



What's Changing for Bricks-and-Mortar Retailers?

The Retail Disruption Opportunity

Agenda

- The Bricks-and-Mortar Retailers' Story So Far
- The Rapidly Changing Landscape
- The Retail Disruption Opportunity

The Retail Story So Far

The Story So Far

- The rise of e-commerce is fundamentally reshaping U.S. retail
- Legacy bricks-and-mortar retailers have suffered
- Declining key indicators, poor stock performance, bankruptcies and store closings have become the rule rather than the exception
- These trends are even more troubling given the recent backdrop of economic growth and strong consumer confidence

Bricks-and-Mortar Retailers Are Struggling



- Stock market performance of physical retailers had been weak, as have key metrics such as same store sales growth and margins



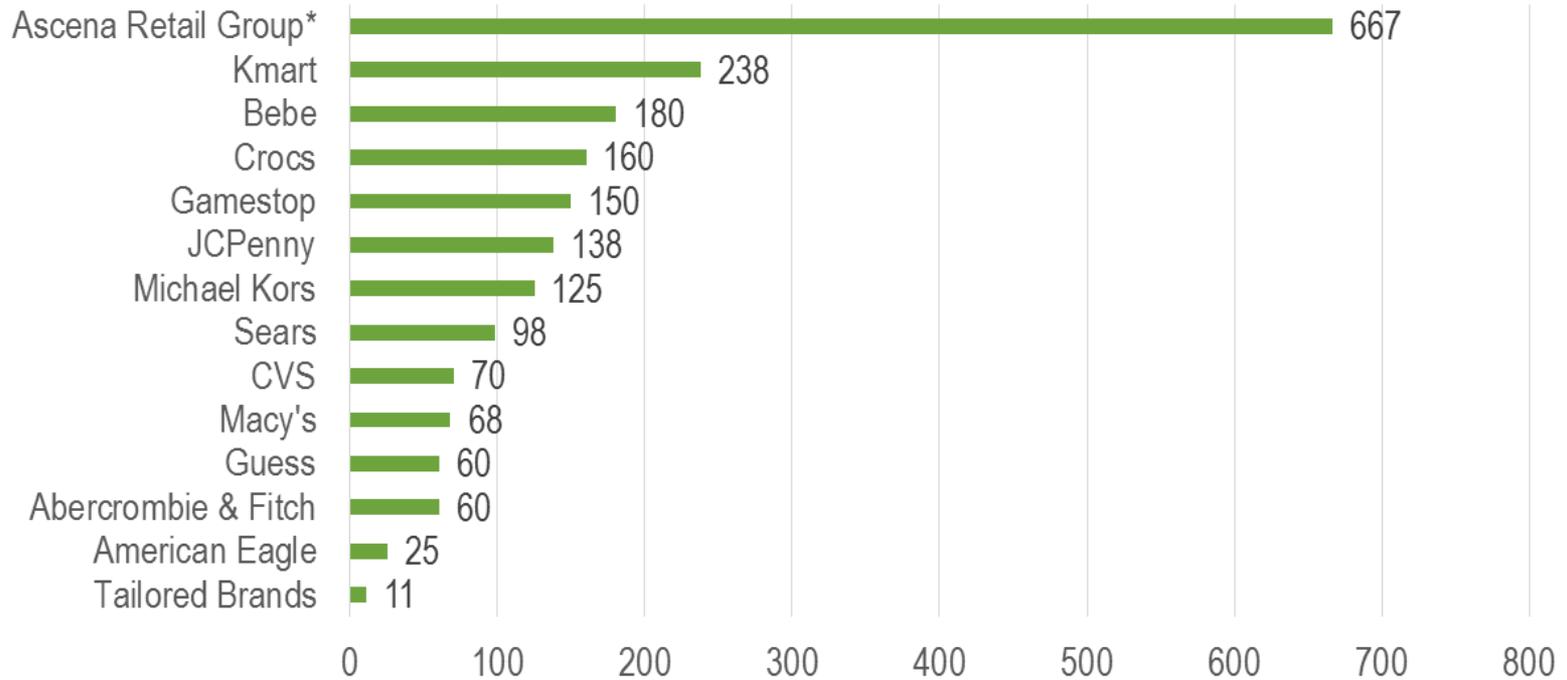
- Retail floor space has outgrown the population
 - Per person, the United States has five times the square footage of the U.K. and 10 times that of Germany



- At least 30 major retailers have declared bankruptcy over the past three years, nearly two-thirds of them in 2017 alone

Many Survivors Are Closing Stores

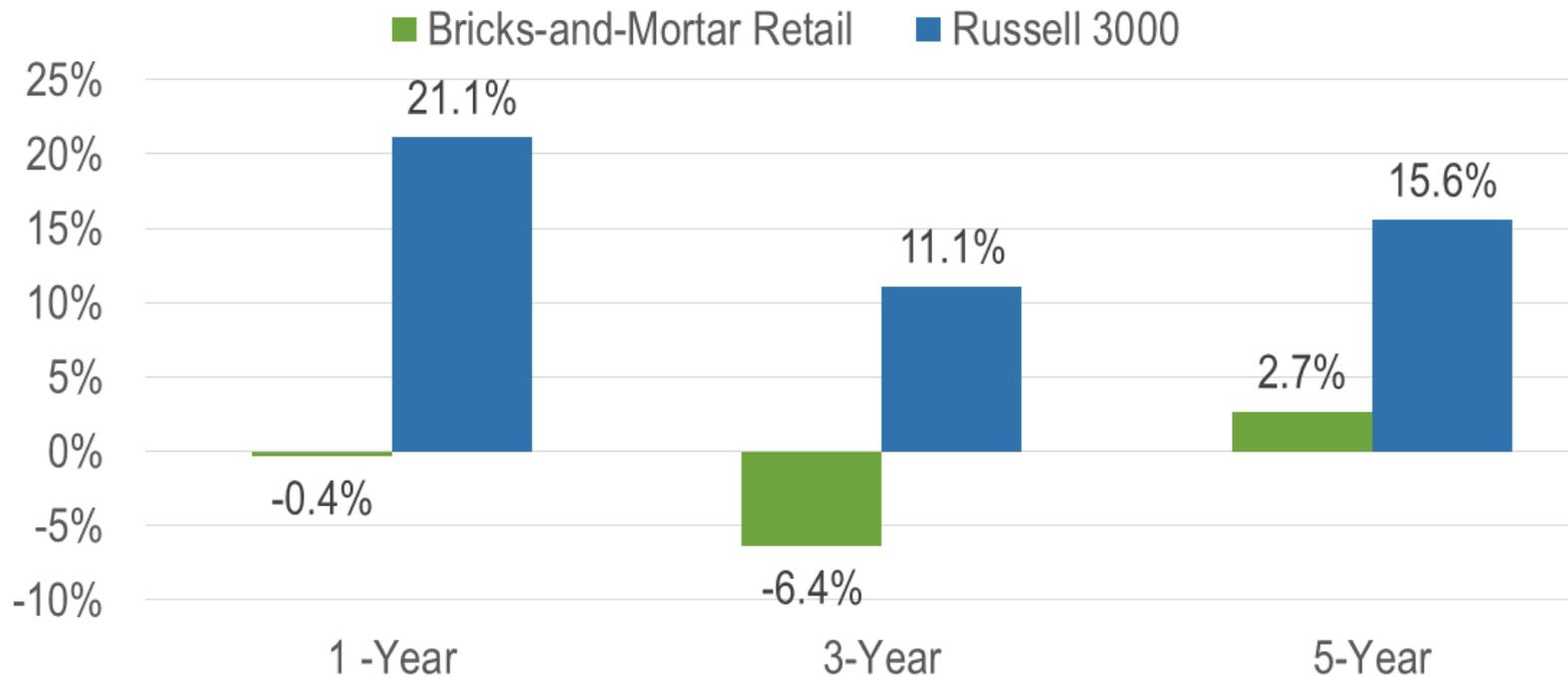
Number of Retail Stores Closing in 2017



Source: Goldman Sachs Research

Bricks-and-Mortar Retailers Have Systematically Underperformed the Broader Stock Market

Historical Performance of Stock Prices
December 31, 2017



Source: Bloomberg, 12/31/17.. Note: Bricks & Mortar Retail is an equal weighted average of underlying constituents of the GICS Retail Industry groups (Multi-Line Retail, Specialty Retail, and Food & Staples). Past performance does not guarantee future results. Indexes are unmanaged. It is not possible to invest in an index.

A Bleak Forecast

- Online sales penetration is likely to increase substantially
- Amazon's growth may have a long way to go
- Even those able to adapt are likely to see declining performance

The Rapidly Changing Landscape

The Retail Landscape is Changing Rapidly

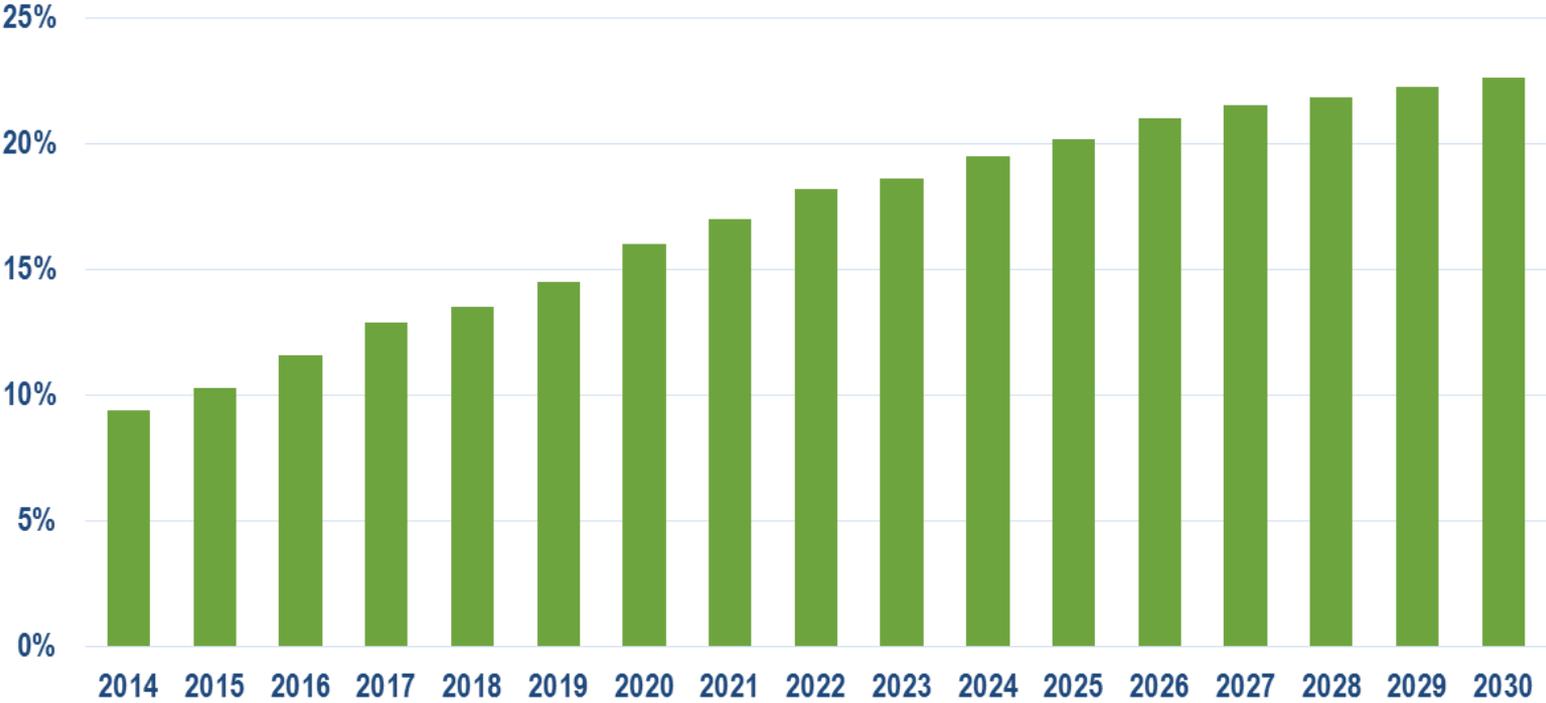


- Shopping is going digital
 - Forecasts for 2017 estimated a 35% increase in online sales, compared with 10% or less for physical retailers
 - Amazon sales in North America have grown significantly since 2010
- Consumer habits are changing
 - Approximately $\frac{3}{4}$ of young shoppers prefer buying experiences, like travel and dining, over material possessions
- We're still in the early innings
 - Only 10% of global purchases are currently conducted online, leaving tremendous room for growth



Online Penetration Forecast to Increase Substantially

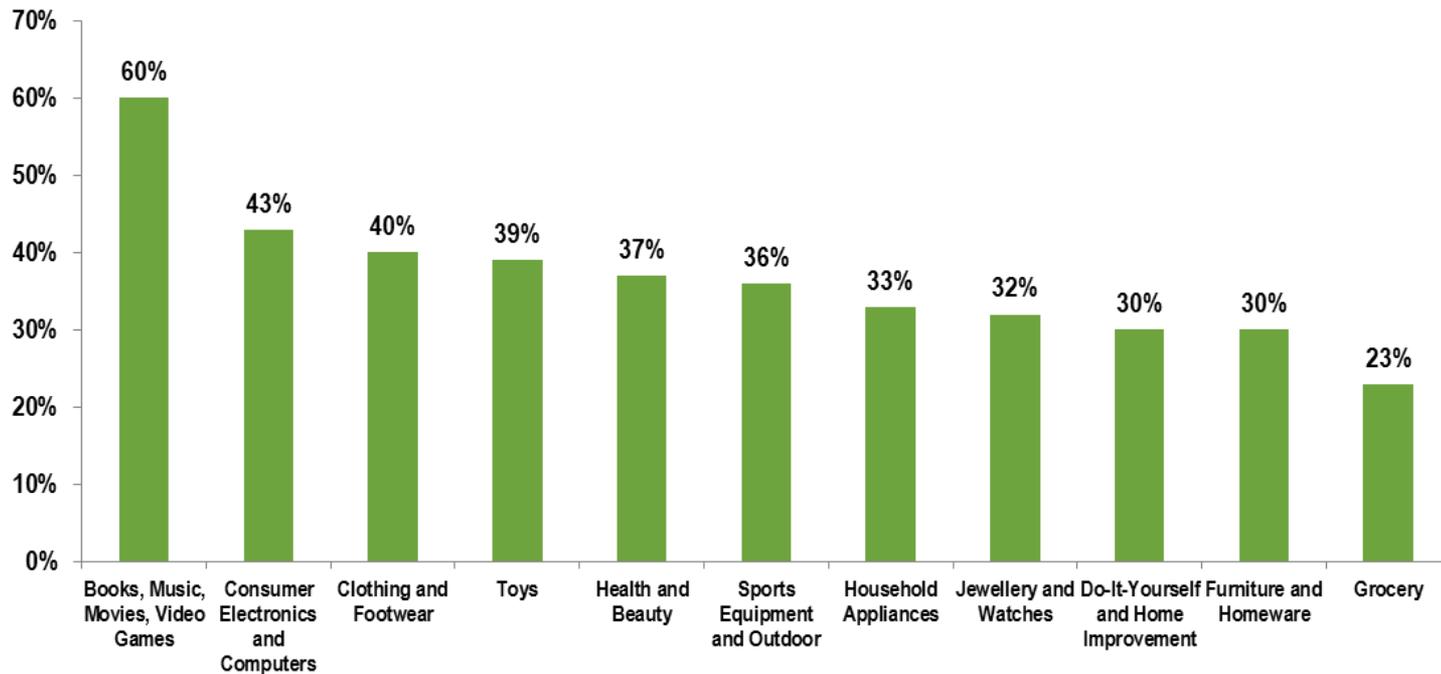
Projected Percentage of Total Retail Sales



Source: FTI Consulting, 2017 US Online Retail Forecast

Online Penetration Could Exceed Forecasts

% of Global Shoppers Who Prefer to Purchase Online



Source: PWC Total Retail Survey 2017 Data

Retail Disruption Continues to Drive Outperformance of Online Retail

- Strong holiday sales and the announcement of the U.S. corporate tax cut drove the Solactive-ProShares Bricks and Mortar Retail Store Index up over 15% from its launch before Thanksgiving and year-end
- The respite was short-lived however, as the index has fallen -3.74% so far this year, while the ProShares Online Retail Index has risen 22.86%
- As retailers report their Q4 2017 results, even those who have grown their online sales, have reported declining margins
- It's a reminder that retail disruption and performance challenges for legacy bricks-and-mortar retailers is likely to continue

Date Bloomberg, 11/16/17-3/9/18. Past performance does not guarantee future results.

The Amazon Juggernaut—Early Days

Retailer	Net Sales (in millions)
Wal-Mart Stores Inc.	\$490,012
CVS Health Corp	\$182,351
Amazon.com Inc.	\$161,154
Costco Wholesale Corp	\$129,025
Walgreens Boots Alliance Inc.	\$118,214
Kroger Co.	\$118,050
Home Depot Inc.	\$97,356
Target Corp	\$69,577
Lowe's Companies, Inc.	\$67,878
Sysco Corp	\$56,053

Source: Bloomberg, trailing 12 months as of 10/5/17.

Adaptation Challenges

- Integrated online/offline retail business models such as omnichannel and showrooming may appear to present an opportunity for legacy retailers, but:
 - The integrated model—and “new” role for physical stores may be best delivered by the newer generation of online-centric retailers
 - Even “successful” adaptors may find thin margins and substantial capital investments

The Retail Disruption Opportunity

New from ProShares: EMTY and CLIX

- ProShares Decline of the Retail Store ETF (Ticker: EMTY)
 - EMTY is the first ETF specifically designed to benefit from the decline of bricks-and-mortar retailers
 - Provides short exposure (-1x) to the Solactive-ProShares Bricks and Mortar Retail Store Index
 - Consists of retailers that rely principally on revenue from physical stores
 - Designed to benefit each day the index declines in value
- ProShares Long Online/Short Stores (Ticker: CLIX)
 - CLIX is the first ETF to provide investors opportunities arising from both the potential growth of online companies and the decline of bricks-and-mortar retailers
 - Tracks the ProShares Long Online/Short Stores Index
 - Combines long positions in retailers with leading online businesses and short positions in companies that rely principally from physical stores

Solactive-ProShares Bricks and Mortar Retail Store Index

- To be included in the index, a retailer must:
 - Be characterized as receiving at least 50% of its revenue from retail operations
 - Receive 75% or more of its retail revenues from in-store sales
 - Be a U.S. company
 - In addition, a retailer must have a market capitalization of at least \$500 million, a six-month daily average value traded of at least \$1 million, and meet other requirements
 - The index is equally weighted, rebalanced monthly and reconstituted annually

Index Characteristics as of December 31, 2017

Solactive-ProShares Bricks and Mortar Retail Store Index

Fundamentals	
Number of Companies	56
Price/Earnings Ratio	28.45
Price/Book Ratio	4.59
Average Index Market Capitalization	\$20.92 billion

Top 10 Index Segments	Weight
Apparel Retail	28.48%
Specialty Stores	19.74%
Department Stores	10.42%
Food Retail	8.94%
General Merchandise Stores	7.25%
Home Improvement Retail	5.45%
Computer & Electronics Retail	5.36%
Hypermarkets & Super Centers	3.63%
Drug Retail	3.58%

Top 10 Companies	Weight
The Finish Line	1.88%
Michaels Cos Inc.	1.85%
Burlington Stores Inc.	1.85%
Lowe's Cos Inc.	1.84%
Best Buy Co Inc.	1.83%
Dollar General Corp.	1.83%
The Children's Place Inc.	1.83%
Sally Beauty Holdings Inc.	1.82%
Office Depot Inc.	1.82%
Costco Wholesale Corp.	1.82%

ProShares Long Online/Short Stores Index

- 100% long retailers in the ProShares Online Retail Index include U.S. and non-U.S. companies. To be eligible, a retailer must:
 - Be classified as an online retailer, an e-commerce retailer, or an internet or direct marketing retailer, according to standard industry classification systems
 - Have a market capitalization of at least \$500 million
 - Have a six-month daily average value traded of at least \$1 million and meet other requirements
 - When the index is rebalanced, it is weighted so that no company may exceed 24% of the value of the index, the sum of companies individually weighing more than 4.5% may not exceed 50% of the value of the index, and the total weight of all non-U.S. companies will be capped at 25% of the value of the index
 - The index uses a modified market-cap weighting approach, is rebalanced monthly and is reconstituted annually
- 50% short the Solactive-ProShares Bricks and Mortar Retail Store Index

Index Characteristics as of December 31, 2017

ProShares Long Online/Short Stores Index

Total Number of Companies		Price/Earnings Ratio		Price/Book Ratio		Average Index Market Capitalization	
Long	Short	Long	Short	Long	Short	Long	Short
20	56	80.18	28.45	7.46	4.59	\$62.13 billion	\$20.92 billion

Top 10 Index Companies (Long)	Weight	Top 10 Index Companies (Short)	Weight
Amazon.Com Inc.	24.07%	The Finish Line	1.88%
Alibaba Group Holding	16.02%	Michaels Cos Inc.	1.85%
Shutterfly Inc.	4.73%	Burlington Stores Inc.	1.85%
Netflix Inc.	4.64%	Lowe's Cos Inc.	1.84%
Chegg Inc.	4.54%	Best Buy Co Inc.	1.83%
Ebay Inc.	4.52%	Dollar General Corp.	1.83%
Wayfair Inc.	4.49%	The Children's Place Inc.	1.83%
Nutrisystem Inc.	4.48%	Sally Beauty Holdings Inc.	1.82%
Groupon Inc.	4.45%	Office Depot Inc.	1.82%
Petmed Express Inc.	4.44%	Costco Wholesale Corp.	1.82%

ProShares Retail Disruption ETFs

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THE RETAIL DISRUPTION OPPORTUNITY

Bricks-and-mortar retailers are under immense pressure. E-commerce is threatening to take over retail as consumer habits change, shopping moves online, and physical stores struggle to remain viable. Key indicators point to this being a long-term trend.

For investors, this creates opportunity. ProShares Retail Disruption ETFs are the first ETFs specifically designed for investors to benefit from the changing retail landscape, as consumers move toward online shopping and away from physical retail stores.

Ticker	ETF Name	Index	Learn More	
EMTY	ProShares Decline of the Retail Store ETF	Solactive-ProShares Bricks and Mortar Retail Store Index	Profile	Fact Sheet
			Fund Details	Prospectus
CLIX	ProShares Long Online/Short Stores ETF	ProShares Long Online/Short Stores Index	Profile	Fact Sheet
			Fund Details	Prospectus

PROSHARES DECLINE OF THE RETAIL STORE ETF (EMTY)

PROSHARES LONG ONLINE/SHORT STORES ETF (CLIX)

A Reminder About Risk and Prospectus

ProShares EMTY seeks a return that is -1x the return of an index (target) **for a single day**, as measured from one NAV calculation to the next. Due to the compounding of daily returns, EMTY's returns over periods other than one day will likely differ in amount and possibly direction from the target return for the same period. Investors should monitor their holdings consistent with their strategies, as frequently as daily. For more on correlation, leverage and other risks, please read the prospectus.

Shares of any ETF are generally bought and sold at market price (not NAV) and are not individually redeemed from the fund. Brokerage commissions will reduce returns. **Investing involves risk, including the possible loss of principal.** These ProShares ETFs are non-diversified and entail certain risks, which may include risks associated with the use of derivatives (such as swap agreements, futures contracts and similar instruments), imperfect benchmark correlation, leverage and market price variance, all of which can increase volatility and decrease performance. EMTY seeks short exposure and should lose money when its index rises. CLIX's short positions are not intended to hedge the portfolio in market downturns, but rather to allow stocks with unfavorable outlooks to contribute to performance. Short positions lose value as security prices increase. Investments in the consumer discretionary and retailing industries are subject to risks such as changes in domestic and international economies, interest rates, competition and consumer confidence; disposable household income; consumer tastes and preferences; intense competition; changing demographics; marketing and public perception; and dependence on third-party suppliers and distribution systems. Investments in smaller companies typically exhibit higher volatility. Smaller company stocks also may trade at greater spreads or lower trading volumes, and may be less liquid than stocks of larger companies. CLIX invests in international investments, which may involve risks from: geographic concentration, differences in valuation and valuation times, unfavorable fluctuations in currency, differences in generally accepted accounting principles, and from economic or political instability. In emerging markets, many risks are heightened, and lower trading volumes may occur. Please see their summary and full prospectuses for a more complete description of risks. **There is no guarantee any ProShares ETF will achieve its investment objective.**

Carefully consider the investment objectives, risks, charges and expenses of ProShares before investing. This and other information can be found in their summary and full prospectuses. Read them carefully before investing. Obtain them from your financial advisor or broker-dealer representative, or visit ProShares.com.

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A Reminder About Risk and Prospectus

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