

The Dallas Morning News

Zale stock dives on reports of slow payments

12:00 AM CST on Saturday, December 19, 2009

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Zale Corp.'s stock price plunged another 18 percent Friday as investors continue to worry about the chain's performance during the company's key holiday season.

Management confirmed that the Irving-based jewelry retailer has slowed payments to suppliers as it tries to manage cash flow. Zale's chief financial officer, Matt Appel, said the company plans to pay its bills.

"Barring something catastrophic, all of our vendors will be paid," he said.

Earlier this month, Zale disclosed that its sales fell 18.6 percent in November. Zale makes most of its profit in the holiday quarter.

Slower sales have pinched its ability to pay vendors, Appel said.

"We're closely managing our payments as our sales come in."

Zale's stock price has lost more than half its value since it disclosed the poor sales results in a Dec. 4 regulatory filing. The volume of shares traded has soared. Shares fell 45 cents to close at \$2.08 Friday after reports of its slowed payments for merchandise.

The company is also asking some vendors to take shipments back or convert them to consignment sales. Appel said those actions aren't unique to Zale or this holiday season.

"Much of this is overblown," Appel said. "We don't want to take inventory we can't sell. Our business is sound."

Zale has been losing market share for several years, but it seemed to be in a better position to regain some of that ground this year after several competitors went out of business.

The 1,930-store chain also has easy year-ago comparisons to beat. Last year, sales fell 18.1 percent in the Christmas period. Zale's biggest competitor, Signet Jewelers, which operates Kay Jewelers, Jared the Galleria of Jewelers and several regional chains, has posted better results during the recession.

As consumers remain timid spenders, luxury categories are some of the slowest to recover. Private jewelers posted a sales decline of 4 percent in October and 7 percent in November, according to Sageworks Inc., a research firm that tracks private companies.

For Zale, November sales represent about 25 percent of the holiday quarter, and December makes up about 65 percent, the company said.

Appel said he couldn't talk about December results yet, but he said the days leading up to Christmas are historically some of the company's biggest.