

EVENT: THE FORZANI GROUP LIMITED - FOURTH
QUARTER & YEAR-END FISCAL 2006 FINANCIAL
RESULTS CONFERENCE CALL
TIME: 10H00 E.T.
REFERENCE: 21181626
LENGTH: APPROXIMATELY 61 MINUTES
DATE: MARCH 24, 2006

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

OPERATOR: Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the Forzani Group Q4 and Year-End Fiscal 2006 Financial Results Conference Call. At this time, all participants are in a listen-only mode. Following today's presentation, instructions will be given for the question-and-answer session. And if anyone needs assistance at any time during the conference, you may press the * key followed by the 0 on your pushbutton phone.

As a reminder, this conference is being recorded today, Friday, March 24th, 2006.

I would now like to turn the conference over to Mr. Bob Sartor, Chief Executive Officer of the Forzani Group. Please go ahead, sir.

BOB SARTOR (Chief Executive Officer): Thank you, and good morning, ladies and gentlemen, and welcome to our Q4 conference call.

With me today, and in the order that they will be speaking, are Richard Burnet, our Chief Financial Officer; Bill Gregson, our President and Chief Operating Officer; and Tom Quinn, the President of our Franchise business.

Before beginning our conference call discussion, I'm going to ask Richard Burnet, our CFO, to provide us with a comment regarding forward-looking information.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

RICHARD BURNET (Vice President and Chief Financial Officer):

Thanks, Bob. As we conduct this conference call, there are remarks that we will make about future expectations, plans, and prospects which will constitute forward-looking information. The Corporation's actual results could differ materially from a conclusion, forecast, or projection in such forward-looking information. Certain material factors or assumptions were applied in drawing a conclusion or making a forecast or a projection as reflected in such forward-looking information. Additional information about the material factors that could cause actual results to differ materially from the conclusion, forecast, or projection in the forward-looking information, and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection, as reflected in the forward-looking information, are contained in the press release filed this morning and in other publicly available information filed on SEDAR.

BOB SARTOR: Thanks. Well, that was fun. Q4 delivered record earnings for our company, yet we did not hit the quarterly estimates that have been published by the analyst community that follows the company.

Careful review of the few published reports that provide quarterly P&L detail indicated that we beat the top-line estimates, we beat the market estimates, and we beat the store operating expense estimates,

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

only to give it back on very aggressive G&A estimates, as far as we could tell.

Our focus, as you know, has been on getting the sales and margins back, during the back half, and we've more than exceeded expectations in that regard.

On the G&A front, you should expect some good news, going forward, on that as well.

Richard's going to spend some significant amount of time in his remarks addressing G&A, and ensuring that it is clear to all what our Q1 and our go-forward run-rate for G&A will be. And when I come back in my closing remarks, I will also talk about our overall prospects.

Richard?

RICHARD BURNET: Thanks, Bob. Ladies and gentlemen, given that there was considerable financial detail in this year's press release, I'll limit my comments to financial highlights, though I will expand on our G&A expenditures, as they were one area that stood out in comparison to the prior year in both the fourth quarter and annual results.

For the fourth quarter, retail system sales for the quarter were \$438 million against last year's \$366.6 million, a 19.5 percent increase.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Corporate comp store sales were up 10.1 percent, Franchise up 5.3 percent, for an overall comp store sales increase of 8.3 percent.

Total revenues were \$342.2 million, versus last year's \$274.3 million, a 24.8 percent increase.

Breaking out revenues, Corporate store revenues of \$287.8 million were up 25.4 percent, and the Wholesale sales of \$54.4 million were 21.4 percent ahead of last year's fourth quarter.

Consolidated margins for the quarter were 37.9 percent, 50 basis points above last year. Corporate store operating expenses, as a percent of retail revenues, were 21.5 percent, a decrease of 170 basis points over the prior year, and on a comp store basis, expenses were 20.1 percent versus 22 percent last year.

G&A expenses at \$28.8 million were 8.4 percent of consolidated revenues. The difference over the prior year, excluding normal year-over-year increases, were related to a National Sports central costs of \$2.1 million; an additional media spend in the quarter of \$3.1 million; costs to operate a Precision Retailing Group of \$0.7 million; and a variance in stock-based compensation expense of \$2.5 million, as a result of a forfeiture of stock options in the prior year, which reduced our comparable G&A rate and dollars.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

The G&A run-rate, exclusive of these expenditures, was roughly 6.4 percent, against the prior year's 6.7.

To expand on these expense areas, the National Sports central costs, in this first year of operations under the FGL mantle, ran at roughly 9 percent of related revenues, and as a result, skewed the overall G&A run-rate. These costs will be lower in fiscal 2007, as we've now completed the integration of National's back-office functions, specifically Accounting, Payroll, Human Resources, IT, and the Distribution Centre.

The increased media spend, as Bob pointed out in our Q3 conference call, was made to drive consumers back into our stores after a very tough first half of the year.

While we will spend more absolute dollars in fiscal 2007, to keep pace with our store growth, the spend will be in line with historic levels from a rate perspective.

The cost of our Precision Retailing Group is necessarily an ongoing and integral part of our infrastructure spend. Having said that, fiscal 2006 was a start-up year for the group, whose impact on sales, margins, and inventory churns will not begin to be realized until they've completed a full buying-and-selling cycle, the first of which occurs in the fall of this year.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

The variance in stock-based compensation expense was a one-time item in fiscal 2005 that reduced last year's G&A rate. That will not be repeated.

To reiterate, our G&A expense lines will return to more historical levels in fiscal 2007, plus the addition of new lines such as the Precision Retailing Group.

Fourth quarter EBITDA was \$38.9 million, a 26.3 percent increase over last year. Net earnings for the quarter were \$17 million versus \$12.7 million last year.

Diluted earnings per share were a record \$0.51 in the quarter, up 30.8 percent over the prior year, and cash flow from operations was \$27.4 million, up 33.7 percent over last year.

For the year, retail system sales were \$1.3 billion versus last year's \$1.1 billion, an 18.2 percent increase. Corporate comp store sales were up 3.8 percent, and Franchise up 6.5 percent, for an overall comp store sales increase of 4.7 in the year.

Total revenues were \$1.13 billion against last year's \$985.1 million, a 14.6 percent increase.

Corporate store revenues were \$856.1 million, up 19.1 percent, with Wholesale sales up 2.6 percent at \$273.3 million.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Consolidated margins for the year were 33.9 percent, flat with the prior year. Store operating expenses as a percent of retail revenues were 26.3 percent, against last year's 26.6 percent.

The G&A run-rate for the year was 7.9 percent of consolidated revenues, versus 6.8 the prior year, and as I commented in the quarter results summary, G&A costs were inflated by several specific expenditures that, on an annual basis, totaled about \$16.2 million of the absolute dollar increase of \$22.2 million. Exclusive of those items, G&A represented 6.9 percent of revenues, versus last year's rate of 6.8. Again, fiscal 2007's spend will be more in line with historical rates.

The year's EBITDA was \$69.2 million against last year's \$76.5 million. Net earnings for the year were \$13.8 million against \$21.5 million last year. Diluted earnings per share were \$0.42, versus \$0.66 in fiscal 2005.

In terms of our balance sheet, the company finished the year with a working capital surplus of \$119.4 million, \$126.4 million in '05, and a working capital ratio of 1.5 in both '05 and '06.

A.R. days outstanding were down at year-end, and our inventory investment, on a comp store basis, has been reduced by approximately 9 percent over the prior year.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

I'll now turn it over to Bill Gregson for his comments on the business.

BILL GREGSON (President and COO): Thanks, Richard. Well, on the Corporate side for the quarter, a very satisfying quarter, one of the best we've had in a long time. Obviously, as we said, a record Q4.

In terms of sales, we talked about Corporate sales being up in the 10 percent range. Margins were also up in the Corporate stores side, and store expenses, as a percent of sales were down.

[inaudible], obviously, in double-digit comps, had a higher margin with a lower expense rate.

In terms of categories for sales, all major categories were up for the quarter, and in terms of inventory, as Richard said, overall comp inventories down 9 percent, but more importantly, winter categories, which would include ski, snowboard, and outerwear, down high-double-digits, in terms of relative to last year for inventory at the end of January, which means that we go into next winter season with the cleanest inventories we've had in a long time.

In terms of the first quarter so far, after 7 weeks -- and we are in Week 8 now, so Week 7 would take us to last Sunday -- National Sports is now a comp banner, and we reported total comp sales for the Corporate

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

side for the first 7 weeks of 17.2 percent, all banners posting positive comps, and with, again, with strong margins.

So, a great Q4, a great start to Q1. The calendar is a little different right now. Easter is this--... I think Good Friday is this week. Sorry, last year, Good Friday was this week; it's 3 weeks later. And we prefer the later Easter, because the weather typically has changed by then. And so, for the next few weeks, sales, though, are kind of topsy-turvy, depending on whether there was a holiday or not. But we think that the later Easter bodes well as well, going forward, for the rest of the quarter.

And I'll turn it over to Tom Quinn now to talk to Franchise.

THOMAS QUINN (President, Franchise Division): Thanks, Bill. Good morning, ladies and gentlemen.

As you have seen by the results, our quarter, and our Franchise business has had a very solid quarter and a solid year at a 6.5 percent comp increase.

Our latest development into Specialty Retailing, with Nevada Bob's Golf, Hockey Experts, and Pegasus, has provided us with new vehicles to grow our Franchise business nationally, on what we believe, from our first year's experience, to be very strong growth vehicles. These banners are profitable for FGL and our owner-operators.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

The addition of Fitness Source and, as it converts to a franchise banner format this fall, will add to the stable of brands for additional developments.

This year, we did open our first multi-banner formats in Power Centres that have presented us with interesting business models which can be very attractive to a potential owner-operator. These can be in combinations of anywhere from 2 to 6 of our banners, to drive better real estate costs and lower back-office expense for the franchisee, and create an attractive destination for our consumers.

Our core Franchise banners continue to perform well, and we continue to see growth through these banners in our footwear, clothing, ski, snowboard, racquet sport, and bike categories.

We have been fortunate to attract some very knowledgeable and experienced independent golf retailers to our Nevada Bob's Golf banner in various regions, and we see our store base doubling from one year ago. We will continue to aggressively grow our market share in the golf category.

We have also upgraded our technology in our Franchise buying and store operations processes, that are already delivering measurable improvements in performance.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

We continue to be very optimistic about FGL's growth opportunities in our Franchise business for the next several years, and this year has started off well again.

Thank you, and I'll now turn it back to Bob.

BOB SARTOR: Thanks, Tom. Ladies and gentlemen, as you read in our press release, we are on a bit of a sales and margin roll, with two solid quarters under our belts in our Corporate stores, and a resounding start to Q1 of this year. Our Franchise store comps, not to be outdone, posted a solid 4.2 percent increase after 7 weeks.

It's important to note that our Franchise business has comped nicely for 6 straight years, and continues into the first quarter of fiscal '07 -- stellar business.

On the Corporate side, our Q1 results to date speak, frankly, to all of the hard work and investment, both in terms of capital and operating spends, that have been undertaken -- comps to date of 17.2 percent, and, just as importantly, stronger margins.

Richard has provided, in his remarks, a view to what the G&A go-forward expectations are. This should help ensure that all are on the same page with respect to this area. As you know, we stopped providing

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

guidance last year, and notwithstanding the wide variation in Q4 estimates, it is not our intention to resume providing guidance at this stage.

I believe, given the year we have just completed, a year of significant change to our approach to building our assortment, to our marketing, and to our largest banner, SportChek, that getting a read on our business could not have been easy. Combine that with the acquisition of National Sports, the development of our Precision Retailing Group, and the fleshing out of our Visual Merchandising group, and our investment spend in marketing that relaunched SportChek, and the stage was set for a difficult read on quarterly results indeed.

As I said in my Q3 remarks, there is a time to save money, and there is a time to spend it. Fiscal '06 was definitely the time to spend it. I had also indicated in my Q3 remarks that media spending for next year, the year we are now in, would return to historically normal levels.

And, while our ad spending in Q4 was, as a percentage of sales, lower than it was in Q3, it was nonetheless a little higher than initially forecast, as we took advantage of some media opportunities in Q4.

Street expectations of \$0.63 in the fourth quarter proved to be, in my view, not realistically achievable. They would have represented a 26 percent increase from our all-time previous best Q4. And certainly,

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

where we were in the process of making significant changes to our Corporate stores, and the investments we were making, as I said, both on the operating and capital side, we were really focused on exiting this year, after the tough first half we had, with good results, with good momentum, with a squeak-clean balance sheet, so that we could have a really good start to, obviously, fiscal '07, and we have achieved that.

Certainly, one of the things that I think is important for those following our company to understand is we have a real different view now to handling markdowns. For example, in the quarter just completed, we really took our markdowns in that quarter. So we try and exit our quarters now as clean on the inventory side as possible. And we will invest margin to do so, in any given quarter, and we did that in Q4, and still ended up with very nice record results.

In conclusion, Q4 was a record for our company, and the back half was very strong. While as a public company, we have a keen eye to quarterly results, as we must, as a management team we remain focused on the long-term growth and profitability of our business.

I'll now turn it over to our moderator for a brief Q&A.

OPERATOR: Thank you, sir. Ladies and gentlemen, at this time, we will begin the question-and-answer session. If you do have a question, you

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

may press the * key followed by the 1 on your pushbutton phone. Once making that choice, if you'd like to decline from the polling process, you may press the * key followed by the 2 to remove yourself. You will hear a three-toned prompt, in either case, acknowledging your selection. Questions will be polled in the order they are received. As a reminder, if you are using speaker equipment, in most cases you will need to lift the handset before pressing the numbers. Just a moment, please, for our first question.

And our first question is coming from Jim Durran of National Bank Financial. Please go ahead, sir.

JIM DURRAN: Good morning. Just on gross margins, with the margin up 50 basis points, but it was up about 203, I think it was, in the previous quarter. What was the major contributor to it not being as robust this quarter? Was it your markdown strategy, or other factors?

BOB SARTOR: Jim, it's Bob Sartor. There's a couple of issues. I mean, there were a number of factors in play there. Obviously, the fact that we do take markdowns in season now is one. Typically, the business mix of wholesale to retail also impacts it, and that would have had an impact during the quarter.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

But as it relates to the overall market, what we're looking at is--... The biggest factor, I think, is in-season markdowns, and that's a new sort of strategy that we pursue. The second piece is going to be the retail-wholesale mix.

We did not see any pricing pressure in the quarter. I think those pricing pressure days are behind us. In fact, we haven't seen pricing pressure in the past fiscal year.

JIM DURRAN: Okay. Can you talk to us about expectations on capex spend and square footage growth for this year?

BOB SARTOR: Actually, we haven't published those yet. We will be, in the month of April, providing some direction on capex and on square footage, so stay tuned for that one.

Suffice it to say that, on the Corporate side, we can say, directionally, the focus is more so driving sales per door. We certainly have real estate coverage, although we will be opening some stores, and we'll provide some detail on that next month.

And on the Franchise side, we will be more aggressive because we do have our Specialty banner business focus that appears to be gaining a tremendous amount of momentum.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

As it relates to capex, you should expect to see capex levels down. As I said just a second ago, we'll provide you more specificity next month.

JIM DURRAN: Okay. Well, last question and I'll let somebody else take over. The Accounts Receivable were up about 18 percent, year over year. Is that a permanent situation, or is that just a one-time year-end number?

RICHARD BURNET: Jim, it's Richard. The increase in A.R., really, it's a combination of picking up some of the new Franchise banners. I can tell you that, in terms of days outstanding, they're lower at year-end than they were a year ago. And in terms of, frankly, in terms of past due, they're lower than they were a year ago. So that's strictly a volume increase.

BOB SARTOR: Yes, and you should expect -- it's Bob -- you should expect our Franchise receivables to increase in total, because I believe our proportion of Wholesale business will increase as we drive the Specialty banner business.

JIM DURRAN: Okay. I'll let somebody else take over.

OPERATOR: All right, thank you. Ryan Balgopal of Scotia Capital, go ahead.

RYAN BALGOPAL: Good morning. I'm wondering, just on the media spend and the national spend -- I guess on the national side, I think you

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

said that G&A costs as a percent of revenue were 9 percent, and that the added head office cost was about \$2.1 million. The \$2.1 million is not totally going to go away, but you said that some of the head office has been consolidated. What, instead of that \$2.1 million, would be a more normalized number for the quarter? I'm trying to get a sense of where that 9 percent is going to go down to, for next year.

RICHARD BURNET: Well, the 9 percent would run closer to our overall Corporate historical rates, so you'd be in the high 6's, low 7's.

RYAN BALGOPAL: Okay. Now, would that be---... You said that---... You've excluded a lot of these costs and say, you know, that the G&A as a percent of revenue is 6.4 percent. But some of those costs are actually going to recur next year. So I'm just wondering, are you looking for sort of your G&A as a percent of revenue to get to sort of high 6, low 7 percent for next year?

RICHARD BURNET: Yes. Yes, the 6.4, you're right. I mean, referring to something like the Precision Retailing Group, my comment was that, while that cost is ongoing, after they've gone through a full buying-and-selling cycle, the end result of their efforts would bear fruit on the top line. And overall, we would be looking more to the 6.8, 6.7-6.8-6.9 range that you would have seen historically.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

RYAN BALGOPAL: Okay. So you might actually see, you know, total dollars for G&A actually come down, potentially, for next year.

BOB SARTOR: I think it's important -- it's Bob Sartor -- it's important to realize that, unlike a lot of U.S. retailers who actually put their supply chain costs into gross margin, our supply chain costs are in G&A. So when we're generating 17 percent comps, as we are now, we're moving a lot of units...

RYAN BALGOPAL: Right.

BOB SARTOR: ... which means your G&A is going to flex, to a certain degree, with volume. I think the direction we're providing here is, use historical rates, and we're talking between 6.8 and 7.0.

RYAN BALGOPAL: Okay.

BOB SARTOR: And that's what I strongly recommend folks use.

RYAN BALGOPAL: Okay. No, that's a good data point. Wondering if you could just, then, talk on sort of how your lifestyle apparel is going. You didn't really highlight that as one of the stronger categories, although you've made some investments in brands there. I'm wondering if Bill maybe could chat about that.

BILL GREGSON: Well, we said that all categories were up, and they were, and the lifestyle clothing is doing very well. It's up, it's doing well.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

The margins are good. We're very happy with it. So it's as strong as anything else that we have right now. And right now, everything seems to be going, you know... straight level right now, as to where we're getting the increases from.

RYAN BALGOPAL: Okay, that's good to know. Just on the 17 percent comp increase, that includes National. How much of that is National? Because I'm sure that they're doing a lot better, now that you guys have had a full year of control.

BILL GREGSON: National... Of the four Corporate banners that we run, National would have been on the lower end of the scale, in terms of comps, but still, very strong comps, and was double-digits for the first 7 weeks.

RYAN BALGOPAL: That's really, then, being driven by SportChek.

BILL GREGSON: And Sport Mart as well. They're both doing very well.

RYAN BALGOPAL: Okay. So the Sport Mart banner, any progress there? Or what has been the progress on sort of your--... You know, you're making some changes in that Corporate banner.

BILL GREGSON: You know, Sport Mart has had a strong-sales Q4, and a great start to Q1. We've focused a lot on--... We have a year ahead

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

of us of changes still to come up. But we have adjusted the assortment. We've adjusted some of the promotional methodologies that we use. We've definitely adjusted the inventory levels. And so, a lot of the things--... So there's been a lot of work done already, and it will be continued to be done all through the year. And it is paying off and Sport Mart is having--... has had a Q4 which was by far its best sales result of the year, and then is toe-to-toe with SportChek for the first 7 weeks, in terms of comps.

RYAN BALGOPAL: Okay, that's great. And just to clarify, Bill, you mentioned that the later Easter, I just want to clarify, is that going to be a net positive for Q1?

BILL GREGSON: We would hope so. Typically, Easter being later is better. Easter this time last year, March -- I mean, there's still snow on the ground here. You never know what you're going to get in March for Easter. So historically, a later Easter has been better. And so, for this year, Easter, for us, is Week 11. Last year, it was Week 8.

RYAN BALGOPAL: Would it pull anything from Q2, because it's later?

BILL GREGSON: No. No, because it's all contained within Q1.

RYAN BALGOPAL: Yes, okay. All right, thanks very much.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

OPERATOR: All right, thank you. Bob Gibson of Octagon is next. Please go ahead.

BOB GIBSON: Good morning. Could you break out your Corporate comps, Mart versus Sport, for this quarter?

BILL GREGSON: No. Suffice it to say that SportChek led the charge, but Sport Mart was very strong for Q4. And as I said, for Q1 so far, Sport Mart and SportChek have very similar comp numbers.

BOB GIBSON: Okay, then could you maybe comment on January? Because you gave us a 10-week number, and then, for the quarter, we're off that quite a bit, especially on Franchise.

BILL GREGSON: I'm not sure what you're asking for.

BOB GIBSON: Well, you came out with the 10-week comp numbers.

BILL GREGSON: Right.

BOB GIBSON: And it was 11.1 and 7.1.

BILL GREGSON: Right.

BOB GIBSON: And now you're 10.1 and 5.3. So obviously, the last 3 weeks weren't so good.

BILL GREGSON: Well, I wouldn't say they weren't so good. I would just say that they were still strong, and maybe not as strong as the first 10 weeks. Then you've got the numbers for the first 7 weeks of Q1. So

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

I think you've got--... I think there's a lot of sale history there, to do your analysis.

RICHARD BURNET: I think the other piece, Bob, is, to put it in perspective, you're going to have to get used to a strategy that sees us being aggressive with markdowns in season, and we plan on exiting the season with lower inventories. And what that means is, we typically take our markdowns in the quarter we're in. And markdowns tend to reduce retail selling prices, tend to reduce comps. You should not view that as a sign of ill-health in the business. You should view that as a prudent move on the part of management of investing some of the margin dollars they've reaped with clean inventories at the start of the quarter, to make sure they exit the season without the inventory carry-over.

BOB GIBSON: Okay, so it's a markdown as opposed to a weather-related problem.

BILL GREGSON: Well, Bob, I think, you know, I think if you try and break the business down into weekly periods, you'd go insane. You have to look at--... I don't think you can take 3 weeks as a trend. To say that the first 10 weeks had this comp, the last 3 weeks had *this* comp, and then the first 7 weeks, we're at 17... We don't look at those timeframes at all. It's a longer-period timeframe that you need to take a look at. And weather can

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

affect business for a week here and there, but, you know, I wouldn't read anything into what you're trying to point out for the last 3 weeks of January.

BOB GIBSON: Okay, great. Thanks.

OPERATOR: Okay, thank you. Kathleen Wong of CIBC World Markets has the next question. Please go ahead.

KATHLEEN WONG: Good morning. Can you tell us if all of your Sport Mart stores are profitable?

BILL GREGSON: Can we say all Sport Mart stores are profitable? I don't think any retailer has all their stores profitable when you have 450 stores, overall, for FGL, and you have 90-something stores for Sport Mart. So I don't think we have any banner where everything is profitable, but Sport Mart as a banner is profitable, and is starting to generate the type of sale increases to take it back to its historical levels, where it was *very* profitable.

KATHLEEN WONG: Okay. I'm just curious, in terms of the not-so-profitable Sport Mart stores, any plans to close some of those stores?

BILL GREGSON: We closed a couple already this year, both in January and February, and we converted some to National Sports. There were 3 Sport Marts that were too large for their marketplaces. So we've

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

cleaned up some of the--... we've cleaned up the Sport Mart real estate already.

KATHLEEN WONG: Can you comment on how is your integration going with your recent acquisitions, namely the Nevada Bob's, DiMarco Golf, and also the Fitness Source? And also, if you can comment on the status of your inventory replenishment program.

THOMAS QUINN: Hi, Kathleen, it's Tom Quinn. In terms of the Nevada Bob's integration, as you've probably seen in Toronto, we launched Nevada Bob's this week -- actually, yesterday morning. And the DiMarco group is converted in, as a full Franchise banner within the system.

What our plans are this year, as we move forward, is the regional license group that was out there, we are converting them in, step by step, into our Franchise business, and we're continuing to recruit additional independent retailers into the Franchise banner.

In addition to that, the Fitness Source banner, what we're doing with that recent acquisition is we're looking at that business closely, looking to build the business model for it, and the plan is to convert the stores, the existing stores, and open a new model this October, and get them all into the Franchise business.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

BILL GREGSON: In terms of inventory replenishment, we're very happy with it. We started the team, I guess, late last spring. It is a long process, and requires systems as well which need to be implemented. There's a lot of foundation work to be done, and that's been done, but it is up and running, and it is--... We're probably ahead of where we wanted to be, and every month, it continues to develop, we continue to reap benefits for it. And we really look forward to, by the end of this year, having it fully operational, all the new systems in, and basically the project complete and providing additional sales and additional margins, and it's doing that already. There's just still more opportunity, as the year goes on. The end of the fiscal year, by the time it's fully operational, with all systems implemented.

KATHLEEN WONG: Okay, that's good. Just wondering, what should be the normalized earnings growth rate for your business, going forward? I'm just referring to, like fiscal '08 versus fiscal '07 and beyond.

RICHARD BURNET: We don't provide guidance.

KATHLEEN WONG: Okay. Earlier, you mentioned about the \$0.63 Street estimate for Q4 is not realistically achievable. Do you have any comments for the current fiscal '07 forecasts, EPS forecasts of \$1.00 per share out there?

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

RICHARD BURNET: We don't provide that level of guidance, Kathleen. We have provided what we consider to be some directional information on G&A, and we will let our results speak for themselves, on a quarterly basis.

KATHLEEN WONG: Okay, that's fine. Thanks very much.

OPERATOR: All right, thank you. Richard Stuart of Raymond James is next. Please go ahead with your question.

RICHARD STUART: Yes, my question is just addressing the numbers for the comparable store sales in Corporate and Franchise. Just wonder if you can give me a breakdown in terms of units on that at all. That's all I have to say.

RICHARD BURNET: You say units -- you mean actual physical units of product, like a ski, a sneaker, a golf club?

RICHARD STUART: Yes, just--... Yes. Yes, anything you can give me. Yes, just in terms of that -- like, actual flow, unit flow.

BILL GREGSON: We wouldn't comment on units, really. The comps we report, obviously, are in dollars, and, you know, suffice it to say that the average price-point over last year is up marginally, but it's not significantly different. So the units would follow the dollars, by and large.

RICHARD STUART: Okay, thank you.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

OPERATOR: All right, thank you, sir. Keith Howlett of Desjardins Securities, please go ahead.

KEITH HOWLETT: Thanks. I just had a few questions relating to the SG&A. The National Sports number of \$2.1 million in the fourth quarter, was that pre-integrating National Sports, or did that already reflect all the back-office consolidation, or is it partway through?

RICHARD BURNET: For the most part, that was pre-, Keith. The full integration really finished in the middle of January.

KEITH HOWLETT: Great. And then just on the stock option expense, do you anticipate that the stock option expense this year, meaning fiscal '07, will be about the same as in fiscal '06?

RICHARD BURNET: Roughly, yes.

KEITH HOWLETT: And then, just finally, on the media spend, roughly what is the media spend as a percentage of revenue? Or how does that roughly work out?

BOB SARTOR: Well, we typically don't break that out, Keith -- it's Bob Sartor -- as an individual item in our G&A costs, but I guess a level of comfort that you can take, for modeling purposes, is that, you know, we have a historical sort of run-rate on G&A, including media, including our warehousing costs, which do flex with volume, of between 6.8 and

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

7.0 percent, and I think it's a safe bet to be in that range, as it relates to cost.

But we can confirm that we did investment spend. I mean, when our Corporate team did the great job they did at store level and assortment level, we needed to tell the story, I believe, and we needed to get consumers back in our stores. And that's why we were singularly focused on exiting the year, having given that message to consumers.

I can tell you that in Q1, to date, our media spend is absolutely bang-on in line with prior year. So there shouldn't be a concern with the media coming back to bite you, from a modeling perspective.

KEITH HOWLETT: And when you speak about the media spend, in terms of bang-on with last year, in your mind, it's on a percentage basis? Is that right?

BOB SARTOR: Typically, that's what we do. Remember, the media spending was elevated in the back half, not the front half.

KEITH HOWLETT: Right.

BOB SARTOR: The front half would have been historical levels.

KEITH HOWLETT: Right. And just in terms of the very strong start in Q1, do you attribute that to the benefit of that media spend in Q4, or are

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

there some product categories that are sort of red-hot, or the weather is good, or... or all of the above or...?

BILL GREGSON: All and none of the above. It's never just one thing. I think it's all the work we've been doing for it. We really started in earnest last February, so from store renovations, to the marketing, to the assortment, to the work that's being done in-store, to the visual presentation of it, to the Precision Retailing Group -- I think it's a whole pile of issues that we, hopefully, continue to build on.

In terms of, you know, is it a category? It's really... So far, for the spring, it's been a little bit of the tale of the two different parts of the country. The East was warmer. I understand it's a little cooler this past week. And the West, in February, got cold and had lots of snow. And the West was being driven by, in large part, some of the winter categories, and the East was being driven in large part by some of the spring categories. So, it's that time of year where you kind of have everything on the floor, both spring and winter, and, depending on the weather is what sells. The East has been more spring-oriented, and the West has been more winter-oriented.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

KEITH HOWLETT: Great. And are you experiencing the same success with high-priced shoes that the U.S.--... the high-priced athletic footwear that the U.S. fellows--

BILL GREGSON: Yes, we've been... It's not just recently, but in the last 12 months, certainly, there's been a move to a higher average price-point in footwear.

KEITH HOWLETT: And just finally, on the large--... You've sort of been experimenting with some large-surface, or larger-surface SportChek stores. Where does that experiment stand?

BILL GREGSON: Well, we think that a good size for a large-surface store, depending on the mall and that, is in the 40,000-45,000-square-foot range. We have probably 3 more that we'll do like that this year.

KEITH HOWLETT: Great. Thanks very much.

OPERATOR: All right, thank you. Our next question is coming from Adam Clark, BMO Nesbitt Burns. Please go ahead.

ADAM CLARK: Hi, guys. Could you give us a breakdown between-- ... or just tell us what your EBITDA margins were in the Retail and Wholesale segments for the quarter?

BOB SARTOR: No. We don't--... We do provide some segmented information typically, and when we release our annual audited financial

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

statements, you will see the segmented information there. To provide that level of detail in a conference call would be relatively selective, from a disclosure perspective, so we won't do that.

ADAM CLARK: Why? Is it because--... You don't have to finalize any of your numbers, though, do you?

BOB SARTOR: No, no, no, they're done. We just--... if we're going to do it, we're going to do it in a--... When we release our segmented information, it's when we release our financial statements, and not before.

ADAM CLARK: Okay. Just back to your Q1 comp store sales growth. Which categories and regions are driving this 17 percent growth?

BILL GREGSON: The sales have been good right across the country. The sales have been good across every banner. All four banners, our Corporate banners, are comping, and Franchise gets disclosed separately, so they're comping, obviously. And it's been good in footwear, it's been good in apparel, and it's been good in hard goods. And, depending on the region, as I just said, it depends where it's been stronger, but overall, footwear, clothing, and hard goods are all up, as are all regions.

ADAM CLARK: Okay. Is it fair to assume that the West Coast would be stronger than the East Coast?

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

BILL GREGSON: Alberta, obviously, is very strong, and Alberta certainly is an unbelievable economy, and there was a kick-in of Ralph Bucks, so that didn't hurt. But the East is also very strong.

ADAM CLARK: Okay. Now, you mentioned that you've adjusted--... At Sport Mart, you mentioned that you've adjusted your assortment inventory and advertising levels and whatnot. When did this take place? Has this been going on since the fall? Or is the majority of it been done in Q1? And if so, are we expecting maybe some added, you know, store operating costs, G&A costs, or differences in margin because of it?

BILL GREGSON: No, it started in Q3, really. It started in Q3. Obviously, it will continue right through this year. But there will not--... you won't see additional G&A costs or marketing costs in Sport Mart because of this.

ADAM CLARK: Okay. But how about store operating costs and margins? Are we going to see a difference there, and would the majority of all these changes that have been done, I thought they were going to start, you were going to start doing this in the spring, and testing things in the fall. So wouldn't most of the costs [inaudible]?

[overlapping speakers]

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

BILL GREGSON: Well, no. I mean, some of the biggest changes I talked to were an assortment mix change. So that's really just the level of inventories in different categories.

ADAM CLARK: Okay.

BILL GREGSON: And so that's not an operating cost. That's just a switch in inventory. But a lot of that cost was borne last year. Part of it was that we had too much apparel, and we took some big hits last year, in Sport Mart especially, in Q3, on the margin side, by getting rid of the apparel.

So in terms of the changes in the inventory mix, by and large, we've borne those costs already in markdowns and clearouts last year. In terms of the change of what you see in stores, yes, there's going to be some capex, but it's not going to be significant to affect what you're going to see as total bottom line of FGL.

So we think the changes in Sport Mart are not significant to the bottom line of FGL, from an expense point of view. Hopefully, they *are* significant from driving sales and getting the margin back at historical levels.

ADAM CLARK: Okay, so maybe just slightly higher depreciation. As far as your consensus numbers go, for next year, for \$1.00, I mean, you're

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

not really going to comment on it, but if you look at the GAAP numbers of \$0.42, let's say you break even in the first half, I mean, and you don't grow them in the second half -- I mean, that gets you to \$0.72. And then, from there, you've got to have a fair amount of growth. So is it reasonable to assume \$1.00? I mean, you did comment that Q4 wasn't reasonable, wasn't a reasonable assumption. Is \$1.00 reasonable?

BOB SARTOR: Adam, it's Bob Sartor. You know as well as I do that if we were to comment on that, it would be providing guidance. We do not provide guidance.

ADAM CLARK: Okay. And could you provide additional colour on the Ontario market, and the competitive environment generally across the country, how it's shaping up?

[overlapping speakers]

BILL GREGSON: We've done a lot of work in the last number of years, obviously. I mean, it's been a strategic plan of ours, which we articulated many times over many years, that we want to consolidate the market, we want to grow our share. We continue to do that. We're, you know, around 18 a share now, I think -- getting certainly around that number.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

And in the past number of years, Joggers went away in Ontario. Just over a year ago, we bought National in Ontario. The number of Athlete's World stores over the last few years has decreased. So the competitive marketplace right now, it's less competitive than it has been in previous years, and we think that's a result of some of our strategies.

Obviously, the Number 2, 3, 4, 5 remain as they are -- Canadian Tire, Sears, Wal-Mart, Zellers, and you can probably talk to what they're doing as well as we can. So below that, certainly, at our level, at sporting goods only, I think there continues to be fewer independents in the marketplace, and some of the regional chains have either gone away, or we've acquired them.

And so, we, on the Corporate side, certainly, and most of the Franchise banners, we feel it's less competitive. When you get into the golf industry, that's probably a different story.

ADAM CLARK: Okay. So, at least on the footwear side in Ontario, you don't anticipate, now that the market is sort of settled, had a year to settle out, anybody getting greedy in there, like the Foot Locker Canadas of the world.

BILL GREGSON: Well, I think it's going to be a fairly stable year.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

ADAM CLARK: Okay. And just one last question. Most retailers are citing, you know, rent and labour costs are rising, and it's becoming somewhat of an issue for some of these guys. How is this impacting you guys?

BILL GREGSON: I'm sorry, did you say rent and labour?

ADAM CLARK: Yes.

BILL GREGSON: Or did you say--

ADAM CLARK: Yes.

BILL GREGSON: You did? I mean, the rent field is, we have long-term leases, typically a 10-year deal, with two 5-year options. So...

ADAM CLARK: Right, but on the new stores that you're opening...

BILL GREGSON: On the new stores we're opening, we're not seeing a whole lot of change going on. We're getting space at the rate that we're historically used to. So I really wouldn't say that there's been a huge upwards pressure at all, from a rent point of view.

ADAM CLARK: Okay.

BILL GREGSON: And from a salary point of view, or from a payroll point of view, there's always inflationary increases. Also, as we do well, we like our employees to do well. But certainly, the comps give you a lot more

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

room to do that, and we think we can manage the payroll lines, from a percent point of view to sales, as we have historically in the past.

ADAM CLARK: Okay. Great. That's enough for me. Thanks, guys.

OPERATOR: All right, thank you. Jim Durran has a follow-up question. Please go ahead.

JIM DURRAN: Yes, just a couple, actually. With respect to your markdown strategy having changed, markdown within season, just looking for some commentary on Q1-Q2, I mean, spring-summer sort of overlaps, Q1 into Q2. So would I be wrong in assuming that Q1, you don't necessarily feel a need to take aggressive markdowns to clear? You really wait for the Q2 timeframe?

BILL GREGSON: Yes, if you're talking to winter stuff, Jim, it's at markdown already. Like, it's not going to go any lower. Winter stuff is on the floor for a couple more weeks, 2-3 more weeks. That's it, really. And so, everything's is done there.

In terms of the summer stuff, yes, I mean, summer stuff, really, there's no mark--... April is a high-margin month, May is a high-margin month. The markdown activity really doesn't start until, you know, the widespread markdown activity really doesn't start until June, and then, obviously, July is a clearance month.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

JIM DURRAN: Okay. If I was to look at your mix right now in sales of spring versus winter merchandise in the Q1 timeframe so far, would I be wrong in assuming that spring sales items are way greater percentage, and also, obviously, at a higher margin than the markdown winter stuff?

BILL GREGSON: You'd be right in saying that they're--.... In fact, I'd have to say you're brilliant, in determining that they're going to be at a higher margin, spring, on the price right now, than winter products. Jim, you should be in retail.

But in terms of the mix, no, it's still--... To date, probably it's been--... If you take footwear and clothing out of the equation, because that's really 12-month business, and if you talk to winter being ski, snowboard, and outerwear, and you talk to spring, you know, primarily being golf, bikes, inline, and shorts and swim, to date, it's more influenced by winter than it is by spring. It's right around this time -- it's the next--... it's this week, the next couple of weeks, and sometimes it does depend on Easter, where that shift changes and then spring becomes much bigger than--... We're right around the time now where the shift is happening, where spring becomes bigger than winter. But to this point, winter is bigger than spring.

JIM DURRAN: Would you say that National Sports was accretive to earnings this year?

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

RICHARD BURNET: Yes, it was. Definitely.

JIM DURRAN: And do you think that next year, in terms of EPS accretion, it's still in line with generally what you expected?

RICHARD BURNET: From a National perspective?

JIM DURRAN: Yes.

RICHARD BURNET: Yes.

JIM DURRAN: Okay. And last year, in Q1, you provided quite a bit of detail on the drain to gross profit dollars of a number of factors -- Gen-X, ski, snowboard, outerwear, inline skates, and licensed apparel. That grab-bag added up to a \$5.4 million gross profit drain. Sounds like, as I run through this list, the only thing I haven't heard much about is Gen-X. Otherwise, we look like positive swings, year over year. Can you give us some idea about what Gen-X performance was like in Q4, and what your expectations are for the new year?

RICHARD BURNET: Yes, Gen-X performance in Q4 was slightly behind last year. Gen-X performance so far in Q1 is ahead of last year.

JIM DURRAN: Like, last year was very weak for them because I guess the loss of the Airwalk license and the conversions not happening on Vision until, I guess, Q2 or so.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

RICHARD BURNET: Correct, correct. So we now have Vision in full swing.

JIM DURRAN: Right. So on inline skates, how is that business looking? I mean, it was a \$1.3 million drain last year in the first quarter, on gross profit.

BILL GREGSON: I guess the good news, Jim, would be that it's going to be such a small part of the business that it probably isn't material any more. Having said that, so far, in the spring, especially in Ontario, where it has been a warmer weather pattern, we've been pleasantly surprised. I wouldn't read into that that we're going to have an unbelievable spring because of inline skates, but I personally think that there will not be any significant effect from the loss of inline skate sales this spring. I don't think we'll be sitting here, on the next conference call, saying that our spring was negatively affected by inline skate sales. It's just not that big a number any more, and it seems to be off to a reasonable start.

JIM DURRAN: Okay. So last question -- footwear. Sounds like footwear has definitely been one of the primary drivers to improve performance for the industry, not just for you guys. And I'm struggling to see, sort of new concepts or technology, as a driver, it appears to be mostly esthetics. What's your feeling as to how footwear growth in the

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

industry is going to translate this year? Is it going to bump up against some tougher numbers in the back half? Is it going to comp itself quite well? Or are you concerned?

BILL GREGSON: Not really. We're still pretty bullish for us on footwear. I think that there are, on the Corporate side, there's enough business that we don't think we're maturing yet, that we get excited about, and there's enough new brands that are creating a--... I shouldn't say new brands, but there's enough established brands that all of a sudden are having a resurgence in certain areas.

So, I mean, some of the categories we're still bullish about, it would be the running category, the outdoor category, and we really haven't played a lot in the fashion or low-profile footwear business, and that would include skates, and that would include street, and that would include, obviously, the low-profile that Pumas and Adidas have dominated.

So we've been moving into that for the last 9 months, let's say, and we've had tremendous results, and we think we have huge upside there.

So we think we've got some category opportunities. We think we have some brand opportunities. And as was mentioned earlier, there continues to be a demand for some higher-priced footwear, which helps drive our average price. So we're pretty bullish on footwear, for this year.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

JIM DURRAN: Okay. And last question, private label. Do you have a feeling about where your private label penetration, as a percent of sales, was this year, versus last year?

BILL GREGSON: It's still around the 10-12 percent range, Jim, and the good news is, I think it's getting more profitable. The percent change really hasn't--... The percent hasn't changed a whole lot, in the last 24 months or so. But the profitability, the maintained margin of it, has improved, and that's very satisfying.

JIM DURRAN: Great. Thanks very much.

OPERATOR: Thank you. Ryan Balgopal, please go ahead with your follow-up question.

RYAN BALGOPAL: Thanks. Just wanted to get back on the G&A for a quick second. I mean, getting your rate down to the 6.8-7.0 percent should be a no-brainer with the 17 percent comp, but I'm sure you're not forecasting that kind of growth to last throughout the year. But just wondering, you know, what is that sort of outlook for the G&A? Is that based on something, more of a low single-digit comp?

RICHARD BURNET: Yes, it would be based on a lower, obviously, a significantly lower comp than we've recorded to date, first quarter. So we're

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

fairly comfortable that the G&A numbers that we've provided are good numbers, for modeling purposes.

RYAN BALGOPAL: Okay. So it's low single-digit, low- to mid-single-digit sort of... is the way you're looking at that, then?

RICHARD BURNET: From a G&A rate perspective, yes, that would be a safe bet, Ryan.

RYAN BALGOPAL: That's good. Thanks a lot, guys.

OPERATOR: All right, thank you. Also with a follow-up, Keith Howlett, please go ahead.

KEITH HOWLETT: I just had a question on the level of maintenance capital. I think you've gone back and sort of improved the SportChek chain, and working through the Sport Mart chain, and I'm just wondering, having gone through that process, looking forward, what do you sort of anticipate would be sort of maintenance capital annually, either on a per-store basis or sort of an aggregate Corporate basis?

BOB SARTOR: Well, I mean--... Keith, it's Bob. Probably the best thing to do is just to give you sort of an overall. If our business was on total maintain mode, as it relates to everything, both our warehousing, obviously, because we have some substantial warehousing operations. We're now, as you know, over the last couple or 3 years, have been

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

heavily investing in technology, because we think that's what we need to drive our top line as well, to be more efficient. And we do have a capex spend, from a Wholesale perspective as well as Retail.

So if we look at it in totality, this business would likely be in the \$15-20 million maintenance capex level. I haven't really looked at it in the level of detail that you've talked about -- in other words, by store. But that's sort of the number that probably would make sense.

KEITH HOWLETT: Thanks very much.

OPERATOR: All right, thank you. Ladies and gentlemen, if there are any additional questions at this time, please press the * key followed by the 1 now.

BOB SARTOR: Hello?

OPERATOR: Sham Chada, please go ahead. Sham Chada, please go ahead with your question. And perhaps we'll come back to that later. Adam Clark, please go ahead with your question.

ADAM CLARK: Hi. This question is for Tom Quinn. How many store closings and re-openings did you do, so far this quarter, and how many are you planning for Q2, in the Nevada Bob's?

THOMAS QUINN: Well, this quarter, there's been no store closings. And in terms of--

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

ADAM CLARK: Sorry, with the acquisition of the DiMarcos, and other Nevada Bob's that you've acquired, just sort of rebannering.

THOMAS QUINN: Well, in the rebannering, we're probably, this quarter, going to introduce somewhere in the neighbourhood of 12 Nevada Bob's stores into the marketplace. That includes the acquisitions or the new banner openings that we did in Laval, Trois Rivières, in the last week, as well as DiMarco conversions, and other independents that are joining the Group, that we're not at liberty to disclose their name today.

ADAM CLARK: Okay, so that's 12 in Q1.

THOMAS QUINN: Right.

ADAM CLARK: Okay. How many in Q2 are you planning?

THOMAS QUINN: Well, it's sort of like a moving target. It depends on how many of the independents that are applying for application qualify, become Nevada Bob's.

ADAM CLARK: Okay, so there are none scheduled so far.

THOMAS QUINN: I think it's safe to say that last year, when we acquired the business, there was approximately 22 stores, and we plan, by the end of this year, being somewhere in the order of magnitude of 40 to 42 Nevada Bob's stores.

ADAM CLARK: Okay. Great. Thanks a lot.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

THOMAS QUINN: You're welcome.

OPERATOR: And Ryan Balgopal has a follow-up. Please go ahead.

RYAN BALGOPAL: Yes, sorry, just a last quick question. How much inventory do you actually tied up in Gen-X?

BOB SARTOR: Not a heck of a lot, Ryan, but we don't provide specificity by business. But it's not a lot.

RYAN BALGOPAL: Yes, okay. Thanks.

BOB SARTOR: Because, you know, the Gen-X business, from an inventory perspective, the close-outs typically are in and out, and the license business is a booking business, so we don't actually hold the inventory.

RYAN BALGOPAL: Right, okay. Thanks.

OPERATOR: All right, thank you. If there are any additional questions at this time, ladies and gentlemen, please press the * key followed by the 1 now. Do remember, if you're on a speakerphone, you do need to lift the handset before making that selection. Gentlemen, there do not appear to be any further questions at this point. Please continue with any closing comments.

BOB SARTOR: Thank you very much. Folks, thanks very much for participating in the conference call today. Needless to say, we're very

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

gratified with our start, and with our Franchise business being up mid-single-digits, after 6 straight years of solid comps. We can confirm that in Franchise, the margins are solid. Our Corporate business, obviously, it is a great start to the year.

I would caution anyone from extrapolating 17.2 percent for the full 12 months. Although I'd love it, reality is that we will have tougher comparisons in the back half, obviously, than the front half. But we still feel pretty bullish that we'll have a good back half. Thanks very much again for attending, and have a good weekend.

OPERATOR: Thank you. Ladies and gentlemen, this does conclude the Forzani Group Q4 and Year-end Fiscal 2006 Financial Results Conference Call. You may now disconnect. Thank you very much for using ACT Teleconferencing. Have a very pleasant day, and a great weekend, too.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »