

February 13, 2019



**FINANCIAL ANALYSIS:
FROM AN UNSECURED CREDITOR'S PERSPECTIVE**

The logo for PULSE RATINGS features the word 'PULSE' in a large, white, serif font with a white pulse line running through the center of the letters. Below 'PULSE', the word 'RATINGS' is written in a smaller, white, serif font. The entire logo is set against a dark blue background.



FROM AN UNSECURED PERSPECTIVE



RiemerPlus
Cantallupo & Sherman

We are not concerned about stock price, which is where most of the available analysis is focused. CNBC can be helpful and entertaining but the equity market is very irrational and does not behave the way we do.

Moody's and S&P are concerned with long term debt and many times the debt is secured. We have no security and we are interested in the next 6-12 months. But we also have to position the business for future.

News sources are chasing clicks and are quick to pronounce the death of companies, which can be a self-fulfilling prophecy. But often entirely premature and baseless.

Unlike investors we don't have the luxury of getting out too soon, we need to sell goods and can't stop selling a customer at the first sign of trouble.

We must be willing to sell to a customer that we know will “eventually” file for bankruptcy protection, so it is critical that we time it correctly.

Who is your customer?

Geographic area, target demographic, competition, publicly or privately held, size etc.....

What direction are operations trending?

Key Credit Ratios

Liquidity & Cash Flow: Can they pay me?

Upcoming debt maturities?

Potential covenant violations?

Where do unsecured creditors stand in the capital structure

WHO IS YOUR CUSTOMER?

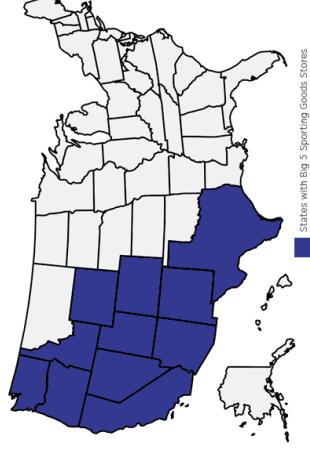


Big 5 Sporting Goods Corporation is a traditional sporting goods retailer in the western United States, operating 436 stores of which 58% are in California. The average store size averages approximately 11,000 square feet.

Store has significantly slowed in recent years as the retailer faces increased competition from Dick's Sporting Goods and Amazon.

Big 5 is publicly traded under the ticker "BGFV".

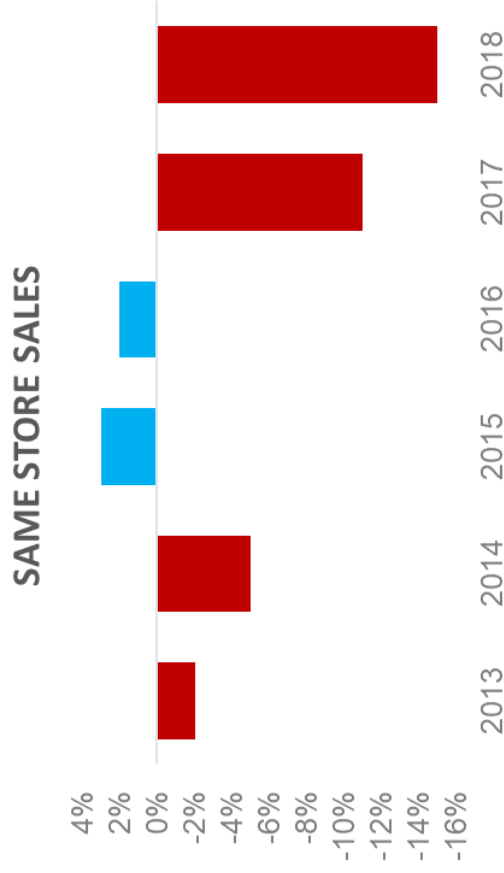
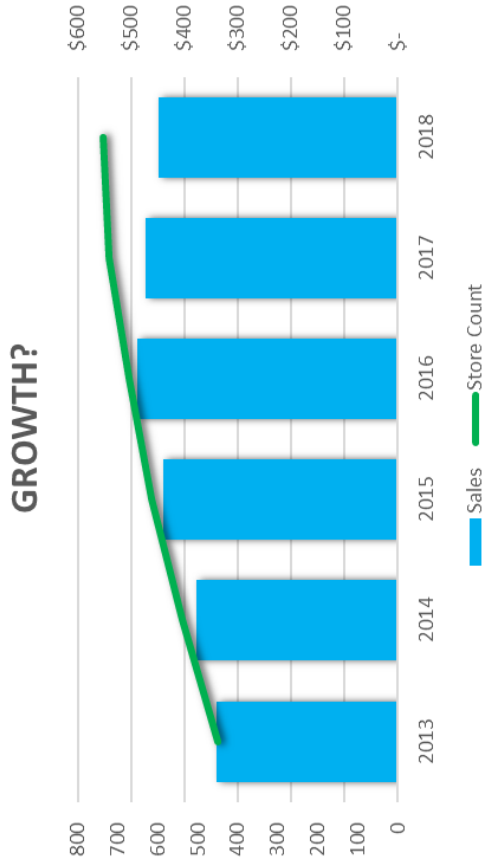
During fiscal 2018 Big 5 generated \$988 million in revenue



Big 5 Sporting Goods Statistics

	2017	2018
Sales	\$1,010	\$988
Store Count	435	436
SSS	-1.20%	-2.70%
EBITDA Margin	4.00%	1.90%

GROWTH IS NOT ALWAYS GOOD francesca's®



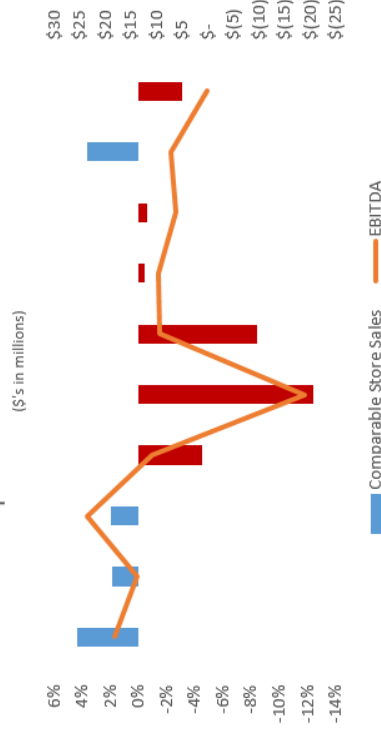
OVER EXPANSION



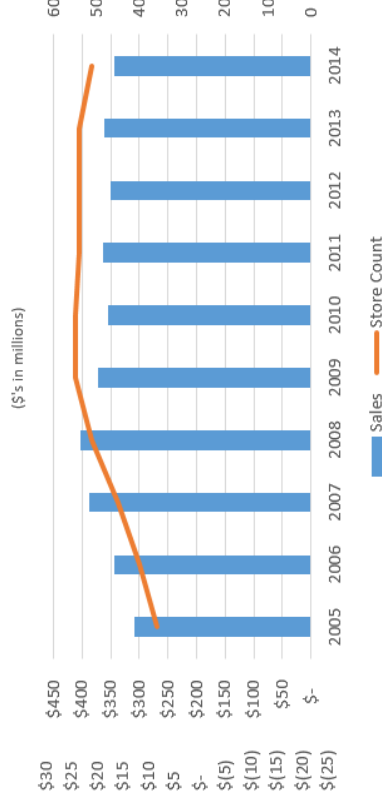
Sport Chalet opened just 30 stores in its first 45 years in business. Founder, Norbert Olberz's mission was "not being the biggest, but the best."

Over the next 6 years Sport Chalet opened 25 locations, targeting primarily areas with new housing developments including venturing outside of its Southern Cal roots and further into Nevada, Arizona and one store in Utah.

Comparable Store Sales & EBITDA



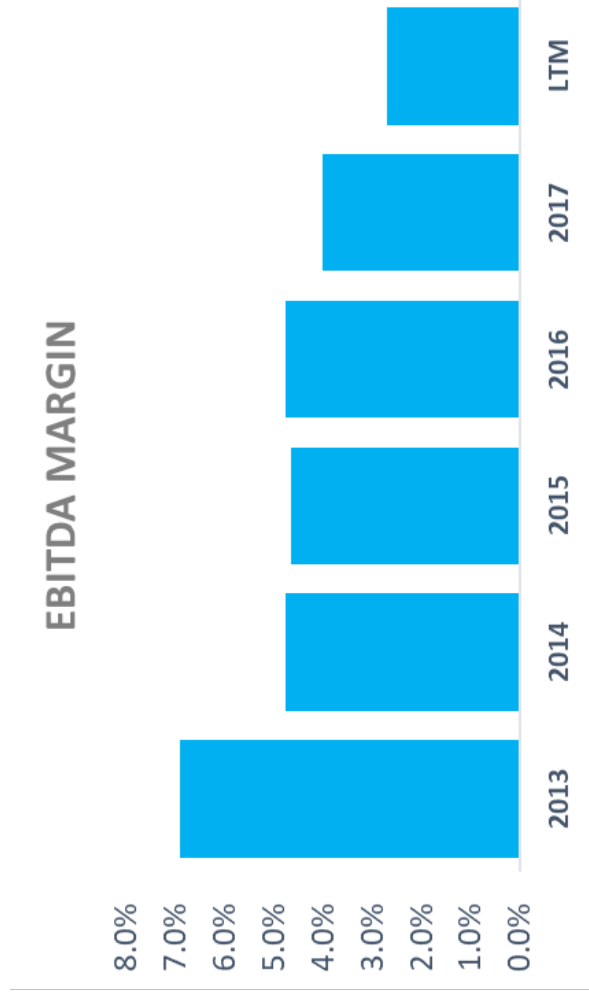
Sales & Store Count



EBITDA MARGIN



EBITDA Formula:
Sales
Minus Cost of Goods Sold
Minus SG&A Expenses
Add Back Depreciation & Amortization
= EBITDA



PRIVATE EQUITY & THE DREADED LBO



LINENS-N-THINGS

SHOPKO®



debshops

dots

claire's



Golfsmith®



rue21®

TOYS'R'US

GYMBOREE





KEY CREDIT RATIOS



	2005	2006	2007
Sales	\$ 2,695	\$ 2,819	\$ 2,795
Same Store Sales	-6.0%	-0.7%	-3.4%
EBITDA	\$ 175	\$ 50	\$ (26)
EBITDA Margin	6.5%	1.8%	-0.9%
Interest Expense	\$ 5	\$ 80	\$ 101
Debt	\$ 2	\$ 689	\$ 856
Interest Coverage	35	0.625	-0.26
Debt/EBITDA	0.01	13.78	-32.92

IMPACT OF LBO



	2010		2011		2012		2018	
Sales	\$	2,732	\$	3,100	\$	3,500	\$	4,783
Store Count		128		139		156		253
EBITDA	\$	191		220		250		300
EBITDA Margin		7.0%		7.1%		7.1%		6.3%
Total Debt	\$	169	\$	1,365	\$	1,770	\$	1,700
Interest Expense	\$	7.63		55		100		109
Debt/EBITDA		0.88		6.20		7.08		5.67
Interest Coverage		25.0		4.0		2.5		2.8

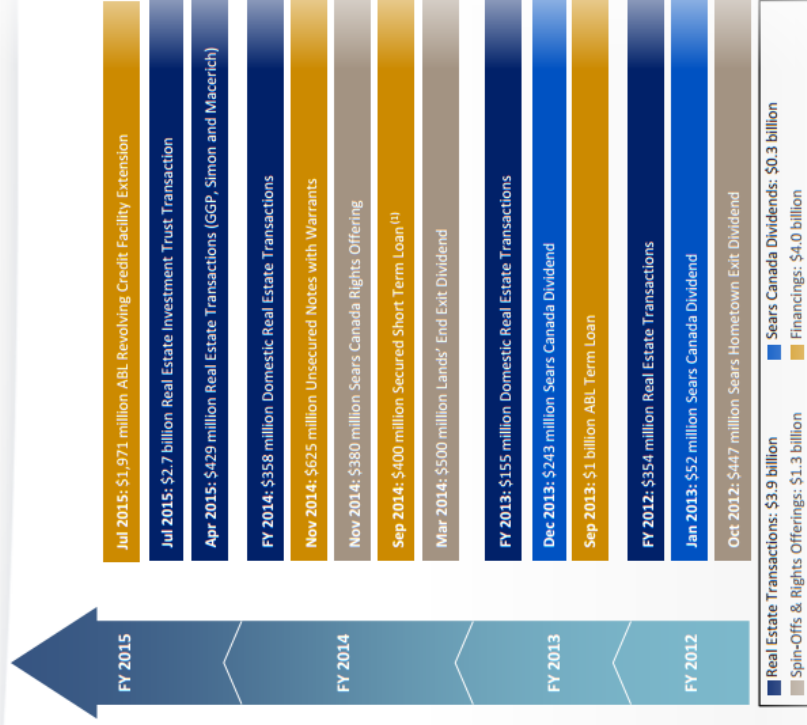
FREE CASH FLOW



\$ in millions

Fiscal Year	Sales	EBITDA Margin	Free Cash Flow	Year End Liquidity	Tangible Net Worth
2006	\$ 53,016	7.0%	\$ 920	\$ 7,639	\$ 7,585
2007	\$ 50,703	5.1%	\$ 977	\$ 4,622	\$ 7,577
2008	\$ 46,770	3.4%	\$ 495	\$ 3,697	\$ 5,629
2009	\$ 44,043	3.8%	\$ 1,146	\$ 5,000	\$ 5,024
2010	\$ 42,664	3.1%	\$ (318)	\$ 3,579	\$ 4,229
2011	\$ 41,567	0.5%	\$ (707)	\$ 2,565	\$ 563
2012	\$ 39,854	1.2%	\$ (681)	\$ 2,018	\$ (88)
2013	\$ 36,188	-1.4%	\$ (1,438)	\$ 1,587	\$ (1,046)
2014	\$ 31,198	-2.6%	\$ (1,657)	\$ 1,058	\$ (3,311)
2015*	\$ 25,146	-4.2%	\$ (1,700)	\$ 554	\$ (4,134)

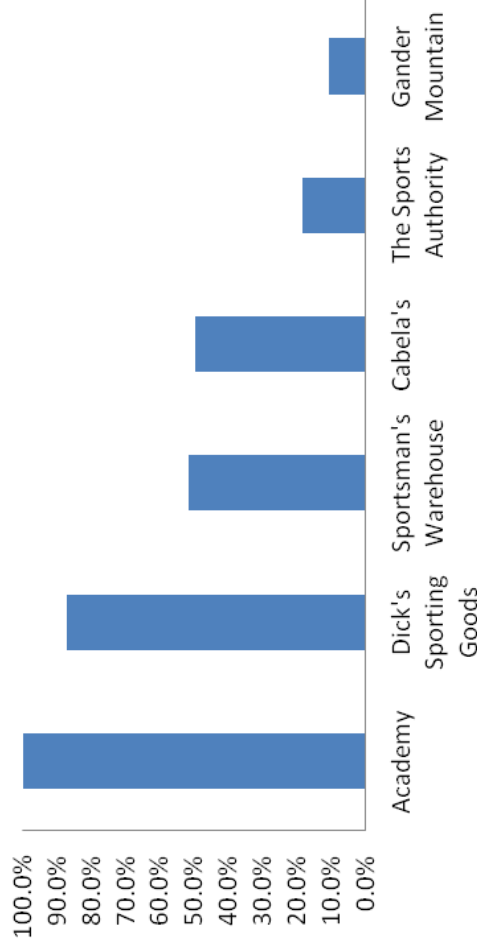
Formula:
 Cash from operations
 - Capital Expenditures
 = Free Cash Flow



REVOLVING CREDIT FACILITY



% Available under Credit Agreement



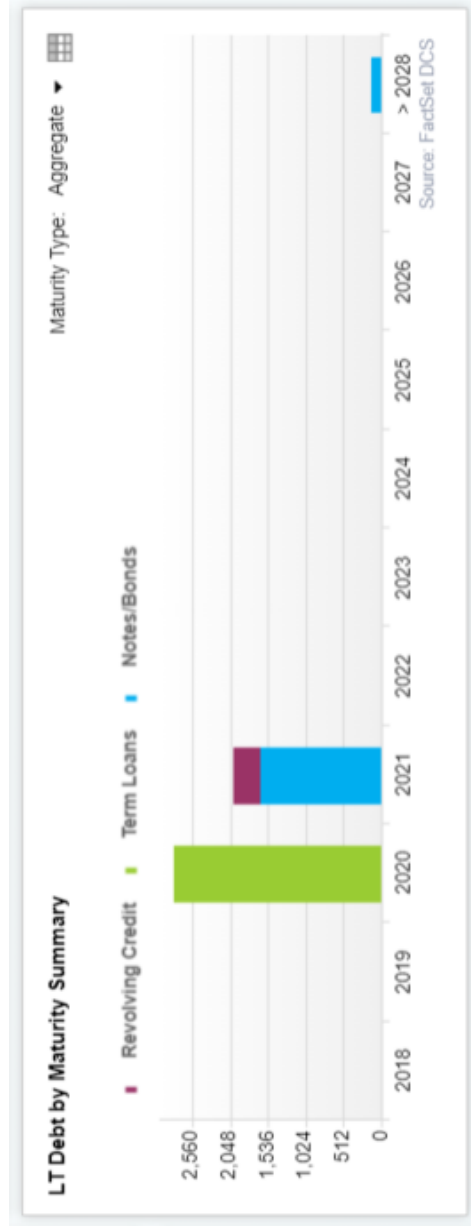
DEBT COVENANTS

Bluestem's performance against covenants as of November 2, 2018 were as follows (net liquidity in thousands):

	Leverage Ratio		Net Liquidity	
	Results	Requirement	Position	Requirement
Term loan agreement and asset-backed line of credit agreement	4.09	< 4.50	\$86,982	> \$ 40,000
Program agreement	4.11	< 5.00	\$87,118	> \$ 40,000

DEBT MATURITIES

Neiman Marcus



UNSECURED CREDITORS POSITION

RiemerPlus
Cantalupo & Sherman

Assets Description	Book Value	As of	Hypothetical Liquidation	
			Low End	High End
Cash & Cash Equivalents	\$ 200	11/3/2018	\$ 200.00	\$ 200.00
Accounts Receivable	\$ 179	11/3/2018	\$ 161.18	\$ 170.14
Inventories	\$ 2,000	11/3/2018	\$ 1,700.00	\$ 1,900.00
Pre-paid expenses & other	\$ 104	11/3/2018	\$ 104.26	\$ 104.26
Property & Equipment	\$ 1,621	11/3/2018	\$ 486.35	\$ 972.70
Goodwill & Intangibles	\$ 1,131	11/3/2018	\$ 124.39	\$ 226.17
Total	\$ 5,235		\$ 2,776	\$ 3,573

Secured Obligations Description	Outstanding	Maturity	Hypothetical Liquidation	
			Low End	High End
Revolving ABL (\$950 million)	\$ 374	8/17/2023	100%	100%
Senior Secured Term Loan	\$ 50	8/17/2023	100%	100%
Term Loan	\$ 1,534	2/3/2024	100%	100%
Total	\$ 1,958			

Residual Assets Remaining For Unsecured Creditors \$ 818 \$ 1,615

Unsecured Obligations Description	Outstanding	As of	Hypothetical Liquidation	
			Low End	High End
Accounts Payable	\$ 977	11/3/2018	64%	100%
Operating Lease Obligations	\$ 3,122	11/3/2018		
Total	\$ 4,099			
1 Year of Rent Expense	\$ 302	11/3/2018	64%	100%
	\$ 1,279			

Assets Description	Book Value	As of	Hypothetical Liquidation Value	
			Low End	High End
Cash & Cash Equivalents	\$ 32	11/3/2018	\$ 31.50	\$ 31.50
Accounts Receivable	\$ 179	11/3/2018	\$ 161.18	\$ 170.14
Inventories	\$ 1,245	11/3/2018	\$ 1,058.34	\$ 1,182.85
Pre-paid expenses & other	\$ 104	11/3/2018	\$ 104.26	\$ 104.26
Property & Equipment	\$ 1,621	11/3/2018	\$ 486.35	\$ 972.70
Goodwill & Intangibles	\$ 1,131	11/3/2018	\$ 124.39	\$ 226.17
Total	\$ 4,312		\$ 1,966	\$ 2,688

Secured Obligations Description	Outstanding	Maturity	Hypothetical Liquidation Value of Claim	
			Low End	High End
Revolving ABL (\$950 million)	\$ 374	8/17/2023	100%	100%
Senior Secured Term Loan	\$ 50	8/17/2023	100%	100%
Term Loan	\$ 1,534	2/3/2024	100%	100%
Total	\$ 1,958			

Residual Assets Remaining For Unsecured Creditors \$ 8 \$ 730

Unsecured Obligations Description	Outstanding	As of	Hypothetical Liquidation Value of Claim	
			Low End	High End
Accounts Payable	\$ 977	11/3/2018	1%	57%
Operating Lease Obligations	\$ 3,122	11/3/2018		
Total	\$ 4,099			
1 Year of Rent Expense	\$ 302	11/3/2018	1%	57%
	\$ 1,279			

PULSE
RATINGS



THANK YOU!!



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