

Specialty Retail: Hardlines

May 8, 2017

Seth Basham, CFA
(212) 938-9954
seth.basham@wedbush.com

Nathan Friedman
(212) 938-9955
nathan.friedman@wedbush.com

Advisor Call Takeaways: The Future of Online Furniture Sales - Implications for Wayfair and Others from Amazon's Recent Moves

- **The Wedbush View.** Precipitated by Amazon's recent move to allow third-party furniture vendors on its site to restrict geographic delivery areas, last week we hosted an Advisor Call with Carl Prindle, CEO of leading omnichannel furniture sales enabler Blueport Commerce, to discuss the future of online furniture sales. We conclude that even with more barriers than in furnishings, furniture sales are also shifting online but at a slower pace to date. Whether bricks and mortar furniture retailers build and leverage online capabilities before online retailers build the scale to more efficiently deliver furniture could determine the winners in this ~\$120b category. In contrast to Amazon, Wayfair is rapidly building furniture delivery infrastructure and working to overcome bricks-and-mortar showroom advantages with technology such as augmented reality, positioning the company very well for future, in our view.
- **Furniture is more difficult to sell online than furnishings (décor), giving incumbents' advantages—but most are not capitalizing.** Consumers have become very comfortable buying items such as lamps online in the ~\$150b home décor industry segment, and fulfillment is relatively easy through small parcel carriers such as UPS. In contrast, most consumers are still reluctant to buy large tactile furniture online such as a sofa without first trying it (therefore pricing needs to sharpen to drive online sales), and delivery costs via truck run in the hundreds of dollars (not to mention returns) without established infrastructure. Bricks and mortar furniture companies with established delivery infrastructure (~27% incremental margins on online sales inclusive of 1.5%-3.5% incremental delivery costs) therefore have advantages over online players, but they struggle in marketing, merchandising and selling online. Indeed, less than ~2/3 of the top 100 furniture retailers offer e-commerce, and the thousands of smaller furniture retailers do not have the ability to invest in meaningful omnichannel capabilities to translate a store's aspirational and personal shopping experience online. These smaller players are ceding share to consolidating larger bricks-and-mortar chains such as Art Van and Bob's Discount Furniture or online players such as Wayfair.
- **Wayfair stands out in décor and is becoming a more significant player in furniture.** Mr. Prindle lauded Wayfair's décor business as the best out there with its combination of merchandising, shipping and customer service. Even though this business focuses on non-branded items, with many vendors selling across multiple platforms, pricing is becoming more competitive, making exclusive products and scale critical. We believe that W's furniture business, the vast majority of the company's 25%+ mix of sales that are large parcel, is increasingly standing out as it scales. At ~\$800m, W sells about as much furniture as regional publicly traded players such as Haverty's (HVT) and Ethan Allen (ETH), giving the company the ability to command lower pricing and exclusive products from vendors. While regional furniture companies have better entrenched infrastructure with better delivery economies of scale and ability to provide more consistent service than W, we believe W is quickly catching up. The company had six last mile delivery centers at the end of 2016 and will have 15-20 at the end of 2017, covering ~60% of the U.S. population. In addition, while still in early stages, W is pioneering augmented reality (AR) and virtual reality (VR) tools to reduce the need for consumers to see and touch furniture in stores.
- **Some appeal to Amazon's new offer, but outlook uncertain.** It is too early to determine whether furniture retailers will increasingly sell on Amazon.com with the ability to restrict delivery areas, but this was one of two key barriers previously preventing many from doing so. Many may still feel threatened that Amazon will leverage data and learnings to eventually destroy their businesses as they did with other retailers, such as Borders.com. Indeed, Amazon has been increasingly active in the home furnishings category (e.g., permanent showrooms at wholesale vendor markets, testing Google PLAs, better merchandising and considering opening furniture and appliance showrooms according to the *New York Times*). Nonetheless, retailers may have a lot to gain if they drive incremental sales online and get a "second harvest," where a retailer's brand is prominently displayed on Amazon.com and lead consumers to visit their stores.
- **Free shipping on furniture likely more prevalent in the future.** While hard to pinpoint a timeframe, Mr. Prindle believes that, like furnishings, shipping on furniture (with minimum spend thresholds) will be free in the future. With established infrastructure, brick-and-mortar furniture companies have low incremental shipping costs and could leverage this advantage to offer free shipping (rather than simply promote low local delivery costs) as a differentiator, in our view. This hot-button buying criteria online shoppers has cultivated favor for Wayfair, which has consistently offered free shipping on orders over \$49, and led other specialty retailers to follow with no (BBBY) or lower/flat-rate shipping fees (WSM, RH, PIR) in the last year or two. These changes could weigh on retailer margins.
- **Strong finish to 1Q17 for furniture industry sales, 2Q17 off to a bit slower start.** Mr. Prindle remarked that sales growth for furniture retailers on the Blueport Commerce accelerated after Presidents Day, when delayed tax refunds hit and stayed strong through March and into mid-April. The later half of April and first week of May started a bit slower (but sales still increased y/y).

Wedbush Securities does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Please see page 14 of this report for analyst certification and important disclosure information.

Advisor biography. Carl Prindle provides Blueport with strategic and product leadership as the company enables furniture retailers to compete in ecommerce, solving the unique challenges they face selling online and unlocking groundbreaking omnichannel shopping experiences. Blueport Commerce is the leading Cloud ecommerce platform for furniture, used by the largest retailers in North America to run their omnichannel websites, provide better shopping experiences for their customers and drive sales online and in their stores. Prior to Blueport, Carl was SVP of Product Development for Furniture.com, a “pure play” furniture ecommerce site.. Carl later led the effort to purchase Furniture.com’s name and technology, looking to apply learnings from the dot-com boom to the \$100B bricks-and-mortar furniture industry. Notable furniture retailer clients of Blueport Commerce include the following: Levin Furniture –#7 on Home Furnishing Business’s *The Power 50*; concentrated in Cleveland/Pittsburgh, Value City Furniture – Midwestern-based, 60+ year history and The Brick – one of Canada’s largest retailers of home furnishings, mattresses, appliances and electronics.

The U.S. Home Goods Retail Market Is Very Large, with Online Growth Leading the Way

Figure 1: W Commands Only a Small Fraction of the Fragmented U.S. Home Goods Retail Market

United States, \$b	2013	2014	2015	2016	2017E	2018E	2019E	2020E
Industry Size	\$239.1	\$246.6	\$255.9	\$268.7	\$276.8	\$285.1	\$293.6	\$302.4
Growth	2.8%	3.2%	3.8%	5.0%	3.0%	3.0%	3.0%	3.0%
W U.S. Sales	\$0.9	\$1.2	\$2.1	\$3.1	\$3.8	\$4.9	\$6.0	\$7.0
W U.S. Sales Market Share	0.4%	0.5%	0.8%	1.2%	1.4%	1.7%	2.0%	2.3%

Source: Euromonitor, IBISWorld, comScore, Wedbush Securities, Inc. estimates

Figure 2: Online Home Goods Sales Should Increase at a Double Digit Pace, Driving Penetration to 13% in 2020

United States, \$b	2013	2014	2015	2016	2017E	2018E	2019E	2020E	5Y CAGR '15 - '20
Industry Size	\$239.1	\$246.6	\$255.9	\$268.7	\$276.8	\$285.1	\$293.6	\$302.4	3.4%
Growth	2.8%	3.2%	3.8%	5.0%	3.0%	3.0%	3.0%	3.0%	
Industry Online Penetration	6.5%	7.3%	8.1%	9.6%	10.6%	11.5%	12.2%	13.1%	
Industry Online Sales	\$15.6	\$18.0	\$20.73	\$25.8	\$29.4	\$32.6	\$35.9	\$39.5	13.8%
Growth	13.9%	15.2%	15.1%	24.5%	14.0%	11.0%	10.0%	10.0%	

Source: Euromonitor, IBISWorld, comScore, Wedbush Securities, Inc. estimates

Figure 3: Our 2017-2018 Sales Estimates for W Embed Improving Industry Sales Growth Capture Rates from 2016

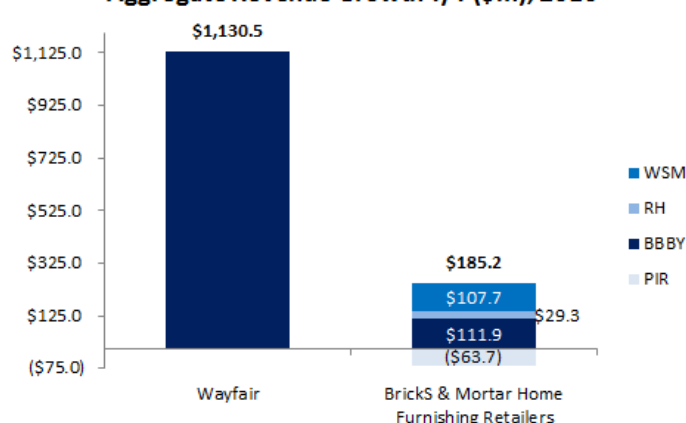
United States, \$b	2013	2014	2015	2016	2017E	2018E	2019E	2020E
U.S. Industry Online Sales	\$15.6	\$18.0	\$20.7	\$25.8	\$29.4	\$32.6	\$35.9	\$39.5
Growth %	13.9%	15.2%	15.1%	24.5%	14.0%	11.0%	10.0%	10.0%
Growth \$	\$1.9	\$2.4	\$2.7	\$5.1	\$3.6	\$3.2	\$3.3	\$3.6
W U.S. Sales	\$0.9	\$1.2	\$2.1	\$3.1	\$3.8	\$4.9	\$6.0	\$7.0
Growth %	57.9%	44.2%	72.7%	45.7%	22.6%	27.3%	23.9%	16.1%
Growth \$	\$0.3	\$0.4	\$0.9	\$1.0	\$0.7	\$1.0	\$1.2	\$1.0
W Share of U.S. Industry Online Sales Growth \$	16.5%	16.0%	33.1%	19.2%	19.4%	32.2%	35.6%	26.9%

Source: Euromonitor, IBISWorld, comScore, Wedbush Securities, Inc. estimates

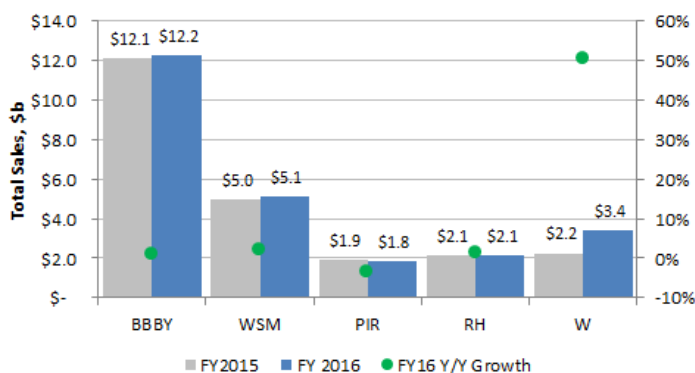
Wayfair's Growth Is Outpacing Specialty Retail Competitors

Figure 4: Wayfair Outgrew WSM, RH, BBBY and PIR Combined Figure 5: ...Helping Drive Wayfair's Annual Revenue Above PIR's and RH's

Aggregate Revenue Growth Y/Y (\$m), 2016



Home Furnishings Retailer FY15-16 Revenue & Y/Y Growth



Source: Company data, Wedbush Securities, Inc.

Source: Company data, Wedbush Securities, Inc.

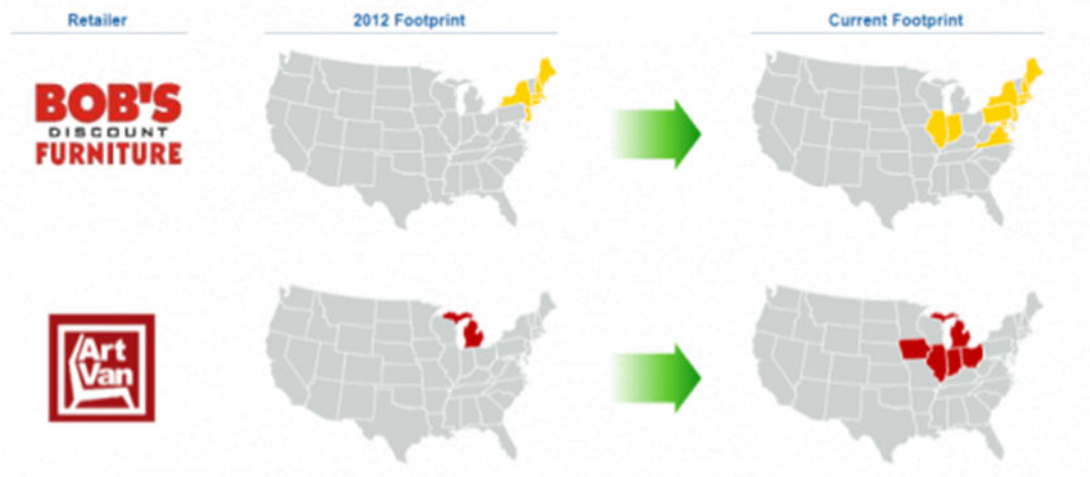
Private Equity Not Counting Out B&M Furniture as Signs of Consolidation Emerge

The top 100 U.S. furniture stores generated 80% of 2016 industry sales, up from 62% of industry sales represented by the top 100 in 2011, according to Furniture Today's Top 100 Furniture Stores of 2016.

Notable recent private equity transactions:

- Bain Capital acquired a controlling interest in Bob's Discount Furniture in a \$350m sponsor transaction (announced December 2013, closed February 2014).
- Thomas H. Lee acquired Art Van and its over 100 stores in five states for an undisclosed amount (March, 2017)
- Castle Island Partners acquired Boston Interiors (seven stores, ~\$50m annual sales, April, 2016)

Figure 6: Leading Privately Owned B&M Furniture Retailers Continue to Expand and Consolidate the Market

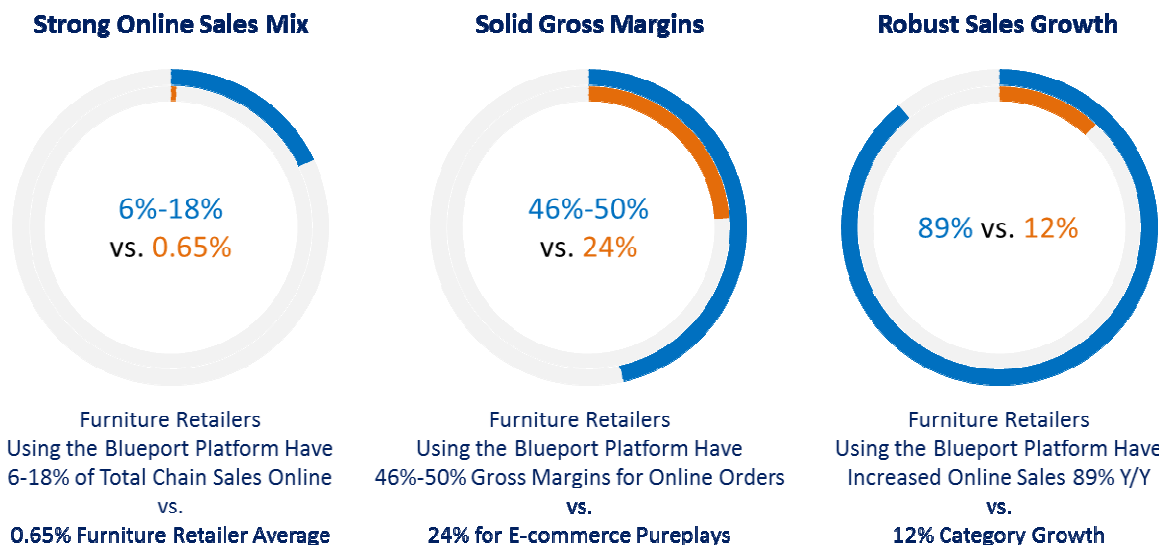


Source: Blueport Commerce, Wedbush Securities, Inc.

Online Sales for Furniture Retailers on Blueport Platform Appear Healthy.

90% of all furniture sales (both online and in-store) are influenced by interaction with the online channel across the Blueport Platform of retailers.

Figure 7: Furniture Retailers Using Blueport's Platform Have Outperformed vs. Industry



Source: Blueport Commerce, The Raise of E-Commerce in the Furniture Industry, July 18, 2016, Wayfair, Wedbush Securities, Inc.

Furniture Retailers with Well-Utilized Local Delivery Infrastructure Enjoy Significant Efficiencies that Drive High Incremental Margins for Online Sales

Figure 8: Select Home Furnishings Retailers Margin Comparison

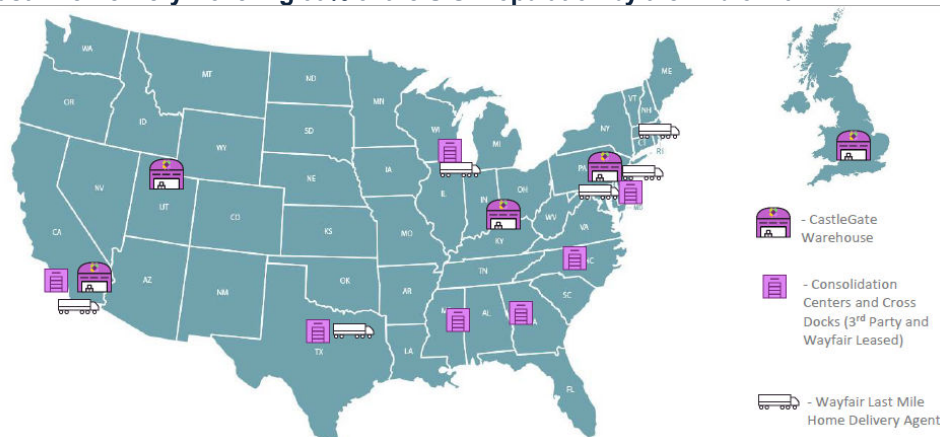
% of Net Sales					B&M Incremental Margin on Online Sales		
FY 2016	W	PIR	ETH	HVT	B&M*	Margin Explanation	Opportunities
Gross Merch Margin (GMM)	38%	57%	56%	54%	~49%	Scale with Manufacturers. Proprietary, big-ticket Product. Don't have to cut prices to get shoppers to buy unseen/un-sat on.	Could lower prices further, particularly for online-only items.
Fulfillment/Distribution	14%	3%	9%	9%	1.5-3.5%	Excess capacity makes variable cost for an incremental order very low.	Could reduce delivery charges to shoppers.
GM Including Fulfill/Dist	24%	54%	47%	45%			
Occupancy	1%	16%	4%	4%	1.0%	Little incremental expense, as growth leverages existing merchandising, marketing and service staff.	Costs will average quickly with online scale.
Other SG&A	16%	26%	28%	30%	13%		
Advertising	12%	6%	4%	5%	5% +	Known brands and stores attracts shoppers efficiently.	Opportunity to leverage low variable costs and "lean in" on digital advertising.
Total SG&A	28%	48%	36%	39%	~20%		
Operating Profit	-4%	4%	11%	5%	~27%		Significant margin that could be redeployed towards lower prices, free delivery and advertising.

Source: Company data, Wedbush Securities, Inc. estimates

Note: includes reported and Wedbush estimated/re-categorization of select line items. * Blueport Commerce estimates of bricks & mortar (B&M) retailer incremental costs of online sales.

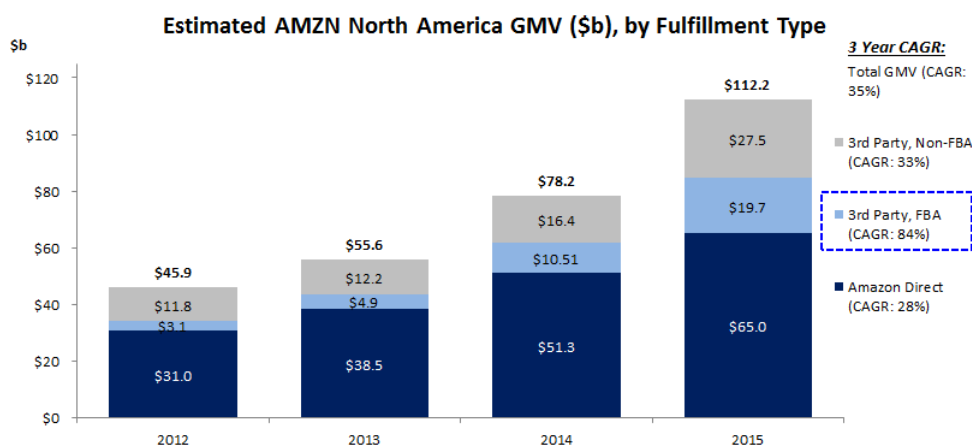
Wayfair Delivery Network (WDN) and CastleGate Are Differentiators in Small and Large Parcels

Figure 9: Wayfair CastleGate and Wayfair Delivery Network (WDN) Locations are Expected to Handle 90% of Middle-Mile Transportation with Last Mile Delivery Covering 60% of the U.S. Population by the End of 2017



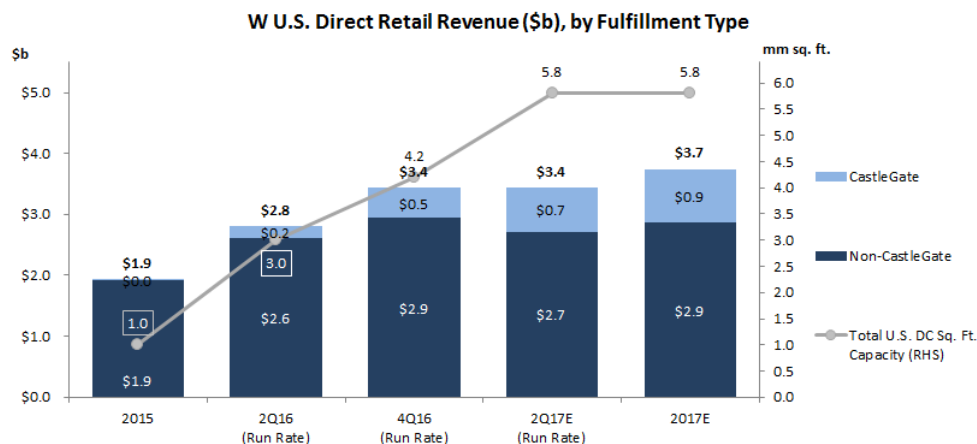
Source: Wayfair February 2017 Investor Presentation

Figure 10: Fulfilled by Amazon (FBA) Offering Has Been an Important Driver of AMZN's Growth...



Source: Company Data, Channel Advisor, Wedbush Securities, Inc. estimates

Figure 11: ...And Wayfair Is Aggressively Expanding Its CastleGate Fulfillment Capabilities, Potentially Supporting Faster Growth



Source: Company data, Wedbush Securities, Inc. estimates

Led by Wayfair, Furniture Shipping Charges Are Compressing, Following the Trend to Free Shipping in Furnishings

Figure 12: Furniture Shipping Charges for Select Retailers

Retailer	Ground/ Truck Delivery to Door	Room of Choice (Flat Rate)	White Glove Delivery (Flat Rate)	Notes
Wayfair	Free	\$49.99	\$119.99 includes assembly	
Pottery Barn	NA	NA	\$99-\$399, depending order size and proximity	Moved to flat rate delivery fee in 2016. \$99 local, \$199 regional, \$299 national on order < \$999; \$199 local, \$299 regional, \$399 national on order > \$999; Delivered to room of choice, simple assembly, inspected and all packing materials removed.
Pier1	NA	NA	\$169	Flat rate. Item(s) will be delivered to room of choice, assembled, inspected and all packing materials removed.
Bed Bath & Beyond	Free	\$20	\$40; Assembly: \$125-\$160 per item (3rd Party)	Recently moved to free delivery after testing in 2016. White glove only includes delivery to room of choice, unboxing, and removal of packing material. Shipping surcharges on over-sized or extremely heavy items may still apply, but items such as a \$700 sofa shipped with no additional charge.
Raymour & Flanigan	NA	NA	\$52.50-\$225, depending on order size and proximity	\$52.50 local, \$85 regional on order < \$750; \$105 local, \$170 regional on order \$750-\$4,000; \$160 local, \$225 regional on order > \$4,000

Source: Company data, Wedbush Securities, Inc.

Amazon Is Now Allowing Furniture Retailers on its Site the Ability to Restrict Geographic Delivery Areas

Figure 13: Amazon's New "Unified Delivery with Services" Offering Only in the Furniture Category

Criteria/ Fees	Amazon Prior Terms for Furniture Vendors	Amazon New "Unified Delivery with Services" Changes to Its Furniture Vendors Terms
Shipping Requirement	Required vendors to ship nationwide	Retailers will be able to choose the regions where they ship; nationwide no longer required for products weighting ≥ 50 lbs.
Listing	Furniture listed for sale nationwide	Retailers able to choose regions to list/ display furniture for sale using "geo-fencing tools"
Price Listing	Retailers set own prices with fixed delivery fees	Retailers set own prices that can change with delivery service levels (e.g., drop off at door, white glove)
Amazon Listing Fee	NA	Pro Merchant: \$39.99 monthly fee for an unlimited number of listings
+ Product Sales Fee	NA	+15% on product sales
+ Service Fee	NA	+ 20% on services

Retailers can choose to roll minimum delivery service charge into the product price, and offer one price to consumers at a 15% total fee to Amazon.

Source: Furniture Today, Amazon.com, Wedbush Securities, Inc.

Amazon Increased Its Presence at Wholesale Furniture Markets Including High Point and Las Vegas

Amazon now has permanent showrooms and staffing at leading furniture markets in order to recruit vendors to its selling platform.

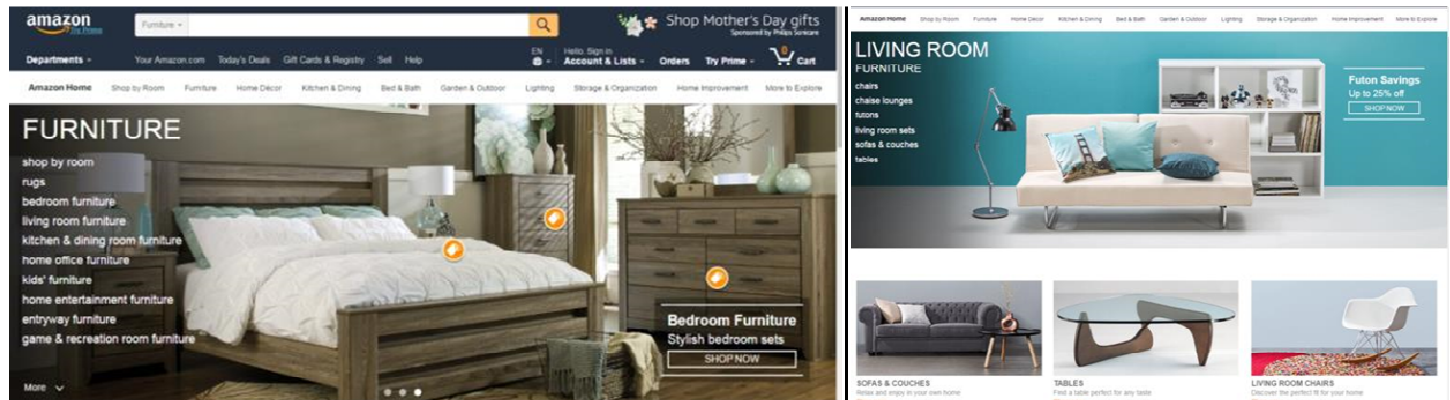
Figure 14: Amazon Touts Its Platform to Furniture/Furnishings Vendors



Source: Amazon brochures from 2017 Las Vegas Furniture Market

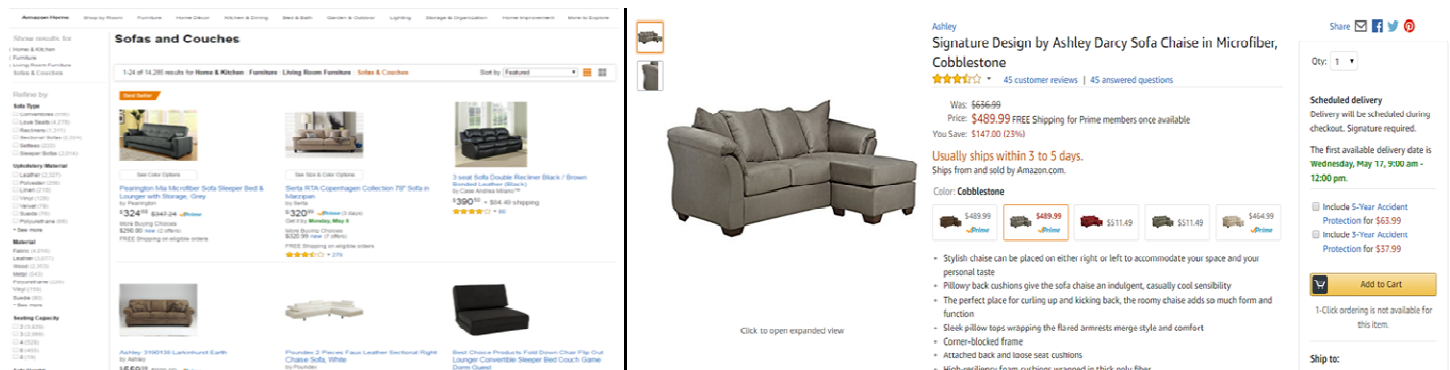
Amazon Has Improved its Visual Presentation at the Category and Sub-Category Level, but Product-Level Merchandising Remains Uninspiring

Figure 15: Amazon's Visual Merchandising Is Appealing at the Category and Sub-Category Level...



Source: Amazon.com, Wedbush Securities, Inc.

Figure 16: ...But Visuals, Product Information and Navigation are Uninspiring at the Product Level



Source: Amazon.com, Wedbush Securities, Inc.

Amazon Tested Home Goods on Google Product Listing Ads (PLAs) in Late 2016 – Early 2017, but Has Since Pulled Back in Non-Branded Products Core to the Category

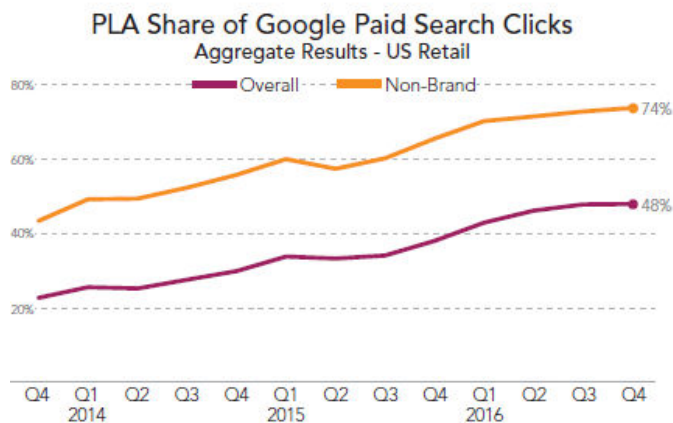
Figure 17: Amazon Became Aggressive in Google Shopping Product Listing Ads (PLAs) in Late 2016



Source: Company data, Wedbush Securities, Inc.

Figure 18: PLAs Represent the Fastest Growing and Largest Source of Product Search Ad Clicks on Google, Particularly for Non-Branded Keywords that Dominate in the Home Goods Category

Google PLA Traffic Share Rises, but Not for All Retailers



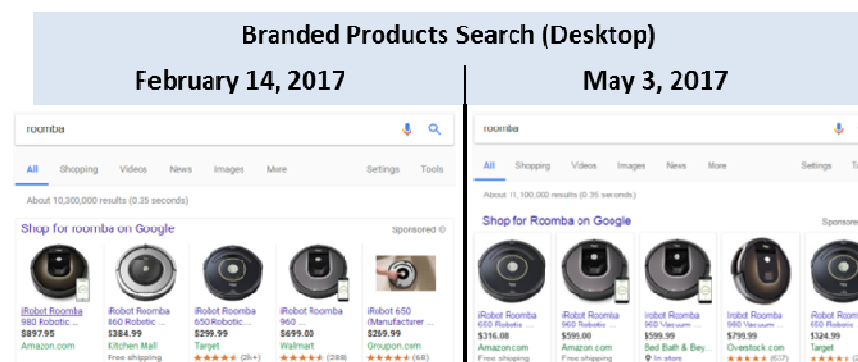
PLA share of retailers' total Google search ad clicks rose slightly to just under 48% in Q4 2016, but many advertisers saw text ads gain back some ground due to shifts in consumer search behavior during the holiday shopping season. Desktop text ads also exhibited relative strength in Q4, as advertisers moved spend from tablets to desktop after Google reintroduced the ability to segment desktop and tablet search ad bids in Q3.

Source: Company data, Wedbush Securities, Inc.

However, we believe Amazon likely pulled back on this late 2016 Google PLA test in recent months...

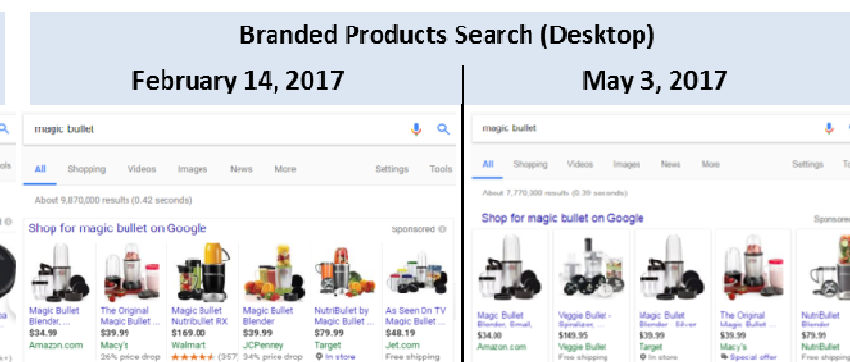
Amazon Did Not Rank Highly in PLA Searches for Non-Branded Products in February or May, but Continues to Appear in Branded Products Search Results

Figure 19: Amazon ranked #1 & #2 for “Roomba” in February and early May...



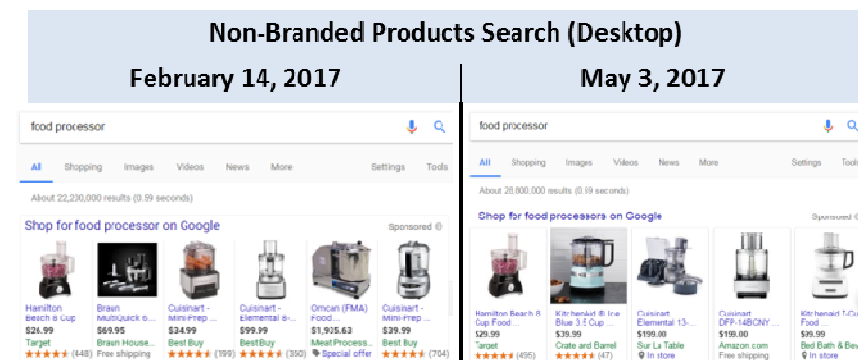
Source: Amazon.com, Wedbush Securities, Inc.

Figure 20: ...And Amazon ranked #1 for “Magic Bullet” in February and early May



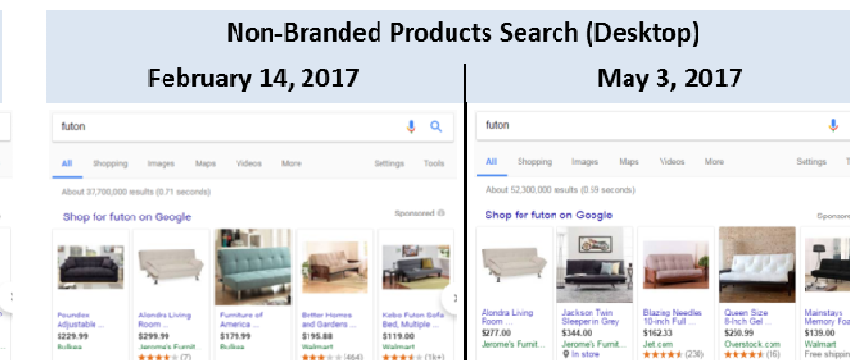
Source: Amazon.com, Wedbush Securities, Inc.

Figure 21: Amazon did not rank in PLA results for non-branded kitchen products in February or May...



Source: Amazon.com, Wedbush Securities, Inc.

Figure 22: ...And Amazon does not appear in non-branded in 17 non-branded furniture and appliance category terms we checked in both periods



Source: Amazon.com, Wedbush Securities, Inc.

Covered Public Companies Mentioned in This Report (as of 05/05/17)

COMPANY	TICKER	RATING	PRICE	PRICE TARGET
Bed Bath & Beyond	BBBY	NEUTRAL	\$37.34	\$38
Home Depot	HD	NEUTRAL	\$155.73	\$155
Williams-Sonoma	WSM	NEUTRAL	\$53.62	\$48
Pier 1 Imports	PIR	NEUTRAL	\$6.81	\$8
Amazon.com	AMZN	OUTPERFORM	\$934.15	\$1,250

Analyst Certification

I, Seth Basham, CFA, Nathan Friedman, certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

Disclosure information regarding historical ratings and price targets is available at <http://www.wedbush.com/ResearchDisclosure/DisclosureQ117.pdf>

Investment Rating System:

Outperform: Expect the total return of the stock to outperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

Neutral: Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

Underperform: Expect the total return of the stock to underperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

The Investment Ratings are based on the expected performance of a stock (based on anticipated total return to price target) relative to the other stocks in the analyst's coverage universe (or the analyst's team coverage).*

Rating Distribution (as of March 31, 2017)	Investment Banking Relationships (as of March 31, 2017)
Outperform: 53%	Outperform: 14%
Neutral: 43%	Neutral: 0%
Underperform: 3%	Underperform: 0%

The Distribution of Ratings is required by FINRA rules; however, WS' stock ratings of Outperform, Neutral, and Underperform most closely conform to Buy, Hold, and Sell, respectively. Please note, however, the definitions are not the same as WS' stock ratings are on a relative basis.

The analysts responsible for preparing research reports do not receive compensation based on specific investment banking activity. The analysts receive compensation that is based upon various factors including WS' total revenues, a portion of which are generated by WS' investment banking activities.

Wedbush Equity Research Disclosures as of May 8, 2017

Company	Disclosure
Wayfair, Inc.	1
Amazon.com	1
Bed Bath & Beyond	1
Pier 1 Imports	1
Williams-Sonoma	1

Research Disclosure Legend

1. WS makes a market in the securities of the subject company.
2. WS managed a public offering of securities within the last 12 months.
3. WS co-managed a public offering of securities within the last 12 months.
4. WS has received compensation for investment banking services within the last 12 months.
5. WS provided investment banking services within the last 12 months.
6. WS is acting as financial advisor.
7. WS expects to receive compensation for investment banking services within the next 3 months.
8. WS provided non-investment banking securities-related services within the past 12 months.
9. WS has received compensation for products and services other than investment banking services within the past 12 months.
10. The research analyst, a member of the research analyst's household, any associate of the research analyst, or any individual directly involved in the preparation of this report has a long position in the common stocks.
11. WS or one of its affiliates beneficially own 1% or more of the common equity securities.
12. The analyst maintains Contingent Value Rights that enables him/her to receive payments of cash upon the company's meeting certain clinical and regulatory milestones.

Price Charts

Wedbush disclosure price charts are updated within the first fifteen days of each new calendar quarter per FINRA regulations. Price charts for companies initiated upon in the current quarter, and rating and target price changes occurring in the current quarter, will not be displayed until the following quarter. Additional information on recommended securities is available on request.

AMZN

1) 04/20/15 NEUTRAL \$395	2) 04/24/15 NEUTRAL \$435	3) 07/20/15 OUTPERFORM \$575	4) 07/24/15 OUTPERFORM \$700	5) 04/29/16 OUTPERFORM \$775	6) 07/25/16 OUTPERFORM \$835
7) 07/29/16 OUTPERFORM \$900					



BBBY

1) 06/26/14 NEUTRAL \$58	2) 07/16/14 NEUTRAL \$62	3) 01/05/15 NEUTRAL \$80	4) 04/09/15 NEUTRAL \$70	5) 09/25/15 NEUTRAL \$62	6) 12/23/15 NEUTRAL \$48	7) 01/08/16 NEUTRAL \$46	8) 06/23/16 NEUTRAL \$42
-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------



PIR

1) 04/10/14 OUTPERFORM \$21	2) 06/19/14 OUTPERFORM \$20	3) 09/30/14 NEUTRAL \$13	4) 12/10/14 NEUTRAL \$14.50	5) 12/19/14 NEUTRAL \$16	6) 02/11/15 NEUTRAL \$13.50	7) 04/09/15 OUTPERFORM \$16	
8) 06/01/15 NEUTRAL \$12	9) 09/02/15 NEUTRAL \$9.50	10) 09/25/15 NEUTRAL \$8	11) 12/17/15 NEUTRAL \$4	12) 03/07/16 NEUTRAL \$6	13) 06/30/16 NEUTRAL \$5	14) 09/08/16 NEUTRAL \$4	15) 12/15/16 NEUTRAL \$8



W

1) 10/09/14	2) 08/13/15	3) 02/26/16	4) 08/10/16	5) 11/08/16	6) 02/15/17
OUTPERFORM \$40	OUTPERFORM \$55	OUTPERFORM \$60	OUTPERFORM \$55	OUTPERFORM \$40	OUTPERFORM \$45



WSM

1) 05/22/14	2) 09/02/14	3) 11/25/14	4) 06/15/15	5) 11/17/15	6) 01/11/16	7) 05/16/16	8) 03/06/17
NEUTRAL \$63	NEUTRAL \$70	NEUTRAL \$80	OUTPERFORM \$92	OUTPERFORM \$70	NEUTRAL \$54	NEUTRAL \$53	NEUTRAL \$48



* WS changed its rating system from (Strong Buy/Buy/Hold/Sell) to (Outperform/ Neutral/Underperform) on July 14, 2009. Please access the attached hyperlink for WS' Coverage Universe: <http://www.wedbush.com/services/cmgequities-division/research/equity-research> Applicable disclosure information is also available upon request by contacting James Kim in the Research Department at (213) 688-4380, by email to James.Kim@wedbush.com, or the Business Conduct Department at (213) 688-8090. You may also submit a written request to the following: Business Conduct Department, 1000 Wilshire Blvd., Los Angeles, CA 90017.

OTHER DISCLOSURES

RESEARCH DEPT. * (213) 688-4380 * www.wedbush.com

EQUITY TRADING Los Angeles (213) 688-4470 / (800) 421-0178 * EQUITY SALES Los Angeles (800) 444-8076

CORPORATE HEADQUARTERS (213) 688-8000

The information herein is based on sources that we consider reliable, but its accuracy is not guaranteed. The information contained herein is not a representation by this corporation, nor is any recommendation made herein based on any privileged information. This information is not intended to be nor should it be relied upon as a complete record or analysis; neither is it an offer nor a solicitation of an offer to sell or buy any security mentioned herein. This firm, Wedbush Securities, its officers, employees, and members of their families, or any one or more of them, and its discretionary and advisory accounts, may have a position in any security discussed herein or in related securities and may make, from time to time, purchases or sales thereof in the open market or otherwise. The information and expressions of opinion contained herein are subject to change without further notice. The herein mentioned securities may be sold to or bought from customers on a principal basis by this firm. Additional information with respect to the information contained herein may be obtained upon request.



EQUITY RESEARCH DEPARTMENT

DIRECTOR OF RESEARCH

Jesse Bigelow (212) 259-6581

RETAIL AND CONSUMER

Food and Beverage

Colin Radke, CFA (213) 688-6624

Footwear and Apparel

Christopher Svezia (212) 938-9922

Homebuilders

Jay McCanless (212) 833-1381

Leisure

James Hardiman, CFA CPA (212) 833-1362

Sean Wagner (212) 833-1363

Restaurants

Nick Setyan (213) 688-4519

Colin Radke, CFA (213) 688-6624

Specialty Retail: Hardlines

Seth Basham, CFA (212) 938-9954

Nathan Friedman (212) 938-9955

TECHNOLOGY, INTERNET AND MEDIA

Business Services/IT Services/Payments

Moshe Katri (212) 938-9947

Ariel Hughes (212) 833-1373

Consumer Entertainment Products

Nick McKay (213) 688-4343

Michael Pachter (213) 688-4474

Alicia Reese (212) 938-9927

Matthew Breda (213) 688-4480

Enterprise Software

Steve Koenig (415) 274-6801

Entertainment: Retail/Entertainment: Software

Michael Pachter (213) 688-4474

Nick McKay (213) 688-4343

Alicia Reese (212) 938-9927

Matthew Breda (213) 688-4480

Internet: eCommerce

Aaron Turner (213) 688-4429

Amir Chaudhri (213) 688-4538

Internet: Media and Gaming

Internet: Social Media, Advertising and Technology

Michael Pachter (213) 688-4474

Nick McKay (213) 688-4343

Alicia Reese (212) 938-9927

Matthew Breda (213) 688-4480

Movies and Entertainment

Michael Pachter (213) 688-4474

Alicia Reese (212) 938-9927

Nick McKay (213) 688-4343

Matthew Breda (213) 688-4480

HEALTHCARE

Biotechnology/Biopharmaceuticals

David M. Nierengarten, Ph.D. (415) 274-6862

Dilip Joseph (415) 273-7308

Robert Driscoll, Ph.D. (415) 274-6863

Emerging Pharmaceuticals

Liana Moussatos, Ph.D. (415) 263-6626

Kelechi Chikere, Ph.D. (415) 273-7304

Medical Devices

Tao Levy (212) 938-9948

Na Sun (212) 938-9953

FINANCIAL INSTITUTIONS

Real Estate Finance and Services

Jason Weaver, CFA (212) 833-1383

Regional Banks/Texas Banks

Peter J. Winter (212) 938-9942

David J. Chiaverini, CFA (212) 938-9934

Yi Fu Lee, CFA, CPA (212) 938-9925

Specialty Finance

Henry J. Coffey Jr., CFA (212) 833-1382

EQUITY SALES

Los Angeles (213) 688-4470 / (800) 444-8076

San Francisco (415) 274-6800

New York (212) 938-9931

Boston (617) 832-3700

Minneapolis (213) 688-6671

Chicago (213) 688-4418

EQUITY TRADING

Los Angeles (213) 688-4470 / (800) 421-0178

San Francisco (415) 274-6811

New York (212) 938-9923

Boston (617) 832-3700

Milwaukee (213) 688-4475

CORPORATE HEADQUARTERS

1000 Wilshire Blvd., Los Angeles, CA 90017-2465

Tel: (213) 688-8000 www.wedbush.com