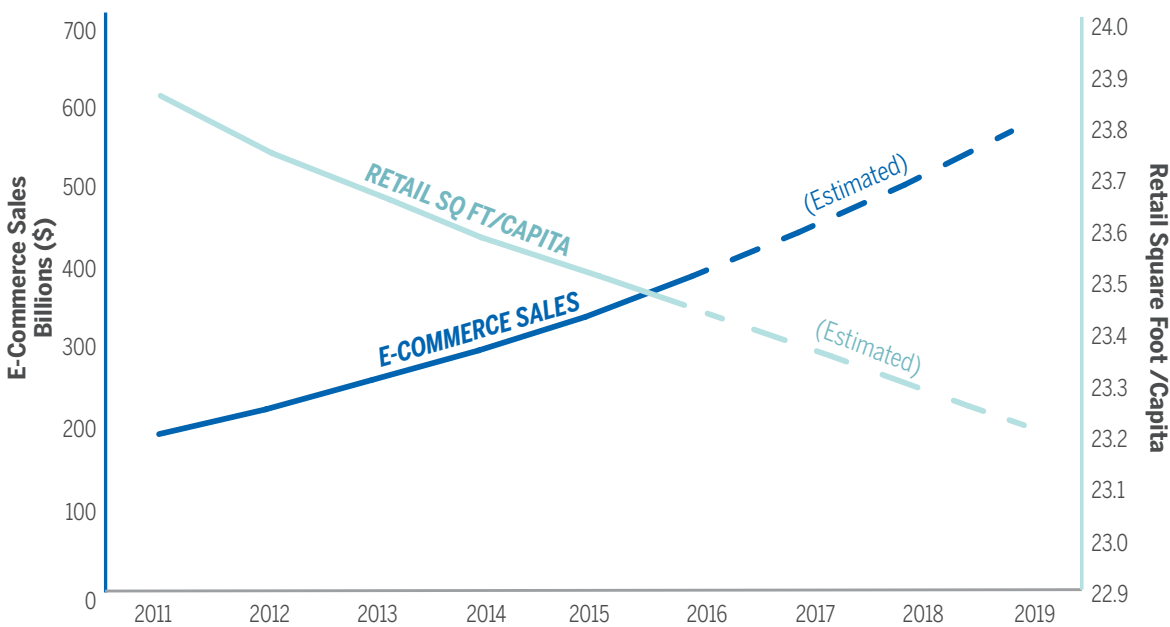


A Shift in Shopping Yields Investment Opportunities

Traditional Retailing is Being Challenged by High-Cost Business Model

The multi-trillion dollar retail market is being reshaped by the internet. Sales and traffic at brick-and-mortar stores on Thanksgiving Day and Black Friday this year continued to decline. Meanwhile, internet sales rose in the double digits on both days, surpassing \$3 billion for the first time on Black Friday. This tectonic shift is creating investment opportunities.

Accelerating E-commerce Sales Are Forcing Retail Square Footage to Decline



Source: ICSC, U.S. Census Bureau, Alger estimates

- Reasons e-commerce is likely to continue its fast growth: faster connection speeds, evolving payment technologies, and the overall increasing ease of mobile shopping
- Reasons brick and mortar retail will decline: lower pricing and margins as a result of the internet driving increased price transparency, higher required expenditures and discounts to fight declining in-store traffic, and traditional brands increasingly selling directly to consumers over the internet
- Investment opportunities exist with online merchants, payment companies, online advertising firms, parcel delivery companies, and software providers

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