

A black and white photograph of the Charging Bull statue in New York City. The statue is a large, muscular bull with its head lowered and horns pointing upwards, standing on a cobblestone sidewalk. In the background, tall city buildings line the street, and an American flag is visible on a pole. A blue semi-transparent banner is overlaid on the left side of the image, containing the title and date.

# The Furniture Retail Industry

*The Wall Street View*

December 2016

# Agenda

---

## **I. Introduction**

## **II. Wall Street Basics**

- What We Do on Wall Street
  - Wall Street Activity in the Furniture Retail Industry
  - Valuation – At the Center of It All

## **III. Key Issues Impacting the Furniture Sector**

- Favorable Economic Environment
  - Impact of Election
  - Cyclical Industry
- Large, Fragmented Industry
  - Consolidation Opportunity
- E-Commerce Gaining Share
- Value and Lifestyle Gaining Share

## **IV. What can We Learn From Public Data**

## **V. Furniture Manufacturers / Mattress Retailers and Manufacturers**

## **VI. Choosing an Advisor**

## Who is Noam Cohen?



### Noam Cohen

Managing Director,  
Retail Investment Banking

*noam.cohen@rbccm.com*  
(212) 618-7524

- Managing director at RBC Capital Markets; has led firm's coverage efforts in furniture retail sector since 2012
- Investment banker for 30 years with focus on the consumer/retail sectors for the past 25 years
  - Majority of career spent at RBC, Merrill Lynch, Bank of America and Lehman Brothers
  - Has held various leadership roles, including Head of Hardlines Retail coverage at Merrill Lynch and Head of Food and Hardlines Retail coverage at Bank of America
- Has completed numerous M&A and financing transactions for retailers throughout career. Key clients include
  - Home-related retail: Bob's Discount Furniture, Lowe's, Bed Bath & Beyond, Z Gallerie, Serta Simmons, Home Depot, Williams Sonoma and Pier 1
  - Broader retail/consumer: PetSmart, Petco, Kroger, Albertson's, The Fresh Market, Publix, GNC, Target, Sears, CSK Auto, Adidas, Dick's Sporting Goods, Cabela's, Office Depot, Best Buy, Claire's, Hudson's Bay, Guitar Center, CST Brands, Dollar Tree, and many more
  - Private Equity: Bain, Apollo, CVC, CPP, Advent, BC Partners, Leonard Green and Sycamore among others
- BSE from The University of Pennsylvania and JD/MBA from The University of Pennsylvania's Law School and The Wharton School

### Representative Clients












Z GALLERIE

BOB'S DISCOUNT FURNITURE

WILLIAMS-SONOMA



## Continued Momentum with Marquee Transaction in Retail Investment Banking

 <p><b>\$5,500 million</b></p> <p><b>Senior Secured Facilities</b></p> <p>Supporting the acquisition by:</p>   <p>Joint Lead Arranger Joint Bookrunner November 2006</p>	 <p><b>\$535 million</b></p> <p><b>Sale of MAPCO Express to COPEC Inc.</b></p> <p>Financial Advisor November 2016</p>	  <p><b>\$2,175 million</b></p> <p><b>ABL + 1<sup>st</sup> Lien Term Loan</b></p> <p><b>\$450 million</b></p> <p><b>2<sup>nd</sup> Lien Term Loan</b></p> <p>Refinancing / Dividend</p> <p>Joint Lead Arranger &amp; Joint Bookrunner October 2016</p>	 <p><b>\$85 million</b></p> <p><b>1<sup>st</sup> Lien Term Loan</b></p> <p>Joint Bookrunner June 2016</p>	 <p><b>\$310 million</b></p> <p><b>Follow-on Offering</b></p> <p>Financial Advisor May 2016</p>	 <p><b>\$2.3 billion</b></p> <p><b>Acquisition of RONA</b></p>  <p>Financial Advisor April 2016</p>	 <p><b>\$1.36 billion</b></p> <p><b>Acquisition of The Fresh Market</b></p>  <p>Financial Advisor April 2016</p>	 <p><b>\$900 million</b></p> <p><b>Revolver and Bridge to Senior Notes</b></p> <p>Supporting the acquisition by:</p>  <p>Joint Bookrunner April 2016</p>
 <p><b>\$155 million</b></p> <p><b>Follow-on Offering</b></p> <p>Joint Bookrunner February 2016</p>	 <p><b>\$425 million</b></p> <p><b>Acquisition of Flash Foods</b></p>  <p>Financial Advisor February 2016</p>	 <p><b>\$1.1 billion</b></p> <p><b>Senior Notes</b></p> <p>Joint Bookrunner January 2016</p>	 <p><b>\$3.75 billion</b></p> <p><b>Revolver Term Loan B Senior Notes</b></p> <p>Supporting the acquisition by</p>   <p>Joint Lead Arranger Joint Bookrunner January 2016</p>	 <p><b>\$1.5 billion</b></p> <p><b>Term Loan B</b></p> <p>Supporting the acquisition by</p>  <p>Joint Bookrunner December 2015</p>	 <p><b>\$319 million</b></p> <p><b>Acquisition of 71 A&amp;P Stores</b></p>  <p>Financial Advisor November 2015</p>	 <p><b>\$1.1 billion</b></p> <p><b>Term Loan B</b></p> <p>Supporting the acquisition of</p>  <p>Joint Bookrunner August 2015</p>	 <p><b>\$11.4 billion</b></p> <p><b>Revolver, Term Loan B &amp; Senior Notes</b></p> <p>Supporting the acquisition of</p>  <p>Joint Bookrunner July 2015</p>
 <p><b>\$164 million</b></p> <p><b>Initial Public Offering</b></p> <p>Joint Bookrunner July 2015</p>	 <p><b>\$8.7 billion</b></p> <p><b>Revolver, Term Loan B &amp; Senior Notes</b></p> <p>Supporting the acquisition by</p>  <p>Joint Lead Arranger &amp; Joint Bookrunner March 2015</p>	 <p><b>\$340 million</b></p> <p><b>Sale of U.S. Automotive Parts Distribution Business to Icahn Enterprises L.P.</b></p>  <p>Financial Advisor February 2015</p>	 <p><b>\$1.5 billion</b></p> <p><b>Senior Notes</b></p> <p>Co-Manager July 2014</p>	 <p><b>\$615 million</b></p> <p><b>Senior Secured Notes</b></p> <p><b>\$325 million</b></p> <p><b>Senior Unsecured Notes</b></p> <p>Joint Bookrunner April 2014</p>	 <p><b>Undisclosed</b></p> <p><b>Acquisition of Bob's Discount Furniture</b></p>  <p>Financial Advisor February 2014</p>	 <p><b>\$300 million</b></p> <p><b>ABL Revolver, 1st Lien &amp; 2nd Lien Term Loan</b></p> <p>Supporting the acquisition by</p>  <p>Lead Left Bookrunner February 2014</p>	 <p><b>\$2.9 billion</b></p> <p><b>Acquisition of Saks Incorporated</b></p>  <p>Financial Advisor November 2013</p>

## ...Which have led to Strong Market Share Gains

Ranked by total retail investment banking fees

2014			2015			YTD September 2016		
Rank	Company	% Share of Fee Wallet	Rank	Company	% Share of Fee Wallet	Rank	Company	% Share of Fee Wallet
1	Bank of America	16.5%	1	Bank of America	12.4%	1	JPMorgan	11.2%
2	JPMorgan	11.8%	2	JPMorgan	11.8%	2	Goldman Sachs	10.7%
3	Goldman Sachs	8.7%	3	Goldman Sachs	10.0%	3	Barclays	9.9%
4	Wells Fargo	6.5%	4	Barclays	9.1%	4	Bank of America	9.3%
5	Credit Suisse	6.1%	5	Wells Fargo	7.1%	5	RBC	5.4%
6	Barclays	5.9%	6	Citi	5.3%	6	Wells Fargo	5.3%
7	Morgan Stanley	5.3%	7	Morgan Stanley	4.2%	7	Credit Suisse	4.9%
8	Citi	5.1%	8	RBC	3.8%	8	Citi	3.8%
9	Jefferies LLC	4.1%	9	Deutsche Bank	3.2%	9	Morgan Stanley	2.3%
10	Deutsche Bank	3.8%	10	Jefferies LLC	2.8%	10	Jefferies	2.1%
11	HSBC	1.7%	11	Credit Suisse	2.6%	11	CPPIB	1.9%
12	RBC	1.5%	12	Nomura	1.9%	12	HSBC	1.7%
13	Financo Inc	1.4%	13	US Bancorp	1.9%	13	Macquarie Group	1.7%
14	UBS	1.3%	14	Evercore	1.9%	14	Deutsche Bank	1.6%
15	BMO	1.2%	15	Guggenheim	1.6%	15	US Bancorp	1.6%

Note: Ranked by total U.S. Investment Banking fees.

Source: Dealogic.

## 1 Corporate Finance Investment Banking

### Industry / Sector Coverage

- Consumer / Retail
- Technology
- Healthcare



### Product Specialists

- M&A
- Equity
- Debt
  - Leveraged Finance
  - Investment Grade

### Private Equity Coverage

## 2 Sales & Trading

## 3 Research

## Wall Street Activity in the Furniture Retail Industry

### IPO



(Aug 2016)



(Oct 2012)

### M&A

#### Strategic



#### Financial



Freeman Spogli & Co.



### Activist Activity



## 1 EBITDA

### EBITDA Adjustments

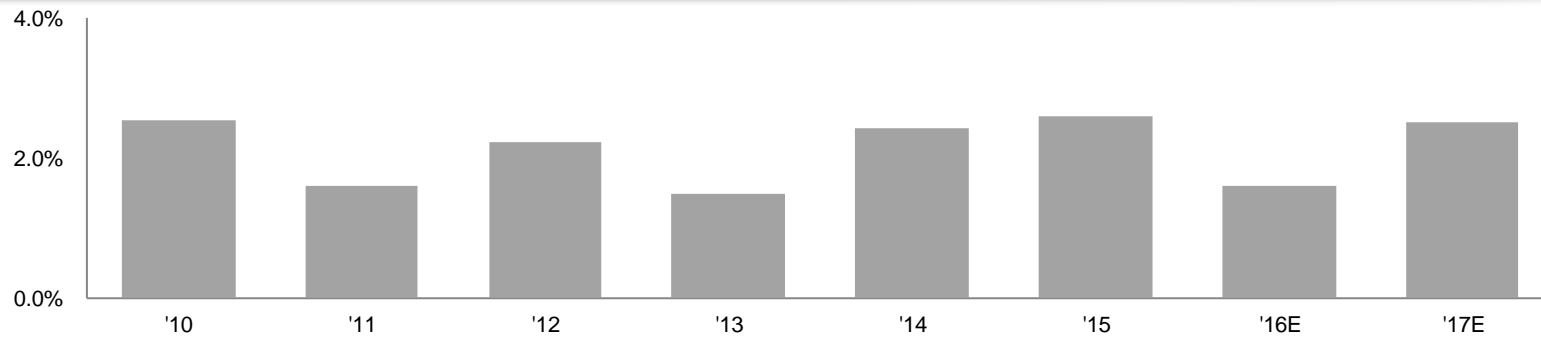
- One-Time, Non-Recurring
- Preopening Expenses
- Intracompany Rent
- Store Closures / Discontinued Operations
- Weather Impact
- New Store Run-Rate Adjustments

## 2 EBITDA Multiple – it's all about Growth!

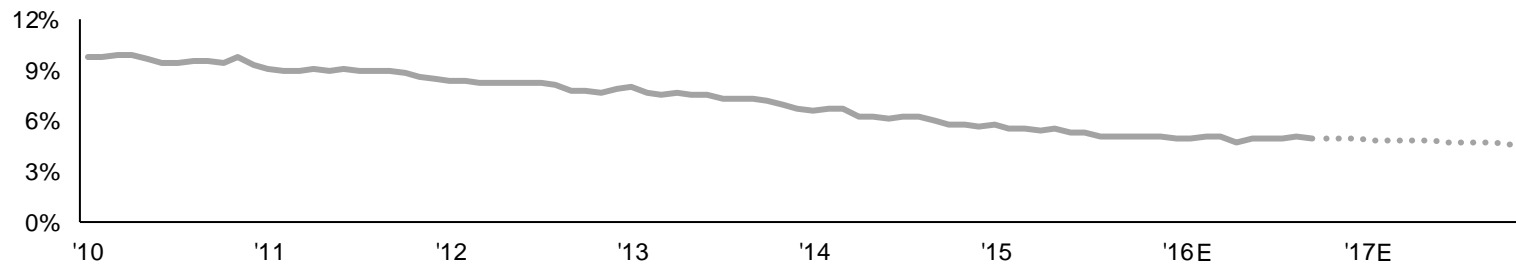
- New Store Openings and New Market Potential
- Performance Through Business Cycles
- E-Commerce
- Other Unique Opportunities / Competitive Threats

## Favorable Economic Environment

### Real U.S. GDP Growth

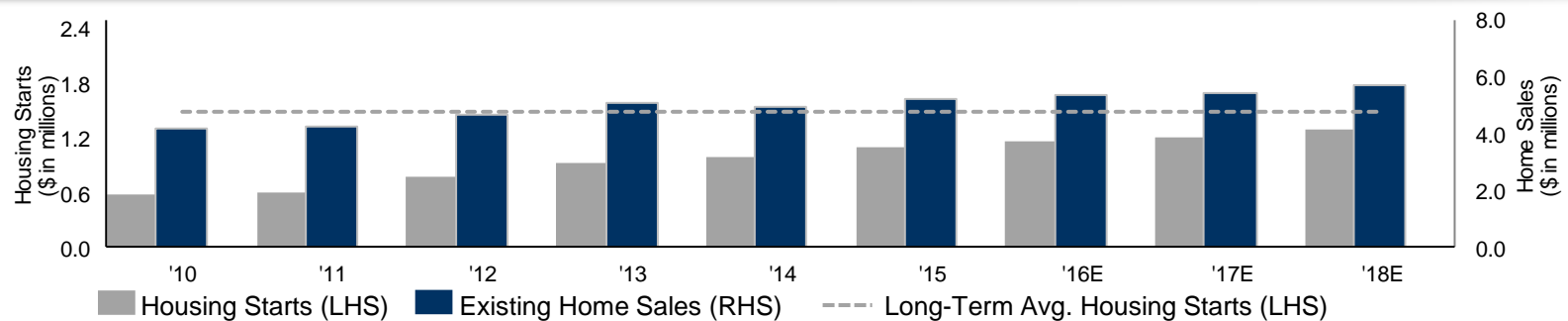


### Unemployment Rate



### Annual Housing Starts & Existing Home Sales

(\$ in millions)



## Impact of the Election

Area	Position	Potential Implications
Taxes	<ul style="list-style-type: none"> <li>Corporate tax rate of 15%</li> <li>Elimination of the corporate alternative minimum tax</li> <li>Repatriation of corporate profits held offshore at a one-time tax</li> <li>Taxing carried interest as ordinary income</li> <li>End to special interest loopholes</li> </ul>	<ul style="list-style-type: none"> <li>A lower corporate tax environment</li> <li>More opportunity for the efficient deployment of overseas cash and overseas cash to be repatriated</li> <li>Carried interest treatment is likely to remain largely intact in a Republican Congress</li> </ul>
Financial and Regulatory	<ul style="list-style-type: none"> <li>Scaling back the regulatory oversight</li> <li>Replacing or revising the Dodd-Frank Act</li> </ul>	<ul style="list-style-type: none"> <li>Reduction in regulatory compliance costs would bolster bank earnings, reduced oversight</li> <li>A roll-back of capital requirements would result in a weakening of balance sheets and liquidity positions but greater ability to lend</li> </ul>
Trade	<ul style="list-style-type: none"> <li>Supports a reset on both the Trans-Pacific Partnership and NAFTA</li> <li>Signaled intent to pursue China for currency manipulation and impose tariffs on Chinese imports</li> </ul>	<ul style="list-style-type: none"> <li>Potential trade barriers, protectionism approach and increased tariffs on imported goods</li> </ul>
Energy Policy	<ul style="list-style-type: none"> <li>Restructuring US energy policies</li> <li>Reduction regulatory constraints on supply</li> <li>Provide more access to public lands for production</li> <li>Faster federal permitting</li> <li>End to regulation favoring renewables over fossil fuels</li> </ul>	<ul style="list-style-type: none"> <li>Likely lower energy prices</li> </ul>
Healthcare	<ul style="list-style-type: none"> <li>Seek to repeal the Affordable Care Act and replace it with more private options</li> <li>Less regulation around drug pricing</li> </ul>	<ul style="list-style-type: none"> <li>Encourage competition across state lines, health savings accounts and purchasing pools</li> </ul>

### Impact On Furniture Retail Sector



Reduced Taxes



Fewer Regulations



Sourcing Uncertainties

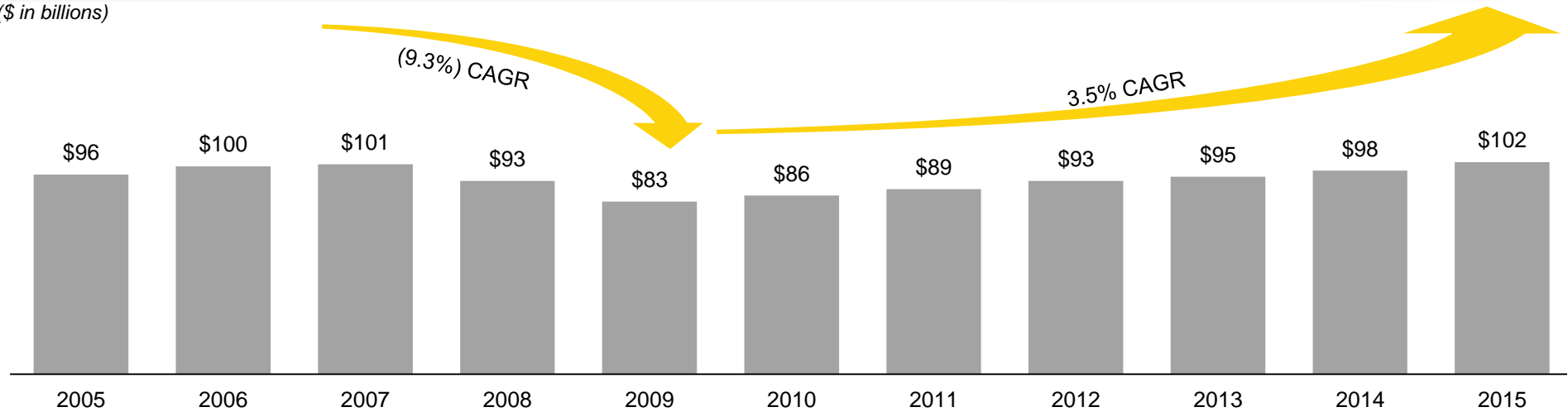


Interest Rate Increases

## Cyclical Industry

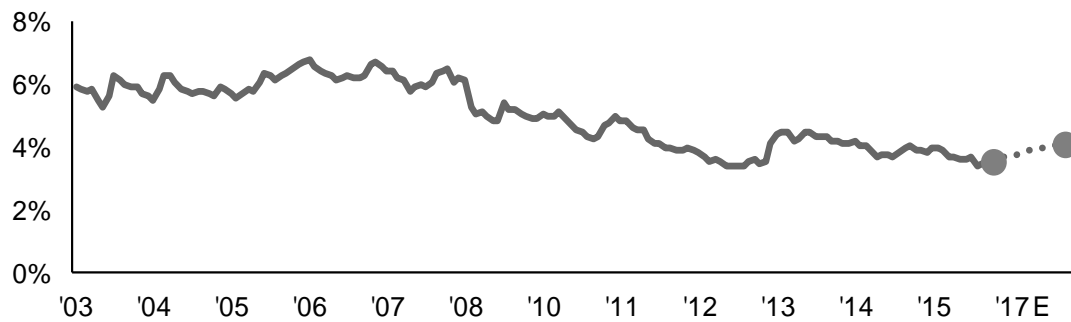
### Furniture & Bedding Industry Revenue

(\$ in billions)



### Interest Rates to Rise

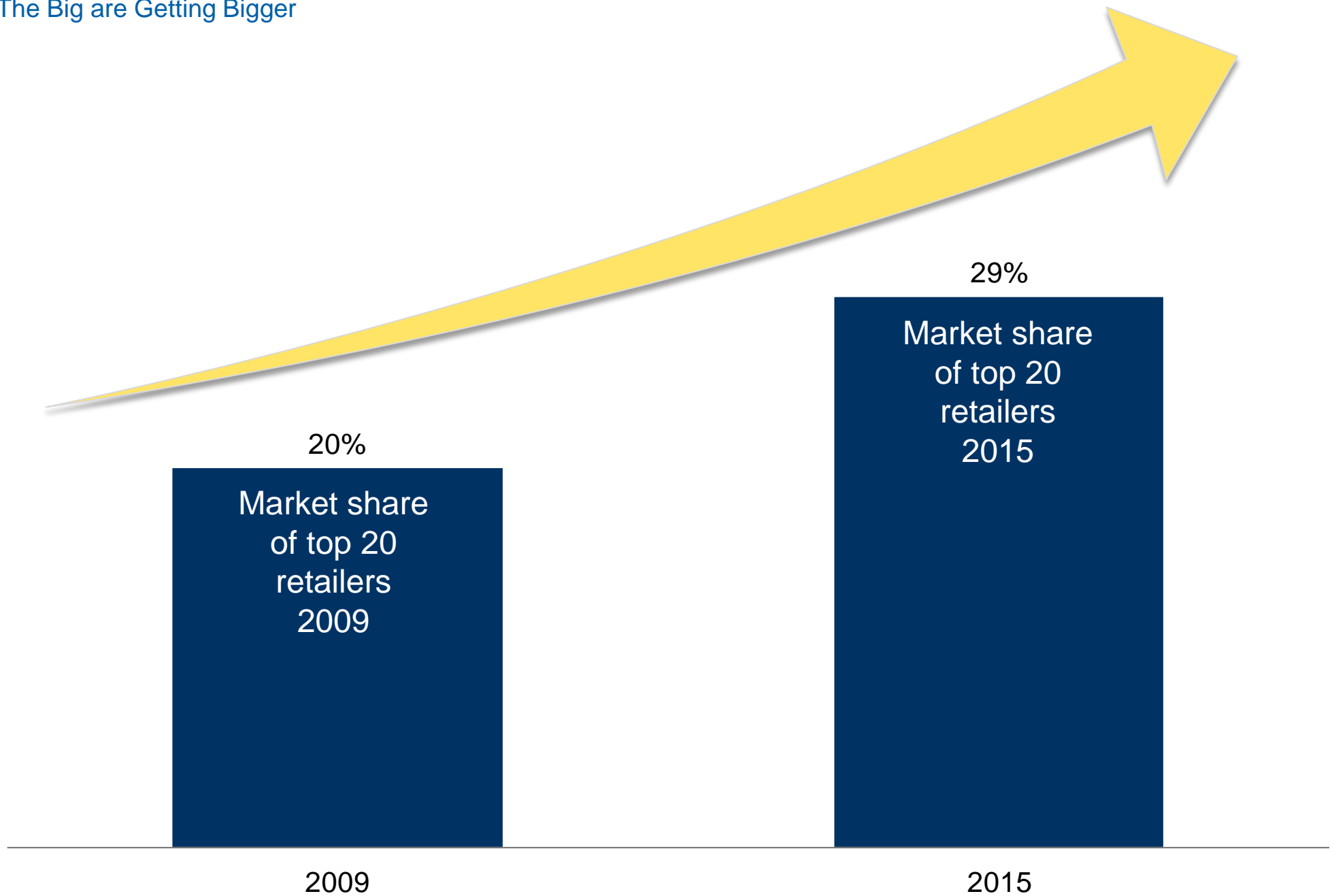
- 30 Year Fixed Mortgage Rates



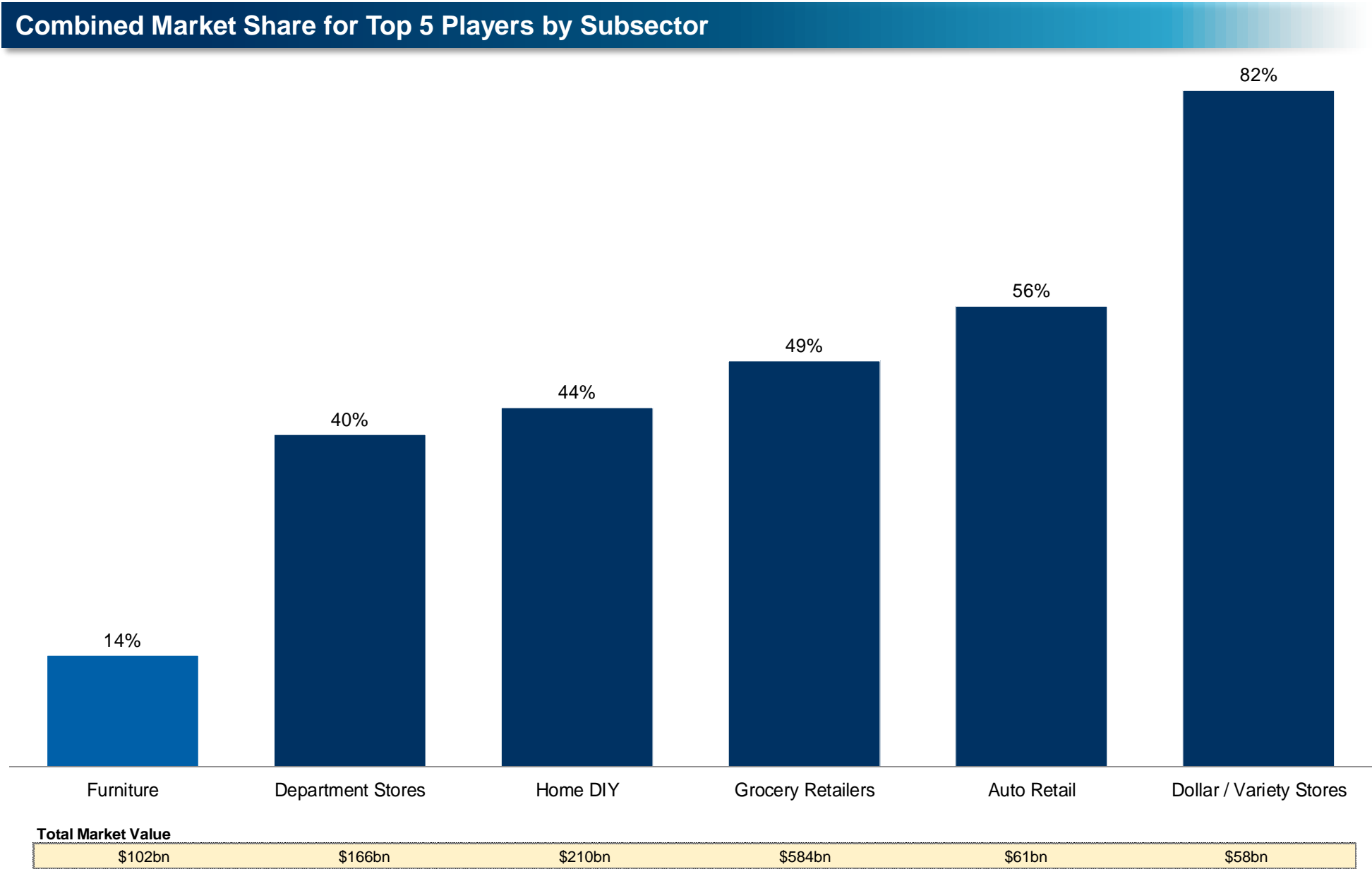
Source: Furniture Today 2016 Retail Planning Guide, IBISWorld 2016, Bureau of Economic Analysis.

## Consolidation In Furniture Retail

The Big are Getting Bigger

















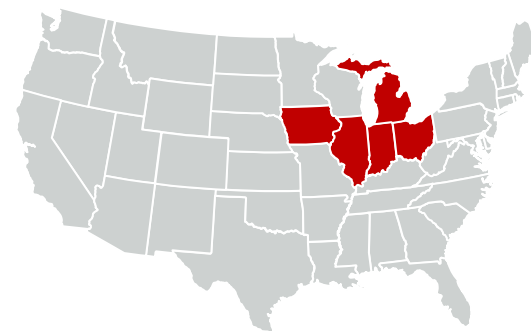
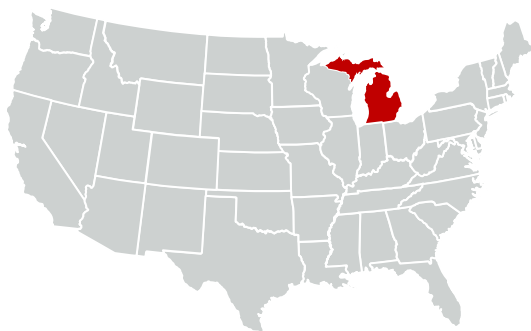
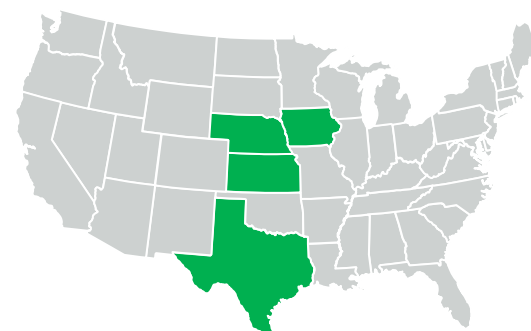
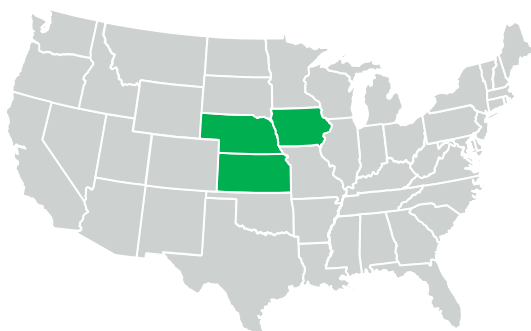
Yet Compared to Other Retail Subsectors...Furniture Retail is Relatively Fragmented



## Competitive Dynamics

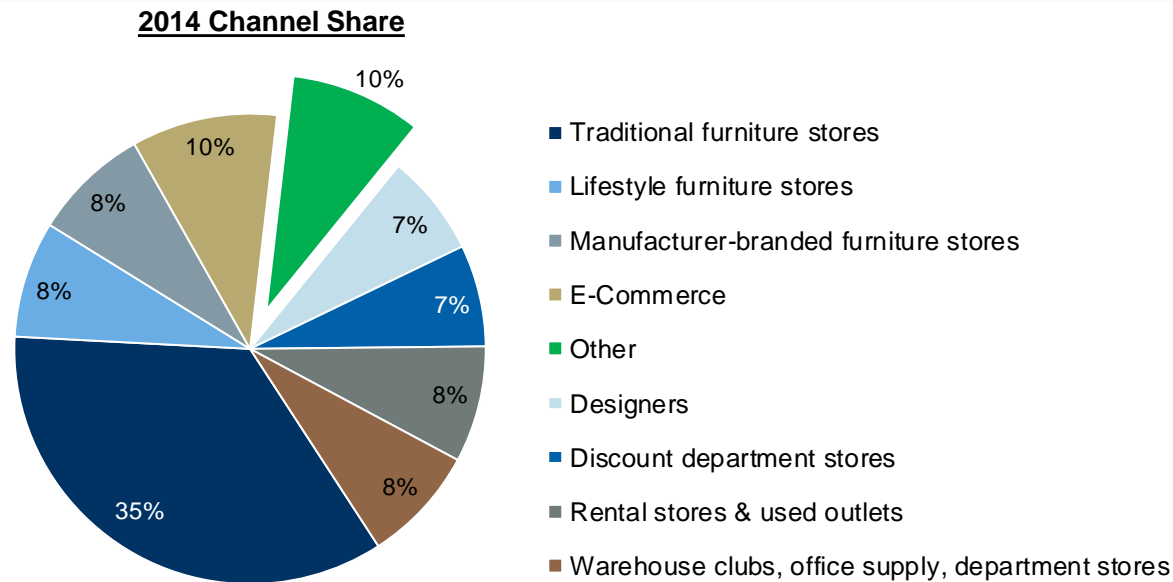
(\$ in millions)

Rank	Company	2010 Sales	2015 Sales	2010-15 Revenue CAGR	Positioning
1		\$2,394	\$3,524	8.0%	Vertically Integrated
2		2,095	3,075	8.0%	Ready to Assemble
3	WILLIAMS-SONOMA	1,400	2,635	13.5%	Lifestyle
4		1,410	2,200	9.3%	Traditional
5		1,146	1,833	9.8%	Traditional
6		410	1,705	33.0%	Lifestyle
7		939	1,303	6.8%	Lifestyle
8		972	1,177	3.9%	Traditional
9		740	1,115	8.6%	Vertically Integrated
10		1,101	1,032	(1.3%)	Traditional
11		585	1,009	11.5%	Everyday Low Price
12		718	845	3.3%	Lifestyle
13		620	805	5.4%	Traditional
14		657	719	1.8%	Vertically Integrated
15		430	690	9.9%	Traditional



## E-Commerce Gaining Share

### E-Commerce Represents 10% Channel Share and Has Been Growing Rapidly

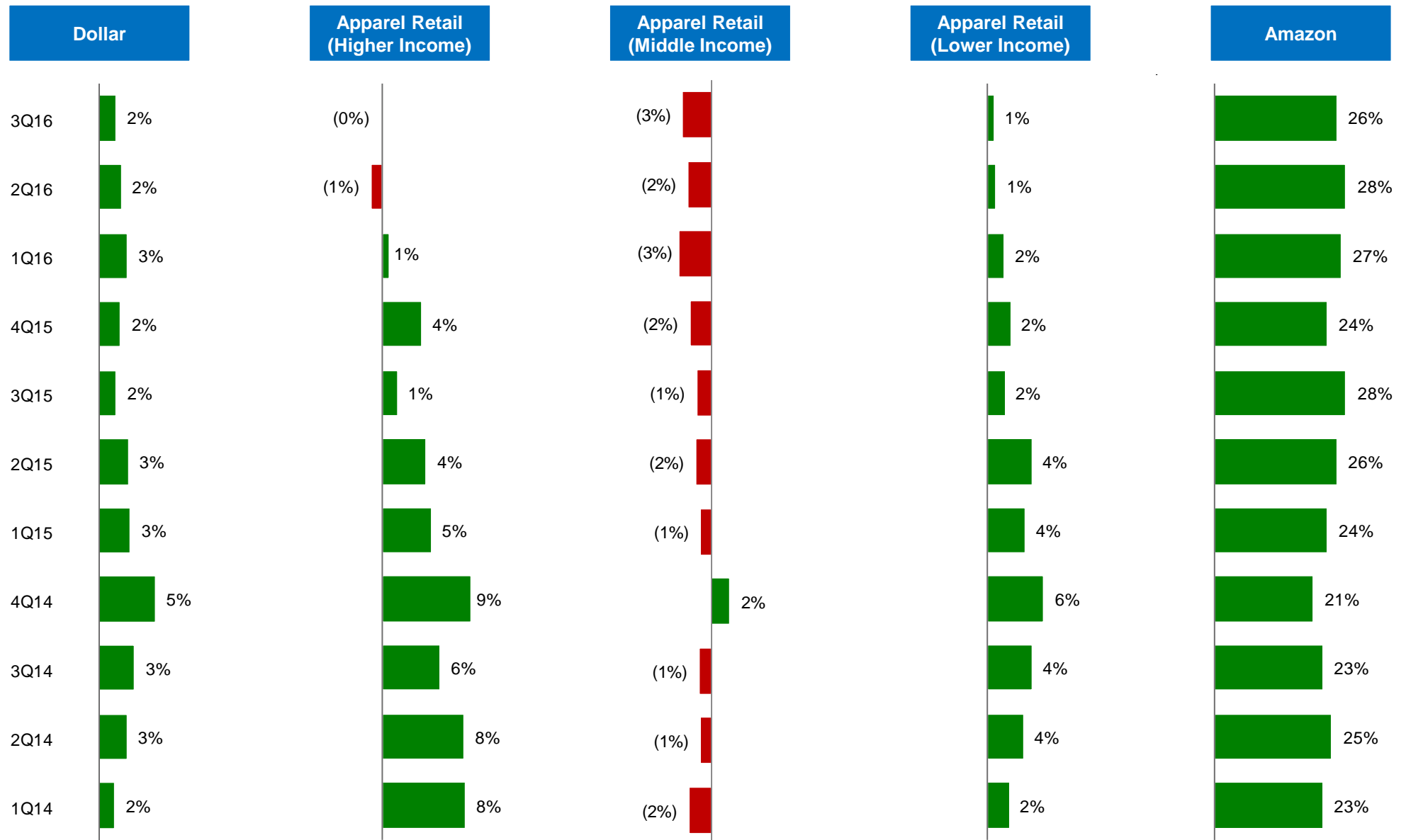


### Challenges

- High shipping costs, especially reverse logistics (returns)
- Size constraints / shipping handling difficulties
- Customers need to touch / feel / experience product
- High return rates difficult to manage returns
- High value item with low purchase frequency

## Barbell of Income – Value and Lifestyle Gaining Share

### Same Store Sales Performance by Sub-Segment



## What Can We Learn From Public Data?



## Publicly Traded Companies

Who is publicly traded?

### Traditional Furniture Retailer

**HAVERTYS**  
FURNITURE®

### Lifestyle Retailers

**RH**  
RESTORATION HARDWARE

**Pier1 imports**

WILLIAMS-SONOMA

KIRKLAND'S

### Vertically Integrated

**L A Z B O Y**

ETHAN  
ALLEN

**Bassett**

### Manufacturers

**FLEXSTEEL**

**H**  
**HOOKEE**  
FURNITURE  
Easy Elegance • Since 1924

**STANLEY**  
FURNITURE



## Summary Public Data

(in \$ millions)

Company	Store Count	Revenue		SSSG			EBITDA		EBITDA Margin	EV / EBITDA		
		LTM	10-15 CAGR	2013	2014	2015	LTM	10-15 CAGR		LTM	CY2016	CY2017
Traditional Furniture										6.3x	6.2x	6.0x
Haverty Furniture Companies	121	\$817	5%	11.0%	3.6%	2.5%	\$71	24%	9%	6.3x	6.2x	6.0x
Lifestyle Retailers										7.1x	9.1x	7.2x
Restoration Hardware	107	\$2,178	22%	31.0%	20.0%	11.0%	\$208	53%	10%	9.6x	11.1x	8.3x
Pier 1 Imports	1,023	\$1,845	7%	2.3%	4.7%	0.7%	\$100	3%	5%	6.8x	7.1x	6.1x
Williams-Sonoma	626	\$5,089	7%	8.8%	7.1%	3.7%	\$652	7%	13%	7.5x	7.3x	7.0x
Kirkland's	391	\$590	6%	0.5%	6.1%	2.9%	\$46	(3%)	8%	4.6x	4.8x	4.3x
Vertically Integrated										8.1x	8.1x	7.3x
La-Z-Boy Incorporated	893	\$1,525	5%	6.0%	3.0%	2.0%	\$152	21%	10%	8.0x	8.2x	7.5x
Ethan Allen Interiors	191	\$797	3%	6.4%	4.4%	8.5%	\$106	14%	13%	8.9x	8.9x	8.0x
Bassett Furniture Industries	91	\$434	13%	5.6%	5.7%	13.0%	\$38	96%	9%	7.5x	7.2x	6.5x
Manufacturers										9.5x	-	-
Flexsteel Industries	-	\$486	8%	-	-	-	\$42	15%	9%	9.2x	-	-
Hooker Furniture	-	\$384	3%	-	-	-	\$33	28%	9%	9.9x	-	-
Stanley Furniture Company	-	\$49	(16%)	-	-	-	(\$3)	-	(6%)	-	-	-

Source: Company filings, Capital IQ.

### Key Issues

- Similarly large fragmented industry
  - Ashley has emerged as stand-out growth company
- Global distribution logistics critical to success
- Uncertainties post election given import reliance



### Key Issues

- Growing consolidation in mattress retail
  - Acquisition of Sleepy's and various other mattress retailers by MFRM which itself was acquired by Steinhoff
- Increased competition from Internet-based mattress retailers
- Consumers increasingly brand conscious for mattresses

#### Manufacturing



select  comfort.  
CREATOR OF THE SLEEP NUMBER® BED

TEMPUR+SEALY

#### Retail

**MATTRESS FIRM**  
Save Money. Sleep Happy.

**SleepCountry**  
USA

select  comfort.  
CREATOR OF THE SLEEP NUMBER® BED

*It's all about...*

- 1) EXPERIENCE**
- 2) THE RELATIONSHIP**



## Disclaimer (USA)

---

This presentation was prepared exclusively for the benefit of and internal use by the recipient for the purpose of considering the transaction or transactions contemplated herein.

This presentation is confidential and proprietary to RBC Capital Markets, LLC ("RBCCM") and may not be disclosed, reproduced, distributed or used for any other purpose by the recipient without RBCCM's express written consent; provided, however, that by acceptance of these materials, and notwithstanding any other express or implied agreement, arrangement, or understanding to the contrary, RBCCM, its affiliates and the recipient agree that the recipient (and its employees, representatives, and other agents) may disclose to any and all persons, without limitation of any kind from the commencement of discussions, the tax treatment, structure or strategy of the transaction and any fact that may be relevant to understanding such treatment, structure or strategy, and all materials of any kind (including opinions or other tax analyses) that are provided to the recipient relating to such tax treatment, structure, or strategy.

The information and any analyses contained in this presentation are taken from, or based upon, information obtained from the recipient or from publicly available sources, the completeness and accuracy of which has not been independently verified, and cannot be assured by RBCCM. The information and any analyses in these materials reflect prevailing conditions and RBCCM's views as of this date, all of which are subject to change.

To the extent projections and financial analyses are set forth herein, they may be based on estimated financial performance prepared by or in consultation with the recipient and are intended only to suggest reasonable ranges of results. The printed presentation is incomplete without reference to the oral presentation or other written materials that supplement it.

References herein to "LIBOR", "LIBO Rate", "L" or other LIBOR abbreviations means the London interbank offered rate as administered by ICE Benchmark Administration (or any other person that takes over the administration of such rate).

Employees of RBCCM are prohibited from directly or indirectly, explicitly or implicitly: (a) promising any company favorable research coverage, a particular research rating or recommendation, as an inducement for the receipt of business or compensation; or (b) threatening to retaliate with adverse coverage or comments if such business or compensation is not awarded. All recommendations, ratings, price targets and opinions regarding a company are determined independently by RBCCM's Research Department.

RBCCM and its affiliates do not provide tax advice and nothing contained herein should be construed as tax advice. Accordingly, you should seek advice based upon your particular circumstances from an independent tax advisor.

In the event that RBCCM is engaging in any discussion of activities that may be subject to the provisions of Section 15B of the Securities Exchange Act of 1934 or of any rules or regulations adopted thereunder by the Securities and Exchange Commission or the Municipal Securities Rulemaking Board (together, the "Municipal Regulations"), RBCCM hereby provides notice to you that it is providing the information contained in this document for discussion purposes only in anticipation of serving as Underwriter to you and/or any of your affiliates in which RBCCM would be acting solely as a principal in a commercial, arm's length transaction and not as a municipal advisor, financial advisor or fiduciary to you and/or any of your affiliates or any other person or entity. The information provided herein or in connection herewith is not intended to be and should not be construed as "advice" within the meaning of the Municipal Regulations.

RBC Capital Markets is the global brand name for the capital markets businesses of Royal Bank of Canada and its affiliates, including RBC Capital Markets LLC (member FINRA, NYSE and SIPC), RBC Dominion Securities Inc. (member IIROC and CIPF) and RBC Europe Limited (authorized and regulated by Financial Services Authority). This material is not for distribution to retail clients as defined under the rules of the FSA. ® Registered trademark of Royal Bank of Canada. Used under license.

© Copyright 2016. All rights reserved.

## Disclaimer (USA)

---

This presentation was prepared exclusively for the benefit of and internal use by the recipient for the purpose of considering the transaction or transactions contemplated herein.

This presentation is confidential and proprietary to RBC Capital Markets, LLC ("RBCCM") and may not be disclosed, reproduced, distributed or used for any other purpose by the recipient without RBCCM's express written consent; provided, however, that by acceptance of these materials, and notwithstanding any other express or implied agreement, arrangement, or understanding to the contrary, RBCCM, its affiliates and the recipient agree that the recipient (and its employees, representatives, and other agents) may disclose to any and all persons, without limitation of any kind from the commencement of discussions, the tax treatment, structure or strategy of the transaction and any fact that may be relevant to understanding such treatment, structure or strategy, and all materials of any kind (including opinions or other tax analyses) that are provided to the recipient relating to such tax treatment, structure, or strategy.

The information and any analyses contained in this presentation are taken from, or based upon, information obtained from the recipient or from publicly available sources, the completeness and accuracy of which has not been independently verified, and cannot be assured by RBCCM. The information and any analyses in these materials reflect prevailing conditions and RBCCM's views as of this date, all of which are subject to change.

To the extent projections and financial analyses are set forth herein, they may be based on estimated financial performance prepared by or in consultation with the recipient and are intended only to suggest reasonable ranges of results. The printed presentation is incomplete without reference to the oral presentation or other written materials that supplement it.

References herein to "LIBOR", "LIBO Rate", "L" or other LIBOR abbreviations means the London interbank offered rate as administered by ICE Benchmark Administration (or any other person that takes over the administration of such rate).

Employees of RBCCM are prohibited from directly or indirectly, explicitly or implicitly: (a) promising any company favorable research coverage, a particular research rating or recommendation, as an inducement for the receipt of business or compensation; or (b) threatening to retaliate with adverse coverage or comments if such business or compensation is not awarded. All recommendations, ratings, price targets and opinions regarding a company are determined independently by RBCCM's Research Department.

RBCCM and its affiliates do not provide tax advice and nothing contained herein should be construed as tax advice. Accordingly, you should seek advice based upon your particular circumstances from an independent tax advisor.

In the event that RBCCM is engaging in any discussion of activities that may be subject to the provisions of Section 15B of the Securities Exchange Act of 1934 or of any rules or regulations adopted thereunder by the Securities and Exchange Commission or the Municipal Securities Rulemaking Board (together, the "Municipal Regulations"), RBCCM hereby provides notice to you that it is providing the information contained in this document for discussion purposes only in anticipation of serving as Underwriter to you and/or any of your affiliates in which RBCCM would be acting solely as a principal in a commercial, arm's length transaction and not as a municipal advisor, financial advisor or fiduciary to you and/or any of your affiliates or any other person or entity. The information provided herein or in connection herewith is not intended to be and should not be construed as "advice" within the meaning of the Municipal Regulations.

RBC Capital Markets is the global brand name for the capital markets businesses of Royal Bank of Canada and its affiliates, including RBC Capital Markets LLC (member FINRA, NYSE and SIPC), RBC Dominion Securities Inc. (member IIROC and CIPF) and RBC Europe Limited (authorized and regulated by Financial Services Authority). This material is not for distribution to retail clients as defined under the rules of the FSA. ® Registered trademark of Royal Bank of Canada. Used under license.

© Copyright 2016. All rights reserved.

## Disclaimer (USA)

---

This presentation was prepared exclusively for the benefit of and internal use by the recipient for the purpose of considering the transaction or transactions contemplated herein.

This presentation is confidential and proprietary to RBC Capital Markets, LLC ("RBCCM") and may not be disclosed, reproduced, distributed or used for any other purpose by the recipient without RBCCM's express written consent; provided, however, that by acceptance of these materials, and notwithstanding any other express or implied agreement, arrangement, or understanding to the contrary, RBCCM, its affiliates and the recipient agree that the recipient (and its employees, representatives, and other agents) may disclose to any and all persons, without limitation of any kind from the commencement of discussions, the tax treatment, structure or strategy of the transaction and any fact that may be relevant to understanding such treatment, structure or strategy, and all materials of any kind (including opinions or other tax analyses) that are provided to the recipient relating to such tax treatment, structure, or strategy.

The information and any analyses contained in this presentation are taken from, or based upon, information obtained from the recipient or from publicly available sources, the completeness and accuracy of which has not been independently verified, and cannot be assured by RBCCM. The information and any analyses in these materials reflect prevailing conditions and RBCCM's views as of this date, all of which are subject to change.

To the extent projections and financial analyses are set forth herein, they may be based on estimated financial performance prepared by or in consultation with the recipient and are intended only to suggest reasonable ranges of results. The printed presentation is incomplete without reference to the oral presentation or other written materials that supplement it.

References herein to "LIBOR", "LIBO Rate", "L" or other LIBOR abbreviations means the London interbank offered rate as administered by ICE Benchmark Administration (or any other person that takes over the administration of such rate).

Employees of RBCCM are prohibited from directly or indirectly, explicitly or implicitly: (a) promising any company favorable research coverage, a particular research rating or recommendation, as an inducement for the receipt of business or compensation; or (b) threatening to retaliate with adverse coverage or comments if such business or compensation is not awarded. All recommendations, ratings, price targets and opinions regarding a company are determined independently by RBCCM's Research Department.

RBCCM and its affiliates do not provide tax advice and nothing contained herein should be construed as tax advice. Accordingly, you should seek advice based upon your particular circumstances from an independent tax advisor.

In the event that RBCCM is engaging in any discussion of activities that may be subject to the provisions of Section 15B of the Securities Exchange Act of 1934 or of any rules or regulations adopted thereunder by the Securities and Exchange Commission or the Municipal Securities Rulemaking Board (together, the "Municipal Regulations"), RBCCM hereby provides notice to you that it is providing the information contained in this document for discussion purposes only in anticipation of serving as Underwriter to you and/or any of your affiliates in which RBCCM would be acting solely as a principal in a commercial, arm's length transaction and not as a municipal advisor, financial advisor or fiduciary to you and/or any of your affiliates or any other person or entity. The information provided herein or in connection herewith is not intended to be and should not be construed as "advice" within the meaning of the Municipal Regulations.

RBC Capital Markets is the global brand name for the capital markets businesses of Royal Bank of Canada and its affiliates, including RBC Capital Markets LLC (member FINRA, NYSE and SIPC), RBC Dominion Securities Inc. (member IIROC and CIPF) and RBC Europe Limited (authorized and regulated by Financial Services Authority). This material is not for distribution to retail clients as defined under the rules of the FSA. ® Registered trademark of Royal Bank of Canada. Used under license.

© Copyright 2016. All rights reserved.

## Disclaimer (USA)

---

This presentation was prepared exclusively for the benefit of and internal use by the recipient for the purpose of considering the transaction or transactions contemplated herein.

This presentation is confidential and proprietary to RBC Capital Markets, LLC ("RBCCM") and may not be disclosed, reproduced, distributed or used for any other purpose by the recipient without RBCCM's express written consent; provided, however, that by acceptance of these materials, and notwithstanding any other express or implied agreement, arrangement, or understanding to the contrary, RBCCM, its affiliates and the recipient agree that the recipient (and its employees, representatives, and other agents) may disclose to any and all persons, without limitation of any kind from the commencement of discussions, the tax treatment, structure or strategy of the transaction and any fact that may be relevant to understanding such treatment, structure or strategy, and all materials of any kind (including opinions or other tax analyses) that are provided to the recipient relating to such tax treatment, structure, or strategy.

The information and any analyses contained in this presentation are taken from, or based upon, information obtained from the recipient or from publicly available sources, the completeness and accuracy of which has not been independently verified, and cannot be assured by RBCCM. The information and any analyses in these materials reflect prevailing conditions and RBCCM's views as of this date, all of which are subject to change.

To the extent projections and financial analyses are set forth herein, they may be based on estimated financial performance prepared by or in consultation with the recipient and are intended only to suggest reasonable ranges of results. The printed presentation is incomplete without reference to the oral presentation or other written materials that supplement it.

References herein to "LIBOR", "LIBO Rate", "L" or other LIBOR abbreviations means the London interbank offered rate as administered by ICE Benchmark Administration (or any other person that takes over the administration of such rate).

Employees of RBCCM are prohibited from directly or indirectly, explicitly or implicitly: (a) promising any company favorable research coverage, a particular research rating or recommendation, as an inducement for the receipt of business or compensation; or (b) threatening to retaliate with adverse coverage or comments if such business or compensation is not awarded. All recommendations, ratings, price targets and opinions regarding a company are determined independently by RBCCM's Research Department.

RBCCM and its affiliates do not provide tax advice and nothing contained herein should be construed as tax advice. Accordingly, you should seek advice based upon your particular circumstances from an independent tax advisor.

In the event that RBCCM is engaging in any discussion of activities that may be subject to the provisions of Section 15B of the Securities Exchange Act of 1934 or of any rules or regulations adopted thereunder by the Securities and Exchange Commission or the Municipal Securities Rulemaking Board (together, the "Municipal Regulations"), RBCCM hereby provides notice to you that it is providing the information contained in this document for discussion purposes only in anticipation of serving as Underwriter to you and/or any of your affiliates in which RBCCM would be acting solely as a principal in a commercial, arm's length transaction and not as a municipal advisor, financial advisor or fiduciary to you and/or any of your affiliates or any other person or entity. The information provided herein or in connection herewith is not intended to be and should not be construed as "advice" within the meaning of the Municipal Regulations.

RBC Capital Markets is the global brand name for the capital markets businesses of Royal Bank of Canada and its affiliates, including RBC Capital Markets LLC (member FINRA, NYSE and SIPC), RBC Dominion Securities Inc. (member IIROC and CIPF) and RBC Europe Limited (authorized and regulated by Financial Services Authority). This material is not for distribution to retail clients as defined under the rules of the FSA. ® Registered trademark of Royal Bank of Canada. Used under license.

© Copyright 2016. All rights reserved.

## Disclaimer (USA)

---

This presentation was prepared exclusively for the benefit of and internal use by the recipient for the purpose of considering the transaction or transactions contemplated herein.

This presentation is confidential and proprietary to RBC Capital Markets, LLC ("RBCCM") and may not be disclosed, reproduced, distributed or used for any other purpose by the recipient without RBCCM's express written consent; provided, however, that by acceptance of these materials, and notwithstanding any other express or implied agreement, arrangement, or understanding to the contrary, RBCCM, its affiliates and the recipient agree that the recipient (and its employees, representatives, and other agents) may disclose to any and all persons, without limitation of any kind from the commencement of discussions, the tax treatment, structure or strategy of the transaction and any fact that may be relevant to understanding such treatment, structure or strategy, and all materials of any kind (including opinions or other tax analyses) that are provided to the recipient relating to such tax treatment, structure, or strategy.

The information and any analyses contained in this presentation are taken from, or based upon, information obtained from the recipient or from publicly available sources, the completeness and accuracy of which has not been independently verified, and cannot be assured by RBCCM. The information and any analyses in these materials reflect prevailing conditions and RBCCM's views as of this date, all of which are subject to change.

To the extent projections and financial analyses are set forth herein, they may be based on estimated financial performance prepared by or in consultation with the recipient and are intended only to suggest reasonable ranges of results. The printed presentation is incomplete without reference to the oral presentation or other written materials that supplement it.

References herein to "LIBOR", "LIBO Rate", "L" or other LIBOR abbreviations means the London interbank offered rate as administered by ICE Benchmark Administration (or any other person that takes over the administration of such rate).

Employees of RBCCM are prohibited from directly or indirectly, explicitly or implicitly: (a) promising any company favorable research coverage, a particular research rating or recommendation, as an inducement for the receipt of business or compensation; or (b) threatening to retaliate with adverse coverage or comments if such business or compensation is not awarded. All recommendations, ratings, price targets and opinions regarding a company are determined independently by RBCCM's Research Department.

RBCCM and its affiliates do not provide tax advice and nothing contained herein should be construed as tax advice. Accordingly, you should seek advice based upon your particular circumstances from an independent tax advisor.

In the event that RBCCM is engaging in any discussion of activities that may be subject to the provisions of Section 15B of the Securities Exchange Act of 1934 or of any rules or regulations adopted thereunder by the Securities and Exchange Commission or the Municipal Securities Rulemaking Board (together, the "Municipal Regulations"), RBCCM hereby provides notice to you that it is providing the information contained in this document for discussion purposes only in anticipation of serving as Underwriter to you and/or any of your affiliates in which RBCCM would be acting solely as a principal in a commercial, arm's length transaction and not as a municipal advisor, financial advisor or fiduciary to you and/or any of your affiliates or any other person or entity. The information provided herein or in connection herewith is not intended to be and should not be construed as "advice" within the meaning of the Municipal Regulations.

RBC Capital Markets is the global brand name for the capital markets businesses of Royal Bank of Canada and its affiliates, including RBC Capital Markets LLC (member FINRA, NYSE and SIPC), RBC Dominion Securities Inc. (member IIROC and CIPF) and RBC Europe Limited (authorized and regulated by Financial Services Authority). This material is not for distribution to retail clients as defined under the rules of the FSA. ® Registered trademark of Royal Bank of Canada. Used under license.

© Copyright 2016. All rights reserved.