

# The Neiman Marcus Group, Inc.

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Report

# The Neiman Marcus Group, Inc.

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- **Financials & Statistics:** Annual Revenues, Employee Counts, Productivity Charts (Excel-ready!)
- Detailed **Funding and VC Investment Activity** with Funding Round breakdowns, deal terms, and analysis
- Detailed **M&A deal data** with FULL deal reports including multiples, deal advisors, and more
- **Detailed Business Descriptions** including key products and services, brands, major milestones, business strategy, and **business model analysis**
- **Competitors** and Private and Public Company **Comparables** (assist in competitive analysis and company valuations)
- **Public/Private History** (PPH) tables that map go private/go public activity like Leveraged Buyouts and IPO attempts
- **Bankruptcy & Restructuring** tables with detailed notes and filing-accurate information

There are over 150,000 firms in the U.S. that generate over \$10 million in annual revenues yet traditional business media focuses almost exclusively on the same 15,000 publicly traded companies. By combining the very best financial analysis, editorial quality review, market research, and our proprietary data technology, PrivCo is dedicated to producing intelligent, in-depth business and financial research on the other 90% of major corporations.

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## BUSINESS SUMMARY

The Neiman Marcus Group, Inc. is a privately-held luxury retailer headquartered in Dallas, Texas. The Neiman Marcus Group is comprised of the Specialty Retail Stores division - which includes Neiman Marcus Stores and Bergdorf Goodman - and the Direct Marketing division, Neiman Marcus Direct. These retailers offer upscale assortments of apparel, accessories, jewelry, beauty and decorative home products for the affluent consumer. As of August 2012, the company operates 41 Neiman Marcus stores across the United States and two Bergdorf Goodman stores in Manhattan. The company also operates 31 Last Call clearance centers. Neiman Marcus Direct, the direct-to-consumer business, conducts both print catalog and online operations under the Neiman Marcus, Bergdorf Goodman, Horchow, Last Call, and CUSP brands.

Founded in 1907 by Herbert Marcus, Sr., Carrie Marcus Neiman, and Abraham Lincoln Neiman, Neiman Marcus is owned by private equity firms TPG Capital and Warburg Pincus.

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## COMPANY OVERVIEW

**Company Tags:** PE Backed  
**Year Founded:** 1907  
**Fiscal Year End:** 07/31  
**1YR Revenue Growth Rate:** -16.5%  
**3YR Revenue Growth Rate (CAGR):** -2.9%  
**1YR Employee Growth Rate:** 3.5%  
**3YR Employee Growth Rate (CAGR):** -4.3%  
**City:** Dallas  
**State/Province:** [Texas](#)  
**Postal Code:** 75201  
**Country:** [United States](#)  
**Phone:** 214-741-6911  
**Fax:** 214-742-4904  
**Website:** [www.neimanmarcusgroup.com](http://www.neimanmarcusgroup.com)

### *Corporate Organization*

**Parent Companies:****Subsidiaries:**

Newton Holdings, Inc.  
Bergdorf Goodman, Inc.  
Bergdorf Graphics, Inc.  
NEMA Beverage Holding Corporation  
NM Financial Services, Inc.  
NMGP, LLC  
NM Nevada Trust  
Quality Call Care Solutions, Inc.  
Worth Avenue Leasing Company  
Neiman Marcus  
Neiman Marcus Direct  
Bergdorf Goodman  
Horchow Finale Stores  
CUSP  
Last Call Clearance Centers  
Herbert Marcus, Sr.  
Carrie Marcus Neiman  
A. L. Neiman

**Brands:****Founders:**

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## INDUSTRY INFORMATION

### Industry Codes

**PICS™:** [4001™](#), [4013™](#), [1200801™](#)  
**NAICS:** 423940, 44, 448, 45, 452,  
452111, 5322  
**SIC:** 2389, 5094, 5311, 59

### PrivCo Industries (Sector > Industry > Sub-Industry)

[Consumer Products](#) > [Apparel, Footwear & Accessories](#)  
[Consumer Products](#) > [Jewelry](#)  
[Retail](#) > [General Merchandise Stores](#) > [Department Stores](#)

The PrivCo Industry Classification System™ (PICS) is our proprietary, modernized industry classification system, geared especially toward privately-held companies and including newer emerging sub-industries that are not reflected in other outdated industry classification systems, such as SIC and NAICS.

## COMPETITORS & COMPARABLES

### Competitors

[Barneys New York](#)  
[Saks Inc](#)  
[Nordstrom, Inc.](#)

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## CHARTS, FINANCIALS, & STATISTICS

Revenues by Segment (as % of Total Revenues)	2011	2010	2009	2008	2007
Specialty Retail Stores	31.08%	31.53%	32.10%	33.75%	33.70%
Direct Marketing	18.92%	18.47%	17.90%	16.25%	16.30%
Revenues by Merchandise Category (as % of Total Revenues)	2011	2010	2009	2008	2007
Women's Apparel	35%	36%	36%	36%	37%
Women's Shoes, Handbags, and Accessories	24%	22%	21%	20%	20%
Men's Apparel and Shoes	12%	11%	12%	12%	12%
Cosmetics & Fragrances	10%	11%	11%	11%	11%
Designer & Precious Jewelry	11%	11%	11%	12%	11%
Home Furnishings & Decor	6%	7%	7%	8%	9%
Other	2%	2%	2%	1%	0%



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## CHARTS, FINANCIALS, & STATISTICS

Income Statement	2012	2011	2010	2009	2008	2007	2006
Revenues	\$3.34 BN <sup>6</sup>	\$4.00 BN	\$3.69 BN	\$3.64 BN	\$4.60 BN	\$4.39 BN	\$4.03 BN
Cost of Goods Sold (Cost of Sales)	\$2.10 BN	\$2.59 BN	\$2.42 BN	\$2.54 BN	\$2.94 BN	\$2.75 BN	\$2.59 BN
Gross Profit	\$1.24 BN	\$1.41 BN	\$1.27 BN	\$1.11 BN	\$1.67 BN	\$1.64 BN	\$1.44 BN
Selling, General & Administrative Expenses	\$769.40 MM	\$934.18 MM	\$885.41 MM	\$882.74 MM	\$1.05 BN	\$1.02 BN	\$957.99 MM
Depreciation	\$95.71 MM	\$194.98 MM	\$215.10 MM	\$223.46 MM	\$220.60 MM	\$208.73 MM	\$185.80 MM
Total Operating Expenses	\$826.72 MM	\$1.08 BN	\$1.04 BN	\$1.76 BN	\$1.20 BN	\$1.16 BN	\$1.11 BN
Operating Income (Loss)	\$378.05 MM	\$329.72 MM	\$231.80 MM	(\$652.92 MM)	\$466.43 MM	\$476.80 MM	\$328.97 MM
EBITDA <sup>7</sup>	\$191.20 MM	\$525.00 MM	\$447.00 MM	\$274.00 MM	\$686.00 MM	\$687.00 MM	\$538.00 MM
Non-Operating Income Expense	\$44.35 MM	(\$280.45 MM)	(\$237.11 MM)	(\$235.57 MM)	(\$239.81 MM)	(\$259.81 MM)	(\$216.76 MM)
Net Interest Income	\$44.35 MM	(\$280.45 MM)	(\$237.11 MM)	(\$235.57 MM)	(\$239.81 MM)	(\$259.81 MM)	(\$216.76 MM)
Income Before Income Taxes (Loss)	\$10.22 MM	\$49.26 MM	(\$5.31 MM)	(\$888.49 MM)	\$226.63 MM	\$217.00 MM	\$112.22 MM
Provision for Income Taxes	\$39.60 MM	\$17.64 MM	(\$3.48 MM)	(\$220.45 MM)	\$83.82 MM	\$82.30 MM	\$40.82 MM
Income from Continuing Operations (Loss)	\$62.64 MM	\$31.62 MM	(\$1.84 MM)	(\$668.05 MM)	\$142.81 MM	\$134.70 MM	\$71.40 MM
Net Income (Loss)	\$62.64 MM	\$31.62 MM	(\$1.84 MM)	(\$668.05 MM)	\$142.81 MM	\$111.93 MM	\$56.61 MM

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## CHARTS, FINANCIALS, & STATISTICS

Balance Sheet	2012	2011	2010	2009	2008	2007	2006
Current Assets	\$1.13 BN <sup>3</sup>	\$1.30 BN	\$1.36 BN	\$1.23 BN	\$1.36 BN	\$1.22 BN	\$1.14 BN
Cash and Cash Equivalents	\$64.70 MM	\$321.59 MM	\$421.01 MM	\$323.43 MM	\$239.18 MM	\$141.21 MM	\$223.74 MM
Inventory	\$945.79 MM	\$839.33 MM	\$790.52 MM	\$766.83 MM	\$978.04 MM	\$918.27 MM	\$793.62 MM
Deferred Income Taxes - Current	\$24.06 MM	\$20.45 MM	\$30.76 MM	\$19.14 MM	\$32.66 MM	\$39.73 MM	\$31.50 MM
Other Current Assets	\$96.35 MM	\$121.37 MM	\$117.84 MM	\$125.06 MM	\$113.78 MM	\$115.77 MM	\$70.38 MM
Non-Current Assets	\$4.07 BN	\$4.06 BN	\$4.17 BN	\$4.36 BN	\$5.19 BN	\$5.29 BN	\$5.47 BN
Property, Plant and Equipment	\$887.92 MM	\$873.20 MM	\$905.83 MM	\$992.72 MM	\$1.08 BN	\$1.04 BN	\$1.03 BN
Intangible Assets		\$2.77 BN	\$2.81 BN	\$2.87 BN	\$3.61 BN	\$3.69 BN	\$3.76 BN
Other Non-Current Assets		\$421.50 MM	\$454.33 MM	\$87.84 MM	\$75.25 MM	\$102.30 MM	\$27.79 MM
Total Assets	\$5.20 BN	\$5.37 BN	\$5.53 BN	\$5.59 BN	\$6.56 BN	\$6.50 BN	\$6.61 BN
Current Liabilities	\$699.22 MM	\$662.20 MM	\$662.54 MM	\$576.42 MM	\$706.73 MM	\$767.89 MM	\$699.06 MM
Accounts Payable		\$662.20 MM	\$632.23 MM	\$549.80 MM	\$706.73 MM	\$764.46 MM	\$678.41 MM
Other Current Liabilities			\$30.31 MM	\$26.62 MM		\$3.43 MM	\$3.89 MM
Capital Lease Obligations	\$2.81 BN	\$2.68 BN	\$2.88 BN	\$2.95 BN	\$2.95 BN	\$2.95 BN	\$3.20 BN
Deferred Long Term Liability Charges	\$105.82 MM	\$99.99 MM	\$96.09 MM	\$96.42 MM	\$84.02 MM	\$54.07 MM	\$27.32 MM
Other Non-Current Liabilities	\$223.33 MM	\$242.69 MM	\$299.95 MM	\$350.25 MM	\$213.48 MM	\$172.14 MM	\$190.20 MM
Total Liabilities	\$4.50 BN	\$4.37 BN	\$4.61 BN	\$4.68 BN	\$4.88 BN	\$4.94 BN	\$5.17 BN
Stockholders Equity	\$699.69 MM	\$994.30 MM	\$925.37 MM	\$918.84 MM	\$1.68 BN	\$1.56 BN	\$1.43 BN
Minority Interest							\$6.31 MM

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## CHARTS, FINANCIALS, & STATISTICS

Cash Flow Statement	2012	2011	2010	2009	2008	2007	2006
Cash Flow From Operating Activities	\$205.98 MM <sup>5</sup>	\$272.38 MM	\$268.04 MM	\$210.81 MM	\$285.33 MM	\$258.91 MM	\$400.20 MM
Increase in Working Capital (Decrease)		\$50.32 MM	(\$54.20 MM)	(\$40.57 MM)	\$68.49 MM	\$59.23 MM	(\$139.76 MM)
Depreciation and Amortization	\$140.19 MM	\$209.64 MM	\$233.80 MM				\$197.62 MM
Deferred Income Taxes	(\$21.85 MM)	\$3.97 MM	(\$39.64 MM)	(\$153.89 MM)	(\$44.63 MM)	(\$60.52 MM)	(\$72.94 MM)
Cash Flow From Investing Activities	(\$137.99 MM)	(\$94.18 MM)	(\$58.69 MM)	(\$101.53 MM)	(\$183.45 MM)	(\$85.94 MM)	(\$5.29 BN)
Payments for Property and Equipment	\$137.99 MM	\$94.18 MM	\$58.69 MM	\$101.53 MM	\$183.45 MM	\$147.88 MM	\$163.79 MM
Purchase of Investments						\$59.40 MM	
Purchases and Payments for Investments						(\$62.07 MM)	(\$40.75 MM)
Disposal of Investments						\$121.47 MM	\$40.75 MM
Cash Flow From Financing Activities	(\$324.89 MM)	(\$277.62 MM)	(\$111.76 MM)	(\$25.04 MM)	(\$3.90 MM)	(\$256.89 MM)	\$4.26 BN
Increase in Debt (Decrease)		(\$243.67 MM)				\$1.15 MM	\$1.43 BN
Income Taxes Paid	\$47.32 MM	\$22.46 MM	\$15.93 MM	(\$29.64 MM)	\$145.81 MM	\$155.57 MM	\$33.51 MM
Cash Interest Expense	\$133.69 MM	\$195.54 MM	\$200.68 MM	\$188.59 MM	\$233.06 MM	\$259.71 MM	\$181.16 MM
Total Cash Flow (Net Change in Cash)	(\$256.90 MM)	(\$99.42 MM)	\$97.58 MM	\$84.25 MM	\$97.97 MM	(\$83.92 MM)	(\$628.35 MM)
Cash & Cash	\$64.70 MM	\$321.59 MM	\$421.01 MM	\$323.43 MM	\$239.18 MM	\$141.21 MM	\$225.13 MM

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Equivalents End of Year							
Cash & Cash Equivalents Beginning of Year	\$321.59 MM	\$421.01 MM	\$323.43 MM	\$239.18 MM	\$141.21 MM	\$225.13 MM	\$844.26 MM

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## CHARTS, FINANCIALS, & STATISTICS

<b>Employee Figures</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Total Employees	14,900	14,400	14,700	17,000	17,900	17,200	16,100
Neiman Marcus, Last Call & Cusp Store Employees	11,800	11,600	11,900	14,000	14,700		
Bergdorf Goodman Store Employees	1,100	1,000	1,200	1,200	1,300		
Direct Marketing Employees	1,500	1,300	1,500	1,700	1,800		
Neiman Marcus Group Employees	500	500	300	100	100		
Productivity (Revenue / Employee)	\$268,609	\$256,442	\$247,847	\$270,620	\$245,256	\$234,309	\$229,508

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## CHARTS, FINANCIALS, & STATISTICS

Location Statistics	2011	2010	2009	2008	2007
Total Locations	79	77	77	71	65

### Financial Notes:

- 1 Sales per square foot are calculated as Neiman Marcus stores and Bergdorf Goodman stores net sales divided by weighted average square footage. Weighted average square footage includes a percentage of year-end square footage for new stores equal to the percentage of the year during which they were open
- 2 Sales per square foot for fiscal year 2008 is based on revenues for the fifty two weeks ended July 26, 2008
- 3 Through Q3 April 28, 2012
- 4 Includes Last Call & CUSP stores
- 5 Through Q3 April 28, 2012
- 6 Through Q3 April 28, 2012
- 7 Adjusted EBITDA

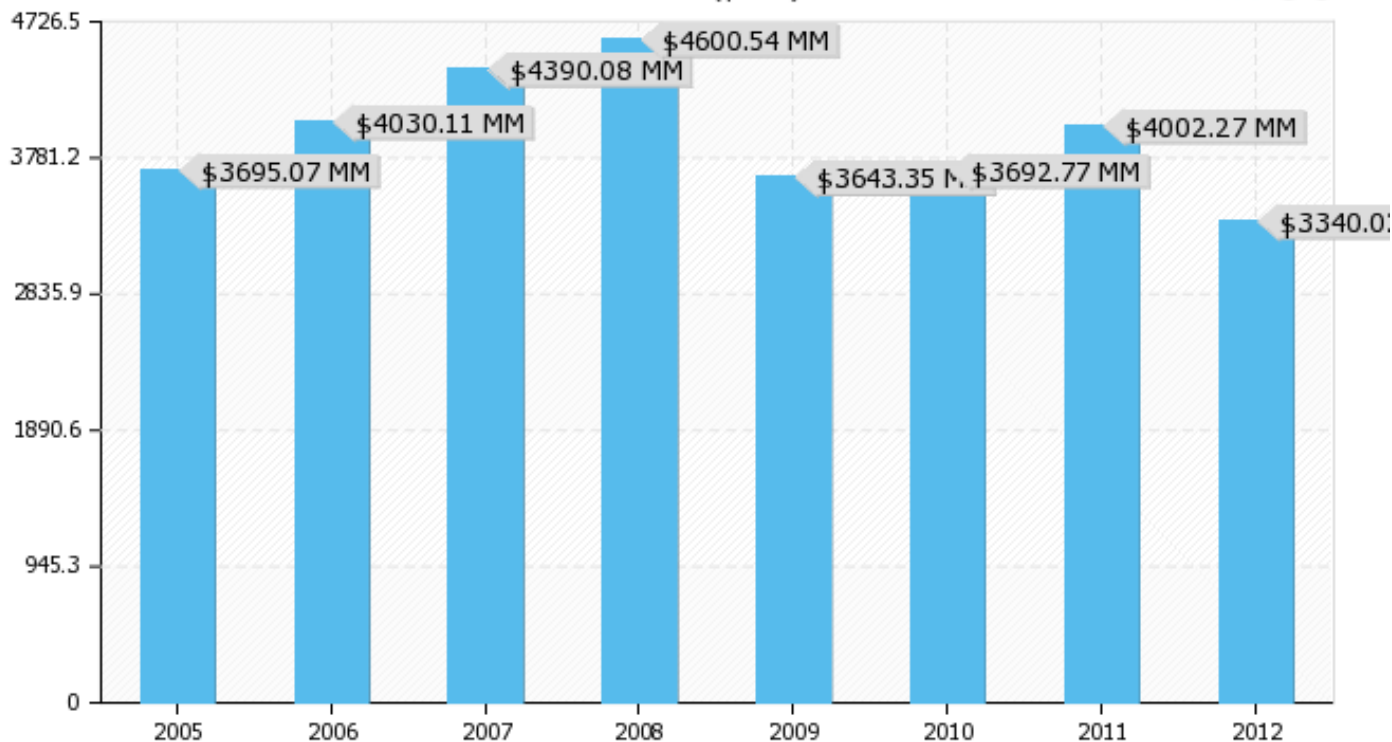
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## CHARTS, FINANCIALS, & STATISTICS

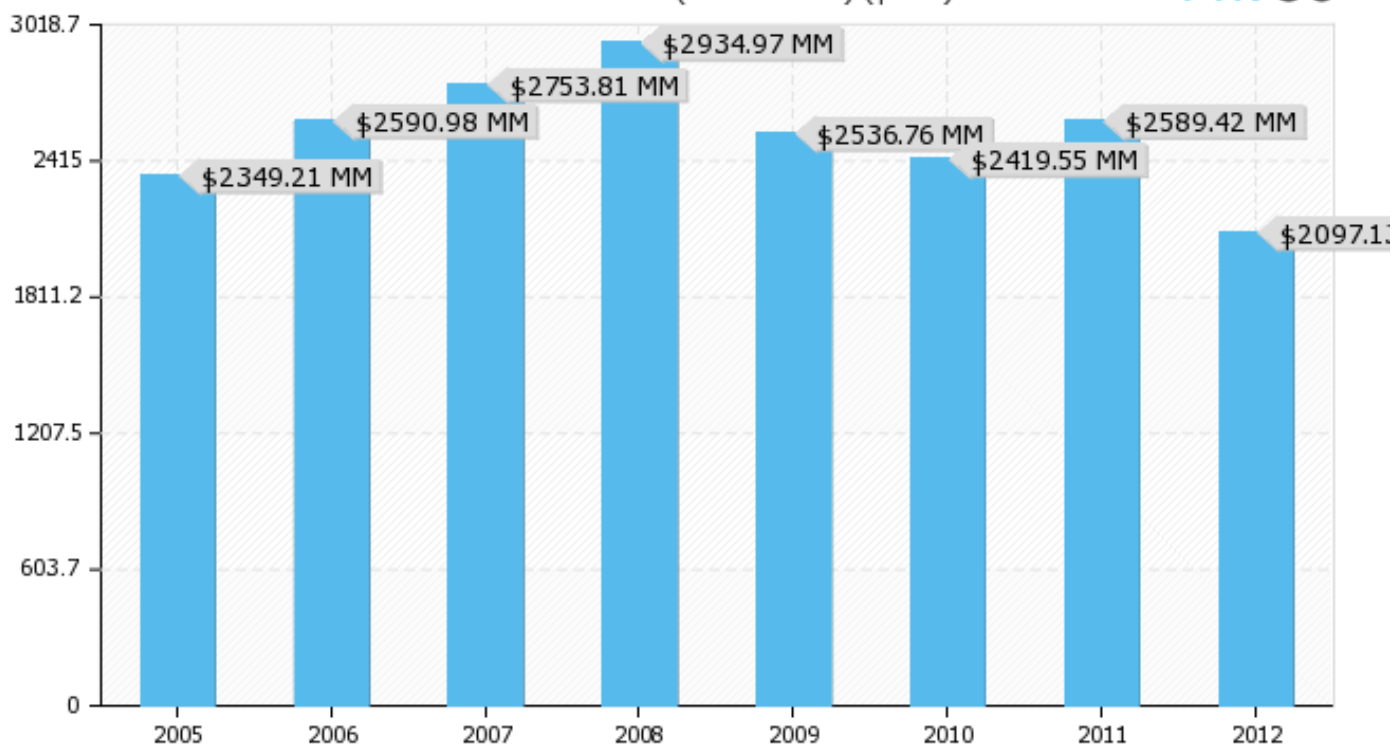
The Neiman Marcus Group, Inc.  
Revenues (\$ MM)

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The Neiman Marcus Group, Inc.  
Cost of Goods Sold (Cost of Sales) (\$ MM)

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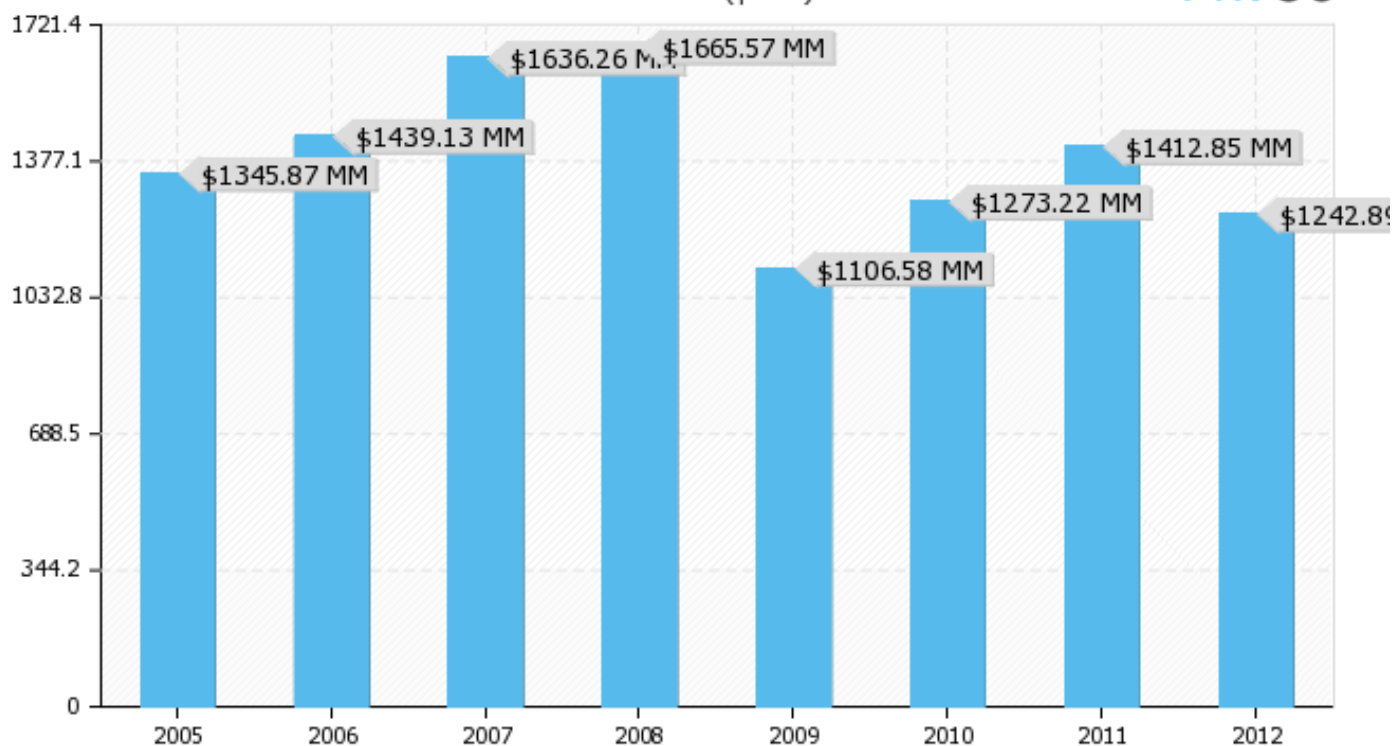


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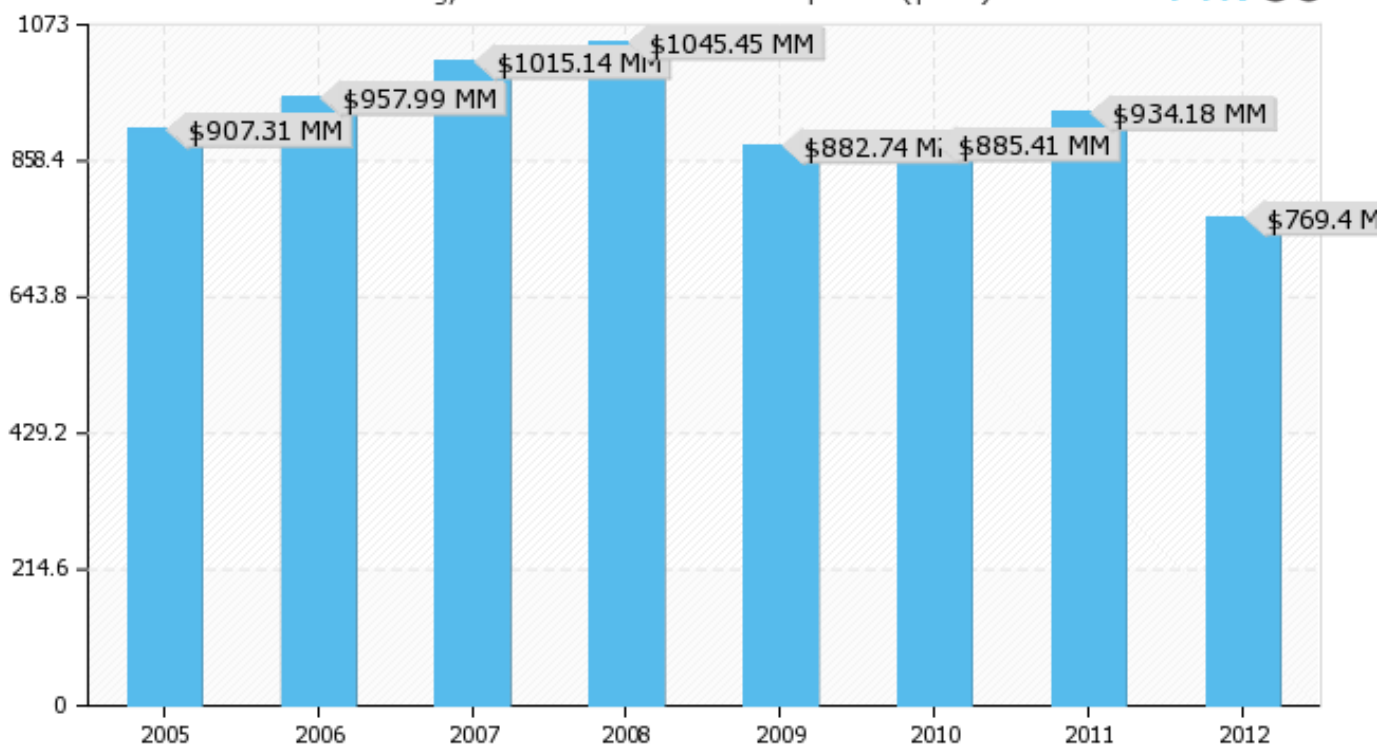
The Neiman Marcus Group, Inc.  
Gross Profit (\$ MM)

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The Neiman Marcus Group, Inc.  
Selling, General & Administrative Expenses (\$ MM)

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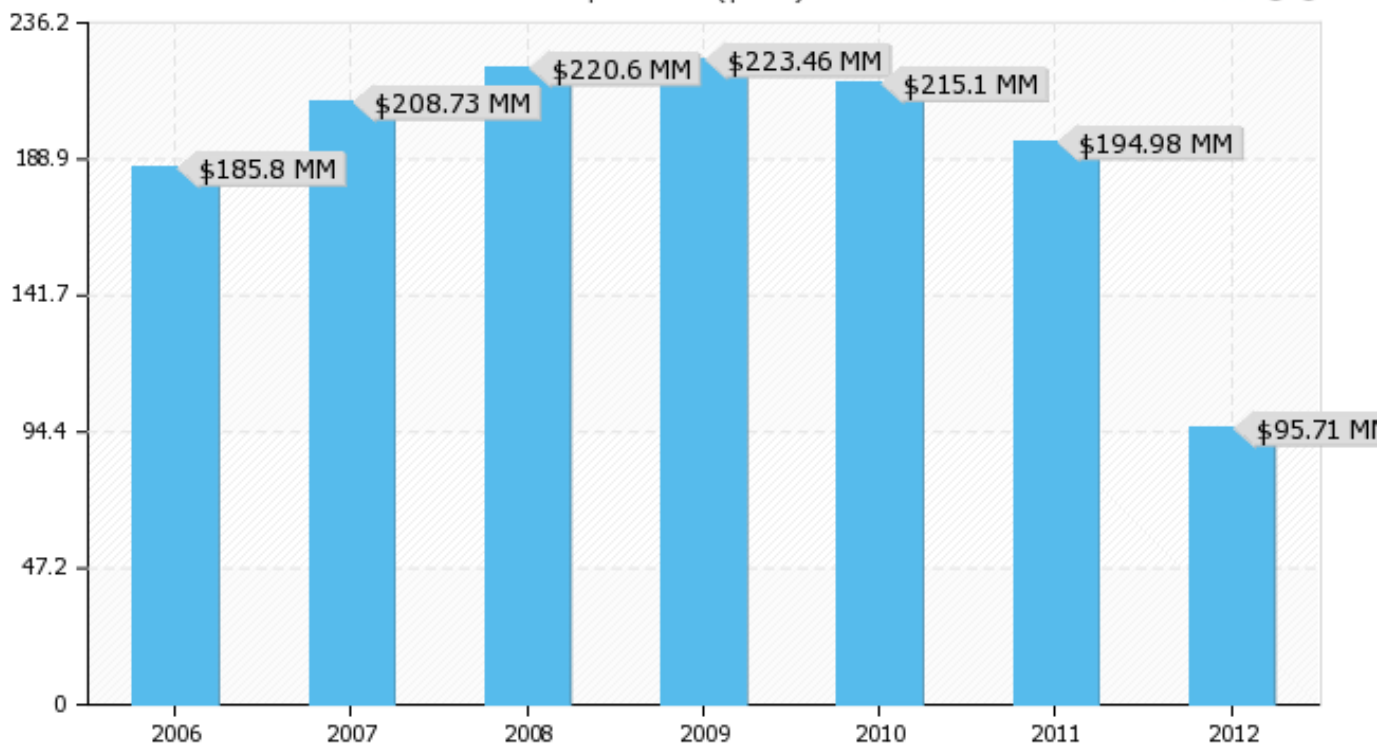


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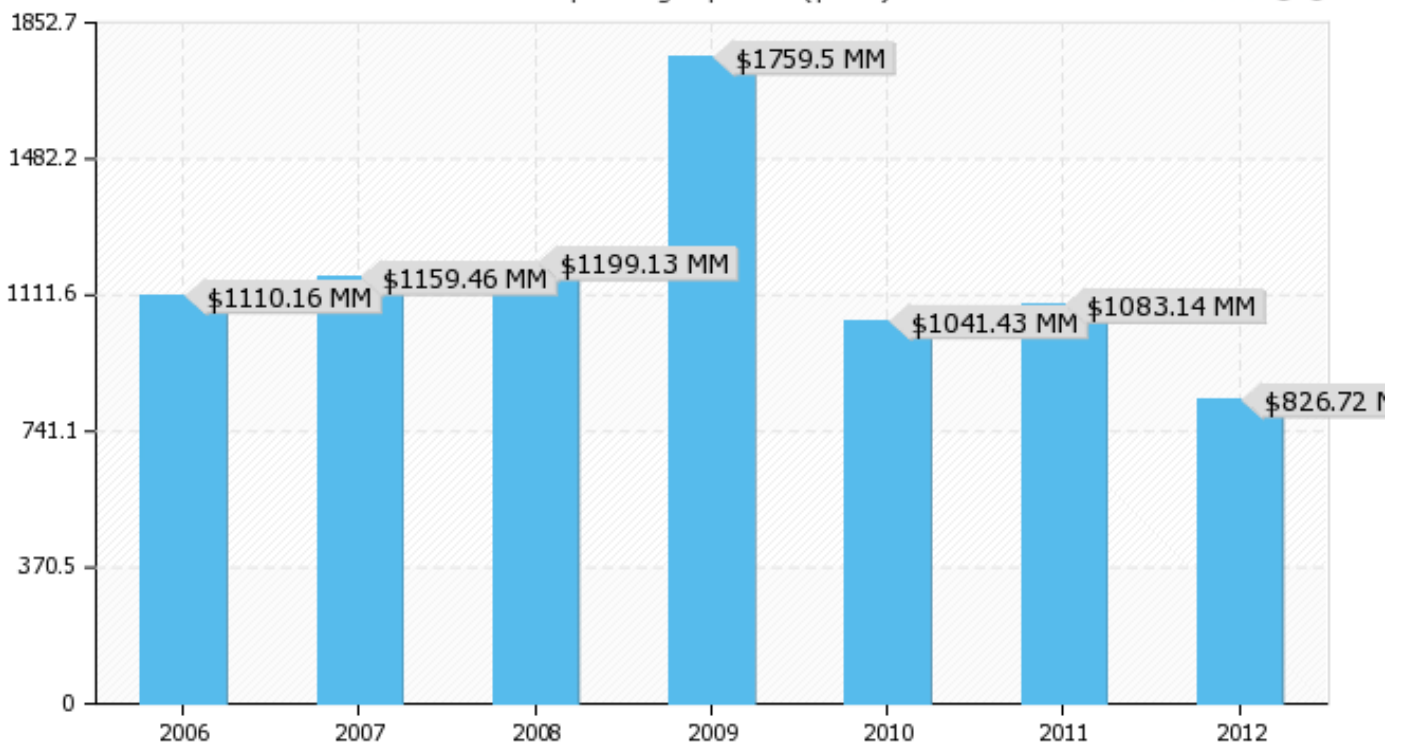
The Neiman Marcus Group, Inc.  
Depreciation (\$ MM)

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The Neiman Marcus Group, Inc.  
Total Operating Expenses (\$ MM)

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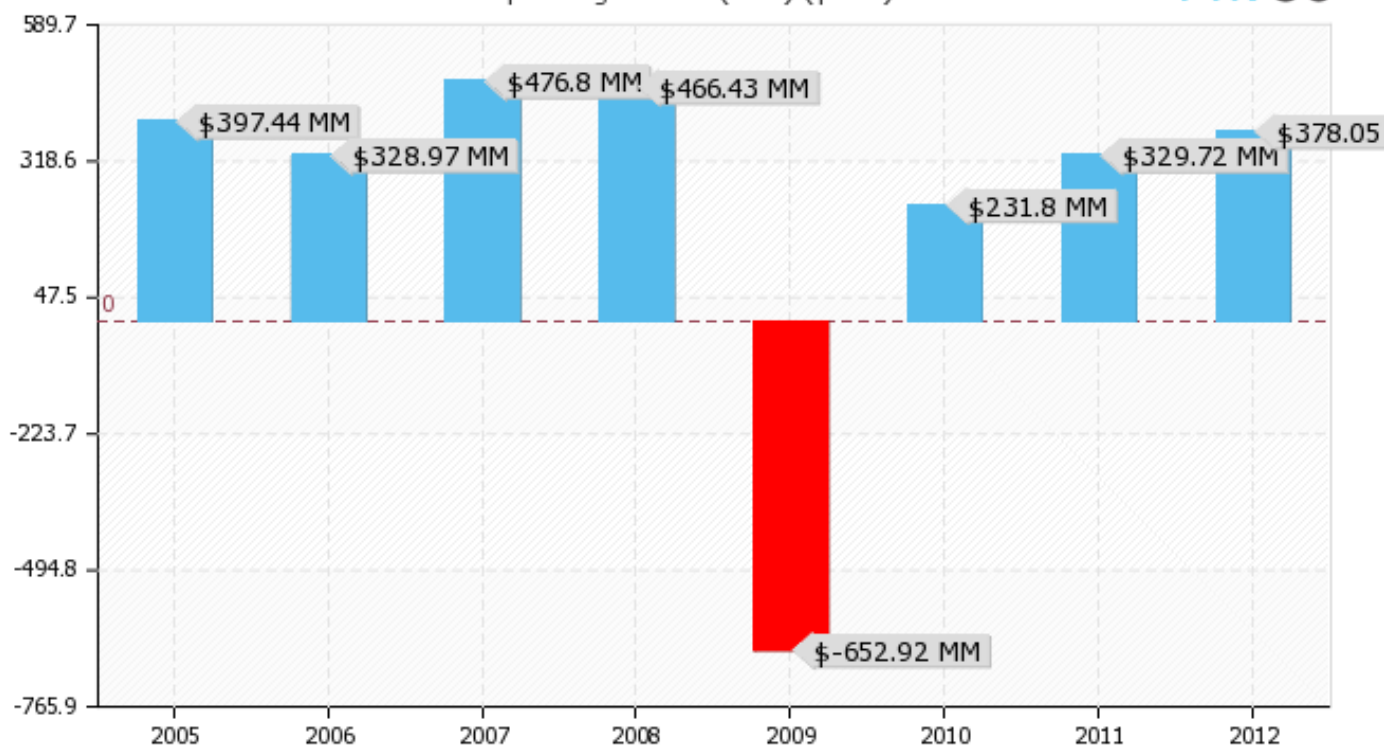


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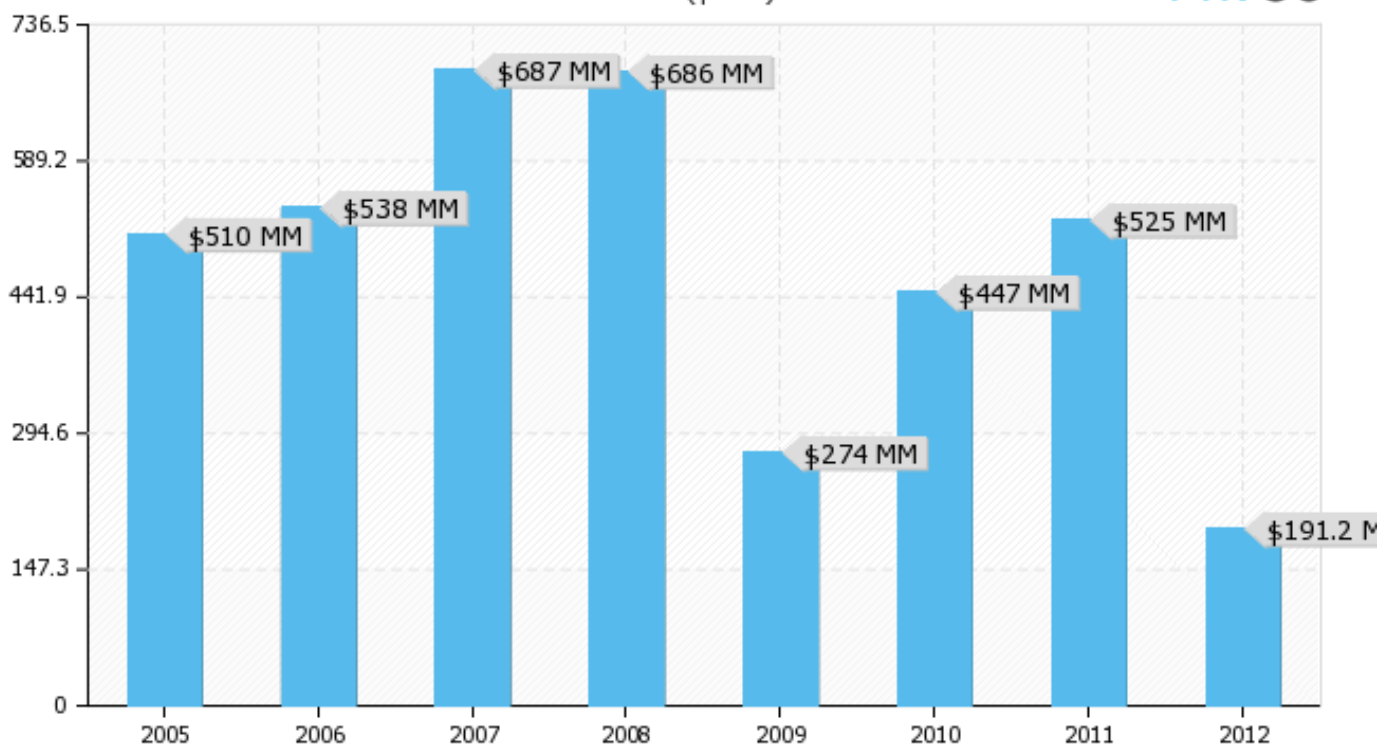
The Neiman Marcus Group, Inc.  
Operating Income (Loss) (\$ MM)

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The Neiman Marcus Group, Inc.  
EBITDA (\$ MM)

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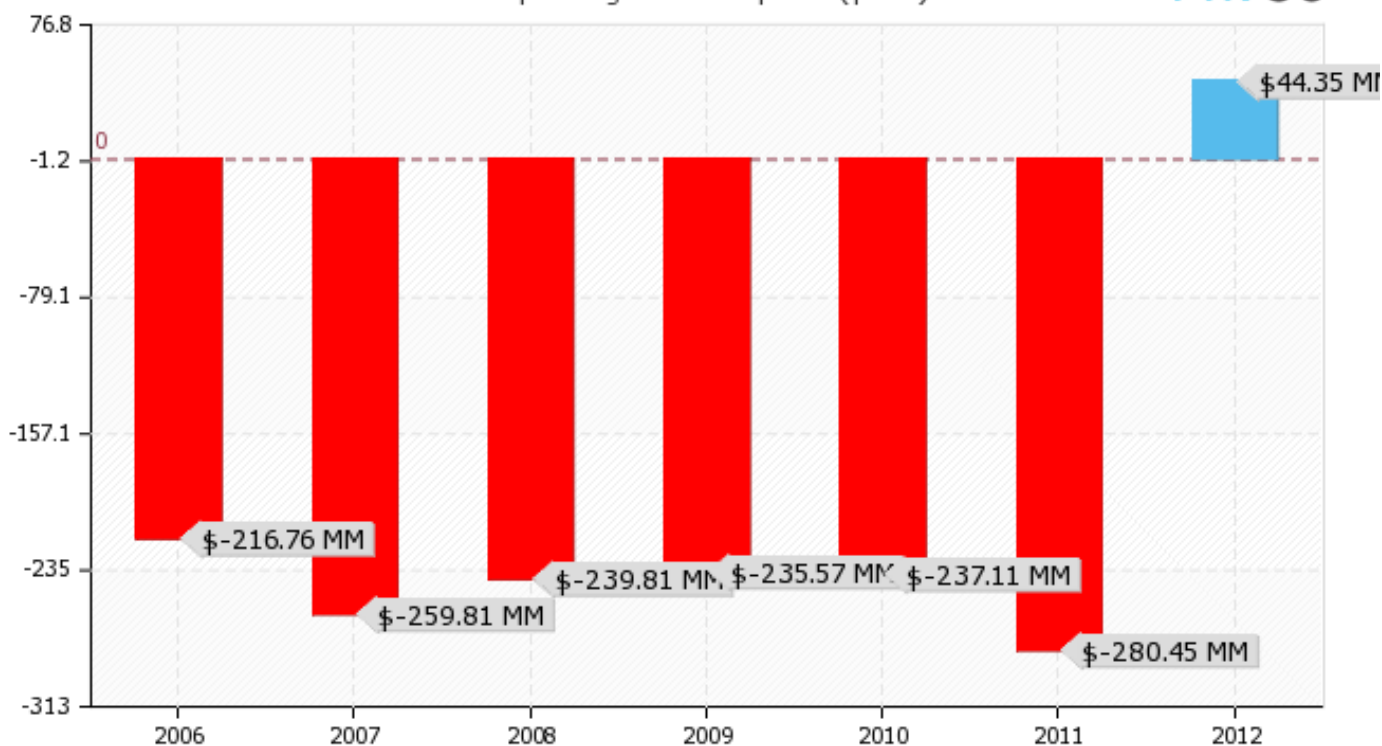


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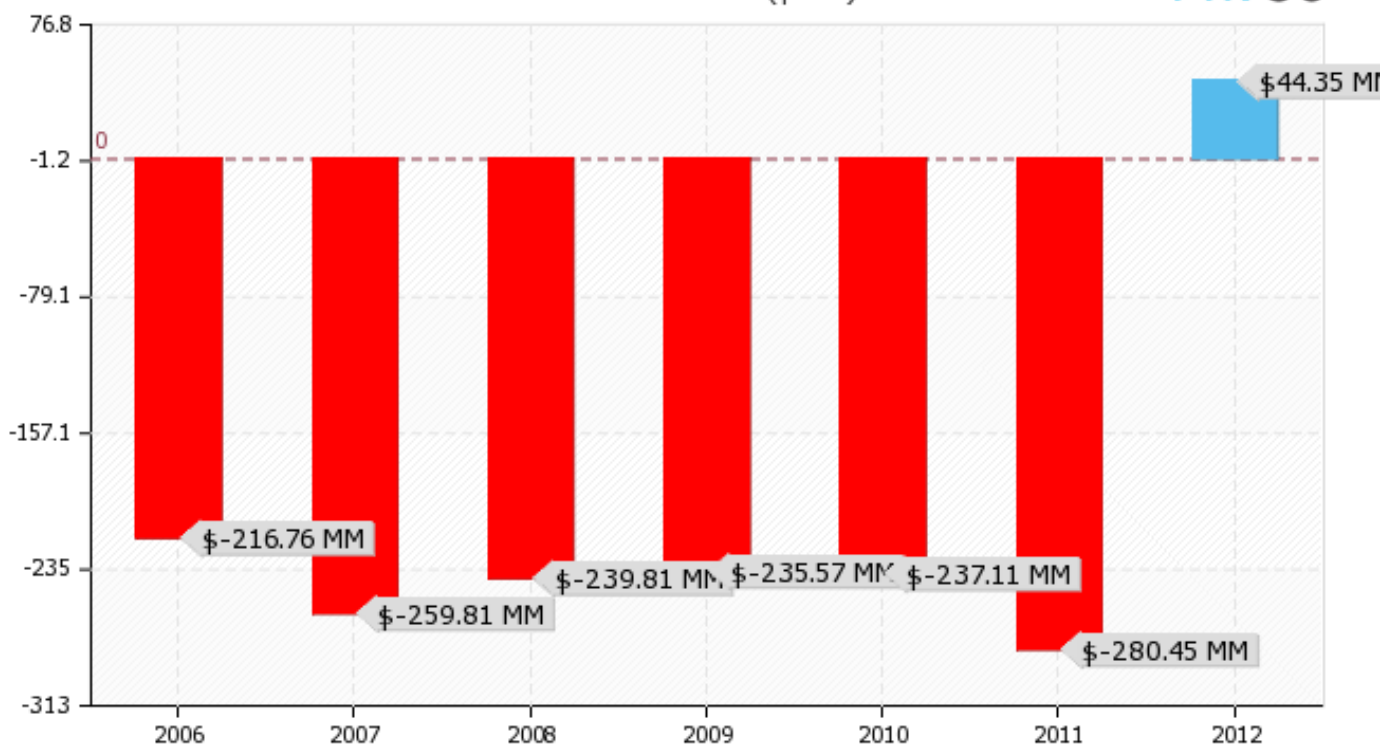
The Neiman Marcus Group, Inc.  
Non-Operating Income Expense (\$ MM)

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The Neiman Marcus Group, Inc.  
Net Interest Income (\$ MM)

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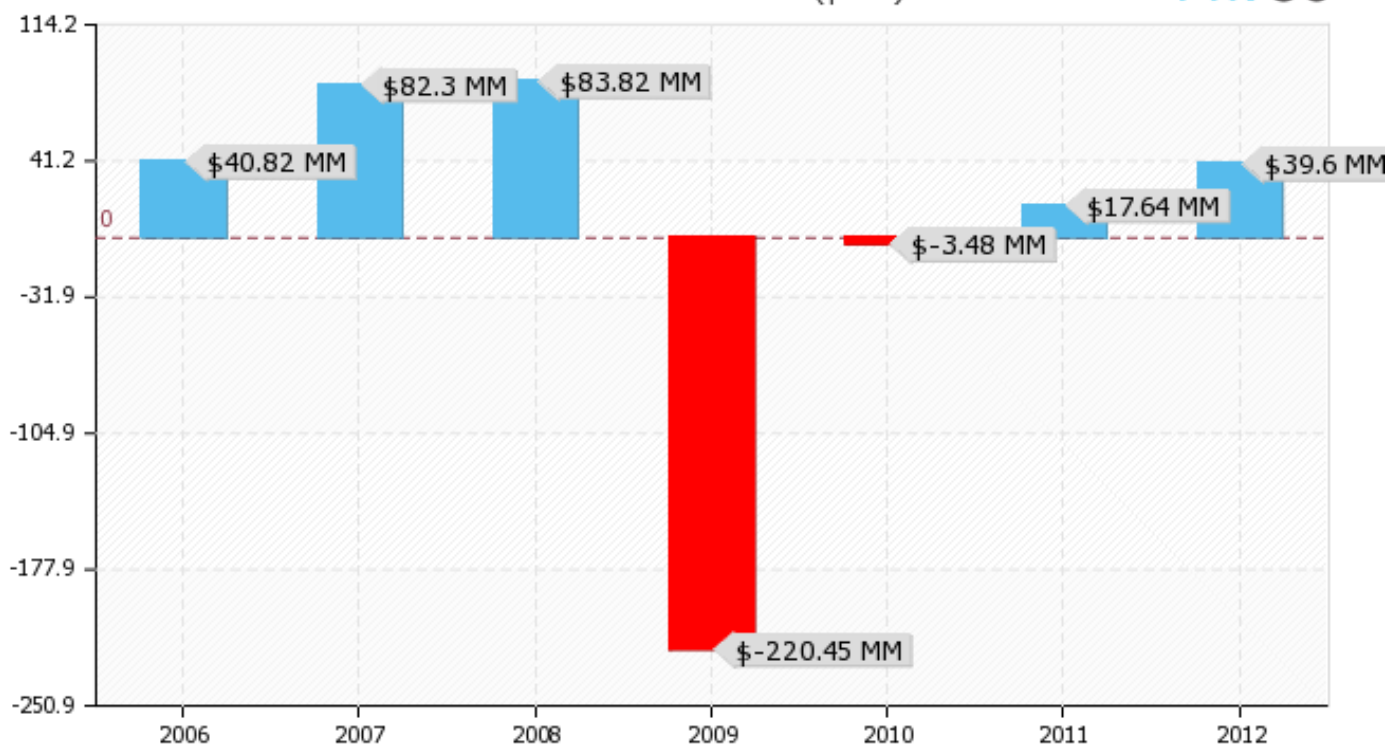
The Neiman Marcus Group, Inc.  
Income Before Income Taxes (Loss) (\$ MM)

PrivCo



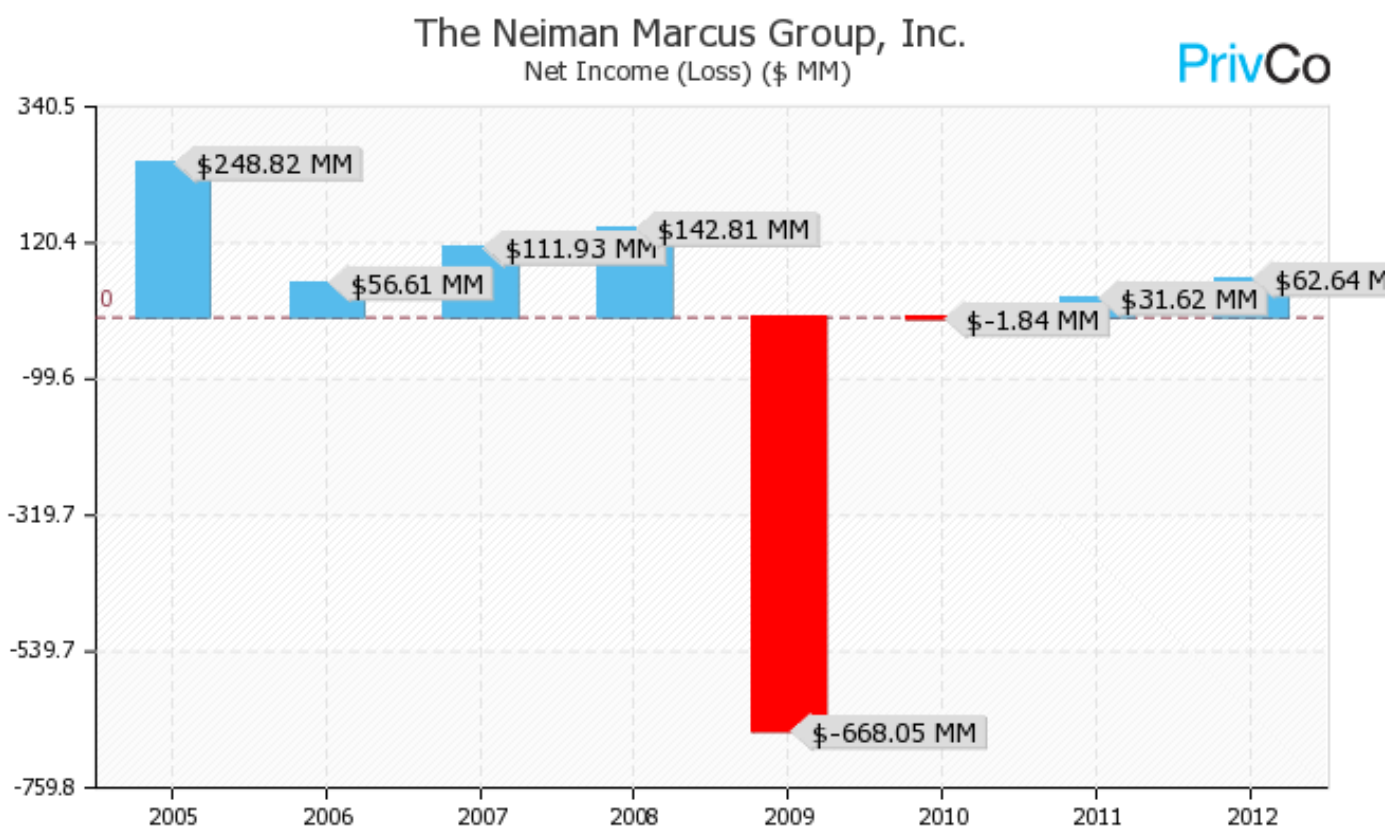
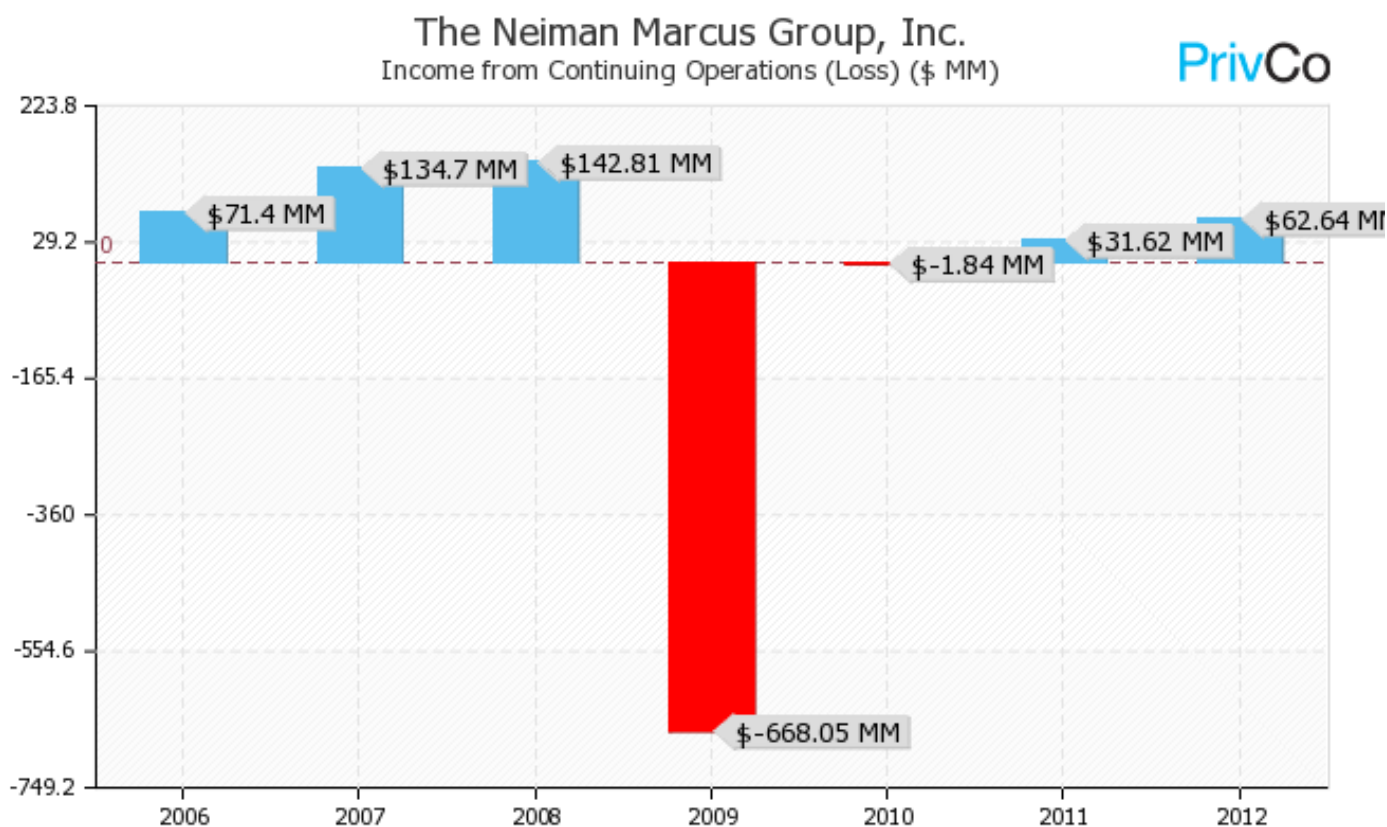
The Neiman Marcus Group, Inc.  
Provision for Income Taxes (\$ MM)

PrivCo



# The Neiman Marcus Group, Inc.

To ensure that you're viewing PrivCo's complete and most up-to-date information on The Neiman Marcus Group, Inc., please visit: [www.privco.com/private-company/the-neiman-marcus-group-inc](http://www.privco.com/private-company/the-neiman-marcus-group-inc)



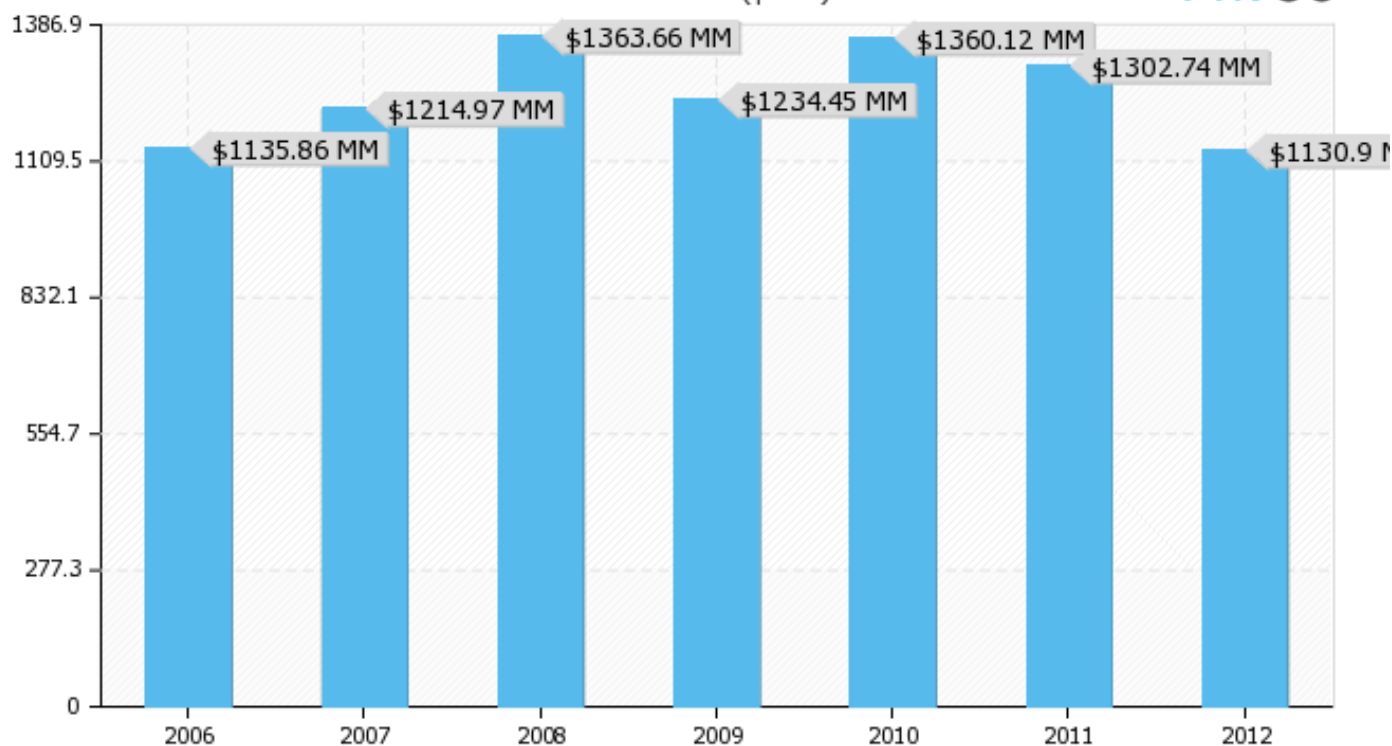
# The Neiman Marcus Group, Inc.

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## The Neiman Marcus Group, Inc.

Current Assets (\$ MM)

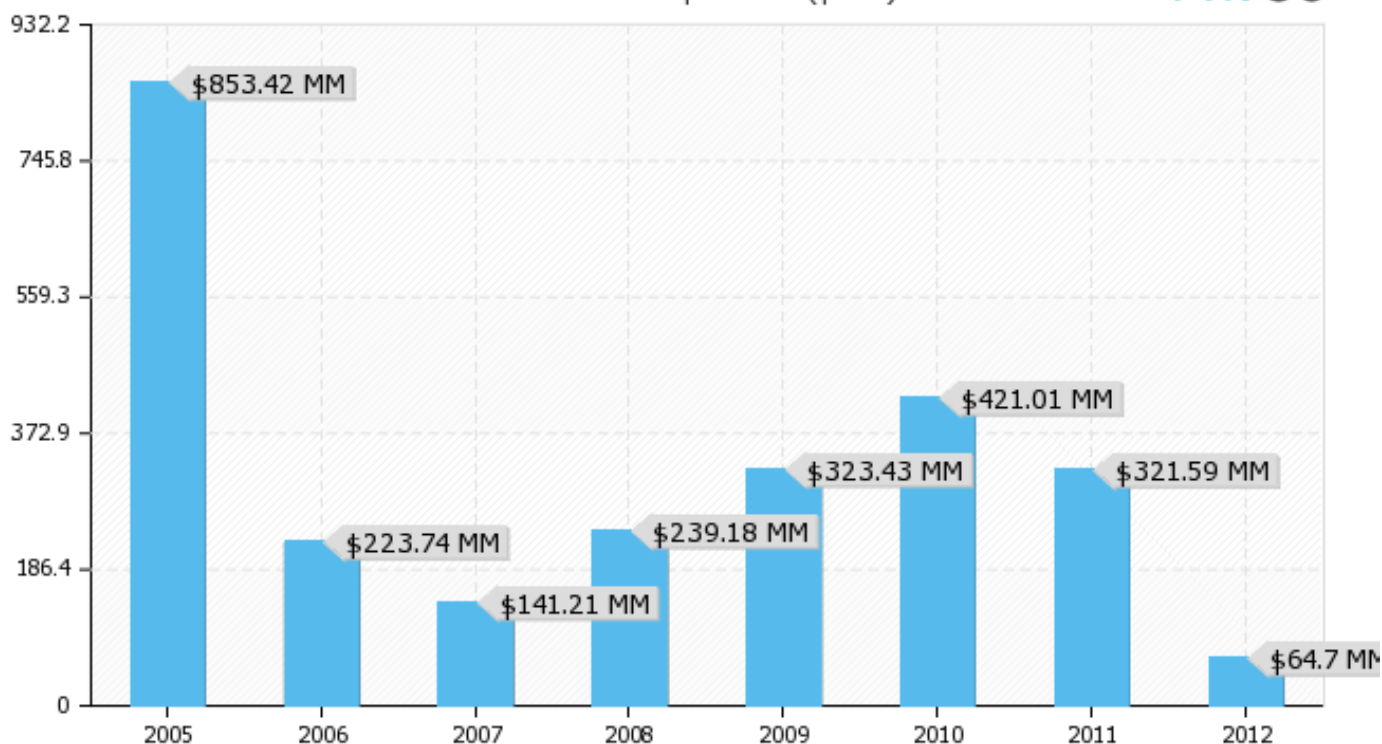
PrivCo



## The Neiman Marcus Group, Inc.

Cash and Cash Equivalents (\$ MM)

PrivCo

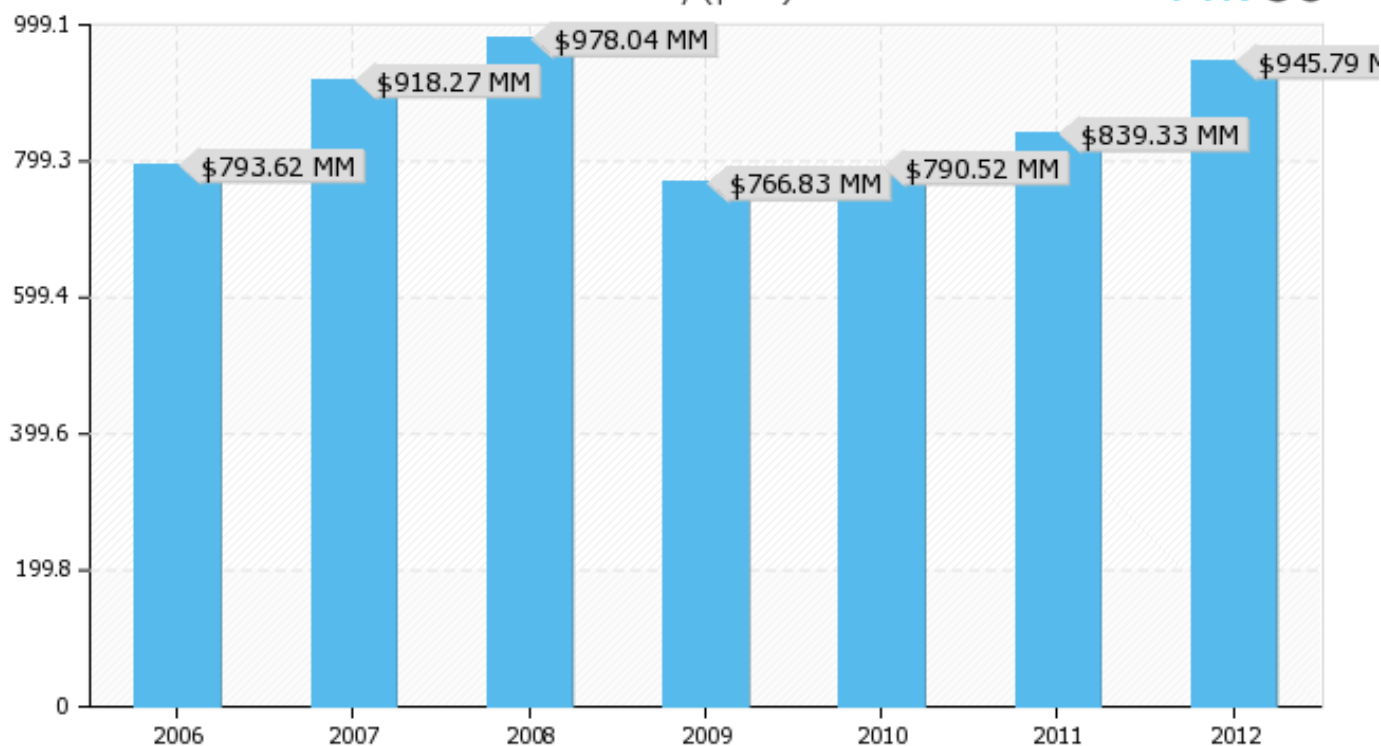


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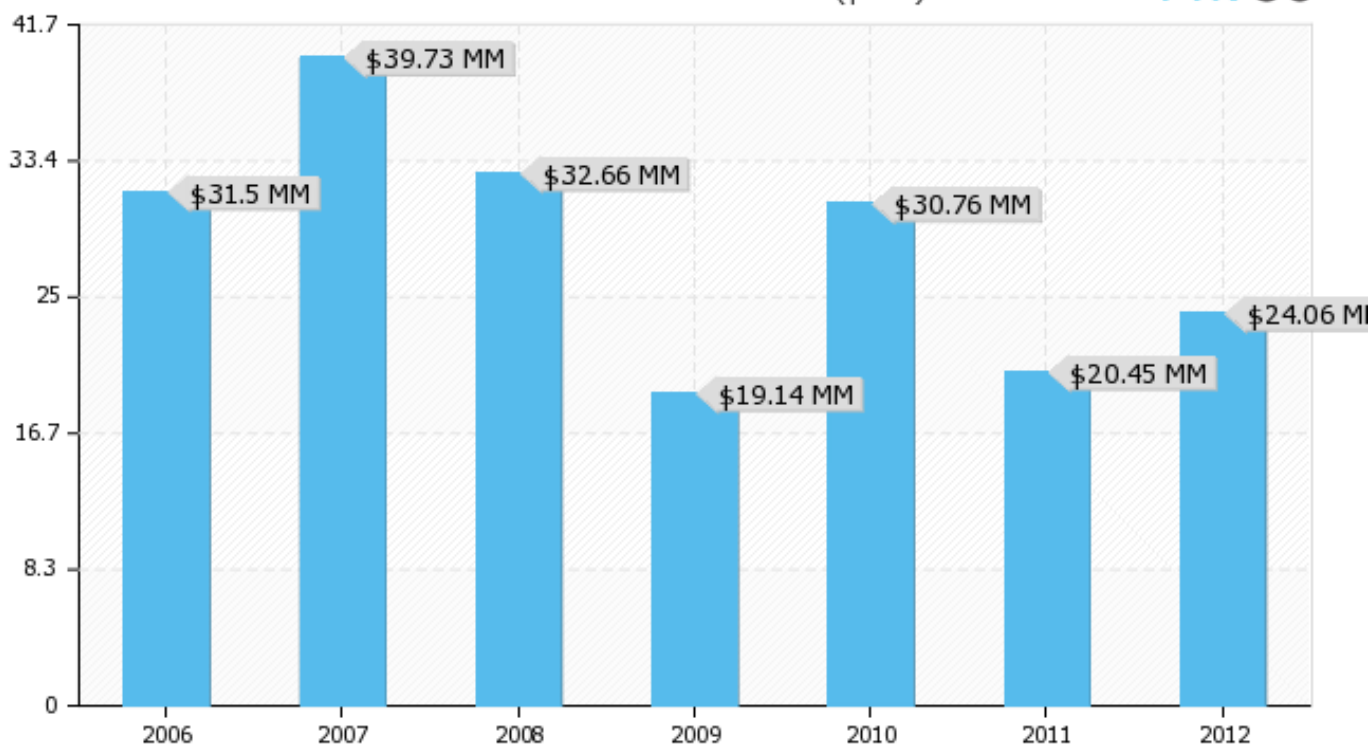
PrivCo

The Neiman Marcus Group, Inc.  
Inventory (\$ MM)



The Neiman Marcus Group, Inc.  
Deferred Income Taxes - Current (\$ MM)

PrivCo

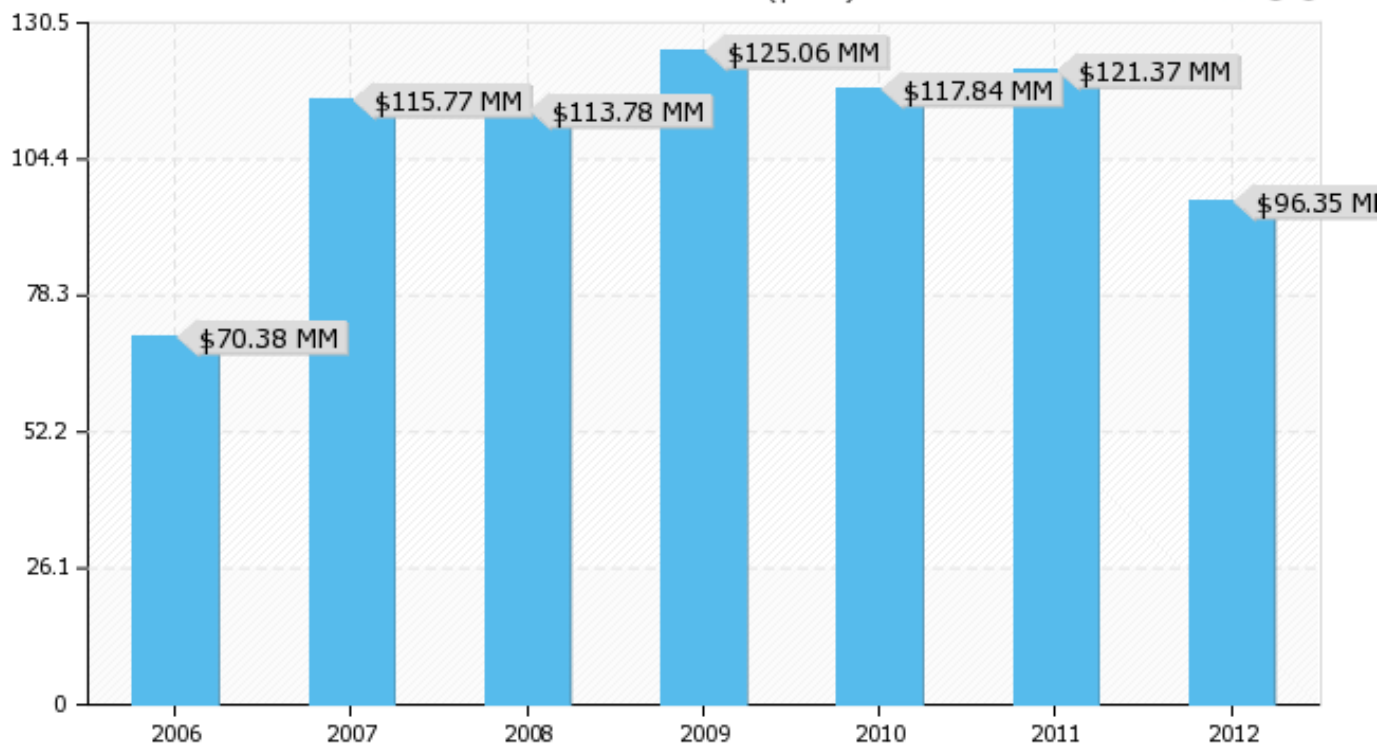


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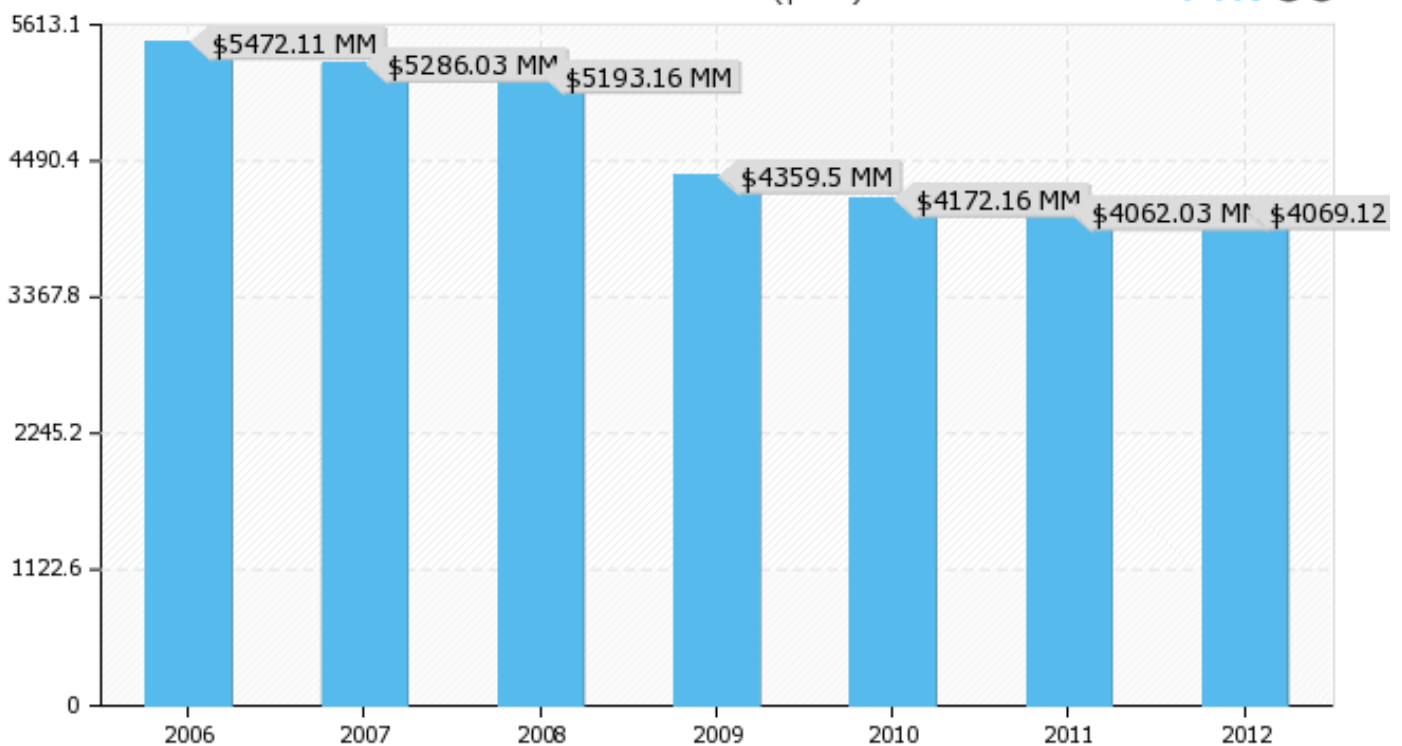
The Neiman Marcus Group, Inc.  
Other Current Assets (\$ MM)

PrivCo



The Neiman Marcus Group, Inc.  
Non-Current Assets (\$ MM)

PrivCo



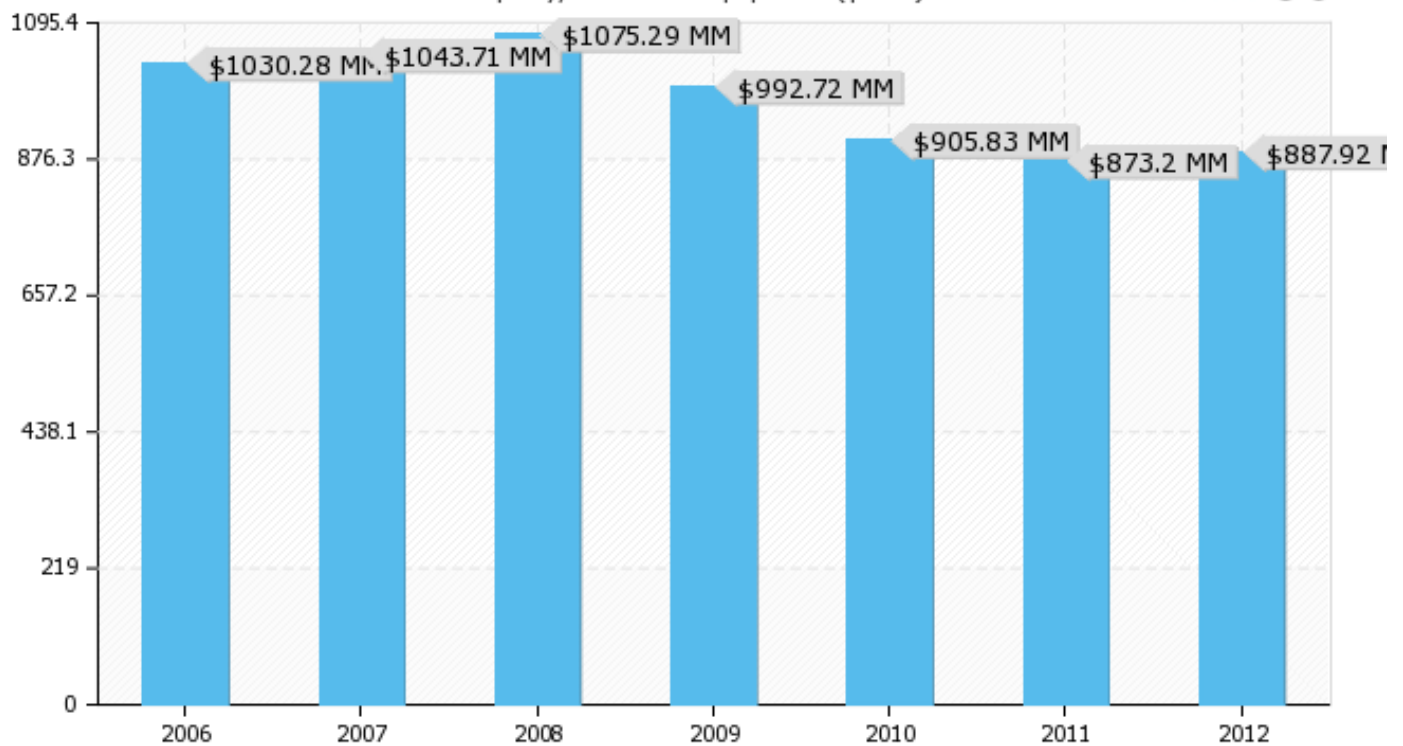


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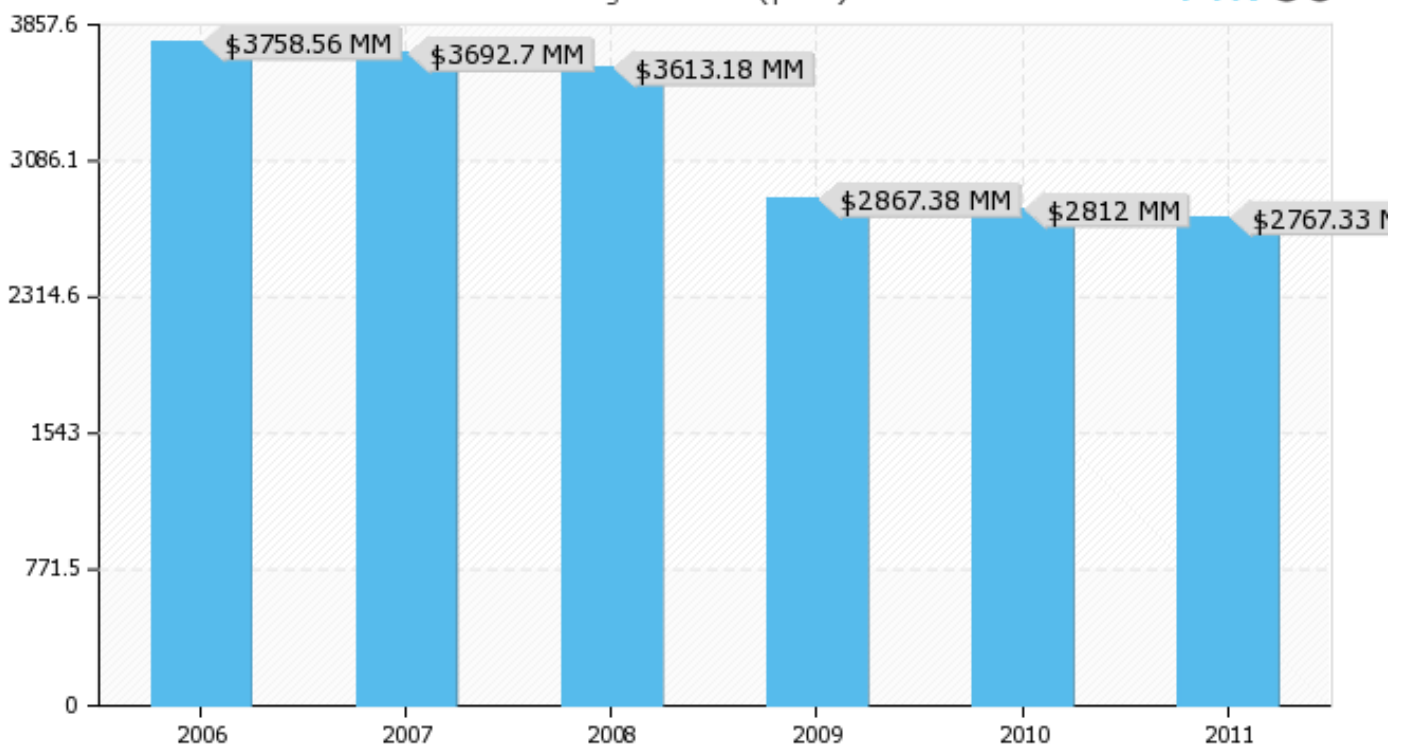
The Neiman Marcus Group, Inc.  
Property, Plant and Equipment (\$ MM)

PrivCo



The Neiman Marcus Group, Inc.  
Intangible Assets (\$ MM)

PrivCo

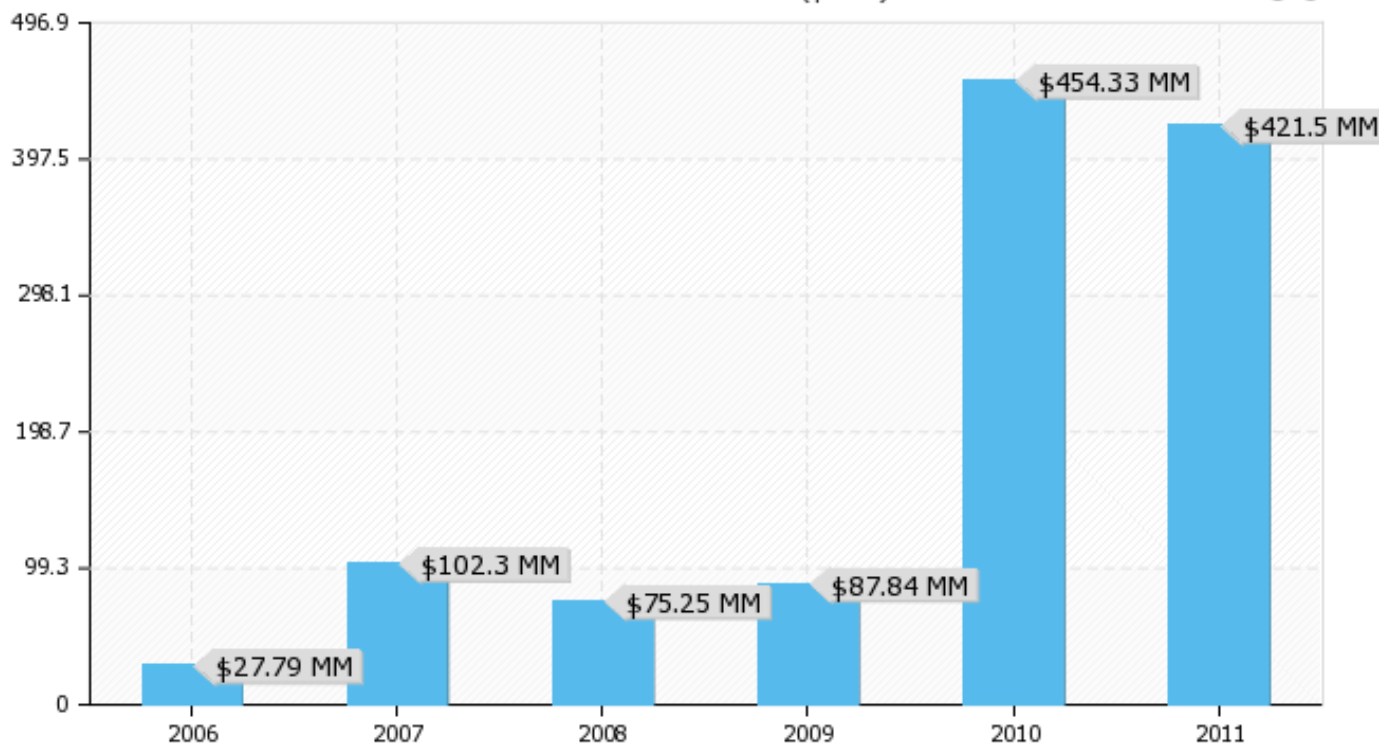


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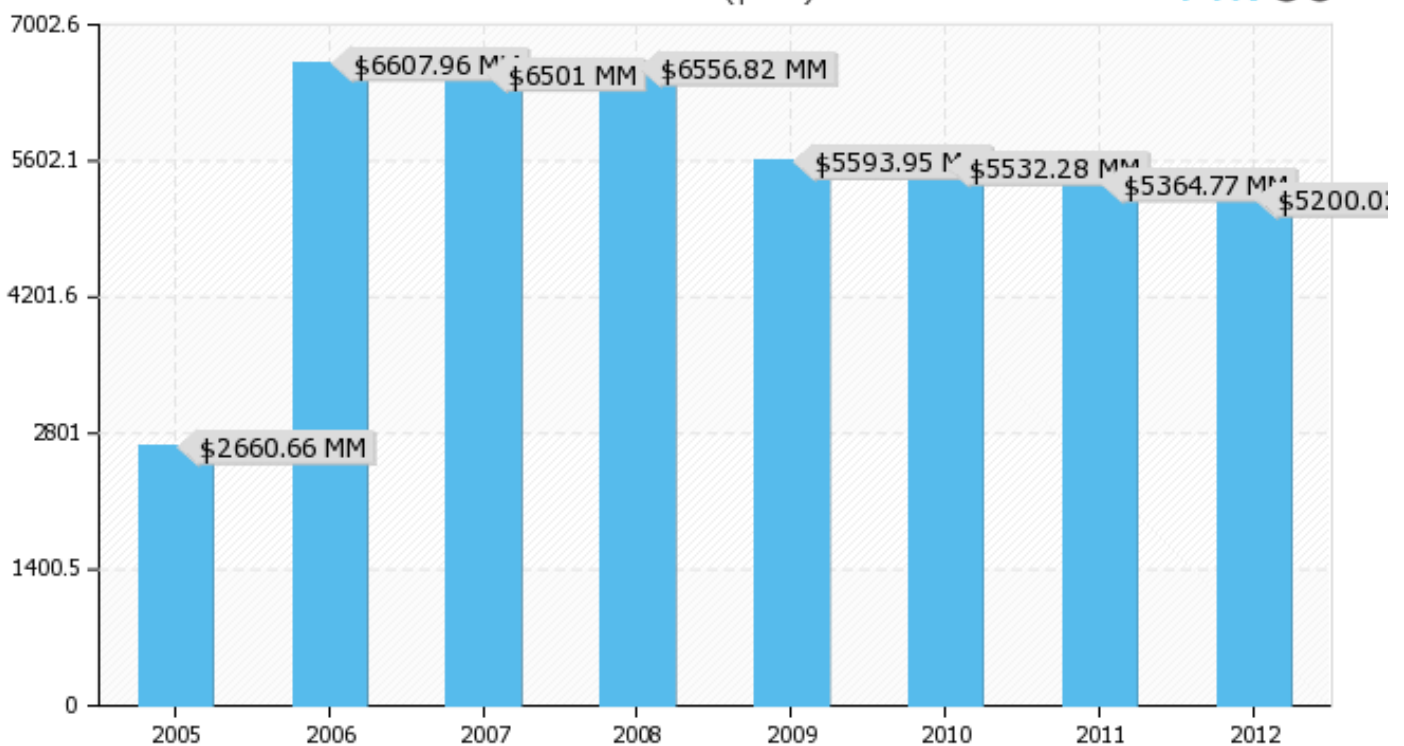
The Neiman Marcus Group, Inc.  
Other Non-Current Assets (\$ MM)

PrivCo



The Neiman Marcus Group, Inc.  
Total Assets (\$ MM)

PrivCo

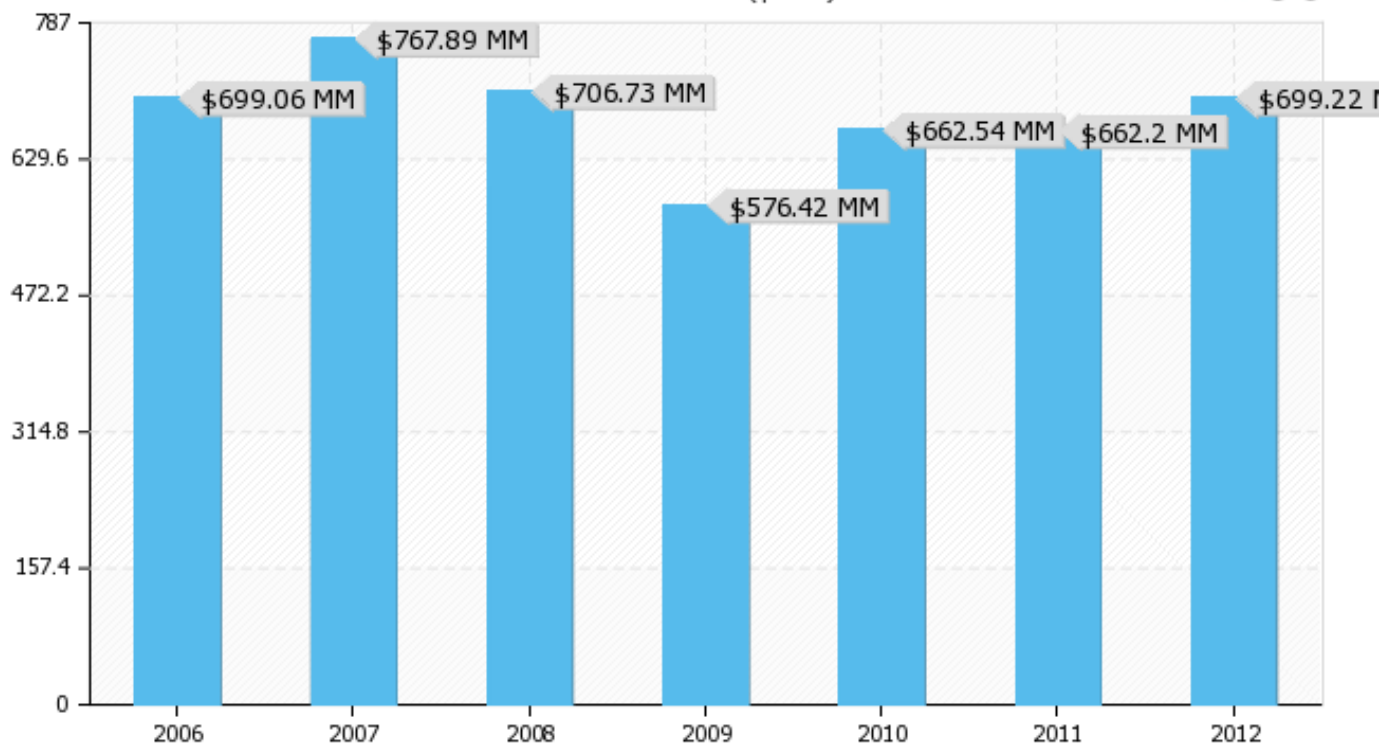


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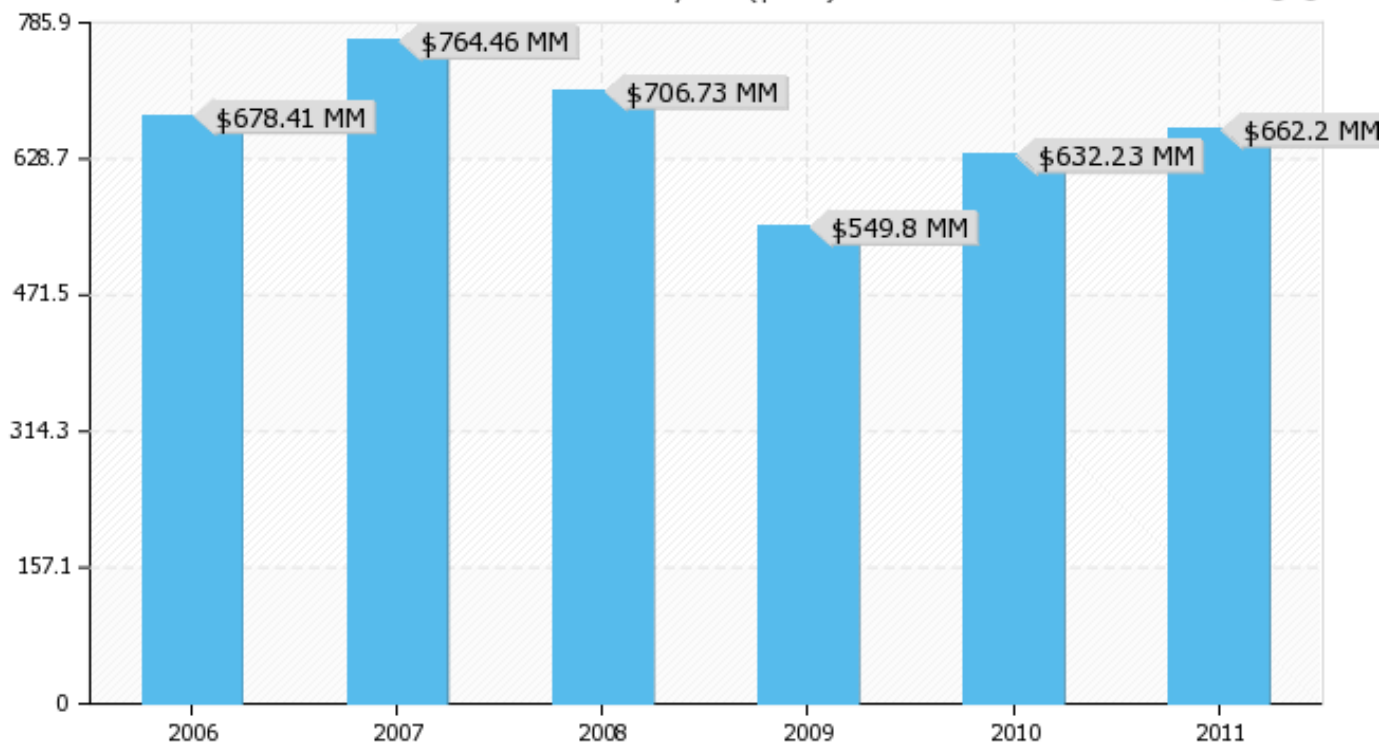
The Neiman Marcus Group, Inc.  
Current Liabilities (\$ MM)

PrivCo



The Neiman Marcus Group, Inc.  
Accounts Payable (\$ MM)

PrivCo

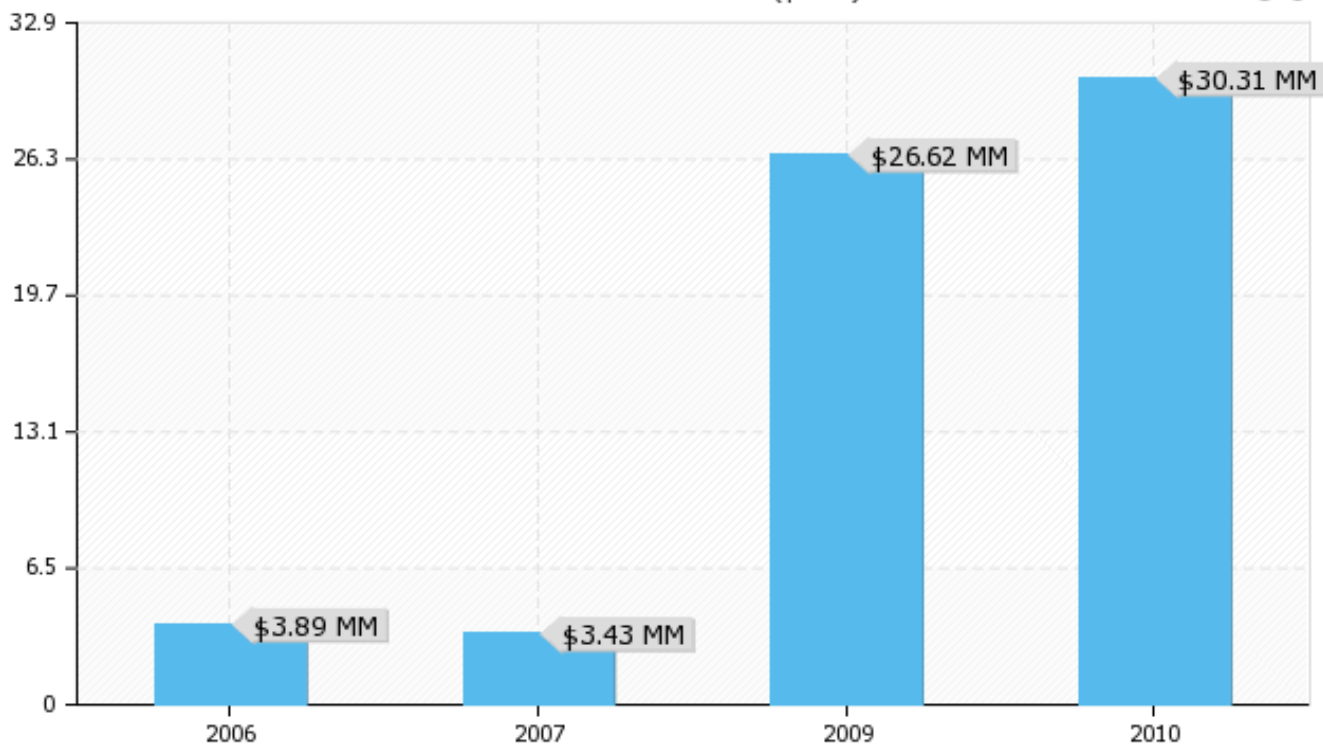


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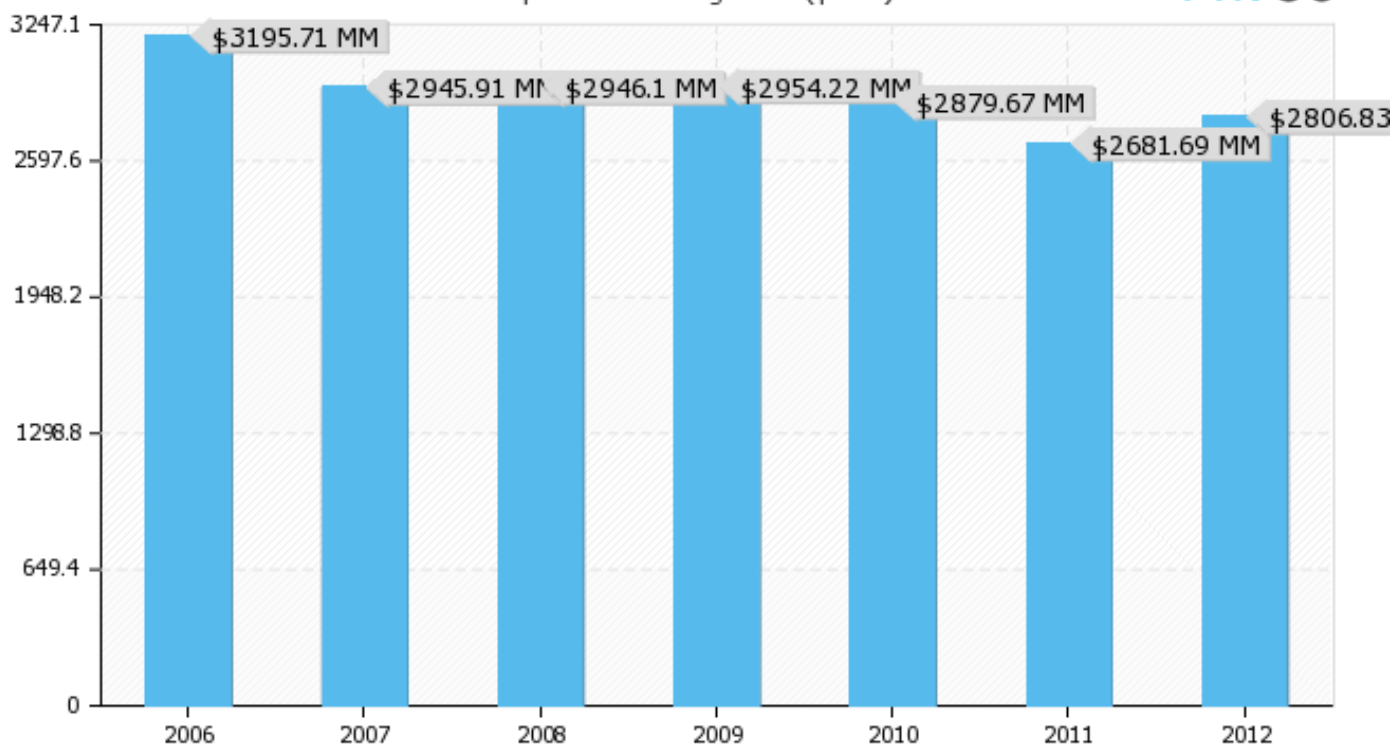
The Neiman Marcus Group, Inc.  
Other Current Liabilities (\$ MM)

PrivCo



The Neiman Marcus Group, Inc.  
Capital Lease Obligations (\$ MM)

PrivCo

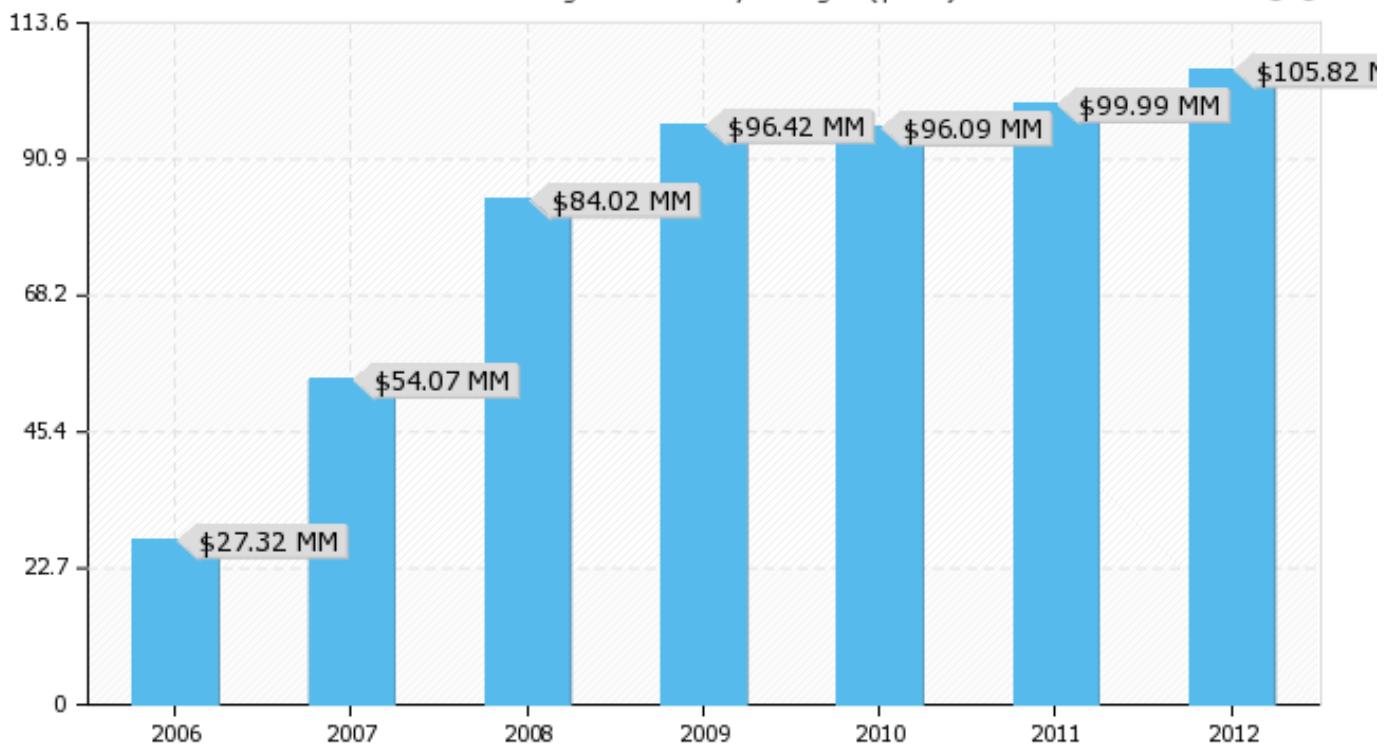


# The Neiman Marcus Group, Inc.

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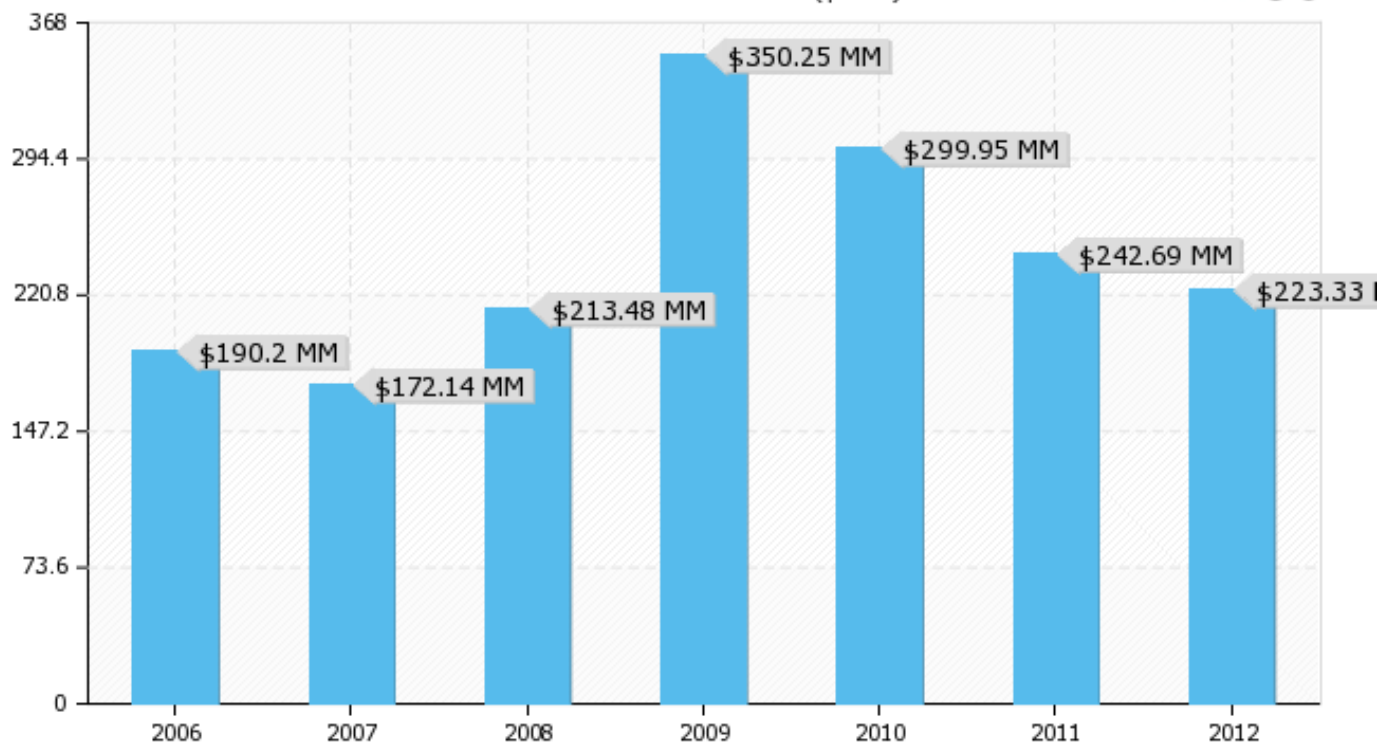
The Neiman Marcus Group, Inc.  
Deferred Long Term Liability Charges (\$ MM)

PrivCo



The Neiman Marcus Group, Inc.  
Other Non-Current Liabilities (\$ MM)

PrivCo

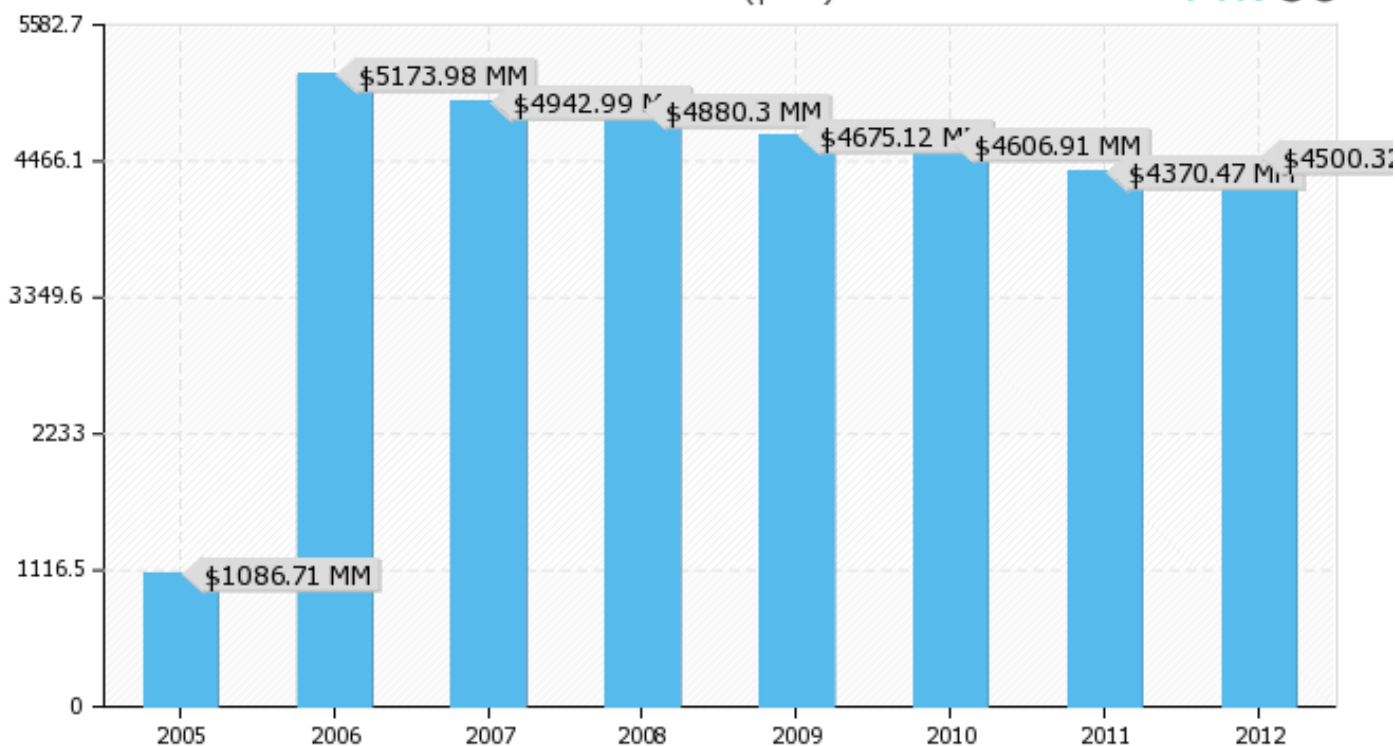


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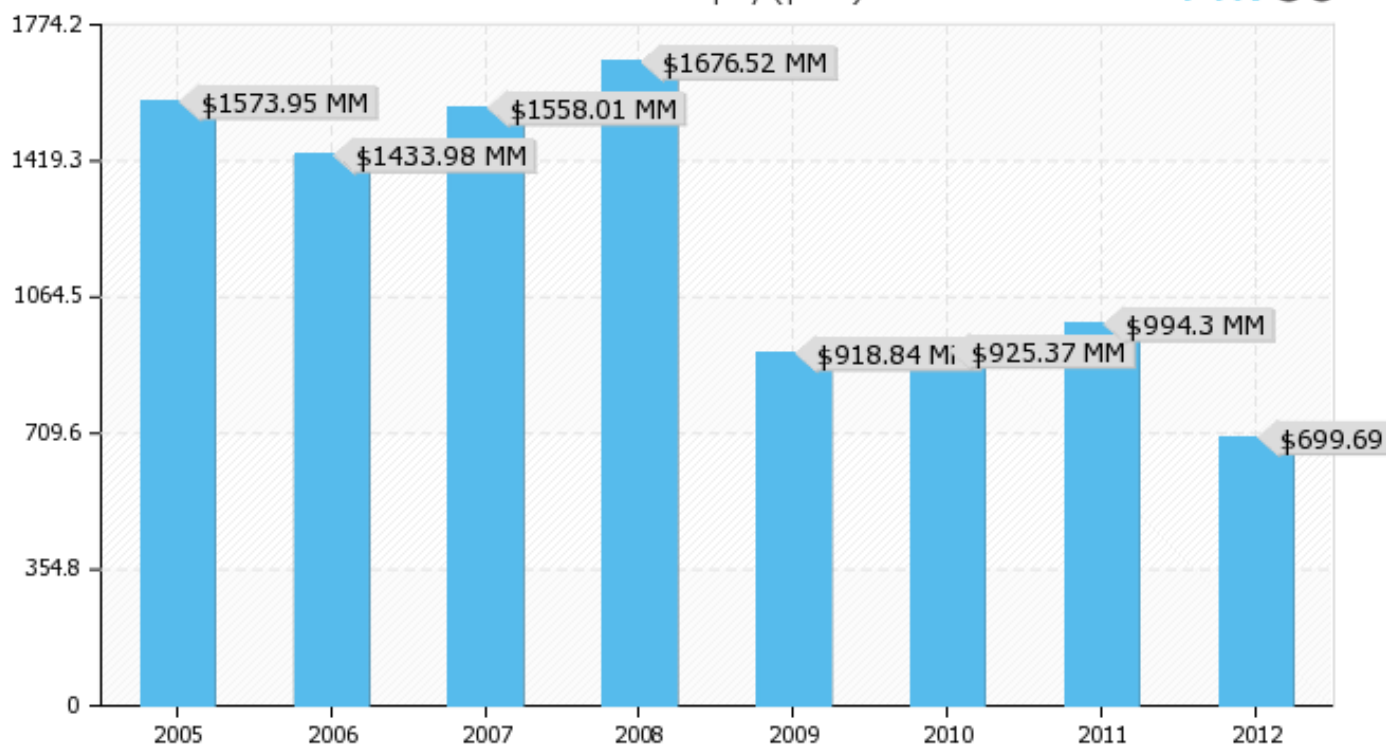
The Neiman Marcus Group, Inc.  
Total Liabilities (\$ MM)

PrivCo



The Neiman Marcus Group, Inc.  
Stockholders Equity (\$ MM)

PrivCo

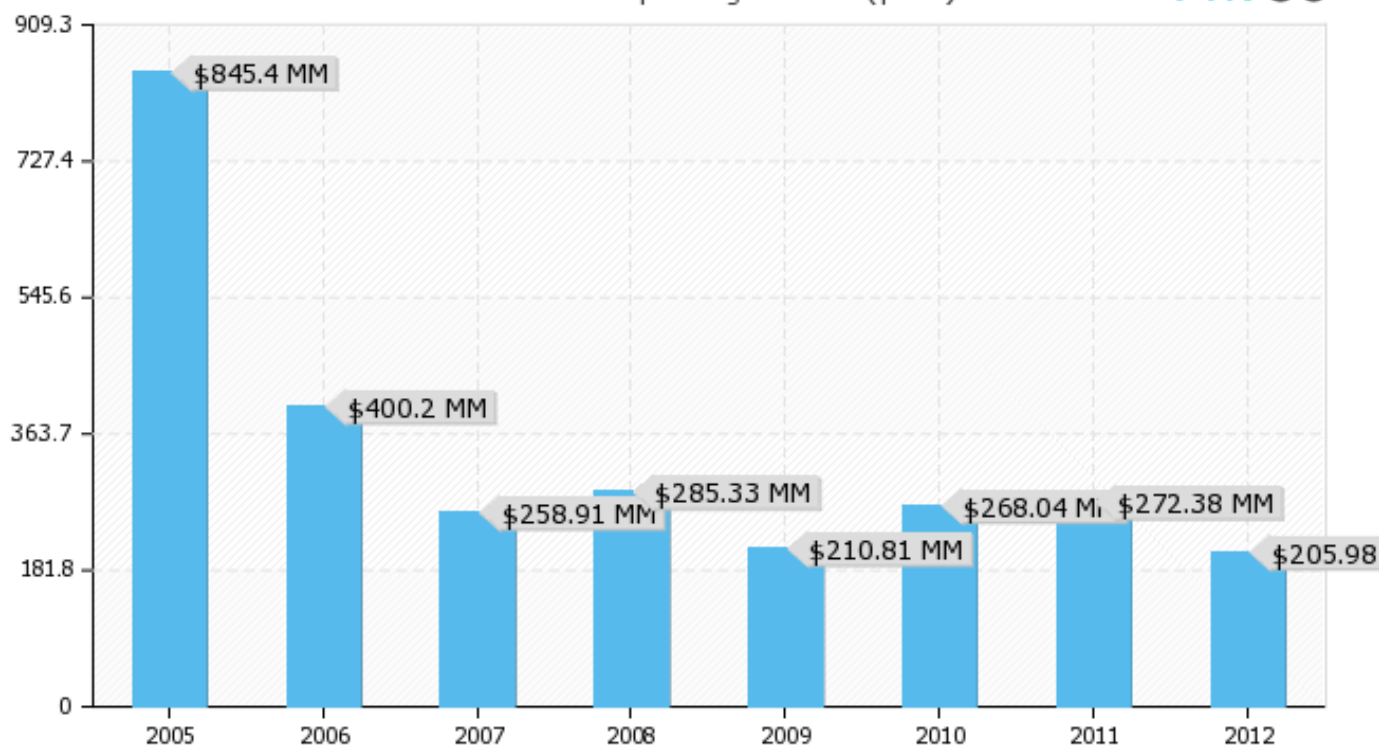


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The Neiman Marcus Group, Inc.  
Cash Flow From Operating Activities (\$ MM)

PrivCo



The Neiman Marcus Group, Inc.  
Increase in Working Capital (Decrease) (\$ MM)

PrivCo

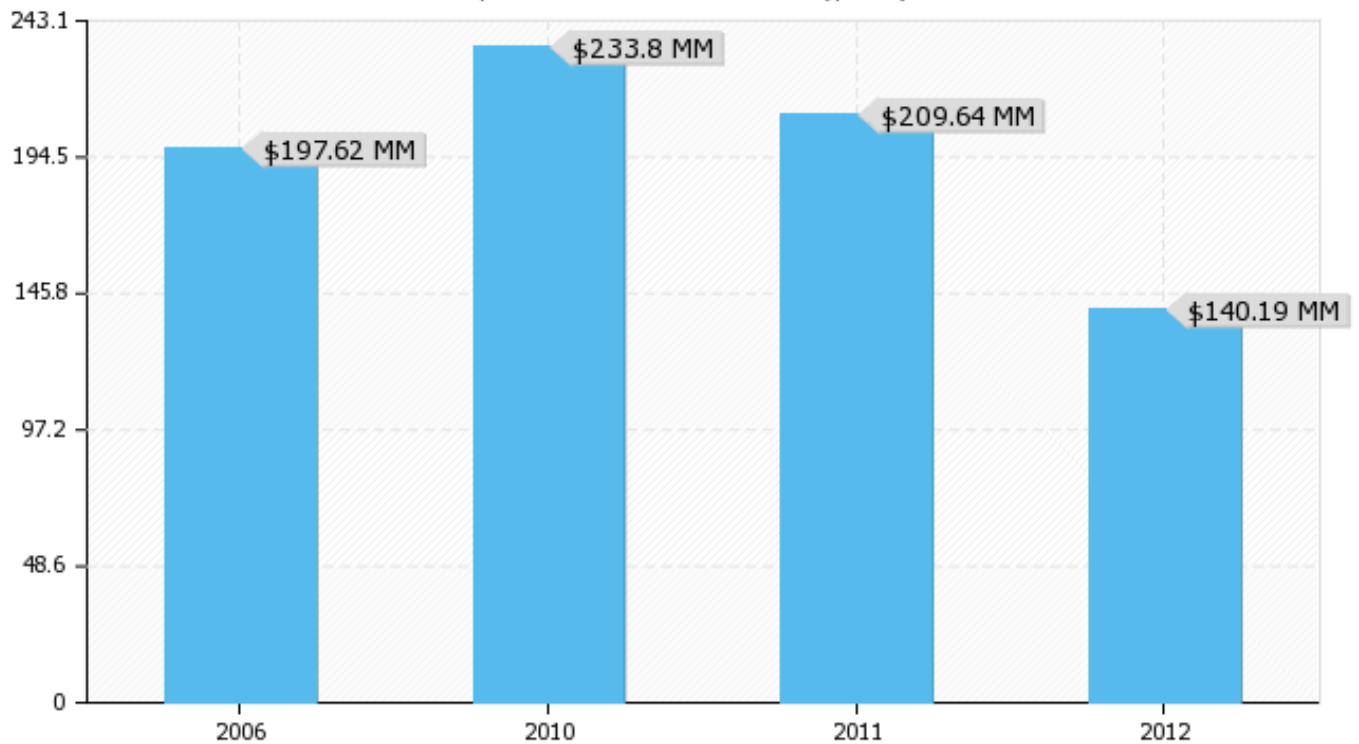


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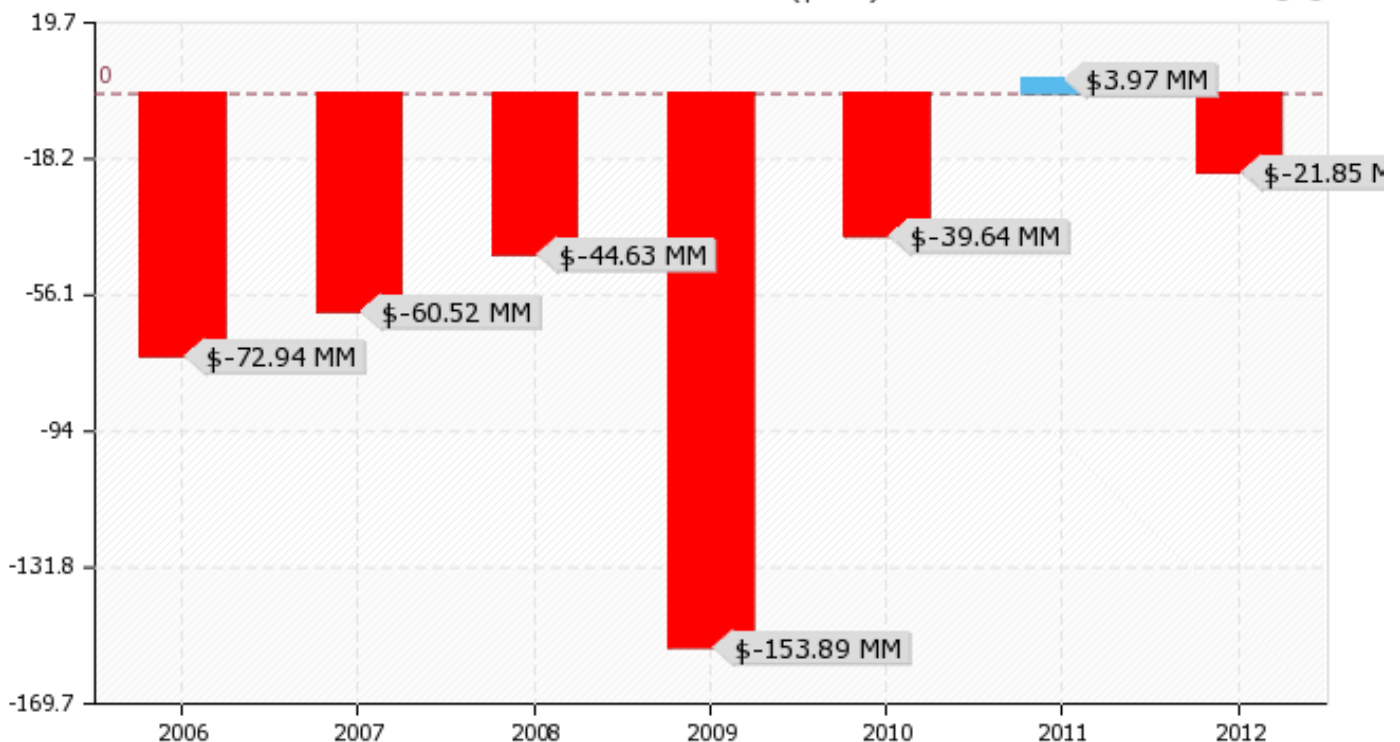
The Neiman Marcus Group, Inc.  
Depreciation and Amortization (\$ MM)

PrivCo



The Neiman Marcus Group, Inc.  
Deferred Income Taxes (\$ MM)

PrivCo





# The Neiman Marcus Group, Inc.

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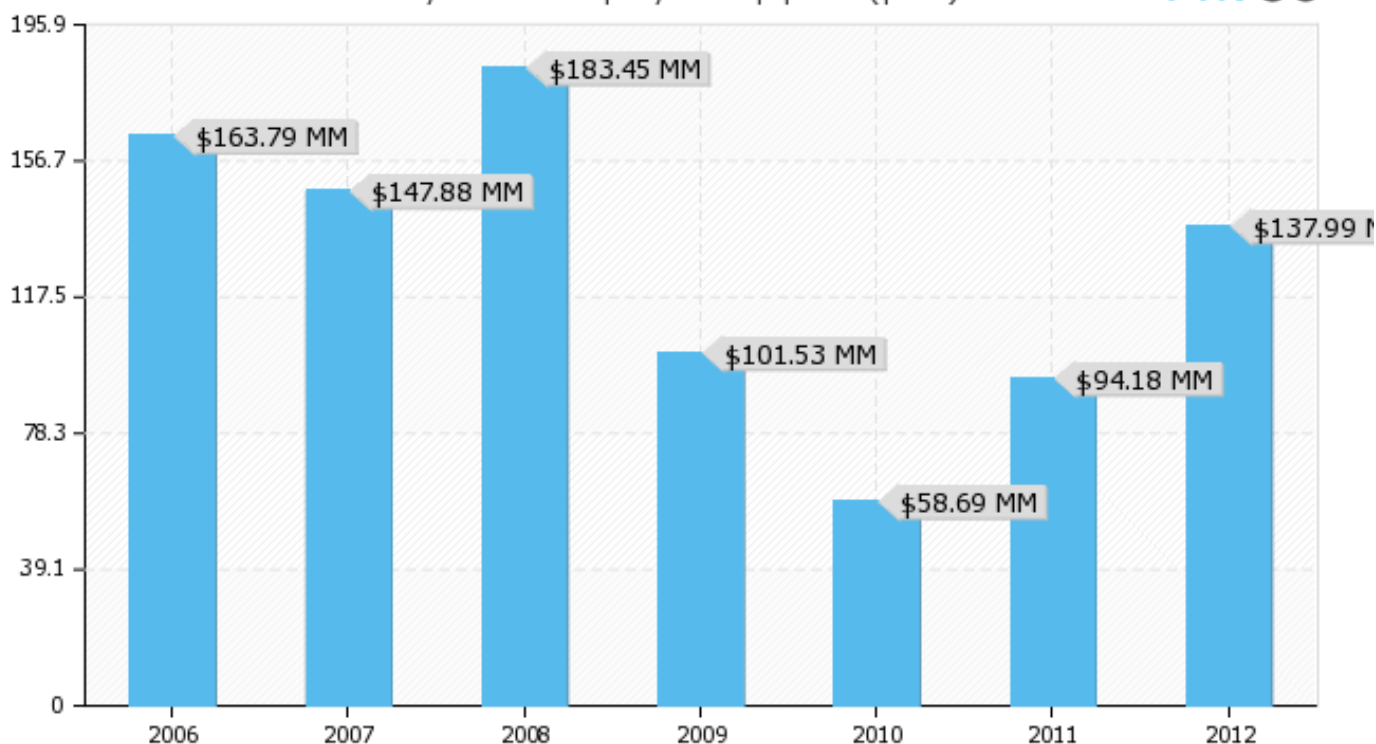
The Neiman Marcus Group, Inc.  
Cash Flow From Investing Activities (\$ MM)

PrivCo



The Neiman Marcus Group, Inc.  
Payments for Property and Equipment (\$ MM)

PrivCo

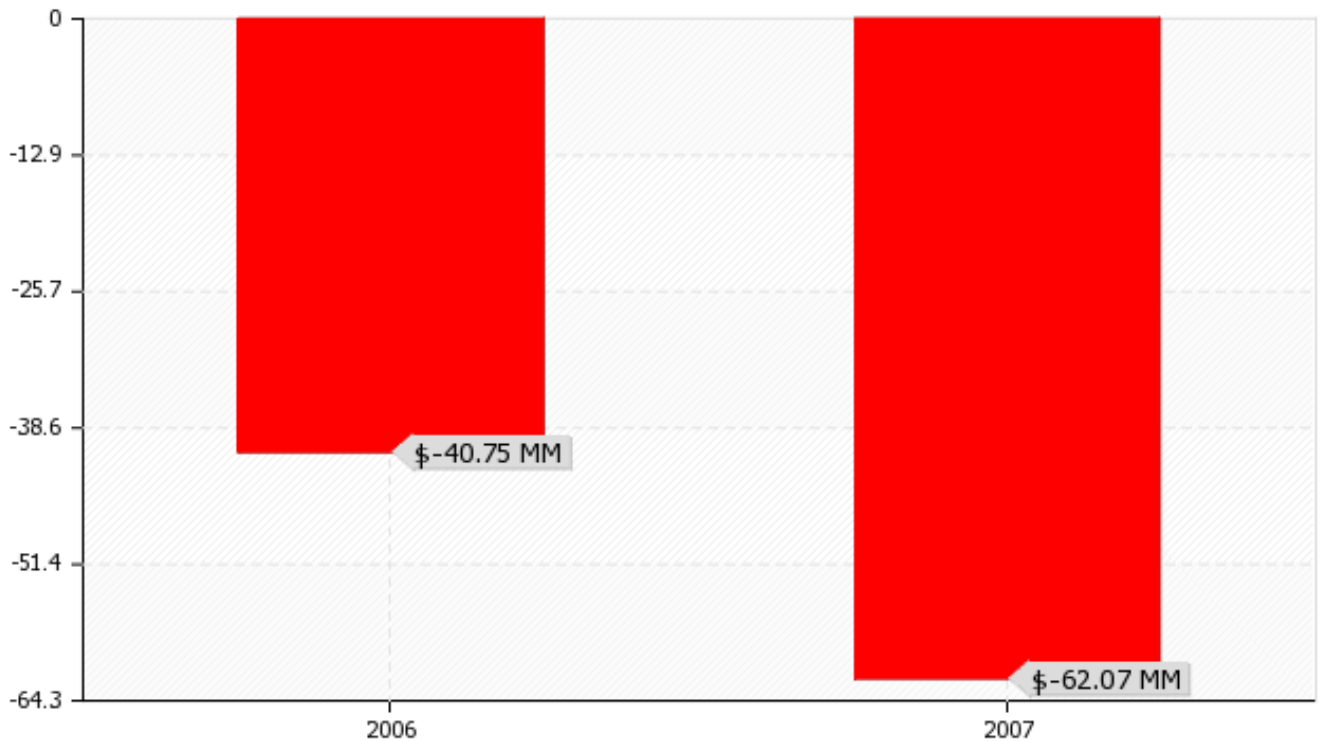


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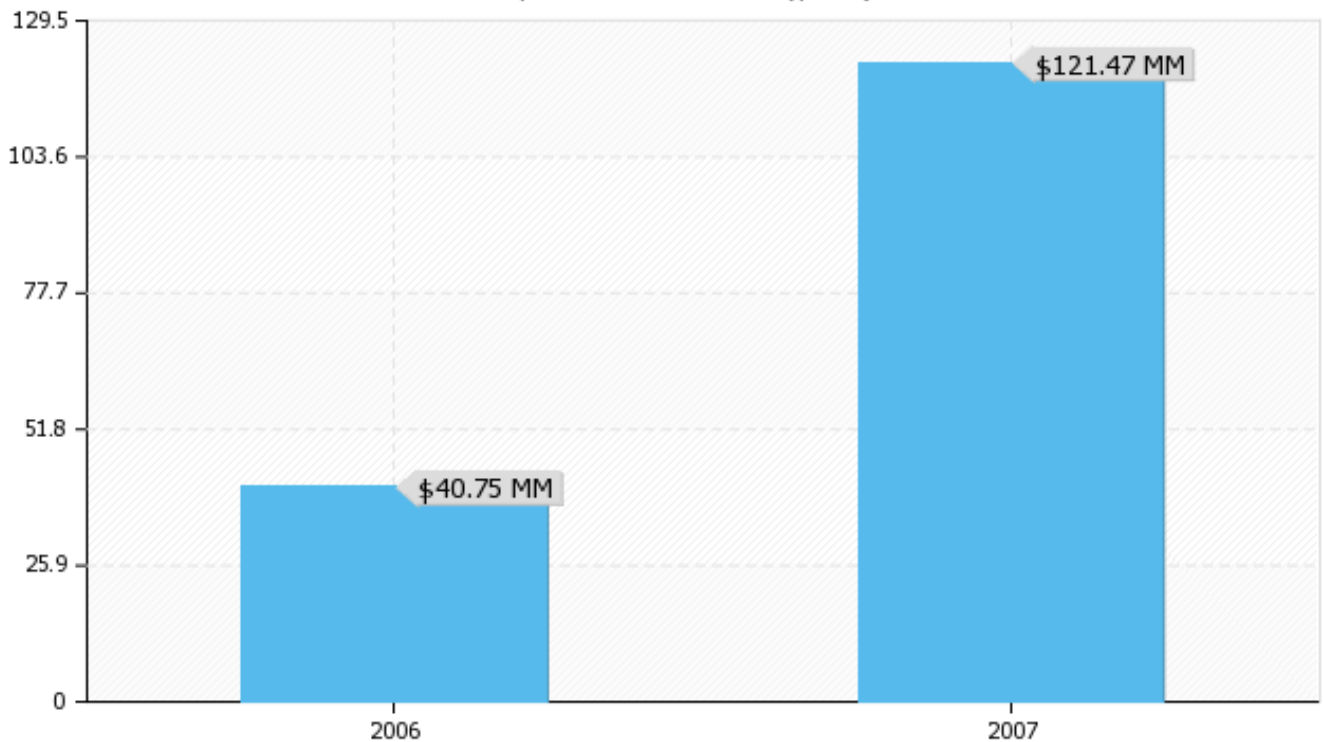
PrivCo

The Neiman Marcus Group, Inc.  
Purchases and Payments for Investments (\$ MM)



The Neiman Marcus Group, Inc.  
Disposal of Investments (\$ MM)

PrivCo

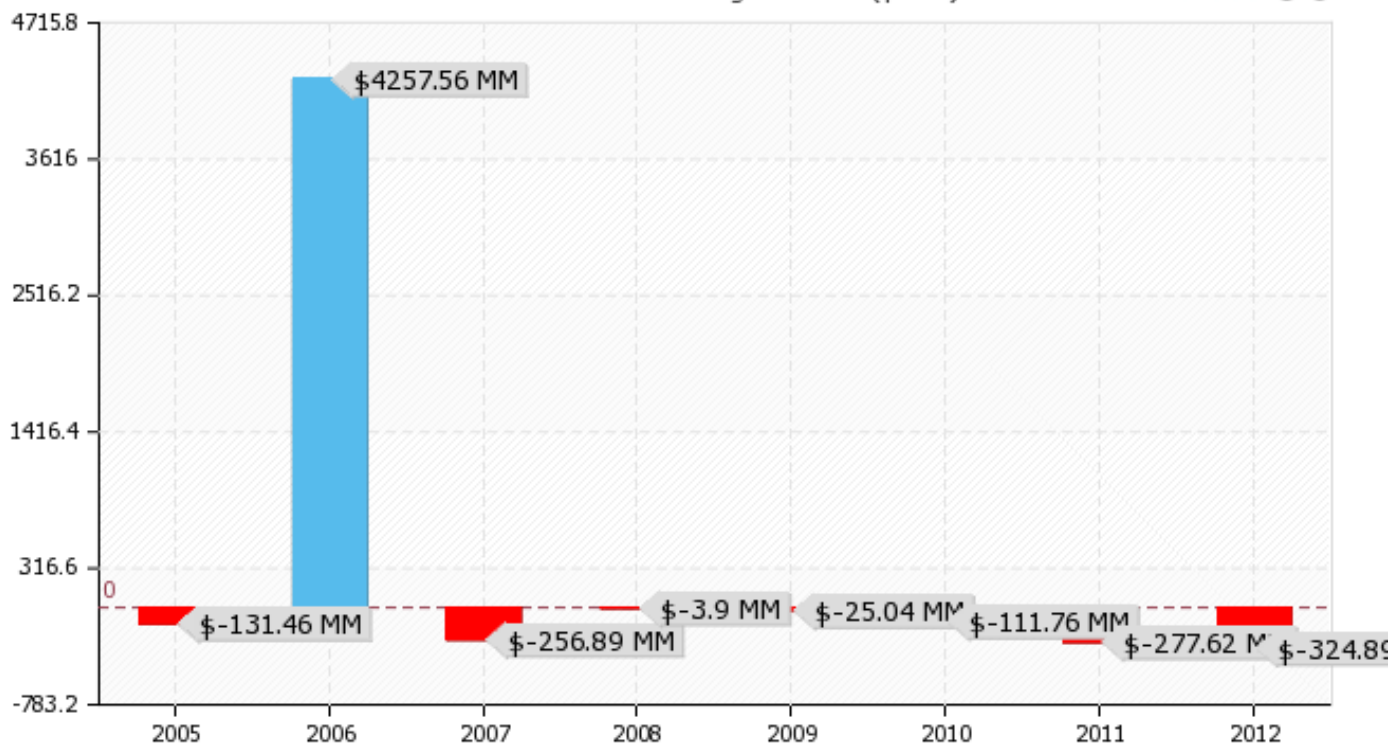


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The Neiman Marcus Group, Inc.  
Cash Flow From Financing Activities (\$ MM)

PrivCo



The Neiman Marcus Group, Inc.  
Increase in Debt (Decrease) (\$ MM)

PrivCo

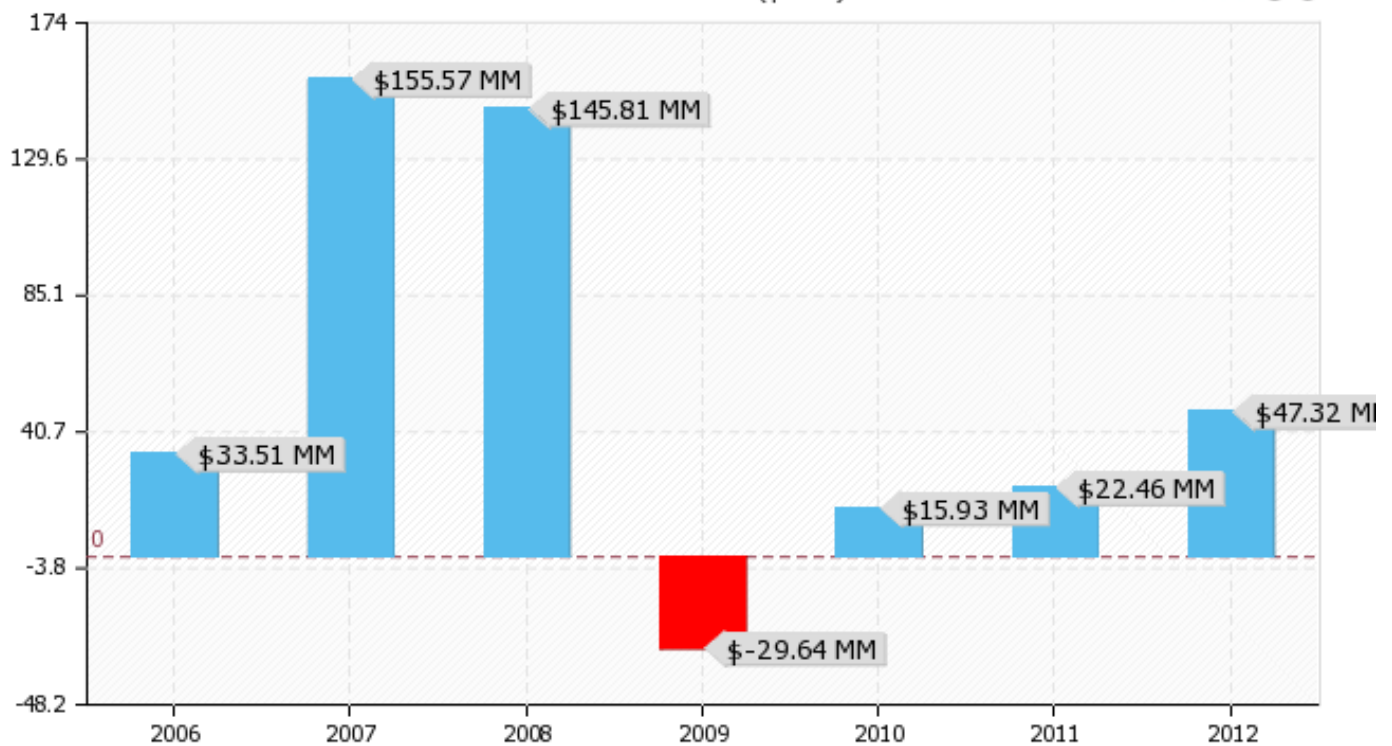


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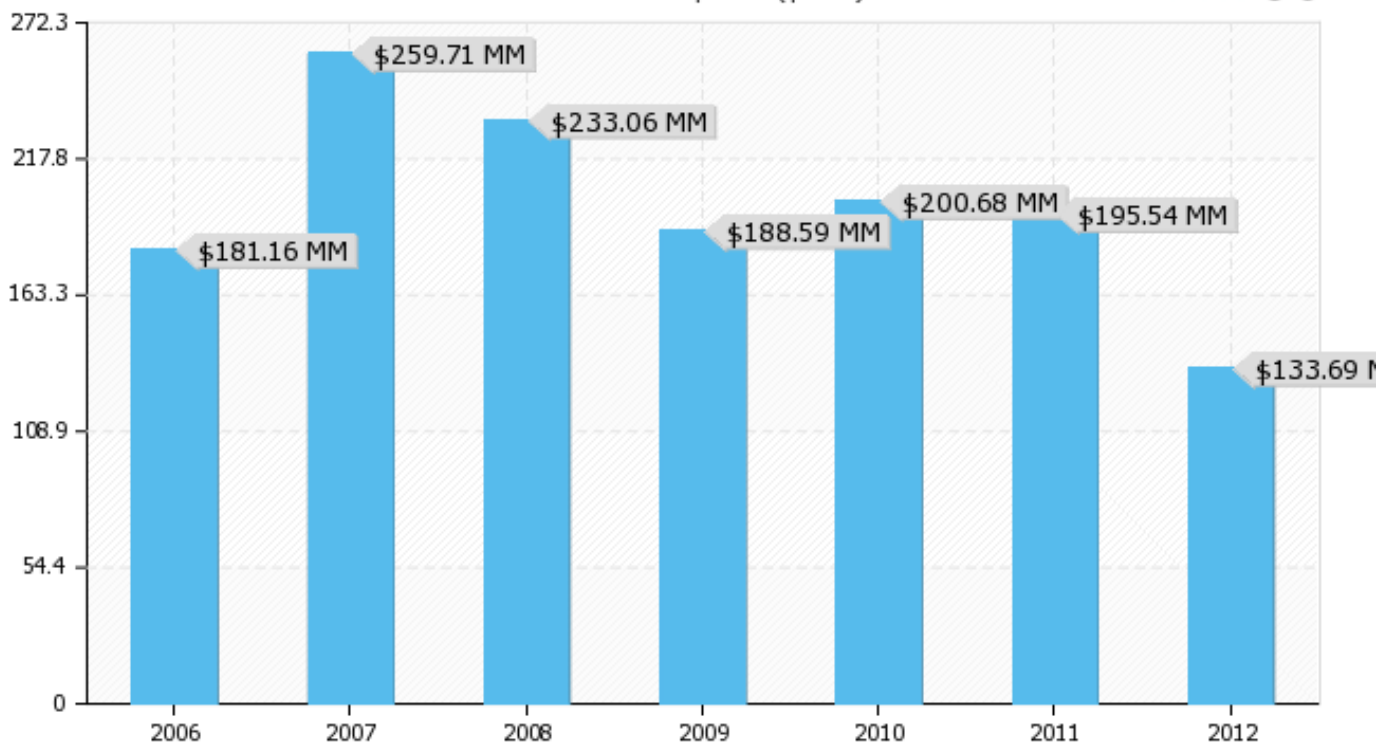
The Neiman Marcus Group, Inc.  
Income Taxes Paid (\$ MM)

PrivCo



The Neiman Marcus Group, Inc.  
Cash Interest Expense (\$ MM)

PrivCo



# The Neiman Marcus Group, Inc.

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The Neiman Marcus Group, Inc.  
Total Cash Flow (Net Change in Cash) (\$ MM)

PrivCo



The Neiman Marcus Group, Inc.  
Cash & Cash Equivalents End of Year (\$ MM)

PrivCo

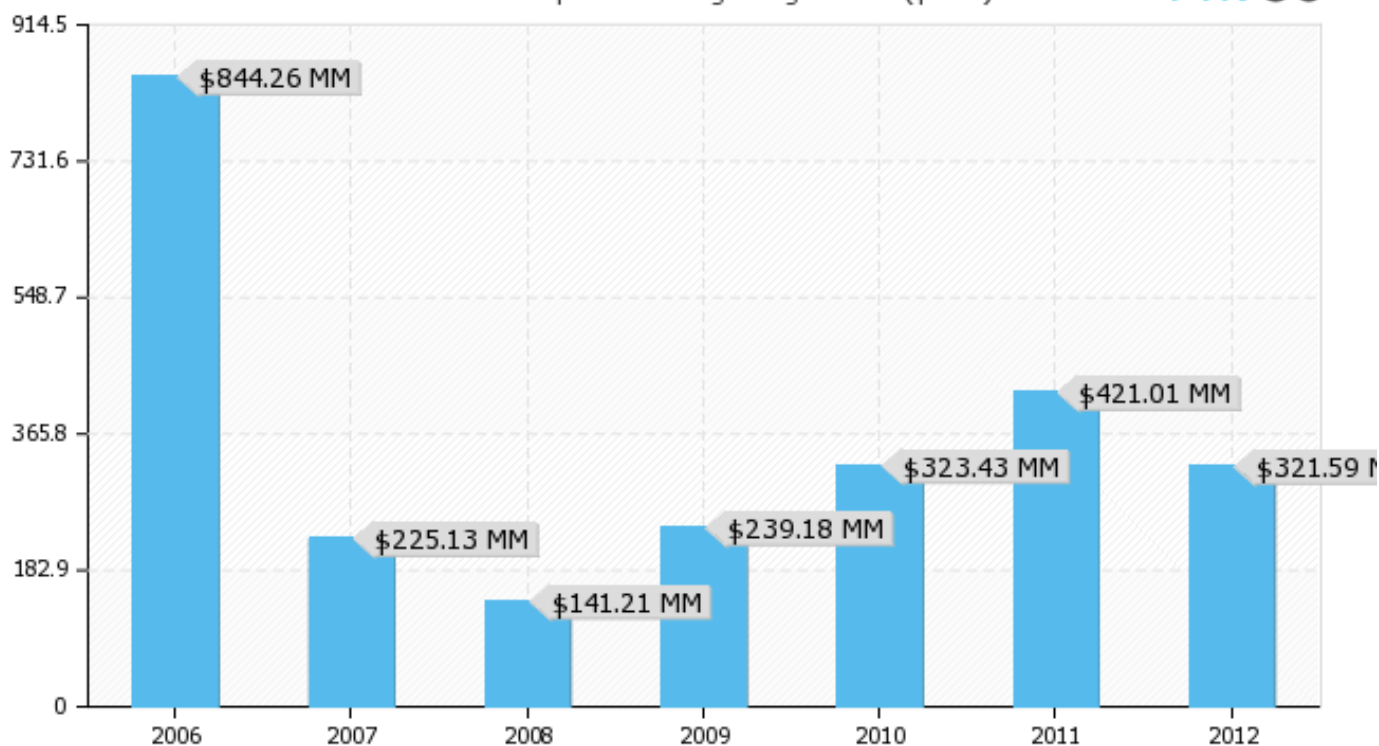


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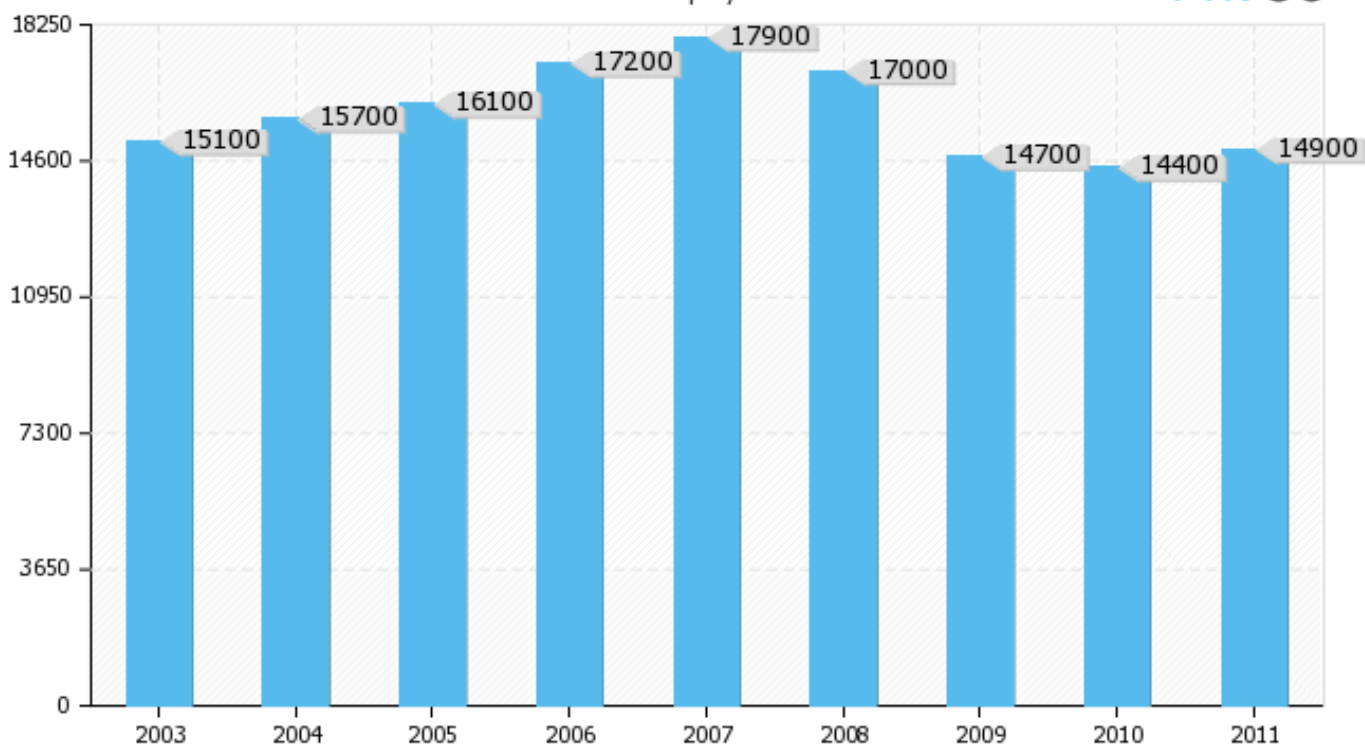
The Neiman Marcus Group, Inc.  
Cash & Cash Equivalents Beginning of Year (\$ MM)

PrivCo



The Neiman Marcus Group, Inc.  
Total Employees

PrivCo

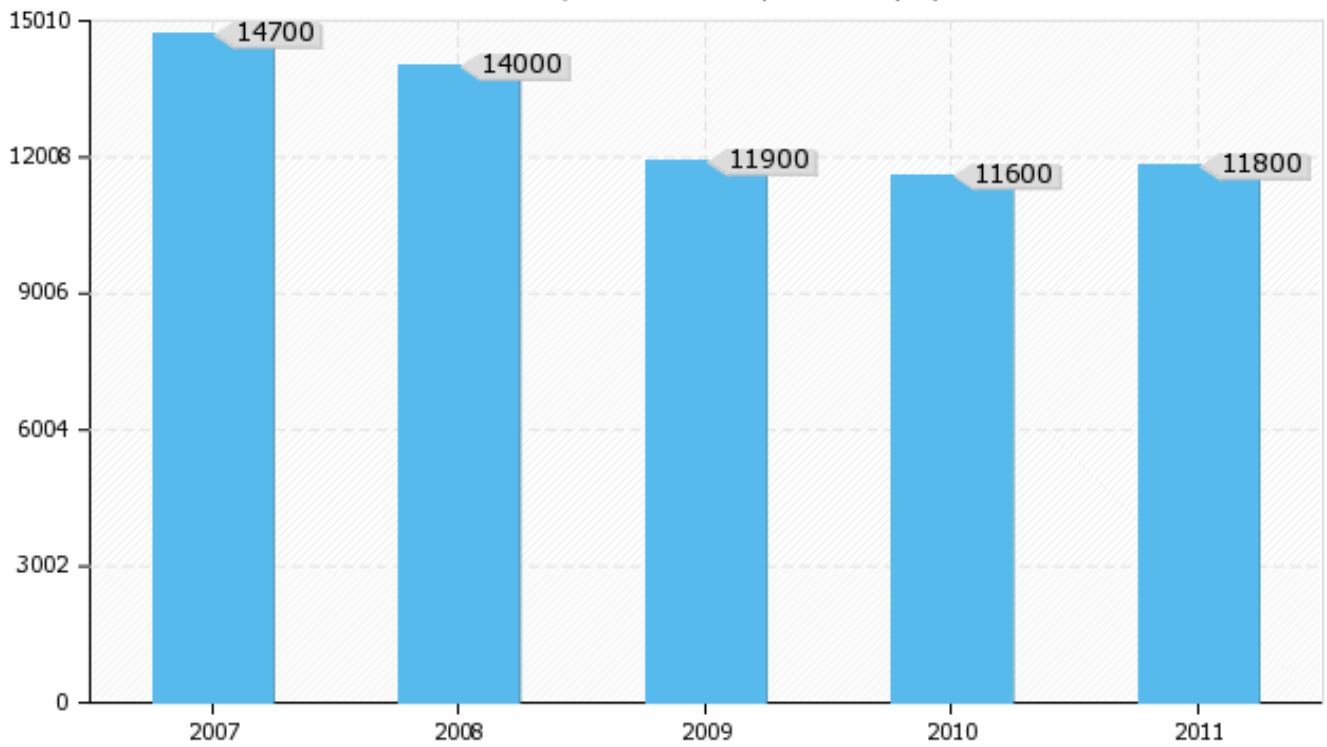


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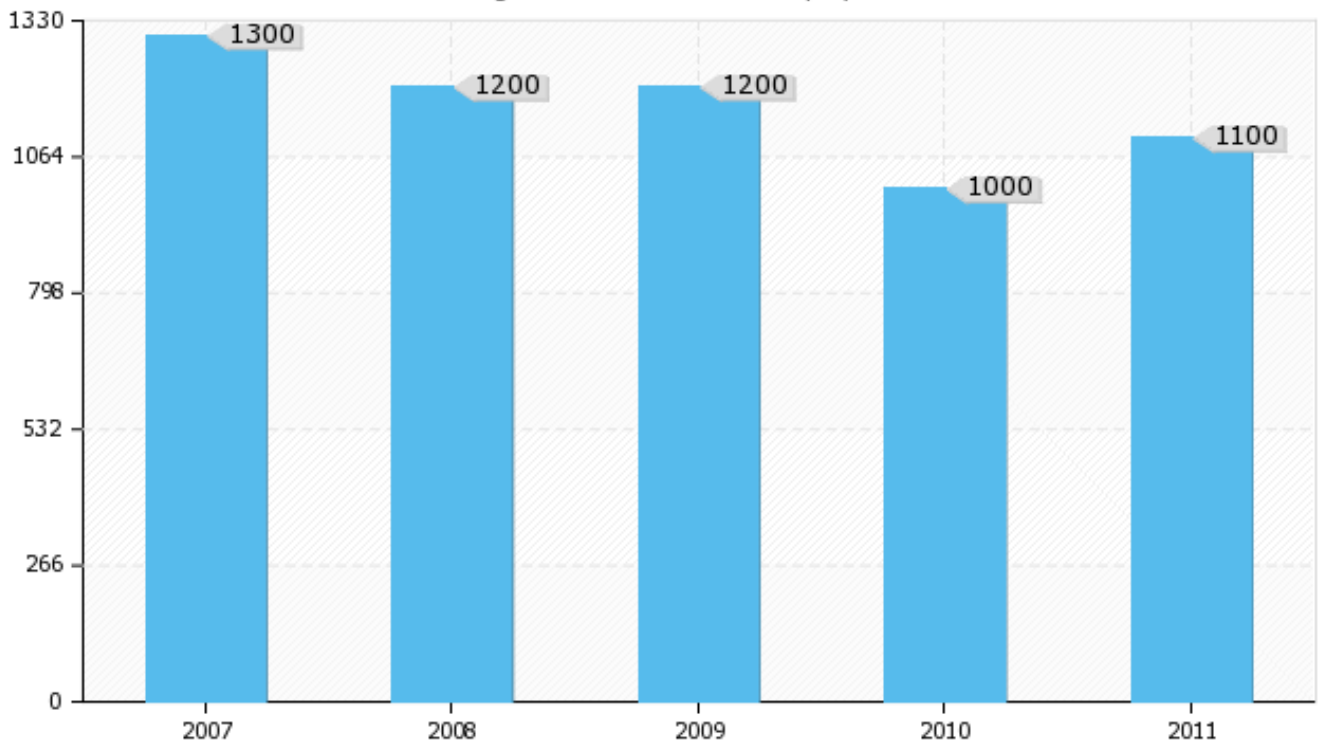
The Neiman Marcus Group, Inc.  
Neiman Marcus, Last Call & Cusp Store Employees

PrivCo



The Neiman Marcus Group, Inc.  
Bergdorf Goodman Store Employees

PrivCo

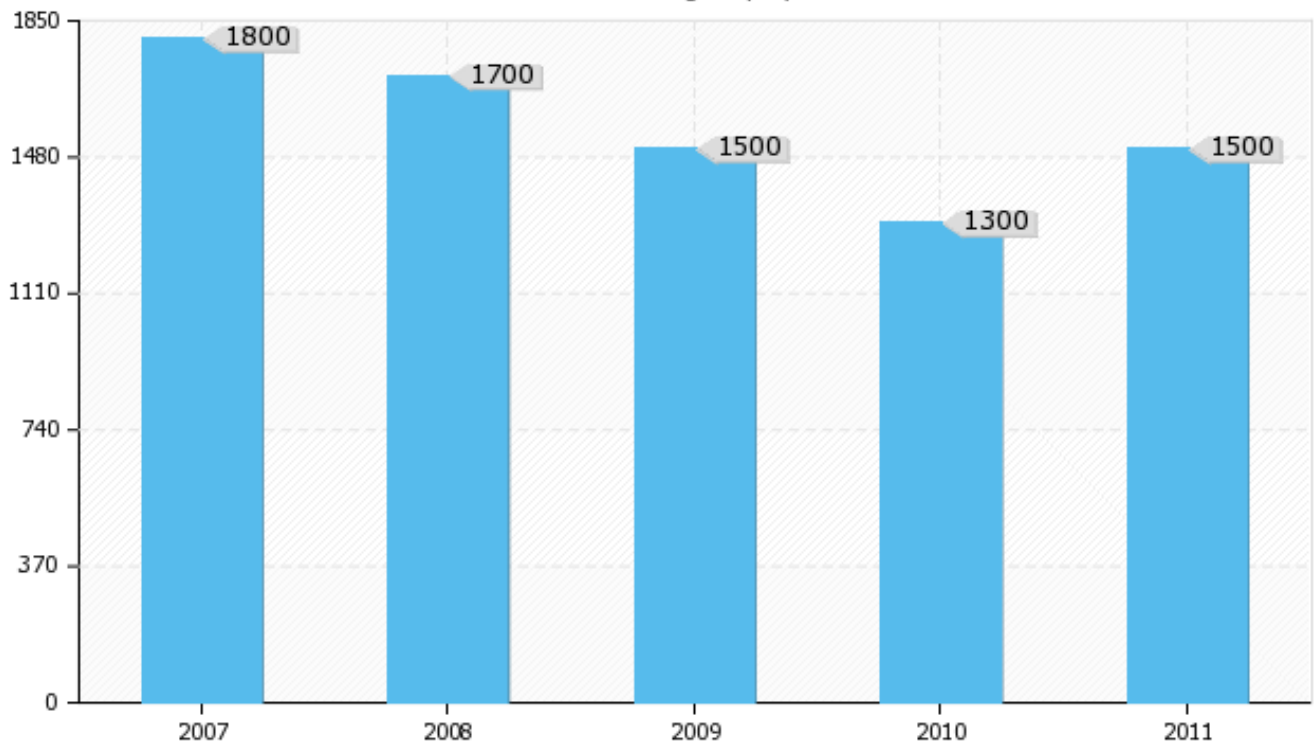


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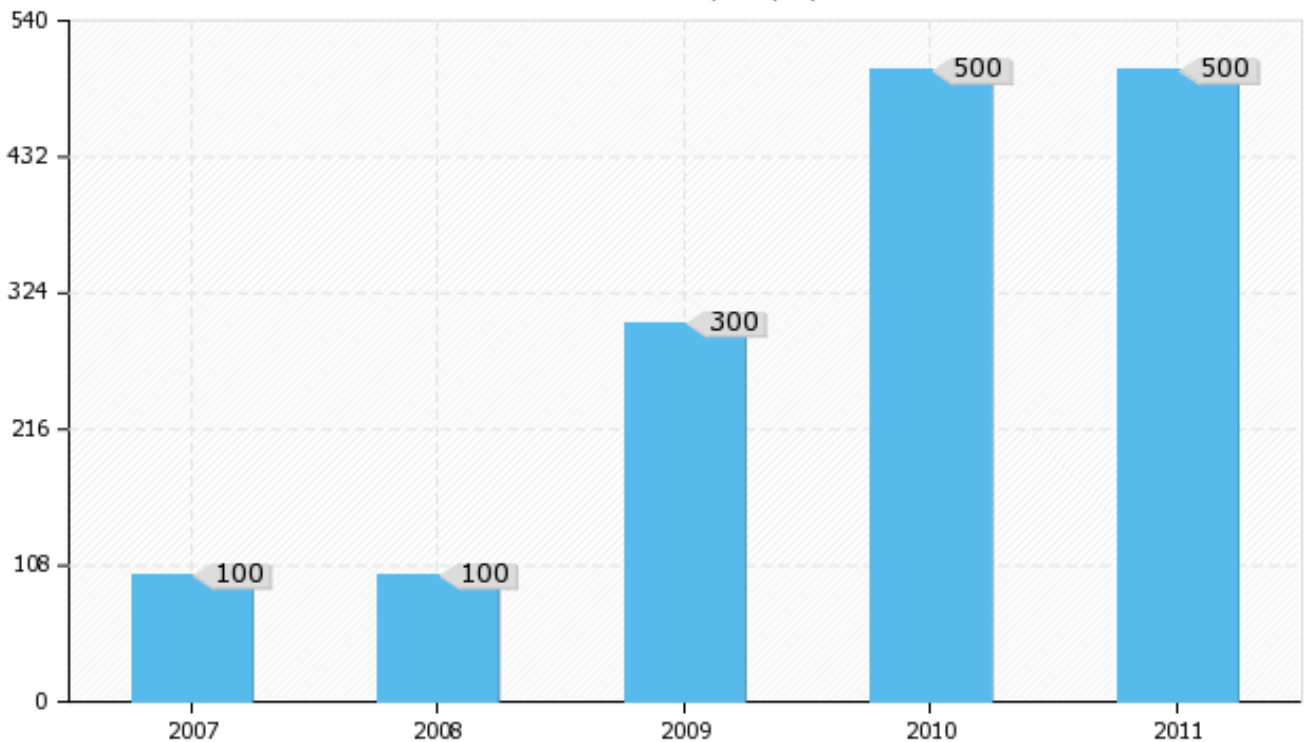
The Neiman Marcus Group, Inc.  
Direct Marketing Employees

PrivCo



The Neiman Marcus Group, Inc.  
Neiman Marcus Group Employees

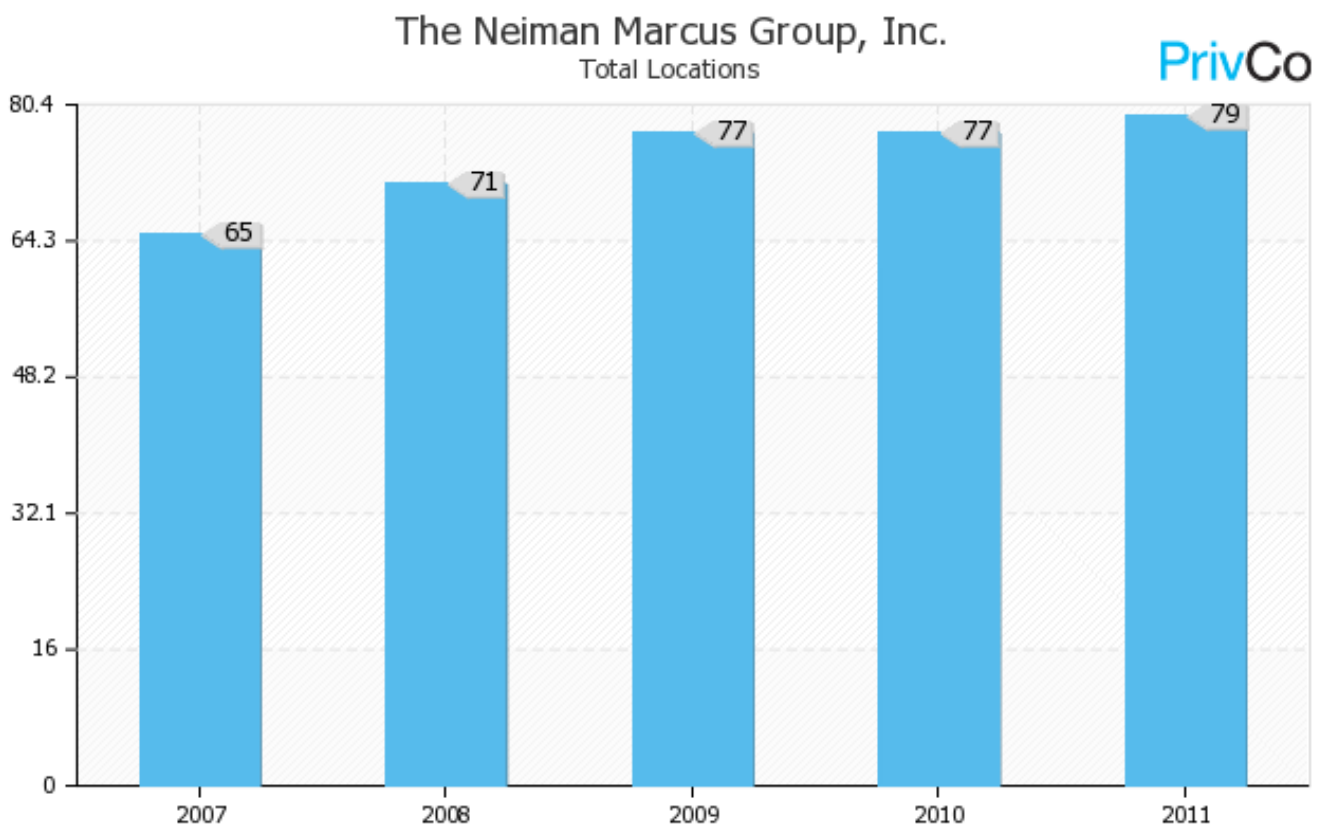
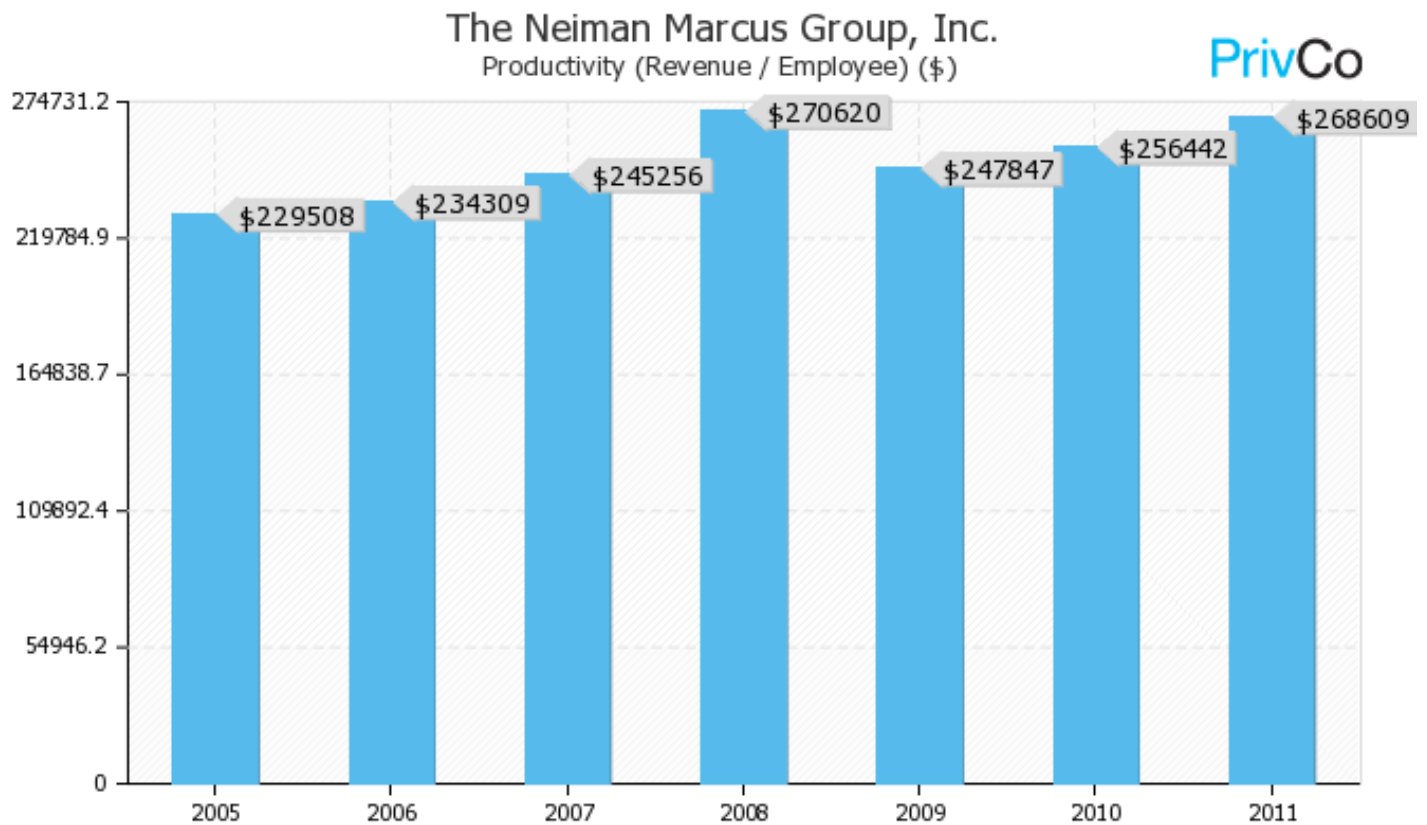
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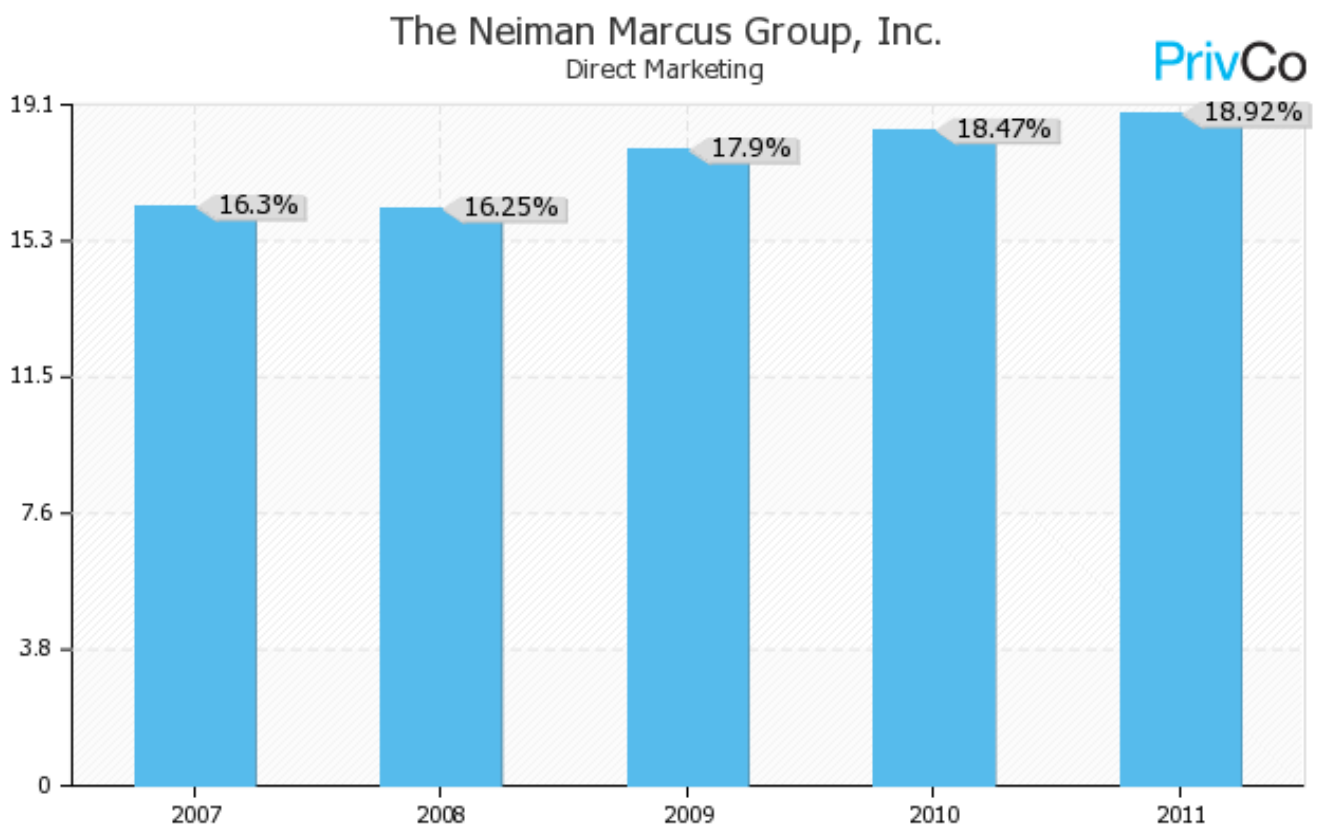
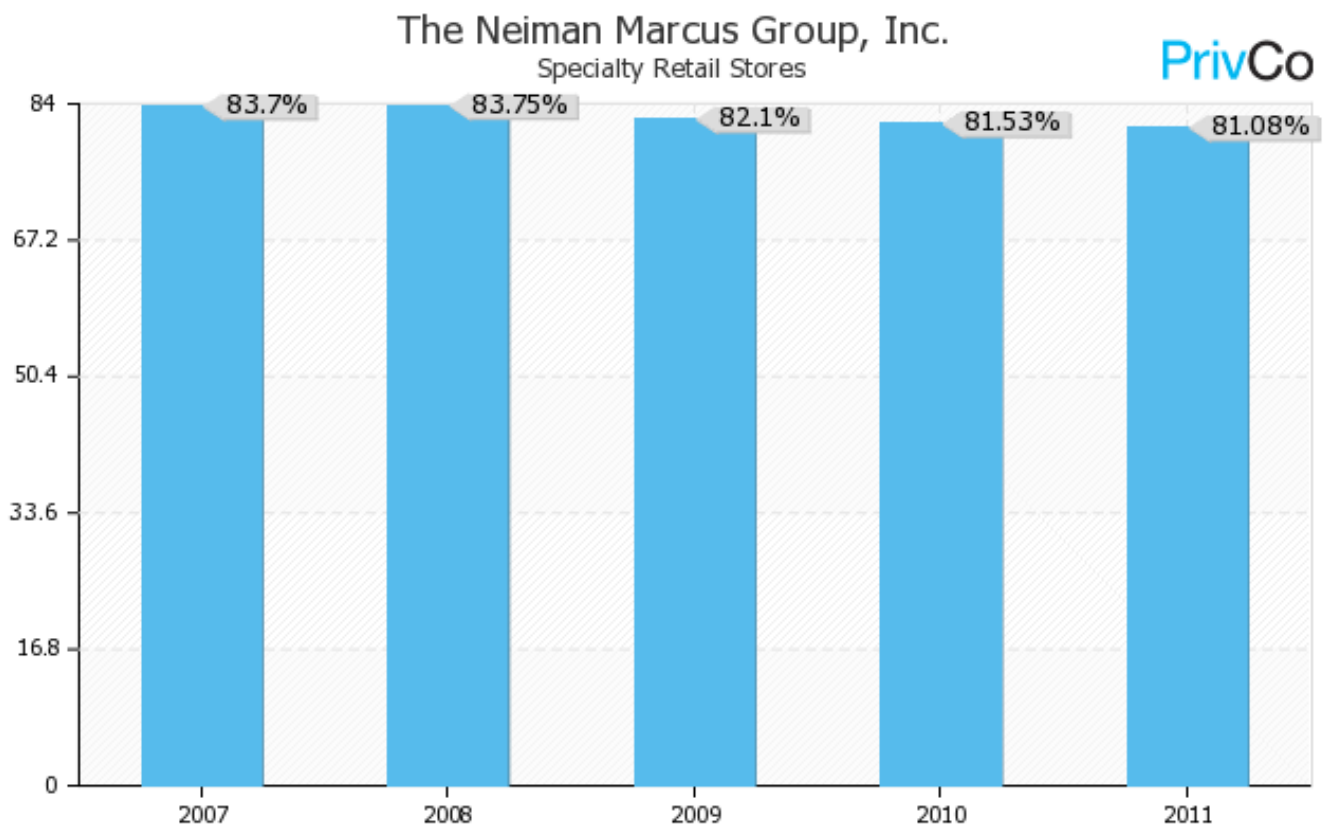
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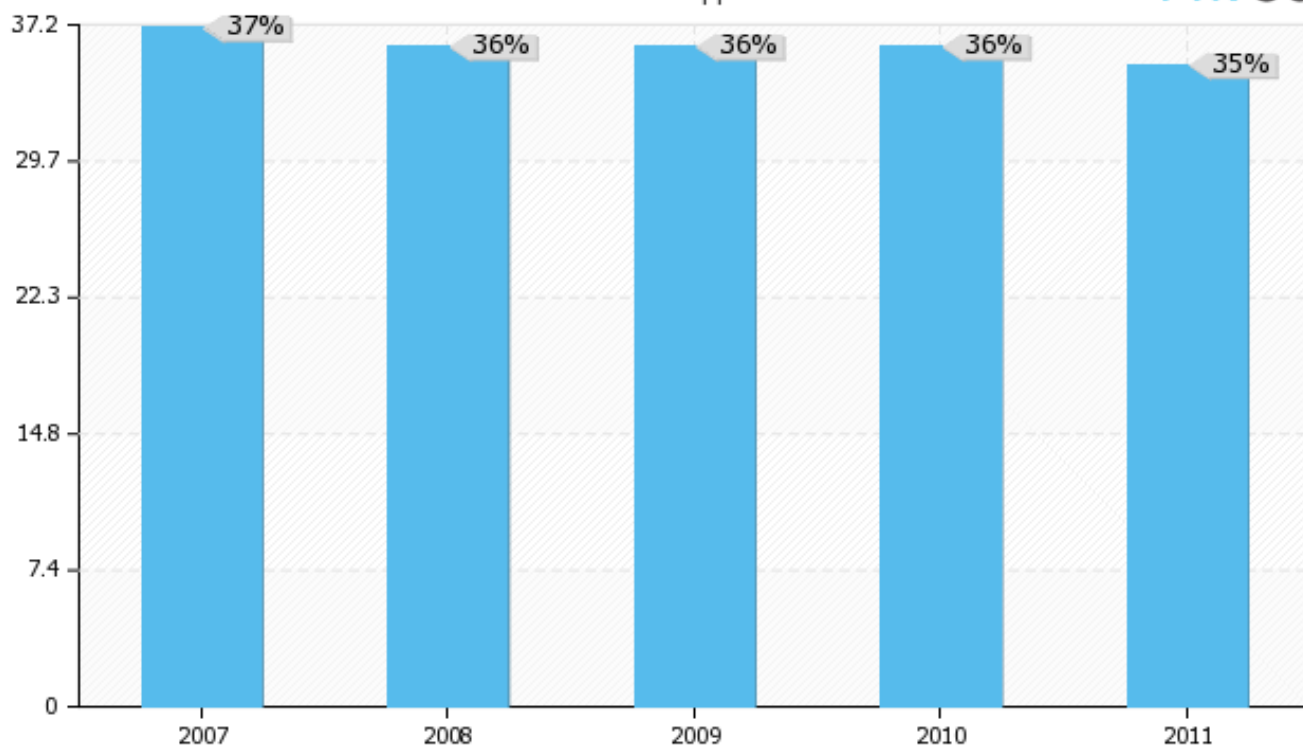


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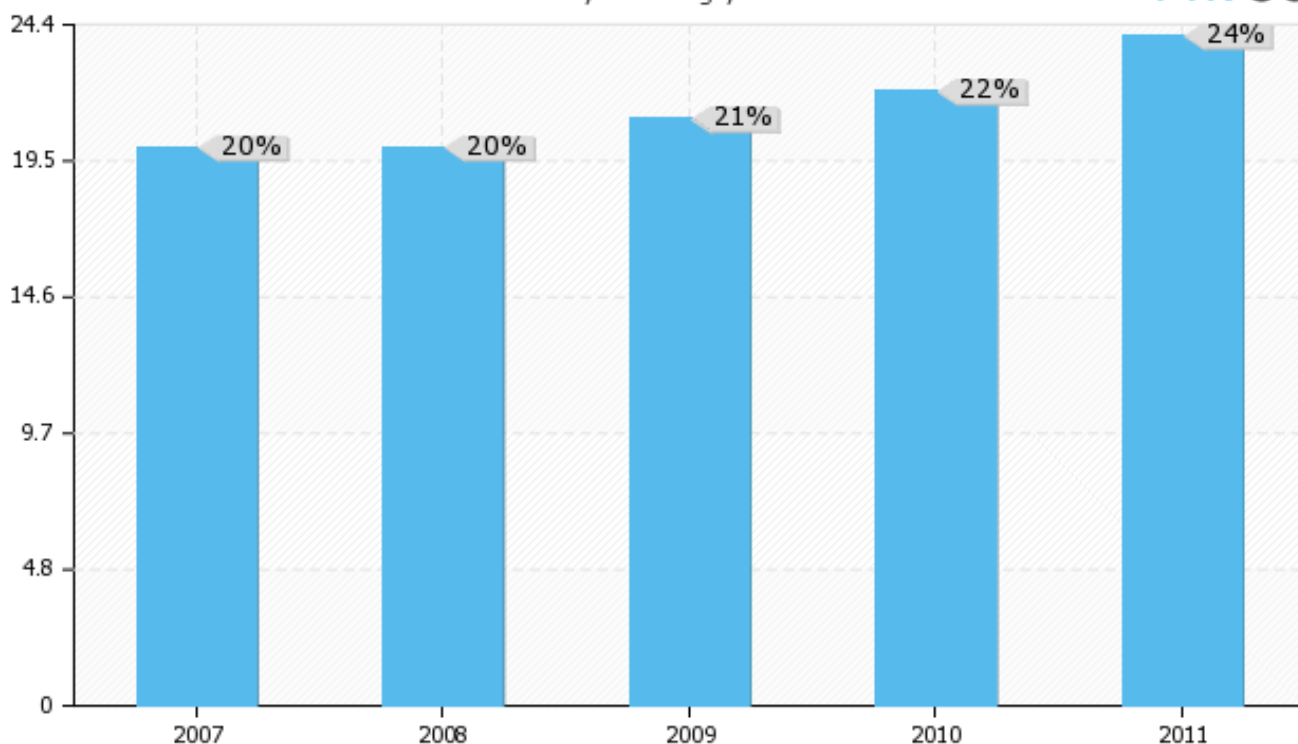
The Neiman Marcus Group, Inc.  
Women's Apparel

PrivCo



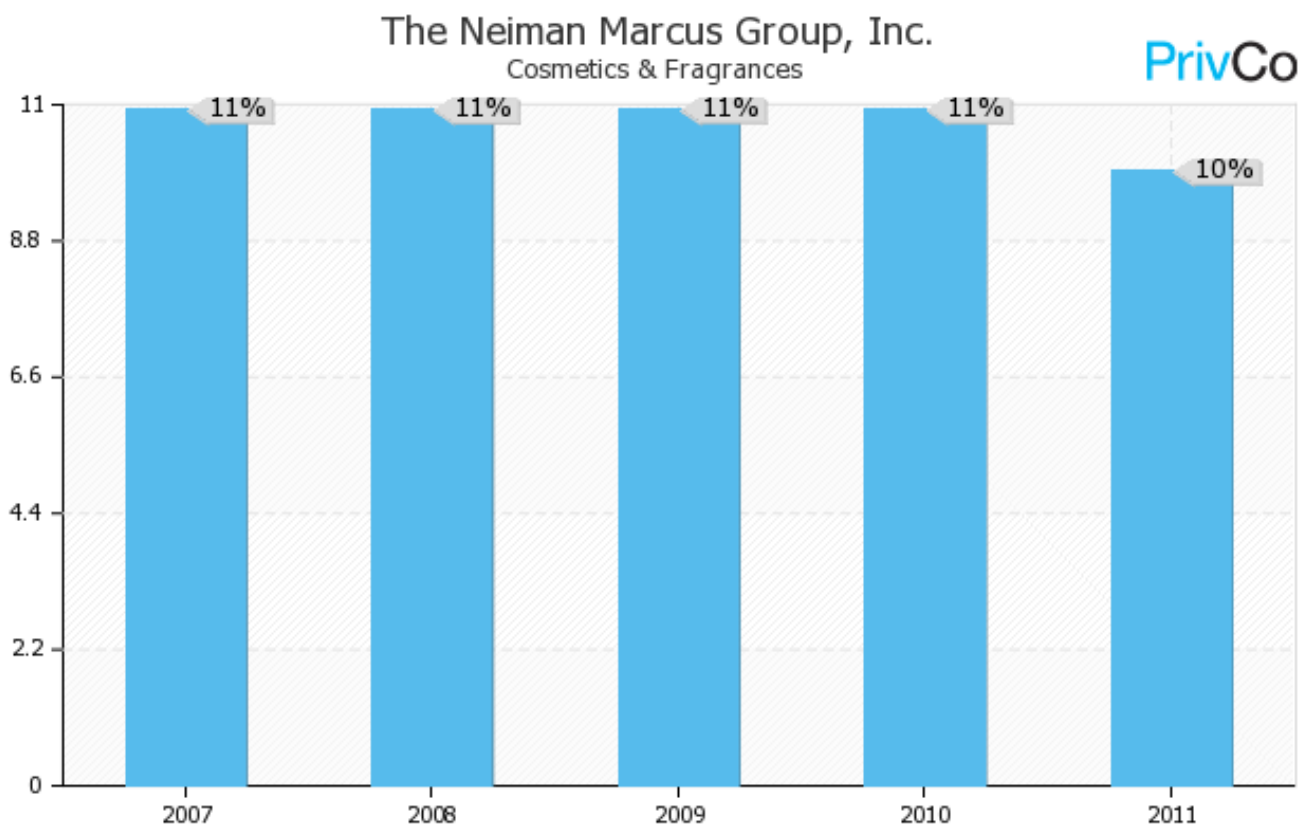
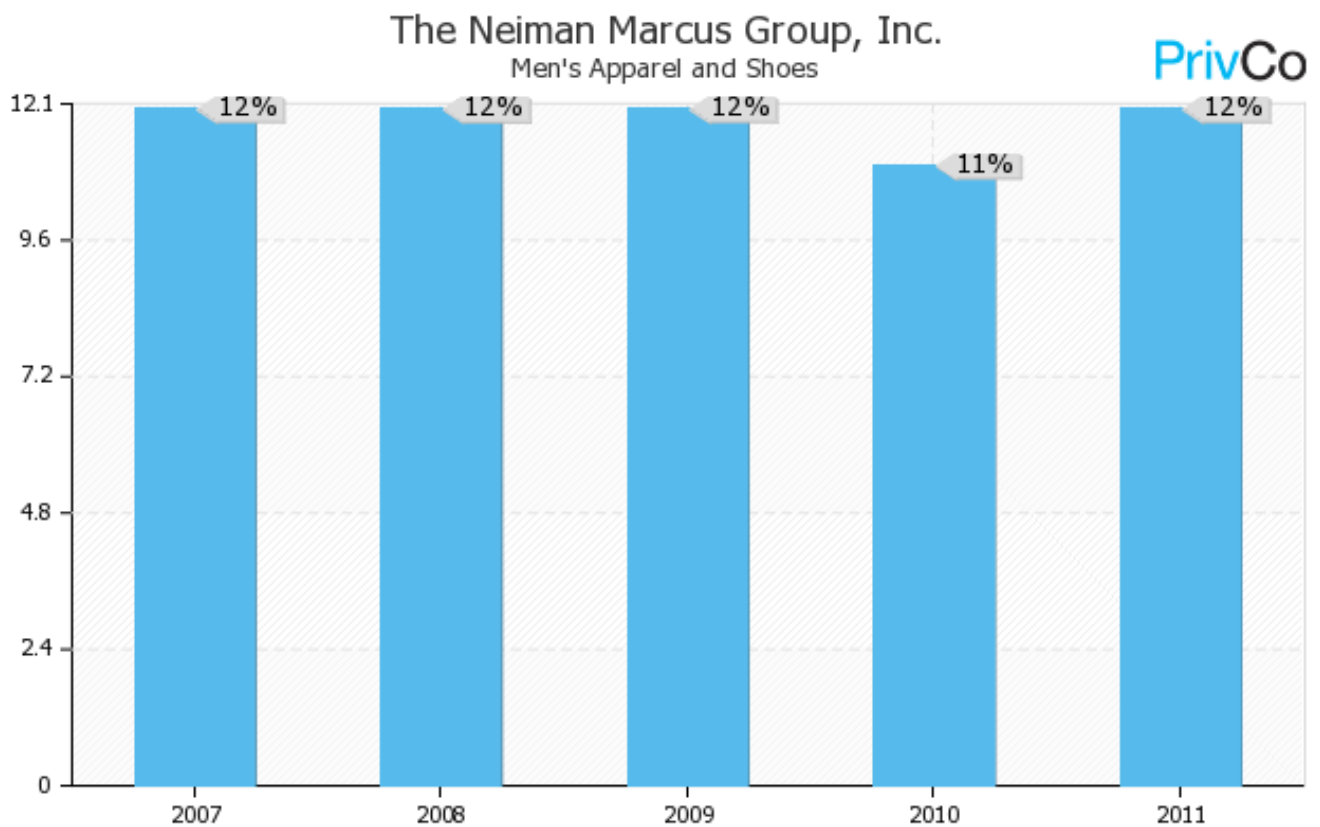
The Neiman Marcus Group, Inc.  
Women's Shoes, Handbags, and Accessories

PrivCo



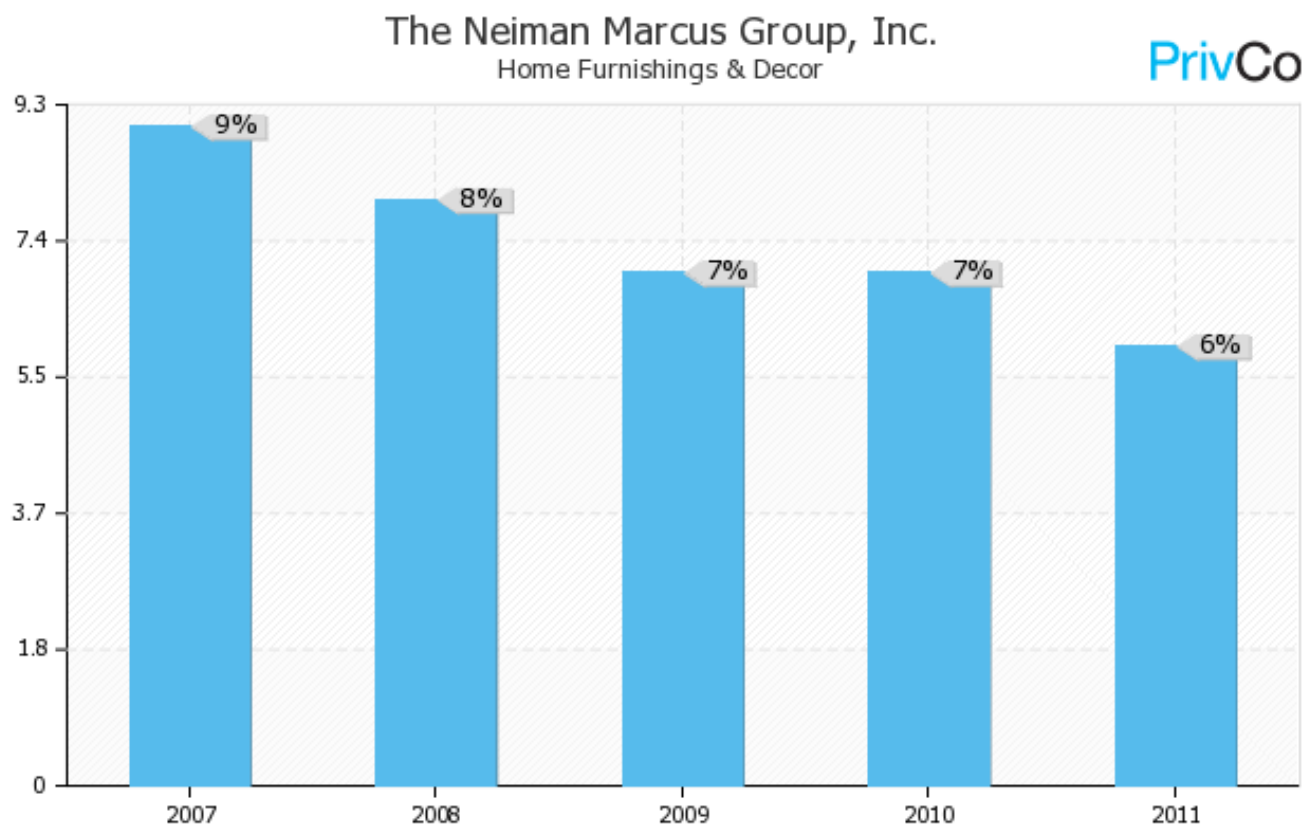
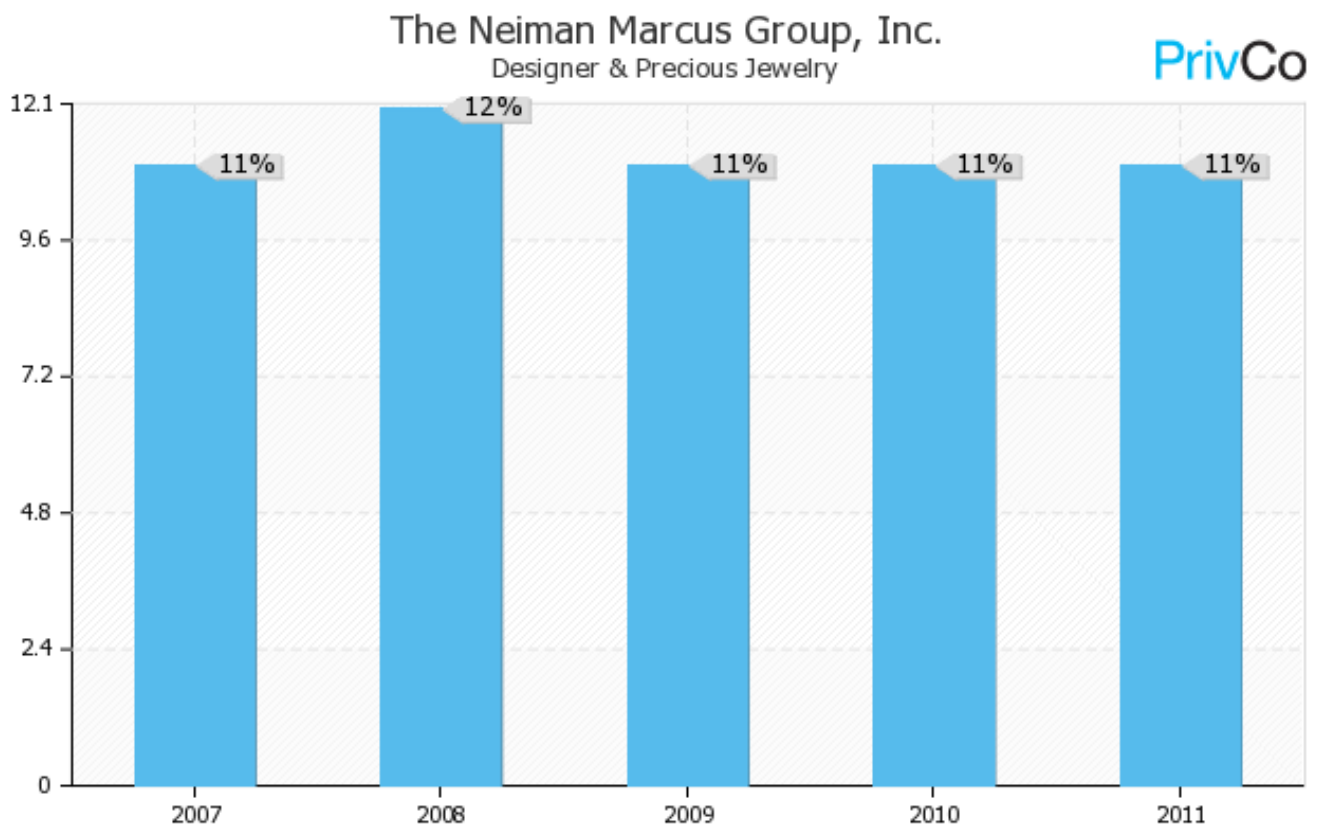
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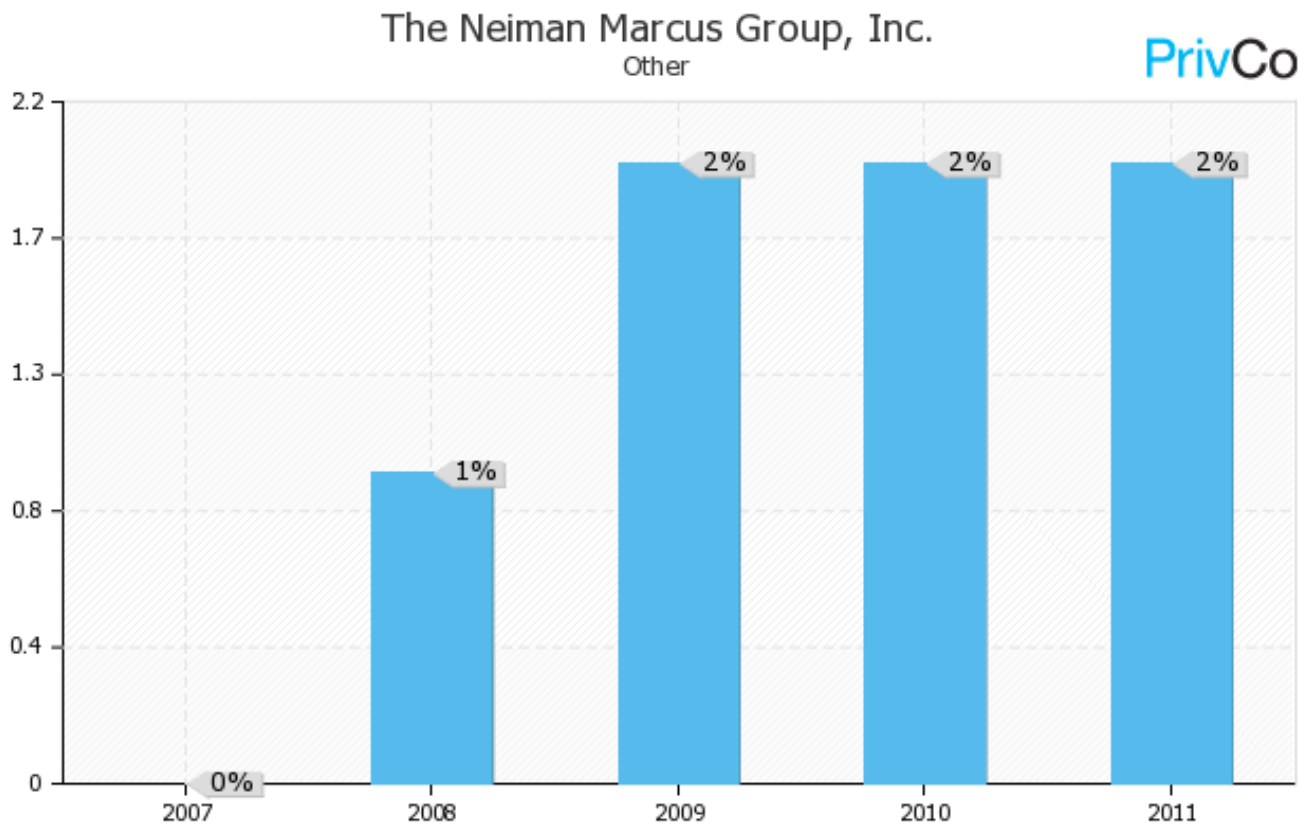
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## PUBLIC/ PRIVATE HISTORY (PPH™)

Many private companies were once public or have attempted to go public in the past. Since mapping a private company's Public/Private History (PPH™) can often be complicated and take time, we've created PrivCo's Public/Private History (PPH™) Table to assist.

Date	Deal Type	Action	Resulting Status	Valuation	Amount Raised	Public Ticker
Apr. 2007	IPO	Rumored	Private			
Aug. 2012	IPO	Exploring	Private			
Oct. 2005	Leveraged Buyout (LBO) Take Private	Take Private	Private <sup>1</sup>	\$5.01 BN		

### PPH™ Notes:

- <sup>1</sup> Under the terms of the agreement, TPG Capital and Warburg Pincus would acquire all of the outstanding Class A and Class B shares of The Neiman Marcus Group for \$100.00 per share in cash.

# The Neiman Marcus Group, Inc.

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## MERGERS & ACQUISITIONS

PrivCo's M&A Activity table for The Neiman Marcus Group, Inc. displays the mergers and acquisitions involving The Neiman Marcus Group, Inc., for example if The Neiman Marcus Group, Inc. acquired or was acquired by another entity, any leveraged buyout (LBO), etc.

Date	Target	Buyer	Deal Type	Price	Status
Nov. 1998	Gurwitch Bristow Products	<a href="#">The Neiman Marcus Group, Inc.</a>	Majority Acquisition	\$6,700,000	Completed
Feb. 1999	<a href="#">Kate Spade LLC</a>	<a href="#">The Neiman Marcus Group, Inc.</a>	Acquisition	\$33,600,000	Completed
Nov. 2004	<a href="#">CHEFS Catalog</a>	<a href="#">JH Partners, LLC</a>	Acquisition	\$14,400,000	Completed
Jun. 2005	Private label credit card accounts <sup>1</sup>	HSBC-North America Retail Services	Acquisition	\$653,000,000	Completed
Oct. 2005	<a href="#">The Neiman Marcus Group, Inc.</a> <sup>2</sup>	<a href="#">Warburg Pincus LLC</a> <a href="#">TPG Capital LP</a>	Leveraged Buyout (LBO) Take Private	\$5,345,750,000	Completed
Jul. 2006	Gurwitch Bristow Products	<a href="#">Alticor, Inc.</a>	Majority Acquisition	\$40,752,000	Completed
Nov. 2006	<a href="#">Kate Spade LLC</a> <sup>3</sup>	<a href="#">The Neiman Marcus Group, Inc.</a>	Acquisition of Remaining Interest	\$59,400,000	Completed
Dec. 2006	<a href="#">Kate Spade LLC</a> <sup>4</sup>	<a href="#">Liz Claiborne Inc</a>	Acquisition	\$124,000,000	Completed
Mar. 2012	<a href="#">Glamour Sales Holding Limited</a>	<a href="#">The Neiman Marcus Group, Inc.</a>	Minority Stake Purchase	\$28,000,000	Completed

### Mergers & Acquisitions Notes:

- 1 Of the \$653 million, HSBC paid \$540 million in cash and for the remaining it assumed or repaid the company's securitization liabilities to the tune of \$113 million.
- 2 Under the terms of the agreement, TPG Capital and Warburg Pincus would acquire all of the outstanding Class A and Class B shares of The Neiman Marcus Group for \$100.00 per share in cash.
- 3 In April 2005, the minority investor in Kate Spade LLC exercised the put option with respect to the sale of the full amount of its 44% stake in such company to NMG. In October 2006, Neiman Marcus entered into an agreement to settle the put option whereby the company purchased the interest held by the minority investor for approximately \$59.4 million.
- 4 In November 2006, Neiman Marcus entered into a definitive agreement to sell 100% of the ownership interests in Kate Spade LLC to Liz Claiborne, Inc. (consisting of both the original 56% interest and the 44% minority interest subsequently purchased by NMG) for pretax net cash proceeds of approximately \$124 million.



# The Neiman Marcus Group, Inc.

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## DETAILED BUSINESS DESCRIPTION

### Business Overview

Neiman Marcus is a privately-held luxury retailer that offers men's and women's apparel, designer jewelry, cosmetics and fragrances, home furnishings and décor, and other luxury items through its retail and direct marketing channels.

Neiman Marcus operations are divided into two segments, Specialty Retail Stores and Direct Marketing.

### Specialty Retail Stores

#### Neiman Marcus Stores

As of August 2012, there are 41 Neiman Marcus stores in approximately 20 states and Washington DC. Neiman Marcus stores offer luxury merchandise, including women's couture and designer apparel, contemporary sportswear, handbags, fashion accessories, shoes, cosmetics, men's clothing and furnishings, precious and designer jewelry, decorative home accessories, fine china, crystal and silver, children's apparel and gift items.

#### Bergdorf Goodman Stores

There are two Bergdorf Goodman stores in New York. Bergdorf Goodman is an upscale retailer that offers couture merchandise such as high-end apparel, fashion accessories, shoes, traditional and contemporary decorative home accessories, precious and designer jewelry, cosmetics and gift items.

#### Last Call Stores

Neiman Marcus operates 31 Last Call stores across the country. Through these outlets, the company sells end-of-season and other clearance items such as apparel, shoes, jewelry, handbags, luggage and furniture.

#### CUSP Stores

Neiman Marcus operates 6 stores under the CUSP brand. CUSP stores have a smaller format (6,000-11,000 sq. ft.) and target a younger customer base. Beginning in 2012, Neiman Marcus began to rebrand the contemporary departments within Neiman Marcus stores as CUSP.

#### Horchow Finale Stores

Horchow is a furniture brand owned by Neiman Marcus. There are two Horchow Finale Stores in Dallas and Plano, which primarily sell furniture and home decor items. Other Horchow items are sold in some Neiman Marcus locations.

### Neiman Marcus Direct Marketing

The Direct Marketing segment of Neiman Marcus operates e-commerce sites under the Neiman Marcus, Bergdorf Goodman, Horchow, Last Call and CUSP brands. In addition, Neiman Marcus offers direct-to-consumer sales through its catalogs for the Neiman Marcus and Horchow brands. While the company has decreased circulation of its catalogs as online sales have increased, the company still circulated approximately 45 million catalogs in 2011. The Direct Marketing operation significantly improves the ability of the company to extend its reach, as approximately 40% of online and catalog customers were located outside the trade areas of Neiman Marcus' existing retail locations.

Notable vendors include: Chanel, Gucci, Prada, Giorgio Armani, St. John, Akris, Escada, Christian Louboutin, Manolo Blahnik, Tory Burch, Balenciaga, La Mer, Sisley, Bobbi Brown, La Prairie, Estee Lauder, Laura Mercier, Brioni, Tom Ford,

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Loro Piana, Ferragamo, Stefano Ricci, David Yurman, John Hardy, and Cartier.

In addition to the company's traditional offerings of luxury apparel and merchandise, the company also offers "fantasy gifts" through its catalogs, which have included a custom-made library from Assolune, Johnny Walker Scotch tasting parties and bespoke Ferrari cars.

## Distribution

The majority of the Neiman Marcus merchandise is received from vendors as finished goods. Merchandise is manufactured in Europe and the United States and, to a lesser extent, China, Mexico, and South America.

The majority of the company's merchandise is initially received at one of several centralized distribution facilities. To support the Specialty Retail Stores segment, Neiman Marcus utilizes a primary distribution facility in Longview, Texas, a regional distribution facility in Dayton, New Jersey and four regional service centers. Neiman Marcus also operates two distribution facilities in the Dallas-Fort Worth area to support the Direct Marketing operation.

## Competitive Landscape

The specialty retail industry is highly competitive and fragmented. Neiman Marcus competes with other specialty retailers including Saks Fifth Avenues, Barney's New York, as well as high-end department stores including Nordstrom and Bloomingdales. Additionally, the company competes with national apparel chains, vendor-owned proprietary boutiques and direct marketing firms.

Neiman Marcus competes primarily on product quality and fashion and in an increasingly fragmented luxury apparel market, product pricing and shipping costs.

## Growth Strategy

### Domestic Expansion

The opportunity for domestic expansion is limited because Neiman Marcus already operates stores in the most affluent communities in the U.S. that are able to support the luxury retailer. However, the company plans to open three Last Call stores in strip centers and power centers in 2012. In addition, the company plans to open a 100,000 square foot store in Garden City, NY. The Long Island location will be the company's first and it is expected to open in 2015.

### International Expansion

In March 2012, Neiman Marcus purchased a non-controlling stake in Glamour Sales Holdings, an Asia-based e-commerce company which operates flash sales websites in Asia including the leading flash sales e-commerce site in Japan. Through this strategic stake, Neiman Marcus intends to launch a full-price luxury e-commerce website in China by the end of 2012. While the flash sales site and luxury e-commerce site will remain separate, Neiman Marcus hopes to capitalize on Glamour Holdings' existing base of more than 1 million active customers.

Both China and Japan represent an attractive market for Neiman Marcus given their large population, growing middle class, luxury appetite and affinity for foreign brands. By developing its brand internationally, Neiman Marcus also hopes to make Chinese and Japanese consumers more aware of Neiman Marcus when they travel overseas.

### New Product Offerings

In late 2011, Neiman Marcus launched NM on the Go, in-store boutiques that offer activewear including active tops, bottoms and jackets, fleece wear, swimsuits, and sports bras. In addition to Neiman Marcus label apparel, the company is also offering fashionable workout clothing from Payne, Aryn Glasser, Splits 59 and Zobha, among other vendors.

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Neiman Marcus has also expanded its product range in its contemporary department, which the company has rebranded as Cusp, the sub-brand used for 6 of its smaller format stores.

## Innovative Marketing

In 2012, Neiman Marcus launched its NM Service location-aware app that alerts sales associates when customers enter the store, giving the associates instant access to their customers' shopping history. As consumers are increasingly willing to share personal information including purchase history, biometric fit and style choices, sales associates are better able to tailor the product range they present to shoppers.

## New Payment Methods

Following turbulent years of recession and a disappointing recovery, Neiman Marcus CEO Karen Katz announced in October, 2011, that Neiman Marcus would be accepting Master Card and Visa. Formerly accepting only cash, American Express, and the Neiman Marcus credit card, the luxury retailer stated that many customers had persistently requested for a wider credit card acceptance. In July 2012, the company also began accepting Discover cards.

The acceptance of new credit cards has paralleled similar efforts the company has recently taken to appeal to a less affluent customer base, especially to younger shoppers.

## Target + Neiman Marcus Partnership

For the 2012 Christmas season, Neiman Marcus is partnering with Target, the discount retailer, to launch the Target + Neiman Marcus Holiday Collection. Neiman Marcus and Target are working with 24 designers of the Council of Fashion Designers of America to offer a collection of men's, women's, and children's apparel and accessories at all Neiman Marcus and Target stores. The collection will also include sporting goods, home décor, pet accessories, and electronics accessories. Participating designers include Carolina Herrera, Derek Lam, Diane von Furstenberg, Jason Wu, Marc Jacobs, Oscar de la Renta and Tory Burch.

## Risks

### Economic Downturn

As a retailer of luxury and discretionary goods, Neiman Marcus' growth is highly dependent on the level of consumer spending, especially among its affluent customer base. Neiman Marcus was significantly impacted by the economic downturn beginning in 2008, experiencing a decline in revenues of more than 20% over 2009. While revenues and profits have begun to recover, Neiman Marcus still remains vulnerable to a continuation or worsening of global economic conditions.

### Debt Obligations

As a result of the 2005 leveraged buyout, Neiman Marcus' capital structure is highly leveraged. As of April 28, 2012, Neiman Marcus maintained debt obligations in excess of \$2.8 billion. While Neiman Marcus has begun to recover from a significant decline in revenues arising from the 2008 economic downturn, the company must maintain this sales growth to continuously service its debt and avoid restrictive covenants and borrowing conditions.

## Recent Developments

### Dividend Payment

On March 30, 2012, Neiman Marcus issued a \$442.6 million dividend to its small group of shareholders including TPG Capital, Warburg Pincus and fewer than 50 current and former executives. Neiman Marcus financed the dividend with \$150 million in borrowings from its asset-based revolving credit facility, while the rest was paid with cash on hand. The

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payment of a dividend signals that the company's equity partners are eager to profit off their investment.

## Potential IPO

Neiman Marcus' multi-faceted and aggressive growth strategy and recent financial growth have led to rumors that the company is exploring a potential IPO in 2012. Neiman Marcus' private equity owners, Warburg Pincus and TPG Capital, are looking for an exit strategy after acquiring Neiman for \$5.1 billion in 2005. Neiman is estimated to be worth around \$4 billion. An acquisition is unlikely since competing retailers passed over the opportunity in 2005. Private equity firms are reportedly not interested. Consequently, as of August 2012, Neiman's owners are looking at an IPO to cash out.

Following poor performance during the economic downturn, Neiman's financial performance has improved. Revenue is growing in 2012 in large part due to improving economic conditions as well as growth in e-commerce revenue streams. Neiman Marcus has also moved towards younger and less wealthy markets to expand revenue. Additionally, Neiman has succeeded in paying down some of its debt from its 2005 leveraged buyout. These factors along with the rapid recovery of the luxury market in 2012 and 2011 could serve to improve the market for Neiman's potential IPO.

## Company History

### Neiman Marcus Group's Origin and Growth

The first Neiman Marcus store was opened in 1907 in Dallas, Texas, by Herbert Marcus, his sister Carrie Neiman and her husband Al Neiman. Initially, the store sold profitable women's apparel that was not commonly found in Texas. In 1913, a fire destroyed the first store. However, a temporary store was opened nearby and in 1914 a permanent new building was ready for operation. The company made a profit of \$40,000 on sales of \$700,000 at the new location. Despite the new location, the store was able to double its profit from the original location.

The store continued to sell upscale apparel and soon gained a reputation for its merchandise outside of Texas. In 1926, after Carrie and Al Neiman divorced, the Marcus family bought Neiman's share in the store and remained the top management for the next 60 years. In 1927, the company acquired more property and in 1928, added men's apparel to its products through the Men's Shop. The store's net sales had touched \$3.6 million by the end of the decade.

### 1930s-1940s: Shift in Strategy

In the 1930s, as a result of the Great Depression, Neiman Marcus began to stock low-priced merchandise along with its high-end clothing lines. This enabled the company to broaden its customer base and survive the recession. This strategy saw the company grow strongly and break the \$5 million mark in annual sales by 1938. During this decade, the Men's Shop was also expanded, first in 1934 and then in 1941.

In the 1940s, the company added lower end merchandise to its inventory to attract workers with high paying defense manufacturing jobs in Dallas. A new wave of middle-class consumers had arrived in the region as a result of World War II. During 1942-44, the company's sales grew from \$6 million to \$11 million. Later, the company opened more stores in Dallas.

In 1946, another major fire occurred at the store and caused substantial damage. Despite the store being closed for five days during peak Christmas shopping days, the company recorded its best season to date that year.

### 1950s-1960s: New Markets

In the 1950s, Herbert Marcus's son, Stanley Marcus, took over the company and started new stores as part of his strategy to expand into new markets. In 1951, a second Neiman Marcus store was opened at Preston Center in the suburbs of Dallas. The following year, the company opened a new service building to handle merchandise for both stores. Three years later, the company extended its operations to Houston by merging with Ben Wolfman's, an existing store there. In 1957, the annual Neiman Marcus Fortnight – a presentation of fashions and culture from a particular country – was launched.

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In 1960, the His and Hers gift selection was added to the Neiman Marcus Christmas catalog. Over the years, this gift selection has had items such as submarines, dirigibles, and robots. In 1964, there was another fire during Christmas season at the main store in Dallas. The company opened a bigger store at NorthPark Center after closing the store at Preston Center. It started another store in Fort Worth as well. The company's profit for 1967 was more than \$2 million. The combined annual sales were \$58.5 million.

## 1968: Merger with Broadway-Hale Stores

In 1968, the company merged with West Coast retail chain Broadway-Hale Stores, Inc., which was previously named Carter Hawley Hale Stores. At the time, Carter Hawley Hale had revenues of \$457 million. The merger enabled Neiman Marcus to open one store a year across the U.S.

## 1980s: Troubled Times

By 1980, the company's annual sales had reached \$350 million and by 1984, the company was operating 21 stores. However, the company's competitors (e.g. Bloomingdale's and Saks Fifth Avenue) were doing much better than the new stores. In 1984, the company became the target of a hostile takeover bid by The Limited Brands group. The Limited offered to buy the company for \$1.1 billion. General Cinema Corporation helped the company resist the takeover by buying 38.6% of the company's voting stock.

In 1986, The Limited made another attempt to takeover the company by teaming with shopping center magnate Edward DeBartolo. However, the company thwarted this attempt by spinning off its specialty store division into an independent, publicly traded company called The Neiman Marcus Group, Inc. General Cinema received a 60% interest in the new company in exchange for its Carter Hawley stock. In addition to its namesake Neiman Marcus stores, the new company was also comprised of upscale New York retailer Bergdorf Goodman and the 200-store Contempo Casuals chain. A majority of the group's sales still came from the Neiman Marcus stores. In 1988, the group bought Horchow Mail Order, a cataloger based in Dallas, specializing in upscale home furnishings, and linens.

## 1990s: New Expansions

By 1990, the group was contributing to 90% of General Cinema's operating profit. The group also opened new stores in Denver, Minneapolis; Scottsdale, Arizona; and Troy, Michigan. In 1993, the company's revenue was \$1.45 billion, a 12.7% jump from 1992. This was partly due to the company stocking its inventory with big-name designer labels, such as Calvin Klein, Giorgio Armani, and Donna Karan. That same year, General Cinema changed its name to Harcourt General, Inc.

During this decade, the company launched NM Workshop boutiques to broaden its customer base. To attract new and younger customers, the boutiques focused on career wardrobes. It continued expanding by opening stores in New Jersey and Pennsylvania. In 1995, the company sold its Contempo Casuals business, which was running on a loss, to Wet Seal, Inc. for \$1 million in Wet Seal stock.

By 1996, the company had 29 Neiman Marcus stores and operating earnings of \$134 million on record sales of \$1.6 billion. That same year, the company introduced The Book which had the combined features of a catalog and a magazine. The monthly circulation of The Book touched 1.2 million by mid-1997.

## 1998: Introduction of Smaller Stores

In 1998, the company acquired Chef's Catalog for \$31 million in cash. This acquisition helped in the growth of Neiman Marcus Direct, the company's direct mail operation. Chef's Catalog sold high-end kitchenware. During the same period, the company opened three smaller stores for smaller markets under the name The Galleries of Neiman Marcus. These stores offered precious and designer jewelry, gifts, and decorative home accessories and were opened in Cleveland, Ohio; Phoenix, Arizona; and Seattle, Washington. This was done because designers such as Ralph Lauren, Gucci and Prada had started competing with the company by opening their own retail outlets.

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In 1998, the company spent approximately \$200 million on stakes in new brands. In 1998, it spent \$6.7 million to buy a 51% stake in Gurwitch Bristow Products, LLC. Gurwitch Bristow was the maker and marketer of the Laura Mercier cosmetic line.

In February 1999, the company purchased a 56% stake in Kate Spade LLC for \$33.6 million. Kate Spade reported total revenue of \$27 million in 1998. Upon the completion of the acquisition, the three founding partners of Kate Spade controlled the remaining stake in the company and were entrusted with the task of overseeing the company's day-to-day operations.

That same year, Neiman Marcus launched its e-Commerce website.

## **2000s: Change in Ownership**

In 2000 and 2001, the company opened new stores in Palm Beach and Tampa. For the fiscal year ending July 2001, the company's revenue was \$3.02 billion. However, the following year, a weak economy coupled with the 9/11 incident affected the company's profit margin. In April 2002, Harcourt General liquidated its 14.2% stake in the company for approximately \$128 million. That same year, the company announced the closure of its Galleries store in Seattle. Subsequently, the other two stores in Phoenix and Cleveland were also closed.

## **2004: Sale of Chef's Catalog to JH Partners Controlled Entity**

In November 2004, the company sold its direct marketing business, Chef's Catalog, to private equity firm JH Partners LLC. From this transaction, the company received approximately \$14.4 million, excluding selling costs. At the time of its sale, this business had total tangible assets of around \$12.5 million and intangible assets of \$17.2 million. The disposition of Chef's Catalog led to a pretax loss of \$15.3 million for Neiman Marcus, primarily due to higher carrying value of Chef's Catalog's assets than sales proceeds from the transaction.

## **2005: TPG and Warburg Pincus LLC acquire Neiman Marcus**

In 2005 Neiman Marcus Group began to receive interest from private equity firms to take the company private. As a result, The Neiman Marcus Group engaged an investment bank to conduct an auction process. Eight private equity firms expressed serious interest, but wanted to join together to make the bid. The Neiman Marcus Group decided to limit the size of each group to two bidders each in an attempt to maximize competition and therefore the final purchase price. As a result, four groups of two firms each submitted bids for the company. In May 2005, The Neiman Marcus Group announced that its board of directors approved a definitive agreement to sell the company to Texas Pacific Group (TPG) and Warburg Pincus LLC. The two firms agreed to pay \$100 per share in cash for outstanding Class A and Class B shares of the company. This deal cost the two investment firms approximately \$5.3 billion. After completing the deal, both companies held equal stake in Neiman Marcus. The Smith Family, owner of a significant portion of outstanding common stock, entered into a separate agreement. As per the agreement they would vote in favor of the merger. While Goldman Sachs and JP Morgan acted as financial advisors to Neiman Marcus and its Board of Directors, respectively, Simpson Thacher & Bartlett LLP served as a legal advisor.

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## EXHIBIT

Title: Revenue by Merchandise Category

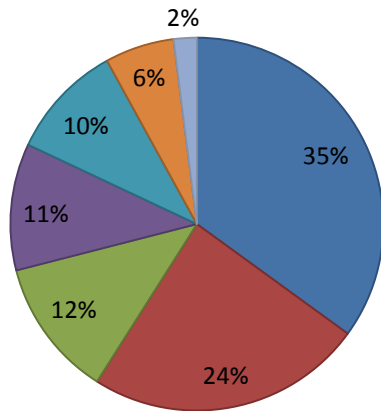
1 page

Type: Financials

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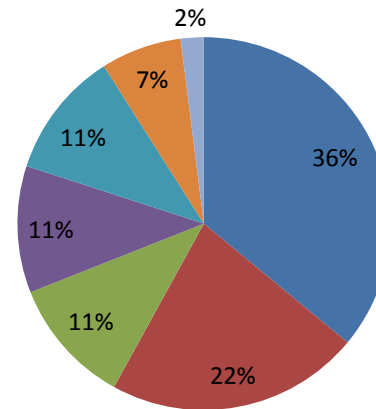
# Revenue by Merchandise Category

## Fiscal Year Ended July 30, 2011



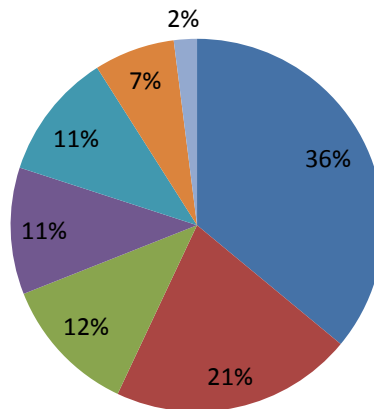
- Women's Apparel
- Women's Shoes, Handbags and Accessories
- Men's Apparel and Shoes
- Designer and Precious Jewelry
- Cosmetics and Fragrances
- Home Furnishings and Décor

## Fiscal Year Ended July 31, 2010



- Women's Apparel
- Women's Shoes, Handbags and Accessories
- Men's Apparel and Shoes
- Designer and Precious Jewelry
- Cosmetics and Fragrances
- Home Furnishings and Décor

## Fiscal Year Ended August 1, 2009



- Women's Apparel
- Women's Shoes, Handbags and Accessories
- Men's Apparel and Shoes
- Designer and Precious Jewelry
- Cosmetics and Fragrances
- Home Furnishings and Décor



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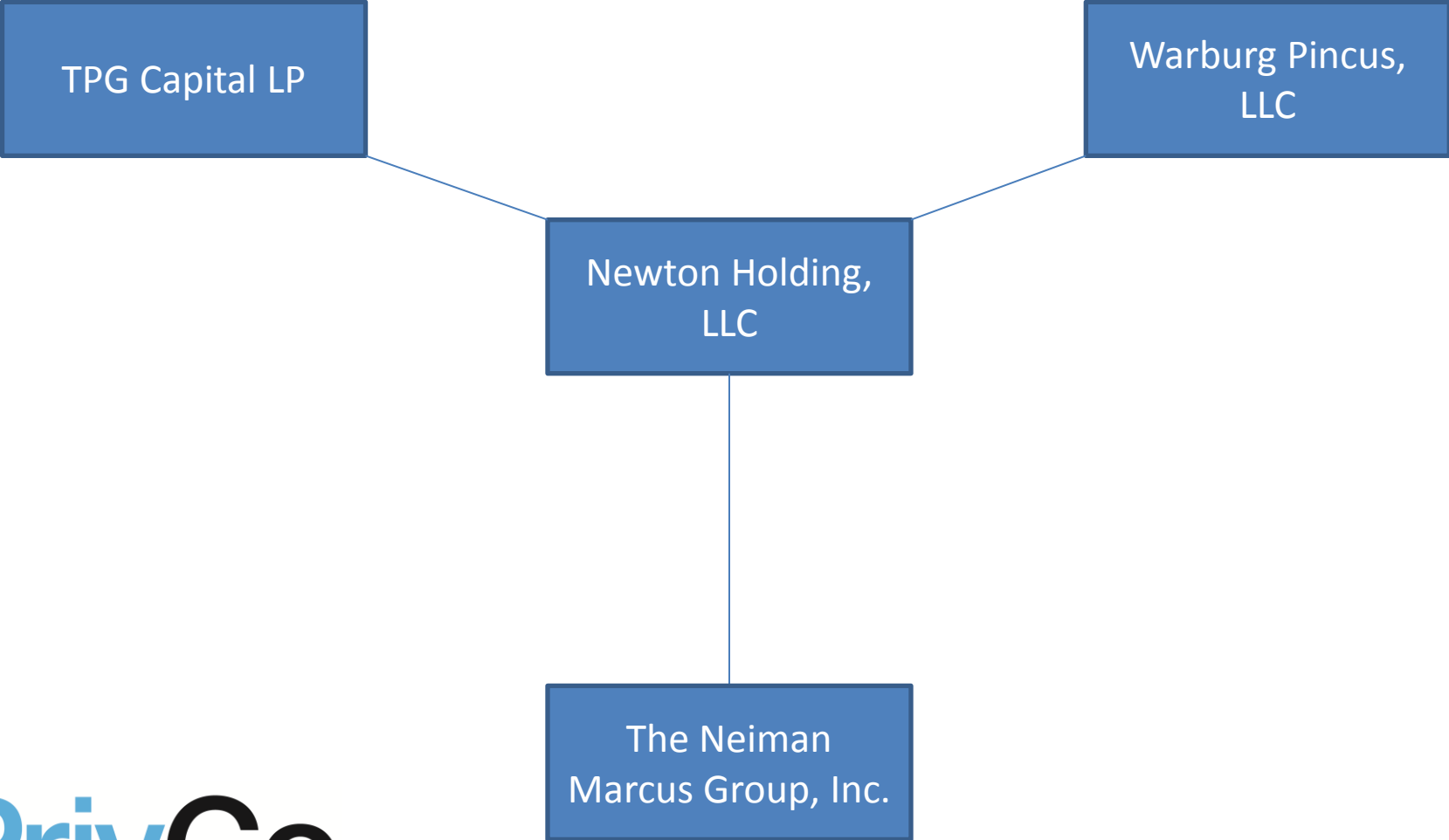
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1 page

Type: Org Chart - Corporate Ownership

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# Corporate Structure



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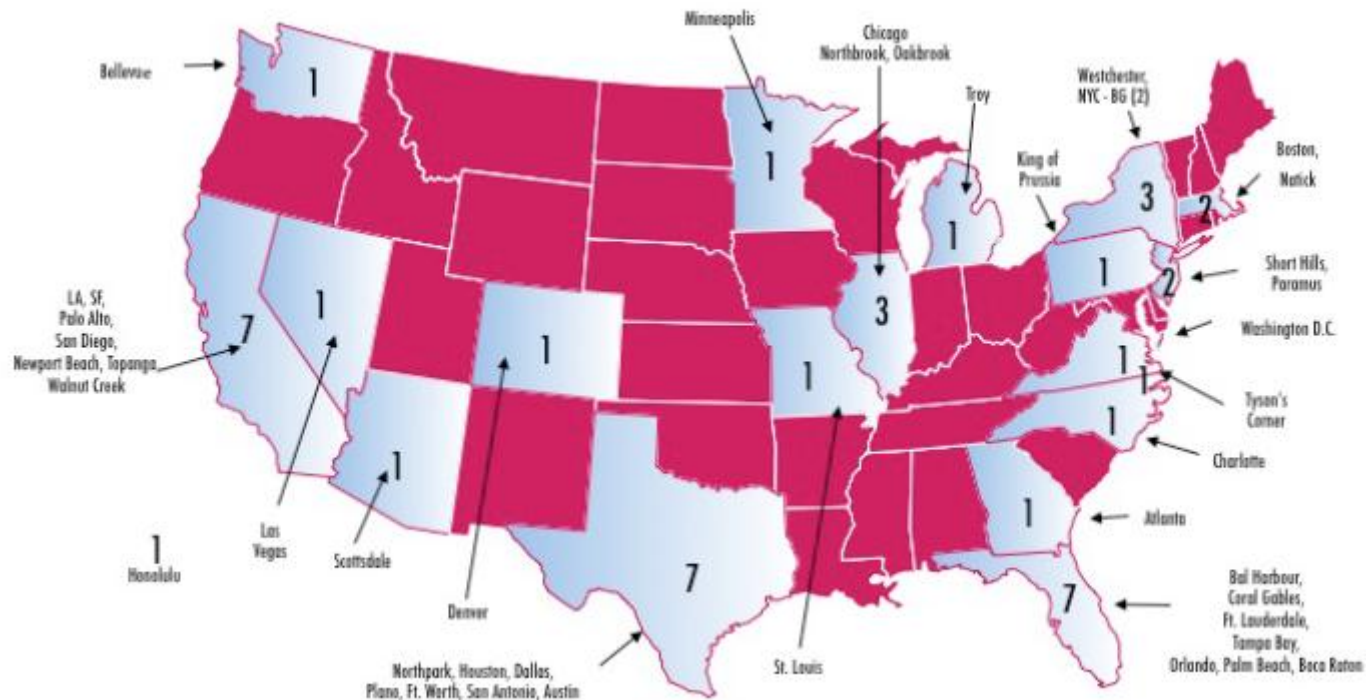
Title: Full Line Store Locations

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# Full Line Store Locations



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## EXHIBIT

Title: Debt Schedule

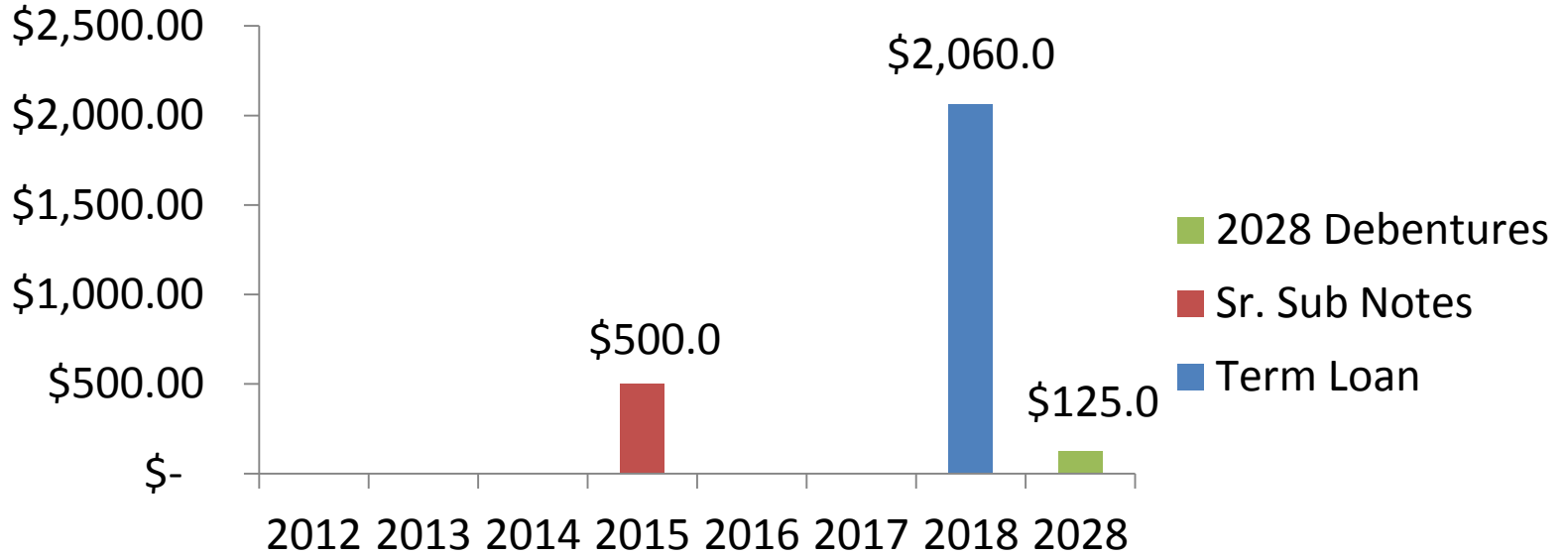
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Type: Financials

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# Debt Maturities

(\$'s in Millions)



Company also has a \$700M credit facility maturing in 2016 which is currently undrawn

	FY06	FY07	FY08	FY09	FY10	FY11	Q2 FY12
Leverage Ratio	5.6x	4.3x	4.3x	10.9x	6.5x	5.1x	4.8x
Net Leverage Ratio	5.3x	4.2x	4.0x	9.9x	5.7x	4.6x	4.1x