

Initial assessment on the potential of a target company operating in the Bridal Wear sector

Preliminary assessment on the company potential and identification of all key relevant concerns and opportunities

Investors usually find themselves immerse in situations in which they need to **quickly differentiate those opportunities** that are **worthy of their time and resources** to be further analyzed, **from those with limited potential or posing strong red flags** that are **excluded from top priorities**. For this, **specific market and sector knowledge** is of **great help** to **rapidly understand the market, competitive positioning, threats (especially in sectors that are not very straight-forward such as the bridal wear industry)**... and be able to **determine** the degree of **potential** the company offers.

In this type of projects it is very relevant to **dig** into the (usually limited) **information provided** but **especially identify** and **deepen** into the most **important issues** that **will condition the investment case**.

It is **advisable** to **cover** certain **key topics** such as understanding of the **industry and market**, identification of **key drivers**, analysis of the **competitive landscape** and finish with the **understanding of the company's model, position, key strengths/weaknesses...** Nevertheless, **there are always specific ad-hoc concerns that can determine the go/no go decision**: new markets potential, competitive position in recently penetrated areas, risk of disruptive players... **Time is usually of essence** and **resources** need to be **devoted** in the **most relevant question marks**.

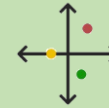
*The purpose of this analysis is to **give clients comfort in their decision to pursue/dismiss the targeted opportunity**. Therefore, we **put all our resources in place to answer all key questions in a stretch time** and reach an advanced level of understanding of the market, company and key concerns to **determine the suitability of the opportunity**.*



Understanding of the industry



Drivers of the sector and market value



Competitive landscape



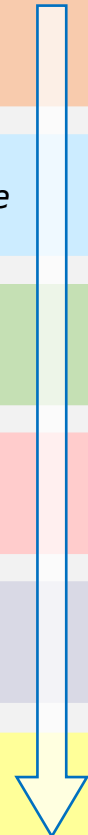
Target company overview



Key concerns



Beragua's view on the opportunity



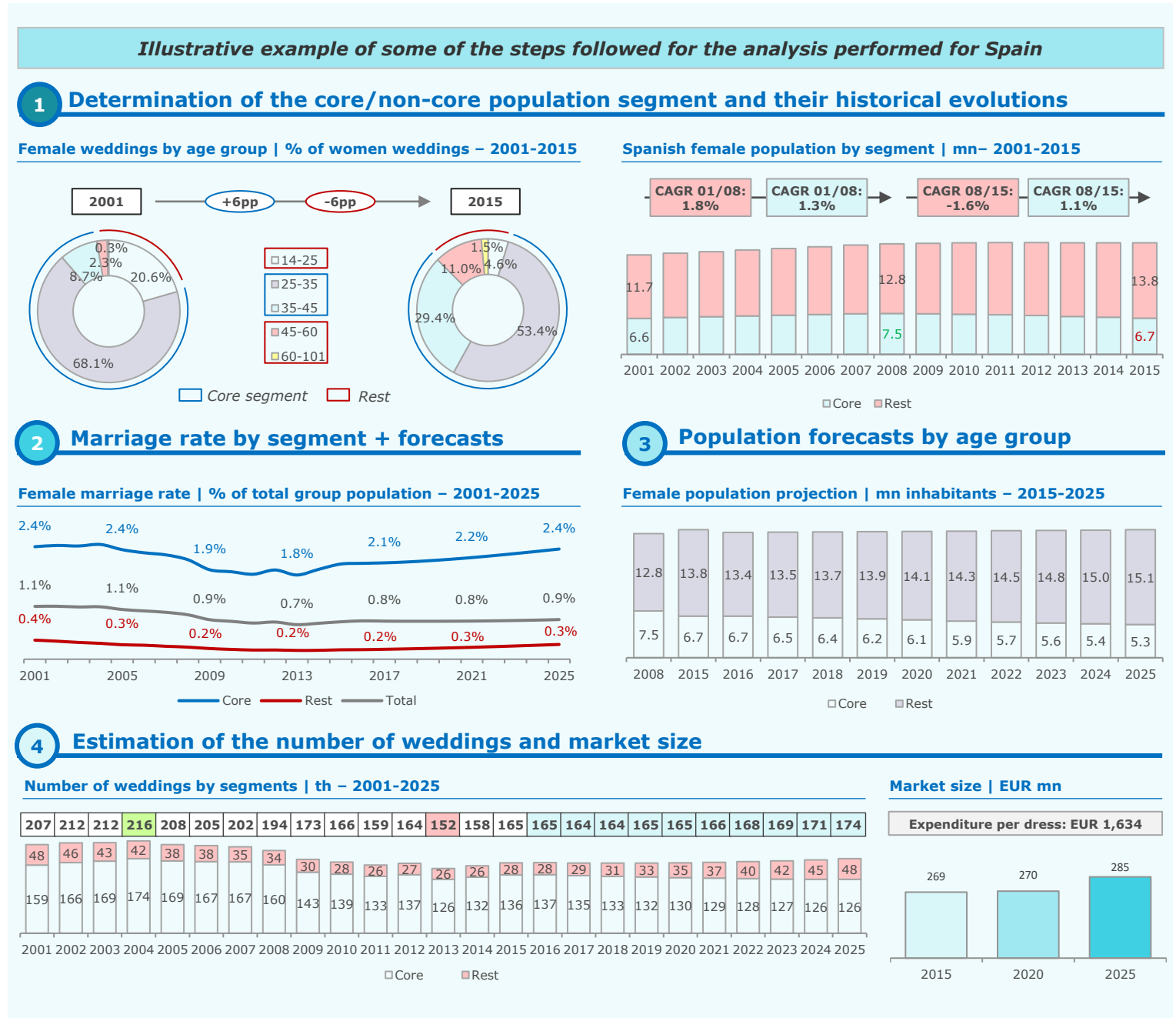
In this particular case, the first relevant step was to size the bridal wear market in key countries and estimate its evolution to sequentially evaluate growth opportunities.

For this, we studied how the female demographics had progressed and projected the key variables impacting the number of weddings in each geography using historical and statistical data.

In our analysis we took a top-down approach from total population to key demographic groups, referencing all our calculations to the female population exclusively. In this process we established the following hypothesis:

- We only considered the number of females within legal marrying age (variable depending on each country's legislation).
- We defined as core segment the age range including the women with highest probability of getting married. We established this segment by analyzing the historical marital data of each country and selecting the age ranges which consistently included the majority of weddings. In all analyzed European countries this core segment was 25-45 years of age.

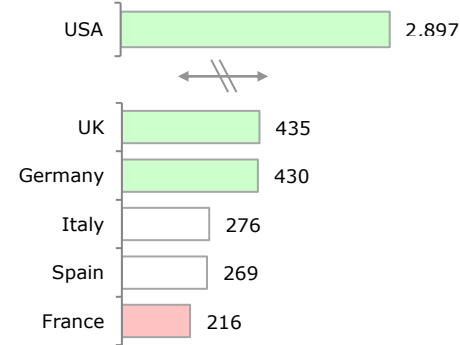
Projections were calculated using a combination of historical data (growth rates and marriage rates) and government-provided statistics (population) which enabled us to forecast the evolution of weddings in each country.



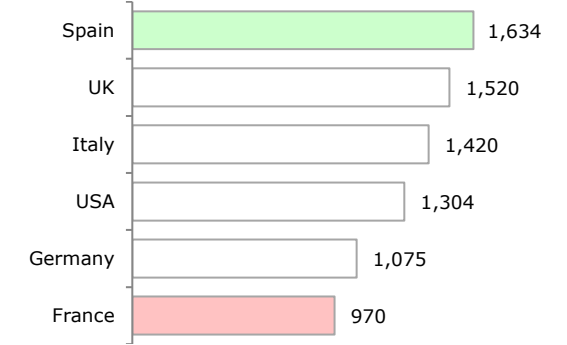
In terms of market size, **the USA has the biggest bridal wear market of the analyzed countries**, while **the UK and Germany showed the highest market values** among European geographies and **France posted the lowest figure** (negatively influenced by its low per capita spending).

However, Spanish brides have the highest average spending per wedding gown (c.EUR1.600) followed by British, Italians and Americans (c.EUR1,500 c.EUR1,400 and c.EUR1,300 respectively), while the **average price per dress is significantly lower in Germany and France**.

Bridal dress market | EUR mn



Expenditure per bride on wedding dresses | EUR



Regarding **market forecasts**, the **bridal wear volumes** in these countries **will grow at very timid paces** (or even decline) in the next years, negatively **impacted by the unfavourable demographics** and **declining marrying rates**. This implies that **any further progression will need to be underpinned by higher unitary prices**.



In terms of **volume**, markets offer **very limited growth opportunities**. Using the **projected number of weddings and assuming that the per capita spending remains stable**, we calculated the **evolution of bridal wear market** for the period 2015-2025 and detected that all **countries will marginally increase the projected value of their bridal markets** except for Italy and France, which are expected to slightly decline.



On the other hand, **favorable macroeconomic environments and the possible industry trade-up in some markets** could **support the increase of unitary prices**. As countries steer away from the economic crisis, **disposable income will rise** implying (i) a **higher number of individuals will be able to afford a dress**, and (ii) those who traded down during the crisis will **be able to recover pre-crisis expenditure levels**.

Moreover, the **average marriage age has experienced an increase in all markets analyzed**, which could **translate in greater spending amounts due to higher disposable income of older demographics**, causing an **increase in price**.

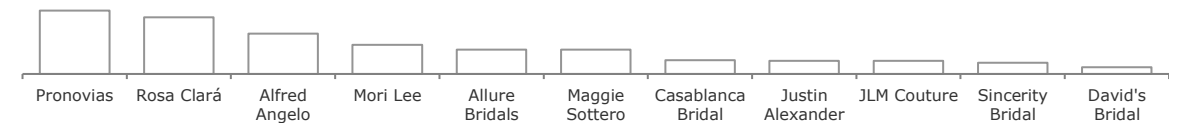
The **global bridal wear market is very fragmented** and despite some players operating large networks, **there is still not a clear leader in terms of MS.**

Companies competing in the bridal wear market **are heterogeneous and operate different models:**

- **Pure retailers** which only offer their products through own stores. The US leader David's Bridal is the most relevant competitor in the segment.
- **Mixed players** that complement their retail offer with wholesale such as Pronovias, Rosa Clará or Alfred Angelo.
- **Designers** that sell their collections **through distributors** (e.g. JLM Couture or Casablanca Bridals). Usually these players also have a reduced number of flagship stores.
- Small **independent designers** that produce dresses upon request.

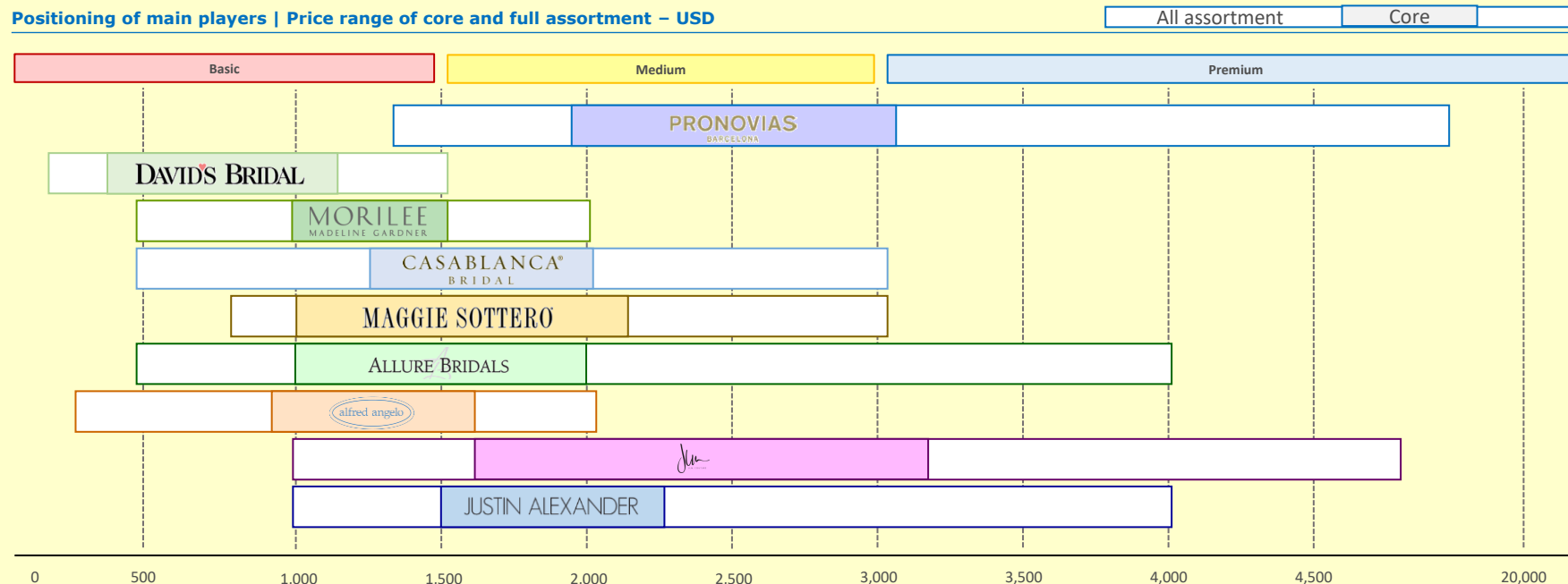


Main players | Breakdown by number of points of sale



Country specific competition analysis: the USA, a market with enormous potential

Most of top USA players extend along the medium and basic price ranges when considering the full assortment, with the exception of David's Bridal which shows the lowest and narrowest offer in terms of price points, limited to basic products. **Pronovias, JLM Couture** (and Justin Alexander and Allure Bridals to a lesser extent), are the **only competitors covering the premium segment**. However, when **considering core assortment**, only **David's Bridal is fully positioned in the basic segment** (the most relevant of the US market), while **most of the US leading competitors' offer** (Mori Lee, Casablanca, Maggie Sottero, Allure Bridals and Alfred Angelo) is **placed between the basic and medium price ranges**. **Pronovias, JLM Couture** (and Justin Alexander to a lesser extent) **are the most upscale concepts** and cover the upper-medium segment.



The market combines **players focused exclusively on brides** (Maggie Sottero, Casablanca Bridals and Justin Alexander) with **others that extend their offer including also bridesmaids and cocktail dresses** (Pronovias, Mori Lee, JLM Couture and Allure Bridals) and kids outfits (Alfred Angelo). **Only David's Bridal assortment covers all aspects of the wedding:** bride, groom, bridesmaids, shoes, decorations..., and it is **the only company, together with Pronovias, with a relevant assortment of shoes**.

The **level of extent of the Company analysis** is always subject to **information availability** and our **clients' main interests**, therefore, **there is not a standard guideline** and **pre-established topics to examine**. However, **the scope of our initial reports usually includes a network description and assessment, a sales dynamics and company financials analysis, benchmarking of main KPIs, business plan evaluation and feasibility**, identification of growth opportunities and points for improvement.

After reaching a proper understanding of the industry and its potential, having performed a preliminary analysis on the target and having answered main question marks, we are able to identify the opportunity's main strengths and highlight the potential weaknesses or red flags. With all this information, we are in a good position to discourage/advise to pursue further the opportunity

Illustrative example of the summary of some of our recommendations

