

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

Stimulus Checks Effective

The stimulus checks are working. A big increase in retail sales signaled that people are spending their rebate payments, helping to ward off a serious economic slump... at least for now.

The Commerce Department reported that retail sales soared 1.0% last month, double what had been expected. It was the largest increase since November and represented strong sales at a variety of retailers including the biggest increase at department stores and other general merchandise stores in a year.

The May increase, double what economists had been expecting, provided the strongest evidence yet that the economy is getting a major boost from the \$50 billion in economic stimulus payments the government sent out by the end of May, slightly less than half of the \$106.7 billion scheduled to be sent out this year.

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Jean Coutu Group: Retailer of the Week

The Jean Coutu Group remains **a moderate risk, 'C' credit with a stable outlook**. The sale of the Brooks/Eckerd operations to Rite Aid has allowed Jean Coutu to return to its core competency of running its franchised drug store business. In addition to the cash and debt changing hands in the Brooks/Eckerd transaction, Jean Coutu received 250 million shares. However, the value of these shares has dwindled substantially to just over \$500 million. Since the transaction was completed, this stake has lost eroded by roughly \$1 billion. The druggist has changed its fiscal year close to the beginning of March to align itself with Rite Aid's reporting calendar. Rite Aid's massive sea of red ink is having a significant adverse impact on the Jean Coutu's otherwise healthy P&L statement. The strengthened balance sheet, a return to a more familiar business model, and a decent level of bank availability prevent this account from being a significant concern.

OPERATING PERFORMANCE: FISCAL YEAR ENDED MARCH 1, 2008

CANADIAN \$ in millions 9 MONTHS ENDED	39 weeks 3/1/2008	YOY Var.	40 Weeks 3/3/2007
U.S. Revenues	N/A	N/A	\$11,831.10
Canadian Revenues	\$1,676.30	16.70%	\$1,434.30
Total Revenue	\$1,676.30	-87.50%	\$13,265.40
Comparable Store Sales (U.S.)	N/A	N/A	2.00%
Comparable Store Sales (Canada)	5.70%	(130 bps)	7.00%
Operating Income Before Amortization (OIBA) (U.S.)	N/A	N/A	\$254.10
Operating Income Before Amortization (OIBA) (Canada)	\$169.60	5.20%	\$161.20
Operating Income Before Amortization (OIBA)	\$169.60	-60.30%	\$426.30
Operating Profit	\$155.00	-55.80%	\$351.60
Share of Profits/(Losses) From Investments	(\$393.30)	N/A	-----
Net Profit	(\$251.40)	N/A	\$162.50
Gross Margin	18.27%	(604 bps)	24.31%
OIBA Margin	10.10%	690 bps	3.20%
Operating Margin	13.30%	1304 bps	2.70%

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Remember...

*In the business world,
the rearview mirror is
always clearer than
the windshield.*

Stimulus Checks Effective

(continued from page 1)

The Bush administration is hoping the stimulus payments will offset the gloom from a prolonged slump in housing, a severe credit crisis, soaring energy bills and rising layoff notices and keep the country out of a deep recession.

Highlighting the pressures on the job market, the Labor Department reported that new applications for jobless benefits rose by 25,000 last week to 384,000, the highest level since late March. It was a much bigger increase than expected and came after news last week that the unemployment rate in May jumped by the largest amount in 22 years, up 5.5% from 5.0% in April.

The big rise in May retail sales and upward revisions showing stronger sales than previously reported in March and April left economists feeling more secure that the economy is still skirting by the current slowdown without a full-blown recession.

Nige Gault, an economist at Global Insight, had been expecting the overall economy, as measured by the gross domestic product, to be just barely positive in the current April-June quarter, with GDP growth of 0.2%. But after the retail sales report and the upward revisions to previous months, he said GDP growth could come in around 1%.

But Mr. Gault cautioned that there could be a payback down the road once the boost from the rebate checks begins to wear off later this year. However, other economists said the good boost to sales so far held out hope that consumer spending will remain strong through the summer.

The retail sales report showed that general merchandise stores, which include department stores and discount stores such as Wal-Mart, saw sales rise by 1.2%, the best showing since a 2.1% rise in March last year. Sales were also strong at stores selling appliances and electronics, building materials, sporting goods and health care products.

Sales at gasoline stations surged by 2.6%, an increase that reflected soaring pump prices. But even excluding that big gain, retail sales would have risen by a solid 0.8%.

Auto sales rose a modest 0.3%, only a tiny rebound after a huge 2.1% plunge in April as demand in this area is being battered by soaring energy prices that has cut into sales of pickup trucks and sport utility vehicles.

Specialty Items

Cost Plus, Inc. rejected **Pier 1 Imports, Inc.**'s merger proposal reported last week. The Cost Plus board says the company has adequate liquidity and that shareholders will get best value from the company continuing to execute its strategic plan.

Pier 1 completed a sale/leaseback deal for the company's headquarters in Fort Worth, TX. The lease has a seven year initial term and a three year option term, and covers 350,000 sq ft initially, decreasing to 250,000 sq ft after 18 months.

Tiffany & Co. will open a 2,000 square foot mall store in Qingdao, China next month.

E Com Ventures, Inc. revenues were up 23.9% to \$301.8 million for the year ended Feb 2, 2008. Comp store sales were up 2.9% excluding the extra week in 2006. ECMV had a profit of \$5,730

for the year vs. \$4.4 million prior. SG&A was up 12.3%, more than offsetting a gain in gross profit.

Easygates, LLC, the U.S. franchisor of Canadian rental chain Easyhome, signed two franchises for 16 additional Easyhome stores.

Restoration Hardware's shareholders adopted the amended merger agreement with Catterton Partners. The final share price will be \$4.50. Contingent on the merger closing, Restoration Hardware will settle the shareholder lawsuit and establish a fund of \$3.7 million for attorneys and shareholders, in that order.

Liquidation World Inc. is for sale. The money-losing operator of 106 "asset recovery" stores has formed a special committee to investigate and evaluate strategic alternatives available to the company to increase shareholder value.

Feedback?

Questions?

Suggestions?

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Off the Rack

Syms Corp. and shareholder Esopus Creek Value L.P. sparred last week over Syms' accounting for real estate assets. Esopus claims that the company actually owns 2.05 million square feet of real estate, not the 1.4 million listed in filings. Syms management issued a reply refuting the allegations and claiming they have accurately reported everything that is material to the company's financial condition and results.

Barneys plans to open a 30,000 square foot store in Kobe, Japan, reports *Women's Wear Daily*, its fourth in Japan. The new store is slated for spring 2010.

The Talbots, Inc. adds a new \$50 million unsecured credit facility from majority shareholder Aeon Co. Talbots now has a total capital borrowing capacity of \$215 million.

Gap Inc. plans to downsize most Gap stores from 12,500 sq ft to 6,000 to 10,000 sq ft., and Old Navy stores from 20,000 sq ft to 14,000 to 15,000 sq ft over the next three to five years. The company has no plans to open new stores.

Wilsons The Leather Experts Inc. received the latest of several staff determination letters from NASDAQ that WLSN is subject to delisting for not maintaining a minimum market cap and share price. The company has requested a hearing to review the staff determination.

Nordstrom Inc. confirmed plans to open eight stores in 2008 and five in 2009. The upscale chain will also focus on growing market share and adding new products, management said.

Aeropostale, which currently operates 814 stores, is expected to grow to 1,000 stores in the next couple of years including an underdevelopment, undisclosed new store concept.

Kohl's Corporation and **American Brand Holdings** announced a licensing agreement naming Kohl's as the exclusive U.S. retailer for **Hang Ten** on a wide variety of merchandise.

Stein Mart made its New England debut with a 31,000 square foot store at Bay State Commons, the new lifestyle mall in Westborough, Massachusetts.

Saks Incorporated will open three new Saks Fifth Avenue OFF 5TH stores in the fall in Deer Park, Long Island; St. Augustine, Florida; and in Mercedes, Texas.

Forever 21, the fast-growing Los Angeles based apparel retailer, plans to build larger stores and within four years expects to be in position to be a mall anchor as it evolves from a teen-focused business into one devoted to a youth-lifestyle retail concept.

Mass Merchant Musings

Wal-Mart's ASDA subsidiary announced that it will sell **Gazeley Limited Group** to **Economic Zones World**, a Dubai World company. Gazeley is one of the largest developers of distribution warehousing in the UK, mainland Europe and China and has extended its operations to India and Mexico.

Also, **Wal-mart** announced that shareholder's voted down all of the shareholder proposals that the board had recommended against. They included proposals on executive compensation, human rights and political contributions.

Big box stores are coming to Manhattan, the *New York Times* reports. **East River Plaza**, located in Harlem, will offer 485,000 sq ft of retail space on five floors. Target, Costco, BJs, and Home Depot are among potential tenants.

Canadian Tire named GENCO Distribution System of Canada, Inc. to operate its new 1.5 million sq ft DC in Coteau-du-Lac Quebec. The facility will be on line early next year.

Big Lots sees expanding to 1,800 stores as the real estate market cools. Management said that the distribution capacity is already in place to support that level of growth from the current 1,354 stores.

99 Cents Only Stores sales increased 8.6% to \$1.199 billion for the year ended Mar 29, 2008. Comps increased 4.0% for the year. Net income was down 70.4% to \$2.9 million. Shrink in the fourth quarter exceeded projections by \$5.5 million and contributed to the income decline.

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Heard in the Grocery Aisle

SuperValu will cut more than 120 finance jobs over the next 12 - 18 months, 80 from the Boise office and 40 from the Minneapolis headquarters. The jobs are being outsourced to India though Cognizant.

Kroger has reached agreement on terms of a new contract with the United Food & Commercial Workers Union Local 700 covering the over 4,200 workers Indianapolis and other parts of Indiana. The agreement still must be ratified by the membership.

Following last week's announcement of the sale of stores to Publix, **Albertson's** will lay off the 5,000 employees at those stores as well as 121 workers at a distribution center.

Winn-Dixie Stores said that they don't see the Albertson's-Publix deal having any impact on the performance of their stores in the region.

Pathmark—now under A&P guidance—is going back to the formula with which it had success

in its early years. Management hopes lower prices and circular specials will drive traffic back to the chain.

Loblaw Companies Limited agreed to offer 9 million cumulative redeemable convertible Second Preferred Shares, Series A at a price of \$25.00 per share, to yield 5.95% per annum, for an aggregate gross amount of \$225 million to a syndicate of underwriters co-led by RBC Dominion Securities Inc. and CIBC World Markets Inc. The offering is expected to close this week.

German discount supermarket **Lidl** plans to expand to the U.S. and Switzerland, part of a strategy aimed at overtaking rival **Aldi**. Lidl currently operates over 3,000 stores in German.

Casey's General Stores, Inc. sales were up 20.0% to \$4.827 billion for the year ended Apr 30, 2008. Comps: fuel, -2.0%; Grocery, +7.3%; Prepared Food, +9.8%. Net Income increased 37.2% to \$84.9 million.

Did You Know...?

Consumers' malaise continued in June as the consumer sentiment index fell to 56.7 from 59.8 in May, according University of Michigan data. Fuel and food costs were cited as the cause.

Bankruptcy Blotter

Many corporations, which went on a borrowing binge the last several years, have been able to hunker down during the last year of turmoil in the credit markets since they didn't have much debt maturing. Next year will be different. The amount of bonds coming due will more than double to \$28 billion in 2009, a hefty amount in an environment where credit standards have become much more stringent.

Linens Holding is seeking court approval to engage **Citigroup Global** to assist in structuring a sale of its Canadian retail operation. While Linens hired **Genuity Capital Markets** to find a potential buyer for the Canadian stores, Citigroup will help with the actual transaction upon finding a suitable purchaser for the business.

The court has cleared the way for a trial in the lawsuit that alleges that leaders of **Micro Warehouse**, a defunct online computer retailer, ran the company onto the rocks and then sold it for a quarter of what it was worth to **CDW Corp.** The lawsuit was filed last year by a bankruptcy trustee on behalf of creditors of Micro Warehouse.

Friedman's Inc. resubmitted a bonus plan for employees amounting to \$1.3 million. The previously rejected plan called for bonuses of \$1.7 million. A hearing to consider the revised plan is scheduled for June 25th.

Hancock Fabrics filed its Plan of Reorganization with the court, calling for unsecured creditor claims to be paid in full. Funding for the plan will be provided by a \$100 million exit revolving credit facility and \$20 million in notes issued to current shareholders.

Goody's Family Clothing Inc. received court approval to liquidate merchandise in 69 underperforming stores. **Hilco Merchant Resources LLC** is serving as the stalking horse bidder for the sale, offering 92.6% of the merchandise's value, which is expected to be at least \$22 million.

In other news, **Goody's Family Clothing** secured a commitment for \$210 million in DIP financing: a \$175 million under a revolving credit facility with General Elect4ric Capital Corp., \$15 million under a term loan facility with GB Merchant Partners, and \$20 million under a junior term loan facility from PCGYS Lending. The facility is subject to court approval.

Interstate Bakeries Corp. won approval to sell an acre of property in California for \$1.6 million to **Marc Winnikoff**.

One of Oregon's largest home builders, **Legend Homes**, filed for Chapter 11 bankruptcy in the Portland, Oregon Bankruptcy Court. The company expects to emerge from bankruptcy "by year end."

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The Global World of Sports and Footwear

Notes from **Foot Locker, Inc.** at the Susquehanna International Group conference:

- **Foot Locker** management stressed the need for tight inventory controls and clear banner differentiation as it cited its experience, improved financial position and market share dominance as strengths. SKU count was slashed by 19% in H2 and exclusive offerings were emphasized with an aim to lift average price paid per pair and rebuilds the banner's branded apparel business with existing and new vendors. The company will spend \$18 million to refresh Foot Locker doors this fiscal year.
- **Footaction** needs to solidify its street credibility and urban appeal to a customer base that is 60% male and fashion-forward in nature. The goal is to make the chain an "urban lifestyle destination for the under 25, street savvy-set that shops its doors.
- **Champ Sports** is committed to head-to-toe offerings, but with an apparel component that is driven by pro sports licensed garb led by the NFL. 60% of the brand's demographic are self-described sports fans. On the footwear side, sees new growth potential emerging from the skate category
- **Lady Foot Locker** is working to improve its store environment with upgraded lighting and flooring and merchandise story with the addition of full mannequins and leg forms in 300 locations. Nearly 20% of its offering is now on replenishment.

Pacific Sunwear will bring back footwear in time for Back-to-School, just four months after exiting the category. Brands expected to be

featured in PSUN's limited assortment are Nike, Quiksilver-owned DC and VF Corp.-owned Vans.

Bakers Footwear Group, Inc. received a staff deficiency letter from NASDAQ for not maintaining the exchange's minimum of \$5 million in publicly held shares.

VFC owned **lucy** is getting a makeover, with a 20% SKU reduction, a scaled back store opening plan in FY08 and planned location upgrades for all new doors to "A" lifestyle malls or street locations in major urban markets that are close to yoga studios, cafes or gyms. VFC believes lucy's makeover will result in \$800 per sq. ft. of sales and \$220 million in total revenues for the chain by FY12, up from an anticipated \$650 a sq. ft. this fiscal year when the banner may not turn a profit.

GSI Commerce will shutter their DC in Portland, TN, one of 16 that it operates, on Sep. 30 and layoff all 148 employed there. The plant is closing due to Restoration Hardware's decision to take its distribution in-house.

Golfsmith, which will distribute over 10 million catalogs this year, including three women's, six clubmaking and three tennis titles, will reduce its debt by \$10 million by FY end, interim CEO Marty Hanaka told Piper Jaffrey conference attendees.

Olympia Sports is acquiring four New England stores—Manchester, VT; Scarborough and Wells, ME and Lake George, NY—from Sportshoe Center, Inc. of Kennebunk, ME. Two additional Sportshoe doors in Londonderry and Merrimack, NH are being sold to an employee under a license agreement.

Upcoming Reporting Dates

Company	Event	Date
Bon Ton/Gottschalks	Web Presentation	Jun 18, 2008
Cabela's	Web Presentation	Jun 26, 2008
Circuit City Stores, Inc.	Quarterly Results	Jun 19, 2008
Crane Co.	Quarterly Results	Jul 28, 2008
Dick's Sporting Goods	Web Presentation	Jun 18, 2008
Interline Brands	Web Presentation	Jun 18, 2008
Kroger Co.	Quarterly Results	Jun 24, 2008
Kroger Co.	Annual Meeting	Jun 26, 2008
Rite Aid Corp.	Quarterly Results	Jun 26, 2008
Tractor Supply	Web Presentation	Jun 19, 2008
Ulta	Web Presentation	Jun 18, 2008
Walgreens	Quarterly Results	Jun 23, 2008
Williams-Sonoma, Inc.	Web Presentation	Jun 18, 2008

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Management on the Move

Roche Bros. Vice Chairman **Jay Roche** is leaving the family owned Massachusetts supermarket chain.

New York & Company appointed Donna M. Lucolano EVP/GM of their direct group, where she will focus on e-commerce and customer relationships.

Movie Gallery, Inc. named **Sherif J. Mityas** COO and President of Retail Operations. Mityas was a partner at A.T. Kearney and has an extensive retail consulting background.

Saks Inc. announced three promotions:

- **Carolyn Biggs**, EVP of Stores, will retire on Jan 31, 2009.
- **Jennifer de Winter** will succeed Biggs.
- **Cody Kondo** will succeed de Winter as the Group SVP and GMM for Jewelry, Shoes, and Accessories.
- **Tom Ott** will succeed Kondo as SVP and GMM for Menswear, Home, Food, and Gifts.

Family Dollar Stores promotes Jacob J. Modla to VP and Deputy General Counsel.

Wilson's The Leather Experts Inc. appointed Timothy G. Becker as Interim CEO. Mr. Becker is a Principal at Lighthouse Management Group Inc., a professional firm of turnaround specialists.

In addition to the above, **Michael T. Sweeney** resigned his position as Chairman of the Board of Directors of **Wilson's Leather**, replaced by current board member **William F. Farley**.

Claire's Stores, Inc. named **Joan Munnely** to the newly created position of Chief Merchandise Officer reporting to **Gene Kahn**, Claire's CEO. Ms. Munnely most recently served as EVP and General Merchandise Manager for **Tween Brands**.

Robert B. Sari notified **Rite Aid Corporation** that he intends to leave his position as the company's EVP, General Counsel and Secretary in the fall of 2008 in order to relocate back to Portland, Oregon.

Did You Know...?

Customs seizures of counterfeit prescription medicines jumped 24% in 2007 with 1,513 incidents involving 403 different drugs, according to the Pharmaceutical Security Institute.

Health & Beauty Aids

Walgreen Co. agreed to acquire 12 CuraScript Infusion Pharmacy facilities in Alabama, Indiana, Kentucky, Missouri, Ohio and Tennessee from parent Express Scripts, Inc. Terms were not disclosed.

Also, **Walgreens** is seeking state approval to open medical clinics inside 16 of its Massachusetts stores, providing the first sign of competition for CVS's MinuteClinics, which earlier this year outlined plans to expand into the state.

Express Scripts has agreed to purchase the Pharmacy Services Division of Medical Services Company (MSC) for \$248 million.

New York Attorney General **Andrew M. Cuomo** intends to take legal action against **Rite Aid** and **CVS** after a state investigation revealed their stores sold expired products including milk, eggs, medicines and baby formula. The violations were found in 60% of Rite Aid's New York locations and in 43% of the CVS locations.

Rating Changes & Outlooks

Company	S&P Credit Rating		S&P Credit Outlook		GCS Credit Rating
	Current	Prior	Current	Prior	Current
ACE HARDWARE CORP	BB-		STABLE		C-
RISKMETRICS GROUP INC	B+	B+	POSITIVE	STABLE	NR
BEST BUY CO INC-BBY	BBB	BBB	NEGATIVE	NM	B-
AMAZON COM INC	BB+	BB	POSITIVE	NM	B-
155 EAST TROPICANA LLC	NR	CCC+	NR	NM	E-
STAPLES INC	BBB+	BBB+	NM	NM	B

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Hi Tech Entertainment

Staples and takeover target Corporate Express have come to terms. Corporate Express will recommend the all cash offer at €9.25 a share, a slight bump from last week's €9.15 offer. Staples tender offer for Corporate Express debt was also raised. The tactical Lyreco merger is called off. Total value of the deal is approximately €3.1 billion (\$4.8 billion) and is expected to settle in July.

Tweeter showed off its new store format, highlighting self-service demos and push-buttons that allow shoppers to try and compare products. The prototype uses an existing 10,000 sq ft store. near Tweeter's Massachusetts HQ.

Reflective of the economic climate, **Office Depot** is trying to reduce its 2,000 employee workforce at its headquarters through a voluntary separation program. The company does not have a specific number of jobs targeted for elimination, nor did it release details of the severance package.

Borders Group, Inc. closed on the previously announced transaction to sell its Australia/New Zealand/Singapore businesses to **A&R Whitcoulls**. With the closing Borders received proceeds of approximately \$90 million. Additional deferred payments of up to \$14 million, which are performance based, are due on or about March 31, 2009.

Did You Know...?

40 percent of "new in box" merchandise sold on on-line auction sites is likely stolen or fraudulently obtained, reports the NRF in their 2008 Organized Retail Crime survey.

FYI for the DIY

The **Home Depot** kickback scandal saw a second person charged. James P. Robinson, 43, of Atlanta, faces two counts of income tax evasion and one count of conspiracy to commit wire fraud against the company.

Ace Hardware ranked highest in customer satisfaction for the second consecutive year, according to results of the annual J.D. Power and Associates 2008 home improvement retail store study. **Lowe's** and **Menards** followed Ace in the rankings.

Reflective of its latest operating results, **TractorSupply** has initiated a "hiring frost", a policy of limiting non-strategic hires. The company also decided to postpone non-critical projects and cut non-essential capital expenditures.

United Rentals, Inc. wants to buy back up to 27,160,000 shares—31.4% of its shares outstanding—in a modified Dutch auction starting at \$22.00 up to a \$25.00 maximum. The company will also buy back a block of preferred shares held by two Apollo funds.

Options and Resources

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First Quarter Scorecard

\$ in Millions	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
Apparel							
Abercrombie & Fitch	\$800.2	\$742.4	7.8%	-3.0%	\$62.1	\$60.1	3.4%
Aerostale, Inc.	\$336.3	\$275.8	21.9%	5.6%	\$17.5	\$13.8	26.8%
American Eagle Outfitters	\$640.3	\$612.4	4.6%	-6.0%	\$43.9	\$78.8	-44.3%
Belk, Inc.	\$817.3	\$904.5	-9.6%	-8.7%	\$5.1	\$9.5	-46.0%
Bon Ton Stores, Inc.	\$723.0	\$760.4	-4.9%	-4.6%	(\$34.1)	(\$23.3)	-46.2%
Buckle, Inc.	\$160.3	\$121.1	32.4%	25.6%	\$18.7	\$12.2	53.5%
Burlington Coat Factory	\$780.9	\$774.5	0.8%	-3.1%	\$26.8	\$31.1	-13.8%
Cato Corporation	\$228.8	\$227.2	0.7%	-1.6%	\$16.9	\$18.7	-9.7%
Children's Place	\$400.2	\$356.0	12.4%	5.0%	\$19.5	\$14.7	32.6%
Claire's Stores, Inc.	\$327.0	\$340.6	-4.0%	-8.4%	(\$35.6)	\$28.8	-223.6%
Coldwater Creek Inc.	\$271.1	\$281.3	-3.6%	-9.4%	(\$9.2)	\$12.0	-176.8%
dELIA's, Inc.	\$63.5	\$57.8	9.9%	2.0%	(\$3.9)	(\$3.3)	-20.9%
Dillard's, Inc.	\$1,713.6	\$1,799.5	-4.8%	-6.0%	\$2.7	\$42.9	-93.7%
Dress Barn, Inc.	\$352.6	\$347.9	1.4%	-2.8%	\$24.9	\$23.1	7.9%
Gap Inc.	\$3,384.0	\$3,549.0	-4.6%	-11.0%	\$249.0	\$178.0	39.9%
Gottschalks	\$127.4	\$143.5	-11.2%	-10.3%	(\$6.6)	(\$4.7)	-39.1%
Gymboree Corporation	\$242.1	\$209.3	15.7%	4.0%	\$25.0	\$20.9	20.1%
Hart Stores Inc.	\$31.1	\$30.1	3.3%	-6.2%	\$0.0	(\$0.3)	100.0%
J. Crew Group, Inc.	\$340.6	\$297.3	14.6%	8.0%	\$30.5	\$24.6	23.7%
J.C. Penney Company	\$4,127.0	\$4,350.0	-5.1%	-7.4%	\$120.0	\$238.0	-49.6%
Jo-Ann Stores, Inc.	\$446.1	\$424.2	5.2%	4.5%	\$3.0	(\$1.7)	276.5%
JoS. A. Bank Clothiers	\$145.4	\$129.5	12.3%	6.4%	\$9.8	\$8.4	16.7%
Le Chateau Inc.	\$69.5	\$62.9	10.5%	-4.6%	\$5.6	\$3.7	48.8%
Macy's, Inc.	\$5,747.0	\$5,921.0	-2.9%	-2.6%	(\$59.0)	\$36.0	-263.9%
Men's Wearhouse	\$491.1	\$496.1	-1.0%	-6.4%	\$9.9	\$41.0	-75.7%
New York & Company, Inc.	\$270.1	\$274.2	-1.5%	-6.6%	\$6.7	\$0.8	737.5%
Nordstrom, Inc.	\$1,879.0	\$1,953.9	-3.8%	-6.5%	\$119.0	\$156.8	-24.1%
Retail Ventures, Inc.	\$466.3	\$465.8	0.1%	-4.3%	\$29.2	\$2.7	965.7%
Ross Stores, Inc.	\$1,556.3	\$1,410.5	10.3%	3.0%	\$79.5	\$67.0	18.6%
Saks Incorporated	\$862.4	\$792.7	8.8%	8.4%	\$18.3	\$11.0	66.4%
Stage Stores, Inc.	\$353.5	\$358.2	-1.3%	-5.4%	\$2.3	\$9.1	-75.2%
Stein Mart, Inc.	\$352.2	\$376.1	-6.4%	-9.3%	\$7.0	\$8.1	-13.7%
Talbots, Inc.	\$542.4	\$573.6	-5.4%	-9.8%	(\$4.1)	\$5.2	-177.4%
Urban Outfitters, Inc.	\$394.3	\$314.5	25.4%	10.0%	\$42.6	\$29.4	44.9%
Wet Seal, Inc.	\$142.4	\$138.0	3.2%	7.5%	\$8.9	\$7.6	17.8%
Mass Merchants							
99 Cents Only Stores	\$290.5	\$277.9	4.5%	1.5%	(\$4.4)	(\$1.0)	-340.0%
Big Lots, Inc.	\$1,151.6	\$1,128.4	2.1%	3.4%	\$34.5	\$28.8	20.0%
BJ's Wholesale Club, Inc.	\$2,306.4	\$2,058.0	12.1%	9.6%	\$17.2	\$13.7	25.5%
Costco Wholesale Corp.	\$16,613.7	\$14,659.3	13.3%	4.0%	\$295.1	\$224.0	31.7%
Dollar Tree Stores, Inc.	\$1,051.3	\$975.0	7.8%	2.1%	\$43.6	\$38.1	14.4%
Duckwall-ALCO Stores, Inc.	\$106.0	\$106.3	-0.3%	-8.4%	(\$5.9)	(\$2.2)	162.2%
Fred's, Inc.	\$464.3	\$442.3	5.0%	2.1%	\$7.3	\$7.4	-2.5%
Sears Canada Inc.	\$1,254.0	\$1,219.0	2.9%	-1.9%	\$63.1	\$14.3	341.3%
Sears Holdings Corporation	\$11,068.0	\$11,747.0	-5.8%	-8.6%	(\$56.0)	\$223.0	-125.1%
Toys R Us Inc.	\$2,719.0	\$2,581.0	5.3%	-0.4%	(\$36.0)	(\$41.0)	-12.2%
Wal-Mart Stores, Inc.	\$95,303.0	\$86,410.0	10.3%	2.9%	\$3,022.0	\$2,826.0	6.9%
Sports & Footwear							
Bakers Footwear Group, Inc	\$43.5	\$49.3	-11.8%	-11.1%	(\$4.9)	(\$1.0)	-390.0%
Collective Brands (Payless St	\$932.4	\$728.6	28.0%	-6.5%	\$19.7	\$38.9	-49.4%
DSW Inc.	\$366.3	\$357.0	2.6%	-5.4%	\$10.3	\$23.7	-56.7%
Foot Locker	\$1,309.0	\$1,316.0	-0.5%	-2.9%	\$3.0	\$17.0	-82.4%
Forzani Group Ltd.	\$304.2	\$263.7	15.3%	-2.1%	(\$2.9)	\$0.7	-534.4%
Gander Mountain	\$207.7	\$175.7	18.2%	-6.7%	(\$24.4)	(\$22.8)	-7.1%
Genesco Inc.	\$356.9	\$334.7	6.7%	2.0%	\$129.8	\$2.2	5792%
Hibbett Sporting Goods, Inc.	\$145.8	\$133.8	9.0%	0.0%	\$9.4	\$10.2	-8.4%
Lululemon Athletica Inc.	\$78.2	\$44.8	74.5%	28.0%	\$8.5	\$3.5	139.3%
Shoe Carnival, Inc.	\$162.1	\$165.7	-2.1%	-4.9%	\$4.8	\$7.3	-34.7%
Sport Chalet	\$96.8	\$97.8	-1.0%	-8.6%	(\$2.8)	\$0.9	-417.8%

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First Quarter Scorecard

\$ in Millions	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
Specialty							
Autozone	\$1,517.3	\$1,473.7	3.0%	-0.3%	\$158.6	\$151.6	4.6%
Barnes & Noble, Inc.	\$1,158.1	\$1,145.4	1.1%	-1.5%	(\$2.2)	(\$1.7)	-33.1%
Brookstone, Inc.	\$89.8	\$83.1	8.0%	1.1%	(\$11.7)	(\$11.2)	-5.1%
Cost Plus, Inc.	\$211.7	\$202.5	4.5%	0.6%	(\$32.0)	(\$11.1)	-187.9%
CSK Auto Corporation	\$461.1	\$473.0	-2.5%	-3.1%	\$5.4	\$1.7	221.4%
Finlay Enterprises, Inc.	\$205.1	\$162.9	25.9%	-4.5%	(\$11.0)	(\$7.6)	-44.8%
Kirkland's, Inc.	\$84.1	\$82.3	2.1%	4.3%	(\$2.6)	(\$7.5)	-66.0%
Michaels Stores, Inc.	\$847.0	\$839.0	1.0%	-2.9%	(\$20.0)	(\$23.0)	13.0%
Pep Boys -Manny, Moe & Jac	\$498.0	\$539.6	-7.7%	-5.6%	\$4.7	\$3.2	46.9%
Restoration Hardware, Inc.	\$144.7	\$142.1	1.8%	-30.0%	\$19.8	\$13.0	52.2%
Tiffany & Co.	\$668.1	\$595.7	12.2%	3.0%	\$64.4	\$53.8	19.6%
Williams-Sonoma, Inc.	\$781.8	\$816.1	-4.2%	-9.0%	\$10.4	\$18.2	-42.4%
Food							
Penn Traffic Co.	\$287.1	\$298.0	-3.7%	-1.4%	(\$12.4)	(\$7.4)	-67.6%
Casey's General Stores	\$1,204.3	\$1,002.9	20.1%	3.6%	\$14.4	\$16.6	-13.3%
Drug							
CVS Caremark Corporation	\$21,326.0	\$13,188.6	61.7%	3.9%	\$748.5	\$408.9	83.1%
Longs Drug Stores	\$1,407.0	\$1,297.0	8.5%	1.0%	\$23.5	\$13.0	80.8%

Jean Coutu Group: Retailer of the Week

(continued from page 1)

The overall revenue decline is due to the divestiture of the American business. The legacy business has generated 9.5% top-line growth as a result of comps growth of 5.7% taking place at the franchised Canadian stores. The improvement in same stores sales was driven by strong pharmacy growth of 8.6%; front-end comps were barely positive as a result of a sluggish cold and flu season (see Comparable Stores Sales). The 604 basis point gross margin decline is simply attributable to the transformation that occurred after shedding its U.S. retail outfit rather than any operational weaknesses. The franchised business' OIBA margin declined 105 basis points to 10.2%. The operating income of Jean Coutu's Canadian stores increased 5.4% to C\$155 million. However, the company's net income is C\$251 million in the red as a result of a C\$393 million of losses related to its investment stake in Rite Aid. **If we were to back out the Rite Aid loss, the firm's net profits were approximately C\$141 million.**

With a stronger balance sheet and management that is free to focus upon its core business, Jean Coutu plans to aggressively improve its traditional franchised business. During fiscal 2009, the company plans to open 13 new locations, relocate 11 stores, and renovate 46 older buildings. In addition, management hopes to boost private label penetration to 12% within 2 years. Currently this figure stands at approximately 9%.

LIQUIDITY & FINANCIAL STRUCTURE

With no cash on its books as of March 1, 2008, the druggist had limited asset-side liquidity. The firm's liability-side liquidity was plentiful, being provided by **C\$335 million of availability** on its C\$500 million bank line. Direct borrowings against the facility totaled C\$164.7 million; letters of credit outstanding equaled C\$310,000. In early-June, the firm's 250 million shares of Rite Aid were worth approximately \$500 million (in U.S. dollars).

Jean Coutu used the proceeds from the sale of its former U.S. stores to Rite Aid to repay the vast majority of its debt. In addition to the bank agreement, Jean Coutu only has C\$7.2 million of long term debt. Cash flow from operations of C\$146.4 million sufficiently funded capital expenditures of C\$78.8 million. The company's tangible net worth totals C\$1.5 billion.

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