

Cherokee Global Brands remains in forbearance on senior credit facility, amidst business strategy shift

CAPITAL STRUCTURE- 2Q18- 29 July 2017 (USDm)								
Instrument	Coupon	Floor	Maturity	Face Amt Out	Est. Cash Interest	Rating	LTM Leverage	FY18E Leverage
Revolving Credit Facility (USD 5m)	L + 8.50%		Dec-2021	3.8	0.4			
Term Loan (USD 45m)	L + 8.50%		Dec-2021	45.0	4.3			
Total Secured Debt				48.8	4.6			
Related Party Ravich Loan (USD 5m)	9.50%		Feb-2018	1.5	0.1			
Total Debt				50.3	4.8		5.9x	7.3x
Cash & Cash Equivalents				3.7				
Net Debt				46.6			5.5x	6.7x
Market Cap				33.5				
Enterprise Value (EV)				80.1				
LTM Adj. EBITDA	8.5					EV / LTM Adj. EBITDA		9.5x
FY18 E Adj. EBITDA	6.9					EV / FY18 E Adj. EBITDA		11.6x

Sources: Company reports, company filings, CapIQ, DW estimates.

DW calculated adjusted EBITDA is used in the capital structure table and quick comps, except when noted

OVERVIEW

Cherokee, Inc. (CHKE) is a brand marketing platform that manages a portfolio of fashion and lifestyle brands across multiple consumer product categories, such as apparel, footwear, home products and accessories. The company maintains license and franchise agreements with leading retailers and manufacturers in over 110 countries in 12,000 retail locations and digital commerce. See page 2 for an overview of its brand portfolio.

CHKE is currently in forbearance with its lender, Cerberus Business Finance, LLC through 27 October. The company was not in compliance with its leverage and fixed charge coverage ratio covenants as of its last two quarters, including its most recently reported quarter (2Q18) ending 29 July. The forbearance has already been extended several times as the company continues to attempt to gain a waiver or further amendments. The senior credit facility closed less than a year ago, in December 2016, in order to partially fund the company's USD 96m acquisition of Hi-Tec Sports International, a global footwear company, and repay existing debt under its previous loan. The acquisition was announced in November 2016, and closed on 7 December 2016.

CHKE's debt structure consists of the Cerberus credit facility that includes a USD 5m revolving loan and a USD 45m term loan maturing in 2021, and a USD 1.5m receivable funding loan, due in February 2018. As of 29 July, the company had USD 48.8m outstanding debt under the Cerberus credit facility. As of 2Q18, Debtwire calculated leverage was 5.9x, considering LTM adjusted EBITDA of USD 8.5m. EBITDA has dropped from USD 15.7m in FY17, and USD 18.1m in both FY16 and FY15 mainly due to the wind-down and termination of a major contract (Target) and increased SG&A due to the inclusion of operating costs and integration costs from M&A. In FY16, the company was able to generate an EBITDA margin of 52.2%, much higher than its TTM 2Q18 margin of 18.2%. YTD, the company's stock is down ~77% to USD 2.40/share.

Due to add-back limitations related to Hi-Tec acquisition integration costs, covenant TTM EBITDA (see model on page 4) is lower than our calculation. This led the company to breach on its leverage and fixed charge coverage requirements. The integration and transaction costs associated with Hi-Tec have been substantial, likely more than expected at the close of the credit facility, as apparent by the original covenant structure, which limited integration cost add-backs. In FY17, the company took a USD 11.5m hit in M&A related costs to SG&A. By the end of FY18, CHKE expects to incur a total of ~USD 7m in integration and acquisition costs, including ~USD 4m in professional fees already incurred through 1H18. According to management, the transaction cost burden, which also caused the company to delay its most recent 10-K filing, was mainly attributable to the financial integration complexities related to Hi-Tec's foreign operations.

On 11 August, the company entered into an amendment to cure the noncompliance (as of 29 April) and set forth less stringent requirements (see model). In connection with the amendment, the company was required by its lender to complete an equity financing, obtain a commitment to receive further equity capital, and agree to a new liquidity covenant that requires CHKE to maintain liquidity (cash + revolver availability) of USD 3m. At any time the liquidity covenant is not satisfied, the company may be required to complete an equity financing. In connection with these amendments, the company raised USD 4m in equity in August and secured commitments from investors of USD 5.5m. Despite this upkeep, the company has not received a waiver for its noncompliance associated with the quarter ended 29 July, and remains in forbearance, as mentioned above. Representing significant risk, we think the company will continue to have difficulty remaining compliant with its leverage covenant due to our forecast of ~USD 4m in adjusted EBITDA generation for 2H18, bringing the FY18 leverage ratio to 7.3x, against the covenant of 3.5x.

CHANGES TO BUSINESS MODEL

As of 2Q18 CHKE had ~130 continuing license agreements. CHKE's most significant licensee is Kohl's (15% of revenue YTD). Historically, the company's main licensees were Target and Kohl's (together 47% of FY17 revenues). In 2015, Target, which had exclusive rights to Cherokee branded products for all product categories in the US, announced it would let its licensing agreement with CHKE expire on 31 January 2017, which has affected revenues this year. The transition away from Target to new wholesale licensees has been slower than expected and has halted revenue growth.

CHKE's Direct-to-Retail (DTR) licensing model gives retail partners the rights to design, manufacture and sell products bearing its brands, in addition to access to its proprietary platform featuring global scalability, marketing strategies, consumer research and product development. The licensees generally directly source their own inventory, while eliminating the licensor's exposure to manufacturing risk and allowing licensees to gain access to economies of scale. The company is undergoing a significant shift in its strategy away from the DTR licensing model

RECENT COVERAGE & USEFUL LINKS

[Click here for the Excel model](#)[Click Here for Debtwire Coverage](#)

ISSUER SUMMARY

Country	United States
Universe	Distressed
Sector	Apparel
Total Assets (millions)	USD 151.8
Total Debt (millions)	50.3
Issuer Rating	-
Ticker	CHKE
Share Price	2.40
Market Cap (millions)	33.5
FY Ending	3-Feb-2018

Source: Company filings

PF LIQUIDITY as of 2Q18 (USDm)

Cash & Cash Equivalents	3.7
(+) Cash Proceeds from Equity Raise	4.0
PF Cash	7.7
Credit Facility Availability	1.2
Total PF Liquidity	8.9

FINANCIAL SUMMARY

USDm	FY16	FY17	TTM 2Q18
Revenue	34.7	40.6	46.5
Adj. EBITDA	18.1	15.7	8.5
Adj. EBITDA Margin	52.2%	38.8%	18.2%
Operating Cash Flow	11.9	12.1	0.6
Capex	0.4	0.4	0.7
Free Cash Flow	11.4	11.6	(0.1)
Debt/Adj. EBITDA	1.3x	3.0x	5.9x
Adj. EBITDA/Int Exp	28.4x	10.0x	2.4x

Source: Company filings, Debtwire Adj. EBITDA

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OVERVIEW (CONTINUED FROM PAGE 1)

to a wholesale licensing model for many of its brands, which entails arrangements for the manufacture and sale of products (to retailers) bearing its brands. The company has already entered into some of these agreements. Management believes these new wholesale contracts may help to diversify its revenue sources (across expanded retailers) and may provide additional opportunities to increase royalty rates and brand recognition. However, in the near-term, the strategy change exposes the company to risks as it could take time for the new relationships to ramp up.

CHKE maintains pre-acquisition customer relationships for indirect product sales of Hi-Tec products, in which purchasers of the products place orders directly with CHKE (as opposed to another third party), which the company forwards to manufacturers. CHKE intends to convert these relationships to new wholesale licensing agreements that are more consistent with its arrangements with other licensees. Aside from that, CHKE also has relationships with franchisees that operate its Flip Flop Shops retail stores.

LIQUIDITY, OUTLOOK, PROJECTIONS

Pro forma for the USD 4m equity raise in August, we estimate total liquidity of ~USD 8.9m, consisting of ~USD 7.7m of cash and USD 1.2m in revolving availability. We think the thin liquidity for the company poses a key risk, considering the eroding EBITDA margins, lack of recent ability to generate FCF (USD -0.1m LTM) and the forbearance status. Clearly, the company does not have enough cash on hand to deal with an acceleration in debt payments. However, we think liquidity risk is partially mitigated by the company's USD 5.5m equity commitment, very low capex requirements (excluding business/IP acquisitions) and our base-case forecast of approximately break-even pre-working capital FCF in the near-term. Downside risks to our liquidity projection is the possibility of further sales declines and the continuation of high cash-costs related to M&A integration, although we think these are more likely to decrease moving forward, as per management guidance.

The business strategy shift, thin liquidity and covenant/debt issues all contribute to a heightened low-case scenario risk, in our view. In the near-term, we expect the company to focus on organic growth. Projections are tricky due

to a dynamic business model, including a wind-down of Hi-Tec's existing indirect product sale model, which could result in bumpy performance. In a base-case, we project a ~29% increase in revenue to USD 52.5m, mainly attributable to the addition of the Hi-Tec business, and adjusted EBITDA of ~USD 6.9m in FY18.

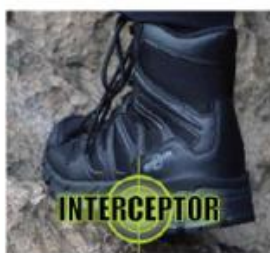
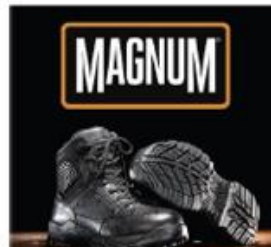
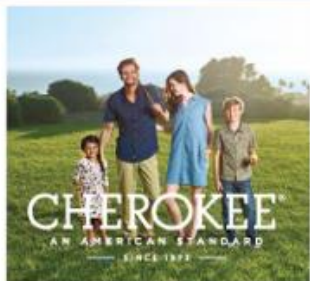
The company's wholesale contracts typically include higher royalty rates that are consistent throughout the year but lower minimum annual royalty obligations, as compared to its DTR contracts, which included a lower and declining royalty rate but a higher minimum annual royalty obligation. As a result, CHKE anticipates that future periods could be more strongly influenced by the classic seasonality of retail.

The company is impacted by broader challenges in the US retail market, including decreases in traffic. With almost 50% of revenues in FY17 coming from two clients, revenue concentration is a significant risk. CHKE is reliant on companies like Kohl's (KSS), which has reported recent comp store declines (1.5% YTD decline). However, we think the exposure across several brands and geographies (only ~50% of revenue coming from US and Canada) helps to mitigate some US-retail risk. Additionally, the move to focus on the wholesale side of the business may help further spread the exposure across more retailers. In a push to extend its e-commerce presence, the company's Tony Hawk and Cherokee-branded products sell on Amazon.

VALUATION ANALYSIS

Provided that CHKE's business is primarily IP-focused (approximately 70% of the company's assets are intangible), we are leaning towards an adjusted EBITDA waterfall for our valuation analysis, as opposed to asset-based methods. Based on the outcomes of our FY18 and FY19 adjusted EBITDA waterfalls, we think the senior secured debt has a full recovery with low breathing room, in a base case. We believe the value proposition for the equity is weakened due to the tangible possibility of further dilution in efforts to address the company's senior secured debt. Further, the downside scenario is quite elevated, as Cerberus could elect to accelerate payments, given that the company is in a short-term forbearance.

Brand Portfolio



EBITDA WATERFALL ANALYSIS

WATERFALL (FY18 Adj. EBITDA multiples)					
USDm	Lowest Case	Low Base	Base Case	High Base	Highest Case
	5.5	6.2	6.9	7.7	8.5
Multiples					
6.5x	35.5	40.3	45.1	50.1	55.2
7.0x	38.2	43.4	48.5	54.0	59.4
7.5x	40.9	46.5	52.0	57.8	63.7
8.0x	43.7	49.6	55.5	61.7	67.9
8.5x	46.4	52.7	58.9	65.6	72.2
Cash and Cash Equivalents @ FY18-end			9.1		

Senior Secured Debt						
	Availability:	1.2	Outstanding			48.8
6.5x	91.3%	101.1%	111.0%	121.3%	131.7%	
7.0x	96.9%	107.5%	118.1%	129.2%	140.4%	
7.5x	102.5%	113.8%	125.2%	137.1%	149.1%	
8.0x	108.1%	120.2%	132.3%	145.0%	157.8%	
8.5x	113.6%	126.5%	139.4%	152.9%	166.5%	

Related Party Ravich Loan						
	Availability:	1.2	Outstanding			1.5
6.5x	0.0%	36.7%	357.1%	694.0%	1031.0%	
7.0x	0.0%	243.2%	588.2%	951.1%	1314.1%	
7.5x	80.1%	449.7%	819.4%	1208.2%	1597.1%	
8.0x	262.0%	656.3%	1050.6%	1465.3%	1880.1%	
8.5x	443.8%	862.8%	1281.7%	1722.4%	2163.1%	

Equity					
	Stock Price	2.40			
6.5x	0.00	0.00	0.28	0.64	1.00
7.0x	0.00	0.15	0.52	0.92	1.31
7.5x	0.00	0.38	0.77	1.19	1.61
8.0x	0.17	0.60	1.02	1.47	1.91
8.5x	0.37	0.82	1.27	1.74	2.22

Equity (recovery)					
6.5x	0.0%	0.0%	11.5%	26.6%	41.7%
7.0x	0.0%	6.4%	21.9%	38.1%	54.4%
7.5x	0.0%	15.7%	32.2%	49.7%	67.1%
8.0x	7.3%	24.9%	42.6%	61.2%	79.8%
8.5x	15.4%	34.2%	52.9%	72.7%	92.4%

Equity	
Shares Outstanding (m)	14.0
Current Price	2.40

WATERFALL (FY19 Adj. EBITDA multiples)					
USDm	Lowest Case	Low Base	Base Case	High Base	Highest Case
	(3.2)	1.3	5.7	7.4	9.0
Multiples					
6.5x	NM	8.3	37.2	47.9	58.6
7.0x	NM	9.0	40.1	51.6	63.1
7.5x	NM	9.6	42.9	55.3	67.6
8.0x	NM	10.3	45.8	58.9	72.1
8.5x	NM	10.9	48.6	62.6	76.6
Cash and Cash Equivalents @ FY19-end			9.4		

Senior Secured Debt						
	Availability:	1.2	Outstanding			48.8
6.5x	0.0	36.3%	95.4%	117.3%	139.3%	
7.0x	0.0	37.6%	101.3%	124.9%	148.5%	
7.5x	0.0	39.0%	107.2%	132.4%	157.7%	
8.0x	0.0	40.3%	113.0%	140.0%	167.0%	
8.5x	0.0	41.6%	118.9%	147.5%	176.2%	

Related Party Ravich Loan						
	Availability:	1.2	Outstanding			1.5
6.5x	0.0	0.0%	0.0%	564.3%	1277.3%	
7.0x	0.0	0.0%	41.9%	809.8%	1577.8%	
7.5x	0.0	0.0%	232.7%	1055.4%	1878.2%	
8.0x	0.0	0.0%	423.4%	1301.0%	2178.6%	
8.5x	0.0	0.0%	614.1%	1546.6%	2479.1%	

Equity					
	Stock Price	2.40			
6.5x	0.00	0.00	0.00	0.50	1.27
7.0x	0.00	0.00	0.00	0.76	1.59
7.5x	0.00	0.00	0.14	1.03	1.91
8.0x	0.00	0.00	0.35	1.29	2.24
8.5x	0.00	0.00	0.55	1.56	2.56

Equity (recovery)					
6.5x	0.0%	0.0%	0.0%	20.8%	52.7%
7.0x	0.0%	0.0%	0.0%	31.8%	66.2%
7.5x	0.0%	0.0%	5.9%	42.8%	79.7%
8.0x	0.0%	0.0%	14.5%	53.8%	93.1%
8.5x	0.0%	0.0%	23.0%	64.8%	106.6%

Equity	
Shares Outstanding (m)	14.0
Current Price	2.40

LENDER

Revolver Lender Group	
Agent	Cerberus Business Finance, LLC

Source: SEC filings

For the Fiscal Period Ending	Geographic Segments								
	12 months Jan-31-2015	12 months Jan-30-2016	12 months Jan-28-2017	3 months Q1 Apr-30-2016	3 months Q2 Jul-30-2016	3 months Q3 Oct-29-2016	3 months Q4 Jan-28-2017	3 months Q1 Apr-29-2017	3 months Q2 Jul-29-2017
USDm									
Revenues									
United States (U.S.) and Canada	24.4	24.6	22.6	8.1	5.9	4.0	4.7	3.2	3.9
Asia	3.6	3.8	4.5	1.1	1.1	1.1	1.1	1.1	1.1
Latin America	3.1	2.6	2.8	0.6	0.6	0.6	1.1	0.6	0.8
Africa	0.8	1.0	1.4	0.3	0.3	-	-	0.5	0.7
United Kingdom and Europe	1.6	0.8	0.8	0.2	0.1	0.1	0.5	1.1	1.0
All Others	1.5	1.7	1.9	0.5	0.5	0.7	-0.4	0.4	0.5
Segment Adjustment				-	-	-	1.4	-	-
Total Revenues	35.0	34.7	34.0	10.7	8.5	6.5	8.4	6.8	8.0

Source: CapIQ

CASH FLOW (BURN) MODEL

Cash Flow (Burn) Model		Case Selected: Base Case		Historical Period						Projection Period							
USDm	Ending	1/31/2015	1/30/2016	4/30/2016	7/30/2016	10/29/2016	1/28/2017	4/29/2017	7/29/2017	Oct-17	Feb-18	Feb-19	Feb-20	Feb-21	Feb-22		
		FY15	FY16	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	3Q18	4Q18	FY18	FY19	FY20	FY21	FY22
Royalty Revenues		35.0	34.7	10.7	8.5	6.5	8.4	34.0	6.8	8.0	6.8	8.9	30.5	32.9	36.5	38.9	40.3
% growth			-0.9%					-1.8%	-35.9%	-5.5%	4.0%	6.0%	-10.4%	8.0%	11.0%	6.5%	3.5%
Indirect Product Sales		0.0	0.0	0.0	0.0	0.0	6.6	6.6	4.3	5.9	5.9	5.9	22.0	16.0	10.0	5.0	3.0
Total Revenues		35.0	34.7	10.7	8.5	6.5	15.0	40.6	11.1	14.0	12.7	14.8	52.5	48.9	46.5	43.9	43.3
% growth			-0.9%					17.2%	4.1%	64.7%	94.8%	-1.3%	29.2%	-6.8%	-4.9%	-5.6%	-1.5%
Cost of Goods Sold:		0.0	0.0	0.0	0.0	0.0	5.1	5.1	3.0	4.8	4.7	4.6	17.1	12.5	7.8	3.9	2.3
% indirect product revenue		-	-	-	-	-	77.0%	77.0%	70.4%	81.2%	79.0%	78.5%	77.8%	78.2%	78.0%	77.5%	77.5%
Selling, General and Administrative Expenses		18.6	20.5	6.2	5.7	7.5	14.9	34.2	9.8	9.9	9.3	9.2	38.3	33.7	33.0	33.0	33.0
% revenue		53.3%	59.0%	57.8%	67.4%	115.1%	99.3%	84.3%	88.1%	71.0%	73.8%	62.4%	72.9%	68.8%	70.9%	75.1%	76.2%
% inc/(dec)YoY			9.7%					67.4%	58.5%	73.3%	25.0%	-38.0%	11.7%	-12.0%	-2.0%	0.0%	0.0%
Amortization of Intangible Assets		0.9	0.9	0.2	0.2	0.2	0.2	0.9	0.3	0.2	0.2	0.2	0.9	0.9	0.9	0.9	0.9
Restructure Charges		0.0	0.0	0.0	0.0	0.0	3.8	3.8	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
DW Calc. Operating income (loss)		15.4	13.3	4.3	2.5	(1.2)	(9.0)	(3.4)	(2.1)	(1.0)	(1.5)	0.7	(3.9)	1.9	4.9	6.2	7.1
Operating Income Margin		44.0%	38.4%	40.0%	29.9%	-18.6%	-60.1%	-8.4%	-18.7%	-7.0%	-12.2%	4.9%	-7.4%	3.8%	10.5%	14.1%	16.4%
(+) Depreciation and amortization		1.5	1.3	0.4	0.4	0.4	0.4	1.5	0.5	0.4	0.4	0.4	1.6	1.6	1.6	1.6	1.6
(+) Professional Fees/Transaction Costs		-	1.2	0.7	0.6	2.4	11.5	15.3	2.2	1.8	1.5	1.5	7.0	0.0	0.0	0.0	0.0
(+) Stock-based comp		1.2	2.2	0.6	0.6	0.5	0.6	2.4	0.5	0.6	0.6	0.6	2.2	2.2	2.2	2.2	2.2
DW Calc. Adj. EBITDA		18.1	18.1	6.0	4.1	2.1	3.5	15.7	1.1	1.8	0.9	3.2	6.9	5.7	8.7	10.0	10.9
Adj. EBITDA Margin		51.7%	52.2%	56.1%	48.9%	33.0%	23.1%	38.8%	10.0%	12.5%	7.1%	21.5%	13.2%	11.7%	18.8%	22.8%	25.3%
Free Cash Flow:																	
DW Calc. Adj. EBITDA																	
(-) Interest Expense		0.8	0.6	0.2	0.2	0.1	1.1	1.6	1.1	1.1	1.2	1.2	4.7	4.8	4.8	4.8	4.8
(-) Capital Expenditures		0.5	0.4	0.0	0.1	0.2	0.1	0.4	0.4	0.0	0.1	0.1	0.6	0.6	0.6	0.6	0.6
(-) Taxes		5.7	4.2	0.9	1.1	0.3	0.4	2.8	0.4	0.5	0.0	0.0	0.8	0.0	0.0	0.5	0.8
FCF (exc. NWC)		11.0	12.9	4.9	2.7	1.4	1.9	10.9	(0.7)	0.1	(0.4)	1.8	0.8	0.3	3.3	4.1	4.7
Beginning Cash											7.7	7.2		9.1	9.4	12.6	16.8
(+) FCF (exc. NWC)											(0.4)	1.8		0.3	3.3	4.1	4.7
Ending Cash (cash before financing activities)											7.2	9.1		9.4	12.6	16.8	21.5
Beginning Revolver Availability											12	12		12	12	12	12
(-) Revolver Draw											0.0	0.0		0.0	0.0	0.0	0.0
Ending Revolver Availability											12	12		12	12	12	12
(+) Revolver Availability											12	12		12	12	12	12
Ending Liquidity (before financing activities)											8.4	10.3		10.6	13.8	18.0	22.7
<i>*USD 3m liquidity covenant*</i>																	
Credit Stats:																	
Total Debt		25.3	23.6					46.7	50.7	50.3	50.3	50.3		50.3	50.3	50.3	50.3
TTM Adj. EBITDA		18.1	18.1					15.7	10.9	8.5	7.2	6.9		5.7	8.7	10.0	10.9
Debt/TTM Adj. EBITDA		1.4x	1.3x					3.0x	4.7x	5.9x	7.0x	7.3x		8.8x	5.8x	5.0x	4.6x
Est. Cov. Adj. EBITDA (Adjustment for USD 4.25m cap on 4Q17, 1Q18 Hi-Tec Integration Costs)									(0.9)	(2.2)	6.9			5.7	8.7	10.0	10.9
Debt/Cov. TTM Adj. EBITDA									nm	nm	7.3x			8.8x	5.8x	5.0x	4.6x
TTM Interest Expense		0.8	0.6					1.6	2.5x	3.5	4.6	4.7		4.8	4.8	4.8	4.8
Adj. EBITDA/Interest Expense		22.3x	28.4x					10.0x	4.3x	2.4x	1.6x	1.5x		1.2x	1.8x	2.1x	2.3x
Covenants (As Amended 11 August 2017):																	
Leverage Ratio											10.50x	3.50x		1Q: 2.25x, 2Q & Thereafter: 2.00x	2.00x	2.00x	2.00x
Fixed Charge Coverage Ratio											0.35x	1.10x		1.75x	1.75x	1.75x	1.75x

COMPARABLE COMPANY ANALYSIS

USDm	Company Comp Set										
	Market Cap	LTM Net Debt	Enterprise Value	LTM Revenue	LTM EBITDA	EV/EBITDA LTM	LTM EBITDA Margin %	NTM Revenue (Capital IQ)	NTM EBITDA (Capital IQ)	NTM EV/Forward Revenue (Capital IQ)	NTM TEV/Forward EBITDA (Capital IQ)
Sequential Brands Group, Inc. (NasdaqCM:SQBG)	186.2	613.1	873.9	168.9	101.5	8.6x	60.1%	177.6	106.2	4.9x	8.2x
Xcel Brands, Inc. (NasdaqGM:XELB)	64.6	18.4	83.1	32.1	4.0	20.8x	12.5%	39.0	10.3	2.1x	8.1x
Differential Brands Group Inc. (NasdaqCM:DFBG)	18.0	85.7	103.7	159.7	4.6	22.5x	2.9%	173.6	16.1	0.6x	6.5x
Iconix Brand Group, Inc. (NasdaqGS:ICON)	327.1	853.1	1,290.7	352.9	156.9	8.2x	44.5%	226.4	118.9	5.7x	10.9x
Cherokee Inc. (NasdaqGS:CHKE)	33.5	46.6	80.1	46.5	8.5	9.5x	18.2%	52.5	6.9	1.5x	11.6x
Summary Statistics											
Peer Mean	149.0	392.6	587.9	178.4	66.8	15.0x	30.0%	154.2	62.8	3.3x	8.4x

FINANCIAL SUMMARY (ANNUAL)

Income Statement			
For the Fiscal Period Ending	12 months Jan-31-2015	12 months Jan-30-2016	12 months Jan-28-2017
Currency	USD	USD	USD
Units	Thousands	Thousands	Thousands
Revenues			
Indirect Product Sales	-	-	6,599.0
Royalty Revenues	34,968.0	34,654.0	34,022.0
Total Revenues	34,968.0	34,654.0	40,621.0
Expenses			
Cost of Goods Sold	-	-	(5,083.0)
Selling, General and Administrative Expenses	(18,648.0)	(20,456.0)	(34,243.0)
Amortization Expenses	(932.0)	(882.0)	(912.0)
Restructure Charge	-	-	(3,782.0)
Interest Expense	(854.0)	(711.0)	(1,661.0)
Interest Income and Other Income, net	-	186.0	391.0
Earnings before Taxes	14,534.0	12,791.0	(4,669.0)
Taxes and Other Expenses			
Provision for Income Tax	(4,714.0)	(4,358.0)	(3,258.0)
Net Income (Loss)	9,820.0	8,433.0	(7,927.0)
Supplementary Info			
Gross Profit/loss	34,968.0	34,654.0	35,538.0
Operating Income (Loss)	15,388.0	13,316.0	(3,399.0)
Basic EPS - Continuing Operations	1.2	1.0	(0.8)
Diluted EPS - Continuing Operations	1.2	1.0	(0.8)

Balance Sheet			
Balance Sheet as of:	Jan-31-2015	Jan-30-2016	Jan-28-2017
Currency	USD	USD	USD
Units	Thousands	Thousands	Thousands
Current Assets			
Cash and Cash Equivalents	7,581.0	6,534.0	8,378.0
Receivables	7,425.0	7,365.0	21,873.0
Other Receivables	-	-	3,292.0
Incomes Taxes Receivable	919.0	707.0	1,020.0
Inventory-net	-	-	1,567.0
Prepaid Expenses and Other Current Assets	431.0	425.0	5,010.0
Total Current Assets	16,356.0	15,031.0	41,140.0
Non Current Assets			
Property, Plant and Equipment	1,165.0	1,151.0	1,311.0
Deferred Tax Assets	1,270.0	1,136.0	-
Goodwill	-	100.0	15,794.0
Intangible Assets, Net	39,821.0	53,095.0	106,193.0
Other Assets	48.0	35.0	1,578.0
Total Assets	58,660.0	70,548.0	166,016.0
Current Liabilities			
Accounts Payable and Other Accrued	1,720.0	2,195.0	26,736.0
Accrued Compensation Payable	1,430.0	891.0	935.0
Related Party Ravich Loan	-	-	3,896.0
Current Portion of Long-term Debt	7,308.0	8,456.0	1,241.0
Income Taxes Payable	-	-	347.0
Deferred Revenue	17.0	479.0	7,015.0
Total Current Liabilities	10,475.0	12,021.0	40,170.0
Non Current Liabilities			
Long-term Debt	17,836.0	15,068.0	41,595.0
Deferred Income Taxes	-	-	7,718.0
Other Liabilities	121.0	1,388.0	1,174.0
Income Taxes Payable	391.0	-	3,041.0
Shareholders' Equity			
Common Stock - Par Value	171.0	174.0	259.0
Additional Paid in Capital	24,024.0	27,822.0	66,612.0
Retained Earnings (Deficit)	5,642.0	14,075.0	5,414.0
Accumulated Other Comprehensive Income	-	-	33.0
Total Shareholders Equity	29,837.0	42,071.0	72,318.0
Total Liabilities & Shareholders Equity	58,660.0	70,548.0	166,016.0

FINANCIAL SUMMARY (ANNUAL)

Cash Flow			
For the Fiscal Period Ending	12 months Jan-31-2015	12 months Jan-30-2016	12 months Jan-28-2017
Currency	USD	USD	USD
Units	Thousands	Thousands	Thousands
Operating Activities			
Net Income	9,820.0	8,433.0	(7,927.0)
Depreciation	571.0	447.0	571.0
Amortization of Intangible Assets	932.0	882.0	912.0
Amortization of Debt Discount and Deferred Financing Fees	-	-	184.0
Warrants	-	-	7.0
Stock based Compensation	1,175.0	2,222.0	2,380.0
Excess Tax Benefits from Stock-based Payment Arrangements	(202.0)	(312.0)	-
Deferred Taxes	845.0	(257.0)	1,373.0
Reversal of Uncertain Tax Liabilities	(756.0)	(271.0)	-
Other Net	81.0	68.0	(21.0)
Accounts Receivable	(1,369.0)	84.0	6,274.0
Inventories	-	-	(241.0)
Accounts Payable and Accrued Liabilities	(486.0)	344.0	8,004.0
Income Taxes Receivable/payable, Net	(911.0)	949.0	(523.0)
Deferred Revenue	(77.0)	3.0	6,489.0
Accrued Compensation	884.0	(742.0)	(424.0)
Prepaid Expenses and Other Current Assets	(138.0)	7.0	(1,698.0)
Other Receivables	-	-	(3,292.0)
Cash Flow from Operating Activities	10,369.0	11,857.0	12,068.0
Investing Activities			
Purchase of Property Plant, and Equipment	(541.0)	(434.0)	(441.0)
Proceeds from Assets Sales	-	-	11,337.0
Cash Paid for Business Acquisition, Net of Cash Acquired	-	(12,871.0)	(84,598.0)
Purchase of Trademarks, Registration and Renewal Costs	(70.0)	(96.0)	(71.0)
Cash Flow from Investing Activities	(611.0)	(13,401.0)	(73,773.0)
Financing Activities			
Excess Tax Benefit (shortfall) from Share-based Payment Arrangements	202.0	312.0	-
Payments of Jpmorgan Term Notes	(7,027.0)	(7,644.0)	(23,618.0)
Proceeds from Jpmorgan Term Notes	-	6,000.0	-
Payments for Financing of Accounts Receivable	-	-	(2,456.0)
Payments of Cerberus Loan	-	-	(400.0)
Proceeds from Cerberus Loan	-	-	45,000.0
Proceeds from Financing of Accounts Receivable	-	-	8,701.0
Payments of Ravich Loan	-	-	(1,000.0)
Proceeds from Ravich Loan	-	-	5,000.0
Proceeds from Issuance of Common Stock	-	-	36,890.0
Proceeds from Exercise of Stock Options	1,855.0	1,859.0	-
Repurchase of Common Stock	-	-	(735.0)
Cash Distributions	(841.0)	-	-
Debt Issuance Costs	-	(30.0)	(3,866.0)
Cash Flow from Financing Activities	(5,811.0)	497.0	63,516.0
Other Adjustments			
Foreign Exchange Rate Effect on Cash and Cash Equivalents	-	-	33.0
Cash Flow Net Changes in Cash	3,947.0	(1,047.0)	1,844.0

OCF-capex	9,828.0	11,423.0	11,627.0
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Source: CapIQ

FINANCIAL SUMMARY (QUARTERLY)

Income Statement						
For the Fiscal Period Ending	3 months Jul-30-2016	3 months Oct-29-2016	3 months Jan-28-2017	3 months Apr-29-2017	3 months Jul-29-2017	TTM Jul-29-2017
Currency	USD	USD	USD	USD	USD	USD
Units	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands
Revenues						
Indirect Product Sales	-	-	6,599.0	4,273.0	5,945.0	16,817.0
Royalty Revenues	8,473.0	6,495.0	8,376.0	6,840.0	8,011.0	29,722.0
Total Revenues	8,473.0	6,495.0	14,975.0	11,113.0	13,956.0	46,539.0
Expenses						
Cost of Goods Sold	-	-	(5,083.0)	(3,008.0)	(4,829.0)	(12,920.0)
Selling, General and Administrative Expenses	(5,714.0)	(7,476.0)	(14,877.0)	(9,791.0)	(9,902.0)	(42,046.0)
Amortization Expenses	(228.0)	(229.0)	(229.0)	(266.0)	(203.0)	(927.0)
Restructure Charge	-	-	(3,782.0)	(128.0)	-	(3,910.0)
Interest Expense	(165.0)	(152.0)	(1,147.0)	(1,498.0)	(1,601.0)	(4,398.0)
Interest Income and Other Income/expense, Net	-	-	313.0	-	-	313.0
Restructuring Charges	-	-	-	-	7.0	7.0
Other Income/expense-net	78.0	-	-	(129.0)	(51.0)	(180.0)
Earnings before Taxes	2,444.0	(1,362.0)	(9,830.0)	(3,707.0)	(2,623.0)	(17,522.0)
Taxes and Other Expenses						
Provision for Income Tax	(926.0)	489.0	(1,322.0)	448.0	(2,002.0)	(2,387.0)
Net Income (Loss)	1,518.0	(873.0)	(11,152.0)	(3,259.0)	(4,625.0)	(19,909.0)

FINANCIAL SUMMARY (QUARTERLY)

Balance Sheet					
Balance Sheet as of:	Jul-30-2016	Oct-29-2016	Jan-28-2017	Apr-29-2017	Jul-29-2017
Currency	USD	USD	USD	USD	USD
Units	Thousands	Thousands	Thousands	Thousands	Thousands
Current Assets					
Cash and Cash Equivalents	6,565.0	7,457.0	8,378.0	5,700.0	3,668.0
Receivables	7,962.0	6,702.0	21,873.0	14,236.0	14,664.0
Other Receivables	-	-	3,292.0	4,048.0	4,029.0
Incomes Taxes Receivable	650.0	896.0	1,020.0	2,213.0	2,529.0
Inventory-net	-	-	1,567.0	1,661.0	661.0
Prepaid Expenses and Other Current Assets	571.0	492.0	5,010.0	3,834.0	2,652.0
Total Current Assets	15,748.0	15,547.0	41,140.0	31,692.0	28,203.0
Non Current Assets					
Property, Plant and Equipment	1,042.0	1,124.0	1,311.0	1,445.0	1,281.0
Deferred Tax Assets	585.0	933.0	-	-	823.0
Goodwill	-	-	15,794.0	15,735.0	15,645.0
Intangible Assets, Net	52,767.0	52,559.0	106,193.0	105,917.0	105,771.0
Other Assets	37.0	34.0	1,578.0	1,438.0	30.0
Total Assets	70,179.0	70,197.0	166,016.0	156,227.0	151,753.0
Current Liabilities					
Accounts Payable and Other Accrued	2,482.0	5,074.0	26,736.0	18,708.0	18,405.0
Accrued Compensation Payable	256.0	450.0	935.0	557.0	469.0
Related Party Ravich Loan	-	-	3,896.0	1,458.0	1,500.0
Current Portion of Long-term Debt	8,512.0	8,514.0	1,241.0	1,242.0	45,544.0
Income Taxes Payable	-	-	347.0	364.0	596.0
Deferred Revenue	318.0	285.0	7,015.0	5,572.0	4,336.0
Total Current Liabilities	11,568.0	14,323.0	40,170.0	27,901.0	70,850.0
Non Current Liabilities					
Long-term Debt	10,770.0	8,639.0	41,595.0	46,308.0	-
Deferred Income Taxes	-	-	7,718.0	7,928.0	9,873.0
Other Liabilities	1,465.0	1,425.0	1,174.0	1,122.0	1,550.0
Income Taxes Payable	-	-	3,041.0	3,271.0	3,834.0
Shareholders' Equity					
Common Stock - Par Value	174.0	174.0	259.0	259.0	260.0
Additional Paid in Capital	28,762.0	29,070.0	66,612.0	67,161.0	67,778.0
Retained Earnings (Deficit)	17,440.0	16,566.0	5,414.0	2,155.0	(2,470.0)
Accumulated Other Comprehensive Income	-	-	33.0	122.0	78.0
Total Shareholders Equity	46,376.0	45,810.0	72,318.0	69,697.0	65,646.0
Total Liabilities & Shareholders Equity	70,179.0	70,197.0	166,016.0	156,227.0	151,753.0

FINANCIAL SUMMARY (QUARTERLY)

Cash Flow						
For the Fiscal Period Ending	6 months Jul-30-2016	9 months Oct-29-2016	12 months Jan-28-2017	3 months Apr-29-2017	6 months Jul-29-2017	TTM Jul-29-2017
Currency	USD	USD	USD	USD	USD	USD
Units	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands
Operating Activities						
Net Income	4,099.0	3,225.0	(7,927.0)	(3,259.0)	(7,884.0)	(19,910.0)
Depreciation	256.0	393.0	571.0	220.0	403.0	718.0
Amortization of Intangible Assets	454.0	683.0	912.0	266.0	469.0	927.0
Amortization of Debt Discount and Deferred Financing Fees	0.0	0.0	184.0	295.0	527.0	711.0
Warrants	0.0	0.0	7.0	13.0	26.0	33.0
Stock based Compensation	1,253.0	1,792.0	2,380.0	536.0	1,094.0	2,221.0
Provision and Write-off of Bad and Doubtful Debts	0.0	0.0	0.0	186.0	193.0	193.0
Deferred Taxes	83.0	(495.0)	1,373.0	210.0	1,332.0	2,622.0
Other Net	28.0	39.0	(21.0)	207.0	185.0	136.0
Accounts Receivable	(597.0)	663.0	6,274.0	5,741.0	5,337.0	12,208.0
Inventories	0.0	0.0	(241.0)	(94.0)	906.0	665.0
Accounts Payable and Accrued Liabilities	0.0	0.0	8,004.0	0.0	0.0	8,004.0
Income Taxes Receivable/payable, Net	373.0	136.0	(523.0)	(945.0)	(467.0)	(1,363.0)
Deferred Revenue	34.0	(26.0)	6,489.0	(1,625.0)	(2,433.0)	4,022.0
Accrued Compensation	(635.0)	(441.0)	(424.0)	(378.0)	(466.0)	(255.0)
Prepaid Expenses and Other Current Assets	0.0	0.0	(1,698.0)	0.0	0.0	(1,698.0)
Other Receivables	0.0	0.0	(3,292.0)	(756.0)	(678.0)	(3,970.0)
Accounts Payable and Other Accrued Payables	169.0	2,748.0	0.0	(6,291.0)	(6,595.0)	(6,764.0)
Prepays and Other Current Assets	(146.0)	(68.0)	0.0	1,161.0	1,969.0	2,115.0
Cash Flow from Operating Activities	5,371.0	8,649.0	12,068.0	(4,513.0)	(6,082.0)	615.0
Investing Activities						
Purchase of Property Plant, and Equipment	(147.0)	(366.0)	(441.0)	(354.0)	(373.0)	(667.0)
Proceeds from Assets Sales	0.0	0.0	11,337.0	0.0	0.0	11,337.0
Cash Paid for Business Acquisition, Net of Cash Acquired	0.0	0.0	(84,598.0)	0.0	0.0	(84,598.0)
Purchase of Trademarks, Registration and Renewal Costs	(26.0)	(47.0)	(71.0)	0.0	(47.0)	(92.0)
Cash Flow from Investing Activities	(173.0)	(413.0)	(73,773.0)	(354.0)	(420.0)	(74,020.0)
Financing Activities						
Payments of Jpmorgan Term Notes	(4,272.0)	(6,408.0)	(23,618.0)	0.0	0.0	(19,346.0)
Payments for Financing of Accounts Receivable	0.0	0.0	(2,456.0)	0.0	0.0	(2,456.0)
Payments of Cerberus Loan	0.0	0.0	(400.0)	(400.0)	(800.0)	(1,200.0)
Proceeds from Cerberus Loan	0.0	0.0	45,000.0	5,000.0	5,000.0	50,000.0
Proceeds from Financing of Accounts Receivable	0.0	0.0	8,701.0	0.0	0.0	8,701.0
Payments of Ravich Loan	0.0	0.0	(1,000.0)	(2,500.0)	(2,500.0)	(3,500.0)
Proceeds from Ravich Loan	0.0	0.0	5,000.0	0.0	0.0	5,000.0
Proceeds from Issuance of Common Stock	(161.0)	(171.0)	36,890.0	0.0	47.0	37,098.0
Repurchase of Common Stock	(734.0)	(734.0)	(735.0)	0.0	0.0	(1.0)
Debt Issuance Costs	0.0	0.0	(3,866.0)	0.0	0.0	(3,866.0)
Cash Flow from Financing Activities	(5,167.0)	(7,313.0)	63,516.0	2,100.0	1,747.0	70,430.0
Other Adjustments						
Foreign Exchange Rate Effect on Cash and Cash Equivalents	0.0	0.0	33.0	89.0	45.0	78.0
Cash Flow Net Changes in Cash	31.0	923.0	1,844.0	(2,678.0)	(4,710.0)	(2,897.0)
OCF-capex	5,224.0	8,283.0	11,627.0	(4,867.0)	(6,455.0)	(52.0)

Source: CapIQ



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