

# Monitor

## Retail

VOLUME  
**354**



## MACRO-WAVES

### INFLATION SITUATION

Prices for many products have been rising at a record rate, trickling down to consumers' wallets

### CONFLICT CONCERNS

Russia's invasion of Ukraine has had ripple effects around the world

### VACCINES BOOST SALES

In addition to allowing consumers to get back to some semblance of normalcy, vaccine rollouts have boosted pharmacy sales

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# Monitor Information

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B. Riley Advisory Services' *Retail Monitor* highlights key industry drivers within the retail sector and how they relate to B. Riley Advisory Services' 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 Advisory Services 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 Advisory Services 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 Advisory Services Business Development Officer using the contact information shown in all *Retail Monitor* issues.

B. Riley Advisory Services' *Retail Monitor* provides an overview highlighting specific sectors of the retail industry. The information contained herein is based on a composite of B. Riley Advisory Services' 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 Advisory Services 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 Advisory Services 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

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- 1 Most sectors of the retail industry have started to return to normalcy, but macroeconomic issues remain.
- 2 As vaccines became more widely available, brick-and-mortar shopping saw a resurgence; pharmacy sales have also benefited.
- 3 Rising prices have benefited lower-priced retailers such as dollar stores, mass merchants, and off-price retailers.
- 4 E-commerce sales remain strong, though trends have normalized compared to record gains during the height of the pandemic.

# Overview

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During the most recent quarter, many retailers posted positive results, often benefiting from a lack of discounting. However, as prices continue to rise, consumer spending power may wane.

As 2021 ended, many retailers exhibited sales increases not only compared to 2020, during which time there was extensive upheaval because of the COVID-19 pandemic, but also compared to pre-pandemic 2019 levels. Spending in 2021 was buoyed by government stimulus payments and residual effects of changing consumer spending habits, such as reduced air travel or restaurant trips. During the fourth quarter, many retailers found they did not need to discount to sell through goods, as not only were consumers willing to pay full price, but also inventory was tightly managed following months of supply chain disruptions that often resulted in delays or rising costs.

Overall, prices have been on the rise, and it is trickling down to consumers' wallets. The U.S. economy is currently facing the worst inflation in decades. The Bureau of Labor Statistics' Consumer Price Index for all items indicates that for the 12 months ended February 2022, prices were up 7.9%. The increase has been driven by many factors, including high import costs and the rising consumer demand coupled with inventory shortages. The rise in inflation has also been attributed to increases in the prices of electricity, food, and shelter. Many retailers have also had to raise prices to offset rising payroll costs as labor shortages have resulted in competitive pay increases.

Consumers have also faced rising costs at fuel pumps. The U.S. Energy Information Administration ("EIA") has reported that U.S. regular retail gasoline prices averaged approximately \$2.50 per gallon in 2019, before dipping down in 2020 when stay at home orders were issued and many transitioned to working and learning at home. Prices began to tick up in 2021, and surpassed \$3.00 per gallon on average starting in the summer of 2021. The EIA reports that for the week of

March 14, 2022, the retail price for regular gasoline in the U.S. was \$4.18 per gallon, exceeding \$4.00 per gallon for the first time in over a decade.

Gas prices have been impacted by Russia's invasion of Ukraine. Russia exports oil, predominantly to Europe and Asia, with a small amount exported to the U.S. as well; however, as sanctions have been placed on Russia, the global commodity markets have been impacted. The conflict has already impacted supply chains that had not yet recovered from pandemic impacts, and has shaken the stock market. Cease-fire talks between Russia and Ukraine have failed to produce concrete results so far, and as the conflict continues, the impact on the global and U.S. economy remains uncertain. Some retailers have already shuttered their Russian locations in response to the invasion, while others have pulled Russian-made products from shelves.

Despite inflation woes and other economic and societal worries, consumers still seemed willing to shop. In total, retail sales exhibited gains in early 2022, building upon the momentum of a record-breaking November-December 2021 holiday season, during which retail sales totaled \$886.7 billion, representing an unexpectedly high year-over-year growth of 14.1% per calculations from the National Retail Federation. How long consumers are able to sustain momentum amid rising costs remains to be seen. Many consumers are starting to feel the impacts of rising costs on everyday expenses such as food, utilities, and gas. Moreover, issues with the supply chain are likely to persist. While some backlogs at ports have been starting to ease, new issues have arisen not only from the situation in Ukraine, but also due to rising COVID-19 cases in China, leading to much uncertainty going forward.

# E-Commerce

## KEY INDUSTRY DRIVERS

- **Supply chain/shipping:** Supply chain and shipping issues continue to be prevalent within the e-commerce sector. Retailers that have been able to leverage fulfilling e-commerce orders from store inventory or buy online, pick up in store options, have benefited.
- **Social commerce/online marketing:** Many retailers, as well as online-only emerging brands, have heavily relied on influencers and advertising via social media to grow brand awareness. However, targeted marketing has been impacted by the iOS 14 update by Apple, which limits the ability to track consumer data.
- **Brand portfolios:** Some companies, known as aggregators, have been buying up smaller third-party brands that sell product on Amazon to create a portfolio of brands that can leverage relationships to grow.
- **Steady results:** E-commerce experienced significant growth as a result of COVID-19, as consumers shifted away from stores. For many companies, e-commerce sales have normalized in recent quarters, though remain strong, exhibiting slight increases over exponential growth in the prior year, or in some cases slight declines. Inventory levels for many companies have been clean, which, teamed with strong consumer demand, has resulted in a reduced need to discount for many companies. This has helped to offset product and shipping cost increases.
- **Returns:** The increase in online shopping has resulted in higher return rates. As returns can result in losses for companies, some retailers have worked to stem returns by offering virtual or in-person showrooms for customers to see merchandise prior to making purchases.
- **Third-party technology:** Companies have leveraged third-

## TREND TRACKER

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

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

	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021
% of Retail Sales	18.8%	19.5%	19.5%	19.6%
Change Year Over Year	9.4%	6.7%	8.9%	39.3%

Source: [www.census.gov/retail](http://www.census.gov/retail). Results are revised estimates, calculated using information in the most recent press release for the fourth quarter of 2021, excluding sales of automobiles and gasoline.

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Amazon	9.0%	15.0%	27.0%	44.0%
Walmart U.S. E-commerce	1.0%	8.0%	6.0%	37.0%
Wayfair	(11.4%)	(18.7%)	(10.4%)	49.2%
Target Digital	9.2%	29.0%	10.0%	50.0%
Overstock	(9.0%)	(4.0%)	4.0%	94.0%

\*Note(s): The most recent quarter reported for Amazon, Overstock, and Wayfair ended December 31, 2021; these represent total net sales/revenue. Walmart ended January 31, 2022 and represents U.S. e-commerce sales including grocery delivery. Target ended January 29, 2022 and represents digital sales.

party technology to drive sales, offering different payment options, such as Amazon Pay, Apple Pay, Google Pay, Klarna, and Affirm. Other companies have partnered with Shopify, a software company that develops online platforms. Retailers also use services such as Shipt, Instacart, and Lyft for last mile delivery.

# Department Stores

## KEY INDUSTRY DRIVERS

- **Macroeconomic trends:** Many department store retailers have been facing similar macroeconomic trends as seen throughout the retail sector. Issues include labor shortages and consequent wage increases to attract talent, ongoing supply chain delays, and higher shipping costs, among other issues.
- **Bouncing back:** The department store sector fared relatively well in 2021, particularly compared to extremely low sales in 2020, but also relative to 2019. Department stores have benefited from pent-up consumer demand, as consumers refreshed their wardrobes once vaccines became more widely available and consumers began to attend more in-person events. Many major department stores have been working to reinvent themselves and become more relevant over the past few years. Many used 2020 as an opportunity to sell through excess inventory and improve store appearance, and saw the rewards of clean inventory levels in 2021.
- **Differentiation:** Department stores have been working to drive traffic to both stores and websites, and provide more experiential shopping for customers. This includes adding more shops-in-shops, as well as cafes, restaurants, and other experiential elements to draw customers in.
- **Competition:** Despite relatively positive results in recent quarters, department stores continue to face competition from a variety of platforms. Not only do off-price retailers continue to gain market share, but online-only players have been gaining traction. There have also been rumors that Amazon could potentially open retail stores that resemble department stores.
- **Business transactions:** Within the department store sector, there have been recent discussions regarding splitting business units into separate entities. During 2021, Hudson's Bay Company made waves when it spun

## TREND TRACKER

	Versus 2020	Versus 2019
<b>NOLVs</b>	Increasing ▲	Increasing ▲
<b>Sales Trends</b>	Increasing ▲	Increasing ▲
<b>Gross Margin</b>	Increasing ▲	Increasing ▲
<b>Discounting</b>	Decreasing ▼	Decreasing ▼

## SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
<b>Nordstrom vs. 2020</b>	23.0%	11.0%	127.0%	37.0%
<b>versus 2019</b>	0.0%	3.0%	(5.0%)	(13.0%)
<b>Macy's vs. 2020</b>	28.3%	37.2%	61.2%	62.5%
<b>versus 2019</b>	6.6%	8.9%	5.8%	(10.5%)
<b>Dillard's vs. 2020</b>	37.0%	48.0%	72.0%	73.0%
<b>versus 2019</b>	12.0%	12.0%	12.0%	(9.0%)
<b>Kohl's vs. 2020</b>	5.8%	14.7%	31.4%	69.5%

\*Note(s): Some retailers reported results compared to both 2020 and 2019, which B. Riley has illustrated when possible. The most recent quarter reported for all companies ended January 29, 2022. Some retailers report results including e-commerce sales or change in net sales as opposed to comparable stores; Kohl's' and Nordstrom's most recent two quarters represent net sales; Dillard's' prior two quarters represent total retail sales.

off the e-commerce business of Saks and OFF 5th into separate companies. There were then rumors that other department stores could follow suit, though many seem to have decided against it. Macy's and Neiman Marcus have both publicly reported that they will not pursue this avenue, for example. Kohl's has been the subject of speculation that it is being courted by prospective buyers.

# Specialty Apparel Stores

## KEY INDUSTRY DRIVERS

- **Macroeconomic trends:** Specialty apparel retailers have been facing similar macroeconomic trends as seen throughout the retail sector. Issues include labor shortages and consequent wage increases to attract talent, ongoing supply chain delays, and higher shipping costs, among other issues. Some retailers reported sales gains in the fourth quarter were stunted by delayed inventory receipts or other constraints. Similar to other industries, specialty apparel retailers have faced inflation due to rising product and transportation costs related to higher freight and container charges.
- **Customer traffic:** Several companies have been working to increase customer traffic to stores and websites. Tactics have included developing and promoting a brand identity, such as through promoting targeted marketing campaigns, or through hiring new Chief Marketing Officers. Old Navy for example has recently touted a body positivity campaign, showcasing items in a broader range of sizes in its stores as well as online.
- **Apparel trends:** During the pandemic, athleisure and more casual attire outperformed dressier items. Streetwear and loungewear have remained popular; however, there has been an uptick in dressier items as well. Dressier items have been driven by occasions, and are in general still down compared to pre-COVID-19 levels.
- **Competitive landscape:** The specialty apparel sector faces competitive pressure in many forms. Not only are there online-only brands that have been vying for market share, but different ways of shopping, such as subscription models or rentals, remain in vogue. Moreover, off-price retailers and other lower-priced options have been sought out by some consumers as prices have been on the rise.

## TREND TRACKER

	Versus 2020	Versus 2019
<b>NOLVs</b>	Increasing ▲	Decreasing ▼
<b>Sales Trends</b>	Increasing ▲	Mixed ▲▼
<b>Gross Margin</b>	Increasing ▲	Mixed ▲▼
<b>Discounting</b>	Decreasing ▼	Mixed ▲▼

- **Ways to shop:** Many specialty apparel retailers have experienced increased sales through their e-commerce channel, and have highlighted the buy online, pick up in store (BOPIS) option. In addition, there has been a shift in focus to virtual fashion, and working to enhance customer engagement through digital tactics.
- **Store locations:** In general during the pandemic, specialty apparel retailers located within outdoor shopping centers experienced higher levels of shopper traffic than indoor malls. This includes outlet centers as well as strip centers. Moving more toward outdoor shopping centers instead of malls remains a focus for some retailers. Many specialty apparel retailers have also been working in general to right-size store bases over the past few years.



# Specialty Apparel Stores

## SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Urban Outfitters vs. 2020	*	*	*	42.0%
vs. 2019	3.0%	7.0%	20.0%	9.0%
Banana Republic vs. 2020	*	28.0%	41.0%	(4.0%)
vs. 2019	(2.0%)	(10.0%)	(5.0%)	(22.0%)
Gap vs. 2020	*	7.0%	(5.0%)	29.0%
vs. 2019	3.0%	3.0%	3.0%	(1.0%)
Old Navy vs. 2020	*	(9.0%)	0.0%	35.0%
vs. 2019	0.0%	6.0%	18.0%	25.0%
White House/Black Market vs. 2020	45.6%	33.4%	48.0%	*
vs. 2019	(6.5%)	(4.9%)	(5.4%)	-
Chicos vs. 2020	33.2%	23.3%	59.0%	*
vs. 2019	(12.3%)	(16.2%)	(14.3%)	-
Athleta vs. 2020	*	2.0%	13.0%	27.0%
vs. 2019	42.0%	41.0%	27.0%	46.0%
Express vs. 2020	43.0%	46.0%	42.0%	5.0%
vs. 2019	4.0%	3.0%	3.0%	-
Anthropologie vs. 2020	*	*	*	50.0%
vs. 2019	14.0%	9.0%	14.0%	1.0%
Free People vs. 2020	*	*	*	77.0%
vs. 2019	49.0%	55.0%	53.0%	44.0%
Lululemon (North America) vs. 2020	21.0%	28.0%	63.0%	82.0%
Victoria's Secret vs. 2020	1.0%	*	*	*
vs. 2019	*	4.0%	(3.0%)	9.0%
Soma vs. 2020	9.5%	30.2%	53.0%	65.0%
vs. 2019	26.2%	43.5%	38.1%	39.0%
DXL vs. 2020	41.5%	*	*	*
vs. 2019	9.4%	22.9%	21.6%	3.7%
Abercrombie & Fitch vs. 2020	4.0%	10.0%	24.0%	61.0%
vs. 2019	(2.0%)	5.0%	3.0%	6.0%
American Eagle vs. 2020	17.0%	24.0%	35.0%	*
The Buckle vs. 2020	20.0%	27.3%	36.6%	159.2%
vs. 2019	*	*	44.8%	48.6%
Zumiez vs. 2020	4.6%	6.8%	7.3%	102.6%
vs. 2019	5.5%	9.6%	17.6%	31.1%
The Children's Place vs. 2020	13.3%	36.2%	14.1%	83.0%
Carter's/OshKosh Retail vs. 2020	3.0%	5.9%	31.0%	27.0%

Note(s): Asterisk (\*) indicates that the company did not report comparable sales in that quarter as they were deemed not meaningful comparisons to the prior year; a dash (-) indicates that the comparisons to two years ago were not reported. Some retailers represent net sales if comparable store sales were not reported. The most recent quarter reported for Lululemon ended January 30, 2022 and represents North America net revenue; Carter's ended January 1, 2022; Urban Outfitters, Free People, and Anthropologie ended January 31, 2022; all other companies ended January 29, 2022. Banana Republic, Gap, and Old Navy represent global sales.














# Off-Price/Dollar Stores/Mass Merchants

## KEY INDUSTRY DRIVERS

- Macroeconomic trends:** This sector has faced similar macroeconomic issues as others; lower-price retailers have benefited as more consumers look to save money, and sales are expected to increase in the first half of 2022 alongside continued inflation. To offset increased expenses, inflation, and gross margin declines, many companies are planning to aggressively raise prices in 2022, but hope this will not alienate customers. Increasingly, dollar stores have offered product exceeding \$1. Costco will be increasing membership rates and charters its own ships to offset supply chain disruptions.
- Positive results:** Dollar stores are still seeing sales growth, but at a slower rate compared to 2020. In some cases sales are down compared to the prior year, but still up on a two-year stacked basis. While foot traffic was down slightly during the second half of 2021, this was offset by increases in average ticket prices. Similarly, mass merchants outperformed most retail sectors amid the onset of the pandemic and top players Target, Walmart, and Costco continue to perform well. The off-price sector has rebounded following initial declines at the onset of the pandemic when traffic declined; retailers have benefited from both store and e-commerce sales growth.
- Store activity:** Off-price and dollar stores continue to expand. Target, Ross Stores, Dollar General, Family Dollar, Dollar Tree, Burlington, TJX, Big Lots, and Five Below have all opened stores throughout 2021 and announced opening for 2022 as well. Stores have also been going through remodels.
- Products:** Dollar stores are continuing to make the push toward grocery, especially to draw more people in amidst inflation and high prices in traditional grocery stores.

## TREND TRACKER

	Dollar Stores/ Mass Merchants	Off-price Retailers
<b>NOLVs: vs. 2020</b> <b>NOLVs: vs. 2019</b>	Mixed Increasing 	Increasing  Mixed 
<b>Sales Trends: vs. 2020</b> <b>Sales Trends: vs. 2019</b>	Mixed Increasing 	Increasing 
<b>Gross Margin: vs. 2020</b> <b>Gross Margin: vs. 2019</b>	Decreasing  Dec./Cons. 	Mixed  Dec./Cons. 
<b>Discounting: vs. 2020</b> <b>Discounting: vs. 2019</b>	Decreasing 	Decreasing 

## COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
<b>TJX</b>	13.0%	14.0%	20.0%	16.0%
<b>Ross Stores</b>	9.0%	14.0%	15.0%	13.0%
<b>Burlington Stores</b>	6.0%	16.1%	19.0%	20.0%
<b>Nordstrom Rack</b>	23.0%	35.0%	61.0%	59.0%
<b>Walmart</b>	5.6%	9.2%	5.2%	6.0%
<b>Target</b>	8.9%	9.7%	8.7%	18.0%
<b>Costco</b>	11.3%	9.9%	10.3%	15.2%
<b>Dollar General</b>	(1.4%)	(0.6%)	14.1%	17.1%
<b>Dollar Tree</b>	3.1%	0.6%	(0.2%)	4.7%
<b>Family Dollar</b>	1.7%	2.7%	(2.1%)	(2.8%)
<b>Five Below</b>	3.4%	14.8%	39.2%	162.0%
<b>Big Lots</b>	(2.3%)	(4.7%)	(13.2%)	11.3%

\*Note(s): The most recent quarter reported for Costco ended February 13, 2022 and excludes fuel; Walmart and Dollar General ended January 28, 2022; all other companies ended January 29, 2022; Walmart excludes Sam's Club and fuel; Target represents stores only; Dollar Tree excludes Family Dollar; Family Dollar excludes Dollar Tree. Nordstrom Rack represents net sales. TJX represents only-open stores versus prior year; Ross Stores and Burlington are versus 2019; Dollar General two and three quarters ago are two-year stacked comps.

# Sporting Goods

## KEY INDUSTRY DRIVERS

- Strong demand/supply chain:** Sporting goods retailers continue to benefit from the sustained demand for industry products during the pandemic. Despite supply chain constraints and labor shortages, many retailers have reported consecutive quarters of comparable sales increases. Dick's Sporting Goods and Academy Sports + Outdoors both reported positive comparable store sales in their most recent quarters. These companies have often attributed the increases to continued demand, varied product assortments, as well as increased sales transactions and average ticket prices.
- Products and participation:** Popular activities that saw increased participation during the pandemic included skateboarding, surfing, tennis, hiking, and camping. Outdoor activities and team sports continue to see strong participation, as do equipment and programs that allow individuals to digitally-connect to trainers and classes, such as Peloton, Tonal, and Beachbody. More recently, some companies, such as Peloton, have found demand for products returning to more normalized levels. Peloton reportedly has reduced production of certain items, though is launching a new strength device and also recently launched Apple Watch support.
- Firearms and ammunition:** Firearms continue to see heightened demand due to the social and political environment. Over the past few years, sales of firearms have been driven by the pandemic, social unrest, a Democratic president, and mass shootings. Background checks reached extremely high levels in 2020. It was reported that 2021 was the second-highest year for gun sales since 2000. Between June 2021 and February 2022, background checks exhibited declines compared to the prior year, though still remain at elevated levels. The attempt to introduce legislation that will enforce stricter

## 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	5.9%	12.2%	19.2%	115%
Big 5	0.2%	(0.7%)	31.2%	31.8%
Sportsman's Warehouse	(10.8%)	(1.5%)	(9.9%)	24.1%
Sturm, Ruger & Company	(1.0%)	22.3%	49.2%	53.6%
Peloton	6%	6%	54%	141%
Academy	13.1%	17.9%	11.4%	38.9%

\*Note(s): Results for Dick's include Dick's Sporting Goods stores, Golf Galaxy, and the e-commerce business. The most recent quarter for Dick's Sporting Goods, Sportsman's Warehouse, and Academy ended January 29, 2022; Big 5 ended January 2, 2022; Sturm Ruger & Company ended December 31, 2021; Peloton Interactive, Inc. ended December 30, 2021. Sturm, Ruger & Company represents total revenue growth versus the prior quarter; Peloton represents total revenue growth versus the prior year.

gun control reentered the political arena following a series of mass shootings throughout the U.S.; however, some bills have been stalled, and it seems that gun control legislation is unlikely to pass anytime soon. There also continues to be strong demand for ammunition, often outweighing supply. Raw material and labor shortages have contributed to the issue.

# Footwear

## KEY INDUSTRY DRIVERS

- Macroeconomic trends:** Global supply chain disruptions have continued to impact every facet of the footwear industry, from factory closures and shipping delays to price increases, labor shortages, and increasing logistics and warehousing expenses. Supply chain issues have negatively impacted industry gross margins and inventory levels. To offset, footwear retailers have been increasing prices to consumers and focusing on better inventory management to avoid lost sales. Most brands have reallocated some sourcing and production to other regions of the globe outside of Asia, including Central and South America; some companies are also using air freight to offset shipping delays despite the increased cost and impact to gross margin. Most companies have reduced discounting activity, and while this has not yet deterred consumer purchasing, there is concern that inflated prices could eventually lead to decreased spending on footwear.
- Recent results:** The footwear industry has seen strong results in multiple categories. Comfort and athletic styles continue to dominate the industry as many consumers continue to work-from-home and spend more time and energy on outdoor activities and exercise. Fashion styles, however, have been making a comeback as more people resume social activities as compared to the height of the pandemic when events were canceled or postponed.
- Sustainability:** Many footwear brands have prioritized environmental and sustainability initiatives alongside consumers' interests to be more sustainability conscious. This has included a focus on durability, recyclable or renewable materials, and biodegradability. Companies embracing these initiatives include Aldo, Sperry, Vans, Clarks, Crocs, Adidas, Allbirds, Keds, Salvatore Ferragamo, Timberland, Merrell, and Nothing New, among others.

## TREND TRACKER

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

## COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Designer Brands Inc.	36.9%	40.8%	84.9%	52.2%
Johnston & Murphy	38.0%	77.0%	154.0%	26.0%
Foot Locker	0.8%	2.2%	6.9%	80.3%
Crocs (Americas)	52.5%	78.3%	128.1%	100.0%
Famous Footwear	15.2%	26.5%	(1.1%)	3.3%
Journeys	1.0%	15.0%	25.0%	123.0%
Skechers U.S.	15.2%	33.7%	95.6%	25.7%
Deckers	10.7%	1.0%	14.7%	76.3%

\*Note(s): Designer Brands Inc. is formerly DSW. The most recent quarter for Skechers, Deckers, and Crocs ended December 31, 2021; all other companies ended January 29, 2022. For two and three quarters ago: Johnston & Murphy and Journeys represent overall sales versus 2020; Crocs represents total DTC sales.

- Operational changes:** The industry continues to see a variety of transactions. Nike is focused on its direct-to-consumer channel, reducing or even ceasing wholesale operations with certain retailers. Foot Locker has made some recent acquisitions, while Allbirds has expanded its physical footprint. Lululemon introduced a new running shoe for women, Blissfeel, which is its first footwear product.

# Consumer Electronics

## KEY INDUSTRY DRIVERS

- **Supply chain:** The consumer electronics industry has experienced supply chain issues, with Best Buy for example reporting inventory constraints during the fourth quarter. A continued global computer chip shortage in particular has been driving up prices of products such as laptops, printers, and smartphones, among others. The conflict between Russia and Ukraine is expected to further exacerbate the chip shortage, as a company based in Ukraine is a key producer of neon gas, which is critical to computer chip construction.
- **Products:** In general, demand for technology remained strong during the pandemic as people spent more time at home, and consumer spending increased due to government stimulus payments. Though televisions and laptops have not had any truly significant innovations in recent years, companies are still working to make gradual improvements to existing models. Televisions revealed to the market recently have been larger and boast a clearer picture than ever before. By contrast, laptops are becoming slimmer and more versatile to keep up with on-the-go working lifestyles. Virtual reality (“VR”) devices are continuing to improve, with augmented reality (“AR”) glasses expected to be released by major players soon.
- **Cell phones:** The rollout of 5G networks is ongoing, but has been met with some roadblocks and delays, particularly near airports amid concerns over disruptions to flight technology. This year, 3G networks will be discontinued. This could result in increased demand for newer phones from consumers with phones that rely in 3G technology. In September 2021, Apple announced four models of its iPhone 13: the standard model, the Mini, the Pro, and

## TREND TRACKER

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

## COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Best Buy	(2.1%)	2.0%	20.8%	37.9%
Conn's	6.6%	21.0%	16.7%	22.9%

\*Note(s): The most recent quarter for Best Buy ended January 29, 2022 and represents domestic sales, excluding installment billing; Conn's ended January 31, 2022 and represents product sales only.

the Pro Max. Apple also offers a less-expensive iPhone SE. Some have started to speculate that Apple could be releasing the iPhone 14 in September 2022, though no official release date has been announced. Major cell phone players continue to experiment with price points for newly released models. Lately, many of the new releases carry high price tags; however, some companies have worked to simultaneously offer lower-priced versions.

# Books

## KEY INDUSTRY DRIVERS

- **Print sales remain strong:** According to NPD BookScan, unit sales of print books increased 8.9% to 825.7 million units in 2021. This comes after an 8.2% increase in 2020. Growth has been driven by the pandemic, which left many with more time to read, as well as demand for juvenile educational books to supplement remote learning. Conversely, according to data from The Association of American Publishers, ebook revenue declined 4.7% to \$1.1 billion. The pandemic caused ebook sales to increase in 2020 after a few years of flat/declining sales.
- **Retail trends:** Barnes & Noble had been focused on revitalizing its stores and localizing its assortment. However, pandemic closures and the related reduction in customer traffic has caused it to take longer to see these changes pay off. In late 2021, Barnes & Noble announced a new partnership with Paper Source (which was acquired by Barnes & Noble's parent company in May 2021). Paper Source opened shop-in-shops within select Barnes & Noble stores during the holiday season and further collaboration is expected. Barnes & Noble plans to open 35 stores over the next year; it has historically closed 10 to 15 annually. Amazon still accounts for the largest share of online book sales. Amazon recently announced plans to close 68 of its physical stores, including all 24 of its Amazon Books stores.
- **BookTok:** BookTok is a community within the popular TikTok app where users can share videos about books, authors, literary subjects, genres, etc. BookTok has emerged as a new way for booksellers to engage with their customers and drive sales. Many titles featured on BookTok have skyrocketed to popularity and retailers have been capitalizing on this platform. For example, many retailers highlight books that are trending on BookTok and regularly engage with the BookTok community. Some

## TREND TRACKER

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

retailers even attempt to increase popularity of certain titles by promoting them via BookTok.









- **Textbook sales:** College textbook sales suffered during the pandemic due to school closures, an accelerated shift toward digital materials, and a decline in overall enrollment. More recently, sales have been improving as learning has shifted back in-person, but it is unlikely that sales of physical textbooks will return to pre-COVID levels. Inclusive programs, where students are automatically billed for their course materials as part of their tuition, continue to gain traction. Although they generally include a mixture of print and digital materials, these programs often lean heavily toward digital. Within K-12, the sale of instructional materials was disrupted by the COVID-19 school closures, but sales have since rebounded due to strong demand and stimulus funding. The COVID-19 pandemic and unprecedented pivot to remote or hybrid learning models essentially forced schools to accelerate the shift to digital. Booksellers have been working to right-size inventory levels and adapt to the changing landscape.

# Grocery

## KEY INDUSTRY DRIVERS

- **Out of stocks persist:** Supply chain challenges continue to affect most retailers. At any given time, stores may be out of stock within certain items, but substitute products are typically available.
- **Sales decelerate but remain strong:** Grocery stores have experienced strong sales throughout the pandemic. Although sales gains are decelerating as the world slowly returns to normal, sales remain above pre-pandemic levels. Consumers continue to eat more of their meals at home given the number of people working at home. Moreover, inflation has caused many to limit dining out in an effort to save money. Sales dollars are also being favorably impacted by price inflation.
- **Inflation:** According to the USDA, food at home prices were up 7.4% for the 12 months ended January 2022. This represents the highest rate of inflation in 40 years. The largest increases are being seen in the meat, poultry, seafood, and egg categories. Until recently, grocery stores were passing on the cost increases to consumers. However, the combined pressure of supply chain constraints and inflation are beginning to weigh on retailers. Some traditional grocers have been attempting to hold prices on key staples like milk and eggs to prevent customers from trading down to discount retailers. Others are focusing on private label products as less expensive alternatives. The USDA predicts that food at home prices in 2022 will increase between 2.0% and 3.0%.
- **E-commerce remains a focus:** Online grocery sales totaled \$8.5 billion in January 2022, down 8% from the prior year according to Brick Meets Click. Widespread vaccination rates have made consumers more comfortable shopping in person and inflation coupled with delivery fees has made the cost outweigh the convenience for many shoppers. Recent data suggests that more consumers

## TREND TRACKER

	Versus 2020	Versus 2019
<b>NOLVs</b>	Consistent 	Increasing 
<b>Sales Trends</b>	Increasing 	Increasing 
<b>Gross Margin</b>	Mixed 	Increasing 
<b>Discounting</b>	Increasing 	Decreasing 

## COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
<b>Kroger</b>	4.0%	3.1%	(0.6%)	(4.1%)
<b>Ahold Delhaize</b>	4.8%	2.9%	(1.5%)	1.7%
<b>Publix</b>	10.5%	6.3%	2.3%	2.4%
<b>Ingles</b>	10.0%	N/A	(0.9%)	2.6%
<b>Weis Markets</b>	6.9%	4.6%	(5.8%)	1.4%

\*Note(s): All sales exclude fuel, except for Weis Markets. The most recent quarter for Kroger ended January 29, 2022; Ahold Delhaize ended January 2, 2022; Publix, Ingles, and Weis Markets ended December 25, 2021; Ingles did not report comparable store sales for its fourth quarter.








are gravitating toward mass merchants such as Amazon, Walmart, and Target for their online grocery orders. Although e-commerce sales have retreated from the highs witnessed at the height of the pandemic, they still remain strong overall and are projected to regain momentum in the coming years. Grocers continue to focus on key areas such as quick delivery, automated order picking, and other efficiencies, and are working to refine their fee structure and pricing models to boost demand and preserve margin.

# Pharmacy and Drug Stores

## KEY INDUSTRY DRIVERS

- COVID-19 drives sales:** Pharmacy retailers continue to benefit from the administration of COVID-19 tests and vaccinations. Pharmacy sales are up across the industry due to COVID-19 vaccinations. Moreover, many retailers are reporting that vaccine customers have been filling other prescriptions at their stores and they have been able to acquire new long-term customers. Front-end sales benefited from at-home test kits, the demand for which soared toward the end of 2021 and into 2022. Wellness categories also continue to be strong as customers focus on being more health conscious.
- Companies streamline operations:** Major players have been streamlining operations in order to focus on key markets and business lines. In November 2021, CVS announced plans to close 900 stores (9% of its footprint) over the next three years beginning in the spring of 2022. Rite Aid announced plans to close 63 stores. In 2022, Walgreens indicated it plans to sell its Boots international drugstore business and is actively accepting bids.
- Healthcare remains a focus:** The pandemic has reinforced the drug store as a key component of the healthcare system. These companies are hoping to capitalize on areas in which it believes the greater healthcare system as fallen short, including primary care services, convenience, and affordability. Walgreens has been expanding its VillageMD primary care clinics and recently announced a majority investment in Shields Health Solutions. CVS is growing its MinuteClinic and HealthHUB locations.
- New player:** In January 2022, billionaire Mark Cuban launched an online pharmacy called Mark Cuban Cost Plus Drug Company ("MCCPDC"). The pharmacy's initial launch included an inventory of approximately 100 generic drugs priced at the actual manufacturer price plus a 15% fee. Drugs are being purchased directly from

## TREND TRACKER

	Pharmacy	Front-End
<b>NOLVs</b>	Consistent 	Consistent 
<b>Sales Trends</b>	Increasing 	Increasing 
<b>Gross Margin</b>	Mixed 	Mixed 
<b>Scripts</b>	Consistent 	

## COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
<b>Walgreens</b>				
Pharmacy	7.3%	6.8%	8.9%	8.4%
Front-End	15.7%	10.6%	6.2%	1.7%
Total	9.5%	7.9%	8.1%	6.4%
<b>CVS</b>				
Pharmacy	11.8%	8.8%	12.4%	4.1%
Front-End	18.9%	12.3%	12.0%	(11.4%)
Total	13.4%	9.6%	12.3%	0.4%
<b>Rite Aid</b>				
Pharmacy	5.9%	5.0%	8.2%	2.0%
Front-End	0.4%	(2.8%)	(12.0%)	(5.6%)
Total	4.4%	2.6%	1.4%	(0.3%)

\*Note(s): The most recent quarter for Walgreens ended February 28, 2022; CVS ended December 31, 2021; Rite Aid ended November 27, 2021.

the manufacturers. According to MCCPDC, its prices are up to 50% less expensive. MCCPDC's ultimate goal is to be a manufacturing, distribution, and pharmacy services provider under one umbrella.



# Furniture and Home Furnishings

## KEY INDUSTRY DRIVERS

- Macroeconomic challenges:** Furniture and home furnishings benefited from consumers spending a significant amount of time at home working remotely and adhering to stay-at-home orders in 2020. While demand remains strong, the furniture and home furnishings industry has faced macroeconomic challenges that have impacted the ability to maintain sales gains. The industry continues to face supply chain disruptions and labor shortages. There have also been rising product and shipping costs, which some companies have passed on to consumers through retail price increases.
- Technology:** During the early stages of the pandemic, e-commerce growth within the furniture and home furnishings sector was explosive, as many stores were temporarily closed and social distancing measures were put into place. As such, online retailers such as Wayfair reported strong sales throughout 2020 and into 2021, with sales in recent quarters showing signs of normalizing. The pandemic accelerated the use of virtual and augmented reality into the furniture and home furnishings industry. Many companies have worked to enhance technology to allow customers to better view product and allow them to see how it might look in their homes. One notable example of a company leveraging this technology has been Pinterest, which now features a "Try On for Home Décor" function. It allows consumers to pull items from various retailers and view the products within their homes using augmented reality.
- Housing market:** Existing home sales in 2021 were up over 2020. Single-family housing starts trended down somewhat in 2021. Low mortgage rates and a high number of buyers has in many cases resulted in demand outweighing supply for homes, driving prices up even further. However, interest rates have recently been increased, and there have been indications that they could rise further, making some consumers even

## 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
Bed Bath & Beyond	(7.0%)	(1.0%)	86.0%	4.0%
HomeGoods	22.0%	34.0%	36.0%	40.0%
Williams-Sonoma	10.8%	16.9%	29.8%	40.4%
Kirkland's	(8.5%)	(0.7%)	(5.2%)	75.3%
La-Z-Boy	3.0%	(6.0%)	10.4%	100.0%
Wayfair	(11.4%)	(18.7%)	(10.4%)	49.2%

\*Note(s): The most recent quarter for Bed Bath & Beyond ended November 27, 2021 and represents total company; Wayfair ended December 31, 2021 and represents total net sales/revenue; Williams-Sonoma includes West Elm, Pottery Barn, Williams Sonoma, and Pottery Barn Kids and Teen, and ended January 30, 2022; Kirkland's and HomeGoods ended January 29, 2022; La-Z-Boy ended January 22, 2022 and represents written same-store sales. HomeGoods represents comparable sales for open stores only.

more determined to buy as soon as possible. Overall, there has been a relatively low level of existing homes available for purchase on the market in recent months. Increased home purchases spur sales of furniture and home furnishings. Furniture and home furnishings sales have also benefited from remodeling activity during the pandemic. As consumers were home more often, some were willing to tackle home projects, such as updating a room or area of the home. This often resulted in purchasing new items to fill the space.

# Arts and Crafts

## KEY INDUSTRY DRIVERS

- Economic headwinds:** The arts and crafts industry has faced recent headwinds from supply chain disruptions, staffing issues, and slowing sales compared to 2020 record-highs. As COVID-related disruptions on life ease, pandemic-crafters have slowed production. Consumers are returning to pre-COVID ways of life and making up for lost time by partaking in fewer home activities such as crafting. Mirroring this trend, despite exhibiting sales increases on a two-year stacked basis, JOANN's sales are down year-over-year in the three most recent quarters reported. It has been reported that increasing supply chain costs are anticipated to hurt gross margin during 2022, which could be further exacerbated by pressure to return to promotional activity.
- Positive signs:** Despite the aforementioned negative headwinds, in-person craft fairs are back, aiding the industry. Moreover, many consumers have appeared to have a renewed interest, or have gained appreciation for, handmade crafts. This has led to supporting small, local crafters. To this end, Michaels is expecting 2022 to be a year of "mindful making" trends.
- Trends:** The arts and crafts industry is impacted by popular trends at any given time. Recent industry trends include acrylic paint pour art, macramé, scrapbooking, resin crafts, custom jewelry, sewing, Cricut machine crafts for customization, and terrazzo. The latter is a technique that takes chips of marble or granite and sets them in concrete to make different items, such as coasters and other home décor. Other trends include nostalgia-based projects. Examples include tie-dye and needlepoint. Consumers have also shown interest in nature-inspired pieces as well as celebratory projects that focus on family and events.

## TREND TRACKER

<b>NOLVs</b>	Consistent Increasing	
<b>Sales Trends</b>	Increasing	
<b>Gross Margin</b>	Mixed	
<b>Discounting</b>	Decreasing	

## COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
<b>JOANN vs. 2020</b>	(12.4%)	(14.2%)	(29.9%)	15.0%
<b>JOANN 2-yr. stacked</b>	6.0%	8.0%	8.1%	13.0%
<b>Etsy</b>	16.2%	45.4%	17.9%	23.4%

\*Note(s): The most recent quarter for JOANN ended January 29, 2022. The most recent quarter for Etsy ended December 30, 2021, and represents comparable revenue.

- Social media:** Crafting projects have continued to be driven by social media, including on Instagram, TikTok, and Pinterest. Many retailers have noticed this and catered some product offerings and end cap displays to on-trend items.
- Staffing:** During the fourth quarter, retailers underwent hiring sprees to hedge against labor shortages during the holiday season.

# 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:

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

These experiences, in addition to numerous others, provide B. Riley Advisory Services 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 Advisory Services has worked with and appraised numerous retailers, including industry leaders within each sector. While our clients remain confidential, B. Riley Advisory Services' 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 Advisory Services valued both the pharmacy inventory and prescription lists ("scripts").

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

# Meet The Team

## APPRAISAL & VALUATION TEAM

### BUSINESS DEVELOPMENT TEAM



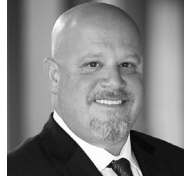
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# About B. Riley Advisory Services

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B. Riley Advisory Services works with lenders, law firms, private equity sponsors and companies of all types. Our Advisory Services are a unique mix of Valuation and Appraisal Services including asset-based lending (ABL) Valuations; Restructuring and Turnaround Management; Forensic Accounting and Litigation Support; Operations Management; Compliance, Risk & Resilience Services; and Transaction Support Services including Due Diligence and Quality of Earnings Reviews. B. Riley Advisory Services is the trade name for GlassRatner Advisory & Capital Group, LLC, B. Riley Advisory & Valuation Services, LLC, Great American Group Machinery & Equipment, LLC, and Great American Group Intellectual Property, LLC.



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# Capitalize On The B. Riley Difference

B. Riley Financial (“B. Riley”) provides collaborative solutions tailored to fit the capital raising and business advisory needs of its clients and partners. B. Riley operates through several subsidiaries that offer a diverse range of complementary end-to-end capabilities.

B. Riley recently announced the acquisition of FocalPoint Securities, LLC, a leading middle market M&A advisory investment bank. The combination of B. Riley and FocalPoint significantly enhances B. Riley’s debt capital markets and financial restructuring capabilities.



RANK  
2

B. Riley Financial ranked No. 2 on FORTUNE 100 Fastest Growing Companies 2021 list based on revenue growth rate, EPS growth rate, and three-year annualized total return for the period ended June 30, 2021. Fortune. © 2021 Fortune Media IP Limited All rights reserved.

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Provides specialty financial advisory services to address complex business problems and board level agenda items.

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- Compliance, Risk & Resilience Services
- Forensic Accounting & Litigation Support
- Operations Management Services
- Restructuring & Turnaround Management
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- Restructuring & Recapitalization
- Mergers & Acquisitions (M&A)
- Sales & Trading
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