Javelin Group

Commercial & Operational Due Diligence

Introduction and credentials | 2017
Javelin Group advises the world’s leading retailers and brands on strategic retail transformation

- **SPECIALISTS**
  - Retail and consumer sector specialists

- **EXPERIENCED**
  - Highly experienced team of 250+ consultants

- **VERTICAL**
  - Vertical retail focus – strategy, operations and technology

- **CHANNELS**
  - All channels – stores, ecommerce, omni-channel

- **GLOBAL**
  - Global client list – the world’s leading retailers and brands

- **DIGITAL**
  - Digital innovation at the heart of all work

- **ACCENTURE**
  - Leading digital retail within Accenture Strategy

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Javelin Group’s clients include UK and international retailers, brands, B2Bs and investors

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Commercial & Operational Due Diligence is delivered by specialists across the retail value chain

▶ Specialist
We are retail and consumer sector specialists

▶ Vertical
We focus on the entire retail and consumer value chain, from Strategy to Operations and Technology, across all channels including stores, ecommerce and omni-channel

▶ Digital
We started in ecommerce, so digital retail innovation is at our heart
Javelin Group provides a differentiated approach to investment evaluation in retail and consumer

- We have delivered critical thinking in more than 75 Commercial & Operational Due Diligence assignments in the last 5 years
- As a retail specialist, we go beyond the traditional scope of ‘commercial’ due diligence (market, competitors, customers, proposition)
- We integrate all elements of value creation and ‘operational’ due diligence (store rollout, digital/online growth, product management, business processes, logistics, IT and MIS) for both buy-side and vendor due diligence
- This provides a comprehensive evaluation of a target’s or vendor’s market, company, growth plans and management teams
- The specialist skills of our functional teams, across the retail value chain, from source to store to customer, enable us to deliver this differentiated approach
Selected recent Commercial & Operational Due Diligence work on completed transactions

Buy-side C&ODD
- **Leen Bakker** (Netherlands): Buy-side C&ODD for Gilde, acquired in 2017
- **Football Pools**: Buy-side C&ODD for OpCapita, acquired in 2017
- **Allegro (Poland)**: Buy-side C&ODD for Cinven, Permira and Mid Europa, acquired in 2016
- **Kurt Geiger**: Buy-side C&ODD for Cinven, acquired in 2016
- **Vital Ingredient**: Buy-side C&ODD for LDC, acquired in 2016
- **Imagesound**: Buy-side C&ODD for ECI, acquired in 2016
- **Centre Parcs**: Buy-side C&ODD for potential investors in 2015
- **Poundworld**: Buy-side C&ODD for TPG, acquired in 2015
- **Prezzo**: Buy-side C&ODD for TPG, acquired in 2015
- **Cath Kidston**: Buy-side C&ODD for Baring Private Equity Asia, investment completed in 2014

Vendor-side C&ODD
- **HS1 Retail**: Vendor-side C&ODD for OTPP & Borealis, acquired by Equitix, HICL & Korea NPS in 2017
- **The Cotswold Company**: Vendor-side C&ODD, acquired by True Capital in 2016
- **Long Tall Sally**: Vendor-side C&ODD, acquired by Equistone in 2016
- **Sofa.com**: Vendor C&ODD for owners, acquired by CBPE in 2015
- **Fat Face**: C&ODD for refinancing (for Bridgepoint and management), completed in 2014
Michael Fine runs the Commercial & Operational DD practice and would lead this assignment

Profile

Michael Fine leads Javelin Group’s Commercial & Operational Due Diligence practice. He also runs the firm’s Strategy practice with the COO. His 20+ years of experience in the retail and consumer sector combines investment recommendations for private equity, corporate and other investor clients, with strategy and performance improvement work for retailers and consumer goods brands. Prior to Javelin Group, Michael spent 17 years at Management Horizons Europe most recently as Commercial Director.

Experience

Recent commercial and operational due diligence clients (both buy-side and sell-side) include private equity firms TPG, Cinven, Permira, LDC, KKR, Bridgepoint, BC Partners, ECI, Bowmark, Riverside, Actera Group, Advent, Blackstone, Goldman Sachs, Terra Firma, Change Capital, Livingbridge, Active, Palamon, Primary, Lyceum, Graphite, Duke Street, Alchemy, TA Associates and Oaktree.

Recent retail strategy and performance improvement clients include retailers, brands and consumer facing businesses such as Fenwick, Warner Brothers, New Look, Pacific Brands (Bonds), The Post Office, Matalan, Cath Kidston, HobbyCraft, Pets at Home, Timberland, Fat Face, Maplin, Yo! Sushi, Tesco, Selfridges, Original Factory Shops, Wiggle, Kurt Geiger, Disney, Nike, Coca-Cola, Eden Springs.
Experienced consultants across Javelin Group’s Strategy, Operations and Technology practices

Matt Houston
Associate Director, Strategy

Matt Houston is an Associate Director in Javelin Group’s Strategy practice and joined the firm in 2007. His experience focuses on ecommerce and omni-channel strategy and he has led engagements for many retailers. He has also led commercial due diligence projects for PE clients such as Bridgepoint, Permira, Duke Street Capital amongst others. He is a graduate of University of Oxford in Classics & Modern Languages, and a fluent German speaker.

Mark Aspinall
Associate Director, Operations

Mark Aspinall is an Associate Director in Javelin Group’s Operations practice and joined the firm in 2000. He is one of the most experienced direct-to-customer (DTC) fulfilment consultants in the UK, with a detailed understanding of all aspects of DTC operations and programme implementation. Prior to Javelin Group, Mark spent 8 years with GUS and 10 years with N.Brown. Recent clients include Marks & Spencer, ASOS, Debenhams and Screwfix.

Alex Hodge
Manager, Strategy

Alex Hodge is a Consulting Manager in Javelin Group’s Strategy practice with 9 years’ experience across consulting and industry roles. He has managed a variety of corporate, channel and innovation strategy and C&ODD projects at Javelin. Prior to joining Javelin Group, Alex spent 2 years at Dixons Retail where he led the implementation of several omni-channel projects. Alex has a M.Phil Economics from the University of Cambridge.

Martin Ryan
Director, Technology Consulting

Martin Ryan leads Javelin Group’s Technology Consulting practice, advising multi-channel retailers and consumer brands on their technology strategies and selections, and joined the firm in 2008. He has been a consultant for 20+ years, and has a wealth of experience across ERP and ecommerce technology platforms, in infrastructure, applications, commercial packages and bespoke development, and is a graduate of the University of Oxford in Nuclear Physics.
Buy-side Commercial & Operational Due Diligence for TPG’s acquisition of Poundworld

Javelin Group was retained by TPG to undertake buy-side C&ODD on discount retailer Poundworld. The evaluation considered sector performance, the Poundworld customer proposition and roll-out potential, and included segmentation and assessment of growth drivers (market), addressable competitor sales and profitability analysis (competition), store proposition benchmarked against key competitors (proposition review), profiling of customer groups examining primary motivations for spend at Poundworld (customer), detailed evaluation of store portfolio identifying key success correlations (store performance), validation of store roll-out potential and plan by format (roll-out potential), and management financial plans critiqued in light of the findings.

Outcome
TPG acquired Poundworld in 2014 (value undisclosed).
Vendor-side Commercial & Operational Due Diligence for Sofa.com owners

Javelin Group was retained by the owners for vendor-side C&ODD on furniture retailer Sofa.com.

Javelin Group assessed the size of the addressable market, and the effect of channel shift and market cyclicality (market and competitors), evaluated the unique omni-channel commercial model (commercial model and value chain), profiled Sofa.com core customer groups and identified areas for potential future showroom roll-out (customers), conducted online interviews to understand competitive reasons for spend (primary consumer research), reviewed price and range, online user experience, cross-channel experience and delivery and service (proposition), evaluated supply chain, warehousing, delivery operations and customer services (operations), completed a high level review of robustness and scalability of IT infrastructure (IT), and critiqued management financial plans in the light of findings and sensitised forecasts.

Outcome
CBPE Capital acquired Sofa.com in February 2015 (value undisclosed).
Buy-side Commercial & Operational Due Diligence for Baring Private Equity Asia’s acquisition of Cath Kidston

Javelin Group was engaged by BPEA to undertake buy-side C&ODD on lifestyle retailer Cath Kidston.

Javelin Group completed a detailed assessment of Cath Kidston’s UK performance, which included a business performance assessment (margin analysis, store benchmarking, like-for-like sales analysis by category), range review including assessment on product ‘freshness’ initiatives, UK store roll-out potential, ecommerce performance assessment including online user experience (UK and RoW), review on reliability and scalability of IT infrastructure, review of marketing performance, budget and plans, and management financial plans critiqued in light of the findings.

Outcome
BPEA acquired a substantial stake in Cath Kidston in July 2014 (value undisclosed) and equal ownership with TA Associates.
Vendor Commercial & Operational Due Diligence for the refinancing of Fat Face for management and Bridgepoint

Javelin Group was retained to undertake vendor-side C&ODD on lifestyle clothing retailer Fat Face.

Javelin Group completed a detailed evaluation of Fat Face’s positioning, performance and five-year growth plan, including market and channel shift UK forecasts (market and competitor), a review of existing customer research and profiling of customer groups (customer), an analysis of sales and gross margin trends by category (sales), a review of breadth and depth of range and pricing versus key competitors (range and price), an online experience and service proposition proprietary audit (online and omni-channel UX), an audit of Fat Face retail stores versus competitors (store retail proposition audit), development of roll-out model and identification of stores with latent potential (store roll-out), a benchmark of spend and performance across marketing channels (marketing), and management five-year financial plans critiqued in the light of findings and forecasts sensitised.

Outcome
Refinancing was completed in Autumn 2014.
Buy-side Commercial & Operational Due Diligence for LDC’s acquisition of Vital Ingredient

Javelin Group was retained by LDC to undertake buy-side C&ODD on casual dining chain Vital Ingredient.

The evaluation considered sector performance, the Vital Ingredient customer proposition, and roll-out potential, and included a detailed casual dining market segmentation and assessment of growth drivers (market), addressable competitor sales and profitability analysis (competition), full restaurant proposition benchmarked against key competitors (proposition review), profiling of customer groups examining primary motivations for spend at Vital Ingredient (customer), detailed evaluation of restaurant portfolio identifying key success correlations (restaurant performance), validation of store roll-out potential and plan by format (roll-out potential), and management financial plans critiqued in light of the findings.

Outcome
LDC acquired Vital Ingredient in 2016 (value undisclosed).
Buy-side Commercial & Operational Due Diligence for TPG’s acquisition of Prezzo

Javelin Group was retained by TPG to undertake buy-side C&ODD on casual dining chain Prezzo.

The evaluation considered sector performance, the Prezzo customer proposition, and roll-out potential, and included a detailed casual dining market segmentation and assessment of growth drivers (market), addressable competitor sales and profitability analysis (competition), full restaurant proposition benchmarked against key competitors (proposition review), profiling of customer groups examining primary motivations for spend at Prezzo (customer), detailed evaluation of restaurant portfolio identifying key success correlations (restaurant performance), validation of store roll-out potential and plan by format (roll-out potential), and management financial plans critiqued in the light of the findings.

Outcome
TPG acquired Prezzo in November 2014 for £304m.
Buy-side Commercial & Operational Due Diligence for Bridgepoint’s acquisition of Wiggle

Javelin Group was retained to undertake buy-side C&ODD on online cycling retailer Wiggle.

Javelin Group completed a detailed assessment of Wiggle’s key markets, current positioning and performance including an analysis focused on six key markets (UK, Australia, Japan, France, Germany, Spain), a proprietary channel shift forecast for UK (market and competitor), RFM analysis and focus groups (customer), range and price comparison versus key competitors (product), a proprietary audit completed to assess experience (user experience), KPIs benchmarked against international best practice (marketing and operations), reviewed reliability and scalability of IT infrastructure (IT), and management financial plans critiqued in the light of findings and forecasts sensitised.

Case Study
Commercial & Operational Due Diligence

When trying to determine which adviser to use for the commercial due diligence on Wiggle there was only one option: Javelin Group. Their cross channel credentials meant they understood the challenges faced from all competition: online and stores. Their diagnostic tools allowed us to assess Wiggle against best practice, their assessment of systems in general allowed us to measure scalability. They met a very tight timetable and we were able to invest with confidence.

Vince Gwilliam
Partner, Bridgepoint

Outcome
Bridgepoint acquired Wiggle in December 2011, valuing the business at £180m.
Buy-side Commercial & Operational Due Diligence for Livingbridge’s investment in Bath Empire (soak.com)

Javelin Group was engaged by Livingbridge to undertake C&ODD on online retailer Bath Empire (now soak.com).

Javelin Group completed a detailed assessment of the UK B2C bathroom market, and Bath Empire’s positioning and performance including a proprietary channel shift UK forecast, a range, price, multi-channel, delivery and service review versus key competitors, a proprietary audit to assess online customer experience, an analysis of sales and gross margin performance and trends for B2C and B2B, a review of all acquisition and retention digital marketing channels, including KPI benchmarking, a RFM segmentation analysis of B2C and B2B customers, fulfilment and contact centre KPIs benchmarked against best practice, a high-level review of existing structure plus ‘to be’ recommendations, and management’s financial plans critiqued in the light of findings and forecasts sensitised.

Outcome
Livingbridge invested £8.5m in Bath Empire in July 2013.
Buy-side Commercial & Operational Due Diligence for ECI Partners’ acquisition of Imagesound Group

Javelin Group was engaged to undertake buy-side C&ODD on Imagesound Group, a provider of in-store music solutions and on-screen media used by retailers and leisure facilities globally.

(Javelin Group had previously completed C&ODD on Imagesound in 2011, for then-acquirers Vespa Capital.)

In this engagement, Javelin Group completed a detailed assessment of business performance, current and future threats, and management plans, including sizing and competitor analysis, detailed business performance review, customer referencing to assess perceived strengths and weaknesses, review of reliability and scalability of IT infrastructure, and management financial plans critiqued in the light of findings.

Outcome
ECI Partners acquired Imagesound Group in May 2016 (value undisclosed).
Buy-side Commercial & Operational Due Diligence for Promethean’s acquisition (MBO) of Sofa Brands International (SBI)

Javelin Group was engaged by Promethean to undertake C&ODD on branded sofa group SBI.

Javelin Group’s scope of work included quantifying market, future market growth and channel shift (market), an assessment of branded/own brand player dynamics and competitor mix (competitors), a review of detailed historic business performance by customer (business performance), detailed trade referencing to assess longevity of customer relationships (customer), a range, positioning and price comparison versus brand and retail competitors (product), a review of the quality and robustness of IT and MIS infrastructure, including ERP implementation (IT), an evaluation of management financial plans and sensitivities quantified (management plans), and investment upside plans critiqued in the light of findings.

Case Study
Commercial & Operational Due Diligence

In large part, due to the deep retail expertise and experience of the Javelin Group team we were provided with an extremely well constructed report within the [tight] timetable. Javelin Group used genuine innovation in the data to allow us to understand the main drivers, risks and mitigating factors of the [target] business. Javelin Group brought to life the potential of the business opportunity... and really helped us unlock the acquisition. We would not hesitate to use Javelin Group again.

Michael Burt
Partner, Promethean Investments LLP

Outcome
This scope was delivered in four weeks. Promethean acquired SBI in January 2015 (value undisclosed).
Vendor-side Commercial & Operational Due Diligence for HS1 retail assets, including St Pancras International

In 2017, Javelin Group was engaged by Canadian investors and owners, OTPP and Borealis, in preparation for their sale of Britain’s only high-speed railway HS1. During a four-week project, Javelin Group focussed on:

- Addressable market – defined and forecasted the development of addressable consumer spend in St Pancras International retail
- Consumer research – understood and communicated consumer trends from primary research
- Performance analysis – assessed historic performance and identified key trends for future investors
- Trade interviews – conducted retail tenant interviews to understand sentiment and likely future business
- Evaluation of management’s financial plan and investor presentations

Outcome
HS1 was acquired in 2017 by a consortium of funds led by HICL Infrastructure for an enterprise value of ~£3bn.
When trying to determine which adviser to use for the commercial due diligence on Wiggle, the online only cycle retailer, there was only one option: Javelin Group. Their multi-channel credentials meant they understood the challenges faced from all competition. Their diagnostic tools allowed us to assess Wiggle against best practice, their assessment of systems allowed us to measure scalability. They met a very tight timetable and we were able to invest with confidence.

Javelin Group worked closely with us on a large discount retailer in the UK. The work was a high standard and no stone was left unturned during a rapid diligence process. The specialist team was a real differentiator and produced a great result. Javelin Group was a pleasure to work with – responsive, articulate and fun. I would highly recommend them.

Andy Dawson
Managing Director
Advent International

Javelin Group did an excellent job supporting us to evaluate an investment opportunity in the food retail space. It was refreshing to work with a genuine specialist in this area, and the team was able to offer us invaluable insight across a wide range of areas. Combining retail expertise with well honed due diligence skills, Javelin Group was able to produce a comprehensive, robust and thoughtful review of the opportunity, which gave us the confidence to compete hard.

Jamie Rivers
Partner
BC Partners

Whilst Javelin Group’s retail experience was essential to understanding the core business, what also impressed us was the speed with which they understood the critical success factors of the businesses and its technology infrastructure, with which they were less familiar. We felt confident that this deep understanding would enable them to scope the due diligence work better and produce the most challenging and valuable analysis and evaluation of growth plans. We were right.

Vince Gwilliam
Partner
Bridgepoint

Nigel Hammond
Managing Partner
Vespa Capital

BC Partners

Vespa Capital
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