

## Deal of the Week: Coach to Buy Kate Spade for \$2.4B

Announcement Date	<ul style="list-style-type: none"> <li>• May 8, 2017</li> </ul>	
Acquirer	<ul style="list-style-type: none"> <li>• Coach, Inc. (NYSE: COH)</li> </ul>	
Acquirer Description	<ul style="list-style-type: none"> <li>• Provides luxury accessories and lifestyle brands</li> <li>• Founded in 1941 and headquartered in New York, NY</li> </ul>	
Acquirer Financial Statistics	<ul style="list-style-type: none"> <li>• Mkt Cap: \$12.7 billion</li> <li>• EV: \$11.5 billion</li> <li>• LTM Revenue: \$4.5 billion</li> </ul>	<ul style="list-style-type: none"> <li>• LTM EBITDA: \$883.6 million</li> <li>• LTM EV / Revenue: 2.6x</li> <li>• LTM EV / EBITDA: 13.1x</li> </ul>
Target Company	<ul style="list-style-type: none"> <li>• Kate Spade &amp; Company (NYSE: KATE)</li> </ul>	
Target Description	<ul style="list-style-type: none"> <li>• Designs and markets apparel and accessories</li> <li>• Founded in 1976 and headquartered in New York, NY</li> </ul>	
Target Financial Statistics	<ul style="list-style-type: none"> <li>• Mkt Cap: \$2.4 billion</li> <li>• EV: \$2.3 billion</li> <li>• LTM Revenue: \$1.4 billion</li> </ul>	<ul style="list-style-type: none"> <li>• LTM EBITDA: \$233.6 million</li> <li>• LTM EV / Revenue: 1.7x</li> <li>• LTM EV / EBITDA: 10.0x</li> </ul>
Acquirer Advisor	<ul style="list-style-type: none"> <li>• Evercore Group</li> </ul>	
Target Advisor	<ul style="list-style-type: none"> <li>• Perella Weinberg Partners</li> </ul>	
Price / Consideration	<ul style="list-style-type: none"> <li>• \$2.4 billion</li> </ul>	<ul style="list-style-type: none"> <li>• Cash</li> </ul>
Rationale	<ul style="list-style-type: none"> <li>• In recent years, shoppers have gravitated to more extreme ends of the style spectrum, toggling between e-commerce giants like Amazon, fast-fashion brands like H&amp;M and Zara, and luxury houses like Gucci</li> <li>• Coach looks to tap the popularity of its smaller rival's quirky satchels and totes among millennials</li> <li>• Coach has decided that its best path to growth is spending \$2.4 billion for Kate Spade, hoping that expanding its portfolio of brands will help carve new territory in the crowded market</li> <li>• "The acquisition of Kate Spade is an important step in Coach's evolution as a customer-focused, multibrand organization," Victor Luis, chief executive of Coach, said in a statement on Monday. "We believe Coach's extensive experience in opening and operating specialty retail stores globally, and brand building in international markets, can unlock Kate Spade's largely untapped global growth potential," he added</li> <li>• Coach said it expected to generate about \$50 million in savings from the deal within three years</li> <li>• The acquisition is expected to be accretive to adjusted earnings in fiscal 2018 and achieve double-digit accretion by fiscal 2019</li> </ul>	
Deal Points	<ul style="list-style-type: none"> <li>• Coach offered \$18.50 a share in cash for Kate Spade, representing a 27.5% premium to Kate Spade's shares before reports of a potential deal surfaced in December and a 9% premium to its last closing price</li> </ul>	
Of Note	<ul style="list-style-type: none"> <li>• Coach bought the American footwear brand Stuart Weitzman in 2015. Analysts have speculated about whether Coach would buy Burberry, Britain's biggest luxury brand by sales. And just this month, Coach was tipped as the favorite to buy Jimmy Choo, the British accessories label</li> </ul>	