

CONSUMER & RETAIL

Industry Snapshot | 2H 2023

Credit Solutions for the Middle Market

Configure Partners is a unique investment banking platform. Partnering with us allows our clients to remain focused on their strategic and operational objectives while entrusting us to develop the optimal credit solution.



3000+

annual interactions with capital partners

9

core industries of coverage

\$3B+

of transaction volume with repeat clients since 2018

Representative Retail Experience in a Variety of Capacities

FORMA

Advised the Company on a sale of substantially all of its assets pursuant to Section 363 of the U.S. Bankruptcy Code

Sell-side Advisory

Project Mohawk

Advised the Company on a sale of substantially all of its assets pursuant to Article 9 of the UCC

Sell-side Advisory

Project Snack

Sole Lead Arranger for credit facilities related to a recapitalization of a grocery retailer

Recapitalization

Project Star

Sole Lead Arranger for credit facilities related to a dividend recapitalization of an optical retailer

Dividend Recap

Project Puma

Sole Lead Arranger for credit facilities related to a recapitalization of a footwear retailer

Recapitalization

MEC

Sole Lead Arranger for credit facilities related to an acquisition through the CCAA

Acquisition Financing

avenue

Advised the Company on a sale of substantially all of its e-commerce assets pursuant to Section 363 of the U.S. Bankruptcy Code

Sell-side Advisory

Sur la table

Advised Stalking Horse on potential acquisition of the Company's assets pursuant to Section 363 of the U.S. Bankruptcy Code

Buy-side Advisory

Industry Coverage Contacts



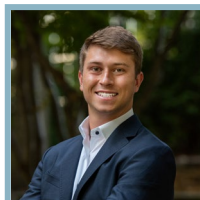
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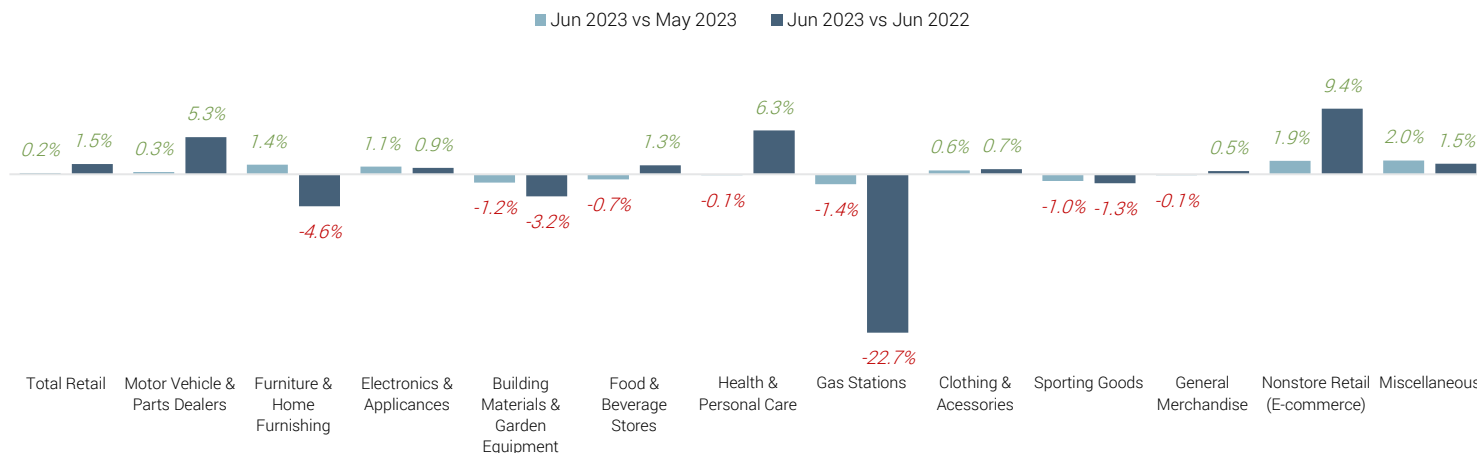
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Monthly Retail Sales Comparison

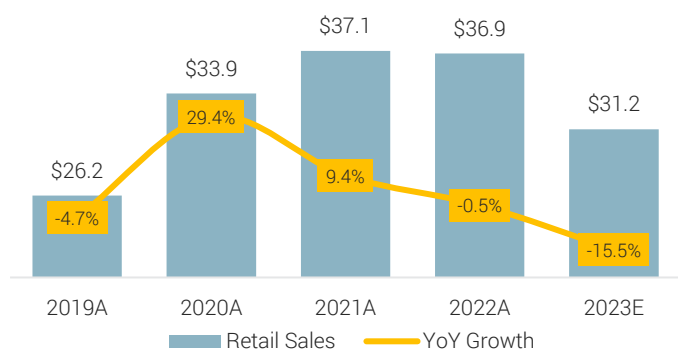


- Consumer behaviors continue to ride the wave of economic uncertainty that has plagued the industry for most of 2023. In comparison to increasing spending levels, consumers have instead looked to solidify their savings accounts and shift budgets towards other priorities, such as travel
 - o Looking ahead towards year-end, the saving grace for retailers may come in the form of “splurge-spending” on items such as technology products or clothing / accessories, in order for consumers to improve their levels of self-expression, or treat one’s child
- June 2023 retail subsector sales have largely remained stable year-over-year and month-over-month, with the notable exception of gas station sales. The decline is largely due tied to gas prices, which have decline significantly since last year. June 2022 gas prices were ~\$5.0 per gallon, compared to \$4.0 per gallon today

2023 Back-to-School Season Recap

- Inflation continues as an important theme approaching this year’s back-to-school (“BTS”) season. Consumers have shifted their purchasing preferences in comparison to last year. Previously, parents were more willing to splurge on higher priced items, but that consensus has shifted due to the extended duration of heightened product pricing
 - o BTS usually prevails as the second largest spending event for families, trailing only the holiday season. However, as school supplies have realized a ~23.7% increase in price over the last two years, consumers are cutting back
- A key theme for this BTS season is the prioritization of student necessities, rather than buying nonessential accessories. Clothing items and technology are both projected to experience a shortfall in sales volume
- The prolonged inflationary environment, coupled with anticipation of a weakening economy in the near future, has also shifted consumer preferences towards qualified savings, such as free shipping and free returns. Deals are being found earlier this year than previously by consumers, with most BTS shopping already completed by August

Historical Back-to-School Retail Sales (\$B)

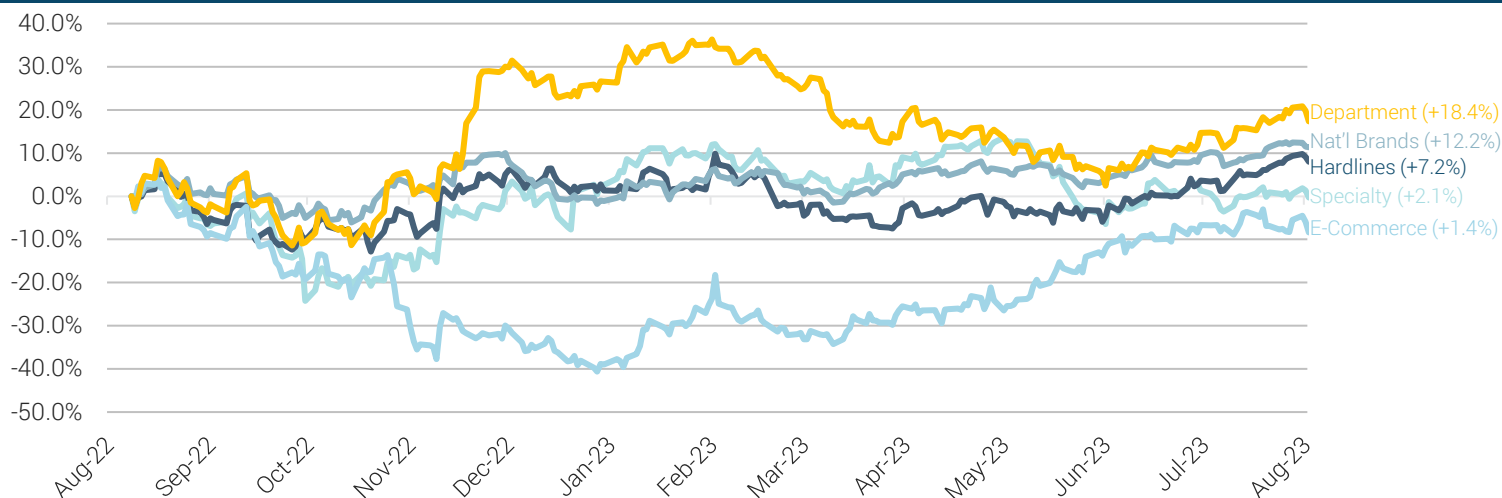


Select Retail Trends Apparent in 2023

- Continued Increase in Retail Bankruptcy Activity**
 - o Since the onset of the COVID-19 pandemic, the retail industry has seen unprecedented levels of bankruptcies. In the past 4 years, this level has surpassed ~50 filings
 - o A little over halfway through 2023, retail bankruptcy filings are continuing this trend, with over 12 filings this year. As interest rates remain at their highest levels in ~22 years, more filings are anticipated as pressure mounts on already struggling retailers
- Hybrid Shopping**
 - o In 2023, there is continued normalization of omnichannel retailing that gives consumers a customized shopping experience, featuring options like “buy online, in-store pickup”, “buy in-store, ship to home”, and “buy online, return in store”
 - o By 2025, e-commerce will generate more than half of the growth in the global retail industry, but hybrid shopping will allow brick-and-mortar stores to remain competitive in comparison to pure e-commerce players
- Technology’s Increasing Role in Retail**
 - o Technology will continue to shape the retail industry with automation now expected to play a larger role in stores, which, when implemented, can provide agile ways of working, and potentially diminish the delivery time of digital products
 - o Companies are also beginning to use AI, augmented reality, and virtual reality, which gives customers an opportunity to experience products in a virtual environment
- Environmentally- and Ethically-Focused Brands**
 - o In 2023, many brands shifted focus to ESG-related initiatives; using more recycled materials to manufacture products, utilizing diverse brand ambassadors, and curating an inclusive social media image
 - o As the U.S. population continues to grow more diverse and socially conscious, these trends are expected to persist through 2023 and beyond

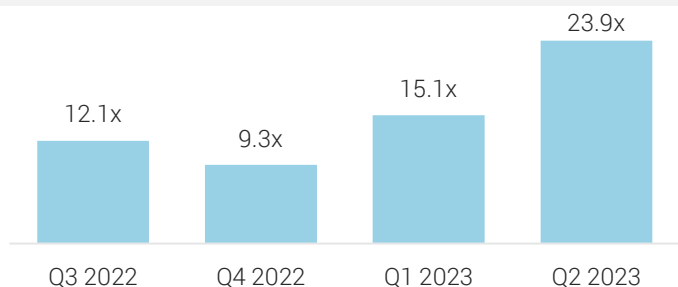
Public Equity Markets: Subsector Performance

Indexed Stock Performance – Last Twelve Months

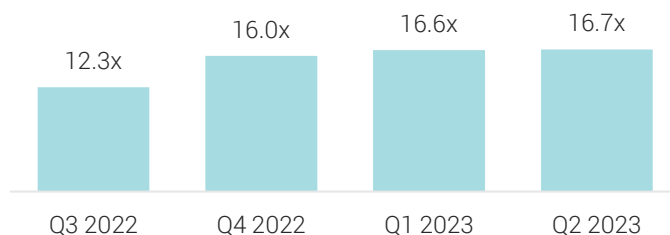


Subsector EV / LTM EBITDA Trends

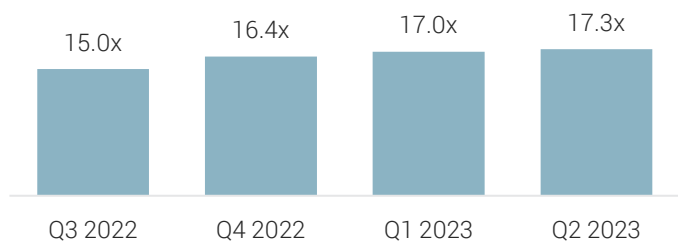
E-Commerce



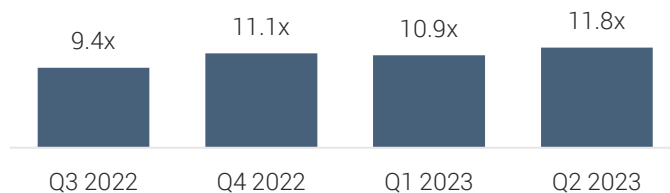
Specialty Retail



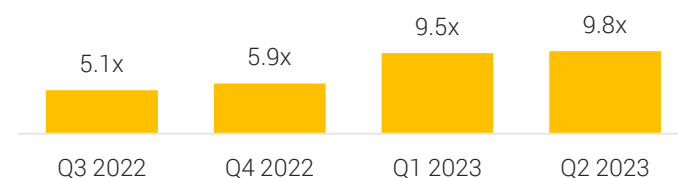
National Brands



Hardlines



Department Stores



Key Takeaways

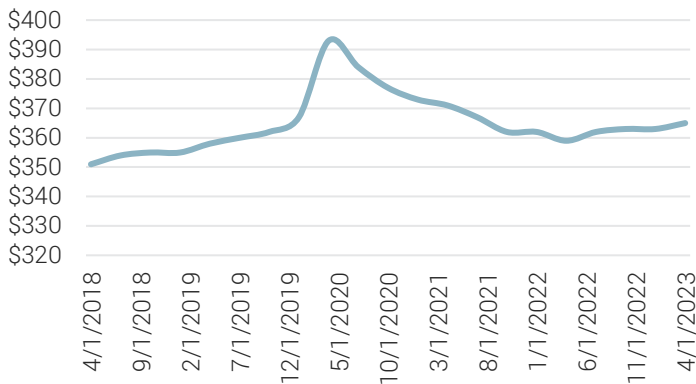
- Even with the continuation of Fed rate hikes throughout Q1 and Q2 of 2023, equity valuations across retail sub-sectors have shown signs of improvement
- Although inflationary pressures have started easing primarily due to the elevated level of the Federal funds rate, uncertainty still prevails around future retail performance, driven by indifferent opinions on expected consumer spending

Recent Bankruptcy Activity

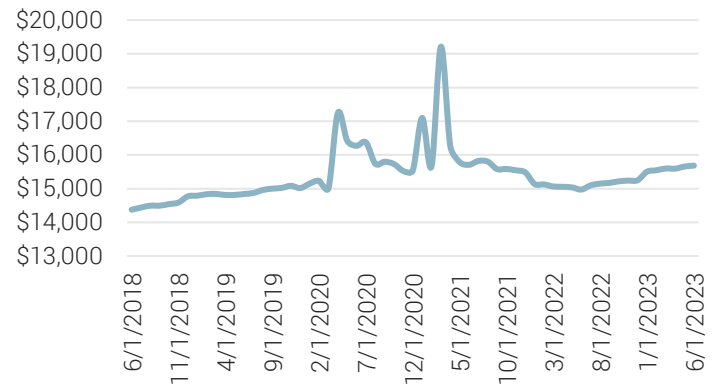
Company	Filing Date	Situation Overview	Status Update / Outcome
ROCKPORT	6/14/2023	After filing for bankruptcy initially in 2018, Rockport, a manufacturer of rubber-soled casual shoes, never fully recovered following their previous bankruptcy proceedings. Coupled with the lingering effects of COVID-19 and inflationary pressures, Rockport found themselves with significant excess inventory. Rockport defaulted on multiple borrowings, forcing the company into Chapter 11	The sale of Rockport has been approved by the bankruptcy court overseeing the Chapter 11 proceedings to Authentic Brands, in a deal valued at ~\$53M. The purchase price includes ~\$40.4M for the company's intellectual property, \$5M for Rockport's Korean subsidiary, and an undisclosed cash amount for Rockport's inventory
CTS Christmas Tree Shops® <small>Don't you just love a bargain?™</small>	5/5/2023	Christmas Tree Shops, "CTS", operates a chain of brick-and-mortar home goods retail stores that specialize in year-round seasonal goods at value pricing. Because of COVID-19 and rising interest rates, store traffic for CTS decreased by approximately 35% since May 2022. The decrease in store traffic led to a diminished EBITDA and liquidity profile, which led the company to file Chapter 11	After approaching 350 potential buyers and receiving interest from 29 parties (including both retailers and private equity firms), no interested party was able to enter into an agreement to purchase the assets of CTS. This will result in the likely liquidation of the company, especially after CTS defaulted on the \$45M DIP
BED BATH & BEYOND	4/23/2023	Bed Bath & Beyond is a home retailer in North America that offers a wide assortment of domestic merchandise and home furnishings. Following continued global supply-chain issues and inflationary pressures the company explored multiple financing options. When the financing options proved unsuccessful, the company filed for Chapter 11	Bed Bath & Beyond has recently filed its plan of reorganization which calls for liquidation of the company in order to maximize returns to outstanding stakeholders. The deadline for the creditors to vote on the plan is Sept. 1, and a plan confirmation hearing is scheduled for Sept. 7
DAVID'S BRIDAL	4/17/2023	Headquartered in Conshohocken, PA, David's Bridal is a retailer of bridal gowns and wedding-related apparel and accessories across the United States. The company cited a diminished liquidity profile, continued pressures from COVID-19, and shifts in consumer behaviors as the primary drivers for filing Chapter 11	The New Jersey bankruptcy court overseeing the Chapter 11 proceedings of David's Bridal has approved the sale of the company, as a going concern, to CION Investment Corp. The purchase price includes the assumption of certain liabilities and payment of contract cure costs
AmeriMark	4/11/2023	AmeriMark Holdings is a catalog and e-commerce direct marketer of healthcare, apparel, and home products. After a failed sale process, the company ultimately decided to file for Chapter 11. The bankruptcy stemmed from fluctuating demand due to the residual effects COVID-19 and supply chain issues	The bankruptcy court overseeing the AmeriMark proceedings issued two sale orders, (1) Midwest Catalog to purchase the private credit receivables, the core AMD assets, and non-core AMD assets, and (2) SLR Credit to purchase the LTD assets for \$95M
BOXED	4/2/2023	Boxed operates an e-commerce retail service to provide bulk pantry consumables to businesses and household customers. Due to the company's significant liquidity pressures, primarily driven by the outstanding debt balance at the time of filing, and a failed sale process, Boxed was unable to cover short-term obligations, ultimately forcing a Chapter 11 filing	Following an auction held by Hilco Streambank, Boxed's intellectual property was purchased free and clear of all liens by MSG Distributors. Previously, Boxed sold the Spresso subsidiary to the first-lien lenders for \$26.3M
ShoeCity	3/31/2023	Urban-inspired footwear, apparel, and accessories retailer Shoe City filed for Chapter 11 bankruptcy earlier this year, citing various factors as the primary cause: continuously declining sales / increasing losses in net income, failed transaction with Arklyz Group, and disruptions with key vendors	Shoe City has agreed to close all 39 locations and liquidate inventory during the reorganization process in an effort to maximize returns to creditors
Tuesday Morning	2/14/2023	Operating as one of the premier off-price retailers in the U.S., with a specialization in selling high-quality products at lower prices, Tuesday Morning collectively filed for Chapter 11 protections for the second time in less than 4 years to address liquidity issues	Following a court-approved 363 sale to Hilco Merchant Resources for \$32M as repayment to the outstanding creditor, Tuesday Morning decided to liquidate and close its entire retail footprint
NBGHOME The Home Decor Company	2/8/2023	Nielsen & Bainbridge, LLC, or "NBG", is a manufacturer of home décor products for mass merchants, specialty stores, and other retailers. The primary reason for the filing related to a cancellation of the company's account purchase agreement, which significantly impacted NBG's cash flow profile and ability to service outstanding debt	NBG's plan of reorganization has been approved. The company received a \$60M DIP initially, but the plan calls for an additional \$10M to be provided in order to further support the company through the reorganization process
IPP INDEPENDENT PET PARTNERS	2/5/2023	Independent Pet Partners, "IPP", an operator of an expansive pet store retail footprint with offerings of both pet-oriented goods (food, toys, etc.) and services. The company sought Chapter 11 relief due to the culmination of challenges related to early growth strategies, shifts in consumer behavior, the lingering effects of COVID-19, shortened liquidity, and a failed prepetition sale process	Following the closure of 93 stores operating under the Natural Pawz and Loyal Companion brand names, the bankruptcy court has approved the sale of the "Go Forward Stores" to the stalking horse bidder. IPP's plan of liquidation has been extended
Serta Simmons Bedding	1/23/2023	A leading manufacturer and marketer of bedding products in North America, Serta Simmons Bedding filed for Chapter 11 protections in order to implement a prearranged plan of restructuring. The company cited lingering effects of COVID-19 and an unserviceable amount of prepetition debt as primary reasons for the filing	Serta Simmons Bedding successfully emerged from Chapter 11 in June, reducing its funded debt amount from ~\$1.9B to ~\$315M while also cutting its annual cash interest expense by more than \$100M

Major Economic Trends

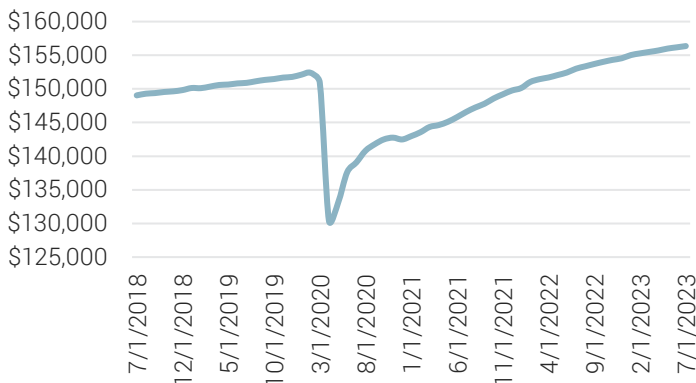
Weekly Real Median Wages (Adj. CPI Dollars)



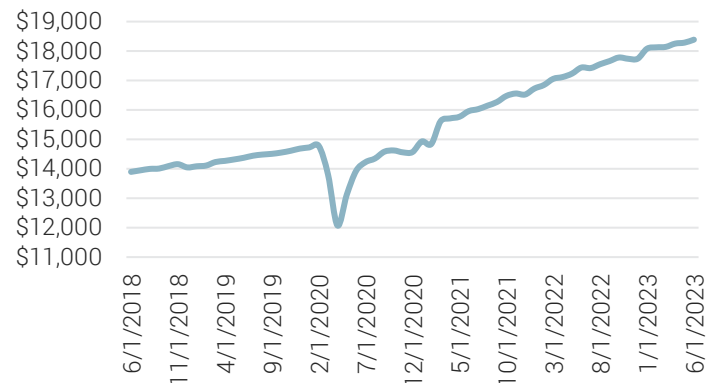
Real Disposable Income (\$B)



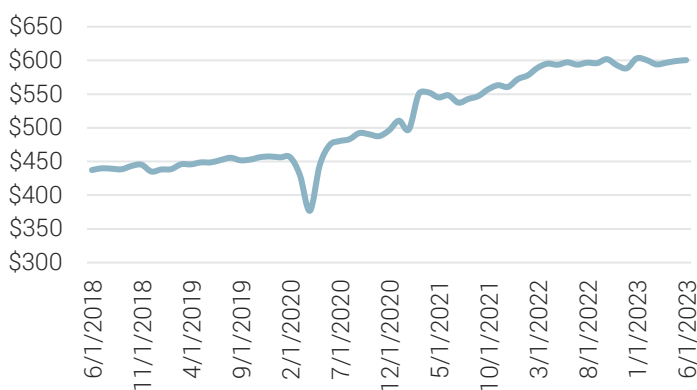
United States Jobs Count (000's)



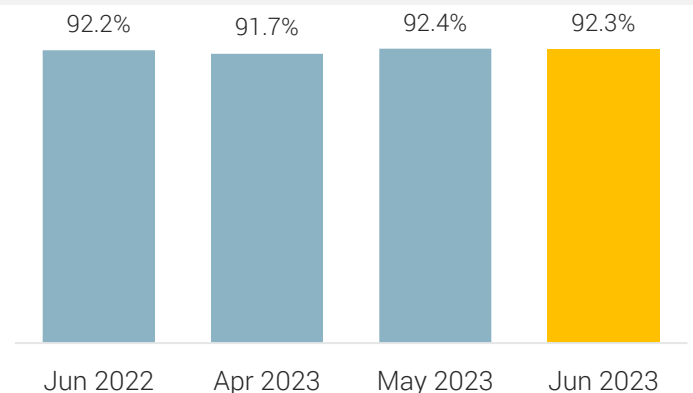
Personal Consumption Expenditures (\$B)



Monthly Retail Sales Trends (\$B)



Rent Collection Trends



Key Takeaways

- Total U.S. jobs continue to eclipse pre-COVID-19 levels with similar recoveries / normalizations in real disposable income and personal consumption metrics. The onset of the pandemic three years ago resulted in a significant shock to the global economy, with a particular impact on the retail sector
- As of April 2020, the unemployment rate was as high as 14.7%. Since then, the unemployment rate has steadily recovered to 3.5% as of August 2023