

The Paradigm Shift in Retail, 2017

October 2017

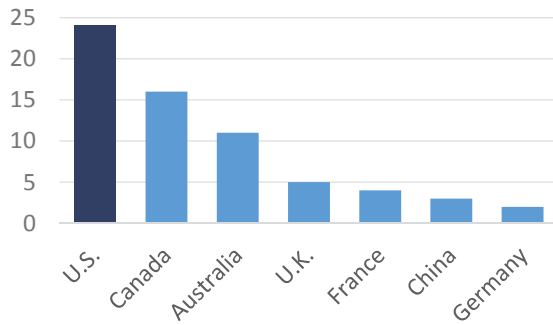
Introduction

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:

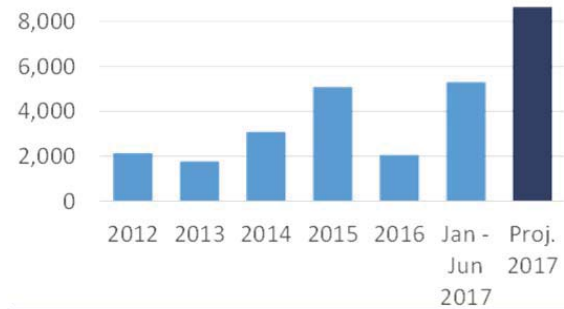
- Current retail bankruptcy landscape
- Notable bankruptcies and outcomes
- Changing micro and macroeconomic environment
- Revealing the mystique of liquidation and going out of business (“GOB”) sales
- Thorny legal issues
- Economic realities

Retail Overview

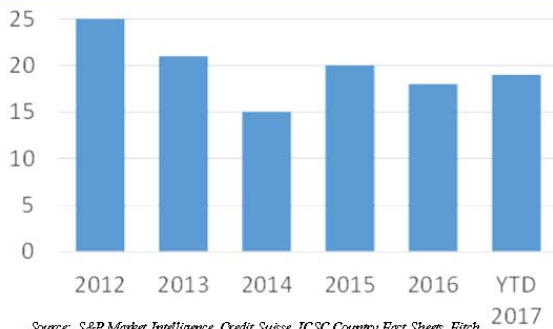
Retail Selling SQFT per Capita



Store Closings

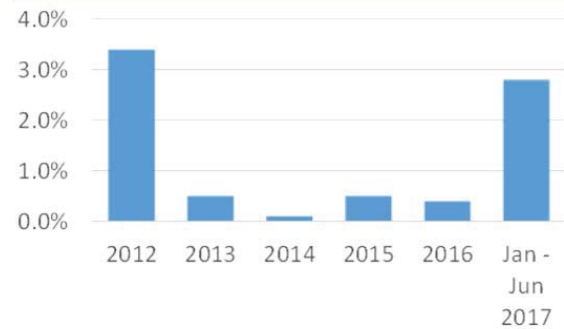


Retail Bankruptcy Filings



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

Leveraged Loan Retail Default Rates



Bankruptcy Filings by Segment (since 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
↻

- 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

GANDER MTN.
WE LIVE OUTDOORS

- 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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