# TM Capital E-Commerce & Disruptive Platforms Report

*Industry Spotlight – Winter 2019*

tmcapital.com

TM CAPITAL
SUCCESS. REALIZED.


nectar

HAS COMPLETED A GROWTH EQUITY FINANCING AND ENTERED INTO A STRATEGIC PARTNERSHIP

The undersigned served as financial advisor to Dreamcloud Holdings, LLC (d/b/a Nectar Sleep) in connection with this transaction.

TMCAPITAL

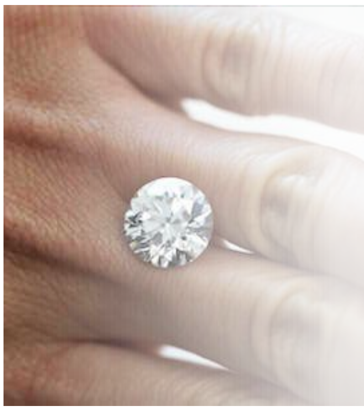
SUPPLY.com

HAS BEEN ACQUIRED BY

FERGUSON

The undersigned served as financial advisor to Supply.com in connection with this transaction.

TMCAPITAL



WD LAB GROWN DIAMONDS

HAS COMPLETED A RECAPITALIZATION WITH

HURON CAPITAL

The undersigned served as financial advisor to M7D Corporation (d/b/a WD Lab Grown Diamonds) in connection with this transaction.

TMCAPITAL

vip·petcare

HAS BEEN ACQUIRED BY

PETIQ

The undersigned served as financial advisor to VIP Petcare in connection with this transaction.

TMCAPITAL


WEST SHORE HOME

FINANCED THE ACQUISITION OF

BRYTONS

WITH SENIOR DEBT PROVIDED BY

GARMARK PARTNERS

The undersigned served as financial advisor to West Shore Home in connection with this acquisition and associated financing transaction.

TMCAPITAL

TATE'S BAKE SHOP SOUTHAMPTON, NY

A PORTFOLIO COMPANY OF

Riverside

HAS BEEN ACQUIRED BY

Mondelēz International

The undersigned is serving as a financial advisor to Tate's Bake Shop in connection with this transaction.

TMCAPITAL



nectar

HAS COMPLETED A CONVERTIBLE NOTE FINANCING

The undersigned served as financial advisor to Dreamcloud Holdings, LLC (d/b/a Nectar Sleep) in connection with this transaction.

TMCAPITAL

mudpie

HAS COMPLETED A MANAGEMENT-LED LEVERAGED RECAPITALIZATION USED TO FUND THE REPURCHASE OF STOCK OWNED BY

LINEAGE CAPITAL, LLC

A WITH SENIOR SECURED AND SENIOR SUBORDINATED DEBT FACILITIES PROVIDED BY

SUNTRUST

FIFTH THIRD BANK

Monroe Capital

The undersigned served as financial advisor Mud Pie, LLC in connection with this transaction.

TMCAPITAL

## Introduction: A New World at Retail

As we flip the calendar into 2019, we are struck by how quickly and substantively the universe around us continues to change. As Marc Lore, Walmart's President & CEO of U.S. e-commerce (and founder of Jet.com) extolled on a recent earnings call, "*we're moving faster than ever before, and moving fast has never been more important*." Without question, the rapid evolution of e-commerce and a variety of adjacent technologies have torn down traditional barriers to entry in sector after sector – along the way, creating vacuums that have enabled a wide array of disruptive platforms to emerge, earn market share and, in some cases, dominate. Market participants, ranging from legacy consumer, retail and B2B businesses are increasingly living (or dying) by Lore's message.

While 'disruption' may, at times, seem like an overused buzzword, the reality is that today's distinctive combination of market, technological and generational dynamics place us at a unique crossroads in economic history. Whether an entrepreneur, operator, strategic acquirer, or investor – these dynamics create significant opportunity to capture value, both by executing on outsized opportunities and mitigating elevated risks.

In this spotlight report, we will explore a variety of dynamics related to e-commerce and disruptive platforms and their impact on M&A and institutional investment, including:

**Overview of Market Dynamics –** Online retail sales growth continues at over 15% annually, almost three times the rate of overall retail sales. We dive into these statistics and analyze some of the underlying trends currently driving e-commerce – and those that will have outsized impact on the future.

**M&A: Both Offense & Defense in a Market Characterized by Disruption –** M&A and investment are core components of this dynamic market. Strategic buyers are "breaking the mold" to bring unique talents and capabilities in-house. Additionally, while venture capital still dominates many of the sector's capital formation transactions, the category has matured to a level sufficient to attract more traditional private equity investors. Even for investors not drawn to e-commerce, an understanding of the sector's dynamics and how they impact more traditional portfolio companies is absolutely critical.

**Surviving and Thriving in Amazon's World –** No discussion of e-commerce is complete without an analysis of Amazon and its industry-wide impact. With 51% of U.S. households counting themselves among Amazon Prime subscribers, any business without an "Amazon strategy" – whether leveraging the capabilities of the internet giant or creating a viable defensive strategy – is behind. We further analyze these trends and explore how, despite Amazon's dominance, legacy brands and retailers have far from given up the fight – and even unleashed some impressive creativity, in response.

**The Future is Omni-Channel –** While we are strong believers that e-commerce is quickly becoming the backbone of retail, the rumors of brick and mortar retail's demise have been greatly exaggerated. Channels will continue to converge, until one day in the future we reach "augmented retail" where consumers are unable to tell where one channel ends and another begins. We further explore these dynamics, as well as some of the "channels of the future."

**Innovation, Technology and Marketing Techniques –** We'll explore the various innovations that have driven e-commerce growth in recent years and those that we believe are likely to drive value creation in years to come. We'll also analyze the various business models and marketing techniques that have driven e-commerce success.

**B2B: E-Commerce for the Professional –** B2B e-commerce is a $988 billion market in North America – almost double the size of North American D2C e-commerce. In this section, we'll explore this important market segment and what we believe are some of the most impactful dynamics that will drive outsized opportunity in the coming years.

**Public Market Indicators and Valuation Drivers –** In this section, we analyze public market valuation trends and financial performance benchmarks for "online-first" businesses and "bricks-to-clicks" retailers, alike. Public market performance for online-first businesses demonstrating attractive growth remains strong, even in the absence of profitability. Furthermore, the market continues to reward "bricks-to-clicks" retailers that are most insulated from Amazon's long grasp while punishing those believed to be most at risk.

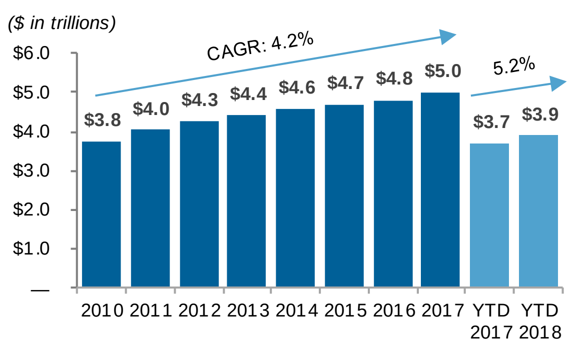
# Overview of Market Dynamics

E-commerce tip-toed into our lives in the early 1990s and, over the following three decades, has reached utter ubiquity. We are regularly reminded of this by everything from Amazon boxes piling at our front doors and old-line retailer bankruptcies to Silicon Valley "unicorns," multi-billion dollar strategic acquisitions and high profile IPOs. Ultimately there is little question that, from the disruptors to the disrupted, e-commerce and a new wave of direct marketing strategies are sending shockwaves through nearly every segment of the U.S. retail and wholesale economies.

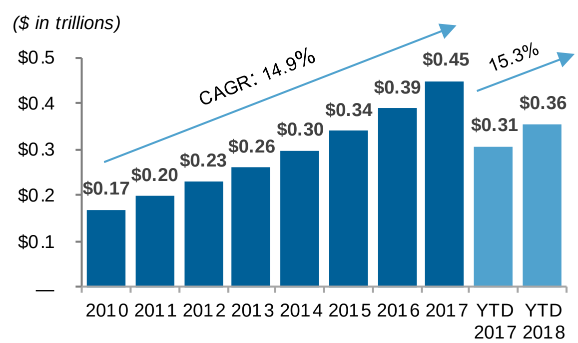
**Online Retail Macro Trends**

E-commerce accounted for 9.1% of total U.S. retail sales in the first three quarters of 2018, or more than $350 billion. This represents a 15.3% year-over-year increase during a period in which overall retail sales grew only 5.2%. However, these statistics tell only part of the story. As of June 2017, nearly 80%[1] of consumers with internet access had made a recent online purchase – and they are projected to do so with increased frequency over the next five years as advances in artificial intelligence, virtual and augmented reality, payment processing, shipping and logistics continue to improve the online experience. According to Forrester Research, retail e-commerce sales are projected to grow at a 8.9%[2] annualized rate through 2022, over weighted towards market segments that currently lag in e-commerce penetration.

**Total U.S. Retail Sales (2010 – YTD Q3 2018)**




**U.S. Online Retail Sales (2010 – YTD Q3 2018)**




Online sales growing >15% annually – almost 3x rate of total retail

Online Sales remain < 10% of total retail sales

Source: U.S. Census Bureau; U.S. Department of Commerce, Economic Indicators Division

**A New Brand Creation Paradigm**

While e-commerce has obviously improved purchasing convenience for the consumer – the more powerful dynamic at play is that, today, anyone with an idea, a sourcing relationship and a 3PL contract can (relatively efficiently) market their wares to an audience of millions. Some of what were the core barriers to entry in the consumer / retail world have been significantly weakened, seemingly overnight. Where stalwart brands previously spent years earning valuable shelf space and consumer mindshare – protected by slotting fees and the high cost of national advertising campaigns – *online first* brands have succeeded in marketing to consumers (at least at first) much more cost effectively.

Rather than leveraging the more traditional (and capital intensive) methods for circumventing wholesale channels to reach the consumer directly (i.e. retail stores, direct mail, direct response TV), these online-first businesses built their brands by leveraging influencers and marketing "pay-per-click" via Google Ads and Facebook, with minimal upfront investment and no long term commitments. **Brandable**, the "next generation" CPG studio developing brands in the personal care, food and toy categories, is a perfect example of these dynamics at play.

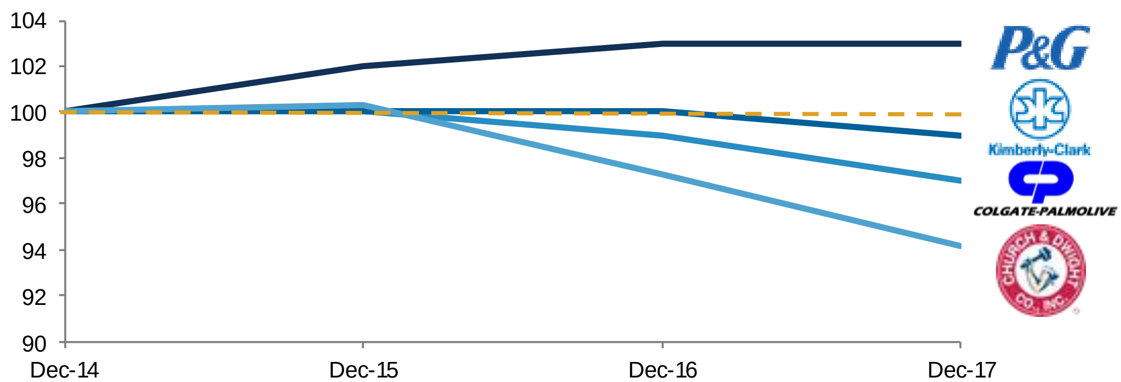
E-commerce has weakened traditional barriers to entry, enabling disruptors

1) U.S. Census Bureau; US Department of Commerce, Economic Indicators Division
2) Forrester Research, "Online Retail Forecast, 2018 To 2023 (US)" (May 2018)

**Impact of "Online-First" on Legacy Brands and Retailers**

The impact on traditional brands, many of which are dependent on wholesale channels to reach consumers, is significant. In short, these more mature businesses often struggle to respond effectively to their nimble, online-first competitors. One example of this impact is the fact that the four largest publicly traded consumer packaged goods companies that report pricing all saw flat to declining prices across their product portfolios through 2017.

**Major CPG Companies Exhibiting Declines in Price of Goods**




Source: SEC Filings; TM Capital Research

Price declines are most significant in categories seeing significant online encroachment

Not surprisingly, these CPGs reported the most severe price declines in North America, in categories where online competition has proven strongest – for example, razor blades and diapers. This is, no doubt, driven by some of the disruptors that have grown quickly to scale (e.g. Dollar Shave Club, Harry's, The Honest Company) – fueled by significant private investment and, in some cases, acquisition. With price increases in certain segments announced by P&G at the end of 2018, we'll be interested to see the impact in coming quarters. We believe that another major factor fueling these disruptors is the direct relationships they are building with Millennials, who are quickly moving into the economy's driver seat. As we'll explore in further detail on page 6, this is a generation that is 100% comfortable with digital immersion and, as such, will have significant impact on how companies market and sell to both consumers and businesses in the coming years.

For large enterprises, be they the CPG's illustrated above or simply legacy retailers, many of which target only low single digit annual revenue growth, any loss of market share can be painful.

**Select Disruptive Consumer Brands**

**Apparel & Accessories**

allbirds, Brayola, BONOBOS, ELOQUII, EVERLANE, FARFETCH, MVMT, GlassesUSA.com, PRIVÉ REVAUX EYEWEAR, STITCH FIX, THIRDLOVE, UNTUCKit, WARBY PARKER

**Home & Furnishings**

BOLL & BRANCH, BURROW, brooklinen, Casper, MIXTILES, nectar, PARACHUTE, RIFLE PAPER CO., RUGSUSA, wayfair

**Personal Care**

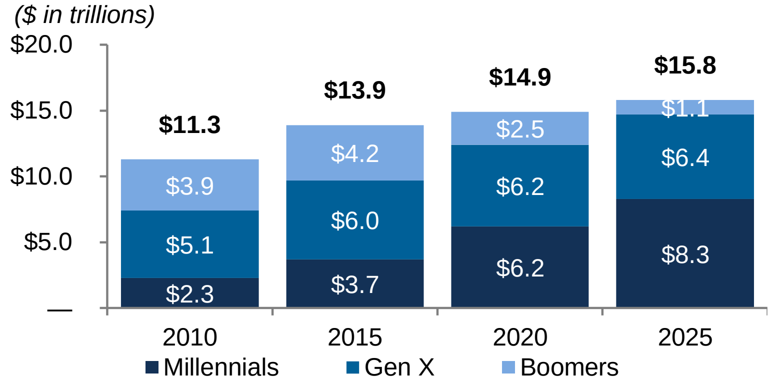
BIRCHBOX, DOLLAR SHAVE CLUB, Good Guy, HARRY'S, hims, THE HONEST CO., MADISONREED, NATIVE, POO~POURRI, quip, QUEEN V

**Food & Beverage**

Blue Apron, BOXED, BRANDLESS, chewy.com, DIRTYLEMON, HOME CHEF, instacart, Plated., SHIPT, wine.com

**Coming Soon: Millennial Consumption Wave**
Since the 1980s, the Baby Boomer generation has been an enormous engine of consumer spending. However, one of the most important drivers underpinning the ongoing disruption in CPG and retail is the progression of the Millennial generation. As Millennials enter their peak consumption years and Baby Boomers live longer, the two groups will provide a *double-barreled boost* to consumption (and the economy more broadly) and will, more specifically, rapidly impact the evolution of e-commerce. We believe that these "mega trends" remain widely underappreciated. As context, in 2016, Millennials eclipsed Boomers as America's largest generation, numbering 83 million[3]. Over the next six years alone, there will be nearly one million more 30-34 year-olds in comparison to the prior six year period. Spending increases as consumers age, with age 35-55 being peak earning / spending years. Notably, the first Millennials turned 35 in 2016 and, as more Millennials enter their peak spending years, the cohort's aggregate spending is projected to increase 25%[4].

**Projected Spending by Generation**

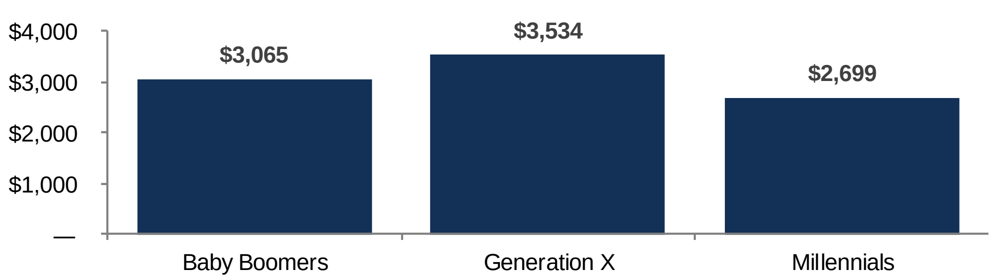


Source: Javelin Strategy & Research

**The Impact of Increased Millennial Consumption on E-Commerce**
Millennials, as true digital natives, are drawn to e-commerce for a few core reasons. While fully comfortable using smartphones and tablets, it is also well documented that the generation prefers the combination of immediate access, wide assortment and quick fulfillment that only e-commerce can provide. As a result, it may come as a surprise that Millennials currently spend significantly less online each year ($2,699) than their Generation X ($3,534) and Baby Boomer ($3,065) counterparts. As Millennials continue to cross the threshold into > 35 territory and begin to form households / families at an accelerated pace, we expect that Millennials will quickly surpass Boomers and Generation X in this statistic. Essentially, Millennials are approaching the window where they will drive incremental, rapid expansion of e-commerce, but we're not there yet.

We think that this indicates that retail categories like home furnishings still have significant runway to grow, in terms of e-commerce penetration. While this portends optimism for disruptive furnishings businesses like **Wayfair**, **Y Lighting, Rugs USA, Casper** and **Nectar**, it likewise suggests that headwinds may be in the cards for those furnishings businesses that have proven less adept at marketing to this next generation. Additionally, we believe B2B e-commerce (discussed in greater detail on page 18), is set to be an enormous stage for further innovation and disruption via e-commerce in coming years, as Millennials begin to move more rapidly towards influential roles in the workforce where they have the opportunity to drive major purchasing decisions.

**Annual Online Spend**



Source: KMPG, "The Truth About Online Consumers"

3) Pew Research Center
4) Bureau of Labor Analytics; Haver Analytics

## M&A - Both Offense and Defense in World Characterized by Disruption

**Legacy CPG / Retail Developing In-House Incubators and Venture Funds**

Consumers' changing taste in favor of more localized brands, and the fragmentation of the threat, makes it even more difficult for the major CPG players to impactfully respond via organic initiatives. Further compounding this dynamic is the fact that barriers to entry in e-commerce are low, venture capital is abundant and the rewards to a successful entrepreneur are significant. As a result, "disruptive talent" can prove difficult to effectively recruit. This set of rapidly changing paradigms leaves traditional consumer-facing businesses and retailers with a difficult proposition. They must (i) develop creative partnerships to ignite growth, (ii) make acquisitions, or (iii) wait for activist investors to circle. With no shortage of activist investors targeting "old line" consumer and retail oriented businesses, many companies are opting to attempt to execute on (i) and (ii). On the partnership front, brands and retailers are getting creative – with many forming their own venture funds and incubator programs as illustrated in the above chart. For example, **7 Ventures,** the venture arm of **7-Eleven**, invested in **KeyMe**, a kiosk based key copying business; **Walmart's** venture arm / accelerator, **Store No. 8**, launched **Code Eight**, a personal shopping service that enables consumers to make purchases via text messages; and **Unilever Ventures** invested in both **Instacart** and **Sun Basket.**

M&A must also be a core component of any strategy. Even outside of **Walmart's** e-commerce acquisition spree – we are seeing significantly increased M&A activity, not to mention increased creativity in the manner in which strategic acquirers are willing to structure transactions. Whether buyouts structured to keep young entrepreneurs engaged for the long term (e.g. **Ferguson's** acquisition of **Supply.com**; **Movado's** acquisition of **MVMT**), pledges of operational autonomy (e.g. **Unilever's** acquisition of **Dollar Shave Club**) or minority investments (e.g. **Macy's** investment in **b8ta**; **Target's** investment in **Casper**) – strategic acquirers are out maneuvering financial their financial investor brethren by enabling sellers to retain a meaningful stake in synergy generated upside.

**Select PE Investors Targeting E-Commerce**

While venture capital firms drive significant activity in the e-commerce universe, the category appears to be reaching a level of maturity that enables traditional growth equity and private equity investors to more aggressively target e-commerce oriented businesses. Several well-known firms (illustrated in the adjacent chart) have been particularly forward-thinking on the e-commerce front, with both consumer and B2B businesses.

Even for investors less acquainted with the sometimes high flying valuations of e-commerce businesses, the current reality is that nearly any "more traditional" product or service oriented business can drive value by incorporating a well-developed online strategy – offensive, defensive or both. In fact, one of the most common questions we see asked of management teams is "What are you doing to ensure Amazon or another online player can't effectively disintermediate you?" While proper defensive positioning is often the "price of poker," a proactive approach can often be worth incremental multiple points on valuation. A good example of this dynamic is **Crown Crafts**, a branded wholesaler of juvenile products – which acquired DTC retailer, **Carousel Designs –** having concluded that the opportunity in building direct consumer relationships outstripped any risk associated with perceived channel conflict. Another interesting example is **Midwest Wholesale Hardware,** a leading two step distributor of access control products, which is simply driving customer engagement by incorporating inventory availability into its website.

In short, private equity is finding no shortage of ways to capitalize on a rapidly evolving market moving quickly to e-commerce and omni-channel. In fact, **Eos Partners'** recent investment in **Legacy Supply Chain Services** – a business that helps companies optimize their supply chains for an omni-channel world – depends precisely on this thesis.

## Select Recent Strategic "Online First" Acquisitions and Investments

Indicates a minority investment

| Date | Value | Company | | Target | Description |
|---|---|---|---|---|---|
| Jan 2019 | $250 | Farfetch | Acquired | Stadium Goods | **Stadium Goods** is an online clothing marketplace |
| Dec 2018 | | IKEA | Invested in | Traemand Group | **Traemand** provides installation services |
| Dec 2018 | | Walmart | Acquired | Art.com | **Art.com Inc.** retails home décor online |
| Oct 2018 | | Walmart | Acquired | Bare Necessities | **BareWeb, Inc.** retails underwear online |
| Oct 2018 | | Walgreens | Acquired | Birchbox | **Birchbox, Inc.** retails lifestyle products online |
| Oct 2018 | | Walmart | Acquired | Eloquii | **ELOQUII** retails women's wear online |
| Oct 2018 | $200 | Movado | Acquired | MVMT | **MVMT** retails watches online |
| Aug 2018 | | Serta Simmons Bedding | Acquired | Tuft & Needle | **Tuft & Needle** retails mattresses online |
| Jul 2018 | $68 | La-Z-Boy | Acquired | Joybird | **Joybird** sells furniture D2C online |
| Jun 2018 | | Macy's | Invested in | b8ta | **b8ta, Inc.** operates retail stores for tech gadgets |
| May 2018 | | Macy's | Acquired | Story | **STORY** operates a retail concept store |
| Apr 2018 | | Nestlé Purina | Acquired | Tails.com | **Tails.com** retails pet nutrition products online |
| Feb 2018 | $360 | Hanes Brands Inc | Acquired | Bras N Things | **Bras N Things** retails fashion lingerie online |
| Nov 2017 | | P&G | Acquired | Native | **Native** retails deodorant online |
| Oct 2017 | | IKEA | Acquired | TaskRabbit | **TaskRabbit** is an online service marketplace |
| Sep 2017 | | Ferguson | Acquired | Supply.com | **Supply.com** wholesales plumbing products online |
| Dec 2017 | $1,829 | Qurate Retail Group | Acquired | HSN | **HSN** is a multi-channel retailer |
| Dec 2017 | | The Home Depot | Acquired | The Company Store | **The Company Store** sells bedding D2C |
| Aug 2017 | $14,621 | Amazon | Acquired | Whole Foods Market | **Whole Foods Market** operates supermarkets |
| Aug 2017 | | | Acquired | Carousel Designs | **Carousel Designs** retails nursery décor online |
| Jul 2017 | $13 | Align | Invested in | SmileDirectClub | **SmileDirectClub** offers teeth straightening systems |
| Jun 2017 | $310 | Walmart | Acquired | Bonobos | **Bonobos** retails menswear online |
| May 2017 | $3,400 | PetSmart | Acquired | Chewy | **Chewy** retails pet food and supplies online |
| May 2017 | $75 | Target | Invested in | Casper | **Casper Sleep** retails mattresses online |
| Mar 2017 | | PVH | Acquired | True&Co. | **True&Co.** retails women's lingerie online |
| Feb 2017 | $550 | Target | Acquired | Shipt | **Shipt** is an online grocery delivery marketplace |
| Jan 2017 | $70 | Walmart | Acquired | Shoebuy | **Shoebuy.com, Inc.** retails footwear online |
| Nov 2016 | $190 | Bed Bath & Beyond | Acquired | PersonalizationMall.com | **PersonalizationMall** offers custom gifts online |
| Aug 2016 | $3,300 | Walmart | Acquired | Jet | **Jet.com, Inc.** is an ecommerce platform |
| Jul 2016 | $1,000 | Unilever | Acquired | Dollar Shave Club | **Dollar Shave Club** retails grooming products online |

## Select Private Equity Acquisitions and Investments

Indicates a minority investment

Nov 2018
H.I.G. Capital / DRI Digital Room Inc.
ACQUIRED
Logo Sportswear

**LogoSportswear** offers custom apparel online

Oct 2018
EOS
ACQUIRED
Legacy Supply Chain Services

**LEGACY Supply Chain** offers omnichannel 3PL

Oct 2018
Great Hill Partners
INVESTED IN
Bombas

**BOMBAS LLC** retails athletic socks online

Aug 2018
LGP
ACQUIRED
The Shade Store

**The Shade Store** retails window shades D2C

Jul 2018 — $115
Great Hill Partners / P/W/P
INVESTED IN
The RealReal — Authenticated Luxury Consignment

**The RealReal** is a luxury apparel marketplace

Jul 2018
TSG Consumer
INVESTED IN
Privé Revaux Eyewear

**Prive Goods** retails sunglasses online

Jun 2018 — $200
L Catterton
INVESTED IN
The Honest Co.

**The Honest Company** retails home goods online

May 2018
Comvest Partners / DigitalFuel Capital
INVESTED IN
RugsUSA

**RugsUSA.com** retails home décor D2C

Mar 2018
TZP Group
INVESTED IN
The Black Tux

**The Black Tux** rents out formalwear D2C

Feb 2018
Summit Park
ACQUIRED
Fast-Growing-Trees

**Fast Growing Trees,** retails plants online

Feb 2018
L2 Capital Partners
INVESTED IN
United Scope

**United Scope** retails scientific equipment online

Jan 2018
Invest Industrial
ACQUIRED
OKA

**OKA** sells furniture and home décor D2C

Jan 2018
MidOcean Partners
ACQUIRED
bh cosmetics

**BH Cosmetics** retails cosmetics online

Oct 2017
Topspin
INVESTED IN
Bear Down Brands

**Bear Down Brands** sells health products D2C

Oct 2017
TSG Consumer
ACQUIRED
Lucky Vitamin

**LuckyVitamin** retails nutritional products online

Sep 2017
TZP Group
INVESTED IN
Saatva

**Saatva** retails luxury mattresses online

Jun 2017
Milestone Partners
ACQUIRED
Occasion Brands

**Occasion Brands** retails formal dresses

Apr 2017 — $50
Main Post Partners
INVESTED IN
KUIU

**KUIU** manufactures hunting gear and retails it online

Apr 2017
L Catterton
INVESTED IN
Mizzen+Main

**Mizzen and Main** retails menswear online

Mar 2017
GTCR
INVESTED IN
Vivid Seats

**Vivid Seats** is an online ticket marketplace

Feb 2017 — $497
Bain Capital / Bow Street LLC
ACQUIRED
Blue Nile

**Blue Nile, Inc.** retails fine jewelry online

Feb 2017
Sterling Investment Partners
INVESTED IN
BizChair.com

**BizChair.com** retails office furniture online

Nov 2016
Bertram Capital
ACQUIRED
Trademark Global

**Trademark Global** provides services for online retailers

Dec 2015
AEA / THL Thomas H. Lee Partners
ACQUIRED
1800contacts

**1-800 CONTACTS** retails contact lenses online

Jul 2015
Highroad Capital Partners
ACQUIRED
Cali Brands

**Cali Brands** sells flooring D2C/P

Jul 2015
TSG Consumer
ACQUIRED
backcountry

**Backcountry.com** retails outdoor gear online

May 2015
Sterling Investment Partners
INVESTED IN
Powerstop — Extreme Performance Brake Systems

**Power Stop** distributes auto parts through online retailers

Apr 2015
TZP Group
INVESTED IN
Envelopes.com

**Envelopes.com** retails paper goods online

Aug 2015
Apax Partners
ACQUIRED
fullbeauty

**FULLBEAUTY** sells plus-sized apparel D2C

Aug 2014
Bertram Capital
ACQUIRED
ECS Tuning

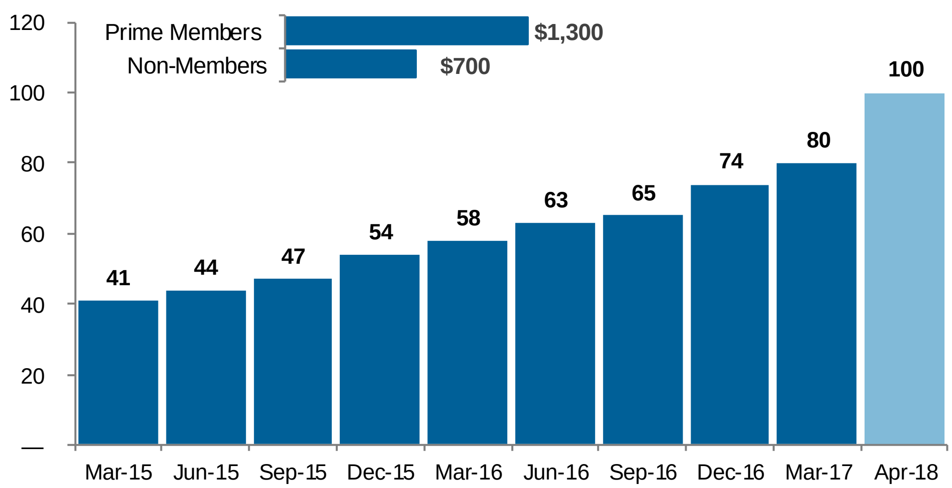
**ECS Tuning, Inc.** retails auto parts online

# Surviving and Thriving in Amazon's World

**Amazon's Impact**
Amazon entered the (at the time) over $11 billion book market in 1995 and surpassed $1 billion of revenue in 1999. By 2005, the two leading terrestrial book retailers had begun closing stores and by 2013, online outlets were outselling their brick & mortar competition[5].

Today, Amazon has become the most powerful force in North American e-commerce. As U.S. online sales have increased in aggregate by nearly $270 billion since 2013[6], Amazon has captured approximately 75% of this incremental online spend[7]. *Prime* is a major driver – nearly quadrupling its membership from 25 million in 2013 to 95 million in 2018[8]. Staggeringly, 70% of U.S. households with annual incomes greater than $112,000 count themselves as Prime members, as do over 50% of all U.S. households with incomes greater than $41,000[8].


**Amazon Prime Members in the U.S.**




51% of U.S. households are Amazon Prime subscribers

70% of households with greater than $150k income are subscribers

Source: Consumer Intelligence Research Partners, Amazon Public Disclosure

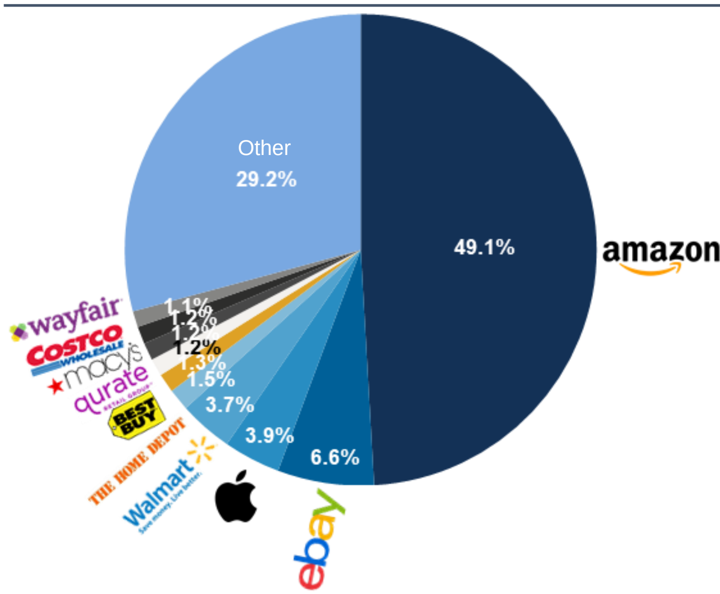
**"Priming" the Pump**
Having now trained a substantial portion of the U.S. population to expect an easy-to-use online interface, free shipping / returns and, often, two day (or faster) delivery, Amazon has not only captured dominant market share, but also effectively "upped the ante" for other market participants. Notably, nearly half of Prime members make at least one purchase per week[9]. *Prime Now*, which provides as little as one hour delivery in a growing number of geographies, takes it even a step further. Amazon powers its world-class fulfillment platform via a growing network of last mile distribution centers, and boasts warehouses within 20 miles of half the U.S. population[10] – a footprint bolstered by its transformational 2017 acquisition of brick and mortar organic grocery chain, Whole Foods. These major strategic moves speak both to the sustained demand for a terrestrial footprint and the need to reduce friction in an increasingly omni-channel world.

5) BookStats (2013)
6) U.S. Census Bureau; US Department of Commerce, Economic Indicators Division
7) eMarketer; Statista, "U.S. Amazon GMV 2011-2016"
8) Piper Jaffray, "Amazon Prime Membership by Household Income (US)"
9) Feedvisor
10) Cooper Smith, Gartner L2

**The Next Tier and How They are Keeping Up Pace**

The next tier of e-commerce competitors is reflected in the chart below. Outside of **eBay**, **Wayfair** and **Apple**, this tier comprises retailers that are focused on building omni-channel strategies from "bricks to clicks." **Walmart** vaulted over the pack after its 2016 acquisition of **Jet.com** and a handful of other online-first acquisitions including **Bonobos**, **Moosejaw**, **Eloquii**, **Bare Necessities** and **Art.com**. **Home Depot** built its own formidable position by investing hundreds of millions of dollars into an omni-channel friendly IT, distribution and logistics platform that leverages the company's extensive store base. Impressively, over 48% of Home Depot's online orders are, today, placed for in-store pickup[11]. In 2017, **Macy's** brought on former eBay executive, Hal Lawton, as President – soon thereafter announcing its *Growth 50* strategy centered around the company's transformation to a modern omni-channel model via creative investments and acquisitions. Since the announcement, the Company has begun to execute on this through the acquisition of **Story** and a minority investment in **B8TA.** **Story** is a "new age" retail concept that reinvents itself regularly, generating revenue from a combination of product sales and on-trend sponsorship, while **B8TA** is a pop-in "shop within a shop" concept. **Costco –** while more insulated from the impact of e-commerce than most, due to the value of its in-store membership base that continues to drive traffic – has now begun to invest in delivery, online marketing and more omni-channel capabilities to address emerging competition from online wholesalers like **Boxed.** Interestingly, **Wayfair** has moved in the other direction ("clicks-to-bricks"), opening two pop-up stores over the holiday season to test how offline customers interact with its brand, fine tune its merchandising strategy and push incremental traffic to its site.

**Top 10 Retailers by E-Commerce Sales**




*($ in billions)*

| Online Retailer | 2018E Online Sales[1] | % of Total 2018E Sales |
|---|---|---|
| Amazon | $258.2 | 49.1% |
| eBay | $34.7 | 6.6% |
| Apple | $20.5 | 3.9% |
| Walmart | $19.5 | 3.7% |
| The Home Depot | $7.9 | 1.5% |
| Best Buy | $6.8 | 1.3% |
| Qurate Retail Group | $6.3 | 1.2% |
| Macy's | $6.3 | 1.2% |
| Costco | $6.3 | 1.2% |
| Wayfair | $5.8 | 1.1% |
| Other | $153.6 | 29.2% |
| **Total[2]** | **$525.9** | |

(1) Includes Sales by third parties over retailer's platform
(2) Excludes Sales by private companies

Source: eMarketer, "Amazon Now Has Nearly 50% of US Ecommerce Market"

In our estimation, the players that best fend off Amazon's full frontal attack will be those that truly provide something that Amazon is unable to do efficiently – for example, high touch, consultative customer service on niche, complex or technical purchases (e.g. **Cali Brands** for flooring); managing inventory on a complex array of SKUs where "out of stock" is simply not an option (e.g. **Supply.com** for finished plumbing fixtures); investing in experiential environments or developing brands centered around unique technology and truly curated product offerings (e.g. **Story**). Bricks-to-clicks players like Home Depot, TJ Maxx and Costco each fall within these descriptors almost naturally, while many of the others showcased above are focused on executing on their own "moat building" exercises.


11) Home Depot Q3 2018 Earnings Call

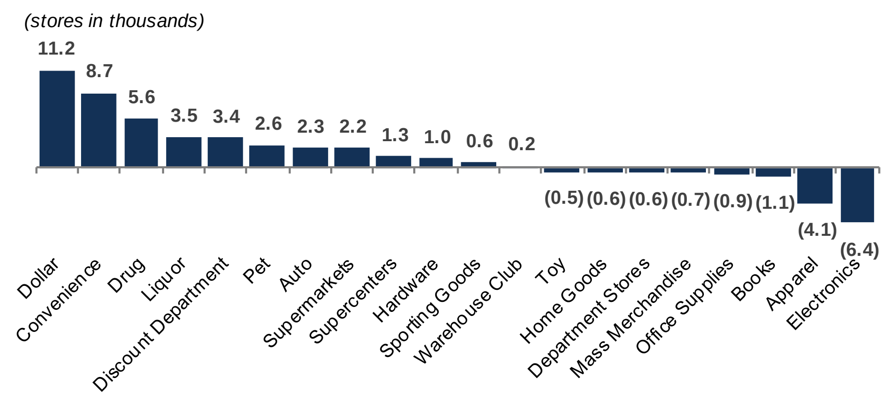
**Brick & Mortar vs. E-Commerce – Which Retail Segments are Most Impacted?**

While e-commerce impacts nearly every brick and mortar retail segment, different segments have been disrupted with varying levels of vigor. For example, as illustrated in the figure below, the books, consumer electronics and toy segments have each surpassed 29% e-commerce penetration. Comparatively, segments like home furnishings (which includes décor), shoes & apparel and sporting goods – which have benefitted from consumers' historical desire to touch, feel and try-on – have been more insulated (but not immune).

**E-Commerce Penetration by Retail Segment**

| | 2007 | 2016 |
|---|---|---|
| Books & Magazines | 20.9% | 49.6% |
| Toy & Hobby | 14.3% | 40.1% |
| Office Supplies | 18.9% | 37.1% |
| Electronics | 10.4% | 29.2% |
| Home Furnishings | 7.3% | 26.1% |
| Sporting Goods | 7.7% | 21.2% |
| Shoes & Apparel | 7.1% | 20.4% |
| Cars & Auto Parts | 2.4% | 2.8% |
| Grocery | 0.7% | 1.6% |
| Home & Garden DIY | 0.2% | 0.6% |

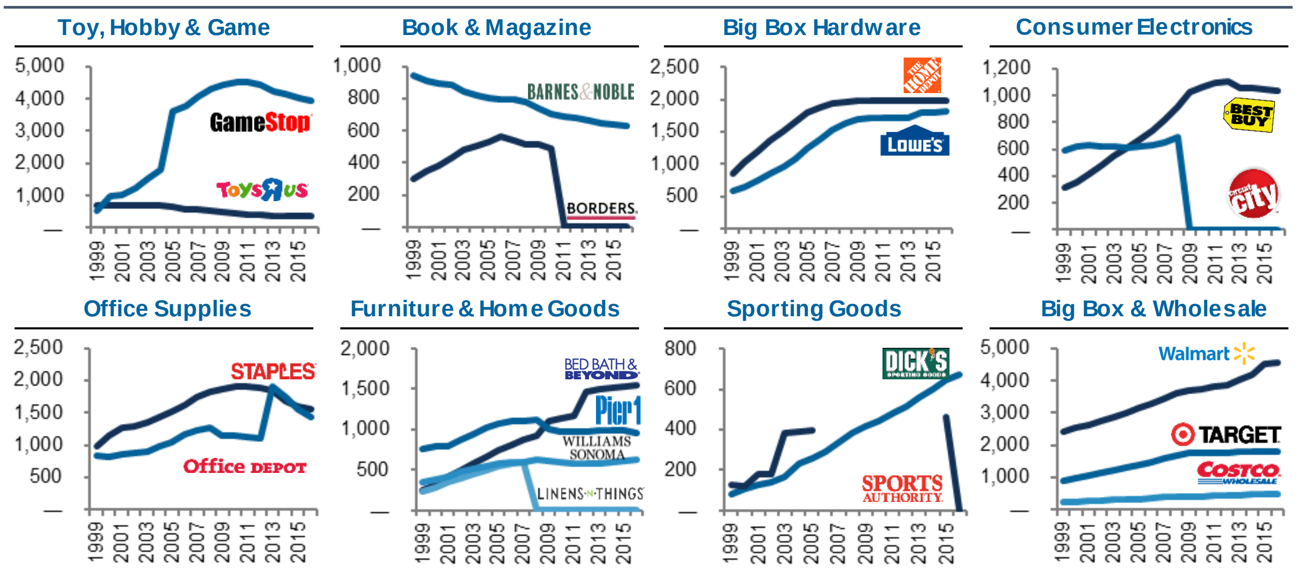
**Net Store Openings / (Closings) by Retail Category since 2007**




Source: U.S. Census Bureau; Statista, "Who's Surviving the Retail Apocalypse"

The second chart above illustrates the net change in store count by retail category since 2007. The short (and obvious) story is that market segments most penetrated by e-commerce have lost the most stores, and those that have survived (and even thrived) are those that leverage unique qualities that are difficult to replicate in a solely online environment. The chart below tells a similar story, illustrating historical store count for a select group of retailers by category. **Analyzing these graphs, we are reminded of the recent spate of retail bankruptcies, and the irony that, in a few cases, it was the pioneering few that were first to experiment with e-commerce strategies that ultimately suffered the greatest losses.** Both **Toys 'R' Us** and **Borders** famously inked "innovative" (yet ill-fated) partnerships with **Amazon** in the early 2000's – ultimately ensuring that these companies would be late to the game in developing their own online capabilities. In many cases, these seismic shifts occurring in retail, along with a frothy mid 2000's market for leveraged buyouts, led to a landscape littered with retail bankruptcies.

**Historical Store Count Trends by Category and Retailer**

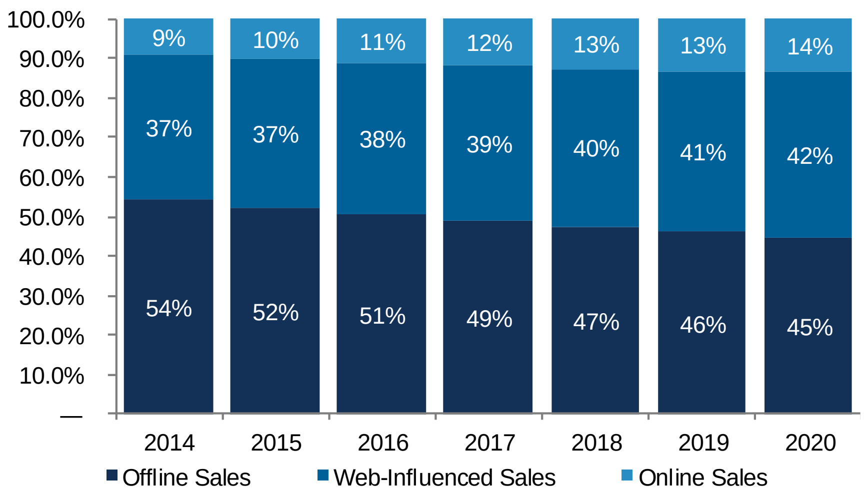



Source: SEC Filings; TM Capital Research

## The Future is Omni-Channel

With all the discussion of e-commerce and disruption on the preceding pages, one can be forgiven for concluding that brick and mortar retail is on the verge of total collapse. Nothing could be further from the truth. As illustrated in the chart below, online retail sales are growing quickly on a percentage basis, but in absolute dollars represent only 13% of overall retail sales. Less obvious but no less important, web influenced offline sales comprise 40% (over three times the value).

**Retail Sales Breakdown – How Important is Online Influence?**




Source: Statista, "US web-influenced retail sales 2020"

21% of retailers ship online orders from their stores

72% of retailers offer in-store returns of online orders

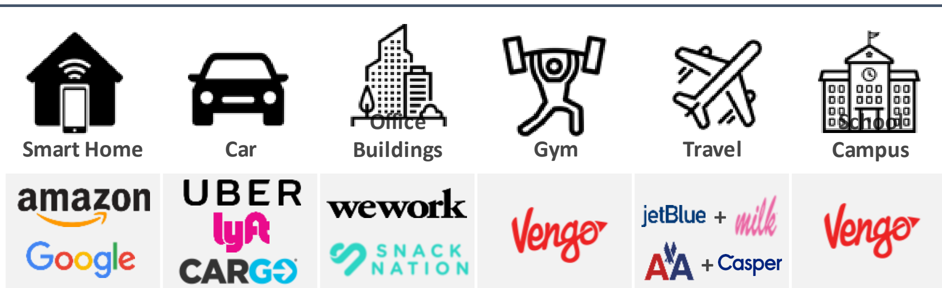
56% of retailers offer in-store pickup for online orders

53% of retailers display in-store inventory on the web

It is clear to us that the future is omni-channel. Ultimately, online and in-store channels will both play important roles – providing unique value propositions and melding together a seamless purchasing experience to support customers where, when and how they want to purchase. We believe this is likely to result in (i) fewer (but stronger) retailers, (ii) greater convergence of terrestrial and digital, (iii) better capture and deployment of data to customize in-store experience and follow-up online marketing and (iv) seamlessly integrated availability of consumer services, such as in-home consultations, white glove delivery and installations.

A variety of rapidly growing startups are working to further extend omni-channel's long reach. For example, Amazon and Google are selling via a variety of smart home devices; startups like **Cargo** are exploiting captive consumer audiences during Lyft and Uber rides and more.

**New Points of sales Integrate with Daily Experiences**



**Online First Businesses Go Clicks-to-Bricks**

D2C is an efficient way to build a brand and acquire customers – particularly in a start-up phase. However, "reverse economies of scale" often come into play as brands grow and extend beyond their initial "easiest to find and convert" customer bases. As online-first brands grow and inch closer to the end of their customer acquisition "efficient horizon," many have come to realize that supplementing their online strategy with terrestrial retail stores is an economic model that simply makes sense. These stores serve dual purpose – both (i) profitably generating sales and (ii) building brand awareness that drives customers to the web. Starting with zero stores and a web-focused mentality, these companies have the opportunity to build a "right-sized" store base and distribution model from day one, further integrating state-of-the-art data capture and point of sale technology directly to their ERP from the outset.

Nowhere is this trend more poetically illustrated than in the recently diverging fortunes of **Mattress Firm** and **Casper.** As **Mattress Firm** mulled a bankruptcy filing in early August 2018 (ultimately filing in October) in efforts to right-size its 3,500 unit store base, **Casper** almost simultaneously released its plans to open 200 brick & mortar locations. **Casper's** announcement was timed perfectly – as business journalists flocked to the obvious compare/contrast story – ensuring that nearly every article referencing **Mattress Firm's** bankruptcy also spoke to **Casper's** aggressive growth. As this paragraph illustrates, even we are not immune to "taking the bait."

Similar to **Casper's** store growth, **Warby Parker** expects to have 100 stores open by the end of 2018; **Untuckit** announced plans to open 100 stores by 2022 and **Bonobos** continues to grow store count following its acquisition by **Walmart**. Even **Everlane**, whose CEO famously threatened to "shut the company down before [going] to physical retail" opened a handful of brick and mortar locations in late 2017.

**Flexible Lease Options Targeting Online-First Brands**

With new online brands sprouting up weekly and plenty of retail vacancies (particularly in malls), major landlords like Macerich (via BrandBox) and Simon Property Group (via initiatives like "The Edit") are formulating flexible lease and incentive programs to directly target these young brands as tenants. For example, the first **BrandBox** location recently opened in Tyson's, VA featuring online-first brands, **Nectar, UrbanStems, WinkyLux** and **Interior Define.** These landlords are bringing to bear a data intensive, customer acquisition oriented approach centered around artificial intelligence-powered traffic monitoring cameras and location enabled mobile apps – all of which provide value to a cohort of tenants for which data is king.

**Landlords Getting Creative**

MACERICH

SIMON




"If present trends continue, retail rents might one day be based on traffic and customers rather than traditional metrics such as sales per square foot or percentage rent"

-- Mike Harris, Managing Director of CREModels

### "Final Mile" Services – The Next Layer of the Omni-Channel Stack?

As discussed in the preceding pages, we believe that "final mile" consumer services are going to become an increasingly important part of the omni-channel model. Retailers are leaning into the demand for "DIFM" (do-it-for-me) services across a number of categories as consumers seek alternatives to cumbersome, complicated "DIY" (do-it-yourself") projects that many times lead to poor customer experiences and, resultingly, higher levels of returns. While hard data on DIY vs. DIFM trends is thin, retailers like **Home Depot** and **Benjamin Moore's** increasing focus on professional customers (i.e. the "pro-sumer") portend that Millennials increasingly prefer DIFM to DIY in order to create more time to pursue what they deem most important.

> "…**Handy** really has a tremendously innovative servicing platform… they've got some great initial retail partnerships. We think that channel is likely to grow significantly over the next couple of years."
> -- Brandon Ridenour, Chief Technology & Chief Product Officer, IAC

Resultingly, Millennials have simply not picked up many of the DIY skills valued by prior generations. Additionally, with the percentage of dual income households having grown from 44% in 1993 to 59% in 2013 to 62% in 2017[11], the time available for individuals to dedicate to DIY projects continues to decline. Investors are taking notice and startups are capitalizing on the market opportunity. According to CB Insights, startups offering convenient DIFM options for everything from plumbing to electronics installation and furniture assembly have raised nearly $2 billion in growth capital. **IAC**, via its **Angi Home Services** subsidiary, the owner of **Home Advisor** and recent acquirer of **Handy**, is a major driver in this evolution.

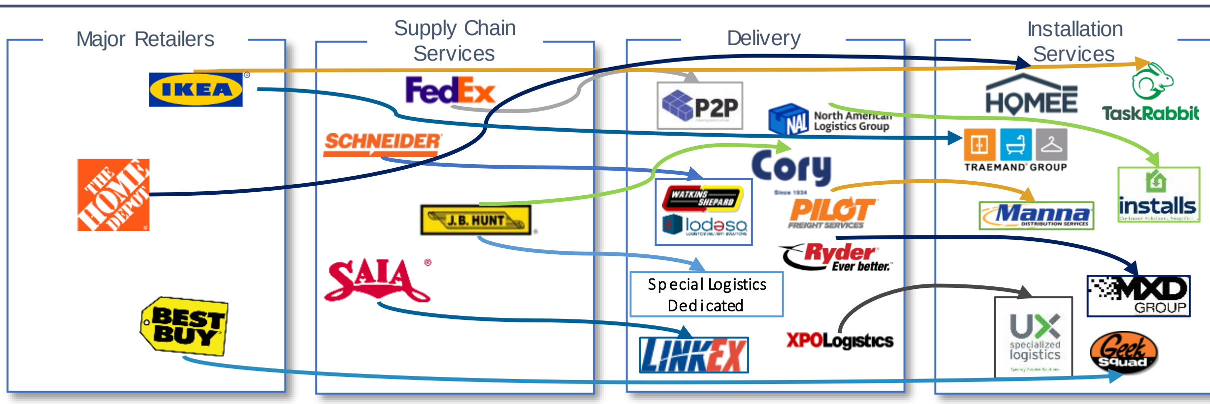
### Going the Final Mile

While a handful of major retailers have announced loose partnerships with service providers like **Handy** or professional installation services networks like **Go Configure** and **Installs Inc.**, we believe that in the coming years, more retailers will opt to more closely integrate with these service networks by making hard dollar investments. **Best Buy,** an early convert to this strategy, has had tremendous success with **Geek Squad**, which it acquired all the way back in 2002. More recently, **Ikea** acquired **Task Rabbit** in October 2017 and invested in **Traemond** (kitchen services) in December 2018; **The Home Depot** invested in **Homee** in June 2018; and **Ace Hardware Corp.**, was rumored in December 2018 to be eyeing a bid for the **Home Services division of Sears Holdings**.

We think a larger universe of retailers will conclude that this consumer touch point is simply too valuable to outsource. Delivery and installation will become another layer in the "omni-channel stack" – a brand building (and even, selling) opportunity. A well trained furniture assembly professional working for Ikea or Wayfair could, iPad in hand, up-sell a homeowner on a new table after noticing a well-worn piece in the nearby dining room – or assist a customer in ordering decorative pillows to match their newly assembled sofa. The possibilities for upselling / cross selling and real world data collection are nearly endless.

More broadly, one of the major factors driving logistics and last mile M&A is the fact that few companies can handle the "end-to-end" demands of increasingly e-commerce focused retailers. Supply chain service businesses are acquiring delivery businesses and delivery businesses are acquiring installation businesses – all with a eye towards positioning themselves as a comprehensive solutions provider. As discussed above and illustrated below, we believe retailers are likely to be an increasing participant in this M&A activity, as well.

**Final Mile, Logistics and Delivery Driven M&A**




11) Bureau of Labor Statistics

## Innovation and Technology Driving Next Wave of E-Commerce

At the most basic level, new innovations and technologies have always been key drivers behind the step function growth and disruption in various segments of the retail market. This trend dates all the way back to the first wave of e-commerce growth in the 1990s and 2000s, when inexpensive access to dial-up internet, online payment processors and a first generation of search engines (does anyone remember Ask Jeeves?) converged to enable e-commerce pioneers like Amazon and eBay.

Since then, retailers and consumers have both learned a lot. Google Adwords and Double Click (now Google Ads) transformed the business of online marketing (and frankly, marketing altogether). Online retailers found ways to bring consumers “over the hump” of ordering fit and style specific goods online with liberal return policies (i.e. Zappos). Mattress companies learned how to vacuum pack their products into FedEx shippable boxes. More startups than we can count asked via Facebook ads and YouTube videos, “why pay a mark-up to the middle man?”

For all the innovative techniques and technology that drove growth over the last two decades, we believe that the best is yet to come. A variety of nascent technologies have the potential to rapidly drive incremental e-commerce penetration in segments that have historically lagged, like furniture and apparel. Augmented and virtual reality, artificial intelligence, body scanners and more have the potential to significantly and positively impact e-commerce and omni-channel business models. The chart below illustrates a few of these innovations that we believe have the potential to be most disruptive. By decreasing online friction, thereby improving conversion rates (i.e. decreased customer acquisition cost) and driving decreased return rates – we believe that a number of these technologies have the ability to substantially impact both the top and bottom lines of the respective innovators and adopters.

“Leveraging Apple’s AR platform on iOS 11, we’re solving one of the biggest pain points consumers face when shopping for home furnishings online or in a store — how will this item look in my home and will it fit?”- Steve Conine, Co-Founder, Wayfair Inc.

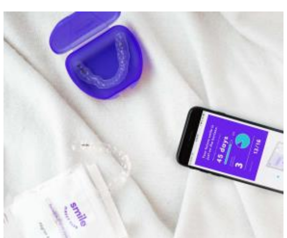
**Technological Innovations Driving Disruption**

**Williams Sonoma:** visualize furniture in your home

**Hover:** visualize remodels on a 3D model of your home


**mTailor:** measure yourself for custom clothes via phone

**Wayfair:** project furniture into your home using AR



**SmileDirectClub:** straighter teeth without orthodontist visits


**Walmart:** shop at Walmart in virtual reality


**Warby Parker:** test your vision from home

**Modsy:** test fit of furniture in a 3D rendering of a space

**E-Commerce Business Models & Marketing Techniques – Not One Size Fits All!**

In the adjacent quote, Tom Foster, Editor at Large of Inc.com, eloquently sums up one of the core theses underlying the current wave of disruption. While online marketing tactics often appear simple on the surface, the landscape is far from one-size-fits-all. Different brands in disparate categories have leveraged a wide array of marketing techniques to drive their own models.

> "By connecting directly with consumers online, you can also better control your message to them and, in turn, gather data about their purchase behavior, thereby enabling you to build a smarter product engine. If you do this while developing an 'authentic' brand…you can effectively steal the future out from under [legacy corporations]
>
> -- Tom Foster, Editor at Large, Inc.com

At its simplest, e-commerce oriented business models comprise two important variables: (i) how much does it cost to acquire a customer and (ii) how much can I then entice that customer to purchase from me (either today or over time). The answers to these questions often fall along some form of continuum, encompassing an imperfect, but generally direct, relationship. The higher the value of the intended purchase, the more discerning the consumer – and the more discerning the consumer, the more companies must invest to convert that consumer into a customer.

**Recurring Purchases Drive Lifetime Value (LTV)**

Typically, businesses built around lower ticket purchases depend on higher recurrence and longer tail lifetime transaction value ("LTV") calculations to drive profitability. LTV trends among cohorts over time (i.e. increasing vs. decreasing vs. stable) often serve as the difference maker between a healthy and troubled business. Subscription models can be very helpful in driving LTV on low ticket purchases, when successful (e.g. **Dollar Shave**). However, when high customer churn rates begin to emerge, market value can quickly begin to evaporate (e.g. **Blue Apron**). **Wayfair** is a great example of a business model dependent on an LTV generated via an expected series of purchases. On recent earnings calls, management has discussed "leaning into" ad spend opportunities judged to be within a one-year payback threshold. Nevertheless, independent observers express skepticism. An independent study developed by Peter Fader and Daniel McCarthy (marketing professors at The Wharton School and Emory University, respectively) postulates that Wayfair continues to spend more to acquire a customer than it earns in profits over the following twelve quarters. We'll be interested followers of Wayfair in coming years and are anxious to see if their ad spend strategies begin to drive towards profitability.

On the other side of the coin, higher ticket e-commerce businesses, such as those that sell mattresses, big ticket home furnishings and luggage typically aim to drive positive contribution margin on a consumer's first purchase. Cross-selling lower ticket items and building a longer tail customer relationship are useful tools to these businesses in enhancing profitability. B2B e-commerce businesses – discussed in greater detail on page 18 – are often very attractive for this reason. Professional customers often order in larger quantities and with more recurrence than typical consumer facing categories.

**Illustrative Est. Average Selling Price vs. Recurrence for Select E-Commerce Retailers**

## B2B – E-Commerce for the Professional

The paradigm around B2B purchasing is shifting rapidly – driven, in particular, by the increasing digital comfort evidenced by professionals ("pro's") throughout the commercial world. We attribute this to a rising pro cohort (including millennials) for which smart phones and e-commerce have become second nature at home. As they grow more influential in their careers, these pro's are apt to demand similar conveniences in the workplace. As a result, although often lower profile than many high flying D2C businesses, B2B opportunities are highly promising. Broadly, the North American market for B2B e-commerce is approximately $988 billion, over two times larger than the B2C e-commerce market.

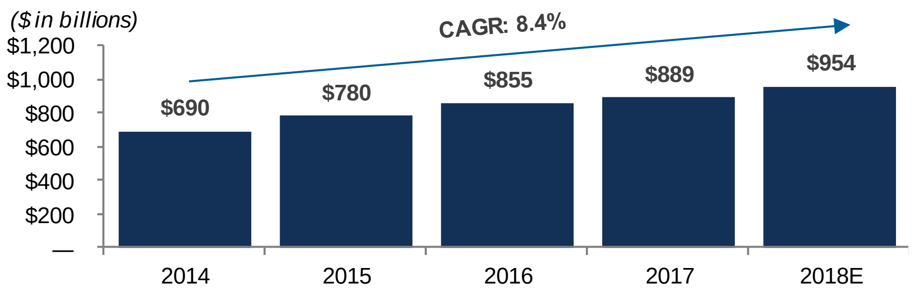
I'd be surprised if, five years from now, our sales are not 80% e-commerce"

-- D.G. Macpherson, CEO of W.W. Grainger Inc.

"Inside acquisitions, we're looking for [companies] that can develop and offer some unique ways to go to market with technology…"

-- Kevin Murphy, CEO of Ferguson Enterprises

**Historical U.S. B2B E-Commerce Sales Trends**



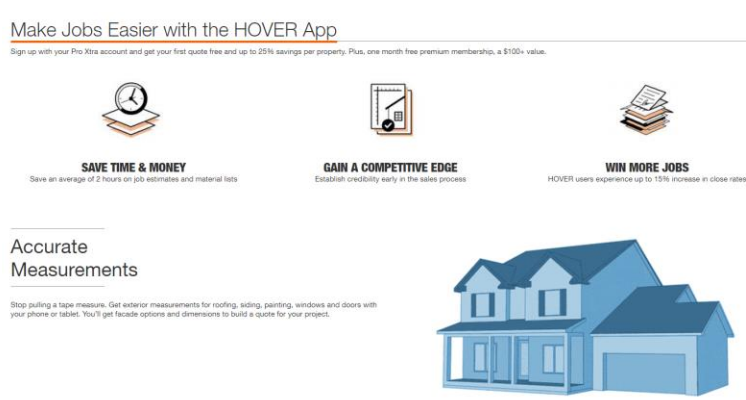

Source: Forrester Research; Statista

**Selected B2B E-Commerce Companies**

BELNICK INCORPORATED
CALI BRANDS
ENERGY CONSCIOUS
FAIRE
GENUINE PARTS COMPANY
SUPPLY.com
United Scope

Despite the historical availability of similar products online on **Amazon** or from distributors like **Grainger**, **Ferguson** or **Fastenal**, most professionals still make the bulk of their purchases from local brick & mortar wholesale outlets. However, a new breed of B2B focused e-commerce players is now enjoying success disrupting this historically entrenched model of two-step distribution – for instance, **Supply.com** (plumbing), **Energyconscious.com** (HVAC), **Cali Brands** (flooring) and **Belnick** (commercial furnishings). At the center of these companies' efforts lie a combination of Amazon-like assortment and white glove customer service comparable to that provided by brick and mortar suppliers. More specifically – factors like 100% overnight or two day availability with flexible delivery, efficient custom estimates, and creative customer service / engagement models are driving accelerated adoption. Not limited to building products, these dynamics are emerging throughout the B2B world. An interesting example is **Faire**, which empowers independent gift, home and apparel retailers by providing risk free returns on new product and 60 day terms – enabling these retailers to discover new products and efficiently manage their working capital, while disintermediating a sales channel historically driven by trade shows and independent reps.

Larger, historically consumer oriented retailers are also continuing to increase their focus on professionals. For example, **The Home Depot's** $1.6 billion acquisition of **Interline Brands**, a direct marketer to the pro-channel of repair oriented products, evidences the company's commitment to serving the professional customer. More recently, The **Home Depot** invested in **Hover**, a smartphone based 3D home modeling startup. We believe that it is access to innovative tools like these that will help companies differentiate themselves in this highly attractive and growing market.



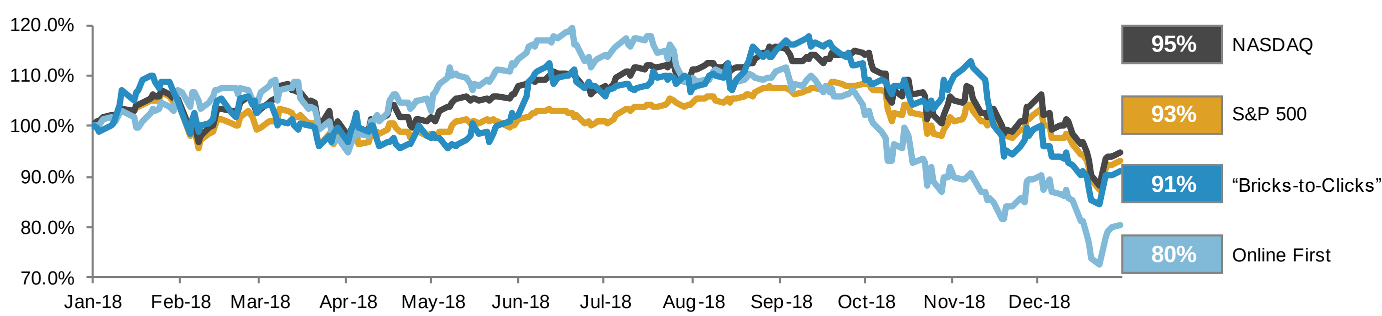
# Public Market Indicators and Valuation Drivers

Over the course of the calendar year 2018, the TM Capital "Online-First" Index has underperformed the TM Capital "Bricks-To-Clicks" Index. The Online-First index has been subject to a more volatile ride, evidencing a proposition of "greater risk / greater reward." Importantly, the Online-First Index ended the year trading at approximately 3.3x LTM Revenue and 28.6x LTM EBITDA, while the Bricks-To-Clicks Index ended the year at approximately 0.9x and 10.0x, respectively – a significant value gap, indicating, unsurprisingly, that the market views significantly more opportunity ahead in e-commerce (and is highly valuing the growth in these indices) vs. the lower growth but more consistent profitability in Bricks-to-Clicks.

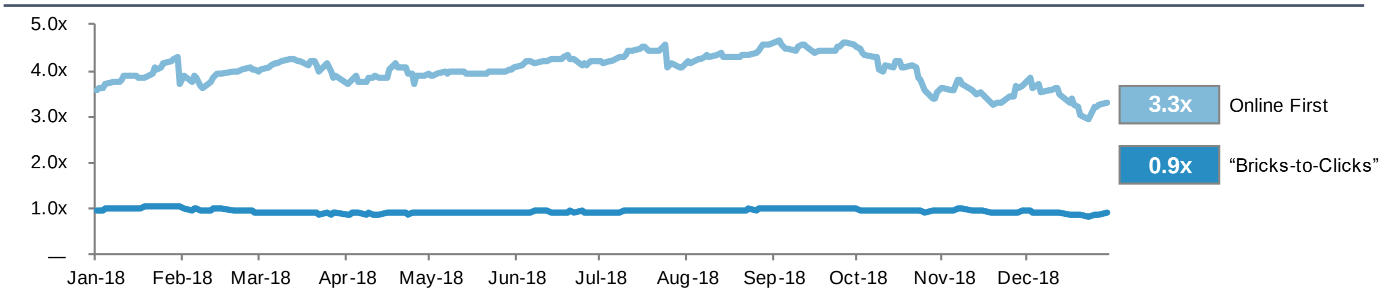
**TM Capital "Online-First" Index Composition**

**TM Capital "Bricks-to-Clicks" Index Composition**

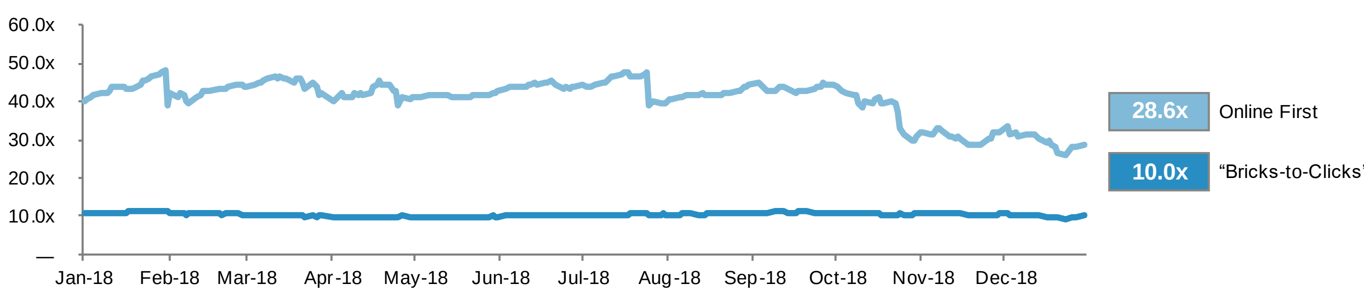
**TM Capital Indices – Historical Stock Price (As of 12/31/2018)**



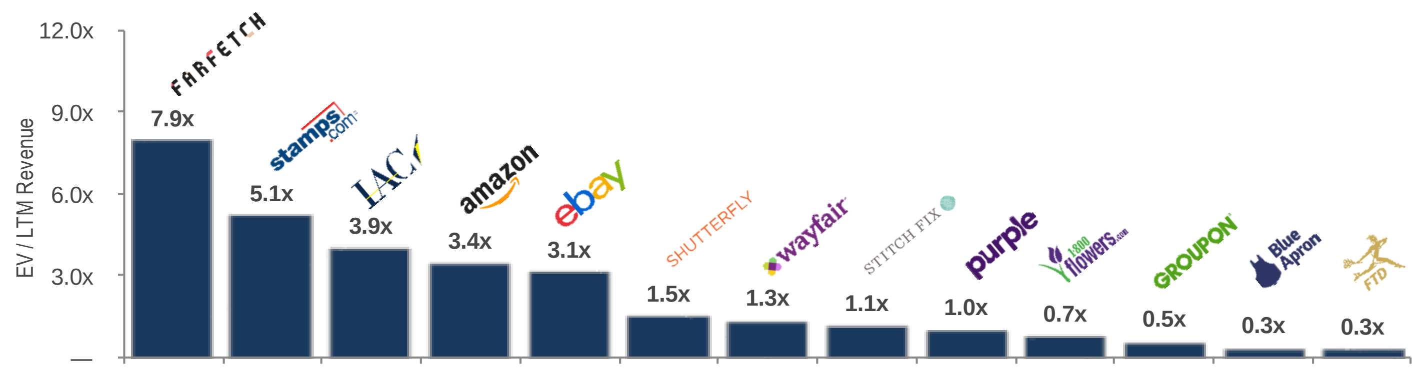

**TM Capital Indices – Historical Enterprise Value to Revenue (As of 12/31/2018)**



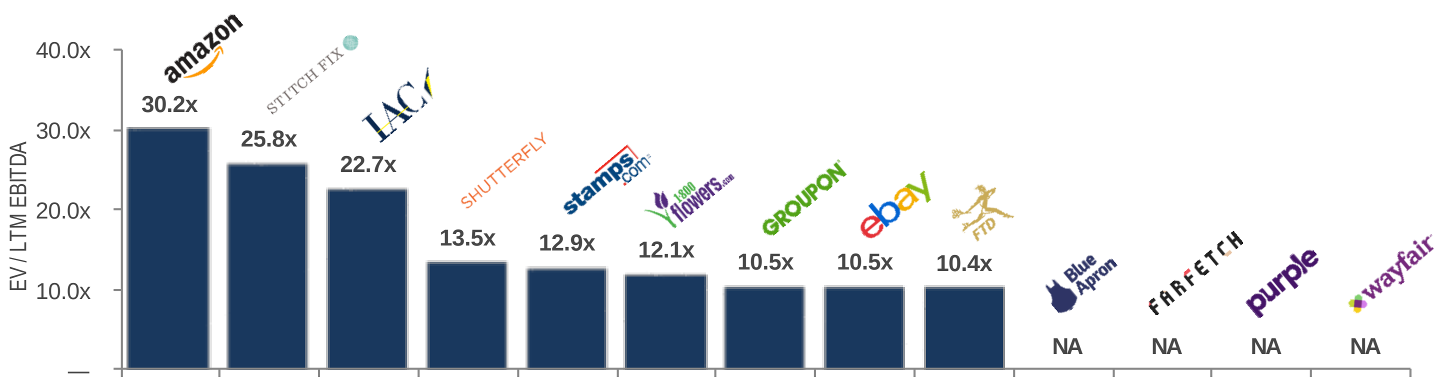

**TM Capital Indices – Historical Enterprise Value to EBITDA (As of 12/31/2018)**



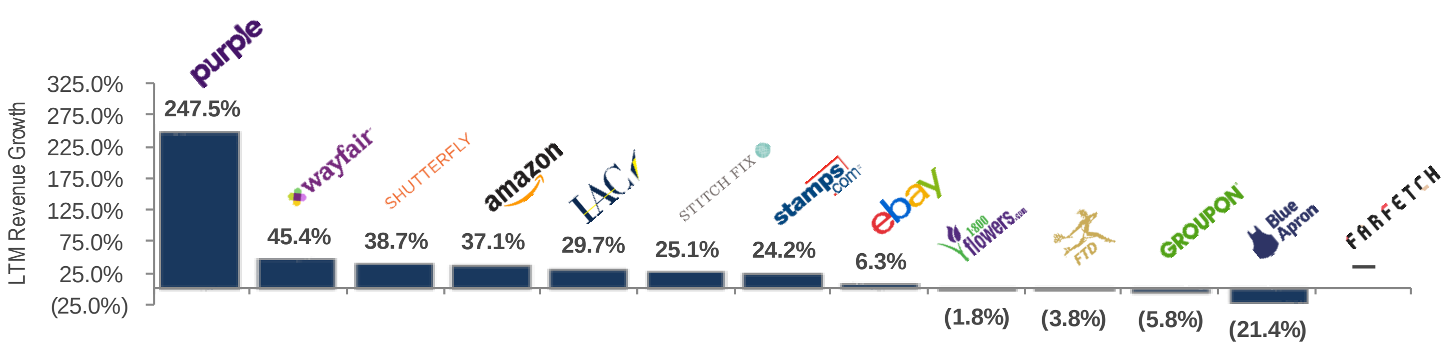
### Enterprise Value to LTM Revenue Multiples for Online-First Guideline Companies



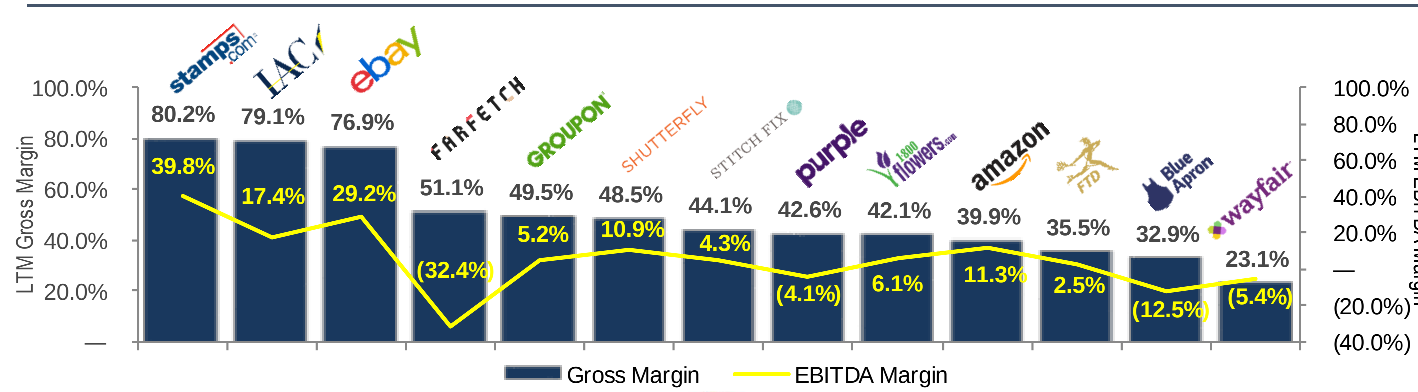

### Enterprise Value to LTM EBITDA Multiples for Online-First Guideline Companies



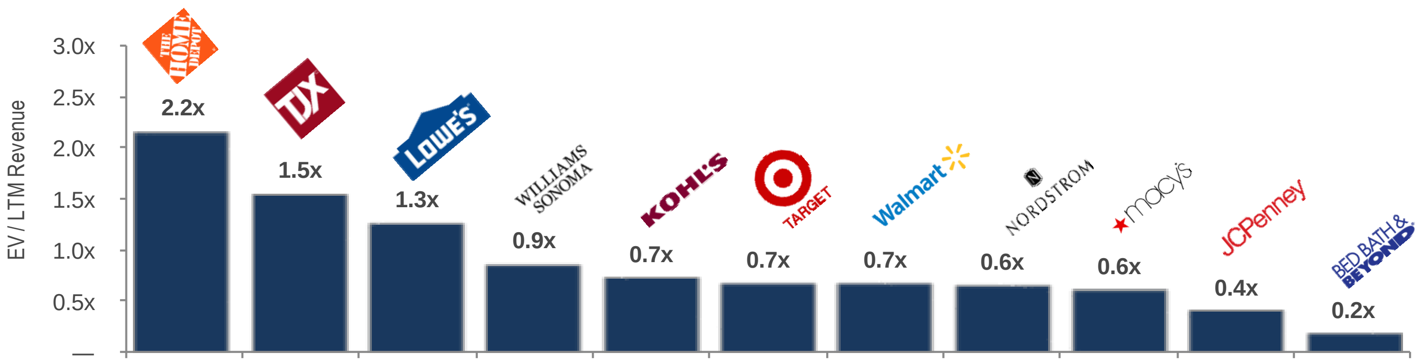

### One-Year Revenue Growth Rate for Online-First Guideline Companies



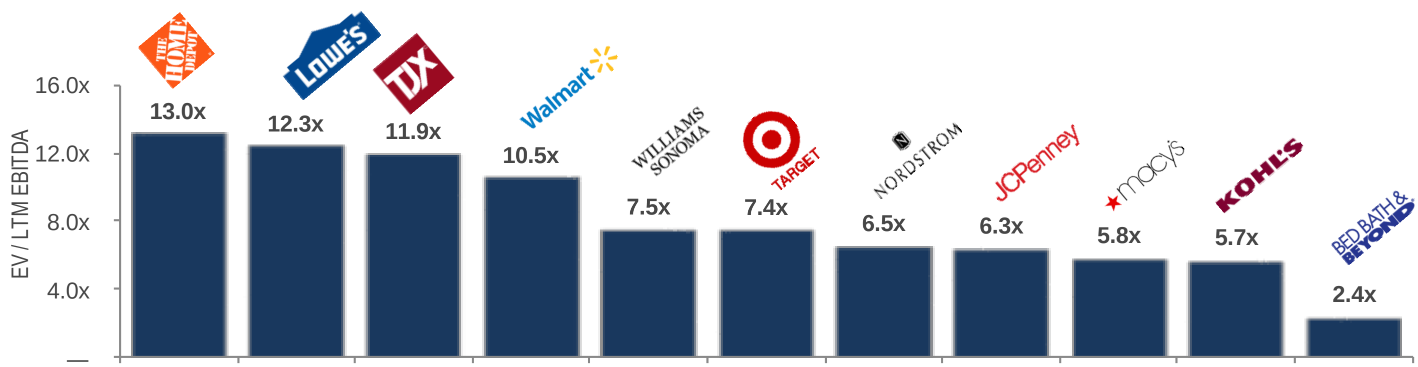

### Gross Margin and EBITDA Margin for Online-First Guideline Companies



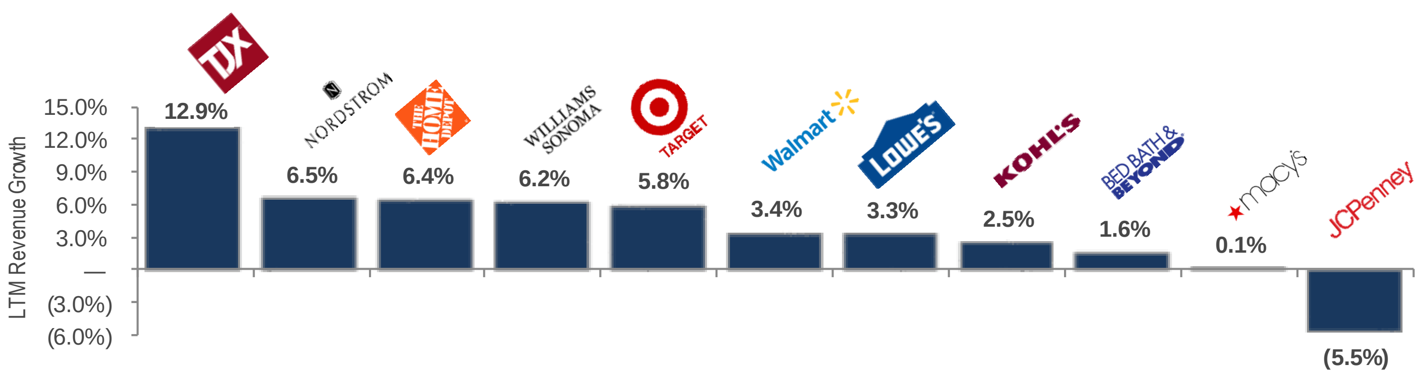
### Enterprise Value to LTM Revenue Multiples for Bricks-to-Clicks Guideline Companies



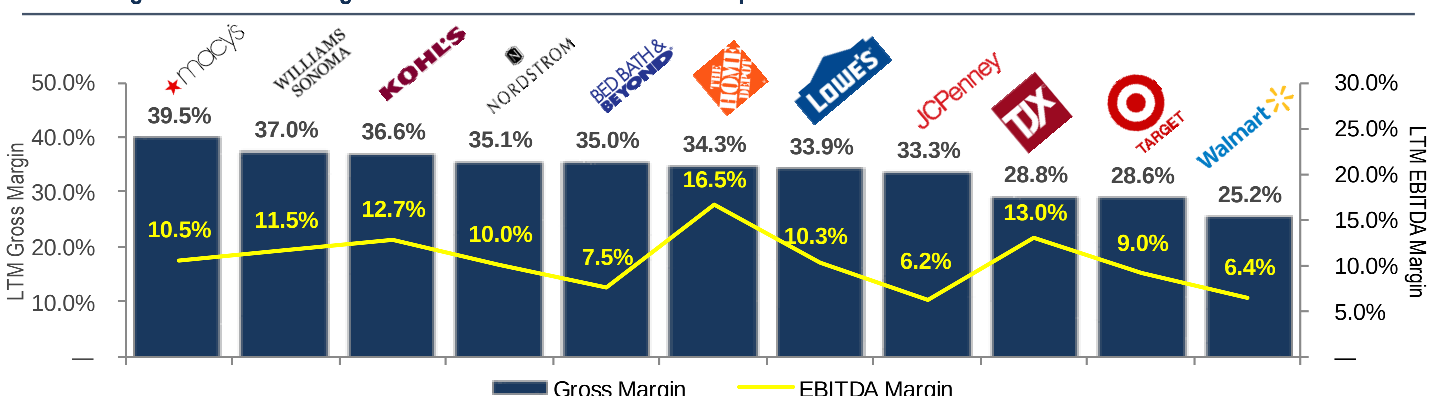

### Enterprise Value to LTM EBITDA Multiples for Bricks-to-Clicks Guideline Companies




### One-Year Revenue Growth Rate for Bricks-to-Clicks Guideline Companies




### Gross Margin and EBITDA Margin for Bricks-to-Clicks Guideline Companies

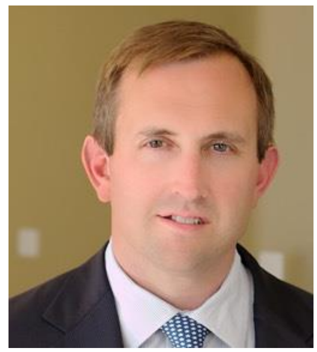


**About TM Capital**

Founded in 1989, TM Capital is the client-first investment banking team advising industry leading companies across North America and around the world. In everything we do, our professionals share a relentless commitment to engineering extraordinary outcomes with an unmatched standard of client care. Over the last three decades, we have completed more than 300 transactions with a combined value in excess of $20 billion. With offices in Atlanta, Boston and New York, our mission critical capabilities include: complex mergers and acquisitions; debt and equity financings; minority and majority recapitalizations; restructurings; and board advisory services. TM Capital is also a founding member firm of Oaklins, the world's most experienced mid-market M&A advisor with 700 M&A professionals in 60 offices operating in the major financial centers around the world. For more information, please visit www.tmcapital.com.

To learn more about TM Capital and discuss our work with leading companies in the sector, please contact any of our team members below:

**TM Capital's E-Commerce & Disruptive Platforms Team**



**PHILIP KRIEGER**
*Managing Director*
(404) 995-6242
pkrieger@tmcapital.com

**CRAIG GIBSON**
*Managing Director*
(617) 259-2204
cgibson@tmcapital.com

**JARRAD ZALKIN**
*Managing Director*
(617) 259-2207
jzalkin@tmcapital.com

**JAMES GRIEN**
Managing Director
(404) 995-6235
jgrien@tmcapital.com



"From our first meeting onward, we've been impressed with the TM Capital team's nuanced appreciation for, and their ability to articulate, what we think are the uniquely disruptive opportunities (as well as the challenges) ahead for our "hyper-growth" e-commerce platform. The TM Capital team guided Nectar to an extraordinary outcome. TM helped craft a compelling thesis centered on our best-in-class performance marketing platform – and tapped their impressive roster of "first-call" consumer/retail relationships on Nectar's behalf. What began as a straight-forward process ultimately evolved into a hybrid strategic and institutional equity partnership. That combination is enabling us to continue our steep ascent, and TM continues to be a valuable and highly attentive partner to Nectar. We are already talking expansively with TM about what comes next."

**Ran Reske, Co-Founder,**
**DreamCloud Holdings (d/b/a Nectar)**

"Our relationship began several years ago, at a time when our pro e-commerce strategy was in formation. Throughout our years of collaboration, TM leveraged their deep building products distribution and e-commerce expertise, along with their senior level industry relationships to help us envision what they call "the art of the possible." When the time came to complete a transaction, they thoughtfully positioned our business to resonate with strategic buyers, built a fantastic set of marketing materials and then led us through a very efficient process that culminated in an incredible outcome. My team is excited to take our business to the next level with our new partner, and we could not have gotten here without the help of the entire TM team."

**Marcus Morgan, Co-Founder &**
**CEO, Supply.com**

"My partner and I founded VIP over 20 years ago, and have remained focused on building our business. We recognized that negotiating a merger, particularly with a publicly traded company, required significant additional expertise. TM Capital provided both critical skills and deep industry knowledge. Their expertise in structuring complex, public transactions to create a 'win' for both parties was key to achieving a transformative outcome for our team and the pet sector."

**Will Santana, Co-Founder**
**& CEO, VIP Petcare**

"Bringing on TM Capital was one of the smartest business decisions I've made. With their expert knowledge, insight, and kindness, the TM team smoothly brought us to the finish line with a partnering company that is a perfect fit for my business. I'm extremely grateful to TM Capital, and I look forward to the next chapter of growth for Tate's Bake Shop."

**Kathleen King, Founder,**
**Tate's Bake Shop**

# Three Decades of Groundbreaking Transactions

TM CAPITAL

## Disruptive

nectar

HAS COMPLETED A GROWTH EQUITY FINANCING AND ENTERED INTO A STRATEGIC PARTNERSHIP

The undersigned served as financial advisor to Dreamcloud Holdings, LLC (d/b/a Nectar Sleep) in connection with this transaction.

TM CAPITAL

---

SUPPLY.com

HAS BEEN ACQUIRED BY

FERGUSON

The undersigned served as financial advisor to Supply.com in connection with this transaction.

TM CAPITAL

---

vip·petcare

HAS BEEN ACQUIRED BY

PET IQ

The undersigned served as financial advisor to VIP Petcare in connection with this transaction.

TM CAPITAL

---

WD LAB GROWN DIAMONDS

HAS RECEIVED AN EQUITY INVESTMENT FROM

HURON CAPITAL

The undersigned served as financial advisor to M7D Corporation (d/b/a WD Lab Grown Diamonds) in connection with this transaction.

TM CAPITAL

## Food & Beverage

TATE'S BAKE SHOP SOUTHAMPTON, NY

A PORTFOLIO COMPANY OF

Riverside

HAS BEEN ACQUIRED BY

Mondelēz International

The undersigned is serving as a financial advisor to Tate's Bake Shop in connection with this transaction.

TM CAPITAL

---

SUPERIOR ON MAIN

HAS BEEN ACQUIRED BY

Hostess

The undersigned served as financial advisor to Superior Cake Products, Inc. in connection with this transaction.

TM CAPITAL

---

Uncle Wally's BAKE SHOPPE

HAS BEEN ACQUIRED BY

GIVE & GO

A PORTFOLIO COMPANY OF

THL Thomas H. Lee Partners

The undersigned served as financial advisor to Uncle Wally's in connection with this transaction.

TM CAPITAL

---

STARBUCKS

HAS SOLD THE EXCLUSIVE RIGHT TO OPERATE

Starbucks Puerto Rico

TO

Baristas Del Caribe, LLC
an affiliate of
Empresas Fonalledas Inc.

The undersigned served as financial advisor to Starbucks Corporation in connection with this transaction.

TM CAPITAL

## Gift & Home

BERKSHIRE BLANKET

A PORTFOLIO COMPANY OF

CSW Private Equity Investments

HAS BEEN ACQUIRED BY

SUMEC Textile & Light Industry Co., Ltd.

The undersigned served as financial advisor to Berkshire Blanket, Inc. in connection with this transaction.

TM CAPITAL

---

mudpie

HAS COMPLETED A RECAPITALIZATION WITH

LINEAGE CAPITAL, LLC

The undersigned served as financial advisor Mud Pie, LLC in connection with this transaction.

TM CAPITAL

---

creativeco-op

HAS COMPLETED A RECAPITALIZATION LED BY

EUREKA GROWTH CAPITAL™

The undersigned served as financial advisor to Creative Co-Op Inc. in connection with this transaction.

TM CAPITAL

---

Spencer Enterprises

HAS BEEN ACQUIRED BY

SUREFIT HOME DÉCOR

A PORTFOLIO COMPANY OF

CENTRE LANE PARTNERS

The undersigned served as financial advisor to Spencer Enterprises in connection with this transaction.

TM CAPITAL

## Other Branded

Fleet Laboratories

THE MAKERS OF

Summer's Eve · Pedia-Lax · Boudreaux's Butt Paste

HAS BEEN ACQUIRED BY

PrestigeBrands

The undersigned served as financial advisor to Fleet Laboratories in connection with this transaction.

TM CAPITAL

---

Ferrellgas

HAS SOLD

Mr. Bar-B-Q · Chef Master · Endless Summer · UniFlame

TO

**a family office**

The undersigned served as financial advisor to Ferrellgas Partners, L.P. in connection with this transaction.

TM CAPITAL

---

BAUER

A PORTFOLIO COMPANY OF

KOHLBERG & COMPANY

ACQUIRED

INARIA

The undersigned served as financial advisor to Bauer Performance Sports Ltd. in connection with this transaction.

TM CAPITAL

---

alternative

HAS COMPLETED A RECAPITALIZATION WITH

ROSEWOOD CAPITAL
EQUITY PARTNERS FOR CONSUMER GROWTH COMPANIES

The undersigned served as financial advisor to Alternative Apparel in connection with this transaction.

TM CAPITAL