

## Vancouver shoe retailer steps up expansion pace in Ontario market

With sales topping \$73.3 million, Sterling Shoes rolls out plans to open eight new stores in eastern Canada

**Andrew Petrozzi**

The company's boots might be for more than just walking as **Sterling Shoes Income Fund (TSX: SSI.UN)** takes major corporate steps to expand its operations in Ontario.

The Vancouver-based footwear retailer – operating under the retail banners of **Sterling**, **Joneve**, **Shoe Warehouse** and **Freedman Shoes** – announced plans last week to open eight new stores throughout southern Ontario.

Sterling made its initial foray into the province in the summer with Sterling stores opening in Toronto and Newmarket. It also opened a Shoe Warehouse outlet in Mississauga.

“We’ve now basically opened the majority of markets that we want to open in western Canada, and the next obvious place to go is eastern Canada,” said **Jeremy Horwitz**, president and CEO of Sterling Shoes Income Fund. “It’s a natural expansion from where we are.”

Of the eight new stores, six will operate under the Sterling banner and two as Shoe Warehouses. About 40 new employees will be hired, he said. The income fund operates 103 stores located primarily in western Canada.

Horwitz said Sterling has been “very happy” with the performance of its first three Ontario stores and that all were “exceeding expectations.”

For Horwitz, the time was right for Sterling to start competing against other major national footwear retailers on their traditional home turf in eastern Canada.

“We compete against them in all the western Canadian malls already and we compete extremely successfully against them,” he said.



**Fancy footwork: Sterling ups ante in its eastern Canada campaign**

“Our business numbers bear that out.”

All eight stores will open by March 2006, with the two Shoe Warehouse outlets opening this December.

Selection and pricing will be the same between its stores in the west and in Ontario, said Horwitz. “But we certainly look at the personality of each shop and make minor adjustments.”

Horwitz said the expansion plans were the first step in bolstering Sterling’s eastern Canadian presence and that the company is examining other lease opportunities in Ontario.

While Sterling will initially use its western Canadian distribution system to supply the new stores, Horwitz said the company is considering the use of a logistics company for the Ontario market.

The former private company went public as an income fund in July. Its initial public offering raised gross proceeds of \$53 million

on a \$10-per-unit purchase price. Net proceeds of the offering were used to acquire an indirect 80 per cent interest in the business formerly operated by **Sterling Shoes Inc.**

The underwriting syndicate was led by **TD Securities Inc.**

The market, however, has been cool to the new offering.

Since its launch, Sterling Shoes unit price has had a rolling high of \$9.90, but was trading at \$8 on October 24. However, the unit price had rebounded to \$8.75 by October 26. It has a rolling low of \$7.90.

Horwitz and new CFO **Daniel Gumprich**, a former director of finance for **Inflazyme Pharmaceuticals Ltd. (TSX: IZP)**, said there are no regrets about turning Sterling into an income fund.

Sterling Shoes employs over 700 people and had sales of \$73.3 million for the 12-month period ending April 30, 2005. ♦

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