Retail News & Views

Creditntell | F&D Reports™

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Bass Pro/Cabela's, Dick's Sporting Goods, Big 5 Sporting Goods – Executive Review

Creditntell analysts recently hosted *The Executive Review: Sporting Goods Retailers* webinar, which included three Spotlight Accounts: **Bass Pro/Cabela's**, **Dick's Sporting Goods**, and **Big 5 Sporting Goods**. Below are links to the archived audio/visual, as well as the slides from the presentation.

Recorded Webinar

New Executive Review Report

Store / Facility Closings

Click here for recently announced closures (week ended 3/07)

Williams-Sonoma to close 1 store

J.C. Penney to close 1 store

Office Depot to close 1 store

Mass Merchandisers / Dollar Stores

THE WEEK'S Alerts / Updates / Snapshot Reports

02/28 – Target – Fourth Quarter Snapshot

Subsequent to Target's fourth quarter earnings release (see our February 28 **Snapshot Report**), in which the Company reported sales fell 4.3% and comps declined 1.5%, management outlined its strategy for the future. Target plans to invest more than $7.00 billion over the next three years. These investments will also take $1.00 billion out of the Company's operating margin annually. It plans to revamp more than 100 stores in 2017 and more than 600 by 2019. Among other initiatives, the retailer will open 30 small-format stores in 2017, doubling its presence in urban markets and on college campuses. By 2019, Target will operate more than 130 smaller stores. CEO Brian Cornell, said. "We're putting digital first and evolving our stores, digital channels and supply chain to work together as a smart network that delivers on everything guests love about Target, including more than a dozen new brands we'll introduce over the next two years."

Fred's February sales fell 3.5% to $165.4 million, and total comps declined 4%. CEO Michael K. Bloom commented, "Despite the tax refund delay impacting a significant percentage of our customer base and our front of store sales, we are pleased with the progress we are making against our strategic plan, demonstrated by our continued improvement in Retail and Specialty Pharmacy. This is an affirmation that our healthcare strategy is working. Notably, comparable store sales in our overall Pharmacy business were strong in the month, driven by positive adjusted prescription comparisons." Mr. Bloom also said that front-end comps "improved in the last week of February as individual refunds were received by customers" and that the Company expects "customer spending will continue to increase as tax refunds are received."

On March 7, Fred's announced the appointment of three new directors, Christopher W. Bodine, Peter J. Bocian, and Michael K. Bloom, its current CEO. Three current board members, Michael J. Hayes, John R. Eisenman, and Jerry A. Shore, retired from the Board and will not stand for reelection at the Company's annual meeting. Jerry Shore had previously served as CEO and Michael J. Hayes had previously served as chairman and CEO.

Meijer announced it is investing more than $375.0 million in new and remodeled stores this year across its six-state footprint, including its first stores in Michigan's Upper Peninsula and the Green Bay, WI, market. The investment includes the construction of seven new Meijer supercenters and 22 different remodel projects. While Michigan, Indiana and Wisconsin will each welcome new Meijer supercenters later this year, dozens of other Meijer stores have begun or will soon begin remodel projects. By the end of 2017, Meijer will have added more than 50 new stores and remodeled and upgraded nearly 90 stores (since 2010). The new Meijer supercenters opening in 2017 will be in Escanaba and Sault Ste. Marie, MI; McCordsville and Franklin, IN; and Greenfield, Howard (Green Bay) and West Bend, WI. In addition to the new supercenters, Meijer says it is aggressively remodeling stores in five different states, including key markets like Detroit, Cincinnati, Louisville and suburban Chicago. Six Meijer supercenters in Michigan alone will be updated, with the stores in Mt. Pleasant, Commerce Township and Algoma Township slated for major remodels.

Remodels include a variety of specific store enhancements, including improved store layouts, expanded grocery and health and beauty sections, as well as lighting, heating, refrigeration and parking lot improvements. Additionally, the introduction of newer technology in key areas during the remodel process will result in more energy-efficient stores. Meijer operates more than 230 stores throughout Michigan, Ohio, Indiana, Illinois, Kentucky and Wisconsin.

Amazon plans to install large-scale solar energy systems on the rooftops of more than 15 fulfillment centers in 2017, part of a goal to deploy solar energy systems on 50 centers around the world by 2020. Amazon has invested in large wind farms in Texas, Indiana, North Carolina, Ohio and Virginia. To date, Amazon has announced or commenced construction on projects which will generate a total of 3.6 million megawatts (MV) of renewable energy.

On February 28, Amazon Web Services (AWS) experienced a four-hour outage (reportedly human error) that impacted hundreds of thousands of websites across the U.S. AWS, Amazon's most profitable division, is a provider of the back-end of the Internet that offers cloud-based storage and web services for companies so they don't have to build their own server farms or invest in infrastructure. Fifty-four out of the top 100 Internet retailers were impacted by decreases of 20% or greater in performance, with some sites going down completely.

Amazon opened its first East-Coast-based Amazon Books store, in Dedham, MA (20 miles southwest of downtown Boston). The 5,800 square-foot store offers a book selection based on the best-sellers on Amazon's website as well as Kindle ebook readers, Fire TV streaming devices, and Echo speakers. The Company already operates locations in Seattle and in San Diego. Another store is being planned for Lynnfield's MarketStreet mall later this year (Lynnfield is about 20 miles north of Boston), while locations are being considered in other U.S. cities.

According to published reports, some details have been disclosed on Amazon's previously disclosed drive-through grocery store concept expected to open in Seattle, WA. Amazon has reportedly applied for a liquor license for the store, and city planning documents show that the store will have few shelves, if any, as all ordering will be done online. Customers who have pre-ordered online, will drive by during a specific 15-minute to two-hour window and have their groceries delivered to their cars. Walk-in customers will order from on-site electronic tablets and then wait in the "retail room" for their order to be brought to them.

As of April, Amazon will begin collecting taxes on purchases being sent to New Mexico addresses. The New Mexico Taxation and Revenue Department says the state gross receipts tax amounts to just over 5%, and the revenues generated by Amazon's collections will be significant, "likely in the tens of millions of dollars."

Walmart, having made a series of acquisitions of e-commerce companies in recent months in an effort to upgrade both its technology and consumer offerings, continues to be on the hunt for additional purchases. The Company's e-commerce chief, Marc Lore, recently stated, "We're open and looking at all possible opportunities to enhance customer-value proposition and expand our merchandising expertise and brand relationships. So there's a lot of categories that fit that description and we're actively looking." Mr. Lore, of course, was the founder and CEO of Jet, which Walmart purchased last fall for $3.30 billion.

Walmart de Mexico (Walmex) reported that February sales increased 2.9%, and comps rose 2.1%.

PriceSmart's February sales increased 0.5% to $214.6 million, impacted by one less day compared to February 2016, and comps rose 2.6%. For the six months ended February 28, sales rose 2.7% to $1.49 billion, and comps increased 1.1%. The Company opened one new warehouse club over the past year.

New International Coverage

We have recently added **Massy Holdings Ltd**. to our International coverage. Massy Holdings is the parent company of over 60 companies operating across nine sectors, primarily retail and distribution of food, general merchandise, automotive and industrial equipment in the Caribbean Islands and Latin America. Based on recent deteriorating sales and margins but still favorable operating margins and stable capital structure, we initiated coverage of Massy Holdings with a C1 credit rating. To view a copy of Massy's FYE report, please **click here**. To add this Company to your portfolio, please **click here**.

Big Lots reported fourth quarter sales fell 0.3% to $1.58 billion, a result of comps growth of 0.3% offset by a lower store count year-over-year. As of the end of the fiscal year, the Company operated 1,435 stores, a net decrease of 14 stores compared to last year. Net income fell 4.7% to $90.1 million. For fiscal 2016, sales increased 0.2% to $5.20 billion, comps rose 0.9%, and net income increased 7% to $152.8 million.

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 1,579.2	$ 1,584.0	(0.3%)	$ 5,200.4	$ 5,190.6	0.2%
Profit/Loss	$ 90.1	$ 94.5	(4.7%)	$ 152.8	$ 142.9	7.0%
Comps	0.3%	0.7%		0.9%	1.8%	

Looking ahead at fiscal 2017, the Company expects EPS of $3.95 – $4.10, an increase of 9% – 13% over fiscal 2016, comp growth of 1% – 2%, and cash flow of $180.0 million – $190.0 million.

In a subsequent earnings call, CEO and President David Campisi said Big Lots will test its 'store of the future' in two markets this year: "We're looking for a fresh perspective. We want a fun, engaging shopping experience."

Costco Wholesale reported second quarter sales growth of 5.7% to $29.77 billion. Total comps, excluding fuel and the effects of foreign currency, rose 3%, consisting of growth of 3% in the U.S., 2% in Canada, and 3% internationally. Net income fell 5.7% to $515.0 million.

Second Quarter	Q17	Q16	%Chg	YTD17	YTD16	%Chg
Sales	$ 29,766.0	$ 28,170.0	5.7%	$ 57,865.0	$ 55,390.0	4.5%
Profit/Loss	$ 515.0	$ 546.0	(5.7%)	$ 1,060.0	$ 1,026.0	3.3%
Comps: US	3.0%	5.0%		2.0%	6.0%	

For the month of February, sales rose 8% to $8.92 billion, and total comps, excluding fuel and the effects of foreign currency, increased 2%. Comps rose 2% in the U.S. and Canada, and fell 1% internationally.

As expected, Costco announced that, effective June 1, it will increase the cost of its U.S. and Canada memberships by $5, to $60. Executive memberships will go from $110 to $120. This marks the first time it raised membership fees since 2011. Costco also said that the reward cap will increase from $750 to $1,000 on purchases made by people with executive memberships.

Dollar Tree reported fourth quarter sales growth of 5% to $5.64 billion. System-wide comps increased 1.2% on a constant currency basis, driven by increases in customer count and average ticket. Comps for the Dollar Tree banner increased 2.3% and rose 0.2% for the Family Dollar banner. Net income rose 40.5% to $321.8 million. During the quarter, the Company opened 104 stores, expanded or relocated 27 stores, and closed 55 stores. Additionally, the Company opened eight former Family Dollar locations as new Dollar Tree stores. For fiscal 2016, sales increased 33.7% to $20.72 billion, and net income more than tripled to $896.2 million. During fiscal 2016, the Company opened 584 new stores. As of January 28, Dollar Tree operated 14,334 stores across 48 states and five Canadian provinces.

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 5,635.3	$ 5,365.3	5.0%	$ 20,719.2	$ 15,498.4	33.7%
Profit/Loss	$ 321.8	$ 229.0	40.5%	$ 896.2	$ 282.4	217.4%
Comps	1.2%	1.7%		N.A.	N.A.	

Looking ahead at fiscal 2017, Dollar Tree expects sales of $21.94 billion – $22.33 billion, based on flat to low single-digit comp growth. EPS is expected to be $4.20 – $4.56, compared to fiscal 2016 EPS of $3.80 in fiscal 2016.

FDARMS Enhanced Dashboard and Credit Profiles

Delivered via our Proprietary Qualitative Model that Produces Early Warning Signs of Private Company Insolvencies

We invite you to visit our customizable ARMS Dashboard, offering additional breadth and depth to our unparalleled private company coverage. The new site displays how your accounts receivable are performing against other suppliers on a total file or individual customer basis; alerts you when one of your customers has begun to slow its trade payments or when one of your accounts is involved in a lawsuit, judgment or collection placement; and integrates additional accounts receivable management tools for our over 300 trade tape participants. We concurrently rolled out a brand new credit profile design banking and UCC information, current and historically trended vendor experience, payment experience by segment, public abstract data (suits, judgments, tax liens), and proactive alert change notification. Please **click here** to view your customized dashboard.

Department Stores

THE WEEK'S Alerts / Updates / Snapshot Reports

3/6 – Gordmans Stores – Credit Rating Change Alert
3/3 – Neiman Marcus Group – Hires Investment Bank to Refinance Debt
3/2 – Stage Stores – Takeover Bid Apparently a Hoax / Fourth Quarter Snapshot

After reviewing Gordmans liquidity outlook for fiscal 2017, ***Creditntell*** analysts lowered the Company's credit rating two notches to **F2** from **E2**. The Company's comps have declined for 15 out of the last 16 quarters, which has led to gross margin erosion and operating losses. Gordmans generated just $4.4 million in TTM EBITDA. The Company ended the quarter with $44.5 million in total liquidity but burned $30.0 million in cash during the TTM period. Gordmans has yet to announce a release date for its fiscal 2016 results. Published reports indicate the Company is considering a formal restructuring as soon as this month. Gordman's management did not comment on the reports. See our **Credit Rating Change Alert** issued yesterday for full details.

Stage Stores' fourth quarter sales decreased 9.6% to $454.4 million, and comps declined 8.5%. Management commented on its earnings conference call that comps continue to be impacted by lower oil prices. Stores in the states impacted reported comps 500 basis points lower than the rest of the chain. Gross margin contracted by 840 basis points due to higher markdowns taken to align inventory with sales. As a result, EBITDA fell more than 25% to $53.3 million. The Company closed 37 stores and did not open any locations during the year. Looking ahead to fiscal 2017, based on an expected comp decline between 4% and 8%, management expects a loss per diluted share of $0.95 – $1.55. The Company lost $0.89 per share in fiscal 2016. The Company expects to close 15 – 20 stores and will not open any new locations in 2017. See our March 2 **Special Update** for more details.

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 454.4	$ 502.6	(9.6%)	$ 798.0	$ 1,604.4	(50.3%)
Profit/Loss	$ (6.8)	$ 21.0	N.M.	$ (37.9)	$ 3.8	N.M.
Comps	(8.5%)	(3.4%)		(8.8%)	(2.0%)	

In other news, a filing submitted to the SEC indicated that a Company named HMA Acquisition claimed it made an offer to acquire Stage Stores for $4.60 per share, representing a 98% premium over the Company's $2.32 per share price at market opening on March 2, the day of the filing. At the time, HMA Acquisition appeared to be a new entity created to acquire Stage Stores, but it was unclear who the principals were. The SEC filing named Eric Choy as president, Hans Christianson as CFO, and Joshua Schamel as VP and general counsel of HM Avenue Investments. However, in our research we were unable to link any of these names to HMA Acquisition nor were we able to find any information at all about HMA Acquisition. In response to the filing, Stage Stores noted that it has not received any offer or other communication from such entity and has not been able to confirm that such an entity exists. It now appears the takeover offer was a hoax, presumably to move the stock price. However, the equity markets were not fooled. Stage Stores' stock hit an intraday high of $2.40, up 3.4%, shortly after the allegedly fake filing hit the wires, before heading back down again quickly. The shares declined further after Stage Stores' statement and finished the day at $2.12 down 8.62%. See our second March 2 **Special Update** for more details.

Ross Stores reported fourth quarter sales increased 8% to $3.51 billion, and comps were up 4%. Profit rose 13.8% to $300.6 million. CEO Barbara Rentler commented, "We are very pleased with our better-than-expected sales and earnings results for the fourth quarter and fiscal year, especially given our strong multi-year comparisons and the highly competitive and promotional holiday season. Our results continued to benefit from our ability to offer customers great values on a wide assortment of gifts and fashions for the family and the home." Maintaining a cautious outlook for fiscal 2017, the Company is forecasting comp growth of 1% – 2%, down from 4% in 2016; EPS is projected to be $3.02 – $3.15, up 7% – 11% from $2.83 in 2016.

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 3,510.2	$ 3,250.7	8.0%	$ 12,866.8	$ 11,940.0	7.8%
Profit/Loss	$ 300.6	$ 264.2	13.8%	$ 1,117.7	$ 1,020.7	9.5%
Comps	4.0%	4.0%		4.0%	4.0%	

Meanwhile, the Company's board authorized a new $1.75 billion share repurchase program, to be used over the next two fiscal years. At recent stock prices, this new program represents about 6% of the Company's total market value and a 25% increase over the prior two-year $1.40 billion authorization completed in January 2017.

Macy's completed the sale of its downtown Minneapolis, MN property to 601W Companies, which is planning a major mixed-use redevelopment for the building. The Company signed the $59.0 million cash agreement on January 4, 2017 and began final clearance sales on January 9. Sales are expected to run until late March, before the store closes in the spring. Going forward, Macy's will not operate a downtown Minneapolis store, but it will continue to operate eight other stores in the Twin Cities, including six department stores and two furniture galleries. It will record a gain for the property of approximately $47.0 million in the first quarter of 2017.

According to published reports Neiman Marcus has hired investment bank Lazard Ltd. to help refinance its debt. The Company ended the quarter with over $4.80 billion in debt as a result of its 2014 LBO. However, the Company has no debt maturities until 2020. Neiman Marcus has annual interest expense of approximately $286.0 million and TTM interest coverage of just 1.79x. The Company is scheduled to release its second quarter numbers on March 14. See our March 3 **Special Update** for full details.

Burlington Stores reported fourth quarter sales increased 9.3% to $1.69 billion, and comps were up 4.6%. Profit rose 27.1% to $125.6 million. The Company continues to work towards shedding its image as a coat factory; coats and cold-weather items made up 5.5% of fiscal 2016 sales, down from 6.3% in the prior year. Top-performing products included home and beauty, athletic shoes and handbags. CEO Tom Kingsbury stated, "For the year, we delivered 9% sales growth, a 100 basis point expansion in adjusted EBITDA margin rate, and a 40% increase in adjusted EPS. In addition, we ended the year with reductions in both comparable store and aged inventories." The Company finished the year with 592 stores in operation, and expects to grow by 30 stores during 2017.

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 1,692.3	$ 1,548.7	9.3%	$ 5,591.0	$ 5,129.8	9.0%
Profit/Loss	$ 125.6	$ 98.8	27.1%	$ 215.9	$ 150.5	43.5%
Comps	4.6%	0.1%		4.5%	2.1%	

Sporting Goods

Big 5 Sporting Goods reported fourth quarter sales decreased 3.2% to $266.3 million, while comps were up 3.1%. Profit rose 80% to $7.7 million. CEO Steven G. Miller commented, "We are pleased to report a strong finish to fiscal 2016, with solid same store sales, expanded gross margins, expense leverage and meaningful earnings growth in a challenging holiday sales environment. Our fourth quarter benefited from the competitive rationalization in the retail sporting goods sector, and we increased both customer transactions and average sale as well as improved merchandise margins. For the first quarter to date, our same store sales are up in the mid-single-digit range, largely driven by strong demand for winter products as a result of very favorable winter weather conditions throughout most of our Western markets. We also continue to benefit from the competitive store closures, both from a sales and margin standpoint." During the fourth quarter, the Company opened one new store and closed one underperforming store, ending with 432 stores in operation. Looking to fiscal 2017, the Company expects to open eight new stores and close three underperforming locations.

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 266.3	$ 275.0	(3.2%)	$ 1,021.2	$ 1,029.1	(0.8%)
Profit/Loss	$ 7.7	$ 4.3	80.0%	$ 16.9	$ 15.3	10.4%
Comps	3.1%	0.1%		1.7%	1.3%	

Electronics / Office Products

THE WEEK'S Alerts / Updates / Snapshot Reports

3/6 – hhgregg – Files Chapter 11/ Closing 40% of its Stores
3/1 – Best Buy – Fourth Quarter Snapshot
3/1 – Office Depot – Operating Results / Store Activity

hhgregg As indicated in our **Bankruptcy Filing Alert** yesterday evening, hhgregg, DIP filed a voluntary Chapter 11 petition in the U.S. Bankruptcy Court in the Southern District of Indiana. Chief judge Robyn L. Moberly was assigned to the case. The proceedings have been assigned case number 17-01302-11. According to the Company, it has signed a term sheet with an anonymous party to purchase hhgregg's assets, which is intended to allow the Company to exit Chapter 11 debt free with significant improvement in liquidity for the future stability of the business. The filing indicated that the Company expects a quick process through Chapter 11 with emergence in approximately 60 days. The Company has obtained a committed $80.0 million debtor-in-possession (DIP) financing facility underwritten by Wells Fargo Bank and GACP Finance Co. Subject to Court approval, hhgregg expects that this DIP financing, combined with the acquiring party's investment and the Company's cash from operations, will provide sufficient liquidity during the Chapter 11 process to support its continuing normal business operations and minimize disruption. Documents in the filing state that hhgregg believes that after administrative expenses are paid, no funds will be available for distribution to unsecured creditors. Coverage of the proceedings will now be shifted to our Insolvency Support Center.

As announced on March 2, hhgregg plans to close 88 of its 220 stores and three distribution facilities, to "improve liquidity and return to profitability." The Company will be exiting the states of Virginia, Delaware, Louisiana, New Jersey, Mississippi and West Virginia as well as vacating most of its stores in Pennsylvania and Maryland. Management said this will help the Company refocus efforts on its core markets and its goals to enhance customers' experience both in-store and online. ***Creditntell*** notes that the Company did not state how many of the leases have been cancelled and/or how many of the stores may remain dark and continue to incur rental expense. For a full list of closing stores, see our **Special Update** issued March 2.

Best Buy's fourth quarter sales decreased 1% to $13.48 billion, and comps slipped 0.7%. Domestic revenue of $12.30 billion decreased 1.4% compared to last year, driven by a comp decline of 0.9% and the loss of revenue from 11 large-format and 31 Best Buy Mobile store closures. Best Buy's appliance business could be one of many beneficiaries of hhgregg's recent announcement that it will close 40% of its store base. Our ***Store Overlap Analysis*** indicates that 192 of hhgregg's 220 stores overlap 196 of Best Buy's 1,026 domestic big box stores within a three mile radius. This implies that the business from 87% of hhgregg's stores could be within the grasp of nearby Best Buy locations (about 19% of Best Buy's store base). The close proximity to Best Buy's stores occurred as a consequence of hhgregg's "opportunistic" (at the time) acquisition of the Circuit City store leases at below-market rates in 2008. The significant overlap has obviously been a competitive disadvantage to hhgregg since its rapid expansion eight years ago, evidenced by its 50% cumulative reduction in comps since 2008. However, to put the issue in a broader context, Best Buy controls a relatively small portion of the entire appliance market, with significant competition from Sears, Lowes and Home Depot. See our March 1 **Snapshot Report** for full details.

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 13,482.0	$ 13,623.0	(1.0%)	$ 39,403.0	$ 39,528.0	(0.3%)
Profit/Loss	$ 607.0	$ 479.0	26.7%	$ 1,228.0	$ 897.0	36.9%
Comps	(0.7%)	(1.7%)		0.3%	0.5%	

Office Depot's fourth quarter sales decreased 1.5% to $2.73 billion, and comps were down 4%. EBITDA was $151.0 million, up 0.7% from $146.0 million for the same period last year. Net income totaled $80.0 million in the fourth quarter compared to $15.0 million for the same period last year. Looking ahead, management stated, "Office Depot expects total Company sales in 2017 to be lower than 2016, primarily due to the impact of store closures, prior year contract customer losses, one less selling week and continued challenging market conditions. However, the Company expects the rate of sales decline to improve throughout 2017 based on improvements in customer retention, implementation of new customer wins and continued growth in the contract channel sales pipeline." In mid-2016, Office Depot completed the closures of 400 stores under a multi-year plan. In August 2016, the Company announced a second store-closure plan that included the anticipated closing of an additional 300 stores over the next three years.

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 2,725.0	$ 2,767.0	(1.5%)	$ 11,021.0	$ 11,727.0	(6.0%)
Profit/Loss	$ 80.0	$ 15.0	433.3%	$ 529.0	$ 8.0	6512.5%
Comps	(4.0%)	0.0%		(2.0%)	0.0%	

On March 1, 2017, the Company announced that it closed 72 stores under the second plan during 2016 (for a total of 123 stores closed in 2016 under both programs); it anticipates closing 75 stores during 2017 and the remainder of the 300 stores in 2018. The Company is also converting existing stores to a smaller format. Many of these stores occupy 15,000 square feet, which is lower than the existing average. Through the end of 2016, the Company has converted 25 locations to this new format, and it anticipates converting about 100 stores by the end of 2017. At December 31, 2016, the Company operated 1,441 stores in North America. See our March 1 **Special Update** for full details.

Systemax's fourth quarter sales dropped nearly 11% to $414.7 million; however, on a constant currency basis, average daily sales increased 0.2%. Sales in the industrial products unit declined 1.7% to $175.7 million, while revenue from the European technology product unit decreased 16.5% to $238.1 million. The Company recorded a net loss of $2.1 million, narrowed 93.5% from last year's loss of $32.5 million. CEO Larry Reinhold said, "To support our growth and improve profitability, during the past year we have significantly streamlined our corporate structure while continuing to invest in our ongoing businesses. The industrial division extended its solid top line performance, with revenues reaching a record level for the full year 2016 and we had an outstanding fourth quarter with average daily sales increasing greater than many MRO market competitors. Our European group showed improved bottom line performance for the full year and quarter as we benefited from another record quarter in France, solid gains in the Netherlands, the narrowing of our loss in the U.K. and the exit of our German operations."

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 414.7	$ 465.3	(10.9%)	$ 1,680.1	$ 1,854.7	(9.4%)
Profit/Loss	$ (2.1)	$ (32.5)	93.5%	$ (32.6)	$ (99.8)	67.3%

Published reports indicated that General Wireless Operations Inc., the parent of RadioShack, is in discussions with partner Sprint Corp. and potential strategic investors about reducing RadioShack's footprint and potentially seeking a formal restructuring as soon as this week. According to the reports, the chain has already started closing roughly 200 stores and laying off "dozens" of employees at its Fort Worth, TX headquarters. RadioShack previously filed Chapter 11 in February 2015, seeking to restructure about $1.00 billion in debt. It sold its brand name and 1,700 stores to Standard General for about $26.0 million, and struck an agreement with Sprint to use about one third of available floorspace at certain stores to sell Sprint phones and accessories.

Personnel Changes

Tech Data Corporation appointed Patrick Zammit as president of Tech Data Europe. Mr. Zammit previously served as global president, Avnet Technology Solutions, prior to the acquisition by Tech Data completed at the end of February.

Building Materials / Home Centers

Builders FirstSource reported fourth quarter sales increased 6.3% to $1.55 billion; sales per day grew 10.1% in the quarter over the prior-year period, of which 4.4% was a result of the impact of commodity price deflation. The Company completed its acquisition of ProBuild Holdings on July 31, 2015, which contributed to the Company recording a profit of $6.4 million, compared to a loss of $10.6 million last year. CEO Floyd Sherman commented, "We grew sales by 5.5%, excluding closed locations, in the year, including 7.5% sales volume growth in the new residential construction end market. Our focus and investments we have made in manufacturing capacity are driving returns, with sales of our manufactured products growing 10.2% over 2015, and reaching an 18% product mix in the fourth quarter. We have created significant value through our synergy cost savings initiatives, with the current run rate synergy savings already reaching $100.0 million, within our guidance range at the acquisition close. Although we have more to capture from our integration efforts and opportunities to drive ongoing efficiencies, we have now implemented all actions necessary to capture $100.0 million of the cost savings associated with the ProBuild Acquisition."

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 1,546.9	$ 1,455.9	6.3%	$ 6,367.3	$ 3,564.4	78.6%
Profit/Loss	$ 6.4	$ (10.6)	N.M	$ 144.3	$ (22.8)	N.M

Beacon Roofing Supply acquired Acme Building Materials, Inc., a distributor of residential roofing and related building products with three branches in Flint, Rochester Hills and Brighton, MI. The three branches bring the number of Beacon locations in Michigan to 10. Acme's president and co-owner, Lori Tesner, will remain with the Company. Beacon operates 375 locations in 47 states in the U.S. and six provinces in Canada.

Huttig Building Products reported fourth quarter sales increased 5.8% to $164.4 million, primarily due to higher levels of construction activity, the addition of a new product line and the acquisition of BenBilt completed in April 2016. Millwork sales increased 11% to $91.4 million, building product sales rose 3% to $60.2 million, and wood products decreased 14% to $12.8 million. The Company recorded a net loss of $200,000, compared to a profit of $400,000 in the prior-year period, primarily due to higher operating expenses related in large part to increased personnel costs. CEO Jon Brabely said, "We continue to invest in our growth, as evidenced by the expansion of our Huttig-Grip product line and the completion of our newest high capacity door line in Florida. We anticipate significant new investments in 2017 to continue our growth and profitability."

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 164.4	$ 155.4	5.8%	$ 713.9	$ 659.6	8.2%
Profit/Loss	$ (0.2)	$ 0.4	N.M.	$ 16.3	$ 26.0	(37.3%)

BlueLinx's fourth quarter sales decreased 1.5% to $421.7 million, reflecting certain operational efficiency initiatives during fiscal 2016 that included closing/selling facilities and discontinuing certain underperforming products. The Company sold eight unoccupied properties during fiscal 2016, generating gross proceeds of $36.4 million; it also reduced its debt principal by $84.0 million in the past year. As a result of the efforts, the Company recorded a profit of $10.4 million, compared to a loss of $6.1 million in the prior year period. CEO Mitch Lewis commented, "We are pleased to share the strong finish we had in 2016 which demonstrates our continued focus on our key strategic initiative to delever the Company through monetizing our real estate and improving our working capital. The successful execution of this strategy enabled us to improve our financial performance while significantly reducing our debt from prior year levels. We continue to evaluate alternatives to reduce the Company's leverage and enhance liquidity."

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 421.7	$ 428.2	(1.5%)	$ 1,881.0	$ 1,916.6	(1.9%)
Profit/Loss	$ 10.4	$ (6.1)	N.M.	$ 16.1	$ (11.6)	N.M.

Patrick Industries commenced an underwritten public offering of 1.35 million shares of common stock. In connection with the offering, the Company expects to grant the underwriters a 30-day option to purchase up to an additional 202,500 shares of stock. Patrick Industries intends to use all of the proceeds to pay down outstanding debt.

Personnel Changes

Tractor Supply promoted Kurt D. Barton to SVP, CFO and treasurer, in line with a management transition plan announced last July. Mr. Barton succeeds Anthony F. Crudele, who retired after 11 years serving in the role. In addition, Bob Volke has been promoted to VP, controller; Mr. Volke has served as VP, accounting since February 2014.

Apparel & Footwear

THE WEEK'S Alerts / Updates / Snapshot Reports

3/3 – The Wet Seal, DIP – Winning Bidder for Brand Name
3/2 – Vanity Shop of Grand Forks, DIP – Files Chapter 11
3/1 – BCBG Max Azria Global Holdings, LLC – Files Chapter 11

American Eagle Outfitters reported fourth quarter sales decreased 0.8% to $1.10 billion, while comps were up slightly compared to a 4% increase in the prior year. Profit fell 33.1% to $54.6 million, negatively impacted by asset impairment and restructuring charges totaling $21.0 million related to its owned and operated stores in the U.K., China and Hong Kong; the Company expects to incur additional restructuring charges in fiscal 2017. CEO Jay Schottenstein commented, "The American Eagle brand continued its strong leadership in jeans and bottoms and has experienced accelerated growth in women's apparel. Aerie posted double-digit sales growth throughout 2016, fueled by superior merchandise, a strengthening customer base and growing brand awareness." During the quarter, the Company opened two AE stores and closed 11 underperforming AE stores. In addition, there were six Aerie standalone locations opened and one underperforming Aerie store closed. The Company ended the year with 943 AE stores and 102 Aerie stores.

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 1,097.2	$ 1,105.8	(0.8%)	$ 3,609.9	$ 3,521.8	2.5%
Profit/Loss	$ 54.6	$ 81.7	(33.1%)	$ 212.4	$ 218.1	(2.6%)
Comps	0.1%	4.0%		3.0%	7.0%	

Ascena Retail Group's second quarter sales decreased 5.1% to $1.75 billion, and comps were down 4%. Premium fashion (Ann Taylor and LOFT) comps were down 5%, value fashion (maurices and dressbarn) comps fell 6%, plus fashion (Lane Bryant and Catherines) comps decreased 4% and kids fashion (Justice) comps were down 1%. Net loss widened more than 55% to $35.2 million, primarily due to a decline in gross margin dollars in the value and kids fashion segments, offset in part by synergies and cost-savings initiatives in the premium segment. CEO David Jaffe commented, "Reflecting on our second quarter results, we saw a continuation of trends that have been in place for some time. While we remain generally pleased with selling performance during peaks, our base business remained soft due to ongoing store traffic headwinds and overall customer price sensitivity, which have become persistent issues impacting our larger sector. While our second quarter comp sales were in line with our guidance, we were forced to be much more promotional than planned to achieve this level of performance." The Company opened 13 new stores and shuttered 55 underperforming locations, ending the quarter with 4,878 locations in operation.

Second Quarter	Q17	Q16	%Chg	YTD17	YTD16	%Chg
Sales	$ 1,748.2	$ 1,841.8	(5.1%)	$ 3,426.6	$ 3,513.8	(2.5%)
Profit/Loss	$ (35.2)	$ (22.6)	(55.8%)	$ (20.8)	$ (40.7)	48.9%
Comps	(4.0%)	(6.0%)		(4.5%)	(5.0%)	

Cato Corporation's February sales decreased 24.6% to $63.9 million, and comps dropped 25%. The Company has seen monthly comps significantly deteriorate, primarily as a result of declining foot traffic and higher markdowns. Comps have decreased in each of the last 12 months, including double digit declines over the last four months. CEO John Cato said, "Unfortunately, February sales continued to decline and were significantly lower due to delayed tax refunds." As of February 25, the Company operated 1,371 stores in 33 states.

February Sales			
Cato Corp.	Q17	Q16	%Chg
Sales	$ 63.9	$ 84.7	(24.6%)
Comps	(25.0%)	4.0%	

The Buckle's February sales decreased 23.2% to $62.8 million, and comps were plummeted 23.2%, on top of a 17.6% decrease in January. The Company has continued to see sales declines driven by less foot traffic and a reduction in average price points for both men's and women's merchandise. The Company will announce fourth quarter earnings on Friday. The Buckle currently operates 465 retail stores in 44 states.

February Sales			
The Buckle	Q17	Q16	%Chg
Sales	$ 62.8	$ 81.8	(23.2%)
Comps	(23.2%)	(8.9%)	

L Brands' February sales declined 9.9% to $765.5 million, and comps were down 13%. By segment, comps were down 16% at Victoria's Secret and 4% at Bath & Body Works. During the month, the exit of the swim and apparel categories had negative impacts of 6% and 8% to total Company and Victoria's Secret comps, respectively. This was the third consecutive month of comp declines, following a 4% and 1% decrease in January and December, respectively. Looking to fiscal 2017, management projects EPS of $3.05 – $3.35, sharply down from fiscal 2016 EPS of $3.74 and fiscal 2015 EPS of $3.99.

February Sales			
L Brands	Q17	Q16	%Chg
Sales	$ 765.5	$ 849.3	(9.9%)
Comps	(13.0%)	5.0%	

On March 1, The Finish Line completed the process of exiting its unprofitable JackRabbit business, formerly known as Running Specialty Group. Private equity firm Critical Point Capital now owns JackRabbit, including its 65 retail stores currently operating under several banners, its leasehold interests and lease liabilities, intellectual property and trademark and name. As indicated in our November 15, 2016 **Special Update**, in which we said the Company was exploring strategic alternatives for the chain, Finish Line acquired the assets of the then 18-store chain in September 2011 for $8.5 million. The chain grew as the Company acquired mom-and-pop performance running shoe shops throughout the U.S. and consolidated them under the JackRabbit banner.

Insolvency Support Center

On March 1, BCBG Max Azria Global Holdings, LLC, DIP (BCBG) filed a voluntary Chapter 11 petition in the U.S. Bankruptcy Court in the Southern District of New York (Manhattan). The Honorable Shelley C. Chapman has been assigned to the case, and the proceedings have been designated as case number 17-10466. The Company stated that funds will be available for distribution to unsecured creditors. Bank of America, the existing ABL lender, has agreed to provide a $45.0 million DIP term loan for working capital purposes. Documents in the filing indicate that BCBG operates in all 50 states, as well as in Canada, Europe and Japan. BCBG's products are sold in more than 480 domestic locations, including more than 120 standalone retail stores, 58 factory outlet stores and 290 "partner shops." See our **Bankruptcy Filing Alert** issued March 1 for more details.

On March 2, Vanity Shop of Grand Forks, Inc., DIP filed a voluntary Chapter 11 petition in the U.S. Bankruptcy Court in the District of North Dakota. The Honorable Shon Hastings has been assigned to the case, and the proceedings have been assigned case number 17-30112. The petition states that the Company believes funds will be available for distribution to unsecured creditors. Vanity Shop intends to wind down its operations and implement an orderly liquidation through GOB sales at all of its 137 mall-based stores in 27 states. The store-closing sales commenced on March 2 and will conclude by April 30. The Company's sales in the 12 months ended December 2016 totaled $80.0 million. See our **Chapter 11 Filing Alert** issued March 2 for full details.

wetseal On March 3, Gordon Brothers Brand, LLC was selected as the successful bidder at the bankruptcy auction for the Wet Seal, DIP brand name. The bid of $3.0 million exceeded the $1.5 million stalking horse Bid submitted by YM Inc., a Canadian retailer. See our **Chapter 11 Case Summary** for more details.

Upcoming Earnings

DSW – 4Q16 (3/14)

Christopher & Banks – 4Q16 (3/15)

Future Outlook Analysis

Trouble for Tailored Brands (TLRD), known as Men's Wearhouse until January 29, began in 2013, when the Company ousted its founder for undisclosed reasons and started a takeover battle with Jos. A. Bank Clothiers, Inc. Following TLRD's eventual acquisition of Jos. A. Bank for $1.82 billion, management wanted to bring Jos. A. Bank's promotional pricing model more in line with its own and, as such, eliminated the "buy one, get three" model in the latter half of fiscal 2015. This caused a majority of Jos. A. Bank's recurring customer base to leave, and as a result management decided to record a $1.24 billion goodwill and intangible asset impairment charge that wrote off approximately 83% of the value of Jos. A. Bank's purchase price. Additionally, in late fiscal 2015, TLRD announced a store rationalization program to cut down its store portfolio and overhead costs. On February 22, ***Creditntell*** analysts released an in-depth analysis on Tailored Brands' operating trends, store base, debt, cash flow & liquidity scenarios and payment trends. Please **click here** to view the report.

Specialty

THE WEEK'S Alerts / Updates / Snapshot Reports

3/2 – Barnes & Noble – Third Quarter Snapshot

2/28 – Jackthreads – Assignment for the Benefit of Creditors

JACKTHREADS As indicated in our **ARMS' Special Alert**, on February 21, Jackthreads, Inc. assigned all its right title and interest in its assets to Jackthreads LLC (the assignee). On February 27, Jackthreads LLC filed a petition for an assignment for the benefit of creditors with the Delaware Court of Chancery. Jackthreads LLC is a newly formed wholly-owned subsidiary of Sherwood Partners, Inc., which specializes in corporate restructurings and liquidations, and frequently acts as an assignee for the benefit of creditors. The business is being operated for the sole purpose of monetizing the inventory and accounts receivables. When the monetization efforts are complete, the business will cease operations. Jackthreads, Inc. operated as a members-only online retailer of clothing, shoes and accessories.

BARNES&NOBLE Barnes & Noble's third quarter sales declined 8% to $1.30 billion, reflecting an 8.3% decrease in comps, six store closures and a 25.7% drop in NOOK sales. Management attributed the decrease in comps to lower store traffic, as well as declines in coloring books, art supplies and last year's best-selling album by Adele, which collectively accounted for nearly one third of the sales drop. Quarterly EBITDA declined 6.6% to $157.8 million. Retail EBITDA declined 11.1% to $160.2 million, and NOOK EBITDA losses improved $8.8 million to ($2.4 million). Net income slipped 12.5% to $70.3 million. During the quarter, the Company closed four net stores.

Third Quarter	Q17	Q16	%Chg	YTD17	YTD16	%Chg
Sales	$ 1,300.9	$ 1,413.9	(8.0%)	$ 3,073.3	$ 3,287.2	(6.5%)
Profit/Loss	$ 70.3	$ 80.3	(12.5%)	$ 35.5	$ 6.2	472.6%
Comps	(8.3%)	0.2%		0.0%	0.2%	

As a result of softened trends in late January and into the fourth quarter, the Company now expects full-year fiscal 2017 comps to decline approximately 7%, and consolidated EBITDA to be in a range of $180.0 million – $190.0 million, down from its previous guidance of $200.0 million – $250.0 million. Fiscal 2017 retail EBITDA is now expected to be $200.0 million – $210.0 million, while NOOK's EBITDA loss has improved and is now expected to be approximately $20.0 million, which includes previously announced transitional costs. See our **Snapshot Report** issued March 2 for more details.

AMC Entertainment Holdings reported fourth quarter sales increased 18.1% to $926.1 million. Results include the contribution from two acquisitions completed during the quarter, Odeon & UCI Cinemas Holdings Ltd., and Carmike Cinemas; management indicated it set records for all revenue categories: admissions, food and beverage, and other. Admissions revenues increased 18.1% to $588.9 million, and food and beverages revenues were up 16.6% to $282.5 million. However, profit fell 20.1% to $33.2 million, negatively impacted by $22.8 million of after-tax merger and acquisition expenses, offset by a one-time $19.0 million tax benefit related to tax positions associated with prior acquisitions. CEO Adam Aron said, “Our innovations with powered recliner seats, enhanced food and beverage initiatives and the expansion of premium large format offerings, combined with AMC’s world class marketing efforts, has created industry defining guest experiences and engagement.

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 926.1	$ 783.9	18.1%	$ 3,235.8	$ 2,946.9	9.8%
Profit/Loss	$ 33.2	$ 41.6	(20.1%)	$ 115.9	$ 103.9	11.6%

In concert with a prudent and opportunistic acquisition strategy, 2016 resulted in the successful acquisition of Odeon, Europe’s largest movie exhibitor, and Carmike Cinemas, the nation’s then fourth largest domestic exhibitor, and presented AMC with the opportunity to acquire Nordic Cinema Group, announced in January of 2017. AMC has never been better positioned to leverage our proven strategic initiatives across a growing platform both here in the U.S. and across the globe.”

The Michaels Companies reported fourth quarter sales increased 4.1% to $1.75 billion, which the Company attributed to sales from a net 19 additional stores acquired through the acquisition of Lamrite West in February 2016. However, comps were down 1%, driven by a decrease in customer transaction, partially offset by an increase in average ticket. Profit rose 6.3% to $195.3 million. During the fourth quarter, the Company opened two new Michaels stores and one new Aaron Brothers store; it also shuttered four underperforming Aaron Brothers. CEO Chuck Rubin commented, “We reported fourth quarter results within our initial guidance, and I am encouraged that we delivered market share gains and increased earnings. Looking back on the year, I am pleased we increased our free cash flow to $450.0 million and utilized the strength of our balance sheet to deliver value to our shareholders. Importantly, we made progress against each of the priorities of our Vision 2020 strategy, which is our long-term strategy to increase market share and drive shareholder return.” Looking to fiscal 2017, the Company plans to open 18 new stores (17 Michaels and one Pat Catan) and close up to 10 Aaron Brothers locations. This represents a slower pace of growth compared to fiscal 2016, when the Company opened 36 new stores (32 Michaels, one Aaron Brothers, and three Pat Catan’s) and shuttered 14 underperforming stores (five Michaels and nine Aaron Brothers).

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 1,750.9	$ 1,682.5	4.1%	$ 5,197.3	$ 4,912.8	5.8%
Profit/Loss	$ 195.3	$ 183.7	6.3%	$ 378.2	$ 362.9	4.2%
Comps	(1.0%)	3.1%		(0.5%)	1.8%	

Rent-A-Center’s January comps fell 11.5% at core U.S. locations, offset partially by a 2.5% increase in Acceptance Now comps. Core comps improved sequentially despite remaining under pressure from lower portfolio value coming out of the fourth quarter of fiscal 2016. Acceptance Now comps continued to trend positively, driven by stronger rentals and fees. Interim CEO Mark E. Speese said, “We are encouraged by the early progress on delinquencies and turnover in the core business in January. As expected, it will take more time to implement improvements that will positively impact same store sales, monthly rate, and Acceptance Now delinquencies as we execute on our strategic objectives to deliver improved results for all of our stakeholders.”

Pier 1 Imports reported preliminary fourth quarter sales decreased 2.6%, as the average number of stores declined 3%; comps were up 0.2%. E-commerce sales grew 28%, representing 19.5% of fourth quarter net sales. EPS is expected to range from $0.31 – $0.33, which favorably compares to prior guidance of $0.26 – $0.30. Fiscal 2017 sales decreased 3.4%, and comps were down 1%. EPS is expected to be $0.35 – $0.37, up from $0.30 – $0.34. The Company ended fiscal 2017 with $154.0 million of cash and cash equivalents on hand and no cash borrowings under its $350.0 million secured revolving credit facility. The Company will release full results on April 12.

Personnel Changes

Advance Auto Parts announced Jeffrey Shepherd was appointed SVP, corporate controller and chief accounting officer. Mr. Shepherd previously served as controller for General Motors.

Upcoming Earnings

Evine Live – 4Q16 (3/22)

Future Outlook Analysis

It has now been 12 years since Toys "R" Us (TRU) was taken private, in a $6.60 billion leveraged buyout by Bain Capital, Kohlberg Kravis Roberts & Co, and Vornado Realty Trust. The balance sheet remains highly leveraged, sales momentum has been elusive and margins have tightened since then. The Company failed in its IPO attempt in 2010 as the equity markets were skeptical about the mature company's growth potential. The IPO would have allowed TRU to pay down a portion of its debt and allow its investors to monetize at least a portion of their investment. Over the next few years the Company struggled to gain operational traction as competition, specifically Amazon, began eating away at the toy segment's market share. At the same time, TRU's management turnover (three CEOs in five years) and pending debt maturities disrupted its turnaround efforts. ***Creditntell*** analysts recently released an in-depth analysis on Toys "R" Us' industry landscape, store base, debt, cash flow & liquidity scenarios and payment trends. Please **click here** to view the report.

Drug

On March 2, McKesson and Change Healthcare Holdings (CHC) announced they completed the creation of Change Healthcare, a new healthcare information technology company. The entity combines substantially all of CHC's business and the majority of McKesson Technology Solutions (MTS) into a new company. In conjunction with the creation of the new company, Change Healthcare raised approximately $6.10 billion in debt, which was utilized to fund cash payments of approximately $1.25 billion to McKesson and approximately $1.75 billion to CHC stockholders, cover transaction costs and repay approximately $2.80 billion of existing CHC debt. McKesson owns approximately 70% of Change Healthcare, with the remaining equity ownership held by CHC stockholders, including Blackstone and Hellman & Friedman. McKesson intends to divest its holdings in the new company though a subsequent initial public offering.

In its fourth quarter results, McKesson anticipates recording a pre-tax gain of $2.90 billion – $3.50 billion, which includes $1.25 billion in cash receipts, and associated non-cash income tax expense of approximately $500.0 million – $800.0 million. As a result of the net gain, McKesson will add approximately $10.70 – $12.35 in GAAP earnings per share from continuing operations. As part of the transaction closing process, McKesson will record its share of a one-time, non-cash reduction to the carrying value of its deferred revenue balance. This non-cash adjustment will reduce McKesson's reported earnings in fiscal 2018 by $140.0 million – $170.0 million.

Last Tuesday, Express Scripts said year-over-year spending per person for individual insurance plans sold on the Obamacare exchanges where it manages the pharmacy benefit rose 14% in 2016, driven by higher drug prices and utilization. Express Scripts said per-capita spending for other commercial plans it manages, mostly for employers, rose just 3.8% last year, despite an 11% increase in list prices for brand-name drugs. Drug spending for plans the Company manages under Medicare increased 4.1% last year, while the rise for Medicaid was 5.5%.

According to a recently published report, Express Scripts is opposed to a contractual "gag order" imposed on pharmacists by some of its competitors that bars pharmacists from telling customers their co-payments are higher than the cost of low-cost generic drugs. The extra money, also known as a clawback, goes to the PBMs. According to *Bloomberg*, the practice has prompted at least 16 lawsuits since October filed against insurers UnitedHealth Group Inc., owner of benefit manager OptumRx; Cigna Corp., which contracts with OptumRx; and Humana Inc., which operates its own drug benefit management business. Express Scripts Holding and CVS Caremark, two of the nation's three largest PBMs, haven't been accused of clawbacks.

Amedisys, Inc. a home health care, hospice and personal care company, announced that it has signed a definitive agreement to acquire Tenet Healthcare's home health and hospice operations in Arizona, Illinois, Massachusetts and Texas.

Cardinal Health has completed the acquisition of the Lymphoseek product for lymphatic mapping, lymph node biopsy and the diagnosis of metastatic spread to lymph nodes for the staging of cancer in North America from Navidea Biopharmaceuticals. Navidea received approximately $83.0 million at closing, and will have the opportunity to earn up to $227.0 million of contingent consideration based on certain milestones through 2026, with $17.1 million of that amount guaranteed over the next three years. Cardinal Health will license a portion of the acquired intellectual property back to Navidea.

Personnel Changes

CVS Health appointed a Jonathan C. Roberts to the new position EVP and COO. Mr. Roberts currently serves as president of CVS Caremark, the Company's leading pharmacy benefit management business.

Credit Facility Focus Report

Our interactive Credit Facility Focus Report provides a snapshot of key credit facility data that users can filter by industry segment and/or their personalized portfolio. For each company, this customizable tool provides maximum borrowings, excess borrowing availability/percent available, year-over-year percent change in availability, maturity date and credit rating. The Credit Facility Focus also offers key facility information on users' high-risk accounts using our proprietary credit scoring model. For added convenience, expiring facility dates can be uploaded directly to your Outlook calendar with a single click. Users are encouraged to bookmark the report link to view changes in real time. Please **click here** to view the report.

Casual Dining & Restaurants

THE WEEK'S Alerts / Updates / Snapshot Reports

3/01 – Noodles & Company – Fourth Quarter Snapshot
3/01 – DineEquity – CFO to Resign
2/28 – Bravo Brio Restaurant Group – Fourth Quarter Snapshot

On March 1, McDonald's unveiled its long-term global growth plan. It includes focusing on enhancing digital capabilities and the use of technology in restaurants, in the drive-thru, and on the go, as well as the use of kiosks to place orders. Mobile order and pay will be launched in 20,000 restaurants in some of McDonald's largest markets, including the U.S., by the end of 2017. Currently, McDonald's is experimenting with different delivery models, including partnering with third parties for ordering and fulfillment throughout the world. The Company plans to reimage about 650 restaurants in 2017 and will have approximately 2,500 updated restaurants by the end of 2017, with most of its traditional freestanding U.S. restaurants modernized by the end of 2020.

In November 2015, McDonald's provided targets for its refranchising, general and administrative expense savings and cash return to shareholders. The Company provided an update to this turnaround plan, noting that it is on track to refranchise 4,000 restaurants by the end of 2017, a full year ahead of schedule. McDonald's also noted that it has achieved more than $200.0 million in savings through the end of 2016 towards its goal of reducing general and administrative expense levels by $500.0 million by the end of 2018 and expects to trim another 5% – 10% from its remaining cost base by the end of 2019. In addition, the Company noted that 2016 marked the achievement of its three-year target of $30.00 billion cash return to shareholders and announced a new $22.00 billion – $24.00 billion cash return target for the three-year period ending 2019.

For 2019 and beyond, McDonald's said it expects system-wide sales growth of 3% – 5%, operating margin growth from the high 20% range to the mid 40% range, EPS in the high-single digits and to raise the return on incremental invested capital target from the high-teens to the mid 20% range.

Strategic Sales Insights – McDonald's Corporation

McDonald's is the world's largest restaurant chain in terms of revenue, and second largest (behind Subway) in terms of store count. Within the U.S., the Company has 14,155 locations, 92% of which are franchised; McDonald's plans to become 95% franchised by 2017 year end. Despite its size, the Company's U.S. sales have lagged behind other fast-food chains over the years as a lack of product innovation and heightened competition, including convenience stores and supermarkets, resulted in a decline in foot traffic. Our report takes a close look at the Company's operational and competitive status, including market position, real estate, sales trends and supply chain. It also includes access to our interactive Store Trends report, which provides key real estate health metrics, average sales per store and store count. Please **click here** to access the full report.

On March 2, Buffalo Wild Wings increased its unsecured revolving credit facility commitment by $200.0 million to $700.0 million. This is the second increase in the past six months. Back in October it increased its revolver from $200.0 million to $500.0 million. The facility expires on October 6, 2021 and includes a letter of credit sub-facility of $40.0 million. The credit agreement also contains covenants that require the Company to maintain certain financial ratios, including consolidated interest coverage and consolidated total leverage. As of December 31, 2016, the Company had $170.0 million in outstanding borrowings, leaving $330.0 million in borrowing availability under a $500.0 revolving credit facility. The growing facility reflects an increase in share buybacks. The Company's board authorized an increase to its share repurchase program for an additional $400.0 million, bringing the cumulative authorizations to $900.0 million.

Subway has released results from two independent laboratories that proves its chicken is chicken, disproving a study from CBC Marketplace that suggested the restaurant's chicken contains less than 50% chicken DNA. Subway stated, "Test results from laboratories in Canada and the U.S. clearly show that the Canadian chicken products tested had only trace amounts of soy, contradicting the accusations made during the broadcast of CBC Marketplace." The CBC is not budging on the results of their study and cited the results of the survey that shows Subway's sample had much higher plant DNA than other samples.

Personnel Changes

Popeyes Louisiana Kitchen announced that Cheryl Bachelder will be stepping down as CEO at the closing of the Company's previously announced acquisition by Restaurant Brands International Inc. A new Popeyes leader will be named by Restaurant Brands International at that time.

Strategic Sales Insights – Starbucks

Over the past two decades, Starbucks has changed the coffee-drinking experience in America and is attempting to do so again with its latest plan to bring even more premium coffee to consumers. With over 25,000 Company-operated and licensed stores in 75 countries (more than half are in the U.S.), Starbucks is the largest coffeehouse in the world and has no plans of slowing down. The Company is targeting opening 12,000 new units globally by 2021, boosting its store base by approximately 50%. Starbucks continues to grow in popularity while consistently improving comps in the mid-single digits, through strong branding, product innovation, increased food and beverage offerings, and developing the latest operational and technological systems to support and drive growth. Our report takes a close look at the Company's operational and competitive status, including historical development, market position, sales trends and distribution. It also includes access to our interactive Store Trends report, which provides key real estate health metrics, average sales per store and store count. Please **click here** to access the full report.

Upcoming Earnings

Bob Evans – 3Q17 (3/8)

Retail / Wholesale Food

THE WEEK'S Alerts / Updates / Snapshot Reports

3/02 – SpartanNash – Announces CEO Succession Plan
3/02 – Kroger Co. – Fourth Quarter Snapshot
3/01 – Ahold Delhaize – Fourth Quarter Snapshot

Yesterday, US Foods announced it has agreed to acquire SRA Foods, a meat processor and distributor in Birmingham, AL, with annual sales of approximately $80.0 million. SRA Foods occupies a 70,000 square-foot facility, runs a fleet of 20 trucks and offers about 1,000 products. This acquisition is expected to help strengthen US Foods' center-of-the-plate offerings to its customers throughout the South. The transaction is expected to close in late March. Terms were not disclosed.

Last week, Ahold Delhaize reported solid financial results in the fourth quarter of fiscal 2016, reflecting strength in Delhaize's U.S. operations combined with synergies resulting from the July 2016 merger, offset somewhat by sales weakness at Ahold's U.S. banners. At Delhaize America, comps increased 2.2%, as both Food Lion and Hannaford reported positive comp growth supported by volume growth, which more than offset the negative impact of deflation on sales. Meanwhile, Ahold USA's comps (excluding gasoline) declined 0.2%, reflecting the negative impact of a deflationary market offset somewhat by growth resulting from competitive closures in the Stop & Shop New York metro market during fiscal 2015. In addition, with regard to online sales, management noted that capacity and order volume increased 25% at Peapod's Jersey City, NJ facility, while PodPass, its annual subscription service, grew its customer base 14%. Finally, Hannaford To Go added about 34 pick-up points in five states. For details see our **Snapshot Report**.

XPO Logistics, a Greenwich, CT-based third-party logistics provider hired by Schnuck Markets to run its distribution center in Kinloch, MO, is suing the grocer for breach of contract and seeking more than $1.3 million in damages. In a lawsuit filed in federal court in St. Louis on February 17, XPO alleges that the opening of the facility was rushed, giving it insufficient time to train its new workers. The suit also alleges the new facility had leaking roofs, nonfunctioning employee bathrooms and condensation issues in a produce shipping area. "These and other deficiencies impeded XPO's ability to properly perform its warehouse management services," XPO said in its lawsuit. "The presence of numerous outside contractors at the facility who were continuing to work on these deficiencies further hampered XPO's ability to properly perform its warehouse management services." XPO also alleges that Schnucks has failed to pay it more than $1.3 million in fees/damages to operate the Kinloch facility. Schnucks has denied the allegations in XPO's lawsuit and said it terminated the contract due to XPO's inability to deliver under the terms of its contract. In a letter to Missouri economic development officials, XPO said that as a result of the contract termination with Schnucks, it was laying off 119 full and part-time employees at the Kinloch facility by April 20 or earlier.

According to published reports, FreshDirect is planning to enter the Washington D.C. market sometime in the near future. Last month, the Company indicated it planned to launch service in a new city in the second quarter but did not say where. However, according to reports, anyone in located in D.C. who visits FreshDirect's website now gets a pop-up ad with the tag line: "Hey, D.C., we're coming to your area soon!" It's not yet known if FreshDirect will only cover the District proper or the larger Washington area.

Other grocery delivery services covering D.C. include AmazonFresh, Google Express, Ahold Delhaize's Peapod and Instacart. Last fall, the Company received $189.0 million in funding led by J.P. Morgan Asset Management to help its expansion efforts. It expanded from the New York metro area to the Philadelphia area in 2012 and also serves the Hamptons and the Jersey Shore during the summers. FreshDirect has said it will expand into additional geographies in 2018. Customers pay a delivery fee for individual orders or can become a member for unlimited deliveries for $119 per year.

On March 1, Albertson's Safeway division introduced its new Safeway Community Markets banner in the Northern California towns of Berkeley (2), Los Altos and San Anselmo. This banner is being used on former Andronico's Markets stores, which Safeway purchased in November 2016. Safeway purchased five stores; four are being reopened under the new banner. According to Safeway, the banner "will keep alive the heritage of a local specialty market and provide customers with unique offerings." The stores will carry thousands of local items, and the Company noted that it is "California's largest local produce buyer." Safeway currently operates 282 stores in Northern California, Nevada and Hawaii.

Moody's rated Aramark Services' proposed senior secured bank credit facilities at Ba1. On March 2, Aramark announced the first step in a multi-step refinancing process, which the Company expects will reduce the proportion of senior secured to total debt in its capital structure to around 55% from about 70%. Further details around its future financing plans were not disclosed. The proceeds of the proposed senior secured multi-currency revolving credit facility due 2022, multi-currency term loan A due 2022, Japanese yen term loan C due 2022, and U.S. dollar term loan B due 2024 will be used to repay existing indebtedness and add cash to the balance sheet.

Two Sheetz (*not to the wind we hope*) convenience stores located in Beckley and Star City, WV now offer West Virginia DMV Now kiosks, where customers can renew vehicle registrations and driver's licenses.

Insolvency Support Center

Frank W. Kerr, DIP received Court approval for a stipulation with the Official Committee of Unsecured Creditors, US Trustee and JP Morgan Chase Bank (agent bank) to continue to use cash collateral until March 27. For additional details on the case, see our **Chapter 11 Case Summary**.

The Week's Earnings

Publix Publix's fourth quarter sales jumped 11% to $9.10 billion with an additional week in 4Q16 increasing sales by 7.4%. Comps were up 2.2%. Net earnings increased 4.5% to $544.5 million, benefiting from the extra week. For fiscal 2016, sales rose 5.9% to $34.27 billion, comps increased 1.8%, and net income was up 3.1% to $2.03 billion. During fiscal 2016, the Company opened 15 supermarkets in Florida, eight in North Carolina, three in Georgia, three in South Carolina, two in Alabama and one in Tennessee. Ten supermarkets were closed during the period. Its total store count as of December 31 was 1,136, a net increase of 22 compared to last year.

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 9,100.0	$ 8,200.0	11.0%	$ 34,274.1	$ 32,362.6	5.9%
Profit/Loss	$ 544.5	$ 521.1	4.5%	$ 2,025.7	$ 1,965.0	3.1%
Comps	2.2%	3.2%		1.9%	4.2%	

Effective March 1, Publix determined that its stock price increased from $40.15 per share to $40.90 per share. Publix stock is not publicly traded and is made available for sale only to current Publix associates and members of its board.

Core-Mark Core-Mark Holding's fourth quarter sales rose 36.3% to $3.84 billion. Net sales of cigarettes increased 41.4%, while net sales of non-cigarettes increased 25.2%. Each benefited from market share gains and the acquisition of Pine State Convenience in June 2016. Cigarette sales benefited from a 35.6% increase in carton sales as well as from manufacturers' price increases. Net income increased 5.6% to $18.7 million, including a LIFO expense of $3.2 million compared with $7.3 million last year. For fiscal 2016, sales increased 31.3% to $14.53 billion, driven primarily by significant market share gains, including the addition of Murphy U.S.A. and the aforementioned acquisition of Pine State. Net income increased 5.2% to $54.2 million.

Fourth Quarter	Q16	Q15	%Chg	FYE16	FYE15	%Chg
Sales	$ 3,836.8	$ 2,815.1	36.3%	$ 14,529.4	$ 11,069.4	31.3%
Profit/Loss	$ 18.7	$ 17.7	5.6%	$ 54.2	$ 51.5	5.2%

The Company expects fiscal 2017 sales of $15.20 billion – $15.50 billion, driven primarily by organic growth. It expects adjusted EBITDA of $166.0 million – $173.0 million, EPS of $1.18 – $1.25 (compared to $1.17 in fiscal 2016), and capex of $50.0 million, which will be used for expansion projects, including investment costs associated with its supply agreement with Walmart.

CASEY'S GENERAL STORE In the third quarter of fiscal 2017, Casey's General Stores' reported total sales growth of 13%, to $1.77 billion, with each segment posting revenue gains. Grocery and Other Merchandise comps were up 3%, with an average margin of 31.1%; Prepared Food and Fountain comps were up 5.8%, with an average margin of 61.7%; and comp gallons of fuel sold were up 2.6%, with an average margin of $0.179 per gallon. Fuel margin was slightly below last year, primarily due to rising wholesale costs throughout most of the quarter, partially offset by an increase in renewable fuel credit sales. Despite the increased sales, overall gross margin contraction, combined with a 12.6% rise in operating expenses resulting from increased payroll due to more stores in operation and wage rate increases, led to a 40.1% decline in net income. President and CEO Terry Handley commented, "Although pressures in our operating area persisted throughout the quarter, the Company continues to be an industry leader in same-store sales growth."

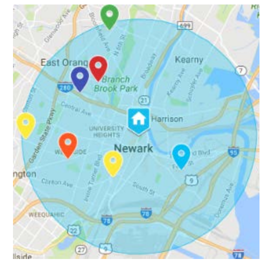
Third Quarter	Q17	Q16	%Chg	YTD17	YTD16	%Chg
Sales	$ 1,770.0	$ 1,565.9	13.0%	$ 5,660.1	$ 5,539.1	2.2%
Profit/Loss	$ 22.8	$ 38.1	(40.1%)	$ 147.4	$ 178.9	(17.6%)

Year to date, the Company built and opened 24 new stores, acquired 14, completed 19 replacements, and remodeled 56 stores. It currently has 33 new stores, 21 replacement stores, and 46 major remodel stores under construction. The Company has 91 sites under agreement for future new-store construction and eight acquisition stores under contract to purchase.

The Company authorized a $300.0 million share repurchase program.

Store Activity

Following the very recent closures of a Whole Foods and Kroger in Augusta, GA, Sprouts and ALDI both announced plans to open there. Sprouts has proposed a store in the Crane Creek shopping center in an area that has been without a full-service grocery store since the closing of Winn-Dixie in 2005. ALDI has filed plans to build its fourth store in the area. Its other nearby locations are in North Augusta, Aiken and Augusta. Lidl has also made plans for stores in the metro Augusta area, with locations in North Augusta and Augusta already underway and a third in the works.



Last week, Whole Foods opened a new store Newark, NJ. The 29,000 square-foot supermarket anchors the renovated Hahne's building, which opened last month after being closed for 30 years. Many Newark residents and officials have labeled the store as a symbol of growth and hope in the city's downtown area. According to our **REtailTools Store Trends Concentration Map**, there are seven competing food retailers within three miles of the new store, including two C-Towns, Acme, Bravo Supermarkets, Key Food, Save-A-Lot and Western Beef.

Retail Locations Provided By AggData.com – Powered By RetailTools.com

The Company is also planning to launch a Brazilian churrasco (beef or grilled meat in Portuguese) restaurant in its Ponce de Leon store in Atlanta, GA later this year. The in-store eatery is tentatively called "The Roast" and is part of the store's remodel. Plans for the location include billiards, a DJ platform, as well as digital-ordering kiosks. The unit will seat about 50 people.

ALDI is opening its second Ventura County location in Oxnard, CA. The 20,000 square-foot store has received an alcohol permit; according to the Company, alcohol is expected to take up about 5% of the store's floor. ALDI has 34 locations in the state, all of them in Southern California. The closest unit to the Oxnard store is in Simi Valley, a store that opened in June.
An ALDI store in Newark, OH is undergoing extensive remodeling and will close for about five weeks, beginning March 26, for renovations. The remodeled store will feature an expanded floor model, a focus on fresh items, a modern design, open ceilings, natural lighting and environmentally friendly building materials. There is a nearby location in Heath. ALDI recently announced a $1.60 billion investment strategy, which includes an extensive plan to remodel and expand more than 1,300 U.S. stores by 2020. Its remodeled stores will include more robust produce, dairy and bakery sections as well as expanded alcohol departments.
Meanwhile, the Company will open its third Spartanburg, SC store on March 16.

Strategic Sales Insights – ALDI

German hard discount chain ALDI is renowned for its low prices and no-frills store model that has brought it success in Europe, Australia, and the U.S. After steadily growing its footprint across the Eastern U.S. since entering the country 40 years ago, the Company has been more aggressively expanding since 2014, with an emphasis on adding locations in Florida, Virginia, Texas and Southern California. By the end of 2018, the Company expects to have close to 2,000 stores nationwide, up from over 1,600 currently. Our report takes a close look at the Company's operational and competitive status, including historical development, market position, sales trends and distribution. It also includes access to our interactive Store Trends report, which provides key real estate health metrics, average sales per store and store count. Please **click here** to access the full report.

Two underperforming King Kullen stores located in Syosset and Commack, NY will close on March 30, after 20 years in business. The Company said it does not expect to shutter any more locations. As stated in our September **Private Company Overview**, "King Kullen is a shrinking local grocery chain that continues to systematically close stores."

Giant Eagle closed three of its Columbus, OH stores on March 3. The Company announced plans to close the stores along with two others in Cleveland, including one GetGo location, back in January. It called the decision to close the stores a "difficult but necessary" one. According to Nielsen, as of January 2017 Giant Eagle operated 25 stores in the Columbus, OH metro area, including two Market District stores. Kroger is the market leader with 62 stores and a 43.5% market share. Walmart operates 19 stores and has a 14.3% market share and Meijer has 11 stores and a 9.2% market share.
Our **REtailTools Store Trends Concentration Map**, shows that the Columbus, OH area is highly congested with numerous retailers vying for the grocery dollar.

Retail Locations Provided By AggData.com – Powered By RetailTools.com

Personnel Changes

Ahold Delhaize's Stop & Shop division appointed Dean Wilkinson as head of Fresh Formats, LLC, the operator of the Company's bfresh stores. Mr. Wilkinson most recently served as regional VP of the Company's Giant Landover Division. Fresh Formats' previous head, former interim SVP of Operations Scott Miller, decided to leave the Company to pursue other opportunities. Ahold Delhaize is folding Fresh Formats into its Stop & Shop operating division as part of a restructuring to support local brands.

Sysco Corporation appointed Anita Zielinski as SVP and chief accounting officer, effective April 3. Prior to joining Sysco, Ms. Zielinski was a member of Ernst & Young's Assurance practice for 20 years.

Sodexo's CEO of the government and healthcare segments worldwide, Debbie White, has decided to pursue an opportunity outside of the Company, effective May 1. Marc Plumart, currently CEO of the seniors segment worldwide, will replace Ms. White as CEO of healthcare and will remain in his current position. Tony Leech, currently CEO of justice services worldwide, will be appointed CEO of justice, defense and government agencies worldwide as of May 1.

SpartanNash promoted Pat Weslow to SVP, distribution sales. Mr. Weslow had been serving as SpartanNash's VP, national accounts.

Upcoming Earnings

Smart & Final **– 4Q16 (3/8)**
United Natural Foods **– 2Q17 (3/8)**
Alimentation Couche-Tard **– 3Q17 (3/14)**

New Monitored Company

We have recently added to our coverage **AdvancePierre Foods Holdings, Inc.**, producer and distributor of ready-to-eat sandwiches, sandwich components and other entrees and snacks, through 11 production facilities and 3 DCs in the U.S. To add this Company to your portfolio, please **click here**.

General Interest

According to The Conference Board, consumer confidence in February reached its highest level since July 2001. The index now stands at 114.8, up from 111.6 in January. According to The Conference Board, "Consumers rated current business and labor market conditions more favorably this month than in January. Expectations improved regarding the short-term outlook for business, and to a lesser degree jobs and income prospects. Overall, consumers expect the economy to continue expanding in the months ahead." The Present Situation Index rose from 130.0 to 133.4, with the amount of respondents saying business conditions are "good" declining slightly from 29% to 28.7%. The Expectations Index increased from 99.3 to 102.4. The percentage of consumers expecting business conditions to improve over the next six months increased from 22.9% to 24%, but those expecting business conditions to worsen also rose slightly from 10.8% to 11.1%.

Click here for our **Quickview App Video** for iPhone and Android

Credit Facility Database	Reports Recently Issued
Beacon Roofing Supply, Inc. **Buffalo Wild Wings, Inc.** **Cabela's Incorporated** **Carter's, Inc.** **Cinemark Holdings, Inc.** **GNC Holdings, Inc.** **The Sherwin-Williams Company** **Tractor Supply Company** **Watsco, Inc.** **Zoe's Kitchen, Inc.**	**Sherwin-Williams – FYE Report** **Zoe's Kitchen – FYE Report** **Buffalo Wild Wings – FYE Report** **Beacon Roofing Supply – 1Q Update** **Carter's – FYE Report** **Tractor Supply – FYE Report** **Watsco – FYE Report** **GNC Holdings – FYE Report** **Weekly Bond Watch** **Cabela's – FYE Report** **WESCO International – FYE Report**

Chapter 11 Daily

Know every Chapter 11 bankruptcy filing the next morning. Word always gets out quickly on the BIG ONES, but now you have a tool that makes sure the mid-and lower-tier filings are not missed. Please **click here** to see what the fuss is about.

With regards from the **Creditntell** Executive and Research Staff. If you have any questions, contact us at **1–800–789–0123**

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