

Retail & Consumer Deals Digest

November 2016

pwc

Retail & Consumer Deals Digest is a monthly bulletin providing a consolidated view of sector trends, deal activity and relevant news headlines in the retail & consumer sector.

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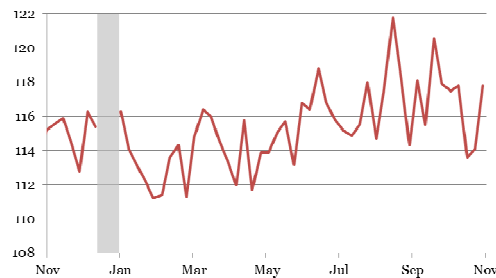
Consumer confidence rebounds from the sharp decline 2 weeks ago

Consumer confidence bounced a sharp 3.2% to 117.8 this week, entirely offsetting the decline over the previous two weeks and remaining well above its long run average.

According to ANZ Economist Felicity Emmett, despite the recent uncertainty surrounding the US presidential election and the subdued performance of global equity markets last week, consumer confidence has jumped back, more than offsetting the decline over the previous couple of weeks.

However, weekly data has been particularly volatile of late, but it appears that concerns over the global outlook have been largely offset by the ongoing solid performance of the domestic economy.

ANZ / Roy Morgan weekly consumer confidence rating



Source: ANZ / Roy Morgan Weekly Consumer Confidence Index

Latest Australian ABS trade results

The latest Australian Bureau of Statistics (ABS) Retail Trade figures show that Australian retail turnover rose 0.6% in September 2016 (seasonally adjusted), following a rise of 0.5% in August 2016 and a relatively unchanged estimate (0.0%) in July 2016.

The sectors contributing to the rising trend in the month of September 2016 were: Cafes, restaurants and takeaway food services (0.9%), Clothing, footwear and personal accessory retailing (0.2%), Food retailing (0.2%), Household goods retailing (0.2%). Other retailing (0.0%) was relatively unchanged. Department stores (-0.3%) fell in trend terms in September 2016.

On a state level, retail sales rose in trend terms in Queensland (0.6%), the Australian Capital Territory (0.4%), South Australia (0.3%), New South Wales (0.2%) Victoria (0.2%) and Tasmania (0.1%). The Northern Territory (-0.1%) and Western Australia (-0.1%) fell in trend terms in September 2016.

Sources: Australian Bureau of Statistics data, Reserve Bank of Australia



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Announced deals in FY2017 YTD and LTM

According to Mergermarket, announced retail deal activity in FY2017 has been consistent, on a value basis, relative to the prior comparable period. In FY2017 year to date, 34 deals have been announced for a total value of c. A\$3,216m, excluding transactions with undisclosed deal value.

Across the last twelve months, deal volume and value have slightly trailed comparing to the prior comparable period (123 announced deals versus 127 announced deals, \$7.3bn versus \$8.4bn).

Australia & New Zealand Announced R&C Deals FY2017TD and LTM vs. Prior Year Comparable Period

Deal value (in A\$m)	FY2017TD		PCP		LTM		PCP	
	# of deals	Deal value	# of deals	Deal value	# of deals	Deal value	# of deals	Deal value
\$0 to \$5M	0	0	0	0	0	0	3	12
\$6 to \$10M	4	33	3	26	10	82	10	86
\$11 to \$20M	3	41	5	91	14	204	16	263
\$21 to \$30M	1	22	1	22	8	194	4	94
\$31 to \$50M	0	0	3	120	6	216	5	209
\$51 to \$100M	4	305	5	399	8	612	15	1,156
\$101 to \$300M	2	270	5	866	8	1,213	10	1,816
\$301 to \$500M	3	1,075	1	340	6	2,230	3	1,060
>\$500M	2	1,470	1	1,386	3	2,528	3	3,689
Subtotal	19	3,216	24	3,250	63	7,279	69	8,385
Undisclosed	15	n/a	18	n/a	60	n/a	58	n/a
Total Announced	34	3,216	42	3,250	123	7,279	127	8,385
Total Completed	16	138	38	1,302	87	3,097	121	6,247

Source: Mergermarket; based on announced and completed transactions as at 8 November 2016

Notes: 1) FY2017TD refers to the period 1 July 2016 to 8 November 2016, reflecting the latest available Mergermarket data as at 8 November 2016

2) PCP refers to prior year comparable period

Recently completed / announced deals

- 25 October 2016** – The Glen Dimplex Group announced it has acquired Technika, a home appliance company based in Somerton, Melbourne. This acquisition combines Technika, and the numerous brands of the Technika Group, with the existing Glen Dimplex brands of Belling and New World. Founded in 1973, Glen Dimplex an international manufacturer of electrical heating, and also holds significant global market positions in domestic appliances, cooling, ventilation, and renewable energy solutions.
- 17 October 2016** – Calabria Family Wines has acquired the NSW-based Cranwick Estate Winery from The Wine Group (TWG). The deal's value was not disclosed but unnamed market sources quoted that Cranwick was anticipated to sell for AUD 9.5m (USD 7.22m).
- 14 October 2016** – Fantastic Holdings (ASX: FAN) has entered into a Scheme Implementation Deed to be acquired by Steinhoff Asia Pacific. Under the terms of the Scheme, Fantastic Holdings shareholders will receive total consideration of AUD 3.50 in cash per Fantastic Holdings share. The offer price values Fantastic Holdings' fully diluted equity at approximately AUD 361.4m (USD 273m). Steinhoff is an integrated discount retailer that manufactures, sources and retails furniture, household goods and clothing in Europe, Africa and Australasia.
- 10 October 2016** – Hancock Prospecting Pty Ltd, Shanghai CRED Real Estate Stock Co Ltd and S. Kidman & Co Ltd (Kidman) announced that they entered into a Bid Implementation Agreement under which a joint venture company Australian Outback Beef Pty Ltd (AOB) owned 67% by Hancock and 33% by Shanghai CRED committed to make a takeover offer to acquire 100% of the shares of Kidman (Offer) for AUD 365m (USD 276m). BBHO, a consortium of Australian grazier families, made an offer subsequently to acquire S.Kidman for AUD 386m (USD 294m). AOB later raised their offer to acquire 100% of the shares in S. Kidman & Co Ltd to AUD 386.5m (USD 294.8m). Kidman directors unanimously recommended its shareholders accept the offer.
- 17 September 2016** – Sazerac Company, an alcoholic beverages firm in Metairie, Louisiana, has acquired its Australian counterpart SouthTrade International from Pinnacle Drinks, a subsidiary of Endeavour Drinks Group. Ray Noble, a former marketing director at Bacardi-Martini Australia, will join SouthTrade as managing director early next month.

Also recently in the news

- Fashion retailer, **Jeanswest**, has published a list detailing 80 per cent of its factory partners, as part of a commitment to ensuring transparency and safe working conditions in its overseas supplier factories. Gershon Nimbalker, advocacy manager for Baptist World Aid Australia, said Jeanswest publishing a partial list of their manufacturing suppliers demonstrates a willingness by the company to be accountable to consumers, workers and the public, while also making a strong statement about the efforts they are undertaking to ensure workers are treated fairly.
- **Harvey Norman** (HVN) chairman and co-founder Gerry Harvey has rejected claims that his company should consolidate its franchisee network, amid conflicting calls from proxy advisory firms as to whether shareholders should vote for or reject the company's financial accounts at Harvey Norman's annual general meeting on 14 November. A report released by Ownership Matters and circulated to Harvey Norman's shareholders has recommended that the company's financial accounts should be rejected, based on concerns about the manner in which the company reports its dealings with its franchisee network. The report claims that the "tactical support" HVN provides for franchisees in its network of 673 operators is "effectively loan forgiveness", resulting in a lack of clarity around how well the company is actually doing in any given year. According to Harvey Norman's 2016 annual report, the company maintains \$943 million in franchisee loans and wrote off \$69 million in debt this year as "tactical support".
- Australian veteran retailer Dick Smith has blamed **Aldi's** low prices for contributing to **Woolworths** decision to end its relationship with well-known Aussie tinned tomato brand **SPC Ardmona**. On 8 November, Woolworths said it will buy its tinned tomatoes from another Australian supplier after deciding not to renew its canned tomato deal with Shepparton-based processor SPC Ardmona. The supermarket giant also did not confirm whether it will stick with a five-year canned fruit deal it signed in 2014 that kept SPC Ardmona afloat and saved hundreds of jobs. Smith said people should not blame Woolworths for its decision because it was only trying to compete with Aldi's low prices. **Coca-Cola Amatil**, the Company that acquired SPC Ardmona in 2005, had already announced prior to the Woolworths decision that it will be undertaking a strategic review of its investment next year when a three-year co-funding agreement with the Victorian Government comes to an end.
- European sunglasses retailer, **Hawkers** has launched in Australia, aiming to disrupt the local industry with its e-commerce model that sells via social networks. Hawkers sells designer sunglasses at a retail price of \$35-\$60, in what the brand calls 'smart value fashion.'
- The NSW government has seen amendments tabled to the **Retail Leases Act** for the first time in over 20 years at parliament on 8 November. The Retail Leases Amendment (Review) Bill 2016 was presented to NSW Parliament on Tuesday, 8 November to introduce reforms to the Retail Leases Act 1994, aimed at making it 'easier to do business in NSW and improve fairness in the marketplace.'
- The competition watchdog has raised concerns about the way **Aldi**, **Coles** and **Woolworths** treat suppliers when removing products from their supermarket shelves. Rod Sims, **Australian Competition and Consumer Commission** chairman, said supermarkets need to improve the way they notify suppliers when delisting their products to avoid breaching the Food and Grocery Code of Conduct. Sims said in some cases, the supermarket giants have failed to give reasonable notice before delisting products. Under code legislation, which came into effect on July 1, suppliers have default protections in place for all major supermarkets. Under the code, supermarkets can only delist a supplier's product for genuine commercial reasons and must give reasonable written notice. Supermarkets must also inform the supplier of their right to have decisions reviewed by a senior buyer.
- **Domino's** has upgraded its full year profit forecast and growth outlook after strong sales, which the company's CEO attributed to the fast food giant's new menu. The pizza delivery retailer expects its EBITDA to grow 30 per cent in the current financial year, an increase from previous guidance of 25 per cent.
- Womenswear retailer **Suzanne Grae** has expanded its product offering to include sizes 20 and 22 for 'plus-size' women. The extended size range will be available in all 205 Suzanne Grae stores this month.



Source: Inside Retail

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Also recently in the news (cont'd)

- Speculation regarding the impending arrival of US e-commerce giant **Amazon** to Australia, has increased recently. Chief investment officer at Watermark Funds Management, Justin Braitling, the only source named in Tony Boyd's column in the Australian Financial Review, attributed his insider knowledge to a special briefing he received from the Amazon person directly responsible for the launch. He would not name his source and AFR asked for but did not receive comment from Amazon before the story was published. According to Braitling, Amazon will start selling general merchandise while simultaneously rolling out **Prime**, **Prime Now** and **AmazonFresh** across Australia in September 2017. Over the next year, it will set up distribution centres and performance centres in every state in the country to handle future orders, the fund manager said. But it was Braitling's paraphrasing of the anonymous Amazon executive that raised the profile of the article. "We spoke to the guy rolling out Amazon's business here in Australia and in his words: 'We are going to destroy the retail environment in Australia'," Braitling told Boyd. This is certainly a shocking statement, but that may be all it is. Two people who have knowledge of Amazon's plans in the region stated that the story is inconsistent with their understanding of the company's strategy.
- **Flight Centre** has warned its annual underlying profit could fall because airline companies are offering so many discounted or substantially cheaper international airfares, particularly in the key markets of Australia, the US and India. The travel retailer expects its underlying profit before tax to be between \$320 million and \$355 million in 2016/17, compared to the \$352 million from the previous corresponding period, with profits weakest in the first half of the year. According to Flight Centre, the average international airfares the company has sold in the first half of the financial year are down seven per cent compared to the prior corresponding period.
- Celebrity chef Jamie Oliver says he's excited to take on the Australian chain of restaurants that bear his name after the collapse of their previous owner. Oliver stepped in to buy the Australian **Jamie's Italian** franchise, ending uncertainty about its future following **Keystone Hospitality Group** going into receivership in June this year. The British chef was confirmed as the preferred bidder by Keystone's receivers on 3 November, and said the Australian franchises were some of the best performing in the world.
- **Aldi** Australia's sales have hit \$5.8 billion, with the German supermarket giant announcing a raft of major investments to fuel its expansion for the coming year. Sales in Australia reached \$5.8 billion in the year to 31st December 2014, representing a year on year increase of nearly \$1 billion dollars. The supermarket chain said it is reinvesting all profits into its Australian operations, with the focus directed towards store refurbishments and extensions, new store openings and produce buying centralisation.
- A company that is suing **Surfstitch** has lobbed a \$55 million takeover offer for the embattled online clothing and sports equipment retailer. Surfstitch says it has fielded a number of unsolicited takeover offers, including one from **Coastalwatch** which is suing the former over a fallout around a content sharing deal. The online surfing goods retailer announced it has received a non-binding indicative proposal for 100 per cent of the company's shares from Coastalwatch, a website that delivers surfing reports and forecasts. Coastalwatch, which is linked to Crown Financial, a 10.4 per cent stakeholder in the target, is offering 20 cents a share for Surfstitch – valuing the company at \$55.4 million.



- Bedroom retail specialist, **Forty Winks**, has entered into an exclusive partnership with American bedding brand, **Serta**. Sold in over 150 countries, Serta mattresses are now being made in Australia and sold exclusively through Forty Winks nationally, with the brand licensed to The Comfort Group.
- A former **Woolworths** director has disputed the **ACCC's** allegations that asking suppliers for large extra sums of cash to make up for lost profits was illegal, telling a Sydney court that the practice was "perfectly normal". The consumer watchdog has taken the supermarket giant to the Federal Court over its Mind The Gap program, which it alleges involved Woolworths demanding suppliers compensate \$11 million of losses by pressuring them to make non-contractual extra payments. The payments ranged in size from \$4,291 to \$1.4 million and Woolworths ultimately received \$18.1 million from suppliers – more than their targeted amount, the ACCC alleges. The former commercial director of Woolworths, Alex Dower, told the court that Woolworths never demanded anything from its suppliers, but that "asks" of cash to address profit margin problems was "normal".

Source: Inside Retail

Final Thought: Potential impact of changes to corporate tax rates in America

- Just as Brexit proved the polls wrong in the UK, predictions of a win for Hillary Clinton have been proved wrong with Donald Trump's victory in the US election. The local market dropped dramatically with this news, and although it had recovered the morning after the result, we can continue to expect ongoing volatility for the foreseeable future
- Following the result, PwC's Australian Tax Leader Pete Calleja, shared his thoughts on the implications of the result:
- *"If the republican party controls both the house and the senate under a Donald Trump presidency US tax reform may be a focus of the US government over the next four years.*
- *It is possible US government may seek to lower its domestic corporate tax rate for instance as a means to attract home grown investment as well as foreign investment in the US economy. If this is a priority the US government may also review how American companies are taxed on international earnings to ensure domestic investment is tax competitive.*
- *From an Australian perspective, should the US reform its domestic corporate tax system it may place further emphasis on importance of proposed Australian reforms regarding the competitiveness of our corporate tax regime.*
- *While the majority of OECD countries including Britain have reduced their corporate tax rates over the last decade Australia is yet to do so. Accordingly the proposed phased reduction in tax rate in Australia from 30 to 25 per cent for all Australian businesses over the next decade will be important to boost our competitiveness for capital and drive economic prosperity."*

Retail Leaders Forum - Registration discount offer

- PwC is pleased to support the annual Retail Leaders Forum, being held from 7-8th March 2017 in Sydney. The Forum is delivered by retail leaders, for retail leaders, and is globally recognised as the largest and most significant meeting for retail executives in the region.
- As part of PwC's support of the Forum, we are pleased to offer you a 10% discount on the Early Bird and Standard ticket price. The Early Bird discount expires on 9th December. To secure your place please register at <http://retailleaders.com.au/> and use the PwC Code **PwC10**
- * Non-Retailer Attendance: The Retail Leaders Forum is open to retailers only.



Retail sector multiples

Company	Currency	Share price \$	Mkt cap million	EV million	Net debt / EV	Dividend Yield LTM %	TSR % Oct-16	EV / EBITDA				EV / EBIT				PE		
								Actual	Forecasts		Growth	Actual	Forecasts		Growth	Actual	Forecasts	
								LTM	CY2016	CY2017	LTM-17	LTM	CY2016	CY2017	LTM-17	LTM	CY2016	CY2017
Restaurants / Fast Food																		
Domino's Pizza Enterprises Limited	AUD	71.36	6,339	6,604	4%	1.0	-9%	41.2x	31.9x	24.6x	29.4%	50.6x	40.1x	29.4x	31.2%	n/m	60.5x	44.4x
Retail Food Group Limited	AUD	6.41	1,129	1,318	14%	4.3	-3%	12.7x	10.9x	9.4x	15.9%	13.5x	11.5x	10.0x	16.6%	18.9x	14.6x	12.9x
Restaurant Brands New Zealand Ltd.	NZD	5.05	576	643	11%	4.4	-6%	10.8x	9.8x	7.9x	17.1%	16.5x	14.5x	11.1x	22.1%	22.0x	17.6x	14.6x
Collins Foods Limited	AUD	4.92	472	588	20%	2.8	6%	8.1x	7.4x	6.7x	9.9%	11.6x	11.0x	9.5x	10.6%	17.4x	15.0x	12.6x
Mean								18.2x	15.0x	12.2x	18.1%	23.0x	19.3x	15.0x	20.1%	19.4x	27.0x	21.1x
Median								11.7x	10.4x	8.6x	16.5%	15.0x	13.0x	10.5x	19.3%	18.9x	16.3x	13.8x
FMCG - Beverage																		
Coca-Cola Amatil Limited	AUD	9.35	7,140	8,714	14%	4.8	-7%	9.6x	9.1x	8.8x	4.1%	13.0x	12.8x	12.4x	2.3%	19.7x	17.3x	16.7x
Treasury Wine Estates Limited	AUD	10.12	7,457	7,834	5%	2.0	-3%	18.9x	15.8x	13.2x	19.6%	24.0x	20.4x	16.7x	20.1%	38.0x	31.5x	24.2x
Delegat Group Limited	NZD	5.85	592	884	33%	2.1	-3%	9.2x	11.4x	10.0x	-4.5%	10.4x	13.8x	12.3x	-7.9%	12.6x	15.8x	14.2x
Australian Vintage Limited.	AUD	0.46	110	212	48%	3.3	-13%	12.0x	n/m	7.8x	24.4%	17.8x	n/m	11.6x	24.1%	28.0x	n/m	14.4x
Gage Roads Brewing Co Limited	AUD	0.04	32	38	16%	-	12%	13.6x	n/m	n/m	n/a	23.1x	n/m	n/m	n/a	25.3x	n/m	n/m
Mean								12.6x	12.1x	10.0x	10.9%	17.7x	15.6x	13.2x	9.6%	24.7x	21.5x	17.4x
Median								12.0x	11.4x	9.4x	11.9%	17.8x	13.8x	12.3x	11.2%	25.3x	17.3x	15.5x
FMCG - Food & Dairy																		
Fonterra Co-Operative Group Ltd.	NZD	5.84	9,368	15,451	39%	6.8	-1%	8.7x	n/m	n/m	n/a	11.7x	n/m	n/m	n/a	17.8x	n/m	n/m
Blackmores Limited	AUD	112.89	1,945	1,962	1%	-	-4%	14.2x	13.9x	13.8x	1.4%	14.9x	15.0x	15.2x	-1.0%	24.4x	21.2x	21.0x
Bega Cheese Limited	AUD	4.56	696	749	7%	2.1	-26%	11.7x	11.1x	10.0x	8.3%	18.0x	16.5x	14.5x	11.6%	27.9x	23.2x	20.2x
Bellamy's Australia Limited	AUD	10.87	1,051	1,019	-3%	1.1	-13%	18.8x	14.4x	10.2x	36.2%	18.9x	14.5x	10.2x	36.1%	30.6x	21.9x	15.5x
The a2 Milk Company Limited	NZD	1.96	1,422	1,353	-5%	-	2%	25.0x	19.7x	14.0x	33.5%	25.6x	20.5x	14.4x	33.6%	41.2x	32.7x	21.7x
Warrnambool Cheese And Butter Factory Com	AUD	6.80	524	518	-1%	-	-7%	16.0x	n/m	n/m	n/a	32.9x	n/m	n/m	n/a	30.4x	n/m	n/m
Freedom Foods Group Limited	AUD	4.80	874	906	4%	0.8	7%	51.1x	33.4x	21.7x	53.4%	n/m	47.3x	29.6x	n/a	39.2x	25.9x	45.8x
Vitaco Holdings Limited	AUD	2.18	303	340	11%	1.7	3%	15.3x	12.9x	12.0x	12.9%	17.3x	15.2x	13.9x	11.6%	30.1x	20.2x	19.6x
Synlait Milk Limited	NZD	3.05	546	759	28%	-	-2%	9.1x	9.0x	7.9x	7.2%	12.3x	12.4x	10.8x	7.0%	14.6x	14.1x	12.4x
Comvita Limited	NZD	9.30	388	472	18%	1.5	-16%	17.6x	12.1x	10.8x	27.8%	21.8x	16.3x	13.1x	29.2%	n/m	n/m	16.5x
Capilano Honey Limited	AUD	17.75	168	177	5%	2.3	-5%	11.0x	10.4x	9.0x	10.1%	12.4x	11.7x	10.0x	11.1%	18.2x	15.4x	13.6x
Mean								18.0x	15.2x	12.2x	21.2%	18.6x	18.8x	14.6x	17.4%	27.4x	21.8x	20.7x
Median								15.3x	12.9x	10.8x	12.9%	17.7x	15.2x	13.9x	11.6%	29.0x	21.6x	19.6x
FMCG - Food (Production)																		
Inghams Group Limited	AUD	3.19	1,213	1,686	28%	-	-	16.5x	n/m	8.6x	38.7%	24.8x	n/m	11.0x	50.0%	n/m	n/m	11.8x
Australian Agricultural Company Limited	AUD	1.66	927	1,291	28%	-	7%	n/m	47.5x	30.8x	n/a	n/m	n/m	n/m	n/a	n/m	n/m	n/m
Costa Group Holdings Limited	AUD	2.75	877	977	10%	3.3	-5%	17.4x	10.5x	10.2x	30.6%	27.9x	14.4x	14.6x	38.3%	39.8x	22.2x	15.2x
Select Harvests Limited	AUD	6.05	445	512	13%	7.6	8%	9.5x	12.0x	8.0x	8.7%	12.3x	17.2x	10.2x	10.0%	19.5x	13.3x	13.7x
Tassal Group Limited	AUD	3.74	562	698	20%	4.0	-4%	7.1x	8.7x	6.8x	1.9%	9.1x	12.0x	8.9x	1.4%	12.8x	16.6x	11.9x
Tegel Group Holdings Limited	NZD	1.47	523	772	32%	-	-	11.6x	9.3x	8.6x	16.4%	15.9x	11.7x	10.8x	21.1%	11.9x	11.7x	11.4x
Webster Ltd.	AUD	1.17	410	595	31%	0.9	7%	n/m	16.2x	12.6x	n/a	n/m	20.7x	14.9x	n/a	n/m	23.3x	17.4x
Sanford Ltd.	NZD	6.25	585	763	23%	3.7	0%	12.6x	9.7x	9.0x	18.6%	16.2x	12.0x	11.0x	21.3%	22.2x	15.2x	13.5x
Huon Aquaculture Group Limited	AUD	3.65	319	381	16%	-	7%	14.1x	9.9x	6.7x	45.1%	51.6x	19.9x	10.2x	125.2%	n/m	27.9x	13.7x
Mean								12.1x	15.5x	11.6x	20.2%	22.2x	15.4x	11.5x	36.2%	21.2x	18.6x	13.8x
Median								12.1x	10.2x	8.8x	17.5%	16.1x	14.4x	10.8x	21.2%	19.5x	16.6x	13.7x
FMCG - Other																		
Asaleo Care Limited	AUD	1.43	797	1,078	26%	7.0	-8%	8.0x	8.4x	8.1x	-0.8%	10.1x	11.0x	10.5x	-1.8%	13.7x	12.5x	12.0x
BWX Limited	AUD	3.91	361	365	1%	1.2	-2%	18.1x	15.6x	12.3x	21.3%	18.7x	16.0x	12.6x	21.8%	29.0x	24.5x	18.5x
Trilogy International Limited	NZD	3.65	264	295	10%	1.5	-17%	18.5x	20.8x	16.4x	6.3%	19.0x	20.9x	16.4x	7.6%	26.4x	20.0x	15.5x
Shaver Shop Group Limited	AUD	1.03	128	129	1%	-	-11%	10.8x	9.2x	7.8x	17.8%	11.7x	10.1x	8.7x	16.1%	13.9x	12.3x	12.3x
Pental Limited	AUD	0.56	76	64	-19%	5.3	1%	6.4x	n/m	5.0x	13.6%	8.2x	n/m	6.8x	10.1%	14.9x	13.3x	11.8x
Mean								12.4x	13.5x	9.9x	11.7%	13.5x	14.5x	11.0x	10.8%	19.6x	16.5x	14.0x
Median								10.8x	12.4x	8.1x	13.6%	11.7x	13.5x	10.5x	10.1%	14.9x	13.3x	12.3x
E-commerce																		
SEEK Limited	AUD	13.90	4,816	5,517	4%	2.9	-6%	15.9x	14.5x	13.1x	10.2%	17.2x	17.1x	15.5x	5.3%	36.6x	25.1x	21.6x
REA Group Limited	AUD	51.79	6,822	7,191	5%	1.6	-9%	22.5x	19.1x	16.2x	17.7%	23.0x	21.1x	17.8x	13.8%	35.0x	31.8x	24.7x
carsales.com Limited	AUD	10.02	2,419	2,621	8%	3.7	-11%	15.8x	14.8x	13.6x	7.6%	16.1x	15.5x	14.2x	6.7%	25.4x	21.1x	19.0x
Trade ME Group Ltd.	NZD	4.37	1,736	1,839	6%	3.8	-14%	14.5x	12.4x	11.3x	13.1%	14.9x	14.3x	13.1x	6.5%	23.9x	20.7x	17.8x
Webjet Ltd.	AUD	9.75	955	895	-7%	1.5	-6%	26.7x	18.2x	14.0x	38.0%	28.9x	22.1x	16.2x	33.4%	41.7x	29.2x	22.1x
Infomedia Ltd.	AUD	0.73	226	212	-7%	3.6	-6%	13.9x	9.3x	8.2x	29.9%	14.7x	15.1x	12.8x	7.5%	28.7x	20.1x	17.4x
Mean								18.2x	14.7x	12.8x	19.4%	19.1x	17.5x	14.9x	12.2%	31.9x	24.7x	20.5x
Median								15.8x	14.6x	13.4x	15.4%	16.6x	16.3x	14.8x	7.1%	31.8x	23.1x	20.3x

Source: PwC calculations based on CapitalIQ data and publicly available information; share prices as at 9 November 2016 market close

Notes: 1) Information from CapitalIQ used in calculations has not been verified or adjusted, unless otherwise noted

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Retail sector multiples (cont'd)

Company	Currency	Share price \$	Mkt cap million	EV million	Net debt / EV	Dividend Yield LTM %	TSR % Oct-16	EV / EBITDA				EV / EBIT				PE		
								Actual	Forecasts		Growth	Actual	Forecasts		Growth	Actual	Forecasts	
								LTM	CY2016	CY2017	LTM-17	LTM	CY2016	CY2017	LTM-17	LTM	CY2016	CY2017
Household Goods																		
Harvey Norman Holdings Limited	AUD	4.73	5,262	5,773	8%	6.3	0%	11.7x	9.4x	8.8x	15.0%	13.4x	11.2x	10.2x	14.6%	19.0x	15.3x	14.8x
JB Hi-Fi Limited	AUD	25.99	2,972	3,030	2%	3.8	-2%	11.6x	10.4x	8.3x	18.0%	13.7x	12.1x	9.7x	18.9%	18.9x	16.0x	14.3x
The Warehouse Group Limited	NZD	2.96	1,020	1,326	23%	5.4	2%	8.2x	7.7x	7.4x	5.0%	12.2x	11.9x	11.2x	4.2%	19.2x	15.4x	14.4x
Breville Group Limited	AUD	8.68	1,129	1,093	-3%	3.3	6%	14.4x	12.7x	11.7x	11.0%	15.1x	14.3x	13.2x	6.7%	25.3x	21.7x	19.9x
GUD Holdings Limited	AUD	9.60	823	1,026	17%	4.5	-10%	13.2x	11.0x	10.5x	12.1%	14.3x	11.7x	11.6x	11.3%	23.2x	17.4x	15.0x
Briscoe Group Limited	NZD	3.82	839	825	-2%	4.3	-2%	10.5x	10.1x	9.5x	5.3%	11.2x	10.9x	10.3x	4.4%	17.7x	15.3x	14.3x
GWA Group Limited	AUD	2.73	721	807	11%	5.5	0%	9.6x	9.6x	9.6x	0.1%	10.3x	10.2x	10.2x	0.8%	16.6x	13.4x	14.2x
Adairs Limited	AUD	1.50	249	275	10%	7.7	-2%	6.1x	6.5x	6.3x	-1.6%	6.8x	7.6x	7.5x	-5.0%	10.3x	10.3x	10.3x
Michael Hill International Limited	AUD	1.52	583	615	5%	-	1%	9.6x	8.3x	7.4x	14.0%	12.9x	11.5x	10.2x	12.5%	22.3x	17.5x	15.4x
Beacon Lighting Group Limited	AUD	1.63	351	364	4%	2.9	5%	12.2x	11.8x	10.9x	5.9%	13.4x	12.8x	11.6x	7.4%	21.4x	18.6x	17.1x
Nick Scali Limited	AUD	5.41	438	422	-4%	4.3	2%	10.7x	10.1x	9.1x	8.1%	11.6x	10.9x	9.9x	8.6%	18.8x	16.2x	14.9x
Thorn Group Limited	AUD	1.77	277	461	40%	6.5	13%	6.7x	7.9x	7.8x	-7.7%	10.1x	9.6x	8.6x	8.4%	11.0x	9.9x	8.7x
Vita Group Ltd.	AUD	3.47	527	519	-2%	4.0	-18%	9.2x	7.9x	7.0x	14.7%	11.7x	9.5x	8.2x	19.1%	15.5x	14.0x	12.4x
Fantastic Holdings Ltd.	AUD	3.47	358	326	-10%	4.0	43%	14.4x	8.6x	8.2x	32.6%	19.1x	10.4x	9.5x	42.3%	33.5x	16.4x	15.6x
Godfreys Group Limited	AUD	0.87	35	57	38%	13.1	22%	5.3x	n/m	3.7x	19.9%	8.5x	4.5x	4.5x	36.9%	5.0x	4.5x	4.9x
Kogan.Com Limited	AUD	1.41	131	134	2%	-	2%	n/m	28.0x	12.5x	n/a	n/m	n/m	16.8x	n/a	n/m	n/m	20.7x
Shriro Holdings Limited	AUD	1.33	126	138	9%	6.8	14%	6.0x	5.9x	5.3x	6.0%	7.0x	6.9x	6.2x	6.6%	11.0x	9.6x	8.5x
McPherson's Limited	AUD	1.05	108	161	33%	7.6	-3%	7.7x	n/m	n/m	n/a	9.0x	n/m	n/m	n/a	8.6x	n/m	n/m
Cavalier Corporation Limited	NZD	0.61	42	78	47%	-	-7%	6.4x	5.0x	5.3x	9.8%	8.8x	6.3x	6.7x	14.0%	8.6x	5.8x	4.8x
Smiths City Group Ltd.	NZD	0.70	37	84	56%	5.0	-	16.5x	n/m	n/m	n/a	21.1x	n/m	n/m	n/a	19.0x	n/m	n/m
Mean								10.0x	10.0x	8.3x	9.9%	12.1x	10.1x	9.8x	12.4%	17.1x	14.0x	13.3x
Median								9.6x	9.4x	8.3x	9.8%	11.7x	10.9x	10.0x	8.6%	18.8x	15.3x	14.4x
Diversified Retail																		
Super Retail Group Limited	AUD	9.13	1,801	2,204	18%	4.5	-4%	12.3x	8.4x	7.4x	28.5%	17.3x	11.5x	10.0x	31.4%	24.9x	15.1x	13.0x
EBOS Group Ltd.	NZD	16.35	2,484	2,739	9%	3.6	-10%	12.4x	11.7x	10.8x	6.8%	13.8x	13.1x	12.1x	6.9%	21.8x	18.6x	17.1x
Australian Pharmaceutical Industries Limited	AUD	1.70	829	855	3%	3.5	-2%	8.3x	7.4x	6.9x	9.5%	9.9x	9.7x	8.8x	6.3%	19.6x	15.7x	14.0x
Sigma Pharmaceuticals Ltd.	AUD	1.25	1,348	1,404	4%	4.4	-6%	13.7x	12.6x	11.6x	8.7%	14.6x	14.0x	12.9x	6.4%	21.7x	20.0x	18.1x
Greencross Limited	AUD	6.80	790	1,039	22%	2.7	8%	11.7x	10.0x	9.0x	13.9%	14.5x	12.5x	11.3x	13.3%	25.2x	17.6x	16.0x
The Reject Shop Limited	AUD	7.17	207	204	-2%	6.1	-29%	3.8x	4.0x	3.8x	0.7%	6.0x	6.7x	6.3x	-2.0%	9.9x	9.7x	9.0x
Baby Bunting Group Limited	AUD	2.68	337	330	-2%	2.4	-11%	18.4x	n/m	12.7x	20.3%	22.1x	18.6x	14.9x	21.7%	40.4x	28.2x	22.7x
Cash Converters International Limited	AUD	0.32	158	218	28%	9.4	3%	4.0x	4.6x	4.3x	-3.8%	4.6x	5.5x	5.2x	-6.0%	6.9x	26.7x	6.7x
Mean								10.6x	8.4x	8.3x	10.6%	12.9x	11.5x	10.2x	9.8%	21.3x	18.9x	14.6x
Median								12.0x	8.4x	8.2x	9.1%	14.2x	12.0x	10.7x	6.7%	21.8x	18.1x	15.0x
Automotive Retail																		
AP Eagers Ltd.	AUD	9.70	1,847	2,577	28%	3.4	-4%	15.5x	13.8x	12.6x	10.9%	16.9x	14.9x	13.6x	11.4%	22.2x	17.5x	16.3x
Automotive Holdings Group Limited	AUD	3.83	1,270	2,282	43%	5.9	-5%	10.3x	9.7x	9.2x	6.0%	12.8x	12.0x	11.3x	6.6%	14.7x	11.8x	11.4x
ARB Corporation Limited	AUD	16.39	1,298	1,284	-1%	1.9	-5%	18.5x	16.3x	14.6x	12.6%	21.3x	18.8x	16.8x	12.8%	33.3x	26.0x	23.2x
Bapcor Limited	AUD	5.20	1,445	1,570	8%	2.1	-15%	20.4x	17.1x	13.6x	22.7%	23.1x	19.5x	15.3x	22.6%	32.1x	25.3x	20.5x
Turners Limited	NZD	3.00	224	366	39%	4.3	-1%	n/m	n/m	n/m	n/a	n/m	n/m	n/m	n/a	14.1x	n/m	14.6x
MotorCycle Holdings Limited	AUD	4.02	153	179	15%	-	25%	16.4x	13.3x	12.3x	15.2%	17.7x	14.2x	13.2x	16.0%	24.4x	16.1x	16.9x
Mean								16.2x	14.2x	12.5x	13.0%	18.5x	16.3x	14.2x	13.3%	23.3x	20.2x	17.2x
Median								17.0x	15.1x	13.1x	11.7%	19.1x	16.8x	14.5x	12.1%	22.2x	21.4x	16.3x
Other																		
Elders Limited	AUD	3.67	418	545	23%	-	0%	10.7x	9.3x	8.6x	11.2%	11.4x	10.0x	9.2x	11.5%	12.4x	8.6x	9.0x
Ruralco Holdings Ltd.	AUD	3.05	240	359	31%	4.9	0%	8.0x	8.3x	7.4x	3.8%	9.3x	10.7x	9.3x	0.2%	17.1x	18.3x	15.0x
McGrath Limited	AUD	0.91	124	124	0%	3.8	-18%	6.8x	5.0x	5.0x	17.6%	8.4x	6.7x	6.7x	12.0%	9.8x	7.2x	7.0x
Mean								8.5x	7.5x	7.0x	10.8%	9.7x	9.1x	8.4x	7.9%	13.1x	11.4x	10.3x
Median								8.0x	8.3x	7.4x	11.2%	9.3x	10.0x	9.2x	11.5%	12.4x	8.6x	9.0x

Source: PwC calculations based on CapitalIQ data and publicly available information; share prices as at 9 November 2016 market close

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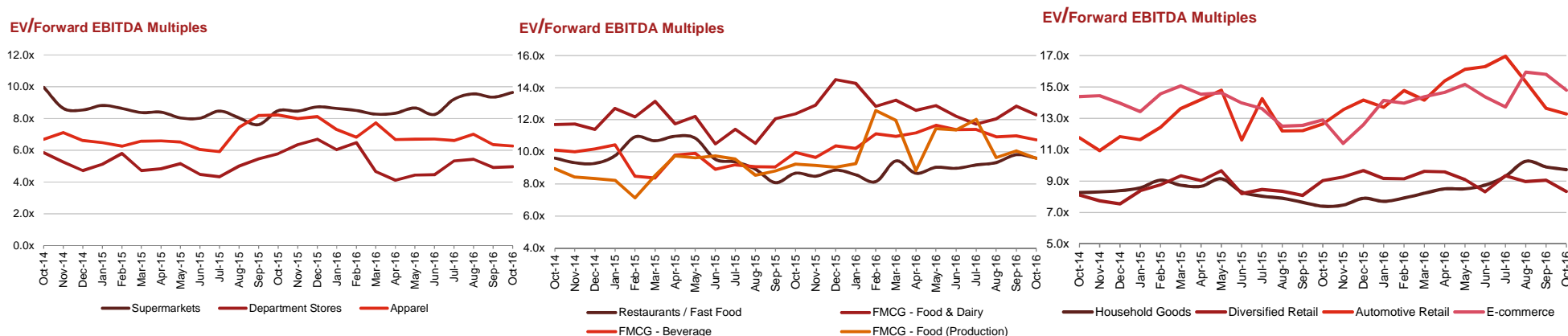
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Retail sector multiples (cont'd)

Company	Currency	Share price \$	Mkt cap million	EV million	Net debt / EV	Dividend Yield LTM %	TSR % Oct-16	EV / EBITDA				EV / EBIT				PE		
								Actual	Forecasts		Growth	Actual	Forecasts		Growth	Actual	Forecasts	
								LTM	CY2016	CY2017	LTM-17	LTM	CY2016	CY2017	LTM-17	LTM	CY2016	CY2017
Apparel / Accessories																		
Premier Investments Limited	AUD	12.95	2,039	1,850	-10%	3.7	-7%	11.7x	n/m	9.7x	9.5%	13.7x	n/m	11.7x	8.3%	22.6x	16.9x	16.3x
Billabong International Limited	AUD	1.19	235	420	44%	-	-4%	7.0x	6.6x	5.6x	12.5%	13.4x	13.0x	9.1x	21.2%	n/m	n/m	23.7x
RCG Corporation Limited	AUD	1.47	793	802	1%	3.8	-11%	13.0x	11.0x	8.1x	27.1%	17.0x	14.0x	10.1x	29.5%	25.2x	19.3x	14.9x
Lovisa Holdings Limited	AUD	3.36	353	359	2%	2.6	-3%	11.8x	10.5x	9.3x	12.8%	14.7x	12.9x	11.6x	12.6%	23.8x	19.5x	16.6x
Kathmandu Holdings Limited	NZD	1.97	397	434	9%	5.6	-1%	7.1x	6.5x	6.1x	8.5%	8.5x	8.3x	7.7x	5.4%	13.4x	11.4x	10.4x
Hallenstein Glasson Holdings Limited	NZD	2.93	173	159	-9%	10.2	-2%	6.1x	5.6x	5.3x	7.7%	8.5x	7.6x	7.0x	10.1%	14.7x	11.4x	10.5x
OrotonGroup Limited	AUD	2.62	107	104	-3%	3.4	-2%	9.5x	n/m	7.8x	10.3%	16.4x	n/m	12.9x	12.8%	29.2x	24.4x	18.5x
Specialty Fashion Group Limited	AUD	0.51	97	110	12%	-	-3%	14.3x	3.7x	3.1x	n/m	n/m	14.0x	6.9x	n/a	n/m	24.0x	8.7x
The PAS Group Limited	AUD	0.68	93	85	-9%	7.6	1%	3.6x	3.6x	3.5x	0.9%	5.0x	4.9x	4.9x	0.5%	9.2x	8.2x	8.0x
Noni B Limited	AUD	1.70	132	119	-11%	-	5%	21.7x	n/m	n/m	n/a	36.8x	n/m	n/m	n/a	29.3x	n/m	n/m
Pumpkin Patch Limited	NZD	0.06	10	58	82%	-	-25%	n/m	10.7x	n/m	n/a	n/m	n/m	n/m	n/a	n/m	n/m	n/m
Mean								10.6x	7.3x	6.5x	11.2%	14.9x	10.7x	9.1x	12.6%	20.9x	16.9x	14.2x
Median								10.6x	6.6x	6.1x	9.9%	13.7x	12.9x	9.1x	11.4%	23.2x	18.1x	14.9x
Department Stores																		
Myer Holdings Limited	AUD	1.09	895	1,000	10.5%	4.6	1%	5.6x	4.7x	4.5x	10.8%	8.8x	8.5x	8.0x	4.9%	13.9x	12.1x	11.0x
Supermarkets																		
Wesfarmers Limited	AUD	40.46	45,667	52,359	13%	4.6	-7%	12.1x	10.2x	9.4x	13.5%	16.5x	13.6x	12.0x	17.3%	23.1x	19.5x	16.3x
Woolworths Limited	AUD	22.73	29,187	32,911	10%	3.4	2%	9.2x	9.2x	9.1x	0.4%	12.8x	13.0x	12.9x	-0.1%	11.2x	19.4x	18.9x
Metcash Limited	AUD	1.84	1,790	2,092	14%	-	-5%	11.0x	6.2x	5.9x	37.1%	14.5x	7.6x	7.2x	41.7%	12.4x	10.3x	9.5x
Mean								10.8x	8.5x	8.1x	17.0%	14.6x	11.4x	10.7x	19.6%	15.6x	16.4x	14.9x
Median								11.0x	9.2x	9.1x	13.5%	14.5x	13.0x	12.0x	17.3%	12.4x	19.4x	16.3x

EV/forward EBITDA multiples (over last 24 months)



Source: PwC calculations based on CapitalIQ data and publicly available information; share prices as at 9 November 2016 market close

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Retail sector trends

As reported by the ABS, the trend for Australia retail turnover for September 2016 (compared to September 2015) increased by 2.8%:

- **Food retailing:** The seasonally adjusted estimate for Food retailing rose 0.2% in September 2016. By industry subgroup, the seasonally adjusted estimate rose for Liquor retailing (1.4%) and Supermarket and grocery stores (0.1%) and fell for Other specialised food retailing (-0.3%).
- **Household goods retailing:** The seasonally adjusted estimate for household goods retailing rose 2.3% in September 2016. By industry subgroup, the seasonally adjusted estimate rose for Hardware, building and garden supplies retailing (3.0%) and Electrical and electronic goods retailing (2.7%) and Furniture, floor coverings, houseware and textile goods retailing (1.0%).
- **Clothing, footwear and personal accessory retailing:** The seasonally adjusted estimate for Clothing, footwear and personal accessory retailing fell 0.6% in September 2016. By industry subgroup, the seasonally adjusted estimate was relatively unchanged for Footwear and other personal accessory retailing (0.0%) and fell for Clothing retailing (-0.8%).
- **Department stores:** The seasonally adjusted estimate for department stores rose 0.5% in September 2016.
- **Cafes, restaurants and take-away food services:** The seasonally adjusted estimate for cafes, restaurants and takeaway food services rose 1.0% in September 2016. By industry subgroup, the seasonally adjusted estimate rose for Cafes, restaurants and catering services (1.2%) and Takeaway food services (0.6%).
- **Other retailing:** The seasonally adjusted estimate for Other retailing fell 0.1% in September 2016. By industry subgroup, the seasonally adjusted estimate rose for Other retailing n.e.c (2.0%) and fell for Other recreational goods retailing (-4.6%), Newspaper and book retailing (-2.4%) and Pharmaceutical and cosmetic and toiletry goods retailing (-0.3%).

Source: Australian Bureau of Statistics data

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