



APPAREL & RETAIL

*Apparel & Retail M&A Report - Q1'16*

# Retailers Continue to Struggle in Q1'16

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## Retailers Continue to Struggle in Q1'16

Retailers suffered significantly at the end of 2015 and in the first quarter of 2016, with many companies filing for Chapter 11 bankruptcy or preparing to file in the near future. A shift in consumer shopping trends and rapidly changing consumer tastes, coupled with the growth of eCommerce and fast-fashion, catapulted many niche retailers into insolvent financial positions. The growing presence of Amazon and other eCommerce retailers has introduced yet another hurdle that these companies must overcome. Retail turnarounds will continue throughout 2016, with a high likelihood of many branded retailers finding themselves filing for Chapter 11 in the coming months.

One bankruptcy filing that may come as a surprise is private equity-backed Sports Authority; this is especially unexpected, as the retailer occupies a growing segment of the broader retail industry. Athletic gear continues to rapidly gain popularity among consumers as more and more individuals are sporting athletic wear to a wider array of functions; no longer do sneakers and athletic gear only serve a purpose during exercise.

*Thank you,*



**Marvin Padilla**  
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*Head of Apparel & Retail*  
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## M&A Activity in the Industry

### HanesBrands Announced its Acquisition of Champion Europe (April)

HanesBrands, a global market leader of everyday innerwear and activewear apparel, 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.

HANES Brands Inc



### Samsonite International S.A. Purchased Tumi Holdings, Inc. (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.

Samsonite



### DSW, Inc. Announced the Acquisition of Ebuys, Inc. (February)

DSW, Inc. agreed to acquire Ebuys, 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.

DSW  
DESIGNER SHOE WAREHOUSE®



### Hudson's Bay Company Completes 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. Gilt offers HBC access to a strong millennial following among its 9 million existing members.



GILT  
G R O U P E

### Brentwood Associates Announced Acquisition of 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.

BRENTWOOD ASSOCIATES  
PRIVATE EQUITY INVESTMENTS

BOSTON  
PROPER

## Industry News

### Bankruptcy Strikes as Pacific Sunwear of California Inc.'s Stock Plunges (April)

Pacific Sunwear (PacSun) filed for Chapter 11 bankruptcy protection. PacSun hired financial advisors to help the company deal with its \$160 million debt facility that is due to mature later this year. Golden Gate Capital is taking the company private, providing additional operating cash and converting 65% of the debt into equity. Shifting consumer tastes and sluggish retail spending has taken a toll on the perpetually struggling surf wear chain—the company has recorded annual losses every year for the past eight years. Most recently, the company saw its shares plummet nearly 90% over the 12-month period ending March 31, 2016.



### Aeropostale Heads Toward Bankruptcy (April)

Hampered by disappointing sales figures, rapidly changing consumer tastes and a saturated market, the struggling teen retailer, Aeropostale, Inc., is headed for bankruptcy. The company's Q4'15 net sales decreased 16% to \$498 million from \$593.8 million in the same period a year ago. The company saw its stock plummet 24% after plans of bankruptcy were announced. The company operates more than 800 stores, many of which are underperforming. Filing Chapter 11 would allow the company to be released from some of its lease obligations and close some of its underperforming stores. Comparable sales, including eCommerce, for the fourth quarter decreased nearly 7% compared to the Q4'14.



### Retailers Increase Partnerships with Athletes (March)

Retailers are increasingly recruiting and partnering with athletes, crowning them "brand ambassadors". In the month of March alone, Macy's announced partnerships with Carmelo Anthony of the New York Knicks and with Shaun White, an Olympic gold medalist snowboarder and skateboarder. Macy's is not the only retailer to deploy this strategy; Belk Inc. previously carried a private Cam Newton men's line for several seasons. Additionally, Banana Republic recently joined forces with the Cleveland Cavaliers' Kevin Love. These retailers collaborate with sports figures on fashion campaigns and private label collections in an effort to boost brand awareness.



### Sports Authority Files for Bankruptcy (March)

After filing Chapter 11 bankruptcy earlier in the month, TSA Stores, Inc. better known as the Sports Authority looks to have reached a settlement with consignment suppliers, which could resolve approximately 160 lawsuits. In an effort to stay afloat, Sports Authority sued more than 160 suppliers to prevent the suppliers from pulling around \$85 million worth of winter gear that was being sold on consignment. If the settlement is approved, the retailer will be able to continue to sell this gear while moving forward with the bankruptcy proceedings. The ability to sell these products are crucial to Sport Authority's business, especially after the retailer already closed nearly 140 stores as a part of its financial restructuring.



### Hudson's Bay Company Boasts Strong Fourth Quarter Performance (March)

Bolstered by impressive digital growth, reduced expenses and diverse retail formats, Hudson's Bay Company posted an increase of over three times in its Q4 net earnings, from \$88 million to \$238 million. Comparable store sales increased 2.5%, while comparable digital sales grew over 23%. The booming digital business can be attributed to a more robust product offering, as well as improved fulfillment capabilities and eCommerce platforms. The company's global brand diversity has boosted sales growth, with a concerted effort to provide luxury, mid-tier and off-price products.



### Lululemon Athletica Displays Impressive Financial Performance (February)

Lululemon increased fourth quarter net revenues by a notable 17% to \$704 million, up from \$603 million in Q4'14. The company's full year net revenue rose 15%, breaking the \$2 billion barrier. Lululemon's comparable-store sales increased 5% in the fourth quarter, while direct-to-consumer net revenue increased 33%. The company aims to double sales in the next four years and generate \$4 billion in sales by 2020.



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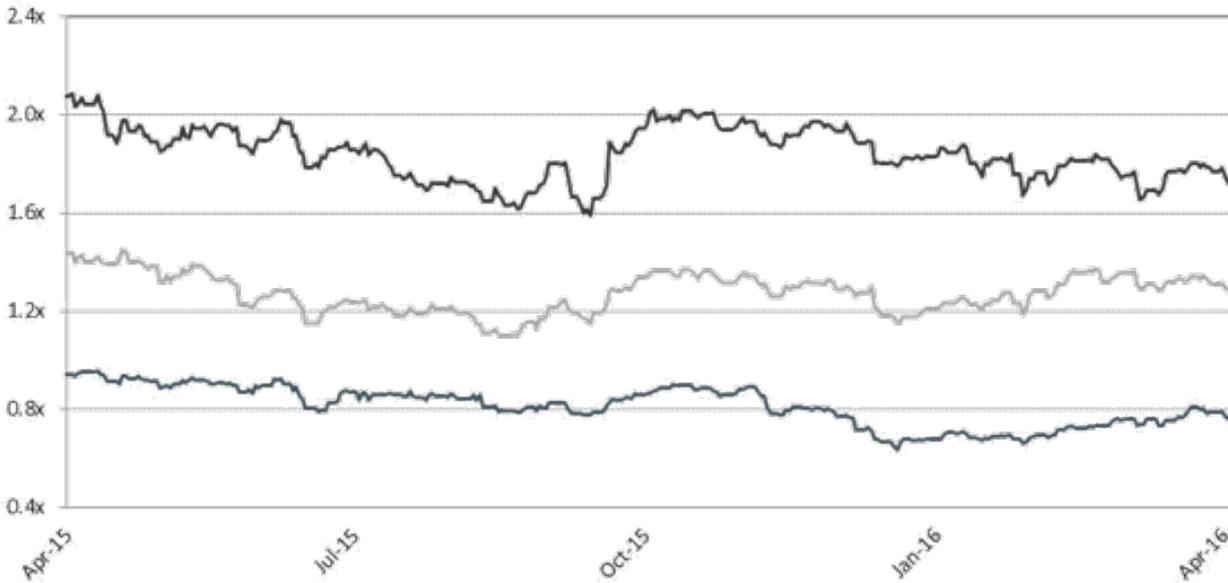
## Publicly Traded Companies (USD Millions)

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	56.5%	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	38.1%	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	\$951	75.0%	31.9%	13.7%	20.3%	4.3x	13.6x
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>								2.4x	11.1x
<b>Adjusted Mean</b>								2.4x	11.0x
<b>Median</b>								2.2x	10.9x
<b>Footwear &amp; Accessories</b>									
Adidas AG	\$23,326	\$22,927	\$19,630	48.7%	8.7%	16.3%	5.9%	1.2x	13.6x
Burberry Group plc	\$6,972	\$7,515	\$3,343	70.8%	21.3%	(0.3%)	8.0%	2.1x	9.8x
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	68.1%	18.1%	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	\$3,812	45.8%	4.6%	11.4%	1.9%	0.7x	16.0x
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	10.4x
<b>Adjusted Mean</b>								1.3x	10.1x
<b>Median</b>								1.2x	9.3x

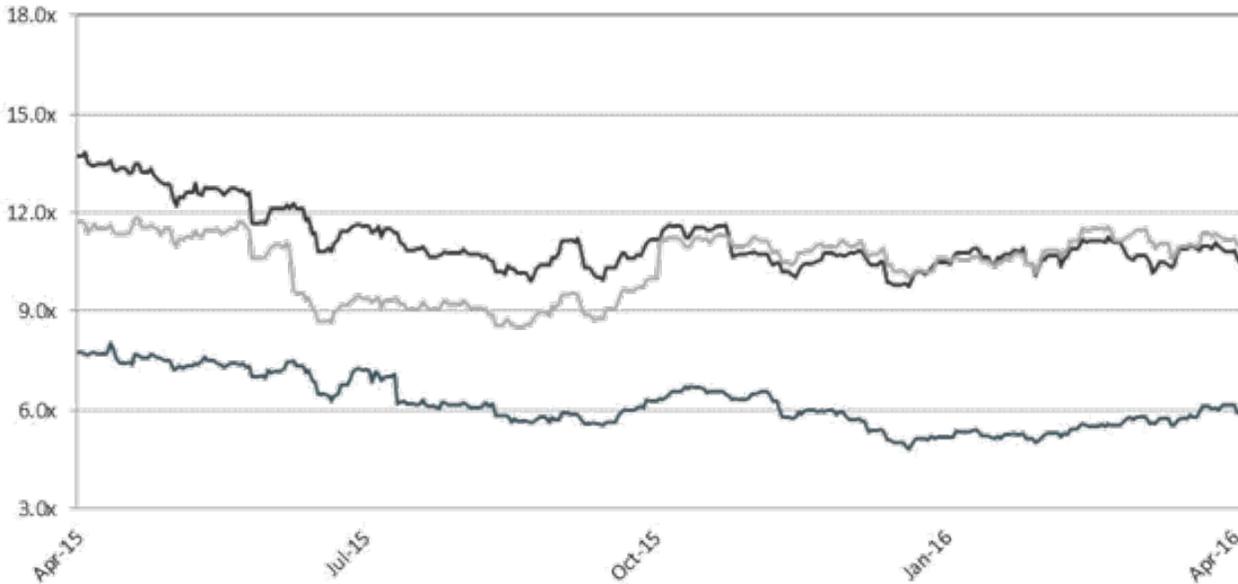
Market statistics as of April 5, 2016.

## Publicly Traded Companies (USD Millions)

TEV / Revenue Multiples



TEV / EBITDA Multiples



— Apparel Retailers

— Apparel Wholesalers

— Footwear & Accessories

## Select Apparel & Retail Transaction Experience

**CAbi**  
has completed a recapitalization

 IRVING PLACE CAPITAL  
and  
J.H. WHITNEY & CO.

Advisor to CAbi

Arlington Global Financial Limited  
has acquired

**BIG STRIKE**  
from  
**THE GORES GROUP**

Advisor to Arlington Global Financial

**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\*

Kommonwealth, Inc.  
dba  
 CREATIVE RECREATION  
has been acquired by

 ROCKY BRANDS

Advisor to Creative Recreation

*Manhattan*  
BEACHWEAR INC.  
has been acquired by

 LINSALATA CAPITAL PARTNERS

Advisor to Manhattan Beachwear\*

 CYCLE GEAR  
has completed a recapitalization with

 HARVEST PARTNERS

Advisor to Cycle Gear\*

*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

**HYBRID**  
has completed a recapitalization with

 ALTAMONT CAPITAL PARTNERS  
and concurrent investment in

 Fox Head, Inc.

Advisor to Hybrid Apparel

**HUF**  
has received an investment from

 ALTAMONT CAPITAL PARTNERS

Advisor to HUF

DRAPERS & DAMONS  
has been acquired by

 GOLDEN GATE CAPITAL

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

 GLOBE  
has been acquired by

PACIFIC BRANDS

Advisor to Globe International Ltd.\*

\*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 Investment Bankers provides M&A, capital raising and strategic advisory services to entrepreneurs and middle-market companies in various industry sectors. Our heritage, rooted in our founders' successful 35-year history, breeds a culture that embraces teamwork, tenacity and creativity to win big for our clients. We believe that every company has an entrepreneurial passion that drives it and a story that defines it. Our team delivers results through skillful positioning of the client's story and relentless execution. Based in Los Angeles, Intrepid augments its international capabilities through active membership in M&A International, an exclusive global alliance of M&A advisory firms.

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