

AMERICAN UNIVERSITY

# Caché: Strategic Development

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Delisting from the NASDAQ and Deregistration  
with the SEC

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General University Honors

**Abstract**

I have chosen to examine the company, Cache, Inc. from a general management perspective and propose new strategy. The company has great potential, but has had decreased net income over the past several years. I believe that with the right action plan and change, the company will be able to be an industry leader. The company must establish a time frame to prioritize events for immediate action and preparation for the future development of the company. I will examine all areas of the company with particular interest in the finance division. I am proposing that the company consider delisting with the NASDAQ and deregister with the SEC to avoid compliance costs.

*Cache Overview*

As of December 29, 2007, Cache owned and operated 297 Cache and Cache Luxe stores in almost exclusively mall-based locations throughout the United States. Although the company offices are located in New York, Cache is incorporated in Florida. Cache also maintains a fully functioning online store. Since 1975, Cache has provided its own branded apparel for the “woman who has a youthful attitude, is self-confident and fashion-conscious, and requires a missy fit.” Cache has developed a strategy of boutique like stores that specialize in lifestyle sportswear and dresses for style-conscious women between the ages of 25 and 45.

Cache’s value proposition includes knowing who their client is and proving better than the competition in the following ways:

- Style and fashion
- Fit and comfort
- Customer service
- Shopping convenience and environment
- Value



**MEMORANDUM**

**TO: CACHE INC. BOARD OF DIRECTORS**

**FROM: JAY TEITELBAUM, CHIEF OPERATING OFFICER**

**SUBJECT: STRATEGIC DEVELOPMENT AND FUTURE GOALS**

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**Executive Summary**

Although Cache has continued opening new stores aimed at growth, the company has seen a steady decline in net income over the past five years. There have been numerous high level changes between FY2006 and the current fiscal year. In order that Cache resumes positive sales and a steady increase in earnings, the company needs to reevaluate its place in the market and its overall strategy. An in-depth analysis of the following functional areas must be considered: finance division, management & employees, marketing & growth, and sourcing & production. The obvious solution is that Cache needs to reevaluate its strategy in order to sell more apparel to increase profits while decreasing costs. One major component in the finance division is to reexamine if it is worth remaining a NASDAQ listed firm and maintaining its registration with the Securities and Exchange Commission.

Cache must understand what goals it has for the future. There are several problems and threats that need to be addressed. Once these problems are identified there are several possible solutions. An action plan will then help to guide Cache on solving these problems and meeting future goals. There are several possible solutions, but without the framework of an action plan there will not be efficient change. Change management is an integral part of improving all functional areas.

**Success Stories and Recent Changes**

*Recent Developments*

In September 2006, Cache opened a new concept store, Cache Luxe, which appeals to a higher-end market. Currently, there are 15 Cache Luxe stores that utilize the Cache brand name to focus on daytime and eveningwear merchandise. With the opening of Cache Luxe, Cache Inc. has successfully phased out all of its Lillie Rubin line of stores. Cache Luxe provides Cache to tap into an elite market that had since been ignored. Although the higher-end market is extremely difficult to tap into, many of the customers will become dual shoppers. Women will buy their daily clothes at Cache and buy more expensive dresses for other occasions at Cache Luxe.

A customer loyalty program, Cache Accents, began in May 2007. The program hopes to improve repeat sales and per transaction spending. Increased incentives include a 5 % discount to members. Although Cache has a great amount of foot traffic because of its mall-based environment, people are not buying enough from the stores. The loyalty program will provide more incentive for people to shop. Participants in the loyalty program will also receive special offers and monthly catalogues to keep them current on new styles and promotions.

Cache has also expanded its customer program to include a Cache co-branded credit card that includes a rewards point system. Cache will earn an activation fee and royalties from Visa USA, Inc. Most major stores now offer branded credit cards. Customers will receive an initial discount off apparel for signing up for the card and will receive other promotions and points as they spend money. Any time that someone sees the Cache name, be it on a credit card or billboard, the store is headed for more sales.

In July 2007, Cache improved its vertical integration by acquiring its largest

vendor, Adrienne Victoria Designs, Inc (AVD). This acquisition will improve operating efficiencies including design, sourcing, and manufacturing. In the transaction, Cache also acquired the “Mary L” product line that is sold in high-end department stores. Cache does not want to sell Cache apparel in department stores, as it wants to remain uniquely attractive; however, the Mary L line allows Cache to tap into the huge department store market. More importantly, Cache will be able to take advantage of the experience AVD has in production and operations management. The acquisition is a huge success and should lead to many benefits over the long-term.

Chairman and CEO Brian Woolf resigned from Cache Inc. effective January 24, 2008. Woolf has been replaced by Thomas Reinckens who will assume his duties as well as continue the responsibilities of President. Although Cache was sad to lose Woolf, Thomas Reinckens is an experienced Cache executive who will lead the company through a time of change. A change in leadership will help to motivate change throughout the organization.

### **Problematic Factors and Threats**

The direst issue, as seen in Cache’s financial performance, over the last several years has been a steady decrease in net income. In FY2003, net income was close to 11 million USD and has since dropped to 6.5 million USD in FY2007<sup>1</sup>. Over this period, new stores were opened, which increased operating costs, however, net sales also increased over this same period. On a comparison basis, Bebe Stores, Inc., a direct competitor of Cache had positive revenue of roughly 71 million USD in FY2007. Although Bebe does have a larger market capitalization and similar stock price, Bebe has 273 stores compared to 297 Cache stores. The obvious concern is that the Cache brand is

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<sup>1</sup> Please refer to the Appendix for stock performance.

not selling.

### ***Financial Troubles***

One of the most pressing issues at hand has been the *volatility of Cache's common stock* on the NASDAQ market. The stock price has been hovering around 11 dollars per share during the month of March 2008. Respectively, the fifty-two week high and lows were 19.04 USD and 8 USD. The stock price did gradually rise between FY2002 and FY2006, hitting a high of 25 USD, but has since been extremely volatile and has underperformed.

One problem with erratic stock price fluctuation is the threat of a securities class action lawsuit if the stock price is to further depreciate. Analysis of company performance, based on stock price reveals that the unpredictable in store sales along with the highly seasonal sales of Cache apparel has led to this volatile stock price. The opening and closure of stores may also be reflected in the erratic movement. The current economic downturn is not seen as a material factor as Cache's customer base is not significantly affected.

Another cost factor that has created a great financial burden as well as distracted executives and management from the core business are the intensified internal controls resulting from the Sarbanes-Oxley Act passed in 2002. In FY2005 and FY2006, a combined 1.36 million USD<sup>2</sup> were spent on Sarbanes-Oxley implementations. This cost is believed to rise in the future as Cache may be forced to implement more internal control measures.

### ***Management & Employees***

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<sup>2</sup> In FY2005 and FY2006, \$403,000 and \$633,000, were spent on audit-related fees resulting directly from Sarbanes-Oxley implantations.

Cache executives have been instrumental in creating growth strategy for the future. A major threat exists that key executives may leave Cache if financial rewards are not kept at a competitive level in the industry. One problem with the growth strategy has been the bottleneck in the decision making process caused by the need to meet analyst expectations for financial performance. There seems to be slow change in the organization, but sales are still not improving.

### ***Marketing & Growth***

Although the Cache name is generally known amongst many women, that is not enough. There need to be changes that focus on brand awareness. Cache must develop the reputation as a trendsetter in the industry. The new store growth is not helping to improve sales. Cache must find ways to sell more apparel otherwise growth does not matter. Cache is most comfortable developing new stores in the mall-based environment, but retail sales are occurring less at malls than in the past. Competition that has mall-based and several standalone locations are doing more to have their names recognized.

### ***Sourcing & Production***

This area has been rapidly improved with the acquisition of AVD; however, Cache needs to further improve operations. Cache has been outsourcing production overseas and working with middlemen in the past. Although Cache is aware of where it buys its apparel from, there are gaps in where the actual production takes place. This is unacceptable in an increased world of sensitivity toward labor laws that could be abused. This process must also be altered for general cost savings. Technologically, there have been great improvements with the new point of sale system. Items can now be better tracked and data on sales of certain items can be analyzed.

**Potential Solutions*****Financial Division***

In order that Cache moves toward steady growth and a competitive force in the retail industry, the above-mentioned problems must be resolved. There are three high level possibilities to satisfactorily resolve the aforementioned problems. All three have advantages and downfalls, but there must be some major change in our financial operations to make more money available. Cache is able to secure a line of debt for over 20 million dollars from Bank of America, but there is internal value in the company that is not being used toward our growth.

**Acquisition by another Company**

One major consideration would be to look for another company, which may be interested in acquiring Cache. This would be an arduous process, but the value of Cache could improve. There may be synergies that would develop to help solve many of the company's financial and operational problems. A larger cost base would allow for more marketing. If Cache were to look into this method, the acquiring firm would not have to hold to Cache values and ideologies in terms of our products.

The major disadvantage of being acquired is that Cache executives would probably lose a great amount of control in the company. Currently, there is some direction in the company and it will soon be headed on the right track. Acquisition should only be considered if there are major financial troubles that develop or if the acquisition provides for a significant return to Cache investors. Although it is important to keep this in mind, Cache does have a "poison pill" that the board of directors can use to prevent a hostile takeover. The board of directors has the authority to issue



common stock and preferred stock at any time. This includes a set price and these provisions do not need the authority of existing stockholders. There are also provisions that limit who can call special meetings of shareholders.

Cache should not actively seek a firm that may be interested in acquiring it, but should be open for consideration if another company does express interest.

### **Management Buyout**

A management buyout would make Cache a private enterprise with supreme power in the hands of management and possibly a private-equity firm. Management would gain financial control of the firm, eliminating general stockholders. This would erase the ill affects of the volatile stock price and allow for faster decision-making. Investment in the future would be achieved without having to worry about short-term expectations. Also, any threats of hostile takeovers would be extinguished.

The *disadvantages and potential threats* of going private are cumbersome. In order to go private all outstanding shares must be repurchased. In most cases, the company must offer a significant premium to the shareholders. If Cache were to do this, it could potentially cost in excess of 220 million USD.<sup>3</sup> Cache's only option would be to partner with a private-equity firm and raise debt through high-yield bonds. This action runs the risk that another firm may outbid management and acquire Cache through a leveraged buyout. Cache may have trouble securing this needed cash in the current credit crunch. Historically, management/leveraged buyouts have not taken place when there is economic downturn. If the buyout were to fail or if it became hostile, there could be a

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<sup>3</sup> The current stock price has been hovering around \$11 per share. Offering shareholders a 50% premium would allow Cache to potentially repurchase each share for \$16.50. At the end of FY2007 there were 13,386,608 outstanding shares. To repurchase all shares it would cost  $13,386,608 \times \$16.50 = \$220,879,032$ .

dramatic strain on company resources in a time when resources are already spread thin. The legal complications that may result from going private may not be worth the trouble. Shareholders may seek higher reimbursement for their shares. Individuals cannot be forced to sell unless a majority of shareholders approves the buyback. A proxy war may take place that could leave the company in ruins.

### *Going Dark*

The alternative is to remain a public company, but to effectively “*go dark*.” This would require that Cache delist its shares from the NASDAQ and deregister with the SEC. Although shares of stock would no longer be traded on the NASDAQ, they would remain as pink sheets traded on the over-the-counter market.

There are *less disadvantages* of going dark than going private, yet some remain. On average, the share price of firms that go dark falls roughly 12% within days after the formal announcement. A problem related to the share price is that shareholders may feel betrayed; however, the use of the OTC market is expanding and the shares will not be worthless. The cost of going dark is dramatically less than going private, as cash is not needed to buyout shareholders. The decreased share price does not necessarily adversely affect the company from a financial perspective. Cache would be able to buyback shares at a cheaper price if the price did fall. Cache would not be able to raise more funds through stock offerings, but Cache does not need additional cash through issuing equity.

Cache is *well suited to go dark* as opposed to many other companies. There are only about 300 shareholders of record, which differentiates from street shares owned by the general public. In order to deregister with the SEC, there must not be more than 300 holders of record. These figures will most likely decrease as the board has already

approved stock repurchases that sum to 3.5 million shares, over ten percent of the total outstanding shares.

Cache has not been fully using the equity created in the value of stock. The cash needed to fund new store openings and everyday operations has come entirely from internal revenue. Cache started using debt in FY2007 and has the ability to obtain more cash through a fixed debt transaction with Bank of America. Along with Cache's great positioning to go dark, the following are advantages and solutions to some of the aforementioned problems and threats.

- Cache will no longer be required to adhere to Sarbanes-Oxley regulations and will cut costs in the preparations of financial statements.<sup>4</sup> Executives will be able to focus on growth rather than overbearing and redundant internal controls.
- Cache will be free from the need to run the business dependent on meeting analyst expectations and listing requirements. Cache will be able to invest in the future, which is more than only the next quarter. Sustainable growth strategies can be successfully implemented and at a faster pace.
- Cache will be able to provide executives with greater financial incentives and responsibilities over operations. Cache, if it chooses, will not need to disclose executive compensation. Management ownership in the company will also increase as many investors will choose to sell their shares back to Cache.

### ***Recommendation***

In order that Cache continues to grow into a leading fashion company, it is my recommendation that Cache ceases public reporting and effectively delists its stock on the NASDAQ and deregisters with the SEC. The current stockholder must be kept in mind

<sup>4</sup> Please reference the appendix for a breakdown of cost savings.

during this process to allow for a smooth and fair transition.

- 1) Issue a press release to shareholders and NASDAQ that Cache Inc. will deregister with the SEC. This must be done a minimum of 10 days prior to submitting Form 15 with the SEC. I recommend the press release and website state Cache's intent to deregister one month prior to submission.
- 2) File Form 15 with the SEC and provide validation under rule 12g-4 that Cache Inc. has less than 300 shareholders of record.
- 3) After filing Form 15, Cache is no longer required to meet filing regulations by the SEC; however, I recommend Cache continue to file the remaining quarter-end financials after submission of the form as a sign of goodwill with the SEC and shareholders.
- 4) Cache, in keeping shareholders in mind, will continue to publish financial documents and remain transparent through the company's website. This will be communicated to shareholders via the earlier press release.

### ***Financial Future***

The advantages and disadvantages of going dark must be thoroughly reviewed across all business areas. If Cache is to make the decision, it must do so before the SEC changes policy, which it has been promising to do for several years. There will be the concern that Cache is not as secure if it does not follow Sarbanes-Oxley, but this is untrue. Only general stockholders and regulators are viewing Sarbanes-Oxley compliance as creating more value in a corporation. Cache is moving away from equity and looking to internal revenue and debt. The debt markets are aware that Sarbanes-Oxley restricts firms that already have internal controls in place. Cache should

immediately secure legal expertise in going dark to avoid any litigation issues in the future. Cache must also consider the possibility of going private after it has gone dark, which may be an easier transition and make sense in the future. Performance goals must be continually monitored to evaluate the change to a non-reporting company. Cache must also have the ability to recognize that this change is reversible and may later be in the best interests of the company. Should Cache solidify its place in the market and experience suitable growth, there is the possibility that Cache may want to reregister. Cache must remain an open-minded company that makes decisions on what is best for the company.

### ***Management & Employees***

The structure will remain the same with the possibility of increased salaries for executives and management. The company must not lose any key executives. A company performance based bonus system should be researched. The increased responsibility of management warrants increased incentives.

Communication is a major issue that must be addressed. Although there is an understanding of the high-level change that needs to take place. There must be employee wide briefings on how the changes will affect different areas of the company. Everyone needs to be on board to drive the key elements of Cache.

Management will also have more time to dedicate to growth and will be able to avoid previous bottlenecks. There will be a slight downsizing in the workforce due to less reporting requirements; however, Cache must try its best to retain employees. There will be added positions within Marketing that may allow for internal hires. Cache should also reach out to individuals of other companies that have successfully engineered change

in all functional areas. Outside consultants can be used at the company, but should not be the main avenue for information.

Cross-functional teams must be developed to challenge the status quo and drive new ideas for selling the apparel. There are people in this organization that are afraid to reach out to new audiences or try creative ideas. Management needs to be aware that some risks must be taken to achieve success.

### ***Marketing & Growth***

Cache has almost completed the remodeling of stores nationwide, which should begin to yield higher store sales. The format of store setups has taken place to improve highlights of the apparel. Cash registers have been moved to the sides of the store to create a friendlier environment. Cache is keeping with its ideology of an intimate boutique-like environment, which is driven by customer service and a small store format. Although the remodeling of stores will improve sales, the apparel needs to also be considered. A team should be immediately created to look into market trends and if the apparel actually stays ahead of the curve. Cache is a customer-oriented company that must not forget its core competences of: style and fashion, fit and comfort, customer service, shopping convenience and environment, and value.

Cache considers its target market women between the ages of 25 to 45 years. Although the apparel designs do fit this age range, the target market must be reconsidered and changed. I propose that Cache lowers the age range to women between 17 and 35 years old. One of Cache's best seasons occurs during high school prom season. Cache already heavily advertises prom dresses, but typically a girl will only buy a prom dress and never anything else. The company must achieve repeat sales. There is no better way

than to reach out to existing customers by providing them with something to purchase. Young girls will purchase their first prom dress at Cache and then hopefully become a repeat customer.

The other apparel will continue to focus on sophisticated, yet stylish women. Most women that fit this category, even if above 35, tend to dress with younger styles and in a more fashionable approach. Women in their 40's generally try to fit in with the younger crowd. By reducing the age range, we are trying to enter the lower market without losing sales of our more professional women.

Cache Luxe stores must be given the opportunity to succeed. This means larger marketing campaigns and the opening of new stores at a faster pace. The slow decision-making and restrictions of looking toward the future have been eliminated to better streamline this process. I propose that Cache Luxe stores open an additional line focusing on lingerie. Many of the women that are shopping for elegant eveningwear will also purchase stylish and elegant lingerie. This will help distinguish Cache Luxe from the Cache store and provide for a shift into an untapped market.

The other significant change that must occur in development is to widen the traditional basis of only mall-based locations. There are a few stand-alone stores in places of high travel such as New York City, but more must be opened. The out of mall locations in upscale shopping areas, such as Georgetown in Washington, DC, increase the brand's awareness and reputation. People will want to shop at the high class and well-known stores.

The greatest opportunity for Cache would be to introduce international operations. Although this is extremely difficult it must be considered for future strategy. The

international environment is allowing for increased sales. In time, test stores should be opened in several large cities in the world. This will further the Cache name and reputation. Once learning the local market, other stores may open around the test store. This is a slow process, but one that should be taken advantage of. After securing the US market, it will be easier to enter into foreign operations. The boutique-like stores in standalone locations will also help to increase the Cache international reputation. Places of high tourist traffic will allow for brand recognition when international stores are opened. Hopefully, international operations will provide a vast increase in revenue. The Cache name, which is French for treasure, already has international sourcing and operations, so international stores are a natural fit. Costs would be driven down in many of these international stores as a result of faster and easier distribution.

Cache may have somewhat less exposure as a delisted company, but allows for the financial opportunity to enter new marketing areas such as television advertisements. The possibility for providing actresses with our dresses should be researched. Marketing by this means would certainly improve dress sales as well as the Cache image and reputation. Cache has enough stores that it should have a higher profit margin than 2.38 %. This must be achieved by pouring more funding into marketing products and customer awareness.<sup>5</sup> Funding is not the only answer. Our marketing teams must think outside the box. For instance, women are our target market, but men should also be a focal point of advertising. Men that see our products in magazines and like them are likely to purchase a gift or recommend Cache to a friend.

### ***Production & Technology***

A new system has been fully integrated in all stores to better capture customer

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<sup>5</sup> Please refer to the Appendix for a breakdown of additional funds for marketing.



purchasing trends and following products from vendors to the store. The acquisition of AVD and the “Mary L” line of clothing created a more vertical supply chain. Cache must continue to look for opportunities to drive down costs and increase profits through integration. This can be a tricky process, as we must never lose sight of our customer. Although we want to cut costs, we also must ensure that we are receiving the highest quality apparel. The Cache brand does not belong on anything less.

There must also be research into how our current distribution channels are working. There may be the possibility to improve operations by building a new warehouse in a central location to ship apparel. Any cost cutting measures should be analyzed and considered. The more money saved, the more opportunity for Cache.

A major technological opportunity exists with the Cache website. Sales continue to be strong through the website, but the Cache and Cache Luxe apparel lines need to be split-up to distinguish the two brands.

Along with the customer loyalty program, there must be an online element created. Newsletters and promotions must be sent via e-mail, which can help to reduce the costs of physical mailing. Our younger customers must be targeted via the internet. The traffic that comes through our website must be better monitored to capture what audience we are best attracting. To better understand how we can serve our customers we need to get to better understand them.

### **Strategic Course of Action**

There are several items for immediate action, while others are based on future plans. The action items must be prioritized and streamlined to ensure an efficient process. The agenda items must be broad, but the actually steps to carry out the items

must be extremely detailed to ensure the possibility for success. The course of action must be dependent on the idea of “where do we see Cache in the future?” After having an understanding of what we envision Cache to be, the plan must be worked to reach that point. Although this is a good start to helping increase profits, the plan is indefinite as improvements are always needed; especially in the world of retail.

- 1. Develop a lasting Vision and Mission**
- 2. Examine cost cutting measures on an ongoing basis**
- 3. Assess the current products relevant to the market**
- 4. Streamline the production and operations process**
- 5. Increase growth through untapped markets**

All of the areas of focus comprise the strategic process for the future. All of the processes should be analyzed on an ongoing basis. Some of the steps have already been mentioned. The problems have already been addressed as have the necessary steps to improve the processes highlighted. For instance, growth in untapped markets applies to developing a lingerie line for Cache Luxe, placing stores in established fashion and shopping districts, and looking to international exposure through test locations.

#### *Vision and Mission*

Cache knows that it is an apparel company that serves stylish women, but beyond that they do not have broader goals for the company. A suitable vision would be

*Our vision is to be the world's most dynamic apparel company, creating sustainable fashion solutions essential to a better life for people everywhere.*

The vision does not need to follow Cache’s business model. The statement is to remember what the company strives to be. Cache must become a dynamic company that

focuses on fashion. The mission statement is a more integral look into Cache's actual business.

*At Cache Inc. we are on top of providing the newest fashion to the market. Our dedicated employees focus on serving our clients by providing them with the trendsetting apparel they need. In order to achieve success, we have established several focus areas – all based on the customer.*

### **Our Apparel**

*Cache takes great pride in producing the apparel that can be worn for the casual afternoon or for that special date. We go to great lengths to create stylish and elegant designs to stay ahead of the fashion curve. Our designs have significant freedom in the creative process to keep our apparel fresh.*

### **Sourcing**

*Cache boasts close relationships with vendors, which helps facilitate a fluid design cycle. Our products come from the entire world bringing in the best in quality. We strive to ensure quality operations and ethical standards in all aspects of our business.*

### **Marketing**

*Marketing is an integral part of the business. Cache continually improves this process through marketing research and **shifting to focus on what the customer wants. All of our products meet rigid tests to carry the Cache brand.***

### **Sales**

*Our sales teams are trained in serving the customer. Our training programs not only acquaint the sales representatives with the merchandise, but also on offering the best experience in Cache stores. The online store boasts all available merchandise with the*

*convenience of shopping at home.*

### **Change Management**

The process of change must always be ongoing. Everyone at Cache must remain open minded when listening to opportunities. We must also have the courage to take a loss when an idea that has gone bad. Cache must make calculated risks to better serve our markets, which will ultimately increase profits. Please help to drive change throughout the organization. Cache must first be a cheerful company before we are able to exceed customers' expectations. I am always available to discuss possible changes and to help evaluate the success measures that are put in place. With the help of everyone, we can truly become a great organization with leading fashion.

# Appendix

### SELECTED FINANCIAL DATA

The following Selected Consolidated Financial Data should be read along with the Consolidated Financial Statements, which can be found at the following website using the SEC's EDGAR.

<http://sec.gov/Archives/edgar/data/350199/000104746908002691/a2183668z10-k.htm>

	52 WEEKS ENDED		53 WEEKS ENDED		52 WEEKS ENDED					
	DEC. 27, 2003		JAN. 1, 2005		DEC. 31, 2005		DEC. 30, 2006		DEC. 29, 2007	
	(in thousands, except per share and operating data)									
<u>STATEMENT</u>										
<u>OF INCOME</u>										
<u>DATA:</u>										
Net sales	\$	216,256	\$	247,300	\$	266,345	\$	278,992(5)	\$	274,458
Cost of sales		120,731		135,745		144,984		145,886		147,474
Gross profit		95,525		111,555		121,361		133,106		126,984
Store operating expenses		63,546		76,466		85,529		94,556		97,023
General and administrative expenses		14,074		14,221		15,824		21,246		22,725
Lillie Rubin exit costs		—		—		—		5,677(6)		(78)
Operating income		17,905		20,868		20,008		11,627		7,314
Other income, (net)(1)		273		459		1,072		2,523		2,601
Income before income taxes		18,178		21,327		21,080		14,150		9,915
Income tax provision		7,089		8,030		7,675		5,879		3,394
Net income	\$	11,089	\$	13,297	\$	13,405	\$	8,271	\$	6,521
Earnings per share:										
Basic earnings per share	\$	0.78	\$	0.85	\$	0.85	\$	0.52	\$	0.41
Basic		14,256		15,589		15,726		15,849		15,966
Diluted(2)		14,721		16,004		16,150		16,218		16,200
Total average	\$	450	\$	461	\$	450	\$	463	\$	449

sales per  
square foot(3)

Cache/Cache \$	456	\$	462	\$	461	\$	467	\$	449
Luxe									
Lillie Rubin \$	355	\$	398	\$	320	\$	253	\$	—
Total comparable store									
Sales increase (decrease)(4)	3%		5%		4%		4%		(1.6)%
Cache/Cache Luxe	3%		4%		6%		5%		(0.6)%
Lillie Rubin	6%		8%		(10)%		(17)%		—
Total square footage	514		596		614		600		601

DEC. 27, 2003      JAN. 1, 2005      DEC. 31, 2005      DEC. 30, 2006      DEC. 29, 2007  
(in thousands, except per share and operating data)

**STATEMENT OF BALANCE SHEET AND OTHER DATA:**

Working capital	\$	41,034	\$	53,469	\$	63,786	\$	83,391	\$	59,672
Total assets	\$	104,067	\$	132,028	\$	150,884	\$	159,186	\$	149,125
<b>Total short and long-term debt</b>	\$	—	\$	—	\$	—	\$	—	\$	<b>5,934</b>
Stockholders' equity	\$	65,142	\$	84,840	\$	98,996	\$	116,463	\$	100,264
Ratio of current assets to current liabilities		2.41:1		2.75:1		2.92:1		4.35:1		3.11:1
Inventory turnover ratio		4.94:1		4.60:1		4.46:1		4.31:1		4.51:1
Capital expenditures	\$	15,628	\$	21,753	\$	15,490	\$	12,250	\$	12,094
Depreciation and amortization	\$	6,395	\$	8,232	\$	9,779	\$	11,026	\$	12,124
Book value per share	\$	4.35	\$	5.42	\$	6.28	\$	7.16	\$	6.86

The following table sets forth our **cash flows** for the period indicated (in thousands):

	53 Weeks Ended December 31, 2005	52 Weeks Ended December 30, 2006	52 Weeks Ended December 29, 2007
Net cash provided by operating activities	\$ 25,450,000	\$ 12,672,000	\$ 30,429,000
Net cash used in investing activities	(26,136,000)	(17,824,000)	(18,597,000)
Net cash provided by (used in) financing activities	591,000	7,762,000	<b>(23,952,000)</b>
Net increase (decrease) in cash and cash equivalent	\$ (95,000)	\$ 2,610,000	\$(12,120,000)

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# CACHE INC

(NasdaqGS: CACH)

Day's Range: 10.92 - 11.40  
 52wk Range: 8.00 - 19.04  
 Volume: 199,953  
 Avg Vol (3m): 249,535  
 Market Cap: 148.99M  
 P/E (ttm): 27.62  
 EPS (ttm): 0.40  
 Div & Yield: N/A (N/A)

After Hours: **11.19** ▲0.06 (0.54%)Last Trade: **11.13**

Trade Time: 4:00PM ET

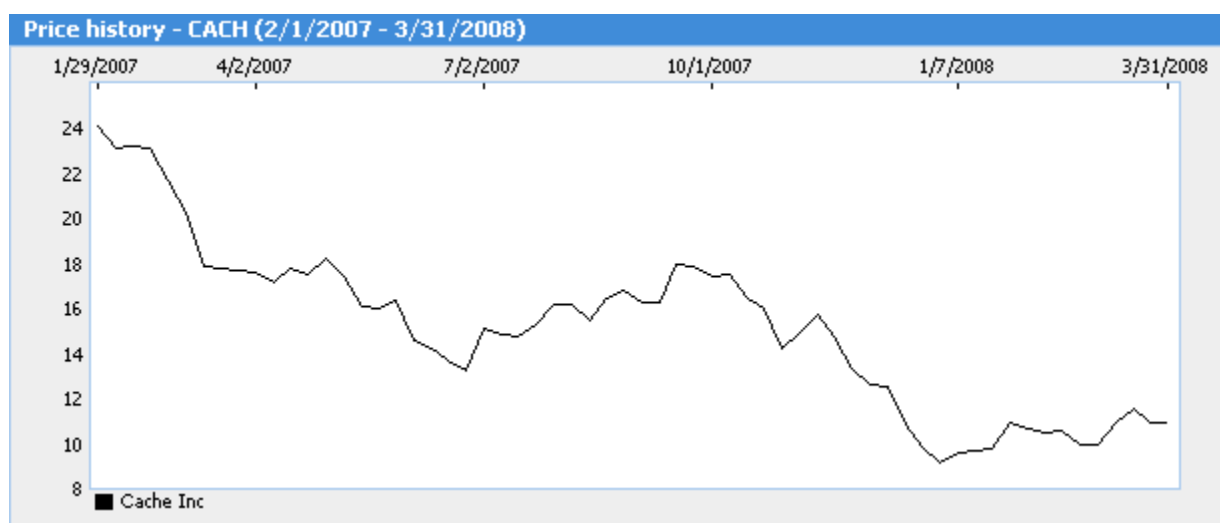
Change: ▼0.16 (1.42%)

Prev Close: 11.29

Open: 11.12

1y Target Est: 12.50

## Historical Stock Trend (2/1/07 – 3/31/2008)



## Sample of Cost Savings of Going

### Dark (USD)

	Year 1	Year 2	Year 3
Sarbanes-Oxley Fees	750,000	750,000	750,000
Annual NASDAQ Fee	27,500	27,500	27,500
Lawyer Fees	(75,000)	x	x
Job Allocation	375,000	375,000	375,000



<b>Cost Savings</b>			1,077,500	1,152,500	1,152,500
				0	0
<b>Fiscal Period</b>	<b>3 Year Total</b>	<b>Stores Open at Beginning of Period</b>	<b>Stores Opened During Period</b>	<b>Stores Closed During Period</b>	<b>Stores Open at End of Period</b>
FY2006		267	17	7	277
FY2007		277	10	5	282
FY2008		<b>282</b>	<b>15</b>	<b>2</b>	<b>295</b>
FY2009		<b>295</b>	<b>20</b>	<b>2</b>	<b>213</b>

**Allocation of Resources**

<b>Year</b>	<b>New Store Costs</b>	<b>Cost of Advertising</b>
2006	6,375,000	11,900,000
2007	3,750,000	12,600,000
2008	5,625,000	13,500,000
2009	7,500,000	15,000,000

1) New store openings cost between \$225,000 and \$375,000, which includes all expenses and initial inventory. Most new store openings will be of Caché Luxe.

2) Advertising expenses increased by \$700,000 between FY06 and FY07. A dramatic increase is needed to fuel greater sales.

**Number of Stores**