



CONSUMER · RETAIL

THIRD QUARTER

2017

The Consumer Retail Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Consumer Retail category. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

Consumer | Retail M&A

M&A activity for North American based target companies in the Consumer and Retail sector for Q2 2017 included 118 closed deals, according to data published by industry data tracker *FactSet*. The average purchase price was \$268 million.

The brick-and-mortar retail sector continues to suffer and shoppers buying habits shift toward online sales. Below is an encapsulation of traditional retail struggles over the past the decade.

Transactional Overview

Notable closed lower middle market transactions for the period in Consumer and Retail sector include:

- **June 2017** - BBX Capital Corp acquired IT'SUGAR, LLC, a portfolio company of Star Avenue Capital LLC, for US\$57 million in cash. The acquisition is expected to be accretive for the earnings of BBX Capital and expand its retail confectionary footprint. BBX Capital operates as a holding company that engages in the acquisition, ownership, and management of joint ventures and investments in real estate, as well as acquisitions, investments and management of middle market operating businesses. IT'SUGAR, LLC operates as a candy and gift retailer. The company was founded by Jeff Rubin in 2006 and is headquartered in Deerfield Beach, FL.



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

FOR MORE INFORMATION CONTACT

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For over 60 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

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- June 2017** - Icahn Automotive Group LLC, a subsidiary of Icahn Enterprises LP, acquired Precision Auto Care, Inc. for US\$37 million in cash, subject to closing adjustments. The acquisition also includes Precision Franchising, LLC, trading as Precision Tune Auto Care, which is a subsidiary of Precision Auto Care, Inc. The acquisition helps Icahn Automotive Group in building its automotive service network. Icahn Automotive Group provides premium automotive parts and services. It operates through its business line such as Pep Boys and Auto Plus®, an automotive aftermarket parts distributor. Precision Auto Care engages in the ownership and operation of auto service centers. It is a franchisor of automotive maintenance service centers, which provide specialized automotive care services, fast oil change and lube services.

Selected Q3 Transactions	
Target/Issuer	Buyers/Investors
Limelight By Alcone	L'Occitane International SA
WRB Communications, Inc.	Diplomat Pharmacy, Inc.
Eastern Outfitters LLC	Sports Direct International Plc
LXR Produits De Luxe International, Inc	Gibraltar Growth Corp.
Cobalt Boats LLC	Malibu Boats, Inc.
Alpine Jaguar LLC	AN Imports of Ft. Lauderdale, Inc.
Nyhus 2 Inc	Leaf Group Ltd.
Moguldrom Media Group LLC /Brands Assets	Radio One, Inc.

- April 2017** - Samsonite LLC, a subsidiary of Samsonite International SA, acquired eBags Inc., a portfolio company of Saints Ventures, LLC and Willowridge Partners, Inc., for US\$105 million in cash. The acquisition was funded through Samsonite's existing cash and line of credit facility. Samsonite designs and manufactures travel bags, luggage and accessories. eBags operates as an online retailer of bags, luggage and accessories. The company was founded by Andrew Youngs, Peter Cobb, Jon C. Nordmark, Eliot Cobb and Frank Steed in May 1998 and is headquartered in Greenwood Village, CO.

Industry Update

Retailers who rely on 0% financing deals to encourage big-ticket purchases are facing leaner profits or the possibility of lost sales as interest rates rise, according to The Wall Street Journal. Historically low interest rates since 2009 have enabled US retailers to effectively cover the financing costs for customers by paying a bank or finance company a few percentage points of a product's purchase price upfront: a practice known as "buying down the rate to zero." As the US economy improves, the Federal Reserve Bank has begun raising rates, most recently in March 2017. More rate hikes are expected in the months ahead. However, as the spread between zero and the federal funds rate widens, lenders are likely to increase the fees they charge merchants.

Industry Indicators

- Total US consumer spending, an indicator of retail sales, rose 1.4%, primarily from services expenditures, in May 2017 compared to the same month in 2016.
- Total US retail sales, a measure of the retail sector, increased 3.9% in the first six months of 2017 compared to the same period in 2016.

The Consumer Retail Practice Group is a multi-disciplinary group of investment banking advisors within Corporate Finance Associates. Collectively, the Consumer Retail Practice Group provides M&A advice to public and private companies in all sectors of the consumer retail industries, including apparel and accessories, consumer electronics, consumer products, consumer services, DIY, grocery and convenience stores, health, beauty and personal care, home and giftware, sporting goods and toys. For information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, contact your local Corporate Finance Associates office.

