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Navigating the Digital Runway: The Farfetch IPO Unveiled  
From investor euphoria to market uncertainty: The case of Farfetch

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#### Abstract

The following case study, subdivided into two parts, serves the purpose of performing an in-depth analysis of Farfetch's complex journey towards an IPO and subsequent performance. The first part dates to September 2018, and explores the IPO's key decision-making processes. Elements such as an analysis of Farfetch's pre-IPO financial health, an assessment of the dual-class structure implications on the transition to a public firm and a discussion of the motivation and risks involved were included. The second part moves forward to October 2023, delving into topics such as the company's recent decreasing valuation and the option to delist.

#### Keywords

Benefits vs Risks, Corporate Governance, Dual-Class Structure, Entrepreneurial Finance, Financial Analysis, Initial Public Offering

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**Abbreviations**

**ACP** Average Collection Period

**AHP** Average Holding Period

**APP** Average Payable Period

**APAC** Asia Pacific

**CAC** Consumer Acquisition Costs

**CAGR** Compound Annual Growth  
Rate

**CCC** Cash Conversion Cycle

**COGS** Costs of Goods Sold

**D/E** Debt-to-Equity

**D/EBITDA** Debt-to-EBITDA

**EMEA** Europe, Middle East and Africa

**FPS** Farfetch Platform Solutions

**GMV** Gross Merchandise Value

**IFRS** International Financial Reporting  
Standards

**IPO** Initial Public Offering

**HKEX** Hong Kong Exchanges and  
Clearing Market

**LSE** London Stock Exchange

**LVMH** Moët Hennessy Louis Vuitton  
SE

**M&A** Mergers and Acquisitions

**MBI** Management Buy-In

**MBO** Management Buy-Out

**NGG** New Guards Group

**NMG** Neiman Marcus Group

**NYSE** New York Stock Exchange

**S1** First Semester

**S2** Second Semester

**UK** United Kingdom

**U.S.** United States of America

**U.S. GAAP** United States Generally  
Accepted Accounting Principles

**VC** Venture Capital

**YNAP** Yoox Net-a-Porte

## **PART A**

### **Introduction**

It was September 20<sup>th</sup>, 2018, and unlike past years, this was one of the busiest seasons in the history of Farfetch, as the company was headed for a potential IPO.

More than ten years into its foundation, and three years after achieving a \$1B valuation, which established Farfetch as a unicorn, the company was still not profitable. Despite having high-growing revenues of nearly \$400M in 2017, the company was accumulating losses and a negative operating cash flow (Farfetch 2018). However, José Neves, founder and CEO of Farfetch had long established that the company's priority lied in investing in future growth and achieving global scale, rather than just focusing on hitting profitability. Secure of this growth and expansion strategy, the CEO still needed to find a solution for Farfetch's pressing financing needs. Until that moment, Farfetch was heavily reliant on funding from private investors, namely VC firms, but after undergoing 7 funding rounds, it seemed like it was time for a different move.

As Farfetch was heading towards a potential IPO later that month, Neves contemplated all the questions he needed to address. The reality was that an IPO had the potential of raising a substantially larger amount of money for the firm than it could get by launching another funding round. But would the benefits of an IPO outweigh its costs and risks? How would the shareholder base be affected by an IPO? While in discussions with the remaining elements of Farfetch's board of directors, several matters were considered, namely the valuation of the firm and location of the IPO, and whether an alternative option to an IPO would be preferred.

As Neves and his board of directors considered the possible courses of action, they knew that no less than the future growth and stability of Farfetch was at stake.

## About Farfetch

### Company Background & History

José Neves had shown his interest in technology and fashion from a young age. The Portuguese entrepreneur founded his first technology business, a software distributor company named Grey Matter, at just 19 years old while studying Economics at the University of Porto, a time during which he described himself as “an almost outsider”. Neves came from a family traditionally linked to the craft of shoemaking, and thus, it was no surprise that he began his involvement in the fashion startup landscape. Just two years after launching his first business, in 1996, Neves moved to London, a desire he had for quite some time, and launched SWEAR, a company focused on designing and producing footwear products. This project encouraged him to later create SIX London, a fashion licensing and wholesale company, which allowed him to explore the complexities of the fashion supply chain and global distribution networks. Later, in 2001, Neves opened the famous London shop, bstore. In 2006, bstore received the coveted British Fashion Award for “Retailer of the Year” in recognition of its remarkable contributions to the fashion industry (Farfetch 2023b).

Having a unique combination of passions with a love for fashion and a great awareness of technology's revolutionary potential, Neves ended up laying the first seeds for Farfetch's founding in 2007. His idea, acclaimed by many as visionary, was to present consumers with a global network of luxury boutiques and high-end goods, through an online marketplace (Danziger 2020). This platform would tap into the emerging needs of the market, given the lack of online sales channels for luxury brands. In José Neves' view, the already existing companies such as Amazon, were not designed for this purpose as these were not tailored to meet the specific requirements of the luxury sector.

Therefore, the official launch of this idea in 2008 marked the beginning of a transformative journey to redefine the luxury shopping experience. However, this settlement

was not always easy, as Neves experienced a few difficulties in attracting sellers during earlier stages. Indeed, most luxury brands placed the utmost importance on their brand's reputation and on providing a customized customer experience, leading them to believe that such an online platform would disrupt their traditional business models. Thus, when it was first launched, Farfetch enabled customers from 5 different countries to shop for items from a selection of 25 boutique stores.

Farfetch's early years were characterized by audacious ambition and rapid expansion, as it introduced an unprecedented concept, distinguishing itself by an extensive selection of diverse luxury products, encompassing apparel, accessories, footwear, and jewellery, as well as by its technological expertise. During the first 3 years, the company experienced difficulties in attracting external investors, being only financed with the CEO's own capital. Afterwards, it received multiple strategic investments, which fueled the company's global expansion, acquisition strategy, and technology enhancements (Godinho 2019).

Farfetch started as an online platform that connected consumers with an exclusive selection of luxury fashion boutiques and brands. As it grew, the company expanded into providing e-commerce management and technology integration services to luxury brands and designers, through *Farfetch Black & White Solutions*, and to presenting innovative in-store technological solutions for one-of-a-kind physical retail, through the *Store of the Future*.

In 2015, Farfetch was recognized as Portugal's first and fashion's only unicorn, a term used in the business and startup world to describe a privately held company with a valuation of over \$1B (European Commission 2022). The company achieved this milestone by expanding and attracting significant international investment (Ahmed 2015). This accomplishment not only emphasized Farfetch's success as a technology-driven fashion marketplace but also drew attention to Portugal's developing startup and tech sector.

As of June 2018, Farfetch connected more than 1.1M active consumers from 190 countries with over 980 luxury sellers (Farfetch 2018). Despite not having yet achieved profitability, Farfetch registered total revenue of \$386M in 2017 (Farfetch 2018). The company which has always been headquartered in London given the CEO's familiarity with the city, accounted for over 3,000 employees around the globe, in 2018. It established offices in major fashion capitals such as London, New York, Los Angeles, São Paulo, and Shanghai (Farfetch 2018). These strategic locations allowed Farfetch to build relationships with luxury boutiques and designers from diverse regions, enriching its product offerings and international appeal.

#### **Mission and Vision**

Farfetch's mission was to be the "global technology platform for luxury fashion, connecting creators, curators, and consumers" (Farfetch 2018).

As José Neves stated, "Farfetch exists for the love of fashion. This is an industry of emotions, aesthetics, desire, and tech companies miss that. Fashion is the antithesis of tech's value-driven mentality" (Farfetch 2018). Therefore, Farfetch's vision was to build a global community that promotes fashion creativity and originality, reinventing the future of fashion retail and empowering the industry's growth by employing cutting-edge technology and a commitment to excellent customer experiences.

Furthermore, the firm aimed to empower independent and small boutiques, allowing them to expand their reach and connect with a wider customer base.

#### **Industry Analysis**

The Global Luxury industry, which includes Personal luxury goods, Luxury cars, Luxury hospitality, Fine wines and spirits, among other segments, hit €1.2T in sales, by 2017, representing 5% growth from 2016 (D'Arpizio et al. 2017).

As a global luxury fashion platform, Farfetch was part of the Global Personal luxury goods segment that comprises high-end products meant for personal use, namely, premium

apparel, fashion accessories, watches, jewellery, and cosmetics products. In 2017, this market achieved a €262B valuation, growing at a 6% CAGR since 2010. According to Bain & Company, in that year, the Personal luxury goods market was the second largest segment in the Overall Luxury industry, following the Luxury cars one (*Exhibit 1*) (D'Arpizio et al. 2017).

The Luxury industry highly relies on the perception of scarcity and exclusivity to enhance appeal, typically achieved through limited availability and selective distribution of items. Traditionally, this industry focused on in-store experiences to be able to provide a more customized and exclusive service. This way, brands' reluctance to introduce online sales channels was associated with the desire to fully control premium customers' experience and with the lack of adequate digital capabilities. However, despite the relatively low online channels' market share (in the Personal luxury goods market) of 9%, in 2017, the online trend within this area was growing rapidly, accelerated by the increased prominence of younger generations and the increasing tendency for interconnectivity (*Exhibit 2*). In fact, online Personal luxury shopping grew 24% over 2017 and at a 27% CAGR since 2010. Furthermore, experts forecasted that online sales would constitute 25% of the market's value, in 2025 (D'Arpizio et al. 2017).

Additionally, Generations Y and Z constituted 44% of Personal luxury goods consumers and 32% of the sales, in 2017 (*Exhibit 3*) (D'Arpizio et al. 2017). Indeed, these younger generations are considered digitally savvy luxury shoppers, and thus, show new preferences regarding their shopping and payment methods.

Regarding category distribution, apparel, beauty and handbags were the top performing ones, representing 62% of the market, in 2017 (D'Arpizio and Levato 2022).

Concerning region distribution, traditionally, Europe and Americas had been the largest regions in terms of market share (*Exhibit 4*). In 2017, Europe was the top region, representing 33% of the market. Despite the challenging department stores environment, Personal luxury

sales hit €84B in the Americas, accounting for 32% of the market, by 2017 (D'Arpizio et al. 2017).

According to Farfetch, the expansion of the Global Personal luxury goods market was anticipated to be largely fueled by rising consumer demand in emerging markets such as China, the Middle East, Latin America, and Eastern Europe (Farfetch 2018). Asia had the third position, with a 30% share of the market, as of 2017. In that year, China's sales constituted an 8% market's stake and rose 15% from 2016, given the increased consumer confidence. Furthermore, by consumer nationality, Chinese consumers accounted for 32% of the market's purchases, showing its increasing importance (*Exhibit 5*). Lastly, in Japan, sales rose 4% to represent 8% of the market, enjoying a currency driven boost (D'Arpizio et al. 2017).

In terms of future prospects, Bain & Company projected this market to reach a total value between €295B to €305B, in 2020 (D'Arpizio et al. 2017).

### **Competitive Analysis**

Farfetch was the first online luxury retailer platform of its kind, however, with the rise of online shopping in the early 2010s, new e-commerce platforms emerged, and luxury brands slowly began to adopt this new way of selling, either through these platforms, or by launching their own online stores, tightening Farfetch's competition. Besides, even though most large luxury brands sold their products on Farfetch, these still posed as competitors through their own physical and online stores.

#### ***Key Players***

##### **Luxury Conglomerates and Mono-Brands**

Luxury conglomerates dominated the luxury fashion industry, with three prominent names leading the race, as they accumulated worldwide known brands and consequently, a large market share.

## Group part

LVMH, was the luxury market leader with over €5.8B of net profit in 2017, stemming from over 70 houses which were rooted in several lines, including fashion, jewellery, wine, spirits, hospitality, and media (LVMH 2017a). Some of the most recognized brands under this French powerhouse included Louis Vuitton, Dior, Rimowa, Bulgari, and Moët & Chandon.

Richemont, formerly known as Compagnie Financière Richemont SA, registered over €10.6B in revenue in 2017 and owned 19 houses among watchmakers, jewellery and fashion brands, including Cartier, Montblanc and Chloé. Nevertheless, most of Richemont's activity comes from its jewellery houses, which accounted for 56% of the group's overall business in 2017 (Richemont 2017). Earlier in 2018, the company completed its acquisition of Yoox Net-a-Porter, Farfetch's largest competitor, marking its delisting from the Milan Stock Exchange.

Kering, the eldest of the three, held 13 luxury brands under its realm, encompassing Gucci, Saint Laurent and Balenciaga, as well as 2 sports brands, including PUMA. In 2017, the company more than doubled its net profit, registering €15.4B in revenue (Kering 2017).

Beyond these main players, there was a range of smaller luxury conglomerates, including EssilorLuxottica, which dominated the luxury eyewear market; Prada Group, owner of Prada and Miu Miu; the American-based Tapestry, which held Coach, Stuart Weitzman, and Kate Spade; and Michael Kors Holding, which besides holding the brand from which it gains its name, had just completed the acquisition of the famous luxury shoe-maker Jimmy Choo (Michael Kors 2017).

Besides, most luxury brands, whether independent, or held under a conglomerate, had their own network of physical stores, spread across company-owned flagship stores and department stores, such as Harrods, Galleries Lafayette, or Bergdorf Goodman.

### Luxury Multi-Brand Online Stores

The multi-brand online store landscape was largely dominated by YNAP in 2018, which was the largest luxury retailer by volume of sales in 2017 with €2.5B. YNAP emerged from the

## Group part

merger of Yoox, which sold off-season luxury goods, and Net-a-Porter, which sold current season luxury goods from about 800 fashion brands and 200 beauty brands, in 2015. The merger of these two companies had the goal of fighting the tightening competition that was rising in the online luxury retail space, namely with the growth of Farfetch. It owned the online retailers Net-a-Porter, The Outnet, Mr Porter and Yoox, and also operated the e-commerce websites for more than 30 luxury brands including Dolce & Gabbana, and Stella McCartney (YNAP 2017).

Moreover, Farfetch operated among this segment, occupying the second place in terms of sales volume in 2017 with around \$386, a much lower value than YNAP (Farfetch 2018).

Another key player in this space was Secoo, one of China's largest multi-brand online retailers, which had the unique feature of running its website in parallel with its offline experience centres across Chinese cities.

Founded in 1987 as a boutique, the German MyTheresa launched online in 2006, offering ready-to-wear shoes, bags, and accessories for womenswear, menswear and kidswear, together with home décor and lifestyle products from over 200 luxury brands, including Burberry and Valentino. Contrarily to Farfetch, this company has been profitable since its founding by distinguishing itself from competitors through a niche product assortment, exclusive capsule collections with designers and pre-launches with top brands.

In 2017, LVMH launched 24 Sèvres (24S), a multi-brand online retailer with more than 300 brands, that tried to reproduce the visuals of luxury department stores, while offering a personal shopper service. 24S had the competitive advantage of being the exclusive online partner of some of LVMH's most prestigious brands such as Dior, Celine, and Louis Vuitton (LVMH 2017b).

Smaller players included Luisa Via Roma, an on-line retailer since 1999, that offered a curated selection of over 600 luxury brands, including iconic brands and emerging talents; The

Real Real, the world's leading high-end consignment store founded in 2011; and Vestiaire Collective, a second-hand online store founded in 2009.

#### E-Commerce Platforms

Contrarily to luxury multi-brand online stores, e-commerce players do not sell exclusively luxury goods, but rather all types of goods and thus, do not offer a unique expertise on the Luxury industry. Despite little success, e-commerce giants such as Amazon, Alibaba, and JD.com had been trying to enter the luxury online landscape.

Amazon was the world's largest e-commerce player, but most luxury brands had rejected selling their products through this platform. This is partly because of Amazon's recognition as "the everything store", which conflicted with the emphasis on exclusivity that luxury brands seek. Besides, counterfeit goods had been reportedly sold through Amazon's platform, endangering the intellectual property and brand identity of luxury fashion houses (Dalton and Stevens 2017).

Alibaba was also a key player, particularly in the Asian market. The company launched in 2017 a space dedicated to luxury and premium products that can only be accessed via invitation under the name "Luxury Pavilion" within its Tmall platform (Alizila 2017). Also in 2017, JD.com, a Chinese e-commerce giant, launched its own luxury e-commerce platform "TopLife", featuring brands such as Rimowa and La Perla (JD.com 2017).

#### **Macroenvironment Impact**

The most significant macroeconomic event since Farfetch's foundation up to 2018 was the 2008 financial crisis. Between December 2007 and June 2009, the world witnessed one of the most severe global recessions, resulting in far-reaching consequences. Indeed, in 2009, there was a dramatic decline in global output of 1.8%, with global trade falling by 9.9%, and investment collapsing by 9% (WTO 2009). The effects of the financial crisis were widespread,

affecting every industry. As a result, the Global Luxury market lost approximately 9% of its value (Parisi 2020).

Furthermore, a financial crisis or any perturbation to the financial markets also influences the Venture Capital (VC) market and its players, which become notably marked by a larger resistance to investment in such risky opportunities. Following this, during the 2008 financial crisis, this investment segment was naturally affected.

In fact, this crisis happened simultaneously with Farfetch's founding, leading its attractiveness for VC investors to be compromised, as raising investment funds became a more difficult task in the context of the crisis. Hence, Neves mainly relied on his capital to fund the company during this period and only from 2010 onwards could the company convince private investors to take on this opportunity.

## **Farfetch Business Model**

### **Core Components**

Farfetch's business model was composed of two main revenue-driven segments: Digital Platform and In-Store (Farfetch 2018).

#### ***Digital Platform***

The Digital Platform encompassed Farfetch's Marketplace, the core element of the platform, and additional offerings including *Farfetch Black & White Solutions* and *Store of the Future* (Farfetch 2018).

Within the Digital Platform, Farfetch committed heavily to developing comprehensive data insights and employing proprietary algorithms that increased the company's efficiency, by applying data science and machine learning to automate decision-making processes related to merchandizing, targeting, curation, and feedback. The integration of these insights enabled Farfetch to deliver an elevated consumer experience and operational efficiencies for its partners (Farfetch 2018).

Marketplace

Farfetch's Marketplace, the first application built on the company's platform, was responsible for over 90% of its total revenue in 2017. As of June 30, 2018, the Marketplace counted with over 1.1 million active consumers from 190 countries, and 989 luxury sellers from 45 countries, consistently demonstrating its commitment to maintaining the singular characteristics of each partner seller (Farfetch 2018). This aggregation of numerous luxury sellers had been achieved through a decade-long and meticulous process of relationship building, acting as a formidable barrier to entry.

But how did the Marketplace collect revenue? Marketplace's consumers were not charged any amount to access and use the platform. Instead, the company had two distinct selling models, and collected revenue accordingly.

On one hand, third-party sales referred to the products listed and sold on Farfetch's platform by independent sellers, which could include luxury fashion boutiques, brands, or individual sellers. As Farfetch acted as a commercial intermediary between third-party sellers and consumers, it received a commission of around 30% over the sales performed through its platform. This consisted of a blended commission of the retail sale price of the good sold, thus, its selling partners did not pay any fixed fee. Farfetch did not own the inventory for these items. Alternatively, the company had real-time access to all the sellers' inventory to be able to provide customers with up-to-the-minute product availability. Therefore, the firm was also not directly responsible for the storage and fulfilment of the orders, but the sellers needed to use Farfetch branded packaging and ship through a Farfetch-approved delivery system for order consistency (Farfetch 2018). This business model shielded the company from holding inventory risk, through third-party sales, as the products were shipped directly from the brand to the customer, rather than being stored in a warehouse under Farfetch's ownership (Abaffati 2017).

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Additionally, Farfetch offered free of charge services for content creation, including styling, photography, and item descriptions. This was a cost that was incurred by the firm itself and not the luxury brand behind each product. Moreover, Farfetch's partner sellers could also access additional charged service lines provided by the company, namely *Fulfilment by Farfetch*, which simplified and streamlined the entire order fulfilment process for sellers, ensuring that the products were stored, processed, and delivered effectively, by allowing sellers to store their inventory in third-party-owned warehouses, managed and operated by Farfetch (Farfetch 2018).

It should also be noted that the selection of the merchandise as well as the prices made available on Farfetch's marketplace were set by the third-party sellers, limiting Farfetch's responsiveness to customers' preferences and competition.

On the other hand, the first-party sales referred to sales of items owned by Farfetch, through direct purchases from brands, which were sold on its digital platform. Such first-party sales entailed supply chain management and inventory risk. Furthermore, these were not commission-based as Farfetch acted as principal in these transactions, collecting the revenue it made on the items' sale over its purchase or production cost. For these first-party sales, the revenue realized was equal to the Gross Merchandise Value<sup>1</sup> (GMV) (Farfetch 2018).

And what costs did the Marketplace require? Costs of Goods Sold (COGS) were related to shipping costs, duties, credit card fees, packaging expenses and other direct order related costs. Moreover, Farfetch's success pertained not only to customer retention but also to the collection of new ones, leading the firm to incur high Consumer Acquisition Costs (CAC). These were mainly driven by marketing and advertising costs, as the firm targeted a niche affluent customer base, as well as by the establishment of designer collaborations and the organization of exclusive events for its top-tier customers. Related to the CAC, were the

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<sup>1</sup> Gross Merchandise Value (GMV) is a term used to the total amount of merchandise sold by a company over a given period of time through a marketplace.

Lifetime Value of a Consumer (LTV) and Platform Order Contribution Margin. An increased LTV/CAC ratio demonstrated that each consumer was becoming more valuable. Farfetch believed that a higher LTV over time was achievable or that expenditure on demand generation may be reduced to achieve a comparable return (Farfetch 2018). This may be achieved through a continuous focus on adding new Active Consumers to the Marketplace and on increasing their purchase frequency, and the AOV after their initial purchase, while lowering retention expenditure.

*Farfetch Black & White Solutions*

Launched as an independent business unit in 2015, *Farfetch Black & White (B&W)* offered e-commerce and technology services to luxury brands and designers concerning the optimization and development of their online luxury presence.

Recognizing that some luxury brands and retailers prioritize maintaining authenticity and independence in their e-commerce presence, Farfetch decided to leverage on the technology that has made it a global platform for the luxury fashion industry, by providing white-label services. This meant that clients could enjoy enhancements to their digital platforms through Farfetch, while still retaining their independence and the integrity of their brand's identity. This service was offered through specific packs of products which the consumers could choose from or through a complete end-to-end e-commerce solution, including digital marketing and customer engagement solutions, data analytics, and international expansion support for entering new markets and navigating international e-commerce challenges (Farfetch 2018).

Furthermore, *B&W Solutions* relied on a combined upfront payment along with a fee applied to all e-commerce transactions, making it a successful fee-based model. Note that this fee was lower than the commission charged on the Marketplace sales (Farfetch 2018).

### ***In-Store***

The In-Store segment was referent to the revenue generated by Browns, a small chain of multi-brand physical boutiques in London owned by Farfetch. Note that the acquisition of Browns will be further developed below (Farfetch 2018).

### **Initiatives**

#### ***Store of the Future Initiative***

In April 2017, Farfetch introduced its *Augmented Retail* vision realized through the *Farfetch Store of the Future*, a technology-driven retail operating system for use in brick-and-mortar stores. This innovative approach aimed at merging physical and online shopping, leveraging consumer data to enhance the luxury fashion retail experience. Farfetch recognized the value consumers place on in-store interactions, where they could build relationships with sales associates and interact with the products and sought to replicate this in a digitally enhanced environment. Moreover, this initiative allowed retailers and brands to integrate third-party technologies on the system, offering a tailored experience to each brand or retailer based on their unique strategies (Farfetch 2018).

The *Store of the Future* used technologies such as universal ID to synchronize offline and online customer activity, instant in-store wishlists, advanced payment options, Radio Frequency Identification and Smart Mirror technologies (Farfetch 2018).

This initiative was initially introduced as a pilot program in ten of Thom Browne's London and New York stores in early 2018, followed by its implementation a few months later in the Browns East boutique. At the same time, Farfetch established a multi-year global innovation partnership with Chanel for the *Store of the Future* project, further illustrating their commitment to seamlessly integrate the online and offline worlds in luxury fashion retail (Farfetch 2018).

### **M&A and Partnerships**

To enhance its technological expertise and know-how in the industry, alongside seeking an enlargement of its market share, Farfetch resorted to an active M&A and partnerships strategy by making investments that accelerated the company's existing strategy.

#### ***Browns***

Browns, an iconic luxury fashion boutique in London, which rapidly evolved to a small chain of boutiques, was acquired in 2015 to dive deeper into the luxury retail ecosystem, bolstering Farfetch's credibility within the industry. Browns was celebrated for introducing emerging fashion labels such as Alexander McQueen and John Galiano. This acquisition enabled Farfetch to consolidate the *Store of the Future* initiative, serving as its incubator (Farfetch 2018).

#### ***JD.com***

On June 21, 2017, Farfetch entered into a strategic partnership with JD.com, with the goal of gaining valuable insight into the Chinese market. As part of this relationship, Farfetch leveraged JD.com's local logistics network, consumer payment solutions, technology capabilities, and its marketing resources, including its WeChat partnership (Farfetch 2018).

#### ***Chalhoub Group***

In February 2018, Farfetch joined forces with the Chalhoub Group, one of biggest luxury players in the Middle East, by signing a joint venture agreement. This deal aimed at allowing the firms involved to dominate the luxury online market in this region, which remained a potentially large and relatively untapped source of growth. Through this partnership, Farfetch launched its website in Arabic, and curated a selection of goods aimed at Arabic consumers (Farfetch 2018).

### ***Curiosity China***

To further expand its presence in the Luxury industry in China and extend its *Black & White* Solutions offering, in July of 2018, Farfetch acquired CuriosityChina, a domestic technology company with particular expertise in Customer Relationship Management and digital marketing for luxury fashion brands (Farfetch 2018).

### **Financing Path**

The founding stage of Farfetch emerged from a heavy investment of considerable risk from the owner, Neves. “I used all the money I had, I took loans from my shoe business and lent it to Farfetch. If Farfetch hadn’t worked, I would have been bankrupt”, Neves stated (Godinho 2019).

### ***Seed and Angel Investment***

Interestingly, the company never actually entered the Seed funding and Angel investment phase, where normally CEOs attract early-stage, high-net-worth, investors who believe in the company’s potential (Ganti 2023). This investment phase is typically crucial since the support of this type of investors not only provides a great amount of capital but is also an instrument of external validation in the company’s business model, building credibility and attracting further interest from both investors and luxury brands. As Neves stated “We survived from our own capital for 3 years, no one gave us any seed money and we didn’t even have a business plan to present for most of the time. It gave Farfetch a DNA of resistance and that was essential. Farfetch has a humble but ambitious origin” (Invesquotes, and BuyandHold 2021). This self-funding approach provided the CEO with the ability to make crucial decisions, such as focusing on building a resilient and powerful technological infrastructure.

### ***Series A-G Funding Rounds***

To solidify its standing as a high-growth and high-potential entity, Farfetch had to eventually seek external funding. Therefore, between 2010 and early 2018, the company incurred a series of 7 funding rounds (Crunch Base 2023).

In July 2010, Farfetch successfully secured \$4.5M in its first Series A funding round, with an investment from Advent Venture Partners. Later, in 2012, Farfetch raised \$18M in Series B funding with participation from Index Ventures, e.Venture Capital Partners, and its already existing investor, Advent Venture Partners. In the next year, Farfetch conducted its Series C funding round in the amount of \$20M, led by global media giant Condé Nast (Crunch Base 2023).

Many companies finish raising money with their Series C, but this was not the case for Farfetch. There are a few reasons why a company may choose to pursue further funding rounds, namely increasing their value before making a public debut, or pursuing a new expansion opportunity.

In May 2014, Farfetch completed a Series D funding round with the value of \$66M. This round was led by Vitruvian Partners, with the participation of existing investors Advent Venture Partners, Condé Nast, and new investor Richard Chen, partner at the Chinese VC fund Ceyuan (Crunch Base 2023). On the goals of this round, Neves stated “included facilitating the firm’s omni-channel proposition, escalating the development of local language sites in its key new markets of Russia, China and Japan and accelerating engineering developments” (Farfetch 2014).

By March 2015, Farfetch initiated a Series E investment round, led by DST Global, a VC fund that had invested in Facebook, Twitter, and Alibaba. This round resulted in an additional \$86M in funding, solidifying its valuation at \$1B and raising its status to a unicorn

(Crunch Base 2023). This funding round encompassed the launch of *Farfetch Black & White Solutions* and the acquisition of Browns.

In 2016, Farfetch completed its Series F funding round and raised \$110M, led by the new investor Temasek, an investment company based in Singapore. Neves saw this as a “strategic move”, allowing Farfetch to deepen its knowledge concerning the Asian market. Still in 2016, Farfetch obtained debt financing of \$50M from TriplePoint Capital (Crunch Base 2023).

In June 2017, Farfetch raised \$397M from JD.com under its series G funding round, which turned the new investor into Farfetch’s largest shareholder (Crunch Base). This transaction marked the inception of a strategic collaboration, harmonizing Farfetch's brand curation with JD.com's substantial presence and influence within the rapidly expanding Chinese luxury goods market.

## **IPO**

Neves first announced its intention of turning Farfetch into a public company in 2015 stating that “going public would be the next financial milestone for Farfetch”. Such a transition to public markets would allow the firm to raise a large sum of capital, which it could utilize to further its growth agenda. As of August 2018, the company filled out the registration documents to its IPO, which was expected to occur in September of that year.

Farfetch benefited from a dual-class structure, composed of approximately 215M Class A shares and 42.9M convertible Class B shares as of August 2018. José Neves was the only owner of Farfetch’s Class B ordinary shares, granting him 80.2% of the aggregate voting power of the company, due to the 20:1 voting ratio between Farfetch’s Class B and Class A shares, even though he only owned around 17.3% of the company (José Neves also owned a small stake of Class A shares). How could this dual-class structure that gave controlling power to the CEO influence the transition to an IPO? While it allowed Neves to pursue its strategic vision

given that no decision could be made without his approval, it could raise significant agency costs (Farfetch 2018).

In its projected IPO, Farfetch was planning to sell 44.2M Class A shares, with 33.6M new shares being issued by the company and the remaining 10.6M shares being offered by existing shareholders, at a share price of \$20, raising a total of \$885M. However, IPOs are expensive transactions, and the company was set to pay around \$50.9M in offering expenses if it pursued this financing proposition. Thus, the net proceeds accounting for deductions related to underwriting, commissions, and expenses, along with contributions from a concurrent private placement, were projected to be approximately \$625.4M. It is also worth mentioning that the company was not expected to receive the proceeds from the shares offered by the selling shareholders (Farfetch 2018).

Goldman Sachs, J.P. Morgan, UBS, and Allen & Company were expected to act as the main IPO underwriters, being allowed a 30-day option to purchase up to an additional 6.6M Class A shares at the initial public offering price, provided that investors' interest exceeds expectations. Moreover, Farfetch's Chinese partner, JD.com, which had invested \$397M in the company a year prior to its IPO, would be granted the right to purchase shares through a concurrent private placement in order to mitigate the deteriorating effect on the shareholder's ownership after the shares began traded publicly (Farfetch 2018). Refer to the *Exhibit 13, 14 and 15* for a summary of the company's ownership structure both before and after the offering and the concurrent private placement, considering for the latter case the scenarios of full or no exercise of over-allotment option by the underwriters.

An important decision surrounding an IPO is also its location, and Farfetch seemed to favour the NYSE as its future home, despite being a London-based company. Would this be seen by investors as a smart move, or would other locations be more favourable?

***Company Expectations Post-IPO***

During the years prior to the IPO, the CEO of the London-based company had expressed his interest and plans to expand into new regions and reach more customers, particularly given the rapid rise of online marketplaces and competitive responses in the Luxury industry. Richemont's acquisition of YNAP and Coach's bid to boost its premium goals by rebranding as Tapestry were two examples that motivated the decision to move on with the IPO (Reuters 2023). In this atmosphere, Farfetch's IPO filing came as a response and was viewed as a requirement for the company to stand out and take part in more initiatives and technological developments, being the potential acquisitions and incremental growth financed by the net proceeds of the proposed public offer. Thus, the motivation to expand was a reason for the desire to undertake the IPO, and several others can also be identified such as the increased visibility and familiarity and the creation of a currency for acquisitions. However, it is also important to ask: what are the potential risks and challenges associated with undertaking such a strategic financial move?

In its IPO prospectus, Farfetch informed investors that it did not plan to turn a profit in the foreseeable future, preferring to invest in technology and market share, which is a strategy supported by many technology investors (Farfetch 2018). "We may continue to experience losses after taxes in the future, and we cannot assure you that we will achieve profitability and may continue to incur significant losses in future periods", Farfetch stated. Additionally, Farfetch expected its Platform GMV to grow approximately 40% by the end of 2019, and Adjusted EBITDA margin to remain negative between -19% to -18% (Farfetch 2018).

***Market Conditions***

Despite threats of economic uncertainty caused by geopolitical tensions and the ongoing trade war between the US, EU, and China, the global IPO market surged in 2017, registering a 40% increase in proceeds to \$188.8B, and a 49% increase in volume to 1624 IPOs. The NYSE

capitalized most of these proceeds, accounting for \$30.1B with 71 IPOs (EY 2017). It is also worth noting that technology was the most active sector in terms of IPOs in 2017, with a large number of tech unicorns making their debut in public markets, such as Snapchat. This trend continued during the first half of 2018, with tech giants such as Spotify, Dropbox, and Xiaomi publicly listing their shares. Key contributing factors to this booming time in the IPO market were strong investor confidence, large pools of liquidity, high valuations, and low interest rates. In the words of Nelson Griggs, president of the NASDAQ Stock Exchange, “With the market at all-time highs valuations are at the high-end, presenting a favourable backdrop for IPOs” (Banerjee and Singh 2017). José Neves wondered whether this was a favourable timing for Farfetch’s public debut.

#### **What is next?**

Farfetch had come a long way since its founding in 2008, evolving from a small startup to one of the world’s leading luxury fashion multi-brand online retailers (*Exhibit 13*). Farfetch operated at the intersection of luxury fashion, online commerce, and technology. Thus, keeping a close eye at the specific market dynamics and consumer trends that are shaping the future of the industry, Farfetch intended to accompany the luxury channel shift to online. For luxury sellers, digital was fundamentally changing their route to market as well as their communications and engagement with their end consumers (Farfetch 2018).

Farfetch’s planned growth strategies encompassed increasing the lifetime value of existing consumers. This came in line with a boost the efficiency of demand generation and of customer retention over time, since an increased LTV/CAC ratio illustrates that each customer retained is more valuable, contributing to a positive payoff to this high investment strategy. Besides, Farfetch was also seeking growth through the acquisition of new customers, particularly from younger cohorts, by catering to their preferences through the use of social media and influencer marketing. Moreover, anticipating significant growth in luxury fashion

demand from emerging markets, such as China, the Middle East, and Eastern Europe, Farfetch was expecting to increasingly focus on geographical expansion, by leveraging on its strategic partnership with JD.com, and its acquisition of CuriosityChina. Lastly, Farfetch was also planning on enduring its commitment to innovation, by adapting its platform to seamlessly integrate with emerging technologies such as voice-enabled interfaces, AR/VR, and the Internet of Things (Abafatti 2017; Farfetch 2018).

Looking ahead, in order to continue leveraging its capabilities and execute its planned growth strategies, Farfetch was in need of raising capital. An IPO emerged as a potential solution for this dilemma, but this would be a big move for the company. Was Farfetch ready to embrace the transition to a public firm? Many of its competitors had proven successful in their debut in public markets before. But what about Farfetch? Would its IPO proven to be a success as well? There were a series of factors to consider when making such a decision. Where should it list its shares? At what price? How would a transition to public markets affect the company's existing investor base? José Neves, Farfetch's founder and CEO, debated over these questions, and possible alternatives to an IPO, in an effort to make the best decision for the company's future.

## **TEACHING NOTE**

### **Case Synopsis**

In 2007, José Neves, a Portuguese entrepreneur, founded Farfetch, a worldwide e-commerce platform for the luxury fashion industry. Ten years later, business seemed to be flourishing, as the platform counted with over 1.1M active consumers and 980 luxury sellers, while revenue increased at a fast pace. However, after raising around \$700M in funding, and achieving a valuation of \$1B, which put Farfetch on the radar as Portugal's first unicorn, the firm has not yet turned a profit, while cash flows remained largely negative.

In order to invert this situation, a key step was to scale up, as this would enable the firm to leverage on cost efficiencies. Nonetheless, such a strategy involved additional capital raising. After undergoing seven funding rounds while most start-ups stop after the third one, the focal point of discussion revolved around the possibility of an IPO.

As the case unfolds in September 2018, Neves must decide on a crucial matter: to list or not to list? The CEO had publicly stated his desire for the firm to launch an IPO some years earlier, hence this was no news for investors. Conscious of the impact of such a decision on the firm's development, Neves found himself compelled to address several issues. Where and by how much should Farfetch list its shares? How would his controlling position in the company affect an IPO? Would this be a good deal for early investors, or would these oppose such a move? The CEO also contemplated whether alternative options would be preferred.

### **Learning Objectives**

This case provides students with a profound understanding of a company's complex journey toward becoming publicly listed. It delves into a comprehensive analysis of Farfetch's financial situation, alongside a valuation before the anticipated IPO. Furthermore, students are encouraged to engage in critical thinking regarding the decision to go public, weighing the motivations and risks of such a move and discussing alternative capital-raising options. The case also presents an assessment of the circumstances of Farfetch's projected listing. In essence, this case seeks to empower learners by offering a comprehensive exploration of Farfetch's pre-IPO journey, centering around two crucial dimensions:

- **Financial Performance and Valuation:** In order to comprehensively assess the decision to go public, understanding if the company is in a favourable situation for an IPO is crucial. This entails an analysis of Farfetch's financial health and performance metrics in the years preceding the anticipated IPO. Furthermore, determining the fair share price for its IPO is also a critical component of the company's listing process.

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- **Strategic Analysis:** Farfetch had a dual-class share structure, whose potential influence on governance and investor relations should be discussed. Moreover, an analysis of the incentives and drawbacks of the decision to go public as well as an assessment of the advantages of an IPO versus other financing options, such as SPACs, private equity or debt funding are part of the decision-making. An in-depth study of the market timing at the projected listing, including the global market conditions and investors' expectations, and of the strategic selection of the stock exchange is a significant issue to address too. Furthermore, a discussion of the exit strategy that the IPO could represent for early investors and venture capital firms that had invested in Farfetch is requested. Lastly, it is important to explore potential scale up strategies that Farfetch could employ after the IPO to avoid big losses in market capitalization.

#### **Target Audience**

This case is designed for courses at the BSc, MSc, or MBA levels that center around subjects such as Entrepreneurial Finance and Venture Capital, Corporate Finance, Entrepreneurship, Entrepreneurial Strategy, Investments, or their equivalents.

#### **Teaching Plan**

This case is designed for a one-day session in courses related to "Corporate Finance" and "Entrepreneurial Finance and Venture Capital." Students are requested to read Part A of the case, which is self-contained and separate from Part B, and reflect on the assignment questions. Additionally, to provide comprehensive answers, students are encouraged to conduct independent research on the topic. For a broader view of Farfetch's evolution and a reflection of its path after the IPO, the resolution of Part B of the case is also recommended. Moreover, the professor is advised to provide a summary of key case aspects, outlining Farfetch's journey up to the IPO, before initiating discussions on the assignment questions.

### **Assignment Questions**

Going back in time to September of 2018, the time of Farfetch's anticipated IPO, put yourself in the shoes of CEO José Neves, who intends to decide the future of his company.

#### **1. Delving into an Initial Public Offering decision: The case of Farfetch**

1.1. Analyze Farfetch's financial performance in the years preceding the anticipated IPO (expected in September of 2018). Was Farfetch in a favourable financial situation to attract investors? Justify your reasoning with quantitative metrics.

1.2. Evaluate Farfetch's dual-class structure, discussing the potential corporate governance issues it could raise and its impact on the transition to a public company.

1.3. Should Farfetch be listed? Assess the benefits, as well as the potential risks and costs of listing Farfetch.

#### **2. A deep dive into an Initial Public Offering strategy: The case of Farfetch**

2.1. Conduct a valuation analysis of Farfetch. At what price should the firm list its shares if it conducts an IPO in September 2018?

2.2. Assuming the IPO goes forward in the expected timeframe, comment on its alignment with market conditions, while elaborating on the impact of market timing in an IPO.

2.3. Assuming the IPO goes forward, what is the optimal listing venue for Farfetch? Discuss the factors influencing the location choice for a firm's IPO.

#### **3. How to set an Initial Public Offering for success: The case of Farfetch**

3.1. Many startups achieve a billion-dollar valuation after being listed, however, few are able to keep up with the market expectations. How can high-growth

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companies scale up after a successful IPO to avoid big losses in market capitalization? Discuss these topics in Farfetch's context.

3.2. Evaluate the exit strategy that the IPO would represent for early investors and venture capital firms that had invested in Farfetch, in case Farfetch pursues the IPO route. Would the IPO lead to changes in the composition of Farfetch's investor base?

3.3. Explore alternative capital raising methods. What are the advantages of other financing options compared to an IPO?

## **PART B**

### **Introduction**

It was the 31<sup>st</sup> of October 2023 and José Neves, founder and CEO of Farfetch, was drinking his daily morning cup of coffee at the London office. Nearly five years have passed since Farfetch made a bold move to list its shares in the NYSE.

In the span between 2018 and 2023, Farfetch continued to boost its presence in the Luxury market. The IPO allowed the company to raise over \$800M, implying a valuation of over \$6B. With this, Farfetch was able to conduct its growth strategy, through geographical expansion towards the Asian market, scaling up of operations at a global level, and through an extensive range of acquisitions, including the notably famous New Guards Group, home to brands such as Off-White and Palm Angels. By 2022, the company registered revenue of \$2.3B, more than doubling its previous figure. Additionally, it achieved profitability for the first time in 2021, with a record net income of \$1.5B. Furthermore, the number of platform sellers witnessed substantial growth, accounting for 1400 of the world's best brands in 2023 vs 989 in 2018. Lastly, in that year, the number of employees also rose to 6,700 (Farfetch 2022a).

However, the financial situation of the company was not as good as these indicators might suggest. While 2021 was marked as the best year in the company's history so far, mostly due to the push the COVID-19 pandemic had on online shopping, this boom ended shortly after.

Farfetch's profits in 2022 decreased by 77%, and in the first half of 2023, the company accumulated nearly half a billion dollars in losses (Farfetch 2023c). Consequently, the stock price plummeted to \$1.5/share by the end of October, representing a discount of over 90% compared to the initial offering price of \$20.

It was now time to reflect upon the success of the IPO, while reassessing the decision to be a public firm. Was the IPO a hit or a failure? The reality was that Farfetch had now a much lower valuation than the one it achieved in 2018. Why was this phenomenon happening? Besides, what was preventing Farfetch from providing sustained profits? Whether Farfetch should remain listed or not was the ultimate question to be addressed.

## **IPO**

On September 21<sup>st</sup>, 2018, Farfetch became a public company, by listing its shares on the NYSE for the first time at a \$20 price, surpassing the expected range of \$17-\$19 a share, which had already been upsized from the original range of \$15-\$17 due to robust demand. Farfetch listed 44.2M Class A ordinary shares, with the company issuing 33.6M new shares and existing shareholders, including early investors such as Advent Venture Partners and Viturian Partners, offering the remaining 10.6M shares. The IPO drew investment from prominent industry players, such as the Pinault Family, which controls Artémis, and subsequently Kering. Thus, in its listing, the company raised the anticipated total amount of \$885M, with the net proceeds equalling \$625.4M (Farfetch 2018).

Furthermore, the long-anticipated IPO was considered by many analysts as an overnight success since shares soared 53% on the first trading day, raising the company's implied valuation to \$6.2B, as investors bet on the company's promising technology and unique positioning in the high-end luxury segment. At the time, Farfetch was trading at a richer valuation than the e-commerce giants Amazon and JD.com (Hirsch 2018).

Even though the market had a surprisingly positive reaction to Farfetch's IPO, investors seemed to have changed their optimistic view on this strategy, as the company's stock price dropped just one year after it became public, experiencing fluctuations ever since. In fact, as of end of October 2023, the stock price was trading at \$1.5, way below the initial offering of \$20/share.

### **Industry Analysis**

The Global Luxury industry hit €1.4T in sales in 2022, illustrating a considerable expansion since 2017 (D'Arpizio and Levato 2022). Due to the pandemic, the Personal luxury goods market, which Farfetch belongs to, saw its first decline since 2009, experiencing a 23% contraction from 2019 to 2020 (D'Arpizio and Levato 2020). Nevertheless, it had already fully recovered and exceeded pre-COVID levels. In 2022, this market reached its highest historical valuation of €353B, marking a 22% growth from the previous year. Hence, it held its position as the second-largest segment within the Overall Luxury industry, only surpassed by the Luxury cars segment (*Exhibit 18*) (D'Arpizio et al. 2023).

According to Bain & Company, this positive trend continued through the initial quarter of 2023, registering a growth rate of 10% compared to the last year. Consequently, despite the economic insecurity, the projected growth rate for the current year falls within the range of 5-12%, since it is believed that the market is now better prepared to withstand the potential impact of a recession compared to the 2008-09 Global Financial Crisis. This contrast is mainly due to the larger and more concentrated consumer base on top-tier clients that account for 40% of the Luxury industry and who exhibit greater resilience to economic downturns (D'Arpizio and Levato 2023).

In terms of future prospects, the Personal goods market is anticipated to achieve a valuation ranging from €530B to €570B by 2030 (D'Arpizio et al. 2023).

During the pandemic, Luxury brands were forced to strongly expand their online presence in response to physical store closures and restricted in-person shopping experiences. In 2022, online channels accounted for 21% of the Personal luxury goods market, a significant expansion compared to the 9% share in 2017. Additionally, by 2030, it is estimated that 33% of Personal luxury sales will take place online, while the remaining 66% will be conducted through physical stores (*Exhibit 19*) (D'Arpizio et al. 2023).

Moreover, younger cohorts continued to play a crucial role in this market, with all of the market's growth in 2022 being driven by Millennials and Generation Z. By 2030, it is expected that Generations Y, Z, and Alpha constitute 80% of global luxury purchases (*Exhibit 20*) (D'Arpizio et al. 2023).

In addition, studies show that luxury consumers are exhibiting evolving buying preferences, valuing quality over quantity. Consequently, iconic and ultra-luxury pieces are gaining increasing prominence. When it comes to product category, Leather Goods accounted for around 60% of the Personal luxury goods market growth between 2019 and 2022, mainly supported by a progressive price increase (D'Arpizio et al. 2023).

The pandemic has also led to a shift in the global distribution of sales by region, leading Asia to become the region with the highest Personal luxury goods sales value (*Exhibit 21*) (D'Arpizio and Levato 2020).

By 2022, Asia accounted for 38% of the Personal luxury goods market. Despite struggling again with prolonged COVID-19 lockdowns, China accounted for 17% of the market in 2022, showing a significant increase since 2018 and being the second largest market after the U.S., on a country-level ranking. Chinese consumers are expected to emerge as the dominant nationality in luxury, projected to make up 38% to 40% of global purchases, by 2030 (D'Arpizio et al. 2023). These consumers primarily buy abroad to benefit from lower prices

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and to experience a sense of excitement. Moreover, they have an average age of 28 years, younger than the world luxury consumers' average (Hall and Spencer 2023).

Additionally, Japan displayed strong consumption in 2022, reaching pre-COVID levels and accounting for 7% of the market, in that year. Furthermore, India is highlighted as a rising star by experts, with the overall Luxury industry being able to reach a size 3.5 bigger than today, by 2030 (D'Arpizio et al. 2023).

As of 2022, the Americas represented 32% of the Personal luxury goods market, with the U.S. being the largest player on a country-level ranking, with a 28% share. Furthermore, Europe held the third position, accounting for 27% of the market. In 2022, Europe was able to surpass pre-COVID-19 levels, primarily due to robust domestic demand and increased spending from U.S. and Middle Eastern tourists (D'Arpizio et al. 2023).

Concerning the midterm future challenges, environmental and sustainability issues will continue to play a crucial role, with pressures over the next 3 years for value chain decarbonization. It is also worth noting that, with the increasing environmental concerns, the Second-hand Luxury Goods market is growing at a fast rate, hitting €43B in 2022 (D'Arpizio et al. 2023). Furthermore, being ahead of the competition in what relates to technological advances is a determinant for success, with the next years being marked by the use of Generative AI to reinvent and digitalize the value chain (D'Arpizio and Levato 2023).

### **Competitive Analysis**

The competitive landscape for the online luxury fashion industry in 2023 remained similar to that of 2018, with the majority of the main players holding their prominent position.

#### ***Key Players***

#### ***Luxury Conglomerates and Mono-Brands***

The three giant luxury powerhouses, LVMH, Richemont, and Kering, remain on top of the race. LVMH, whose owner Bernard Arnault outpaced Elon Musk as the richest person in

the world in 2023 (Dolan 2023), is the luxury market leader with a 22% market share (Spencer 2023), and over €79B in revenue in 2022 (LVMH 2022). Its most noteworthy acquisition since 2018 was the jewellery maker Tiffany & Co. in 2021, in a lengthy and controversial deal that broke out a legal battle between the two companies. Richemont grew its portfolio to 22 luxury brands, namely with the acquisition of Gianvito Rossi, the renowned Italian shoemaking brand in 2023. The company registered an all-time revenue high of €19.9B in the fiscal year ended March 2023 (Richemont 2022). Lastly, Kering, despite holding a smaller number of brands, registered €20.3B in revenue in 2022 (Kering 2022).

Regarding the range of smaller luxury conglomerates, it is worth noting that Versace was acquired by Michael Kors Holdings in the end of 2018, which then changed its name to Capri Holdings (Eytan 2018).

These fashion conglomerates rely on an expansion strategy through M&A, supported by their investment vehicles, such as LVMH's private equity arm L Catterton, to grow their portfolio of brands and thus, consolidate their position in the market. M&A activity in the luxury goods sector has been growing since 2021, as established mono-brand players are finding it increasingly difficult to compete with conglomerates, leading to more companies being acquired (A. Fongern 2023).

Despite the M&A trend, some companies have been able to remain independent, acting as mono-brand players in the industry, namely Armani, Chanel, and Hermès, which had become the second most-valued luxury brand in 2023 (Holmes 2023).

Most luxury brands have an online presence through multi-brand online retailers like Farfetch, but a few, such as Chanel and Hermès, had chosen not to adopt this sales channel.

#### Luxury Multi-Brand Online Stores

Contrarily to 2018, in 2023 the multi-brand online store landscape was largely dominated by Farfetch, which registered a GMV of over \$1B in 2022 (Farfetch 2022a).

Nevertheless, YNAP remained as Farfetch's biggest competitor, despite its falling financial performance. In the fiscal year ended in March 2022, YNAP registered revenue of approximately \$1.7B and net losses of \$186M. Nevertheless, YNAP has a worldwide footprint, serving more than 4M customers across 170 countries. In 2022, Farfetch placed a bid to acquire a 47.5% stake in YNAP, leading it to become one of the brand's main shareholders, together with Richemont (Faithfull 2022).

It is important to note that another one of Farfetch's competitors, MyTheresa made its debut in public markets in January of 2021 at a share price of \$26. This NYSE-listed company reported over €747M in GMV in the fiscal year of 2022, accounting for a 21.3% increase when compared to the previous year (MyTheresa 2022).

Lastly, Secoo filed for bankruptcy two times in 2022, first in January and later in August, amidst COVID-19-related disruptions. By the time of the second filing, Secoo's shares were trading at \$0.24, more than 98% below their IPO price (Lau 2022).

#### E-Commerce Platforms

Within the E-commerce space, Amazon remained as the uncontested world leader, having made continued efforts to attract luxury brands.

Regarding the Asian market, Alibaba entered a partnership with Richemont for YNAP in 2020. Alibaba's "Luxury Pavilion", which stood as the largest online shopping destination for luxury goods in China in 2023, allowed brands to use virtual and augmented reality tools to create a tailored and unique virtual experience for its users, who enjoy customized brand pages, product recommendations, and exclusive VIP awards. From 2019 to 2021, Luxury Pavilion's customer base grew by more than 150% and sales increased nearly 300% (WWD 2023).

#### **Macroenvironment Impact**

Between 2018 and early 2020, year in which the COVID-19 pandemic spurred, the global economy was booming, and so was the Global Luxury industry. However, the COVID-

19 pandemic was a challenging time for this industry, which experienced its first contraction since the 2008 crisis, as it decreased by 21% (in sales) between 2019 and 2020 (D'Arpizio and Levato 2020).

This time was characterized by a highly uncertain economic environment that severely strained spending power and consumer confidence. As a result, the demand for luxury items was significantly disrupted given its discretionary nature. This sharp decline also stemmed from a significant reduction in social events, particularly during virus outbreaks, which did not stimulate the desire for such goods.

Furthermore, over this period, the supply chain distribution in this market was highly compromised due to the temporary shutdowns, material shortages, increased logistic costs, and difficulty in forecasting demand. As a matter of illustration, more than 40% of the Global Luxury goods were produced in Italy and all Italian factories were closed for about 3 months, in 2020 (Achille and Zipser 2020).

Farfetch was not an exception and experienced some of the COVID-19 adverse effects. The company was forced to temporarily shut most of its offices, the Los Angeles and Hong Kong production facilities and its physical retail stores in 2020. It is also important to note that within its Chinese market, the persistent impact of regional sanctions in China, stemming from the global pandemic, adversely affected the company's operations in the country. Besides, it also encountered interruptions and delays in the supply chain, fulfilment network, and shipping processes (Farfetch 2018).

Nevertheless, despite these difficulties, the pandemic had an overall beneficial impact on Farfetch's business model, when compared to the rest of the industry, expediting the transition of consumer demand to online platforms. Indeed, in the Personal luxury market, online channels grew by 50% between 2019 and 2020 (D'Arpizio and Levato 2020).

In fact, the company was able to improve its performance, with the Net Losses becoming less negative, in 2020. Farfetch's revenue grew 64% from 2019 to 2020, influenced by a 46% increase in the number of active customers which boosted the volume of the orders. This trend was supported by a rise in the supply from boutiques that had to shut down because of restrictions.

Certainly, this enduring online trend proved to be advantageous for Farfetch, with José Neves stating, "One thing we're very confident of is that a lot of people discovered buying fashion online, and they're not going back" (Shapiro 2021).

Just two years after the COVID-19 pandemic spurred, Russia invaded Ukraine, triggering another massive shock to the global economy, particularly impacting the energy and food markets, due to supply shortages. Adding heavily to the inflationary pressures in the post-pandemic recovery, this push on consumer prices led to unprecedented inflation, which peaked at 9,1% in June of 2022 in the U.S. (Rockeman 2022) and at 10,6% in in the Euro area in October 2022 (Eurostat 2022). Consequently, in an effort to push inflation back to pre-pandemic levels (around 2% target), economic institutions began to increase interest rates. In July of 2023, the Federal Reserve registered its benchmark interest rate at an all-time high of 5.5% (Sherman 2023), while in September 2023, the ECB raised its interest rate to an all-time high of 4% (Arnold and McDougall 2023).

These adverse market conditions marked a bumping 2022, during which public markets sunk, with the S&P500 losing more than 18% in returns, and M&A activity slowing, registering a decrease in aggregate deal values of 37% year-over-year (Toomey 2023). According to Deloitte (2023), Luxury industry M&A deals grew by less than 3% in 2022, and in the Personal luxury goods sector, the number of deals was down by 30 for the same period.

As it should be no surprise, Farfetch's revenue slowed during 2022, increasing by just 3% compared to 2021, while its GMV dropped by 4% (Farfetch 2022a). Due to the Russia-

Ukraine conflict, Farfetch ceased trading in Russia following the imposition of international sanctions, leading to an 83% decrease in Russia revenue for 2022, vis-à-vis the previous year. The sanctions on Russia and the broader conflict are anticipated to continue exerting significant influence on Farfetch's operations in the larger CIS region. In addition, Farfetch's warehousing and shipping costs increased as a result of worldwide inflation, resulting in a sharp decrease in profits of over 75%, from \$1.47B in 2021 to \$344M in 2022 (Farfetch 2022a).

### **Farfetch Business Model**

#### **Core Components**

Contrarily to 2018, in 2023 Farfetch's business model was composed of not 2, but 3 segments: Digital Platform, Brand Platform, and In-Store (Farfetch 2022a).

#### ***Digital Platform***

Similarly to pre-IPO times, the Digital Platform is composed of the Marketplace, but also of *Farfetch Platform Solutions* (FPS), and other online channels under Farfetch's purview, including brand websites of the New Guards Group (NGG) portfolio, Stadium Goods, and Browns. Just like in 2018, this segment accounts for the majority of Farfetch's revenue, amounting to 74% of the company's overall business in 2022 (Farfetch 2022a). Note that the addition of NGG and of Stadium Goods will be further developed below.

#### **Marketplace**

Farfetch's marketplace remains the core revenue stream of the company's business model. By October 2023, the Marketplace offered products from over 1400 brands, most of which are small brands, encompassing 600 direct partners and collaborations with the most prestigious brands and designers (Farfetch 2023b). Moreover, the revenue collection model of the Marketplace continued the same since 2018.

Concerning the Marketplace's consumer base, as of August 2023, it accommodated 4.1M active customers. In 2022, the gender split of Farfetch's users was 64% female and 36%

male, while the average age was set at 34 years old. Regarding household income, 39% of customers had an income above \$100,000 (Farfetch 2023a).

As a new improvement to Farfetch's Marketplace, the company introduced virtual reality and augmented reality, enabling customers to have a shopping experience as resemblant as possible to a physical one. Farfetch also engages in localized marketing, by tailoring its marketing campaigns to specific regions, promoting relevant products, and collaborating with local influencers. Moreover, starting in 2022, Farfetch made a groundbreaking announcement regarding its adoption of cryptocurrencies as a viable method of payment. This transformative initiative will kick off in the United States, the United Kingdom, and Europe, with plans to extend this payment option to additional countries in the near future (Farfetch 2022a).

#### Farfetch Platform Solutions

In 2019, *Farfetch Black & White Solutions* became *Farfetch Platform Solutions* (FPS), continuing to offer white-label e-commerce solutions for luxury brands and retailers.

As of 2023, FPS operated as an enabler of the *Luxury New Retail* vision, by facilitating the digitalization of the enterprise clients' businesses.

This new *Luxury New Retail* vision was brought to light as part of a strategy to accommodate to the ever-changing technological world. Subsequent to the revival of investor confidence in the E-commerce Luxury segment in the context of the 2020 pandemic, the *Luxury New Retail* was funded through Artémis (i.e. Kering), Richemont and Alibaba. This distinctive collaboration of key players in the Luxury industry had the intent to expand Farfetch's presence in the Chinese market for Luxury e-commerce, as Alibaba provided Farfetch with access to its luxury marketplaces - *Luxury Pavilion* and *Luxury Soho* -advancing the online luxury shopping into further progress.

Furthermore, building upon the earlier mention in the Marketplace segment, Farfetch will extend its acceptance of cryptocurrencies as payment methods in FPS starting from 2023 (Farfetch 2022f).

#### ***Brand Platform***

Launched in 2019, the Brand Platform covers business-to-business activities involving design, production, brand development, and wholesale distribution of brands owned or licensed by NGG, which was acquired by Farfetch in 2019. The revenue in this segment is primarily stemmed from wholesale sales of goods.

#### ***In-Store***

The In-Store platform, just like in 2018, incorporates the physical stores of the Farfetch Group, including Browns, Stadium Goods, Violet Grey, and select brands in the NGG portfolio. Revenue in this segment is generated from sales conducted within these physical retail establishments. Note that the addition of Violet Grey will be further developed below.

#### **Initiatives**

##### ***Store of the Future***

The *Store of the Future* remains Farfetch's main initiative. Previously encompassed under the *Augmented Retail* vision, and now under the *Luxury New Retail* vision, it aims at merging online and physical consumer retail experience (Farfetch Tech Blog 2019).

#### **M&A and Partnerships**

##### ***Stadium Goods***

In December 2018, Stadium Goods, a leading online and offline Marketplace for premium sneakers and streetwear was acquired to cater to evolving consumer tastes. Before joining the Farfetch Group, Stadium Goods products were already sold in its Marketplace, where it experienced a significantly robust sales increase (Farfetch 2022e).

***Toplife***

In early 2019, for \$50M, Farfetch acquired Toplife, a luxury portal owned by JD.com, building upon their existing partnership with JD.com, which was already an investor in Farfetch, particularly in the realm of strategic capabilities in China, thus developing the company's penetration in this market. The incorporation of Toplife's extensive user base, numbering 360M active users at the moment of the sale, further solidified Farfetch's position in the Luxury E-commerce landscape. Furthermore, Farfetch developed a partnership with WeChat via Toplife, an app with over 1.3B active users in 2017, where Farfetch has 80 luxury brands being sold (Farfetch 2019).

***New Guards Group***

In 2019, Farfetch added to its business units the New Guards Group (NGG), a fashion conglomerate of 10 prominent international Luxury brands including Off-White c/o Virgil Abloh, Palm Angels, AMBUSH and There Was One, leading to the creation of a new operating segment, its Brand Platform (Farfetch 2022d).

The conglomerate produces revenue through owned e-commerce websites, directly operated stores and via Farfetch's Marketplace. The NGG acquisition represented a significant milestone in Farfetch's journey. Its appeal was clear prior to the acquisition, as some of NGG's brands from its portfolio were already sold in Farfetch's Marketplace. For instance, Off-White, one of NGG's brands, had consistently ranked among the top 10 bestselling brands on the Marketplace. Nevertheless, the public disclosure of this acquisition was revealed to be brutal for Farfetch in terms of market reaction, resulting in a 40% decline in Farfetch's shares compared to its IPO price. According to analysts, this acquisition was unexpected for investors, given its timing right after buying Stadium Goods for \$250M the year before and Toplife for \$50M just two months later (Hopkins 2019). "For a company that's losing money right now, I think investors were surprised that they announced the reasonably big acquisition of Stadium

Goods and then announced an even bigger acquisition of New Guards group relatively quickly, probably even before they finish fully integrating Stadium Goods and see the benefits of that,” stated by Helfstein (2019) from Oppenheimer & Co. Inc.

***Violet Grey***

In January 2022, Farfetch acquired the LA-based cult beauty retailer Violet Grey, anticipating the launch of beauty to its platform offering in April of that year. Moreover, the company’s founder, Cassandra Grey became the global beauty advisor for Farfetch’s Marketplace (Farfetch 2022b). However, in October 2023, less than two years after, Farfetch announced its plan to sell the retailer, after deciding to exit the beauty category (Benissan 2023).

***Neiman Marcus Group***

In April 2022, Farfetch and Neiman Marcus Group (NMG), the largest omnichannel luxury retailer in the U.S. and the parent company of Neiman Marcus and Bergdorf Goodman, unveiled a global strategic partnership that includes a minority common equity investment of \$200M by Farfetch into NMG (Farfetch 2022c). This partnership intended to merge the next generation of the luxury retail, in the form of Farfetch, with a long-standing Luxury industry player, NMG. With this investment, NMG will expand its digital capabilities, using Farfetch’s FPS to re-platform Bergdorf Goodman’s app and website.

***Yoox Net-a-Porter***

In 2022, Farfetch announced it would acquire a substantial 47,5% stake in YNAP, its major competitor, turning Farfetch into one of the major shareholders along with Richemont. The deal has received regulatory approval in October 2023, but with Farfetch’s shares trading at a much lower valuation than when the deal was announced, the transaction terms are likely to be renegotiated. Beyond solidifying Farfetch's status, this strategic manoeuvre is expected to cement its leadership in the dynamic realm of online luxury retail (Farfetch 2022).

**Financing Path**

Farfetch underwent a total of 9 equity funding rounds and 2 debt funding, covering both pre and post-IPO eras (Crunch Base 2023). These rounds, intricately connected to company's growth story, showcase a deliberate and calculated approach to securing the necessary resources for innovation and expansion.

***Tencent, Dragoneer Investment Group***

In January 2020, Farfetch made a significant announcement regarding a private placement for convertible senior notes amounting to \$250M. Within this strategic move, Tencent, a global technology trailblazer committed to enhancing the lives of internet users, pledged a substantial investment of \$125M, while Dragoneer, a growth-focused investment firm boasting over \$8.5B in capital, agreed to acquire the remaining \$125M of the notes. This financial infusion strategically bolstered Farfetch's existing liquidity, with the company's cash and cash equivalents balance amounting to around \$320M, as of December 31, 2019. (Farfetch 2020a).

***Private Placement of Convertible Senior Notes***

In April 2020, Farfetch unveiled plans for a significant financial move, initiating a private placement offering of \$300M principal amount of Convertible Senior Notes due 2027 to qualified institutional buyers. These notes, constituting senior unsecured obligations for Farfetch, will accrue interest payable semi-annually in arrears and are slated to mature on the 1<sup>st</sup> of May, 2027, unless earlier converted, repurchased, or redeemed. According to Farfetch (2020b), the earmarked purpose for the net proceeds from this offering is set for general corporate use.

***Artémis, Alibaba, and Richemont***

Later in 2020, Artémis invested \$50M in Farfetch, while Alibaba and Richemont committed to invest \$600M, most of which was going to be made in Farfetch China, in order

to advance Farfetch's presence in this region. As a result of this investment, Richemont and Alibaba, through Tall (Alibaba's subsidiary), held a stake in Farfetch China, with the option to acquire an additional 24% after three years (Farfetch 2020).

### **What is next?**

Since its IPO in 2018, Farfetch has shown tremendous growth, having gone through several acquisitions, and expansion efforts (*Exhibit 28*). In particular, during 2021 and 2022, Farfetch doubled its revenue and achieved positive profit. However, fast forward to 2023, Farfetch was, once again, struggling with profitability issues, registering net losses in the first two quarters of the year of \$174M and \$281M, respectively. Consequently, investors, who before had their hopes high regarding the future of the company, were now dubious about the company's ability to deliver long-term solid results. As such, shares of the company sank to a 1.5\$/share low by the end of October 2023, representing a 90% discount from its first offering price.

However, Farfetch's C-level board remained optimistic, as Tim Stone, former Vice-President of Finance at Amazon, stepped into Elliot Jordan's shoes as new CFO in October 2023, signalling a new opportunity for restructuring and growth (Business Wire 2023).

Farfetch had set multiple goals, such as aiming to reach \$10B in GMV and attaining an EBITDA margin ranging from 10% to 13% by the year 2025 (Farfetch 2023a). Moreover, the company placed sustainability as one of its key priorities for the next decade, and thus it developed a series of goals, under the "POSITIVELY FARFETCH" umbrella, where they commit to not only restructure the company, but also inspire their community of creators, curators, and customers to follow their example. These goals include achieving carbon neutrality by 2030, becoming more circular, and promoting a diverse and inclusive workplace.

Besides, within the Luxury industry, there were a number of growth opportunities, as this market was expected to grow at a fast pace, particularly in the Asian region. As such, China

was expected to become Farfetch's focal area, according to José Neves, given the projected dominance of Chinese consumers. Moreover, technological advancements were expected to flourish with the increasing relevance of AI technology, and the birth of the Web 3.0 era, predictably impacting the business of Farfetch in a positive way.

Nevertheless, Neves, Stone and their peers were still faced with a pressing issue regarding the company's viability in the short-term. In order to continue afloat and invest in these growth opportunities, Farfetch needed to undergo a restructuring. What was leading to Farfetch's poor financial results? Did Farfetch's business model remain viable? It was also crucial to reflect on the success of the company's IPO, while deliberating on alternative ways to raise capital. Several questions were raised. How could Farfetch tackle declining stock prices? Should the firm remain publicly traded?

## **TEACHING NOTE**

### **Case Synopsis**

In 2018, Farfetch became public, by listing in the NYSE, marking an important moment for the Portuguese unicorn in the luxury e-commerce segment. The company had an impressive initial valuation of \$6.2B. The market's optimism regarding Farfetch's future was unmistakable.

With the injection of capital from the IPO, Farfetch embarked on a strategic journey through relevant acquisitions and partnerships. However, despite this promising start, the company's value has experienced a persistent decline since its early days on the stock exchange. The turning point arrived in 2020 with the global onset of the COVID-19 pandemic. While most of the global economy was affected by the virus, Farfetch found itself in an unexpected position, thriving as people turned to online platforms for their shopping needs. The surge in online luxury purchases propelled Farfetch to its best years since inception.

However, as the world recovers from the pandemic and resumes normality, Farfetch faces a critical juncture demanding reinvention. The prevailing sentiment echoes scepticism

Group part

about the company's sustainability. Some attribute the decline to excessive investments in partnerships that failed to yield anticipated profits. Crucially, persistent doubts about Farfetch's viability in the long run.

This prompts essential questions: Is Farfetch's current strategy sufficient? How have its strategic moves influenced the company's trajectory? What steps are crucial for making Farfetch's business model profitable in the near future? What constitutes a fair valuation for Farfetch in the current market dynamics? Given the steep decline in the stock value of Farfetch, should the firm remain listed?

#### **Learning Objectives**

This case provides students with a profound understanding of a company that, theoretically, possesses all the elements for success. However, the market perception does not align with analysts' predictions. Students are encouraged to engage in critical thinking to explore potential reasons behind the decreasing valuation of Farfetch. The case delves deeply into market conditions, investor sentiment, and strategic options. It also presents an opportunity for students to evaluate the trade-off between remaining a public entity or going private as a strategic move to endure and fight another day. In essence, this case seeks to empower learners by offering a comprehensive exploration of Farfetch's post-IPO journey, centering around two crucial dimensions:

- **Financial Performance and Market Valuation:** An analysis of the firm's financial performance after the IPO is crucial to measure the success of the latter. Hence, students are prompted to assess Farfetch's financial well-being and performance metrics following its IPO, as well as analyse market reactions and investor sentiment by scrutinizing quarterly reports and financial disclosures. Students are also encouraged to analyse if the market was correctly valuing the company.

Group part

- **Strategic Decision-making and Operational Dynamics:** Despite the financial component, a strategic one is also extremely relevant for analysing Farfetch's post-IPO performance. Hence, students are invited to conduct an in-dept analysis of pivotal strategic decisions made or to be made by Farfetch's leadership. This includes considerations of international expansions, technological innovations, shifts in the business model and the viability of the delisting of the company.

#### **Target Audience**

This case is designed for courses at the BSc, MSc, or MBA levels that centre around subjects such as Entrepreneurial Finance and Venture Capital, Corporate Finance, Entrepreneurship, Entrepreneurial Strategy, Investments, or their equivalents.

#### **Teaching Plan**

This case is designed for a one-day session in courses related to "Corporate Finance" and "Entrepreneurial Finance and Venture Capital." Students are requested to read both Part A and Part B of the case and reflect on the assignment questions of the last part. Additionally, to provide comprehensive answers, students are encouraged to conduct independent research on the topic. The professor is advised to provide a summary of key case aspects, outlining Farfetch's journey up to the present day, before initiating discussions on the assignment questions.

#### **Assignment Questions**

##### **1. From investor euphoria to market uncertainty: The case of Farfetch**

- 1.1. Analyze Farfetch's financial performance. How did the IPO impact Farfetch from a financial standpoint? Justify your reasoning with quantitative metrics.
- 1.2. Farfetch first recorded a positive Net Income in 2021. Comment on the reasons leading up to the company's challenges regarding profitability, while elaborating on the viability of its business model.

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1.3. Assess the market reaction to Farfetch's IPO, including the initial stock price performance, subsequent movements, and the notable decline in stock price after 2021. Discuss the impact of Farfetch's strategic trajectory, namely M&A transactions, external market conditions and industry trends on the company's stock price.

**2. Navigating Farfetch's present and exploring the delisting dilemma: The case of Farfetch**

2.1. Was the market correctly assessing the value of Farfetch on 31<sup>st</sup> of October 2023? Conduct a valuation of the company and reflect whether its stock is correctly priced. Should you, as an investor, sell the stock?

2.2. Critically assess the viability and potential consequences of the option to delist Farfetch as a strategic measure for the company's sustainability and growth.

2.3. Discuss Farfetch's possible exit options if its CEO decides to pursue a privatization of the company. Analyse the motivations driving each party involved, with a particular emphasis on Neves' perspective.

## ANALYSIS

### Part B – Question 1.1

Providing Farfetch with the chance to receive great amounts of capital infusion, the IPO process was an important step for the company to raise substantial funds used to fuel growth initiatives, invest in technology, and expand the reach of its operations. Going public also enhanced the company's visibility and credibility in the market, allowing the firm to expand its customer base by 1.8B customers since the first semester of 2018, which as of October 2023, accounted for 4.1B customers. Furthermore, the IPO allowed Farfetch to improve its expansion strategy through M&A and partnerships, leading to higher revenue and a more consolidated positioning in new markets.

In the aftermath of Farfetch's IPO, a comprehensive analysis delving into the company's financial performance becomes imperative. This assessment extends across key dimensions such as profitability, liquidity, solvency, and activity metrics and includes the years between 2018 and the S1 of 2023 (the last one being compared to S1 of 2022). To provide a robust contextualization, this analysis incorporates three notable competitors –YNAP, JD.com, and Secoo (the last being only considered until 2021 due to their filing for bankruptcy). The selection of YNAP and Secoo is rooted in their business models mirroring Farfetch's luxury e-commerce, while JD.com is included due to its foray into the luxury sector despite being a general e-commerce platform.

#### **Profitability analysis**

The achievement of profitability has been one of Farfetch's greatest concerns even before the IPO.

A key step in assessing the company's profitability is to start by analysing its revenue. Farfetch has 3 revenue segments: Digital Platform, Brand Platform, which was created in 2019, and In-Store. As one can observe in *Graph 31*, the Digital Platform was the largest accounting

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Commented [MP2]: @Margarida Bernardes Alve Rodrigues não sei se queres dizer isto

Commented [MP3]: Se calhar é melhor dizer que os competidores não comparas com o S1 2022 e S1 2023, e que Secoo não há ano de 2022

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segment for Farfetch's business since the IPO. In 2018, this segment accounted for almost 100% of the company's revenue, having progressively decreased after 2019 following the emergence of the Brand Platform segment, which, at the time, accounted for 16% of total revenue. As of the first semester 2023, the Digital Platform accounted for around 80% of total revenue, while the Brand Platform represented 16% of business, an increase consequent on the success and popularity of the NGG portfolio. In-Store revenue contribution remained quite low, ranging between 3% and 5% of Farfetch's total revenue.

From 2018 to 2022, Farfetch's revenue has constantly increased, even though this growth has been slowing down in recent years. In fact, in 2019, revenue grew by 70%, allowing the firm to achieve the \$1B in revenue mark, mainly due to a significant 41% growth in Digital Platform revenue, while in 2022, the registered growth rate was much lower at 3%. This slowdown in 2022 was mainly motivated by a notably lower growth in Digital Platform and Brand Platform revenue, respectively of 1% and 2%, driven by the shutdown of operations in Russia and the suspension of trade in China, where regional COVID-19 restrictions impacted trade levels. Nevertheless, the company's revenue more than doubled since 2019, registering \$2.3B in 2022. More recently, as of the first semester of 2023, Farfetch registered \$1.1B in revenue, a slight increase when compared to the homologous period last year.

*Graph 33* regards to revenue distribution by region, between 2018 and 2019, the aggregation of Europe, Middle East and Africa (EMEA) area contributed for a major part of the revenue collected. However, in 2019, following a 96% increase in Asia Pacific revenue, this region achieved almost the same representativity as the EMEA region. Starting in 2020, Farfetch changed its reporting of the revenue breakdown by regions to United States, United Kingdom, and Other Countries. Between 2020 and 2022, the U.S. grew its representativity from 19% to 22%, while the UK's share increased from 9% to 11%, showing the rising representativity of these two countries.

Concerning firm's costs presented in *Graph 34*, COGS increased between 2019 and 2022 at a faster pace than revenue did, the Gross Margin has progressively decreased from 50% in 2018 to 44% in 2022. This means that Farfetch would retain 44% of revenue after deducting the direct costs associated with its products sold. Despite this trend, competitors recorded worse results for this indicator, reflecting less operational efficiency.

Selling, general and administrative expenses remained the largest segment of Farfetch's costs, amounting in 2018 to 74% of revenue. Until 2020, these grew at a faster pace than revenue, slowing down from there until 2022, year in which these accounted for 60% of revenue. This slower growth was mainly driven by the SG&A components General and Administrative expenses and Demand Generation expenses, that also represented the highest portion of SG&A. Between 2018 and 2022, as the sum of COGS and SG&A exceeded the value of revenue, Farfetch has consistently registered an Operating Loss, and, consequently, a negative EBITDA.

Considering Net income, this indicator remained negative until 2020, year in which it decreased substantially by \$2.9B to \$3.3B. This increase in Net loss was primarily driven by a substantial increase in "Losses on items held at fair value and remeasurements" due to a \$2.3B fair value loss on revaluation of embedded derivatives relating to February, April, and November 2020 Notes (Farfetch 2020). However, in 2021 Farfetch registered a positive Net income of \$1.47B, marking the turning point in a much-desired path to profitability. In 2022, Net income decreased to \$344M, and in the first semester of 2023 it returned to negative values. The Net income margin<sup>2</sup> varied accordingly, registering a record low of approximately -198.1% in 2020, followed by a positive value of around 65% in 2021, which indicates that 65% of revenue were kept at profit after deducting all necessary costs. In the following year this variable was still positive although smaller at 15%.

<sup>2</sup> Net Profit Margin = Net Income/ Revenues

Commented [BM4]: Inicio repetido

Commented [MP5]: Margarida Bernardes Alves Rodrigues por so uma casa decimal

Commented [Md6]: Mudar para "grew" pq é passado, não presente

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Commented [Md8]: Mudar para "grew" pq é passado, não presente

Commented [MBAR9R8]: true, thanks

Commented [MPSLF10]: Tirar de "" por em maiiuculas

Commented [BM11]: Outra vez

Commented [Md12]: Increase ou decrease? Se passou para negative é decrease

Commented [MBAR13R12]: increase em loss after tax, fica uma loss maior. se calhar tenho de reescrever

Commented [MBAR14]: arranjar reasoning

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Commented [MdMeS16]: Mudar o autor desta ref para só "Farfetch" Margarida Bernardes Alves Rodrigues

Commented [Md17]: Em cima usámos parêntesis quando era negativo e aqui também mas é positivo. Acho que se tem de ter atenção a isso e colocar tudo da mesma forma. Por isso sugeria tirar os parêntesis aqui e mudar para "was still positive although smaller at 15%."

Commented [MP18]: Acho que podemos tentar uniformizar um bocado estas conclusões da profitability com as minhas

Commented [Md19]: Em cima usámos parêntesis quando era negativo e aqui também mas é positivo. Acho que se tem de ter atenção a isso e colocar tudo da mesma forma. Por isso sugeria tirar os parêntesis aqui e mudar para "was still positive although smaller at 15%."

Commented [MP20]: Acho que podemos tentar uniformizar um bocado estas conclusões da profitability com as minhas

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Farfetch's ROA<sup>3</sup> and ROE<sup>4</sup> (*Graph 39*) were computed to assess how efficiently profit is generated relative to its assets and equity, respectively. Based on what was previously discussed, negative ROA and ROE were expected for the first few years after the IPO. Only in 2020 did ROE turn positive, not because of generation of profit but due to negative equity, as the Net Loss increased in 2020, driving total equity from \$1.3B in December 2019 to - \$1.6B the year after. However, between 2021 and 2022, the company's ROE decreased from 543% to 38% respectively, mainly due to a reduction in Net Income from \$1.4B to \$344M, together with an increase in Equity from \$270.6M to \$905.6M. This highlights a lower effectiveness of Farfetch to use its equity to generate earnings.

In what concerns the ROA, this indicator registered negative values until 2020, reflecting the lack of profitability of the company. However, following the turn to a positive Net Income in 2020, paired with a relatively stable value of Assets, the ROA increased from - 92% in the previous year to 38%. When comparing to Farfetch's competitors, it is possible to infer that since 2021 Farfetch was generating profit more efficiently than its competitors, which register negative values almost every year for both ROE and ROA.

Despite experiencing a deteriorating gross margin and persistent operating losses due to increasing COGS and SG&A expenses, Farfetch's shift to profitability is evident. The company marked a significant turnaround with positive Net Income in 2021, although with a subsequent decline in 2022, followed by a return to losses in the first semester of 2023.

### **Liquidity analysis**

Better liquidity can boost investors' confidence to invest (Chen 2023), and increase the firms' market value, therefore it is important to understand how it evolved throughout the period after the IPO by analysing the Current, Quick and Cash ratios in *Graph 42*.

Commented [MP21]: Acho que a definição não esta completa

Commented [Md22R21]: Concordo

Commented [MBAR23R21]: resolvido, nao sei porque mas a frase tinha ficado a meio

Commented [MBAR24]: ref ou based on the info provided on the case

Commented [Md25]: Estamos a usar vírgulas como separador de milhares e ponto como separador decimal em cima (nesta pergunta também), por isso aqui tem de ser ponto em vez de vírgula

Commented [Md26R25]: O mesmo nos valores decimais que temos (margins e ROE e ROA)

Commented [MBAR27]: ref

<sup>3</sup> ROE = Net Income/Equity  
<sup>4</sup> ROA = Net Income/Assets

Farfetch's Current Ratio<sup>5</sup> significantly decreased from 6.18 in 2018 to 1.47 in the first semester of 2023, indicating a trend towards tighter liquidity.

Farfetch experienced a consistent decline in its Quick Ratio<sup>6</sup> since 2020, falling from 2.33 to 1.02 in the first half of 2023, suggesting that, excluding inventory, the company's ability to fulfil short-term obligations using its most liquid assets has diminished.

The Cash Ratio<sup>7</sup> has the most significant decrease from 5.38 in 2018 to 0.47 in the first semester of the current year. Falling below 1 between 2022 and S1 of 2023, indicating that the company does not have enough Cash and Cash Equivalents to cover its short-term liabilities, which may be a concern for immediate liquidity.

Despite exhibiting a more attractive liquidity profile than its competitors, the company showed a deteriorating position since 2018.

### Solvency analysis

Solvency is defined as the ability of a business to meet its long-term obligations in the event of liquidation or cessation of activity, meaning that a company is considered to be solvent when it has assets that exceed its liabilities sufficiently to provide for reinvestment in the company's growth after meeting its obligations (Muthio Kyule 2015).

The Debt-to-Equity (D/E)<sup>8</sup> is, among capital structure ratios, the one that most strongly affects the firm's earnings in the long term (Nukala and Prasada Rao 2021). This ratio, presented in Graph 47, has significantly increased since 2018, as Farfetch moved from having no debt to registering a 122% D/E ratio in 2022. This shows Farfetch has significantly increased its leverage over time, rising its reliance on debt to finance operations. In the first semester of 2023, D/E increased to 190%, indicating that Farfetch, which up until five years ago had no

Commented [MPSLF28]: Estes paragrafos dos current cash and quick foram meio tirados do chatgpt por mim não há stress em manter mas não sei

Commented [MBAR29R28]: eu reescrevi e adicionei coisinhas que já tinha mas de forma a ficar resumido por isso acho que é ok. thanks

Commented [BM30]: O professor n tinha dito para n compararmos anuais com semestrais?

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Commented [MBAR32R30]: podemos porque é tudo BS mas discutir em reunião para ter a certeza

Commented [MPSLF33]: O decline não é consistent, não esteve sempre a decrescer

Commented [MPSLF34]: É em s1

Commented [MPSLF35]: Não é no current year

Commented [MPSLF36R35]: É no S1

Commented [MPSLF37]: Não foi so nestes anos

Commented [MP38]: Margarida Bernardes Alves Rodrigues por estes nomes todos em maiusculas please

Commented [MPSLF39]: acrescentei

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Commented [MBAR41]: <https://link.springer.com/article/10.1186/s43093-021-00058-9>

<sup>5</sup> Current Ratio = Current Assets/ Current Liabilities

<sup>6</sup> Quick Ratio = (Current Assets - Inventories)/ Current Liabilities

<sup>7</sup> Cash Ratio = Cash & Cash Equivalents/ Current Liabilities

<sup>8</sup> D/E = Debt/ Equity

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debt, has now almost double the debt than it has equity. This highlights the company's over-reliance on debt instruments, which negatively affects its solvency.

The D/EBITDA<sup>9</sup> measures the amount of earnings the company has available to pay down Debt before deducting interest payments, taxes, depreciation, and amortization. As Farfetch registered zero debt until 2018, this ratio was similarly null. However, from 2019 onwards, it turned negative, as debt increased, and EBITDA remained negative. As of 2022, D/EBITDA stood at -215%, showing the company's substantial lack of ability to pay out its debt using EBITDA, which indicates a lower degree of solvency.

Another key indicator in assessing a company's solvency is the Solvency ratio<sup>10</sup>. Between 2018 and 2020, this metric declined substantially from 506% to -32%, which indicates a higher probability of Farfetch defaulting on its debt obligations. From 2021 onwards, the company's solvency shows a recovery, registering a 33% ratio in 2022, however still reflecting the company's disproportionate D/E ratio. Comparing the first semester of 2023 with 2022, it is possible to conclude that Farfetch worsened its position, triplicating this ratio. When compared to competitors, Farfetch's solvency ratio is lower, suggesting Farfetch's poorer financial health and decreased financial stability, which is unattractive for investors.

The Financial Autonomy ratio<sup>11</sup> is represented in *Graph 50* and it provides a better-looking view on the portion of the assets that is funded by equity rather than by external sources of financing. While in 2018 and 2019 Farfetch registered a financial autonomy ratio of 84% and 60% respectively, by 2020, this ratio decreased to -46%, due to the negative equity recorded in that period, showing a recovery to 25% by 2022. When comparing with competitors, particularly with YNAP, Farfetch shows a lower financial independence.

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<sup>9</sup> D/EBITDA = Debt/ EBITDA

<sup>10</sup> Solvency Ratio = Equity/ Liabilities

<sup>11</sup> Financial autonomy ratio = Equity/ Assets

All in all, while there has been a gradual recovery post that critical phase, the company's solvency and financial autonomy remain poor and at a point of careful consideration, especially when compared with its peers.

### **Activity analysis**

Activity analysis, which delves into various operational metrics and ratios, plays a pivotal role in providing insights into how efficiently a company utilizes its resources.

The Asset Turnover Ratio<sup>12</sup>, which measures how efficiently a company uses its assets to generate sales, has increased from 0.45 in 2018 to 0.63 in 2022. This indicates that over time (*Graph 51*), Farfetch has become slowly more efficient in using its assets to drive revenue.

Cash Conversion Cycle (CCC)<sup>13</sup> is a financial metric that measures the time it takes for a company to convert its investment in inventory into cash from sales, providing insights into the efficiency of a company's cash flow management. Farfetch presents negative CCC, lower than its peers, for all the years analysed in *Graph 54*, showing its ability to transform its investments in inventory and accounts receivable into cash more quickly than it takes to pay its accounts payable. However, this variable became less negative over time, mainly driven by an increase in the Average Holding Period.

### **Part B – Question 1.2**

After assessing Farfetch's financial performance in the years following the IPO it is important to conclude on the viability of its business model and its impact towards profitability.

### Journey to profitability

As previously mentioned, the company recorded its first period of positive Net income in 2021, 13 years after its launch, marking a significant achievement for the company. This reflected the firm's effort to optimize control costs, while expanding the reach of its platform to acquire a growing share of the global luxury market. Indeed, Farfetch's revenue experienced

<sup>12</sup> Asset Turnover Ratio = Revenues / Assets

<sup>13</sup> Cash Conversion Cycle = Avg Holding Period + Avg Collection Period - Avg Payable Period

Commented [MPSLF42]: Eu não sei se isto é verdade

Commented [MPSLF43]: Juntava este paragrafo em baixo

Commented [Md44]: Está duplicado, isto é uma sugestão nova?

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a massive acceleration, grew at a fast pace from 2019 to 2021, mainly following pandemic lockdowns of stores that induced consumers to buy more luxurious products online.

This upward trend, however, slowed down in 2022 with the lifting of confinement measures and, in light with this panorama, Farfetch experienced a decrease in profit from \$1.5B in 2021 to \$344M in 2022.

As of 2023, Farfetch's path to profitability looks uncertain as it presents losses after tax of \$455M, in the first semester of this year. While some seasonality effects have historically impacted Farfetch's revenue, it is worth noting that the company managed to generate a profit in the same period in 2022. What is driving down Farfetch's performance?

To comprehend the factors currently influencing Farfetch's performance, it is imperative to conduct a comprehensive assessment of its business model, following the in-depth financial analysis made.

### ***SWOT Analysis***

To conclude on the sustainability of Farfetch's strategy, a SWOT analysis was formulated as a means of understanding the current state of the business and the external environment in which it operates. In fact, it can help decision-makers identify areas for improvement, capitalize on strengths, address weaknesses, take advantage of opportunities, and mitigate potential threats (Namugenyi, Nimmagadda, and Reiners 2019).

#### Strengths

In the realm of organizational dynamics, strengths delineate the areas where a company demonstrates excellence and distinguishes itself from competitors.

Concerning Farfetch's strengths, it is important to highlight Farfetch's tailored services, built on consumers' preference, nationality, location, and preferred payment method in a well-developed platform that incorporates virtual and augmented reality tools to reinforce this unique customer experience.

Commented [Rd45]: Nao sei se esta palavra é formal o suficiente

Commented [Md46R45]: Concordo

Commented [Md47]: Acrescentava uma frase a explicar o que são strengths

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Moreover, Farfetch has a wide geographical presence, having presence in 190 countries, which ensures the company is able to reach its target market, as well as a large and diversified product portfolio, attained by partnerships with 1400 luxury brands.

Farfetch also distinguishes its business by not owning the inventory it sells on its third-party sales, being a connector between its vast network and online customers, which refrains the firm from incurring in inventory risk and costs, thus creating opportunities for better spending.

Lastly, Farfetch is an innovator, taking advantage of emerging technological advancements to create one-of-a-kind experiences for its customers, with, for example the *Store of the Future*, which allows consumers to have the embedded features of a digital experience while at a physical store.

### Weaknesses

In the context of maintaining competitiveness, the weaknesses are the areas where the business must enhance and refine its capabilities.

Firstly, Farfetch lacks a business model capable of achieving sustained profitability over long periods of time. One of the main aspects contributing to this issue is the fact that Farfetch incurs in high “Demand Generation Expenses”, which have accounted for 14% of total Revenue, on average, since 2018 and have more than doubled during that period, leading to growing SG&A. To minimize the negative impact of this expense, Farfetch should allocate a smaller percentage of its budget to the acquisition of new costumers and increase the percentage allocated to retention costs, as these are less costly than CAC and a study developed at Harvard business School shows that a simple 5% increase in customer retention is able to expand profits by 25% - 95% (F. Reichheld 2000).

Furthermore, since its IPO, Farfetch has shifted its focus towards a M&A strategy which comprises the acquisition of luxury brands, such as the ones owned under the NGG, and

Commented [BM48]: n me está a soar bem

Commented [MBAR49R48]: nao ha bem outra forma de dizer, acho... mas podemos ver na reuniao

Commented [Md50]: Verificar se já está em abbreviations

Commented [BM51]: ja foi referido antes

Commented [MBAR52R51]: nesta pergunta não e é importante mencionar nas weaknesses

Commented [BM53]: já n faziam isto antes?

Commented [MBAR54R53]: uma coisa é fazer aquisições esporadicas, outra é virar o foco e em 4 anos fazer 5 aquisições

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physical stores, with the acquisition of Browns, a move that distances the firm from its core technological business. While these acquisitions were intended to increase Farfetch's market position, they also resulted in integration expenses and had an impact on short-term profitability, with analysts blaming some of these M&A transactions for abrupt decreases in the share price. It is getting more and more difficult for investors and analysts to understand the rationale of how Farfetch creates, delivers and captures value, putting into question the core focus of the business model and whether Farfetch is focused on being a tech company, as announced alongside with the IPO, or if it is considered a retailer now. While the allure of securing additional funding, scale and profitability through acquisitions may be strong, when stitching together so many dissimilar pieces, it ends up with an impossible puzzle that no one understands.

### Opportunities

The segment of Opportunities pertains to advantageous external factors capable of providing an organization with a competitive edge.

In the first place, as mentioned in the case, the Personal Luxury Goods market luxury e-commerce market has been exponentially growing and is expected to continue this trend until 2030. Additionally, online channels are expected to represent 33% by 2030, underlining a substantial growth.

Moreover, China is expected to surge as the dominant location in luxury, projected to account for 40% of global purchases by 2030, and Farfetch has been positioning itself to take advantage of this trend, by increasing its presence in this market, namely through its strategic partnership with Richemont and Alibaba.

Besides, with the advancement of Artificial Intelligence and the Web 3.0 era, it is estimated that the technology sector will experience positive synergies, which may result in

Commented [Rd55]: A source é bom importante pra fundamentar isto

Commented [MBAR56R55]: <https://www.linkedin.com/pulse/farfetch-what-went-wrong-the-business-of-fashion-rfwoe/>

Commented [MBAR57]: <https://www.linkedin.com/pulse/farfetch-what-went-wrong-the-business-of-fashion-rfwoe/>

Commented [Md58]: Aqui é suposto ser a tua conclusão. Acho que pode parecer estranho estares a citar a critica de outra pessoa. Diria para mudar isto para cima (talvez quando falas em M&A) se quiseres manter, mas cortar algumas partes. A frase de perda de foco e da série de aquisições já está dita em cima, por isso não mencionava. Por isso talvez deixava só a primeira e última frase deste parágrafo, mas em cima nas weaknesses

Commented [BM59]: escreveria a frase mais como possibilidade/duvida

Commented [BM60]: rref

Commented [MBAR61R60]: vem de info da parte de grupo, por isso achava que nao era preciso. tenho de repetir? ou dizer, as mentioned in the case?

Commented [MP62R60]: As mentioned in the case

Farfetch being able to add innovative features into its platform and to generate efficiencies, giving Farfetch a way to reduce costs.

### Threats

Threats encompass elements in the industry that could cause trouble for the business.

In Farfetch's case, it has its main competitor YNAP has a worldwide footprint, serving more than 4M customers across 170 countries. However, Farfetch is set to acquire a 47.5% stake in YNAP, turning it into a neutral online platform for the luxury industry. |

Commented [BM63]: ref

Commented [MBAR64R63]: again, info do caso

Commented [MPSLF65]: Não é melhor por ref nisto?

Besides, the barriers to entry in e-commerce are typically lower than in traditional retail due to lower initial capital requirements - no need for physical stores, for example (Schreiber 2023). This may lead to the emergence of smaller new players, which may capture existing market share and compromise the profitability of incumbents.

The changing consumer preferences presents a constant challenge, with the recent years being market by consumer's stronger sustainability concerns. Additionally, the Second-hand Luxury Goods market is growing at a fast rate, reflecting a shift in consumer trends, and while Farfetch also sells pre-owned luxury goods, there are designated players in the market, such as Vestiaire Collective, who are better able to capture that demand.

Commented [MPSLF66]: Aqui se calhar punha a ref da bain

Despite the belief that the Personal Luxury Goods market is now better equipped to resist to an economic downturn than during the financial crisis of 2008, the Luxury industry is still vulnerable to economic slumps, given discretionary nature of the items. |

Commented [MPSLF67]: Acrescentava

### ***Outlook on the viability of Farfetch's Business Model***

After a deep analysis of Farfetch's business model, it is possible to conclude that the firm has been moving further away from its core business, with the pursuit of an aggressive and costly M&A strategy, and therefore has been losing its competitive advantage, which mainly relies on its technologically advanced platform and vast network of luxury partners. Besides, the firm has substantially high CAC, which drive down its profitability, and thus should shift

its focus to consumer retention, rather than consumer acquisition, given the already high number of active customers.

All in all, the viability of Farfetch's business model relies on the ability of the firm to restructure and downsize its operations, both through cost-cutting and the sale of non-core divisions, as well as to benefit from the opportunities arising from technological advancements.

### Part B – Question 1.3

#### *First day of trading*

Understanding the stock price evolution (*Exhibit 29*) provides valuable insights into Farfetch's journey as a public company,

As mentioned previously in the case, in September 2018, Farfetch's shares were initially offered at 20\$, exceeding the expected announced price range of 17-19\$, reflecting investor's willingness to pay a premium for a stake in the company. The IPO valued the company at \$6.2B and it raised approximately \$885M by selling 44.2M shares, mirroring the overnight success of a 53% rise in the price due to the expectations created for the long-anticipated event.

By that time, e-commerce was emerging as one of the greatest drivers of the Luxury industry growth (Oliver Wyman 2019) and Farfetch was seen as a promising tech company that would disrupt and elevate the high-end luxury business. Furthermore, according to (Hirsch 2018), "marketplace" companies frequently command a higher premium compared to traditional retailers. This is attributed to the fact that they are not exposed to the risk of being burdened with unsold inventory.

#### *Declining period of 2019*

Farfetch's stock price performance was never stable, showing high volatility over the years. In the first year following the IPO, its stock price saw a strong and stable initial performance, trading mostly above the IPO price between \$19 and \$30, reflecting a high interest and demand from investors. From its founding until this stage, Farfetch had experienced

Commented [MPSLF68]: Acrescentava esta intro

Commented [MP69]: Acho que nesta parte era importante explicar quanto aumentou no primeiro dia

Commented [Md70]: 6.2 não foi 6.3

Commented [MPSLF71]: Aqui mudava para este titulo porque não falamos de 2020

Commented [MP72]: Especificava os anos

Commented [Md73R72]: Se se acrescentar o subtítulo "first year" tem de ser "first year" aqui tb

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exponential growth, constructing a reliable profile for investors and, consequently, building a positive market sentiment and optimism surrounding the company's prospects.

After the first trimester of 2019, Farfetch experienced a one-year period of stock price decline, stressing that in early August the shares plunged more than 40% overnight following the unexpected news around Farfetch acquisition of NGG, licensor of popular streetwear brand Off-White (Abboud 2021). According to Farfetch's CEO, this reaction was due to the lack of a good communication of the strategy behind this acquisition: "I experienced all the emotions you would expect, from surprise at the reaction of the markets to disappointment in us that we hadn't been able to pass on the right message," Neves says. Moreover, this decline was also associated with the exit of former COO, Andrew Rob (Carregueiro 2019). On top of that, Farfetch's critic second quarter results showed losses widening more than 5 times, dissimulating investor's interest in acquiring shares of the company.

In the beginning, many investors had bought Farfetch's shares due to its "asset-light" approach, as the scenario in which the firm was just a Marketplace for luxury goods was much more attractive when compared to an inventory-based company with an inherent inventory risk. The acquisitions undertaken were the boost for the company to start creating its own content and becoming more than a transactional platform.

This shift in the strategic process of Farfetch was accompanied by a decrease in demand for its shares by investors. It started with the acquisition of Stadium Goods in December of 2018 and by the time it decided to acquire NGG in August 2019, Farfetch was already in its 5<sup>th</sup> acquisition, and it started to be seen as a conglomerate. "Now they have five distinct revenues [...] and investors won't pay full price for an aggregation of assets", stated analyst Marvin Fong stated during an interview for CNBC. In fact, in just 9 months, the company made 3 large acquisitions, a strategic move to which investors reacted negatively, as this reckless spending of money could damage the company's financial stability in the long-term.

Commented [MP74]: Especificava os preços

Commented [MBAR75]: <https://www.ft.com/content/1277c354-1cfb-494c-a778-dd61647df7fa>

Commented [MP76]: Encontrei isto aqui: <https://www.ft.com/content/9e6f8ca2-8726-4c6c-97b2-fe3ebe0f93cb>

Commented [Md77R76]: Temos quote? Se sim poderá ser interessante incluir

Commented [MP78R76]: Eu acrescentei a frase mas na notícia há quotes

Commented [BM79]: está aqui algo de errado

Commented [MP80]: Encontrei isto: <https://www.jornaldenegocios.pt/mercados/bolsa/detalhe/acoes-da-farfetch-afundam-40-apos-resultados-aquisicao-e-saida-de-coo>

Commented [MP81]: Dava mais ênfase nos resultados terem caído, porque resultados negativos eles tiveram sempre. Esta notícia diz que os prejuízos do segundo trimestre aumentaram mais de 5 vezes para 89 milhões. <https://www.jornaldenegocios.pt/mercados/bolsa/detalhe/acoes-da-farfetch-afundam-40-apos-resultados-aquisicao-e-saida-de-coo>

Commented [MP82R81]: Mas confirmava estes valores

Commented [MP83]: Mas isto sempre mostravam resultados negativos. Neste momento não deve ter sido isto que desencorajou os investidores

Commented [Md84]: Temos de mencionar o shift antes de dizer isto

Commented [Md85]: Aqui tirava esta parte das intentions das aquisições, porque não é o foco da questão e acho que faz com que a frase não destaque o mais importante que é a proximidade de aquisições

Commented [Md86]: Acrescentava esta frase, para ser uma conclusão/critica tua e não só do analista

### ***The boom during 2020***

Dating March 2020 as the beginning of the Covid-19 outbreak and the start of the lockdowns around the world, it was a period of insecurity and difficulty for investors to sell off fast enough. Farfetch was one of the companies that, even during this distressed environment, managed to experience a great upward movement in share price due to the acceleration in the transition of overall consumer demand to online platforms - industry's online channels grew by 50% between 2019 and 2020. In fact, between mid-March, when the pandemic hit most countries and the end of 2020, the stock price rose from \$8.55 to nearly 64\$, an increase of over 645%.

The time window in which it recorded the most accelerated growth was between October and December, subsequent to the rumours and confirmation of the Global Partnership between Farfetch, Richemont and Alibaba. This would, anticipatedly, grow Farfetch's business by allowing access to the Chinese market through Tmall's large marketplace of over 757M consumers. Such partnership, suggested among investors that Farfetch was well regarded by industry leaders, benefiting from their expertise and consumer base on the Asian market, which was one of the main drivers of the profit in the last quarter of this year.

### ***A negative turnaround in 2021***

Farfetch started 2021 with an all-time high in its stock price of \$73.35, registered on the 19<sup>th</sup> of February. During this time, the luxury goods e-commerce company was a "high-flying do-no-wrong stock", with many investors trying to "ride Farfetch to the moon", as noted by the analyst Nicholas Rossolillo. This positive movement in the stock price came as a consequence of the first ever positive Adjusted EBITDA in the fourth quarter of the 2020, triggering an optimistic investors' sentiment towards Farfetch.

However, from February 2021 onwards, the stock price of Farfetch has plummeted over 90% from its peak to \$37.24, decreasing day-after-day accompanying the deterioration of the

Commented [Rd87]: Qnd diz que foi one of the companies, se calhar enquadrar e as oscilações dos competitors para esse periodo

Commented [MP88R87]: Se calhar explicava tambem o porque da farfetch ter ficado bem. Eu faço referencia a isso na parte do covid (que as receitas aumentam e tal), acho que faria sentido referir brevemente

Commented [BM89]: frase muito grande

Commented [Md90]: "In the market" and "among investors" é o mesmo -> pôr só uma

Commented [Md91]: O que é que isto quer dizer? A Farfetch já estava no mercado asiático antes desta parceria

Commented [Md92]: Mudar para positive movement in the stock price ou algo do género

Commented [MP93]: Não é net profit

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firm's net profit. Nevertheless, in November, it was up by 17.69% to around \$46.38, following advanced conversations between José Neves and Richemont regarding a potential investment of Farfetch in the competitor YNAP (Carvalho 2021).

Commented [MBAR94]: <https://expresso.pt/economia/2021-11-12-Farfetch-valorizou-quase-20-com-noticias-de-possivel-fusao-com-Richemont-e01df3f6>

### *A worsening 2022*

During the first semester of 2022, the stock price continued to decrease at a fast pace. In the second semester, this trend slowed down, having registered a low of \$3.96 in December. Overall, this year disappointed investors with slowed growth, increase in debt burden, and a gain after tax of \$1.12B lower when compared to 2021.

Commented [MP95]: Frase meia perdida

Commented [MP96R95]: Tentava dar mais informação sobre o ano de 2022

Commented [Md97R95]: Concordo, frase perdida

Commented [Md98]: Financial reported? O que quer dizer isto?

### *The present state*

The second quarter financial report of 2023 presented worse results than expected. Instead of the \$648M revenue predicted, the luxury fashion giant did not surpass \$572M, 12% lower than expectations. Therefore, once the report came out, analysts predicted the investors' position and began lowering the expected price range for FTCH stocks. As of October 2023, the share price is valued at \$1.5.

Commented [Md99]: Falta dizer o share price em 2023 (o de 31 de outubro já que mudámos a data)

Commented [BM100]: The share price is 1.5\$

Farfetch came into the market in a \$6B IPO offering in 2018, reaching a peak valuation of \$26B in February 2021 during the pandemic. However, despite having excellent revenue performance, its inability to scale successfully and doubtful spending have resulted in the deterioration of its financial performance with widened cash burn and large operating losses. Indeed, the acquisition spree the firm engaged in, resulted in increased expenses related to the amortization of new assets such as brand names and licenses, which damaged the firm's profitability.

Commented [BM101]: Aqui o que queres dizer é a falta de eficacia em transformar revenues em profits?

Commented [MBAR102R101]: tem a ver com isto: Scalability refers to a business or other entity's capacity to grow to meet increased demand. A business that can scale up successfully should also benefit from economies of scale, where production costs are spread across more units, resulting in higher profit margins.

Commented [Md103]: É reckless?

Commented [MBAR104R103]: nas aquisições mas vou mudar para outro verbo menos duro

Commented [BM105]: Se os assets forem tangible é depreciation. Confirmar se n inclui os dois e mudar consoante isso

Commented [MBAR106R105]: é intangible, como digo depois é brand names e licenses

All in all, Farfetch has changed its vision of connecting high-end buyers with top boutiques to a mixture of marketplace, online store, physical retailer, tech company and brand owner. As a result, Farfetch experienced a 97% loss in share price over the past two years, resulting in a market capitalization below the \$600M, no longer affording its unicorn status.

Commented [MP107]: Fazia uma conclusão mais geral da evolução do stock price da farfetch

Commented [Md108R107]: concordo

Commented [BM109]: conector



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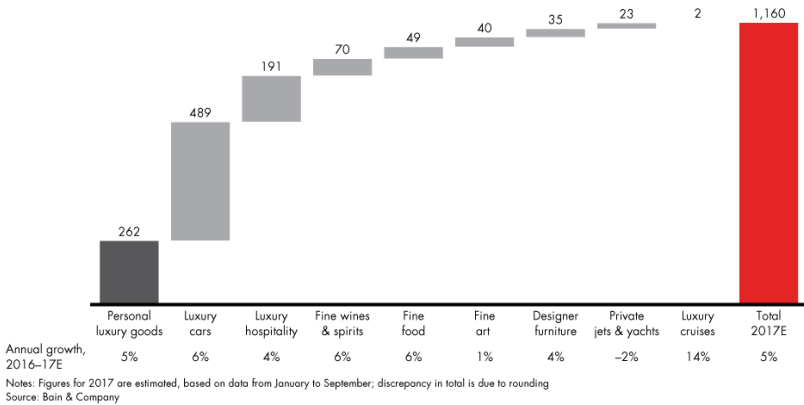
**APPENDIX**

**Part A**

**Case Study**

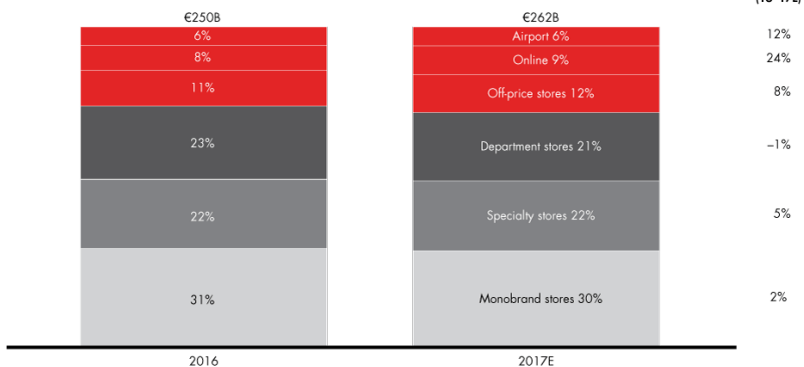
**Exhibit 1: Global Luxury industry in 2017**

Worldwide luxury market, 2017E (€ billions)

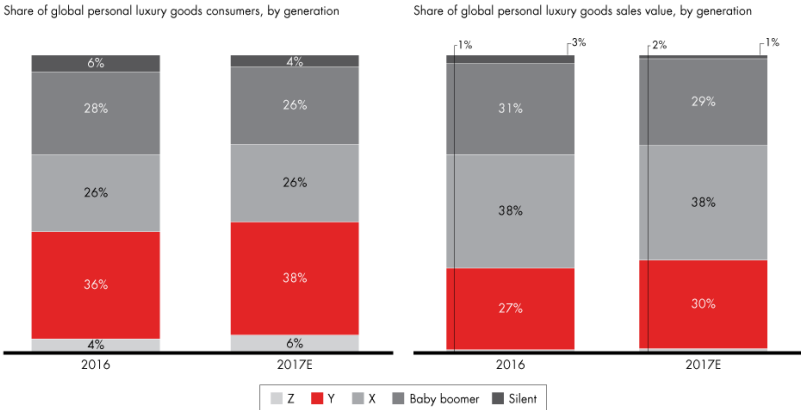


**Exhibit 2: Share of Personal luxury goods market by distribution channels**

Share of global personal luxury goods market, by distribution channel/format, 2016-17E

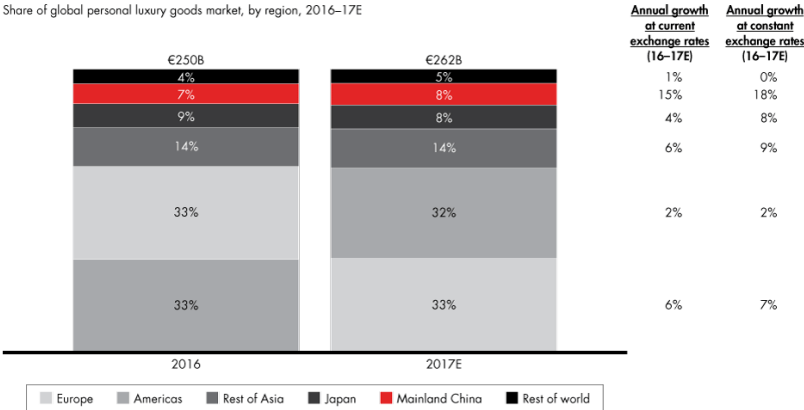


**Exhibit 3: Share of Personal luxury consumers and sales value by generations**



Source: Bain & Company

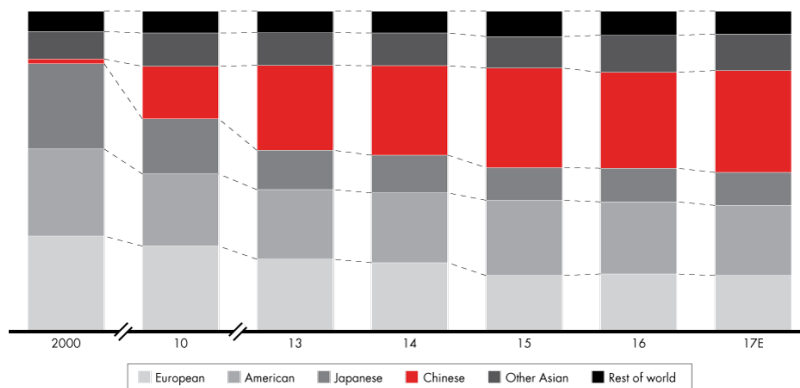
**Exhibit 4: Share of Personal luxury goods market by regions**



Source: Bain & Company

**Exhibit 5: Share of Personal luxury goods market by consumers' nationality**

Global personal luxury goods market, by consumer nationality, 2000-17E



Source: Bain &amp; Company

**Exhibit 6: Income Statement**

Income Statement						
Thousands \$	2015	2016	2017 S1	2017	2018 S1	
Revenue	\$ 142,305.00	\$ 242,116.00	\$ 172,571.00	\$ 385,966.00	\$ 267,508.00	
Cost of Revenue	\$ (69,702.00)	\$ (125,238.00)	\$ (78,223.00)	\$ (181,200.00)	\$ (130,643.00)	
<b>Gross Profit</b>	<b>\$ 72,603.00</b>	<b>\$ 116,878.00</b>	<b>\$ 94,348.00</b>	<b>\$ 204,766.00</b>	<b>\$ 136,865.00</b>	
Selling, general and administrative expenses	\$ (130,073.00)	\$ (205,558.00)	\$ (125,762.00)	\$ (295,960.00)	\$ (208,801.00)	
Impairment losses on tangible assets	\$ -	\$ -	\$ -	\$ -	\$ -	
Impairment losses on intangible assets	\$ -	\$ -	\$ -	\$ -	\$ -	
Gain/(loss) on items held at fair value and remeasurements	\$ -	\$ -	\$ -	\$ (3,300.00)	\$ -	
Share of results of associates	\$ -	\$ 18.00	\$ 15.00	\$ 31.00	\$ 24.00	
<b>Operating loss/profit</b>	<b>\$ (57,470.00)</b>	<b>\$ (88,662.00)</b>	<b>\$ (31,399.00)</b>	<b>\$ (94,463.00)</b>	<b>\$ (71,912.00)</b>	
Gain/(loss) on items held at fair value and remeasurements	\$ -	\$ -	\$ -	\$ -	\$ -	
Share of results of associates	\$ -	\$ -	\$ -	\$ -	\$ -	
Net finance income/ (costs)	\$ (4,265.00)	\$ 7,402.00	\$ 1,690.00	\$ (17,642.00)	\$ 4,218.00	
Finance income	\$ 525.00	\$ 9,280.00	\$ 3,162.00	\$ 2,833.00	\$ 4,261.00	
Finance costs	\$ (4,790.00)	\$ (1,472.00)	\$ (1,472.00)	\$ (20,475.00)	\$ (43.00)	
<b>(Loss)/profit before tax</b>	<b>\$ (61,735.00)</b>	<b>\$ (81,260.00)</b>	<b>\$ (29,709.00)</b>	<b>\$ (112,105.00)</b>	<b>\$ (67,694.00)</b>	
Income tax benefit/(expense)	\$ 628.00	\$ (199.00)	\$ 429.00	\$ (170.00)	\$ (714.00)	
<b>Loss after tax</b>	<b>\$ (61,107.00)</b>	<b>\$ (81,459.00)</b>	<b>\$ (29,280.00)</b>	<b>\$ (112,275.00)</b>	<b>\$ (68,408.00)</b>	
<b>(Loss)/profit after tax attributable to:</b>						
Equity holders of the parent	n.a.	\$ (81,414.00)	n.a.	\$ (112,275.00)	n.a.	
Non-controlling interests	n.a.	\$ (45.00)	n.a.	\$ -	n.a.	
<b>Net (loss)/profit</b>	<b>n.a.</b>	<b>\$ (81,459.00)</b>	<b>n.a.</b>	<b>\$ (112,275.00)</b>	<b>n.a.</b>	
<b>(Loss)/earnings per share attributable to owners of the parent</b>						
Basic	\$ (0.35)	\$ (0.43)	\$ (0.14)	\$ (0.50)	\$ (0.27)	
Diluted	\$ (0.35)	\$ (0.43)	\$ (0.14)	\$ (0.50)	\$ (0.27)	
<b>Weighted-average shares outstanding</b>						
Basic	171,929,007	188,679,490	205,401,364	223,465,734	250,709,204	
Diluted	171,929,007	188,679,490	205,401,364	223,465,734	250,709,204	

## Exhibit 7: Balance Sheet

Balance Sheet			
Thousands \$	2016	2017	2018 \$1
<b>Assets</b>			
<b>Non-Current Assets</b>			
Trade and Other Receivables	\$ 5,367.00	\$ 9,193.00	\$ 9,916.00
Derivative Financial Assets	\$ -	\$ -	\$ -
Deferred Tax Assets	\$ -	\$ -	\$ -
Intangible Assets	\$ 42,943.00	\$ 74,041.00	\$ 83,908.00
Property, Plant and Equipment	\$ 15,795.00	\$ 26,696.00	\$ 33,783.00
Right-of-use Assets	\$ -	\$ -	\$ -
Investments	\$ -	\$ 278.00	\$ 272.00
Investments in Associates	\$ 23.00	\$ 58.00	\$ 79.00
<b>Total Non-current Assets</b>	<b>\$ 64,128.00</b>	<b>\$ 110,266.00</b>	<b>\$ 127,958.00</b>
<b>Current Assets</b>			
Inventories	\$ 13,591.00	\$ 50,610.00	\$ 55,633.00
Trade and Other Receivables	\$ 17,281.00	\$ 18,180.00	\$ 79,932.00
Current Tax Assets	\$ -	\$ -	\$ -
Short-term Investments	\$ -	\$ -	\$ -
Derivative Financial Assets	\$ -	\$ -	\$ -
Cash and Cash Equivalents	\$ 150,032.00	\$ 384,002.00	\$ 336,982.00
<b>Total Current Assets</b>	<b>\$ 180,904.00</b>	<b>\$ 452,792.00</b>	<b>\$ 472,547.00</b>
<b>Total Assets</b>	<b>\$ 245,032.00</b>	<b>\$ 563,058.00</b>	<b>\$ 600,505.00</b>
<b>Equity and Liabilities</b>			
<b>Liabilities</b>			
<b>Non-current Liabilities</b>			
Provisions	\$ 3,935.00	\$ 5,142.00	\$ 6,314.00
Deferred Tax Liabilities	\$ -	\$ -	\$ -
Lease Liabilities	\$ -	\$ -	\$ -
Employee Benefit Obligations	\$ -	\$ -	\$ -
Derivative Financial Liabilities	\$ -	\$ -	\$ -
Borrowings	\$ 17,340.00	\$ -	\$ -
Put and Call Option Liabilities	\$ -	\$ -	\$ -
Other Financial Liabilities	\$ 15,416.00	\$ 5,123.00	\$ 5,654.00
<b>Total Non-current Liabilities</b>	<b>\$ 36,691.00</b>	<b>\$ 10,265.00</b>	<b>\$ 11,968.00</b>
<b>Current Liabilities</b>			
Trade and Other Payables	\$ 84,388.00	\$ 136,744.00	\$ 155,999.00
Borrowings	\$ 2,673.00	\$ -	\$ -
Provisions	\$ -	\$ -	\$ -
Current Tax Liability	\$ -	\$ -	\$ -
Lease Liabilities	\$ -	\$ -	\$ -
Employee Benefit Obligations	\$ -	\$ -	\$ -
Derivative Financial Liabilities	\$ -	\$ -	\$ -
Put and Call Option Liabilities	\$ -	\$ -	\$ -
Other Financial Liabilities	\$ 2,364.00	\$ 19,146.00	\$ -
<b>Total Current Liabilities</b>	<b>\$ 89,425.00</b>	<b>\$ 155,890.00</b>	<b>\$ 155,999.00</b>
<b>Total Liabilities</b>	<b>\$ 126,116.00</b>	<b>\$ 166,155.00</b>	<b>\$ 167,967.00</b>
<b>Equity</b>			
Share Capital	\$ 6,192.00	\$ 9,298.00	\$ 7,374.00
Share Premium	\$ 342,640.00	\$ 677,674.00	\$ 782,177.00
Merger Reserve	\$ -	\$ -	\$ -
Foreign Exchange Reserve	\$ (32,871.00)	\$ 633.00	\$ (8,501.00)
Other reserves	\$ 19,857.00	\$ 38,475.00	\$ 49,073.00
Accumulated Losses	\$ (216,901.00)	\$ (329,177.00)	\$ (397,585.00)
Equity Attributable to Owners of the Parent	\$ 118,917.00	\$ 396,903.00	\$ 432,538.00
Non-Controlling Interests	\$ (1.00)	\$ -	\$ -
<b>Total Equity</b>	<b>\$ 118,916.00</b>	<b>\$ 396,903.00</b>	<b>\$ 432,538.00</b>
<b>Total Equity and Liabilities</b>	<b>\$ 245,032.00</b>	<b>\$ 563,058.00</b>	<b>\$ 600,505.00</b>

Note: Balance Sheet of 2015 and of \$1 of 2017 was not disclosed.

## Exhibit 8: Statement of Cash-Flows

Statement of Cash Flows			
Thousands \$	2015	2016	2017
<b>Cash flows from operating activities</b>			
Operating loss	\$ (61,735.00)	\$ (81,260.00)	\$ (112,105.00)
Adjustments for:	\$ -	\$ -	\$ -
Depreciation	\$ 2,427.00	\$ 2,451.00	\$ 3,648.00
Amortization	\$ 677.00	\$ 4,446.00	\$ 7,332.00
Impairment of non-current asset	\$ -	\$ 43.00	\$ -
Non-cash employee benefits expense	\$ 4,803.00	\$ 15,339.00	\$ 16,578.00
Net loss/(gain) on sale of non-current assets	\$ (5.00)	\$ 261.00	\$ 42.00
Share of profits of associates	\$ -	\$ (15.00)	\$ (35.00)
Net finance income	\$ 115.00	\$ (204.00)	\$ (1,261.00)
Net exchange differences	\$ 2,048.00	\$ 2,073.00	\$ 12,196.00
Impairment losses on tangible assets	\$ -	\$ -	\$ -
Impairment losses on intangible assets	\$ -	\$ -	\$ -
Issue of warrants	\$ -	\$ 409.00	\$ -
Impairment of investments	\$ -	\$ -	\$ -
Change in the fair value of derivatives	\$ -	\$ (288.00)	\$ 44.00
Changes in working capital	\$ -	\$ -	\$ -
Decrease/Increase in receivables	\$ (3,647.00)	\$ (9,524.00)	\$ (598.00)
Decrease/Increase in inventories	\$ (2,838.00)	\$ (6,308.00)	\$ (35,163.00)
Decrease/Increase in payables	\$ 14,292.00	\$ 19,463.00	\$ 47,406.00
Changes in other assets and liabilities	\$ 0	\$ -	\$ -
(Increase)/decrease in non-current receivables	\$ (4,747.00)	\$ (619.00)	\$ (3,826.00)
Increase in other liabilities	\$ 11,908.00	\$ 7,973.00	\$ 7,365.00
Decrease/increase in provisions	\$ -	\$ -	\$ -
Interest paid	\$ (12.00)	\$ (1,222.00)	\$ (591.00)
Other items	\$ -	\$ -	\$ -
Income taxes paid	\$ (544.00)	\$ (97.00)	\$ (352.00)
<b>Net cash outflow from operating activities</b>	<b>\$ (37,258.00)</b>	<b>\$ (47,079.00)</b>	<b>\$ (59,320.00)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	\$ (12,043.00)	\$ -	\$ 195.00
Payments for property, plant and equipment	\$ (9,429.00)	\$ (6,012.00)	\$ (12,616.00)
Proceeds on disposal of property, plant and equipment	\$ 5.00	\$ -	\$ -
Payments for intangible assets	\$ (6,583.00)	\$ (12,586.00)	\$ (18,997.00)
Interest received	\$ 479.00	\$ 1,637.00	\$ 2,833.00
Investment in short-term investments	\$ -	\$ -	\$ -
Decrease in short-term investments	\$ -	\$ -	\$ -
Dividends received from associate	\$ -	\$ -	\$ -
Payments for investments	\$ -	\$ -	\$ (278.00)
Proceeds on disposal of investment	\$ -	\$ -	\$ -
Increase/decrease in other long-term assets	\$ -	\$ -	\$ -
<b>Net cash outflow from investing activities</b>	<b>\$ (27,571.00)</b>	<b>\$ (16,961.00)</b>	<b>\$ (28,863.00)</b>
<b>Cash flows from financing activities</b>			
Payment for acquisition of non-controlling interest	\$ -	\$ (5,028.00)	\$ -
Proceeds from issue of shares, net of issue costs	\$ 77,717.00	\$ 146,869.00	\$ 322,097.00
Proceeds from exercise of employee share-based awards	\$ -	\$ -	\$ -
Transaction costs paid relating to capital contribution from non-controlling interest	\$ -	\$ -	\$ -
Repayment of loan notes	\$ (303.00)	\$ (47.00)	\$ (21,955.00)
Repayment of the principal elements of lease payments	\$ -	\$ -	\$ -
Proceeds from borrowings, net of issue costs	\$ -	\$ 19,379.00	\$ -
Payment for the repurchase of convertible loan notes	\$ -	\$ -	\$ -
Dividends paid to holders of non-controlling interests	\$ -	\$ -	\$ -
Interest and fees paid on loans	\$ -	\$ -	\$ -
Settlement of equity-based awards	\$ -	\$ -	\$ -
Capital contribution from non-controlling interest	\$ -	\$ -	\$ -
<b>Net cash inflow/(outflow) from financing activities</b>	<b>\$ 77,414.00</b>	<b>\$ 161,173.00</b>	<b>\$ 300,142.00</b>
Net increase/(decrease) in cash and cash equivalents	\$ 12,585.00	\$ 97,133.00	\$ 211,959.00
Cash and cash equivalents at the beginning of the year	\$ 63,441.00	\$ 72,579.00	\$ 150,032.00
Effects of exchange rate changes on cash and cash equivalents	\$ (3,447.00)	\$ (19,680.00)	\$ 22,011.00
<b>Cash and cash equivalents at end of year</b>	<b>\$ 72,579.00</b>	<b>\$ 150,032.00</b>	<b>\$ 384,002.00</b>

**Exhibit 9: Revenue Breakdown by Product**

Revenue By Product						
Thousands \$	2015	2016	2017 S1	2017	2018 S1	
<b>Digital Platform</b>						
Services revenue	\$ 106,794.00	\$ 180,937.00	\$ 131,480.00	\$ 296,350.00	\$ 209,766.00	
Fulfillment revenue	\$ 28,617.00	\$ 48,511.00	\$ 33,760.00	\$ 74,182.00	\$ 50,551.00	
Total revenue	\$ 135,411.00	\$ 229,448.00	\$ 165,240.00	\$ 370,532.00	\$ 260,317.00	
Less: Cost of revenue	\$ (66,056.00)	\$ (117,686.00)	\$ (74,746.00)	\$ (173,951.00)	\$ (126,730.00)	
Gross profit	\$ 69,355.00	\$ 111,762.00	\$ 90,494.00	\$ 196,581.00	\$ 133,587.00	
<b>In-Stores:</b>						
Revenue	\$ 6,894.00	\$ 12,668.00	\$ 7,331.00	\$ 15,434.00	\$ 7,191.00	
Less: Cost of revenue	\$ (3,646.00)	\$ (7,552.00)	\$ (3,477.00)	\$ (7,249.00)	\$ (3,913.00)	
Gross profit	\$ 3,248.00	\$ 5,116.00	\$ 3,854.00	\$ 8,185.00	\$ 3,278.00	

**Exhibit 10: Revenue Breakdown by Region**

Revenue By Region						
Thousands \$	2015	2016	2017 S1	2017	2018 S1	
Americas	\$ 46,318.00	\$ 77,608.00	\$ 46,389.00	\$ 111,349.00	\$ 54,412.00	
Europe, Middle East and Africa	\$ 50,503.00	\$ 92,885.00	\$ 69,948.00	\$ 156,507.00	\$ 134,272.00	
Asia Pacific	\$ 45,484.00	\$ 71,623.00	\$ 56,234.00	\$ 118,110.00	\$ 78,824.00	
<b>Total revenue</b>	<b>\$ 142,305.00</b>	<b>\$ 242,116.00</b>	<b>\$ 172,571.00</b>	<b>\$ 385,966.00</b>	<b>\$ 267,508.00</b>	

**Exhibit 11: Marketplace Indicators**

Marketplace Indicators						
	2015	2016	S1 2017	2017	S1 2018	
<b>Digital Platform Revenue</b>	<b>\$ 135,411.00</b>	<b>\$ 229,448.00</b>	<b>\$ 165,240.00</b>	<b>\$ 370,532.00</b>	<b>\$ 260,317.00</b>	
Active Consumers (Thousands)	416	652	796	936	1118	
Number of Orders (Thousands)	801	1260	853	1881	1305	
Average Order Value (Actual)	\$ 587	\$ 584	\$ 592	\$ 620	\$ 622	

**Exhibit 12: Farfetch's Logo**

Exhibit 13: Farfetch Business Model Canvas (2018)

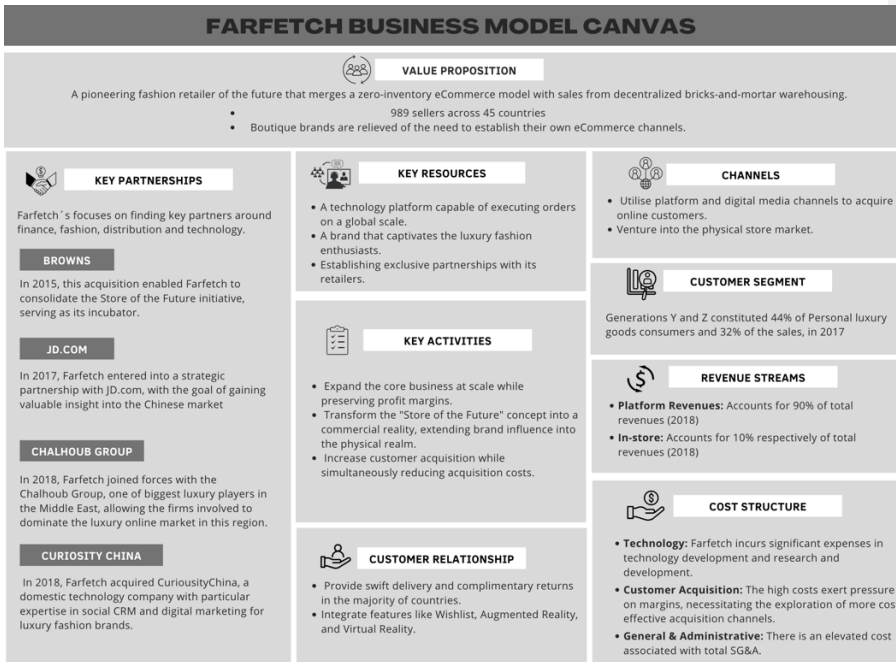


Exhibit 14: Farfetch's Ownership Structure

	Farfetch's Ownership Structure							
	Before the offering and the concurrent private placement				After the offering and the concurrent private placement			
	Number	Percent	% of total voting power	Number	Percent	% of total voting power	Number	Percent
Class A ordinary shares beneficially owned	215,025,489	83.4%	20.1%	215,025,489	51.4%	19.4%	215,025,489	51.4%
Class B ordinary shares beneficially owned	ns	ns	ns	34,971,236	11.9%	3.2%	41,468,288	11.9%
Class C ordinary shares beneficially owned	42,816,080	16.6%	79.9%	42,816,080	16.6%	77.4%	42,816,080	16.7%
<b>Total</b>	<b>257,841,569</b>	<b>100.0%</b>	<b>100.0%</b>	<b>252,812,805</b>	<b>100.0%</b>	<b>100.0%</b>	<b>259,309,857</b>	<b>100.0%</b>

Notes:

[A- 1]: The term 'New Equity Stake' only accounts for shares outstanding newly issued, and it does not include the sale of shares by previously existing shareholders (of 10.6M).

[A- 2]: Kadi Group Holding Limited, already a shareholder and an associate of JD.com, agreed on a private acquisition of Class A ordinary shares, materialized through a concurrent private placement. The volume of shares agreed to be purchased would be equal to one-third of the total amount of shares they would need to purchase to keep their current percentage of ownership, after the issuance of all ordinary shares in the IPO is completed (1.4M Class A shares).

[B]: The underwriters could exercise their option to purchase up to 6.6 M additional Class A ordinary shares. within 30 days of the date of the prospectus (20/09/2018).

**Exhibit 15: José Neves's Ownership**

	José Neves' Ownership					
	Before the offering and the concurrent private placement			After the offering and the concurrent private placement		
	Number	Percentage	% of total voting power	Number	Percentage	% of total voting power
Class A ordinary shares [A]	1,692,478	0.2%	0.2%	0	0.0%	0.0%
Class B ordinary shares	42,858,000	14.8%	78.9%	42,858,000	77.8%	77.9%
Total [B]	44,550,478	15.0%	81.1%	42,858,000	77.8%	77.9%

*Notes:*

[A]: José Neves had 1,7M of Class A ordinary shares, which he intended to sell after the IPO. Thus, after the offering José Neves' ownership of Farfetch will correspond to the total number of Class B ordinary shares.



**Exhibit 17: Key Indicators of Designated Stock Exchanges (2017)**

Key Indicators of Designated Stock Exchanges					
(data from December 2017)	LSE	NASDAQ	NYSE	EURONEXT	HKEX
Location	London	New York	New York	Europe (multiple)	Hong Kong
Establishment	1773	1971	1972	1801	1891
Market Capitalization (in millions \$)	\$4,290,412.80	\$9,803,890.80	\$21,877,540.60	\$4,370,982.00	\$4,226,334.20
Number of listed companies	990	1,315	2,285	1,255	2,118
Number of IPOs in 2017	108	103	71	31	80
Share of Foreign IPOs	20%	21%	27%	n.a.	n.a.

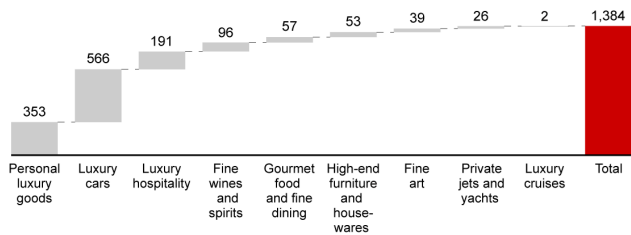
Source: Statista, EY and websites of each stock exchange

**Part B**

**Case Study**

**Exhibit 18: Global Luxury industry in 2022**

Worldwide luxury market, 2022E (€ billions)

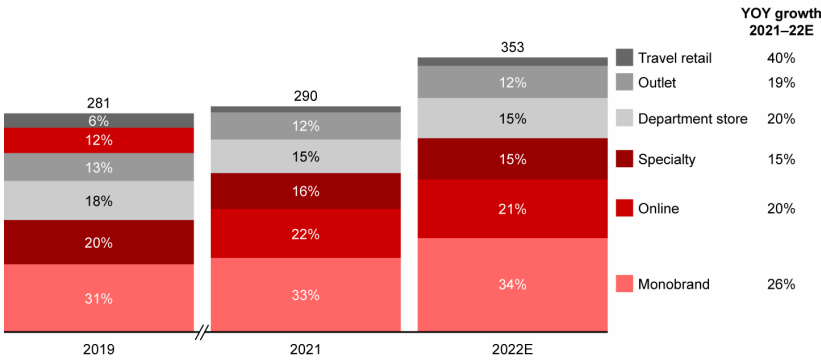


<b>2019–22E overall growth at current exchange rates</b>	26%	3%	-7%	26%	8%	24%	7%	12%	-25%	<b>8%–10%</b>
<b>2021–22E growth at current exchange rates</b>	22%	6%	110%	16%	12%	13%	13%	18%	355%	<b>19%–21%</b>
<b>at constant exchange rates</b>	15%	-1%	95%	9%	11%	9%	5%	10%	325%	<b>11%–13%</b>

Note: E indicates estimated growth  
Source: Bain & Company

**Exhibit 19: Share of Personal luxury goods market by distribution channels**

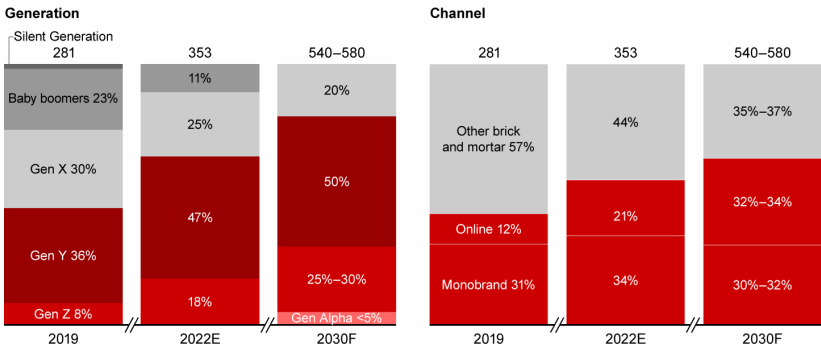
Global personal luxury goods market, by distribution channel and format (€ billions)



Note: Growth shown at current exchange rates  
Source: Bain & Company

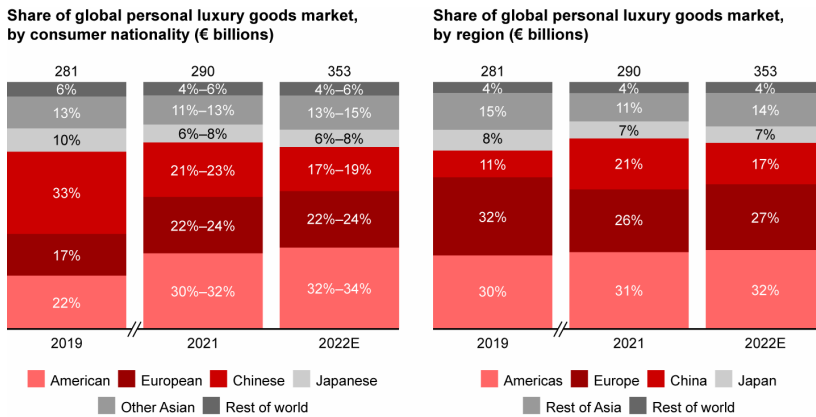
**Exhibit 20: Share of Personal luxury goods market by generation and distribution**

Share of global personal luxury goods market (€ billions)



Notes: Segments may not total 100% due to rounding; generations defined by birth year (Silent Generation 1928-45, baby boomers 1946-64, Generation X 1965-80, Generation Y 1981-1995, Generation Z 1996-2015, Generation Alpha 2016-present)  
Source: Bain & Company

**Exhibit 21: Share of Personal luxury goods market by consumers' nationality and regions**



Note: Segments may not total 100% due to rounding  
Source: Bain & Company

**Exhibit 22: Income Statement**

Thousands \$	2018	2019	2020	2021	2022 SI	2022	2023 SI
Revenue	\$ 602,384.00	\$ 1,021,037.00	\$ 1,673,922.00	\$ 2,256,608.00	\$ 1,094,150.00	\$ 2,316,680.00	\$ 1,128,477.00
Cost of Revenue	\$ (303,934.00)	\$ (561,191.00)	\$ (902,994.00)	\$ (1,240,097.00)	\$ (595,964.00)	\$ (1,293,505.00)	\$ (644,972.00)
<b>Gross Profit</b>	<b>\$ 298,450.00</b>	<b>\$ 459,846.00</b>	<b>\$ 770,928.00</b>	<b>\$ 1,016,511.00</b>	<b>\$ 498,186.00</b>	<b>\$ 1,023,175.00</b>	<b>\$ 483,505.00</b>
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Selling, General and Administrative expenses	\$ (471,766.00)	\$ (889,421.00)	\$ (1,351,483.00)	\$ (1,480,968.00)	\$ (826,676)	\$ (1,733,603.00)	\$ (875,169.00)
Impairment Losses on Tangible Assets	\$ -	\$ -	\$ (2,991.00)	\$ -	\$ -	\$ (19,945.00)	\$ (14,766.00)
Impairment Losses on Intangible Assets	\$ -	\$ -	\$ (36,269.00)	\$ (11,779.00)	\$ -	\$ (116,787.00)	\$ -
Gain/(Loss) on Items Held at Fair Value and Remeasurements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Share of Results of Associates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Operating loss/profit</b>	<b>\$ (173,316.00)</b>	<b>\$ (429,575.00)</b>	<b>\$ (619,815.00)</b>	<b>\$ (476,236.00)</b>	<b>\$ (328,490.00)</b>	<b>\$ (847,160.00)</b>	<b>\$ (406,430.00)</b>
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Gain/(Loss) on Items Held at Fair Value and Remeasurements	\$ -	\$ 21,721.00	\$ (2,643,573.00)	\$ 2,023,743.00	\$ 1,160,423.00	\$ 1,298,612.00	\$ (43,887.00)
Share of Results of Associates	\$ 33.00	\$ 366.00	\$ (74.00)	\$ (52.00)	\$ 30.00	\$ 68.00	\$ (5.00)
Net Finance Income/(Costs)	\$ 19,866.00	\$ 15,150.00	\$ (66,595.00)	\$ (73,842.00)	\$ (39,744.00)	\$ (110,188.00)	\$ (49,316.00)
Finance Income	\$ 28,192.00	\$ 24,382.00	\$ 26,099.00	\$ 32,999.00	\$ 4,220.00	\$ 38,569.00	\$ 21,232.00
Finance Costs	\$ (8,326.00)	\$ (9,232.00)	\$ (92,694.00)	\$ (106,841.00)	\$ (44,964.00)	\$ (148,857.00)	\$ (70,548.00)
<b>(Loss)/Profit Before Tax</b>	<b>\$ (153,417.00)</b>	<b>\$ (392,338.00)</b>	<b>\$ (3,330,057.00)</b>	<b>\$ 1,473,613.00</b>	<b>\$ 792,219.00</b>	<b>\$ 341,332.00</b>	<b>\$ (499,638.00)</b>
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Income Tax Benefit/(Expense)	\$ (2,158.00)	\$ (1,162.00)	\$ 14,434.00	\$ (3,002.00)	\$ 4,203.00	\$ 3,523.00	\$ 44,024.00
<b>Loss After Tax</b>	<b>\$ (155,575.00)</b>	<b>\$ (393,500.00)</b>	<b>\$ (3,315,623.00)</b>	<b>\$ 1,470,611.00</b>	<b>\$ 796,422.00</b>	<b>\$ 344,855.00</b>	<b>\$ (455,614.00)</b>
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
<b>(Loss)/Profit After Tax Attributable to:</b>							
Equity Holders of the Parent	\$ (155,575.00)	\$ (405,109.00)	\$ (3,333,171.00)	\$ 1,466,487.00	\$ 804,809.00	\$ 359,287.00	\$ (11,821.00)
Non-controlling Interests	\$ -	\$ 11,609.00	\$ 17,548.00	\$ 4,124.00	\$ (8,387.00)	\$ (14,432.00)	\$ (443,793.00)
<b>Net (Loss)/Profit</b>	<b>\$ (155,575.00)</b>	<b>\$ (393,500.00)</b>	<b>\$ (3,315,623.00)</b>	<b>\$ 1,470,611.00</b>	<b>\$ 796,422.00</b>	<b>\$ 344,855.00</b>	<b>\$ (455,614.00)</b>
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
<b>(Loss) Earnings per Share Attributable to Owners of the Parent (actual)</b>							
Basic	\$ (0.59)	\$ (1.27)	\$ (9.69)	\$ 4.02	\$ 2.11	\$ 0.93	\$ (1.11)
Diluted	\$ (0.59)	\$ (1.27)	\$ (9.69)	\$ (1.07)	\$ (0.77)	\$ (1.85)	\$ (1.11)
<b>Weighted-average Shares Outstanding (actual)</b>							
Basic	264,432,214	318,843,239	343,829,481.00	364,696,712.00	382,232,170	384,986,092.00	399,597,359.00
Diluted	264,432,214	318,843,239	343,829,481.00	472,357,095.00	460,821,030	465,689,374.00	399,597,359.00
Adjusted EBITDA	\$ (95,960.00)	\$ (121,376.00)	\$ (47,432.00)	\$ 1,638.00	n.a.	\$ (98,215.00)	n.a.

Exhibit 23: Balance Sheet

Balance Sheet							
Thousands \$	2018	2019	2020	2021	2022 \$1	2022	2023 \$1
<b>Assets</b>							
<b>Non-Current Assets</b>							
Trade and Other Receivables	\$ 10,458.00	\$ 12,388.00	\$ 58,081.00	\$ 31,225.00	\$ 18,450.00	\$ 21,204.00	\$ 40,069.00
Derivative Financial Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 721.00
Deferred Tax Assets	\$ -	\$ 5,324.00	\$ 13,556.00	\$ 13,334.00	\$ 18,776.00	\$ 19,566.00	\$ 19,342.00
Intangible Assets	\$ 103,345.00	\$ 1,162,967.00	\$ 1,279,328.00	\$ 1,359,657.00	\$ 1,721,135.00	\$ 1,547,830.00	\$ 1,503,925.00
Property, Plant and Equipment	\$ 37,528.00	\$ 67,999.00	\$ 89,062.00	\$ 97,063.00	\$ 94,591.00	\$ 91,141.00	\$ 92,632.00
Right-of-use Assets	\$ -	\$ 115,176.00	\$ 179,227.00	\$ 195,549.00	\$ 203,576.00	\$ 187,640.00	\$ 195,115.00
Investments	\$ 566.00	\$ 16,229.00	\$ 8,278.00	\$ 17,937.00	\$ 217,897.00	\$ 218,977.00	\$ 217,505.00
Investments in Associates	\$ 86.00	\$ 2,466.00	\$ 2,319.00	\$ 69.00	\$ 100.00	\$ 138.00	\$ 276.00
<b>Total Non-current Assets</b>	<b>\$ 151,983.00</b>	<b>\$ 1,582,549.00</b>	<b>\$ 1,629,871.00</b>	<b>\$ 1,714,834.00</b>	<b>\$ 2,274,525.00</b>	<b>\$ 2,086,496.00</b>	<b>\$ 2,069,585.00</b>
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
<b>Current Assets</b>							
Inventories	\$ 60,954.00	\$ 128,107.00	\$ 145,309.00	\$ 255,664.00	\$ 291,589.00	\$ 345,969.00	\$ 436,408.00
Trade and Other Receivables	\$ 93,670.00	\$ 189,897.00	\$ 209,946.00	\$ 374,706.00	\$ 454,688.00	\$ 492,565.00	\$ 501,225.00
Current Tax Assets	\$ -	\$ 1,873.00	\$ 2,082.00	\$ 10,201.00	\$ 11,409.00	\$ 16,193.00	\$ 25,945.00
Short-term Investments	\$ -	\$ -	\$ -	\$ 99,971.00	\$ 99,588.00	\$ -	\$ -
Derivative Financial Assets	\$ -	\$ 3,024.00	\$ 30,242.00	\$ 8,010.00	\$ 8,536.00	\$ 472.00	\$ 10,971.00
Cash and Cash Equivalents	\$ 1,044,786.00	\$ 322,429.00	\$ 1,573,421.00	\$ 1,363,128.00	\$ 575,573.00	\$ 734,221.00	\$ 453,820.00
<b>Total Current Assets</b>	<b>\$ 1,199,410.00</b>	<b>\$ 645,330.00</b>	<b>\$ 1,961,000.00</b>	<b>\$ 2,111,680.00</b>	<b>\$ 1,441,383.00</b>	<b>\$ 1,589,420.00</b>	<b>\$ 1,428,369.00</b>
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
<b>Total Assets</b>	<b>\$ 1,351,393.00</b>	<b>\$ 2,227,879.00</b>	<b>\$ 3,590,871.00</b>	<b>\$ 3,826,514.00</b>	<b>\$ 3,715,908.00</b>	<b>\$ 3,675,916.00</b>	<b>\$ 3,497,954.00</b>
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
<b>Equity and Liabilities</b>							
<b>Liabilities</b>							
<b>Non-current Liabilities</b>							
Provisions	\$ 13,462.00	\$ 23,704.00	\$ 129,113.00	\$ 60,545.00	\$ 12,060.00	\$ 12,166.00	\$ 15,636.00
Deferred Tax Liabilities	\$ -	\$ 215,789.00	\$ 182,463.00	\$ 156,025.00	\$ 145,043.00	\$ 127,348.00	\$ 88,596.00
Lease Liabilities	\$ -	\$ 100,833.00	\$ 165,275.00	\$ 180,915.00	\$ 184,830.00	\$ 178,247.00	\$ 184,584.00
Employee Benefit Obligations	\$ -	\$ 16,455.00	\$ 26,116.00	\$ 25,116.00	\$ 2,947.00	\$ 2,930.00	\$ 3,633.00
Derivative Financial Liabilities	\$ -	\$ -	\$ 2,990,230.00	\$ 872,428.00	\$ 235,795.00	\$ 206,664.00	\$ 206,967.00
Borrowings	\$ -	\$ -	\$ 617,789.00	\$ 515,804.00	\$ 537,222.00	\$ 892,700.00	\$ 916,923.00
Put and Call Option Liabilities	\$ -	\$ 61,268.00	\$ 348,937.00	\$ 896,609.00	\$ 254,358.00	\$ 169,218.00	\$ 208,610.00
Other Financial Liabilities	\$ 15,342.00	\$ -	\$ 4,853.00	\$ 13,967.00	\$ 308,491.00	\$ 298,244.00	\$ 287,358.00
<b>Total Non-current Liabilities</b>	<b>\$ 28,804.00</b>	<b>\$ 422,049.00</b>	<b>\$ 4,470,766.00</b>	<b>\$ 2,648,441.00</b>	<b>\$ 1,681,766.00</b>	<b>\$ 1,887,417.00</b>	<b>\$ 1,922,507.00</b>
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
<b>Current Liabilities</b>							
Trade and Other Payables	\$ 194,158.00	\$ 413,696.00	\$ 666,144.00	\$ 806,406.00	\$ 707,721.00	\$ 740,848.00	\$ 829,662.00
Borrowings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Provisions	\$ -	\$ -	\$ 27,146.00	\$ 14,585.00	\$ 8,657.00	\$ 12,053.00	\$ 8,427.00
Current Tax Liability	\$ -	\$ 28,289.00	\$ 3,098.00	\$ 5,189.00	\$ 26,401.00	\$ 6,075.00	\$ 6,503.00
Lease Liabilities	\$ -	\$ 18,485.00	\$ 26,128.00	\$ 33,994.00	\$ 36,706.00	\$ 36,996.00	\$ 41,614.00
Employee Benefit Obligations	\$ -	\$ -	\$ 38,286.00	\$ 8,296.00	\$ 2,987.00	\$ 2,403.00	\$ 2,051.00
Derivative Financial Liabilities	\$ -	\$ 5,601.00	\$ 17,427.00	\$ 21,118.00	\$ 67,490.00	\$ 22,041.00	\$ 4,934.00
Put and Call Option Liabilities	\$ -	\$ 1,118.00	\$ -	\$ 8,321.00	\$ 48,900.00	\$ 26,029.00	\$ 30,194.00
Other Financial Liabilities	\$ -	\$ 809.00	\$ 518.00	\$ 9,748.00	\$ 24,379.00	\$ 36,433.00	\$ 45,891.00
<b>Total Current Liabilities</b>	<b>\$ 194,158.00</b>	<b>\$ 467,898.00</b>	<b>\$ 778,747.00</b>	<b>\$ 907,257.00</b>	<b>\$ 917,701.00</b>	<b>\$ 882,878.00</b>	<b>\$ 969,276.00</b>
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
<b>Total Liabilities</b>	<b>\$ 222,962.00</b>	<b>\$ 890,047.00</b>	<b>\$ 5,249,513.00</b>	<b>\$ 3,555,698.00</b>	<b>\$ 2,599,467.00</b>	<b>\$ 2,770,295.00</b>	<b>\$ 2,891,783.00</b>
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
<b>Equity</b>							
Share Capital	\$ 11,994.00	\$ 13,584.00	\$ 14,168.00	\$ 15,231.00			
Share Premium	\$ 772,300.00	\$ 878,007.00	\$ 927,931.00	\$ 1,641,674.00			
Merger Reserve	\$ 783,529.00	\$ 783,529.00	\$ 783,529.00	\$ 783,529.00			
Foreign Exchange Reserve	\$ (23,509.00)	\$ (30,842.00)	\$ (7,271.00)	\$ (24,544.00)			
Other reserves	\$ 67,474.00	\$ 349,463.00	\$ 467,565.00	\$ 59,520.00			
Accumulated Losses	\$ (483,557.00)	\$ (626,155.00)	\$ (4,013,120.00)	\$ (2,336,802.00)			
Equity Attributable to Owners of the Parent	\$ 1,128,431.00	\$ 1,167,606.00	\$ (1,827,198.00)	\$ 88,608.00	\$ 953,580.00	\$ 748,214.00	\$ 460,568.00
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
<b>Non-controlling Interests</b>	<b>\$ -</b>	<b>\$ 170,226.00</b>	<b>\$ 168,556.00</b>	<b>\$ 182,008.00</b>	<b>\$ 162,861.00</b>	<b>\$ 157,407.00</b>	<b>\$ 145,603.00</b>
<b>Total Equity</b>	<b>\$ 1,128,431.00</b>	<b>\$ 1,337,832.00</b>	<b>\$ (1,658,642.00)</b>	<b>\$ 270,616.00</b>	<b>\$ 1,116,441.00</b>	<b>\$ 905,621.00</b>	<b>\$ 606,171.00</b>
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
<b>Total Equity and Liabilities</b>	<b>\$ 1,351,393.00</b>	<b>\$ 2,227,879.00</b>	<b>\$ 3,590,871.00</b>	<b>\$ 3,826,514.00</b>	<b>\$ 3,715,908.00</b>	<b>\$ 3,675,916.00</b>	<b>\$ 3,497,954.00</b>
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE

## Exhibit 24: Statement of Cash-Flows

Statement of Cash Flows					
Thousands \$	2018	2019	2020	2021	2022
<b>Cash flows from operating activities</b>					
Operating loss	\$ (153,417.00)	\$ (429,575.00)	\$ (619,815.00)	\$ (476,236.00)	\$ (847,160.00)
Adjustments for:	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	\$ 7,338.00	\$ 28,536.00	\$ 39,366.00	\$ 49,564.00	\$ 54,689.00
Amortization	\$ 16,199.00	\$ 85,055.00	\$ 177,857.00	\$ 201,634.00	\$ 278,086.00
Impairment of non-current asset	\$ -	\$ -	\$ -	\$ -	\$ -
Non-cash employee benefits expense	\$ 53,819.00	\$ 158,007.00	\$ 168,347.00	\$ 219,932.00	\$ 290,331.00
Net loss/(gain) on sale of non-current assets	\$ 1,028.00	\$ (144.00)	\$ -	\$ -	\$ -
Share of profits of associates	\$ (33.00)	\$ -	\$ -	\$ -	\$ -
Net finance income	\$ (19,866.00)	\$ -	\$ -	\$ -	\$ -
Net exchange differences	\$ 7,621.00	\$ (842.00)	\$ -	\$ -	\$ -
Impairment losses on tangible assets	\$ -	\$ -	\$ 2,991.00	\$ -	\$ 19,945.00
Impairment losses on intangible assets	\$ -	\$ -	\$ 36,269.00	\$ 11,779.00	\$ 116,787.00
Issue of warrants	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment of investments	\$ -	\$ 5,000.00	\$ 235.00	\$ 134.00	\$ 99.00
Change in the fair value of derivatives	\$ (506.00)	\$ (117.00)	\$ (15,052.00)	\$ 5,663.00	\$ (53,741.00)
Changes in working capital	\$ -	\$ -	\$ -	\$ -	\$ -
Decrease/increase in receivables	\$ (72,151.00)	\$ (51,273.00)	\$ (15,833.00)	\$ (164,656.00)	\$ (105,977.00)
Decrease/increase in inventories	\$ (10,345.00)	\$ (29,723.00)	\$ (16,471.00)	\$ (104,838.00)	\$ (85,610.00)
Decrease/increase in payables	\$ 57,432.00	\$ 113,716.00	\$ 280,454.00	\$ 115,025.00	\$ (73,582.00)
Changes in other assets and liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
(Increase)/decrease in non-current receivables	\$ (1,265.00)	\$ 3,723.00	\$ (1,453.00)	\$ 13,551.00	\$ 10,500.00
Increase in other liabilities	\$ -	\$ 11,575.00	\$ 59,640.00	\$ (44,227.00)	\$ (52,890.00)
Decrease/increase in provisions	\$ (701.00)	\$ (4,252.00)	\$ 85,001.00	\$ (68,128.00)	\$ (50,707.00)
Interest paid	\$ (536.00)	\$ -	\$ -	\$ -	\$ -
Other items	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes paid	\$ (822.00)	\$ (16,328.00)	\$ (65,221.00)	\$ (41,351.00)	\$ (37,368.00)
<b>Net cash outflow from operating activities</b>	<b>\$ (116,205.00)</b>	<b>\$ (126,642.00)</b>	<b>\$ 116,315.00</b>	<b>\$ (282,154.00)</b>	<b>\$ (536,598.00)</b>
<b>Cash flows from investing activities</b>					
Acquisition of subsidiaries, net of cash acquired	\$ -	\$ (461,691.00)	\$ (12,016.00)	\$ (27,295.00)	\$ (73,860.00)
Payments for property, plant and equipment	\$ (21,137.00)	\$ (39,512.00)	\$ (26,839.00)	\$ (28,854.00)	\$ (22,191.00)
Proceeds on disposal of property, plant and equipment	\$ -	\$ 272.00	\$ -	\$ -	\$ -
Payments for intangible assets	\$ (50,978.00)	\$ (72,985.00)	\$ (94,105.00)	\$ (167,707.00)	\$ (148,679.00)
Interest received	\$ 8,865.00	\$ 11,259.00	\$ 3,131.00	\$ 2,994.00	\$ 8,917.00
Investment in short-term investments	\$ -	\$ -	\$ -	\$ (100,000.00)	\$ -
Decrease in short-term investments	\$ -	\$ -	\$ -	\$ -	\$ 100,019.00
Dividends received from associate	\$ -	\$ -	\$ 60.00	\$ -	\$ -
Payments for investments	\$ (288.00)	\$ (20,846.00)	\$ (2,872.00)	\$ (9,794.00)	\$ (210,003.00)
Proceeds on disposal of investment	\$ -	\$ -	\$ -	\$ -	\$ 1,461.00
Increase/decrease in other long-term assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net cash outflow from investing activities</b>	<b>\$ (63,538.00)</b>	<b>\$ (583,503.00)</b>	<b>\$ (132,641.00)</b>	<b>\$ (330,656.00)</b>	<b>\$ (344,336.00)</b>
<b>Cash flows from financing activities</b>					
Payment for acquisition of non-controlling interest	\$ -	\$ -	\$ -	\$ (18,514.00)	\$ -
Proceeds from issue of shares, net of issue costs	\$ 859,526.00	\$ -	\$ 50,000.00	\$ -	\$ -
Proceeds from exercise of employee share-based awards	\$ -	\$ 8,654.00	\$ 62,899.00	\$ 36,833.00	\$ 2,546.00
Transaction costs paid relating to capital contribution from non-controlling interest	\$ -	\$ -	\$ -	\$ (25,000.00)	\$ -
Repayment of loan notes	\$ -	\$ -	\$ -	\$ -	\$ -
Repayment of the principal elements of lease payments	\$ -	\$ (19,127.00)	\$ (19,051.00)	\$ (26,251.00)	\$ (33,938.00)
Proceeds from borrowings, net of issue costs	\$ -	\$ -	\$ 1,241,861.00	\$ -	\$ 369,113.00
Payment for the repurchase of convertible loan notes	\$ -	\$ -	\$ -	\$ -	\$ (32,500.00)
Dividends paid to holders of non-controlling interests	\$ -	\$ -	\$ (20,515.00)	\$ (23,016.00)	\$ (17,129.00)
Interest and fees paid on loans	\$ -	\$ (4,776.00)	\$ (54,154.00)	\$ (32,791.00)	\$ (26,699.00)
Settlement of equity-based awards	\$ -	\$ -	\$ -	\$ (6,119.00)	\$ (4,409.00)
Capital contribution from non-controlling interest	\$ -	\$ -	\$ -	\$ 500,000.00	\$ -
<b>Net cash inflow(outflow) from financing activities</b>	<b>\$ 859,526.00</b>	<b>\$ (15,249.00)</b>	<b>\$ 1,261,040.00</b>	<b>\$ 405,142.00</b>	<b>\$ 256,984.00</b>
Net increase/(decrease) in cash and cash equivalents	\$ 679,783.00	\$ (725,394.00)	\$ 1,244,714.00	\$ (207,668.00)	\$ (623,950.00)
Cash and cash equivalents at the beginning of the year	\$ 384,002.00	\$ 1,044,786.00	\$ 322,429.00	\$ 1,573,421.00	\$ 1,363,128.00
Effects of exchange rate changes on cash and cash equivalents	\$ (18,999.00)	\$ 3,037.00	\$ 6,278.00	\$ (2,625.00)	\$ (4,957.00)
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,044,786.00</b>	<b>\$ 322,429.00</b>	<b>\$ 1,573,421.00</b>	<b>\$ 1,363,128.00</b>	<b>\$ 734,221.00</b>

Group part

### Exhibit 25: Revenue Breakdown by Product

Revenues by Product							
Thousands \$	2018	2019	2020	2021	2022 S1	2022	2023 S1
<b>Digital Platform</b>	\$ -						
Services revenue	\$ 488,995.00	\$ 701,246.00	\$ 1,033,156.00	\$ 1,385,678.00	\$ 672,818.00	\$ 1,419,721.00	\$ 732,533.00
Fulfillment revenue	\$ 97,794.00	\$ 127,960.00	\$ 213,228.00	\$ 332,504.00	\$ 158,797.00	\$ 321,653.00	\$ 170,899.00
Total revenue	\$ 586,789.00	\$ 829,206.00	\$ 1,246,384.00	\$ 1,718,182.00	\$ 831,615.00	\$ 1,741,374.00	\$ 903,432.00
Less: Cost of revenue	\$ (295,083.00)	\$ (457,293.00)	\$ (686,178.00)	\$ (987,929.00)	\$ (471,926.00)	\$ (1,014,785.00)	\$ (542,313.00)
Gross profit	\$ 291,706.00	\$ 371,913.00	\$ 560,206.00	\$ 730,253.00	\$ 359,689.00	\$ 726,589.00	\$ 361,119.00
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
<b>Brand Platform</b>	\$ -						
Revenue	n.a.	\$ 164,210.00	\$ 390,014.00	\$ 467,505.00	\$ 217,069.00	\$ 477,146.00	\$ 181,843.00
Less: Cost of revenue	n.a.	\$ (89,203.00)	\$ (199,208.00)	\$ (225,989.00)	\$ (106,547.00)	\$ (242,663.00)	\$ (86,756.00)
Gross profit	\$ -	\$ 75,007.00	\$ 190,806.00	\$ 241,516.00	\$ 110,522.00	\$ 234,483.00	\$ 95,087.00
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
<b>In-Stores:</b>	\$ -						
Revenue	\$ 15,595.00	\$ 27,621.00	\$ 37,524.00	\$ 70,921.00	\$ 45,466.00	\$ 98,160.00	\$ 43,202.00
Less: Cost of revenue	\$ (8,851.00)	\$ (14,695.00)	\$ (17,608.00)	\$ (26,179.00)	\$ (17,491.00)	\$ (36,057.00)	\$ (15,903.00)
Gross profit	\$ 6,744.00	\$ 12,926.00	\$ 19,916.00	\$ 44,742.00	\$ 27,975.00	\$ 62,103.00	\$ 27,299.00

### Exhibit 26: Revenue Breakdown by Region

Revenue By Region						
Thousands \$	2018	2019	2020	2021	2022	2023 S1
Americas	\$ 175,060.00	\$ 277,712.00	\$ 314,596.00	\$ 475,684.00	\$ 512,196.00	\$ 258,271.00
Europe, Middle East and Africa	\$ 240,662.00	\$ 377,944.00	\$ 151,875.00	\$ 221,264.00	\$ 1,546,213.00	\$ 186,662.00
Asia Pacific	\$ 186,662.00	\$ 365,381.00	\$ 1,207,451.00	\$ 1,559,660.00	\$ 2,316,680.00	\$ 602,384.00
<b>Total revenue</b>	<b>\$ 602,384.00</b>	<b>\$ 1,021,037.00</b>	<b>\$ 1,673,922.00</b>	<b>\$ 2,256,608.00</b>	<b>\$ 2,316,680.00</b>	<b>\$ 602,384.00</b>

### Exhibit 27: Marketplace Indicators

Marketplace indicators						
	2019	2020	2021	2022 S1	2022	2023 S1
<b>Digital Platform Revenue</b>	<b>\$ 829,206.00</b>	<b>\$ 1,246,384.00</b>	<b>\$ 1,718,182.00</b>	<b>\$ 731,615.00</b>	<b>\$ 1,741,374.00</b>	<b>\$ 903,432.00</b>
Active Consumers (Thousands)	2,068	3,024	3,687	3,844	3,918	4,132
Number of Orders (Thousands)	n/a	n/a	n/a	n/a	n/a	n/a
Average Order Value (Actual)	\$ 608	\$ 568	\$ 612	\$ 596	\$ 574	\$ 561

Exhibit 28: Farfetch Business Model Canvas (2023)

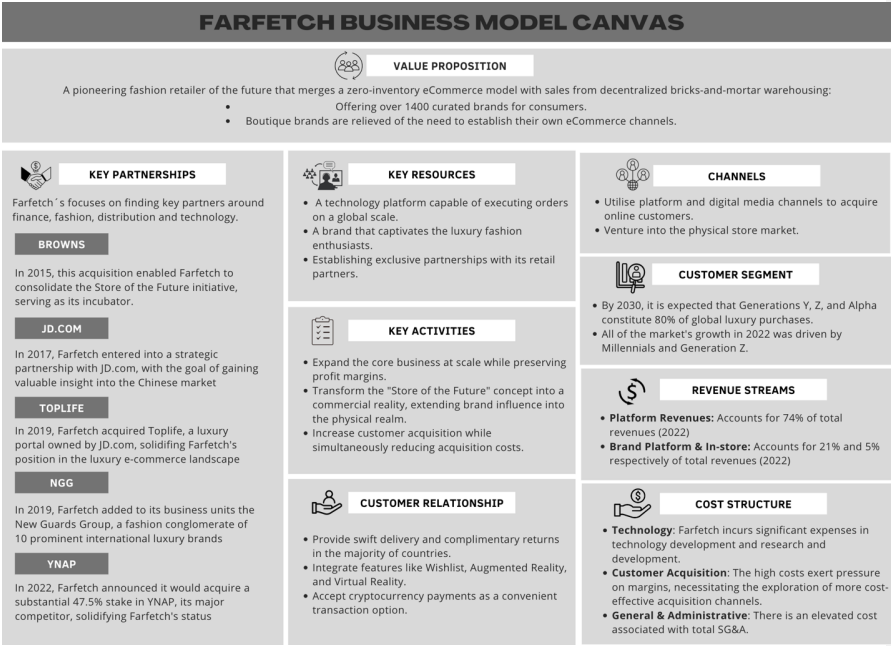
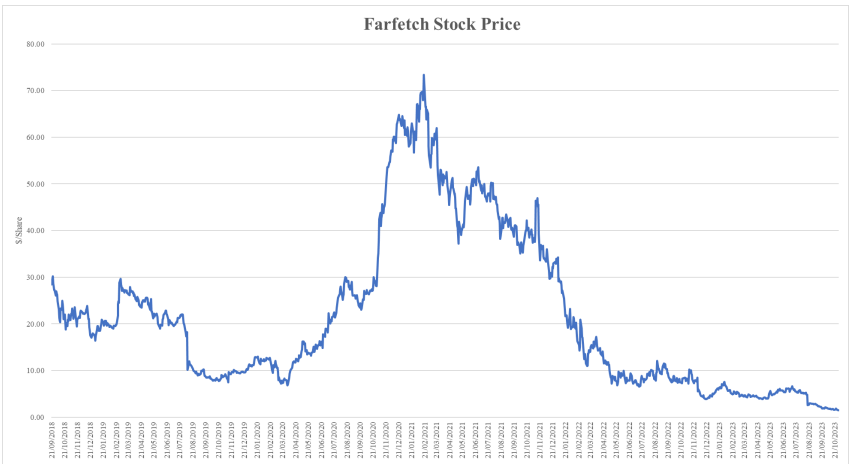


Exhibit 29: Stock Price Evolution



## Teaching Note – Part B

## Group 1

Table 32: Farfetch's Revenue Value Drivers

Revenues' Value Drivers							
Thousands \$	2018	2019	2020	2021	2022	2022 \$1	2023 \$1
<b>Total Revenue</b>	\$ 602,384.00	\$ 1,021,037.00	\$ 1,673,922.00	\$ 2,256,608.00	\$ 2,316,680.00	\$ 1,094,150.00	\$ 1,128,477.00
Revenue Evolution	n/a	69.50%	63.94%	34.81%	2.66%	n/a	3.14%
<b>Digital Platform Revenue</b>	\$ 586,789.00	\$ 829,206.00	\$ 1,246,384.00	\$ 1,718,182.00	\$ 1,741,374.00	\$ 731,615.00	\$ 903,432.00
Revenue Evolution	n/a	41.31%	50.31%	37.85%	1.35%	n/a	23.48%
% Total Revenue	97.41%	81.21%	74.46%	76.14%	75.17%	66.87%	80.06%
Active Consumers (thousands)	1118	2068	3024	3687	3918	3844	4132
Active Consumers Evolution	n/a	84.97%	46.23%	21.92%	6.27%	n/a	7.49%
Number of orders (thousands)	2913	n/a	n/a	n/a	n/a	n/a	n/a
Number of Orders Evolution	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average Order Value (actual)	€ 619.00	\$ 608	\$ 568	\$ 612	\$ 574	\$ 596	\$ 561
Average Order Value Evolution	n/a	-1.78%	-6.58%	7.75%	-6.21%	n/a	-5.87%
<b>Brand Platform</b>	n.a.	\$ 164,210.00	\$ 390,014.00	\$ 467,505.00	\$ 477,146.00	\$ 217,069.00	\$ 181,843.00
Revenue Evolution	n/a	n/a	137.51%	19.87%	2.06%	n/a	-16.23%
% Total Revenue	n/a	16.08%	23.30%	20.72%	20.60%	19.84%	16.11%
<b>In-Store Revenue</b>	\$ 15,595.00	\$ 27,621.00	\$ 37,524.00	\$ 70,921.00	\$ 98,160.00	\$ 45,466.00	\$ 43,202.00
Evolution	n/a	77.11%	35.85%	89.00%	38.41%	n/a	-4.98%
% Total Revenue	2.59%	2.71%	2.24%	3.14%	4.24%	4.16%	3.83%

Table 33: Farfetch's Revenue by Region

Revenues by Regions						
Thousands \$	2018	2019	2020	2021	2022	Notes
<b>Total Revenue</b>	\$ 602,384.00	\$ 1,021,037.00	\$ 1,673,922.00	\$ 2,256,608.00	\$ 2,316,680.00	1
<b>Americas</b>	\$ 175,060.00	\$ 277,712.00	n/a	n/a	n/a	
Revenue Evolution	n/a	58.64%	n/a	n/a	n/a	
% Total Revenue	29.06%	27.20%	n/a	n/a	n/a	
<b>Europe, Middle East and Africa</b>	\$ 240,662.00	\$ 377,944.00	n/a	n/a	n/a	
Revenues Evolution	n/a	57.04%	n/a	n/a	n/a	
% Total Revenue	39.95%	37.02%	n/a	n/a	n/a	
<b>Asia Pacific</b>	\$ 186,662.00	\$ 365,381.00	n/a	n/a	n/a	
Revenues Evolution	n/a	95.7%	n/a	n/a	n/a	
% Total Revenue	31.0%	35.8%	n/a	n/a	n/a	
<b>United States</b>	n/a	n/a	\$ 314,596.00	\$ 475,684.00	\$ 512,196.00	
Revenue Evolution	n/a	n/a	13.28%	51.20%	7.68%	
% Total Revenue	n/a	n/a	18.79%	21.08%	22.11%	
<b>United Kingdom</b>	n/a	n/a	\$ 151,875.00	\$ 221,264.00	\$ 258,271.00	
Revenue Evolution	n/a	n/a	-59.82%	45.69%	16.73%	
% Total Revenue	n/a	n/a	9.07%	9.81%	11.15%	
<b>Other Countries</b>	n/a	n/a	\$ 1,207,451.00	\$ 1,559,660.00	\$ 1,546,213.00	
Revenue Evolution	n/a	n/a	230.46%	29.17%	-0.86%	
% Total Revenue	n/a	n/a	72.13%	69.12%	66.74%	

**Table 34: Farfetch's Gross Profit, EBITDA, Net Loss Evolution**

Growth Evolution								
Thousands \$	2018	2019	2020	2021	2022	2022 S1	2023 S1	Notes
<b>Gross Profit</b>	\$ 298,450.00	\$ 459,846.00	\$ 770,928.00	\$ 1,016,511.00	\$ 1,023,175.00	\$ 498,186.00	\$ 483,505.00	
<i>Gross Profit Evolution</i>	<i>n/a</i>	<i>54%</i>	<i>67.65%</i>	<i>31.86%</i>	<i>0.66%</i>	<i>n/a</i>	<i>-2.93%</i>	
<b>EBITDA</b>	\$ (149,779.00)	\$ (315,984.00)	\$ (402,592.00)	\$ (225,038.00)	\$ (514,385.00)	\$ (235,014.00)	\$ (285,996.00)	2
<i>EBITDA Evolution</i>	<i>n/a</i>	<i>110.97%</i>	<i>27.41%</i>	<i>-44.10%</i>	<i>128.58%</i>	<i>n/a</i>	<i>21.69%</i>	3
<b>Net Loss/Profit</b>	\$ (155,575.00)	\$ (393,500.00)	\$ (3,315,623.00)	\$ 1,470,611.00	\$ 344,855.00	\$ 796,422.00	\$ (875,169.00)	
<i>Net Profit Evolution</i>	<i>n/a</i>	<i>152.93%</i>	<i>742.60%</i>	<i>-144.33%</i>	<i>-76.53%</i>	<i>n/a</i>	<i>-209.89%</i>	4

**Notes:**

1: It is worth noting that, due to lack of information per quarters, it was not possible to conclude on revenues by region in the first semester of 2022 and 2023

2: EBITDA was deducted by summing the Operating profit and the Depreciation and amortization

3: It is worth noting that, despite the figure being increasingly negative, the growth rate calculation yields a positive percentage.

4: It is worth noting that, despite the figure being increasingly negative, the growth rate calculation yields a positive percentage.

**Table 35: Farfetch Costs' Value Drivers**

Costs' Value Drivers								
Thousands \$	2018	2019	2020	2021	2022	2022 S1	2023 S1	
<b>Revenue</b>	\$ 602,384.00	\$ 1,021,037.00	\$ 1,673,922.00	\$ 2,256,608.00	\$ 2,316,680.00	\$ 1,094,150.00	\$ 1,128,477.00	
<b>COGS</b>	\$ 303,934.00	\$ 561,191.00	\$ 902,994.00	\$ 1,240,097.00	\$ 1,293,505.00	\$ 595,964.00	\$ 644,972.00	
<i>COGS Evolution</i>	<i>n/a</i>	<i>84.84%</i>	<i>60.91%</i>	<i>37.33%</i>	<i>4.31%</i>	<i>n/a</i>	<i>8.22%</i>	
<i>% Total Revenue</i>	<i>50.46%</i>	<i>54.96%</i>	<i>53.94%</i>	<i>54.93%</i>	<i>55.83%</i>	<i>54.47%</i>	<i>57.13%</i>	
<b>Gross Profit</b>	\$ 298,450.00	\$ 459,846.00	\$ 770,928.00	\$ 1,016,511.00	\$ 1,023,175.00	\$ 498,186.00	\$ 483,505.00	
<b>Selling, General and Administrative expenses (without Depreciation and Amortization)</b>	\$ 448,229.00	\$ 775,830.00	\$ 1,134,260.00	\$ 1,229,770.00	\$ 1,400,828.00	\$ 733,200.00	\$ 754,735.00	
<b>Demand Generation Expense</b>	\$ 97,295.00	\$ 151,350.00	\$ 198,787.00	\$ 291,821.00	\$ 272,009.00	\$ 143,204.00	\$ 128,396.00	
<i>Demand Generation Expense Evolution</i>	<i>n/a</i>	<i>55.56%</i>	<i>31.34%</i>	<i>46.89%</i>	<i>-6.79%</i>	<i>n/a</i>	<i>-10.34%</i>	
<i>% SGA</i>	<i>21.77%</i>	<i>19.91%</i>	<i>17.53%</i>	<i>23.73%</i>	<i>19.42%</i>	<i>17.80%</i>	<i>17.80%</i>	
<b>Technology Expense</b>	\$ 68,224.00	\$ 84,207.00	\$ 115,227.00	\$ 131,408.00	\$ 120,024.00	\$ 65,223.00	\$ 53,400.00	
<i>Technology Expense Evolution</i>	<i>n/a</i>	<i>23.43%</i>	<i>36.84%</i>	<i>14.04%</i>	<i>-8.66%</i>	<i>n/a</i>	<i>-18.13%</i>	
<i>% SGA</i>	<i>15.22%</i>	<i>16.82%</i>	<i>18.16%</i>	<i>18.69%</i>	<i>8.57%</i>	<i>8.90%</i>	<i>7.80%</i>	
<b>General and Administrative</b>	\$ 228,891.00	\$ 345,665.00	\$ 504,346.00	\$ 591,644.00	\$ 729,857.00	\$ 349,765.00	\$ 367,020.00	
<i>General and Administrative Evolution</i>	<i>n/a</i>	<i>51.02%</i>	<i>45.91%</i>	<i>17.31%</i>	<i>23.36%</i>	<i>n/a</i>	<i>4.93%</i>	
<i>% SGA</i>	<i>31.07%</i>	<i>44.53%</i>	<i>44.46%</i>	<i>38.11%</i>	<i>52.10%</i>	<i>47.70%</i>	<i>46.63%</i>	
<b>Other Items</b>	\$ -	\$ 16,374.00	\$ 24,267.00	\$ 18,730.00	\$ 34,082.00	\$ 12,956.00	\$ 28,260.00	
<i>Other Items Evolution</i>	<i>n/a</i>	<i>48.20%</i>	<i>22.82%</i>	<i>81.96%</i>	<i>11.77%</i>	<i>n/a</i>	<i>118.12%</i>	
<i>% SGA</i>	<i>0.00%</i>	<i>2.11%</i>	<i>2.14%</i>	<i>1.52%</i>	<i>2.43%</i>	<i>1.77%</i>	<i>3.74%</i>	
<b>SG&amp;A Evolution (without Depreciation and Amortization)</b>	<i>n/a</i>	<i>73.09%</i>	<i>46.20%</i>	<i>8.42%</i>	<i>13.91%</i>	<i>n/a</i>	<i>2.94%</i>	
<i>% Total Revenue</i>	<i>74.41%</i>	<i>75.98%</i>	<i>67.76%</i>	<i>54.50%</i>	<i>60.47%</i>	<i>67.01%</i>	<i>66.88%</i>	
<b>EBITDA</b>	\$ (149,779.00)	\$ (315,984.00)	\$ (402,592.00)	\$ (225,038.00)	\$ (514,385.00)	\$ (235,014.00)	\$ (285,996.00)	
<b>Depreciation and Amortization</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<i>Depreciation and Amortization Evolution</i>	<i>n/a</i>	<i>382.61%</i>	<i>91.23%</i>	<i>15.64%</i>	<i>32.48%</i>	<i>n/a</i>	<i>28.84%</i>	
<i>% Total Revenue</i>	<i>0.00%</i>	<i>11.13%</i>	<i>12.98%</i>	<i>11.13%</i>	<i>14.26%</i>	<i>8.54%</i>	<i>10.67%</i>	
<b>Other Expenses</b>	\$ -	\$ -	\$ 2,682,907.00	\$ 11,831.00	\$ 136,737.00	\$ -	\$ 14,766.00	
<b>Impairment Losses on Tangible Assets</b>	\$ -	\$ -	\$ 2,991.00	\$ -	\$ 19,945.00	\$ -	\$ 14,766.00	
<i>Impairment losses intangible assets Evolution</i>	<i>n/a</i>	<i>n/a</i>	<i>-100.00%</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	
<i>% Total Revenue</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.18%</i>	<i>0.00%</i>	<i>0.86%</i>	<i>0.00%</i>	<i>1.31%</i>	
<b>Impairment Losses on Intangible Assets</b>	\$ -	\$ -	\$ 36,269.00	\$ 11,779.00	\$ 116,787.00	\$ -	\$ -	
<i>Impairment losses intangible assets Evolution</i>	<i>n/a</i>	<i>n/a</i>	<i>-67.52%</i>	<i>891.48%</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	
<i>% Total Revenue</i>	<i>0.00%</i>	<i>0.00%</i>	<i>2.17%</i>	<i>0.52%</i>	<i>5.04%</i>	<i>0.00%</i>	<i>0.00%</i>	
<b>Loss on items held at fair value and remeasurements</b>	\$ -	\$ -	\$ 2,643,573.00	\$ -	\$ -	\$ -	\$ -	
<i>Loss Evolution</i>	<i>n/a</i>	<i>n/a</i>	<i>-100.00%</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	
<i>% Total Revenue</i>	<i>0.00%</i>	<i>2.13%</i>	<i>157.93%</i>	<i>89.68%</i>	<i>56.03%</i>	<i>0.00%</i>	<i>0.00%</i>	
<b>Share of results of associates</b>	\$ -	\$ -	\$ 74.00	\$ 52.00	\$ 5.00	\$ -	\$ -	
<i>Share of results of associates evolution</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>29.73%</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	
<i>% Total Revenue</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	
<b>Other Expenses Evolution</b>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>-99.36%</i>	<i>1053.75%</i>	<i>n/a</i>	<i>n/a</i>	
<i>% Total Revenue</i>	<i>0.00%</i>	<i>0.00%</i>	<i>160.28%</i>	<i>0.52%</i>	<i>5.90%</i>	<i>0.00%</i>	<i>1.31%</i>	
<b>Finance costs</b>	\$ 18,316.00	\$ 10,232.00	\$ 91,294.00	\$ 86,441.00	\$ 146,557.00	\$ -	\$ -	
<i>Finance Costs Evolution</i>	<i>n/a</i>	<i>3.98%</i>	<i>374.70%</i>	<i>-3.33%</i>	<i>71.86%</i>	<i>n/a</i>	<i>n/a</i>	
<i>% Total Revenue</i>	<i>3.04%</i>	<i>1.83%</i>	<i>5.45%</i>	<i>3.83%</i>	<i>6.41%</i>	<i>n/a</i>	<i>n/a</i>	
<b>Income tax expense</b>	\$ 2,158.00	\$ -	\$ -	\$ -	\$ 3,002.00	\$ -	\$ -	
<i>Income Tax Benefit Evolution</i>	<i>n/a</i>	<i>-46.15%</i>	<i>1142.17%</i>	<i>-79.210%</i>	<i>17.36%</i>	<i>n/a</i>	<i>0.00%</i>	
<i>% Total Revenue</i>	<i>0.36%</i>	<i>0.11%</i>	<i>0.86%</i>	<i>0.13%</i>	<i>0.13%</i>	<i>0.00%</i>	<i>0.00%</i>	
<b>Other gains</b>	\$ -	\$ 21,721.00	\$ -	\$ 2,023,743.00	\$ 1,298,612.00	\$ 1,160,423.00	\$ -	
<b>Gains on items held at fair value and remeasurements</b>	\$ -	\$ 36.00	\$ 68.00	\$ -	\$ 30.00	\$ -	\$ -	
<b>Share of results of associates</b>	\$ 38,182.00	\$ 34,382.00	\$ 24,699.00	\$ 12,599.00	\$ 38,369.00	\$ -	\$ -	
<b>Finance income</b>	\$ -	\$ (1,162.00)	\$ 14,434.00	\$ -	\$ 5,233.00	\$ 4,203.00	\$ 44,024.00	
<b>Income tax benefit</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Net income</b>	\$ (155,575.00)	\$ (393,500.00)	\$ (3,315,623.00)	\$ 1,470,611.00	\$ 344,855.00	\$ 796,422.00	\$ (455,614.00)	

**Table 36: Farfetch's Metrics Analysis**

Farfetch's Metrics Analysis								
	2018	2019	2020	2021	2022	2022 S1	2023 S1	Notes
<b>Profitability Ratios</b>								
Gross Margin	49.54%	45.04%	46.06%	45.05%	44.17%	45.53%	42.85%	
EBITDA Margin	-24.86%	-30.95%	-24.05%	-9.97%	-22.20%	-21.48%	-25.34%	1
Net Profit Margin	-25.83%	-38.54%	-198.08%	65.17%	14.89%	72.79%	-40.37%	
ROE	-13.79%	-29.41%	199.90%	543.43%	38.08%	71.34%	-75.16%	
ROA	-11.51%	-17.66%	-92.33%	38.43%	9.38%	21.43%	-13.03%	
<b>Liquidity Ratios</b>								
Current Ratio	6.18	1.38	2.52	2.33	1.80	1.57	1.47	
Quick Ratio	5.86	1.11	2.33	2.05	1.41	1.25	1.02	
Cash Ratio	5.38	0.69	2.02	1.50	0.83	0.63	0.47	
Net Working Capital (Thousands \$)	\$ 1,005,252.00	\$ 177,332.00	\$ 1,182,253.00	\$ 1,204,423.00	\$ 706,542.00	\$ 523,682.00	\$ 459,093.00	
<b>Solvency Ratios</b>								
D/E	0.00%	8.92%	-48.79%	269.87%	122.34%	67.96%	190.23%	2
D/EBITDA	0.00%	-37.76%	-201.00%	-324.53%	-215.39%	-322.87%	-403.19%	3
Solvency Ratio	506.11%	150.31%	-31.60%	7.61%	32.69%	42.95%	20.96%	
Financial Autonomy Ratio	83.50%	60.05%	-46.19%	7.07%	24.64%	30.04%	17.33%	
Interest Coverage Ratio	-28569%	-4753%	-6485%	1906%	424%	n/a	n/a	
<b>Activity Ratios</b>								
Asset Turnover Ratio	0.45	0.46	0.47	0.59	0.63	0.29	0.32	
Inventory Turnover Ratio	4.99	4.38	6.21	4.85	3.74	2.04	1.48	
Average Holding Period	73.20	83.32	58.74	75.25	97.63	178.58	246.97	
Average Collection Period	56.76	67.88	45.78	60.61	77.61	151.68	162.12	
Average Payable Period	233.17	269.07	269.26	237.35	209.05	433.45	469.52	
Cash Conversion Cycle	-103.21	-117.86	-164.75	-101.49	-33.82	-103.18	-60.43	
<b>Valuation Ratios</b>								
P/E	-46.6x	-18.5x	-106.4x	-60.8x	-5.1x	n/a	-9.1x	
EPS Growth	118.52%	115.25%	662.99%	-141.49%	-76.87%	n/a	-152.61%	

**Notes:**

- 1: EBITDA was deducted by summing the Operating profit and the Depreciation and Amortization
- 2: The Debt includes short-term and long-term Lease liabilities and short-term and long-term Borrowings.
- 3: The Debt includes short-term and long-term Lease liabilities and short-term and long-term Borrowings.

**Table 37: Yoox's Metrics Analysis**

Yoox Net-A-Porter Group Metrics Analysis						
	2018	2019	2020	2021	2022	Notes
<b>Profitability Ratios</b>						
Revenues growth	n/a	-85.06%	153.99%	20.45%	44.17%	
Gross Margin	n/a	n/a	n/a	n/a	n/a	
EBITDA Margin	n/a	-12.21%	-13.49%	-5.60%	-2.45%	
Net Profit Margin	n/a	-19.58%	-17.49%	-17.49%	-11.31%	
ROE	n/a	-3.61%	-8.99%	-11.23%	-8.60%	
ROA	n/a	-2.31%	-4.83%	-5.36%	-4.86%	
<b>Liquidity Ratios</b>						
Current Ratio	n/a	1.13	1.05	0.55	1.14	
Quick Ratio	n/a	0.45	0.49	0.26	0.54	
Cash Ratio	n/a	0.12	0.08	0.11	0.10	
Net Working Capital (Thous:	n/a	\$ 78,592.16	\$ 41,553.91	\$ -850,899.59	\$ 163,608.71	
<b>Solvency Ratios</b>						
D/E	n/a	2.52%	23.66%	75.91%	20.26%	1
D/EBITDA	n/a	-111.89%	-341.20%	-2111.44%	-1085.62%	1
Solvency Ratio	n/a	177.42%	116.42%	91.42%	130.02%	
Financial Autonomy Ratio	n/a	63.95%	53.79%	47.76%	56.53%	
Interest Coverage Ratio	n/a	-36.21	-37.57	-28.31	-28.19	
<b>Activity Ratios</b>						
Asset Turnover Ratio	n/a	0.12	0.28	0.31	0.43	
Inventory Turnover Ratio	n/a	n/a	n/a	n/a	n/a	
Average Holding Period	n/a	n/a	n/a	n/a	n/a	
Average Collection Period	n/a	n/a	n/a	n/a	n/a	
Average Payable Period	n/a	n/a	n/a	n/a	n/a	
Cash Conversion Cycle	n/a	n/a	n/a	n/a	n/a	

**Table 38: JD.com's Metrics Analysis**

JD.com's Metrics Analysis						
	2018	2019	2020	2021	2022	Notes
<b>Profitability Ratios</b>						
Revenues growth	0.21	23.29%	37.30%	31%	0.26%	
Gross Margin	15.48%	16.21%	15.44%	14.22%	14.75%	
EBITDA Margin	0.64%	2.55%	2.25%	1.01%	2.44%	
Net Profit Margin	-0.54%	2.10%	6.62%	-0.37%	0.99%	
ROE	-3.24%	12.11%	22.29%	-1.44%	3.79%	
ROA	-1.19%	4.69%	11.70%	-0.72%	1.74%	
<b>Liquidity Ratios</b>						
Current Ratio	0.87	0.99	1.35	1.35	1.32	
Quick Ratio	0.50	0.58	1.01	1.01	1.02	
Cash Ratio	0.28	0.26	0.49	0.32	0.30	
Net Working Capital (Thousands \$	\$ -2,335,653.94	\$ -132,025.62	\$ 9,301,533.90	\$ 12,249,780.26	\$ 12,097,480.73	
<b>Solvency Ratios</b>						
D/E	18.77%	9.99%	5.65%	5.57%	15.46%	<i>I</i>
D/EBITDA	486.62%	67.81%	74.76%	143.18%	165.67%	<i>I</i>
Solvency Ratios	51.81%	57.48%	101.75%	98.35%	85.21%	
Financial Autonomy Ratio	36.73%	38.74%	52.48%	49.70%	46.05%	
Interest Coverage Ratio	-3.06	12.41	10.97	3.41	9.37	
<b>Activity Ratios</b>						
Asset Turnover Ratio	2.21	2.24	1.77	1.92	1.76	
Inventory Turnover Ratio	8.87	8.40	10.70	10.80	11.44	
Average Holding Period	41.15	43.45	34.11	33.80	31.90	
Average Collection Period	8.92	4.09	3.76	4.96	7.73	
Average Payable Period	74.76	55.98	48.99	50.22	51.90	
Cash Conversion Cycle	-24.69	-8.44	-11.12	-11.46	-12.27	

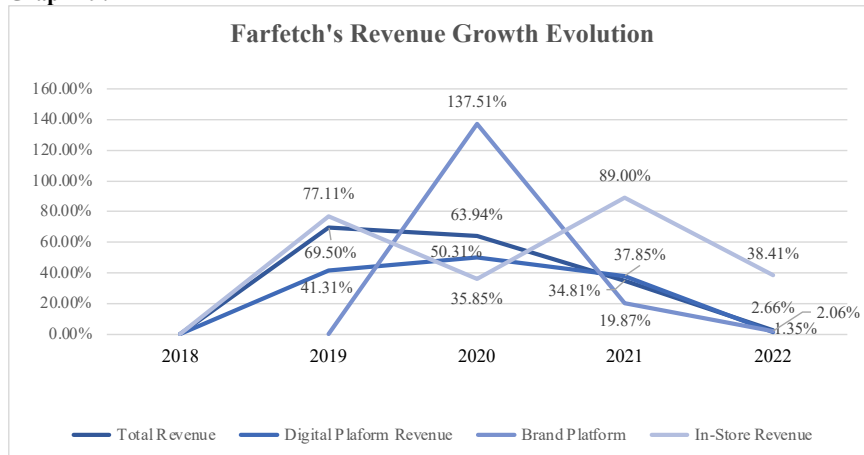
**Table 39:** Secoo's ratio analysis

Secoo's Metrics Analysis						
	2018	2019	2020	2021	2022	Notes
<b>Profitability Ratios</b>						
Revenues growth	36.86%	24.63%	-5.98%	-46.63%	n/a	
Gross Margin	18.15%	17.86%	15.05%	4.56%	n/a	
EBITDA Margin	4.41%	3.53%	1.00%	-19.03%	n/a	
Net Profit Margin	2.82%	2.26%	-1.20%	-18.03%	n/a	
ROE	10.06%	9.29%	-3.12%	-31.73%	n/a	
ROA	4.00%	3.09%	-1.35%	-12.63%	n/a	
<b>Liquidity Ratios</b>						
Current Ratio	3.25	2.34	2.92	3.09	n/a	
Quick Ratio	1.71	0.95	1.00	0.85	n/a	
Cash Ratio	0.93	0.37	0.37	0.12	n/a	
Net Working Capital (Thousands \$)	\$ 366,267.63	\$ 371,040.79	\$ 503,547.09	\$ 438,417.84	n/a	
<b>Solvency Ratios</b>						
D/E	85.19%	82.73%	56.93%	77.60%	n/a	1
D/EBITDA	541.41%	568.34%	2193.92%	-231.69%	n/a	1
Solvency Ratio	65.92%	49.68%	76.34%	65.87%	n/a	
Financial Autonomy Ratio	39.81%	33.25%	43.37%	39.80%	n/a	
Interest Coverage Ratio	5.16	1.82	0.27	-4.47	n/a	
<b>Activity Ratios</b>						
Asset Turnover Ratio	1.42	1.37	1.13	0.70	n/a	
Inventory Turnover Ratio	2.57	2.10	1.55	1.00	n/a	
Average Holding Period	141.77	173.99	234.83	365.79	n/a	
Average Collection Period	8.10	6.98	6.56	3.04	n/a	
Average Payable Period	41.27	36.97	24.85	50.01	n/a	
Cash Conversion Cycle	108.60	143.99	216.54	318.82	n/a	

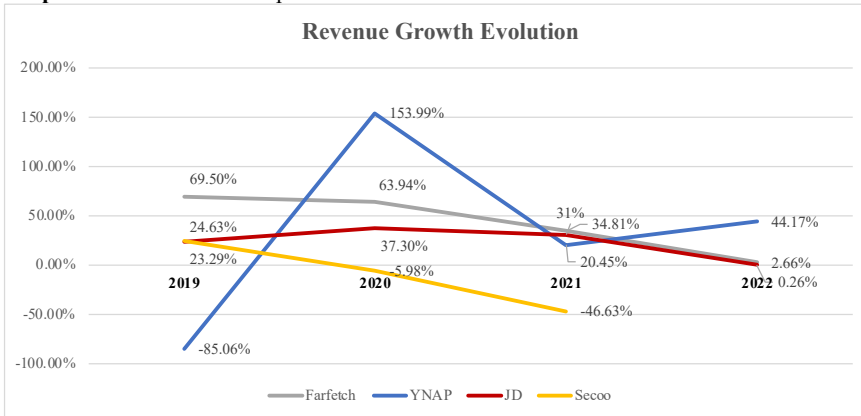
Notes:

1: Debt includes lease liabilities, similarly to the terms included in Farfetch's debt.

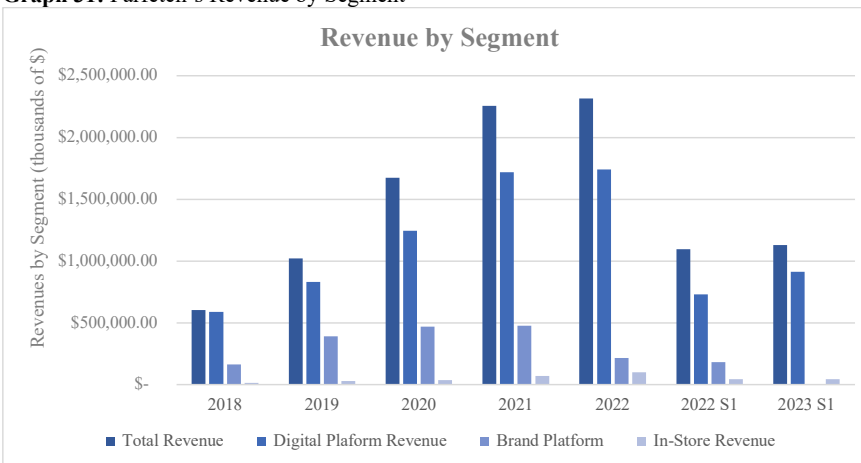
**Graph 29:** Farfetch's Revenue Growth Evolution



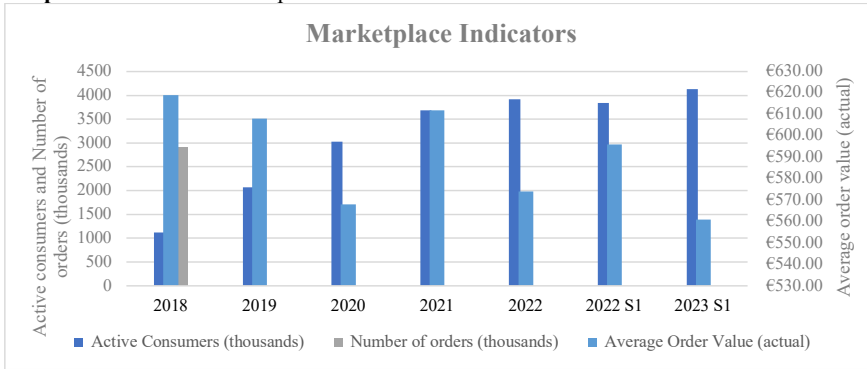
**Graph 30: Farfetch and Competitors' Revenue Growth Evolution**



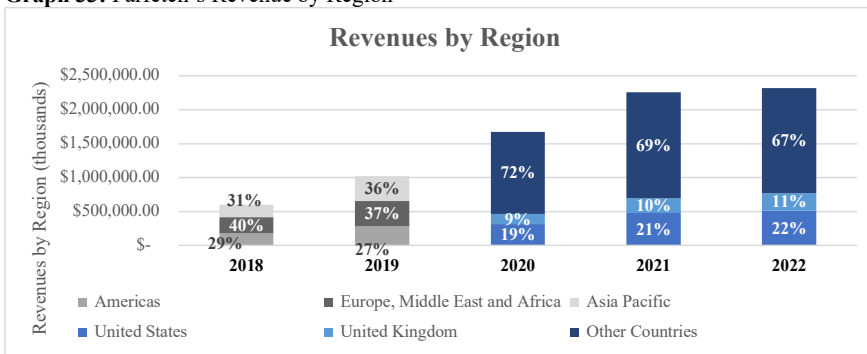
**Graph 31: Farfetch's Revenue by Segment**



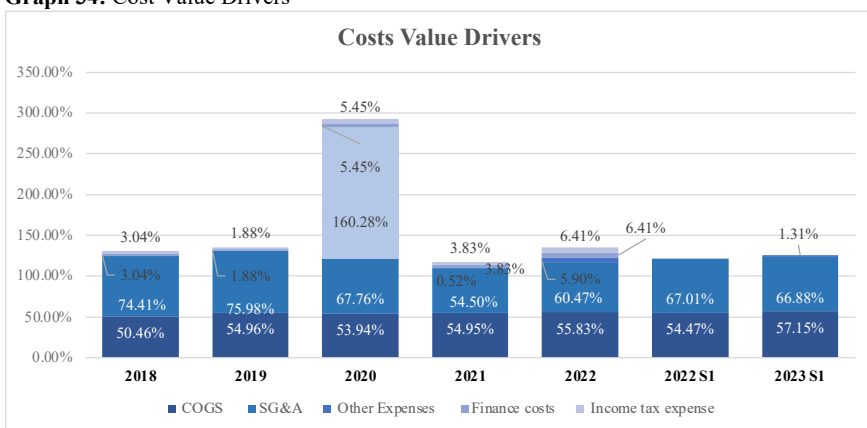
**Graph 32: Farfetch's Marketplace Indicators**



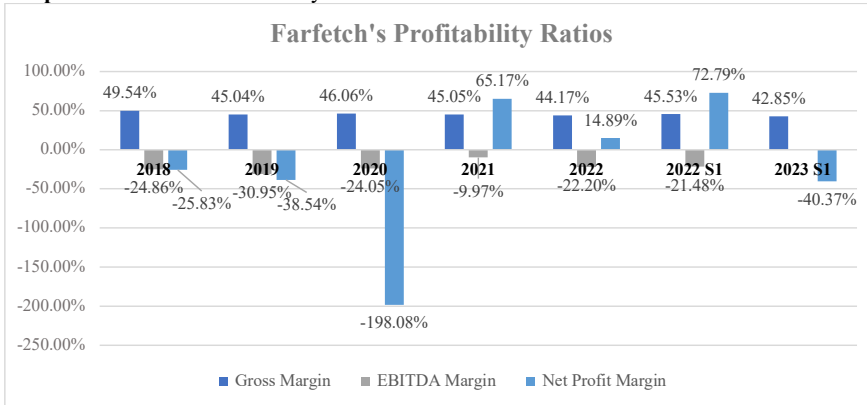
**Graph 33: Farfetch's Revenue by Region**



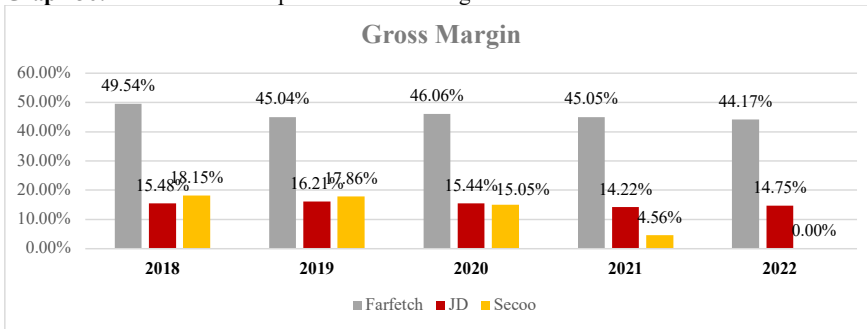
**Graph 34: Cost Value Drivers**



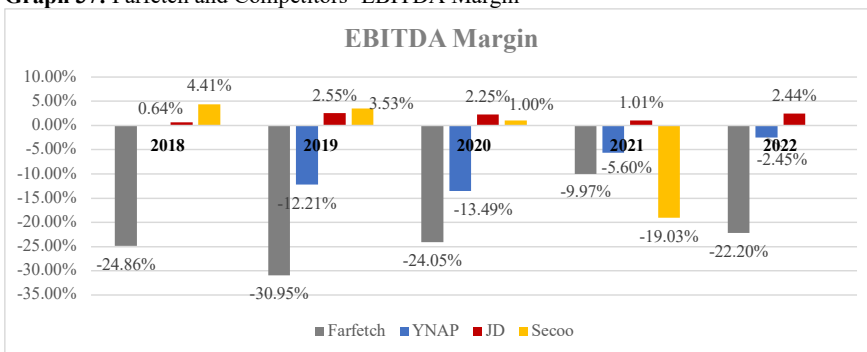
**Graph 35: Farfetch's Profitability Ratios**



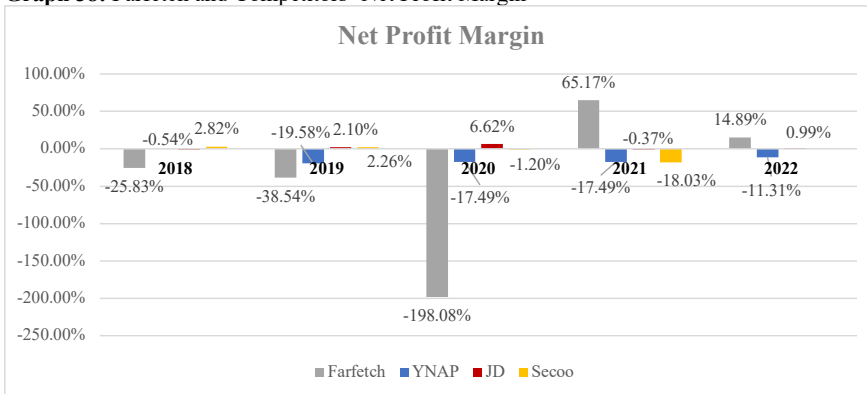
**Graph 36: Farfetch and Competitors' Gross Margin**



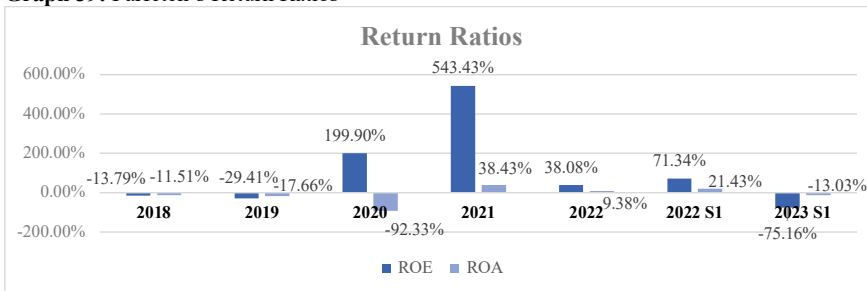
**Graph 37: Farfetch and Competitors' EBITDA Margin**



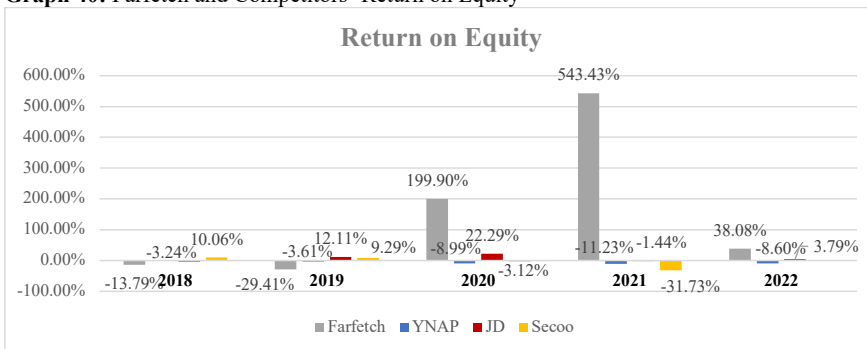
**Graph 38: Farfetch and Competitors' Net Profit Margin**



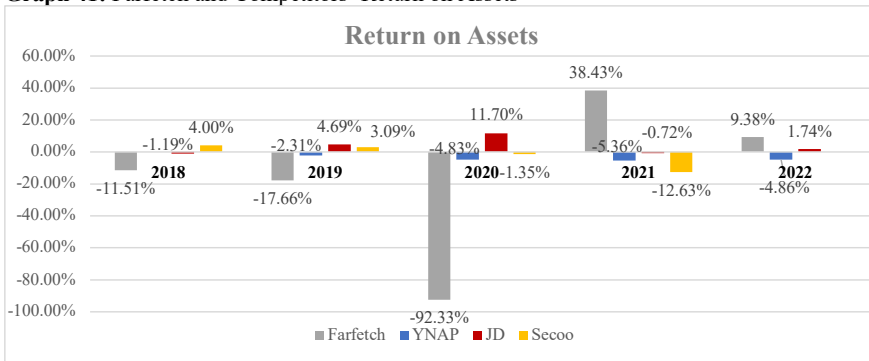
**Graph 39: Farfetch's Return Ratios**



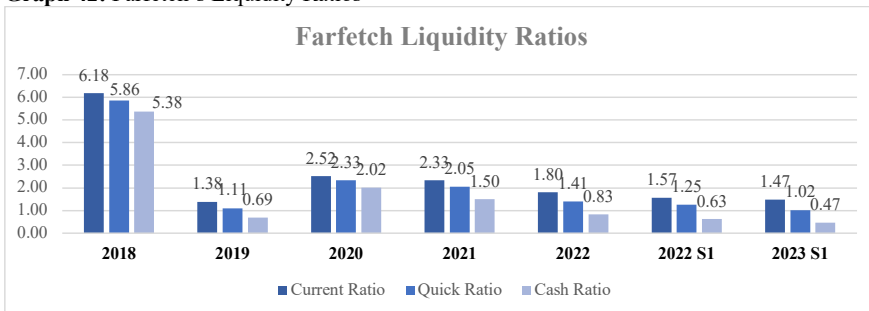
**Graph 40: Farfetch and Competitors' Return on Equity**



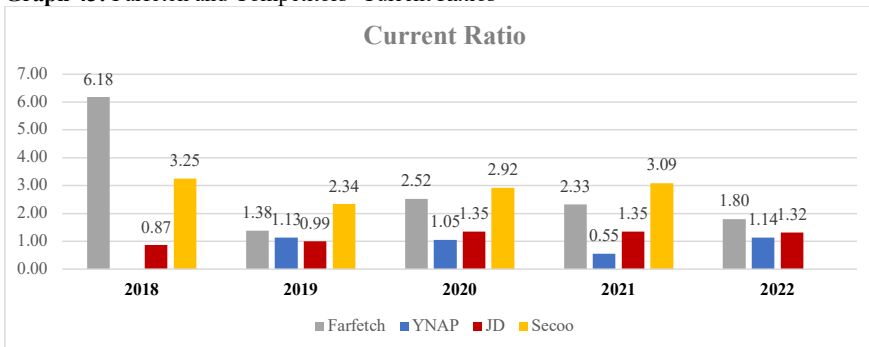
**Graph 41: Farfetch and Competitors' Return on Assets**



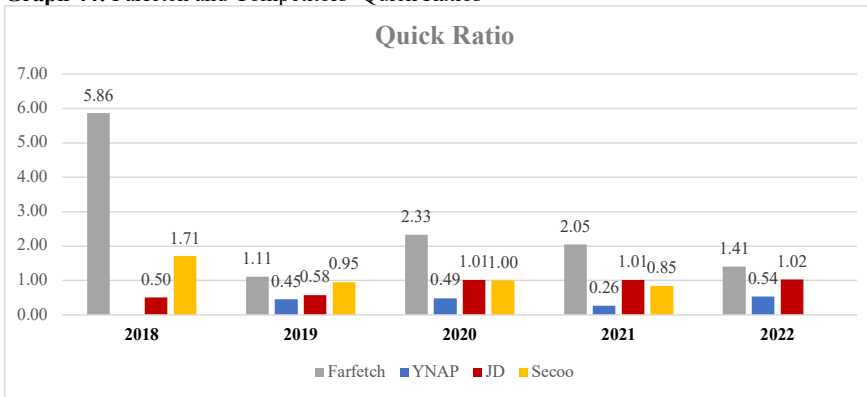
**Graph 42: Farfetch's Liquidity Ratios**



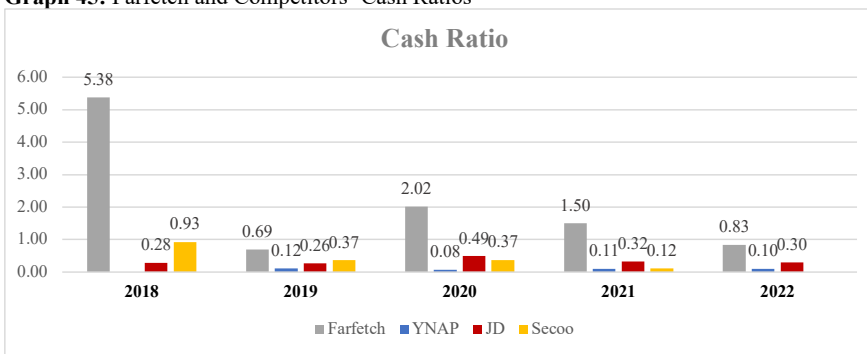
**Graph 43: Farfetch and Competitors' Current Ratios**



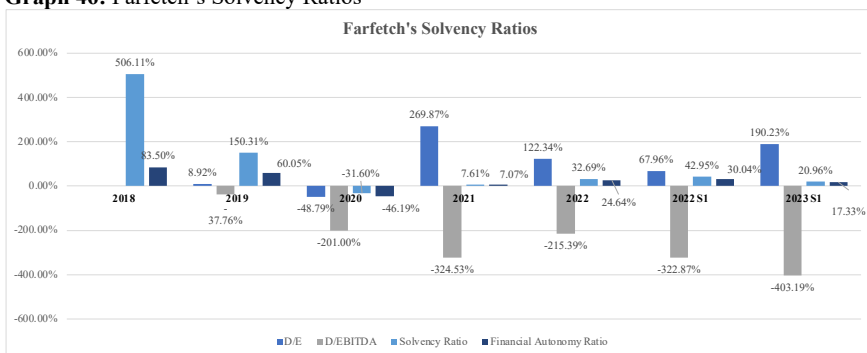
**Graph 44: Farfetch and Competitors' Quick Ratios**



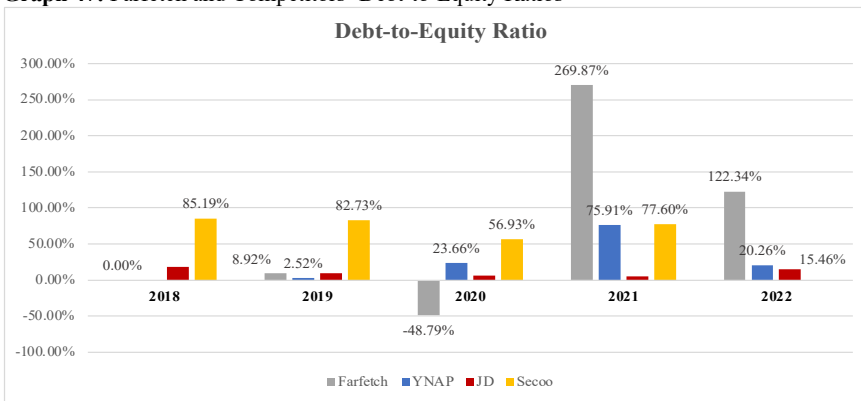
**Graph 45: Farfetch and Competitors' Cash Ratios**



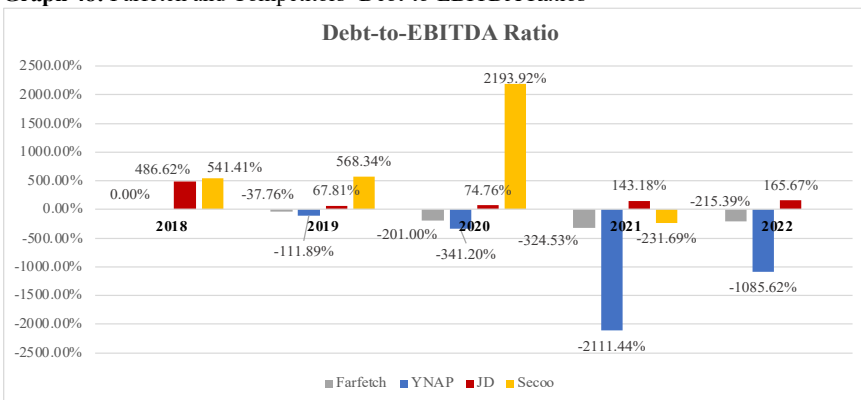
**Graph 46: Farfetch's Solvency Ratios**



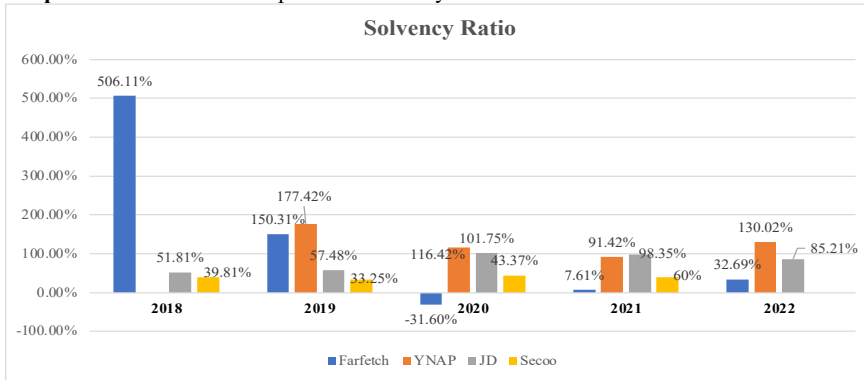
**Graph 47: Farfetch and Competitors' Debt-to-Equity Ratios**



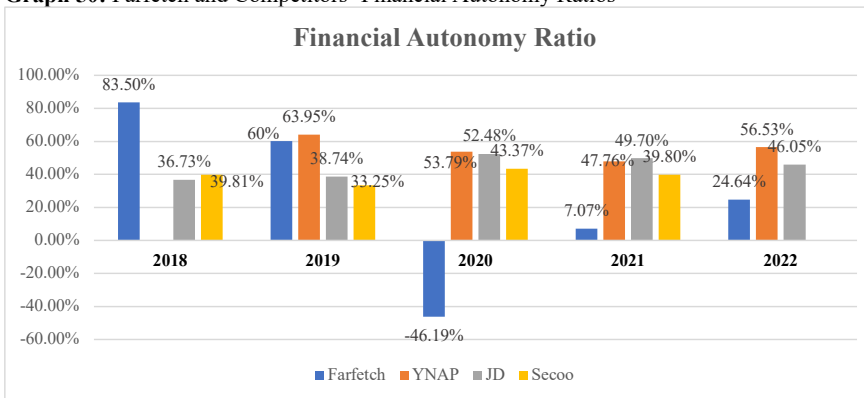
**Graph 48: Farfetch and Competitors' Debt-to-EBITDA Ratios**



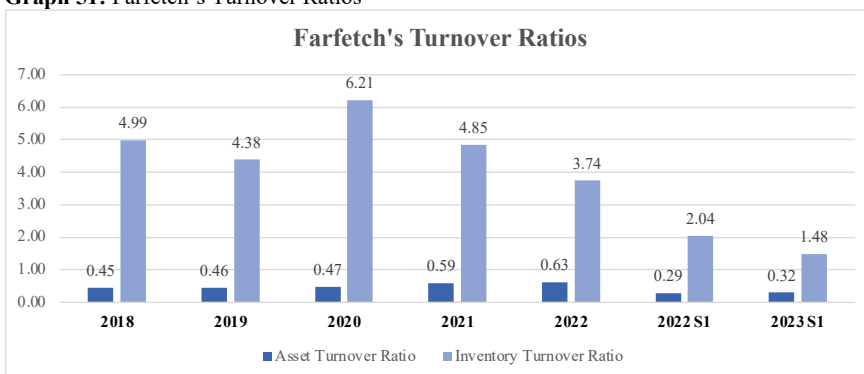
**Graph 49: Farfetch and Competitors' Solvency Ratios**



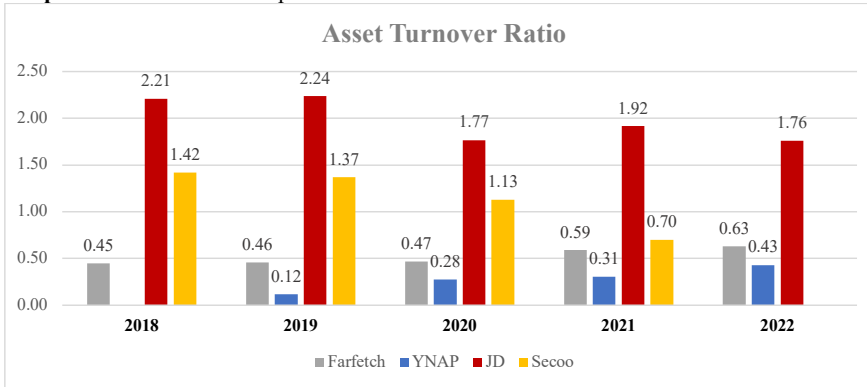
**Graph 50: Farfetch and Competitors' Financial Autonomy Ratios**



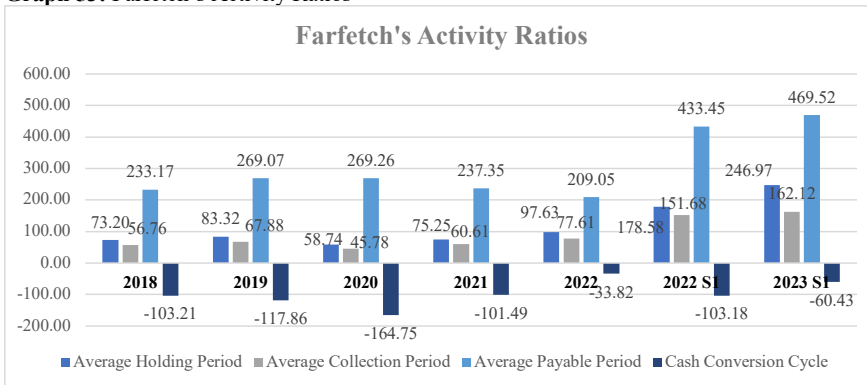
**Graph 51: Farfetch's Turnover Ratios**



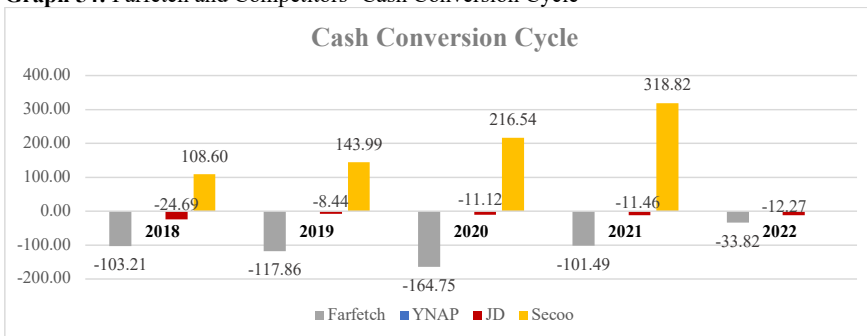
**Graph 52: Farfetch and Competitors' Asset Turnover Ratios**



**Graph 53: Farfetch's Activity Ratios**



**Graph 54: Farfetch and Competitors' Cash Conversion Cycle**



**Graph 55:** Farfetch's P/E Evolution

