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Navigating the Digital Runway: The Farfetch IPO Unveiled

A deep dive into an Initial Public Offering strategy: The case of Farfetch

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Abstract

The following case study, subdivided into two parts, serves the purpose of performing an in-depth analysis of Farfetch's complex journey towards an IPO and subsequent performance. The first part dates to September 2018, and explores the IPO's key decision-making processes. Elements such as an analysis of the optimal listing venue for Farfetch, the timing of the IPO and its alignment with market conditions, as well as a valuation of the firm were included. The second part moves forward to October 2023, delving into topics such as the company's recent decreasing valuation and the option to delist.

Keywords

Entrepreneurial Finance, Initial Public Offering, Location, Market Timing, Valuation, Venture Capital

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Table of Contents

Abbreviations

APAC Asia Pacific

CAC Consumer Acquisition Costs

CAGR Compound Annual Growth Rate

CAPEX Capital Expenditures

CAPM Capital Asset Pricing Model

COGS Costs of Goods Sold

D/E Debt-to-Equity

EMEA Europe, Middle East and Africa

FCF Free Cash Flow

FPS Farfetch Platform Solutions

GMV Gross Merchandise Value

IFRS International Financial Reporting Standards

IPO Initial Public Offering

HKEX Hong Kong Exchanges and Clearing Market

LSE London Stock Exchange

LVMH Moët Hennessy Louis Vuitton SE

M&A Mergers and Acquisitions

NGG New Guards Group

NMG Neiman Marcus Group

NOPLAT Net Operating Profit Less Adjusted Taxes

NYSE New York Stock Exchange

S1 First Semester

S2 Second Semester

UK United Kingdom

U.S. United States of America

U.S. GAAP United States Generally Accepted Accounting Principles

VC Venture Capital

YNAP Yoox Net-a-Porte

PART A

Introduction

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

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

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

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

About Farfetch

Company Background & History

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

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

Therefore, the official launch of this idea in 2008 marked the beginning of a transformative journey to redefine the luxury shopping experience. However, this settlement was not always easy, as Neves experienced a few difficulties in attracting sellers during earlier stages. Indeed, most luxury brands placed the utmost importance on their brand's reputation and on providing a customized customer experience, leading them to believe that such an online platform would disrupt their traditional business models. Thus, when it was first launched, Farfetch enabled customers from 5 different countries to shop for items from a selection of 25 boutique stores.

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

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

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

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

Mission and Vision

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

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

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

Industry Analysis

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

As a global luxury fashion platform, Farfetch was part of the Global Personal luxury goods segment that comprises high-end products meant for personal use, namely, premium apparel, fashion accessories, watches, jewellery, and cosmetics products. In 2017, this market achieved a €262B valuation, growing at a 6% CAGR since 2010. According to Bain & Company, in that year, the Personal luxury goods market was the second largest segment in the Overall Luxury industry, following the Luxury cars one (*Exhibit 1*) (D'Arpizio et al. 2017).

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

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

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

Concerning region distribution, traditionally, Europe and Americas had been the largest regions in terms of market share (*Exhibit 4*). In 2017, Europe was the top region, representing 33% of the market. Despite the challenging department stores environment, Personal luxury sales hit €84B in the Americas, accounting for 32% of the market, by 2017 (D'Arpizio et al. 2017).

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

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

Competitive Analysis

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

Key Players

Luxury Conglomerates and Mono-Brands

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

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

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

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

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

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

Luxury Multi-Brand Online Stores

The multi-brand online store landscape was largely dominated by YNAP in 2018, which was the largest luxury retailer by volume of sales in 2017 with €2.5B. YNAP emerged from the merger of Yoox, which sold off-season luxury goods, and Net-a-Porter, which sold current season luxury goods from about 800 fashion brands and 200 beauty brands, in 2015. The merger of these two companies had the goal of fighting the tightening competition that was rising in the online luxury retail space, namely with the growth of Farfetch. It owned the online retailers Net-a-Porter, The Outnet, Mr Porter and Yoox, and also operated the e-commerce websites for more than 30 luxury brands including Dolce & Gabbana, and Stella McCartney (YNAP 2017).

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

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

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

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

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

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

E-Commerce Platforms

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

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

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

Macroenvironment Impact

The most significant macroeconomic event since Farfetch's foundation up to 2018 was the 2008 financial crisis. Between December 2007 and June 2009, the world witnessed one of the most severe global recessions, resulting in far-reaching consequences. Indeed, in 2009, there was a dramatic decline in global output of 1.8%, with global trade falling by 9.9%, and investment collapsing by 9% (WTO 2009). The effects of the financial crisis were widespread, affecting every industry. As a result, the Global Luxury market lost approximately 9% of its value (Parisi 2020).

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

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

Farfetch Business Model

Core Components

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

Digital Platform

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

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

Marketplace

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

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

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

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

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

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

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

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

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

Farfetch Black & White Solutions

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

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

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

In-Store

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

Initiatives

Store of the Future Initiative

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

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

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

M&A and Partnerships

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

Browns

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

JD.com

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

Chalhoub Group

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

Curiosity China

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

Financing Path

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

Seed and Angel Investment

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

Series A-G Funding Rounds

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

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

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

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

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

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

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

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

IPO

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

Farfetch benefited from a dual-class structure, composed of approximately 215M Class A shares and 42.9M convertible Class B shares as of August 2018. José Neves was the only owner of Farfetch’s Class B ordinary shares, granting him 80.2% of the aggregate voting power of the company, due to the 20:1 voting ratio between Farfetch’s Class B and Class A shares, even though he only owned around 17.3% of the company (José Neves also owned a small stake of Class A shares). How could this dual-class tructure that gave controlling power to the CEO influence the transition to an IPO? While it allowed Neves to pursue its strategic vision given that no decision could be made without his approval, it could raise significant agency costs (Farfetch 2018).

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

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

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

Company Expectations Post-IPO

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

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

Market Conditions

Despite threats of economic uncertainty caused by geopolitical tensions and the ongoing trade war between the US, EU, and China, the global IPO market surged in 2017, registering a 40% increase in proceeds to $188.8B, and a 49% increase in volume to 1624 IPOs. The NYSE capitalized most of these proceeds, accounting for $30.1B with 71 IPOs (EY 2017). It is also worth noting that technology was the most active sector in terms of IPOs in 2017, with a large number of tech unicorns making their debut in public markets, such as Snapchat. This trend continued during the first half of 2018, with tech giants such as Spotify, Dropbox, and Xiaomi publicly listing their shares. Key contributing factors to this booming time in the IPO market were strong investor confidence, large pools of liquidity, high valuations, and low interest rates. In the words of Nelson Griggs, president of the NASDAQ Stock Exchange, “With the market at all-time highs valuations are at the high-end, presenting a favourable backdrop for IPOs” (Banerjee and Singh 2017). José Neves wondered whether this was a favourable timing for Farfetch’s public debut.

What is next?

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

Farfetch’s planned growth strategies encompassed increasing the lifetime value of existing consumers. This came in line with a boost the efficiency of demand generation and of customer retention over time, since an increased LTV/CAC ratio illustrates that each customer retained is more valuable, contributing to a positive payoff to this high investment strategy. Besides, Farfetch was also seeking growth through the acquisition of new customers, particularly from younger cohorts, by catering to their preferences through the use of social media and influencer marketing. Moreover, anticipating significant growth in luxury fashion demand from emerging markets, such as China, the Middle East, and Eastern Europe, Farfetch was expecting to increasingly focus on geographical expansion, by leveraging on its strategic partnership with JD.com, and its acquisition of CuritosityChina. Lastly, Farfetch was also planning on enduring its commitment to innovation, by adapting its platform to seamlessly integrate with emerging technologies such as voice-enabled interfaces, AR/VR, and the Internet of Things (Abafatti 2017; Farfetch 2018).

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

TEACHING NOTE

Case Synopsis

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

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

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

Learning Objectives

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

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

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

Target Audience

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

Teaching Plan

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

Assignment Questions

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

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

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

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

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

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

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

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

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

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

   3.1. Many startups achieve a billion-dollar valuation after being listed, however, few are able to keep up with the market expectations. How can high-growth companies scale up after a successful IPO to avoid big losses in market capitalization? Discuss these topics in Farfetch's context.

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

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

PART B

Introduction

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

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

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

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

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

IPO

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

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

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

Industry Analysis

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

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

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

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

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

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

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

By 2022, Asia accounted for 38% of the Personal luxury goods market. Despite struggling again with prolonged COVID-19 lockdowns, China accounted for 17% of the market in 2022, showing a significant increase since 2018 and being the second largest market after the U.S., on a country-level ranking. Chinese consumers are expected to emerge as the dominant nationality in luxury, projected to make up 38% to 40% of global purchases, by 2030 (D'Arpizio et al. 2023). These consumers primarily buy abroad to benefit from lower prices and to experience a sense of excitement. Moreover, they have an average age of 28 years, younger than the world luxury consumers' average (Hall and Spencer 2023).

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

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

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

Competitive Analysis

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

Key Players

<u>*Luxury Conglomerates and Mono-Brands*</u>

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

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

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

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

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

Luxury Multi-Brand Online Stores

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

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

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

Lastly, Secoo filed for bankruptcy two times in 2022, first in January and later in August, amidst COVID-19-related disruptions. By the time of the second filing, Secoo's shares were trading at $0,24, more than 98% below their IPO price (Lau 2022).

E-Commerce Platforms

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

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

Macroenvironment Impact

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

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

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

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

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

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

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

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

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

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

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

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

Farfetch Business Model

Core Components

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

Digital Platform

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

<u>Marketplace</u>

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

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

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

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

Farfetch Platform Solutions

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

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

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

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

Brand Platform

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

In-Store

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

Initiatives

Store of the Future

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

M&A and Partnerships

Stadium Goods

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

Toplife

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

New Guards Group

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

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

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

Violet Grey

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

Neiman Marcus Group

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

Yoox Net-a-Porter

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

Financing Path

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

Tencent, Dragoneer Investment Group

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

Private Placement of Convertible Senior Notes

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

Artémis, Alibaba, and Richemont

Later in 2020, Artémis invested $50M in Farfetch, while Alibaba and Richemont committed to invest $600M, most of which was going to be made in Farfetch China, in order to advance Farfetch's presence in this region. As a result of this investment, Richemont and Alibaba, through Tall (Alibaba's subsidiary), held a stake in Farfetch China, with the option to acquire an additional 24% after three years (Farfetch 2020).

What is next?

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

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

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

Besides, within the Luxury industry, there were a number of growth opportunities, as this market was expected to grow at a fast pace, particularly in the Asian region. As such, China was expected to become Farfetch's focal area, according to José Neves, given the projected dominance of Chinese consumers. Moreover, technological advancements were expected to flourish with the increasing relevance of AI technology, and the birth of the Web 3.0 era, predictably impacting the business of Farfetch in a positive way.

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

TEACHING NOTE

Case Synopsis

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

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

However, as the world recovers from the pandemic and resumes normality, Farfetch faces a critical juncture demanding reinvention. The prevailing sentiment echoes scepticism about the company's sustainability. Some attribute the decline to excessive investments in partnerships that failed to yield anticipated profits. Crucially, persistent doubts about Farfetch's viability in the long run.

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

Learning Objectives

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

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

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

Target Audience

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

Teaching Plan

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

Assignment Questions

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

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

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

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

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

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

Part A – Question 2.1.

Valuing a company is a complex process, which usually involves the combination of multiple methods in order to achieve a fair estimation of the company's share price.

Valuation Methods

In the first place, the Discounted Cash Flows (DCF) involves valuing a company by estimating and discounting its future cash flows and is widely used by finance professionals.

One of the main advantages associated with this method is that, besides depicting a long-term perspective on the company, it represents its intrinsic value rather than its market value. However, even though the projection of cash flows may contribute to obtaining a more accurate value of the company, it can also be a limitation since it is reliant on the forecasting assumptions of the firm's growth, as well as the estimation of the discount rate and projection of debt levels, all of which are often hard to predict with high accuracy (Vlaovic-Begovic, Momcilovic, and Jovin 2013). Besides, the DCF is usually highly sensitive to small adjustments in the underlying assumptions, which may increase uncertainty regarding the true value of the firm (Steiger 2010).

Secondly, Relative Valuation consists of valuing a company's assets based on how similar assets are priced in the market by using indicators such as EV/Sales, or P/E (Sharma and Prashar 2003), and may rely on trading or transaction multiples. The first involves analysing a firm based on how comparable firms are trading, while the latter is based on precedent M&A transactions involving similar firms. However, it was considered that trading multiples would be more accurate than transaction multiples in the context of this analysis, as it does not involve a M&A transaction for which synergies with a buyer can be derived, but rather an individual valuation of a company.

Compared with a DCF, relative valuation is much more likely to reflect the investor sentiment and market perception of a company and is typically easier to perform as it requires less information. However, this method is built on the assumption that markets are rational and able to correctly price securities in the aggregate, which may not always be true. Moreover, it may be hard to find an extensive list of comparable peers which have sufficient publicly available information (Sharma and Prashar 2003).

While other methods such as the Adjusted Present Value, or Dividend Discount Model may apply in the valuation of a company, the selected approaches were limited to the DCF and Relative Valuation, since the two combine an intrinsic approach with the market outlook.

Discounted Cash Flows

To perform a DCF valuation, one must estimate the yearly Unlevered Free Cash Flow (FCF)[2] of a company, which requires the computation of the projected EBIT. Each year's FCF must then be discounted using an appropriate discount rate in order to obtain the Net Present Value (NPV) of the projected FCFs. Finally, to obtain the value of the firm as a whole, i.e., the Enterprise Value, the NPV of the FCFs must be summed to the Terminal Value of the firm, which represents the value of the firm beyond the forecasted period.

Since this valuation method relies on underlying growth assumptions, it was considered that a three-scenario analysis would be conducted to compute each year's FCF, including a "Conservative" Scenario, where a more cautious approach was undertaken; an "Optimistic" Scenario, assuming future higher growth rates; and an "Intermediate" Scenario.

By September 2018, the latest financial information available for Farfetch referred to the end of that year's first semester, which was considered as the starting point for the forecast.

<u>Revenue</u>: At the valuation date, Farfetch had two revenue segments: Digital Platform, and In-Store. As such, revenue for each segment was computed separately, and was then combined to obtain Total Revenue. Recognising the existence of a seasonality effect, the

[2] $Unlevered\ FCF = EBIT * (1 - t) + Depreciation - Investment\ in\ CAPEX - Variation\ in\ WC$

Revenue per segment for the second semester of 2018 was extrapolated under all scenarios using the computed seasonality index for 2017 *(Table 1)*.

Revenue for the subsequent years was estimated based on past company growth rates and industry trends. Firstly, in the Conservative Scenario, Farfetch's Revenue was assumed to grow at the sector's CAGR until 2025 (which corresponded to 8% for the Digital Platform segment and 2% for the In-Store segment), converging afterwards towards the steady-state growth rate of 2% until 2028, from which they would grow in line with the global economy *(Table 2)*. In the Intermediate Scenario, it was assumed that Farfetch's Revenue growth would progressively decrease from a 48.1% growth rate in 2018 towards the steady-state long-term growth of 2% *(Table 3).* Lastly, in the Optimistic Scenario, a more favourable growth assumption was considered, where Revenue would grow at historical average values of 59.7% until 2021, year in which it would start declining towards the long-term growth rate of 2% *(Table 4).*

Cost of Goods Sold (COGS): COGS are typically reliant on the amount of revenue a company sells, as these increase with an increase in revenue and vice-versa. Therefore, the historical average COGS as a share of revenue of each segment between 2015 and 2017 was considered the COGS driver for the forecasted years, respectively -49% for the Digital Platform segment, and -53,2% for the In-Store segment. This assumption was defined for all scenarios, allowing COGS to be adjusted with the revenue registered in each one. However, for the second semester of 2018, the value of COGS was computed using a linear extrapolation of the value registered in the first semester *(Table 5).*

Selling, General & Administrative Expenses (SG&A): For the second semester of 2018, the value of SG&A within all scenarios was computed using a linear extrapolation of the value for the first semester. For the subsequent years, since SG&A is not necessarily linked to revenue and assuming a growth rate might have been inaccurate given the non-predictability of the components of SG&A, a forecast of each component using the Excel function "Forecast" was computed. It is worth noting that for the component "Other Items", an average of historical values between 2015 and 2017 was considered since this was a non-recurring item *(Table 6)*.

Other Expenses: Similar to SG&A, the breakdown of the components included within "Other Expenses" was computed using linear extrapolation for the second semester of 2018. As for the subsequent years, since all the items included in this category were non-recurring, an average of historical values between 2015 and 2017 was considered *(Table 7)*.

Taxes: Although the UK Corporate Tax Rate at the time was 19%, between 2015 and 2017 Farfetch paid an average effective tax rate of 0,08%, as it benefited from tax reductions and carryforwards due to the negative EBIT registered. Therefore, for the Conservative Scenario, since it was estimated that the EBIT would remain negative until 2028, a tax rate of 0,08% was applied for all years. However, for the Intermediate and Optimistic Scenarios, a tax rate of 0,08% was considered during the years in which a negative EBIT was estimated, as well as for the first three years forecasting a positive EBIT as to reflect tax carry forwards, while the remaining years were assumed to be taxed at 19%.

Depreciation & Amortization (D&A): D&A was reported by Farfetch as a component of SG&A and was thus computed within that item.

Variation in Net Working Capital (NWC): NWC is reliant on Current Assets and Current Liabilities. However, since these are extremely hard to predict, NWC was estimated within all scenarios using the historical average values for how much it represented as a share of revenue, which stood at 57%. Once again, the second semester of 2018 was predicted using a linear extrapolation of the NWC of the first semester. Afterwards, Variation in NWC for each year was computed as the difference between NWC in that year and the previous one *(Table 8)*.

CAPEX: To obtain the values of CAPEX, it was assumed that these would grow in line with revenue, once higher revenue was assumed to imply a higher need for fixed assets. Thus, for all cases, CAPEX was estimated based on the historical average share of revenue it represented between 2015 and 2017, which was -4.1%.

Weighted Average Cost of Capital (WACC): The WACC[3] is commonly used as a discount rate in a valuation context, once it takes into consideration the firm's capital structure. In turn, the Cost of Debt and Cost of Equity of a firm can be derived from the CAPM[4] using the respective beta. Since Farfetch had no debt at the time of the valuation, its beta of debt was assumed to be zero and, consequently, its Cost of Debt was also considered zero. This presumes that the WACC of Farfetch would only be reliant on its equity portion. To compute the Cost of Equity of Farfetch, the mean unlevered beta of comparables was obtained, using the levered betas and D/E ratios of Farfetch's peers, including JD.com, YNAP, Amazon, and ASOS *(Table 9)*. It is noteworthy that Secoo was considered an outlier due to its negative beta, which was not in line with the remaining peers. This mean unlevered beta of comparables was then re-levered taking into consideration Farfetch's debt level. However, as Farfetch had no debt, the re-levered beta was equal to the mean unlevered beta of comparables. By inputting this into the WACC formula, a rate of 8.77% was obtained *(Table 10)*.

NOPLAT, and Discounted FCF: Firstly, the EBIT was obtained by subtracting the COGS, SG&A and Other Expenses from Revenue. The NOPLAT was then computed by subtracting Taxes from the EBIT. Lastly, to obtain the Discounted FCF, the Unlevered FCF of each year was discounted using the WACC *(Tables 11, 12, and 13)*.

Terminal Value (TV): The TV is the value of the firm after it reaches the steady-state and is computed using a perpetuity formula and a terminal growth rate, which was considered as 2% to be in line with the global economy. The present value of the TV[5] was then obtained.

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[3] $WACC = \frac{E}{E*D} * rE + \frac{D}{E+D} * rD * (1 - t)$

[4] $E(ri) = rf + \beta i * Market\ Risk\ Premium$

[5] $PV(TV) = \frac{FCFFn*(1+g)}{WACC-g}$

<u>*Enterprise Value (EV), Equity Value and Share Price:*</u> The EV[6], which represents a measure of a firm's total value was obtained by summing the Discounted FCF of each forecasted year to the present value of the TV. Conversely, the Equity Value[7] is a measure of the firm's total value from the perspective of equity holders. Therefore, to obtain such an indicator, one must subtract the Net Debt, which is computed as the difference between Debt and Excess Cash, from the EV. In this case, a negative Net Debt of $376.3M was computed.

Finally, to obtain a fair valuation of the share price[8] in each scenario, the Equity Value was divided by the number of outstanding shares *(Tables 14, 15, 16)*. It is worth noting that a sensitivity analysis was conducted to understand how changes in key inputs, namely the WACC and terminal growth rate, influence the share price *(Tables 17, 18, 19)*. The impact of such inputs was noted across all scenarios, but especially in the Optimistic one, where a 1% variation on both inputs led the share price to vary between $65.85 and $122.22, emphasising the impact of the established assumptions on the estimated share price.

Relative Valuation

The first step in performing a relative valuation based on trading multiples is to identify the benchmark of comparable firms. In this case, the set of main public firms operating in the online fashion luxury industry and having a similar size and business model to Farfetch was considered, namely ASOS, Amazon, Alibaba, JD.com, Secoo, and YNAP.

Initially, the multiples EV/Sales, EV/EBITDA, P/E, and P/Sales were considered. However, since the median P/E multiple obtained was extremely high, driven by the high P/E multiples for Amazon and YNAP, this was excluded from the analysis. Moreover, since Farfetch had a negative EBITDA, the EV/EBITDA multiple would be negative, not reflecting

[6] $Enterprise\ Value = Sum\ of\ Discounted\ FCF + PV(TV)$

[7] $Equity\ Value = EV - (Debt - Operating\ Cash)$

[8] $St = \frac{Equity\ Value}{\#Shares\ Outstanding}$

the company's true value, and was therefore not considered. Considering the EV/Sales and P/Sales multiples, a share price of $5.15 and $4.33 was obtained, respectively *(Table 20)*.

Discussion

To obtain the fair share price of Farfetch, it is essential to weigh the values obtained using the different valuation methods. Through the DCF, an average share price of $28.75 was obtained, ranging from -$25.26 in the Conservative Scenario to $85.83 in the Optimistic one, suggesting a high degree of uncertainty towards the fair share price of Farfetch. However, the Relative Valuation implied much lower values than the DCF *(Table 21)*.

Considering both methods, an average share price of $19.14 was obtained. However, the firm may not list its shares at this price point, as the expected demand and underpricing discounts must be incorporated for a more elaborate analysis. Nevertheless, this was extremely close to the share price of $20 that Farfetch was planning to offer if the IPO was undergone, suggesting that the offer share price was quite close to the estimated fair value.

Part A – Question 2.2.

The main goal of an IPO typically lies in the need for raising capital, hence firms usually consider going public when they experience higher financing needs. Nevertheless, the timing of the IPO must also be aligned with the strategic goals of the firm. Thus, market timing plays a key role in the IPO scheduling, as argued by Baker and Wurgler (2002) in their development of the Market Timing Theory, which succeeded Modigliani and Miller (1958) in explaining a firm's choice of capital structure by incorporating an approach based on market timing.

Market Timing Theory

The Market Timing Theory states that a firm's capital structure is influenced by market fluctuations, such that the combination between equity and debt depends on which source of capital is more valued by the market at a given moment. Therefore, firms issue equity when stock prices are higher (Baker and Wurgler 2002). In those periods of time, the cost of equity becomes lower than alternative sources of capital, consequently reducing the firm's overall cost of capital and thus, increasing its valuation (Gonçalves and Cerqueira 2021).

In line with this theory, firms are able to time their IPOs in order to take advantage of favourable market conditions such as high GDP growth rates and positive investor sentiment, as these usually lead to higher levels of IPO volume and under-pricing, i.e., first-day stock returns. This can be explained by the fact that during a booming economy, firms' profitability and cash flows increase, leading to higher valuations of already-traded firms, and making it optimal for other firms to go public as well (Benninga, Helmantel, and Sarig 2005). When these conditions are met, the market is considered to be a "hot issue market" or, more simply, a "hot market". During these periods, firms are usually able to issue more equity, confirming the positive effect of "hot markets" on the amount of proceeds raised during an IPO. Nevertheless, it is worth noting that this overvaluation of firms may lead to mispricing of securities.

Conversely, in "cold markets", one may observe a falling economy and negative investor sentiment, leading to lower IPO volumes, since valuations are typically lower and firms refrain from going public, as well as lower than usual first-day stock returns. In fact, Lerner et al. (2003) found that during periods of recessions, only firms facing urgent short-term financing needs or expecting high-yielding projects would conduct an IPO.

In sum, the decision to launch an IPO is highly impacted by exogenous economic conditions, as managers seek the right timeframe for an IPO. Indeed, as observed by Graham and Harvey (2001), CFOs acknowledge attempting to time the equity market, while considering equity market prices as more important than 9 out of 10 factors considered when issuing stock. Thus, timing the issue with a "hot market" is key to a successful listing (Mayur 2016).

Discussion

Farfetch's intention was to launch its IPO in September 2018. As mentioned in the case study, the IPO market boomed in 2017, in which a 49% increase in IPO volume was registered due to factors such as high GDP growth, strong investor confidence, and high valuations. This trend continued throughout the first semester of 2018, particularly among tech unicorns, as prominent names in the industry such as Spotify and Xiaomi had just launched their IPOs.

These favourable conditions suggested a "hot market" phase was being experienced at the time, especially for tech companies, which could then favour from the higher valuations attributed to the already-trading firms. Having in mind the Market Timing Theory, which underlies this type of robust economic environment as the best moment for a firm to issue equity, as it would predictably allow for higher proceeds on the capital raised, the timing of the planned IPO was considered to be positively aligned with the existing market conditions.

All in all, considering that Farfetch was undergoing high financing needs for the development of its planned M&A strategy and geographical expansion, together with the opportunity window brought by a "hot issue market" being experienced at the time, it was concluded that the chosen timeframe to go public would likely be favourable for the firm.

Part A – Question 2.3.

Determining the location of an IPO is a crucial step in the process of listing a company. Historically, over 90% of IPOs have occurred on an exchange in the company's home country (Brorsen 2017). Nevertheless, the internalization of capital markets in the past decades allowed firms to pursue cross-border listings. Several factors may influence the location of an IPO, namely the costs of going public at different locations, the listing and ongoing requirements of stock exchanges, the activity level and characteristics of capital markets, and strategic fit. As such, an analysis of these factors under some of the main global stock exchanges, namely the LSE, NYSE, NASDAQ, EURONEXT, and HKEX, was performed.

Costs of Going Public

While companies tend to underestimate the costs of going public, these are typically high and can be subdivided between direct and indirect costs (Kaserer and Schiereck 2008).

On one hand, direct costs include admission fees and flotation costs, which can be broken down into underwriting fees, i.e., fees paid to the investment bankers involved in the underwriting of the offer, and non-underwriting fees, which include accounting, auditing, and legal fees, among others (Kaserer and Schiereck 2008).

Admission fees refer to a one-time fee paid by a company to a stock exchange for its securities to be registered on that exchange. In most cases, these are based on the market capitalization of a company on its day of admission. Some exchanges make distinctions in their fee schedules between national and international issues, namely the LSE and EURONEXT, but these are minor (Kaserer and Schiereck 2008). Considering the $1B market cap segment, in which Farfetch would likely be included, the EURONEXT was the most expensive exchange, charging €300,000 in admission fees, while the HKEX, NASDAQ, and NYSE charged lower fees, varying between €65,000 and €166,667 *(Graph 1)*.

Contrary to admission fees, flotation costs did not vary substantially between stock exchanges *(Graph 2)*, except for the HKEX, which presented the highest mean flotation costs among the considered stock exchanges, followed by LSE. The remaining exchanges were quite comparable, with mean flotation costs varying between 7% and 8% of gross offering proceeds.

On the other hand, indirect costs mainly refer to under-pricing, which occurs when the shares of a company are offered at a discount. When a company is listed, there is public uncertainty regarding its true value, primarily caused by information asymmetry between the sellers, i.e., the issuing company or any pre-IPO investors, and buyers, i.e., future investors. All else equal, the higher the information asymmetry between buyers and sellers, the higher the offering discount (D. Dolvin and K. Pyles 2007). Conscious of this fact, firms typically opt for pricing their shares at a price lower than their fair value in an attempt to obtain a full subscription on the issuing day. Besides, under-pricing, which can be measured by the first trading day stock returns may lead to substantial gains for investors and, consequently, positive media coverage in the financial community (Kaserer and Schiereck 2008).

The indirect portion is typically the larger among the costs of going public. In fact, (Loughran and Ritter 2002) found that the average IPO leaves approximately $9.1M on the table, which is roughly twice as large as the average amount of direct fees paid. Historically, first-day stock returns were the lowest in EURONEXT at 10.6%, suggesting lower under-pricing, while the remaining exchanges registered higher values, ranging from 15.4% in the HKEX to 16.8% in the NYSE and NASDAQ *(Graph 3)*.

Overall, from a cost perspective, U.S. exchanges were among the ones with the lowest direct costs, while the EURONEXT stood out as the least expensive exchange in terms of under-pricing.

Stock Exchange Requirements

Another important aspect to consider when launching an IPO are the listing and ongoing stock exchange requirements.

In the first place, listing requirements are a set of conditions which a firm must meet to list its shares in a stock exchange. While these vary by exchange, requirements are typically related to accounting standards, and distribution criteria, among others. Regarding accounting standards, the IFRS, under which Farfetch reported its financial statements, was allowed in all stock exchanges considered. In what comes to the distribution criteria, the LSE required a minimum of 10% of the class of shares to be listed to be in public hands, and an expected aggregate value of securities held by the public of at least £30M (LSE 2018). Moreover, companies with a dual-class share structure such as Farfetch were not allowed on the Premium Listing segment of the LSE, but rather only on its Standard Listing segment, preventing the company from joining the UK FTSE index. Both the NYSE and NASDAQ required a minimum listing price of 4$/share and a minimum of 1.1M shares outstanding, with a market value of at least \$40M for the NYSE (NYSE 2013) and \$50M for the NASDAQ (NASDAQ 2018). To list on the EURONEXT, companies were required a minimum distribution of 25% of share capital (EURONEXT 2017). The HKEX required firms to have at least 300 shareholders at the time of listing and a market capitalization of at least HK\$4B (Baker McKenzie 2022).

In the second place, ongoing requirements are typically trading conditions that firms must comply with once the IPO has taken place in order to avoid being delisted. The NYSE did not allow firms to have a market capitalization below \$1M over a consecutive 90-day period or to have fewer than 300 shareholders (NYSE 2013). The NASDAQ demanded firms to maintain a minimum market value of \$100M and at least 400 total holders (NASDAQ 2018). Ongoing rules in the HKEX entailed a minimum public float of 15%-25%, depending on the firm's market capitalization. However, both the LSE and the EURONEXT only required the firm to comply with the listing rules rather than having any set of maintenance financial requirements (Baker McKenzie 2022).

Considering the abovementioned listing requirements, these were somewhat similar across exchanges, with the exception of the LSE which prevented Farfetch from accessing their Premium Listing and, consequently, the FTSE index, due to its dual-class structure.

Capital Markets

The size and characteristics of local capital markets may also greatly influence the success of an IPO. While there is generally a positive home-country bias towards domestically listed companies due to a higher knowledge of the home market by the company, as well as a large potential investor base, the benefits of listing in a foreign market might outweigh this.

Firstly, a strong public equity market with larger liquidity pools and superior stability can impact the subscription level of the IPO. Hence, firms may tap capital markets larger than that of their home country in an effort to expand the potential investor base and, consequently, increase the demand for their stock (Saudagaran 1988). In 2017, U.S. exchanges accounted for over 20% of global IPO proceeds, suggesting a high liquidity pool and availability of investors in that market *(Table 22)* (EY 2017).

Another aspect to consider would be the regulatory environment of different capital markets. While entering a foreign capital market would force the firm to make adjustments in order to comply with local regulations, it can also signal firm quality if the foreign stock exchange has a tighter regulatory environment (Wong, Wei, and Chau 2014).

Additionally, capital markets with a higher number of comparable listed companies usually allow for higher valuations and reduced under-pricing, therefore improving the pricing efficiency of their securities (Pagano, Röell, and Zechner 2002; Saudagaran 1988). This happens because when there is a large pool of listed companies of a specific sector, there is likely a higher availability of analyst expertise in that sector, as well as greater media attention, contributing to lower information asymmetry.

Besides, being located within a particular capital market may allow the firm's stock to be featured in local stock indexes, which can increase its demand and, consequently, its share price (H. Goedhart and Huc 2004). Some of the most sought-after stock indexes include the S&P500 and NASDAQ Composite in the U.S., and the FTSE 100 in the UK.

Lastly, the currency of the capital markets may also have a great impact on the location choice, as it can place the firm in a better position to handle foreign mergers and acquisitions.

According to Brown et al. (2017), the U.S. was the favoured market to execute cross-border listing from 2012 to 2016, as it registered almost twice the number of cross-border listings than its closest competitor, the UK. Besides, during the same period, the IPO volume from cross-border listings in the U.S. totalled $66B, four times more than that registered in the UK. Within the U.S., in 2017, the NYSE was the largest capital market, with $30B in proceeds, representing 15.9% of global IPOs, while the NASDAQ accounted for just 5% *(Table 30)*. Regarding unicorn companies in particular, U.S. exchanges were also the preferred venue for foreign listings (Brorsen 2017). The U.S., and especially NASDAQ, was famously known for accommodating many IPOs in the technology sector, which held various unicorns at the time, potentially explaining the preference of these companies for American exchanges.

In sum, from a capital markets perspective, Farfetch would be better off by listing its company on a U.S. stock exchange given the larger availability of investors and peer firms which could lead to a higher valuation.

Strategic Fit

As long as a company conducts most of its business domestically, there may not be any incentive to pursue a foreign listing from a strategic perspective. However, multinational corporations such as Farfetch, may find a cross-border listing advantageous if they can derive strategic benefits from it. By listing in a foreign country, a firm is likely to increase its visibility within that market, in what can be referred to as "free advertising" (Saudagaran 1988). This may be particularly advantageous for firms which spend large sums on marketing efforts.

At the same time, a foreign listing may also make sense for firms whose sales are substantially dependent on that international market, as these can capitalize on product market reputation to generate revenue synergies once local investors already trust the firm as consumers as argued by Pagano, Röell, and Zechner (2002). Prada's decision to conduct its \$2.1B IPO in 2011 in Hong Kong illustrates this preference for regional proximity. At the time, a third of Prada's revenue came from Asia and this regional share of revenue was growing at more than twice the rate of any other region, which made it clear for the firm that listing in Hong Kong would boost its future development (Cogman and Poon 2012).

Considering Farfetch's case, although the Americas accounted solely for 28.85% of revenue in 2017, a share lower than that of the EMEA and APAC regions, the U.S. alone was one of Farfetch's main markets, with a growing consumer base. Besides, Farfetch was investing in attracting more business in the U.S., a strategy that could benefit from a listing in the region.

Farfetch's Decision

Accounting for the factors abovementioned, it was considered that Farfetch should give priority to American capital markets, as these present clear advantages over the remaining ones, especially regarding the characteristics of capital markets and the strategic fit of this market. While the LSE would be an obvious choice for Farfetch's IPO given that it was the firm's home market, the inadmissibility of Farfetch into its Premium Listing and, consequently the FTSE index, could prove to be disadvantageous. Moreover, in what concerns both the LSE and EURONEXT, the lack of a large benchmark of peers in the tech industry in European capital markets suggested that Farfetch could be unable to obtain a valuation in these exchanges as high as in American ones, as these were famously known for attracting a large pool of tech firms and investors, allowing new listings to benefit from the value of already-trading firms. Lastly, while Hong Kong was a considerable region strategy-wise, given Farfetch's expansion strategy to Asia, a listing in the region was considered risky since Farfetch would need to adapt to a contrasting cultural identity, new regulatory requirements, and different currency.

Within the U.S., it was considered that the NASDAQ would be the most favourable stock exchange for Farfetch. Firstly, while the NYSE was the largest and traditionally the most prestigious stock exchange in the world, it was recognized for listing more established and mature companies, unlike the NASDAQ, which had been the go-to stock exchange for high-growth firms like Farfetch since before the dot-com bubble. Secondly, the NASDAQ was home to the largest technology companies, which would predictably allow Farfetch to benefit from this benchmark in obtaining a higher valuation.

All in all, upon comprehensive consideration of multiple determinants influencing the selection of an IPO location, the NASDAQ stock exchange stood out in comparison to the remaining considered alternatives. Nevertheless, it is important to highlight that this conclusion stands in contrast with Farfetch's intention to list on the NYSE.

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APPENDIX

Part A

Case Study

Exhibit 1: Global Luxury industry in 2017

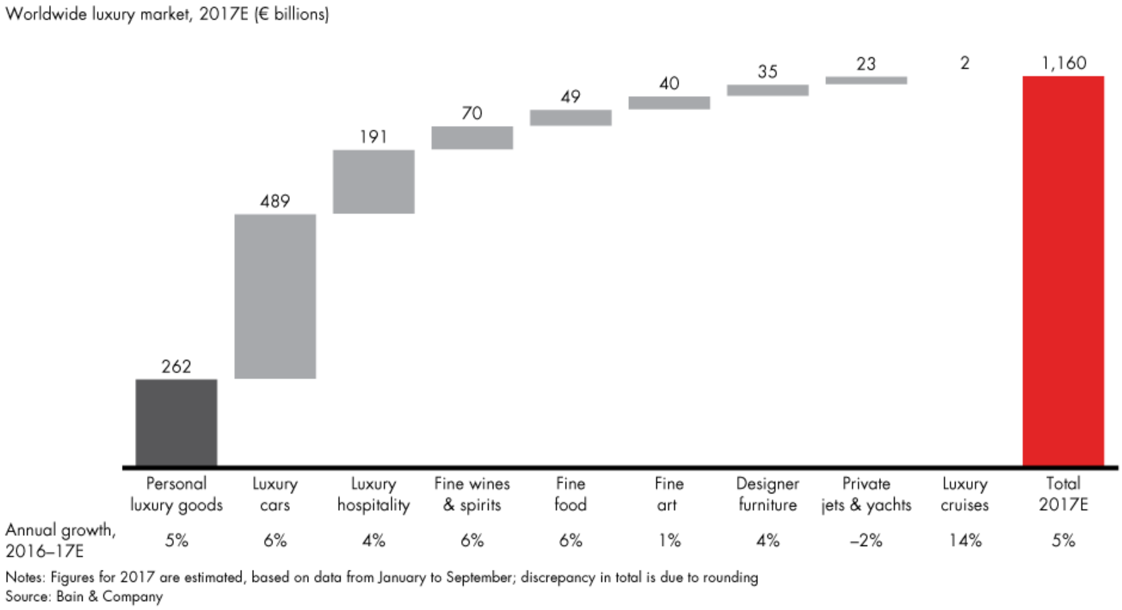


Exhibit 2: Share of Personal luxury goods market by distribution channels

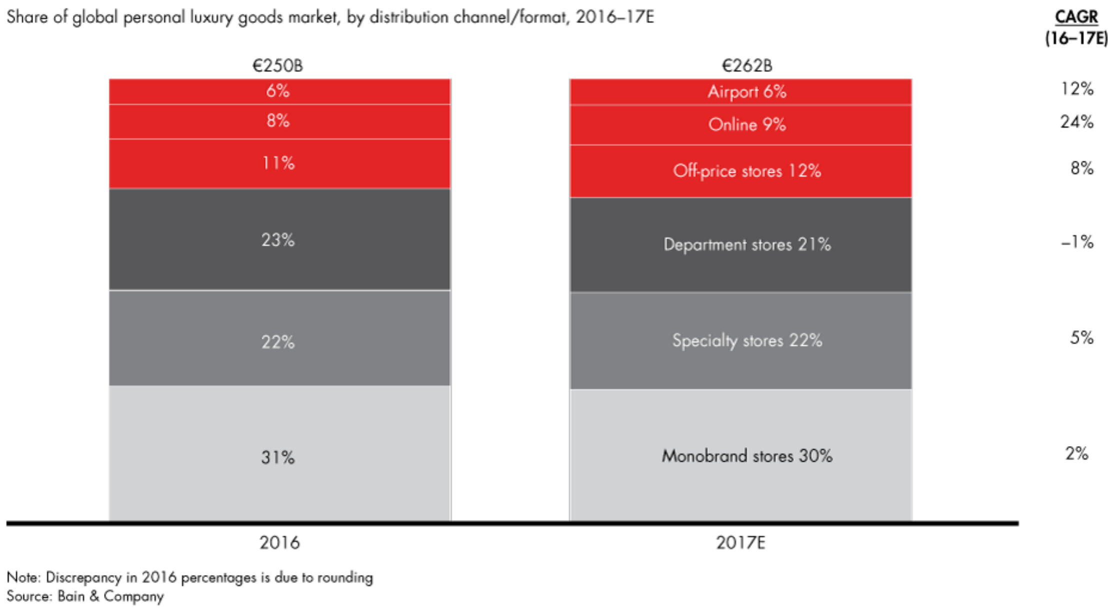
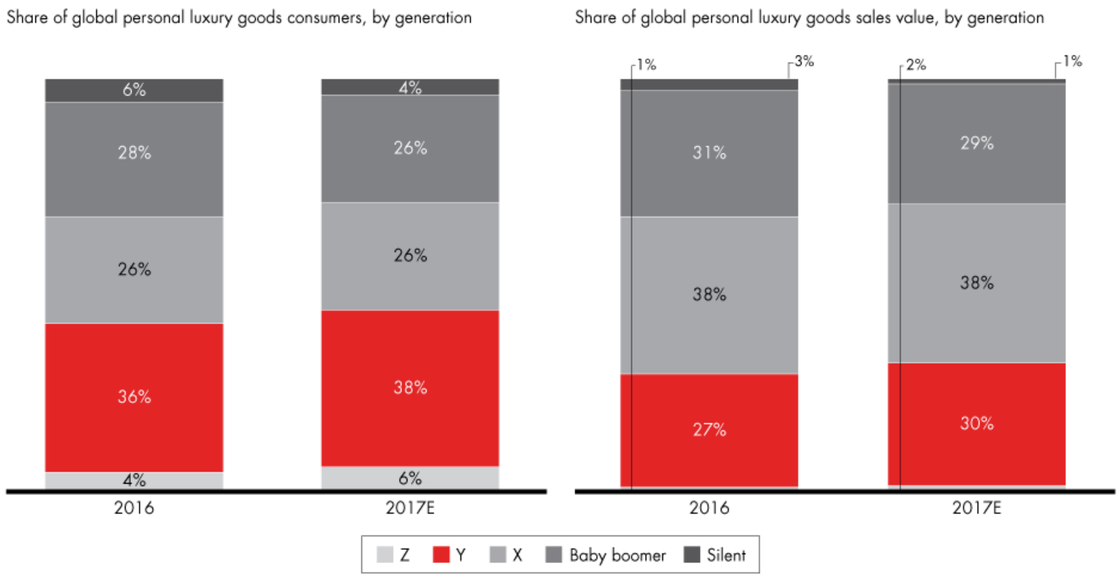
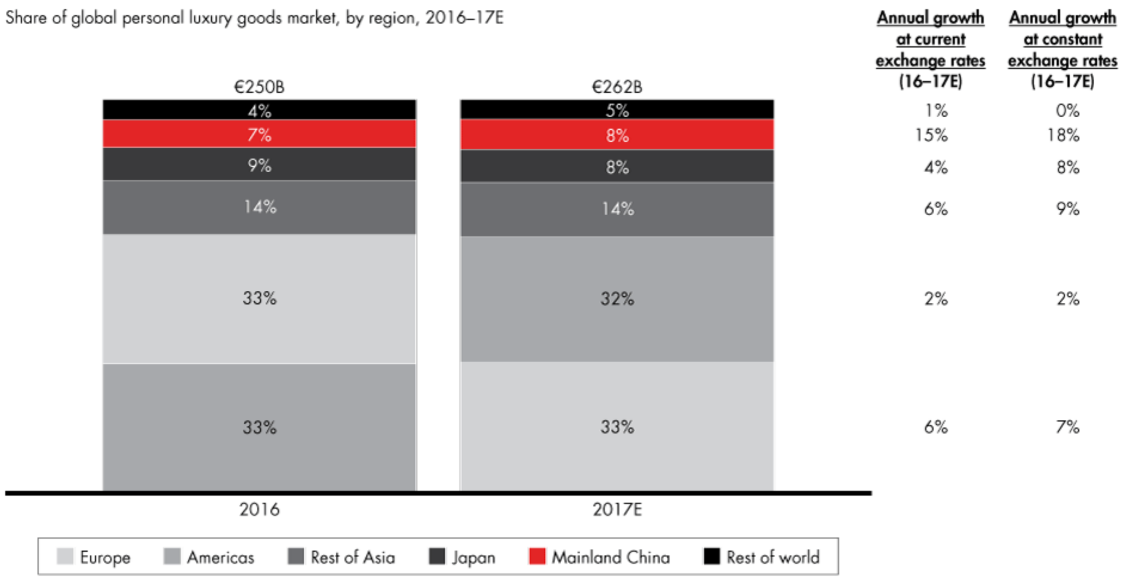


Exhibit 3: Share of Personal luxury consumers and sales value by generations



Source: Bain & Company

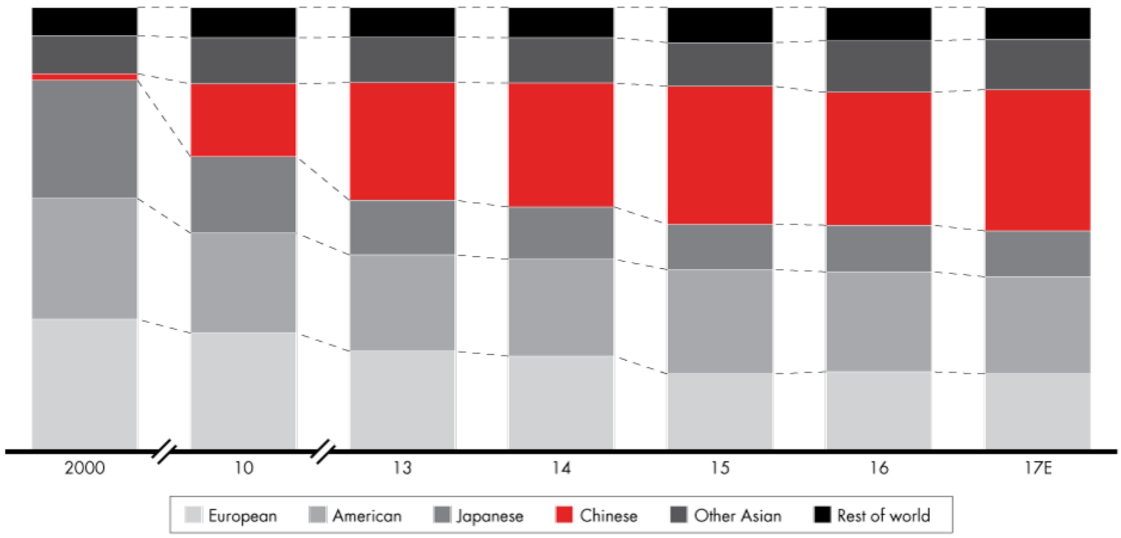
Exhibit 4: Share of Personal luxury goods market by regions



Source: Bain & Company

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

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



Source: Bain & Company

Exhibit 6: Income Statement

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

Exhibit 7: Balance Sheet

Balance Sheet			
Thousands $	**2016**	**2017**	**2018 S1**
Assets			
Non-Current Assets			
Trade and Other Receivables	$ 5,367.00	$ 9,193.00	$ 9,916.00
Derivative Financial Assets	$ -	$ -	$ -
Deferred Tax Assets	$ -	$ -	$ -
Intangible Assets	$ 42,943.00	$ 74,041.00	$ 83,908.00
Property, Plant and Equipment	$ 15,795.00	$ 26,696.00	$ 33,783.00
Right-of-use Assets	$ -	$ -	$ -
Investments	-	$ 278.00	$ 272.00
Investments in Associates	$ 23.00	$ 58.00	$ 79.00
Total Non-current Assets	**$ 64,128.00**	**$ 110,266.00**	$ 127,958.00
Current Assets	**$ -**	$ -	$ -
Inventories	$ 13,591.00	$ 50,610.00	$ 55,633.00
Trade and Other Receivables	$ 17,281.00	$ 18,180.00	$ 79,932.00
Current Tax Assets	$ -	$ -	$ -
Short-term Investments	$ -	$ -	$ -
Derivative Financial Assets	$ -	$ -	$ -
Cash and Cash Equivalents	$ 150,032.00	$ 384,002.00	$ 336,982.00
Total Current Assets	**$ 180,904.00**	**$ 452,792.00**	**$ 472,547.00**
Total Assets	**$ 245,032.00**	**$ 563,058.00**	**$ 600,505.00**
Equity and Liabilities			
Liabilities			
Non-current Liabilities			
Provisions	$ 3,935.00	$ 5,142.00	$ 6,314.00
Deferred Tax Liabilities	-	$ -	$ -
Lease Liabilities	$ -	$ -	$ -
Employee Benefit Obligations	$ -	$ -	$ -
Derivative Financial Liabilities	$ -	$ -	$ -
Borrowings	$ 17,340.00	$ -	$ -
Put and Call Option Liabilities	$ -	$ -	$ -
Other Financial Liabilities	$ 15,416.00	$ 5,123.00	$ 5,654.00
Total Non-current Liabilities	**$ 36,691.00**	**$ 10,265.00**	**$ 11,968.00**
Current Liabilities			
Trade and Other Payables	$ 84,388.00	$ 136,744.00	$ 155,999.00
Borrowings	$ 2,673.00	$ -	$ -
Provisions	$ -	$ -	$ -
Current Tax Liability	$ -	$ -	$ -
Lease Liabilities	$ -	$ -	$ -
Employee Benefit Obligations	$ -	$ -	$ -
Derivative Financial Liabilities	$ -	$ -	$ -
Put and Call Option Liabilities	$ -	$ -	$ -
Other Financial Liabilities	$ 2,364.00	$ 19,146.00	$ -
Total Current Liabilities	**$ 89,425.00**	**$ 155,890.00**	**$ 155,999.00**
Total Liabilities	**$ 126,116.00**	**$ 166,155.00**	**$ 167,967.00**
Equity			
Share Capital	$ 6,192.00	$ 9,298.00	$ 7,374.00
Share Premium	$ 342,640.00	$ 677,674.00	$ 782,177.00
Merger Reserve	$ -	$ -	$ -
Foreign Exchange Reserve	$ (32,871.00)	$ 633.00	$ (8,501.00)
Other reserves	$ 19,857.00	$ 38,475.00	$ 49,073.00
Accumulated Losses	$ (216,901.00)	$ (329,177.00)	$ (397,585.00)
Equity Attributable to Owners of the Parent	$ 118,917.00	$ 396,903.00	$ 432,538.00
Non-Controlling Interests	$ (1.00)	$ -	$ -
Total Equity	**$ 118,916.00**	**$ 396,903.00**	**$ 432,538.00**
Total Equity and Liabilities	**$ 245,032.00**	**$ 563,058.00**	**$ 600,505.00**

Note: Balance Sheet of 2015 and of S1 of 2017 was not disclosed.

Exhibit 8: Statement of Cash-Flows

Statement of Cash Flows

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

Exhibit 9: Revenue Breakdown by Product

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

Exhibit 10: Revenue Breakdown by Region

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

Exhibit 11: Marketplace Indicators

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

Exhibit 12: Farfetch's Logo

FARFETCH

Exhibit 13: Farfetch Business Model Canvas (2018)

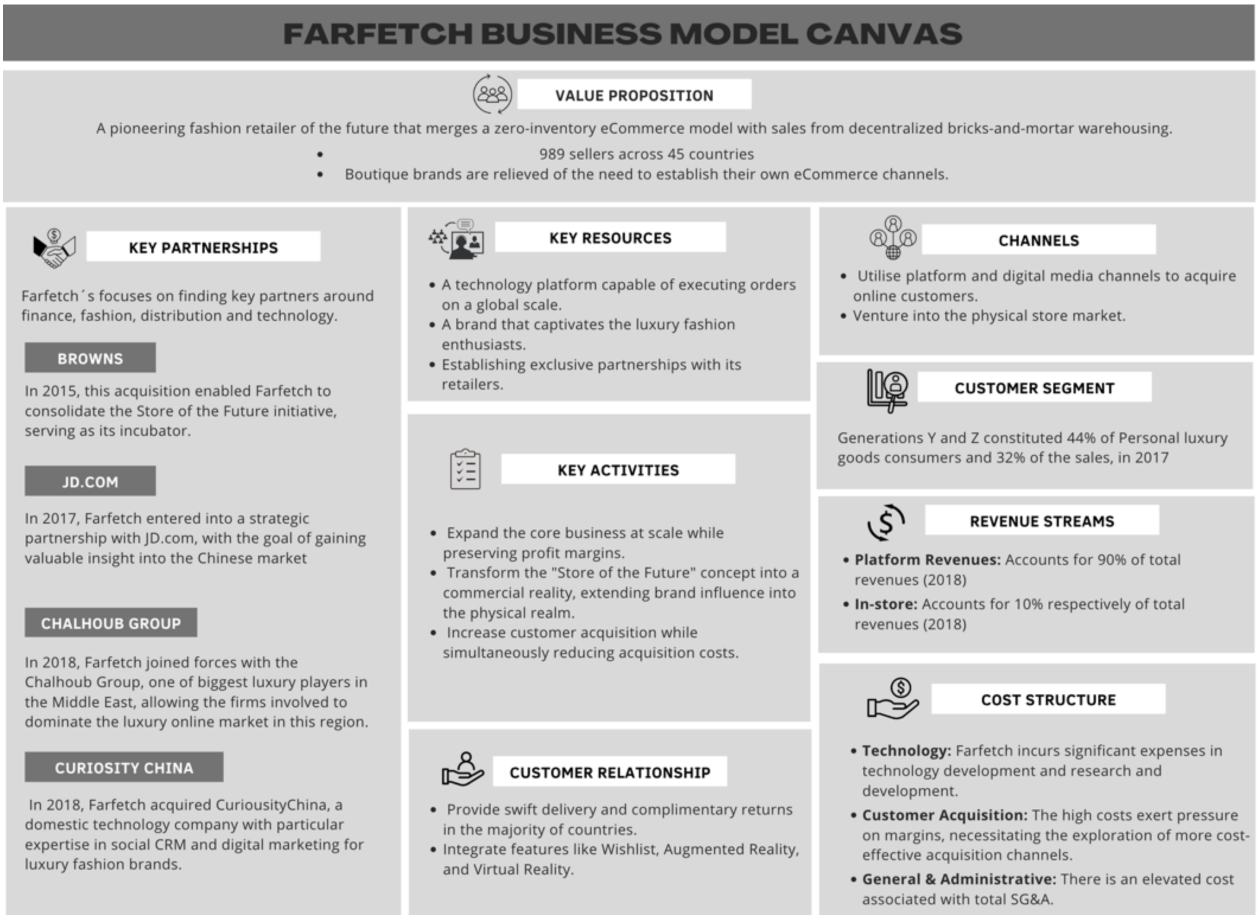


Exhibit 14: Farfetch's Ownership Structure

Farfetch's Ownership Structure

		Before the offering and the concurrent private placement			After the offering and the concurrent private placement					
					No execise of over-allotment option [B]			Full execise of over-allotment option [B]		
		Number	Percent	% of total voting power	Number	Percent	% of total voting power	Number	Percent	% of total voting power
Class A ordinary shares beneficially owned	Existing Equity stake	215,029,489	83.4%	20.1%	215,029,489	73.4%	19.4%	215,029,489	71.8%	19.3%
	New Equity stake [A]	n/a	n/a	n/a	34,971,526	11.9%	3.2%	41,608,088	13.9%	3.7%
Class B ordinary shares beneficially owned		42,858,080	16.6%	79.9%	42,858,080	14.6%	77.4%	42,858,080	14.3%	77.0%
Total		257,887,569	100.0%	100.0%	292,859,095	100.0%	100.0%	299,495,657	100.0%	100.0%

Notes:
[A- 1]: The term 'New Equity Stake' only accounts for shares outstanding newly issued, and it does not include the sale of shares by previously existing shareholders (of 10.6M).
[A- 2]: Kadi Group Holding Limited, already a shareholder and an associate of JD.com, agreed on a private acquisition of Class A ordinary shares, materialized through a concurrent private placement. The volume of shares agreed to be purchased would be equal to one-third of the total amount of shares they would need to purchase to keep their current percentage of ownership, after the issuance of all ordinary shares in the IPO is completed (1.4M Class A shares).
[B]: The underwriters could exercise their option to purchase up to 6.6 M additional Class A ordinary shares. within 30 days of the date of the prospectus (20/09/2018).

Exhibit 15: José Neves's Ownership

José Neves' Ownership

	Before the offering and the concurrent private placement			After the offering and the concurrent private placement					
				No execise of over-allotment option			Full execise of over-allotment option		
	Number	Percent	% of total voting power	Number	Percent	% of total voting power	Number	Percent	% of total voting power
Class A ordinary shares [A]	1,692,478	0.7%	0.2%	0	0.0%	0.0%	0	0.0%	0.0%
Class B ordinary shares	42,858,080	16.6%	79.9%	42,858,080	14.6%	77.4%	42,858,080	14.3%	77.0%
Total [B]	44,550,558	17.3%	80.1%	42,858,080	14.6%	77.4%	42,858,080	14.3%	77.0%

Notes:

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

Exhibit 16: Farfetch's Detailed Ownership Structure

Farfetch's Detailed Ownership Structure

	Class A ordinary shares beneficially owned before the offering and the concurrent private placement		Class B ordinary shares beneficially owned before the offering and the concurrent private placement				Class A ordinary shares beneficially owned after the offering and the concurrent private placement				Class B ordinary shares beneficially owned after the offering and the concurrent private placement				
							No excise of over-allotment option		Full excise of over-allotment option		No excise of over-allotment option		Full excise of over-allotment option		
Name of beneficial owner	Number	Percent	Number	Percent	% of total voting power before the offering and the concurrent private placement	Class A ordinary shares being offered	Number	Percent	Number	Percent	Number	Percent	Number	Percent	% of total voting power before the offering and the concurrent private placement assuming no excercise of over-allotment option
Kadi Group Holding Limited	41,005,030	19.4%	—	—	3.8%	—	42,412,425	17.2%	42,412,425	16.7%	—	—	—	—	3.8%
Index Ventures V (Jersey), L.P.	28,359,930	13.4%	—	—	2.7%	—	28,359,930	11.5%	28,359,930	11.2%	—	—	—	—	2.6%
Advent Private Equity Fund	27,288,125	12.9%	—	—	2.6%	2,728,815	24,559,310	9.9%	24,559,310	9.7%	—	—	—	—	2.2%
Farhold (Luxembourg)	24,496,935	11.6%	—	—	2.3%	2,449,694	22,047,241	8.9%	22,047,241	8.7%	—	—	—	—	2.0%
Advance Publications	14,838,410	7.0%	—	—	1.4%	—	14,838,410	6.0%	14,838,410	5.9%	—	—	—	—	1.3%
DST Global IV, L.P.	14,743,160	7.0%	—	—	1.4%	2,211,474	12,531,686	5.1%	12,531,686	4.9%	—	—	—	—	1.1%
José Neves	1,692,478	0.8%	42,858,080	100%	80.2%	1,692,478	—	*	—	*	42,858,080	100%	42,858,080	100%	77.4%
Elliot Jordan	701,528	*	—	—	*	—	701,528	*	701,528	*	—	—	—	—	*
Andrew Robb	1,757,971	*	—	—	*	—	1,757,971	*	1,757,971	*	—	—	—	—	*
Frederic Court	—	*	—	—	*	—	—	*	—	*	—	—	—	—	*
Dana Evan	—	*	—	—	*	—	—	*	—	*	—	—	—	—	*
Jon Kamaluddin	305,689	*	—	—	*	—	305,689	*	305,689	*	—	—	—	—	*
Richard Liu	—	*	—	—	*	—	—	*	—	*	—	—	—	—	*
Natalie Massenet	299,010	*	—	—	*	—	299,010	*	299,010	*	—	—	—	—	*
Jonathan Newhouse	—	*	—	—	*	—	—	*	—	*	—	—	—	—	*
Danny Rimer	—	*	—	—	*	—	—	*	—	*	—	—	—	—	*
Mike Risman	—	*	—	—	*	—	—	*	—	*	—	—	—	—	*
David Rosenblatt	51,650	*	—	—	*	—	51,650	*	51,650	*	—	—	—	—	*
All executive officers and Board members as as group	**3,115,848**	*	**42,858,080**	**100%**	**80.5%**		**3,115,848**	*	**3,115,848**	*					**77.9%**
Other Selling Shareholders															
Browns Holdings (UK) Limited	4,415,955	2.1%	—	—	*	2,360,000	2,055,955	*	2,055,955	*	—	—	—	—	*
eVenture Fonds 2 GmbH & Co KG	3,277,620	1.5%	—	—	*	727,625	2,549,995	1.0%	2,549,995	1.0%	—	—	—	—	*
Novel TMT Ventures Limited	839,490	*	—	—	*	125,000	714,490	*	714,490	*	—	—	—	—	*
Novel TMT CIP I, LP	209,875	*	—	—	*	31,250	178,625	*	178,625	*	—	—	—	—	*
Six Major Shareholders	150,731,590	71.3%	—	—	**14.2%**	7,389,983	144,749,002	58.6%	**144,749,002**	57.1%	—	—	—	—	**13.0%**

Source: IPO Prospectus
Notes:

**Indicates beneficial ownership of less than 1% of the total outstanding Class A ordinary shares.*

This table indicates the major beneficial shareholders of Farfetch.

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

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

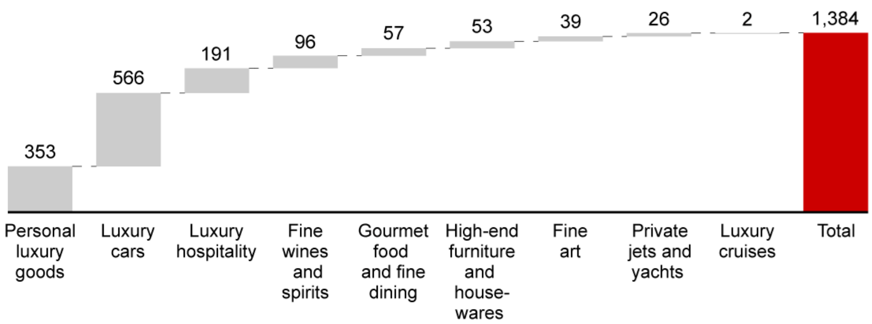
Source: Statista, EY and websites of each stock exchange

Part B

Case Study

Exhibit 18: Global Luxury industry in 2022

Worldwide luxury market, 2022E (€ billions)



	Personal luxury goods	Luxury cars	Luxury hospitality	Fine wines and spirits	Gourmet food and fine dining	High-end furniture and house-wares	Fine art	Private jets and yachts	Luxury cruises	Total
2019–22E overall growth at current exchange rates	26%	3%	–7%	26%	8%	24%	7%	12%	–25%	**8%–10%**
2021–22E growth										
at current exchange rates	22%	6%	110%	16%	12%	13%	13%	18%	355%	**19%–21%**
at constant exchange rates	15%	–1%	95%	9%	11%	9%	5%	10%	325%	**11%–13%**

Note: E indicates estimated growth
Source: Bain & Company

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

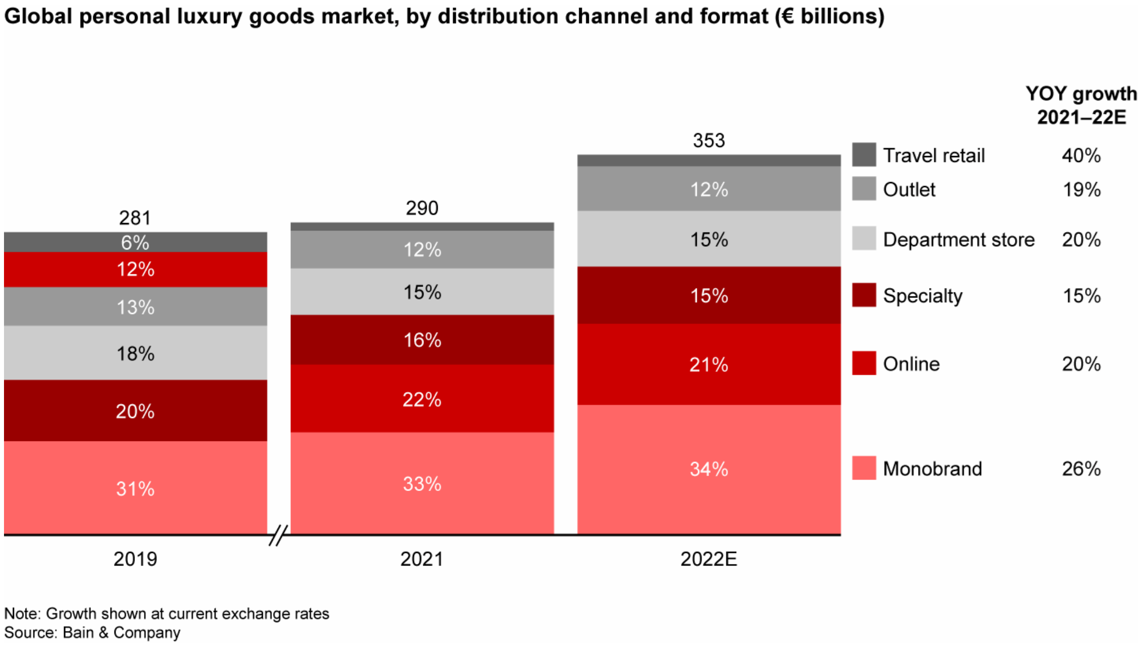


Exhibit 20: Share of Personal luxury goods market by generation and distribution

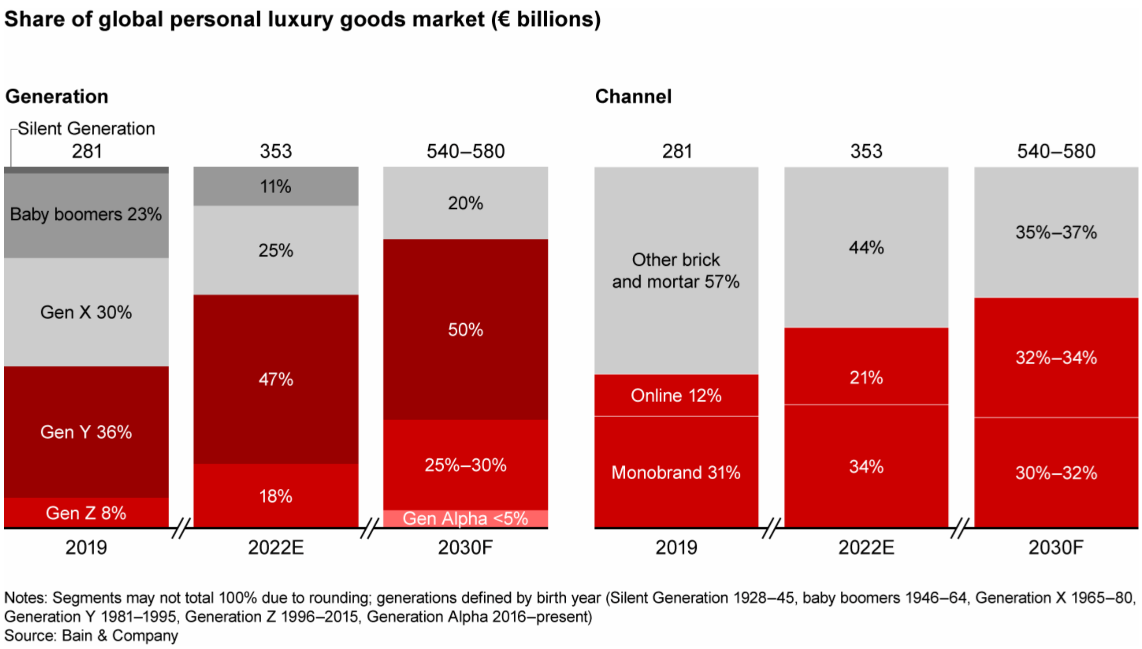
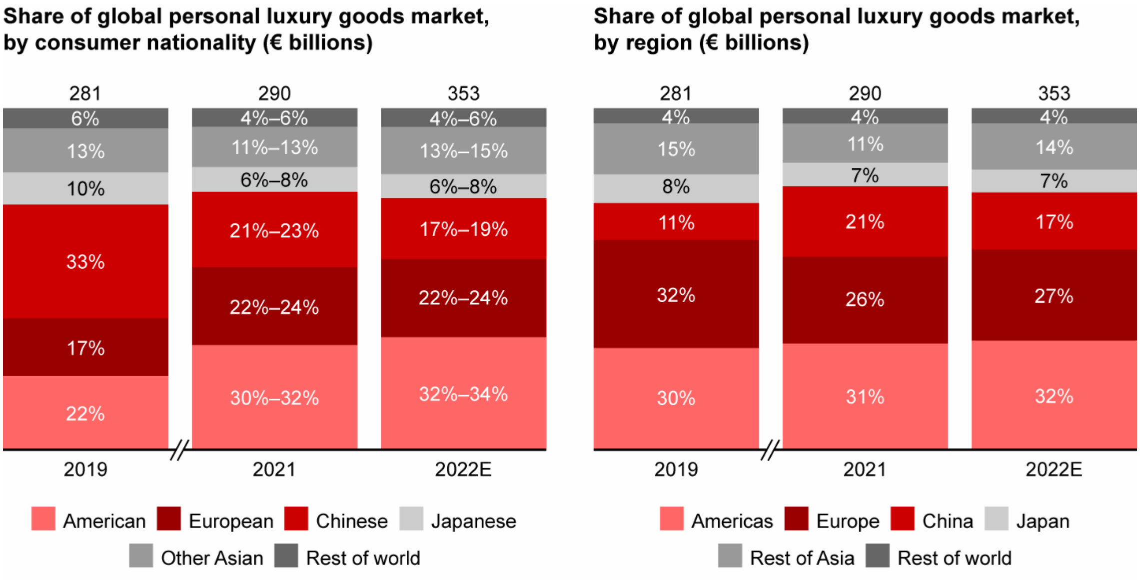


Exhibit 21: Share of Personal luxury goods market by consumers' nationality and regions



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

Exhibit 22: Income Statement

Income Statement

Thousands $	2018	2019	2020	2021	2022 S1	2022	2023 S1
Revenue	$ 602,384.00	$ 1,021,037.00	$ 1,673,922.00	$ 2,256,608.00	$ 1,094,150.00	$ 2,316,680.00	$ 1,128,477.00
Cost of Revenue	$ (303,934.00)	$ (561,191.00)	$ (902,994.00)	$ (1,240,097.00)	$ (595,964.00)	$ (1,293,505.00)	$ (644,972.00)
Gross Profit	**$ 298,450.00**	$ 459,846.00	**$ 770,928.00**	**$ 1,016,511.00**	**$ 498,186.00**	**$ 1,023,175.00**	**$ 483,505.00**
	$ 298,450.00	$ 459,846.00	$ 770,928.00	$ 1,016,511.00	$ 498,186.00	$ 1,023,175.00	$ 483,505.00
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Selling, General and Administrative expenses	$ (471,766.00)	$ (889,421.00)	$ (1,351,483.00)	$ (1,480,968.00)	$ (826,676)	$ (1,733,603.00)	$ (875,169.00)
Impairment Losses on Tangible Assets	$ -	$ -	$ (2,991.00)	$ -		$ (19,945.00)	$ (14,766.00)
Impairment Losses on Intangible Assets	$ -	$ -	$ (36,269.00)	$ (11,779.00)		$ (116,787.00)	
Gain/(Loss) on Items Held at Fair Value and Remeasurements							
Share of Results of Associates							
Operating loss/profit	**$ (173,316.00)**	**$ (429,575.00)**	**$ (619,815.00)**	**$ (476,236.00)**	**$ (328,490.00)**	**$ (847,160.00)**	**$ (406,430.00)**
	$ (173,316.00)	$ (429,575.00)	$ (619,815.00)	$ (476,236.00)	$ (328,490.00)	$ (847,160.00)	$ (406,430.00)
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Gain/(Loss) on Items Held at Fair Value and Remeasurements	$ -	$ 21,721.00	$ (2,643,573.00)	$ 2,023,743.00	$ 1,160,423.00	$ 1,298,612.00	$ (43,887.00)
Share of Results of Associates	$ 33.00	$ 366.00	$ (74.00)	$ (52.00)	$ 30.00	$ 68.00	$ (5.00)
Net Finance Income/(Costs)	$ 19,866.00	$ 15,150.00	$ (66,595.00)	$ (73,842.00)	$ (39,744.00)	$ (110,188.00)	$ (49,316.00)
Finance Income	$ 38,182.00	$ 34,382.00	$ 24,699.00	$ 12,599.00	$ 4,220.00	$ 38,369.00	$ 21,232.00
Finance Costs	$ (18,316.00)	$ (19,232.00)	$ (91,294.00)	$ (86,441.00)	$ (43,964.00)	$ (148,557.00)	$ (70,548.00)
(Loss)/Profit Before Tax	**$ (153,417.00)**	**$ (392,338.00)**	**$ (3,330,057.00)**	**$ 1,473,613.00**	**$ 792,219.00**	**$ 341,332.00**	**$ (499,638.00)**
	$ (153,417.00)	$ (392,338.00)	$ (3,330,057.00)	$ 1,473,613.00	$ 792,219.00	$ 341,332.00	$ (499,638.00)
Check	TRUE	TRUE	TRUE	TRUE		TRUE	
Income Tax Benefit/(Expense)	$ (2,158.00)	$ (1,162.00)	$ 14,434.00	$ (3,002.00)	$ 4,203.00	$ 3,523.00	$ 44,024.00
Loss After Tax	**$ (155,575.00)**	**$ (393,500.00)**	**$ (3,315,623.00)**	**$ 1,470,611.00**	**$ 796,422.00**	**$ 344,855.00**	**$ (455,614.00)**
	$ (155,575.00)	$ (393,500.00)	$ (3,315,623.00)	$ 1,470,611.00	$ 796,422.00	$ 344,855.00	$ (455,614.00)
Check	TRUE	TRUE	TRUE	TRUE	$ -	TRUE	TRUE
(Loss)/Profit After Tax Attributable to:							
Equity Holders of the Parent	$ (155,575.00)	$ (405,109.00)	$ (3,333,171.00)	$ 1,466,487.00	$ 804,809.00	$ 359,287.00	$ (11,821.00)
Non-controlling Interests	$ -	$ 11,609.00	$ 17,548.00	$ 4,124.00	$ (8,387.00)	$ (14,432.00)	$ (443,793.00)
Net Loss)/Profit	**$ (155,575.00)**	**$ (393,500.00)**	**$ (3,315,623.00)**	**$ 1,470,611.00**	**$ 796,422.00**	**$ 344,855.00**	**$ (455,614.00)**
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
(Loss)/Earnings per Share Attributable to Owners of the Parent (actual)							
Basic	$ (0.59)	$ (1.27)	$ (9.69)	$ 4.02	$ 2.11	$ 0.93	$ (1.11)
Diluted	$ (0.59)	$ (1.27)	$ (9.69)	$ (1.07)	$ (0.77)	$ (1.85)	$ (1.11)
Weighted-average Shares Outstanding (actual)							
Basic	264,432,214	318,843,239	$ 343,829,481.00	$ 364,696,712.00	382,232,170	$ 384,986,092.00	$ 399,597,359.00
Diluted	264,432,214	318,843,239	$ 343,829,481.00	$ 472,357,995.00	460,821,030	$ 465,689,374.00	$ 399,597,359.00
Adjusted EBITDA	$ (95,960.00)	$ (121,376.00)	$ (47,432.00)	$ 1,638.00	n.a.	$ (98,715.00)	n.a.

Exhibit 23: Balance Sheet

Balance Sheet							
Thousands $	**2018**	**2019**	**2020**	**2021**	**2022 S1**	**2022**	**2023 S1**
Assets							
Non-Current Assets							
Trade and Other Receivables	$ 10,458.00	$ 12,388.00	$ 58,081.00	$ 31,225.00	$ 18,450.00	$ 21,204.00	$ 40,069.00
Derivative Financial Assets					$ -		$ 721.00
Deferred Tax Assets	$ -	$ 5,324.00	$ 13,556.00	$ 13,334.00	$ 18,776.00	$ 19,566.00	$ 19,342.00
Intangible Assets	$ 103,345.00	$ 1,362,967.00	$ 1,279,328.00	$ 1,359,657.00	$ 1,721,135.00	$ 1,547,830.00	$ 1,503,925.00
Property, Plant and Equipment	$ 37,528.00	$ 67,999.00	$ 89,082.00	$ 97,063.00	$ 94,591.00	$ 91,141.00	$ 92,632.00
Right-of-use Assets	$ -	$ 115,176.00	$ 179,227.00	$ 195,549.00	$ 203,576.00	$ 187,640.00	$ 195,115.00
Investments	$ 566.00	$ 16,229.00	$ 8,278.00	$ 17,937.00	$ 217,897.00	$ 218,977.00	$ 217,505.00
Investments in Associates	$ 86.00	$ 2,466.00	$ 2,319.00	$ 69.00	$ 100.00	$ 138.00	$ 276.00
Total Non-current Assets	**$ 151,983.00**	**$ 1,582,549.00**	**$ 1,629,871.00**	**$ 1,714,834.00**	**$ 2,274,525.00**	**$ 2,086,496.00**	**$ 2,069,585.00**
	$ 151,983.00	$ 1,582,549.00	$ 1,629,871.00	$ 1,714,834.00	$ 2,274,525.00	$ 2,086,496.00	$ 2,069,585.00
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Current Assets							
Inventories	$ 60,954.00	$ 128,107.00	$ 145,309.00	$ 255,664.00	$ 291,589.00	$ 345,969.00	$ 436,408.00
Trade and Other Receivables	$ 93,670.00	$ 189,897.00	$ 209,946.00	$ 374,706.00	$ 454,688.00	$ 492,565.00	$ 501,225.00
Current Tax Assets	$ -	$ 1,873.00	$ 2,082.00	$ 10,201.00	$ 11,409.00	$ 16,193.00	$ 25,945.00
Short-term Investments	$ -	$ -	$ -	$ 99,971.00	$ 99,588.00	$ -	-
Derivative Financial Assets	$ -	$ 3,024.00	$ 30,242.00	$ 8,010.00	$ 8,536.00	$ 472.00	$ 10,971.00
Cash and Cash Equivalents	$ 1,044,786.00	$ 322,429.00	$ 1,573,421.00	$ 1,363,128.00	$ 575,573.00	$ 734,221.00	$ 453,820.00
Total Current Assets	**$ 1,199,410.00**	**$ 645,330.00**	**$ 1,961,000.00**	**$ 2,111,680.00**	$ 1,441,383.00	**$ 1,589,420.00**	$ 1,428,369.00
	$ 1,199,410.00	$ 645,330.00	$ 1,961,000.00	$ 2,111,680.00	$ 1,441,383.00	$ 1,589,420.00	$ 1,428,369.00
Check	TRUE	TRUE	TRUE	TRUE		TRUE	TRUE
Total Assets	**$ 1,351,393.00**	**$ 2,227,879.00**	**$ 3,590,871.00**	**$ 3,826,514.00**	**$ 3,715,908.00**	**$ 3,675,916.00**	**$ 3,497,954.00**
	$ 1,351,393.00	$ 2,227,879.00	$ 3,590,871.00	$ 3,826,514.00	$ 3,715,908.00	$ 3,675,916.00	$ 3,497,954.00
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Equity and Liabilities							
Liabilities							
Non-current Liabilities							
Provisions	$ 13,462.00	$ 23,704.00	$ 129,113.00	$ 60,545.00	$ 12,060.00	$ 12,166.00	$ 15,636.00
Deferred Tax Liabilities	$ -	$ 219,789.00	$ 182,463.00	$ 156,025.00	$ 145,043.00	$ 127,348.00	$ 88,596.00
Lease Liabilities	$ -	$ 100,833.00	$ 165,275.00	$ 180,915.00	$ 184,850.00	$ 178,247.00	$ 194,584.00
Employee Benefit Obligations	$ -	$ 16,455.00	$ 26,116.00	$ 12,948.00	$ 3,947.00	$ 2,930.00	$ 3,833.00
Derivative Financial Liabilities	$ -	$ -	$ 2,996,220.00	$ 872,428.00	$ 235,795.00	$ 206,564.00	$ 206,967.00
Borrowings	$ -	$ -	$ 617,789.00	$ 515,804.00	$ 537,222.00	$ 892,700.00	$ 916,923.00
Put and Call Option Liabilities	$ -	$ 61,268.00	$ 348,937.00	$ 836,609.00	$ 254,358.00	$ 169,218.00	$ 208,610.00
Other Financial Liabilities	$ 15,342.00	$ -	$ 4,853.00	$ 13,367.00	$ 308,491.00	$ 298,244.00	$ 287,358.00
Total Non-current Liabilities	**$ 28,804.00**	**$ 422,049.00**	**$ 4,470,766.00**	**$ 2,648,641.00**	**$ 1,681,766.00**	**$ 1,887,417.00**	**$ 1,922,507.00**
	$ 28,804.00	$ 422,049.00	$ 4,470,766.00	$ 2,648,641.00	$ 1,681,766.00	$ 1,887,417.00	$ 1,922,507.00
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Current Liabilities							
Trade and Other Payables	$ 194,158.00	$ 413,696.00	$ 666,144.00	$ 806,406.00	$ 707,721.00	$ 740,848.00	$ 829,662.00
Borrowings	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Provisions	$ -	$ -	$ 27,146.00	$ 14,585.00	$ 8,657.00	$ 12,053.00	$ 8,427.00
Current Tax Liability	$ -	$ 28,289.00	$ 3,098.00	$ 5,189.00	$ 20,861.00	$ 6,075.00	$ 6,503.00
Lease Liabilities	$ -	$ 18,485.00	$ 26,128.00	$ 33,594.00	$ 36,706.00	$ 36,996.00	$ 41,614.00
Employee Benefit Obligations	$ -	$ -	$ 38,286.00	$ 8,296.00	$ 2,987.00	$ 2,403.00	$ 2,051.00
Derivative Financial Liabilities	$ -	$ 5,601.00	$ 17,427.00	$ 21,118.00	$ 67,490.00	$ 22,041.00	$ 4,934.00
Put and Call Option Liabilities	$ -	$ 1,118.00	$ -	$ 8,321.00	$ 48,900.00	$ 26,029.00	$ 30,194.00
Other Financial Liabilities	$ -	$ 809.00	$ 518.00	$ 9,748.00	$ 24,379.00	$ 36,433.00	$ 45,891.00
Total Current Liabilities	**$ 194,158.00**	**$ 467,998.00**	**$ 778,747.00**	**$ 907,257.00**	**$ 917,701.00**	**$ 882,878.00**	**$ 969,276.00**
	$ 194,158.00	$ 467,998.00	$ 778,747.00	$ 907,257.00	$ 917,701.00	$ 882,878.00	$ 969,276.00
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Total Liabilities	**$ 222,962.00**	**$ 890,047.00**	**$ 5,249,513.00**	**$ 3,555,898.00**	**$ 2,599,467.00**	**$ 2,770,295.00**	**$ 2,891,783.00**
	$ 222,962.00	$ 890,047.00	$ 5,249,513.00	$ 3,555,898.00	$ 2,599,467.00	$ 2,770,295.00	$ 2,891,783.00
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Equity							
Share Capital	$ 11,994.00	$ 13,584.00	$ 14,168.00	$ 15,231.00			
Share Premium	$ 772,300.00	$ 878,007.00	$ 927,931.00	$ 1,641,674.00			
Merger Reserve	$ 783,529.00	$ 783,529.00	$ 783,529.00	$ 783,529.00			
Foreign Exchange Reserve	$ (23,509.00)	$ (30,842.00)	$ (7,271.00)	$ (24,544.00)			
Other reserves	$ 67,474.00	$ 349,463.00	$ 467,565.00	$ 59,520.00			
Accumulated Losses	$ (483,357.00)	$ (826,135.00)	$ (4,013,120.00)	$ (2,386,802.00)			
Equity Attributable to Owners of the Parent	$ 1,128,431.00	$ 1,167,606.00	$ (1,827,198.00)	$ 88,608.00	$ 953,580.00	$ 748,214.00	$ 460,568.00
	$ 1,128,431.00	$ 1,167,606.00	$ (1,827,198.00)	$ 88,608.00	$ 953,580.00	$ 748,214.00	$ 460,568.00
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Non-Controlling Interests	$ -	$ 170,226.00	$ 168,556.00	$ 182,008.00	$ 162,861.00	$ 157,407.00	$ 145,603.00
Total Equity	**$ 1,128,431.00**	**$ 1,337,832.00**	**$ (1,658,642.00)**	**$ 270,616.00**	**$ 1,116,441.00**	**$ 905,621.00**	**$ 606,171.00**
	$ 1,128,431.00	$ 1,337,832.00	$ (1,658,642.00)	$ 270,616.00	$ 1,116,441.00	$ 905,621.00	$ 606,171.00
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Total Equity and Liabilities	**$ 1,351,393.00**	**$ 2,227,879.00**	**$ 3,590,871.00**	**$ 3,826,514.00**	**$ 3,715,908.00**	**$ 3,675,916.00**	**$ 3,497,954.00**
	$ 1,351,393.00	$ 2,227,879.00	$ 3,590,871.00	$ 3,826,514.00	$ 3,715,908.00	$ 3,675,916.00	$ 3,497,954.00
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE

Exhibit 24: Statement of Cash-Flows

Statement of Cash Flows

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

Exhibit 25: Revenue Breakdown by Product

Revenues by Product

Thousands $	2018	2019	2020	2021	2022 S1	2022	2023 S1
Digital Platform					$ -		
Services revenue	$ 488,995.00	$ 701,246.00	$ 1,033,156.00	$ 1,385,678.00	$ 672,818.00	$ 1,419,721.00	$ 732,533.00
Fulfilment revenue	$ 97,794.00	$ 127,960.00	$ 213,228.00	$ 332,504.00	$ 158,797.00	$ 321,653.00	$ 170,899.00
Total revenue	$ 586,789.00	$ 829,206.00	$ 1,246,384.00	$ 1,718,182.00	$ 831,615.00	$ 1,741,374.00	$ 903,432.00
Less: Cost of revenue	$ (295,083.00)	$ (457,293.00)	$ (686,178.00)	$ (987,929.00)	$ (471,926.00)	$ (1,014,785.00)	$ (542,313.00)
Gross profit	$ 291,706.00	$ 371,913.00	$ 560,206.00	$ 730,253.00	$ 359,689.00	$ 726,589.00	$ 361,119.00
	$ 291,706.00	$ 371,913.00	$ 560,206.00	$ 730,253.00	$ 359,689.00	$ 726,589.00	$ 361,119.00
Check	TRUE	TRUE	TRUE	TRUE		TRUE	
			$ -		$ -		
Brand Platform					$ -		
Revenue	n.a.	$ 164,210.00	$ 390,014.00	$ 467,505.00	$ 217,069.00	$ 477,146.00	$ 181,843.00
Less: Cost of revenue	n.a.	$ (89,203.00)	$ (199,208.00)	$ (225,989.00)	$ (106,547.00)	$ (242,663.00)	$ (86,756.00)
Gross profit	$ -	$ 75,007.00	$ 190,806.00	$ 241,516.00	$ 110,522.00	$ 234,483.00	$ 95,087.00
	$ -	$ 75,007.00	$ 190,806.00	$ 241,516.00	$ 67,596.00	$ 234,483.00	$ 95,087.00
Check	TRUE	TRUE	TRUE	TRUE		TRUE	
In-Stores:							
Revenue	$ 15,595.00	$ 27,621.00	$ 37,524.00	$ 70,921.00	$ 45,466.00	$ 98,160.00	$ 43,202.00
Less: Cost of revenue	$ (8,851.00)	$ (14,695.00)	$ (17,608.00)	$ (26,179.00)	$ (17,491.00)	$ (36,057.00)	$ (15,903.00)
Gross profit	$ 6,744.00	$ 12,926.00	$ 19,916.00	$ 44,742.00	$ 27,975.00	$ 62,103.00	$ 27,299.00

Exhibit 26: Revenue Breakdown by Region

Revenue By Region

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

Exhibit 27: Marketplace Indicators

Marketplace indicators

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

Exhibit 28: Farfetch Business Model Canvas (2023)

FARFETCH BUSINESS MODEL CANVAS

VALUE PROPOSITION

A pioneering fashion retailer of the future that merges a zero-inventory eCommerce model with sales from decentralized bricks-and-mortar warehousing:

- Offering over 1400 curated brands for consumers.
- Boutique brands are relieved of the need to establish their own eCommerce channels.

KEY PARTNERSHIPS

Farfetch´s focuses on finding key partners around finance, fashion, distribution and technology.

BROWNS

In 2015, this acquisition enabled Farfetch to consolidate the Store of the Future initiative, serving as its incubator.

JD.COM

In 2017, Farfetch entered into a strategic partnership with JD.com, with the goal of gaining valuable insight into the Chinese market

TOPLIFE

In 2019, Farfetch acquired Toplife, a luxury portal owned by JD.com, solidifying Farfetch's position in the luxury e-commerce landscape

NGG

In 2019, Farfetch added to its business units the New Guards Group, a fashion conglomerate of 10 prominent international luxury brands

YNAP

In 2022, Farfetch announced it would acquire a substantial 47.5% stake in YNAP, its major competitor, solidifying Farfetch's status

KEY RESOURCES

- A technology platform capable of executing orders on a global scale.
- A brand that captivates the luxury fashion enthusiasts.
- Establishing exclusive partnerships with its retail partners.

KEY ACTIVITIES

- Expand the core business at scale while preserving profit margins.
- Transform the "Store of the Future" concept into a commercial reality, extending brand influence into the physical realm.
- Increase customer acquisition while simultaneously reducing acquisition costs.

CUSTOMER RELATIONSHIP

- Provide swift delivery and complimentary returns in the majority of countries.
- Integrate features like Wishlist, Augmented Reality, and Virtual Reality.
- Accept cryptocurrency payments as a convenient transaction option.

CHANNELS

- Utilise platform and digital media channels to acquire online customers.
- Venture into the physical store market.

CUSTOMER SEGMENT

- By 2030, it is expected that Generations Y, Z, and Alpha constitute 80% of global luxury purchases.
- All of the market's growth in 2022 was driven by Millennials and Generation Z.

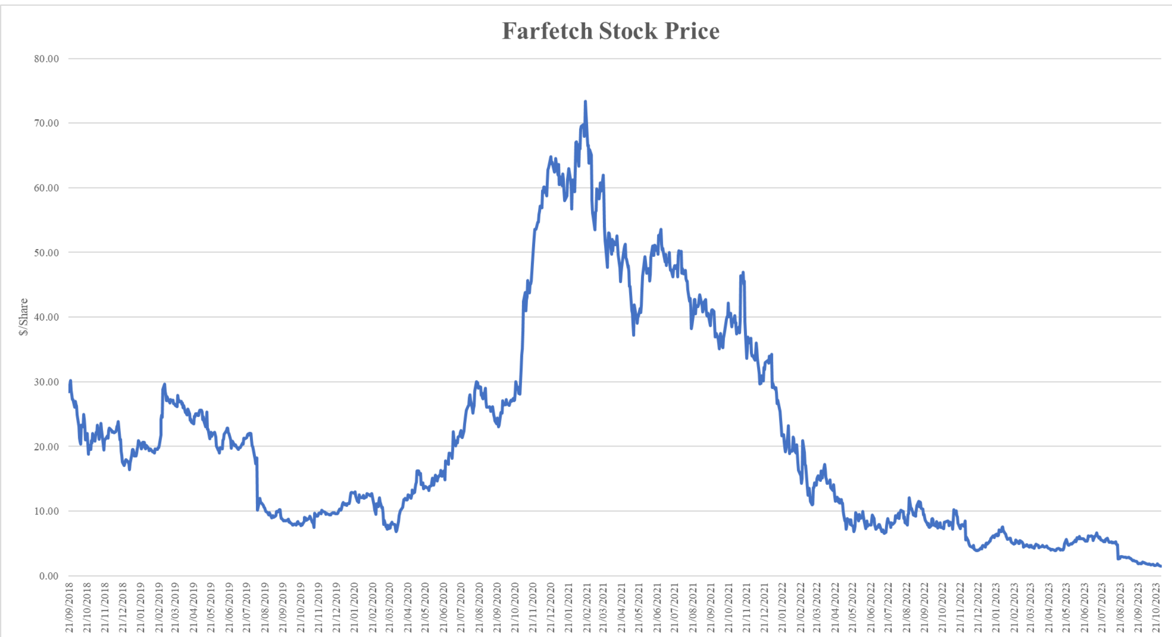
REVENUE STREAMS

- **Platform Revenues:** Accounts for 74% of total revenues (2022)
- **Brand Platform & In-store:** Accounts for 21% and 5% respectively of total revenues (2022)

COST STRUCTURE

- **Technology**: Farfetch incurs significant expenses in technology development and research and development.
- **Customer Acquisition**: The high costs exert pressure on margins, necessitating the exploration of more cost-effective acquisition channels.
- **General & Administrative**: There is an elevated cost associated with total SG&A.

Exhibit 29: Stock Price Evolution



Teaching Note – Part A

Group 2

Table 1: Seasonality Effect

Seasonality Effect (Based on 2017)			
	2017 S1	**2017 S2**	**Check**
Digital Platform	0.89	1.11	2.00
In Stores	0.94	1.06	2.00

Table 2: Forecasted Revenue in the Conservative Scenario

Revenues - Conservative

(Thousands $, except %)	2018 E	2019 E	2020 E	2021 E	2022 E	2023 E	2024 E	2025 E	2026 E	2027 E	2028 E
Total Revenue	$ 563,574	$ 607,771	$ 655,487	$ 707,002	$ 762,620	$ 822,668	$ 887,501	$ 957,501	$ 1,014,271	$ 1,034,557	$ 1,055,248
Digital Platform	$ 548,773	$ 592,674	$ 640,088	$ 691,295	$ 746,599	$ 806,327	$ 870,833	$ 940,500	$ 996,930	$ 1,016,868	$ 1,037,206
Growth (%)	48.1%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	6.0%	2.0%	2.0%
In-Stores	$ 14,801	$ 15,097	$ 15,399	$ 15,707	$ 16,021	$ 16,342	$ 16,668	$ 17,002	$ 17,342	$ 17,689	$ 18,042
Growth (%)	-4.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Table 3: Forecasted Revenue in the Intermediate Scenario

Revenues - Intermediate

(Thousands $, except %)	2018 E	2019 E	2020 E	2021 E	2022 E	2023 E	2024 E	2025 E	2026 E	2027 E	2028 E
Total Revenue	$ 563,574	$ 799,805	$ 1,099,027	$ 1,458,331	$ 1,864,329	$ 2,291,887	$ 2,704,338	$ 3,056,974	$ 3,303,735	$ 3,406,102	$ 3,474,224
Digital Platform	$ 548,773	$ 785,315	$ 1,084,551	$ 1,443,580	$ 1,849,283	$ 2,276,541	$ 2,688,684	$ 3,041,008	$ 3,287,450	$ 3,389,490	$ 3,457,280
Growth (%)	48.1%	43.1%	38.1%	33.1%	28.1%	23.1%	18.1%	13.1%	8.1%	3.1%	2.0%
In-Stores	$ 14,801	$ 14,490	$ 14,476	$ 14,750	$ 15,045	$ 15,346	$ 15,653	$ 15,966	$ 16,286	$ 16,611	$ 16,944
Growth (%)	-4.1%	-2.1%	-0.1%	1.9%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Table 4: Forecasted Revenue in the Optimistic Scenario

Revenues - Optimistic

(Thousands $, except %)	2018 E	2019 E	2020 E	2021 E	2022 E	2023 E	2024 E	2025 E	2026 E	2027 E	2028 E
Total Revenue	$ 563,574	$ 896,084	$ 1,425,741	$ 2,269,761	$ 3,344,572	$ 4,530,761	$ 5,597,764	$ 6,247,987	$ 6,372,947	$ 6,500,406	$ 6,630,414
Digital Platform	$ 548,773	$ 876,276	$ 1,399,232	$ 2,234,285	$ 3,299,576	$ 4,476,843	$ 5,536,930	$ 6,183,606	$ 6,307,279	$ 6,433,424	$ 6,562,093
Growth (%)	48.1%	59.7%	59.7%	59.7%	47.7%	35.7%	23.7%	11.7%	2.0%	2.0%	2.0%
In-Stores	$ 14,801	$ 19,808	$ 26,509	$ 35,477	$ 44,995	$ 53,917	$ 60,834	$ 64,381	$ 65,668	$ 66,982	$ 68,321
Growth (%)	-4.1%	33.8%	33.8%	33.8%	26.8%	19.8%	12.8%	5.8%	2.0%	2.0%	2.0%

Table 5: Forecasted COGS

COGS

(%)	2015	2016	2017	2018 S1	2018 E	2019 E	2020 E	2021 E	2022 E	2023 E	2024 E	2025 E	2026 E	2027 E	2028 E
COGS (%Revenues)															
Digital Platform	-48.8%	-51.3%	-46.9%	-48.68%	-46.2%	-49.0%	-49.0%	-49.0%	-49.0%	-49.0%	-49.0%	-49.0%	-49.0%	-49.0%	-49.0%
In-Stores	-52.9%	-59.6%	-47.0%	54.42%	52.9%	-53.2%	-53.2%	-53.2%	-53.2%	-53.2%	-53.2%	-53.2%	-53.2%	-53.2%	-53.2%

Table 6: Forecasted SG&A

SG&A

(Thousands $)	2015	2016	2017	2018 S1	2018 E	2019 E	2020 E	2021 E	2022 E	2023 E	2024 E	2025 E	2026 E	2027 E	2028 E
Demand Generation Expense	$ (34,158.00)	$ (48,381.00)	$ (69,202.00)	$ (41,258.00)	$ (82,516.00)	$ (103,146.33)	$ (120,668.33)	$ (138,190.33)	$ (155,712.33)	$ (173,234.33)	$ (190,756.33)	$ (208,278.33)	$ (225,800.33)	$ (243,322.33)	$ (260,844.33)
Technology Expense	$ (6,741.00)	$ (12,269.00)	$ (31,611.00)	$ (31,031.00)	$ (62,062.00)	$ (54,178.67)	$ (66,613.67)	$ (79,048.67)	$ (91,483.67)	$ (103,918.67)	$ (116,353.67)	$ (128,788.67)	$ (141,223.67)	$ (153,658.67)	$ (166,093.67)
Depreciation and Amortization	$ (3,104.00)	$ (6,897.00)	$ (10,980.00)	$ (10,338.00)	$ (20,676.00)	$ (18,807.67)	$ (22,745.67)	$ (26,683.67)	$ (30,621.67)	$ (34,559.67)	$ (38,497.67)	$ (42,435.67)	$ (46,373.67)	$ (50,311.67)	$ (54,249.67)
Share Based Payments	$ (6,505.00)	$ (19,848.00)	$ (21,486.00)	$ (12,523.00)	$ (25,046.00)	$ (38,417.83)	$ (45,908.33)	$ (53,398.83)	$ (60,889.33)	$ (68,379.83)	$ (75,870.33)	$ (83,360.83)	$ (90,851.33)	$ (98,341.83)	$ (105,832.33)
General and Administrative	$ (79,565.00)	$ (118,163.00)	$ (162,032.00)	$ (113,651.00)	$ (227,302.00)	$ (243,620.50)	$ (284,854.00)	$ (326,087.50)	$ (367,321.00)	$ (408,554.50)	$ (449,788.00)	$ (491,021.50)	$ (532,255.00)	$ (573,488.50)	$ (614,722.00)
Other Items	$ -	$ -	$ (649.00)	$ -	$ -	$ (162.25)	$ (162.25)	$ (162.25)	$ (162.25)	$ (162.25)	$ (162.25)	$ (162.25)	$ (162.25)	$ (162.25)	$ (162.25)
Total SG&A	**$ (130,073.00)**	**$ (205,558.00)**	**$ (295,960.00)**	**$ (208,801.00)**	**$ (417,602.00)**	**$ (458,333.25)**	**$ (540,952.25)**	**$ (623,571.25)**	**$ (706,190.25)**	**$ (788,809.25)**	**$ (871,428.25)**	**$ (954,047.25)**	**$ (1,036,666.25)**	**$ (1,119,285.25)**	**$ (1,201,904.25)**

Table 7: Forecasted Other Expenses

Opther Expenses

(Thousands $)	2015	2016	2017	2018 S1	2018 E	2019 E	2020 E	2021 E	2022 E	2023 E	2024 E	2025 E	2026 E	2027 E	2028 E
Impairment Losses on Tangible Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Impairment Losses on Intangible Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Gain/(Loss) on Items Held at Fair Value ai	$ -	$ -	$ (3,300.00)	$ -	$ -	$ (1,100.00)	$ (1,100.00)	$ (1,100.00)	$ (1,100.00)	$ (1,100.00)	$ (1,100.00)	$ (1,100.00)	$ (1,100.00)	$ (1,100.00)	$ (1,100.00)
Share of Results of Associates	$ -	$ 18.00	$ 31.00	$ 24.00	$ 48.00	$ 16.33	$ 16.33	$ 16.33	$ 16.33	$ 16.33	$ 16.33	$ 16.33	$ 16.33	$ 16.33	$ 16.33

Table 8: Forecasted NWC

Net Working Capital															
(Thousands $, except %)	**2015**	**2016**	**2017**	**2018 S1**	**2018 E**	**2019 E**	**2020 E**	**2021 E**	**2022 E**	**2023 E**	**2024 E**	**2025 E**	**2026 E**	**2027 E**	**2028 E**
Current Assets	-	180,904.00	452,792.00	472,547.00	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities	-	89,425.00	155,890.00	155,999.00	-	-	-	-	-	-	-	-	-	-	-
NWC	-	91,479.00	296,902.00	316,548.00	323,230.64	348,579.75	375,946.61	405,492.42	437,391.30	471,831.28	509,015.43	549,163.07	581,722.81	593,357.26	605,224.41
%Revenues	0.0%	37.8%	76.9%	118.3%	57.4%	57.4%	57.4%	57.4%	57.4%	57.4%	57.4%	57.4%	57.4%	57.4%	57.4%
Change in NWC	-	-	**205,423.00**	**19,646.00**	**26,328.64**	**25,349.11**	**27,366.86**	**29,545.81**	**31,898.88**	**34,439.98**	**37,184.15**	**40,147.64**	**32,559.74**	**11,634.46**	**11,867.15**

Table 9: Beta of Peers

Beta of Peers			
Farfetch's Peers	**Beta Equity (2017)**	**D/E**	**Beta Unlevered (2017)**
JD.Com	1.25	21%	1.07
Secoo	-0.65	10%	-0.60
Amazon	1.28	89%	0.74
Alibaba	1.31	29%	1.06
ASOS	1.76	0%	1.76

Table 10: WACC Computation

WACC Formula Components	
Risk-Free Interest Rate	2.40%
Market Risk Premium	5.50%
Mean Unlevered Beta of Comparables	115.73%
Tax Rate	19.00%
Projected Debt-to-Value Ratio	0.00%
Pretax Cost of Debt	2.40%
Beta D	0.00%
Levered Equity Beta	115.73%
Cost of Equity = rf +βe ×(rm–rf)	8.77%
WACC = re ×E/V +rd(1–t)×D/V	**8.77%**

Table 11: Forecasted NOPLAT & FCF in the Conservative Scenario

NOPLAT & FCF - Conservative															
(Thousands $, except %)	**2015**	**2016**	**2017**	**2018 S1**	**2018 E**	**2019 E**	**2020 E**	**2021 E**	**2022 E**	**2023 E**	**2024 E**	**2025 E**	**2026 E**	**2027 E**	**2028 E**
NOPLAT	(56,842.00)	(88,861.00)	(94,633.00)	(72,626.00)	(99,690.27)	(150,232.95)	(208,576.80)	(264,982.10)	(319,293.93)	(371,344.99)	(420,954.59)	(467,927.61)	(521,652.50)	(593,996.65)	(666,134.05)
Depreciation and Amortization	3,104.00	6,897.00	10,980.00	10,338.00	20,676.00	18,807.67	22,745.67	26,683.67	30,621.67	34,559.67	38,497.67	42,435.67	46,373.67	50,311.67	54,249.67
Changes in NWC	-	-	205,423.00	19,646.00	26,328.64	25,349.11	27,366.86	29,545.81	31,898.88	34,439.98	37,184.15	40,147.64	32,559.74	11,634.46	11,867.15
CAPEX	(9,429.00)	(6,012.00)	(12,616.00)	(11,300.00)	(22,600.00)	(25,076.04)	(27,044.75)	(29,170.20)	(31,464.94)	(33,942.47)	(36,617.42)	(39,505.54)	(41,847.82)	(42,684.77)	(43,538.47)
%Revenues	-6.6%	-2.5%	-3.3%	0.0%	-4.0%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%
Unlevered Free Cash Flow	-	-	**(276,460.00)**	**(70,634.00)**	**(82,742.91)**	**(131,698.36)**	**(186,153.24)**	**(238,674.04)**	**(289,106.20)**	**(337,282.83)**	**(383,023.66)**	**(426,134.04)**	**(465,990.75)**	**(512,634.66)**	**(580,213.05)**
Discounted FCF	-	-	-	-	**(79,338.82)**	**(116,103.49)**	**(150,884.77)**	**(177,864.76)**	**(198,085.22)**	**(212,470.59)**	**(221,840.14)**	**(226,918.90)**	**(228,145.37)**	**(230,755.61)**	**(240,127.40)**

Table 12: Forecasted NOPLAT & FCF in the Intermediate Scenario

NOPLAT & FCF - Intermediate															
(Thousands $, except %)	**2015**	**2016**	**2017**	**2018 S1**	**2018 E**	**2019 E**	**2020 E**	**2021 E**	**2022 E**	**2023 E**	**2024 E**	**2025 E**	**2026 E**	**2027 E**	**2028 E**
NOPLAT	(56,842.00)	(88,861.00)	(94,633.00)	(72,626.00)	(115,354.18)	(52,208.14)	17,783.54	118,298.80	242,606.03	306,331.43	409,761.82	488,486.00	523,478.10	498,828.01	460,033.16
Depreciation and Amortization	3,104.00	6,897.00	10,980.00	10,338.00	20,676.00	18,807.67	22,745.67	26,683.67	30,621.67	34,559.67	38,497.67	42,435.67	46,373.67	50,311.67	54,249.67
Changes in NWC	-	-	205,423.00	19,646.00	26,328.64	135,487.73	171,614.73	206,074.41	232,855.12	245,220.75	236,555.91	202,250.44	141,526.66	58,710.92	39,070.55
CAPEX	(9,429.00)	(6,012.00)	(12,616.00)	(11,300.00)	(22,600.00)	(32,999.16)	(45,344.73)	(60,169.26)	(76,920.33)	(94,560.95)	(111,578.25)	(126,127.68)	(136,308.79)	(140,532.32)	(143,342.97)
%Revenues	-6.6%	-2.5%	-3.3%	0.0%	-4.0%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%
Unlevered Free Cash Flow	-	-	**(276,460.00)**	**(70,634.00)**	**(98,406.82)**	**(135,889.04)**	**(85,740.79)**	**(922.69)**	**117,292.90**	**190,231.29**	**323,281.82**	**454,798.92**	**564,633.90**	**630,961.08**	**618,555.25**
Discounted FCF	-	-	-	-	**(94,358.31)**	**(119,797.94)**	**(69,496.40)**	**(687.60)**	**80,364.90**	**119,835.79**	**187,238.78**	**242,183.12**	**276,440.28**	**284,018.66**	**255,995.73**

Table 13: Forecasted NOPLAT & FCF in the Optimistic Scenario

NOPLAT & FCF - Optimistic															
(Thousands $, except %)	**2015**	**2016**	**2017**	**2018 S1**	**2018 E**	**2019 E**	**2020 E**	**2021 E**	**2022 E**	**2023 E**	**2024 E**	**2025 E**	**2026 E**	**2027 E**	**2028 E**
NOPLAT	(56,842.00)	(88,861.00)	(94,633.00)	(72,626.00)	(115,354.18)	(3,295.34)	183,761.36	530,902.37	995,619.14	1,229,798.32	1,603,368.76	1,804,901.68	1,789,551.45	1,775,232.64	1,761,965.88
Depreciation and Amortization	3,104.00	6,897.00	10,980.00	10,338.00	20,676.00	18,807.67	22,745.67	26,683.67	30,621.67	34,559.67	38,497.67	42,435.67	46,373.67	50,311.67	54,249.67
Changes in NWC	-	-	205,423.00	19,646.00	26,328.64	190,707.48	303,778.08	484,077.33	616,444.03	680,324.03	611,966.81	372,927.15	71,669.11	73,102.49	74,564.54
CAPEX	(9,429.00)	(6,012.00)	(12,616.00)	(11,300.00)	(22,600.00)	(36,971.54)	(58,824.65)	(93,648.07)	(137,993.66)	(186,934.62)	(230,958.13)	(257,785.66)	(262,941.37)	(268,200.20)	(273,564.21)
%Revenues	-6.6%	-2.5%	-3.3%	0.0%	-4.0%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%	-4.1%
Unlevered Free Cash Flow	-	-	**(276,460.00)**	**(70,634.00)**	**(98,406.82)**	**(138,223.62)**	**(38,446.41)**	**167,156.77**	**547,790.43**	**770,968.58**	**1,260,857.74**	**1,732,195.86**	**2,027,197.38**	**2,020,642.01**	**2,015,215.20**
Discounted FCF	-	-	-	-	**(94,358.31)**	**(121,856.06)**	**(31,162.38)**	**124,568.64**	**375,326.40**	**485,669.99**	**730,265.21**	**922,404.56**	**992,499.75**	**909,564.87**	**834,018.45**

Table 14: Share Price Computation in the Conservative Scenario

Share Price - Conservative		
Share Price		
Net Present Value FCF	$	(2,082,535.08)
Terminal Value Growth		2%
Terminal Value	$	(8,747,928.84)
PV (Terminal Value)	$	(3,937,762.69)
Enterprise Value	$	(6,020,297.77)
Debt Value	$	-
Excess Cash	$	376,282.68
Operating Cash % revenue		2%
Operating Cash	$	7,719.32
Cash and Cash Eq.	$	384,002.00
Equity Value	$	(5,644,015.09)
Shares Outstanding		223,465.73
Share Price	**$**	**(25.26)**

Table 15: Share Price Computation in the Intermediate Scenario

Share Price - Intermediate		
Share Price		
Net Present Value FCF	$	1,161,737.00
Terminal Value Growth		2%
Terminal Value	$	9,326,017.87
PV (Terminal Value)	$	4,197,981.70
Enterprise Value	$	5,359,718.71
Debt Value	$	-
Excess Cash	$	376,282.68
Operating Cash % revenue		2%
Operating Cash	$	7,719.32
Cash and Cash Eq.	$	384,002.00
Equity Value	$	5,736,001.39
Shares Outstanding		223,465.73
Share Price	**$**	**25.67**

Table 16: Share Price Computation in the Optimistic Scenario

Share Price - Optimistic

Share Price		
Net Present Value FCF	$	5,126,941.11
Terminal Value Growth		2%
Terminal Value	$	30,383,596.27
PV (Terminal Value)	$	13,676,767.84
Enterprise Value	$	18,803,708.94
Debt Value	$	-
Excess Cash	$	376,282.68
Operating Cash % revenue		2%
Operating Cash	$	7,719.32
Cash and Cash Eq.	$	384,002.00
Equity Value	$	19,179,991.62
Shares Outstanding		223,465.73
Share Price	**$**	**85.83**

Table 17: Sensitivity Analysis in the Conservative Scenario

Sensitivity Analysis - Conservative

		Terminal Growth Rate				
	$ -	1.0%	1.5%	2.0%	2.5%	3.0%
WACC	9.8%	-19.46	-20.28	-21.19	-22.23	-23.43
	9.3%	-21.04	-22.00	-23.08	-24.32	-25.77
	8.77%	-22.84	-23.96	**-25.26**	-26.76	-28.52
	8.3%	-24.88	-26.23	-27.79	-29.62	-31.80
	7.8%	-27.24	-28.87	-30.77	-33.03	-35.77

Table 18: Sensitivity Analysis in the Intermediate Scenario

Sensitivity Analysis - Intermediate

		Terminal Growth Rate				
	$ -	1.0%	1.5%	2.0%	2.5%	3.0%
WACC	9.8%	19.69	20.51	21.44	22.49	23.70
	9.3%	21.33	22.30	23.40	24.66	26.13
	8.77%	23.20	24.35	**25.67**	27.20	28.99
	8.3%	25.34	26.72	28.31	30.19	32.41
	7.8%	27.82	29.49	31.44	33.76	36.57

Table 19: Sensitivity Analysis in the Optimistic Scenario

Sensitivity Analysis - Optimistic

		Terminal Growth Rate				
	$ -	1.0%	1.5%	2.0%	2.5%	3.0%
WACC	9.8%	65.85	68.67	71.85	75.47	79.63
	9.3%	71.27	74.58	78.34	82.66	87.67
	8.77%	77.43	81.34	**85.83**	91.04	97.15
	8.3%	84.47	89.14	94.55	100.91	108.47
	7.8%	92.59	98.23	104.84	112.70	122.22

Table 20: Relative Valuation Summary

Relative Valuation

	EV/Sales	EV/EBITDA	P/E	P/Sales
Mean	6.06x	29.73x	144.29x	4.88x
Median	2.01x	26.34x	130.70x	2.51x

EV/Sales Multiple		
Sales	$	385,966.00
EV/Sales Multiple		2.0x
EV	$	775,075.36
Less: Net Debt	$	(376,282.68)
Equity Value	$	1,151,358.04
Shares Outstanding	$	223,465.73
Share Price	**$**	**5.15**

EV/Sales	$5.15
2.8x	6.43
2.6x	6.17
2.5x	5.92
2.3x	5.66
2.2x	5.40
2.0x	5.14
1.9x	4.88

P/Sales Multiple		
Sales	$	385,966.00
P/Sales Multiple		2.5x
Shares Outstanding	$	223,465.73
Share Price	**$**	**4.33**

P/Sales	$4.33
2.2x	6.22
1.9x	5.70
1.6x	5.18
1.3x	4.66
1.0x	4.15
0.7x	3.63
0.4x	3.11

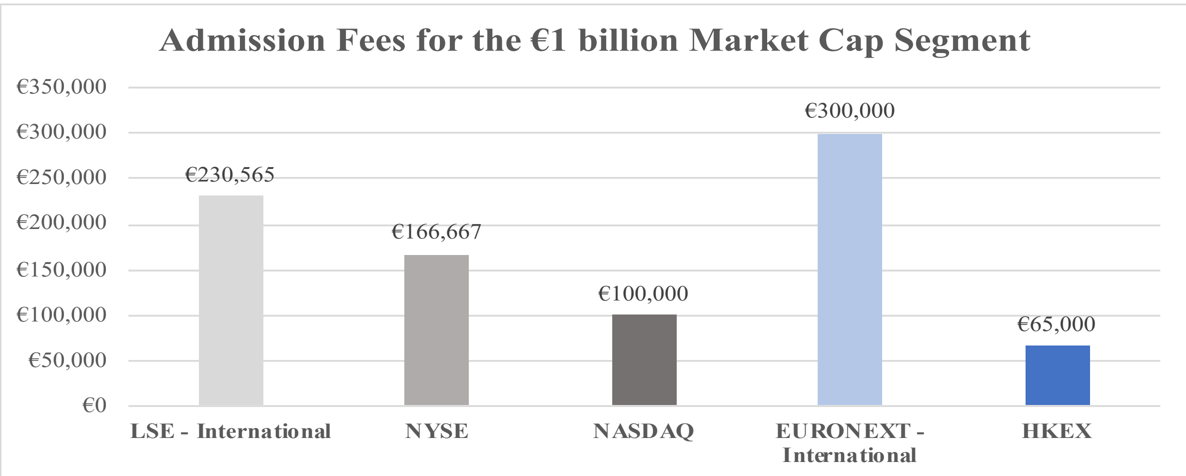
Table 21: Valuation Summary

Valuation Summary

(Thousands $, except Share Price $)		Conservative	Intermediate		Optimistic	EV/Sales	P/sales
PV (Terminal Value)	$	(3,937,762.69)	$ 9,326,017.87	$	30,383,596.27	-	-
Enterprise Value	$	(6,020,297.77)	$ 5,359,718.71	$	18,803,708.94	775,075	-
Equity Value	$	(5,644,015.09)	$ 5,736,001.39	$	19,179,991.62	1,151,358	-
Share Price	**$**	**(25.26)**	**$ 25.67**	**$**	**85.83**	**$5.15**	**4.33**

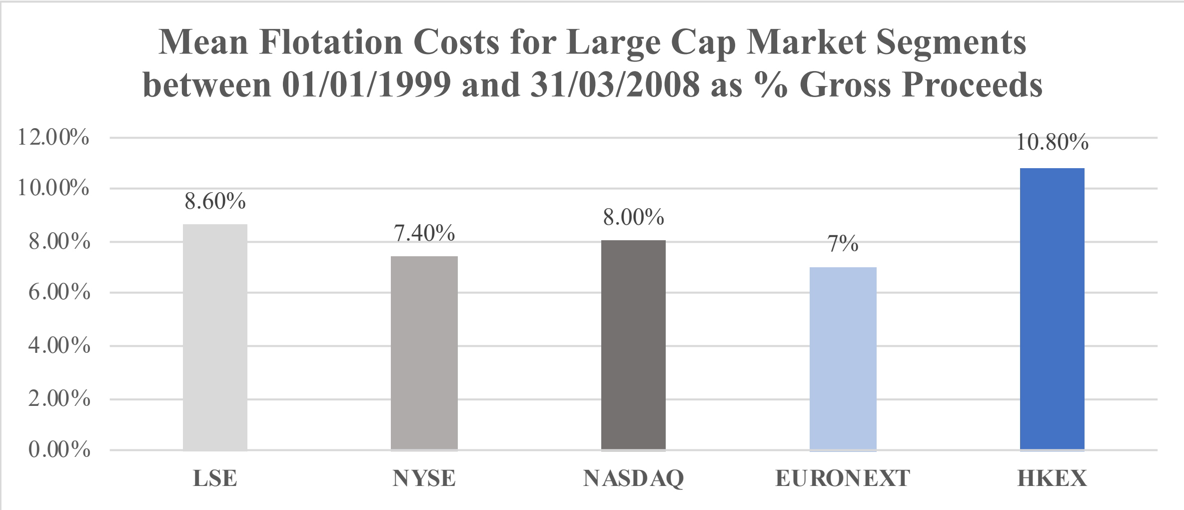
(Thousands $, except Share Price $)		Conservative	Intermediate		Optimistic	EV/Sales	P/sales
Share Price	$	(25.26)	$ 25.67	$	85.83	$5.15	4.33
Average	**$**	**19.14**					

Graph 1: Admission Fees for the €1B Market Cap Segment



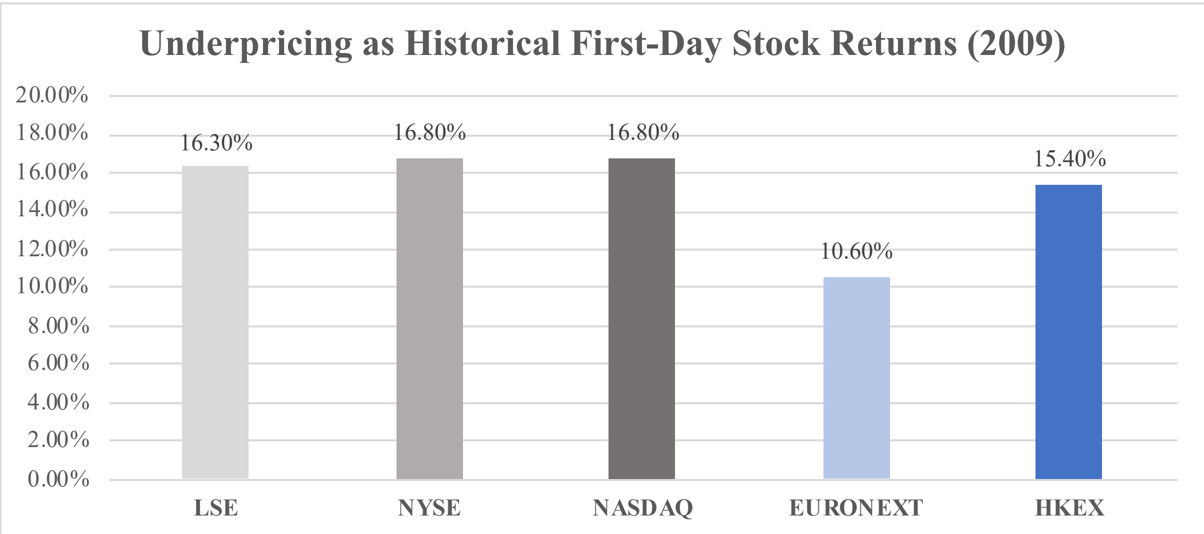
Source: Primary Market Activity and the Cost of Going and Being Public (2008)

Graph 2: Mean Flotation Costs for Large Cap Market Segments (>€100M) between 01/01/1999 and 31/03/2008 as % Gross Proceeds



Source: Primary Market Activity and the Cost of Going and Being Public (2008)

Graph 3: Underpricing as Historical First-Day Stock Returns (2009)



Source: Primary Market Activity and the Cost of Going and Being Public (2008)

Table 22: IPO Proceeds in NYSE and NASDAQ in 2016 and 2017.

Distribution of IPO Proceeds in NYSE and NASDAQ in 2016 and 2017

(Billions $, except %)	2016		2017	
	Proceeds	% Global IPOs	Proceeds	% Global IPOs
NYSE	$14	10%	$30	15.90%
NASDAQ	$8	5.70%	$9	5%

Source: EY Global IPO Trends Q4 (2017)