

Ready to Wear

BY BILL GLOVIN

IN THE SLEEPY TOWN OF SANDPOINT, Idaho, residents love to tell the tale of Dennis and Ann Pence. In 1984, they began mailing an 18-item catalog from the basement of their home, offering casual womenswear and a few household items. Today, the Pences' company, **COLDWATER CREEK** (Nasdaq: CWTR), mails four catalogs each year featuring more than 2,900 items, including jewelry, gifts, and home furnishings, to 150 million customers, has four retail stores, a Web site, and a sprawling 20-acre Sandpoint headquarters. When the

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company went public in 1997, few local neighbors were surprised.

Although most direct-market retailers have been floundering this year, Coldwater Creek earned \$3.6 million in its first fiscal quarter (ended May 27) on \$86.9 million in sales, 129% more than it earned in the same quarter last year.

Yet, despite that success, shares remain a relative bargain: at a recent \$37.48, the stock trades at just 21.9 times projected 2001 earnings of \$1.71 and 18.6 times projected 2002 earnings of \$2.01. The reason, says ABN-AMRO analyst Kevin E. Silverman, is the company's low profile. "With less than \$400 million in market capitalization, Coldwater Creek doesn't have the visibility of such midcap competitors as Lands' End," says Silverman.

But that may not be true for long, according to US Bancorp Piper Jaffray senior analyst Jeffrey P. Klinefelter. Coldwater Creek's catalog offerings are becoming very popular among women ages 35 to 55 with household incomes above \$50,000. What's more, the company's service and shipping-error rates are among the lowest in the industry and its average call-answer speed is just 6.5 seconds. The company's Web site (coldwatercreek.com), launched last

year, has been an extremely useful tool for clearing its excess inventory—30% of online orders are for sale merchandise. The company expects Web orders to contribute 25% to revenue by the end of this year, and it is developing foreign-language sites to market in Germany, Scandinavia, and Japan.

With \$19.5 million in cash, no debt, and a credit line that grew 60%, to \$80 million, last year, the company is also planning an ambitious retail-store expansion. It will open four 7,000- to 10,000-square-foot stores in Chi-

cago, Dallas, Denver, and Cincinnati this fall, and, with the help of a real-estate consulting firm, the company has already identified 80 potential store locations in 29 states.

Some analysts who follow Coldwater Creek wonder whether that expansion is a good move—adding stores is a significant departure from its catalog and e-commerce businesses, and the stores will add overhead. But direct-market retailers, including Talbots and Williams-Sonoma, have expanded their retail store presence successfully, and Klinefelter thinks a larger retail presence will boost investor awareness and strengthen the company's brand. He rates Coldwater Creek a strong buy and predicts shares will hit \$43 in 12 months.

—Researched by James M. Capozzola

THE COMPANY IS EVEN DEVELOPING FOREIGN-LANGUAGE WEB SITES TO MARKET ITS PRODUCTS ABROAD.

Uncommon Value

Company (Ticker)	Price (8/9/00)	Market Cap (in millions)	Price/				Value Rating	Investor Relations
			Earnings	Sales	Book Value	Cash Flow		
Scholastic (SCHL)	\$62.69	\$ 1,013	17.6	0.8	2.7	9.0	1.14	212-343-6741
St. Jude Medical (STJ)	39.44	3,306	20.3	2.9	3.9	13.0	1.16	651-481-7555
Insight Enterprises (NSIT)	38.00	1,009	18.4	0.6	4.0	15.3	1.19	480-902-1001
Lowe's Companies (LOW)	44.88	17,173	19.1	1.0	3.5	14.3	1.20	336-658-4000
Tekelec (TKLC)	38.88	2,240	52.1	8.6	11.0	57.5	1.34	818-880-5656
Staff Leasing (STFF)	4.50	98	32.9	0.0	1.2	3.0	1.36	941-748-4540
Equity Inns (ENN)	6.81	250	5.2	2.4	0.8	3.6	1.62	901-754-7774
AutoZone (AZO)	22.75	2,900	10.5	0.7	2.6	11.0	1.71	901-495-7180
PanAmSat (SPOT)	30.00	4,484	74.1	4.3	1.5	9.7	1.73	203-622-6664
Stericycle (SRCL)	21.69	321	21.7	1.5	2.6	19.3	1.76	847-367-5910
Texaco (TX)	49.75	27,464	12.6	0.6	2.3	6.6	1.78	914-253-4000
Amerada Hess (AHC)	63.31	5,736	8.0	0.6	1.8	5.2	1.83	212-997-8500
Coldwater Creek (CWTR)	37.48	389	21.4	1.1	4.8	14.0	1.85	888-480-4747