

Specialty Apparel Stores

INDUSTRY OVERVIEW

The specialty retail sector has experienced mixed results thus far in 2014. Teen retailers continue to struggle, with many experiencing disappointing results during the back-to-school season. The market is highly competitive, and customers are increasingly becoming indifferent to brands. As such, many specialty retailers have been moving away from logo-centric apparel in recent months, instead attempting to offer trend-right apparel to attract customers. Fast-fashion players continue to appeal to frugal consumers seeking out a unique look for low prices.



TREND TRACKER

Three month NOLVs	Mixed ↕
Sales Trends	Mixed ↕
Gross Margin	Mixed ↕
Discounting	Mixed ↕

NOLVs: NOLVs have increased by up to 3.5 percentage points for companies that have experienced significant growth in e-commerce. Values for other companies have benefited from recent liquidation bidding activity.

Sales Trends: Some companies have experienced positive sales trends recently, while the teen sector in particular continues to struggle for consumers' dollars.

Gross Margin and Discounting: Gross margin has improved for companies that have been able to reduce discounting and manage promotional activity without sacrificing sales. In the competitive teen retail sector, results have been more mixed, as some have had to increase discounting to drive sales, to the detriment of gross margin.

KEY INDUSTRY DRIVERS

- **Declining mall traffic:** The general decline in mall traffic, in part due to a shift toward e-commerce, continues to impact sales at specialty retailers. As a result, many specialty apparel retailers have been rationalizing their store bases as leases expire.
- **Growth in e-commerce:** Specialty apparel retailers have worked to offset declines in brick-and-mortar locations by expanding e-commerce capabilities and using social media as a means to drive sales. In addition, retailers have worked to leverage store locations, such as by offering site-to-store shipping.
- **Categories driving sales:** Specialty retailers have seen certain categories drive sales in recent months. The shift toward "athleisure" apparel, including yoga pants, as well as running and hiking apparel transitioning to everyday wear has been strong, and in some cases has adversely impacted sales of staple products, such as denim. Some retailers have also capitalized on special sizes, such as big & tall, petite, plus-size, and maternity.

SALES TRENDS

The following tables illustrate comparable store sales trends for major public specialty apparel retailers (Represents the most recent fiscal quarter and month sales reported):

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
American Eagle	(7.0%)	(10.0%)	(7.0%)	(5.0%)
Aeropostale	(13.0%)	(13.0%)	(15.0%)	(15.0%)
Abercrombie & Fitch	(5.0%)	(4.0%)	(8.0%)	(14.0%)
Wet Seal	(12.4%)	(16.9%)	(16.5%)	0.8%
Christopher & Banks	2.6%	(0.2%)	(1.4%)	4.9%
Ann Taylor	(2.3%)	(1.8%)	2.9%	3.7%
New York & Co.	2.3%	(2.2%)	3.0%	2.1%

Note(s): The most recent quarter reported for all companies ended August 2, 2014. Wet Seal includes the impact of the wind down of the Arden B. stores, which are being closed or converted to Wet Seal and Wet Seal Plus locations.

	Sept. '14	Aug. '14	Jul. '14	Jun. '14	May '14	Apr. '14	Mar. '14
Gap	(3.0%)	(6.0%)	(2.0%)	(7.0%)	(3.0%)	3.0%	(7.0%)
Banana Republic	2.0%	(2.0%)	6.0%	(7.0%)	3.0%	7.0%	(4.0%)
Old Navy	1.0%	2.0%	3.0%	7.0%	2.0%	18.0%	(7.0%)
The Buckle	2.2%	0.8%	0.5%	0.7%	(3.1%)	0.8%	(1.8%)
Cato	5.0%	3.0%	4.0%	3.0%	3.0%	18.0%	(5.0%)
Zumiez	6.6%	2.0%	3.5%	3.1%	3.6%	8.2%	(2.9%)
Victoria's Secret	4.0%	5.0%	5.0%	3.0%	2.0%	8.0%	(1.0%)

OUTLOOK

Going forward into the holiday season, specialty apparel retailers will aim to capture sales anyway they can, particularly as they face the impact of continued softness in mall traffic. Offering trend-right product will be paramount to attracting customers and having a successful season.

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:

Eddie Bauer	Linens 'N Things	Circuit City	Tower Records
Fashion Bug	Fortunoff	Mervyns	Payless Shoe Source
Jo-Ann Fabrics	Borders	Whitehall Jewelers	A&P
Ritz Camera	Boot Town	Movie Gallery	Macy's

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:

- 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 73 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 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.
- 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



Gordon Titley
Director of Valuations, GA Europe Valuations Limited
gtitley@gaeurope.co.uk
+44 (0) 20 7318-0574

OPERATIONS

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

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

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

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

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

Robert Vaughn
Associate Project Manager
rvaughn@greatamerican.com
(818) 746-9351

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

Kelly Chapman
Senior Associate
kchapman@greatamerican.com
(312) 596-5752

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. GA also offers the *UK Retail Monitor* via its subsidiary, GA Europe Valuations Limited.

Headquarters

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

800-45-GREAT

www.greatamerican.com