

# TULLY & HOLLAND

INCORPORATED

## Chain Store Sales Quarterly Update

Retailers | Comparable Sales Tracking – 1st Quarter ended May 2, 2015

### Quarterly Overview

For the quarter ended May 2, 2015, the 107 chain stores tracked quarterly by Tully & Holland reported a median 1.8% increase in comparable store sales. Seventy-one of the chains monitored (66%) reported positive growth in same store sales for the quarter. Please see below for a brief breakdown by segment as well as individual company performance highlights.

### SAME STORE SALES GROWTH

Sector Same Store Sales Growth (Medians)	Q1 2015
Beauty Aids	7.7%
Men's Apparel	6.2%
DIY Home Centers	6.2%
Athletic Footwear	5.5%
Consumer Electronics	4.0%
Off-Price	3.9%
Footwear	3.1%
Home Furnishings	2.7%
Warehouse Clubs	2.7%
Discount	2.5%
Jewelry	2.3%
Mass Merchandisers	1.0%
Department Stores	0.8%
Chain Drug	0.6%
Luxury Goods	0.6%
Sporting Goods	0.3%
Specialty Apparel	-0.4%
Books, Toys & Gifts	-0.5%
<b>Total</b>	<b>1.8%</b>

### Best Performing Segments

The best performing segments included: Beauty Aids, Men's Apparel, DIY Home Centers, Athletic Footwear, Consumer Electronics, and Off-Price. Beauty Aids was the clear category leader, driven by superior growth at Ulta Salon and Bath & Body Works. Sales have been bolstered by changing consumer spending habits that favor beauty products and services. Men's Apparel saw its second consecutive quarter of vibrant sales increases in Q1 2015, with robust tallies from Men's Wearhouse, Destination XL, and K&G. Athletic Footwear has been strong now for seven consecutive quarters, buoyed by solid sales at Foot Locker. Consumer Electronics benefited from lively sales of PS4 and Xbox One software at GameStop.

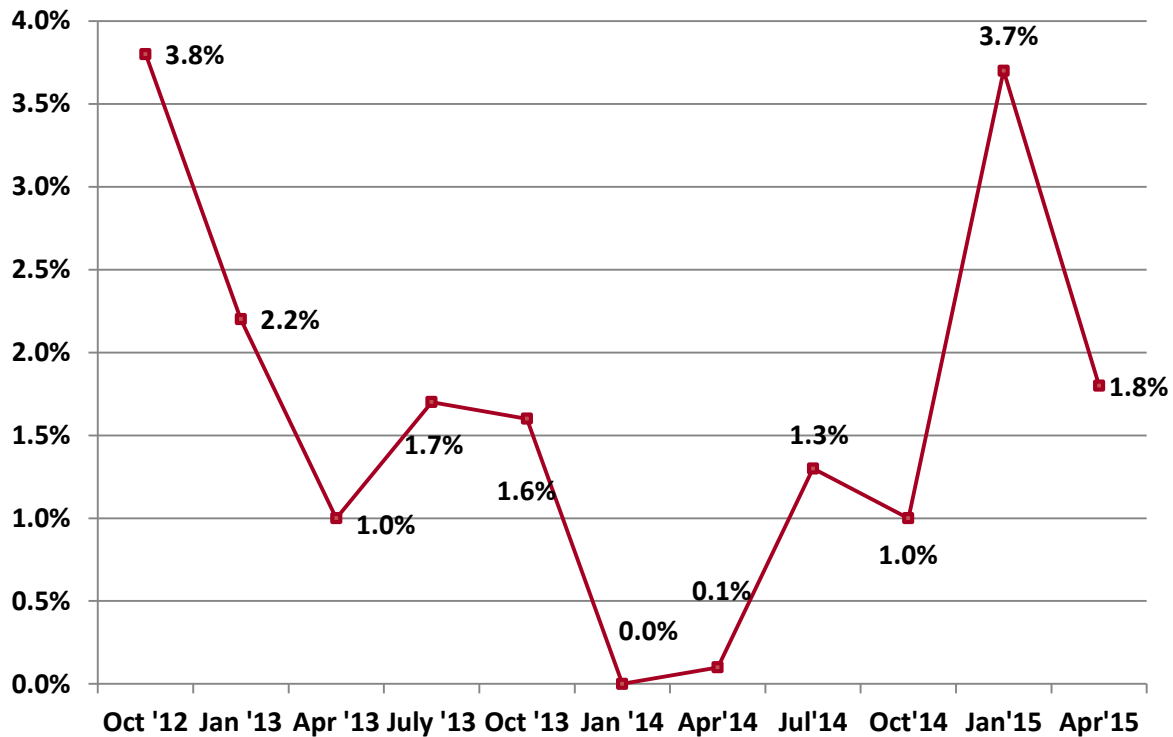
### Worst Performing Segments

While the overall retail climate was positive in the quarter, segments such as Books, Toys & Gifts, Specialty Apparel, Sporting Goods, and Luxury Goods all exhibited fragility.

### Lagging Chains

Among the chains lagging were Coach, Sears, Justice, Aeropostale, and Gap – all suffering from double digit comparable store sales declines. Coach, losing favor to Kate Spade and others, suffered a 23% decline in same store sales in the quarter. Sears attributed its 15% decline in comparable store sales to a refocusing of its merchandise offerings to accentuate its strengths and deemphasize lower profit categories such as consumer electronics. The next 3 laggards for the quarter, Justice, Aeropostale, and Gap, are all specialty apparel retailers whose brands have been steadily losing their appeal with their core demographics.

# Historical Chain Quarterly Same Store Sales Growth



Source: Company Press Releases and T&H Analysis

## Key Standouts by Brand

Leaders	
Free People	17.0%
West Elm	15.3%
Steve Madden	11.6%
Ulta Salon	11.4%
Off 5th	10.3%

Laggards	
Coach	-23.0%
Sears	-14.5%
Justice	-12.0%
Aeropostale	-11.0%
Gap	-10.0%

Source: Company Press Releases and T&H Analysis

## Best Performing Chains

The best performing chains were Free People, West Elm, Steve Madden, Ulta Salon, and Off 5<sup>th</sup>, all posting double digit comparable store sales increases for the quarter. Off 5<sup>th</sup>, the off price retailer now owned by Hudson, has produced double digit same store sales increases for at least five consecutive quarters. For Ulta, West Elm, and Free People, their superior comparable store sales growth trend has lasted eight or more consecutive quarters.

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