

Company ABC

Information Memorandum Summary

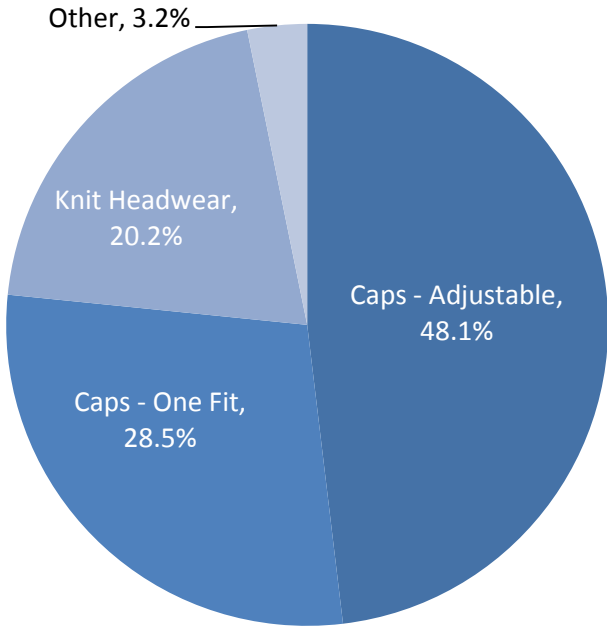
August 20XX

Sponsoring Firm:

Company XYZ

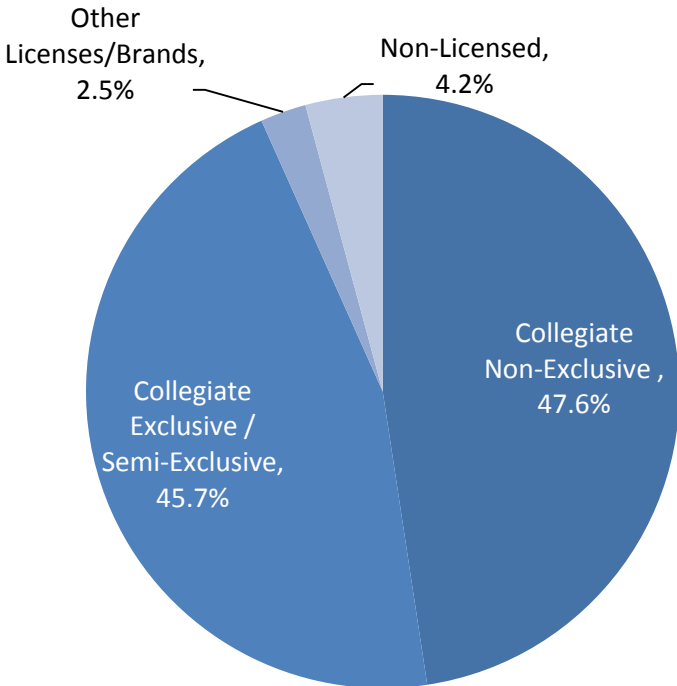
- Founded in August 19XX, Headquartered in US, the Company is a value-added designer & distributor of collegiate headwear in the United States. It provides fitted & adjustable caps, knit headwear, visors, and other accessories, embellished with licensed collegiate logos
- With the business diversified across ~400 licensees and 1,350 active accounts, it distributes its products to sporting goods & specialty retailers, mass market retailers, grocery / drug / convenience (“GDC”) stores, department stores, and college bookstores
- Operates within the \$3.9 billion Licensed Collegiate Merchandise Industry, a subset of the \$16.7 billion Licensed Sports Merchandise Industry. Collegiate apparel / headwear comprises 65% of all Licensed Collegiate Merchandise, or \$2.5 billion (all retail figures)
- ~45% of the business is protected under exclusive / semi-exclusive collegiate contracts and is diversified across 3 key primary product categories and 5 major channels of distribution
- Operates a flexible and scalable business model leveraging on ~100% outsourced production across a vendor base located in Vietnam, China, and Bangladesh
- Operates out of a 90,000 sqft facility in US, and employs 200 individuals (all non-union)
- During FYXX, the sales grew by 5.3% to \$xx million with an Adjusted EBITDA margin of 10.9% (FY XX: 7.6%)
- The management anticipates continued momentum in FYXX with estimated net sales of \$xx million Adjusted EBITDA margin of 13.9%

Net Sales by Product



- Holds the following licenses:
 - Over 400 collegiate licenses
 - 59 exclusive licenses for the mass and GDC markets
 - 8 semi-exclusive licenses for the mid-tier channels
 - 2 exclusives for all channels of distribution
 - Official Locker Room exclusive rights for all major conference and national championships
- Holds 2 product patents, and 1 yet to be received
 - One Fit: Developed and patented in 20XX, a proprietary stretch fit, closed backed cap, currently, nearly 30% of ABC’s headwear is sold with the “One Fit” feature
 - Cappello: Developed and patented In 20XX, a proprietary design for seamless baseball caps
 - Memory Fit: Developed in 20XX (patent pending), a technology which infuses memory foam into the headband of caps – improving comfort and providing a customized fit and feel

Sales Volume by License

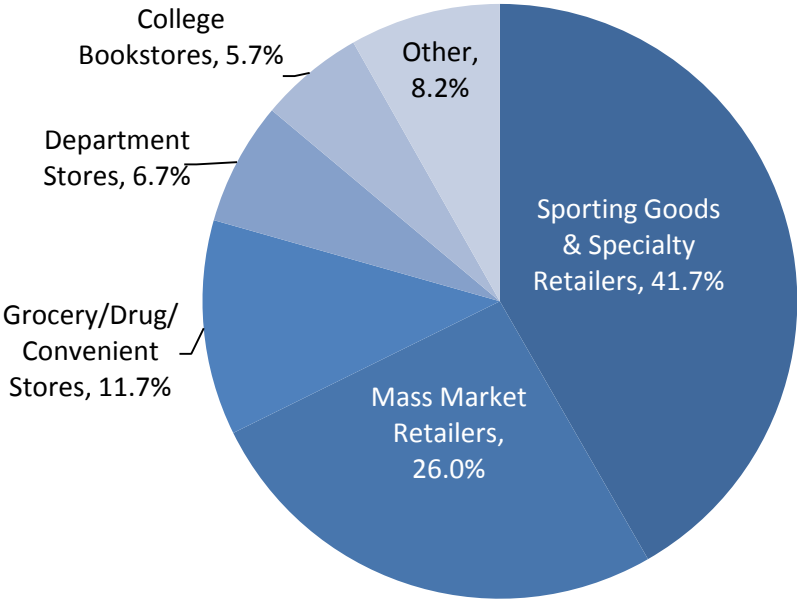


- The products are sold into major tier of retail distribution across the country
- Designs, sources, warehouses, and distributes to sporting goods & specialty retailers, mass market retailers, grocery / drug / convenience (“GDC”) stores, department stores, and college bookstores, among others
- Strong customer relationships and account tenure enables them to afford minimal discounts and allowances, and a high level of recurring revenue
- Mass market retailers including Walmart, Target, Kmart, and others, comprise nearly 25% of the total collegiate apparel / headwear market and exclusively purchase collegiate headwear from ABC for 59 schools

Collections – Fall 20XX

Brand	Target	20XX Sales
Fan	Sports Team Fans	\$xx million
Fore	Golf / Green Grass consumers	\$xx million
Freestyle	Skate / Surf/ Hip-Hop	\$xx million
Frat	College Student	\$xx million
Outdoor	Outdoor Enthusiast	\$xx million
Ladies	Women	\$xx million
Rookie	Youth	\$xx million
Knits	Cold Weather	\$xx million

Revenue by Distribution Channels

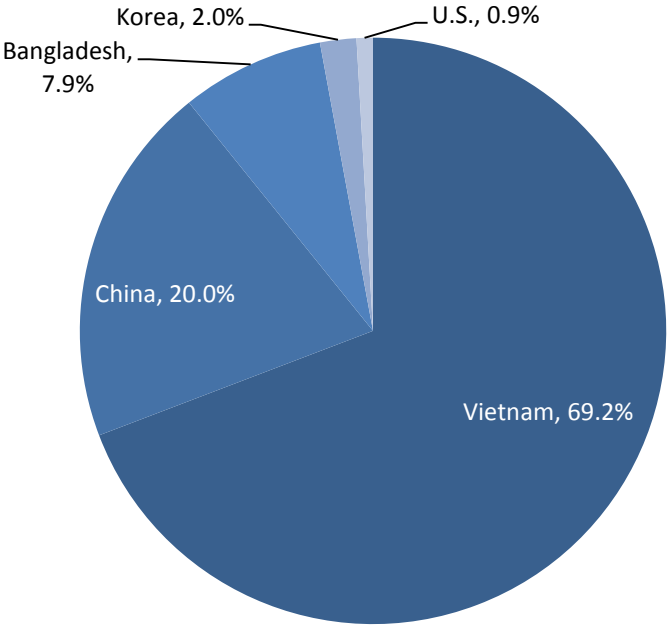


- Aims at superior customer service and maintaining the inventory levels necessary to meet retailers' needs
 - Resulted in excellent customer relationships, high repeat / recurring business, continued product placement as customer relationships mature, and the addition of new customer accounts in 20XX
- Employs strict credit guidelines with ~93% of customers on terms (net 30 to net 60 days, on average) with the balance paying via credit card
 - Enjoyed low bad debt expense, averaging ~0.6% of net sales over the past 5 years
 - Has various rebate and incentive programs with top customers, ranging from 1-3% discounts and allowances, on average
 - Over the past 5 years, total gross to net sales dilution has averaged 2.5%
- 100% of product is committed to by the customer prior to production (i.e., limited to no inventory risk to ABC)
- Warehouses and distributes a portion of the inventory for quick-turn replenishment programs, as a service
- Customer base is not concentrated on any single account, with the Company's top account representing 20.8% of 20XX net sales and the top 10 accounts representing 60.2%
 - Enjoys an average tenure of over 11 years among its top ten accounts

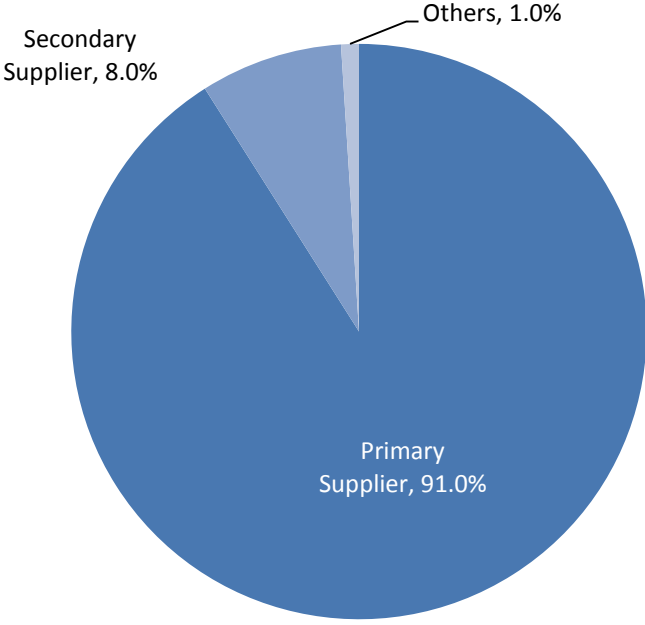


- Outsources 100% of its manufacturing to developing nations like Vietnam, China and Bangladesh, and develops long term & direct relationships with these key partners
- Primary supplier produces ~91% of its production volume in 2 facilities located in China & Vietnam and has a 15-year old relationship with this supplier
- In addition to this key supplier, it has a 24-year relationship with a Secondary supplier, which produced 8% of its 20XX purchases of 20.1 billion
- Availability of substitute suppliers, ease the concentration risk
- Over 90% of all products are decorated (logo embroidery) overseas, with 10% decorated domestically for quick-turn programs, or sold “blank” (i.e., not decorated)

Production Volume by Location



Production Volume by Suppliers



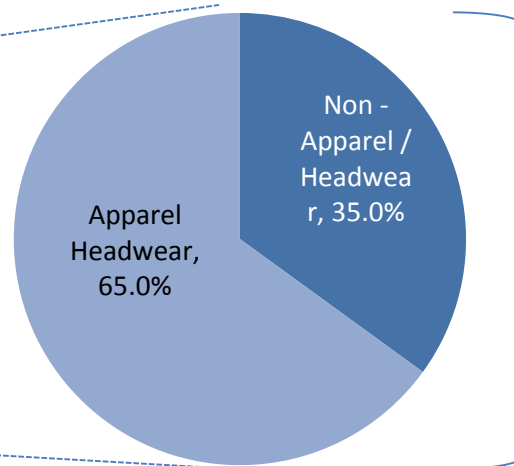
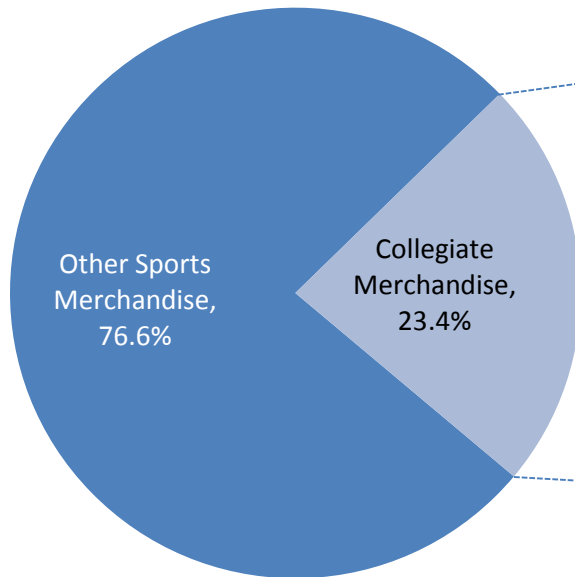
Licensed Sports Merchandise Industry

- In 20XX, the market size for Licensed Sports Merchandise (“LSM”) relating to colleges, universities, sports leagues, teams, and players was estimated to be \$xx billion
- The industry experiences peak sales during the back-to-school season from late summer (September) through early fall (October/November), making it partly seasonal
- The North American LSM industry witnessed a CAGR of 1.9% during 20XX to 20XX
- The LSM industry includes ~50,000 retailers offering collegiate branded products and accounts for \$xx billion in retail sales annually
- ~65% of licensed college merchandise is apparel / headwear and ~15% of which is headwear

Addressable Market

LSM Industry: \$16.7 billion (at retail)

LCM Industry: \$3.9 billion (at retail)



Headwear represents ~15% of Collegiate Apparel / Headwear or ~\$380 million

Estimated ABC Market Share: ~30%

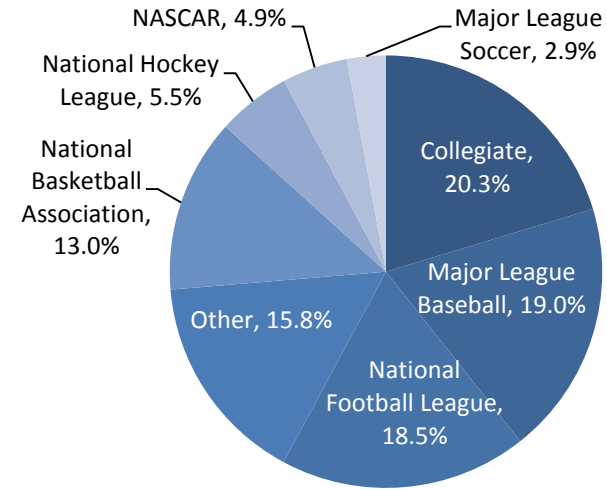
Licensed Sports Merchandise Industry

- In 20XX, Growth in LSM was fueled by :
 - Significant levels of fan interest in college and professional athletics
 - Sophisticated marketing and merchandising practices employed by licensors, merchandise providers, and retailers
 - Personal electronics allowing for instant viewing of events
- Over 80% of fans check social media while watching a game, which creates marketing opportunities

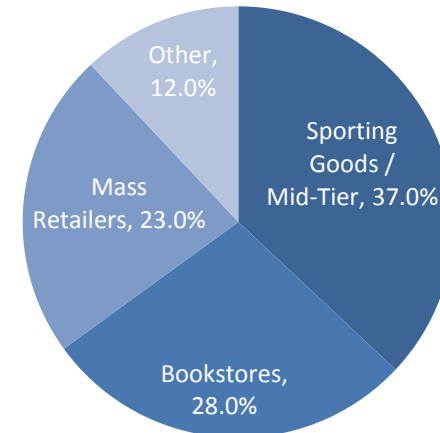
Licensed Collegiate Merchandise Industry

- Includes ~50,000 retailers that offer collegiate branded product and accounts for ~\$3.9 billion in retail sales annually
- ~65% of licensed college merchandise is apparel / headwear, ~15% of which is headwear
- Dominated by 3 primary management companies that represent ~800 colleges, universities, bowl games, athletic conferences etc., and assist in protecting, managing and developing their brands:
 - Collegiate Licensing Company, Learfield Sports and Fermata Partners
- The balance of institutions choose to manage licensing in-house and are referred to as “independent” schools

Sale of Licensed Sports by League



Collegiate Sales by Channel



- Operates dual merchandising strategy
 - Focused on all “mid-tier and up” channels (i.e., excluding mass market and GDC retailers)
 - Solely focused on the mass market, GDC, and warehouse club channels

Mid-Tier and Up Channels

- For non-mass market / GDC accounts, Product offering is merchandised into -
 - “Stock” program, offered year after year
 - “Collection” program, updated each season
- For Fall 20XX, “stock” program includes eight unique headwear styles
- Includes All Licenses (Excluding Mass Market / GDC Exclusives)
- Net Sales for 20XX - ~\$XX million

Captivating Headgear

- Specific program for mass market and GDC customers
- Offers dual price point product option through “1K Series” and “Silver Series” programs
 - 1K Series, high quality embroidery on adjustable twill hats
 - Silver Series, higher-end hat made of washed / brushed cotton with multiple logos, 3D embroidery, and visor embellishment
- Licensing partnership with *Mossy Oak* to co-brand collegiate logos & names with, camouflage pattern & brand
- Offers corporate / military logoed offerings and proprietary line of hunting and fishing headwear
- Includes 59 Exclusive Collegiate Licences and Non-Exclusive Licences
- Net Sales for 20XX - ~\$XX million

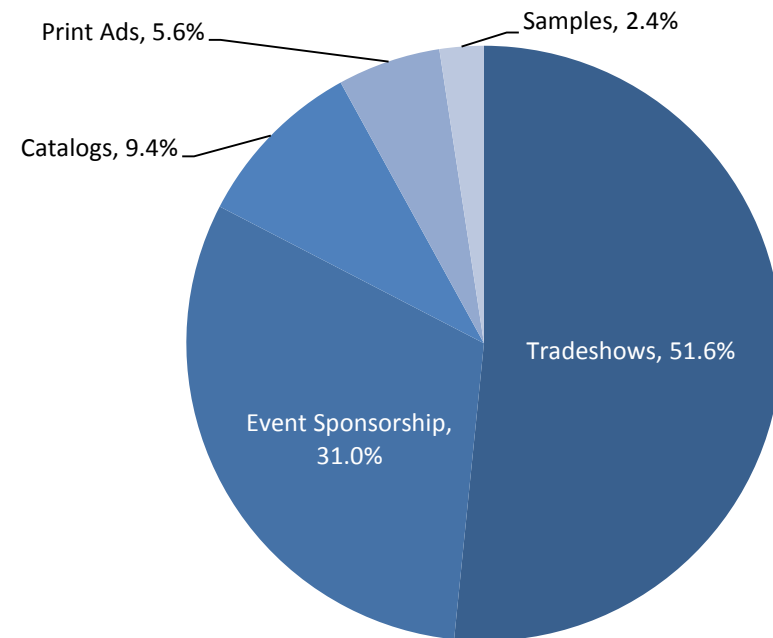
Sales & Marketing

- Segmented between Captivating Headgear (mass market and GDC channels) and Top of the World (mid-tier and up channels)
- 50% of the independent representatives rely on it for the majority of their income
- Tools are available affording real-time visibility into inventory positions, product photos, and customer sales history
- Allocated \$XX or 0.8% of net sales to marketing efforts in 20XX
- Majority of marketing expenses consist of trade shows, event sponsorships (VIP Summit Retreat), catalogs, print advertisements, and samples
- Participates in 6 national tradeshow each year
- Management spent XX on trade shows in 20XX and has allocated XX for 20XX

Product Design

- Designers are challenged to come up with 3-5 new style ideas per week
- Attention paid to the fabrics incorporated into the products to ensure comfort, pattern and texture
- 2 major seasons / merchandising cycles each year, Spring and Fall which lasts ~7 months
- Samples are finalized in July and prepared for the catalog photo shoot
- Final samples for sales representatives and customers are ordered in September and delivered in October
- Sales representatives meet with customers in October through January to write orders
- Orders are placed and sent to the company's vendors for production by the end of January

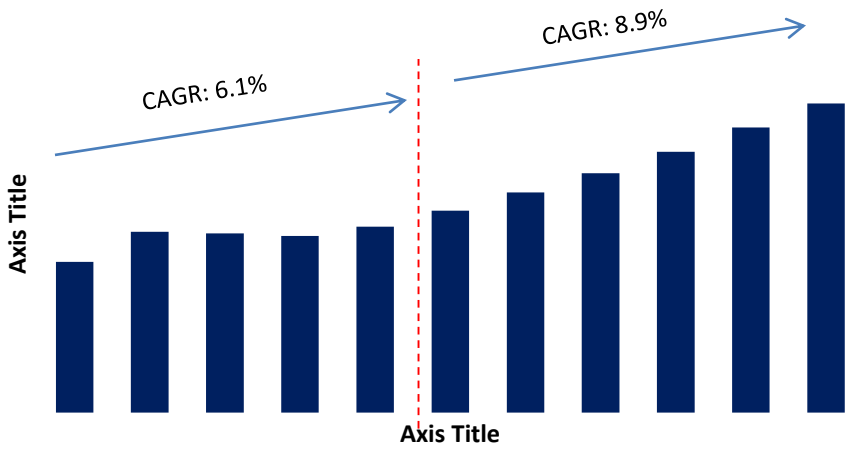
Marketing Expense Breakup



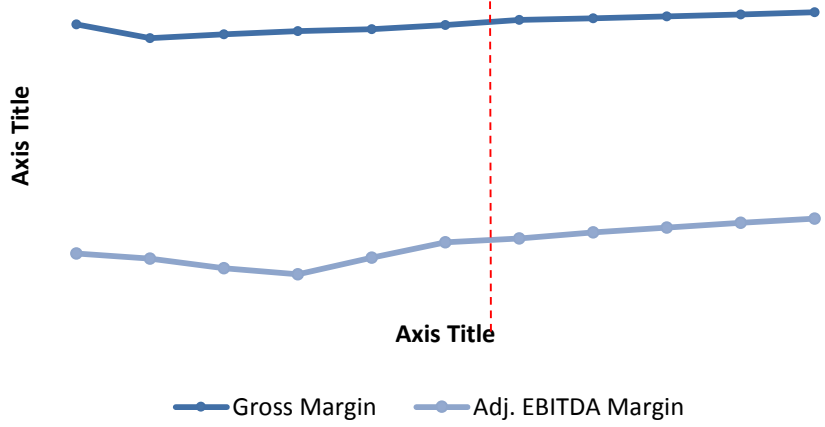
Company Name	Ownership	Location	Estimated Revenue ⁽¹⁾	Company Description
47 Brand	Private	Westwood, MA	\$150.0	Provides headwear and apparel for men and women. Offers t-shirts, snapbacks, knits, sweaters, sweatshirts, pants, gloves, and scarves. 85% of it's headwear business is with professional league licenses
Ahead USA	New Wave Group AB	New Bedford, MA	\$35.0	Designs, manufactures, and sells golf apparel, headwear, and accessories to pro shops, golf outlets, golf clubs, event managers, and corporate buyers worldwide
American Needle, Inc.	Private	Buffalo Grove, IL	\$20.0	Headwear for baseball, hockey, football, tennis, and golf players in the United States. Sells its products through online retailers internationally
The Game, LLC	MV Sport, Inc.	Phoenix City, AL	\$25.0	Manufactures, distributes, and sells collegiate headwear to the bookstore channel. Offers sweatshirts, sweatpants, shorts, and shirts
J America, Inc.	Private	Webberville, MI	\$75.0	Sportswear for collegiate, resort, and high school markets. It offers t-shirts, hoodies, and hats
Legacy Athletic	Private	Hanover, PA	\$20.0	Design and development of custom headwear, jewelry, and flip flops through the college, resort, high school, corporate, and camp markets
New Era Cap, Inc.	Private	Buffalo, NY	\$500.0	New Era Cap Company, Inc. manufactures headwear, apparel, and accessories for men, women, and kids. 85% of it's headwear business is with professional league licenses
Outdoor Cap Co., Inc.	Private	Bentonville, AR	\$30.0	Outdoor Cap Company, Inc. distributes decorated headwear in the United States. It serves team, promotional product, hunting and fishing, and retail markets
Paramount Apparel International, Inc.	Private	Bourbon, MO	\$150.0	Designs, manufactures, and distributes apparel, accessories, and headwear products. Its portfolio includes accessories, apparel, bags, belts, caps, hats, knits, gloves, and scarves
Pukka Headwear	Private	Findlay, OH	\$50.0	Designer, manufacturer, and distributor of headwear and other accessory products to specialty retail brands.
Zephyr Graf-X, Inc.	Private	Loveland, CO	\$20.0	Produces and distributes hats and caps. Offers college, football, and hockey headwear

1. \$ in millions

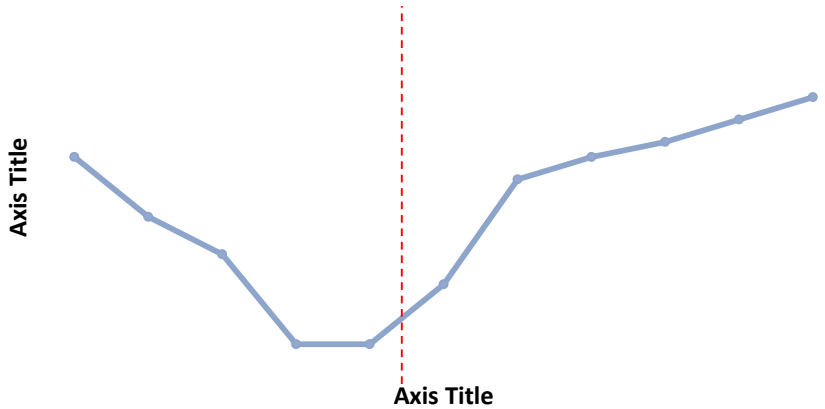
Revenue



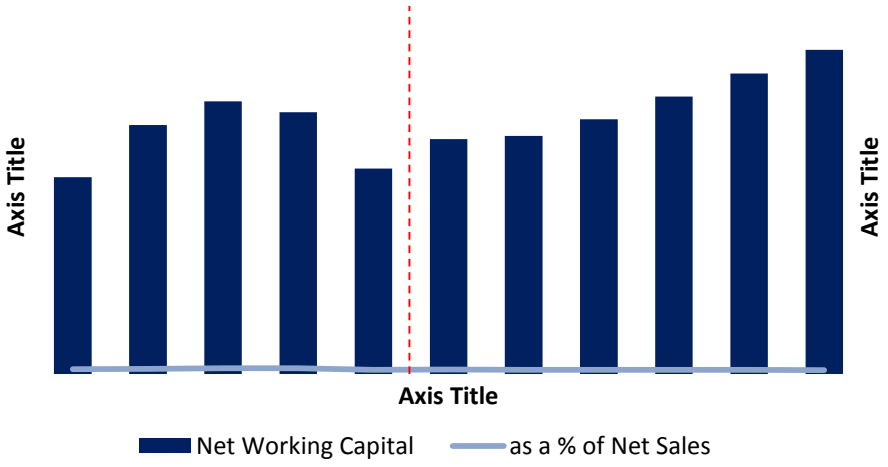
Gross Margin & Adj. EBITDA Margin



Contribution Margin



Net Working Capital



1. Net Sales as Gross Sales adjusted for Freight Revenue and Sales Discounts & Chargebacks
2. Adjusted EBITDA excludes the impact for the following: Owners Compensation & Expense, Non Continuing Employees, Charitable Contributions, Accrual & Inventory Adjustments, Other Adjustments and Air Freight Expense

Public Comparables

Company ABC

Margin and Leverage Profile												
Company	Share	EV	Adj .EBITDA Margin				EBIT Margin				Total Debt /(LTM)	Net Debt /(LTM)
	Price(\$)	(\$ mn)	LTM	CY 20XX	CY 20XX	CY 20XX	LTM	CY 20XX	CY 20XX	CY 20XX	Adj. EBITDA	Adj. EBITDA
Nike Inc	\$112.62	92,259.6	15.8%	16.0%	16.2%	17.2%	13.6%	13.9%	14.3%	14.6%	0.3x	(1.0x)
Under Armour Inc	\$95.69	22,164.6	12.7%	13.4%	13.9%	13.7%	10.3%	10.8%	11.3%	11.7%	1.6x	1.2x
Adidas AG	\$75.09	17,107.0	9.3%	8.8%	8.9%	9.4%	6.5%	6.5%	6.7%	7.0%	1.2x	0.6x
Delta Apparel	\$15.38	224.8	3.9%	7.0%	NA	NA	1.7%	4.1%	NA	NA	6.5x	6.5x
Mainland Headwear	\$0.14	45.1	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Pccs Group Bhd	\$0.08	17.8	(1.3%)	NA	NA	NA	(4.5%)	NA	NA	NA	(13.2x)	(9.4x)
Mean			6.7%	9.0%	9.8%	10.1%	4.6%	7.1%	8.0%	8.3%	(0.6x)	(0.3x)
Median			9.3%	11.1%	13.9%	13.7%	6.5%	8.7%	11.3%	11.7%	1.2x	0.6x

Company XYZ

Valuation Multiples																	
Company	EV / Sales				EV / Adj. EBITDA				EV / EBIT				P/E				
	LTM	CY 20XX	CY 20XX	CY 20XX	LTM	CY 20XX	CY 20XX	CY 20XX	LTM	CY 20XX	CY 20XX	CY 20XX	LTM	CY 20XX	CY 20XX	CY 20XX	
Nike Inc	3.0x	2.9x	2.7x	2.5x	19.1x	18.4x	16.5x	14.2x	22.1x	21.1x	18.8x	16.8x	NM	28.8x	25.8x	22.3x	
Under Armour Inc	NM	NM	NM	3.7x	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	
Adidas AG	0.9x	0.9x	0.9x	0.8x	9.8x	10.8x	9.9x	8.9x	13.9x	14.5x	13.3x	11.8x	19.9x	19.4x	17.4x	15.1x	
Delta Apparel	0.5x	0.5x	NA	NA	13.0x	7.1x	NA	NA	29.6x	12.2x	NA	NA	30.0x	8.3x	NA	NA	
Mainland Headwear	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Pccs Group Bhd	0.2x	NA	NA	NA	NM	NA	NA	NA	NM	NA	NA	NA	NM	NA	NA	NA	
Mean	0.9x	1.1x	1.2x	1.8x	10.5x	9.1x	8.8x	7.7x	16.4x	12.0x	10.7x	9.5x	16.6x	14.1x	14.4x	12.5x	
Median	0.7x	0.9x	1.8x	2.5x	13.0x	10.8x	13.2x	11.6x	22.1x	14.5x	16.1x	14.3x	25.0x	19.4x	21.6x	18.7x	

<u>Limits</u>	<u>Min</u>	<u>Max</u>
EV / Sales	-	4.0x
EV / Adj. EBITDA	-	30.0x
EV / EBIT	-	30.0x
P/E	-	30.0x

Acquisition Comparables

Company ABC

Target Name	Acquirer Name	Announced Value(mil.)	TV/EBITDA
GearCo Inc	Hanesbrands Inc	225	N/A
Million Soung Ltd	Mainland Headwear Holdings Ltd	5.6	N/A
Dreams Inc	eBay Inc	167.41	24.92x
San Diego Hat Co	Mainland Headwear Holdings Ltd	10	N/A
Unimas Sportswear Ltd	Mainland Headwear Holdings Ltd	1.72	N/A
The Game	MV Sport	14.5	N/A

Target Description

San Diego Hat Company manufactures hats. The Company designs, imports, and markets women's, men's and kid's hats, and other accessories. San Diego Hat sells its products globally through specialty stores, home shopping networks, department stores, resort, garden and gift retailers, grocery chains, and online retailers.

Dreams, Inc. retails sports collectibles. It licensed sports merchandises and memorabilia, as well as provides e-commerce solutions to the sports industry.

The Game produces headwear for numerous sporting events and teams as well as many of the leading national corporations

Unimas Sportswear Ltd. provides apparel products and services. The Company designs and develops apparel products with a focus on headwear. Unimas Sportswear primarily operates in Bangladesh.

Million Soung Ltd. operates as an investment holding company. The Company, through its subsidiaries, distributes sportswear including headwear, apparel, and accessories. Million Soung serves clients in the United States.

Gearco Inc. provides textile products and services. The Company offers college and athletic licensed logo apparel, T-shirts, fleece and other embellished sportswear products. Gearco primarily operates in the United States.

Acquirer Description

Mainland Headwear Holdings Limited, through its subsidiaries, designs, manufactures, and sells casual headwear. Products include baseball caps, bucket hats, winter caps, Gatsby hats, headbands, and sun visors which are made of fabric materials. It exports its products to the US and European markets.

eBay is an online marketplace, where individuals and businesses come together to buy and sell almost anything.

MV Sport/Weatherproof is a family-owned and operated company that was founded in 1948. It has become the leading supplier of custom decorated apparel by never forgetting that the customer comes first and by building quality, style and value into everything it sells.

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Hanesbrands, Inc. manufactures men's, women's, and children's clothing. The Company produces underwear, T-shirts, socks, sweatshirts, sleepwear, and shoes.

Company XYZ