Global Credit Services

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RETAIL SECTOR WEEKLY

Key Retail News and Commentary

Inside this issue:

Remember...

Depend not on fortune, but on conduct.

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Are Happy Days Here Again?

Wall Street has just seen a two-month rally that included a whopping 39% rise from the recent rock-bottom prices on the Standard & Poor's 500. In addition, during several consecutive weeks, new U.S. jobless claims have dropped. Even quarterly reports from the battered banking sector have given investors some optimism that the worst-case scenarios will not happen.

So does that mean the band can strike up "Happy Days Are Here Again" to herald the arrival of an economic recovery, and the end of America's longest recession—now 18 months and counting—since the Great Depression of the 1930s? Most financial experts at Wharton and elsewhere insist that the much-talked about recovery is not here yet, despite some of the first hopeful data in months, and they remain concerned that the recovery will be weaker and take longer to gain momentum than past slowdowns.

Indeed, a June 10 "Beige Book" report from the Federal Reserve Board said that economic conditions remained weak during mid-April through May. Conditions deteriorated in many regions of the country, the survey found, as commercial real estate and labor markets continued to struggle.

But if the recent mini-surge in the stock market isn't definitive proof of a recovery, is there any way for the hard-hit classes—such as investors, consumers, home buyers—to know for certain that it is the right time to resume aggressive spending? And when this recovery comes, will it be an across-the-board bounce-back? Or will some of the more hard-hit sectors like banks, U.S. automakers and the media continue to suffer for years to come, in a kind of industry-targeted Great Depression?

Several Wharton experts express fairly pessimistic views about the recovery – predicting that

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Retailer of the Week: Nash Finch

We are maintaining our moderately high risk, 'D' credit rating and negative outlook on Nash Finch. The firm's military segment made a big splash during the recent first quarter ended with some acquisition news. However, it is important to note that this segment produced some nice results even before considering the impact of this transaction. On January 31, 2009, Nash Finch closed on its $78 million purchase from GSC Enterprises, Inc. of the assets related to three wholesale DCs located in San Antonio, Texas, Pensacola, Florida, and Junction City, Kansas. According to the company, these three DCs (each of which service military commissaries and exchanges, represent approximately $769 million of annualized sales, that will accrue to the firm's military supply segment. The food distribution business appears to be on solid footing, though the speculative inventory buying that boosted firm results in 2008 is now making for some difficult comparisons in 2009. Retail remains the company's both smallest and weakest segment, though management has stated that it is working to do a better job of competing directly against big box retailers.

While Nash Finch is certainly not the strongest player financially in either food wholesale or retail, CEO Alec Covington and his propensity for prudent business deals should provide vendors with a certain degree of comfort. Whether it involves walking away from a large customer because the relationship is no longer economically beneficial to the company, or getting a good price on an acquisition target, we believe CEO Covington understands what Nash Finch needs to do to lay a stable foundation for the future.

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Are Happy Days Here Again?

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positive growth may not be here yet, and that even when it does arrive, it will probable take several years for employment rates to return to so-called normal levels. Even if the U.S. gross domestic product turns positive by the end of 2009, they note, the economy will remain close to the bottom of the large trough that began in late 2007, with a long way to climb for jobs, home prices and other key economic indicators just to get back to where they were.

One indicator that economists find problematic is unemployment. The jobless rate for May has reached 9.4%, the highest in a generation, and experts say that hiring typically lags well behind the earliest rumblings of a recovery, such as an increase in consumer confidence. That is because some companies are still reluctant to lay off people during the depths of the downturn – retaining what some call an "overhang" of extra employees.

In addition to lagging joblessness, economists say the nature of this credit crunch appears to have brought on a sea change in the core habits of the American consumer, whose spending—fueled by an increase in credit card and home equity debt—has driven an increasingly large proportion of U.S. economic growth since the 1980s. Now, many Americans are cutting back on debt and building up their savings accounts, if they can. The personal savings rate, which averaged 0.9% from 2004 through 2007, has climbed to 4.2%.

Despite these worrisome trends, some economists—even those who predicted financial gloom a couple of years ago—are seeing a few early signs of optimism. A recent survey of 45 professional forecasters released by the National Association of Business Economists showed that three-quarters of them predicted that the economic recovery would be underway by the late summer or early fall, and none expects the recession to last later than the early months of 2010. Princeton's economist and recent Nobel laureate Paul Krugman says the world economy "averted utter catastrophe" but that the road to recovery will be slow and laced with lingering pain.

Most economic experts stress that the recovery—regardless of whether it begins by the end of this summer or is deferred until early next year—is merely the start of a very long process to return employment, housing prices and other indicators of economic health back to 2007 levels, and then beyond.

Feedback?

Questions?

Suggestions?

Click Here

Rating Changes & Outlooks

Company	S&P Credit Rating		S&P Credit Outlook		GCS Credit Rating
	Current	Prior	Current	Prior	Current
WENDYS ARBYS GROUP INC	B+	B+	NEGATIVE	STABLE	D-
WENDYS INTERNATIONAL	B+	B+	NEGATIVE	STABLE	D+
AUDIO VISUAL SALES & SERVICE	NR	B	NR	NEGATIVE	NR
MARRIOTT INTERNATIONAL INC	BBB-	BBB	STABLE	NM	D

Options and Resources

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Bankruptcy Blotter

The number of Chapter 11 filings rose 69.1% in the year ended March 31, 2009, as compared with the same period in 2008. All types of bankruptcy filings posted gains, but chapter 11 filings, which generally pertain to businesses hoping to reorganize, saw the steepest rise, with the final tally for the 12-month stretch at 819,362.

Eight more global corporate issuers were added to Standard & Poor's default tally, bringing the year-to-date total to 153, more than four times the amount at this time last year. The 153 defaults already tops the total for all of last year.

The court signed off on **Gottschalks Inc.'s** request to sell 14 store leases to **Forever 21** for $17.7 million, and two store leases to Macy's for $2.05 million. The Forever 21 leases include 12 locations in California, one in Alaska and one in Washington. The Macy's leases are for two locations in California, Fresno, and Visalia.

Men's Wearhouse dropped its winning $67 million bid to buy **Filene's Basement** following objections filed by **Crown Acquisitions** and **Syms Corp**. Crown Acquisitions, which made the opening bid of $22 million in a joint venture with the **Chetrit Group**, is planning to raise its offer at a new auction. Syms, which also failed with its $50 million offer in conjunction with **Vornado Realty**, is also planning to enhance its bid to about $63 million.

Value City Holdings Inc. is seeking to probe **Retail Ventures Inc**. after discovering that the company, once Value City's sole owner, received $250 million from the retailer's bank accounts in the year leading up to its bankruptcy filing. An investigation of those transfers could prompt the company to assert claims against RVI and possibly collect funds related to fraudulent transfers, or transactions made prior to a bankruptcy that can be reversed.

Unable to meet the provisions of its $85 million DIP facility with **General Electric Capital Corp., Sportsman's Warehouse Inc**. is looking to amend the agreement with GECC. Under the amended agreement, new minimum inventory levels will be set, as well as new restructuring and sales milestones. The company must select a stalking horse bidder for its assets by August 8th, and conduct an auction by August 13th. If these targets are not met, the company will be forced to initiate a liquidation sale process.

The unsecured creditors committee in the **KB Toys Inc.'s** Chapter 11 proceeding is pressing forward with its bid to sue directors and officers of the chain. The lawsuit hinges specifically on a $25 million payment the company made to an affiliate of **Prentice Capital Management,** the private equity firm that bought the company out of bankruptcy in 2005.

Eddie Bauer Holdings Inc. is reportedly exploring a sale in bankruptcy, according to people familiar with the matter. Potential bidders in any sale include a joint venture of **Hilco Consumer Capital LLC** and **Gordon Brothers Group**. Private equity firm **CCMP Capital Advisors LLC**, which owns **Quiznos Sub** and **Vitamin Shoppe Industries**, has also expressed an interest in the business.

Masonite International Corp. has successfully completed its financial restructuring and emerged from protection under Chapter 11 of the U.S. Bankruptcy Code and Canada's Companies' Creditors Arrangement Act. Under the company' restructuring plan, **Kohlberg Kravis Roberts & Co**. saw its equity stake wiped out while senior lenders will get a 97.5% stake in the reorganized company. Bondholders will get 2.5% of the company plus warrants entitling it to additional common shares in the new company. Unsecured creditors were paid in full.

Hendricks Furniture Group and sister company **Classic Moving and Storage** filed for Chapter 11 protection, though business will continue as usual for its **Boyles Distinctive Furniture** and **Naja Rugs** units during the restructuring. The company has secured up to $2.5 million in DIP financing through BB&T and other lenders.

Did You Know...?

The Deloitte Consumer Spending Index fell to 1.35% in May from a downwardly revised 1.44% increase in April. The index tracks consumer cash flow nationally as an indicator of future consumer spending.

Management on the Move

Ingram Micro Inc. promoted **Alain Maquet** to President of Ingram Micro EMEA (Europe, Middle East and Africa), effective July 1. Maquet is currently President of Ingram Micro Latin America. Maquet will replace **Jay A. Forbes**, who is resigning from the company.

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The Global World of Sports and Footwear

Lululemon Athletica Inc. expects second quarter comp store sales to decline mid-single digits on a constant-dollar basis, with revenue in the range of $85 to $90 million, and earnings of $0.08 to $0.09 per share. LULU is sticking to its plan to add five additional stores this year and may increase that number by two if things move quickly. Next year, it expects to open 25 stores.

UFA, which acquired 15 former **The Sportsman's Warehouse** stores in five Pacific Northwest states on Mar. 11 as payment for a $30 million bridge loan it made to the now bankrupt chain in 2008, has rebranded the doors and eight others it owns in western Canada. The regional chain's nameplate, "Wholesale Sports Outdoor Outfitters" became effective June 1. The farm and retail co-operative says it will conduct "grand re-opening" events at the locations once it makes further progress integrating former TSW doors into its information systems and re-stocking merchandise.

Forzani Group turned aside a proxy fight by 5% shareholder Crescendo Group at its annual meeting. One Crescendo nominee polled 38% and the other 14%. Crescendo's complaint against management was that it was implementing its turnaround plan too slowly. Forzani has promised to downsize the number of banners it operates.

Golfsmith plans to keep cutting costs. has made $2.3 million in cost cuts this year already with the majority in distribution efficiencies ($700,000) and the elimination of non-essential positions ($900,000). But the retailer isn't finished as $3.4 million in additional operational efficiency savings remain under review. These potential savings will come from distribution ($1 million), process improvements ($1 million), another $500,000 plus from lease negotiations and another $200K from renegotiated contracts (energy, legal, telecom, etc.) where $700,000 in savings have already been carved out. Golfsmith expects to be cash flow positive this fiscal year.

Also, **Golfsmith** is opening its third store in the Los Angeles market in November. The 40,000 sq. ft. door in Irvine, CA will focus on the banner's new 'Xtreme' merchandising concept for golf and tennis.

Cabela's broke down key elements of the business that generated FY08 revenues of $2.6 billion. The company serviced more than 23 million customers worldwide and offered more than 200,000 SKUs. Hunting equipment (35% or $910 million) accounts for the largest part of Cabela's business followed by clothing/apparel (30% or $780 million), camping equipment (14% or $364 million), fishing/marine (14% or $364 million) and gifts/furnishings (7% or $182 million).

Also, **Cabela's** renewed a one-year, $225 million credit facility with Wachovia.

According to Hitwise, **Cabela's** web site had the highest percentage of sporting goods-seeking web traffic last year at 8.16%, ahead of **The Sportsman's Guide** (3.80%), **Bass Pro Shops** (3.56%), **L.L. Bean** (3.39%), **Dick's** (2.78%), **Eastbay** (2.72%) and **Sierra Trading Post** (1.73%).

Brown Shoe's Famous Footwear chain generated $1.3 billion in sales last year. Athletic shoes are seen as a growing segment, ranging from 45% of mix to 60% during peak seasons such as back-to-school. A new multi-channel marketing effort, aimed at "touching the emotional core" of its consumers, will be wrapped around slogan, "Make Today Famous."

Zumiez, Inc. noted that inventory was down 8% at the end of Q1, aligned with demand. Margins in Q1 were down just 20 basis points after being down over 300 b.p. ZUMZ is opening 36 stores this year and making investments in a new POS systems and e-commerce.

West 49 reported its first quarter results (see the Scorecard) and noted that it was in breach of a covenant in Q1 but has since received a waiver and begun negotiations on a renewal that should be completed in Q2.

Bass Pro Shops is reportedly scouring East Peoria, IL, including the riverfront, for a possible store location.

Did You Know...?

The U.S. trade deficit for the first four months of 2009 was $120.4 billion, down more than half from the $244.8 billion deficit from the first four months of 2008.

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Off the Rack

Men's Wearhouse expects second quarter earnings to be $0.56 to $0.60 per share. Retail comp store sales are expected to decline 4% to 6% while tuxedo rental revenues increase 3% to 5%. Total sales are expected to decrease 3% to 5% in the second quarter.

Neiman Marcus, Inc. revenues fell 23.7% to $810.1 million in its fiscal third quarter ended May 2. Comp stores sales decreased 25.1%. Net loss was $3.1 million compared to income of $55.4 million in Q3 last year.

Talbots, Inc. expects that net loss from continuing operations in the second quarter will be $0.50 to $0.58 per share, excluding any restructuring and impairment charges. TLB continues to make deep cuts in expenses, and will cut corporate headcount by another 20%, expected to realize annualized savings of approximately $21 million, at a cost of $5.4 million for severance. Also, the first eight Talbots Upscale Outlets opened in May; 12 are planned for the year.

Children's Place Retail Stores, Inc. postponed its annual stockholders meeting to July 31 from June 26 in order to give the SEC time to review and approve proxy statements from both sides in the company's proxy contest with former CEO Ezra Dabah.

Destination Maternity Corp. has partnered with **Sears Holdings Corp.** and will offer maternity apparel under the Two Hearts brand in 500 Sears and 100 Kmart stores, beginning in October 2009. Two Hearts Maternity collection was previously offered in Sears stores from April 2004 through June 2008.

Gap Inc. reiterated its capex guidance of $350 million, and gave some details about where it would be spent: remodeling Old Navy 50 stores, expanding its international outlet business, notably in the United Kingdom, Japan and Canada and opening 40 new franchise stores in 20 countries.

Syms Corp. obtained a $40 million secured revolving credit facility from Israel Discount Bank of New York. Availability is based on a borrowing base of inventory, credit card receivables and cash collateral. The facility expires December 4, 2010 with automatic renewal for one year terms.

Pacific Sunwear broke out sales by segment, with junior comp sales in 2008 rose 24% and comprise 51% of apparel sales, with 53% of that in private label. Men's were 49% with 27% in private label. On-line sales in 2008 rose 46% to $44 million.

Heard in the Grocery Aisle

Price Chopper has sued **Giant Food Markets** for $20 million alleging Giant illegally obtained pre-released circulars and used them to set prices. According to the complaint, a beer distributor employee regularly stole flyers from a Price Chopper break room and passed them along to Giant management via his superior. Giant is a 12 store regional chain in upstate New York, which is being acquired by Weis Markets.

Wal-Mart Stores, Inc. management noted that there are no expansion plans for its small format **Marketside** grocery concept, following a four-store test in Phoenix, Arizona that began last fall. Also, the company has reportedly rebranded the test stores as "Marketside by Walmart" with signs that incorporate the Walmart name and sunburst logo.

Smith's Food & Drug and UFCW Local 1564 in Albuquerque, New Mexico have reached a tentative agreement on a new contract covering over 2,000 workers in 26 stores in the region. The deal awaits ratification by the union's members.

D'Agostino Supermarkets has a new logo, featuring a white D with an apostrophe on an orange background. The chain's 18 stores will get new signage and uniforms for staff.

50 store Texas chain **United Supermarkets** is partnering with MyWebGrocer to build an online grocery shopping business.

Colorado **King Soopers** workers vote this week on the supermarket's latest contract offer, but UFCW Local 7 has withheld a recommendation. **Safeway** and **Albertsons** are continuing with their separate negotiations with the union.

Did You Know...?

First-time claims for state unemployment benefits fell 24,000 to 601,000 for the week ended June 6, the Labor Department reported, while the four-week average fell 10,500 to 621,750. Continuing claims rose 59,000 to 6.82 million for the week ended May 30.

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General Retail News

Retail sales increased by 0.5% in May, the largest amount in four months, the Commerce Department reported. Year-on-year, sales were off 9.6% against last May, when many U.S. consumers spent all or portions of government-issued stimulus checks. April retail sales were revised upward to –0.2% from –0.4% estimated earlier.

Organized retail theft rings have victimized 92% of retailers in the past year, according to a National Retail Federation survey of 115 major retailers, up from 84% in the prior year. 73% of respondents say that organized retail theft is increasing, and that rate has accelerated from 62% last year.

U.S. Retail Import volume at the nation's major retail container ports remained below the 1 million TEU mark in April for a second consecutive month. It was the third-slowest month in the past five years despite a slight improvement from March, according to the monthly Port Tracker report from the National Retail Federation (NRF) and HIS Global Insight. U.S. ports handled the 990,632 Twenty-Foot Equivalent Units (TEU) in April, up 2% from March but off 22% year-over-year from April 2008. H109 cargo imports are currently pegged at 5.9 million TEU, down 21% y-o-y from 7.5 million TEU. Container import forecasts for the next six months project double-digit, monthly declines. October, the traditional peak of the annual shipping cycle for holiday merchandise before it reaches stores, is forecast to be down 16% to 1.15 million TEU.

The National Retail Federation is supporting new U.S. Senate legislation that would require Visa and MasterCard to negotiate hidden credit card processing fees that cost the average U.S. household more than $400 annually.

GSI Commerce Inc. is the most frequently selected e-commerce technology and services provider used by the top 500 online retailers, according to *Internet Retailer*'s guide to those companies.

Hi Tech Entertainment

HHGregg, Inc. plans to grow across the U.S., and will increase its expansion rate in 2010, *Twice* reported. Management indicated that HGG would take advantage of available real estate to become a national electronics and appliance chain, while continuing its strategy of premium products sold by an experienced, knowledgeable sales force.

The **Circuit City** banner will not appear on any retail stores in the immediate future, owner Systemax said.

In the near term, **HHGregg** will open six locations in the Tampa, Florida metropolitan area by holiday 2009 the *St. Petersburg Times* reported.

The **Consumer Electronics Association** is projecting 1% growth in the third quarter and 1.5% growth in the fourth quarter for CE sales, with full year sales down by 0.5%, according to a report in *TWICE*. The CEA expects 2.9% growth in 2010 as the recovery kicks in.

Specialty Items

Pep Boys notes that it repurchased $17 million of its senior subordinated notes for an average purchase price of 63 cents on the dollar during the first quarter. In the first quarter, PBY's retail comps fell 1.3%, but service revenues comped up 3.8%, likely reflecting the trend for consumers to maintain older automobiles rather than buying new.

Rent-A-Center, Inc. will redeem all $75.4 million of its outstanding 7.5% senior subordinated notes due 2010 for 100% of the principal amount outstanding plus accrued interest. The redemption will occur on or about July 28, and be funded from the company's cash on hand and senior credit facilities.

United Rentals (North America), Inc. completed an offering of $500 million of its 10.875% senior notes due 2016.

AutoZone will pay $65,000 following a jury verdict in a sexual harassment lawsuit filed by a Mesa, Arizona employee, the *East Valley Tribune* reported.

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FYI for the DIY

Housatonic Lumber in Derby, Connecticut, closed down after 102 years in business due to the economy, the *Connecticut Post* reported.

Home Depot Inc. raised its full-year earnings guidance, and now expects earnings per share from continuing operations to be flat to down 7%. Sales are expected to fall about 9%, which implies $64.9 billion, and same store sales are expected to decline high single digits.

Also, former top **Home Depot** flooring buyer Anthony Tesvich was sentenced to six and a half years in federal prison and fined $8.2 million in restitution for the multi-million dollar kickback scheme that he ran from 2007 to 2007.

Sherwin-Williams Co. is closing a production plant in Olive Branch, Tennessee, *The Commercial Appeal* reported. 157 employees are affected, but some will be offered positions at other facilities.

Did You Know...?

Net worth of U.S. households fell by another $1.3 trillion in the first quarter to $50.4 trillion. U.S. families have lost 22% of their wealth since the peak of $64.4 trillion in the spring of 2007.

Mass Merchant Musings

99c Only Stores sales increased by 13.6% to $319.0 million for the fiscal fourth quarter ended March 28. Same store sales increased 6.2%. Net income swung to a profit of $7.0 million from a loss of $4.4 million in Q4 last year. For the full year, NDN sales rose 8.7% to $1.303 billion, as same store sales increased 3.7%. Net income rose 193% to $8.5 million. The company will announce any updates in the plans for disposition of the Texas locations in early August when it reports its fiscal first quarter.

Wal-mart opened pilot Supermercado de Walmart stores in Houston, Texas and west Phoenix, Arizona last week. The first Mas Club warehouse club focused on the Hispanic market is scheduled to open August 6 in Houston.

Health & Beauty Aids

PDX and **Rx.com** have partnered with Microsoft to make Rx.com-managed prescription data available on Microsoft HealthVault.

Following **Walgreens**' announcement last week that it will stop filling Medicaid prescriptions in Delaware, state officials are considering whether DE should end its contract with Walgreens for its group health program for state workers, *Delaware Online* reported. Delaware paid Walgreens $44.4 million in last year for prescriptions for state employees.

CVS Caremark Corp. will pay almost $1 million to settle State of California allegations of selling expired products. In addition, customers in California who find expired products on CVS or Longs shelves will be entitled to a $2 coupon.

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Retailer of the Week: Nash Finch

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OPERATING PERFORMANCE: 3 MONTHS ENDED MARCH 28, 2009

$ in millions, 12 WEEKS ENDED	3/28/2009	YOY Var.	3/22/2008
Food Distribution Sales	$602.0	1.3%	$594.2
Military Supply Sales	$410.2	46.3%	$280.3
Retail Sales	$128.1	-1.8%	$130.4
Total Sales	$1,140.3	13.5%	$1,004.9
Food Distribution Operating Profit	$18.8	-17.9%	$22.9
Military Supply Operating Profit	$12.0	11.1%	$10.8
Retail Sales Operating Profit	$3.3	-26.7%	$4.5
Corporate Overhead Expenses	$16.7	-24.1%	$22.0
Total Operating Profit	$17.5	7.4%	$16.3
Adjusted Operating Profit*	$10.8	-37.9%	$17.4
Net Profit	$14.4	35.9%	$10.6
Food Distribution Operating Margin	3.12%	(73 bps)	3.85%
Military Supply Operating Margin	2.93%	(92 bps)	3.85%
Retail Sales Operating Margin	2.58%	(87 bps)	3.45%
Adjusted Operating Margin*	0.95%	(78 bps)	1.73%

*-fiscal 2009 excludes a $6.7 million gain on the acquisition of a business that we have removed from adjusted operating income; fiscal 2008 excludes a LIFO charge of $1.1 million, which is baked into the corporate overhead figures.

Food Distribution revenues rose 1.3% to $602.0 million during the opening quarter of fiscal 2009. This segment's revenues were unfavorably impacted by the Easter shift (a Q2 event this year, but a Q1 event last year) by $7.1 million or 1.2% of sales. Therefore, excluding the impact of this calendar-related shift, food distribution sales would've risen a more respectable 2.5%. Growth that was shown reflects new account gains. The food distribution segment generated EBITDA of $20.9 million, or 3.5% of sales during Q1 2009. The EBITDA dollar contribution from this segment fell 17.4% while its margin fell about 80 basis points on a year-over-year basis; both of these impacts were related to the prior year's unprecedented inflation due to price increases in Nash Finch's inventory, which temporarily benefited its margins.

Military Supply revenues rose 46.3% to $410.2 million during the twelve weeks ended March 28, 2009. The significant rise in this segment's top-line growth can be traced back to the January 31st asset purchase of GSC Enterprises, which added $111.8 million of segment revenues. Looking past this acquisition-related sales growth, this segment still demonstrated organic growth of 6.5% thanks to 7.7% growth in the U.S. and 3.3% growth internationally. The military supply business contributed $13.1 million of EBITDA during Q1 2009, or 3.2% of revenues. While EBITDA on a dollar basis rose 16.6% thanks to GSC acquisition, the newly acquired business' lower margin profile was primarily behind the EBITDA margin rate falling 80 basis points.

Retail revenues subsided 1.8% to $128.1 million during Q1 2009. This decline was primarily driven by a 2.3% fall in Nash Finch's same store sales. Owing to the Easter shift that also affected the food distribution segment (explained above), retail sales were adversely impacted by $1.3 million or 1.0% of sales. Segment revenues were aided by the opening of two stores during the second quarter of fiscal 2008. In the retail segment, EBITDA fell 13.7% to $5.7 million, or 4.5% of sales; the EBITDA margin was down roughly 60 basis points on a year-over-year basis. Preopening and remodeling costs had a modestly negative impact on the current period's EBITDA margin, while the year-ago EBITDA margin modestly benefited from a gain realized on the sale of an intangible asset.

Considering firmwide performance, Nash Finch's adjusted EBITDA fell 0.7% to $30.1 million during the recent first quarter ended. Baring in mind that the segment EBITDA numbers that Nash Finch provides will not aggregate on their own to the firmwide EBITDA, $10.5 million of unallocated corporate overhead also must be considered. Then adjustments can be made by

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adding back one-time acquisition costs and tax consulting fees totaling $0.9 million in the current period and deducting $0.3 million of favorable one-time items in the prior year period to arrive at the $30.1 million figure and the comparative year-ago figure of $30.3 million. Adjusted EBITDA provides 5.7 times of interest coverage, representing an improvement from the 5.0 times of interest coverage seen last spring, due to lower overall interest rates on a higher debt load.

LIQUIDITY & FINANCIAL STRUCTURE

For the first quarter of fiscal 2009 ended as of March 28, 2009, facility availability on Nash Finch's $340 million revolver totaled $135.2 million. This facility, which was originally sized at $300 million to serve as a replacement for its previous $125 million bank line and $175 million term loan, expanded in January 2009 to allow the firm to comfortably acquire GSC Enterprises. Because the fair value of the assets purchased in this deal exceeded the $78.1 million price tag, Nash Finch actually booked a gain on the purchase of $6.7 million. Entering the spring of 2009, the amended agreement had $191.8 million of direct borrowings and letters of credit totaling $13.0 million against it. Consistent with what the firm has shown in recent quarters, Nash Finch reported less than $1 million of cash and equivalents on its balance sheet.

During the opening three months of fiscal 2009, cash flow from operations was running in the red by $7.5 million. While Q1 is not historically a robust period for the firm to generate cash flow from operations, a timing difference in accrued expenses accounted for much of the variation. In a nutshell, the firm's contributions to employee retirement plans were made in Q1 2009, versus being made in Q2 of the prior year. Hence, the drop in accrued expenses and the associated outflow of cash were more magnified during Q1 2009.

Capital spending was very much contained, tallying only $0.9 million versus a year-ago level of $2.8 million. Obviously, the big draw on Nash Finch's funds was its $78.1 million. Second quarter capital spending should range from $7 million to $10 million. In fiscal 2009, management intends to invest less than $50 million into the company (including $3.5 million earmarked for GSC), a reduced level from previous guidance.

Tangible net worth grew an impressive 62.4% to $122.1 million over the past twelve months. Goodwill and intangibles remained fairly static on a net basis, while there was no stock repurchasing activity in Q1 2009. Current obligations beyond the $191.8 million of revolver borrowings cited above (which Nash Finch houses in the long-term debt section of its balance sheet) consisted of a manageable $4.1 million. In addition to its revolver, Nash Finch has $127.5 million of senior subordinated convertible debt 3.5% due in 2035. In accordance with the firm's adoption of FASB Staff Position APB 14-1, the difference between the proceeds raised in this issuance and the fair value assigned to the liability was reallocated to equity. Total debt-to-tangible net worth was 2.87 as of March 28, 2009, a much healthier level than 4.43 mark seen at March 2008. Management also noted that the firm's total debt-to-EBITDA ratio stood at 2.5 times at the end of Q1 2009.

Did You Know...?

The University of Michigan/Reuters consumer sentiment index rose to 69.0 in June from 68.7 in May. The index hit a low of 55.3 in November and has been creeping upward since.

Upcoming Reporting Dates

Company	Event	Date
Advance Auto Parts	Investor Conference	Jun 18, 2009
Cabela's	Investor Conference	Jun 24, 2009
Christopher & Banks	Financial Results	Jun 25, 2009
Finish Line	Financial Results	Jun 26, 2009
Kroger	Financial Results	Jun 23, 2009
Pier 1 Imports	Financial Results	Jun 18, 2009
Rite Aid	Financial Results	Jun 24, 2009
Walgreens	Financial Results	Jun 22, 2009

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First Quarter Scorecard

$ in Millions. Quarter ended closest to 4/30/09	Sales				Net Income		
	2009	2008	Change	Comps	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%
Belk, Inc.	$760.9	$817.3	-6.9%	-7.7%	$0.5	$5.1	-89.4%
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%
Gordman's	$94.8	$91.3	3.8%	2.8%	$2.8	($2.1)	230.4%
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%
JoS. A. Bank Clothiers	$161.9	$145.4	11.3%	4.3%	$11.5	$9.8	16.5%
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%
Men's Wearhouse	$464.1	$491.1	-5.5%	-7.0%	$5.3	$9.9	-46.5%
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%
Reitmans Limited	$231.7	$228.3	1.5%	-0.8%	$7.8	$18.4	-57.7%
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%
Talbots, Inc.	$306.2	$414.8	-26.2%	-26.9%	($23.6)	$1.6	-1575%
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%
Rite Aid Corp.	$6,506.0	$6,586.0	-1.2%	0.6%	tba	($156.6)	tba
Shoppers Drug Mart	$2,195.3	$2,023.8	8.5%	4.0%	$106.8	$100.7	6.1%
Ulta Salon, Cosmetics, Fragra	$268.8	$239.3	12.3%	-2.3%	$4.9	$4.3	14.0%

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First Quarter Scorecard

(continued from page 10)

$ in Millions. Quarter ended closest to 4/30/09	Sales 2009	Sales 2008	Sales Change	Comps	Net Income 2009	Net Income 2008	Net Income Change
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%
Penn Traffic Co.	$200.1	$212.1	-5.7%	-4.8%	($9.3)	($12.4)	-25.0%
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%
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.	$231.3	$218.6	5.8%	-4.6%	$11.5	$10.6	8.5%
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%
Rex Stores Corporation	$29.7	$26.8	10.8%		($1.7)	$1.5	-213.3%
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%
ValueVision Media, Inc.	$133.8	$156.3	-14.4%	NA	($12.0)	($17.6)	31.8%
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 Coı	$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 General Corporation	$2,779.9	$2,403.5	15.7%	13.3%	$83.0	$5.9	1307%
Dollar Tree Inc.	$1,201.1	$1,051.3	14.2%	9.2%	$60.4	$43.6	38.5%
Duckwall-ALCO Stores, Inc.	$115.5	$105.7	9.3%	6.2%	($0.1)	($5.9)	99.1%

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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	Comps	2009	2008	Change
Mass Merchants							
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%
Toys R Us Inc.	$2,480.0	$2,720.0	-8.8%	-5.4%	($40.0)	($47.0)	-14.9%
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%
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%
Hancock Fabrics, Inc.	$64.1	$63.8	0.5%	2.3%	($0.9)	($5.3)	83.0%
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%
Michaels Stores, Inc.	*$852.0*	*$847.0*	*0.6%*	*-2.0%*	*$4.0*	*($20.0)*	*120.0%*
Pep Boys -Manny, Moe & Jacl	$496.5	$498.0	-0.3%	-0.3%	$10.9	$4.7	131.9%
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%
Williams-Sonoma, Inc.	$611.6	$781.8	-21.8%	-21.0%	($18.7)	$10.4	-279.8%
Sports & Footwear							
Bakers Footwear Group, Inc	$45.0	$43.5	3.4%	4.8%	($2.8)	($4.9)	42.5%
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%
Collective Brands (Payless)	$862.9	$932.4	-7.5%	-4.8%	$38.0	$19.7	92.9%
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)	($1.5)	46.7%
Forzani Group Ltd. (C$)	$307.7	$307.5	0.1%	1.0%	($1.1)	($2.8)	-60.7%
Gander Mountain	$227.7	$207.7	9.6%	7.4%	($18.6)	($24.4)	23.8%
Genesco Inc.	$370.4	$356.9	3.8%	2.0%	($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%
Lululemon Athletica Inc.	$81.7	$77.0	6.1%	-8.0%	$6.5	$8.5	-23.5%
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	$4.8	-14.6%
West 49 (C$)	$40.8	$38.9	4.9%	2.9%	($2.6)	($4.2)	-38.1%
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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