

Office Supplies

INDUSTRY OVERVIEW



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1



TREND TRACKER

Three month NOLVs	Consistent/ Decreasing
Sales Trends	Decreasing
Gross Margin	Mixed
Discounting	Mixed

NOLVs: NOLVs have been mixed as ongoing sales declines have been offset by improvements in gross margin, the closure of underperforming store locations, growth of e-

Sales Trends: Generally, retailers in the industry have experienced ongoing sales declines due to reduced spending on core products however, key growth areas include break room and janitorial supplies. In addition, some retailers have most recently experienced comparable store sales gains, due to the closure of underperforming locations, and subsequent shift in customer traffic to go-

Gross Margin and Discounting: Gross margin within retail stores has been mixed as companies continue to offer promotions to drive sales however, promotions and discounts have been more targeted than in the past, to the benefit of gross margin for some retailers.

KEY INDUSTRY DRIVERS

✱✱ **Competition and acquisition activity:** In order to effectively compete with major online competitors such as Amazon, office supply retailers have worked to leverage economies of scale, leading to merger and acquisition activity in the industry over the past couple of years. Office Depot and OfficeMax merged in late 2013. More recently, Staples announced it planned to acquire Office Depot for \$6.3 billion, pending FTC approval. While there has been some question as to whether antitrust

ⓧ **Store closures:** As a result of the continued decline in customer traffic and a shift away from paper-

ⓧ **E-commerce:** Recognizing the decline in sales and subsequent store closures of many brick-

ⓧ **Product mix:** As offices continue to reduce their paper usage in favor of digital technologies, office supply companies are expanding their product offerings in order to become one-

SALES TRENDS

		Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
□	•	✱	✱	✱	✱
	•	✱	✱	✱	✱
•	•	✱	✱	✱	✱
	•	✱	✱	✱	✱

Note(s): The most recent quarter for Staples ended August 1, 2015 (N.A. stores exclude e-commerce and represent comparable store sales only); the most recent quarter for Office Depot ended June 27, 2015.

OUTLOOK

Monitor Information

GA's Retail Monitor highlights key industry drivers within the retail sector and how they relate to GA's 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. GA strives to contextualize important indicators to provide a curated 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.

GA welcomes the opportunity to make our expertise available to you in every possible way. Should you need any further information or wish to discuss recovery ranges for a particular segment, please feel free to contact your GA Business Development Officer using the contact information shown in this and all *Retail Monitor* issues.

GA's *Retail Monitor* provides a brief overview highlighting specific sectors of the retail industry. The information contained herein is based on a composite of GA's industry expertise, contact with industry personnel, liquidation and appraisal experience, and data compiled from a variety of well-respected sources believed to be reliable. GA does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this issue. Neither GA 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.

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:

- Retailers and business-to-business suppliers of office products, including major players in the marketplace, as well as smaller, more regional companies.
- Several e-commerce and multi-channel retailers, as well as flash sale websites and auction websites. In particular, GA has appraised 71 of the top 500 e-commerce companies as reported by *Internet Retailer*.
- 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.
- 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 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.
- 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.

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

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About Great American Group

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