

The Paradigm Shift in Retail, 2017

October 2017

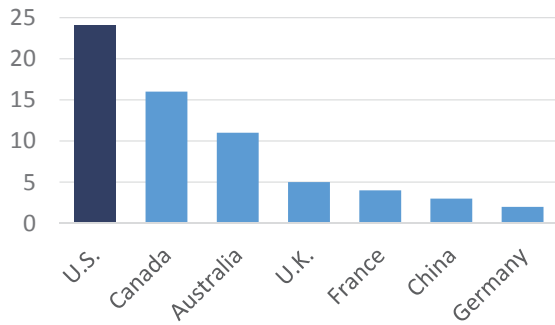
Introduction

This presentation will explore why the retail industry is experiencing what most would consider a “bloodbath” and the available strategies that are, or can be, pursued in this environment. We will address:

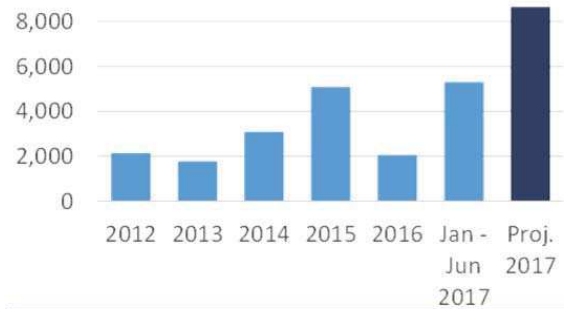
- Current retail bankruptcy landscape
- Notable bankruptcies and outcomes
- Changing micro and macroeconomic environment
- Revealing the mystique of liquidation and going out of business (“GOB”) sales
- Thorny legal issues
- Economic realities

Retail Overview

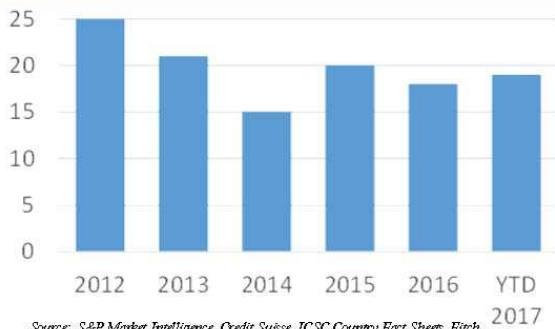
Retail Selling SQFT per Capita



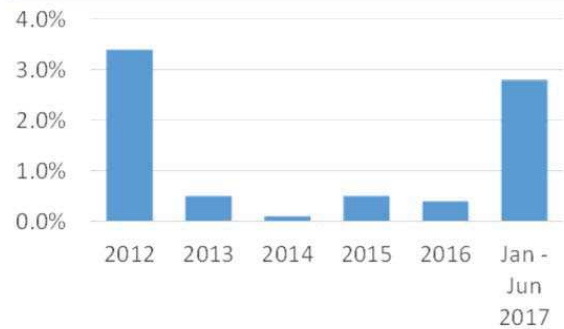
Store Closings



Retail Bankruptcy Filings



Leveraged Loan Retail Default Rates



Source: S&P Market Intelligence, Credit Suisse, ICSC Country Fact Sheets, Fitch

Bankruptcy Filings by Segment (since 2014)



Note: Companies RadioShack, Wet Seal, American Apparel, and Wet Seal, filed for bankruptcy twice since the start of 2014

Notable Large Retailer Bankruptcies

Some recent large retailer bankruptcies consist of:

rue21

- Clothing retailer targeting teen market
- Filed for Chapter 11 on May 15, 2017
- Began closing one-third of its 1,200 stores
- Plan confirmed, with a smaller store base

TRUE RELIGION
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- Retailer of designer quality denim jeans and clothing
- Filed for Chapter 11 on July 5, 2017
- Over \$500 million of debt that it sought to restructure, with hopes to keep stores open

Toys R Us

- Retailer of American toys and juvenile-products
- Filed for Chapter 11 on September 18, 2017
- Long-term debt totaling more than \$5 billion largely due to its heavy debt load from its 2005 leveraged buyout

PERFUMANIA

- Off-price and dollar stores continue to expand
- Filed for Chapter 11 on August 28, 2017
- Filed with a pre-packaged Plan of Reorganizations
- Plans to close 64 of 230 locations, increase investments in its e-Commerce business, and become a privately-held company

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Results of Some Chapter 11s

Some recent results from Chapter 11s consist of:

GYMBOREE

- Cutting its debt by around \$1 billion
- Continue as a going concern after converting debt to equity
- Closing about a quarter of its 1,300 shops

Payless
SHOESOURCE

- Eliminated \$435 million in funded debt
- Closed over 670 stores and retains over 3,500 brick and mortar locations


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- Sold substantially all of its assets for \$37 million to Camping World
- Camping World announced it would keep open 70 of the 126 remaining stores

Gordmans

- Stage stores purchased 50 Gordmans store leases with rights to assume leases for an additional 7 and a distribution center
- All other remaining assets at Gordmans are expected to be liquidated

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