

# OVS Readies for \$620.4 Million IPO

By LUISA ZARGANI

MILAN — Italian retailer OVS SpA will make its debut on the Italian Stock Exchange on March 2 — the first public listing in the country's fashion industry since Moncler's in December 2013.

OVS is estimating it will raise 545 million euros, or \$620.4 million at current exchange, floating 45.4 percent of shares, or 101 million shares, with a market capitalization of up to 1.22 billion euros, or \$1.38 billion. OVS is controlled by Gruppo Coin SpA, which is owned by private equity firm BC Partners. In addition, Gruppo Coin has granted the joint global coordinators a green-shoe option to purchase up to 11 million additional ordinary shares, or about 11 percent of the ordinary shares in the offering, which can be exercised within 30 days from the first day of trading. If fully exercised, shares floated will represent 49.3 percent of the group's share capital. The OVS group also owns the Upim mass-market store chain, comprising 255 units nationally.

"With the IPO, we will strengthen our balance sheet to open new stores," said chief executive officer Stefano Beraldo on the sidelines of the presentation of the offer on Monday, held at the Bourse. "OVS is the first retailer in Italy, with a market share of 5.17 percent, twice as much as Inditex and three times as much as H&M, but Italy is a fragmented

market, and those competitors have a 7 to 8 percent penetration in the markets in their own countries, so we have room to grow."

The IPO of OVS was expected to take place by the end of 2014, but in November, citing market volatility, the group postponed the listing to the first half of 2015. Beraldo contended that the "clouds" hovering over the markets at the end of last year have lifted. He cited the quantitative easing announced by the European Central Bank's president Mario Draghi last month; falling oil prices that will benefit Italy; a stronger American dollar and a weaker euro, which "facilitates exports; the recent 'Jobs Act' labor reform initiated by Prime Minister Matteo Renzi, and the elimination of the labor component of the IRAP regional business tax in the 2015 budget, which lightens the burden on firms.

"The scenario in Italy invites investments now, it is one of recovery," claimed Beraldo. "On paper, it's an IPO that makes a lot of sense, investing on a clear idea and a clear growth project."

During the presentation, Beraldo said more than 200 new store locations have already been identified, adding that OVS has the "potential to more than double its current market share."

OVS has been positioning itself as a trendier fast-fashion destination, focusing on a more stylish and higher-quality lineup. "We have always invested in the product," said Beraldo, who joined parent company Gruppo Coin almost 10 years ago and was

instrumental in the turnaround and rejuvenation of the Coin and OVS banners. He recalled how he tapped Elio Fiorucci nine years ago for OVS and worked with the designer for three years. OVS also inked collaborations with Costume National, Aspesi and Matthew Williamson, who acted as "a tutor of designers," Beraldo said. The Sartorialist's Scott Schuman was tapped to produce a number of ad campaigns. Last year, OVS bolstered its design team with two new hires, Caterina Salvador and Marco Mazzorana, overseeing women's and men's wear, respectively. Both come from luxury backgrounds and are working to create collections that are fashion-forward and well-made, but remain within an affordable price range. "We have doubled customers aged below 24 in the past three years," noted Beraldo. Last year, OVS added a fitness division to be expanded in 2015 and boosted its offer for teens.

The share price for the OVS road show has been set at between a nonbinding minimum of 4 euros, or \$4.53 at current exchange rate, and a binding maximum price of 5.40 euros, or \$6.12. This is equal to an indicative price range of the company's economic capital that is expected to be between a nonbinding minimum of 560 million euros, or \$635.2 million, and a binding maximum of 756 million euros, or \$857.5 million. The road show will go through London, Frankfurt, Boston and New York and end on Feb. 24, when the final price per

share will be revealed.

OVS will partly or entirely use the proceeds from the IPO to reimburse the debt derived from a previous financing contract for a total of around 335 million euros, or \$381.3 million, according to the prospectus distributed on Monday. "If this amount — at least — will not be reached with the IPO, there will be no trading," the company said. The remaining funds will be directed "to finance the ordinary operative management of activities." The group was delisted in 2011, and the debt was contracted with Gruppo Coin.

Beraldo repeatedly emphasized that OVS is not going public to repay debt, but to expand its business in Italy.

While the prospectus also cites this as a risk factor, it does note that in the November to December period, sales in Italy rose 6.3 percent. The OVS group counts 896 stores, of which 641 are OVS units, in addition to 133 stores outside Italy. "All the money from the IPO remains within the group in exchange of a dilution of the controlling shareholder," Beraldo said.

In the fiscal year closed Jan. 31, 2014, OVS sales totaled 1.13 billion euros, or \$1.28 billion, and earnings before interest, taxes, depreciation and amortization were 132 million euros, or \$150.2 million.

OVS' debt at the end of October totaled 707.2 million euros, or \$805 million. In the first nine months of 2014, OVS opened 31 direct stores and 97 franchised units. Capital expenditures in 2014 totaled around 55 million euros, or \$62.6 million.

