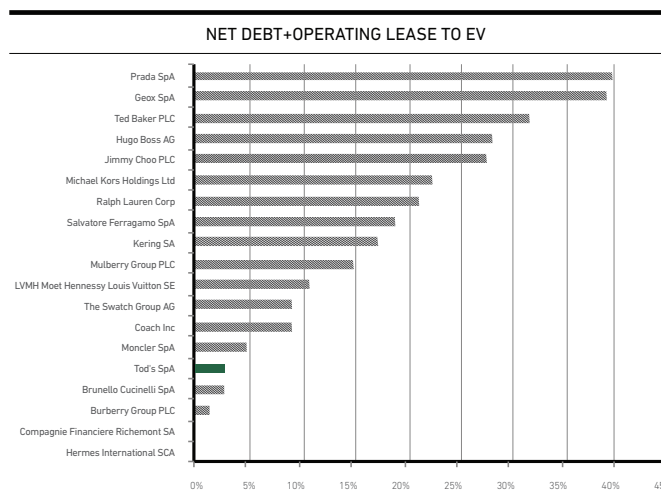
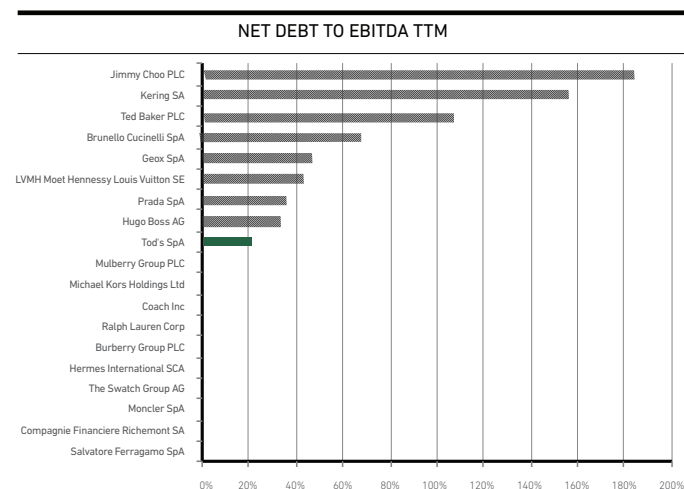
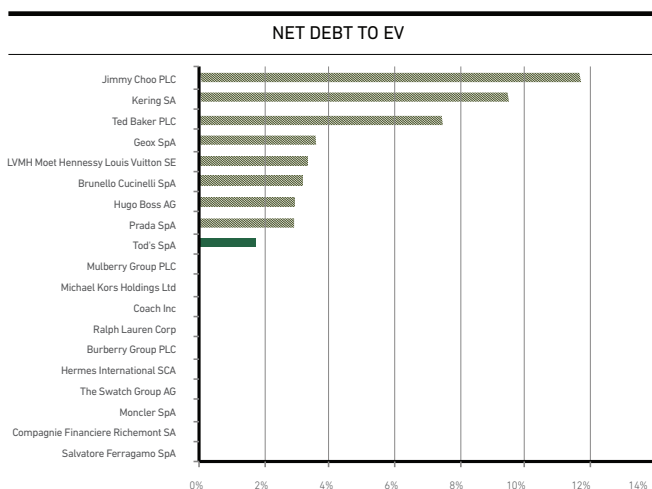


FCF YIELD TTM



# 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.



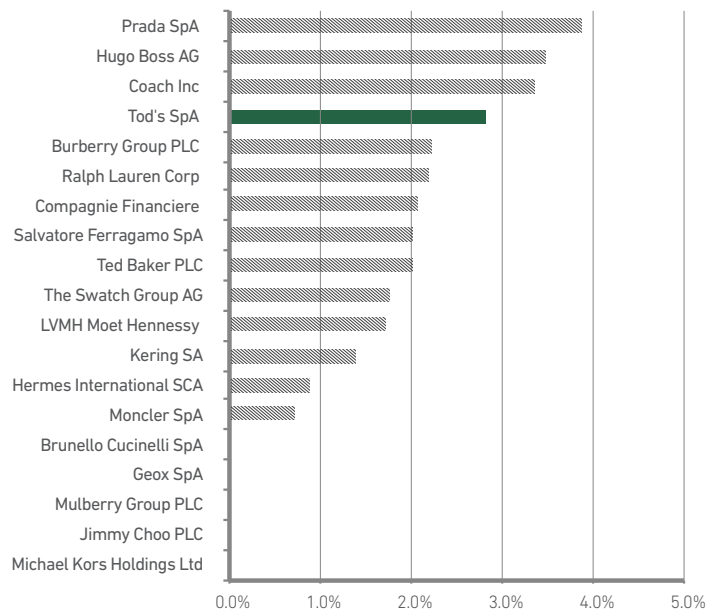
# DIVIDEND

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%**

GROSS DIVIDEND YIELD TTM



DIVIDEND AND EARNINGS PER SHARE SINCE 2000



\* As at 20 September 2017

Data Source: Thomson Reuters Eikon as at 20 September 2017



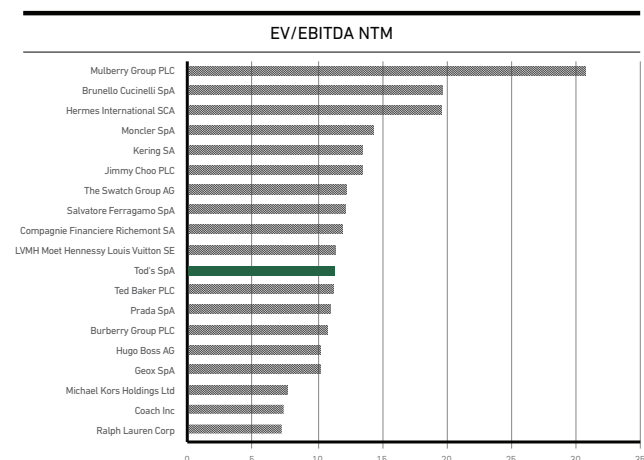
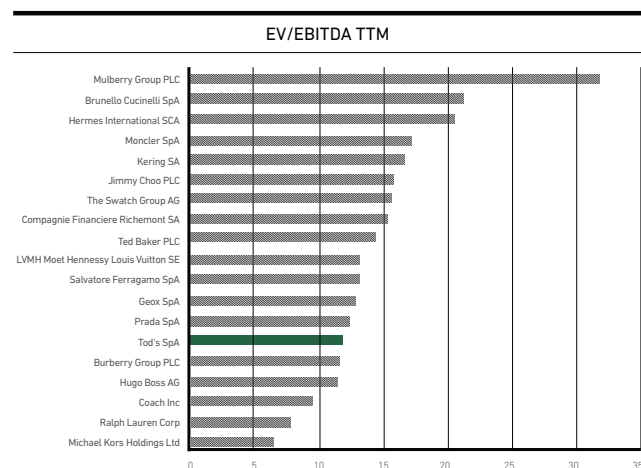
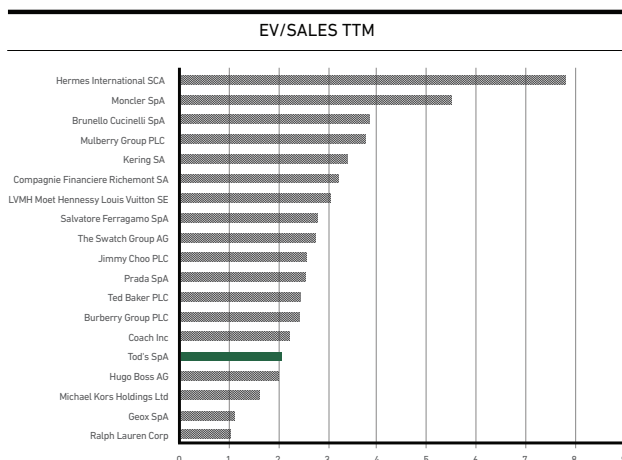
# VALUATION

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?*





TOD'S

# 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 <sup>**</sup> )				17.0x
Average (Excl. Jewellery <sup>**</sup> )				15.9x
<b>Tod's</b>			<b>EV = €2.0B</b>	<b>11.9x</b>

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.

\* 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).



## TOD'S: VALUATION – “PRIVATE MARKET VALUE” (CONTINUED)

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\*\*\*\*.



\* 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.

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

# #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

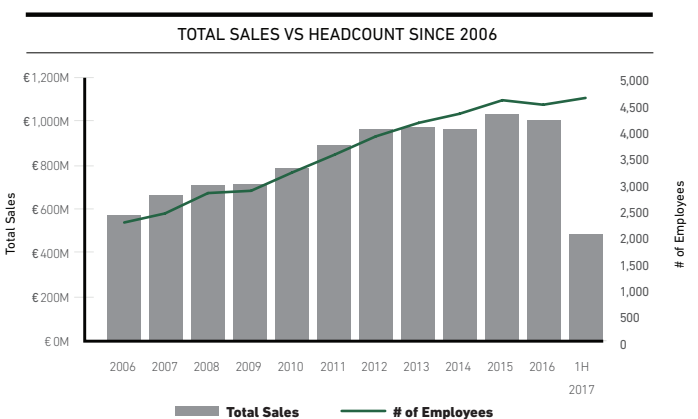
## Rising Input Costs

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

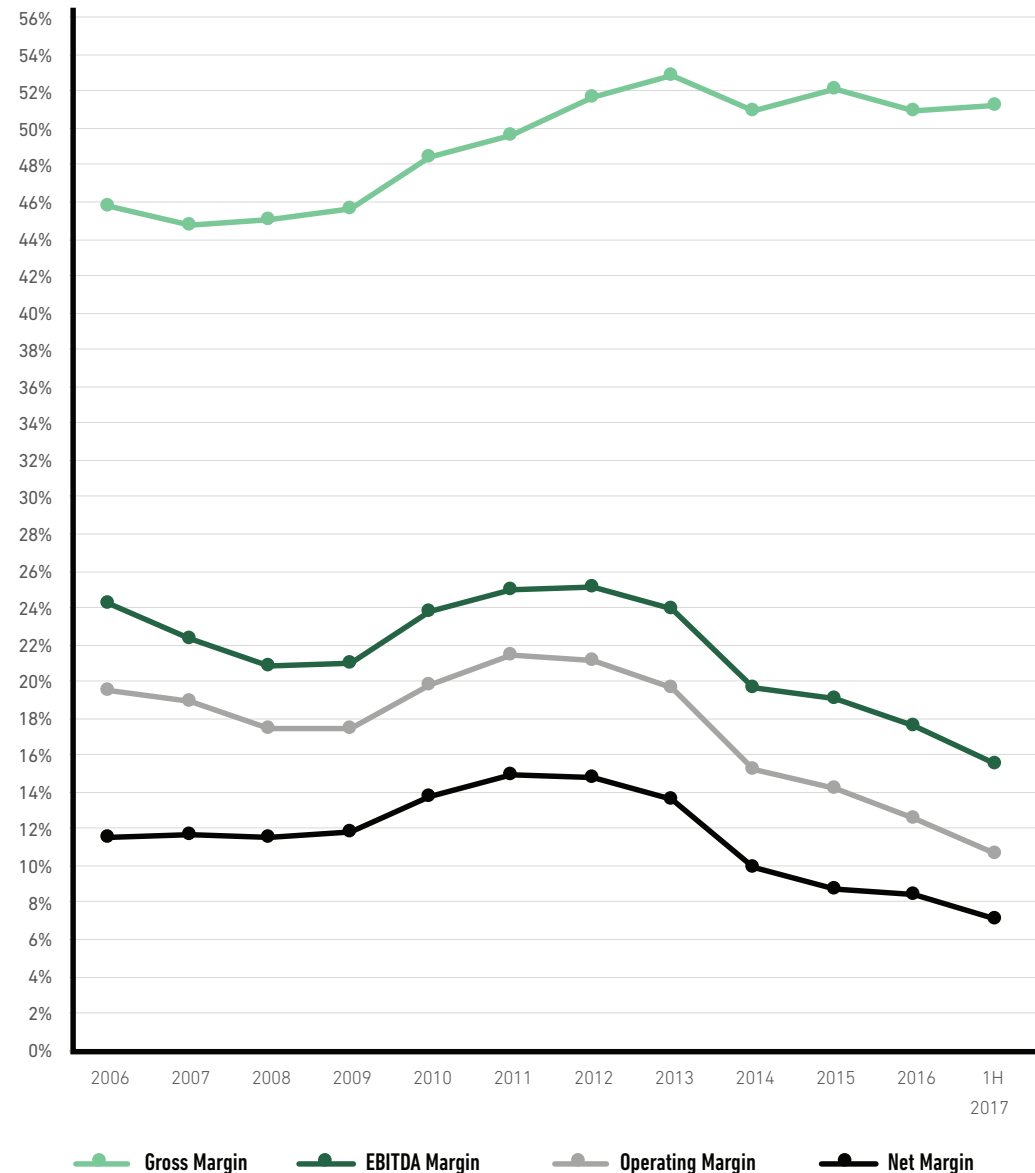
Tod's margins (except gross margin) have declined in the last 5 1/2 years. This began in 2012, accelerated in 2013/2014 and has continued to trend down at the end of 1H 2017.

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



Data Source: Thomson Reuters Eikon as at 20 September 2017

\* Deutsche Bank - European Luxury Goods Report - 26 September 2017





#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 Dalmasso

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.

## TOD'S KEY RISKS

---

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.

#7  
Poor ESG Rating





TOD'S

# KEY OPPORTUNITIES







# #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.

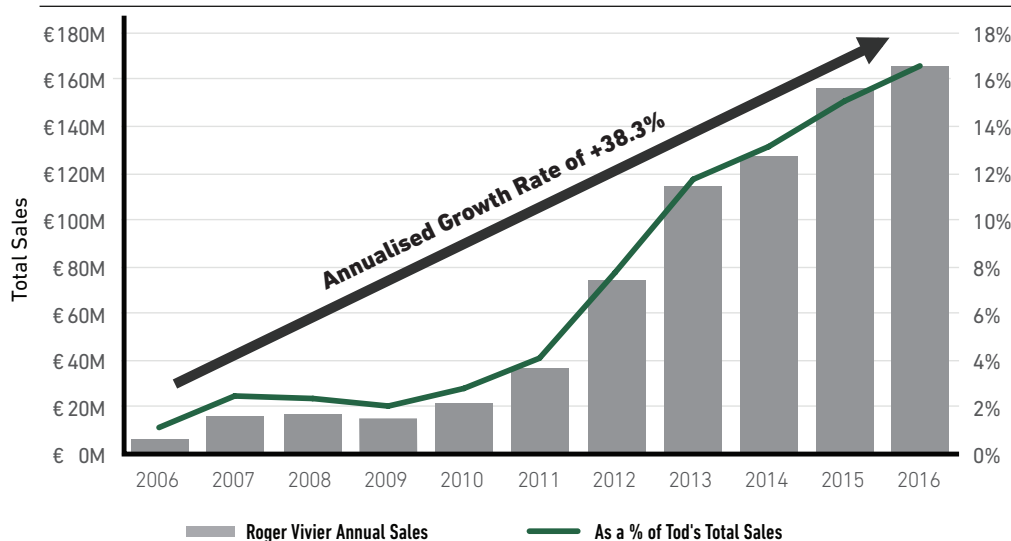
Diego Della Valle personally purchased the Roger Vivier brand in 2000 and has since invested in its development. He finally sold the brand to Tod's in 2015 for €415M.

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.

ROGER VIVIER ANNUAL SALES SINCE 2006



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

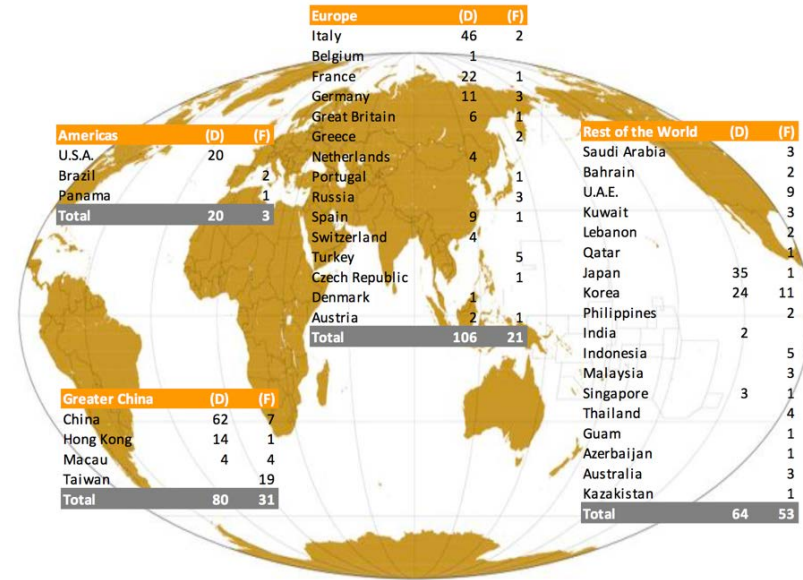
The world's largest luxury market only generates ~8% of total sales currently. Management acknowledged that the Tod's brand was regarded by US customers as a casual brand that is a bit too expensive. Therefore, market re/positioning and marketing will be the key to improve business performance in this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

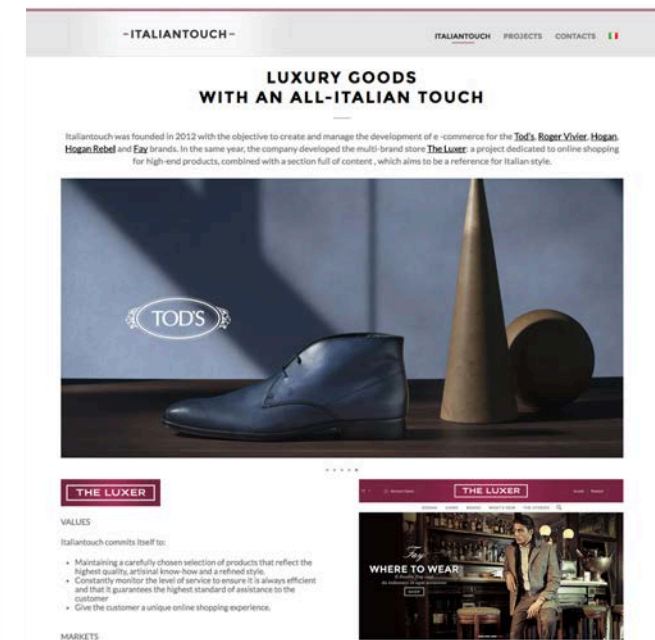
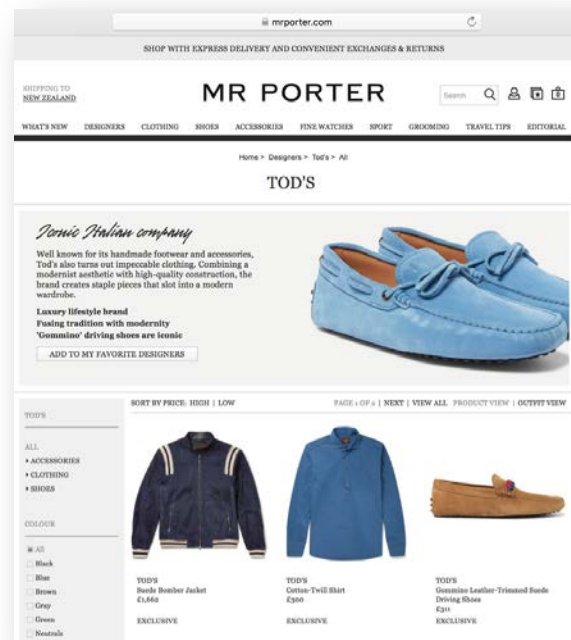
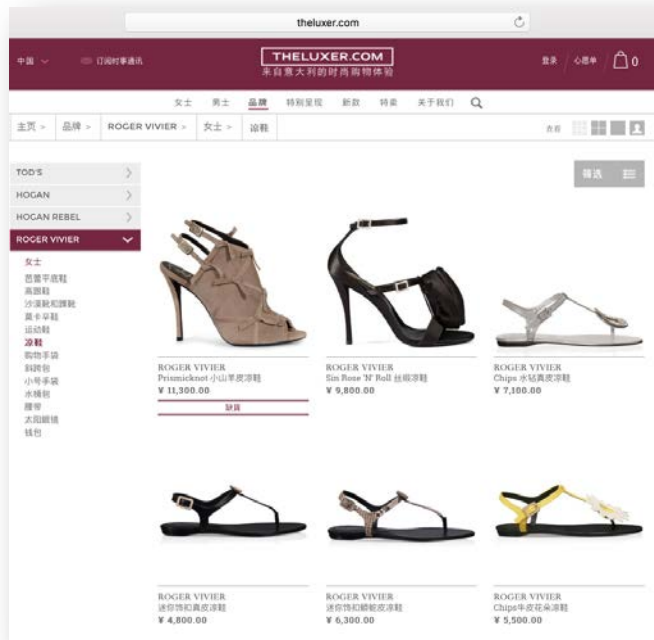
# #4

## 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](http://www.italiantouch.com)), a company controlled by Diego Della Valle. This company also developed The Luxer ([www.theluxer.com](http://www.theluxer.com)) online multibrand store that sells all of Tod's brands.

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.

Tod's products are also available on multibrand online stores such as Net-A-Porter/Mr Porter (since 2015).





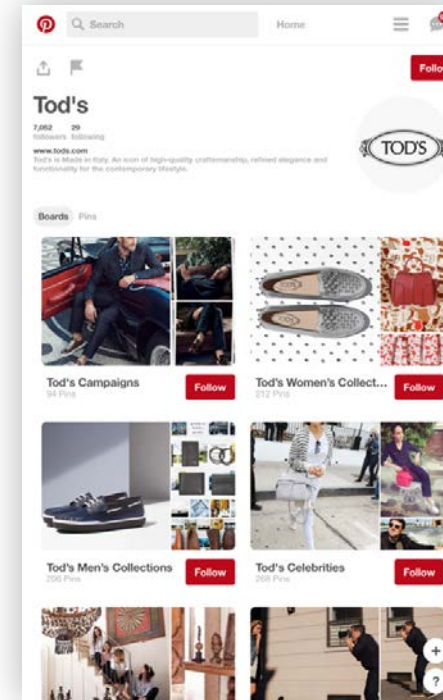
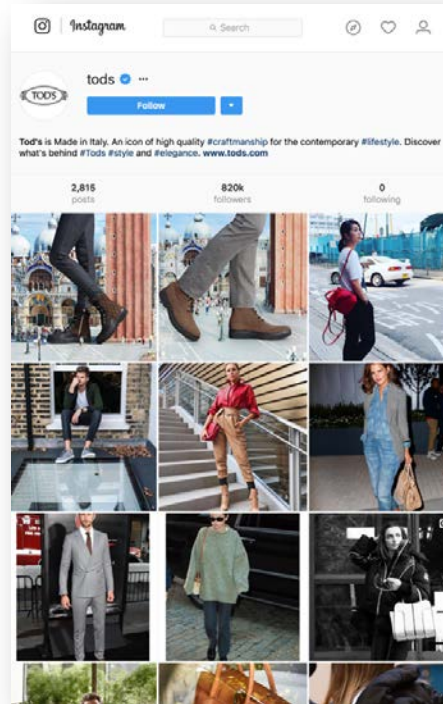
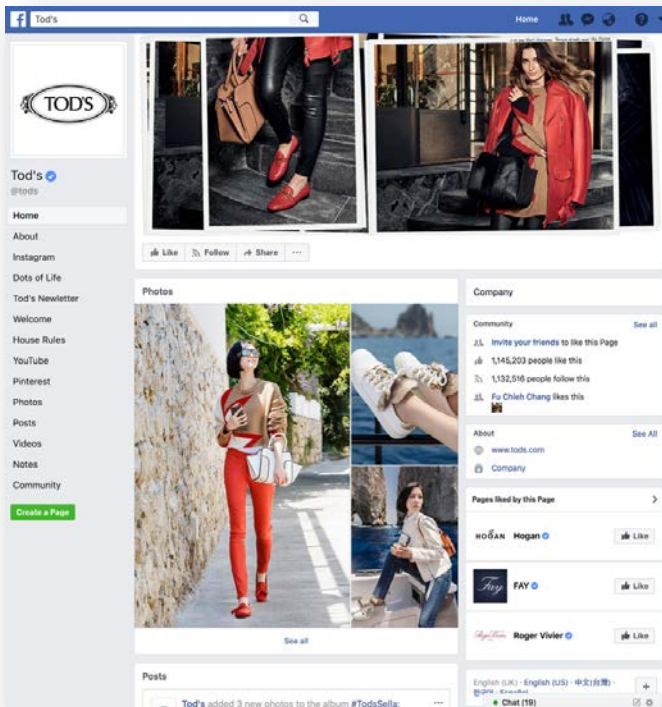
# #5

## 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.



**f**  
1.1M  
FOLLOWERS

**Instagram**  
820K  
FOLLOWERS

**P**  
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:**

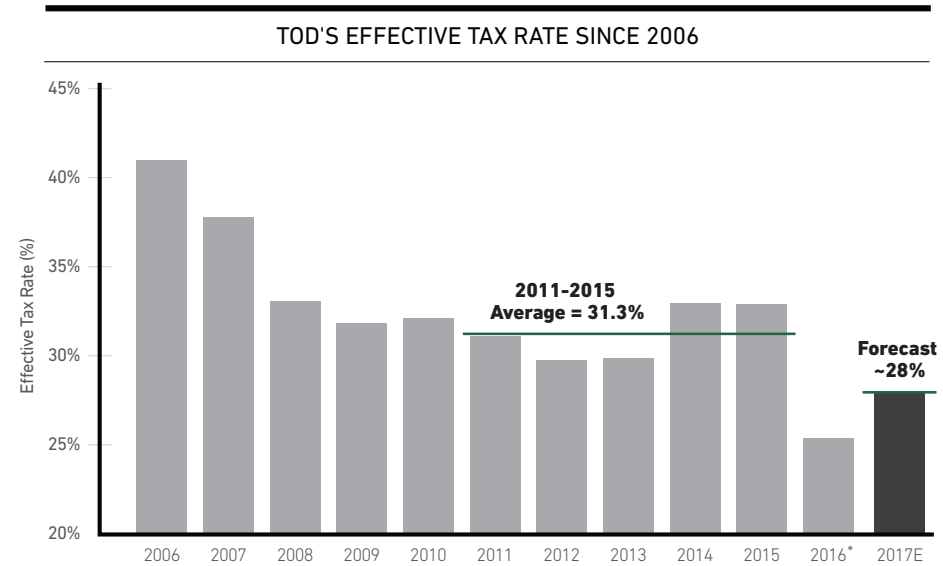
Tod's recent refurbished Bond Street London flagship store is an example of refreshed Tod's aesthetic that will in time roll out across its global network.



# #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.



# #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.

\* 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).





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

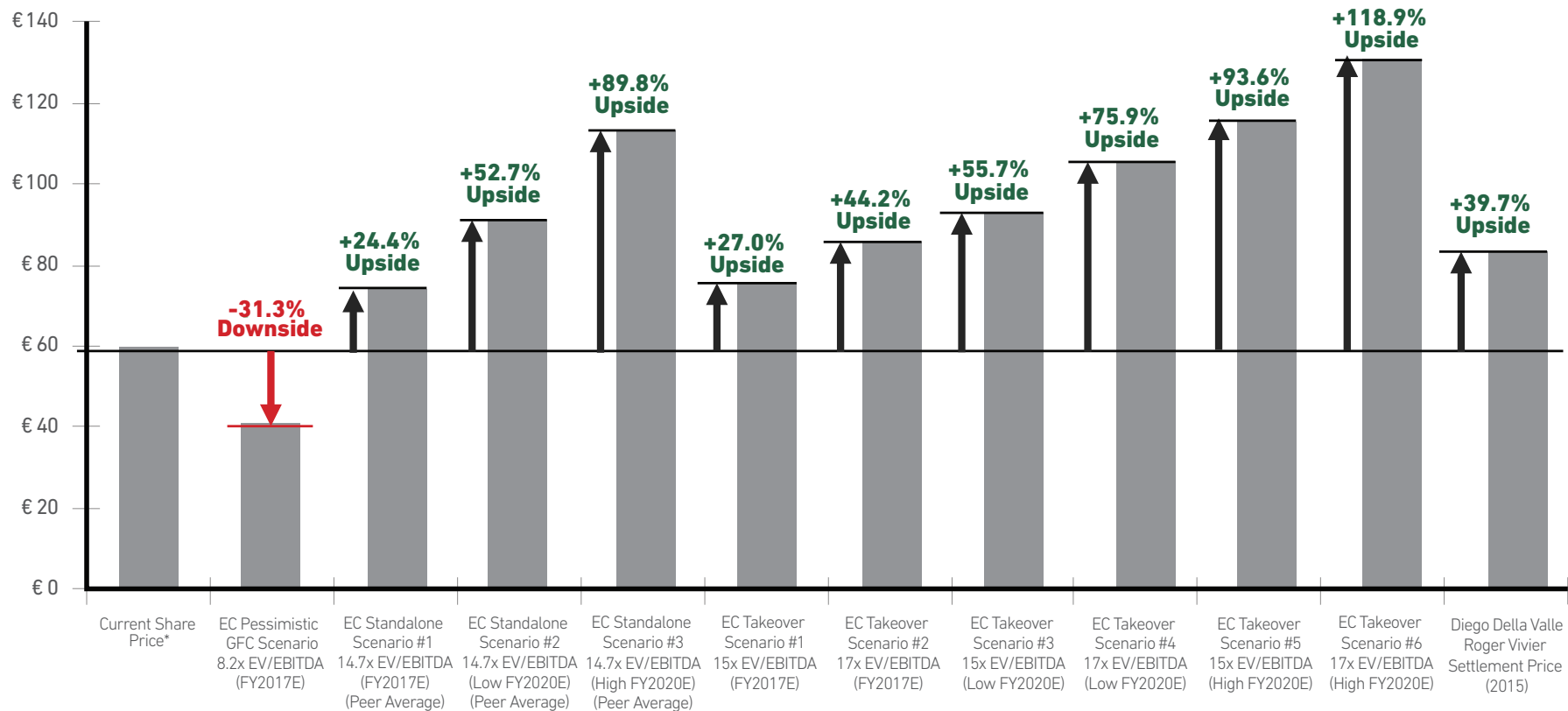
Elevation Capital  
Estimated Intrinsic Value Range:

**€41.06** – **€130.88**  
PER SHARE

Downside/Upside Potential Range:

**-31.3%** – **+118.9%**

## VALUATION SUMMARY

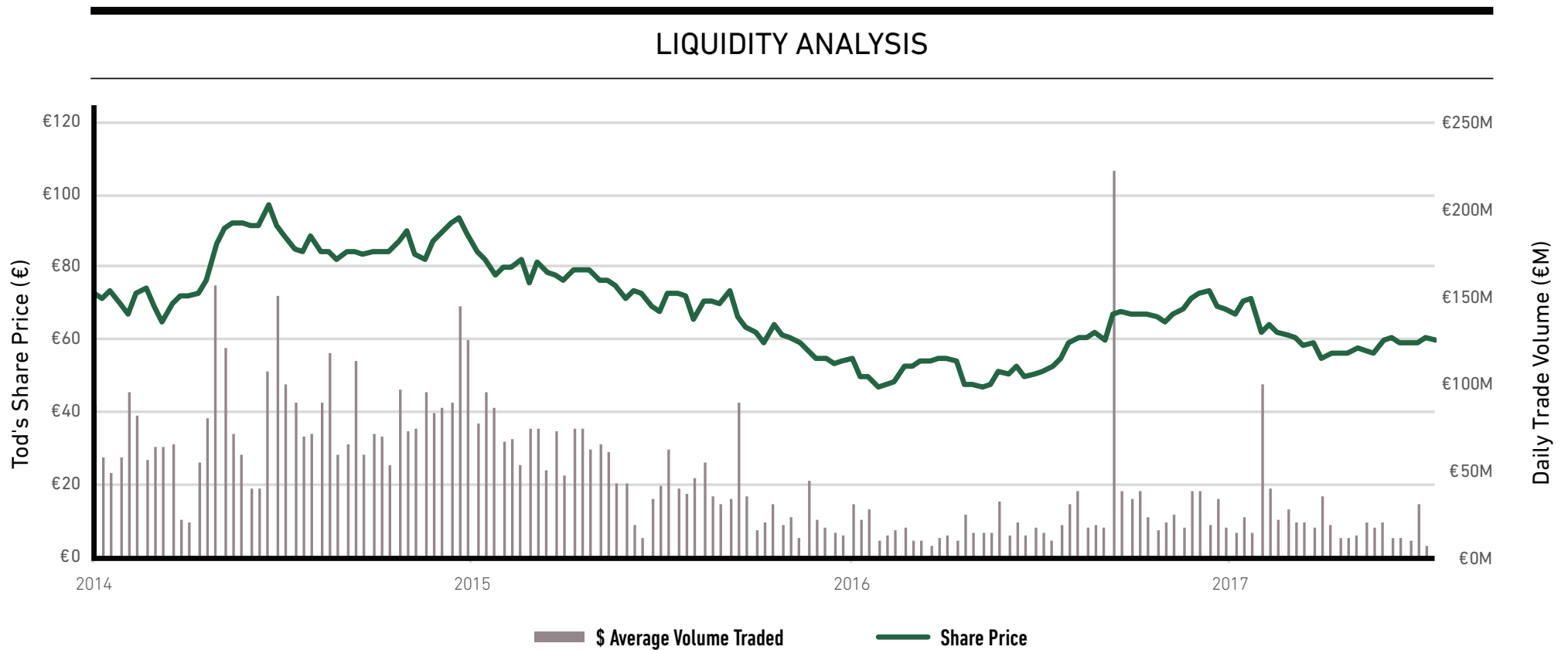


# ASSUMPTIONS FOR OUR ESTIMATED INTRINSIC VALUES

SCENARIO	ASSUMPTIONS
EC Pessimistic GFC Scenario	We assume the shares trade at 8.2x EV/EBITDA, 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

**Appendix 1 - Background of Tod's Independent Directors**

**Appendix 2 - Tod's Brand History**

**Appendix 3 - Hogan Brand History**

**Appendix 4 - Fay Brand History**

**Appendix 5 - Roger Vivier Brand History**

**Appendix 6 - Schiaparelli Gaining Recognition**

**Appendix 7 - The New Yorker: Shoe Dreams - 10 May 2004**

**Appendix 8 - Tod's Short Summary**

**Appendix 9 - This Presentation was delivered to...**

**Appendix 10 - Our Current Investments**

**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 Società 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 Venafro (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 Dalmasso	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 Marches 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.)”*



---

## 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 Kristen Gateman • 07/10/17 1:15pm



Art motifs were spotted at Schiaparelli. Getty Images

Schiaparelli's history is rich in quirky art-inspired motifs, avant-garde techniques, experimentalism, quality and relationships with creative women, including Lee Miller and Anaïs Nin. All of those details were inspiration for Bertrand Guyon's latest collection for the label. He's been designing as the head of style for Schiaparelli for just over two years now; he formerly worked at Givenchy, Christian Lacroix and Valentino.

Guyon infuses the same innovative techniques and playfulness—even the early motif of trompe l'œil—into his collections. The most recent show saw trompe l'œil bows on dresses, worn with colorful blown glass earrings and toughened-up leather boots. Making an even stronger case for the brand's recently revived couture line, Guyon affixed trompe l'œil crystal zippers to gowns (Schiaparelli was one of the first designers to use a zipper as a decorative element), surreal-looking trompe l'œil jewelry (necklaces as well as bracelets and watches) to transparent mesh and 3D Swarovski crystal embroidery. The fashion house's signature color, Shocking Pink, was also prevalent in the form of one floor-length gown. The final look was a stunning tulle cape built up in layers in the shape of a heart.

Guyon's perfected historical references combined with his technical ability and eye for surprise makes him a definitive designer to watch in the couture space.



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

SURFACE

Style Video Image Story History Photo Book Edited by you

## Schiaparelli's Storied Golden Palm Motif Makes a Comeback

An eye-catching garment draws us in for a closer look.

By Sarah Lyall  
March 10, 2017



Like Schiaparelli had a thing for palm trees. The Italian designer grew up admiring the ones surrounding her home in Rome's Palazzo Capponi. At 16, she recalled with her father to Tunisia, a country dotted with them, where she would buy one of a pair. And in 1954, they appeared on a black wool jacket (ordered by Marlene Dietrich) in her winter collection. Revived by Schiaparelli's present artistic director, Bertrand Guyon, for a series celebrating the house's centennial, the original 1954 Maison L'Éclairé amulet—now lavishly embroidered—glorifies a star, paying homage to the designer's enduring motifs.



Schiaparelli's Golden Palm Jacket, made upon request. schiaparelli.com





# APPENDIX 7 – THE NEW YORKER: SHOE DREAMS - 10 MAY 2004

LETTER FROM ITALY

## SHOE DREAMS

How Diego Della Valle became the Italian Ralph Lauren.

BY JOHN SEABROOK



Della Valle and employees at the Tod's factory. Photograph by François-Marie Banier.

Casette d'Ete, a town in the Italian province of Le Marche, has been a center of shoemaking in Italy for almost a century. There are thousands of shoe manufacturers in the region, mostly small factories employing about a hun-

dred people each, producing every variety of footwear imaginable, from high heels to hiking boots. Many residential garages and basements are also devoted to shoemaking. Fifty thousand people make shoes in Le Marche, but jobs are rapidly

declining, as manufacturing moves to Eastern Europe and China.

I first visited Casette d'Ete last fall, during a day of thick fog. I was expecting to find charming streets lined with cobblers, cheerfully pounding nails into soles, but all I could see through the gloom was boxy industrial spaces, whose exteriors revealed nothing of what went on inside. Then, out of the fog, emerged a two-story white marble palazzo. This was the main plant for Tod's, an Italian company that Americans assume is British and that the British think is American. It is one of the largest luxury-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 granary and is now the vent of an indoor swimming pool in the home of Diego Della Valle, the founder of Tod's and the king of the Marchigiano shoemakers.

The smell of newly tanned leather permeated the interior of the factory. It was especially powerful in the huge storeroom, where thousands of rolls of cowhide, snakeskin, and crocodile, in brown, black, pink, purple, and green, were piled on shelves. There was ten million dollars' worth of leather, enough to produce a year's worth of shoes without resupplying. The factory was vast, and yet the scale didn't seem industrial; it felt like a four-hundred-thousand-square-foot cobbler's shop. In the main room there were two hundred and eighteen workstations. Many of the employees are the sons and daughters of people who worked for Dorino Della Valle, Diego's father. They were moving parts of shoes on wheeled carts from one station to the next, to be cut, sewn, stretched, painted, trimmed, 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 the grain and color of the pair would match. Overseers intercepted flawed pieces along the way, and at the end of the line the shoes had to pass through a ganlet of inspectors before they were placed in orange Tod's boxes and dispatched to one of Tod's hundred and twenty-nine retail outlets around the world.

If Della Valle's private airplane is on the runway at the Ancona airport, it means he is in residence at the factory. If the plane isn't there, then he

is probably off tending to some aspect of his far-flung empire of leather—overseeing the people who inspect herds of cattle in Argentina, to make sure the hide on their haunches is thick enough for his purposes, or who descend into unlit caves in France, where the company's distinctive caramel-colored "natural" leather is tanned, or who arrange 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 airplane, because the license plate has Della Valle's initials on it. Inside, the seats are covered in caramel leather.

On the day I visited Casette d'Ete, Della Valle was at the center of a dozen people in a conference room, with handbags and shoeboxes strewn on the floor around them, slowly massaging a leather handbag. He has longish hair, a boyish face, a compact build, and very mobile eyebrows. He claims to be fifty, although in Italy a man may be fifty until his sixtieth birthday. Unlike the heads of most other European luxury-goods houses, with their sober manners and Old World hauteur, he is jocular and accessible; he'll take your hand in both of his when he shakes it, and touch the back of it in the same probing way he feels leather, and tell you a joke. He has the humility and plain-spokenness of someone who is neither humble nor plain but is too sure of himself to pretend to be more than a very clever *sarpario*, a cobbler. He seems to be both a man of the world and a *ragazzo del bar*—the *amico* you meet at the coffee bar on the corner to discuss soccer, women, or Prime Minister Silvio Berlusconi's recent face-lift. In public, he is almost never alone; he often travels with a coterie of male buddies, among whom are Luca Cordero di Montezemolo, the head of Ferrari, and Paolo Borgomanero, a businessman and investor.

Today, Della Valle was wearing a navy three-piece suit with a gold necktie outside the waistcoat, which seems peculiar unless you know that Gianni Agnelli, the Italian industrialist who died a little more than a year ago, used to wear his tie outside his vest or sweater. The suit was made by Caraceni, a bespoke tailor in Milan. Lest anyone think him too much of a dandy, he also had a

plastic Swatch on his wrist and, on his feet, brown suede desert boots made by Hogan, Della Valle's sportier line of shoes and bags. He was reviewing handbags, prototypes of new items in the Tod's fall 2004 line. They ranged from a small evening bag with "T's" on the side to a plain leather "shopping" bag in the company's natural leather. (One reason you see relatively few Tod's bags among the counterfeit Pradas, Guccis, and Louis Vuittons sold by street vendors is that the caramel-colored leather is impossible to knock off if you don't have a cave at your disposal.)

Della Valle pondered a bag, his eyes roving over the details—its shape, color, stitching, clasp, handle, strap. At last he crumpled the leather in his hand and watched as it slowly recovered its shape. "*Piu morbida*," he said—"softer"—and moved on.

I asked what was going through his mind as he studied these prototypes, and he said, "I think about our customers and I think about the philosophy of Tod's. Our customer is not the type of person who needs a new bag every season, to keep up with the fashion, and they are not the kind of person who needs to wait six months for a bag. But we also want to sell them a *piccolo sogno*—a little dream—something a little higher than they are, something they want to be." He held his hand with the palm perpendicular to the floor, and gently wriggled it, like a fish nosing its way through coral. His taste seemed to be working the same way—steering away from extremes, feeling its way toward the center. "He has a strong ability to stay in the middle," says his friend Ferruccio de Bortoli, who is the C.E.O. of the book division of RCS Media Group, which includes Rizzoli and the *Corriere della Sera*. "A great instinct for the middle."

A gray bag looked too dreary to Della Valle. "If you're not depressed, you're not going to buy this," he said. A red one wasn't a good idea. "Red doesn't sell." A little twill bag, in another shade of gray: "That bag has to have something more. If you see it from a distance in an airport, you could never know that it is a Tod's bag. Could we make it velvet? And maybe the metal studs are too vintage?"

Pointing to a larger bag, he asked,

SMILE IF YOU'D LIKE YOUR PORTRAIT TAKEN BY BERT STERN.

Call toll-free 1-888-INCIRCLE.

Neiman Marcus

JOHN CHRISTIAN DESIGNERS & CRAFTSMEN



DIAMOND WHEEL PENDANT YOUR NAMES & DATES 14K GOLD \$790 (Weights chain sold separately)

3 DAY ROOM AVAILABLE - FREE CATALOGUE RINGBOX.COM 1-888-646-6466

The Art of the Handwritten Note A GUIDE TO RECLAIMING CIVILIZED COMMUNICATION by Margaret Shephard • margaretshephard.com BROADWAY BOOKS

FRENCH COOKING CLASSES A WEEK IN PROVENCE Hands on cooking lessons and excursions into sun-drenched Provence. JUNE & SEPTEMBER call for brochure 337-436-4422 • www.frenchcookingclasses.com

Women, Weight & Wellness Lifelong Solutions for Weight, Image and Eating-related Issues... Since 1973 GREEN MOUNTAIN at FOX RUN www.fiwomen.com Brochure requests: 800.448.8106

Dogs, Life & Love www.abkdoglady.com

THE NEW YORKER, MAY 10, 2004 63

tion bed, ed we love it! ...ressed. 1-800-730-8464

fference comfort and vibrant colors ... 7233 or visit Chairs.com

LEY workshop of fine silver \$45 ... Co. 02840

Coggins ggins.com

CAR 10005 3-1516 LEASES STUDENTS r.com

France ing holidays d by water lilies. puchenin.com

THE NEW YORKER, MAY 10, 2004 67

n s le

S O

ts

mock- must be Valle, a, shot be the looked at on a le, and

d Della ating of some sed veal t, some e please- of a la Valle factory airplane world. e if not ut this ust an- ex- d.

LC asks

62 THE NEW YORKER, MAY 10, 2004

64 THE NEW YORKER, MAY 10, 2004

66 THE NEW YORKER, MAY 10, 2004

THE NEW YORKER, MAY 10, 2004 65

THE NEW YORKER, MAY 10, 2004

67





## 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:**



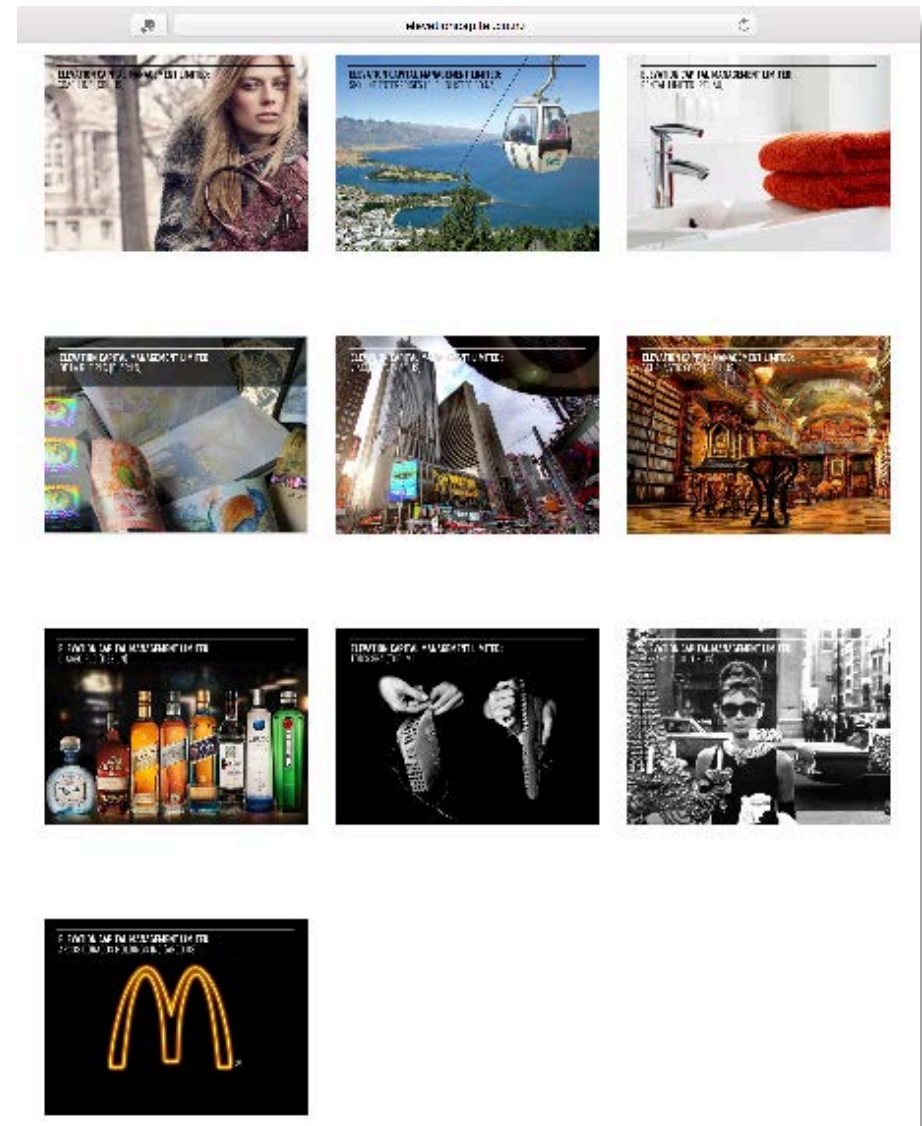
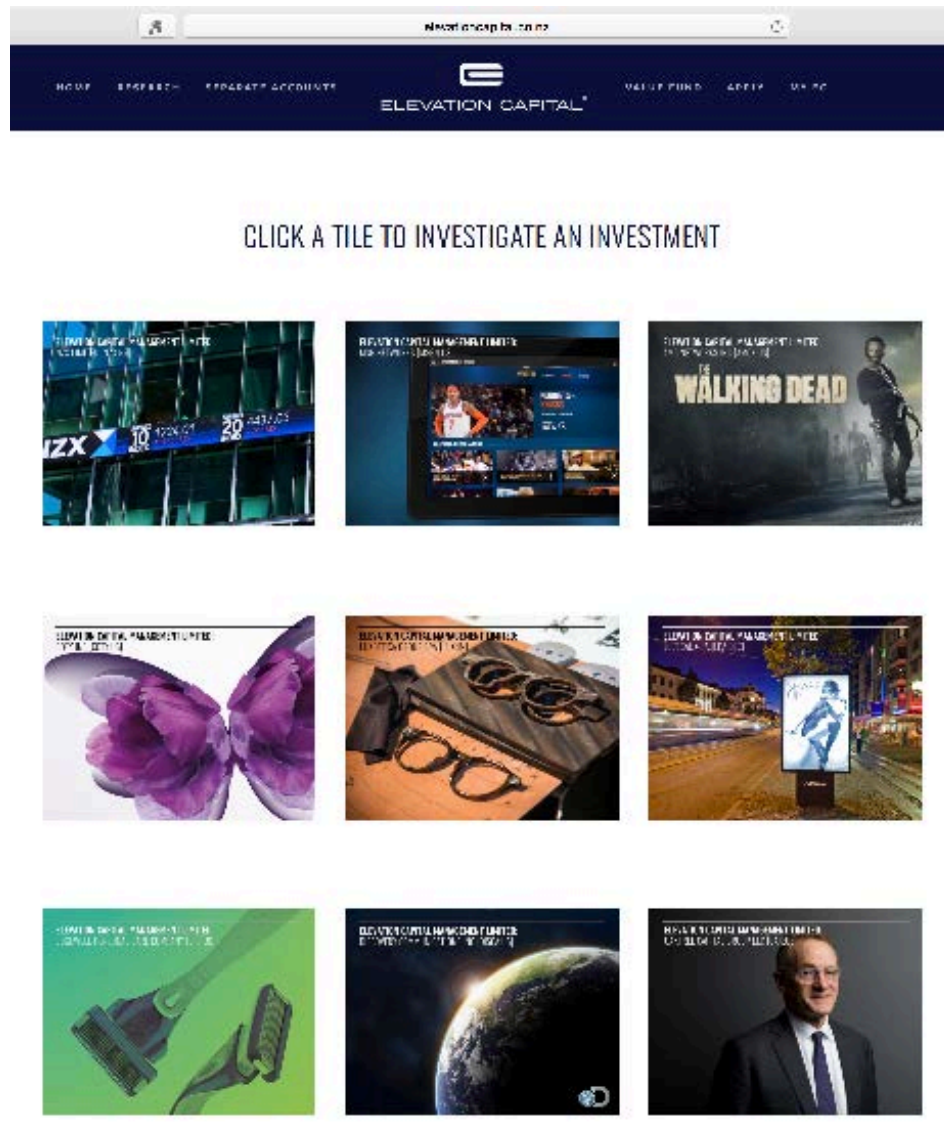
<https://www.valueconferences.com>



<https://fatalpha.com>



# APPENDIX 10 – OUR CURRENT INVESTMENTS



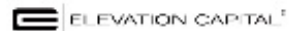
<http://www.elevationcapital.co.nz/current-investments>



# APPENDIX 11 – OUR OTHER WEBSITES/ASSOCIATES

## ≡ THE WALTER SCHLOSS ARCHIVE

Created by



for informational purposes only



<https://www.walterschloss.com>

BETHUNES

[HISTORY](#)
[REPORTS](#)
[SHAREHOLDERS PRINCIPLES](#)
[SHARE PRICE](#)
[DIRECTORY](#)

### HISTORY

Bethunes Investments Limited ("Bethunes") is a NZX listed company (51L NZX) which was previously named Moskow Collettella Limited (MOSKOW) a private business enterprise founded by founder Mr. John Moskow of the New Zealand Market (NZM). In April 2000, and ultimately listed on the NZX main board on 7 December 2000. The performance of Moskow Collettella failed to reach expected outcomes. In early January, the Board of Directors initiated a divestment and capital raising programme to better deliver value to the sole shareholder (Bethunes) to a successful listed Australian listed company - Westgreen on 31 January 2002.

This resulted in Bethunes in a net cash position and NZX listed company (Bethunes) with a new shareholder base. In more seeking a responsible open market as outlined by the company's principles.

On 10 February 2002, the company was renamed Bethunes Investments Limited (51L NZX) on 17 July 2002. The name change was successful as the contributing items for the Company, as it was associated with Moskow Collettella for many years. In 1999, John Moskow formed Bethunes Race Books Limited to acquire the race book auction business of the former (Bethunes) and subsequently received in 1999, the former and owned a profitable operation generating new assets, prices and on the way. It therefore cannot entirely guarantee when re-naming the Company to maintain the link to the company's history which continues to be a strong and visible symbol for the company.

ESTD 1992  
BETHUNES, WELLINGTON, NEW ZEALAND

<http://www.bethunesinvestments.com>



---

# '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.

37B George Street, Newmarket  
Auckland 1023, New Zealand

Phone: + 64 9 379 6493

Website: [www.elevationcapital.co.nz](http://www.elevationcapital.co.nz)

Email: [info@elevationcapital.co.nz](mailto:info@elevationcapital.co.nz)

Twitter: ElevationNZ