



Licensing as an Exit Strategy: Maximizing Brand Value

The brand licensing industry generated over \$350 billion in global retail sales in 2023 and outperformed the overall global retail market.¹ For fashion and apparel brands, licensing offers a unique pathway to growth, market expansion and even exit strategies, particularly in a highly competitive landscape.

At Lincoln International, we specialize in helping brand owners unlock the full value of their intellectual property (IP) through a variety of strategic alternatives, including selling brands to licensors. By leveraging our proprietary market data and deep sector expertise, we help clients navigate the complexities of licensing transactions, ensuring optimal outcomes for growth-oriented brands.

Whether a firm is looking to grow its market presence, explore new revenue opportunities or enhance its operations, Lincoln's capabilities and expertise allow for an unbiased approach to deliver optimal outcomes—be it a growth capital raise, majority recapitalization or a strategic acquisition.

How is Licensing an Exit Strategy?

The mergers and acquisitions (M&A) markets – specifically within the apparel sector – have been depressed the past few years, and for good reason. Many macroeconomic factors have pointed toward muted growth, and factors such as consumer sentiment, tariff negotiations and geopolitical risk have created increased uncertainty and risk. One bright spot for the sector has been IP sales to brand holding companies (each, a “licensor”), including many brands you may follow. These licensors create an opportunity for brand owners to monetize their IP with a full or partial sale.

Simultaneous with a brand acquisition, these holding companies utilize licensing agreements to transfer operational responsibilities and the related financial risk—such as manufacturing, distribution and sales—to a firm that specializes in these respective tasks (the “licensee”).

Four leading fashion and apparel brand licensors—Authentic Brands Group (ABG), Bluestar Alliance, Marquee Brands and WHP Global—have embraced this model to scale iconic fashion and apparel brands. For brand owners, licensing offers an efficient way to grow while minimizing operational complexity and risk.



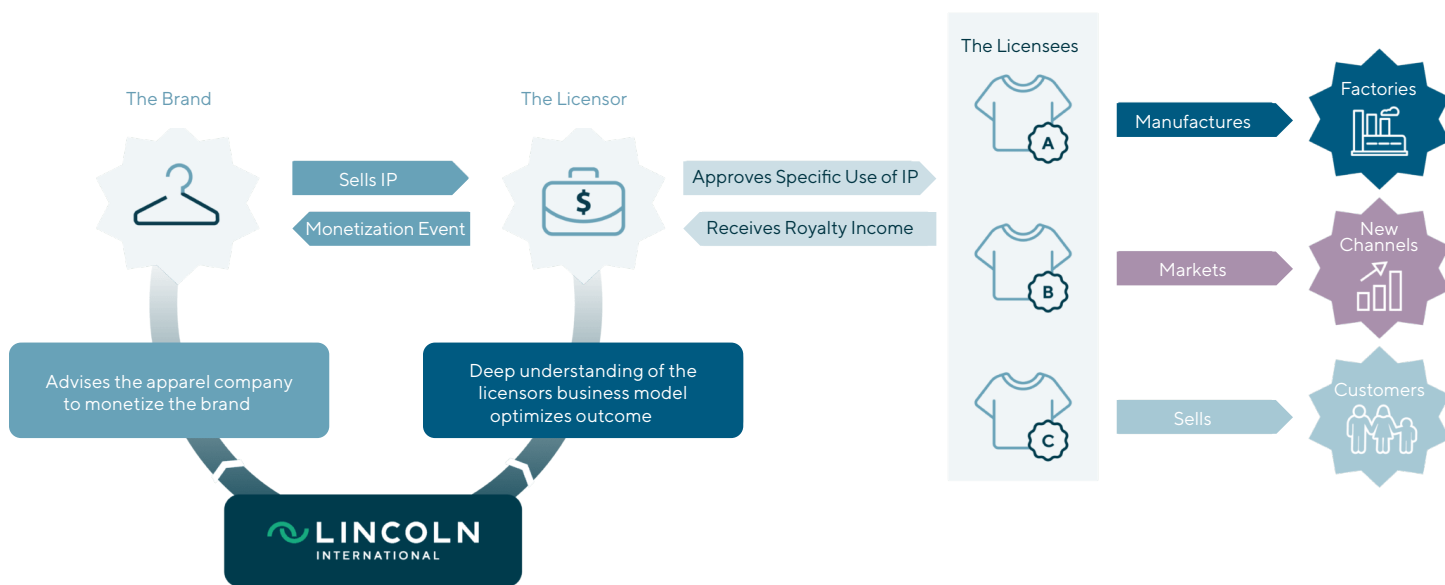
When is Licensing an Effective Strategic Alternative?

Licensing provides a powerful solution that enables brand owners to monetize their IP, even in more challenged operating an M&A environments. Below are several considerations for determining if a brand is primed for a successful licensing partnership:

- Strong Branding:** Iconic brands with established equity and transferable consumer goodwill are ideal candidates. These brands carry narrative power and emotional resonance that can be strategically extended into new markets.
- Scale:** Brands with sizeable revenue (typically greater than \$100 million) and a presence across multiple geographies are more likely to benefit from a licensor’s infrastructure
- Unoptimized Processes:** Brands with below-market margins or operational inefficiencies can partner with sophisticated licensing firms to optimize performance.
- Other Considerations:** Brand owners seeking a sale may struggle to identify an appropriate partner. Key business strategies to align on include product categories, customer and channel profiles and business models.

Beyond these key considerations, individual brand founders and operators should consider their personal goals and objectives for a transaction. Partnering with a licensor may appeal to founders who want to shift personal focuses, often returning to the primary reason they entered apparel: to work as an artist and create clothes, rather than attend HR meetings and negotiate overseas manufacturing contracts. Not all licensing firms are equal. The best partner will have the resources, expertise and industry connections to grow a brand while maintaining its reputation. Lincoln's extensive network and proprietary data help identify the ideal fit for brand owners.

The Process of a Brand Sale to a Licensor



has sold

LAURA ASHLEY

to



a portfolio company of

NEUBERGER BERMAN

Sell-Side



Lincoln International recently served as the exclusive financial advisor to Laura Ashley in its sale to Marquee Brands. This successful transaction underscores Lincoln's deep expertise in iconic consumer brands in the apparel, fashion and accessories verticals. Through a customized process that developed competitive tension among key aggregators, Lincoln ensured an optimal outcome for all parties involved.

How is an IP Sale Valued?

Whereas traditional apparel businesses are typically valued as a multiple of operating cash flow, selling your brand to a licensor can be different. Understanding the valuation methodologies that underpin a licensing transaction is imperative for maximizing value. Licensed brand revenue – often supported by negotiated gross minimum royalties – creates a more predictable cash flow, helping to mitigate risk for a licensor, and – in theory – allowing them to pay more for the brand. Lincoln leverages deep expertise in IP transactions to ensure maximum valuation is achieved.

Lincoln's Valuations and Opinions Group performs over 6,000 valuations each quarter, including approximately 100 valuations in 2024 across the Fashion, Apparel and Accessories sector.

Reach Out to Lincoln's Dedicated Team of Bankers.

For brand owners at a crossroads, licensing firms can offer a compelling way to create meaningful wealth, while also charting a path for continued growth of the brand under new ownership. Lincoln's dedicated team of bankers has the expertise to identify optimal exit opportunities and deliver exceptional outcomes in the apparel sector. Reach out today to explore how licensing can become a cornerstone of your growth strategy.

Ready to discuss the opportunities ahead for you?

Connect with a senior professional at connect@lincolninternational.com