

Sporting Goods

INDUSTRY OVERVIEW

Sporting goods retailers are heavily impacted by the weather, as consumers have been buying on more of a just-in-time basis and a late arriving season can impact sales. In general, retailers continue to do a better job at making smarter purchases, as well as managing inventory levels in order to minimize the effects of uncontrollable weather conditions and seasonal fluctuations. More recently, sales of firearms and ammunitions have softened, impacting sales at many of the industry's key players.



TREND TRACKER

Three month NOLVs	Mixed ↕
Sales Trends	Mixed ↕
Gross Margin	Increasing ↑
Discounting	Decreasing ↓

NOLVs: NOLVs have ranged from down 1.0 percentage point to up 1.0 percentage point, depending on sales results.

Sales Trends: Sales trends have been mixed, as those companies that sell firearms have experienced softer sales compared to the huge gains last year. Companies that are not as heavily reliant on firearms have exhibited positive sales.

Gross Margin and Discounting: Gross margin has generally been increasing, as better inventory management and a desirable product assortment has reduced the need for discounts.

KEY INDUSTRY DRIVERS

- Firearms and ammunition:** Early in 2013, sales of guns and ammunition had been driving sales, as consumers feared changes in legislation would impact their ability to purchase these products. More recently, sales have been compared to extremely strong results in the prior year, making comparisons difficult. As a result, comparable store sales at many retailers that sell these products have exhibited declines. While ammunition and firearms remain popular purchases, particularly as shooting sports are popular, the frenzy has waned and sales are returning to more normalized levels.
- Winter weather:** This winter has been particularly cold and snowy in many parts of the country, with the polar vortex settling over much of the U.S. Even areas that do not generally experience colder temperatures have not been immune, with areas of the south hit much harder than normal. This has positively impacted sales of winter weather attire, footwear, and gear. Additionally, it has benefited snow sports, as conditions at mountains for skiing and snowboarding have been prime, and sales of related merchandise have reaped the rewards. Conversely, the west coast has been hit with unseasonably warm and dry weather throughout much of the winter, hurting sales of winter product in this area.
- Olympics:** Sales of sporting goods typically benefit in seasons in which the Olympics are held, as the media blitz and continued coverage piques interest in the sports for many consumers. As such, retailers likely received a lift in sales related to winter sports merchandise in February, as the Sochi Winter Games were played.

SALES TRENDS

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

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Dick's	7.0%	3.3%	(0.4%)	(3.8%)
Cabela's	(10.1%)	3.9%	10.5%	24.0%
Hibbett	1.7%	4.8%	0.3%	0.8%
Big 5	(0.5%)	1.4%	4.4%	10.5%
Sport Chalet	(1.3%)	(2.5%)	(0.7%)	6.8%

Notes(s): Results for Dick's include Dick's Sporting Goods stores, Golf Galaxy, and the e-commerce business. The most recent quarter for Dick's ended February 2, 2014. Hibbett ended February 1, 2014; Cabela's ended December 28, 2013; Big 5 and Sport Chalet ended December 29, 2013.

OUTLOOK

Going forward into the spring season, retailers will continue to manage inventory levels and try to offset uncontrollable factors, such as the weather. Barring any unforeseen changes in legislation, gun and ammunition sales will continue to normalize; however, any future fears of change in legislation could spark sales once more.

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
Fortunoff	Fashion Bug	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:

- 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.
- 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.
- 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.

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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.

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