



APPAREL & RETAIL

*Apparel & Retail M&A Report*

# 2016 Year in Review - A Tumultuous Retail Environment, An Indication of a Rapidly Evolving Sector

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## 2016 Year in Review—A Tumultuous Retail Environment, An Indication of a Rapidly Evolving Sector

Apparel & Retail M&A activity took a slight dip in 2016, particularly in the middle of the year. Total global deal volume was down 4% from 367 in 2015 to 352 this year, while total domestic M&A activity saw 82 deals compared to 86 in 2015.

Q4'16 experienced a significant uptick in deal activity, with 26 acquisitions of U.S.-based companies coming off of a slow Q3'16, in which there were only 15 deals. The average domestic disclosed deal value was \$174 million, with the largest being the \$1.8 billion dollar acquisition of luggage company Tumi Holdings by Samsonite International. Other notable deals included the acquisition of luxury brand Donna Karan International from LVMH by G-III Apparel Group for \$650 million and the acquisition of American Apparel by Gildan Activewear for \$88 million.

It was a difficult year for many brands and retailers across the sector. Bankruptcy filings were a common theme, including outdoor retailers Sports Authority and Vestis Retail Group (the operator of the Eastern Mountain Sports, Bob's Store and the Sport Chalet) to casual apparel retailers such as American Apparel, Aéropostale and Pacific Sunwear of California (PacSun). Some companies were able to recover, such as PacSun's court-approved bankruptcy restructuring plan to reduce debt and close stores, while others such as men's apparel provider Hampshire Group were forced to liquidate. Even retailers like Nasty Gal, once seen as an example of a successful omni-channel retail strategy, filed for Chapter 11.

Alternative retail models, including direct-to-consumer Warby Parker and subscription service Dollar Shave Club, flourished in this year's retail environment. The growing pervasiveness of social media and technology, as well as the presence of eCommerce giant Amazon, will likely continue to reshape the sector in 2017.

As you evaluate opportunities, feel free to call us at 310.478.9000 for more pointed insight.

**Thank you,**



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## 2016 Apparel & Retail M&A Transactions

### G-III Apparel Group Completed the Acquisition of Donna Karan International (December)

G-III acquired Donna Karan for \$650 million from LVMH Moët Hennessy Louis Vuitton, marking LVMH's second divestiture in 30 years. G-III acquired both the Donna Karan and DKNY brands. G-III will look to capitalize on the strength of the DKNY label in wholesale and ready-to-wear markets. In addition, Donna Karan brings increased scale and diversification, while providing incremental growth on top of G-III's portfolio of leading fashion brands. G-III anticipates the acquisition to weigh on profits through January 2018 and boost earnings thereafter.



### Bass Pro Shops Announces Intention to Acquire Cabela's for \$4.5 Billion in Cash (Announced October)

Bass Pro Shops announced its intent to acquire Cabela's Inc. for approximately \$4.5 billion in cash, representing a 2.2x revenue multiple and a 19.9x EBITDA multiple. The acquisition will create a privately-held hunting, fishing and boating powerhouse. The combined company will have more than 180 locations, approximately 40,000 employees, and control more than 20% of the large \$50 billion U.S. hunting, camping and fishing market.



### LVMH Acquired the German Luggage Brand Rimowa (October)

LVMH Moët Hennessy Louis Vuitton, the largest luxury conglomerate in the world acquired the German luggage brand Rimowa for \$719 million. LVMH will acquire an 80% stake from Dieter Morszeck, the CEO of Rimowa and the grandson of the company's founder. Mr. Morszeck will continue to maintain his leadership functions at the brand. The acquisition will provide LVMH greater access to the continuing development of tourism and the traveling consumer.



### L Catterton Completed the Acquisition of Hanna Andersson (August)

L Catterton, one of the largest consumer-focused private equity firms, acquired Hanna Andersson, a premium children's brand, from Sun Capital Partners. Hanna Andersson offers products for a wide range of consumers, including boys, girls and infants from newborn to 12 years old. Children's wear is a growing, highly-fragmented \$7 billion market and L Catterton plans to leverage its global consumer platform to rapidly expand the brand's retail footprint.



### HanesBrands Acquired Pacific Brands for \$800 Million (July)

HanesBrands, Inc., a leading marketer of underwear, intimate apparel and activewear, completed the acquisition of Pacific Brands Ltd., the leading underwear and intimate apparel company in Australia for \$800 million, representing a 1.2x revenue multiple and a 12.5x EBITDA multiple. Through the use of Hanes' large-scale, low-cost global supply chain, the acquisition is expected to generate significant savings. Hanes has entered into definitive agreements to divest Pacific Brands non-core Tontine pillow business and Dunlop Flooring business to UK-based John Cotton Group and UK-based Victoria PLC, respectively.



### Compass Diversified Holdings Acquired 5.11 Tactical for \$400 Million (July)

Compass Diversified Holdings acquired 5.11 Tactical (5.11), a manufacturer of apparel and accessories that are "battle-tested" by military members, firefighters and police officers, for \$400 million. This represents an approximately 1.4x revenue multiple and 10x EBITDA multiple. All management will continue with the company and 5.11 plans to keep its headquarters in Irvine, Calif., with no plans for layoffs. The company anticipates hiring 25 more employees and expanding to 12 company-owned stores nationwide.



## 2016 Apparel & Retail M&A Transactions (continued)

### Delta Galil Acquired Contemporary Premium Brands from VF Corp. (August)

Delta Galil (DG) acquired contemporary premium brands, including the businesses and brands 7 For All Mankind, Splendid and Ella Moss from VF Corp. for \$120 million. This represents a 0.3x revenue multiple. The transaction reflects DG's strategic efforts to grow the company's branded business and expand its global footprint. The acquisition is projected to add more than \$300 million in annual sales and is expected to be accretive to DG's earnings in 2017.



### HanesBrands Acquired Champion Europe (April)

HanesBrands, leading marketer of underwear, intimate apparel and active wear, announced the acquisition of Champion Europe for approximately \$230 million. This effectively represents a 1.1x revenue multiple and a 10x EBITDA multiple. This latest acquisition, combined with the company's previous acquisition of the Champion business from the company's licensee in Japan, will unite the brand globally and afford HanesBrands a robust platform for worldwide growth.



### Samsonite Purchased Tumi Holdings for \$1.8 Billion (March)

Samsonite International S.A., the world's largest branded luggage manufacturer, announced the acquisition of Tumi Holdings, Inc., for approximately \$1.8 billion, representing a 3.2x revenue multiple and a 14.2x EBITDA multiple. This marks the largest acquisition completed by Samsonite. With the acquisition of Tumi, Samsonite will expand its presence into the luxury market.



### DSW Acquired Ebays, Online Retailer Footwear and Accessories (February)

DSW, Inc., agreed to acquire Ebays, Inc., an online retailer of off-price footwear and accessories, for \$62.5 million. The transaction will provide DSW access to new markets and channels. The acquisition supports the company's efforts to expand its online presence and grow its international business.



### Hudson's Bay Company Completed the Acquisition of Gilt Groupe (January)

Hudson's Bay Company (HBC), the owner of Lord & Taylor and Saks Fifth Avenue, acquired Gilt Groupe from a group of investors, including Draper Fisher Jurvetson, Softbank Group, General Atlantic and Goldman Sachs Group, for \$250 million, representing a 0.5x revenue multiple. This acquisition further highlights management's focus on its digital presence while continuing to grow its successful off-price business through the integration of Gilt with Saks Fifth Avenue OFF 5TH locations.



### Brentwood Associates Acquired Multi-Channel Retailer, Boston Proper (January)

Brentwood Associates acquired Boston Proper, a multi-channel retailer of women's apparel and accessories, from Chico's FAS, Inc. for an undisclosed amount. In conjunction with existing Boston Proper management, Brentwood Associates will focus on strengthening the unique and compelling direct-to-consumer lifestyle brand through the company's print, digital and social media channels. This acquisition comes shortly after Brentwood completed its acquisition of the American lifestyle brand and multi-channel retailer, J.McLaughlin, in November.



## Q4'16 Industry News

### **Kate Spade Announced its Intent to Pursue a Sale (December)**

Kate Spade & Co. announced its plans to commence a formal auction process. This announcement followed an open letter from activist investor Caerus Investors in November urging the company to explore a sale. The New York-based hedge fund emphasized the appeal of the luxury brand to larger accessory and lifestyle apparel players and stressed that an auction would be an attractive option due to the recent lackluster performance of the brand's stock. Caerus believes that the women's handbag and accessories retailer has been underperforming, and a strategic transaction could boost growth.



### **Amazon Expands Further Into Apparel and Retail (December)**

In the fall of 2016, Amazon introduced a new private-label men's clothing collection Buttoned Down. The brand intends to expand from its small assortment of dress shirts into a broader range of men's apparel, competing with higher-end retailers such as Nordstrom. In addition, Amazon was reported to be looking for professionals to build a private label activewear brand. The company also plans to expand into the brick and mortar channel, opening more than 30 pop-up stores in the U.S. as well as food retail with the newly introduced, fully automated Amazon Go convenience stores. A study by Onestop Internet reported that Amazon will be a "very real threat" to apparel brands which sell online. 57% of survey respondents said they planned to purchase apparel online over the holidays, and of those, 64% reported they would buy apparel through Amazon.



### **American Apparel Announces Second Bankruptcy (November)**

American Apparel Inc. filed for bankruptcy protection for the second time in a little more than a year, after losing Chairman Paul Charron and CEO Paula Schneider in the fall. Gildan Activewear Inc., a Canadian manufacturer and supplier of apparel, preemptively bid \$66 million for the brand's intellectual property rights as well as other assets to serve as the stalking-horse bidder in the bankruptcy proceedings. Brand licensors such as Authentic Brands Group, retailers such as Forever 21, wholesalers such as Next Level Apparel, and even eCommerce giant Amazon were rumored to have considered bidding for the company. The auction was held in early January and was attended by Gildan and Next Level. Gildan won the auction after raising its bid to \$88 million.



### **Madewell Outperforms Parent J. Crew (November)**

As multi-brand, multi-channel, specialty retailer J. Crew has been suffering, its subsidiary Madewell has been thriving. As of November, sales for the core J.Crew brand had dropped 7% to \$488 million from the previous year, partially offset by a 12% gain at the contemporary brand Madewell. Madewell has been experiencing a resurgence of popularity, with plans announced in July to expand the brand's partnership with Nordstrom, bringing the total of Nordstrom's locations offering Madewell apparel to 76. According to sources, J. Crew has started to separate the Madewell brand, possibly in preparation for a sale or spinoff. Due to J. Crew's weighty debt burden, the group's ultimate decision could be forced. In the group's agreement with lenders, an existing provision prohibits J. Crew from selling Madewell if its total debt exceeds a certain ceiling.



## Q4'16 Industry News (continued)

### **Nasty Gal Declares Bankruptcy (November)**

Nasty Gal, an online retailer of women's vintage-inspired apparel, filed for Chapter 11 protection in November. The contemporary retailer, founded originally as a store on Ebay by entrepreneur Sophia Amoruso, experienced initial success due to its appeal to younger generations. Former Apple and J.C. Penney executive Ron Johnson was brought onto the board in 2015 and led multiple growth initiatives, including a \$16 million Series C round and expansion of the brand into the brick and mortar channel. However, the brand failed to meet lofty performance expectations, leading to the recent bankruptcy filings. U.K.-based e-retailer Boohoo.com plc bid \$20 million for Nasty Gal's IP in November, far below from the \$200 million valuation Nasty Gal received just a few years ago. The Boohoo deal is set to close February 2, 2017.



NASTY GAL

### **Coach and Burberry Rumored to Merge (October)**

Coach, Inc., and Burberry Group, Inc., were reported in October to be considering a merger that would create a \$20 billion luxury retailer. Following its success with the acquisition of Stuart Weitzman, Coach has reported to be searching for another acquisition target and has expressed a willingness to partner with another luxury player. U.K.-based Burberry is heavily concentrated in Europe, a market into which Coach is looking. Coach has recently been in the process of rebranding itself as a higher-end brand and aimed this year to reduce its number of retail stores by approximately 25% in order to prevent brand dilution.



## Publicly Traded Companies (USD Millions)

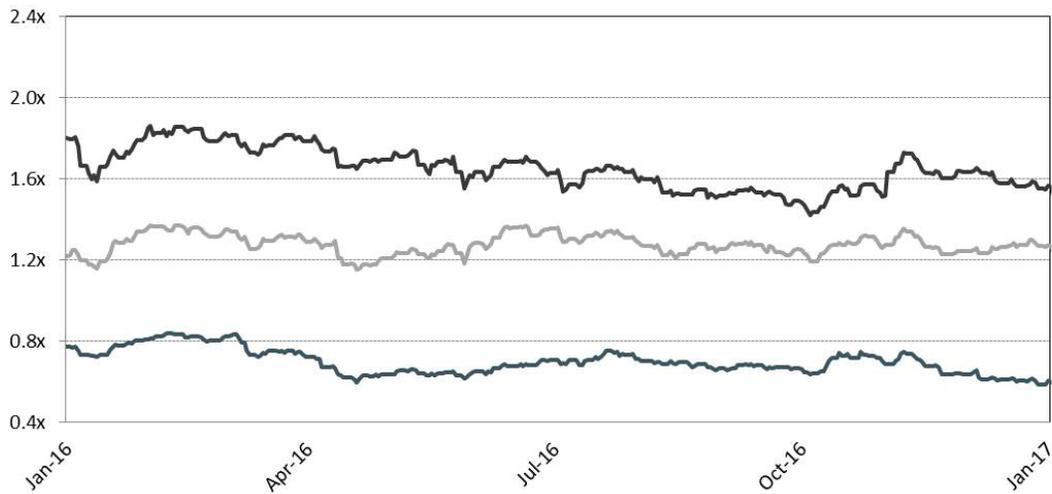
Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Margin	EBITDA Margin	1-year	3-year	Revenue	EBITDA
<b>Apparel Retailers</b>									
Abercrombie & Fitch Co.	\$1,831	\$2,081	\$3,519	61.3%	9.1%	(6.0%)	(7.9%)	0.5x	5.7x
American Eagle Outfitters, Inc.	\$2,640	\$2,900	\$3,522	37.0%	13.3%	7.3%	0.4%	0.7x	5.6x
Ascena Retail Group Inc.	\$3,329	\$1,966	\$5,834	56.6%	8.8%	21.1%	9.4%	0.6x	6.5x
The Buckle, Inc.	\$1,389	\$1,587	\$1,120	49.4%	23.4%	(2.9%)	(0.1%)	1.2x	5.3x
Carter's, Inc.	\$5,438	\$5,235	\$3,053	42.1%	15.5%	4.3%	8.0%	1.8x	11.5x
Chico's FAS Inc.	\$1,638	\$1,686	\$2,642	54.1%	10.2%	(1.2%)	0.8%	0.6x	6.1x
Express Inc.	\$1,471	\$1,588	\$2,350	43.5%	12.1%	8.5%	2.9%	0.6x	5.2x
The Gap, Inc.	\$11,776	\$11,415	\$15,797	36.4%	14.1%	(3.9%)	0.3%	0.7x	5.3x
Guess?, Inc.	\$1,077	\$1,498	\$2,204	35.7%	9.1%	(8.8%)	(6.1%)	0.5x	5.3x
L Brands, Inc.	\$27,747	\$24,583	\$12,154	47.8%	21.8%	6.1%	5.1%	2.3x	10.5x
Lululemon Athletica Inc.	\$8,660	\$9,162	\$2,061	48.4%	20.9%	14.7%	14.6%	4.2x	20.1x
Urban Outfitters Inc.	\$3,593	\$3,770	\$3,445	35.1%	14.6%	2.1%	6.2%	1.0x	7.2x
Zumiez, Inc.	\$401	\$477	\$804	33.6%	10.1%	(0.9%)	6.3%	0.5x	4.9x
<b>Mean</b>								1.2x	7.6x
<b>Adjusted Mean</b>								1.0x	6.7x
<b>Median</b>								0.7x	5.7x
<b>Apparel Wholesalers</b>									
Cherokee Inc.	\$167	\$147	\$35	100.0%	44.3%	(0.9%)	9.3%	4.8x	10.9x
Columbia Sportswear Company	\$3,774	\$4,111	\$2,372	46.0%	13.1%	10.1%	12.1%	1.6x	12.1x
G-III Apparel Group, Ltd.	\$2,054	\$2,186	\$2,344	35.8%	9.0%	7.4%	17.6%	0.9x	9.8x
Hanesbrands Inc.	\$12,724	\$10,419	\$5,742	38.3%	17.3%	4.9%	8.5%	2.2x	12.8x
Iconix Brand Group, Inc.	\$1,835	\$367	\$378	100.0%	44.5%	0.6%	0.7%	4.9x	10.9x
Kate Spade & Company	\$3,263	\$3,159	\$1,262	60.9%	16.6%	7.8%	12.6%	2.6x	15.6x
Moncler S.p.A.	\$4,109	\$4,053	\$915	74.5%	31.7%	13.7%	20.3%	4.5x	14.2x
Oxford Industries Inc.	\$1,081	\$1,043	\$969	57.1%	13.7%	5.3%	4.2%	1.1x	8.1x
Perry Ellis International Inc.	\$368	\$272	\$900	35.5%	4.9%	1.1%	(2.5%)	0.4x	8.4x
PVH Corp.	\$10,503	\$7,842	\$8,020	51.9%	13.1%	(2.7%)	9.9%	1.3x	10.0x
Ralph Lauren Corporation	\$7,578	\$7,885	\$7,405	56.8%	14.4%	(2.8%)	2.2%	1.0x	7.1x
Under Armour, Inc.	\$18,707	\$18,166	\$4,206	47.8%	12.7%	29.5%	29.8%	4.4x	NM
V.F. Corporation	\$27,765	\$26,846	\$12,392	48.2%	16.3%	1.1%	4.3%	2.2x	13.7x
<b>Mean</b>								2.5x	11.1x
<b>Adjusted Mean</b>								2.4x	11.1x
<b>Median</b>								2.2x	10.9x
<b>Footwear &amp; Accessories</b>									
Adidas AG	\$23,326	\$22,927	\$18,893	48.4%	8.7%	16.3%	5.9%	1.2x	14.3x
Burberry Group plc	\$6,972	\$7,515	\$3,131	70.1%	21.1%	(0.3%)	8.0%	2.2x	10.5x
Caleres, Inc.	\$1,234	\$1,154	\$2,577	40.7%	6.9%	0.2%	1.3%	0.5x	7.0x
Coach, Inc.	\$10,577	\$11,027	\$4,341	68.2%	18.3%	0.4%	(4.6%)	2.4x	13.4x
Crocs, Inc.	\$709	\$670	\$1,108	46.3%	1.3%	(3.5%)	(1.6%)	0.6x	NM
Deckers Outdoor Corp.	\$1,669	\$1,875	\$1,875	45.3%	13.0%	3.2%	9.4%	0.9x	6.8x
Fossil Group, Inc.	\$2,487	\$1,956	\$3,164	53.8%	11.7%	(8.5%)	2.4%	0.8x	6.7x
Genesco Inc.	\$1,451	\$1,470	\$3,022	47.8%	7.9%	5.7%	5.1%	0.5x	6.1x
Michael Kors Holdings Limited	\$9,340	\$10,029	\$4,712	59.4%	29.1%	7.8%	29.3%	2.0x	6.8x
NIKE, Inc.	\$97,530	\$100,527	\$31,911	46.3%	16.1%	5.5%	8.7%	3.1x	18.9x
PUMA SE	\$2,836	\$3,218	\$3,669	45.5%	4.6%	11.4%	1.9%	0.8x	16.8x
Samsonite International S.A.	\$4,641	\$4,719	\$2,439	52.7%	15.5%	1.8%	9.8%	1.9x	12.3x
Skechers U.S.A., Inc.	\$4,058	\$4,433	\$3,371	45.6%	13.6%	29.3%	26.4%	1.2x	8.9x
Steven Madden, Ltd.	\$2,128	\$2,232	\$1,411	35.8%	13.7%	4.2%	4.4%	1.5x	11.0x
Wolverine World Wide Inc.	\$2,363	\$1,732	\$2,638	38.9%	10.3%	(4.6%)	10.3%	0.9x	8.7x
<b>Mean</b>								1.4x	10.6x
<b>Adjusted Mean</b>								1.3x	10.3x
<b>Median</b>								1.2x	9.7x

Market statistics as of January 31, 2017.

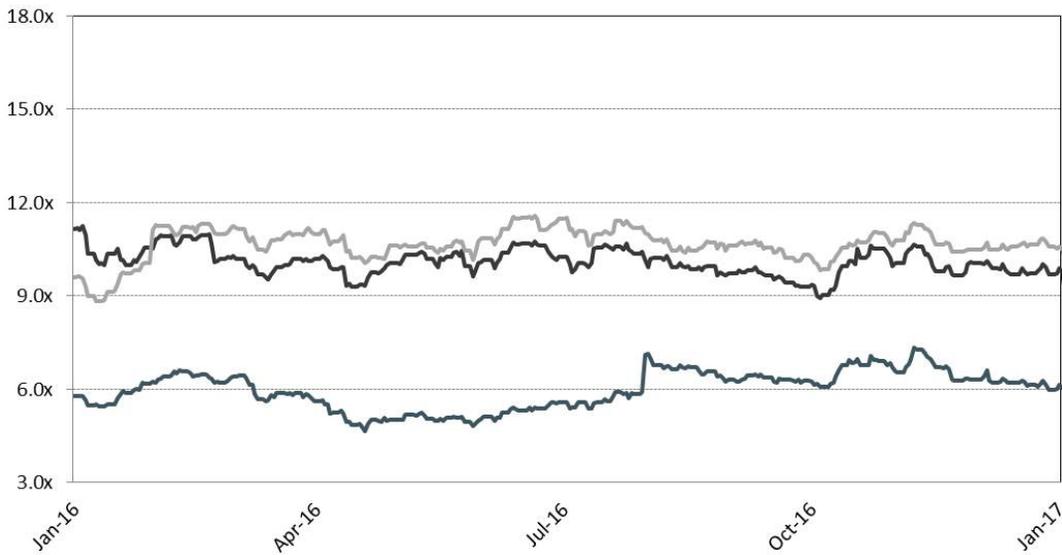
<sup>1</sup>Source: S&P Capital IQ. Multiples shown represent the adjusted mean, which excludes the highest and lowest values. Indices calculated on an equally-weighted basis.

## Publicly Traded Companies

### TEV / Revenue Multiples<sup>1</sup>



### TEV / EBITDA Multiples<sup>1</sup>



— Apparel Retailers

— Apparel Wholesalers

— Footwear & Accessories

Market statistics as of January 31, 2017.

<sup>1</sup>Source: S&P Capital IQ. Multiples shown represent the adjusted mean, which excludes the highest and lowest values. Indices calculated on an equally-weighted basis.

## Select Apparel & Retail Transactions

**HYBRID**  
has completed a recapitalization with

**ALTAMONT CAPITAL PARTNERS**  
and concurrent investment in

  
Fox Head, Inc.

Advisor to Hybrid Apparel

  
has received an investment from

**ALTAMONT CAPITAL PARTNERS**

Advisor to HUF

Arlington Global Financial Limited  
has acquired

**BIG STRIKE**

from

**THE GORES GROUP**

Advisor to Arlington Global Financial

**CAbi**  
has completed a recapitalization

 IRVING PLACE CAPITAL  
and

**J.H. WHITNEY & CO.**

Advisor to CAbi

Kommonwealth, Inc.  
dba

  
CREATIVE RECREATION  
has been acquired by

  
**ROCKY BRANDS**

Advisor to Creative Recreation

*Wally's*  
has been acquired by

**Southwest Wine & Spirits, LLC**  
an entity controlled by Maurice and Paul Marciano, and Christian Navarro

Advisor to Wally's Wine and Spirits

**NYDJ**  
has been acquired by

  
**FALCONHEAD CAPITAL**

Advisor to NYDJ Apparel, LLC\*

  
robert rodriguez  
has been acquired by

**THE JONES GROUP**

Advisor to Robert Rodriguez\*

*Manhattan*  
BEACHWEAR LLC  
has been acquired by

  
**LINSALATA CAPITAL PARTNERS**

Advisor to Manhattan Beachwear\*

  
**CYCLE GEAR**  
has completed a recapitalization with

 **HARVEST PARTNERS**

Advisor to Cycle Gear\*

  
**globe**  
*Australian Streetwear*  
  
(ASX: GLB)  
has been acquired by

**PACIFIC BRANDS**  
(ASX: PBG)

Advisor to Globe International\*

**DRAPER'S & DAMON'S**  
has been acquired by

  
**GOLDEN GATE CAPITAL**

Advisor to Draper's & Damon's LLC\*

\*Represents transactions executed by principals of Intrepid while at previous securities firms.





## Apparel & Retail Team

Retail | Accessories | Footwear | Action Sports | Streetwear | Women's Wear | Lifestyle Brands | Outdoor



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Intrepid's Apparel & Retail practice combines decades of experience assisting retail, apparel, accessories, and footwear companies with expert execution in various transaction types, including capital raises, mergers, acquisitions and divestitures. We maintain deep relationships with strategic acquirers, private equity investors and leading executives active in the industry.

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