

## Online Vendor Looks to Click With Euro Markets

RETAIL: JustFab expands overseas toehold with acquisition of Fab Shoes.

Call it a coincidence that JustFab has scooped up two e-commerce companies this year that already had “fab” in their names. But it's no fluke that the El Segundo retailer's latest purchase introduces the company to two key European markets.

Executives at JustFab, known for its shoe-of-the-month subscription model, have been talking about conquering Western Europe ever since the company raised a large round of financing last summer.

Now the online retailer has acquired Fab Shoes, which sells shoes and accessories in France and Spain, for an undisclosed price. The deal gives JustFab operations in those countries, expanding on its Western European foothold in Germany and the United Kingdom.

JustFab plans to convert the Fab Shoes business – and its half- million customers – to the JustFab brand by July.

The company will retain the 12-person Fab Shoes team as well as its offices in Paris and Barcelona, Spain. Pablo Szefner, Fab Shoes chief executive, will become JustFab's managing director for France and Spain, and Xisco de la Calle, Fab Shoes chief operating officer, will become vice president of operations for Europe.

JustFab's fashion club – which charges a \$40 subscription fee each month – went international last year when it opened a European headquarters and order fulfillment center in Berlin and a satellite office in London. The retailer now counts 1.5 million European subscribers and plans to have operations covering the majority of Western Europe by the end of next year.

Adam Goldenberg, JustFab's co-chief executive, said the company was looking to establish offices in France and Spain when it found Fab Shoes. The decision was made based on the talents of the team more than Fab Shoes' customer base.

“One of the most challenging parts of building an international company is finding the right country manager and Fab Shoes had that,” he said. “It was the right time, the right place and the right price.”

Spending spree

JustFab has been flush with cash for acquisitions since raising a \$76 million funding round last summer led by New York's Rho Capital Partners with participation from existing investors Matrix Partners and Technology Crossover Ventures, both in Palo Alto. The company has raised a total of \$109 million in funding since 2011.

JustFab's first purchase was children's e-commerce service FabKids in January. The San Francisco company, which counts actress Christina Applegate as a creative partner, sells outfits for kids under a similar monthly subscription model.

Page 1 of 2

RETAIL: JustFab expands overseas toehold with acquisition of Fab Shoes.

Goldenberg said at the time that he wanted to follow in the footsteps of retailers such as Gap Inc. that have added children's lines. He was also attracted by the opportunity to turn FabKids-wearing tots into future JustFab customers.

When JustFab introduces the FabKids line in June, it will be the company's first new product line since it launched denim in 2011.

Brand consultant Denise Lee Yohn in San Diego said JustFab has been smart to keep its product offerings limited. Critics have questioned the strategy of Santa Monica competitor BeachMint, for example, as it has rapidly expanded from jewelry to other varied categories, including skin care and housewares.

"What has been really good on JustFab's part is that they've stayed very focused on their core and executed well on those categories," Yohn said. "When you've got a site that sells shoes and home décor, it doesn't instill a lot of confidence with consumers that you know what you're doing and that you have expertise in those categories."

Since Goldenberg founded JustFab with business partner Don Ressler in 2010, the company has expanded to 700 employees and more than 15 million members, up from 10 million in January.

They say JustFab had \$100 million in revenue last year. That number is expected to climb to \$250 million this year. Also, the company's core North American business is expected to turn profitable.

A large part of the growth comes from the company's expansion into Europe, where there are fewer subscription e-commerce competitors. Santa Monica's ShoeDazzle launched operations in the United Kingdom in 2011, but shuttered the business after only four months.

JustFab board member Josh Hannah, who led Matrix Partners' investments in the company, said European customers have been responsive to the subscription model.

"Their growth is primarily driven by having a great product at an unprecedented price," he wrote in an email. "This benefit is magnified in Europe where retail is even less efficient, and that's led to enormous early success."