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## Shopping, Version II

Friday, August 04, 2006

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David  
Kugelman

*I would like to welcome **David Kugelman** to the pages of the **Money Show Digest**. In his **OTC Review** newsletter, David puts his 20 years of Wall Street experience to work in finding undervalued small-cap stocks...*

**"Sharper Image (SHRP NASDAQ)**, plagued by plummeting sales at its 190 domestic stores, could be turning the corner. Trading at the lower end of its 52-week range, the current focus is to get expenses under control and introduce new products in its US stores, online business, and monthly catalog. Dissident shareholder Knightpoint Group, which owns about 13% of Sharper Image's common stock, won the right to replace a majority of the company's directors. Current CEO and founder Richard Thalheimer should also be extremely motivated to get things on the right track as he owns approximately 21% of the common stock. Q1 '06 sales were down 26% to \$106.8 million and SHRP lost 84 cents a share. Same store sales were down 29%. However, SHRP is almost debt free, has a \$163 million market cap on over \$630 million in revenues, and the company has \$2.33 a share in cash. SHRP could be a bottom-fishers' delight.

**"The Finish Line, Inc. (FINL NASDAQ)** operates 667 Finish Line stores in 48 states, 58 Man Alive stores, and one Paiva store. Wall Street has written off the retailer since it sells more traditional athletic motifs. Never interested in fads, we like the fact that FINL has always sold core athletic footwear, like Nike. FINL reported Q1 '07 net earnings of \$4.36 million, down from \$12.7 million, for Q1 '06 on revenue of \$289 million vs. \$291.3 million. Estimates are \$0.88 on \$1.3B for fiscal '07 and \$0.98 on \$1.51B for '08. Investors might want to look at FINL with its current ratio of 2.68, no long-term debt, a P/E based on average earnings over the last three years of 11.4, and a P/B ratio multiplied by the P/E of 16.8.

**"Golf Galaxy (GGXY NASDAQ)** operates 61 golf superstores in 24 states, as well as eCommerce Internet sites. GGXY got in the sand trap in its latest quarter. Q1 '07 revenues were \$82.5 million and EPS beat estimates by a penny. Ignoring 41% revenue growth, GGXY dropped 17% when the company lowered its numbers for 2007 by 3%. With \$200 million in fiscal '06 sales, GGXY grew sales by 50% last year and expects 52%-57% growth this year. Analyst estimates are \$293.82 million for fiscal '07 and \$389.60 million for '08. Management plans to grow 14 to 16 new stores a year and can support 250 stores. GGXY presents a nice growth opportunity with no debt and a market cap less than sales."

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