

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

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Remember...

In prosperity our friends know us; in adversity we know our friends.

Big Box Retailers Trying On Smaller Sizes

During this economic downturn, when many companies are closing stores and cutting costs, it might seem counterintuitive to open new ones.

But OfficeMax has opened three new concept stores in the Seattle area that offer a pared-down selection of its most popular products.

Each of the new stores, called Ink Paper Scissors, covers only 2,000 square feet—about a ninth the size of a typical OfficeMax—and offers basics like copy-making supplies and printer-cartridge refills.

Retailers like OfficeMax are opening scaled-down versions of their stores or inventing outlets entirely to test new concepts without a hefty investment. The stores are a relatively safe bet despite the recession, because the space is cheaper and the stores require less inventory, fewer employees and smaller spaces.

OfficeMax is not the only well-known retailer testing stores that are significantly smaller than their typical stores and focus on one set of products. Last year, Wal-Mart opened four specialty-food stores in the Phoenix area, RadioShack unveiled three high-end wireless shops in Dallas, and Best Buy created 30 mobile-phone stores.

More small-format and new concept stores are likely to be on the way as retailers try to lure customers back, according to a survey of retailers, manufacturers and consultants. Nearly 46% of the respondents said they expected the number of formats to increase in the next five years, according to a survey in February by Dechert-Hampe, a marketplace management consultancy.

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Retailer of the Week: Casual Male Retail Group

We are reaffirming Casual Male as an “E” high-risk credit with a “negative” outlook. The first quarter selling environment remained very difficult and as a result, most retailers continued to see slower revenue streams. Casual Male was no different. The firm’s revenues fell for the opening quarter, and the comp store sales fell at a faster rate. The Rochester Big & Tall banner, which is geared more towards the upscale market, was hit particularly hard for the three months. Much of the damage was averted as the company did a very nice job cutting expenses, largely from a reduction in marketing and corporate overhead. The corporation did report a small profit for the three months and the bottom line was superior to the opening quarter a year ago.

Casual Male did a decent job limiting the damage. The firm’s operations used cash at a slower rate in the first quarter and the capex bill was held down as well. This helped the corporation limit the liquidity use. However, revolver borrowings were up when compared to three months ago. The firm’s debt load consists mainly of revolver borrowings, and there was still \$30.8 million available on the facility as of May 2, 2009.

If the firm is able to replicate its traditional second quarter, we should see the liquidity improve over the next three months. Over the past five years, the firm’s operations have generated an average of \$10 million during the second quarter of the year. If this is the case in the second quarter this year, the firm’s revolver borrowings would likely fall. However, the retail environment this year is much more difficult than it has been at any time during this average.

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Big Box Retailers Trying On Smaller Sizes

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Smaller formats also allow companies to enter new markets in urban or rural areas that they had bypassed during the boom. They can get into a market, test a new concept and get out quickly if it doesn't work.

Lowe's has been hit hard by the housing downturn and has cut its new store openings to 60 to 70 this year, from 115 last year. But the company is also experimenting with scaled-back stores in new markets. Last year, Lowe's opened two scaled-down versions of 66,000 square feet and 80,000 square feet. An average Lowe's store is 117,000 square feet.

Many retailers don't want to cease opening new stores altogether during the downturn, because doing so could harm future earnings. It can take up to three years to develop and open a store. But opening during a recession can position a retailer for success when the economy turns.

In some ways, retailers are going back to their roots, evoking the corner store. At many new stores, personalized service is being emphasized, from explaining features of a product to making sure customers' purchases are ready to work before they leave the store. Consumers want stores that are more convenient, less time-consuming and more personal.

Best Buy is aiming to lure people away from their computers and into their new Best Buy Mobile stores with a selection of 90 cell phones and service plans from nine carriers. Most of the stand-alone shops are 900 to 1,200 square feet, versus 40,000 square feet for a typical big-box Best Buy. Some 3,000 square foot versions have also opened. Best Buy now has 40 stand-alone stores and has plans for more. It is focusing on the cell phone and smartphone market because this segment is expected to keep growing, and the company needs to shore up flagging earnings.

Obviously, retailing professionals do not think the experimentation with store formats is necessarily finished.

Heard in the Grocery Aisle

Ingles Markets, Inc. received tenders and consents for \$335.8 million of its 8 7/8% senior subordinated notes due 2011—about 96.0% of the amount outstanding—as of the expiration of the tender offer on May 26. IMKTA has elected to redeem the remaining outstanding notes on June 1 at a redemption price of 101.369%.

Kroger Co. will open a Marketplace format store in Richmond Texas, this fall. The 123,000 sq. ft. store will be its first large format location in the state.

Aldi Inc., which has 20 discount grocery stores in metro Atlanta, plans to build a 780,800 sq. ft. distribution center in Georgia, *The Atlanta*

Business Chronicle reported. The new DC would have 482,223 square feet at first, with a proposed future expansion of 298,626 square feet later.

Supervalu Inc.'s board of directors authorized a new annual share repurchase program for up to \$70 million of SVU common stock.

Talks continue between UFCW Local 7 in Colorado and **Kroger**-owned King Soopers, **Safeway** and **Albertsons**. The union has reportedly asked King Soopers for an unconditional 10-week extension, after rejecting an offered extension that would allow a lockout on 24 hours notice.

Options and Resources

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Bankruptcy Blotter

An additional three corporate issuers defaulted this week, bringing the year-to-date total to 135. The figure is already more than the number of defaults for all of last year and quadruple the level at this time last year.

The Indiana State Treasurer vowed to appeal the White House's **Chrysler LLC** bailout as a violation of longstanding U.S. bankruptcy law. Being rebuffed by Chrysler officials as political grandstanding, the Treasurer explained he had no choice as the Indiana state funds invested in Chrysler were reduced by an illegal act.

It looks like **Crown Acquisitions**, the stalking horse bidder to whom **Filene's Basement** agreed to sell the bulk of its stores for \$22 million, may have some competition in its bid for the retailer. Discount clothing rivals **Syms** and **Men's Wearhouse** are now reported to have thrown their hats into the ring as well. Apparently the struggling Syms is teaming up with Vornado, who has its eye on the company's flagship store in Boston.

Unsecured creditors of **Fortunoff Holdings LLC** are seeking permission to sue the retailer's lenders for wrongfully declaring Fortunoff in default of a \$100 million loan, which sparked the decision to file for bankruptcy. The creditors are alleging that the lenders called a default in order to initiate a liquidation of the company's assets for their benefit.

Anchor Blue Retail Group Inc., which operates 251 stores across the country, sought bankruptcy protection last week with plans to sell 73 of its locations to **Levi Strauss & Co.** for \$72 million. The company is looking to keep the majority of its stores operating during its stay in Chapter 11, while trimming 50 underperforming locations in such hard hit states as Arizona, California and Florida.

In related news, **Anchor Blue Retail Group** reported that it had secured \$20 million in financing from its existing lender, **Wachovia Capital Finance**, to provide it with enough working capital to meet its ongoing obligations during the reorganization.

Stock Building Supply Holdings won final court approval to borrow against its \$100 million DIP loan from the U.K.'s **Wolseley PLC**, its former owner. Wolseley agreed to extend financial support to Stock during its brief stay in Chapter 11 designed to ease the transfer of the business to **Gores Group**.

Fleetwood Enterprises, Inc. received court approval to sell its **Trendsetter** military housing assets to **CMH Manufacturing, Inc.** for \$4.5 million in cash. CMH is a subsidiary of the **Clayton Homes** family of companies, subsidiaries of **Berkshire Hathaway**.

Did You Know...?

The U.S. consumer confidence index increased to 54.9 in May, the Conference Board reported, as consumers are more optimistic about employment and the economy. The April mark was revised upward to 40.8.

General Retail News

The **Discount Pricing Consumer Protection Act**—which was introduced earlier this year by former **Kohl's** President, and now Wisconsin Senator, Herb Kohl—would overturn the controversial Supreme Court decision *Leegin Creative Leather Products v. PSKS*. The bill would outlaw vertical price-fixing in U.S. antitrust law. Ebay, the U.S. Federal Trade Commission, and discount retailers such as Burlington Coat Factory have come out in support of the bill.

A **National Association for Business Economics** panel of 45 U.S. economists predicted the economy to turn around in the second half of 2009. The surveyed economists see modest growth beginning in the third quarter, with GDP growing at a 1.2% pace. In the fourth quarter, the panel predicted 2.7% GDP growth year-over-year.

Rating Changes & Outlooks

Company	S&P Credit Rating		S&P Credit Outlook		GCS Credit Rating
	Current	Prior	Current	Prior	Current
CDW CORP	B-	B	NEGATIVE	NEGATIVE	B-
BRODER BROS CO/ SPORTSWEAR DISTRIBUTOR	SD	CC	NM	NEGATIVE	F+

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Management on the Move

Family Dollar Stores, Inc. named **Kevin Boyanowski** SVP of Global Sourcing. Boyanowski was most recently a Partner and Solution Lead for IBM Global Business Services.

Best Buy Co., Inc. named three senior executives:

- **Scott Wheway** was appointed COO of Best Buy International. Wheway is a 20 year veteran of Tesco Stores, Ltd.
- **Sean Skelley** was promoted to President, International Retail Operations, a new position. Skelley was SVP of BBY's services business group prior.
- **Neville Roberts** was promoted to Chief Information Officer for all of Best Buy, from his previous position as CIO of Best Buy International. Before that, Roberts was a senior partner in Accenture's Global Retail Practice.

Wal-Mart Stores, Inc. appointed **Vicente Trius**, EVP, President and CEO of Wal-Mart Latin America. Trius has been EVP, President and CEO of Wal-Mart Asia for the past year, before which he led Wal-Mart Brazil.

Borders Group, Inc. appointed two new IT execs. **Scott Lavery** was named Chief Information Officer and **Paul Devitt** was named Director, e-Commerce Systems. Lavery was a partner with IBM most recently and a senior

manager with Deloitte Consulting prior to that. Devitt comes from Circuit City, where he was Senior Manager of e-Commerce Technologies.

The Little Clinic named **Ford Brewer** Chief Medical Officer. Brewer was Medical Director at Toyota North America before joining The Little Clinic.

Zale Corp. appointed **Matthew W. Appel** Executive Vice President. Appel will become Chief Financial Officer on June 15, after the company files its Form 10-Q. Appel was Vice President and CFO at ExlService Holdings, Inc.

Wesco International, Inc. detailed a succession plan for senior executives:

- **John J. Engel** will become President and CEO effective September 1. Engel is SVP and COO presently.
- Current CEO **Roy W. Haley** will serve as Executive Chairman for the remainder of his current term as director, which ends May 2011.
- SVP Finance and Administration and CFO, **Stephen A. Van Oss** will continue as SVP, and add Chief Operating Officer responsibilities on September 1.
- **Richard P. Heyse** will join Wesco as VP and Chief Financial Officer on June 15. Heyse is current CFO at Innophos, Inc.

Did You Know...?

U.S.-made durable goods orders rose 1.9% in April, the Commerce Department reported. Transportation was the strongest category, rising 5.4%. But March orders were revised down more than double, to -2.1%.

Hi Tech Entertainment

Regional CE chains are taking advantage of the downturn to grow and capture market share, the *Wall Street Journal* reports. The article notes that **Hhgregg**, **Conn's**, and **P.C. Richard & Son** are all pursuing ambitious expansion plans as good real estate becomes more available and less expensive. The chains also offer a more experienced, commissioned sales staff, which they see as an advantage against the big box stores.

Amazon.com, Inc. was granted a patent for a mini-store building design resembling a box with awnings, Seattle's *Puget Sound Business Journal* reported.

Staples Inc. plans to open 55 stores in North America and five to 10 stores in Europe this year. Management continues to see challenges, but said the economy should be improving in

the third quarter. SPLS also noted that it will be aggressive in renegotiating the approximately 400 leases that expire in the next four years.

Borders Group said it cut its debt by 45% year-on-year to \$266 million as of the end of the first quarter. Inventories were also aggressively reduced, and were down 22% y-o-y as of Q1.

Best Buy Inc. is now selling patio furniture, fire pits, grills and outdoor heaters on its web site, and is testing outdoor items in some stores, *Dow Jones* reported.

Conn's, Inc. was charged with failing to honor product warranties, misleading customers and false advertising by the Texas Attorney General, stemming from "aggressive and deceptive sales tactics" allegedly used to sell extended service warranties.

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Specialty Items

Zale Corp. sales fell 20.5% to \$379.1 million in the fiscal third quarter of 2009. Comp store sales were down 20.0%. Q3 last year saw sales pumped up by a \$100 million clearance initiative, so while sales and comps fell, gross margin gained 260 basis points to 50.1%. Net loss from continuing operations expanded 38.1% to \$23.2 million. Although ZLC didn't provide guidance, management noted that additional cost reductions are ongoing, including renegotiating rents and closing underperforming stores as well as negotiating an efficient exit from its Bailey, Banks and Biddle contingent liability.

AutoZone, Inc. sales increased 9.3% to \$1.658 billion for its fiscal third quarter ended May 9. Same store sales increased 7.4%, and net income was up 9.5% to \$173.7 million. AutoZone continues to aggressively buy back shares, and repurchased 450 thousand shares of its common stock for \$65 million in the quarter. There is \$396 million remaining under AZO's current share repurchase authorization.

Jo-Ann Stores, Inc. reaffirmed fiscal 2010 guidance after reporting its first quarter (see the scorecard). The outlook calls for a same store sales decline of 2% to 4%, and earnings of \$0.70 to \$0.85 per share.

Tiffany & Co. reported a dismal first quarter, but sees a light at the end of the tunnel, with a lessening rate of year-over-year total sales

decline. Full year expectations call for sales to fall approximately 11% and for net earnings from continuing operations of \$1.50 to \$1.60 per diluted share.

A.C. Moore Arts & Crafts, Inc. completed a \$10.0 million private placement of 4 million shares of newly issued stock priced at \$2.50 per share with Glenhill Special Opportunities Master Fund LLC. Proceeds will be used for general working capital purposes.

Perfumania Holdings entered into a waiver and amendment of its senior secured \$250 million revolving credit facility, which waives several covenants. Interest rates and fees were increased on the facility, as was the reserve on inventory requirement. PERF has not filed its Form 10K by the due date, and has received a warning letter from Nasdaq.

Toys R Us acquired the two remaining FAO Schwarz stores: the original Flagship store in Manhattan and another store in Las Vegas. These sites will continue to operate under the FAO Schwarz name and format. Terms were not disclosed. The FAO Schwarz stores within Macy's stores are being phased out.

American Tire Distributors Inc. will sell its twenty-six St. Louis, Missouri based Autotire Car Care Centers to Monro Muffler Brake, Inc. The transaction will close by the end of June.

Did You Know...?

U.S. new home sales increased 0.3% in April to a seasonally adjusted annual rate of 352,000, the Commerce Department reported. New home sales are down 34% and median sale prices are down 14.9% to \$209,700 year-on-year.

Off the Rack

American Apparel, Inc. was notified by the NYSE Amex that it could face delisting if it does not file its Form 10-Q for the quarter ended March 31. APP is evaluating the classification of its revolving credit facility as long-term debt, and other balance sheet items, which has delayed the filing.

American Eagle Outfitters, Inc. expects second quarter earnings of \$0.12 to \$0.15 per share, compared to \$0.29 per share last year. AEO plans on opening 9 new and 25 to 30 remodeled AE stores, and 21 new aerie stores this year, expanding total square footage by 3%.

Saks Inc. closed its offering of \$120 million of 7.5% convertible notes due 2013, including \$15 million in overallotments. Net proceeds of \$115.4 million will be used to pay down its revolving credit facility and for general corporate purposes.

Coldwater Creek Inc. expects to report a loss in the second quarter, but it does anticipate sequential improvement from first quarter results. Expansion plans call for opening no more than 10 new stores in fiscal 2009. Efforts to cut SG&A continue, and CWTR's goal is at least \$30 million in y-o-y cost savings for fiscal 2009.

Charming Shoppes Inc. noted that its first quarter sales decline (see the scorecard) was the result of closing 162 stores and opening just 29 in the last year as well as lower comps. CHRS will not provide quarterly earnings guidance going forward.

Eddie Bauer Holdings, Inc. received an exemption from Nasdaq to bypass stockholder approval for the warrants issued to its lenders. The \$0.01 exercise price warrants are
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Off the Rack

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exercisable for 19.9% of EBHI common stock on a fully-diluted basis, or approximately 7,842,456 shares.

Fred's, Inc. expects total sales to decline 1% to 3% in the second quarter of 2009 due to store closings. Comp store sales are expected to be flat to +2%, and earnings are forecasted to be \$0.12 to \$0.15 per share for the quarter. Looking ahead to the full year, Fred's expects earnings of \$0.73 to \$0.80 per share.

Wet Seal, Inc. estimates second quarter earnings will be \$0.02 to \$0.05 per share. Total sales are expected to be between \$135 and \$140 million, with a comp store sales decline between 7% and 10%. In Q2, the company plans five net new store openings, with six net openings at Wet Seal and one net closing at Arden B.

J. Crew Group, Inc. expects earnings of \$0.08 to \$0.12 per share in the second quarter of fiscal 2009.

Mass Merchant Musings

Target Corp. claimed victory in the proxy battle with activist hedge-fund investor William Ackman's Pershing Square Capital Management LP. TGT says a preliminary vote count from its proxy solicitors indicate Target's incumbent director nominees appear to have been elected to the Target Board of Directors by a comfortable margin. Final results will be announced in three to four weeks.

Target is relaunching its private label Target brand under a new name: Up & Up. The brand will be used on health and beauty items at first, but eventually roll out to 40 product categories. Management reported that the Target brand has grown 25% over the last five years.

Wal-Mart Stores Inc. was cited by U.S. Department of Labor's Occupational Safety and Health Administration for inadequate crowd control over the November 28, 2008, trampling death of an employee at its Valley Stream, New York store. The citation carries a proposed fine of \$7,000.

Also, **Wal-Mart** agreed to pay \$1 million to the State of Arizona to settle a consumer fraud lawsuit over inaccurate prices. WMT will appoint an independent monitoring company to periodically audit prices at its stores in the state.

Bharti Wal-Mart opened its first Best Price Modern Wholesale store in India on Saturday. The 50:50 joint venture plans to open 10-15 of the cash-and-carry stores in the country by 2015.

Dollar Tree, Inc. issued guidance for the second quarter and full-year 2009. Q2 sales are expected to be \$1.17 to \$1.20 billion, assuming low to mid single digit comp store sales gains. Earnings are estimated to be \$0.47 to \$0.51 per share. For the full year, sales are projected at \$5.05 to \$5.15 billion with earnings of \$2.75 to \$2.90 per share.

Big Lots, Inc. issued second quarter guidance and raised full-year guidance after a better than expected first quarter. Q2 comp store sales are expected to decrease 1% to 3% and income from continuing operations is expected to be \$0.26 to \$0.32 per share. For full-year 2009, net income from continuing operations is projected at \$1.85 to \$1.95 a share, assuming comp store sales of flat to -1%.

Also, **Big Lots** opened its first "upscale" store in Columbus, Ohio in a former Linens N' Things.

Costco Wholesale Corp. sales decline 5.0% to \$15.477 billion for the fiscal third quarter ended May 10. Comp store sales in the U.S. also fell 5.0%, but were flat excluding gasoline. Net income fell 29.0% to \$209.6 million, which included a pretax charge of \$34 million to settle litigation over its membership renewal policy.

Also, **Costco** will begin to accept food stamps in a pilot program at two of its New York City stores. Competitor **BJs Wholesale Club** announced last month it would accept food stamps at all its locations.

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The Global World of Sports and Footwear

Brown Shoe Co. scaled back its Famous Footwear expansion plans for 2009 and dropped net new door growth to flat to -15 that takes into consideration 55 openings and 55-70 closings. Sales guidance for the full year is \$2.2 to 2.3 billion.

While **Genesco Inc.** reported a huge swing from a gain to a loss in the first quarter, there were extraordinary items affecting both this year and last. Adjusted for those items, earnings from continuing operations were \$3.5 million in Q110, compared to \$3.8 million in Q109. Looking forward, GCO management reiterated its previously announced earnings guidance of \$1.70 to \$1.80 per share for the year on sales of about \$1.59 billion. Comps are expected to be down 5% to 6% in Q2, then flat to +2% in Q3 and Q4.

Broder Bros. has taken additional steps to improve its financial position, including the elimination of 200 positions since Q4. Those headcount reductions, 60 of them occurring in Q1, are expected to lower the company's annual operating expenses by at least \$13 million. Besides terminating its 2003 amended and restated advisory agreement with Bain Capital, Broder has seen the resignation of three directors—Edward Conard, Seith Meisel and Stephen Zide—and the addition of another, Gregg A. Gardiner, in recent weeks. Gardiner was a former member of the ad hoc committee of holders of the company's senior notes. Broder said it should be able to pay scheduled debt

payments, fund working capital and Capex and other business needs "for at least fiscal 2009."

Foot Locker, Inc. shareholders reduced the number of directors from 9 to 17 persons to 7 to 13 persons at FL's annual meeting.

Also, **Foot Locker** opened its first CCS store in Santa Monica, CA. The company has plans to open a second skate-themed store at the Garden State Plaza Mall in Paramus, NJ, on June 5th.

Foot Locker's Eastbay e-commerce operation will lay off 200 when it closes a call center near Green Bay in July.

Columbia Sportswear will open a 292 sq. meter store on London's Kensington High Street in September.

Gander Mountain is locked in a legal dispute with a retail development in Arnold, MO, 20 miles southwest of St. Louis. Developers of Arnold Crossroads say the outdoor specialty retailer breached a contract to open a store. GMTN says it terminated the lease prior to February 1.

DSW's current FY09 outlook calls for a mid-single digit drop in comparable store sales and earnings of \$0.30 to \$0.35 per share. Only 10 new doors will be opened this fiscal year versus 41 last year, and Capex spending will fall 57% to approximately \$35 million.

Did You Know...?

The U.S. economy contracted at a upwardly revised 5.7% annual rate in the first quarter, following a 6.3% drop in the fourth quarter, the Commerce Department reported.

Upcoming Reporting Dates

Company	Event	Date
Cabela's	Investor Conferences	Jun 2, 10, 11 & 24, 2009
Collective Brands	Financial Results	Jun 3, 2009
Conn's	Financial Results	Jun 4, 2009
Dick's Sporting Goods	Investor Conference	Jun 3, 2009
Hancock Fabrics	Financial Results	Jun 4, 2009
Hhgregg	Financial Results	Jun 2, 2009
Hibbett Sports	Investor Conference	Jun 2, 2009
Men's Wearhouse	Financial Results	Jun 10, 2009
Pep Boys	Financial Results	Jun 9, 2009
Talbots	Financial Results	Jun 9, 2009
Tech Data Corp	Investor Conference	Jun 3, 2009
Ulta Salon	Financial Results	Jun 4, 2009
Wal-Mart Stores	Investor Conference	Jun 5, 2009
Williams-Sonoma	Financial Results	Jun 3, 2009
Zumiez	Investor Conferences	Jun 9 & 11, 2009

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FYI for the DIY

Building Materials Holding Corp. received its anticipated \$57 million federal tax refund for 2008. Per BLGM's credit agreement, 70% of the refund went to pay down its term note, with the rest used to pay off its revolving credit facility and for working capital. However, the company is still operating under a waiver under its bank facility and is limited to \$20 million of borrowing. The waiver, which has been extended twice, expires on June 29th.

Sears Canada Inc. will begin offering a residential painting service. Sears consultants will help customers with color and design, and the labor will be contracted to local painters.

Stock Building Supply will be closing its Homestead, Florida plant on or about July 12th, *The Triangle Business Journal* reported that the company was cutting as many as 2,200 workers and canceling 210 lumberyard and showroom leases nationwide as part of its sale to a private equity group.

Health & Beauty Aids

The Hart-Scott-Rodino waiting period has passed for **Express Scripts, Inc.**'s proposed acquisition of WellPoint, Inc.'s NextRx subsidiaries.

Rite Aid Corp. is seeking to enter a new \$400 million term loan due 2015 under its existing senior secured credit facility. Proceeds will be used to refinance an existing \$145 million loan due 2010 and to pay down a portion of RAD's

existing revolving credit facility. The new term loan is part of a comprehensive plan to refinance Rite Aid's September 2010 debt maturities.

CVS Caremark Corp.'s pharmacy division added a clip and print coupon center on CVS.com. The coupons are searchable by category and local offers are also supported with a zip code search.

Retailer of the Week: Casual Male Retail Group

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Casual Male has announced its intention to create what it is calling "hybrid" locations. The firm is taking five Rochester locations and co-branding them as Casual Male. Each of these locations has a Casual Male located within a half-mile, and the firm will close the Casual Male and operate both stores in the bigger box Rochester location. If this strategy is successful, it will help curb some rent expense going forward.

\$ figures in millions 3-Months ended	05/02/2009 (Q1 YTD FY10)	05/03/2008 (Q1 YTD FY09)	Year-over-Year Change
Liquidity Ratios			
Cash and Equivalents	\$6.0	\$6.4	-5.94%
Cash and Equivalents % Current Liabilities	5.96%	5.62%	34 bps
Working Capital	\$22.3	\$40.7	-45.21%
Current Ratio	1.22x	1.36x	-14 bps
Leverage Ratios			
EBITDA / Interest Expense	13.35x	6.11x	724 bps
Total Debt	\$55.0	\$70.1	-21.48%
Total Debt / Total Equity	75.90%	38.41%	3,749 bps
Total Debt / Tangible Equity	140.09%	80.84%	5,925 bps
Total Liabilities / Total Assets	64.87%	45.12%	1,975 bps
Total Liabilities / Tangible Assets	77.31%	63.37%	1,394 bps

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Retailer of the Week: Casual Male Retail Group

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OPERATING PERFORMANCE

First Quarter Ended May 2, 2009

Revenues for the first quarter ended May 2, 2009 were \$97.6 million, down 9.4% from the same quarter last year. Comp store sales for the quarter fell 10.7% on top of a 2% comp store decline in the first quarter last year. The firm's Casual Male banner reported a comp store reduction of 6.7%, while the Rochester Big & Tall stores saw comps dive 26.9%. The Rochester Big & Tall, which appeals to a more upscale clientele, has been seeing the same difficulties as other high-end retailers.

For the three months, Casual Male realized a 230 basis point reduction to its gross margin. The majority of the drop in gross margin was a result of a higher occupancy burden from the drop in comp store sales, accounting for 180 basis points of the decline. The remaining 80 basis point decline was a result of lower merchandise margins as a result of higher markdowns. Casual Male did react by cutting SG&A spending by \$6.2 million for the three months, helping the bottom line stay in the black. The majority of the cuts were from a reduction in marketing budget, while other cuts were made in payroll and corporate overhead. As a percentage of revenues, the SG&A spending improved 220 basis points.

For the three months, Casual Male reported an operating profit of \$610,000, down slightly from the first quarter a year ago. The EBITDA stayed in the black at \$4.4 million for the three months. Below the operating line, Casual Male was helped out by its lower debt position, as the interest expense was less than half of last year's levels. The net income in the first quarter was \$336,000, a solid improvement from the first quarter last year but still very light.

CAPITAL STRUCTURE

From a cash flow perspective, the quarter was a nice improvement from the first quarter last year. The firm's operations did still use cash in the first quarter, needing \$2.2 million to operate. This was roughly a quarter of the cash that was used in the same quarter last year. Based on the timing of the quarter, the cash used in operations was light in comparison to past first quarters. Casual Male's capex budget was very light at just \$670,000. In total, Casual Male was free cash flow negative \$2.8 million for the three months. The company also had to pay down \$1.2 million in long term debt, so it was forced to borrow an additional \$5.1 million on its revolving credit facility.

The firm's cash position was still very low to close, which is typical for Casual Male. There was just \$6 million in cash on the balance sheet to close the quarter, slightly lower than the amount that was on the balance sheet at the same point last year. Casual Male still had \$30.8 million available on its revolving credit facility to close the quarter, providing the liquidity for the near term.

Oddly, the company increased its inventory levels from fourth quarter to first quarter more than it did in the same quarter last year. During the quarter, the inventory levels rose \$7 million, a larger increase than during the same quarter last year. In a recessionary environment, it is questionable why the company would be buying more inventory than it did last year. The levels are still 15% below last year's levels. The firm's working capital fell sharply as its current assets fell at a faster pace than its current liabilities.

Casual Male's debt levels were well below last year but were up slightly from year-end. The majority of the debt consists of the \$43.8 million that was outstanding on the revolving credit facility to close the quarter. The firm also had other debt totaling \$11.2 million, of which \$4.9 million is classified as current and payable in the coming year.

Did You Know...?

The Consumer Sentiment Index rose to 68.7 in May from 65.1 in April, according to the University of Michigan and Reuters. The index has bounced back from a 28 year low of 55.3 in November.

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First Quarter Scorecard

\$ in Millions. Quarter ended closest to 4/30/09	Sales			Comps	Net Income		
	2009	2008	Change		2009	2008	Change
Apparel							
Abercrombie & Fitch	\$612.1	\$800.2	-23.5%	-30.0%	(\$26.8)	\$62.1	-143.1%
Aeropostale, Inc.	\$408.0	\$336.3	21.3%	11.0%	\$31.7	\$17.5	81.1%
American Apparel	\$114.3	\$111.6	2.4%	-7.0%	(\$9.0)	\$1.1	-918.2%
American Eagle Outfitters	\$612.0	\$640.3	-4.4%	-10.0%	\$22.0	\$43.9	-49.9%
American Tire Distributors	\$538.3	\$511.0	5.3%	NA	(\$3.2)	\$1.7	-288.2%
AnnTaylor Stores Corp.	\$426.7	\$591.7	-27.9%	-30.7%	(\$2.3)	\$25.9	-108.9%
Bluefly, Inc.	\$19.9	\$25.2	-21.0%	NA	(\$3.0)	(\$2.9)	-1.2%
Bon Ton Stores, Inc.	\$644.5	\$700.2	-8.0%	-8.6%	(\$45.4)	(\$34.1)	-33.3%
Buckle, Inc.	\$199.7	\$160.3	24.6%	17.7%	\$26.9	\$18.7	43.9%
Cache, Inc.	\$53.0	\$67.7	-21.7%	-20.7%	(\$1.6)	(\$2.1)	22.3%
Casual Male Retail Group	\$97.6	\$107.6	-9.3%	-10.7%	\$0.3	\$0.1	250.0%
Cato Corporation	\$238.1	\$225.8	5.4%	3.0%	\$18.8	\$16.9	11.6%
Charming Shoppes, Inc.	\$538.1	\$641.3	-16.1%	-13.0%	(\$6.6)	(\$46.8)	85.9%
Chico's FAS, Inc.	\$410.6	\$409.6	0.2%	-3.2%	\$14.5	\$12.7	13.9%
Children's Place	\$401.9	\$400.2	0.4%	1.0%	\$23.5	\$19.5	20.4%
Citi Trends, Inc.	\$143.1	\$121.0	18.3%	7.4%	\$7.9	\$5.2	53.4%
Coldwater Creek Inc.	\$228.4	\$271.1	-15.8%	-18.6%	(\$7.6)	(\$9.2)	17.4%
dELiA's, Inc.	\$52.1	\$46.8	11.3%	0.2%	(\$3.6)	(\$3.9)	7.7%
Dillard's, Inc.	\$1,505.3	\$1,713.6	-12.2%	-13.0%	\$7.7	\$2.7	186.2%
Eddie Bauer Holdings	\$179.8	\$213.2	-15.7%	-13.7%	(\$44.5)	(\$19.3)	-130.6%
Gap Inc.	\$3,127.0	\$3,384.0	-7.6%	-8.0%	\$215.0	\$249.0	-13.7%
Gymboree Corporation	\$228.0	\$238.9	-4.6%	-10.0%	\$21.8	\$25.0	-12.9%
Hot Topic, Inc.	\$175.1	\$159.0	10.1%	7.1%	\$1.2	(\$1.4)	187.5%
J. Crew Group, Inc.	\$345.8	\$340.6	1.5%	-5.0%	\$20.4	\$30.5	-33.0%
J.C. Penney Company	\$3,884.0	\$4,127.0	-5.9%	-7.5%	\$25.0	\$120.0	-79.2%
Jo-Ann Stores, Inc.	\$460.0	\$446.1	3.1%	1.0%	\$8.6	\$3.0	186.7%
Kohl's Corporation	\$3,638.0	\$3,624.0	0.4%	-4.2%	\$137.0	\$153.0	-10.4%
Limited Brands	\$1,725.2	\$1,925.1	-10.4%	-7.0%	\$2.6	\$35.4	-92.7%
Macy's, Inc.	\$5,199.0	\$5,747.0	-9.5%	-9.0%	(\$88.0)	(\$59.0)	-49.2%
New York & Company, Inc.	\$232.9	\$270.1	-13.8%	-15.0%	(\$4.9)	\$6.7	-173.1%
Nordstrom, Inc.	\$1,706.0	\$1,879.0	-9.2%	-13.2%	\$81.0	\$119.0	-31.9%
Pacific Sunwear	\$223.5	\$266.9	-16.3%	-18.0%	(\$8.7)	(\$37.1)	76.5%
Retail Ventures, Inc.	\$385.8	\$366.3	5.3%	-4.7%	tba	\$29.2	tba
Ross Stores, Inc.	\$1,691.6	\$1,556.3	8.7%	3.0%	\$91.4	\$79.5	15.0%
Saks Incorporated	\$621.3	\$850.0	-26.9%	-27.6%	(\$5.1)	\$17.3	-129.5%
Stage Stores, Inc.	\$333.6	\$353.5	-5.6%	-9.0%	(\$0.9)	\$2.3	-139.8%
Stein Mart, Inc.	\$319.6	\$352.1	-9.2%	-8.0%	\$16.1	\$7.0	130.0%
Tandy Leather Factory	\$13.4	\$13.3	0.8%	tba	\$0.7	\$0.6	16.7%
TJX Companies	\$4,354.2	\$4,303.6	1.2%	2.0%	\$209.2	\$193.9	7.9%
Tween Brands, Inc.	\$205.2	\$251.7	-18.5%	-23.0%	(\$1.4)	\$4.3	-133.5%
Urban Outfitters, Inc.	\$384.8	\$394.3	-2.4%	-7.0%	\$30.8	\$42.6	-27.6%
Wet Seal, Inc.	\$132.0	\$142.4	-7.3%	-7.3%	\$5.0	\$8.9	-43.7%
Drug							
Abbott	\$6,718.0	\$6,765.6	-0.7%	NA	\$1,439.0	\$937.9	53.4%
CVS Caremark Corporation	\$23,394	\$21,326	9.7%	3.3%	\$738.4	\$748.5	-1.3%
Drugstore.com, Inc.	\$98.3	\$92.6	6.2%	NA	\$1.3	(\$2.7)	148.1%
Duane Reade Holdings	\$444.5	\$427.1	4.1%	1.1%	(\$17.2)	(\$21.0)	18.1%
Express Scripts, Inc.	\$5,422.8	\$5,490.8	-1.2%	NA	\$214.4	\$177.2	21.0%
Shoppers Drug Mart	\$2,195.3	\$2,023.8	8.5%	4.0%	\$106.8	\$100.7	6.1%
Food							
Arden Group	\$108.8	\$118.8	-8.4%	-8.4%	\$5.8	\$6.5	-10.8%
Delhaize Group Le Lion	\$6,742.8	\$7,127.7	-5.4%	2.0%	\$167.7	\$161.1	4.1%
Loblaw Companies Ltd (C\$)	\$6,718.0	\$6,527.0	2.9%	2.1%	\$109.0	\$63.0	73.0%
Nash Finch Company	\$1,140.3	\$1,004.9	13.5%	-2.3%	\$14.4	\$10.6	35.8%
Publix Super Markets	\$6,416.6	\$6,276.4	2.2%	-2.8%	\$321.5	\$343.2	-6.3%
Safeway, Inc.	\$9,236.4	\$9,998.8	-7.6%	-0.7%	\$144.2	\$193.4	-25.4%
Weis Markets, Inc.	\$606.2	\$595.7	1.8%	1.6%	\$16.5	\$9.1	82.4%

Did You Know...?

National home prices are at levels not seen since the end of 2002. Home prices have fallen 32.2% since peaking in the second quarter of 2006.

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First Quarter Scorecard

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\$ in Millions. Quarter ended closest to 4/30/09	Sales			Comps	Net Income		
	2009	2008	Change		2009	2008	Change
High-Tech & Electronics							
Amazon.com, Inc.	\$4,889.0	\$4,135.0	18.2%	NA	\$177.0	\$143.0	23.8%
BMTC Group Inc.	\$168.8	\$181.7	-7.1%	NA	\$3.1	\$11.6	-73.3%
Conn's, Inc.	\$200.1	\$195.1	2.6%	-4.6%	tba	\$10.6	tba
GameStop Corp.	\$1,980.8	\$1,813.6	9.2%	-1.5%	\$70.4	\$62.1	13.4%
IAC/InterActiveCorp	\$332.0	\$370.7	-10.4%	NA	(\$33.1)	(\$11.1)	-198.2%
Ingram Micro Inc.	\$6,745.1	\$8,577.3	-21.4%	NA	\$27.5	\$64.1	-57.1%
Office Depot, Inc.	\$3,225.3	\$3,962.0	-18.6%	-17.0%	(\$55.3)	\$68.6	-180.6%
OfficeMax Incorporated	\$1,911.7	\$2,302.9	-17.0%	-12.7%	\$13.1	\$63.3	-79.3%
PC Connection, Inc.	\$326.2	\$423.7	-23.0%	NA	(\$1.6)	\$4.8	-133.3%
PC Mall, Inc.	\$259.3	\$336.6	-23.0%	NA	\$1.0	\$3.0	-66.3%
RadioShack Corporation	\$1,002.1	\$949.0	5.6%	5.0%	\$43.1	\$38.8	11.1%
Staples, Inc.	\$5,817.6	\$4,884.6	19.1%	-8.0%	\$143.0	\$212.3	-32.6%
Systemax Inc.	\$752.3	\$724.7	3.8%	NA	\$8.7	\$18.1	-51.9%
Tech Data Corporation	\$4,991.0	\$6,065.8	-17.7%	NA	\$31.8	\$21.4	48.6%
Trans World Entertainment	\$191.4	\$232.6	-17.7%	-9.0%	(\$13.7)	(\$11.8)	-16.1%
United Stationers Inc.	\$1,121.3	\$1,252.5	-10.5%	NA	\$13.5	\$21.3	-36.6%
Home Centers							
Ace Hardware	\$851.2	\$872.1	-2.4%	-0.6%	\$14.4	\$10.8	33.3%
Builders FirstSource, Inc.	\$163.8	\$259.9	-37.0%	NA	(\$30.6)	(\$15.8)	-93.7%
Building Materials Holding Co	\$167.5	\$342.9	-51.2%	NA	(\$45.2)	(\$33.9)	-33.3%
Calloway's Nursery, Inc.	\$8.7	\$9.8	-11.2%	5.6%	(\$0.3)	(\$0.1)	-107.3%
Fastenal Company	\$489.3	\$566.2	-13.6%	tba	\$48.7	\$68.1	-28.5%
Goodfellow Inc (US\$)	\$72.7	\$101.4	-28.3%	tba	\$1.9	\$0.0	4650%
Greybar Electric	\$1,057.5	\$1,282.7	-17.6%	NA	\$2.5	\$19.0	-86.8%
Griffin Land & Nurseries	\$4.6	\$4.5	3.4%	NA	(\$1.8)	(\$1.6)	-13.9%
Home Depot, Inc.	\$16,175	\$17,907	-9.7%	-10.2%	\$514.0	\$356.0	44.4%
Huttig Building Products	\$100.0	\$166.8	-40.0%	NA	(\$14.3)	(\$9.8)	-45.9%
Interline Brands, Inc.	\$256.8	\$289.1	-11.2%	NA	\$2.9	\$8.7	-66.7%
Lowe's Companies	\$11,832	\$12,009	-1.5%	-6.6%	\$476.0	\$607.0	-21.6%
Lumber Liquidators	\$123.9	\$122.6	1.1%	-5.8%	\$5.1	\$4.3	18.6%
Rona, Inc. (C\$)	\$846.0	\$911.5	-7.2%	-8.5%	(\$2.5)	(\$2.4)	-4.2%
Sherwin-Williams Company	\$1,550.7	\$1,781.7	-13.0%	-12.7%	\$37.3	\$77.9	-52.1%
Tractor Supply Company	\$650.2	\$576.2	12.8%	4.2%	\$0.5	(\$2.0)	123.5%
True Value Company	\$442.9	\$464.7	-4.7%	NA	\$11.2	\$5.2	115.4%
United Rentals, Inc.	\$594.0	\$772.0	-23.1%	NA	(\$19.0)	\$38.0	-150.0%
W.W. Grainger	\$1,465.2	\$1,661.0	-11.8%	tba	\$96.4	\$11.2	760.7%
Wesco International	\$1,179.6	\$1,465.2	-19.5%	NA	\$23.3	\$42.7	-45.4%
Mass Merchants							
Big Lots, Inc.	\$1,141.7	\$1,151.6	-0.9%	-0.5%	\$36.2	\$34.5	4.9%
BJ's Wholesale Club, Inc.	\$2,314.0	\$2,307.8	0.3%	-1.5%	\$24.3	\$17.2	41.3%
Canadian Tire	\$1,758.1	\$1,825.3	-3.7%	2.5%	\$49.7	\$67.1	-25.9%
Dollar Tree Inc.	\$1,201.1	\$1,051.3	14.2%	9.2%	\$60.4	\$43.6	38.5%
Fred's, Inc.	\$458.4	\$464.3	-1.3%	2.8%	\$8.6	\$7.3	17.9%
Overstock.com	\$187.4	\$202.8	-7.6%	NA	(\$2.1)	(\$4.7)	55.3%
Sears Canada Inc.	\$1,116.5	\$1,254.4	-11.0%	-10.4%	\$10.3	\$70.8	-85.5%
Sears Holdings Corp.	\$10,055	\$11,068	-9.2%	-7.4%	\$26.0	(\$56.0)	146.4%
Target Corporation	\$14,361	\$14,802	-3.0%	-3.7%	\$522.0	\$602.0	-13.3%
Wal-Mart Stores, Inc.	\$94,242	\$94,940	-0.7%	2.9%	\$3,139	\$3,144	-0.2%
Specialty							
A.C. Moore Arts & Crafts	\$108.6	\$126.5	-14.2%	-13.4%	(\$4.3)	(\$1.8)	-138.9%
Aarons, Inc.	\$473.9	\$412.7	14.8%	7.9%	\$35.2	\$24.8	42.0%
Advance Auto Parts, Inc.	\$1,683.6	\$1,526.1	10.3%	8.2%	\$93.6	\$82.1	14.0%
Barnes & Noble, Inc.	\$1,105.2	\$1,155.9	-4.4%	-5.7%	(\$2.7)	(\$2.2)	22.7%
Blue Nile, Inc.	\$62.4	\$70.5	-11.5%	NA	\$1.9	\$2.6	-24.5%
Borders Group, Inc.	\$650.2	\$735.8	-11.6%	-13.5%	(\$86.0)	(\$31.7)	-171.3%

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First Quarter Scorecard

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\$ in Millions. Quarter ended closest to 4/30/09	Sales			Comps	Net Income		
	2009	2008	Change		2009	2008	Change
Specialty							
Brookstone, Inc.	\$61.5	\$89.8	-31.5%	-25.1%	(\$27.4)	(\$11.7)	-134.2%
Cost Plus, Inc.	\$184.3	\$201.9	-8.7%	-8.9%	(\$41.6)	(\$32.0)	30.0%
DGSE Companies, Inc.	\$25.9	\$32.2	-19.6%	NA	\$0.6	\$0.5	15.7%
Haverty Furniture	\$144.2	\$185.3	-22.2%	-22.9%	(\$7.3)	\$1.0	-830.0%
Kirkland's, Inc.	\$83.3	\$84.1	-1.0%	5.2%	\$3.5	(\$2.6)	237.1%
Leon's Furniture Limited	\$152.5	\$154.6	-1.4%	-1.3%	\$8.6	\$11.1	-22.5%
Pet Valu Inc.	\$49.1	\$53.3	-7.9%	8.1%	\$2.7	\$2.8	-4.1%
PetSmart, Inc.	\$1,327.6	\$1,212.9	9.5%	3.9%	\$46.3	\$41.2	12.4%
Tiffany & Co.	\$523.1	\$668.1	-21.7%	-21.0%	\$24.3	\$64.4	-62.3%
Sports & Footwear							
Bakers Footwear Group, Inc	\$45.0	\$43.5	3.4%	4.8%	tba	(\$4.9)	tba
Big 5 Sporting Goods Corp.	\$210.3	\$212.9	-1.2%	-4.4%	\$2.8	\$4.1	-31.7%
Broder Bros., Co.	\$151.7	\$196.7	-22.9%	NA	(\$14.8)	(\$13.3)	-11.3%
Brown Shoe Company, Inc.	\$538.7	\$554.5	-2.8%	-4.9%	(\$7.6)	\$7.2	-205.6%
Cabela's	\$500.9	\$490.9	2.0%	8.2%	\$5.1	\$10.0	-49.0%
Dick's Sporting Goods, Inc.	\$959.7	\$912.1	5.2%	-6.0%	\$10.2	\$19.6	-48.0%
Foot Locker	\$1,216.0	\$1,309.0	-7.1%	-2.4%	\$31.0	\$3.0	933.3%
Footstar, Inc.	\$2.5	\$117.9	-97.9%	tba	(\$2.2)	(\$1.5)	46.7%
Genesco Inc.	\$370.4	\$356.9	3.8%	tba	(\$5.8)	\$129.3	-104.5%
Golfsmith International	\$68.8	\$79.2	-13.1%	-11.7%	(\$5.1)	(\$5.4)	5.8%
GSI Commerce	\$196.5	\$195.5	0.5%	NA	(\$11.1)	(\$10.8)	-2.8%
Hibbett Sporting Goods, Inc.	\$157.7	\$145.8	8.2%	2.4%	\$10.9	\$9.4	16.0%
Recreational Equipment	\$286.3	\$287.9	-0.6%	tba	(\$14.9)	(\$11.3)	-31.9%
Shoe Carnival, Inc.	\$167.3	\$162.1	3.2%	-0.3%	\$4.1	\$4.8	-14.6%
West Marine, Inc.	\$101.0	\$113.3	-10.9%	-6.8%	(\$14.8)	(\$17.7)	16.4%
WinMark Corporation	\$5.6	\$5.3	5.7%	tba	\$1.4	\$0.9	50.8%
Zumiez Inc.	\$76.8	\$78.7	-2.4%	-15.3%	(\$1.7)	\$1.4	-221.7%

Numbers in italics are implied or company estimates.

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