

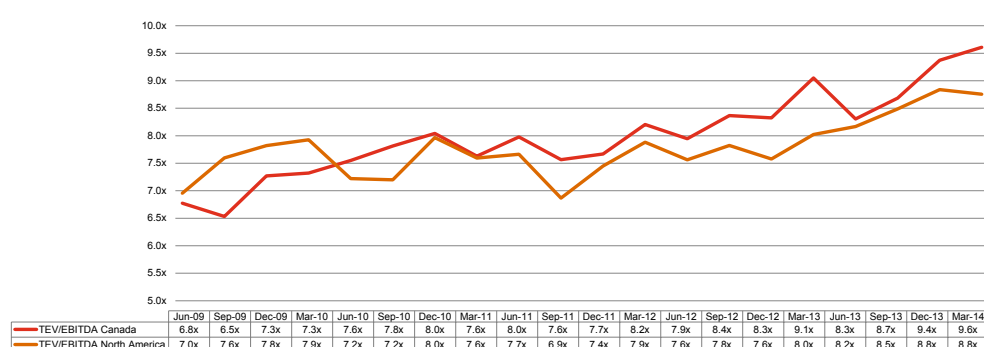
Retail

Valuation Snapshot Q1 2014

After four consecutive quarter-over-quarter increases in TEV/EBITDA, the North American retail sector valuation multiples were flat in Q1 2014. Valuations for Canadian retailers remained strong, with an average TEV/EBITDA of 9.6x, representing a five-year high.

Public market valuations: Historical average TEV/EBITDA multiples¹

TEV/EBITDA (North American and Canadian companies)



TEV (Total Enterprise Value): Market capitalization + Short-term debt + Long-term debt + Preferred equity + Minority interest - Cash and equivalents
EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization

| Industry | Number of companies | Total TEV (in US\$M) | Total market capitalization (in US\$M) | TEV/EBITDA | | | | | | | | Mar-14 | 5-yr avg. |
|---------------------------------|---------------------|----------------------|----------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|-------------|-------------|
| | | | | Jun-12 | Sep-12 | Dec-12 | Mar-13 | Jun-13 | Sep-13 | Dec-13 | | | |
| Apparel Retail | 44 | 147,818 | 151,795 | 6.4x | 7.0x | 6.8x | 6.5x | 7.5x | 7.4x | 7.8x | | 7.3x | 6.7x |
| Automotive Retail | 18 | 107,411 | 78,425 | 9.5x | 10.3x | 9.7x | 10.4x | 9.6x | 10.0x | 10.0x | | 10.4x | 9.9x |
| Catalog Retail | 5 | 28,144 | 18,024 | 8.2x | 9.1x | 9.9x | 11.0x | 11.1x | 10.6x | 11.7x | | 11.2x | 9.3x |
| Computer and Electronics Retail | 9 | 18,057 | 18,075 | 3.8x | 3.9x | 4.3x | 6.2x | 5.8x | 6.5x | 6.1x | | 6.5x | 5.4x |
| Department Stores | 9 | 82,988 | 62,298 | 6.6x | 6.7x | 6.8x | 7.6x | 6.9x | 6.7x | 8.0x | | 6.6x | 6.6x |
| Drug Retail | 6 | 193,141 | 173,860 | 9.4x | 9.1x | 8.5x | 9.1x | 9.0x | 9.9x | 9.6x | | 11.5x | 9.3x |
| Food Retail | 24 | 164,253 | 125,135 | 7.1x | 7.1x | 7.4x | 8.1x | 8.0x | 8.6x | 8.6x | | 8.7x | 7.4x |
| General Merchandise Stores | 12 | 114,048 | 93,265 | 7.9x | 8.6x | 8.3x | 7.6x | 7.7x | 8.2x | 8.2x | | 8.7x | 7.9x |
| Home Furnishing Retail | 11 | 32,597 | 33,253 | 7.9x | 8.6x | 7.8x | 8.7x | 8.8x | 8.4x | 9.3x | | 8.8x | 8.0x |
| Home Improvement Retail | 7 | 188,189 | 164,986 | 8.0x | 9.0x | 7.9x | 8.8x | 9.4x | 9.2x | 9.1x | | 10.1x | 8.4x |
| Hypermarkets and Super Centers | 3 | 353,615 | 298,983 | 9.4x | 9.9x | 8.9x | 10.0x | 9.9x | 10.1x | 10.6x | | 10.1x | 9.2x |
| Internet Retail | 24 | 280,262 | 288,795 | 9.1x | 7.7x | 9.0x | 8.3x | 9.4x | 9.7x | 10.9x | | 11.4x | 9.0x |
| Specialty Stores | 31 | 83,147 | 74,978 | 8.7x | 8.4x | 7.7x | 8.5x | 8.2x | 9.3x | 10.0x | | 9.0x | 8.2x |
| Total retail | 203 | 1,793,670 | 1,581,872 | 7.6x | 7.8x | 7.6x | 8.0x | 8.2x | 8.5x | 8.8x | | 8.8x | 7.8x |
| Canadian companies | 28 | 135,945 | 108,374 | 7.9x | 8.4x | 8.3x | 9.1x | 8.3x | 8.7x | 9.4x | | 9.6x | 8.0x |

Sources: Capital IQ and PwC analysis

¹ Companies in the retail industry listed in the United States and Canada with a market capitalization higher than \$10M. We have excluded outliers (TEV/EBITDA multiples below 2.0x and above 15.0x).

Performance of selected Canadian companies

Apparel Retail

Le Château

Share price decrease: -21%

Reitmans Canada Ltd.

Share price decrease: -15%

Lululemon Athletica Inc.

Share price decrease: -8%

The Canadian retail apparel sector continues to show modest growth. New players such as Target have entered the market, and the arrival of Saks and Nordstrom is anticipated. Across the sector, online sales continue to rise. In response, established Canadian players have undertaken transformational and promotional activities that have put pressure on current cash flows.

This new sector reality has contributed to increase volatility of share prices for the likes of Le Château and Reitmans, as reflected in their respective quarterly share price changes. Lululemon shares experienced a price decline in Q1 largely driven by lowered Q4 performance guidance.

| Company | Industry | Share price (C\$) | | Market Capitalization (C\$M) | Performance | TEV/EBITDA (LTM) | | | LTM EBITDA Margin |
|---------------------------------|---------------------------------|-------------------|--------|------------------------------|-------------|------------------|--------|-------|-------------------|
| | | Dec-13 | Mar-14 | Mar-14 | | Dec-13 | Mar-14 | NTM | Mar-14 |
| Le Château Inc. | Apparel Retail | 3.36 | 2.66 | 72.73 | ▼ -20.8% | 22.0x | 19.2x | NA | 2.40% |
| Reitmans Canada Ltd. | Apparel Retail | 6.80 | 5.76 | 370.53 | ▼ -15.3% | 5.0x | 4.0x | 3.1x | 5.4% |
| Lululemon Athletica Inc. | Apparel Retail | 62.71 | 58.02 | 8,433.37 | ▼ -7.5% | 17.5x | 15.2x | 15.4x | 28.8% |
| AutoCanada Inc. | Automotive Retail | 45.89 | 61.50 | 1,343.35 | ▲ 34.0% | 19.9x | 25.1x | 18.6x | 4.5% |
| Advent Wireless Inc. | Computer and Electronics Retail | 2.00 | 1.40 | 16.71 | ▼ -30.0% | 5.4x | 1.9x | NA | 8.3% |
| Glentel Inc. | Computer and Electronics Retail | 14.20 | 12.63 | 281.32 | ▼ -11.1% | 6.7x | 6.6x | 6.5x | 4.2% |
| Sears Canada Inc. | Department Stores | 13.00 | 16.50 | 1,680.99 | ▲ 26.9% | 31.6x | 62.7x | 34.4x | 0.5% |
| Hudson's Bay Company | Department Stores | 17.93 | 18.10 | 3,296.01 | ▲ 0.9% | 13.9x | 15.5x | 7.8x | 6.5% |
| The Jean Coutu Group | Drug Retail | 18.41 | 21.85 | 4,134.73 | ▲ 18.7% | 9.6x | 12.6x | 11.7x | 12.0% |
| Shoppers Drug Mart Corp. | Drug Retail | 58.19 | 60.83 | 12,184.40 | ▲ 4.5% | 10.5x | 11.5x | 10.7x | 10.4% |
| Liquor Stores NA Ltd. | Food Retail | 14.07 | 12.29 | 284.42 | ▼ -12.7% | 10.9x | 9.5x | 9.1x | 6.6% |
| North West Company Inc. | Food Retail | 25.74 | 24.52 | 1,187.21 | ▼ -4.7% | 10.7x | 9.8x | 9.0x | 8.9% |
| Empire Company Limited | Food Retail | 72.58 | 67.67 | 6,246.63 | ▼ -6.8% | 9.1x | 10.3x | 7.9x | 4.9% |
| Metro Inc. | Food Retail | 64.90 | 64.90 | 5,690.66 | ▶ 0.0% | 7.7x | 7.7x | 8.2x | 7.1% |
| George Weston Limited | Food Retail | 77.50 | 82.34 | 10,531.20 | ▲ 6.2% | 8.3x | 8.0x | 6.0x | 7.4% |
| Alimentation Couche-Tard Inc. | Food Retail | 79.88 | 89.41 | 16,915.36 | ▲ 11.9% | 11.0x | 11.1x | 10.4x | 4.1% |
| Loblaw Companies Limited | Food Retail | 42.38 | 46.90 | 19,345.83 | ▲ 10.7% | 8.9x | 11.9x | 8.5x | 6.6% |
| Rocky Mountain Liquor Inc. | Food Retail | 0.12 | 0.12 | 6.94 | ▲ 4.3% | 10.3x | 10.5x | NA | 3.9% |
| Dollarama Inc. | General Merchandise Stores | 88.21 | 84.22 | 5,977.25 | ▼ -4.5% | 16.8x | 16.1x | 14.1x | 19.0% |
| Canadian Tire Corp. Ltd. | General Merchandise Stores | 99.49 | 104.23 | 8,448.79 | ▲ 4.8% | 8.5x | 9.2x | 8.8x | 10.2% |
| BMTC Group Inc. | Home Furnishing Retail | 13.40 | 15.03 | 678.30 | ▲ 12.2% | 9.8x | 9.7x | 10.8x | 9.8% |
| Leon's Furniture Ltd. | Home Furnishing Retail | 14.03 | 15.74 | 1,111.87 | ▲ 12.2% | 12.2x | 10.7x | 9.8x | 9.4% |
| Coast Wholesale Appliances Inc. | Home Improvement Retail | 3.57 | 4.75 | 47.66 | ▲ 33.1% | 5.3x | 6.3x | 6.3x | 5.9% |
| RONA Inc. | Home Improvement Retail | 13.21 | 11.29 | 1,357.89 | ▼ -14.5% | 9.7x | 13.3x | 7.3x | 3.0% |
| Coastal Contacts Inc. | Internet Retail | 8.76 | 12.40 | 406.81 | ▲ 41.6% | NM | NM | NM | -6.5% |
| Easyhome Ltd. | Specialty Stores | 17.30 | 17.94 | 238.40 | ▲ 3.7% | 10.7x | 10.1x | 7.7x | 13.4% |
| Indigo Books & Music Inc. | Specialty Stores | 8.34 | 9.35 | 236.54 | ▲ 12.1% | NM | NM | NM | -0.2% |
| New Look Eyewear Inc. | Specialty Stores | 15.02 | 17.50 | 221.15 | ▲ 16.5% | 12.6x | 18.2x | 10.9x | 17.2% |

NTM: Next twelve months

LTM: Last twelve months

NM: Not meaningful

NA: Not applicable

Sears Canada Inc.

Share price increase: +27%

(YOY increase: +69%)

Over the past 52 weeks, Sears Canada shares have outperformed those of its peer group, although the company has seen a continuous decrease in revenues for the past five years. For its last fiscal year, Sears Canada reported a decrease of 8.2% in sales and an EBITDA margin of 0.5%. Over the past year, Sears Canada has announced several divestitures of non-core assets and has also launched cost-savings initiatives that include closure of non-profitable department stores and downsizing of staff. These announcements were well received by the market, as the monetization of the company's real estate assets has been followed by the issuance of special dividends to shareholders (\$509 million in December 2013).

Coast Wholesale Appliances Inc.

Share price increase: +33%

Coast's share price during the quarter was boosted by an insider take-private offer and the market's anticipation of a higher bid. On March 4, 2014, CWAL Investments along with other joint actors offered to acquire the 60.4% equity stake they do not currently control for \$4.55 per share. The company's Board has recommended that shareholders reject this offer.

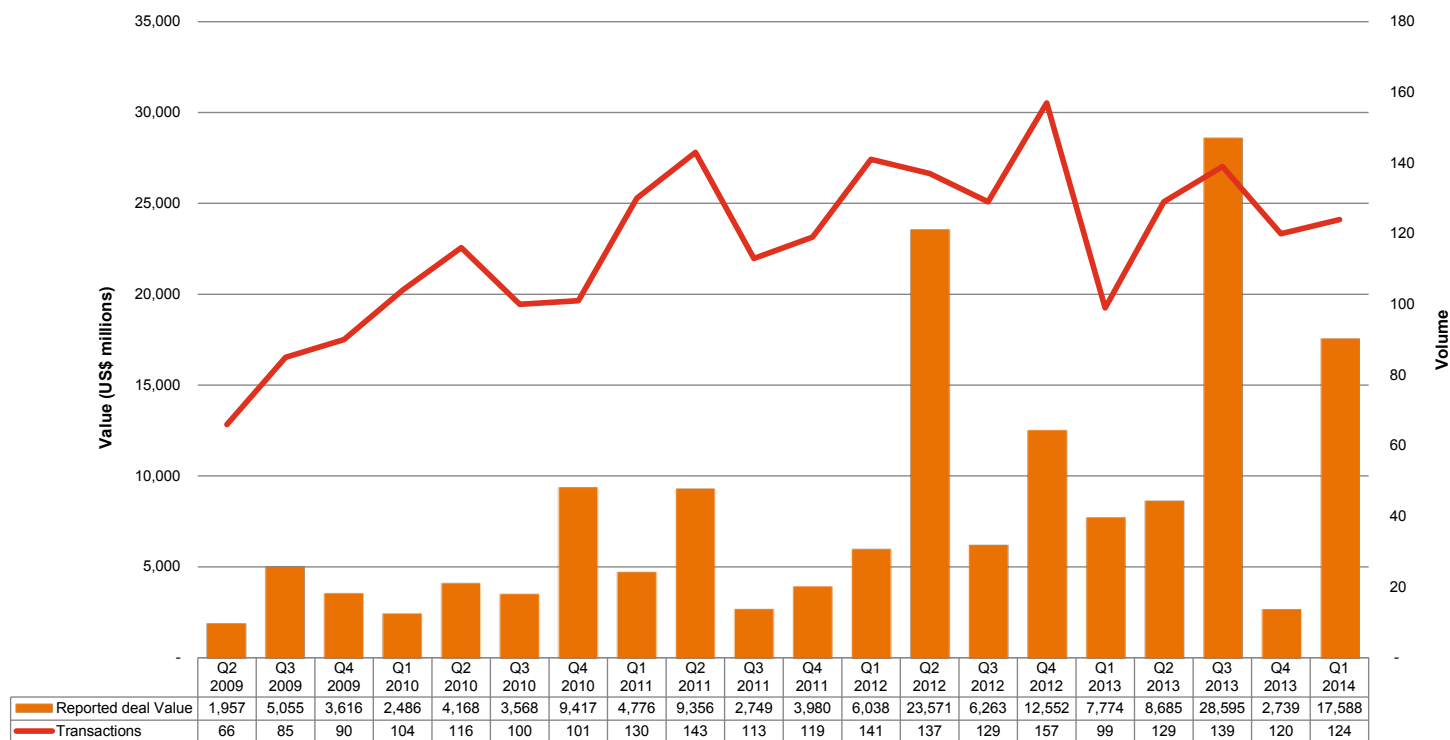
Coastal Contacts Inc.

Share price increase: +42%

(YOY increase: +96%)

On February 26, 2014, Essilor International entered into a binding agreement to acquire Coastal Contacts for \$410 million. Under this agreement, Essilor will pay \$12.45 for each Coastal Contacts share. The purchase price per share represents a premium of 43% over the three-month volume-weighted average price of \$8.73 on and 84% over the six-month volume-weighted average price of \$6.78.

Quarterly deal trend



Source: Capital IQ

Recent transactions

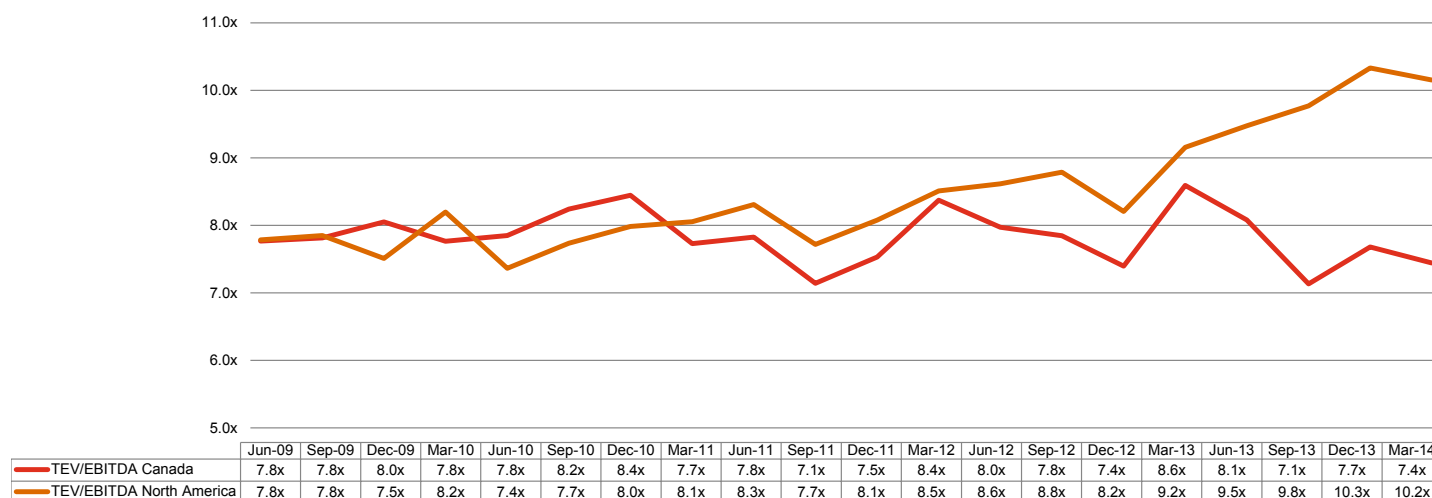
**Q1 2014: 90 days,
124 deals, \$17.6 billion
in total reported deal
value for 23 transactions**

- Across the North American retail landscape, both the number and total reported deal value of M&A transactions for Q1 2014 increased from the levels achieved in Q4 2013. The largest transaction during the quarter was the \$11.8 billion buyout of Safeway Canada, the second largest grocer in the U.S., by Albertson's, the fifth largest grocer in the U.S., who is backed by private firm Cerberus Capital Management. This deal follows Safeway's \$5.8 billion sale of its 223-store Canadian operations to Sobey's, a transaction completed in November 2013. During Q1 2014, Sobey's sold 15 stores to the Overwaitea Food Group and 14 stores to Federated Co-operatives largely to comply with a ruling from Canada's Competition Bureau following the Safeway acquisition. Combined proceeds from these two sale transactions were \$430 million.
- Three other notable deal announcements in the quarter also involved financial investors: Vintage Capital's proposed \$2.4 billion acquisition of Aaron's, a furniture and electronics rental retailer; G Asset Management's \$660 million proposed acquisition of a 51% equity stake in book retailer Barnes & Noble; and the proposed \$1.2 billion sale of Zale, a jewelry retailer led by Golden Gate Capital, to Signet Jewelers.
- In addition to the Canadian grocery store transaction described previously, Q1 2014 included noteworthy transactions involving AutoCanada, an automotive retailer. During the quarter, the company made three dealership acquisitions across Western Canada. This continues the ongoing consolidation trend across the Canadian automotive retail sector. In the Canadian retail agricultural space, CHS, a global energy, grains and foods company, acquired 16 retail locations from Crop Production Services, a wholly owned subsidiary of Agrium.

Restaurants Snapshot Q1 2014

Public market valuations: Historical average TEV/EBITDA multiples²

TEV/EBITDA (North American and Canadian restaurants)



TEV (Total Enterprise Value): Market capitalization + Short-term debt + Long-term debt + Preferred equity + Minority interest - Cash and equivalents

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization

Sources: Capital IQ and PwC analysis

² Companies in the retail industry (restaurant sector) listed in the U.S. and Canada with a market capitalization higher than \$10M. We have excluded outliers (TEV/EBITDA multiples below 2.0x and above 15.0x).

Valuations of US restaurant companies continue to rise (55 companies); however, their profitability has not followed the same trend. As such, US valuation multiples have increased during the past year, bringing the North American average TEV/EBITDA from 8.2x in December 2012 to a high of 10.3x in December 2013 and 10.2x in March 2014. Meanwhile, the Canadian average TEV/EBITDA has decreased from a high of 8.6x in March 2013 to 7.4x in March 2014 (5 companies).

Canadian companies

| Company | Industry | Share price (C\$) | | Market Capitalization (C\$M) | Performance | TEV/EBITDA (LTM) | | | LTM EBITDA Margin |
|--------------------------------|-------------|-------------------|--------|------------------------------|-------------|------------------|--------|-------|-------------------|
| | | Dec-13 | Mar-14 | | | Dec-13 | Mar-14 | NTM | |
| Tim Hortons Inc. | Restaurants | 61.99 | 61.14 | 9,118.17 | ▼ -1.4% | 12.1x | 11.7x | 10.9x | 24.3% |
| MTY Food Group Inc. | Restaurants | 34.28 | 30.36 | 655.45 | ▼ -11.4% | 16.3x | 15.2x | 12.8x | 38.7% |
| Imvescor Restaurant Group Inc. | Restaurants | 2.35 | 2.13 | 98.66 | ▼ -9.4% | 7.7x | 6.8x | NA | 30.1% |
| The Second Cup Ltd | Restaurants | 4.95 | 4.99 | 49.02 | ▲ 0.8% | 6.6x | 6.6x | NA | 30.0% |
| Sportscene Group Inc. | Restaurants | 7.40 | 8.25 | 30.82 | ▲ 11.5% | 4.3x | 4.7x | NA | 10.9% |

NTM: Next twelve months

LTM: Last twelve months

NM: Not meaningful

NA: Not applicable

MTY Food Group Inc.

Share price decrease: -11%

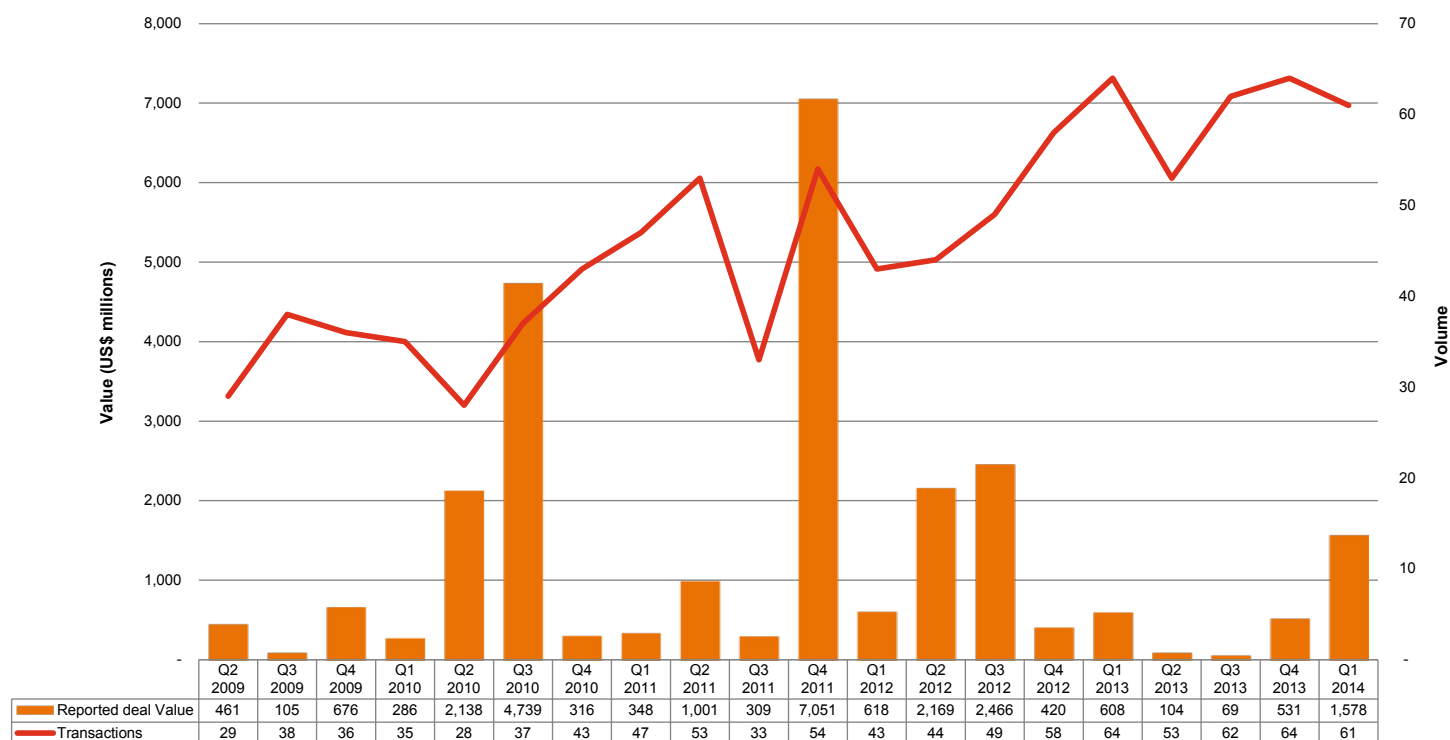
In the Canadian retail restaurant segment, despite announcing record profits for the 2013 fiscal year and a 14% increase in profits in Q4, MTY Food Group's shares declined by 11% during Q1 likely due to a 1.2% decline in Q4 same-store sales caused by adverse weather, intense competition and sluggish economic conditions in some locations.

Sportscene Group Inc.

Share price increase: +11%

Sportscene Group Inc. operates Quebec's leading chain of sports-themed resto-bars such as La Cage aux Sports, a banner comprising 52 restaurants. Q1 2014 share performance has been driven by a much more favourable sporting environment than last year, which has contributed to La Cage aux Sports' total network sales posting an 8.5% organic growth over the previous year and an increase in consolidated EBITDA of 14.6% for its first quarter ended in November 2013.

Quarterly deal trend



Source: Capital IQ

In M&A activity across the restaurant sector in North America, the most significant transaction this quarter was the \$1.3 billion acquisition of CEC Entertainment, parent company of the Chuck E. Cheese restaurant chain, by Apollo Global Management. The implied TEV/LTM EBITDA multiple for this transaction stood at 7.5x. This single transaction represented over 80% of the total reported transaction value for M&A activity across the restaurant segment in Q1.

| | 2010 | 2011 | 2012 | 2013 | 2014f | 2015f | 2016f | 2017f | 2018f |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenues (\$ millions) | 48,616 | 50,024 | 52,570 | 55,049 | 56,852 | 59,105 | 61,616 | 64,242 | 66,793 |
| | 3.2 | 2.9 | 5.1 | 4.7 | 3.3 | 4.0 | 4.2 | 4.3 | 4.0 |
| Costs (\$ millions) | 47,342 | 48,594 | 51,158 | 54,098 | 55,459 | 57,575 | 59,997 | 62,549 | 65,035 |
| | 2.8 | 2.6 | 5.3 | 5.7 | 2.5 | 3.8 | 4.2 | 4.3 | 4.0 |
| Profits before taxes (\$ millions) | 1,274 | 1,430 | 1,412 | 951 | 1,393 | 1,530 | 1,620 | 1,693 | 1,759 |
| | 24.4 | 12.2 | -1.3 | -32.6 | 46.4 | 9.9 | 5.9 | 4.5 | 3.9 |
| Profit margin (%) | 2.6 | 2.9 | 2.7 | 1.7 | 2.4 | 2.6 | 2.6 | 2.6 | 2.6 |

f=forecast

Sources: The Conference Board of Canada and Statistics Canada

Industry at a glance

The Canadian food services industry generated \$55 billion in sales and employed more than 943,000 in 2013. Sales were down for the first time in recent years, but more significant was the disappointing results in pre-tax profits. At \$951 million, profits dropped by 33% from 2012, as industry costs outpaced revenue growth.³ Higher material costs were the main reason for this; food prices experienced significant gains in the first half of 2013. Since then, food prices have moderated, and this should alleviate further pressure on overall material prices in 2014. Consumer confidence is still low, as Canadians are pessimistic about the job market and are cautious about spending. Restaurants' reduced costs will allow profits

to recover partially in 2014. However, profit margins will remain low due to the competitiveness of the industry.

Canadian households continue to show a growing desire to dine out rather than at home. Quick service restaurants have benefited from this trend, as their share of total restaurant expenditures has increased to 45.8% in the last five years. In recent years, their major competition is coming from grocery stores that offer take-prepared meals that have gained in popularity. Quick service restaurants have been meeting this challenge by enhancing their take-out and drive-thru offerings and using online promotions. This trend will likely continue as frugal consumers look for value and convenience and thus limit price increases and hurt profitability.⁴

³ Conference Board of Canada. Canada's Food Services Industry. Winter 2014.

⁴ Conference Board of Canada. Food Services. Autumn 2013.

Industry concentration

The Canadian food service industry is highly fragmented, with full-service restaurants and limited service subsectors representing close to 90% of the industry's sales. Over 98% of full and limited service restaurants employ fewer than 100 workers, and more than two-thirds employ fewer than 20.⁵ The industry is very competitive, as it is relatively easy to enter the market. Capital requirements are low, and the ability to copy successful businesses has limited the opportunity for a single company to have a dominant position in the market. New entrants have found clever ways of meeting the challenges to market entry. Recently, high-quality food trucks have flourished in big cities such as Toronto, Montréal, Edmonton and Vancouver and have reduced fixed costs and improved industry flexibility.

Trends

Survival in a highly competitive environment depends on recognizing and meeting the needs of your customers. The food services sector is constantly adapting to its customers' needs. With a growing awareness of celiac disease and gluten intolerance, there has been a surge in the popularity of gluten-free foods. Roughly 12% of Canadians have been cutting down on or avoiding gluten completely.⁶ Food service operators have addressed this particular desire by offering and advertising a variety of gluten-free menu items. In a recent survey, more than 400 professional chefs in Canada identified "gluten free" as the number one culinary theme for 2014.⁷

Up and coming menu hot trends will likely include ancient grains, superfruits, leafy greens, and non-wheat noodles and pasta. While wholesome, locally sourced foods will also indulge customers' desires for a return to simplicity and to go back to basics.



⁵ Conference Board of Canada. Food Services. Autumn 2013.

⁶ Udi's Healthy Foods. Canadian Attitudes to Gluten-Free Study, September 2013.
http://stream1.newswire.ca/media/2013/09/10/20130910_C5587_DOC_EN_30647.pdf

⁷ Restaurants Canada. Restaurants Canada 2014 Chef Survey, January 2014.
http://www.crfa.ca/pdf/chefsurvey_2014_english.pdf

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Calgary

Paul Sharp
CA, CBV
403 509 7550
paul.w.sharp@ca.pwc.com

Toronto

Ken Goodwin
CPA, CA, CBV
416 814 5760
ken.goodwin@ca.pwc.com

Montréal

Dominic Pharand
CPA, CA, CFA, CBV
514 205 5179
dominic.pharand@ca.pwc.com

Vancouver

Bob J. Sandy
CA • IFA, CBV
604 806 7422
robert.j.sandy@ca.pwc.com

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Alain Michaud

Canadian Retail and Consumer Leader
alain.michaud@ca.pwc.com
514 205 5327



Brooke Valentine

Canadian Retail and Consumer Deals Leader
brooke.valentine@ca.pwc.com
416 687 8141

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