

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

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Remember...

Happiness is having a large, loving, caring, close-knit family... in another city.

Discounts Draw Shoppers, But Not Profits

Sales in the nation's stores were strong over the weekend, to the relief of retailers that had been expecting a holiday shopping period as slow as the overall economy.

But while spending was up, there were troubling signs in the early numbers. The bargains that drove shoppers to stores were so stunning, analysts said that retailers, already suffering from double-digit sales declines the last two months, would probably see their profits erode even further.

Also, after shoppers flooded stores on Friday, foot traffic trailed off significantly on Saturday and Sunday.

Retailing professionals consider the weekend after Thanksgiving a barometer of overall holiday sales, which account for 25% to 40% of their annual sales. And in a year marked by an economic crisis, they are desperate for any signs that consumers are still willing to spend.

Their first glimpse came from two industry surveys released on Sunday. ShopperTrak, which does research for retailers, said sales increased 3% on Friday, compared with last year.

The Nation Retail Federation, adding up sales Thursday through Saturday and projected sales for Sunday, said that each shopper spent about 7% more this year than last year. Shoppers spent an average of \$372.57 Friday through Sunday, according to the federation, a trade group.

That study also showed that Friday was by far the busiest day of the weekend, with traffic trailing off by more than 16 million people on Saturday. However, analysts said the discounts that drew shoppers over the weekend were so steep that many ailing chains might be no better off in the long run, as discounts reached upwards of 50% to 70% off.

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Retailer of the Week: Nash Finch

Nash Finch Company remains a high-risk 'E' credit with a positive outlook. This company, a hybrid of sorts (part distributor/part retailer) continues to enjoy profit growth in both its distribution and military units. However, the retail segment remains a weak link, often faced with inevitable closings when big box retailers began to exert their pricing will upon Nash Finch. The firm continues to close stores its least profitable units; however, the company has begun putting some money into select locations. The distribution business has signed some smaller supermarkets to mostly offset the loss of the Martin's contract. The military supply division continues to produce solid results as the result of continued troop deployment and a sluggish economy. Nash Finch's improving balance sheet and a recently obtained bank line should provide vendors with some degree of comfort. Further improvements, particularly on the P&L statement, could warrant future consideration for an upgrade.

The company's retail segment has recently received some unflattering press regarding its Shelf Plus 10 pricing at its two Hispanic themed Avanza stores in the Denver market. Vague signage inside these stores that didn't clearly spell out the 10% grocery surcharge resulted in some shoppers questioning whether they were misled. Nash Finch has since updated the previously ambiguous advertising with "plain as day" language and hopes that any adverse impact upon its business as a result of this situation proves to be immaterial.

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Discounts Draw Shoppers, But Not Profits

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Even with the cheery news from industry groups, many retailing professionals worry the shorter holiday shopping season, on top of an ailing economy, will hurt sales through Christmas. There are 27 shopping days between thanksgiving and Christmas this year versus 32 shopping days last year.

Also potentially troubling for retailers is that consumers say they are further along in their holiday shopping – on average, 39.3% done versus 36.4% a year ago, according to the National Retail Federation, whose survey was conducted by BIGresearch.

Both ShopperTrak and the National Retail Federation said Friday was a reminder that shopping remained an American pastime. ShopperTrak said foot traffic was up almost 2%, though its estimate for the full holiday season is a nearly 10% plunge in sales compared with last year.

The National Retail Federation said some 172 million shoppers visited stores and Web sites over Thanksgiving weekend, up from 147 million shoppers last year.

Most people shopped at discount stores, but, in what must be welcome news for struggling department stores, about 11% more consumers shopped at them this year than last year. Over all, though, most shoppers ended up buying lower-cost items: clothes, accessories, video games, DVDs, and CDs. Gift cards were down 10%, perhaps in part because of concerns about retail bankruptcies.

Despite the industry surveys' findings, many consumers and longtime retailing analysts attested to lighter crowds.

Bankruptcy Blotter

The number of global debt issuers facing potential downgrades reached another three-year high this month at 868, according to **Standard & Poor's**, 82 higher than last month and more than double the number reported in November 2007.

Based on market indications of high-yield bonds, default rates could reach an unprecedented 20.7% in the next twelve months, according to an analysis prepared by **Garman Research**. Its forecast in October called for a record-high default rate of 18.3% within the next year.

The court granted **Mervyn's LLC** an extension of its exclusive control over its bankruptcy case, giving the company through February 24, 2009 to continue its liquidation and file its Plan of

Liquidation. In requesting its extension, Mervyn's said the company is at risk of administrative insolvency, meaning it might not be able to even pay back its bankruptcy lender.

Steve & Barry's received court permission to begin holding GOB sales at 173 stores after a bid to rescue the chain failed. **Great American Ventures LLC, SB Capital Group LLC, Tiger Capital Group LLC and Hudson Capital Partners LLC** will conduct the store-closing sales.

Marty's Shoes is requesting that the court set February 20, 2009 as the bar date to file general unsecured and administrative claims. In other news, the company reported negative cash flow of negative \$0.3 million, leaving \$3.7 million in cash as of November 25th.

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

Men's Wearhouse promoted **Mary Beth Blake** to President of the company's K&G Fashion Superstore concept. She had been K&G's Chief Merchandising Officer.

Charming Shoppes, Inc. appointed **Kady Dalrymple** SVP, Design and Product Development for the company's Fashion Bug brand. Dalrymple was EVP and Fashion Director of Express, previously.

Modell's hires **Roger Kitch** as VP and GMM Sporting Goods. Kitch joins the retailer from Office Depot, but was formerly a buyer for Nevada Bob's Golf & Tennis and Klein's All Sports.

Conn's, Inc. appointed CEO designate, President and COO **Timothy L. Frank** to its board of directors, expanding the number of board seats from nine to ten.

Walgreens nominated **Mark P. Frissora** to its board. Frissora is Chairman and CEO of Hertz Global Holdings, Inc.

Giant Food Stores appointed **Charles Achuff** Director of Information Technology.

Pacific Sunwear of California, Inc. appointed Internet entrepreneur **Brett Brewer** to the board or directors and increased the size of the PSUN board from eight to nine.

Off the Rack

Brooks Brothers will open its first Canadian stores in 2009. The first store will open in Vancouver in April; Toronto and Calgary stores open later in the year.

Dillard's will lay off about 500 associates—just under 1% of its 60,000 employees—as part of ongoing efforts to cut SG&A.

New York & Company, Inc. projects fourth quarter comp store sales in the high negative single-digit range. Net loss is forecast in the range of \$0.05 to \$0.20 per share. For the full year, comp store sales are expected to be in the high negative single-digit range, with earnings in the range of income of \$0.07 to a loss of \$0.08 per share. Also, NWY's board authorized the repurchase of up to 3,750,000 shares over the next 12 months.

Charming Shoppes, Inc. plans to transform the company into a vertical specialty store model, with the help of sourcing specialists Kurt Salmon Associates, with the goal of significantly increasing the company's percentage of internally designed, developed and sourced apparel. Also, CHRS announced a restructuring plan expected to result in total cost savings of \$100 to \$125 million through process improvement, consolidating overhead and reducing expense structure. Finally, the company will discontinue the Lane Bryant Woman catalog, close another 50 stores this fiscal year and close 100 more stores in FY2010.

Also, **Charming Shoppes** updated its fourth quarter guidance, now projecting a loss from

continuing operations of \$(0.32) to \$(0.38) per share. Sales are projected in the range of \$650 to \$660 million with comp store sales declines in the low double digits.

The Talbots, Inc. completed closing its Talbots Kids, Mens and UK operations and made the decision to sell its J. Jill brand during the third quarter. These discontinued operations accounted for \$152.4 million of TLB's net loss of \$167.2 million in the quarter. The company declined to give guidance going forward.

J. Crew Group, Inc. lowered guidance for fiscal 2008. The company now expects earnings of \$1.11 to \$1.16 per share down from \$1.44 to \$1.54 guided previously. Comp store sales are expected to decline high single digits.

dELIA's, Inc. said that it will record a pre-tax gain of approximately \$48.5 million in the fourth quarter from the sale of the CCS business to Foot Locker.

Fred's, Inc. expects total sales to decrease 2% to 4% in the fourth quarter due to store closings, with flat comp store sales. Earnings forecast to be \$0.17 to \$0.21 per share for the quarter. For the full year, earnings are projected to be \$0.54 to \$0.57 per share, including store closing costs.

Saks Inc. adopted a "poison pill" dilutive rights agreement as a defense against hostile takeovers. *The Financial Times* noted that Carlos Slim, the Mexican billionaire, significantly raised his holding to 17.6% in the company last week.

Did You Know...?

The Consumer Confidence Index jumped higher in November to 44.9 from 38.8 in October, according to The Conference Board.

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The Global World of Sports and Footwear

The **Global Sporting Goods Market** rose 4% in 2007 to \$278.4 billion according to market research firm NPD Group, with developing markets in Asia, the Middle East and Eastern Europe accounting for much of the growth. Overall, the Americas had a 4% growth rate, but the percentage of the world market represented by the U.S. dropped to 36% from 40% because of the dollar's decline. That compared to a 2% growth rate in Europe, a 14% growth rate on a small base for the Middle East and Africa, and a 6% growth rate in Asia

The Sportsman's Warehouse will undergo recapitalization in January, and controlling interest in the 67-door outdoor specialty chain will change from the Utgaard family to a century-old Canadian farm supply co-operative, United Farmers of Alberta Co-operative Limited (UFA), which recently loaned The Sportsman's Warehouse (TSW) an unspecified amount of capital to fund operations and ensure holiday deliveries. The TSW acquisition will increase UFA's annual revenue by C\$800 million.

DSW confirmed its FY outlook. Annual same store sales are projected to fall in the negative mid single digits for the 299-door chain. The FY diluted EPS range is now seen as \$0.62-.72 (\$29.5 mm) versus a prior range of \$0.75-.85.

Genesco's current Q4 outlook is for overall negative comparable store sales of 1-4% and

earnings of \$1.06 to \$1.20 per share. The FY EPS range, which excludes restructuring costs and legal settlements, is \$1.83 to \$1.96. The company expects to end the FY with 2,257 total doors, a y-o-y increase of 4%.

Brown Shoe said it expects Famous Footwear to have negative 5-7% comp store sales in Q4 and the wholesale division to decline high single-digits. Overall, it sees Q4 sales in the range of \$515-538 million and a loss of \$0.29 to \$0.39 per share, which includes headquarters consolidation costs and IT expenditures of \$2.5 million.

GSI Commerce is reportedly hiring 1,700 seasonal workers for its facilities in Louisville and Shepherdsville, KY.

Sport Supply amends its credit facility, allowing it to repurchase up to \$25 million of its senior subordinated convertible bonds due Dec. 1, 2009.

Dick's SG sees its developer secure \$107.5 million in financing for its new \$150 million, 730,000 sq. ft. building adjacent to Pittsburgh Intl. Airport. Construction should be completed in 2010.

Pacific Sunwear completes the divestiture of its Anaheim, CA distribution center, yielding net cash proceeds of \$24.5 million that will result in a Q4 after-tax gain of \$0.10 a share.

Did You Know...?

Consumer spending fell 1% in October, the largest decline since September 2001, the Commerce Department reported.

General Retail News

Expected **Holiday gift spending** per household is down to an average estimate of \$418 this year, from last year's estimate of \$471, according to a report from The Conference Board. 27% of households plan to spend more than \$500, 37% between \$200 and \$500, and 35% less than \$200.

Online retail spending in October grew 1% compared to last year according to ComScore, the lowest monthly growth rate ever... until they looked at the first three weeks of November during which consumer web spending dropped 4%. That's the first period-on-period drop in the history of E-commerce.

A **major shoplifting ring** operating in Pennsylvania, New Jersey and Delaware has been busted, according to the *Philadelphia Inquirer*. Prosecutors have charged two men and one woman with leading an organized retail

theft ring, and eight others with receiving stolen property. The ring had been operating since 2003, and involved hundreds of thieves, who would steal small personal goods such as razors, baby formula and beauty items to be resold in six Camden, NJ bodegas.

The **National Retail Federation** released a preliminary Black Friday shopping survey. Among the findings:

- Up to 128 million people will shop on Black Friday weekend, down from 135 million last year. 49 million people said they would definitely go shopping, with another 79 million are waiting to see the weekend deals before making any decisions.
- Lower gas prices mean shoppers have more money to spend.
- Consumers have pent up demand from waiting all year for great deals.

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Specialty Items

Zale Corp. sales fell 3.5% to \$364 million for the fiscal first quarter ended October 31. Comp store sales decreased 3.7%. Net loss from continuing operations expanded to \$45.3 million from \$26.7 million last year. Looking forward, the company declined to give any guidance, but did express confidence that it will still generate free cash flow at least \$50 million in FY2009, even given declining sales trends.

Easygates, the U.S. franchisee of Canada's 227-store Easyhome rent-to-own chain, opened a new Easyhome store in the Kansas City metro area. Two more stores are planned to open before the end of the year.

Jennifer Convertibles, Inc. sales fell by 16.3% to \$30.8 million for the fourth quarter ended August 30. The company recorded a net loss of \$867,000 compared to net income of

\$1,741,000 last year. For the full year 2008, revenue decreased 9.7% to \$120.9 million. Net loss was \$3.3 million compared to net income of \$4.0 million last year.

Value City Furniture has introduced a new web site offering 12,000 products from 33 manufacturers. The company operates over 130 stores throughout the eastern United States.

Tiffany & Co. expects full year 2008 earnings of \$2.30 - \$2.50 per share, assuming net sale of a 2% decline to flat. TIF will reduce staffing trim capex in the fourth quarter, but projections do not include any charges for staff cuts.

RoomStore, a 69 store Virginia based furniture chain, will purchase the assets of Mattress Discounters for a reported \$4.5 million.

Hi Tech Entertainment

The **NPD Group's** Consumer Technology Holiday Snapshot reports that consumers plan to cut back on technology purchases this holiday season. A third of consumers who were planning on buying a flat panel TV have decided not to, and a quarter of those planning a high-end digital SLR camera purchase now won't go through with it.

Blockbuster Inc. launched its long-awaited digital media player, which downloads content from the Blockbuster OnDemand service. The

box costs \$99 and HD movies cost \$1.99 to download, but must be watched completely within 24 hours of starting.

Best Buy launched a new web site for the holidays at www.askablueshirt.net, with links to a holiday blog, digital TV advice and Black Friday promotions.

Movie Gallery, Inc. has chosen Burr, Pilger & Mayer to replace Ernst & Young as its accounting firm, starting with FY2009.

Did You Know...?

U.S.-made durable goods orders fell 6.2% in October, the Commerce Department reported. Orders for transportation goods fell 11.1%.

Upcoming Reporting Dates

Company	Event	Date
Aeropostale	Quarterly Results	Dec 3, 2008
Collective Brands	Quarterly Results	Dec 3, 2008
Dollar General	Quarterly Results	Dec 3, 2008
Finlay Enterprises	Quarterly Results	Dec 4, 2008
Gottschalks	Quarterly Results	Dec 4, 2008
Jo-Ann Stores	Quarterly Results	Dec 3, 2008
Kroger	Quarterly Results	Dec 9, 2008
lululemon athletica	Quarterly Results	Dec 11, 2008
Movado Group	Quarterly Results	Dec 4, 2008
Neiman Marcus, Inc.	Quarterly Results	Dec 10, 2008
Safeway	Investor Conference	Dec 4, 2008
Sears Holdings	Quarterly Results	Dec 2, 2008
Staples	Quarterly Results	Dec 2, 2008
Ulta Salon, Cosmetics & Fragrance	Quarterly Results	Dec 4, 2008

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Heard in the Grocery Aisle

Whole Foods Market Inc. saw the U.S. Circuit Court of Appeals for the District of Columbia reject its request for a larger panel of Appeals Court judges to review the July 29 ruling. The earlier ruling had found that the district court judge had erred in refusing to allow the FTC's request to block the Whole Foods/Wild Oats merger. New hearings on the merger are scheduled for February.

Ingles Markets, Inc. sales increased 13.0% to \$842.8 million for the fourth quarter ended September 27. Grocery segment comp store sales grew 7.8% excluding gasoline. Net income for the quarter fell 26.1% to \$10.5 million. For the full fiscal year, sales grew 13.6% to \$3.24 billion, with comp store sales up 8.0% excluding gasoline sales. Net income was off 11.1% to \$52.1 million.

Mass Merchant Musings

Target Corp. announced in late November that it had decided not to pursue the real estate spin-off plans proposed by Pershing Square Capital Management, L.P. The, last week, Pershing Square responded, reiterating its belief that the proposed transaction's value has merit, and said it will attempt to reopen discussions with Target in the new year.

Wal-Mart Stores Inc. settled a California lawsuit over checkout scanning errors. Customers will receive \$3.00 back if there is a

pricing error at the cash register. Wal-Mart will pay \$1.4 million in restitution, civil penalties and cost reimbursement.

Dollar Tree, Inc. estimated sales for the fourth quarter of \$1.38 to \$1.42 billion, assuming low-to-low-mid single digit positive comp store sales. Earnings are estimated to be \$1.07 to \$1.15 per share. For the full year, sales are projected at \$4.64 to \$4.68 billion, and earnings are expected to be \$2.45 to \$2.53 per share.

Did You Know...?

U.S. existing home sales fell 3.1% in October to a seasonally adjusted annual rate of 4.98 million, according to the National Association of Realtors. Median sales prices have fallen 11.3% in the past year.

FYI for the DIY

Stock Building Products revenue fell by 20%, with "a similar decline" in comp store sales, for the quarter ended October 31, according to an interim report by parent Wolseley. Loss for the quarter was around \$60 million, up from a loss of \$6 million last year.

Central Garden & Pet Co. sales were up 3.2% to \$414.0 million in the fourth quarter ended September 27. Net loss expanded to \$13.9 millions vs. a loss of \$1.7 million last year, but without a non-cash, pre-tax charge of \$27.8 million, net income would have been \$4.0

million. For the full fiscal year, sales expanded 2.0% to \$1,705.4 million. Net loss for the fiscal year was \$267 million compared to net income of \$32.3 million in the prior year. Included in the full year results is a non-cash, pre-tax goodwill impairment charge of \$430 million, and a pre-tax gain of \$11.1 million from the sale of properties and a legal settlement.

Richelieu Hardware Ltd. said the TSX approved its normal course issuer bid to repurchase up to 5% of the outstanding common shares of the company.

Rating Changes & Outlooks

Company	S&P Credit Rating		S&P Credit Outlook	
	Current	Prior	Current	Prior
LIMITED BRANDS INC	BBB-	BBB-	NEGATIVE	NM
OCHARLEYS INC	B+	B+	NEGATIVE	STABLE
MARRIOTT INTERNATIONAL INC	BBB	BBB	NEGATIVE	STABLE
FOOT LOCKER INC	BB-	BB	NEGATIVE	NEGATIVE
ANNTAYLOR INC	BB-	BB-	NEGATIVE	STABLE

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Health & Beauty Aids

Drugstore.com, Inc., has partnered with Medco Health Solutions, Inc. to provide an online store for Medco members, selling non-prescription consumer health products. The new site is expected to launch in mid-2009.

Lobbying efforts were directed at Congress, the FTC, FDA, DEA, Centers for Medicare and Medicaid Services, and the Department of Health and Human Services.

CVS Caremark Corp. paid \$1.3 million in the third quarter to lobby the federal government, according to an *Associated Press* report.

Walgreens' Take Care Health Systems opened of four new clinics, one each in the St. Louis and Knoxville areas and two more in the Chicago area.

Retailer of the Week: Nash Finch

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OPERATING PERFORMANCE: 9 MONTHS ENDED OCTOBER 4, 2008

\$ in millions, 40 weeks ended	10/4/2008	YOY Var.	10/6/2007
Food Distribution Sales	\$2,034.1	(-1.2%)	\$2,058.1
Military Supply Sales	\$1,012.3	6.7%	\$948.4
Retail Sales	\$454.3	(-0.5%)	\$456.8
Total Sales	\$3,500.8	1.1%	\$3,463.3
Food Distribution Operating Profit	\$75.9	11.5%	\$68.1
Military Supply Operating Profit	\$36.9	15.0%	\$32.1
Retail Sales Operating Profit	\$15.6	(-6.6%)	\$16.7
Corporate Overhead Expenses (before interest & asset sales)	\$64.8	23.7%	\$52.4
Total Operating Profit	\$63.6	0.6%	\$63.2
Adjusted Operating Profit*	\$63.6	2.7%	\$61.9
Net Profit	\$30.0	(-1.0%)	\$30.3
Food Distribution Operating Margin	3.73%	42 bps	3.31%
Military Supply Operating Margin	3.65%	27 bps	3.38%
Retail Sales Operating Margin	3.43%	(23 bps)	3.66%
Adjusted Operating Margin*	1.82%	3 bps	1.79%

*Excludes a \$1.6 million reversal of an established lease reserve and a \$0.3 million charge related to lease buyout payments during the first 9 months of fiscal 2007. The company took no charges during the fiscal 2008.

Did You Know...?

The S&P Case-Shiller Home Price index fell 16.6% in the third quarter after a record decline of 15.1% in the second quarter of this year. The Case-Shiller index of 10 major cities did even worse, declining 18.6%.

Losing the Martin's contract caused **Food Distribution** revenues to fall 1.2% to \$2.0 billion during the first nine months of fiscal 2008. Excluding the impact of this customer (previously one of Nash Finch's largest clients), sales for the food distribution segment actually increased by 2.5%. Having recently anniversaried the loss of that contract, this segment is now on an apples-to-apples comparison. Of note, the increased volume experienced has been tied moreso to new customers than to deepening penetration with existing ones. We believe the segment's 42 basis point margin improvement to 3.7% is largely attributable to the firm signing up smaller customers, giving it greater leverage than it would otherwise have over more sizeable regional chains. CEO Covington believes that the progress on the distribution side of the business has been more about new business and holding the line on expenses, rather than inflation. Plummeting fuel prices as of late could also help this unit going forward.

Sales for the **Military Supply** segment grew 6.7% to \$1.0 billion in the first nine months of fiscal 2008. Domestic sales over this period grew 7.0%, while international revenues rose 6.5%. Better inventory management practices and expense controls allowed the Military Supply segment to boost operating margins by 27 basis points to nearly 3.7%. This continues to be Nash Finch's most consistent performing segment. The cheap U.S. dollar (relative to the euro) does cause troops stationed in Europe to stay closer to the base because they can stretch their dollars further.

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Retailer of the Week: Nash Finch

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Nash Finch continues to reduce the size of its **Retail** business while improving the quality of existing locations. During the first nine months of fiscal 2008, Nash Finch closed/sold 4 stores and acquired 2 locations, leaving it with 57 supermarkets. Revenues declined 0.5% to \$454.3 million as same store sales fell 1.0%, both on a year-to-date basis (see Comparable Store Sales). Consistent with what we've heard from other retail outfits, Nash Finch has seen its shoppers flock towards private label goods where available. During Q3 2008, Nash Finch regained a great deal of margin ground (approximately 58 basis points) on a sequential basis due to the favorable product mix at Avanza stores (larger produce and meat departments) relative to its conventional formats. GCS suspects that Nash Finch's new-found interest in sprucing up these stores is part of an effort to find potential buyers.

Overall, the firm's **adjusted operating margin improved 3 basis points to 1.8%**. Operating profits of \$63.6 million are currently sufficient to cover the firm's nine-month interest expense of \$16.8 million.

LIQUIDITY & FINANCIAL STRUCTURE

Nash Finch concluded its fiscal third quarter of 2008 with **\$149.6 million of availability on its \$300 million credit facility**. As a reminder, this revolver was obtained during Q2 2008 to replace its previous \$125 million bank line and \$175 million term loan. As of Q3 2008's end, this new agreement had \$135.1 million of direct borrowings and letters of credit totaling \$15.3 million against it. With respect to asset-side liquidity, Nash Finch maintained about \$0.8 million worth of cash on its balance sheet as of early-October. This figure is not unlike what the company has had at its disposal in recent quarters (see Bank Reference). CFO Bob Dimond stated that the firm's bank lending group remains intact and that the firm's access to credit under its revolver has not been impacted by the credit crisis.

Through nine months, Nash Finch's year-to-date cash flow from operations tallied \$51.2 million. The firm's operating cash was used to cover capital spending needs of \$17.7 million, in addition to \$6.6 million on acquisitions and \$17.6 million on loans to its customers. Looking ahead to fiscal 2009, management intends to invest about \$60 million into the company, of which \$25 million to \$30 million will be maintenance cap-ex. The remaining \$30 million to \$35 million of capital dollars will be devoted to projects (4 Avanzas, 1 Buy N Save, and 2 Family Fresh conversions, in addition to investments on the food distribution side with its billing system and facility expansion in the Great Lakes market). **Adjusted working capital (moving revolver and/or term loan borrowings into current liabilities) improved 31.9% to \$77.4 million on a year-over-year basis.**

The firm reported a 15.3% improvement in its tangible net worth to \$91.3 million since last fall; no major swings in the levels of goodwill or intangibles on the balance sheet were seen over that period. Moreover, stock repurchasing activity looks to have ceased during the firm's third quarter. Current obligations beyond the \$135.1 million of revolver borrowings cited above (which Nash Finch houses in the long-term debt section of its balance sheet) consisted of a manageable \$4.0 million.

Outside of revolver borrowings, the company has \$150.1 million of senior subordinated convertible debt 3.5% due in 2035. Leverage remains higher than we'd otherwise like to see, but has eased as of late. To this point, **total debt-to-tangible net worth was 3.20 as of October 4, 2008, improving from the 3.49 level seen during the fall of 2007.** Management also noted that the firm's total debt-to-EBITDA ratio stood at 2.3 at the third quarter's end, also representing some improvement.

Did You Know...?

The U.S. economy shrank at a 0.5% annual rate in the third quarter, revised downward from the negative 0.3% estimate, the Commerce Department reported.

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Third Quarter Scorecard

\$ in Millions. Quarter ended closest to 10/31/08	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
Apparel							
Abercrombie & Fitch	\$896.3	\$973.9	-8.0%	-14.0%	\$63.9	\$117.6	-45.7%
Aeropostale, Inc.	\$482.0	\$412.6	16.8%	7.0%	tba	\$36.0	tba
American Apparel	\$154.8	\$106.6	45.2%	24.0%	\$2.3	\$6.0	-61.2%
American Eagle Outfitters	\$754.0	\$744.4	1.3%	-7.0%	\$42.6	\$99.4	-57.1%
AnnTaylor Stores Corp.	\$527.2	\$600.9	-12.3%	-19.4%	(\$13.4)	\$40.8	-132.8%
Bluefly, Inc.	\$19.8	\$18.1	9.4%	NA	(\$5.7)	(\$5.0)	-13.5%
Bon Ton Stores, Inc.	\$724.9	\$780.8	-7.2%	-8.3%	(\$14.3)	(\$19.4)	26.3%
Cache, Inc.	\$58.1	\$60.6	-4.1%	-4.0%	(\$1.6)	\$0.2	-1129%
Casual Male Retail Group	\$100.0	\$106.1	-5.7%	-5.3%	(\$3.2)	(\$1.2)	166.7%
Cato Corporation	\$179.8	\$181.9	-1.2%	-2.0%	\$0.8	\$2.9	-72.8%
Charlotte Russe Holding, Inc.	\$206.7	\$190.3	8.6%	-3.8%	(\$6.6)	\$8.4	-178.9%
Charming Shoppes, Inc.	\$553.1	\$599.7	-7.8%	-9.0%	(\$93.0)	(\$3.6)	-2483%
Chico's FAS, Inc.	\$394.2	\$415.9	-5.2%	-13.4%	\$2.0	\$23.6	-91.5%
Children's Place	\$450.6	\$430.6	4.6%	2.0%	\$24.1	\$12.3	95.9%
Citi Trends, Inc.	\$104.9	\$99.5	5.4%	-4.2%	(\$0.7)	(\$0.5)	-33.9%
Coldwater Creek Inc.	\$228.5	\$271.2	-15.7%	-20.5%	(\$1.3)	(\$6.2)	79.0%
dELIA*s, Inc.	\$56.9	\$52.0	9.4%	7.6%	\$3.5	\$0.0	NA
Dillard's, Inc.	\$1,546.1	\$1,674.2	-7.7%	-9.0%	(\$56.0)	(\$11.3)	-393.8%
Eddie Bauer Holdings	\$207.3	\$211.0	-1.8%	-1.1%	(\$18.6)	(\$16.4)	-13.4%
Gap Inc.	\$3,561.0	\$3,854.0	-7.6%	-12.0%	\$246.0	\$238.0	3.4%
Gottschalks	\$119.1	\$137.4	-13.3%	-12.1%	tba	(\$4.1)	tba
Gymboree Corporation	\$261.3	\$247.6	5.5%	-2.0%	\$30.9	\$26.9	15.1%
Hot Topic, Inc.	\$197.3	\$188.5	4.7%	1.0%	\$7.4	\$6.7	11.5%
J. Crew Group, Inc.	\$363.1	\$332.7	9.1%	-3.0%	\$19.0	\$26.8	-29.1%
J.C. Penney Company	\$4,318.0	\$4,729.0	-8.7%	-10.1%	\$124.0	\$261.0	-52.5%
Jo-Ann Stores, Inc.	\$480.1	\$480.2	-0.0%	-1.5%	tba	\$8.0	tba
Kohl's Corporation	\$3,803.6	\$3,825.2	-0.6%	-6.7%	\$160.2	\$194.0	17.4%
Limited Brands	\$1,842.2	\$1,923.1	-4.2%	-7.0%	\$4.2	\$12.1	-65.3%
Macy's, Inc.	\$5,493.0	\$5,906.0	-7.0%	-6.0%	(\$44.0)	\$33.0	-233.3%
Men's Wearhouse	\$459.7	\$512.1	-10.2%	-9.6%	\$14.6	\$37.1	-60.6%
New York & Company, Inc.	\$249.0	\$276.4	-9.9%	-14.0%	(\$7.9)	(\$16.0)	50.6%
Nordstrom, Inc.	\$1,805.0	\$1,970.0	-8.4%	-11.1%	\$71.0	\$165.7	-57.2%
Pacific Sunwear	\$323.6	\$341.9	-5.4%	-7.0%	(\$2.5)	(\$20.0)	87.7%
Retail Ventures, Inc.	\$503.5	\$489.4	2.9%	-3.3%	tba	\$68.2	tba
Ross Stores, Inc.	\$1,555.3	\$1,468.3	5.9%	0.0%	\$57.3	\$48.7	17.7%
Saks Incorporated	\$698.0	\$796.1	-12.3%	-11.5%	(\$42.8)	\$21.6	-298.2%
Stage Stores, Inc.	\$333.8	\$355.1	-6.0%	-10.3%	(\$102.8)	\$2.5	-4296%
Stein Mart, Inc.	\$298.8	\$333.3	-10.4%	-12.6%	(\$14.1)	(\$2.7)	-424.2%
Talbots, Inc.	\$357.3	\$414.0	-13.7%	-13.9%	(\$167.2)	(\$9.4)	-1681%
TJX Companies	\$4,761.5	\$4,658.7	2.2%	-1.0%	\$235.8	\$249.5	-5.5%
Tween Brands, Inc.	\$254.3	\$260.9	-2.5%	-11.0%	(\$0.8)	\$13.0	-106.4%
Urban Outfitters, Inc.	\$478.0	\$379.3	26.0%	10.0%	\$59.3	\$45.4	30.7%
Wet Seal, Inc.	\$146.6	\$150.3	-2.4%	-7.6%	\$6.8	(\$3.3)	304.8%
Sports & Footwear							
Bakers Footwear Group, Inc.	\$41.1	\$40.3	2.0%	4.5%	tba	(\$15.3)	tba
Big 5 Sporting Goods Corp.	\$223.2	\$231.3	-3.5%	-6.6%	\$4.5	\$8.4	-46.4%
Broder Bros., Co.	\$252.3	\$246.4	2.4%	NA	(\$0.9)	(\$11.6)	92.2%
Brown Shoe Company, Inc.	\$631.7	\$645.5	-2.1%	-5.0%	\$10.4	\$27.0	-61.5%
Cabela's	\$611.8	\$546.8	11.9%	-9.0%	\$9.7	\$13.2	-26.5%
Dick's Sporting Goods, Inc.	\$924.2	\$838.8	10.2%	-2.8%	\$7.4	\$12.2	-39.6%
DSW Inc.	\$391.4	\$367.4	6.5%	-4.1%	\$13.2	\$22.4	-41.2%
Foot Locker	\$1,309.0	\$1,356.0	-3.5%	-1.7%	\$24.0	(\$33.0)	172.7%
Gander Mountain	\$270.0	\$260.0	3.8%	-6.5%	\$0.7	(\$5.1)	113.7%
Genesco Inc.	\$389.8	\$372.5	4.6%	2.0%	\$9.4	\$5.6	67.9%
Golfsmith International	\$101.7	\$106.5	-4.5%	-4.6%	\$2.8	\$4.0	-30.0%
GSI Commerce	\$189.8	\$137.3	38.2%	NA	(\$12.8)	(\$6.1)	-109.8%
Hibbett Sporting Goods, Inc.	\$140.1	\$129.6	8.1%	0.4%	\$7.7	\$7.8	-2.1%
Recreational Equipment	\$347.9	\$313.7	10.9%	NA	\$2.1	\$4.6	-54.3%

Did You Know...?

New homes sales fell an estimated 5.3% in October to a seasonally adjusted annual rate of 433,000 the Commerce Department reported, which is the lowest level since 1991.

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Third Quarter Scorecard

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\$ in Millions. Quarter ended closest to 10/31/08	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
Sports & Footwear							
Shoe Carnival, Inc.	\$170.1	\$173.9	-2.2%	-5.0%	\$2.6	\$4.2	-38.1%
Walking Company, The	\$42.7	\$36.9	15.7%	7.0%	(\$2.9)	\$0.9	-405.1%
West Marine, Inc.	\$180.2	\$188.4	-4.4%	-4.7%	\$3.4	\$5.3	-35.4%
WinMark Corporation	\$9.1	\$8.0	14.5%	NA	\$1.4	\$1.1	19.5%
Zumiez Inc.	\$112.2	\$104.0	7.9%	-5.8%	\$6.8	\$8.1	-16.0%
Specialty							
1-800-Flowers.com, Inc.	\$158.0	\$145.8	8.4%	NA	(\$5.3)	(\$5.8)	8.6%
A.C. Moore Arts & Crafts	\$116.7	\$122.6	-4.8%	-9.4%	(\$7.5)	(\$0.7)	-1054%
Advance Auto Parts, Inc.	\$1,188.0	\$1,158.0	2.6%	-0.1%	\$56.2	\$59.0	-4.9%
Barnes & Noble, Inc.	\$1,123.4	\$1,175.5	-4.4%	-7.4%	(\$18.4)	\$4.4	-518.2%
Blue Nile, Inc.	\$65.4	\$67.4	-2.9%	NA	\$2.3	\$3.0	-22.6%
Books-A-Million, Inc.	\$111.0	\$117.7	-5.7%	-9.9%	(\$2.2)	(\$0.6)	294.1%
Borders Group, Inc.	\$693.4	\$765.2	-9.4%	-12.8%	(\$175.4)	(\$161.1)	-8.9%
Brookstone, Inc.	\$89.5	\$91.3	-2.0%	-5.9%	(\$10.4)	(\$10.2)	-2.0%
Cost Plus, Inc.	\$213.0	\$214.6	-0.8%	-3.4%	(\$25.8)	(\$13.9)	-85.6%
Ethan Allen	\$205.8	\$248.7	-17.2%	-19.0%	\$7.4	\$17.5	-57.7%
Finlay Enterprises, Inc.	\$160.2	\$141.9	12.9%	-14.9%	tba	(\$7.5)	tba
Haverty Furniture	\$175.6	\$200.7	-12.5%	-14.9%	(\$1.5)	\$0.6	-334.4%
Kirkland's, Inc.	\$85.9	\$88.7	-3.2%	1.2%	(\$1.5)	(\$10.7)	86.2%
Leon's Furniture Limited	\$259.2	\$216.2	19.9%	7.9%	\$17.5	\$16.2	8.0%
Michaels Stores, Inc.	\$906.0	\$934.0	-3.0%	-6.5%	tba	tba	tba
Pet Valu Inc.	\$46.6	\$41.5	12.3%	5.8%	\$4.0	\$3.1	29.0%
PetSmart, Inc.	\$1,251.1	\$1,115.9	12.1%	5.4%	\$35.8	\$29.5	21.6%
Tiffany & Co.	\$618.2	\$627.3	-1.5%	-7.0%	\$43.8	\$101.5	-56.8%
Home Centers							
Ace Hardware	\$969.2	\$976.7	-0.8%	0.0%	\$26.4	\$22.4	17.9%
Builders FirstSource, Inc.	\$288.3	\$413.9	-30.3%	NA	(\$18.9)	(\$12.0)	-57.5%
Building Materials Holding Co	\$364.4	\$594.0	-38.7%	NA	(\$45.2)	\$4.2	-1176%
Fastenal Company	\$625.0	\$533.8	17.1%	11.5%	\$72.9	\$62.1	17.4%
Home Depot, Inc.	\$17,784.0	\$18,961.0	-6.2%	-8.3%	\$756.0	\$1,091	-30.7%
Interline Brands, Inc.	\$317.5	\$330.2	-3.8%	NA	\$13.7	\$16.0	-14.4%
Lowe's Companies	\$11,728.0	\$11,565.0	1.4%	-5.9%	\$488.0	\$643.0	-24.1%
Lumber Liquidators	\$123.1	\$102.1	20.6%	2.0%	\$5.5	\$3.7	48.6%
Rona, Inc.	\$1,337.3	\$1,360.1	-1.7%	-2.3%	\$51.7	\$59.8	-13.5%
Sherwin-Williams Company	\$2,268.7	\$2,197.0	3.3%	-1.4%	\$177.1	\$200.3	-11.6%
Tractor Supply Company	\$733.9	\$629.2	16.6%	6.0%	\$19.8	\$17.5	13.1%
True Value Company	\$493.1	\$478.5	3.1%	0.5%	\$20.5	\$12.0	70.8%
W.W. Grainger	\$1,839.5	\$1,658.6	10.9%	NA	\$140.0	\$109.2	28.2%
Wesco International	\$1,628.1	\$1,545.6	5.3%	NA	\$65.9	\$71.8	-8.2%
Food							
Arden Group	\$114.2	\$119.4	-4.4%	-4.4%	\$4.1	\$8.9	-53.9%
Loblaw Companies Limited	\$9,493.0	\$9,137.0	3.9%	3.0%	\$155.0	\$117.0	32.5%
Nash Finch Company	\$1,436.5	\$1,367.1	5.1%	0.7%	\$8.6	\$15.4	-44.2%
Publix Super Markets	\$5,800.0	\$5,600.0	3.6%	1.2%	\$201.8	\$249.0	-19.0%
Weis Markets, Inc.	\$603.9	\$565.0	6.9%	6.2%	\$8.1	\$10.8	-25.0%
High-Tech & Electronics							
Amazon.com, Inc.	\$4,264.0	\$3,262.0	30.7%	NA	\$118.0	\$80.0	47.5%
BMTC Group Inc.	\$181.7	\$178.5	1.8%	NA	\$11.6	\$2.1	452.4%
Conn's, Inc.	\$173.9	\$170.1	2.2%	-5.8%	(\$7.7)	\$4.0	-292.5%
GameStop Corp.	\$1,695.7	\$1,611.2	5.2%	-1.8%	\$46.7	\$52.0	-10.2%
IAC/InterActiveCorp	\$369.3	\$335.4	10.1%	NA	(\$14.8)	\$70.5	-121.0%
Ingram Micro Inc.	\$8,238.7	\$8,607.9	-4.3%	NA	\$46.4	\$72.4	-35.9%
Office Depot, Inc.	\$3,657.9	\$3,935.4	-7.1%	-14.0%	(\$6.7)	\$117.5	-105.7%
OfficeMax Incorporated	\$2,096.3	\$2,315.2	-9.5%	-11.1%	(\$431.9)	\$49.9	-965.5%
PC Connection, Inc.	\$441.4	\$456.5	-3.3%	NA	\$3.2	\$7.7	-58.4%
PC Mall, Inc.	\$325.9	\$287.7	13.3%	NA	\$2.6	\$3.0	-13.0%

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Third Quarter Scorecard

(continued from page 10)

\$ in Millions. Quarter ended closest to 10/31/08	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
High-Tech & Electronics							
RadioShack Corporation	\$1,021.9	\$960.3	6.4%	7.7%	\$50.2	\$46.3	8.4%
Rent-A-Center, Inc.	\$708.8	\$705.8	0.4%	3.4%	\$29.4	\$22.7	29.5%
Systemax Inc.	\$739.5	\$687.3	7.6%	NA	\$11.3	\$17.6	-35.8%
Tech Data Corporation	\$6,136.1	\$5,923.8	3.6%	NA	\$18.4	\$40.9	-55.0%
Trans World Entertainment	\$195.2	\$260.6	-25.1%	-14.0%	(\$28.4)	(\$14.3)	-98.6%
Zones, Inc.	\$197.7	\$163.0	21.3%	NA	\$1.2	\$2.6	-55.4%
Drug							
Abbott	\$7,497.7	\$6,376.7	17.6%	NA	\$1,085	\$717.0	51.3%
AmerisourceBergen Corp	\$16,661.9	\$15,199.2	9.6%	NA	\$114.9	\$87.6	31.2%
CVS Caremark Corporation	\$20,863.4	\$20,495.2	1.8%	3.7%	\$736.0	\$689.5	6.7%
Drugstore.com, Inc.	\$87.8	\$81.0	8.4%	NA	(\$3.6)	(\$2.4)	-50.0%
Duane Reade Holdings	\$431.0	\$408.8	5.4%	5.0%	(\$22.3)	(\$22.0)	-1.4%
Express Scripts, Inc.	\$5,450.5	\$5,358.2	1.7%	NA	\$201.9	\$142.9	41.3%
McKesson Corp.	\$26,570.0	\$24,450.0	8.7%	NA	\$327.0	\$247.0	32.4%
Shoppers Drug Mart	\$2,793.0	\$2,542.7	9.8%	5.0%	\$162.5	\$141.7	14.7%
Mass Merchants							
Big Lots, Inc.	\$1,006.2	\$1,014.0	-0.8%	-0.2%	tba	\$14.3	tba
BJ's Wholesale Club, Inc.	\$2,458.9	\$2,174.4	13.1%	11.9%	\$28.2	\$22.7	24.2%
Canadian Tire	\$2,182.8	\$2,051.3	6.4%	2.0%	\$105.0	\$102.3	2.6%
Dollar Tree Inc.	\$1,114.0	\$997.8	11.6%	6.2%	\$43.1	\$35.9	20.1%
Fred's, Inc.	\$418.0	\$419.9	-0.5%	1.4%	\$6.1	\$4.6	32.3%
Overstock.com	\$186.9	\$160.1	16.7%	NA	(\$1.6)	(\$5.6)	71.4%
Sears Canada Inc.	\$1,442.2	\$1,367.6	5.5%	0.9%	\$68.9	\$104.0	-33.8%
Target Corporation	\$14,588.0	\$14,835.0	-1.7%	-3.3%	\$369.0	\$483.0	-23.6%
Wal-Mart Stores, Inc.	\$97,634	\$90,826	7.5%	3.3%	\$3,138	\$2,857	9.8%

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