

CH. 11 ACQUISITION OPPORTUNITY

Vanity[®] and Vanity.com

BID DEADLINE: August 21st @ 5PM ET



INTRODUCTION

Hilco Streambank has been retained by Vanity Shop of Grand Forks, Inc. (“Vanity” or the “Company”) to market and sell its intellectual property assets. The assets include the Vanity[®] brand and related private label brands, trademarks, Vanity.com and other domain names, e-commerce code and customer data (the “Assets”). The Company is currently operating as a Chapter 11 debtor-in-possession in the United States Bankruptcy Court for the District of North Dakota (the “Bankruptcy Court”).

BACKGROUND

From its roots as a Midwestern dress shop in the 50s to its first juniors focused specialty store in Fargo, ND in 1969, Vanity has provided fashionable young women low-cost, high quality apparel and accessories for over 50 years. As of March 2017 Vanity operated 137 stores across 27 States. In addition, the Company operated its e-commerce store using the premium domain name – Vanity.com.

For over half a century, the Vanity name has resonated among young women looking for clothing and accessories that are both trend right and affordable. Although originally juniors focused, the Vanity customer trended toward fashion conscious women ranging from 20 – 35 years old. Vanity differentiated itself from its competitors by providing customers a broader selection of sizes throughout various product categories utilizing Vanity’s proprietary assortment of fits and styles.

FINANCIAL OVERVIEW

In FY 2016 the Company generated total revenue of \$90 million, a decrease of \$25 million from FY 2013 results. Although the Company opened its e-commerce channel in 2008, it was not until 2014 that it was able to create an e-commerce environment that was user friendly. The e-commerce channel generated revenues of over \$4MM in FY2015 and \$6.5MM in FY2016.

Vanity 4 Year Financial Overview

- FY2016 Total Revenue: \$90MM
- FY2015 Total Revenue: \$98.1MM
- FY2014 Total Revenue: \$99.5MM
- FY2013 Total Revenue: \$115MM

E-Commerce Platform

The Company developed proprietary .net based website code to operate its e-commerce infrastructure with Microsoft’s Azure cloud. The combination of internal development and full utilization of the Azure software enabled the vanity.com e-commerce channel to be optimized with special features such as an enhanced recommendation engine and advance search options, greatly improving shopper experience and performance of the website. The following back-end systems were utilized to create a fully functional e-commerce platform:

- Netsuite OMX – Inventory and Order Management System
- TrueShip – Packing, Shipping and Returns
- Amazon Web Services – E-Mail Marketing Services

Opportunity Highlights

- Premium Domain Name – Vanity.com generating a significant amount of organic traffic
 - The www.vanity.com website generated approximately 4,266,955 total sessions and 2,080,847 unique visitors in calendar year 2016
 - 1,087,312 sessions originated from organic search and 1,126,497 sessions were from direct type-in traffic
- National retail store footprint generating increased brand awareness among female consumers
- Flexibility to use the Vanity[®] brand among multiple product categories including denim, bottoms, knit tops, dresses, career clothing and accessories.
- Multiple market segmentation opportunities through owned brand concepts: Delve Blu[™] and Liv & Piper[®]
- Database of loyal customers, including over 1MM Vanity Rewards members

Potential Areas for Growth

Multiple channels of distribution exist for the Vanity® brand including:

- E-Commerce with a world-wide recognized brand and Domain Name
- Potential U.S & International Licensing in multiple categories
- Stores in key locations and outlets
- Potential retail house brand or wholesale apparel brand

AVAILABLE ASSETS

Trademarks and Trademark Applications including:

- Vanity®
- Liv & Piper®
- Vanity.com®
- Style That Works®
- Delve Blu™
- FASHIONLINK®

Domain Names

The Company owns 40 domain names which include the following:

- Vanity.com
- DelveBlu.com
- VanityShops.com
- Vanity.net
- LivandPiper.com
- VanityJeans.com
- eVanity.com
- VanityStyle.com

Customer Data

- Approximately 1.53MM unique Opt-in E-mail Addresses
- Over 1MM E-mail Addresses linked to the Vanity Rewards Program

Proprietary E-Commerce Code

- Proprietary .net based website code compatible with multiple e-commerce platforms

Social Media Profiles

- Facebook – Over 55,000 Page Likes
- Instagram – Over 7,000 Followers
- Twitter – 2,000 Followers

DILIGENCE & SALE PROCESS

Hilco Streambank is currently soliciting interest in the Assets from qualified buyers.

Data Room: An online Data Room containing detailed diligence information has been opened. Access to the online Data Room will be provided to interested parties upon execution of a non-disclosure agreement.

Bid Submission: Bidding instructions will be provided by Hilco Streambank in advance of the bid deadline.

Bid Deadline: August 21st, 2017 at 5:00 PM ET

For further information about the sale process and access to diligence materials please contact one of the following Hilco Streambank representatives.

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