



PCE Industry Report

Consumer Discretionary



Middle Market M&A Summary

Consumer Discretionary

1st Quarter 2017

Key Highlights

- The average value of the top ten transactions was \$1.7 billion
 - The largest transaction was the acquisition of Harmon International Industries by Marriott International for \$9.4 billion.
 - The smallest transaction was the acquisition of W Hollywood Hotel by Host Hotels & Resorts for \$219 million.
- The public company industry median TEV/Revenue multiple is 0.7x
- The public company industry median TEV/EBITDA multiple is 8.9x

Key Trends

- Consumer Confidence Index sits at 125.6, which reflects a sharp increase from February. This is the highest the consumer confidence has been since December 2000.
- Auto industry sales in March were down 1.6% when compared to last year with 1.56 million cars sold. Given the lackluster sales figures, manufacturers are likely to cut production and add incentives to manage inventory. An exception to this industry trend is sales of electric cars which continue to see growth in demand over prior periods.
- On a seasonally adjusted basis, private sector employment increased by 263,000 from February to March, a 13% increase from March 2016. Given the current state of job growth and forecasted wage growth, consumer spending is likely to increase in 2017. ¹
- Retailers across the country continue to pursue enhancements utilizing mobile payment solutions. Those who delay implementation of mobile point of sale systems (custom-store POS solutions or third party providers) will likely risk losing market share.
- The adjusted March Advance Monthly Sales report for Retail and Food Services estimates the March retail and food sales slightly decreased when compared to February, a 5.2% increase from March 2016. Food service sales are likely to experience a moderate slowdown as gasoline prices are expected to increase which will likely put a strain on consumer spending.

Source:

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

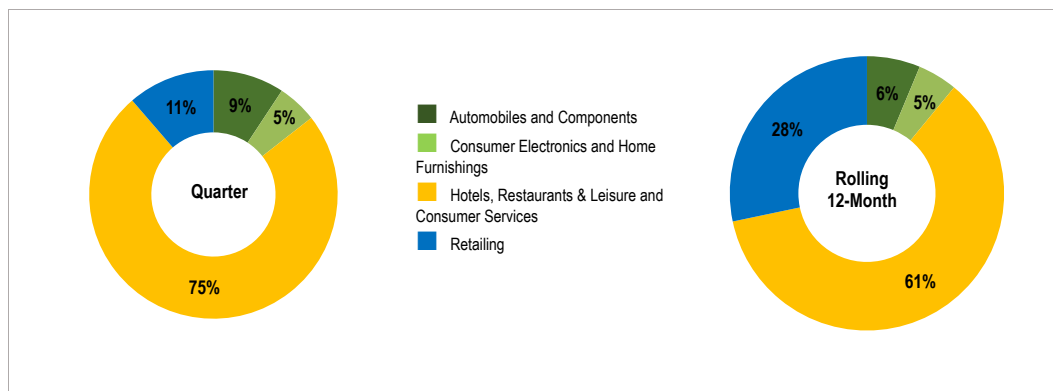
¹ ADP National Employment Report, ADP Research Institute, 2017.

Industry Trends During Quarter

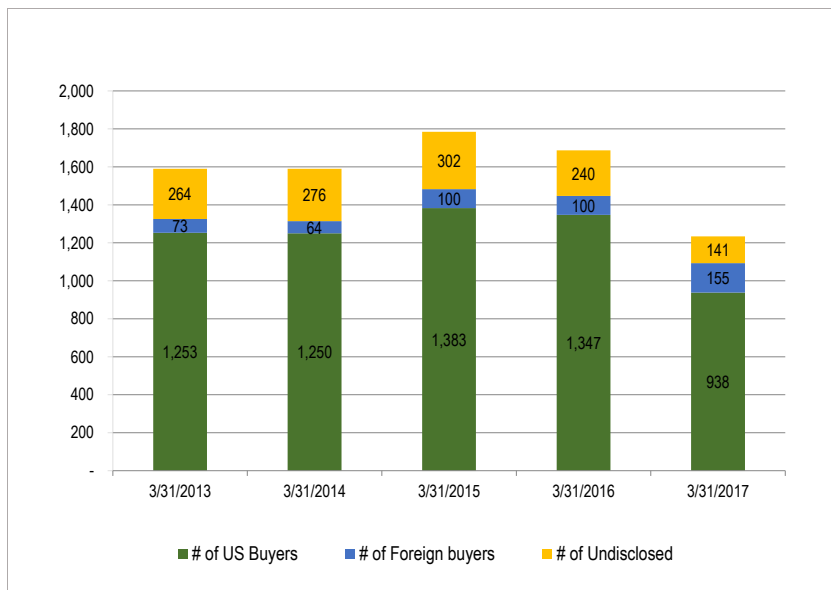
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Automobiles and Components	↑	↓	↓
Consumer Electronics and Home Furnishings	↑	↑	↑
Hotels, Restaurants & Leisure and Consumer Services	↑	↑	↑
Retailing	↑	↓	↑

* 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 4/25/2017 and PCE Proprietary Data

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

Sector	Target	Buyer	Transaction Value
Consumer Electronics and Home Furnishings	Harman International Industries, Incorporated	Marriott International, Inc.	\$9,398.0
Hotels, Restaurants & Leisure and Consumer Services	LifeLock, Inc.	Apollo Global Management, LLC	\$2,528.2
Hotels, Restaurants & Leisure and Consumer Services	Popeyes Louisiana Kitchen, Inc.	Steinoff International Holdings N.V.	\$1,827.1
Hotels, Restaurants & Leisure and Consumer Services	Apollo Education Group, Inc.	Apollo Global Management, LLC	\$1,158.8
Hotels, Restaurants & Leisure and Consumer Services	Affinity Gaming	Z Capital Management LLC	\$591.4
Retailing	Blue Nile, Inc.	Vitro, S.A.B. de C.V.	\$496.6
Automobiles and Components	Pittsburgh Glass Works LLC	MGM Resorts International	\$310.0
Automobiles and Components	Federal-Mogul Holdings LLC	IEH FM Holdings LLC	\$304.5
Hotels, Restaurants & Leisure and Consumer Services	Trump Taj Mahal Associates, Inc.	Hard Rock Cafe International, Inc.	\$300.0
Hotels, Restaurants & Leisure and Consumer Services	W Hollywood Hotel	Host Hotels & Resorts, Inc.	\$219.0

Automobiles and Components

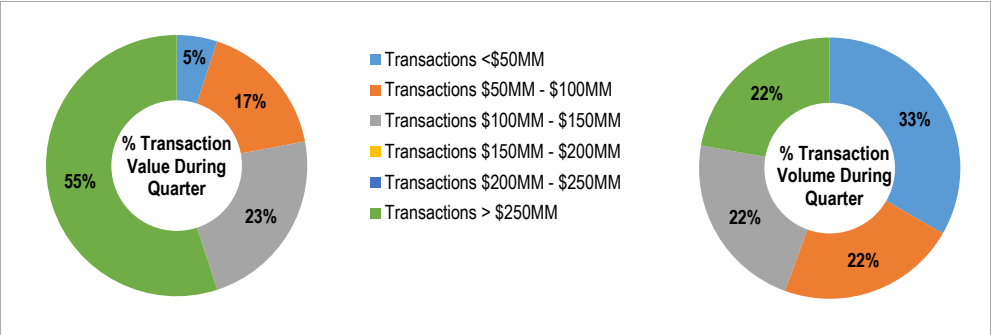
1st Quarter 2017

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

Transaction Volume	19
Number of Transactions with Disclosed Values	9
Transaction Value*	\$1,116.46
Average Transaction Value*	\$124.05
Median Transaction Value*	\$100.00

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

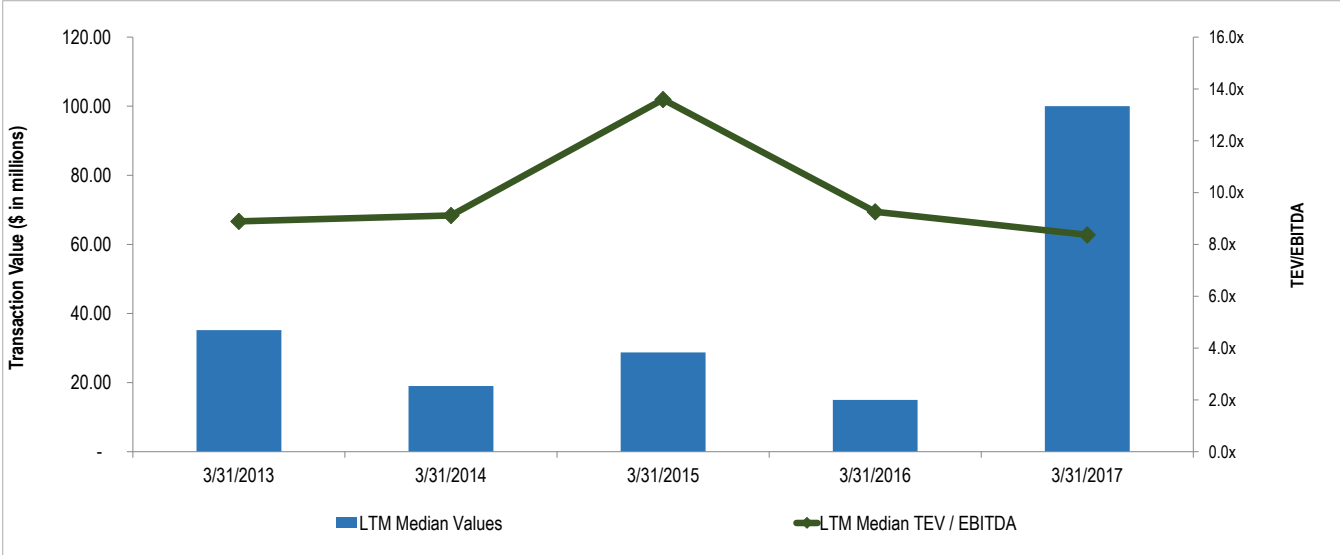
Transactions by Value & Volume



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 4/25/2017 and PCE Proprietary Data



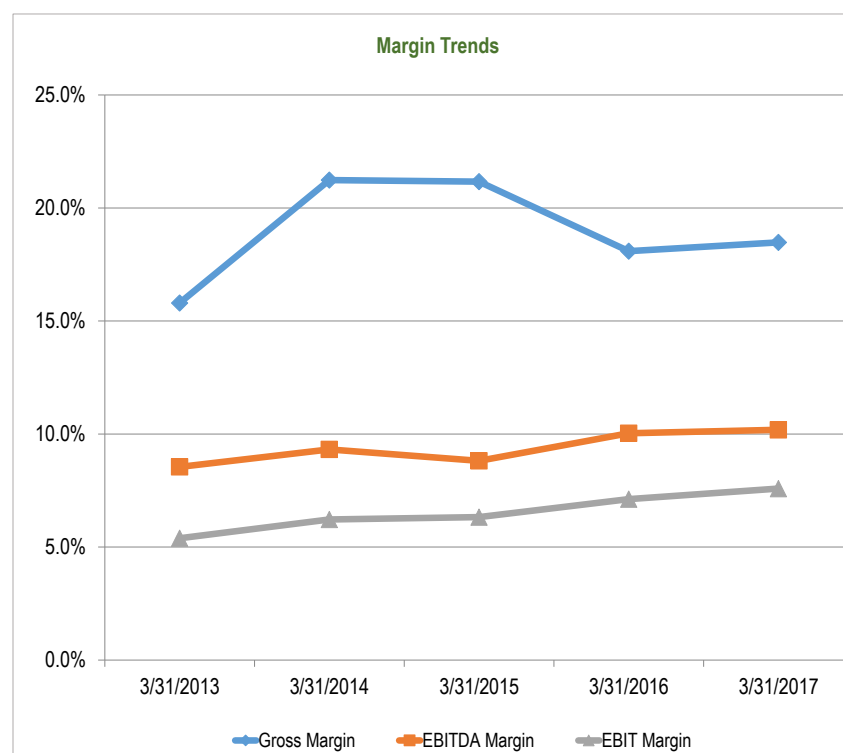
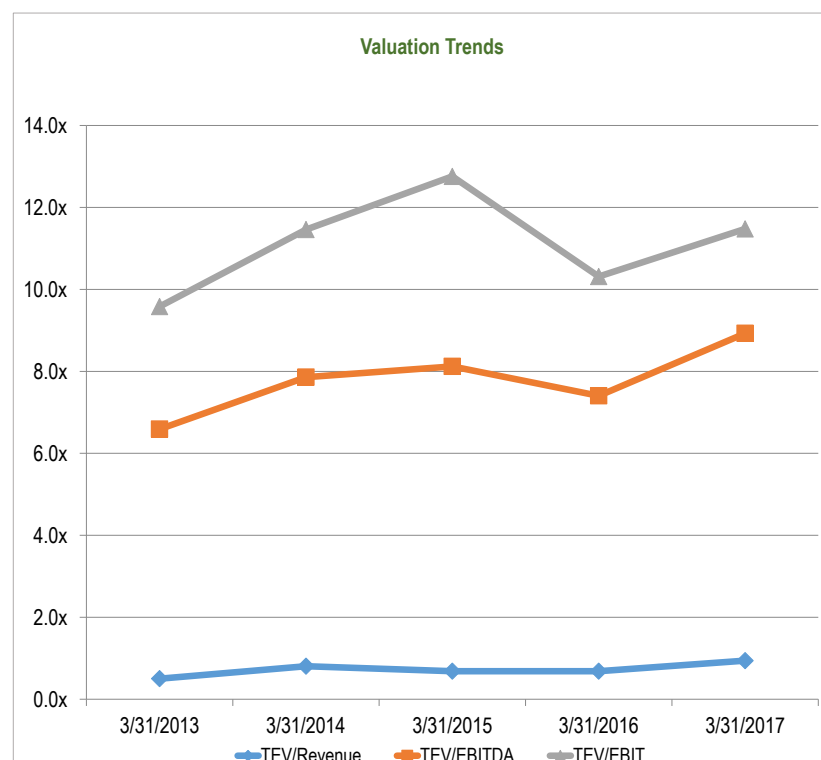
Automobiles and Components

1st Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	03/31/2017 Trends	
Average	\$5,796	2.1x	13.6x	17.0x	TEV/Revenue	↑
Median	\$1,183	0.9x	8.9x	11.5x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	03/31/2017 Trends	
Average	9.3%	-6.7%	6.8%	Gross Margin	↑
Median	18.5%	10.2%	7.6%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 4/25/2017 and PCE Proprietary Data



Consumer Electronics and Home Furnishings

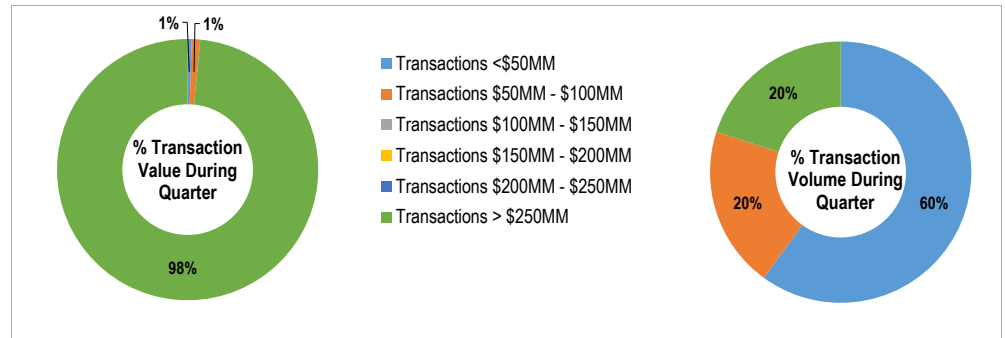
1st Quarter 2017

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

Transaction Volume	23
Number of Transactions with Disclosed Values	5
Transaction Value*	\$9,546.56
Average Transaction Value*	\$1,909.31
Median Transaction Value*	\$29.50

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

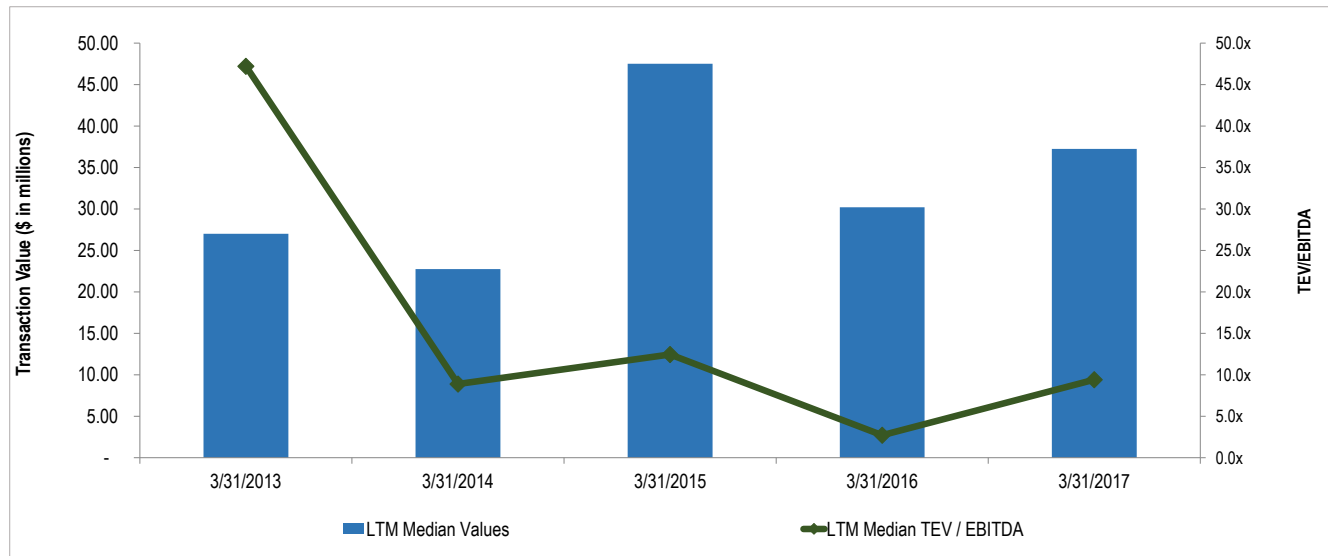
Transactions by Value & Volume



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 4/25/2017 and PCE Proprietary Data

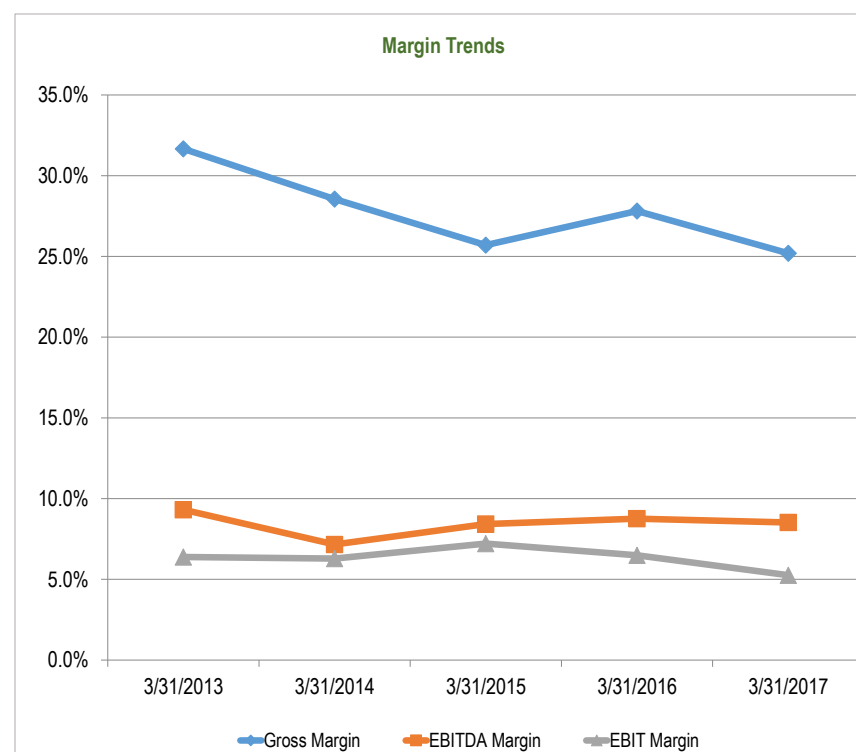
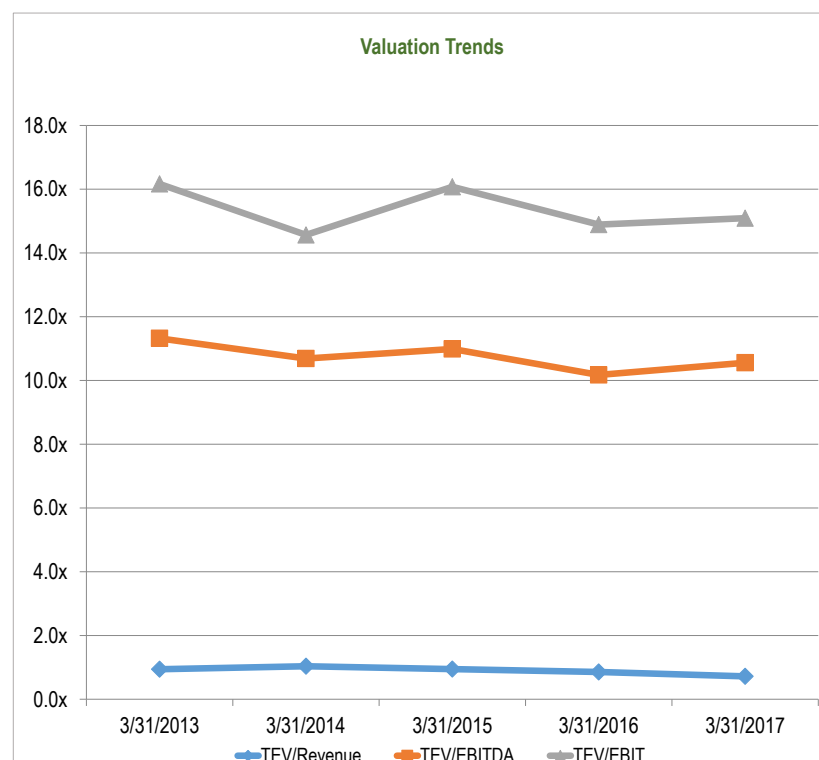
Consumer Electronics and Home Furnishings

1st Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 03/31/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$13	4.6x	10.9x	18.2x	TEV/Revenue	↓
Median	\$8	0.7x	10.6x	15.1x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 03/31/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	24.0%	5.2%	2.5%	Gross Margin	↓
Median	25.2%	8.5%	5.3%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 4/25/2017 and PCE Proprietary Data

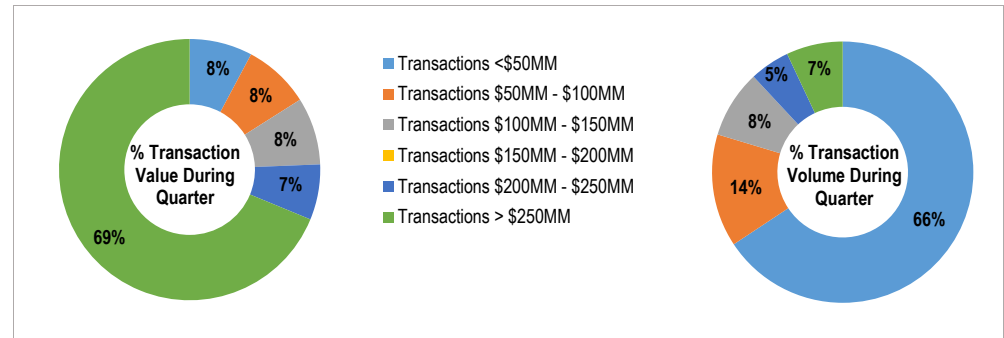


Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	178
Number of Transactions with Disclosed Values	71
Transaction Value*	\$9,313.59
Average Transaction Value*	\$131.18
Median Transaction Value*	\$29.25

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

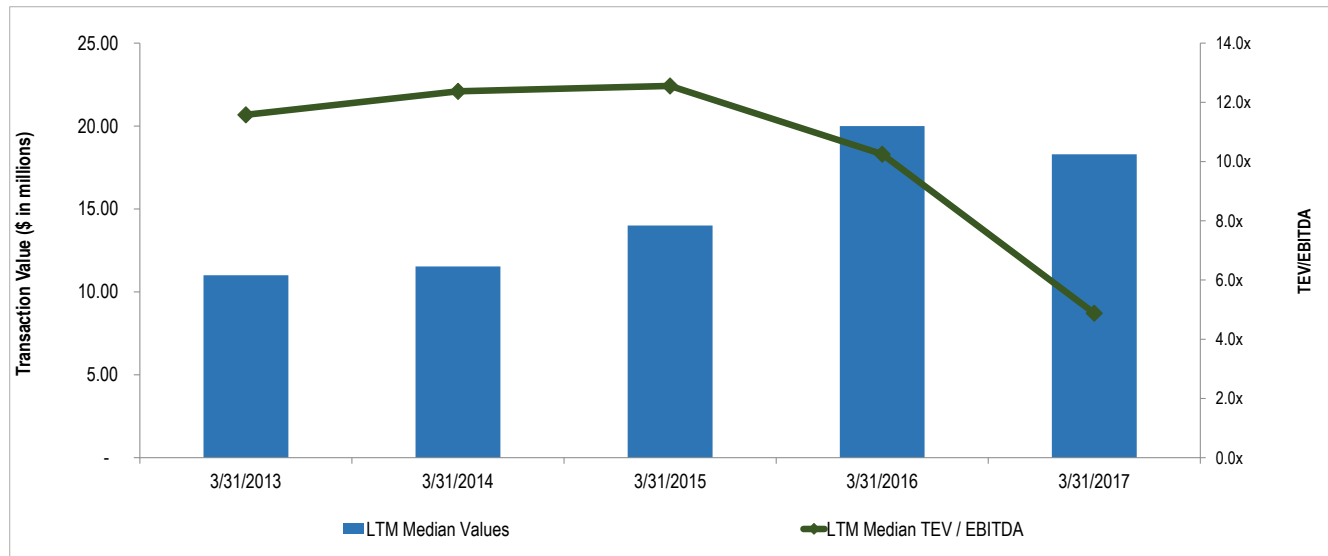
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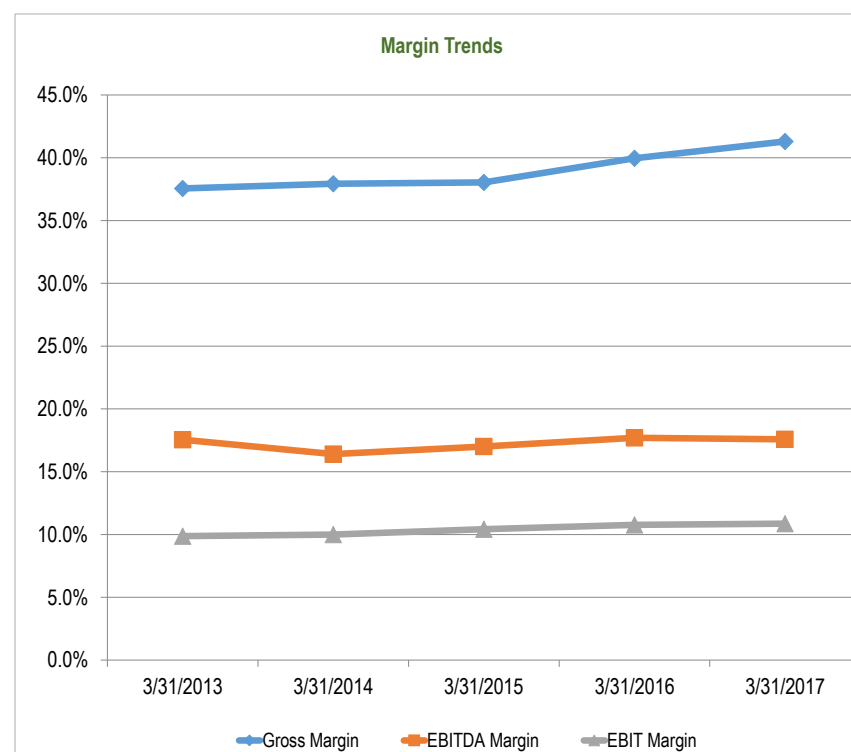
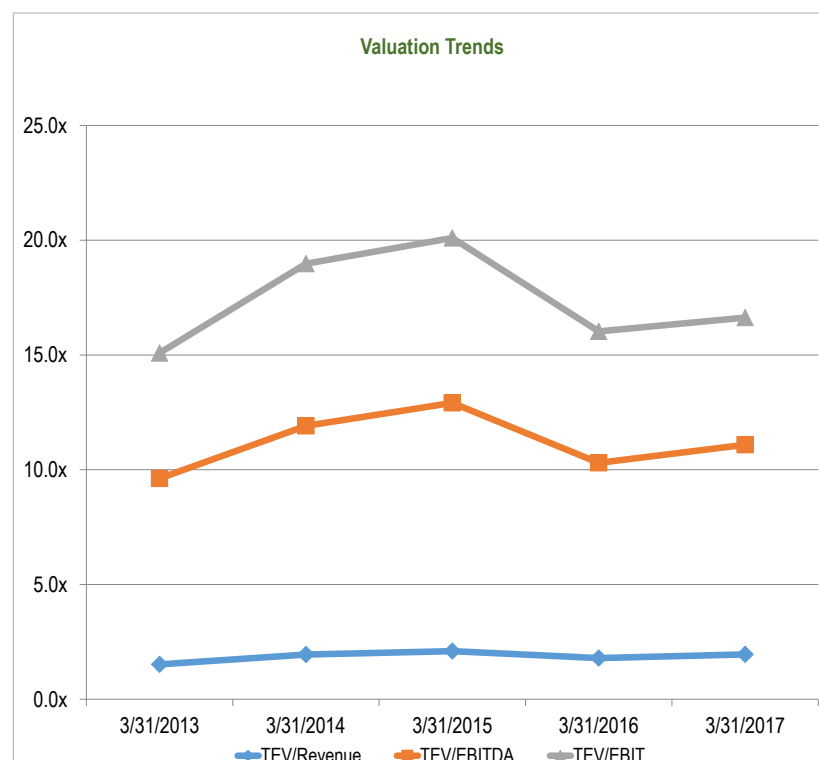
Hotels, Restaurants & Leisure and Consumer Services

1st Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 03/31/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,580	2.4x	13.9x	23.5x	TEV/Revenue	↑
Median	\$896	2.0x	11.1x	16.6x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 03/31/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	40.6%	17.7%	11.1%	Gross Margin	↑
Median	41.3%	17.6%	10.9%	EBITDA Margin	↓
				EBIT Margin	↑



Source: S&P Capital IQ as of 4/25/2017 and PCE Proprietary Data

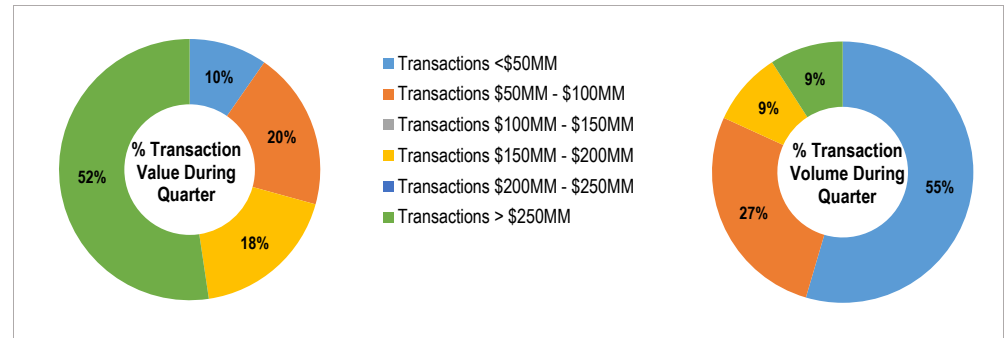


Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	85
Number of Transactions with Disclosed Values	11
Transaction Value*	\$948.53
Average Transaction Value*	\$86.23
Median Transaction Value*	\$40.00

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

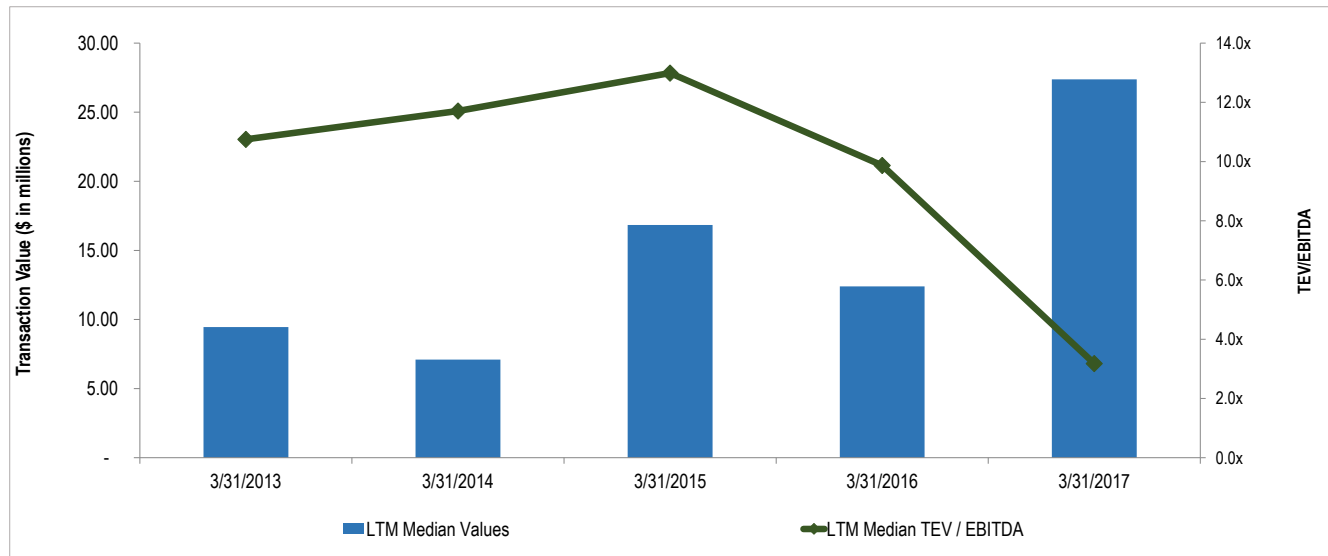
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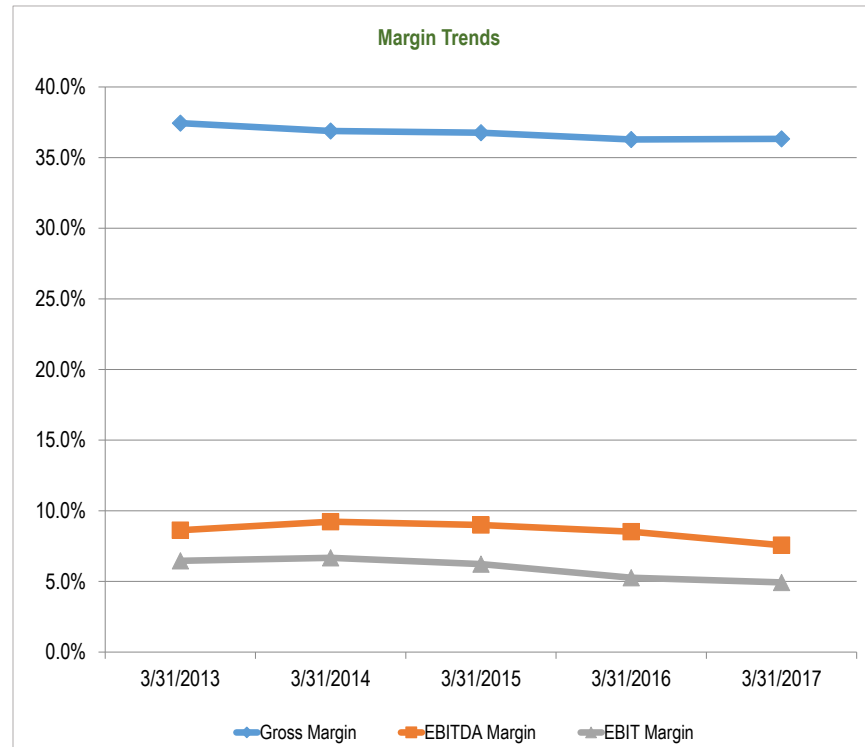
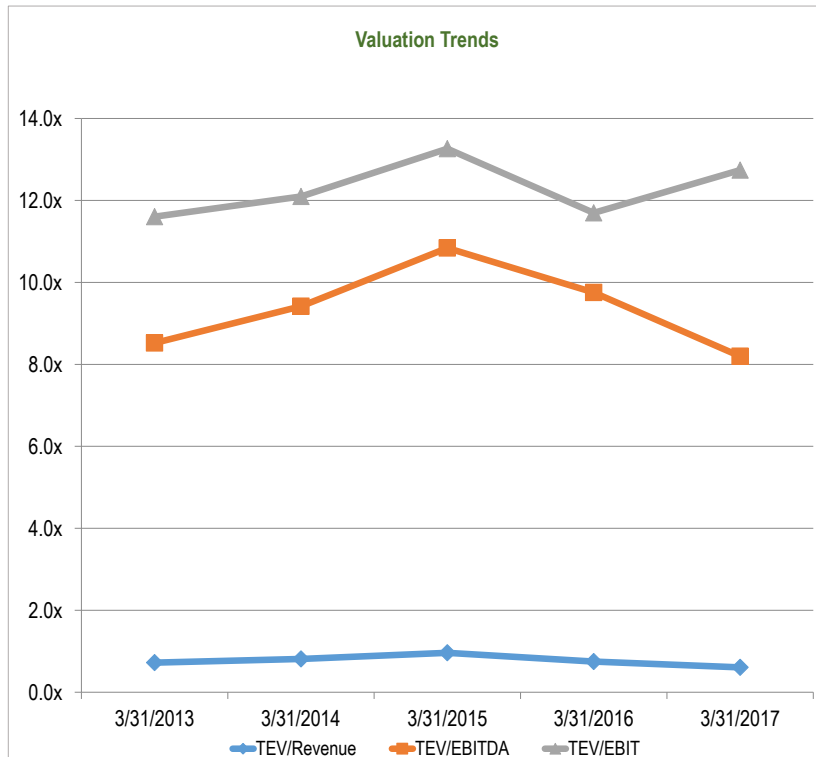


Source: S&P Capital IQ as of 4/25/2017 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 03/31/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$9,440	1.2x	15.0x	22.6x	TEV/Revenue	↓
Median	\$1,109	0.6x	8.2x	12.7x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 03/31/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	39.0%	7.4%	4.1%	Gross Margin	↑
Median	36.3%	7.6%	4.9%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 4/25/2017 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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- Banking, Finance & Insurance
- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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PCE Locations

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Data Assumptions

This report represents transaction activity as mergers & acquisitions, consolidations, restructurings and spin-offs. Targets are defined as U.S. Based companies with either foreign or U.S. based buyers. Transaction information provided is based on closed dates only.

Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value

