



PCE Industry Report

Consumer Discretionary



Consumer Discretionary

Key Highlights

- The average value of the top ten transactions was \$51.3 mm
- The largest transaction was the acquisition of Norcraft Companies, Inc. by Fortune Brands Home & Supply for \$602 mm.
- The smallest transaction was the acquisition of DuBrook Concrete, Inc. by U.S. Concrete, Inc. for \$11.5 mm.
- The public company industry median TEV/EBIT multiple is 13.7x.
- The public company industry median TEV/EBITDA multiple is 9.3x.

Key Trends

- The Retailing subsector's transaction volume is trending positively, while the Automobiles & Components, Consumer Electronics & Home Furnishings, and Hotels, Restaurants, Leisure & Consumer Services subsector are trending negatively.
- The Hotels, Restaurants, Leisure & Consumer Services subsector's transaction volume was the largest at 59% of the industry over the past quarter.
- U.S. furniture and retail are experiencing buoyant M&A conditions and higher performance due to increases in consumers discretionary income.¹
- Although there has been concerns about international markets, the U.S. consumer outlook is positive as a result domestic job growth and a strong U.S. economy.²

Sources: ¹ *Furniture Industry Growth Continues to Outpace U.S. Economy*, (2015, October) Business Wire. Retrieved: October 15th, 2015. From: <http://www.businesswire.com/news/home/20151015005134/en/Furniture-Industry-Growth-Continues-Outpace-U.S.-Economy#.Vh-yOysRJyU>

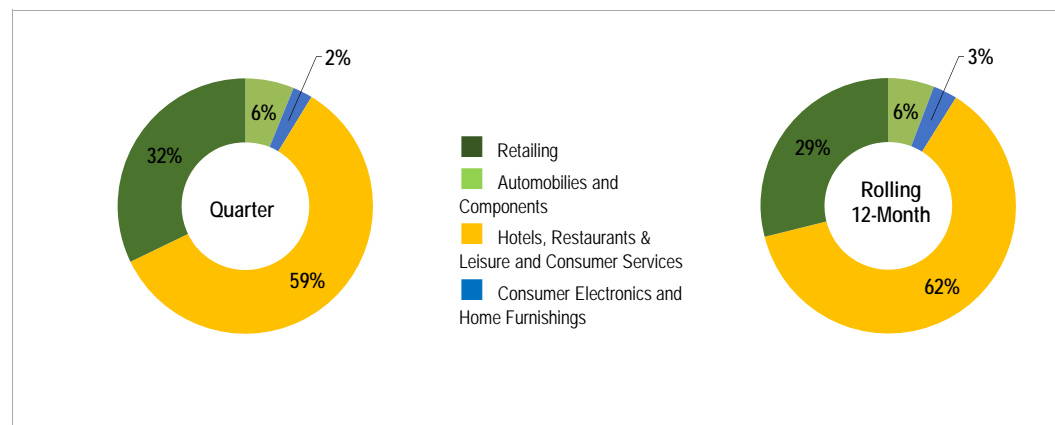
² *Slower Economic Growth Temporary as Consumers Start to Flex Muscles*, (2015, October) The Street. Retrieved: October 15, 2015. From: <http://www.thestreet.com/story/13322693/1/slower-economic-growth-temporary-as-consumers-start-to-flex-muscles.html>

Industry Trends During Quarter

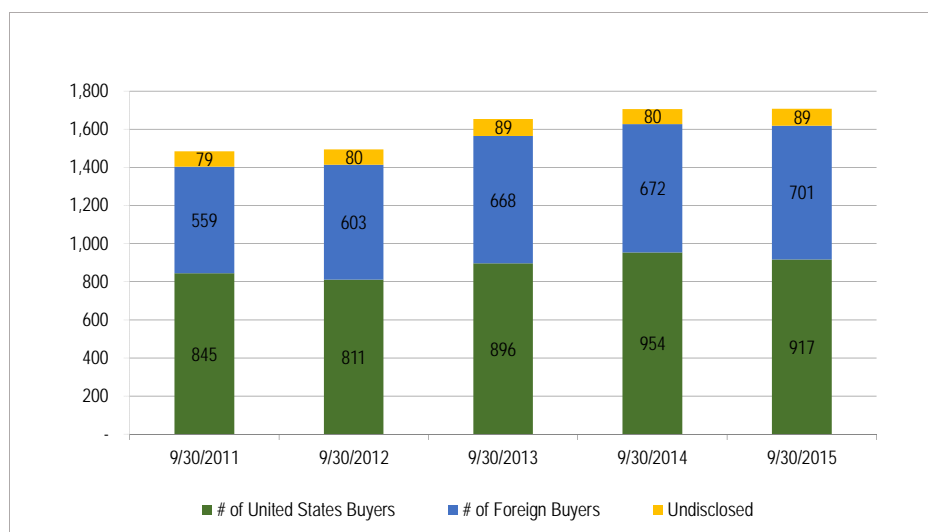
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Automobiles and Components	↓	→	↓
Consumer Electronics and Home Furnishings	↓	↑	↓
Hotels, Restaurants & Leisure and Consumer Services	↓	↑	↓
Retailing	↑	↓	↑

* 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 11/3/2015 and PCE Proprietary Data

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

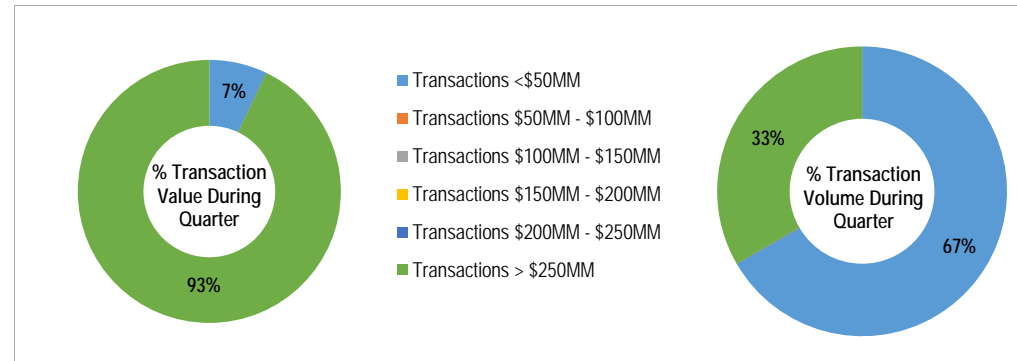
Sector	Target	Buyer	Transaction Value
Retailing	ANN INC.	Ascena Retail Group Inc.	\$2,206.1
Retailing	Orbitz Worldwide, Inc.	Expedia Inc.	\$1,880.1
Hotels, Restaurants, Leisure	The New York Palace Hotel	Hotel Lotte Co., Ltd.	\$805.0
Automobiles & Components	Henniges Automotive, Inc.	Bohai Harvest RST (Shanghai) Equity Investment Fund	\$600.0
Hotels, Restaurants, Leisure	Identifix, Inc.	Claims Services Group, Inc.	\$594.8
Retailing	Orchard Brands Corporation	Bluestem Brands, Inc.	\$410.0
Hotels, Restaurants, Leisure	Tropicana Las Vegas Hotel and Casino, Inc.	Penn National Gaming Inc.	\$360.0
Hotels, Restaurants, Leisure	RiverPlace Hotel, LLC and Canary Hotel Santa Barbara and Hotel	Xenia Hotels & Resorts, Inc.	\$245.0
Hotels, Restaurants, Leisure	Aurora Casket Company, Inc.	The York Group, Inc.	\$224.0

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

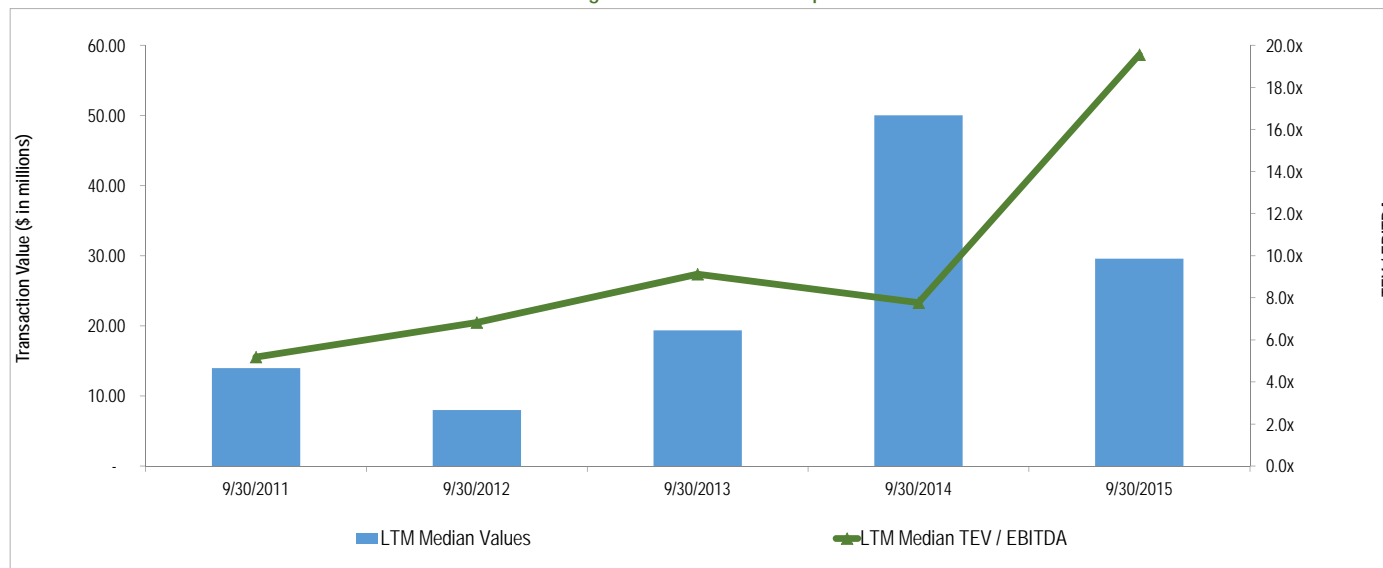
Transaction Volume	25
Number of Transactions with Disclosed Values	6
Transaction Value*	\$917.25
Average Transaction Value*	\$161.94
Median Transaction Value*	\$22.75

*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



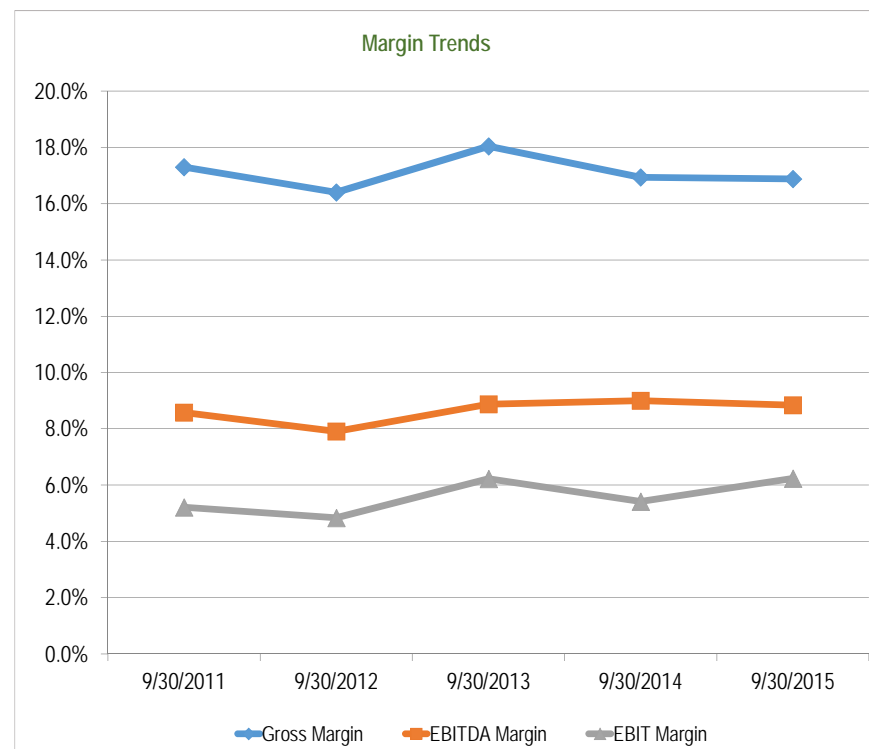
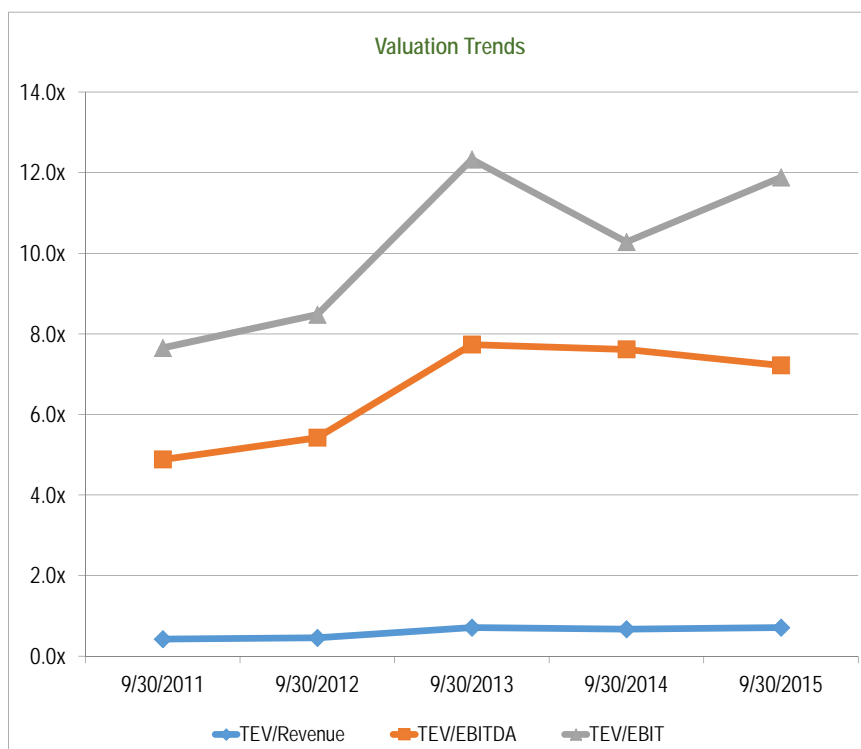
* Values and multiples may be skewed given data includes reported information only. While - 30% - 40% of transactions disclose values, only - 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	9/30/2015 Trends	
Average	\$6,184	1.2x	7.9x	12.4x	TEV/Revenue	↑
Median	\$1,285	0.7x	7.2x	11.9x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	9/30/2015 Trends	
Average	19.7%	3.7%	-0.5%	Gross Margin	↓
Median	16.9%	8.8%	6.2%	EBITDA Margin	↓
				EBIT Margin	↑



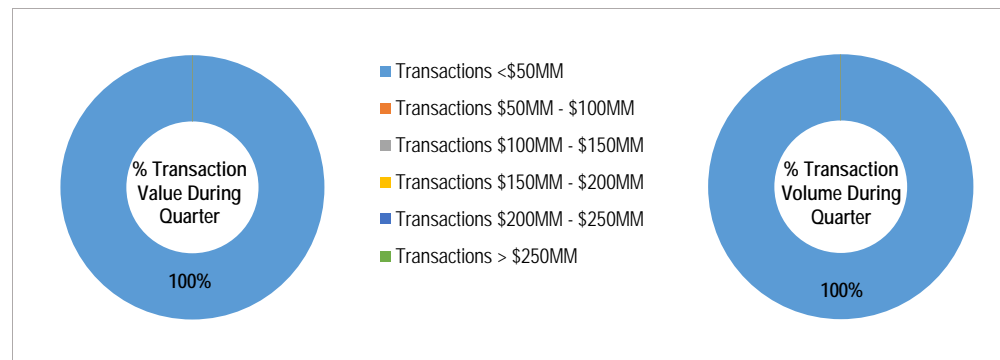
Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data

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

Transaction Volume	10
Number of Transactions with Disclosed Values	1
Transaction Value*	\$27.61
Average Transaction Value*	\$27.61
Median Transaction Value*	\$27.61

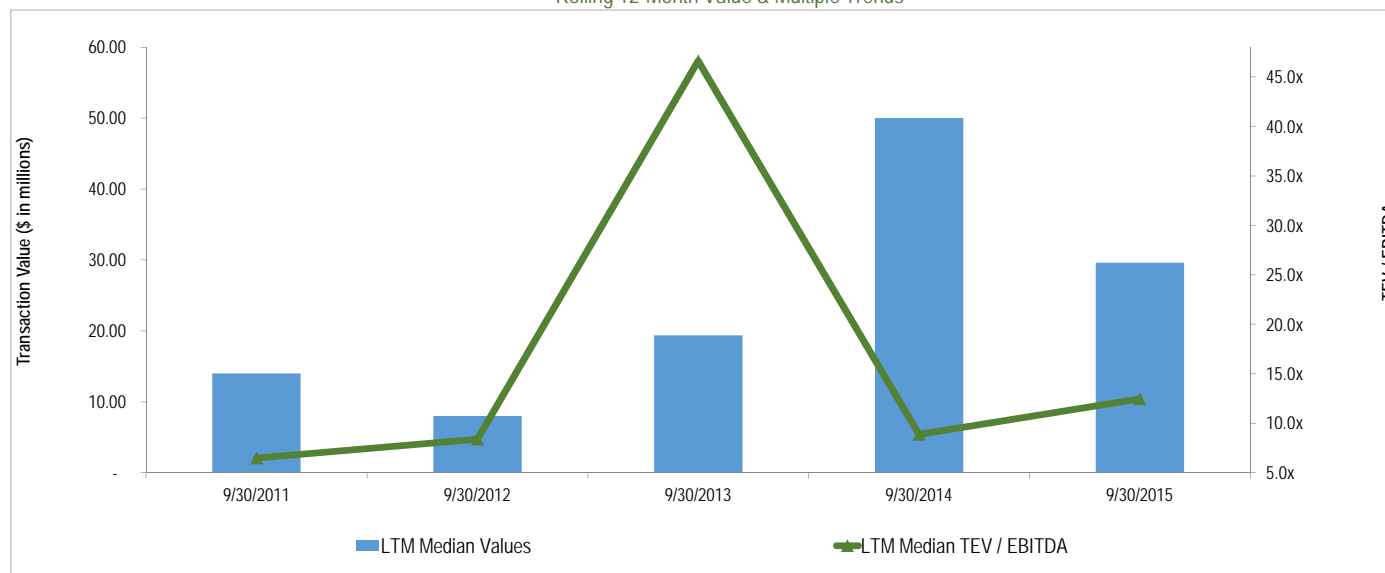
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Transactions by Value & Volume



Private Sector Value Trends

Rolling 12-Month Value & Multiple Trends



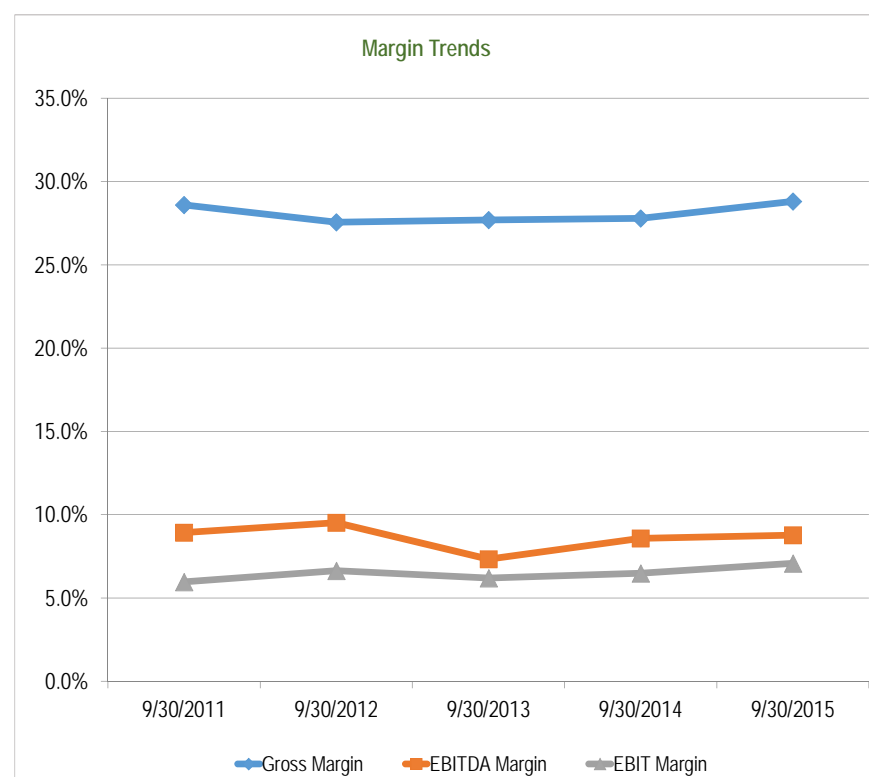
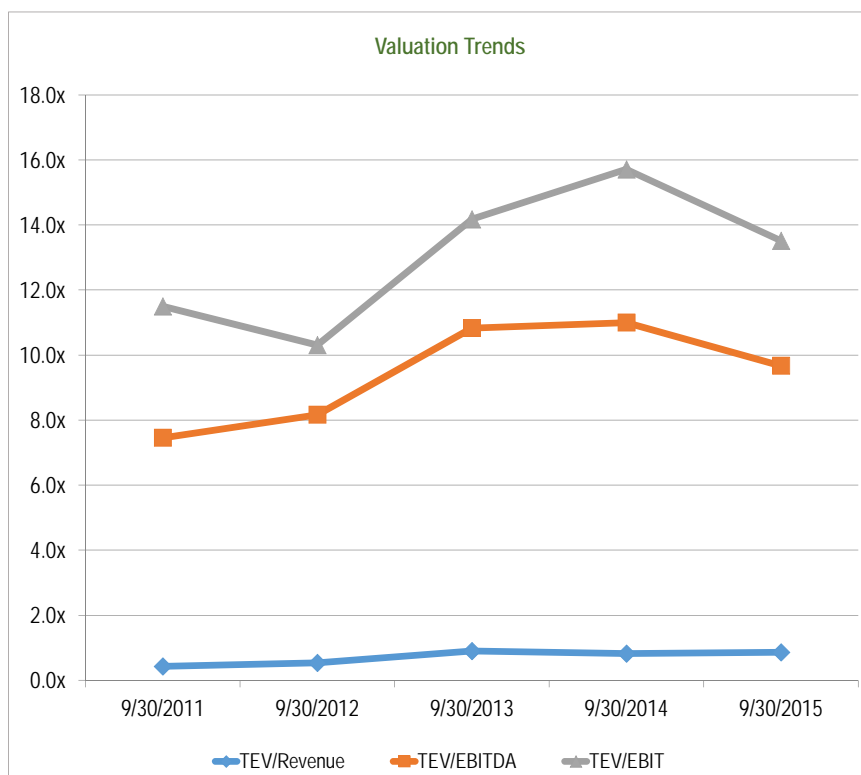
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Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,120	1.0x	10.9x	18.9x	TEV/Revenue	↑
Median	\$273	0.9x	9.7x	13.5x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	31.8%	7.5%	5.2%	Gross Margin	↑
Median	28.8%	8.8%	7.1%	EBITDA Margin	↑
				EBIT Margin	↑



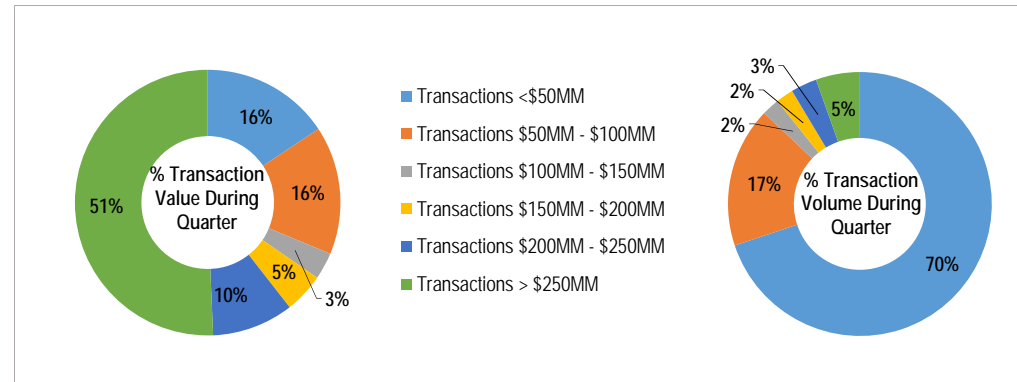
Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data

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

Transaction Volume	239
Number of Transactions with Disclosed Values	93
Transaction Value*	\$58.38
Average Transaction Value*	\$25.70
Median Transaction Value*	\$0.00

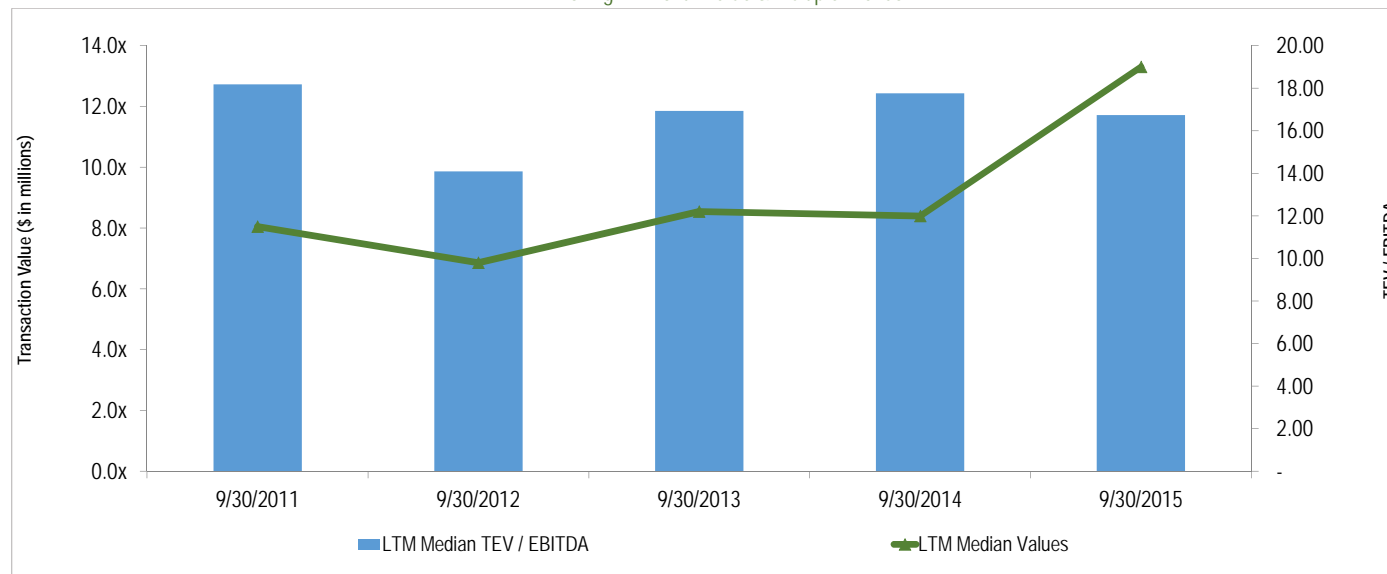
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



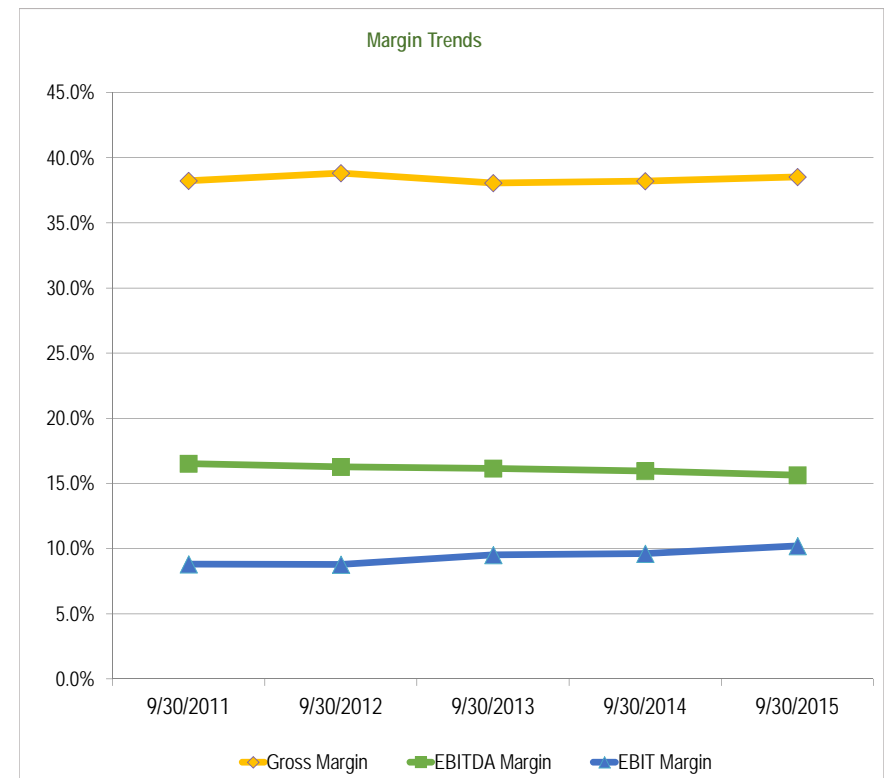
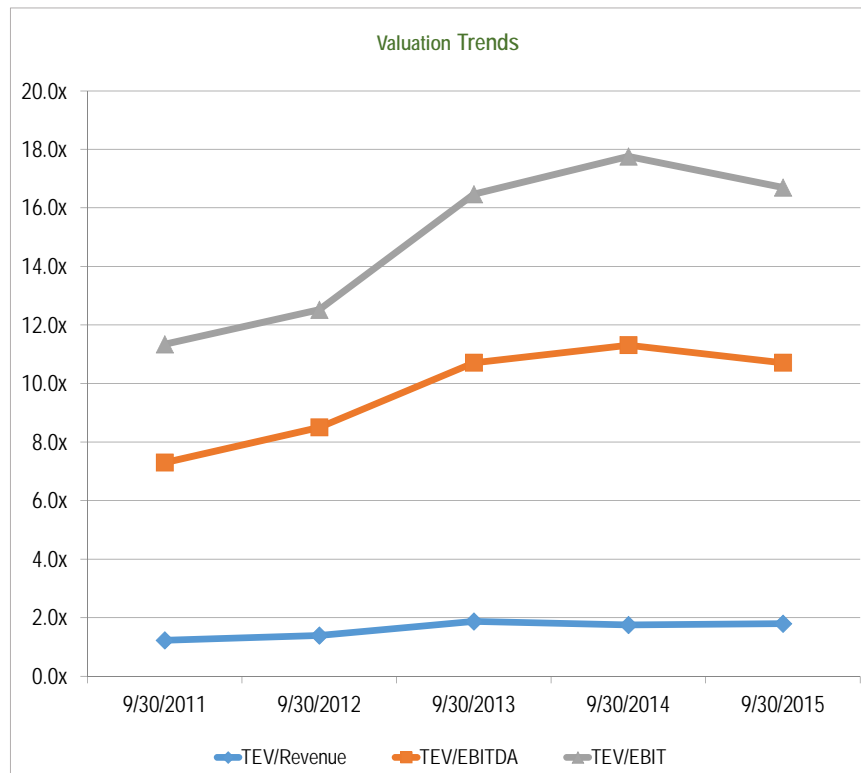
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Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	9/30/2015 Trends	
Average	\$3,890	2.2x	12.3x	22.9x	TEV/Revenue	↑
Median	\$745	1.8x	10.7x	16.7x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	9/30/2015 Trends	
Average	41.3%	16.4%	10.0%	Gross Margin	↑
Median	38.5%	15.6%	10.2%	EBITDA Margin	↓
				EBIT Margin	↑



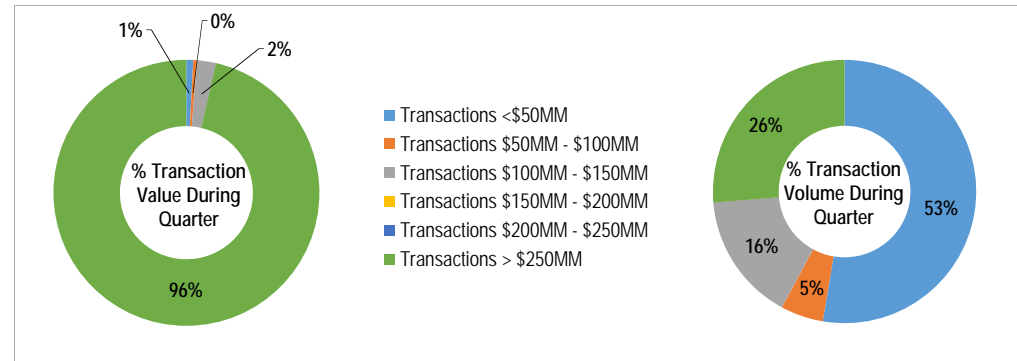
Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data

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

Transaction Volume	130
Number of Transactions with Disclosed Values	19
Transaction Value*	\$16,948.66
Average Transaction Value*	\$1,008.81
Median Transaction Value*	\$29.55

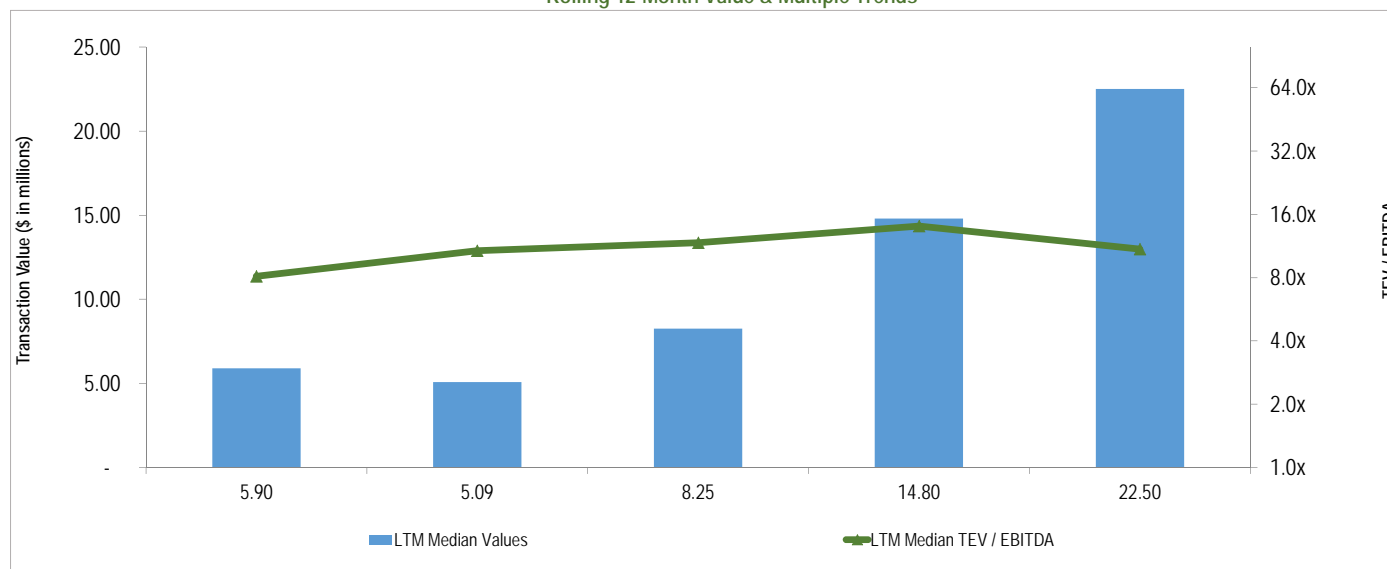
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Transactions by Value & Volume



Based on transactions with disclosed financial data only

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



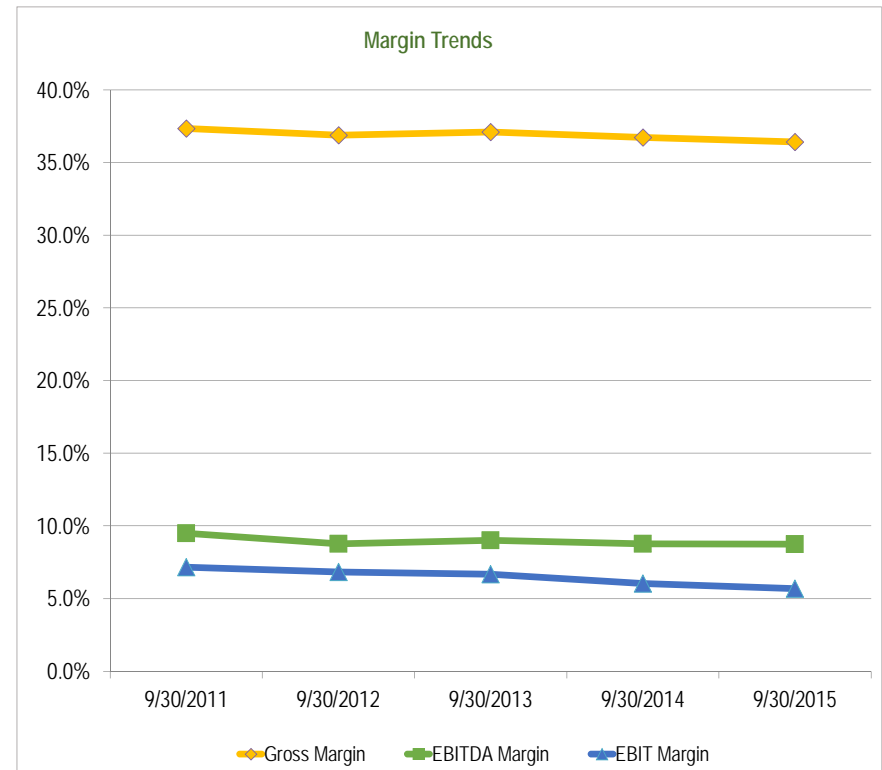
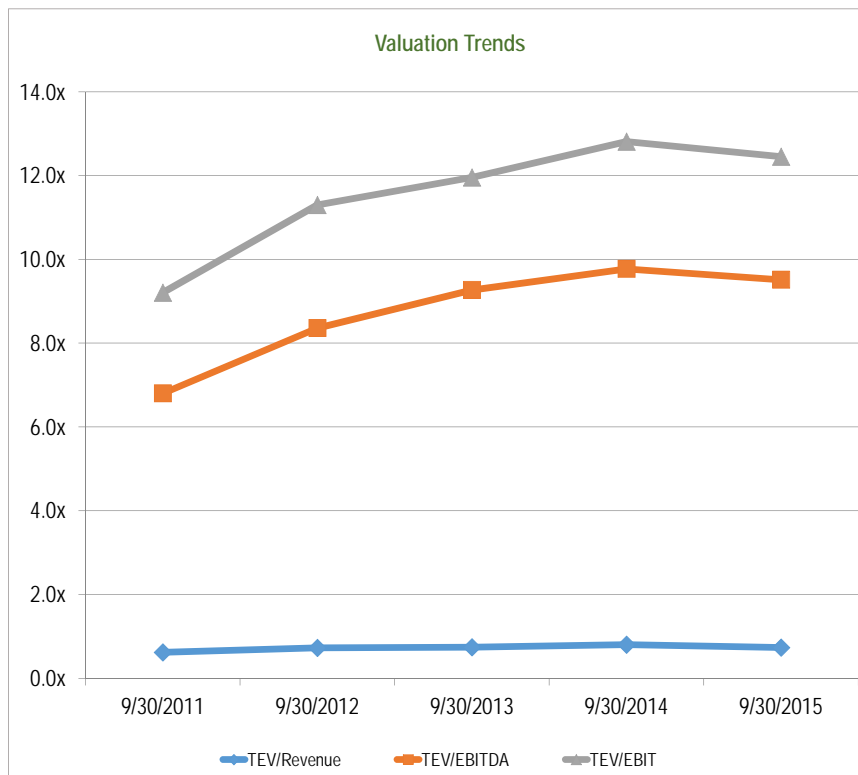
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Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$7,878	1.2x	16.6x	17.3x	TEV/Revenue	↓
Median	\$1,357	0.7x	9.5x	12.5x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	37.9%	8.8%	5.4%	Gross Margin	↓
Median	36.4%	8.7%	5.7%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 11/3/2015 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

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

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PCE Locations

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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/done dates only.

Glossary

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