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Farfetch financial rollercoaster:

the fall, what went wrong beyond 2021?

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Abstract

Farfetch, once a pioneering force in the luxury e-commerce sector, saw its stock price soar to \$73 during the COVID-19 pandemic, achieving a \$24 billion market capitalization. However, external factors such as high inflation, rising interest rates, intense competition, geopolitical events, and supply chain disruptions contributed to its downfall. Internally, Farfetch faced persistent negative cash flows, high operating costs, and significant debt, resulting in severe financial distress. A \$500 million bridge loan from Coupang and subsequent acquisition, caused substantial losses for shareholders and convertible note holders. This series of events raised concerns about transparency and governance within the company.

Keywords:

Financial distress, Governance, Dual Class Structure, E-commerce, Luxury fashion industry, Distressed firms' valuation, Business restructuring

1. Farfetch Limited

Farfetch Limited (NYSE: FTCH) (“Farfetch” or “FF”), a luxury e-commerce pioneer, debuted on the stock market in 2018 with a booming share price. Riding the wave of COVID 19 Pandemic and the growing online luxury market, the company's stock soared to \$73 by 2021, nearly four times its initial public offering (IPO), resulting in a market capitalization of \$24 billion. However, by late 2023, the story took a dramatic turn. Despite initially promising financial performance in Q2 2023¹, Farfetch abruptly withdrew financial forecasts and failed to release Q3 results. To avoid potential collapse in December 2023, the company secured a \$500 million bridge loan from Athena Topco (owned by Coupang) and Greenoaksⁱⁱ. This was followed by the January 2024 acquisition of Farfetch Holdings plc's² (“FF PLC”) business and assets by Surpique LP (formerly known as Athena Topco LP)ⁱⁱⁱ. Farfetch then informed holders of its Class A and B shares and convertible notes that they would not recover their investments. This move sparked the formation of the 2027 Ad Hoc Group, a consortium of institutional investors holding over 50% of Farfetch's 3.75% Convertible Senior Notes due 2027. *“The Group believes this process sets an incredibly dangerous precedent.” ...” allowing this transaction to complete fails to maximize the value of the assets of the Company, at a time when at least three other credible parties were publicly reported to be interested in all or parts of the business. The Group is urgently considering appropriate next steps.*^{iv}

2. Company background, value proposition and growth strategy

Founded in 2007 by José Neves and launched in 2008, Farfetch was a global platform for the luxury fashion industry, listed in the NYSE between September 21, 2018, and January 2, 2024,

¹ On August 17, 2023, with a stock price of \$4,76, the company, announced its second quarter 2023 results. Top management anticipated a strong growth, adjusted EBITDA profitability, and positive free cash flow (FCF) in 2023 fiscal year. On the liquidity topic, top management emphasised the company's financial health for at least the next twelve months.

² Farfetch Holdings plc (“FF PLC”), a public limited company organized under the laws of England and Wales and a wholly owned direct subsidiary of Farfetch Limited

with a portfolio of businesses³ that included the Farfetch Marketplace, Farfetch Platform Solutions (FPS)⁴, New Guards, Browns and Stadium Goods [more details in **Exhibits B 1, 2, 3 and 4**]. Initially labelled as an asset light business, the company's value proposition lied in helping luxury boutiques and brands reaching global markets without the complexities of managing their own e-commerce. Its growth strategy focused on enhancing consumer relationships, expanding its product portfolio, investing in technology, and building a robust brand identity. The company's digital marketplace for luxury goods served consumers in over 190 countries, offering shoppers access to more than 3,500 brands sourced from over 1,400 luxury vendors. Its strengths included a visionary leadership team, scalable technology and strong partner relationships. Its main risk were Growth and Quality of Luxury Supply, Growth, Engagement and Retention of Active Consumers and Cost of Consumer Acquisition and Engagement.

3.The Stock: A Rollercoaster Ride

Between 2018 and 2023, the US stock market experienced significant fluctuations influenced by various economic, geopolitical, and social factors. Farfetch's stock price was a rollercoaster since its IPO. Initially, buoyed by its innovative business model and strong growth prospects, the stock soared, reaching dizzying heights. However, as the novelty wore off and market conditions turned, the ride took a sharp downturn [Stock information in **Exhibit B 5**].

September 2018-February 2021: From potential energy to dips and hills: Between September 2018 and February 2020, the US stock market experienced steady growth, with technology and growth stocks leading the charge. Farfetch's stock surged to \$30 in March 2019,

³ The businesses were reported in three operating segments: Digital Platform, Brand Platform and In-Store.

⁴ In its 2022 Capital Markets Day presentation, Farfetch projected an Adjusted EBITDA Margin of 10% for 2025 (Marketplaces: 5%; Platform Solutions: 20%; Brand Platform: 20%) [p 117].
(http://q4live.s22.clientfiles.s3-website-us-east-1.amazonaws.com/426100162/files/doc_presentations/2022/11/FARFETCH-2022-CAPITAL-MARKETS-DAY.pdf)

driven by strong 2018 Gross Merchandise Value (GMV), active consumers and orders growth and by a strategic move for expansion in China. However, by August 2019, Farfetch's stock plummeted to less than half its initial listing price due to widening losses and concerns over the \$675 million New Guards Group (NGG) acquisition⁵. Investors feared the target brand might have peaked in popularity and questioned Farfetch's profitability and reliance on discounts⁵. Moving forward, the onset of the COVID-19 pandemic in early 2020 brought unprecedented challenges, causing a sharp market decline in March 2020 as lockdowns and economic shutdowns were implemented globally. The S&P 500 dropped by over 30% in a matter of weeks. However, the stock market quickly rebounded due to massive fiscal and monetary stimulus measures, including the Federal Reserve's (FED) interest rate cuts and government stimulus packages. Retail investors, empowered by trading platforms like Robinhood, played a crucial role in the market's recovery and valuation of growth stock and in the phenomenon of "meme stocks" like GameStop. Farfetch's stock initially dropped to \$6.84 but rebounded over 900%, reaching an all-time high of \$73.35 and a market cap of \$24 billion in February 2021. The company thrived during lockdowns, capitalizing on the shift to online luxury shopping and forming strategic partnerships with Alibaba and Richemont.

March 2021-December 2023: centrifugal forces and free fall

Macro Headwinds: The post-COVID period saw a mix of recovery and new challenges. The rapid economic rebound led to supply chain disruptions and increased demand, contributing to rising inflation. In response, the FED began raising interest rates aggressively in 2022 to combat inflation. This tightening cycle led to market corrections, particularly in high-growth

⁵ Established luxury brands like LVMH and Hermès prefer selling through their own channels and resist discounting, raising questions about Farfetch's long-term value proposition to high-end brands.
<https://www.textilwirtschaft.de/the-spin/news/lvmh-ceo-bernard-arnault-online-retailers-they-are-all-losing-money.-223718>

technology stocks⁶ that had soared during the pandemic. Farfetch stock downward spiral was intensified by unforeseen geopolitical events, macroeconomic pressures affecting luxury spending, and operational complexities from rapid expansion. In 2022, Farfetch halted operations in Russia following the Ukraine conflict. Concurrently, lockdowns in China and supply chain challenges continued to negatively impact performance⁷. Inflation also began to affect Farfetch's operating costs, which rose due to increased labour expenses and brand marketing investments [**Exhibit B 6**].

Competition: Despite the vast opportunities presented by the online luxury retail sector, Farfetch had been grappling with intense competition from rivals such as Mytheresa, Revolve, The RealReal, Rent the Runway, a.k.a, among others [**Exhibit B 7**]. These competitors, offering comparable products and services, had not established any significant barriers to entry, thereby limiting Farfetch's ability to exert pricing power in a commoditized marketplace. On the other hand, in accordance with Bain's 2021 Luxury Report^{vi}, websites devoted to a single brand gained ground on other types of online platforms, making up 40% of the online segment, up from 30% in 2019. With this move brands continued to increase control over their distribution, with the rise of directly operated channels, avoiding the commission of the "middleman", managing brand perception and brand price over quantity⁸.

Operational challenges and consumer preferences: Managing a complex global supply chain and maintaining a high level of customer service, required substantial capital investment and high SG&A cash costs. Moreover, shifting consumer preferences such as a growing preference

⁶ Higher interest rates led to increased borrowing costs for Farfetch and affected product demand, given the company's position in the consumer discretionary sector.

⁷ CEO Q1 2022 Results - Earnings Call Transcript: "(...) By the end of 2021, Russia has grown to become our third largest marketplace market, representing 6% of total GMV and an even higher share of the marketplace, where it posted more than 70% year-on-year growth. Naturally, we expected the continuation of robust growth from this market and our stoppage in Russia considerably in PV GMV growth... We also believe the conflict had a spillover effect in Europe and CIS countries, where we have seen less buyer demand than expected... Moving to China, our second largest market, the rise of COVID-19 cases against the backdrop of a zero COVID policy increasingly impacted our growth trajectory. Most of our Mainland China business consists of cross-border sales from Europe to Tier 1 cities, such as Shanghai, which serves as a major cross-border hub. And as such, we experienced significant disruptions in our delivery operations for the China market."

⁸ Luxury goods companies deal in rarity and must ensure their products are scarce and special.

for direct-to-consumer models and personalized experiences posed another challenge. Farfetch attempted to regain momentum in 2022 through strategic manoeuvres such as acquisitions and partnerships. While some of these moves have shown promise, the overall trajectory remained unpredictable, with the stock experiencing periods of both exhilaration and despair for investors⁹. Since its IPO, Farfetch consistently reported losses, except for 2021 and 2022. Profits during those years were primarily due to the revaluation of derivatives [**Exhibits B 8, 9, 10 and 11**], driven by the decline in Farfetch's share price, not reflecting the company's underlying operational efficiency or performance. The recent softness in the luxury market, coupled with the underperformance of new ventures like NGG and the lukewarm reception to the Reebok partnership, raised concerns for a company heavily reliant on growth in a high-interest rate environment.

4. The financial difficulties

During the second semester of 2023, Farfetch continued to hold a prominent position in the luxury digital marketplace, committed to achieving long-term profitability, but its near-term outlook was clouded by operational and market challenges. This uncertainty was further exacerbated by a history of missed forecasts and unmet expectations.

Cash flow: As interest rates climb, the spotlight of investor scrutiny has been on the company's cash flows. The structural negative operating cash flows and material capital expenditures [**Exhibit B 12**] with no guidance of when FCF would turn positive, casted doubts on the sustainability of the entire business model.

⁹ **Partnerships: Neiman Marcus Group (NMG):** FF partnered with NMG to enhance the digital capabilities of Bergdorf Goodman, making a minority investment of up to \$200 million in NMG and providing its FPS. **Richemont:** FF joined forces with Alabbar to acquire 47.5% and 3.2% stakes in YNAP, a loss-making platform owned by Richmont, transforming it into a neutral platform and adopting FPS. **Reebok:** FF secured a 11-year partnership with Reebok to distribute their footwear and apparel in Europe. The present value of the minimum contractual royalty payments amounted to \$368.2 million (€329.9 million).

Debt: Over the years, Farfetch’s financial position has subtly deteriorated, as funds from debt and equity had been intermittently raised to cover its losses and fund material acquisitions. Despite being a public company that was yet to achieve profitability, Farfetch was aggressively pursuing growth through a strategy of acquisitions settled in cash and equity. The company had a cash outflow of \$572 million [**Exhibit B 13**] in acquiring entities like New Guards Group, Stadium Goods, Style.com, Curiosity China, Luxclusif, and Palm Angels [mainly intangibles: **Exhibit B 14**] and \$200 million in a minority investment in NMG. The company’s continued efforts to expand and acquire new businesses, including the proposed acquisition of Yoox-Net-A-Porter, along with increased working capital needs, added further funding requirements.

Litigation: Farfetch’s share sharp decline was also fuelled by a class-action lawsuit filed by shareholders in October 2023. The complaint alleged that the company violated federal securities laws by making “materially false and misleading statements regarding the company’s business, operations, and prospects” between March 9, 2023, and August 17, 2023¹⁰. It further claimed that shareholders suffered losses and damages due to these alleged omissions.

Liquidity: The path to profitability had faced delays in the past but investors raised concerns regarding the group's operating performance, liquidity position, and capital structure sustainability were triggered by the lack of presentation of Q3 financials, guidance withdraw and absence of communication from the company. This behaviour illuminated the execution risks in Farfetch’s strategy to expand its business and achieve sustainable profitability and FCF generation in a more challenging market environment for online luxury goods retailers. Despite a cash balance of \$454 million in June 2023 and \$180 million of net proceeds of the August

¹⁰ The complaint alleged that Farfetch failed to disclose that it was experiencing a “significant slowdown” of growth in the U.S. and China, which were the company’s largest markets and didn’t disclose that it was facing onboarding challenges for its Reebok. (<https://www.fashiondive.com/news/farfetch-class-action-lawsuit/701867/>)

2023 term loan facility¹¹, liquidity risk became extreme because of the structural negative FCF and EBITDA associated with an uncertainty about when it would turn positive on a sustainable basis. The potential near-term liquidity shortfall in a high interest rate environment, as highlighted by some analysts and rating agencies, combined with highly negative market sentiment on December 15, 2023, when the stock was trading at \$0.64 per share (penny stock territory), marking a significant 99% drop from its peak, and convertible bonds trading at 20 cents on the dollar [**Exhibit B 15**], exacerbated the company's going concern risk¹².

5. Private markets in 2023

In 2023, overall private capital fundraising was 20.5% lower than 2022's totals^{vii}. The global venture capital (VC) landscape faced a significant downturn in fundraising, with total capital reaching \$162.3 billion, marking a substantial 47.5% decline year-over-year [**Exhibit B 16**]. Among other factors, the reality of high interest rates was a tremendous challenge ahead. The average federal funds rate from January 2009 to February 2022 was 0.51%, but by the end of 2023, rates had increased to the 5% range [**Exhibit B 17**]. Recent statements from Federal Reserve Board of Governors indicated that while rate cuts were probable, they were likely to be more in line with historical norms than the ultralow rates of the last few decades. Private equity (PE) fundraising remained relatively steady. However, higher interest rates constrained deal-making and exits, impacting distributions and prompting limited partners (LPs) to consolidate their investments. Finally, despite private debt fundraising in closed-end vehicles

¹¹ Following the announcement of the Second Quarter 2023 Results, it was revealed that an additional \$200 million delayed draw term loan facility had been secured, issued with a 5.60% original issue discount, due and payable on October 20, 2027. The net proceeds to Farfetch were approximately \$180 million after certain fees. (https://s22.q4cdn.com/426100162/files/doc_earnings/2023/q2/earnings-result/Q2-2023-Earnings-Release.pdf)

¹² Farfetch, was reportedly seeking a \$ US 500 million emergency funding from Apollo Global Management. With its credit rating downgraded by Moody's to Caa2 and a market capitalization plummeting to \$220 million, the company faced a severe liquidity crisis. There were rumours that a management buyout was also being considered, though its feasibility remained uncertain. (<https://transacted.io/apollo-in-talks-with-farfetch-over-rescue-financing/>).

experienced a significant recovery from a slow Q3, it was the slowest final quarter for private debt fundraising since 2016.

6. The players

Lenders and shareholders: On December 15, 2023, Farfetch had approximately \$600 million in secured debt, \$1,000 million unsecured convertible bonds¹³ and a market capitalization of \$230 million [**Exhibit B 18**]. The company had limited ability to secure additional debt financing and or raise equity in the public markets. In accordance with the Financial Times^{viii}, the company's prospects had whittled down to two options: to be saved by a "white knight" investor, or to go into administration.

The white knight¹⁴: Coupang, a Fortune 200 company listed on the New York Stock Exchange (NYSE: CPNG), was one of the largest retailers in the world, often labelled the "Amazon of South Korea"¹⁵. The company was committed to maintaining its leadership position in the South Korean e-commerce market while exploring global expansion opportunities, particularly in the \$400 billion global personal luxury goods segment [**Exhibit B 19**]^{ix}. On December 18, 2023, Farfetch^x announced it has entered i) a \$500 million Bridge Loan Facility with Athena Topco (owned by Coupang) and Greenoaks, and ii) a Transaction Support Agreement with Athena Topco and an ad hoc group of lenders holding over 80% of the outstanding term loans. Further, announced that without such liquidity, Farfetch Limited and its subsidiaries would have

¹³ It's important to note that Farfetch's debt structure included convertible senior notes issued in 2020 (in this year there were 521 issues that raised \$188bn, according to data from Refinitiv Deals Intelligence, the highest number of issues recorded since 1998). The decision to issue hybrid instruments was influenced by the market conditions created by the COVID-19. Widespread market volatility and widening credit spreads made traditional debt financing more costly for companies like Farfetch. At the same time, equity market volatility and deflated share prices made pricing a common stock offering challenging or unattractive. Convertible securities offered a more attractive option, combining a "plain vanilla" bond with an embedded call option on the issuer's common stock.

¹⁴ Rumours swirled about South Korean e-commerce giant Coupang potentially acquiring luxury fashion platform Farfetch. Speculation intensified with insiders suggesting that Coupang's deep pockets could provide the much-needed financial lifeline for Farfetch, which was grappling with significant financial distress. The potential deal promised to reshape the luxury e-commerce landscape, merging Coupang's robust logistics network with Farfetch's high-end fashion expertise.

¹⁵ Founded in 2010 by Bom Kim, Coupang has distinguished itself through its customer-centric approach and innovative logistics network¹⁵. Financially, Coupang had shown impressive growth. As of the third quarter of 2023, the company reported net revenues of \$6.2 billion, up 21% YoY and 18% on an FX-neutral basis and a Gross Profit of \$1.6 billion, up 27% YoY.

been unable to continue as a going concern¹⁶ [liquidation discounts and default rates: **Exhibits B 20 and 21**] and the termination of the agreement for the acquisition of 47.5% of Yoox-Net-A-Porter. Finally, all Board members resigned except José Neves.

7. The package: Description of the transactions

Bridge Loans: Athena Topco would provide Bridge Loans to FF PLC and its subsidiaries as needed, with an interest rate of 12.5% per annum, compounding monthly and payable in kind (PIK). These loans would be secured equally with existing Term Loans. The Bridge Loans would become due at a price equal to 1.95x of the full committed \$500 million plus accrued and unpaid interest, under certain conditions such as the end of the exclusivity period, a competing transaction, default, or termination of the support agreement. In liquidation, Athena Topco would receive the outstanding principal amount of Bridge Loans on a *pari passu* basis with the Term Loans. Athena Topco would also be entitled to an additional amount ranking junior to the Term Loans amounting to 95% of the then-outstanding principal amount of the Bridge Loans.

Transaction Support Agreement (“TSA”): JP Morgan would market FF PLC’s assets (the “Farfetch Business”)¹⁷. In the absence of competing transactions, Athena Topco would buy the Farfetch Business through an English-Law pre-pack administration process (the “Sale”). The Bridge Loans (to the extent funded) would be exchanged for the business, and Athena Topco would make additional contributions to the Farfetch Business¹⁸.

¹⁶ The solution did not ensure that Farfetch Limited, the listed entity, remained a going concern

¹⁷ The terms of the TSA and related transactions were subject to a period of exclusivity until April 30, 2024, after which the sale would be finalised.

¹⁸ Additional contributions up to i) \$300 million less the then outstanding principal amount of the funded Bridge Loans, and ii) commit an additional \$500 million less the sum of the outstanding principal amount of the funded Bridge Loans at the closing of the Sale and the amount funded under clause i). The net proceeds would be applied to meet transaction costs or otherwise would be made available for the working capital and general corporate needs of the Farfetch Business and its consolidated entities.

8. The Farfetch Dip. Is it the end of the wild ride?

On January 31, 2024, Farfetch announced^{xi} the completion of the sale of FF PLC business and assets to Surpique LP (formerly Athena Topco LP). This followed a comprehensive marketing process conducted by JP Morgan on behalf of Farfetch PLC, which did not attract any competing offers. Farfetch also informed the holders of its Class A and B ordinary shares and its convertible notes that they should expect no recovery of their outstanding investments. Farfetch Limited itself was expected to be liquidated. Alarmed by Farfetch's fate, a group of major investors formed "The 2027 Ad Hoc Group"¹⁹ to explore options regarding the proposed acquisition of Farfetch by Coupang. The Group was deeply concerned about the rapid and unexplained deterioration in Farfetch's financial position which shifted from a projected year-end 2023 liquidity of over \$800 million and an enterprise value estimated by JP Morgan^{xii} over \$3 billion, in August 2023, to a distressed sale just four months later. On the other hand, the terms of the transaction support agreement with Coupang, Greenoaks, and others, signed on December 18, 2023, made it difficult for other bidders to present alternative offers²⁰. The Group believed that better value for Farfetch's assets could be achieved through alternative routes, such as a break-up sale to interested bidders, several of whom have been publicly identified. Finally, the lack of transparency and governance in the process has reportedly left many of Farfetch's luxury retail partners uncomfortable and considering severing ties²¹. As an initial step, the Group declared a default²² under the 2027 Notes, making them immediately due and payable.

¹⁹ These institutions, collectively managing over \$1 trillion in assets, held more than half of Farfetch's Convertible Senior Notes due in 2027

²⁰ Any competing bidder would face a \$1 billion fee, reflecting a 1.95x multiple on invested capital for undrawn bridge loans and term loans, plus a \$20 million cash termination fee. Consenting term lenders were being paid a 7.5% consent fee, significantly higher than market norms, to support the transaction despite its potential value destruction.

²¹ In Q1 2024 Neiman Marcus Group (NMG) announced it was ending its commercial partnership with Farfetch, which included re-platforming the Bergdorf Goodman website and app under Farfetch Platform Solutions software. Kering, the owner of renowned brands like Gucci, Saint Laurent, Balenciaga, and Bottega Veneta, announced that Farfetch was no longer a strategic partner. (<https://www.forbes.com/sites/pamdanziger/2024/02/10/farfetch-hit-with-lawsuit-and-neiman-marcus-group-and-kering-cut-commercial-ties/>)

²² This default stems from the suspension of trading and delisting from the NYSE, imposed by the NYSE due to the proposed sale to Coupang.

Farfetch financial rollercoaster: the fall, what went wrong beyond 2021?

Teaching note

Synopsis: This case is part B of “Farfetch financial rollercoaster” and explores the fall of Farfetch. Founded in 2007, Farfetch quickly emerged as a relevant player, operating at the intersection of luxury fashion, online commerce, and technology. Its innovative business model, which involved partnering with luxury boutiques and brands to extend their global reach, was instrumental in its rapid growth. By 2021, Farfetch had achieved a market capitalization of \$24 billion, reflecting its strong growth trajectory and market leadership. However, the period from 2022 to 2023 marked the beginning of Farfetch’s fall. Macroeconomic factors such as rising interest rates and inflation began to hinder its growth. The company also faced intense competition from established players and a significant shift towards direct-to-consumer models, which squeezed its profit margins. Geopolitical events, supply chain disruptions, and internal operational complexities further exacerbated its challenges. Despite its efforts, Farfetch consistently reported losses, raising serious concerns about when it would become profitable. By November 2023, Farfetch failed to present Q3 financials, withheld guidance and found itself in a severe liquidity crisis in a context of a high-interest rate environment, structural negative cash flow and a high debt level. In December 2023, in a bid to avoid insolvency, Farfetch secured a bridge loan and entered into a transaction agreement with Coupang, a South Korean e-commerce giant. This deal involved the sale of Farfetch’s business and assets to Coupang for \$500 million, eliminating any possibility of recovery for shareholders and convertible bondholders. The Coupang deal faced significant resistance from a group of Farfetch noteholders which argued that the transaction undervalued the company’s assets, questioned the transparency of the deal and criticized the high fees imposed on potential competing bids. By January 2024, Coupang completed the acquisition of Farfetch’s business and the publicly traded entity of Farfetch was expected to be liquidated. This case serves as a cautionary tale

about the volatile nature of growth-focused startups, especially in a challenging economic environment.

Learning Objectives and Target: This case may be used in an Applied Corporate Finance and Restructurings Course. Key learning objectives include understanding the causes of financial distress, namely, the strategic, operational, and financial factors that contributed to Farfetch's difficulties such as the company's growth strategy, cost management, and debt structure. Students will also analyse the impact of macroeconomic factors, industry trends, the COVID-19 pandemic and shifting consumer preferences, on Farfetch's financial performance. Additionally, the case addresses corporate governance issues, focusing on the risks associated with dual class shares and potential conflicts of interest. Finally, it explores liquidation and restructuring options of distressed firms, such as valuation techniques, potential benefits and drawbacks and the role of stakeholders, creditors, and management in the restructuring process.

Suggested Outline for Classroom Discussion: Each instructor may choose to guide the discussion as it best fits his/her teaching goals. Listed below is a sequence of possible discussion topics and suggested answers.

Case analysis

1. On November 28, 2023, the Farfetch unexpectedly announced that would not publish its scheduled third-quarter 2023 financial results, due to be released the following day and withdrew all previous financial forecasts and guidance. Is Farfetch insolvent? What factors are putting Farfetch in imminent financial distress?

In August 2023, Farfetch reported strong financial results, anticipating robust growth, adjusted EBITDA profitability, and positive free cash flow for the 2023 fiscal year. With a projected year-end 2023 liquidity of over \$800 million, the company appeared to have no going concern risk for at least the next twelve months. However, just three months later, Farfetch unexpectedly

announced it would not publish Q3 results and withdrew its financial forecasts. This abrupt change raised significant concerns for investors and lenders, signalling potential financial difficulties. Having said that, Farfetch was probably in a precarious financial situation in late November 2023, or even before but the case did not uncover any communication from the Board that elucidates the swift downturn in Farfetch's financial condition. Insolvency is a term that describes poor firm performance and is typically used in a more technical context. In summary, "Technical insolvency exists when a firm cannot meet its current obligations, signifying a lack of liquidity"^{xiii}. This situation was a result of several factors:

Negative free cash flow and declining revenue and growth: As highlight in the case, as interest rates climbed, the spotlight of investor scrutiny was focused on the company's rate of Free Cash Flow (FCF) depletion. Even though Farfetch has seen its revenue increase at a compound annual growth rate (CAGR) of 35% [Exhibit B TN 1], it only grew by +3% in FY22 and was currently up +1% in the LTM period²³. Despite a swift expansion in revenue, Digital Platform GMV, the company main revenue stream, started to grow at a lower rate compared to the Online Growth of luxury goods [Exhibit B TN 2 a), b)]. Brand Platform Revenue, the second largest revenue stream of the company, experienced a sharp decrease (-42%) in Q2 2023²⁴ [Exhibit B TN 4 b)]. These KPI's were a matter of concern in a company with high SG&A²⁵ expenses, slower cash conversion cycle [Exhibit B TN 1] and significant investment needs, that was yet to experience a year where it generated positive FCF. In contradiction with top management expectation of positive FCF in 2023 fiscal year, the FCF burn seemed to have deteriorated over time, casting doubts on the sustainability of the entire business model. Over

²³ As highlighted in the case, the company was alleged experiencing a "significant slowdown" of growth in the U.S. and China, which were the company's largest markets and was facing onboarding challenges for its Reebok partnership. Shifting consumer behaviour, competition in key markets and macroeconomic factors such as inflation and high interest rates also impacted luxury spending and Farfetch's business model.

²⁴ The company's attempts to expand and diversify its business model did not yield the expected results. Brands of the New Guards group were less well-known and may have experienced greater challenges in penetrating the market.

²⁵ Farfetch SG&A/Revenue June 30, 2023, LTM = 76% [Exhibit B TN 1]; Competition SG&A/Revenue median = 49% [Exhibit B 7]

the past twelve months, the company had burned over \$466 million in cash, 47% of it related to Recurrent Gross Cash Flow (1st semester FY 23: -\$229 million) [Exhibit B TN 3].

Heavy debt load and rising interest expenses: Farfetch's financial position has deteriorated significantly in recent years [Exhibit B TN 5], as funds from debt and equity have been intermittently raised to cover its losses and fund risky ventures. The company faced negative interest coverage ratios [Exhibit B TN 1], worsening liquidity [Exhibit B TN 1], high finance costs [Exhibit B TN 1] and a lack of substantial tangible assets [Exhibit B TN 5]. These factors made it difficult to secure additional debt or refinance existing debt, especially given the high cost of previous debt rounds²⁶. The unexpected announcement on November 28, 2023, signalled potential financial difficulties and led to a significant loss of investor confidence, further exacerbating its financial situation²⁷.

Liquidity: Farfetch's path to profitability faced delays, raising investor concerns about operating performance, capital structure and liquidity (liquidity ratios have deteriorated over the years as shown in Exhibit B TN 1). In the absence of visibility ahead of Q2 2023, high-level pro-forma accounts for Q3 and Q4 were prepared [Exhibits B TN 4 a), b) and 5], showing a continued deterioration of the cash balances and negative equity attributable to owners of the parent. In summary, with structural negative FCF and EBITDA and uncertainty about when it would turn positive on a sustainable basis the liquidity risk turned extreme²⁸.

2. Comment Farfetch capital structure based on the trade-off and pecking order theory

The capital structure literature has been dominated by these two theories. The first theory (Kraus & Litzenberger, 1973)^{xiv} implies that the total value of a levered firm equals the value

²⁶ The October 20, 2022, \$ 400 million Term Loan Facility was issued with a 6.50% original issue discount resulting in net cash proceeds to Farfetch of approximately \$369.1 million after certain fees bearing interests at a rate equal to either the Base Rate (as defined in the Credit Agreement) plus 5.25% per annum or Term SOFR (as defined in the Credit Agreement) plus 6.25% per annum [Exhibit B 11] and the August 2023 additional \$200 million delayed draw term loan facility had net proceeds of approximately \$180 million after certain fees.

²⁷ Given the stock market price (December 15, 2023: \$ 0,64), raising equity was also out of option.

²⁸ In 2023 private capital fundraising declined by 20.5% compared to 2022.

of the firm without leverage plus the present value of the tax savings from debt, less the present value of financial distress costs²⁹. “The trade-off theory states that firms should increase their leverage until it reaches the level D^* for which VL is maximized. At this point, the tax savings that result from increasing leverage are just offset by the increased probability of incurring the costs of financial distress”^{xv}. Alternatively, in the pecking order theory, first suggested by Donaldson (1961)^{xvi} and Myers (1977)^{xvii}, there is no well-defined optimal debt ratio. The attraction of interest tax shields and the threat of financial distress are assumed second-order. Debt ratios change when there is an imbalance of internal cash flow, net of dividends, and real investment opportunities^{xviii}. In Myers’s (1984)^{xix} and Myers and Majluf’s (1984)^{xx}, because of asymmetric information and signalling problems associated with external funding, firms’ financing policies follow a hierarchy, with a preference for internal over external finance, and for debt over equity.

Trade off theory: Being a loss-making company with no clear timeline for profitability, it is reasonable to conclude that the present value of the tax shield from interest expenses on debt was low or null. On the other hand, “firms, such as technology firms, whose value comes largely from human capital, are likely to incur high costs when they risk financial distress, due to the potential for loss of customers and the need to hire and retain key personnel, as well as a lack of tangible assets³⁰ that can be easily liquidated”^{xxi}. Therefore, it is reasonable to conclude that the present value of Farfetch’s financial distress costs was high or very material³¹. Consequently, the optimal capital structure for Farfetch should involve a low or negligible amount of debt, which was not the reality saw in the case. In a nutshell, technology firms typically operate in fast-paced, highly competitive environments characterized by rapid technological changes, short product lifecycles, high research and development costs and

²⁹ $V L = V U + PV (\text{Interest Tax Shield}) - PV (\text{Financial Distress Costs})$

³⁰ The company core invested capital is mainly composed by intangible assets [Exhibit B TN 5].

³¹ Indirect costs highlighted in the case: termination of some key partnerships such as Neiman Marcus Group and Kering, the owner of renowned brands like Gucci, Saint Laurent, Balenciaga, and Bottega Veneta.

uncertain market adoption of new products or services. These factors contribute to higher business risks compared to more traditional industries and severe costs of financial distress such as reputational damage (e.g. loss of trust from customers, suppliers, and partners), loss of business opportunities, increased costs of doing business (e.g. higher interest rates and stricter terms from lenders, upfront payments to suppliers), intellectual capital loss (e.g. talent drain, employee turnover, reduced productivity) and disruption of R&D (e.g. delayed launches, system bugs), leading to market share loss. Given these high indirect costs of financial distress, many technology firms opt for a conservative financial structure with negative net debt³².

Pecking Order Theory: As previously highlighted, this theory is based on the concept of information asymmetry³³. A strict interpretation of this model suggests that firms do not aim at any target debt ratio; instead, the debt ratio is just the cumulative result of hierarchical financing over time. Companies should first use internal funds (retained earnings) for financing. However, Farfetch was struggling with profitability and cash burn, limiting its ability to rely on retained earnings for growth. When internal funds are exhausted, companies should turn to debt financing and will be observed later at higher debt ratios. Farfetch did follow this approach issuing convertible notes in 2020, moving to senior secured term loans in 2022 and 2023. The decision to issue convertible notes in 2020 was influenced by the market conditions created by the COVID-19 characterized by widespread market volatility and widening credit spreads making traditional debt financing more costly for companies like Farfetch. Convertible notes offered a more attractive option^{34,35}, combining a “plain vanilla” bond with an embedded call

³² This strategy offers several advantages such as i) financial flexibility to quickly invest in new opportunities to fuel growth, defend against competitive threats or respond to market changes, ii) risk mitigation in periods of uncertainty, high interest rates or economic downturns, iii) protection against rapid obsolescence by allowing continuous investment in R&D and iv) investor confidence, potentially leading to higher valuations.

³³ Investors often interpret financing decisions by managers as signals of a company's financial prospects. This can create a "pecking order" where managers are hesitant to issue equity, fearing that it may be perceived as a sign of overvaluation. Rational managers may choose to issue debt instead of equity as a last resort, as equity issuance can lead to a decline in share price. While debt issuance also sends signals, the impact on valuation is typically less significant, except in cases of financial distress.

³⁴ Convertible securities are often seen as a valuable financing tool to avoid risk-shifting problems because their holders can take advantage of the potential risky strategy of the shareholders.

³⁵ Convertible securities can be a valuable tool for reducing information asymmetry between managers and shareholders. As hybrid instruments, they can mitigate the negative signal effect often associated with equity issuances. Stein, J. C. (1992). "Convertible bonds as backdoor equity financing." *Journal of Financial Economics* 32(1): 3-21.

option on the issuer's common stock. However, the minimum possible coupon rate comes at the cost of a lower conversion premium³⁶. The fiscal year 2020 massive losses and fiscal year 2021 and 2023 gains are primarily attributable to the revaluation of the convertible notes embedded derivatives [**Exhibits B 8, 9, 10 and 11**], driven, respectively, by the increase and decline in Farfetch's share price, rather than reflecting the company's operational efficiency or performance.

3. What is the nature of the strategic and operational problems faced by Farfetch?

The company was proudly labelled as a technology-driven, luxury retail business with an asset light model. Farfetch's financial distress in late 2023 appears to be primarily a result of strategic missteps, operational challenges, and market conditions, rather than fraud or simply bad luck.

Strategic problems: The company aggressively pursued growth through a strategy of extravagant acquisitions settled in cash and equity [**Exhibit B 13**]. This strategy aimed to diversify its offerings and reach new customers, such as the luxury resale market, the luxury streetwear market, the luxury beauty market, but also led to a heavy debt burden and shareholders dilution. The overambitious growth strategy led to entering markets or acquiring businesses that were not strategically aligned, creating a complex business structure, losing focus³⁷ and draining resources from its core business, resulting in operational challenges and high debt load³⁸. The company thrived during COVID-19 lockdowns, capitalizing on the shift to online luxury shopping. However, after this period, the company faced challenges in adapting

³⁶ The most plausible rationale for the continuing popularity of convertibles lies in their insensitivity to a company risk. This insensitivity makes it easier for the bond issuer and purchaser to agree on the value of the bond-even when they disagree on the risk of the company. These companies tend to be characterized by higher market and earnings volatility, higher business and financial risk, growth oriented and shorter corporate histories than their straight debt counterparts. Brennan, M. J. and E. S. Schwartz (1988). "The Case for Convertibles*." *Journal of Applied Corporate Finance* 1(2): 55-64.

³⁷ Farfetch was far from profitability, and risky acquisitions such as New Guards added a creative and industrial dimension to the company, but also made more challenging for investors to assess the effectiveness of the underlying business model. Some acquisitions were partially or fully impaired in the subsequent years [**Exhibits B 13 and TN 4 a**], which may be a sign of stretched valuations and or challenges on business integration.

³⁸ The company had a cash outflow of \$572 million [**Exhibit B 13**] in acquiring entities like New Guards Group, Stadium Goods, Style.com, Curiosity China, Luxclusif, and Palm Angels and \$200 million in a minority investment in NMG.

to changing consumer preferences³⁹ and increased competitive dynamics in the luxury e-commerce landscape as luxury brands launched their own online platforms - Farfetch's focus on a price discount model conflicted with the perception of luxury brands, which often rely on exclusivity and premium pricing⁴⁰. The relatively low barriers to entry in e-commerce intensified competition, reducing Farfetch's competitive advantage and pricing power, potentially eroding Farfetch's market share.

From 2018 to 2023 LTM Farfetch's ROIC had consistently been negative. Although the significant value destruction had seen a decrease, moving from -1544% to -43%, it indicated a business model where achieving growth came at a high, maybe at an unsustainable cost [Exhibit B TN 6]. Nonetheless, management did not signal a courageous restructuring and cost reduction program.

Operational challenges: The narrative focused on top-line revenue growth and market share over profitability amid a complex ecosystem of various brands, product offerings and geographies, overextended the company's resources and capabilities. Rapid growth presented operational challenges, including difficulties in integrating acquired businesses, managing a large workforce, and ensuring consistent customer experiences⁴¹. Given the substantial SG&A costs, representing over 75% of revenue since 2022 [Exhibit B TN 1], Farfetch's path to breakeven should prioritize cost reduction and significant revenue growth.

Bad luck? The company had some good luck because of the COVID-19 pandemic, thriving during lockdowns, capitalizing on the shift to online luxury shopping, raising \$1.25 billion in

³⁹ Changes in consumer behaviour, such as a growing preference for direct-to-consumer models and personalized experiences, have undermined Farfetch's traditional marketplace approach. The company had a strong position in the market, but this very success hindered its transition to profitability. As Farfetch reduced its marketing expenses and discounts, consumers were likely to turn to the luxury brands platforms or to more price-competitive platforms, potentially leading to a downward spiral.

⁴⁰ Brands like LVMH and Hermès preferred directly operated channels, avoiding the commission of the "middleman", managing brand perception and brand price over quantity because luxury goods companies deal in rarity and must ensure their products are scarce and special.

⁴¹ Maintaining consistent customer experiences across 190 countries offering shoppers access to more than 3,500 brands sourced from over 1,400 luxury vendors was a complex, time-consuming and expensive process (Exhibit B TN 1: 30/06/2023 SG&A/Revenue = 78%). Inefficiencies in operations, such as supply chain management, logistics, and marketing expenses, could have contributed to higher costs and reduced profitability.

convertible notes and forming strategic partnerships with Alibaba and Richemont. On the other hand, the company faced several headwinds beginning in 2022 including unforeseen geopolitics, macroeconomic pressures affecting luxury spending, and operational complexities from rapid expansion⁴². However, this should not be labelled as bad luck because growth companies operating in consumer discretionary sectors with a balance sheet mainly composed by intangibles must exercise caution in capital allocation, maintain strategic focus and resist the temptation to chase after unrelated ventures, making sure they maintain alignment with their core competencies, avoiding excessive debt accumulation and prioritising sustainable growth [Exhibit B TN 6].

Fraud? The case does not disclose evidence of fraud. Nevertheless, it is important to highlight the class-action lawsuit filed by shareholders in October 2023⁴³.

In summary, the company's rapid expansion and diversification without a sustainable financial foundation, coupled with its inability to adapt quickly to changing market conditions, led to its financial distress.

4. In October 2023, Farfetch and several top executives faced a class-action lawsuit filed by a group of shareholders. The lawsuit alleged that the luxury e-commerce company violated federal securities laws. Early 2024, a group of lenders known as “The 2027 Ad Hoc Group” also raised concerns about a lack of transparency and governance in Farfetch's transaction with Coupang. Discuss the dual class share structure and potential conflicts of interests in Farfetch.

⁴² In 2022, Farfetch halted operations in Russia, its third-largest market, following the Ukraine conflict. Concurrently, lockdowns in China and supply chain challenges continued to negatively impact performance. Additionally, inflation began to affect Farfetch's operating costs, which rose due to increased labour expenses and brand marketing investments. Further complicating matters, the FED tightening cycle posed an additional hurdle, as higher interest rates led to increased borrowing costs for Farfetch and affected product demand, given the company's position in the consumer discretionary sector.

⁴³ The complaint alleged that the company violated federal securities laws by making “materially false and misleading statements regarding the company's business, operations, and prospects.” between March 9, 2023, and August 17, 2023. The complaint alleged that Farfetch failed to disclose that it was experiencing a “significant slowdown” of growth in the U.S. and China, which were the company's largest markets and didn't disclose that it was facing onboarding challenges for its Reebok. It further claimed that shareholders suffered losses and damages due to these alleged omissions.

Farfetch's financial distress and the subsequent loss of investor confidence can be attributed to several governance factors. One of the most significant factors is the company's dual-class share structure. This structure intensified conflicts of interest and diminished accountability, resulting in decisions that did not align with the best interests of all stakeholders. Furthermore, allegations of securities law violations and the concerns expressed by creditors⁴⁴ emphasise the governance challenges that the company has faced:

Dual class share structure: control rights and cash-flow rights were unequal because Class B shares provided control to José Neves (the founder, co-chairman and CEO owned 15% of the share capital but more than 70% of the voting rights)⁴⁵. The key-man risk associated with the founder's control and close involvement in the company's operations and strategy, reduced the effectiveness of independent oversight, resulting in decisions that lacked transparency, balance and thorough examination. This view is substantiated by the rapid and unexplained deterioration in Farfetch's financial position, which shifted from a projected year-end 2023 liquidity of over \$800 million and an enterprise value estimated by JP Morgan over \$3 billion, in August 2023, to a \$500 million distressed sale just four months later. The unexpected resignation of all Farfetch Board members, except José Neves, following the announcement of the Coupang deal also raises concerns about the Board's fiduciary duty to protect minority shareholders' interests⁴⁶. Instead, they have prioritized their own interests such as i) building an empire by engaging in excessive M&A activity, ii) avoiding difficult decisions such as reducing the giant SG&A bill by performing cost-cutting, layoffs, divestitures, shrinking, and iii)

⁴⁴ "When a corporation is solvent, the managers and directors have fiduciary duties to the corporation and its shareholders. Creditors are entitled to protection only as provided in the terms of their original contracts. This relationship changes, however, when the firm becomes insolvent. The predominant view among legal scholars is that the directors and officers of an insolvent corporation owe fiduciary duties to both creditors and shareholders" (Branch 2000, as cited in Altman and Hotchkiss, 2006)

⁴⁵ The dual-class structure and the company's governance practices limited the ability of minority shareholders to influence company decisions or hold management accountable. This structure allowed the founder and other executives to make decisions that weren't necessarily in the best interest of all shareholders.

⁴⁶ Other factors: i) class-action lawsuit filed by minority shareholders in October 2023, alleging false and misleading statements by the company and its executives, ii) the unexpected and unjustified cancellation of Q3 results, one day before its due date and the withdrawal of all financial forecasts and iii) the surprisingly short marketing process of FF PLC business and assets, led by JP Morgan, which potentially left aside other deals that could favour unsecured debtholders.

pursuing pet projects, such as investing in multiple start-ups [Exhibit B 13] losing focus on the platform (core business).

Conflicts of interest: the conflict of interests between management and shareholders are interconnected with the conflict of interest between the controlling shareholder (founder, co-chairman and CEO) and minority shareholders. As explained above, decision-making power did not align with economic stake. On the other hand, there was a conflict of interest between debt and equity⁴⁷. In this case, the Altman Z-Score analysis showed a Z in the grey or distress zone since 2019 [Exhibit B TN 7], which may explain “bets” in risky acquisitions such as non-core start-ups [Exhibit B 13]. Therefore, senior creditors have favoured a fire sale⁴⁸ of FF PLC business and assets to protect the value of their collateral⁴⁹.

5. “The 2027 Ad Hoc Group” believed that better value for Farfetch’s assets could be achieved through alternative options. Accordingly, a post-restructuring going concern plan has been prepared, based on some key assumptions [Exhibit B TN 8]. Please assist the Group presenting the financial restructuring of the firm by performing the valuation of the distressed firm in a) liquidation and b) post-restructuring going concern basis.

Valuing distressed companies presents several critical challenges because i) there is a greater difficulty in determining future cash flows due to the uncertainty surrounding the company’s operations, ii) estimating the risk level becomes more complex in distressed situations and iii) historical performance may only reflect profitability under normal conditions, which may not be applicable in times of distress. Before delving into the different valuation approaches, it is

⁴⁷ Holding equity is like holding a call option on the assets of the firm and debt is like owning the firm’s assets but being short a call option leading to different risk attitude

⁴⁸ Conversely, equity holders, holding an out-of-the-money option, would prefer the firm to continue operating, hoping for events that could boost the firm’s value and restore some residual equity value. Finally, since the convertible notes are hybrid financing, the holders would prefer the equity holder’s option or explore other options to maximize the value of the assets of the Company, such as a break-up sale to interested bidders. However, a competing offer would be highly unlikely, due to the Coupang \$1 billion fee (1.95x of the full committed \$500 million plus accrued and unpaid interest).

⁴⁹ On December 15, 2023, senior secured debt was trading at a discount of around 22% versus their face value (\$ 594 million) a market value slightly below the amount of Coupang Transaction (\$ 500 million)

essential to conduct a fundamental analysis to identify and understand the underlying causes of the crisis and assess the best approach: going concern and/or liquidation valuation.

a) Liquidation: “Assuming the tangible assets are accumulated units of productive capacity -- i.e. real assets -- all drawn from the same risk class. The intangible assets are options to purchase additional units in future periods”^{xxii}. Given that the value of most intangible assets depends on the firm continuing as a “going concern” bankruptcy costs would be higher for a company like Farfetch, which is heavily reliant on intangible assets. As illustrated in **Exhibit B 20**, the realization rate for the intangible assets' operating book value versus liquidation value falls within a range of 0% to 70%. Therefore, the liquidation of individual assets would release no value for the “The 2027 Ad Hoc Group”. The worst scenario of the high-level assessment of the liquidation value of Farfetch [**TN 9 h**], shows a liquidation value (“LV”) in 2023 amounting to \$137 million, 23% of the senior secured debt amount [**Exhibit B 18**: \$594 million]. Accordingly, the liquidation of the business (or parts of it) as a going concern, as explored below, would release more value for the convertible bond holders.

b) Post-restructuring going concern basis: valuing a distressed company on the going concern basis assumption is a complex challenge, with numerous approaches and methods discussed in the literature^{xxiii}. These include the cost (or asset) methods, the flows criterion (financial or income methods), the mixed criterion (mixed methods), and the market criterion (stock exchange multiple methods or comparable transaction methods). Each of these methods has its own set of key issues. For instance, using multiple methods can lead to significant errors because the application of available multiples for distressed companies often results in an overestimation of the business's value. Additionally, it is challenging to define a normalized level of results to apply these methods accurately⁵⁰. Financial methods, particularly Adjusted

⁵⁰ There are two approaches available for relative valuation: 1. Compare the distressed company's valuation to that of other distressed companies. 2. Compare with healthy companies but adjust for the distress.

Present Value (APV)⁵¹, may be considered for valuing distressed firms due to their flexibility in modelling the evolution of a company's results. However, there are also critical issues in their application⁵². To address the various contingencies that arise in practical valuations, a scenario discounted cash flow (SDCF) valuation was prepared^{xxiv} [please refer to **Exhibits B TN 9 a), b), c), d), e), f), g), h), i), j), k), l), m)**]. This approach is particularly focused on companies in advanced stages of distress, where their ability to continue operating is uncertain, and significant strategic, operational, and financial interventions are necessary to maintain or restore business continuity. The Enterprise value (EV) is highly sensitive to several key factors, including the probability assigned to different economic scenarios, the potential sale proceeds from discontinued operations⁵³, the cost of unlevered capital, and the option to liquidate the company in the end of year 1 (if $LV > EV$)⁵⁴. Assuming that the rights for new cash equity are exercised by a third party, the results indicate a recovery of convertible notes face value between 6% (EV = \$651 million) and 10% (EVL⁵⁵ = \$744 million) [**Exhibit B TN 9 j)**]. The EVL is higher than the EV given by market prices on December 31, 2023 (\$484 million) but much lower than the EV given by the market price on December 15, 2023 (\$1,021 million), before Coupang transaction announcement (\$500 million) [**Exhibit B TN 9 k)**]. The valuation was based on the cash flows expected to be generated by the firm in the light of a restructuring plan, which could be the basis on which to negotiate and reach an agreement between the stakeholders involved in the business restructuring process. On the other hand, assuming that the rights for new cash equity are exercised by "The 2027 Ad Hoc Group" the recovery of the

⁵¹ For simplicity of calculation, it is assumed that assets are financed entirely by equity, and the debt tax shield value is calculated separately. This approach deviates from the typical WACC method, which assumes a constant target financial structure. Given the distressed nature of the firm, estimating a constant target financial structure would be challenging.

⁵² The weight of the terminal value can disproportionately affect the valuation. Estimating the recovery period is also challenging, as it requires predicting when the company will return to normal operations. Finally, determining the cost of capital is complex, given the heightened risk and uncertainty associated with distressed companies.

⁵³ Exhibit B TN 9 g includes a sensitivity analysis of the probability assigned to different economic scenarios, and the potential sale proceeds from discontinued operations

⁵⁴ The Plan assumes that the company could access a bridge loan of up to \$300 million at a 12.5% interest rate (like Coupang) and secure a \$100 million cash equity increase. However, obtaining such financing in a context of high interest rates could be a tremendous challenge.

⁵⁵ EVL = Enterprise value with liquidation option at $t=1$

full-face value of the bonds would imply an enterprise value of \$1,250 million (68% above EVL)⁵⁶.

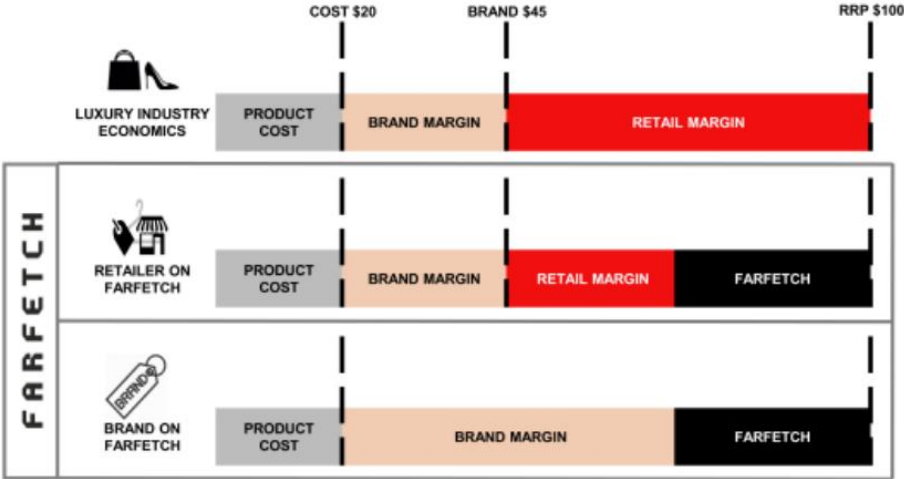
Epilogue: Farfetch's meteoric rise in the online luxury market culminated in a dramatic fall by late 2023. The company's financial distress was a result of a confluence of strategic missteps, operational challenges, and governance issues. Farfetch's aggressive growth strategy, fuelled by acquisitions and debt, proved unsustainable. The company diversified into areas outside its core competency, diluting its focus and resources. Meanwhile, its reliance on a discount-driven model clashed with the luxury brands' emphasis on exclusivity and premium pricing. Low barriers to entry, increased competition and macroeconomic headwinds, coupled with changing consumer preferences favouring direct-to-consumer models led the loss-making company to grow at a lower rate compared to the Online Growth of luxury goods. Farfetch's opaque communication and the abrupt cancellation of Q3 financial results eroded investor confidence. The company's heavy debt burden, negative cash flow, and high interest rates environment created an extreme situation. Its inability to secure additional capital and declining liquidity ultimately led to a liquidity crisis. Farfetch's inability to secure a turnaround led to a transaction with Coupang. This deal resulted in material losses for shareholders and convertible noteholders, raising questions about transparency and potential conflicts of interest. In conclusion, Farfetch's downfall serves as a cautionary tale for growth-focused startups. It highlights the importance of a sustainable business model, prudent financial management, and a clear understanding of the market landscape. Additionally, strong corporate governance and transparent communication are crucial for maintaining investor confidence.

⁵⁶ The probability of execution of the proposed plan after Coupang transaction would be challenging because the TSA required any competing bidder to pay a \$1 billion fee on top of any agreed upon amount.

Appendix

Exhibit B 1: Illustrative Industry Economics and Farfetch sources of revenue

Industry economics



Farfetch sources of revenue

Digital Platform Services Revenue, which primarily includes commissions and related income from third-party sales and to a lesser extent revenue from first-party sales. The revenue realized from first-party sales is equal to the GMV of such sales because we act as principal in these transactions, and thus related sales are not commission based. Digital Platform Services Revenue is included in our Digital Platform segment.

Digital Platform Fulfilment Revenue, which is revenue from shipping and customs clearing services that we provide to our digital consumers, net of centrally Farfetch-funded consumer promotional incentives, such as free shipping and promotional codes. Digital Platform Fulfilment Revenue is included in our Digital Platform segment.

Brand Platform Revenue, which is revenue relating to the New Guards operations less revenue from New Guards’: (i) owned e-commerce websites, (ii) direct-to-consumer channel via our Marketplaces and (iii) directly operated stores. Revenue relating to its owned e-commerce websites and its direct-to-consumer channel is recognized as Digital Platform Services Revenue and revenue relating to its directly operated stores is recognized as In-Store Revenue. Revenue realized from Brand Platform is generally equal to GMV as such sales are not commission based. However, revenue relating to royalties, commission and other fees arising on commercial arrangements may be recognized within Brand Platform Revenue and not Brand Platform GMV.

In-Store Revenue, which is revenue generated in our retail stores which include Browns, Stadium Goods and New Guards’ directly operated stores. Revenue realized from In-Store sales for Browns and New Guards’ directly operated stores is equal to GMV of such sales because such sales are not commission based. Revenue realized from In-store sales for Stadium Goods does not equal GMV of such sales as a certain portion of those sales are third-party and are commission-based.

Sources: Prospectus [Rule 424(b)(4)]. Available online: <https://www.sec.gov/Archives/edgar/data/1740915/000119312518281206/d607688d424b4.htm> (accessed on July, 15 2024) and 2022 20-F Annual and Transition Report (foreign private issuer) Available online: <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001740915/7b9279a2-0f9f-4295-849e-f4bbf50b22b6.pdf> (accessed on July, 15 2024)

Exhibit B 2: Annual GMV and Revenue – December 31, 2017 to June 30, 2023, LTM

\$ thousand								LTM
GMV	December 31 2017	December 31 2018	December 31 2019	December 31 2020	December 31 2021	December 31 2022	June 30 2023	June 30 2023
Digital Platform GMV	894,392	1,392,103	1,947,868	2,759,476	3,677,988	3,492,515	1,743,952	3,543,828
Brand Platform GMV	0	0	164,210	390,014	467,505	455,160	173,114	421,398
In-Store GMV	15,434	15,595	27,621	37,524	84,381	110,826	47,209	106,350
Total GMV	909,826	1,407,698	2,139,699	3,187,014	4,229,874	4,058,501	1,964,275	4,071,576

\$ thousand								LTM
Revenue stream	December 31 2017	December 31 2018	December 31 2019	December 31 2020	December 31 2021	December 31 2022	June 30 2023	June 30 2023
Digital Platform Services third-party				637,568	845,941	827,224	401,536	830,274
Digital Platform Services first-party				395,588	539,737	592,497	330,997	649,162
Digital Platform Services	296,350	488,995	701,246	1,033,156	1,385,678	1,419,721	732,533	1,479,436
Digital Platform Fulfilment	74,182	97,794	127,960	213,228	332,504	321,653	170,899	333,755
Brand Platform			164,210	390,014	467,505	477,146	181,843	441,940
In-Store	15,434	15,595	27,621	37,524	70,921	98,160	43,202	95,876
Total Revenue	385,966	602,384	1,021,037	1,673,922	2,256,608	2,316,680	1,128,477	2,351,007

								LTM
Revenue stream %	December 31 2017	December 31 2018	December 31 2019	December 31 2020	December 31 2021	December 31 2022	June 30 2023	June 30 2023
Digital Platform Services	77%	81%	69%	62%	61%	61%	65%	63%
Digital Platform Fulfilment	19%	16%	13%	13%	15%	14%	15%	14%
Brand Platform	0%	0%	16%	23%	21%	21%	16%	19%
In-Store	4%	3%	3%	2%	3%	4%	4%	4%
Total Revenue	100%	100%	100%	100%	100%	100%	100%	100%

Digital Platform Services third-party revenue: take rate that it charged for every sale made by 3rd party boutiques on Farfetch platform

Digital Platform Services first-party revenue: sales generated directly from Farfetch own inventory.

Brand Platform revenue: revenues generated under Farfetch own brand online

In-store revenue: sales of Farfetch inventory in-store

Source: Farfetch financial news, Available online: <https://www.farfetchinvestors.com/financial-news/news-details> (accessed on July 15, 2024)

Exhibit B 3: Quarterly GMV and Revenue – June 30, 2021 to June 30, 2023

\$ thousand

	June 30 2021	September 30 2021	December 31 2021	March 31 2022	June 30 2022	September 30 2022	December 31 2022	March 31 2023	June 30 2023
GMV									
Digital Platform GMV	913,350	828,471	1,146,153	809,509	883,130	787,376	1,012,500	799,654	944,298
Brand Platform GMV	72,722	165,290	117,178	99,739	107,137	148,125	100,159	109,685	63,429
In-Store GMV	21,739	23,553	25,814	21,504	30,181	31,871	27,270	22,319	24,890
Total GMV	1,007,811	1,017,314	1,289,145	930,752	1,020,448	967,372	1,139,929	931,658	1,032,617

\$ thousand

	June 30 2021	September 30 2021	December 31 2021	March 31 2022	June 30 2022	September 30 2022	December 31 2022	March 31 2023	June 30 2023
Revenue stream									
Digital Platform Services third-party	208,597	185,470	270,817	195,139	203,347	185,611	242,127	185,326	216,210
Digital Platform Services first-party	140,534	133,747	160,652	121,641	152,691	139,044	179,121	155,943	175,054
Digital Platform Services	349,131	319,217	431,469	316,780	356,038	324,655	421,248	341,269	391,264
Digital Platform Fulfilment	83,825	77,895	94,556	78,866	79,931	78,703	84,153	80,203	90,696
Brand Platform	72,722	165,290	117,178	100,492	116,577	161,836	98,241	114,460	67,383
In-Store	17,635	20,163	22,448	18,665	26,801	29,163	24,531	20,459	22,743
Total Revenue	523,313	582,565	665,651	514,803	579,347	594,357	628,173	556,391	572,086

Source: Farfetch financial news, Available online: <https://www.farfetchinvestors.com/financial-news/news-details> (accessed on July 15, 2024)

Exhibit B 4: Cost of revenue

(in \$ thousands)	Dec 31, 2018	Dec 31, 2019	Dec 31, 2020	Dec 31, 2021	Dec 31, 2022	June, 30 2023	LTM June, 30 2023
Digital Platform Services third-party			208,518	288,286	253,049	129,228	263,992
Digital Platform Services first-party			264,432	367,139	440,083	242,186	487,425
Digital Platform Services	197,289	329,333	472,950	655,425	693,132	371,414	751,417
Digital Platform Fulfilment	97,794	127,960	213,228	332,504	321,653	170,899	333,755
Brand Platform	0	89,203	199,208	225,989	242,663	86,756	222,872
In-Store cost	8,851	14,695	17,608	26,179	36,057	15,903	34,469
Total Cost of Revenue	303,934	561,191	902,994	1,240,097	1,293,505	644,972	1,342,513

Source: Farfetch Forms 20-F (EDGAR Online, Inc.) and Farfetch Q2 2023 earnings release

Exhibit B 5: FTCHQ stock and market capitalization information

FTCHQ Stock price (September 21, 2018 – January 2, 2024)

Stock price \$:

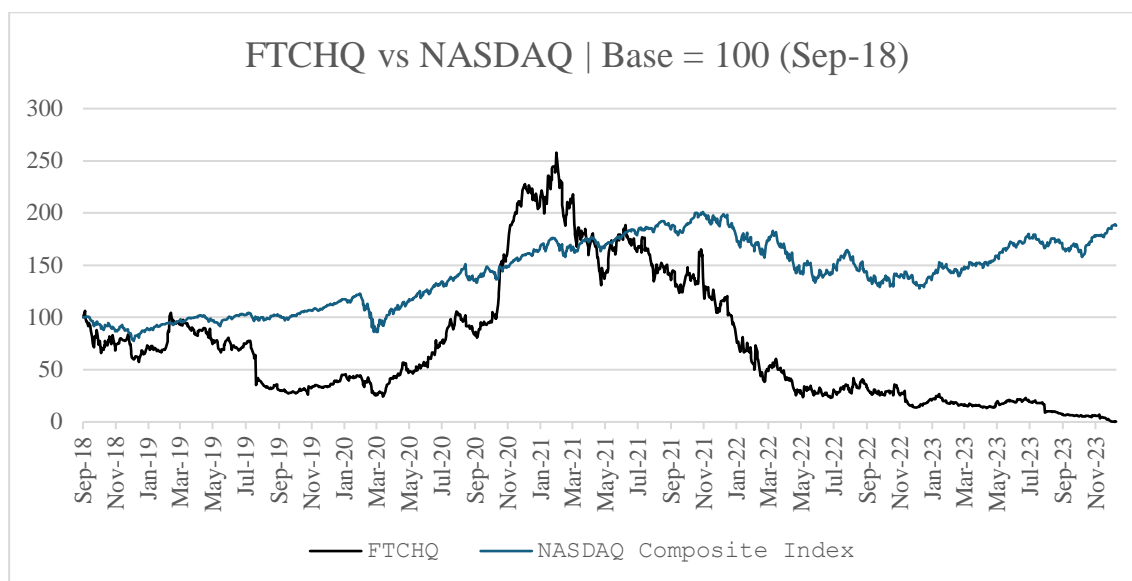


Summary of major events and impact on FTCHQ stock (September 21, 2018 – January 2, 2024)

Date	Event	Impact on Stock
Sept2018	Farfetch IPO on NYSE, raised \$885 million	
Dec 2018	Acquisition of Stadium Goods for \$250 million	Mixed
Aug 2019	Acquisition of New Guards Group for \$675 million	Negative (stock dropped over 40%)
Feb 2020	Issuance of \$250 million convertible senior notes	Slight positive increase
Mar 2020	COVID-19 pandemic begins affecting e-commerce	Boosted online shopping; positive impact
Apr 2020	Issuance of \$400 million convertible senior notes	Positive
Nov 2020	COVID-19 vaccine discoveries announced	General market boost
Nov 2020	Partnership with Richemont and Alibaba; \$600M convertible notes issued	Positive
Feb 2021	Farfetch stock reaches all-time high of \$73.35	all-time high
Mar 2022	Federal Reserve starts raising interest rates (increased borrowing costs)	Negative
Apr 2022	Investment in Neiman Marcus Group (\$200 million)	Mixed
Aug 2022	Strategic partnership with Richemont and Alabbar	Positive
Jan 2023	Partnership with Reebok	Mixed
Aug 2023	Losses reported in Q2 earnings	Negative
Oct 2023	Class-action lawsuit filed by shareholders	Negative
Nov 2023	Cancellation of Q3 earnings report	Highly negative (stock plummeted over 50%)
Nov 2023	Alibaba's J. Michael Evans resigned from the board	Negative
Dec 2023	Failed acquisition of YNAP	Negative
Dec 2023	Coupang \$500 million acquisition announced	Negative
Jan 2024	Completion of acquisition by Coupang; Neves ousted from management	

Source: Prepared by the author

FTCHQ stock vs NASDAQ composite index (September 21, 2018 – January 2, 2024)



Source: LSEG, NASDAQ OMX Group

FTCHQ market capitalization

Market capitalization

	Dec 31, 2018	Dec 31, 2019	Dec 31, 2020	Dec 31, 2021	Dec 31, 2022	June 30, 2023
Number of common shares (millions)	264	319	344	365	385	400
Share price \$ (end of year)	17.7	10.4	63.8	33.4	4.7	6.0
Market value of equity (\$ million)	4,683	3,300	21,940	12,192	1,821	2,414

Source: LSEG and Farfetch Forms 20-F (EDGAR Online, Inc.)

Exhibit B 6: Selling, general and administrative expenses

(in \$ thousands)	Dec 31, 2017	Dec 31, 2018	Dec 31, 2019	Dec 31, 2020	Dec 31, 2021	Dec 31, 2022	June, 30 2023	LTM June, 30 2023
Demand generation expenses	69,202	97,295	151,350	198,787	291,821	272,009	128,396	257,201
Technology expenses	31,611	68,224	84,207	115,227	131,408	120,024	53,400	108,201
Depreciation and amortization	10,980	23,537	113,591	217,223	251,198	332,775	177,659	348,382
Share-based payments	21,486	53,819	158,422	291,633	196,167	244,856	120,434	271,814
General and administrative	162,681	228,891	345,665	504,346	591,644	729,857	367,020	747,112
Other items			16,374	24,267	18,730	34,082	28,260	49,386
SG&A total	295,960	471,766	869,609	1,351,483	1,480,968	1,733,603	875,169	1,782,096

Source: Farfetch Forms 20-F (EDGAR Online, Inc.) and Farfetch Q2 2023 earnings release

Exhibit B 7: Peers comparison and valuation metrics – Sector: Consumer Discretionary

Comparable company	Industry	Market value of equity	Total Enterprise Value (EV)	EBITDA TTM	EV/EBITDA (TTM)	EV/EBITDA (FWD)	Revenue 3 Year (CAGR)	EV/Sales (TTM)	EV/Sales (FWD)	24M Beta	SG&A/Revenue	EBITDA Margin TTM	CAPEX/Sales (TTM)
The RealReal, Inc.	Apparel Retail	265,820	668,170	-41,100	NM	199	15%	1.18	1.14	3.63	89%		
Rent the Runway, Inc.	Other Specialty Retail	40,870	321,670	-7,200	NM	7	27%	1.08	1.05	1.18	49%		
Revolve Group, Inc.	Apparel Retail	1,590.00	1,390,000	33,910	40,940	25	15%	1.3	1.27	2.04	46%		
MYT Netherlands Parent a.k.a. Brands Holding	Apparel Retail	304,310	377,060	-4,800	NM	11	13%	0.42	0.41	1.55	48%		
		233,780	372,670	4,880	76,400	18	16%	0.67	0.66	1.47			
				Mean		60.68	18%	0.93	0.91	1.97	58%		
				Median		17.78	15%	1.08	1.05	1.55	49%		
				Low		7	13%	0.42	0.41	1.18	46%		
				High		199	27%	1.30	1.27	3.63	89%		
				Sector		10.73	9.59	1.24	1.19		11.47%	2.97%	

TTM: trailing twelve months

FWD: Next fiscal year consensus

Source:

<https://seekingalpha.com/symbol/FTCHQ/peers/comparison>

<https://seekingalpha.com/symbol/FTCHQ/valuation/metrics>

LSEG

Exhibit B 8: Consolidated statement of operations

(in \$ thousands)

	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	June, 30 2023	LTM June, 30 2023
Revenue	385,966	602,384	1,021,037	1,673,922	2,256,608	2,316,680	1,128,477	2,351,007
Cost of revenue	-181,200	-303,934	-561,191	-902,994	-1,240,097	-1,293,505	-644,972	-1,342,513
Gross profit	204,766	298,450	459,846	770,928	1,016,511	1,023,175	483,505	1,008,494
Selling, general and administrative expenses	-295,960	-471,766	-869,609	-1,351,483	-1,480,968	-1,733,603	-875,169	-1,782,096
Impairment losses on tangible assets		0	0	-2,991	0	-19,945	-14,766	-34,711
Impairment losses on intangible assets		0	0	-36,269	-11,779	-116,787		-116,787
Operating loss	-91,194	-173,316	-409,763	-619,815	-476,236	-847,160	-406,430	-925,100
(Losses)/gains on items held at fair value and remeasurements	-3,300	0	21,721	-2,643,573	2,023,743	1,298,612	-43,887	94,302
Share of results of associates	31	33	366	-74	-52	68	-5	33
Net finance (costs)/ income	-17,642	19,866	15,150	-66,595	-73,842	-110,188	-49,316	-115,962
(Loss)/profit before tax	-112,105	-153,417	-372,526	-3,330,057	1,473,613	341,332	-499,638	-946,727
Current tax*	-937	-2,158	-14,024	-32,334	-36,672	-38,582		
Deferred tax	767		12,862	46,768	33,670	42,105		
Income tax benefit/(expense)	-170	-2,158	-1,162	14,434	-3,002	3,523	44,024	43,344
(Loss)/profit after tax	-112,275	-155,575	-373,688	-3,315,623	1,470,611	344,855	-455,614	-903,383
(Loss)/profit after tax attributable to:								
Equity holders of the parent	-112,275	-155,575	-385,297	-3,333,171	1,466,487	359,287	-443,793	-889,315
Non-controlling interests		0	11,609	17,548	4,124	-14,432	-11,821	-14,068
Net (loss)/profit	-112,275	-155,575	-373,688	-3,315,623	1,470,611	344,855	-455,614	-903,383

*The Group's current income tax expense is due to profits in certain jurisdictions which cannot be offset with carried-forward losses or other credit

Source: Farfetch Forms 20-F (EDGAR Online, Inc.)

Exhibit B 9: Consolidated statement of comprehensive (loss)/income

(in \$ thousands)	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	June, 30 2023
(Loss)/profit after tax for the year	-155,575	-373,688	-3,315,623	1,470,611	344,855	-455,614
Other comprehensive (loss)/income:						
Items that may be subsequently reclassified to the consolidated statement of operations (net of tax):						
Exchange gain/(loss) on translation of foreign operations	-24,142	-7,333	23,903	-20,017	-12,194	9,624
Loss on cash flow hedges recognized in equity	436	-11,863	-4,227	-12,825	-60,463	19,249
Loss/(gain) on cash flow hedges reclassified and reported in net (loss)/profit	0	8,337	17,612	-11,951	74,975	10,241
Hedge discontinuation gains transferred to statement of operations			0	0	-23,223	
Gain/(loss) on cash flow hedges recognized in equity - time value	0	0	2,552	-2,552	0	
Items that will not be subsequently reclassified to the consolidated statement of operations (net of tax):						
Remeasurement loss on severance plan	0	-58	-24	-77	-168	-327
Other comprehensive income/(loss), net of tax	-23,706	-11,017	39,816	-47,422	-21,073	38,787
Total comprehensive (loss)/income for the year, net of tax	-179,281	-384,705	-3,275,807	1,423,189	323,782	-416,827
Total comprehensive (loss)/income attributable to:						
Equity holders of the parent	-179,281	-396,314	-3,293,687	1,421,809	338,395	-405,019
Non-controlling interests	0	11,609	17,880	1,380	-14,613	-11,808
	-179,281	-384,705	-3,275,807	1,423,189	323,782	-416,827

Source: Farfetch Forms 20-F (EDGAR Online, Inc.)

Exhibit B 10: Consolidated statement of financial position [**Source:** Farfetch Forms 20-F (EDGAR Online, Inc.)]

(in \$ thousands)	Dec 31, 2017	Dec 31, 2018	Dec 31, 2019	Dec 31, 2020	Dec 31, 2021	Dec 31, 2022	June 30, 2023
Other receivables	9,193	10,458	12,388	58,081	31,225	21,204	40,069
Derivative financial assets							721
Deferred tax assets			5,324	13,556	13,334	19,566	19,342
Intangible assets	74,041	103,345	1,362,967	1,279,328	1,359,657	1,547,830	1,503,925
Property, plant and equipment	26,696	37,528	67,999	89,082	97,063	91,141	92,632
Right-of-use assets			115,176	179,227	195,549	187,640	195,115
Investments	336	652	18,695	10,597	18,006	219,115	217,781
Total non-current assets	110,266	151,983	1,582,549	1,629,871	1,714,834	2,086,496	2,069,585
Inventories	50,610	60,954	128,107	145,309	255,664	345,969	436,408
Trade and other receivables	18,180	93,670	189,897	209,946	374,706	492,565	501,225
Current tax assets			1,873	2,082	10,201	16,193	25,945
Short-term investments					99,971	0	
Derivative financial assets			3,024	30,242	8,010	472	10,971
Cash and cash equivalents	384,002	1,044,786	322,429	1,573,421	1,363,128	734,221	453,820
Total current assets	452,792	1,199,410	645,330	1,961,000	2,111,680	1,589,420	1,428,369
Total assets	563,058	1,351,393	2,227,879	3,590,871	3,826,514	3,675,916	3,497,954
Provisions	5,142	13,462	23,704	129,113	60,545	12,166	15,636
Deferred tax liabilities			219,789	182,463	156,025	127,348	88,596
Lease liabilities			100,833	165,275	180,915	178,247	194,584
Employee benefit obligations			16,455	26,116	12,948	2,930	3,833
Derivative financial liabilities			0	2,996,220	872,428	206,564	206,967
Borrowings			0	617,789	515,804	892,700	916,923
Put and call option liabilities			61,268	348,937	836,609	169,218	208,610
Other liabilities and financial liabilities	5,123	15,342	0	4,853	13,367	298,244	287,358
Total non-current liabilities	10,265	28,804	422,049	4,470,766	2,648,641	1,887,417	1,922,507
Trade and other payables	136,744	194,158	413,696	666,144	806,406	740,848	829,662
Provisions			0	27,146	14,585	12,053	8,427
Current tax liability			28,289	3,098	5,189	6,075	6,503
Lease liabilities			18,485	26,128	33,594	36,996	41,614
Employee benefit obligations			0	38,286	8,296	2,403	2,051
Derivative financial liabilities			5,601	17,427	21,118	22,041	4,934
Put and call option liabilities			1,118	0	8,321	26,029	30,194
Other liabilities and financial liabilities	19,146		809	518	9,748	36,433	45,891
Total current liabilities	155,890	194,158	467,998	778,747	907,257	882,878	969,276
Total liabilities	166,155	222,962	890,047	5,249,513	3,555,898	2,770,295	2,891,783
Equity attributable to owners of the parent	396,903	1,128,431	1,167,606	-1,827,198	88,608	748,214	460,568
Non-controlling interests	0	0	170,226	168,556	182,008	157,407	145,603
Total equity/(deficit)	396,903	1,128,431	1,337,832	-1,658,642	270,616	905,621	606,171
Total equity and liabilities	563,058	1,351,393	2,227,879	3,590,871	3,826,514	3,675,916	3,497,954
Accumulated losses	-329,177	-483,357	-845,947	-4,013,120	-2,386,802	-1,873,189	-2,243,822

Exhibit B 11: Borrowings and related derivative financial liabilities (\$ thousand)

	Dec 31, 2020	Dec 31, 2021	Dec 31, 2022	June 30, 2023
\$250 million February 5, 2020 ("February 2020 Notes")	250,000	50,000	0	0
\$ 400 million April 30, 2020 ("April 2020 Notes")	400,000	400,000	400,000	400,000
\$ 600 million November 15, 2020 ("November 2020 Notes")	600,000	600,000	600,000	600,000
\$400 million October 20, 2022, Term Loan			396,000	394,000
Value of embedded derivatives & other adjustments	-632,211	-534,196	-503,300	-477,077
Borrowings	617,789	515,804	892,700	916,923
February 2020 Notes embedded derivative	1,060,167	90,682	0	0
April 2020 Notes embedded derivative	1,217,491	492,801	10,295	10,315
November 2020 Notes embedded derivative	718,562	288,945	196,269	196,652
Derivative financial liabilities	2,996,220	872,428	206,564	206,967

The convertible senior unsecured notes contained certain conversion options that were bifurcated from the contract and valued separately. For each senior convertible note, there were significant judgement in determining the options to be bifurcated and valued separately, the valuation model and valuation methodology.

Example (Source Form 20-F for the fiscal year ended December 31, 2020):

April 2020 Notes assumptions

	2020	
Embedded derivative		
Closing share price	\$ 63.81	
Risk free rate	0.65	%
Expected volatility	37.22	%
Remaining life (years)	6.33	

If the share price increases by \$1, the fair value of the April 2020 Notes embedded derivative would increase and the related fair value remeasurement loss in the consolidated statements of operations would increase by \$24.2 million.

If the risk-free rate increases by 1%, the fair value of the April 2020 Notes embedded derivative would increase and the related fair value remeasurement loss in the consolidated statements of operations would increase by \$20.2 million.

If the expected volatility increases by 1%, the fair value of the April 2020 Notes embedded derivative would increase and the related fair value remeasurement loss in the consolidated statements of operations would increase by \$2.3 million.

(in \$ thousands)

Convertible senior unsecured notes

Date	Principal	Annual Interest Rate	Conversion price (\$) per share	Due date	Creditor
February 5, 2020	250,000	5%	12.25	Dec 31, 2025	Tencent and Dragoneer
April 30, 2020	400,000	3.75%	16.13	May 1, 2027	Private placement to private investors
November 15, 2020	600,000	0%	32.29	Nov 15, 2030	Alibaba and Richemont
Subtotal	1,250,000				
Debt issuance costs	9,600				
Net proceeds	1,240,400				

Senior secured term loan facility

Date	Term loan	Interest rate	Due date	Creditor
October 20, 2022	400,000	(A)	October 20, 2027	(B)
6.5% original issue discount and certain fees	-30,900			
Net proceeds	369,100			

(A) Base Rate (as defined in the Credit Agreement) plus 5.25% per annum or Term SOFR (as defined in the Credit Agreement) plus 6.25% per annum. A Term Loan borrowed in Base Rate is subject to a 0% floor and a Term Loan borrowed in Term SOFR is subject to a 0.50% floor.

(B) JPMorgan Chase Bank, N.A., as administrative agent, Wilmington Trust, National Association, as collateral agent, J.P. Morgan Securities LLC, as the lead arranger and sole physical bookrunner, and certain banks and financial institutions party thereto as lenders and issuing banks.

Source: Farfetch Forms 20-F (EDGAR Online, Inc.) and Farfetch Q2 2023 earnings release (breakdowns prepared by the author)

Exhibit B 12: Consolidated statement of cash flows [Source: Farfetch Forms 20-F (EDGAR Online, Inc.)]

(in \$ thousands)	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	June 30, 2023	LTM June 30, 2023
Cash flows from operating activities							
Operating loss	-173,316	-409,763	-619,815	-476,236	-847,160	-406,430	-925,100
Adjustments to reconcile operating loss to net cash inflow/(outflow) from operating activities:							0
Depreciation	7,338	28,536	39,366	49,564	54,689	32,982	60,316
Amortization	16,199	85,055	177,857	201,634	278,086	144,677	288,066
Impairment of non-current assets							0
Non-cash employee benefits expense	53,819	138,195	168,347	219,932	290,331	116,197	266,467
Net loss/(gain) on sale of non-current assets	1,028	-144					0
Net exchange differences	7,621	-842					0
Impairment losses on tangible assets	-	-	2,991	-	19,945	14,766	34,711
Impairment losses on intangible assets	-	-	36,269	11,779	116,787		116,787
Impairment of investments	-	5,000	235	134	99	580	614
Changes in working capital							0
Increase in receivables	-72,151	-51,273	-15,833	-164,656	-105,977	-8,234	-24,286
Increase in inventories	-10,345	-29,723	-16,471	-104,838	-85,610	-86,773	-129,874
Increase/(decrease) in payables	56,896	113,716	280,454	115,025	-73,582	102,350	175,156
Changes in other assets and liabilities							0
(Increase)/decrease in non-current receivables	-1,265	3,723	-1,453	13,551	10,500	-203	-2,082
Increase/(decrease) in other liabilities	-	11,575	59,640	-44,227	-52,890	-7,522	-15,187
Increase/(decrease) in provisions	-701	-4,252	85,001	-68,128	-50,707	20	4,374
(Decrease)/increase in derivative financial instruments	-506	-117	-15,052	5,663	-53,741	-7,315	-61,293
Income taxes paid	-822	-16,328	-65,221	-41,351	-37,368	-2,891	-36,159
Net cash inflow/(outflow) from operating activities	-116,205	-126,642	116,315	-282,154	-536,598	-107,796	-247,490

(in \$ thousands)	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	June 30, 2023	LTM June 30, 2023
Cash flows from investing activities							
Acquisition of subsidiaries, net of cash acquired	-	-461,691	-12,016	-27,295	-73,860		-3,872
Payments for property, plant and equipment	-21,137	-39,512	-26,839	-28,854	-22,191	-12,830	-23,248
Proceeds on disposal of property, plant and equipment	-	272					0
Payments for intangible assets	-50,978	-72,985	-94,105	-167,707	-148,679	-89,910	-168,576
Interest received	8,865	11,259	3,131	2,994	8,917		5,767
Increase in short-term investments			-	-100,000	-	12,209	12,209
Decrease in short-term investments			-	-	100,019		100,019
Dividends received from associate	-	-	60	-	-		
Transaction costs paid on investment in associate						-18,369	-18,369
Payments for investments	-288	-20,846	-2,872	-9,794	-210,003	-567	-4,039
Proceeds on disposal of investment			-	-	1,461		
Transaction costs paid on investment in associate							
Net cash outflow from investing activities	-63,538	-583,503	-132,641	-330,656	-344,336	-109,467	-100,109
Cash flows from financing activities							
Proceeds from issue of shares, net of issue costs	856,979	-	50,000	-	-		-
Proceeds from exercise of employee share-based awards	2,547	8,654	62,899	36,833	2,546		1,151
Transaction costs paid relating to capital contribution from non-controlling interest			-	-25,000	-		-
Repayment of the principal elements of lease payments	-	-19,127	-19,051	-26,251	-33,938	-20,885	-38,184
Interests paid						-35,190	-35,190
Proceeds from borrowings, net of issue costs	-	-	1,241,861	-	369,113		369,113
Payment for the repurchase of convertible loan notes			-	-	-32,500		-32,500
Dividends paid to holders of non-controlling interests	-	-	-20,515	-23,016	-17,129	-6,071	-18,809
Interest and fees paid on loans	-	-4,776	-54,154	-32,791	-26,699		-13,216
Acquisition of non-controlling interests			-	-18,514	-	(4,750)	(4,750)
Settlement of equity-based awards			-	-6,119	-4,409	-1,040	-1,040
Capital contribution from non-controlling interest			-	500,000	-	-	-
Repayment of borrowings						(2,000)	(2,000)
Net cash inflow from financing activities	859,526	-15,249	1,261,040	405,142	256,984	-69,936	224,575
Net increase/(decrease) in cash and cash equivalents	679,783	-725,394	1,244,714	-207,668	-623,950	-287,199	-123,024
Cash and cash equivalents at the beginning of the year	384,002	1,044,786	322,429	1,573,421	1,363,128	734,221	575,573
Effects of exchange rate changes on cash and cash equivalents	-18,999	3,037	6,278	-2,625	-4,957	6,798	1,271
Cash and cash equivalents at end of year	1,044,786	322,429	1,573,421	1,363,128	734,221	453,820	453,820

Exhibit B 13: Business combinations (\$ thousand) [Source: Farfetch Forms 20-F (EDGAR Online, Inc.)]

Year	Month	Entity	%	Purchase consideration (IFRS 3)	Ordinary shares and deferred payments	Cash consideration	Cash and cash equivalent balances acquired	Net cash Outflow	Acquisition related costs	
2022	April	Wannaby Inc.	100%	25,523	0	25,523	485	-25,038	-1,100	(A)
2022	February	Violet Grey Inc.	100%	49,418	0	49,418	596	-48,822	-800	(B)
2021	December	Luxclusif	100%	7,817	135	7,682	803	-6,879	-1,500	(C)
2021	December	Allure	100%	21,703	5,845	15,858	1,840	-14,018	-600	(D)
2021	September	JBUX	100%	4,000	0	4,000	48	-3,952	-700	(E)
2021	March	Alanui	53%	0	0	0	0	0	0	(F)
2020	February	Ambush	70%	12,142	0	12,142	126	-12,016	-700	(G)
2019	August	New Guards	100%	708,899	349,989	358,910	102,835	-256,075	-4,100	(H)
2019	May	Toplife	100%	48,503	0	48,503	0	-48,503	-700	(I)
2019	April	CuriosityChina	78%	9,000	0	9,000	409	-8,591	-400	(J)
2019	January	Stadium Goods	100%	178,800	28,600	150,200	1,678	-148,522	-4,000	(K)
				1,065,805	384,569	681,236	108,820	-572,416	-14,600	

(A) **Wanna Group:** primarily provides software under license to clients in the fashion industry, allowing retail customers to virtually “try on” fashion items. The valuation of Customer Relationships and Brand included in the total net identified assets amounts to \$2,800 thousand. The Goodwill of the transaction amounts to \$22,159 thousand.

(B) **Violet Grey Inc:** Online retail platform for luxury beauty products, as part of the Group’s strategy of expanding its Farfetch Marketplace Beauty offering. The valuation of the Brand included in the total net identified assets acquired amounts to \$28,480 thousand. The Goodwill of the transaction amounts to \$30,179 thousand.

(C) **Luxclusif:** Business to Business (“B2B”) technology-enabled seller of pre-owned luxury goods. The valuation of Development Costs and Customer Relationships included in the total net identified assets amounts to \$3,816 thousand. The Goodwill of the transaction amounts to \$3,863 thousand.

(D) **Allure:** established in 2017 Allure and uses artificial intelligence (“A.I.”) to create high-quality on-model images via 360 degrees renderings, allowing retailers and brands to scale quality imagery with automation. The valuation of Development Costs included in the total net identified assets amounts to \$5,412 thousand. The Goodwill of the transaction amounts to \$18,734 thousand.

(E) **JBUX:** Provides marketplace technology to multi-vendor online businesses via a cloud-based Software as a Service (“SaaS”) platform. The valuation of Development Costs included in the total net identified assets amounts to \$2,282 thousand. The Goodwill of the transaction amounts to \$2,074 thousand.

(F) **Alanui:** On March 16, 2021, New Guards Group Holding, a subsidiary of Farfetch Limited, completed the acquisition of Alanui, for \$nil consideration. The acquisition and control was achieved through the removal of a shareholder veto from the agreement between New Guards and Alanui’s other shareholders that had previously prevented the Group from obtaining control of Alanui. New Guards owns 53% of the voting equity interests of Alanui. Alanui deals with wholesale and retail distribution, as well as sales through their e-commerce platform of apparel and accessories.

(G) **Ambush:** Jewellery and apparel line. The valuation of Brand name included in the total net identified assets amounts to \$4,699 thousand. The Goodwill of the transaction amounts to \$10,674 thousand.

(H) **New Guards:** The acquisition complements the Group’s strategy to be the global technology platform for luxury fashion. The valuation of Brand name included in the total net identified assets amounts to \$830,150 thousand. The Goodwill of the transaction amounts to \$192,831 thousand.

(I) **Toplife:** Luxury e-commerce platform, from JD Group. The primary reason for the acquisition was for the Group to leverage the JD App Level 1 Access Button valued in the total identified net asset by \$9,058 (fully impaired in November 2020). The Goodwill of the transaction amounts to \$40,902 thousand.

(J) **CuriosityChina:** Expertise in the China market, including its customer base and technological capabilities. Upon initial acquisition the Group had an obligation to acquire the remaining 22% of outstanding shares that it did not initially acquire. On acquisition, the present value of the obligation amounted to \$4.3 million and was accounted for separately from the business combination as a call option liability. The Goodwill of the transaction amounts to \$3,039 thousand.

(K) **Stadium Goods:** Sneaker and streetwear marketplace (total consideration of \$230.9 million: \$150.2 million of cash, and 4,641,554 Class A Ordinary Shares with a value of \$80.7 million based on the Farfetch Limited share price as at the acquisition date). Of the \$80.7 million share consideration, \$52.1 million includes a service condition for certain members of the Stadium Goods management team remaining with the Group over a four-year period. This does not satisfy the IFRS 3 definition of consideration and will be recognized as an expense in the Consolidated statement of operations over the four-year service period as a share-based payment expense. Therefore, under IFRS 3, the consideration is \$178.8 million. The valuation of Brand name included in the total net identified assets amounts to \$117,300 thousand. The Goodwill of the transaction amounts to \$73,653 thousand.

Exhibit B 14: Intangible assets

(in \$ thousands)	December 2017	December 2018	December 2019	December 2020	December 2021	December 2022
Goodwill	38 449	36 043	341 067	356 521	382 285	402 304
Brand, Trademarks and domain	5 685	4 906	908 303	771 393	764 461	888 675
Customer relationships	1 819	713	4 224	3 234	4 754	6 447
Development costs	28 088	61 683	109 373	148 180	208 157	250 404
Total	74 041	103 345	1 362 967	1 279 328	1 359 657	1 547 830

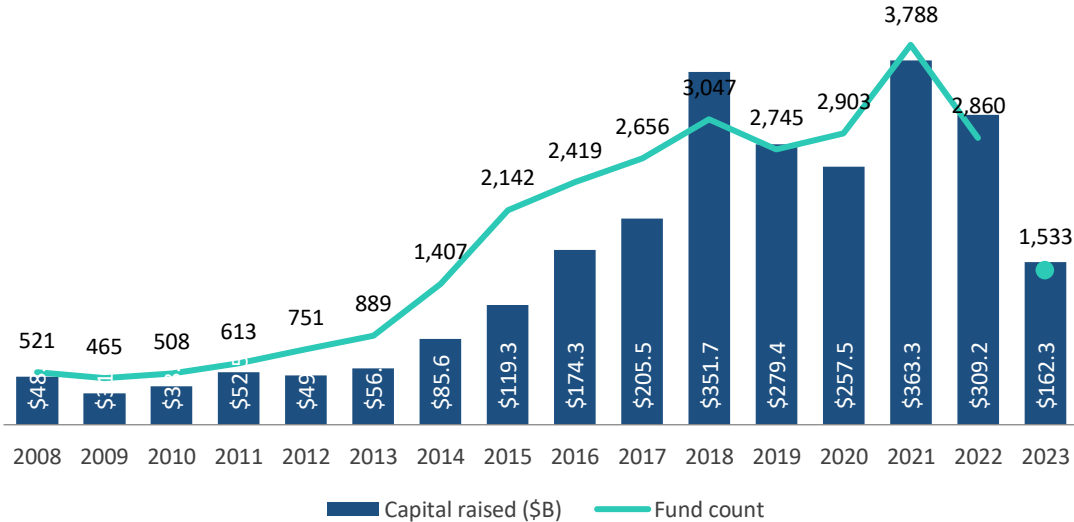
Source: Farfetch Forms 20-F (EDGAR Online, Inc.)

Exhibit B 15: Debt market value (Par = 100): April 29, 2020- January 30, 2024



Source: Bloomberg

Exhibit B 16: Venture Capital fundraising activity (\$ Billion)



Source: PitchBook • Geography: Global

Exhibit B 17: Capital Markets Information

Daily treasury par yield curve rate, January 2, 2024	
3-Month Treasury Bills	5.46%
10-Year Treasury Bond	3.95%
20-Year Treasury Bond	4.25%
30-Year Treasury Bond	4.08%

Average Returns on Treasury Securities and Common Stocks, 1928 to 2023	
Treasury Bills	3.3%
10-Year Treasury Bond	4.6%
S&P 500	9.8%

Source:

Prepared by the author with Treasury yields data from US department of the treasury, accessed September 9, 2024, https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value=2024. Historical returns were calculated by the author using data from Damodaran, https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html.

Exhibit B 18: Farfetch’s summary capital structure

Description	June 30, 2023		December 15, 2023		December 31, 2023		Interest/ Coupon	Conversion Price (\$)	Maturity
	Amount \$ thousand	Market Price	Market Price	Market Price	Amount \$ thousand	Market Price			
Term loan October 2022	394,000	95%	394,000	77%	394,000	77%	Term SOFR + 6.25%		10/2027
Term loan August 2023			200,000		200,000		Term SOFR + 6.25%		10/2027
Total senior secured debt	394,000		594,000		594,000				
April 2020 Convertible Notes	400,000	82%	400,000	20%	400,000	2%	3.75%	16.13	01/2027
November 2020 Convertible Notes	600,000		600,000		600,000		0%	32.29	11/2030
Derivatives (b)	-37,343								
Other junior debt (a), (b)	575,331		NA		531,579				
Total unsecured debt	1,537,988				1,531,579				
Cash	-453,820				0				
Net debt	1,478,168				2,125,579				
		\$ thousand		\$ thousand		\$ thousand			
Equity attributable to owners of the parent (b)	460,568	2,413,568	NA	230,000	-51,320	8,800			
Non-controlling interests (b)	145,603		NA		131,968				
Total net debt + equity	2,084,339				2,206,227				

(a) Main items included in this heading are lease liabilities and Reebok contract royalty liabilities to be paid over the 11-year life of the contract.

(b) December 31, 2023, are based on pro-forma accounts prepared by the author.

SOFR 2023	%
First	4.31%
Last	5.38%
Highest	5.40%
Lowest	4.30%
Average	5.01%

Sources:

Farfetch Forms 20-F (EDGAR Online, Inc.)

<https://companiesmarketcap.com/eur/farfetch/marketcap/>

https://www.investing.com/pro/OTCPK:FTCH.O/explorer/marketcap?entry=ks_market_cap_hook&

<https://www.global-rates.com/en/interest-rates/sofr/historical/2023/>

Exhibit B 19 Worldwide luxury goods revenue

\$ Billion										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Worldwide luxury goods revenue	286.1	305.5	259.1	294.2	312.6	354.8	369	382.2	394.9	406.7
%										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Offline	89.7	89.2	84.8	84.5	85.7	86.1	84.6	82.9	82.4	81.8
Online	10.3	10.8	15.3	15.4	14.3	13.9	15.5	17.1	17.6	18.2
	100	100	100.1	99.9	100	100	100.1	100	100	100
2018-2027										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Offline	256.6	272.5	219.7	248.6	267.9	305.5	312.2	316.8	325.4	332.7
Online	29.5	33.0	39.6	45.3	44.7	49.3	57.2	65.4	69.5	74.0
	286.1	305.5	259.4	293.9	312.6	354.8	369.4	382.2	394.9	406.7

Source: Statista Market Insights 2023

Exhibit B 20: Discount between the operating book value and the liquidation value of the assets

Balance sheet item	Sector	Category	Realization (%)
Intangible Assets	All	General intangibles	0-70
Working-Capital	All	Cash (including restricted cash)	100
Working-Capital	All	Accounts receivable	55-85
Working-Capital	All	Inventories - finished goods	45-65
Fixed assets	All	Buildings	40-60

Source: ARCHIVE | Sector and Industry Variables | Criteria | Corporates | Recovery: Recovery Rating Criteria For Speculative-Grade Corporate Issuers: (Available online), <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/101588684> (accessed on September 5, 2024)

Exhibit B 21: Average cumulative default rate in US and Europe (1981-2022).

Rating/Year	1	3	5	7
US				
BB	0.71	3.97	7.26	10.07
B	3.26	11.72	17.48	21.22
CCC/C	27.41	44.13	50.30	52.88
Europe				
BB	0.37	1.99	3.57	4.92
B	1.85	7.76	12.17	14.60
CCC/C	24.39	38.73	44.10	45.23

Source: S&P (2022), table 25, (Available online), Default, Transition, and Recovery: 2022 Annual Global Corporate Default and Rating Transition Study | S&P Global Ratings (spglobal.com) (accessed on September 5, 2024).

Appendix

Exhibit B TN 1: Flux and Ratio Analysis

Profit and loss analysis								LTM
\$ thousand	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	June 30, 2023	June 30, 2023	CAGR/ Variance
GMV	1,407,698	2,139,699	3,187,014	4,229,874	4,058,501	1,964,275	4,071,576	27%
Revenue	602,384	1,021,037	1,673,922	2,256,608	2,316,680	1,128,477	2,351,007	35%
Gross profit	298,450	459,846	770,928	1,016,511	1,023,175	483,505	1,008,494	31%
SG&A	-471,766	-869,609	-1,351,483	-1,480,968	-1,733,603	-875,169	-1,782,096	34%
<i>Demand generation expenses</i>	-97,295	-151,350	-198,787	-291,821	-272,009	-128,396	-257,201	24%
<i>Technology expenses</i>	-68,224	-84,207	-115,227	-131,408	-120,024	-53,400	-108,201	11%
<i>Depreciation and amortization</i>	-23,537	-113,591	-217,223	-251,198	-332,775	-177,659	-348,382	82%
<i>Share-based payments</i>	-53,819	-158,422	-291,633	-196,167	-244,856	-120,434	-271,814	43%
<i>General and administrative and other items</i>	-228,891	-362,039	-528,613	-610,374	-763,939	-395,280	-796,498	32%
Impairment losses on tangible and intangible assets	0	0	-39,260	-11,779	-136,732	-14,766	-151,498	
Operating loss	-173,316	-409,763	-619,815	-476,236	-847,160	-406,430	-925,100	
EBITDA	-149,779	-296,172	-363,332	-213,259	-377,653	-214,005	-425,220	26%
EBITDA Adj. Share-based payments	-95,960	-137,750	-71,699	-17,092	-132,797	-93,571	-153,406	
(Losses)/gains on items held at fair value & others	33	22,087	-2,643,647	2,023,691	1,298,680	-43,892	94,335	486%
Net finance (costs)/ income	19,866	15,150	-66,595	-73,842	-110,188	-49,316	-115,962	
Net profit/(loss)	-155,575	-373,688	-3,315,623	1,470,611	344,855	-455,614	-903,383	48%
Profitability ratios								
Gross profit margin	50%	45%	46%	45%	44%	43%	43%	
Operating margin	-29%	-40%	-37%	-21%	-37%	-36%	-39%	
EBITDA margin	-25%	-29%	-22%	-9%	-16%	-19%	-18%	
Net profit/(loss) margin	-26%	-37%	-198%	65%	15%	-40%	-38%	
Revenue growth	56%	69%	64%	35%	3%	n.a.	1%	
Unlevered Free Cash Flow margin	-31%	-71%	-1%	-23%	-43%	-20%	-20%	
COGS / Revenue	50%	55%	54%	55%	56%	57%	57%	
SG&A / Revenue	78%	85%	81%	66%	75%	78%	76%	
<i>Demand generation expenses/Revenue</i>	16%	15%	12%	13%	12%	11%	11%	
<i>Technology expenses/Revenue</i>	11%	8%	7%	6%	5%	5%	5%	
<i>Depreciation and amortization/Revenue</i>	4%	11%	13%	11%	14%	16%	15%	
<i>Share-based payments/Revenue</i>	9%	16%	17%	9%	11%	11%	12%	
<i>General and administrative and other items/Revenue</i>	38%	35%	32%	27%	33%	35%	34%	
(Losses)/gains on items held at fair value & others/Revenue	0%	2%	-158%	90%	56%	-4%	4%	
Net finance (costs)/income/Revenue	3%	1%	-4%	-3%	-5%	-4%	-5%	
Capex and intangibles/revenue	10%	148%	15%	16%	28%	13%		

Balance sheet/cash flow:							LTM
\$ thousand	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	June, 30 2023	June, 30 2023
Operating returns							
Asset turnover	48	12	1	2	2	1	
Recurrent ROIC	-1379%	-494%	-48%	-48%	-55%	-43%	-42%
ROIC	-1544%	-504%	-46%	-54%	-66%	-32%	-43%
Working capital ratios							
Accounts receivable days	70	80	98	136	168	178	
Inventory days	108	108	110	151	176	231	
Accounts payable days	118	146	184	178	144	164	
Cash conversion cycle (days)	60	42	24	108	200	245	n.a.
Total Unlevered Free Cash Flows	-188,608	-721,404	-19,457	-515,804	-989,870	-229,472	-465,594
Recurrent Gross Cash Flow	-87,817	-154,080	-209,802	12,470	-140,964	-104,543	-219,432
Core and Recurrent Investment	-99,681	-530,150	258,378	-477,129	-602,996	-103,102	-187,595
Core & non-core but Non-Recurring EBIT	-288	-20,846	-2,812	-9,794	-208,542	-18,936	-22,408
Income taxes paid	-822	-16,328	-65,221	-41,351	-37,368	-2,891	-36,159
Debt holders Cash Flows	-670,918	712,750	-72,927	51,620	1,041,362	241,333	521,542
Equity holders Cash Flows	859,526	8,654	92,384	464,184	-51,492	-11,861	-55,948
Dividends paid	0	0	0	0	0	0	0
Payout ratio%	-%	-%	-%	-%	-%	-%	-%
Total Equity	1,128,431	1,337,832	-1,658,642	270,616	905,621	606,171	
Net Financial Debt & debt equivalents	-1,044,786	-120,884	2,637,886	1,042,039	1,137,112	1,478,168	
Total (Core and Non-core) Invested Capital	83,645	1,216,948	979,244	1,312,655	2,042,733	2,084,339	0
Net Working Capital	-39,534	-122,108	-339,051	-185,609	95,751	118,986	0
Total Intangibles	103,345	1,362,967	1,279,328	1,359,657	1,547,830	1,503,925	0
%					76%	72%	
Goodwill	36,043	341,067	356,521	382,285	402,304	390,892	0
Brand, Trademarks and domain names	4,906	908,303	771,393	764,461	888,675	863,467	0
Customer relationships	713	4,224	3,234	4,754	6,447	6,264	0
Development costs	61,683	109,373	148,180	208,157	250,404	243,301	0
Non-core Invested Capital	652	18,695	10,597	18,006	219,115	217,781	0
%					11%	10%	

Credit analysis							LTM
\$ thousand	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	June, 30 2023	June, 30 2023
<i>Liquidity ratios</i>							
Current ratio	6.18	1.38	2.52	2.33	1.80	1.47	
Quick ratio	5.86	1.09	2.29	2.03	1.39	0.99	
Cash ratio	5.38	0.69	2.02	1.50	0.83	0.47	
Net Financial Debt & debt equivalents	-1,044,786	-120,884	2,637,886	1,042,039	1,137,112	1,478,168	1,478,168
Market value of equity	4,683,095	3,300,028	21,939,759	12,191,811	1,820,984	2,413,568	2,413,568
Enterprise Value	3,638,309	3,179,144	24,577,645	13,233,850	2,958,096	3,891,736	3,891,736
Net Financial Debt & debt equivalents to Enterprise value	-29%	-4%	11%	8%	38%	38%	38%
Net Debt/EBITDA				-62.1	-7.8		-9.2
<i>Interest coverage ratios</i>							
EBITDA/Interest			-5.5	-2.9	-3.4		-3.7

Source: Prepared by the author based on Exhibits B 4, 7, 9, 12 and Exhibits B TN 3, TN 4, TN 5 and TN 6.

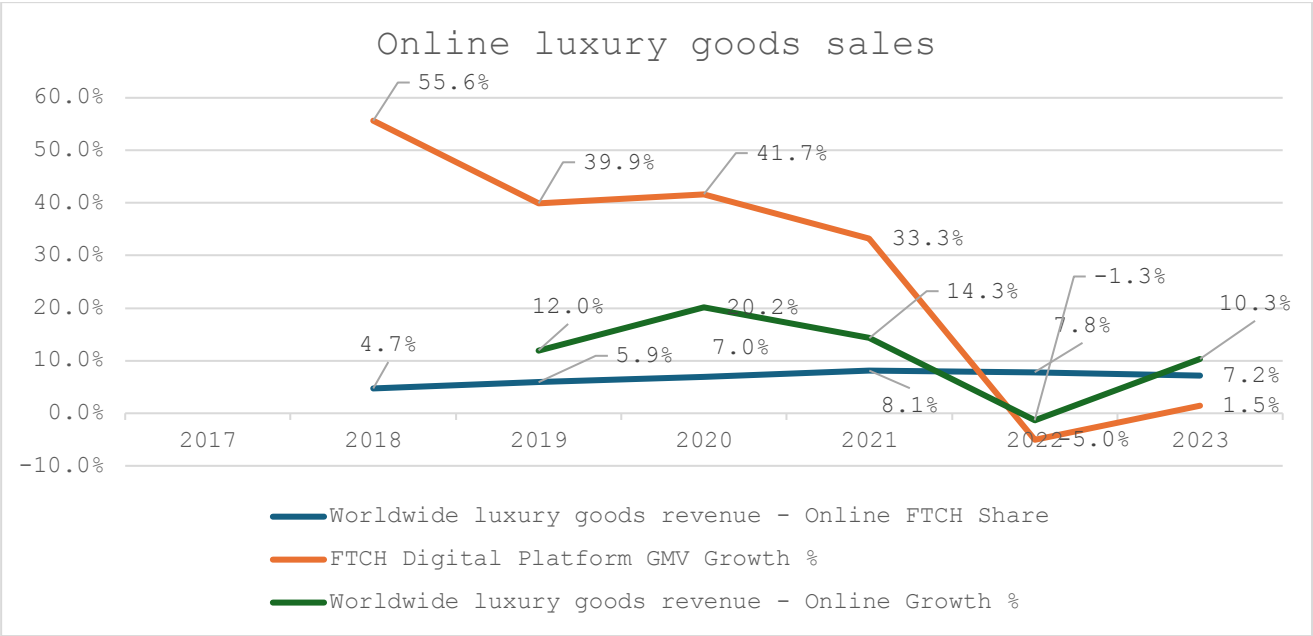
Exhibit B TN 2 a): Worldwide luxury goods revenue – Online vs Farfetch Digital Platform GMV

in \$ thousand

	2017	2018	2019	2020	2021	2022	2023
Digital Platform GMV	894,392	1,392,103	1,947,868	2,759,476	3,677,988	3,492,515	3,543,828
Digital Platform Services (first-party revenue)	0	0	0	395,588	539,737	592,497	649,162
Digital Platform GMV (Third-party revenue)	894,392	1,392,103	1,947,868	2,363,888	3,138,251	2,900,018	2,894,666
Worldwide luxury goods revenue - Online		29,468,300	32,994,000	39,642,300	45,306,800	44,701,800	49,317,200
	2017	2018	2019	2020	2021	2022	2023
Worldwide luxury goods revenue - Online FTCH Share		4.7%	5.9%	7.0%	8.1%	7.8%	7.2%
Worldwide luxury goods revenue - Online FTCH Share (Third-party revenue)		4.7%	5.9%	6.0%	6.9%	6.5%	5.9%
FTCH Digital Platform GMV Growth %		55.6%	39.9%	41.7%	33.3%	-5.0%	1.5%
FTCH Digital Platform GMV (Third-party revenue) Growth %		55.6%	39.9%	21.4%	32.8%	-7.6%	-0.2%
Worldwide luxury goods revenue - Online Growth %			12.0%	20.2%	14.3%	-1.3%	10.3%

Source: Prepared by the author based on Exhibits B 15 and Exhibit B TN 4 b).

Exhibit B TN 2 b): Worldwide luxury goods revenue – Online vs Farfetch Digital Platform GMV



Source: Prepared by the author based on Exhibits B 15 and Exhibit B TN 4 b).

Exhibit B TN 3: Free cash flow

(in \$ thousands)	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	June 30, 2023	LTM June 30, 2023
Cash flows from operating activities							
EBIT	-173,316	-409,763	-619,815	-476,236	-847,160	-406,430	-925,100
Impairment losses on tangible assets	0	0	2,991	0	19,945	14,766	34,711
Impairment losses on intangible assets	0	0	36,269	11,779	116,787		116,787
Core and recurrent EBIT	-173,316	-409,763	-580,555	-464,457	-710,428	-391,664	-773,602
Taxes	0	0	0	0	0	0	0
Recurrent NOPLAT	-173,316	-409,763	-580,555	-464,457	-710,428	-391,664	-773,602
Depreciation	7,338	28,536	39,366	49,564	54,689	32,982	60,316
Amortization	16,199	85,055	177,857	201,634	278,086	144,677	288,066
Other non-cash adjustments	61,962	142,092	153,530	225,729	236,689	109,462	205,788
<i>Non-cash employee benefits expense</i>	<i>53,819</i>	<i>138,195</i>	<i>168,347</i>	<i>219,932</i>	<i>290,331</i>	<i>116,197</i>	<i>266,467</i>
<i>Net exchange differences</i>	<i>7,621</i>	<i>-842</i>					<i>0</i>
<i>Net loss/(gain) on sale of non-current assets</i>	<i>1,028</i>	<i>-144</i>					<i>0</i>
<i>Impairment of investments</i>	<i>-</i>	<i>5,000</i>	<i>235</i>	<i>134</i>	<i>99</i>	<i>580</i>	<i>614</i>
<i>(Decrease)/increase in derivative financial instruments</i>	<i>-506</i>	<i>-117</i>	<i>-15,052</i>	<i>5,663</i>	<i>-53,741</i>	<i>-7,315</i>	<i>-61,293</i>
Recurrent Gross Cash Flow	-87,817	-154,080	-209,802	12,470	-140,964	-104,543	-219,432
Changes in working capital	-25,600	32,720	248,150	-154,469	-265,169	7,343	20,996
<i>Increase in receivables</i>	<i>-72,151</i>	<i>-51,273</i>	<i>-15,833</i>	<i>-164,656</i>	<i>-105,977</i>	<i>-8,234</i>	<i>-24,286</i>
<i>Increase in inventories</i>	<i>-10,345</i>	<i>-29,723</i>	<i>-16,471</i>	<i>-104,838</i>	<i>-85,610</i>	<i>-86,773</i>	<i>-129,874</i>
<i>Increase/(decrease) in payables</i>	<i>56,896</i>	<i>113,716</i>	<i>280,454</i>	<i>115,025</i>	<i>-73,582</i>	<i>102,350</i>	<i>175,156</i>
Capex, Leases, Intangibles and Goodwill	-72,115	-573,916	-132,960	-223,856	-244,730	-102,740	-195,696
<i>Acquisition of subsidiaries, net of cash acquired</i>	<i>-</i>	<i>-461,691</i>	<i>-12,016</i>	<i>-27,295</i>	<i>-73,860</i>		<i>-3,872</i>
<i>Payments for property, plant and equipment</i>	<i>-21,137</i>	<i>-39,512</i>	<i>-26,839</i>	<i>-28,854</i>	<i>-22,191</i>	<i>-12,830</i>	<i>-23,248</i>
<i>Proceeds on disposal of property, plant and equipment</i>	<i>-</i>	<i>272</i>					<i>0</i>
<i>Payments for intangible assets</i>	<i>-50,978</i>	<i>-72,985</i>	<i>-94,105</i>	<i>-167,707</i>	<i>-148,679</i>	<i>-89,910</i>	<i>-168,576</i>
Change in Other Operating Net Assets	-1,966	11,046	143,188	-98,804	-93,097	-7,705	-12,895
<i>(Increase)/decrease in non-current receivables</i>	<i>-1,265</i>	<i>3,723</i>	<i>-1,453</i>	<i>13,551</i>	<i>10,500</i>	<i>-203</i>	<i>-2,082</i>
<i>Increase/(decrease) in other liabilities</i>	<i>-</i>	<i>11,575</i>	<i>59,640</i>	<i>-44,227</i>	<i>-52,890</i>	<i>-7,522</i>	<i>-15,187</i>
<i>Increase/(decrease) in provisions</i>	<i>-701</i>	<i>-4,252</i>	<i>85,001</i>	<i>-68,128</i>	<i>-50,707</i>	<i>20</i>	<i>4,374</i>
Core and Recurrent Investment	-99,681	-530,150	258,378	-477,129	-602,996	-103,102	-187,595
Core and Recurrent Unlevered Free Cash Flows	-187,498	-684,230	48,576	-464,659	-743,960	-207,645	-407,027
Core & Non-Core but Non-Recurring EBIT	-288	-20,846	-2,812	-9,794	-208,542	-18,936	-22,408
Dividends received from associate	-	-	60	0	0		
Transaction costs paid on investment in associate	-	-	-	-	-	-18,369	-18,369
Payments for investments	-288	-20,846	-2,872	-9,794	-210,003	-567	-4,039
Proceeds on disposal of investment	-	-	-	-	1,461		
Transaction costs paid on investment in associate	-	-	-	-	-		
Income taxes paid	-822	-16,328	-65,221	-41,351	-37,368	-2,891	-36,159
Total Unlevered Free Cash Flows	-188,608	-721,404	-19,457	-515,804	-989,870	-229,472	-465,594

(in \$ thousands)	December 31, 2,018	December 31, 2,019	December 31, 2,020	December 31, 2,021	December 31, 2,022	June 30, 2,023	LTM June 30, 2,023
Equity holders Cash Flows	859,526	8,654	92,384	464,184	-51,492	-11,861	-55,948
Proceeds from issue of shares, net of issue costs	856,979	-	50,000	-	-	-	-
Proceeds from exercise of employee share-based	2,547	8,654	62,899	36,833	2,546	-	1,151
Transaction costs paid relating to capital contribution	-	-	-	-25,000	-	-	-
Payment for the repurchase of convertible loan notes	-	-	-	-	-32,500	-	-32,500
Dividends paid to holders of non-controlling	-	-	-20,515	-23,016	-17,129	-6,071	-18,809
Acquisition of non-controlling interests	-	-	-	-18,514	-	(4,750)	(4,750)
Settlement of equity-based awards	-	-	-	-6,119	-4,409	-1,040	-1,040
Capital contribution from non-controlling interest	-	-	-	500,000	-	-	-
Transactions with lenders	-670,918	712,750	-72,927	51,620	1,041,362	241,333	521,542
Interest received	8,865	11,259	3,131	2,994	8,917	-	5,767
Increase in short-term investments	-	-	0	-100,000	0	12,209	12,209
Decrease in short-term investments	-	-	0	0	100,019	-	100,019
Repayment of the principal elements of lease	0	-19,127	-19,051	-26,251	-33,938	-20,885	-38,184
Interests paid	-	-	-	-	-	-35,190	-35,190
Proceeds from borrowings, net of issue costs	0	0	1,241,861	0	369,113	-	369,113
Interest and fees paid on loans	0	-4,776	-54,154	-32,791	-26,699	-	-13,216
Repayment of borrowings	-	-	-	-	-	-2,000	-2,000
Cash and cash equivalents at end of year	-1,044,786	-322,429	-1,573,421	-1,363,128	-734,221	-453,820	-612,468
Effects of exchange rate changes on cash and cash	-18,999	3,037	6,278	-2,625	-4,957	6,798	1,271
Cash and cash equivalents at the beginning of the	384,002	1,044,786	322,429	1,573,421	1,363,128	734,221	734,221

Source: Prepared by the author based on Exhibit B 6

Exhibit B TN 4 a): Reorganised Statement of Comprehensive income and pro-forma accounts (**Source:** Prepared by the author based on Exhibits B 2, 6, 7, 8, 11, 12 and Exhibit B TN 4 b)

	Dec 31, 2017	Dec 31, 2018	Dec 31, 2019	Dec 31, 2020	Dec 31, 2021	Dec 31, 2022	June 30, 2023	LTM June 30, 2023	Pro- forma*** Sept 30, 2023	Pro- forma*** Dec 31, 2023
Core and Recurrent Business										
Digital Platform Services third-party	0	0	0	637,568	845,941	827,224	401,536	830,274	598,888	856,331
Digital Platform Services first-party	0	0	0	395,588	539,737	592,497	330,997	649,162	490,405	695,760
Digital Platform Services	296,350	488,995	701,246	1,033,156	1,385,678	1,419,721	732,533	1,479,436	1,089,293	1,552,091
Digital Platform Fulfilment	74,182	97,794	127,960	213,228	332,504	321,653	170,899	333,755	260,202	355,688
Brand Platform	0	0	164,210	390,014	467,505	477,146	181,843	441,940	275,386	332,171
In-Store	15,434	15,595	27,621	37,524	70,921	98,160	43,202	95,876	67,949	88,766
Revenue	385,966	602,384	1,021,037	1,673,922	2,256,608	2,316,680	1,128,477	2,351,007	1,692,831	2,328,716
<i>Digital Platform Services third-party rev - Growth (%)</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>33%</i>	<i>-2%</i>	<i>NA</i>	<i>0%</i>	<i>NA</i>	<i>4%</i>
<i>Digital Platform Services first-party rev - Growth (%)</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>36%</i>	<i>10%</i>	<i>NA</i>	<i>10%</i>	<i>NA</i>	<i>17%</i>
<i>Digital Platform Services Revenue - Growth (%)</i>	<i>64%</i>	<i>65%</i>	<i>43%</i>	<i>47%</i>	<i>34%</i>	<i>2%</i>	<i>NA</i>	<i>4%</i>	<i>NA</i>	<i>9%</i>
<i>Digital Platform Fulfilment Revenue - Growth (%)</i>	<i>53%</i>	<i>32%</i>	<i>31%</i>	<i>67%</i>	<i>56%</i>	<i>-3%</i>	<i>NA</i>	<i>4%</i>	<i>NA</i>	<i>11%</i>
<i>Brand Platform Revenue - Growth (%)</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>138%</i>	<i>20%</i>	<i>2%</i>	<i>NA</i>	<i>-7%</i>	<i>NA</i>	<i>-30%</i>
<i>In-Store Revenue</i>	<i>22%</i>	<i>1%</i>	<i>77%</i>	<i>36%</i>	<i>89%</i>	<i>38%</i>	<i>NA</i>	<i>-2%</i>	<i>NA</i>	<i>-10%</i>
Revenue Growth (%)	59%	56%	69%	64%	35%	3%	NA	1%	NA	1%
Digital Platform Services third-party cost of revenue		0	0	-208,518	-288,286	-253,049	-129,228	-263,992	-192,743	-275,597
Digital Platform Services first-party cost of revenue		0	0	-264,432	-367,139	-440,083	-242,186	-487,425	-358,823	-509,078
Digital Platform Services cost of Revenue		-197,289	-329,333	-472,950	-655,425	-693,132	-371,414	-751,417	-552,301	-786,952
Digital Platform Fulfilment cost of Revenue		-97,794	-127,960	-213,228	-332,504	-321,653	-170,899	-333,755	-260,202	-355,688
Brand Platform cost of Revenue		0	-89,203	-199,208	-225,989	-242,663	-86,756	-222,872	-131,385	-158,476
In-Store cost of Revenue		-8,851	-14,695	-17,608	-26,179	-36,057	-15,903	-34,469	-25,013	-32,675
Cost of revenue	-181,200	-303,934	-561,191	-902,994	-1,240,097	-1,293,505	-644,972	-1,342,513	-967,524	-1,330,959
<i>Digital Platform Services third-party cost of rev % Sales</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>33%</i>	<i>34%</i>	<i>31%</i>	<i>32%</i>	<i>32%</i>	<i>32%</i>	<i>32%</i>
<i>Digital Platform Services first-party cost of rev % Sales</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>67%</i>	<i>68%</i>	<i>74%</i>	<i>73%</i>	<i>75%</i>	<i>73%</i>	<i>73%</i>
<i>Digital Platform Services cost of Revenue % of Sales</i>	<i>NA</i>	<i>40%</i>	<i>47%</i>	<i>46%</i>	<i>47%</i>	<i>49%</i>	<i>51%</i>	<i>51%</i>	<i>51%</i>	<i>51%</i>
<i>Digital Platform Fulfilment cost of Revenue % of Sales</i>	<i>NA</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>
<i>Brand Platform cost of Revenue % of Sales</i>	<i>NA</i>	<i>NA</i>	<i>54%</i>	<i>51%</i>	<i>48%</i>	<i>51%</i>	<i>48%</i>	<i>50%</i>	<i>48%</i>	<i>48%</i>
<i>In-Store cost of Revenue % of Sales</i>	<i>NA</i>	<i>57%</i>	<i>53%</i>	<i>47%</i>	<i>37%</i>	<i>37%</i>	<i>37%</i>	<i>36%</i>	<i>37%</i>	<i>37%</i>
Cost of revenue (% of Revenue)	47%	50%	55%	54%	55%	56%	57%	57%	57%	57%

	Dec 31, 2017	Dec 31, 2018	Dec 31, 2019	Dec 31, 2020	Dec 31, 2021	Dec 31, 2022	June 30, 2023	LMT June 30, 2023	Pro- forma*** Sept 30, 2023	Pro- forma*** Dec 31, 2023
Demand generation expenses	-69,202	-97,295	-151,350	-198,787	-291,821	-272,009	-128,396	-257,201	-190,030	-265,772
Technology expenses	-31,611	-68,224	-84,207	-115,227	-131,408	-120,024	-53,400	-108,201	-79,034	-110,535
Share-based payments	-21,486	-53,819	-158,422	-291,633	-196,167	-244,856	-120,434	-271,814	-178,246	-249,291
General and administrative	-162,681	-228,891	-345,665	-504,346	-591,644	-729,857	-367,020	-747,112	-543,202	-759,710
Other items	0	0	-16,374	-24,267	-18,730	-34,082	-28,260	-49,386	-41,826	-58,497
SG&A (without Depreciation and amortization)	-284,980	-448,229	-756,018	-1,134,260	-1,229,770	-1,400,828	-697,510	-1,433,714	-1,032,338	-1,443,804
SG&A (without Depreciation and amortization)	74%	74%	74%	68%	54%	60%	62%	61%	62%	62%
(% of Revenue)										
Depreciation of PPE, Rights-of-use		-7,338	-28,536	-39,366	-49,564	-54,689	-32,982	-60,316	-49,473	-65,964
% of PPE, Right-of-use assets (previous year)	NA	-27%	-76%	-21%	-18%	-19%	-12%			
Amortization of intangible assets		-16,199	-85,055	-177,857	-201,634	-278,086	-144,677	-288,066	-217,016	-289,354
% of Intangibles (previous year)	NA	46%	126%	17%	22%	28%	13%	26%		
Depreciation and amortization	-10,980	-23,537	-113,591	-217,223	-251,198	-332,775	-177,659	-348,382	-266,489	-355,318
Core and recurrent EBIT	-91,194	-173,316	-409,763	-580,555	-464,457	-710,428	-391,664	-773,602	-573,520	-801,365
Statutory and recurrent taxes*										
Core and Recurrent Result	-91,194	-173,316	-409,763	-580,555	-464,457	-710,428	-391,664	-773,602	-573,520	-801,365
NOPLAT Margin	-24%	-29%	-40%	-35%	-21%	-31%	-35%	-33%	-34%	-34%
Non-Core and Core but Non-Recurrent Business										
Impairment, tangible assets & right-of-use asset	0	0	0	-2,991	0	-19,945	-14,766	-34,711	-14,766	-14,766
Impairment intangible assets including Goodwill	0	0	0	-36,269	-11,779	-116,787	0	-116,787		
Other non-recurrent:										
Other (income) expense, net	31	33	366	-74	-52	68	-5	33	-5	-5
Non-Core and Core but Non-Recurrent EBIT	31	33	366	-39,334	-11,831	-136,664	-14,771	-151,465	-14,771	-14,771
Statutory taxes	-170	-2,158	-1,162	14,434	-3,002	3,523	44,024	43,344	44,024	44,024
Foreign currency translation adjustment (OCI)		-24,142	-7,333	23,903	-20,017	-12,194	9,624	9,624	9,624	9,624
Other		436	-3,684	15,913	-27,405	-8,879	29,163			
Non-Core and Core but Non-Recurrent Result	-139	-25,831	-11,813	14,916	-62,255	-154,214	68,040	-108,121	38,877	38,877
Total Core and non-core Result	-91,333	-199,147	-421,576	-565,639	-526,712	-864,642	-323,624	-881,723	-534,643	-762,488
Financing Result										
(Losses)/gains on items held at fair value and remeasurements	-3,300	0	21,721	-2,643,573	2,023,743	1,298,612	-43,887	94,302	-43,887	-81,230
Net finance (costs)/ income	-17,642	19,866	15,150	-66,595	-73,842	-110,188	-49,316	-115,962	-73,974	-98,632
% of Net Financial Debt (previous year)							7%			
Tax Shield**										
Financing Result	-20,942	19,866	36,871	-2,710,168	1,949,901	1,188,424	-93,203	-21,660	-117,861	-179,862
Total Comprehensive Income	-112,275	-179,281	-384,705	-3,275,807	1,423,189	323,782	-416,827	-903,383	-652,504	-942,350

*Assumed no Tax on EBIT since it was always negative; **The company is loss making. Assumed no tax shield on debt; ***Pro-forma of September 2023 and December 2023 main assumptions: a) Revenue – Exhibit B 4 TN b), b) Gross margin and SG&A (without D&A) (% of Revenue) – equal to 30/062023, c) Depreciation and amortization and Net finance (costs)/income - (30/06/2023) + (30/06/2023)/2 x number of quarters, d) (Losses)/gains on items held at fair value and remeasurements: Q4 includes the impact of the reversal of Derivatives and Put and call option liabilities.

Exhibit B TN 4 b): GMV and revenue projection - Q 3 and Q 4 2023

\$ thousand

	June 30, 2021	Sept 30, 2021	Dec 31, 2021	Mar 31, 2022	June 30 2022	Sept 30, 2022	Dec 31, 2022	Mar 31, 2023	June 30 2023	Sept 30, 2023	Dec 31, 2023
GMV											
Digital Platform GMV	913,350	828,471	1,146,153	809,509	883,130	787,376	1,012,500	799,654	944,298	841,912	1,082,629
Brand Platform GMV	72,722	165,290	117,178	99,739	107,137	148,125	100,159	109,685	63,429	87,695	59,298
In-Store GMV	21,739	23,553	25,814	21,504	30,181	31,871	27,270	22,319	24,890	26,284	22,489
Total GMV	1,007,811	1,017,314	1,289,145	930,752	1,020,448	967,372	1,139,929	931,658	1,032,617	955,891	1,164,416

\$ thousand

	June 30, 2021	Sept 30, 2021	Dec 31, 2021	Mar 31, 2022	June 30 2022	Sept 30, 2022	Dec 31, 2022	Mar 31, 2023	June 30 2023	Sept 30, 2023	Dec 31, 2023
Revenue stream											
Digital Platform Services third-party	208,597	185,470	270,817	195,139	203,347	185,611	242,127	185,326	216,210	197,352	257,443
Digital Platform Services first-party	140,534	133,747	160,652	121,641	152,691	139,044	179,121	155,943	175,054	159,408	205,355
Digital Platform Services	349,131	319,217	431,469	316,780	356,038	324,655	421,248	341,269	391,264	356,760	462,798
Digital Platform Fulfilment	83,825	77,895	94,556	78,866	79,931	78,703	84,153	80,203	90,696	89,303	95,487
Brand Platform	72,722	165,290	117,178	100,492	116,577	161,836	98,241	114,460	67,383	93,543	56,785
In-Store	17,635	20,163	22,448	18,665	26,801	29,163	24,531	20,459	22,743	24,747	20,817
Total Revenue	523,313	582,565	665,651	514,803	579,347	594,357	628,173	556,391	572,086	564,354	635,886

Quarterly growth %

	June 30, 2021	Sept 30, 2021	Dec 31, 2021	March 31, 2022	June 30 2022	Sept 30, 2022	Dec 31, 2022	March 31, 2023	June 30 2023	Sept 30, 2023	Dec 31, 2023
Revenue stream											
Digital Platform Services third-party					-3%	0%	-11%	-5%	6%	6%	6%
Digital Platform Services first-party					9%	4%	11%	28%	15%	15%	15%
Digital Platform Services					2%	2%	-2%	8%	10%	10%	10%
Digital Platform Fulfilment					-5%	1%	-11%	2%	13%	13%	13%
Brand Platform					60%	-2%	-16%	14%	-42%	-42%	-42%
In-Store					52%	45%	9%	10%	-15%	-15%	-15%
Total Revenue					11%	2%	-6%	8%	-1%	-5%	1%

Source: Prepared by the author based on Exhibit B 3.
Q3 and Q4 2023 revenue projections, seasonally adjusted Q2 2023 growth rate

Exhibit B TN 5: Reorganised Balance sheet

(in \$ thousands)	Dec 31, 2017	Dec 31, 2018	Dec 31, 2019	Dec 31, 2020	Dec 31, 2021	Dec 31, 2022	June 30, 2023	Pro-forma**** Sept 30, 2023	Pro-forma**** Dec 31, 2023
Core Business									
Operating Cash	0	0	0	0	0	0	0	0	0
<i>as % of sales</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Trade and other receivables	18,180	93,670	189,897	209,946	374,706	492,565	501,225	512,884	531,293
<i>Average collection period (# days)*</i>	22.4	69.9	80.1	97.5	135.8	168.1	178.4	183.5	188.7
Inventories	50,610	60,954	128,107	145,309	255,664	345,969	436,408	485,651	548,689
<i>Average holding period (# days)**</i>	101.9	107.9	107.9	110.2	150.7	175.7	231.0	258.6	286.2
Current tax assets	0	0	1,873	2,082	10,201	16,193	25,945	18,621	25,616
<i>% of sales</i>	0.0%	0.0%	0.2%	0.1%	0.5%	0.7%	1.1%	1.1%	1.1%
Trade and other payables	-136,744	-194,158	-413,696	-666,144	-806,406	-740,848	-829,662	-770,433	-775,304
<i>***Average Payable Period (# of days)</i>	112.2	118.0	146.5	183.7	178.1	144.2	164.2	154.2	149.4
Other liabilities	-19,146	0	0	-27,146	-14,585	-12,053	-8,427	-8,427	-8,427
Current tax liability	0	0	-28,289	-3,098	-5,189	-6,075	-6,503	-6,075	-6,075
<i>% of taxes</i>		0.0%	2434.5%	-21.5%	172.9%	-172.4%	-14.8%		
Net Working Capital	-87,100	-39,534	-122,108	-339,051	-185,609	95,751	118,986	232,221	315,793
<i>% of sales</i>	-22.6%	-6.6%	-12.0%	-20.3%	-8.2%	4.1%	5.3%	10.3%	10.2%
PPE and Right-of-use lease assets	26,696	37,528	183,175	268,309	292,612	278,781	287,747	277,671	267,595
<i>% of sales</i>	7%	6%	18%	16%	13%	12%	13%	12%	16%
Goodwill	38,449	36,043	341,067	356,521	382,285	402,304	390,892	390,892	390,892
<i>% Core invested Capital</i>	306.0%	43.4%	28.5%	36.8%	29.5%	22.1%	20.9%	20.1%	19.7%
Brand, Trademarks and domain names	5,685	4,906	908,303	771,393	764,461	888,675	863,467	852,304	840,468
<i>% Core invested Capital</i>	5.7%	4.0%	68.8%	59.0%	51.6%	51.4%	49.4%	49.8%	50.2%
Customer relationships	1,819	713	4,224	3,234	4,754	6,447	6,264	5,857	5,467
Development costs	28,088	61,683	109,373	148,180	208,157	250,404	243,301	227,488	212,331
Net deferred income tax assets	0	0	-214,465	-168,907	-142,691	-107,782	-69,254	-69,254	-69,254
<i>Total intangibles & net DTA % Core invested Capital</i>	74.3%	84.3%	87.0%	84.9%	82.2%	83.3%	82.1%	82.3%	82.5%
Other non-current assets	9,193	10,458	12,388	58,081	31,225	21,204	40,790	40,790	40,790
<i>% of sales</i>	2.4%	1.7%	1.2%	3.5%	1.4%	0.9%	1.8%	1.8%	1.8%
Other non-current liabilities	-10,265	-28,804	-23,704	-129,113	-60,545	-12,166	-15,636	-15,636	-15,636
<i>% of COGS and SG&A</i>	2.2%	3.8%	1.8%	6.3%	2.5%	0.5%	1.2%		
Net Core Non-Current Assets	99,665	122,527	1,320,361	1,307,698	1,480,258	1,727,867	1,747,572	1,710,113	1,672,653
Core Invested Capital	12,565	82,993	1,198,253	968,647	1,294,649	1,823,618	1,866,558	1,942,333	1,988,446
<i>% of sales</i>	3.3%	13.8%	117.4%	57.9%	57.4%	78.7%	82.7%	86.1%	117.5%
<i>% Intangibles</i>	589.3%	124.5%	95.8%	114.6%	94.0%	79.0%	76.9%	72.5%	69.4%
<i>% Tangibles</i>							23.1%		
Non-Core Business									
Non-core assets	336	652	18,695	10,597	18,006	219,115	217,781	217,781	217,781
Non-core liabilities									
Non-core Invested Capital	336	652	18,695	10,597	18,006	219,115	217,781	217,781	217,781
Total (Core and Non-core) Invested Capital	12,901	83,645	1,216,948	979,244	1,312,655	2,042,733	2,084,339	2,160,114	2,206,227

	Dec 31, 2017	Dec 31, 2018	Dec 31, 2019	Dec 31, 2020	Dec 31, 2021	Dec 31, 2022	June 30, 2023	Pro-forma**** Sept 30, 2023	Pro-forma**** Dec 31, 2023
Short-term	0	0	22,989	52,117	73,067	123,430	113,713	113,713	89,556
Lease liabilities	0	0	18,485	26,128	33,594	36,996	41,614	41,614	41,614
Employee benefit obligations	0	0	0	38,286	8,296	2,403	2,051	2,051	2,051
Derivative financial liabilities	0	0	2,577	-12,815	13,108	21,569	-6,037	-6,037	0
Put and call option liabilities	0	0	1,118	0	8,321	26,029	30,194	30,194	0
Other financial liabilities	0	0	809	518	9,748	36,433	45,891	45,891	45,891
Long-term	0	0	178,556	4,159,190	2,432,071	1,747,903	1,818,275	1,996,399	2,036,023
Borrowings	0	0	0	617,789	515,804	892,700	916,923	1,116,923	1,594,000
\$250 million February 5, 2020 ("February 2020 Notes")				250,000	50,000	0	0	0	0
\$ 400 million April 30, 2020 ("April 2020 Notes")				400,000	400,000	400,000	400,000	400,000	400,000
\$ 600 million November 15, 2020 ("November 2020 Notes")				600,000	600,000	600,000	600,000	600,000	600,000
\$400 million October 20, 2022, Term loan				0	0	396,000	394,000	394,000	394,000
\$200 million August 2023							200,000	200,000	200,000
Value of embedded derivatives & other adjustments				-632,211	-534,196	-503,300	-477,077	-477,077	
Lease liabilities	0	0	100,833	165,275	180,915	178,247	194,584	184,181	173,777
Employee benefit obligations	0	0	16,455	26,116	12,948	2,930	3,833	3,833	3,833
Derivative financial liabilities	0	0	0	2,996,220	872,428	206,564	206,967	206,967	0
Put and call option liabilities	0	0	61,268	348,937	836,609	169,218	208,610	208,610	0
Other financial liabilities	0	0	0	4,853	13,367	298,244	287,358	275,885	264,413
Cash	-384,002	-1,044,786	-322,429	-1,573,421	-1,463,099	-734,221	-453,820	-320,491	0
Net Financial Debt & debt equivalents	-384,002	-1,044,786	-120,884	2,637,886	1,042,039	1,137,112	1,478,168	1,789,620	2,125,579
<i>% of total Invested Capital</i>	<i>-2976.5%</i>	<i>-1249.1%</i>	<i>-9.9%</i>	<i>269.4%</i>	<i>79.4%</i>	<i>55.7%</i>	<i>70.9%</i>	<i>82.8%</i>	<i>96.3%</i>
Check	0	0	0	0	0	0	0	0	0
Total Equity	396,903	1,128,431	1,337,832	-1,658,642	270,616	905,621	606,171	370,494	80,648
Equity attributable to owners of the parent	396,903	1,128,431	1,167,606	-1,827,198	88,608	748,214	460,568	231,006	-51,320
<i>% of total Invested Capital</i>	<i>3076.5%</i>	<i>1349.1%</i>	<i>95.9%</i>	<i>-186.6%</i>	<i>6.8%</i>	<i>36.6%</i>	<i>22.1%</i>	<i>10.7%</i>	<i>-2.3%</i>
Non-controlling interests	0	0	170,226	168,556	182,008	157,407	145,603	139,488	131,968
Total Funding	12,901	83,645	1,216,948	979,244	1,312,655	2,042,733	2,084,339	2,160,114	2,206,227

*Excluded revenue - third party revenue, fulfilment revenue and in store sales

**Excluded cost of sales - third party revenue and fulfilment costs

***COS - third party revenue - fulfilment costs + SG&A-shared based payments

****Pro-forma of September 2023 and December 2023 main assumptions:

	December 31, 2022	June 30, 2023	Pro-forma**** Sept 30, 2023	Pro-forma**** Dec 31, 2023
Net working capital				
Deterioration of average collection and holding periods				
Average collection period (# days)	168	178	184	189
Average quarter deterioration (# days)		5	5	5
Average holding period (# days)	176	231	259	286
Average quarterly deterioration in days		28	28	28
Improved average payment period due to supplier pressure.				
Average Payable Period (# of days)	144	164	154	149
Average quarterly improvement in days		10	-10	-5
Current tax assets = (30/06/2023) % sales				

Net Core Non-Current Assets: Capex (tangible and intangible assets) based on average Q1 and Q2 2023 payments.

Net Financial Debt & debt equivalents: Based on Exhibit B 15; Q4 2023 includes the impact of the reversal of Derivatives and Put and call option liabilities

Equity: Split of losses between Equity attributable to owners of the parent and non-controlling interests: based on actual June 2023 split.

Source: Prepared by the author based on Exhibits B 9, 15 and Exhibit B TN 4 a)

Exhibit B 6 TN: Return on invested capital (ROIC) and Return on New Invested Capital (RONIC)

(in \$ thousands)

	Dec 31,	Dec 31,	Dec 31,	Dec 31,	Dec 31,	Dec 31,	June 30,	LTM June 30,
	2017	2018	2019	2020	2021	2022	2023	2023
Cash Flows								
Recurrent NOPLAT	-	-173,316	-409,763	-580,555	-464,457	-710,428	-391,664	-773,602
Non Cash Adjustments		85,499	255,683	370,753	476,927	569,464	287,121	554,170
Recurrent Gross Cash Flow		-87,817	-154,080	-209,802	12,470	-140,964	-104,543	-219,432
Core Investment		-99,681	-530,150	258,378	-477,129	-602,996	-103,102	-187,595
Core and Recurrent Unlevered Free Cash Flows		-187,498	-684,230	48,576	-464,659	-743,960	-207,645	-407,027
Total Unlevered Free Cash Flow		-188,608	-721,404	-19,457	-515,804	-989,870	-229,472	-465,594
Debt holders Cash Flows						1,041,36		
Equity holders Cash Flows		-670,918	712,750	-72,927	51,620	2	241,333	521,542
		859,526	8,654	92,384	464,184	-51,492	-11,861	-55,948
Return on Invested Capital								
Recurrent NOPLAT		-173,316	-409,763	-580,555	-464,457	-710,428	-391,664	-773,602
Core Invested Capital	12,565	82,993	1,198,253	968,647	1,294,649	1,823,618	1,866,558	1,866,558
Recurrent ROIC		-1379%	-494%	-48%	-48%	-55%	-43%	-42%
Total Core Result		-199,147	-421,576	-565,639	-526,712	-864,642	-323,624	-881,723
Total Invested Capital	12,901	83,645	1,216,948	979,244	1,312,655	2,042,733	2,084,339	
ROIC		-1544%	-504%	-46%	-54%	-66%	-32%	-43%
ROIC Decomposition								
COGS / Revenues	47%	50%	55%	54%	55%	56%	57%	57%
SGA / Revenues	74%	74%	74%	68%	54%	60%	62%	61%
D&A / Revenues	3%	4%	11%	13%	11%	14%	16%	15%
Operating Margin	-24%	-29%	-40%	-35%	-21%	-31%	-35%	-33%
NWC / Revenues		-14%	-4%	-7%	-15%	-8%	8%	4%
PPE and Right-of-use Assets / Revenues		4%	4%	11%	12%	13%	25%	12%
Goodwill and Intangibles / Revenues		12%	10%	81%	57%	59%	137%	66%
Other Oper. Assets-Liabilities / Revenues		0%	-2%	-13%	-11%	-7%	-9%	-4%
Invested Capital / Revenues	0%	2%	8%	72%	43%	56%	162%	78%
Pre-Tax ROIC		-1379%	-494%	-48%	-48%	-55%	-43%	-42%
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%
Recurrent ROIC		-1379%	-494%	-48%	-48%	-55%	-43%	-42%
ROE Decomposition								
Total Core Result	-91,333	-199,147	-421,576	-565,639	-526,712	-864,642	-323,624	-881,723
Total Invested Capital	12,901	83,645	1,216,948	979,244	1,312,655	2,042,733	2,084,339	
ROIC		-1544%	-504%	-46%	-54%	-66%	-32%	-43%
After-Tax Cost of Debt		5%	4%	-2242%	-74%	-114%	16%	
Net Debt & Debt Equivalents	384,002	1,044,786	-120,884	2,637,886	1,042,039	1,137,112	1,478,168	
Equity	396,903	1,128,431	1,337,832	-	270,616	905,621	606,171	
Net Debt / Equity	-97%	-93%	-9%	-159%	385%	126%	244%	
ROE		-45%	-34%	-245%	-86%	120%	-92%	
Net Income	112,275	-179,281	-384,705	3,275,807	1,423,189	323,782	-416,827	
Equity	396,903	1,128,431	1,337,832	-	270,616	905,621	606,171	
ROE		-45%	-34%	-245%	-86%	120%	-92%	
Return on New Invested Capital (RONIC)								
Incremental Recurrent NOPLAT			-236,447	-170,792	116,098	-245,971		-63,174
Incremental Core Invested Capital		70,428	1,115,260	-229,606	326,002	528,969		42,940
Recurrent RONIC			-336%	-15%	na	-75%		-12%

Exhibit B TN 7: Farfetch Z-Score

	Dec 31, 2,017	Dec 31, 2,018	Dec 31, 2,019	Dec 31, 2,020	Dec 31, 2,021	Dec 31, 2,022	June, 30 2,023
NWC	-87,100	-39,534	-122,108	-339,051	-185,609	95,751	118,986
Total Assets	563,058	1,351,393	2,227,879	3,590,871	3,826,514	3,675,916	3,497,954
Ret Earnings	-329,177	-483,357	-845,947	-4,013,120	-2,386,802	-1,873,189	-2,243,822
EBIT	-91,194	-173,316	-409,763	-580,555	-464,457	-710,428	-391,664
Market Value		4,683,095	3,300,028	21,939,759	12,191,811	1,820,984	2,413,568
Book Value Liabilities	166,155	222,962	890,047	5,249,513	3,555,898	2,770,295	2,891,783
Sales	385,966	602,384	1,021,037	1,673,922	2,256,608	2,316,680	1,128,477

Ratio	Dec 31, 2,018	Dec 31, 2,019	Dec 31, 2,020	Dec 31, 2,021	Dec 31, 2,022	June, 30 2,023
X1 NWC/Total Assets	0.0	-0.1	-0.1	0.0	0.0	0.0
X2 Ret. Earnings/Total Assets	-0.4	-0.4	-1.1	-0.6	-0.5	-0.6
X3 EBIT/Total Assets	-0.1	-0.2	-0.2	-0.1	-0.2	-0.1
X4 MV Equity/BV Liabilities	21.0	3.7	4.2	3.4	0.7	0.8
X5 Sales/Total Assets	0.4	0.5	0.5	0.6	0.6	0.3

$$Z=1.2X1+1.4X2+3.3X3+0.6X4+1.0X5$$

	Z	Dec 31, 2,018	Dec 31, 2,019	Dec 31, 2,020	Dec 31, 2,021	Dec 31, 2,022	June, 30 2,023
X1 NWC/Total Assets	1.2	-0.04	-0.07	-0.11	-0.06	0.03	0.04
X2 Ret. Earnings/Total Assets	1.4	-0.50	-0.53	-1.56	-0.87	-0.71	-0.90
X3 EBIT/Total Assets	3.3	-0.42	-0.61	-0.53	-0.40	-0.64	-0.37
X4 MV Equity/BV Liabilities	0.6	12.60	2.22	2.51	2.06	0.39	0.50
X5 Sales/Total Assets	1.0	0.45	0.46	0.47	0.59	0.63	0.32
		12.09	1.48	0.76	1.31	-0.30	-0.40

Z`>2.9: Safe Zone

1.23<Z`<2.9: Gray Zone

Z`<1.23: Distress Zone

Source: Prepared by the author based in Exhibits B 4, 7, 9 and Exhibits B TN 4 a) and TN 5

Exhibit B TN 8: Key assumptions, Pre-restructuring and post-restructuring financial information

Key assumptions:

- i) focus on the asset light business model (Digital Platform Services third-party revenue)
- ii) conversion of convertible notes to equity and equity increase (cash) amounting to \$100 million
- iii) bridge loan amounting to \$300 million with interest at 12.5% per annum
- iv) sale of other businesses and non-core assets to interested bidders such as:
 - a. New Guards Group
 - b. Stadium Goods,
 - c. Browns,
 - d. Neiman Marcus holding

Pre-restructuring and post-restructuring financial information

Financial statements at book value	Pro-forma			Pre-Restr.	Assets held for sale	Impairment	New (cash) equity	Bridge Loan DIP	Senior Secured Debt	Convertible Bonds	Post-Restr.
	December 31	June 30	September 30	December 31							Projected
\$ thousand	2022	2023	2023	2023							December 31 2023
Revenue	2,316,680	1,128,477	1,692,831	2,328,716							856,331
<i>Digital Platform Services third-party</i>	<i>827,224</i>	<i>401,536</i>	<i>598,888</i>	<i>856,331</i>							<i>856,331</i>
<i>Digital Platform Services first-party</i>	<i>592,497</i>	<i>330,997</i>	<i>490,405</i>	<i>695,760</i>							
<i>Digital Platform Fulfilment</i>	<i>321,653</i>	<i>170,899</i>	<i>260,202</i>	<i>355,688</i>							
<i>Brand Platform</i>	<i>477,146</i>	<i>181,843</i>	<i>275,386</i>	<i>332,171</i>							
<i>In-Store</i>	<i>98,160</i>	<i>43,202</i>	<i>67,949</i>	<i>88,766</i>							
EBITDA	-377,653	-214,005	-307,032	-446,047							-164,023
Depreciation & amortization	-332,775	-177,659	-266,489	-355,318							-130,660
Core and recurrent EBIT	-710,428	-391,664	-573,520	-801,365							-294,683
Recurrent taxes											
Core and recurrent result	-710,428	-391,664	-573,520	-801,365							-294,683
Non-Core and Core but Non-Recurrent Result	-154,214	68,040	38,877	38,877							
(Losses)/gains on items held at fair value and remeasurements	1,298,612	-43,887	-43,887	-81,230							
Net finance (costs)/ income (IE)	-110,188	-49,316	-73,974	-98,632							-98,632
Tax shield											
Total Comprehensive Income	323,782	-416,827	-652,504	-942,350							-393,315
Net working capital	95,751	118,986	232,221	315,793	-358,609						-42,817
PPE and Right-of-use lease assets	278,781	287,747	277,671	267,595	-169,193						98,402
Intangibles & other	1,449,086	1,459,825	1,432,442	1,405,058	-888,381						516,677
Core Invested capital	1,823,618	1,866,558	1,942,333	1,988,446	-1,416,183		0			0	572,263
Non-Core Invested Capital	219,115	217,781	217,781	217,781	884,605	-80,648					1,021,738
Cash	-734,221	-453,820	-320,491	0			-100,000	-300,000			-400,000
Financial Debt & debt equivalents	1,871,333	1,931,988	2,110,112	2,125,579	-531,579		0	300,000	0	-1,000,000	894,000
<i>Borrowings</i>	<i>892,700</i>	<i>916,923</i>	<i>1,116,923</i>	<i>1,594,000</i>					<i>0</i>	<i>-1,000,000</i>	<i>594,000</i>
<i>Lease liabilities</i>	<i>215,243</i>	<i>236,198</i>	<i>225,795</i>	<i>215,391</i>	<i>-215,391</i>						<i>0</i>
<i>Employee benefit obligations</i>	<i>5,333</i>	<i>5,884</i>	<i>5,884</i>	<i>5,884</i>	<i>-5,884</i>						<i>0</i>
<i>Derivative financial liabilities</i>	<i>228,133</i>	<i>200,930</i>	<i>200,930</i>	<i>0</i>							<i>0</i>
<i>Put and call option liabilities</i>	<i>195,247</i>	<i>238,804</i>	<i>238,804</i>	<i>0</i>							<i>0</i>
<i>Other financial liabilities</i>	<i>334,677</i>	<i>333,249</i>	<i>321,776</i>	<i>310,304</i>	<i>-310,304</i>						<i>0</i>
Debtor-in-possession financing (DIP)								300,000			300,000
Net Debt	1,137,112	1,478,168	1,789,620	2,125,579	-531,579		-100,000	0	0	-1,000,000	494,000
Equity	905,621	606,171	370,494	80,648		-80,648	100,000	0	0	1,000,000	1,100,000
<i>Equity attributable to owners of the parent</i>	<i>748,214</i>	<i>460,568</i>	<i>231,006</i>	<i>-51,320</i>		<i>51,320</i>	<i>100,000</i>	<i>0</i>	<i>0</i>	<i>1,000,000</i>	<i>1,100,000</i>
<i>Non-controlling interests</i>	<i>157,407</i>	<i>145,603</i>	<i>139,488</i>	<i>131,968</i>		<i>-131,968</i>					<i>0</i>

Source: Prepared by the author based on TN 4 a) and TN 5.

Exhibit B 9 a): Business plan: value drivers' summary

	2023	2024	2025	2026	2027	2028
	0	1	2	3	4	5
Worldwide luxury goods revenue - online	49,317,200	57,195,000	65,356,200	69,502,400	74,019,400	77,720,370
<i>Growth rate</i>		16.0%	14.3%	6.3%	6.5%	5.0%
Farfetch market share	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
Projected Digital Platform GMV	2,894,666	3,357,052	3,836,073	4,079,433	4,344,558	4,561,786
<i>Growth rate</i>		16.0%	14.3%	6.3%	6.5%	5.0%
Take rate	30%	30%	30%	30%	30%	30%
Digital Platform - Third-party revenue	856,331	1,007,116	1,150,822	1,223,830	1,303,367	1,368,536
Sales annual growth	Expected	12.0%	11.0%	6.3%	6.3%	5.0%
	Base	16.0%	14.3%	6.3%	6.5%	5.0%
	Best	21.0%	19.3%	11.3%	11.5%	5.0%
	Worst	5.0%	5.0%	5.0%	5.0%	5.0%
EBITDA margin	Expected	-3.4%	-0.9%	0.7%	2.3%	3.9%
	Base	-2.0%	0.0%	2.0%	4.0%	6.0%
	Best	0.0%	3.0%	5.0%	7.0%	9.0%
	Worst	-6.0%	-3.0%	-2.0%	-1.0%	0.0%
Working capital on sales	Expected	-3.2%	-3.2%	-3.2%	-3.2%	-3.2%
	Base	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
	Best	-7.0%	-7.0%	-7.0%	-7.0%	-7.0%
	Worst	0.0%	0.0%	0.0%	0.0%	0.0%
CAPEX on sales		3.0%	3.0%	3.0%	3.0%	3.0%
Depreciation (years)		5	5	5	5	5
Non-core invested capital - Assets held for sale	Expected	64.8%				
	Base	85%				
	Best	105%				
	Worst	30%				
Scenario probability	Base	51.00%				
	Best	9.00%				
	Worst	40.00%				
		100.00%				

Main assumptions:

Sales annual growth - base scenario: consistent with worldwide luxury goods revenue - online and actual market share (based on Exhibits B 16, TN 2a) and TN 8).

EBITDA margin - base scenario: Target 2028 - 50% of the sector EBITDA margin [Exhibit B 19: 11,47%] - (asset light business - no inventory and receivables risk)

Working capital on sales - base scenario - asset light business - 5% negative working capital explained by the cash inflow of the latest sales to be transferred to the principal (net of take rate)

Capex on sales: sector CAPEX / Sales (TTM) [Exhibit B 19: 2,97%]

Depreciation - expected useful life.

Non-core invested capital - Assets held for sale: Based on Exhibit B 19 multiples with a haircut [44%-50%] because it is a distressed sale.

		EV/Sales (TTM)		
		Low	Median	High
		0.42	1.08	1.30
Revenue \$ thousand	1,472,385	618,402	1,590,176	1,914,101
Book value \$ thousand	1,021,738	61%	156%	187%
Haircut		50%	45%	44%
Expected book value amount		30%	85%	105%
		Worst	Base	Best

Scenario probability: probability of restructuring plan's failure is assumed to be slightly lower than that of default in five years for firms with a CCC-C rating in Europe [Exhibit B 18]. Expected values are lower than those forecasted (base scenario) due to the asymmetrical distribution of values between the best- and the worst-case scenarios.

Source: Prepared by the author, based on Buttignon, F. (2020).

Exhibit B 9 b): Financial restructuring plan

SUS thousand	Pre-restr (nominal value)	Change	Post-restr (nominal value)	Rate	Base					Best					Worst					New equity (nominal value)				
					Years					Years					Years									
					2023	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028	2024	2025	2026	2027		2028			
					0	1	2	3	4	5	1	2	3	4	5	1	2	3	4		5			
Debtor-in-possession financing (DIP)	0.0		300,000		300,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Repayments						300,000	0	0	0	0	0	300,000	0	0	0	0	0	300,000	0	0	0	0	0	
Cash IE				12.5%		37,500	0	0	0	0	0	37,500	0	0	0	0	0	37,500	0	0	0	0	0	
Non-cash IE						0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Senior secured debt	594,000	0%	594,000		594,000	181,125	117,445	49,786	0	0	0	0	0	0	0	0	0	631,125	670,570	712,481	757,011	804,324	0	
Repayments						450,000	75,000	75,000	52,897			631,125	0	0	0	0	0	0	0	0	0	0	0	
Cash IE				5.38%		31,957	9,745	6,319	2,678	0		31,957	0	0	0	0	0	31,957	33,955	36,077	38,331	40,727		
Non-cash IE				6.25%		37,125	11,320	7,340	3,112	0		37,125	0	0	0	0	0	37,125	39,445	41,911	44,530	47,313		
Senior unsecured convertible notes	1,000,000	-100%	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,000,000	
Repayments						0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Cash IE				0%		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Non-cash IE				3.75%		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total IE						106,582	21,065	13,659	5,790	0		106,582	0	0	0	0	0	106,582	73,400	77,987	82,862	88,040		
New (cash) equity		100,000	100,000		100,000																		100,000	
Restructuring costs						100,000						100,000						100,000						
Return on cash				2%																				

Exhibit B 9 c): Equity waterfall

\$ thousand	Nominal value	Multiple cash on cash (CoC)	% After CoC
Equity from new cash	100,000	5.5×	50.0%
Equity from Senior secured debt write-off	-		
Equity from Senior unsecured convertible notes write-off	1,000,000		40.0%
Long term incentive plan (LTIP)			10.0%
Total	1,100,000		100.0%

Source: Prepared by the author, based on Buttignon, F. (2020).

Exhibit B 9 d): Financial projections post restructuring

SUS thousand	Value at 0		Expected					Base					Best					Worst					
	Pre-Restr	Post-Restr	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028	
			1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	
Working capital	315,793	-42,817	-31,851	-36,722	-39,441	-42,438	-44,559	-49,656	-56,741	-60,341	-64,263	-67,476	-72,516	-86,489	-96,300	-107,373	-112,742	0	0	0	0	0	0
Fixed assets (tangible and intangible)	1,672,653	615,079	520,845	448,704	393,038	350,727	318,693	521,857	451,530	397,429	356,501	325,686	523,141	455,580	405,735	370,605	344,802	519,038	443,553	384,582	338,892	303,901	303,901
Core Invested capital	1,988,446	572,263	488,994	411,982	353,597	308,289	274,133	472,201	394,789	337,088	292,238	258,210	450,626	369,091	309,435	263,232	232,060	519,038	443,553	384,582	338,892	303,901	303,901
Non-Core Invested Capital	217,781	1,021,738	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DIP	0	300,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Senior secured debt	594,000	594,000	344,824	328,125	310,383	302,805	321,730	181,125	117,445	49,786	0	0	0	0	0	0	0	631,125	670,570	712,481	757,011	804,324	804,324
Senior unsecured convertible notes	1,000,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt to raise	0	0	0	0	0	0	91,000	0	0	0	0	100,000	0	0	0	0	0	0	0	0	0	0	100,000
(Cash)/debt	0	-400,000	-242,871	-155,777	-82,203	-37,800	-128,335	-314,203	-208,783	-123,172	-86,834	-229,417	-378,863	-400,413	-445,747	-518,307	-610,378	-121,324	-33,150	51,829	132,833	109,004	109,004
Net Debt	2,125,579	494,000	101,953	172,349	228,180	265,005	284,395	-133,078	-91,338	-73,386	-86,834	-129,417	-378,863	-400,413	-445,747	-518,307	-610,378	509,801	637,421	764,310	889,844	1,013,328	1,013,328
Equity	80,648	1,100,000	387,041	239,633	125,417	43,284	-10,262	605,279	486,127	410,474	379,072	387,627	829,489	769,504	755,182	781,538	842,438	9,237	-193,867	-379,728	-550,952	-709,427	-709,427
Sales	2,328,716	856,331	959,384	1,067,604	1,135,817	1,209,881	1,270,375	993,119	1,134,828	1,206,822	1,285,254	1,349,517	1,035,936	1,235,551	1,375,712	1,533,906	1,610,601	899,148	944,105	991,310	1,040,876	1,092,920	1,092,920
EBITDA	-446,047	-164,023	-31,709	-7,993	10,570	31,719	54,341	-19,862	0	24,136	51,410	80,971	0	37,067	68,786	107,373	144,954	-53,949	-28,323	-19,826	-10,409	0	0
Depreciation & amortization	-355,318	-130,660	-123,016	-104,169	-89,741	-78,608	-70,145	-123,016	-104,371	-90,306	-79,486	-71,300	-123,016	-104,628	-91,116	-81,147	-74,121	-123,016	-103,808	-88,711	-76,916	-67,778	-67,778
EBIT	-801,365		-154,725	-112,162	-79,171	-46,888	-15,804	-142,878	-104,371	-66,170	-28,076	9,671	-123,016	-67,562	-22,330	26,226	70,833	-176,965	-132,131	-108,537	-87,325	-67,778	-67,778
IE on DIP			-37,500	0	0	0	0	-37,500	0	0	0	0	-37,500	0	0	0	0	-37,500	0	0	0	0	0
IE on Senior Secured Debt			-69,082	-40,103	-38,161	-36,098	-35,216	-69,082	-21,065	-13,659	-5,790	0	-69,082	0	0	0	0	-69,082	-73,400	-77,987	-82,862	-88,040	-88,040
IE on Senior unsecured convertible notes			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total IE			-106,582	-40,103	-38,161	-36,098	-35,216	-106,582	-21,065	-13,659	-5,790	0	-106,582	0	0	0	0	-106,582	-73,400	-77,987	-82,862	-88,040	-88,040
Interest income			8,000	4,857	3,116	1,644	756	8,000	6,284	4,176	2,463	1,737	8,000	7,577	8,008	8,915	10,366	8,000	2,426	663	-1,037	-2,657	-2,657
Restructuring costs			-100,000	0	0	0	0	-100,000	0	0	0	0	-100,000	0	0	0	0	-100,000	0	0	0	0	0
EBT			-353,307	-147,408	-114,216	-81,342	-50,264	-341,460	-119,152	-75,653	-31,402	11,407	-321,598	-59,984	-14,322	35,141	81,199	-375,547	-203,104	-185,861	-171,223	-158,475	-158,475
Tax rate (a)			0	0	0	0	0	0%	0%	0%	0%	23%	0%	0%	0%	25%	0%	0%	0%	0%	0%	0%	0%
Income taxes			0	0	0	-791	-3,281	0	0	0	0	-2,852	0	0	-8,785	-20,300	0	0	0	0	0	0	0
Net earnings			-353,307	-147,408	-114,216	-82,132	-53,546	-341,460	-119,152	-75,653	-31,402	8,556	-321,598	-59,984	-14,322	26,356	60,899	-375,547	-203,104	-185,861	-171,223	-158,475	-158,475
Gain/(loss) on assets held for sale							-153,261	0	0	0	0	0	51,087	0	0	0	0	-715,216	0	0	0	0	0
EBITDA			-31,709	-7,993	10,570	31,719	54,341	-19,862	0	24,136	51,410	80,971	0	37,067	68,786	107,373	144,954	-53,949	-28,323	-19,826	-10,409	0	0
Net working capital variation (b)			-10,966	4,871	2,719	2,997	2,122	6,839	7,085	3,600	3,922	3,213	29,699	13,973	9,811	11,074	5,369	-42,817	0	0	0	0	0
Capex			-28,782	-32,028	-34,075	-36,296	-38,111	-29,794	-34,045	-36,205	-38,558	-40,485	-31,078	-37,067	-41,271	-46,017	-48,318	-26,974	-28,323	-29,739	-31,226	-32,788	-32,788
Assets held for sale							868,477					1,072,824					306,521						
Restructuring costs			-100,000	0	0	0	0	-100,000	0	0	0	0	-100,000	0	0	0	0	-100,000	0	0	0	0	0
FCF before taxes			490,629	-35,150	-20,786	-1,581	18,352	725,660	-26,959	-8,469	16,774	43,699	971,445	13,973	37,326	72,430	102,005	82,781	-56,646	-49,566	-41,635	-32,788	-32,788
Interest income			8,000	4,857	3,116	1,644	756	8,000	6,284	4,176	2,463	1,737	8,000	7,577	8,008	8,915	10,366	8,000	2,426	663	-1,037	-2,657	-2,657
New debt			0	0	0	0	91,000	0	0	0	0	100,000	0	0	0	0	0	0	0	0	0	0	100,000
Income taxes			0	0	0	-791	-3,281	0	0	0	0	-2,852	0	0	-8,785	-20,300	0	0	0	0	0	0	0
CF for debt service			498,629	-30,293	-17,670	-727	106,826	733,660	-20,675	-4,293	19,238	142,583	979,445	21,550	45,334	72,559	92,071	90,781	-54,220	-48,903	-42,672	64,556	64,556
Cash for debt service			898,629	212,578	138,106	81,476	144,626	1,133,660	293,528	204,490	142,409	229,417	1,379,445	400,413	445,747	518,307	610,378	490,781	67,104	-15,753	-94,501	-68,277	-68,277
CF to DIP			-337,500	0	0	0	0	-337,500	0	0	0	0	-337,500	0	0	0	0	-337,500	0	0	0	0	0
Cash after CF to DIP			561,129	212,578	138,106	81,476	144,626	796,160	293,528	204,490	142,409	229,417	1,041,945	400,413	445,747	518,307	610,378	153,281	67,104	-15,753	-94,501	-68,277	-68,277
CF to Senior Secured Debt			-318,238	-56,802	-55,903	-43,676	-16,291	-481,957	-84,745	-81,319	-55,575	0	-665,082	0	0	0	0	-31,957	-33,955	-36,077	-38,331	-40,727	-40,727
Cash after CF to Senior Secured Debt			242,871	155,777	82,203	37,800	128,335	314,203	208,783	123,172	86,834	229,417	378,863	400,413	445,747	518,307	610,378	121,324	33,150	-51,829	-132,833	-109,004	-109,004
CF to Senior unsecured convertible notes			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total CF			-157,129	-87,094	-73,573	-44,403	90,535	-85,797	-105,420	-85,611	-36,338	142,583	-21,137	21,550	45,334	72,559	92,071	-278,676	-88,174	-84,979	-81,003	23,829	23,829
Cash final			242,871	155,777	82,203	37,800	128,335	314,203	208,783	123,172	86,834	229,417	378,863	400,413	445,747	518,307	610,378	121,324	33,150	-51,829	-132,833	-109,004	-109,004

(a) Assumed no tax loss carried forward

(b) In the cash flow statement “+” indicate cash increase, “-” cash decrease.

Source: Prepared by the author, based on Buttignon, F. (2020).

Exhibit B TN 9 e) Unlevered cost of capital

Unlevered Beta calculation

Comparable company	Sector	Industry	Market value of equity	Total Enterprise Value (EV)	24M Beta	D	D/E	t	Unlevered Beta
The RealReal, Inc.	Consumer Discretionary	Apparel Retail	265,820	668,170	3.63	402,350	1.5	25%	1.7
Rent the Runway, Inc.	Consumer Discretionary	Other Specialty Retail	40,870	321,670	1.18	280,800	6.9	25%	0.2
Revolve Group, Inc.	Consumer Discretionary	Apparel Retail	1,590,000	1,390,000	2.04	-200,000	-0.1	25%	2.3
MYT Netherlands Parent B.V.	Consumer Discretionary	Apparel Retail	304,310	377,060	1.55	72,750	0.2	25%	1.3
a.k.a. Brands Holding Corp.	Consumer Discretionary	Apparel Retail	233,780	372,670	1.47	138,890	0.6	25%	1.0
									1.3

Cost of capital.

Risk-free rate (Rf)	3.95%
Market risk premium (MRP)	5.23%
Beta unlevered (β_U)	1.30
Specific risk premium (SRP)	0.00%
Cost of unlevered capital (KU)	10.72%

In this case, the specific risk premium (SRP) was incorporated into the expected cash flows, which include worst-case scenario projections (values and probabilities).

Source: Prepared by the author, based on Buttignon, F. (2020), Exhibits B 19 and 20.

Exhibit B TN 9 f): Enterprise value (DCF model)

SUS thousand	Expected						Base						Best						Worst					
	2023	2024	2025	2026	2027	2028	2023	2024	2025	2026	2027	2028	2023	2024	2025	2026	2027	2028	2023	2024	2025	2026	2027	2028
	0	1	2	3	4	5	0	1	2	3	4	5	0	1	2	3	4	5	0	1	2	3	4	5
Sales	959,384	1,067,604	1,135,817	1,209,881	1,270,375		993,119	1,134,828	1,206,822	1,285,254	1,349,517		1,035,936	1,235,551	1,375,712	1,533,906	1,610,601		899,148	944,105	991,310	1,040,876	1,092,920	
EBITDA	-31,709	-7,993	10,570	31,719	54,341		-19,862	0	24,136	51,410	80,971		0	37,067	68,786	107,373	144,954		-53,949	-28,323	-19,826	-10,409	0	
EBIT	-154,725	-112,162	-79,171	-46,888	-15,804		-142,878	-104,371	-66,170	-28,076	9,671		-123,016	-67,562	-22,330	26,226	70,833		-176,965	-132,131	-108,537	-87,325	-67,778	
Operating taxes	0	0	0	-590	-2,827		0	0	0	0	-2,418		0	0	0	-6,557	-17,708		0	0	0	0	0	0
Tax rate (a)							0%	0%	0%	0%	25%		0%	0%	0%	25%	25%		0%	0%	0%	0%	0%	0%
NOPAT	-154,725	-112,162	-79,171	-47,478	-18,631		-142,878	-104,371	-66,170	-28,076	7,253		-123,016	-67,562	-22,330	19,670	53,125		-176,965	-132,131	-108,537	-87,325	-67,778	
Net working capital variation	-10,966	4,871	2,719	2,997	2,122		6,839	7,085	3,600	3,922	3,213		29,699	13,973	9,811	11,074	5,369		-42,817	0	0	0	0	0
Depreciation & amortization	123,016	104,169	89,741	78,608	70,145		123,016	104,371	90,306	79,486	71,300		123,016	104,628	91,116	81,147	74,121		123,016	103,808	88,711	76,916	67,778	
Capex	-28,782	-32,028	-34,075	-36,296	-38,111		-29,794	-34,045	-36,205	-38,558	-40,485		-31,078	-37,067	-41,271	-46,017	-48,318		-26,974	-28,323	-29,739	-31,226	-32,788	
Assets held for sale	662,086	0	0	0	0		868,477	0	0	0	0		1,072,824	0	0	0	0		306,521	0	0	0	0	0
Restructuring costs	-100,000	0	0	0	0		-100,000	0	0	0	0		-100,000	0	0	0	0		-100,000	0	0	0	0	0
Unlevered FCF	490,629	-35,150	-20,786	-2,171	15,525		725,660	-26,959	-8,469	16,774	41,281		971,445	13,973	37,326	65,873	84,296		82,781	-56,646	-49,566	-41,635	-32,788	
Interest on debt/(cash)	-98,582	-35,246	-35,045	-34,453	-34,460		-98,582	-14,781	-9,483	-3,327	1,737		-98,582	7,577	8,008	8,915	10,366		-98,582	-70,973	-77,324	-83,898	-90,697	
Tax rate on interest expenses	0.0%	0.0%	0.0%	0.0%	0.0%		0%	0%	0%	0%	0%		0%	0%	0%	0%	0%		0%	0%	0%	0%	0%	0%
Tax shield on debt (b)	0	0	0	0	0		0	0	0	0	0		0	0	0	0	0		0	0	0	0	0	0
FCF with debt tax shield	490,629	-35,150	-20,786	-2,171	15,525		725,660	-26,959	-8,469	16,774	41,281		971,445	13,973	37,326	65,873	84,296		82,781	-56,646	-49,566	-41,635	-32,788	
EBITDA multiple (c)					7						7						9							5
KU	10.72%	10.72%	10.72%	10.72%	10.72%		10.72%	10.72%	10.72%	10.72%	10.72%		10.72%	10.72%	10.72%	10.72%	10.72%		10.72%	10.72%	10.72%	10.72%	10.72%	10.72%
Enterprise value (EV) (d)	651,266	230,475	290,340	342,261	381,134	406,479	1,003,706	385,678	453,995	511,148	549,186	566,797	1,794,664	1,015,669	1,110,610	1,192,380	1,254,372	1,304,581	-55,359	-144,077	-102,880	-64,347	-29,612	0

Main assumptions:

(a) Assumed no tax loss carried forward

(b) Assumed no material tax shield because the company has no debt when EBT becomes positive (Base and Best scenarios). On worst scenario the company has always negative EBT.

(c) A market method (EV/EBITDA multiple) is proposed for Terminal Value (TV). Given TV's weight on EV, especially in distressed firms, this approach should facilitate the sharing of value judgments between actors involved in valuation, as well as reflecting, in many cases, the path for realizing the projected value (through restructured company sale) at the end of the restructuring plan (Buttignon, F. (2020)).

Sector EV/EBITDA (FWD) = 9,59 (Exhibit B 19). Given the uncertainty associated with a distressed entity, it was used a 7x EV/ EBITDA multiple for base case +/- 2 for the best and worst scenario.

(d) EV at the end of year 5 is given by EBITDA x Multiple, e.g. for BASE case, \$US 567 million = \$US 81 million x 7.0. From year 4, $EV_t = (FCF_{t+1} + EV_{t+1}) / (1 + Ku)$, e.g., for BASE case, \$539 million = $(\$29 \text{ million} + \$567 \text{ million}) / (1 + 10,72\%)$.

Source: Prepared by the author, based on Buttignon, F. (2020).

Exhibit B TN 9 g): Sensitivity analysis

				Non-core invested capital - Assets held for sale (Expected % book value amount)							
				Base	70%	75%	80%	85%	90%	95%	100%
				Best	90%	95%	100%	105%	110%	115%	120%
Scenario probability	Base	Best	Worst	Worst	15%	20%	25%	30%	35%	40%	45%
	51%	9%	40%		512,849	558,988	605,127	651,266	697,406	743,545	789,684
	61%	9%	30%		618,755	664,895	711,034	757,173	803,312	849,451	895,590
	71%	9%	20%		724,642	770,801	816,940	863,079	909,219	955,358	1,001,497
	81%	9%	10%		830,568	876,708	922,847	968,986	1,015,125	1,061,264	1,107,403

Source: Prepared by the author

Exhibit B TN 9 h): Asset liquidation value

SUS thousand	Expected						Base						Best						Worst						
	2023	2024	2025	2026	2027	2028	2023	2024	2025	2026	2027	2028	2023	2024	2025	2026	2027	2028	2023	2024	2025	2026	2027	2028	
	0	1	2	3	4	5	0	1	2	3	4	5	0	1	2	3	4	5	0	1	2	3	4	5	
Working capital	-42,817	-31,851	-36,722	-39,441	-42,438	-44,559	-42,817	-49,656	-56,741	-60,341	-64,263	-67,476	-42,817	-72,516	-86,489	-96,300	-107,373	-112,742	-42,817	0	0	0	0	0	0
Liquidation discount	0%	0%	0%	0%	0%	0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Working capital liquidation value	-42,817	-31,851	-36,722	-39,441	-42,438	-44,559	-42,817	-49,656	-56,741	-60,341	-64,263	-67,476	-42,817	-72,516	-86,489	-96,300	-107,373	-112,742	-42,817	0	0	0	0	0	0
Fixed assets (tangible and intangible)	615,079	520,845	448,704	393,038	350,727	318,693	615,079	521,857	451,530	397,429	356,501	325,686	615,079	523,141	455,580	405,735	370,605	344,802	615,079	519,038	443,553	384,582	338,892	303,901	
Liquidation discount	66%	66%	66%	66%	66%	65%	58%	58%	58%	58%	58%	58%	32%	32%	32%	32%	32%	32%	84%	84%	84%	84%	84%	84%	
Fixed assets (tangible and intangible) liquidation value	208,758	177,016	152,987	134,574	120,733	110,314	258,333	219,180	189,643	166,920	149,730	136,788	418,254	355,736	309,794	275,900	252,012	234,466	98,413	83,046	70,969	61,533	54,223	48,624	
Non-Core Invested Capital	1,021,738	0	0	0	0	0	1,021,738	0	0	0	0	0	1,021,738	0	0	0	0	0	1,021,738	0	0	0	0	0	0
Liquidation discount	66%						58%	58%	58%	58%	58%	58%	32%	32%	32%	32%	32%	32%	84%	84%	84%	84%	84%	84%	
Non-Core Invested Capital liquidation value	346,778	0	0	0	0	0	429,130	0	0	0	0	0	694,782	0	0	0	0	0	163,478	0	0	0	0	0	
Other (non-booked) assets*	85,633	95,938	106,760	113,582	120,988	127,038	85,633	99,312	113,483	120,682	128,525	134,952	85,633	103,594	123,555	137,571	153,391	161,060	85,633	89,915	94,411	99,131	104,088	109,292	
Liquidation costs**	-167,963	-58,493	-51,874	-46,718	-42,928	-40,117	-167,963	-57,151	-50,827	-45,777	-42,076	-39,316	-167,963	-55,422	-49,265	-44,701	-41,662	-39,312	-167,963	-60,895	-53,796	-48,371	-44,298	-41,319	
Asset liquidation value (LV)	430,389	32,611	171,151	161,996	156,355	152,675	562,316	211,685	195,557	181,484	171,917	164,948	987,889	331,392	297,596	272,471	256,366	243,472	136,744	12,066	111,583	112,293	114,012	116,597	
* Valuation based on sales (%)	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	
** % on gross asset value	10%	1,679,633	584,932	518,742	467,178	429,277	401,171	1,679,633	571,513	508,272	457,770	420,763	393,162	1,679,633	554,219	492,646	447,006	416,622	393,120	1,679,633	608,953	537,964	483,713	442,979	413,193

Main assumptions:

Working capital liquidation value: 0% liquidation discount, because working capital is usually negative in a platform business with third party revenue.

Fixed assets (tangible and intangible) liquidation value: based on the average the lower end (worst), higher end (best) and mid-point (base) of the average % realization of intangible assets and fixed assets disclosed in **Exhibit B 17**.

Balance sheet item	Category	Realization (%)	Base	Best	Worst(a)
Intangible Assets	General intangibles	0-70	0.4	0.7	0.1
Fixed assets	Buildings	40-60	0.5	0.6	0.4
	Fixed assets (intangible)		80%	80%	80%
	Fixed assets (tangible)		20%	20%	20%
	Fixed assets (tangible and intangible) liquidation value		0.42	0.68	0.16
	Fixed assets (tangible and intangible) liquidation discount		0.58	0.32	0.84

While the lower end of intangible assets is assumed to be 0%, this analysis assumes that even in the worst-case scenario, Farfetch's intangible assets retain some value.

Liquidation costs: 10% of gross asset value

Source: Prepared by the author, based on Buttignon, F. (2020).

Exhibit B TN 9 i): Enterprise value with liquidation option

SUS thousand	Expected						Base						Best						Worst						
	2023	2024	2025	2026	2027	2028	2023	2024	2025	2026	2027	2028	2023	2024	2025	2026	2027	2028	2023	2024	2025	2026	2027	2028	
	0	1	2	3	4	5	0	1	2	3	4	5	0	1	2	3	4	5	0	1	2	3	4	5	
FCF		490,629	-12,492	-960	14,483	28,640		725,660	-26,959	-8,469	16,774	41,281		0	971,445	13,973	37,326	65,873	84,296						
EV	651,266	230,475	331,492	368,000	392,978	406,479	1,003,706	385,678	453,995	511,148	549,186	566,797	1,794,664	1,015,669	1,110,610	1,192,380	1,254,372	1,304,587	-55,359	-144,077					
LV	430,389	182,611	126,518	117,079	110,750	106,036	562,316	211,685	195,557	181,484	171,917	164,948	987,889	331,392	297,596	272,471	256,366	243,472	136,744	112,066					
TV		44,826				406,479						566,797						1,304,587							
KU		10.72%	10.72%	10.72%	10.72%	10.72%		10.72%	10.72%	10.72%	10.72%	10.72%		10.72%	10.72%	10.72%	10.72%	10.72%							
EVL (a)	743,800	332,932	331,492	368,000	392,978	406,479	1,003,706	385,678	453,995	511,148	549,186	566,797	1,794,664	1,015,669	1,110,610	1,192,380	1,254,372	1,304,587	175,976	112,066					
Liquidation option premium	92,534						0						0						231,335						

(a) EVL is computed as in Exhibit B TN 9 f), setting TV equal to LV when LV > EV (as at the end of year 1 in the Worst-Case Scenario).

Source: Prepared by the author, based on Buttignon, F. (2020).

Exhibit B TN 9 j): Valuation summary

\$ thousand	Nominal value		Going-concern value		Liquidation value		Going-concern value with LV option at time 1	
	Pre-restr	Post-restr	Value	Recovery	Value	Recovery	Value	Recovery
Invested capital	2,206,227	1,594,000						
EV			651,266				651,266	
LV					430,389			
Liquidation option value							92,534	
EVL							743,800	
Net Debt	2,125,579	494,000	494,000		430,389		494,000	
Cash	0	-400,000	-400,000		0		-400,000	
Debtor-in-possession financing (DIP)	0	300,000	300,000	100%	NA		300,000	100%
Senior secured debt	594,000	594,000	594,000	100%	430,389	72%	594,000	100%
Senior unsecured convertible notes	1,000,000	0	0			0%	0	
Other (a)	531,579	0	NA			0%	NA	
Equity	80,648	1,100,000	157,266	14%			249,800	23%
New cash		100,000	78,633	79%			124,900	125%
Equity from Senior secured debt write-off		0	0				0	
Equity from Senior unsecured convertible notes write-off		1,000,000	62,907	6%			99,920	10%
Long term incentive plan			15,727				24,980	
"Old shareholders"	80,648							
Total value for existing debtholders								
Option 1: New cash - rights exercised by a third party								
Senior secured debt		594,000	594,000	100%	430,389	72%	594,000	100%
Senior unsecured convertible notes		1,000,000	62,907	6%	0	0%	99,920	10%
Option 2: New cash - rights exercised by "The 2027 Ad Hoc Group"								
Senior secured debt		594,000	594,000	100%	430,389	72%	594,000	100%
Senior unsecured convertible notes		1,000,000	41,540	4%	0	0%	124,820	12%
\$ 400 million April 30, 2020 ("April 2020 Notes")		400,000	3,796	1%	0		64,868	16%
\$ 600 million November 15, 2020 ("November 2020 Notes")		600,000	37,744	6%	0		59,952	10%

(a) From the date an asset group is classified as held-for-sale (distribution), its assets and liabilities are classified as current and presented separately from other assets and other liabilities on the balance sheet.

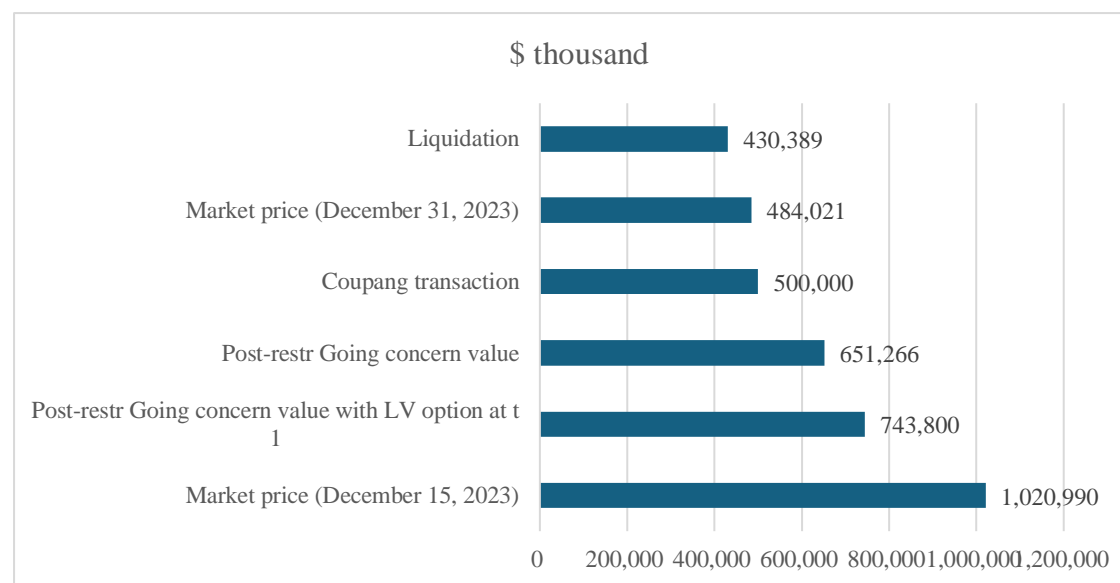
Source: Prepared by the author, based on Buttignon, F. (2020).

Exhibit B TN 9 k): Summary Enterprise value/liquidation value/Coupage transaction (business and assets)

Description	Exhibit B TN 9 i)								
	Book value	Market price		Market price	Coupage	Post-restr	Liquidation	Post-restr	
	December 15, 2023	December 15, 2023		December 31, 2023	Transaction	Going concern value		Going-concern value with LV option at time 1	
Senior secured debt (a)	594,000	77%	459,221	77%	459,221				
Senior unsecured convertible notes (b)	1,000,000	20%	199,800	2%	16,000				
Debt			659,021		475,221				
Equity attributable to owners of the parent (c)	-51,320	230,000	230,000	8800	8,800				
Non-controlling interests (d)	131,968		131,968						
Equity	80,648		361,968		8,800				
Total			1,020,990		484,021	500,000	651,266	430,389	743,800

Assumptions:

- (a) Senior secured debt group valued at the market price of the Term loan October 2022 [Exhibit B 15]
- (b) Senior unsecured convertible notes group valued at the market price of the April 2020 Convertible Notes [Exhibit B 15]
- (c) Equity attributable to owners of the parent valued at market price [Exhibit B 15]
- (d) Non-controlling interests valued at book value on December 15, 2023, and null at December 31, 2023.



Source: Prepared by the author

Exhibit B TN 9 D): Waterfall analysis for different valuations

Class	Claim (\$ thousand)	Recovery 1	Recovery 2	Recovery 3	Recovery 4	Recovery 5	Recovery 6
Implied Enterprise value (\$ thousand)		500,000	750,000	1,000,000	1,250,000	1,500,000	1,750,000
Cash		0	0	0	0	0	0
Senior Secured Debt							
Term loan October 2022	394,000	331,650	394,000	394,000	394,000	394,000	394,000
Term loan August 2023	200,000	168,350	200,000	200,000	200,000	200,000	200,000
	594,000	500,000	594,000	594,000	594,000	594,000	594,000
<i>Recovery Rate</i>		84%	100%	100%	100%	119%	100%
Available for next layers		0	156,000	406,000	656,000	906,000	1,156,000
Senior Unsecured Debt							
April 2020 Convertible Notes	400,000	0	62,400	162,400	262,400	362,400	400,000
November 2020 Convertible Notes	600,000	0	93,600	243,600	393,600	543,600	600,000
	1,000,000	0	156,000	406,000	656,000	906,000	1,000,000
<i>Recovery Rate</i>		0%	16%	41%	66%	91%	100%
Available for next layers		0	0	0	0	0	156,000
Junior debt							
Other junior debt	531,579	0	0	0	0	0	156,000
	531,579	0	0	0	0	0	156,000
<i>Recovery Rate</i>		0%	0%	0%	0%	0%	29%
Available for next layers		0	0	0	0	0	0
Equity							
Common stock	80,648	0	0	0	0	0	0
<i>Recovery Rate</i>		0%	0%	0%	0%	0%	0%

Source: Prepared by the author

Exhibit B TN 9 m): Post-restructuring going concern plan

Post-restructuring going concern plan Analysis (assuming full LTIP dilution)

Class	Claim (\$ thousand)	Recovery 1	Recovery 2	Recovery 3	Recovery 4	Recovery 5	Recovery 6
Implied Enterprise value							
		500,000	750,000	1,000,000	1,250,000	1,500,000	1,750,000
Senior Secured Debt	594,000	500,000	594,000	594,000	594,000	594,000	594,000
Cash (initial balance plus rights issue)		-100,000	-100,000	-100,000	-100,000	-100,000	-100,000
Equity value (pre-rights)		0	156,000	406,000	656,000	906,000	1,156,000
Rights issue		100,000	100,000	100,000	100,000	100,000	100,000
Equity value (post restructuring)		100,000	256,000	506,000	756,000	1,006,000	1,256,000
		0	0	0	0	0	0
Impaired claims							
Senior Unsecured Debt	1,000,000	-10,000	130,400	355,400	580,400	805,400	1,030,400
Post diluted % of equity:							
Converted bonds	40%						
Rights exercised	50%	-100,000	-100,000	-100,000	-100,000	-100,000	-100,000
Total	90%	90,000	230,400	455,400	680,400	905,400	1,130,400
Recovery rate - Comparison with book value		-1%	13%	36%	58%	81%	103%
\$ 400 million April 30, 2020 ("April 2020 Notes")	400,000	-34,000	68,960	233,960	398,960	563,960	728,960
Post diluted % of equity:							
Converted bonds	16%						
Rights exercised	50%	-100,000	-100,000	-100,000	-100,000	-100,000	-100,000
Total	66%	66,000	168,960	333,960	498,960	663,960	828,960
Recovery rate - Comparison with book value		-9%	17%	58%	100%	141%	182%
\$ 600 million November 15, 2020 ("November 2020 Notes")	600,000	24,000	61,440	121,440	181,440	241,440	301,440
Post diluted % of equity:							
Converted bonds	24%						
Rights exercised	0%						
Total	24%	24,000	61,440	121,440	181,440	241,440	301,440
Recovery rate - Comparison with book value		4%	10%	20%	30%	40%	50%
Long-term Incentive Plan							
Post diluted % of equity:	10%	10,000	25,600	50,600	75,600	100,600	125,600

Source: Prepared by the author

