

CONSUMER · RETAIL

FOURTH QUARTER

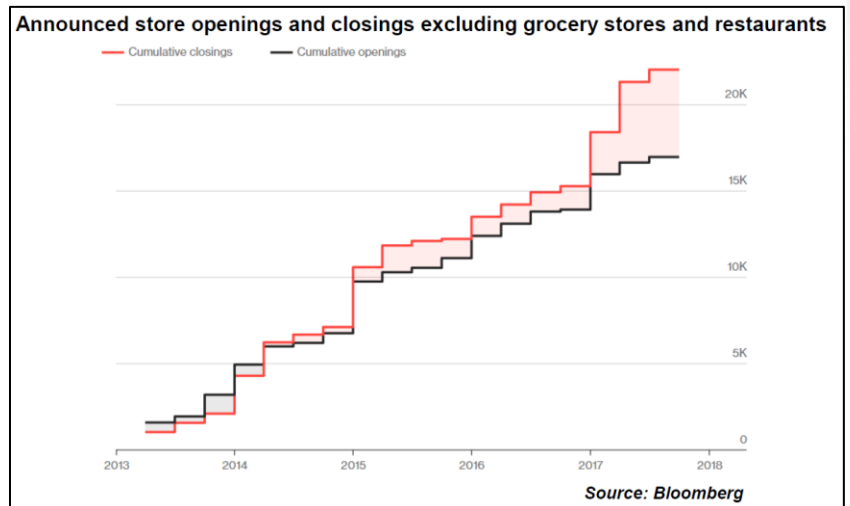
2018

The Consumer Retail Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Consumer Retail category. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

Consumer | Retail M&A

M&A activity for North American based target companies in the Consumer Retail sector for Q3 2018 included 107 closed deals, according to data published by industry data tracker FactSet.

One of the notable middle market transactions was announced in July when Canopy Growth Corp acquired Hiku Brands Co Ltd for CAD546.7 million (US\$417.5 million) in stock. The transaction allows Canopy Growth Corp to further strengthen its retail and brand portfolio. Hiku Brands Co. Ltd. operates clothing stores. It focuses on building a portfolio of engaging cannabis brands, unsurpassed retail experiences and handcrafted cannabis production. It also operates a network of retail stores selling coffee, clothing and curated accessories, across British Columbia, Alberta and Ontario.



Although retail store openings continue to grow year over year the openings have not kept up with the store closings.

Transactional Overview

Notable closed lower middle market transactions for the period in the Consumer and Retail sector include:

August 2018 - Morris Holdings Ltd acquired Jennifer Convertibles, Inc. from Morris Group Co, Ltd for US\$35 million in cash. Morris Holdings engages in the manufacture, design, and sale of sofa, sofa covers and other furniture products. Jennifer Convertibles operates sofa bed retail stores. It sells companion pieces that include: sofas, loveseats, chairs, ottomans, tables, lamps and rugs. The company specializes in the sale of leather living room furniture and offers the same complement of companion pieces and accessories. The company was founded in 1986 and is headquartered in Woodbury, NY.



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For over 60 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

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August 2018 - Malibu Boats LLC, a subsidiary of Malibu Boats Holdings LLC, itself owned by Malibu Boats, Inc., acquired Pursuit Boats from S2 Yachts Inc for US\$100 million in cash. Malibu Boats LLC manufactures power and ski boats. Pursuit Boats provides boat dealership services. The company is headquartered in Fort Pierce, FL.

August 2018 - Blue Point Capital Partners LLC acquired YS Garments, Inc. for an undisclosed amount. Blue Point Capital Partners LLC is a private equity firm formed in 1990 as Key Equity Capital spun off from KeyCorp. YS Garments retails men's and women's apparel through an online platform. Its products include fabrics, silhouettes, spec sheets and full spectrum of fits. The company is headquartered in Gardena, CA.

Selected Q4 Transactions	
Target/Issuer	Buyers/Investors
CafePress, Inc.	Snapfish LLC
Smart Pet LLC /Link AKC Bus	Wagz, Inc.; MedScience Ventures LLC
Brookstone, Inc.	bebe stores, inc.; Bluestar Alliance LLC; Brookstone, Inc. /Private Group 1/
Tuft & Needle	Advent International Corp.; Serta Simmons Bedding LLC
IBC Hotels LLC	OBASA Capital Investments, Inc.
Suite-K LLC /Fragrance Business	Bioplan USA, Inc.
Butter London LLC	Astral Brands, Inc.
Wellen LLC	Huckberry, Inc.

Industry Update

Driven by the booming US economy and strong consumer confidence, holiday retail sales for 2018 are projected to increase by about 4.5% over 2017, according to the National Retail Federation's most recent Holiday Forecast. The forecast, which includes all retail sales in November and December except cars, fuels, and restaurants, compares favorably with an average annual increase of 3.9% for the past five years. Specifically, holiday sales are expected to increase by 4.3% to 4.8% this year, so at the high end the sector could ring up more than \$720 billion in holiday sales in 2018 compared to about \$688 billion in sales for 2017. While the prospect of exuberant consumer spending is an opportunity for retailers, hiring enough staff to meet the increased demand will be a challenge. A tight US labor market and rising wages (already a factor before Amazon's recent announcement that it's hiking its minimum hourly wage to \$15) signal another challenging year for seasonal hiring. Retailers could add as many as 650,000 new seasonal positions, up from 582,000 last year, according to the Bureau of Labor Statistics.

Industry Indicators

- Total US consumer spending, an indicator of retail sales, rose 2.2%, primarily from nondurable goods expenditures, in August 2018 compared to the same month in 2017.
- Total US retail sales, a measure of the retail sector, increased 5.4% in the first nine months of 2018 compared to the same period in 2017.

The Consumer Retail Practice Group is a multi-disciplinary group of investment banking advisors within Corporate Finance Associates. Collectively, the Consumer Retail Practice Group provides M&A advice to public and private companies in all sectors of the consumer retail industries, including apparel and accessories, consumer electronics, consumer products, consumer services, DIY, grocery and convenience stores, health, beauty and personal care, home and giftware, sporting goods and toys. For information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, contact your local Corporate Finance Associates office.

