

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

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Shoppers Heading To Discount Stores

With fears of recession hanging over the nation, women have begun to steer clear of their usual retail haunts – Macy’s, The Limited, Ann Taylor Loft.

The weaker the economy gets, it seems, the more some discounters benefit and the bleaker the outlook for their higher-priced competitors. That trend burst into view during the holiday season, when Wal-Mart and some off-price retailers outperformed full-price stores.

Now, with the economy sputtering, some analysts say, more shoppers have begun to ratchet down the price level of the stores where they shop.

Off-price retailers are in a “customer-gathering mode,” says retail analyst Jeff Stein. “Department store customers are able to shop in a different venue and get the same brands, as off-price retailers are gaining exposure to non-traditional customers.”

(Continued on page 2)



GCS ANALYSTS IN THE SPOTLIGHT

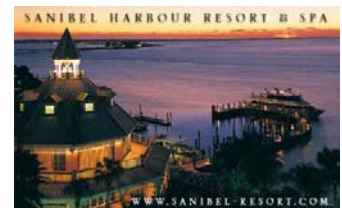
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This year’s event will feature our talented Retail Industry experts conducting individual company analyses. The sessions will devote plenty of time to examining each of the following companies, their business models, and management strategies that have helped shape their current financial condition and will examine our outlook for them as well. Additionally, we have scheduled time for Industry Discussions. Among the companies we are considering for review:

- | | | | |
|------------------|-----------------|-------------------|-----------------|
| ◆ BJ’s Wholesale | True Value | Duane Reade | Kirklands |
| ◆ Duckwall-Alco | HD Supply | Rite Aid | Gander Mountain |
| ◆ Bon Ton Stores | United Hardware | Linens Holding Co | Bakers Footwear |
| ◆ Gottschalks | A & P | Circuit City | Shoe Pavilion |
| ◆ Ace Hardware | Winn Dixie | Toys R Us | ...and more |

Here is where we need your input! After reviewing the list above, we would ask that you provide us a listing of the companies in which you have a particular interest that we’ll strongly consider when finalizing our presentation listing. Please e-mail your lists to Jonathan Kanarek at kanarek@gcszone.com.

As slots are filling up rapidly, we urge you to register now to reserve your place at this premier credit industry event. We look forward to seeing you in Fort Meyers, Florida!

Remember....

Always do right – this will gratify some and astonish the rest.

Shoppers Heading To Discount Stores

(Continued from page 1)

Analysts point to sales figures, including fresh data out last week and figures from previous downturns, to show that more shoppers turn to discounters at times such as these. January retail sales were dismal across the board, and the International Council of Shopping Centers said it was the worst January showing since at least 1970. Still, discounters such as Wal-Mart, Ross and TJX outperformed their higher-priced competitors, such as Nordstrom and Macy's.

The next year's outlook for some discounters – when compared with higher-end stores and full-price retailers – suggest Wal-Mart, TJX, Ross and others will continue to enjoy an edge.

In recent weeks, some people who seldom shopped at Wal-Mart, for reasons ranging from a perception of low quality to poor customer service, say they've put aside those concerns in favor of saving money. Others who normally favor attractively displayed merchandise and a wide selection now say they find off-price retailers a way to shop down without sacrificing style or brands.

The trend could carry long-term implications to all the retailers. People who try – and like – stores in shaky economic times are more likely to stick with them after the economy rebounds.

Wal-Mart is in the right place at the right time. It provides a solution to consumers during those rough economic times when they're driven to the stores because of economic need. And, to avoid spending too much, family's have been consolidating shopping trips to save gas and buying more of their food, clothes and other necessities at Wal-Mart.

Wal-Mart is probably even better positioned than the other off-price retailers because it doesn't rely so much on discretionary fashion and home furnishings (think Target). Rather, it's the largely recession-proof staples – food, health and beauty aids, cleaning products and other home essentials – that draw mobs to Wal-Mart.

First Page

Did You Know...?

Initial jobless claims dropped by 22,000 to stand at 356,000 in the week ended February 2nd, reversing course after rocketing higher a week earlier. However, the average number of workers filing claims over the past four weeks edged up, rising by 8,500 to 335,000.

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Mass Merchant Musings

... The economic downturn has proven to be a boom for the shopping clubs as evidenced by January comp store sales results. **BJ's Wholesale Club** lead the parade with a comp store sales increase for the month of 7.8% (5.2% excluding fuel), followed by **Costco** with comp increase of 5.0% (3.0% excluding fuel), with **Sam's Club** recording an increase of 4.9% (2.1% excluding fuel).

... Unfortunately, the same cannot be said of the big box discounters. For the month of January **Wal-Mart** stores reported a comp store sales increase of only 0.2%, while **Target's** comps actually declined 1.1%. In fact Target's comp store sales increased a mere 0.2% for the all-important fourth quarter.

... The Financial Times is reporting that low-income customers at **Wal-Mart** appear to be using Christmas gift cards to buy food and other basics rather than using them on discretionary gifts.

... **Wal-Mart** is reportedly refining the plans it submitted to launch 15,000 square foot stores in former drug store in four Arizona cities, including Gilbert, Chandler, Mesa, and Tempe in response to the recent opening of **Tesco's** Fresh & Easy Neighborhood Markets stores.

... **Wal-Mart** will open its first co-branded in-store

health clinics in Atlanta, Little Rock and Dallas in April, paving the way toward having 400 co-branded clinics by 2010.

... **99 Cents Only Stores®** will release its results for its third quarter ended December 31, 2007 on Monday, February 11th. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **Retail Ventures**, which recently sold its **Value City Department Store** chain, reported sales for **Filene's Basement** for the fourth quarter ended February 2, 2008 of \$119.5 million, a decline of 8.0% versus last year's fourth quarter sales of \$129.8 million. **DSW**, which is majority owned by Retail Ventures reported sales for the quarter of \$332.5 million, up 1.1% versus last year.

... **Dollar Tree Stores, Inc.** reported record sales for its full year ended February 2, 2008 of \$4.24 billion, an 8.6% increase from the \$3.90 billion for the prior year. The company will release its fourth quarter and full year earnings on February 27, 2008. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **Canadian Tire** reported gross revenue for its fiscal year ended December 29, 2007 of \$8.62 billion, up 4.3% versus prior year revenue of \$8.27 billion. Net income for the year was \$417.6 million, up 17.8% versus prior year.

Bankruptcy Blotter

... **Movie Gallery Inc.** announced plans to close an additional 400 Movie Gallery and Hollywood Video stores as part of its bankruptcy reorganization. The locations represent an estimated \$126 million in annual revenues and are expected to be closed by March 2008. The company has once again retained **Great American Group, LLC** to assist with the sale of inventory.

... In other news, **Movie Gallery, Inc.** received court approval of its Disclosure Statement filed in connection with its proposed Plan of Reorganization and authorization to begin soliciting votes on the Plan. The company's key creditor groups have signed an agreement to support the Plan.

... **Great American Group** expects to acquire **Domain Home** this week with its stalking horse bid, because no better bids were submitted and the bankruptcy court auction was called off. Great American plans to liquidate the 27 stores in the Northeast and greater Washington, D.C. area.

... **Tweeter Home Entertainment Group Inc.** needs more time to analyze claims and assess its financial condition before developing a plan to divvy up proceeds from its sale to a New York hedge fund.

As such, the company is seeking to extend its exclusive right to file a plan through June 5th. A hearing is scheduled for March 3rd.

... **M. Fortunoff of Westbury, LLC** filed for Chapter 11 in order to effectuate the sale of the company to an affiliate of **NRDC Equity Partners**, the owner of the **Lord & Taylor** department store chain. NRDC's bid consists of \$80 million in cash, the assumption of \$10 million of certain debt, and a \$10 million letter of credit to get inventory flowing back into the stores. The company hopes to have an auction on February 26th, with bids due by February 12th.

... **Hancock Fabrics Inc.** reported sales for the month ended January 5, 2008 of \$31.1 million and a net loss of \$1.6 million. The loss included interest and reorganization items of \$1.7 million.

... **Wickes Furniture Co.**, abandoning hopes of a reorganization, agreed to deal with its bank lenders to put itself on the bankruptcy auction block before the end of the month. The company will be sold either as an operating business or piecemeal in liquidation.

FYI for the DIY

... **Ram Realty Services** of Palm Beach Gardens, Florida acquired **The Home Depot Inc.'s** 11 Landscape Supply stores, which are located in fast-growing suburbs, for \$22 million. Home Depot announced the divestment of the property as part of its initiative to concentrate on its core business.

... **Interline Brands, Inc.** will release its fourth quarter and full year financial results on February 21, 2008, after the market closes. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **Grainger** released its 2008 catalog featuring more than 183,000 facilities maintenance products, an increase of 44,000 items over last year's offering. We hope clients vendors are participating in the increased assortment.

... The Civil Division of the U.S. Department of Justice informed **Grainger** of its concern that the company had not complied with the GSA contract's disclosure obligations and pricing provisions and had potentially overcharged government customers under the contract. The company will meet with the Justice Department shortly.

... **Huttig Building Products, Inc.** reported sales for its fiscal year ended December 31, 2007 of \$874.8 million, a decrease of 20.7% versus sales

for the prior year of \$1.10 billion. The company reported a net loss for the year of \$8.2 million versus a loss for the prior year of \$7.7 million.

... **Builders FirstSource, Inc.** expects to generate positive operating cash flow in the range of \$11 million to \$13 million, while cash on-hand increasing to about \$100 million at December 31, 2007 after the permanent retirement of \$39.9 million of long-term debt. The company will release its fourth quarter and full year earnings on February 21, 2008.

... **Building Materials Holding Corporation** obtained a temporary waiver of certain conditions to borrow under its \$500 million revolver. The waiver allows the company to borrow up to \$75 million, through February 29th, while it works to finalize a permanent amendment to the credit facility. As of January 31st, the company had no direct borrowings against the facility.

... **Central Garden & Pet** reported sales for its first fiscal quarter ended December 29, 2007 of \$313.8 million, down 1.1% versus sales of \$317.4 million for the comparable period last year. The company reported a net loss for the quarter of \$289.5 million, which included a \$400.0 million before tax impairment of goodwill and intangible assets. Operating income for the quarter was \$9.4 million versus \$5.9 million last year.

Feedback?

Questions?

Suggestions?

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Management on the Move

... **The Kroger Co.** named **Jeff Parker** to the position of President of its **Kwik Shop** convenience store division. Mr. Parker, who previously served as SVP of Operations for Kwik Shop and was the Corporate Controller for Kroger's convenience stores, will oversee 131 Kwik Shop stores in Kansas, Nebraska and Iowa.

... **Walgreen Company** promoted **Steven L. Lubin** to Divisional VP and the new position of General Manager of Marketing for non-mainland operations, to ensure the company's marketing meets the needs of customers in Puerto Rico and Hawaii. Mr. Lubin spent the last three years as General Manager of Marketing for Puerto Rico.

... **Rite Aid Corp.** promoted **Steve Parsons** to SVP, Human Resources, succeeding **Todd McCarty**, who left the company to take another position. Mr. Parsons previously served as Rite Aid Group VP, Human Resources.

... **Joseph M. Baron**, EVP and COO of **Charming Shoppes, Inc.** assumed leadership of the company's retail businesses on an interim basis, following the departure of **Diane M Paccione**. The company is conducting a search for an appropriate successor to Ms. Paccione.

... **The Wet Seal, Inc.** announced the resignation of **Greg Gemette**, President of Merchandise, **Arden B** for personal reasons. The company also announced that it engaged **Sharon Hughes** to serve as Chief Merchandise Officer for Arden B. Ms. Hughes previously was involved with the formation of the Arden B concept.

... **Deb Shops, Inc.** hired **Diane M. Paccione** as the company's new CEO and a member of the Board of Directors. Ms. Paccione joins the company from **Charming Shoppes, Inc.** **Lee Equity Partners** acquired Deb Shops for about \$395 million in October.

... **Stein Mart, Inc.** appointed **Irwin Cohen** to the company's Board of Directors. Mr. Cohen is a retired partner of **Deloitte & Touche, LLP** where he was most recently the global managing partner of the consumer products, retail and services practice.

... **David Morgan**, a former **L'Oreal** executive, replaced **Jean-Francois Gautier** as the CEO of **Rosignol**, a unit of **Quiksilver**. Quiksilver continues to use **J.P. Morgan** to explore the possibility of a sale of the company, and Mr. Gautier stepped back from day-to-day management pending the outcome of this process.

... **GSI Commerce Inc.** elected **Lawrence S. Smith** to its Board of Directors. Mr. Smith served as EVP and Co-Chief Financial Officer of **Comcast Corporation** from 1988 to 2007.

... As of the end of January, **David Pritchett** resigned from his position as SVP - Retail Operations for **Golfsmith International Holdings, Inc.** The company does not expect to hire or appoint a replacement for Mr. Pritchett at this time and has assigned his duties to other members of the executive team.

... **lululemon athletica inc.** appointed **Angelia H. Powell** to its Senior Leadership Team as VP of Real Estate Operations, a newly created role. Ms. Powell joins the company from **New York and Company** where she was responsible for new store growth, existing portfolio management, strategic planning and implementation of real estate initiatives.

... **Jewett-Cameron Trading Company Ltd.** elected **Ralph Lodewick** as a new Director replacing **Richard Cheong**, whose terms as a Director expired. Mr. Lodewick has an extensive business and governance background with employers such as **Tektronix** and **Kelly Services**.

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Global Credit Services (GCS) cordially invites you and your associates to join our team and a winning group of industry leading presenters and panelists for our **6th Annual Credit Symposium** from **April 1st - 4th, 2008** at the **Sanibel Harbour Resort & Spa** in Fort Myers, Florida. There has not been a more critical time in recent years for the Retail Supply Chain to stay informed about the latest trends and challenges facing the Retail Sector today. Don't miss this opportunity to meet our talented team of GCS Senior Analysts who will be featured at this year's Symposium to discuss specific customers and retail sector issues of most concern to you. Our compelling program combines our in-house talent with the opportunity to develop relationships with and learn from many retail, credit, financial, and legal professionals alike while exchanging information and ideas regarding risk management.

Based upon the availability of annual-year end results, we have agreed to hold our Symposium in April in order to provide more detailed information and discussion regarding the companies that we monitor. 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 fiscal 2008.

And like every year, we will be offering Sponsors and Exhibitors unique networking opportunities in both a professional and personal format. Detailed sponsorship information regarding this event will be available in the coming days.

For a preview of the **Symposium Agenda**, please click into the "**Sixth Annual Symposium**" info tab on the Global Credit Services website below. Any questions, please contact your Account Executive or Amelia Labriola at 212.308.6060 ext 104.

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Heard in the Grocery Aisle

...**Bi-Lo** opened the first **Super Bi-Lo** in Tennessee on February 8. This Ooltewah-based location is part of **Bi-Lo's** \$40 million Tennessee capital investment plan.

...**C&S Wholesaler Grocers, Inc.** announced plans to close its distribution facility in Central Islip, NY on March 28th.

...Michigan-based **Hiller's Markets** announced plans to purchase and convert a former **Farmer Jack** store in Commerce Township, MI. In addition, the independent grocer plans to build a supermarket in South Lyon, MI.

...Unionized grocery store workers in central Michigan approved **Kroger's** contract offer.

...**Kroger** announced that it would begin offering \$4 generic drugs at its Texas locations.

...**Laurel Grocery Company** has agreed to begin providing food to **Carnival Foods**. **Carnival Foods** was formerly a customer of **Nash Finch**.

...**Loblaw** has decided that its low price strategy is succeeding in improving performance at superstore and discount locations. As a result, the firm has decided to expand this strategy to its more conventional stores. Management warned that this move would likely hurt earnings during the first half of the fiscal year.

...Minnesota-based **Lunds and Byerly's** supermarkets will begin closing at midnight and opening at 6 A.M. The stores had previously been open 24 hours.

...**Marsh Supermarkets** announced the completion of five **LoBill** store conversions. Four of the locations were changed to the **Marsh Hometown Market** banner and one was converted to another brand.

...On February 13, 2008, **Overwaitea Food Group** will start negotiating a labor agreement with the United Food and Commercial Workers Local

1518 in Vancouver. The talks are expected to center over management's desire to get employees to begin paying for their own benefits.

...**Penn Traffic** has signed a produce procurement agreement with **C&S Wholesale Grocers, Inc.**

...South Carolina-based **Piggly Wiggly** locations plan on revamping their layout.

...**Plum Market** will launch a store in Ann Arbor, MI. **Plum Market** offers specialty and organic products.

...**Raley's** has announced that it will roll out over 100 organic and natural items at its 124 locations across northern California and Nevada.

...**Safeway** will begin negotiating a labor agreement with its unionized Canadian workers.

...**Stater Brothers** has begun migrating its distribution operations from its Colton, Redlands, and Mira Loma, CA facilities to its newly constructed Norton Distribution Center in San Bernardino, CA. The transition should be completed by the end of March 2008.

...Boulder, Colorado-based **Sunflower Farmers Markets** has announced plans to add 16 new stores by the close of 2009. New locations will be in Colorado, Utah and Texas.

...**Sysco** notified the SEC that it plans to raise \$1 billion through the issuance of debt.

...**Tesco** is rumored to be looking to expand into the Chicago market.

...**Wakefern** announced its online ordering business is growing dramatically. Management mentioned that online orders now average \$166 a transaction.

...**Wegmans** announced that it was going to begin to offer private label extra-virgin olive oil.

Did You Know...?

A fresh surge in financial-sector layoffs contributed to a 69% increase in corporate job-cut announcements in January. U.S. corporations announced 74,986 job reductions last month, up from December's 44,416 and 19% higher compared with the previous January.

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Health & Beauty Aids

...The Puerto Rican pharmacy **Farmacias El Amal** has decided to allow its facilities to offer holistic services at its locations.

...**Longs Drug Stores** reported that its January comps increased 1%. During the past month, front-end results grew 0.7% and pharmacy comps increased 1.2%. On an annualized basis, the west coast pharmacist saw its overall same store sales climbed 0.9%. The front-end comps grew 0.1% and the pharmacy segment expanded 1.8%.

...**Standard & Poor** upgraded **McKesson's** debt rating to a BBB+ from a BBB. The rating agency praised the drug wholesaler for its strong balance sheet.

...**Wal-Mart** announced that it would begin opening in-store clinics under its own brand name. These facilities will begin appearing in Dallas, Atlanta, and Little Rock during April 2008.

Rating Changes and Outlooks

S&P Rating Changes				
Company	Credit Rating		Credit Outlook	
	Current	Prior	Current	Prior
PATHMARK STORES INC	NR	B-	NR	NM
WHOLE FOODS MARKET INC	BB+	BBB-	NEG	NM
GAMESTOP CORP	BB	BB	POS	STA
RITE AID CORP	B	B	NEG	STA
RADIOSHACK F/K/A TANDY CORP	BB	BB	NEG	NEG
MACYS INC (FKA FEDERATED DPT STORES)	BBB-	BBB	STA	STA
LIMITED BRANDS INC	BBB-	BBB	NEG	STA
JC PENNEY CO INC	BBB-	BBB-	STA	POS
VICORP RESTAURANTS INC	CCC	CCC+	DEV	NEG
BRINKER INTERNATIONAL INC	BBB-	BBB	STA	NM
RISKMETRICS GROUP INC	B+	B	STA	NM
KROGER CO,THE	BBB-	BBB-	POS	STA
BUILDING MATERIALS HOLDINGS INC/BMC WEST	B	BB-	NM	NM
MCKESSON CORP	BBB+	BBB	POS	POS
RISKMETRICS GROUP INC	B+	B	STA	NM
MCKESSON CORP	BBB+	BBB	POS	POS
RISKMETRICS GROUP INC	B+	B	STA	NM
MCKESSON CORP	BBB+	BBB	POS	POS
CARDINAL HEALTH INC	BBB+	BBB	STA	POS
CSK AUTO CORP	B-	B-	NM	NEG
NEIMAN MARCUS INC	BB-	B+	STA	NM
VICORP RESTAURANTS INC	CCC	CCC+	DEV	NEG
CAESARS ENTERTAINMENT INC	NR	BB+	NR	NM
WHOLE FOODS MARKET INC	BB+	BBB-	NEG	NM
LANDRYS RESTAURANTS INC	B	B	NM	STA

Did You Know...?

U.S. chain-store sales for the week ended February 2nd rose 1.6% from the year-ago period. On a week-over-week basis, sales rose 1.7%.

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Options and Resources

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Off the Rack

...**Charming Shoppes** has announced that it will be shuttering 150 locations and eliminating 200 management positions. The company expects the moves to save around \$20 million annually. Targeted locations include around 100 Fashion Bugs locations.

...**Talbots** announced that its quarterly loss will be around \$0.23 to \$0.28 per share for the fourth quarter. The company saw its comps fall another 6% for the quarter. It was also announced that the company will be closing 100 underperforming stores this year. The 100 stores includes the previously announced 78 Talbots Kids and Mens.

...**Gottschalk's** comps for the month of January fell 7.4%. Revenues for the month were \$30.1 million. Excluding the extra week last year, sales fell 10.3%. For the quarter, comps were down 8.5%. Excluding the extra week last year, total revenues fell 10% for the fourth quarter to \$204.4 million.

...**TJX Companies** continues to see the benefit of the consumer penny pinching. Copms were up 3% for January, which was just below expectations. Revenues for the month were up 7% to

\$1.13 billion.

...**Urban Outfitters** saw comps rise 11% for the fourth quarter. Total sales for the quarter were up 29% to \$465.4 million. Comps were up at all three banners, rising 18% at Anthropologie, 19% at Urban Outfitters, and 6% at Free People. The company plans to open 45 to 49 stores this year.

...**Bon Ton Stores** reported that comps fell 1.3% for the month of January. Comps at Carson's were down 3.2% while Bon Ton rose 2.4% for the month.

...Comps at **Kohl's** stayed stuck in a rut. The company reported the number fell 8.3% for January, as total revenues for the month were \$791.4 million. For the fourth quarter, the company saw comps fall 4%, and 0.8% for the year.

...**Fred's** has announced that it will be closing 75 locations. The new cost cutting campaign is designed to increase operating margin by 4.5%. The 75 locations represent more the 10% of total store locations. The company still plans to open 18 stores and 15 pharmacies during the current year.

Specialty Items

... **Jo-Ann Stores, Inc.** reported net sales for its fiscal year ended February 1, 2008 of \$1.88 billion, up 1.5% versus sales of \$1.85 billion for the prior year. The company will report its fourth quarter and full year results on March 12, 2008.

... **Finlay Enterprises, Inc** reported sales of \$836.2 million for its fiscal year ended February 1, 2007, an increase of 13.2% versus sales of \$739.0 million for the prior year. The company will release its earnings for its fourth quarter and year-end on March 20, 2008.

... Because of the reorganization changes being made at **Macy's Inc., Finlay Enterprises, Inc.** reported that 94 of its total 316 Macy's locations will not be renewed upon expiration of the license agreements on January 31, 2009. Finlay is currently evaluating the impact of the expected closings on its future financial results.

... For its fiscal year ended February 1, 2009,

Tiffany & Co. expects at least a 10% increase in worldwide net sales and net earnings to increase to a range of \$2.50 to \$2.55 per share as opposed to earnings per share this year in the range of \$2.25 to \$2.28 per share.

... For its fiscal year ended December 31, 2007, **Rent-A-Center, Inc.** reported total revenue of \$2.91 billion, up 19.4% versus total revenue of \$2.43 billion in the prior year. Net income for the year was \$76.3 million, down 26.0% versus prior year net income of 103.1 million.

... **CSK Auto Corporation** entered into a Standstill Agreement with O'Reilly Automotive, Inc. to share non-public information relating to CSK Auto's business as part of the CSK Board of Directors' ongoing review of strategic alternatives. The action was taken in response to CSK adopting a Shareholder Rights Plan to protect itself from an unwanted solicitation.

Did You Know...?

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

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Early Registration ends *February 15th* Click here to Register Now!

The Global World of Sports and Footwear

... For its fiscal third quarter ended December 30, 2007, **Sport Chalet, Inc.** reported sales of \$116.6 million, up 1.6% versus the comparable period last year. For the quarter the company reported a net loss of \$0.7 million versus net income for the prior year of \$4.0 million.

... Additionally, **Sport Chalet** reported that it intends to open three to four new stores during the current year, focusing on adding density to current markets, namely California and Arizona.

... **Hibbett Sports, Inc.** entered into an agreement for an unsecured \$50.0 million revolving credit facility with **Bank of America, N.A.** The facility expires on December 31, 2008.

... **Recreational Equipment, Inc.** reported sales of \$1.3 billion for its fiscal year ended December 31, 2007, growing 13.5% from 2007. In addition, REI's comp store sales showed continued strength with an increase of 8.2%, the third consecutive year of 8% or higher comp store sales increases. Net income for the year improved by 2.7% to \$41.4 million from \$40.3 million last year.

... In other news, **REI** won **Chain Store Age's** 2007 Retail Store of the Year award for Environmental Sustainability for its Boulder, Colorado prototype store.

... For its first fiscal quarter ended December 31, 2007, **MarineMax, Inc.** reported sales of \$215.3 million, down 8.0% versus the comparable period last year. For the quarter the company reported a

net loss of \$6.1 million, a 70% decline from the net loss of \$3.8 million reported last year.

... **DSW Inc.** reported net sales for its fiscal year ended February 2, 2008 increased 10% to \$1.31 billion compared with \$1.28 billion for the prior year. Comp store sales declined for the year by 0.8%.

... **Shoe Carnival** reported sales for its fiscal year ended February 2, 2008 decreased 3.4% to \$658.7 million from sales of \$681.7 million for the prior year. Comp store sales for the year decreased 5.2%. The company has decided to discontinue providing quarterly and annual earnings guidance due to the uncertainty of the effect of consumer spending.

... **Collective Brands, Inc.** plans to release its fourth quarter and fiscal year earnings results on Tuesday, March 11, 2008, after the market closes. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **Bakers Footwear Group, Inc.** reported sales for its fiscal year ended February 2, 2008 of \$186.3 million, down \$18.4 million or 9.0% from \$204.8 million for the prior year. Comp store sales for the year decreased 12.3%.

... In other news, **Bakers Footwear** issued 350,000 shares of common stock and entered into a \$7.5 million three-year subordinated secured term loan with **Private Equity Management Group, Inc.** The stock was issued as additional consideration in connection with the loan.

Did You Know...?

Department store e-commerce sites posted the highest growth in holiday spending in 2007, with a 35% increase in sales from 2006. Intimate apparel and health and beauty sites also experienced strong gains, with 27% and 26% increase, respectively.

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Hi Tech Entertainment

...Bankrupt retailer **Movie Gallery** announced this week that it would be closing another 400 locations. The closures are on top of the announced 520 store closure last year. The reorganization plan will turn ownership of the business to one of its lenders, Sopris Capital Advisors.

...**Sharper Image** reported that comp store sales fell 11% for the month of January. Revenues were down 16% for the fourth quarter, while comps were down 10%. For the year, Sharper Image saw its comps tumble 13%, while total sales were down 26%.

...**Circuit City** beefed up its credit line this week, finalizing a new \$1.3 billion revolver which expires in 2013. The new facility has a borrowing base attached to it, and also gives the company the option to increase by another \$300 million. There was just \$49.7 million in letters of credit out on the facility upon agreement.

...**Conn's** reported that comps were up 1.9% for

the fourth quarter. Total revenues were up 6% to \$200.6 million for the quarter, driven by LCD TVs.

...**Gamestop** announced that the Board of Directors has authorized the company to buyback up to \$130 million in outstanding Senior Notes. CEO Richard Fontaine said, "Our strong cash flow gives us the ability to pay down debt even as we continue to aggressively expand our business worldwide."

...**Tweeter** is seeking a delay on its Chapter 11 plan. The company claims that it needs more time to analyze and assess its financial condition before it pays out proceeds from its sale to a New York hedge fund. The company is looking to extend its deadline through June 5.

...**Amazon** will be using its bundles of cash to buyback stock. The Board of Directors authorized a \$1 billion share repurchase program and a \$1.25 billion debt reduction program. The stock will be bought back over the next two years.