



Apparel & Retail M&A Report - September 2017

Uniform & Workwear Industry Apparel Thrives in Uncertain Retail Environment

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Uniform & Workwear Industry Apparel Thrives in Uncertain Retail Environment

The Apparel & Retail landscape is undergoing seismic changes in the ways in which brands connect with customers, consumer tastes and distribution channels. Growth of eCommerce, an overwhelming transition from brick and mortar to mobile and desktop, the movement away from the traditional sales model and increasing attention to quality and transparent sourcing have turned some brands into overnight successes (Warby Parker, FitBit and aden + anais, to name a few) and been the downfall of others. Meanwhile, eCommerce behemoths Amazon and Walmart are locked in a race for supremacy in online apparel retail with the launch of AmazonBasics and acquisition of Bonobos. With such intense competition in the apparel sector, brands must find ways to distinguish themselves operationally and creatively.

With all the upheaval in the retail environment, workwear is among the few thriving apparel segments, projected to grow to \$48 billion by 2022¹. Estimated at \$30 billion¹ today, this sector provides apparel and accessories to a wide range of professionals, including construction workers, nurses, firefighters and cafeteria workers. Investors have recognized the opportunity in the segment, driving substantially higher M&A activity compared to the rest of the industry as well as higher valuations for uniform and workwear companies in the public markets. **Intrepid recently acted as the exclusive financial advisor to M.L. Kishigo Manufacturing Company**, a leader in quality for high-visibility safety wear, providing durable and top-performing products to a growing number of customers, on its sale to Bunzl North America.

While capturing the attention and dollars of the Millennials generation may be a moving target for many apparel brands, uniform and workwear providers serve a growing and stable market. The healthcare industry is booming, with global healthcare spend forecasted to reach \$8.7 trillion by 2020², and the domestic manufacturing market has a bright future with the current Trump Administration promising to bring more industrial jobs home. The category is largely resistant to trends and consumer preferences, decreasing risk for potential acquirers. This decreased risk, as well as the reliability and longevity of the markets they serve, make uniform and workwear companies particularly attractive assets for both strategic and financial investors. These factors combined have resulted in an optimistic outlook for the uniform and workwear category.

At Intrepid, our approach is to start building relationships with prospective clients early on in their life-cycle. As you evaluate your own opportunities, please feel free to call us at 310.478.9000 for more pointed insight.

Thank you,



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⁽¹⁾ Sources: Bloomberg Pursuits; Global Industry Analysts, Inc. Workwear Research Brief

⁽²⁾ Source: Deloitte 2017 Global Health Care Sector Outlook

Select Uniform & Workwear M&A Transactions

Rockpool Investments Announces Investment in Wearwell Group Limited (August)

Rockpool Investments, a private equity firm located in London, announced in late August that it had provided £5.5 million to back the management buyout of workwear provider Wearwell by Richard Wright. Mr. Wright, the former Vice President of international workwear supplier Kwantet, will become the Chief Executive Officer of Wearwell. Wearwell, based in the U.K., designs and manufactures high-quality technical workwear for a wide range of industries, including service apparel, kitchen apparel and factory wear.



Financial Sponsor

VF Corporation Acquires Williamson-Dickie for \$820 Million (August)

VF Corporation (NYSE: VFC), a leader in lifestyle branded apparel and footwear, announced its acquisition of Williamson-Dickie Mfg. Co., a family-owned global workwear company for \$820 million. Williamson-Dickie's current portfolio of workwear, ranging from hospital scrubs to safety boots, will join VF's collection of brands including Vans, The North Face, Red Kap and Timberland. This is the first acquisition that VF has made since its purchase of Timberland in 2011 for \$2 billion. The return from a M&A hiatus might be driven by changing profitability in its portfolio—VF's workwear segment has been outpacing its sportswear and fashionwear brands, and the Timberland Pro business (serving blue-collar workers) grew 8% in the last quarter.



Strategic Acquirer

Point Blank Enterprises Acquires United Shield International (August)

Point Blank Enterprises announced in late August that it had acquired United Shield International, one of the leading manufacturers in the world of personal ballistic and fragmentation protection and fragmentation equipment. Based outside of London, United Shield supplies protection equipment to all major government departments in the U.K., as well as the Police, Emergency, Prison and Security services, and exports to more than 80 countries around the world. Its high-quality manufacturing techniques and well-regarded brand make United Shield a valuable addition to Point Blank's portfolio of high-performance protective solutions.



Strategic Acquirer

MSA Announces Acquisition of Globe Manufacturing Company (June)

MSA Safety Inc. (NYSE: MSA) announced a definitive agreement to acquire Globe Holding Company, LLC in an all-cash transaction valued at \$215 million. MSA is a global provider of safety products and is already present in the fire service industry with its firefighter helmet brand Cairns Helmets. Globe operates four facilities that manufacture protective clothing and shoes for firefighters. With virtually no product overlap between the two brands, this acquisition strengthens MSA's position in the North American fire service market, and expands its core product portfolio in a key customer segment.



ATHLETIC GEAR
FOR FIREFIGHTERS™

Strategic Acquirer

First Tactical Merges with Point Blank Enterprises to Create Industry's First Integrated Clothing and Body Armor System (April)

Point Blank Enterprises and First Tactical announced an agreement to merge, a transaction that will create the industry's first integrated clothing and body armor system. Point Blank Enterprises is the largest global supplier of ballistic armor systems. First Tactical provides functional gear for public safety professionals. Both companies will keep their names and have announced that they will immediately begin collaboration to develop an integrated apparel and body armor line. First Tactical has consistently elevated standards in its industry with cutting-edge apparel directly serving the needs of public safety personnel. Point Blank's high-tech body armor products and expertise are a perfect complement to First Tactical's capabilities.



Strategic Acquirer

Select Uniform & Workwear M&A Transactions

Bunzl plc Acquires M.L. Kishigo Manufacturing (April)

Bunzl plc (LSE: BNZL) announced its acquisition of M.L. Kishigo Manufacturing Company from Solis Capital Partners. M.L. Kishigo is an industry-leading designer and manufacturer of high visibility industrial safety wear for construction workers, airport personnel and other operators of equipment in the U.S. Solis acquired M.L. Kishigo in January 2015. Bunzl, a London-based international distribution group, is focused on providing its customers with internationally sourced products that are necessary for their operations. M.L. Kishigo's ability to provide customized solutions for their customers will bring additional expertise and an extended product portfolio to Bunzl's existing safety business in the U.S. Intrepid served as the exclusive financial advisor on this deal. To read the press release, [click here](#).



ML KISHIGO

Strategic Acquirer

UniFirst Corporation Completes the Acquisition of Arrow Uniform (September 2016)

UniFirst Corporation (NYSE: UNF) completed the acquisition of Arrow Uniform for approximately \$122 million in the fall of 2016. UniFirst is a provider of workplace uniforms and facility services to businesses in a broad range of industries. Arrow, which has 12 locations throughout the Midwest, is a provider of uniform rentals services and will be added to UniFirst's portfolio of brands. This acquisition will facilitate UniFirst's continued growth as a key player within the uniform apparel space and will be additive to the company's portfolio of rental services companies. Arrow's market presence in greater Michigan and the surrounding areas will help UniFirst better serve existing and potential local, regional and national customers.



Strategic Acquirer

Compass Diversified Holdings Acquires 5.11 Tactical for \$400 Million (August 2016)

Compass Diversified Holdings (NYSE: CODI) completed the acquisition of 5.11 Tactical for a purchase price of \$400 million. 5.11 is a provider of tactical apparel and gear serving a wide range of global customers. 5.11 represents a strong addition to Compass' family of niche industrial and consumer brands. Compass' considerable financial resources and demonstrated expertise working with middle-market growth companies will be used to globally expand 5.11's consumer penetration.



Financial Sponsor

CCMP Capital Announces the Acquisition of Badger Sportswear (August 2016)

CCMP Capital Advisors, LP announced a definitive agreement to acquire a controlling interest in Badger Sportswear. CCMP is a private equity firm specializing in middle-market buyouts and growth equity investments in North America and Europe. Badger is a family-owned manufacturer and supplier of high-quality team uniforms, performance athletic wear and fan wear for youth and adult athletes. CCMP's consumer and retail investment expertise, in addition to its familiarity working with family-owned businesses, will be instrumental in facilitating Badger's next level of growth.



Financial Sponsor

New Mountain Capital Completes the Acquisition of Strategic Partners (July 2016)

New Mountain Capital, a growth-oriented investment firm located in New York, completed a majority investment in Strategic Partners, Inc., (SPI) a provider of high-quality uniforms, footwear and accessories to retailers. SPI is the leading provider of medical scrubs sold through retail to healthcare personnel. New Mountain will be supporting the realization of the company's full potential by supporting new strategic initiatives which capitalize on SPI's customer relationships, scalable infrastructure and management capabilities.



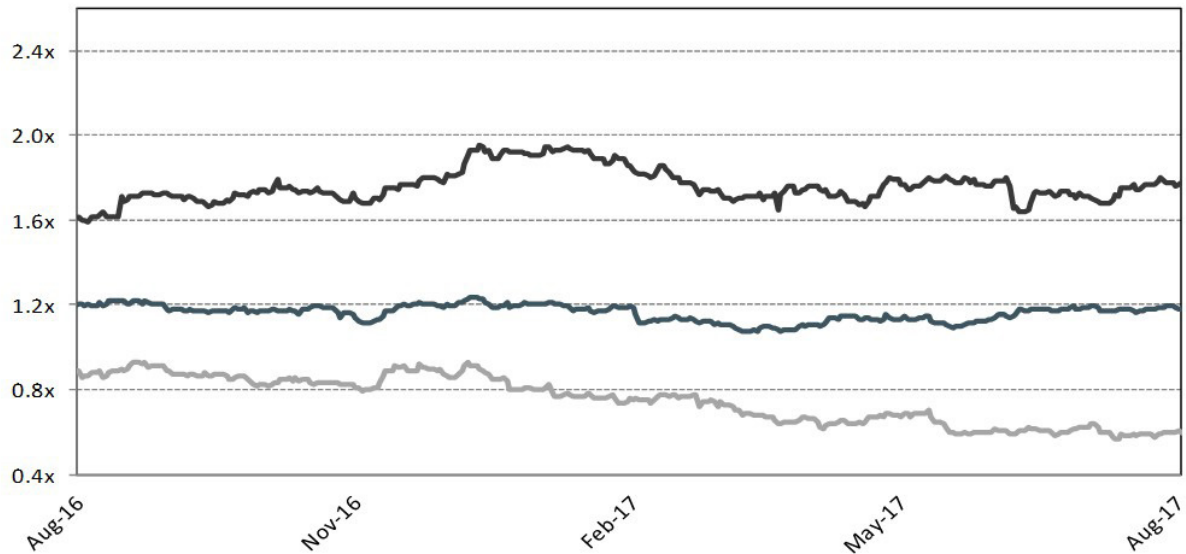
Financial Sponsor

Publicly Traded Companies (USD Millions)

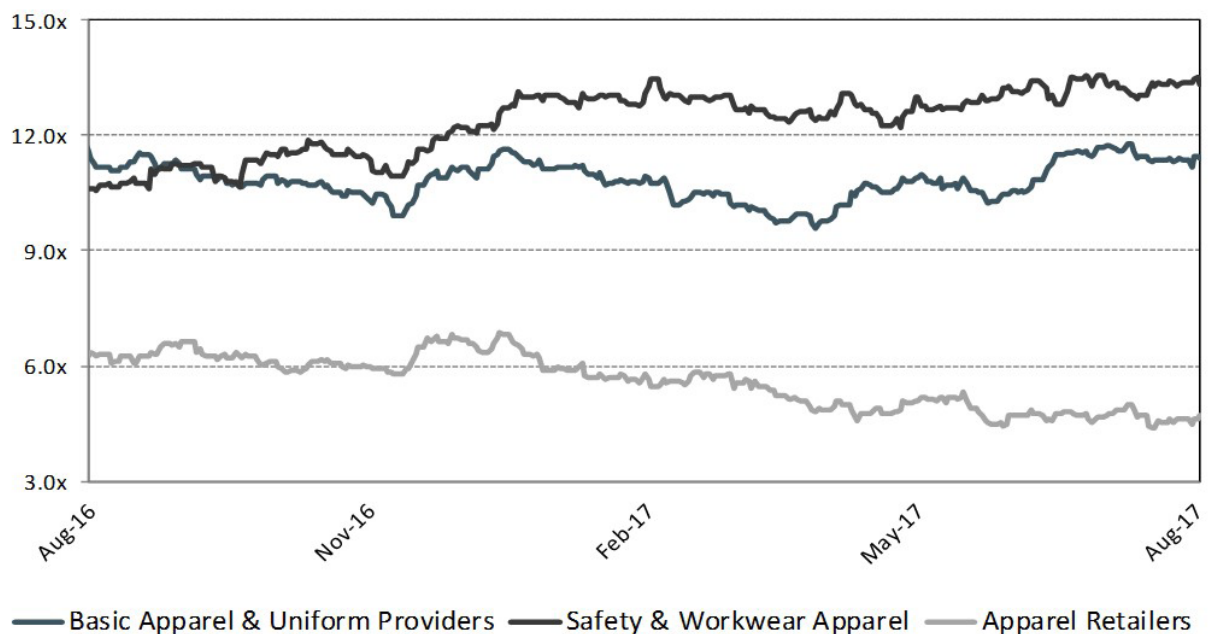
Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Margin	EBITDA Margin	1-year	3-year	Revenue	EBITDA
Basic Apparel & Uniform Providers									
Hanesbrands Inc.	\$12,571	\$8,795	\$6,363	39.2%	16.4%	11.8%	9.2%	2.0x	12.0x
Gildan Activewear Inc.	\$7,764	\$7,099	\$2,684	28.9%	21.1%	7.3%	5.0%	2.9x	13.7x
Jihua Group Corporation Limited	\$6,187	\$5,986	\$4,268	6.8%	1.4%	22.2%	4.7%	1.4x	NM
G-III Apparel Group, Ltd.	\$1,745	\$1,319	\$2,458	35.7%	5.5%	5.2%	8.4%	0.7x	12.8x
Delta Galil Industries Ltd.	\$997	\$807	\$1,329	35.8%	8.1%	23.3%	9.9%	0.8x	9.3x
Superior Uniform Group, Inc.	\$366	\$332	\$257	35.4%	10.9%	10.4%	11.7%	1.4x	13.0x
JICHODO Co.,Ltd.	\$141	\$210	\$157	34.9%	18.5%	2.9%	(1.1%)	0.9x	4.9x
Delta Apparel, Inc.	\$248	\$146	\$408	19.8%	6.5%	(5.3%)	(3.9%)	0.6x	9.3x
Mean								1.3x	10.7x
Adjusted Mean								1.2x	11.3x
Median								1.2x	12.0x
Safety & Workwear Apparel									
Ansell Limited	\$2,944	\$2,503	\$1,375	39.4%	15.2%	1.6%	(4.7%)	2.1x	14.1x
MSA Safety Incorporated	\$2,886	\$2,726	\$1,129	46.1%	18.6%	(2.9%)	0.7%	2.6x	13.8x
Delta Plus Group	\$451	\$410	\$232	50.7%	13.1%	0.3%	5.7%	1.9x	14.9x
Duluth Holdings Inc.	\$634	\$639	\$391	57.0%	9.1%	18.5%	33.9%	1.6x	17.7x
Lakeland Industries, Inc.	\$104	\$112	\$89	37.9%	12.0%	0.9%	(0.3%)	1.2x	9.7x
Mean								1.9x	14.0x
Adjusted Mean								1.9x	14.2x
Median								1.9x	14.1x
Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Margin	EBITDA Margin	1-year	3-year	Revenue	EBITDA
Apparel Retailers									
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
Asena Retail Group, Inc.	\$3,329	\$1,966	\$5,834	56.7%	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	\$2,661	38.6%	10.1%	(1.2%)	1.0%	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%	14.2%	(3.9%)	0.3%	0.7x	5.2x
Guess?, Inc.	\$1,077	\$1,498	\$2,204	35.7%	9.1%	(8.8%)	(6.1%)	0.5x	5.3x
L Brands, Inc.	\$27,735	\$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
Mean								1.2x	7.6x
Adjusted Mean								1.0x	6.7x
Median								0.7x	5.7x

Publicly Traded Companies

TEV / Revenue Multiples¹



TEV / EBITDA Multiples¹



Select Transactions

 <p>has been acquired by</p>  <p>Advisor to M.L. Kishigo</p>	 <p>has been acquired by</p>  <p>a portfolio company of</p>  <p>Advisor to Loungefly</p>	 <p>has been acquired by</p>  <p>Advisor to LRG</p>	 <p>has completed a recapitalization with</p>  <p>Advisor to HUF</p>
 <p>has completed a recapitalization with</p>  <p>and concurrent investment in</p>  <p>Fox Head, Inc.</p> <p>Advisor to Hybrid Apparel</p>	 <p>has been acquired by</p>  <p>LINSALATA CAPITAL PARTNERS</p> <p>Advisor to Manhattan Beachwear*</p>	 <p>has completed a recapitalization with</p>  <p>Advisor to Cycle Gear*</p>	 <p>has completed a recapitalization</p> <p>J.H. WHITNEY & CO.</p> <p>and</p>  <p>Advisor to CAbi</p>
<p>Arlington Global Financial Limited</p> <p>has acquired</p>  <p>from</p>  <p>Advisor to Arlington Global Financial</p>	<p>Kommonwealth, Inc. dba</p>  <p>has been acquired by</p>  <p>Advisor to Creative Recreation</p>	 <p>has been acquired by</p>  <p>Advisor to NYDJ Apparel, LLC*</p>	 <p>has been acquired by</p>  <p>Advisor to Robert Rodriguez*</p>

*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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About Intrepid's Apparel & Retail Practice

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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