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FISCAL 2007 RESULTS CONFERENCE CALL

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OPERATOR: Good morning ladies and gentlemen, thank you for standing by. Welcome to the Forzani Group Ltd., Year-end Fiscal 2007 Results Conference Call. At this time all participants are in a listen-only mode. Following the presentation we will conduct a question and answer session. Instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties hearing the conference, please press star followed by zero for operator's assistance at any time. I would like to remind everyone that this conference call is being recorded today, Friday, March 23, 2007 at 10:00 AM Eastern Time. I would like to turn the conference over to Mr. Robert Sartor, Chief Executive Officer. Please go ahead sir.

ROBERT SARTOR, (CHIEF EXECUTIVE OFFICER): Thank you Theodora (Ph). Good morning ladies and gentlemen and welcome to the Forzani Group Ltd., fourth quarter and year-end conference call. With me today, as usual and in the order in which 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 Company.

It was – considering the very poor winter we had in Eastern Canada a very good quarter for our company. We suffered from a comp perspective and in Quebec and Ontario obviously and not surprisingly, but

all in by the time the quarter ended up we had revenues, EBITDA margins, net income, and diluted earnings per share all at record levels with winter product inventory levels in pretty good shape. The record quarter capped off a record year, which saw our earnings increase to 148% to \$35.2 million or \$1.04 a share. I want (indiscernible) Richard Burnet, I will now let him get into the financial details of the quarter.

RICHARD BURNET, (CHIEF FINANCIAL OFFICER): Thanks Bob. Before we begin I will just read the standard paragraph on forward-looking information. As we conduct this conference call, there are remarks that we'll make about future expectations, plans, and prospects for the Company which will constitute forward-looking statements. These statements reflect current expectations, they are subject to a number of risks and uncertainties including but not limited to changes in general market conditions. You should understand that FGL cannot offer assurance that any expectations reflected in any forward-looking statements will be met. Additional information about the material factors that could cause an actual results to differ materially as contained in the Company's public record including our annual and interim MD&A which is available on SEDAR.

I will briefly cover the financial highlights and will be explaining on our G&A expenditures versus prior year's fourth quarter and annual

results. For the fourth quarter retail system sales for the quarter were \$440.2 million against last year's \$438, a 0.5% increase. Corporate comp store sales were up 1.1% and franchise was up 2.9% for an overall comparable store sales decrease of 0.3%. Total revenues of \$353.2 million versus last year's \$342.2 million were a 3.2% increase. And breaking out revenues; corporate store revenues of \$293 million were up 1.8% and wholesale sales of \$60.2 million were 10.7% ahead last year's fourth quarter.

Consolidated margins for the quarter were 41.2%, 330 basis points above last year. Corporate store operating expenses as a percent of retail revenues were 21.8%, an increase of 30 basis points over the prior year. On the same store basis, the expenses were 20.9% versus 20.4% last year, the movement primarily as a result of the lag in sales during the fourth quarter. G&A expenses at \$34.6 million were 9.8% consolidated revenues. The difference over the prior year, excluding normal year-over-year increases, was related to the addition of central cost spending from the acquisition of Fitness Stores, certain retirement compensation related to a change in the status of the Executive Chairman, and performance-based compensation resulting from the company meeting previously established targets. This is net of our reduced (indiscernible) in the quarter.

The largest component of the absolute dollar difference year-over-year was the performance-based compensation. As we noted in previous quarterly releases and calls, the company has been accruing for additional compensation related to a performance-based incentive plan. The plan culminated this year based on the attainment of goals initially set in fiscal '05. Due to the performance-based nature of the plan, the compensation was concentrated in fiscal '07 as a result of the fact that negligible accruals were required in '06 based on that year's performance, and target set for fiscal '08 year were met early which effectively accelerated the accrual of the compensation end of current year. The plans itself establish performance targets in related compensation for roughly 60 members of the management team.

The G&A run rate, exclusive of the incremental expenditures related with the plan, would have been in line with the prior year. Fourth quarter EBITDA was \$46.9 million, a 20.6% increase over the last year and net earnings for the quarter were \$21.1 million versus \$17 million last year. Diluted EPS were a record \$0.62 in the quarter, up 21.6% over last year. For the year, retail system sales were \$1.4 billion versus last year's \$1.3 billion, an 8.1% increase. Corporate same store sales were up 5.9% and franchises were up 4.4% for an overall same store sales increase of 5.4% in the year. Total revenues were \$1.26 billion against last year's \$1.1

billion, an 11.9% increase and corporate store revenues were \$925.4 million up 8.1% with wholesale sales up 23% at \$338.5 million.

Consolidated margins for the year were 35.7%, up 180 basis points over the prior year on the strength primarily at retail margins of the store. Store operating expenses as a percent of retail revenues were 25.6% versus 26.3% in fiscal '06. The G&A run rate for the year was 8.5% of consolidated revenues versus 7.9% in the prior year, once again the difference is the result of the addition of Fitness Source to retirement compensation and accruals for performance-based compensation. Absent the concentration of accrued performance-based compensation expense in the year, the G&A run rate would have fallen below that with the prior year. With respect to the upcoming year, we would expect G&A run rates to fall below 8% once again.

The year's EBITDA was \$107.3 million against last year's \$69.2 million, net earnings for the year were \$35.2 million versus \$13.8 million last year, and diluted EPS was \$1.04 versus \$0.42 in fiscal '06. In terms of our balance sheet, the company finished the year with working capital of \$160.1 million, \$119.4 million in '06, AR days outstanding down at year-end and our inventory investments is on plan. I will now turn it over to Bill Gregson for his comments on the business. Bill?

BILL GREGSON, (PRESIDENT AND CHIEF OPERATING OFFICER): Thanks Richard on the speech. The corporate side both for the quarter and for the year, we are very happy the strategy that was put in place, now we came to probation and now is one of solid comps really focusing on much higher margins and a lower marketing spend compared to the year ago when we were telling the story of revitalize, and that leads obviously to a much greater profitability.

For the quarter, every province was positive except for Ontario which we shared (Ph) with Quebec the very very warm winter until late January. So very strong comps in Alberta and very strongly were offset by sharp decreases in Ontario. For the year 5.9 comp, again we are very happy with number.

For the quarter again, footwear was very strong, hard goods and apparels were mixed by province. Hard goods obviously affected by ski and snowboard sales and apparel affected by outerwear sales. Overall although, we are quite happy with our inventory, we are actually exiting January with less ski and snowboard inventory than a year ago.

On the outwear side, inventories would be up mid single digits over last year, last year would have been a lowest we ever had for outerwears, but there's no concerns there. And our inventory and the balance sheet is up approximately \$24 million for total FGL, of that about \$3 million is

Fitness Source and inventories in the stores that we did not have a year ago, since we didn't want Fitness Source at that time.

Franchise has about \$7 million more as they advanced to container of shipments for the fitness business to fund the fitness business during the spring and on the corporate side we have to make up the rest of approximately \$14 million and with that it's not inventory from the flaw, but in fact we consciously advanced spring receipt with warm weather in Ontario, we think why not we change, so we started bringing in products so that we can be ready to do February sales, spring starts any time in February, we are happy with that philosophy. Again we are – have positive comps in the first seven weeks, but most importantly the higher margins and a lower marketing spend continued. So, we exit the end of January with what we think is a very very good inventory position. Now let's turn over to Tom to talk to the Franchise side.

TOM QUINN, (PRESIDENT, FRANCHISE COMPANY): Thanks Bill. Good morning ladies and gentlemen. As you have heard the franchise business weather of the market is so quite well in the order of positive comp sales by year-end, winter category inventories are not significantly higher than in previous year with the exception of cross-country skis and snowshoes which are small percentage of volume. The positive 17.1%

comp sales start to the year has considerably cleaned up winter inventories in the franchise locations.

We have been very pleased with our Fitness Source acquisition and see tremendous potential for growth from this category. The nine existing stores will be franchised within the next three weeks and we will be watching our new prototype stores this year. On the Nevada Bob's front in the golf industry, we now have 36 locations and they are all in the franchise network. This will be the first year since the acquisition two years ago that we have one clear direction and strategy for this business going into the spring and we have planned to hit the same standards and performance level that we achieve with our other franchise businesses.

We also see the growth of our multi-banner formats that we introduced in the last 26 months and this will be in a variety of combinations of banners across the countries. Our first quarter today retail comp sales are starting off strong in all banners. Sports Experts and Intersport continue to perform and we are pleased with performance of our new specialty banners; Hockey Experts, Fitness Source, Nevada Bob's Golf, Pegasus, and Atmosphere. We are ramping up on development of the specialty banners and see for the foreseeable futures strong growth in all of these banners. So, another good year in FGL's franchise business, a strong start to the New Year, and still considerable potential for growth. With that I will now turn it back to Bob.

ROBERT SARTOR, (CHIEF EXECUTIVE OFFICER): Thank you Tom. Well it was a great year in our view, but being a public company we are well aware that's ancient history. Our team is really focused on fiscal '08 and our first quarter is well underway. Those of you who have read the press release know that so far the results are as good as corporate and franchise, comparable store sales. For the first 7 weeks, Q1 of fiscal '08 are up 1.9% and a strong 17% respectively, as Tom pointed out cleaning inventory. Important to know, they are up against really solid comps in the prior years of 17.2% on the corporate side and 4.2% in the franchise business. And as Bill pointed, margins are also up again which is a reflection of the phenomenal assortment that Bill and his team have put together in the corporate stores.

Our spring business is just now beginning to kick in and I can tell you that it's kicked in, in full force certainly in the past week, we have been have, quite pleased with that. I want to go back to a couple of comments that Richard made, as he pointed out in his comments, this year saw a significantly higher levels of stock-based compensation that was performance based than prior year's. In fact we caught up on accruals from '06 which were not necessary because we had net performance threshold and actually advanced accruals from '08, because we met the performance threshold in '07. Also we had some one-time payments with

respect to the retirement of the Executive Chairman and founder of our company. It's important for those listening to know that without those, our G&A levels would have been at a prior year percentage of revenue basis roughly. So that's an important distinction to make when looking at our results and that's why we think the year was so strong.

We have also put into place, those of you who would have read our press release, a normal course issuer bid; this is simply one part of a cash replenish strategy. It's important for those listening to note that we are continuing to invest on our business with capital expenditures to be slightly below the \$30 million range this year. So we are not abandoning investment in our business certainly, but we do have excess cash and part of that is to look at size of our float on a fully diluted basis and perhaps take some action on that. That's not all we plan to do, we also over the next few months, we will be looking at other cash replenish alternatives and expect to have an announcement at our annual general meeting this June.

One final thing, obviously the performance-based compensation includes options. I just want to state that I personally feel – I am sure people will wonder, I personally will not be selling any of my stock or cash in any of my options neither will Bill Gregson, our President and Chief Operating Officer nor Tom Quinn, the President of our Franchise Company, that should reassure investors that we are very very bullish on

the prospects for the our company. We may have some members of management who have mortgages to pay down, exercise few options themselves what the senior guys are holding and the senior guys, as I said, are very bullish on the prospects for this company. I will now open it up to brief Q&A and we will take it from there.

QUESTION AND ANSWER SESSION:

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question and answer session. If you have a question, please press the star followed by the one on your touchtone phone, you will hear tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure you lift the handset if you are using a speakerphone before pressing any keys. Your first question comes from Jim Durran from National Bank Financial. Please go ahead.

JIM DURRAN: Good morning. I had a couple of questions, first of all on the G&A thing. Can you give us an idea of how much the retirement benefit was for John Forzani?

ROBERT SARTOR: Jim, I wouldn't give that level of detail now.

JIM DURRAN: Will it be disclosed when your annual report or anything else?

ROBERT SARTOR: No, it won't. I don't even know that it's broken out in the proxy circular frankly.

JIM DURRAN: Okay. Now I just wanted to ask, on Nevada Bob's you got 36 stores, now I think the original target was 40. Can you give us some ideas as to how that – that sort of rollout is developing?

TOM QUINN: As -- Jim, as we started looking at recruiting number of independence, we had approximately 24 independence that applied in the visions of the stores that we have, unfortunately their financials did not meet any recourse for the criteria that we go after and the balance of the stores this year we planned on opening an addition of 3 to 4 stores this year, that will bring us up to the 40 stores by the time we get to year end.

JIM DURRAN: I don't think you have given to us, but on sort of total basis, both corporate and franchise, can you give us some idea what your new start growth plans is, square footage growth expectations are for fiscal '08?

BILL GREGSON: On the corporate side, Jim, it's going to be around 150,000 sq. ft. And Tom will get franchise then.

TOM QUINN: Yeah on the franchise side, Jim, it will be growing about 15.6% roughly, about 270,000 sq. ft. anticipated, obviously dependent on the real estate deals but we are planning on opening 37 new franchise stores.

JIM DURRAN: And are you (technical difficulty) give it to detail by banner or not?

TOM QUINN: Well, it's always a plan what we want to do, but sometimes that will change within the year. We shall end up with same number of stores, but it varies with the banners.

JIM DURRAN: And last question, just, your franchise sales were up quite substantially in the fourth quarter despite the fact that comps were weak, I assume that the Gen-X continuing to improve year-over-year, can you give us any color on that?

BOB SARTOR: Yeah, you are correct, Jim, this is Bob Sartor, Gen-X had a record result real strong rebound from a week earlier last year, the guys did answer the call. All of the business -- both our businesses in Gen-X both the opportunity and the close-out business was strong. Gen-X volumes for the quarter -- I have got my detail there, were up roughly 40% from last year.

JIM DURRAN: And if I recall Q1 now that -- in this past year was still a weak quarter, you really didn't start to catch up until Q2?

BOB SARTOR: Q1 -- are you talking about Gen-X specifically or FGL?

JIM DURRAN: Gen-X, sorry.

BOB SARTOR: Gen-X specifically? Yeah Q1 was not a – strong quarter last year. So I think I can say that we are off to a much stronger start in Gen-X in Q1 this year than last year.

JIM DURRAN: I will let somebody else take over.

OPERATOR: Your next question comes from Ryan Balgopal from Scotia Capital. Please go ahead.

RYAN BALGOPAL: Thanks, good morning. I just want to ask on your working capital, I understand inventory was up because of early receipts. I am wondering why accounts payable were down in that context?

RICHARD BURNET: Couple of reasons Ryan, it's Richard, the main one being with results, we had the cash, took advantage of certain early payment discounts with the trade and that's where we settled out.

RYAN BALGOPAL: Okay. So, that doesn't affect how you think about free cash flow and capital redeployment?

RICHARD BURNET: No, not all.

RYAN BALGOPAL: Okay. And then on the 300 basis points improvement in gross margin, how much of that was from the corporate and how much of that, I guess, is from the stronger Gen-X business?

RICHARD BURNET: Given the size of Gen-X versus corporate, you can pretty much say that it is almost entirely due to corporate business. I mean, one business is 12 times the size of the others. So put it in perspective.

RYAN BALGOPAL: Okay. And then Fitness Source seems to be quite delayed in terms getting them franchised, has there been some kind of all hold out with suppliers, with the franchisees, you not comfortable which we've got – may be just talk a bit about that?

THOMAS QUINN: Ryan, actually what – there has been no delay in franchising other than the fact that we wanted to make sure that as we acquired the banner that it was moved into our POS systems. So we – that meant re-ticketing of all the stores, getting all the inventories, getting new franchisees still there – complete integration program which is moving on in the last two months and it sits inline with basically what we wanted to do.

BOB SARTOR: Well, I think Ryan, other issue is, because there was some great learning for us in Nevada Bob's. In Nevada Bob's we ran and we had these licensees who did not have integrated POS. So we had – we did not get the kind of quality data we used to get in the marketplace. So Fitness Source we said, you know what, let's really make sure we understand the venter community, make sure we understand what drives

that business and make sure we have integrated systems before we flip them, and I think that's a better strategy.

RYAN BALGOPAL: Okay. So, on the Nevada Bob's, I think you said, you bought 7 licensees that are now corporate stores, will they then be converted to franchise stores?

THOMAS QUINN: Yeah, eventually they will be converted to franchise stores.

RYAN BALGOPAL: But that's not included in the 3 to 4 that you are talking about for this year?

THOMAS QUINN: No.

RYAN BALGOPAL: Okay. And just on the G&A, I just want to be clear, you know, going into next year, and you've already advanced some of the fiscal '08 potential accruals, because you had performance. Do you have another strong quarter, you are going to have to then advance the fiscal '09, you know, target accruals or how should we think about that?

RICHARD BURNET: Ryan, it's Richard. No, not necessarily the incentive program that was in place with a three year plan and has it happens '08 was accelerated into '07.

RYAN BALGOPAL: And '08 was the final year of that plan?

RICHARD BURNET: Well, '08 and a portion '09 where the final years of that plan, that's correct. So, currently in terms of the long term incentive that's the discussion that's between management and the board,

a new plan if you like would be developed. So currently – and I guess just to speak more to '07, if you just look at the incremental spend in G&A in combination with the retirement piece, you are looking at roughly \$10 million. So if you are thinking about your models, and we are talking about roughly \$10 million, takes the G&A run rates in '07 to about 7%, 7.7% to 7.8%, and that – and you should be using roughly that percentage for next year's numbers.

RYAN BALGOPAL: Okay. And that's very helpful. My last question was just on some CapEx, just to confirm, I think you said just under \$30 million next year.

RICHARD BURNET: Yeah.

RYAN BALGOPAL: Okay. And this year, it looks like in the fourth quarter there was acquisition of subsidiaries that was the Nevada Bob's, was it?

RICHARD BURNET: That would have been the licensees. That's correct.

RYAN BALGOPAL: Yeah, yeah. Okay. Thanks you very much.

RICHARD BURNET: Alright.

OPERATOR: Your next question comes from Bob Gibson from Octagon Capital. Please go ahead.

BOB GIBSON: Good morning.

ROBERT SARTOR: Good morning.

RICHARD BURNET: Good morning.

BOB GIBSON: Most of my questions have been answered, but I'm just wondering what are your thoughts are for Nevada Bob's and the GTA; just a personal question?

BILL GREGSON: Well, first we are...

RICHARD BURNET: Where did you say Bob? Do you need some music, Bob?

BOB GIBSON: Yeah, yeah.

BILL GREGSON: Now, what we are doing in the GTA area, we are opening new stores this year in Pickering western area in 400, and Berhawk (Ph) later in the fall. And what we are then doing with some of the existing stores that you probably going in, we are in the process over 2 to 3 year period of going to renovate them to the standards of the new Nevada Bob's stores.

BOB GIBSON: And what sort of real estate are you looking at for the stores? Are they...

BILL GREGSON: We are looking between 6,000 and 10,000 square feet.

BOB GIBSON: Okay. But I am – I am sorry – I'm thinking...

BILL GREGSON: Oh, thanks.

BOB GIBSON: (Technical difficulty).

BILL GREGSON: Yep.

BOB GIBSON: Great. Thank you very much. Great quarter.

BILL GREGSON: Thank you.

OPERATOR: Your next question comes from Benoit Caron from Canaccord Adams. Please go ahead.

BENOIT CARON: Yes, thank you. Good morning gentlemen. It seems like the turnaround is pretty much complete, I mean, margins are back where they belong, I would like to discuss the big picture going forward, what did, you know, plans for growth for increasing the ROE, the return on invested capital, I see you guys are intended to buy them shares, it seems like a good start toward that objective. But I am kind of wondering with like 22% to 23% of the market share, a greater market share than that is sporting goods apparel, where is the growth, is it coming from US expansion, do you see a lot more acquisitions going forward, I know in Quebec there is Andrenalo (Ph), maybe Tom could address the situation, I think they are going into some serious financial hardship. And could we get a sense in the return on invested capital that you've got from them acquisition you made in the previous years and the prior years, let's say the couple to – past two years related the Forzani as a whole? Thanks.

BILL GREGSON: Well, our plan is actually to expand in China.

BENOIT CARON: Well, that's good.

BILL GREGSON: I am just kidding. In terms of the return on being complete Benoit, I would respectfully disagree with your assessment. We continue to refine the Sport Chek machine and, Tom I know for fact, is continuing to refine his Sport Experto (Ph) Machine as well as other banners. Where are we going to get growth from in – my point of view is very straight forward, we are still quite frankly underdeveloped in Ontario, from pure square footage perspective. So that will be a source of growth, we continue to expand our brand base that will be a source of growth; we continue to expand the average size of our boxes in major centers that would be a source of growth. We believe that our stores from a performance perspective; certainly have a lot of upside, our comparable store sales have – had lagged for a couple of years, we are only catching up, we still feel that on a per square foot basis there is significant growth in our investing box that can be driven by our new marketing approach. Our new merchandizing and visual merchandizing approach and more importantly our new approach to marketing as well. We have completely reborn and refine our pricing strategy and it seems to have met with a great deal of enthusiasm by our consumer base and we also have and its important for folks to know some of that acquisition we've done such as National Sport and Sport Mart are not on the same technology as Sports

Chek and Coast and there is – I believe more than insignificant margin upside in those banners and sales upside in those banners once we get them on a proper replenishment program, proper allocation, so that there is still lots of work to do in this business. Just in term of getting the base level profitability again in comps up, and I think Benoit you talked to 22% or 23% market share, we are not there yet, but and we broke the 20 mark. But we believe that 30% market share in this country is certainly within our grasp. So that would be a watch room for growth would be at what Bob talked to. And I think the last point is, you know, we began to think of ourselves in more than just a sports company a few years ago. Sports increasingly is part of lifestyle and our assortment is beginning to reflect that more and more and once you move away from, you know, hardcore hard goods and we never will that will always be central to our business. But once we get the think of your business is more than just that and the product opportunities for us are fairly significant.

BENOIT CARON: Okay. And so, if I look at the margins like in the fourth quarter, I mean, we have to go back to 1998 to see something as good as that, which more upside is there on an annual basis for the margin and maybe on a side note, I mean, it's hard to compare you to, sporting goods on the return on capital and things like that. Can you guys match them up, I mean, I see no reason why you shouldn't with the dominant

market share that you have, but can it be done and how long could that take?

BILL GREGSON: On a market side Benoit, we still think that there is upside on the margins on a – I mean obviously the margin is driven largely by the corporate performance and then really after that it is mixed with the blend between our wholesale sales, our retail sales. So, on a corporate side, we don't think Sport Chek has peaked yet, at this margin rate we think that there's still upside and we think that there is even greater upside both for Sport Mart and National and as Bob talked to, the key part of that will be getting them on the same technology platform that Sport Chek is on. Coast – we still think there is upside in Coast, so Coast will be our single highest performing banner from a margin perspective. So, we are very optimistic on the margin side. I am not 100% sure what you are talking to in reference to Dicks, I believe from an EBITDA perspective is that we match up very well today with this past performance compared to the Dicks. I am not quite sure where you going with that question. What I can say is that going back to my comment earlier is certainly from sales per square foot perspective, one of our major focus on the corporate side, you will notice that we are opening more franchise square footage and corporate square footage and that is by design as well. One of the real focus is on the corporate side and, yes that – we have to really to drive our

sales per door. We believe that there is a substantial comparable store sales left in our big bunch of banners.

BENOIT CARON: Okay. And if something interesting showed up on the US front, would you guys consider moving out of the border?

ROBERT SARTOR: I certainly not with this CEO, no.

BENOIT CARON: Okay. Well, that's all I had gentlemen. Thanks a lot.

ROBERT SARTOR: Thanks to you.

OPERTOR: Your next question comes from Kathleen Wong from CIBC World Markets. Please go ahead.

KATHLEEN WONG: Good morning. Can you talk about in the quarter in terms of the road that the Precision Retailing team play in the quarter in terms of how you audit (Ph) all the three between your Ontario stores and your Western Canada stores when you are seeing this weather was like little warm? Do you do that or – like in terms of the progress, how do you do it, do you do it when you are monitoring the performance of the stores and kind of like do it in the middle of the quarter?

BILL GREGSON: Well, I think it's – I mean it's that set of thing is part of our group, I mean, that would involve precision retail and it involve purchasing and it involve our logistics group and those three groups meet

every Monday and we talk about the business and we try – and to react to the situations that are out there. So, I think all three groups played a major role and did exemplary job in managing inventories be just ski and snowboard and anywhere (Ph) is a tremendous accomplishment and really not that big an increase in outerwear is also a tremendous accomplishment and that was accomplished by a group of people sitting down in software (Ph) and putting in some targets based in Ontario did get in by this stage if when we do but even didn't as for practice saying this that it was lost in the warehouse is shutting off re-supply to Ontario at that time and leaving it for Western Canada and really the forecast and that our inventory levels would be et cetera. So it was – it's three groups of people; it's logistics, it's purchasing, and Precision Retailing group that by and large major make it happen, but it's a collaborative effect and all three did a – as I said a phenomenal job, which is we are very, very happy with how we ended up from a inventory provision.

KATHLEEN WONG: So, my understanding is there was no, I guess, there should be some inventory lesser than the Ontario stores back to Western Canada store or is it from your inventory in the DC, is that (multiple speakers)?

BILL GREGSON: No. it was - we – the first stage, I guess, as I said – first stage was early December when December month when there was no weather yet in Ontario, so the first step was to cut off DC shipments.

As we progressed we ended of December and in to early January, still with no weather, the levels of inventory were such they need to be balanced and then we moved products from primarily, ski and snowboard, outerwear seem to be okay. So primarily ski and snowboard we moved it from Eastern Canada to Western Canada.

KATHLEEN WONG: I see. And can you talk about on your merchandising management system and your point of sales system, all of your banners and your latest acquisitions National Sports, Fitness Source, I guess Fitness Source expect some of the franchise stores, are they all under same information system now?

BOB SARTOR: I will tell you what we have on the same information system, Sport Chek and Coast are on – the system should be able for merchandising and for retail POS. All of our franchisees are on the same POS system. We are currently at work converting our franchise merchandising system that will be probably 18 months process and we will begin the process of converting National and Sport Mart later on this spring, perhaps early summer and that process is expected to take approximately 18 months as well. So when we talk about margin expansion from my perspective, I see only upside in those businesses particularly in calendar '08, but I certainly don't see it them going backwards in calendar '07. But the – good news is, you know, our view is to have, you know, uniform integrated systems in all of our businesses,

you know, within two years. And one other reasons obviously is we've seen what tremendous performance enhancement we have had once we learn the technology, once we modified our processes in terms of really understanding what the ship to stores in, what quantities, and importantly what to replenish, and at what levels, and how we are going to mark down. So those have been very important changes to our Sport Chek and Coast business and I think this business has got a kind of upside just by unifying those elements.

KATHLEEN WONG: And what's your capital expenditure just for this year, and can you put it down for us on maintenance CapEx versus new store CapEx and also your information system CapEx?

RICHARD BURNET: Kathleen, as Bob stated earlier, it would be something little below \$30 million and no we wouldn't get into that level of detail in terms of the component parts.

KATHLEEN WONG: Okay. Can you remind me – I think from previous conference call, you mentioned that your marketing spending for fiscal '07 were about \$5 million lower than the previous year?

BOB SARTOR: Yep, roughly up.

KATHLEEN WONG: And should we expect a similar amount of marketing spending now in Florida, is that like a normalized number?

BOB SARTOR: Yeah, this past year is, we think is the level that we will – that we continue on as we think we found the right level.

KATHLEEN WONG: Okay. Do you expect anymore store closure in your National Sports banner and your Sport Mart banner?

BOB SARTOR: National Sports, no. We closed our Clearance Center at the end of January and just sort of National's inventory levels are fine and then the Escorts (Ph) business really is a – we spent a lot of money that helps our pool cost. So we decided we didn't want to be in that business anymore and we taxed (Ph) it a little early that we already when we purchased National, so National will have the same number of stores throughout the year. And on Sport Mart, where you guys in the process of closing down a couple of stores in the Mississauga area and have just closed and Sport Mart will basically be flat in terms of the store count for the rest of year and having said that actually we will open the first New Sport Mart in a few years in Western Canada just outside Victoria later this year and it will be a new look Sport Mart for us, and we are very excited about that and it stands through, freshen as the banner up and so we are excitedly having a new look. And so we are looking selectively at new Sport Mart stores and in Western Canada and this will be the first one.

KATHLEEN WONG: Okay. Great. Thank you very much.

BOB SARTOR: Thank you.

OPERATOR: Your next question comes from Keith Howlett from Desjardins Securities. Please go ahead.

KEITH HOWLETT: Congratulations on the results.

BOB SARTOR: Thank you.

KEITH HOWLETT: The first question is, how many stores are you opening China?

BOB SARTOR: You are always a joker, weren't you?

KEITH HOWLETT: Just on the capital expenditure of \$30 million, is that the gross number or the – or is that the net like with the landlord inducement sort of thing?

RICHARD BURNET: That would be a net number, but landlord inducements will not be significant this year.

KEITH HOWLETT: Okay. And then, just on the square footage, the 150,000 and 270,000 are those net of closures or those sort of gross openings?

RICHARD BURNET: That will be on a corporate side, Keith that would be a gross opening number.

TOM QUINN: And franchise that would be a net number.

KEITH HOWLETT: Great. Thanks. And then just on the quarter, you will be franchising the Fitness Source, was it a big contributor in the quarter just passed, I guess, because everyone runs out in January and buys some fitness equipment or is it pretty modest in terms of its impact that you own the stores in that quarter?

BILL GREGSON: It's a – it's a small amount.

KEITH HOWLETT: It was nine stores, so it contributed that wasn't very significantly overall performance of Sport Chek and than the other banners?

ROBERT SARTOR: To put it in another way, Keith, without the contributions it still would have been a record quarter.

KEITH HOWLETT: Great. And then, just in terms of the Sport Mart process, you mentioned the new look in the Victoria store opening later in the year. But in terms of your own sort of reprogramming of Sport Mart issue previously done with Sport Chek; where is that process?

BILL GREGSON: Well, it's by and large, you know, I think fell through (Ph) for last step, and what was really been done is a focus on the mix and what – where the growth categories come forward and then on the taken out mix and figuring out what else price-points we want to be at, making sure that we, you know, it has a written (Ph) label of Sport Chek and that's been done too and there is processing team has done a good job at Sport Mart and what was goes for our team. And so, with the – what the consumer see on day-in and day-out basis is from an average price point from a mix, it is different – but I will not it necessarily, but truly different, but it is consistent very much with the value banner that strategy that we are talking about and we would like – we are positioned now. These are other matters and we think we have the right degrees of

separation. What remains now is both the in-store and the external communication of that value positioning and, you know, we felt a little hard than we anticipated and then we decided not to -- you know, we are having a good year in Sport Mart, so we decided not to play around as back-to-school or Christmas (Ph) and we will be launching it in (indiscernible) this year which is a one-store market for us, it's a drivable distance. Yes, there's not a lot of spillover from the -- from what we put into the Lappard (Ph) market from a communication point into other markets. So that will give us really like a chance to test both the in-store and the external communication of our value positioning to the consumer this spring. So, that's going to happen fairly shortly actually.

KEITH HOWLETT: And then just on the private label and I guess primarily the private label mix, how is that looking on a corporate stores?

BILL GREGSON: Well, private label is not just for private stores, it is also for franchise as well but our private label group, which we thought of INA, and internally, had a good growth and major top-line is the purposes for other banners within our company and most importantly although we're really keen on is that the profitability of the banners, the margin produced by that private label product, continues to increase and increase and it's a part of the reason that you are seeing strong increases in the overall corporate margins, I mean there's many other reasons as well including Precision Retailing and what the purchasing teams from the software. But

INA (Ph) certainly is a key factor in helping to drive up the margins on their corporate side, but they also do that with franchisees as well which does don't that reported obviously through our financials.

KEITH HOWLETT: And then just talking ahead to spring, anything look particularly hog, any hog – anything like the Healy's (Ph) or the Crocs or anything...

BILL GREGSON: Well, I think Crocs will be – I mean, Crocs obviously took off last year, we like – the momentum doesn't seem to be slowing down at all. So I think Crocs will be an item tracked (Ph) due to that slowdown, Healy's will not be a, you know, above the doors off kind of thing, but it's still going to be the nice solid business, but Crocs is probably the biggest story as or is.

KEITH HOWLETT: Great. And then just on the Hoger (Ph) line, have you found the formula for the magic fabric yet or still working on that?

BILL GREGSON: I'm going to ask Bob sitting in tight with my backpack tight. But on the – actually, I would say, Keith, that's obviously part of the business and, you know, it's tough to argue with success the little lemon it had. And, you know, they do a phenomenal job and I am sure it's something that, Keith, what you're doing in your probation, you look at them as long as I do at private equity, but I guess they going public. So, but more and more for us what we look at is – it's actually as part, it's actually a smaller part of your the overall technical apparel and on the

technical apparels it continues to grow and to develop, and by an athletic apparel that's what's interesting, that's what's exciting right now and certainly in terms of brands I mean we have a major position with Under Armour and both for men's and ladies and now for spring we are going kids to outdoors, and I think Under Armour has done a great job of create its own vitality and some interests at the consumer level and creating demands. And it's more than just Under Armour, I mean, I think they're helping to drive the whole category and other brands are doing a good job as well. But it's all part of people becoming more and more aware of that type of product and it's becoming a bigger and bigger part of our business, and so we owe a small part of it, it quite honestly is not anywhere near the biggest part, I would say more the Fitness part isn't (Ph) the biggest part for us and, you know, it's hard to tell sometime as where to start, Fitness detailed at hand (Ph).

KEITH HOWLETT: Great. Thanks very much.

OPERATOR: Your next question comes from Philippe Habeichi from Genuity Capital Markets. Please go ahead.

PHILIPPE HABEICHI: Okay. Thanks, congrats on a very good quarter. Just wanted to talk about something you mentioned at the time of the last conference call. I think in the last – time of your conference call

you mentioned that – you said that you're about just past the halfway mark in the margin improving story at Sport Check and Coast Mountain, I am just wondering where you still you are right now?

ROBERT SARTOR: Well, we are past halfway. We had a phenomenal year, and the margin might increase as we're huge, but like I said earlier we still think that – we still think there's upside, and the upside is – well, we believe if we achieve the targets we've set upside then it will be noticeable on our financial statements.

PHILIPPE HABEICHI: Just that we might – sorry, go on.

ROBERT SARTOR: Sorry. But the increase is going forward not as big as they have been coming to where we've come from the last 24 months.

PHILIPPE HABEICHI: Okay. Just wondering if you could help us get a better feel or appreciate more the improvements that have been done at Sport Chek and Coast Mountain, so we can sort of, you know, carry that forward to the National Sports and Sport Mart, if you could just give us an idea of what the gross margin improvement might have been year-over-year just for those two banners?

BILL GREGSON: I can't give that detail at this stage, you know, Sport Chek is our overall corporate banner and Sport Chek has the highest contribution at store levels what that would be is on a gross margin always less to direct store cost and then the contribution is what we contribute to

SG&A cost. And so when you look at the difference between either margin or contribution and both National and Sport Mart is that there is lots of opportunity and both those – both the gentlemen that run those banners and their teams are very focused on driving that contribution number in the margin number and it is considerable.

PHILIPPE HABEICHI: I think your initial objective was a couple of hundred basis points improvements; do you feel that you can surpass that level now?

BILL GREGSON: Yes. Over the course of what we've done so far and where – from where we're going, the a total increase over that – the last, you know, 12 or 24 months and the next 12 or 24 months will be greater than 200 basis points for sure.

PHILIPPE HABEICHI: Okay. That's great. And just one final question for me; you're initiating a normal course issuer bid, I think one of the reasons that you mentioned for that was, you know, good visibility into the current year and good outlook for free cash flow generation.

BILL GREGSON: Okay.

PHILIPPE HABEICHI: Could you give us an idea of what you feel might be a sustainable level of free cash flow for you guys, I mean that's never just sort of hard to get around because you've done so much on their margin improvement and you've done so good in managing your inventory as well, so if we're trying to get an idea of what your sustainable

level could be, do you guys have any visibility on that that you can share with us?

BILL GREGSON: Well, we have visibility but we're not prepared to share at this stage. It's a good question by the way, but it's not something we're prepared to put out there, it would be akin to providing a form of guidance in our view.

PHILIPPE HABEICHI: But I could check you into it, but I guess not. Thanks a lot.

BILL GREGSON: Good trying. Good try.

OPERATOR: Mr. Habeichi, do you have any further question?

ROBERT SARTOR: He is not – I've got some closing comments unless there are other questions.

OPERATOR: We do have a question from Christine Sterling from American Century Investments. Please go ahead

CHRISTINE STERLING: Good morning gentlemen, I will be really quick. I just wanted to go over really briefly about the refurbishment program, what percentage has been done on Coast and what do you see in terms of same store sales, up what do you expect from refurbishment,

and if you could just briefly go into any developments on the competitive environment?

ROBERT SARTOR: The refurbishment – we also buy banner for Sport Chek and Coast, I think basically was done and the comps are reflective of this past year. The only exception on that is there is a handful of stores that are again currently in lease renegotiations, we typically don't fill or pile money into a store until we secure a long-term lease. So we've got a couple of stragglers, but they will be done as we secure the leases.

BILL GREGSON: Yeah, I think really on the Sport Chek Coast, side it's out of maintenance capital, there are – you know, there are nothing required and the comps will hopefully be, you know, we don't give bias (Ph) the comps but I would say last year would be certainly something we would look to continue on like in terms of performance last year. On the Sport Mart and National side, National has – we would actually renovated service of the National we will change, we will do a bit more this year, but again the capital requirements both for Mart – or Sport Mart and for National really come out of our income side, there are – there is not significant – but it's not like we did a few years ago where we went spending \$8 million and 90 days on Sport Chek, that was the one-time shot to get us there and from this point forward really it's maintenance capital.

ROBERT SARTOR: And as I pointed out to another caller, we – we're running (Ph) for it, we don't typically split our total CapEx numbers between units and investment in new business, so we'll just leave it as that.

BILL GREGSON: And I think I probably missed a couple of questions that you asked that you want to ask them...

CHRISTINE STERLING: Well, I just – you went over everything else, just what same stores sales uplift do you expect from the refurbishments and then just on the competitive environment?

BILL GREGSON: Okay. We don't give guidance on where our comps expectations are, but...

CHRISTINE STERLING: Okay.

BILL GREGSON: We look to, you know, keep them into each area, where we certainly. And again our focus is at the corporate level, it's not only on comp but it's also on margin improvement and maintaining comps. On a competitive environment, it's pretty quiet right now, the – at least from the corporate side on -- Tom is going to talk at the competitor side on golf, but when it comes to where our corporate store is to, it is very quiet right now, which is good.

CHRISTINE STERLING: Excellent. Thank you.

TOM QUINN: Yeah, thank you. Moving to the specialty retailing, there's definitely some businesses out there that are of substantial

competitors; in the golf industry there's one, in fitness industry there's a number of them, and we just will continue to do and apply what standards that we do in our other franchise businesses and normally it's proven fairly effective because no one can own 100% of the market, we are just looking for a percentage.

CHRISTINE STERLING: Great. Thank you so much.

OPERATOR: Your next question is a follow-up question from Jim Durran from National Bank Financial. Please go ahead.

JIM DURRAN: I just wanted to ask, you mentioned that your margins heading into Q1 are also up, can you give us some idea what categories are driving that?

BILL GREGSON: Yeah, the footwear continues to be very strong for us. Footwear is a high margin category for us and comp store sales – or since the category sales comp, category for footwear continue to be strong and straight (Ph) for overall blended margin up. We have – our hard goods margins which is – we, as Bob said, we will never go away from our hard goods business, in fact we are looking to increase our hard goods business, but our groups have done great job in bringing the hard goods margins up as well, and our apparel margins the things that we talked from the technical side, the technical apparel margins tend to be very strong

and may be they have helped as well. So it's really phenomenal for us and in fact I say that just to fish (Ph) it out, with spring so far is compared to a year ago where we have a fair bit of aids (Ph) outerwear, this year we really don't have any aids outerwear, almost all are outwears from the current season. So, a year ago we were getting real a lot of aids for outerwear, October-March is down, so this year we're going to do that, our margins are much higher in the outerwear category too. Jim?

JIM DURRAN: And last question is, there has been some data points coming out of the US about the footwear business in the US slowing down, can you contrast, you know, your situation here to what's been going on down there?

BILL GREGSON: I think, I mean, the footwear business in the State especially they're talking, you know the mall guys, has driven a huge extent by fashion and also a huge extent by basketball. And our mix is always a different fashion is a – is less than 10% of our business, we would like to do more actually and are doing more, but still a small number. We are very much an end-used footwear chain and so that means running, that means cloistering (Ph), that means created (Ph), and those businesses are not as the events the ups and downs of the fashion world now, we will get periods of time where right shoe is in fashion, and we will get it elevated up or run natural on our business income, but we look at it and say we like our positioning because of the fact that's high-end used

and a lot of categories are solid day in and day out and I think that's one of the reasons that our footwear business has been strong. And the other one obviously too normally would be is, we have been under – and I guess we have under assortment when it comes to the whole software business and sandal (Ph) business, and Crocs being part of that, so that is driver of our business right now too.

JIM DURRAN: Thanks Bill.

OPERATOR: Your next question comes from Dave Pupo from Orion Securities. Go ahead.

DAVE PUPO: Good morning. The nearly obvious schedule on concentrating on Chek, then Mart, and National, when do you see yourself having to cycle back into Chek again, and also are you looking all far enough to know or to think you know what areas of the Chek store need to be concentrated on next?

BILL GREGSON: Yeah. Well, we're – I think one of the lessons learnt from last time was don't let, don't ignore something for, you know, four or five years.

DAVE PUPO: So that led to an \$8 million spend, right?

BILL GREGSON: Right. So we have done a lot, actually we will have – we are working right now on an updated design for cup (Ph) – for

going forward, we have also – are testing right now in two stores here in Calgary just a different take on 100% footwear if it's successful -- and we're going into it. So, it is successful or roll that out to all our Sport Chek stores or the majority of them for back-to-school. So we are continuing to – and it's different than when we guess that it's the first time around. We're definitely focused on continuing to upgrade and improvement in the Chek book and maintenance of it, so that will be an ongoing thing. But we are, say, to – about considerably new look for Chek, and I think depending on our real estate and (indiscernible) design done, we could see something this fall where we will try to see very different look for Chek.

DAVE PUPO: And what is the difference in the shoe presentation?

TOM QUINN: The shoe presentation is just very much cleaned up, we actually have more pairs (Ph) on the floor, but it looks a lot better and it gives a much more dynamic presentation, and it's – we think it's just cleaner look, it's easier to shop, it's easier to operate, and so...

RICHARD BERNET: Yeah, more specifically there is some pretty good-looking fixtures that are very consumer-friendly to work with, I guess that you will have to see a store.

DAVE PUPO: Which are the two stores that I can go?

ROBERT SARTOR: Market Mall in Calgary and Deerfoot Meadows in Calgary.

DAVE PUPO: Okay, thank you.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press the star followed by the one. As a reminder, if you're using a speakerphone, please lift your handset before pressing the keys. Gentlemen, there are no further questions. Please continue.

BOB SARTOR (CHIEF EXECUTIVE OFFICER): Thank you very much. Key takeaways, ladies and gentlemen, we continue to have good comps up against really strong comps last year on the corporate side, our rate of comp is actually increasing as the quarter progresses as we expected. As you all noted, Bill said that we were in outerwear liquidation move in the first quarter of last year much less though this year.

On franchise side the good news for Tom and Jean and what is his franchisees is that a very strong finish to January and a very strong start of the year has done a very in charge (Ph) in Quebec of cleaning up the inventory levels there. So that's in good shape. We had an elevated G&A spend for some catch up stock based compensation and for the retirement of our company founder, and extents of that our G&A numbers for the next year for those of you do models would be at roughly historical levels. Our margins continue to increase and certainly the rate of margin expansions versus prior year is very very positive in our view.

And I guess last but not least, hopefully through the Q&A you've got a sense for the fact that we think that there's still lots of upside in Check, still lots of upside in National and Sport Mart as we roll them into the same technology and we take advantage of Precision Retailing and what that has to offer, and that will I think drive their margins and also drive their comps. Having said that we believe that from a sales per square foot perspective it is immaterial side to our business and we're beginning to getting to see the – beginning to see that as we broaden our assortment and we have talked about normal course issuer bid that is not our answer to cash redeployment, it is simply a first step.

And last but not least, all is well in Forzani and senior management has vested a significant amount of stock options and we will not be exercising and selling those, we will be retaining those, so hopefully that sends our investors a good message and a level of comfort in terms of how bullish we are on our company. Thank you all for listening in and participating today. As I said before, it was a record performance with a tough winter, and you know, we are building off of that record performance and we expect another great performance this year. Thank you very much and good day.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. Please disconnect your line.
