



Mid-Size Company

Transaction of the Year

Eastern Outfitters, LLC

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The Eastern Outfitters transaction team worked collaboratively, creatively, and tirelessly with all stakeholders to deliver an 11th hour transaction for EO, a company which was closer to liquidation than any company the advisors had ever seen in their collective experience. To our knowledge, EO—owner of Eastern Mountain Sports and Bob’s Stores—remains the only successful sale of assets in the sports retail space in 2017.

After an extended negotiation and several deadline modifications, an East Coast-based buyer and licensor of brands was targeted to close on the transaction in early January 2017. However, December results arrived below expectations, prompting the buyer to place additional conditions on the transaction beyond EO’s control, dooming the planned sale. To stretch liquidity and buy additional time for a successful sale, EO’s sponsor contributed an incremental \$15 million in December 2016 to acquire the junior first lien debt and EO management employed aggressive working capital measures. Nevertheless, with limited liquidity, EO was forced to prepare for an immediate shutdown of its operations and liquidation of its assets.

With limited liquidity and no clear path forward, liquidation became “Plan A” while maintaining hope of “Plan B”—a strategic Chapter 11 should a white knight buyer step forward. That savior became Sports Direct, the U.K.’s largest sporting goods retailer.

However, EO lacked a finalized DIP loan from Sports Direct at the time it decided to file Chapter 11. Therefore, immediately after filing and without the benefit of any breathing space, the transaction team had to secure a DIP loan from Sports Direct or be forced into a liquidation again. To further complicate matters, EO’s prepetition lender actually preferred liquidation as it was assured repayment in full, with little to no risk, in a quicker timeframe. Ultimately, the transaction team thwarted liquidation again and was able to secure an \$85 million DIP loan, with \$65 million being funded on an interim basis from Sports Direct.

The acquired business included approximately 50 retail stores in the U.S. To our knowledge, the EO sale was the only successful sale in the sports retail space in 2017 of any meaningful size and remains one of the few successful 2017 retail turnarounds to date.