

PENNEY, KOHL'S SET PACE FOR DEPARTMENT STORES

Mid-tier department stores – notably JC Penney Co. and Kohl's Corp. – enjoyed record sales and profits during the fiscal fourth quarter ending Jan. 29.

Penney reported net income of \$333 million, compared to a \$1.07 billion loss for the same period a year ago. Kohl's was right behind, with net income of \$324 million, up from \$244 in 2004.

Overall, department store sales were up 3 percent, with internet and catalogue sales up almost 4 percent.

Penney and Kohl's said February sales were strong, suggesting the upward trend is ongoing. Penney executive announced 20 department stores will be added this year, over half in a new off-the-mall format. Kohl's also prefers the off-the-mall location.

During the fourth quarter Penney reported sales of \$6.07 billion. Kohl's sales in the same period were \$4.08 billion. Both cited strong inventory control, more effective merchandising, and store improvements behind the increased profitability.

EARNINGS UP, SALES FLAT AT GAP, LIMITED BRANDS

Specialty store chains Gap Inc. and Limited Brands Inc. reported higher net income during the fourth quarter. Good news.

The bad news is that sales declined or were flat. Gap same-store sales were down 3 percent, with Old Navy down 4 percent and Banana Republic off 1 percent.

Limited's apparel sales were down 14 percent, with performance of Limited Express described as "well below expectations." Limited said its sales at Victoria's Secrets and Bath and Body Works enjoyed strong holiday sales.

SARA LEE HOSIERY, APPAREL IN SPIN OFF

Sara Lee has announced it will spin off its apparel division that

includes hosiery operations, with the headquarters to remain in Winston-Salem NC.

Sara Lee Branded Apparel, now a division of the conglomerate, will become an independent publicly-traded company. Brands include Hanes underwear and socks, Champion sporting apparel, and L'eggs sheer hosiery. Hanes Hosiery and Adams-Millis Hosiery Co. of High Point were acquired by Sara Lee in the 1980s.

The unit has \$4.5 billion in annual sales and employs 8,000 people in North Carolina, about 5,000 of which are in the Triad.

Sara Lee announced it will focus on food, beverages and household products.



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