



QUICK TAKE

Weekly Store Openings and Closures Tracker #8: Rue 21 Files for Bankruptcy; Macy's Backstage Grows

Fung Global Retail & Technology tracks store openings and closures for a select group of US retailers.

- 1) Rue 21 filed for bankruptcy on May 15. The retailer hopes to restructure its businesses around a tighter retail footprint, a leaner balance sheet and a more efficient cost structure.
- 2) Macy's announced plans to add 19 more Backstage outlets to existing full-line stores, betting that the off-price store format will reap positive results for the retailer.
- 3) Year-to-date 2017, the number of store closure announcements has increased 119% year over year to 3,658, outpacing the number of store opening announcements, which has increased by only 21% year over year to 2,872.

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2017 Store Openings and Closures

What is happening this week?

Rue 21 Files for Bankruptcy

Teen fashion retailer Rue 21 filed for Chapter 11 bankruptcy protection this past week, impacted by the change in consumers' preference toward online shopping as well as growing competition from fast-fashion retailers. The company has experienced supply-chain challenges and tightening trade terms, prompting the Chapter 11 filing.

We previously reported that Rue 21 planned to close 400 stores, and with the news of the recent bankruptcy filing, more store closures would not come as a surprise. Meanwhile, the retailer stated that it has reached an agreement with key lenders, which will ensure it continues normal operations during the Chapter 11 process, pending court approval. Rue21 expects to emerge from the bankruptcy proceedings in the fall of 2017 with a significantly deleveraged balance sheet.

Our Take

The bankruptcy of Rue 21 follows a trend in which we are seeing highly-leveraged retailers struggling to adapt to the changing retail environment. While the primary reasons for their decline might be attributed to: 1) declining mall traffic; and 2) changing consumer tastes, highly leveraged balance sheets have crippled the ability of these retailers to transform their businesses effectively.



* Reported by the Wall Street Journal on May 4, 2017 with no official comment.

** Closing 115 Kmart and 45 Sears stores.

*** Part of 100-store closure announcement made in 2016.

**** The numbers of store closures could reach up to 80 based on the recent management announcement.

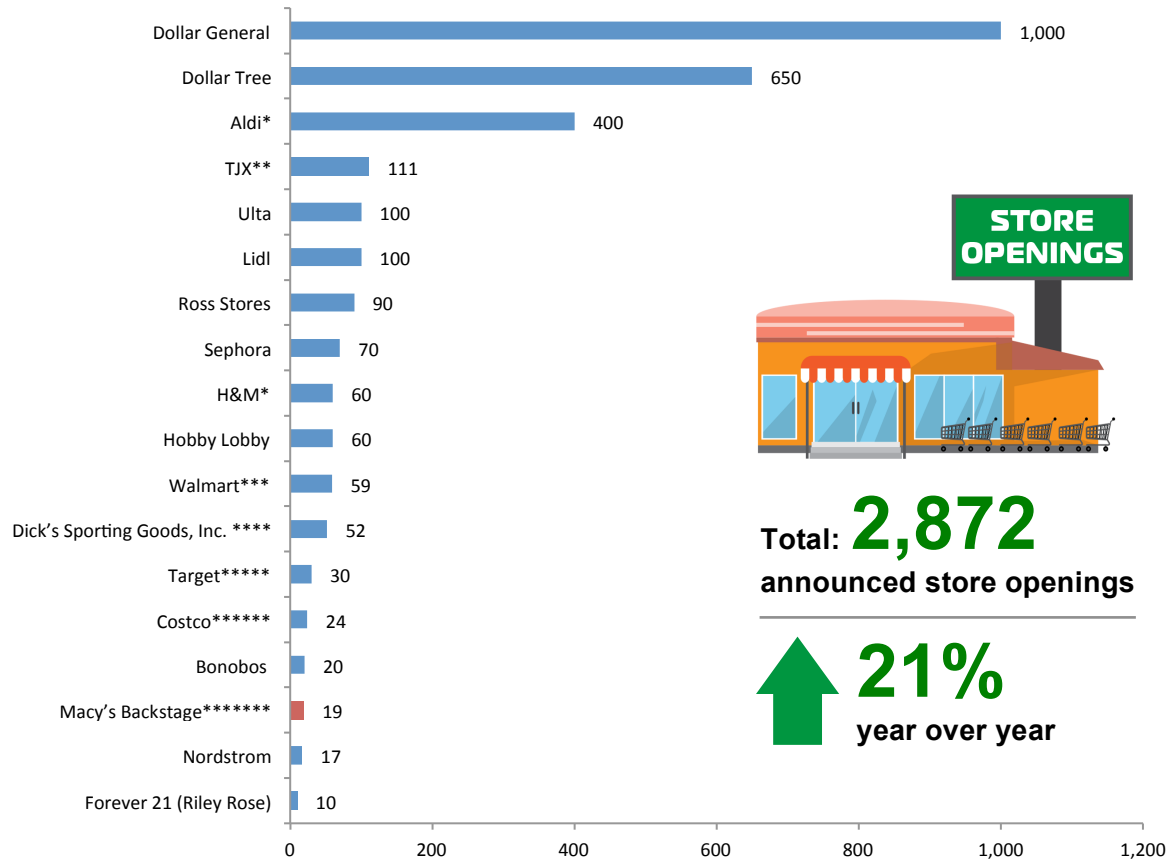
***** Closing remaining stores included in the 50-store closure plan announced in June 2016.

Source: Company reports/Fung Global Retail & Technology

Macy's Expanding Backstage Outlets

While Macy's is continuing with its pledge made in 2016 to close 100 full-line stores by the end of 2017, it is also continuing to expand the presence of its off-price Backstage outlets. The company has plans to add 19 more Backstage stores within existing Macy's full-line stores this year, citing good performance in its early attempt.

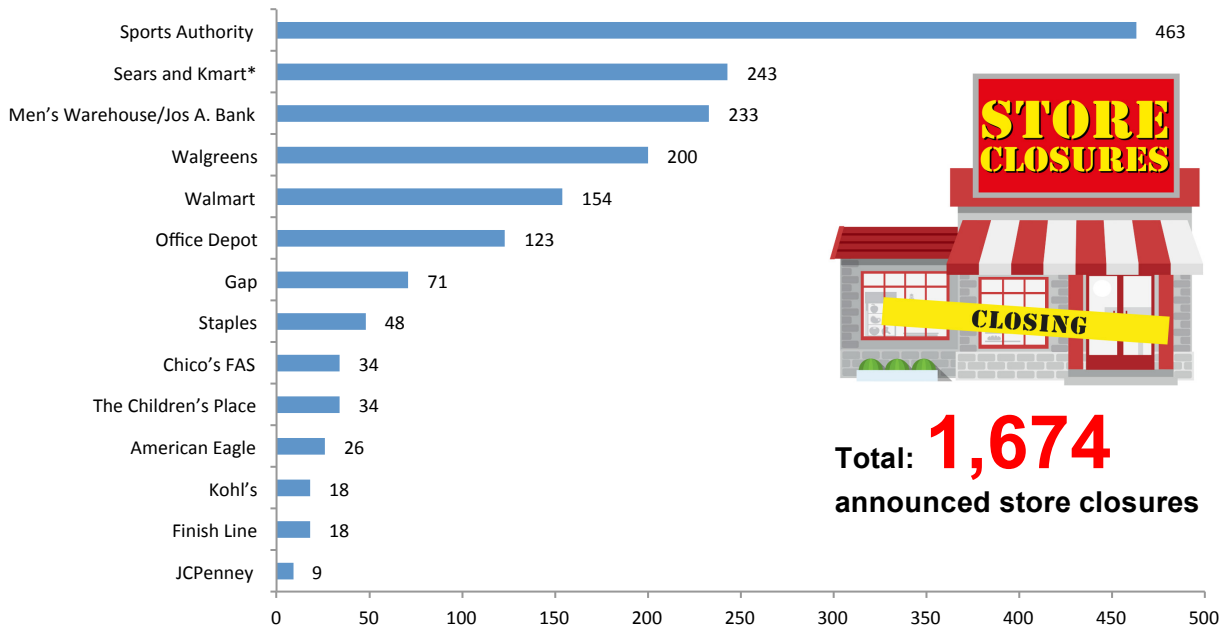
Year-to-Date 2017 Major US Store Opening Announcements



* By the end of 2018
 ** Net store openings.
 *** Includes new, expanded and relocated stores.
 **** 43 Dick's Sporting Goods stores and 9 Golf Galaxy stores.
 ***** All new openings are small-format stores.
 ***** Adjusted to calendar year from fiscal year reporting.
 ***** Will be opened within existing full-line Macy's stores.
 Source: Company reports/Fung Global Retail & Technology

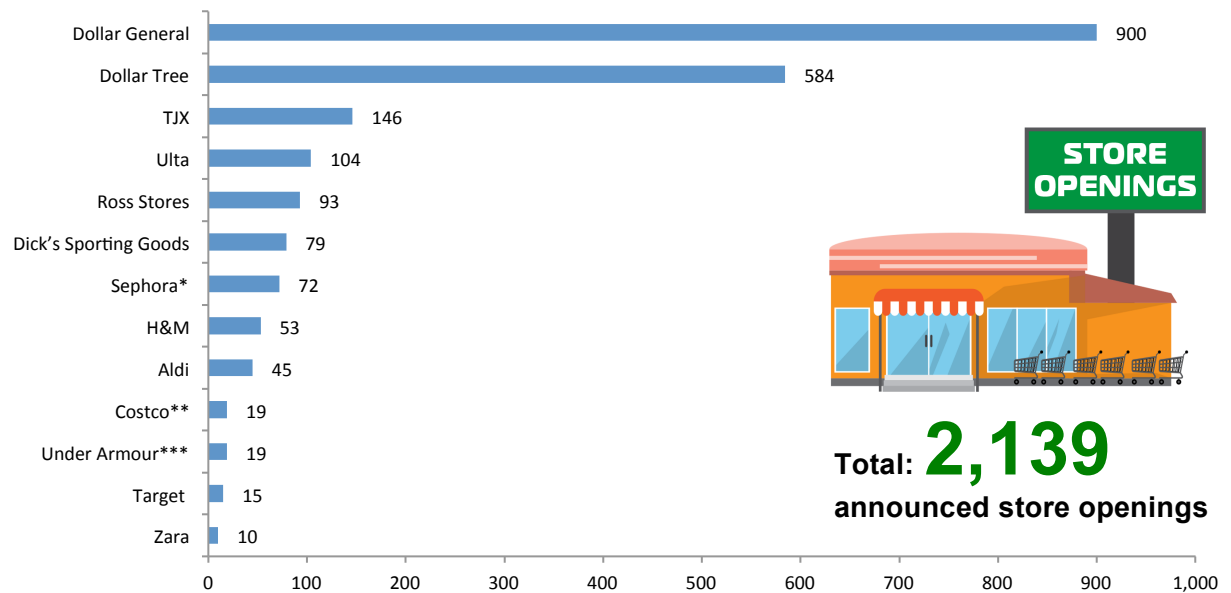
2016 Store Openings and Closures

2016 Major US Store Closures



* Closing 206 Kmart and 37 Sears stores.
 Source: Company reports/Fung Global Retail & Technology

2016 Major US Store Openings



* Net store number between December 2015 and March 2017. Includes 55 new stores in JCPenney and 17 standalone Sephora stores.
 ** Adjusted from fiscal year figures.
 *** Net number of stores in North America.
 Source: Company reports/Fung Global Retail & Technology



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