

TULLY & HOLLAND

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The Demand Index

Direct Marketers | Demand & Circulation

2012 Q1 Analysis

Multi-Year Performance Analysis

Tully & Holland has been collecting and reporting circulation and demand data from 20 direct marketers since January 2011. Each week these companies, with sales ranging from \$5 million to \$400 million, send T&H weekly demand and circulation figures compared to the prior year. Each week the group's combined results are reported to the participating companies. This broad measure provides those companies a Demand Index by which they can measure their individual performance. The following analysis reflects Q1 demand and circulation performance for 2012.

The first quarter of 2012 followed up 2011's strong finish with an equally impressive if not better performance. In the first quarter, cumulative year to date demand increased +3.9%. This demand increase occurred despite a quarterly circulation decline of -1.9%. Thirteen of the 20 companies saw positive growth in demand for the quarter. Of the 13 companies, 7 had double digit increases in demand. Of the 7 declining companies, 4 had double digit decreases.

Performance By Industry

In the subsequent chart, the 20 companies are sub-divided into five categories which best represents their industries. Since the sample size of the sub categories is small, the findings are not statistically significant; however, we believe the sample is directionally indicative of the strengths and weaknesses of the various segments.

	Average Change in Demand	Average Change in Circulation
Apparel	4.9%	23.3%
Home & Accessories	8.2%	-5.5%
Multi-Category	2.1%	-11.0%
Hobby	-4.1%	10.4%
B2B	5.5%	-19.4%
Total	3.9%	-1.9%

The **Apparel** category, after finishing down for 2011, had a mixed first quarter of 2012. Demand was up +4.9%, but circulation was also up by a surprising +23.3%. Circulation surged recently and will likely moderate in the coming weeks.

The **Home & Accessories** category continued its trend from 2011 achieving one of the more impressive performances of the reporting groups. Demand was up +8.2%. Additionally, circulation was down -5.5%, suggesting that this category realized strong profits for the quarter. T&H believes this category is experiencing strong results in part due to the improving economy and a nascent housing recovery.

The **Multi-Category** group reported an increase in demand of +2.1%. This growth reflected demand increases for 60% of the companies in this category for the quarter. The first quarter of 2012 realized demand growth with a -11.0% decrease in circulation, unlike the costly +11.9% increase in circulation during full year 2011.

The **Hobby** category reported a -4.1% demand decrease despite a large +10.4% increase in circulation. Only one of the companies reported an increase in demand. Profits for companies in this category will likely be under pressure as circulation surged. An improving economy should have helped this category, but, that is not the case.

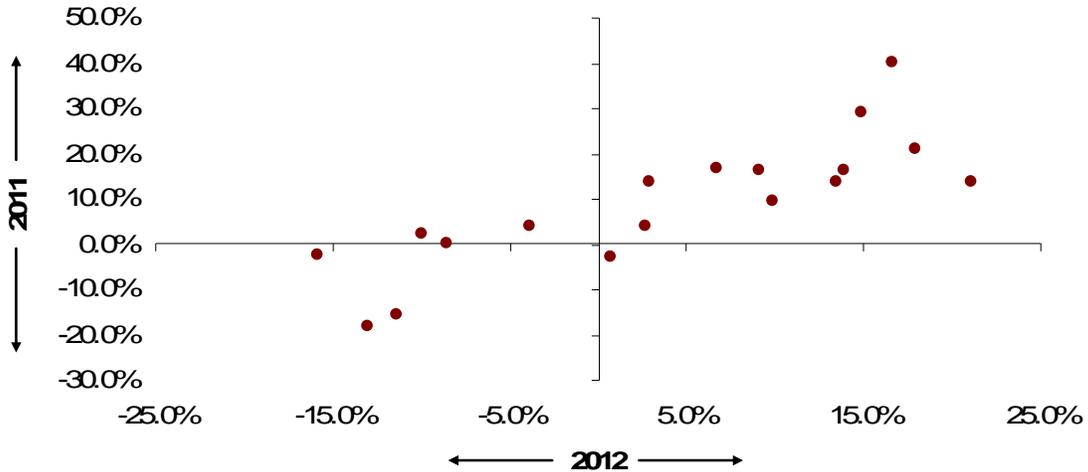
Finally, the **Business-to-Business** category reported a +5.5% gain in demand. A -19.4% decrease in circulation, in conjunction with the demand increase, highlights a strong start to the year for this category.

Multi-Year Performance Analysis

It is important to note that the companies which had strong positive demand growth in Q1 2011 also had positive growth in Q1 2012. Those companies that had an increase less than 5% versus their Q1 prior year, did not fare quite as well. The companies with

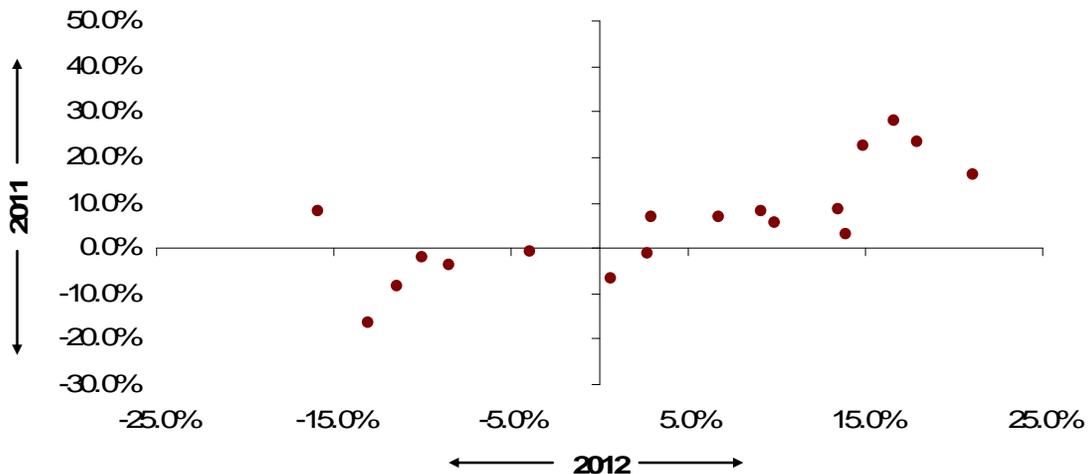
demand decreases in 2011 also tended to have demand decreases in Q1 2012. Only one company with a decrease in demand in Q1 2011 improved its negative results to positive results in Q1 2012. For this company, demand results were close to even in both quarters. Essentially, achieving demand gains against soft year ago performance does not appear easy.

Q1 2012 vs. Q1 2011 Comparative Demand Performance



In addition, when we look at Full Year 2011 and Q1 2012 we see a similar trend. Those companies that had a good Full Year 2011 also had a good Q1 2012. Momentum and trends seem to play a strong role in future results.

Q1 2012 vs. Full Year 2011 Comparative Demand Performance



This analysis illustrates that a company is more likely to continue a trend of positive or negative demand growth rather than changing the trend, regardless of category, customer demographics, or other variables. A strong year, as defined by up +10% or more, will not impede the potential growth of a company the following year. In fact, it is more likely to be followed by another strong year. Conversely, a company with soft demand will not easily reverse its negative trend. We will continue to follow this analysis in the future to confirm how robust this conclusion is.

[CLICK HERE FOR TULLY & HOLLAND DEMAND INDEX CHARTS](#)

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