

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

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E-tailers Try Brick & Mortar

Some people refuse to buy online because they want to look in a mirror to check whether a shirt's color matches their skin tone, or they want to hold a digital camera to feel if it is lightweight enough or zooms they way they like.

Others stick to traditional stores because they don't like the hassle of mailed returns.

To try to win their business, a new mall store is in the works that will showcase products from various e-tailers and catalog companies in a shared space for people with hang-ups about shopping from a distance.

Customers at the first Epicenter Collection store to open next year in a Newark, Delaware, mall will use handheld devices to learn about products, order them and have them sent to their home without shipping fees. Some items can be bought through a conventional checkout line.

The setup is meant to give people the touch-and-feel element of shopping they miss when buying online.

In the new product showcase site, companies and brands with few or no stores will lease space for
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Bi Mart Acquisition Corp: Retailer of the Week

We are reaffirming Bi Mart as a "D" moderately high risk credit with a "stable" outlook. This private retailer put out a very nice year, growing comps and showing a very strong gain in profitability. Bi Mart's operations seem to be doing just fine, as comps continued to climb on a year-over-year basis. The company's balance sheet continues to be hampered by the large loan that was taken out to support the ESOP program in 2004, but so far, operations have had no trouble supporting the debt load. The company has almost dug itself out of the equity deficit that was created, and one more good year should do the trick.

While the company's balance sheet has some holes due to the heavy debt load, operations have been enough to alleviate the concerns. Preliminary results for the first few months of the new year have been good, and Bi Mart is looking to carry the momentum into the future.

\$ figures in millions, 12-Months ended	2/24/2007 (FY07)	2/25/2006 (FY06)	Year-over-Year Change
Performance Ratios			
Total Revenue	\$694.20	\$665.50	4.32%
Gross Margin %	22.48%	22.42%	+6 bps
Operating Profit \$	\$20.4	\$15.5	+31.96%
Operating Margin %	2.94%	2.33%	+61 bps
Net Profit \$	\$12	\$6.7	+79.03%
Profit Margin %	1.72%	1%	+72 bps
Liquidity Ratios			
Cash and A/R % Current Liabilities	22.15%	21.41%	+74 bps
Working Capital	\$58.2	\$54.2	+7.38%
Current Ratio	1.86x	1.77x	+9 bps
Leverage Ratios			
EBITDA / Interest Expense	3.05x	2.39x	+66 bps
Stockholder's Deficit	-\$3.1	-\$18	+82.5%
Total Liabilities / Total Assets	101.82%	110.62%	+880 bps

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Did You Know...?

Responding to an outpouring of alarm over imminent changes to the way the federal government calculates reimbursement rates for prescription drugs dispensed under the Medicaid program, the Centers for Medicare and Medicaid Services announced a delay in the implementation of the changes.

E-tailers Try Brick & Mortar

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individual shops in an empty mall anchor location, according to developer Convergent Retail.

Convergent Retail is negotiating with 60 to 70 catalog companies, e-tailers and brands to bring home products, gifts, apparel, food and electronics to the store. The company is a division of Gordon Group Holdings, which has helped develop other specialty shopping venues such as The Forum Shops at Caesars Palace in Las Vegas and The Beverly Center in Los Angeles.

Merchants will operate their own shops, making the decisions about what features the spots will offer, such as fitting rooms.

Convergent Retail hopes to open similar stores at malls around the country, with two planned for 2009 at undetermined locations. Merchandise could include items such as chocolate, jewelry, clothing, DVD players and TVs.

The first store will go in an empty space owned by Macy's, which exchanged a lease on the location for a minority stake in the venture.

Developers hope the showcase stores will have the side benefit of increasing mall traffic and filling empty anchor locations. Mall sales are down about 8% over the past two years, according to the NPD Group, a market research company.

Malls have had more competition in recent years from online merchants and from outdoor shopping centers that allow customers to get in and out quickly without having to walk through a mall.

Although online retailers that would be tenants of Epicenter Collection have been in competition with mall stores, most companies from both sides are trying to provide multiple ways for people to buy their products.

Retail analysts say the idea is worth a shot to try to help hurting malls and online sellers struggling to capture potential customers who want to size up products.

First Page

Did You Know...?

Leading indicators of U.S. economic activity increased 0.3% in May, suggesting the economy may have weathered the storm of the housing slump and rising gas prices. Economists had been anticipating a 0.2% increase.

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Bankruptcy Blotter

... For the four weeks ended May 5, 2007, **Interstate Bakeries** reported a net loss of \$3.8 million, including restructuring, reorganization, and abandonment charges of \$2.8 million. Gross revenue for the period was \$234.9 million.

... **Tweeter Home Entertainment's** stock will be delisted from the **Nasdaq Stock Market** this week. The company will not pursue an appeal.

... **Vanguard Sports**, of Richmond, Virginia, doing business as **April's Sports** and **MVP**, filed for bankruptcy protection. The company, which currently operates six stores, hopes to emerge from Chapter 11 with three Richmond areas stores and an Internet business.

... **Retail Investments, Inc.** of North Conway, New Hampshire, which does business under nine separate names, filed for bankruptcy protection in Portland, Maine. Banners operated by the company include Canal Bridge Canoes, Great Outdoors, Great Outdoors Trading Co. and Joe Jones Ski & Sports. The business is majority-owned by members of the **Wagenheim** family.

... **Tower Automotive Inc.** is seeking court approval for the sale of the company to **Cerberus Capital Management** for \$1 billion. A three-month marketing effort failed to bring in any new bidders. A hearing on the sale of the company and confirmation of the company's Reorganization Plan is scheduled for July 11th.

... **Collins & Aikman** won approval for the sale of three manufacturing plants to be sold to **Flex-N-Gate** for \$10.4 million. In an unusual move, the sale was approved without the plants being put up for auction.

... Struggling **Delphi Corp.** reached a tentative deal with the **UAW** and **General Motors Corp.** that could pave the way for its exit from bankruptcy proceedings. Details of the agreement will be available once the agreement is ratified.

... In other news, **Delphi Corp.** heads to court this week to plead for an extra five months to file a Plan of Reorganization, having reached the tentative labor agreement with the **United Auto Workers Union**.

Heard in the Grocery Aisle

... Union members of at **Safeway Inc.'s** Vons and Pavilions units and **Kroger Co.'s** Ralphs chain were voting over the weekend to authorize a strike as negotiations with the three companies and the 65,000 union members broke down last week. **Albertsons** stores authorized a strike in March. Hopefully there will not be a repeat of the devastating 4-month strike that occurred three years ago.

In late breaking news this morning, there were reports that employees voted in favor of a strike authorization by an overwhelming margin of 95%.

... On a brighter note, members of the **United Food and Commercial Workers** Locals 455, 408 and 540 in Houston and Dallas reached tentative agreements with **Kroger**. The tentative agreement covers over 13,000 Kroger associates in 202 stores in the Dallas and Houston metro areas.

... The **Federal Trade Commission's** lawsuit to block the merger deal between **Whole Foods** and **Wild Oats** quotes the former's CEO **John Mackey** telling his Board that such a merger would kill the possibility of "nasty price wars" between the combined company and mainstream rivals, and "eliminate forever" the chance of a conventional chain starting its own natural/organic operation. Talk about waving a red flag in front of a bull.

... **Whole Foods Market®** plans to sell off 35 **Wild Oats** stores operated as Henry's Farmers Market and Sun Harvest, and a Riverside, California distribution center to **Apollo Management** and its **Smart & Final** unit if it is able to get approval from the government of its planned \$565 million acquisition of Wild Oats. The stores are located in California and Texas.

... As expected, **Whole Foods** extended its tender offer for \$565 million to acquire **Wild Oats**. The decision is the third extension, and comes as the two natural foods grocers prepare to do battle with the FTC, which opposes the acquisition.

... **Kroger** reportedly has installed a **Shop24** unit – an automated convenience store that sells more than 150 SKUs – at one of its Columbus, Ohio,

stores. The installation of the unit reportedly is just the second in the U.S. Kroger is not commenting on future rollout plans.

... **Kroger** finally confirmed that which had been rumored for some time – that it would buy 20 **Farmer Jack** stores in Michigan from **A&P**, which is getting out of the market. After the Kroger sale, there remain 46 other Farmer Jack stores, which are still up for sale.

... The Detroit Free Press reports that **Hollywood Super Markets**, a four-store independent based in Troy, Michigan, will acquire three of the Michigan **Farmer Jack** stores being sold by **A&P**. Terms of the deal were not disclosed. Now there's 43 stores left.

... **Albertsons LLC** plans to exit the Oklahoma marketplace and outsource the grocery distribution operations that support its Dallas-Fort Worth division, in a two-pronged deal with **Associated Wholesale Grocers (AWG)**. AWG will buy Albertsons Ft. Worth distribution center, while four of its retailer-members will buy 23 of Albertsons' Oklahoma stores. Albertsons also inked a five-year supply agreement under which AWG will continue to service Albertsons stores in its Dallas-Fort Worth division.

... At **Ahold's** general meeting last week, shareholders voted to approve the sale of the company's **US Foodservice** division for \$7.1 billion to equity firms **Clayton, Dubilier & Rice** and **Kohlberg Kravis**.

... The Washington Post reported that **Ahold-owned Giant Food** has seen its market share in the Washington, DC, market drop to 37.1% during the past year, down from 38.0% a year ago. The drop is attributed to increased competition from the likes of **Safeway** and **Shoppers Food Warehouse**.

... As part of its plan to make all of its locations franchises, **7-Eleven** is converting 100-company-owned stores in South Florida to franchises and offered the units to its store managers before making the plan public.

Feedback?

Questions?

Suggestions?

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Options and Resources

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Off the Rack

... **Jones Apparel Group Inc.** is near a deal to sell the **Barneys New York** department store chain for \$825 million to Dubai's private equity firm **Isthimar**, according to a newspaper report. An announcement on the sale is expected shortly.

... As part of its ongoing plan to enhance shareholder value, **Limited Brands, Inc.** will undertake a significant reduction of SG&A expenses with expected savings of approximately \$100 million annually beginning in fiscal 2008, primarily realized through a decrease in headcount of approximately 10% at the corporate and brand home offices, which includes the elimination of open positions, reduction of current staff and transfers to the new Express business in conjunction with the upcoming sale.

... In addition to the above, **Limited Brands** continues to explore strategic alternatives for its Limited Stores business, after having announced the signing of a definitive agreement with affiliates of **Golden Gate Capital** to sell a 67% ownership interest in Express brand for pre-tax cash proceeds of \$548 million.

... Finally, as part of the plan to enhance shareholder value, **Limited Brands** announced that it is increasing the previously announced \$500 million share repurchase program to \$1 billion, and intends to raise \$1.25 billion of debt to fund the repurchases.

... **Nordstrom Inc.** downplayed a published report that the retailer is close to making a deal to sell its **Faconnable** brand of upscale clothing and accessories. The company would only confirm that it was exploring strategic alternatives, which may or may not include a sale.

... **Macy's** will hold its first-ever national supplier diversity fair in New York City on August 8th and 9th. The fair will target the minority and women-owned vendor community in the cosmetics and skincare categories with the goal of enhancing Macy's existing assortment for its diverse multicultural customer population.

... **Christopher & Banks Corporation** plans to report its fiscal first quarter financial results on Thursday, June 28, 2007 after the market close. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **Claire's Stores, Inc.** reported net sales of \$340.6 million for the first quarter ended May 5, 2007, a 9.2% increase over the comparable period last year, primarily attributable to new store growth, particularly in Europe, and comp store sales increases in North America of 2.4%. Net income for the quarter was \$28.8 million, down 3.0%, compared to net income of \$29.7 million last year.

... **The Bon-Ton Stores, Inc.** launched **Karen Neuberger's** KN Luxury Home collection of bedding ensembles, luxury sheet sets, bath towels and accessories, tabletop items, gifts and decorative pieces in late May and plans to introduce more merchandise throughout the year.

... For its latest design collaboration, **H&M** clothing is moving from pop-star designers such as **Madonna** to classic, Italianate know-how for its newest design partnership with **Roberto Cavalli**. The new line will consist of 20 men's wear pieces, 25 women's wear pieces and various accessories and lingerie styles at 200 stores starting November 8th.

... **Lucy**, the women's active wear company known for its flattering apparel and versatile performance fabrics, is opening its 50th store nationwide and its 7th store in Chicago in the North Shore Chicago suburb of Skokie.

... **The Children's Place Retail Stores, Inc.** received yet another notice from **NASDAQ** for delisting, as the company failed to file another quarterly report with the **SEC**. The company has made a submission to NASDAQ in support of its continued listing while it prepares and submits all of its missing reports.

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Health & Beauty Aids

... In a letter sent to the Massachusetts public Health Commissioner, five medical provider groups expressed major objections to **CVS Caremark's** plan to open 20 to 30 **MinuteClinics** in the Boston area by the fall. The **Massachusetts Medical Society, Massachusetts Academy of Family Physicians, Massachusetts Chapter of American Academy of Pediatrics, Massachusetts Hospital Association, and Massachusetts League of Community Health Centers** are specifically concerned about the granting of waivers for certain clinic requirements.

... A federal jury ruled that **Walgreen Co.** did not discriminate against four black customers who alleged they were victims of racial profiling, ending a nearly 2 year legal claim. The four men alleged that Walgreen employers followed them as they shopped at two stores in Chicago.

... **Take Care Health Systems**, a subsidiary of **Walgreens Co.**, added **Cigna HealthCare** to its network, enabling its members to have access to the national network of 53 in-store health clinics in Chicago, Kansas City, Milwaukee, and Pittsburgh.

... **Shoppers Drug Mart Corporation** will release its financial results for its second quarter ended

June 16, 2007 on Wednesday, July 18, 2007. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **AmerisourceBergen Corporation** signed an agreement with the U.S. Drug Enforcement Administration, which is expected to lead to the reinstatement of its Orlando Distribution Center's suspended license to distribute controlled substances. The agreement requires the company to implement an enhanced and more sophisticated order monitoring program in all of the company's distribution centers, and to pass several DEA inspections of the new program.

... **Cardinal Health** announced that more than 80% of the outstanding shares of **VIASYS Healthcare** have been tendered, making VIASYS a majority owned subsidiary of Cardinal Health. Cardinal Health intends to acquire all of the remaining VIASYS shares by means of a merger at the same price paid in the tender.

... **GeoPharma, Inc.** will release its results for the fiscal year ended March 31, 2007 on Tuesday, June 26, 2007. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

Specialty Items

... Troubled **Pier 1 Imports, Inc.** reported a wider than expected net loss for the first quarter ended June 2, 2007 of \$56.4 million, versus a loss for the comparable period last year of \$23.2 million. Net sales for the quarter were down 5.2% to \$356.4 million.

... As a result of its poor performance in the first quarter, **Pier 1 Imports Inc.** will slash \$150 million in annual costs by shutting down its e-commerce and catalog operation and accelerate store closings, including all clearance and Pier 1 Kids stores. The company plans to close 100 stores this year, up from the 60 it had previously announced.

... **Barnes & Noble, Inc.** is the nation's top book-selling brand for the fourth year in a row, according to the 2007 **EquiTrend® Brand Study** conducted by **Harris Interactive®**.

... **American Girl**, one of the country's hottest children's retail chains, is about to open its first Atlanta store, a new boutique concept that if successful will likely be expanded to other U.S. markets. A division of **Mattel Inc.**, American Girl has only three other stores, in New York, Chicago and Los Angeles. The company will also test its boutique concept at a new fifth store in Dallas.

... **Finlay Enterprises, Inc.** completed an amendment to its revolving credit facility provided by **GE Corporate Lending**, expanding total availability from \$225 million to \$300 million.

... **Movado Group, Inc.** executed a line of credit letter agreement with **Bank of America** and an amended and restated promissory note in the amount of up to \$20.0 million. The \$20 million line of credit is for short-terms loans and letters of credit for the importation of merchandise inventory. The \$20.0 million promissory note is due on June 16, 2008.

... **De Beers Diamond Jewellers US Inc.** will open its first store in the Houston area at the Galleria in late 2007. The 1,353 square foot store will be the fourth store in the U.S., following the June 2005 launch of a store in New York City, a December 2005 store in Beverly Hills and a January 2007 store in Las Vegas.

... Top 100 furniture store **Domain Home** was sold, with **Synergy Enterprises** acquiring a majority stake from **Aga Foodservice Group**. Aga, a producer of high-end stoves and refrigerators, will retain a 15% stake in the retailer. The company plans to add about 15 stores to its current 27 store base in the next three years.

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Mass Merchant Musings

... Just months after it withdrew its application for an industrial bank charter, **Wal-Mart** announced that it will open 1,000 Wal-Mart Money Centers by the end of next year, facilities that will assist customers who are outside mainstream banking with convenient, nationwide access to low-cost money services, including check cashing, money orders, bill payment and money transfers.

... In addition to the above, **Wal-Mart** is launching its new **Wal-Mart MoneyCard**, described as a reloadable prepaid Visa rolling out nationally with **GE Money** and **Green Dot**. The MoneyCard will be rolled out to approximately 1,300 stores by the end of June and to another 1,300 stores by the end of July.

... **Tesco** announced that it has chosen seven sites in San Diego for its **Fresh & Easy Neighborhood Market** format, and that it is looking for additional locations. The format, scheduled to be unveiled later this year, will first be seen in Southern California, Arizona and Nevada. In a surprise move, the company has chosen locations in lower income areas.

... **Buck Acquisition**, affiliated with **Kohlberg Kravis Roberts & Co. L.P.**, launched an offer of \$1.9 billion of notes consisting of \$725 million of Senior Toggle Notes due 2015, \$625 million of Senior Cash-Pay Notes due 2015 and \$550 million of Senior Subordinated Notes due 2017. The notes are being issued in connection with the pending merger of Buck with and into **Dollar General**.

... **Dollar General** announced that the proposed merger with **Buck Acquisition Corp.** was approved at a special meeting of shareholders held last week at a price of \$22.00 per share. Dollar Gen-

eral currently anticipates that the effective date of the merger will be on or about July 6, 2007.

... **Family Dollar Stores, Inc.** will release its earnings results for the third quarter ended June 2, 2007 on Thursday, June 28th. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... Based on preliminary results, **99 Cents Only Stores®** anticipates a net loss for the fourth quarter ended March 31, 2007 of approximately 1 cent per share compared to a net loss of 2 cents per share for the comparable period last year. The company also expects net income for the fiscal year to be approximately 14 cents per share compared to net income of 16 cents per share for the prior year.

... **Toys R Us** reported sales for the first quarter ended May 5, 2007 of \$2.58 billion, up 7.3% versus sales of \$2.41 billion for the comparable period last year. For the quarter, the company reported a net loss of \$41 million, \$4 million better than the net loss of \$45 million last year.

... **U.S. Toy Co./Constructive Playthings** opened its first Houston-area store. The new store brings the 54-year-old retailer's locations to 8 throughout the country. The company also operates numerous catalog businesses.

... For its first quarter ended May 5, 2007, **Factory Card & Party Outlet Corp.** had net sales of \$57.2 million, compared with \$57.0 million for the comparable period last year. The net loss for the quarter was \$660,000, which included approximately \$490,000 in one-time charges, versus net income last year of \$112,000.

Did You Know...?

The Retail Sector Newsletter has increased readership each week since publishing began?

Management on the Move

... **Winn-Dixie Stores Inc.** realigned its merchandising and marketing departments and named **Dan Portnoy** SVP and Chief Merchandising and Marketing Officer. Mr. Portnoy most recently served as President and CEO of **Kings Super Markets** in Parsippany, New Jersey. **Tom Robbins**, who has served as Winn-Dixie's SVP of Merchandising since 2005, will be retiring.

... **Duckwall-ALCO Stores** named **Donny Johnson** as SVP and CFO. Mr. Johnson most recently served as EVP and CFO with **Brookshire Brothers Food & Pharmacy**.

... **Dollar Tree Stores Inc.** appointed **Lemuel E. Lewis** and **Dr. Carl P. Zeithaml** to its Board of Directors. Mr. Lewis currently serves as a Board member and Chairman of the Audit Committee at

the **Federal Reserve Bank of Richmond**, Virginia. Dr. Zeithaml is the Dean of the McIntire School of Commerce at the **University of Virginia**.

... **Christopher & Banks Corporation** appointed **Susan Connell** as EVP and Chief Merchandise Officer, overseeing product development, sourcing, and other merchandising activities for the company's three retail concepts. Prior to joining the company, Ms. Connell was SVP - General Merchandising Manager with **Lane Bryant**.

... **Larry Zine**, CFO of **Blockbuster** for nearly nine years, will follow CEO **John Antioco** out the door at year-end. A new agreement protects him financially if the Board, dominated by **Carl Icahn**, removes him sooner.

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Hi Tech Entertainment

... Major structural changes and capital expenditures at **Circuit City**, compounded by a soft industry cycle, put a crimp in earnings, as the company reported a loss for the first quarter ended May 31, 2007 of \$54.6 million versus net income of \$8.3 million for the comparable period last year. Net sales for the quarter of \$2.49 billion dropped 4.3% versus last year, driven by a comp store sales decline of 5.6%. The company has withdrawn its forecast for the balance of the year.

... Despite its dominant marketplace position, **Best Buy** also felt the pressure of a soft retail environment, as first quarter earnings dropped by 18.0% to \$192 million. Sales for the quarter increased 13.9% as gross margins dropped 150 basis points reflecting a product mix swing and promotional activity, which ate into profits.

... **Harvey Electronics, Inc.** entered into a commitment letter with **New Stream Commercial Finance, LLC** for a one year \$7.5 million senior secured revolving credit facility. The company expects to terminate and prepay its existing facility with **Webster Business Credit Corporation**. The new facility is expected to provide a significant increase in availability and liquidity.

... In what must be seen as a major blow to the HD DVD high-definition optical disc format, **Blockbuster** announced that it will carry HD disc movies exclusively in the Blu-ray Disc format in all future stores that add high-definition software. Blockbuster will continue to carry HD DVD and Blu-ray titles at stores that currently offer them, as well as through its online rental service.

... For its first quarter ended April 30, 2007, the struggling **Sharper Image Corp.** posted a wider loss as revenue tumbled 37% on lower sales of its branded products. Revenue fell to \$67.6 million generating a net loss of \$16.8 million, up from a loss of \$12.7 million for the comparable period last year.

... **Rex Stores Corp.** agreed to invest between \$35.1 million and \$62.4 million in organic chemical manufacturer **One Earth Energy LLC**, replacing an earlier agreement to invest \$24.9 million in One Earth. Rex also entered into a conditional agreement to provide up to another \$6 million in interim financing to allow One Earth to move forward with the construction of an ethanol facility.

... **Apple Inc.'s** iTunes Music Store is now the third largest retailer of music in the U.S. with nearly 10% market share. Apple trails only **Wal-Mart Stores Inc.** with 15.8% and **Best Buy Co. Inc.** with 13.8%. Amazon.com Inc. dropped to fourth with a 6.7% share.

... **PC Mall, Inc.** renegotiated and renewed the lease for its corporate headquarters office at a cost savings of approximately 45% to its current lease, CAM and electricity costs over the new lease term, which translates to approximately \$1.4 million annually.

... **TigerDirect.com**, a subsidiary of **Systemax Inc.**, won **LinkShare's** annual Affiliate's Choice Award, beating out American Express and **Overstock.com** for this year's award.

Did You Know...?

Back-to-school might not mean a return to sales increases at teen-oriented retailers, predicts a research report by investment firm Cowen & Co. Despite the proliferation of tax-free shopping events and an extra week in July because of a calendar shift, sales increases "will be modest at best" in the second quarter.

FYI for the DIY

... **Bain Capital Partners, The Carlyle Group** and **Clayton, Dubilier & Rice, Inc.** signed a definitive agreement with **The Home Depot** to acquire its wholesale distribution business, **HD Supply**, for \$10.3 billion. The transaction is expected to close in the third quarter.

... In connection with the sale of **HD Supply, The Home Depot** announced a \$22.5 billion share repurchase program to be completed with cash on hand, the proceeds from the sale of HD Supply and the borrowing of approximately \$12.0 billion, adding significant leverage to the company.

... **Lowe's Companies** amended its revolving credit facility extending the facility to June 15, 2012 and raising the amount of the facility from \$1.0 billion to \$1.75 billion, including sublimits of

\$500 million for letters of credit and \$250 million for swingline loans. The facility may be increased to \$2.25 billion under certain conditions.

... The winner of **Ace Hardware's** Dream Ace contest will open his prize – a store – on June 29th in the Houston area. **Gower Talley** was chosen the lucky winner from among 5,400 entrepreneurs from across the country, who entered the contest in January. The business, valued at \$1 million, includes opening stock inventory, fixtures, décor and all the necessary technology needed to operate the store.

... **MSC Industrial Direct Co., Inc.** will release its financial results for the third quarter on Thursday, June 28th. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

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Bi Mart Acquisition Corp: Retailer of the Week

(Continued from page 1)

OPERATING PERFORMANCE

Revenues for the year ended February 24, 2007 were \$694.2 million, a 4.32% increase over last year. For the year, Bi Mart took advantage of a solid 4.8% comp store gain, as well as the expansion of the store base to 65. While gross margins were up marginally, the additional store seemed to do good things in response to leveraging the fixed costs. The company's SG&A as a percentage of revenues dropped 55 basis points, causing the operating profits to leap 31.96% to \$20.4 million. After the interest expense on the debt and Uncle Sam's portion, Bi Mart's bottom line took a healthy step in the right direction. Profits for the year were \$12 million, up 79.03% over last year. As the company continues to lower its debt load, interest expense continues to fall accordingly.

CAPITAL STRUCTURE

Cash on hand at year end was \$1.7 million, down from \$3.3 million last year. The drop in cash is made less of an issue by the increase in highly liquid accounts receivable, which was up to \$13.2 million. While the current assets grew just slightly over the course of the year, Bi Mart had a nice reduction in current liabilities from a decrease in accounts payable. The drop in the category led to a nice increase in working capital and an increase in the current ratio.

Bi Mart closed out the year with a drop in long-term debt from \$110.5 million last year to \$104.5 million this year. At the end of the first quarter, Bi Mart had \$68.8 million outstanding on its revolver, down slightly from last year. There was also \$27.5 million of mortgage debt on the books. If a cash crunch occurs, Bi Mart has availability of \$36.4 million left on its revolver.

Bi Mart has just about pulled its equity position back into black. The company closed the year with just a \$3.1 million equity deficit, much improved from the \$18 million deficit last year. Another strong year and the company will take a nice step in the right direction.

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Did You Know...?

The next Federal Open Market Committee meeting will take place on Wednesday, June 27 and Thursday, June 28. The Lending Tree Chief Economist Jim Svinth forecasts the eighth straight pause in interest rate hikes.

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Rating Changes and Outlooks

S&P Rating Changes				
Company	Credit Rating		Credit Outlook	
	Current	Prior	Current	Prior
LIMITED BRANDS INC	BBB-	BBB	NEG	STA
RADIOSHACK F/K/A TANDY CORP	BB	BBB-	NEG	NEG
HOME DEPOT INC, THE	A+	A+	NM	STA
WENDYS INTERNATIONAL INC	BB-	BB+	NM	NM
OMNICARE INC	BB+	BBB-	NEG	NEG
WENDYS INTERNATIONAL INC	BB-	BB+	NM	NM
EXPRESS LLC	B	NM	STA	NM
ANNTAYLOR INC	BB-	BB-	STA	POS
VERIFONE	BB-	BB-	STA	NEG
AMAZON COM INC	BB	BB-	STA	STA
DOLLAR GENERAL CORP	B	BB+	NEG	NM
ALBERTO CULVER CO	BBB-	BBB+	STA	NM
GREGG APPLIANCES INC/DBA HH GREGG	B+	B	STA	STA

The Global World of Sports and Footwear

... The Board of Directors of **The Finish Line, Inc.** and **Genesco Inc.** unanimously approved a merger agreement under which The Finish Line will acquire all of the outstanding common shares of Genesco for \$54.50 per share in cash. The transaction, valued at \$1.5 billion, is expected to be completed in the fall. The Finish Line expects to fund the transaction through a combination of approximately \$11 million in cash on hand and up to \$1.6 billion in debt.

... **GSI Commerce** struck a long-term e-commerce agreement with the **National Basketball Association** to provide the NBA, WNBA and NBA Development League with e-commerce operations for their respective online stores.

... **Cabela's Incorporated** sold \$60 million 6.08% Senior Notes due 2017 in a private placement to qualified institutional buyers. The company intends to use the proceeds for new retail store expansion.

... Canadian retailer **Lululemon** and its selling shareholders are offering more than 18.1 million shares, or 19% of the company in an IPO that values the company at more than \$1.0 billion. The offering will gross approximately \$200 million based on the mid-range of \$10 to \$12 per share offering. The company expects to gross approximately \$25 million, to be used for store expansion. The company will trade on **Nasdaq** under

the "Lulu" ticker and on the **Toronto Stock Exchange** under, "LLL."

... **Brown Shoe Inc.** is planning a joint venture with **Hongguo International Holdings Ltd.** that will operate more than 500 footwear stores throughout China by 2012. More than 400 retail shops will eventually carry Naturalizer footwear, while more than 100 will carry the Via Spiga brand.

... **Payless ShoeSource** received the approval of federal regulators for its \$800 million purchase of **Stride Rite**.

... In other news, **Stride-Rite** will release its results for the second quarter on Tuesday, June 26th. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... For the first quarter ended May 5, 2007, **Bakers Footwear Group, Inc.** reported net sales of \$49.3 million, down 1.1% from sales of \$49.8 million for the comparable period last year. Comp store sales for the period declined 9.3%. The net loss for the quarter was \$965,000 versus net income of \$668,000 last year.

... **Bakers Footwear Group, Inc.** also announced the private placement of \$4.0 million of Subordinated Convertible Debentures due June 30, 2012, bearing interest of 9.5% per annum.

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