

# STAYING AHEAD OF THE CURVE

## A DRESNER PARTNERS NEWSLETTER

### ECOMMERCE 2017 Review

JANUARY 2018



DRESNER PARTNERS  
INVESTMENT BANKING

IMAP

## SECTOR AND FINANCIAL OVERVIEW

2017 was an exceptional year for middle-market eCommerce M&A, in terms of both dollar volume and valuation multiples. Convergence is the underlying theme for much of the recent M&A activity across the Consumer Products, Retail and eCommerce sectors. Established brick & mortar companies are quickly consuming companies with a significant online presence to fend off aggressive eCommerce competitors. Established eCommerce companies, in turn, are acquiring brick and mortar companies to become closer to the customer.

Within the Consumer Products sector, branded products and omnichannel presence, complemented by comprehensive consumer data, are key to capturing market share, and maintaining price points, with consumers. Within the Retail sector, product diversification and data-driven market reach are necessary conditions to ongoing online success. Within the eCommerce sector, customer engagement and satisfaction with the right products delivered at the right time and across all the digital channels, particularly mobile, are key factors. Distribution companies are in the middle of the convergence and are aligning with Consumer Product and Retail businesses. While the largest players, such as Amazon, Walmart, Alibaba, Priceline, and Netflix, compete for purchase and payment transactions, Consumer Products, Retail and Distribution companies engage directly with consumers to address product and service needs in the physical and virtual worlds through data-specific analyses and other technologies. Dresner Partners sees middle market companies as strategic beneficiaries of M&A activity due to this demand for a wider variety of services. Selected strategic and tactical moves made in these sectors are summarized below:

### Acquiring companies in new markets

- Amazon's acquisition of Whole Foods (Retail)
- Walmart's acquisition of Jet.com (eCommerce)
- Priceline's acquisition of Hotel Urbano Viagens e Turismo SA (Brazilian hotel search)

### Expanding product offerings

- Walmart's partnership with Lord & Taylor to sell upscale fashion online
- Netflix's acquisition of Millarworld Limited to sell comic books
- PFSWeb's acquisition of Conexus to provide consultancy and systems integration for omnichannel commerce in the UK
- IKEA's acquisition of TaskRabbit, to assist its customers with product assembly

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## Managing pricing strategies in multiple markets (omnichannel) with loyalty programs, rebates, discounts, and premiums

- Retailers using both online and physical stores
- Consumer Products companies
- Online (eCommerce) stores

## eCommerce Industry Statistics and Trends

In 2017, global retail eCommerce revenue is projected to reach nearly \$2.3 trillion and is expected to continue to grow faster than eCommerce revenue in the U.S.<sup>1</sup>, which is forecast to be \$452 billion<sup>2</sup>. Taking a closer look at U.S. eCommerce revenue, one-third or an estimated \$149 billion is anticipated to be generated during the recent holiday shopping season<sup>3</sup>. Leading product and services categories include Apparel (17.7%), Electronics (17.3%), Home & Office (12.9%), and Medications/Cosmetics (7.3%), accounting for over 50% of online sales combined<sup>4</sup>.

The gap between physical and online shopping, linking brick-and-mortar stores with eCommerce sites, is shrinking. Sellers are working to provide multiple touchpoints (targeted to increase in 2018), including pop-up stores and physical locations, to reach and serve more prospective customers, while also expanding product options in showrooms and delivery choices, aimed to reduce the number of abandoned shopping carts (estimated to impact nearly 25% of transactions) and improve delivery to meet the consumer where they choose. Enhanced retailer websites are enabling consumers to take a closer look at products, including 360 degree spins of packaging, video overviews and verified customer reviews. Examples include:

- Google Local Inventory Ads showing online shoppers product availability in nearby physical stores and distributors' locations
- Adidas and Nike shoe designs with customizable color options at consumers' fingertips
- Mymuesli cereals that are organic and customizable to specific tastes or dietary restrictions

## Valuations

The debate is likely to continue whether Retail/Consumer Products companies present a deep value opportunity. Value-driven buyers may also focus on middle market distribution companies where specialized products are delivered with greater efficiency through variable warehouse models. The opportunity for eCommerce companies to invest in Retail/Consumer Products is a significant one in today's markets. ECommerce companies are trading at over 4.0x and 36.0x EV/LTM revenue and EV/LTM EBITDA, respectively, Retail/Consumer Products companies reflect much lower valuations at under 2.0x and 10.0x EV/LTM Revenue and EV/LTM EBITDA, respectively. This divergence clearly reflects investors' dissonance with bricks-and-mortar and labor-intensive models relative to the selected eCommerce set of companies, but therein lies the opportunity for both buyers and sellers.

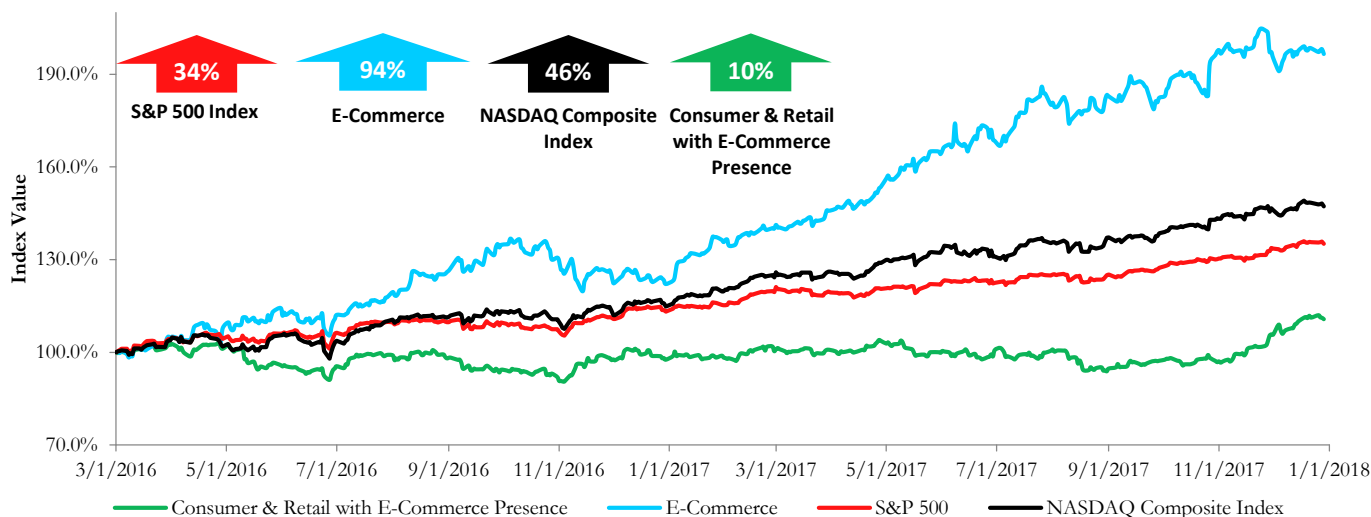
1. "Retail e-commerce sales worldwide from 2014 to 2021", Statista, <https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/>, 2017

2. Jonathan Hadad, "E-Commerce and Online Auctions in the U.S.", IBISWorld, October 2017, pg. 5

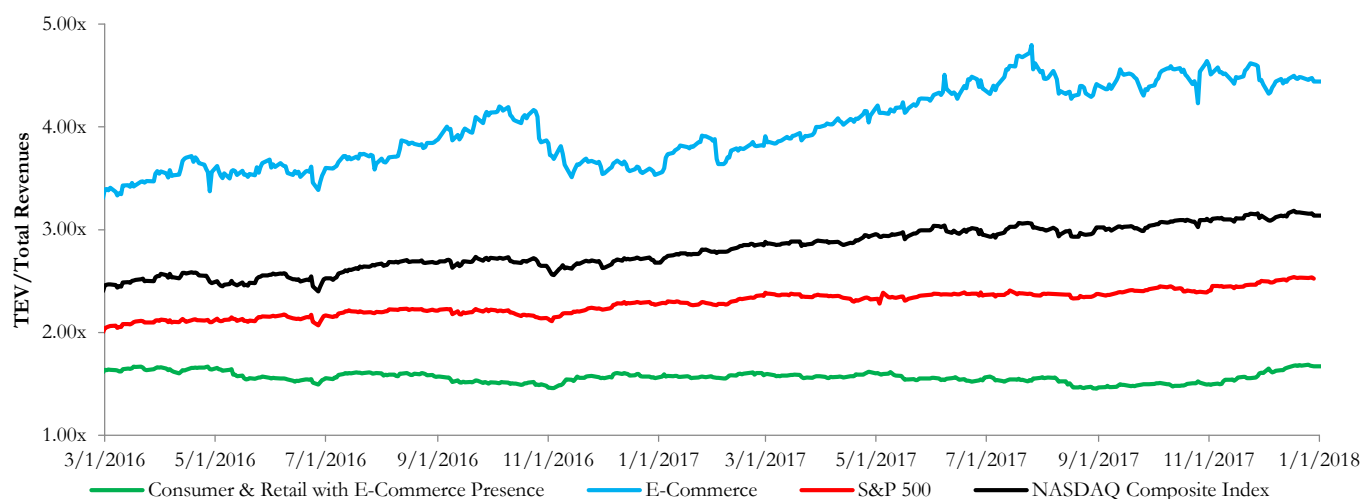
3. "Internet Retailer", Digital Commerce 360, <https://www.digitalcommerce360.com/2017/11/13/online-sales-web-traffic-higher-earlier-growth-holidays/>, (November 13, 2017)

4. Hadad, pg. 5.

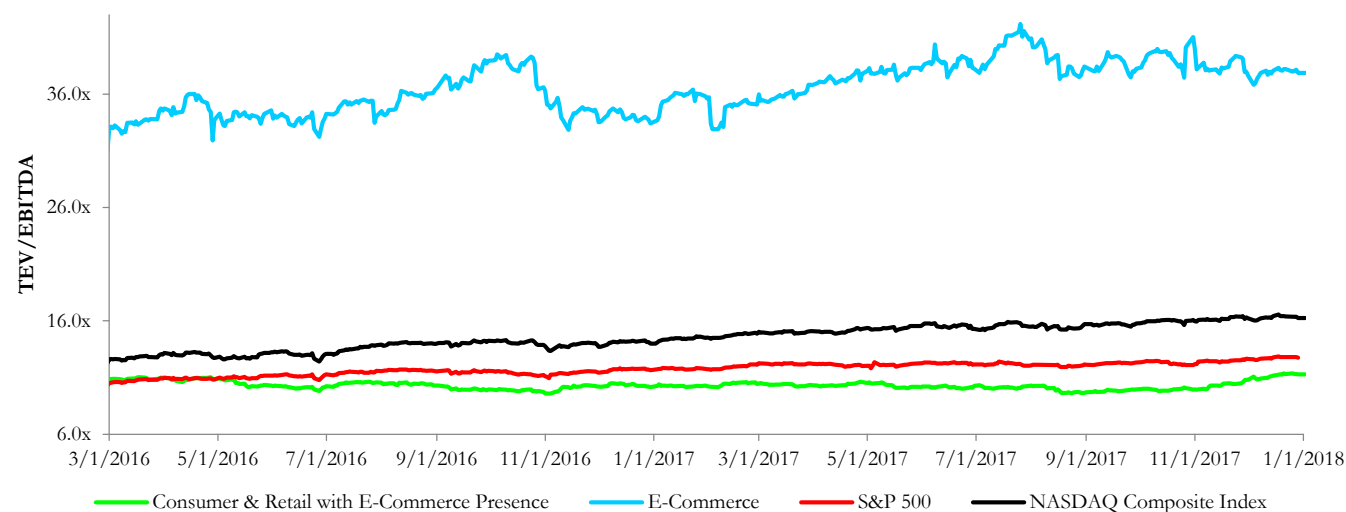
## Relative Stock Price Performance <sup>(1)</sup>



## Average EV / LTM Revenue <sup>(1)</sup>



## Average EV / LTM EBITDA <sup>(1)</sup>



Source: S&P CapitalIQ as of December 31, 2017

1) Dresner Partners eCommerce Index consists of 20 consumer & retail eCommerce companies

## Selected eCommerce M&amp;A Activity

The following table summarizes selected Ecommerce M&A transactions in 2017<sup>5</sup>

| Closed Date | Target  | Buyer  | Enterprise Value<br>(\$ in millions) | Enterprise Value / |               |
|-------------|---|--|--------------------------------------|--------------------|---------------|
|             |   |  |                                      | LTM<br>Revenue     | LTM<br>EBITDA |
| Dec-13-2017 | Shipt   | Target Corporation                               | \$550                                | -                  | -             |
| Oct-20-2017 | Plasticwatertanks.com Inc. and P-M.com Inc. and | Grupo Rotoplas S.A.B. de C.V. (BMV:AGUA *)       | -                                    | -                  | -             |
| Sep-20-2017 | DineInFresh, Inc.                               | AB Acquisition LLC                               | \$300                                | -                  | -             |
| Sep-05-2017 | Tianjin Maoyan Culture Media Co., Ltd           | Shanghai Enlight Investment Holdings Co., Ltd.   | \$1,377                              | 8.7x               | -             |
| Aug-09-2017 | Go Global Travel Ltd                            | Apax Partners LLP                                | \$80                                 | -                  | -             |
| Aug-07-2017 | Carousel Designs                                | Crown Crafts                                     | \$10                                 | 1.3x               | -             |
| Aug-02-2017 | JacTravel Limited                               | Webjet Limited (ASX:WEB)                         | \$250                                | 4.6x               | 9.9x          |
| Jul-06-2017 | HSN, Inc. (NasdaqGS:HSNI)                       | QVC Group (NasdaqGS:QVCA)                        | \$1,829                              | -                  | 10.7x         |
| Jun-28-2017 | Afull Co., LTD                                  | HS Vital Co., Ltd. (KOSDAQ:A204990)              | \$65                                 | -                  | -             |
| Jun-23-2017 | Flipkart Online Services Pvt. Ltd.              | Naspers Limited (JSE:NPN)                        | -                                    | -                  | -             |
| Jun-20-2017 | eTRAVELi Holding AB                             | CVC Capital Partners Limited                     | \$565                                | -                  | 14.0x         |
| Jun-16-2017 | Bonobos   | Wal-Mart   | \$310                                | -                  | -             |
| Jun-09-2017 | Arcade Travel, Inc.                             | Healthway Shopping Network, Inc.                 | \$48                                 | -                  | -             |
| May-29-2017 | Carriage Logistics General Trading Company      | Delivery Hero AG (DB:DHGR)                       | \$95                                 | -                  | -             |
| May-24-2017 | Namshi General Trading L.L.C                    | Emaar Malls PJSC (DFM:EMAARMALLS)                | \$296                                | 2.0x               | -             |
| May-12-2017 | Showroomprive.com, SARL                         | Conforama Holding S.A.                           | \$1,011                              | 1.7x               | -             |
| May-01-2017 | Angie's List                                    | HomeAdvisor                                      | \$615                                | 1.8x               | 51.6x         |
| May-04-2017 | Grays eCommerce                                 | Leasing Finance                                  | \$134                                | 1.3x               | 13.4x         |
| Apr-10-2017 | RetailMcNot                                     | Harland Clarke                                   | \$455                                | 1.5x               | 14.8x         |
| Apr-07-2017 | eBags, Inc.                                     | Samsonite LLC                                    | \$105                                | 0.7x               | -             |
| Mar-28-2017 | Souq.com FZ-LLC                                 | Amazon.com, Inc. (NasdaqGS:AMZN)                 | \$586                                | -                  | -             |
| Mar-16-2017 | ModCloth  | Jet.com, Inc.                                    | \$63                                 | -                  | -             |
| Mar-13-2017 | Lifetime Brands, Inc.                           | Mill Road Capital LP                             | \$377                                | -                  | 8.9x          |
| Mar-02-2017 | iAlbatros Poland S.A.                           | Sodexo Mobility and Expense Limited              | \$47                                 | -                  | -             |
| Feb-15-2017 | New Moosejaw LLC                                | Wal-Mart   | \$51                                 | -                  | -             |
| Feb-10-2017 | Eastern Outfitters, LLC                         | SportsDirect.com Retail Ltd.                     | \$30                                 | -                  | -             |
| Feb-07-2017 | Guangzhou LiNiu Network Technology Co. Ltd.     | LiNiu Technology Group (NasdaqCM:LINU)           | \$70                                 | -                  | -             |
| Feb-06-2017 | Anova Applied Electronics                       | AB Electrolux                                    | \$250                                | 6.3x               | -             |
| Jan-27-2017 | We Fly Travel Limited                           | Fine Sky Developments Limited                    | \$48                                 | -                  | -             |
| Jan-05-2017 | Shoebuy.com, Inc.                               | Jet.com, Inc.                                    | \$70                                 | -                  | -             |
| Dec-13-2016 | Allen Edmonds Corporation                       | Caleres, Inc. (NYSE:CAL)                         | \$255                                | -                  | -             |
| Nov-07-2016 | Blue Nile, Inc.                                 | Bain Capital Private Equity, LP, Bow Street, LLC | \$497                                | 1.0x               | 27.8x         |
| Nov-17-2016 | Smoke Free Technologies, Inc.                   | National Tobacco Company, L.P.                   | \$70                                 | -                  | 3.9x          |

Middle market multiples in the eCommerce sector track their larger peers. Multiples vary based on differentiation, positioning, growth rates / profitability, and market factors. Specialized services, enabling technologies or faster growing end-markets are often accorded higher valuations. For example, enabling technologies such as mobile solutions for customers that want a self-service environment or distribution channels that capitalize on more data-intensive transactional information can drive premium valuations. In addition, middle market companies are often better able to capture above-average valuations by being more nimble and less bureaucratic.

|      | Enterprise Value / |               |
|------|--------------------|---------------|
|      | LTM<br>Revenue     | LTM<br>EBITDA |
| Mean | 2.8x               | 17.2x         |
| High | 8.7x               | 51.6x         |
| Low  | 0.7x               | 3.9x          |

## ABOUT DRESNER PARTNERS

Dresner Partners is a FINRA-registered, middle-market investment bank headquartered in Chicago, Illinois with offices in New York City, Fort Lauderdale, Palo Alto, and Irvine, CA. For more than 25 years, Dresner Partners has provided financial advisory services to middle market companies throughout the world, including institutional private placements of debt and equity, merger and acquisitions advisory, financial restructuring and corporate turnarounds, valuations and strategic consulting services. Dresner Partners is also a member of IMAP, an exclusive global organization of leading merger and acquisition advisory firms.



Through our IMAP partnership, Dresner Partners maintains a network of international offices in over 30 countries. Thomson Reuters' most recent annual league tables report references IMAP advisers as having completed 179 global transactions, with an aggregate transaction value of more than \$6 billion. Our relationships with global legal and accounting networks, and multinational private equity groups are extremely valuable when completing a cross-border transaction. We have people on the ground with first-hand knowledge of the local cultural and business environment.

### SELECTED DRESNER / IMAP TRANSACTIONS

|   |  |  |
|---|--|--|
| <br>Infutor Data Solutions<br>On-Demand<br>Data Solutions Provider<br><br>has received a strategic investment<br>from<br><br><br><br>Financial Advisor<br> | <br>Supplier of Waffle Mix and<br>Irons<br><br>has been acquired by<br><br><br>PNC Riverarch Capital<br><br>Sell-Side Advisor<br> | <br>Educational Products<br><br>has acquired<br><br><br><br>Buy-Side Advisor<br>                                      |
| <br>Healthcare Reporting and<br>Analytical Software<br><br>has been acquired by<br><br><br><br>Sell-Side Advisor<br>  | <br>Die-Cast and Model Kit<br>Company<br><br>has been acquired by<br><br><br><br>Sell-Side Advisor<br>                            | <br>Payment Processing<br>Solutions<br>\$131,000,000<br><br>has been acquired by<br><br><br><br>Sell-Side Advisor<br> |

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