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## **E-Commerce Industry M&A Update**

**February 2016**

## E-Commerce M&A Update

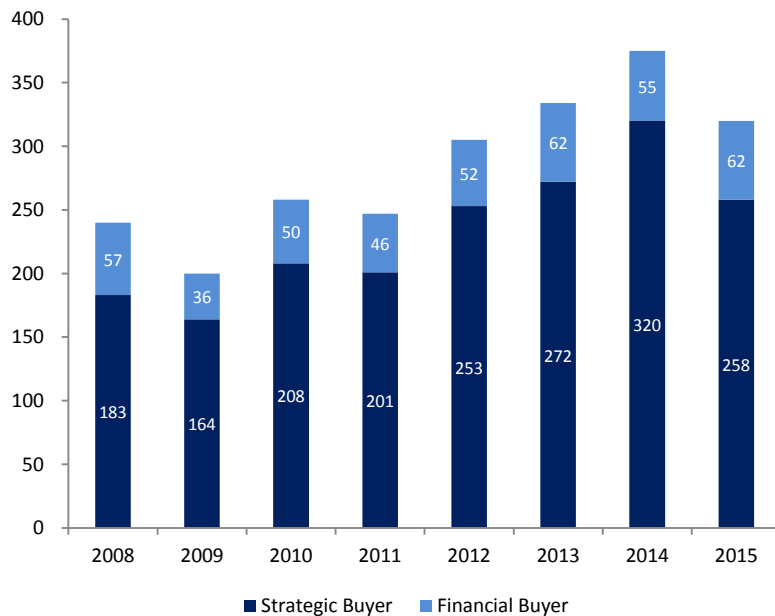
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- E-Commerce M&A continues to see strong activity. 2015 transaction volume of 369 deals is just below record 2014 levels. During 2014, there were 375 transactions, an increase of over 12% from the prior year.
- For 2015, strategic buyers accounted for 81% of the e-commerce M&A transactions with financial buyers making up the difference. During 2014, strategic buyers accounted for just over 85% of the transactions.
- For announced transactions (albeit a limited sample size), e-commerce multiples saw a modest increase from 10.5x EBITDA and 0.7x revenue in 2014 to 10.9x EBITDA and 1.4x revenue in 2015.
- Peakstone equally weighted e-commerce index continues to outperform the S&P 500.
- Notable publicly announced 2015 transactions:
  - LeftLane Sports, Inc. acquired Retail Innovation Group, Inc. for approximately \$19 million.
  - Hudson's Bay Company entered into a definitive agreement to acquire Gilt Groupe Inc. for approximately \$250 million.
  - QVC, Inc. entered into a definitive agreement to acquire zulily, Inc. for approximately \$2.5 billion.
  - Gamestop entered into a definitive agreement to acquire Geeknet for approximately \$130 million.
  - Expedia entered into a definitive agreement to acquire Orbitz for \$1.4 billion.

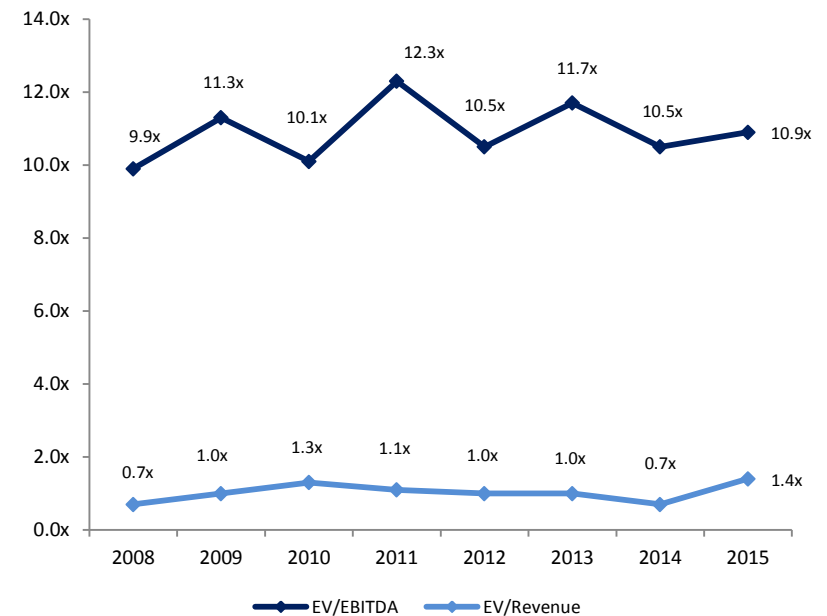
# E-Commerce - M&A Market Overview

E-Commerce transaction activity has been strong with favorable valuation trends

U.S. Internet Retail Transactions by Buyer Type



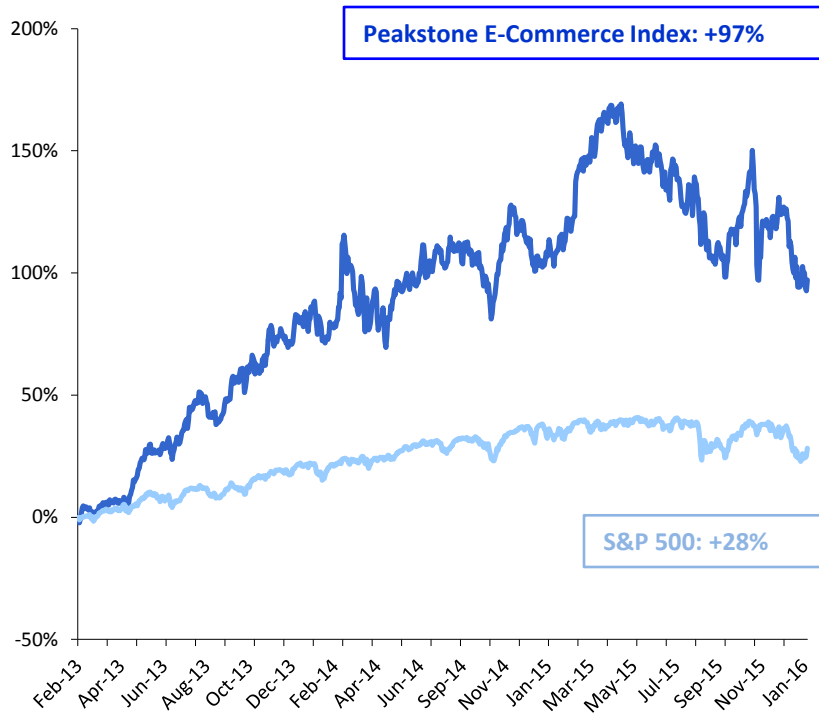
U.S. Internet Retail Transaction Multiples



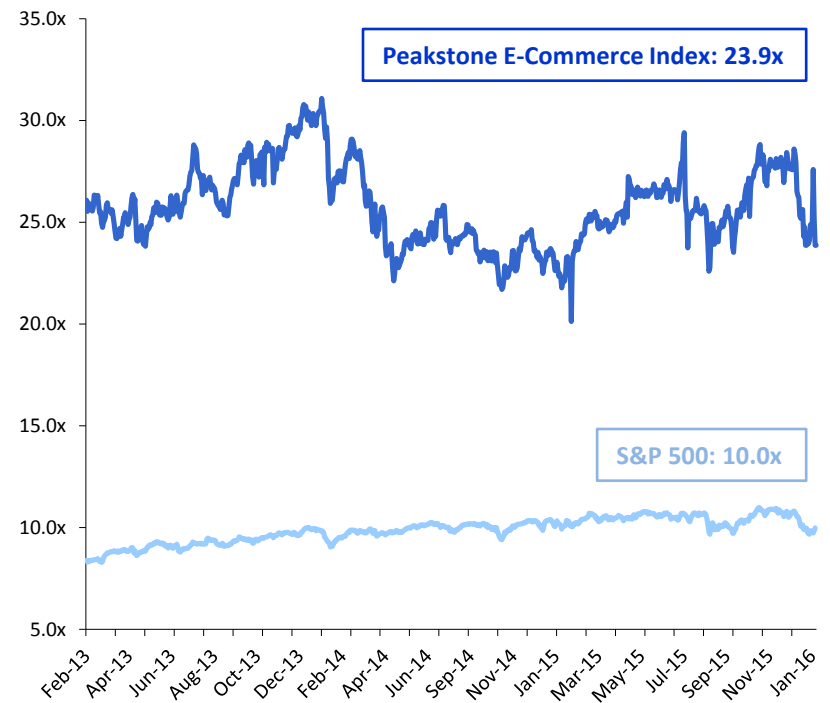
# Peakstone E-Commerce Index - Trading Statistics

E-Commerce has outperformed the S&P 500 over the last 3 years

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



Comparable Valuation Trends – Enterprise Value/EBITDA



**Peakstone E-Commerce Index:** AMZN, ASC, EBAY, FLWS, NILE, OSTK, PCLN, PETS, PRTS, SFLY, STMP, VIPS, W

<sup>(1)</sup> Equally weighted

## Selected Public Trading Comparables

### Peakstone E-Commerce Index

Company Name	Market Cap	Enterprise Value	Enterprise Value/			Forward P/E Ratio	Gross Margin %	EBITDA Margin %	Est. 2 Year Rev. CAGR	LT EPS Growth Rate
			Revenue	EBITDA	EBIT					
Amazon.com, Inc.	\$276,384	\$264,811	2.5x	31.2x	119.8x	124.4x	33.0%	8.0%	19.9%	46.7%
The Priceline Group Inc.	\$53,018	\$55,409	6.1x	16.1x	17.5x	16.3x	92.0%	38.0%	18.6%	16.7%
eBay Inc.	\$28,167	\$28,815	3.4x	10.0x	13.1x	12.6x	79.0%	34.0%	(26.8%)	5.9%
Vipshop Holdings Limited	\$7,468	\$7,145	1.3x	21.2x	29.6x	19.3x	25.0%	6.0%	104.0%	34.4%
ASOS Plc	\$3,652	\$3,483	2.1x	49.9x	60.0x	56.9x	50.0%	4.0%	22.3%	29.5%
Wayfair Inc.	\$3,803	\$3,477	1.8x	-	-	-	24.0%	(6.0%)	-	13.5%
Shutterfly, Inc.	\$1,463	\$1,713	1.7x	18.4x	-	86.9x	49.0%	9.0%	17.2%	10.5%
Stamps.com Inc.	\$1,558	\$1,460	7.9x	31.0x	36.3x	22.6x	78.0%	25.0%	21.7%	20.5%
1-800-Flowers.com Inc.	\$461	\$477	0.4x	5.7x	9.3x	14.8x	44.0%	7.0%	24.3%	18.0%
Blue Nile Inc.	\$401	\$368	0.8x	21.8x	24.1x	35.4x	19.0%	3.0%	5.2%	16.9%
PetMed Express, Inc.	\$363	\$300	1.3x	9.3x	9.5x	17.5x	33.0%	14.0%	(1.4%)	9.0%
Overstock.com Inc.	\$299	\$218	0.1x	10.6x	19.8x	14.1x	19.0%	1.0%	14.9%	-
U.S. Auto Parts Network, Inc.	\$94	\$109	0.4x	20.4x	-	-	28.0%	2.0%	6.8%	15.0%
<b>Median</b>			<b>1.7x</b>	<b>19.4x</b>	<b>22.0x</b>	<b>19.3x</b>	<b>33.0%</b>	<b>7.0%</b>	<b>17.9%</b>	<b>16.8%</b>

# Selected Precedent M&A Transactions

## Selected E-Commerce Transactions

Date	Target	Size (\$mm)	Buyers/Investors	EV / EBITDA	Transaction Comments
Jan-16	Retail Innovation Group, Inc.	\$19	LeftLane Sports, Inc.	-	LeftLane Sports, Inc. acquired Retail Innovation Group, Inc. from Oregon Angel Fund, Epic ventures and other shareholders for \$18.6 million in September, 2015. Retail Innovation was sold to LeftLane for \$0.1 million in cash, plus \$18.5 million in assumed debt. LeftLane will retain The Clymb brand and will keep majority of the employees in Portland.
Jan-16	Gilt Groupe Inc.	\$250	Hudson's Bay Company (TSX:HBC)	-	Hudson's Bay Company (TSX:HBC) entered into a definitive agreement to acquire Gilt Groupe Inc. from a group of shareholders for \$250 million in cash on January 7, 2016. The consideration is subject to customary requirements. Hudson's Bay (HBC) will fund the purchase price plus transaction costs using cash on hand. The transaction is subject to Gilt shareholder approval. The transaction is expected to close on or about February 1, 2016.
Aug-15	VEGAS.com, LLC	\$28	Remark Media, Inc. (NasdaqCM:MARK)	19.5x	Remark Media, Inc. (NasdaqCM:MARK) agreed to acquire VEGAS.com, LLC from The Greenspun Corporation, Inc. for \$28 million on August 18, 2015. Remark Media will pay \$15.5 million of cash, \$9.5 million worth of shares, such number of warrants to purchase common stock worth \$10 million of Remark Media and up to a total of \$3 million in earn out payments based on the performance of Vegas.com in the years ending December 31, 2016, 2017 and 2018.
Aug-15	zulily, Inc. (NasdaqGS:ZU)	\$2,476	QVC, Inc.	76.7x	QVC, Inc. entered into a definitive agreement to acquire zulily, Inc. (NasdaqGS:ZU) from Trinity X, LP, fund of Trinity Ventures, MeriTech Capital Partners, Lake Tana LLC, Alibaba Group Holding Limited (NYSE:BABA), Andreessen Horowitz LLC, Greenspring Associates, Inc. and other shareholders for \$2.4 billion on August 16, 2015. QVC and zulily will be operated as separate consumer facing brands and zulily will remain based in Seattle. zulily will continue to be run by its management team. The transaction is anticipated to close during the fourth quarter of 2015.
Jul-15	Interline Brands Inc.	\$2,430	The Home Depot, Inc. (NYSE:HD)	18.5x	The Home Depot, Inc. (NYSE:HD) entered into a definitive agreement to acquire Interline Brands Inc. from P2 Capital Partners, LLC, Goldman Sachs Group, Merchant Banking Division and the management of Interline Brands for \$1.6 billion in cash on July 21, 2015. Out of total purchase price \$10 million will be put in escrow. The transaction is expected to be accretive to The Home Depot's earnings in fiscal 2015.
Jun-15	Sheplers, Inc.	\$147	Boot Barn, Inc.	9.9x	Boot Barn, Inc. entered into a definitive agreement to acquire Sheplers, Inc. from BBH Capital Partners, Gryphon Partners III, L.P. of Gryphon Investors and other shareholders for approximately \$150 million in cash on May 29, 2015. Sheplers reported revenue of \$157 million, net loss of 2.61 million and adjusted EBITDA of \$14.9 million for the year ending on March 28, 2015. The deal is expected to be immediately accretive to earnings and approximately 10% accretive post integration, which is expected to be completed in calendar year 2016.

## Selected Precedent M&A Transactions (continued)

### Selected E-Commerce Transactions

Date	Target	Size (\$mm)	Buyers/Investors	EV / EBITDA	Transaction Comments
May-15	Geeknet, Inc. (NasdaqGM:GKNT)	\$134	GameStop Corp. (NYSE:GME)	-	A strategic buyer made an offer to acquire Geeknet, Inc. (NasdaqGM:GKNT) for approximately \$130 million in cash on May 27, 2015. GameStop Corp. (NYSE:GME) entered into a definitive agreement to acquire Geeknet, Inc. (NasdaqGM:GKNT) for approximately \$130 million in cash on June 1, 2015. Under the terms of the agreement, the buyer will pay \$20 per share as consideration.
May-15	Orchard Brands Corporation	\$410	Bluestem Brands, Inc.	5.8x	Bluestem Brands, Inc. signed a definitive agreement to acquire Orchard Brands Corporation for approximately \$410 million in cash on May 27, 2015. The acquisition will be funded with a combination of cash on-hand, new term debt syndication, and a new asset-based lending facility. Orchard Brands Corporation reported net sales of \$1.02 billion, adjusted EBITDA of \$70.7 million and Free Cash Flow of \$61.9 million for the period ended December 27, 2014.
Apr-15	Realtruck, Inc.	\$12	THI Corporation (nka:Truck Hero, Inc.)	-	Truck Hero, Inc. acquired Realtruck, Inc. for \$12.4 million on April 21, 2015. Truck Hero issued 0.008 million of its Series A-1 preferred shares as consideration.
Feb-15	Orbitz Worldwide, Inc. (NYSE:OWW)	\$1,880	Expedia Inc. (NasdaqGS:EXPE)	12.1x	Expedia Inc. (NasdaqGS:EXPE) entered into a definitive agreement to acquire Orbitz Worldwide, Inc. (NYSE:OWW) for \$1.4 billion on February 12, 2015. Expedia will acquire 110.8 million shares, 7.76 million RSUs. Expedia will pay \$12 per share in cash as consideration for shares and options. On completion, Orbitz Worldwide will operate as wholly owned subsidiary of Expedia.
Dec-14	Baby Jogger, LLC	\$210	Newell Rubbermaid Inc. (NYSE:NWL)	-	Newell Rubbermaid (NYSE:NWL) signed a definitive agreement to acquire Baby Jogger, LLC, from 2008 Riverside Capital Appreciation Fund L.P. of The Riverside Company and others for \$210 million, subject to customary working capital and transaction adjustments, on December 1, 2014. The acquisition is expected to be financed through a combination of organic cash flow and available borrowings.
Aug-14	Pet360 Inc.	\$160	PetSmart, Inc. (NasdaqGS:PETM)	-	PetSmart, Inc. (NasdaqGS:PETM) signed a definitive agreement to acquire Pet360, Inc. from Udata Partners, LLR Partners Inc. and others for approximately \$160 million on August 19, 2014. PetSmart will pay \$130 million upfront and additional \$30 million based on performance by the end of 2016.
Jul-14	Provide Commerce, Inc.	\$422	FTD Companies, Inc. (NasdaqGS:FTD)	7.5x	FTD Companies, Inc. (NasdaqGS:FTD) entered into a definitive agreement to acquire Provide Commerce, Inc. from Liberty Interactive Corporation (NasdaqGS:LINT.A) for approximately \$420 million in cash and stock on July 30, 2014.
Jul-14	Vitacost.com, Inc.	\$281	The Kroger Co. (NYSE:KR)	-	The Kroger Co. (NYSE:KR) entered into a definitive merger agreement to acquire Vitacost.com, Inc. (NasdaqGS:VITC) for approximately \$270 million in cash on July 1, 2014. Kroger will purchase all outstanding shares of Vitacost.com for \$8.00 per share in cash.

## Selected Precedent M&A Transactions (continued)

### Selected E-Commerce Transactions

Date	Target	Size (\$mm)	Buyers/Investors	EV / EBITDA	Transaction Comments
Jun-14	Healthy Directions, LLC	\$195	Helen of Troy Limited (NasdaqGS:HELE)	8.0x	Helen of Troy Limited (NasdaqGS:HELE) entered into a definitive purchase agreement to acquire Healthy Directions, LLC from certain funds controlled by American Securities and ACI Capital Co., LLC for approximately \$200 million in cash on June 11, 2014.
Jan-14	ideeli Inc.	\$43	Groupon, Inc. (NasdaqGS:GRPN)	-	Groupon, Inc. (NasdaqGS:GRPN) acquired ideeli Inc. from Betaworks Studio, LLC, Investment Arm, Next World Capital, The Cue Ball Group, LLC, Next World Capital, Kodiak Venture Partners, StarVest Partners II, L.P. of StarVest Partners, L.P., David Shen Ventures, LLC, Tribeca Venture Partners, Credit Suisse Private Equity, LLC, Highbridge Principal Strategies Growth Equity and other investors for \$43 million in cash on January 13, 2014.
Aug-13	Monoprice, Inc.	\$180	Blucora, Inc. (NasdaqGS:BCOR)	11.3x	Blucora, Inc. (NasdaqGS:BCOR) entered into a stock purchase agreement to acquire Monoprice, Inc. for \$180 million in cash on July 31, 2013. The consideration is payable to the sellers and option holders of Monoprice. Monoprice generated revenues of \$131.1 million and adjusted earnings before interest, taxes, depreciation, and amortization of \$16 million for the twelve months ending June 30, 2013. Blucora expects to fund the transaction with cash on hand.
Dec-12	TripAdvisor Inc. (NasdaqGS:TRIP)	\$300	Liberty USA Holdings LLC	28.5x	Liberty USA Holdings LLC acquired 3.37% stake in TripAdvisor Inc. (NasdaqGS:TRIP) from Barry Diller, The Diller-von Furstenberg Family Foundation and Revocable Trust Under The Trust Agreement of The Arrow 1999 Trust for approximately \$300 million on December 11, 2012.
Dec-12	Redcats USA, Inc.	\$525	Charlesbank Capital Partners, LLC; Webster Capital	-	Webster Capital, Charlesbank Capital Partners, LLC and OneStopPlus Group management entered into a definitive agreement to acquire Redcats USA, Inc. from Redcats SA for an enterprise value of approximately \$530 million on December 5, 2012. The investment will be funded with both equity and debt.
Dec-12	Blue Ribbon Motoring, LLC	\$150	AutoZone, Inc. (NYSE:AZO)	-	AutoZone, Inc. (NYSE:AZO) entered into a definitive agreement to acquire assets and select liabilities of Blue Ribbon Motoring, LLC for approximately \$150 million on December 4, 2012.
Nov-12	GoJane LLC	\$33	Aéropostale, Inc. (NYSE:ARO)	-	Aéropostale, Inc. (NYSE:ARO) acquired GoJane.com for \$33.2 million on November 13, 2012. The purchase price consists of \$25.2 million in cash at closing paid from cash on hand, subject to certain adjustments.
Nov-12	The Sportman's Guide, Inc.	\$215	Northern Tool + Equipment Company, Inc.	-	Northern Tool + Equipment Company, Inc. entered into an agreement to acquire The Sportman's Guide, Inc. from Redcats USA, Inc. for an enterprise value of approximately \$220 million on November 8, 2012. Northern took on \$200 million in debt to finance the deal. J.P. Morgan Securities LLC is arranging the financing for the transaction.
Nov-12	Kayak Software Corporation	\$1,828	priceline.com Incorporated (NasdaqGS:PCLN)	30.6x	priceline.com Incorporated (NasdaqGS:PCLN) signed a definitive agreement to acquire Kayak Software Corporation (NasdaqGM:KYAK) from Kayak's Directors and officers and other investors for approximately \$1.8 billion on November 8, 2012.



# Peakstone Selected E-Commerce Transactions



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