



Apparel & Retail M&A Report - February 2016

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Apparel and Retail Witnessed Uptick in M&A Activity in 2015

The end of 2015 and beginning of 2016 saw an uptick in M&A activity for apparel and retail companies. In addition, Q4'15 witnessed several high-profile CEO changes at companies including Ralph Lauren and Iconix Brand Group. We believe that as wholesale brands continue to navigate through a challenging retail environment, more companies will turn to M&A as a method of gaining a stronger foothold in the marketplace.

We have seen a consolidation wave emerge among juniors and moderate apparel wholesalers. With the large department stores continuing to exert pressure on vendors for markdown dollars and returns, wholesalers are beginning to consolidate, as having a strong balance sheet is key to survival. Strong brands have continued to command premium valuations from both private equity groups and strategic acquirers. The top three value drivers for apparel and retail companies continue to include brand, Brand and BRAND!!! In speaking to buyers, we also see an increasing focus on a company's ability to connect with their consumers through a well-defined and implemented social media strategy.

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,



Marvin Padilla

Managing Director

Head of Apparel & Retail

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Recently Closed Transactions

Arlington Global Financial Ltd. Acquired Big Strike, Inc. (July 2015)

Intrepid served as the exclusive financial advisor to Arlington Global on its acquisition of Big Strike, Inc., a leading designer, manufacturer and wholesaler of casual and career apparel for women. Arlington Global's shareholders include industry leaders with decades of experience in the apparel industry. Read the press release.



**Arlington Global
Financial Limited**

The Carlyle Group Purchased Hunkemöller International B.V. (December 2015)

The Carlyle Group agreed to acquire Dutch lingerie firm Hunkemöller International B.V. from France-based private equity firm PAI Partners. Carlyle Group will acquire the company for an estimated \$480 million, representing approximately a 8x EBITDA multiple. Carlyle Group will continue to support Hunkemöller's omni-channel strategy and enhance the company's future growth and expansion.

hunkemöller

THE CARLYLE GROUP

Sycamore Partners Completes Acquisition of Belk, Inc. (December 2015)

Sycamore Partners acquired Belk, Inc., the nation's largest family-owned and operated department store, for \$3 billion, representing a 0.7x revenue multiple and a 6.9x EBITDA multiple. Although the broader department-store industry has struggled over the past few years, Belk has experienced gradual growth since 2010, driven by increasing eCommerce sales and deploying strategic initiatives to strengthen the company's corporate infrastructure and provide the



PVH Corp. Acquired Remaining 50% Stake of Tommy Hilfiger's China Operations (December 2015)

PVH Corp. acquired the remaining 50% stake in Tommy Hilfiger's China operations (that it did not previously own) from joint-venture partner Apax Partners. PVH, one of the largest global apparel companies and the owner of the Tommy Hilfiger brand, is considering an initial public offering of the China operations as early as sometime in 2016.



Hudson's Bay Announced the Acquisition of Galeria Kaufhof (September 2015)

Hudson's Bay Co., the owner of the Lord & Taylor and Saks Fifth Avenue chains, announced the acquisition of Germany's Galeria Kaufhof for \$3.2 billion from the Metro Group. With the acquisition of Galeria Kaufhof, Germany's largest department-store chain, Hudson's Bay Co. will significantly expand its presence in Europe.



Ascena Retail Group Adds Ann Inc. (August 2015)

Ascena Retail Group acquired Ann Inc. for a combination of cash and Ascena stock. Ann was acquired for nearly \$2.2 billion, representing a 0.8x revenue multiple and a 8.4x EBITDA multiple. Ascena, with the addition of the Ann brands: Ann Taylor, LOFT, and Lou & Grey brands, is now one of North America's largest and most diversified specialty apparel retailers.



Industry News

Macy's to Close 40 Stores and Cut 3,500 Jobs (January 2016)

After posting disappointing holiday sales, Macy's Inc. announced its plan to close 40 stores and fire or reassign more than 3,500 employees. In an effort to reduce expenses by approximately \$400 million in 2016, Macy's indicated that 600 back-office jobs will be eliminated, nearly 200 senior executives plan to voluntarily retire or leave the company and three to four sales jobs will be cut in each of its remaining 770 locations nationwide.



American Apparel Files for Bankruptcy (January 2016)

American Apparel filed for Chapter 11 bankruptcy in October 2015, following a difficult period that included crippling debts, employee strife, recurring quarterly losses and a drawn-out legal battle with the retailer's former founder, Dov Charney. Following the filing, Hagan Capital Group and Silver Creek Capital Partners submitted a \$300-million takeover bid, revising a bid they submitted just a month earlier in December. The investor group is in support of the return of Dov Charney; the takeover offer would allow the company to leave bankruptcy with approximately \$160 million in new equity and cash.



Under Armour Boasts Impressive Q3'15 Revenue (October 2015)

Under Armour increased third quarter net revenues by a notable 28% to \$1.2 billion up from \$938 million in Q3'14. This marked the company's first quarter generating over \$1 billion in net revenue and the company's 22nd straight quarter of at least 20% net revenue growth. The company targets to generate \$7.5 billion in net revenues by 2018.



Ralph Lauren Steps Down as CEO (September 2015)

Ralph Lauren stepped down from his role as Chief Executive Officer of his namesake brand after founding the company nearly a half-century ago. Stefan Larsson, former H&M executive and President of Old Navy, replaced Lauren as CEO in the beginning in November. Lauren will remain Executive Chairman and Chief Creative Officer.



Iconix Brand Group Inc. Chairman and CEO Resigned (August 2015)

The Chairman and Chief Executive Officer of Iconix Brand Group Inc., Neil Cole, announced his resignation from his current role at the company. Shares of the company dropped nearly 24% following the news of the planned departure. Cole's resignation followed the exit of both the CFO and COO earlier in 2015.



Nordstrom Doubles Number of Stores Carrying Madewell Clothing (July 2015)

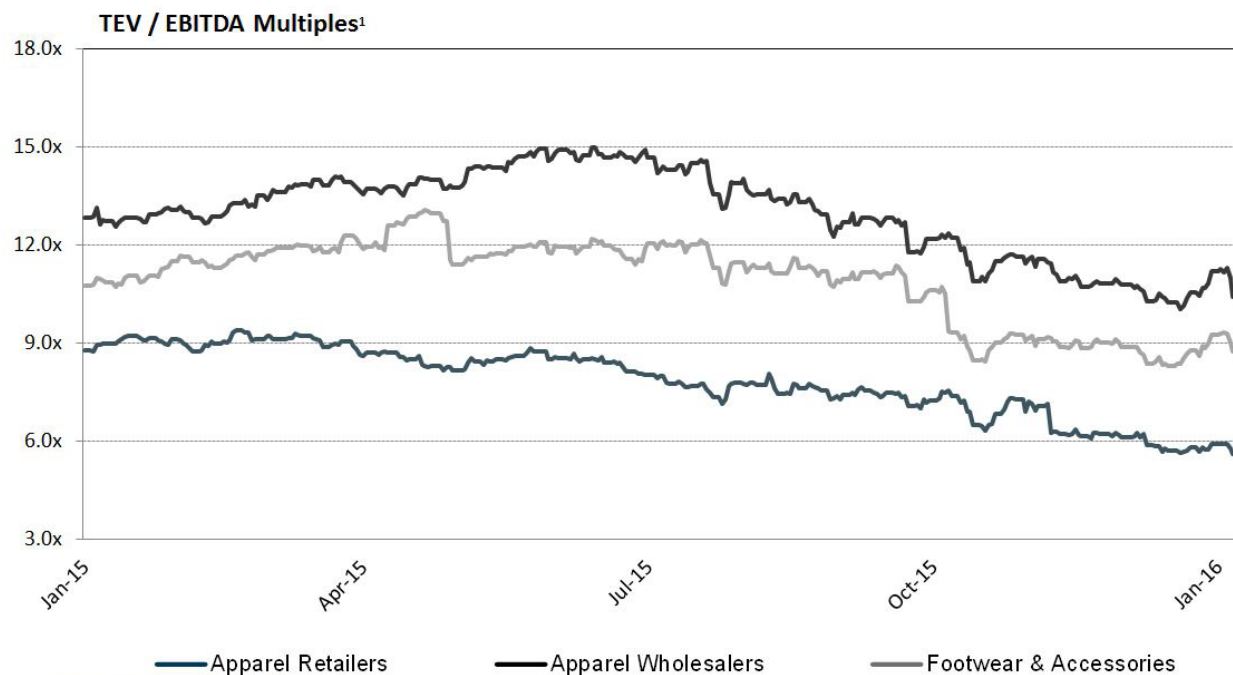
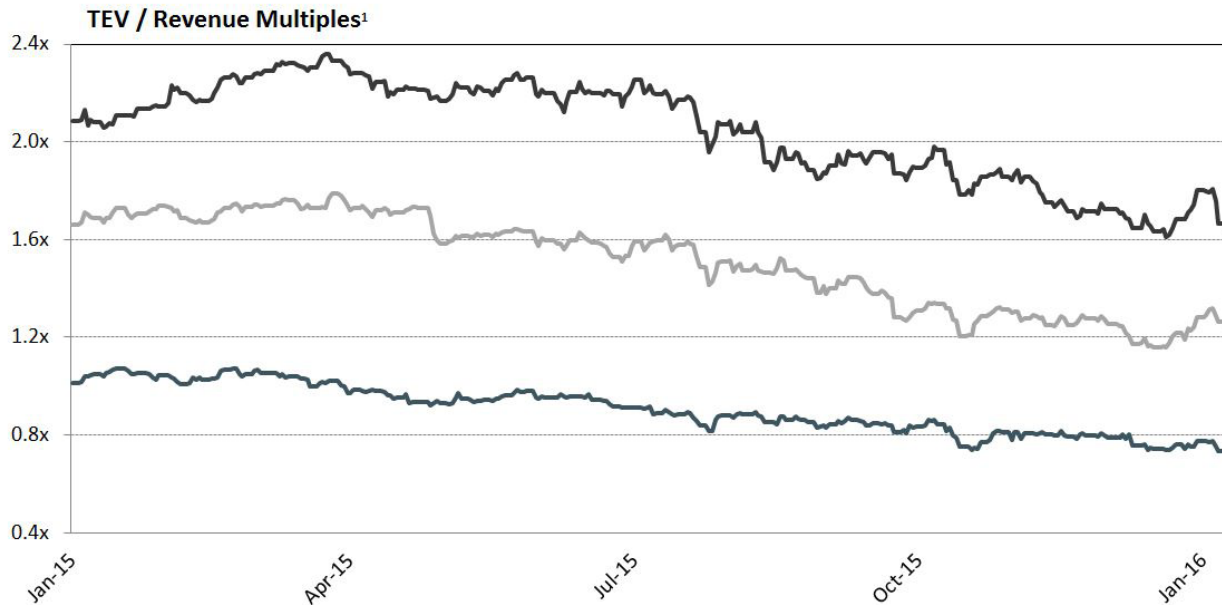
Nordstrom announced its plan to double the number of its stores that carry Madewell clothing from 15 to 30. Madewell continues to be the saving grace of struggling parent company J.Crew, who recently laid off 10% of its corporate employees. The flagship brand saw its comparable sales fall 12% in Q3'15, while Madewell saw a less than spectacular quarter. Instead of boasting its typical double-digit increase, comparable sales were up only 1%.



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
Apparel Retailers									
Abercrombie & Fitch Co.	\$1,558	\$1,622	\$3,525	61.4%	9.7%	(10.2%)	(6.9%)	0.4x	4.5x
Aéropostale, Inc.	\$117	\$16	\$1,603	31.8%	(3.8%)	(16.3%)	(12.6%)	0.1x	NM
American Eagle Outfitters, Inc.	\$2,233	\$2,596	\$3,488	45.2%	13.3%	7.2%	1.0%	0.6x	4.8x
Ascena Retail Group Inc.	\$2,764	\$1,281	\$5,281	56.3%	9.0%	10.3%	12.4%	0.5x	5.8x
The Buckle, Inc.	\$1,228	\$1,378	\$1,141	49.3%	23.9%	0.2%	1.2%	1.1x	4.5x
Carter's, Inc.	\$4,758	\$4,461	\$3,017	41.5%	15.3%	8.0%	9.5%	1.6x	10.3x
Chico's FAS Inc.	\$1,357	\$1,401	\$2,672	53.9%	10.5%	1.6%	2.3%	0.5x	4.8x
Express Inc.	\$1,322	\$1,343	\$2,310	42.9%	11.7%	7.2%	3.4%	0.6x	4.9x
The Gap, Inc.	\$10,062	\$9,352	\$16,120	37.0%	14.7%	(1.1%)	2.0%	0.6x	4.2x
Guess? Inc.	\$1,130	\$1,509	\$2,243	36.0%	9.7%	(9.9%)	(5.0%)	0.5x	5.2x
L Brands, Inc.	\$28,269	\$23,823	\$11,828	47.5%	21.3%	5.6%	5.3%	2.4x	11.2x
Lululemon Athletica Inc.	\$7,406	\$7,810	\$1,959	48.6%	21.6%	14.2%	16.0%	3.8x	17.5x
Pacific Sunwear of California Inc.	\$135	\$14	\$800	43.3%	(0.2%)	(1.7%)	2.0%	0.2x	NM
Urban Outfitters Inc.	\$2,663	\$2,768	\$3,443	41.9%	14.4%	7.0%	8.9%	0.8x	5.4x
Zumiez, Inc.	\$439	\$489	\$820	34.4%	11.4%	5.2%	9.3%	0.5x	4.7x
Mean								0.9x	6.8x
Adjusted Mean								0.8x	6.0x
Median								0.6x	4.9x
Apparel Wholesalers									
Cherokee Inc.	\$161	\$141	\$34	NM	47.1%	1.6%	9.0%	4.7x	10.0x
Columbia Sportswear Company	\$3,177	\$3,300	\$2,304	46.2%	13.5%	17.7%	10.8%	1.4x	10.2x
G-III Apparel Group, Ltd.	\$2,193	\$2,075	\$2,331	36.2%	10.0%	12.3%	20.9%	0.9x	9.4x
Hanesbrands Inc.	\$11,717	\$9,412	\$5,732	38.1%	17.0%	7.6%	8.2%	2.0x	12.0x
Iconix Brand Group, Inc.	\$1,813	\$327	\$374	100.0%	48.2%	1.0%	0.9%	4.9x	10.1x
Kate Spade & Company	\$2,179	\$1,997	\$1,212	60.6%	10.4%	19.4%	(6.1%)	1.8x	17.3x
Moncler S.p.A.	\$3,684	\$3,511	\$912	73.6%	33.4%	25.8%	11.7%	4.0x	12.1x
Oxford Industries Inc.	\$1,121	\$1,059	\$1,036	56.2%	11.9%	12.4%	8.2%	1.1x	9.1x
Perry Ellis International Inc.	\$363	\$267	\$903	34.8%	4.9%	1.6%	(1.4%)	0.4x	8.2x
PVH Corp.	\$8,823	\$5,826	\$7,977	52.2%	11.9%	(3.0%)	10.3%	1.1x	9.3x
Ralph Lauren Corporation	\$6,717	\$7,032	\$7,419	57.0%	15.4%	(2.4%)	2.3%	0.9x	5.9x
Quicksilver Inc.	\$809	\$1	\$1,346	46.2%	(2.1%)	(14.4%)	(11.5%)	0.6x	NM
Under Armour, Inc.	\$16,153	\$15,614	\$3,963	48.1%	12.9%	28.5%	29.3%	4.1x	NM
V.F. Corporation	\$26,298	\$24,155	\$12,543	48.5%	16.9%	4.6%	5.3%	2.1x	12.4x
Mean								2.1x	10.5x
Adjusted Mean								2.1x	10.3x
Median								1.6x	10.0x
Footwear & Accessories									
Adidas AG	\$19,411	\$19,453	\$18,501	47.8%	8.8%	15.9%	3.5%	1.0x	12.0x
Burberry Group plc	\$6,869	\$7,461	\$3,662	70.3%	22.3%	5.4%	9.8%	1.9x	8.4x
Caleres, Inc.	\$1,189	\$1,075	\$2,584	40.5%	6.8%	1.1%	1.3%	0.5x	6.8x
Coach, Inc.	\$9,005	\$9,456	\$4,238	68.6%	22.0%	(5.7%)	(4.9%)	2.1x	9.7x
Crocs, Inc.	\$693	\$678	\$1,088	47.4%	0.0%	(10.8%)	(0.4%)	0.6x	NM
Deckers Outdoor Corp.	\$1,396	\$1,603	\$1,837	45.9%	13.0%	34.8%	7.7%	0.8x	5.9x
Fossil Group, Inc.	\$2,143	\$1,620	\$3,301	55.5%	16.6%	(5.9%)	6.4%	0.6x	3.9x
Genesco Inc.	\$1,582	\$1,392	\$2,983	48.4%	8.4%	8.1%	5.6%	0.5x	6.3x
Michael Kors Holdings Limited	\$8,323	\$9,012	\$4,594	59.4%	29.6%	9.2%	32.7%	1.8x	6.1x
NIKE, Inc.	\$90,891	\$94,831	\$31,339	46.3%	16.1%	5.3%	8.8%	2.9x	18.0x
PUMA SE	\$2,715	\$2,838	\$3,686	46.1%	4.6%	11.6%	0.8%	0.7x	15.9x
Skechers U.S.A., Inc.	\$3,834	\$4,202	\$3,004	45.3%	13.2%	32.4%	27.3%	1.3x	9.7x
Steven Madden, Ltd.	\$1,871	\$1,932	\$1,404	35.2%	13.3%	5.1%	5.6%	1.3x	10.1x
Tumi Holdings, Inc.	\$1,078	\$1,154	\$544	59.0%	21.7%	6.5%	12.8%	2.0x	9.2x
Wolverine World Wide Inc.	\$2,330	\$1,698	\$2,749	39.3%	10.8%	2.1%	25.4%	0.8x	7.8x
Mean								1.3x	9.3x
Adjusted Mean								1.2x	9.0x
Median								1.0x	8.8x

Publicly Traded Companies (USD Millions)



Market statistics as of February 9, 2016.

¹Source: 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 Transaction Experience

<p>CAbi</p> <p>has completed a recapitalization</p> <p>Advisor to CAbi</p>	<p>Arlington Global Financial Limited</p> <p>has acquired</p> <p>BIG STRIKE</p> <p>from</p> <p>THE GORES GROUP</p> <p>Advisor to Arlington Global</p>	<p>NYDJ</p> <p>has been acquired by</p> <p>FALCONHEAD CAPITAL</p> <p>Advisor to NYDJ*</p>	<p>robert rodriguez</p> <p>has been acquired by</p> <p>THE JONES GROUP</p> <p>Advisor to Robert Rodriguez*</p>
<p>Kommonwealth, Inc. dba</p> <p>CREATIVE RECREATION</p> <p>has been acquired by</p> <p>ROCKY BRANDS</p> <p>Advisor to Creative Recreation</p>	<p>Manhattan BEACHWEAR LLC</p> <p>has been acquired by</p> <p>LINSALATA CAPITAL PARTNERS</p> <p>Advisor to Manhattan Beachwear*</p>	<p>CYCLE GEAR</p> <p>has completed a recapitalization with</p> <p>HARVEST PARTNERS</p> <p>Advisor to Cycle Gear*</p>	<p>RUSTY</p> <p>has been acquired by</p> <p>Vegas Enterprises Pty Ltd.</p> <p>Advisor to Rusty Surfboards, Inc.*</p>
<p>HYBRID</p> <p>has completed a recapitalization by</p> <p>ALTAMONT CAPITAL PARTNERS</p> <p>and concurrent majority acquisition with</p> <p>FOX</p> <p>Advisor to Hybrid</p>	<p>HUF</p> <p>has received an investment from</p> <p>ALTAMONT CAPITAL PARTNERS</p> <p>Advisor to HUF</p>	<p>RAJ MANUFACTURING</p> <p>Swimwear licenses include:</p> <p>Hurley REEF GUESS</p> <p>has completed a recapitalization with</p> <p>SPC</p> <p>Advisor to Raj Manufacturing, Inc.*</p>	<p>DRAPER'S & DAMON</p> <p>has been acquired by</p> <p>GOLDEN GATE CAPITAL</p> <p>Advisor to Draper's & Damon's LLC*</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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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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