

# TULLY & HOLLAND

INCORPORATED

## Chain Store Sales Quarterly Update

Retailers | Comparable Sales Tracking – 1st Quarter, 2014

Q1 2014 ended May 3, 2014

### Quarterly Overview

For the quarter ended May, 2014, on average the 109 chain stores now tracked quarterly by Tully & Holland reported slightly negative comparable store sales. Fifty-one of the chains monitored (46.8%) reported positive growth in same store sales in Q1 of 2014 versus Q1 of 2013. Stagnating real incomes, unseasonable weather and sagging mall traffic trends resulted in the group posting its first negative quarterly same stores sales growth number since the economy started to recover in late 2009.

### CHAIN STORE COMPARABLE GROWTH

Home Furnishings	6.0%
Beauty Aids	5.4%
Athletic Footwear	4.3%
Men's Apparel	3.8%
Jewelry	3.2%
Warehouse Club	2.9%
Consumer Electronics	2.3%
DIY Home Centers	2.1%
Luxury Goods	2.0%
Off-Price	1.8%
Discount	1.2%
Department Stores	-0.2%
Chain Drug	-0.8%
Mass Merchandisers	-1.1%
Footwear	-1.7%
Books, Toys & Gifts	-1.9%
Specialty Apparel	-2.5%
Sporting Goods	-3.2%
<b>Total</b>	<b>-0.10%</b>

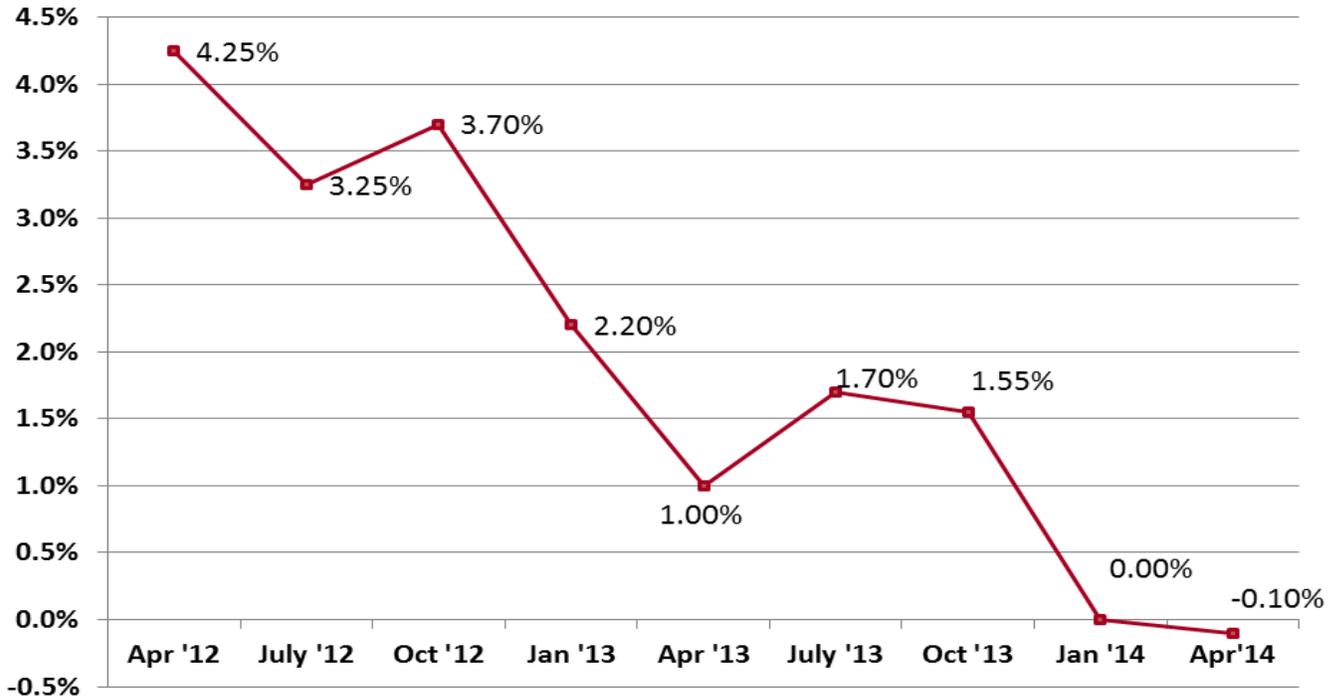
#### **Best Performing Segments**

Home Furnishings, backed by improving housing fundamentals, was again leader of the pack with a 6% increase in same store sales this quarter. The Athletic Footwear subset, with a 4.3% increase in median comp store sales, continued to benefit from product innovation in the running category alongside strong trends in Basketball.

#### **Worst Performing Segments**

Sporting Goods suffered the largest median decrease in same store sales, falling 3.2% for the quarter, as cooler than usual weather, difficult compares in firearms sales, and slowing consumer trends hurt business. Specialty Retail segment continues to see negative trends as a result of the overall decline in mall traffic and lack of product newness.

## Historical Chain Quarterly Same Store Sales Chart



Source: Capital IQ and T&H Analysis

## Key Standouts by Brand

Top 5 Performers	
Free People	25.0%
Kate Spade	22.0%
West Elm	18.8%
Pottery Barn	9.7%
Ulta	8.7%

Free People, Urban Outfitter's relatively young concept, continues to see exceptional growth in productivity while Pottery Barn brand is benefiting from on-target merchandizing and general robustness in the home category.

Top 5 Worst Performers	
Cabela's	-21.7%
Coach (Domestic)	-21.0%
Arden B	-19.4%
Steve Madden	-17.2%
Wet Seal	-16.5%

On the other hand, Coach continues to lose share to the likes of Michael Kors. Outdoor retailers such as Cabela's are bearing the brunt of a levelling off in guns and ammo sales.

Source: Capital IQ and T&H Analysis

## Key Highlights from Quarterly Analyst Conference Calls

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*This year's initiatives include further enhancements to our web platform, which are focused on improving site speed, functionality and our client's buying experience. In addition, we are developing an improved mobile capability across both brands. With approximately 1/3 of our traffic driven by mobile, even a small improvement in conversion can be very meaningful to our bottom line.”*

**Katherine Lawther Krill, Chief Executive Officer, President and Executive Director, ANN Inc.**

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*Here in the U.S., as we survey our guests and monitor consumer sentiment, we continue to see what we have seen for some time, signs of optimism, combined with reasons for continued caution.”* **Kathryn A. Tesija, Executive Vice President of Merchandising & Supply Chain, Target**

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*So I think the promotional activity, I would describe it as disruptive, chaotic and really is across the entire industry. And I think what you're seeing is business has been tough and I think that most retailers, to address that, are just price reducing in a degree that I've never ever seen before.”* **Deborah L. Ferrée, Vice Chairman and Chief Merchandising Officer, DSW Inc.**

Source: Capital IQ: Earnings Conference Call Transcripts

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*Yes, the competitive issue has been -- it's been made more dramatic by the fact that the online business has really made things much more transparent and really better for customers since there's -- all the choices are out there.”* **Peter E. Nordstrom, President of Merchandising, Executive Vice President and Director, Nordstrom Inc.**

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*The area of our business that was toughest in the quarter was home, which experienced weakness across the board, including Big Ticket. We believe this is, in part, due to year-rounding very strong performances over the past couple of years and may also relate to fewer housing starts and lower existing home sales”* **Karen M. Hoguet, CFO, Macy's Inc.**

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*Sure. So like other retailers, the unfavorable weather impacted our business early in the quarter. As we mentioned in our release, sales improved in April as the weather improved and also with the Easter shift.”* **Michael J. Hartshorn, CFO, Principal Accounting Officer and Senior Vice President, Ross Stores Inc.**

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