

# Sterling

## Sterling Shoes Inc. 6<sup>th</sup> Annual General Meeting

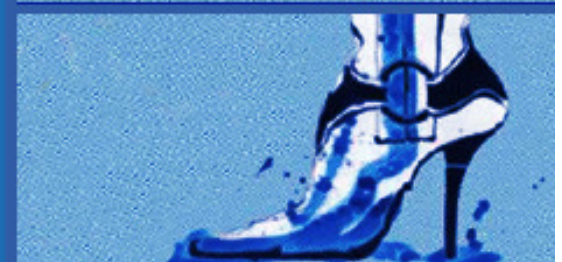
June 28, 2011



# Sterling

Richard T. Mahler

Chairman, Board of Directors



- The following discussion will include forward-looking information. Such forward looking-information is subject to material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information. Certain material factors and assumptions were applied in drawing the conclusions and making forecasts and projections as reflected in the forward -looking information.
- Additional information about the material factors that could cause actual results to differ materially from the conclusions, forecasts and projections in the forward-looking information and the material factors and assumptions that were applied in drawing the conclusions and making forecasts and projections as reflected in the forward-looking information are contained under the headings "Forward-Looking Statements" and "Risks and Uncertainties" in our Management's Discussion and Analysis and under the headings "Forward-Looking Statements" and "Risk Factors" in our Annual Information Form. Each of these reports are available on [www.sedar.com](http://www.sedar.com) and on our website under "Financial Information--Financial Reports."

## 2011 Annual General Meeting – Agenda

**Sterling**

- Call to Order
- Notice of Meeting
- Election of Directors
- Appointment of Auditors
- Financial Overview
- Questions

## Board of Directors

# Sterling

- Richard Mahler
- Allen Sello
- Sol Oshry
- Mannie Druker
- Steven Richardson
- James Bruce
- David Alves

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## Sterling Shoes Inc. 6<sup>th</sup> Annual General Meeting

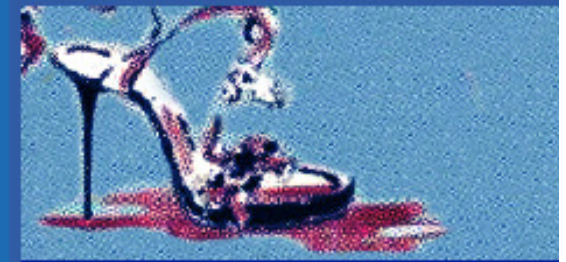
June 28, 2011



# Sterling

Daniel Gumprich

Chief Financial Officer



# Sterling

- About the Company
- Financial review
- Progress made in 2011
- Strategic imperatives



## Corporate Overview











# Sterling

- Sterling Shoes Inc. began in 1987 with 5 mall locations in Vancouver.
- Went public as Sterling Shoes Income Fund on July 12, 2005 on TSX with 100 stores.
- Have grown to 160 stores in 5 provinces (June 28, 2011)
- Converted to a corporate entity effective July 1, 2010 (Sterling Shoes Inc.)
- New President & CEO Dave Alves joined November 2010
- Initiated operational re-organization in January 2011



## Year-over-Year results

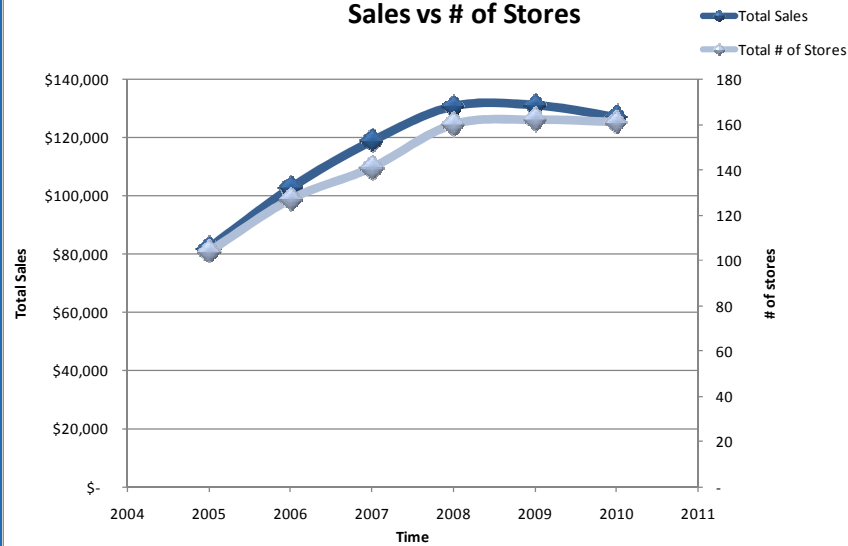
# Sterling

Corporate Results	Year-over-Year		
	2010	2009	Rating
Total Sales (\$M)	\$127.0	\$131.2	
EBITDA (\$M)	(\$0.3)	\$7.6	
Operating Cashflow (\$M)	\$6.0	\$9.6	
Net Income (\$M)	(\$5.3)	(\$27.6)	
Gross margin (%)	43.2%	47.3%	
Inventory on hand (\$M)	\$28.6	\$36.4	
Capital Expenditure (\$M)	\$3.8	\$6.3	
Store Selling Expenses (%)	36.5%	35.7%	
General & Admin Expenses (%)	6.8%	5.8%	
Cash/Bank indebtedness (\$M)	\$7.4	\$4.1	

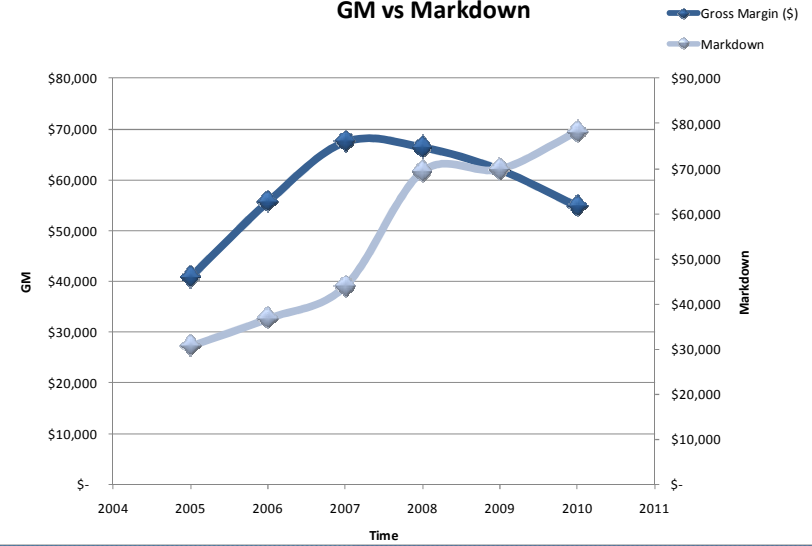
# Past 6 Year Performance trends

# Sterling

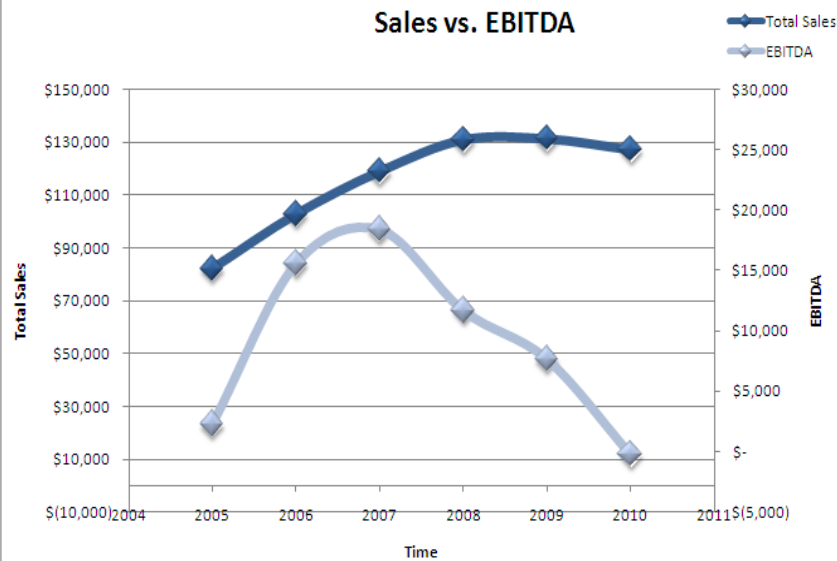
### Sales vs # of Stores



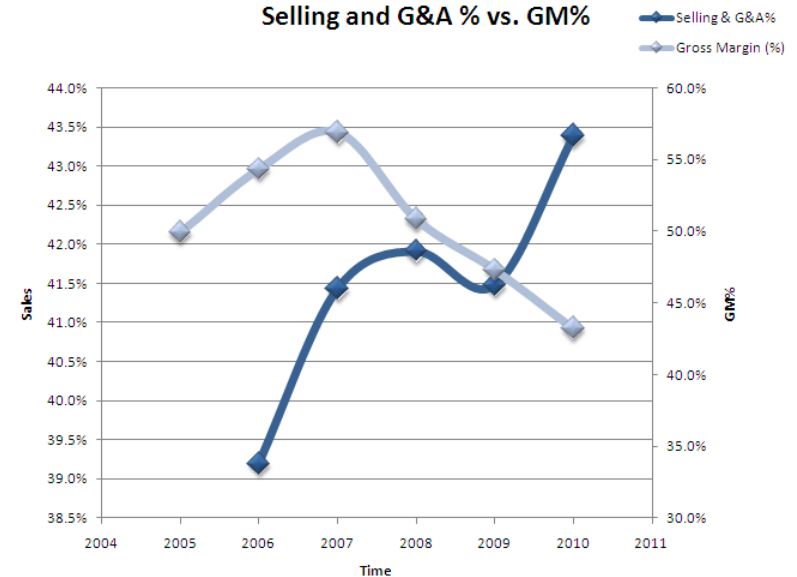
### GM vs Markdown



### Sales vs. EBITDA



### Selling and G&A % vs. GM%

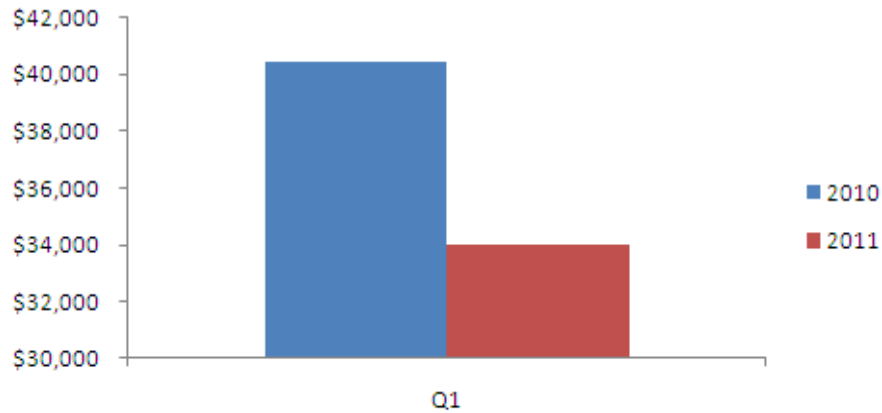


# Progress made in Q1-2011

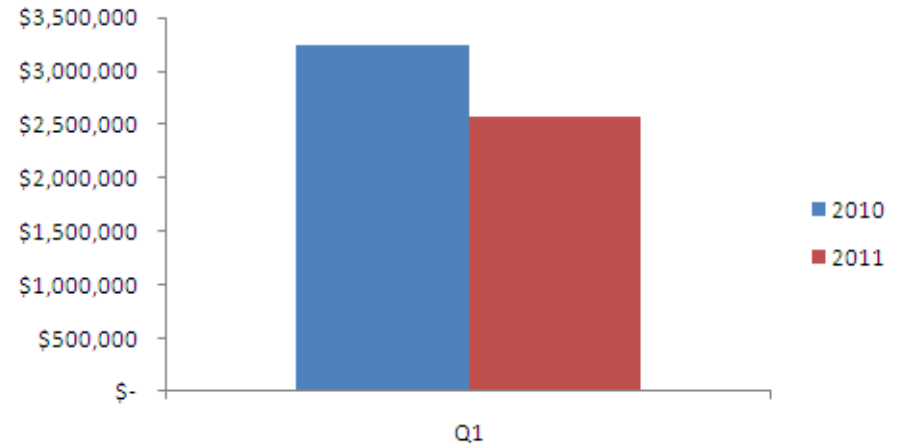
# Sterling

## Inventory Value

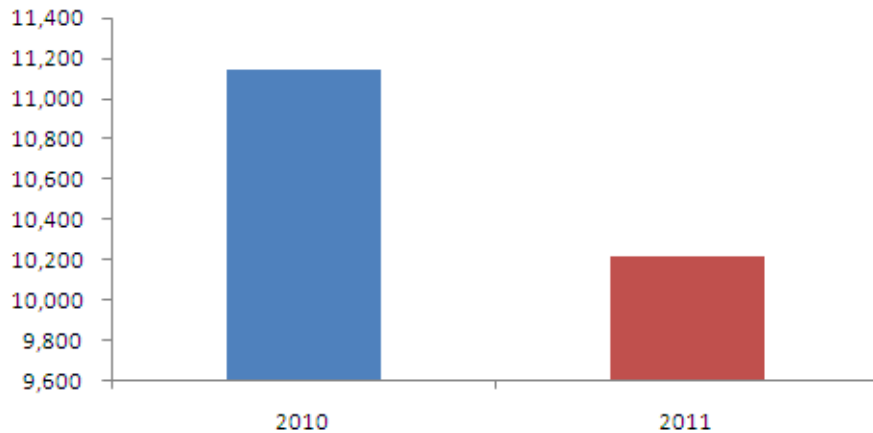
(in \$'000)



## Transportation & Logistics

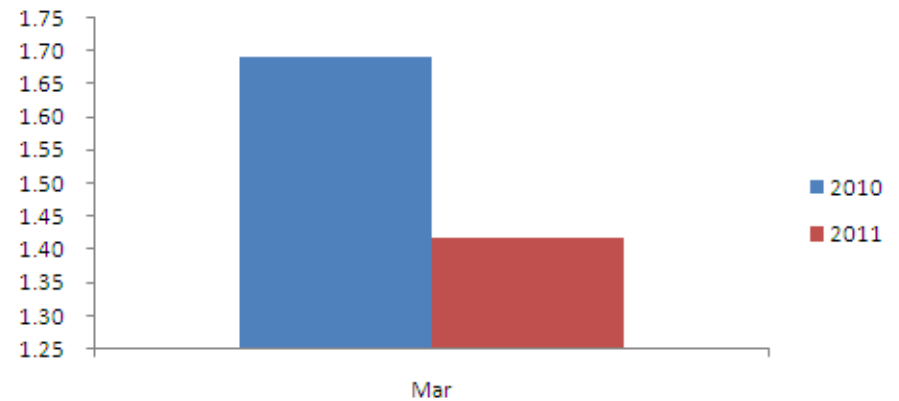


## Q1 Store and selling expenses



## Inventory Units

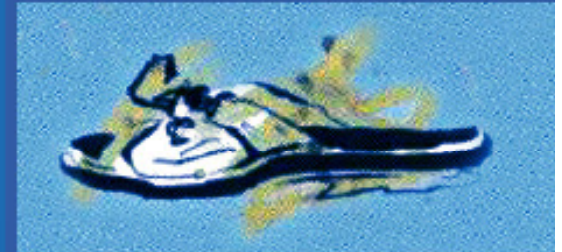
(in millions)



# Sterling

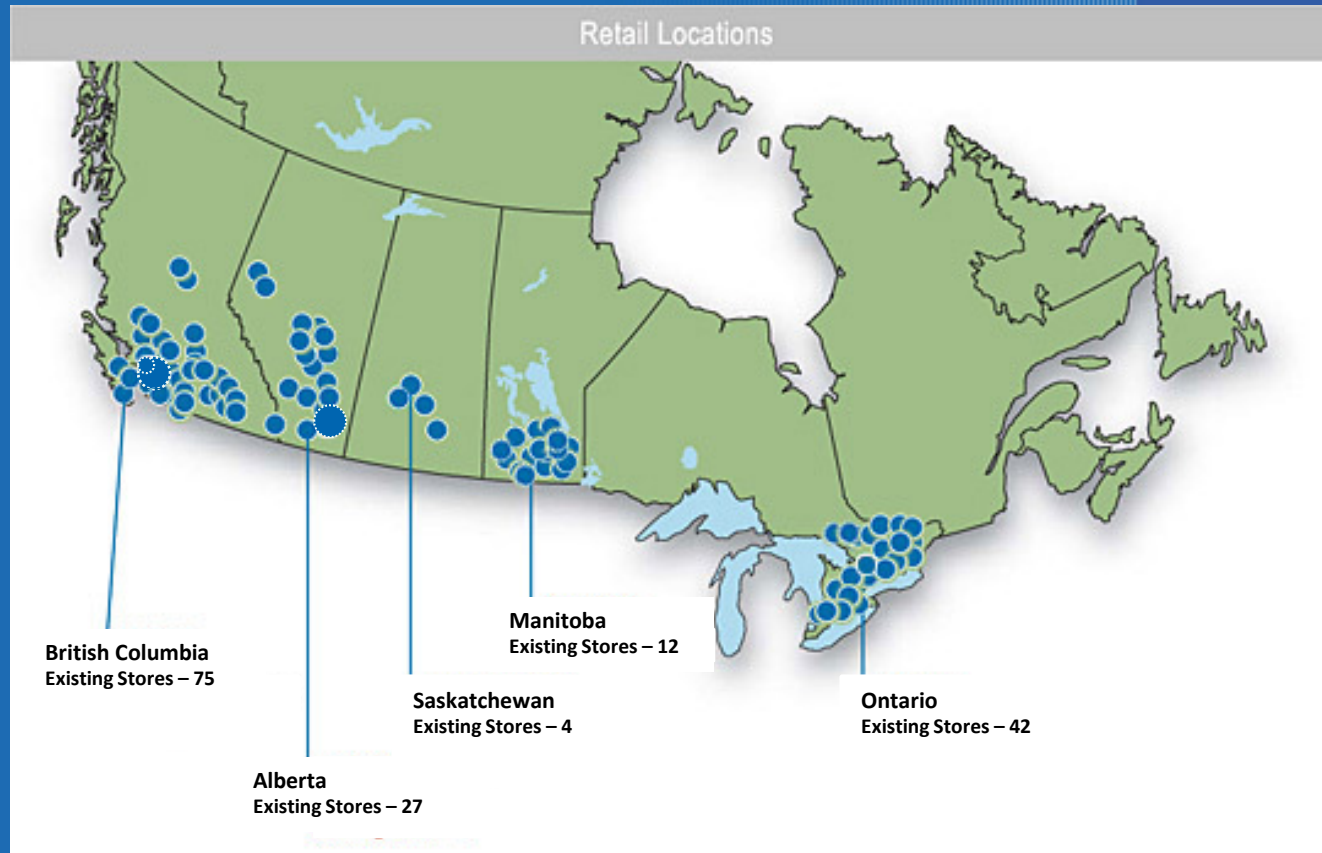
David Alves

President and Chief Executive Officer



# Locations across Canada

# Sterling



# Strategic Imperatives

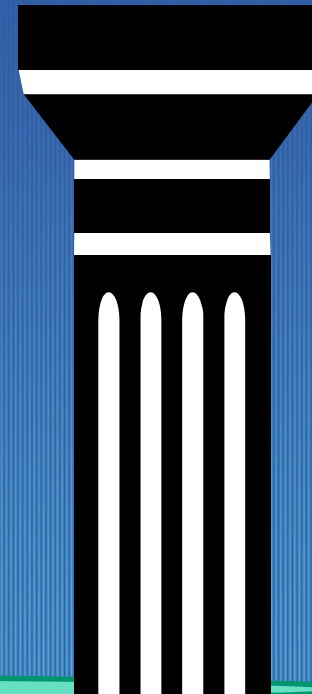
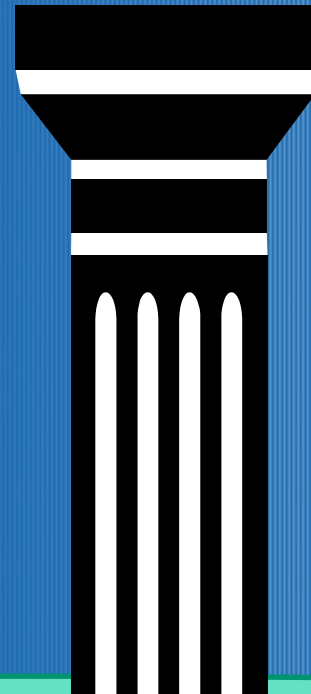
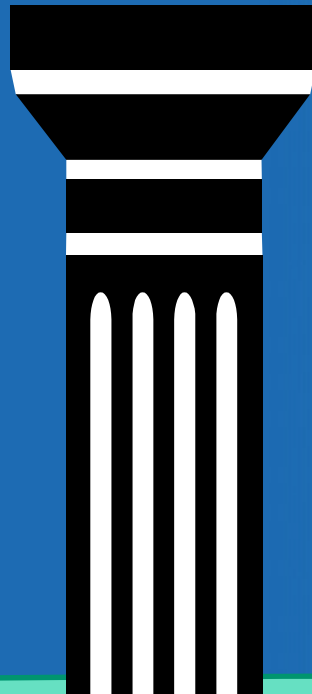
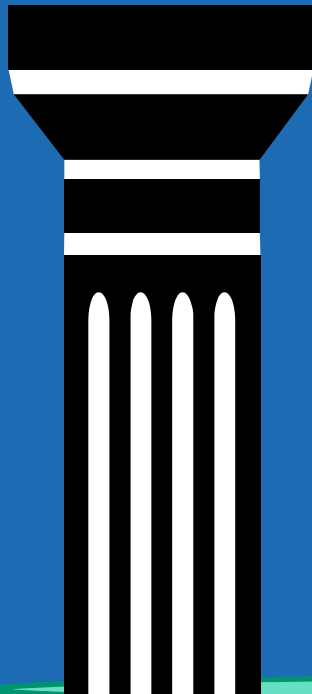
# Sterling

Excellent  
Inventory  
Mgmt

Operational  
Efficiency

Business  
Intelligence

Focus on  
Trading



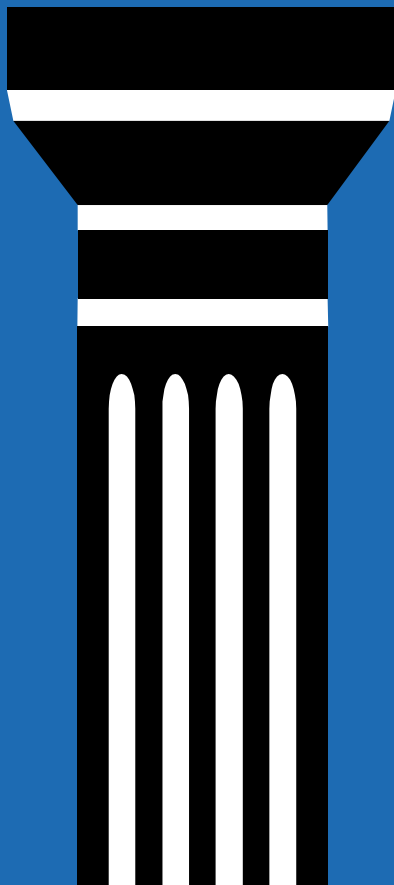
Core Values

Vision Statement

## Excellent Inventory Management

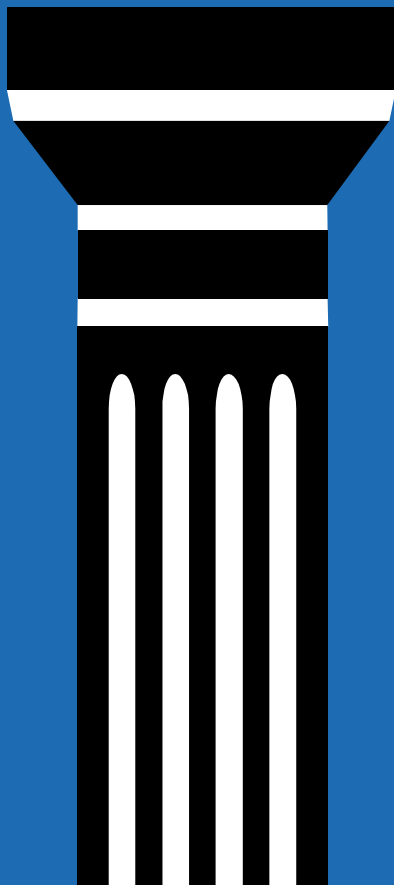
# Sterling

### Excellent Inventory Mgmt



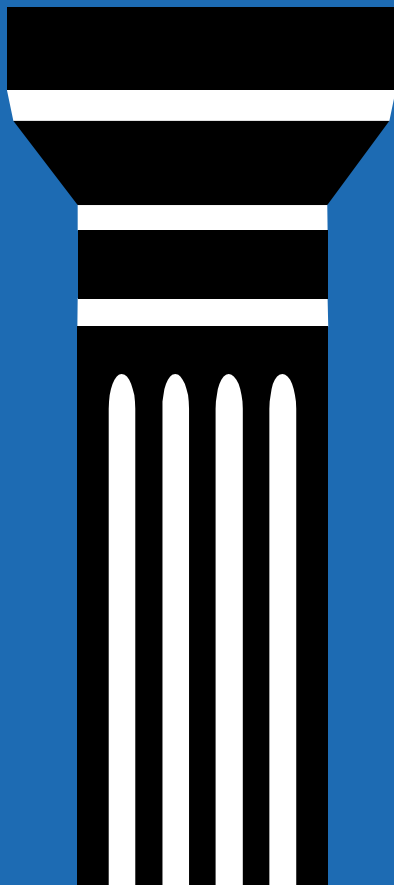
- Reduced aged inventory by 45%
- Implemented new markdown process
- New pricing strategy of everyday lower prices
- Shipping to store profiles based on sales volume and size
- New supply chain and merchandise-planning group to maximize product flow

### Operational Efficiency



- Leverage profit potential of existing store base
- Real estate portfolio review
- Eliminated store tasks and improved store environments
- Streamlined warehouse and distribution
- Invested in new productivity tools for warehouse processes.

### Business Intelligence

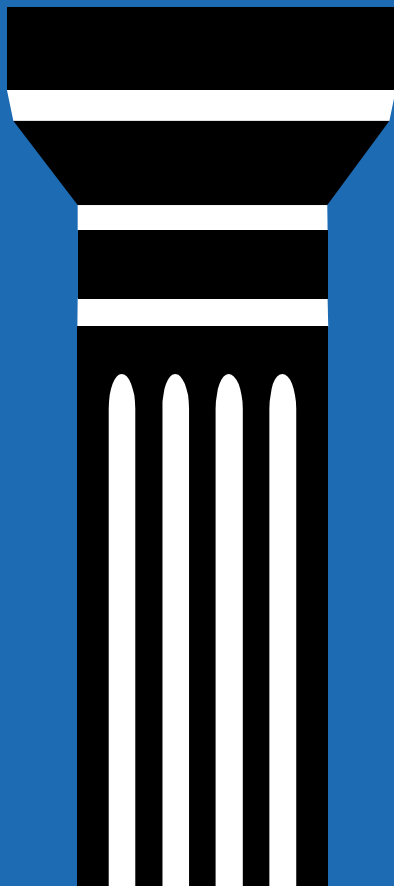


- New ERP system has been rolled out to all divisions
- Implemented a new business intelligence tool, IBM – Cognos
- Created a financial planning and analysis group for better organizational decision-making.
- Better tools and visibility with new ERP and business intelligence tools
- Building visibility on product flow and processing ability

## Focus on Trading

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### Focus on Trading



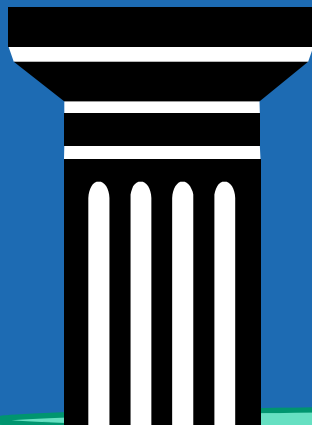
- Completed brand strategy review for all banners
- Defined and differentiated customer profiles and market segmentation for each banner
- Strategic move towards adding more brands
- Plan to buy more closeout inventory to increase margins
- Store staff to focus on the customer

# Strategic Imperatives

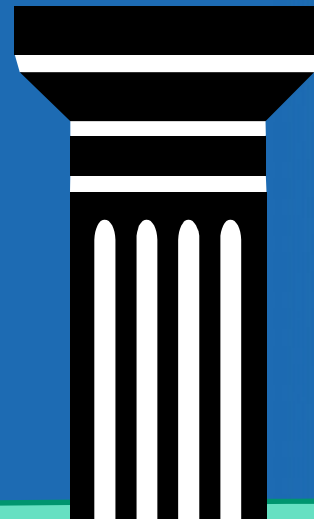
# Sterling

Better results with our strategic imperatives in place

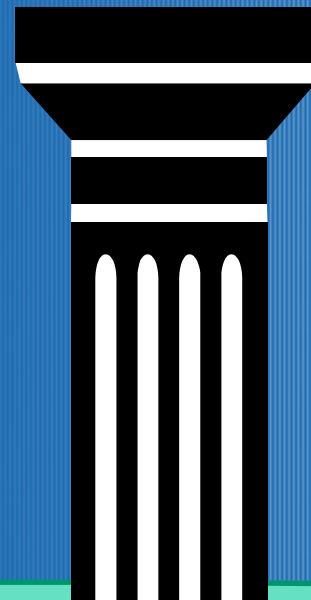
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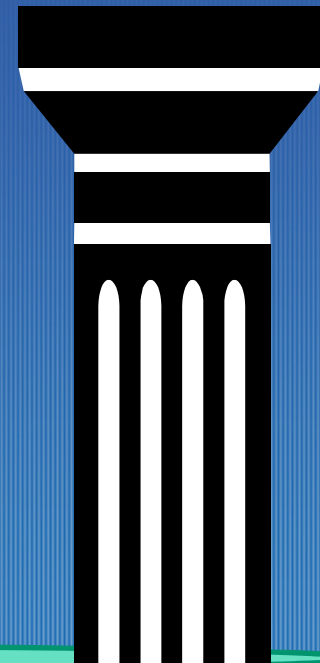
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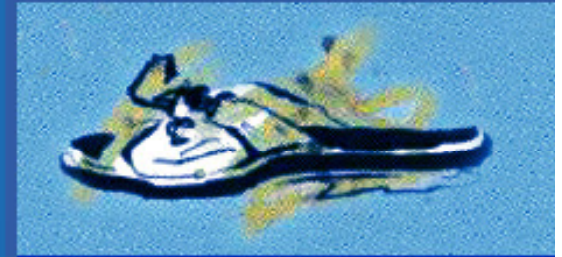
Core Values

Vision Statement

# Sterling

THANK YOU...

Questions?



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