

## RETAIL SECTOR WEEKLY

### Key Retail News and Commentary

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#### Study Predicts 50% Cut in Free Cash Flow

The median free cash flow (cash from operations less capital spending) for nonfinancial companies could sink by 50% during the next year, especially if the recession continues to choke revenue streams, a new report says.

Up until now, cash-flow margins—free cash flow measured as a percentage of revenue—have remained flat. But recessions have a way of eating away at that ratio, says Charles Mulford, director of the Georgia Tech Financial Analysis Lab and co-author of the study.

Mr. Mulford and two co-authors, graduate research assistants Sohel Surani and Jason Blake, analyzed the cash-flow trends of 20 nonfinancial industries, comprising 61 sub-industries, for a series of rolling 12-month periods from the first quarter of 2000 through the third quarter of 2008. They plan to track the same indicators each quarter going forward.

The first report, which was released this week, notes that after bottoming out below 2.5% during the 2001 recession, free cash margin “improved markedly” and has remained relatively stable, hovering above 4.5% since 2002. During the 12 months ended September 2008, the margin dipped slightly below 4.5% to the low end of its recent range. But the authors expect that the current recession will push the margin down to the 2001 recession level or lower – which could mean a 50% drop in free cash flow.

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#### Retailer of the Week: Loblaw Companies

A healthy enough balance sheet remains a key factor in us maintaining our existing **moderately high risk, 'D' credit rating and stable outlook** on Loblaw. The firm’s sales and adjusted operating profit grew as a result of slightly improved operations. Limited by union contracts, Loblaw continues to deal with a cost structure that is not nearly as malleable as its rivals. The basic competitive picture remains unchanged; Wal-Mart remains the low-cost leader in Canada. Sobeys, Metro, and Whole Foods continue to attract customers who are looking for higher quality products. In response to these competitive challenges, the company continues to spend heavily to revamp its products, presentation, infrastructure, and back-office operations. At the same time, the company has terminated most of its consultants. During fiscal 2008, the company bolstered its books by issuing preferred stock and securitizing some credit card receivables. As the firm continues to work through augmenting its operations, Loblaw is not a short-term credit risk thanks to its solid balance sheet.

#### OPERATING PERFORMANCE: 12 MONTHS ENDED JANUARY 3, 2009

Canadian \$ in millions, 52 weeks ended	1/3/2009	YOY Var.	12/29/2007
Sales	C\$30,802	4.8%	C\$29,384
Operating Profit	C\$1,046	42.1%	C\$736
Adjusted Operating Profit*	C\$1,055	7.9%	C\$978
Adjusted Operating Profit Margin*	3.4%	10 bps	3.3%
Net Profit	C\$545	65.2%	C\$330
Net Debt to Equity	0.54:1	(\$0.2)	0.67:1

#- company financial on [www.gcszone.com](http://www.gcszone.com) are in U.S. dollars.

\*- before restructuring, impairment, and other charges (C\$9 and C\$242 during fiscal 2008 and fiscal 2007, respectively).

\*\*- franchisees consolidated, “variable interest entities”.

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#### Remember...

*You can do anything - but not everything.*

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## Study Predicts 50% Cut in Free Cash Flow

(continued from page 1)

Free cash flow has no strings attached: it is the discretionary cash that companies can use, without disrupting operations, to pay dividends, buy back stock, retire debt, or invest in an acquisition. As a percentage of revenue, the free cash margin is essentially a cash-flow profit margin that indicates what percent of revenue is left for shareholders in the form of discretionary cash flow, the authors say.

The study looked at 3,429 companies, each with a current market capitalization of \$50 million or more. Despite the authors' prediction that the median free cash margin is set to drop precipitously, they saw an improving margin in seven industries for the 12 months ending September 2008 compared with the year before. The industries? Energy, transportation, media, retailing, food and staples retailing, pharmaceuticals-biotechnology-life sciences, and technology hardware and equipment.

The report highlights the pharmaceuticals/biotechnology/life sciences sector, noting that free cash flow grew in that sector by nearly 2 percentage points, from 7.4% to 9.15% for the 12 months ending September 2008. What's more, four Standard and Poor's 500 companies from the sector boasted particular improvement: Abbot Laboratories, Bristol-Meyers Squibb, Eli Lilly, and Millipore Corp.

In the other industries examined, five companies held steady, while eight groups registered declines in free cash margins: materials, capital goods, automobiles and components, consumer durables and apparel, food/beverage/tobacco, household and personal products, telecommunications services, and utilities. Of those that declined, the materials group stood out, with an overall free cash margin decline to 2.42% for the 12 months ending September 2008, down from 3.68% for the same period the previous year – and down from nearly 4% during the 2001 recession.

The materials group includes the subcategories of chemicals, construction materials, containers and packaging, metals and mining, and paper and forest products.

**Feedback?**

**Questions?**

**Suggestions?**

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## FYI for the DIY

**MSC Industrial Direct Co., Inc.** sales fell 19.4% to \$351.9 million in its fiscal second quarter ended February 28, 2009. Net income was off 44.6% to \$26.3 million. Looking ahead to the fiscal 2009 third quarter, MSC expects sales of \$339 to \$351 million, and earnings of \$0.37 to \$0.41 per share.

**Home Depot** plans to build a 465,000 sq ft distribution center in Topeka, Kansas, according to *The Wichita Eagle*, and has signed a 20-year lease for a 74 acre parcel of land there.

**Sherwin-Williams Co.** will close a paint roller and tray making plant in Dreshler, Ohio, and

terminate 126 employees, according the *Toledo Blade*.

China's largest home improvement retailer, **B&Q**, will shutter 22 doors this year, *Home Channel News* reported. The British-owned chain will have 41 units after the closures.

The **AHMA Home Improvement Industry Confidence Index** declined in March. The Current Situation Index fell to 45.8 from February's 62.5, while the Future Expectations Index was up 1.7 points to 158.6.

## Options and Resources

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## Bankruptcy Blotter

The number of businesses seeking bankruptcy protection hit its highest level in more than two years in March, as 7,843 commercial bankruptcy filings last month represented a 23.2% jump from the 6,365 filings in February.

Through March 11<sup>th</sup>, 39 issuers defaulted on \$44 billion in debt amid the global financial crisis. Of the 39 defaults, 28 were from the U.S. Standard & Poor's said the number of companies at greatest risk of default has risen for the 13<sup>th</sup> straight month, to 298.

Failing to attract a buyer willing to operate the company as a going concern, **Gottschalks** was sold to a joint venture of liquidators including **SB Capital Group LLC, Tiger Capital Group LLC, Great American Group LLC** and **Hudson Capital Partners LLC** through a bankruptcy auction. The liquidation of the company is expected to be completed before July 15<sup>th</sup>.

**Bruno's Supermarkets LLC** is requesting that the bankruptcy court eliminate or modify its collective bargaining agreement with the **United Food and Commercial Workers** union in order to expedite finding a buyer for some or all of the chain. A ruling is expected in the next week or so.

**Bi-Lo LLC** received court approval to operate as normal during the company's bankruptcy case. Currently Bi-Lo is evaluating several financing proposals from lenders for DIP financing. However, the funds that Bi-Lo uses for operations remain a contested issue with lenders. Creditors objected to Bi-Lo's plans to use cash collateral to operate during the bankruptcy, citing concerns about protecting their collateral.

**Drug Fair Inc.** received court approval to proceed with its plans to liquidate about \$30 million in merchandise at 23 of its New Jersey stores. **Hudson Capital Partners** has been tapped to manage the liquidation. Drug Fair is aiming to sell its remaining 32 stores to an affiliate of **Walgreen Co.**

In other news, **Drug Fair's** unsecured creditors are taking exception to the proposed rapid sale of the company's remaining 32 locations to **Walgreen Co.**, claiming the sale, as proposed, could leave unsecured creditors empty-handed when it comes time to repay claims.

**Goody's Family Clothing**, which is liquidating, has retained **Streambank, LLC** to undertake the marketing and sales efforts for the intellectual asset portfolio of Goody's Family Clothing, including rights to the Duck Head brand. In addition to Duck Head, Goody's labels include Ivy Crew for men, OCI for young men, juniors, and children, Goodclothes and Mountain Lake for misses, and Babe Crew for Infants and toddlers.

**Boscov's** is seeking a four-month extension to file its Plan of Reorganization to rewrite the Plan to preserve tax breaks for the family led buyout group that saved the regional chain. Creditors agreed to take another look at the Plan.

**Big 10 Tire Stores Inc.**, a **Sun Capital Partners Inc.**-owned chain of tire stores filed for bankruptcy last week, with plans to sell itself through a court auction. Big 10 has more than 100 retail outlets located throughout the southeastern U.S. Sun bought the company in 2006.

**Ritz Camera** will close more than 300 stores nationwide, leaving 400 Ritz Camera stores still open around the country. A joint venture comprised of **Great American Group, LLC, SB Capital Group, LLC, Tiger Capital Group, LLC**, and **Hudson Capital Partners, LLC**, will be conducting the sales.

**Fleetwood Enterprises Inc.** won interim court approval for its \$80 million DIP facility. Until final approval, the company can borrow up to \$65 million from a group of banks led by **Bank of America Corp.** A final hearing is scheduled for April 21<sup>st</sup>. Fleetwood is shuttering its travel trailer unit, but intends to keep motor home and manufactured housing businesses open during its bankruptcy case.

## Hi Tech Entertainment

**Borders Group Inc.** has reached a deal with Pershing Square Capital Management LP to extend its \$42.5 million senior secured term loan until April 1, 2010.

**Insight Enterprises, Inc.** will reduce its expense structure by cutting approximately 270

employees or roughly 8% of its North American workforce. The company already cut 240 jobs in November 2008. NSIT expects year-over-year operating expenses in its North America segment to decline by approximately \$65 million in 2009.

### Did You Know...?

*Home prices fell an average of 19% year-over-year in 20 major U.S. cities in January, according to the Case-Shiller home price index. Prices are now down 29% from the mid-2006 peak.*

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## The Global World of Sports and Footwear

The **Sporting Goods Manufacturers Association** is forecasting a 3.8% drop in U.S. wholesale sales of all categories this year to \$63,903 million in its annual State of the Industry report. The projected decline is higher than the 3.3% drop experienced in 2008 when wholesale sales fell 3.3% to \$66,312 million. Sports apparel is forecast to decline 3.4% in 2009 to \$27,880 million in wholesale sales after falling 2.2% to \$28,855 million in 2008. Athletic footwear sales declined 4.3% to \$12,394 million in 2008 and are forecast to fall 2.4% further to \$12,097 million in 2009. Equipment revenues fell 2.4% in 2008 to \$20,839 million and are forecast to accelerate that decline to 3.8% and \$20,050 million in 2009.

Fifteen public **Sporting Goods Retailers** tracked by *Sporting Goods Intelligence* recorded a loss of \$333.8 million in Q4 compared to income of \$169.4 million in what is a seasonally critical period. Sales fell 3% to \$6,483.3 million from \$6,717.5 million, pushing down ROS to -5.15% from 2.52% prior. Impairment charges at Collective Brands, Dick's and Foot Locker were the biggest factors. The sector would actually have had a profit of \$17.4 million against a loss of \$12.8 million last year excluding the three companies with major impairments, though this might be small comfort considering that both years were essentially breakeven in the Holiday quarter.

The National Retail Federation estimates passage of the **Affordable Footwear Act** Senate bill S730, introduced by Senators Maria Cantwell (D-WA) and John Ensign (R-NV),

would save consumers an estimated \$800 million annually through the elimination of tariffs on a wide-range of imported shoes. Ranging as high as 67.5% according to NRF estimates and 37.5% by OIA calculations, the tariffs were imposed in the 1930s to protect U.S. shoemakers against foreign competition. But today, domestic footwear manufacturers account for less than 2% of U.S. shoe sales.

**Payless ShoeSource** franchisee M.H. Alshaya Co. grand opened Payless ShoeSource stores in The Avenues mall in Kuwait, and in the Sahara Mall in Riyadh, Saudi Arabia. They're the banner's first stores in the region.

Also, **Payless** was sued again by Adidas—this time in Canada—claiming that two Payless Shoesource styles with four stripes but other alleged similarities infringe on the SuperStar and the Tuscany/Adi Racer, two of the German company's largest sellers. The Canadian suit is similar to the one brought by Adidas against Payless in Oregon federal court. A jury awarded Adidas a whopping \$305 million in damages in that case last May. The award was later reduced by the judge to \$65.3 million. That case is being appealed by Payless parent Collective Brands.

**West Marine** opened its flagship and largest store measuring 30,000 sq ft in Jacksonville, Florida. The store is four times larger than West Marine's average store size and will offer 16,000 national and local products where the average store carries between 7,000 to 8,000 products. West Marine operates 343 stores primarily in the US including 97 locations in Florida.

### Did You Know...?

*The National Association of Realtors reported that its seasonally adjusted index of pending sales for previously occupied homes rose 2.1% to 82.1 in February from January's record low of 80.4.*

## Mass Merchant Musings

**Wal-Mart Stores Inc.** will consolidate its optical labs in the Midwest, closing its Columbus, Ohio lab, with facilities in Crawfordsville, Indiana, and Fayetteville, Arkansas taking up the work. Approximately 650 workers are affected.

Also, **Wal-Mart** COO Bill Simon said that the retailer is seeing many more higher-income customers in its stores. More upscale shoppers have bought basics in the past, but recently they have been filling their shopping carts with more items from WMT's brand names.

**Costco** plans to close its two Costco Home stores, located in Kirkland, Washington, and Tempe, Arizona on July 3rd. Management said the single-format Costco Home concept does not fit into the company's long-term plans.

**Wholesale and club stores** receive more favorable coverage on websites and blogs than traditional department stores and mass merchandisers according to media analysis company CARMA International. CARMA named **Costco** as receiving the best coverage from bloggers, but **Walmart**, **Sears** and **Macy's** came in well behind.

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## Management on the Move

**McKesson Corp.** EVP and President of McKesson Technology Solutions **Pamela J. Pure** has left the company. The Technology Solutions team will report to the CEO, John H. Hammergren, until a replacement is found.

**Family Dollar Stores, Inc.** named **James C. Snyder, Jr.** SVP, General Counsel and Corporate Secretary. Snyder was VP and Associate General Counsel for Legal and Risk Management with Home Depot.

**Overstock.com, Inc.** director **James V. Joyce** has resigned from the company's board.

**Charming Shoppes, Inc.** appointed **James P. Fogarty** as President and CEO and a member of the company's board. Fogarty was most recently a Managing Director with professional services firm Alvarez & Marsal.

**Central Garden & Pet Co.** EVP, CFO and Secretary **Stuart W. Booth** will be transitioning into a consulting role within the company as soon as a new CFO can be found.

**Advance Auto Parts, Inc.** appointed **Tami Kozikowski** Chief Development Officer. Kozikowski comes from Best Buy where she was most recently SVP Merchandising.

**Recreational Equipment Inc.** members voted to return **Ivar Chhina**, **Joanne Harrell** and **Chuck Katz** to three-year terms on the company's board.

**Huttig Building Products** CFO **Kenneth Young** has resigned effective April 10<sup>th</sup> after just over two months in the role. No reason was given for his departure and a replacement has not yet been named.

### Did You Know...?

*The Consumer Confidence Index rose to 26 in March from 25.3 in February, according to a Conference Board report. The labor market and earnings are still the main factors holding down sentiment.*

## Off the Rack

**Macy's, Inc.** took a pre-tax non-cash goodwill impairment charge of approximately \$5.38 billion (\$5.1 billion after tax or \$12.07 per diluted share) in 2008. However, Macy's operations generated cash of \$1.88 billion during the fiscal year and had free cash flow of over \$1 billion.

**Charlotte Russe** and major shareholder **KarpReilly LLC** traded astringent press releases as they each promoted their slate of board candidates in an ongoing proxy battle. KarpReilly painted CHIC management as disorganized and inexperienced, while the company's own press release warned that KarpReilly seeks to acquire Charlotte Russe for a low price at the expense of shareholders. CHIC's annual meeting of stockholders is on April 28, 2009.

**Aeropostale** franchisee Apparel Group LLC open the first Aeropostale store in Dubai, at the Oasis Centre Mall.

**Kohl's Department Stores** grand opened 11 new stores. The company points out that the new stores created nearly 3,000 new jobs.

The U.S. flagship of the The British fast fashion chain **Topshop** opened on April 2, on Broadway in NYC's SoHo district.

**TJX Companies, Inc.** priced a public offering of \$375 million in notes due 2019, bearing interest at 6.95%. Net proceeds will be used to redeem TJX's zero coupon convertible subordinated notes due in February 2021 and to repurchase shares of common stock under TJX's stock repurchase program.

**Pacific Sunwear** reported that Adrenalina has called off its proxy contest and withdrawn its director candidates for election to PSUN's board. The announcement follows a meeting between several of Pacific Sunwear's independent directors and Adrenalina CEO Iliia Lekach.

## Specialty Items

**Haverty Furniture Companies, Inc.** sales decreased 22.1% to \$144.2 million for the fiscal first quarter ended March 31, 2009. Comp store sales decreased 22.9%.

**Williams-Sonoma Inc.**'s Pottery Barn is introducing lower priced products, according to the *Wall Street Journal*. The low end is an important shift for the chain, whose look has been a style leader in the home furnishings industry.

**Michaels Stores** has is re-launching its popular DIY website WhereCreativityHappens.com with Jo Pearson in how-to videos aimed at Michaels core customers.

**Toys R Us** is putting low priced concept shops in the front of all its stores. Branded "\$1-\$2-\$3 Fun!" the shops feature approximately 100 items for \$1, \$2 or \$3.

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## Health & Beauty Aids

**Rite Aid Corp.** took a \$1.810 billion goodwill impairment charge in the fourth quarter—writing off all the company's goodwill, including that from the Brooks Eckerd acquisition—contributing to the enormous loss for the year (see the Scorecard). Non-cash charges related to store impairment tallied \$85.8 million in Q4 2009 and \$157.3 million in fiscal 2009. Looking ahead, the company expects sales in fiscal 2010 to be between \$26.3 billion and \$26.7 billion with same store sales improving 0.5% to 2.5%. Net loss for fiscal 2010 is forecast to be \$210 million to \$435 million. Capital expenditures are expected to be approximately \$250 million, though RAD plans to close up to 117 stores in fiscal 2010.

Also, **Rite Aid** will close its Newnan, Georgia distribution center, acquired as part of the Brooks Eckerd deal. 297 employees will be affected.

**Safeway** has partnered with **McKesson Corp.** and will deploy McKesson's pharmacy

management software, EnterpriseRx, in all of its U.S.-based in-store pharmacies.

**Cardinal Health's** CareFusion Corp. spinoff filed its SEC Form 10 registration. CareFusion shares will be distributed to existing shareholders as a dividend, with Cardinal Health retaining about 20% of the company. Cardinal Health says it will divest its shares of CareFusion within five years after the spinoff. For fiscal 2008, ended June 30, 2008, CareFusion reported revenue of \$4.5 billion and operating earnings of \$725 million.

Also, **Cardinal Health** will cut 800 jobs over the next six months and eliminate an additional 500 positions through normal attrition in its Clinical and Medical Products business—soon to be CareFusion.

**Walgreens** said it would withdraw 44 of its pharmacies from Washington state's Medicaid program as of May 1, due to reductions in the price the state will pay for brand name medications.

## Heard in the Grocery Aisle

**Sysco** has purchased Ireland-based Pallas Foods Limited. This European foodservice company produces approximately \$200 million of annual revenues and operates a broadline distribution business out of Newcastle West, Ireland. The firm also runs eight operating depots across the rest of Ireland. This is Sysco's first acquisition outside of North America. Terms of the deal were not disclosed.

**TNS Worldpanel** released the latest UK grocery store market share figures. For the 12 weeks ending 22nd March, Tesco's share was 30.4%, down from 30.8% y-o-y. Asda's share increased to 17.5% from 17.1%, Sainsbury's had a 16.1% share and Morrisons had a 11.8% share.

**Great Atlantic & Pacific Tea Co.** stores in Connecticut may see a job action from UFCW Local 371 over wages, health insurance and pension issues. Negotiations for a new contract are ongoing. The most recent contract expired February 28.

The new **Wegmans** store opening in Collegeville, Pennsylvania has attracted over 2,500 applicants for 550 full- and part-time positions.

**Nash Finch Co.** will discontinue its much criticized "shelf price plus 10%" pricing policy at its Avanza stores, the *Denver Post* reported.

**Kroger Co.** had UFCW Local 555 file an unfair labor practice charge against their Fred Meyer subsidiary. The retailer reportedly increased the cost of employee health insurance.

**Marsh Supermarkets Inc.** has sued former CEO Don E. Marsh after an IRS audit exposed improper use of the corporate jet and misappropriation of company funds, the *Chicago Tribune* reported.

**Trader Joe's** is looking for a site for a Kansas City store, its first in the area, according to the *Kansas City Star*.

### Did You Know...?

Private-sector companies cut 742,000 jobs in March, according to the ADP employment index. Manufacturing lost 206,000 jobs, construction lost 118,000, services lost 415,000.

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## General Retail News

**Credit card interchange fees** are under attack again, this time from a coalition of retailers lobbying congress to reduce the fees merchants pay to credit card issuers, according to the *Wall Street Journal*. The group points out that the fees—about 2% of the purchase price of an item—cut into retailers' profit margins and are effectively a hidden tax on consumers. Interchange fees were \$42 billion in 2007, up from \$16 billion in 2001, according to the story. The group is running ads in the districts of key lawmakers on the House Financial Services Committee and the Senate Banking Committee hoping to pressure them to consider legislation.

A new **mobile payment** concept is being piloted by MasterCard and Blaze Mobile, *USA Today* reported, using debit-card-like RFID stickers that attach to cell phones and allow communication with point-of-sale terminals. Retailers participating in the pilot include BP, Best Buy, CVS and McDonald's. This is still a stopgap until cell phone makers and wireless carriers embed payment technology in handsets.

As more companies use **Twitter** to promote, communicate with customers and gauge satisfaction, Gartner Group has a new report of best practices for businesses. The four key points:

- Companies should be careful using Twitter for marketing or press releases, since users may resent uninteresting tweets.
- Getting company employees to tweet on the company's behalf to build the volume of company-related content.
- Using Twitter to facilitate intra-company communication between employees is common, but not recommended as it can be a security risk and there are specific tools designed for this.
- Feedback collection and responding to customers. Many companies monitor Twitter and quickly respond to any tweet that mentions them.

### Did You Know...?

The ISM manufacturing index rose to 36.3% in March from 35.8% in February, the Institute for Supply Management reported. However, none of the industries the ISM surveys showed growth in March.

## Rating Changes & Outlooks

Company	S&P Credit Rating		S&P Credit Outlook		GCS Credit Rating
	Current	Prior	Current	Prior	Current
DOLLAR THRIFTY AUTOMOTIVE GROUP INC	CCC	CCC+	NEGATIVE	NM	E-
DOLLAR GENERAL CORP	B+	B	STABLE	POSITIVE	D
MACYS INC (FKA FEDERATED DPT STORES)	BBB-	BBB-	NM	NM	D-
JC PENNEY CO INC	BBB-	BBB-	NM	NEGATIVE	C-
MAY DEPARTMENT STORES COMPANY, THE	BBB	BBB	STABLE	NM	NR
WEGMANS FOOD MARKETS INC	BBB+	A-	STABLE	STABLE	C
AMAZON COM INC	BBB	BB+	STABLE	POSITIVE	B
SONIC AUTOMOTIVE INC	CCC+	B+	NM	NEGATIVE	F+
RIVIERA HOLDINGS CORP	D	CCC+	NM	NEGATIVE	E-
155 EAST TROPICANA LLC	D	NR	NM	NR	F+
BON TON STORES INC	B-	B-	NEGATIVE	STABLE	E-
PANTRY INC, THE	B+	B+	POSITIVE	STABLE	E+
STARWOOD HOTELS & RESORTS WORLDWIDE INC	BB+	BB+	NM	NEGATIVE	D+
BUFFETS INC	B-	NR	STABLE	NR	E
SUSSER HOLDINGS CORP	B+	B+	STABLE	NEGATIVE	E+

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## Retailer of the Week: Loblaw Companies

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During fiscal 2008, revenues expanded 4.8% to C\$30.8 billion. The improvement is due to some food inflation, price investments, and more gasoline sales. As the result of solid ticket growth and slightly less traffic, the company's comparable store sales rose at a 2.2% clip during 2008. Increased inflation and a weaker consumer have certainly put some pressure on the firm's gross margin. Loblaw has responded by purchasing more efficiently, reducing shrink, and boosting the firm's private label program. While in the past noting that its private label SKUs had been becoming increasingly popular, management indicated that Loblaw still has plenty of room for incremental improvement. As a reminder, the firm's labor costs remain more rigid because of union contracts. This relatively fixed payroll expense has put Loblaw at a competitive disadvantage with low-cost operators. The firm continues to upgrade its IT systems in an effort to make the business more productive and to reduce headcount in the future. Toward the end of the fiscal year, the company put the breaks on expenses by holding the line on both restructuring and share-based compensation costs. **The firm's adjusted operating profit rose 8% to \$1.06 billion, good for a 10 basis point improvement in margin to 3.4%.** The company's interest expense rose 4.4% to C\$263 million. Loblaw's net income grew by 65.2% to C\$545 million; this massive improvement was the result of some one-time charges being present on the 2007 P&L statement.

In addition to improving the firm's private label program and IT systems, the company also noted a number of other enhancements to the business. Loblaw has finished the planned upgrades to stores in the western part of Canada, made some changes in the executive suite, and negotiated some price improvements with suppliers. Despite the progress made during fiscal 2008, management has outlined several key strategic changes to execute during fiscal 2009. The company plans to launch an event-driven marketing calendar. The grocer is also looking to improve its product assortment and customer service. Management will continue to focus on improving its IT infrastructure and supply chain. By the beginning of 2011, the company aims to have upgraded its financial reporting and inventory management software. President Allan Leighton noted that these moves will improve the firm's longer-term profitability. However, management emphasized that these projects will force the firm to shoulder some heavy bills in the next few years to complete the transformation.

### Did You Know...?

U.S. factory orders were up 1.8% in February, the Commerce Department reported. It was the first gain in six months. January's orders were revised lower to a 3.5% decline. Also, nondefense, nonaircraft capital equipment orders were up 7.1% following a 12.3% decline in January.

Canadian \$ in millions, 52 weeks ended	1/3/2009	12/29/2007
Project Simplify	C\$3	C\$197
Restructuring Supply Chain Network	(C\$1)	C\$9
Closure of Quebec & Atlantic Markets Stores and Related Wholesale Network	(C\$3)	C\$16
Net Effect of Stock-Based Compensation & Associated Equity Forwards	C\$24	C\$20
Sale of Financial Investments by PC Bank	(C\$14)	C\$0
Liquidation of General Merchandise Inventory	C\$0	C\$0
Consolidation of VIEs	C\$0	C\$0
Head Office Move & Reorganization of Operation Support Functions	C\$0	C\$0
Non-Cash Goodwill Impairment Charge Related to Provigo acquisition in 1998	C\$0	C\$0
Ratification of New 4-Year Collective Agreement w/ certain Ontario locals of UFCW	C\$0	C\$0
Departure Entitlement Charge	C\$0	C\$0

### LIQUIDITY & FINANCIAL STRUCTURE

On January 3, 2009, Loblaw had C\$528 million of cash and equivalents on the books. Loblaw reported that it had C\$225 million of short-term investments on its balance sheet. These investments are the banks trading positions of Glenhuron Bank. The company's C\$800 million revolver had C\$190 million direct borrowings on it, leaving availability of C\$610 million. Loblaw had been borrowing more heavily against its bank lines since it lost access to the commercial paper markets in 2008. Loblaw has since opted to use the proceeds of the issuance of preferred

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## Retailer of the Week: Loblaw Companies

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securities and unsecured notes to clean up its bank lines. We surmise that availability of C\$392 million resided on Loblaw's C\$845 million 364-day revolving bank agreement, after considering no commercial paper usage, bank indebtedness of C\$52 million, and letters of credit totaling C\$398 million. In early-2009, the retailer also repaid its C\$125 million 5.75% medium term notes.

At fiscal 2008's end, the aggregate gross potential liability related to Loblaw's standby letters of credit was approximately C\$398 million (versus C\$354 million at fiscal 2007's end), against which the firm had C\$441 million in credit facilities available to draw on (versus C\$444 million at fiscal 2007's end). Letters of credit are established in connection with Loblaw's obligations related to the financing program for its independent franchisees, securitization of PC Bank's credit card receivables, real estate transactions and benefit programs.

A C\$475 million 364-day agreement was in place to finance the operations of Loblaw's franchisees, on which C\$388 million of gross principal loans to Loblaw's independent franchisees were outstanding as of January 3, 2009. Loans to franchisees were down 6% on a year-over-year basis. The firm is currently in the process of renewing its C\$475 million 364-day facility, with management expecting this process to be wrapped up during Q2 2009. Should this facility not be renewed, franchisees that are currently obtaining funding from the independent trust would have twelve months to find alternative means of financing. The grocer had approximately C\$1.8 billion of credit card receivables that it securitized through President's Choice Bank (PC Bank) as of early-January versus C\$1.5 billion as of fiscal 2007's end. The C\$300 million uptick in the securitization of these credit card receivables took place solely during Q3 2008. As of fiscal 2008's end, approximately 80% of Loblaw's credit card receivables were securitized, versus a level of 72% one year earlier. Looking at the balance sheet, the C\$867 million of accounts receivable reflects C\$431 million on credit card receivables and C\$436 million of other receivables.

On a full-year basis, cash flow from operations of C\$989 million covered capital expenditures of C\$750 million. Tangible net worth has declined 14.7% to C\$4.1 billion. The company's current debt remains a manageable C\$165 million. The company's long-term debt increased by 5.7% to C\$4.1 billion. It is important to note that the firm's overall debt profile is manageable. The firm's GAAP working capital increased from C\$58 million to C\$730 million as the result of a reduction in short-term borrowings. During the past 12 months, the company made C\$288 million of dividend payments. Loblaw remains committed to its dividend; however, GCS does not think that the amount of cash being returned to shareholders is irresponsible. We are pleased to see that the firm has decided against repurchasing shares.

### Did You Know...?

First time state unemployment claims rose a seasonally adjusted 12,000 to 669,000 in the week ended March 28, the Labor Department reported. The four week moving average rose 6,500 to 656,750.

## Upcoming Reporting Dates

Company	Event	Date
AmerisourceBergen	Financial Results	Apr 23, 2009
Christopher & Banks	Financial Results	Apr 9, 2009
Family Dollar Stores	Financial Results	Apr 8, 2009
JoS. A. Bank Clothiers	Financial Results	Apr 9, 2009
Pep Boys	Financial Results	Apr 9, 2009
Shoppers Drug Mart	Financial Results	Apr 28, 2009
Talbots	Financial Results	Week of Apr 13, 2009

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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
<b>Apparel</b>							
Abercrombie & Fitch	\$997.7	\$1,229.0	-18.8%	-25.0%	\$68.4	\$216.8	-68.5%
Aeropostale, Inc.	\$690.0	\$591.3	16.7%	6.0%	\$68.2	\$64.7	5.4%
American Apparel	\$145.6	\$111.2	30.9%	11.0%	\$3.9	\$3.0	30.0%
American Eagle Outfitters	\$905.7	\$995.4	-9.0%	-16.0%	\$32.7	\$140.5	-76.7%
AnnTaylor Stores Corp.	\$483.4	\$600.8	-19.5%	-24.5%	(\$375.6)	(\$6.7)	-5506%
Bon Ton Stores, Inc.	\$1,031.4	\$1,138.9	-9.4%	-9.7%	(\$87.7)	\$75.2	-216.6%
Buckle, Inc.	\$251.4	\$207.0	21.4%	14.3%	\$34.3	\$29.1	17.9%
Cache, Inc.	\$65.9	\$78.5	-16.1%	-17.0%	(\$5.5)	\$4.9	-211.6%
Carter's, Inc.	\$422.0	\$393.4	7.3%	4.1%	\$27.3	\$28.6	-4.5%
Casual Male Retail Group	\$123.1	\$133.9	-8.1%	-9.3%	(\$76.9)	\$3.4	-2362%
Cato Corporation	\$209.1	\$209.4	-0.1%	-3.0%	\$3.9	(\$1.8)	316.7%
Charming Shoppes, Inc.	\$631.9	\$731.8	-13.7%	-15.0%	(\$108.5)	(\$124.4)	-12.8%
Chico's FAS, Inc.	\$373.4	\$409.3	-8.8%	-13.0%	(\$40.5)	(\$20.5)	-97.2%
Children's Place	\$441.5	\$443.3	-0.4%	-5.0%	\$38.8	(\$58.5)	166.3%
Citi Trends, Inc.	\$146.6	\$134.6	8.9%	-1.9%	tba	\$8.4	tba
Coldwater Creek Inc.	\$283.2	\$345.5	-18.0%	-21.4%	(\$18.6)	(\$17.0)	-9.4%
dELIA's, Inc.	\$67.2	\$67.1	0.1%	-2.0%	\$22.6	\$6.0	276.7%
Dillard's, Inc.	\$2,038.9	\$2,162.5	-5.7%	-8.0%	(\$149.3)	\$47.3	-415.4%
Eddie Bauer Holdings	\$369.9	\$392.4	-5.7%	-8.8%	(\$127.5)	(\$18.3)	-598.6%
Gap Inc.	\$4,082.0	\$4,675.0	-12.7%	-14.0%	\$243.0	\$265.0	-8.3%
Gordman's	\$139.9	\$147.9	-5.4%	-7.1%	\$5.6	\$6.0	-6.7%
Gottschalks	\$184.2	\$204.4	-9.9%	-7.1%	tba	\$1.1	tba
Gymboree Corporation	\$288.7	\$278.4	3.7%	-2.0%	\$29.5	\$26.8	10.2%
Hot Topic, Inc.	\$238.0	\$220.7	7.8%	5.2%	\$14.2	\$11.9	19.3%
J. Crew Group, Inc.	\$388.0	\$400.0	-3.0%	-13.0%	(\$13.5)	\$25.0	-154.0%
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%	\$20.4	\$27.5	-25.8%
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%	(\$4,773)	\$750.0	-736.4%
Men's Wearhouse	\$476.4	\$535.0	-11.0%	-9.9%	\$1.5	\$14.8	-89.9%
New York & Company, Inc.	\$325.1	\$359.4	-9.5%	-10.9%	(\$27.4)	\$6.9	-497.1%
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%	(\$27.1)	\$5.2	-618.2%
Retail Ventures, Inc.	\$455.5	\$452.0	0.8%	-7.9%	tba	(\$125.7)	tba
Ross Stores, Inc.	\$1,734.1	\$1,651.7	5.0%	-1.0%	\$97.4	\$94.5	3.1%
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%	\$25.3	\$31.7	-20.1%
Stein Mart, Inc.	\$363.9	\$417.4	-12.8%	-12.0%	(\$56.2)	(\$12.1)	-364.5%
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%	\$40.5	\$53.6	-24.5%
Wet Seal, Inc.	\$154.9	\$179.6	-13.7%	-13.4%	\$4.3	\$12.2	-64.8%
<b>Drug</b>							
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%
Duane Reade Holdings	\$464.5	\$431.6	7.6%	2.4%	(\$17.4)	(\$15.1)	-15.2%
Express Scripts, Inc.	\$5,510.0	\$5,550.0	-0.7%	NA	\$206.8	\$138.5	49.3%
Rite Aid Corp.	\$6,707.6	\$6,824.8	-1.7%	-0.1%	(\$2,294)	(\$952.2)	-140.9%
Shoppers Drug Mart	\$2,496.8	\$2,168.8	15.1%	3.6%	\$173.1	\$151.3	14.4%
Ulta Salon, Cosmetics, Fragra	\$341.4	\$309.3	10.4%	-5.5%	\$12.3	\$13.6	-9.6%
<b>Food</b>							
Arden Group	\$129.5	\$126.3	2.5%	2.5%	\$7.4	\$7.4	0.7%
Kroger Co.	\$17,259.5	\$17,234.6	0.1%	3.8%	\$349.2	\$322.9	8.1%
Loblaw Companies Limited	\$7,745.0	\$6,967.0	11.2%	10.6%	\$188.0	\$40.0	370.0%

**Did You Know...?**

U.S. nonfarm payrolls shed 663,000 jobs in March, the Labor Department reported. The unemployment rate increased to 8.5% from 8.1% in February.

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## RETAIL SECTOR WEEKLY

## Fourth Quarter Scorecard

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\$ in Millions. Quarter ended closest to 1/31/09	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
<b>Food</b>							
Nash Finch Company	\$1,202.9	\$1,069.3	12.5%	-0.2%	\$6.2	\$8.5	-27.1%
Publix Super Markets	\$6,000.0	\$5,939.9	1.0%	-0.9%	\$249.0	\$311.0	-19.9%
Safeway, Inc.	\$13,815.9	\$13,356.4	3.4%	-1.2%	\$338.0	\$301.1	12.3%
Village Supermarket, Inc.	\$312.4	\$292.8	6.7%	5.9%	\$8.0	\$6.4	25.0%
Weis Markets, Inc.	\$619.4	\$603.0	2.7%	2.2%	\$17.0	\$8.6	97.7%
<b>High-Tech &amp; Electronics</b>							
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%
Best Buy Co., Inc.	\$14,724.0	\$13,418.0	9.7%	-4.9%	\$570.0	\$737.0	-22.7%
Blockbuster Inc.	\$1,384.7	\$1,567.1	-11.6%	4.4%	(\$359.8)	\$41.9	-958.7%
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%	\$12.6	\$13.1	-3.5%
GameStop Corp.	\$3,492.1	\$2,865.6	21.9%	9.6%	\$232.3	\$189.8	22.4%
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	(\$2.7)	\$6.2	-143.5%
PC Mall, Inc.	\$334.3	\$408.0	-18.1%	NA	\$1.0	\$4.6	-78.3%
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%
Staples, Inc.	\$6,173.6	\$5,324.4	15.9%	-13.0%	\$286.0	\$333.2	-14.2%
Systemax Inc.	\$812.7	\$769.3	5.6%	NA	\$10.0	\$24.2	-58.8%
Tech Data Corporation	\$5,712.5	\$6,483.9	-11.9%	NA	\$58.6	\$50.2	16.7%
Trans World Entertainment	\$344.7	\$451.5	-23.7%	-14.0%	(\$9.4)	(\$66.0)	85.8%
United Stationers Inc.	\$1,145.2	\$1,119.9	2.3%	NA	\$22.6	\$28.3	-20.1%
<b>Home Centers</b>							
Ace Hardware	\$956.1	\$957.9	-0.2%	NA	\$15.3	\$21.0	-27.1%
Builders FirstSource, Inc.	\$201.3	\$290.2	-30.6%	NA	(\$58.9)	(\$20.4)	188.7%
Building Materials Holding Cor	\$233.0	\$403.0	-42.2%	NA	(\$104.0)	(\$331.0)	68.6%
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%
Greybar Electric	\$1,247.1	\$1,330.6	-6.3%	NA	\$20.5	\$17.2	19.2%
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%
Lumber Liquidators	\$116.5	\$105.5	10.4%	-4.6%	\$6.5	\$3.0	113.2%
Rona, Inc.	\$1,124.6	\$1,087.0	3.5%	-0.8%	\$25.7	\$30.5	-15.7%
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%
True Value Company	\$483.5	\$479.2	0.9%	-0.5%	\$20.0	\$16.1	24.2%
United Rentals, Inc.	\$791.0	\$925.0	-14.5%	-10.4%	(\$853.0)	\$155.0	-650.3%
W.W. Grainger	\$1,592.7	\$1,611.8	-1.2%	0.1%	\$107.9	\$104.4	3.4%
Wesco International	\$1,429.8	\$1,489.2	-4.0%	NA	\$41.9	\$61.1	-31.4%
<b>Mass Merchants</b>							
Big Lots, Inc.	\$1,366.9	\$1,412.4	-3.2%	-3.2%	\$78.8	\$92.0	-14.4%
BJ's Wholesale Club, Inc.	\$2,558.0	\$2,479.9	3.1%	6.4%	\$52.7	\$50.2	4.9%
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%	\$81.9	\$55.4	47.8%
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%	\$2.3	(\$4.4)	152.5%
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%

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## RETAIL SECTOR WEEKLY

## 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
<b>Mass Merchants</b>							
Target Corporation	\$19,560	\$19,872	-1.6%	-5.9%	\$609.0	\$1,028.0	-40.8%
Toys R Us Inc.	\$5,461.0	\$5,827.0	-6.3%	tba	\$345.0	\$312.0	10.6%
Wal-Mart Stores, Inc.	\$109,116	\$107,343	1.7%	2.3%	\$3,792	\$4,096	-7.4%
<b>Specialty</b>							
A.C. Moore Arts & Crafts	\$165.0	\$177.3	-6.9%	-8.7%	(\$10.7)	\$7.4	-244.6%
Advance Auto Parts, Inc.	\$1,192.4	\$1,048.4	13.7%	3.0%	\$24.4	\$34.8	-29.8%
Amscan Holdings, Inc.	\$495.7	\$436.5	13.6%	tba	\$23.8	\$25.7	-7.4%
Barnes & Noble, Inc.	\$1,631.6	\$1,739.0	-6.2%	-7.3%	\$81.2	\$115.0	-29.4%
Blue Nile, Inc.	\$85.8	\$111.9	-23.3%	NA	\$3.5	\$7.5	-53.3%
Books-A-Million, Inc.	\$164.0	\$168.3	-2.6%	-5.3%	\$11.4	\$11.9	-4.2%
Brookstone, Inc.	\$220.1	\$288.5	-23.7%	-25.5%	(\$117.5)	\$34.2	-443.6%
Cost Plus, Inc.	\$354.8	\$369.3	-3.9%	-6.1%	(\$18.3)	(\$12.5)	-46.4%
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%
Kirkland's, Inc.	\$133.6	\$138.3	-3.4%	5.3%	\$15.0	\$1.5	906.7%
Leon's Furniture Limited	\$206.1	\$185.9	10.9%	-1.7%	\$23.2	\$21.6	7.4%
Michaels Stores, Inc.	\$1,268.0	\$1,301.0	-2.5%	-5.6%	\$74.0	\$53.0	39.6%
Pet Valu Inc.	\$47.4	\$46.9	1.1%	tba	\$4.3	\$4.7	-8.5%
PetSmart, Inc.	\$1,359.3	\$1,328.4	2.3%	3.0%	\$78.4	\$75.4	4.0%
Pier 1 Imports, Inc.	\$389.3	\$436.7	-10.9%	-9.7%	(\$29.4)	\$13.7	-314.6%
Tiffany & Co.	\$841.2	\$1,053.2	-20.1%	-23.0%	\$31.1	\$127.4	-75.6%
Williams-Sonoma, Inc.	\$1,008.0	\$1,374.4	-26.7%	-22.3%	\$12.2	\$124.6	-90.2%
<b>Sports &amp; Footwear</b>							
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%	(\$153.0)	\$14.0	-1197%
Cabela's	\$879.4	\$889.5	-1.1%	2.2%	\$49.4	\$56.2	-12.1%
Collective Brands (Payless)	\$732.2	\$776.8	-5.7%	-6.6%	(\$144.0)	(\$46.6)	-209.0%
Dick's Sporting Goods, Inc.	\$1,207.5	\$1,212.6	-0.4%	-8.6%	(\$104.4)	\$73.2	-242.6%
Finish Line, The	\$364.1	\$382.8	-4.9%	-3.9%	(\$1.4)	(\$39.2)	96.4%
Foot Locker	\$1,317.0	\$1,482.0	-11.1%	-7.3%	(\$126.0)	\$72.0	-275.0%
Footstar, Inc.	\$229.9	\$181.7	26.5%	tba	\$24.7	\$25.6	-3.5%
Gander Mountain	\$333.0	\$317.6	4.8%	-0.2%	\$20.0	\$5.8	244.8%
Genesco Inc.	\$451.7	\$467.0	-3.3%	-5.0%	\$23.7	\$3.2	640.6%
Golfsmith International	\$67.8	\$79.0	-14.2%	-17.3%	(\$6.5)	(\$46.7)	86.1%
GSI Commerce	\$391.4	\$335.1	16.8%	NA	\$24.4	\$16.5	47.9%
Hibbett Sporting Goods, Inc.	\$147.9	\$142.8	3.6%	-2.8%	\$7.6	\$7.6	0.4%
Lululemon Athletica Inc.	\$103.9	\$104.0	-0.1%	-8.0%	\$10.9	\$14.6	-25.3%
Recreational Equipment	\$405.1	\$417.4	-2.9%	tba	\$12.8	\$25.2	-49.1%
Shoe Carnival, Inc.	\$156.9	\$164.3	-4.5%	-8.3%	(\$3.0)	\$1.1	-370.5%
Walking Company, The	(\$161.9)	\$76.6	-311.2%	tba	\$9.7	\$1.0	860.4%
West Marine, Inc.	\$111.1	\$118.3	-6.1%	-5.1%	(\$29.0)	(\$65.6)	55.8%
WinMark Corporation	\$8.7	\$8.0	8.7%	-18.1%	(\$2.1)	(\$0.9)	-133.3%
Zumiez Inc.	\$125.5	\$126.6	-0.9%	-13.4%	\$6.3	\$12.4	-49.2%

Numbers in italics are implied or company estimates.

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# RETAIL SECTOR WEEKLY

## Full Year Scorecard

\$ in Millions Full fiscal year	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
<b>Apparel</b>							
Abercrombie & Fitch	\$3,540.3	\$3,749.9	-5.6%	-13.0%	\$272.3	\$475.7	-42.8%
Aeropostale, Inc.	\$1,885.5	\$1,590.9	18.5%	8.0%	\$149.4	\$129.2	15.6%
American Apparel	\$545.1	\$387.0	40.9%	22.0%	\$14.1	\$15.5	-9.0%
American Eagle Outfitters	\$2,989.0	\$3,055.0	-2.2%	-10.0%	\$179.1	\$400.0	-55.2%
AnnTaylor Stores Corp.	\$2,194.6	\$2,396.5	-8.4%	-14.8%	(\$333.9)	\$97.2	-443.5%
Bon Ton Stores, Inc.	\$3,130.0	\$3,365.9	-7.0%	-7.4%	(\$169.9)	\$11.6	-1570%
Buckle, Inc.	\$792.0	\$619.9	27.8%	20.6%	\$104.4	\$75.2	38.8%
Cache, Inc.	\$265.7	\$274.5	-3.2%	-4.0%	(\$7.1)	\$6.5	-208.9%
Carter's, Inc.	\$1,490.0	\$1,412.2	5.5%	9.0%	\$75.1	(\$70.6)	206.4%
Casual Male Retail Group	\$444.2	\$464.1	-4.3%	-4.3%	(\$77.0)	\$10.5	-833.3%
Cato Corporation	\$845.7	\$834.3	1.4%	-1.0%	\$33.6	\$32.3	4.0%
Charming Shoppes, Inc.	\$2,474.9	\$2,722.5	-9.1%	-12.0%	(\$244.2)	(\$83.4)	-192.8%
Chico's FAS, Inc.	\$1,582.4	\$1,714.3	-7.7%	-15.1%	(\$19.1)	\$88.9	-121.5%
Children's Place	\$1,630.3	\$1,520.5	7.2%	2.0%	\$82.4	(\$59.6)	238.3%
Citi Trends, Inc.	\$488.2	\$437.5	11.6%	0.0%	tba	\$14.2	tba
Coldwater Creek Inc.	\$1,024.2	\$1,151.5	-11.1%	tba	(\$26.0)	(\$2.5)	-940.0%
dELIA*s, Inc.	\$215.6	\$201.6	6.9%	3.0%	\$17.2	(\$2.3)	-847.8%
Dillard's, Inc.	\$6,830.5	\$7,207.4	-5.2%	-7.0%	(\$241.1)	\$53.8	-548.5%
Eddie Bauer Holdings	\$1,023.4	\$1,044.4	-2.0%	-1.8%	(\$165.5)	(\$101.7)	-62.7%
Gap Inc.	\$14,526.0	\$15,763.0	-7.8%	-12.0%	\$967.0	\$833.0	16.1%
Gordman's	\$438.1	\$442.5	-1.0%	-4.5%	\$2.2	\$2.1	4.8%
Gottschalks	\$563.2	\$628.5	-10.4%	-8.8%	tba	(\$12.4)	tba
Gymboree Corporation	\$1,000.7	\$920.8	8.7%	0.0%	\$93.5	\$80.3	16.4%
Hot Topic, Inc.	\$761.1	\$728.1	4.5%	1.0%	\$19.7	\$16.0	23.1%
J. Crew Group, Inc.	\$1,428.0	\$1,334.7	7.0%	-4.0%	\$54.1	\$97.1	-44.3%
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.	\$1,901.1	\$1,878.8	1.2%	0.5%	\$21.9	\$15.4	42.2%
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%	\$220.1	\$718.0	-69.3%
Macy's, Inc.	\$24,892.0	\$26,313.0	-5.4%	-4.6%	(\$4,803)	\$893.0	-637.8%
Men's Wearhouse	\$1,972.4	\$2,112.6	-6.6%	-9.6%	\$58.8	\$147.0	-60.0%
New York & Company, Inc.	\$1,139.9	\$1,194.9	-4.6%	-8.6%	(\$19.8)	(\$4.9)	304.1%
Nordstrom, Inc.	\$8,272.0	\$8,828.0	-6.3%	-9.0%	\$401.0	\$715.0	-43.9%
Pacific Sunwear	\$1,254.9	\$1,306.0	-3.9%	-5.0%	(\$63.8)	(\$30.4)	-110.1%
Retail Ventures, Inc.	\$1,885.0	\$1,871.9	0.7%	-5.1%	tba	\$51.4	tba
Ross Stores, Inc.	\$6,486.1	\$5,975.2	8.6%	2.0%	\$305.4	\$261.1	17.0%
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%	(\$65.5)	\$53.1	-223.4%
Stein Mart, Inc.	\$1,326.5	\$1,457.6	-9.0%	-10.9%	(\$71.3)	(\$4.5)	-1484%
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%	\$199.4	\$160.2	24.4%
Wet Seal, Inc.	\$593.0	\$611.2	-3.0%	-8.5%	\$30.2	\$23.2	30.0%
<b>Drug</b>							
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%
Duane Reade Holdings	\$1,774.0	\$1,686.8	5.2%	4.2%	(\$72.8)	(\$87.8)	17.1%
Express Scripts, Inc.	\$21,980.0	\$21,820.0	0.7%	NA	\$776.1	\$567.8	36.7%
Rite Aid Corp.	\$26,289.3	\$24,326.8	8.1%	0.8%	(\$2,915)	(\$1,079)	-170.2%
Shoppers Drug Mart	\$9,422.9	\$8,478.4	11.1%	4.8%	\$565.2	\$490.4	15.3%
Ulta Salon, Cosmetics, Fragra	\$1,084.6	\$912.1	18.9%	0.2%	\$25.3	\$25.3	-0.3%
<b>Food</b>							
Arden Group	\$479.1	\$485.9	-1.4%	-1.4%	\$24.7	\$29.2	-15.4%
Kroger Co.	\$75,999.7	\$70,234.7	8.2%	5.0%	\$1,249.4	\$1,180.5	5.8%
Loblaw Companies Limited	\$30,802.0	\$29,384.0	4.8%	4.2%	\$545.0	\$330.0	65.2%

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# RETAIL SECTOR WEEKLY

## Full Year Scorecard

(continued from page 13)

\$ in Millions Full fiscal year	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
<b>Food</b>							
Nash Finch Company	\$4,703.7	\$4,532.6	3.8%	-0.8%	\$36.2	\$38.8	-6.7%
Publix Super Markets	\$23,900	\$23,194	3.0%	1.3%	\$1,100	\$1,183.9	-7.1%
Safeway, Inc.	\$44,104.0	\$42,286.0	4.3%	1.5%	\$965.3	\$888.4	8.7%
Village Supermarket, Inc.	\$603.7	\$556.4	8.5%	5.1%	\$14.3	\$10.7	33.6%
Weis Markets, Inc.	\$2,422.4	\$2,318.6	4.5%	4.3%	\$47.0	\$51.0	-7.8%
<b>High-Tech &amp; Electronics</b>							
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%
Best Buy Co., Inc.	\$45,015.0	\$40,023.0	12.5%	tba	\$1,003.0	\$1,407.0	-28.7%
Blockbuster Inc.	\$5,287.9	\$5,542.4	-4.6%	6.4%	(\$374.1)	(\$73.8)	-406.9%
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%	\$25.7	\$39.7	-35.2%
GameStop Corp.	\$8,805.9	\$7,094.0	24.1%	12.3%	\$398.3	\$288.3	38.2%
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	\$10.4	\$23.0	-54.8%
PC Mall, Inc.	\$1,328.0	\$1,215.4	9.3%	NA	\$9.6	\$12.4	-22.6%
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%
Staples, Inc.	\$23,083.8	\$19,372.7	19.2%	-9.0%	\$805.3	\$995.7	-19.1%
Systemax Inc.	\$3,033.0	\$2,779.9	9.1%	NA	\$52.8	\$69.5	-24.0%
Tech Data Corporation	\$24,080.5	\$23,423.1	2.8%	NA	\$123.6	\$108.3	14.1%
Trans World Entertainment	\$987.6	\$1,265.7	-22.0%	-11.0%	(\$69.0)	(\$99.4)	30.6%
United Stationers Inc.	\$4,986.9	\$4,646.4	7.3%	NA	\$98.4	\$107.2	-8.2%
<b>Home Centers</b>							
Ace Hardware	\$3,864.2	\$3,970.6	-2.7%	-3.6%	\$85.8	\$86.9	-1.3%
Builders FirstSource, Inc.	\$1,034.5	\$1,530.5	-32.4%	NA	(\$139.5)	(\$23.8)	486.1%
Building Materials Holding Cor	\$1,300.0	\$2,200.0	-40.9%	NA	(\$215.0)	(\$313.0)	31.3%
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%
Greybar Electric	\$5,400.2	\$5,258.3	2.7%	NA	\$87.4	\$83.4	4.8%
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%
Lumber Liquidators	\$482.2	\$405.3	19.0%	1.6%	\$22.1	\$11.3	95.6%
Rona, Inc.	\$4,891.1	\$4,785.1	2.2%	-4.0%	\$160.2	\$185.1	-13.5%
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%
True Value Company	\$2,012.7	\$2,040.6	-1.4%	-2.1%	\$64.2	\$63.8	0.6%
United Rentals, Inc.	\$2,469.0	\$2,625.0	-5.9%	-5.4%	(\$704.0)	\$362.0	-294.5%
W.W. Grainger	\$6,850.0	\$6,418.0	6.7%	6.1%	\$475.4	\$420.1	13.2%
Wesco International	\$6,110.8	\$6,003.4	1.8%	NA	\$212.7	\$240.6	-11.6%
<b>Mass Merchants</b>							
Big Lots, Inc.	\$4,645.3	\$4,656.3	-0.2%	0.5%	\$151.5	\$158.5	-4.4%
BJ's Wholesale Club, Inc.	\$10,027.4	\$9,014.5	11.2%	6.4%	\$134.6	\$122.9	9.5%
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%	\$108.2	(\$12.8)	945.3%
Dollar Tree Inc.	\$4,644.9	\$4,240.0	9.5%	4.1%	\$229.5	\$201.3	-14.0%
Fred's, Inc.	\$1,798.8	\$1,780.1	1.1%	1.8%	\$16.6	\$10.7	54.9%
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%	(\$1.6)	\$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%

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## RETAIL SECTOR WEEKLY

## Full Year Scorecard

(continued from page 14)

\$ in Millions Full fiscal year	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
<b>Mass Merchants</b>							
Target Corporation	\$64,948	\$63,367	2.5%	-2.9%	\$2,214	\$2,849	-22.3%
Toys R Us Inc.	\$13,724.0	\$13,794.0	-0.5%	tba	\$218.0	\$153.0	42.5%
Wal-Mart Stores, Inc.	\$405,607	\$378,476	7.2%	3.0%	\$13,400	\$12,731	5.3%
<b>Specialty</b>							
A.C. Moore Arts & Crafts	\$534.7	\$559.7	-4.5%	-8.7%	(\$26.8)	\$5.7	-570.2%
Advance Auto Parts, Inc.	\$5,142.3	\$4,844.4	6.1%	1.5%	\$238.0	\$238.3	-0.1%
Amscan Holdings, Inc.	\$1,559.7	\$1,247.4	25.0%	tba	\$40.5	\$19.3	109.8%
Barnes & Noble, Inc.	\$5,121.8	\$5,286.7	-3.1%	-5.4%	\$75.9	\$135.8	-44.1%
Blue Nile, Inc.	\$295.3	\$319.3	-7.5%	NA	\$11.6	\$17.5	-33.7%
Books-A-Million, Inc.	\$513.3	\$535.1	-4.1%	-7.2%	\$10.8	\$16.5	-34.5%
Brookstone, Inc.	\$496.7	\$562.8	-11.7%	-14.2%	(\$148.3)	\$6.4	-2417%
Cost Plus, Inc.	\$1,000.4	\$995.7	0.5%	-2.6%	(\$102.7)	(\$55.5)	-85.0%
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%
Kirkland's, Inc.	\$391.3	\$396.7	-1.4%	3.6%	\$9.3	(\$25.9)	135.9%
Leon's Furniture Limited	\$740.4	\$637.5	16.1%	2.3%	\$63.4	\$58.5	8.4%
Michaels Stores, Inc.	\$3,817.0	\$3,862.0	-1.2%	-4.6%	\$4.0	(\$32.0)	112.5%
Pet Valu Inc.	\$181.0	\$163.0	11.0%	tba	\$14.7	\$12.4	18.5%
PetSmart, Inc.	\$5,065.3	\$4,672.7	8.4%	3.8%	\$192.7	\$258.7	-25.5%
Pier 1 Imports, Inc.	\$1,320.7	\$1,511.8	-12.6%	tba	(\$129.3)	(\$96.0)	34.7%
Tiffany & Co.	\$2,860.0	\$2,938.8	-2.7%	-7.0%	\$220.0	\$323.5	-32.0%
Williams-Sonoma, Inc.	\$3,361.5	\$3,944.9	-14.8%	-17.2%	\$30.0	\$195.8	-84.7%
<b>Sports &amp; Footwear</b>							
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	(\$133.2)	\$60.4	-320.4%
Cabela's	\$2,552.7	\$2,349.6	8.6%	-3.7%	\$76.4	\$87.9	-13.1%
Collective Brands (Payless)	\$3,442.0	\$3,035.4	13.4%	-3.6%	(\$68.7)	\$42.7	-260.9%
Dick's Sporting Goods, Inc.	\$4,130.1	\$3,888.4	6.2%	-4.8%	(\$35.1)	\$155.0	-122.6%
Finish Line, The	\$1,262.3	\$1,277.2	-1.2%	-0.4%	\$3.8	(\$60.8)	106.3%
Foot Locker	\$5,237.0	\$5,437.0	-3.7%	-3.2%	(\$81.0)	\$38.0	-313.2%
Footstar, Inc.	\$634.2	\$637.0	-0.4%	tba	\$53.7	\$52.0	3.3%
Gander Mountain	\$1,063.5	\$969.4	9.7%	tba	tba	(\$31.8)	tba
Genesco Inc.	\$1,551.6	\$1,502.1	3.3%	0.0%	\$152.6	\$6.9	2112%
Golfsmith International	\$378.8	\$388.2	-2.4%	-6.3%	(\$0.5)	(\$40.8)	98.8%
GSI Commerce	\$966.9	\$750.0	28.9%	NA	(\$16.9)	\$3.0	-663.3%
Hibbett Sporting Goods, Inc.	\$564.2	\$520.7	8.4%	0.5%	\$29.4	\$30.3	-3.0%
Lululemon Athletica Inc.	\$353.5	\$269.9	31.0%	3.0%	\$39.4	\$30.8	27.9%
Recreational Equipment	\$1,434.6	\$1,342.0	6.9%	0.3%	\$14.5	\$41.4	-65.1%
Shoe Carnival, Inc.	\$647.6	\$658.7	-1.7%	-4.6%	\$5.3	\$12.8	-58.6%
Walking Company, The	\$229.9	\$206.3	11.4%	tba	(\$10.2)	(\$3.5)	-194.8%
West Marine, Inc.	\$631.3	\$679.6	-7.1%	-6.8%	(\$38.8)	(\$50.0)	22.4%
WinMark Corporation	\$35.4	\$31.2	13.5%	tba	\$1.1	\$3.0	-62.5%
Zumiez Inc.	\$408.7	\$381.4	7.2%	-6.5%	\$17.2	\$25.3	-32.0%

Numbers in italics are implied or company estimates.

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