



PCE Industry Report

Consumer Discretionary



Middle Market M&A Summary

Consumer Discretionary

3rd Quarter 2017

Key Highlights

- The average value of the top ten transactions was \$3.3 billion.
 - The largest transaction was the acquisition of Cabela's Incorporated by Marriott International for \$8.7 billion.
 - The smallest transaction was the acquisition of Checkers Drive-in Restaurants by Oak Hill Capital Partners for \$525.0 million.
- The public company industry median TEV/Revenue multiple is 0.9x.
- The public company industry median TEV/EBITDA multiple is 8.5x.

Key Trends

- As artificial intelligence ("AI") platforms such as voice-activated assistants, virtual reality and augmented reality gain popularity, retail and consumer good companies rethink what is driving consumer demand growth. As AI platforms positively impact the user experience, retailers will have to begin incorporating these concepts into their operations, or turn to M&A to stay relevant.
- The Consumer Confidence Index decreased slightly in September after a marginal improvement in August. Weather disruptions across the Caribbean and North America are likely the main drivers of this slight decrease. A pickup in the fourth quarter is expected as communities affected by the recent weather conditions start to rebuild.
- The rising trend of large food companies breaking into organic and healthy markets will continue to be a source of increased market share for companies that may be struggling to keep up with the rapidly changing consumer market. This M&A trend will continue throughout food and beverage companies to improve performance.
- Following the release of the proposed repatriation tax holiday, many consumer discretionary industry leaders are anticipating favorable outlooks given the impact of a one-time repatriation tax. Companies like Ralph Lauren and Footlocker that hold about 15% of their market cap in overseas cash would be able to revitalize their operations and invest in M&A that could favorably position their companies in the marketplace.¹

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

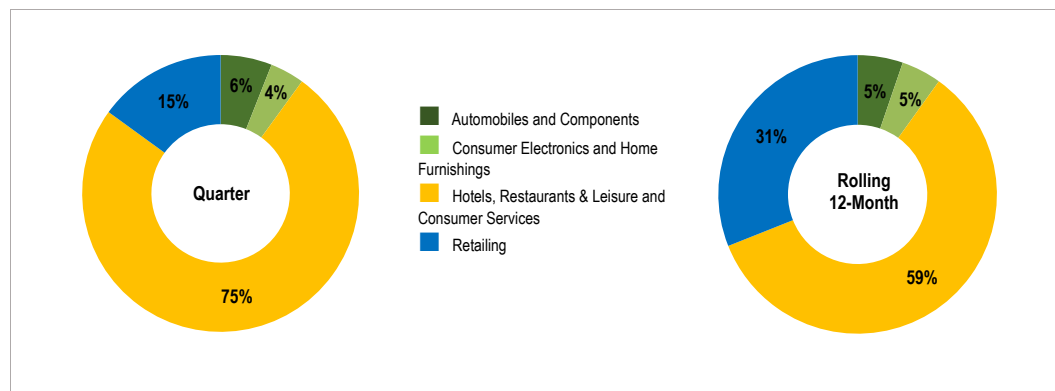
¹ Ciolli, Joe. "Trump's Tax Plan Could Bring \$250 Billion into the US - Here Are the Companies Set to Benefit Most." Business Insider, 27 Sept. 2017.

Industry Trends During Quarter

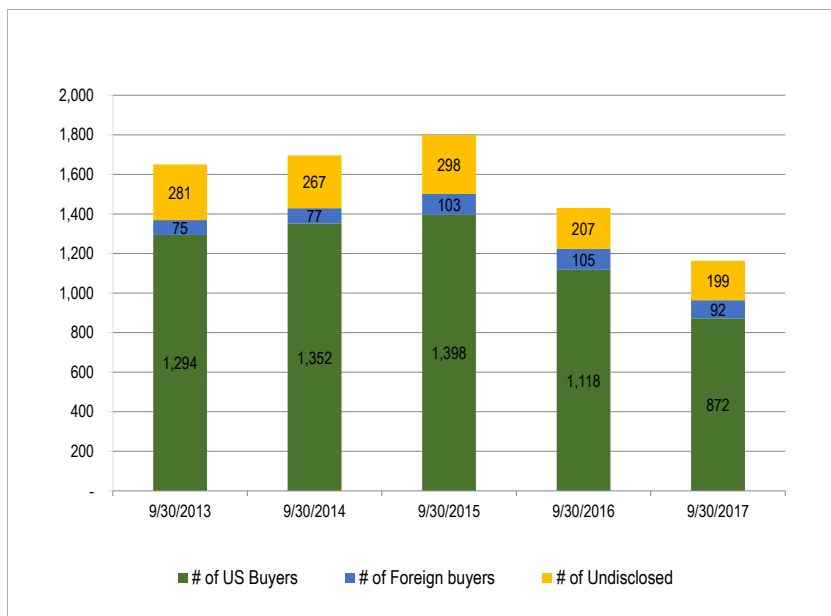
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Automobiles and Components	↓	↑	↑
Consumer Electronics and Home Furnishings	↑	↑	↓
Hotels, Restaurants & Leisure and Consumer Services	↑	↑	↑
Retailing	↓	↓	↓

* 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 10/16/2017 and PCE Proprietary Data

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

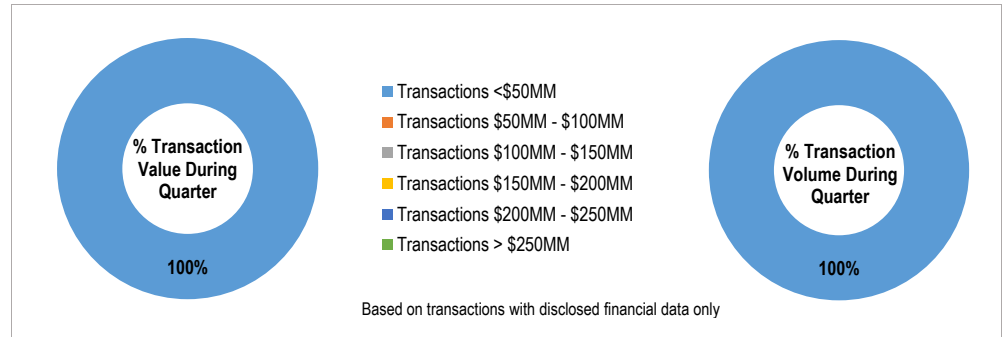
Sector	Target	Buyer	Transaction Value
Retailing	Cabela's Incorporated	Marriott International, Inc.	\$8,666.8
Retailing	Staples, Inc.	Apollo Global Management, LLC	\$7,903.7
Hotels, Restaurants & Leisure and Consumer Services	Panera Bread Company	Steinoff International Holdings N.V.	\$7,750.0
Hotels, Restaurants & Leisure and Consumer Services	ClubCorp Holdings, Inc.	Apollo Global Management, LLC	\$2,232.1
Hotels, Restaurants & Leisure and Consumer Services	Isle of Capri Casinos, Inc.	Eldorado Resorts, Inc.	\$1,914.0
Hotels, Restaurants & Leisure and Consumer Services	Intrawest Resorts Holdings, Inc.	Vitro, S.A.B. de C.V.	\$1,561.7
Consumer Electronics and Home Furnishings	Milestone AV Technologies, LLC	MGM Resorts International	\$1,200.0
Hotels, Restaurants & Leisure and Consumer Services	Cheddar's, Inc	Darden Restaurants, Inc.	\$780.0
Hotels, Restaurants & Leisure and Consumer Services	Bob Evans Farms, LLC	Golden Gate Capital	\$565.0
Hotels, Restaurants & Leisure and Consumer Services	Checkers Drive-In Restaurants, Inc.	Oak Hill Capital Partners	\$525.0

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

Transaction Volume	13
Number of Transactions with Disclosed Values	2
Transaction Value*	\$7.32
Average Transaction Value*	\$3.66
Median Transaction Value*	\$3.66

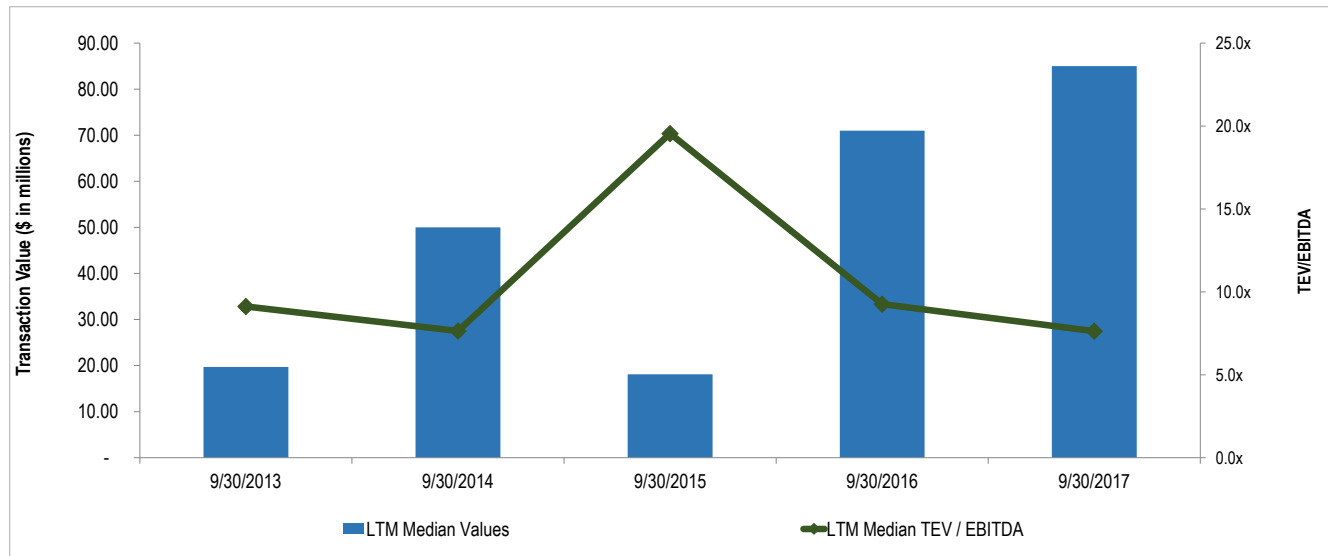
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data

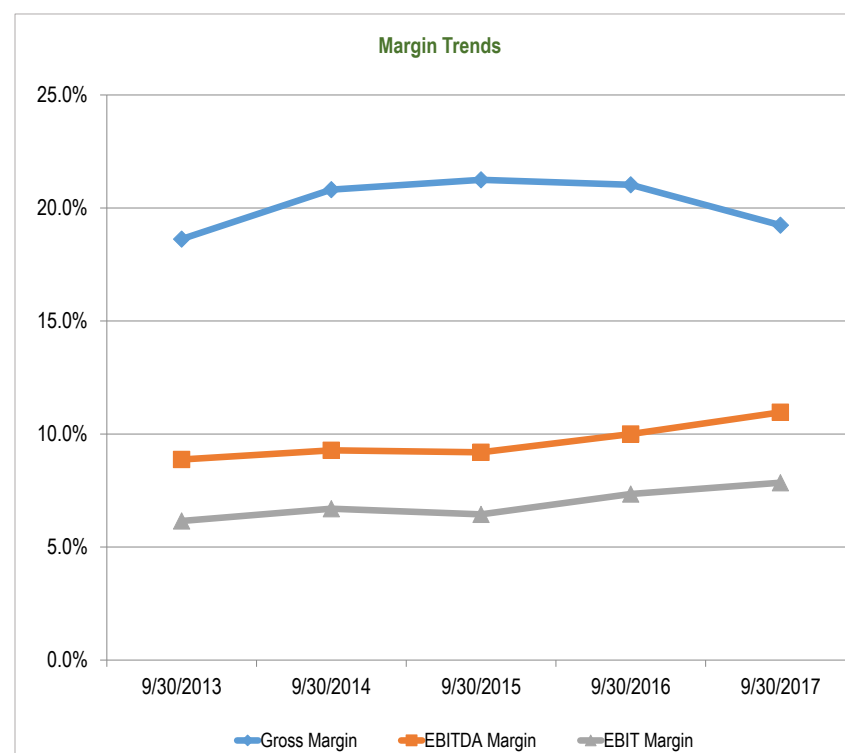
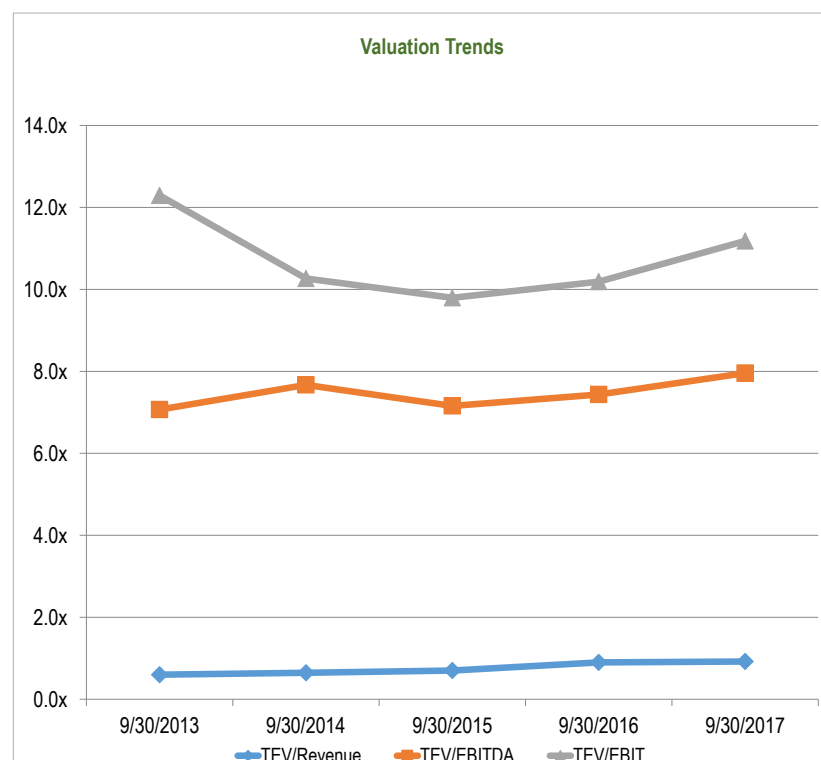
Automobiles and Components

3rd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$6,935	2.0x	11.8x	14.9x	TEV/Revenue	↑
Median	\$1,390	0.9x	8.0x	11.2x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	12.0%	10.9%	7.2%	Gross Margin	↓
Median	19.2%	11.0%	7.8%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data



Consumer Electronics and Home Furnishings

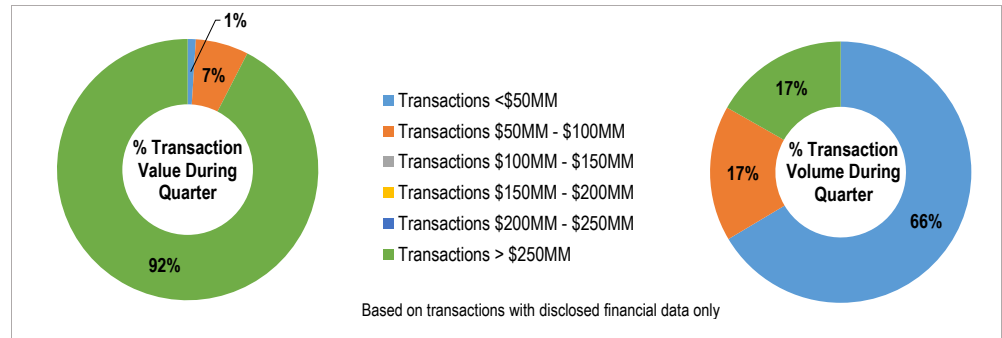
3rd Quarter 2017

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

Transaction Volume	12
Number of Transactions with Disclosed Values	6
Transaction Value*	\$1,305.50
Average Transaction Value*	\$217.58
Median Transaction Value*	\$9.88

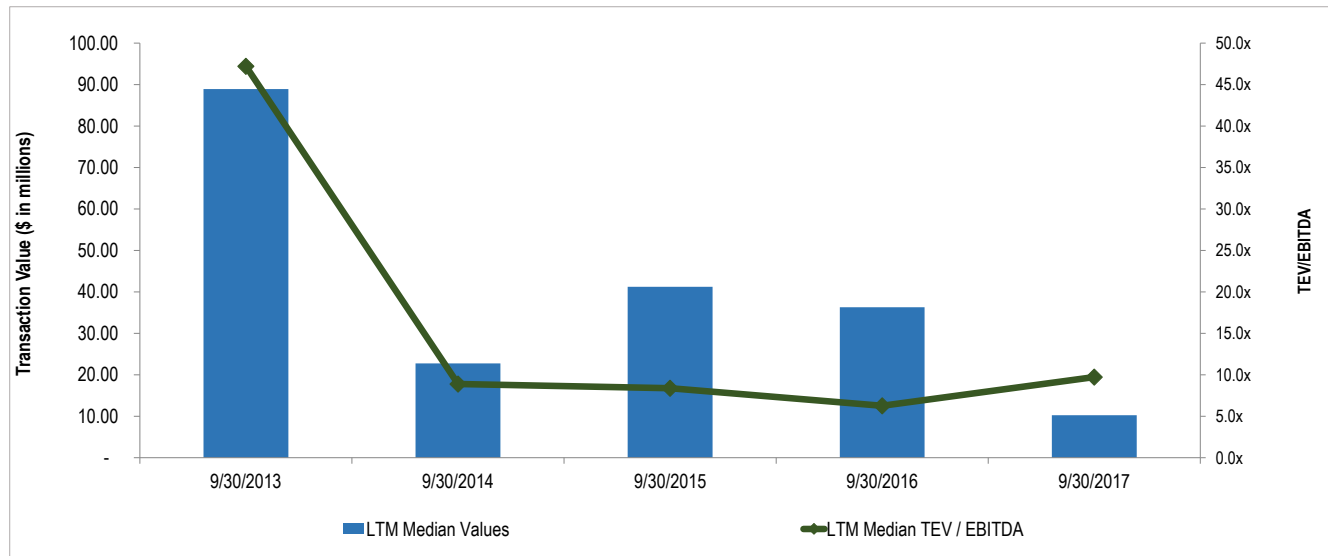
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/16/2017 and PCE Proprietary Data

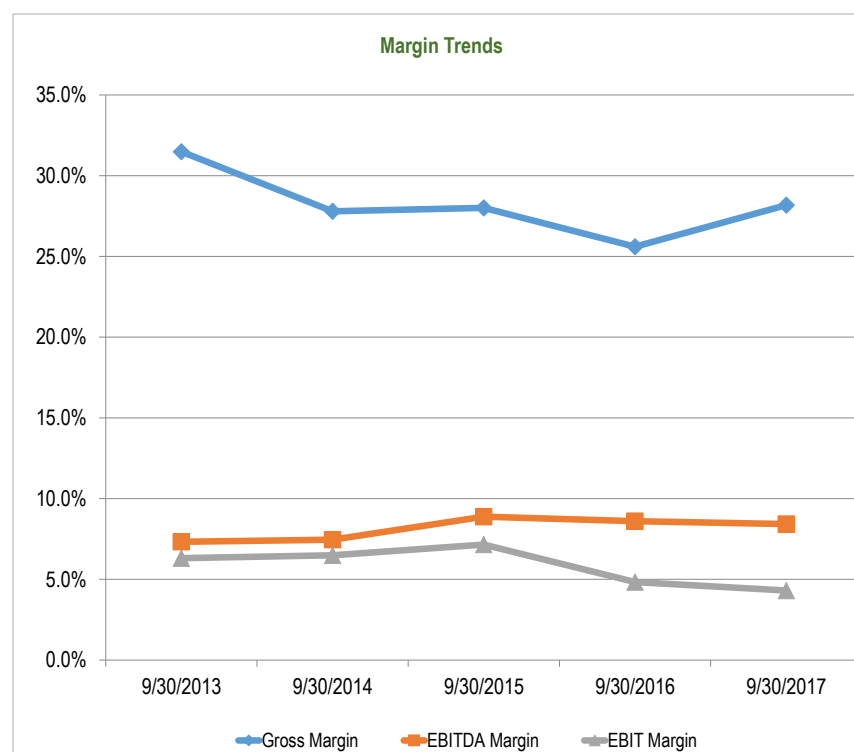
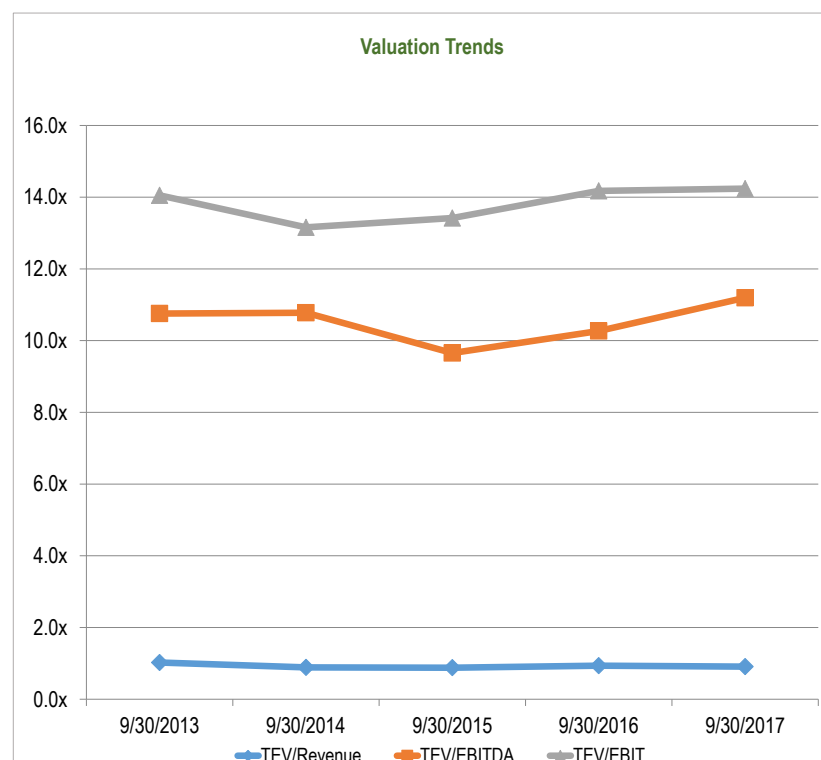
Consumer Electronics and Home Furnishings

3rd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,901	2.8x	10.9x	21.9x	TEV/Revenue	↓
Median	\$435	0.9x	11.2x	14.2x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	27.1%	4.9%	2.4%	Gross Margin	↑
Median	28.2%	8.4%	4.3%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data

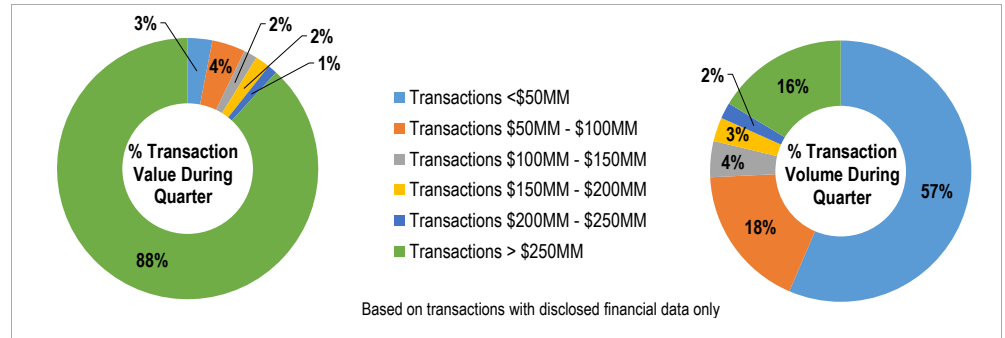


Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	182
Number of Transactions with Disclosed Values	67
Transaction Value*	\$19,139.55
Average Transaction Value*	\$285.66
Median Transaction Value*	\$38.43

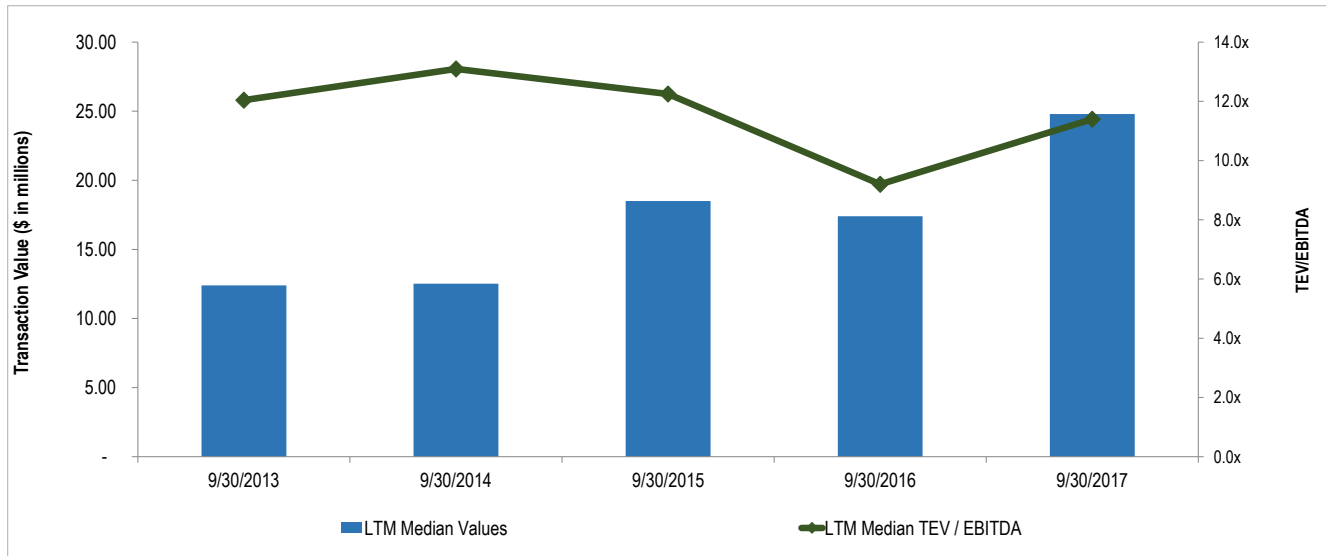
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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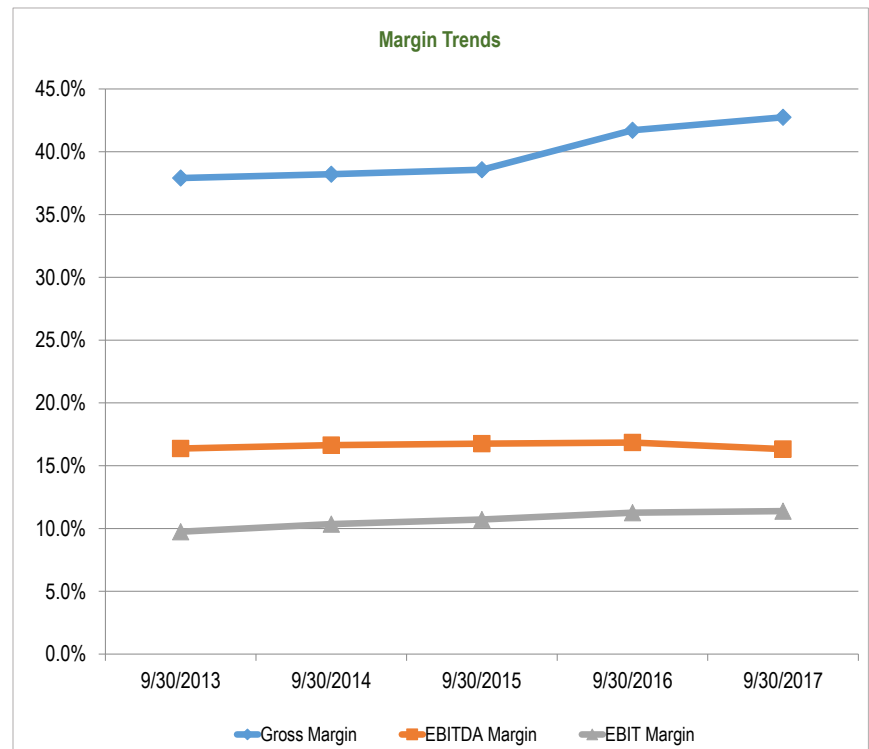
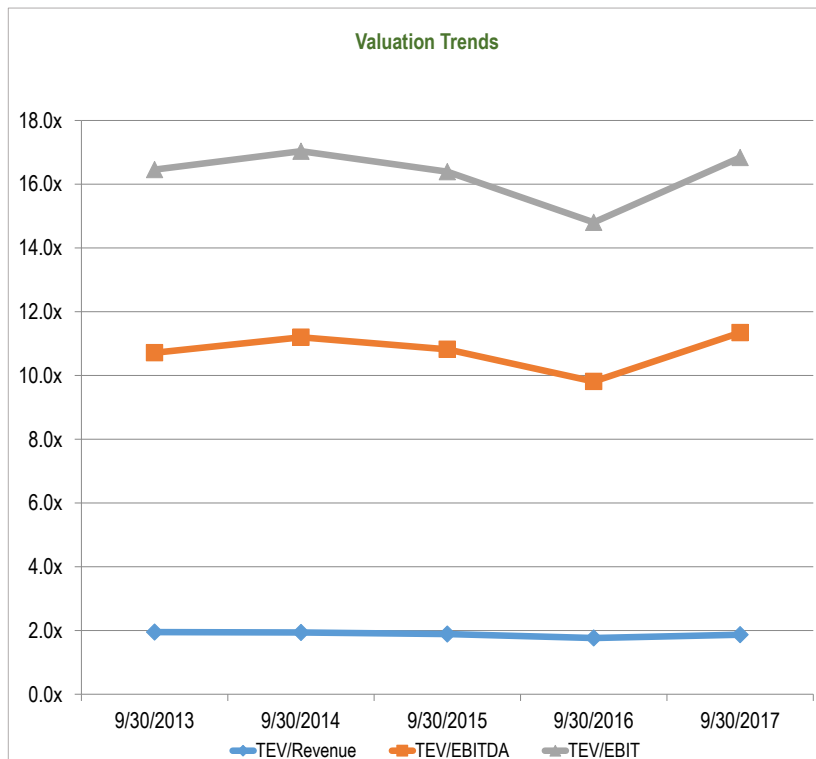
Hotels, Restaurants & Leisure and Consumer Services

3rd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$5,164	2.5x	13.0x	20.9x	TEV/Revenue	↑
Median	\$804	1.9x	11.3x	16.8x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	41.1%	17.4%	10.8%	Gross Margin	↑
Median	42.7%	16.3%	11.4%	EBITDA Margin	↓
				EBIT Margin	↑



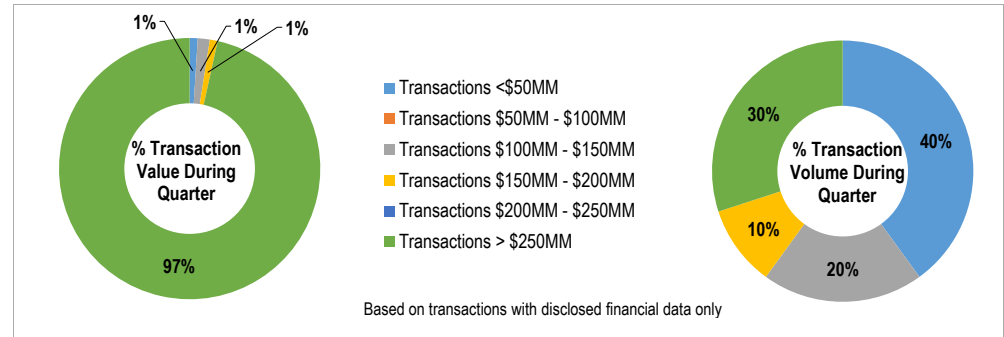
Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data

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

Transaction Volume	69
Number of Transactions with Disclosed Values	10
Transaction Value*	\$17,371.15
Average Transaction Value*	\$1,737.11
Median Transaction Value*	\$130.25

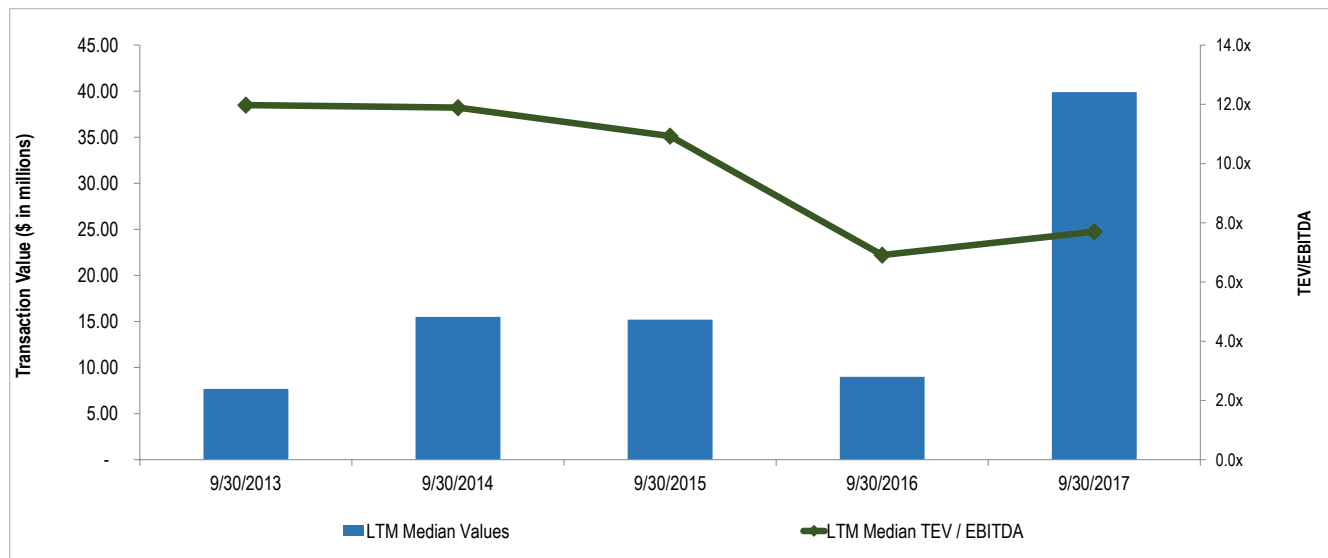
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

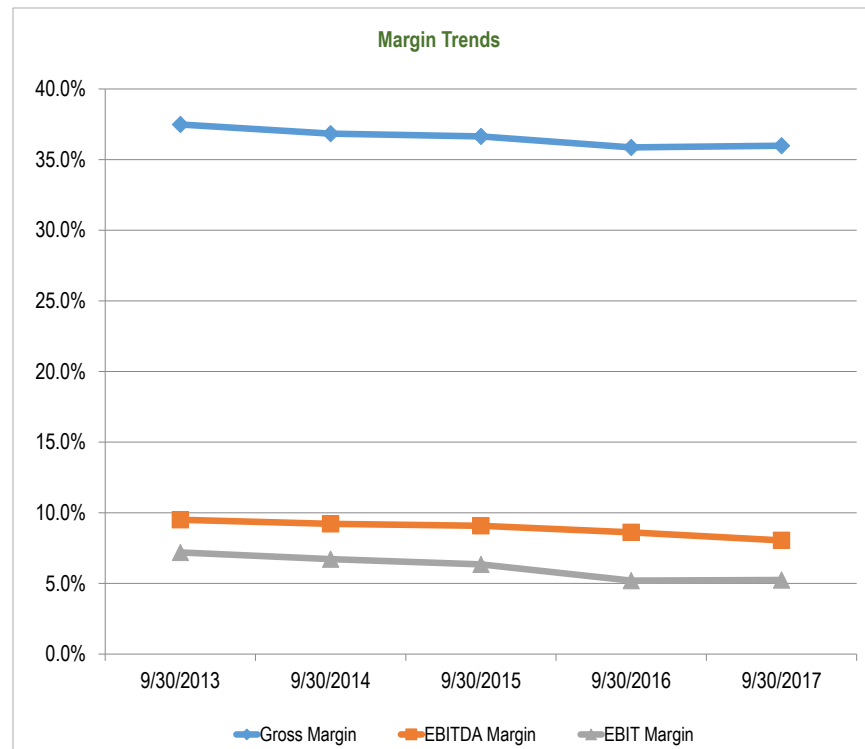
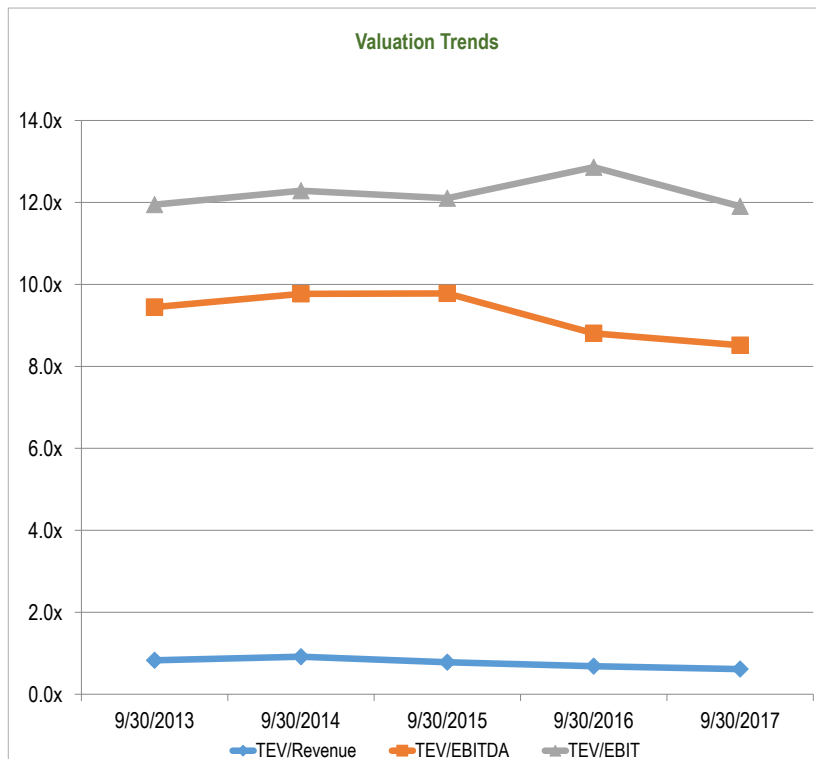


Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$10,041	1.4x	11.0x	19.3x	TEV/Revenue	↓
Median	\$1,103	0.6x	8.5x	11.9x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 09/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	39.0%	7.5%	4.4%	Gross Margin	↑
Median	36.0%	8.0%	5.2%	EBITDA Margin	↓
				EBIT Margin	↑



Source: S&P Capital IQ as of 10/13/2017 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.

PCE, a leading financial services firm for mid-market companies, offers a full range of services:

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- 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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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