

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

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Remember...

Common sense ain't always so common.

Sears CEO Job A Tough Sell

Edward Lampert, the billionaire hedge-fund investor mired in turning around Sears Holdings Corp., has been looking for a chief executive to run the retail giant since last fall, a longer time period than publicly acknowledged, according to several executives familiar with the search.

It's been an uphill slog.

The dilemma: Candidates for the CEO job want the freedom to set direction and hold sway over business unit leaders. Yet with Mr. Lampert's wealth and reputation so closely tied to Sears, the billionaire, not surprisingly, is loathe to give up much control, a factor that is getting in the way of closing a deal, according to people with knowledge of the situation.

With Sears reporting that its fourth quarter profit plummeted for the second quarter in a row, and its closely watched cash position shrinking, filling the leadership void takes a new urgency. Sears is in the midst of a reorganization that has left workers and investors alike at loose ends over the company's direction, to say nothing of creditor..

Sears has at least two search firms on the prowl for talent, Russell Reynolds Associates and Korn/Ferry International, according to people familiar with the situation.

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C & S Wholesale: Retailer of the Week

Based upon limited information, we are reiterating our moderately high risk, 'D' credit rating on C&S Wholesale Grocers. Despite the intense impact that inflation is having upon the food industry, we believe C&S is well-positioned to weather the storm. Given the recent strides that the company has made in boosting its liquidity profile and lowering its debt burden, we attribute a stable outlook for this account.^

OVERVIEW

Based out of Keene, New Hampshire, this wholesaler distributes its product nationwide through its network of 63 distribution centers located across 13 states. In addition, the company also runs 80 supermarkets and 11 liquor stores; a little more than half of these supermarkets and all but one liquor store fall under the Southern Family Markets division. The remaining units are part of C&S' GU Markets division. This 17,000 employee-strong firm has annualized revenues approaching \$20 billion. Key customers include A&P, Ahold, Kroger, Safeway, BJs Wholesale, Save Mart Supermarkets, and Shaw's.

OPERATING PERFORMANCE: 12 MONTHS ENDED SEPTEMBER 25, 2007

Consolidated net revenues at this behemoth wholesaler were believed to be \$19.4 billion for the twelve months ended in September 2007, down 1.5% from fiscal 2006. Sales on both the wholesale side (~97% of the business) and the retail side posted modest declines. Considering customer losses such as the closing of the northern Ohio division of Tops and A&P ridding itself of its Farmer Jack stores, C&S' top-line performance was okay. During fiscal 2007, the firm's gross margin subsided relative to one year ago as inflation had a significant impact across the food industry.

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Sears CEO Job A Tough Sell

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The new CEO will be charged with overseeing a new structure of many business units, including real estate, online, brands, support and store operations, that operate independently, have their own profit-and-loss responsibilities and own advisory boards.

Mr. Lampert has said the move is meant to speed decision-making and improve accountability, but many on Wall Street see it as a precursor to selling off pieces of the business. One candidate close to taking the job in January backed away after becoming convinced the strategy didn't make sense and the reporting structure didn't allow the CEO enough control to fix the retailer, according to a person familiar with the situation.

When Sears announced the departure of Alyn Lewis last month, Mr. Lampert said he planned to remove himself from the daily operations, a role he has played for more than two years. But even if Mr. Lampert can pull himself away, an exodus of senior executives has cast a pall over the frontline managers who in the end will have to execute any plan.

At least nine top executives, including Mr. Lewis, have left since January 2007.

Tina Settecase, vice president of home appliances, resigned last week. Greg Inwood, vice president of merchandising for e-commerce and formerly head of Craftsman tools, hardware and paint, left several weeks ago. Both were Sears veterans.

John Walden, chief customer officer, left in January after less than one year. Bob Luse, senior vice president of human resources, left in February. Peter Whitsett, senior vice president for merchandising at the Kmart division, departed in November.

And early last year, three key executives left: Dan Laughlin, senior vice president of merchandising for appliances and electronics; Joan Chow, chief marketing officer for the Sears division; and Craig Monaghan, chief financial officer. Mr. Monaghan, who had worked for Mr. Lampert as CFO of Auto-Nation Inc., another of Mr. Lampert's big investments, resigned after less than six months on the job.

In the end, Mr. Lampert's unspoken strategy may be as simple as finding a way to untether his destiny from the retailer. The Sears chairman owns 48% of the company through his hedge fund, which caters to wealthy investors. It is the fund's largest equity holding.

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Did You Know...?

U.S. foreclosures rose 8% in January compared to December and nearly 57% from January 2007, according to Realty Trac, with Nevada, California, Florida posting the top state foreclosure rates.

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Off the Rack

...**Macy's** has seemed to trim down some excess waste. The company's comps were down 2% for the fourth quarter (adjusting for the extra week of revenues last year), but Macy's saw its profits beat most expectations for the quarter. Net income was \$750 million for the three months, and included \$69 million in merger integration costs associated with the May Company acquisition, as well as a \$78 million tax credit.

...**Syms Corp** reversed on its plan to trade its stock OTC. The company had delisted the securities, and stated that complying with Sarbanes-Oxley was costing the company \$750,000 annually. Shareholders complained that the management was attempting to devalue the stock in efforts to take the company private at a cheaper price.

...Sharon Turney, CEO of **Limited Brands** banner, **Victoria's Secret**, stated that she felt the chain's merchandise was becoming "too sexy". Ms. Turney says that the company has focused on its highly popular Pink line, and while it was drawing

the younger crowd into the stores, it was also causing many of Victoria's Secret's elder shoppers heading elsewhere for their merchandise.

...**Gap Stores** posted profits of \$265 million for the fourth quarter, easily besting the \$219 million the company recorded for the same quarter last year. The company says it combated its falling sales by offering fewer markdowns and running tighter inventory controls when compared to last year.

...**Dress Barn** reported a solid second quarter. Comps at Maurice's rose 2% for the quarter, while Dress Barn reported a fall of 7%.

...**Sears Holdings** had another offer rejected by **Restoration Hardware**. The latest offer was for \$4.55 per share, higher than the accepted offer of \$4.50 per share by Catterton Partners. Restoration Hardware says that the Catterton Partners offer remains superior due to "significant uncertainties" in the Sears Holdings offer.

Bankruptcy Blotter

... There will be a burst of further write-downs and even bankruptcies among banks as they clear debris left by subprime loans, former U.S. Federal Reserve Chairman **Alan Greenspan** said last week. Mr. Greenspan believes that it's going to "be a while before prices of homes stabilize and we get significant clarity on the size of losses".

... **Friedman's Inc.** won bankruptcy court approval to put its assets on the auction block. Bids are due on March 3rd with the auction to be held on March 6th and a hearing on the award of the winning bid on March 7th. To date a stalking horse bidder has not emerged.

... The Unsecured Creditors' Committee formally supported the bid set forth by **NRDC Partners**, owners of **Lord & Taylor** for **M. Fortunoff**. Under the proposed purchase there would be no recovery for unsecured creditors with respect to pre-petition claims. Court approval of the bid is expected shortly.

... The court approved the liquidation plan for **Wickes Furniture**, signaling the beginning of the end for the Top 100 Company. A group of liquidators including **Hilco Merchant Resources**, **SB Capital**, **Tiger Capital** and **Planned Furniture Promotions** are paying nearly \$17 million as the highest bidder for the inventory and rights to run the GOB sales, which began last week.

... **Ripit Sports**, doing business as **Golf and**

Hockey Etc. in Lakeville, Minnesota filed Chapter 7 bankruptcy. The store, which had already closed, owes more than \$1 million in two judgments against it by lenders.

... The **Teamsters** are taking a second shot at bringing in an investor for **Interstate Bakeries Corp.** The union reached an agreement with **Ripplewood Holdings**. Creditors are currently voting on a reorganization plan that hinges on the company reaching a number of concessions with the Teamsters. Talks with the union broke off last October.

... **General Motors Corp.** is considering providing a big portion of the \$6.1 billion in financing **Delphi Corp.** is seeking to exit bankruptcy proceedings if the auto-parts company fails to obtain the money from other lenders.

... With **Delphi Corp.** struggling to line up the \$6.1 billion in financing it needs to exit Chapter 11, the company is seeking to extend its exclusivity period to file a plan of reorganization through May 31st. The company is also seeking an extension through July 31st to win creditor support for its plan.

... The court ruled that **Pacific Lumber Co.'s** creditors can vote on three rival plans to take the logging company out of bankruptcy, a key win for Pacific, which fought off a bid to halt its plan by creditors.

Health & Beauty Aids

...**Walgreens** will begin placing automated DVD rental kiosks in 1,800 of its stores during 2008 and 2009.

...**Northgate Gonzalez Markets** purchased the five drugstores of **El Tigre** based in San Diego for \$10 million. **Northgate Gonzalez** operates 24 locations in Orange, San Diego and Los Angeles Counties. **Northgate Gonzalez** is estimated to generate \$300 million in annualized revenue.

...**Kinney Drugs** has settled a lawsuit brought against two Syracuse-area developers for \$1 million.

...During the past fiscal year, **Omnicare** stated that the firm's sales declined 2.7% to \$1.55 billion. In addition, the company swung from an operating profit of \$69.7 million to a loss of \$20.8 million.

...The increasing prevalence of generic drugs has slowed overall prescription sales growth. **Express Scripts** reported that 63.7% of all of the prescriptions it filled were generic.

...**McKesson** announced that it had won an \$821.9 million supply contract from the Defense Department.

Options and Resources

Feedback and Questions: Should you have any feedback to provide us or questions to ask, please email us at inbox@globalcreditservices.com

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Management on the Move

... **Stop & Shop/Giant Food**, a unit of **Ahold**, appointed 3 EVP's to complement its existing executive leadership structure. **Jim Dwyer** was named EVP of Strategy and Business Development. Mr. Dwyer was most recently President of Global Bath and Kitchen Products for **American Standard Companies**.

... In addition to the above, **Robin Michel** joined **Stop & Shop/Giant Food** as EVP and General Manager, Giant-Landover. Ms. Michel most recently served as Group VP Procurement and Merchandising at **Roundy's**. Also, **Jeff Slater** was named EVP, People. Mr. Slater most recently served as the Human Resource executive for **Dunkin' Brands**.

... **David J. Hepfing** replaced **Norman S. Rich** as President of **Weis Markets**. Mr. Hepfing, who most recently served as SVP of Retailing and Administration at **Price Chopper**, also was named the company's new COO. Mr. Rich will remain as CEO of Weis.

... **Rodney H. Brady** retired from the Board of Directors of **AmerisourceBergen Corporation**, having been a member of the board since AmerisourceBergen's inception, almost seven years ago and having previously served on the **Bergen Brunswick Board of Directors** since 1973.

... **Edward L. Hutton**, Chairman of the Board of Directors of **Omnicare, Inc.** since 1981 retired. The company is in the process of selecting a new Chairman and will make an announcement when a decision has been reached.

... In other news, **Omnicare, Inc.** appointed **James D. Shelton** to its Board of Directors, the first of two planned appointments of independent Directors to the Board. Mr. Shelton is Chairman of the Board of **Legacy Hospital Partners, Inc.**

... **Sears Holding** announced the retirements of **Tina Settecase**, VP of Kenmore appliances and a 35-year veteran, and **Greg Inwood**, VP of Craftsman tools and hardware, a 30-year veteran. In addition, **Robert D. Luse**, the company's SVP of Human Resources, and **John C. Walden**, Chief Customer Officer have left the company.

... **Macy's Inc.** promoted 20-year executive, **Tony Spring**, to President of its **Bloomingtondale's** division, a position that has not been filled since 2004. Mr. Spring has been serving as Bloomingtondale's Senior EVP and Director of Stores since 2005. Mr. Spring will continue to report to long-time Bloomingtondale's CEO **Michael Gould**.

... **J.C. Penney Company, Inc.** appointed **Javier G. Teruel** to the company's Board of Directors. Until

his retirement last year, Mr. Teruel had been with **Colgate-Palmolive** for 35 years, serving most recently as Vice Chairman.

... **The Talbots Inc.** named **Lizanne Kindler** as its SVP in charge of store and Internet merchandising for the Talbots brand. She will serve as a General Merchandise Manager. Ms. Kindler was most recently SVP, General Merchandising Manager, of **Ann Taylor Loft**.

... **Redcats USA**, named **Gary White** CEO for **United Retail Group**. Most recently, Mr. White had been serving as COO for **The Wet Seal, Inc.** As jointly agreed when Redcats USA acquired United Retail Group last September, **Raphael Benaroya** was to remain in his current position to support a transition until a replacement was identified. Mr. Benaroya will now serve as a consultant for the foreseeable future.

... With the departure of its COO **Gary White** to **United Retail Group, The Wet Seal, Inc.** announced that they would be dropping the COO position in the company and not replacing Mr. White.

... **Family Dollar Stores, Inc.** named **Bryan E. Venberg** to the position of SVP – Human Resources. Prior to joining Family Dollar, Mr. Venberg served as SVP, Operations, Customer Service and Human Resources with **ShopNBC**.

... **GSI Commerce Inc.** named **Nick Pahade** the company's President of **gsi interactive**. Prior to joining GSI, Mr. Pahade was President of **Denuo, Publicis Groupe's** futures practice, and led global digital development for **Publicis Groupe Media**.

... Home Depot appointed **Albert Carey** to its Board of Directors. Mr. Carey currently serves as CEO of **PepsiCo Inc.'s Frito-Lay North America** division.

... **Patricia A. McKay**, EVP/CFO of **Office Depot**, left the company for personal reasons. **Charles E. Brown**, Office Depot's President of its International division, will assume the role of acting CFO. A search for a permanent CFO has begun.

... In addition to the above, **Kim Maguire**, Merchandising EVP left **Office Depot** last week for personal reasons.

... **Hancock Fabrics, Inc.** engaged **Robert Driskell** to serve as the company's SVP and CFO. Mr. Driskell has over ten years of financial management and leadership experience, most recently serving as CFO of **Reeves Williams, LLC**, a large privately held construction firm.

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Heard in the Grocery Aisle

...Winn Dixie is selling two dairy facilities to **South-east Milk**. Winn Dixie is making the sale so that it can continue to focus on improving its core grocery business. The company will retain its Georgia-based private label food production facility.

...Sobeys announce that it would sell 61 properties to **Crombie REIT**. The Canadian grocer then plans to use the proceeds to repay some debt. The transaction is slated to include 40 freestanding grocery stores and 21 shopping centers. However, Sobeys will retain possession of the property through a collection of leases ranging from 17 to 23 years.

...Unionized workers at 82 **Safeway** stores across Alberta, Canada have agreed to a new contract.

...Safeway announced that it was terminating about 70 employees at its corporate headquarters. The grocer also announced plans to eliminate more than 300 other positions.

...The **Great Atlantic & Pacific Tea Company** announced that it was closing two **Food Basic** stores in Glassboro and Dumont, New Jersey.

...The **Great Atlantic & Pacific Tea Company** announced that it would begin selling ACE's Stone Ground Whole Grain Bread.

...Rouny's **Supermarkets** plans to open between 15 to 25 grocery stores in Chicago during the next few years. CEO Robert Mariano has some knowledge of this market since he is the former CEO of **Dominick's**.

...Hallmark/**Westland Packing Company** will likely close its doors permanently as a result of the 143 million pound meat recall that was just initiated.

...Whole **Foods Markets** announced that it would be opening four stores in Hawaii by 2010.

...The upscale Minnesota-based grocer **Kowalski's** announced that it would renovate its Grand Avenue store in St. Paul, Minnesota.

...An analyst from **Piper Jaffray** speculated that U.S.-based **Tesco** stores are not meeting sales expectations. The analyst suggested that the stores are doing \$170,000 per week in revenue when **Tesco** hoped to be doing \$200,000 per week. The British grocer later rejected these claims.

...**Tesco** announced that it would be opening 17 locations in the Sacramento, California market by 2009. As a reminder, the British grocer has 55 stores in California, Arizona, and Nevada.

...Following a shareholder vote, **Unified Western Grocers** announced that it would officially change its name to **Unified Grocers**.

...The grocer **Market Street** will open a store in Allen, Texas.

...Nash **Finch** announced that it sees opportunities for expansion through acquisition, especially in its distribution business.

...D&W **Fresh Markets** has announced that it would begin selling private-label specialty coffees at all of its stores. As a reminder, **D&W** is owned and supplied by **Spartan Stores**.

...On a year-to-date basis, **United Natural Foods'** net income declined 2.8% to \$22.7 million. However, sales increased 19% to \$1.57 billion. The disappointing profit number is the result of some integration problems with the recently acquired **Millbrook** business.

...**Giant Carlisle** is expected to open a 97,300 square-foot superstore in Willow Grove, Pennsylvania. The location is expected to include a store-within-a-store that sells natural/organic products.

Did You Know...?

Real consumer spending was unchanged in January for the third time in the past four months as the economic slump deepened. Nominal spending rose 0.4%, above the 0.2% expected, but the 0.4% increase in the inflation rate left real consumer spending flat.

FYI for the DIY

... Despite a year of retooling its business model by going back to retail basics, **Home Depot** suffered its first-ever decline in annual sales, reporting sales for its fiscal year ended February 3, 2008 of \$77.35 billion, down 2.1% versus sales of \$79.02 billion in the prior year. Net income for the year was \$4.40 billion, down 23.7% versus last year.

... **Lowe's Companies** fared much better than **Home Depot** as annual sales rose 2.9% to \$48.28 billion from \$46.93 billion last year. Net income, however, was down 9.5% to \$2.81 billion from \$3.11 billion in the prior year.

... **Tractor Supply**, exercised the \$100 million increase option in its existing senior revolving credit facility, increasing the aggregate amount from \$250 million to \$350 million.

... **United Rentals, Inc.** reported earnings for its fiscal year ended December 31, 2007 of \$362 million, a 61.6% increase over net income of \$224 million for the prior year. However, the net income results include a \$100 million pre-tax gain on the termination of the merger agreement with Cerberus. Revenue for the year of \$3.73 billion, represented a gain of \$91 million, or 2.5% over revenue of \$3.64 billion last year.

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Specialty Items

... **Finlay Enterprises, Inc.** received notification from **Lord & Taylor** that the company's license agreement will not be renewed upon the expiration of the agreements on January 31, 2009, following the acquisition of **Fortunoff** by **NRDC Equity Partners LLC**, parent of Lord & Taylor. In 2007, the Lord & Taylor locations generated approximately \$44 million in revenue for Finlay.

... Searching for a winning formula, **Zales Corp.** announced that it would close more stores and cut 20% of its headquarters staff to save more than \$65 million annually. The company is closing another 23 stores, bringing to 105 the number it expects to shutter by the end of July, leaving about 2,145 stores and kiosks.

... **Tiffany & Co.** will test a new concept in Glendale, California this fall with its first smaller-scale store. The 2,600 square foot space - the company's 46 existing stores average 7,100 square foot - will open in October.

... **Jo-Ann Stores, Inc.** will release its fourth quarter and fiscal year end results for its fiscal year ended February 2, 2008 on Wednesday, March 12th. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **Kirkland's** will release its financial results for the fourth quarter and fiscal year ended February 2, 2008 before the market opens on March 25,

2008. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **Borders** opened the first of 14 planned concept stores that feature a "digital center" where consumers can sit at web-connected computers and create their own books, download music and books, create photo albums and research their family tree in Ann Arbor, Michigan.

... **Zappos.com** reported gross merchandise sales for their fiscal year ended December 31, 2007 of \$840 million, up some 40% versus sales of \$597 million in 2006. Zappos was launched as an e-commerce site in 1999 and reported its first annual sales in 2000 at \$1.6 million.

... **Leon's Furniture**, Canada's most profitable full-line furniture retailer, reported sales for its fiscal year ended December 31, 2007 of \$637.5 million, up 7.8% versus sales of \$591.3 million for the prior year. Net income for the year was \$58.5 million, up 9.1% versus net income of \$53.6 million last year.

... **AutoZone, Inc.** reported net sales of \$1.3 billion for its second quarter ended February 9, 2008, an increase of 3.0% from the comparable period last year. Net income for the quarter increased 3.6% over the same period last year to \$106.7 million.

Did You Know...?

Home values in 2007 posted the first yearly decline in 16 years, according to two home-price indexes, and analysts said more price drops are still in the offing. Home prices fell 8.9%, the largest decline in the Case-Shiller home price index in at least 20 years.

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C & S Wholesale: Retailer of the Week

(Continued from page 1)

We sense that the negotiations surrounding the new supply agreement with the Great Atlantic & Pacific Tea Company (A&P) are nearing their completion. A&P's acquisition of Pathmark created a company with \$11 billion in annualized sales, and more relevant to this discussion, combined C&S' #2 and #4 sized customers into its largest. C&S' previous supply agreements had Pathmark and A&P locked up through 2013 and 2020, respectively. We assume that the combined retail entity's greater leverage over C&S will result in some concessions being made by the distributor that both parties involved hope will be mitigated by greater volumes over the long-term. Meanwhile, C&S has a myriad of programs ongoing designed to soften the blow of any lost margin over the short-term. Furthermore, reports have indicated that C&S will be closing its central Islip warehouse in Long Island during March 2008 in favor of more efficiently serving affected local customers out of its Connecticut and Pennsylvania-based warehouses. Approximately 300 employees could be affected by this business decision, which could result in \$7 million of annualized cost savings.

Even after excluding one-time items that benefited the fiscal 2007 P&L statement, C&S still produced a positive operating profit. Coupling the low margins associated with wholesale business in general and the nature of private firms not needing to play to the tune of the capital markets, it would be understandable if C&S Wholesale Grocers was generating an operating margin of less than 1%. Reduced interest expense was a direct beneficiary of lower revolver borrowings. If our expectation that revolver borrowings were primarily paid down during the latter part of fiscal 2007 is correct, then this line item could further benefit from lower average borrowings in fiscal 2008.

LIQUIDITY & FINANCIAL STRUCTURE

C&S Wholesale Grocers appears to be in fine shape from a liquidity perspective. Despite the seasonal effect of typically elevated borrowings during the first quarter of its fiscal year (keep in mind, C&S' fiscal first quarter ends in December) and the existing inflation that does not seem to be subsiding anytime soon, the firm spent a good deal of time cleaning up its balance sheet during fiscal 2007 by consolidating some of its core operations and ridding itself of some of its underperforming stores.

Availability on its \$850 million revolving credit facility, which is fully secured and supports both direct borrowings and letters of credit, was approximately \$570 million as of September 2007. Facility usage at that time was comprised of an estimated \$162 million of direct borrowings and \$113 million of L/C usage. Global Credit believes that C&S' proceeds from asset sales (in particular, selling two facilities to Ahold) and cash flow from operations were the primary drivers supporting its ability to pay down bank borrowings. Importantly, cash flow from operations covered capital spending with ease. Though availability has since declined somewhat, the distributor was still blessed with in excess of half a billion dollars in availability heading into calendar year 2008.

TRADE SURVEY

C&S Wholesale Grocers understands the need to provide its customers with value; otherwise, these relationships can be shortlived. Management takes very seriously some of the alleged deficiencies pointed out in Global Credit's fall trade survey (published in November 2007) and has had internal programs ongoing that are designed to address issues of this kind. It is not the firm's intention to pay customers "when it feels like it". Therefore, we encourage clients who have specific issues that require assistance to contact me directly to put you in touch with the appropriate personnel at C&S Wholesale Grocers.

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Did You Know...?

The Conference Board Consumer Confidence Index, which had declined in January, fell sharply in February. The Index now stands at 75.0 (1985 = 100), down from 87.3 in January. The Expectations Index declined to 57.9 from 69.3 and the Present Situation Index decreased to 100.6 from 114.3 in January.

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Rating Changes and Outlooks

Rating Changes					
Company	S&P Credit Rating		S&P Credit Outlook		GCS Credit Rating
	Current	Prior	Current	Prior	Current
REGIONS BANK	A+	A+	STA	NM	NR
HHGREGG INC (FKA GREGG)	B+	B	STA	STA	D+
LIMITED BRANDS INC	BBB-	BBB-	NM	NEG	C+
DILLARDS INC-HQ	BB	BB	NEG	STA	D
CARDINAL HEALTH INC	BBB+	BBB	STA	POS	C-
FINLAY FINE JEWELRY	B-	B	NEG	NM	E
MCKESSON CORP	BBB+	BBB	POS	POS	C-
STAPLES INC	BBB+	BBB+	NM	STA	B
MARRIOTT INTERNATIONAL	BBB	BBB+	STABLE	STA	C-
MCDONALDS CORP	A	A	STA	NEG	B-
WENDYS INTERNATIONAL	BB-	BB+	NM	NM	D+
ALBERTSONS INC (SEE	NR	BBB-	NR	NM	D+

Did You Know...?

Vietnamese furniture exporters might face a U.S. anti-dumping investigation. U.S. importers already pay anti-dumping duties on Chinese wooden bedroom furniture, but no antidumping petition against Vietnamese furniture imports has been filed with U.S. officials as of yet.

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The Global World of Sports and Footwear

... **Big 5 Sporting Goods Corporation** reported that sales for its fourth quarter ended December 30, 2007 were \$232.1 million, down 1.0% versus the comparable period last year. Net income for the quarter of \$6.2 million represented a 35.8% decline versus net income of \$9.6 million for the fourth quarter last year.

... **Bass Pro Shops** expects 5 million people to attend the 2008 Spring Fishing Classics events February 29th through March 16th at 46 of its retail locations. The 16-day event features new product exhibits, live demonstrations, clinics, music, and kids events.

... **Quiksilver, Inc.** will release its first quarter financial results on Friday, March 7th. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... The outdoor crowd still loves to shop and in 2007 they gave more business to **Recreational Equipment Inc.** both online and in stores. In 2007, web sales for REI rose by 15.9% to \$226 million from \$195 million in 2006. At the same time, the company reported net income of \$41.4 million on sales of \$1.30 billion versus net income of \$40.3 million on sales of \$1.154 billion in 2006.

... **West Marine, Inc.** will release its fourth quarter

and full year financial results on Tuesday, March 11th. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **GSI Commerce Inc.** became the new, full-service e-commerce solution provider to Major League Soccer recently re-launching the league's Web store at mlsgear.com. With the addition of MLS, GSI provides e-commerce solutions for nearly every major professional sports league in the U.S., including Major League Baseball, the NFL, the NBA, the NHL and NASCAR.

... **L.L. Bean** plans to expand its retail presence into the upper Midwest region and open its first store in the Chicago region in September 2008. The move into Chicago represents the company's first store outside the Northeast corridor.

... **Under Armour Inc.** plans to open its second store in the Chicago suburb of Aurora, Illinois. Under Armour began testing its own retail stores last November when it opened a store in Annapolis, Maryland.

... **Zumiez Inc.** will release its fourth quarter and full year results on Thursday, March 13th. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

Mass Merchant Musings

... **Cherokee Inc.** completed a licensing agreement between **Norma Kamali, Inc.** and **Wal-Mart Stores Inc.** The multi-year agreement covers a wide range of categories including women's and children's clothing, footwear, accessories, home and more.

... **Wal-Mart** expects procurement of products from China to remain steady at \$9.0 billion in 2008, despite a rising exchange rate and concerns over product safety.

... The wait is over (5 years) and it is now official. **Costco** will soon be opening a warehouse in Pocatello, Idaho. Construction is to begin shortly with an opening scheduled for this summer.

... **Duckwall-ALCO Stores Inc.** now says that its EBITDA for its fiscal year ended February 3, 2008 will be in the neighborhood of \$13 million, down significantly from its December prior estimate of \$25 million. The company expects to announce fourth quarter and full year results on April 17th.

... **BJ's Wholesale Club, Inc.** will announce its financial results for the fourth quarter and fiscal year ended February 2, 2008 on March 5th. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **Target Corporation** reported that its total reve-

nue for its fourth quarter ended February 2, 2008 was \$19.87 billion, up a miniscule 0.8%, including a 20.6% increase in Credit Card revenue. Net income for the quarter of \$1.0 billion was 8.1% lower than net income for the fourth quarter last year, the first quarter over quarter decline for the company.

... With groceries becoming an ever-bigger part of its business, **Target Corp.** soon will take a major step toward bringing its food distribution process in-house. Construction of the company's first perishable food distribution center in Lake City, Florida, is nearly complete and should be shipping fresh produce as well as frozen and refrigerated foods by August. The plant will be operated with **Supervalu**, and will supply stores in the Southeast.

... Also reporting a tough fourth quarter, **Dollar Tree Stores, Inc.** reported sales for its fourth quarter ended February 2, 2008 of \$1.30 billion, down 1.5% versus sales of \$1.32 billion for the fourth quarter last year. Net income for the quarter of \$94.7 million represented a drop of 3.0% versus last year.

... **Big Lots, Inc.** will release its fourth quarter and year-end financial results on Wednesday, March 5th. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

Did You Know...?

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

Hi Tech Entertainment

...Bankrupt retailer **Sharper Image** has said that it has been informed that its securities will be delisted by NASDAQ. The stock will trade on the Over the Counter market beginning on Monday, March 3.

...Fourth quarter profits fell sharply at **Office Depot**. Profits were just \$18.8 million for the three months, down from \$126.6 a year ago. Higher expenses and lower sales in North America were the largest factor during the quarter for the company. Revenues for the quarter were up 1% to \$3.9 billion for the three months.

...**Overstock** will now offer free shipping for members of its Club O. The free shipping is for members who are located in the continental United States. The free shipping will exclude books, music, movies and games.

...**Netflix** has raised its forecast for the first quarter and coming year. The company has pointed to reduced competition as a primary source. Rival **Blockbuster** has struggled to retain customers, while **Movie Gallery** is operating in bankruptcy. Netflix expects to have 8.26 million customers, up from previous estimates of 8.06 million.

...Wattles Capital Management LLC has proposed that **Circuit City** remove its entire Board of Directors, except the five that were nominated by the company. Wattles recently announced that his firm owns a 6.5% stake in the struggling electronics retailer. Circuit City has lost \$207 million through the first nine months of the year, and is expecting a small loss during the fourth quarter.

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