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1. Sector context and competitive positioning analysis

1.1 Luxury & Premium Beauty: Market Context and Key Dynamics

When Estée Lauder announced the acquisition of Tom Ford in November 2022, the global beauty market was undergoing a phase of consolidation following post-pandemic recovery. Estimates placed the industry between USD 500-550 billion, with growth increasingly concentrated in the upper-tier segments, where beauty consumption shifted from functional to status, identity and experience-driven.

Three dynamics shaped the sector at that time:

1. Premiumization, with consumers trading up from mass to prestige categories, particularly in skincare and fragrance;
2. Revival of travel retail, tourism and social life, boosting demand for high-end fragrance and makeup;
3. The scaling power of digital commerce and influencer-led branding, which intensified exclusivity and cultural desirability. Among categories, prestige fragrance was one of the fastest-growing globally, benefiting from high margins, repeat purchasing and storytelling-driven value.

In this environment, brand equity and IP ownership became central competitive levers, turning luxury beauty from a mere product category into a strategic asset capable of generating long-term value and autonomy. The Estée Lauder-Tom Ford acquisition must therefore be interpreted within a context where trademarks and intangible assets represented key drivers of competitive advantage and financial upside.

1.2 Structure of Competition: Influential Groups and Strategic Logics

The premium beauty market was led by a few global players operating under markedly different strategic models. Estée Lauder positioned itself as a pure prestige beauty house, growing through selective distribution, strong brand building and acquisitions. Tom Ford Beauty had already become one of ELC's fastest-growing luxury franchises. LVMH, by contrast, was a vertically integrated luxury ecosystem in which beauty reinforces maisons like Dior, Guerlain and Givenchy through creativity, heritage and retail scale. Kering, historically reliant on beauty licensing, was increasingly signalling interest in direct beauty operations, a shift evidenced by rumours of competing bids for Tom Ford, signalling that beauty was a strategic vector of value capture. L'Oréal, while

one of Estée Lauder’s closest competitors, operated on a different basis: a technology-driven, marketing-heavy, mass-to-luxury portfolio, powered by distribution scale and brand partnerships through L’Oréal Luxe. In short, competitors shared the same playground, but not the same strategy some engineered value through scale, others through integrated luxury ecosystems, while Estée Lauder leveraged brand-centric, margin-heavy prestige positioning.

1.3 Implications for the Tom Ford Deal

Within this setting, Tom Ford represented a strategic hinge: a luxury fashion maison with disproportionate influence in fragrance and cosmetics. Prior to the deal, Estée Lauder controlled Tom Ford Beauty under license, extracting growth but dependent on external contract renewal. Had a rival luxury group acquired the brand, control of the beauty line could have shifted, endangering one of Estée Lauder’s strongest premium assets. Acquiring the trademark and IP outright converted Tom Ford from a high-growth license into a fully controlled luxury platform, eliminating renewal risk and consolidating long-term strategic leadership in prestige beauty. In a sector where intellectual property equals power, ownership was not merely financial, it was defensive, strategic and future oriented.

1.4 Industry Overview and Competitive Valuation Context

The global prestige beauty industry is highly concentrated around multinational groups such as Estée Lauder, L’Oréal, Coty, Shiseido, Kao and Beiersdorf, with LVMH as the dominant luxury conglomerate. Within this landscape, Estée Lauder differentiates itself as a prestige-focused beauty house, concentrated in high-margin skincare and fragrance. While L’Oréal commands global scale and LVMH leverages diversification across luxury categories, Estée Lauder’s growth relies on brand equity, pricing power and premium positioning, not volume expansion.

These structural distinctions become evident from market valuation multiples. As shown in *Figure 1*, Estée Lauder has historically traded at a premium P/E relative to the peer median, signalling sustained investor confidence in long-term earnings potential. A key deviation occurs in 2022, where Estée Lauder’s P/E compresses and temporarily approaches or dips below benchmark levels, a rare reversal attributable to post-

pandemic normalization, margin pressure and uncertainty tied to the Tom Ford acquisition announcement and integration timeline. The rebound from 2023 onwards indicates renewed market confidence, as expectations regarding luxury fragrance performance and full IP control strengthened. Mid-sized competitors such as Coty, Shiseido, Kao and Beiersdorf tend to cluster around the peer median, consistent with lower exposure to high-margin prestige segments and more volatile profitability. By contrast, L'Oréal and LVMH emerge as the primary reference points for Estée Lauder, driven respectively by scale leadership and cross-category luxury integration. Ultimately, the P/E evidence confirms that Estée Lauder operates not as a mass-market beauty manufacturer, but as a premium luxury player, priced by the market for its brand-driven value creation and high-margin product architecture, positioning that contextualizes, and rationalizes, the acquisition of Tom Ford.

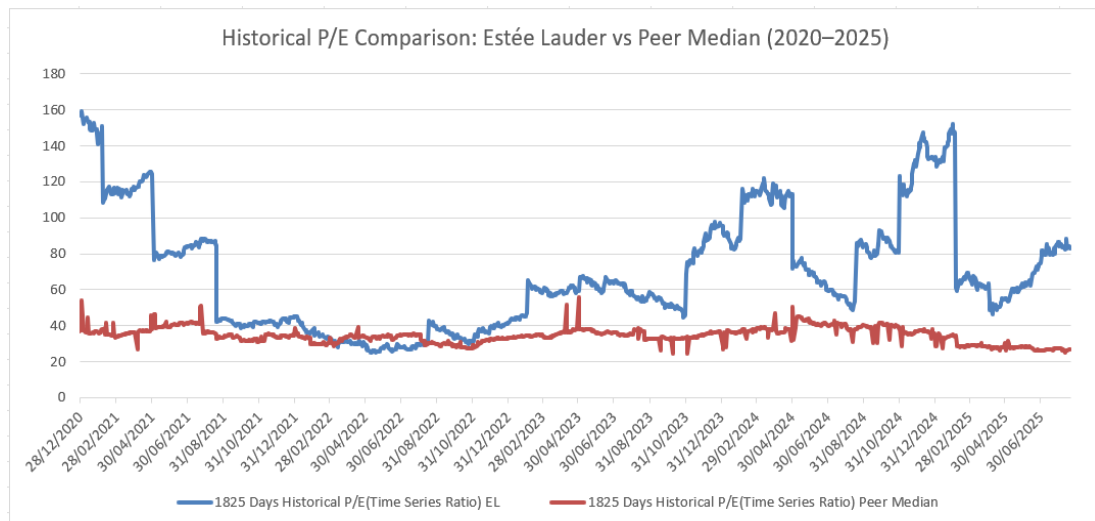


Figure 1

2. Acquirer and target at a glance

2.1 Estée Lauder Companies (Acquirer)

Prior to the acquisition of Tom Ford, The Estée Lauder Companies Inc. was a leading global player in the prestige beauty industry. Founded in 1946 by Estée Lauder, the company built its growth on a strong portfolio of high-end brands across skincare, makeup, fragrance, and haircare. Headquartered in New York, Estée Lauder operated in more than 150 countries and territories, leveraging a diversified geographic footprint. The group's business model was centered on brand management,

innovation, and selective distribution through department stores, specialty retailers, travel retail, and digital channels. Before the transaction, Estée Lauder had established a reputation for premium positioning, strong brand equity, and global scale, which supported historically solid margins and cash generation. The company pursued growth primarily through organic brand development complemented by targeted acquisitions within the luxury and prestige segments.

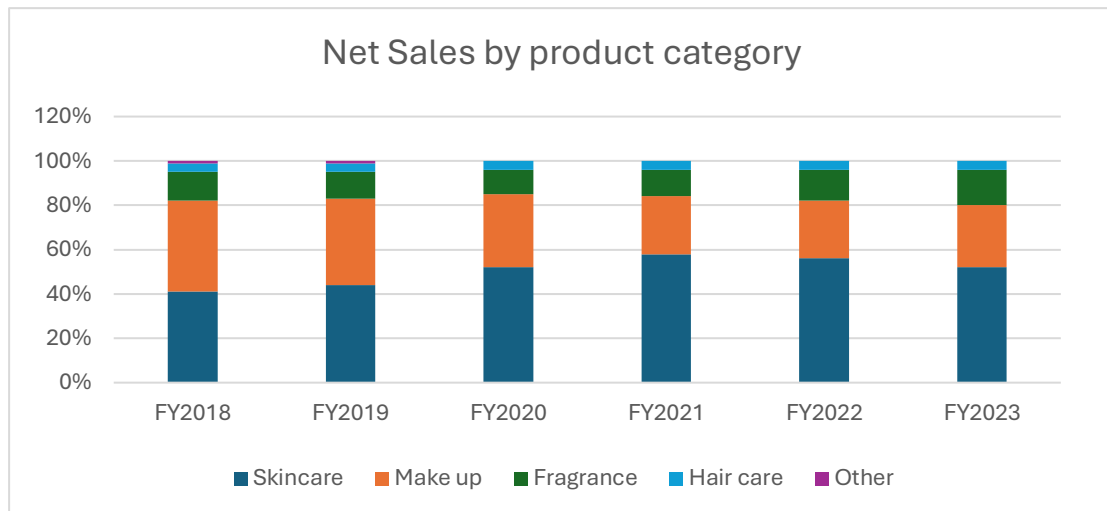


Figure 2

2.2 Tom Ford (Target)

Prior to its acquisition by Estée Lauder, Tom Ford International LLC was a privately held luxury brand recognized globally for its distinctive positioning in the high-end fashion and lifestyle segment. Founded in 2005 by designer Tom Ford, the company built a strong identity around luxury fashion, accessories, and premium fragrances. Headquartered in the United States, Tom Ford operated through a selective international distribution network, with a presence in major luxury markets across North America, Europe, and Asia. The brand was characterized by strong creative direction, high price points, and a focus on exclusivity. Before the transaction, Tom Ford was widely regarded as a valuable luxury asset with significant brand equity, particularly in the prestige fragrance category, making it an attractive strategic target for a global beauty group seeking to reinforce its luxury portfolio.

3. The acquisition

On 15 November 2022, The Estée Lauder Companies Inc. (“ELC”) announced that it had signed a definitive agreement to acquire the TOM FORD brand from its founders, Tom Ford and Domenico De Sole, in a transaction that values the business at US\$2.8 billion on a total enterprise basis. The deal transforms ELC from long-standing beauty licensee into sole owner of the TOM FORD brand and all related intellectual property, including trademarks and other IP previously held by Tom Ford International LLC. According to the company’s announcement and subsequent securities filings, the acquisition price to be paid directly by ELC for the IP assets is approximately US\$2.3 billion, net of a US\$250 million payment received at closing from eyewear partner Marcolin, with the remaining portion of the headline US\$2.8 billion enterprise value reflecting the concurrent acquisition of Tom Ford International (the fashion operating company) by Ermenegildo Zegna Group. Deal databases converge on these key figures, reporting a deal equity value of US\$2.3 billion, enterprise value of US\$2.8 billion and assumed liabilities of roughly US\$500 million, with the vendors identified as Mr Tom Ford and Mr Domenico De Sole.

The Estée Lauder press release specifies that the consideration will be funded through a mix of cash on hand, new debt (including commercial paper) and US\$300 million of deferred payments to the sellers, falling due from July 2025. At completion, ELC ultimately paid around US\$2.25 billion in cash at closing, supplemented by the US\$250 million inflow from Marcolin under a new perpetual eyewear licence, with the additional US\$300 million of deferred consideration preserved in the original structure. From a financing perspective the cash element was sourced from internal cash reserves and proceeds from commercial paper issuance, consistent with ELC’s investment-grade balance sheet and desire to preserve flexibility for further M&A.

The transaction followed a competitive auction process that began in mid-2022, when Tom Ford was reported to be exploring a sale with Goldman Sachs as financial adviser, at a valuation of “several billion dollars.” In August 2022, the *Wall Street Journal* reported that Estée Lauder was in discussions to acquire Tom Ford in a potential US\$3 billion deal, while Reuters subsequently noted that French luxury group Kering also emerged as a serious contender. By November 2022, press coverage indicated that ELC had entered into exclusive negotiations and was “nearing

a deal” at around US\$2.8 billion including debt, which would represent the largest acquisition in the company’s history and one of the most significant luxury transactions of the year.

From a structural standpoint, the agreement is legally framed as the purchase of “Trademarks and Other Intellectual Property Rights of Tom Ford International, LLC” by ELC, while Zegna acquires the operations of TOM FORD FASHION and enters into a long-term global licence for all men’s and women’s fashion, accessories and underwear. In parallel, Marcolin signs a perpetual licence for TOM FORD eyewear and commits to the US\$250 million upfront payment. As a consequence, the post-transaction structure places ELC at the top of a licensing ecosystem: it directly owns and operates TOM FORD BEAUTY within its prestige portfolio, while deriving licensing income from fashion (Zegna) and eyewear (Marcolin).

The deal closed on 28 April 2023, following regulatory clearances including unconditional approval by the European Commission. Upon completion, ELC formally became “the sole owner of the TOM FORD brand and all its intellectual property,” as reiterated in both the company’s closing press release and subsequent industry coverage. Advisory roles in the transaction underline its strategic importance: Perella Weinberg Partners acted as exclusive financial adviser to Estée Lauder, with Paul, Weiss, Rifkind, Wharton & Garrison LLP as legal counsel, while Goldman Sachs & Co. LLC advised Tom Ford and Skadden, Arps, Slate, Meagher & Flom LLP served as its legal counsel; UBS advised Zegna and Latham & Watkins advised Marcolin. Multiple commentators, including Reuters, Forbes and sector-specific outlets, describe the US\$2.8 billion acquisition as Estée Lauder’s largest deal to date and a transformational step that consolidates its position in prestige beauty while extending formal ownership into a marquee global luxury brand.

4. Strategic rationale

The strategic rationale behind Estée Lauder’s acquisition of the TOM FORD brand is rooted in securing long-term control over one of its fastest-growing and most prestigious beauty franchises, while transforming that brand into a platform for broader

luxury monetisation. Tom Ford Beauty had already delivered compound double-digit net-sales growth between fiscal 2012 and 2022 and nearly 25% net-sales growth in FY2022 alone, with management publicly targeting US\$1 billion in annual net sales over time. Until the transaction, however, Estée Lauder’s exposure to this growth was constrained by a finite licence agreement with Tom Ford International, originally signed in 2006, which implied both renewal risk and limited strategic control over the brand’s evolution. By acquiring the trademarks and all related IP outright, the company converts a successful but contract-bound licence into a fully owned luxury asset, eliminating the risk that a rival such as Kering, widely reported to have been a serious bidder in 2022, could acquire the brand and reallocate the beauty business away from Estée Lauder.

In its announcement, Estée Lauder explicitly links the deal to “the next level of growth for TOM FORD BEAUTY” and to the expectation that luxury fragrance and make-up will outperform the wider beauty market, especially in key regions and online channels. At the same time, the company’s 10-K describes the acquisition as an asset deal in which the fair value is concentrated in the TOM FORD trademark, with existing licence relationships modified or renegotiated to create new, durable royalty streams from fashion (Zegna) and eyewear (Marcolin). Rating agencies echo this view, arguing that the transaction adds a strong prestige brand with attractive growth prospects and incremental licensing revenues to Estée Lauder’s portfolio. Overall, the strategic logic is threefold: to lock in and fully internalise the economics of a high-growth luxury beauty franchise; to elevate Estée Lauder’s positioning as a “pure player” in global prestige beauty; and to leverage brand ownership to orchestrate a wider ecosystem of fashion and eyewear partners under the TOM FORD name.

5. Changes in corporate structure

Before the transaction, the TOM FORD brand and all associated trademarks were owned by Tom Ford International LLC (TFI), controlled by Tom Ford and Domenico De Sole. TFI sat at the centre of a licensing-based ecosystem: Estée Lauder held the beauty licence for Tom Ford Beauty, Marcolin held the global eyewear licence, and TFI directly ran the fashion business, with Ermenegildo Zegna Group acting as industrial partner and menswear licensee, as well as a 15% shareholder in TFI. Strategic control

over the brand architecture and long-term licensing decisions ultimately rested with the founders, while Estée Lauder captured only the beauty cash flows and remained dependent on the renewal of a time-limited licence.

The 2022-2023 deal fundamentally reshapes this structure. Estée Lauder acquires the TOM FORD trademarks and other intellectual property, becoming sole owner of the brand and moving it from an independent fashion company onto its own balance sheet. The operating assets of TFI are carved out and sold to Zegna, which now owns 100% of TFI and operates TOM FORD FASHION under a long-term global licence from Estée Lauder, managing design, product development, manufacturing and worldwide distribution. Marcolin enters into a new perpetual licence directly with Estée Lauder for TOM FORD Eyewear, producing and distributing sunglasses and optical frames under the brand name in exchange for an upfront payment and ongoing royalties. Tom Ford Beauty is fully internalised as an owned prestige brand within Estée Lauder's portfolio, so that the group now controls brand equity and licensing strategy across all categories, while Zegna and Marcolin remain key partners in the role of specialised licensees.

From Estée Lauder's perspective, this new architecture is closely aligned with its portfolio positioning. The group's financial reports show a business strongly weighted toward skincare, which accounted for roughly 58% of net sales in FY2021, while fragrance, although smaller in absolute terms, is a high-margin and fast-growing segment. Within this context, Tom Ford Beauty had emerged as one of the most profitable and dynamic assets in Estée Lauder's luxury fragrance portfolio. By moving from licensee to brand owner, the company secures the continuity of these high-value cash flows, eliminates dependence on a finite licence and gains full strategic control over future development in premium fragrance and cosmetics. At the same time, ownership of the TOM FORD IP allows Estée Lauder to monetise the brand beyond beauty through optimised fashion and eyewear licensing agreements with Zegna and Marcolin, turning TOM FORD into a multi-category luxury platform coordinated from the vantage point of a global prestige beauty player. The accompanying diagrams make this shift visually explicit, contrasting the founder-centric pre-deal structure with the post-deal configuration in which Estée Lauder sits at the apex of a hub-and-spoke network of category-specific partners.

5.1 Structure in detail

Pre-Transaction Structure

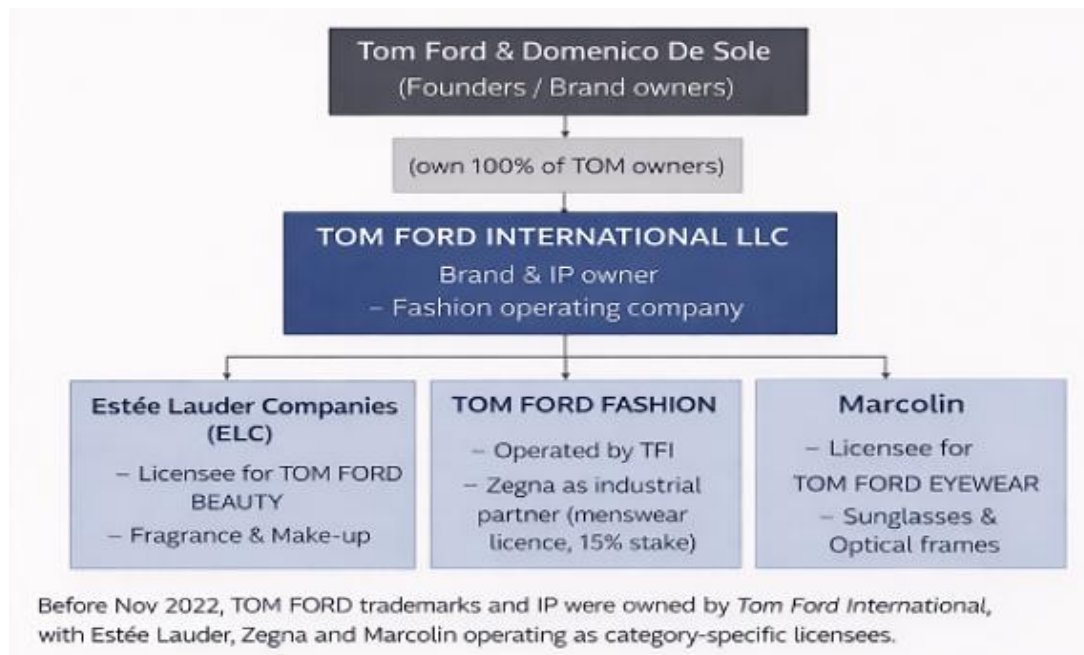


Figure 3

Post-transaction structure after Estee Lauder's acquisition of the TOM FORD brand

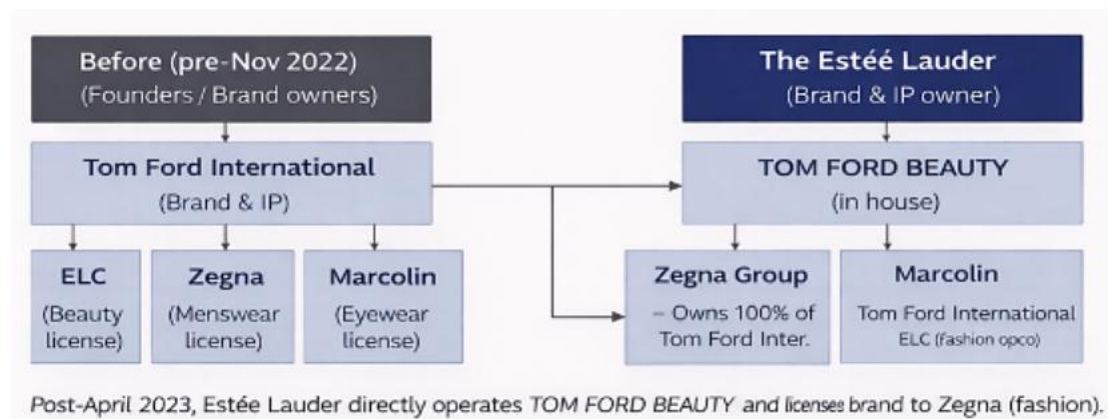


Figure 4

Shift in brand and IP ownership: from founder-owned fashion house to beauty-led brand owner

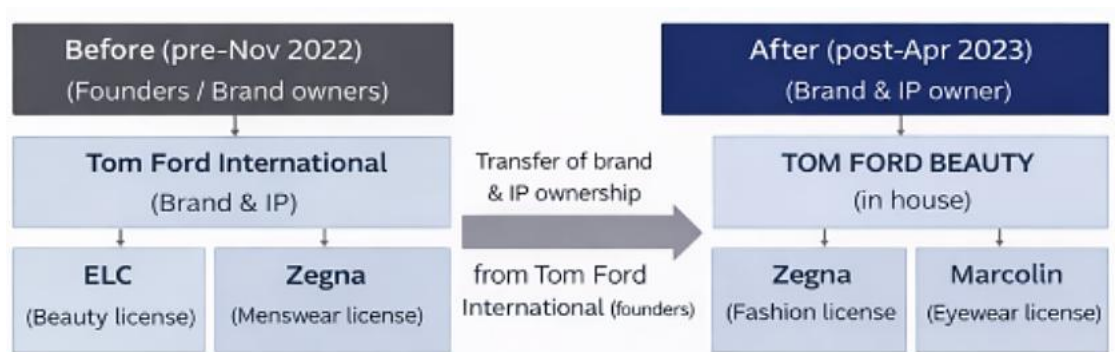


Figure 5

6. Financial analysis & stock performance ex-post

| Valuation | | | | |
|--|------------|------------|------------|------------|
| Field Name | 30-06-2025 | 30-06-2024 | 30-06-2023 | 30-06-2022 |
| Enterprise Value | 33,464 | 42,527 | 75,106 | 93,303 |
| Market Capitalization | 29,068 | 38,151 | 70,189 | 91,006 |
| Price Close (End of Period) | 80.80 | 106.4 | 196.4 | 254.7 |
| Price to Book Value per Share - Issue Specific | 7.52 | 7.18 | 12.57 | 16.27 |
| Free Cash Flow Yield - % | 2.3% | 3.8% | -2.2% | 2.2% |
| Price to Revenue from Business Activities - Total per Share | 2.03 | 2.46 | 4.45 | 5.24 |
| Enterprise Value to Revenue from Business Activities - Total | 2.34 | 2.72 | 4.71 | 5.26 |

Figure 6

The valuation metrics show a pronounced and persistent contraction in Estée Lauder's market valuation over the period 2022–2025, reflecting a material reassessment by investors in the post-acquisition phase. Enterprise Value declines sharply from 93.3 billion in 2022 to 33.5 billion in 2025, mirroring the significant drop in the share price, which falls from 254.7 to 80.8 over the same horizon. This evolution signals a substantial loss of market confidence.

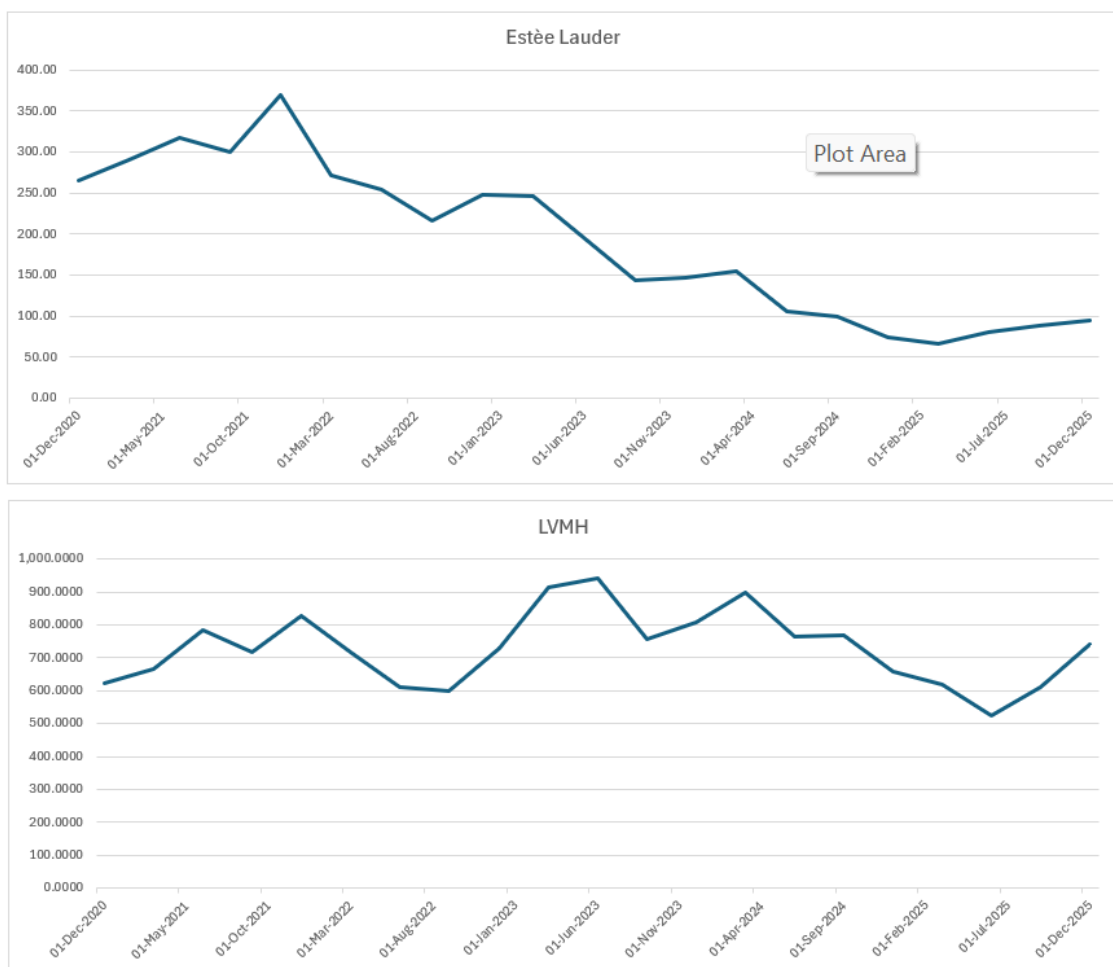
The EV/Revenue multiple compresses from 5.26x (2022) to 2.34x (2025), indicating that the market is assigning a much lower valuation per dollar of sales, likely due to weaker growth expectations and deteriorating profitability. At the same time, the Free Cash Flow Yield turns negative in 2023 (-2.2%), before recovering

to 3.8% in 2024 and 2.3% in 2025, suggesting some normalization in cash generation but at levels insufficient to offset the broader decline in valuation.

Overall, these indicators point to a structural de-rating rather than a temporary fluctuation, consistent with the post-transaction financial pressure, earnings volatility, and elevated uncertainty highlighted in the accounting and stock price analysis.

Stock Price Performance of Estée Lauder (Post-Transaction)

6.1 Stock performance comparison



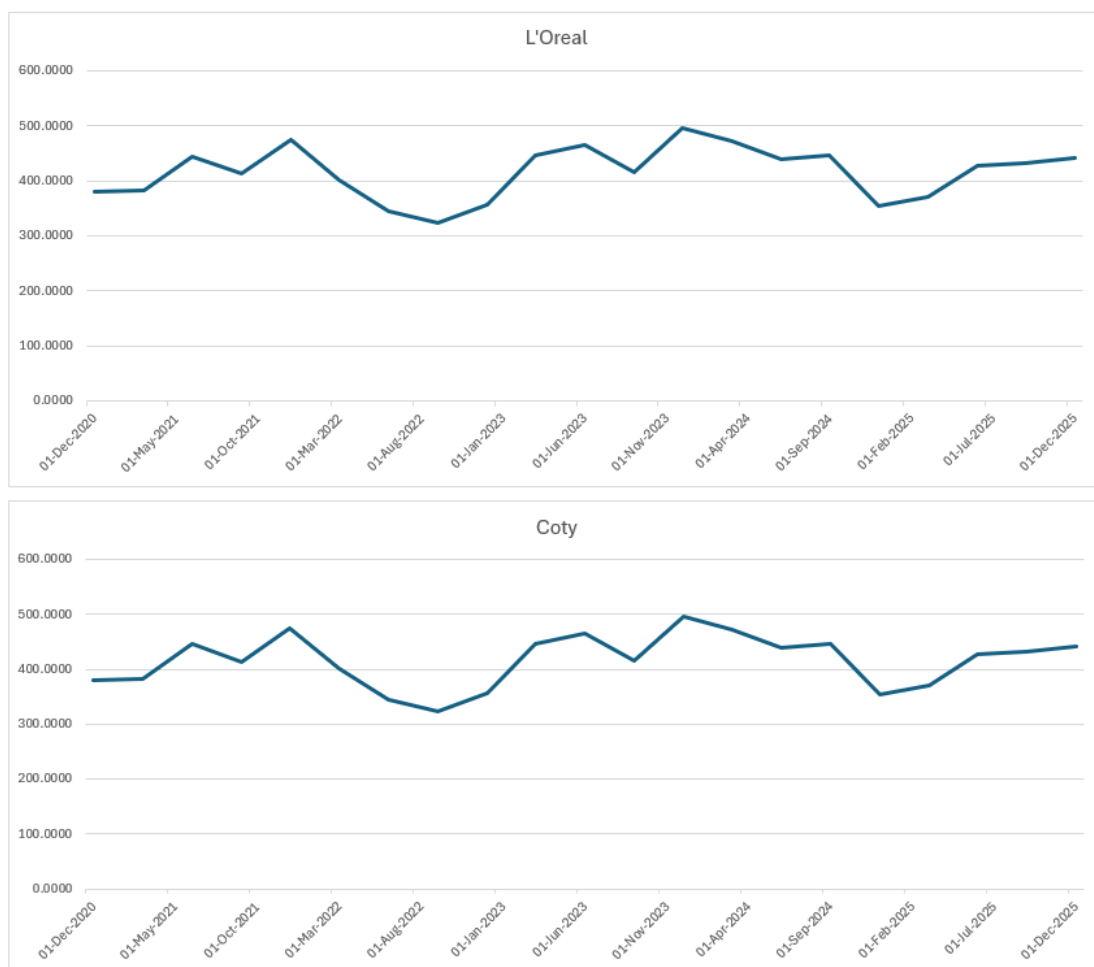


Figure 7

The analysis of quarterly closing stock prices from the first post-effective quarter-end (30 June 2023) through 31 December 2025, as illustrated in the accompanying charts, highlights a pronounced and persistent deterioration in Estée Lauder’s market performance following the acquisition of Tom Ford. Over this post-transaction horizon, Estée Lauder’s share price declined from \$196.38 to \$94.71, corresponding to a cumulative loss of approximately 51.8%.

The trajectory of the stock price is characterised by several marked drawdowns rather than a smooth adjustment. A first sharp correction occurs immediately after the transaction, with the share price falling to \$144.55 by 30 September 2023, representing a decline of roughly 26% relative to the initial post-close level. A second, more structural step-down is observed by 30 June 2024, when the stock reaches \$106.40, followed by further weakness into late 2024 and early 2025, with a

trough of \$66.00 at 31 March 2025. Only in the second half of fiscal year 2025 does the stock exhibit a partial recovery, though prices remain well below pre-transaction levels by the end of the observation period. Interpreted in conjunction with the post-transaction accounting evidence, this sustained weakness appears consistent with the underlying fundamentals disclosed in the financial statements. Specifically, declining revenues, progressive compression of operating margins, a higher-leverage balance sheet in the immediate post-closing phase, and the emergence of sizeable non-recurring charges and impairments-particularly evident in FY2025-likely contributed to increased investor caution. While equity prices naturally reflect a wide set of macroeconomic and sectoral factors, the persistence and magnitude of Estée Lauder's drawdown suggest that markets increasingly priced in execution risk, earnings volatility, and reduced near-term value creation potential following the acquisition.

To contextualise this performance, the report compares Estée Lauder's stock price dynamics with those of LVMH, L'Oréal, and Coty over the same post-effective period, as shown in the comparative charts. The benchmark analysis reveals that the broader prestige beauty and luxury segment experienced notable volatility during the period, particularly through 2024. LVMH, for instance, recorded a cumulative decline of approximately 21.2%, indicating that sector-wide pressures were present. However, the magnitude of Estée Lauder's underperformance significantly exceeds that of both LVMH (-21.2%) and L'Oréal (-5.3%), the latter displaying comparatively strong resilience throughout the period.

Coty represents a contrasting case, with a cumulative decline of approximately 73.0%, underscoring how firm-specific distress can dominate sectoral dynamics. In this context, Estée Lauder's performance aligns more closely with a pattern of company-specific underperformance rather than with the relatively stable trajectory observed for L'Oréal. Although return correlations indicate some degree of co-movement among firms operating within the same consumer and luxury ecosystem, the divergence in outcomes suggests that Estée Lauder's stock price evolution cannot be explained solely by common industry factors.

The combined stock price evidence supports the conclusion that Estée Lauder's post-transaction market performance reflects idiosyncratic pressures linked to its financial and operational developments in the aftermath of the Tom Ford acquisition. The equity

market response thus appears broadly aligned with the accounting signals observed over the same period, reinforcing the interpretation that the transaction has, at least within the examined time frame, been associated with heightened uncertainty and a material reassessment of the firm's valuation by investors.

7. Conclusion

This report provides an in-depth, ex-post look at Estée Lauder's acquisition of the TOM FORD brand, combining sector context, strategic rationale and an analysis of the new brand architecture with the first evidence on market and stock performance. It is aimed at readers interested in how a prestige beauty group leverages M&A and licensing to control a global luxury brand and orchestrate an ecosystem of specialised partners.

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