



DUFF & PHELPS

APPAREL QUARTERLY UPDATE

Spring 2018

About Our Practice

Duff & Phelps' Consumer Group is among the most active middle-market advisors, providing sell-side, buy-side and capital raising services for clients worldwide. With expertise in the consumer, food, restaurant, apparel and retail sectors, our professionals have executed more than 100 transactions over the past 10 years.

The Duff & Phelps platform provides in-depth coverage of the apparel, footwear and accessories industry with dedicated, bicoastal consumer teams and 40 international offices.

**#1 U.S./Global
Fairness Opinion
provider 2017¹**

**#4 Middle-Market
M&A advisor over
the past five years²**

Proven Execution	100+ Consumer M&A and Capital Raise transactions over the past 10 years
Deep Sector Expertise	Category focus drives thought leadership and builds <i>invaluable relationships with buyers and investors alike</i>
Customized Approach	Successful track record of <i>premium value transactions</i> driven by <i>hands-on execution and creativity</i>
Experienced Team	Over 30 bankers dedicated exclusively to the Consumer sector within the U.S. alone
Global Platform	Over 3,500 employees across 72 offices in 28 countries, with an extensive presence in the U.S., Europe and Asia

See page 24 for data sources

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Executive Summary

The Road Ahead

With 2018's first quarter now in the rearview mirror, adaptation has been this year's central theme in the apparel sector. Facing complex challenges to their long-term success (and in some cases, survival), apparel brands and retailers have embarked on an urgent mission to redefine their value propositions for an increasingly demanding consumer. Brands are applying new tools and techniques to become more collaborative, nimble and engaged with their consumer. Retailers have invested heavily in technology and innovation, increasing next-generation store layouts in an effort to provide vibrant experiences that are now a prerequisite for discerning millennial consumers. Artificial intelligence and virtual reality, once solely futuristic cinema fodder, are increasingly used to enhance both customer acquisition and customer conversion. It is truly a "brave new world" out there!

While e-commerce (led by Amazon) and an increasingly acquisitive, innovative Walmart continue to gain share on traditional brick-and-mortar retail, hints of optimism have emerged within the sector. Several retailers recently announced new store openings for the remainder of the year, while many increased earnings targets. With an eye toward sustainable expansion, companies are adopting smaller store formats that blend the benefits of a physical retail presence with enhanced digital capabilities, particularly by optimizing inventory levels. Increased vacancies largely due to the continued decline of traditional retail concepts, will also create momentum for further specialty retail expansion.

On a macro level, volatility seems to be the new normal. Concerns over rising interest rates, inflation and the impact of ongoing U.S. trade-related negotiations could certainly impact performance. Owners and executives must maintain a keen eye on these factors and potential effects on their brands and companies. Thus, the need for adaptation whether expanding consumer engagement, augmenting sales channels or modifying sourcing relationships has become a significant long-term trend in the sector.

Our Quarterly Apparel Report aims to identify trends and provide insights across the apparel sector, including in-depth analysis of the global industry, focusing on key themes, issues and opportunities. We hope you continue to find this report and its future editions to be a useful source of information.

Table of Contents

3

Executive Summary

4

First Quarter in Review

5

Trends and Insights

7

Recent Apparel M&A Activity

9

Eye on Retail

13

Public Comparables

23

Selected Duff & Phelps' Apparel and Accessories Transactions

First Quarter in Review

Summary

A strong holiday season and bullish outlook for 2018 led to solid performance by publicly traded apparel company equities at the outset of this year. Unfortunately, this enthusiasm was short-lived, as the stock market's reaction to rising interest rates and proposed U.S. tariffs induced uncertainty within the sector, resulting in volatility and depressing valuations. By the end of Q1, market valuations had largely pulled back, curtailing gains from the end of 2017.

However, these public companies delivered some of the best corporate earnings results since 2011. On average, apparel companies experienced year-over-year (YoY) sales growth of 10% compared with Q1 2017, with more than half of those companies beating their earnings estimates.³ The impact of the U.S. tax cut legislation enacted at the end of 2017 can be credited for some of this strong performance, as well as the resiliency in consumer spending backed by a strong job market. Unemployment continues to hover around 4%, the lowest seen in this millennium.³ Moreover, disposable personal income rose by nearly 2% over the first quarter of last year.³

These strong fundamentals translated into solid growth across the sector: clothing and retail stores experienced 6.1% growth over last year, and online and other non-store sales increased 7.6% YoY.⁴

M&A activity in the sector remains healthy, with apparel, footwear and accessories companies consummating over \$600 million of transaction value in the first quarter of 2018.³ Demand for Western apparel brands by Asian conglomerates was a key driver of this activity (see selected deals on page 8). Valuation multiples continued to rise, as branded apparel and fashion exhibited opportunities for margin enhancement. With record amounts of cash on corporate and private equity balance sheets - \$1.7 trillion and \$848 billion,³ respectively, M&A activity will likely remain bullish for the balance of the year.

Q1 2018 | By The Numbers



Over 50% of apparel, footwear and accessories companies beat Q1 2018 earnings estimates³

U.S. retail sales of clothing and accessories grew by 6.1% over last year⁴

Transaction value for Apparel M&A in Q1 2018 exceeded \$600 million, nearly double the amount for the same period last year³

Valuations increased as EBITDA multiples for branded apparel and fashion grew by 1.4x YoY for the 12 months ending April 30, 2018³

Trends and Insights

1

Here and Now: Authenticity Through Interaction

To appeal to the next generation of consumers, brands are using interactive engagement to cultivate authenticity. Millennials in particular, require frequent contact to stay engaged and maintain brand relevancy – a mere 7% consider themselves brand loyalists.⁵ However, allegiance rises 7% when millennials receive personalized messages.⁵ Content and interaction are driving customer acquisition, forcing brands to become inclusive, immersive and collaborative.

Engaging the Next Generation of Customers



Heritage is no longer enough for brands seeking to maintain consumer interest, luxury brands in particular are taking action to win back mindshare. Gucci's aggressive pursuit of millennials through collaborations with Instagram poets and pop-up events has increased its appeal to customers under the age of 35, which contributed 85% of 2017E sales growth.⁶

 Authenticity is critical: 86% of shoppers cite authenticity as a deciding factor in choosing which brands to support, and 90% of millennials feel brand authenticity is a key factor when making a purchase⁷

 More than 64% of social media users seek out user-generated content before making big purchase decisions⁸ and encounter 11.4 pieces of content prior to buying⁹

 Brands' social media interactions will only increase in significance: Gen Z will account for 40% of all shoppers by 2020,¹⁰ and 80% of them look to social media when making purchase decisions¹¹

See page 24 for data sources

2

Evolving Retail: A Renaissance at Stores

Brick-and-mortar retailers are adapting to maintain relevance. Re-engineered stores blend physical and digital experiences, managing customer interaction across channels and selling through inventory at a faster pace. In-store employees are donning hybrid roles, and product displays are becoming more interactive.



Retailers, including Ted Baker and Men's Warehouse, recently equipped store staff with devices to message and video chat with customers, offering personalized service while enhancing labor efficiency



At Nordstrom's newly-opened men's store, convenience is king: in-store pickup is available 24/7, and customers complete returns by simply scanning and placing items into designated bins



Zara is bringing in-store displays to life, using holographic models on its augmented reality app to demonstrate designs that interest the shopper



Stores remain relevant: 75%-80% of purchases are still made through physical retail stores,¹² and online sales often rise by 20% in markets where a retailer opens a physical store¹³



Personalization is key to the in-store customer experience, with 72% of retailers citing it as their top priority for improving stores¹⁴



Retailers are leaning on stores to facilitate the flow of inventory across multiple channels: online purchases account for 30% of returns and exchanges, compared to just 8% for physical stores¹⁵

Trends and Insights

3

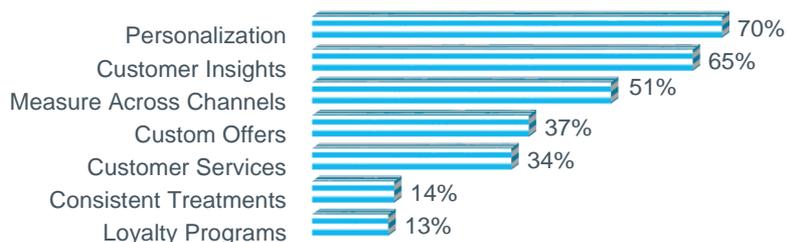
Success at Our Fingertips: Digging Deep into Data

Apparel brands are increasingly using data analytics, cross mapping browsing habits, purchase history, social mentions and spending trends to identify profitable customers and improve the speed and accuracy of recommendations offered to shoppers.

For some, leveraging data simply means having the appropriate technology in place. Gap recently attained up to eight times return on ad spend with its proprietary e-commerce platform, using data from over 2 billion visits per year.¹⁶ Others have purchased troves of data, as seen by PVH's acquisition of True&Co, a startup providing bra sizing recommendations with over 130 million data points from 5 million consumers.

Benefits of Using Unified Customer Data

(% of respondents)



Source: CDP Institute



Data from previous purchases will be used for suggestive selling by 83% of retailers over the next 3 years¹⁷



A majority of retailers (62%) cite data-driven customer identification as their top customer engagement priority¹⁷



Companies that employ behavioral insights from customer data outperform peers by 85% in sales growth and more than 25% in gross margin¹⁸

See page 24 for data sources

4

Rise of the Robot: Consumer Engagement and AI

Artificial intelligence (AI) is dramatically improving marketing efficacy. Brands are implementing specialized software to help steer the customer's journey with individualized, emotionally engaging experiences for each shopper.

For example, Levi Strauss is providing jeans recommendations using an AI-powered chatbot, while its virtual stylists curate recommendations by asking shoppers about preferred fits and body types on Facebook Messenger.

The upside isn't restricted to the top line. Using AI, women's lingerie brand Cosabella increased its return on ad spend for social media and search by 50% while reducing the total amount spent on ads by 12%.¹⁹

Major Retail Brands' Expected Benefits from AI

(% of respondents)



Source: "Building Lasting Consumer Relationships in Retail." Persado.



Automated sales rep software is producing average engagement rates of 35% and yielding typical email response rates of 30%²⁰



Sales teams believe there will be a 139% growth in AI to automatically recommend products to customers based on their preferences and needs²¹



AI in marketing is being used by 69% of top brands, including Nike, Nordstrom, Tommy Hilfiger and Dior²²

Recent Apparel M&A Transaction Activity

 TOAST was acquired by BESTSELLER April 2018	 LOUIS RAPHAEL was acquired by  HAGGAR EST. 1904 April 2018	  babycottons was acquired by RAPSODIA March 2018	  was acquired by  Kathmandu March 2018	  was acquired by  vf March 2018	  was acquired by  AUTHENTIC BRANDS GROUP March 2018	 INDOCHINO received an investment from  MITSUI & CO. February 2018
  was acquired by  Engine February 2018	  received an investment from  Bregal Private Equity Partners February 2018	  <i>Global Design Concepts Inc.</i> was acquired by BIOWORLD February 2018	 Paul Fredrick received an investment from  CLEARLIGHT PARTNERS LLC January 2018	  BILLABONG was acquired by  BOARDRIDERS January 2018	 Reformation was acquired by  STRIPES GROUP December 2017	 GANNI received an investment from  CATTERTON December 2017
  Supreme received an investment from THE CARLYLE GROUP October 2017	 PAIGE received an investment from  LION CAPITAL October 2017	  was acquired by  vf August 2017	  was acquired by  Callaway GOLF August 2017	 BCBGMAXAZRIA was acquired by  MARQUEE BRANDS August 2017	 JIMMY CHOO was acquired by  MICHAEL KORS July 2017	 BONOBOS was acquired by Walmart  June 2017
 UNTUCKit was acquired by  KPCB KEENER PERSONAL CAPITALIFIED BRAND June 2017	 kate spade NEW YORK was acquired by  COACH May 2017	 Matilda Jane Clothing was acquired by Webster Capital May 2017	  was acquired by  Engine April 2017	 velvet BY GRAHAM & SPENCER was acquired by ADASTRIA April 2017	 MODCLOTH was acquired by Walmart  March 2017	 Moosejaw was acquired by Walmart  February 2017

Sectors



Apparel and Fashion



Active Apparel and Footwear



Accessories



Retail

Transaction Spotlight: Abundant Activity from Asia

Asian conglomerates seek to invest in Western fashion companies, highlighting Asian demand for Western brands

La Chapelle 	NAF NAF 
April 2018	Implied EV: € 52 mil
China's La Chapelle bought ready-to-wear brand Naf Naf from French clothing retailer Vivarte	
<ul style="list-style-type: none"> ▪ First international acquisition for La Chapelle, which plans to open 500 Naf Naf stores in China over the next 5 years ▪ La Chapelle received financial backing from a Chinese investment consortium, including Star Platinum Capital and East Links International 	

FOSUN 复星 	[[Wolford]] 
March 2018	Implied EV: € 94 mil
Chinese Fosun International purchased Wolford AG, a leading global hosiery and lingerie company	
<ul style="list-style-type: none"> ▪ Wolford's founding family sold a controlling stake (50.9%) to Fosun for 33 mil euros ▪ Fosun prevailed amidst more than 50 prospective investors, mainly from Asia and North America, that showed interest in acquiring a stake in Wolford 	

MITSUI & CO. 	INDOCHINO 
February 2018	Implied EV: N/A
Japanese conglomerate Mitsui & Co. invested in Indochino, a Canadian menswear brand	
<ul style="list-style-type: none"> ▪ Mitsui's investment and strategic collaboration will help Indochino accelerate its North American expansion plans, global operations and supply chain ▪ Mitsui represents the second Asian investor in Indochino, alongside China's Dayang Group 	

FOSUN 复星 	LANVIN PARIS 
February 2018	Implied EV: € 241 mil
Chinese Fosun International acquired Jeanne Lanvin S.A., France's last surviving couture house	
<ul style="list-style-type: none"> ▪ Fosun acquired a 60% stake in Jeanne Lanvin for 150 mil euros, furthering its mandate to invest globally in fashion and retail ▪ Fosun beat out Mayhoola for Investments, a fund backed by the Qatari royal family, in a fierce bidding war 	

 山东如意 SHANDONG RUYI 	BALLY 
February 2018	Implied EV: N/A
China's Shandong Ruyi acquired a majority stake in Bally International, a Swiss luxury shoe brand	
<ul style="list-style-type: none"> ▪ JAB Holding Company sold a majority stake in Bally to Shandong Ruyi, which vied with Asia's Fosun and Fujian Septwolves for the deal ▪ Shandong Ruyi intends to accelerate Bally's growth in Asian luxury markets, which account for approximately half of the brand's revenue 	

TSI HOLDINGS 	HUF 
December 2017	Implied EV: N/A
TSI Holdings, a Japanese apparel group, acquired the American streetwear brand HUF Worldwide	
<ul style="list-style-type: none"> ▪ TSI purchased a 90% stake for \$63 mil from Altamont Capital Partners ▪ The transaction is expected to help TSI grow its overseas business by utilizing HUF's brand 	

Eye on Retail

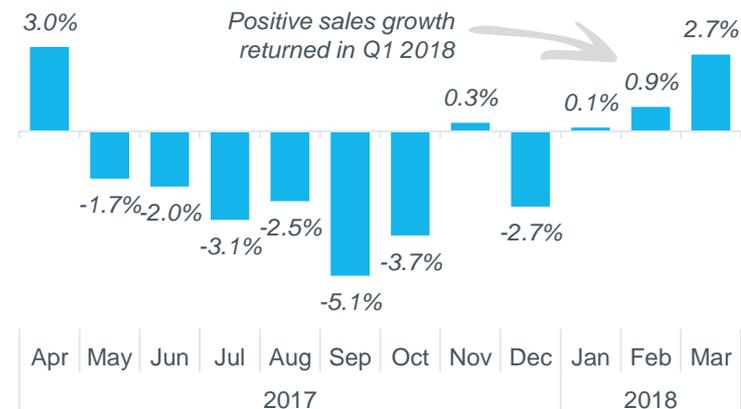
- Retail sales at clothing and accessories stores exhibited positive improvements during Q1 2018, increasing 6.1% YoY, reflecting healthy spending despite market volatility, unseasonable weather and uncertain economic policies⁴
 - Same-store sales growth turned positive in Q1, increasing 2.7% YoY in March alone²³
 - Online and other non-store sales increased 7.6% YoY⁴
- Following 7,000 closures in 2017,²⁴ the U.S. retail industry continues to rationalize its store base and shift online, with major retailers planning to close an additional 3,600 stores in 2018²⁵
 - With approximately 90 million square feet slated for closure,²⁶ planned openings by Ross (100 stores), Gap (90 stores) and UNTUCKit (50 stores) will benefit from mounting pressure on landlords to ease rents²⁵
- Trade concerns and rising interest rates curtailed retail stock performance in the wake of holiday season gains
 - Mass/Club and Off-Price benefited from value-conscious consumers, while declining mall foot traffic resulted in subdued performance at Department Stores and Specialty Retail
- Several apparel, footwear and accessories retailers have already filed for bankruptcy in 2018
 - With over \$1 billion of debt, women’s footwear retailer Nine West filed for bankruptcy protection to help facilitate a sale process²⁷
 - Department chain Bon-Ton will wind-down its store base after two liquidation firms won an auction for the company’s assets²⁷
 - Claire’s is planning to close 92 stores in conjunction with its bankruptcy filing in March²⁷
 - Shoe seller The Walking Company (208 stores) filed for bankruptcy as a final attempt to transform it into a more vertically integrated, omni-channel retailer²⁷

Indexed Stock Price Performance



Source: S&P Global Market Intelligence

Year-Over-Year Same-Store Sales Growth, Clothing and Accessories Retailers



Source: Bloomberg Intelligence and First Data

Sector index weight based upon company market capitalization at valuation date. Index constituents for Mass/Club, Department Stores, Off-Price and Specialty Retail are listed on pages 19-22.

Elephants in the Room: Walmart and Amazon

Walmart and Amazon continue to gain market share

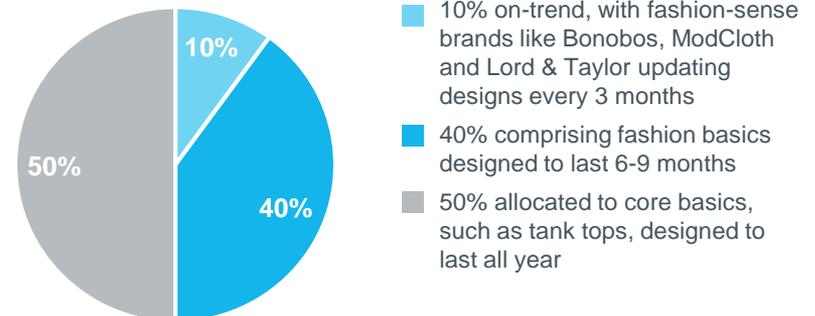
- Trailing only Walmart, Amazon now accounts for 7.9% of apparel retail, having surpassed Target, Kohl's, T.J. Maxx and Macy's by significant margins²⁸
 - One in nine shoppers has purchased Amazon's private-label shoes or clothes,²⁹ and nearly two-thirds of Amazon's more than 100 million Prime members³¹ purchased apparel on the site last year³⁰
 - Amazon directly manages 14% of its website's fashion listings, achieving gross margins of up to 40% over the last 10 years³⁰
- Walmart is aggressively pursuing more affluent and fashion-conscious shoppers, launching four exclusive apparel brands for men, women, children and plus-size customers in February 2018²⁹
 - Brands will feature on-trend fashion, have dedicated pages on Walmart.com and sell at a \$5 to \$30 price point
 - Walmart is revamping its shopping experience with open floor plans, stylish displays and remodeled fitting rooms, seeking to capture market share vacated by recent apparel store closures
 - The acquisitions of Bonobos and ModCloth, plus various startups, along with its Lord & Taylor partnership, will continue to bring a sense of fashion to the company
- Walmart continues to invest in its e-commerce platform to challenge Amazon globally
 - Walmart acquired 77% of Flipkart, India's largest e-commerce company, for \$16 billion, the largest acquisition in firm history³
 - Walmart is revamping its website and implementing best practices gained from its \$1.5 billion acquisition of Jet.com³²
 - Walmart's initiatives have produced strong results, achieving over 20% online sales growth in every quarter since Q3 2016³⁰

U.S. Apparel Retail Market Share



Source: CNBC and Company data

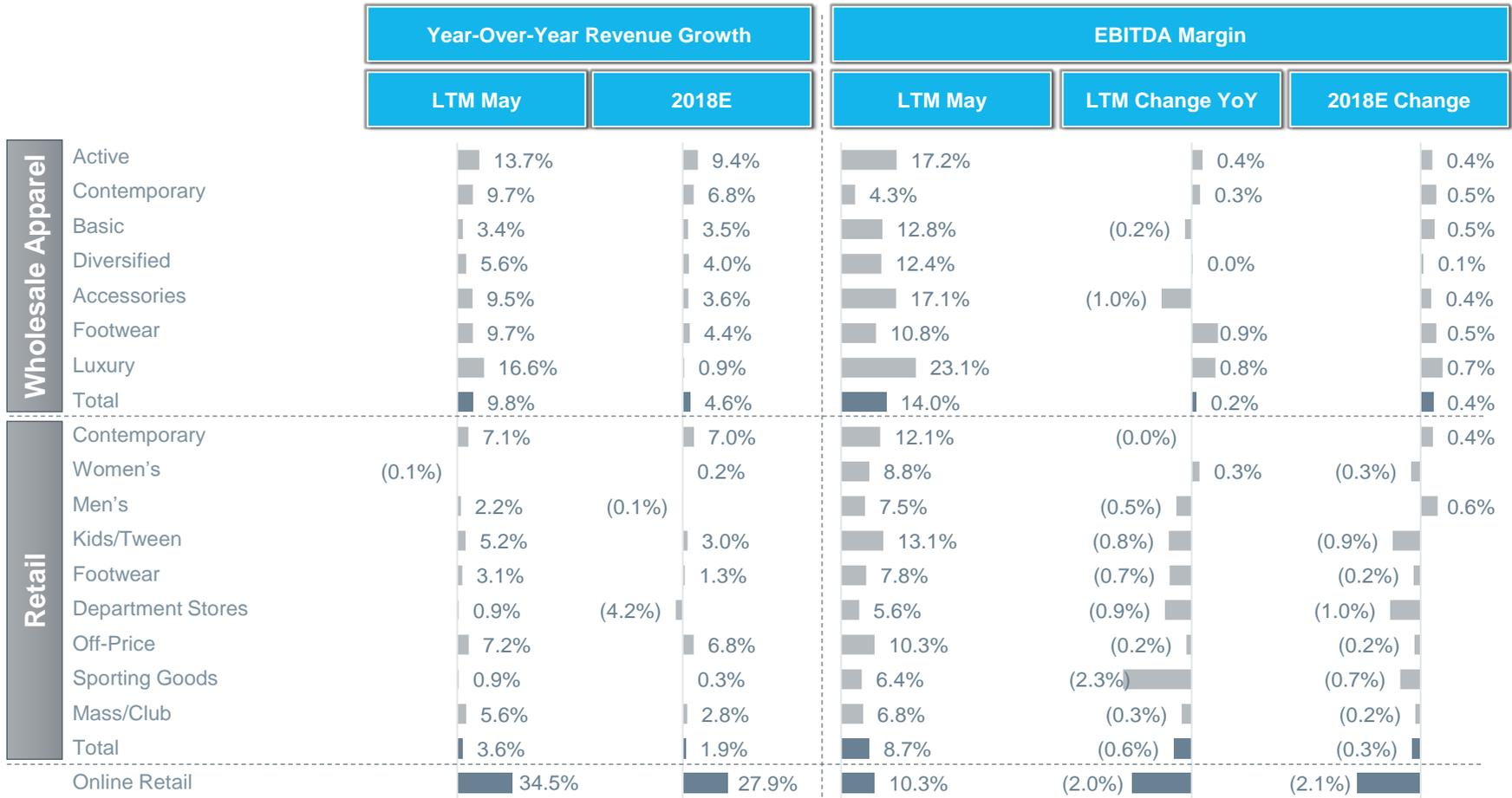
Walmart's Apparel Mix Becoming More Fashionable



Source: Bloomberg News

Operational Benchmarking

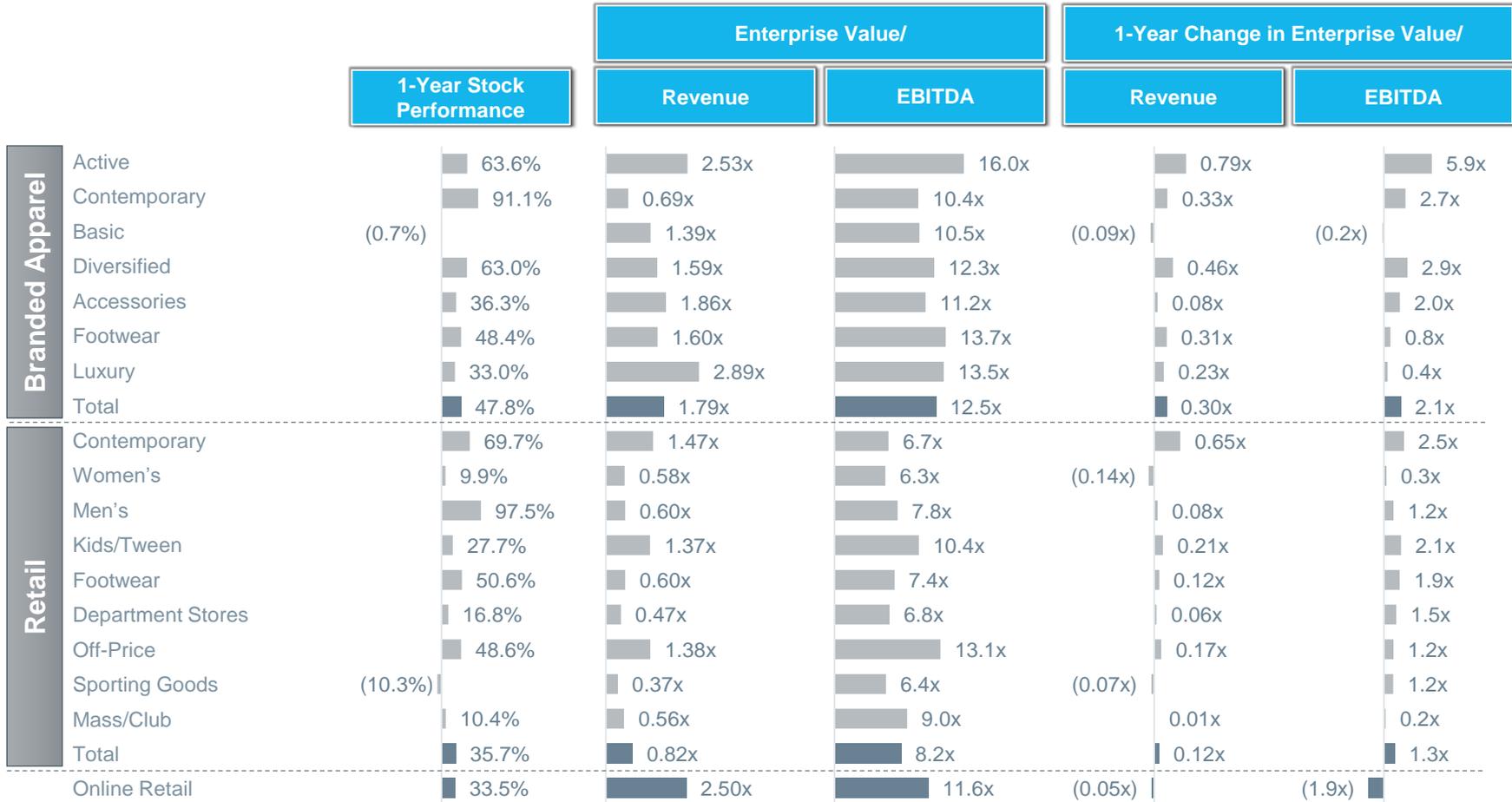
Growth is expected to continue, albeit at a lesser pace, through the remainder of 2018, while margins suffer further erosion



Sector index weight based upon company market capitalization at valuation date. LTM reflects last twelve months ending May 31, 2018. Source: S&P Global Market Intelligence; index constituents on pages 15-22.

Valuation Benchmarking

Overall, valuation multiples continue to improve year-over-year for branded apparel

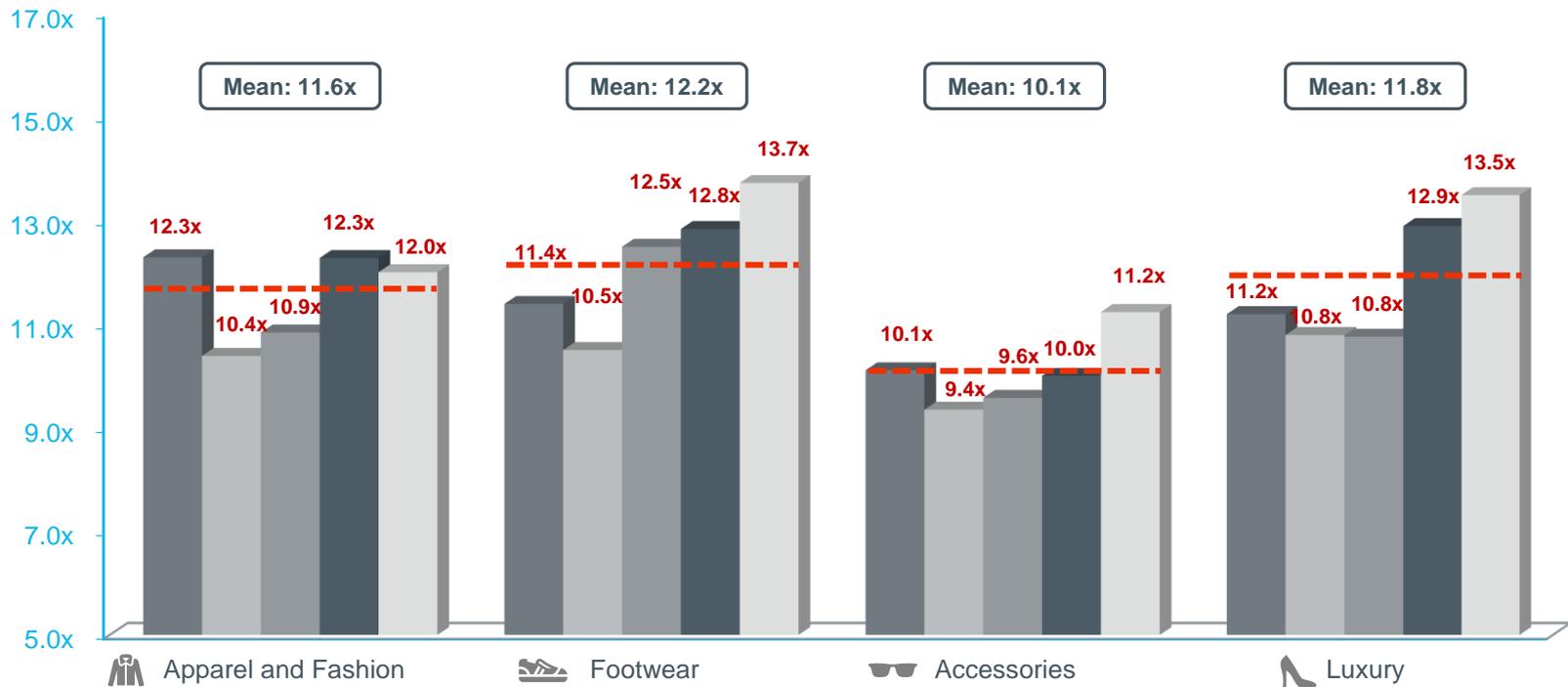


Sector index weight based upon company market capitalization at valuation date. LTM reflects last twelve months ending May 31, 2018. Source: S&P Global Market Intelligence; index constituents on pages 15-22.

Public Company Trends - Apparel Brands

Enterprise Value as a Multiple of EBITDA⁽¹⁾

■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ LTM May 2018



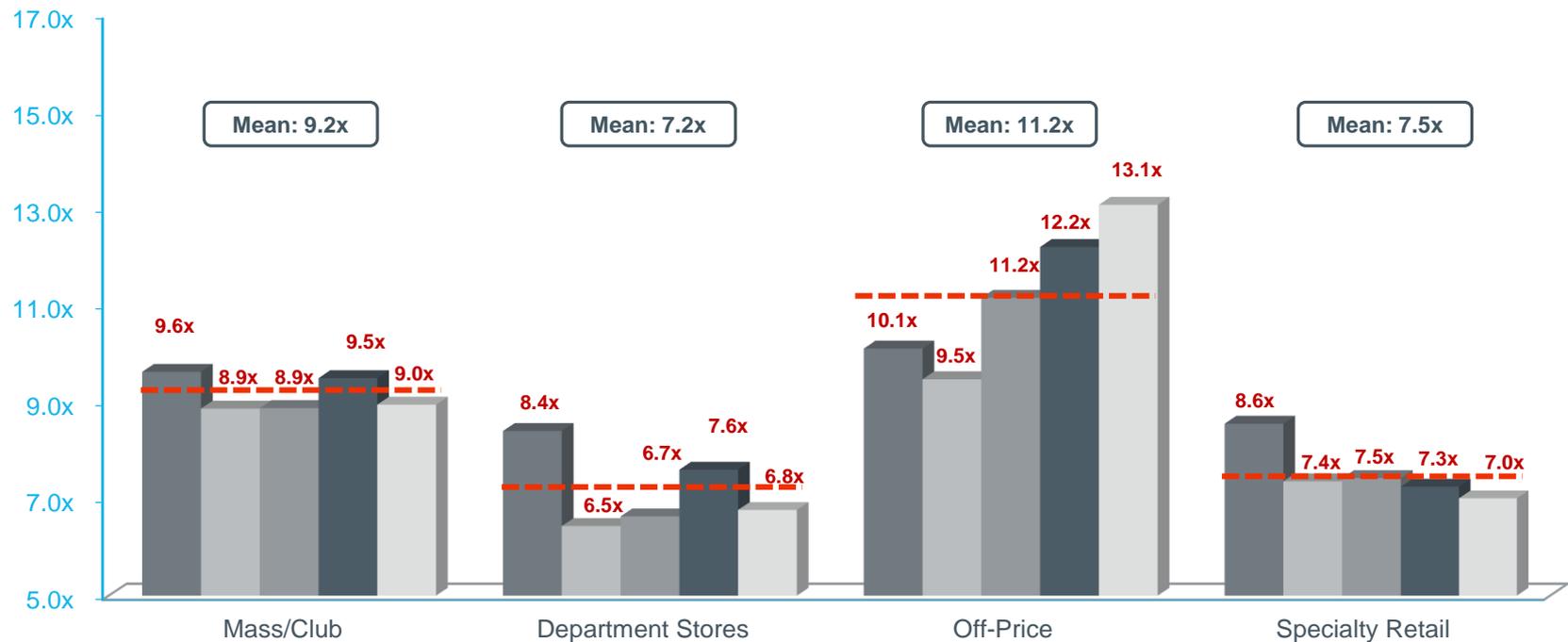
(1) Index calculation excludes any companies with nonmeaningful trading multiples.

Source: S&P Global Market Intelligence. Represents most actively traded public Apparel, Footwear, Accessories and Luxury companies

Public Company Trends - Retailers

Enterprise Value as a Multiple of EBITDA⁽¹⁾

■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ LTM May 2018



(1) Index calculation excludes any companies with nonmeaningful trading multiples.

Source: S&P Global Market Intelligence. Represents most actively traded public Apparel, Footwear, Accessories and Luxury retail companies

Public Company Valuations - Apparel Brands

(\$ in millions, except per share data)

	Stock Price 31-May-18	1-Year Stock Performance	% of 52-Wk High	Market Value	Enterprise Value	Enterprise Value as a Multiple of				LTM EBITDA Margin
						Revenue		EBITDA		
						LTM	2018E	LTM	2018E	
Active Apparel										
NIKE, Inc.	\$71.80	37.3%	97.7%	\$115,724	\$114,459	3.24x	3.06x	NM	NM	14.5%
Lululemon Athletica Inc.	105.05	117.6%	97.6%	14,253	13,287	4.78x	4.37x	NM	18.5x	23.4%
Moncler S.p.A.	45.79	82.4%	98.3%	11,703	11,352	NM	NM	NM	NM	32.2%
Under Armour, Inc.	20.90	9.1%	89.1%	8,849	9,486	1.88x	1.83x	NM	NM	6.8%
Columbia Sportswear Company	87.11	62.3%	97.2%	6,098	5,325	2.10x	2.00x	15.9x	14.4x	13.3%
Canada Goose Holdings Inc.	42.12	124.4%	99.7%	4,566	4,620	NM	NM	NM	NM	26.3%
Lands' End, Inc.	19.75	12.2%	82.5%	635	930	0.66x	0.66x	16.1x	13.5x	4.1%
Median		62.3%	97.6%	\$8,849	\$9,486	2.10x	2.00x	16.0x	14.4x	14.5%
Mean		63.6%	94.6%	\$23,118	\$22,780	2.53x	2.38x	16.0x	15.5x	17.2%
Contemporary Apparel										
G-III Apparel Group, Ltd.	\$41.90	114.1%	96.6%	\$2,059	\$2,404	0.86x	0.81x	12.0x	10.7x	7.1%
Guess?, Inc.	19.60	72.4%	75.0%	1,587	1,416	0.58x	0.55x	8.7x	8.0x	6.7%
Vince Holding Corp.	11.22	86.8%	99.3%	130	174	0.64x	NM	NM	NM	(0.8%)
Median		86.8%	96.6%	\$1,587	\$1,416	0.64x	0.68x	10.4x	9.4x	6.7%
Mean		91.1%	90.3%	\$1,259	\$1,332	0.69x	0.68x	10.4x	9.4x	4.3%
Basic Apparel										
Hanesbrands Inc.	\$18.23	(9.0%)	70.9%	\$6,570	\$10,722	1.63x	1.58x	10.2x	9.8x	16.0%
Gildan Activewear Inc.	28.93	(2.6%)	89.0%	6,190	6,878	2.52x	2.42x	12.1x	11.3x	20.7%
Delta Galil Industries Ltd.	32.35	9.1%	93.3%	823	1,009	0.73x	NM	8.8x	NM	8.2%
Delta Apparel, Inc.	18.84	(0.2%)	80.3%	134	257	0.67x	0.64x	10.7x	8.3x	6.2%
Median		(1.4%)	84.6%	\$3,507	\$3,944	1.18x	1.58x	10.5x	9.8x	12.1%
Mean		(0.7%)	83.4%	\$3,429	\$4,717	1.39x	1.55x	10.5x	9.8x	12.8%
Diversified Apparel										
V.F. Corporation	\$81.16	55.0%	96.2%	\$32,014	\$35,077	2.84x	2.62x	18.6x	17.0x	15.3%
PVH Corp.	160.00	51.2%	97.7%	12,329	15,164	1.64x	1.58x	12.8x	11.7x	12.8%
Ralph Lauren Corporation	134.58	102.9%	96.9%	10,976	9,836	1.59x	1.60x	10.3x	10.1x	15.5%
Oxford Industries, Inc.	82.52	56.1%	97.9%	1,398	1,437	1.32x	1.27x	10.9x	9.9x	12.1%
Perry Ellis International, Inc.	27.50	49.9%	96.4%	421	510	0.57x	0.59x	8.9x	8.6x	6.4%
Median		55.0%	96.9%	\$10,976	\$9,836	1.59x	1.58x	10.9x	10.1x	12.8%
Mean		63.0%	97.0%	\$11,427	\$12,405	1.59x	1.53x	12.3x	11.5x	12.4%

Source: S&P Global Market Intelligence as of May 31, 2018.
Represents most actively traded public Apparel and Fashion companies

Public Company Valuations - Footwear Brands

(\$ in millions, except per share data)

	Stock Price 31-May-18	1-Year Stock Performance	% of 52-Wk High	Market Value	Enterprise Value	Enterprise Value as a Multiple of				LTM EBITDA Margin
						Revenue		EBITDA		
						LTM	2018E	LTM	2018E	
Footwear										
NIKE, Inc.	\$71.80	37.3%	97.7%	\$115,724	\$114,459	3.24x	3.06x	NM	NM	14.5%
adidas AG	226.77	15.5%	90.3%	46,054	45,171	1.72x	1.73x	14.3x	13.7x	12.0%
PUMA SE	593.45	48.3%	99.0%	8,870	8,585	1.64x	1.64x	19.4x	17.9x	8.4%
Skechers U.S.A., Inc.	29.06	13.9%	67.5%	4,649	4,170	0.96x	0.88x	8.2x	7.5x	11.7%
Wolverine World Wide, Inc.	33.53	30.1%	98.8%	3,177	3,598	1.57x	1.58x	16.9x	11.7x	9.3%
Steven Madden, Ltd.	52.85	35.3%	97.9%	3,090	2,916	1.86x	1.77x	16.2x	13.6x	11.5%
Deckers Outdoor Corporation	113.16	63.1%	99.7%	3,445	3,048	1.60x	1.58x	11.1x	10.8x	14.5%
Caleres, Inc.	35.46	30.9%	95.7%	1,532	1,634	0.59x	0.58x	8.1x	7.6x	7.2%
Crocs, Inc.	17.84	161.2%	98.0%	1,218	1,300	1.25x	1.24x	15.6x	14.9x	8.0%
Median		35.3%	97.9%	\$3,445	\$3,598	1.60x	1.58x	15.0x	12.6x	11.5%
Mean		48.4%	93.8%	\$20,862	\$20,542	1.60x	1.56x	13.7x	12.2x	10.8%

Public Company Valuations - Accessory Brands

(\$ in millions, except per share data)

	Stock	1-Year Stock Performance	% of 52-Wk High	Market Value	Enterprise Value	Enterprise Value as a Multiple of				LTM EBITDA Margin
	Price					Revenue		EBITDA		
	31-May-18					LTM	2018E	LTM	2018E	
Accessories										
Luxottica Group S.p.A.	\$62.12	0.7%	95.8%	\$29,749	\$30,571	2.78x	2.93x	12.8x	13.5x	21.7%
The Swatch Group AG	485.56	29.4%	96.4%	24,637	23,121	2.83x	2.65x	15.7x	12.5x	18.1%
Tapestry, Inc.	43.72	(2.5%)	78.8%	12,583	13,145	2.38x	2.20x	11.2x	9.9x	21.2%
Pandora A/S	78.51	(16.5%)	66.3%	8,514	9,353	2.49x	2.49x	6.8x	7.1x	36.5%
Michael Kors Holdings Limited	57.39	73.0%	82.0%	8,591	9,306	1.97x	1.83x	8.5x	8.4x	23.2%
Fossil Group, Inc.	21.88	103.2%	98.6%	1,077	1,315	0.47x	0.50x	10.9x	6.9x	4.4%
Movado Group, Inc.	49.10	137.5%	98.5%	1,134	957	1.61x	1.55x	12.8x	11.8x	12.5%
Safilo Group S.p.A.	5.11	(34.1%)	62.7%	320	473	0.38x	0.39x	NM	7.3x	(1.1%)
Median		15.1%	88.9%	\$8,552	\$9,330	2.17x	2.02x	11.2x	9.1x	19.7%
Mean		36.3%	84.9%	\$10,826	\$11,030	1.86x	1.82x	11.2x	9.7x	17.1%

Public Company Valuations - Luxury Brands

(\$ in millions, except per share data)

	Stock Price 31-May-18	1-Year Stock Performance	% of 52-Wk High	Market Value	Enterprise Value	Enterprise Value as a Multiple of				LTM EBITDA Margin
						Revenue		EBITDA		
						LTM	2018E	LTM	2018E	
Luxury										
LVMH Moët Hennessy Louis Vuitton S.E.	\$346.33	33.2%	94.7%	\$174,123	\$184,308	3.60x	3.43x	15.5x	13.8x	23.3%
Christian Dior SE	424.62	45.5%	96.6%	76,337	102,106	1.95x	NM	8.5x	NM	22.9%
Kering SA	570.95	81.3%	99.2%	72,099	76,436	4.11x	NM	18.3x	16.5x	22.5%
Hermès International S.A.	709.81	39.6%	99.1%	74,167	70,819	NM	NM	NM	NM	39.0%
Compagnie Financière Richemont SA	91.73	14.2%	91.2%	51,791	45,667	3.38x	2.96x	15.5x	13.3x	21.7%
Tiffany & Co.	130.78	53.6%	99.1%	16,248	16,031	3.73x	3.54x	15.1x	14.9x	24.6%
Burberry Group plc	27.50	16.7%	99.4%	11,347	10,168	2.65x	2.84x	12.5x	13.2x	21.1%
Hugo Boss AG	89.75	18.6%	95.4%	6,194	6,241	1.85x	1.92x	10.9x	10.7x	17.1%
TOD'S S.p.A.	65.29	(5.5%)	86.5%	2,161	2,166	1.87x	1.94x	11.6x	11.7x	16.1%
Median		33.2%	96.6%	\$51,791	\$45,667	3.01x	2.90x	13.8x	13.3x	22.5%
Mean		33.0%	95.7%	\$53,830	\$57,105	2.89x	2.77x	13.5x	13.4x	23.1%

Public Company Valuations - Retailers

(\$ in millions, except per share data)

	Stock	1-Year Stock Performance	% of 52-Wk High	Market Value	Enterprise Value	Enterprise Value as a Multiple of				LTM EBITDA Margin
	Price					Revenue		EBITDA		
	31-May-18					LTM	2018E	LTM	2018E	
Contemporary Retail										
The Gap, Inc.	\$27.98	28.5%	78.4%	\$10,828	\$10,703	0.66x	0.65x	5.4x	5.5x	12.2%
Lululemon Athletica Inc.	105.05	117.6%	97.6%	14,253	13,287	4.78x	4.37x	NM	18.5x	23.4%
Urban Outfitters, Inc.	41.54	120.1%	95.3%	4,514	4,034	1.09x	1.03x	9.4x	8.3x	11.6%
Guess?, Inc.	19.60	72.4%	75.0%	1,587	1,416	0.58x	0.55x	8.7x	8.0x	6.7%
Express, Inc.	8.51	9.7%	75.0%	641	457	0.21x	0.21x	3.1x	3.4x	6.8%
Median		72.4%	78.4%	\$4,514	\$4,034	0.66x	0.65x	7.1x	8.0x	11.6%
Mean		69.7%	84.3%	\$6,365	\$5,979	1.47x	1.36x	6.7x	8.8x	12.1%
Women's Retail										
L Brands, Inc.	\$33.91	(30.4%)	53.7%	\$9,454	\$13,718	1.07x	1.05x	6.1x	6.8x	17.5%
Ascena Retail Group, Inc.	3.26	84.2%	91.8%	625	1,733	0.27x	0.28x	3.3x	3.7x	8.0%
Chico's FAS, Inc.	8.46	(7.1%)	77.6%	1,093	903	0.40x	0.42x	3.9x	4.3x	10.2%
Aritzia Inc.	10.63	(9.8%)	88.2%	1,193	1,198	2.04x	1.90x	13.2x	10.6x	15.4%
J.Jill, Inc.	7.84	(38.5%)	57.2%	343	556	0.78x	0.78x	5.3x	5.6x	14.8%
Vera Bradley, Inc.	11.65	23.8%	90.8%	415	292	0.64x	0.71x	5.4x	7.6x	11.8%
Francesca's Holdings Corporation	5.91	(53.3%)	45.6%	205	174	0.37x	0.35x	3.4x	3.6x	10.9%
The Cato Corporation	22.83	23.9%	97.9%	553	334	0.40x	0.40x	8.8x	8.3x	4.5%
New York & Company, Inc.	4.16	181.1%	93.4%	267	189	0.20x	0.20x	5.1x	5.3x	4.0%
Destination Maternity Corporation	3.17	(27.1%)	63.7%	48	83	0.20x	NM	8.3x	NM	2.4%
Christopher & Banks Corporation	0.84	(37.4%)	54.1%	32	14	0.04x	0.04x	NM	4.6x	(3.3%)
Median		(9.8%)	77.6%	\$415	\$334	0.40x	0.41x	5.3x	5.4x	10.2%
Mean		9.9%	74.0%	\$1,293	\$1,745	0.58x	0.61x	6.3x	6.0x	8.8%

Public Company Valuations - Retailers (cont'd)

(\$ in millions, except per share data)

	Stock Price 31-May-18	1-Year Stock Performance	% of 52-Wk High	Market Value	Enterprise Value	Enterprise Value as a Multiple of				LTM EBITDA Margin
						Revenue		EBITDA		
						LTM	2018E	LTM	2018E	
Men's Retail										
Tailored Brands, Inc.	\$32.81	224.2%	91.3%	\$1,632	\$2,925	0.89x	0.89x	8.2x	8.4x	10.8%
Destination XL Group, Inc.	1.70	(29.2%)	61.8%	83	146	0.31x	0.31x	7.4x	6.3x	4.2%
Median		97.5%	76.6%	\$857	\$1,536	0.60x	0.60x	7.8x	7.4x	7.5%
Mean		97.5%	76.6%	\$857	\$1,536	0.60x	0.60x	7.8x	7.4x	7.5%
Kids/Tween Retail										
Carter's, Inc.	\$109.01	34.8%	84.5%	\$5,117	\$5,554	1.62x	1.59x	11.2x	11.0x	14.5%
The Children's Place, Inc.	128.75	20.7%	79.6%	2,142	2,099	1.12x	1.09x	9.6x	8.7x	11.6%
Median		27.7%	82.1%	\$3,630	\$3,827	1.37x	1.34x	10.4x	9.9x	13.1%
Mean		27.7%	82.1%	\$3,630	\$3,827	1.37x	1.34x	10.4x	9.9x	13.1%
Footwear Retailers										
Foot Locker, Inc.	\$53.97	(6.3%)	90.4%	\$6,375	\$5,471	0.70x	0.70x	5.9x	6.1x	11.9%
Caleres, Inc.	35.46	30.9%	95.7%	1,532	1,634	0.59x	0.58x	8.1x	7.6x	7.2%
DSW Inc.	23.88	48.0%	90.3%	1,904	1,635	0.58x	0.59x	6.3x	6.2x	9.1%
Genesco Inc.	43.70	17.5%	95.2%	870	921	0.32x	0.32x	5.3x	5.4x	6.0%
Boot Barn Holdings, Inc.	23.68	204.0%	90.2%	651	858	1.27x	1.16x	13.1x	11.6x	9.6%
The Finish Line, Inc.	13.61	0.5%	89.1%	561	468	0.25x	0.26x	5.8x	4.8x	4.4%
Shoe Carnival, Inc.	32.21	59.6%	95.1%	518	483	0.47x	0.47x	7.2x	7.4x	6.6%
Median		30.9%	90.4%	\$870	\$921	0.58x	0.58x	6.3x	6.2x	7.2%
Mean		50.6%	92.3%	\$1,773	\$1,638	0.60x	0.58x	7.4x	7.0x	7.8%
Sporting Goods Retailers										
Dick's Sporting Goods, Inc.	\$36.60	(8.9%)	87.4%	\$3,752	\$3,991	0.46x	0.46x	5.4x	6.0x	8.5%
Hibbett Sports, Inc.	26.45	14.0%	89.7%	502	387	0.40x	0.40x	5.1x	5.7x	7.9%
Big 5 Sporting Goods Corporation	8.20	(35.9%)	56.4%	176	244	0.25x	0.24x	8.6x	5.9x	2.9%
Median		(8.9%)	87.4%	\$502	\$387	0.40x	0.40x	5.4x	5.9x	7.9%
Mean		(10.3%)	77.8%	\$1,477	\$1,541	0.37x	0.37x	6.4x	5.9x	6.4%

Public Company Valuations - Retailers (cont'd)

(\$ in millions, except per share data)

	Stock Price 31-May-18	1-Year Stock Performance	% of 52-Wk High	Market Value	Enterprise Value	Enterprise Value as a Multiple of				LTM EBITDA Margin
						Revenue		EBITDA		
						LTM	2018E	LTM	2018E	
Department Stores										
Macy's, Inc.	\$34.91	57.9%	97.0%	\$10,696	\$15,027	0.60x	0.60x	5.8x	5.5x	10.4%
Kohl's Corporation	66.75	82.4%	96.1%	11,230	14,395	0.75x	0.75x	5.9x	6.0x	12.7%
Nordstrom, Inc.	49.03	21.1%	90.8%	8,227	9,997	0.65x	0.63x	6.2x	6.2x	10.5%
J. C. Penney Company, Inc.	2.42	(48.5%)	43.0%	761	4,981	0.40x	0.40x	5.0x	5.6x	8.0%
Sears Holdings Corporation	2.81	(62.0%)	26.1%	304	5,644	0.37x	0.45x	NM	NM	(7.5%)
Hudson's Bay Company	7.43	(4.8%)	71.8%	1,359	4,016	0.35x	0.36x	NM	13.8x	1.4%
Dillard's, Inc.	81.43	59.1%	92.0%	2,247	2,813	0.44x	0.44x	5.6x	5.8x	7.7%
Stage Stores, Inc.	2.59	28.7%	79.7%	72	309	0.19x	NM	12.1x	NM	1.6%
Median		24.9%	85.2%	\$1,803	\$5,312	0.42x	0.45x	5.8x	5.9x	7.9%
Mean		16.8%	74.6%	\$4,362	\$7,148	0.47x	0.52x	6.8x	7.2x	5.6%
Off-Price Retail										
The TJX Companies, Inc.	\$90.32	22.2%	99.4%	\$56,624	\$55,739	1.52x	1.46x	11.5x	11.4x	13.2%
Ross Stores, Inc.	78.88	24.7%	92.1%	29,867	28,961	2.01x	1.95x	12.0x	12.2x	16.7%
Burlington Stores, Inc.	146.25	49.5%	97.4%	9,916	10,968	1.75x	1.65x	15.7x	13.9x	11.2%
Stein Mart, Inc.	2.89	97.9%	71.5%	138	331	0.25x	NM	NM	NM	0.4%
Median		37.1%	94.7%	\$19,891	\$19,965	1.63x	1.65x	12.0x	12.2x	12.2%
Mean		48.6%	90.1%	\$24,136	\$24,000	1.38x	1.69x	13.1x	12.5x	10.3%
Mass/Club										
Walmart Inc.	\$82.54	7.5%	75.1%	\$243,698	\$284,928	0.56x	0.55x	8.7x	8.7x	6.5%
Costco Wholesale Corporation	198.24	11.2%	98.3%	86,992	86,744	0.62x	0.61x	14.6x	14.3x	4.3%
Target Corporation	72.89	37.3%	92.6%	38,860	51,357	0.71x	0.70x	7.6x	7.9x	9.4%
Big Lots, Inc.	40.91	(14.4%)	63.5%	1,726	1,874	0.36x	0.36x	5.1x	4.7x	7.1%
Median		9.4%	83.8%	\$62,926	\$69,050	0.59x	0.58x	8.1x	8.3x	6.8%
Mean		10.4%	82.4%	\$92,819	\$106,226	0.56x	0.56x	9.0x	8.9x	6.8%

Public Company Valuations - Retailers (cont'd)

(\$ in millions, except per share data)

	Stock		% of 52-Wk High	Market Value	Enterprise Value	Enterprise Value as a Multiple of				LTM EBITDA Margin
	Price 31-May-18	1-Year Stock Performance				Revenue		EBITDA		
						LTM	2018E	LTM	2018E	
Online Retail										
Amazon.com, Inc.	\$1,629.62	63.8%	99.5%	\$790,735	\$810,259	4.19x	3.41x	NM	27.2x	8.9%
Alibaba Group Holding Limited	198.01	61.7%	96.0%	508,782	506,544	NM	NM	NM	25.4x	34.3%
eBay Inc.	37.72	10.0%	80.3%	37,493	41,943	4.26x	3.82x	14.0x	11.2x	30.4%
Zalando SE	53.11	7.2%	91.3%	13,111	11,950	2.06x	1.86x	NM	NM	4.3%
Rakuten, Inc.	6.73	(45.4%)	52.0%	9,065	13,098	1.43x	1.32x	9.1x	8.0x	15.7%
ASOS Plc	88.00	3.2%	85.2%	7,330	7,280	2.43x	2.09x	NM	NM	4.6%
YOOX Net-A-Porter Group S.p.A.	44.23	52.7%	99.8%	5,979	5,946	2.37x	2.12x	NM	24.4x	5.2%
Wayfair Inc.	92.35	46.7%	92.2%	8,225	8,063	1.56x	1.23x	NM	NM	(4.2%)
boohoo.com plc	2.71	(2.9%)	74.6%	3,115	2,950	3.69x	2.87x	NM	NM	8.8%
Overstock.com, Inc.	33.43	137.9%	37.2%	966	823	0.47x	0.43x	NM	NM	(4.7%)
Median		28.3%	88.3%	\$8,645	\$10,007	2.37x	2.09x	11.6x	24.4x	7.0%
Mean		33.5%	80.8%	\$138,480	\$140,886	2.50x	2.13x	11.6x	19.3x	10.3%

Selected Duff & Phelps' Apparel and Accessories Transactions

<p>Sell Side Advisor*</p>  <p>has received a significant investment from</p> 	<p>Private Placement</p>  <p>has completed a debt financing transaction with</p> 	<p>Private Placement*</p>  <p>has been recapitalized by</p> 	<p>Sell Side Advisor*</p>  <p>a portfolio company of</p>  <p>has been acquired by</p> 	<p>Transaction Advisory</p>  <p>has received a significant investment from</p>  <p>Financial and tax due diligence</p>
<p>Solvency Opinion</p>  <p>J. Crew Group, Inc., a portfolio company of TPG Capital and Leonard Green & Partners, has completed a leveraged dividend recapitalization transaction</p>	<p>Buy Side Advisor</p>  <p>has acquired</p> 	<p>Financial Advisor</p>  <p>The Eileen Fisher, Inc. Employee Stock Ownership Plan has acquired a minority interest in Eileen Fisher, Inc.</p>	<p>Sell Side Advisor*</p>  <p>has received a significant investment from</p> 	<p>Sell Side Advisor</p>  <p>has been acquired by</p> 
<p>Transaction Advisory</p>  <p>has received a significant investment from</p>  <p>Financial and tax due diligence</p>	<p>Sell Side Advisor*</p>  <p>has received a significant investment from</p> 	<p>Sell Side Advisor</p> <p>Most Retail Group has been acquired by Levi Strauss & Co.</p>  <p>Exclusive financial advisor to Most Retail Group</p>	<p>Sell Side Advisor</p>  <p>has been acquired by DR Capital</p>	<p>Solvency Opinion</p>  <p>a portfolio company of</p>  <p>Leveraged dividend recapitalization</p>

*Transactions completed by professionals of Duff & Phelps Securities, LLC while at previous firms.

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