

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

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Remember...

Curiosity is one of the permanent and certain characteristics of a vigorous mind.

The Meltdown in Home Furnishings

Purveyors of high-end furniture are far from the only home-related businesses facing hard times. Last week, Expo Design Center, the Home Depot spinoff, became the latest among a host of well-known retailers and manufacturers to falter in the current economic downturn. And also last week, Conde Nast announced that Domino would join a growing list of home design magazines that have shut down recently, with the March issue its last.

A press release on the Home Depot Web site announced that the company would close all 34 Expo stores in 13 states, as well as seven other lesser-known design and remodeling stores, resulting in the elimination of 5,000 jobs. The Expo business has not performed well financially is not expected to anytime soon," the release said.

Earlier this month, Williams Sonoma, which owns the distressed Pottery Barn brand, announced that it would shed 1,400 jobs, and Waterford Wedgwood, the venerable crystal and china maker, filed for insolvency administration, the British version of bankruptcy protection. Lenox, the 120-year-old American china company, filed for the American version in November.

"The impression everybody in this industry seems to have is that because this economic meltdown started with the housing market, anything related to home got slammed first and worst, and that included home furnishings," said Warren Shoulberg, the editor of Home Furnishings News, a
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Retailer of the Week: Interbond

We are **downgrading Interbond to a "D" moderately high-risk credit with a "stable" outlook**. In the past, this S Corporation has always had the foresight to leave a nice chunk of the profits in the business. This year proved differently than in years past. The company's profits were down sharply for the year to \$19.7 million, while the firm still took out dividends of over \$60 million for the year. This has had a negative effect on the balance sheet.

The company is dealing in an especially tough retail environment in the state of Florida.

At the end of the fiscal year, the company operated five retail stores in South Florida and three locations in Georgia. The company is currently constructing its fourth location in Georgia, which is scheduled to be opened in July 2009.

\$ figures in millions, 12-Months ended	09/27/2008 (YTD FY08)	09/29/2007 (YTD FY07)	Year-over- Year Change
Liquidity Ratios			
Cash and Equivalents	\$0.9	\$26.8	-96.55%
Cash and Equivalents % Current Liabilities	1.27%	24.67%	-2,340 bps
Working Capital	\$45.5	\$56.5	-19.47%
Current Ratio	1.62x	1.52x	10 bps
Leverage Ratios			
EBITDA / Interest Expense	10.67x	20.04x	-937 bps
Total Debt / Equity	46.22%	19.44%	2,678 bps
Total Liabilities / Total Assets	48.88%	44.19%	469 bps

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The Meltdown in Home Furnishings

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trade publication. "Other than the auto industry, I think the home furnishing industry has pretty much gotten hit the worst."

Bankruptcy courts have also been inundated with filings from regional furniture stores (including Levitz, Wickes Furniture, Domain Home, the RoomSource, and Sofa Express and More), mattress companies (Mattress Discounters and Dormia), and chains that sell large amounts of home merchandise (like the Bombay Company, Linens 'n Things and Fortunoff). Several department stores—a retail category that can account for up to 20% of home furnishing sales—have sought bankruptcy protection, including, Mervyns, Boscov's and Value City Department Stores.

Other companies have avoided filing for bankruptcy but are showing signs of trouble. Recently, Tempur-Pedic announced that its fourth-quarter earnings for 2008 fell 97% from that period a year earlier; Sealy posted a \$42 million loss for that quarter; and Simmons said it failed to make a \$7.0 million interest payment, putting the company at risk of default. Share prices for Cost Plus and Pier One Imports have dipped so low that market analysts are questioning their ability to survive.

"If you had a billion dollars, you could buy the entire portfolio of publicly traded furniture companies, including Thomasville and La-Z-Boy, and still have money left over to go to McDonald's," said Ray Allegrezza, the editor of Furniture Today, a trade magazine. "These are all brands that a couple of years ago, you couldn't touch. That paints a picture of how dramatically the entire home furnishing landscape has been affected."

Many believe that some home furnishing companies were forced into bankruptcy because they were not doing well to begin with. Linens 'n Things was heavily loaded down with debt and was a perennial also-ran to Bed Bath & Beyond. When times get tough, businesses that aren't as well-run and well-positioned are the first ones hit. Unfortunately even well-run businesses that weren't overleveraged a year ago are overleveraged today. Business is off 20% to 25%.

Home furnishings retailers are likely to remain vulnerable throughout the recession because consumers no longer believe they should buy new things when what they have is adequate. If you have less in your pocket and you are worried about putting food on the table, you are not going to be buying new throw pillows just because Pottery Barn has a new color. Given the state of the economy, consumers are doing more with what they have.

Mass Merchant Musings

Following **Wal-Mart's** successful tender offer for Distribucion y Servicio D&S S.A., the company's American Depository Shares have been delisted from the NYSE. WMT will pay the same price as the tender offer to acquire the remaining 0.4% of D&S shares that are still in public hands.

Wal-Mart Stores Inc. will end its exclusive supply agreement for private label soda with

Cott Corp. in late January 2012, the *Wall Street Journal* reported. The Canadian company will continue as a supplier to Wal-Mart.

Target Corp. is cutting 9% of its headquarters staff – approximately 600 employees. The company will also close a distribution center later the year in Little Rock, Arkansas, which employs 500.

Options and Resources

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Heard in the Grocery Aisle

Whole Foods Markets, Inc. saw an appeals court reject the company's application to delay the FTC's administrative trial over its 2007 merger with Wild Oats Markets. But the *Wall Street Journal* reports that the Federal Trade Commission has agreed to temporarily suspend the administrative proceedings after Whole Foods approached with a settlement proposal.

Also, **Whole Foods** now plans to open its Interbay store, after reaching a settlement with landlord TRF Pacific. Whole Foods will open with the smaller, 40,000 sq. ft. footprint it had desired, but will be responsible for finding a sublessor for the 20,000 sq. ft. it won't use.

Ruddick Corp. sales increased by 1.9% to \$995.0 million for the first quarter of fiscal 2009 ended December 28. Sales were up 3.6% to \$928.9 million at Harris Teeter on a comp store sales decline of 2.12%. RDK net income fell 1.7% to \$22.9 million, although Harris Teeter had a slight operating profit improvement. Harris Teeter will cut CapEx to just \$212 million in 2009, opening 16 stores and remodeling three.

Also, **Harris Teeter** is planning to build a \$101 million distribution center in King George County, Virginia, according to *Commercial Property News*. The new facility will support planned store openings in Washington, D.C., Northern Virginia, Southern Maryland and coastal Delaware.

Metro Inc. sales were up 3.7% to \$2.601 billion in the first quarter of fiscal 2009. Same store

sales increased by 3.5%. Net earnings rose 9.9% to \$81.1 million in the quarter.

Kroger Co. associates who are members of UFCW Union Local 400 in Roanoke have ratified a new labor agreement, which covers more than 4,500 Kroger employees in 43 stores in Virginia, Tennessee and West Virginia.

Asda, Wal-Mart's U.K. supermarket chain, plans to open nine supermarkets and five Asda Living-bannered outlets, as well as expanding its online division this year, according to *Bloomberg*. The company said it will create 7,000 jobs there.

Delhaize Group has completed the pricing of US\$300 million of senior notes at an annual rate of 5.875% due 2014, to be issued at 99.667% of their principal amount. The net proceeds of the issuance will be used for general corporate purposes, including the payment of maturing debt.

Schnuck Markets Inc. will open a new urban concept store the summer in downtown St. Louis, Missouri. Called Culinaria, the 20,000 sq. ft. prototype will offer higher end products, including exclusive Culinaria branded items, and conveniences such as valet service and delivery.

Supervalu Inc. has laid off 90 at its corporate headquarters, and will reportedly leave 60 open positions unfilled.

Did You Know...?

Existing home sales rose a surprising 6.5% in December, but were still down 3.5% y-o-y. The median sales price nationwide fell a record 15.3% y-o-y in December.

Rating Changes & Outlooks

Company	S&P Credit Rating		S&P Credit Outlook		GCS Credit Rating
	Current	Prior	Current	Prior	Current
TEXTRON FINANCIAL CORP	BBB	BBB	NM	DEVELOPING	NR
AMERISOURCEBERGEN CORP	BBB+	BBB	STABLE	POSITIVE	D
SBARRO INC	CC	CCC	NEGATIVE	NEGATIVE	E+
BURLINGTON COAT FACTORY INVESTMENT HOLDINGS	B-	B-	NEGATIVE	STABLE	E+
INTERLINE BRANDS INC/FKA WILMAR INDUSTRIES	BB-	BB-	NEGATIVE	STABLE	C-
SEMINOLE TRIBE OF FLORIDA INC	BBB	BBB-	STABLE	STABLE	NR
AMERICAN FAMILY INSURANCE	AA-	AA	NM	STABLE	NR

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Bankruptcy Blotter

Through January 22nd, 15 companies had defaulted on \$40 billion in debt, fresh off a 2008 that saw 126 defaults on \$432 billion in debt. Of the 15 defaults so far in 2009, 14 were from the U.S. According to **S&P**, the total number of companies at greatest risk of default has risen for the 11th straight month, to 232.

Though it did not elaborate on the number or identity, **Circuit City** received a number of formal proposals regarding the sale of its Canadian operations as a going concern. However, a management group led by former president **Ron Cuthbertson** is believed to be one of the bidders.

Linens 'n Things won court approval to solicit creditors to approve their Chapter 11 liquidation plan, a plan that will leave many with nothing.

In a related matter, liquidation firms **Hilco Consumer Capital** and **Gordon Brothers Brands** acquired the **Linens 'n Things** brand name and other intellectual property for \$1 million. This is the third retail name purchased by Hilco-Gordon Brothers, having recently bought rights to the **Bombay Company** and the **Sharper Image Corp.**

The court approved **Interstate Bakeries Corp.**'s new \$105 million exit loan. The **GE** loan, which was reduced from an earlier commitment of \$125 million, is part of a larger financing package including a \$354 million loan from **Silver Point Finance LLC** and **Monarch Master Funding Ltd.**, up from an original commitment of \$344 million.

Did You Know...?

New home sales fell 14.7% in December, the Commerce Department estimated. Median new home sales prices have fallen 9.3% y-o-y to \$206,500.

Off the Rack

Destination Maternity Corp. sales decreased 5.6% to \$134.8 million for the first quarter of fiscal 2009 ended December 31, 2008. Comp store sales decreased 0.5%. Net loss was \$46.9 million compared to a loss of \$4 million in Q1 2008, due to a \$47 million non-cash goodwill impairment charge. The company reaffirmed its full year earnings guidance of \$0.20-\$0.60 per share, excluding the goodwill impairment charge.

Eddie Bauer Holdings, Inc. will eliminate 193 positions, or about 15% of non-retail staff. EBHI will also reduce the size of the board from ten to seven members and reduce the compensation of board members by 50%. These actions are part of the company's 2009 cost reduction effort which aims to cut \$10 to \$15 million overall.

Pacific Sunwear is cutting 47 positions at headquarters and 10 field management positions as part of the planned reduction in selling, general and administrative expenses. PSUN expects to incur pre-tax severance charges of approximately \$1.5 million in the fourth quarter ending January 31, and pre-tax savings of approximately \$5 million per year beginning in fiscal 2009. The retailer continues to believe it will have sufficient borrowing availability under its \$150 million revolver that expires in 2013 and contains no financial covenants unless drawn to the last 10%.

Boscov's Inc. reported the largest December profit ever made by the company, according to

the *Patriot-News*, reporting a profit of \$26 million. The company is still awaiting \$35 million in loans the state of Pennsylvania is trying to arrange to help the chain regain solid footing.

Bon-Ton Stores, Inc. will implement a cost saving plan with a goal of increasing operating income \$70 million a year. In fiscal 2009, Bon Ton will cut 1,150 positions and reduce or eliminate raises, bonuses and benefits. CapEx will be cut to \$40 million, net of landlord contributions, and inventories will be reduced corresponding to sales trends. BONT expects to take a one-time charge of \$3.0 million related to the changes, and also warned it will record a non-cash write-down of intangible, long-lived and tax assets at year-end.

Chico's FAS, Inc. will cut an additional 180 positions, or about 11% of the headquarters staff, reducing payroll and related benefit expenses by \$15 million over the next twelve months. CHS will take an after-tax charge of about \$2.9 million in Q4 for severance. Chico's will also take a non-cash goodwill impairment charge in the fourth quarter of \$11.0 to \$14.0 million and another \$7.0 million to \$9.0 million for underperforming stores.

Wet Seal, Inc. has laid off 37 employees in the corporate headquarters and four in operations management. The cuts are expected save \$3.3 million per year beginning in fiscal 2009, and will result in a charge of \$200,000 to \$300,000 in Q4 2008 for severance costs.

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Specialty Items

1-800-Flowers.com, Inc. sales fell 1.5% to \$329.3 million in its fiscal second quarter ended December 28. Net loss was \$5.1 million from income of \$19.3 million last year, partially due to a non-cash goodwill and intangible impairment charge of \$20.0 million. FLWS plans to cut 10% of its workforce and accelerate its operating expense reduction program, which is expected to save an additional \$50 million by fiscal 2010. The company guided that revenues for the full fiscal year will be down 5% to 10% y-o-y and that earnings would be positive, but lower than last year.

Tuesday Morning Corp. net income declined 38% to \$12.7 million in the fiscal second quarter ended December 31. As reported previously, sales fell 11.7% to \$272.7 million on a comp store sales decline of 14.9%.

Kentucky-based rent-to-own chain **Home Express Sales and Lease** is adding two franchise stores to its existing six company-owned locations.

Hancock Fabrics will eliminate of 30 corporate positions (9% of the non store workforce) and scale back some employee benefit programs. The cuts will cost \$300,000 in the fourth quarter

for severance payments, and is expected to generate yearly savings of \$3.2 million starting in FY2009. Also, CapEx for the upcoming year will be reduced by \$4 million.

Ethan Allen sales fell 27.0% to \$189.6 million in its fiscal second quarter ended December 31. Comp sales were down 26.9%. Net income fell 73.3% to \$5.5 million. ETH also reached a deal with lenders to amend the covenants of its revolving credit line, reducing the total line to \$100 million.

Perfumania Holdings is in default for its \$250 million revolving line of credit with GE Capital due to non-compliance for the maximum leverage ratio. GE Capital may now accelerate the loan and demand payment in full, in addition to the interest rate on the line adjusting to the default rate. PERF is also in default on term loans from the Nussdorf Family and Stephen and Glenn Nussdorf. It can't make payments on those loans due to the LOC default. Perfumania has asked GE Capital for a waiver of the maximum leverage ratio.

Peerless Mattress and Furniture is closing its two stores, both in Michigan, after 85 years in business.

The Global World of Sports and Footwear

Dick's Sporting Goods is closing its 75,000 square foot return center in Conklin, NY, the company is closing the center in an attempt to reduce expenses for rent and freight. The warehouse will close by March 31 and twenty jobs will be affected by the closing. Several of the employees have been offered jobs at other Dick's locations. Dick's Sporting Goods historically takes its damaged or defective merchandise and consolidates it for cost efficiency.

GSI Commerce and **Innotrac Corp** have mutually agreed to terminate their merger agreement based on the current prevailing market valuations. Neither party has any financial obligation based on the termination of the agreement.

NexCen Brands, Inc. amended its credit facility with BTMU Capital, reducing the interest rate on its \$41.7 million of Class B Notes to 8% per year from January 20, 2009 through maturity on July 31, 2011. The company will save about \$6.5 million from the amendment.

Eastern Mountain Sports will triple the size of its current New York City location with a new door in SoHo in May.

Cabela's is sued by Seirus Innovative Accessories for allegedly infringing on its patents with its soft shell technical balaclava and its zip neck gaiter.

Also, **Cabela's** will begin hiring more than 200 next month for its new, 80,000 sq. ft. store in Billings, MT.

Columbia Sportswear will curtail plans to open full-price retail stores in 2009, but will open 15 outlet stores in the U.S. and one in Europe. Direct to consumer e-commerce is also a priority and COLM plans a summer launch of a new website.

Under Armour will open 5-10 additional retail outlets adding to the 25 that were in operation at FY08 end.

Did You Know...?

The Case-Shiller 20-city home price index fell 2.2% in November, and is down 18.2% y-o-y. From the peak in 2006, prices in the 20 major urban areas have fallen 25%.

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Health & Beauty Aids

McKesson Corp. revenues increased 2.4% to \$27.130 billion in the third quarter ended December 31. Net loss for the quarter was \$20 million, down from a profit of \$201 million last year on a \$311 million after-tax charge due to the Average Wholesale Price litigation. The company estimates earnings will be between \$4.15 and \$4.30 per share excluding the AWP litigation charge for the fiscal year ending March 31, 2009.

Walgreens, CVS or Eckerd are down from 39% to 33% and independent pharmacies fell from 12% to 8%. The study covers a period of just over two years, from October 2006 to December 2008.

AeroClinic opened a "quick care" health clinic at Philadelphia International Airport. AeroClinic is based in Atlanta and also operates a clinic at Atlanta's Hartsfield Airport.

CVS Caremark will close its mail-order pharmacy in Largo, Florida, on March 31, according to the *Tampa Tribune*. CVS will reportedly try to place some of the 230 employees at area CVS retail locations.

A new **Harris Poll** finds that consumers' have shifted their drug purchases to discount stores like Wal-Mart, Target and Sam's Club (up from 13% to 17%) and online or by mail order (up from 11% to 15%). Chain drug stores like

Did You Know...?

Continuing jobless claims rose by 159,000 in the week ended January 17 to a seasonally adjusted 4.78 million, the Labor Department reported. Initial jobless claims were up 3,000 to 588,000.

General Retail News

The **National Retail Federation** is projecting a 0.5% year-over-year decline in U.S. retail sales (excludes cars, gas stations and restaurants) and predicting, "more challenges ahead" caused by consumer spending shifts. H1 retail sales are forecast to fall 2.5% before improving somewhat in Q3 to decline only 1.1% for the period. Q4 retail sales, meanwhile, are expected to rise 3.6% due to a strengthening economy and easy y-o-y comparisons.

Nielsen Co. has decided to suspend its PRISM national syndicated in-store data service. Nielsen cited the difficult economic conditions currently facing retailers, but Wal-Mart's announcement last month that it was pulling out

of the PRISM consortium and would not contribute data certainly had an impact.

Consumer Mood: The Conference Board's Consumer Confidence Index fell slightly to 37.7 in January from an upwardly revised 38.6 in December. However, the University of Michigan's Consumer Sentiment index rose in January to 61.2 from 60.1 at the end of December.

Card Activation Technologies sued four more retailers—Casual Male Retail Group, BeBe Stores, Whole Food Markets and Barneys of New York—seeking royalties related to the company's gift card payment transaction technology patents.

Upcoming Reporting Dates

Company	Event	Date
Abercrombie & Fitch	Quarterly Results	Feb 13, 2009
Bebe Stores	Quarterly Results	Feb 5, 2009
Cabela's	Quarterly Results	Feb 19, 2009
Cardinal Health	Quarterly Results	Feb 5, 2009
Drugstore.com	Quarterly Results	Feb 4, 2009
GSI Commerce	Quarterly Results	Feb 11, 2009
Hhgregg, Inc.	Quarterly Results	Feb 5, 2009
Ingram Micro	Quarterly Results	Feb 18, 2009
Ingram Micro	Investor Conferences	Feb 9 & 26, 2009
Kirkland's	Quarterly Sales	Feb 5, 2009
Kirkland's	Quarterly Earnings	Mar 20, 2009
Loblaw Companies	Quarterly Results	Feb 18, 2009
PC Connection	Quarterly Results	Feb 5, 2009
PC Mall	Investor Conference	Feb 10, 2009
Polo Ralph Lauren	Quarterly Results	Feb 4, 2009
Rent-A-Center	Quarterly Results	Feb 3, 2009
Shoppers Drug Mart	Quarterly Results	Feb 12, 2009
Spartan Stores	Quarterly Results	Feb 4, 2009
Sport Supply Group	Quarterly Results	Feb 10, 2009
Whole Foods Market	Quarterly Results	Feb 18, 2009

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FYI for the DIY

Home Depot, Inc. will take a pre-tax charge of about \$532 million—\$390 million of it in the fourth quarter of FY2008—as it terminates its EXPO Design Center business and cuts 5,000 related jobs. Also, the company will streamline its store support system and cut 2,000 jobs there. HD reiterated its guidance for 2008 of an 8% sales drop and 24% lower earnings per share. Looking ahead to 2009, HD will reduce CapEx to about \$1 billion and plans to open 12 stores.

Home Depot Canada paid \$11.5 million to developers to break a 20-year lease on 75,000 square feet of space in Toronto. The site was to have been HD's first downtown Toronto store.

Taiga Building Products Ltd. appointed Dale Matheson Carr-Hilton Labonte, LLP as auditors of the Company, replacing Cinnamon Jang Willoughby and Company, as of January 13, 2009.

Lumber Liquidators has reportedly launched a wholesale division to focus on the trade.

The Pep Boys will cut 50 jobs—11% of the store support staff—and eliminate merit increases and 401(k) matching contributions to save \$20.1 million in pre-tax costs in 2009. The company will record a pre-tax charge of \$0.6 million in the fourth quarter of 2008 for associated costs.

Did You Know...?

U.S.-made durable goods orders fell 2.6% in December, the Commerce Department reported. Orders fell 3.6%, when transportation goods are excluded.

Retailer of the Week: Interbond

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OPERATING PERFORMANCE

Revenues for the fiscal year ended September 27, 2008 were \$936.5 billion, an 8.1% decrease from last year. The firm's revenues took a hit as the economy slowed. The geographic region that the company operates in, Florida, has been hit particularly hard over the past year, leading to further deterioration in the firm's revenue stream. Thankfully, it appears that the company didn't panic. The gross margin was down 20 basis points for the quarter, a respectable drop given the conditions. The firm did what it could to cut costs, reducing operating expenses by \$4 million. However, the revenues fell at a faster clip and SG&A was up 100 basis points as a percentage of revenues. Even still, Interbond posted an operating profit of \$20.8 million for the year. The firm's operating profits were down 42% from last year. Non-operating items included interest income of \$1 million and rental income of \$1.5 million, which largely offset the \$3.6 million in interest expense for the company. For the year, Interbond showed profits of \$19.7 million. This was the second year in a row that the firm has seen its profits fall.

CAPITAL STRUCTURE

As is the case with most S Corporations, Interbond removes mass amounts of its profits for distribution to shareholders. The balance sheet is the area which is most affected by the dividend payments. Interbond's balance sheet has, in the past, been strong. The huge dividend payments have begun to weaken the statement slightly. Dividends for 2008 were \$62 million, as the company took out far more than it earned for the year. This is a break from what the company has done in the past. Cash on hand was very light to close the year, coming in at just \$926,000. The firm's other liquidity indicators suffered as well.

The company did not have anything outstanding on its bank line of credit at the close of the quarter.

The firm has seen a spike in debt over the past year, but there is nothing big that is due anytime soon. The bulk of the debt is tied up in a \$40 million mortgage. The mortgage requires the firm to pay interest only, which runs them about \$266,667 per month. This loan matures in February 2011. The other major debt security was a \$17.1 million note. This note requires the company to pay monthly principle of \$66,667 and has a balloon payment come due in February 2015.

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Management on the Move

TJX Companies, Inc. former CFO **Jeffrey Naylor** will resume that position as current CFO **Nirmal K. "Trip" Tripathy** is resigning to pursue other opportunities. Naylor has been Chief Administrative and Business Development Officer during Tripathy's tenure.

Fastenal's board elected **Scott A. Satterlee** and **Michael J. Ancius** as directors effective January 30.

Weis Markets appointed President and CEO **David J. Hepfinger** to the company's board of directors. Hepfinger replaces retired CEO Norman S. Rich on the board.

J.C. Penney Co. appointed **Janet L. Dhillon** EVP, General Counsel and Secretary. Dhillon comes to JCPenney from US Airways.

e-Dialog named **Laura Saati** as Group Director – Retail. Saati will oversee CRM and e-mail marketing solutions for retail companies.

Gap Inc. appointed **Mark Breitbard** Chief Merchandising and Creative Officer for Old Navy. Breitbard is a Gap veteran, but was most recently President Levi Strauss & Co. retail.

Walgreens' SVP of Store Operations for the Southern Region **Kevin Walgreen** resigned, citing personal reasons. He's the last member of the Walgreen family to work at the company.

Advance Auto Parts, Inc. promoted **Jim Wade** to President and **Kevin Freeland** to Chief Operating Officer. **Darren Jackson** relinquishes the President title but will remain CEO.

JoS. A. Bank Clothiers, Inc. promoted **James W. Thorne** to EVP Merchandising and Chief Merchandising Officer. He replaces newly named CEO **R. Neal Black** as CMO.

Cato Corp. promoted VP **Jeff Shock** to SVP and Controller. Shock's resume includes stints at OfficeMax, Payless ShoeSource, and Revco.

Hi Tech Entertainment

eBay Inc. is offering special fee discounts to large sellers who offer extensive inventory, as it tries to shore up flagging sales. The report in *Internet Retailer* says that Buy.com and SmartBargains.com are among the participants in the new program. So-called "Diamond" level sellers pay no listing fees and reduced sales commissions. Buy.com reportedly lists about one million items on eBay.

Amazon.com beat estimates soundly with surprisingly strong results for the 4th quarter (see the scorecard). Gross margin thinned 60 basis points to 20.1% as discounts drove sales,

but AMZN kept costs in line and better leverage increased operating margin by 50 basis points to 4.1%.

Best Buy Co. will lay off more workers at corporate headquarters, even after 500 workers took a voluntary severance package. The company will announce specifics of the additional cuts on February 19.

Circuit City's clearance sales have sold \$450 million of the remaining \$1.8 billion of inventory so far. The liquidation is ahead of schedule and may conclude faster than expected.

Did You Know...?

U.S. gross domestic product contracted at a 3.8% annualized rate in the fourth quarter, the Commerce Department reported. Excluding inventory buildup, GDP contracted 5.1% in the quarter.

Full Year Scorecard

\$ in Millions Full fiscal year	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
Apparel							
Eddie Bauer Holdings	\$971.3	\$989.4	-1.8%	-1.8%	tba	(\$101.7)	tba
Drug							
Abbott	\$29,528	\$25,914	13.9%	NA	\$4,881	\$3,606	35.3%
Home Centers							
Fastenal Company	\$2,340.4	\$2,061.8	13.5%	tba	\$279.7	\$232.6	20.2%
Sherwin-Williams Company	\$7,979.7	\$8,005.3	-0.3%	-5.3%	\$476.9	\$615.6	-22.5%
Tractor Supply Company	\$3,007.9	\$2,703.2	11.3%	1.4%	\$81.9	\$96.2	-14.9%
W.W. Grainger	\$6,850.0	\$6,418.0	6.7%	tba	\$475.4	\$420.1	13.2%
Wesco International	\$6,110.8	\$6,003.4	1.8%	NA	\$212.7	\$240.6	-11.6%
High-Tech & Electronics							
Amazon.com, Inc.	\$19,166.0	\$14,835.0	29.2%	NA	\$645.0	\$476.0	35.5%
Mass Merchants							
Overstock.com	\$834.4	\$765.9	8.9%	NA	(\$12.7)	(\$48.0)	73.5%

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Fourth Quarter Scorecard

\$ in Millions. Quarter ended closest to 1/31/09	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
Apparel							
Cache, Inc.	\$65.9	\$78.5	-16.1%	-17.0%	tba	\$4.9	tba
Eddie Bauer Holdings	\$356.0	\$377.6	-5.7%	-8.8%	tba	(\$18.3)	tba
Drug							
Abbott	\$7,950.3	\$7,221.4	10.1%	NA	\$1,536	\$1,203.0	27.7%
AmerisourceBergen Corp	\$17,338	\$17,279	0.3%	NA	\$111.1	\$109.8	1.2%
Home Centers							
Fastenal Company	\$545.0	\$519.2	5.0%	tba	\$62.5	\$56.2	11.2%
Sherwin-Williams Company	\$1,699.8	\$1,853.9	-8.3%	-10.0%	\$50.2	\$100.8	-50.2%
Tractor Supply Company	\$799.5	\$723.3	10.5%	1.3%	\$24.7	\$30.0	-17.7%
W.W. Grainger	\$1,592.7	\$1,611.8	-1.2%	tba	\$107.9	\$104.4	3.4%
Wesco International	\$1,429.8	\$1,489.2	-4.0%	NA	\$41.9	\$61.1	-31.4%
Specialty							
Haverty Furniture	\$161.9	\$205.8	-21.3%	-22.6%	tba	\$1.6	tba
Sports & Footwear							
Big 5 Sporting Goods Corp.	\$219.6	\$232.1	-5.4%	-8.6%	tba	\$6.2	tba
Golfsmith International	\$68.2	\$79.0	-13.7%	-17.3%	tba	(\$46.7)	tba
West Marine, Inc.	\$111.1	\$118.3	-6.1%	-5.1%	tba	(\$65.6)	tba
High-Tech & Electronics							
Amazon.com, Inc.	\$6,704.0	\$5,673.0	18.2%	NA	\$225.0	\$207.0	8.7%
Mass Merchants							
Overstock.com	\$255.9	\$294.5	-13.1%	NA	\$1.0	(\$6.5)	115.4%

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