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For Immediate Release

HEAVY DEBT DRIVES RETAIL FAILURES IN UNDERAPPRECIATED WAYS, WRITES TIGER CAPITAL GROUP EXPERT

--In column for Fashion Mannuscript newsletter, Bradley W. Snyder cites overleverage in Toys 'R' Us and other high-profile retail collapses.

NEW YORK (4/8/19) —Excessive debt continues to be an underappreciated factor in the demise of many retail chains, writes Bradley W. Snyder, a Tiger Capital Group Executive Managing Director, in the weekly newsletter of Mann Publications' *Fashion Mannuscript* magazine.

In the featured story of the week of the March 28 *Mann Newswire* ("How Debt Plays an Outsized Role in Retail Bankruptcies"), Snyder, a corporate advisor on global business strategies, notes that the unsettling headlines in retail just keep on coming. In particular, he cites the current closing of Payless ShoeSource's North American operations, the largest liquidation by store count in U.S. history, as the latest example of a debt-laden retail chain in bankruptcy.

Tiger, along with joint venture partner Great American Group, began liquidating $1 billion in inventory at 2,300 Payless stores this past February. The ongoing sale followed recent bankruptcies and store closures by Sears, Bon-Ton Stores, Nine West, Claire's and Toys 'R' Us.

Within the fashion industry, explanations for such closures tend to hinge on the rise of e-commerce, stiff competition from off-price chains and the loss of brand-consciousness among younger shoppers, Snyder observes. But such assessments tell only one side of the story. "The consensus in my part of the business world, which is peopled by the likes of financiers, appraisers, liquidators and bankruptcy professionals, is that most laypeople fail to grasp the degree to which financial factors—especially impatience triggered by a chain's excessive debt—are driving retail failures," Snyder writes.

The latest data from McKinsey & Co.'s *Private Markets Review* illustrates the point. The *Review* sizes up the growth of private equity, which Snyder describes in the column as the sector most responsible for buying up retailers and saddling them with debt. According to the *Review* published this past February, global private equity net asset value grew by 18 percent last year; meanwhile, private-market fundraising reached about $778 billion during the same period. All told, overall private equity capitalization has grown more than sevenfold since 2002—twice as fast as the public markets. "In layman's terms that means that wealthy private investors continue to have more money to spend than they know what to do with," Snyder writes.

He also cites research showing that two years in particular—2016 and 2017—appear to represent a kind of tipping point with respect to the ill effects of excessive retail debt. In 2017, for example, 21 major retailers filed for bankruptcy protection, he notes.

Why is debt such a problem for retail businesses? "If the mortgage on your house were to quintuple overnight, paying your other bills would suddenly be a lot more stressful," Snyder explains. "Debt-saddled retailers found themselves in an analogous position: Precisely when they needed a lot of money to launch ecommerce operations, ramp up in-store experiences and overhaul their supply chains, they were faced with overwhelming debt service."

None of this is to dismiss conventional explanations for retailer failures related to consumer behavior, ecommerce or the overstored American landscape, he says. "For the fashion industry, though, there is some good news here: The basic model of selling fashionable apparel in a brick-and-mortar store may not be as broken as many people think," Snyder concludes. "Rather, many of the bankruptcies and store closures happening today are a natural consequence of investment decisions made by private equity firms, activist investors and bondholders focused on retail."

The full column is available here:
http://www.mannpublications.com/fashionmannuscript/2019/03/28/how-debt-plays-an-outsized-role-in-retail-bankruptcies/

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