



PCE Industry Report

Consumer Discretionary





Middle Market M&A Summary

Consumer Discretionary

2nd Quarter 2015

Key Highlights

- The average value of the top ten transactions was \$3 billion.
 - The largest transaction was the acquisition of International Game by GTECH S.p.A. for \$14.5 billion.
 - The smallest transaction was the acquisition of Life Time Fitness, Inc. by Gramercy Property Trust for \$340 million.
- The industry median TEV/EBIT multiple is 14.8x.
- The industry median TEV/EBTIDA multiple is 11.0x.

Key Trends

- The Automobile & Components, and Hotels, Restaurants & Leisure & Consumer Services subsector's transaction volumes are trending positively. The Consumer Electronics & Home Furnishings, and Retailing subsectors are trending negatively.
- The Hotels, Restaurants & Leisure, and Consumer Services subsector's transaction volume was the largest at 62% of the industry over the past quarter.
- Consumer confidence is continuing to grow and as it does results should improve macroeconomic indicators which should aid in increased consumer spending.
- Some companies in the Retailing subsector may be impacted by persisting foreign currency headwinds as a regional slowdown across some emerging markets.
- The job market and wages are continuing to grow leading to continue stable growth in this industry especially with accretive M&A activity combined with developing digital and e-commerce businesses.

Sources: S&P Capital IQ, IBIS World, & PCE Proprietary Data



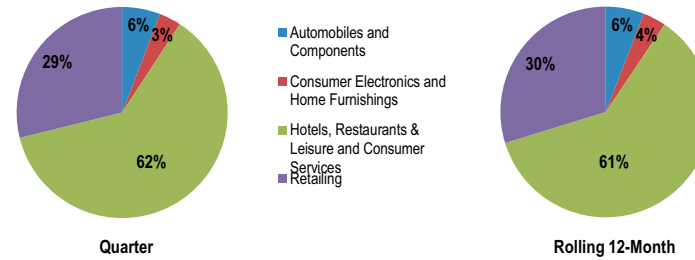
Consumer Discretionary - For the Quarter Ended 06/30/15

Industry Trends During Quarter

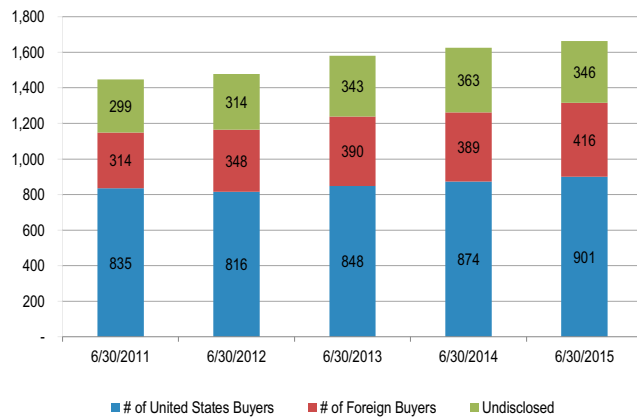
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Automobiles and Components	↑	↑	↓
Consumer Electronics and Home Furnishings	↓	↑	↓
Hotels, Restaurants & Leisure and Consumer Services	↑	↓	↓
Retailing	↓	↓	↑

* Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data

Transaction Volume as % of Industry



Rolling 12-Month Transaction Volume Trends by Buyer Origin



Largest Transactions Closed During Quarter by Transaction Value (\$ in millions)

Sector	Target	Buyer	Transaction Value
Hotels, Restaurants, Leisure	International Game Technology	GTECH S.p.A. (nka:International Game Technology PLC)	\$14,507.4
Hotels, Restaurants, Leisure	Life Time Fitness, Inc.	Leonard Green & Partners, L.P.; TPG Capital, L.P.; LNK Partners	\$4,704.6
Hotels, Restaurants, Leisure	lynda.com, Inc.	LinkedIn Corporation	\$4,071.8
Hotels, Restaurants, Leisure	100% in Portfolio of Six Schools and Non-Controlling Interest in One School	Nord Anglia Education, Inc.	\$1,500.0
Hotels, Restaurants, Leisure	Crystal Cruises, Inc.	Genting Hong Kong Limited	\$559.0
Hotels, Restaurants, Leisure	Cadillac Jack, Inc.	AGS, LLC	\$550.0
Hotels, Restaurants, Leisure	The Phoenician	Host Hotels & Resorts, Inc.	\$476.0
Retailing	Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc.	Icahn Enterprises, L.P.	\$400.0
Hotels, Restaurants, Leisure	Life Time Fitness Inc., Portfolio of Ten, Large-Format, High-End Fitness Centers	Gramercy Property Trust Inc.	\$340.0

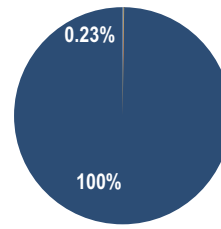
Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

Automobiles and Components - For the Quarter Ended 06/30/15

Summary of Sector Transactions During Quarter (\$ in millions)

Number of Transactions in Sector	28
Number of Transactions with Disclosed Values	3
Transaction Value*	\$14,540.47
Average Transaction Value*	\$4,846.82
Median Transaction Value*	\$29.60

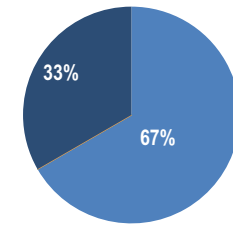
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% Transaction Value During Quarter

Transactions by Value & Volume

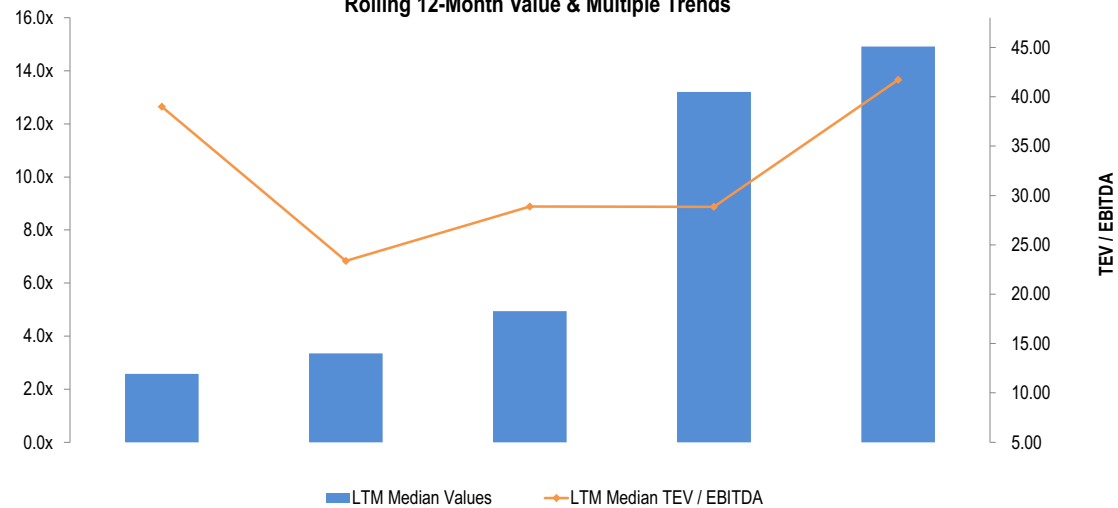
- Transactions <\$50MM
- Transactions \$50MM - \$100MM
- Transactions \$100MM - \$150MM
- Transactions \$150MM - \$200MM
- Transactions \$200MM - \$250MM
- Transactions > \$250MM



% Transaction Volume During Quarter

*Based on transactions with disclosed financial data only

Rolling 12-Month Value & Multiple Trends



* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

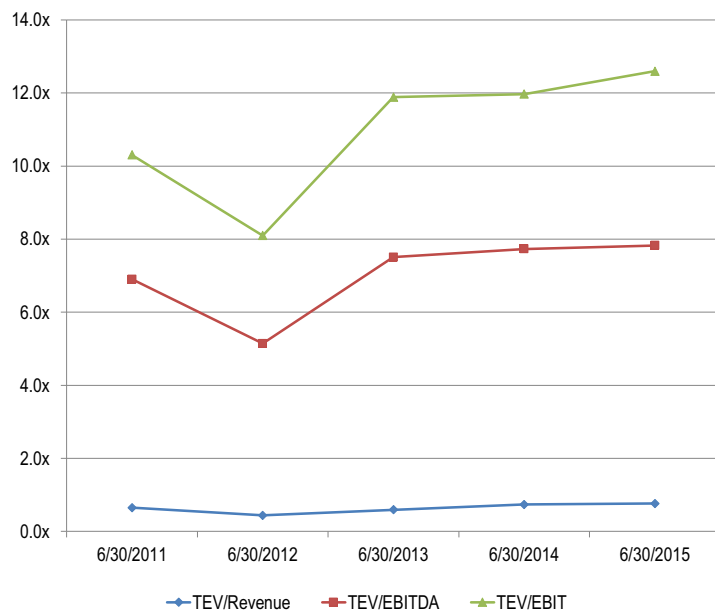
Automobiles and Components - For the Quarter Ended 06/30/15

Summary of Public Comparables as of Quarter End (\$ in millions)

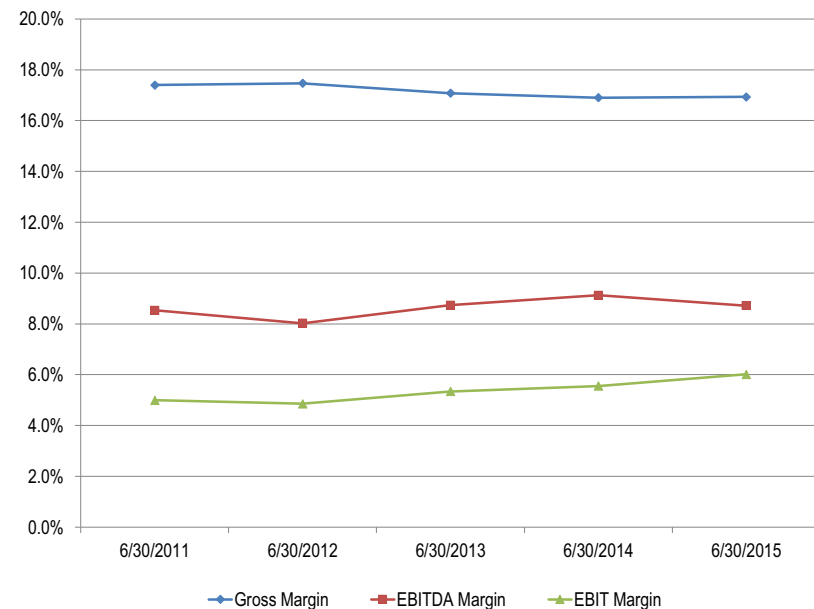
	TEV				LTM 6/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$6,622	1.4x	8.7x	15.9x	TEV/Revenue	↑
Median	\$1,262	0.8x	7.8x	12.6x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			LTM 6/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	20.0%	4.8%	0.7%	Gross Margin	↑
Median	16.9%	8.7%	6.0%	EBITDA Margin	↓
				EBIT Margin	↑

Valuation Trends



Margin Trends



Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

Consumer Electronics and Home Furnishings - For the Quarter Ended 06/30/15

Summary of Sector Transactions During Quarter (\$ in millions)

Number of Transactions in Sector	16
Number of Transactions with Disclosed Values	0
Transaction Value*	N/A
Average Transaction Value*	N/A
Median Transaction Value*	N/A

*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

Transactions by Value & Volume

- Transactions <\$50MM
- Transactions \$50MM - \$100MM
- Transactions \$100MM - \$150MM
- Transactions \$150MM - \$200MM
- Transactions \$200MM - \$250MM
- Transactions > \$250MM

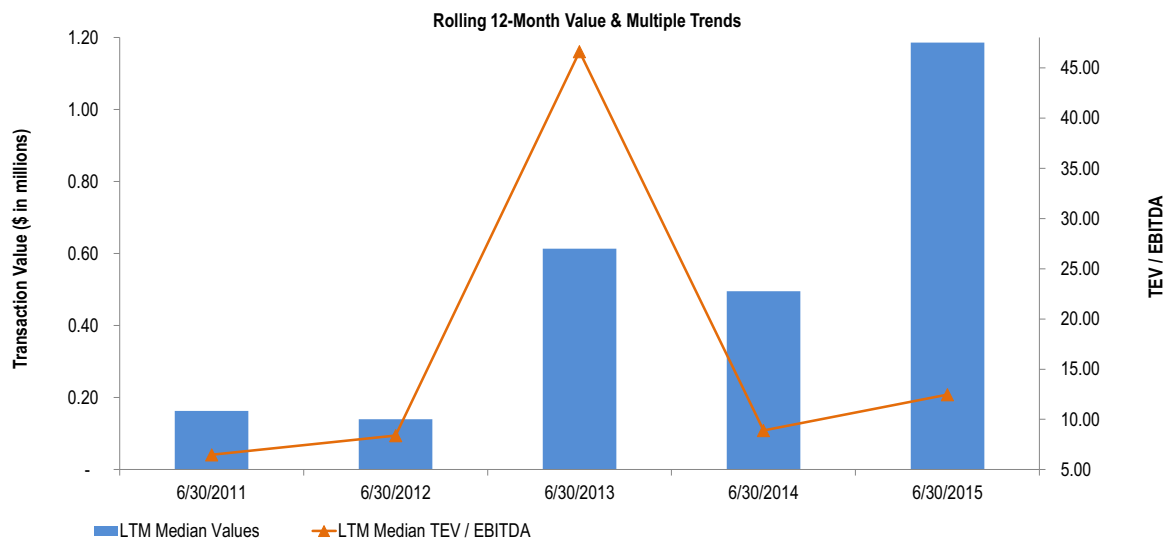
Market Data Not Available

Market Data Not Available

% Transaction Value During Quarter

% Transaction Volume During Quarter

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Consumer Electronics and Home Furnishings - For the Quarter Ended 06/30/15

Summary of Public Comparables as of Quarter End (\$ in millions)

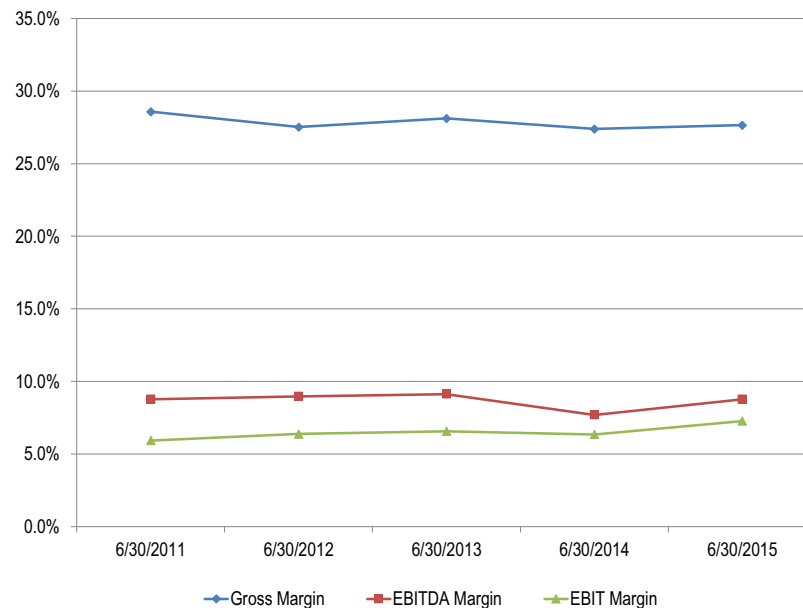
	TEV				LTM 6/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,354	1.2x	17.5x	23.1x	TEV/Revenue	↓
Median	\$310	0.8x	11.6x	16.0x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			LTM 6/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	30.4%	6.1%	3.8%	Gross Margin	↑
Median	27.7%	8.8%	7.3%	EBITDA Margin	↑
				EBIT Margin	↑

Valuation Trends



Margin Trends



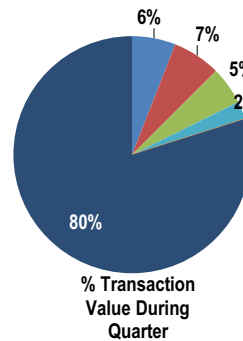
Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

Hotels, Restaurants & Leisure and Consumer Services - For the Quarter Ended 06/30/15

Summary of Sector Transactions During Quarter (\$ in millions)

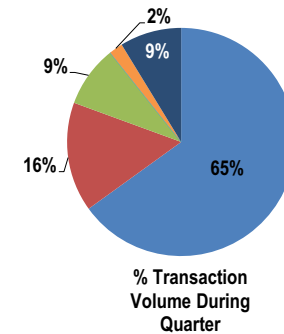
Number of Transactions in Sector	296
Number of Transactions with Disclosed Values	103
Transaction Value*	\$16,064.47
Average Transaction Value*	\$155.97
Median Transaction Value*	\$22.10

*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

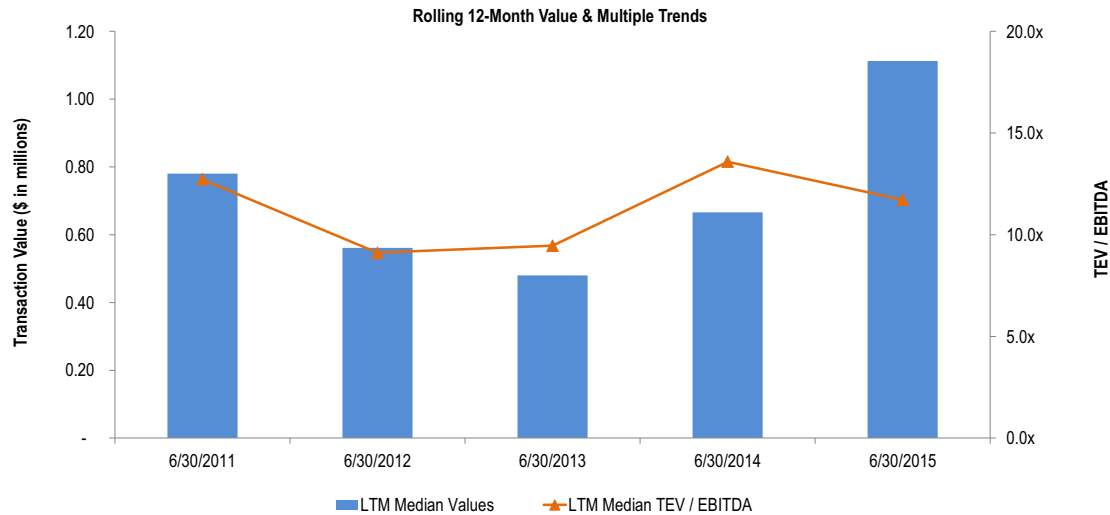


Transactions by Value & Volume

- Transactions <\$50MM
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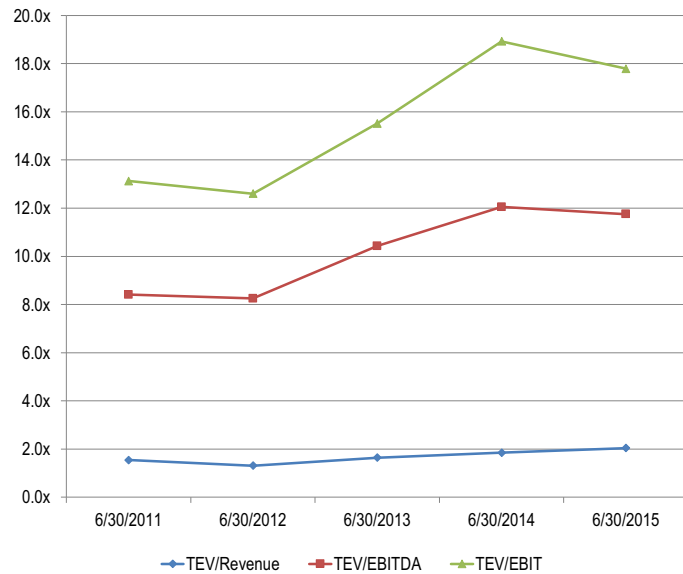
Hotels, Restaurants & Leisure and Consumer Services - For the Quarter Ended 06/30/15

Summary of Public Comparables as of Quarter End (\$ in millions)

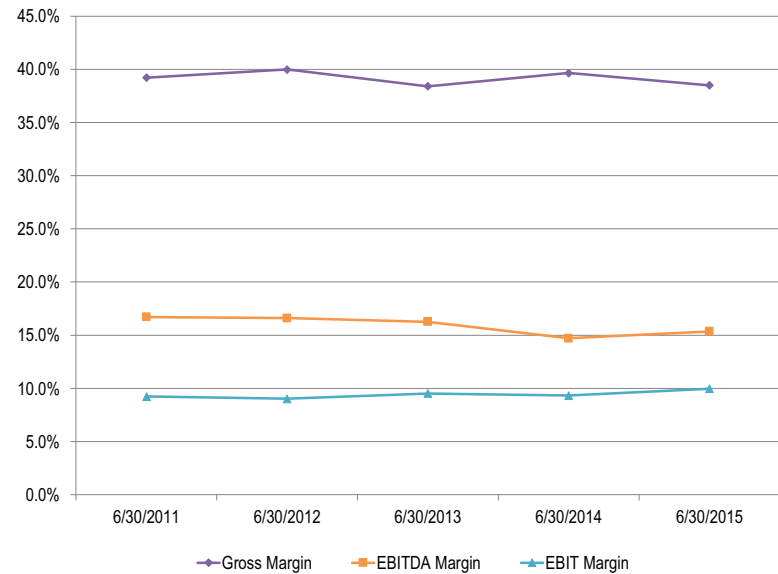
	TEV				LTM 6/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,082	2.4x	15.7x	23.6x	TEV/Revenue	↑
Median	\$871	2.0x	11.8x	17.8x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			LTM 6/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	41.4%	16.3%	9.8%	Gross Margin	↓
Median	38.5%	15.3%	10.0%	EBITDA Margin	↑
				EBIT Margin	↑

Valuation Trends



Margin Trends



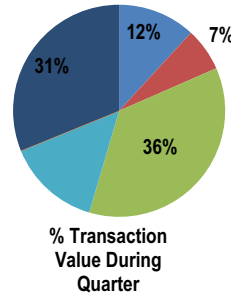
Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

Retailing - For the Quarter Ended 06/30/15

Summary of Sector Transactions During Quarter (\$ in millions)

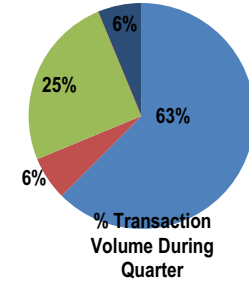
Number of Transactions in Sector	138
Number of Transactions with Disclosed Values	16
Transaction Value*	\$1,091.33
Average Transaction Value*	\$68.21
Median Transaction Value*	\$25.43

*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

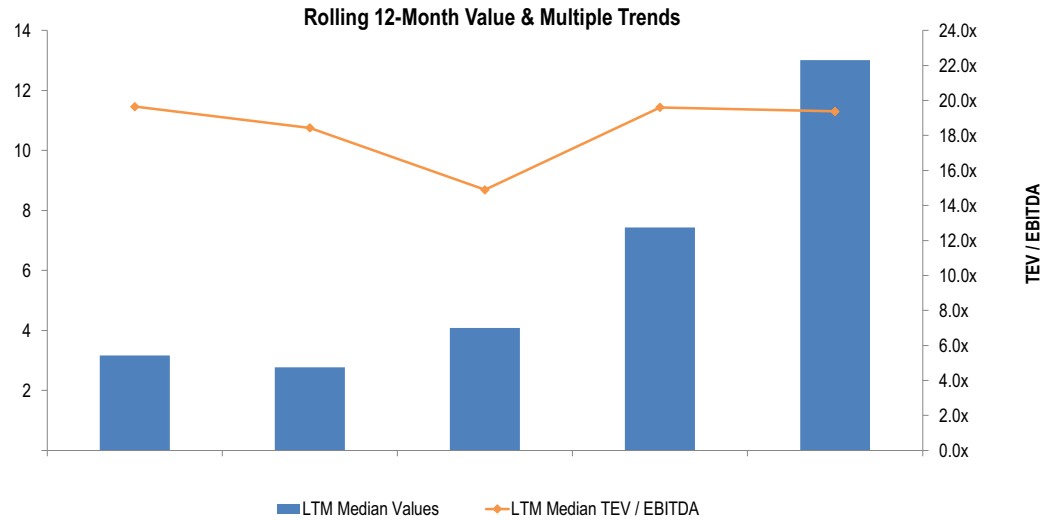


Transactions by Value & Volume

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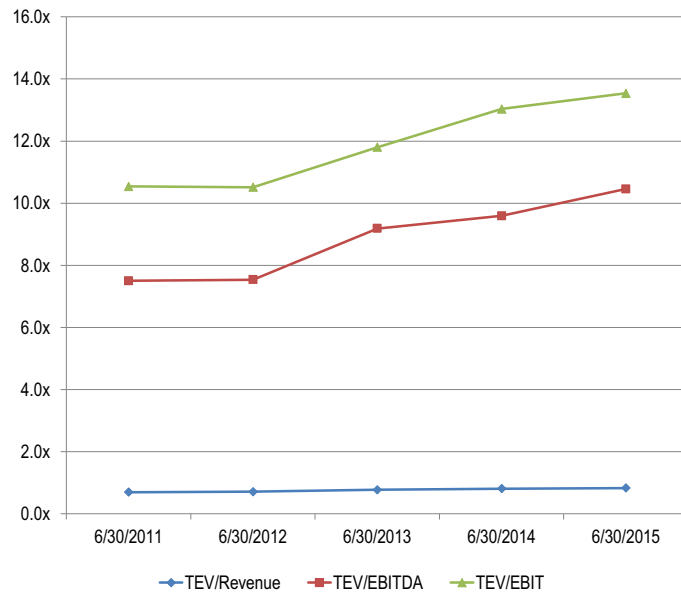
Retailing - For the Quarter Ended 06/30/15

Summary of Public Comparables as of Quarter End (\$ in millions)

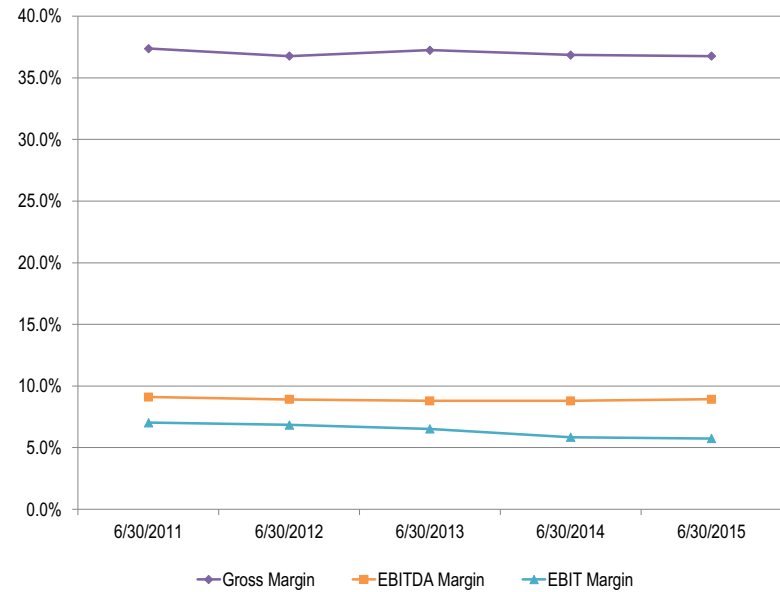
	TEV				LTM 6/30/2015 Trends
	Market Cap	Revenue	EBITDA	EBIT	
Average	\$7,697	1.2x	12.7x	19.2x	TEV/Revenue ↑
Median	\$1,586	0.8x	10.5x	13.5x	TEV/EBITDA ↑
					TEV/EBIT ↑

	Margins			LTM 6/30/2015 Trends
	Gross Profit	EBITDA	EBIT	
Average	38.2%	8.6%	5.7%	Gross Margin ↓
Median	36.8%	8.9%	5.7%	EBITDA Margin ↑
				EBIT Margin ↓

Valuation Trends



Margin Trends



Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

Data Assumptions

At PCE, we consider transaction activity as mergers & acquisitions, consolidations, restructurings and spin-offs. Targets are defined as U.S. based companies with either foreign or U.S. based buyers. Transaction information provided is based on announced dates.



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Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value

About PCE

Eighteen years ago, PCE was formed to provide professional investment banking, business valuation and advisory services to middle market companies. We determined from our experience as business owners that there was a need that was not being professionally fulfilled.

We understand the importance of creating a relationship and the value of trust when providing our services. PCE's professionals are successful business owner, entrepreneurs, lenders, former Federal Reserve board members, CPA's, CFA's, national & international valuation experts, international analysts and investors. PCE offers senior level attention, sound advice, skilled execution and personalized attention you can trust.

Our mission is to be the premier investment bank serving middle market companies. PCE is committed to providing individualized strategies throughout your business life-cycle, focused on maximizing shareholder value.

PCE Investment Bankers, Inc. – member FINRA and SIPC; PCE Valuations, LLC; PCE Advisory, LLC