



Rating
Buy

North America
United States

TMT
Internet

Company
Farfetch

Reuters
FTCH.N

Bloomberg
FTCH US

Exchange
NYS

Ticker
FTCH

Date
15 October 2018

Initiation of Coverage

Price at 12 Oct 2018 (USD)	23.30
Price target	28.00
52-week range	30.25 - 15.00

Redefining Luxury – Initiating with a Buy

Initiate Coverage with Buy rating and \$28 target price

We initiate coverage of Farfetch with a Buy rating and a \$28 price target. We think Farfetch is a Buy given: (1) a large addressable market of \$322B in Luxury growing at a 5% CAGR through 2025, with upside potential to industry online penetration driving a 18% CAGR through 2025 given only ~9% penetrated today, (2) deep moats around Farfetch's relationships with luxury brands and boutiques, driving a large supply advantage versus peers, (3) a compelling asset-light marketplace business model with healthy take-rates and LTV/CAC unit economics, (4) expertise in performance marketing, (5) well positioned for the Chinese market, which is expected to grow faster than the industry, (6) rapid top line growth forecast with potential for 12% and 23% upside to Platform GMV in 2019 & 2020 per our analysis, and (7) a strong management team including executives influential in the luxury sector.

Online penetration could ramp faster than expected

We believe online penetration in the Luxury sector could be poised to ramp faster than industry forecasts. Looking at the apparel online curve on a 7-year lag, we think online Luxury could potentially achieve 32% penetration in 2025, ahead of the Bain industry forecasts for 25% penetration ([Figure 27](#)). On this basis, Farfetch could achieve our long-term Platform GMV forecast with only 7% share of the market. Alternatively, if the company holds market share on higher penetration, it could drive 28% upside to our 2023 GMV estimate.

Cohort analysis points to upside potential for Platform GMV in 2019 and 2020

Our detailed analysis of cohort performance at Farfetch (pp. 46 - 51) suggests that there could be \$551M (or 23%) of potential upside to our 2020 Platform GMV estimate of \$2,372M, if the existing cohorts perform in line with the historical cohort performance over the next several years and the company can continue to grow new cohorts at rates similar to the last few years. In addition, our cohort analysis suggests our demand-gen expense forecasts could be conservative.

Valuation/Risks

Our \$28 price target is based on a blended 3x EV/GMV and 10x EV/revenue on our 2020 estimates as well as a DCF which we outline in detail in our valuation section (pp. 13). Our premium EV/revenue multiple reflects the company's industry-leading top line growth and durable competitive advantages in the online luxury space. Key downside risks include competition, take-rate pressure, lack of profitability and valuation support on traditional metrics, and slowing macro.

Valuation & Risks

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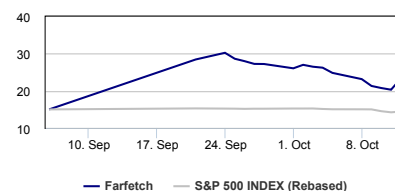
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Price/price relative



Performance (%)	1m	3m	12m
Absolute	55.3	-	-
S&P 500 INDEX	-4.2	-1.1	8.5

Source: Deutsche Bank

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Investment Highlights

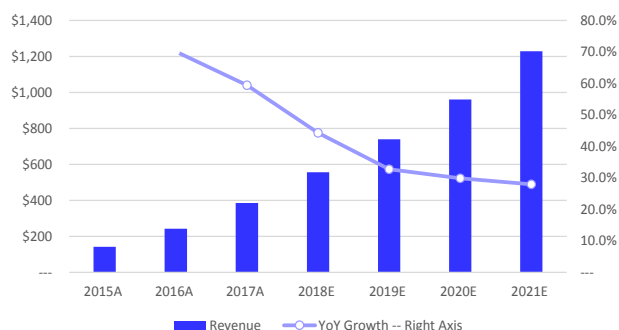
What is Farfetch?

Founded by Jose Neves in 2008, Farfetch has become one of the top online luxury marketplace platforms by connecting over 600 boutiques and 300 direct brand partners from 45 countries with 2M consumers in 190 countries via 17 localized sites in 12 languages. We estimate that Farfetch will drive \$1.4B of GMV in 2018E and will compound that at a 29% CAGR to reach \$4.8B in 2023. Farfetch generates about one-third of its revenue in the Americas, one-third in Asia Pacific and one-third in Europe, with a strong presence in China enhanced by its partnership with JD.com (a ~14% ownership stake). Farfetch has 2,711 employees across the world with principal offices in Portugal, the UK, the US, and several other regions, with ~40% of the total headcount involved in tech oriented processes.

Farfetch was founded on three key insights: 1) digital will transform the luxury business, 2) there needs to be a global platform that aggregates the best brands and retailers in one destination, and 3) existing online platforms (e.g. Amazon, eBay, Alibaba and JD.com) are not tailored for the modern luxury consumer and are not compatible with luxury brands. To do this, Farfetch has built close relationships with both luxury boutiques and global brands, which has resulted in limited supplier concentration and over 90% of their transactions being cross-border.

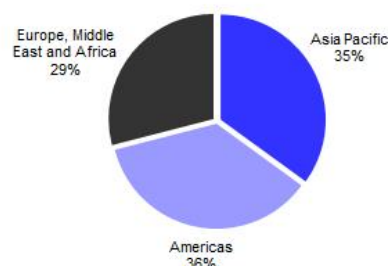
In addition to the core marketplace, Farfetch offers their Black & White seller tools, and has a physical presence with their Brown's stores and "Store of the Future" project. Black & White offers brands and retailers the ability to power their ecommerce presence, inventory management and global logistics on Farfetch's white-label suite. With regards to their physical presence, Farfetch owns two retail stores in London acquired from Browns, an iconic English luxury retailer and recently opened a branch in Los Angeles, which has provided them more direct brand relationships, and an effective R&D lab for both a boutique selling online and for the "Store of the Future". Farfetch is also working on its Store of the Future concept in a joint-venture with Chanel (~3% ownership stake in Farfetch).

Figure 1: Revenue (USD in M)



Source: Company Documents & Deutsche Bank

Figure 2: Revenue by Region, 2017



Source: Company Documents & Deutsche Bank

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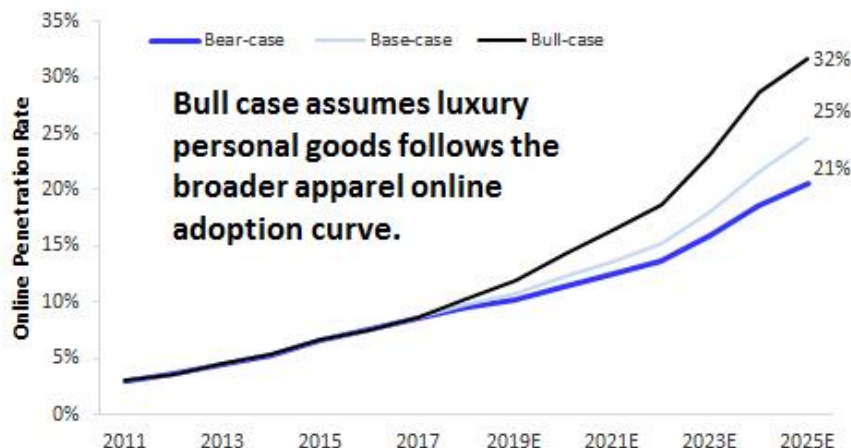


Bull Case – Leader Within the Underpenetrated Space

1. Large addressable market; Online underpenetrated with potential upside to ramp

Farfetch has a large addressable market of \$356B in consumer luxury spending in 2020, per Bain; Online remains underpenetrated at only 9% in 2017, and is expected to reach 25% in 2025 per Bain. In our Bull case ([Figure 27](#)), which we review in more depth later in the note, luxury could reach 32% penetration if Luxury follows the apparel online penetration curve ([Figure 3](#)).

Figure 3: Three Scenarios for Personal Luxury Goods Online Penetration



Source: Deutsche Bank, Bain

2) Deep luxury relationships create a moat

Farfetch has deep long-term relationships across brands and retailers. The luxury world is dominated by entities controlled by European families that move cautiously, and many brands have historically shunned online channels in general and particularly anything that looked like a broad online shopping venue. Farfetch has built direct relationships with more than 600 boutiques, with over 98% of them selling exclusively through Farfetch as an online channel. Moreover, 34% of Farfetch retailer partners rely exclusively on Farfetch for an online presence, with no website of their own. Farfetch provides retailers access to broader markets with over 90% of transactions occurring cross-border. The strong luxury relationships are exemplified in a direct ownership stake in Farfetch by Chanel and the two companies' joint venture to work on the Store of the Future. We see this as a durable competitive advantage that along with rapid top line growth warrants a premium multiple, in our view.

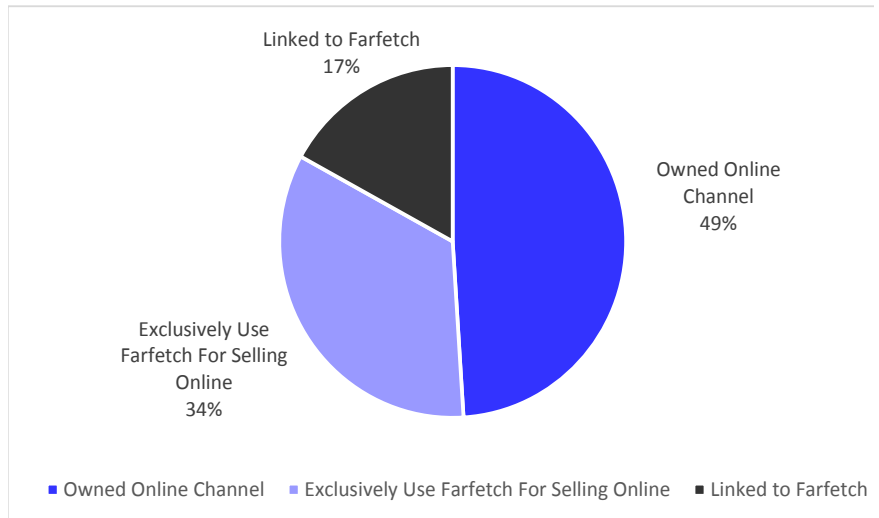
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Figure 4: ~34% of Retailers Rely Solely on Farfetch for Their Online Sales



Source: Farfetch & Deutsche Bank

3) Marketplace model with asset-light model with supply advantage

Farfetch is the only global marketplace focused on luxury, generates a healthy 30% plus take-rate and has a considerable supply advantage versus peers. We think this makes them well positioned to continue to grow at a rapid clip with healthy unit economics. Farfetch has 3.1x the number of Men's and Women's SKUs as Neiman Marcus by our count and 4.7x the SKU count of online peer Net-A-Porter by our count.

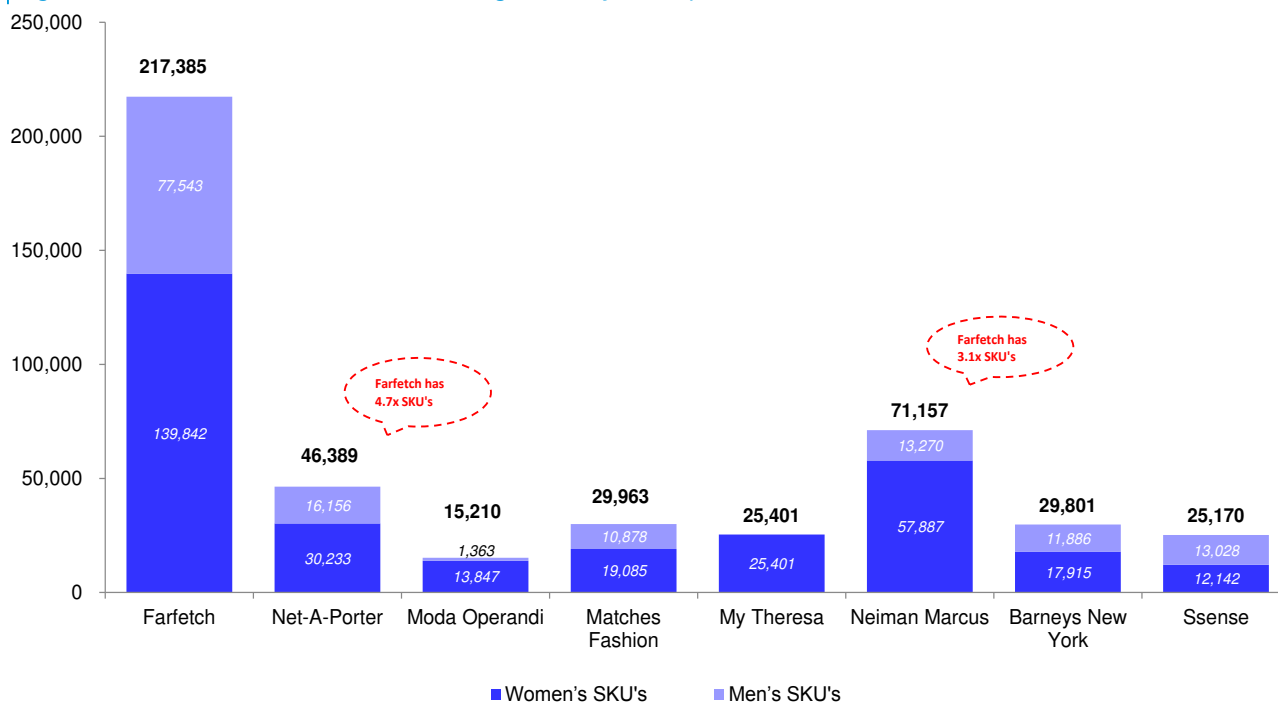
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Figure 5: Farfetch far exceeds SKU count against major competitors



Source: Deutsche Bank, Company websites

4) Strong marketing know-how with expertise in performance marketing and LTV to CAC tracking to ~3x in newer cohorts

Farfetch has attractive unit economics with lifetime value (LTV) approaching 3x customer acquisition cost (CAC) for the 2016 cohort. Moreover, with each cohort of users over the past three years, the company has driven a better six month return, driving 8% better LTV from 2015 to 2016 and an additional 16% improvement from 2016 to 2017 ([Figure 6](#)). For 2016 and 2015 cohorts, Farfetch saw a 13% lift in the LTV after 12 months. The marketing organization is led by John Veichmanis, who has over four years experience from Expedia, an organization that deploys considerable performance acquisition spend. We think the combination of dominant online SKU supply, proficiency in online advertising, and compelling unit economics position the company well to drive top line growth at attractive contribution margins.

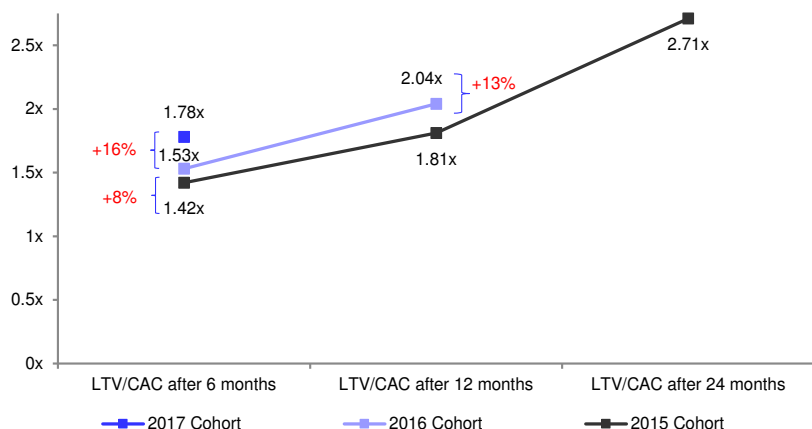
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Figure 6: Improving Unit Economics



Source: Deutsche Bank & Company Reports

5) Attractively positioned in China

Chinese consumers comprise a significant portion of the luxury goods market, and are expected to amount to \$187B of luxury spend by 2024 (growing at 6% CAGR from 2018-2024, faster than the overall industry) per a report by BCG and Tencent. According to the report, by 2024, Chinese luxury shoppers will represent 40% of the global shoppers, and will drive 70% of the growth. A majority of their spend – currently – is outside China, given limited inventory available within the country and the price differential versus other countries. However, the share of the spend within China is expected to grow faster, primarily due to larger presence of international brands on online sites/apps within China, including Alibaba's T-Mall, JD.com (which is also invested in Farfetch), Tencent's WeChat (Tencent is an investor in JD), and monobrand sites. Alibaba, the largest retail marketplace in the country, has launched a Luxury Pavilion with authentic luxury goods sold directly by the brands, although there have been instances in the past when the platform had fake products ([link](#)). Farfetch, in contrast, benefits both from its partnership with JD (and indirectly, with Tencent) and deep relationships with luxury brands, which is hard to replicate in terms of breadth and depth by the local players. As we can see in the following figure, Farfetch's GMV in China and Hong Kong almost doubled after it launched its WeChat store and actively began and audience tracking campaign.

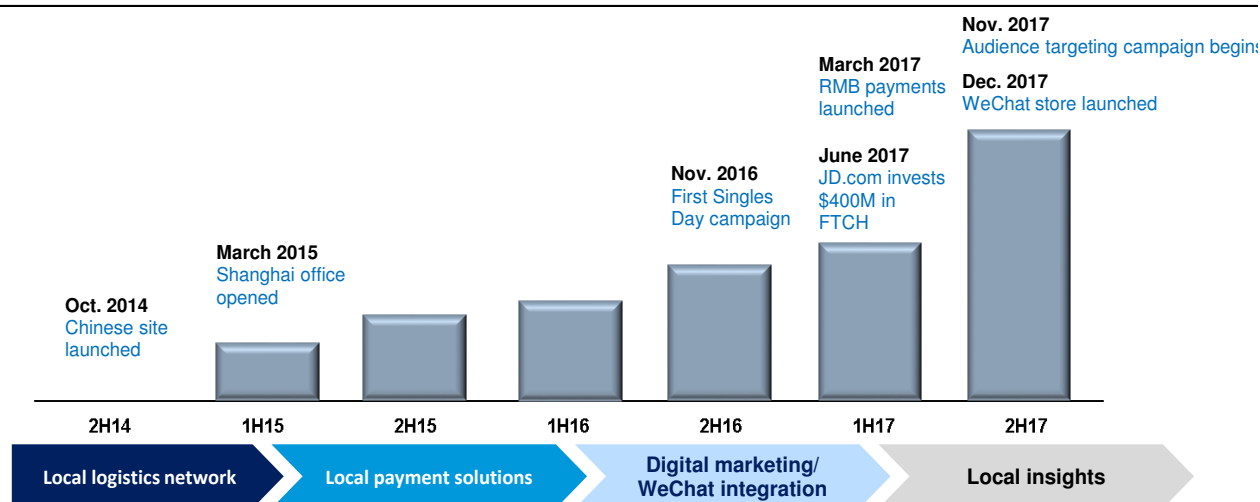
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Figure 7: China and Hong Kong GMV (Illustrative, In USD)



Source: Company Documents; Deutsche Bank

6) Rapid top line growth forecast with potential for upside based on our cohort analysis

We estimate that Farfetch will drive \$1.4B of GMV in 2018E and could grow that at a 29% CAGR to reach \$4.8B in 2023. The cohort data Farfetch disclosed in its F-1 filing points to conservatism in our GMV forecasts assuming the company can (1) continue to see steady cohort performance from active buyers added in the last few years and those added this year and (2) if the company can continue to efficiently add new buyers. In a super-bull scenario, we see \$551M of potential Platform GMV upside, or about 23% above our estimate for \$2,372M in GMV in 2020.

Figure 8: Summary bull case Platform GMV upside from Cohort Analysis

	2018	2019	2020
Platform GMV - base case	\$1,337	\$1,808	2,372
Upside in Bull case	-	182	551
Bull Case Platform GMV	1,337	1,990	2,924
Y/Y Growth	49%	49%	47%
Base Case Platform GMV	\$1,337	\$1,808	\$2,372
Delta		10%	23%

Source: Deutsche Bank estimates

7) Strong management team including influential executives in the luxury sector

We believe that much of the strong industry relations at Farfetch stem from founder Jose Neves and his team of well-connected luxury veterans with deep relationships with brands and boutiques that have engendered a trust in the platform and willingness to partner. We highlight some of the key team members with deep connections to the luxury fashion world below. We review their bios more fulsomely later in this report.

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- **José Neves (CEO)** has been involved in the fashion start-up world since the mid-1990s when he launched footwear business SWEAR. José later founded SIX London, a fashion licensing and wholesale company selling to 600 retailers worldwide. In 2001 José opened the renowned boutique bstore, which won the British Fashion Award for Retailer of the Year in 2006.
- **Stephanie Phair (Chief Strategy Officer)** is the Chair of the British Fashion Council and was previously part of the Executive team of The Net-a-Porter Group from 2009 to 2015. She has more than 15 years of luxury and e-commerce experience, having worked for Issey Miyake, *American Vogue* and at Portero in NY. She brings a wealth of experience and relationships to Farfetch.
- **Giorgio Belloli (Chief Commercial & Sustainability Officer)** developed and executed business strategies for luxury brands such as Miu Miu, Helmut Lang and Prada Linea Rossa in roles from Worldwide Sales Manager to Worldwide Commercial and Marketing Director. Prior to joining Farfetch, Giorgio was the Business Development Director for Alexander McQueen.
- **Holli Rogers (CEO, Browns)** previously was at Chanel and Neiman Marcus before joining Net-a-Porter as a founding member in 2002. She soon became fashion and buying director, also establishing and leading the buying direction for the launch of The Outnet in 2009 and Mr Porter in 2011.
- **Sandrine Deveaux (MD of Store of the Future)** is at the helm of Farfetch's retail innovation business unit 'Store of the Future' She joins Farfetch after 4 years as multi-channel director at Harvey Nicols and before that, 3 years as director of marketing and e-commerce at Matchesfashion.com

Bear Case

We review some elements of the bear case briefly below.

- **Competition:** The online luxury market remains fragmented with no clear-cut industry winner. Farfetch has only about 3.4% of the online market in 2017 per our estimate. Competition could heat up as luxury brands get more comfortable selling online, looking to expand their own direct presence and work with more players. In addition, a potentially resurgent YOOX Net-a-Porter, after a period of less intense competition, could pose a risk to Farfetch in terms of revenue and/or margins.
- **Take-rates are above average** versus other Internet marketplaces, and as the company does more businesses directly with brands and works more with department stores, this could pressure take-rates. In addition, some of our conversations with boutiques suggest increasingly challenging for them to make profitable sales under rising take-rates. We ultimately view take rates as sustainable given (1) the fact that Farfetch is driving incremental demand for boutiques, (2) the magnitude of services provided to sellers by Farfetch, (3) the amount of gross profit dollars

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available in luxury transactions, and (4) the amount of volume Farfetch can drive for boutiques in particular.

- **Farfetch is not profitable today**, and we do not expect the company to break even until 2021. Technology spend could surprise to the upside in our view, particularly to the extent competition heats up. We do not think this is an investor focus right now but it could be over time.
- **Slowing China macro** could weigh on the outlook with about one third of revenue from Asia for Farfetch and an estimated 11% from China. In addition, a strengthening USD could weigh on results given the company reports in USD. While China is an important market in terms of long-term growth, the company is less exposed to China today, thus limiting the near-term macro risk specific to China.

Winning Traits Analysis

Farfetch stacks up well in our Winning Traits for eCommerce Companies.

Figure 9: Winning Traits for e-Commerce Companies

Primary e-Commerce Attributes													
Supply Chain					Relationship With Customers			Uniqueness of Business Model or Approach				Total Rank	
Product Exclusivity		Selection Breadth	Pricing vs. Competition	Category Online Penetration	Overall Customer Service	Speed/Cost of Delivery	Repeat Purchases & Engagement	Gross & Operating Margins	International Market Portability	Organic Traffic vs. Dependency on Google/Others	Portability to Mobile		
Rank: High (1) Mid (3), Low (5)		Rank: High (1) Mid (3), Low (5)	Rank: High (1) Mid (3), Low (5)	Rank: Low (1) Mid (3), High (5)	Rank: High (1) Mid (3), Low (5)	Rank: High (1) Mid (3), Low (5)	Rank: High (1) Mid (3), Low (5)	Rank: High (1) Mid (3), Low (5)	Rank: High (1) Mid (3), Low (5)	Rank: High (1) Mid (3), Low (5)	Rank: High (1) Mid (3), Low (5)	Low = Good	
1P/3P Platforms	AMZN	limited exclusivity in high-volume SKUs	huge SKU advantage especially with 3P sellers and AMZN Private Labels	maniacal about price advantage vs. online/offline peers	most US categories well penetrated, but international still has room to expand	best in class cust service orgn a key competitive advantage, but phone support limited	\$25 free shipping competitive adv. w/ big fulfillment footprint going to same-day/2H	ARPU increasing, high customer lock-in via 100-M Prime members incl 50%-of HH in US	GM improvement on 3P, AWS, Ads, cr cards, product GMs steady, op mgn improving	standard AMZN playbook applied to many intern'l markets. 42% of rev from international in 2011.	only 2%-3% of rev spent on advertising strong organic traffic	retail accelerates on mobile, solid apps Kindle Fire and new products help	20
		5	1	1	3	2	1	1	3	1	1	1	
3P-Only Marketplaces	FTCH	access to inventory from 600+ boutiques	excl boutique selection complemented by items from 335 brand partners	pricing largely set by boutiques and brands based on market	limited online adoption, more so for jewelry and watches	high net-worth clients and large AOVs demand intensive cust svc focus	90-minute delivery for limited items in 10 cities but customer focus more on reliability than speed	~50% of GMV from repeat buyers, CAC breakeven in ~6 months, although some mktg spend required	high GM, but investing in growth	Global platform	Mid	China large market which is largely mobile, has app, on WeChat, Store of Future	20
		1	1	4	1	1	3	2	2	1	3	1	
	EBAY	large number of products within niche areas in long tail exclusive, auction unique supply	High	Mid/Low	Mid/Low	Mid/Low	Mid/Low	High/Mid	High	High	High/Mid	High/Mid	28
	MELI	some early mover supply advantage in LatAm mkts, but low exclusivity LT	largest selection amongst online players within the region	no control over pricing in mktplace	LatAm online penetration very low relative to coverage universe peers across all categories	lower touch than online retail, but high level of cust. Service across goods and payments	limited control over shipping, but has created logistics services for retailers to lower shipping	platform upgrade has increased velocity in marketplace, increasing selection	mktplaces high GM, Payments lower and mix shift is compressing GM	dominates LatAm, strong brand across most countries, struggle to migrate outside LatAm	strongest e-comm brand in LatAm	great mobile potential but smartphone pene low and infrastructure limited in LatAm	24
		3	1	4	1	3	3	2	1	2	1	3	

Source: Company Documents; Deutsche Bank



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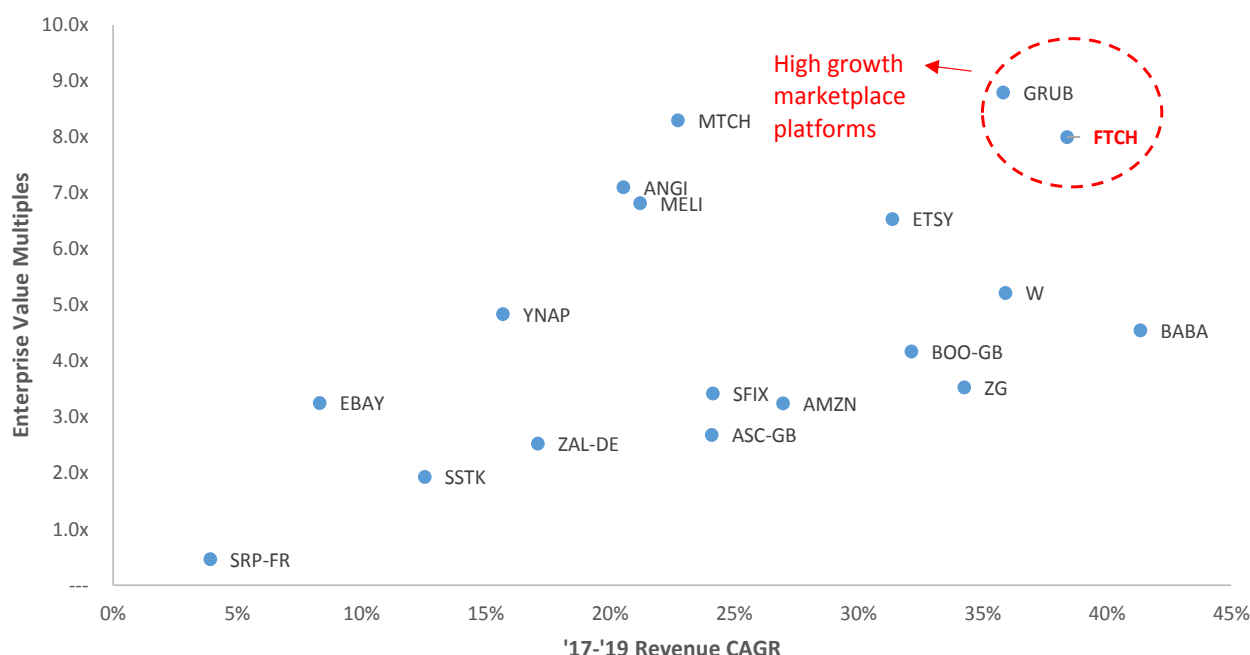


Valuation

Buy Rating with \$28 price target

We value Farfetch shares using an equal-weighted blend of EV/GMV, EV/Revenue and a DCF analysis. Farfetch has one of the highest revenue growth rates in the Internet, and we expect it will compound at 38% from 2017 to 2019, which in our view warrants a premium multiple. In addition, we see the company's relationships with luxury boutiques and brands providing a long-term sustainable competitive advantages that would be difficult for a competitor to create even with unlimited capital. The lack of success in luxury from major global eCommerce players reinforces this point.

Figure 10: Valuation to 2-Yr Revenue CAGR Scatterplot



Source: Deutsche Bank estimates & Factset

We use an EV/revenue multiples of 10x on 2020 estimates for Farfetch, which equates to a \$29 valuation. We think a premium multiple is warranted giving the company's leading top line growth and long-term sustainable barriers to entry detailed above.

Our DCF model assumes Farfetch platform revenue can compound at 27% through 2025, 20% Adj EBITDA margins (vs the company's long-term margin goal of 25%) and unlevered free cash flow (uFCF) margins of 15%. We use a 25x terminal multiple on uFCF and a WACC of 10.4% to arrive at a DCF valuation of \$27 per share.

We provide a summary valuation matrix below.

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Figure 11: Valuation

(In Millions)						
Current Valuation						
Current Price	\$22.99	as of	10/15/18			
Basic shares	299.5					
Total dilutive impact	22.0					
Diluted Share Count	321.5					
Current Market Cap	\$7,392					
Less: Cash and Cash Equivalents	1,075					
Less: equity investments	---					
Adjusted Enterprise Value	\$5,766					
	2017A	2018E	2019E	2020E	2021E	4-Yr CAGR
EV to GMV						
Platform GMV	\$894	\$1,337	\$1,808	\$2,372	\$3,064	36%
Current EV/GMV Multiple			3.2x	2.4x	1.9x	
Target Multiple	3.0x	3.0x	3.0x	3.0x	3.0x	
Enterprise Value	\$2,719	\$4,063	\$5,495	\$7,212	\$9,315	
Plus: YE Cash	384	1,106	994	956	988	
Less: YE Debt	---	---	---	---	---	
Plus: Investments / Other assets	---	---	---	---	---	
Equity Market Capitalization	\$3,103	\$5,169	\$6,489	\$8,168	\$10,302	
FY End Projected Share count			299.5	299.5	299.5	
Implied Stock Price on Forward GMV Multiple			\$22	\$27	\$34	
EV to Revenue						
Adj. Revenue (ex-fulfillment)	\$312	\$447	\$591	\$766	\$973	33%
Y/Y Growth		43%	32%	30%	27%	
Current EV/Revenue Multiple			9.8x	7.5x	5.9x	
Current EV/Revenue/Growth Multiple			0.30x	0.25x	0.22x	
Target Multiple	10.0x	10.0x	10.0x	10.0x	10.0x	
Enterprise Value	\$3,130	\$4,486	\$5,934	\$7,693	\$9,771	
Plus: YE Cash	384	1,106	994	956	988	
Less: YE Debt	---	---	---	---	---	
Equity Market Capitalization	\$3,514	\$5,593	\$6,927	\$8,649	\$10,759	
FY End Projected Sharecount			299.5	299.5	299.5	
Implied Stock Price on Forward Revenue Multiple			\$23	\$29	\$36	
Discounted Cash Flow Analysis				\$27		
Target Price				\$28		

Source: Company reports and Deutsche Bank estimates

Risks

Key risks to our bull case include: a slower than expected shift online in overall luxury sales; risk to market share from intense competition, including from Farfetch suppliers; revenue take-rates are among the highest in the Internet space and could come under pressure from competition, as brands sign more direct deals with the platform and as Farfetch adds more large supply partners such as department stores; longer than expected ramp to profitability; macroeconomic risk; and a dual class share structure.

Figure 12: DCF Analysis

Farfetch Limited - DCF Valuation											
	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Luxury Market (In Millions)											
Luxury Market Size (MM)			\$307,000	\$322,000	\$337,000	\$353,000	\$370,000	\$388,000	\$406,000	\$425,000	\$446,000
Online penetration			8.6%	9.8%	10.8%	12.3%	13.7%	15.2%	18.1%	21.7%	24.7%
Online Luxury Market (MM)			\$26,496	\$31,430	\$36,382	\$43,418	\$50,545	\$58,846	\$73,396	\$92,017	\$109,944
Farfetch Platform GMV (MM)	\$375	\$573	\$894	\$1,337	\$1,808	\$2,372	\$3,064	\$3,879	\$4,819	\$5,887	\$7,081
Market share of total Luxury			0.3%	0.4%	0.5%	0.7%	0.8%	1.0%	1.2%	1.4%	1.6%
Market share of Online Luxury			3.4%	4.3%	5.0%	5.5%	6.1%	6.6%	6.6%	6.4%	6.4%
Abridged Financials ('000s)											
Platform Revenue	\$142,305	\$242,116	\$385,966	\$556,851	\$739,301	\$960,168	\$1,228,605	\$1,530,245	\$1,872,725	\$2,254,858	\$2,674,526
YoY Growth		70.1%	59.4%	44.3%	32.8%	29.9%	28.0%	24.6%	22.4%	20.4%	18.6%
Gross Margins	51.0%	48.3%	53.1%	50.6%	50.5%	53.3%	53.6%	54.3%	55.0%	55.7%	56.5%
Adj EBITDA	\$(47,374)	\$(53,382)	\$(58,078)	\$(107,303)	\$(107,764)	\$(44,416)	\$7,337	\$108,979	\$218,333	\$361,046	\$534,248
YoY Growth		12.7%	8.8%	84.8%	0.4%	(58.8)%	(116.5)%	1385.4%	100.3%	65.4%	48.0%
EBITDA Margin	(33.3)%	(22.0)%	(15.0)%	(19.3)%	(14.6)%	(4.6)%	0.6%	7.1%	11.7%	16.0%	20.0%
Incremental EBITDA Margin		(6.0)%	(3.3)%	(28.8)%	(0.3)%	28.7%	19.3%	33.7%	31.9%	37.3%	41.3%
D&A	\$3,104	\$6,897	\$10,980	\$22,126	\$29,557	\$36,737	\$39,525	\$43,722	\$48,994	\$55,134	\$61,916
YoY Growth		122.2%	59.2%	101.5%	33.6%	24.3%	7.6%	10.6%	12.1%	12.5%	12.3%
% of Revenue	2.2%	2.8%	2.8%	4.0%	4.0%	3.8%	3.2%	2.9%	2.6%	2.4%	2.3%
Operating Income (EBIT)	\$(50,478)	\$(60,279)	\$(69,058)	\$(129,430)	\$(137,322)	\$(81,154)	\$(32,188)	\$65,258	\$169,339	\$305,912	\$472,332
Less: Taxes	\$628	\$(199)	\$(170)	\$(1,193)	\$(606)	\$(343)	\$(163)	\$182	\$(28,666)	\$(54,639)	\$(86,714)
Tax Effective EBIT	\$(49,850)	\$(60,478)	\$(69,228)	\$(130,623)	\$(137,928)	\$(81,497)	\$(32,351)	\$65,439	\$140,673	\$251,273	\$385,618
Add: D&A	3,104	6,897	10,980	22,126	29,557	36,737	39,525	43,722	48,994	55,134	61,916
Tax-affected EBIT + DA	\$(46,746)	\$(53,581)	\$(58,248)	\$(108,497)	\$(108,370)	\$(44,760)	\$7,174	\$109,161	\$189,668	\$306,407	\$447,534
Less: Change in net working capital	7,807	3,631	11,645	84,351	35,575	26,507	42,950	43,753	47,642	49,831	53,908
Less: Capex	\$(16,012)	\$(18,598)	\$(31,613)	\$(70,433)	\$(56,849)	\$(59,274)	\$(59,162)	\$(68,563)	\$(77,987)	\$(87,167)	\$(95,836)
% of Revenue	11.3%	7.7%	8.2%	12.6%	7.7%	6.2%	4.8%	4.5%	4.2%	3.9%	3.6%
Unleveraged Fully-Taxed FCF	\$(54,951)	\$(68,548)	\$(78,216)	\$(94,578)	\$(129,644)	\$(77,527)	\$(9,039)	\$84,351	\$159,323	\$269,072	\$405,606
YoY Growth		24.7%	14.1%	20.9%	37.1%	(40.2)%	(88.3)%	(1033.2)%	88.9%	68.9%	50.7%
uFCF Margin	(38.6)%	(28.3)%	(20.3)%	(17.0)%	(17.5)%	(8.1)%	(0.7)%	5.5%	8.5%	11.9%	15.2%
EBITDA-to-FCF Conversion	116.0%	128.4%	134.7%	88.1%	120.3%	174.5%	(123.2)%	77.4%	73.0%	74.5%	75.9%
DCF Valuation (In Millions)											
Present Value of Cash Flow						\$(74)	\$(8)	\$66	\$113	\$172	\$235
Number of Years						0.5	1.5	2.5	3.5	4.5	5.5
WACC Analysis											
Beta (estimated)											1.75
Equity risk premium											5.0%
Risk free rate (5 yr Tnote)											2.8%
Cost of equity											11.5%
Cost of debt after tax											6.0%
Target debt/capitalization											20.0%
WACC											10.4%
Forward Free Cash Flow Multiple (2025)											25.0x
Terminal Value (FCF Multiple) at YE 2023											\$10,140
Implied EV/EBITDA multiples on 2021											19.0x
NPV of Enterprise Value											\$6,047
NPV of Cash Flow											269
TOTAL Enterprise Value											\$6,316
Less: Net Debt/(Cash)											1,125
Plus: Long term investment											272
TOTAL Equity Value											\$7,713
FD Shares Outstanding (YE 2018)											289.8
Equity Value per Share											\$27

Source: Deutsche Bank estimates & Factset



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Overview of the Luxury Market

Recent Trends Support Expectation of Robust Mid-Term Growth

In this section, we want to address some of the high level themes and idiosyncrasies that are unique to the luxury personal goods market. To do so, we will walk investors through 1) our outlook for overall growth and what product types, geographies and demographics are driving it, 2) the importance of growth in high net worth individuals, and 3) some of the key qualitative intricacies of luxury. At the highest level, we view demographical, generational, wealth, and pricing trends as supportive of future growth in the luxury market, which we estimate could reach \$446B by 2025.

Figure 13: Global Personal Luxury Goods Sales



Source: Deutsche Bank, Bain

Starting with product types, according to Bain, shoes and jewelry are the two fastest growing categories - each growing 10% Y/Y in 2017. We expect that shoes and jewelry can continue to grow above total luxury personal growth rate going forward, given that they are both relatively small (each category is only ~7% of total personal luxury goods sales) in the mix of total sales, and due to shifting consumer preferences to purchase fewer (but higher quality) shoes and jewelry items. However, we do believe there is a risk that this growth could cannibalize other categories.

We collected SKU data on each of the categorical pages on Farfetch's site. Farfetch's shoe SKU count ([Figure 39](#)) showed a significant supply advantage, reinforcing their strong position in this fast growing category. When we look at Farfetch's jewelry SKU data ([Figure 70](#)), we see that it accounts for ~17% of the total SKUs on the site. Given jewelry growth rate of late, we view this strategic SKU focus as smart on a go forward basis. Based on these findings, we believe the company has runway to continue to grow in two of the fastest growing luxury categories.

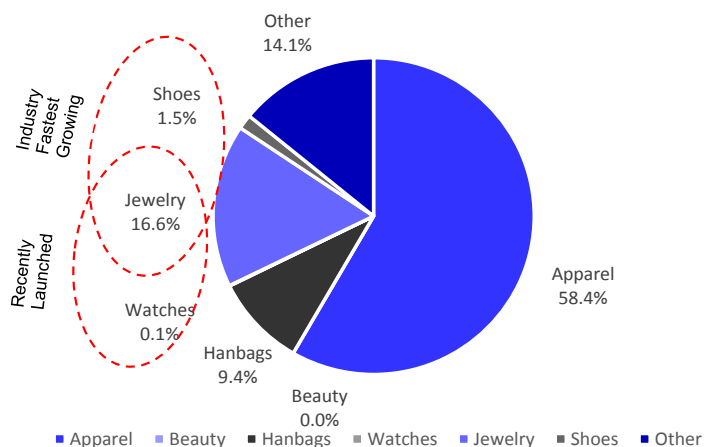
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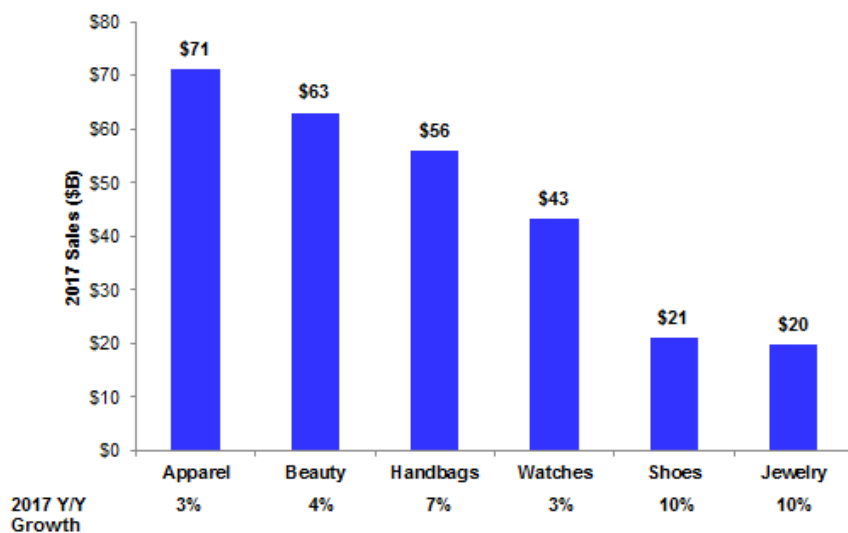


Figure 14: Farfetch is Just Getting Into / Has Room to Grow in the Fastest Growing Categories



Source: Deutsche Bank & Farfetch

Figure 15: 2017 Global Personal Luxury Goods Sales by Category



Source: Deutsche Bank & Bain

As it relates to personal luxury goods prices, we want to call out that while mass market suffered a deflationary trend, driven mainly by fierce price competition, luxury has continued to exert pricing power with a meaningful inflection in 2011 due to luxury companies taking a more sophisticated approach to price setting, where brands started to selectively move prices up in only some categories and/or some regions.

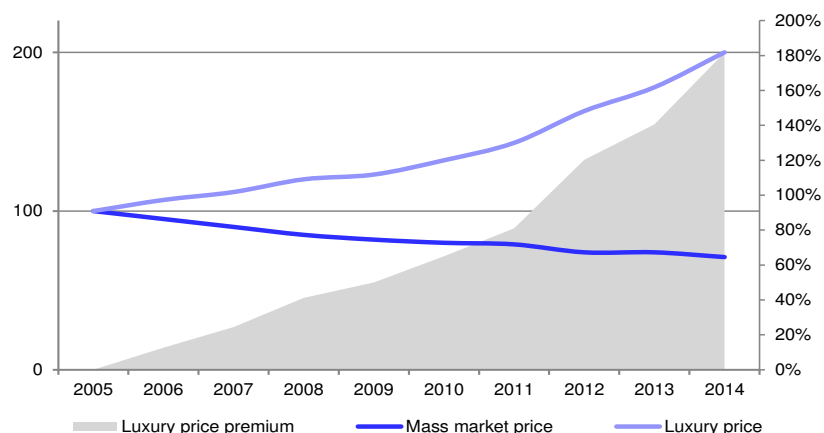
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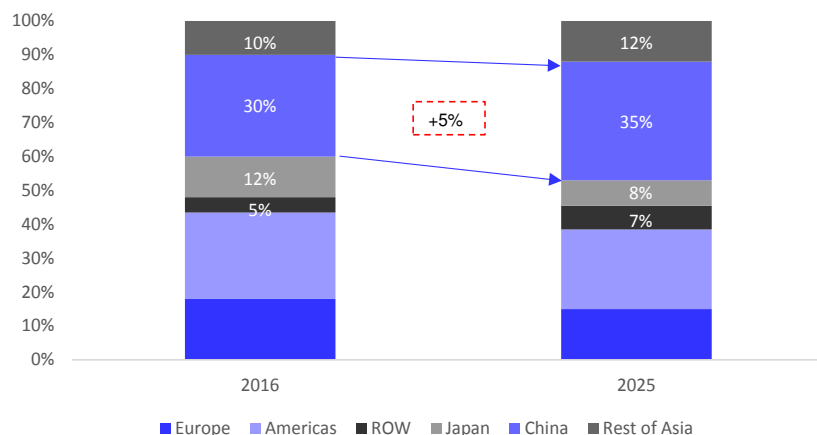
Figure 16: Luxury Pricing Power



Source: Deutsche Bank & McKinsey

Turning to geographic mix, Asia will play an instrumental role in the overall growth of the luxury market. In 2016 broader Asia (China, Japan and Rest of Asia) accounted for 52% of the luxury market and by 2025, it is expected to account for ~55% of the total market, primarily driven by China growing its share by 5% by 2025. With the Asia region accounting for over half of the market and the growth, we view Farfetch's current and future plans to continue to cater to the Asian population as smart for their future business.

Figure 17: Asia to Account for ~55% of the Global Personal Lux. Market by 2025



Source: Deutsche Bank & Bain

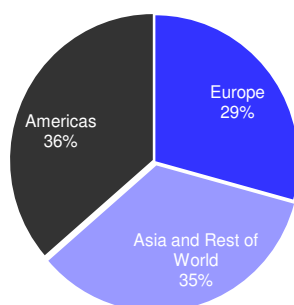
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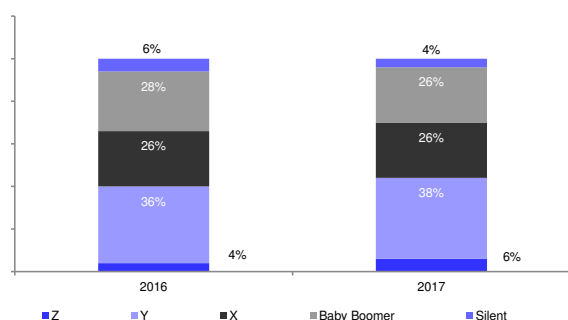
Figure 18: Farfetch sales mix by region, 2017



Source: Deutsche Bank & Farfetch

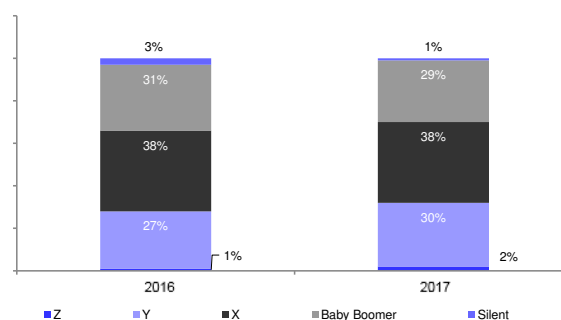
Next, we would like to address shifting age demographics. The consensus bearish view regarding demographic changes is that Millennials no longer like the brands / logos associated with luxury fashion. However, according to Bain, Millennials accounted for 38% (up 2ppts Y/Y) of total luxury consumers and 30% (up 3ppts Y/Y) of total sales volume in 2017. So to us, the thought that Millennials are not partaking in the luxury goods market seems unfounded. We, however, believe that the Millennials are the ones that are going to be growing the luxury market given that the oldest Millennials were already 37 years old in 2017, which implies their income should be increasingly approaching a level that could sustain luxury consumption. Furthermore, we believe that Millennials' influential power over Gen Z (6% of the luxury consumers) makes us confident that upcoming growth in the overall luxury goods market from generational changes should be healthy given that **Millennials and Gen. Z accounted for 85% of the 2017 industry growth.**

Figure 19: Share of Global Personal Luxury Goods by Consumer



Source: Deutsche Bank & Bain

Figure 20: Share of Global Personal Luxury Goods by Volumes



Source: Deutsche Bank & Bain

Turning to the luxury personal goods' target market, according to a McKinsey report, 503M new upper/upper-middle class households will be created in the next ten years. China will create 141M new upper/upper-middle class households in the next ten years and will account for 28% of expected growth in the number of

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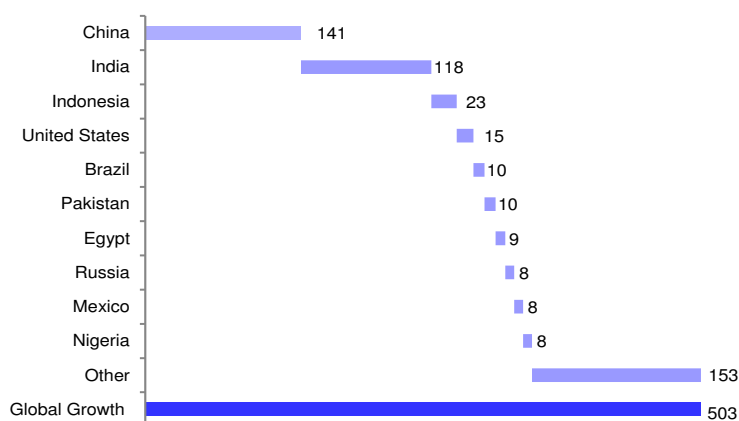
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global upper/upper-middle households. India will contribute approximately 120M new households and the US will contribute another 15M. We think McKinsey's forecasts illustrate strong growth in the upper and upper-middle class household, which should ultimately support our bullish view on the long-term growth of the overall luxury market. As we show in ([Figure 24](#)) below there is an unsurprisingly high correlation between household wealth and luxury spending.

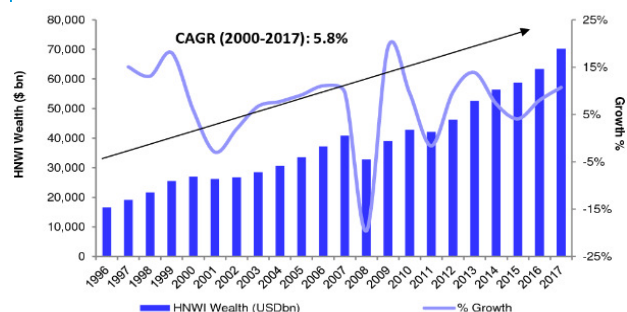
Figure 21: Upper and upper-middle households (in mn) - 2015 to 2025 growth



Source: Deutsche Bank & McKinsey

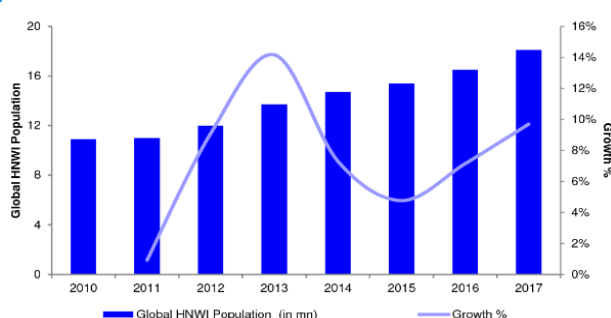
With regards to the High Net Worth Individual (HNWI), according to the 2016 World Wealth Report, the number of HNWI reached 15.4M in 2015 and their collective wealth reached US\$58.7 trillion. Also in 2015, Asia-Pacific surpassed North America in HNWI wealth for the first time ever, and Capgemini expects that Asia-Pacific should continue to fuel global HNWI wealth expansion through 2025. If you extrapolate the 2000-2017 CAGR through 2025, the Asia-Pacific's HNWI population would more than double to 11.7M, and their wealth expand to US\$42.1 trillion. Overall, Capgemini expects total wealth to reach US\$106 trillion by 2025.

Figure 22: The Rise of HNWI Wealth



Source: Deutsche Bank & Capgemini

Figure 23: HNWI Population Growth Trends

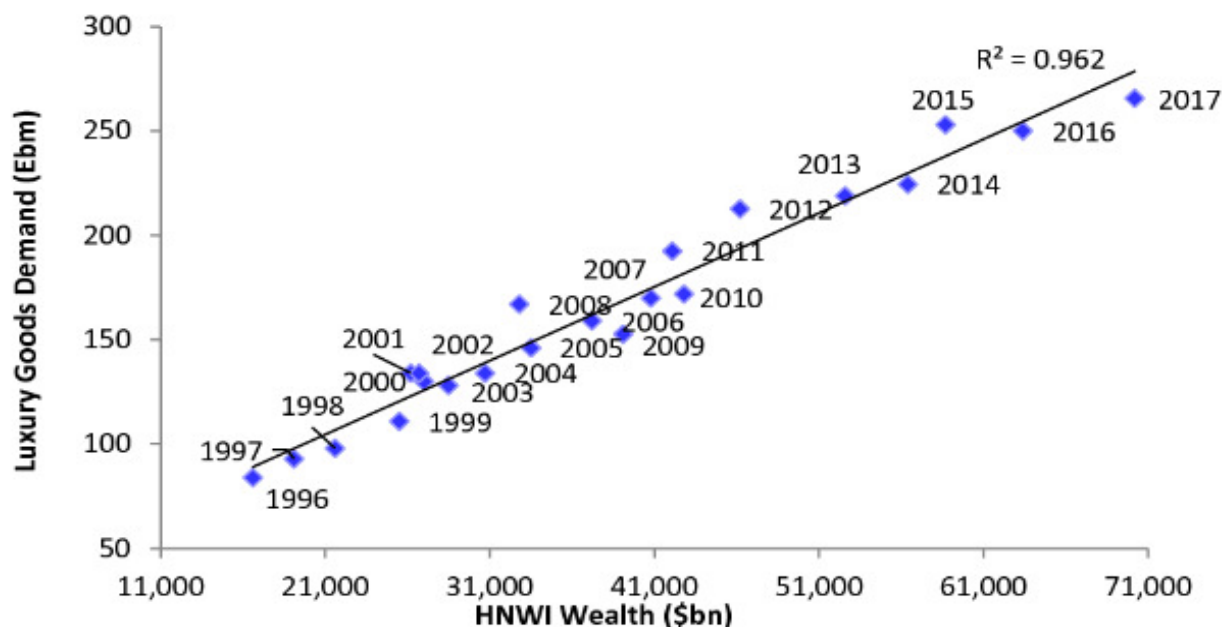


Source: Deutsche Bank & Capgemini

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Figure 24: HNWI wealth and demand for luxury goods has a high correlation



Source: Deutsche Bank & Capgemini

Qualitative Intricacies of the Luxury Market

- **The majority of luxury businesses are family-owned.** This trend is not only evident amongst boutiques, but also apparent amongst some of the largest luxury conglomerates, brands, and large retailers. Generally, family-owned businesses value relationships and trust above anything and the luxury goods market is no different. Most businesses in this market are intensely relationship-based and it is hard to gain the trust overnight. These business owners have spent decades building brand equity in a market where representation and branding is paramount, so it is no surprise that luxury sellers are selective with who they partner with.
- **Slow to move online so far:** Currently, 91% of transactions still happen offline vs apparel and accessories, which is almost 30% as of 2017. While consumers of luxury good items generally like to see the products in person due to their high selling price, we have not seen a lot of the luxury sellers take an omni-channel approach to selling.
- **Luxury sellers want control over their product:** Because the majority of luxury businesses are successful due to their branding, they highly value the right to control pricing and representation of their products sold by their partners. Therefore, the likelihood of a mega E-commerce player coming in and throwing their weight around seems like a limited risk. Thus, we view Farfetch's deep luxury seller relationships as a sizeable competitive moat vs. potential entrants.

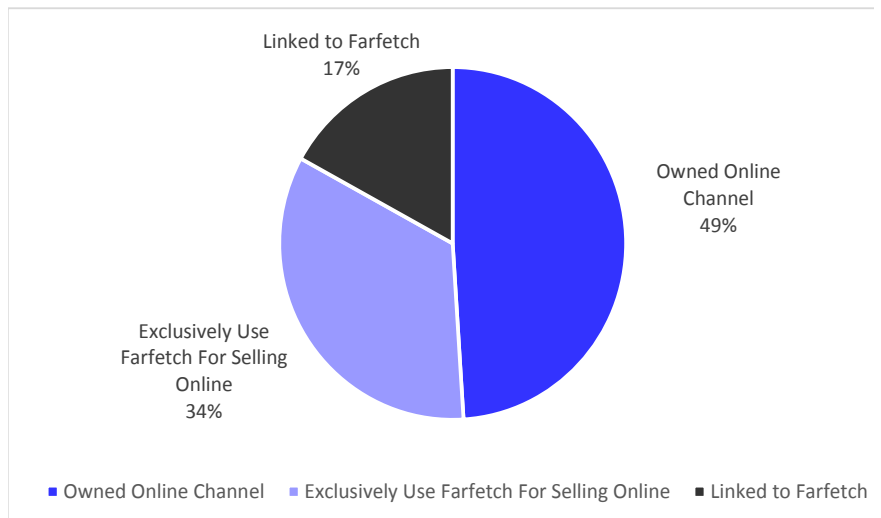
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Figure 25: ~34% of Retailers Rely Solely on Farfetch for Their Online Sales



Source: Farfetch & Deutsche Bank

Online Penetration Opportunity

Turning to the online market, where we use Bain forecasts as our base case, we project the online market to reach \$110B or 25% penetration by 2025, as shown below. As mentioned in the above section, we view the total luxury market as strong and believe Farfetch is well situated and partnered with most of the powerful sellers in the industry. We also view Farfetch's decision to (1) start to sell into the fastest growing luxury categories and (2) skew its consumer base towards the fastest growing geography as positive for the company's future growth. In our base case, we view Farfetch continuing to steadily gain market share within the online category given its advantages across supply, marketing, and cohort behavior.

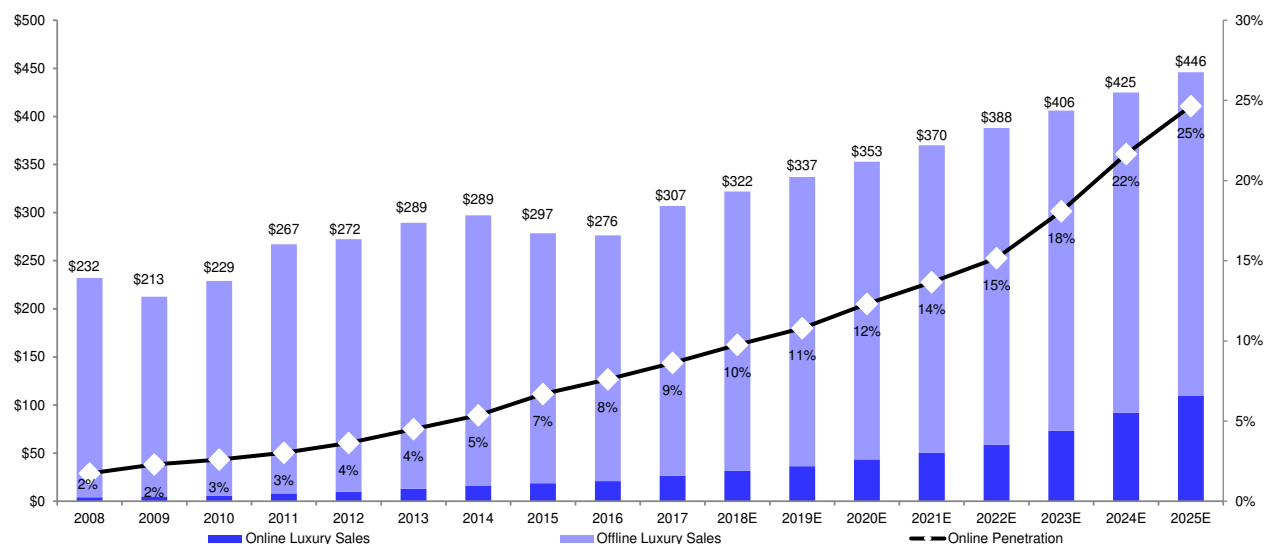
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Figure 26: Total Offline & Online Luxury Sales + Online Penetration



Source: Deutsche Bank & Bain

Evaluating Potential Upside to Luxury Online Penetration

According to Bain, the global personal luxury goods market is expected to grow at ~4.7% CAGR during 2018-2020 and reach €299B by 2020. If we take their estimates one step further, apply the current €/ \$ exchange rate (\$1.167), and then assume the market can further grow at ~4.8% CAGR over the 2021-2025, we get to a total market size of \$446B in 2025.

Since 2008, global online personal luxury sales have increased ~6.5x to \$26B in 2017, but still represented less than 10% of total personal luxury goods sales. However, over this same period of time, online penetration has increased from less than 2% in 2008, and we expect that this trend of increasing online penetration will continue ([Figure 26](#)).

With our longer-term estimate for what the total personal luxury goods market could be, we make an attempt at framing how quickly sales could migrate online. To do so, we lay out three scenarios for online penetration.

In our bull case scenario, we assume that online penetration in luxury follows the same online penetration curve that global apparel did from 2011-2017, where penetration ramped from 10.4% to 28.7%, respectively. We chose this period in apparel's online penetration curve due to it aligning well with luxury's current online penetration and the overlapping nature of apparel with the luxury category.

With regards to our 2018 online luxury sales estimate, we added global apparel's 2011 Y/Y online penetration increase (174 bps) to luxury's 2017 online penetration to arrive at 10.4% penetration in 2018. We used this same approach for each of the following years (with the exception of 2025, where we assume a 3ppt Y/Y penetration increase given the apparel penetration does not provide a roadmap

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beyond 2024) and arrived at a 2025 penetration of 32%, implying an online global luxury market of \$141B.

Figure 27: Online Penetration - Bull Case

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	CAGR
Online Luxury Sales (\$B)	\$4	\$5	\$6	\$8	\$10	\$13	\$16	\$19	\$21	\$26	\$33	\$40	\$50	\$61	\$73	\$94	\$122	\$141	
(/) Total Luxury Sales	\$232	\$213	\$229	\$267	\$272	\$289	\$297	\$279	\$276	\$307	\$322	\$337	\$353	\$370	\$388	\$406	\$425	\$446	
Online Penetration	1.74%	2.29%	2.60%	3.02%	3.63%	4.50%	5.36%	6.69%	7.6%	8.6%	10.4%	12.0%	14.3%	16.4%	18.7%	23.2%	28.7%	31.7%	
Y/Y Penetration Increase	0.55%	0.31%	0.42%	0.61%	0.86%	0.86%	1.34%	0.91%	1.03%	1.74%	1.59%	2.31%	2.09%	2.32%	4.48%	5.50%	3.00%	3.00%	
Online Luxury Sales Y/Y Growth	20.7%	22.5%	35.4%	22.7%	31.5%	22.4%	17.1%	12.7%	26.1%	26.0%	20.7%	25.0%	20.2%	19.7%	29.7%	29.5%	15.9%	15.9%	23.3%
Total Luxury Sales Y/Y Growth	-8.4%	7.7%	16.6%	2.0%	6.2%	2.7%	-6.3%	-0.7%	11.0%	4.9%	4.7%	4.7%	4.8%	4.9%	4.6%	4.7%	4.9%	4.8%	

Source: Deutsche Bank estimates & Bain

In our base case scenario, we test Bain's estimate that online penetration will reach 25% in 2025. To get to 25% penetration, we continued to use the apparel online penetration curve as a guide, but used an adjustment factor of 65% to flex down the Y/Y increase in penetration. This implies a \$110B online luxury goods market at 25% penetration in 2025. We think it makes sense to assume a slightly less robust online penetration ramp relative to apparel given the high price nature of the luxury market and the robust in-store experience in the luxury category that is not as easily replicated online as it has been for apparel.

Figure 28: Online Penetration - Base Case

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	CAGR
Online	\$4	\$5	\$6	\$8	\$10	\$13	\$16	\$19	\$21	\$26	\$31	\$36	\$43	\$51	\$59	\$73	\$92	\$110	
(/) Total Luxury Sales	\$232	\$213	\$229	\$267	\$272	\$289	\$297	\$279	\$276	\$307	\$322	\$337	\$353	\$370	\$388	\$406	\$425	\$446	
Online Penetration	1.74%	2.29%	2.60%	3.02%	3.63%	4.50%	5.36%	6.69%	7.6%	8.6%	9.8%	10.8%	12.3%	13.7%	15.2%	18.1%	21.7%	24.7%	
Y/Y Penetration Increase	0.55%	0.31%	0.42%	0.61%	0.86%	0.86%	1.34%	0.91%	1.03%	1.13%	1.04%	1.50%	1.36%	1.51%	2.91%	3.57%	2.00%	2.00%	
Online Growth	20.7%	22.5%	35.4%	22.7%	31.5%	22.4%	17.1%	12.7%	26.1%	18.6%	15.8%	19.3%	16.4%	16.4%	24.7%	25.4%	19.5%	19.5%	19.5%
Total Growth	-8.4%	7.7%	16.6%	2.0%	6.2%	2.7%	-6.3%	-0.7%	11.0%	4.9%	4.7%	4.7%	4.8%	4.9%	4.6%	4.7%	4.9%	4.8%	

Source: Deutsche Bank estimates & Bain

Finally, in our bear case scenario, we assume that luxury's online penetration ramp is only half as quick as apparel's online penetration ramp (IE we only add 50% of apparel's Y/Y ppt online penetration increase to each year). Net-net, this gets us to a scenario in 2025 where online luxury penetration is only 21% and the market is worth \$92B.

Figure 29: Online Penetration - Bear Case

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	CAGR
Online Luxury Sales (\$B)	\$4	\$5	\$6	\$8	\$10	\$13	\$16	\$19	\$21	\$26	\$31	\$35	\$40	\$46	\$53	\$65	\$79	\$92	
(/) Total Luxury Sales	\$232	\$213	\$229	\$267	\$272	\$289	\$297	\$279	\$276	\$307	\$322	\$337	\$353	\$370	\$388	\$406	\$425	\$446	
Online Penetration	1.74%	2.29%	2.60%	3.02%	3.63%	4.50%	5.36%	6.69%	7.6%	8.6%	9.5%	10.3%	11.5%	12.5%	13.7%	15.9%	18.6%	20.6%	
Y/Y Penetration Increase	0.55%	0.31%	0.42%	0.61%	0.86%	0.86%	1.34%	0.91%	1.03%	0.87%	0.80%	1.16%	1.05%	1.16%	2.24%	2.75%	2.00%	2.00%	
Online Luxury Sales Y/Y Growth	20.7%	22.5%	35.4%	22.7%	31.5%	22.4%	17.1%	12.7%	26.1%	15.4%	13.4%	16.5%	14.4%	14.6%	21.8%	22.8%	16.2%	16.2%	16.8%
Total Luxury Sales Y/Y Growth	-8.4%	7.7%	16.6%	2.0%	6.2%	2.7%	-6.3%	-0.7%	11.0%	4.9%	4.7%	4.7%	4.8%	4.9%	4.6%	4.7%	4.9%	4.8%	

Source: Deutsche Bank estimates & Bain

We admit that using the online penetration ramp for apparel as a guide for luxury's impending push online is a simplistic approach, but we believe the results from performing this exercise give us incremental confidence that our estimates for Farfetch are not only "do-able," but are reasonably conservative. Specifically, in our bull-case scenario, our estimates imply that Farfetch only gains 90bps of market share from 2018 to 2025, while our bear case scenario only implies 3.1ppts over the same period.

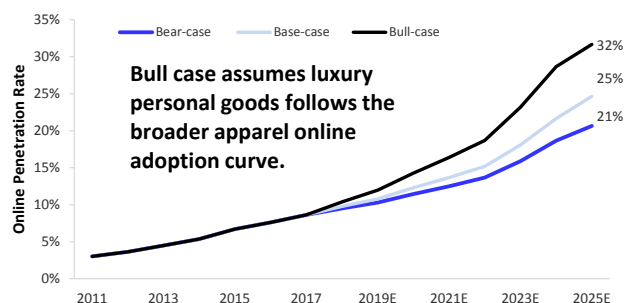
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Figure 30: 3 Scenarios Mapped Against the Luxury Curve



Source: Deutsche Bank & Bain

Figure 31: Farfetch's Implied Market Share - Three Scenarios

Bull-Case - 32% Online Penetration		2018	2019	2020	2021	2022	2023	2024	2025
Farfetch Marketplace GMV		\$1.3	\$1.7	\$2.3	\$2.9	\$3.7	\$4.6	\$5.6	\$6.7
Retail-derived Online Luxury (\$B)		\$33	\$40	\$50	\$61	\$73	\$94	\$122	\$141
Market Share		3.9%	4.3%	4.6%	4.9%	5.1%	4.9%	4.6%	4.8%
Y/Y Increase			0.45%	0.20%	0.32%	0.26%	-0.23%	-0.29%	0.16%
Base Case - 25% Online Penetration		2018	2019	2020	2021	2022	2023	2024	2025
Farfetch Marketplace GMV		\$1.3	\$1.7	\$2.3	\$2.9	\$3.7	\$4.6	\$5.6	\$6.7
Bain Online Luxury (\$B)		\$31	\$36	\$43	\$51	\$59	\$73	\$92	\$110
Market Share		4.1%	4.8%	5.3%	5.8%	6.3%	6.3%	6.1%	6.1%
Y/Y Increase			0.68%	0.46%	0.50%	0.49%	-0.04%	-0.18%	0.02%
Bear Case - 21% Online Penetration		2018	2019	2020	2021	2022	2023	2024	2025
Farfetch Marketplace GMV		\$1.3	\$1.7	\$2.3	\$2.9	\$3.7	\$4.6	\$5.6	\$6.7
Bain Online Luxury (\$B)		\$31	\$35	\$40	\$46	\$53	\$65	\$79	\$92
Market Share		4.2%	5.0%	5.7%	6.4%	7.0%	7.1%	7.1%	7.3%
Y/Y Increase			0.80%	0.62%	0.71%	0.64%	0.12%	-0.06%	0.23%

Source: Deutsche Bank & Bain

Given the seemingly low penetration of the market leader, we believe there is potentially a case for upside to our numbers. Specifically, we believe that Farfetch's leadership position in the space due to their strong relationships with big brands and exclusive deals with smaller retail partner's positions them well to potentially capture 10% market share of online luxury good sales by 2025, which would be more in-line with other e-commerce market share leaders. Assuming Farfetch is able to capture this level of market share, but online penetration is more in-line with our bear-case scenario, this would still mean 37% upside to our 2025 market place GMV estimate, but 64% upside to our GMV estimate if you assume our base-case online penetration scenario.

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Competitive Landscape

Farfetch's breadth and depth are unmatched in most categories

The battle for traffic and customers loyalty in the growing luxury online market has a relatively small number of contenders, as shown in the following figures, but Farfetch and Net-A-Porter are currently the largest and best established. While a few are differentiated enough to cater to specific niches of luxury consumers, most compete for market share using similar strategic initiatives including 1) the website/mobile app itself, 2) the depth/breadth of the selection (brand/designer count, number of SKUs), 3) the pricing strategy (full price vs promotions, frequency and magnitude of discounts and related push notifications, etc), 4) shipping costs, 5) payments methods (WeChat being a true differentiator for Chinese clientele), and 6) the service (user friendliness, delivery and returns, and help desk).

Farfetch stands out on many of the above criteria, but in particular the breadth/depth of its selection is a key differentiator. Contrary to many formats which require investments in inventories and logistics, Farfetch can focus its efforts incrementally more on its website/platform, on traffic, product and service, which should be able to provide a lasting competitive advantage. On the other hand, the balance of offering and price strategy requires an extra monitoring effort to provide transparency and consistency all the time, while other e-tailing platforms might be seen better by brands as they prioritise brand protection and pricing integrity.

Luxury is a polarized market and a few brands dominate market share

While we believe having a large variety of brands on a luxury marketplace platform will prove to be a critical asset, in the near-term sales are still highly concentrated with the top 5 brands accounting for over 13% of sales and the top 10 brands accounting for almost 17% of total luxury personal goods sales.

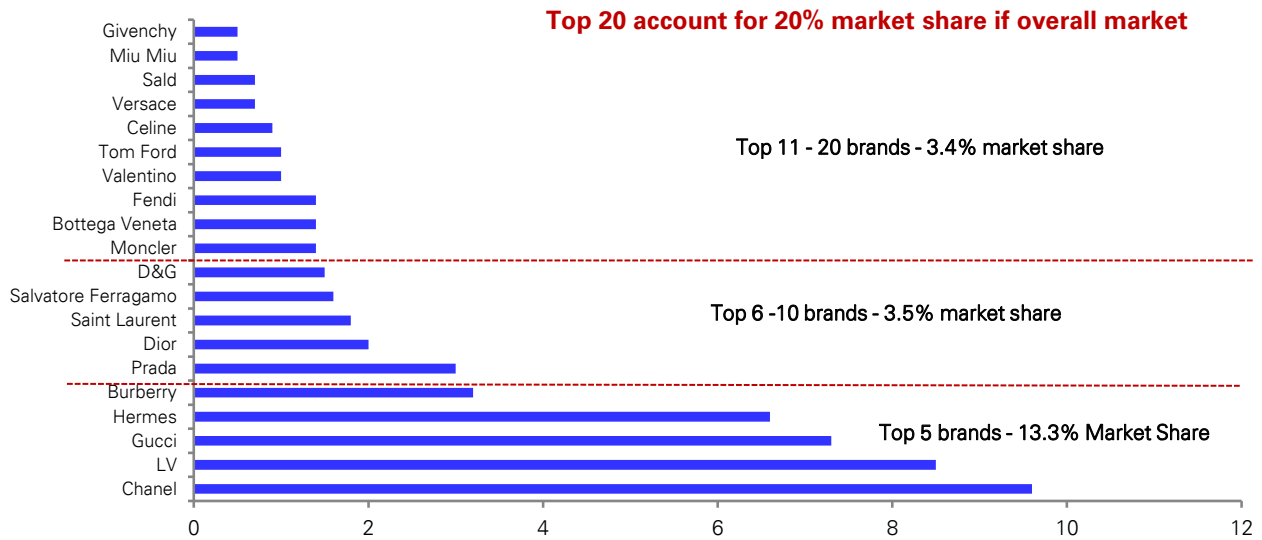
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Farfetch



Figure 32: Top brands (Sales in €B)



Source: Deutsche Bank, Company data

Furthermore, the luxury industry is typically tightly controlled by family and a few groups and families control the key brands. These groups are protective of brands and have obsessive focus on brand image, pricing, and distribution, which explains while they have mostly been late adopters of online.

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Figure 33: Brand concentration and family ownership for the key luxury groups

Company	Controlling Shareholders/Family	Share ownership (%)	Voting ownership (%)	Brands
Brunello Cucinelli	Brunello Cucinelli	62.1	62.1	Brunello Cucinelli
Burberry	Various	0	0	Burberry
Coach	Various	0	0	Coach, Kate Spade, Stuart Weitzman
Hermès	Various family members	65	~70	Hermes
Hugo Boss	Marzotto Family	7	7	Hugo Boss
Kering	Pinault	40.9	57.5	Gucci, Bottega Veneta, Saint Laurent, Balenciaga, Alexander McQueen, Brioni, Pomellato, Dodo, Boucheron, Queelin, Girard-Perregaux, Ulysse Nardin
LVMH	Arnault	46.8	63.1	Berluti, Celine, Christian Dior, Emilio Pucci, Fendi, Givenchy, LoroPiana, Kenzo, Loewe, Luis Vuitton, March Jacobs, Moynat, Nicholas Kirkwood, Rimowa, Thomas Pink
Michael Kors	Michael Kors	2.99	2.99	Michael Kors, Versace, Jimmy Choo
Moncler	Remo Ruffini	26.75	26.75	Moncler
Prada	Prada/Bertelli family	79.9	79.9	Prada, Miu Miu, Church, Car Shoe
Richemont	Mr. Rupert	9.1	50	Cartier, Van Cleef & Arpels, A. Lange & Söhne, Azzedine Alaïa, Baume & Mercier, Chloé, Dunhill, IWC Schaffhausen, Giampiero Bodino, Jaeger-LeCoultre, Lancel, Montblanc, Officine Panerai, Piaget, Peter Millar, Purdey, Roger Dubuis, Vacheron Constantin
Salvatore Ferragamo	Ferragamo Finanziaria.	57.6	57.6	Salvatore Ferragamo
Swatch Group	Hayek Pool	40.1	40.1	Breguet, Harry Winston, Blancpain, Glashütte Original, Jaquet Droz, Léon Hatot, Omega, Longines, Rado, Union Glashütte, Tissot, Balmain, Certina, Mido, Hamilton, Calvin Klein, Swatch, Flik Flak.
Tiffany & Co.	NA	0	0	Tiffany
Tod's SpA	Diego Della Valle	60.6	60.6	Tod's, Hogan, Fay, Roger Vivier
Chanel	Wertheimer family	100	100	Chanel, Eres, Orlebar Brown

Source: Deutsche Bank, Company data

Figure 34: Brand relationships with Farfetch

Direct Brand Partners	Supplied via Retailers	Innovation Partner	Restricted Brands*
Gucci	Salvatore Ferragamo	Chanel	Luis Vuitton
Burberry	Moncler		Hermes
Prada	Givenchy		Dior
Saint Laurent	Tom Ford		Celine
Dolce & Gabbana			Louboutin
Bottega Veneta			
Fendi			
Versace			
Miu Miu			

Source: Deutsche Bank and Company data. * do not sell on Farfetch.

Note: Same color for brands belonging to the same group. Black is independent brands

Figure 35: Competitor Matrix

	Farfetch	Net-A-Porter	Lyst	Alibaba	JD	Stitch Fix	Moda Operandi	Matches Fashion	My Theresa	24 Sèvres	Ssense
Website URL	www.farfetch.com	www.net-a-porter.com	www.lyst.com	Luxury Pavillion	Toplife	www.stitchfix.com	www.modaoperandi.com	www.matchesfashion.com	www.mytheresa.com	www.24sevres.com	www.ssense.com
Founded date	2007	2000	2010	1999. Luxury Pavillion 2017	1998. Toplife 2018	2011	2010	1987 (website from 2007)	2006	2017	2003
Ticker	FTCH	Part of YNAP/Richemont	Participated by LVMH	BABA	JD	SFIX	Private	Private	Owned by Neiman Marcus since 2014	LVMH	Private
Headquarters	United Kingdom	United Kingdom	United Kingdom	China	China	United States	United States	United Kingdom	Germany	France	Canada
2017 Sales (\$M)	USD 386M	€2.1B (over €1.1B in-season)	GMV USD 325M, revenues USD21M	NA for Luxury pavillion	NA for Toplife	USD 977M	USD 165M	€293M	€245M	NA	NA
Physical stores count	3 (Browns)	No	No	No	No	No	Private showrooms London and NY	4 (UK)	1 (Munich since 1987)	1 (Le Bon Marche)	1
Business model	Marketplace	Dept. Store/ multibrand	Search engine	Mixed	Mixed	Subscription model	Pre-order/ Trunk shows/ Dept store	Dept. Store/ multibrand	Dept. Store/ multibrand	Dept store/ concession	Dept store/ destination store
Concession model (Yes/No)	Yes	No	No	Yes	Yes	No	No	No	No	Yes	No
Mobile App (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Loyalty schemes (Yes/No)	No	No	No	Yes, by Invitation only	NA	No	Yes	No	No	Yes (la Carte 24 Sevres)	No
Payment options (wechat)	All Credit Cards and PayPal	All Credit Cards and PayPal, WeChat presence	NM	All Credit Cards, WeChat, Alipay	All Credit Cards, WeChat	All Credit Cards	All Credit Cards	All Credit Cards	All Credit Cards and PayPal	All Credit Cards and PayPal	All Credit Cards
Delivery subscription options	NA	NA	NA	NA	NA	Yes, automatic "fixes"	NA	NA	NA	NA	NA
Tech platform in house vs outsourced	In-House	Mixed	In-House	In-House	In-House	In-House	Relic	In-House	Mixed	In-House	In-House
# warehouses/distribution centres	??	250k SQM in warehouse capacity in Jun-16 to become 340k by 2020. 9 DC for in and off season	NM	NA	NA	5 (in the US)	2 (NY and London)	2	1 (Germany) + ?	1	1
Shipping/delivery policy and cost	Flat shipping fee	Standard Shipping is free. same-day delivery in NY, London, Milan, Dubai, Shanghai, Tokyo. 25 countries served with same or next-day delivery	NM	??	??	Only US	Standard free US, UK, Express free Australia (order >AU\$300)	90 min & Premium delivery in London	Fast delivery in >130 countries	Free	Free US, Free standard Canada, free > threshold elsewhere
Returns Policy	Free returns	Free returns	NM	??	??	Free except for non refundable styling fee	Free with category exceptions	Free returns	Free returns	Free returns	Free returns
Promotional Style/Positioning	Targeted	Curated. Editorials and print magazine. Dedicated off price channels (Yoox.com, The Outnet). EIP focus through 24/7 CRM and Personal Shoppers	Premium, Curated however does not discriminate between full price and discounts as it directs to the underlying websites	Mixed	Mixed	Positioned as convenience	Exclusive and curated. But occasional sales/coupons	Premium/sale	Premium, curated/New arrivals push. Standard promotions. Launching a magazine	Curated, sophisticated. ive (sales & seasonal offers)	Curated, sophisticated, niche. Runs sale

Source: Deutsche Bank, Company websites



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Amazon is still an outsider in luxury

Amazon has had success in other consumer goods categories, but this has not been the case in luxury. Amazon's usual strategy for breaking into a new vertical starts by aggressively pricing items to drive awareness/market share, doesn't work in luxury given that part of the value of this product category is derived from the exclusivity/rarity of the items. This is why luxury brands have shown an obsession, with where, how and at what prices their products are sold - to protect the brand image they have worked so hard at establishing.

Of some interest is the case of Swatch. Swatch distributes some of its brands on Tmall, the Chinese e-commerce portal of Alibaba, but not on Amazon. This decision was a function of their agreement with Alibaba to filter out fake items, or real items that originate from grey trades. By contrast, Amazon vetoed this clause in the contract.

Farfetch Luxury SKU count dominates the competition

We compared number of brands/designers as well as number of SKUs for certain products across Farfetch and competitors. Unsurprisingly, Farfetch was a leader in SKU count across many product categories. From overall breadth perspective, Farfetch has 2.4x the number of Women's SKUs and 5.8x the number of Men's SKUs compared to Neiman Marcus, the closest competitor from our checks, and a business focused on store sales nonetheless. This impressive breadth enables Farfetch to have over 7x the amount of sneakers available for sale compared to Neiman Marcus. However, not every category was a multiple of the competition. For example, we found only 3,648 hard luxury items on Farfetch vs 13,226 at Neiman Marcus and 3,760 at Barneys New York.

We also found Farfetch to have a smaller social media following at 1.1M Instagram followers and ~600K Facebook followers, compared to large competitors such as Net-A-Porter (3.2M Instagram, 1.6M Facebook) and Barneys New York (1.6M Instagram, 1.3M Facebook). In the following figure, we depict Instagram followers by number of brands/designers available at Farfetch and various competitors.

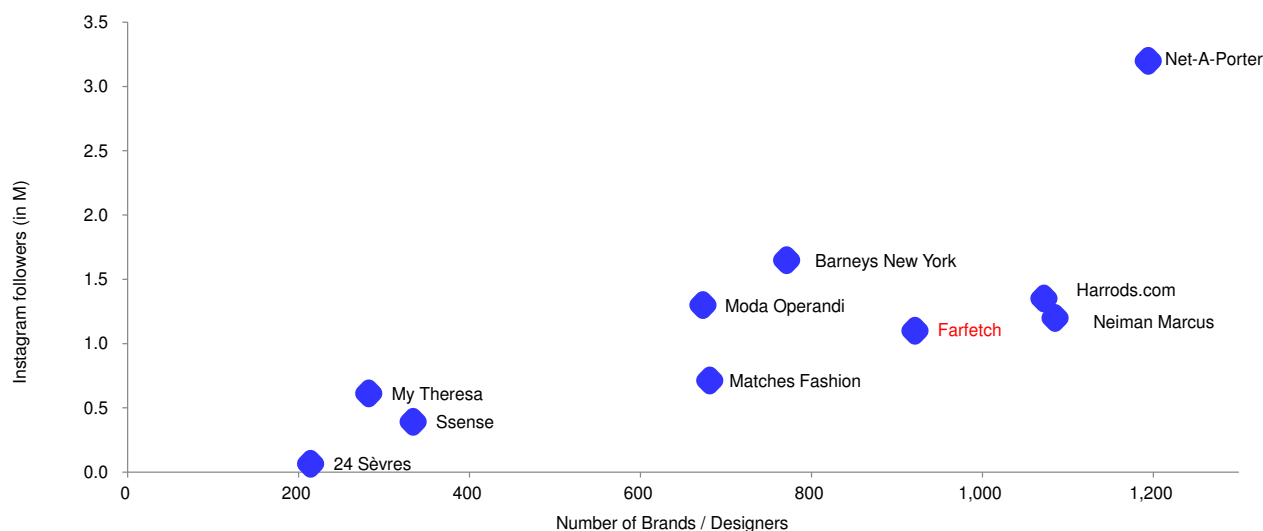
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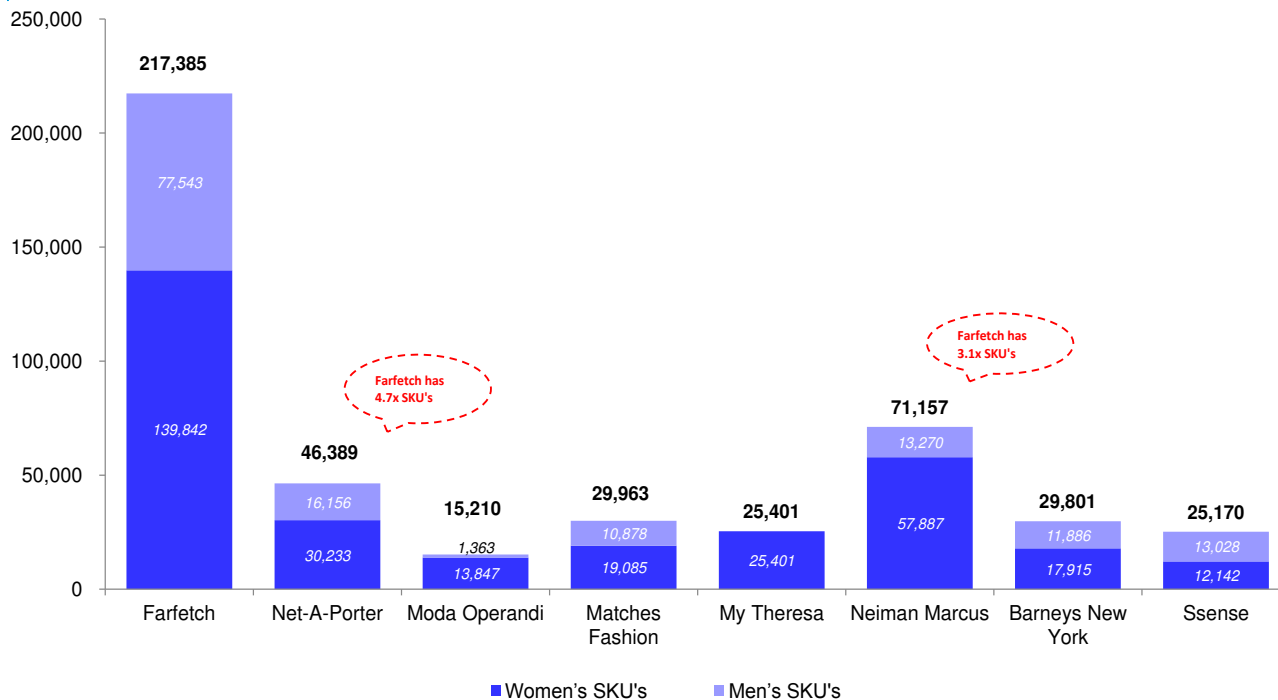
Figure 36: Social media vs number of designers scatterplot



Source: Deutsche Bank, Public Instagram Profiles, and Company websites

In the next chart, Farfetch far exceeds the overall SKU count for Women's and Men's products. By our count, we saw > 215,000 Women's + Men's SKUs, which was far greater than the next largest competitor, Neiman Marcus, at > 70,000 total Men's + Women's SKUs.

Figure 37: Farfetch far exceeds SKU count against major competitors



Source: Deutsche Bank, Company websites

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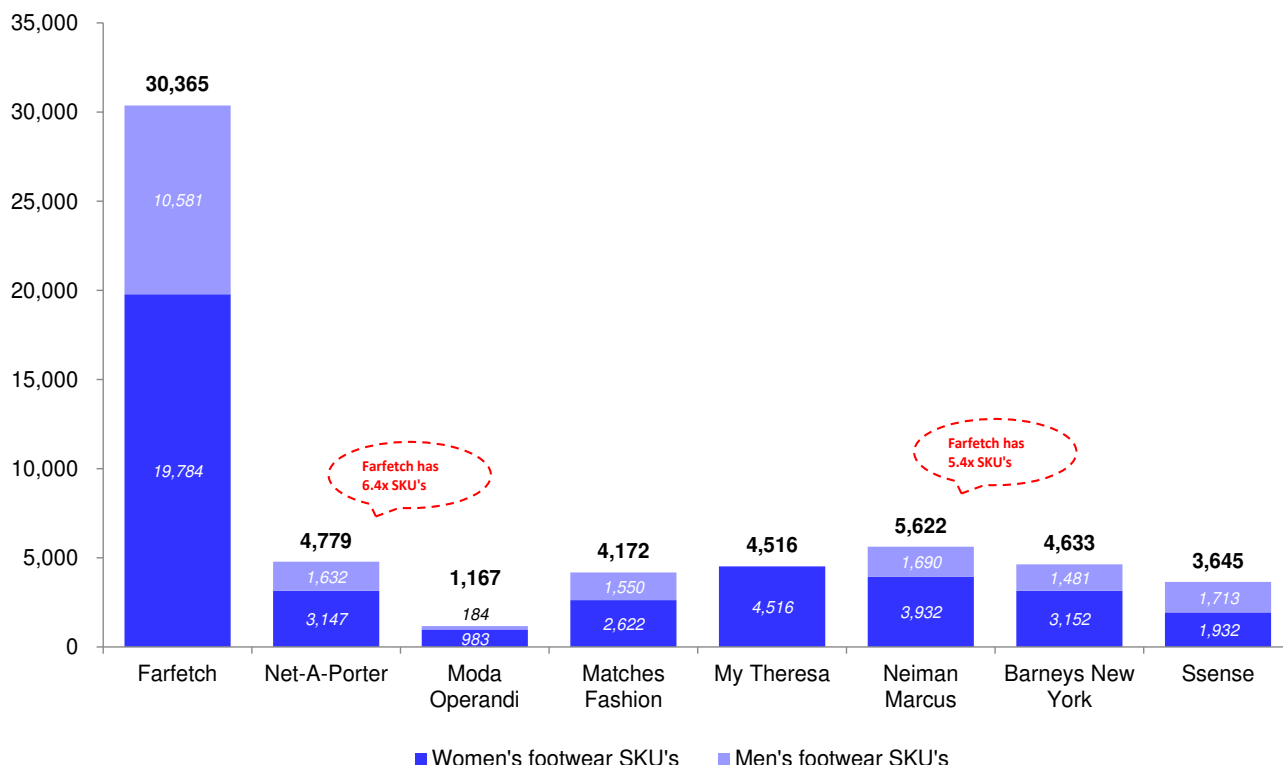
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Farfetch



Next, we wanted to dive deeper into certain categories to examine where Farfetch has significant SKU count lead and where they might be trailing the competition. We found that Farfetch dominates the footwear selection with 5.4x more product SKU's compared to Neiman Marcus and 6.4x SKU's compared to Net-A-Porter (including Mr. Porter).

Figure 38: Total Farfetch footwear SKUs are 5.4x Neiman Marcus



Source: Deutsche Bank, Company websites

In the following figure we lay out Sneakers, Denim and Women's Totebag SKU counts for Farfetch and its competitors. Farfetch has over 10,000 men's and women's sneakers while the closest competitor, Ssense, has under 2,000. Under the denim category Farfetch has 5,800 SKUs while the closest competitor, Neiman Marcus, has just over 3,000. However, with regards to Women's Totes, we found that Farfetch has only 405 tote bags compared to 919 at My Theresa, 836 at Ssense, and 624 at Net-A-Porter.

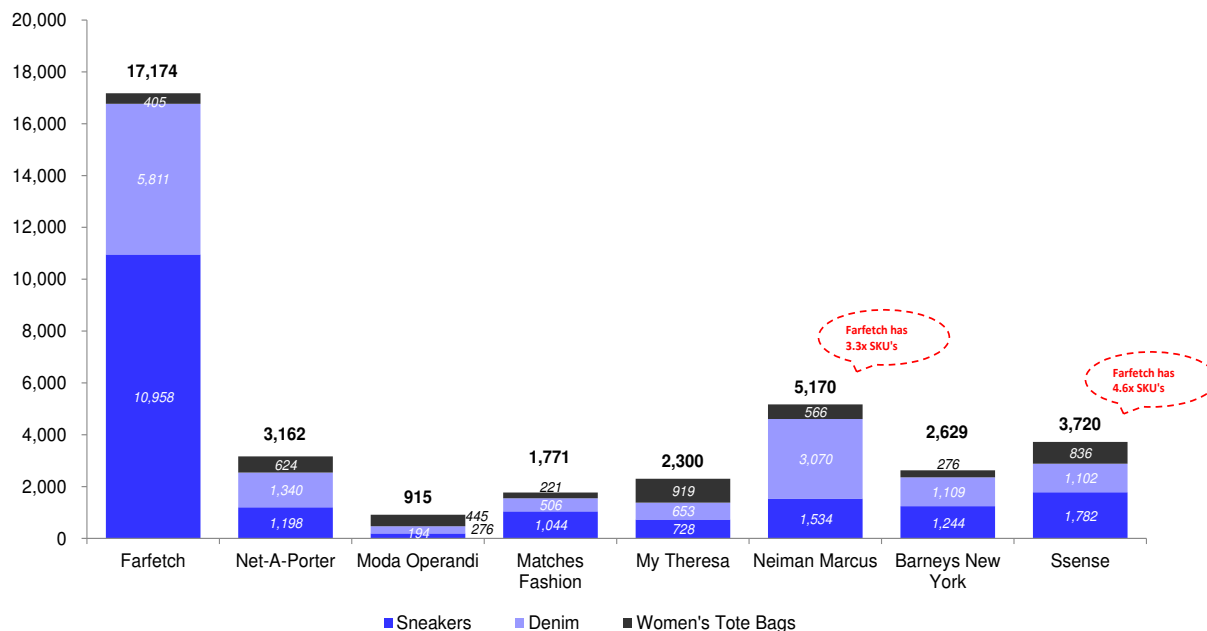
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Figure 39: Farfetch has over 10,000 sneakers for sale



Source: Deutsche Bank, Company websites

While many competitors don't have an explicit beauty section on their website (Farfetch included), we found Farfetch's handbag selection to be almost 5x that of Neiman Marcus, the closest competitor. Hard luxury is one area where we think Farfetch could potentially build out their inventory as they are not a category leader today. By our count Farfetch has ~3,600 hard luxury items while Neiman Marcus has over 13,000. We do note this is the only competitor we have data for that has more hard luxury items than Farfetch.

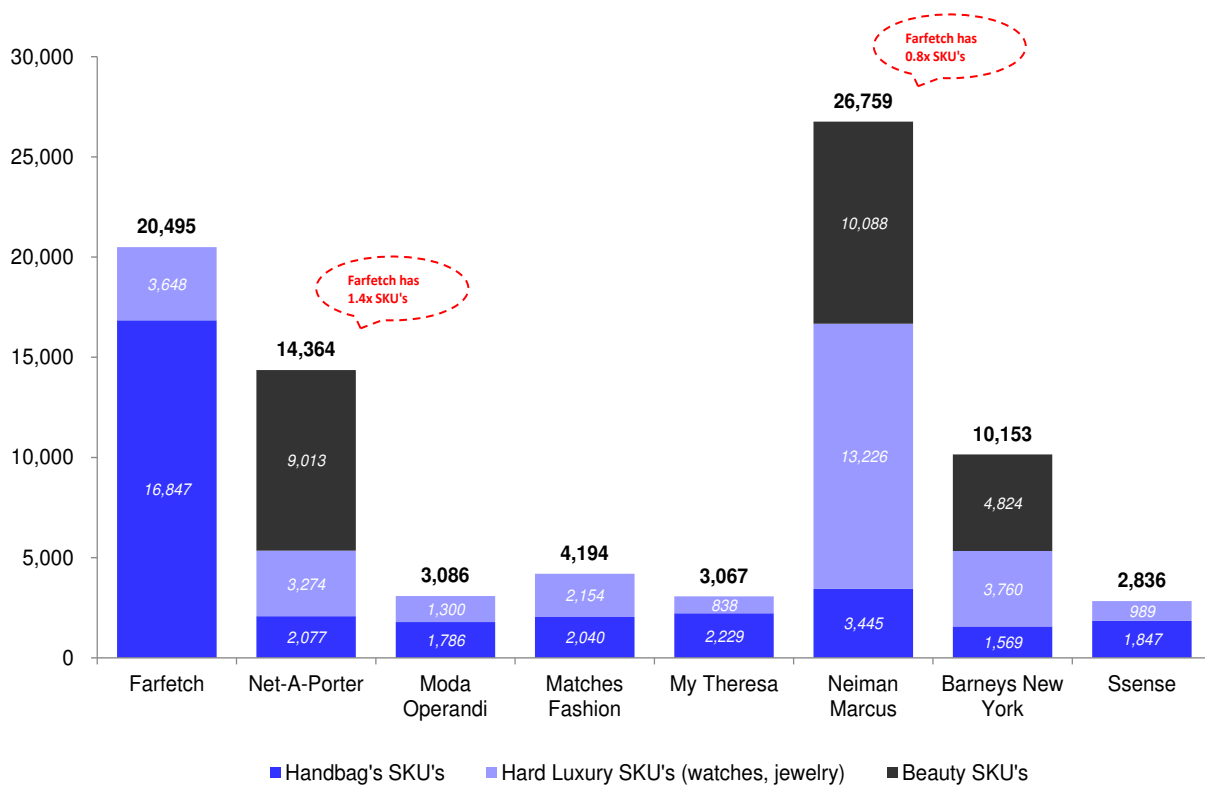
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Figure 40: Farfetch has over 16,000 handbags but does not have a defined beauty category



Source: Deutsche Bank, Company websites

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Farfetch

Three Broad Segments

Marketplace is the Key Driver of Financials and Valuation

The asset-light Farfetch Marketplace is the primary offering of Farfetch the company, generating \$296M in revenue and accounting for over 90% of the total revenue (2017). Growing at a 28% CAGR over the next 8yrs to \$2.1B in 2025, this application is the largest digital luxury marketplace in the world. The marketplace has scale on both the supply and demand sides with 614 boutiques (98% have an exclusive relationship) and 375 direct brand partners in over 45 different countries and has 2M+ registered consumers in 190 countries.

The Farfetch Marketplace benefits both the sellers and buyers, which we take a deeper look at in the next section, but at a high level, sellers benefit from (1) global reach and distribution, (2) an attractive economic model, (3) data / market insights, (4) marketing / content creation / logistics services. The company helps take boutique inventory, do the photography and content creation, and helps with logistics services. Buyers benefit from (1) global access to an unparalleled range of luxury merchandise, (2) clean curation of merchandise, and (3) personalized online experience. Large customers benefit from Farfetch's private client VIP service.

In addition to offering both sides of the marketplace compelling benefits to participate, the Farfetch Marketplace has emerged during a time of industry tailwinds. For example, (1) luxury driven consumers are shifting purchasing patterns to online and (2) much of the luxury market growth is driven by Millennials and China / emerging markets, which Farfetch skews towards (>50% of Farfetch shoppers are Millennials & 34% of 2017 revenues came from Asia).

The Marketplace is supported by 17 localized sites in 12 local languages via a website and mobile app. Due to the Marketplace's international appeal, it comes as no surprise that 91% of the orders are cross border. In order to service the heavy cross-border shipping, the company has invested significant resources to building its fulfillment network.

Aside from investing in the amount of fulfillment locations, the company is also investing in predictive shipping opportunities to decrease shipping time. The company is leveraging their data on trending items in specific geographies so they can ship said items to the respective regions in anticipation of an order. While an overall heavy investment, we view the build out as one that will increase the Farfetch Marketplace's competitive moat.

In addition to the fulfillment advantage that the Marketplace has, we view the deep partnerships with luxury brands / boutiques as a large moat for the Farfetch Marketplace. As mentioned before, Farfetch has 614 boutiques and 375 direct brand partners on the platform selling from 45 different countries providing over 375k SKUs to consumers (10x the closest competitor). The SKUs come from 3.2K different brands and are expanding.

We want to highlight that this is no small accomplishment, especially in the luxury market where trust between luxury goods sellers and e-Commerce platforms is hard to find. As mentioned in our competition section, Amazon, which has deep

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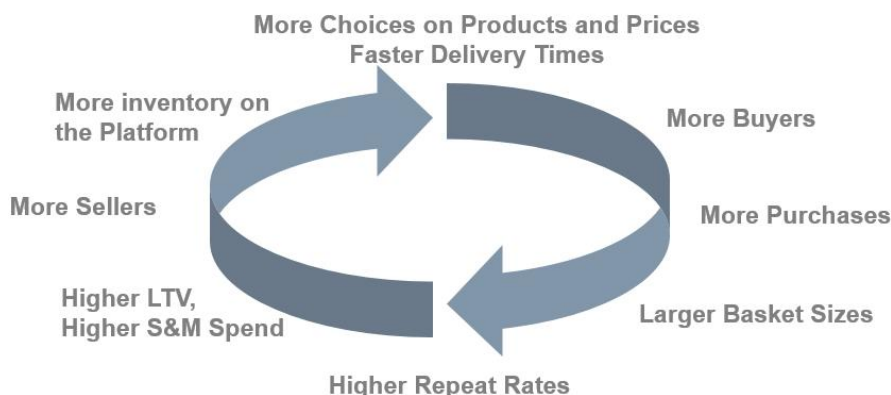
Internet

Farfetch



pockets and is always after another large TAM, has tried numerous times to break into the luxury goods market and has failed so far. As such, we think the scale and moat of this company is impressive and highlight below how both of those qualities should continue to ignite the flyfeel for Farfetch.

Figure 41: Scale Drives Flywheel Momentum



Source: Deutsche Bank

Browns – 2 retail stores (London) + Seller on marketplace

In May 2015 Farfetch acquired Browns, a luxury boutique founded in the 1970s, with two retail stores in London enabling Farfetch to own and operate a boutique and gain better insight into the luxury fashion ecosystem. Having a physical presence allows Farfetch to operate and test new innovations in the luxury ecosystem, further enhancing their reach into customer's lives. Browns will be a laboratory for exploring the Store of the Future concept, which the company is also exploring through its JV with Channel.

Browns has 177 employees (out of 2,711 employees total) and since the acquisition, sales have gone from ~\$7M in 2015 to \$15.4M in 2017. We forecast Browns sales to grow 3% in 2018, 13% in 2019, and 9% in 2020. In addition, Browns' online mix is now ~70% of revenue, up from ~40% at the time of acquisition.

Black & White

Launched in 2015, Black & White is Farfetch's white-label SaaS platform to help brands sell online. Farfetch allows brands to design a website and then from there allow them to synchronize their in-store inventory to be displayed on a Farfetch managed e-Commerce platform. Not only does Farfetch power and run the company's website (available in 9 languages as of June '17), Farfetch helps facilitate in-store pick-up / return and helps with the logistics associated with shipping inventory to over 190 countries. This tool allows brands to expand their sales. For example, Thom Browne, a NYC-based luxury apparel brand, nearly doubled sales within 6 months of using the Black & White software.

Black & White contributes a very small percentage to the overall Platform GMV and the company has not provided much disclosure around the economics of this business. As such, we identify its existence and contribution to platform GMV, but expect this to remain small for Farfetch.

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Farfetch



Building the “Store of the Future”

José Neves and team believe the future of the luxury fashion market will be redefined by the integration of the online and offline experiences. Due to 91% of the luxury sales still taking place offline and the desire for affluent shoppers to touch and feel the expensive merchandise, the Farfetch team believes that the store of the future will still be one of physical nature, but instead powered by data insights. As such, the team is diligently working on a technology-powered retail operating system.

The Store of the Future operating system leverages consumer data to enhance the interactions between shoppers and sales agents in store to provide a more engaging, thoughtful, and helpful experience. The operating system is open sourced, which will allow brands and retailers to use 3P technologies with the operating system to ultimately tailor it to their unique offerings and needs.

The team has already launched its operating system in Thom Browne's London and New York stores in February and March 2018, respectively, and in Browns East in May 2018. Below we walk through some of the motivation and reasoning why the store of the future concept makes sense.

Solving for Key Challenges of the Industry

As mentioned above, 91% of luxury sales take place offline and that percentage, forecasted by Bain, does not seem to materially drop even 7 years from now (75% offline). Nonetheless, despite an overwhelming majority of the purchases coming from in-store sales, 75% of affluent shoppers research online before the purchase. As such there is a clear omni-channel approach for a luxury shopper and that particular shopper who researches online prior to making an instore purchase has a 13x higher LTV than a single-channel shopper. With all of this in mind, we think this “moon-shot / experiments” initiative makes sense given the opportunity and lack of a cross-bridged technology solution. Given the data that Farfetch is able to collect on luxury consumer purchasing habits and broader luxury market trends, we think they have an advantage to leverage that data and make a physical store better. For example, if a consumer could access all data in store, they could research and try on items in one session.

Another example could be around pricing; consumers often want to understand how prices have trended and so having that trending data readily available in store would give the consumer more confidence in their in-store purchase decision. Finally, an electronic display of global inventory in store would allow consumers to look at apparel in store that they would never normally be able to see in a physical location.

On the retailer side, 85% of consumers in store are unknown digitally, which makes it tough for a sales associate to recommend a piece of apparel without going through a laundry list of questions. Nonetheless, if the sales associate had consumer data at her finger tips, she could quickly recommend a piece of clothing based off of past purchasing behavior and what is seasonally trendy.

This personalized experience that the sales associate could deliver would not only strengthen the relationship between consumer and sales associate, but in theory would make the conversion rate higher for the sales associate. Another additional benefit is this store of the future operating system would allow physical stores

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to electronically display items on the showroom floor without taking up physical space, thus allowing stores to better optimize their square footage.

It is quite clear that a technology-based operating system that links the online and offline worlds together would enhance the in-store experience from the consumer and retailer perspective. But in addition to operating system, Farfetch is doing some interesting delivery / return offerings that further links the online to the offline. They offer a click and collect service (order an item online and pick it up at a physical collection location), return in store (return an item to a participating physical retailer), and same day / 90 minute delivery (expedited shipping options). Overall, this is an experimental business unit as of now and the company plans to continue to have losses associated with it but we think long term, the software licensing could be an interesting, non-capital intensive, recurring revenue stream.

Innovation Partner for the Industry

Farfetch is a technology-based company that does not have a large physical presence. As such, it is hard for them to fully grasp the issues associated with in-store luxury retail sales. In February of 2018, Farfetch announced a multi-year global innovation partnership with Chanel where they will both work on perfecting the store of the future initiative. We view this partnership as constructive given the lack of physical store knowledge Farfetch has and we believe the two can combine their expertise to ultimately create the store of the future.

What Farfetch Brings to the Table

Given the scale of Farfetch, we wanted to help investors understand the benefits the company offers to both side of its marketplace that have ultimately contributed to its rapid growth.

Benefits for Retailers / Boutiques

In order for an e-Commerce platform such as Farfetch to be successful, it ultimately needs the supply before the demand. As such, Farfetch has done an impressive job attracting the fragmented luxury retail sellers (34% of retailers exclusively use Farfetch for selling online). For starters, Farfetch retailers are able to reach 2M+ consumers in 190 countries who have high purchase intent, spending on avg. \$620 per order. With 91% of orders being cross-border, it is evident that an engaged retailer benefits from international exposure that they would most likely normally not benefit from. Besides sheer reach, Farfetch offers retailers an attractive opportunity to earn incremental dollars on otherwise unsold inventory. By using Farfetch, sellers are able to achieve incremental sales that optimize their inventory space without increasing their physical footprint and for the retailers. As an added benefit here, there is not much incremental work on the sellers' part as Farfetch handles the content generation, inventory management, and shipping logistics. While Farfetch does take a ~33% take rate, we would like to point out that gross margins in the luxury market are extremely high and a luxury seller can eat a ~33% fee and still profit.

Another evident benefit is data insights. Frequently boutiques or larger luxury retailers just do not have sophisticated data analytics as they focus their efforts on design and the sales process. Thus, by becoming a part of the Farfetch ecosystem, the retailers have full access to real-time, rich consumer data throughout the customer journey, which helps sellers understand trends and ultimately inform them what styles / pricing strategy works. For all of these reasons, it is clear why Farfetch has been able to attract 614 retailers to the platform with a 100% retention rate. Finally, the Farfetch team has proven (shown below) that as they

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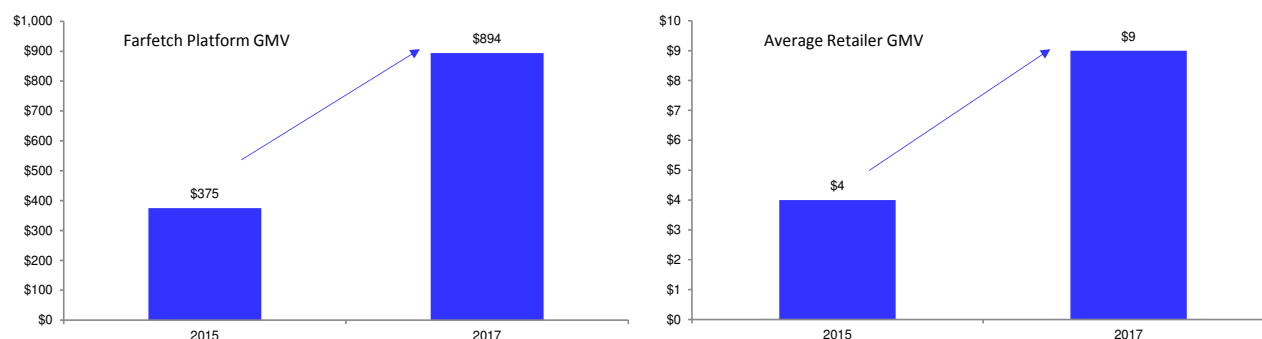
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Farfetch



grow their GMV, the avg. retailer on the site grows their GMV, so it is a compelling offering to join the platform (shared success strategy).

Figure 42: As Farfetch Grows its GMV (\$M), So Does Its Retailers



Source: Company Documents and Deutsche Bank

Benefits for Brands

In addition to all the benefits that the retailers receive, Farfetch ensures all 375 brands on the platform receives extra benefits. For example, Farfetch allows the brand to position, represent, and price its inventory however they choose to the 2M+ user base. To large luxury brands, brand equity is of utmost importance, so ensuring that the large brands have discretion over how they represent and price themselves on the platform is invaluable.

Farfetch also offers brands online visibility and exposure to a highly engaged audience that a brand may normally not have to access. The final additional benefit for brands is more for emerging brands, but essentially smaller brands with no name recognition often have a tough time breaking into the global luxury market. So, offering marketing and a high-intent luxury consumer base with attractive marketplace economics is extremely beneficial to an emerging brand entering an industry with high barriers to entry.

Benefits for Consumers

We believe the benefits to the consumer are quite clear. Generally, luxury shoppers desire unique items and value selection and experience over anything else. On the Farfetch marketplace, shoppers have access to the largest selection of items with over 375K differentiated SKUs (10x the closest competitor) from more than 3.2K brands in 45 different countries.

In addition to selection, fashionable shoppers appreciate an emotional, personalized shopping experience, which is what Farfetch offers. Between its store of the future initiative and clean online marketplace, the experience online and offline is tailored to each individual user based off of in-house data analytics. For example, Farfetch uses its data to prominently show its consumers relevant, inspirational apparel to make browsing the marketplace more engaging. Additionally, Farfetch offers its top clients a "Farfetch Private Client App," which gives consumers bespoke functionality and exclusive access to fashion products / services and is likely to launch a loyalty program to improve retention and increase spend via higher frequency and / or larger basket sizes.

One of the final priorities of a luxury goods shopper is speed. Shoppers who pay \$620 on avg. at Farfetch expect the item to be in their possession within

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a reasonable time frame even with 91% of orders being shipped cross border. Farfetch has made it clear that they have dedicated “a significant amount of resources” to building out their fulfillment network that powers over 7.6k deliveries per day. By investing and expanding its fulfillment touch points, it allows the company to deliver items to consumers more quickly. The investment in fulfillment is only one of a few ways Farfetch is trying to reduce the wait time for its valued consumers. Farfetch also offers same day delivery on select items from local boutiques in Berlin, London, Paris, Los Angeles, New York, Miami, Milan, Rome, Barcelona, Madrid, Dubai, and Hong Kong and has the F90 Store-to-Door in 90 Minutes program, which guarantees 90 minute shipping on select items in 10 cities including Berlin, Dubai, Hong Kong, Los Angeles, London, Madrid, Milan, New York, Paris, and São Paulo. Given the plethora of benefits to consumers, we expect to see continued rapid user growth on the platform.

Deep Management Bench

The Farfetch management team is led by founder and CEO José Neves.

José Neves (CEO)

In 2008 José Neves launched Farfetch, bringing together his interests in fashion and technology, as well as his experience in design, wholesale and retail, to create a business that would celebrate and support the diversity of the global fashion industry. His vision was to create a single portal, offering independent boutiques the opportunity to compete with the leaders of fashion e-commerce. José has been involved in the fashion start-up world since the mid-1990s, when he launched footwear business SWEAR. José later founded SIX London, a fashion licensing and wholesale company selling to 600 retailers worldwide. In 2001 José opened the renowned boutique bstore, which won the British Fashion Award for Retailer of the Year in 2006. José and Farfetch have received numerous accolades, including: Visionary Award at Decoded Fashion Futures Awards (2017), Financial Times and ArcelorMittal Boldness in Business Smaller Company Award (2016), Fast Company's 2016 list of the world's 50 most innovative companies, Business of Fashion's 500 People Shaping the Fashion Industry (2017, 2016 & 2015), Ernst & Young's 2013 Entrepreneur of the Year and Vogue's DirectorsOf.COM Top Entrepreneur in 2011.

Elliot Jordan (CFO)

As Chief Financial Officer, Elliot is responsible for the company's financial operations including accounting; treasury and tax; and financial reporting and control, across all of Farfetch's international offices. Elliot is part of the Executive Board. Elliot joined Farfetch with a wealth of financial experience at consumer online retailers including ASOS and Sainsbury's. Prior to joining the retail industry, Elliot worked at Credit Suisse in London and KPMG in Auckland. He is a graduate of the University of Waikato in New Zealand, and is a qualified chartered accountant with the New Zealand Institute of Chartered Accountants.

Andrew Robb (COO)

As Chief Operating Officer, Andrew Robb is responsible for the smooth running of the marketing, operations, international and VIP teams at Farfetch. An online specialist with over 20 years' experience in e-commerce businesses, he started his career with Gemini Consulting before joining Peoplesound.com a digital music start-up, as Business Development Director. Andrew then worked in the category

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development team of eBay Australia before spending several years as Managing Director of Cocosa.com.

John Veichmanis (CMO)

As Chief Marketing Officer, John is responsible for developing the Farfetch brand and generating consumer demand for our boutique and brand partners. John leads a truly global team of more than 100 people from the creative, marketing and technology industries who are developing innovative and data driven approaches to brand communications, customer acquisition and retention. John also sits on the Farfetch executive board. John joined Farfetch in 2015, bringing over 20 years' experience from the likes of Dell, Apple, Skype and Expedia.

Stephanie Phair (CSO)

As Chief Strategy Officer, Stephanie is responsible for leading Farfetch's global strategic direction, innovation, M&A and corporate development and will own P&L responsibility for new business lines. Stephanie also forms part of the company's Executive Board. Stephanie was previously founder and President of TheOutnet.com and was part of the Executive team of The Net-a-Porter Group from 2009 to 2015. She has more than 15 years of luxury and e-commerce experience, having worked for Issey Miyake, American Vogue and at Portero in NY. Most recently, she has consulted with a number of start-ups in the digital space and advised PE firms on investments. She is also an advisor for venture capital firm Felix Capital and sits on the board of Moncler SpA. In May 2018, Stephanie was appointed as chairman of the British Fashion Council.

Cipriano Sousa (CTO)

Cipriano has been at Farfetch since the beginning and was responsible for establishing the tech team that built the first version of the platform. As CTO, he is part of the Executive Board and is responsible for managing all areas of technology at Farfetch. He oversees the tech team, specialising in areas including: software development, security, business intelligence, R&D, user interfaces, mobile, scalability and performance. Cipriano has over 20 years' of experience in the tech and e-commerce industries. He holds a degree in Electrical and Computer Engineering from the Faculty of Engineering at The University of Porto.

Giorgio Belloli (Chief Commercial & Sustainability Officer)

Giorgio Belloli is responsible for the commercial strategy and development of Farfetch, overseeing merchandising, business development, account management and brand relations, as well as the Farfetch Black & White business. A member of the Farfetch Executive Board, Giorgio is an experienced player in the luxury fashion industry. He has developed and executed business strategies for luxury brands such as Miu Miu, Helmut Lang and Prada Linea Rossa in roles from Worldwide Sales Manager to Worldwide Commercial and Marketing Director. In 2008 he joined the Kering group and was appointed Chief Executive Officer of Hussein Chalayan when the designer was named Puma's creative director. Prior to joining Farfetch, Giorgio was the Business Development Director for Alexander McQueen and was responsible for setting up the McQ business unit and developing and executing the brand's strategy. Giorgio studied Business and Marketing at UCLA.

Sandrine Deveaux (MD of Store of the Future)

Sandrine is at the helm of Farfetch's retail innovation business unit 'Store of the Future' and is responsible for developing, executing and implementing new, in-store technologies with strategic partners. Sandrine also sits on the Farfetch

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Executive Board. Under Sandrine's leadership, the team is focused on developing a pioneering mix of technology that will shape the retail experience of the future. Her marketing, omni-channel and e-commerce expertise was honed in her previous roles at Harvey Nichols as multi-channel director and director of marketing and e-commerce at Matchesfashion.com. Sandrine also previously held roles at AOL, Bloomberg Media and Ernst & Young. Sandrine graduated from French business school ISC and following this completed a master's degree in Technology and Telecoms at ESSEC.

[Sian Keane \(Chief People Officer\)](#)

As Chief People Officer, Sian sets the strategy for Farfetch's global people function. As part of the Executive Board she works closely with senior management and local people teams in Farfetch's offices around the world. Since joining Farfetch in December 2012, Sian has guided the company's global people strategy. She champions a focus on culture, engagement and the development of people; managing the implementation of Farfetch company values, global career ladder and global employer brand. With over 15 years' experience, Sian previously worked as an in-house Director developing recruitment outsourcing projects in the financial services & technology industries. She has also supported a number of e-commerce start-ups in fashion and technology. Sian holds a BSc (hons), is an Associate Member of the CIPD and Level A&B qualified in psychometric assessment.

[Kelly Kowal \(MD of Black & White\)](#)

As Managing Director of Farfetch Black & White, Kelly's role is focused on leading her team to build revolutionary multi-channel e-commerce solutions and operating e-commerce sites for luxury brands and retailers. Kelly sits on the Farfetch Executive Board. Kelly joined Farfetch in 2010 to build and lead all digital marketing initiatives including customer acquisition, retention and engagement. Within her time at Farfetch, she also led the international growth and development strategy, overseeing expansion and localisation for all markets. Kelly's background is in internet marketing and e-commerce, with her experience spanning over 15 years.

[James Maynard \(General Counsel & SVP Group Legal\)](#)

At Farfetch James is responsible for the management and service delivery of the Farfetch Legal & Company Secretariat team. James sits on the Farfetch Executive Board, is a member of the Strategy Committee and Co-Chair of the Risk Group. James has ultimate responsibility for corporate execution of all M&A activity, large scale commercial agreements, IP and brand protection and enforcement, compliance (including data protection and anti-trust), contentious employee matters, material litigation and managing the Farfetch Group's legal and compliance risk. Prior to joining Farfetch in 2014, for almost a decade James worked as legal counsel to various online technology companies, having spent his formative professional life as a corporate M&A lawyer in a City firm.

[Holli Rogers \(Browns CEO\)](#)

Holli joined Browns as Chief Executive Officer in July 2015, and drives the Browns business objectives and strategy through leadership of the management team and the Board of Directors. Holli sits on the Farfetch Executive Board. Previously Holli held roles at Chanel and Neiman Marcus before joining Net-a-Porter as a founding member in 2002. She soon became fashion and buying director, also establishing and leading the buying direction for the launch of The Outnet in 2009 and Mr Porter in 2011.

[Luis Teixeira \(Chief Supply Chain Officer\)](#)

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As Chief Supply Chain Officer, Luis is globally responsible for all areas of operations at Farfetch; overseeing Customer Operations, Customer Service, Partner Service and Supply & Retail Operations. He also manages all Farfetch operations across the company's four Portuguese offices in Porto, Lisbon, Guimarães and Braga. Luis has been at Farfetch for over six years and is part of the Executive Board. He has over 15 years' experience in the fashion and energy industries in areas ranging from retail, to wholesale, distribution and production. Luis holds a degree in Management and Industrial Engineering from University of Porto and a MBA in Logistics from Porto Business School.

[Sara Wood \(Global VP Product Management\)](#)

At Farfetch, Sara oversees all Global Consumer Products. Her team works across product management, design, and analytics in all Farfetch markets. Sara sits on the Farfetch Executive Board and is a member of the Strategy Committee. Sara joined Farfetch in October 2017 and is responsible for strategy and development of all consumer-centric products including; marketplace, platform, ecommerce, mobile, marketing, personalization, payments, loyalty, and inspiration. Sara's experience prior to Farfetch spans 20 years as a product leader at the intersection of content, community, and technology as well as being an Early-stage Startup Advisor.

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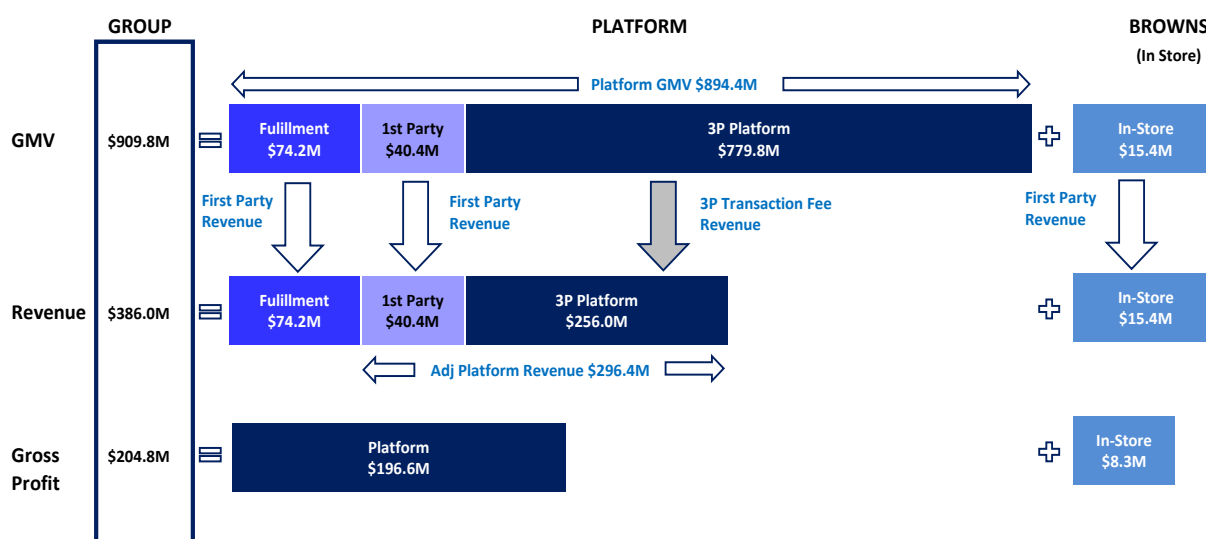
Business and Financials

The Business Model is Fairly Straightforward

Farfetch's brand and boutique partners list their inventory on the platform, and they pay transaction fees only when the products are sold. At checkout, Farfetch estimates the shipping and logistics costs, which are included in the Average Order Value (AOV). The company defines its Platform Gross Transaction Value (or GTV) as the number of orders times the AOV, which was ~\$1.17B in 2017. From the GTV, the company subtracts returns and cancellations, which are typically at around 25% of the GTV, to calculate the Marketplace Gross Merchandize Value (or GMV), which was ~\$877M in 2017. Farfetch also generates sales from its other platform initiatives, including the Black & White white-label solution, which amounted to ~\$18M in 2017. Adding the two, we derive the Platform GMV, which was about \$894M in 2017. Farfetch also includes the sales at the Browns physical store locations ~\$15M in 2017 – to derive the total GMV of \$910M.

In the following figure, we depict the composition of Farfetch's reported group GMV, and how it translated into Group revenue of \$384M for 2017 that included first party revenue that flowed directly – Fulfillment, 1st Party sales (primarily Brown's online and Black & White), and Brown's In-Store sales – as well as the transaction fees from the 3P GMV on the platform. Fulfillment revenue is broadly supposed to track the fulfillment costs, which results in only marginal gross profit contribution. The gross profit contributions from 1st Party sales and 3P transaction fee revenue amounted to ~\$197M; adding the ~\$8M from Brown In-Store contribution, we derive the Group Gross Profit of ~\$205M.

Figure 43: Visual Representation of GMV, Revenue, and Gross Profit (Using 2017 Values)



Source: Company Documents; Deutsche Bank

Orders

The number of orders on the platform has been growing at around 50% annually. We are projecting the number of orders to increase to ~2.7M in 2018 from ~1.9M

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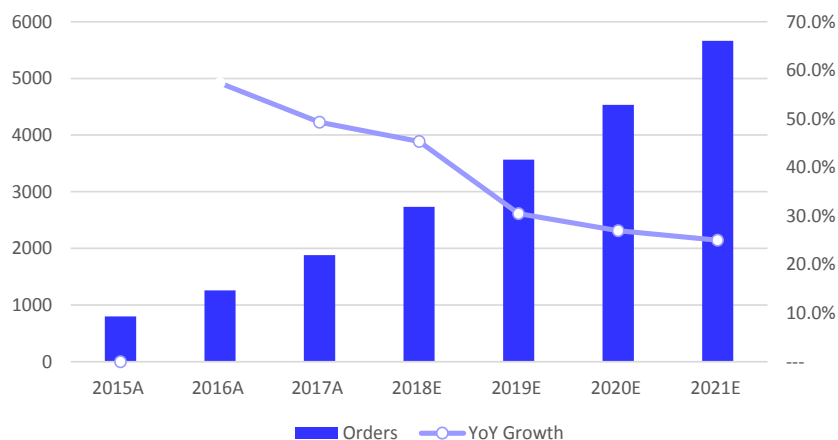
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in 2017; over our forecast period through 2021, we expect the number of orders to increase to ~5.7M, or at ~32% CAGR from 2017 to 2021.

Figure 44: Number of Orders on the Platform ('000s)

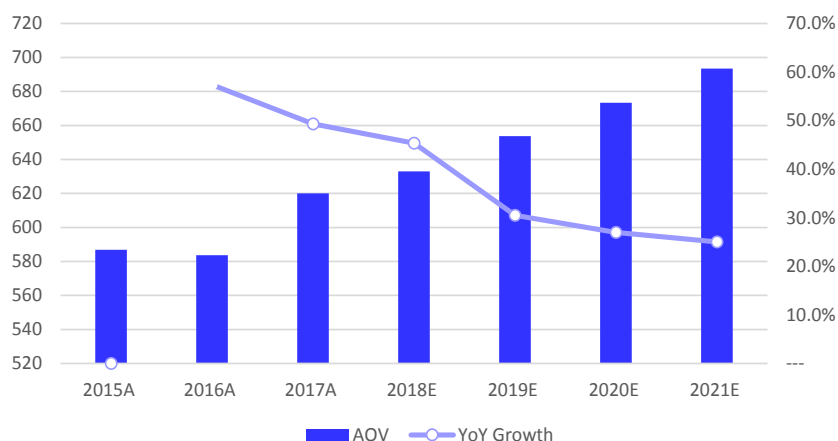


Source: Company Documents; Deutsche Bank

Average Order Value (AOV)

The average order value on Farfetch was \$620 in 2017, which is expected to increase to \$633 in 2018. By 2021, we project AOV to grow to \$694, driven by larger basket sizes as customers increase their confidence in the platform, as well as change in product mix as Farfetch adds higher priced products like watches.

Figure 45: Average Order Value (AOV)



Source: Company Documents; Deutsche Bank

Gross Merchandize Value (GMV)

As we discussed above, Farfetch reported ~\$894M in Platform GMV in 2017, up 56% YoY. We expect Platform GMV to increase at 36% CAGR to ~\$3.1B by 2021.

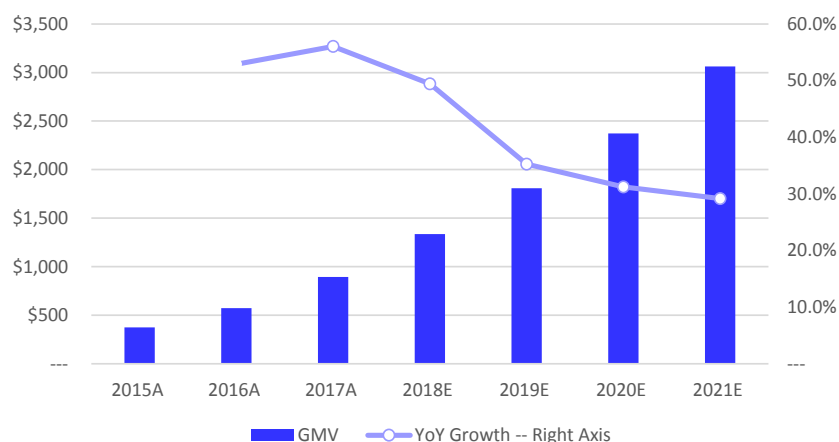
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Figure 46: Platform GMV ('000s)



Source: Company Documents; Deutsche Bank

Cohort Analysis Suggests Potential for Upside to our GMV Estimates

Cohort data Farfetch disclosed in its F-1 filing points to conservatism in our GMV forecasts if the company can (1) continue to see steady cohort performance from active buyers added in the last few years and those added this year and (2) if the company can continue to efficiently add new buyers. In a super-bull scenario, we see \$551M of potential Platform GMV upside, or about 23% above our estimate for \$2,372M in GMV in 2020. We walk through how we constructed our cohort assumptions below and the pieces of upside by each year.

Our first exercise was to map out the cohorts along the lines of what the company disclosed in the F-1 report, which we did with an old-fashioned ruler.

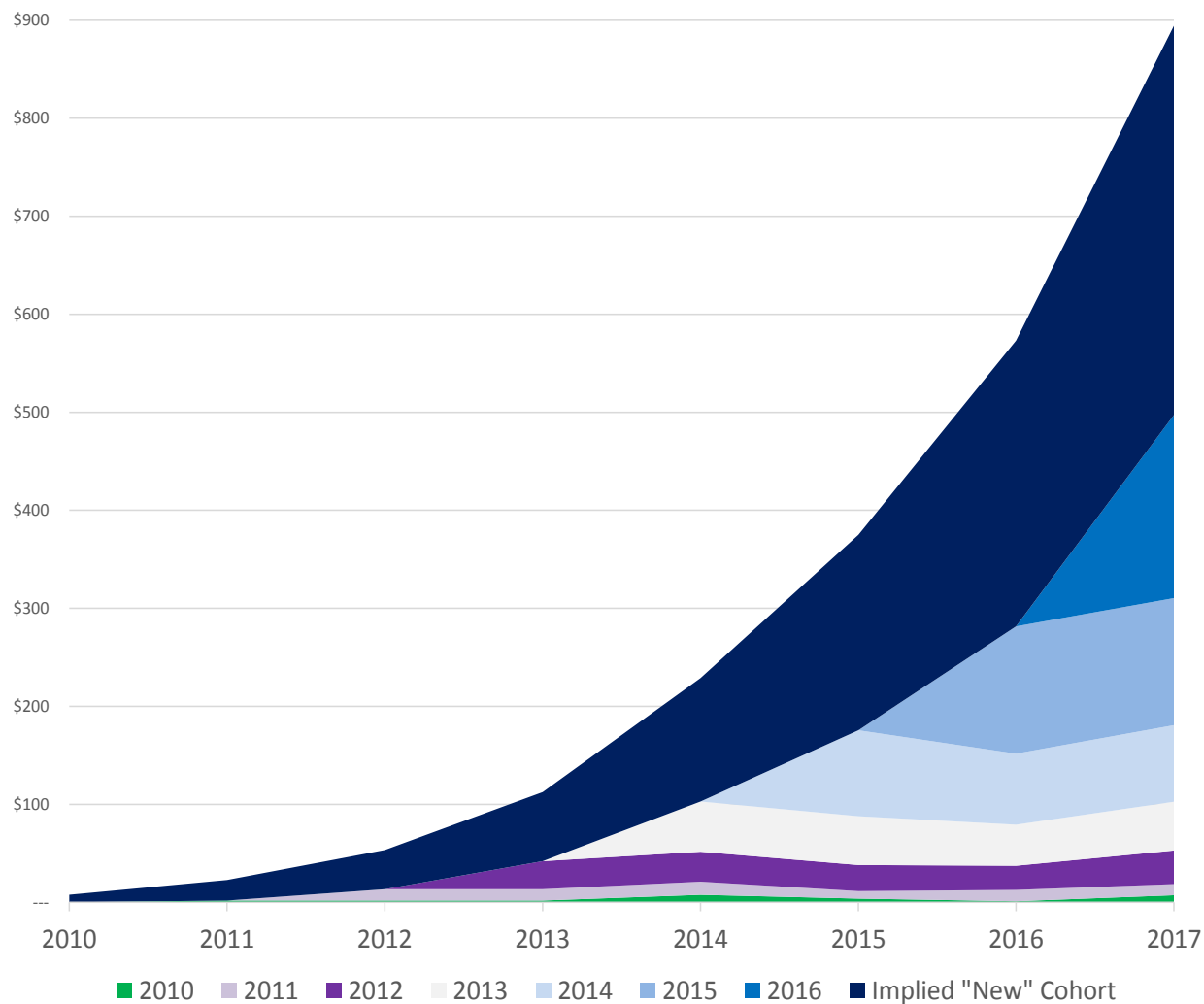
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Figure 47: Farfetch Platform GMV by Cohort



Source: Farfetch F-1 reconstructed by Deutsche Bank

We next turned that data into an analysis of how cohorts age as a percentage of Year 1 revenue over the seven-year period.

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Figure 48: Farfetch cohort performance - Platform GMV retention rates

% of Original GMV Repeated in Next Years

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
2010	100.0%	25.0%	25.0%	25.0%	100.0%	50.2%	14.4%
2011	100.0%	54.5%	54.5%	63.6%	36.4%	54.5%	54.5%
2012	100.0%	71.4%	76.2%	66.7%	61.9%	85.7%	
2013	100.0%	73.0%	70.3%	59.5%	70.3%		
2014	100.0%	69.7%	57.6%	62.1%			
2015	100.0%	65.0%	65.0%				
2016	100.0%	64.1%					
2017	100.0%						
Median	100.0%	65.0%	61.3%	62.1%	66.1%	54.5%	34.5%

Source: Farfetch F-1 and Deutsche Bank

Finally, we took the median performance in Years 1 through 7 coming off the data we had and used that to extrapolate how each historical cohort would likely perform going forward. As we moved out in age for older cohorts there are fewer and fewer datapoints to use, making the forecast less reliable. Given the expanding product assortment and improving performance with each cohort, we have assumed slightly above-median forecasts in out-years for a few of the oldest cohorts. Looking forward in our projections, each year's "new" cohort in our base case is simply our total Platform GMV forecast minus the sum of the performance from the existing cohorts.

Figure 49: Projections for Farfetch Platform GMV by Cohort

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
2010		\$2	\$2	\$2	\$8	\$4	\$1	\$7	\$7	\$7	\$7
2011			11	11	13	8	11	11	11	11	11
2012				29	31	27	25	34	18	18	18
2013					51	50	42	50	46	31	38
2014						88	72	78	83	81	39
2015							130	130	124	132	129
2016								187	179	181	193
2017									258	243	247
2018E										397	374
2019E											459
2020E											
Total of Prior Cohorts		\$2	\$13	\$42	\$103	\$175	\$281	\$497	\$726	\$1,102	\$1,515
				214%	145%	70%	60%	77%	46%		
Implied "New" Cohort	\$8	\$21	\$40	\$71	\$126	\$199	\$292	\$397	\$611	\$705	\$857
Growth (Y/Y) in New			91%	76%	78%	58%	46%	36%	54%	16%	22%
Total Platform GMV (DBe)						\$375	\$573	\$894	\$1,337	\$1,808	\$2,372
Growth (Y/Y) Total Platform GMV							53%	56%	49%	35%	31%

Source: Farfetch F-1 and Deutsche Bank

They key conclusions on the revenue side are:

- Farfetch is seeing strong growth in its 2018 "new" cohort in 2018, up an estimated 54% in 2018, assuming they deliver our total estimates and the old cohorts perform as they have historically. This compares to an average new cohort growth of 41% over the prior two years.
- The strong new cohort in 2018 could lead to nice upside in 2019, assuming it performs similarly to prior contacts. **Assuming it does perform in line, the "new cohort" in 2019 could come in at the same level as in 2018 - with no growth - and hit our 2019 Platform GMV**

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numbers. Alternatively, if they can grow the new cohort in 2019 ~45% y/y (the average annual growth rate from 2016 through 2018) to \$888M, it could result in \$182M in upside to our 2019 GMV estimate, or 10%.

Figure 50: Farfetch "New Cohort" in 2019 could drive 10% Platform GMV Upside growing at historical levels

2019 New Cohort Growing in line with recent history	
2018 New Cohort	\$611
Average growth in New Cohort	45%
Bull Case Growth in New GMV	888
Existing DB New GMV Estimate	705
Upside to GMV	182
Total Platform GMV - 2019 (DBe)	1,808
Upside as a % of GMV Estimate	10%

Source: Farfetch F-1 and Deutsche Bank

- Looking to 2020, if the "new cohort" in 2019 and 2020 grow at the 45% level (the average annual growth rate from 2016 through 2018) , and the higher bull case 2019 new cohort ages similar to historical cohorts, **it could add \$286M to our 2020 Platform GMV estimate, or 12%. This 2020 bull case, however, assumes 45% growth off of our existing 2019 estimates rather than the 2019 "bull case" in the bullet above...**

Figure 51: Farfetch "New Cohort" in 2020 could drive 12% Platform GMV Upside growing at historical levels

2020 New Cohort Growing in line with history off DB base 2019	
2019 New Cohort	\$705
Average growth in New Cohort	45%
Bull Case Growth in New GMV	1,025
Existing DB New GMV Estimate	857
Upside to GMV - new cohort	168
2018 Upside from above production in '19	65.0% 119
Total 2019 GMV upside	286
Total Platform GMV - 2020 (DBe)	2,372
Upside as a % of GMV Estimate	12%

Source: Farfetch F-1 and Deutsche Bank

- ...but if our **2020 New cohort grows 45% on top of \$888M in the 2019 Bull Case New Cohort, the compounding benefit would add an additional \$286M in GMV in 2020.** We see this very much as a stretch outcome but highlight this to show how our estimates could be conservative if the company executes flawlessly and the macro backdrop remains favorable.

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Figure 52: Farfetch "New Cohort" in 2019 and 2020 could drive 23% Platform GMV Upside in Super-bull Case

2020 New Cohort Growing in line with history off DB Bull 2019		
2019 New Cohort - DB bull case		888
Average growth in New Cohort		45%
Bull Case Growth in New GMV		1,290
Existing DB New GMV Estimate		857
Upside to GMV - new cohort		433
2018 Upside from above production in '19	65.0%	119
Total 2019 GMV upside		551
Total Platform GMV - 2020 (DBe)		2,372
Upside as a % of GMV Estimate		23%

Source: Farfetch F-1 and Deutsche Bank

Putting it all together, we provide an overview of where Platform GMV could migrate to in a bull scenario.

Figure 53: Summary Bull Case On Platform GMV

	2018	2019	2020
DB GMV	\$1,337	\$1,808	2,372
Upside in Bull case	-	182	551
Bull Case Platform GMV	1,337	1,990	2,924
Y/Y Growth	49%	49%	47%
Base Case Platform GMV	\$1,337	\$1,808	\$2,372
Delta		10%	23%

Source: Farfetch F-1 and Deutsche Bank

Demand gen expense incorporates limited contribution margin from new cohorts

Finally we looked at our base case assumptions around cohorts to get a sense for how the demand generation expense was likely to look given most of this spend is to drive new cohort product. Our conclusion is that our demand generation expenses embed a healthy conservatism and could see more operating leverage over the next few years than we have forecast.

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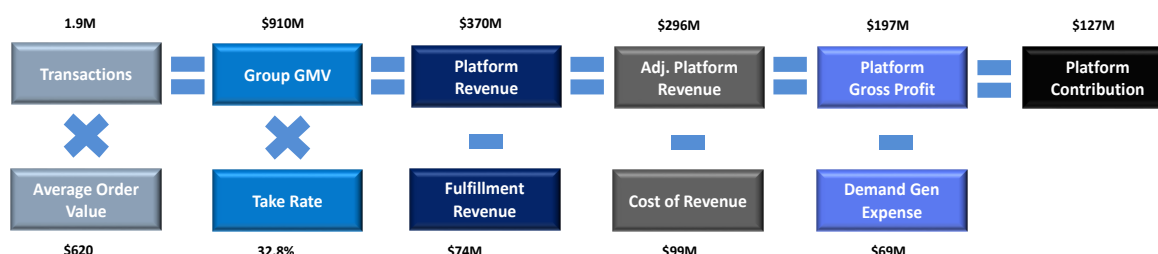
Figure 54: Cohort analysis shows conservative contribution margins

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Repeat GMV	---	\$2	\$13	\$42	\$103	\$175	\$281	\$497	\$726	\$1,102	\$1,515
YoY Change			600.0%	214.3%	145.5%	70.4%	60.4%	76.7%	46.0%	51.8%	37.4%
Repeat GMV as % of Total	---	8.3%	25.0%	37.3%	45.0%	46.8%	49.1%	55.6%	54.3%	61.0%	63.9%
New Customers											
New GMV	\$8	\$21	\$40	\$71	\$126	\$199	\$292	\$397	\$611	\$705	\$857
YoY Change		175.0%	90.9%	76.2%	78.4%	58.5%	46.3%	36.1%	53.7%	15.5%	21.6%
(x) Take Rate						30.0%	31.3%	32.8%	30.7%	29.6%	29.5%
(=) Revenue from New Customer Orders						\$60	\$91	\$130	\$188	\$209	\$253
(x) Gross Margins						51.0%	48.3%	53.1%	50.6%	50.5%	53.3%
(=) Gross Profit Contribution from New Customer Orders						\$30	\$44	\$69	\$95	\$105	\$135
(-) Demand Generation Expense for New Customers						\$27	\$39	\$55	\$73	\$96	\$116
YoY Change							41.6%	43.0%	31.7%	31.1%	20.9%
% Allocated to New Customers						80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
% of GMV						7.3%	6.8%	6.2%	5.5%	5.3%	4.9%
CAC per New Order						\$54	\$50	\$51	\$47	\$48	\$46
YoY Change							(8.6)%	3.1%	(8.6)%	1.4%	(3.9)%
Contribution Dollars/CAC Ratio						1.12x	1.14x	1.25x	1.30x	1.10x	1.16x
(=) Net Contribution Dollars from New Customers						\$3	\$5	\$14	\$22	\$10	\$19
Contribution dollars as a % of revenue						5%	6%	11%	12%	5%	8%

Source: Farfetch F-1 and Deutsche Bank

Attractive Economics

Figure 55: Business Model (Illustrated Using 2017 Financials)



Source: Company Documents; Deutsche Bank

Take Rates Better than Most Marketplaces

Farfetch garnered ~33% take rate on GMV in 2017, significantly higher than the ~31% reported in 2016, but take rates are expected to decline to less than 31% in 2018. By 2021, we are projecting further take rate declines to just above 29%, driven by a change in seller/GMV mix, including more brands (especially the stronger brands that can command better economics versus individual boutiques) and department stores over time.

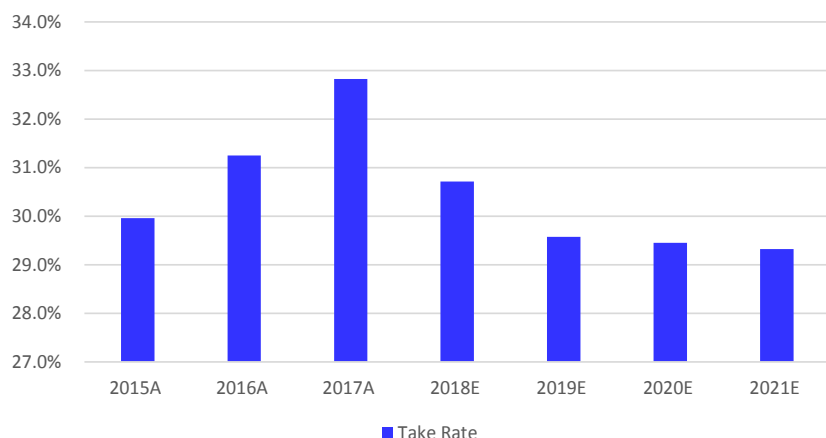
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Figure 56: Farfetch – Take Rate



Source: Company Documents; Deutsche Bank

Although we are projecting take rates to decline over the medium term, Farfetch's take rates are significantly higher than other marketplaces. We view this as attractive in that it demonstrates the extent of value that Farfetch creates for third party sellers on the platform and the scale of demand generation. But this is also a risk as it invites competition and is unlikely to move meaningfully higher, in our view.

Figure 57: Farfetch's Take Rate Attractive Versus Other Marketplaces

	Farfetch	eBay	ANGI Homeservices	airbnb	Uber	HomeAway	Zillow	GrubHub	OpenTable
Vertical	eCommerce -- Luxury Products	eCommerce	Home Services	Accommodation Rentals	Ride Sharing	Vacation Rentals	Real Estate	Food Delivery	Restaurant Reservations
Total Addressable Market (TAM)	\$300B+	\$1,700B	\$400B	~\$185B	\$310B	\$100B	\$77B	\$54B	\$3,000B
Gross Transaction Value (or GMV)	~\$900M	\$82B	\$17B	\$9B	\$22B	\$4.7B	\$3.2B	\$2.4B	\$11B
Market Share	<1%	5%	4%	5%	7%	5%	4%	4%	<1%
Take Rate	33%	8%	3%-4%	10%-12%	25%	10%	15%	15%	2%-3%

Source: Company Documents; Deutsche Bank

We Expect Strong Top Line Growth to Continue

Farfetch reported ~\$386M in revenue in 2017, up 59% YoY, driven largely by GMV growth. We expect revenue to increase at 34% CAGR to ~\$1.2B by 2021.

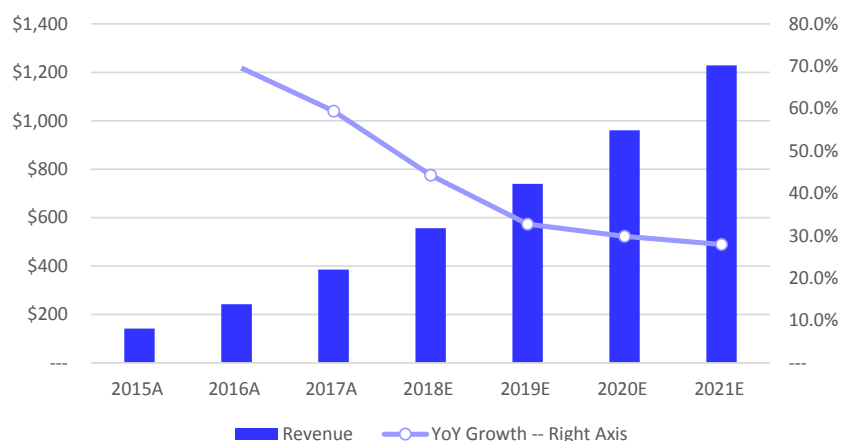
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Figure 58: Farfetch – Revenue (In Millions)

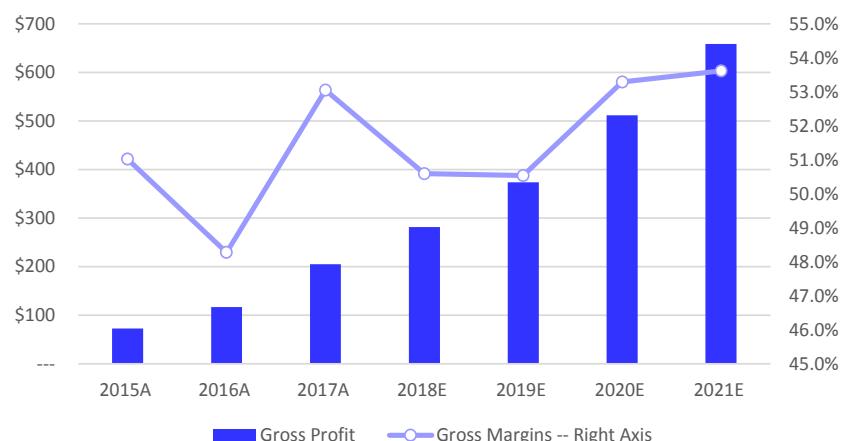


Source: Company Documents; Deutsche Bank

Gross Margins Likely to Remain Robust

Farfetch reported ~\$205M in gross profits in 2017, or 53.1% margins. Although gross margins have declined YoY in 1H18 on higher mix of 1P sales, investment in logistics, and lower take rates, we expect gross margins to improve in the future from better economies of scale in shipping/logistics, faster ramp of 3P sales, and higher contribution from Black & White.

Figure 59: Farfetch – Gross Profits (In Millions)



Source: Company Documents; Deutsche Bank

Investing in Demand Generation Expense to Drive Growth

Farfetch reported ~\$69M in demand generation expense in 2017, or \$36.79 per order during the year, down from \$38.41 in 2016 and \$42.67 in 2015. We expect the expense to decline to \$33.33 in 2018, and then further to just under \$31 by 2021, as the flywheel gains further momentum.

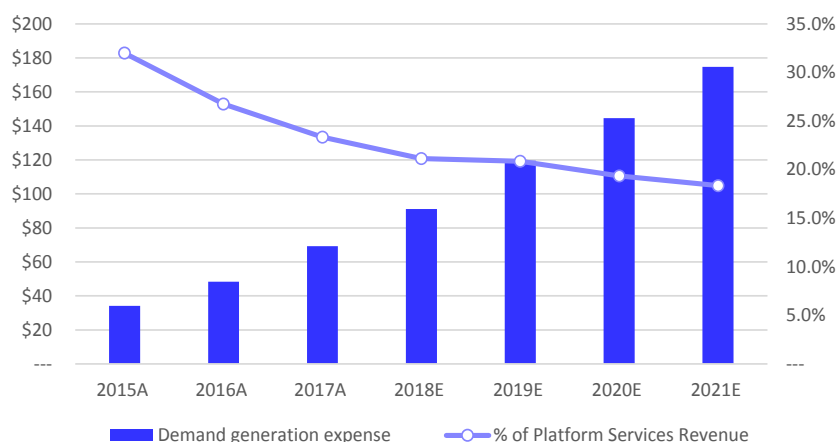
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Figure 60: Farfetch – Demand Generation Expense (In Millions)

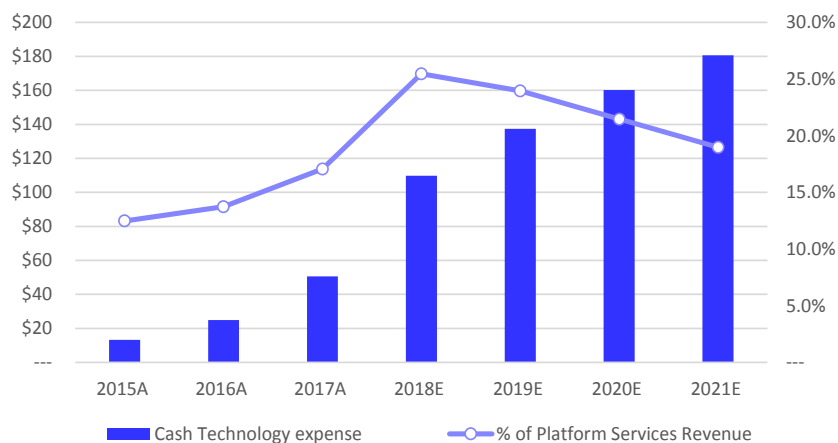


Source: Company Documents; Deutsche Bank

Tech & Content Spend Growth Likely to Slow Down to More Stable Levels

Farfetch reported ~\$51M in cash tech & content expense in 2017, up 104% YoY, of which about 60% was expensed and the balance capitalized.

Figure 61: Farfetch – Cash Tech & Content Expense (In Millions)



Source: Company Documents; Deutsche Bank

Farfetch has historically capitalized a significant portion of the tech & content spend as it has been building up the platform and capabilities. While the overall cash spend is likely to slow down from 2019 onwards, the expensed portion will increase substantially, which will continue to drive the expense excluding D&A higher as % of revenue.

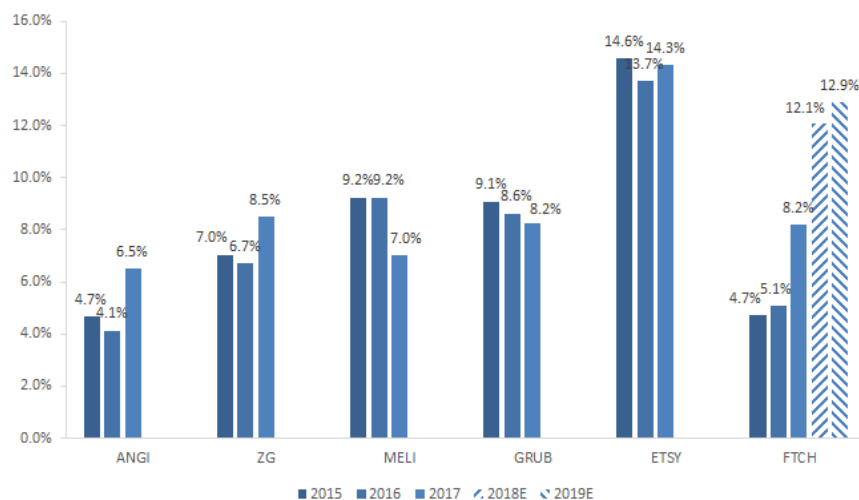
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Figure 62: Tech & Content ex D&A as a % of Revenue

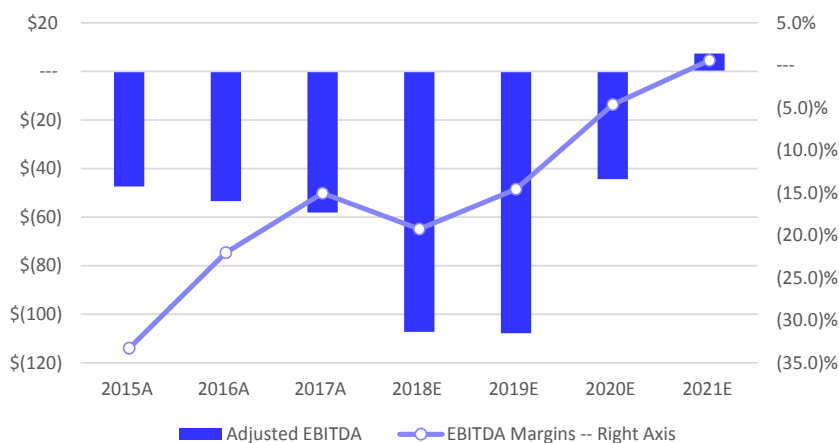


Source: Deutsche Bank estimates & company reports

Expect EBITDA Break-even by 2021 as Farfetch Continues to Invest in Growth

We believe Farfetch is likely to continue to invest in growth for the foreseeable future as online adoption improves, driven by both higher smartphone usage and improving penetration in markets like China where luxury shopping has traditionally been outside of the country. Consequently, we expect the company to reach EBITDA break-even only by 2021, with the margins likely to trough in 2018.

Figure 63: Farfetch – Adjusted EBITDA (In Millions)



Source: Company Documents; Deutsche Bank

Financials

Figure 64: Revenue Drivers ('000s)

Farfetch Limited - Revenue Drivers															
(In '000s, unless otherwise noted)	2015A	2016A	1Q17A	2Q17A	3Q17A	4Q17A	2017A	1Q18A	2Q18A	3Q18E	4Q18E	2018E	2019E	2020E	2021E
Revenue															
Revenue by Segment															
Browns In-Store Sales	\$6,894	\$12,668	\$3,715	\$3,616	\$4,339	\$3,764	\$15,434	\$4,021	\$3,170	\$4,686	\$4,065	\$15,942	\$18,083	\$19,711	\$21,090
Platform Services Revenue	106,794	180,937	59,581	71,898	66,148	98,723	296,350	96,150	113,616	88,517	132,623	430,906	572,935	746,490	952,117
Fulfillment revenue	28,617	48,511	16,129	17,632	16,426	23,995	74,182	22,535	28,016	23,641	35,812	110,003	148,282	193,968	255,398
Total Revenue	\$142,305	\$242,116	\$79,425	\$93,146	\$86,913	\$126,482	\$385,966	\$122,706	\$144,801	\$116,844	\$172,501	\$556,851	\$739,301	\$960,168	\$1,228,605
Q/Q Growth	---	---	(3.6)%	17.3%	(6.7)%	45.5%	---	(3.0)%	18.0%	(19.3)%	47.6%	---	---	---	---
YoY Growth	---	70.1%	81.4%	51.7%	59.4%	53.4%	59.4%	54.5%	55.5%	34.4%	36.4%	44.3%	32.8%	29.9%	28.0%
Browns In-Store Sales															
Browns In-Store Sales	\$6,894	\$12,668	\$3,715	\$3,616	\$4,339	\$3,764	\$15,434	\$4,021	\$3,170	\$4,686	\$4,065	\$15,942	\$18,083	\$19,711	\$21,090
YoY Growth	---	83.8%	40.9%	10.8%	23.9%	15.3%	21.8%	8.2%	(12.3)%	8.0%	8.0%	3.3%	13.4%	9.0%	7.0%
Platform Services Revenue															
Active Consumers	416	652	723	794	865	936	936	1,022	1,123	1,193	1,291	1,291	1,705	2,046	2,393
YoY Growth	75.4%	56.8%	52.2%	48.7%	45.9%	43.6%	43.6%	41.4%	41.5%	38.0%	38.0%	38.0%	32.0%	20.0%	17.0%
(x) Number of Orders per Active Consumer in the Per	1.93	1.93	0.53	0.59	0.49	0.64	2.01	0.57	0.65	0.50	0.64	2.12	2.09	2.22	2.37
YoY Growth	---	0.4%	3.2%	(3.3)%	4.2%	2.5%	4.0%	6.2%	9.7%	1.8%	---	5.3%	(1.1)%	5.8%	6.8%
(=) Number of Orders	800	1,260	385	468	428	600	1,881	578	727	601	828	2,734	3,569	4,532	5,666
YoY Growth	---	57.4%	57.1%	43.8%	52.0%	47.2%	49.3%	50.2%	55.3%	40.5%	38.0%	45.4%	30.5%	27.0%	25.0%
(x) Average Order Value (Actual)	\$587	\$584	\$581	\$600	\$605	\$670	\$620	\$647	\$602	\$605	\$670	\$633	\$654	\$673	\$694
YoY Growth	---	(0.5)%	3.0%	3.8%	7.7%	9.2%	6.2%	11.3%	0.3%	---	---	2.1%	3.3%	3.0%	3.0%
(=) Platform Gross Transaction Value (GTV)	\$469,730	\$735,222	\$223,779	\$281,077	\$258,866	\$402,336	#####	\$374,244	\$437,567	\$363,706	\$555,224	\$1,730,740	\$2,333,010	\$3,051,811	\$3,929,207
YoY Growth	---	56.5%	61.8%	49.2%	63.6%	60.7%	58.6%	67.2%	55.7%	40.5%	38.0%	48.4%	34.8%	30.8%	28.8%
(-) Returns	\$(98,643)	\$(172,395)	\$(53,707)	\$(70,269)	\$(64,716)	\$(100,584)	\$(289,277)	\$(93,561)	\$(109,392)	\$(90,927)	\$(138,806)	\$(432,685)	\$(583,253)	\$(762,953)	\$(982,302)
% of GTV	21.0%	23.4%	24.0%	25.0%	25.0%	25.0%	24.8%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
(=) Marketplace Gross Merchandize Value (GMV)	\$371,087	\$562,827	\$170,072	\$210,808	\$194,149	\$301,752	\$876,781	\$280,683	\$328,175	\$272,780	\$416,418	\$1,298,055	\$1,749,758	\$2,288,858	\$2,946,905
YoY Growth	---	51.7%	59.7%	45.3%	60.4%	58.6%	55.8%	65.0%	55.7%	40.5%	38.0%	48.0%	34.8%	30.8%	28.8%
(+) Other Platform, Including Black & White GMV	\$3,828	\$10,347	\$2,941	\$3,387	\$6,111	\$5,172	\$17,610	\$9,302	\$7,198	\$10,911	\$11,104	\$38,515	\$57,922	\$83,398	\$117,198
YoY Growth	---	170.3%	190.7%	141.8%	45.8%	38.2%	70.2%	216.3%	112.5%	78.5%	114.7%	118.7%	50.4%	44.0%	40.5%
(=) Platform Gross Merchandize Value (GMV)	\$374,915	\$573,174	\$173,013	\$214,195	\$200,260	\$306,924	\$894,392	\$289,985	\$335,373	\$283,691	\$427,522	\$1,336,571	\$1,807,680	\$2,372,256	\$3,064,103
YoY Growth	---	52.9%	60.9%	46.3%	59.9%	58.2%	56.0%	67.6%	56.6%	41.7%	39.3%	49.4%	35.2%	31.2%	29.2%
(-) Fulfillment Revenue	\$(28,617)	\$(48,512)	\$(16,129)	\$(17,632)	\$(16,426)	\$(23,995)	\$(74,182)	\$(22,535)	\$(28,016)	\$(23,641)	\$(35,812)	\$(110,003)	\$(148,282)	\$(193,968)	\$(255,398)
YoY Growth	---	69.5%	143.1%	37.2%	48.1%	33.8%	52.9%	39.7%	58.9%	43.9%	49.2%	48.3%	34.8%	30.8%	31.7%
(-) Browns 1P GMV/Revenue (Selling on Farfetch)	\$(4,351)	\$(24,697)	\$(9,099)	\$(9,915)	\$(8,930)	\$(12,431)	\$(40,374)	\$(19,570)	\$(20,705)	\$(15,003)	\$(22,903)	\$(78,181)	\$(116,651)	\$(148,776)	\$(181,726)
% of GTV	0.9%	3.4%	4.1%	3.5%	3.4%	3.1%	3.5%	5.2%	4.7%	4.1%	4.1%	4.5%	5.0%	4.9%	4.6%
(=) 3P GMV	\$341,947	\$499,965	\$147,786	\$186,647	\$174,905	\$270,498	\$779,836	\$247,880	\$286,652	\$245,047	\$368,807	\$1,148,386	\$1,542,747	\$2,029,512	\$2,626,978
YoY Growth	---	46.2%	52.6%	49.0%	61.7%	59.4%	56.0%	67.7%	53.6%	40.1%	36.3%	47.3%	34.3%	31.6%	29.4%
(x) 3P Take Rate	30.0%	31.3%	34.2%	33.2%	32.7%	31.9%	32.8%	30.9%	32.4%	30.0%	29.8%	30.7%	29.6%	29.5%	29.3%
Y/Y Change (In bps)	---	129	269	371	131	(42)	157	(327)	(80)	(271)	(215)	(211)	(114)	(13)	(13)
(=) 3P Platform Services Revenue	\$102,443	\$156,239	\$50,483	\$61,983	\$57,219	\$86,292	\$255,976	\$76,580	\$92,911	\$73,514	\$109,720	\$352,725	\$456,285	\$597,714	\$770,391
YoY Growth	---	52.5%	65.7%	67.7%	68.4%	57.4%	63.8%	51.7%	49.9%	28.5%	27.2%	37.8%	29.4%	31.0%	28.9%
(+) Browns 1P GMV/Revenue	\$4,351	\$24,697	\$9,099	\$9,915	\$8,930	\$12,431	\$40,374	\$19,570	\$20,705	\$15,003	\$22,903	\$78,181	\$116,651	\$148,776	\$181,726
YoY Growth	---	467.6%	125.5%	19.1%	50.2%	94.4%	63.5%	115.1%	108.8%	68.0%	84.2%	93.6%	49.2%	27.5%	22.1%
(=) Total Platform Services Revenue	\$106,794	\$180,937	\$59,581	\$71,898	\$66,148	\$98,723	\$296,350	\$96,150	\$113,616	\$88,517	\$132,623	\$430,906	\$572,935	\$746,490	\$952,117
YoY Growth	---	69.4%	72.7%	58.8%	65.7%	61.2%	63.8%	61.4%	58.0%	33.8%	34.3%	45.4%	33.0%	30.3%	27.5%
Fulfillment revenue															
Fulfillment revenue	\$28,617	\$48,512	\$16,129	\$17,632	\$16,426	\$23,995	\$74,182	\$22,535	\$28,016	\$23,641	\$35,812	\$110,003	\$148,282	\$193,968	\$255,398
YoY Growth	---	69.5%	143.1%	37.2%	48.1%	33.8%	52.9%	39.7%	58.9%	43.9%	49.2%	48.3%	34.8%	30.8%	31.7%
% of GTV	6.1%	6.6%	7.2%	6.3%	6.3%	6.0%	6.4%	6.0%	6.4%	6.5%	6.5%	6.4%	6.4%	6.4%	6.5%
Revenue per Order	\$35.75	\$38.51	\$41.89	\$37.66	\$38.41	\$39.98	\$39.44	\$38.97	\$38.54	\$39.34	\$43.24	\$40.23	\$41.55	\$42.79	\$45.08

Source: Company Documents; Deutsche Bank



Figure 65: Cost of Revenue and Gross Profits by Segment ('000s)

Farfetch Limited - Cost of Revenue and Gross Profits															
(In '000s, unless otherwise noted)															
	2015A	2016A	1Q17A	2Q17A	3Q17A	4Q17A	2017A	1Q18A	2Q18A	3Q18E	4Q18E	2018E	2019E	2020E	2021E
Cost of Revenue															
Total Cost of Revenue	\$69,702	\$125,238	\$36,571	\$41,652	\$41,224	\$61,753	\$181,200	\$61,533	\$69,109	\$59,565	\$84,911	\$275,118	\$365,665	\$448,469	\$569,899
YoY Growth	---	79.7%	77.3%	19.4%	49.7%	46.4%	44.7%	68.3%	65.9%	44.5%	37.5%	51.8%	32.9%	22.6%	27.1%
% of Revenue	49.0%	51.7%	46.0%	44.7%	47.4%	48.8%	46.9%	50.1%	47.7%	51.0%	49.2%	49.4%	49.5%	46.7%	46.4%
YoY Operating Leverage (In bps)	---	(275)	107	1,211	308	236	478	(410)	(301)	(355)	(40)	(246)	(5)	275	32
Platform Cost of Revenue	\$66,056	\$117,686	\$34,951	\$39,795	\$39,316	\$59,889	\$173,952	\$59,319	\$67,410	\$57,176	\$82,818	\$266,722	\$356,345	\$438,015	\$559,135
YoY Growth	---	78.2%	81.7%	20.5%	56.2%	48.8%	47.8%	69.7%	69.4%	45.4%	38.3%	53.3%	33.6%	22.9%	27.7%
% of Platform + Fulfillment Revenue	48.8%	51.3%	46.2%	44.4%	47.6%	48.8%	46.9%	50.0%	47.6%	51.0%	49.2%	49.3%	49.4%	46.6%	46.3%
YoY Operating Leverage (In bps)	---	(251)	60	1,237	173	204	434	(382)	(315)	(337)	(37)	(236)	(10)	283	27
Browns Cost of Revenue	\$3,646	\$7,552	\$1,620	\$1,857	\$1,908	\$1,864	\$7,248	\$2,214	\$1,699	\$2,389	\$2,094	\$8,396	\$9,320	\$10,454	\$10,764
YoY Growth	---	107.1%	16.6%	(0.2)%	(19.3)%	(3.8)%	(4.0)%	36.6%	(8.5)%	25.2%	12.4%	15.8%	11.0%	12.2%	---
% of Brown's Revenue	52.9%	59.6%	43.6%	51.3%	44.0%	49.5%	47.0%	55.1%	53.6%	51.0%	51.5%	52.7%	51.5%	53.0%	51.0%
YoY Operating Leverage (In bps)	---	(673)	908	565	2,353	985	1,265	(1,144)	(226)	(700)	(200)	(570)	112	(150)	200
Gross Profit															
Total Gross Profit	\$72,603	\$116,878	\$42,854	\$51,494	\$45,689	\$64,729	\$204,766	\$61,173	\$75,692	\$57,279	\$87,589	\$281,733	\$373,636	\$511,699	\$658,706
YoY Growth	---	61.0%	85.1%	94.3%	69.4%	60.9%	75.2%	42.7%	47.0%	25.4%	35.3%	37.6%	32.6%	37.0%	28.7%
Total Gross Margins	51.0%	48.3%	54.0%	55.3%	52.6%	51.2%	53.1%	49.9%	52.3%	49.0%	50.8%	50.6%	50.5%	53.3%	53.6%
YoY Operating Leverage (In bps)	---	(275)	107	1,211	308	236	478	(410)	(301)	(355)	(40)	(246)	(5)	275	32
Platform Gross Profit	\$69,355	\$111,762	\$40,759	\$49,735	\$43,258	\$62,828	\$196,581	\$59,366	\$74,222	\$54,982	\$85,617	\$274,187	\$364,872	\$502,443	\$648,380
YoY Growth	---	61.1%	86.1%	98.1%	67.4%	61.5%	75.9%	45.6%	49.2%	27.1%	36.3%	39.5%	33.1%	37.7%	29.0%
Platform Gross Margins	64.9%	61.8%	68.4%	69.2%	65.4%	63.6%	66.3%	61.7%	65.3%	62.1%	64.6%	63.6%	63.7%	67.3%	68.1%
YoY Operating Leverage (In bps)	---	(317)	494	1,373	66	9	457	(667)	(385)	(328)	92	(270)	5	362	79
Platform Gross Profit as a % of Platform GMV	18%	19%	24%	23%	22%	20%	22%	20%	22%	19%	20%	21%	20%	21%	21%
YoY Operating Leverage (In bps)	---	100	319	608	97	41	248	(309)	(109)	(222)	(44)	(147)	(33)	100	(2)
Browns Gross Profit	\$3,248	\$5,116	\$2,095	\$1,759	\$2,431	\$1,901	\$8,185	\$1,807	\$1,470	\$2,297	\$1,972	\$7,547	\$8,763	\$9,256	\$10,326
YoY Growth	---	57.5%	67.9%	25.3%	113.6%	43.3%	60.0%	(13.7)%	(16.4)%	(5.5)%	3.7%	(7.8)%	16.1%	5.6%	4194.5%
Brown's Gross Margins	47.1%	40.4%	56.4%	48.7%	56.0%	50.5%	53.0%	44.9%	46.4%	49.0%	48.5%	47.3%	48.5%	47.0%	49.0%
YoY Operating Leverage (In bps)	---	(673)	908	565	2,353	985	1,265	(1,144)	(226)	(700)	(200)	(570)	112	(150)	200

Source: Company Documents; Deutsche Bank



Figure 66: Operating Expenses ('000s)

Farfetch Limited - Operating Expenses															
(In '000s, unless otherwise noted)	2015A	2016A	1Q17A	2Q17A	3Q17A	4Q17A	2017A	1Q18A	2Q18A	3Q18E	4Q18E	2018E	2019E	2020E	2021E
Selling, general and administrative															
Selling, general and administrative															
Demand generation expense	\$34,158	\$48,381	\$12,429	\$16,694	\$16,824	\$23,255	\$69,202	\$19,363	\$21,895	\$20,964	\$28,919	\$91,142	\$119,506	\$144,510	\$174,795
Technology expense	6,741	12,269	5,078	6,050	8,335	12,147	31,611	13,896	17,135	17,572	18,624	67,227	95,278	120,212	144,504
Depreciation and amortization	3,104	6,897	2,313	2,706	2,932	3,029	10,980	4,875	5,464	5,683	6,105	22,126	29,557	36,737	39,525
Share based payments	6,505	19,848	3,770	4,752	5,249	7,716	21,486	6,567	5,957	20,744	6,718	39,985	26,557	27,137	47,388
General and administrative	79,565	118,163	29,537	42,433	41,150	52,861	165,981	51,572	62,078	57,278	59,740	230,668	266,616	291,394	314,534
Total Selling, general and administrative	\$130,073	\$205,558	\$53,127	\$72,635	\$74,490	\$99,008	\$299,260	\$96,272	\$112,529	\$122,240	\$120,107	\$451,148	\$537,515	\$619,990	\$720,746
YoY Growth	---	58.0%	31.5%	26.3%	44.0%	77.1%	45.6%	81.2%	54.9%	64.1%	21.3%	50.8%	19.1%	15.3%	16.3%
% of Revenue	91.4%	84.9%	66.9%	78.0%	85.7%	78.3%	77.5%	78.5%	77.7%	104.6%	69.6%	81.0%	72.7%	64.6%	58.7%
YoY Operating Leverage (In bps)	---	650	2,541	1,566	921	(1,045)	737	(1,157)	27	(1,891)	865	(348)	831	813	591
Demand generation expense															
Demand generation expense	\$34,158	\$48,381	\$12,429	\$16,694	\$16,824	\$23,255	\$69,202	\$19,363	\$21,895	\$20,964	\$28,919	\$91,142	\$119,506	\$144,510	\$174,795
YoY Growth	---	41.6%	8.6%	59.7%	50.9%	51.6%	43.0%	55.8%	31.2%	24.6%	24.4%	31.7%	31.1%	20.9%	21.0%
% of Platform Services Revenue	32.0%	26.7%	20.9%	23.2%	25.4%	23.6%	23.4%	20.1%	19.3%	23.7%	21.8%	21.2%	20.9%	19.4%	18.4%
YoY Operating Leverage (In bps)	---	525	1,229	(13)	249	149	339	72	395	175	175	220	29	150	100
% of GTV	7.3%	6.6%	5.6%	5.9%	6.5%	5.8%	5.9%	5.2%	5.0%	5.8%	5.2%	5.3%	5.1%	4.7%	4.4%
Cost of acquisition per Order	\$42.67	\$38.41	\$32.28	\$35.66	\$39.34	\$38.75	\$36.79	\$33.48	\$30.12	\$34.89	\$34.92	\$33.33	\$33.49	\$31.88	\$30.85
YoY Growth	---	(10.0)%	(30.9)%	11.1%	(0.7)%	3.0%	(4.2)%	3.7%	(15.5)%	(11.3)%	(9.9)%	(9.4)%	0.5%	(4.8)%	(3.2)%
Cost of acquisition per net new active customer	\$191.15	\$205.03	\$175.00	\$235.05	\$236.88	\$327.42	\$243.58	\$224.54	\$216.55	\$298.49	\$295.05	\$256.31	\$289.20	\$423.88	\$502.66
YoY Growth	---	7.3%	(9.8)%	32.6%	25.4%	25.9%	18.8%	28.3%	(7.9)%	26.0%	(9.9)%	5.2%	12.8%	46.6%	18.6%
Technology expense															
Technology expense	\$6,741	\$12,269	\$5,078	\$6,050	\$8,335	\$12,147	\$31,611	\$13,896	\$17,135	\$17,572	\$18,624	\$67,227	\$95,278	\$120,212	\$144,504
Capitalized development costs	\$6,583	\$12,586	\$3,392	\$4,834	\$6,229	\$4,542	\$18,997	\$8,681	\$10,630	\$10,770	\$12,416	\$42,497	\$42,063	\$40,071	\$36,126
Cash Technology expense	\$13,324	\$24,855	\$8,470	\$10,884	\$14,564	\$16,689	\$50,608	\$22,578	\$27,765	\$28,341	\$31,040	\$109,724	\$137,341	\$160,282	\$180,630
YoY Growth	---	86.5%	88.8%	78.1%	160.6%	92.5%	103.6%	166.6%	155.1%	94.6%	86.0%	116.8%	25.2%	16.7%	12.7%
% of Platform Services Revenue	12.5%	13.7%	14.2%	15.1%	22.0%	16.9%	17.1%	23.5%	24.4%	32.0%	23.4%	25.5%	24.0%	21.5%	19.0%
YoY Operating Leverage (In bps)	---	(126)	(122)	(164)	(802)	(275)	(334)	(927)	(930)	(1,000)	(650)	(839)	149	250	250
% Capitalized	49.4%	50.6%	40.0%	44.4%	42.8%	27.2%	37.5%	38.5%	38.3%	38.0%	40.0%	38.7%	30.6%	25.0%	20.0%
Share based payments															
Share based payments	\$6,505	\$19,848	\$3,770	\$4,752	\$5,249	\$7,716	\$21,486	\$6,567	\$5,957	\$20,744	\$6,718	\$39,985	\$26,557	\$27,137	\$29,852
YoY Growth	---	205.1%	50.1%	(10.7)%	(14.7)%	31.7%	8.3%	74.2%	25.4%	295.2%	(12.9)%	86.1%	(33.6)%	2.2%	10.0%
% of Platform Services Revenue	6.1%	11.0%	6.3%	6.6%	7.9%	7.8%	7.3%	6.8%	5.2%	23.4%	5.1%	9.3%	4.6%	3.6%	3.1%
YoY Operating Leverage (In bps)	---	(488)	95	514	748	175	372	(50)	137	(1,550)	275	(203)	464	100	50
General and administrative															
General and administrative	\$79,565	\$118,163	\$29,537	\$42,433	\$41,150	\$52,861	\$165,981	\$51,572	\$62,078	\$57,278	\$59,740	\$230,668	\$266,616	\$291,394	\$314,534
YoY Growth	---	48.5%	25.6%	13.2%	36.7%	95.3%	40.5%	74.6%	46.3%	39.2%	13.0%	39.0%	15.6%	9.3%	7.9%
% of Platform Services Revenue	74.5%	65.3%	49.6%	59.0%	62.2%	53.5%	56.0%	53.6%	54.6%	64.7%	45.0%	53.5%	46.5%	39.0%	33.0%
YoY Operating Leverage (In bps)	---	920	1,854	2,379	1,319	(935)	930	(406)	438	(250)	850	248	700	750	600

Source: Company Documents; Deutsche Bank



Figure 67: Segment Economics ('000s)

Farfetch Limited - Segment Economics															
(In '000s, unless otherwise noted)															
Segment Economics -- Online Platform	2015A	2016A	1Q17A	2Q17A	3Q17A	4Q17A	2017A	1Q18A	2Q18A	3Q18E	4Q18E	2018E	2019E	2020E	2021E
Group GMV															
Browns In-Store Sales	\$6,894	\$12,668	\$3,715	\$3,616	\$4,339	\$3,764	\$15,434	\$4,021	\$3,170	\$4,686	\$4,065	\$15,942	\$18,083	\$19,711	\$21,090
Platform GMV	374,915	573,174	173,013	214,195	200,260	306,924	894,392	289,985	335,373	283,691	427,522	1,336,571	1,807,680	2,372,256	3,064,103
Total Group GMV	\$381,809	\$585,842	\$176,728	\$217,810	\$204,599	\$310,688	\$909,826	\$294,006	\$338,543	\$288,377	\$431,588	\$1,352,513	\$1,825,763	\$2,391,966	\$3,085,193
YoY Growth	---	53.4%	60.4%	45.5%	58.9%	57.5%	55.3%	66.4%	55.4%	40.9%	38.9%	48.7%	35.0%	31.0%	29.0%
Platform GMV															
3P GMV	\$341,947	\$499,965	\$147,786	\$186,647	\$174,905	\$270,498	\$779,836	\$247,880	\$286,652	\$245,047	\$368,807	\$1,148,386	\$1,542,747	\$2,029,512	\$2,626,978
1P GMV/Revenue	4,351	24,697	9,099	9,915	8,930	12,431	40,374	19,570	20,705	15,003	22,903	78,181	116,651	148,776	181,726
Fulfillment Revenue	28,617	48,512	16,129	17,632	16,426	23,995	74,182	22,535	28,016	23,641	35,812	110,003	148,282	193,968	255,398
Total Platform GMV	\$381,809	\$585,842	\$176,728	\$217,810	\$204,599	\$310,688	\$909,826	\$294,006	\$338,543	\$288,377	\$431,588	\$1,352,513	\$1,825,763	\$2,391,966	\$3,085,193
YoY Growth	---	53.4%	60.4%	45.5%	58.9%	57.5%	55.3%	66.4%	55.4%	40.9%	38.9%	48.7%	35.0%	31.0%	29.0%
Revenue -- IFRS															
3P Platform Services Revenue	\$102,443	\$156,239	\$50,483	\$61,983	\$57,219	\$86,292	\$255,976	\$76,580	\$92,911	\$73,514	\$109,720	\$352,725	\$456,285	\$597,714	\$770,391
1P GMV/Revenue	4,351	24,697	9,099	9,915	8,930	12,431	40,374	19,570	20,705	15,003	22,903	78,181	116,651	148,776	181,726
Fulfillment Revenue	28,617	48,512	16,129	17,632	16,426	23,995	74,182	22,535	28,016	23,641	35,812	110,003	148,282	193,968	255,398
Total Revenue -- IFRS	\$135,411	\$229,448	\$75,710	\$89,530	\$82,574	\$122,718	\$370,532	\$118,685	\$141,631	\$112,158	\$168,435	\$540,909	\$721,218	\$940,458	\$1,207,515
YoY Growth	---	69.4%	84.0%	54.0%	61.9%	55.0%	61.5%	56.8%	58.2%	35.8%	37.3%	46.0%	33.3%	30.4%	28.4%
Adjusted Platform Revenue															
3P Platform Services Revenue	\$102,443	\$156,239	\$50,483	\$61,983	\$57,219	\$86,292	\$255,976	\$76,580	\$92,911	\$73,514	\$109,720	\$352,725	\$456,285	\$597,714	\$770,391
1P GMV/Revenue	4,351	24,697	9,099	9,915	8,930	12,431	40,374	19,570	20,705	15,003	22,903	78,181	116,651	148,776	181,726
Total Adjusted Platform Revenue	\$106,794	\$180,936	\$59,581	\$71,898	\$66,148	\$98,723	\$296,350	\$96,150	\$113,616	\$88,517	\$132,623	\$430,906	\$572,935	\$746,490	\$952,117
YoY Growth	---	69.4%	72.7%	58.8%	65.7%	61.2%	63.8%	61.4%	58.0%	33.8%	34.3%	45.4%	33.0%	30.3%	27.5%
Cost of Revenue															
3P Platform Services Costs	\$34,920	\$53,260	\$14,399	\$16,576	\$18,516	\$29,119	\$78,611	\$25,032	\$27,258	\$25,137	\$34,065	\$111,492	\$141,968	\$157,518	\$201,900
1P Cost of Revenue	2,519	15,914	4,423	5,587	4,374	6,775	21,159	11,752	12,136	8,398	12,941	45,228	66,095	86,529	101,837
Fulfillment Costs -- Charged to Customers	28,617	48,512	16,129	17,632	16,426	23,995	74,182	22,535	28,016	23,641	35,812	110,003	148,282	193,968	255,398
Total Cost of Revenue	\$66,056	\$117,686	\$34,951	\$39,795	\$39,316	\$59,889	\$173,952	\$59,319	\$67,410	\$57,176	\$82,818	\$266,722	\$356,345	\$438,015	\$559,135
YoY Growth	---	78.2%	81.7%	20.5%	56.2%	48.8%	47.8%	69.7%	69.4%	45.4%	38.3%	53.3%	33.6%	22.9%	27.7%
Platform Gross Profit															
3P Platform Services Profits	\$67,523	\$102,979	\$36,084	\$45,407	\$38,702	\$57,173	\$177,366	\$51,547	\$65,653	\$48,377	\$75,656	\$241,233	\$314,317	\$440,196	\$568,491
1P Gross Profits	1,832	8,783	4,676	4,328	4,556	5,655	19,215	7,818	8,569	6,605	9,962	32,954	50,555	62,247	79,889
Total Platform Gross Profit	\$69,355	\$111,762	\$40,759	\$49,735	\$43,258	\$62,828	\$196,581	\$59,366	\$74,222	\$54,982	\$85,617	\$274,187	\$364,872	\$502,443	\$648,380
% of Adj Platform Revenue	64.9%	61.8%	68.4%	69.2%	65.4%	63.6%	66.3%	61.7%	65.3%	62.1%	64.6%	63.6%	63.7%	67.3%	68.1%
Demand Generation Expense	\$34,158	\$48,381	\$12,429	\$16,694	\$16,824	\$23,255	\$69,202	\$19,363	\$21,895	\$20,964	\$28,919	\$91,142	\$119,506	\$144,510	\$174,795
% of Adj Platform Revenue	32.0%	26.7%	20.9%	23.2%	25.4%	23.6%	23.4%	20.1%	19.3%	23.7%	21.8%	21.2%	20.9%	19.4%	18.4%
Platform Order Contribution	\$35,197	\$63,381	\$28,330	\$33,041	\$26,434	\$39,573	\$127,379	\$40,003	\$52,326	\$34,018	\$56,698	\$183,045	\$245,366	\$357,933	\$473,585
% of Adj Platform Revenue	33.0%	35.0%	47.5%	46.0%	40.0%	40.1%	43.0%	41.6%	46.1%	38.4%	42.8%	42.5%	42.8%	47.9%	49.7%

Source: Company Documents; Deutsche Bank



Figure 68: Income Statement ('000s)

Farfetch Limited - Income Statement															
(In '000s, unless otherwise noted)	2015A	2016A	1Q17A	2Q17A	3Q17A	4Q17A	2017A	1Q18A	2Q18A	3Q18E	4Q18E	2018E	2019E	2020E	2021E
GAAP Income Statement															
Revenue	\$142,305	\$242,116	\$79,425	\$93,146	\$86,913	\$126,482	\$385,966	\$122,706	\$144,801	\$116,844	\$172,501	\$556,851	\$739,301	\$960,168	\$1,228,605
Cost of Revenue	69,702	125,238	36,571	41,652	41,224	61,753	181,200	61,533	69,109	59,565	84,911	275,118	365,665	448,469	569,899
Gross Profit	\$72,603	\$116,878	\$42,854	\$51,494	\$45,689	\$64,729	\$204,766	\$61,173	\$75,692	\$57,279	\$87,589	\$281,733	\$373,636	\$511,699	\$658,706
Gross Margin	51.0%	48.3%	54.0%	55.3%	52.6%	51.2%	53.1%	49.9%	52.3%	49.0%	50.8%	50.6%	50.5%	53.3%	53.6%
Selling, general and administrative	\$130,073	\$205,558	\$53,127	\$72,635	\$74,490	\$99,008	\$299,260	\$96,272	\$112,529	\$122,240	\$120,107	\$451,148	\$537,515	\$619,990	\$720,746
Share of profits of associates	---	(18)	(7)	(8)	(8)	(8)	(31)	---	(24)	(24)	(24)	(72)	(96)	(96)	(96)
Operating Income	\$(57,470)	\$(88,662)	\$(10,266)	\$(21,133)	\$(28,793)	\$(34,271)	\$(94,463)	\$(35,099)	\$(36,813)	\$(64,937)	\$(32,494)	\$(169,343)	\$(163,783)	\$(108,195)	\$(61,944)
Operating Margin	(40.4)%	(36.6)%	(12.9)%	(22.7)%	(33.1)%	(27.1)%	(24.5)%	(28.6)%	(25.4)%	(55.6)%	(18.8)%	(30.4)%	(22.2)%	(11.3)%	(5.0)%
Net finance (costs)/income	\$(4,265)	\$7,402	\$1,085	\$605	\$839	\$20,171	\$(17,642)	\$15,101	\$19,320	\$1,745	\$2,432	\$8,396	\$8,445	\$20,184	\$20,184
Other expense, net	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Income (Loss) Before Income Taxes	\$(61,735)	\$(81,260)	\$(9,181)	\$(20,528)	\$(27,954)	\$(54,442)	\$(112,105)	\$(50,200)	\$(17,493)	\$(63,192)	\$(30,062)	\$(160,947)	\$(155,338)	\$(88,011)	\$(41,761)
Income tax expense	628	(199)	(152)	582	(226)	(374)	(170)	(527)	(187)	(434)	(46)	(1,193)	(606)	(343)	(163)
Tax Rate	1.0%	(0.2)%	(1.7)%	2.8%	(0.8)%	(0.7)%	(0.2)%	(0.7)%	(0.2)%	(0.7)%	(0.2)%	(0.7)%	(0.4)%	(0.4)%	(0.4)%
Net Income/(Loss)	\$(61,106)	\$(81,460)	\$(9,333)	\$(19,947)	\$(28,180)	\$(54,815)	\$(112,276)	\$(50,727)	\$(17,680)	\$(63,626)	\$(30,107)	\$(162,140)	\$(155,944)	\$(88,355)	\$(41,924)
Income (loss) per share from continuing operations															
Basic EPS	\$(1.82)	\$(2.21)	\$(0.24)	\$(0.48)	\$(0.64)	\$(1.18)	\$(2.62)	\$(1.18)	\$(0.41)	\$(1.47)	\$(0.69)	\$(3.76)	\$(3.59)	\$(2.03)	\$(0.94)
Diluted EPS	(1.82)	(2.21)	(0.24)	(0.48)	(0.64)	(1.18)	(2.62)	(1.18)	(0.41)	(1.47)	(0.69)	(3.76)	(3.59)	(2.02)	(0.94)
YoY Growth	---	21.5%	(52.8)%	(47.0)%	37.8%	232.1%	18.5%	397.9%	(14.3)%	129.8%	(41.3)%	43.4%	(4.4)%	(43.8)%	(53.5)%
Shares Outstanding (Basic)	33,610	36,865	39,266	41,667	44,068	46,469	42,867	42,867	43,082	43,297	43,514	43,190	43,515	43,842	44,719
Shares Outstanding (Fully Diluted)	33,610	36,865	39,266	41,667	44,068	46,469	42,867	42,867	43,082	43,297	43,514	43,190	43,515	43,842	44,719
Adjusted EBITDA															
Net Income/(Loss)	\$(61,106)	\$(81,460)	\$(9,333)	\$(19,947)	\$(28,180)	\$(54,815)	\$(112,276)	\$(50,727)	\$(17,680)	\$(63,626)	\$(30,107)	\$(162,140)	\$(155,944)	\$(88,596)	\$(41,924)
Net finance (costs)/income	4,265	(7,402)	(1,085)	(605)	(839)	20,171	17,642	15,101	(19,320)	(1,745)	(2,432)	(8,396)	(8,445)	(20,184)	(20,184)
Income tax expense	(628)	199	152	(582)	226	374	170	527	187	434	46	1,193	606	343	163
Depreciation and amortization	3,104	6,897	2,313	2,706	2,932	3,029	10,980	4,875	5,464	5,683	6,105	22,126	29,557	36,737	39,525
Share based payments	6,505	19,848	3,770	4,752	5,249	7,716	21,486	6,567	5,957	20,744	6,718	39,985	26,557	27,137	29,852
Other items	486	8,554	(31)	4,504	1,100	(1,622)	3,950	0	(0)	---	---	0	---	---	---
Share of results of associates	---	(18)	(7)	(8)	(8)	(8)	(31)	---	(24)	(24)	(24)	(72)	(96)	(96)	(96)
Adjusted EBITDA	\$(47,374)	\$(53,382)	\$(4,221)	\$(9,180)	\$(19,521)	\$(25,156)	\$(58,078)	\$(23,658)	\$(25,417)	\$(38,534)	\$(19,695)	\$(107,303)	\$(107,764)	\$(44,416)	\$7,337
Q/Q Growth	---	---	(9.7)%	117.5%	112.6%	28.9%	(6.0)%	7.4%	51.6%	(48.9)%	---	---	---	---	---
YoY Growth	---	12.7%	(69.5)%	(45.3)%	8.1%	437.9%	8.8%	460.4%	176.9%	97.4%	(21.7)%	84.8%	0.4%	(58.8)%	(116.5)%
EBITDA Margin	(33.3)%	(22.0)%	(5.3)%	(9.9)%	(22.5)%	(19.9)%	(15.0)%	(19.3)%	(17.6)%	(33.0)%	(11.4)%	(19.3)%	(14.6)%	(4.6)%	0.6%
YoY Margin Leverage (In bps)	---	1,124	2,633	1,749	1,068	(1,422)	700	(1,396)	(770)	(1,052)	847	(422)	469	995	522
Incremental EBITDA Margins	---	(6.0)%	27.0%	24.0%	(4.5)%	(46.5)%	(3.3)%	(44.9)%	(31.4)%	(63.5)%	11.9%	(28.8)%	(0.3)%	28.7%	19.3%
Adjusted Net Income															
Net Income/(Loss)	\$(61,106)	\$(81,460)	\$(9,333)	\$(19,947)	\$(28,180)	\$(54,815)	\$(112,276)	\$(50,727)	\$(17,680)	\$(63,626)	\$(30,107)	\$(162,140)	\$(155,944)	\$(88,355)	\$(41,924)
Share based payments	6,505	19,848	3,770	4,752	5,249	7,716	21,486	6,567	5,957	20,744	6,718	39,985	26,557	27,137	29,852
Adjusted Net Income	\$(54,601)	\$(61,612)	\$(5,563)	\$(15,195)	\$(22,932)	\$(47,100)	\$(90,790)	\$(44,161)	\$(11,724)	\$(42,882)	\$(23,389)	\$(122,155)	\$(129,387)	\$(61,218)	\$(12,072)
Adjusted EPS	(1.62)	(1.69)	(0.14)	(0.36)	(0.52)	(1.01)	(2.04)	(1.03)	(0.27)	(0.99)	(0.54)	(2.83)	(2.98)	(1.40)	(0.27)
Shares Outstanding (Fully Diluted)	33,610	36,865	39,266	41,667	44,068	46,469	42,867	42,867	43,082	43,297	43,514	43,190	43,515	43,842	44,719

Source: Company Documents; Deutsche Bank



Figure 69: Balance Sheet ('000s)

Farfetch Limited - Balance Sheet														
(In '000s, unless otherwise noted)	2016A	1Q17A	2Q17A	3Q17A	4Q17A	2017A	1Q18A	2Q18A	3Q18E	4Q18E	2018E	2019E	2020E	2021E
Assets														
Non-current assets														
Trade and other receivables	\$5,367	\$5,966	\$6,489	\$8,145	\$9,193	\$9,193	\$9,706	\$9,916	\$9,916	\$9,916	\$9,916	\$9,916	\$9,916	\$9,916
Intangible assets	42,943	45,225	60,971	66,837	74,041	74,041	82,177	83,908	90,796	99,012	99,012	121,788	138,335	147,514
Property, plant and equipment	15,795	17,834	20,366	21,435	26,696	26,696	31,171	33,783	35,721	46,753	46,753	51,269	57,259	67,717
Investments	---	---	---	---	278	278	289	272	272	272	272	272	272	272
Investments in associates	23	31	40	49	58	58	60	79	79	79	79	79	79	79
Total non-current assets	\$64,128	\$69,055	\$87,866	\$96,466	\$110,266	\$110,266	\$123,404	\$127,958	\$136,784	\$156,033	\$156,033	\$183,324	\$205,861	\$225,498
Current assets														
Inventories	\$13,591	\$18,723	\$24,110	\$45,446	\$50,610	\$50,610	\$57,439	\$55,633	\$66,091	\$69,985	\$69,985	\$96,557	\$118,550	\$151,746
Trade and other receivables	17,281	32,944	53,206	47,163	18,180	18,180	50,743	79,931	66,812	25,324	25,324	34,973	45,896	59,444
Cash and cash equivalents	150,032	127,238	428,141	405,275	384,002	384,002	371,344	336,982	1,075,053	1,106,167	1,106,167	993,508	956,203	987,627
Total current assets	\$180,904	\$178,905	\$505,457	\$497,885	\$452,792	\$452,792	\$479,526	\$472,547	\$1,207,956	\$1,201,476	\$1,201,476	\$1,125,039	\$1,120,649	\$1,198,817
Total assets	\$245,032	\$247,961	\$593,322	\$594,351	\$563,057	\$563,057	\$602,930	\$600,505	\$1,344,740	\$1,357,508	\$1,357,508	\$1,308,363	\$1,326,510	\$1,424,315
Liabilities and stockholders' equity														
Non-current liabilities														
Deferred tax liabilities	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Interest-bearing loans and borrowings	17,340	17,563	---	---	---	---	---	---	---	---	---	---	---	---
Provisions	3,935	4,284	4,503	4,722	5,142	5,142	5,524	6,314	6,314	6,314	6,314	6,314	6,314	6,314
Other liabilities	15,416	16,526	2,939	4,039	5,123	5,123	6,115	5,654	5,654	5,654	5,654	5,654	5,654	5,654
Total non-current liabilities	\$36,691	\$38,372	\$7,442	\$8,761	\$10,265	\$10,265	\$11,639	\$11,968	\$11,968	\$11,968	\$11,968	\$11,968	\$11,968	\$11,968
Current liabilities														
Trade and other payables	\$84,388	\$91,392	\$117,758	\$128,984	\$136,744	\$136,744	\$117,422	\$156,000	\$155,369	\$189,095	\$189,095	\$260,892	\$320,314	\$410,008
Interest-bearing loans and borrowings	2,673	2,634	---	---	---	---	---	---	---	---	---	---	---	---
Other liabilities	2,364	2,404	18,461	18,985	19,146	19,146	19,888	---	---	---	---	---	---	---
Total current liabilities	\$89,425	\$96,430	\$136,219	\$147,970	\$155,890	\$155,890	\$137,310	\$156,000	\$155,369	\$189,095	\$189,095	\$260,892	\$320,314	\$410,008
Total liabilities	\$126,116	\$134,802	\$143,661	\$156,730	\$166,155	\$166,155	\$148,949	\$167,968	\$167,337	\$201,063	\$201,063	\$272,859	\$332,282	\$421,976
Stockholders' equity:														
Share capital	\$6,192	\$6,192	\$7,086	\$7,086	\$7,086	\$7,086	\$7,315	\$7,315	\$7,315	\$7,315	\$7,315	\$7,315	\$7,315	\$7,315
Share premium	342,640	342,670	679,362	679,880	679,886	679,886	769,240	789,551	810,294	817,013	817,013	843,570	870,707	900,559
Foreign exchange reserve	(32,871)	(32,007)	(16,694)	(4,974)	633	633	20,431	(8,501)	(8,501)	(8,501)	(8,501)	(8,501)	(8,501)	(8,501)
Other reserves	19,857	22,537	26,088	29,988	38,475	38,475	44,212	49,073	49,073	49,073	49,073	49,073	49,073	49,073
Accumulated losses	(216,901)	(226,234)	(246,181)	(274,360)	(329,177)	(329,177)	(379,902)	(397,585)	319,222	291,547	291,547	144,048	75,635	53,895
Equity attributable to owners of the parent	\$118,917	\$113,158	\$449,662	\$437,621	\$396,902	\$396,902	\$453,981	\$432,537	\$1,177,403	\$1,156,446	\$1,156,446	\$1,035,504	\$994,228	\$1,002,340
Non-controlling interests	(1)	---	---	---	---	---	---	---	---	---	---	---	---	---
Total equity	\$118,916	\$113,158	\$449,662	\$437,621	\$396,902	\$396,902	\$453,981	\$432,537	\$1,177,403	\$1,156,446	\$1,156,446	\$1,035,504	\$994,228	\$1,002,340
Total liabilities and stockholders' equity	\$245,032	\$247,961	\$593,322	\$594,351	\$563,057	\$563,057	\$602,930	\$600,505	\$1,344,740	\$1,357,508	\$1,357,508	\$1,308,363	\$1,326,510	\$1,424,315

Source: Company Documents; Deutsche Bank



Figure 70: Cash Flow Statement ('000s)

Farfetch Limited - Cash Flow Statement															
(In '000s, unless otherwise noted)	2015A	2016A	1Q17A	2Q17A	3Q17A	4Q17A	2017A	1Q18A	2Q18A	3Q18E	4Q18E	2018E	2019E	2020E	2021E
Cash Flow From Operations															
Net Income(Loss) from continuing operations	\$(61,735)	\$(81,260)	\$(9,181)	\$(20,528)	\$(27,954)	\$(54,442)	\$(112,105)	\$(50,200)	\$(17,493)	\$(63,192)	\$(30,062)	\$(160,947)	\$(155,338)	\$(88,011)	\$(41,761)
Adjustments:															
Depreciation	2,427	2,451	643	819	1,045	1,141	3,648	1,453	1,662	1,802	1,905	6,821	10,270	13,213	12,578
Amortization	677	4,446	1,670	1,887	1,887	1,888	7,332	3,422	3,801	3,881	4,200	15,305	19,287	23,524	26,947
Impairment of non-current assets	---	43	---	---	---	---	---	---	---	---	---	---	---	---	---
Non-cash employee benefits expense- equity settled share based	4,803	15,339	2,707	3,630	3,931	6,310	16,578	5,737	4,861	20,744	6,718	38,060	26,557	27,137	29,852
Net (income)/loss on sale of non-current assets	(5)	261	9	---	---	33	42	(0)	93	---	---	93	---	---	---
Share of profits of associates	---	(15)	(8)	(9)	(9)	(9)	(35)	---	(24)	---	---	(24)	---	---	---
Net finance costs/(income)	115	(204)	864	(708)	(708)	(709)	(1,261)	(1,666)	(1,469)	---	---	(3,135)	---	---	---
Net exchange differences	2,048	2,073	(1,906)	(2,620)	(2,871)	19,593	12,196	(4,466)	6,028	---	---	1,563	---	---	---
Issue of warrants	---	409	---	---	---	---	---	---	---	---	---	---	---	---	---
(Increase)/decrease in the fair value of derivatives	---	(288)	---	---	---	44	44	(6)	1,535	---	---	1,529	---	---	---
Changes in working capital															
Increase in receivables	(3,647)	(9,524)	(15,667)	(20,261)	6,043	29,287	(598)	(32,562)	(29,188)	13,119	41,487	(7,143)	(9,649)	(10,923)	(13,548)
Increase in inventories	(2,838)	(6,308)	(5,133)	(3,531)	(21,336)	(5,163)	(35,163)	(6,829)	1,806	(10,458)	(3,894)	(19,375)	(26,572)	(21,993)	(33,196)
Increase in payables	14,292	19,463	8,243	30,076	11,426	(2,339)	47,406	(19,849)	26,473	(631)	33,726	39,719	71,797	59,423	89,694
Changes in other assets and liabilities															
Increase in non-current receivables	(4,747)	(619)	(598)	(524)	(1,656)	(1,048)	(3,826)	(513)	(210)	---	---	(723)	---	---	---
Increase in other liabilities	11,908	7,973	1,498	2,690	1,843	1,334	7,365	1,767	118	---	---	1,885	---	---	---
Interest paid	(12)	(1,222)	(591)	(88)	(88)	(88)	(591)	---	(42)	---	---	(42)	---	---	---
Income taxes paid	(544)	(97)	(88)	(88)	(88)	(88)	(352)	---	(199)	(434)	(46)	(678)	(606)	(585)	(163)
Net cash outflow from operating activities	\$(37,258)	\$(47,079)	\$(17,537)	\$(9,167)	\$(28,447)	\$(4,169)	\$(59,320)	\$(103,713)	\$(2,247)	\$(35,168)	\$(54,035)	\$(87,093)	\$(64,254)	\$1,785	\$70,403
Cash Flow From Investments															
Acquisition of subsidiary, net of cash acquired	\$(12,043)	---	---	---	---	\$195	\$195	---	---	---	---	---	---	---	---
Payments for property, plant and equipment	(9,429)	(6,012)	(2,389)	(2,904)	(1,668)	(5,655)	(12,616)	(5,168)	(6,092)	(3,739)	(12,938)	(27,936)	(14,786)	(19,203)	(23,036)
Payment for intangible assets	(6,583)	(12,586)	(3,392)	(4,834)	(6,229)	(4,542)	(18,997)	(8,681)	(10,630)	(10,770)	(12,416)	(42,497)	(42,063)	(40,071)	(36,126)
Interest received	479	1,637	708	708	708	709	2,833	1,666	1,512	1,745	2,432	7,354	8,445	20,184	20,184
Payment for equity investments	---	---	---	---	---	(278)	(278)	---	---	---	---	---	---	---	---
Proceeds from sale of property, plant and equipment	5	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Cash Flow from Investing	\$(27,571)	\$(16,961)	\$(5,073)	\$(7,030)	\$(7,189)	\$(9,571)	\$(28,863)	\$(12,183)	\$(15,210)	\$(12,764)	\$(22,922)	\$(63,078)	\$(48,404)	\$(39,090)	\$(38,979)
Cash Flow From Financing															
Payment for acquisition of non-controlling interest	---	\$(5,028)	---	---	---	---	---	---	---	---	---	---	---	---	---
Proceeds from issue of shares, net of issue costs	77,717	146,869	4	321,590	504	(1)	322,097	82,269	---	786,000	---	868,269	---	---	---
Repayment of loan notes	(303)	(47)	(1,758)	(20,197)	---	---	(21,955)	---	---	---	---	---	---	---	---
Proceeds from issue of loan notes, net of issue costs	---	19,379	---	---	---	---	---	---	---	---	---	---	---	---	---
Cash Flow from Financing	\$77,414	\$161,173	\$(1,754)	\$301,393	\$504	\$(1)	\$300,142	\$82,269	---	\$786,000	---	\$868,269	---	---	---
Net increase in cash and cash equivalents	\$12,585	\$97,133	\$(24,364)	\$285,196	\$(35,132)	\$(13,741)	\$211,959	\$(33,628)	\$(17,457)	\$738,068	\$31,114	\$718,097	\$(112,658)	\$(37,305)	\$31,424
Beginning Cash and Equivalents	---	72,579	150,032	127,238	428,141	405,275	150,032	384,002	371,345	336,985	1,075,053	384,002	1,106,167	993,508	956,203
Effect of exchange rates on cash	(3,447)	(19,680)	1,570	15,707	12,266	(7,532)	22,011	20,971	(16,903)	---	---	4,067	---	---	---
Ending Cash & Equivalents	\$72,579	\$150,032	\$127,238	\$428,141	\$405,275	\$384,002	\$384,002	\$371,345	\$336,985	\$1,075,053	\$1,106,167	\$1,106,167	\$993,508	\$956,203	\$987,627
Free Cash Flow (FCF)															
Free Cash Flow (CFO - Capex)	\$(53,270)	\$(65,677)	\$(23,318)	\$(16,905)	\$(36,344)	\$(14,366)	\$(90,933)	\$(117,562)	\$(18,968)	\$(49,677)	\$28,682	\$(157,526)	\$(121,103)	\$(57,489)	\$11,241
YoY Growth	---	23.3%	---	---	---	---	38.5%	404.2%	12.2%	36.7%	(299.7)%	73.2%	(23.1)%	(52.5)%	(119.6)%
FCF as % of Revenue	(37.4)%	(27.1)%	(29.4)%	(18.1)%	(41.8)%	(11.4)%	(23.6)%	(95.8)%	(13.1)%	(42.5)%	16.6%	(28.3)%	(16.4)%	(6.0)%	0.9%
FCF as % of Adjusted EBITDA	112.4%	123.0%	552.4%	184.2%	186.2%	57.1%	156.6%	496.9%	74.6%	128.9%	(145.6)%	146.8%	112.4%	129.4%	153.2%
Free Cash Flow per share	\$(1.58)	\$(1.78)	\$(0.59)	\$(0.41)	\$(0.82)	\$(0.31)	\$(2.12)	\$(2.74)	\$(0.44)	\$(1.15)	\$0.66	\$(3.65)	\$(2.78)	\$(1.31)	\$0.25

Source: Company Documents; Deutsche Bank



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Appendix 1

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Company	Ticker	Recent price*	Disclosure
Farfetch	FTCH.N	23.30 (USD) 12 Oct 2018	1, 7

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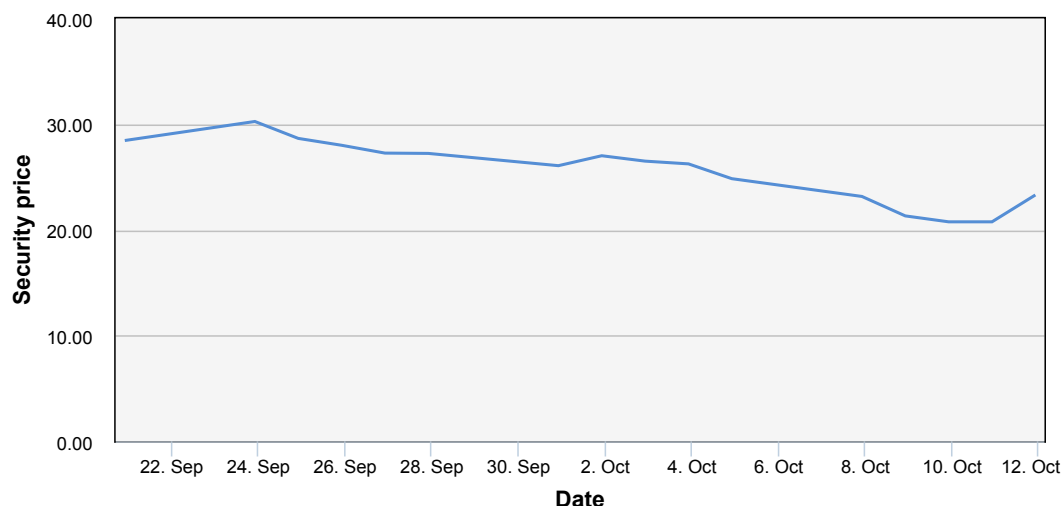
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Historical recommendations and target price. Farfetch (FTCH.N)

(as of 10/12/2018)



Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

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Equity Rating Key

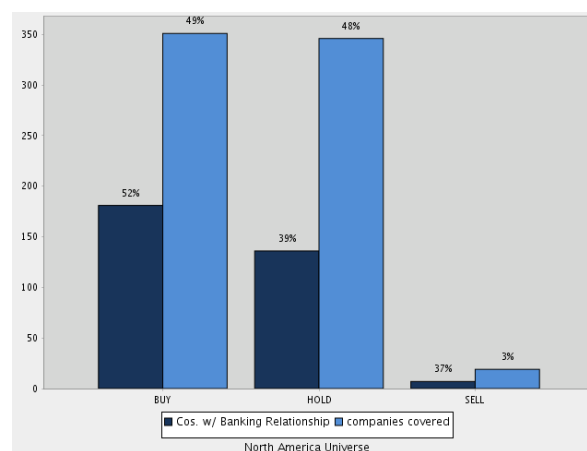
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