

Financial

Retail Stocks Soar 2.7%

By Evan Clark

RETAIL STOCKS SURGED 2.7 PERCENT Thursday, retaking ground not seen since October, as the Dow Jones Industrial Average broke through the 9,000 mark.

Investors were driven by some encouraging news on earnings, including eBay Inc.'s forecast for better-than-expected third-quarter profits, and word that existing home sales rose for the third consecutive month.

While the economy has shown some signs of improvement, with credit markets rebounding, the toll exacted by a 9.5 percent unemployment rate remains a big question mark for retail.

"Less bad is good enough right now [for investors]," said Marie Driscoll, equity analyst at Standard & Poor's. "That may well change going forward."

The S&P Retail Index advanced 9.29 points to 352.53, the first close over 350 since Oct. 1, when global markets were in free-fall and the credit crunch was worsening.

Retailers joining in the rush included New York & Company Inc., up 13.6 percent to \$3.60; AnnTaylor Stores Corp., 11.9 percent to \$9.60; Coldwater Creek Inc., 11.4 percent to \$6.27; Charlotte Russe Holding Inc., 9.5 percent to \$14.50; Dillard's Inc., 9 percent to \$9.05; Chico's FAS Inc., 6.8 percent to \$10.83; Nordstrom Inc., 6.3 percent to \$25.79; Macy's Inc., 4.8 percent to \$13.28, and J.C. Penney Co. Inc., 0.5 percent to \$29.42.

But even the good news supporting Thursday's rally had a touch of gray.

June home sales did increase 3.6 percent from a year earlier, but the median home price fell 15.4 percent to \$181,800, according to the National Association of Realtors.

Retailers now also have to contend with the possibility that Amazon.com will become a more aggressive player in the fashion world after reaching a deal to buy online shoe and apparel merchant Zappos.com.

"This acquisition could put Amazon on a competitive collision course with key department stores," said Credit Suisse analyst Michael Exstein, pointing specifically to Nordstrom, Penney's and Macy's.

Zappos.com, which has sales of about \$1 billion and is primarily a shoe seller, could also pressure companies with big footwear businesses, such as Jones Apparel Group Inc.

Pacific Sunwear of California Inc. was one of just a few apparel retailers to miss out on Thursday's rally. Its shares slumped 10.3 percent to \$3.05 after the firm said its second-quarter loss and same-store sales declines would be worse than projected.

The Anaheim, Calif.-based retailer now expects losses of 22 to 24 cents a share instead of the 11 to 17 cents anticipated in May. Comps, originally expected to drop 17 to 20 percent, are now expected to fall about 24 percent.

American Apparel Inc. shares rose 11 cents, or 3.1 percent, to \$3.70 in trading Thursday, but the retailer said after the close of the markets that it would restate its 2008 consolidated financial statements, moving \$33.4 million of \$49.4 million borrowed under its revolving credit facility into current liabilities from the long-term debt category. It said the change to the balance sheet would not affect its previously reported cash position, profits or sales figures.

— With contributions from
Alexandra Steigrad and Matthew Lynch

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CIT Sees 3 Possible Bidders for Unit

By Vicki M. Young

WITH TALK OF A PREPACKAGED bankruptcy swirling around CIT Group Inc., three potential bidders for its profitable factoring arm appear to have emerged.

Word surfaced July 16 that J.P. Morgan Chase was looking to acquire CIT's factoring business, but a spokeswoman for J.P. Morgan declined comment.

If it makes a run at the CIT unit, the bank will face competition from GMAC Financial Services and W.L. Ross & Co., both of which are also said to be eyeing the factoring operation, according to investment bankers. GMAC does have a factoring business, while W.L. Ross does not, although chairman and chief executive officer Wilbur Ross said earlier this year that at some point his firm will likely acquire a financial institution. A spokeswoman for GMAC declined comment, while Ross could not be reached for comment.

The factoring arm of CIT finances at least \$50 billion in wholesale inventory, and provides financing to about two-thirds of the fashion industry, sources said.

Many fashion firm advisers expect CIT's factoring arm may find a new home.

Gilbert Harrison, chairman of investment banking firm Financo Inc., said, "The factoring assets are most valuable, and every day they lose more value since the clients are looking at more secure sources from other banks and factors."

Victor Wahba, accounting partner at Weiser LLP, added, "CIT will need to be

broken up. The commercial finance side will wind up somewhere intact."

According to Michael Appel, managing director of Quest Turnaround Advisors, "A prepackaged restructuring is done out of court, with all the senior lenders locked up and other credit groups having prenegotiated certain issues before filing the bankruptcy court petition."

Citing General Motors and Chrysler, Appel said prepacks, as they are called, are "looking increasingly successful. Companies don't want to go into Chapter 11 and languish in court. With other bond payments due shortly after the planned Aug. 17 exchange, there may be a feeling that not enough restructuring of debt has been done."

Meanwhile, many vendors have decided not to take any chances. Louis Cappelli, ceo of Sterling National Bank, said, "There are an awful lot of people seeking a new home."

He added his bank has been "getting numerous calls in the last week to 10 days. We also have a very close relationship with many [accountants] who are in contact with us and who are instrumental in working with manufacturers and vendors."

Cappelli said his bank has seen a wide range of potential new clients from small to large firms, many with strong balance sheets and some that are less so.

While his bank has a factoring operation and the capacity to take on new clients, he suggested that a CIT failure would cause some disruptions, as it "takes some time for water to seek its own level."

Inter Parfums Sales Drop Levels Off

INTER PARFUMS INC.'S SALES DECLINES MODERATED in the second quarter, and the company projected further improvement in the second half.

The New York-based firm reported net revenues for the second quarter ended June 30 of \$88.6 million, down 10.6 percent from \$99.1 million in the same period a year ago, and off 3 percent at comparable exchange rates. The double-digit dip was better than the 19.4 percent decline — to \$179 million from \$222.2 million — registered during the first half. Excluding currency effects, the first-half decrease was 13 percent.

Jean Madar, chairman and chief executive officer, said, "In light of the worldwide decline in consumer spending and the corresponding destocking of fragrance inventories by distributors and retailers, our 10.6 per-

cent decline in net sales is rather modest and considerably less than many of our peers."

The firm's European-based operations generated sales of \$79.4 million, compared with \$83.9 million in the same period in 2008. Second-quarter sales of U.S.-based operations declined to \$9.2 million from \$15.2 million.

The company stated that, "based upon its new product launch schedule, as well as the seasonality of its business, [Inter Parfums Inc.] expects a stronger second half." It maintained full-year guidance for sales of \$390 million and net income of \$21 million or 70 cents a diluted share.

Meanwhile, the firm's Paris-based affiliate, Inter Parfums SA, posted first-half 2009 net sales of 121.3 million euros, or \$161.71 million at average exchange, down 5 percent from the 2008 quarter.

By beauty brand, Lanvin's revenues rose 25 percent to 19 million euros, or \$25.3 million. Burberry's business fell 11 percent to 77.8 million euros, or \$103.72 million, due to a high year-ago comparison. Inter Parfums stated. In the first half of last year, Burberry's fragrance business grew 19 percent. Van Cleef & Arpels' revenues gained 4 percent to 9.4 million euros, or \$12.53 million. Paul Smith's sales dropped 13 percent to 5.4 million euros, or \$7.2 million in the period.

Inter Parfums said markets such as the U.S., U.K., Spain, Brazil and Argentina remained adversely impacted by local economic conditions. "Satisfactory" performances were noted in France, China and Saudi Arabia. Meanwhile, business in Russia has improved since the start of 2009, according to Inter Parfums.

Amid reduced visibility, the company expects a "marginal decline" in revenues for full-year 2009.

— Jennifer Weil and Matthew W. Evans

10 BEST PERFORMERS

DAILY		COMPANIES	P/E	VOLUME	AMT	
HIGH	LOW				LAST	%CHANGE
1.95	1.61	Quiksilver (ZQK)	-	4355675	1.92	+18.52
14.16	12.16	Skechers (SKX)	17.9	2669840	13.95	+18.02
3.62	3.14	New York & Co. (NWX)	-	1423127	3.60	+13.56
5.34	4.81	Developers Diversified (DDR)	-	5718118	5.34	+12.90
9.95	9.08	Ann Taylor (ANN)	-	6494741	9.60	+11.89
0.57	0.50	Phoenix Footwear (PXG)	-	1000	0.57	+11.76
6.47	5.35	Coldwater Creek (CWTR)	-	3379533	6.27	+11.37
11.99	10.56	Jones Apparel (JNY)	-	3657066	11.88	+11.34
13.76	12.30	Movado (MOV)	-	296069	13.74	+10.54
14.93	13.60	Charlotte Russe (CHIC)	-	833291	14.50	+9.52

10 WORST PERFORMERS

DAILY		COMPANIES	P/E	VOLUME	AMT	
HIGH	LOW				LAST	%CHANGE
0.13	0.13	Cygn Designs (CYDS)	-	17000	0.13	-18.75
3.25	2.90	Pacific Sunwear (PSUN)	-	3614173	3.05	-10.29
0.42	0.39	Charles & Colvard (CTHR)	-	18780	0.39	-9.32
2.50	2.26	Tandy Brands (TBAC)	-	2182	2.26	-6.61
16.58	15.48	Gap (GPS)	12.2	23163683	15.71	-2.78
1.96	1.78	Unifi (UFI)	-	396543	1.93	-2.53
17.05	16.13	Duckwall-Alco (DUCK)	78.1	8380	16.79	-2.27
5.08	4.83	Zale (ZLC)	-	424713	4.86	-2.21
1.90	1.83	Parlux Fragrances (PARL)	-	36908	1.83	-1.61
3.69	3.65	CCA (CAW)	23.1	2096	3.65	-1.35