

Monitor

Retail



VOLUME
329

RETAILERS TRYING TO SURVIVE

E-COMMERCE MASKS DECLINES

Many retailers experienced significant increases in e-commerce sales, but brick-and-mortar declines

STORE CLOSURES SURGE

COVID-19 has brought thousands of store closures to malls that were already experiencing vacancies

AN UNCERTAIN HOLIDAY OUTLOOK

A myriad of issues face retailers, particularly mall-based retailers, during the critical holiday season

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Monitor Information

B. Riley Advisory Services' ("B. Riley") *Retail Monitor* highlights key industry drivers within the retail sector and how they relate to B. Riley's valuation process and current trends in recovery values. As the retail industry is impacted by consumer spending patterns and various macro and microeconomic factors, timely and accurate information is essential. B. Riley strives to contextualize important indicators to provide an informed perspective of the market for our clients' needs. Such indicators include general industry trends, comparable store sales trends, gross margin changes, and discounting activity. Any comparable store sales illustrated in this monitor reflect figures as they have been reported by public retailers. The methodology for calculating comparable store sales may vary by company.

B. Riley welcomes the opportunity to make our expertise available to you.

Should you need any further information or wish to discuss recovery ranges for a particular segment, please feel free to contact your B. Riley Business Development Officer using the contact information shown in all *Retail Monitor* issues.

B. Riley's *Retail Monitor* provides an overview highlighting specific sectors of the retail industry. The information contained herein is based on a composite of B. Riley's industry expertise, contact with industry personnel, liquidation and appraisal experience, and data compiled from a variety of well-respected sources believed to be reliable. B. Riley does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this issue. Neither B. Riley nor any of its representatives shall be liable for use of any of the information in this issue or any errors therein or omissions therefrom.

Top Trends

- 1 The COVID-19 pandemic has resulted in clear winners and losers in the retail sector.
- 2 Many companies have experienced increasing e-commerce sales and have started or expanded offering buy online, pick up in store or curbside pickup.
- 3 Bankruptcy filings and store closures have been seen in many sectors, especially department and specialty apparel stores.
- 4 In addition to e-commerce, grocery stores and other essential businesses have benefited from the pandemic.

Overview

The COVID-19 pandemic has caused massive shakeups throughout the retail sector, with dramatic shifts in how customers shop. Questions remain regarding how spending will play out during the holiday season.

Over the past few years, the retail sector has seen gradual changes in consumers' shopping habits. E-commerce has been steadily increasing as a percentage of total retail sales. Moreover, the sector has seen thousands of store closures in recent years, as some retailers right-sized their store bases and others have gone out of business entirely. However, the government-mandated lock-downs that were put into effect in the spring of 2020 to slow the spread of COVID-19 accelerated and exacerbated all of the issues that had been plaguing retail.

In recent years, mall traffic had been lower than historical levels as more consumers shopped online. Mall traffic then ground to a halt during the spring of 2020 when the vast majority of mall-based retailers were deemed non-essential and were forced to close starting in March to slow the spread of COVID-19. Even as malls began to reopen, traffic was slow to come back, and varied greatly by region, as well as indoor versus outdoor malls. Per industry research firm Placer.ai, customer traffic in indoor malls was down 37.2% by the end of August 2020 compared to pre-pandemic levels. Traffic in outdoor shopping malls was down 24.6% from pre-pandemic levels. Many stores continue to operate with reduced hours, and the rules for the number of shoppers allowed in a store at a given time vary by state.

Retailers were forced to adapt. Those retailers that were most successful were those with a strong e-commerce presence, as well as those that had already offered, or began to offer, the option for customers to place an order online, but opt to pick it up at a local store as opposed to having it shipped to their home. Commonly referred to as BOPIS (buy online, pick up in store), Digital Commerce 360 has reported that this type of transaction increased over 500% in both April and May

2020 compared to the prior year. Some retailers also began to offer curbside pickup, whereby a customer could place an order online, drive to their local store, and a sales associate would bring the order out and place it in their trunk. This was appealing to many consumers as it allowed them to avoid direct contact with any other individuals.

Some retailers also began to treat stores as mini-distribution centers, filling online orders from inventory in their stores. Practices such as these have been going on for the past few years; however, retailers found them critical for survival as consumers increasingly opt to avoid crowds, stay home, and minimize contact with others. It also allowed companies to sell through inventory that for many retailers, particularly apparel retailers, was at risk of becoming aged or out-of-season.

BOPIS sales may be captured in a retailer's store sales, since that is where the inventory resides. Regardless of these practices, typical e-commerce sales, whereby an order is placed online and delivered to a customer's home, catapulted in recent quarters. Within the second quarter of 2020, e-commerce sales increased a historic 44.5% year-over-year to total an estimated \$211.5 billion on an adjusted basis, representing 22.1% of total retail sales, based on data from the U.S. Census Bureau. This equates to the highest penetration of any quarter on record.

The growth in online sales has resulted in major online players, such as Amazon and Wayfair, reporting significant sales growth in recent quarters. Moreover, many retailers have reported online sales growth in excess of 100% in recent quarters as well. Increases in e-commerce sales have partially offset declines in brick-and-mortar sales.

Overview

However, debt continues to weigh heavily on certain retailers. During 2018 and 2019, the retail industry saw a number of bankruptcy filings, a trend that has been exacerbated in 2020. Retailers that have filed for bankruptcy in recent months include J.C. Penney, Tuesday Morning, Brooks Brothers, Sur La Table, Ascena Retail Group (owner of Ann Taylor, LOFT, Lane Bryant, Justice, and Lou & Grey), Tailored Brands (owner of Men's Wearhouse and Jos. A. Bank), Stein Mart, Lord & Taylor, and Century 21. Other retailers to file for bankruptcy protection within the last few months include Lucky Brands, GNC, The Paper Store, Pier 1, Stage Stores, Modell's Sporting Goods, Neiman Marcus, J. Crew, and True Religion, among others. Some of these retailers, such as Lord & Taylor and Stein Mart, have closed, or are in the process of closing, all store locations. Others have announced plans to close a portion of the store base, but are either aiming to emerge from bankruptcy after a reorganization, or are in the process of and/or looking to sell the business as a going concern.

So far in 2020, nearly 8,000 store closures have been announced, according to Coresight Research. Up to 25,000 U.S. stores could permanently close within 2020, with 55% to 60% of closures being in malls. COVID-19 has wreaked havoc unevenly, creating clear winners and losers in the retail sector, which are detailed as follows:

Winners	Losers	Mixed/Neutral
E-commerce Grocery Stores Pharmacy Mass Merchants Dollar Stores Home Improvement Sporting Goods Pet Supplies	Department Stores Specialty Apparel Consumer Electronics Office Supplies	Off-price Furniture Footwear Arts & Crafts

*Note(s): B. Riley has deemed predominantly essential businesses winners, whereas losers are typically those that were forced to close stores due to COVID-19 and were not able to recoup sales losses fully online, or in general experienced a decline in demand for their product offerings.

Going forward, questions linger regarding the holiday shopping season. The back-to-school shopping season, which is typically a bellwether of how the holidays should shake out, was undoubtedly different this year. Spending was much more spread out as parents were faced with uncertainty regarding if and when students would be returning to classrooms. This resulted in some spending that typically occurs in August spilling over into September. The holiday season, which for many retailers typically is responsible for generating a high percentage of annual sales, will likely be impacted. It remains to be seen if sales volume will be able to reach historical levels particularly if stores operate at reduced shopper capacity and at reduced hours. In addition, the Black Friday shopping weekend has historically been known for drawing large crowds, but worries over contracting the virus may keep consumers home.

There is also continued economic uncertainty, which is exacerbated by the uncertainty surrounding the Presidential election, and the economic recovery has been uneven, with unemployment still high. A portion of the population has been increasing savings during this downturn, if jobs were transitioned to work from home, and expenditures on vacations or restaurant meals went by the wayside. These consumers may have money to spend during the holidays. Conversely, those that have been unemployed, or have been working reduced hours, for months will likely cut back on spending. Furthermore, if family gatherings are smaller than historically to avoid spreading the virus amongst family, there may be fewer people for which to buy gifts. The supply chain has been impacted for many retailers. Some companies faced issues with factory shutdowns overseas in the early days of the pandemic, while others canceled orders when stores were closed to avoid being left with a glut of inventory. It remains to be seen if retailers will have the right mix and adequate levels of product for the holiday selling season. E-commerce and BOPIS will play a large role, and shipping providers will have to keep up with the ongoing high volume.

E-Commerce

KEY INDUSTRY DRIVERS

- COVID-19 impact:** E-commerce continues to increase as a percentage of total retail sales. Growth has been exponential as a result of COVID-19, as consumers shifted away from brick-and-mortar shopping. Based on the most recent data from the U.S. Census, e-commerce represented 22.1% of total retail sales in the second quarter of 2020, the highest percentage of any quarter on record, and will likely continue to increase in the third and fourth quarters as consumers' buying habits continue to shift. Many retailers have reported digital sales growing in excess of 100% or even 200% in recent quarters.
- Click and collect:** Amazon continues to be the one to beat in the e-commerce sector. In an effort to compete, many retailers have expanded offerings of buy online, pick up in store options, an option that has been extremely popular during the pandemic. Commonly referred to as BOPIS, Digital Commerce 360 has reported that this type of transaction increased over 500% in both April and May 2020 compared to the prior year. Some retailers also began to offer curbside pickup, whereby a customer could place an order online, drive to their local store, and a sales associate would bring the order out and place it in their trunk. Going forward, many retailers are focused on getting product to consumers even faster, with some shipping e-commerce orders from store inventory, and are focused on partnering with services such as Lyft, Uber, or Instacart to take over that last mile delivery.
- Shipping:** Shipping costs continue to increase, with major shipping providers announcing rate increases for the coming year, and some announcing surcharges during the holiday season. Amazon's Prime option remains the benchmark within the industry, whereby customers pay a yearly fee of \$119 to receive free two-day shipping on purchases. Walmart recently launched Walmart+, which costs \$98 per year and offers unlimited free delivery as well as other perks. Many retailers have thresholds to

TREND TRACKER

NOLVs	Increasing	▲
Sales Trends	Increasing	▲
Gross Margin	Mixed	▲ ▼
Discounting	Increasing	▲

Note: Represents results through the e-commerce channel for companies that are primarily e-commerce, or the e-commerce channel only of multi-channel retailers.

SALES TRENDS

	Second Quarter 2020	First Quarter 2020	Fourth Quarter 2019	Third Quarter 2019
% of Retail Sales	22.1%	16.5%	16.4%	16.1%
Change Year Over Year	44.5%	14.8%	16.6%	17.3%

Source: www.census.gov/retail. Results are revised estimates, calculated using information in the most recent press release for the second quarter of 2020, excluding sales of automobiles and gasoline.

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Amazon	37.0%	40.0%	26.0%	21.0%
Walmart U.S. E-commerce	97.0%	74.0%	35.0%	41.0%
Wayfair	66.5%	82.5%	19.1%	23.9%
Target Digital	195.0%	141.0%	20.0%	31.0%

*Note(s): The most recent quarter reported for Amazon and Wayfair ended September 30, 2020 and represents total net sales. Walmart ended July 31, 2020 and represents U.S. e-commerce sales including grocery delivery. Wayfair represents U.S. net revenue; Target ended August 1, 2020 and represents digital sales.

receive free shipping, which can vary widely, from as low as \$25 to up to \$150 or more. Historically brick-and-mortar retailers have benefited as holidays get closer and consumers do not want to risk packages not arriving in time. With the pandemic, BOPIS and delivery from stores may play a bigger role.

Department Stores

KEY INDUSTRY DRIVERS

- COVID-19 impact:** The department store sector was hit particularly hard by COVID-19, as most were deemed non-essential businesses and forced to temporarily close during the spring. In addition to the subsequent decline in brick-and-mortar sales, many experienced a buildup of aged inventory as e-commerce gains were not enough to offset the loss in business. Many have touted the buy online, pick up in store (BOPIS) option, and some have also started offering curbside pickup to quell sales declines. Despite these efforts, the sector has seen several bankruptcy filings. J.C. Penney filed for bankruptcy on May 15, 2020 with plans to close nearly 300 locations; the company is in the process of trying to sell its assets. Lord & Taylor filed for bankruptcy in early August and later announced the closing of its 38 remaining stores and website. Neiman Marcus filed on May 7, 2020, but has since emerged after restructuring its debt.
- Expense reductions:** Many department store retailers have been working to restructure financially to reduce costs. Companies furloughed staff when stores were closed, and some implemented salary reductions. Some also deferred rent payments when possible. Companies are also adjusting expenses to align with lower store personnel, such as through reduced store hours and reduced regional staff. Retailers are also adding more e-commerce positions, or staffing stores adequately to handle reduced customer traffic, but also fulfill e-commerce orders from store inventory in many cases.
- Inventory issues:** Department stores have experienced inventory issues as a result of COVID-19. Many department stores have experienced declining inventory levels due to lack of receipts during the peak of the pandemic. In the spring, some cancelled future orders to avoid being left with a glut of inventory.

TREND TRACKER

NOLVs	Decreasing	▼
Sales Trends	Decreasing	▼
Gross Margin	Decreasing	▼
Discounting	Increasing	▲

COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Nordstrom	(58.0%)	(36.0%)	1.0%	(4.1%)
Macy's	(34.7%)	*	(0.6%)	(3.9%)
Dillard's	*	*	(3.0%)	0.0%
Kohl's	*	*	0.0%	0.4%
JC Penney	Bankruptcy	Bankruptcy	(7.0%)	(9.3%)

Note(s): Asterisk () indicates that the company did not report comparable sales in that quarter due to COVID-19 and temporary store closures. "Bankruptcy" indicates the company did not report due to having filed for bankruptcy. The most recent quarter reported for all companies ended August 1, 2020 except those that did not report due to COVID-19 or bankruptcy. Some retailers report results including e-commerce sales.

As a result of the lower levels of newer receipts and the lower sales in recent months, aged inventory has been increasing as a percentage of total for many. This has resulted in many department stores being highly promotional to sell through aged goods. Going forward into the holiday season, it remains to be seen what impact the interruptions to the supply chain have on receipts, inventory levels, and product mix during the holiday season.

Specialty Apparel Stores

KEY INDUSTRY DRIVERS

- **COVID-19 impact:** Similar to department stores, the specialty apparel store sector, which primarily consists of mall-based retailers, was hit particularly hard by COVID-19. Most were deemed non-essential businesses and forced to temporarily close during the spring. Many have experienced increased sales through the e-commerce channel, and have highlighted the buy online, pick up in store (BOPIS) option if possible. Some have also started offering curbside pickup to offset sales declines. Despite these efforts, the sector has seen several bankruptcy filings and announcements of store closures. Brooks Brothers filed in July, began closing 20% of its U.S. store base, and recently announced it will be acquired by Sparc Group, a venture backed by Simon Property Group and apparel-licensing firm Authentic Brands Group; Ascena Retail Group (owner of Ann Taylor, LOFT, Lane Bryant, Justice, and Lou & Grey) filed in July with plans to close a significant number of stores while focusing on restructuring efforts; Tailored Brands (owner of Men's Wearhouse and Jos. A. Bank) filed for Chapter 11 bankruptcy in August, with plans to close approximately 500 of its stores. J. Crew and True Religion also filed for bankruptcy recently; J. Crew emerged from proceedings in August and True Religion emerged in October, both announcing reorganization plans.
- **Professional attire:** Many of the specialty apparel retailers experiencing the most struggles are those that offer more professional attire. The majority of office workers that were able to work from home started doing so in the spring, and many have not yet returned to the workplace and the timeframe for when people will return to work remains uncertain. In addition, many major work-related events have been cancelled or moved to virtual settings in 2020, as in general in-person events with large crowds are avoided so as to avoid the spread of the virus. This has resulted in reduced demand for professional attire,

TREND TRACKER

NOLVs	Decreasing	▼
Sales Trends	Decreasing	▼
Gross Margin	Decreasing	▼
Discounting	Increasing	▲

while those that offer casual or athleisure options have fared better. For example, Lululemon, which did not report comparable store sales for its most recent quarter due to store closures, noted that its direct-to-consumer net revenue was up 155%.

- **Holiday uncertainty:** The back-to-school season for many specialty apparel retailers was atypical. Spending was much more spread out as parents were faced with uncertainty regarding if and when students would be returning to classrooms. This resulted in some spending that typically occurs in August spilling over into September. During the holiday season, it remains to be seen if sales volume will be able to reach historical levels particularly if stores operate at reduced capacity. Additionally, most specialty apparel retailers have been highly promotional throughout the summer and in recent months. This has been in an effort to sell through seasonal items that did not sell due to store closures in the spring, as well as to generate cash while sales were depressed. Moreover, there have been issues with the supply chain. Similar to department stores, it remains to be seen what impact the interruptions to the the supply chain have on receipts, inventory levels, and product mix during the holiday season.

Specialty Apparel Stores

COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Family Specialty Apparel				
J. Crew	Bankruptcy	Bankruptcy	1.0%	0.0%
Banana Republic	(27.0%)	(47.0%)	0.0%	(3.0%)
Gap	12.0%	(50.0%)	(5.0%)	(7.0%)
Old Navy	24.0%	(42.0%)	0.0%	(4.0%)
Urban Outfitters	(8.0%)	(24.0%)	0.0%	0.0%
Women's Specialty Apparel				
White House/Black Market	*	*	0.1%	(5.7%)
Chicos	*	*	0.9%	(3.6%)
Christopher & Banks	*	*	3.6%	4.5%
Lane Bryant	Bankruptcy	*	10.0%	2.0%
Ann Taylor	Bankruptcy	*	3.0%	(1.0%)
Guess	*	*	(3.0%)	(3.0%)
New York & Co.	Bankruptcy	*	(7.4%)	(4.0%)
Express	(24.0%)	*	(5.0%)	(5.0%)
Anthropologie	(25.0%)	(33.0%)	6.0%	4.0%
Madewell	Bankruptcy	Bankruptcy	9.0%	10.0%
Lululemon	*	*	20.0%	16.0%
Victoria's Secret	(10.0%)	(15.0%)	(10.0%)	(2.0%)
Soma	*	*	9.4%	11.3%
Men's Specialty Apparel				
Men's Wearhouse	Bankruptcy	*	(1.9%)	(2.8%)
Jos A. Bank	Bankruptcy	*	(5.0%)	0.5%
DXL	*	*	1.1%	0.2%
Teen Specialty Apparel				
Abercrombie & Fitch	(17.0%)	(34.0%)	1.0%	0.0%
American Eagle	(15.0%)	(38.0%)	2.0%	5.0%
The Buckle	6.0%	(47.2%)	3.3%	4.7%
Zumiez	37.3%	*	6.4%	5.5%
Children's Specialty Apparel				
The Children's Place	(12.3%)	(38.1%)	(3.6%)	0.8%
Justice	Bankruptcy	*	(15.0%)	(6.0%)
Carter's/OshKosh Retail	(3.5%)	N/A	(14.9%)	1.6%

Note(s): Asterisk (*) indicates that the company did not report comparable sales in that quarter due to COVID-19 and temporary store closures; "Bankruptcy" indicates the company did not release results due to having filed for bankruptcy protection. The most recent quarter reported for Anthropologie and Urban Outfitters ended July 31, 2020; Carter's ended September 26, 2020 but in the prior quarter ended June 27, 2020 it did not break out U.S. retail sales as the other quarters show; Lululemon ended August 2, 2020; all other companies ended August 1, 2020, except those that did not report due to COVID-19 or bankruptcy. Banana Republic, Gap, and Old Navy represent global sales.

Off-Price/Dollar Stores/Mass Merchants

KEY INDUSTRY DRIVERS

- COVID-19 impact:** Industry results have been mixed depending on the subsector and geographical location, as stores in areas with higher COVID-19 rates stayed shuttered for longer and/or saw less customers in stores compared to online, while stores in lower-risk areas performed better. Dollar stores have thrived. Low price points have aided shoppers on a budget, especially amid mass pandemic-related furloughs and layoffs. Mass merchants have also outperformed the majority of retail sectors. Target and Walmart became shopping meccas amid the pandemic thanks to their vast product offerings (including essentials like food and household products) and quick adaptation to enhance the digital/contactless experience (BOPIS, curbside, and delivery options) which were already gaining traction prior to the pandemic. Off-price stores have struggled due to store closures and were further impacted by the pandemic as most have not fully embraced e-commerce, instead catering to shoppers who enjoy the “treasure hunt” experience of such stores. For example, TJX, which has a small e-commerce operation, shut it down when stores were closed. Since stores have reopened, some industry players reported an initial surge in sales – which have now moderated – while others have experienced slower uphill climbs. Several players, including TJX, have struggled to optimize inventory flow to stores due to supply chain delays and logistics challenges.
- Store activity:** While other sectors have been reducing store counts, the off-price and dollar store sectors continue to expand. Ross Stores, Dollar General, and Five Below have all reported plans for store openings. Conversely, Stein Mart and Century 21 filed for bankruptcy and are closing all stores, while Tuesday Morning also filed, is closing a portion of its store base, and is seeking a buyer.

TREND TRACKER

NOLVs	Increasing	▲
Sales Trends	Mixed	◀▶
Gross Margin	Mixed	◀▶
Discounting	Increasing	▲

COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
TJX	(3.0%)	(52.5%)	6.0%	4.0%
Ross Stores	(12.0%)	*	4.0%	5.0%
Burlington Stores	*	*	3.9%	2.7%
Nordstrom Rack	(43.0%)	(45.0%)	1.8%	1.2%
Walmart	9.3%	10.0%	1.9%	3.2%
Target	10.9%	10.8%	(0.7%)	2.8%
Costco	13.6%	8.0%	8.1%	5.0%
Dollar General	18.8%	21.7%	3.2%	4.6%
Dollar Tree	3.1%	(0.9%)	1.4%	2.8%
Family Dollar	11.6%	15.5%	(0.8%)	2.3%
Five Below	6.0%	(51.8%)	(2.2%)	2.9%
Big Lots	31.3%	10.3%	(0.9%)	(0.1%)

Note(s): Asterisk () indicates that the company did not report comparable sales in that quarter due to COVID-19 and temporary store closures. The most recent quarter reported for Costco ended August 30, 2020 and excludes fuel; Walmart ended July 31, 2020; Dollar General ended July 31, 2020; all other companies ended August 1, 2020; Walmart excludes Sam's Club and fuel; Dollar Tree excludes Family Dollar; Family Dollar excludes Dollar Tree. The most recent quarter for TJX, Ross, and Five Below reflects the period in which stores were reopened only.

Sporting Goods

KEY INDUSTRY DRIVERS

- COVID-19 impact:** Sporting goods retailers that offer emergency equipment and firearms were deemed essential and were allowed to keep stores open, while others were forced to close. Retailers with a strong existing e-commerce channel fared well as consumer shopping shifted predominantly online. Some retailers opted for buy online pick up in store options, which benefited the sales of bulkier items such as kayaks. Some retailers experienced issues fulfilling orders as suppliers produced at a limited capacity; yet, others noted this helped move through some slower-moving or excess product. Sports seasons have been canceled or postponed by and large, which hindered participation and the sales of associated equipment. However, this varied by region, as restrictions were looser in the southern and midwest regions of the U.S. and stricter in the northeast and west coast.
- At-home exercise:** Industry products, including exercise equipment and outdoor recreational gear, were in high demand as consumers spent more time at home and outdoors. With gyms closed, devices such as the Peloton and other home exercise equipment is increasing in popularity.
- Firearms and ammunition:** COVID-19 and social unrest has caused a surge in demand for firearms and ammunition. The Presidential election has also been cited as a cause for heightened demand. The U.S. Department of Homeland Security deemed firearms businesses an essential service on March 28th, allowing associated companies to continue operations. The total number of background checks began to spike in March and continued to increase in April and May. Background checks reached an all-time high in June, totaling 3.9 million, a year-over-year increase of 135.7% compared to last year. Trends throughout the industry have been positive; however, as seen in the past, the health of

TREND TRACKER

NOLVs	Increasing	▲
Sales Trends	Increasing	▲
Gross Margin	Increasing	▲
Discounting	Decreasing	▼

COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Dick's	20.7%	(29.5%)	5.3%	6.0%
Big 5	14.8%	(4.2%)	(10.8%)	1.2%
Sportsman's Warehouse	61.0%	28.6%	(4.8%)	4.8%

*Note(s): Results for Dick's include Dick's Sporting Goods stores, Golf Galaxy, and the e-commerce business. The most recent quarter for Big 5 ended September 27, 2020; Sportsman's Warehouse and Dick's Sporting Goods ended August 1, 2020.

the industry correlates to changes social and political environments, both of which have been recently volatile. Prior to the surge in demand from the aforementioned factors, some companies yielded to the decline in demand from consumers and filed for bankruptcy. Due to liquidation efforts and industry players' inability to sell through product, the market became flooded with deeply discounted inventory, eroding margins. However, industry prices have begun to stabilize. Remington filed for bankruptcy for a second time in July 2020, and assets of the business have been acquired by companies including Vista Outdoor, Roundhill Group, LLC, and Sturm, Ruger and Company. Smith & Wesson recently announced in August that it will be separating as a spinoff from American Outdoor Brands to operate individually.

Footwear

KEY INDUSTRY DRIVERS

- COVID-19 impact:** Overall, footwear store sales have ebbed and flowed alongside COVID-19-related store closures and reopenings, while retailers and brands with more enhanced omni-channel services performed well. E-commerce sales skyrocketed as stores were temporarily closed in the spring. In response, industry players continue to expand their omni-channel capabilities. Online versus in-store results were also mixed depending on geographical location, as stores in areas with higher COVID-19 rates stayed shuttered for longer and/or saw less customers, while stores in lower-risk areas performed better.
- Consumer preferences:** Footwear retailers rely heavily on fashion trends and consumer preferences. Sales of comfort and athletic styles have performed well as more people work from home and partake in outdoor activities. Sales of dress shoes and more fashion-based products have declined alongside the need to travel for business and attend events or other such public gatherings. Many companies that offer dress shoes have been looking to add more casual options. Back-to-school sales struggled as some schools delayed openings; many implemented a mix of in-person learning versus online learning.
- New concepts:** The industry has seen an influx of new store concepts of late, with more retailers and footwear brands looking to differentiate themselves from competitors. For example, Cole Haan and Nike are testing new store formats, Payless has a new store prototype after filing for bankruptcy and shuttering operations in 2019, and Designer Brands Inc. has partnered with Hy-Vee grocery stores with a shop-in-shop concept.
- Return policies:** To ease consumers' concerns amid an evolving retail environment, some retailers, such as Foot Locker, Macy's, and others have expanded return policies.

TREND TRACKER

NOLVs	Decreasing	▼
Sales Trends	Mixed	◄►
Gross Margin	Decreasing	▼
Discounting	Increasing	▲

COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Designer Brands Inc.	(42.7%)	(42.3%)	0.7%	0.3%
Johnston & Murphy	*	*	(3.0%)	(6.0%)
Foot Locker	18.6%	(42.8%)	(1.6%)	5.7%
Crocs (Americas)	22.3%	18.2%	23.3%	24.2%
Famous Footwear	14.7%	12.6%	5.1%	2.5%
Journeys	*	*	1.0%	4.0%
Skechers U.S.	(20.4%)	(35.9%)	(4.7%)	10.3%
Steve Madden	*	*	*	6.7%
Deckers	86.2%	*	(3.7%)	4.7%

Note(s): Asterisk () indicates that the company did not report comparable sales in that quarter due to COVID-19 and temporary store closures. Designer Brands Inc. is formerly DSW. The most recent quarter for Skechers, Steve Madden, Crocs, and Deckers ended September 30, 2020; all other companies ended August 1, 2020, with the exception of those that did not report due to COVID-19. The prior quarter for Deckers excludes the final two weeks of retail store sales.

- Summer Olympics:** The summer Olympics were postponed as a result of the COVID-19 pandemic, which has negatively impacted the industry, as the athletic footwear industry is normally heavily reliant on the Olympics for partnerships, sponsorships, and any subsequent increases in sales.

Consumer Electronics

KEY INDUSTRY DRIVERS

- COVID-19 impact:** At the onset of the COVID-19 pandemic, most consumers who previously went into an office were forced to become remote workers, requiring a home office setup; students shifted to remote learning. As such, sales for devices such as computers, monitors, tablets, and laptops increased; however, it is uncertain whether that growth will continue, as customers have already made their purchases and set up the spaces they need. Overall, consumer electronics sales in 2020 are expected to decrease 2.2% year-over-year, according to the Consumer Technology Association.
- Smart home technology and home health:** New products in the consumer electronics industry focus on smart home technology and integration, as well as improvements to health and wellness products. Many products consist of devices that feature Amazon Alexa or the Google Assistant, which can connect to a variety of appliances within the home. Devices such as the Google Nest can control thermostats and provide camera footage of different areas of the home. With stay-at-home orders and many jobs still primarily remote, at-home health monitoring has become more prominent. Many doctors also allow virtual visits online through a computer, tablet, or smart phone, which allows people to receive medical attention without leaving the house.
- Industry stagnation:** Over the past several years, the consumer electronics industry has been marked by a lack of innovation in its products. Though new features and products are revealed at each Consumer Technology Association's Consumer Electronics Show, they often improve upon existing technology instead of forming something different.
- Cell phones:** Smart phone sales have in general declined in 2020 due to economic uncertainty and consumers

TREND TRACKER

NOLVs	Mixed	▲▼
Sales Trends	Mixed	▲▼
Gross Margin	Mixed	▲▼
Discounting	Mixed	▲▼

COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Best Buy	5.0%	(5.7%)	3.4%	2.0%
Conn's	(10.9%)	(17.5%)	(13.6%)	(8.6%)

*Note(s): The most recent quarter for Best Buy ended August 1, 2020 and represents domestic sales, excluding installment billing; Conn's ended July 31, 2020 and represents product sales only.

spending less on nonessential items. Apple has reported that for the nine months ended September 2020, global iPhone sales were down 10.5% compared to the prior year, and totaled \$81.8 billion. However, in the U.S., major providers such as Verizon and AT&T are advertising 5G capabilities in an attempt to recapture sales, though this technology is still not yet widely available in the country. In August 2020, Samsung announced that it would support three years of Android software updates for its Galaxy phones, illustrating an acknowledgment in the shift of consumer interest from purchasing new high-priced phones as they are released to instead holding on to existing devices longer. Apple recently launched the new iPhone 12 lineup, which consists of four models equipped for 5G. The phones feature a new design, are said to be faster than previous models, and reportedly have a better camera.

Grocery

KEY INDUSTRY DRIVERS

- Skyrocketing sales:** At the onset of the pandemic, grocery stores, which were deemed essential businesses, reported significant increases in customer traffic, number of purchases, and sales as consumers stripped shelves bare and prepped their pantries for an extended stay at home. After a spike in March, sales have moderated more recently, but are still well above prior-year levels, particularly as consumers increasingly avoid trips to restaurants and cook at home. Retailers are reporting that traffic has declined, but the average basket size remains elevated. Conventional players have generally been outperforming smaller, niche stores and have benefitted from their large, broad assortments that offer a one-stop-shop experience.
- E-commerce explodes:** COVID-19 caused online grocery sales to soar as consumers limited in-person trips. Between March and April, online grocery sales increased 37% to more than \$5 billion, according to Brick Meets Click. Sales peaked at \$7.0 billion in June, and fell to \$5.7 billion in August as customers became more comfortable shopping in person. According to a report from Bain & Co., online sales represented 5.1% of total grocery sales in 2019 and this figure increased to 6.6% by April 2020, with similar trends seen in more recent months and expected to continue throughout the rest of the year. It is unclear whether COVID-19 has caused a cataclysmic shift in the way customers shop for groceries, or if things will return to normal once a vaccine is available. However, the pandemic has brought to the forefront all of the challenges associated with selling groceries online and retailers now have a sense of urgency to solve these issues to remain competitive.
- Rising prices:** At the beginning of the pandemic, panic buying caused widespread shortages of household staples like toilet paper, paper towels, cleaning supplies, flour, pasta, canned goods, and other non-perishables. At the same time, the virus caused a significant disruption to the supply chain, making restocking the shelves difficult.

TREND TRACKER

NOLVs	Increasing	▲
Sales Trends	Increasing	▲
Gross Margin	Increasing	▲
Discounting	Decreasing	▼

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Kroger	14.6%	19.0%	2.0%	2.5%
Ahold Delhaize	20.6%	13.8%	2.3%	1.8%
Publix	16.5%	19.9%	14.4%	3.6%
Ingles	23.1%	17.5%	2.4%	3.7%
Weis Markets	14.8%	26.4%	12.9%	1.5%

*Note(s): All sales exclude fuel, except for Weis Markets. The most recent quarter for Kroger ended August 15, 2020; Ahold Delhaize ended June 28, 2020; Publix and Weis Markets ended September 26, 2020; Ingles ended June 27, 2020.

This translated to skyrocketing prices in many categories. According to the USDA, grocery prices are expected to increase by 3% on average in 2020. This would be the highest increase since 2011. The meat category has been particularly affected due to virus outbreaks at processing plants that led to shutdowns. The USDA projects that beef prices will be up 8% on average in 2020, pork prices will be up 4.5%, and poultry prices will be up 3%. Grocery stores have been passing on the bulk of the cost increases to consumers.

Pharmacy and Drug Stores

KEY INDUSTRY DRIVERS

- Mixed sales:** For most retailers, sales leading up to the implementation of stay-at-home orders were strong, particularly within front-end categories like grocery, health and beauty, and cleaning supplies. In addition, many chose to refill their prescriptions early, which boosted pharmacy sales. However, lower foot traffic and a shortage of certain products affected sales thereafter. CVS, which had been making a big push into the beauty category, saw the largest drop in front-end sales when customers pulled back spending in this discretionary category. In general, prescription volume declined during the height of the pandemic; although customers consistently refilled their maintenance medications to remain healthy, they avoided the doctors office and medical procedures, which led to a decline in new/acute prescriptions.
- Mergers/acquisitions:** In October 2020, Rite Aid announced it had entered into an agreement to purchase Bartell Drugs, which operates 67 stores in the Seattle area. The transaction is expected to close by the end of Rite Aid's fiscal 2021 year end.
- Healthcare services:** Drug stores continue to take on a larger role within the healthcare industry via areas such as primary care clinics, immunizations, and COVID testing. Drug stores have been a destination for flu shots, particularly this year amid the pandemic. In July 2020, Walgreens announced a new partnership with VillageMD that will make Walgreens the first national pharmacy retailer to offer full-service doctor offices co-located at its stores on a large scale. The retailer plans to open 500 to 700 "Village Medical at Walgreens" primary care clinics in more than 30 markets over the next five years. CVS launched large-scale testing sites and telehealth visits through its MinuteClinic. Through July, CVS had administered approximately two million COVID-19 tests. It also continues to expand its HealthHUB locations, with 205 across 22 states. It plans to have 1,500 by the end of 2021.

TREND TRACKER

	Pharmacy	Front-End
NOLVs	Consistent	Consistent
Sales Trends	Mixed	Mixed
Gross Margin	Mixed	Mixed
Scripts	Consistent	

COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Walgreens				
Pharmacy	3.2%	3.5%	3.7%	2.5%
Front-End	4.7%	1.9%	0.6%	(0.5%)
Total	3.6%	3.0%	2.7%	1.6%
CVS				
Pharmacy	4.6%	9.3%	4.1%	4.5%
Front-End	(4.5%)	8.0%	0.7%	0.6%
Total	2.4%	9.0%	3.2%	3.6%
Rite Aid				
Pharmacy	2.3%	2.2%	1.6%	0.1%
Front-End	4.6%	16.0%	0.1%	(0.5%)
Total	3.5%	6.6%	1.6%	(0.1%)

*Note(s): The most recent quarter for Walgreens ended August 31, 2020; CVS ended June 30, 2020; Rite Aid ended August 29, 2020.

Furniture and Home Furnishings

KEY INDUSTRY DRIVERS

- COVID-19 impact:** With the onset of the COVID-19 pandemic, furniture and home furnishings retailers were forced to close stores temporarily. Once stores reopened, demand for furniture soared, which can be attributed to customers spending more time at home and investing in new furniture, particularly desks and home office related items. With in-store and online sales increasing, retailers have not been able to keep product in stock, as lead times from vendors have doubled in some cases, leaving weeks before orders are fulfilled. E-commerce sales have also soared, with online home furnishings retailers such as Wayfair reporting significant sales gains.
- Freight costs:** Due to high demand for furniture and home furnishings products, shipping demand is increasing, resulting in increased shipping costs. Lead times have increased due to shortages in containers in Asia, as well as long wait times to get shipments out of ports. Some vendors have already increased prices, resulting in price increases from retailers to cover the costs.
- Suburban transitions:** Throughout 2020, the pandemic has caused a transition from urban to suburban living for many people. With many jobs going remote, removing the commute to the city, homeowners are seeking additional space in the suburbs to create home offices and spaces for virtual learning for children. As city living spaces are typically smaller, renters would furnish them with fewer, smaller furniture pieces. However, with larger homes, buyers are purchasing more, larger pieces.
- Housing market:** Existing home sales have climbed throughout 2020. Low mortgage rates and a high number of buyers are expected to keep sales high. Increased home purchases spur the furniture and home furnishings industry, as buyers often make large furniture and home furnishings expenditures to decorate their new homes.

TREND TRACKER

NOLVs	Mixed	▲▼
Sales Trends	Increasing	▲
Gross Margin	Mixed	▲▼
Discounting	Mixed	▲▼

COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Bed Bath & Beyond	6.0%	*	(10.0%)	(8.3%)
HomeGoods	20.0%	*	5.0%	1.0%
Williams-Sonoma	10.5%	2.6%	6.0%	5.5%
Kirkland's	10.2%	*	(2.7%)	(6.4%)
La-Z-Boy	14.8%	(35.0%)	10.5%	3.5%

Note(s): Asterisk () indicates that the company did not report comparable sales in that quarter due to COVID-19 and temporary store closures. The most recent quarter for Bed Bath & Beyond ended August 29, 2020; Williams-Sonoma ended August 2, 2020; Kirkland's and HomeGoods ended August 1, 2020; La-Z-Boy ended July 25, 2020.

- Technology:** With global travel limited and customers reluctant to shop in stores due to the pandemic, the industry has relied on technology to assist in some elements of the shopping and design process. For manufacturers, the use of Zoom meetings and 3D models have replaced face-to face meetings with engineers and designers in Asia. For consumers, many retailers are incorporating technology on their websites that allows users to see the pieces as they would look in a room, encouraging purchases even though the furniture cannot be seen in person.

Arts and Crafts

KEY INDUSTRY DRIVERS

- COVID-19 impact:** Arts and craft retailers Hobby Lobby, Jo-Ann Stores, and Michaels continued to operate in several states during the pandemic, independently deciding that they were essential businesses despite local governments stating otherwise. In these situations, the retailers stated they were essential because they sell supplies to make masks. Eventually, most stores shuttered and began offering customers alternative means of shopping. For example, Michaels introduced curbside pick-up and same day delivery, expanded ship from store and BOPIS, and enabled in-app purchases; these actions helped drive 296% e-commerce growth in its first quarter. Its contactless in-store shopping along with the Michaels app is expected to aid growth in the near term.
- Craft resurgence:** Many people, including many who were furloughed/laid off amid the pandemic, rediscovered or took up new hobbies and crafts as a result of extra free time during shelter-in-place advisories. Recent industry trends include sewing, partly due to the demand for face coverings; flower pressing; origami; jewelry making; tie dye crafts; painting; repurposing home décor; terrariums; and baking. Social media apps Instagram and TikTok have given crafters new audiences for quick tutorials and inspired others to take up new hobbies. These short clips have often turned into YouTube subscribers and eventually customers for small arts and craft businesses/Esty sellers.
- Store focus:** After A.C. Moore filed for bankruptcy in November 2019 and subsequently shuttered operations, competitors have placed a higher focus on their stores. Many retailers continue to face challenges and have been making changes to combat the shift to e-commerce. They have been working to attract the younger/millennial customer base into their stores. Michaels converted approximately 40 A.C. Moore locations into Michaels

TREND TRACKER

NOLVs	Decreasing	▼
Sales Trends	Mixed	◀▶
Gross Margin	Decreasing	▼
Discounting	Mixed	◀▶

COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Michaels	12.0%	(27.6%)	(2.4%)	(2.2%)
Etsy	128.1%	137.6%	34.7%	35.0%

*Note(s): The most recent quarter for Michaels ended August 1, 2020; the most recent quarter for Etsy ended September 30, 2020, and represents comparable revenue.

stores. Michaels introduced a new “Maker” store concept, offering an enhanced shopping experience complete with a new layout and an innovative checkout design. The stores are more modern and industrial in look. Michaels continues to focus on its omni-channel capabilities as well. Hobby Lobby has opened and/or relocated upwards of 40 locations in 2020, with a strong focus on seasonal inventory and on-trend products for pandemic living, such as do-it-yourself face mask supplies and tutorials.

Office Supplies

KEY INDUSTRY DRIVERS

- Work from home hurts sales:** Sales through office supply companies' contract/commercial divisions suffered in the wake of COVID-19, as many companies are allowing their employees to work from home, thereby reducing the need for companies to purchase office supplies. This has particularly affected core office supply categories like paper, writing instruments, and toner, as well as breakroom categories. While companies have worked to develop methods for employees to order their own supplies through their company's account, it has not offset the overall decline in demand. Some companies experienced an uptick in sales to essential business customers, such as those servicing the healthcare industry. There was also strong demand for cleaning and sanitization products, but lack of inventory made it difficult for companies to fully capitalize on this demand. Revenue from services, which had been a key growth avenue for the industry, also took a hit as businesses delayed projects.

Sales through retail stores, which were deemed essential, spiked during the early weeks of the pandemic as workers set up their home offices and students transitioned to remote learning. Products such as monitors, computer software, laptops, and webcams saw strong demand. Consumers also snapped up office furniture and lighting to make their home office spaces more conducive to video conferences. However, traffic began to decline after this initial spike and remains depressed. E-commerce sales have been a bright spot as more customers have chosen to buy online instead of going into retail stores.

- Back-to-school:** Timing for back-to-school spending was delayed this year due to a late start to the school year in many states and uncertainty from parents on what to purchase due to varying plans from school districts and remote versus in-school learning. While back-to-school figures have yet to be released, some speculate that office

TREND TRACKER

NOLVs	Decreasing	▼
Sales Trends	Decreasing	▼
Gross Margin	Decreasing	▼
Discounting	Mixed	◀▶

COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Office Depot				
NA Retail	N/A	2.0%	(4.0%)	(4.0%)
NA Business Solutions	(23.0%)	(1.0%)	(3.0%)	(1.0%)

*Note(s): The most recent quarter for Office Depot ended June 27, 2020. The retailer did not report comparable store sales for its most recent quarter.

supply retailers will benefit from parents purchasing two sets of school supplies - one for school and one for home. In addition, these retailers were able to leave their back-to-school floor sets in the stores longer compared to mass merchants that typically begin to devote space to holiday items once fall begins.

- Shift in product mix:** While the industry benefitted from strong sales of technology products and janitorial and sanitization items, these are generally lower-margin categories compared to core office supplies, which impacted gross margin for many retailers.

Pet Supplies

KEY INDUSTRY DRIVERS

- **COVID-19 impact:** The pet industry has not been immune to the impacts of COVID-19. Pet ownership has increased in the U.S. during the pandemic, as pet adoptions have reportedly surged. The growth was aided by traditional office workers finding themselves working from home for a long duration, making them better able to care for a new pet. Moreover, as many schools transitioned to remote learning and events were cancelled, families found themselves with more time at home. The increase in pet ownership positively impacts products such as pet food and treats, as well as related items such as bedding and crating items. According to Nielsen data, during March, pet food sales surged as consumers stocked up, similar to trends seen for traditional food in supermarkets. Consumers were also more likely to purchase larger bags of food to avoid having to replenish too soon. However, areas within the pet industry that reportedly were adversely impacted were more related to services. For example, during the early stages of the pandemic, pet owners were more likely to cancel or postpone routine veterinary care for their pets to avoid coming into contact with other people. In addition, services such as pet boarding were down-trending, as many consumers cancelled vacations and other types of travel due to the pandemic.
- **Spending shifts:** Retailers of pet supplies were considered essential and allowed to remain in operation even during government-mandated shutdowns. Many began to offer options such as BOPIS and curbside pickup, and experienced significant increases in e-commerce sales. During the initial stages of the pandemic, there were longer than usual delays in fulfillment of e-commerce orders as many brick-and-mortar customers made the switch to e-commerce to avoid contact with others.

TREND TRACKER

NOLVs	Increasing	▲
Sales Trends	Increasing	▲
Gross Margin	Mixed	▲▼
Discounting	Mixed	▲▼

- **Pet spending:** According to a report from the American Pet Products Association (“APPA”), in 2019, spending on pets by Americans exceeded \$95.7 billion, compared to \$90.5 billion in 2018, or an approximate 5.7% increase. Overall, spending on pets has gradually increased over the majority of the past 10 years. Going forward, spending on pets will likely continue to increase, particularly as pet ownership rates have in general been increasing during the pandemic.
- **Competition:** PetSmart and Petco are big-box pet supplies retailers with over 1,000 store locations. These large players face competition from a number of places, including smaller, local pet stores, and mass merchants Walmart and Target. These retailers offer a variety of pet food, treats, toys, and other supplies. There are also subscription offerings for pet products, such as BarkBox. Target has been in a partnership with BarkBox for the past couple of years, offering BarkBox products in its stores. The industry faces competition from supermarkets, which offer pet food and treats, as well as from the off-price sector, with retailers such as TJX and Tuesday Morning increasing offerings of pet products at discounted prices.

Experience

B. Riley Advisory Services' affiliate, B. Riley Retail Solutions, is one of the largest liquidators of retail inventory and has been involved in a variety of liquidations, ranging from the disposition of excess inventory and the closing of under-performing stores, to full-scale liquidations of national retailers with hundreds of stores. B. Riley Retail Solutions has experience with full and partial liquidations of companies throughout a variety of retail sectors, some of which are detailed below:

Sur La Table	Modell's Sporting Goods	RTW Retailwinds (New York and Co.)	Tuesday Morning	Kirkland's	Stein Mart
Bon-Ton	Payless	JC Penney	Target Canada	Sears Canada	Macy's
Office Depot/Max	Toys "R" Us	Gap	Borders	Hancock Fabrics	RadioShack
Gander Mountain	Linens 'N Things	Naartjie	Game Stop	Masters (Australia)	Barney's

These experiences, in addition to numerous others, provide B. Riley with valuable insight into the market trends and the consumer response that can be expected in a liquidation. They give us an understanding as to recovery values that can be achieved for retailers within these industries. In addition to this liquidation experience, B. Riley has worked with and appraised numerous retailers, including industry leaders within each sector. While our clients remain confidential, B. Riley's extensive list of appraisal experience includes:

- Numerous retailers of apparel and accessories, including major department store retailers and a variety of specialty retailers that are found in malls throughout the country.
- Several e-commerce and multi-channel retailers, as well as flash sale websites and auction websites.
- Leading off-price retailers of apparel and accessories, including major national and regional chains.
- Retailers of consumer electronics, including smaller, more localized chains, as well as regional, national, and international retailers with close to 4,500 store locations.
- Many jewelry retailers, including one of the largest in the U.S., with locations throughout the country and net sales exceeding \$1.4 billion annually.

- Major national and regional discount and dollar stores, including one of the country's largest chains, with over 10,000 stores.
- Leading book retailers, including one with over 700 store locations and sales of upwards of \$4.5 billion.
- Sporting goods retailers that specialize in a number of products, including those for outdoor sports, recreational ball sports, hunting, camping, and fishing, and a variety of other equipment for outdoor enthusiasts.
- Major regional grocery store chains including one with a store base of upwards of 800 and net sales in excess of \$10.0 billion, as well as smaller local grocery store retailers and pharmacies.
- Several regional pharmacy retailers, pharmacy and service providers to long term care facilities, supermarkets with pharmacy operations, and wholesalers of pharmaceuticals, for which B. Riley valued both the pharmacy inventory and prescription lists ("scripts").

In addition to our internal personnel, B. Riley maintains contacts within the retail industry that we utilize for insight and perspective on recovery values.

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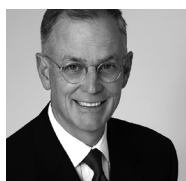
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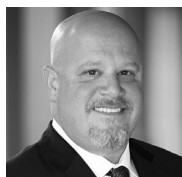
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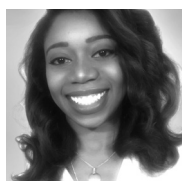
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