



## Investment Banking | **Industry Spotlight**



**Consumer & Retail** | Q3 2016

## Consumer & Retail Investment Banking

Fifth Third Securities' Consumer & Retail Investment Banking Group advises middle market and mid-cap companies on M&A advisory, capital raising, and strategic alternatives in the following sectors:

### Consumer

- Apparel, Accessories & Footwear
- Building Products
- Consumer Services
- Household Products
- Interior Furnishings
- Personal Products
- Recreational Products

### Food, Beverage & Agribusiness

- Agricultural Inputs
- Beverages
- Dairy Products
- Foodservice Distribution
- Ingredients and Flavors
- Packaged Food/ Snack
- Protein Processing

### Restaurants

- Casual Dining
- Coffee & Specialty
- Family Dining
- Fast Casual
- Fine Dining & Polished Casual
- Franchisees
- Quick Service (QSR)

### Retail

- Apparel, Accessories & Footwear
- Discount & Off-Price
- Furniture & Furnishings
- Grocery & Pharmacy
- Internet & e-Commerce
- Mass Merchandise
- Specialty

## Key Contacts

### Investment Banking

**Charlie Hurt**  
Managing Director  
(404) 279-4518  
Charles.Hurt@53.com

**John Shoffner**  
Managing Director  
(704) 688-1813  
John.Shoffner@53.com

**Red Farha**  
Vice President  
(704) 808-5129  
Redmond.Farha@53.com

**John Boisture**  
Vice President  
(704) 688-4522  
John.Boisture@53.com

### Sponsor Coverage

**Bill Tyson**  
Co-Head, Capital Markets  
(804) 916-1481  
William.Tyson@53.com

**Eric Welsch**  
Managing Director  
(216) 274-5793  
Eric.Welsch@53.com

### Debt & Equity Capital Markets

**Ricardo Valeriano**  
Managing Director (DCM)  
(704) 808-5098  
Ricardo.Valeriano@53.com

**Mike Ryan**  
Managing Director (ECM)  
(615) 687-3123  
Michael.Ryan@53.com

**Kirk Johnson**  
Managing Director (DCM)  
(513) 534-8922  
Kirk.Johnson@53.com

**Susannah Lunke**  
Director (ECM)  
(615) 687-3047  
Susannah.Lunke@53.com

### Corporate Banking

**Craig Wolf**  
C&R Group Head  
(312) 704-2994  
Craig.Wolf@53.com

**Kevin Combs**  
National Retail Vertical  
(404) 279-4584  
Kevin.Combs@53.com



## Representative Transactions


  
**Planet Fitness Midwest**  
obtained sub-debt financing from  
  
ARROWPOINT PARTNERS  
Financial Advisor  


  
has been acquired by  
**Croton Holding Company**  
Sell-Side Advisor  




\$425,000,000  
  
has been acquired by  
  
Sell-Side Advisor  


  
obtained sub-debt financing from  
  
Financial Advisor  

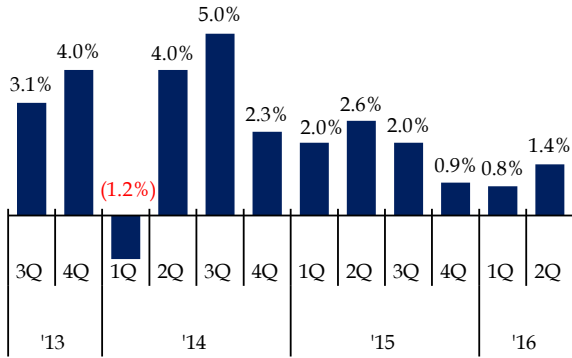

\$80,000,000  
Senior Secured Credit Facilities  
  
Lead Arranger  


\$1,100,000,000  
Senior Secured Credit Facilities  
  
Joint Lead Arranger  


\$1,500,000,000  
Senior Secured Credit Facilities  
  
Joint Lead Arranger  

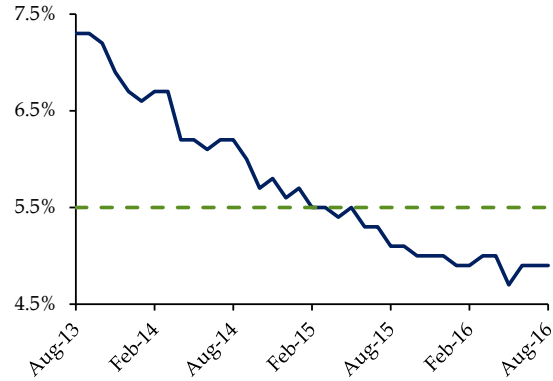

\$2,425,000,000  
Senior Secured Credit Facility  
  
Joint Lead Arranger  


## Real GDP Growth



Source: Bureau of Economic Analysis

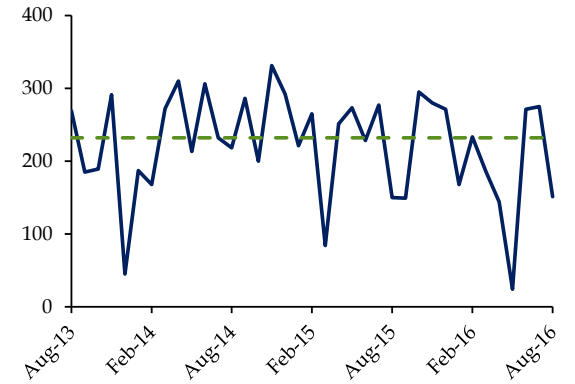
## National Unemployment Rate



Source: Bureau of Labor Statistics

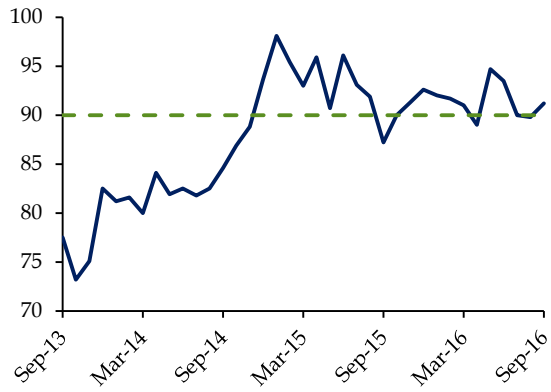
## Additions to Non-Farm Payrolls

(in thousands of employees)



Source: Bureau of Labor Statistics

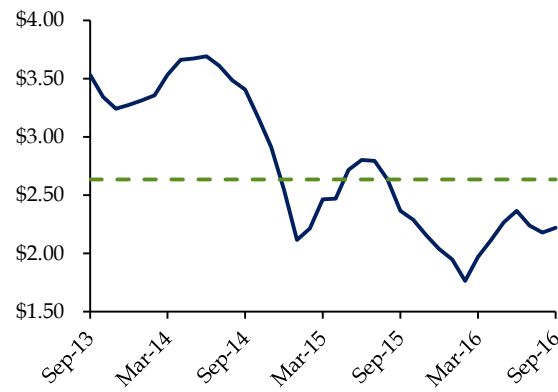
## Consumer Sentiment Index



Source: University of Michigan

## Retail Gas Prices

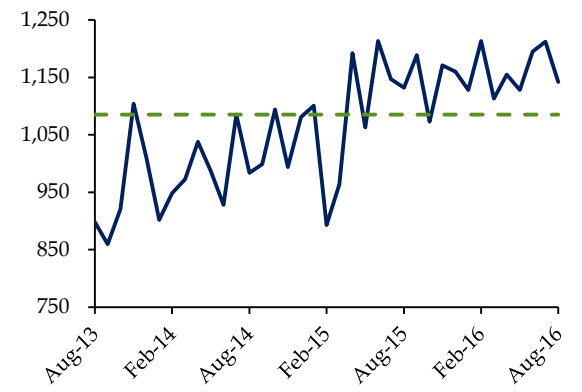
(in \$'s per gallon)



Source: Energy Information Administration

## Housing Starts

(in thousands of units)



Source: United States Census Bureau

**Concentration:** per a recent study by The Economist, the retail industry is becoming one of the most concentrated industries in America

- Trend is particularly pronounced with pharmacies/drug stores, home centers and general merchandise stores, as evidenced by:
  - Dollar Tree/Family Dollar & Walgreens Boots Alliance/Rite Aid

**e-Commerce:** sales continue to grow at double-digit rates (15% in 2014 & 2015) – driven by ease of use, availability and convenience

- Attempts to “catch up” to Amazon have the added benefit of costing less than traditional bricks-and-mortar development
- Unilever’s acquisition of Dollar Shave Club for over \$1 billion is perhaps the largest bet on e-Commerce by any consumer business

**Omni-Channel:** accessing the consumer at various points of sale can take various forms, and produce varying levels of success

- Macy’s and Kohl’s “down market” concepts (Backstage and Off Aisle, respectively) are additive but may not be game-changers
- Jos. A. Bank’s reduced reliance on discounting has produced poor results and complicated the integration with Men’s Wearhouse
- Restoration Hardware’s acquisition of wholesaler WaterWorks was applauded by investors despite representing a major shift in strategy

**Customizing the Experience:** the “experience” is not limited to the store

- Toys R Us is experimenting with integrating technology into new play areas to drive traffic
- Meanwhile, companies like Houzz are forcing furniture retailers to invest in technologies that allow consumers to “visualize” purchases

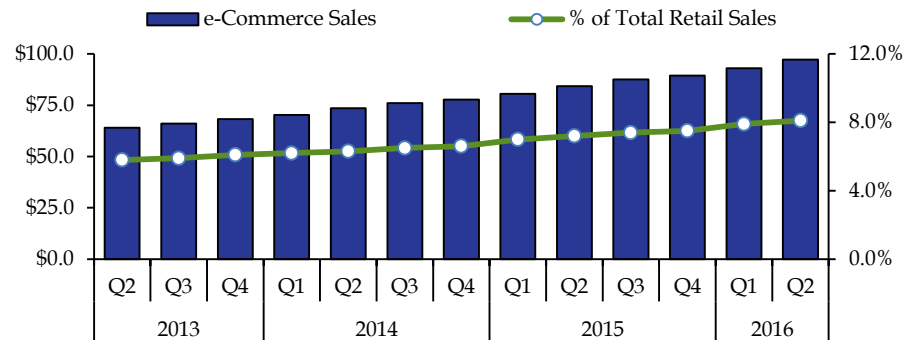
**Conscious Consumers:** the advent of social media has caused brands to take a more socially conscious approach to marketing their products

- PETA publishes a list of consumer products that test on animals
- Eco-friendly and organic detergents and cleaning products

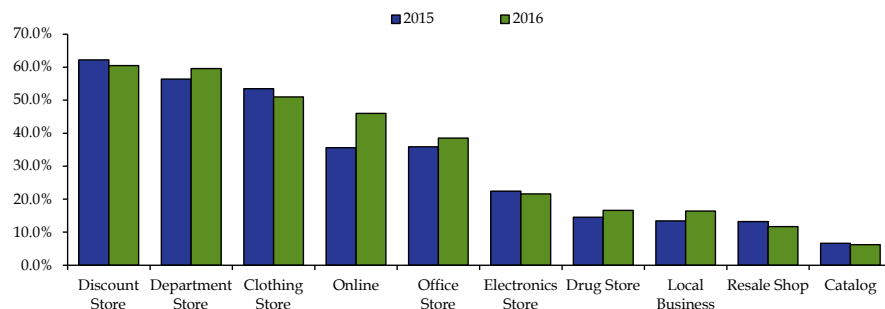
**Investment Policies:** adapting to the new normal of bricks-and-mortar retail means elevating shareholder friendly activities above investment

- And those that do not dedicate a healthy percentage of free cash flow to share repurchases may find themselves victim to activists

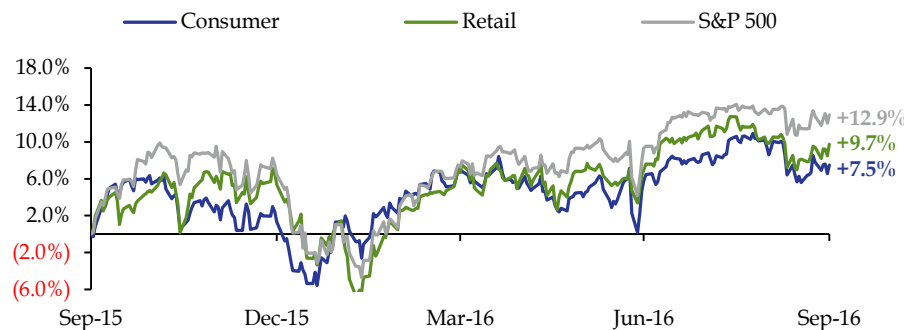
## e-Commerce Industry Growth (\$ in Billions) [1]



## Where Consumers Plan to Shop for Back-to-School [2]



## LTM Share Price Performance



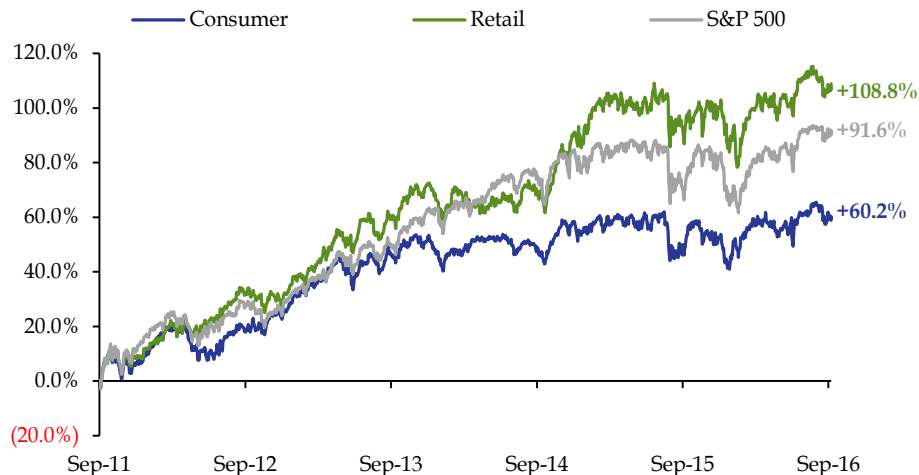
Source: S&P Capital IQ and Company Filings

[1] U.S. Census Bureau

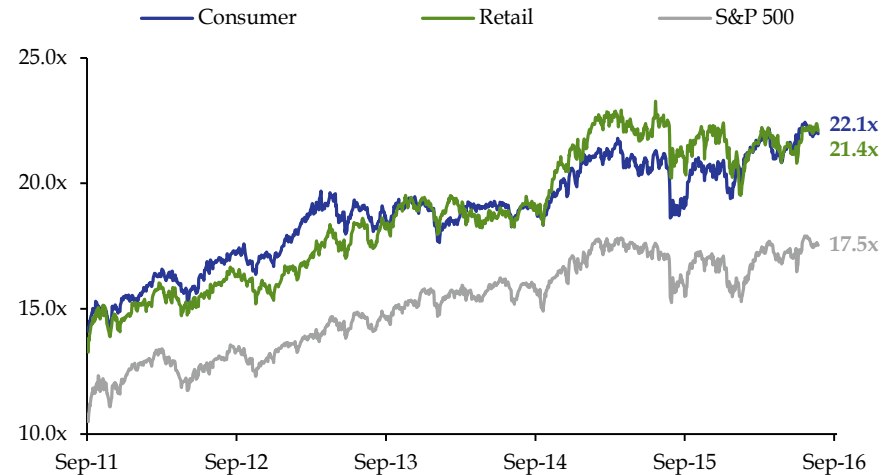
[2] National Retail Federation

# Public Equity Market Valuation Trends

## 5-Year Share Price Performance



## 5-Year EV / Forward P / E Performance [1]



## Sub-Sector Indices' Share Price Performance [1]

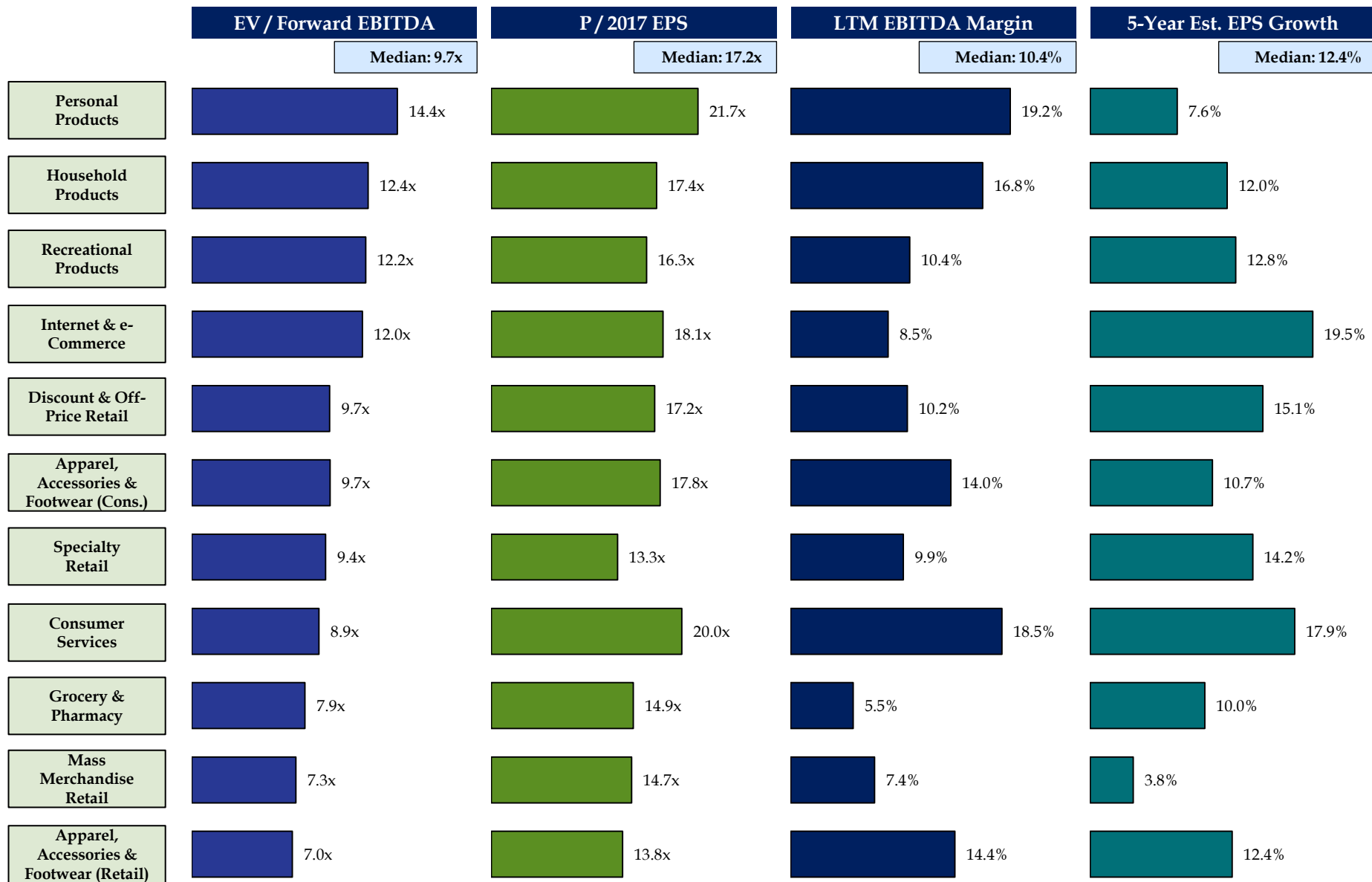
Sector/Sub-Sector	Number of Companies	Median Enterprise Value \$ in Millions	Median TEV/LTM Multiples		Median EV Multiple	Median TEV/Forward Multiples		Median EV Multiple
			Revenue	EBITDA	LTM P/E	Revenue	EBITDA	Forward P/E
<b>Consumer</b>	<b>84</b>	<b>\$4,081</b>	<b>1.9x</b>	<b>12.3x</b>	<b>21.8x</b>	<b>1.9x</b>	<b>12.2x</b>	<b>21.4x</b>
Personal Products	13	18,139	2.9x	15.1x	27.8x	2.9x	14.4x	25.6x
Apparel, Accessories & Footwear	34	6,976	2.1x	13.4x	21.8x	2.1x	9.7x	20.4x
Household Products	16	4,081	1.9x	12.3x	27.1x	1.9x	12.4x	21.4x
Consumer Services	8	1,702	1.8x	9.9x	20.0x	1.7x	8.9x	22.2x
Recreational Products	13	648	1.1x	12.0x	19.5x	1.1x	12.2x	19.5x
<b>Retail</b>	<b>132</b>	<b>4,951</b>	<b>0.8x</b>	<b>9.0x</b>	<b>17.9x</b>	<b>0.7x</b>	<b>8.7x</b>	<b>16.6x</b>
Grocery & Pharmacy	15	29,784	0.4x	8.0x	18.3x	0.4x	7.9x	16.2x
Mass Merchandise Retail	13	17,959	0.5x	7.7x	17.2x	0.5x	7.3x	16.9x
Specialty Retail	54	4,269	0.8x	10.0x	17.6x	0.7x	9.4x	15.4x
Discount & Off-Price Retail	14	5,336	0.8x	11.1x	23.3x	0.6x	9.7x	21.3x
Apparel, Accessories & Footwear	25	4,567	1.1x	7.4x	17.2x	0.8x	7.0x	16.2x
Internet & e-Commerce	11	1,673	1.6x	16.8x	19.7x	1.5x	12.0x	19.0x
<b>S&amp;P 500</b>	<b>500</b>	<b>NM</b>	<b>2.2x</b>	<b>11.6x</b>	<b>24.9x</b>	<b>2.1x</b>	<b>10.7x</b>	<b>17.5x</b>

Source: S&P Capital IQ as of September 30<sup>th</sup>, 2016

\* Each index is comprised of the companies noted on pages 14

[1] Forward P/E multiples in charts do not match, as 5-year performance chart is market capitalization weighted

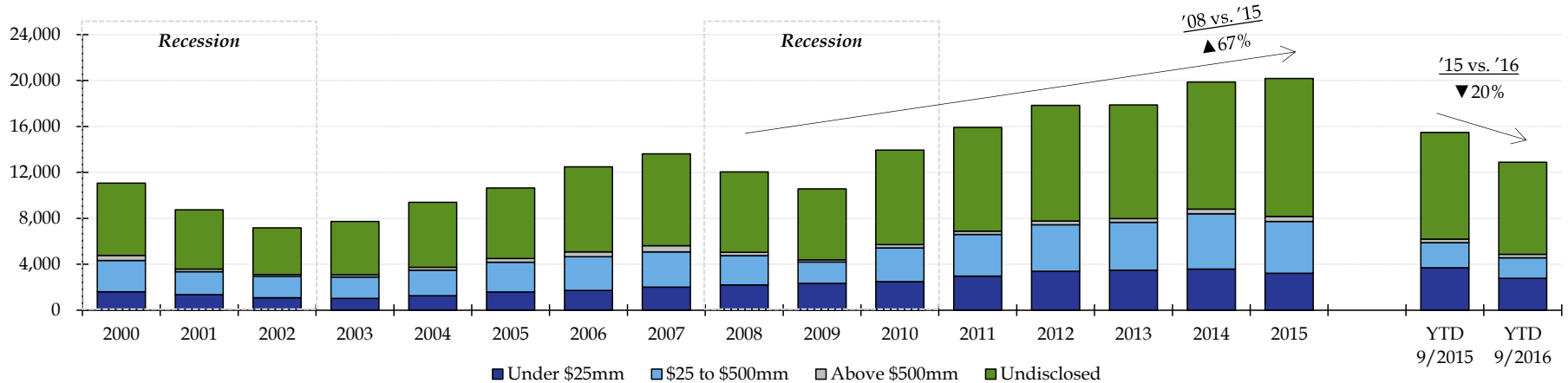
# Public Equity Market Valuation Trends (Cont'd)



Source: S&P Capital IQ as of September 30<sup>th</sup>, 2016  
\* Each index is comprised of the companies noted on pages 14

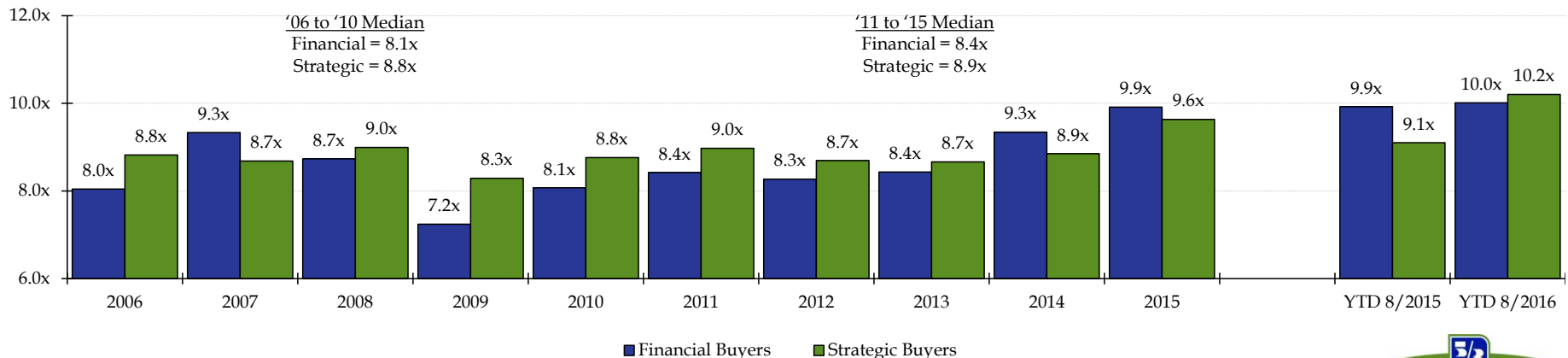
## Transaction Volume

- Historically, M&A cycles have not extended past seven years; 2016 is year six of the cycle
  - Relative to past cycles, interest rates are lower, corporate balance sheets are stronger, and private equity firms have more untapped capital
- 2016 has demonstrated signs that the buyout cycle is slowing, however, plenty of positive drivers remain



## Median Transaction Multiples (Enterprise Value / LTM EBITDA)

- Purchase multiples by both financial and strategic buyers remain above their five-year median
- Deal multiples may remain elevated due to strong competition for high quality assets as strategic corporate and private equity firms continue to seek acquisitions to fuel growth and deploy capital



## Consumer M&A activity skewed towards > \$1 billion transactions

- Strategic buyers: cash-flush, equity market favors consolidators
- Financial investors: record levels of un-invested capital and moderated IRR expectations

## As sub-sectors have consolidated, retail businesses are now looking outside of “traditional” M&A for targets

- The retail industry has become more concentrated as a result of the struggle to drive traffic growth
- Retailers seek complementary service offerings to bring consumers back
  - Macy’s acquired Bluemercury
  - Urban Outfitters acquired a pizza restaurant concept

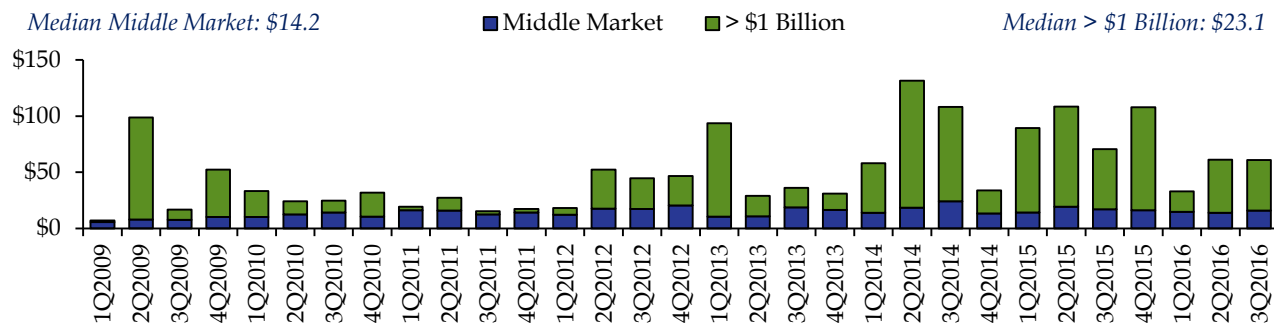
## Consumer Products transactions still weighted toward strategic transactions

- Ability to buy contribution margin enables conglomerates to pay high multiples and quickly add scale
- Of any sector, consumer products has seen the least financial buyer activity

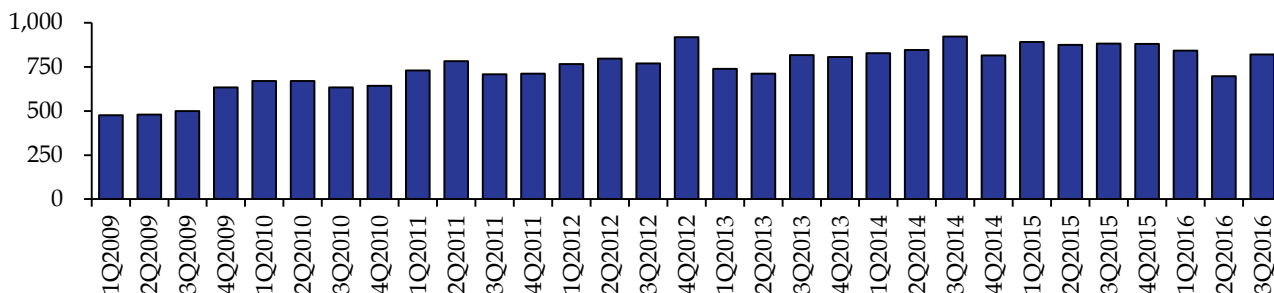
## Both Consumer and Retail companies are focused on omni-channel expansion

- Restoration Hardware acquired wholesaler WaterWorks
- Unilever acquired Dollar Shave Club for \$1 billion, over 6x revenue

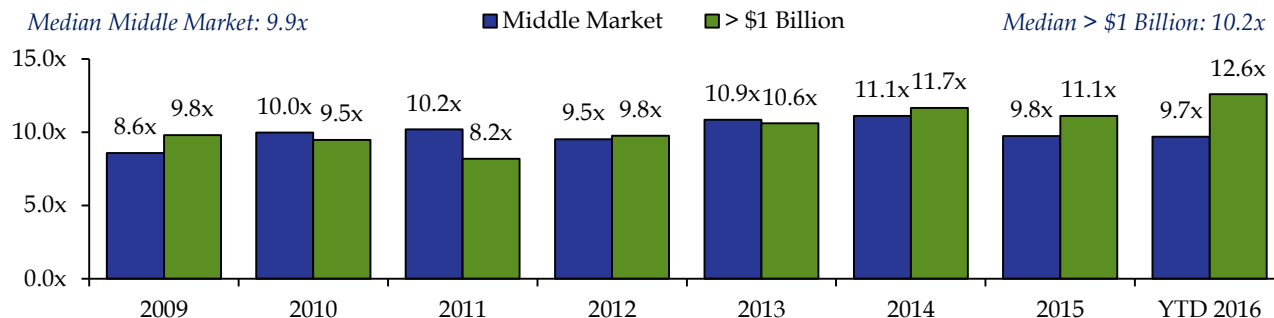
## U.S. Consumer & Retail M&A Announced Deal Value (\$ in billions) <sup>[1,2]</sup>



## U.S. Consumer & Retail M&A Announced Deal Volume



## U.S. Consumer & Retail M&A Closed Deal Average EV / EBITDA Multiple <sup>[1,2]</sup>



Source: Fifth Third Securities, S&P Capital IQ

[1] Middle Market transactions defined by transactions with an enterprise value below \$1 billion

[2] U.S. Consumer & Retail transactions include Consumer Discretionary and Consumer Staples transactions, and exclude outlier multiples



# Consumer Precedent M&A Transactions

Consumer & Retail | **Industry Spotlight**  
Q3 2016

## Consumer Precedent M&A Transactions (\$ in millions)

Announced Date	Acquirer	Target	Enterprise Value (EV)	LTM		EV / LTM	
				Revenue	EBITDA	Revenue	EBITDA
8/1/16	Companies Diversified Holdings LLC (NYSE:CODI)	5.11, Inc.	\$400	\$293	\$38	1.4x	10.5x
7/26/16	Gildan Activewear Inc. (TSX:GIL)	Peds Legwear Inc.	55	80	-	0.7x	-
7/25/16	G-III Apparel Group, Ltd.	Donna Karan International Inc.	650	-	-	-	-
7/22/16	L'Oreal SA (ENTXPA:OR)	It Cosmetics, LLC	1,200	182	-	6.6x *	-
7/20/16	Unilever PLC (LSE:ULVR)	Dollar Shave Club, Inc.	1,000	152	-	6.6x *	-
6/24/16	Henkel Consumer Goods Inc.	The Sun Products Corporation	3,600	1,600	-	2.3x	-
6/16/16	Revlon Consumer Products Corp.	Elizabeth Arden, Inc.	864	950	-	0.9x	-
6/15/16	24 Hour Fitness USA, Inc.	Gold's Gym International	-	-	-	-	-
6/2/16	Johnson & Johnson Consumer (NYSE:JNJ)	Vogue International LLC	3,300	-	-	-	-
5/16/16	Clayton, Dubilier & Rice, Inc.	High Ridge Brands Co.	415	-	-	-	-
5/10/16	Sequential Brands Group, Inc. (NasdaqGS:SQBG)	Gaia Inc.	146	-	-	-	-
5/4/16	Gildan Activewear Inc. (TSX:GIL)	A and G, Inc. (Alstyle Apparel)	109	183	19	0.6x	5.8x
5/3/16	The Clorox Company (NYSE:CLX)	ReNew Life Formulas, Inc.	290	115	-	2.5x	-
4/27/16	Hanesbrands Inc. (NYSE:HBI)	Pacific Brands Limited	1,022	823	82	1.2x	12.5x
4/19/16	GP Investments Acquisition Corp. (NasdaqGS:GPIA)	WKI Holding Company, Inc.	698	672	71	1.0x	9.8x
4/19/16	Oxford of South Caroline	Southern Tide, LLC	85	-	-	-	-
4/13/16	Warburg Pincus LLC	Reiss (Holdings) Ltd	327	207	35	1.6x	9.5x
4/7/16	Hanesbrands Inc. (NYSE:HBI)	Champion Europe S.p.A	200	-	20	-	10.0x
3/3/16	Samsonite International (SEHK:1910)	Tumi Holdings, Inc. (NYSE:TUMI)	1,729	548	122	3.2x	14.2x
2/24/16	Vista Outdoor Inc. (NYSE:VSTO)	Bell Sports Corp.	400	-	-	-	-
2/8/16	Najafi Companies	Apollo Global Education Group, Inc.	1,086	2,328	263	0.2x	2.0x *
2/2/16	ZAGG Inc. (NasdaqGS:ZAGG)	mophie, inc.	105	-	-	-	-
1/20/16	Brunswick Corporation (NYSE:BC)	Cybox International Inc.	195	169	-	1.2x	-
1/15/16	Qingdao Haier Co., Ltd.	GE Appliances Inc.	5,400	-	540	-	10.0x
12/31/15	Nautilus Inc. (NYSE:NLS)	Octane Fitness, LLC	115	64	-	1.8x	-
12/14/15	Newell Rubbermaid Inc. (NYSE:NWL)	Jarden Corp. (NYSE:JAH)	17,936	8,541	897	2.1x	20.0x *
12/1/15	Fila Korea Ltd. (KOSE:A081660)	Alexandria Holdings Corp.	239	-	-	-	-
11/23/15	Prestige Brands Holdings, Inc.	DenTek Oral Care	225	60	-	3.8x	-
11/5/15	GBG USA, Inc.	PS Brands, LLC	130	100	-	1.3x	-
11/4/15	Brentwood Associates, Inc.	J. McLaughlin	-	-	-	-	-
8/21/15	Catterton Partners	Steiner Leisure	896	896	73	1.0x	12.3x
7/15/15	The Middleby Corporation (NasdaqGS:MIDD)	Aga Rangemaster Group (LSE:AGA)	222	445	11	0.5x	20.2x *
7/13/15	Jarden Corp. (NYSE:JAH)	The Waddington Group	1,350	-	-	-	-
7/9/15	Coty Inc. (NYSE:COTY)	Proctor & Gamble, Portfolio of Beauty Brands	15,855	-	-	-	-

<b>Median - Strategic</b>	<b>1.3x</b>	<b>10.0x</b>
<b>Median - Financial</b>	<b>1.2x</b>	<b>10.1x</b>
<b>Median - All</b>	<b>1.3x</b>	<b>10.0x</b>

Source: Company Filings, S&P Capital IQ

[1] \* Excluded from mean and median

[2] Green shading indicates strategic acquisition

# Retail Precedent M&A Transactions

## Retail Precedent M&A Transactions (\$ in millions)

Announced Date	Acquirer	Target	Enterprise Value (EV)	LTM		EV / LTM	
				Revenue	EBITDA	Revenue	EBITDA
10/3/16	Bass Pro Outdoor World, LLC	Cabela's Incorporated (NYSE:CAB)	\$5,500	-	-	-	-
9/29/16	Tractor Supply Company (NasdaqGS:TSCO)	Petsense, Inc.	116	-	-	-	-
8/8/16	Wal-Mart Stores Inc. (NYSE:WMT)	Jet.com, Inc.	3,300	-	-	-	-
8/7/16	Steinhoff International Holdings N.V. (JSE:SNH)	Mattress Firm Holding Corp. (NasdaqGS:MFRM)	3,866	2,824	213	1.4x	18.1x *
4/18/16	Vestis BSI Funding II, LLC	Eastern Mountain Sports and Bob Store's	38	-	-	-	-
3/14/16	Apollo Global Management (NYSE:APO)	The Fresh Market (NasdaqGS:TFM)	1,312	1,857	191	0.7x	6.9x
2/17/16	DSW Shoe Warehouse, Inc.	Ebuys, Inc.	118	-	-	-	-
2/11/16	Sun Capital Partners, Inc.	Furniture Factory Outlet, LLC	-	-	-	-	-
1/7/16	Hudson's Bay Company (TSX:HBC)	Gilt Groupe, Inc.	250	-	-	-	-
1/5/16	KKR & Co. L.P.	Mills e-commerce Enterprises, Inc. (Mills Fleet Farm)	1,200	-	-	-	-
12/3/15	Thomas H. Lee Partners, L.P.	Bargain Hunt Superstores	-	-	-	-	-
11/30/15	Mattress Firm Holding Corp. (NasdaqGS:MFRM)	Sleepy's, LLC	780	1,099	70	0.7x	11.1x
11/11/15	The Kroger Co. (NYSE:KR)	Roundy's (NYSE:RDY)	803	4,013	115	0.2x	7.0x
10/27/15	Walgreens Boots Alliance, Inc. (NasdaqGS:WBA)	Rite Aid Corporation (NYSE:RAD)	9,507	15,845	726	0.6x	13.1x
8/24/15	Sycamore Partners	Belk	2,867	4,150	414	0.7x	6.9x
7/22/15	The Home Depot, Inc. (NYSE:HD)	Interline Brands Inc.	2,423	1,731	131	1.4x	18.5x *
6/1/15	BootBarn Inc.	Sheplers, Inc.	2,030	2,541	241	0.8x	8.4x
5/18/15	Ascena Retail Group Inc. (NasdaqGS:ASNA)	ANN INC. (NYSE:ANN)	2,923	-	-	-	-
5/15/15	Hudson's Bay Company (TSX:HBC)	GALERIA Holding GmbH	2,545	-	-	-	-
3/19/15	RCG Corporation Limited (ASX:RCG)	ACCENT FOOTWEAR NZ, Ltd.	147	157	15	0.9x	9.9x
2/20/15	Berkshire Hathaway Inc. (NYSE:BRK.A)	Detlev Louis Motorradvertriebs GmbH	152	139	20	1.1x	7.5x
2/4/15	Staples, Inc. (NasdaqGS:SPLS)	Office Depot (NasdaqGS:ODP)	6,879	17,197	533	0.4x	12.9x
2/3/15	Macy's, Inc. (NYSE:M)	Bluemercury	210	-	-	-	-
12/14/14	BC Partners	Pet Smart NasdaqGS:PETM)	8,756	6,736	973	1.3x	9.0x
9/16/14	Hellman & Friedman	Grocery Outlet	1,100	1,300	105	0.8x	10.5x
9/4/14	Mattress Firm Holding Corp. (NasdaqGS:MFRM)	The Sleep Train, Inc.	441	459	26	1.0x	16.7x *
7/30/14	Nordstrom Inc. (NYSE:JWN)	Trunk Club Inc.	454	307	-	1.5x	-
7/28/14	Dollar Tree (NasdaqGS:DLTR)	Family Dollar Stores (NYSE:FDO)	9,185	10,378	815	0.9x	11.3x
7/22/14	KKR & Co. L.P.	The Hut.com Ltd	171	-	-	-	-
7/17/14	Herman Miller Inc. (NasdaqGS:MLHR)	Design Within Reach, Inc. (OTCPK:DWRI)	161	218	-	0.7x	-
7/15/14	Hardy Capital Partners	Gerler & Son, Inc. (d/b/a OnlineShoes.com)	322	-	-	-	-
7/2/14	The Kroger Co. (NYSE:KR)	Vitacost.com, Inc. (NasdaqGS:VITC)	270	450	-	0.6x	-
6/3/14	Sailing Capital Overseas Investments Fund	Brookstone Inc.	283	472	5	0.6x	54.1x *
3/6/14	Albertson's (NYSE:ABS)	Safeway (NYSE:SWY)	7,078	28,547	1,273	0.2x	5.6x

<b>Median - Strategic</b>	<b>0.7x</b>	<b>11.1x</b>
<b>Median - Financial</b>	<b>0.8x</b>	<b>8.3x</b>
<b>Median - All</b>	<b>0.8x</b>	<b>9.0x</b>

Source: Company Filings, S&P Capital IQ

[1] \* Excluded from mean and median

[2] Green shading indicates strategic acquisition

## Consumer M&A Transactions

### Unilever Acquires Dollar Shave Club



Enterprise Value: \$1.0Bn\*

Financial Information Not Disclosed

- In addition to growing sales, DSC is a platform for Unilever to learn about its customers through subscription service
- DSC will operate autonomously with Michael Dubin continuing as CEO
- Represents a lucrative exit for early-stage venture capital investors

### Samsonite Acquires Tumi



Enterprise Value: \$1.7Bn

Revenue Multiple: 3.2x

EBITDA Multiple: 14.2x

Trans. Leverage: ~3.0x

- Creates global luggage giant as combined entity (over 14% market share)
- Samsonite has been on acquisition spree and expanded into retail
- Tumi acquisition represents largest deal to date

### Newell Rubbermaid Acquires Jarden Corporation



Enterprise Value: \$17.9Bn

Revenue Multiple: 2.1x

EBITDA Multiple: 20.0x

Trans. Leverage: ~5.5x

- Combination creates \$16Bn consumer goods company with portfolio of power brands in large, growing and unconsolidated global markets
- Expected \$500M in cost synergies over four years and annual adjusted EBITDA of over \$3Bn post synergies

### COTY Acquires 43 P&G Beauty Brands



Enterprise Value: \$12.9Bn

Revenue Multiple: N/A

EBITDA Multiple: N/A

Trans. Leverage: N/A

- Acquisition was made through a Reverse Morris Trust
- Deal includes prestigious brands (i.e., COVERGIRL) and expands Coty's scale in large beauty markets such as Brazil and Japan
- Expected \$150MM in synergies

## Retail M&A Transactions

### Apollo Global Management Acquires The Fresh Market



Enterprise Value: \$1.3Bn

Revenue Multiple: 0.7x

EBITDA Multiple: 6.9x

Trans. Leverage: ~4.2x

- Apollo has had success with other grocery retailers, such as Sprouts Farmers market and Smart & Final Stores Inc.
- Apollo will provide TFM with the financial muscle and operational maturity to grow into a larger entity

### Kroger Acquires Roundy's



Enterprise Value: \$0.8Bn

Revenue Multiple: 0.2x

EBITDA Multiple: 7.0x

Trans. Leverage: ~3.7x

- Brings a complementary store base in communities throughout Wisconsin and a stronger presence in the greater Chicagoland area
- Kroger remains very well positioned to be a consolidator in the industry
- Expected \$40MM in synergies

### Sycamore Partners Acquires Belk



Enterprise Value: \$2.8Bn

Revenue Multiple: 0.7x

EBITDA Multiple: 6.9x

Trans. Leverage: ~7.7x

- Belk was Sycamore's first department store purchase and biggest deal ever
- Belk became the 10<sup>th</sup> major retailer in Sycamore's portfolio
- The Belk family will continue to manage the business and will keep its corporate headquarters in Charlotte, NC

### Staples Acquires Office Depot (Cancelled)



Enterprise Value: \$6.8Bn

Revenue Multiple: 0.4x

EBITDA Multiple: 12.9x

Trans. Leverage: ~5.0x

- Would have combined the 1<sup>st</sup> and 2<sup>nd</sup> largest U.S. office-supply retailers
- The Federal Trade Commission (FTC) said the business combination would eliminate competition and raise prices, and rejected the proposed transaction without a counteroffer

\* Estimated enterprise value  
Source: S&P Capital IQ

## Private equity activity has slowed over the first three-quarters of 2016

- 3Q16: \$121 billion deployed (down 10%) in 672 transactions (down 7%)

## Expectation that activity may remain muted, with most deal flow coming from add-on acquisitions to platforms

- Bolt-on strategy levels the playing field with strategic buyers: easier to finance and synergies available
- Driven Brands (Roark Capital): roll-up of auto service centers

## Valuation multiples are influenced and inflated by structural enhancements

- Used to offset expectation that valuations will compress by exit
- Low-rate and modest-growth macroeconomic environment has moderated IRR expectations

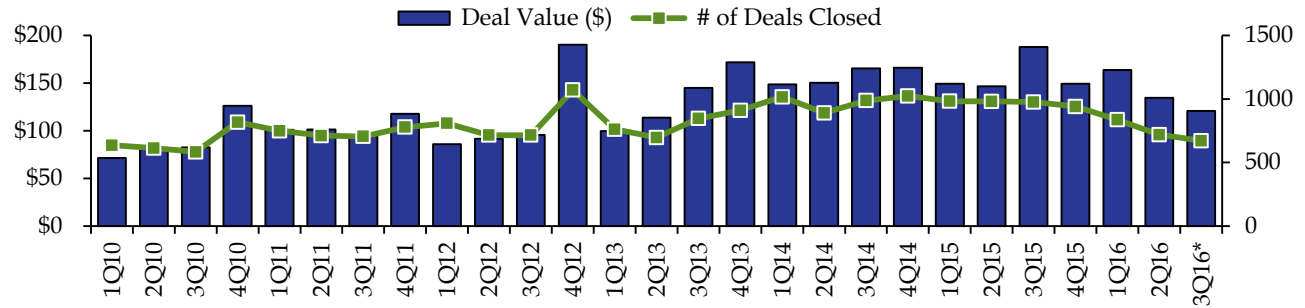
## Financial buyers are allocating capital to growth-oriented concepts, earlier

- Thomas H. Lee/Bargain Hunt
- Castanea Partners/Jeni's

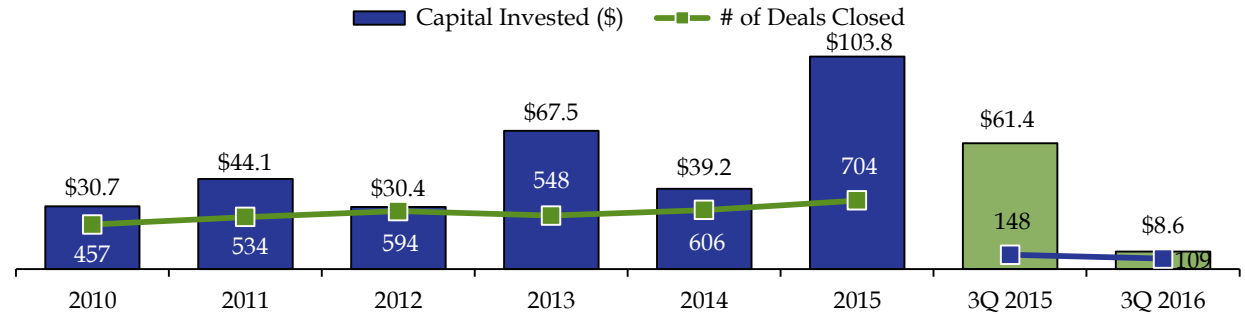
## Retail LBO's have become less frequent and usually have some sort of distinguishing factor

- Sycamore's acquisition of Belk: real estate monetization potential
- Apollo's acquisition of Fresh Market: go-private to be able to invest in growth as competition proliferates

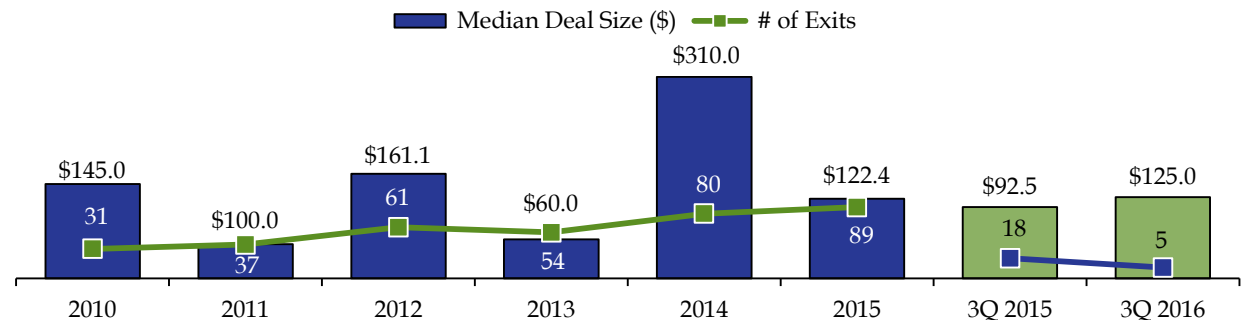
## U.S. Private Equity Deal Flow (\$ in billions)



## U.S. Consumer & Retail Private Equity Deal Flow (\$ in billions)

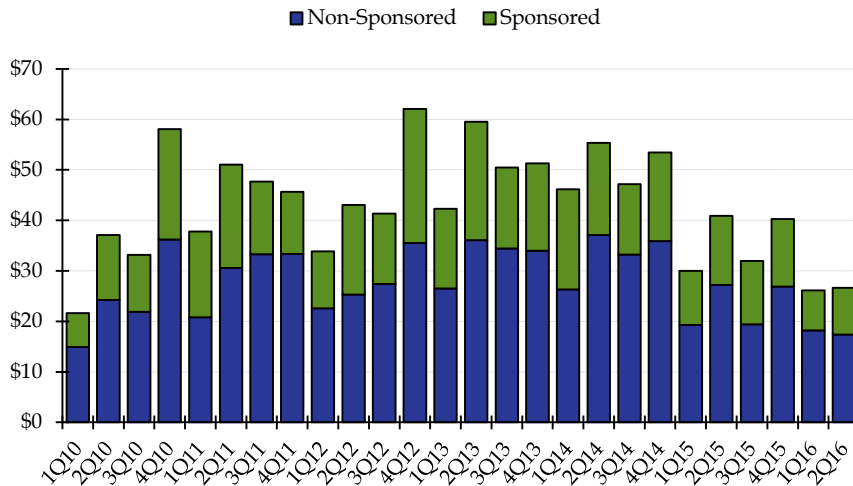


## U.S. Consumer & Retail Private Equity Exits (\$ in millions)

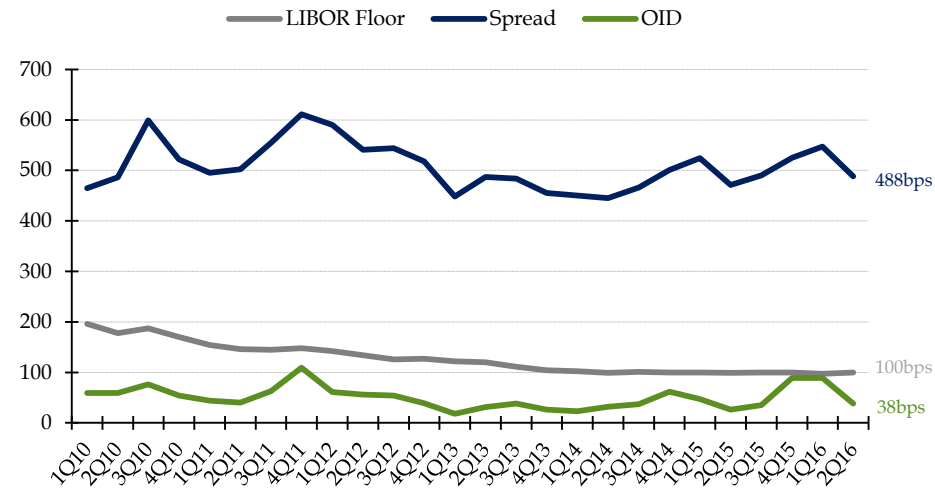


Source: Fifth Third Securities, PitchBook  
ND - No Transaction Values Disclosed  
\*3Q16 preliminary PitchBook data

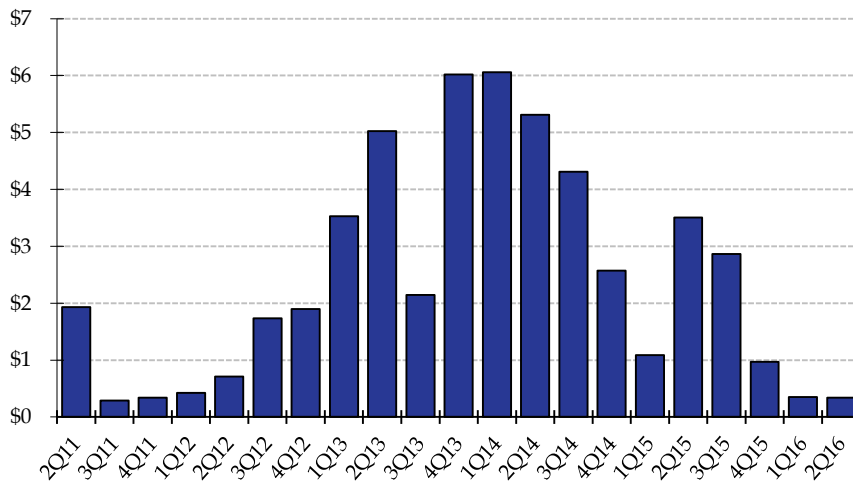
## Loan Volume: Low Level of Supply Continues (\$ in billions)



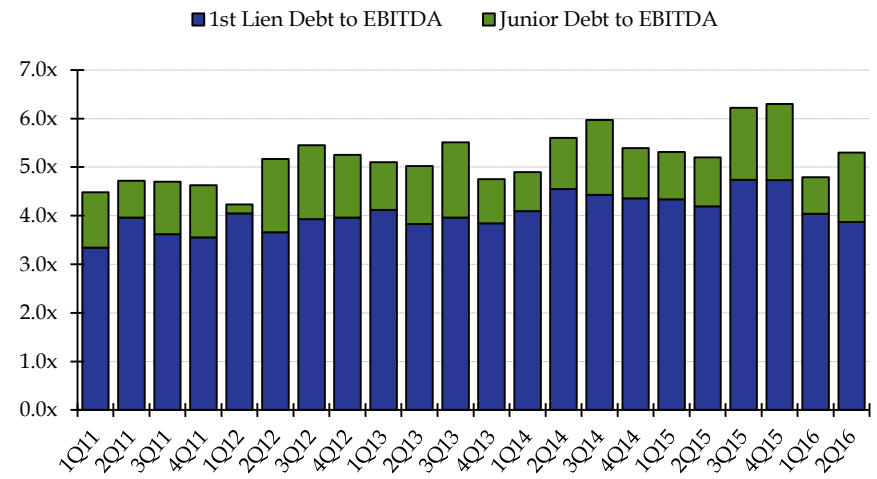
## Term Loan Spreads Tightening [1]



## Covenant Lite Volume Remains Relatively Low (\$ in billions)



## LBO Leverage Climbs Higher, However Lack of Supply Continues



Note: This data represents the entire U.S. middle market (all industries)  
 Note: The middle market is defined as deal size ≤ \$100 million and borrower sales ≤ \$500 million  
 [1] Includes both non-sponsored and sponsored transactions  
 Source: Bloomberg, S&P Capital IQ LCD, and Thomson Reuters LPC

## Consumer & Retail

### Personal Products

- AVP – Avon Products Inc.
- CHD – Church & Dwight Co. Inc.
- CL – Colgate-Palmolive Co.
- CLX – The Clorox Company
- COTY – Coty Inc.
- EL – The Estee Lauder Companies Inc.
- ENXTPA:OR – L’Oreal SA
- ENXTPA:IPAR – Inter Parfums Inc.
- KMB – Kimberly-Clark Corporation
- LSE: ULVR – Unilever PLC
- NUS – Nu Skin Enterprises Inc.
- PG – The Procter & Gamble Company
- REV – Revlon, Inc.

### Apparel, Accessories & Footwear

- VFC – V.F. Corporation
- PVH – PVH Corp.
- RL – Ralph Lauren Corporation
- GIII – G-III Apparel Group, Ltd.
- SHOO – Steven Madden, Ltd.
- ICON – Iconix Brand Group, Inc.
- DECK – Deckers Outdoor Corp.
- GCO – Genesco Inc.
- OXM – Oxford Industries Inc.
- CROX – Crocs, Inc.
- PERY – Perry Ellis International Inc.
- VNCE – Vine Holding Corp
- CHKE – Cherokee Inc.
- RCKY – Rocky Brands, Inc.
- HBI – Hanesbrands Inc.
- ENXTPA:MC – Louis Vuitton
- ENXTPA:RMS – Hermès International
- BIT: LUX – Luxottica Group S.p.A.
- SEHK: 1913 – Prada S.p.A.
- LSE: BRBY – Burberry Group plc
- KORS – Michael Kors Holdings Limited
- COH – Coach, Inc.
- SEHK: 1910 – Samsonite International
- BIT: SFER – Salvatore Ferragamo S.p.A.
- FOSL – Fossil Group, Inc.
- BIT: TOD – Tod’s S.p.A.
- KATE – Kate Spade & Company
- VRA – Vera Bradley, Inc.
- TSX: GIL – Gildan Activewear, Inc.
- NKE – Nike, Inc.
- UA – Under Armour, Inc.
- LULU – Lululemon Athletica Inc.
- COLM – Columbia Sportswear
- WWW – Wolverine Worldwide Inc.

### Household Products

- CENT – Central Garden & Pet
- TSX: DII.B – Dorel Industries Inc.
- ENR – Energizer Holdings Inc.

- HELE – Helen of Troy Limited
- HRG – HRG Group, Inc.
- LCUT – Lifetime Brands, Inc.
- MIDD – Middleby Corp.
- NWL – Newell Rubbermaid Inc.
- PBH – Prestige Brands Holdings, Inc.
- SMG – The Scotts Miracle-Gro Company
- SODA – SodaStream International Ltd.
- SPB – Spectrum Brands Holdings, Inc.
- SWK – Stanley Black & Decker, Inc.
- TUP – Tupperware Brands Corporation
- WDFC – WD-40 Company
- WHR – Whirlpool Corp.

### Consumer Services

- CLUB – Town Sports International
- CNK – Cinemark Holdings, Inc.
- MYCC – ClubCorp Holdings, Inc.
- NTRI – Nutrisystem, Inc.
- PLNT – Planet Fitness, Inc.
- RGC – Regal Entertainment Group
- RGS – Regis Corp.
- WTW – Weight Watchers International

### Recreational Products

- ACAT – Arctic Cat Inc.
- BC – Brunswick Corporation
- BDE – Black Diamond, Inc.
- ELY – Callaway Golf Co.
- HAS – Hasbro Inc.
- HOG – Harley-Davidson, Inc.
- JAKK – JAKKS Pacific, Inc.
- JOUT – Johnson Outdoors Inc.
- MAT – Mattel, Inc.
- MPX – Marine Products Corp.
- PII – Polaris Industries Inc.
- SKUL – Skullcandy, Inc.
- PSG – Performance Sports Group Ltd.

### Grocery & Pharmacy Retail

- IMKT.A – Ingles Markets, Incorporated
- KR – The Kroger Co.
- NGVC – Natural Grocers
- SFM – Sprouts Farmers Market, Inc.
- SVU – SUPERVALU Inc.
- VLGEA – Village Super Market Inc.
- WFM – Whole Foods Market, Inc.
- WMK – Weis Markets, Inc.
- ENXTAM: AH-Koninklijke Ahold N.V.
- ENXTPA: CA – Carrefour SA
- LSE:TSCO – Tesco PLC
- CVS – CVS Health Corporation
- DPLO – Diplomat Pharmacy, Inc.
- RAD – Rite Aid Corporation
- WBA – Walgreens Boots Alliance, Inc.

### Mass Merchandise Retail

- COST – Costco Wholesale Corporation
- KSS – Kohl’s Corp.
- PSMT – PriceSmart Inc.
- TCS – The Container Store Group, Inc.
- TGT – Target Corp.
- WMT – Wal-Mart Stores Inc.
- BONT – Bon-Ton Stores Inc.
- DDS – Dillard’s Inc.
- JCP – J.C. Penney Company, Inc.
- JWN – Nordstrom Inc.
- M – Macy’s, Inc.
- SHLD – Sears Holding Corporation
- SSI – Stage Stores Inc.

### Specialty Retail

- AZO – AutoZone, Inc.
- AAP – Advance Auto Parts Inc.
- CPRT – Copart, Inc.
- GPC – Genuine Parts Company
- LKQ – LKQ Corp.
- KAR – KAR Auction Services, Inc.
- ORLY – O’Reilly Automotive Inc.
- AN – AutoNation, Inc.
- GPI – Group 1 Automotive Inc.
- KMX – CarMax Inc.
- PAG – Penske Automotive Group, Inc.
- SAH – Sonic Automotive Inc.
- AAN – Aaron’s, Inc.
- BBY – Bed, Bath & Beyond Inc.
- CONN – Conns Inc.
- ETH – Ethan Allen Interiors Inc.
- HVT – Haverly Furniture Companies
- KIRK – Kirkland’s Inc.
- LZB – La-Z-Boy Incorporated
- MFRM – Mattress Firm Holding Corp.
- PIR – Pier One Imports, Inc.
- RCII – Rent-A-Center, Inc.
- RH – Restoration Hardware Holdings
- SCSS – Select Comfort Corporation
- TPX – Tempur Sealy International Inc.
- LNF – Leon’s Furniture Ltd.
- WSM – Williams-Sonoma Inc.
- BGFV – Big 5 Sporting Goods Corp.
- CAB – Cabela’s Incorporated
- DKS – Dick’s Sporting Goods Inc.
- FINL – Finish Line Inc.
- FL – Foot Locker, Inc.
- HIBB – Hibbett Sports, Inc.
- SPWH – Sportsman’s Warehouse
- BBW – Build-A-Bear Workshop Inc.
- BBY – Best Buy Co., Inc.
- BKS – Barnes & Noble, Inc.

- GME – GameStop Corp.
- GNC – GNC Holdings Inc.
- HGG – hhgregg, Inc.
- MIK – The Michaels Companies, Inc.
- ODP – Office Depot, Inc.
- PRTY – Party City Holdco Inc.
- SBH – Sally Beauty Holdings Inc.
- SIG – Signet Jewelers Limited
- SPLS – Staples Inc.
- ULTA – Ulta Salon
- VSI – Vitamin Shoppe, Inc.
- HD – The Home Depot, Inc.
- LOW – Lowe’s Companies, Inc.
- TSCO – Tractor Supply Company
- TTS – Tile Shop Holdings, Inc.
- TILE – Interface Inc.
- LL – Lumber Liquidators Holdings

### Discount & Off-Price Retail

- BIG – Big Lots Inc.
- DG – Dollar General Corporation
- DLTR – Dollar Tree, Inc.
- FRED – Fred’s, Inc.
- TSX: DOL – Dollarama Inc.
- BURL – Burlington Stores, Inc.
- CATO – The Cato Corporation
- CTRN – Citi Trends, Inc.
- FIVE – Five Below, Inc.
- GMAN – Gordmans Stores, Inc.
- ROST – Ross Stores Inc.
- SMRT – Stein Mart Inc.
- TUES – Tuesday Morning Corporation
- TJX – The TJX Companies, Inc.

### Apparel, Accessories & Footwear

- AEO – American Eagle Outfitters, Inc.
- ANF – Abercrombie & Fitch Co.
- AROP.Q – Aeropostale, Inc.
- ASNA – Ascena Retail Group Inc.
- BEBE – Bebe Stores, Inc.
- BOOT – Boot Barn Holdings, Inc.
- CHS – Chico’s FAS Inc.
- CRI – Carter’s, Inc.
- DEST – Destination Maternity
- DSW – DSW Inc.
- EXPR – Express Inc.
- FRAN – Francesca’s Holdings
- GES – Guess? Inc.
- GPS – The Gap, Inc.
- LB – L Brands, Inc.
- PLCE – The Children’s Place, Inc.
- PSUN.Q – Pacific Sunwear
- SCVL – Shoe Carnival Inc.
- TYLS – Tilly’s, Inc.

- URBN – Urban Outfitters Inc.
- ZMZ – Zumiez, Inc.
- CPSE: PNDORA – Pandora A/S
- MOV – Movado Group, Inc.
- SIG – Signet Jewelers Limited
- TIF – Tiffany & Co.

### Internet & e-Commerce

- AMZN – Amazon.com Inc.
- CHGG – Chegg, Inc.
- EBAY – eBay Inc.
- FLWS – 1-800-Flowers.com Inc.
- NFLX – Netflix, Inc.
- NILE – Blue Nile Inc.
- OSTK – Overstock.com Inc.
- PETS – PetMed Express, Inc.
- SFLY – Shuttefly, Inc.
- STMP – Stamps.com Inc.
- W – Wayfair Inc.

S&P 500 Index- A broad index that includes American Companies.

EBITDA- A company's earnings before interest, taxes, depreciation, and amortization, is an accounting measure calculated using a company's net earnings, before interest expenses, taxes, depreciation and amortization are subtracted, as a proxy for a company's current operating profitability.

Dry Powder- Refers to cash reserves kept on hand to cover future obligations or to purchase assets.

GDP- Gross domestic product is the market value of the goods and services produced by labor and property located in the United States

Consumer Sentiment Index- The University of Michigan Consumer Sentiment Index is a consumer confidence index published monthly by the University of Michigan. The index is normalized to have a value of 100 in December 1964

National Unemployment Rate- the percentage of the total labor force that is unemployed but actively seeking employment and willing to work.

Non-Farm Payroll- Nonfarm payroll employment is a compiled name for goods, construction and manufacturing companies in the US. It does not include farm workers, private household employees, non-profit organization employees, or government employees . It is an economic indicator released monthly by the United States Department of Labor as part of a comprehensive report on the state of the labor market.

Housing Starts- are the number of new residential construction projects that have begun during any particular month.

The Economist- offers authoritative insight and opinion on international news, politics, business, finance, science, technology and the connections between them

LBO -- leveraged buyout (LBO) is the acquisition of another company using a significant amount of borrowed money to meet the cost of acquisition. The assets of the company being acquired are often used as collateral for the loans, along with the assets of the acquiring company.

Industrial Production Index (IPI)- is an economic indicator published by the Federal Reserve Board of the United States that measures the real production output of manufacturing, mining, and utilities Capital Goods Orders.

Covenant-lite loans- means that debt is being issued, both personally and commercially, to borrowers with less restrictions on collateral, payment terms, and level of income.

IRR-Internal Rate of Return.

## About Fifth Third Capital Markets

Fifth Third Capital Markets is the marketing name under which Fifth Third Bank and its subsidiary, Fifth Third Securities, Inc., provide certain securities and investment banking products and services. Banking products and services are offered by Fifth Third Bank. Securities products and services are offered by licensed securities representatives of Fifth Third Securities, Inc., who may be employees of Fifth Third Bank.

### Important notice

This document has been prepared by Fifth Third Bank ("Fifth Third") or one of its subsidiaries for the sole purpose of providing a proposal to the parties to whom it is addressed in order that they may evaluate the capabilities of Fifth Third to supply the proposed services. It is not intended to provide specific investment advice or investment recommendations and does not constitute either a commitment to enter into a specific transaction or an offer or solicitation, with respect to the purchase or sale of any security.

The information contained in this document has been compiled by Fifth Third and includes material which may have been obtained from information provided by various sources and discussions with management but has not been verified or audited. This document also contains confidential material proprietary to Fifth Third. Except in the general context of evaluating our capabilities, no reliance may be placed for any purposes whatsoever on the contents of this document or on its completeness. No representation or warranty, express or implied, is given and no responsibility or liability is or will be accepted by or on behalf of Fifth Third or by any of its subsidiaries, members, employees, agents or any other person as to the accuracy, completeness or correctness of the information contained in this document or any other oral information made available and any such liability is expressly disclaimed.

This document and its contents are confidential and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person in whole or in part without our prior written consent.

Past performance is No Guarantee of Future Results.

Fifth Third Capital Markets is a wholly owned subsidiary of Fifth Third Bank offering investment banking++, debt capital markets+, bond capital markets++, equity capital markets++, financial risk management+, and fixed income sales and trading++. Fifth Third Bank provides access to investments and investment services through various subsidiaries, including Fifth Third Securities. Fifth Third Securities is the trade name used by Fifth Third Securities, Inc., member FINRA/SIPC, a registered broker-dealer and registered investment advisor registered with the U.S. Securities and Exchange Commission (SEC). Registration does not imply a certain level of skill or training. Securities and investments offered through Fifth Third Securities, Inc. and insurance products:

Are Not FDIC Insured	Offer No Bank Guarantee	May Lose Value
Are Not Insured By Any Federal Government Agency		Are Not A Deposit

+ Services and activities offered through Fifth Third Bank

++ Services and activities offered through Fifth Third Securities, Inc