WOMEN'S APPAREL

CURRENT TRENDS

- Retailers began prioritizing their online businesses as brick-and-mortar sales and foot traffic declined because of the COVID-19 pandemic.
- Demand for athleisure soared as many women worked from home or became unemployed amid the pandemic, stifling demand for suiting and formal wear.
- Niche offerings such as slow fashion and secondhand clothing are gaining traction as consumers look to practice more sustainable lifestyles.

PROJECTED VALUES
(12-MONTH OUTLOOK)

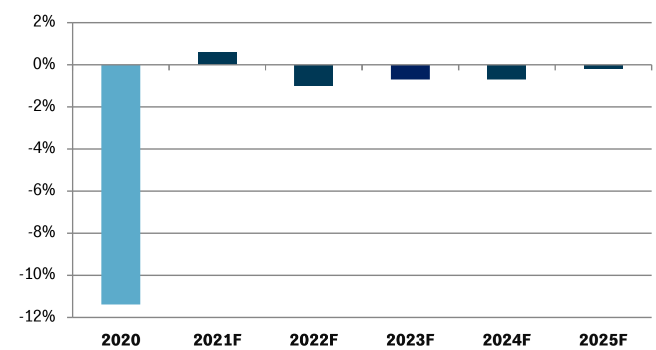
APPROXIMATE NET RECOVERY ON COST

85-100+%
high-end designers

85-100+%
private label

65-85%
off-price

WOMEN'S CLOTHING STORES
YoY REVENUE CHANGE



Source: IBISWorld

REFERENCE SOURCES: BUSINESS INSIDER, CREDITNTELL, IBISWORLD, ADOBE ANALYTICS, FRANCESCAS, NIKE, INC., GAP INC., AP NEWS, RETAIL DIVE, LBRANDS, CNN, GLOSSY, DIGITAL COMMERCE 360, CBS NEWS, CNBC

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PRIORITIZING E-COMMERCE AS STORES CONTINUE TO CLOSE: Following a difficult year of COVID-19-induced shutdowns and low foot traffic, numerous women's apparel companies filed for bankruptcy, shuttered completely or downsized their store base. Apparel retailers have taken a bigger than average hit, as lifestyles changed and spending on essential items took precedence over clothing and accessories.

Announcements of negative comp sales trends and bankruptcy filings ensued throughout 2020. Ascena Retail Group, parent company of Ann Taylor, Justice, Lou & Grey and Lane Bryant, filed for bankruptcy in July. Subsequently, Ascena announced the closure of all its Justice stores and numerous Ann Taylor, Loft, Lane Bryant and Lou & Grey locations to rightsize its store footprint in preparation to sell the brands.

RTW Retailwinds, owner of New York & Co., also filed for bankruptcy in July with plans to permanently close its 400 brick-and-mortar stores. J.Jill evaded bankruptcy but experienced a decrease of 29% in third quarter sales over 2019. While the retailer closed just five stores in 2020, it plans to close more unprofitable locations going forward. In July, Coldwater Creek reported the closure of its entire store base and website. In October, Gap, Inc. announced it would be exiting malls and closing 220 of its namesake stores and 130 Banana Republic stores by early 2024. Gap's net sales were down 28% for the second quarter, while Banana Republic's sales were down 52% for the same period. Additionally, L Brands, Chico's, Guess, H&M, J.Crew and Lucky Brand are among the brands that closed stores or plan to in 2021.

Amid the closures, many companies prioritized their e-commerce businesses, which fared better during the pandemic. While Gap's store performance lagged, its e-commerce sales soared. By the third quarter of 2020, Gap experienced a 61% increase in online sales, comprising 40% of total sales and adding almost 3.4 million new customers. The company stated it aspires to achieve 50% of its sales online by the end of 2023.

Inditex, parent company of fast-fashion giant Zara, plans to invest $3 billion in its e-commerce platform over the next three years, as online sales rose 74% in the second quarter of 2020. H&M reported it would be utilizing resources from store closures to improve its supply chain and e-commerce business. Some fast-fashion retailers continue to perform well overall, with top players Uniqlo, Boohoo and ASOS, experiencing positive sales. ASOS reported a 329% increase in before-tax profits and a 19% increase in global retail sales, while Boohoo reported profits up 50% since the pandemic began. Uniqlo's online business captured 30% of total revenue by year-end 2020, signaling that some fast-fashion brands still maintain an important place in women's fashion.

DRESSING DOWN: The pandemic has shifted women's apparel trends, as many are opting for comfort while working remotely. In addition, consumers are becoming more health-conscious and engaging in athletic activities, driving demand for athleisure wear. According to market research firm NPD Group, active clothing accounted for 28% of total apparel dollars spent for the 12 months ended May 2020, up 4% from the same period in 2019. Sales of active shorts, sweatpants and sports bras were up 3%, 2%, and 7%, respectively, while sales of suits, dress shirts, dress pants and dresses were down more than 50% from March through July 2020.

The Expert: Becky Goldfarb

Bringing over 15 years of experience in the disposition and valuation of retail and consumer products, Becky Goldfarb oversees all aspects of retail asset valuations. Prior to joining valuations, Becky was responsible for the financial analysis of retail dispositions across all industry sectors. Read her full bio here.

Research firms Euromonitor and Coresight Research both predict the athleisure market in the U.S. will grow about 6.5% annually through 2023, while Allied Market Research expects the market's value to reach $257.1 billion by 2026, representing an increase of 65.7% from 2018. Capitalizing on this trend, Old Navy, a Gap subsidiary, offered 55% more activewear during the third quarter helping to drive overall sales for the brand, which increased 15%. Sales for Gap's active brand Athleta grew 35% in the third quarter while comparable sales grew 37%, the highest in the brand's history. Gap plans to open 20 to 30 new Athleta stores each year in the U.S. and internationally until it reaches 300 by 2023.

Other dominant athleisure players, such as Lululemon and Nike, have reported stronger sales growth than other apparel retailers during the pandemic. Lululemon reported third-quarter 2020 sales of $1.1 billion, an increase of 22% over 2019, and up 7.5% as of November 2020. The company announced plans to open 30 to 35 stores, and acquired Mirror, an at-home fitness gym, in June 2020. Nike's revenue grew 9% year over year reaching $11.24 billion as of December 2020, up from $10.33 billion in 2019, while digital sales for its namesake brand were up 84% for the three months ended November 2020, compared to an increase of 38% in 2019.

By the end of 2020, shares for Lululemon were up 59% year-to-date, bringing its market value to $45.6 billion. Similarly, Nike shares were up 37% as of December 2020 as compared to year-end 2019, with a market cap of $215.5 billion. Other retailers are attempting to capitalize on the athleisure trend, with stores like The North Face, Levi's and Louis Vuitton introducing new products incorporating stretch fabrics for comfort and athletics. Additionally, Target debuted a new workout label called All in Motion in January 2020, which generated $1 billion in annual sales in its first year. Kohl's is following up with the launch its own active apparel brand, called FLX, in early 2021.

VALUATION OUTLOOK: How liquidation values hold up for certain categories of apparel will in large part be dependent on what level of multiplier can be realized in a going-out-of-business setting in a recessionary economy while social distancing rules and health concerns related to the coronavirus remain for many areas across the country, especially as it relates to indoor mall locations.

SLOW FASHION, SECONDHAND AND ADAPTIVE CLOTHING GAIN MOMENTUM: Slow fashion, an approach that considers the processes and resources required to make clothing, has gained prominence in recent years. It involves buying long-lasting, high-quality apparel and values fair treatment. It also emphasizes the art and skills of the craftspeople who make clothing. According to research firm Digital Commerce 360, nearly 90% of Generation Z and millennials are willing to pay more for sustainable clothing, as evidenced by the Instagram hashtag #slowfashion yielding over 9 million results as of February 2021. Amid success in the off-price market, second-hand and rental retailers are also gaining popularity, with companies like thredUP, The RealReal, Poshmark, Rent the Runway and Nuuly leading the way. According to data analyst GlobalData, resale has grown over 20 times faster than the retail apparel market since 2017 gaining the most traction among baby boomers and millennials.

As the world continues to recognize the benefit of progressive ideas and a greener culture, retailers have begun to adjust and expand their offerings to meet the needs of a wider range of customers. Sustainability and inclusivity are two major themes specialty apparel retailers, including J.Crew (recycled denim), Reformation (green fashion) and Abercrombie (gender-neutral clothing) have recently pursued. In October 2020, Madewell introduced its new sustainability initiatives, including the use of regenerated materials and the creation of its Recycled Shop, where the brand's sustainable products can be purchased. Adaptive clothing lines have also recently seen a surge in popularity. Tommy Hilfiger, Nike, Aerie and Target have been adding merchandise that caters to disabled customers including Velcro straps, adjustable hems and magnetic buttons to facilitate the ease of the dressing process.

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