CFA provides information about our industry's vulnerable business issues. The current issue's importance is part of CFA's continuing effort to assist our members.

THOUGHTS ABOUT THE FUTURE

As Seen In...
Wells Fargo Retail Industry Update

"Markets Can Quickly Rebound After a Correction"

<table>
<thead>
<tr>
<th>Event</th>
<th>Approximate Start</th>
<th>S&amp;P</th>
<th>M&amp;A Volume</th>
<th>U.S. Real GDP Growth</th>
<th>Global Real GDP Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Iraq Invades Kuwait; Oil Markets Spike, Recession in the U.S.</td>
<td>Aug-90</td>
<td>~ 2 Quarters</td>
<td>~ 7 Quarters</td>
<td>~ 5 Quarters</td>
<td>~ 12 Quarters</td>
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<tr>
<td>2 Greenspan Warns on Inflation; Russia's Gov't Defaults, LTCH is Insolvent</td>
<td>Jul-98</td>
<td>~ 2 Quarters</td>
<td>~ 4 Quarters</td>
<td>~ 2 Quarters</td>
<td>~ 12 Quarters</td>
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<tr>
<td>3 Burst of the Dot-Com Bubble, 9/11 Attacks</td>
<td>Mar-00</td>
<td>~ 11 Quarters</td>
<td>~ 17 Quarters</td>
<td>~ 8 Quarters</td>
<td>~ 12 Quarters</td>
</tr>
<tr>
<td>4 The Great Recession</td>
<td>Dec-07</td>
<td>~ 12 Quarters</td>
<td>~ 25 Quarters</td>
<td>~ 4 Quarters</td>
<td>~ 4 Quarters</td>
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<tr>
<td>5 European Sovereign Debt Crisis and 2010 Flash Crash</td>
<td>Jan-10</td>
<td>~ 2 Quarters</td>
<td>~ 4 Quarters</td>
<td>~ 3 Quarters</td>
<td>N/A</td>
</tr>
<tr>
<td>6 Weak U.S. Macro, Euro Crisis Continues, U.S. Debt Downgraded</td>
<td>Aug-11</td>
<td>~ 3 Quarters</td>
<td>~ 2 Quarters</td>
<td>~ 2 Quarters</td>
<td>N/A</td>
</tr>
<tr>
<td>7 Trade Talks with China, Potential for a U.S. Gov't Shutdown</td>
<td>Sep-18</td>
<td>~ 1 Quarter</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>8 COVID-19 Spreads Beyond China</td>
<td>Feb-20</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: Capital IQ, FactSet, Federal Reserve Economic Data, Thomson Financial

"Historical Global Impact of Market Correction on Consumer & Retail M&A"
"Analysts Revise 2020 Retail Outlook Amid COVID-19's Market Disruption"

- Despite a solid fourth quarter holiday season, slowing GDP growth and gross margin contraction point toward decelerating EBIT growth
- Larger companies with scale will enjoy less margin pressure
- Overall, retail multiples have risen, with valuation expansion expected to continue in 2020
- Many retailers will focus on:
  - International expansion as middle-class demand grows in China and Asia
  - Next day delivery
  - Payment optionality on ecommerce platforms
- Brick-and-mortar retailers are shuttering stores across the globe, with closures adversely impacting small and medium-size retailers
- The week of March 15th, 3.28M workers applied for unemployment, ending a decade-long run of job growth
  - 6.6M workers filed for unemployment the following week
- Millions of U.S. businesses have announced layoffs or furloughs
- Notable retailers are slashing first and second quarter sales forecasts as stay-at-home orders impact demand in the APAC region
- Rate cuts will serve as an important boost to the economy, as levered retailers require liquidity

Source: Euromonitor, U.S. Department of Labor, NBER, Wall Street equity research, publicly available information

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The CFA was formed to facilitate these service and we are grateful to the many members and non-members alike who have stepped up in support of the country’s population in dire stress.