

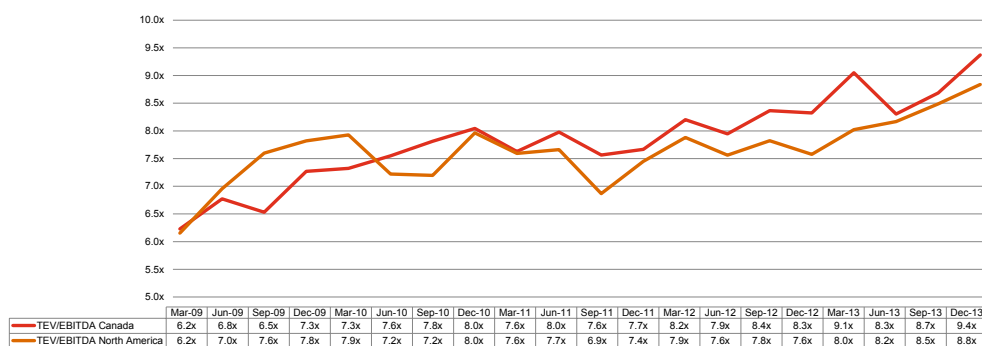
Retail

Valuation Snapshot Q4 2013

The North American retail sector showed continued momentum with a fourth consecutive quarter-over-quarter increase in TEV/EBITDA. Valuations for Canadian retailers remained strong, ending the year at an average TEV/EBITDA of 9.4x, 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

Name	Number of companies	Total TEV (in US\$M)	Total market capitalization (in US\$M)	TEV/EBITDA							Dec-13	5-yr avg.
				Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13		
Apparel Retail	45	159,054	159,654	7.0x	6.4x	7.0x	6.8x	6.5x	7.5x	7.4x	7.8x	6.6x
Automotive Retail	18	101,319	73,974	9.7x	9.5x	10.3x	9.7x	10.4x	9.6x	10.0x	10.0x	9.8x
Catalog Retail	5	28,936	18,777	8.1x	8.2x	9.1x	9.9x	11.0x	11.1x	10.6x	11.7x	9.0x
Computer and Electronics Retail	9	25,649	25,540	4.7x	3.8x	3.9x	4.3x	6.2x	5.8x	6.5x	6.1x	5.3x
Department Stores	9	84,974	60,709	7.2x	6.6x	6.7x	6.8x	7.6x	6.9x	6.7x	8.0x	6.6x
Drug Retail	6	179,016	159,850	9.0x	9.4x	9.1x	8.5x	9.1x	9.0x	9.9x	9.6x	9.1x
Food Retail	25	156,718	117,101	6.9x	7.1x	7.1x	7.4x	8.1x	8.0x	8.6x	8.6x	7.3x
General Merchandise Stores	11	116,545	95,354	8.5x	7.9x	8.6x	8.3x	7.6x	7.7x	8.2x	8.2x	7.8x
Home Furnishing Retail	11	34,130	34,826	8.2x	7.9x	8.6x	7.8x	8.7x	8.8x	8.4x	9.3x	7.8x
Home Improvement Retail	7	194,360	173,670	9.1x	8.0x	9.0x	7.9x	8.8x	9.4x	9.2x	9.1x	8.2x
Hypermarkets and Super Centers	3	368,765	310,380	9.1x	9.4x	9.9x	8.9x	10.0x	9.9x	10.1x	10.6x	9.1x
Internet Retail	22	302,719	308,590	8.2x	9.1x	7.7x	9.0x	8.3x	9.4x	9.7x	10.9x	8.8x
Specialty Stores	30	89,935	81,936	9.0x	8.7x	8.4x	7.7x	8.5x	8.2x	9.3x	10.0x	8.0x
Total retail	201	1,842,120	1,620,360	7.9x	7.6x	7.8x	7.6x	8.0x	8.2x	8.5x	8.8x	7.6x
Canadian companies	28	119,716	94,403	8.2x	7.9x	8.4x	8.3x	9.1x	8.3x	8.7x	9.4x	7.8x

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

Out of **201** selected public companies in the retail sector in North America, **14%** (28) are Canadian companies (with 8 in the food retail business, 3 in apparel retail, 3 in specialty stores, and the other scattered across the other retail sectors represented by one or two companies).

Company	Industry	Share price (C\$)		Market Capitalization (C\$M)	Performance	TEV/EBITDA (LTM)		LTM EBITDA Margin	
		Sep-13	Dec-13	Dec-13		Sep-13	Dec-13	NTM	Dec-13
Le Chateau Inc.	Apparel Retail	3.82	3.36	91.83	▼ -12.0%	16.5x	22.0x	NA	2.4%
Reitmans Canada Ltd.	Apparel Retail	7.51	6.80	438.51	▼ -9.5%	5.8x	5.0x	3.7x	6.5%
Lululemon Athletica Inc.	Apparel Retail	75.23	62.71	9,106.07	▼ -16.6%	22.6x	17.5x	15.6x	29.3%
AutoCanada Inc.	Automotive Retail	36.95	45.89	992.99	▲ 24.2%	18.5x	19.9x	16.7x	4.5%
Advent Wireless Inc.	Computer and Electronics Retail	1.95	2.00	23.87	▲ 2.6%	4.2x	5.4x	NA	8.3%
Glentel Inc.	Computer and Electronics Retail	14.92	14.20	316.25	▼ -4.8%	7.5x	6.7x	6.4x	4.8%
Sears Canada Inc.	Department Stores	12.60	13.00	1,324.41	▲ 3.2%	20.4x	31.6x	16.5x	0.6%
Hudson's Bay Company	Department Stores	17.38	17.93	3,265.05	▲ 3.2%	10.1x	13.9x	7.2x	7.7%
The Jean Coutu Group	Drug Retail	18.19	18.41	3,489.34	▲ 1.2%	12.3x	9.6x	8.8x	12.0%
Shoppers Drug Mart Corp.	Drug Retail	59.32	58.19	11,646.82	▼ -1.9%	10.7x	10.5x	10.5x	10.7%
Liquor Stores NA Ltd	Food Retail	15.95	14.07	325.01	▼ -11.8%	11.6x	10.9x	10.3x	6.7%
North West Company Inc.	Food Retail	23.57	25.74	1,246.28	▲ 9.2%	9.7x	10.7x	9.6x	8.7%
Empire Company Limited	Food Retail	74.37	72.58	6,696.76	▼ -2.4%	6.2x	9.1x	6.3x	5.0%
Metro Inc.	Food Retail	64.43	64.90	5,873.23	▲ 0.7%	7.3x	7.7x	7.9x	7.1%
George Weston Limited	Food Retail	81.01	77.50	9,911.94	▼ -4.3%	7.7x	8.3x	6.7x	7.2%
Alimentation Couche-Tard Inc.	Food Retail	64.22	79.88	15,091.09	▲ 24.4%	10.0x	11.0x	9.9x	4.0%
Loblaw Companies Limited	Food Retail	45.51	42.38	11,963.53	▼ -6.9%	8.6x	8.9x	7.0x	6.5%
Rocky Mountain Liquor Inc.	Food Retail	0.19	0.12	6.65	▼ -39.5%	12.0x	10.3x	NA	3.9%
Dollarama Inc.	General Merchandise Stores	83.71	88.21	6,260.43	▲ 5.4%	16.6x	16.8x	14.5x	19.0%
Canadian Tire Corp. Ltd.	General Merchandise Stores	91.23	99.49	8,064.87	▲ 9.1%	8.1x	8.5x	8.5x	10.8%
BMTC Group Inc.	Home Furnishing Retail	12.99	13.40	607.36	▲ 3.2%	8.5x	9.8x	9.4x	8.3%
Leon's Furniture Ltd.	Home Furnishing Retail	13.00	14.03	990.92	▲ 7.9%	15.1x	12.2x	8.4x	9.4%
Coast Wholesale Appliances Inc.	Home Improvement Retail	3.56	3.57	35.82	▲ 0.3%	5.3x	5.3x	5.1x	6.1%
RONA Inc.	Home Improvement Retail	11.84	13.21	1,608.82	▲ 11.6%	9.8x	9.7x	9.7x	4.7%
Coastal Contacts Inc.	Internet Retail	6.50	8.76	282.14	▲ 34.8%	NM	NM	NM	-5.6%
easyhome Ltd.	Specialty Stores	13.90	17.30	229.90	▲ 24.5%	9.0x	10.7x	8.0x	12.6%
Indigo Books & Music Inc.	Specialty Stores	10.50	8.34	210.99	▼ -20.6%	9.7x	NM	3.4x	-0.2%
New Look Eyewear Inc.	Specialty Stores	11.62	15.02	189.50	▲ 29.3%	8.2x	12.6x	NA	18.6%

NTM: Next twelve months

LTM: Last twelve months

NM: Not meaningful

NA: Not applicable

Alimentation Couche-Tard Inc.

2013 share price increase: +63%
(+24% in Q4 2013)

Couche-Tard was one of the high performing stocks of the Canadian retail industry. Its share price increased by 63% in 2013 as a result of the successful integration of recent acquisitions in Europe and in the US combined with higher gross margin on higher fuel volumes.

AutoCanada Inc.

2013 share price increase: +199%
(+24% in Q4 2013)

In 2013, Auto-Canada Inc. recorded increases in revenues: same store growth of 19.9% in Q3 2013 and 26.2% in Q2 2013. Sales of light trucks increased and 5 out of 9 OEMs that AutoCanada represents outperformed the market.

Indigo Books & Music Inc.

2013 share decrease: -22%
(-21% in Q4 2013)

No *Fifty Shades of Grey* and *Hunger Games* trilogy in 2013... explains mainly decrease in revenues combined with closure of stores. Moreover, costs of transformational initiatives (marketing, digital capabilities, merchandising redesign) resulted in increased loss on operations.

Coastal Contacts Inc.

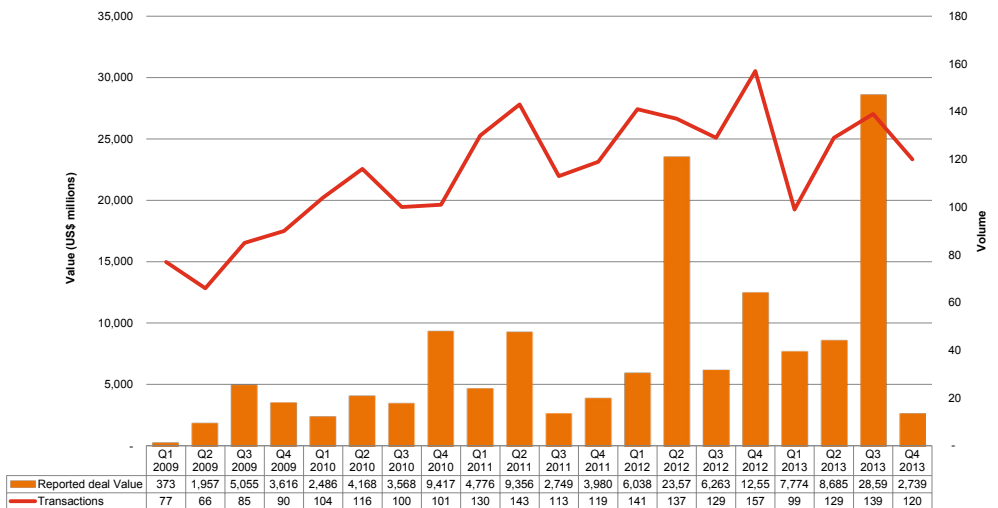
2013 share price increase: +46%
(+35% in Q4 2013)

Coastal Contacts, a Vancouver based company, is a manufacturer and online retailer of eyewear products offered through a combination of international websites and stores. It saw its sales increase by 11% in 2013. Despite higher sales, the company is still struggling to become profitable.

Recent transactions

**Q4 2013: 92 days,
120 deals, \$2.7 billion in
total reported deal value
for 24 transactions**

Quarterly deal trend



Source: Capital IQ

- Across the North American retail landscape, both the number and total reported deal value of M&A transactions for Q4 2013 declined from the record levels achieved in Q3. Sizeable transactions included Jos. A Bank Clothiers US\$1.6 billion acquisition of The Men's Warehouse and private equity TPG Capital, L.P. US\$390M acquisition of Arden Group Inc, a food retail chain, by private.
- Out of the 120 M&A transactions in Q4, 12 deals (10% of the total) involved Canadian companies (as buyer or seller). These Canadian deals however, only represented 7% of the total reported deal value for Q4, a sharp contrast to Q3 where 75% of total reported deal value resulted from three transactions involving a Canadian entity (Loblaws acquisition of Shoppers Drug Market, Hudson Bay Company's purchase of Saks and the buy-out of Neiman Marcus by the Canadian Pension Plan Investment Board and Ares Management).
- The Canadian M&A activity in Q4 included two noteworthy middle-market transactions which both involved Quebec-based companies. Agricultural La Coop fédérée acquired a significant minority interest in Groupe BMR, a home renovation and hardware retailer. Following this transaction, the two companies will have 360 retail locations on a combined basis. Financial terms of the transaction were not disclosed. Montreal-based New Look Eyewear announced plans to acquire the assets the Vogue Optical, an eyewear retailer with stores across Atlantic Canada for CA\$74 million.
- Looking ahead, Target has announced plans to open an additional nine stores across Canada in 2014, bringing its total Canadian store count to 133 by the end of 2014. South of the border, J.C. Penney and Macy's both announced plans to close multiple underperforming stores in 2014, while Lululemon, Michael Kors and Vince are all expected to add stores throughout the year. Clearly 2014 is shaping up to be another interesting year in the retail sector.

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