



PCE Industry Report

Consumer Discretionary



Middle Market M&A Summary

Consumer Discretionary

1st Quarter 2016

Key Highlights

- The average value of the top transactions was \$275 million.
 - The largest transaction was the acquisition of Pep Boys - Manny, Moe & Jack by Icahn Enterprises, L.P. for \$1.2 billion.
 - The small transaction was the acquisition of Hyatt Regency Clearwater Beach Resort and Spa by Westmont Hospitality Group, Inc. for \$120.5 million.
- The public company industry median TEV/EBIT multiple is 13.0x.
- The public company industry median TEV/EBITDA multiple is 9.3x.

Key Trends

- The strength from consumer spending in 2015 continued in January rising +0.5% and beating analyst forecasts according to the Commerce Department. This was followed by a lackluster gain of +0.1% in February, leading many analysts to downgrade expectations for the March quarter. Any early gains in spending were primarily driven by tightening labor market conditions and a growth in real-income – largely a function of decreasing inflation from a falling oil price. However, the effects were short-lived and did not entirely translate to sustained consumer spending.
- Despite falling prices of commodities being a positive for household balance sheets, this has been offset by a decrease in consumer confidence as concerns about the global economy continue unabated. On balance, consumers have elected to increase savings or pay down debt.
- The University of Michigan's consumer sentiment survey fell to 91 from 91.7 in February, which marks the 4th month that this index has fallen.
- Market share continues to shift from physical stores to online stores, with some significant impact in the first quarter. Best Buy, Kohl's and Sears all saw falling sales with Sears announcing in February that it would be closing 50 stores. Sears reported another quarterly loss and rising inventory as a result of unsold apparel. Kohl's announced the closure of 18 stores. Significant and potentially telling developments for the industry.

Consumer Discretionary

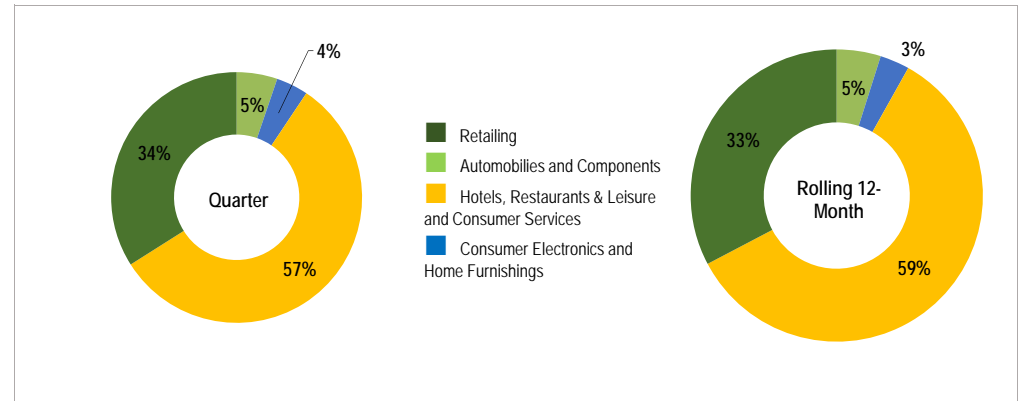
1st Quarter 2016

Industry Trends During Quarter

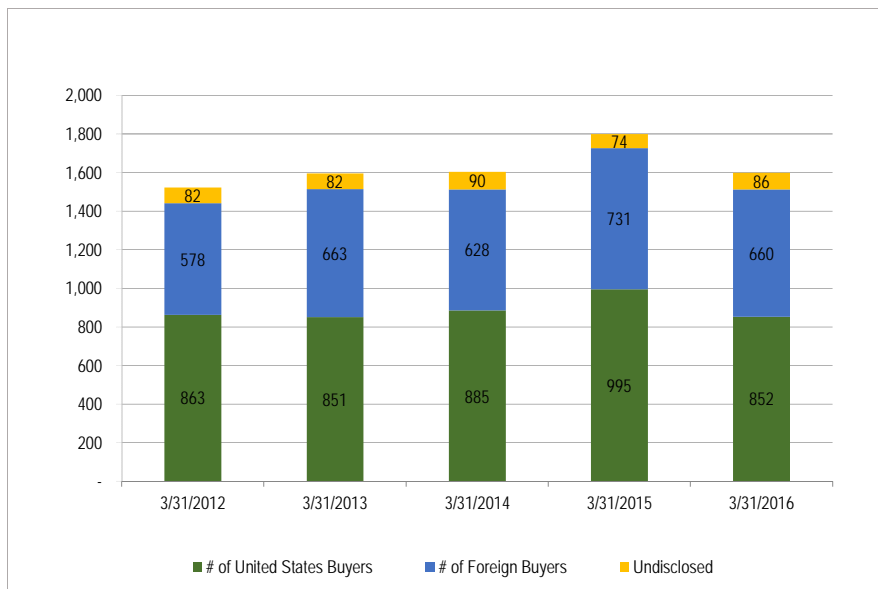
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Automobiles and Components	↑	↓	↓
Consumer Electronics and Home Furnishings	↓	↑	↑
Hotels, Restaurants & Leisure and Consumer Services	↑	↓	↓
Retailing	→	↓	↑

* 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



Source: S&P Capital IQ as of 4/28/2016 and PCE Proprietary Data

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

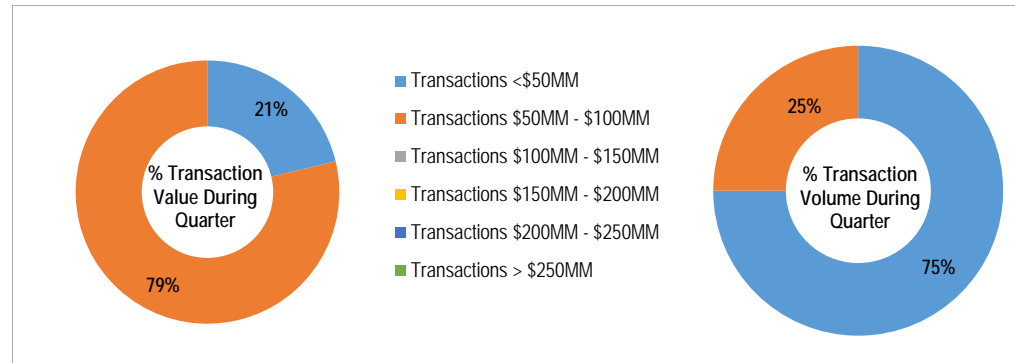
Sector	Target	Buyer	Transaction Value
Retailing	Pep Boys - Manny, Moe & Jack	Icahn Enterprises, L.P.	\$1,215.6
Retailing	Sleepy's, LLC	Mattress Firm, Inc.	\$777.3
Retailing	Five Companies	CST Brands, Inc.	\$425.0
Hotels, Restaurants, Leisure	20% Stake In Brooklyn Nets, LLC And 55% Stake In Barclays Center Sports	Onexim Sports and Entertainment Holding USA, Inc.	\$285.0
Retailing	Gilt Groupe, Inc.	Hudson's Bay Company	\$250.0
Hotels, Restaurants, Leisure	Eastridge Shopping Center L.L.C.	Pacific Retail Capital Partners LLC; Silverpeak Real Estate Partners	\$225.0
Hotels, Restaurants, Leisure	Seattle Marriott Bellevue	Carey Watermark Investors 2 Incorporated	\$179.0
Hotels, Restaurants, Leisure	Portfolio of Ten Marriott Hotels in Michigan, Minnesota and Wisconsin	Interstate Hotels & Resorts Inc.; Gatehouse Capital; Waramaug Hospitality LLC	\$137.0
Hotels, Restaurants, Leisure	Hotel Commonwealth	Xenia Hotels & Resorts, Inc.	\$136.0
Hotels, Restaurants, Leisure	Hyatt Regency Clearwater Beach Resort and Spa	Westmont Hospitality Group, Inc.	\$120.5

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

Transaction Volume	19
Number of Transactions with Disclosed Values	4
Transaction Value*	\$94.60
Average Transaction Value*	\$23.65
Median Transaction Value*	\$9.05

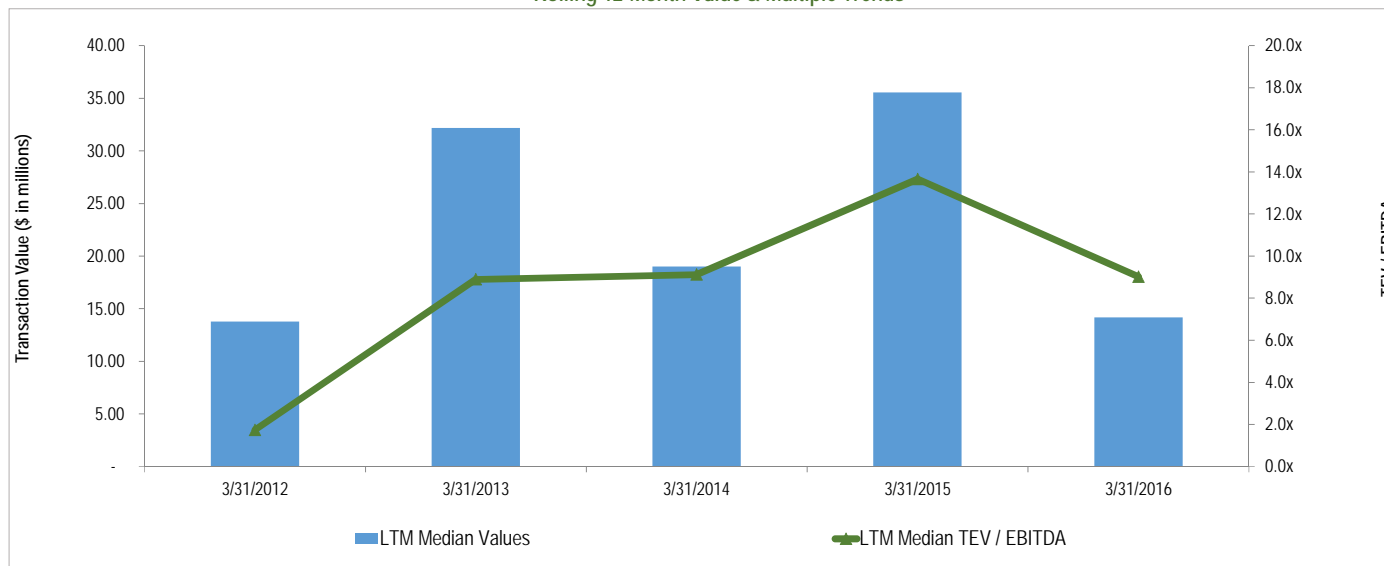
*Based on transactions with reported financial data only; historically - 30% to 40% of transactions report financial data.

Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends 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 4/28/2016 and PCE Proprietary Data

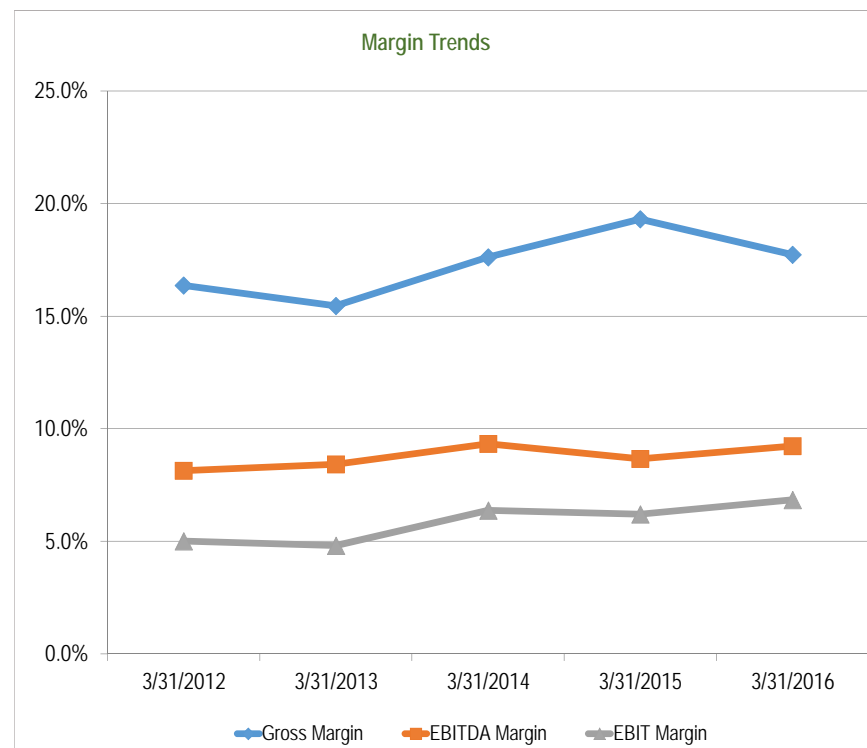
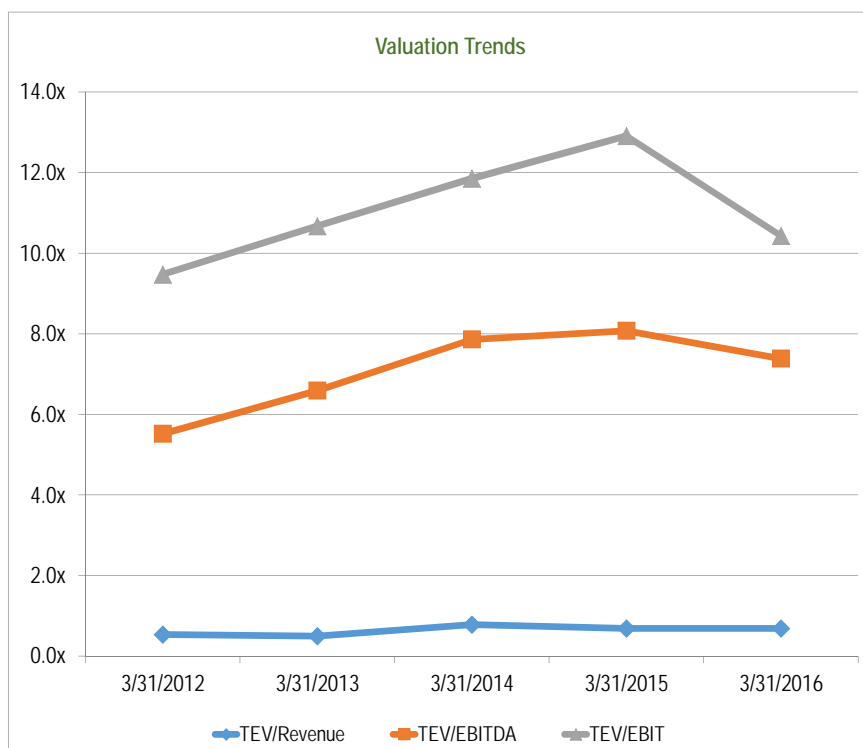
Automobiles and Components

1st Quarter 2016

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

	Total Enterprise				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	3/31/2016 Trends	
Average	\$5,645	1.2x	7.7x	11.2x	TEV/Revenue	↓
Median	\$1,104	0.7x	7.4x	10.4x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	3/31/2016 Trends	
Average	22.0%	5.1%	1.2%	Gross Margin	↓
Median	17.7%	9.2%	6.8%	EBITDA Margin	↑
				EBIT Margin	↑



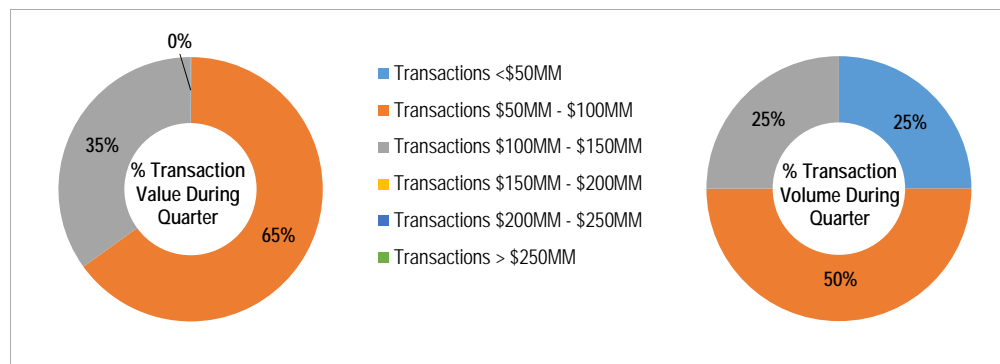
Source: S&P Capital IQ as of 4/28/2016 and PCE Proprietary Data

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

Transaction Volume	15
Number of Transactions with Disclosed Values	4
Transaction Value*	\$300.25
Average Transaction Value*	\$75.06
Median Transaction Value*	\$97.50

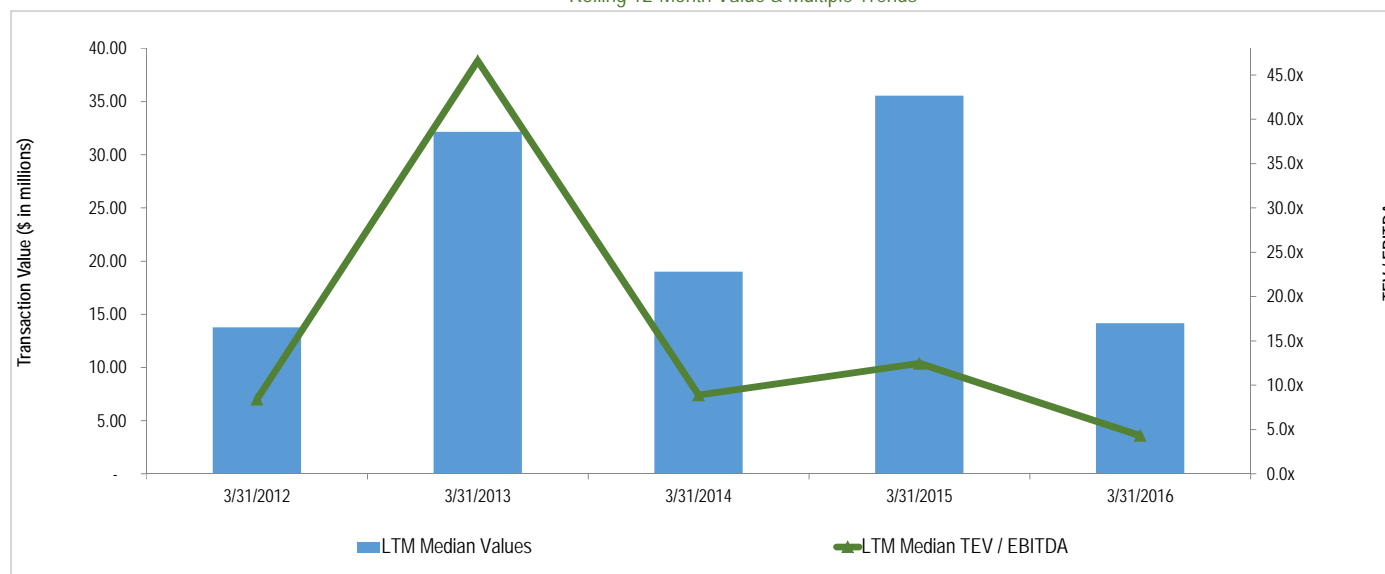
*Based on transactions with reported financial data only; historically - 30% to 40% of transactions report financial data.

Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value Trends 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 4/28/2016 and PCE Proprietary Data

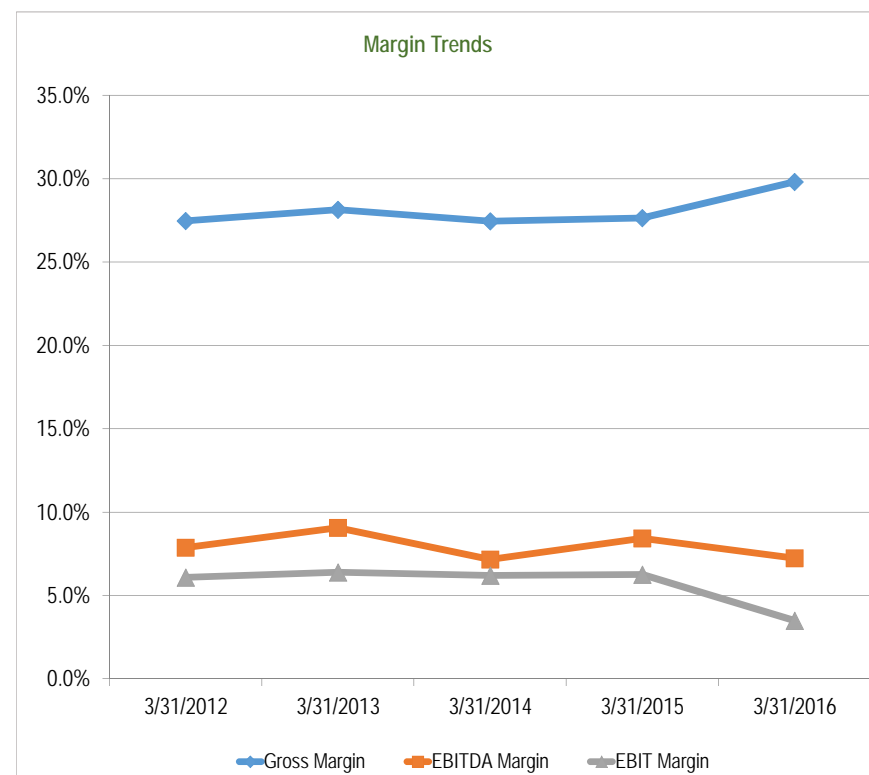
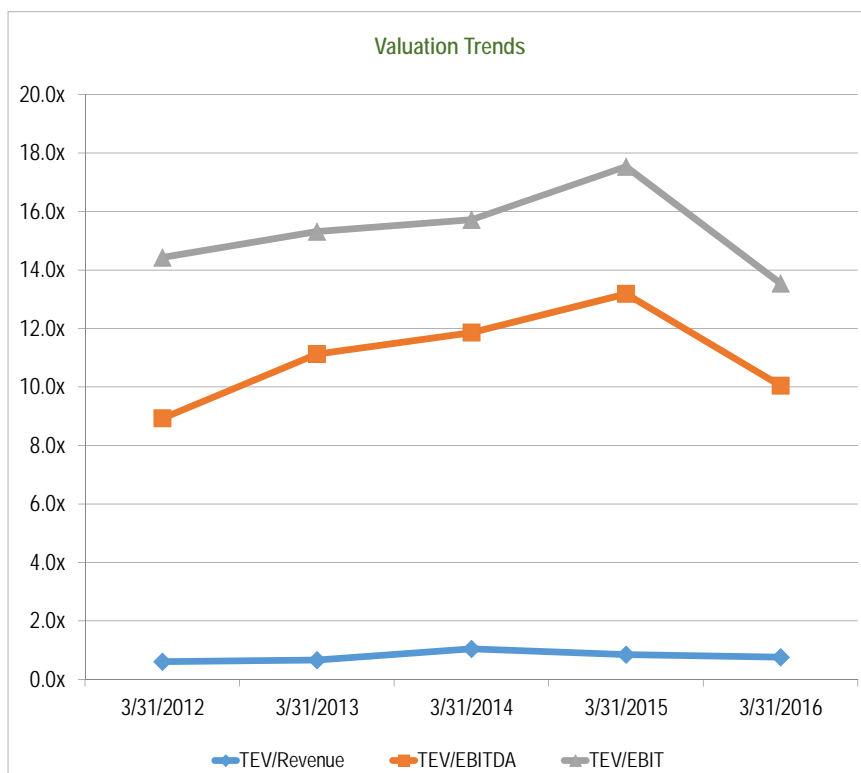
Consumer Electronics and Home Furnishings

1st Quarter 2016

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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	3/31/2016 Trends	
Average	\$1,850	0.9x	10.6x	16.0x	TEV/Revenue	↓
Median	\$341	0.8x	10.0x	13.5x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	3/31/2016 Trends	
Average	31.7%	6.3%	3.9%	Gross Margin	↑
Median	29.8%	7.2%	3.5%	EBITDA Margin	↓
				EBIT Margin	↓



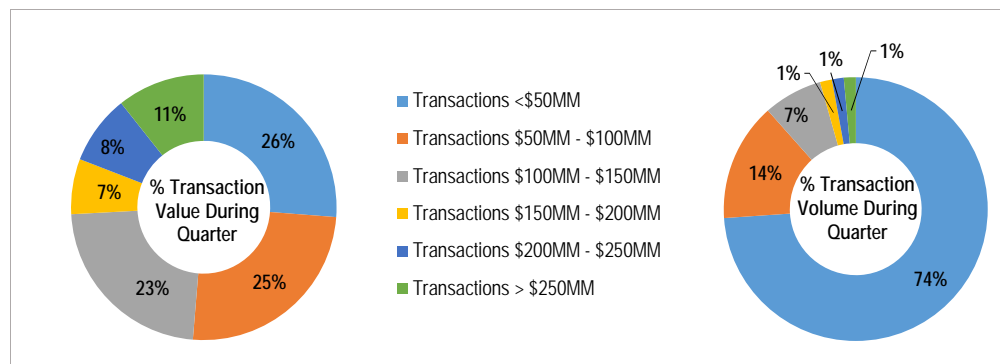
Source: S&P Capital IQ as of 4/28/2016 and PCE Proprietary Data

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

Transaction Volume	205
Number of Transactions with Disclosed Values	69
Transaction Value*	\$38.64
Average Transaction Value*	\$16.00
Median Transaction Value*	\$0.00

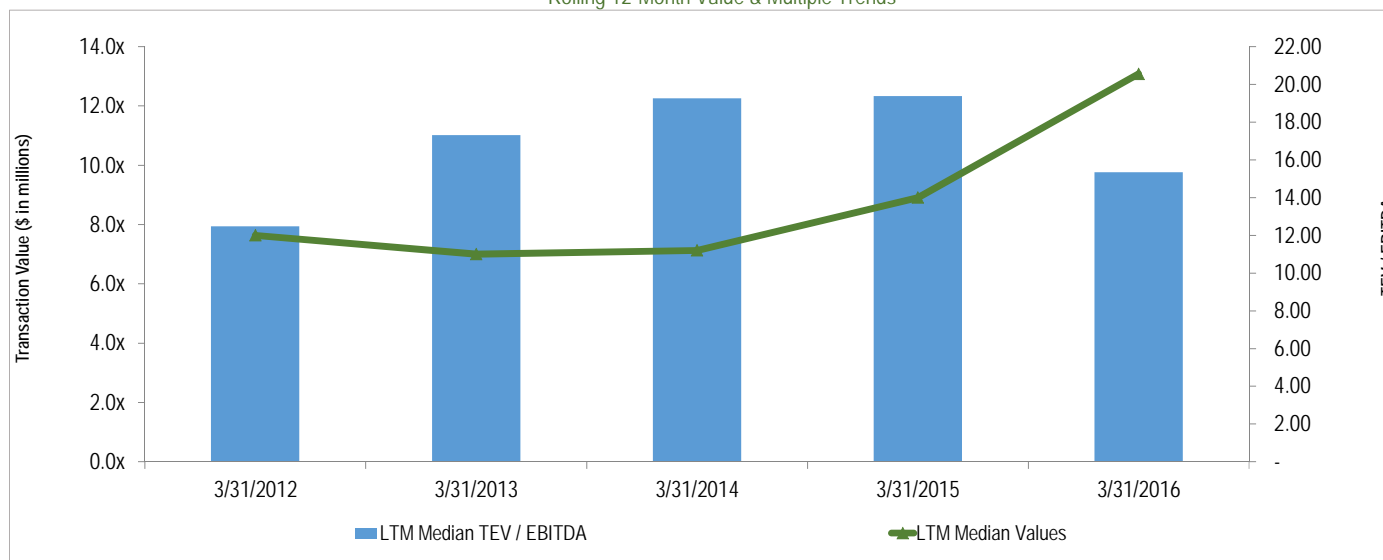
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

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 4/28/2016 and PCE Proprietary Data

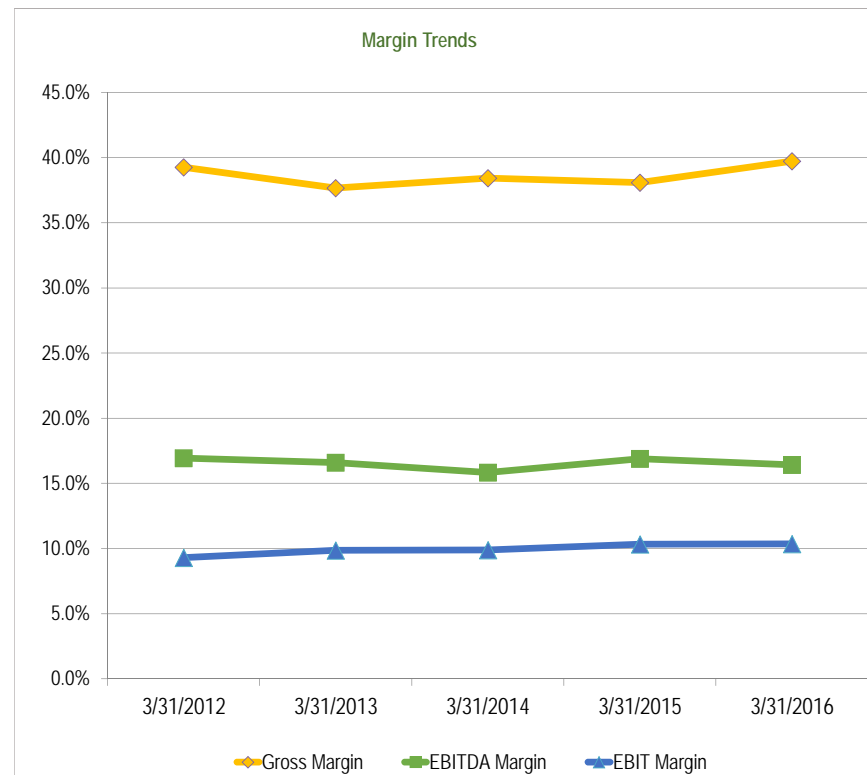
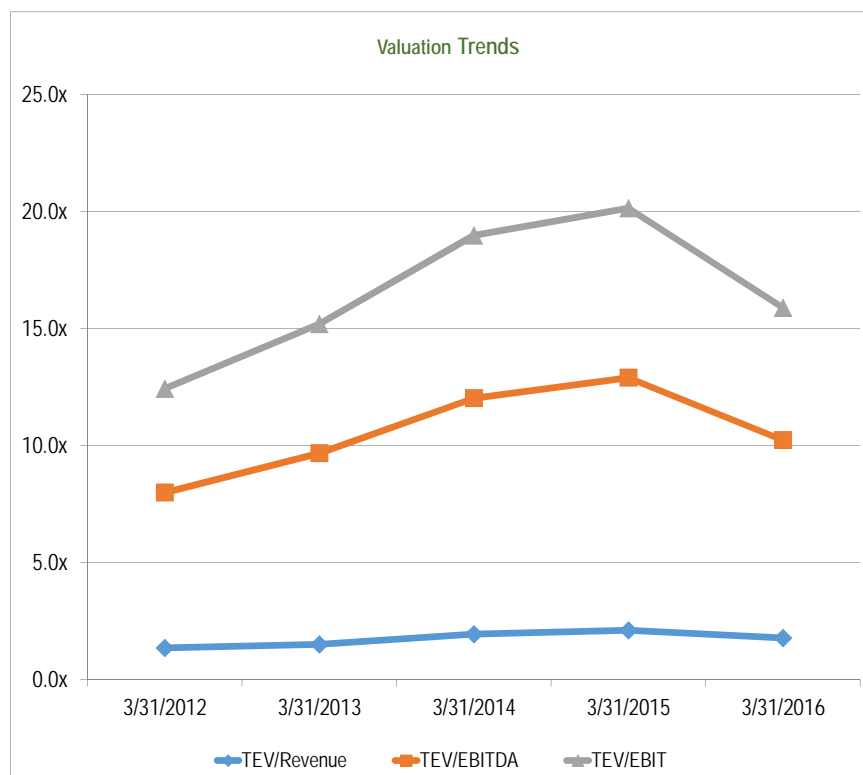
Hotels, Restaurants & Leisure and Consumer Services

1st Quarter 2016

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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	3/31/2016 Trends	
Average	\$3,991	2.1x	13.3x	18.6x	TEV/Revenue	↓
Median	\$763	1.8x	10.2x	15.9x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	3/31/2016 Trends	
Average	40.6%	16.9%	10.5%	Gross Margin	↑
Median	39.7%	16.4%	10.4%	EBITDA Margin	↓
				EBIT Margin	↑



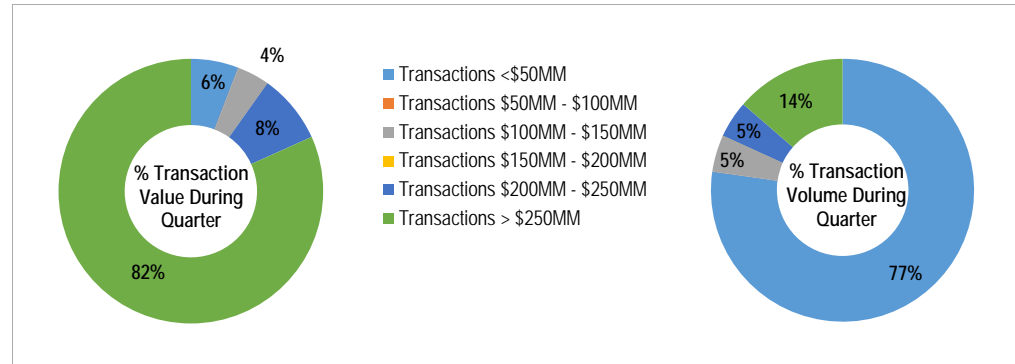
Source: S&P Capital IQ as of 4/28/2016 and PCE Proprietary Data

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

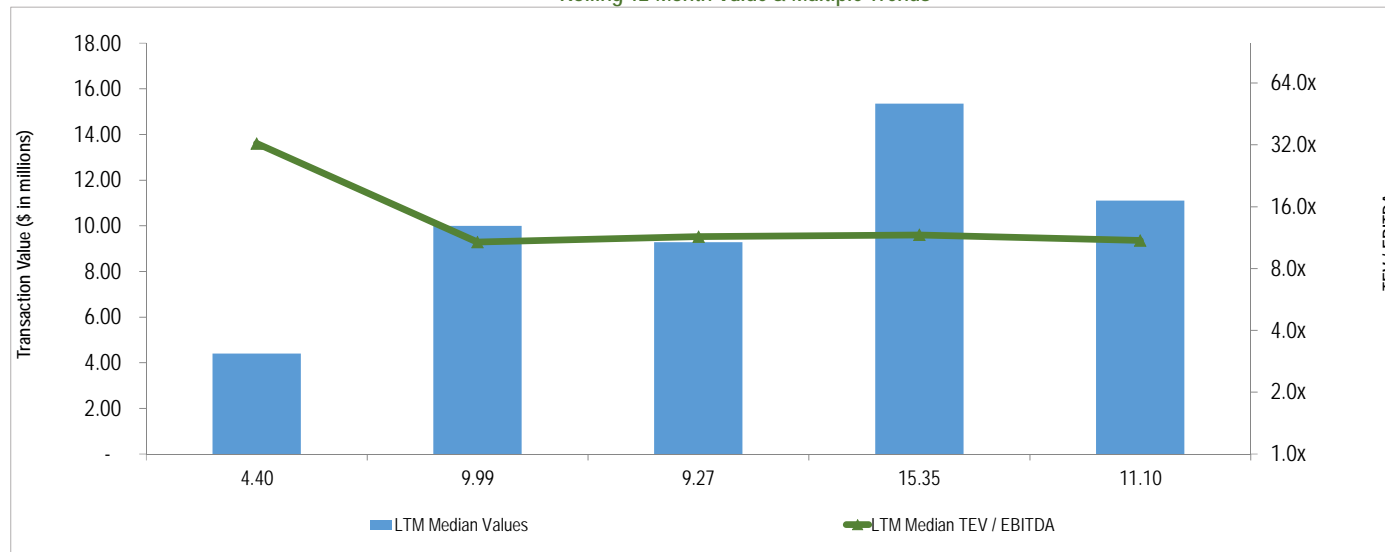
Transaction Volume	123
Number of Transactions with Disclosed Values	22
Transaction Value*	\$2,958.09
Average Transaction Value*	\$140.82
Median Transaction Value*	\$6.10

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

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends 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 4/28/2016 and PCE Proprietary Data

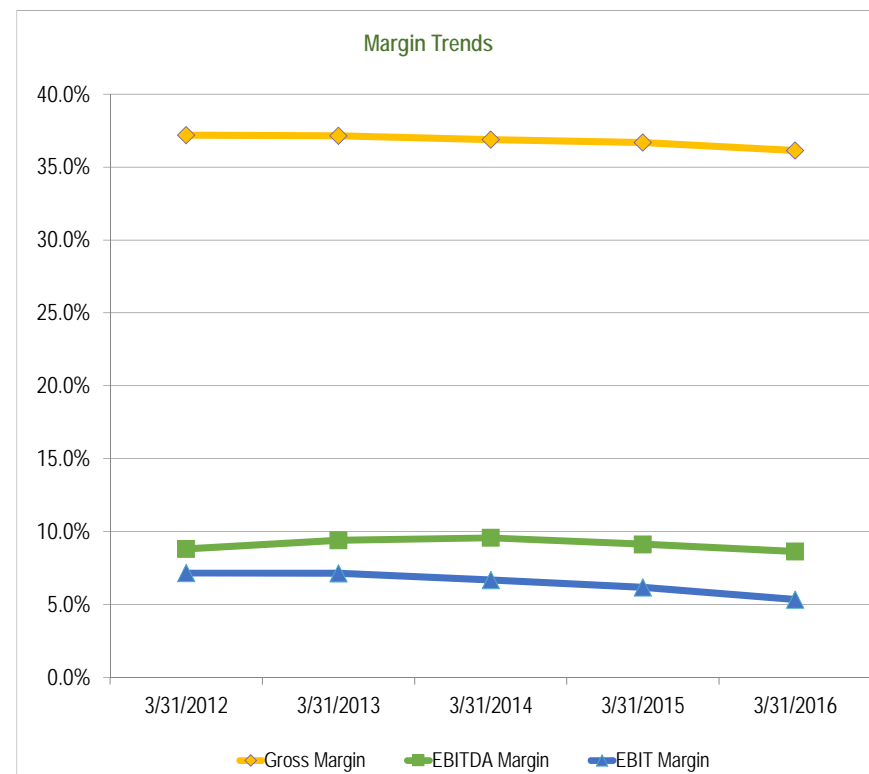
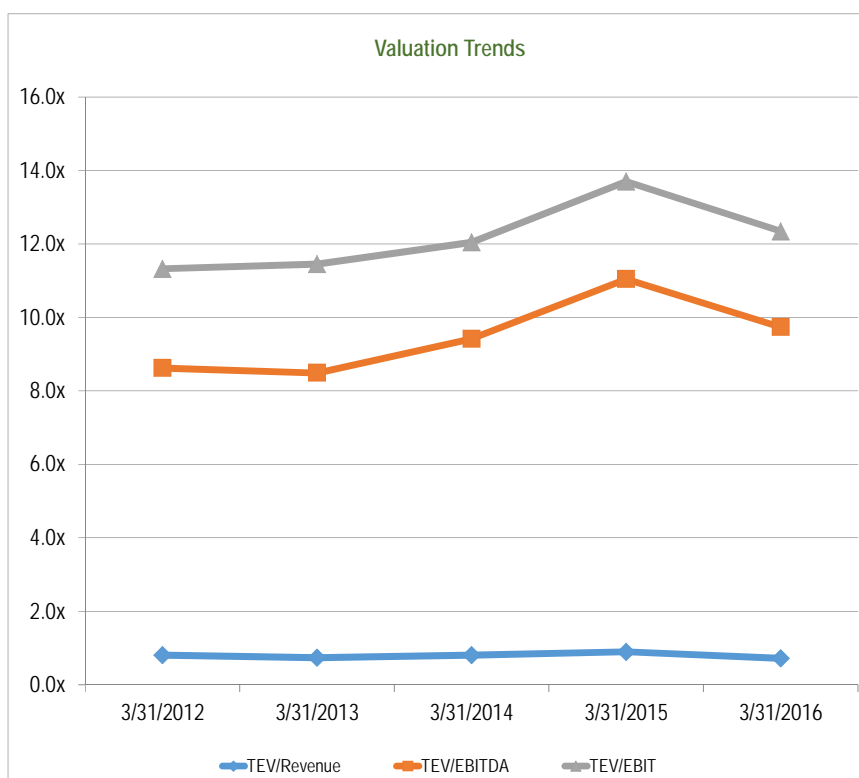
Retailing

1st Quarter 2016

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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	3/31/2016 Trends	
Average	\$8,085	1.1x	11.9x	18.1x	TEV/Revenue	↓
Median	\$1,404	0.7x	9.7x	12.3x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	3/31/2016 Trends	
Average	38.0%	8.8%	5.7%	Gross Margin	↓
Median	36.1%	8.6%	5.3%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 4/28/2016 and PCE Proprietary Data

About PCE

When you're navigating the critical and sometimes challenging phases of the business life cycle, nothing is more important than getting the right advice at the right time. At PCE, that's our specialty. Providing clients with the insightful strategies, creative solutions, and expert guidance they need to address the challenges they face today and achieve the goals they set for tomorrow.

PCE, a leading financial services firm for mid-market companies, offers a full range of services:

- M&A (mergers & acquisitions)
- Growth Capital – Equity & Debt
- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
- Bankruptcy
- Restructuring
- Fairness and Solvency Opinion
- Management Consulting
- Succession Planning
- Strategic Analysis
- Litigation Support

Experienced in all market sectors, PCE has established several specialty practice areas:

- Aerospace & Defense
- Banking, Finance & Insurance
- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

PCE Investment Bankers, Inc - member FINRA & SIPC; PCE Valuations, LLC; PCE Advisory, LLC

Contact Us



Michael Poole

Direct: 407-621-2112
Main: 407-621-2100
mpoole@pcecompanies.com



David Jasmund

Direct: 407-621-2111
Main: 407-621-2100
djasmund@pcecompanies.com

PCE Locations

Orlando
Atlanta
Chicago
New York

Data Assumptions

This report represents 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 closed/announced dates only.

Glossary

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization
LTM - Last Twelve Months
TEV - Total Enterprise Value