

September 16, 2004

## BREAKING NEWS

### Financial outlook helps boost shares of Fresno, Calif.-based department store

Sep 16, 2004 (The Fresno Bee - Knight Ridder/Tribune Business News via COMTEX) -- Gottschalks shares soared more than 22 percent in trading Wednesday, after the department-store chain announced an upbeat financial forecast with plans to open four stores during the next two years.

Gottschalks stock climbed \$1.08 to \$5.90 a share in trading Wednesday on the New York Stock Exchange. About 327,400 shares were traded, more than 25 times the average daily volume during the past three months.

Investors are "finally getting them on the radar screen," said **Lyron Bentovim**, managing director of **Skiritai Capital** of San Francisco. The company has been buying Gottschalks shares over the last two months.

After closing money-losing stores and controlling costs the past few years, company officials on Wednesday announced a plan to add stores and increase private-label merchandise.

The Fresno-based company has 63 department stores and 10 specialty stores in six western states. Company officials said the new stores will be in "growing markets where opportunities exist for distribution and marketing synergies with its current store base."

The first of those will be a 100,000-square-foot department store in mid-2005 that will anchor the final phase of the River Park shopping center in north Fresno.

The high-end store also will be a prototype for a 60,000-square-foot store the company plans to use in smaller markets, officials said.

Jim Famalette, president and chief executive officer of Gottschalks, would not identify other sites for new stores, but added they may be in Northern California and Southern Oregon.

The expansion plans were announced two days before Gottschalks celebrates its 100th anniversary.

"As we commemorate 100 years of service, we intend to build on the programs we are currently implementing to achieve strong, consistent, long-term growth for our shareholders," Famalette said.

He said the expansion is possible because Gottschalks spent the last two years cutting costs and improving its financial performance. The company plans to spend at least \$12 million annually for the new stores and renovating existing outlets through 2006.

Gottschalks anticipates earnings of \$5 million to \$6 million -- or 41 cents to 43 cents per share -- for this fiscal year. The company estimates earnings of up to \$9 million, or 65 cents to 70 cents per share, in its 2005 fiscal year.

"Having passed the mid-point of 2004, we are confident in our ability to deliver solidly improved results this year," Famalette said.



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The company's total sales are expected to grow more than 3 percent with the addition of the new stores.

Gottschalks has completed an impressive turnaround, closing several stores in the Pacific Northwest and cutting costs after losing \$12 million in 2002. The regional retailer also sold its credit-card division last year.

"They got their house in order," said **Bentovim** of **Skiritai Capital**, which has been following Gottschalks for the past 18 months.

Gottschalks "wants to expand in a measured way rather than in a big expansion like a few years ago. They learned a lot of lessons and don't want to repeat the same mistakes," he said

Famalette said the company continues to monitor the progress of some stores and that one or two may close. Gottschalks' lease in Fig Garden Village expires early next year and Famalette said that store may close.

"There is a possibility that store won't be there in the future," he said, adding that much of the merchandise in the Fig Garden store also will be available in the Fashion Fair store.

By Sanford Nax

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