

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

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Remember...

An investment in knowledge always pays the best interest.

Economy Shrinking At Fastest Pace In 26 Years

The economy contracted at a staggering 6.2% pace at the end of 2008, the worst showing in 26 years, as consumers and businesses ratcheted back spending, plunging the country even deeper into recession.

The Commerce Department report released last week showed the economy sinking much faster than the 3.8% annualized drop for the October-December quarter first estimated last month. It also was considerably weaker than the 5.4% annualized decline economists expected. A much sharper cutback in consumer spending—which accounts for about two-thirds of economic activity—along with a bigger drop in U.S. exports sales, and reductions in business spending and inventories all contributed to the large downgrade.

Looking ahead, economists predict consumers and businesses will keep cutting back spending, making the first six month of this year especially rocky.

The new report offered grim proof that the economy's economic tailspin accelerated in the fourth quarter under a slew of negative forces feeding on each other. The economy started off 2008 on feeble footing, picked up a bit of speed in the spring and then contracted at an annualized rate of 0.5% in the third quarter. The faster downhill slide in the fourth quarter last year came as the financial crisis—the worst since the 1930s—intensified.

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Retailer of the Week: Office Depot

We are reaffirming Office Depot as an "E" high-risk credit with a "negative" outlook. The fourth quarter saw the operations at Office Depot slip further, as the company has had a hard time dealing with the recession plaguing the global economy. A high unemployment rate and the lack of available credit has hampered consumer spending in recent periods, affecting the firm's Retail operations. The Business Solutions division has been suffering from a slowdown in corporate spending, as many companies are watching their expenses very closely. State and local governments, which are key customers of this division, are also cutting back spending. Office Depot is very reliant on the states of California and Florida, two of the hardest hit economies in the nation. The company operates 300 retail locations in these two states alone. We are leaving the door open for a possible downgrade in the future if the firm's operations do not show some sign of improvement.

The results for the fourth quarter included a massive goodwill write-down in the amount of \$1.27 billion as well as an asset impairment charge for \$202.5 million. The operating loss for the fourth quarter totaled \$1.65 billion and would remain in the red even if we chose to ignore these charges. Comp store sales fell at an even brisker pace than we have seen previously.

The company's revolving credit facility still shows an availability of \$712.1 million as of December 27, 2008. This is a nice complement to the \$155.7 million in cash on the balance sheet. The company's revolver has a fixed charge coverage ratio of 1:1 that comes into play if the availability on the facility falls below \$187.5 million. The borrowings on the revolver totaled \$139.1 million as of that date, a nice improvement from the previous quarter. The firm's letters of credit outstanding have increased substantially over the past quarter. The company's inventory per store is down a whopping 28% when compared to year end last year. This should help the company avoid huge markdowns going forward.

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Economy Shrinking At Fastest Pace In 26 Years

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Consumers at the end of the year slashed spending by the most in 28 years. They chopped spending on cars, furniture, appliances, clothes and other things. Businesses retrenched sharply too, dropping the axe on equipment and software, home building and commercial construction.

Before the report was released last week, many economists were projecting an annualized drop of 5% in the current January-March quarter. However, given the fourth quarter's showing and the dismal state of the jobs market, it now looks like a decline of closer to 6% in the current quarter is possible.

The nation's unemployment rate is now at 7.6%, the highest in more than 16 years. The Federal Reserve expects the jobless rate to rise to close to 9% this year, and probably remain above normal levels at around 5% into 2011.

A small decline in the economy is expected for the second quarter of this year. But the new GDP figure—like the old one—marked the weakest quarterly showing since an annualized drop of 6.4% in the first quarter of 1982, when the country was suffering through an intense recession. Rising foreclosures are aggravating the already stricken housing market; hard-to-get credit has stymied business investment and is crimping the ability of some consumers to make big-ticket purchases.

Fed Chairman Ben Bernanke to Congress last week that the economy is suffering a "severe contraction" and is likely to keep shrinking in the first six months of this year. But he planted a seed of hope that the recession might end this year if the government managed to prop up the shaky banking system.

However, even in the best-case scenario that the recession ends this year and an economic recovery happens next year, unemployment is likely to keep rising. That's partly because many analysts don't think the early stages of any recovery will be vigorous, and because companies won't be inclined to ramp up hiring until they feel confident that any economic rebound will have staying power.

Feedback?

Questions?

Suggestions?

[Click Here](#)

Rating Changes & Outlooks

Company	S&P Credit Rating		S&P Credit Outlook		GCS Credit Rating
	Current	Prior	Current	Prior	Current
MANDALAY RESORT GROUP	NR	BB+	NR	NM	D+
LIMITED BRANDS INC	BB	BB+	NEGATIVE	STABLE	C-
OFFICE DEPOT INC	B	BB-	NEGATIVE	NEGATIVE	E
WYNN LAS VEGAS LLC	BB	BB	NEGATIVE	STABLE	NR
BROWN SHOE COMPANY	BB-	BB-	NM	STABLE	C-
TARGET CORP	A+	A+	NEGATIVE	STABLE	C
IAC/INTERACTIVECORP	BB		STABLE		C
EDDIE BAUER HOLDINGS	CCC	B-	NEGATIVE	NEGATIVE	E

Options and Resources

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Bankruptcy Blotter

In a new report, **Moody's Investors Service** says that U.S. speculative-grade corporate issuers will need to refund \$190 billion of debt over the next three year, the highest level since Moody's started measuring this figure. The refinancing comes at time when the business climate has made it exponentially harder to refinance.

Through February 17th, 31 companies have defaulted, including 23 from the U.S., setting a pace for about 201 defaults in 2009. The default rate of 13.9% would be a record high in **S&P's** 28-year series.

Fortunoff Holdings began its liquidation sale last week that includes inventory valued near \$212 million in 20 store locations in New York, New Jersey, Connecticut and Pennsylvania. The sales is being conducted by a group of retail liquidation firms including **Great American Group**, **SB Capital Group**, **Tiger Capital Group** and **Hudson Capital Partners**, as well as jewelry liquidators **Wilkerson and Associates** and the **Gordon Co.**

In related news, consumers who have gift cards and merchandise credit slips from **Fortunoff** will be able to use them until March 8th in a deal between the retailer's liquidators and New York Attorney General **Andrew M. Cuomo**. Mr. Cuomo's office estimates there are about \$8.5 million worth of unused gift cards and credit slips in circulation.

Circuit City received court approval to pay nearly \$4 million in stay-on incentives for staffers. The bonuses include \$1.63 million for 14 senior executives, \$1.62 million for 37 lower-level employees, and \$750,000 for other workers not covered by the plan. **James Marcum**, the company's Vice Chairman and

Acting President/CEO, removed himself from the plan to appease critical creditors.

In an unrelated matter, officials with **Circuit City Stores** have been asked to testify before a congressional subcommittee to discuss what happened during its bankruptcy case. The committee will look into how changes to federal bankruptcy law in 2005 have affected the abilities of companies like Circuit to restructure.

The U.S. Trustee in the **Gottschalks** Chapter 11 is objecting to the company's request to pay bonuses to top executives even as it struggles to emerge from bankruptcy protection. The company requested the court to approve a bonus pool of up to \$500,000 for Gottschalks President and CEO **James Famalette** and **Greg Ambro**, the company's EVP and COO. The company also asked for another \$500,000 to keep other top employees from leaving.

The committee of unsecured creditors in the **Parent Co.'s** bankruptcy case is seeking permission to examine documents and interview professionals about lender **D.E. Shaw Laminar Acquisition Holdings 3LLC**, and the Parent's VP **Andrea Edmunds**, who they say improperly persuaded vendors to extend credit and of interfering with an auction for the company's upscale online children's boutique. The investigation specifically targets **John C. Textor**, the Chairman of the Parent Co.'s Board of Directors, who they say has "substantial information concerning these issues."

In related news, the Parent Co.'s unsecured creditors are fighting attempts to convert the bankruptcy into a Chapter 7 liquidation because it would jeopardize their efforts to launch the official investigation into alleged misconduct mentioned above.

Did You Know...?

First-time applications for unemployment benefits rose to a seasonally adjusted rate of 667,000, a level not seen since 1982. The number of people receiving benefits jumped above 5 million, nearly double their level a year ago.

Health & Beauty Aids

Growth in national health expenditures was 6.1% in 2008, as it increased from \$2.2 trillion in 2007 to \$2.4 trillion in 2008 according to a new report by the Centers for Medicare and Medicaid Services. As GDP grew at a 3.5% pace, healthcare spending represented 16.6% of GDP in 2008 compared to 16.2% in 2007. The study found that spending on prescription drugs slowed to 3.5% growth from 4.9% as

consumers filled fewer prescriptions and switched to generics, but growth is expected to improve to 4.0% in 2009.

L'Oreal Paris will close both its U.S. stores. It opened its first store in the Beverly Center in Los Angeles five years ago and a second in the Westfarms Mall in Connecticut shortly thereafter.

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Off the Rack

Christopher & Banks will trim some 24 employees, or 11% of the corporate workforce, as part of a cost reduction program that is anticipated to save the company more than \$15 million in annually. The retailer also said there will be reductions in store personnel, professional services, independent contractors and travel. In addition, there will be no merit increases in salary and the company is suspending matching contributions to its employee 401K plans. It plans to take a \$325,000 charge in the fourth quarter, 2009.

Also, **Christopher & Banks** restated its fiscal third quarter financials reflecting an error in the provision for income taxes. The restatement adds \$5.3 million to net income for the quarter ended November 29, 2008.

Gap Inc. outlined plans to open about 50 stores in fiscal year 2009. About half will be outside the U.S. and the other half primarily outlets. Gap will close about 100 stores, mostly Gap brand stores. Total square footage is expected to fall 2% for the year.

Aeropostale will close its 11 Jimmy'Z stores in the second quarter, resulting in a one-time pre-tax charge of about \$5.0 million to cover lease terminations, inventory liquidation, employee retention and severance costs. The Jimmy'Z concept had an annualized operating loss of \$8.0 million. Aeropostale noted the action would allow it to focus on its core Aeropostale brand as well as the rollout of a new retail concept targeted at a younger customer.

Nordstrom's revises its expansion plan for 2009 to open 10 of its discount Rack stores and only three regular Nordstrom banners. Originally, it had planned to open five full-line Nordstrom stores and two Rack units.

Macy's said it would put more effort into localizing its merchandise selection, following encouraging results from a test program called "My Macy's." The final quarter included \$30 million this year in costs from division consolidations compared to \$17 million in similar costs last year. It also incurred \$11 million in costs from the closure of 11 stores. Another \$161 million related to non-cash impairment charges for store properties still in operation, an additional \$40 million for store closing announced in January, 2009, \$13 million for acquiring private label brand names and \$12 million for its investment in The Knot chain. Furthermore, Macy's is in the process of reviewing whether it will take further goodwill

impairment charges in connection with its acquisition of May Department Stores. Macy's estimated that this impairment charge will be between \$4.5 billion and \$5.5 billion.

Kohl's Corp. issued initial earnings guidance for 2009 of \$2.00 to \$2.30 per share, assuming a sales decrease of 1% to 4% and a comp store sales decrease of 5% to 8%. In the first fiscal quarter, Kohl's expects earnings of \$0.27 to \$0.34 per share and a comp store sales decrease of 5% to 8%.

Dress Barn, Inc. has signed multiyear agreement with **GSI Commerce** to run its e-commerce operation, including fulfillment and design services.

TJX fourth quarter earnings were helped by a \$14 million gain from insurance and adjustments related to the 2007 computer intrusion. It also noted that it expects the first half of 2009 to be more challenging than the second half of this year, partly because of strong comp comparisons and partly because of the stronger US dollar. As a result, it expects EPS of \$0.32-34 vs. 0.44 last year and a comp store decline of 2-4%. As a cost-cutting measure, TJX said it would eliminate open positions and merit-based pay raises while offering voluntary retirement packages in an effort to save \$150 million this year.

Saks' fourth quarter loss of \$98.8 million included an after-tax loss of \$15.8 million from the discontinued Club Libby Lu operation, \$6.4 million in severance costs related to recent downsizing, a gain of \$1.4 million on the sale of two properties. Saks will lower capital spending by more than 50% to \$60 million in 2009. Its guidance said it expects a comp store decline in the low double-digits with the first half weaker than the second half. Gross margins should be down about 200 basis points but improve over last year in the second half.

Sears Holdings will close 24 more underperforming stores in addition to the eight closings it had announced previously.

Tween Brands took a \$7.5 million pretax restructuring charge during the fourth quarter was largely comprised of information technology and store impairment charges associated with the company's conversion to the single store brand, Justice. The company also eliminated an additional 85 positions, of which 49 were filled, in addition to the 150 positions eliminated

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Did You Know...?

Grocery- and convenience-store radio advertising dropped 3% last year compared with 2007, according to the Radio Advertising Bureau's Annual Radio Revenue Trend Report.

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Off the Rack

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in August. The recent downsizing is expected to save \$7 million in 2009, excluding severance expense of \$1.4 million.

J. Crew Group, Inc. has initiated a cost reduction program that is expected to generate \$40 million a year in pre-tax savings. JCG will cut workforce by about 95 positions, primarily at headquarters and in support functions. The company will also stop matching 401k contributions and has eliminated merit based wage increases companywide.

Limited's fourth quarter net included a non-cash impairment charge of \$215 million to

reduce the carrying value of the La Senza chain, a pre-tax charge of \$22.6 million for severance after a 10% reduction in the home office staff that affected 400 persons and a tax benefit of \$15.0 million related to foreign and state income taxes. Last year's fourth quarter included a \$47.8 million gain related to gift card breakage at Victoria's Secret and a tax benefit of \$28.0 million.

Looking forward, **Limited** expects 2009 full-year earnings to be between \$0.60 and \$0.85 per share, including a loss of \$0.07 to \$0.12 per share in the first quarter. CapEx will be about \$200 million for new and remodeled stores.

Heard in the Grocery Aisle

Los Angeles grocery stores are cutting back as a result of the slow economy. **Albertson's** will close nine stores by April, **Ralph's** will demote 150 meat cutters and **Vons** has already fired 97 workers and plans to shorten the hours of others, according to the *Los Angeles Times*.

Supervalu will spend up to \$125 million to remodel 25 Jewel stores in the Chicago market

in an effort to compete more effectively against Wal-Mart. Wal-Mart's low prices have seen its share in the market rise to 7.7% from 4.6% in the last year while Jewel's share dropped to 20% from 23%, according to *Chain Store Guide*.

Safeway confirmed earnings guidance for 2009 of \$2.34 to \$2.44 per diluted share and free cash flow of \$1.0 to \$1.2 billion.

Management on the Move

Wegman's names **Allison Parker** its nutritionist for 13 stores in Western New York and Erie, Pennsylvania.

Safeway director **Douglas J. Mackenzie** will not stand for reelection, ending his term effective May 13, 2009.

Chico's FAS filled an open board seat with **Andrea Weiss**, who has held senior positions with retailers like dELIA*s, The Limited, Intimate Brands, Guess and Ann Taylor.

Did You Know...?

The U.S. GDP fell at a 6.2% seasonally adjusted annualized pace in the fourth quarter, the fastest drop since 1982. The initial estimate was a 3.8% drop.

HAVE YOU HEARD...

The following Trade Commentaries on private Department Store & Apparel accounts are now available on the Global Credit Services website:

Barneys New York Inc
Bobs Stores
Century 21 Dept Stores LLC
Gordmans Inc
Hudsons Bay Company
Lord & Taylor LLC
Von Maur Inc

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Hi Tech Entertainment

REX Stores has authorized the repurchase of up to an additional 500,000 shares of its common stock. The Company has repurchased 489,089 shares the board's prior 500,000 share October 2008 repurchase authorization.

Sixth Avenue Electronics is planning to open at least four stores in the Philadelphia area, according to *TWICE*. The first store will be a 35,000 sq. ft. location in Montgomeryville, Pennsylvania.

Staples employees are awarded \$2.5 million by a Newark, NJ federal court jury which agreed with the 343 defendants that Staples had failed to comply with the Fair Labor Standards Act in failing to pay them for overtime. Following a six-week trial, the jury found that Staples had acted willfully in violating the law, which opens the possibility of additional damages that could be awarded by the court as well as attorneys fees.

RadioShack beefed up its balance sheet by adding \$305 million to its ending year cash account of \$815 million. Capital expenditures for 2008 totaled \$85.6 million, excluding the acquisition of RadioShack de Mexico. The company is estimating capital expenditures for 2009 to be in the range of \$75 million to \$100 million.

Office Depot recognized about \$165 million of pre-tax Charges related to the strategic

business review announced in December, 2008, including expenses related to North American retail store and supply chain facility closures, headcount reductions, asset write downs and its International business. During 2009, Office Depot expects to recognize approximately \$186 million in additional charges related to initiatives covered by this review and projects initiated under our 2005 restructuring program. The 2008 initiatives should benefit 2009 EBIT and cash flow by approximately \$130 million and \$105 million, respectively. Office Depot is also pursuing other internal sources of liquidity in 2009, including sale leasebacks of properties, the sale of accounts receivable, dividends from a joint venture, and tax refunds. In total, Office Depot is targeting over \$400 million in cash benefit from internal initiatives in 2009. Office Depot also revealed that the U.S. Justice Department is coordinating an investigation into its government contract pricing policies.

Best Buy claims that a Deerfield, IL couple defrauded it of millions of dollars with a scheme in which it alleges the couple deliberately underbid on chip supply contracts and then later billed the company much higher rates. Russell Cole and his wife, Abby, are not charged with a crime but federal agents have searched their premises and seized \$2.8 million worth of high performance vehicles, including a Ferrari and a Lamborghini.

Specialty Items

Aaron Rents has entered into an agreement with Kelly Rentals, Inc., operator of 23 Kelly's Sales & Leasing stores in North Carolina and Virginia, to convert its stores to franchised Aaron Rents stores.

Zale Corp. sales fell 17.9% to \$679.4 million in the fiscal second quarter. The net loss of \$23.6 million includes after-tax impairment charges of \$5.0 million for stores, \$5.0 million for goodwill and \$18.6 million for reversing a valuation reserve on foreign tax credits. It also announced further cost-cutting measures, including the closing of 115 underperforming stores at lease maturity which will save \$34 million. In addition, it eliminated 245 positions, of which 75 were open, resulting in a savings of \$21 million; another \$10 million from store-level efficiencies and \$75 million in inventory reductions.

Barnes & Noble sold its majority stake in Calendar Club to a group headed by its CEO for \$1 million in cash and \$6 million in notes. The bookseller will take a \$9.7 million after-tax charge on the investment. Calendar Club had \$113.5 million in revenues in 2008 and was essentially breakeven.

Finlay Enterprises plans to exit all its 671 department store leased departments. It has agreements with major chains such as Macy's, Dillard's and Bon Ton. It said it would work with its department store partners to ensure a smooth transition. Finlay will also close 40 unprofitable specialty stores and reduce its overhead as a result of the move.

Toys "R" Us will expand its relationship with **GSI Commerce** to include its newly acquired eToys.com and babyuniverse.com brands.

Did You Know...?

The Consumer Sentiment Index from the University of Michigan and Reuters fell to 56.3 in late February from 61.2 in January.

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Mass Merchant Musings

Target will place more emphasis on basic necessities such as food, health care and personal items in order to compete more directly with Wal-Mart and to avoid the mark-downs in big ticket items that have hurt its earnings, the *Wall Street Journal* reported. Target will also focus more of its marketing on lower prices, and will redesign stores and open new stores to emphasize the new approach.

Wal-Mart has made a follow-on offer to buy the outstanding shares of Distribucion y Servicio D&S S.A. Wal-Mart offered \$0.408 per share, or \$24.48 per 60-share ADS.

Wal-Mart settles a class action suit in federal court of Arkansas which asserted that the retailer discriminated against African-Americans when recruiting truck drivers. Wal-Mart denied the allegations, but said settling the matter was in the best interests of the company. However, it agreed to pay \$17.5 million, provide job placements to 23 of the class members and implement other measures that would enhance the chances of hiring African Americans for these positions.

Also, Wal-Mart will close its six Canadian Sam's Club stores, the *Wall Street Journal* reported.

The Global World of Sports and Footwear

Sport Supply repurchased \$15.7 million in convertible notes in the past 90 days out of the original \$50 million offering, leaving an outstanding balance of \$28.9 million. RBI also received a new \$40 million credit facility from Bank of America which can be expanded to \$60 million under certain conditions.

Big 5 Sporting Goods has suspended full-year sales and earnings guidance. In Q1, the retailer expects EPS in the \$0.01-.07 range on the aforementioned "high single digit" drop in same store sales.

Winmark Corp.'s board authorized the repurchase of an additional 500,000 shares beyond the approximately 30,000 shares remaining under an existing authorization. The

new authorization amounts to 9% of Winmark's outstanding shares.

According to findings in the soon-to-be-published "The Sporting Goods Market in 2009" from the **National Sporting Goods Association** (NSGA), the average retail price paid for athletic footwear in the U.S. rose 1.6% in 2008 to \$43.71. In 2007, the average price inched 2.1% higher to \$43.03. On average, men (\$45.16) spent more on sneakers than women (\$42.75). By age group, 18- to 24-year olds, spent the most on their sneakers at \$57.31 a pair, followed by 14- to 17-year olds (\$51.89), 25- to 34-year olds (\$50.54) and 65+ (\$50.41). By category, sales of gym shoes/sneakers climbed 4.1% in 2008 followed by jogging/running (+2.8%) and walking shoes (+1.6%).

Did You Know...?

The U.S. personal savings rate hit 5%, a 14-year high, in January, as total household saving reached \$545.5 billion.

General Retail News

The **Consumer Confidence Index** tumbled in February to 25, the lowest level measured by the Conference Board in its 41 years of collecting this data. Some 48% of those

surveyed said jobs were hard to get and 47% said they expected the number of jobs to decrease in the future. Almost one fourth expect incomes to decrease in the next six months.

FYI for the DIY

Home Depot's fourth quarter loss of \$54 million includes restructuring charges of \$387 million, a writedown of \$163 million on its investment in HD Supply and a loss from discontinued operations of \$52 million. Home Depot's outlook for 2009 called for a sales decline of 9%, including a high single-digit decline in comp store sales. Gross margins are predicted to be flat or slightly better and operating expenses flat as a percentage of sales. EPS is predicted to decline by 7%. The capital expenditure budget for 2009 is \$1 billion, which includes the opening of 12 new stores.

United Rentals fourth quarter loss includes a previously announced non-cash goodwill impairment charge of \$911 million, a gain of \$26 million related to the repurchase of \$130 million of subordinated notes; a charge of \$12 million related to the closing 43 branches and a net after-tax foreign currency transaction loss of \$1 million. Fourth quarter 2007 income includes an after-tax gain of \$59 million related to the termination of the Cerberus merger agreement after-tax foreign currency gains of \$11 million.

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Upcoming Reporting Dates

Company	Event	Date
Aeropostale	Financial Results	Mar 12, 2009
Amazon.com	Investor Conference	Mar 4, 2009
AnnTaylor Stores	Financial Results	Mar 6, 2009
Big Lots	Financial Results	Mar 4, 2009
BJ's Wholesale Club	Financial Results	Mar 4, 2009
Bon-Ton Stores	Financial Results	Mar 11, 2009
Brown Shoe	Financial Results	Mar 4, 2009
Cache	Financial Results	Mar 3, 2009
Cato	Financial Results	Mar 19, 2009
Chico's FAS	Financial Results	Mar 3, 2009
Coldwater Creek	Financial Results	Mar 4, 2009
Collective Brands	Financial Results	Mar 10, 2009
CVS	Investor Conference	Mar 10, 2009
Foot Locker	Financial Results	Mar 4, 2009
Golfsmith	Financial Results	Mar 3, 2009
Hibbett Sports	Financial Results	Mar 12, 2009
Ingram Micro	Investor Conferences	Mar 3 & 9, 2009
Jo-Ann Stores	Financial Results	Mar 11, 2009
Kirkland's	Financial Results	Mar 20, 2009
Kroger	Financial Results	Mar 10, 2009
Loblaw	Investor Conference	Mar 4, 2009
Systemax	Financial Results	Mar 3, 2009
Talbots	Financial Results	Mar 12, 2009
Tech Data	Financial Results	Mar 3, 2009
Tech Data	Investor Conferences	Mar 4 & 10, 2009
Tractor Supply	Investor Conference	Mar 9, 2009
Trans World Entertainment	Financial Results	Mar 5, 2009
Urban Outfitters	Financial Results	Mar 5, 2009
West Marine	Financial Results	Mar 5, 2009
Wet Seal	Financial Results	Mar 26, 2009
Zumiez	Financial Results	Mar 12, 2009

Did You Know...?

Real disposable incomes (adjusted for inflation and after taxes) increased 1.5% in January, and inflation-adjusted consumer spending increased a surprisingly good 0.4% in the month.

Retailer of the Week: Office Depot

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Office Depot has slashed its capex budget for 2009 to around \$150 million, down from \$330 million in 2008. During 2009, the company has plans to open 15 new stores. Management has said that it would prefer not to move forward with the store openings, but the lease commitments are in place.

In December 2008, Office Depot announced its plan to close 112 retail locations and six distribution facilities. The company subsequently announced that it would be closing 10 additional stores. By the end of January 2009, just six retail locations had been closed. The company recorded pre-tax charges of \$165 million relating to this initiative in the fourth quarter. Office Depot is estimating charges of \$88 million in 2009 in relation to the leases it expects to break.

Office Depot has announced plans for it to potentially generate around \$400 million in liquidity internally. These plans include the sale/leaseback of property in the US and Europe that could generate up to \$200 million in cash, the sale of certain accounts receivable in Europe that could generate up to \$100 million in cash, and about \$105 million in cash from the "strategic business reactions." The company also expects dividends from a joint venture of about \$50 million.

The executives of the firm declined to provide an outlook for 2009 due to the challenge of the global economy. CEO Steve Odland did say that he is expecting positive free cash flow for 2009, but this is contingent on the ability to turn the aforementioned assets into cash.

Talk of consolidation in the office superstore sector remains a popular discussion. There still have not been specifics talked about, so these discussions remain rumors at best. The strongest

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Retailer of the Week: Office Depot

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player in the field, Staples, made a major acquisition in 2008 with the acquisition of Corporate Express.

\$ figures in millions, 12-Months ended	12/27/2008 (FY08)	12/29/2007 (FY07)	Year-over-Year Change
Liquidity Ratios			
Cash and Equivalents	\$155.7	\$223.0	-30.14%
Cash and Equivalents % Current Liabilities	5.93%	7.50%	-157 bps
Working Capital	\$496.6	\$742.3	-33.10%
Current Ratio	1.19x	1.25x	-6 bps
Leverage Ratios			
EBITDA / Interest Expense	2.84x	12.01x	-917 bps
Total Debt	\$880.7	\$815.5	8.00%
Total Debt / Total Equity	64.62%	26.44%	3,818 bps
Total Debt / Tangible Equity	66.96%	48.16%	1,880 bps
Total Liabilities / Total Assets	74.13%	57.50%	1,663 bps
Total Liabilities / Tangible Assets	74.81%	71.13%	368 bps

OPERATIONAL PERFORMANCE

Fourth Quarter Ended December 27, 2008

Revenues for the fourth quarter ended December 27, 2008 were \$3.27 billion, down 15% from the same quarter a year ago. As the economy remains stuck in a rut, the office superstores continue to feel the pinch from consumers, businesses and governments, all of which it relies on for revenues. On a segment basis, North American Retail Division revenues fell 17% to \$1.4 billion for the quarter, as the drop was due to an 18% slide in comp store sales. The segment continued to see trouble across product lines. North American Business Solutions Division saw revenues fall 14% to \$920 million for the quarter, driven by a slowdown from US small business orders as well as from government contracts. The company's International segment saw revenues fall 15% to \$963 million for the three months, but revenues in local currencies fell 4%.

During the quarter, the company's gross margin fell 100 basis points. As has been the case across retail, firms are being forced to become more price promotional, leading to higher markdowns in recent periods. Cost cutting initiatives were put in place during the period, as SG&A showed a \$22.7 million reduction in costs on a dollar basis. The drop in sales was more profound, however, and the firm's SG&A burden spiked 420 basis points for the quarter.

As was mentioned above, the fourth quarter was littered with one-time charges. The company took a \$1.27 billion goodwill write-down during the quarter as well as a \$202.5 million asset impairment charge. This brought the company's operating loss to \$1.65 billion for the three months. Even if we adjust out the special one-time charges, the company would still post an adjusted operating loss of \$182.1 million. This was much worse than the \$11.1 million operating loss for the same quarter a year ago. The firm's EBITDA came in firmly in the red as well, losing \$120.3 million for the quarter.

Operating profits (loss) on a per segment basis were: Retail posted an operating loss of \$119 million for the fourth quarter, \$78 million of which was a non-cash asset impairment charge. Business Solutions posted an operating loss of \$28 million for the fourth quarter. International posted an operating profit of \$10 million for the fourth quarter. All were significantly below the results for the same quarter last year.

Below the operating line we saw the company's interest expense rise from \$13.1 million last year to \$22.7 million this year.

The above factors caused Office Depot to report a net loss, falling from \$18.8 million in profits during the quarter last year to a \$1.54 billion loss this year.

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Did You Know...?

Underscoring the widespread weakness in the housing market, home prices in 20 major cities dropped 2.5% in December from the prior month and were down a record 18.5% from the final month of 2007.

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Retailer of the Week: Office Depot

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Year Ended December 27, 2008

Revenues for the year ended December 27, 2008 were \$14.5 billion, down 7% from a year ago. On a per segment basis, North American Retail Division revenues fell 10% to \$6.11 billion, as the reduction in the top line was a result of a 13% drop in comp store sales. Again, the markets in Florida and California have been struggling all year. North American Business Solutions Division saw revenues fall 8% to \$4.14 billion for the twelve months, driven by softness in the US economy and the cutback in corporate spending. The company's International segment saw revenues gain 1% to \$4.24 billion so far this year, but revenues in local currencies fell 2%.

For the year, the company's gross margin slipped 140 basis points, following up a year when the firm's gross margin fell 200 basis points. The firm had a de-leveraging effect on occupancy expenses due to the drop in revenues, while increased promotional activity was needed to remain competitive. The cost cutting didn't take hold until the fourth quarter. As a percentage of revenues, the firm's SG&A burden was up 210 basis points for the year.

During the year, Office Depot took some very large one-time charges, pulling the bottom line deep into the red for the year. The company took a \$1.27 billion goodwill write-down during the fourth quarter. Other asset impairment charges during the twelve months totaled \$222.4 million. For the year, Office Depot reported an operating loss of \$1.55 billion. If we ignore the one-time expenses, the adjusted operating loss was \$52.8 million. This was a wild drop from \$483.6 million in operating profits last year. The company's EBITDA came in at \$194 million for the period. Thankfully, the number stayed positive. However, it was down from \$757.5 million last year.

On a segment basis, North American Retail saw a swing from \$331.1 million in operating profits last year to a \$29.2 million operating loss this year. North American Business Solutions saw operating profits fall from \$220.1 million to \$119.8 million. International operating profits were \$157.2 million, down from \$231.1 million last year.

The above factors forced Office Depot's to report a net loss of \$1.48 billion for the year.

CAPITAL STRUCTURE

The lower inventory and the reduction in cash on hand caused Office Depot's liquidity position to slip below last year's levels. There was \$155.7 million in cash on the books at the end of the quarter, over 30% below the cash levels at the same point last year. The cash on hand covered up just 5.93% of current liabilities, much lower than we like to see for a company this size. Providing additional liquidity for the firm was its \$1.26 billion in accounts receivable, but this has fallen sharply as well. The company's working capital was just \$496.6 million to close the quarter. This was well below last year's levels and translated to a current ratio of just 1.19.

Due to the troubling economic environment, Office Depot has been forced to drastically reduce inventory. Per store inventory is down 28% from the same point last year. The lower inventory levels are one reason the company's gross margin has not fallen further.

The company's revolver, which was entered into in the third quarter last year, provided \$712.1 million in additional liquidity on December 27, 2008. The revolver borrowings were down over the course of the quarter, closing at \$139.1 million. Over the three months, LCs outstanding jumped from \$135 million to \$177.8 million.

The debt position has increased as the company has had to fund the losses on the income statement. There was \$880.7 million in debt on the books at the end of the fourth quarter, up from \$815.5 million last year. The debt to equity ratio remains relatively low, however. Total debt was down from \$940.3 million just three months ago. The bulk of the firm's debt rests in the \$139.1 million outstanding on the revolver and the \$400 million in senior notes that don't mature until 2013. The remainder is a mixture of \$14.8 million in short-term capital leases and \$287.3 million in long-term capital leases.

Did You Know...?

Sales of pre-owned homes dropped 5.3% to a seasonally adjusted annual rate of 4.49 million in January, the lowest sales pace in 12 years.

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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							
Abercrombie & Fitch	\$997.7	\$1,229.0	-18.8%	-25.0%	\$68.4	\$216.8	-68.5%
Aeropostale, Inc.	\$690.1	\$591.3	16.7%	6.0%	tba	\$64.7	tba
American Eagle Outfitters	\$905.7	\$995.4	-9.0%	-16.0%	tba	\$140.5	tba
Bon Ton Stores, Inc.	\$1,031.4	\$1,138.9	-9.4%	-9.7%	tba	\$75.2	tba
Cache, Inc.	\$65.9	\$78.5	-16.1%	-17.0%	tba	\$4.9	tba
Carter's, Inc.	\$422.0	\$393.4	7.3%	4.1%	\$27.3	\$28.6	-4.5%
Cato Corporation	\$209.1	\$209.4	-0.1%	-3.0%	tba	(\$1.8)	tba
Chico's FAS, Inc.	\$373.4	\$409.3	-8.8%	-13.0%	tba	(\$20.5)	tba
Children's Place	\$441.5	\$443.3	-0.4%	-5.0%	tba	(\$58.5)	tba
Citi Trends, Inc.	\$146.6	\$134.6	8.9%	-1.9%	tba	\$8.4	tba
Coldwater Creek Inc.	\$280.0	\$345.5	-19.0%	-22.0%	tba	(\$17.0)	tba
Dillard's, Inc.	\$1,977.7	\$2,161.8	-8.5%	-8.0%	tba	\$47.3	tba
Eddie Bauer Holdings	\$356.0	\$377.6	-5.7%	-8.8%	tba	(\$18.3)	tba
Gap Inc.	\$4,082.0	\$4,675.0	-12.7%	-14.0%	\$243.0	\$265.0	-8.3%
Gottschalks	\$184.2	\$204.4	-9.9%	-7.1%	tba	\$1.1	tba
Gymboree Corporation	\$285.3	\$275.3	3.6%	-2.0%	tba	\$26.8	tba
Hot Topic, Inc.	\$238.0	\$220.7	7.8%	5.2%	tba	\$11.9	tba
J.C. Penney Company	\$5,759.0	\$6,390.0	-9.9%	-10.8%	\$211.0	\$430.0	-50.9%
Jo-Ann Stores, Inc.	\$571.9	\$585.9	-2.4%	-2.9%	tba	\$27.5	tba
Kohl's Corporation	\$5,235.5	\$5,487.3	-4.6%	-4.6%	\$336.0	\$411.7	-18.4%
Limited Brands	\$2,991.1	\$3,228.3	-7.3%	-10.0%	\$16.1	\$389.0	-95.9%
Macy's, Inc.	\$7,934.0	\$8,594.0	-7.7%	-7.0%	\$310.0	\$750.0	tba
Nordstrom, Inc.	\$2,301.0	\$2,514.0	-8.5%	-12.5%	\$68.0	\$212.1	-67.9%
Pacific Sunwear	\$351.7	\$384.3	-8.5%	-10.0%	tba	\$5.2	tba
Retail Ventures, Inc.	\$455.5	\$452.0	0.8%	-7.9%	tba	(\$125.7)	tba
Ross Stores, Inc.	\$1,734.0	\$1,652.0	5.0%	-1.0%	tba	\$94.5	tba
Saks Incorporated	\$800.1	\$999.7	-20.0%	-15.3%	(\$98.8)	\$39.5	-350.3%
Stage Stores, Inc.	\$455.8	\$473.1	-3.7%	-7.2%	tba	\$31.7	tba
Talbots, Inc.	\$328.0	\$428.0	-23.4%	-24.6%	tba	(\$171.4)	tba
TJX Companies	\$5,380.0	\$5,391.9	-0.2%	-2.0%	\$250.7	\$301.1	-16.7%
Tween Brands, Inc.	\$265.9	\$316.1	-15.9%	-23.0%	(\$13.9)	\$25.0	-155.6%
Urban Outfitters, Inc.	\$508.1	\$465.4	9.2%	-1.0%	tba	\$53.6	tba
Wet Seal, Inc.	\$154.8	\$179.6	-13.8%	-13.4%	tba	\$12.2	tba
Drug							
Abbott	\$7,950.3	\$7,221.4	10.1%	NA	\$1,536	\$1,203.0	27.7%
CVS Caremark Corporation	\$24,142.2	\$21,942.4	10.0%	3.6%	\$952.8	\$815.0	16.9%
Drugstore.com, Inc.	\$93.9	\$91.3	2.8%	NA	\$0.3	(\$2.3)	113.0%
Shoppers Drug Mart	\$2,496.8	\$2,168.8	15.1%	3.6%	\$173.1	\$151.3	14.4%
Home Centers							
Calloway's Nursery, Inc.	\$8.6	\$11.0	-21.8%	1.2%	(\$0.3)	(\$0.1)	300.0%
Fastenal Company	\$545.0	\$519.2	5.0%	2.2%	\$62.5	\$56.2	11.2%
Griffin Land & Nurseries	\$11.1	\$10.8	2.8%	NA	(\$7.6)	\$2.0	-480.0%
Home Depot, Inc.	\$14,607.0	\$17,659.0	-17.3%	-13.0%	(\$54.0)	\$671	-108.0%
Huttig Building Products	\$126.0	\$179.9	-30.0%	NA	(\$15.4)	(\$5.8)	-165.5%
Interline Brands, Inc.	\$277.6	\$300.2	-7.5%	NA	\$7.2	\$13.6	-47.1%
Lowe's Companies	\$9,984.0	\$10,379.0	-3.8%	-9.9%	\$162.0	\$408.0	-60.3%
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%
United Rentals, Inc.	\$791.0	\$925.0	-14.5%	NA	(\$853.0)	\$155.0	-650.3%
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							
Advance Auto Parts, Inc.	\$1,192.4	\$1,048.4	13.7%	3.0%	\$24.4	\$34.8	-29.8%
Blue Nile, Inc.	\$85.8	\$111.9	-23.3%	NA	\$3.5	\$7.5	-53.3%
Finlay Enterprises, Inc.	\$306.7	\$383.1	-19.9%	-15.0%	tba	\$13.4	tba
Haverty Furniture	\$161.8	\$205.8	-21.4%	-22.6%	(\$10.1)	\$1.6	-715.9%

Did You Know...?

Despite a record drop in prices, sales of new homes fell 10.2% in January to a record-low seasonally adjusted annual rate of 309,000.

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Fourth Quarter Scorecard

(continued from page 11)

\$ in Millions. Quarter ended closest to 1/31/09	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
Specialty							
Kirkland's, Inc.	\$133.6	\$138.3	-3.4%	5.3%	tba	\$1.5	tba
Leon's Furniture Limited	\$206.1	\$185.9	10.9%	-1.7%	\$23.2	\$21.6	7.4%
Sports & Footwear							
Bakers Footwear Group, Inc	\$55.5	\$54.7	1.5%	3.6%	tba	\$7.4	tba
Big 5 Sporting Goods Corp.	\$219.6	\$232.1	-5.4%	-8.6%	\$3.6	\$6.2	-41.7%
Brown Shoe Company, Inc.	\$521.0	\$571.4	-8.8%	-3.6%	tba	\$14.0	tba
Cabela's	\$879.4	\$889.5	-1.1%	2.2%	\$49.4	\$56.2	-12.1%
Gander Mountain	\$333.0	\$317.6	4.8%	-0.2%	\$20.0	\$5.8	244.8%
Golfsmith International	\$68.2	\$79.0	-13.7%	-17.3%	tba	(\$46.7)	tba
GSI Commerce	\$391.4	\$335.1	16.8%	NA	\$24.4	\$16.5	47.9%
West Marine, Inc.	\$111.1	\$118.3	-6.1%	-5.1%	tba	(\$65.6)	tba
WinMark Corporation	\$8.7	\$8.0	8.7%	-18.1%	(\$2.1)	(\$0.9)	-133.3%
High-Tech & Electronics							
Aaron Rents, Inc.	\$404.9	\$364.7	11.0%	6.2%	\$21.1	\$15.5	36.1%
Amazon.com, Inc.	\$6,704.0	\$5,673.0	18.2%	NA	\$225.0	\$207.0	8.7%
BMTC Group Inc.	\$216.8	\$223.6	-3.0%	NA	\$21.9	\$16.1	36.0%
Conn's, Inc.	\$245.4	\$200.6	22.3%	12.5%	tba	\$13.1	tba
GameStop Corp.	\$3,500.0	\$2,865.6	22.1%	9.6%	tba	\$189.8	tba
IAC/InterActiveCorp	\$351.0	\$378.9	-7.4%	NA	\$227.4	(\$369.9)	161.5%
Ingram Micro Inc.	\$8,684.5	\$10,007.4	-13.2%	NA	(\$564.3)	\$114.1	-594.6%
Office Depot, Inc.	\$3,270.6	\$3,866.9	-15.4%	-18.0%	(\$1,539)	\$18.8	-8286%
OfficeMax Incorporated	\$1,883.1	\$2,198.1	-14.3%	-13.6%	(\$395.2)	\$71.5	-652.7%
PC Connection, Inc.	\$439.1	\$489.6	-10.3%	NA	\$1.9	\$6.2	-69.4%
RadioShack Corporation	\$1,258.7	\$1,364.3	-7.7%	-9.2%	\$62.0	\$101.0	-38.6%
Rent-A-Center, Inc.	\$699.8	\$717.0	-2.4%	0.0%	\$36.1	(\$5.4)	768.5%
United Stationers Inc.	\$1,145.2	\$1,119.9	2.3%	NA	\$22.6	\$28.3	-20.1%
Mass Merchants							
Big Lots, Inc.	\$1,353.1	\$1,400.8	-3.4%	-3.2%	tba	\$92.0	tba
BJ's Wholesale Club, Inc.	\$2,500.0	\$2,479.6	0.8%	6.4%	tba	\$50.2	tba
Canadian Tire	\$2,587.8	\$2,505.1	3.3%	7.3%	\$101.2	\$131.3	-22.9%
Dollar General Corporation	\$2,845.8	\$2,559.6	11.2%	9.4%	tba	\$55.4	tba
Dollar Tree Inc.	\$1,386.5	\$1,298.6	6.8%	2.2%	\$105.2	\$94.7	11.1%
Fred's, Inc.	\$469.4	\$494.1	-5.0%	-1.1%	tba	(\$4.4)	tba
Overstock.com	\$255.9	\$294.5	-13.1%	NA	\$1.0	(\$6.5)	115.4%
Sears Canada Inc.	\$1,616.3	\$2,295.8	-29.6%	-6.2%	\$95.5	\$145.4	-34.3%
Sears Holding Corp.	\$13,280.0	\$15,074.0	-11.9%	-8.3%	\$190.0	\$426.0	-55.4%
Target Corporation	\$19,560	\$19,872	-1.6%	-5.9%	\$609.0	\$1,028.0	-40.8%
Wal-Mart Stores, Inc.	\$109,116	\$107,343	1.7%	2.3%	\$3,792	\$4,096	-7.4%
Food							
Loblaw Companies Limited	\$7,745.0	\$6,967.0	11.2%	10.6%	\$188.0	\$40.0	370.0%
Safeway, Inc.	\$13,815.9	\$13,356.4	3.4%	0.4%	\$338.0	\$301.1	12.3%
Weis Markets, Inc.	\$619.4	\$603.0	2.7%	2.2%	\$17.0	\$8.6	97.7%

Numbers in italics are implied or company estimates.

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Full Year Scorecard

\$ in Millions Full fiscal year	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
Apparel							
Abercrombie & Fitch	\$3,540.3	\$3,749.9	-5.6%	-13.0%	\$272.3	\$475.7	-42.8%
Aeropostale, Inc.	\$1,886.0	\$1,591.0	18.5%	8.0%	tba	\$129.2	tba
American Eagle Outfitters	\$2,989.0	\$3,055.0	-2.2%	-10.0%	tba	\$400.0	tba
Bon Ton Stores, Inc.	\$3,130.0	\$3,365.9	-7.0%	-7.4%	tba	\$11.6	tba
Cache, Inc.	\$265.7	\$274.5	-3.2%	tba	tba	\$6.5	tba
Carter's, Inc.	\$1,490.0	\$1,412.2	5.5%	9.0%	\$75.1	(\$70.6)	206.4%
Cato Corporation	\$845.7	\$834.3	1.4%	-1.0%	tba	\$32.3	tba
Chico's FAS, Inc.	\$1,582.0	\$1,714.0	-7.7%	-15.1%	tba	\$88.9	tba
Children's Place	\$1,630.3	\$1,520.5	7.2%	2.0%	tba	(\$59.6)	tba
Citi Trends, Inc.	\$488.2	\$437.5	11.6%	0.0%	tba	\$14.2	tba
Coldwater Creek Inc.	\$1,000.0	\$1,151.5	-13.2%	tba	tba	(\$2.5)	tba
Dillard's, Inc.	\$6,739.9	\$7,204.9	-6.5%	-7.0%	tba	\$53.8	tba
Eddie Bauer Holdings	\$971.3	\$989.4	-1.8%	-1.8%	tba	(\$101.7)	tba
Gap Inc.	\$14,526.0	\$15,763.0	-7.8%	-12.0%	\$967.0	\$833.0	16.1%
Gottschalks	\$563.2	\$628.5	-10.4%	-8.8%	tba	(\$12.4)	tba
Gymboree Corporation	\$997.3	\$920.8	8.3%	tba	tba	\$80.3	tba
Hot Topic, Inc.	\$761.0	\$728.1	4.5%	1.0%	tba	\$16.0	tba
J.C. Penney Company	\$18,486.0	\$19,860.0	-6.9%	-8.5%	\$572.0	\$1,111.0	-48.5%
Jo-Ann Stores, Inc.	\$1,901.0	\$1,879.0	1.2%	0.5%	tba	\$15.4	tba
Kohl's Corporation	\$16,388.9	\$16,473.7	-0.5%	-0.5%	\$885.0	\$1,083.9	-18.3%
Limited Brands	\$9,042.7	\$10,086.4	-10.3%	-9.0%	tba	\$718.0	tba
Macy's, Inc.	\$24,892.0	\$26,313.0	-5.4%	-4.6%	tba	\$893.0	tba
Nordstrom, Inc.	\$8,272.0	\$8,828.0	-6.3%	-9.0%	\$401.0	\$715.0	-43.9%
Pacific Sunwear	\$1,250.0	\$1,310.0	-4.6%	-5.0%	tba	(\$30.4)	tba
Retail Ventures, Inc.	\$1,885.0	\$1,871.9	0.7%	-5.1%	tba	\$51.4	tba
Ross Stores, Inc.	\$6,486.0	\$5,975.0	8.6%	2.0%	tba	\$261.1	tba
Saks Incorporated	\$3,053.8	\$3,249.1	-6.0%	-6.1%	(\$154.9)	\$47.5	-426.3%
Stage Stores, Inc.	\$1,515.8	\$1,545.6	-1.9%	-6.1%	tba	\$53.1	tba
Talbots, Inc.	\$1,495.0	\$1,708.0	-12.5%	-14.2%	tba	(\$188.8)	tba
TJX Companies	\$18,990.0	\$18,340.0	3.5%	1.0%	\$880.6	\$771.8	14.1%
Tween Brands, Inc.	\$995.1	\$1,014.0	-1.9%	-12.0%	(\$17.1)	\$52.6	-132.5%
Urban Outfitters, Inc.	\$1,834.6	\$1,507.7	21.7%	8.0%	tba	\$160.2	tba
Wet Seal, Inc.	\$735.3	\$611.2	20.3%	tba	tba	\$23.2	tba
Drug							
Abbott	\$29,528	\$25,914	13.9%	NA	\$4,881	\$3,606	35.3%
CVS Caremark Corporation	\$87,471.9	\$76,329.5	14.6%	4.5%	\$3,212.1	\$2,637.0	21.8%
Drugstore.com, Inc.	\$366.6	\$339.3	8.0%	NA	(\$8.3)	(\$11.5)	27.8%
Shoppers Drug Mart	\$9,422.9	\$8,478.4	11.1%	4.8%	\$565.2	\$490.4	15.3%
Home Centers							
Calloway's Nursery, Inc.	\$44.3	\$46.4	-4.5%	0.6%	\$0.6	\$0.4	50.0%
Fastenal Company	\$2,340.4	\$2,061.8	13.5%	9.6%	\$279.7	\$232.6	20.2%
Griffin Land & Nurseries	\$44.5	\$59.4	-25.1%	NA	(\$11.2)	\$9.4	-219.1%
Home Depot, Inc.	\$71,288.0	\$77,349.0	-7.8%	-8.7%	\$2,260	\$4,395	-48.6%
Huttig Building Products	\$671.0	\$874.8	-23.3%	NA	(\$35.4)	(\$8.2)	-331.7%
Interline Brands, Inc.	\$1,195.7	\$1,239.0	-3.5%	NA	\$40.8	\$51.0	-20.0%
Lowe's Companies	\$48,230.0	\$48,283.0	-0.1%	-7.2%	\$2,195.0	\$2,809.0	-21.9%
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%
United Rentals, Inc.	\$2,469.0	\$2,625.0	-5.9%	NA	(\$704.0)	\$362.0	-294.5%
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%
Specialty							
Advance Auto Parts, Inc.	\$5,142.3	\$4,844.4	6.1%	1.5%	\$238.0	\$238.3	-0.1%
Blue Nile, Inc.	\$295.3	\$319.3	-7.5%	NA	\$11.6	\$17.5	-33.7%
Finlay Enterprises, Inc.	\$862.6	\$835.9	3.2%	-10.6%	tba	(\$10.1)	tba
Haverty Furniture	\$691.1	\$784.6	-11.9%	-14.3%	(\$12.9)	\$1.8	-833.0%

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Full Year Scorecard

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\$ in Millions Full fiscal year	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
Specialty							
Kirkland's, Inc.	\$391.3	\$396.7	-1.4%	3.6%	tba	(\$25.9)	tba
Leon's Furniture Limited	\$740.4	\$637.5	16.1%	2.3%	\$63.4	\$58.5	8.4%
Sports & Footwear							
Bakers Footwear Group, Inc	\$183.7	\$186.3	-1.4%	0.5%	tba	(\$17.7)	tba
Big 5 Sporting Goods Corp.	\$864.7	\$898.3	-3.7%	-7.0%	\$13.9	\$28.1	-50.5%
Brown Shoe Company, Inc.	\$2,276.4	\$2,360.0	-3.5%	tba	tba	\$60.4	tba
Cabela's	\$2,552.7	\$2,349.6	8.6%	-3.7%	\$76.4	\$87.9	-13.1%
Gander Mountain	\$1,063.5	\$969.4	9.7%	tba	tba	(\$31.8)	tba
Golfsmith International	\$379.1	\$388.2	-2.3%	-6.3%	tba	(\$40.8)	tba
GSI Commerce	\$966.9	\$750.0	28.9%	NA	(\$16.9)	\$3.0	-663.3%
Recreational Equipment	\$1,434.6	\$1,342.0	6.9%	0.3%	\$14.5	\$41.4	-65.1%
West Marine, Inc.	\$631.3	\$679.6	-7.1%	-6.8%	tba	(\$50.0)	tba
WinMark Corporation	\$35.4	\$31.2	13.5%	tba	\$1.1	\$3.0	-62.5%
High-Tech & Electronics							
Aaron Rents, Inc.	\$1,592.6	\$1,394.9	14.2%	3.1%	\$90.2	\$80.3	12.3%
Amazon.com, Inc.	\$19,166.0	\$14,835.0	29.2%	NA	\$645.0	\$476.0	35.5%
BMTC Group Inc.	\$856.2	\$841.5	1.7%	NA	\$69.9	\$49.0	42.7%
Conn's, Inc.	\$805.0	\$731.0	10.1%	2.0%	tba	\$39.7	tba
GameStop Corp.	\$8,800.0	\$7,094.0	24.0%	12.3%	tba	\$288.3	tba
IAC/InterActiveCorp	\$1,445.1	\$1,332.6	8.4%	NA	\$156.2	\$144.1	8.4%
Ingram Micro Inc.	\$34,362.2	\$35,047.1	-2.0%	NA	(\$394.9)	\$275.9	-243.1%
Office Depot, Inc.	\$14,495.5	\$15,527.5	-6.6%	tba	(\$1,479)	\$395.6	-473.9%
OfficeMax Incorporated	\$8,267.0	\$9,082.0	-9.0%	-10.8%	(\$1,658)	\$207.4	-899.4%
PC Connection, Inc.	\$1,753.7	\$1,785.4	-1.8%	NA	\$15.0	\$23.0	-34.8%
RadioShack Corporation	\$4,224.5	\$4,251.7	-0.6%	-0.6%	\$192.4	\$236.8	-18.8%
Rent-A-Center, Inc.	\$2,884.2	\$2,906.1	-0.8%	2.3%	\$139.6	\$76.3	83.0%
United Stationers Inc.	\$4,986.9	\$4,646.4	7.3%	NA	\$98.4	\$107.2	-8.2%
Mass Merchants							
Big Lots, Inc.	\$4,594.2	\$4,606.2	-0.3%	0.5%	tba	\$158.5	tba
BJ's Wholesale Club, Inc.	\$9,802.1	\$8,791.6	11.5%	6.4%	tba	\$122.9	tba
Canadian Tire	\$9,121.3	\$8,606.1	6.0%	1.8%	\$374.2	\$411.7	-9.1%
Dollar General Corporation	\$10,457.7	\$9,495.2	10.1%	9.0%	tba	(\$12.8)	tba
Dollar Tree Inc.	\$4,644.9	\$4,240.0	9.5%	4.1%	\$229.5	\$201.3	-14.0%
Fred's, Inc.	\$1,800.0	\$1,780.0	1.1%	1.8%	tba	\$10.7	tba
Overstock.com	\$834.4	\$765.9	8.9%	NA	(\$12.7)	(\$48.0)	73.5%
Sears Canada Inc.	\$5,236.0	\$5,602.0	-6.5%	tba	\$367.0	\$400.0	-8.3%
Sears Holding Corp.	\$46,770.0	\$50,703.0	-7.8%	-8.0%	\$302.0	\$1,586.0	-81.0%
Target Corporation	\$64,948	\$63,367	2.5%	-2.9%	\$2,214.0	\$2,849.0	-22.3%
Wal-Mart Stores, Inc.	\$405,607	\$378,476	7.2%	3.0%	\$13,400	\$12,731	5.3%
Food							
Loblaw Companies Limited	\$30,802.0	\$29,384.0	4.8%	4.2%	\$545.0	\$330.0	65.2%
Safeway, Inc.	\$44,104.0	\$42,286.0	4.3%	-0.8%	\$965.3	\$888.4	8.7%
Weis Markets, Inc.	\$2,422.4	\$2,318.6	4.5%	4.3%	\$47.0	\$51.0	-7.8%

Numbers in italics are implied or company estimates.

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