

New stores boost shoe chain's second-quarter sales by 12%

EARNINGS | Sterling fund to continue growth by opening outlets in Burnaby and Ottawa

BY MICHAEL KANE
VANCOUVER SUN

Vancouver-based Sterling Shoes Income Fund added eight new stores during the second quarter, helping to boost sales by 12 per cent despite marginal growth in same-store business, the fund reported Monday.

Since its initial public offering in July 2005, the fast-growing firm has opened 40 stores and generated a total return of more than 100 per cent to investors.

Unit prices have climbed to \$18.50 from \$10 since the IPO, while monthly distributions have been hiked to 12 cents per unit from 8.9 cents. The fund also made special year-end distributions of 16 cents in 2005 and 47 cents in 2006.

Sterling plans to continue growing both in Ontario and Western Canada, chief executive Jeremy Horwitz said in an interview.

In September, the firm will replicate its Gia concept on Robson Street and open a second Gia in Burnaby's Metrotown Mall. Billed as "young, edgy, funky fashion footwear" for women, Gia will complement Sterling's Shoe Warehouse, Joneve and Sterling stores at Metrotown, all targeting different customers.

"One of the strengths of our business is that we have diversity over different spectrums of the market," Dan Gumphrich, chief financial officer, told analysts. "Part of our strategy is to have them balance off each other and hopefully smooth things out during changing economic times."

The fund will also shortly open its first store in Ottawa, a potential launching pad into Quebec once it has



IAN SMITH/VANCOUVER SUN

Sterling Shoes will replicate its Gia concept on Robson Street in Vancouver with a second store in Metrotown.

consolidated its expansion in Ontario, featuring Sterling stores in high-profile malls and Shoe Warehouse outlets where suitable locations become available.

In total, Sterling owns 135 stores to date — 64 in B.C., 25 in Alberta, three in Saskatchewan, 12 in Manitoba, and 31 in Ontario.

Horwitz described Sterling's operating performance in the first half of this year as strong, with sales growing 18 per cent to \$52.2 million over the same period in 2006.

However, he said expansion over the

past year was largely responsible for the second quarter's jump in sales to \$28.2 million from \$25.2 million a year earlier.

Same-store sales were up just one per cent for the quarter, which Gumphrich said was largely attributable to poor weather following last year's "phenomenal" selling conditions.

Distributable cash generated during the quarter increased by 27 per cent over the same period in 2006 as costs of sales as a percentage of sales declined to 45.1 per cent from 48.8 per cent a year earlier. Cost savings

included better pricing on private label products, improved economies of scale, and better terms on branded merchandise.

The strong Canadian dollar contributed marginally towards reducing cost of sales because some purchases are denominated in U.S. dollars.

Store and selling expenses increased to 35.1 per cent from 34.8 per cent, partly because new stores tend to have higher rents than existing stores. Head office staffing costs were also up to accommodate the firm's rapid growth.

mkane@png.canwest.com

Tourist attraction's contents up for auction

Totem pole, replica steam train among items for sale

VANCOUVER SUN

Period costumes, props and set decorations used in the defunct Storyeum attraction in Gastown will be sold at auction on Thursday.

Able Auctions will conduct the auction, with potential buyers walking from room to room in the 105,000-square-foot Water Street facility to view the contents.

Items to be sold include a four-metre totem pole, a life-size replica steam train, collectible spoons, counter tops, a stage fogger and more than 200 B.C. archive photos. The entire contents from the administration offices, retail shop and woodworking shops will also be available for bidding with no minimum price.

Storyeum, one of Gastown's biggest tourist attractions, opened in June 2004 with a development cost of \$22 million, and closed in October 2006 after owners determined there simply was not enough money to keep going.

The tourist attraction presented the history of B.C. using actors and sets, and added a dinosaur show in its final days.

When Storyeum opened, it planned to employ about 180 people, half of them actors, and aimed to attract one million visitors a year.

Storyeum president and CEO Danny Guillaume said in 2006 that his company had actually employed about 90 people, including 55 performers, and averaged only about 200,000 visitors a year.

According to legal documents, at the time of the closure the company owed \$5 million to the City of Vancouver, its landlord and main creditor.

Four Seasons to spend millions on renovations

Chartwell, Terrace bar, restaurant to be replaced by 'smoking hot' atmosphere

BY BRUCE CONSTANTINEAU
VANCOUVER SUN

Four Seasons Hotels will spend \$5.3 million over the next few months on renovations to its iconic downtown Vancouver property meant to create a "buzz" among city foodies and barflies.

Venerable Chartwell will close as a public restaurant in November while the Garden Terrace restaurant and Terrace bar have already shut down for good.

In their place, hotel general manager Guy Rigby says patrons will experience a destination restaurant and bar with a "smoking hot" atmosphere.

"This won't be a typical hotel dining room anymore," he said in an interview Monday. "A perfect dining experience now involves a tremendous amount of drama, activity and atmosphere. It doesn't require a tie because it's a little less formal."

Work on the \$4.3-million second-floor renovation project — including the 6,750-square-foot restaurant/bar area and 5,000-square-foot lobby — began three weeks ago and is scheduled for completion in November.

Another \$1 million will be spent between January and March next year on renovations

to the lower lobby and driveway.

The yet-to-be-named restaurant and bar will feature an open kitchen and a bar set against a backdrop of a "green" wall of live foliage. Other focal points include Ottoman lounge chairs near a fireplace, an interactive kitchen counter/bar and various dining options — including a communal table and intimate dining booths.

The restaurant will also house an exclusive glass-enclosed private dining room with sketched images of coastal mountain scenes.

Rigby expects the multi-zone facility will become a "must" place to drink and dine because it will be crowded and "very exciting."

"A great restaurant is the window through which people see our hotel," he said. "When you put buzz into your food and beverage, people want to be there."

The new contemporary design was created by San Francisco-based Engstrom Design Group, which redesigned Four Seasons restaurant properties in Las Vegas and Hawaii.

Executive chef Rafael Gonzalez, formerly executive sous chef at The Pierre hotel in New York, will create the new restaurant's menu.



IAN SMITH/VANCOUVER SUN

General manager Guy Rigby looks over renovation plans at the Four Seasons Hotel.

Rigby said Chartwell will become a private dining room when the new restaurant opens in November.

Work on the second-floor lobby area includes a new terrazzo

floor with area rugs, new furnishings and a new front desk.

The lower-level lobby will get new artwork and a new ceiling with hanging lanterns while the driveway will receive updated

lighting and ceiling work.

Rigby also noted a significant capital investment will begin by the fall of 2008, when work begins on renovating all 372 guest rooms and suites — a pro-

ject expected to finish by the spring of 2009.

He said hotel officials are also discussing the possibility of opening a spa in the hotel, something considered a must at most upscale properties.

Physical limitations of its building caused the Four Seasons to lose its prestigious five-diamond rating from the influential American Automobile Association four years ago.

The AAA cited several reasons for the downgrade — including the dated appearance of the hotel's lower lobby, no spa facility and no separate showers and bathtubs in all guest rooms.

Rigby said he doesn't stay awake nights hoping the current and future upgrades give the hotel its five-diamond rating back.

The Pan Pacific and Sutton Place hotels are the only two five-diamond properties in Vancouver.

"It's nice to be a five-diamond hotel but the most important thing is that we carry the Four Seasons brand and our staff offers guests the best service experience in the city," he said.

"By the time we've renovated the hotel, we'll have a room product that will compete with anybody in the city and, in my opinion, we'll have the most exciting and innovative restaurant in the city. There will be nothing like this."

bconstantineau@png.canwest.com

Closing down Vancouver's past.

Storyeum, Vancouver's interactive theatrical attraction is auction bound. We'll show you what parts of history are up for grabs.

Global BC Tonight
NEWS HOUR
6.00

It's our people.

Chris Gailus