

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

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Remember...

Everything comes to him who hustles while he waits.

Are We Looking At A Jobless And Wage-Less Recovery?

After severe job losses in early 2009, the pace of job losses slowed starting in April, and the July numbers have brought more respite. Non-farm payroll job losses were 247,000 in July. However, the private sector lost 254,000 jobs. This is considerably better than analysts expected (around 325,000) but not good enough to claim that we are in the middle of a strong and sustainable recovery.

Looking at the recessions of the post-war period, average monthly job losses ranged between 150,000 and 260,000. Average monthly losses in this recession are still at 350,000. For the first four months of the year, the average was at 648,000. The improvement with respect to the first part of the year is clear. The improvement with respect to what we are used to seeing in recessionary periods is much less clear-cut. The latest numbers are not exactly what you'd call good news, at least not in absolute terms. In relative terms, however—after skirting a near-depression—markets seem to consider 247,000 payroll losses a breath of fresh air.

The increases in average weekly labor hours in July is certainly a positive sign. But it also shows that, when economic conditions begin improving, companies will increase labor hours and temporary workers, and will move workers from part time to full time. Only after that do they begin hiring new workers. So hiring is still a long way ahead. The decline in the unemployment rate from 9.5% in June to 9.4% in July was not due to an improvement in the employment situation but is explained by the large decline in the labor force. Workers facing hiring freezes, fewer full-time jobs and jobs at lower wages are leaving the labor force.

The economy has lost over 6.6 million jobs since the recession began, which is way above the job losses that we are used to seeing in recessionary periods when job losses have ranged between 1.5 million and 2.5 million. The large job losses of the past months and longer unemployment duration will continue to weigh on the economy in the coming months. The unemployment duration improved slightly
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Wholesaler 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 this past winter with some acquisition news. However, it is important to note that this segment has progressed nicely even excluding the impact of this transaction. Detailed in the paragraph below, this deal changed the way the firm's consolidated P&L statement looks. Specifically, the added military business provides an inherit drag on overall gross margins beyond what can be traced back to declining commodity prices. Furthermore, some (but not all) of this lost margin is picked up in the form of a lighter overall SG&A margin. Keep in mind, due to this year's Easter shift, looking at the Q1 versus Q2 periods is less relevant. While total debt as seen on the balance sheet is up relative to the year-ago period, it is down on a sequential quarterly basis.

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 continues to result in some difficult comparisons in 2009. Retail remains the company's smallest, weakest, and most challenged segment, though management noted that its same store sales declines are tracking better than they had previously anticipated.

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Are We Looking At A Jobless And Wage-Less Recovery?

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in July from the record high witnessed in June, which is positive news. Unemployed workers are falling behind their debt payments, raising defaults on loans and making government mortgage modification programs ineffective. Default rates on various loans have already surpassed the unemployment rate. According to the Moody's credit card index report, published in May 2009, the credit card charge-off rate crossed 10% in May 2009 and is expected to reach a peak of 12% by the second quarter of 2010.

For the labor market to stabilize, job losses need to slow to 100,000 to 150,000 per month, and jobless claims need to fall to around 400,000. However, payrolls alone don't reflect the strength of the household sector. Labor compensation and work hours also function as indicators, and both of these have slowed sharply in recent months. Even as borrowing conditions remain tight and home prices continue to fall, the dip in labor compensation will continue to constrain consumer spending, notwithstanding any fiscal stimulus.

In a severe, consumer-led recession like this one, the labor market is a leading (rather than a lagging) indicator of economic recovery, and the consumer still drives the U.S. economy (private consumption still makes up over 70% of GDP). A slowdown in the pace of job losses from 650,000 to 250,000 is welcome, but in no way offers comfort about a prompt comeback of the U.S. consumer. This raises concerns about the strength and sustainability of any economic recovery that most people are expecting in the second half of 2009, and beyond.

Companies need a certain head count to run their businesses. After cutting jobs, companies are increasingly reducing compensation and work hours to keep a lid on labor costs. Labor compensation slowed significantly to 0.4% in the second quarter of 2009, after slowing to 0.3% in the first quarter of 2009. The slowdown in wages and salaries (0.4%) and benefits (0.3%) is significant, especially in the private sector (0.2%). Private sector labor compensation slowed to 1.5% in the 12 months ending June 2009, the smallest increase on record. Firms are reducing benefits significantly in the service sector while employers in manufacturing are largely cutting wages.

Feedback?

Questions?

Suggestions?

[Click Here](#)

General Retail News

Fewer U.S. consumers, even those in markets where the school year begins earlier in Aug., hit stores for **back-to-school shopping** last month despite a myriad of discount offers, according to research firm NPD. 44% of these consumers intend to spend less on b-t-s purchases this year versus 35% in 2008. 23% of those surveyed by NPD said they intended to spend more on back-to-school purchases this year against 31% in 2008. Projected dollar spending by category shows that apparel and footwear are likely to take the biggest hit this b-t-s. Spending priority for apparel is off 8 points this year to 52% versus 60% in 2008 and footwear is down 9 points to 39% y-o-y from 48%. All other product categories, with the exception of calculators

where the estimated spend is forecast to rise 4 points, had smaller projected declines. These include electronics (-4 to 30%), school supplies (-1 to 77%) and apparel accessories (-4 to 16%).

U.S. retail sales totaled \$342.3 billion in July, down 0.1% from their June level but off 8.3% year-over-year, according to data released by the U.S. Census Bureau. The sporting goods, hobby, book & music store category was off 5.8% y-o-y to \$6.99 billion, and down 1.9% from its June level of \$7.13 billion. Meanwhile, the clothing & accessories segment fell 7.8% y-o-y to \$17.13 billion, but was up 0.6% from its June reported sales of \$17.03 billion.

Options and Resources

Feedback and Questions: Should you have any feedback to provide us or questions to ask, please email us at inbox@globalcreditservices.com.

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Bankruptcy Blotter

Another three global corporate issuers defaulted in the past week, bringing the year-to-date total to 197, nearly quadruple the amount a year earlier, according to Standard & Poor's. The rating agency expects that the default rate will hit 13.9% by mid-2010 but warned that the rate could be as high as 18% or as "optimistic" as 11.4%.

New data show that distressed-debt deals—in which creditors use their debt positions to seize ownership of troubled companies—are running close to double the pace of 2008. Some 140 of the deals have been struck during 2009, compared with 102 transactions for all of last year, according to data provider Dealogic.

The **Boscov's Inc.** department store chain has received a \$43.7 million loan from the U.S. Department of Housing and Urban Development that will be used to help fund the company's exit from bankruptcy, according to a company representative. The money will be used as part of a financing package, including \$200 million in bank loans and about \$60 million from Boscov family members, to purchase the company's assets.

Lawyers for former **Kmart Corp.** Chief Executive Charles Conaway tried to persuade a federal judge to reverse a civil trial verdict that he misled investors leading up to the retail giant's collapse. The Securities and Exchange Commission argued that Conaway failed to disclose a decision to delay payments to suppliers to conserve cash. Conaway lawyers made the case that the jury finding was reached only after jurors were given bad instructions on how to interpret the case. A ruling from the U.S. District Court should come before a Sept. 16 hearing on possible penalties.

Arcandor AG's insolvency administrator said Thursday the company's retail units will be reorganized, resulting in the elimination of 3,700 jobs at the Pimondo mail-order division by January 2010. Arcandor's department

store chain, **Karstadt**, will be restructured in accordance with an insolvency administration plan. The future viability of 19 of 26 Karstadt department and sports stores is being more closely reviewed.

Unsecured creditors of **Bashas' Inc.** are urging the bankruptcy judge to reconsider his denial of the Arizona grocery-store-chain operator's request to hire financial advisers, a decision the creditors say "completely stalled" Bashas' move toward a successful reorganization. Bashas' which filed for Chapter 11 bankruptcy protection on July 12, sought to hire Deloitte the next day under an agreement where the firm's professionals were proposing a minimum hourly billing rate of \$275 and a maximum of \$545. On another note, Bashas' is seeking to close 14 grocery stores as part of its Chapter 11 bankruptcy filing and ongoing restructuring efforts. The stores include 10 Bashas', Food City and AJ's Fine Foods locations in metro Phoenix and four stores in other parts of the state.

The ax has fallen on local home improvement retailer **Weisman Discount Home Centers Inc.** The eight-store chain, which has its headquarters in Springfield Gardens, N.Y., recently filed for Chapter 7 protection. The 77-year-old retailer owes money to more than 100 creditors, who will meet to divvy up assets in September. Weisman is closing all of its locations and is laying off about 111 people.

A handful of **Finlay Enterprises Inc.**'s landlords are calling on the bankruptcy court to deny the jewelry retailer's auction proposal, which they say threatens their rights as landlords. Finlay, which operates the Bailey Banks & Biddle, Carlyle & Co. and L. Congress chains of jewelry stores, sought Chapter 11 protection this month with plans to sell its remaining 106 stores to Gordon Brothers Retail Partners LLC, subject to higher bids at auction.

Did You Know...?

U.S. workers' productivity increased at an annualized rate of 6.4% in the second quarter, the Labor Department reported. Unit labor costs fell at a 5.8% annualized rate.

Management on the Move

Borders Group appointed three Zone Vice Presidents:

- **Mike Steele** is Zone VP for the West Coast. Steele is a 22-year Borders veteran, and was most recently VP Store Operations.
- **John Melnick** is Zone VP for the Northeast. Melnick comes from Michaels Stores, where he held a similar position.
- **Dave Marsico** is Zone VP for the Midwest. Marsico comes from Meijer, where he was Market Director.

J. Crew Group, Inc. appointed **Sukhinder Singh Cassidy** to its board of directors. He replaces **Jonathan Coslet**, who is resigning. Singh Cassidy is CEO-in-residence at Accel Partners, a global venture and growth equity firm.

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Off the Rack

Macy's, Inc. expects same-store sales in the second half of fiscal 2009 to be -5% to -6%, and full-year 2009 same-store sales to be -7% to -7.5%. Full year 2009 earnings per share are now expected to be \$0.70 to \$0.80 per share, excluding restructuring-related costs, up from earlier guidance of \$0.40 to \$0.55 per share. Total restructuring-related costs for the year are expected to be approximately \$400 million pre-tax.

J. C. Penney Company, Inc. raised guidance following a breakeven second quarter. 2009 earnings are now expected to be \$0.75 to \$0.90 per share, up from \$0.50 to \$0.65 guided previously. Total sales are expected to be down 5.5% to 6.0%, and comp store sales are expected to fall 7.0% to 7.5%. For the third quarter, JCP expects a sales decrease of 3% to 5% with comps down 5% to 7%. Q3 net is expected to be between a loss of \$0.05 and earnings of \$0.05 per share. Also, management noted that expense reductions from the company's Bridge Plan led to a \$397 million improvement in first half free cash flow.

Kohl's Corp. expects third quarter sales of between -1% and +1%, with comp store sales between -5% and -3% percent and earnings of \$0.40 to \$0.44 per share. For the fourth quarter, Kohl's expects sales of between -1% and +1%, with comp store sales between -5% and -3% percent and earnings of \$0.99 to \$1.06 per share. Full fiscal year 2009 earnings guidance is \$2.59 to \$2.70 per diluted share. Kohl's has opened 19 stores y-t-d, and plans to open an additional 37 stores later this year for a total of 56 stores in fiscal 2009.

Talbots, Inc. entered into a buying agency agreement with Hong Kong based Li & Fung Ltd. Li & Fung will act as the exclusive global apparel sourcing agent for all Talbots apparel and a non-exclusive agent for swimwear, intimate apparel, footwear, jewelry, handbags and accessories.

FYI for the DIY

Lowe's Cos. opened eight stores last month, in Petal, Mississippi, Hamburg and Hornell, New York, Torrington, Connecticut, Marrero, Louisiana, Summerville, South Carolina, South Durham, North Carolina, and Mt. Juliet, Tennessee. Lowe's plans a total of 60 to 70 new stores in 2009, while competitor **Home Depot** plans 13 new store openings this year.

Taiga Building Products Ltd. sales fell by

Charming Shoppes, Inc. is selling its credit card receivables program to Alliance Data Systems Corp. and ADS will manage CHRS' private label credit card receivables program for a ten year term. Charming Shoppes expects to net approximately \$110 million from the transaction, which will be used to retire long term debt.

Nordstrom, Inc. revised its 2009 outlook after a better than expected second quarter (see the scorecard). Full year earnings are now expected to be \$1.50 to \$1.65 per share, increased from the previous range of \$1.25 to \$1.50. Full year same store sales are expected to fall 9% to 12%.

Also, **Nordstrom** completed a new three-year \$650 million senior unsecured revolving credit facility, replacing a previous facility that matured in November 2010.

American Apparel, Inc. lowered its 2009 guidance after a below-plan second quarter. APP now expects between a net loss of \$1 million and net income \$4 million on sales of \$540 to \$555 million for the year. For the year, the Company still expects to open a total of 25 to 30 new stores.

Also, **American Apparel** filed an amended 10-K for 2008, reclassifying \$33.4 million of its revolving credit facility as a current liability from long-term debt. There was no impact on reported income or cash flow from the change.

Abercrombie & Fitch Co.'s second quarter loss (see the scorecard) included \$24.4 million in pre-tax charges associated with the closure of RUEHL operations.

Urban Outfitters, Inc. second quarter results benefited from a 17% gain in its direct-to-consumer, while wholesale fell 7% and retail comp store sales were down 6% overall with declines at Anthropologie (-4%), Free People(-16%) and Urban Outfitters (-8%).

17.5% to \$246.9 million in the fiscal first quarter ended June 30. Net income rose 57.1% to \$6.6 million, with the improvement attributed to cost reductions and foreign exchange gains.

Home Depot will pay almost \$85,000 to settle an Equal Employment Opportunity Commission lawsuit alleging that the company fired an employee who filed a sex discrimination complaint in 2004.

Did You Know...?

The Deloitte Consumer Spending Index rose to 2.15% in July, and June's number was upwardly revised to 1.85% a month ago.

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Hi Tech Entertainment

HGGregg, Inc. sales decreased 3.7% to \$284.4 million for the three months ended June 30. Comp store sales fell 14.7% in the quarter. Net income dropped 30.2% to \$1.5 million. Weak demand for both appliances and video, and lower ASPs in video, contributed to the topline decline. While the company's expansion plans will really accelerate in fiscal 2011, 20 to 22 new stores are planned for this year. Guidance for FY2010 is for sales growth of 3% to 7% and net income of \$0.85 to \$1.00 per share (taking into account the dilution from HGG's recent stock offering).

Barnes & Noble, Inc. intends to acquire Barnes & Noble College Booksellers, Inc. for approximately \$460 million net of cash on hand.

The company operates 624 college bookstores through management services contracts, and the acquisition is expected to be accretive to BKS' earnings per share by 30% to 35% on an annualized basis. Barnes & Noble will receive \$250 million financing from the seller, who happens to be BKS Chairman Leonard Riggio. One law firm has already announced that it is investigating whether B&N is overpaying due to that relationship.

Also, **Barnes & Noble** has received commitment letters on a new \$1 billion, four-year revolving credit facility, which will replace each of BKS' and Barnes & Noble College Booksellers' existing credit facilities.

Did You Know...?

U.S. retail sales fell 0.1% in July—the first decline in three months—the Commerce Department reported. Excluding autos, which were boosted by cash for clunkers, retail sales fell 0.6%.

Heard in the Grocery Aisle

Sysco Corp. sales fell 6.6% to \$9.087 billion in its fiscal fourth quarter ended June 27, and net income contracted 5.6% to \$315.3 million. For the full fiscal year 2009, Sysco sales fell 1.8% to \$36.853 billion. Net income was \$1.056 billion.

Publix Super Markets Inc. will close five older Publix stores in Tampa, Florida area neighborhoods served by recently acquired Albertson's stores, the *St. Petersburg Times* reported. The closings will begin once remodeling of the Albertson's stores is completed.

The **UFCW** accused **Rouses** grocery store in Louisiana of violating the first amendment rights of workers, saying management called the police on organizers who were talking to workers and distributing union information.

Unified Grocers, Inc. sales fell 2.4% to \$992.5 million in its fiscal third quarter ended June 27. Net income for the grocery distributor was off 18.8% to \$3.9 million.

Spartan Stores, Inc. shareholder CtW Investment Group called on the company's board to adopt annual elections for directors, citing the need for greater accountability. Currently Spartan staggers director elections.

Stater Bros. Holdings sales decreased 0.43% to \$928.6 million in its third quarter ended June 28. Same store sales decreased 1.8%, after adjusting for the Easter shift. Net income was up 64.1% to \$15.1 million. Stater Bros. currently operates 167 supermarkets.

MyWebGrocer received a \$13 million equity investment from private equity firm Stripes Group. *Reuters* reported that the cash will be used to enhance products, extend the company's advertising network and develop new technology.

Over 4,000 **Kroger** employees in the Dayton, Ohio, area ratified the company's new labor agreement with UFCW Local 75.

Health & Beauty Aids

Duane Reade, Inc. completed its private placement of \$300 million of senior secured notes due August 1, 2015. The notes bear interest at an annual rate of 11.75%, and were priced at 97.417%.

Walgreen Co. and the State of Delaware have reached a deal on Medicaid prescriptions. The state will reimburse more for brand name drugs, but cut reimbursements for generics, for an overall reimbursement rate of 85.5% of the average wholesale price.

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The Global World of Sports and Footwear

The **Dick's Sporting Goods/Galyan's** insider trading case, saw two associates of former DKS SVP of Real Estate Joseph J. Queri, Jr. received fines. Gary M. Gossom, who never responded to Securities and Exchange inquiries, was handed a default judgment yesterday that included disgorgement of \$47,127, pre-judgment interest of \$17,174 and a civil penalty of \$274,613. Gary L. Camp is ordered held liable for disgorgement of \$128,792 related to profits he reaped from his alleged conduct, interest of \$46,935, and a civil penalty of \$128,792.

Gander Mountain and Dick's Sporting Goods agreed to a temporary injunction preventing former Dick's senior fishing buyer Kenneth Sarber from working for Gander Mountain. The agreement also requires Gander to return any confidential information it obtained about DKS' business from Sarber, including any proprietary information about the chain's marketing and ad strategies, within 10 days of a final, court-approved injunction. A federal court judge in Pittsburgh will decide later this month whether to grant a permanent injunction extending that until June 19, 2010.

Broder Bros. second quarter was pulled into

the black thanks to a \$19.9 million gain on the restructuring in May of \$213.5 million in notes. After the exchange offer was completed, Broder worked with its suppliers to obtain trade credit for restocking its depleted inventory. Suppliers began shipping the apparel distributor large quantities of merchandise once the exchange offer was finished. Broder said it subsequently began a campaign to inform customers of its in-stock position through a series of promotions that have helped boost sales over the last three weeks.

New Balance opened its first retail door in China, a two-floor, 2,000+ sq. ft. *New Balance Experience* store on Beijing's historic Qianmen Avenue. New Balance intends to open as many as 1,000 storefronts in China before 2012 as it moves to make the market the brand's second-largest behind the U.S.

GSI Commerce will sell up to 3.66 million shares at \$17.00, along with selling shareholders for in a \$231.6 million offering. GSIC will gross \$62.2 million (\$59.2 million after expenses) and intends to use the proceeds for working capital and general corporate purposes, including possible acquisitions.

Did You Know...?

U.S. industrial output rose 0.5% in July, the first increase since October 2008, the Federal Reserve reported. Output has fallen 13.1% in the past year, and 14.6% since the recession began

Specialty Items

Ethan Allen Interiors Inc. sales fell 41.2% to \$138.7 million for the quarter ended June 30. Comp store sales were down 43.5%. Net loss was \$16.9 million from a profit of \$11.1 million in Q4 last year. The loss includes a \$12.9 million restructuring and impairment charge and a \$1.5 million of tax expense for reserves on deferred tax assets. For the full fiscal year, sales were off 31.2% to \$674.3 million as comps slid 32.5%. Net loss for the year was \$52.7 million, which included a \$48.4 million goodwill impairment charge, \$18.6 million of restructuring and impairment costs and the \$1.5 million of tax expense. Profit last year was \$58.1 million. Excluding charges, 2009 loss would have been \$8.9 million compared to a profit of \$62.4 million in 2008.

Advance Auto Parts noted that it's second quarter comp store sales increase of 4.8% during the quarter was comprised of a 14.8% increase in Commercial sales and a 0.7% increase in do-it-yourself (DIY) sales. AAP opened 23 new stores in the quarter, closed 20 others and now operates 3407 locations.

Toys R Us extended its e-commerce services agreement with GSI Commerce through April 1, 2019.

DGSE Companies, Inc. changed the ticker symbol of its shares on the NYSE:Amex from "DGC" to "DGSE" now that the Amex allows symbols with more than three characters.

Rating Changes & Outlooks

Company	S&P Credit Rating		S&P Credit Outlook		GCS Credit Rating
	Current	Prior	Current	Prior	Current
FINLAY ENTERPRISES INC	NR	D	NR	NM	11
HOST HOTELS & RESORTS L P	BB-	BB	NEGATIVE	NEGATIVE	C-
KROGER CO,THE	BBB-	BBB-	NM	POSITIVE	D
DUANE READE HOLDINGS, INC.	B-	SD	STABLE	NM	E-

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Did You Know...?

U.S. imports rose in June for the first time in 11 months, which some observers contend is a sign that global demand is beginning to rebound.

Mass Merchant Musings

Target Corp.'s web and e-commerce hosting arrangement with Amazon.com expires in 2011, and the mass merchant will launch its own platform for Target.com before holiday 2011. Target considers it a priority to have full control over the design and function of its e-commerce technology platform, fulfillment and customer service.

Also, **Target** opened its new distribution center in Newton, North Carolina. The facility will employ around 400 workers.

Wal-Mart Stores, Inc. narrowed its fiscal

2010 earnings guidance to the high end of the previous range, and now expects earnings from continuing operations of \$3.50 to \$3.60 per share, from \$3.45 to \$3.60. Third quarter EPS is expected to be between \$0.78 and \$0.82, including a three-cent negative impact from currency exchange rates. Q3 comp store sales are expected to be between flat and +2%. Sam's Club Q3 comp club sales are expected to be between -1% and +1%.

Also, **Wal-Mart** opened its first Más Club Hispanic focused warehouse store in Houston, Texas.

Upcoming Reporting Dates

Company	Event	Date
1-800-Flowers.com	Financial Results	Aug 20, 2009
Aeropostale	Financial Results	Aug 20, 2009
American Eagle Outfitters	Financial Results	Aug 27, 2009
AnnTaylor Stores	Financial Results	Aug 21, 2009
Barnes & Noble	Financial Results	Aug 20, 2009
Bebe Stores	Financial Results	Aug 27, 2009
Big Lots	Financial Results	Aug 25, 2009
BJ's Wholesale Club	Financial Results	Aug 19, 2009
Bon-Ton Stores	Financial Results	Aug 20, 2009
Borders Group	Financial Results	Aug 25, 2009
Brown Shoe	Financial Results	Aug 26, 2009
Cato	Financial Results	Aug 20, 2009
Chico's FAS	Financial Results	Aug 25, 2009
Children's Place Retail Stores	Financial Results	Aug 20, 2009
Citi Trends	Financial Results	Aug 19, 2009
Coldwater Creek	Financial Results	Aug 26, 2009
Collective Brands	Financial Results	Sep 2, 2009
Conn's	Financial Results	Aug 27, 2009
dELiA*s	Financial Results	Aug 27, 2009
Dick's Sporting Goods	Financial Results	Aug 20, 2009
Foot Locker	Financial Results	Aug 20, 2009
Fred's	Financial Results	Aug 27, 2009
GameStop	Financial Results	Aug 20, 2009
Gap	Financial Results	Sep 3, 2009
Gymboree	Financial Results	Aug 19, 2009
Hancock Fabrics	Financial Results	Aug 27, 2009
Hibbett Sports	Financial Results	Aug 20, 2009
Home Depot	Financial Results	Aug 18, 2009
Jo-Ann Stores	Financial Results	Aug 26, 2009
Kirkland's	Financial Results	Aug 26, 2009
Limited Brands	Financial Results	Aug 19, 2009
Lowe's	Financial Results	Aug 17, 2009
New York & Company	Financial Results	Aug 26, 2009
Pacific Sunwear	Financial Results	Aug 20, 2009
Ross Stores	Financial Results	Aug 20, 2009
Sears Holdings	Financial Results	Aug 20, 2009
Stage Stores	Financial Results	Aug 20, 2009
Stein Mart	Financial Results	Aug 20, 2009
Target	Financial Results	Sep 3, 2009
Tech Data	Financial Results	Aug 20, 2009
TJX Companies	Financial Results	Aug 18, 2009
Trans World Entertainment	Financial Results	Aug 20, 2009
Wet Seal	Financial Results	Aug 20, 2009
Zumiez	Financial Results	Aug 20, 2009

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Wholesaler of the Week: Nash Finch

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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.

OPERATING PERFORMANCE: 6 MONTHS ENDED JUNE 20, 2009

\$ in millions, 24 weeks ended	June 20, 2009	YOY Var.	June 14, 2008
Food Distribution Sales	\$1,221.8	2.3%	\$1,194.2
Military Supply Sales	\$871.3	53.8%	\$566.4
<u>Retail Sales</u>	<u>\$263.8</u>	<u>(-1.6%)</u>	<u>\$268.1</u>
Total Sales	\$2,356.9	16.2%	\$2,028.7
Food Distribution Operating Profit	\$40.2	(-12.2%)	\$45.8
Military Supply Operating Profit	\$23.1	5.5%	\$21.9
Retail Operating Profit	\$7.6	(-18.3%)	\$9.3
<u>Corporate Overhead Expenses</u>	<u>\$26.1</u>	<u>(-23.2%)</u>	<u>\$34.0</u>
Total Operating Profit	\$44.8	4.2%	\$43.0
Adjusted Operating Profit (1)	\$37.8	(-18.7%)	\$46.5
Net Profit	\$24.0	17.1%	\$20.5
Food Distribution Operating Margin	3.29%	(55 bps)	3.84%
Military Supply Operating Margin	2.65%	(122 bps)	3.87%
Retail Operating Margin	2.88%	(59 bps)	3.47%
Adjusted Operating Margin (1)	1.60%	(69 bps)	2.29%

(1) - fiscal 2009 excludes a \$6.7 million gain on the acquisition of a business that we have removed from adjusted operating income and a LIFO adjustment of \$0.3 million; fiscal 2008 excludes a LIFO charge of \$3.5 million, which is baked into the corporate overhead figures.

Food Distribution revenues rose 2.3% to \$1.2 billion during the twenty-four weeks ended June 20, 2009. Year-to-date growth can be traced back to new business wins that Nash Finch has enjoyed. The food distribution segment generated EBITDA of \$44.4 million, or 3.6% of sales on a year-to-date basis. The EBITDA dollar contribution from this segment fell 11.7% while its margin fell about 60 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. Moreover, these year-to-date EBITDA margin and dollar declines were narrowed thanks to this segment's second quarter.

Military Supply revenues rose 53.8% to \$871.3 million during the twenty-four weeks ended June 20, 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 \$277.6 million of segment revenues. Looking past this acquisition-related sales growth, this segment still demonstrated organic growth of 4.8% thanks to 6.5% growth in the U.S. and 1.0% growth internationally. The military supply business contributed \$25.5 million of EBITDA during the opening half of fiscal 2009, or 2.9% of revenues. While EBITDA on a dollar basis rose 12.0% thanks to GSC acquisition, the newly acquired business' lower margin profile was primarily behind the EBITDA margin rate falling 110 basis points.

Retail revenues fell 1.6% to \$263.8 million during the first 24 weeks of fiscal 2009. This decline was primarily driven by a 1.5% fall in Nash Finch's same store sales. Segment revenues were aided by the opening of two stores during the second quarter of fiscal 2008; over the past year, four stores have been shuttered. In the retail segment, year-to-date EBITDA fell 8.3% to \$12.5 million, or 4.7% of sales; the EBITDA margin was down roughly 40 basis points versus the first half of last year. Preopening and remodeling costs had a modestly negative impact on the current period's EBITDA margin.

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Did You Know...?

Consumer prices were unchanged in July from June, and were down 2.1% year-over-year, the Labor Department reported. Energy prices fell 0.4% and food prices fell 0.3%, and the core CPI, which excludes those categories, rose 0.1% in July.

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Wholesaler of the Week: Nash Finch

(continued from page 8)

Considering firmwide performance, Nash Finch's year-to-date adjusted EBITDA rose 2.0% to \$65.5 million. Baring in mind that the segment EBITDA numbers that Nash Finch provides will not aggregate on their own to the firmwide EBITDA, \$19.5 million of unallocated corporate overhead also must be considered. Then adjustments can be made by adding back one-time items relating to acquisition transaction & conversion costs of \$1.4 million, pre-opening & start-up costs of \$0.7 million, and other expenses of \$0.5 million in the current period; one-time items actually cancel each other out in the year-ago period to leave the \$64.2 million figure intact. Adjusted EBITDA offers nearly 5.9 times of interest coverage, representing an improvement from the 5.0 times of interest coverage seen last summer, thanks to both lower average borrowing levels and rates.

LIQUIDITY & FINANCIAL STRUCTURE

For the second quarter of fiscal 2009 ended as of June 20, 2009, facility availability on Nash Finch's \$340 million revolver totaled \$147.7 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, was 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. Nash Finch began the summer with \$179.9 million of direct borrowings and letters of credit totaling \$12.3 million representing its facility usage. The \$0.8 million of cash reported on the latest balance sheet is not unlike what we've become accustomed to seeing from Nash Finch on a quarterly basis.

During the opening six months of fiscal 2009, cash flow from operations swung positive to \$10.8 million, albeit off last year's pace of \$22.9 million. It should be noted that working capital fluctuations played a major role in the operating cash flow disparity between the two periods. Capital spending was very much contained, tallying only \$5.6 million versus a year-ago level of \$9.9 million. Obviously, the most significant draw on Nash Finch's funds was its \$78.1 million acquisition. 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 65% to \$133.6 million since this time last year. Goodwill has remained virtually unchanged, while other intangibles were down modestly. Nash Finch opted not to repurchase any of its common shares during the first half of fiscal 2009. Current obligations beyond the \$179.9 million of revolver borrowings cited above (which Nash Finch houses in the long-term debt section of its balance sheet) tallied only \$4.2 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 continued to improve to 2.53 as of June 20, 2009, a much more respectable level than 4.04 mark seen in June 2008. Furthermore, CFO Bob Dimond also disclosed that total debt-to-EBITDA has risen to 2.38 from 1.75 since the beginning of fiscal 2009 due to taking on additional debt to complete the acquisition.

Did You Know...?

Consumer sentiment declined in early August, according to the Reuters/University of Michigan survey. The Consumer Sentiment Index fell to 63.2 from 66.0 in July.

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Second Quarter Scorecard

\$ in Millions. Quarter ended closest to 7/31/09	Sales			Comps	Net Income		
	2009	2008	Change		2009	2008	Change
Apparel							
Abercrombie & Fitch	\$648.5	\$845.8	-23.3%	-30.0%	(\$26.7)	\$77.8	-134.3%
Aeropostale, Inc.	\$453.0	\$377.1	20.1%	12.0%	tba	\$21.1	tba
American Apparel	\$136.1	\$133.0	2.3%	-10.0%	\$4.5	\$6.8	-34.3%
American Eagle Outfitters	\$657.6	\$688.8	-4.5%	-10.0%	tba	\$59.8	tba
Bon Ton Stores, Inc.	\$609.2	\$673.4	-9.5%	-9.8%	tba	(\$33.8)	tba
Cache, Inc.	\$56.9	\$74.0	-23.1%	-23.0%	\$0.8	\$2.1	-59.9%
Cato Corporation	\$225.4	\$231.0	-2.4%	-3.0%	tba	\$12.1	tba
Chico's FAS, Inc.	\$419.9	\$405.2	3.6%	1.3%	tba	\$6.7	tba
Dillard's, Inc.	\$1,366.3	\$1,606.7	-15.0%	-13.0%	tba	(\$38.3)	tba
Gap Inc.	\$3,240.0	\$3,499.0	-7.4%	-8.0%	tba	\$229.0	tba
Gymboree Corporation	\$212.3	\$202.8	4.7%	-1.0%	tba	\$8.0	tba
J.C. Penney Company	\$3,943.0	\$4,282.0	-7.9%	-9.5%	(\$1.0)	\$117.0	-100.9%
Jo-Ann Stores, Inc.	\$419.4	\$403.0	4.1%	1.8%	tba	(\$11.7)	tba
Kohl's Corporation	\$3,806.0	\$3,725.0	2.2%	-2.3%	\$229.0	\$236.0	-3.0%
Limited Brands	\$2,067.0	\$2,284.0	-9.5%	tba	tba	\$102.0	tba
Macy's, Inc.	\$5,164.0	\$5,718.0	-9.7%	-9.5%	\$7.0	\$73.0	-90.4%
Nordstrom, Inc.	\$2,145.0	\$2,287.0	-6.2%	-9.8%	\$105.0	\$143.0	-26.6%
Ross Stores, Inc.	\$1,769.0	\$1,640.0	7.9%	3.0%	tba	\$71.3	tba
Saks Incorporated	\$555.9	\$650.9	-14.6%	-15.5%	tba	(\$31.7)	tba
Stage Stores, Inc.	\$342.0	\$373.0	-8.3%	-10.7%	tba	\$9.7	tba
Stein Mart, Inc.	\$287.5	\$311.6	-7.7%	-4.5%	tba	(\$8.0)	tba
Tandy Leather Factory	\$13.2	\$13.8	-4.3%	4.3%	\$0.8	\$0.7	16.2%
Urban Outfitters, Inc.	\$458.6	\$454.3	0.9%	-6.0%	\$49.0	\$57.0	-14.0%
Wet Seal, Inc.	\$136.4	\$149.1	-8.5%	-10.6%	tba	\$9.8	tba
Drug							
Abbott	\$7,495.0	\$7,314.0	2.5%	NA	\$1,288.0	\$1,322.0	-2.6%
CVS Caremark Corporation	\$24,871	\$21,140	17.6%	6.1%	\$886.5	\$774.8	14.4%
Drugstore.com, Inc.	\$100.3	\$92.2	8.8%	NA	\$1.0	(\$2.3)	145.2%
Duane Reade Holdings	\$479.1	\$451.4	6.1%	1.7%	(\$11.6)	(\$12.1)	4.1%
Express Scripts, Inc.	\$5,503.3	\$5,530.8	-0.5%	NA	\$192.3	\$190.2	1.1%
Shoppers Drug Mart (C\$)	\$2,288.8	\$2,109.3	8.5%	5.7%	\$136.1	\$126.6	7.5%
Food							
Arden Group	\$107.9	\$116.6	-7.5%	-7.5%	\$4.7	\$6.6	-28.8%
Delhaize Group Le Lion	\$7,173.4	\$7,063.2	1.6%		\$175.6	\$183.3	-4.2%
Loblaw Companies Ltd (C\$)	\$7,233.0	\$7,037.0	2.8%	2.5%	\$193.0	\$140.0	37.9%
Nash Finch Company	\$1,216.6	\$1,023.9	18.8%	-0.8%	\$9.5	\$9.4	1.1%
Publix Super Markets	\$6,000.0	\$5,900.0	1.7%	-2.6%	\$300.8	\$295.8	1.7%
Safeway, Inc.	\$9,462.1	\$10,120.0	-6.5%	-1.5%	\$238.6	\$234.3	1.8%
Weis Markets, Inc.	\$615.4	\$603.4	2.0%	2.4%	\$15.2	\$12.8	18.5%
High-Tech & Electronics							
Amazon.com, Inc.	\$4,651.0	\$4,063.0	14.5%	NA	\$142.0	\$158.0	-10.1%
BMTC Group Inc. (C\$)	\$168.8	\$181.7	-7.1%	NA	\$3.1	\$11.6	-73.3%
Conn's, Inc.	\$190.3	\$190.6	-0.2%	-5.2%	tba	\$10.2	tba
IAC/InterActiveCorp	\$340.0	\$354.2	-4.0%	NA	\$40.8	(\$421.6)	109.7%
Ingram Micro Inc.	\$6,578.6	\$8,816.6	-25.4%	NA	\$25.3	\$58.9	-57.0%
Office Depot, Inc.	\$2,824.1	\$3,605.1	-21.7%	-18.0%	(\$82.6)	(\$2.0)	-4030%
OfficeMax Incorporated	\$1,657.9	\$1,984.6	-16.5%	-11.6%	(\$17.7)	(\$895.3)	98.0%
PC Connection, Inc.	\$377.3	\$449.4	-16.0%	NA	(\$6.5)	\$5.1	-227.5%
PC Mall, Inc.	\$261.4	\$331.2	-21.1%	NA	\$0.8	\$3.0	-73.3%
RadioShack Corporation	\$965.7	\$994.9	-2.9%	-4.0%	\$48.8	\$41.4	17.9%
Home Centers							
Builders FirstSource, Inc.	\$175.5	\$282.3	-37.8%	NA	(\$22.6)	(\$45.9)	50.8%
Calloway's Nursery, Inc.	\$16.5	\$20.3	-18.7%	-9.9%	\$0.9	\$1.9	-52.6%
Fastenal Company	\$474.9	\$604.2	-21.4%	-24.2%	\$43.5	\$76.2	-42.9%
Greybar Electric	\$1,121.6	\$1,420.9	-21.1%	NA	\$8.3	\$28.4	-70.8%
Griffin Land & Nurseries	\$19.7	\$21.1	-6.6%	NA	(\$1.0)	(\$0.4)	-158.1%
Huttig Building Products	\$119.9	\$195.4	-38.6%	NA	(\$6.0)	(\$2.5)	-140.0%
Interline Brands, Inc.	\$269.9	\$311.4	-13.3%	NA	\$6.4	\$11.2	-42.9%
Lowe's Companies	\$13,844	\$14,509	-4.6%	-9.5%	\$759.0	\$938.0	-19.1%

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Second Quarter Scorecard

(continued from page 10)

\$ in Millions. Quarter ended closest to 7/31/09	Sales			Comps	Net Income		
	2009	2008	Change		2009	2008	Change
Home Centers							
Lumber Liquidators	\$143.1	\$128.0	11.8%	NA	\$6.9	\$5.9	18.0%
Rona, Inc. (C\$)	\$1,370.0	\$1,473.3	-7.0%	-6.2%	\$60.8	\$76.6	20.6%
Sherwin-Williams Company	\$1,947.8	\$2,229.5	-12.6%	-13.5%	\$158.0	\$171.7	-8.0%
Tractor Supply Company	\$946.5	\$898.3	5.4%	-2.7%	\$54.8	\$43.4	26.3%
True Value Company	\$540.7	\$571.3	-5.4%	-2.2%	\$27.8	\$18.5	50.3%
United Rentals, Inc.	\$615.0	\$831.0	-26.0%	NA	(\$17.0)	\$37.0	-145.9%
W.W. Grainger	\$1,533.3	\$1,756.9	-12.7%	tba	\$92.5	\$113.2	-18.3%
Wesco International	\$1,159.2	\$1,587.8	-27.0%	NA	\$26.4	\$58.0	-54.5%
Mass Merchants							
Big Lots, Inc.	\$1,071.2	\$1,105.2	-3.1%	-2.4%	tba	\$26.0	tba
BJ's Wholesale Club, Inc.	\$2,500.0	\$2,702.7	-7.5%	-7.7%	tba	\$36.5	tba
Dollar Tree Inc.	\$1,220.0	\$1,090.0	11.9%	6.8%	tba	\$37.6	tba
Fred's, Inc.	\$434.0	\$447.1	-2.9%	-1.3%	tba	\$1.0	tba
Overstock.com	\$176.1	\$188.8	-6.7%	NA	\$0.4	(\$7.4)	105.4%
Target Corporation	\$14,567	\$15,472	-5.8%	-6.2%	tba	\$634.0	tba
Wal-Mart Stores, Inc.	\$100,082	\$101,546	-1.4%	-1.9%	\$3,442	\$3,449	-0.2%
Specialty							
A.C. Moore Arts & Crafts	\$104.4	\$126.4	-17.4%	-13.8%	(\$8.1)	(\$4.3)	-91.1%
Aarons, Inc.	\$417.3	\$387.0	7.8%	8.4%	\$27.8	\$23.3	19.3%
Advance Auto Parts, Inc.	\$1,322.8	\$1,235.8	7.0%	4.8%	\$80.3	\$75.4	6.5%
Blue Nile, Inc.	\$69.9	\$73.7	-5.2%	NA	\$2.8	\$3.2	-12.5%
Brookstone, Inc.	\$73.0	\$97.4	-25.1%	-18.6%	(\$16.7)	(\$8.7)	-92.0%
Haverty Furniture	\$129.7	\$168.4	-23.0%	-22.6%	(\$6.6)	(\$2.3)	-187.0%
Leon's Furniture Limited	\$209.9	\$224.7	-6.6%	-6.5%	\$8.6	\$11.6	-25.9%
Michaels Stores, Inc.	\$807.0	\$796.0	1.4%	-0.8%	tba	(\$25.0)	tba
Pet Valu Inc.	\$52.3	\$54.6	-4.2%	6.0%	\$2.8	\$3.6	-22.2%
Rent-A-Center, Inc.	\$679.6	\$719.0	-5.5%	-6.2%	\$41.9	\$37.7	11.1%
Sports & Footwear							
Bakers Footwear Group, Inc	\$43.7	\$43.6	0.2%	0.7%	tba	(\$2.3)	tba
Big 5 Sporting Goods Corp.	\$216.0	\$209.0	3.3%	0.3%	\$4.7	\$1.7	170.0%
Broder Bros., Co.	\$177.7	\$257.6	-31.0%	NA	\$15.2	(\$0.7)	2271.4%
Cabela's	\$549.2	\$526.0	4.4%	6.1%	\$9.1	\$7.3	24.7%
Golfsmith International	\$114.8	\$130.0	-11.7%	-9.5%	\$6.8	\$8.6	-20.9%
GSI Commerce	\$187.2	\$193.2	-3.1%	NA	(\$13.1)	(\$20.3)	35.5%
West Marine, Inc.	\$215.4	\$226.7	-5.0%	-1.0%	\$32.5	\$4.4	638.6%
WinMark Corporation	\$8.8	\$8.7	1.4%	NA	\$1.2	\$0.9	28.5%

Numbers in italics are implied or company estimates.

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