



PCE Industry Report

Consumer Discretionary



Middle Market M&A Summary

Consumer Discretionary

4th Quarter 2015

Key Highlights

- The average value of the top ten transactions was \$408 million.
- The largest transaction was the acquisition of Remy International, Inc. by BorgWarner Inc. for \$1.3 billion.
- The smallest transaction was the acquisition of Sofitel San Francisco Bay Hotel by CBRE Global Value Investors for \$154.5 million.
- The public company industry median TEV/EBIT multiple is 13.5x.
- The public company industry median TEV/EBITDA multiple is 9.5x.

Key Trends

- The transaction volume of the Consumer Electronics & Home Furnishings subsector was trending positively, while the Retailing, Automobiles & Components and Hotels, Restaurants, Leisure, & Consumer Services subsectors' were trending negatively over the past quarter.
- The Hotels, Restaurants, Leisure & Consumer Services subsector's transaction volume was the largest at 57% of the industry over the past quarter.
- The growth of sales from e-commerce is experiencing a plateau as online sellers saturate the market, however, the overall percentage of e-commerce sales is still expected to rise.¹
- Consumer confidence is increasing due to the unemployment rate reaching 5% and increases in wages. These are positive indicators for the Consumer Discretionary sector, which should yield another year of positive returns in 2016.²

Source

¹ IBISWorld E-commerce Sales (2016, Jan), Business Environment Profiles

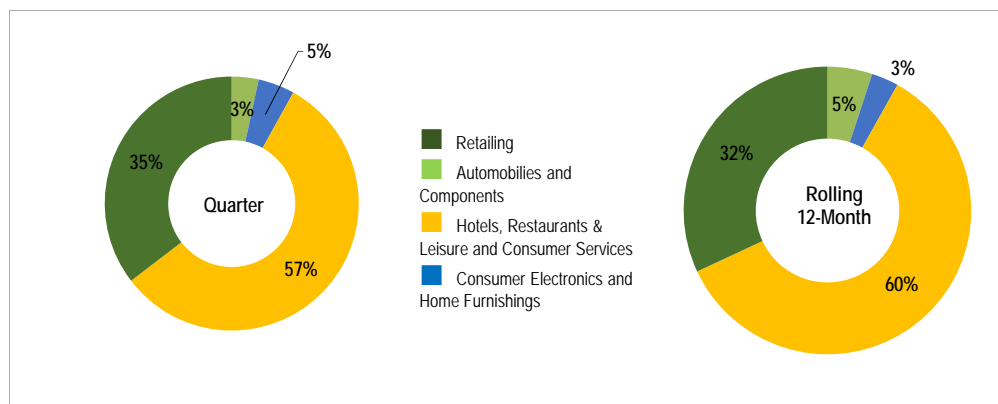
² Consumer Confidence Survey, (2015, Dec) The Conference Board. Retrieved January 15, 2016

Industry Trends During Quarter

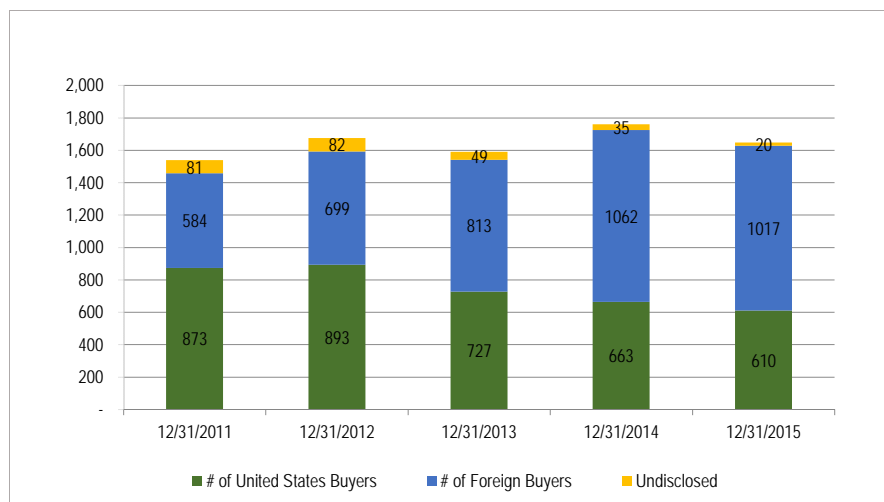
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Automobiles and Components	↓	↓	↑
Consumer Electronics and Home Furnishings	↑	↑	↑
Hotels, Restaurants & Leisure and Consumer Services	↓	↓	↑
Retailing	↓	↑	↓

* 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 1/26/2016 and PCE Proprietary Data

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

Sector	Target	Buyer	Transaction Value
Automobiles & Components	Remy International, Inc.	BorgWarner Inc.	\$1,297.4
Retailing	The Paradies Shops, Inc.	Lagardère Travel Retail SAS	\$536.5
Hotels, Restaurants, Leisure	The Fairmont San Francisco Hotel	Mirae Asset Global Investments Co., Ltd	\$450.0
Hotels, Restaurants, Leisure	Thi III New York L.L.C.	Abu Dhabi Investment Authority	\$382.0
Hotels, Restaurants, Leisure	53 US Economy Extended-Stay Hotels and Crossland Economy	DW Crossland Owner LLC	\$285.0
Consumer Elec & Home Furnishings	Misfit, Inc.	Fossil Group, Inc.	\$236.0
Hotels, Restaurants, Leisure	Embassy Suites by Hilton Denver Downtown Convention Center	Carey Watermark Investors 2 Incorporated	\$170.0
Hotels, Restaurants, Leisure	Gold Key Companies	Diamond Resorts Corporation	\$167.5
Hotels, Restaurants, Leisure	Sofitel San Francisco Bay Hotel	CBRE Global Value Investors, LLC; CBRE Strategic Partners US Value	\$154.5

Automobiles and Components

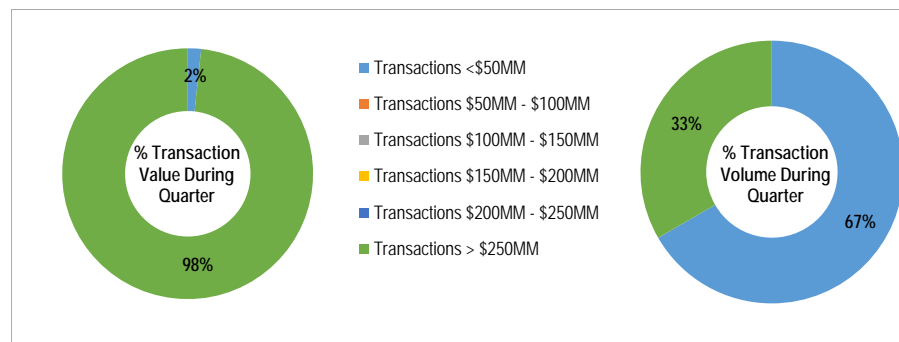
4th Quarter 2015

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

Transaction Volume	11
Number of Transactions with Disclosed Values	3
Transaction Value*	\$1,320.15
Average Transaction Value*	\$440.05
Median Transaction Value*	\$17.80

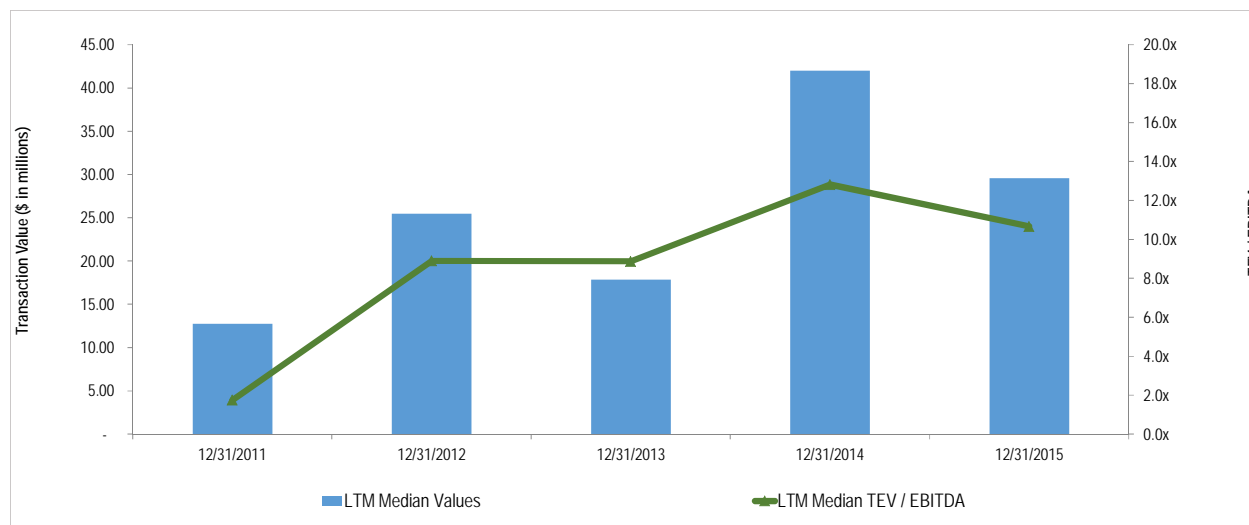
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Transactions by Value & Volume



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 1/26/2016 and PCE Proprietary Data

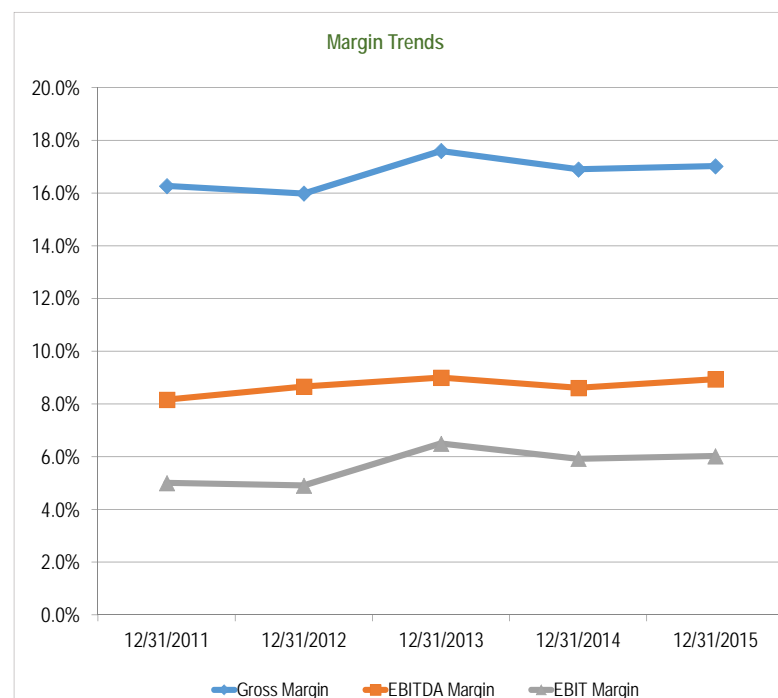
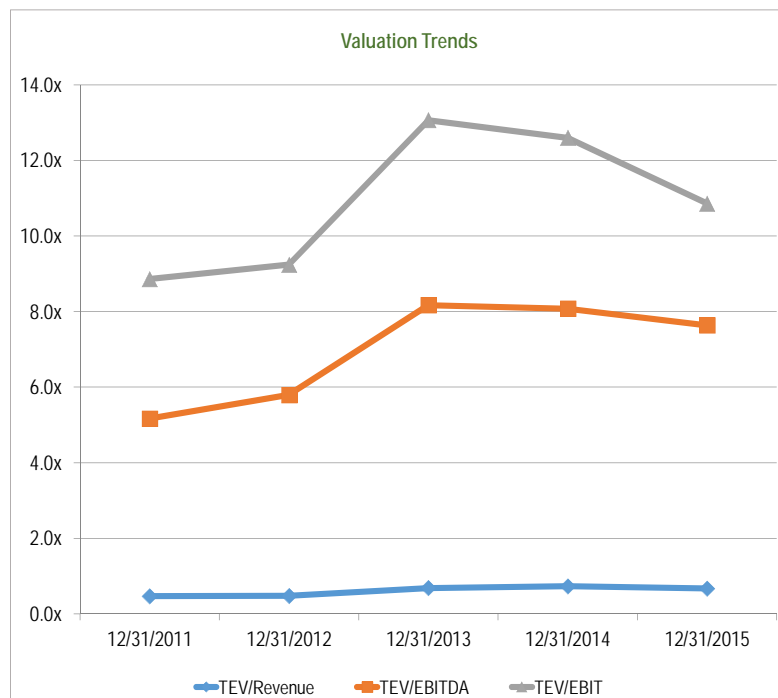
Automobiles and Components

4th Quarter 2015

Summary of Public Comparables (\$ in millions)

	Total Enterprise				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	12/31/2015 Trends	
Average	\$5,630	1.2x	7.9x	12.4x	TEV/Revenue	↓
Median	\$1,149	0.7x	7.6x	10.9x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	12/31/2015 Trends	
Average	19.5%	3.8%	-0.2%	Gross Margin	↑
Median	17.0%	8.9%	6.0%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/26/2016 and PCE Proprietary Data



Consumer Electronics and Home Furnishings

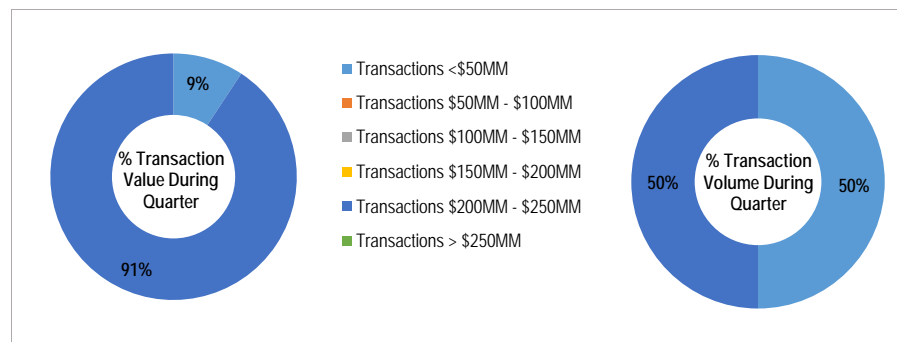
4th Quarter 2015

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

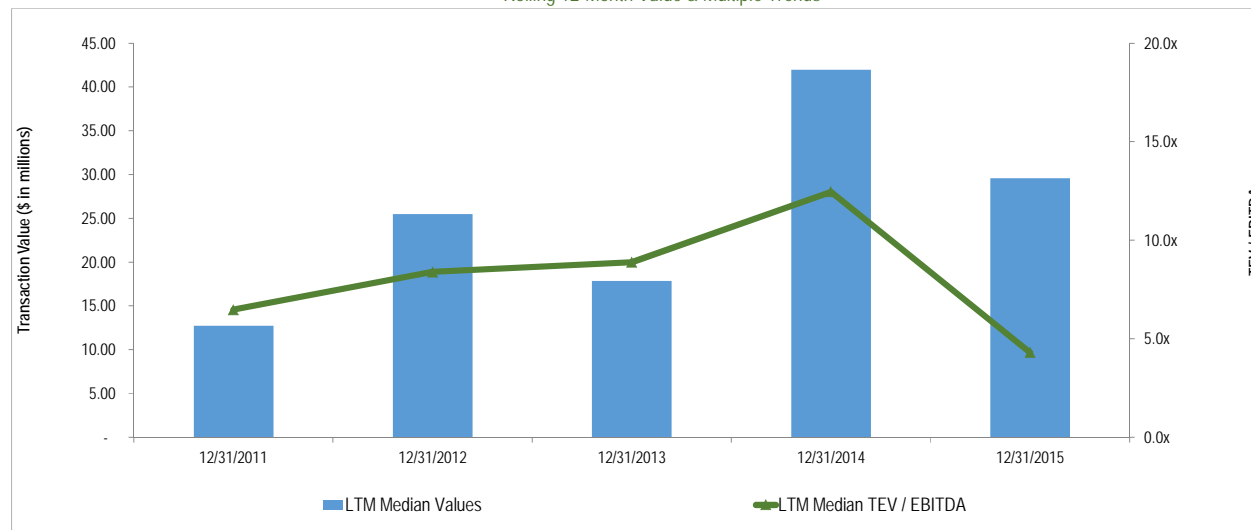
Transaction Volume	15
Number of Transactions with Disclosed Values	2
Transaction Value*	\$260.10
Average Transaction Value*	\$130.05
Median Transaction Value*	\$130.05

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Transactions by Value & Volume



Private Sector Value Trends Rolling 12-Month Value & Multiple Trends



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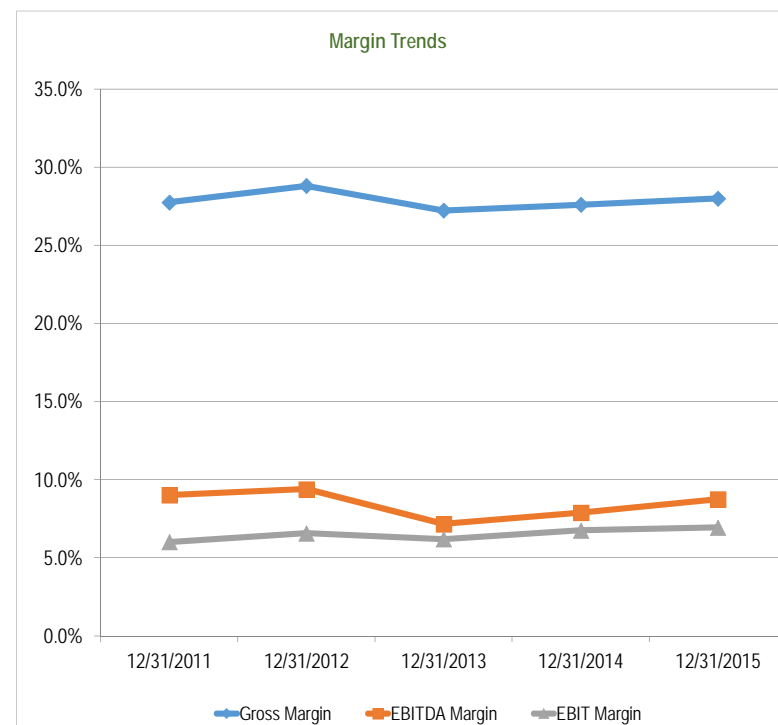
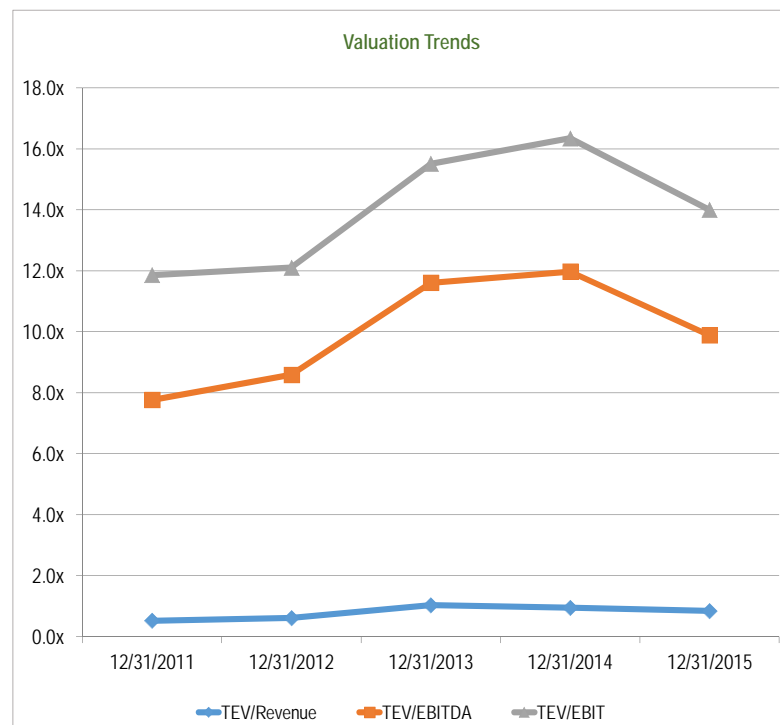
Consumer Electronics and Home Furnishings

4th Quarter 2015

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	12/31/2015 Trends	
Average	\$1,911	1.0x	11.2x	21.8x	TEV/Revenue	↓
Median	\$304	0.8x	9.9x	14.0x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	12/31/2015 Trends	
Average	31.8%	7.7%	5.4%	Gross Margin	↑
Median	28.0%	8.7%	6.9%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/26/2016 and PCE Proprietary Data



Hotels, Restaurants & Leisure and Consumer Services

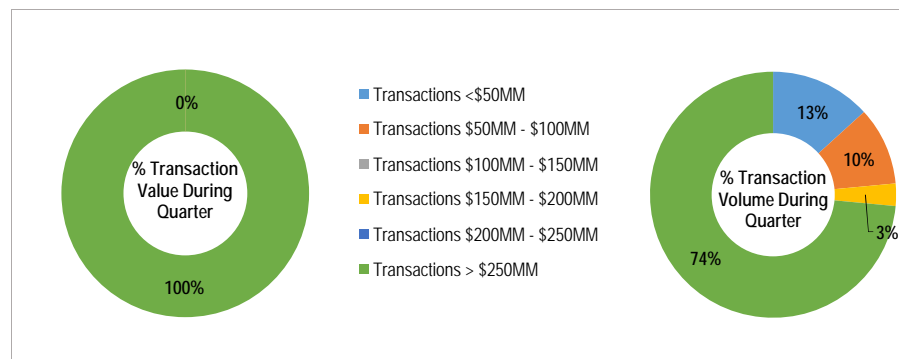
4th Quarter 2015

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

Transaction Volume	182
Number of Transactions with Disclosed Values	68
Transaction Value*	\$30,045.47
Average Transaction Value*	\$42,125.00
Median Transaction Value*	\$0.00

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

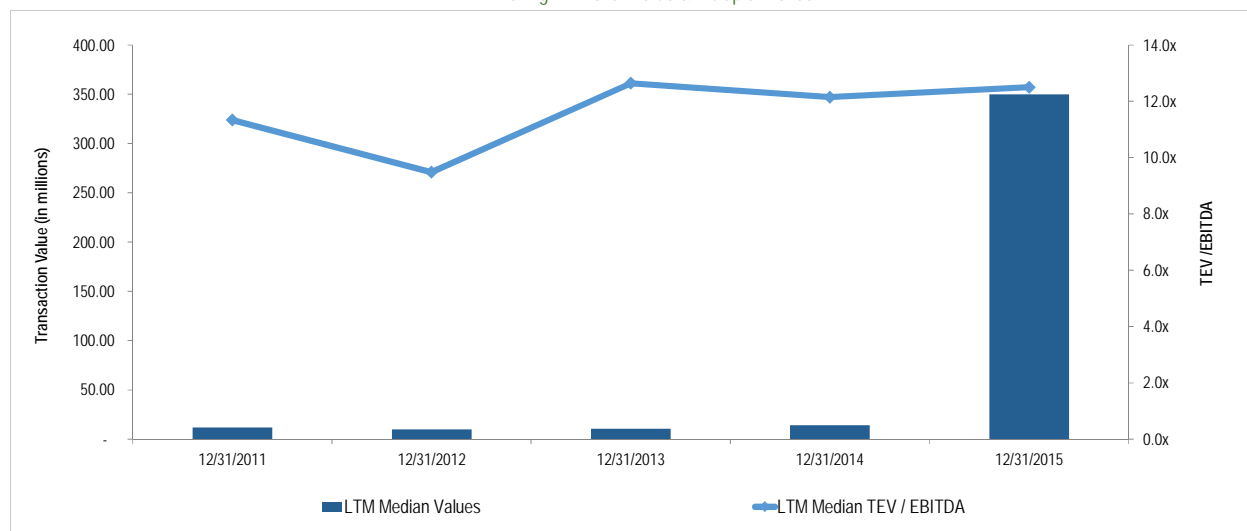
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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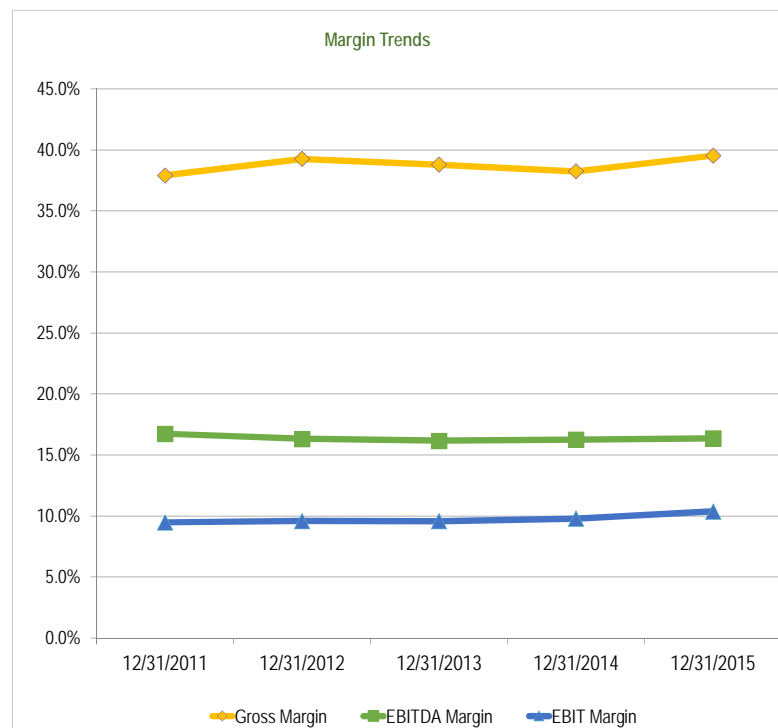
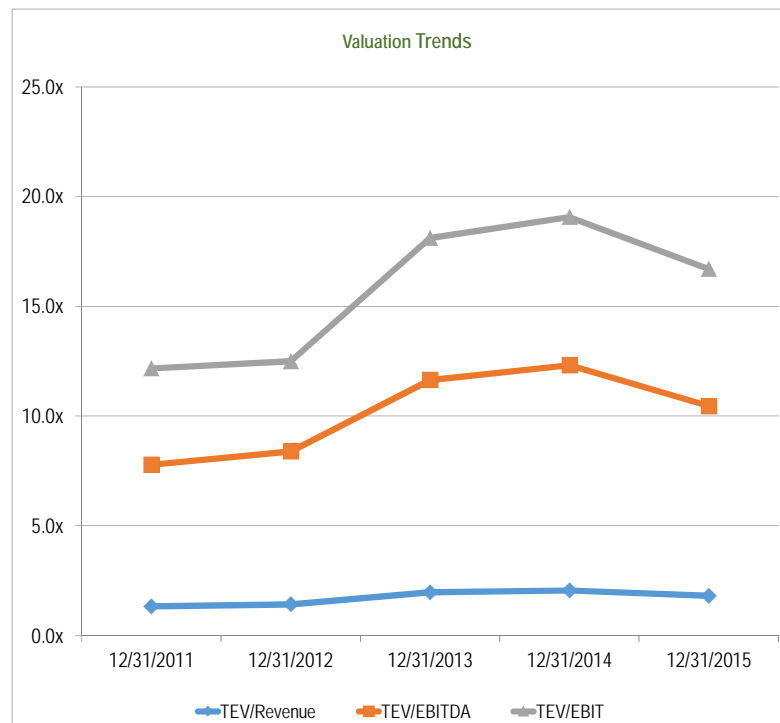
Hotels, Restaurants & Leisure and Consumer Services

4th Quarter 2015

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$3,876	2.3x	12.1x	20.5x	TEV/Revenue	↓
Median	\$700	1.8x	10.5x	16.7x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	41.0%	16.5%	10.2%	Gross Margin	↑
Median	39.5%	16.4%	10.4%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/26/2016 and PCE Proprietary Data

Retailing

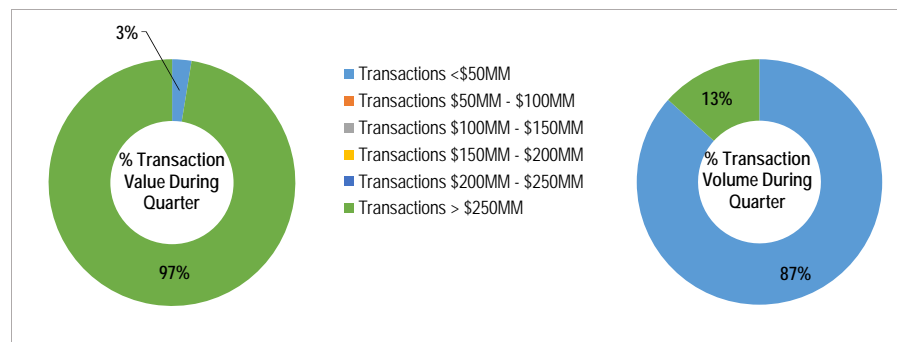
4th Quarter 2015

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

Transaction Volume	114
Number of Transactions with Disclosed Values	15
Transaction Value*	\$3,628.94
Average Transaction Value*	\$258.28
Median Transaction Value*	\$4.95

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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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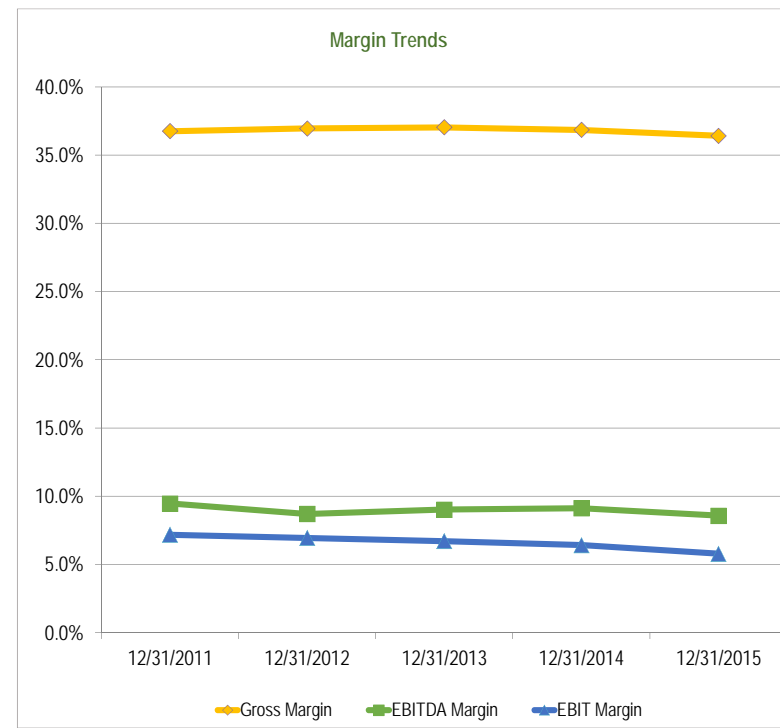
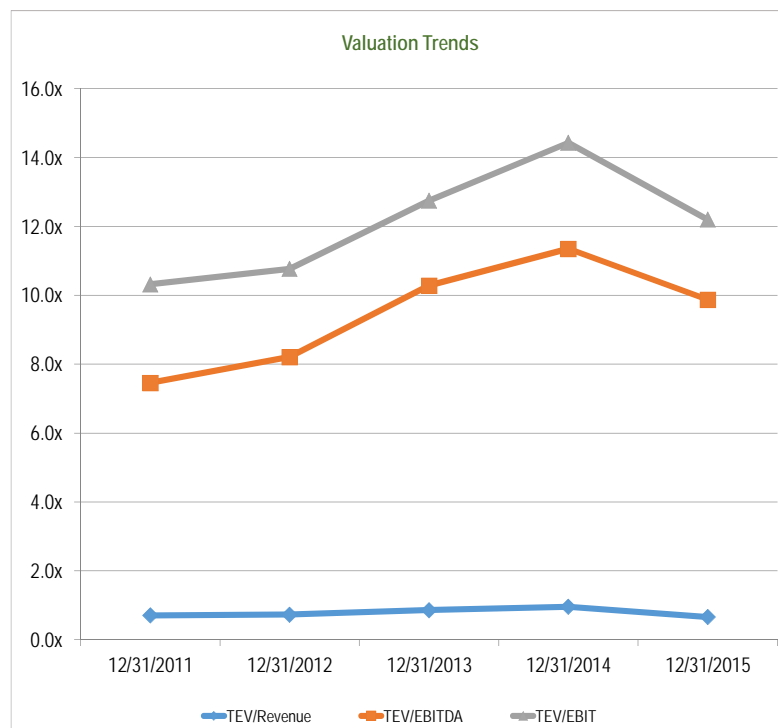
Retailing

4th Quarter 2015

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	12/31/2015 Trends	
Average	\$7,971	1.1x	13.7x	21.9x	TEV/Revenue	↓
Median	\$1,182	0.7x	9.9x	12.2x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	12/31/2015 Trends	
Average	38.1%	8.7%	5.8%	Gross Margin	↓
Median	36.4%	8.6%	5.8%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 1/26/2016 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.

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- 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

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- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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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/dounded dates only.

Glossary

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