



# GVG: 2010 OUTLOOK

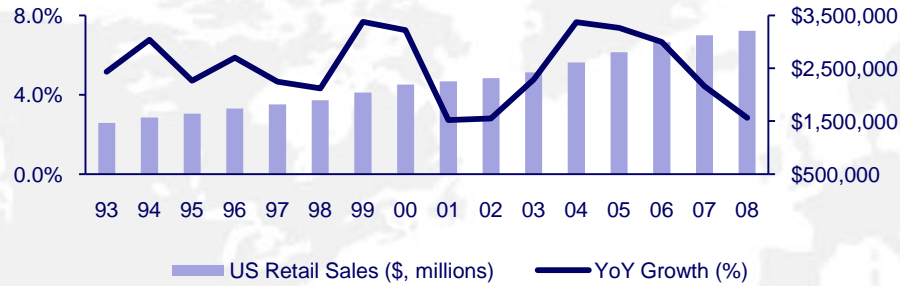
Preferred Private Equity Partner For The Retail & Consumer Sector



*Partners in Growth*

# Sector Outlook: News Headlines Are Misleading, Strong Tailwinds

## US Retail Sales<sup>1</sup> 1993 – 2008: Stable, Growing Sector



Source: <sup>1</sup>US Commerce Department

- 2008 retail spending (ex. food, autos) was \$3.2 trillion - ~25% of GDP, 1/3<sup>rd</sup> of all consumer spending
- Consumer/retail spending grew through all economic cycles
- Gross margins stable (grown slightly) over past 20 years

**Market Share:** 25% of retailers likely to go bankrupt – i.e. 10-15% of retail supply likely to disappear. Bankruptcies and store closings (200,000+) have already erased \$30 billion of retail supply across jewelry, consumer electronics, home, softlines

**Consumer Demographic, Lifestyle Trends:** Growing at double digit (several times GDP/retail growth) - aging of baby boomers, multi-channel, ethnic, health and wellness, obesity, greening, mobile are just some of those trends

**Multi-Channel Operating Platform:** Double digit EBITDA growth potential - driving traffic, larger “drop ship” inventory selection, cross channel promotions, sales and customer service -- superior business model

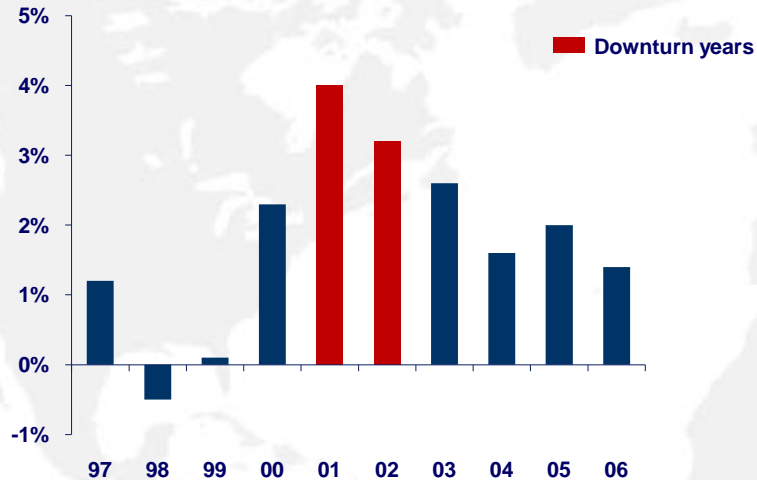
**Globalization:** 10-25% revenue growth opportunity for most mid-market retailers – low cost of market entry/testing using the internet channel

Source: Forrester Research, ICSC, Alix Partners

# Deal Outlook: Downturns Yield Superior Investment Opportunities

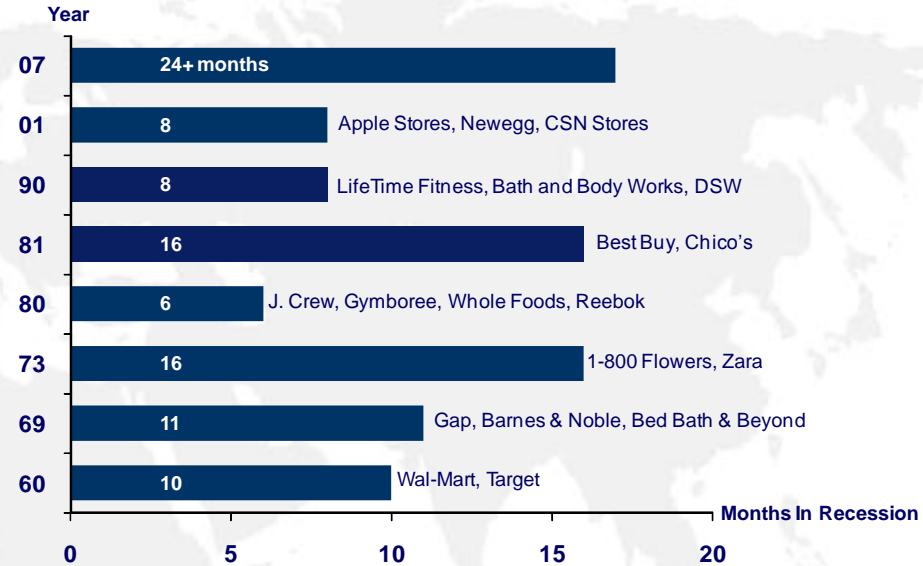
## Deals from downturns generate higher excess returns: 3x+

Average acquirer excess return



Source: 02/09 – Bain White Paper “Winning In Turbulence”. Dataset of 24,000 transactions (1996-2006). “Excess returns” - superior return to peers not bought in downturns.

## Downturns were the crucible that created these retailers



Source: Company Data, GVG Capital Group analysis

## Downturns in the retail/consumer sector offer attractive value creation opportunities

- Financially and strategically easier to consolidate fragmented categories, and buy out mom-and-pop operations
- Brands, inventory and customer lists available in fire sales
- Lower real estate costs and bankruptcies create opportunities to roll out new stores with minimal initial outlay
- Tremendous opportunity to recruit and poach top talent

# Near Term Opportunity: Market Share Consolidation

## Bankruptcies, Store Closings Can Create New Short-Term Winners

Retail Category	Noted Bankruptcies	Store Closings	Revenues Freed Up	Likely Winners
Softlines	Mervyn's, Goody's, Steve & Barry's	Sears, Charming Shoppes, Dilalrd's	\$8B	JC Penney (JCP), TJX Companies (TJX)
Home Goods	Linens 'N Things, Levitz, Wicke's	Home Depot, Pier 1, Cost Plus	\$5B	Bed Bath & Beyond (BBBY)
Consumer Electronics	Circuit City, Tweeter, CompUSA	Regional and Local Chains	\$15B	Amazon (AMZN), Best Buy (BBY)
Toys	KBToys	Regional and Local Chains	\$1B	Toys R Us, Wal-Mart (WMT)
Jewelry	Fortunoff, Finlay, Whitehall Jewelers	Zales	\$2B	Blue Nile (NILE), Signet Jewelers (SIG)

Source: Company Data, GVG Capital Group Analysis

# Long Term Macro Trends: Driving GVG Investment Focus



For detailed perspective on the 5 key trends, please visit the Ideas Section of [www.gvgcapital.com](http://www.gvgcapital.com)