



PCE Industry Report

Consumer Discretionary



Consumer Discretionary

Key Highlights

- The average value of the top transactions was \$1.59 billion.
 - The largest transaction was Pinnacle Entertainment Inc. by Gaming and Leisure Properties, Inc. for \$5.93 billion.
 - The smallest transaction was the acquisition of Vistana Signature Experiences, Inc. by Interval Leisure Group, Inc. for \$1.81 billion.
- The public company industry median TEV/EBIT multiple is 11.3x.
- The public company industry median TEV/EBITDA multiple is 8.75x.

Key Trends

- The Automobiles & Components, Consumer Electronics & Home Furnishings, Hotels, Restaurants, Leisure & Consumer Services, and Retailing subsectors' transaction volumes were all trending negatively.
- The Hotels, Restaurants, Leisure & Consumer Services subsector's transaction volume was the largest at 62% of the industry over the past quarter.
- The Consumer Discretionary industry has seen 7 IPOs in Q2. ¹
- After finishing 2015 at peak occupancies, US hotels struggled to maintain occupancy levels during the first quarter of 2016. During Q2, the US lodging industry appears to have transitioned to a phase where occupancy levels have stabilized and average daily rate levels have been meaningful. ²
- The Consumer Discretionary sector is expected to report the second highest earnings growth at 6.4%, only behind Telecom Services. At the industry level, 8 of the 12 industries are projected to report earnings growth, including Auto Manufacturers (18%), Auto Components (12%), Internet Retail (41%) and Household Durables (25%). ³
- The Consumer Confidence Index hit 98 in June, which is its highest level since October 2015. Rising to 98 after two modest monthly declines, June's figure is still identical to the 2015 average. The net result is indicative of little change, but consistent with solid growth in consumer spending. ⁴

IBIS World, S&P Capital IQ and PCE Proprietary Data

1 IPO Scoop

2 PwC, Hospitality Directions US 2016.

3 FactSet Earnings Insight, June 2016.

4 Conference Board, Consumer Confidence Survey, 2016.

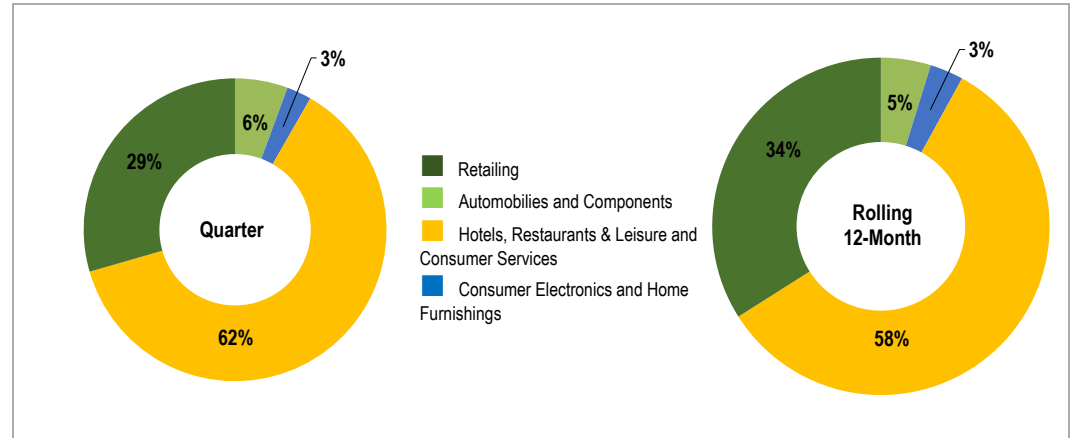
Source

Industry Trends During Quarter

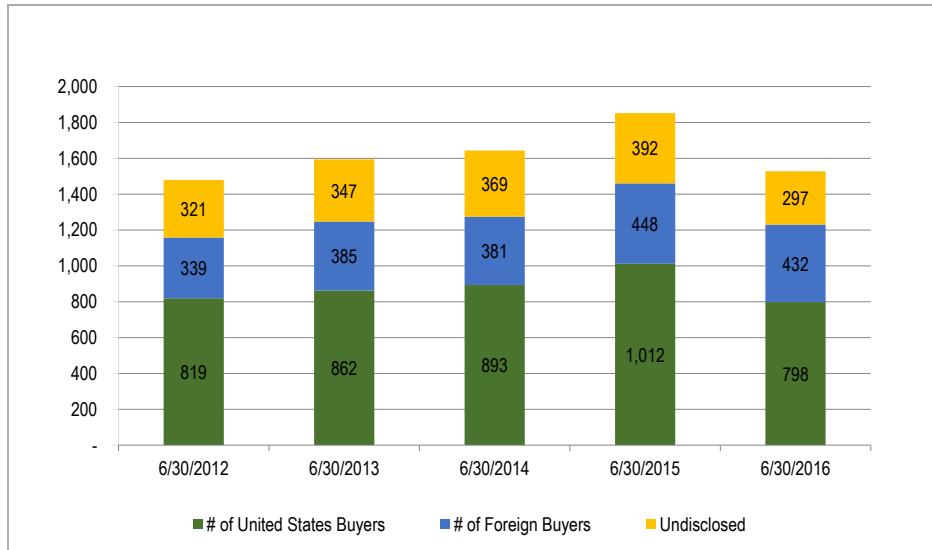
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Automobiles and Components	↓	↓	↑
Consumer Electronics and Home Furnishings	↓	↑	↓
Hotels, Restaurants & Leisure and Consumer Services	↓	↑	↑
Retailing	↓	↑	↑

* 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 7/28/2016 and PCE Proprietary Data

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

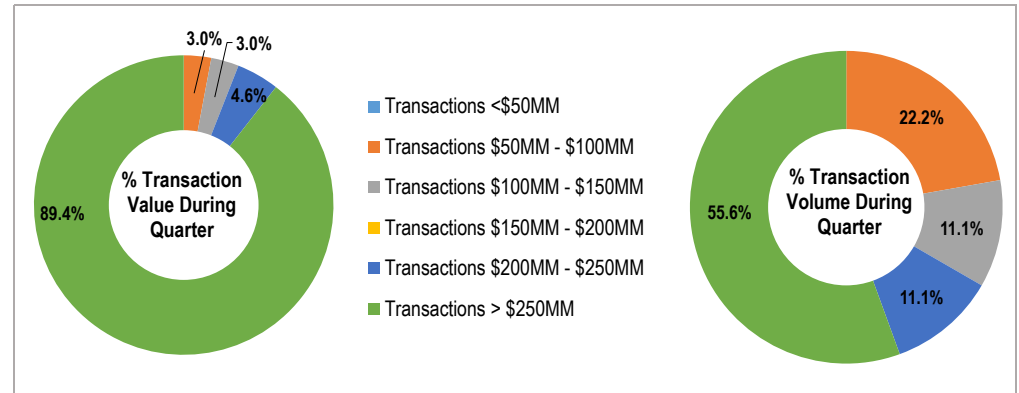
Sector	Target	Buyer	Transaction Value
Hotels, Restaurants, Leisure	Pinnacle Entertainment Inc., Prior to Spin off of Assets	Gaming and Leisure Properties, Inc	\$5,930.8
Hotels, Restaurants, Leisure	Vistana Signature Experiences, Inc.	Interval Leisure Group, Inc.	\$1,814.2
Hotels, Restaurants, Leisure	Carefree Communities Inc.	Sun Communities Operating Limited Partnership	\$1,680.0
Automobiles & Components	Affinia Group Holdings Inc.	Mann + Hummel Holding GmbH	\$1,335.1
Automobiles & Components	Cruise Automation, Inc.	General Motors Company	\$1,000.0
Automobiles & Components	Key Safety Systems, Inc.	Ningbo Joyson Electronic Corp.	\$920.0
Automobiles & Components	Pittsburgh Glass Works LLC	LKQ Corp.	\$635.0
Hotels, Restaurants, Leisure	A Portfolio of 7 Manhattan Hotels	Cindat Capital Management Limited	\$571.8
Hotels, Restaurants, Leisure	Fertitta Entertainment, LLC	Station Casinos LLC	\$460.0

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

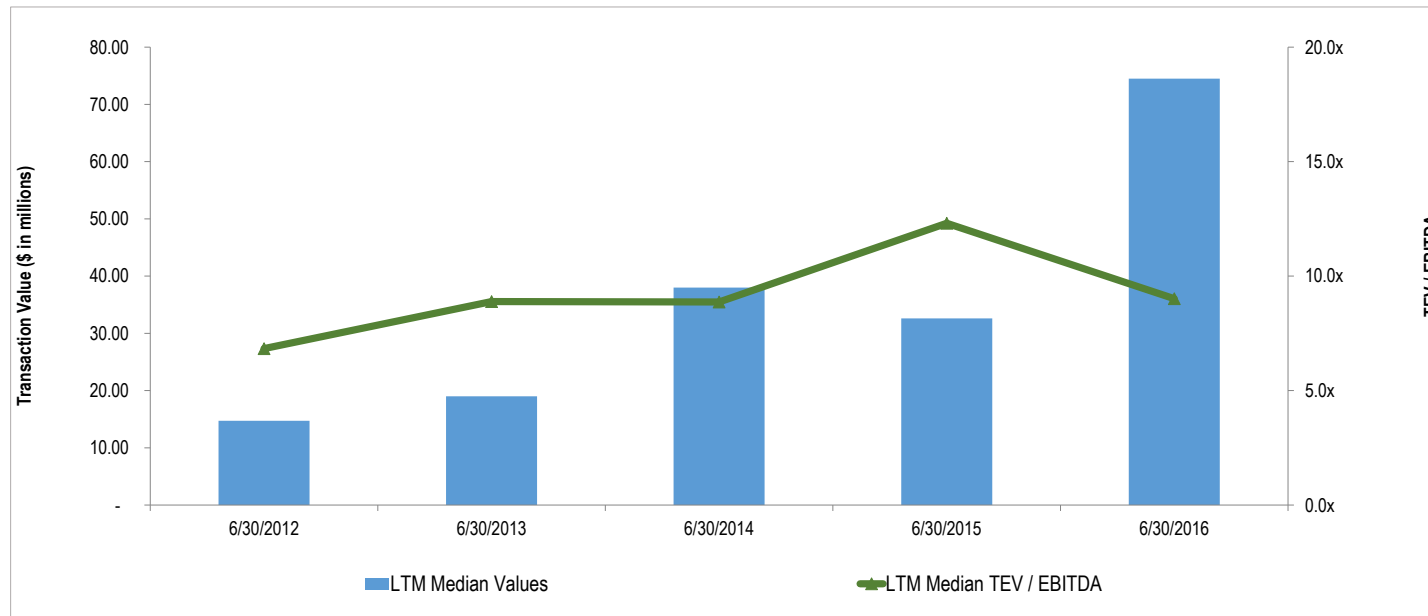
Transaction Volume	17
Number of Transactions with Disclosed Values	9
Transaction Value*	\$4,993.71
Average Transaction Value*	\$598.24
Median Transaction Value*	\$635.00

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Transactions by Value & Volume



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

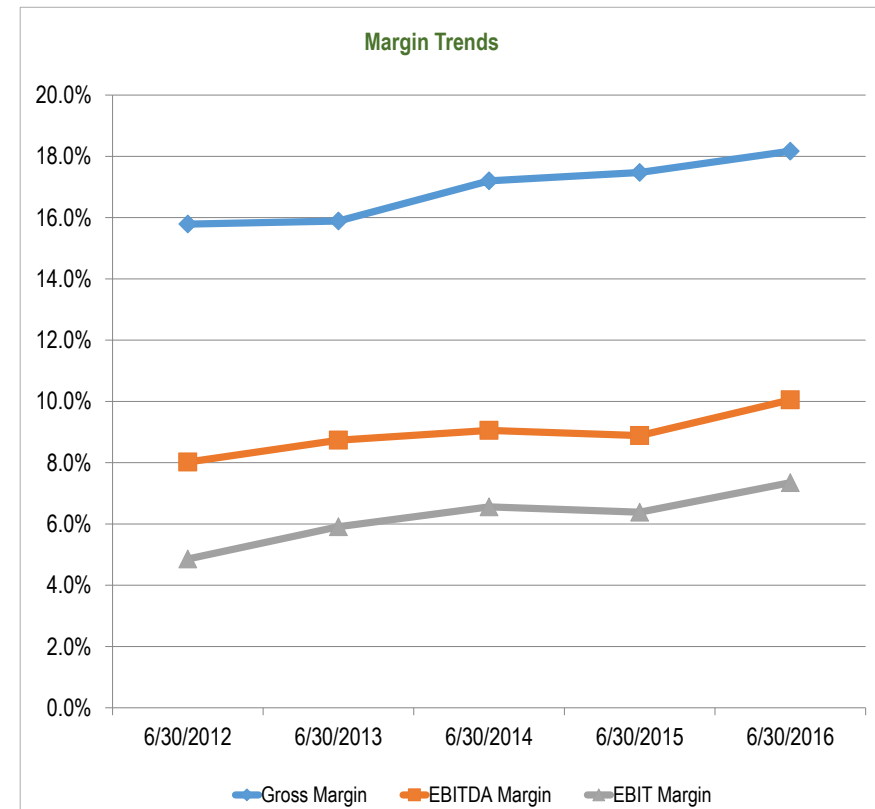
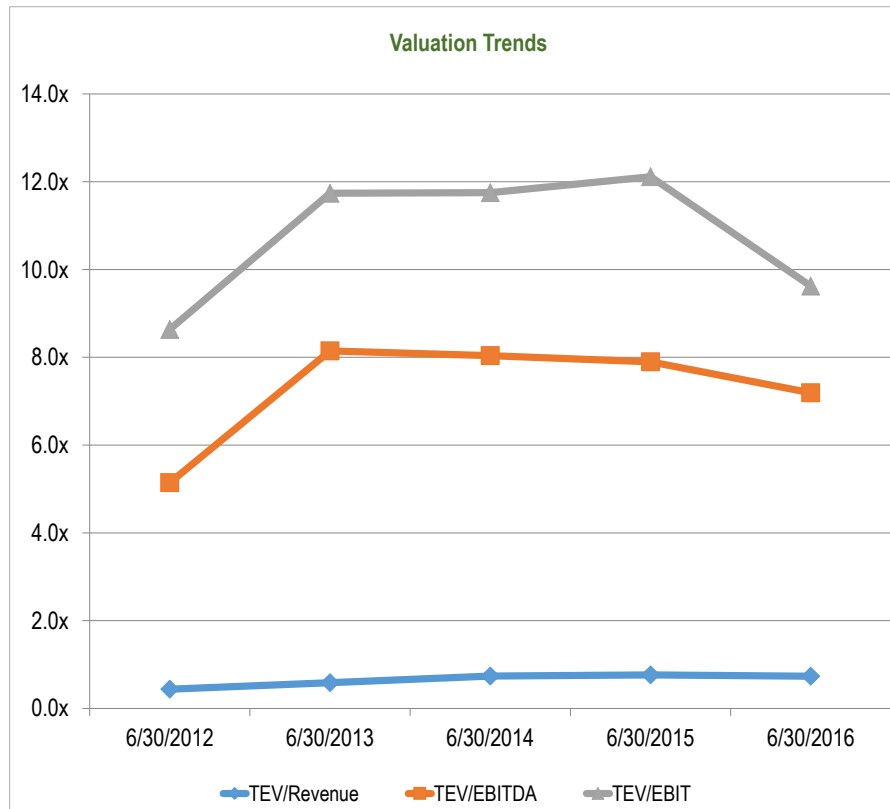


* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

Summary of Public Comparables (\$ in millions)

	Total Enterprise				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	6/30/2016 Trends	
Average	\$6,272	1.2x	8.4x	10.5x	TEV/Revenue	↓
Median	\$1,385	0.7x	7.2x	9.6x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	6/30/2016 Trends	
Average	20.6%	6.4%	2.4%	Gross Margin	↑
Median	18.2%	10.0%	7.3%	EBITDA Margin	↑
				EBIT Margin	↑



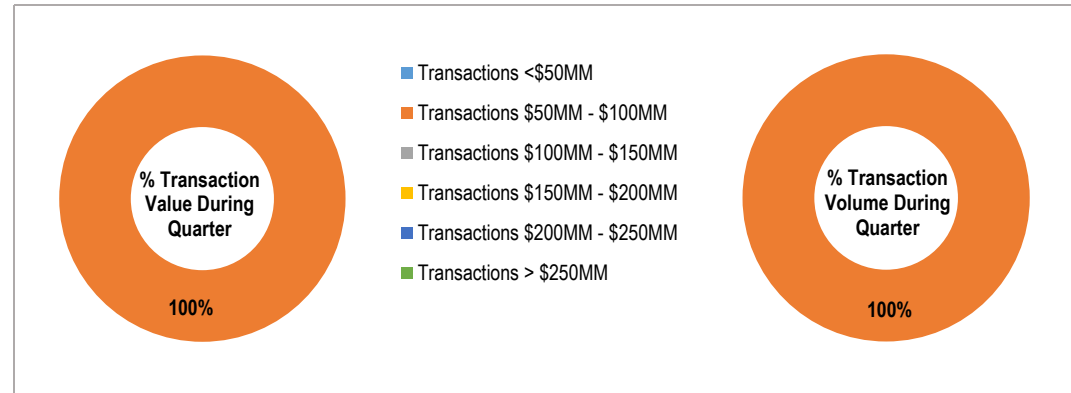
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

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

Transaction Volume	8
Number of Transactions with Disclosed Values	1
Transaction Value*	\$82.00
Average Transaction Value*	\$82.00
Median Transaction Value*	\$82.00

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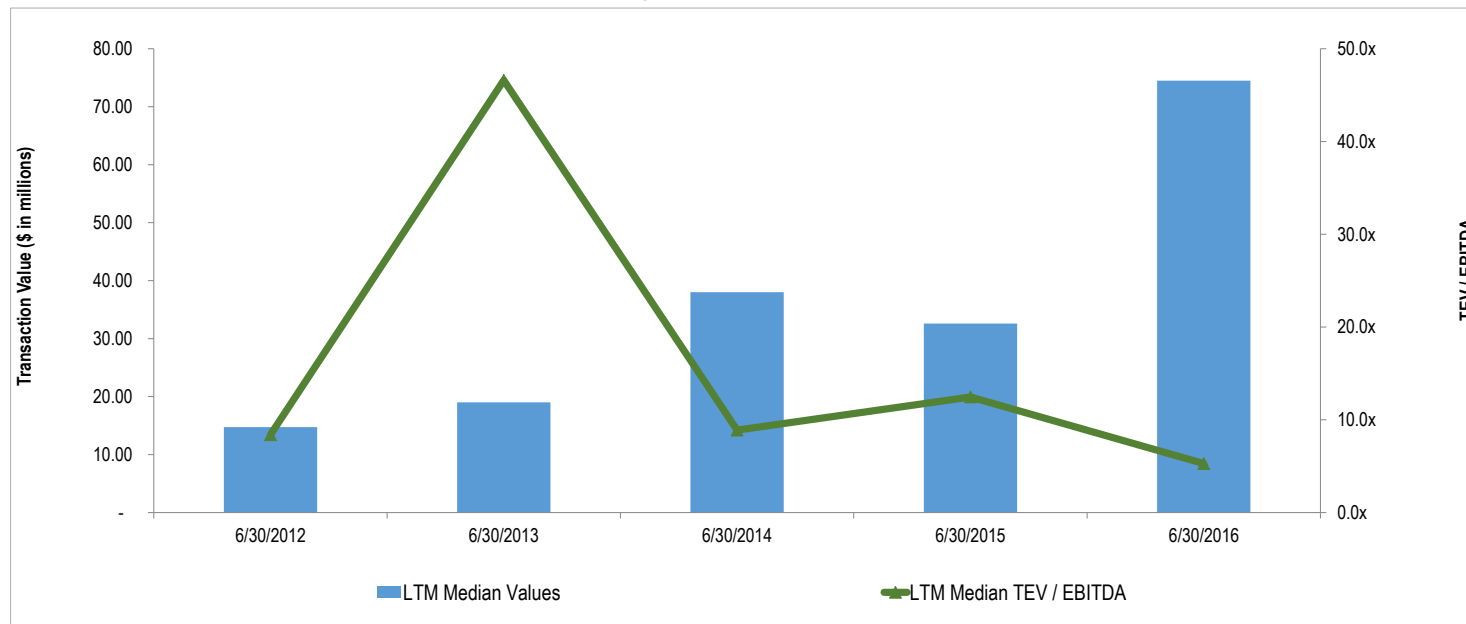
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value Trends

Rolling 12-Month Value & Multiple Trends



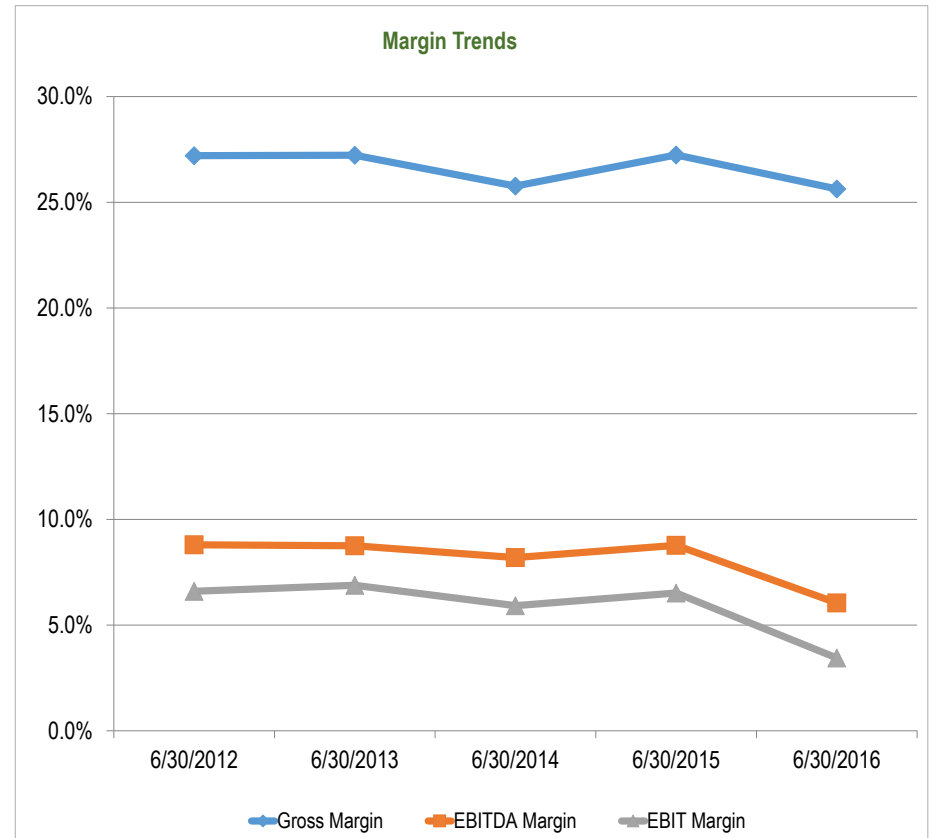
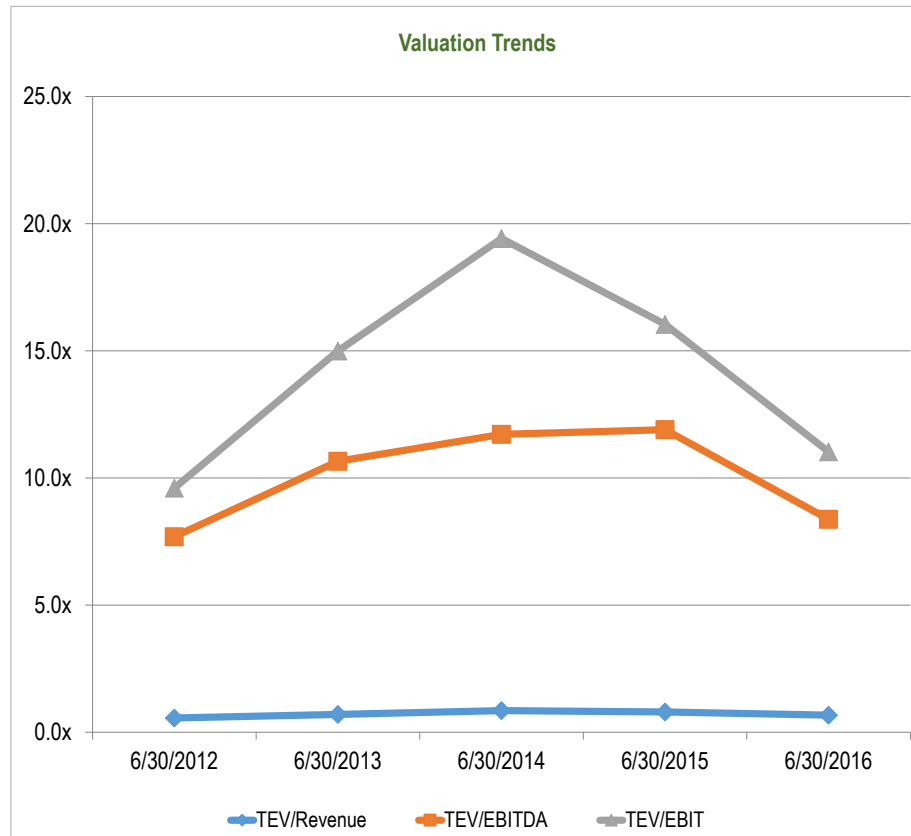
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Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	6/30/2016 Trends	
Average	\$2,001	5.1x	5.6x	9.2x	TEV/Revenue	↓
Median	\$273	0.7x	8.4x	11.0x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	6/30/2016 Trends	
Average	25.6%	1.3%	3.9%	Gross Margin	↓
Median	25.6%	6.0%	3.4%	EBITDA Margin	↓
				EBIT Margin	↓



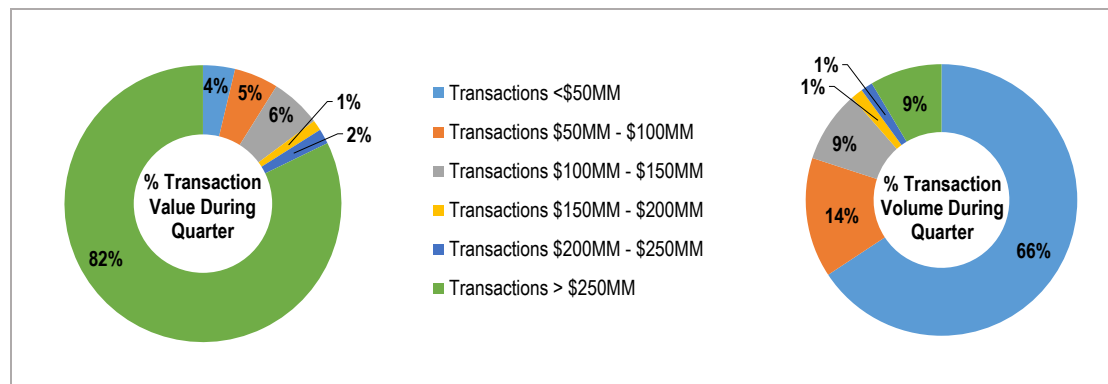
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

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

Transaction Volume	188
Number of Transactions with Disclosed Values	70
Transaction Value*	\$13,105.21
Average Transaction Value*	\$193.82
Median Transaction Value*	\$16.60

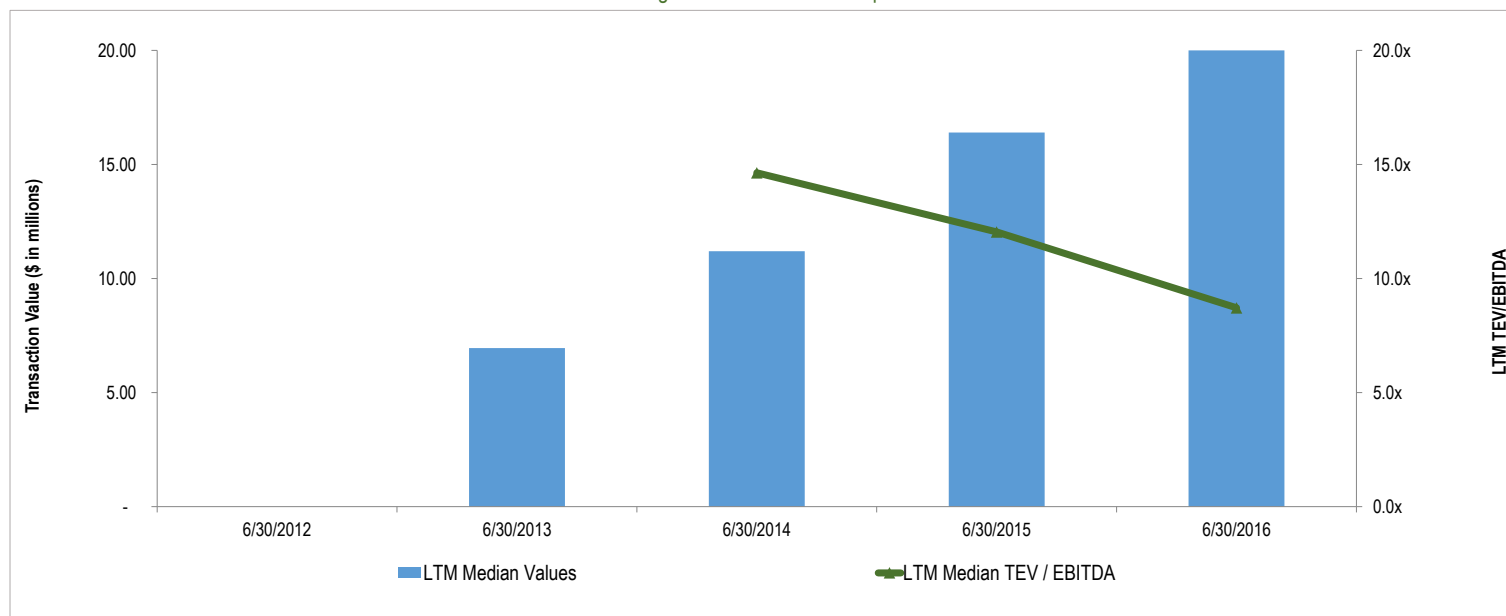
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



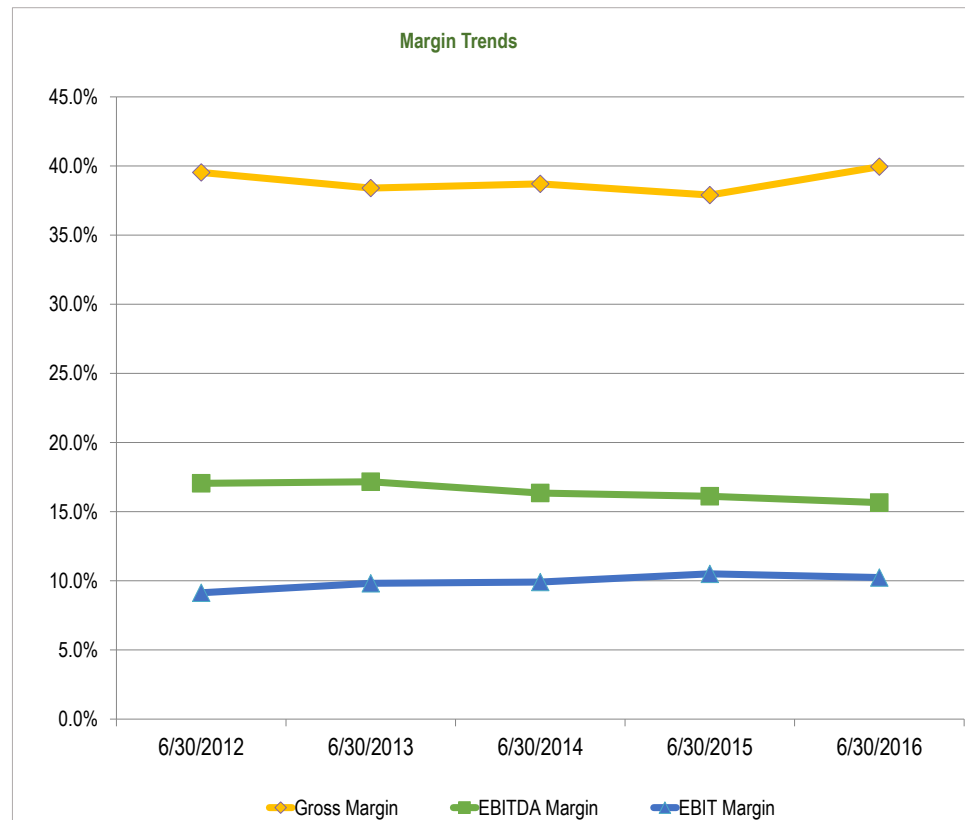
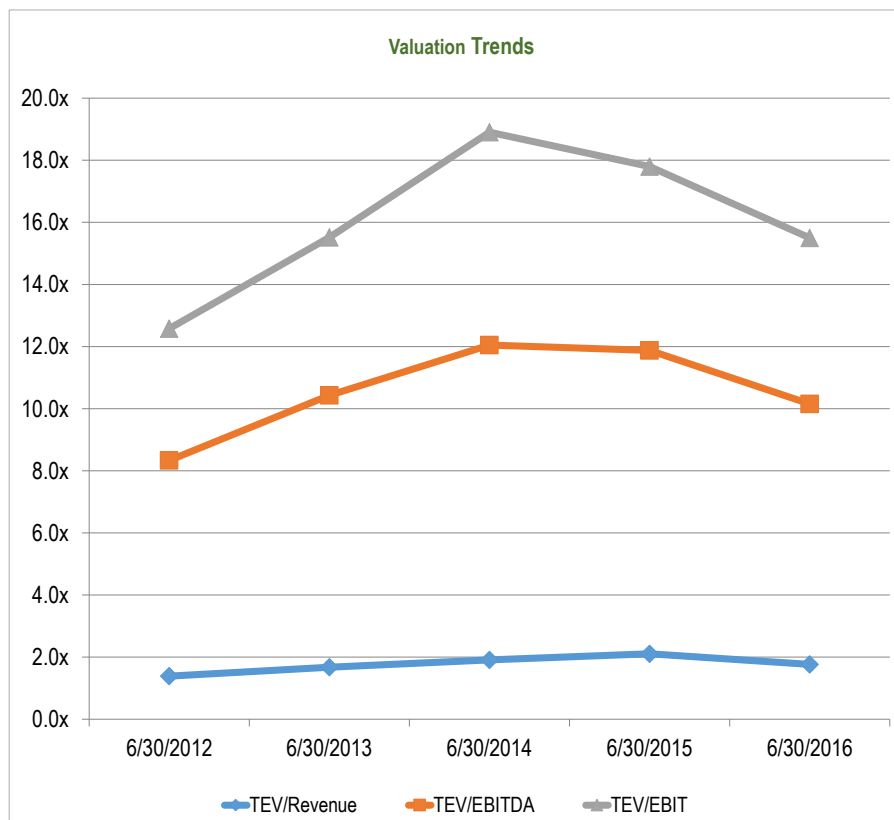
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Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$3,765	3.1x	14.3x	21.7x	TEV/Revenue	↓
Median	\$710	1.8x	10.2x	15.5x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	39.9%	17.1%	11.3%	Gross Margin	↑
Median	40.0%	15.7%	10.2%	EBITDA Margin	↓
				EBIT Margin	↓



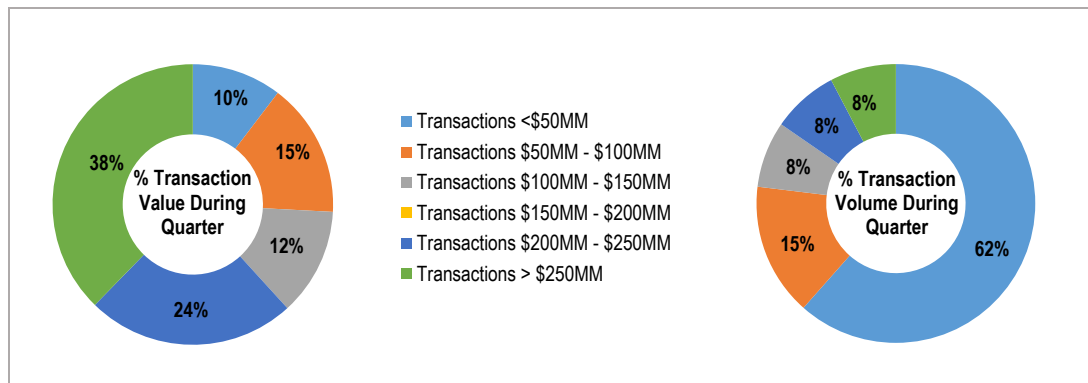
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

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

Transaction Volume	89
Number of Transactions with Disclosed Values	13
Transaction Value*	\$903.77
Average Transaction Value*	\$69.52
Median Transaction Value*	\$29.00

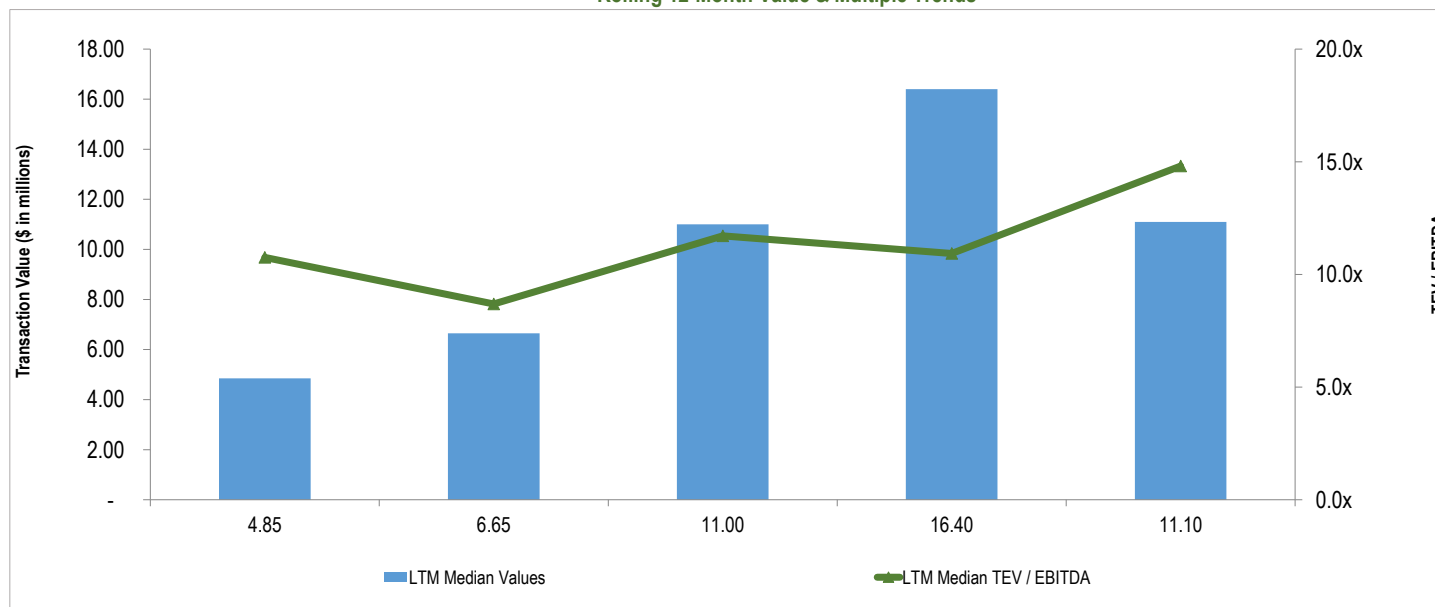
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Transactions by Value & Volume



Based on transactions with disclosed financial data only

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



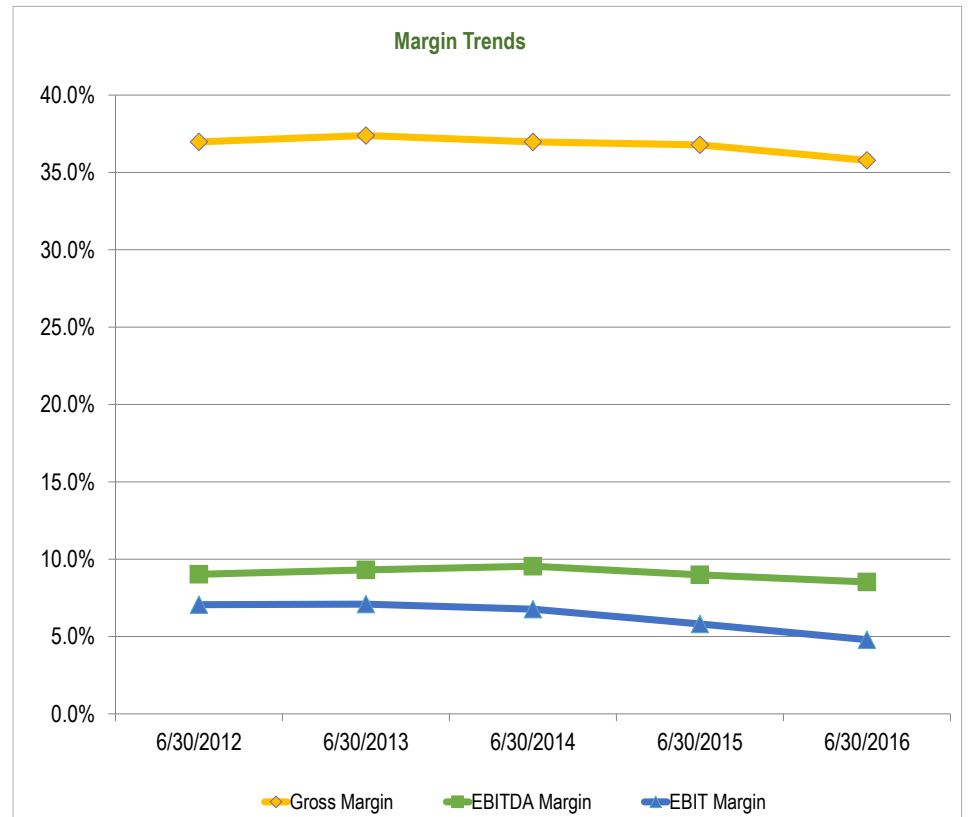
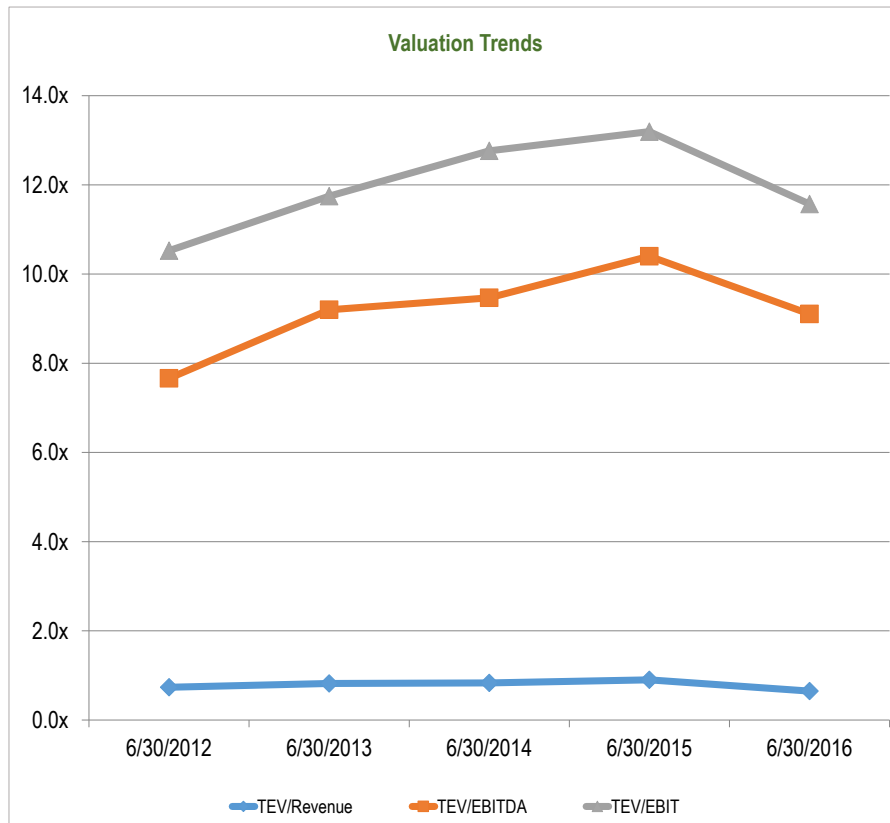
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Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	6/30/2016 Trends	
Average	\$8,728	1.4x	12.7x	18.7x	TEV/Revenue	↓
Median	\$1,256	0.6x	9.1x	11.6x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	6/30/2016 Trends	
Average	37.4%	9.0%	5.8%	Gross Margin	↓
Median	35.8%	8.5%	4.8%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

About PCE

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

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- 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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- 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 Jamund

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 dates only.

Glossary

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