

TM Capital Consumer & Retail Update

COVID-19 Business Considerations

APRIL 2020

A TALE OF TWO CITIES: COVID-19'S IMPACT ON CONSUMER & RETAIL BUSINESS SEGMENTS

The COVID-19 virus and resulting pandemic are profoundly disrupting economic activity in the U.S. – nowhere more obvious than the consumer / retail sector. As of mid April, nearly 95% of the U.S. population was under various forms of “stay at home” orders – severely constraining demand across industries dependent on bricks and mortar. The duration and magnitude of the dislocation remain uncertain, despite signs that we are approaching the apex of the “infection curve” in the hardest hit U.S. metropolitan areas.

Amidst overwhelming macro challenges, COVID-19 is a “tale of two cities.” Businesses dependent on terrestrial retail are severely challenged as they manage for liquidity – in some cases to “zero revenue” models. These businesses will be all but impossible to underwrite until investors and lenders have more visibility on the “Post-COVID” world. Conversely, and despite overall consumer demand constraints, many businesses primarily reliant on online channels (i.e. DTC websites, Amazon, etc.) remain relatively healthy, and some – such as online home furnishings and mattress brands, for example – appear to be benefitting from consumers shifting from shuttered brick and mortar alternatives. Anecdotally, e-commerce businesses have reported declining customer acquisition cost as larger terrestrial competitors reduce their ad spend (as they instead manage for near term liquidity). Additionally, food and beverage businesses selling through grocery or direct-to-consumer channels remain strong, and, likewise, consumer spending in at-home recreational categories such as backyard playsets, trampolines, gardening and pets – remains robust.

As we look at public company valuations, it is interesting to note that valuation multiples – particularly in contrast to the troughs seen at depths of The Great Recession – remain relatively strong. To us, this would appear to indicate that investors are predicting a steep earnings drop off and correspondingly steep recovery – in contrast to what investors in 2008-2009 viewed as a potentially slow return to normalcy.

The TM Capital Consumer team is available to consult with consumer companies as they navigate the current market environment.



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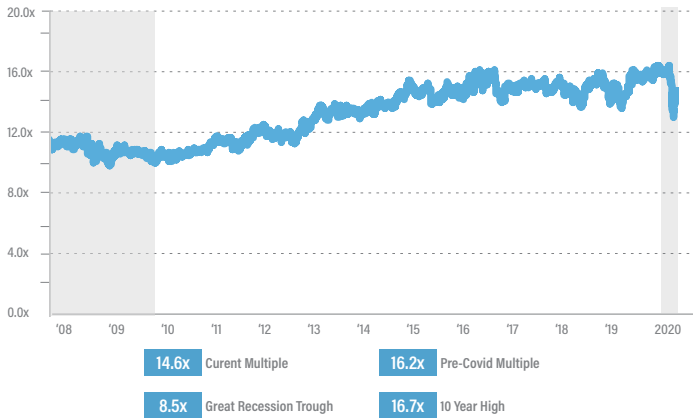
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OVERVIEW OF MARKET DYNAMICS

Food and Beverage

- As a broadly essential industry, robust demand has provided valuation support for the Food & Beverage sector as manufacturers and distributors navigate a rapid shift from foodservice to retail channels
- We believe “stay-at-home” orders, coupled with resistance to shopping in crowded stores, will ultimately be a boon for grocery delivery, D2C food businesses and established brands – with ripple effects through the packaging, logistics and cold storage industries
- Median TEV / LTM EBITDA declined from 16.2x pre-COVID to 14.6x – still well ahead of the 8.5x multiple at which the industry traded during the depths of the Great Recession

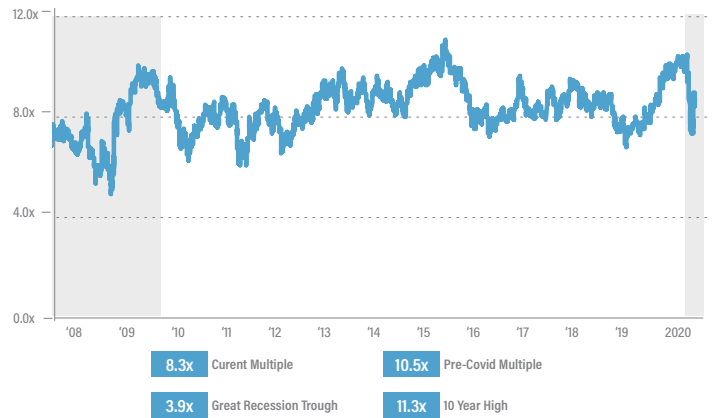
TEV / LTM EBITDA Multiple



Gift & Home Décor

- The sector relies heavily on tens of thousands of “non-essential” retailers across the country, many of which are currently closed
- Businesses in this segment with better defined D2C capabilities and those targeted towards less densely populated regions of the country are likely to fare best
- As the consumer returns to health, we believe that the businesses most centered around “occasion specific” will rebound most rapidly
- Median TEV / LTM EBITDA declined from 10.5x pre-COVID to 8.3x – still ahead of where the index had traded during the Great Recession

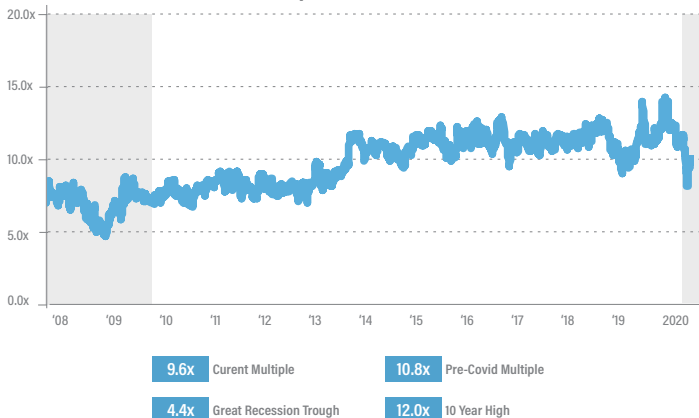
TEV / LTM EBITDA Multiple



Recreational Products

- Discretionary product categories ranging from sports equipment to durable goods have suffered near-term impacts from manufacturing closures and restrictions on outdoor activities; sustaining consumer confidence will be critical to realizing pent-up demand growth
- Home recreation companies (e.g. playsets, games/entertainment and fitness equipment) that bypass brick-and-mortar retail have been notable exceptions to the general “pause” in category demand
- Median TEV / LTM EBITDA declined from 10.8x pre-COVID to 9.6x – still well ahead of the 4.4x multiple at which the industry traded during the Great Recession

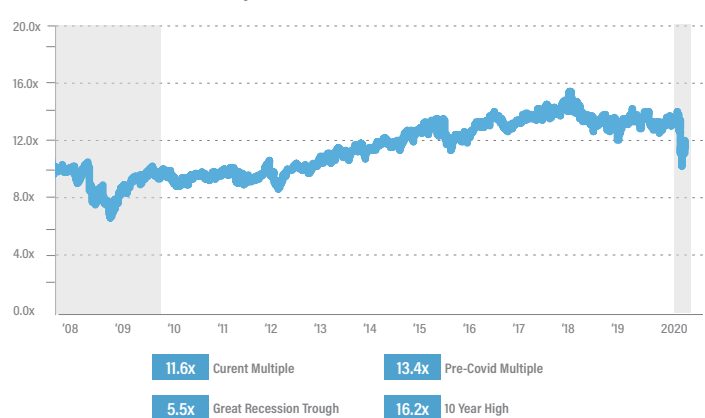
TEV / LTM EBITDA Multiple



Personal Care

- While major brands have benefitted from the surge in demand for sanitation-focused products due to immediate virus concerns, we anticipate a long-term shift supporting this sector as hygiene becomes increasingly critical to consumers worldwide
- Even as demand for luxury items may temporarily subside, beauty products emphasizing “preventative” and “safe” themes are expected to see a sharp rise in demand both during and beyond the ongoing outbreak, specifically in the premium hand care space
- Median TEV / LTM EBITDA declined from 13.4x pre-COVID to 11.6x – still double the 5.5x multiple at which the industry traded during the Great Recession

TEV / LTM EBITDA Multiple

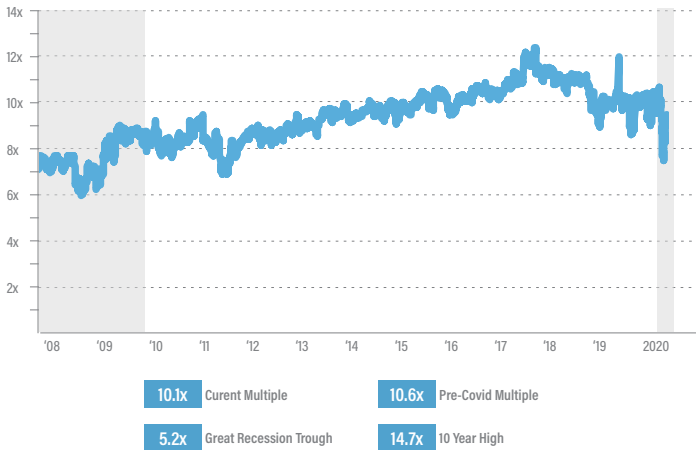


OVERVIEW OF MARKET DYNAMICS (CONTINUED...)

Home, Garden & Pet

- Despite recent market performance, we anticipate increased spending on pets, gardens and other home infrastructure, driven by trends supported by an increasingly remote workforce
- Companion spending has demonstrated resilient performance during previous downturns, and we expect this trend to continue, especially as consumers stay at home with pets – national fostering and adoption applications are currently up 700% YoY
- Median TEV / LTM EBITDA declined from 10.6x pre-COVID to 10.1x – still ahead of the 5.2x multiple at which the industry traded during the Great Recession

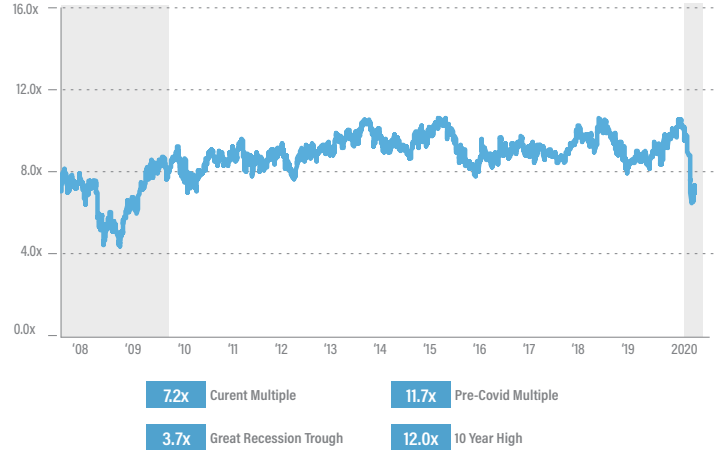
TEV / LTM EBITDA Multiple



Apparel & Accessories

- As non-essential retailers close stores across the globe, we expect brands with strong D2C presences to jump ahead of the competition
- While much manufacturing in China has come back online, the impact of shut downs in other core apparel manufacturing countries (e.g. Pakistan and Cambodia) is likely to impact the industry in coming months
- We also expect to see increased focus on casualwear as remote working becomes more mainstream
- Median TEV / LTM EBITDA declined from 11.7x pre-COVID to 7.2x – still ahead of the 3.7x trough seen during the Great Recession

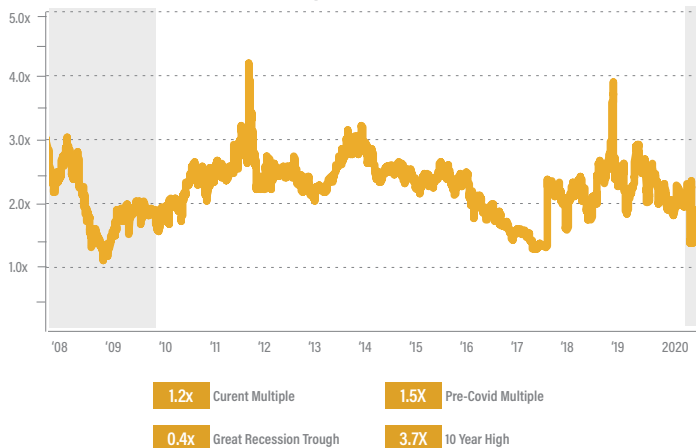
TEV / LTM EBITDA Multiple



Online-First / E-Commerce

- While many online brands have, in recent years, begun to push “clicks to bricks” strategies, the term “online-first” is now coming back to the forefront
- Anecdotally, we believe online-first brands are benefitting from reduced customer acquisition costs as big spending retailers reduce their advertising budgets and “reverse showrooming” trends abate (at least temporarily)
- Median TEV / LTM Revenue values have remained fairly steady throughout the COVID-19 impact period

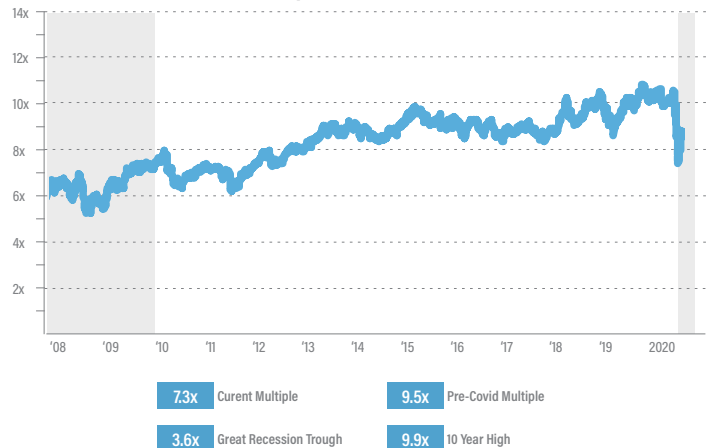
TEV / LTM Revenue Multiple



Non-Essential Traditional Retail













- The traditional retail sector has dominated headlines with massive furloughs aimed at cutting costs associated with closed storefronts across the globe
- We believe many of these retailers are reducing “discretionary” ad spend (including online spending) as part of broader cost reduction measures; despite nods to omni-channel, many of these retailers remain “terrestrial-first”
- Median TEV / LTM EBITDA declined from 9.5x pre-COVID to 7.3x – still above the 3.6x multiple at which the industry traded at the depths of the Great Recession

TEV / LTM EBITDA Multiple



TEV/LTM EBITDA Index TEV/LTM Revenue Index

HEADLINE TRANSACTIONS

| | TARGET | ACQUIROR | ACQUISITION SYNOPSIS |
|---------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Gift/Home |  |  | <ul style="list-style-type: none"> AZ Faux Beams, a leader in polyurethane and resin-based faux decorative elements, has merged with Texas-based Old World Traditions, a manufacturer of faux wood panels, faux wood beams, and other faux products The move is intended to help better serve the needs of AZ Faux Beams' customers by expanding the product offering and providing additional key services |
| Food/Bev. |  |  | <ul style="list-style-type: none"> TM Capital served as exclusive financial advisor to Engelman Baking Company, Inc. ("Engelman's Bakery") in its recapitalization with Shoreline Equity Partners Established in 1982, Engelman's Bakery is a leading wholesale DSD bakery offering a complete line of high-quality artisan breads and rolls – leveraging a 200 year family legacy in the bakery space |
| Apparel |  |  | <ul style="list-style-type: none"> Tailored Brands, Inc. (NYSE: TLRD), a leading omni-channel specialty retailer of menswear brands including Men's Wearhouse and Jos. A. Bank, has sold its Joseph Abboud brand to WHP Global for an Enterprise Value of \$115 million WHP Global, a brand management firm backed by Oaktree Capital Management, launched in 2019 with plans to invest \$1 billion into consumer brands |
| Recreational |  |  | <ul style="list-style-type: none"> Advance Publications (the media holdings company for Conde Nast) announced a definitive agreement to acquire the World Triathlon Corporation (dba: IRONMAN), the world's largest organizer of mass participation sports, for an Enterprise Value of \$730 million from Wanda Sports Group Wanda Sports Group previously acquired IRONMAN from Providence Equity Partners in 2015; Orkila Capital, a private equity firm founded by former Providence Equity Principals, will co-invest in the deal |
| Personal |  |  | <ul style="list-style-type: none"> Henkel AG & Co, (XTRA:HEN3) has announced the divestiture of its Mistol hand and dish wash products to Quimicas Oro, S.A.U., a Spanish manufacturer of aerosols, liquid household detergents and air fresheners Quimicas Oro, headquartered in Valencia, Spain, operates as a subsidiary of the French holding company Groupe Altair |
| Home/Gar./Pet |  |  | <ul style="list-style-type: none"> Spectrum Brands (NYSE: SPB) announced the acquisition of substantially all assets of Omega Sea, LLC, an Ohio-based aquatics nutrition business that produces premium fish food products primarily under the Omega One brand Spectrum Brands is a global consumer goods company spanning pet care, hardware/home improvement, garden products and home/personal care products |

SELECTED CONSUMER TRANSACTIONS

| Target | Acquiror | Gift & Home Decor Transactions |
|---------------------------------------|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Grandeco Wallfashion Group Belgium NV | Down 2 Earth Capital NV | Down2Earth Capital NV acquired a majority stake in Belgian wallpaper producer Grandeco Wallfashion Group Belgium NV; Based in Tielt, Belgium, Grandeco designs and manufactures wallpapers sold in more than 80 countries |
| Dunlopillo SAS (d/b/a/ Paris Bedding) | Groupe Finadorm | Groupe Finadorm has acquired Dunlopillo SAS, a French mattress manufacturer, out of bankruptcy; Finadorm was selected after providing the best offer in terms of safeguarding Dunlopillo's existing employee base |

| Target | Acquiror | Apparel & Accessories Transactions |
|----------------------|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Assets of Golfino AG | Endless LLP | GOLFINO, a European market leader in golf clothing, has been acquired out of bankruptcy by Endless LLP, a UK based private equity fund that also recently acquired American Golf, a UK-based golf retailer |
| DJULA, SAS | Yuyuan Jewelry & Fashion Group (Fosun Fashion Group) | Yuyuan Jewelry & Fashion Group, a subsidiary of Chinese conglomerate Fosun, is taking a majority stake in Paris fashion jewelry label Djula, with plans for expansion in Asia; Yuyuan will buy 55.4 percent of the brand and plans to invest 26 million euros in expanding it in China and abroad |

| Target | Acquiror | Personal Care Transactions |
|------------------------------------------|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Abacus Health Products, Inc. (CNSX:ABCS) | Charlotte's Web Holdings, Inc. (TSX:CWEB) | Charlotte's Web, a producer of hemp-derived CBD wellness products based in Boulder, Colorado, will acquire Rhode Island/Toronto-based Abacus Health Products for Implied Total Enterprise value of approximately \$60 million; Abacus manufactures and sells over-the-counter (OTC) topical formulations infused with cannabidiol (CBD) extracted from hems |
| Kush, Inc. | CBD Unlimited, Inc. (OTCPK:EDXC) | CBD Unlimited, Inc. (OTCPK:EDXC), formerly known as Endexx Corporation, a provider of innovative phytonutrient-based food and nutritional products, is pleased to announce that it has acquired New York-based Kush, Inc; a media driven entity specializing in building brands through strategic marketing and relationships |

| Target | Acquiror | Food & Beverage Transactions |
|--------------------------------------------------------------------------|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Rockstar, Inc. | PepsiCo, Inc. (NASDAQ:PEP) | PepsiCo, Inc. (NASDAQ: PEP) announced that it has entered into an agreement to acquire Rockstar Energy Beverages for an Enterprise Value of \$3.85 billion; PepsiCo expects the move to unlock its ability to expand in the category with existing brands such as Mountain Dew |
| North American Frozen Manufacturing Business of Dawn Food Products, Inc. | Rise Baking Company | Rise Baking Co. has reached an agreement to acquire the North American frozen manufacturing business of Dawn Foods; Dawn said the decision to sell its North American frozen manufacturing business will allow it to focus on its core ingredients business |

| Target | Acquiror | Recreational Products Transactions |
|-----------------------------------|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Xcel Wetsuits and ZG Holdings LLC | Wedge Brands LLC | Wedge Brands LLC announced the acquisition of Xcel Wetsuits and ZG Holdings LLC's assets and brand portfolio; Wedge Brands intends to merge the two companies, leveraging ZG holdings' operational infrastructure to spur international growth for the Xcel Wetsuit brand, winner of the 2020 SIMA Wetsuit of the Year award |
| Marucci Sports, LLC | Compass Diversified Holdings LLC (NYSE:CODI) | Baton Rouge baseball bat manufacturer Marucci Sports LLC will be acquired by Compass Diversified Holdings LLC (NYSE:CODI) for an Enterprise Value of \$200m, representing a TEV / LTM EBITDA multiple of 13.3x |

| Target | Acquiror | Home, Garden & Pet Transactions |
|-----------------------|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tollden Farms Inc. | United Raw Pet Foods Inc. | United Raw Pet Foods, a portfolio company of, Dane Creek Capital Corporation announced the acquisition of Tollden Farms Inc., a leading Canadian manufacturer of frozen raw pet food located in Kemptville, Ontario, Tollden Farms becomes Dane Creek Capital's fifth investment in the space |
| J.A.Woll Handels GmbH | Consortium of Investors led by AC Curtis Salta | B&M European Value Retail agrees to sell its stake in J.A. Woll-Handels, a German-based retailer offering living and household products, to a consortium of investors led by AC Curtis Salta, for an Enterprise Value of \$14 million |