



QUICK TAKE

Weekly Store Openings and Closures Tracker #14: True Religion Bankruptcy & Walgreens Adds Stores

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Fung Global Retail & Technology tracks store openings and closures for a select group of US retailers.

- 1) We forecast that there will be 9,452 announced store closures by the end of 2017, exceeding the 6,164 stores closed in 2008. Our forecast for 2017 represents a year-over-year increase of 361%.
- 2) This week, denim retailer **True Religion** filed for bankruptcy protection and will undergo a capital restructuring.
- 3) **Walgreens** purchased 2,186 stores from competitor Rite Aid for a cash deal worth \$5.2 billion.
- 4) Beauty company **PDC Brands** was acquired by private equity firm CVC Capital Partners for \$1.42 billion.
- 5) Year-to-date 2017, the number of store closure announcements has increased 162% year over year, bringing the total number of stores to be closed to 5,368, with more to surely follow.



2017 Store Openings and Closures

What Is Happening This Week?

Traditional retailers continue to be overwhelmed by bankruptcy. Denim retailer True Religion filed for Chapter 11 this week and undergoes a capital restructuring, with 27 stores to be closed in the process. Meanwhile, drugstore operator Walgreens purchased 2,186 stores from Rite Aid, after failing to acquire Rite Aid itself. Finally, beauty company PDC Brands was acquired by private equity firm CVC Capital Partners for \$1.42 billion.

True Religion Files for Bankruptcy and Is to Close 27 Stores

Denim retailer True Religion filed for Chapter 11 this week, citing a capital structure reorganization as the primary reason. The Chapter 11 filing is expected to reduce existing debt by \$350 million and convert it into the reorganized company's equity. Some 27 retail stores, i.e., 19% of the total store fleet, are set to be closed in the process, according to *USA Today*. The need to reorganize its capital structure came as the rise of e-commerce and internet shopping has put intense pressure on earnings at True Religion, which is owned by a private equity firm, and has a significant debt load. Management reiterated that business operations will not be affected by the restructuring.

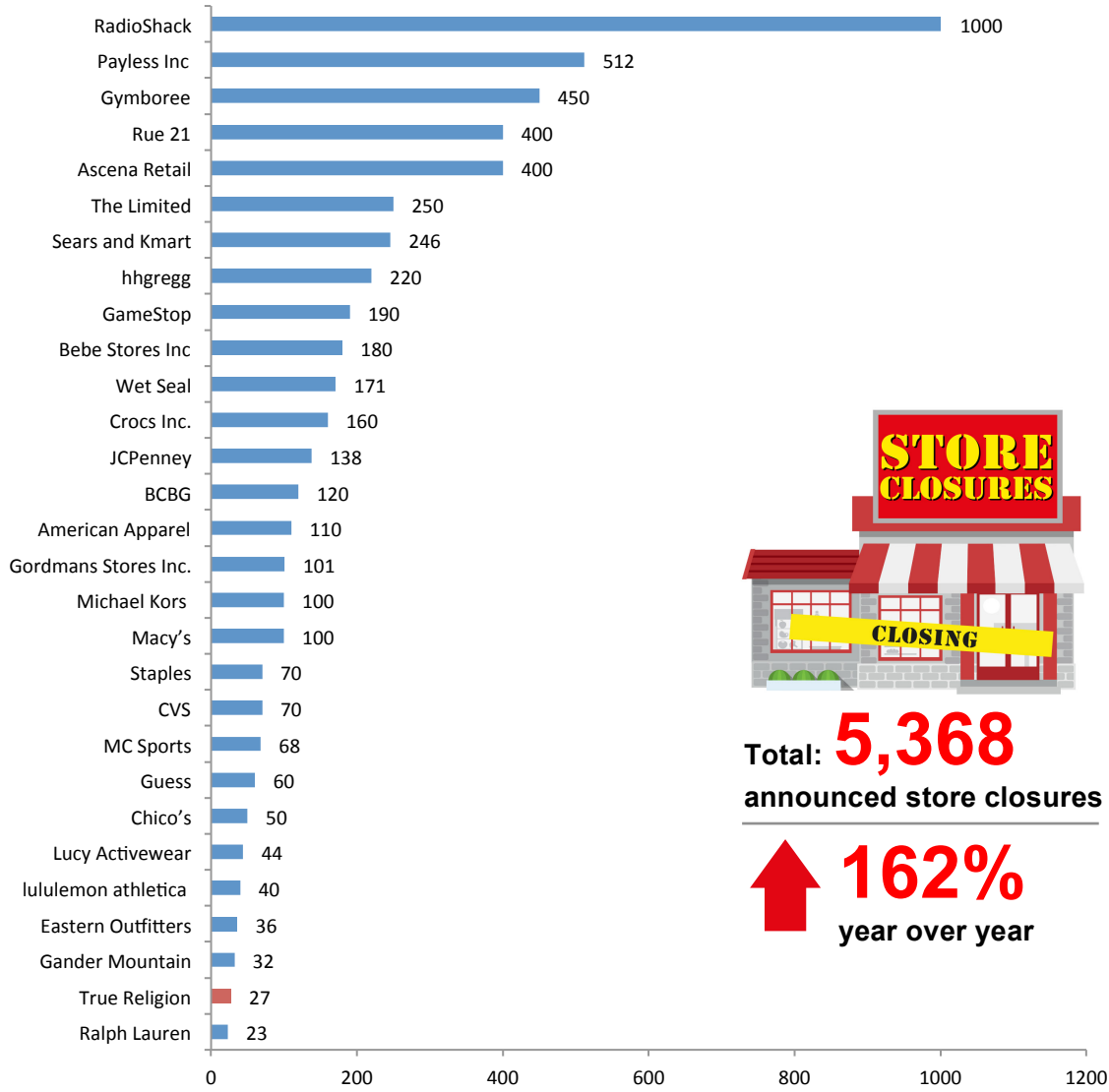
Walgreens Acquires over 2,100 Stores from Rite Aid

Walgreens announced a definitive agreement with Rite Aid under which Walgreens will acquire three distribution centers, 2,186 stores and all related inventories for a cash deal worth \$5.2 billion. The store acquisitions came as the deal which would have seen Walgreens acquire Rite Aid fell apart. Negotiations started as early as October 2015, but the deal-in-progress faced intense scrutiny from antitrust officials and broke down eventually. The final store acquisition plan is seen as a backup plan for Walgreens to keep expanding. After the deal, Rite Aid's store count will be halved, bringing the store count to around 2,300 stores, while Walgreens will have over 10,000 stores in the US.

Private Equity Firm CVC Capital Partners Acquires PDC Brands

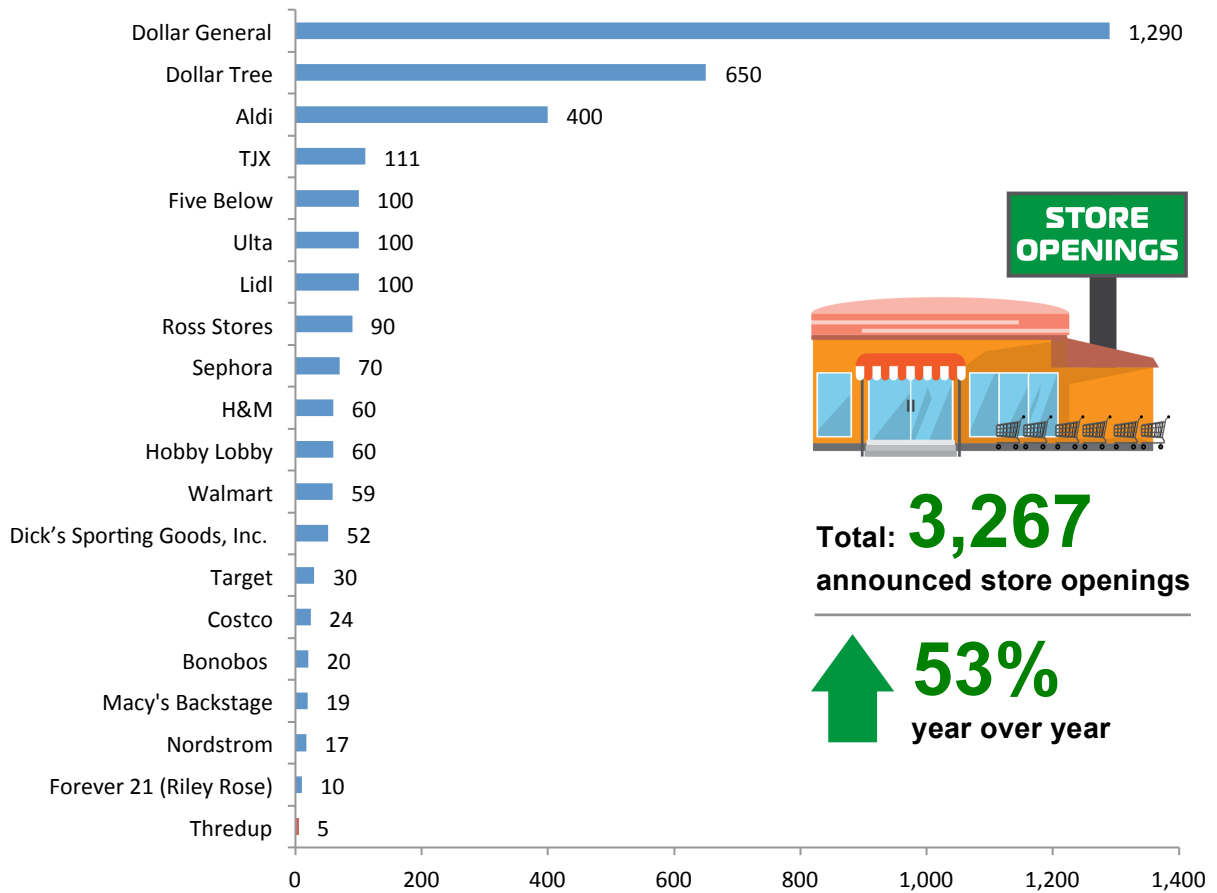
CVC Capital Partners closed the \$1.42 billion deal to acquire PDC Brands, a beauty company with an international presence. Notable brands under PDC include Dr. Teal's, Cantu, Body Fantasies, BOD Man and Eylure. The beauty company was previously owned by Yellow Wood, also a private equity firm. PDC will continue its strategy to identify brands and bring them into the company for more rapid growth.

Year-to-Date 2017 Major US Store Closure Announcements



Gymboree announced it would be closing 350–450 stores. Ralph Lauren's store closing number was part of the 50-store closure plan announced in June 2016. Payless will close an additional 296 stores if negotiations with landlords are unsuccessful. Ascena will close between 268 and 667 stores by July 2019, depending on negotiations with landlords.
 Source: Company reports/Fung Global Retail & Technology

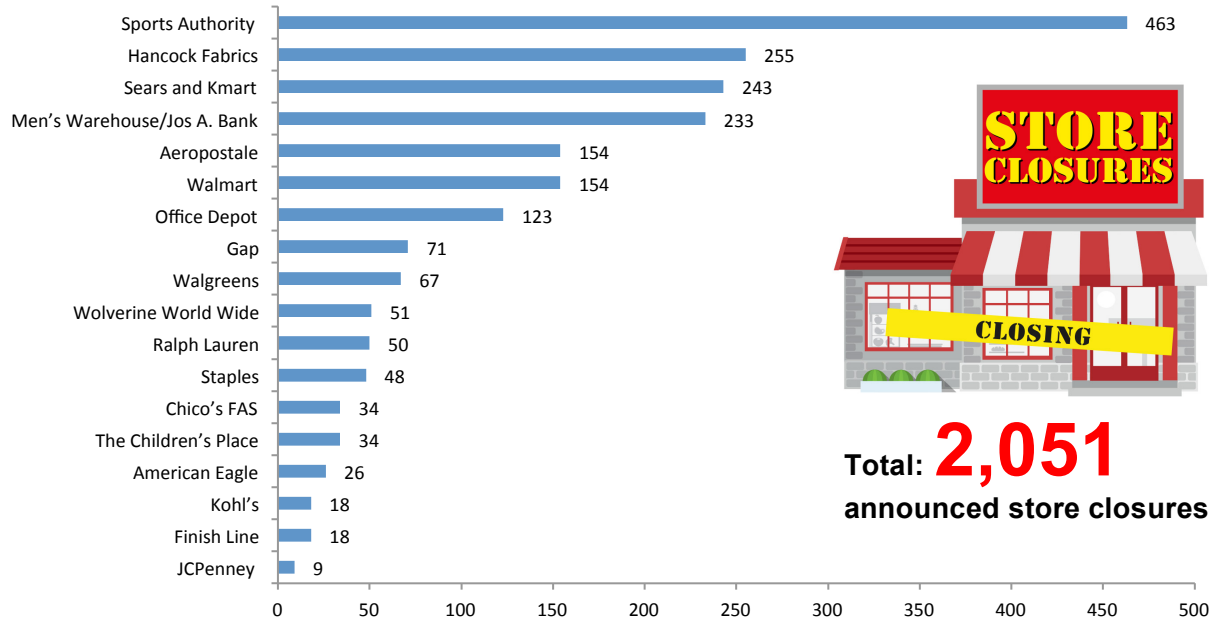
Year-to-Date 2017 Major US Store Opening Announcements



Aldi will complete a 400-store expansion by the end of 2018. **Walmart's** target of 59 stores includes new, expanded and relocated stores. **Target** is only opening stores in small format. **Macy's Backstage** will be opened within existing full-line Macy's stores.
 Source: Company reports/Fung Global Retail & Technology

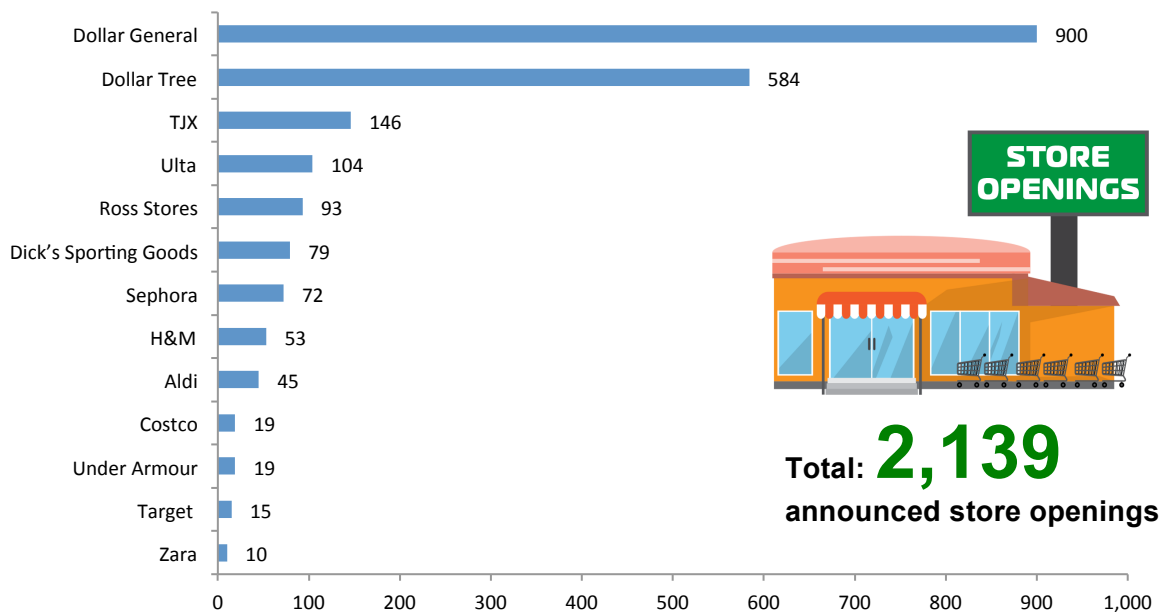
2016 Store Openings and Closures

2016 Major US Store Closures



Source: Company reports/Fung Global Retail & Technology

2016 Major US Store Openings



Source: Company reports/Fung Global Retail & Technology



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