CONFIGURE PARTNERS

CONSUMER & RETAIL

1H 2025

About Configure Partners

CONFIGURE PARTNERS

Representative Retail Experience in a Variety of Capacities

FORMA — THE M&A ADVISOR

Distressed M&A Deal of the Year (over $500M)

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 Recapitalization

Project Puma

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

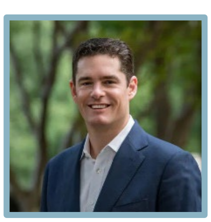
Recapitalization

MEC

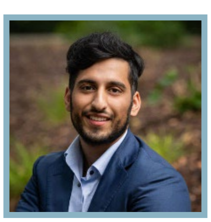
Sole Lead Arranger for credit facilities related to an acquisition through the CCAA

Acquisition Financing

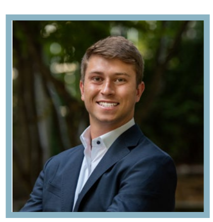
Industry Coverage Contacts



JAY JACQUIN
Managing Director
jjacquin@configurepartners.com
404.536.0690



UJ RAI
Vice President
urai@configurepartners.com
732.213.1135



FITZ MARREN
Associate
fmarren@configurepartners.com
404.775.0734

JACOB KOETS
Analyst
jkoets@configurepartners.com
574.612.8333

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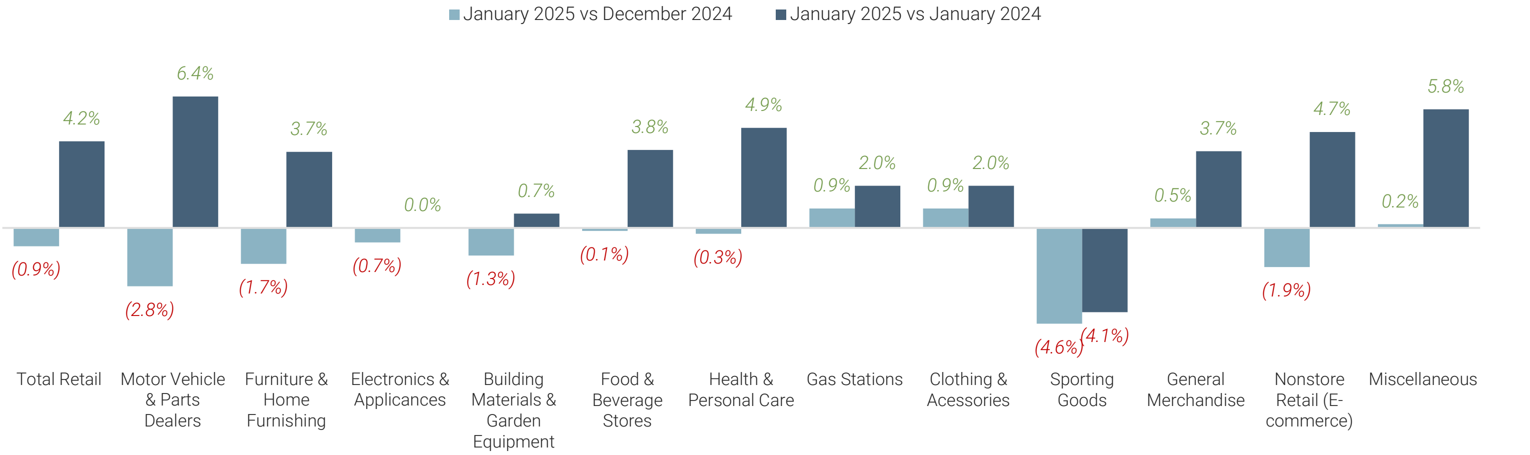
Retail Trends Align with Macroeconomic Uncertainty

Monthly Retail Sales Comparison



- Moderate activity from the Federal Reserve in cutting rates and combatting inflation, in concert with reduced consumer uncertainty following the Presidential election, has retailers remaining resilient in their go-forward view of the industry. In fact, nearly eight out of ten retail executives anticipate their operating margins to increase modestly in 2025, and 56% of executives expect 5%+ revenue growth for the retail industry, year-over-year
- However, numerous factors continue to impact consumers and their confidence in the economy on a macro scale, such as continued inflation concerns, job security and overall workforce unease, and as of late, tariff risk caused by the new administration
- Year-over-year, retail sales are up, as early 2024 still saw elevated inflation levels and a higher federal funds rate. Month-over-month, most sectors are down, primarily a result of comparing to a seasonally active holiday month in December
- Looking ahead, the consumer & retail industry will look to extend the strong start in 2025 throughout the remaining months, and with a new administration in place, retailers have high hopes for overall performance

Key Retail Trends to Follow Throughout 2025

Continued Emphasis on Omnichannel

- *Increased digital capability remains a theme for retailers in 2025, and over a third of retail executives note their company will spend to drive efficiencies*
- *Retailers will look to expand in-house delivery capabilities, leverage social media engagement, and enhance brick-and-mortar stores (where 80% of spend occurs) to generate a comprehensive shopping experience*

Automation as a Future-Proof Tool for Retailers

- *Retailers are investing heavily in automation within operations, particularly for inventory tracking purposes across warehouses to drive efficiency, accuracy, and cost reduction*
- *Following COVID-19 and the resulting supply chain impacts, retailers are attempting to be nimbler than ever, especially as economic uncertainty remains*

Augmented Reality Out, AI Remains

- *With the slowing of the metaverse and augmented reality trend, retailers have unsurprisingly downshifted their investment in recent months*
- *As a replacement, artificial intelligence, particularly in workforce management, enables significant labor cost savings, while also reducing turnover rates through assistance to employed staff*

Driving Consumer Loyalty via Cost, Not Brand

- *While inflation rates declined throughout 2024, consumers continue to emphasize value before brand in making purchasing decisions*
- *Retailers have implemented numerous methods to retain customer loyalty beyond just price, including (i) loyalty programs, (ii) more engaged shopping experiences, and (iii) driving convenience for customers*

New Administration, Yet Same Hesitancies

With the election now concluded, both consumers and economists alike have promptly shifted their focus to the economic rebound and growth campaigned by the new administration. As always, the initial months under a new administration result in continued uncertainty. Normalization is likely to occur later in 2025; it will also be important to follow how the Federal Reserve approaches interest rates in future meetings this year

Tightened Immigration

Increased deportation of undocumented workers may raise wage costs for businesses

Cautious Consumers

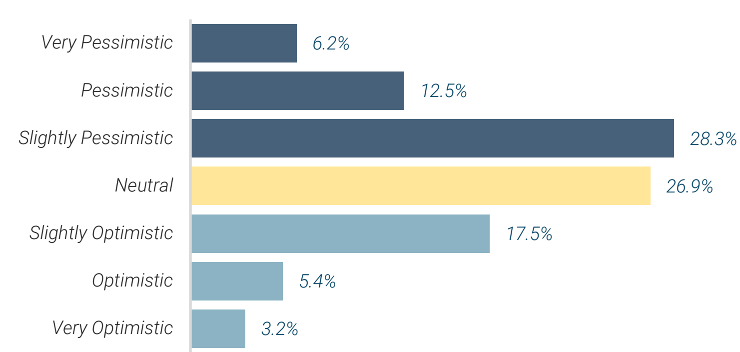
Fear of price and inflation increases have left consumers cautious once again heading into 2025

Proposed Tariffs

Back-and-forth of tariff enactment on key international suppliers could result in price of goods increases

Personal Finance Confidence Levels in 2025

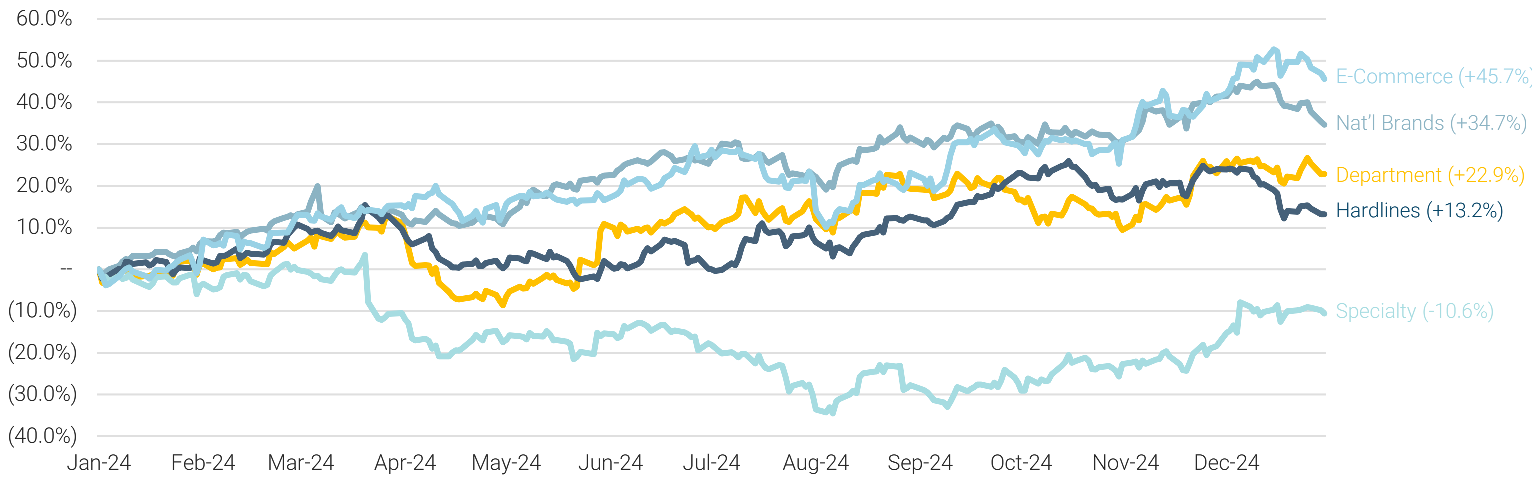
(All U.S. Consumers)



Source: U.S. Census Bureau, Retail Dive, Federal Reserve, National Retail Federation, Shopify, Deloitte, EY, Colliers

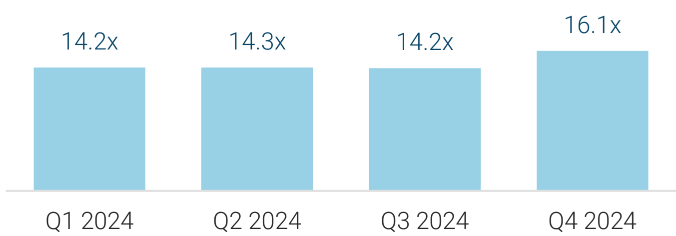
Public Equity Markets: Subsector Performance

Indexed Stock Performance – Last Twelve Months

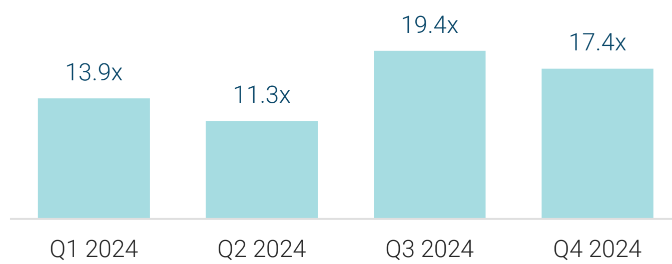


Subsector EV / LTM EBITDA Trends

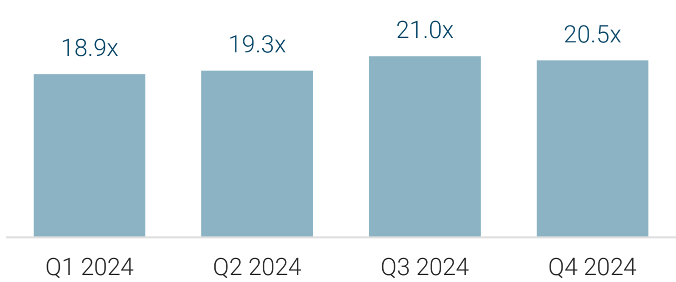
E-Commerce



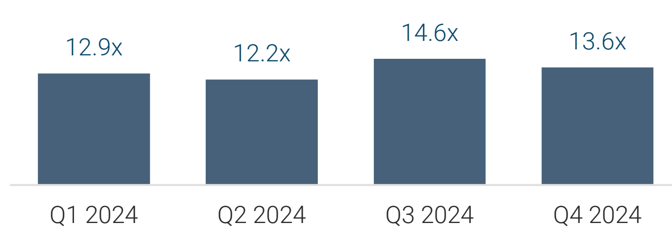
Specialty Retail



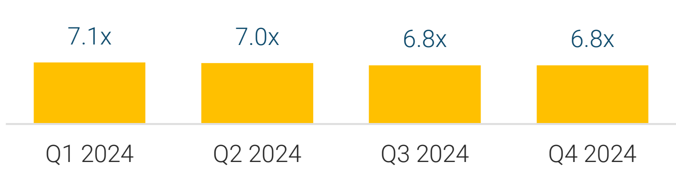
National Brands



Hardlines



Department Stores



Key Takeaways

– Retail subsector valuation leaders remain synonymous with recent quarters heading into 2025. Key sectors of note are the E-commerce and National Brands segments, both of which enter 2025 trading at consistent valuation premiums

– Laggard subsectors, Specialty Retail and Hardlines, displayed slight declines in Q4 2024 valuation, but remain above their respective Q1 & Q2 2024 levels

Source: Pitchbook as of 1/27/2025

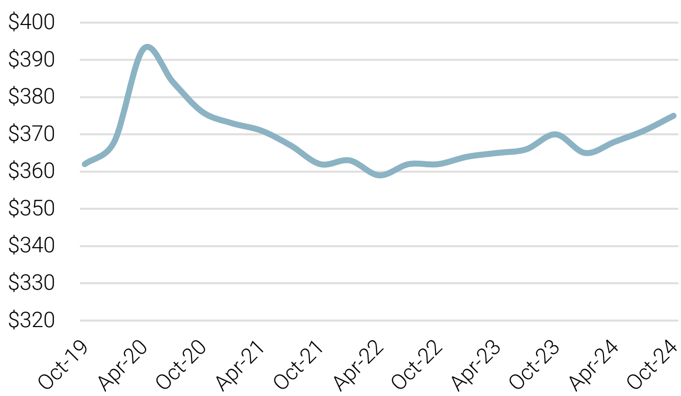
Recent Bankruptcy Activity

Company	Filing Date	Situation Overview	Status Update / Outcome
Liberated Brands	2/2/2025	Due to an unfavorable licensing dispute resulting in Liberated Brands losing part of agreement for the Boardriders portfolio of brands (Billabong, Roxy, and Quiksilver), the company filed for Chapter 11 bankruptcy in early February 2025. Primary reasoning behind the filing, other than the aforementioned licensing dispute, was the company's underperforming brick-and-mortar locations	Liberated Brands plans to close all 122 of its retail locations (Billabong, Roxy, Quiksilver, and RVCA, among others). Authentic brands, which holds a 20% stake in Liberated Brands, is supporting the company "as they evaluate their opportunity to reorganize their business and regain profitability"
Books Inc.	1/22/2025	Books Inc. filed Chapter 11 bankruptcy in January 2025 following a sharp drop in traffic trends across its brick-and-mortar store base, which accounts for ~95% of the company's revenue. Primary drivers behind the lower traffic trends began with the COVID-19 pandemic in 2020, and never recovered to necessary levels to support operations	Books Inc. plans to close one of its 11 stores but will remain operational going forward. The company may also seek court approval for additional store closures if lease terms for its brick-and-mortar locations are unable to be renegotiated favorably
Joann	1/15/2025	Just 10 months after filing Chapter 11 in March 2024, Joann has once again filed bankruptcy in January 2025, citing a consistently challenging macroeconomic retail environment and financial troubles, primarily relating to inventory. After being purchased via credit bid by the incumbent lending group in April 2024, Joann is once again seeking a value maximizing solution for creditors	Following its second bankruptcy filing in twelve months, Joann is seeking a sale of substantially all of its assets, with Gordon Brothers serving as the stalking horse bidder currently
The Container Store	12/22/2024	After a strategic partnership opportunity with Beyond (operator of Bed Bath & Beyond) fell through, The Container Store filed for bankruptcy in December 2022. Primary reasons for the filing were challenging macroeconomic and financial issues, which led to the company being unable to service its existing debt outstanding	The Container Store has since exited Chapter 11 following court approval of credit bid to its lenders. The company was able to shed $88M of debt and refinance its short-term debt obligations, with additional upsizing of its ABL facility by $40M and other new financing of $40M
Party City	12/21/2024	Party City filed for bankruptcy in December 2024 after emerging from bankruptcy and shedding nearly $1B in debt in October 2023. As of filing, Party City had roughly $400M in debt obligations. Management cited inflationary pressures on both costs and consumer spending as the main challenges that the Company was unable to overcome	Following its second bankruptcy filing in two years, Party City plans to liquidate and will wind down operations
Big Lots!	9/9/2024	Big Lots filed for Chapter 11 in September of 2024, citing struggles due to record inflation and high interest rates post-pandemic impacting consumer spending. After an unfavorable inventory appraisal in December, the original sale to the stalking horse bidder fell through and Big Lots planned on going out of business until Gordon Brothers stepped in to complete a going-concern sale	In early January 2025, Gordon Brother completed the purchase of Big Lots Inc., enabling the transfer of 200 – 400 stores to Variety Wholesalers
Lumber Liquidators	8/11/2024	Following years of declining sales, LL Flooring (formerly Lumber Liquidators) filed for Chapter 11 in August of 2024. Buyer F9 Investments is owned by Tom Sullivan, the original founder of Lumber Liquidators. Prepetition, F9 was the largest shareholder and won a proxy war that took place over the summer of 2024, resulting in the election of its choice board members and the ensuing filing	LL Flooring signed an agreement with F9 Investments for a going-concern sale of the business. F9 acquired 219 stores and their inventory, a distribution center, and IP and other assets
Conn's HomePlus	7/23/2024	Conn's Inc. filed for Chapter 11 in late July and has already started going-out-of-business sales at 105 stores between its two banners, Conn's HomePlus and Badcock Home Furniture. Increasing interest rates have more than tripled Conn's interest expense since the start of 2022, and with no visibility of turnaround, management decided bankruptcy and winding down operations was the optimal decision	Conn's Inc. is seeking court approval to complete going-out-of-business sales by October 31, 2024, as well as permission to reject store leases. Over 100 locations have already begun winding down operations, with plans to shutter all 550+ locations
Delta	6/30/2024	Delta Apparel and its domestic subsidiary brands filed voluntary petitions under Chapter 11 in late June. Days later, its stock was delisted from the NYSE as its shares were trading at $0.39, down from highs in the $30s. Their retail customers have reduced inventory spend and Delta has felt the impact of that decision, struggling to maintain liquidity as business volume declines	Prior to filing, Delta Apparel entered into an asset purchase agreement with FCM Saltwater Holdings, Inc. to acquire the Salt Life brand for a total of ~$28M in cash. Upon approval, this is expected to be the stalking horse bidder in this process under section 363
Basic Fun!	6/28/2024	Basic Fun is a toy company with multiple notable brands such as K'nex and Lincoln Logs, and they sell to retailers such as Walmart, Target, and Amazon. Toys R Us was formerly the largest customer, and Basic Fun has struggled to recoup much of the lost sales volume since. In late June, the company defaulted on various credit agreements, with additional maturities in July	Basic Fun is seeking court approval of $50M DIP financing from Great Rock Capital, as well as additional financing from Royal Bank of Canada
rue21	5/1/2024	Apparel retailer Rue21 filed for its third bankruptcy dating back to 2002 (d/b/a Pennsylvania Fashions at the time). They had most recently filed seven years ago and closed more than 400 stores; this time the company plans to close all 540+ remaining locations. Management cited continued growth of online shopping as well as macroeconomic headwinds as primary drivers of the decision	Rue21 is pursuing a sale of assets via a stalking horse purchase agreement separate from its store closing process. YM Inc. has agreed to purchase Rue21's IP for $4M

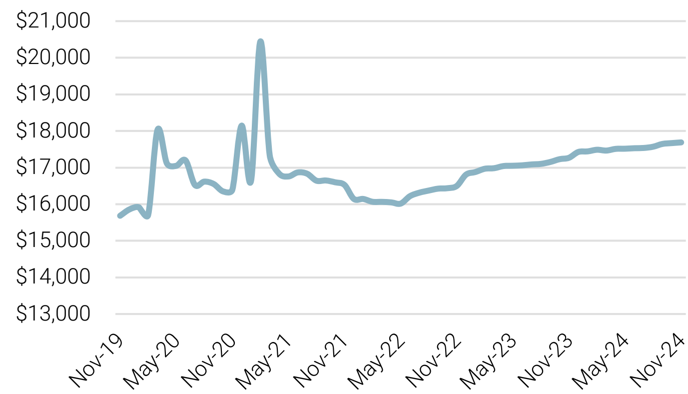
Macroeconomic Indicators

Major Economic Trends

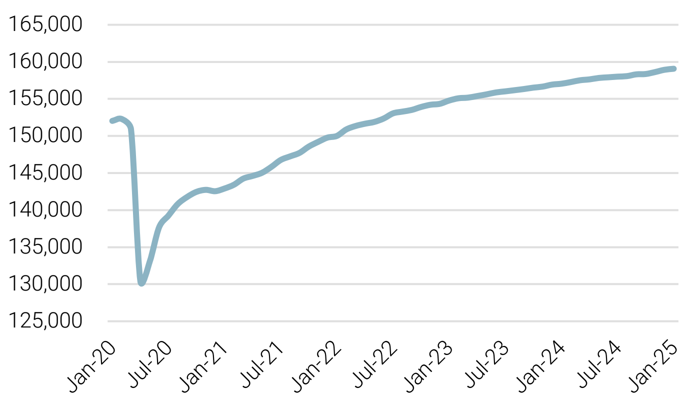
Weekly Real Median Wages (Adj. CPI Dollars)



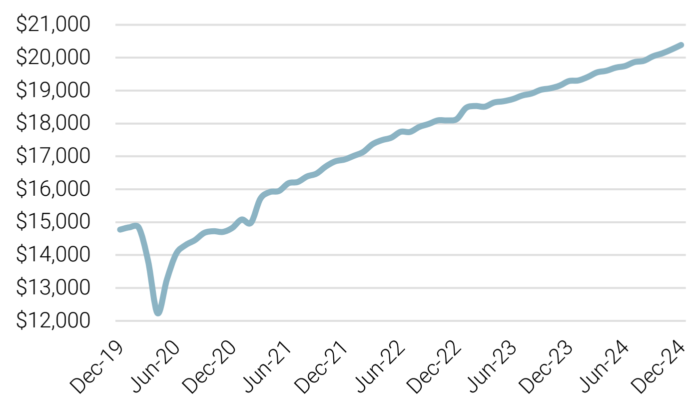
Real Disposable Income ($B)



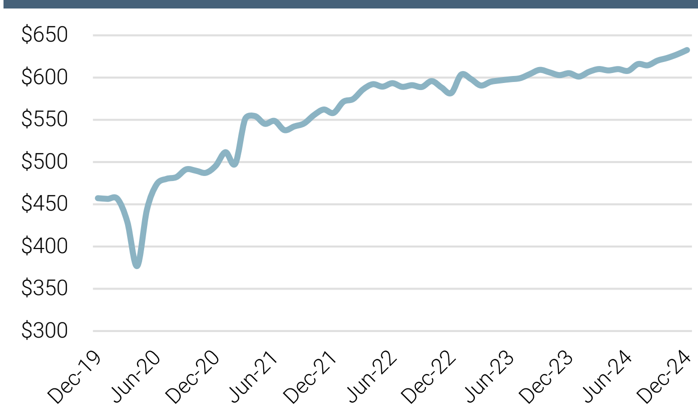
United States Jobs Count (000s)



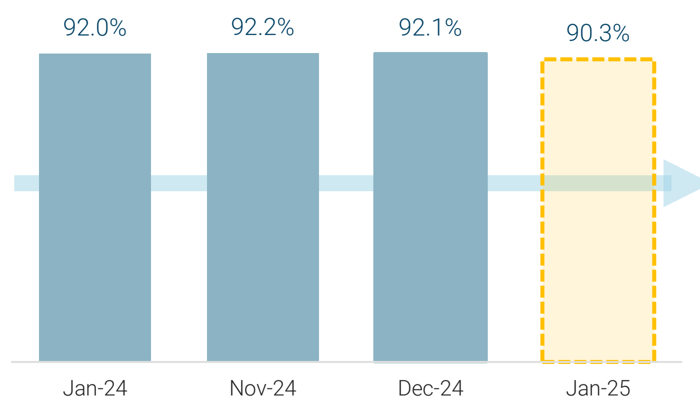
Personal Consumption Expenditures ($B)



Monthly Retail Sales Trends ($B)



Rent Collection Trends



Key Takeaways

– As exhibited by the key indicators above, trends have continued to show positive momentum year-over-year post-COVID-19 pandemic. This positive, yet stable growth can be attributed to modest overall consumer confidence in the economy following numerous periods of uncertainty throughout 2020 and early 2021

– While federal interest rates were adjusted downward by the Fed throughout 2024 and into 2025 (100 bps cut from January 2024 – January 2025), inflation remains in the ~3.0% range and has even displayed a slight uptick heading into 2025

Source: US Department of Labor, FRED, Datex