CONFIGURE PARTNERS

CONSUMER & RETAIL

Industry Snapshot | March 2021

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Representative Retail Experience in a Variety of Capacities

MEC	sugarfina	avenue	Sur la table
Sole Lead Arranger for credit facilities related to an acquisition through the CCAA.	*Out-of-court creditor advisory engagement for lenders of a candy retailer.*	*Advised the Company on a sale of substantially all of its e-commerce assets pursuant to Section 363 of the U.S. Bankruptcy Code.*	*Advised Stalking Horse on potential acquisition of the Company's assets pursuant to Section 363 of the U.S. Bankruptcy Code.*
Acquisition Financing	***Creditor Advisory***	***Sell-side Advisory***	***Buy-side Advisory***

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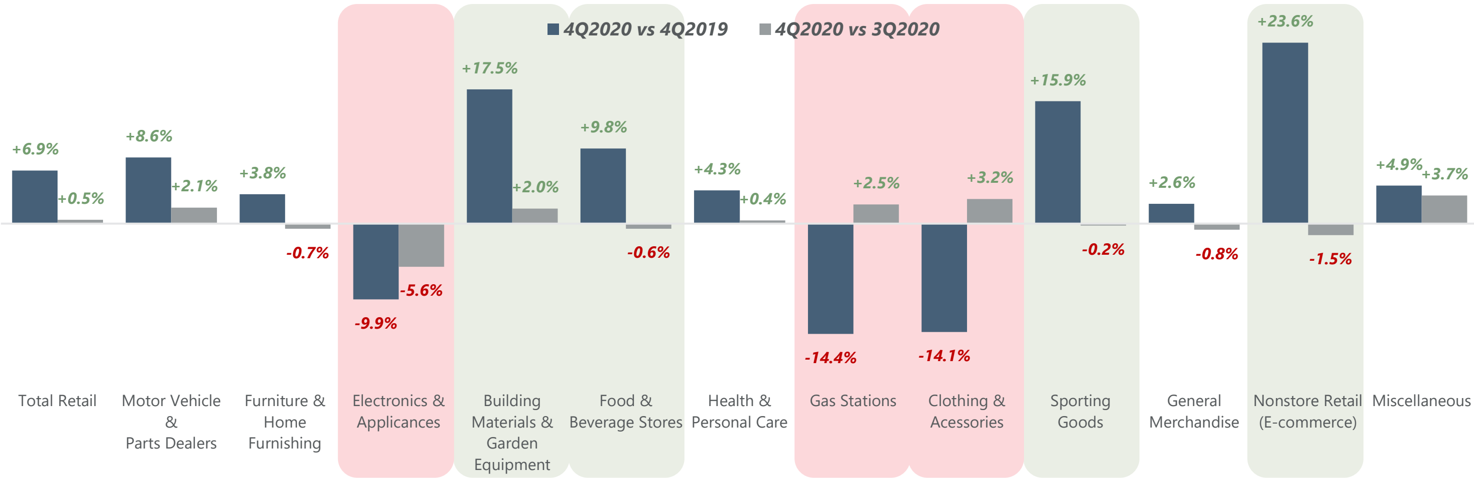
Learn More on Configure Partners' Expanding Presence in the Retail Sector

Retail Review: 2020 Results Inform 2021 Trends

Shifts in the Holiday Retail Model



- The retail industry has been in flux for several years as consumers continue to shift their purchasing habits towards online shopping. This trend clearly accelerated during 2020 due to the COVID-19 pandemic
- For the most part, retail sales began stabilizing in 3Q 2020, just in time for the holiday season
- However, as has been an increasing trend, ***retailers pulled holiday sales and promotions forward*** into October and early November, recognizing sales earlier in light of COVID-19-induced capacity and shopping restrictions
- The U.S. Census Bureau indicates an 8.5% YoY increase for October 2020 and a 6.9% YoY increase for the fourth quarter of 2020. While this may be surprising, performance within each individual retail sector varied drastically, ***clearly identifying the winners and losers of the 2020 holiday season***

Expansion of Third-Party Marketplace

- As evidenced above, e-commerce was a big winner in 2020, and many retailers invested in their own e-commerce platforms. To supplement this and build scale more quickly, many are creating and/or participating in third-party e-commerce marketplaces to sustain and broaden their reach. This holds true for retailers of nearly any size and type of good being sold
- Retail juggernaut Walmart doubled-down on its third-party marketplace with help from Shopify
  - Although the brand still lags behind Amazon, Walmart's marketplace doubled in size since July 2019, accumulating over 50,000 different sellers
- Grocers have also expanded into third-party marketplaces – Kroger partnered with Mirakl in order to compete with established brands such as Target, Walmart, and Amazon in the e-commerce space
  - Kroger offers over 50,000 new items, ranging from toys to houseware essentials and of course food products – Kroger was able to drive 92% digital sales growth and capitalize on shifting consumer behaviors

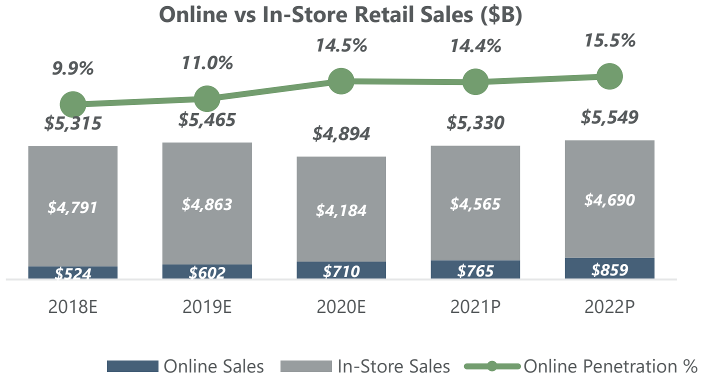
Representative Brands

Walmart, amazon, TARGET, HBC, Kroger

Distribution Continues to Move to Delivery

- Just as third-party marketplaces have seen a surge in adoption rates, third-party delivery services have allowed retailers to keep up with online demand during the COVID-19 pandemic and holiday season
- Companies like Instacart provide nationwide deliveries for major retailers such as Bed Bath & Beyond, Dick's Sporting Goods, Rite Aid, and Family Dollar
- In comparison, competitors who did not adopt a delivery model saw sales decline sharply in the midst of the pandemic, while same-store sales actually increased for many who were able to keep up with demand through online and delivery services
- While Instacart is an example of a successful delivery platform, many retailers are cross-training their own employees to bolster fulfillment and delivery, reducing costs and increasing employee efficiency and staffing models

Online vs In-Store Retail Sales ($B)



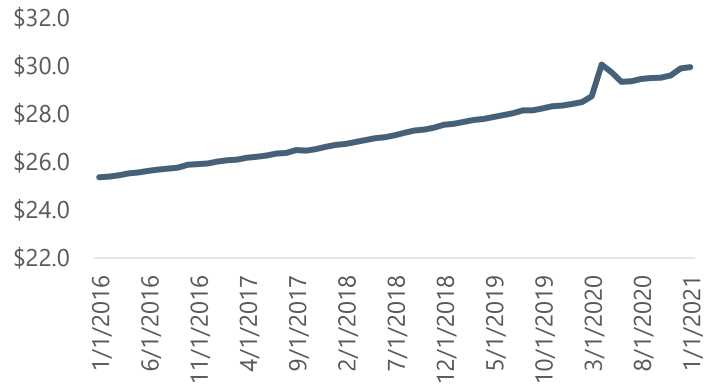
Source: U.S. Census Bureau, eMarketer

Macroeconomic Indicators

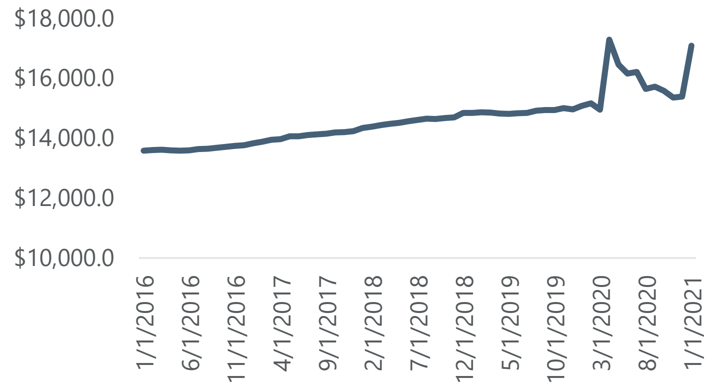
Key Takeaways

- Weekly wages and real income have experienced sharp declines in the wake on the COVID-19 pandemic, driven by the loss of jobs in the retail and restaurant sectors, partially offset by general increases in minimum wage across many states
- Wage and income declines reflect the decline in employment. As of April 2020, the unemployment rate was as high as 14.7%, severely crippling consumer confidence adversely impacting personal consumption. Since then, the unemployment rate has recovered to 6.3% in 2021
- In the long-term, these trends are expected to shift back to normal (flattening of real wages and an uptick in U.S. Jobs)
- Since the depth of the lockdown period, retail foot traffic climbed steadily, but over the holiday period seems to have crested at about 15% below pre-COVID-19 levels
- Consistent with foot traffic, the dynamic between landlords and tenants improved materially with significant increases in rent levels, but overall payments remain well below aggregate contractual levels

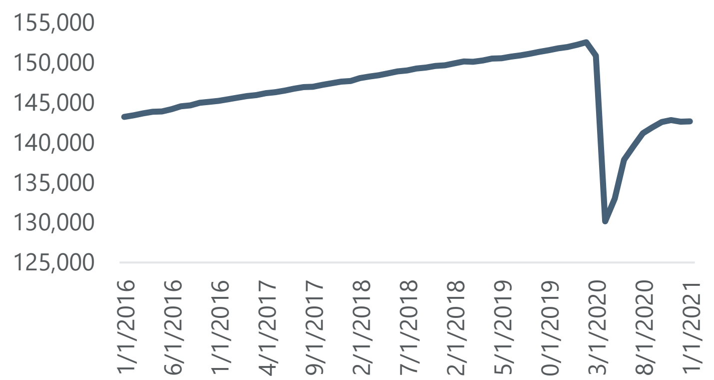
Average Hourly Earnings (Seasonally Adj.)



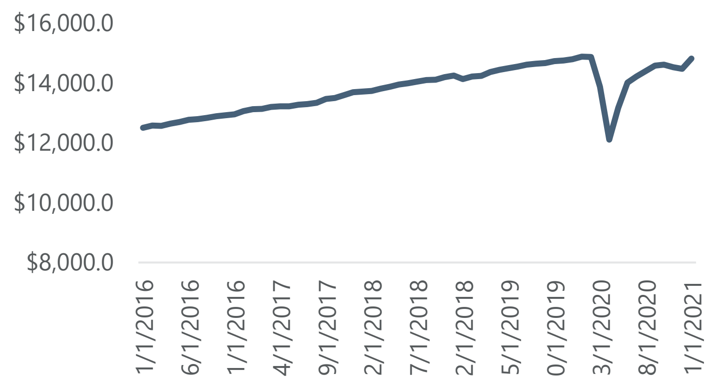
Real Disposable Income ($B)



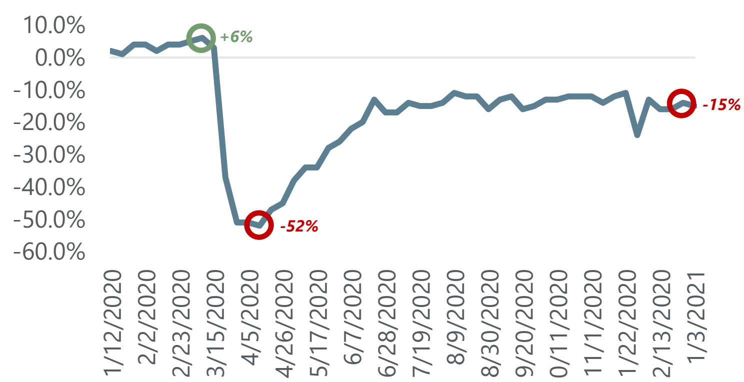
United States Jobs Growth (000's)



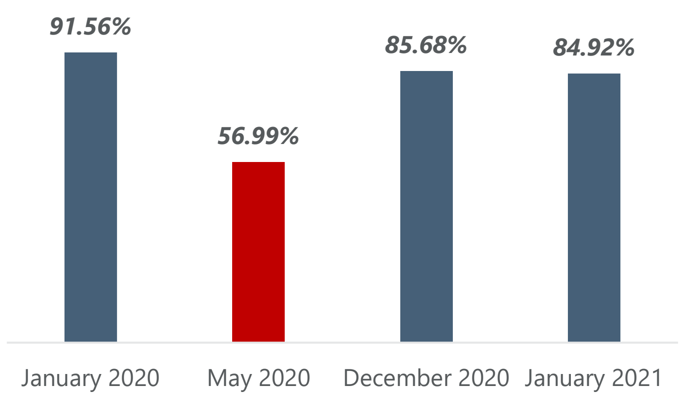
Personal Consumption Expenditures ($B)



2020 Customer Foot Traffic (YoY Growth)



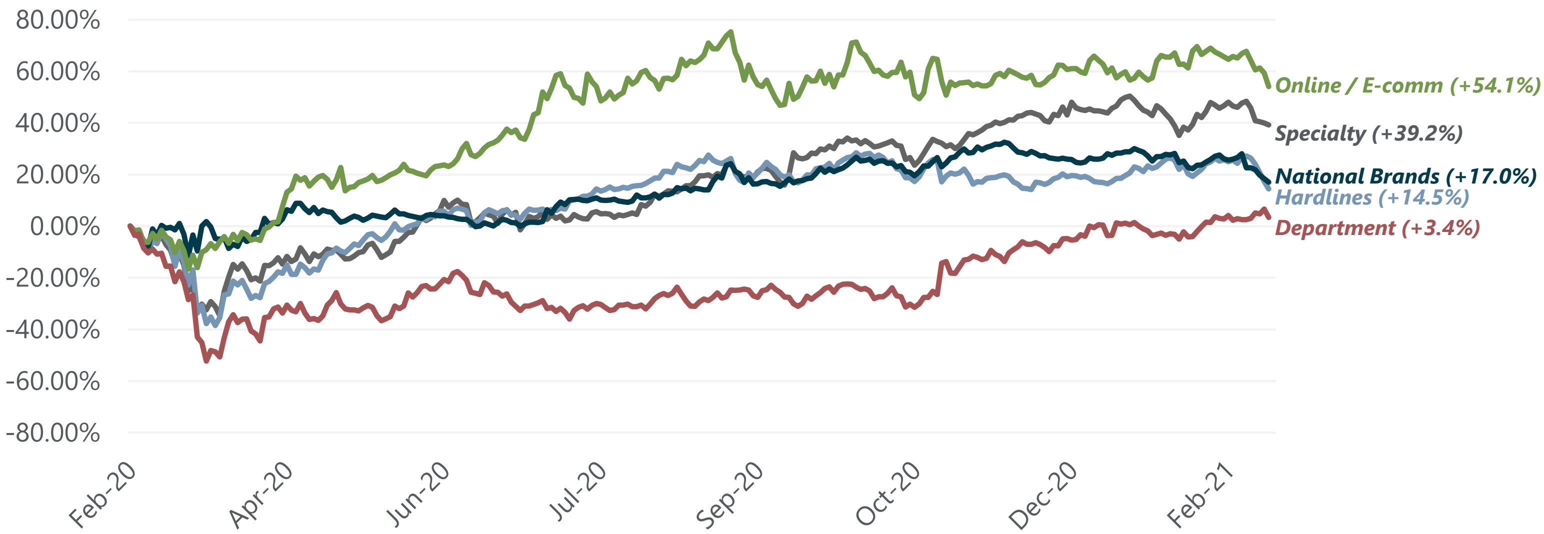
Rent Collection Trends



Source: U.S. Department of Labor, FRED, Datex

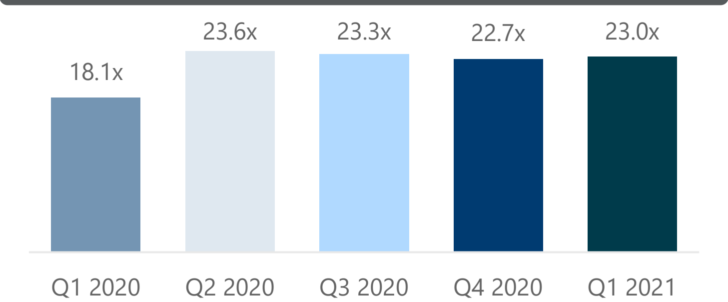
Subsector Performance

Indexed Stock Price Performance – Last Twelve Months

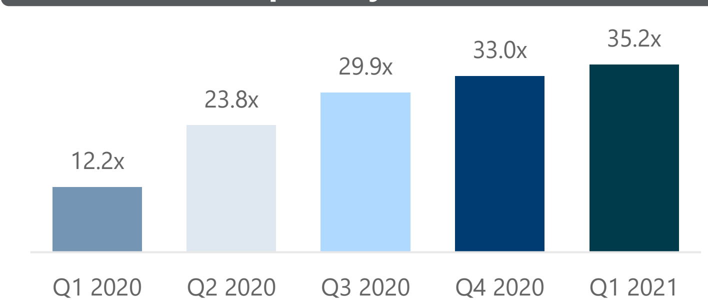


Subsector EV / LTM EBITDA Trends

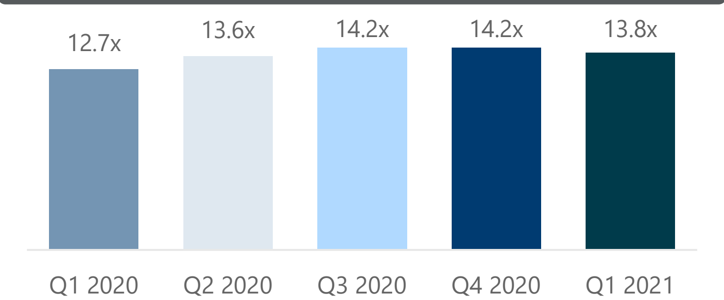
E-Commerce



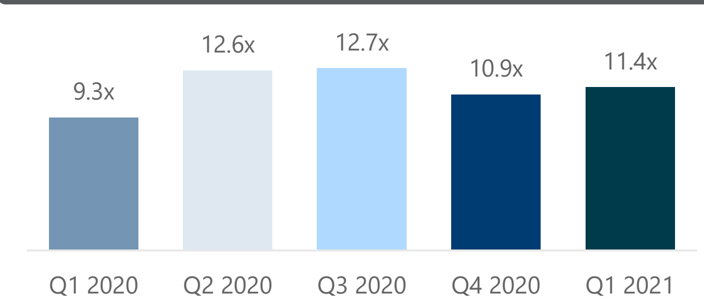
Specialty Retail



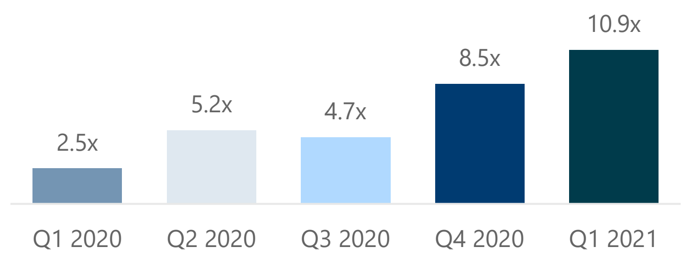
National Brands



Hardlines



Department Stores



Key Takeaways

- As evidenced in the recent stock price performance in each of the major retail subsectors, following a strong holiday season, retailers are largely trading at pre-COVID-19 levels, or better
- However, while the market capitalizations and equity value of public retailers have recovered, there continues to be multiple expansion in the market-implied LTM EV / EBITDA multiples investors due to EBITDA contraction stemming from COVID-19-related financial distress, specifically in the specialty retail space
- As a result, retail investors are not going away, and will continue to look at these companies on a go-forward basis, likely evaluating implied multiples based on NTM EBITDA

Source: S&P Capital IQ as of 2/25/2021

Public Comparables Analysis

$mm	Operational Metrics						Valuation Metrics		
Company	**Share Price**	**52-week High**	**LTM Revenue**	**LTM EBITDA Margin %**	**Fixed Costs %**	**Months of Liquidity**	**Market Cap**	**Enterprise Value**	**EV / LTM EBITDA**
National Brands									
Walmart	$131.95	85.9%	$559,151	6.1%	20.7%	78.4	$373,324	$410,687	12.1x
Target	$185.08	92.6%	$87,536	10.0%	21.5%	37.6	$92,683	$99,292	11.4x
Costco	$333.90	84.9%	$172,929	4.7%	9.5%	14.6	$147,903	$141,554	17.5x
Specialty Retail									
L Brands	$52.36	91.6%	$11,847	20.8%	24.8%	13.5	$14,562	$21,597	8.8x
Nike	$135.54	91.6%	$38,254	13.3%	32.9%	17.5	$213,677	$211,316	41.5x
Lululemon	$310.12	77.6%	$4,070	23.2%	36.8%	37.3	$40,420	$39,939	42.2x
Under Armour	$21.59	91.9%	$4,475	3.5%	48.7%	17.2	$9,015	$8,501	54.0x
American Eagle	$25.80	95.2%	$3,781	3.9%	30.0%	19.6	$4,288	$3,916	26.6x
Convenience Stores									
Dollar General	$188.68	83.8%	$32,490	12.2%	21.1%	37.4	$46,227	$48,159	12.1x
Dollar Tree	$98.88	85.6%	$25,057	10.8%	29.9%	80.5	$23,256	$25,663	9.5x
Ross Stores	$118.77	95.9%	$12,695	5.8%	25.4%	8.8	$42,337	$40,433	54.7x
TJX Companies	$67.68	95.2%	$32,137	4.5%	21.8%	8.0	$81,259	$76,872	52.9x
Grocers									
Kroger	$32.41	75.4%	$130,654	5.0%	20.9%	150.3	$24,675	$35,989	5.5x
Weis Markets	$53.82	90.6%	$3,989	6.4%	24.9%	101.3	$1,448	$1,228	4.8x
Sprouts	$20.52	73.3%	$6,232	7.6%	30.8%	167.6	$2,420	$2,583	5.5x
Pharmacy									
Walgreens	$48.27	87.0%	$141,505	3.2%	17.7%	270.2	$41,707	$58,560	13.1x
Rite Aid	$20.94	64.5%	$23,854	2.6%	19.1%	1,078.5	$1,156	$4,330	7.0x
CVS	$69.33	89.8%	$267,908	6.8%	12.9%	52.8	$90,916	$145,021	8.0x
Hardline									
Home Depot	$255.25	87.1%	$132,110	15.7%	20.1%	40.4	$274,802	$304,145	14.6x
Lowe's	$158.52	87.7%	$89,597	12.5%	22.2%	51.0	$116,151	$132,735	11.8x
Best Buy	$102.94	82.4%	$47,262	7.4%	16.8%	17.3	$26,656	$22,862	6.6x
E-Commerce									
Amazon	$3,057.16	86.1%	$386,064	12.5%	33.6%	37.0	$1,539,478	$1,517,212	31.5x
Chewy	$101.55	84.6%	$6,458	-2.3%	27.3%	41.9	$41,904	$41,398	nm
GrubHub	$63.05	73.7%	$1,820	-0.4%	37.2%	22.5	$5,848	$5,929	nm
eBay	$56.98	87.9%	$10,271	32.4%	49.5%	42.7	$38,772	$42,711	12.8x
Department Stores									
Macy's	$15.72	70.5%	$17,346	0.3%	34.4%	42.6	$4,881	$8,061	141.4x
Kohl's	$54.44	93.3%	$15,689	6.4%	31.9%	31.0	$8,583	$10,623	10.7x

Source: S&P Capital IQ as of 2/25/2021

Recent Bankruptcy Activity

Company	Filing Date	Situation Overview	Status Update / Outcome
belk	2/24/2021	Department store owned by Sycamore Partners. Following sales declines and challenges during COVID-19, Belk filed for bankruptcy with a lender-supported reorganization plan that would seek to eliminate $450 million in debt and keep its 291-store footprint intact	As of 2/25/2021, Belk has emerged from Chapter 11 just one day after filing with the approval of a restructuring agreement. The department store retailer now has $225 million in new capital, extended debt maturities to 2025, and a meaningfully lower debt level
GROUPE L'OCCITANE	1/26/2021	L'Occitane is an international retailer of body, face, fragrances, and home products. The Company filed for Chapter 11 protections in order to further accelerate a store footprint optimization plan and create a sustainable, long-term US store platform	L'Occitane has sought the retention of Hilco Real Estate, LLC to service as its real estate consultant and advisor. A meeting of creditors has been scheduled for 3/5/2021. At least 13 landlords have since commenced actions for amounts due under leases and dozens more have issued demand letters
C&B CHRISTOPHER AND BANKS	1/14/2021	Christopher & Banks, a national specialty retailer featuring privately-branded women's apparel and accessories, filed for Chapter 11 in order to preserve value for the benefit of all stakeholders following liquidity constraints and performance declines in the wake of COVID-19	As of 2/23/2021, the sale of all assets, including the debtor's stores and e-commerce business, to ALCC, LLC for $24.6 million was approved by the Judge
LOVES FURNITURE & MATTRESSES	1/7/2021	Regional retailer Loves Furniture, which took over the stores vacated by Art Van following its liquidation in the spring of 2020, filed for Chapter 11 protection following multiple shipping issues and disputes with logistics providers. Loves filed to liquidate excess inventory and restructure around a smaller footprint after deciding to liquidate 13 stores in December 2020	As of 1/15/2021, the Debtor entered into a Sales and Consulting Agreement to engage in inventory liquidation sales
francesca's	12/3/2020	Houston-based specialty retailer, Francesca's holdings Corp, filed for Chapter 11 protection with plans to sell the business, slim down its 700-store footprint, and renegotiate the remaining leases	As of 1/21/2021, the sale of substantially all of Francesca's assets to TerraMar Capital and Tiger Capital for $18 million in cash consideration, a promissory note for $1.25 million, and the assumption of roughly $7.74 million in assumed liabilities
Guitar Center	11/21/2020	One of the largest musical instrument retailers in the US, Guitar Center filed for Chapter 11 bankruptcy protection following store closures as a result of the COVID-19 pandemic and subsequent liquidity troubles as the retailer struggled under its debt load. Guitar Center filed with a previously announced deal to refinance its debt, inject $165 million of new equity capital from Ares Management, The Carlyle Group, and Brigade Capital management	As of 12/23/2020, the retailer's Plan of Reorganization was approved, allowing the company to shed over $800 million of debt. Guitar Center was also able to raise $350 million in new secured notes and $165 million in new equity capital
furniture FACTORY OUTLET	11/5/2020	Sun Capital Partners portfolio company, Furniture Factory Outlet filed for Chapter 11 bankruptcy protection after the pandemic forced the retailer to lay off 95% of its workforce and permanently shutter over half of its brick and mortar footprint. The company filed for bankruptcy to seek a strategic sale in order to maximize value to stakeholders with a $7 million bid from American Freight	As of 12/15/2020, the sale of 30 company stores to American Freight for $7 million plus assumed liabilities was approved. As of 2/22/2021, the Debtors filed a motion to extend the exclusivity period to propose a plan through 6/3/2021
Century 21 Stores	9/10/2020	The storied Manhattan-based retailer saw $175 million insurance claims be denied related to the COVID-19 pandemic, thus forcing the company to close down and start its liquidation process. To that end, Century 21 filed for bankruptcy to commence its windown	The company shuttered its 13 stores in September and put its IP up for sale in mid-November, but have yet to find a buyer. As of 2/25/2021, the company announced it would be resuming brick and mortar operations in the coming months
Stein Mart	8/12/2020	After years of declining sales and profitability, further deterioration due to COVID-19, and a cancelled PE-takeover deal, Stein Mart filed for bankruptcy with the hopes of finding a potential purchaser of parts or all of its business	As of 12/2/2020, Retail Ecommerce Ventures won the auction and purchased the IP of Stein Mart for $6.0 million while its 279 brick and mortar stores across 30 states were shuttered and remaining assets were liquidated
TAILORED BRANDS	8/2/2020	The owner of brands such as Men's Warehouse, Jos. A. Bank, and K&G saw dramatic sales declines in the wake of the pandemic and sought to enter into a restructuring agreement with its senior lenders. The company filed in early-August with expectations to reduce its workforce, footprint, and supply chain infrastructure while continuing to operate its stores and move towards a confirmed plan	The company was able to secure $500 million in debtor-in-possession financing from its existing lenders and as of 12/2/2020, Tailored Brands exited bankruptcy after confirming its Plan of Reorganization. The company eliminated $686 million of debt and its capital structure at the time of exit consisted of a $430 million revolving credit facility, a $365 million exit term loan, and an additional $75 million debt facility

Recent Bankruptcy Activity (Cont.)

Company	Filing Date	Situation Overview	Status Update / Outcome
Lord & Taylor	8/2/2020	After Le Tote acquired to Lord & Taylor brand in 2019 for $75 million, the combined entity saw some operational decline given the temporary closures driven by the pandemic. The company filed for Chapter 11 protection to reduce its footprint and initially earmarked 19 of its 38 store footprint for liquidation	By 8/27/2020, the company moved from closing 19 stores to closing 24 stores, to ultimately deciding to fully liquidate all 38 Lord & Taylor department stores and related assets. As of 10/19/2020, Saadia Group won the auction for Lord & Taylor's assets with a $12 million cash bid
ascena RETAIL GROUP INC.	7/23/2020	The retail conglomerate featuring brands such as Justice, Lane Bryant, and Catherines, saw COVID-19-related sales declines which led to the company filing for Chapter 11 with a restructuring support agreement with its lenders, which would reduce its debt load by $1 billion.	On 11/11/2020, Ascena announced the closure of all remaining Justice stores and online website following the sale of the brand to Bluestar Alliance LLC for $90 million including the assumption of select liabilities. Separately, on 12/23/2020, Sycamore completed its acquisition of Ann Taylor, LOFT, Lou & Grey, and Lane Bryant brands for $540 million
the paper store	7/14/2020	The gift and specialty retailer saw financial distress for many years, and ultimately succumbed to further deterioration due to COVID-19. The company, which runs 86 stores in the Northeast, saw unpaid rent claims rising and as it was unable to pay vendors, filed for Chapter 11 in order to seek a potential acquiror for the business	As of 9/3/2020, the Company emerged under the ownership of WS Development, a retail-led real estate development firm that owns, manages, and leases a portfolio of over 100 locations, which purchased the asset for $22 million
RTW retailwinds	7/13/2020	The owner of the New York & Company brand experienced sales declines and store closures even before the pandemic. Following COVID-19, the strain on the company's operations proved to be too much as RTW went into default with its landlords, vendors, and bank (Wells Fargo). RTW filed for Chapter 11 in July with plans to close a significant portion, if not all, of its physical locations and pursue a sale of its e-commerce business	As of 8/31/2020, the company's e-commerce operations and intellectual property were sold to Saadia Group for $40 million plus assumed liabilities while the assets and stores were liquidated
Sur La Table	7/8/2020	Over the five years leading to its bankruptcy, the kitchenware specialty retailer saw significant leadership turnover and accompanied sales declines. The pandemic worsened the financial distress and the company filed for Chapter 11 bankruptcy protection in order to close over 50 stores and seek a sale to a third-party purchaser	As of 8/14/2020, the company was sold for $88.9 million to a JV by Marquee Brands and CSC Generation. This sale contemplated acquiring just 50 of the 126 stores as well as the e-commerce platform and intellectual property
Brooks Brothers	7/8/2020	The clothing retailer with an over 200-year history saw reduced demand as casual wear became increasingly more popular and acceptable for white-collar professionals. COVID-19 and shifts to work-from-home models further reduced demand for the retailer's products. Brooks Brother filed for bankruptcy in order to reduce its store footprint, find a potential third-party buyer, and implement its turnaround plan	As of 8/12/2020, Brooks Brothers entered into an agreement to be acquired by SPARC Group and Authentic Brands Group for $325 million and the sale was finalized on 9/1/2020. SPARC acts as the dedicated operating company for Authentic Brands, which features brands including Aeropostale, Nautica, and Lucky Brand
GNC LIVE WELL.	6/23/2020	After years of falling sales and trying to trim its debt, the COVID-19 pandemic proved too much for the supplements retailer to handle outside of bankruptcy. Thus, GNC filed for Chapter 11 with plans to close up to 1,200 stores and with third-party interest from several potential acquirors, including a $760 million offer from its largest shareholder, China-based Harbin Pharmaceutical Group	As of 10/7/2020, the sale of GNC to Harbin Pharmaceutical Group was finalized for $780 million, including $550 million of cash consideration, $20 million of convertible and junior notes, and an undisclosed amount of second-lien take-back loans
JCPenney	5/15/2020	Distress associated with secular declines in the industry and COVID-19 derailed talks with lenders around an out-of-court solution to mend the balance sheet and JCPenney ultimately filed for bankruptcy with a plan supported by a majority of its key lenders. The plan allowed for several avenues within bankruptcy including a re-organization with debt relief, a potential sale, or even a liquidation	As of 12/12/2020, Simon Property Group and Brookfield Asset Management, two of the largest U.S. mall operators, acquired JCPenney for $1.75 billion, preserving over 60,000 jobs
Neiman Marcus	5/4/2020	The Dallas-based department store retailer, like many others, saw financial deterioration years before COVID-19, and the virus served to make matters worse. Neiman Marcus' robust e-commerce platform, Mytheresa, which made up 30% of its sales, helped keep the company afloat, but Neiman Marcus filed for bankruptcy in order to trim its physical store footprint without the e-commerce platform as a part of the process	As of 9/8/2020, Neiman Marcus received the green light from the Court to proceed with its confirmed plan to eliminate over $4 billion of the company's $5.5 billion existing debt and extend maturities. The company exited bankruptcy on 9/25/2020 with $750 million of exit financing which refinanced the DIP and provided additional liquidity for the business. Additionally, the existing $900 million ABL credit facility led by Bank of America gave Neiman Marcus the capital needed to support its turnaround plan