

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

Inside this issue:

The Global World of Sports	2
Bankruptcy Blotter	3
Specialty Items	3
FYI for the DIY	3
Rating Changes & Outlooks	4
Mass Merchant Musings	4
Management on the Move	5
Heard in the Grocery Aisle	6
Health & Beauty Aids	6
Off the Rack	7
Third Quarter Earnings	8
Hi Tech Entertainment	10
Options & Resources	10

Home Prices Falling Everywhere

U.S. home prices were falling in every region of the country in September, according to a closely watched index of home prices released last week.

Home prices fell in September in all 20 major cities covered by the Case-Shiller price index, even in cities that had been holding up before the August freeze in mortgage markets, Standard & Poor's reported.

"There is no real positive news in today's data," said Robert Shiller, chief economist at MacroMarkets LLC, and the co-developer of the index. Mr. Shiller said it's nearly impossible to forecast when the market could turn around.

For the national Case-Shiller home price index, prices fell 1.7% in the third quarter compared with the second quarter, and were down a record 4.5% in the past year. It was the largest quarter-to-quarter price decline in the 20 years covered by the index.

For the first time in this housing cycle, prices in all 20 cities dropped from the previous month, with the biggest declines in the former bubble cities of Miami, Phoenix, San Diego, Las Vegas, Los Angeles and Tampa.

(Continued on page 2)



Global Credit Services 6th Annual Symposium Sanibel Harbour Resort, Fort Myers, Florida April 1st-4th, 2008



Global Credit Services is pleased to announce that it will be hosting its **6th Annual Credit Symposium** from **April 1st - 4th, 2008** at the **Sanibel Harbour Resort** in Fort Myers, Florida. Don't miss the opportunity to meet credit, financial, and legal professionals alike to exchange information and ideas regarding risk management.

Based upon the availability of annual-year information, clients and attendees have asked that we hold our symposium in the 2nd quarter of 2008 in

order to provide more detailed information and discussion regarding retailers and other companies that we monitor. We are happy to comply with those requests.

Likewise, this time of year gives us and our esteemed group of Panelists and Speakers a chance to offer a "year in review" perspective and to better comment on economic and credit related trends for the upcoming fiscal 2008.

And like every year, we will be offering Sponsors and Exhibitors unique networking opportunities to reach their target audience in both a professional and personal format. Detailed sponsorship information regarding this event will be available soon.

To learn more about last year's successful **5th Annual Credit Symposium**, please click into the Symposium Info tab on the Global Credit Services website below, or contact Amelia Labriola at 212.308.6060 ext104.

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Remember...

Doubt is the beginning, not the end, of wisdom.

Home Prices Falling Everywhere

(Continued from page 1)

For the 20 cities, prices fell a record 4.9% year-over-year. Meanwhile, prices were down 5.5% year-over-year in the original 10-city index, the largest drop in the 10-city index since 1991.

The last time prices fell so much, it took more than eight years for home prices to return to their peak level.

Falling prices make it more difficult for homeowners to tap the equity in their homes or refinance their mortgages. Millions of homeowners who took out adjustable-rate loans in 2005 and 2006 face sharply higher mortgage payments this year and next, with foreclosures having already soared as the result of payment resets.

"It is surprising that the weaker housing market so far has had such a limited effect on U.S. household spending," wrote Gabriel Stein, an analyst for Lombard Street Research. "However, if house prices do continue to fall at their recent pace, it would be astonishing indeed if this did not badly hit consumer confidence and hence spending."

In a separate report, the Conference Board reported a sharp drop in the consumer confidence index in November, largely because of worries about the near-term outlook for energy prices and the stock market.

Former boom towns in Florida and Southern California have now passed Detroit for the dubious honor of having the largest price declines in the past year. Prices are still up in the Pacific Northwest and in areas of the South, but they're rising at a slower pace.

Fifteen of the 20 cities tracked in the index have seen prices fall in the past year, led by Tampa, Florida, with an 11.1% decline, followed by Miami with a 10% loss and Detroit with a 9.3% loss. Indeed, eight of the 20 cities recorded their largest-ever year-over-year price declines in September.

On a year-over-year basis, prices were up in five cities, led by Seattle and Charlotte, North Carolina, with 4.7% increases. After adjusting for inflation of 3.7% in the past year, real prices were up in just two of 20 cities.

First Page

Did You Know...?

U.S. consumer confidence sank in November to 87.3 from 95.2, well below the 90.2 expected by economists surveyed, and the lowest level and the biggest one-month decline since Hurricane Katrina.

[RETURN TO FIRST PAGE](#)

The Global World of Sports and Footwear

... Establishing a California beachhead, **Dick's Sporting Goods, Inc.** entered into a definitive agreement to acquire **Chick's Sporting Goods** for approximately \$40 million in cash and the assumption of approximately \$31 million in debt. The transaction is anticipated to be completed on or before December 31, 2007.

... Both **Genesco** and **The Finish Line** received subpoenas from the Office of the U.S. Attorney for the Southern District of New York to produce documents relating to their merger. The investigation is related to allegations by lender **UBS** that Genesco allegedly misled The Finish Line about its financial condition prior to their merger agreement.

... **Recreational Equipment, Inc.** opened its new 525,000 square foot distribution center in Bedford, Pennsylvania. Forty-two of the company's 96 stores will be serviced by the location.

... **Recreational Equipment** also announced plans to open a 26,000 square foot store in Brentwood, California, in 2009.

... **Academy Sports & Outdoors** opened a 70,000 square foot store in West Monroe, Louisiana.

... **GSI Commerce** signed a definitive agreement to acquire **Zendor.com Ltd.**, a Manchester, U.K.-based provider of fulfillment, customer care and e-commerce solutions, giving GSI the ability to deliver integrated, multichannel e-commerce solutions to both the U.K. and global retailers and brands.

... **Fleet Feet, Incorporated** added its 79th location with the opening of Fleet Feet Sports Baton Rouge. The Baton Rouge store represents the company's first franchise in the state of Louisiana.

... **Gander Mountain** will report its results for the third quarter on Thursday, December 6th. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **The Forzani Group Ltd.** completed the acquisition of **Athletes World Limited** and financed the acquisition through existing credit facilities.

Bankruptcy Blotter

... The bar date for filing claims against **Bombay Company** has been reset for January 21, 2008. A meeting of creditors is set for Thursday, December 27, 2007 at the Northern Texas Bankruptcy Court.

... **Interstate Bakeries Corp.** and its creditors are concerned that a deal between the **Teamsters** union and **Yucaipa Cos.**, a buyout firm led by **Ron Burkle**, could discourage other investors from participating in an auction of the company, and are calling for Yucaipa to disclose the terms of what Yucaipa called a pledge by the Teamsters to work "exclusively" with the private-equity firm on a reorganization plan.

... The court approved **Movie Gallery's** bid to pay a "success" fee of \$2.9 million to **Sopris Capital**, which is buying the chain out of bankruptcy, despite protests from a unit of **Goldman Sachs** that such payment was premature.

... A group of liquidators, including **Hilco Merchant Resources LLC, HRE Holdings LLC, Tiger Capital Group LLC, SB Capital Group LLC, Planned Furniture Promotions Inc.** and **Kimco Realty Services**, was the winning bidder with \$48 million in cash for the assets of **Levitz Furniture Inc.**, marking the end of the furniture seller.

... The estate of **Philip Hahn**, a former Co-

Chairman of **M. Fabrikant & Sons Inc.**, has agreed to pay the company \$8.8 million to resolve a dispute over stock purchased by the company prior to filing for bankruptcy.

... In other news the unsecured creditors of **M. Fabrikant** are seeking approval to obtain information that could help determine whether or not they should take legal action against the extended family of the company's owners for numerous transfers of property.

... The court canceled a December 6th confirmation hearing regarding the reorganization plan for **Dura Automotive Systems** until the company has lined up a \$425 million loan to finance its exit from bankruptcy. Dura has encountered difficulty obtaining financing amid the recent crunch in credit markets.

... In other news, **Dura Automotive System Inc.** reported sales for the four week period ended October 28th of \$60.5 million and a net loss of \$14.5 million, including \$4.6 million in reorganization items.

... **Delphi Corp.** has delayed a scheduled hearing on its Chapter 11 disclosure statement as the company tries to resolve objections to amendments it proposed to its plan.

Feedback?

Questions?

Suggestions?

[Click Here](#)

Specialty Items

... **Bath & Body Works**, a unit of **Limited Brands**, cut its vendor list by 50% as it reversed an earlier strategy to create large stores and add more outside brands to its offerings.

... **Barnes & Nobel, Inc.** signed a lease agreement to open a new store in the city of Folsom in Sacramento County, California. The store is expected to open in the spring of 2009.

... **Books-A-Million Inc.** is expanding outside Alabama during the Christmas holidays, with the opening of two stores in Kingsport, Tennessee and Baton Rouge, Louisiana. The Tennessee store is the 17th in that state, and the Louisiana is the 10th in that state.

... **Tiffany & Co.** plans to open a store in Dusseldorf, Germany, in the fall of 2008. The 3,200 square foot location will occupy two levels on the city's premier street for luxury shopping.

... As part of **Pep Boys'** plan to refocus on core automotive merchandise, the company is reallocating a larger portion of its inventory investment to core automotive merchandise, including additional tire inventory, a broader parts assortment and more car customization accessories. To rebalance its inventory, an aggressive mark down and sell-through program has been launched for certain none-core and unproductive merchandise.

FYI for the DIY

... **Central Garden & Pet Company** reported sales for its fiscal year ended September 29, 2007 of \$1.671 billion, a 3.1% over sales of \$1.622 billion for the prior year. The company reported a net income for the year of \$32.3 million, down 50.7% versus the prior year.

... In a controversial vote, the Miami-Dade County Commission gave initial approval to a proposed **Lowe's Home Center** outside the county's urban development boundary. The application was met with opposition from environmental advocates concerned about the Everglades National Park.

[RETURN TO FIRST PAGE](#)

Rating Changes and Outlooks

Global Credit Rating Changes

Company	Credit Rating		GCS Outlook	
	Current	Prior	Current	Prior
WALGREEN COMPANY INC	B		STA	

S&P Rating Changes

Company	Credit Rating		Credit Outlook	
	Current	Prior	Current	Prior
AUTONATION INC	BBB-	BBB-	NEG	STA
CDW CORP / FKA CDW COMPUTER CENTERS INC	B	NM	NEG	NM
CHARMING SHOPPES INC	BB-	BB-	NEG	STA
TARGET CORP	A+	A+	STA	NM
OFFICE DEPOT INC	BBB-	BBB-	NEG	STA
TARGET CORP	A+	A+	STA	NM
MRS FIELDS FAMOUS BRANDS	NR	CCC+	NR	NEG
MOTHERS WORK INC / MOTHERHOOD MATER-	B	B	NEG	STA
NORDSTROM INC	A-	A	STA	STA
OFFICE DEPOT INC	BBB-	BBB-	NEG	STA
TARGET CORP	A+	A+	STA	NM
JC PENNEY CO INC	BBB-	BBB-	STA	POS
BUILDING MATERIALS HOLDINGS INC/BMC WEST	BB-	BB	NM	NM
OFFICE DEPOT INC	BBB-	BBB-	NEG	STA
TARGET CORP	A+	A+	STA	NM

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Mass Merchant Musings

... **Sears Holding** made an official offer for **Restoration Hardware**, offering \$6.76 per share for all of the company's stock. The offer tops the offer from **Catterton Partners** of \$6.70 per share. The offer comes despite Restoration's struggle to maintain any real annual profitability.

... **Wal-Mart** invested a total of \$85.6 million to open five locations throughout Brazil. Among the five new stores is the chain's 3,000th supercenter outside the U.S.

... **Canadian Tire Corporation** increased its committed bank lines by \$500 million to a total of \$1.15 billion. In addition, the company expects to add a further \$110 million in committed lines for which bank credit approval has been received and documentation is in process.

... **Fred's Inc.** reported a 23% fall in third quarter profit and said it had retained **Merrill Lynch & Co.** to review alternatives after the company received inquiries from qualified parties. In addition, the company has temporarily suspended its 4 million share buyback program initiated in the second quarter.

... **Raymond French**, Chairman of **Strongbow Capital**, which owns 14.27% of **Duckwall-ALCO Stores'** shares, making it the largest shareholder of the company, sent a letter to the Board of Directors of Duckwall regarding the company's failure to meet its financial goals. Strongbow is threatening to nominate a slate of Directors for election to the Board of Directors if significant progress is not made regarding problem areas identified.

[RETURN TO FIRST PAGE](#)

Management on the Move

... **Saks Incorporated** elected **Jerry W. Levin** to its Board of Directors to fill a vacancy. Mr. Levin is currently Chairman and CEO of **JW Levin Partners LLC** and serves as Chairman of **The Sharper Image**.

... The **Bon-Ton Stores, Inc.** appointed **Barbara Schrantz** to the position of EVP, Stores and Visual, replacing **James M. Zamberlan**, who is retiring next month. Ms. Schrantz previously served as SVP, Merchandise Planning and Internet Marketing for Bon-Ton.

... **Citi Trends, Inc.** named **Brian P. Carney** to the company's Board of Directors. Mr. Carney currently serves as EVP and CFO of **BI-LO, LLC**, a position he has held since 2005.

... **Pacific Sunwear of California, Inc.** appointed **Michael L. Henry** interim CFO of the company, replacing **Gerald M. Chaney**, who resigned. Mr. Henry is currently the company's VP and Controller.

... In addition to the above, **Pacific Sunwear** added former **Herman's** executive **George Mrkonic** to its Board of Directors.

... **John W. Froman** was elected to the Board of Directors of **Ross Stores, Inc.** Mr. Froman most recently served as President and CEO of **NAMCO Pool and Patio** and before that as EVP and COO of **Circuit City**.

... **Quiksilver** appointed **Greg Perlot** as SVP of

Marketing for Quiksilver Brands in the Americas, a newly established senior executive role. Mr. Perlot has worked closely with the company in a creative consultancy capacity over the past three years.

... **The Wet Seal, Inc.** appointed **Edmond Thomas**, the company's President and CEO, as a new member of its Board of Directors.

... **Darren R. Jackson** resigned his position of EVP – Customer Operating Groups at **Best Buy Co.** to take the position of President and CEO of **Advance Auto Parts**. Mr. Jackson replaces interim President and CEO, **John Brouillard**, who will assume the position of non-executive Chairman.

... **A.C. Moore Arts & Crafts, Inc.** named **Joseph A. Jeffries** as its new EVP of Operations. Since 1999, Mr. Jeffries served in various senior management roles for **Office Depot, Inc.**, including most recently as VP, Store Operations, Space Planning and Visual Merchandising.

... **RadioShack** appointed **Peter Whitsett** as EVP – General Merchandise Manager, reporting to **Julian Day**, CEO. Most recently Mr. Whitsett served as SVP, Chief Merchant (Kmart Retail) at **Sears Holdings Company**.

... **Tech Data Corporation** appointed **Joe Quaglia** to be its SVP, U.S. Marketing. Mr. Quaglia joined the company in May 2006 as VP, East and Government Sales.

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"Retail Sector Weekly"
and
Monthly Comps Analysis
Report*

[RETURN TO FIRST PAGE](#)

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Heard in the Grocery Aisle

...Union leaders who represent **Safeway** workers in Northern California may ask members to vote to authorize a strike. The vote would clear the way for 30,000 Safeway workers to walk-off the job. Safeway announced on December 2nd that it had reached a tentative agreement with United Food and Commercial Workers Locals 5, 8, 101 and 648 on four-year collective bargaining agreements covering the company's retail clerks, meat and deli personnel. The unions will present the recommended settlement to their members for ratification in the coming weeks. Details of the settlements are being withheld by both the company and the unions until after ratification.

...A retail industry analyst suggested that **Tesco** might generate \$4 billion in U.S. sales by 2011, and that by 2015 that number may reach \$10 billion. Should the projections prove true, **Tesco** would become one of the top 10 retailers in America.

...**Delhaize**-owned **Hannaford Supermarkets** announced that it would begin selling its own nutrition labeling system called Guiding Stars next year.

...In an effort to gain market share, **Sweetbay** CEO Shelley Broader announced plans to provide products for special occasions.

...**Hy-Vee** has allegedly signed an agreement with **Maid-Rite**, a sandwich shop chain. The deal will allow **Maid-Rite** to operate within **Hy-Vee** gas stations and convenience stores.

...**Ahold**-owned **Peapod** is testing a system that will permit it to burn DVDs and ship them with grocery orders placed by customers.

...The Federal Trade Commission (FTC) has given **A&P** permission to purchase **Pathmark**. However,

the firm must sell six stores and is forbidden to open a new store in Staten Island for 10 years. **King Kullen** is rumored to be interested in the 5 Staten Island locations while **Stop & Shop** eyes the only Long Island store.

...The **Great Atlantic & Pacific Tea Co. (A&P)** has announced that it has completed the sale of its stake in Metro Inc. The firm's 11.7 million shares were sold for \$347 million.

...**Publix** has announced plans to open a 1,400 square foot medical clinic to tend to its injured workers.

...On December 22-23, **Fresh Direct's** employees plan to vote on whether or not to unionize.

...On December 12, **Publix** will open a store in Chattanooga, TN.

...**Marsh Supermarkets** is expected to generate approximately \$12 million from the sale of 25 surplus properties across the country. The transactions are expected to close by January 1, 2008.

...**Supervalu**-owned **Shop 'n Save** is in the process of putting in a fuel station at its property in St. Ann, MO.

...Nine **Food Pyramid** stores in Tulsa, OK have introduced an array of generic drugs for \$3.

...**Ahold** has announced plans to accelerate its Value Improvement Program (VIP) at its **Shop & Shop** and **Giant-Landover** locations.

...Investors are rumored to be interested in purchasing **Fred's**. CEO Michael Hayes has announced that the company has retained Merrill Lynch to look at "strategic and financial alternatives".

Did You Know...?

By 2 p.m. last Monday, Cyber Monday, more than 300 retailing Web sites tracked by Internet monitoring were drawing 4.6 million visitors per minute – a three-year record for most traffic in a single day to retail Web sites.

[RETURN TO FIRST PAGE](#)

Health & Beauty Aids

...**Pamida** and **Alegent Health Quick Care** have partnered to open an in-store clinic in Platts-mouth, NE.

...**Rite-Aid** has begun offering over-the-counter DNA test kits at its locations in Oregon, California and Washington.

...**Duane Reade** has opened its second Diabetes Resource Center in Brooklyn. The facility will assist people in managing diabetes. **Duane Reade's** first such facility is in Manhattan.

...**Cardinal Health** should not be significantly impacted by the closure of its distribution facility in Auburn, WA. The facility was shut down because

of concerns about the shipment of painkiller Vicodin.

...**AmerisourceBergen** announced that it has signed a letter of intent with **Medco Health Solutions, Inc.** confirming the selection of AmerisourceBergen as Medco's prime vendor for PBM mail-order wholesaler services, pending the completion of a new five-year contract. AmerisourceBergen's current five-year contract with Medco was due to end March 31, 2008. In fiscal year 2007, the Medco contract represented approximately 8 percent of AmerisourceBergen's \$61.6 billion of operating revenue and approximately 90 percent of its \$4.4 billion bulk revenue.

Off the Rack

...The street was pleased with **Talbots**, as the company posted a loss of \$9.4 million for the quarter. The loss for the quarter was far worse than the same quarter last year, but actually beat the lowered guidance for the struggling retailer. The company's CEO points to tighter expense controls and better performance from J. Jill. The company clearly has a lot of improving to do.

...The brightest spotlight for the week was on **Sears Holdings**. The company posted one of the worst quarters to date under the current regime. Profits were slashed 99% to just \$2 million from \$196 million last year. Lackluster results at both Sears and Kmart have contributed to the poor performance. Revenues for the quarter fell 3% to \$11.5 billion, as comps fell 4.2% at Sears and 5% at Kmart. A struggling top line seems to be catching up to Sears Holdings.

...**Stein Mart** reported a loss of \$2.7 million in the third quarter, as the company's new CEO called the quarter "very disappointing." So far in 2007, Stein Mart has posted profits of just \$7.6 million through the first three quarters of the year, down from \$16.1 million through the same period last year. The company is pointing to the same reasons as many other retailers, mainly a poor economic environment.

...Shares of **J Crew** shot up on the news that the company posted a surprise 21% increase in profits for the quarter. For the three months, J Crew saw profits of \$26.8 million, smashing most esti-

mates. Sales rose to \$332.7 million for the quarter, as most estimates were expecting just \$312.7 million. Comps were up 8% for the three months.

...**Bon Ton Stores** had another weak showing for the quarter. The retailer posted a loss of \$19.4 million for the three months, much lower than last year and worse than estimates. Revenues for the quarter fell 3% to \$780.8 million, as comps were down 3%.

...**Nordstrom** has filed the necessary paperwork in order to take out \$1 billion in notes. The proposal includes \$650 million in 6.25% notes due in 2018 and \$350 million in 7% notes due in 2038. The company will use the funds to repay debt and for general corporate purchases, including the share repurchase program.

...**Nordstrom** has signed a letter of intent to open a store in Minnetonka, MN, the second location in the state. The new store will be 172,000 square feet and is scheduled to be open in 2011.

...**TJX Companies** has announced that it has taken another step in moving forward from the credit card hacking that has plagued the company this year. The company has paid \$40.9 million to Visa and Fifth Third Bankcorp for potential claims. The costs were included in the \$107 million the company put in a reserve for the security breach, and is expecting another \$21 million in expenses next year.

Did You Know...?

Chain store sales for the week ended November 24 rose 2.5% from the year-ago period, according to the International Council of Shopping Centers and UBS Securities, a mixed bag as the holiday shopping season got underway.

[RETURN TO FIRST PAGE](#)



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Third Quarter Earnings

\$ in Millions	Sales			3rd Qtr Comps	Net Income		
	2006	2007	Change		2006	2007	Change
Apparel							
Abercrombie & Fitch	\$863.4	\$973.9	12.8%	1.0%	\$102.0	\$117.6	15.2%
Aeropostale, Inc.	\$385.5	\$412.6	7.0%	1.9%	\$32.6	\$36.0	10.6%
American Eagle Outfitters	\$696.3	\$744.4	6.9%	2.0%	\$100.9	\$99.4	-1.5%
AnnTaylor Stores Corporation	\$566.3	\$600.9	6.1%	-0.4%	\$39.3	\$40.8	3.8%
Bon Ton Stores, Inc.	\$804.1	\$780.8	-2.9%	-3.0%	(\$10.9)	(\$19.4)	-77.6%
Buckle, Inc.	\$143.1	\$167.6	17.1%	14.3%	\$17.7	\$22.2	25.7%
Cache, Inc.	\$59.9	\$60.6	1.1%	4.0%	\$0.7	\$0.2	-76.7%
Carter's, Inc.	\$392.0	\$410.9	4.8%		\$35.0	\$34.6	-1.0%
Casual Male Retail Group	\$106.9	\$106.6	-0.2%	-1.1%	(\$0.8)	(\$3.8)	-352.7%
Cato Corporation	\$187.7	\$181.9	-3.1%	-5.0%	\$5.9	\$2.9	-49.9%
Charming Shoppes, Inc.	\$695.3	\$669.4	-3.7%	-8.0%	\$19.4	(\$3.6)	N/A
Children's Place	\$550.4	\$587.4	6.7%	1.0%		\$11.8	
Citi Trends, Inc.	\$87.1	\$99.5	14.3%	1.9%	\$2.9	(\$0.5)	N/A
Coldwater Creek Inc.	\$256.4	\$271.2	5.8%	-13.6%	\$15.9	(\$6.2)	N/A
dELIA's, Inc.	\$67.5	\$71.2	5.5%	-2.0%	\$3.3	\$0.0	-99.6%
Dillard's, Inc.	\$1,759.3	\$1,674.2	-4.8%	-6.0%	\$13.6	(\$11.3)	N/A
Eddie Bauer Holdings	\$211.3	\$211.0	-0.2%	3.4%	(\$197.6)	(\$16.4)	91.7%
GAP	\$3,851.0	\$3,854.0	0.1%	-5.0%	\$189.0	\$238.0	25.9%
Gymboree Corporation	\$212.7	\$250.7	17.9%	8.0%	\$17.4	\$26.9	54.4%
Harold's Stores, Inc.	\$23.4	\$21.5	-7.8%	-11.5%	(\$2.1)	(\$0.1)	93.4%
Hot Topic, Inc.	\$196.7	\$188.5	-4.2%	-2.6%	\$7.1	\$6.7	5.6%
J.C. Penney Company	\$4,781.0	\$4,729.0	-1.1%	-3.5%	\$287.0	\$261.0	-9.1%
J. Crew Group, Inc.	\$275.6	\$332.7	20.7%	8.0%	\$26.0	\$26.8	3.2%
JoS. A. Bank Clothiers	\$119.5	\$131.3	9.9%	3.1%			
Kohl's Corporation	\$3,650.5	\$3,825.2	4.8%	-2.6%	\$224.5	\$194.0	-13.6%
Limited Brands	\$2,115.0	\$1,923.1	-9.1%	-3.0%	\$23.5	\$12.1	-48.4%
Macy's, Inc.	\$5,886.0	\$5,906.0	0.3%	-0.8%	(\$3.0)	\$33.0	N/A
Men's Wearhouse	\$430.1	\$512.1	19.1%	-2.1%	\$31.8	\$37.1	16.7%
New York & Company, Inc.	\$270.9	\$287.0	5.9%	-4.8%	\$9.6	(\$16.0)	-267.1%
Nordstrom, Inc.	\$1,872.1	\$1,970.4	5.3%	2.2%	\$135.7	\$165.7	22.1%
Pacific Sunwear of California, Inc.	\$375.4	\$373.1	-0.6%	5.0%	\$9.0	(\$20.0)	N/A
Retail Ventures, Inc.	\$787.6	\$787.8	0.0%	-7.3%			
Ross Stores, Inc.	\$1,362.0	\$1,468.3	7.8%	1.0%	\$43.9	\$48.7	10.8%
Saks Incorporated	\$697.0	\$796.1	14.2%	11.4%	\$6.2	\$21.6	249.5%
Stage Stores, Inc.	\$353.3	\$355.1	0.5%	-1.0%	\$2.8	\$2.4	-12.6%
Stein Mart, Inc.	\$339.2	\$333.3	-1.7%	-6.3%	\$0.2	(\$2.7)	N/A
Talbots, Inc.	\$568.6	\$556.0	-2.2%	-7.9%	\$8.1	(\$9.4)	N/A
TJX Companies	\$4,472.9	\$4,737.5	5.9%	3.0%	\$230.6	\$249.5	8.2%
True Religion Apparel, Inc.	\$43.2	\$48.7	12.7%			\$8.9	
Tween Brands, Inc.	\$230.5	\$260.9	13.2%	4.0%	\$19.0	\$13.0	-31.6%
Urban Outfitters, Inc.	\$308.4	\$379.3	23.0%	8.0%	\$34.5	\$45.4	31.5%
Wet Seal, Inc.	\$143.3	\$150.3	4.9%	-3.4%	\$2.4	(\$3.3)	N/A
Wilson's The Leather Expert	\$64.5	\$57.8	-10.3%	-13.3%	(\$14.1)	(\$18.5)	-31.8%
Mass Merchants							
Big Lots, Inc.	\$1,049.5	\$1,030.6	-1.8%	-0.5%	\$1.7	\$14.3	35.5%
BJ's Wholesale Club, Inc.	\$2,012.1	\$2,172.4	8.0%	3.4%	\$18.3	\$22.7	23.7%
Canadian Tire	C\$2,023.3	C\$2,053.4	1.5%	-2.7%	C\$95.4	C\$105.7	10.8%
Cost U Less, Inc.	\$54.6	\$57.9	6.0%	5.7%	\$0.5	\$0.4	-15.9%
Dollar Tree Stores, Inc.	\$910.4	\$997.8	9.6%	1.9%	\$32.5	\$35.9	10.5%
Duckwall-ALCO Stores, Inc.	\$108.8	\$114.3	5.1%	2.2%			
Fred's, Inc.	\$407.9	\$419.9	3.0%	1.1%	\$6.0	\$4.6	-22.6%
Overstock.com	\$156.9	\$161.9	3.2%		(\$24.5)	(\$4.7)	80.8%
Sears Canada Inc.	C\$1,408.8	C\$1,367.6	-2.9%	-3.6%	C\$37.8	C\$105.2	278.3%
Sears Holdings Corporation	\$11,941.0	\$11,548.0	-3.3%	-4.6%	\$196.0	\$2.0	-99.0%
Target Corporation	\$13,570.0	\$14,835.0	9.3%	3.7%	\$506.0	\$483.0	-4.5%
Wal-Mart Stores, Inc.	\$84,467.0	\$91,949.0	8.9%	1.5%	\$2,647.0	\$2,857.0	7.9%
Home Centers							
Builders FirstSource, Inc.	\$569.9	\$413.9	-27.4%		\$17.3	(\$11.5)	N/A
Building Materials Holding Corporation	\$817.8	\$618.3	-24.4%		\$35.3	\$4.2	-88.2%
Calloway's Nursery, Inc.	\$6.9	\$7.1	1.6%	4.4%	(\$1.4)	(\$0.8)	42.8%
Fastenal Company	\$470.1	\$533.8	13.5%		\$54.1	\$62.1	14.9%
Five Star Products, Inc.	\$27.7	\$32.9	19.1%		\$0.0	\$0.3	953.3%
Griffin Land & Nurseries	\$17.7	\$12.1	-31.4%		\$2.6	\$2.3	-12.2%
Home Depot, Inc.	\$19,648.0	\$18,961.0	-3.5%	-6.2%	\$1,490.0	\$1,091.0	-26.8%
Huttig Building Products	\$294.2	\$233.0	-20.8%		(\$9.1)	(\$0.1)	98.9%
Interline Brands, Inc.	\$314.2	\$330.2	5.1%		\$14.2	\$16.0	12.4%
Lowe's Companies	\$11,211.0	\$11,565.0	3.2%	-4.3%	\$716.0	\$643.0	-10.2%
Rona, Inc.	C\$1,354.5	C\$1,445.1	6.7%		C\$60.0	C\$63.6	5.9%
Sherwin-Williams Company	\$2,116.7	\$2,197.0	3.8%	-0.6%	\$179.1	\$200.3	11.9%
Tractor Supply Company	\$559.2	\$629.2	12.5%	1.9%	\$18.1	\$17.5	-3.3%
United Rentals, Inc.	\$983.0	\$997.0	1.4%		\$95.0	\$112.0	17.9%
Wesco International	\$1,343.1	\$1,545.6	15.1%		\$59.4	\$70.0	17.8%
W. W. Grainger	\$1,519.5	\$1,658.6	9.2%		\$104.5	\$109.2	4.5%

(Continued on page 9)

Did You Know...?

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

[RETURN TO FIRST PAGE](#)

Third Quarter Earnings

(Continued from page 8)

\$ in Millions	Sales			3rd Qtr Comps	Net Income		
	2006	2007	Change		2006	2007	Change
Sports & Footwear							
Big 5 Sporting Goods Corp.	\$223.3	\$231.3	3.6%	0.1%	\$7.8	\$8.4	7.1%
Big Dog Holdings, Inc.	\$54.1	\$56.6	4.5%	1.2%	\$0.5	(\$0.1)	N/A
Broder Bros., Co.	\$249.2	\$246.4	-1.1%		(\$2.5)	(\$11.6)	-364.0%
Brown Shoe Company, Inc.	\$676.8	\$645.5	-4.6%	-6.2%	\$26.9	\$27.0	0.4%
Cabela's	\$490.5	\$546.8	11.5%	4.6%	\$15.0	\$13.2	-11.8%
Dick's Sporting Goods, Inc.	\$708.3	\$838.8	18.4%	-2.5%	\$7.8	\$12.2	56.9%
DSW Inc.	\$332.2	\$367.4	10.6%	-3.0%			
Foot Locker	\$1,430.0	\$1,356.0	-5.2%	-5.0%	\$65.0	(\$33.0)	N/A
Footstar, Inc.	\$153.6	\$147.8	-3.8%		\$6.3	\$4.1	-34.9%
Genesco Inc.	\$364.3	\$372.5	2.3%	-3.0%	\$15.9	\$5.6	-64.7%
Golfsmith International Holdings, Inc.	\$94.0	\$106.5	13.4%	-0.2%	\$3.4	\$4.0	17.8%
GSI Commerce	\$118.5	\$137.3	15.9%		(\$6.2)	(\$6.1)	2.1%
Hibbett Sporting Goods, Inc.	\$129.7	\$129.6	0.0%	-6.6%	\$9.9	\$7.8	-21.3%
Lululemon Athletica Inc.	\$36.0	\$66.2	83.9%	36.0%	\$1.7	\$7.6	354.9%
Shoe Carnival, Inc.	\$189.1	\$173.9	-8.0%	-5.0%	\$8.4	\$4.2	-50.0%
Shoe Pavilion, Inc.	\$31.6	\$37.3	18.2%	2.3%	(\$0.3)	(\$10.2)	-3108.5%
Skechers USA, Inc.	\$331.1	\$395.0	19.3%		\$22.2	\$24.7	11.5%
West Marine, Inc.	\$195.6	\$187.5	-4.1%	0.3%	\$2.9	\$5.3	80.6%
WinMark Corporation	\$7.2	\$8.0	9.8%		\$0.8	\$1.2	41.5%
Zumiez Inc.	\$82.3	\$104.0	26.5%	13.2%	\$6.8	\$8.1	19.4%
Specialty							
A.C. Moore Arts & Crafts	\$128.9	\$122.6	-4.9%		(\$2.6)	(\$0.4)	84.6%
Advance Auto Parts, Inc.	\$1,099.5	\$1,158.0	5.3%	1.1%	\$58.9	\$59.0	0.2%
Barnes & Noble, Inc.	\$1,112.0	\$1,175.5	5.7%	2.6%	(\$2.8)	\$4.4	N/A
Books-A-Million, Inc.	\$110.7	\$117.7	6.3%	2.1%	(\$0.2)	(\$0.6)	-176.1%
Brookstone, Inc.	\$87.8	\$91.3	4.0%	4.2%	(\$10.3)	(\$10.2)	0.9%
Finlay Enterprises, Inc.	\$136.4	\$141.9	4.1%	1.6%	(\$7.9)	(\$7.5)	4.9%
Haverty Furniture	\$222.9	\$200.7	-10.0%	-11.6%	\$4.1	\$0.6	-84.5%
Jo-Ann Stores, Inc.	\$461.9	\$480.2	4.0%	2.4%	\$0.1	\$8.0	7900.0%
Kirkland's, Inc.	\$95.8	\$88.7	-7.4%	-12.1%	(\$2.9)	(\$10.7)	-263.1%
Leon's Furniture Limited	C\$157.1	C\$165.8	5.5%	1.5%	C\$14.9	C\$16.2	8.7%
Linens N Things	\$658.2	\$666.8	1.3%	-1.4%	(\$27.4)	(\$79.9)	-192.0%
Michaels Stores, Inc.	\$896.1	\$940.2	4.9%	1.9%	\$35.0	(\$18.1)	N/A
O'Reilly Automotive, Inc.	\$597.1	\$661.8	10.8%	4.3%	\$47.9	\$53.1	10.9%
Pep Boys -Manny, Moe & Jack	\$550.8	\$535.4	-2.8%	-2.9%	(\$10.7)	(\$21.7)	-102.1%
PetSmart, Inc.	\$1,034.8	\$1,115.9	7.8%	1.4%	\$31.7	\$29.5	-7.2%
Pet Valu	\$37.5	\$41.5	10.9%		\$2.1	\$3.1	47.7%
Richelieu Hardware Ltd.	C\$96.2	C\$111.9	16.3%		C\$8.8	C\$9.1	3.8%
Tiffany & Co.	\$531.8	\$627.3	18.0%	8.0%	\$29.1	\$98.9	239.3%
Williams-Sonoma, Inc.	\$852.8	\$895.1	5.0%	1.1%	\$29.1	\$27.1	-7.1%
Consumer Electronics							
Aaron Rents, Inc.	\$317.7	\$359.4	13.1%	4.0%	\$17.4	\$15.9	-8.4%
Amazon.com, Inc.	\$2,307.0	\$3,262.0	41.4%		\$19.0	\$80.0	321.1%
BMTC Group Inc.	C\$216.7	C\$223.4	3.1%		C\$16.7	C\$16.0	-4.2%
Conn's, Inc.	\$152.4	\$170.1	11.6%	6.8%	\$7.2	\$4.0	-43.8%
GameStop Corp.	\$1,011.6	\$1,611.2	59.3%	46.3%	\$13.6	\$52.0	282.9%
IAC/InterActiveCorp	\$1,411.7	\$1,515.8	7.4%		\$74.9	\$71.8	-4.2%
Ingram Micro Inc.	\$7,510.3	\$8,607.9	14.6%		\$58.5	\$72.4	23.7%
Office Depot, Inc.	\$3,857.1	\$3,935.4	2.0%	-5.0%	\$129.1	\$117.5	-9.0%
OfficeMax Incorporated	\$2,244.4	\$2,315.2	3.2%	0.8%	\$31.4	\$49.9	59.1%
PC Connection, Inc.	\$415.2	\$456.5	9.9%		\$4.4	\$7.7	75.1%
PC Mall, Inc.	\$242.2	\$287.7	18.8%		\$1.9	\$3.0	56.1%
RadioShack Corporation	\$1,059.5	\$960.3	-9.4%	-8.6%	(\$16.3)	\$46.3	N/A
Rent-A-Center, Inc.	\$587.2	\$709.7	20.9%	-1.8%	\$25.2	\$25.3	0.1%
Rex Stores Corporation	\$61.1	\$58.8	-3.8%	-8.0%	\$4.8	\$14.7	204.6%
Sharper Image	\$55.2	\$46.0	-16.7%	-15.0%			
Staples, Inc.	\$4,756.6	\$5,168.4	8.7%	-3.0%	\$289.9	\$274.5	-5.3%
Systemax Inc.	\$575.0	\$687.3	19.5%		\$12.5	\$17.6	41.7%
Tech Data Corporation	\$5,431.3	\$5,923.8	9.1%		\$9.6	\$40.9	326.6%
Trans World Entertainment Corporation	\$297.7	\$260.6	-12.5%	-4.0%	(\$11.4)	(\$14.3)	-25.4%
ValueVision Media, Inc.	\$184.9	\$184.8	0.0%		(\$3.1)	(\$5.7)	-83.2%
Zones, Inc.	\$137.9	\$163.0	18.2%		\$2.1	\$2.6	25.5%
Food							
Arden Group	\$118.1	\$119.4	1.1%	1.1%	\$5.8	\$8.9	53.7%
Loblaw Companies Limited	C\$9010	\$9,137.0	1.4%	1.6%	C\$203.0	C\$117.0	-42.4%
Nash Finch Company	\$1,427.0	\$1,367.1	-4.2%		(\$4.6)	\$15.4	N/A
Publix Super Markets	\$5,286.7	\$5,630.3	6.5%	4.5%	\$252.9	\$249.1	-1.5%
Weis Markets, Inc.	\$557.2	\$565.0	1.4%	1.8%	\$11.6	\$10.8	-6.5%

(Continued on page 10)

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[RETURN TO FIRST PAGE](#)

Third Quarter Earnings

(Continued from page 9)

\$ in Millions	Sales			3rd Qtr Comps	Net Income		
	2006	2007	Change		2006	2007	Change
Drug							
CVS Caremark Corporation	\$11,208.8	\$20,495.2	82.8%	5.0%	\$284.2	\$689.5	142.6%
Drugstore.com, Inc.	\$100.6	\$107.3	6.6%		(\$2.6)	(\$2.4)	8.4%
Express Scripts, Inc.	\$4,330.2	\$4,519.0	4.4%		\$114.7	\$142.9	24.6%
Longs Drug Stores	\$1,198.9	\$1,238.2	3.3%	1.4%	\$12.7	\$19.4	52.7%
Omnicare, Inc.	\$1,593.9	\$1,537.0	-3.6%		\$52.2	\$42.6	-18.4%
PharMerica Corporation	\$169.1	\$377.5	123.2%		\$4.6	(\$27.0)	N/A
Shoppers Drug Mart	C\$2,329.1	C\$2,542.7	9.2%	5.3%	C\$123.9	C\$142.6	15.1%
Tenet Healthcare Corp.	\$2,058.0	\$2,212.0	7.5%		(\$89.0)	(\$59.0)	33.7%

Hi Tech Entertainment

...While many in the sector have seen slowed results so far this year, **Staples** again showed us why they are the best. The company reported better than expected quarterly earnings by implementing expense controls, while its international business showed nice gains. The positive news was slightly offset by a drop in comps for the quarter.

...After conducting a test of online websites, Gomez Inc. announced that it found **Overstock.com** to be best in class for the holiday season. The company beat out 63 competitors in the tournament, outdoing the likes of **Amazon.com, Nordstrom and JC Penney**. The tournament does not take into account the financial performance of the company, and is based on website responsiveness. Overstock beat out **Blockbuster** for the title.

...**Rex Stores** reported profits of \$14.7 million for the quarter, beating most analyst estimates. The company's profits came from the sale of its stake in Millennium Ethanol, which was largely paid for in stock of another ethanol plant. The new plant, US BioEnergy Corp subsequently saw its shares take a 25% dive since Rex acquired them, giving back about 40% of the profits.

...In efforts to drum up some momentum for its website, **Office Depot** announced its plan for giveaways. The plan involves a "Shake the Globe" instant win game where online shoppers have a chance to win some of the season's hottest prod-

ucts. The promotion will run through December 23.

...**Amazon** launched a new site this week at askville.com. The new site lets users ask specific questions of other users in efforts to get information on essentially any topic. The site is designed to be a very personal experience and the answers are posted by other users of the website.

...There is a first for everything, as rock solid retailer **Conn's** disappointed investors this week by posting profits far below what most were expecting. The company made \$4 million for the quarter, off 44% from the third quarter last year. Revenues of \$189.4 million were up 9%, led by an increase in comps of 6.8%. The revenue figure also missed the mark set by the street.

...A week after the CEO put in a bid at \$5 per share, **Trans World** has received another bid at \$7 per share. The new bid was submitted by Sherwood Investments Overseas, which already owns about 1.5 million shares, or 4.95%, of Trans World.

...**Ingram Micro** reaffirmed its fourth quarter outlook, despite the weakened economy. The guidance has revenues of between \$9.7 billion and \$9.95 billion and profits of between \$0.58 and \$0.61 per share. The forecasts do not include the planned sale of its semiconductor business Tomen Electronics Corp.

Did You Know...?

Gift card purchases are expected to hit a record high of \$35 billion during the 2007 holiday season as more retailers make them readily available to customers. Good news for retailers - a recent study show that close to 50% of gift card users spent more than the value of the card.

[RETURN TO FIRST PAGE](#)

Options and Resources

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