



PCE Industry Report

Consumer Discretionary



Middle Market M&A Summary

Consumer Discretionary

3rd Quarter 2016

Key Highlights

- The average value of the top ten transactions was \$2.7 billion.
 - The largest transaction was the acquisition of Starwood Hotels and Resorts by Marriott International for \$15.8 billion.
 - The smallest transaction was the acquisition of Kahala Brands by MTY Food Group for \$301.5 million.
- The public company industry median TEV/Revenue multiple is 0.7x.
- The public company industry median TEV/EBITDA multiple is 9.9x.

Key Trends

- The Consumer Confidence Index increased in September to 104.1, representing a 2% growth in one month.¹
- Fully autonomous cars are expected to be ready within 5 years, causing auto insurers to begin analyzing the effect on the insurance industry.²
- Travel demand increased to 52.2 measured by the Current Travel Index (CTI) for August, and is expected to continue to grow over the next 6 months, albeit at a slower rate.³
- Retail growth this holiday season is anticipated to be driven by small and mid-sized retailers focused on niche products and experiences. Digital interactions is forecast to likely influence 67% of retail sales this holiday season.⁴
- E-commerce sales, forecasted to grow between 17 and 19 percent, continue to be a major disruptor to traditional retail sales. To help combat this growing problem, luxury retailers continue to add more amenities and personal touches, such as chauffeured rides home and full time concierge services, in an effort to attract more business.⁵

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

¹Confidence Board - Consumer Confidence Index, September 2016

²"Road for Driverless Cars Pockmarked With Regulatory Pitfalls", Wall Street Journal, September 20, 2016

³U.S. Travel Association - Current and Leading Travel Index, October 2016

⁴"Luxury Stores Add More Amenities in a Tougher Market", Wall Street Journal, September 22, 2016

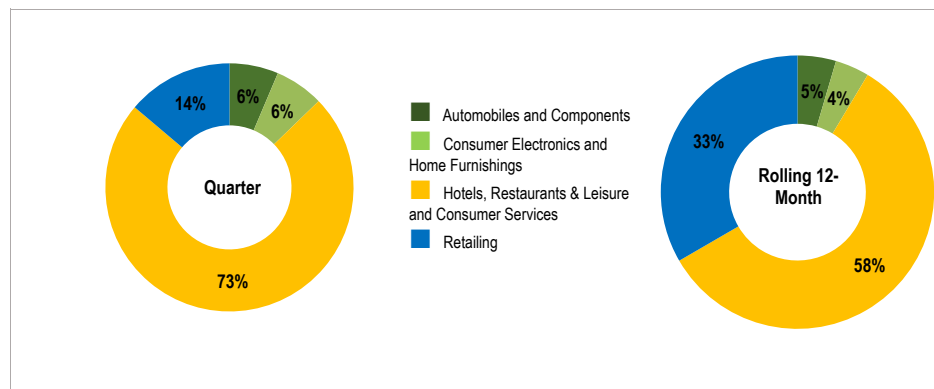
⁵"Ring in the New: Holiday Season E-commerce Sales Poised for Strong Growth", Deloitte University Press, September, 2016

Industry Trends During Quarter

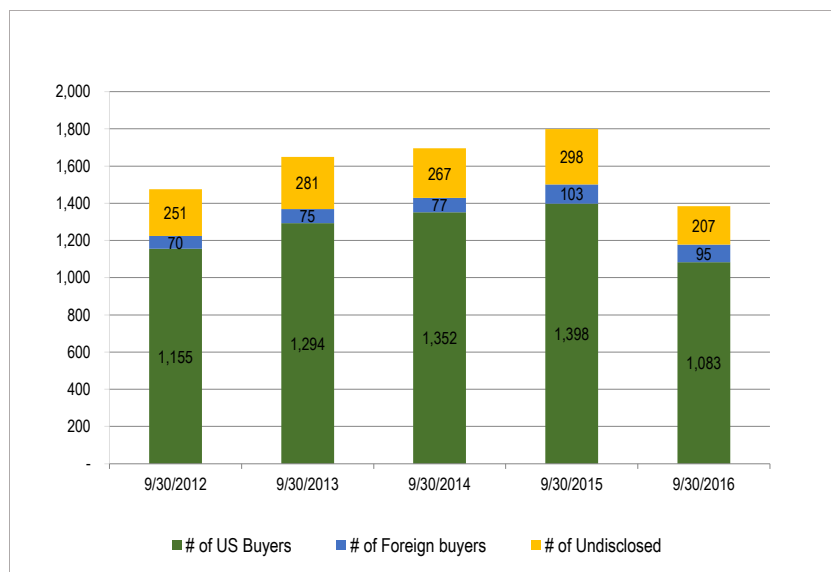
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Automobiles and Components	↓	↑	↓
Consumer Electronics and Home Furnishings	↑	↓	↑
Hotels, Restaurants & Leisure and Consumer Services	↓	↓	↓
Retailing	↓	↑	↓

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

Transaction Volume as % of Industry



Rolling 12-Month Transaction Volume Trends by Buyer Origin



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

Sector	Target	Buyer	Transaction Value
Hotels, Restaurants & Leisure and Consumer Services	Starwood Hotels & Resorts Worldwide Inc.	Marriott International, Inc.	\$15,819.0
Hotels, Restaurants & Leisure and Consumer Services	Diamond Resorts International, Inc.	Apollo Global Management, LLC	\$3,402.7
Retailing	Mattress Firm Holding Corp.	Steinoff International Holdings N.V.	\$2,981.7
Retailing	Outerwall Inc.	Apollo Global Management, LLC	\$1,376.4
Hotels, Restaurants & Leisure and Consumer Services	Krispy Kreme Doughnuts, Inc.	Cotton Parent, Inc.	\$1,348.3
Consumer Electronics and Home Furnishings	PPG Industries, Inc., Flat Glass facilities in US and Canada and PPG Canada Inc. (Calgary)	Vitro, S.A.B. de C.V.	\$750.0
Hotels, Restaurants & Leisure and Consumer Services	Marina District Development Holding Co., LLC	MGM Resorts International	\$600.0
Hotels, Restaurants & Leisure and Consumer Services	PA Meadows, LLC	GLP Capital, L.P.	\$440.0
Retailing	79 Retail Fuel Outlets	SEI Fuel Services, Inc.	\$408.0
Hotels, Restaurants & Leisure and Consumer Services	Kahala Brands, Ltd.	MTY Food Group Inc.	\$301.5

Source: S&P Capital IQ as of 10/17/2016 and PCE Proprietary Data

Automobiles and Components

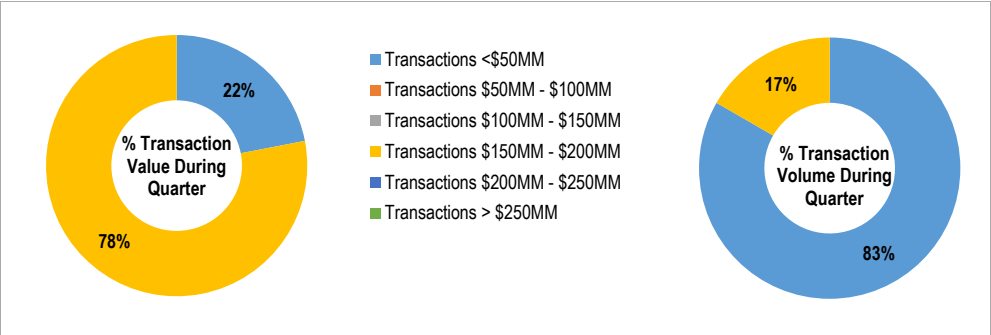
3rd Quarter 2016

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

Transaction Volume	12
Number of Transactions with Disclosed Values	6
Transaction Value*	\$224.26
Average Transaction Value*	\$37.38
Median Transaction Value*	\$8.98

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

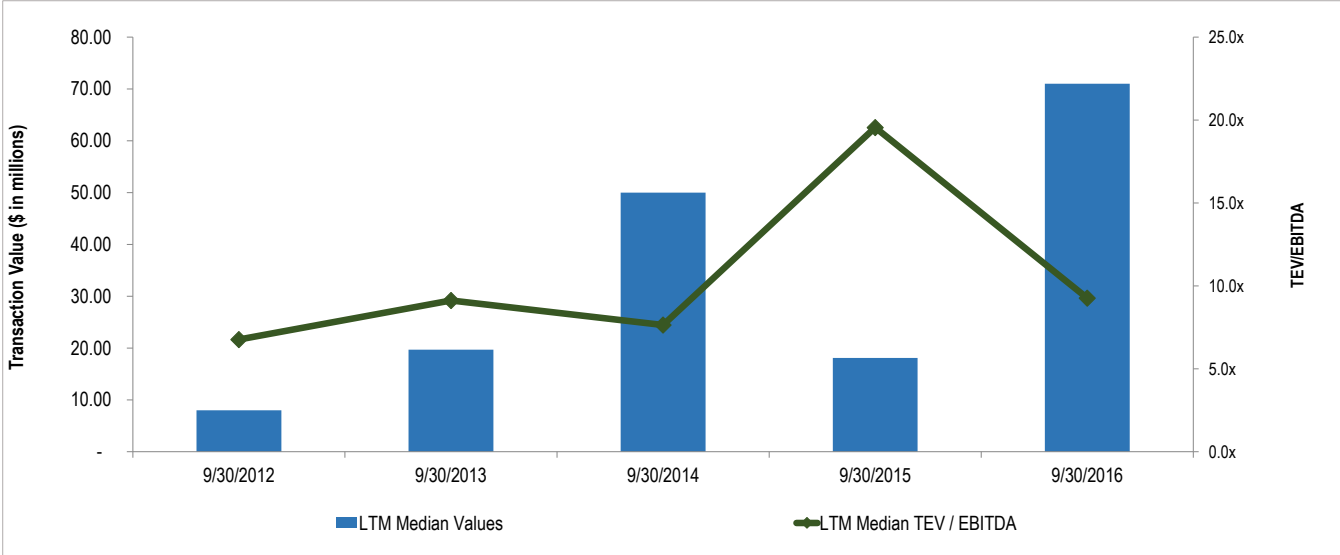
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/17/2016 and PCE Proprietary Data



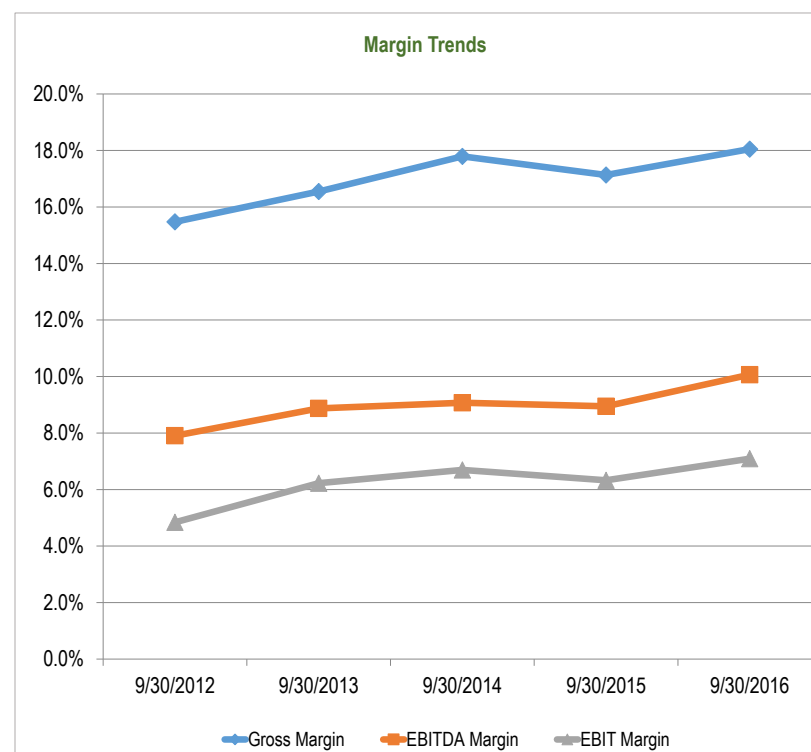
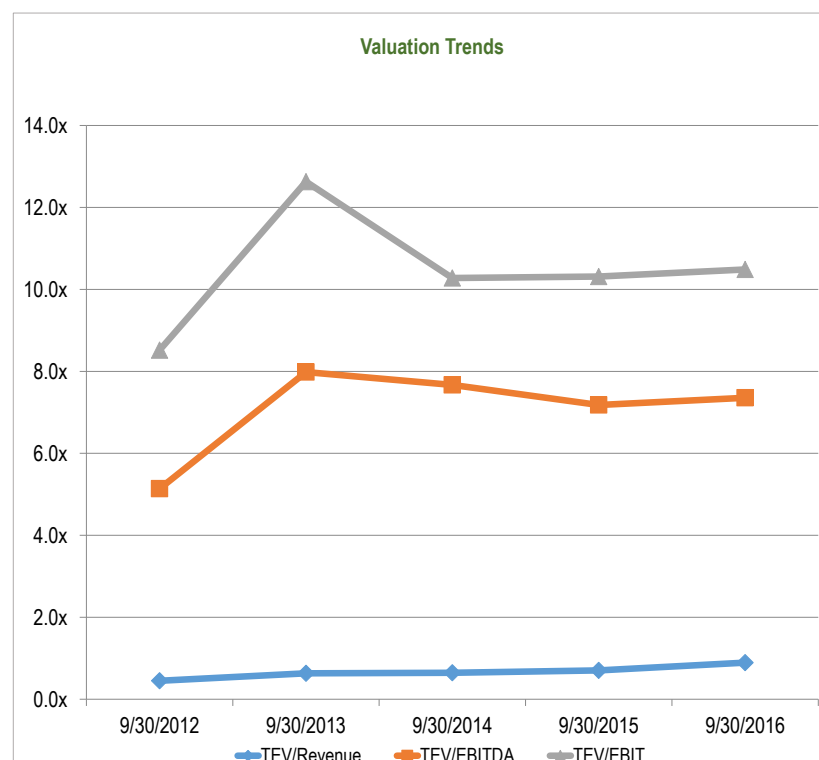
Automobiles and Components

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$6,516	4.2x	9.3x	11.3x	TEV/Revenue	↑
Median	\$1,244	0.9x	7.4x	10.5x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	18.0%	7.2%	3.3%	Gross Margin	↑
Median	18.0%	10.1%	7.1%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 10/17/2016 and PCE Proprietary Data



Consumer Electronics and Home Furnishings

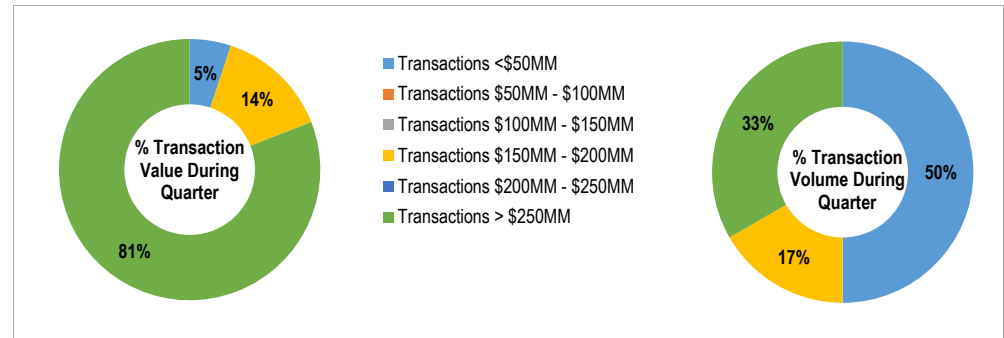
3rd Quarter 2016

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

Transaction Volume	14
Number of Transactions with Disclosed Values	6
Transaction Value*	\$1,260.31
Average Transaction Value*	\$210.05
Median Transaction Value*	\$110.41

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

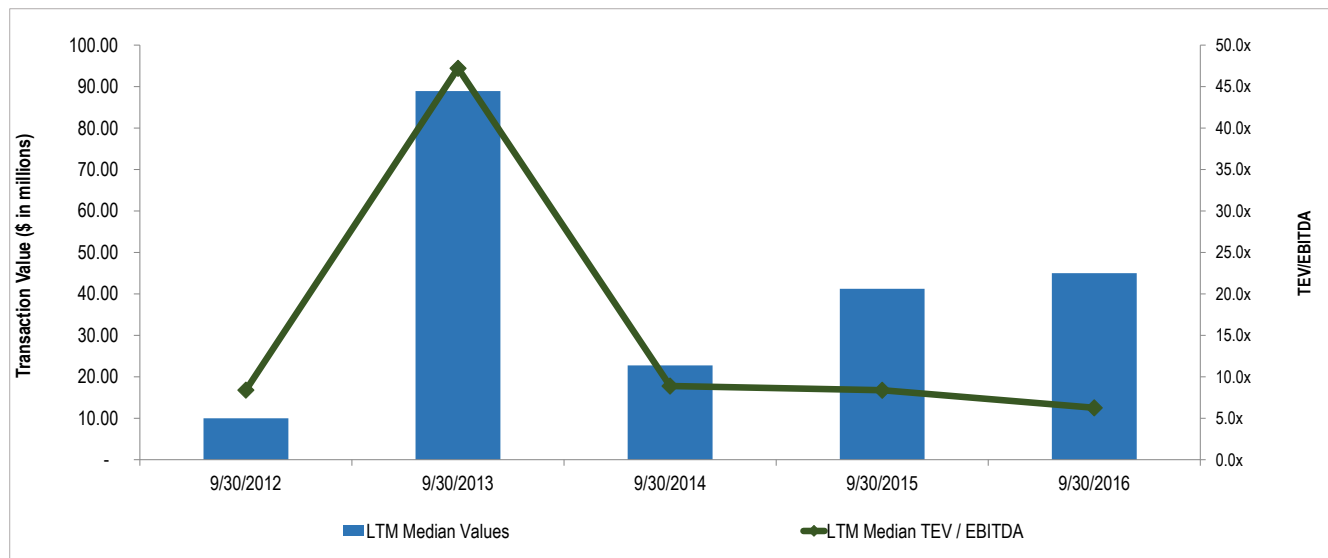
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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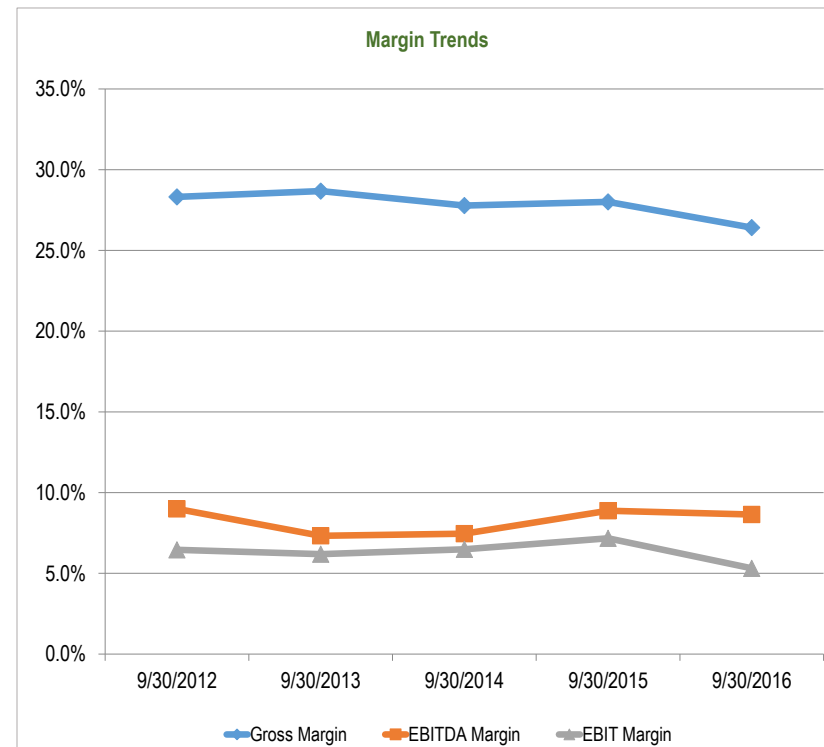
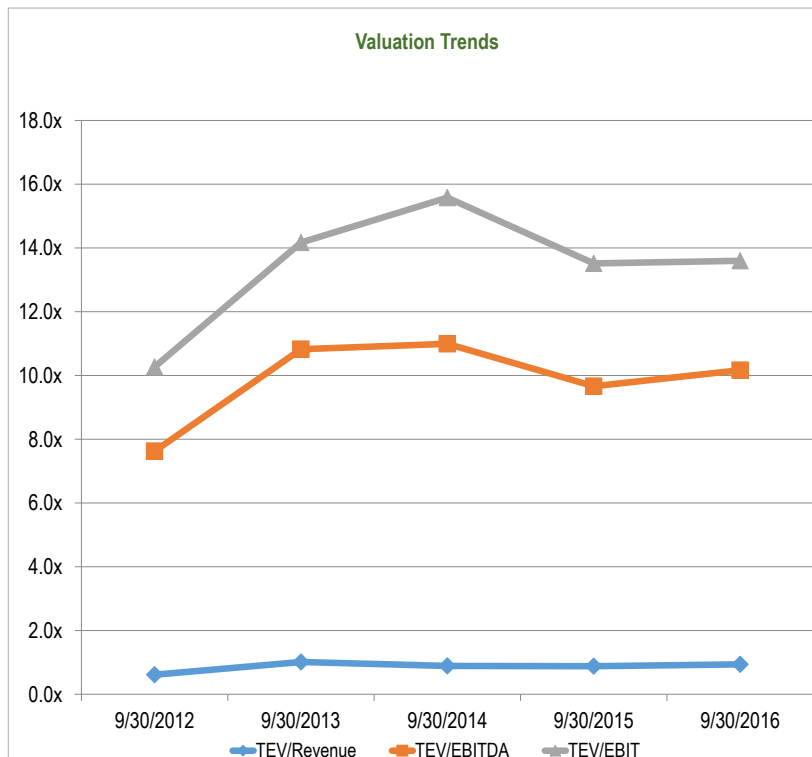
Consumer Electronics and Home Furnishings

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,769	4.2x	11.6x	24.5x	TEV/Revenue	↑
Median	\$259	0.9x	10.2x	13.6x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	29.1%	6.0%	3.3%	Gross Margin	↓
Median	26.4%	8.6%	5.3%	EBITDA Margin	↓
				EBIT Margin	↓



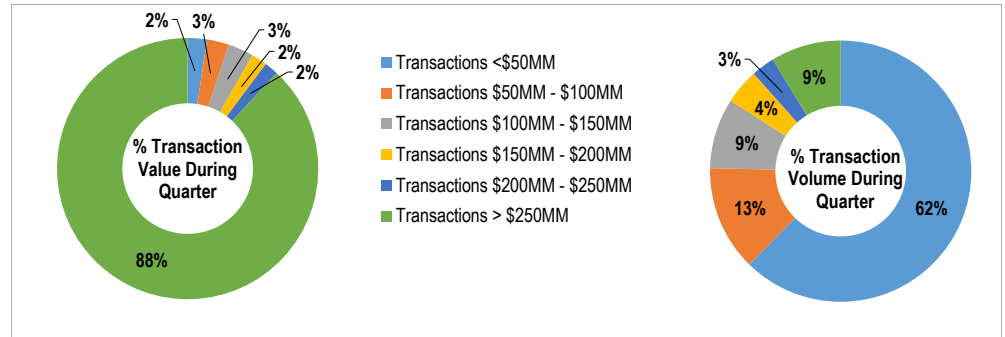
Source: S&P Capital IQ as of 10/17/2016 and PCE Proprietary Data

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

Transaction Volume	160
Number of Transactions with Disclosed Values	69
Transaction Value*	\$24,884.44
Average Transaction Value*	\$360.64
Median Transaction Value*	\$24.60

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

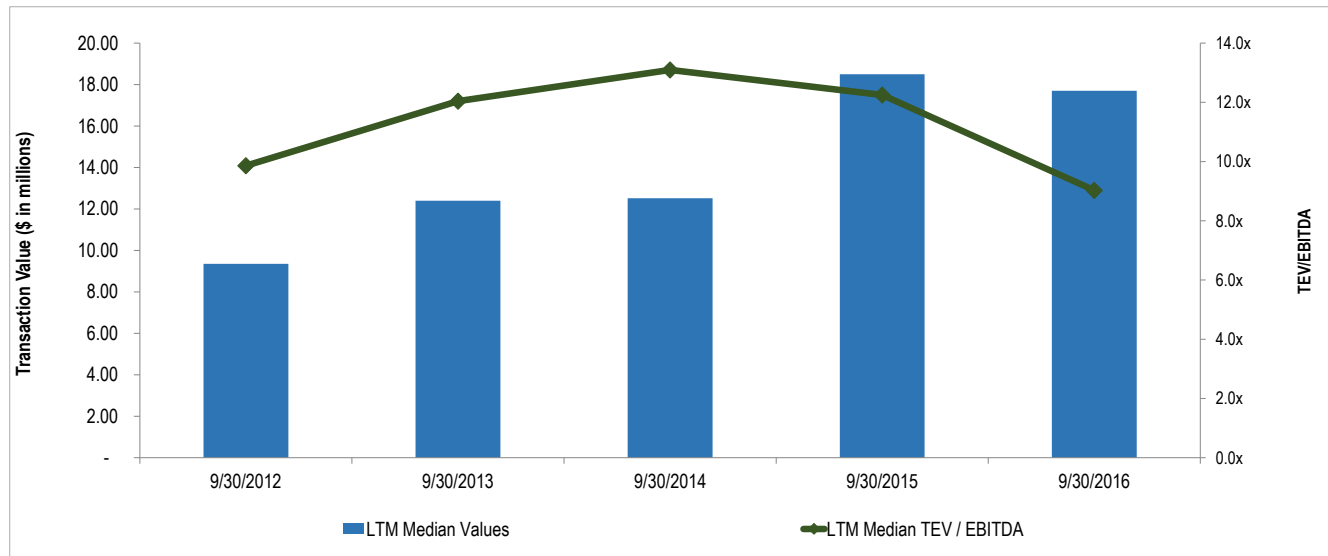
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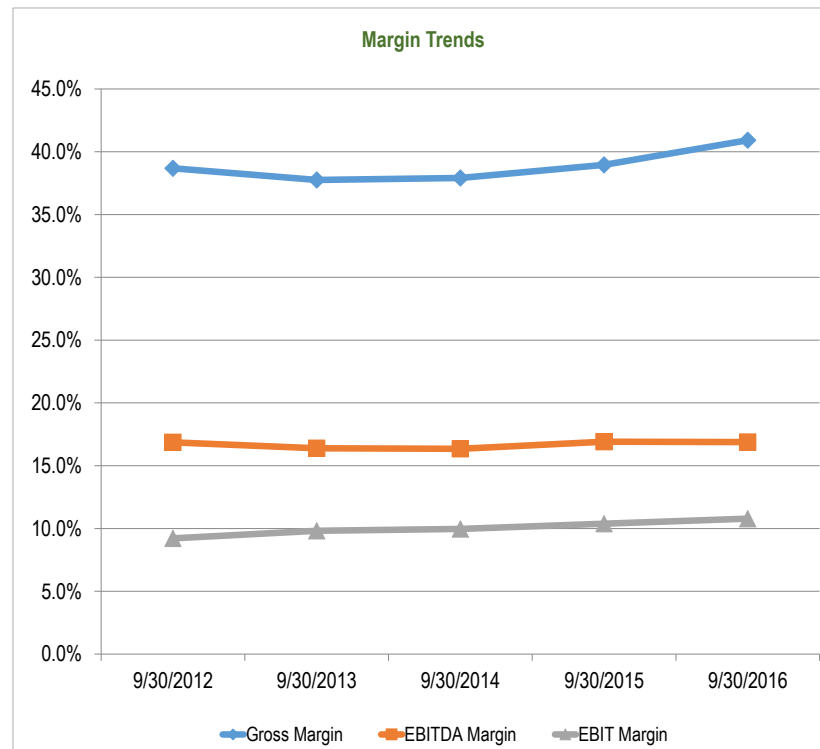
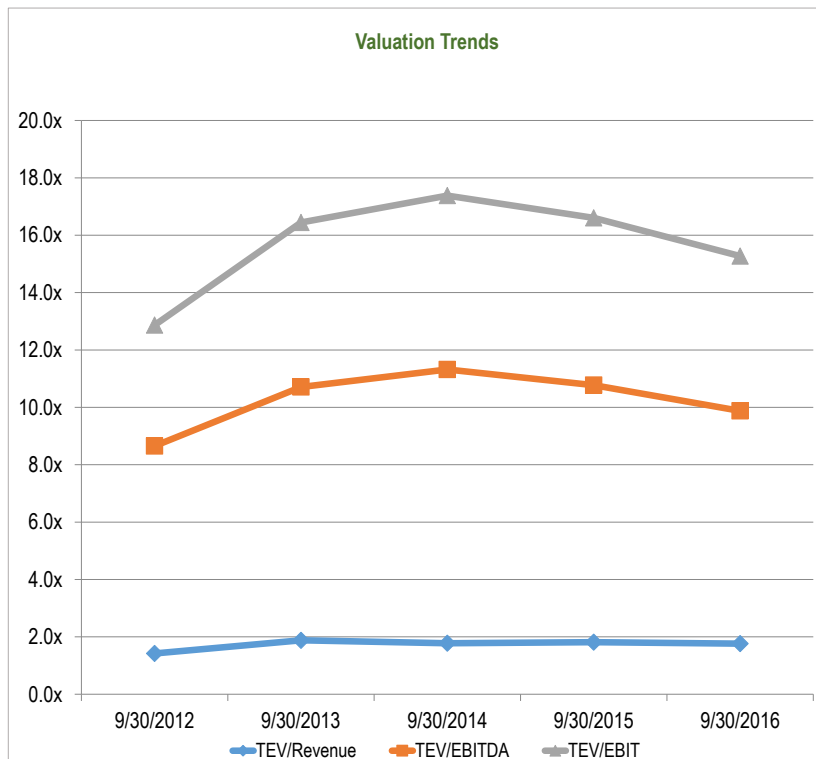
Hotels, Restaurants & Leisure and Consumer Services

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$3,981	2.1x	11.7x	18.4x	TEV/Revenue	↓
Median	\$700	1.8x	9.9x	15.3x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	41.2%	17.1%	10.7%	Gross Margin	↑
Median	40.9%	16.9%	10.8%	EBITDA Margin	↓
				EBIT Margin	↑



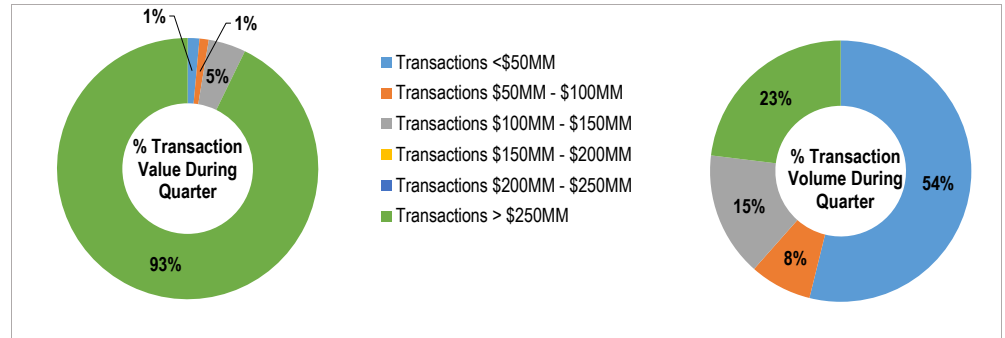
Source: S&P Capital IQ as of 10/17/2016 and PCE Proprietary Data

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

Transaction Volume	78
Number of Transactions with Disclosed Values	13
Transaction Value*	\$5,137.24
Average Transaction Value*	\$395.17
Median Transaction Value*	\$40.00

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

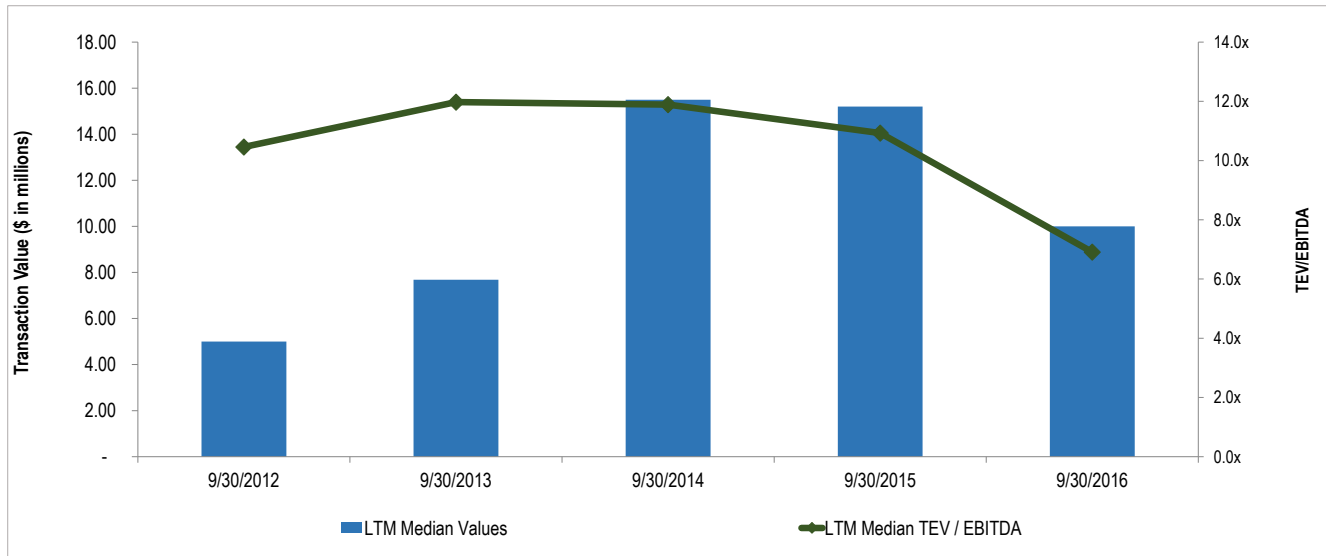
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Rolling 12-Month Value & Multiple Trends

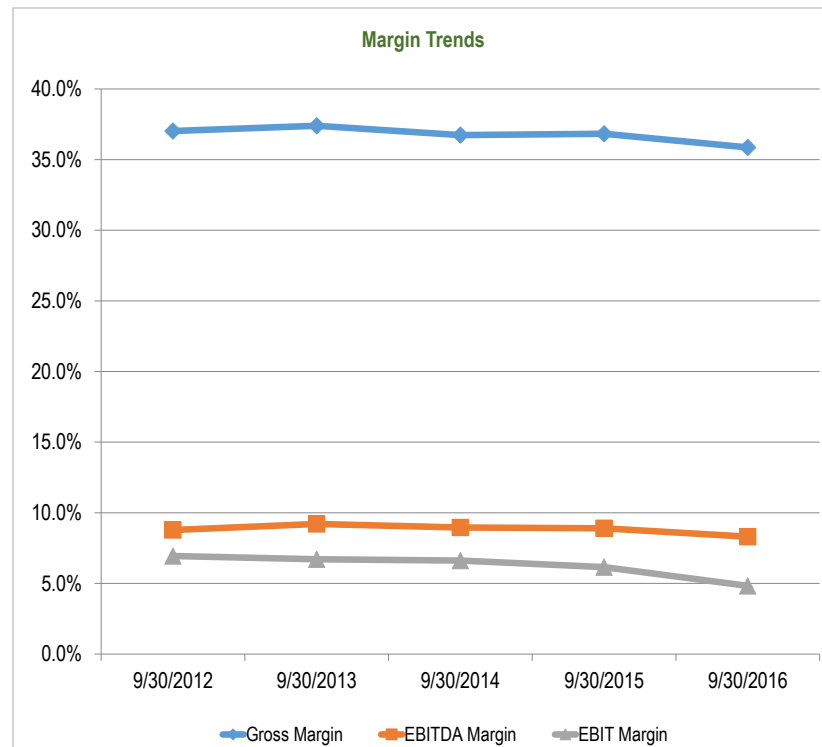
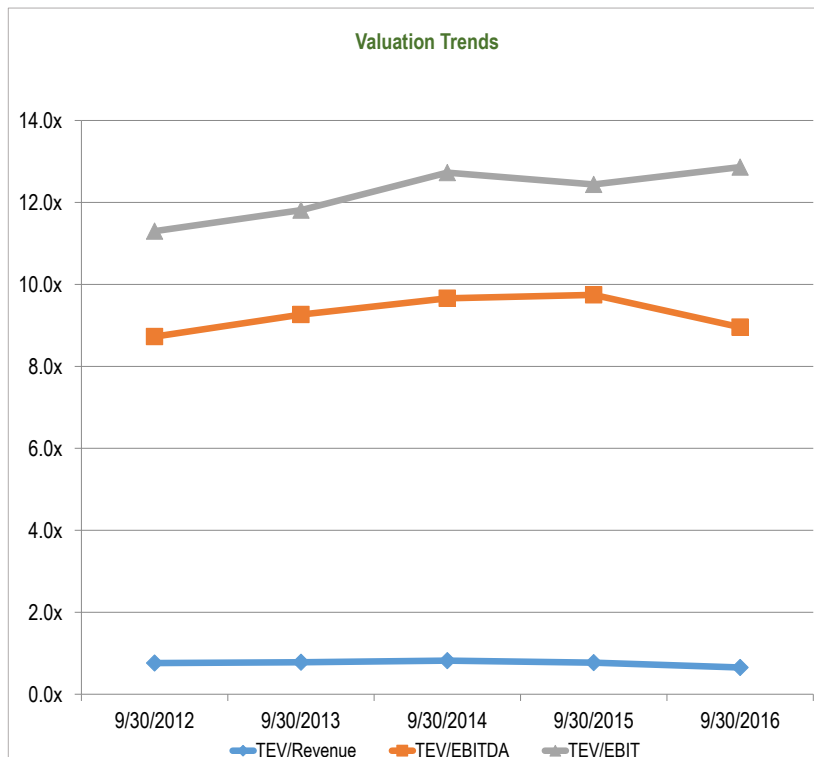


Source: S&P Capital IQ as of 10/17/2016 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$8,784	1.1x	12.7x	20.1x	TEV/Revenue	↓
Median	\$1,138	0.7x	9.0x	12.9x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	38.5%	8.6%	5.6%	Gross Margin	↓
Median	35.9%	8.3%	4.8%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 10/17/2016 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.

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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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