

Footwear

INDUSTRY OVERVIEW

Footwear retailers have generally reported positive sales results recently, with boots in particular driving sales. During November and December, during the peak holiday period, footwear sales benefited from weather throughout many areas in the country, which, while seasonal, was not so cold as to keep customers out of the stores. In February 2015, representatives from GA attended the MAGIC trade show, which occurs twice per year in Las Vegas, Nevada. The trade show features a vast array of footwear, apparel, and accessories for men, women, and children. At this show, GA observed popular trends in footwear, which will likely be seen throughout 2015. Some of these trends are further detailed below.



TREND TRACKER

Three month NOLVs	Increasing ↑
Sales Trends	Increasing ↑
Gross Margin	Mixed ⇅
Discounting	Mixed ⇅

NOLVs: NOLVs have generally been increasing by up to 1.0 percentage point due to increases in sales.

However, some wholesalers have experienced decreases of 1.5 percentage points or more, due to declines in gross margin.

Sales Trends: Sales trends within the industry have generally increased; however, performance has varied by category.

Gross Margin and Discounting: Many companies have had to increase discounting to drive sales; however, some have managed to offset margin erosion through the sale of higher-margin products, higher average prices, and an increase in sales through e-commerce versus lower-margin channels.

KEY INDUSTRY DRIVERS

- **Key categories:** Footwear retailers have been working to carry the most in-demand brands, categories, and footwear trends. Ankle boots and boots with embellished heels have been popular. In addition, in the northeast, winter boots sold well, even before the cold and snowy weather set in. During the holiday season, it was reported that L.L. Bean's leather and rubber winter boot, which was in vogue with many college students this year, was sold out and backordered for months. Other categories performing well include vulcanized sneakers, such as Converse and Vans, which continue to sell well. Athletic sneakers also continue to perform well, particularly Jordan's and low-top basketball sneakers. Vintage styles have also been celebrated. Several major athletic footwear brands are bringing back reinvigorated styles from years ago.
- **E-commerce:** Footwear retailers continue to develop an omni-channel presence. The transition toward online shopping has been less prevalent in footwear than in other sectors, as many consumers prefer to try on shoes before purchasing. As such, some retailers, like DSW, have been leveraging multi-channel capabilities, offering to order a size, color, or style of a shoe unavailable in a store for customers, and have it sent to their home through its e-commerce division. Major players in the industry continue to strengthen mobile platforms and expand e-commerce to compete with online retailers such as Zappos.com and Amazon.com.

SALES TRENDS

The following table illustrates comparable store sales trends for major footwear retailers (Represents the most recent fiscal quarter sales reported):

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
DSW	2.6%	0.8%	(3.7%)	0.0%
Johnston & Murphy	2.0%	0.0%	2.0%	(1.0%)
Foot Locker	10.2%	6.9%	7.0%	7.6%
Finish Line	4.5%	1.5%	5.0%	6.3%
Famous Footwear	4.0%	(0.2%)	1.6%	1.3%
Journeys	16.0%	6.0%	5.0%	1.0%
Crocs (Americas)	(3.3%)	(3.1%)	(6.2%)	(5.0%)

Note(s): The most recent quarter for Foot Locker, Famous Footwear, Journeys, and Johnston & Murphy ended January 31, 2015; DSW ended November 1, 2014; Finish Line ended November 29, 2014; Crocs ended December 31, 2014.

OUTLOOK

Following weeks of cold and snowy weather in the northeast in particular, many consumers are likely looking forward to warmer spring temperatures, which could spark sales of sandals and other seasonally-appropriate footwear. Athletic footwear will likely remain popular in 2015, as the athleisure style and fitness awareness continues to grow.

Experience

GA 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 underperforming stores, to full-scale liquidations of national retailers with hundreds of stores. GA has experience with full and partial liquidations of companies throughout a variety of retail sectors, some of which are detailed below:

Target Canada	Cache	Office Depot/Max	Circuit City
Macy's	Fashion Bug	Mervyns	Tower Records
Fortunoff	Frederick's of Hollywood	Eddie Bauer	RadioShack
Linens 'N Things	Naartjie	Whitehall Jewelers	Borders
Jo-Ann Fabrics	Boot Town	A&P	Movie Gallery

These experiences, in addition to numerous others, provide GA 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, GA has worked with and appraised numerous retailers, including industry leaders within each sector. While our clients remain confidential, GA's extensive list of appraisal experience includes:

- Several footwear retailers in the industry, including retailers of high style, casual, and athletic footwear. GA has also participated in the liquidation of over 100 Payless Shoe Source stores and 56 Bakers Footwear Group stores.
- 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.
- Leading off-price retailers of apparel and accessories, including major national and regional chains.
- Several e-commerce and multi-channel retailers, as well as flash sale websites and auction websites. In particular, GA has appraised 74 of the top 500 e-commerce companies as reported by *Internet Retailer*.
- 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 United States, with locations throughout the country.
- 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 close to 400 and net sales of nearly \$8.0 billion, as well as smaller local grocery store retailers and pharmacies.

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

Appraisal & Valuation Team

BUSINESS DEVELOPMENT



Mike Marchlik
National Sales & Marketing Director
mmarchlik@greatamerican.com
(818) 746-9306



Ryan Mulcunry
Executive Vice President, Northeast Region, Canada & Europe
rmulcunry@greatamerican.com
(617) 692-8310



David Seiden
Executive Vice President, Southeast Region
dseiden@greatamerican.com
(770) 551-8114



Bill Soncini
Senior Vice President, Midwest Region
bsoncini@greatamerican.com
(312) 777-7945



Daniel J. Williams
Managing Director, New York Region
dwilliams@greatamerican.com
(646) 381-9221



Drew Jakubek
Managing Director, Southwest Region
djakubek@greatamerican.com
(972) 996-5632



Jennie Kim
Vice President, Western Region
jkim@greatamerican.com
(818) 746-9370

OPERATIONS

John Bankert
President
jbankert@greatamerican.com
(781) 429-4054

David Triampo
Managing Director, Consumer Products
dtriampo@greatamerican.com
(781) 429-4067

Tracy Foohey
Associate Director
tfoohey@greatamerican.com
(781) 429-4059

Matthew Gins
Project Manager
mgins@greatamerican.com
(818) 746-9386

Nicole Hines
Project Manager
nhines@greatamerican.com
(781) 429-4072

Kipp Visi
Associate Project Manager
kvisi@greatamerican.com
(312) 777-7957

Louise Shimazu
Associate Project Manager
lshimazu@greatamerican.com
(818) 746-9339

About Great American Group

Great American Group is a leading provider of asset disposition solutions and valuation and appraisal services to a wide range of retail, wholesale, and industrial clients, as well as lenders, capital providers, private equity investors, and professional services firms. For more information, please visit www.greatamerican.com.

Great American Group, LLC is a wholly owned subsidiary of B. Riley Financial, Inc. (OTCBB: RILY), which provides collaborative financial services and solutions through several subsidiaries, including: B. Riley & Co. LLC, a leading investment bank which provides corporate finance, research, and sales & trading to corporate, institutional and high net worth individual clients; B. Riley Asset Management, LLC, a provider of investment products to institutional and high net worth investors; and MK Capital Advisors, LLC, a multi-family office practice and wealth management firm focused on the needs of ultra-high net worth individuals and families.

B. Riley Financial, Inc. is headquartered in Los Angeles with offices in major financial markets throughout the United States and Europe. For more information on B. Riley Financial, Inc., please visit www.brileyfin.com.

Headquarters

21860 Burbank Blvd. Suite 300 South
Woodland Hills, CA 91367

800-45-GREAT

www.greatamerican.com