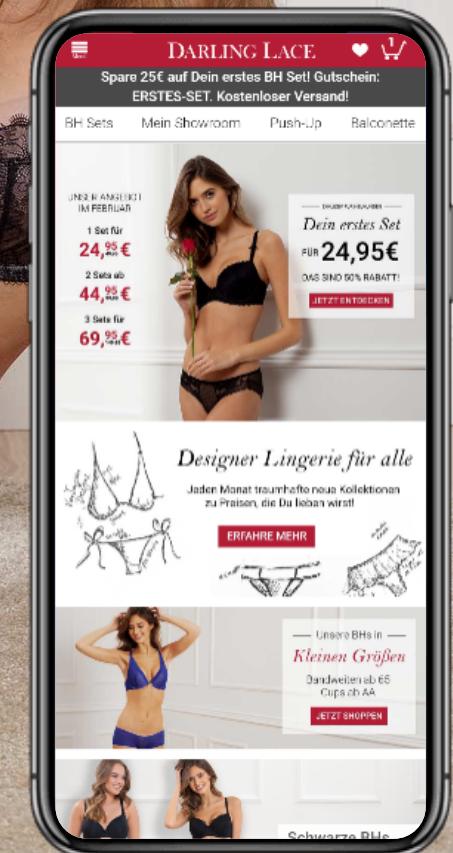


# DARLING LACE

Beautiful lingerie for all bodies, at great prices

Berlin, 03/2018





- > We are Europe's first digital native **D2C lingerie player** in a EUR 18 B industry
- > We **solve online fitting**
- > We offer **beautiful lingerie** at a **revolutionary price** point
- > We are live since January and have shipped **300 orders to date**
- > We bootstrapped our proof-of-concept and seek **500k seed investment** to grow

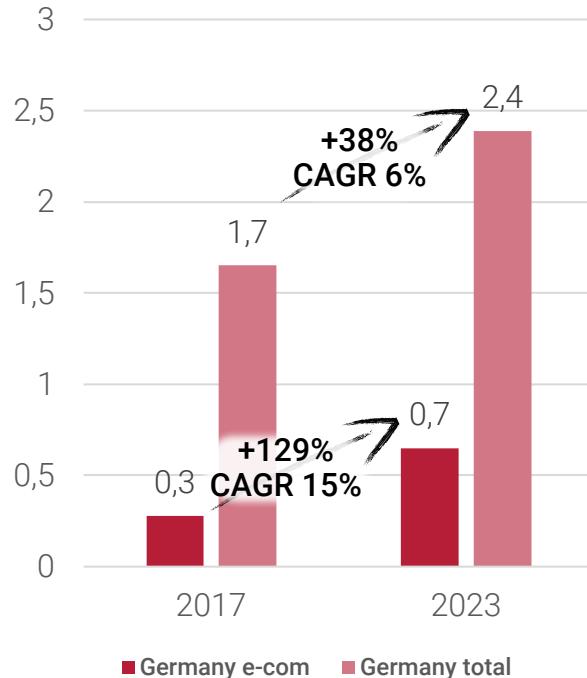
# We attack a EUR 18 B market in which e-com revenues more than double by 2023

DARLING LACE

MARKET

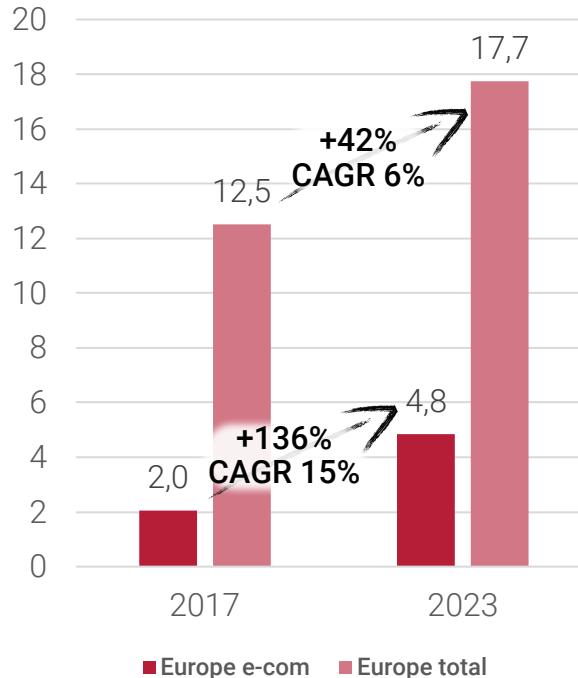
## GERMANY

Women's intimate apparel market value  
2017 to 2023, EUR B



## EUROPE

Women's intimate apparel market value  
2017 to 2023, EUR B



- > Market growth is driven by increased volume at stable prices
- > E-commerce revenue projected to more than double in next five years
- > Traditional manufacturers under pressure from vertically integrated players
- > Retention rates are at 70-85% slowing down decline of traditional manufacturers and allowing high customer acquisition cost
- > Adjacent markets offer additional revenue potential
  - > Swimwear (EUR 5+ B)
  - > Beauty products (EUR 40+ B)

Note: Women's intimate apparel includes bra, slips, corsetery and nightwear; excludes swimwear

Source: Technavio, Transparency Market Research, IMR, Statista

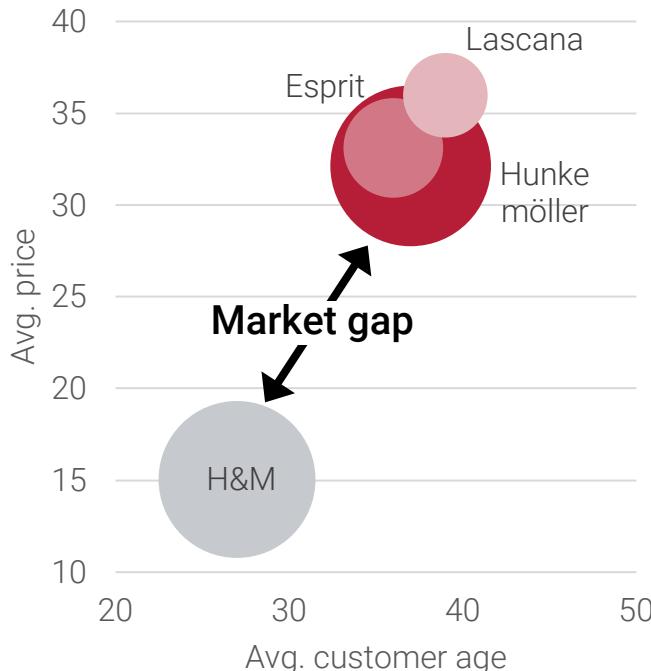
# We target a market gap in the lingerie market: millennials buying designer lingerie at attractive prices

DARLING LACE

MARKET

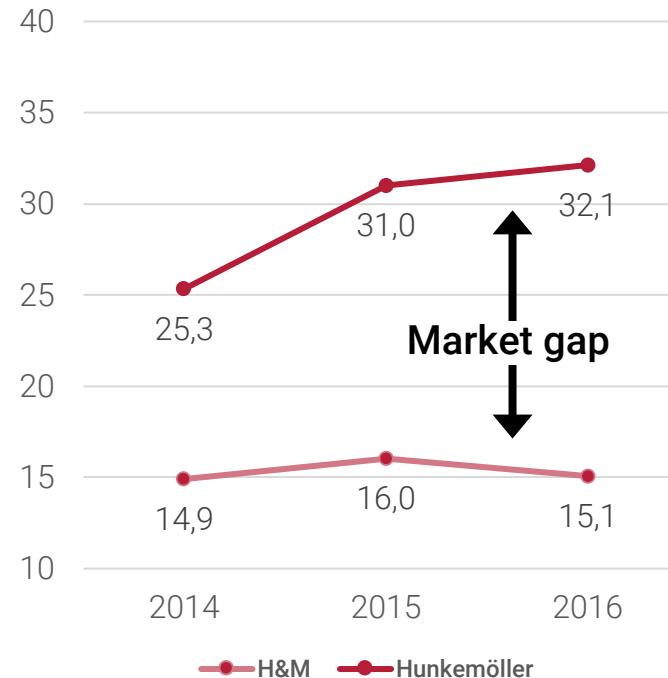
## COMPETITOR POSITIONING

Avg. net price for bra set (bra + matching slip) versus avg. customer age, German key competitors



## COMPETITOR PRICE DEVELOPMENT

Avg. net price for bra set (bra + matching slip) for Hunkemöller and H&M in Germany, 2014-2016



### Hunkemöller

- > Online share today at 12% sales, aspiration for 2021 is only 16%
- > Focus on retail with omni-channel elements and increasing prices
- > Similarity to Victoria's Secret in branding, pricing and channel strategy

### H&M

- > Online share today 14% (all categories)
- > Focus on mass-market – beautiful and fitting not focus

Source: Company reports, web research, own analysis

# Existing brands do not meet the needs of millennial mobile shoppers

DARLING LACE

PROBLEM & SOLUTION

## CUSTOMER PROBLEMS



**Beautiful lingerie is not for everybody**



**Lack of inspiration and newness**



**Online fitting is guesswork**

## OUR SOLUTION



**Beautiful Lingerie for all bodies at great prices**



**Monthly shoppable lingerie magazine**



**Best size and style recommendation**

If you care for more detail: Today, beautiful lingerie sets of bra and panty usually start at EUR 40 to 50. We target a price point of EUR 25 to 30 per set – beautiful lingerie at the price of basics. Today, choice is limited outside the core sizes 70B to 85D. We offer an inclusive size range. Today, brands are build around skinny models. We are inclusive and build our brand around natural bodies, both skinny and curvy. Today, brands present new collections every season and on their websites novelties get lost in a flood of styles. We target customers with individual monthly showrooms and shoppable content that inspire and signal newness to create demand and retention. Today, online fitting for lingerie usually starts with a measurement table – as it did decades ago. We use the power of big data and find the perfect fit through a short quiz starting from what every woman knows: her favorite bra.

### OUR COMPANY

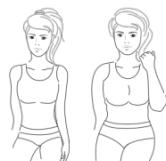
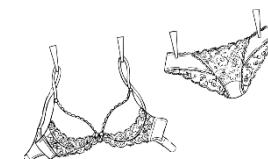
#### Beautiful Lingerie everyone

- > **Fashionable** lingerie brand that provides great **emotional value**
- > **Affordable beautiful lingerie**
- > **Inclusive size range** including focus of **marketing activities on inclusiveness** (e.g. curvy models)



#### Shoppable lingerie magazine

- > **New styles every month** – not every season
- > **Lingerie inspiration** through constant newness, User Generated Content, collections made by influencers and shoppable lingerie content



#### Best size and style recommendation

- > Best **online fitting experience** based on an innovative fit finder
- > **Personalized showroom** based on fit finder results and big data
- > Direct-to-consumer model enables full **control over fitting** and sizing

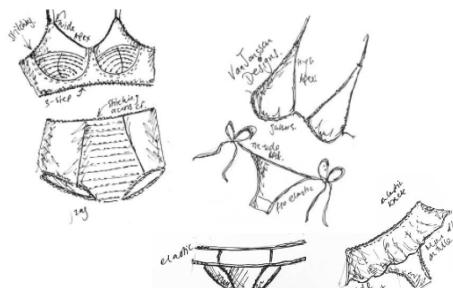
# We sell our own-branded lingerie directly to consumers and offer a subscription model

DARLING LACE

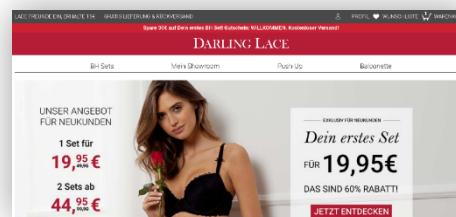
## BUSINESS MODEL



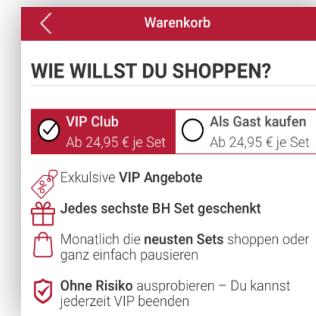
- > Sourcing of **new styles every month**
  - > Near-term: existing designs
  - > Mid-term: own designs
- > Initially re-labeling, as volume grows we source directly from manufacturers
- > Low inventories, styles sell-out quickly



- > Positioning as young, sexy, trendy – at prices of basics
  - > **Sets of bra and slip** only
  - > Young models, good pictures
  - > Monthly new styles
- > **Fitting quiz** to provide advice, create trust & reduce returns
- > **Personalized showroom** and recommendations



- > **Mobile website** (today) and **App** (future) key channels
- > **Subscription and non-subscription pricing**
  - > List prices of EUR 40 to EUR 50 per set
  - > Promotions leading to avg. price of EUR 25 for subscription and EUR 30 for non-subscription



# We achieve a CM 3 margin of 18% in 2020

DARLING LACE

## BUSINESS MODEL

EUR, per order	May-Dec 2018	2019	2020	2023
<b>Sales</b>	<b>31.20</b>	<b>32.98</b>	<b>34.35</b>	<b>34.35</b>
COGS	-17.19	-13.50	-10.50	-10.50
<b>CM 1 / Gross Margin</b>	<b>14.01</b>	<b>19.48</b>	<b>23.85</b>	<b>23.85</b>
Handling & logistics	-14.92	-13.41	-8.52	-8.52
<b>CM 2</b>	<b>-0.91</b>	<b>6.08</b>	<b>15.33</b>	<b>15.33</b>
Advertising	-20.30	-11.32	-9.07	-7.26
<b>CM 3</b>	<b>-21.21</b>	<b>-5.24</b>	<b>6.26</b>	<b>8.06</b>

- > Own-branded lingerie sourced from private label producers enables high gross margins
- > Optional subscription model increases retention
- > Retention rate of 70% leading to 2.8 orders per customer

# Attractive CAC through effective channel choice and superior conversion

DARLING LACE

MARKETING

## Acquisition channels

- > Facebook and Instagram are currently key channels
- > YouTube, snap, influencer marketing and other content driven channels will be key acquisition channels in the future



## Conversion drivers

### Best fitting



- > Fitting is key issue for online bra shopping
- > Fitting is solved by our data driven fit finder

### Lingerie inspiration



- > Monthly shoppable lingerie magazine
- > User Generated Content
- > Collections designed by influencers

### Beautiful lingerie for every body



- > Affordable beautiful lingerie
- > Inclusive size range
- > Marketing focused on inclusiveness

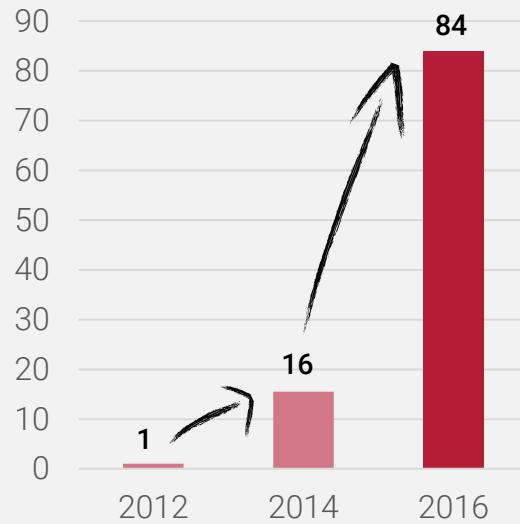
# Customer demand for fast fashion and online fitting have been proven in the U.S.

DARLING LACE

OTHER MARKETS

ADORE ME

## Sales 2012-2016, USD M



## Highlights

- > U.S. online lingerie retailer
- > Grown to USD 100+ M in sales
- > Raised USD 40 M to date
- > Valuation 2016 at USD 250+ M

## Business Model

- > Lingerie sets priced USD 20-40
- > 40 to 60 new styles every month
- > Subscription model
  - 80% of sales from subscription
  - Option to shop or skip monthly

 THIRDLove

## Highlights

- > U.S. online lingerie retailer
- > Raised USD 14 M to date
- > Reports 8% return rate

## Business Model

- > All about fit, prides itself for years of fit development
- > Fitting quiz and fitting app with image recognition
- > Rarely introduces new styles
- > Bras priced USD 70

Innovative online lingerie concept has huge growth potential

# We generate high 4-digit monthly revenues since 01/2018, DARLING LACE proving our business case

## TRACTION TODAY

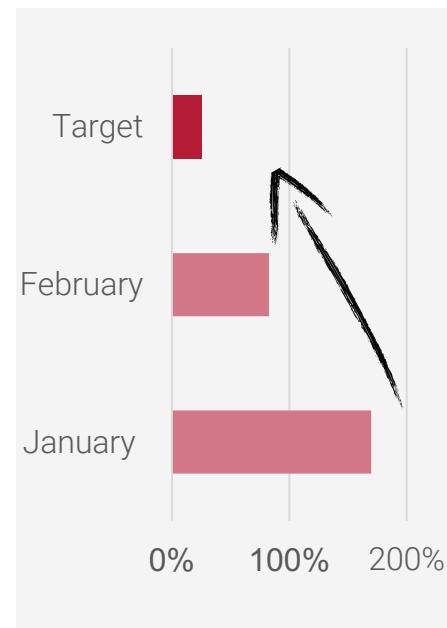
### Revenue

Net revenue per order, EUR



### Marketing

Marketing as % of revenue



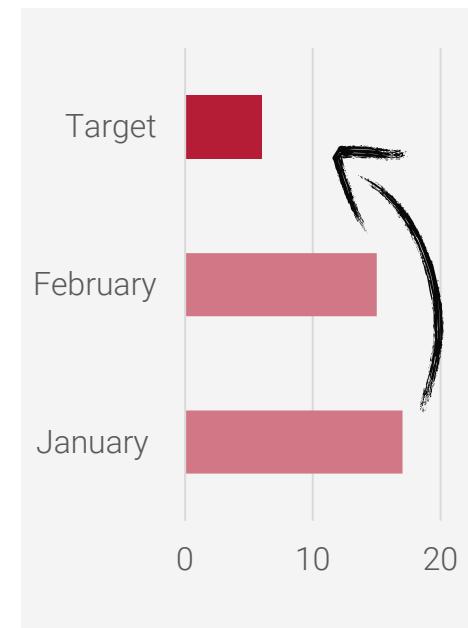
### Retention

Revenue share 2<sup>nd</sup> time buyers



### Unit cost

COGS per set of bra and slip, EUR



Bootstrapped pilot phase with ~300 orders – improvements to come from more effective marketing, better product offering and sourcing at scale

# We grow to EUR 100+ M in sales by 2023

DARLING LACE

## FINANCIALS

EUR K	May-Dec 2018	2019	2020	2021	2022	2023
<b>Sales</b>	330	4,500	17,900	50,900	89,300	110,700
<b>Gross Margin</b>	180	2,600	12,400	35,300	61,900	76,900
Shipping costs	-160	-1,800	-4,400	-12,600	-22,100	-27,500
<b>Contrib. margin</b>	20	800	8,000	22,700	39,800	49,400
Advertising costs	-210	-1,600	-4,700	-12,600	-18,600	-23,400
Organization	-180	-1,900	-5,200	-8,300	-11,700	-14,000
<b>EBITDA</b>	-370	-2,700	-1,900	1,800	9,500	12,000

- > 4-digit monthly revenue traction since January 2018 with approx. 300 orders to date (bootstrapped proof-of-concept)
- > Scaling-up sourcing and marketing with seed funding from mid 2018 onwards
- > Increased growth in 2019 once scalable business is set up and supports growth at attractive contribution margins

# Multiple attractive exit options are available

DARLING LACE

## EXIT OPTIONS

### POTENTIAL ACQUIRER

Wholesale focused



**Triumph**   
**Bendon**

Vertically integrated



**CALZEDONIA**   
**Etam**

Private equity



Native e-com



### DEAL RATIONALE

Lingerie wholesalers want to access younger customer segment and increase e-com footprint

Direct sales lingerie players leverage economies of scale and increase e-com and geographic footprint

Private equity funds consolidate fragmented industry and need a top-line story with e-com growth

Native e-com players seek to replace trade brands with own brands, capture full margin and expand geographically

Our attractive stand-alone business case does not depend on any of these exit options

# Meet the founders

DARLING LACE

TEAM



**Maximilian Fischer**

- > Responsibility: **Marketing and IT**
- > Working experience: **Roland Berger** 2012-2017
- > **Project manager** with more than **three years** experience in the **intimate apparel industry**
- > Education: **WHU** (BSc and MSc)



**Kai Philipp Winselmann**

- > Responsibility: **Operations, Product and Sourcing**
- > Working experience: **Bain & Company** 2012-2017
- > Entrepreneurial family background
- > Education: **WHU** (BSc, MSc and PhD)

# Appendix

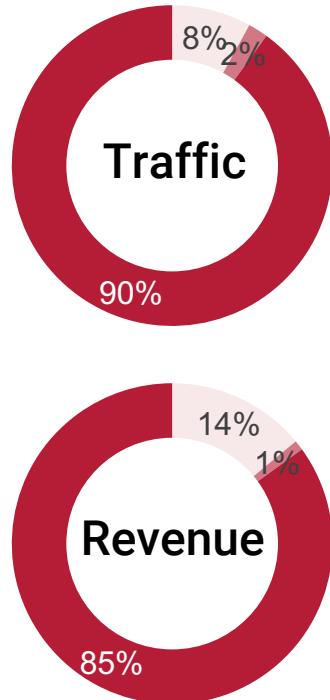
DARLING LACE



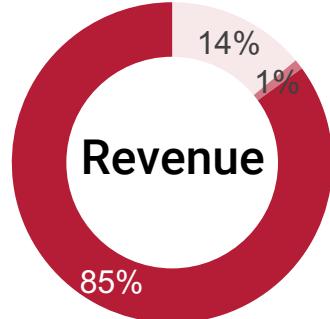
# Our mobile website receives 90% of traffic and generates 85% of revenue

DARLING LACE

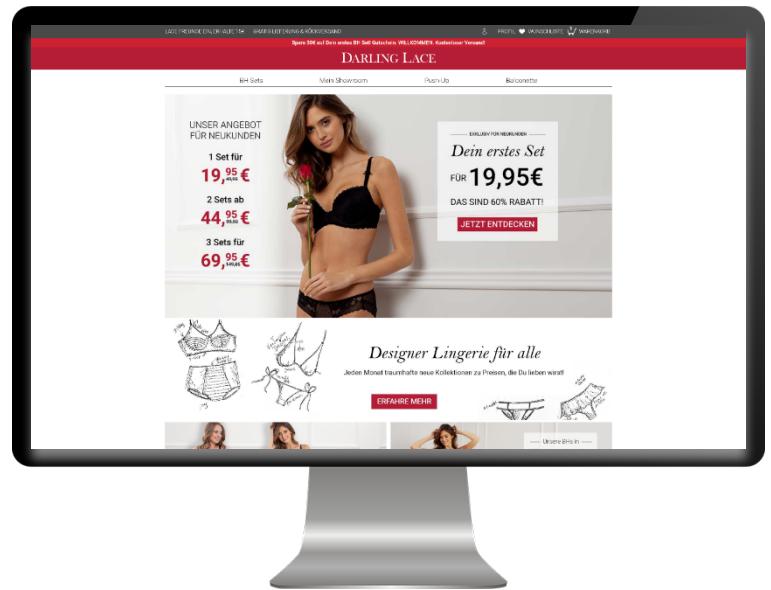
TRACTION TODAY



- Desktop
- Tablet
- Mobile



- Desktop
- Tablet
- Mobile



Mobile traffic is key revenue source, further website optimization and app will be important growth levers

Our quiz increases conversion and reduces returns

DARLING LACE

## BUSINESS MODEL: FITTING

## 1 Current sizing



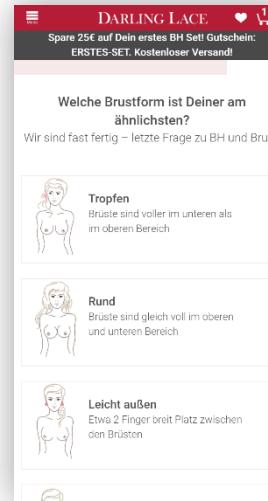
- > We start from customer's current size and brand
  - > Best alternative size and brand is also captured

## 2 Fit issues



- > We capture fitting issues with cups, band and straps
  - > Intermediate responses engage with the user and signal our understanding

## 3 Breast shape



- > Customers are asked to select their breast shape
  - > Breast shape determines bra style recommendation

## 4 Recommendation



- > Personal showroom with bras in your size & style
  - > Recommendation refined based on customer feedback and returns

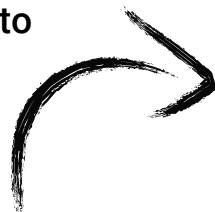
**Machine learning to improve recommendation further as data grows; app with image recognition technology may recommend size & style**

# We have a distinct pricing model for occasional shoppers and frequent shoppers

DARLING LACE

## BUSINESS MODEL: PRICING

Offer attractive deals for new customers, later convert to subscription model



Warenkorb

WIE WILLST DU SHOPPEN?

VIP Club Ab 24,95 € je Set    Als Guest kaufen Ab 24,95 € je Set

Exklusive VIP Angebote  
 Jedes sechste BH Set geschenkt  
 Monatlich die neusten Sets shoppen oder ganz einfach pausieren  
 Ohne Risiko ausprobieren – Du kannst jederzeit VIP beenden  
[Mehr erfahren](#)

## VIP Club



- > Subscription model to increase retention
- > Better prices, with strings attached
  - Shop or skip every month
  - Requires customer to visit website monthly
  - If customer does not shop or skip, store credit of EUR 19 is charged

## Guest Shopping



← Net price

Warenkorb

WIE WILLST DU SHOPPEN?

VIP Club Ab 24,95 € je Set    Als Guest kaufen Ab 24,95 € je Set

Volle Flexibilität: Kaufe ein, wann Du willst  
 Kostenloser Versand und Rückversand in Deutschland

- > High list prices of EUR 40 to 50, but regular promotions up to 60% off
- > Free shipping and returns
- > Email marketing to convert to VIP

# Own collection enables us to meet customer needs best and make use of collected data

DARLING LACE

BUSINESS MODEL: SOURCING



## Main benefits of own collection

- > Own collection provides best value for our customers
  - > Match desired styles, sizing and fitting
  - > Control value for money relation
  - > Build up trust through a credible and comprehensive brand story
- > Ability to meet customer's desired styles is key lever to lower customer acquisition cost
- > Own collection enables us to exploit data from fitting quiz and to optimize products for e-com channel

## Sourcing strategy

- > Initially, we relabel products of renowned brands for quick access to products and smaller quantities
- > Later in 2018 we start to source directly from producers once we meet MOQs
- > Until 2019 existing designs, later own design

# We offer a better value proposition

DARLING LACE

COMPETITORS

	WE	ONLINE RETAIL	MID MARKET	MASS MARKET
	DARLING LACE	amazon.com zalando	hunkemöller ESPRIT LASCANA	H&M C&A bonprix
I <b>Fast fashion</b>	Frequent new styles and demand driven sourcing & design	✓	(✓)	-
II <sub>A</sub> <b>Emotional</b>	Fashionable brand perceived as young, sexy and trendy	✓	-	✓
II <sub>B</sub> <b>Affordable</b>	Bras and lingerie at attractive prices	✓	(✓)	✓
III <b>Fitting advice</b>	Trusted source of online fitting advice	✓	-	-
IV <b>Experience</b>	Personalized shopping experience	✓	✓	-