

# CFA-DFW/CFA HOUSTON *Student Research*

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Investment Research Challenge™ – Texas.

## The Men's Wearhouse

April 8, 2008

**Ticker: MW**  
**Price: \$24.60**

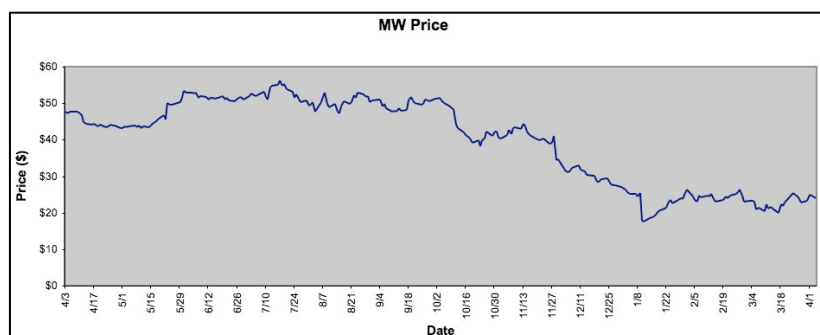
**Recommendation: Buy**  
**Price Target: \$31**

### Earnings/Share

	Mar.	Jun.	Sept.	Dec.	Year	P/E Ratio
<b>2006</b>	\$0.53	\$0.65	\$0.58	\$0.95	\$2.71	16.2
<b>2007</b>	0.75	1.00	0.69	0.28	2.73	9.0
<b>2008E</b>	0.33	0.79	0.59	0.34	2.02	12.2
<b>2009E</b>					2.50	10.1

## Highlights

- Positive Macroeconomic Outlook:** A historical look at long term results from the retail sector reveals favorable reactions relative to the market following interest rate cuts by the Federal Reserve. While predicting the direction of the market is hazardous, Men's Wearhouse's position within the industry allows investors to capitalize on this correlation.
- Dismal Fourth Quarter Countered by Minimal Financial Risk:** Earnings have taken a large hit due to decreased traffic levels during the fourth quarter of 2007. The Current and Quick Ratios have both decreased in the past year, but Men's Wearhouse still maintains a strong liquidity position compared to its peers. Debt levels have significantly decreased, and the firm has a very low solvency risk.
- Undervalued on Comparable Basis:** The stock trades at a discount in most respects when compared to its closest peers. Using Price-to-Cash Flow, Forward-Year One and Two, Price-to-Earnings, and Price-to-Book multiples, the average implied share price for Men's Wearhouse is \$28.43, representing a 15.5% premium over the current stock price. Men's Wearhouse's poor performance in the fourth quarter of 2007 has caused the market undervalue its stock on a comparable basis, thus presenting a buying opportunity.
- Favorable Intrinsic Valuation:** A discounted cash flow analysis yields a premium target value of \$33.17 per share in the base case scenario with a weighted average cost of capital of 12.35% and long-term free cash flow growth at 5%. This target valuation represents a 34.82% premium to the current price per share.



Source: Bloomberg.

Market Profile	
(\$ in millions, except per share information) As of 4/7/08	
52 Week Price Range	\$16.76 - \$56.64
Average Daily Volume	998,930
Beta	1.28
Divident Yield (estimated)	1.20%
Shares Outstanding	5,141,413.2
Market Capitalization	\$1,264.79
Institutional Holdings	88.44%
Insider Holdings	8.18%
Book Value per Share	\$15.32
Debt to Total Capital	7.00%
Return on Equity	18.73%

Source: Bloomberg.

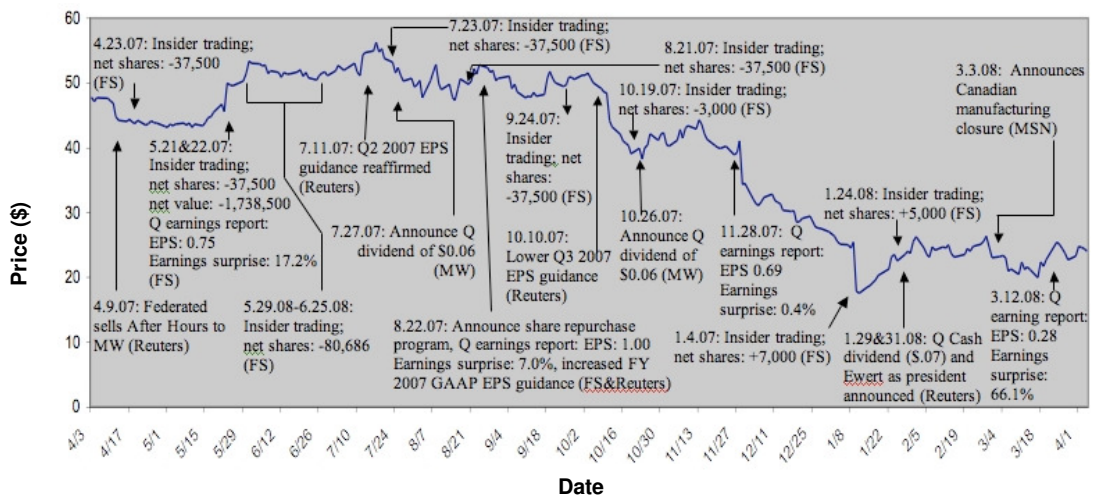
## Investment Summary

Because of the company’s competitive positioning and a currently depressed stock price, Men’s Wearhouse presents a buying opportunity. Men’s Wearhouse, with its ownership of both mid- and low-price point suit retail outlets and a newly acquired formal wear business, is uniquely diversified within the specialty apparel retail industry. The company has found new direction in formal wear, which yields higher margins than its traditional lines of business.

The company is focused on improving operating performance and increasing margins. A conservative discounted cash flow analysis with decreasing margins provides a premium target price of \$33.17. The stock trades at a discount in most respects when compared to its closest peers. Using the comparable trading multiples Price-to-Cash Flow, Forward-Year One and Two Price-to-Earnings, and Price-to-Book multiples, the average implied share price for Men’s Wearhouse is \$28.43, representing a 15.5% premium over the current stock price. The discounted cash flow price target and the comparable analysis price target were averaged to reach the target price of \$31.

Recent market trends have negatively affected Men’s Wearhouse’s operating and financial performance. The figure below shows the recent stock price depression due to these adverse trends. The current price has low expectations built-in due to low consumer spending and high unemployment. However, Men’s Wearhouse has recently hedged itself against cyclical financial performance by acquiring After Hours Formal Wear. The formal wear industry is relatively stable as events such as weddings occur in both good and bad economic times.

**Figure 1: Last Twelve Months Price and Event History**



Source: FactSet Research System.

### Reaction to Current Economic Conditions

The stock price of Men’s Wearhouse has historically shown long term responsiveness to actions by the Federal Reserve. Current macroeconomic conditions have led to reductions in the Federal Funds Rate. Since Men’s Wearhouse became publicly traded in 1992, there have been three time periods of similar financial concern: 1995 in response to a mid-cycle slowdown, 1998 following the Asian financial crisis, and 2001 following the September 11 tragedy. While an event study analysis of stock performance following these events unsurprisingly uncovers a growth tendency in the overall market, Men’s Wearhouse has particularly outperformed in the aftermath of these time periods. Appendix 4 shows market and firm specific performance for three months, six months, and twelve months following the three historical interest rate cuts. Men’s Wearhouse outperformed the S&P 500 in six of the nine relevant events by an average of 15%. Clearly, the trickle down effects of credit availability, disposable income, and consumer confidence have a disproportionately positive impact on the stock price of Men’s Wearhouse.

## Valuation

A discounted cash flow (DCF) analysis of free cash flows to the firm (FCFF) provides a target value of \$33.17 per share. This price per share is a 34.82% premium to the April 7, 2008 share price of \$24.60. A sensitivity analysis, with terminal growth rates ranging from 3% to 5% and weighted average cost of capital (WACC) values between 10% and 15%, yields a maximum share price of \$56.63 and a minimum price of \$23.50.

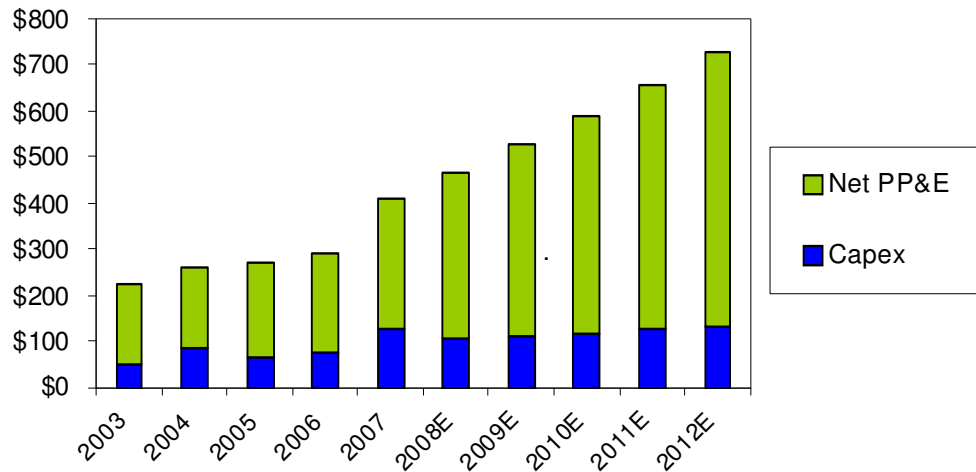
### Assumptions

Revenue growth in the DCF is 9% through 2012 as reflected by management expectations of high single digit top line growth. Cost of sales for tuxedo related business grows steadily as a percent of total sales due to increasing dedication by Men’s Wearhouse to this business line. As a result, the company’s gross margin decreases from 45.92% in 2007 to 43.26% in 2012. The selling, general, and administrative expense line item is held constant at 36% of sales. The company is earning 8.71% per year on average cash and short-term investments and pays 6.36% on average total debt yearly. Men’s Wearhouse’s tax rate is held constant at 36% (see Appendix 1).

To determine FCFF, depreciation is calculated as 14.50% of gross Property Plant and Equipment (PP&E) on an annual basis, and varies in growth. Capital expenditures are scaled down by 15% from 2007 to 2008 as Men’s Wearhouse’s acquisition of After Hours in 2006-2007 increased the investment level of capital expenditures to a level the firm will not retain into 2008. Capital expenditures then grow at 5% through 2012. The change in net working capital is calculated annually using the projected balance sheet (see Appendix 2). The weighted average cost of capital is calculated at 12.35% with the cost of debt at 4.97% and the cost of equity at 13.04% as determined by the capital asset pricing model (see Appendix 3).

**Figure 2: Net Property, Plant, and Equipment and Capital Expenditures**

(\$ in millions)



Source: Annual Report, Company Presentations, and Press Releases.

## Business Description

Men’s Wearhouse was founded in Houston in 1973 and has been publicly traded on the New York Stock Exchange since 1992. The firm is one of the largest specialty retailers of men’s suits with 1295 stores expected in the United States and Canada by the end of fiscal year 2008. The corporation acts as an umbrella for four wholly owned, branded subsidiaries (Men’s Wearhouse, K&G Fashion Superstores, Moores Clothing for Men, and MW Tux) focusing on different market segments. The company currently employs 14,900 people, 70% of which are part time.

**Business Segments**

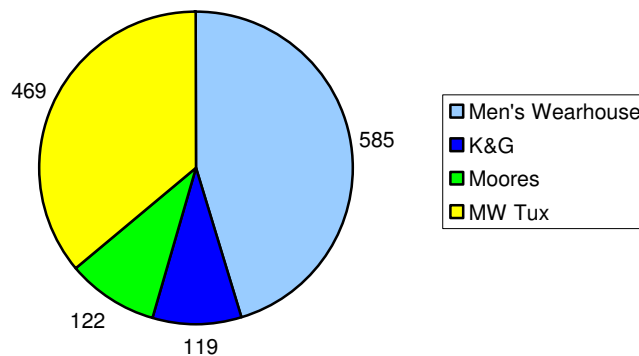
The *Men's Wearhouse* brand is the flagship brand of its namesake corporation. With 585 stores, it is the largest of the Men's Wearhouse subsidiaries. This specific brand of stores is designed to target middle and upper-middle income men offering branded, designer, and private label merchandise with prices 20-30% below department stores. While these stores do offer some sportswear and casual wear, the Men's Wearhouse brand tends to focus on "wear-to-work" attire, characterized by infrequent purchases and predictable fashion trends.

*K&G Fashion Superstores* constitute 119 of Men's Wearhouse's stores. It was acquired in 1999. In contrast with the flagship brand, K&G targets price sensitive customers. These stores offer both branded and private label in-season apparel typically 30-50% below department stores. Additionally, K&G offers women's apparel at 70% of its stores. This is the only segment in which Men's Wearhouse targets female customers.

*Moore's Clothing for Men* includes over 100 stores almost exclusively in Canada. Like K&G, it was acquired in 1999. Like the Men's Wearhouse brand, Moore's targets middle and upper-middle income consumers by offering prices 20-30% below the competition. Since the two brands operate in different marketplaces, there is no cannibalization. A unique characteristic of Moore's was its manufacturing arm operated in Montreal, Golden Brand Clothing. However, as market conditions have eliminated the Golden Brand's cost advantage, Men's Wearhouse has closed down the operation.

*MW Tux* is the newest Men's Wearhouse brand. MW Tux is the rebranding of the November 2006 acquisition of After Hours Formalwear through Macy's and David's Bridal. After Hours was the largest men's formalwear chain in the United States, consisting of an expected 469 stores by the end of 2008. While integration of the tuxedo business into the Men's Wearhouse portfolio has been slow, the acquisition offers the firm access to a new customer segment providing entry into the firm's other brands. MW Tux maintains an exclusive relationship with David's Bridal.

**Figure 3: 2008 Expected Distribution of Stores**



Source: Annual Report, Company Presentations, and Press Releases.

**Expansion Plans**

With the acquisition of three major new lines of business, Men's Wearhouse has shown the propensity to grow rapidly. While current plans focus on growth of the company's current lines of business, management is evaluating international growth plans as well. The company has also recently invested in the development of a retail dry-cleaning operation, *MW Cleaners*. The five pilot stores operated at break-even in 2007, and further plans for development are possible.

**Industry Overview and Competitive Positioning**

**Specialty Men's Apparel, Men's Dress Apparel, and Formalwear Industries**

There are more than 400,000 specialty retail stores in the United States creating \$350 billion annual earnings. Among other specialties, shoes and clothing make up the largest portion at \$125 billion per year. Consumer

income directs demand for specialty retail goods, and competition is dictated both by size, where large purchase quantities of large retailers allow them to produce lower prices while small retailers' may differentiate or provide more service, and fragmentation. Specialty retailers can support many market segments within a product specialty. Unique from department stores in that have a variety of products, specialty retailers extend the variety of a single product category. Often, specialty retailers lease locations in shopping centers and some may have a few stand-alone stores, likely in urban areas. Most specialty retailers focus on merchandising, most notably in markets that are trend or fashion driven. Managing inventory is a concentration specialty retailers must consider because of the need to stock a large variety with only a few big sellers.

The apparel industry is highly cyclical with strong a correlation between the industry and consumer income. Apparel sales trend upward with the warmer calendar months, and changing fashion trends move the entire retail industry. Spring is peak hiring season for businesses, increasing men's suit retailers' sales. This, combined with increased new-hire wages, supports an upturn in the retail industry. Although the apparel industry has been sluggish, low growth has been attributed to small movement in fashion trends, creating little incentive for increased spending. The anticipated trend changes encourage potential apparel growth. The textile-apparel clothing industry has a market capitalization of \$38.2 billion.

The men's apparel portion of each of these industries increased 4% to \$56.9 billion for the 12 months ended November 2007. Categories of total men's apparel include tops (4%), bottoms (3%), tailored (5%), outerwear (1%), accessories (-3%), and all other (8%). Total men's dress apparel has increased 3% for the 12 months ended November 2007, reaching \$8.8 billion, and is comprised of men's dress shirts, dress pants, suits, sports coats, suit separates, and other tailored clothing. More specifically, men's suits were up 3% in the same time period, reaching \$2.8 billion in November 2007. The formalwear industry is comprised of the wedding industry and tuxedo rentals. The \$48 billion wedding industry is expected to grow from 2004 to 2018 with the 27-year-old demographics increasing 30% during this time. Tuxedo rentals are currently a \$1.6 billion market. Formalwear is considered to be highly fragmented and sustain low fashion risk with many cross-marketing opportunities.

#### **Competitive Positioning**

Because the products in the specialty retail industry are generally undifferentiated at the basic level, customers are very concerned with price. This is particularly relevant in the specialty men's clothing segment. More applicably, customers can easily switch from one seller to another, which produces great purchasing power. Therefore, customers have active influence over product prices as well as product development plans. Companies must focus on providing a superior level of customer service, continuously broadening their customer base by gaining new or different customers, or differentiating either shoppers' experience.

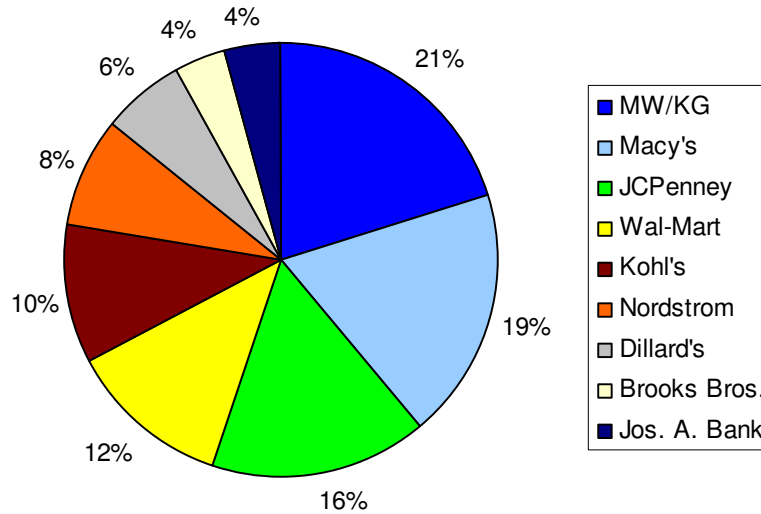
Suppliers have low bargaining power in the specialty retail and specialty men's clothing industry because they cannot exert influence nor increase uncertainty through threats or constraints. There are many suppliers available from a large number of regions with generally undifferentiated products, such as textiles. Among suppliers, there are low switching costs. This allows the retailers to move from supplier to supplier with relative ease. Thus, suppliers' power is weakened by a reliance on repeat purchases, purchase agreements, and quantity purchases. Another key point that weakens suppliers is the ability for retailers to integrate backward. It is possible for specialty retailers to purchase their suppliers, thus eliminating the need for suppliers in their supply chains.

There is a medium threat of potential new entrants because the specialty retail and specialty men's clothing industry is a capital-intensive industry. Existing competitors achieve economies of scale, which makes it more difficult for new entrants to compete on a price basis.

There is a low threat of substitutes, specifically within the specialty men's clothing, given that there is a continuous demand for a standard men's suit. There are no substitutable products to suits or tuxedos.

The specialty retail and specialty men's clothing industry competes in specialty stores, "traditional department stores, off-price retailers, manufacturer-owned and independently owned outlet stores and E-commerce channels" (Men's Wearhouse 2006 Annual Report). Companies compete for customers who are able to switch among companies with relative ease. The recent consolidation within the industry increases competition among the existing heavyweights, furthering the high competition between existing stores.

**Figure 4: Market Share of Top Nine Dress Apparel Producers**



Source: Annual Report, Company Presentations, and Press Releases.  
 Note: Top nine represent 49% of total market.

**Strengths**

Men’s Wearhouse operates as a low cost leader in the men’s specialty apparel segment. Through its focused business model over the past 35 years, the company has gained significant insight into the demands and needs of its target customer: lower income to upper-middle income adult male consumers. Additionally, the longstanding reputation of the company and the ubiquity of its founder have allowed the firm to develop long-term relationships with both its customers and suppliers. Men’s Wearhouse pleases customers by consistently offering prices below its department store competitors. These prices are achieved by developing strong relationships directly with suppliers on the basis of predictable and consistent payment and purchasing records.

**Weaknesses**

Men’s Wearhouse offers primarily clothing which is purchased infrequently. While this prevents the firm from being too dependent on a particular customer or customer segment, it also means they must consistently seek to attract new customers. Additionally, the traditional Men’s Wearhouse customer is price sensitive. This means the firm is unable to raise its prices significantly and is exposed to the level of income of its customers. The current United States national economic situation highlights the effects of a decline in disposable income.

**Evaluation of Strategies**

Men’s Wearhouse derives its competitive advantage through a strategy of low cost leadership while providing quality merchandise and superior customer service. With experience in marketing, customer service, and merchandise design Men’s Wearhouse’s core competencies lay within its deep knowledge of its target customer and how to best serve them.

**Opportunities**

Men’s Wearhouse is currently seeking an opportunity in the highly fragmented retail dry-cleaning segment. Men’s Wearhouse seeks to consolidate the industry, similar to the apparel industry. The firm has extensive knowledge of the challenges of operations integration, through its acquisitions of K&G, Moores, and After Hours. The retail dry-cleaning segment offers Men’s Wearhouse significant internal synergies, serving its inventory of suits as well as its newly acquired tuxedo rental business. Additionally, this segment allows the company to have further contact with its current clientele

**Threats**

While retail apparel is by nature a seasonal industry, Men’s Wearhouse’s merchandising of goods purchased infrequently in tandem with price sensitive customers has led firm to extreme cyclicalities in parallel with market conditions. The expansion into additional segments such as tuxedos and casual wear seek to limit such effects, but Men’s Wearhouse will continue to face more exposure to these risks than a more diversified

department store. Additionally the firm faces a paradigm shift caused by the aging Baby Boomer segment. The retirement of this population, served by Men's Wearhouse throughout its working life, creates new challenges for the firm. Men's Wearhouse must understand how to attract younger customers as well as differences in the needs of those customers.

## Financial Analysis

### Short-Term Liquidity Risk

During the past year, Men's Wearhouse's short-term liquidity position has slightly worsened. Its Current Ratio has decreased from 3.01 in 2006 to 2.42 in 2007, and its Quick Ratio has decreased from 0.87 to 0.42. Comparatively, its Current Ratio is significantly higher than the average of its competitors, 1.64, yet its Quick Ratio is almost the same as the average of its competitors, 0.40 (see Appendix 5). This implies that Men's Wearhouse derives much of its short term liquidity from its inventory; this might hinder the firm's ability to pay short term obligations. While the Current Ratio has remained mildly stable, ranging from 2.42 to 3.06 in the past five years, the Quick Ratio has been volatile, ranging from 0.42 to 1.19 in the past five years. Because the Quick Ratio excludes inventory, which has remained somewhat stable, the volatility of Cash and Cash Equivalents (currently at \$99 million down from \$180 million at the end of 2006 and \$263 million at the end of 2005) has a larger effect (see Appendix 5).

Days Inventory decreased from 187.15 in 2006 to 150.21 in 2007, and Days Payable increased from 49.27 in 2006 to 51.48 in 2007. Both are signs of increased liquidity. The Cash Conversion Cycle decreased from 141.46 days in 2006 to 101.76 in 2007, which is around its five-year low but still higher than the majority of its peers. This implies that the firm is now converting resource inputs into cash as fast as or faster than it has been able to its recent past but still may have room for improvement.

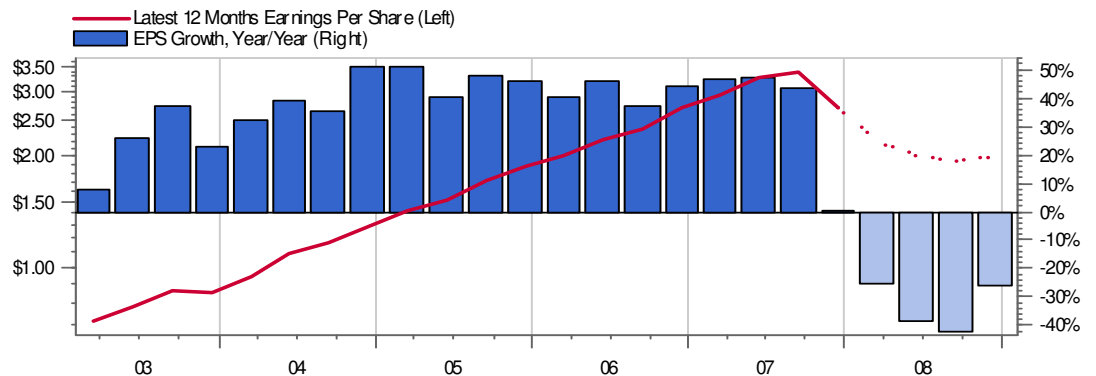
### Long-Term Solvency Risk

Earnings Before Interest and Taxes (EBIT) covers Interest Expense 45.13 times, compared to 24.30 times last year (see Appendix 5). Cash Flow from Operations is currently more than double the Total Debt and has improved significantly from just 91% of Total Debt in 2003. Long-Term Debt is 7.0% of Total Capital, a significant decrease from 24.65% in 2005. The Debt-to-Equity ratio is currently 11.32%, down from 32.71% in 2005. Men's Wearhouse's debt levels are becoming more and more conservative, and are much lower than those of its peers. While this debt reduction could suggest the company is worried about the certainty of its cash flows and ability to pay debt obligations in the long run, the lack of debt relative to its peers reduces financial risk.

### Growth and Profitability

Revenue Growth increased from 9.1% in 2006 to 12.3% in 2007, but EPS Growth decreased dramatically from 43.0% in 2006 to negative 1.0% in 2007 (see Figure 5 below and Appendix 6). Same Store Sales Growth decreased from 1.9% to negative 3.0%. These decreases are attributable to the fourth quarter of 2007 during which Same Store Sales decreased by 5.4% for Men's Wearhouse and 17.2% K&G stores. According to management, this was caused by declining traffic levels due to the economic slowdown in the United States that accelerated during the peak holiday season. Return on Assets (ROA) and Return on Common Shareholders' Equity (ROCE) have both been steadily increasing since 2003, with the exception of the most recent year (see Appendix 6). Men's Wearhouse's ROA for 2007 was 12.5% compared to 7.1% for its peers, and ROCE was 18.7% compared to 17.6% for its peers, displaying its efficient use of assets and equity.

**Figure 5: Earnings Per Share and Earnings Per Share Growth**



Source: Factset.

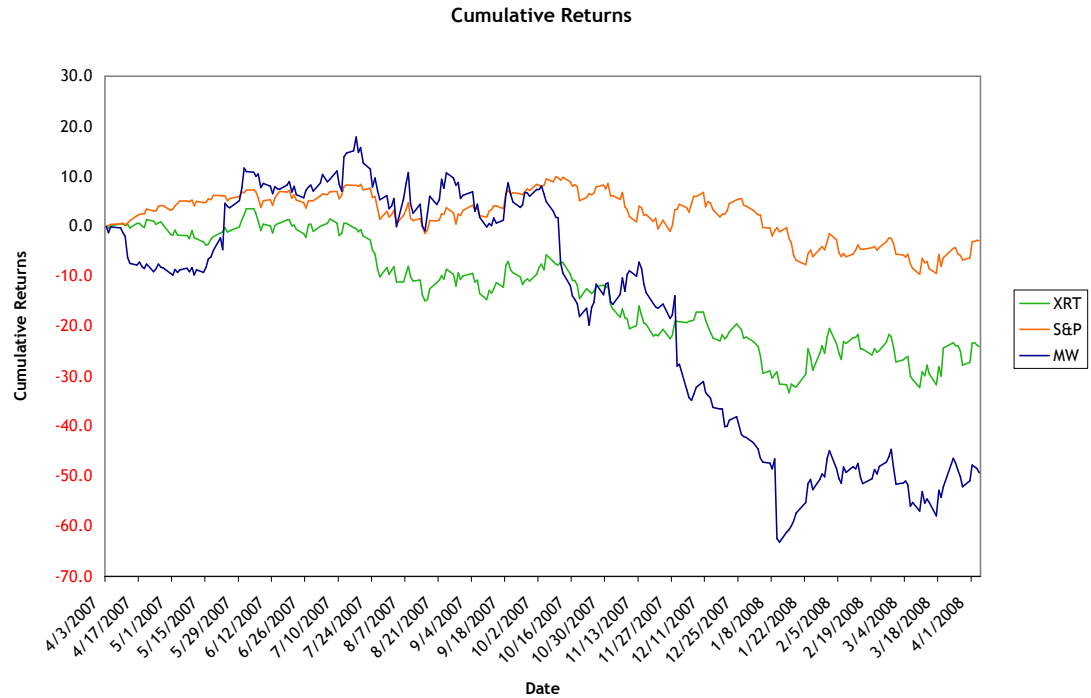
Margins have been steadily improving over recent years (see Appendix 6), again with the exception of the most recent year. Gross Margin dropped from 54.4% in 2006 to 45.9% 2007, Operating Margin dropped from 11.9% to 10.8%, and Profit Margin dropped from 7.9% to 7.0%. The firm points to the inclusion of MW Tux operations (formerly After Hours) and the seasonality of the tuxedo business as well as the decrease in apparel sales as the reasons for the declines in 2007. Despite the drops, Men’s Wearhouse has posted substantially better margins and returns than its peers (Appendix 6).

As for efficiency, Sales per Square Foot of Selling Space declined in 2007 to \$379 from \$397 in 2006. Asset Turnover improved from 1.70 in 2006 to 1.80 in 2007. Accounts Receivable Turnover increased from 103.71 in 2006 to 120.16 in 2007. Accounts Payable Turnover decreased from 7.53 in 2006 to 7.09 in 2007. Inventory Turnover has worsened from 1.98 in 2006 to 1.85 in 2007. While this is below the average of its entire peer group at 3.38, it is in line with other small specialty stores like Casual Male Retail Group at 2.22 and Jos. A. Bank at 1.15 (see Appendix 6). Generally, Men’s Wearhouse efficiency metrics do not indicate any significant areas of concern.

### Comparable Trading Analysis

Men’s Wearhouse’s Enterprise Value is approximately 0.6 of its 2007 Sales, which is slightly less than the average of its competitors at 0.7 (see Appendix 7). Its common stock currently trades at 6.4 times Cash Flow Per Share, a significant discount to the average of its competitors at 13.7 times, but only a slight discount to the median at 8.8 times. Men’s Wearhouse is significantly undervalued on a Price-to-Earnings basis. It trades at 9.0, 12.2, and 10.1 times Current, Forward-Year One, and Forward-Year Two EPS, respectively. Its competitors trade at a median of 12.9, 13.1, and 11.6 times Current, Forward-Year One, and Forward-Year Two EPS, respectively. Men’s Wearhouse’s PEG ratio is approximately 0.7, which is significantly lower than the 1.2 average of its peers. This is especially important in that it demonstrates that Men’s Wearhouse growth is much cheaper than that of its closest peers. The stock currently trades at 1.6 times Book Value compared to an average of 2.4 and a median of 1.6 for its competitors. All in all, Men’s Wearhouse is currently trading at a discount in most respects when compared to its closest peers (see Figure 6 below). Using the median multiples for its peer group (a more appropriate measure given the wide variance) Price-to-Cash Flow, Forward-Year One and Two Price-to-Earnings, and Price-to-Book, the average implied share price for Men’s Wearhouse is \$28.43. This represents a 15.5% premium over the current stock price and an implied market value of equity of \$1,461.45 million (see Figure 7 below).

**Figure 6: Men’s Wearhouse Versus S&P Retail Versus S&P 500**



Source: FactSet Research System.

**Figure 7: Comparable Analysis Implied Valuation**

(\$ in millions, except per unit amounts)

	Industry Multiple	MW Value Per Share	Implied Valuation
Price / CF	8.8x	\$3.85	\$34.04
FY1 P / E	13.1	2.01	26.41
FY2 P / E	11.6	2.44	28.39
P / B	1.6	15.32	24.86
<b>Implied Price</b>			<b>\$28.43</b>
Premium on Current Price			15.5%
Common Shares Outstanding			51.41
<b>Estimated Market Value</b>			<b>\$1,461.45</b>

Source: Company filings, presentations, Bloomberg.

Note: Pricing information as of April 7, 2008.

## Investment Risks

There are several challenges which Men’s Wearhouse must avoid in order for the firm to achieve projected gains. However, many of these challenges create additional opportunities through which Men’s Wearhouse can become even more profitable.

### Achievement of Operational Synergies

In the last ten years, Men’s Wearhouse has acquired three brands (K&G, Moores, After Hours) for its portfolio of men’s clothing products. K&G and Moores represented similar business models that offered access to new customer markets: lower-middle income and Canada, respectively. The recent acquisition of After Hours tuxedo business represents a move into a business segment in which the firm has minimal

experience or expertise. This lack of experience was apparent as the process of re-branding the After Hours line posed unexpected costs and difficulties. The allure of the acquisition of the largest tuxedo chain in the United States was the synergy between men's business wear and men's formal wear. Men's Wearhouse must now learn how to convert its tuxedo customers into suit wearing customers and vice versa. While this process may once again pose difficulties, the firm can use this experience in future cross-segment opportunities, such as retail dry-cleaning.

**Client Base Extension**

Men's Wearhouse has successfully operated in the men's business apparel segment for 35 years. While new customers are a necessity for all customers, Men's Wearhouse must place a particular emphasis on adding to its base of clients. The company believes fashion changes in this segment are more predictable and infrequent relative to other consumer clothing segments. Men's Wearhouse does face questions over its ability to adapt to new market trends. Men's Wearhouse's existence has coincided with the working years of the Baby Boomer generation. As this generation begins to retire, their demand for clothing from Men's Wearhouse will wane. To achieve growth, Men's Wearhouse must replace a declining customer base in addition to attracting incremental customers. The company has recognized this risk and has taken measures to eliminate the challenge. First, the company has revamped its marketing and advertising campaign to appeal to a younger audience. For a company selling business apparel, attracting a loyal customer base at an early age can lead to decades of sales. Secondly, the move into peripheral lines business allows Men's Wearhouse to attract crossover customers it may not have reached through traditional marketing measures. The success of these efforts now will determine Men's Wearhouse's long term profitability.

**Macroeconomic Factors**

Men's Wearhouse participates in the retail business sector and is therefore exposed to both the benefits and hazards of the industry. In particular, retailers face difficulties during economic downturns due to a lack of disposable income for consumers. This leads to a decline in the overall value of the industry, hurting all companies involved. Men's Wearhouse is particularly affected by this dynamic for two reasons. First, a significant portion of the Men's Wearhouse business is represented by lower to middle income consumers who are generally more price elastic with respect to their overall level of income. This leads to a disproportionate impact on Men's Wearhouse relative to the rest of the retail sector. Additionally, the limited number of product lines offered by Men's Wearhouse also weakens the company's ability to counteract this trend. Men's Wearhouse's diversifying venture into the tuxedo business as well as the further development of its retail dry-cleaning business should help mitigate some of the downside risks of the industry.

**Appendix 1: Income Statement**

(\$ in thousands, except per share amounts)

	ACTUAL			FORECAST				
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Net sales:</b>								
Clothing product	\$ 1,527,526	\$ 1,641,300	\$ 1,656,167	\$ 1,780,349	\$ 1,912,113	\$ 2,051,622	\$ 2,198,979	\$ 2,354,209
% total sales	88.56%	87.21%	78.40%	77.32%	76.18%	74.99%	73.74%	72.43%
Tuxedo rental, alteration and other services	197,372	240,764	456,391	522,339	597,818	684,202	783,069	896,223
% total sales	11.44%	12.79%	21.60%	22.68%	23.82%	25.01%	26.26%	27.57%
<b>Total net sales</b>	<b>1,724,898</b>	<b>1,882,064</b>	<b>2,112,558</b>	<b>2,302,688</b>	<b>2,509,930</b>	<b>2,735,824</b>	<b>2,982,048</b>	<b>3,250,432</b>
% growth		9.11%	12.25%	9.00%	9.00%	9.00%	9.00%	9.00%
<b>Cost of sales:</b>								
Clothing product, incl buying and distribution costs	737,149	742,769	709,260	805,941	878,476	957,538	1,043,717	1,137,651
% total sales	42.74%	39.47%	33.57%	35.00%	35.00%	35.00%	35.00%	35.00%
% total cost of sales	71.72%	69.65%	62.08%	63.62%	63.16%	62.68%	62.19%	61.68%
Tuxedo rental, alteration and other services	103,527	114,779	161,240	184,539	211,205	241,724	276,653	316,630
% total sales	6.00%	6.10%	7.63%	8.01%	8.41%	8.84%	9.28%	9.74%
% total cost of sales	10.07%	10.76%	14.11%	14.57%	15.19%	15.82%	16.48%	17.17%
Occupancy costs	187,087	208,811	272,001	276,323	301,192	328,299	357,846	390,052
% total sales	10.85%	11.09%	12.88%	12.00%	12.00%	12.00%	12.00%	12.00%
% total cost of sales	18.20%	19.58%	23.81%	21.81%	21.65%	21.49%	21.32%	21.15%
<b>Total cost of sales</b>	<b>1,027,763</b>	<b>1,066,359</b>	<b>1,142,501</b>	<b>1,266,803</b>	<b>1,390,872</b>	<b>1,527,561</b>	<b>1,678,216</b>	<b>1,844,333</b>
% total sales	59.58%	56.66%	54.08%	55.01%	55.41%	55.84%	56.28%	56.74%
<b>Gross margin</b>	<b>697,135</b>	<b>815,705</b>	<b>970,057</b>	<b>1,035,886</b>	<b>1,119,058</b>	<b>1,208,262</b>	<b>1,303,832</b>	<b>1,406,099</b>
% total sales	40.42%	43.34%	45.92%	44.99%	44.59%	44.16%	43.72%	43.26%
Selling, general and administrative expenses	531,839	591,767	741,405	828,968	903,575	984,897	1,073,537	1,170,156
% total sales	30.83%	31.44%	35.10%	36.00%	36.00%	36.00%	36.00%	36.00%
<b>Operating income</b>	<b>165,296</b>	<b>223,938</b>	<b>228,652</b>	<b>206,918</b>	<b>215,483</b>	<b>223,366</b>	<b>230,295</b>	<b>235,944</b>
% total sales	9.58%	11.90%	10.82%	8.99%	8.59%	8.16%	7.72%	7.26%
Interest income	(3,280)	(9,786)	(5,987)	(4,371)	(4,458)	(4,547)	(4,638)	(4,731)
% avg investments & cash		-8.84%	-8.58%	-8.71%	-8.71%	-8.71%	-8.71%	-8.71%
Interest expense	5,888	9,216	5,046	6,239	6,384	6,098	6,164	7,362
% debt		6.63%	6.10%	6.36%	6.36%	6.36%	6.36%	6.36%
<b>Earnings before income taxes</b>	<b>162,688</b>	<b>224,508</b>	<b>229,593</b>	<b>205,049</b>	<b>213,557</b>	<b>221,816</b>	<b>228,769</b>	<b>233,312</b>
% total sales	9.43%	11.93%	10.87%	8.90%	8.51%	8.11%	7.67%	7.18%
Provision for income taxes	58,785	75,933	82,552	73,818	76,881	79,854	82,357	83,992
% tax	36.13%	33.82%	35.96%	36.00%	36.00%	36.00%	36.00%	36.00%
<b>Net earnings</b>	<b>\$ 103,903</b>	<b>\$ 148,575</b>	<b>\$ 147,041</b>	<b>\$ 131,232</b>	<b>\$ 136,676</b>	<b>\$ 141,962</b>	<b>\$ 146,412</b>	<b>\$ 149,320</b>
% total sales	6.02%	7.89%	6.96%	5.70%	5.45%	5.19%	4.91%	4.59%
% growth		42.99%	-1.03%	-10.75%	4.15%	3.87%	3.13%	1.99%
<b>Net earnings per share:</b>								
Basic	\$ 1.93	\$ 2.80	\$ 2.76	\$ 2.44	\$ 2.54	\$ 2.64	\$ 2.72	\$ 2.78
Diluted	\$ 1.88	\$ 2.71	\$ 2.73	\$ 2.37	\$ 2.47	\$ 2.56	\$ 2.64	\$ 2.70
<b>Weighted average common shares outstanding:</b>								
Basic	53,753	53,111	53,258	53,753	53,753	53,753	53,753	53,753
Diluted	55,365	54,749	53,890	55,365	55,365	55,365	55,365	55,365
Dividend			\$ 12,782	\$ 15,051	\$ 15,051	\$ 15,051	\$ 15,051	\$ 15,051
Dividend Yield			1.14%					
<b>Derpreciation/Amortization</b>								
Depreciation and amortization	61,874	61,387	80,296					
% total sales	3.59%	3.26%	3.80%					
% gross PPE	10.11%	9.17%	9.28%					
% total cost of sales less tuxedo	6.69%	6.45%	8.18%					
% occupancy costs	33.07%	29.40%	29.52%					
Tuxedo rental product amortization	15,341	16,858	42,067					
% total sales	0.89%	0.90%	1.99%					
% tuxedo revenue	7.77%	7.00%	9.22%					
% cost of tuxedos	14.82%	14.69%	26.09%					
Other	6,018	10,144	15,073					
% total sales	0.35%	0.54%	0.71%					
% other assets	12.78%	21.32%	17.33%					
% occupancy costs	3.22%	4.86%	5.54%					
<b>Total D&amp;A</b>	<b>\$ 83,233</b>	<b>\$ 88,389</b>	<b>\$ 137,436</b>	<b>\$ 140,976</b>	<b>\$ 157,292</b>	<b>\$ 174,423</b>	<b>\$ 192,412</b>	<b>\$ 211,299</b>
% total sales	4.83%	4.70%	6.51%	6.12%	6.27%	6.38%	6.45%	6.50%
% total cost of sales	8.10%	8.29%	12.03%	11.13%	11.31%	11.42%	11.47%	11.46%
% SG&A	15.65%	14.94%	18.54%	17.01%	17.41%	17.71%	17.92%	18.06%
% gross PPE	13.60%	13.21%	15.89%	14.50%	14.50%	14.50%	14.50%	14.50%
<b>Capital Expenditures</b>	<b>\$ 66,499</b>	<b>\$ 72,904</b>	<b>\$ 126,076</b>	<b>\$ 107,165</b>	<b>\$ 112,523</b>	<b>\$ 118,149</b>	<b>\$ 124,056</b>	<b>\$ 130,259</b>
% total sales	3.86%	3.87%	5.97%	4.65%	4.48%	4.32%	4.16%	4.01%
% growth		9.63%	72.93%	-15.00%	5.00%	5.00%	5.00%	5.00%

Source: Company filings and presentations.

**Appendix 2: Balance Sheet**

(\$ in thousands, except per share amounts)

	ACTUAL			FORECAST				
	2005	2006	2007	2008	2009	2010	2011	2012
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$ 200,226	\$ 179,694	\$ 39,446	\$ 40,235	\$ 41,040	\$ 41,860	\$ 42,698	\$ 43,552
Short-term investments	62,775	-	59,921	61,119	62,342	63,589	64,860	66,158
Accounts receivable, net	16,837	17,018	18,144	18,144	18,144	18,144	18,144	18,144
Inventories	416,603	448,586	492,423	550,784	604,727	664,157	729,659	801,884
Inventory turnover	2.47x	2.38x	2.32x	2.30x	2.30x	2.30x	2.30x	2.30x
Other current assets	33,171	35,531	61,061	61,061	61,061	61,061	61,061	61,061
Total current assets	729,612	680,829	670,995	731,343	787,313	848,811	916,422	990,798
Property and equipment, at cost:								
Land	9,122	9,093	12,424					
Buildings	54,515	63,477	85,572					
Leasehold improvements	244,300	264,276	355,159					
Furniture, fixtures and equipment	304,020	332,494	411,929					
	611,957	669,340	865,084	972,249	1,084,771	1,202,920	1,326,977	1,457,236
Less accumulated depreciation and amortization	(342,371)	(379,700)	(454,917)	(506,410)	(559,595)	(614,529)	(671,271)	(729,878)
Net property and equipment	269,586	289,640	410,167	465,839	525,176	588,391	655,706	727,358
Tuxedo rental product, net	52,561	57,565	84,089	96,240	110,147	126,063	144,279	165,127
% of tuxedo sales	26.63%	23.91%	18.42%	18.42%	18.42%	18.42%	18.42%	18.42%
Goodwill	57,601	56,867	65,309	65,309	65,309	65,309	65,309	65,309
Other assets, net	13,914	12,051	25,907	25,907	25,907	25,907	25,907	25,907
TOTAL	\$ 1,123,274	\$ 1,096,952	\$ 1,256,467	\$ 1,384,638	\$ 1,513,852	\$ 1,654,481	\$ 1,807,623	\$ 1,974,499
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>								
Current liabilities:								
Accounts payable	\$ 125,064	\$ 111,213	\$ 146,713	\$ 147,303	\$ 161,729	\$ 177,623	\$ 195,141	\$ 214,457
	8.22x	9.59x	7.79x	8.60x	8.60x	8.60x	8.60x	8.60x
Accrued expenses	91,935	95,249	124,952	124,952	124,952	124,952	124,952	124,952
Income taxes payable	21,086	19,676	5,590	5,590	5,590	5,590	5,590	5,590
Total current liabilities	238,085	226,138	277,255	277,845	292,271	308,165	325,683	344,999
Long-term debt	205,251	72,967	92,399	103,799	96,962	94,785	99,048	132,472
Deferred taxes and other liabilities	52,405	44,075	70,876	70,876	70,876	70,876	70,876	70,876
Total liabilities	495,741	343,180	440,530	452,520	460,109	473,826	495,607	548,347
Shareholders' equity:								
Preferred stock (\$.01 par value, 2MM shares authorized, no shares issued)	-	-	-	-	-	-	-	-
Common stock (\$.01 par value, 100MM shares authorized, 67,237,824 & 69,154,241 issued)	671	691	696	696	696	696	696	696
Capital in excess of par	255,214	286,120	305,209	305,209	305,209	305,209	305,209	305,209
Retained earnings	614,680	752,361	880,084	996,265	1,117,890	1,244,802	1,376,163	1,510,432
Accumulated other comprehensive income	26,878	23,496	43,629	43,629	43,629	43,629	43,629	23,496
Total	897,443	1,062,668	1,229,618	1,345,799	1,467,424	1,594,336	1,725,697	1,839,833
Treasury stock (14,169,241 and 15,234,677 at cost)	(269,910)	(308,896)	(413,681)	(413,681)	(413,681)	(413,681)	(413,681)	(413,681)
Total shareholders' equity	627,533	753,772	815,937	932,118	1,053,743	1,180,655	1,312,016	1,426,152
TOTAL	1,123,274	1,096,952	1,256,467	1,384,638	1,513,852	1,654,481	1,807,623	1,974,499
CA-Cash-CL	291,301	274,997	354,294	413,264	454,003	498,785	548,041	602,247
Change in NWC		(16,304)	79,297	58,970	40,739	44,783	49,256	54,206
Change in NWC		-5.60%	28.84%	16.64%	9.86%	9.86%	9.88%	9.89%
% of sales		-0.87%	3.75%	2.56%	1.62%	1.64%	1.65%	1.67%
Change in gross ppe		9.38%	29.24%					
Change in depreciation		10.90%	19.81%					
Change in net ppe		7.44%	41.61%					
Net ppe as % of gross ppe	44.05%	43.27%	47.41%					
Depreciation as % of gross ppe	-55.95%	-56.73%	-52.59%	-52.09%	-51.59%	-51.09%	-50.59%	-50.09%
Ramp up				0.50%	0.50%	0.50%	0.50%	0.50%
BV/Share			15.32					

Source: Company filings and presentations.

**Appendix 3: Discounted Cash Flow Analysis**

(\$ in thousands, except per share amounts)

	ACTUAL			FORECAST						TV
	2005	2006	2007	2008	2009	2010	2011	2012		
Net operating profit less taxes	\$ 105,789	\$ 143,320	\$ 146,337	\$ 132,427	\$ 137,909	\$ 142,954	\$ 147,389	\$ 151,004		
Depreciation/Amortization	83,233	88,389	137,436	140,976	157,292	174,423	192,412	211,299		
Capital expenditures	66,499	72,904	126,076	107,165	112,523	118,149	124,056	130,259		
Change net working capital		(16,304)	79,297	58,970	40,739	44,783	49,256	54,206		
Free cash flows to the firm	\$ 122,523	\$ 175,109	\$ 78,400	\$ 107,269	\$ 141,939	\$ 154,446	\$ 166,488	\$ 177,838	\$ 2,215,040	
Discount				0.890	0.792	0.705	0.628	0.559	0.559	
Discounted free cash flow				\$ 95,478	\$ 112,450	\$ 108,908	\$ 104,495	\$ 99,349	\$ 1,237,428	
FCF Yield		13.61%	6.09%	8.33%	11.03%	12.00%	12.94%	13.82%	172.11%	

Enterprise Value	\$ 1,758,107
Less: Total Debt	\$ 92,399
Less: Preferred Stock	\$ -
Plus: Cash	\$ 39,446
Total Equity Value	\$ 1,705,154
Shares Outstanding	51,414.1
Implied target price per share	\$ 33.17
Current price per share	\$ 24.60
Premium (discount) to market	34.82%

Cost of debt	4.97%	Rf	3.44%
Tax Rate	36.00%	Beta	1.28
D/V	7.00%	Risk premium	7.50%
E/V	93.00%	CAPM	13.04%
WACC	12.35%	Market capitalization	\$ 1,287,000
		TV growth	4.00%

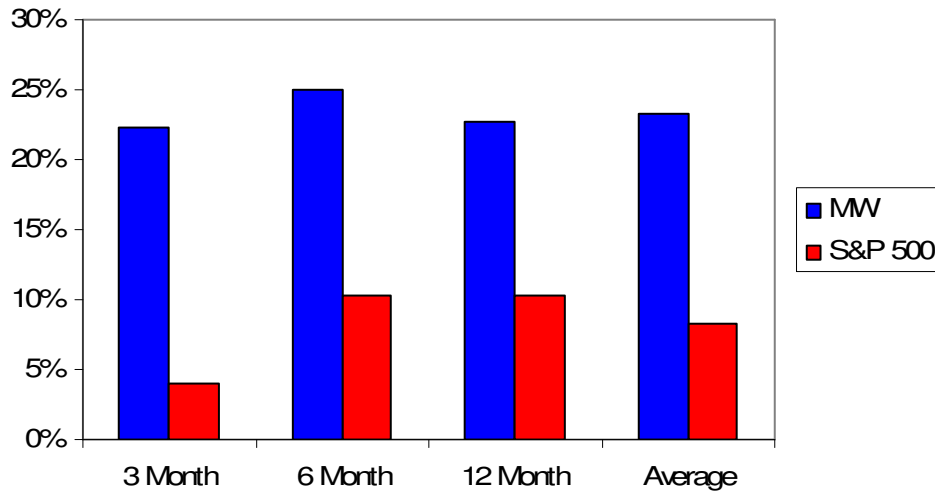
## Sensitivity Analysis

	WACC										
	9.85%	10.35%	10.85%	11.35%	11.85%	12.35%	12.85%	13.35%	13.85%	14.35%	14.85%
3.00%	\$ 42.33	\$ 39.29	\$ 36.63	\$ 34.30	\$ 32.23	\$ 30.38	\$ 28.73	\$ 27.23	\$ 25.87	\$ 24.63	\$ 23.50
3.50%	\$ 45.06	\$ 41.60	\$ 38.62	\$ 36.02	\$ 33.73	\$ 31.70	\$ 29.88	\$ 28.26	\$ 26.79	\$ 25.45	\$ 24.24
TV growth 4.00%	\$ 48.25	\$ 44.28	\$ 40.89	\$ 37.97	\$ 35.41	\$ 33.17	\$ 31.17	\$ 29.39	\$ 27.80	\$ 26.36	\$ 25.05
4.50%	\$ 52.05	\$ 47.42	\$ 43.53	\$ 40.20	\$ 37.33	\$ 34.82	\$ 32.62	\$ 30.66	\$ 28.92	\$ 27.35	\$ 25.93
5.00%	\$ 56.63	\$ 51.15	\$ 46.61	\$ 42.79	\$ 39.52	\$ 36.70	\$ 34.24	\$ 32.08	\$ 30.16	\$ 28.45	\$ 26.91

Source: Company filings and presentations.

Appendix 4: Performance Men’s Wearhouse and S&P 500 Following Interest Rate Cuts

	1995		1998		2001		Average	
	MW	SPX	MW	SPX	MW	SPX	MW	SPX
<b>3 Months</b>	26%	6%	63%	17%	-22%	-11%	22%	4%
<b>6 Months</b>	35%	13%	38%	22%	2%	-4%	25%	10%
<b>12 Months</b>	70%	23%	17%	22%	-19%	-10%	23%	12%
<b>Average</b>	44%	14%	39%	20%	-13%	-8%	23%	9%



Source: FactSet Research System.

## Appendix 5: Risk

## HISTORIC RISK

	2003	2004	2005	2006	2007
<b>Liquidity</b>					
Current Ratio	2.68x	2.63x	3.06x	3.01x	2.42x
Quick Ratio	0.70	0.78	1.19	0.87	0.42
Days Inventory	155.49	152.94	145.71	187.15	150.21
Days Payable	43.12	46.85	45.10	49.27	51.48
Cash Conversion Cycle	117.34	110.64	104.84	141.46	101.76
<b>Solvency</b>					
EBIT / Interest Expense	20.42x	20.02x	28.07x	24.30x	45.31x
CFO / Total Debt	91.0%	100.0%	75.0%	220.0%	222.0%
LT Debt / Total Capital	21.2%	18.6%	24.7%	8.8%	7.0%
Debt / Equity	26.9%	22.9%	32.7%	9.7%	11.3%

## COMPARABLE RISK

Company	Liquidity					Solvency				
	Current Ratio	Quick Ratio	CFO / Avg. CL	Days Inv.	Days Pay.	Cash Conv. Cycle	Interest Coverage	CFO / Avg. LT Liab.	LT Debt / Total Cap.	Debt / Equity
Macy's	1.12x	0.19x	37.3%	120.86	110.94	16.7	4.12x	19.3%	46.2%	98.4%
Kohl's	2.10	0.37	66.9%	94.81	30.12	NM	18.64	58.7%	25.1%	33.8%
The TJX Companies	1.45	0.32	52.9%	69.00	37.02	34.5	NM	86.6%	28.6%	40.1%
JCPenney	2.02	0.87	36.4%	105.49	66.12	45.7	12.32	23.6%	38.9%	69.8%
Nordstrom	2.06	1.31	10.5%	64.49	37.71	77.9	11.29	7.9%	61.9%	223.9%
Saks Inc.	1.44	0.13	8.7%	150.21	35.93	NM	2.70	14.6%	14.5%	48.7%
Dillard's	1.64	0.08	33.4%	135.19	50.84	84.9	1.73	20.7%	21.3%	46.9%
Eddie Bauer Holdings	1.36	0.29	19.6%	90.35	24.48	76.3	NM	12.1%	49.7%	108.8%
Casual Male Retail Group	1.04	0.04	12.0%	164.41	69.13	NM	4.85	62.1%	5.3%	29.4%
Jos. A. Bank <sup>(1)</sup>	2.20	0.42	55.2%	317.39	71.71	249.6	52.58	134.8%	16.9%	20.4%
<b>Men's Wearhouse</b>	<b>2.42</b>	<b>0.42</b>	<b>81.4%</b>	<b>150.21</b>	<b>51.48</b>	<b>101.8</b>	<b>46.50</b>	<b>146.2%</b>	<b>7.0%</b>	<b>11.3%</b>
<b>Best</b>	<b>2.42x</b>	<b>1.31x</b>	<b>81.4%</b>	<b>317.39</b>	<b>110.94</b>	<b>249.6</b>	<b>52.58x</b>	<b>146.2%</b>	<b>61.9%</b>	<b>223.9%</b>
<b>Worst</b>	<b>1.04</b>	<b>0.04</b>	<b>8.7%</b>	<b>64.49</b>	<b>24.48</b>	<b>16.7</b>	<b>1.73</b>	<b>7.9%</b>	<b>5.3%</b>	<b>11.3%</b>
<b>Mean</b>	<b>1.64</b>	<b>0.40</b>	<b>33.3%</b>	<b>131.22</b>	<b>53.40</b>	<b>83.7</b>	<b>13.53</b>	<b>44.0%</b>	<b>30.8%</b>	<b>72.0%</b>
<b>Median</b>	<b>1.55</b>	<b>0.31</b>	<b>34.9%</b>	<b>113.18</b>	<b>44.27</b>	<b>76.3</b>	<b>8.07</b>	<b>22.1%</b>	<b>26.9%</b>	<b>47.8%</b>

Note: Latest Income Statement and Balance Sheet data as of 4/7/08.

(1) Jos. A. Bank 2006 financial statements as of 12/31/06.

Source: Company filings and presentations, Bloomberg, FactSet Research System.

## Appendix 6: Profitability

## HISTORIC PROFITABILITY ANALYSIS

	2001	2002	2003	2004	2005	2006	2007
Gross Margin	35.4%	35.1%	36.9%	39.9%	40.4%	54.4%	45.9%
Operating Margin	5.8%	5.4%	5.9%	7.6%	9.6%	11.9%	10.8%
Profit Margin	3.4%	3.3%	3.6%	4.6%	6.0%	7.9%	7.0%
Growth - Sales	(4.5%)	1.7%	7.5%	11.1%	11.5%	9.1%	12.3%
Growth - Net Income	(48.9%)	(2.1%)	17.4%	43.5%	45.6%	43.0%	(1.0%)
Growth - Same Store Sales	(10.2%)	(3.1%)	6.1%	7.3%	8.4%	1.9%	(3.0%)
ROA	6.1%	5.7%	6.0%	7.6%	9.8%	13.4%	12.5%
ROCE	8.6%	8.1%	9.8%	13.5%	17.4%	21.5%	18.7%
Sales / Sq. Ft. <sup>(1)</sup>	\$336	\$319	\$338	\$368	\$391	\$397	\$379
Asset Turnover	1.78x	1.74x	1.69x	1.65x	1.63x	1.70x	1.80x
AR Turnover	NM	129.48x	73.45x	79.80x	85.99x	103.71x	120.16x
AP Turnover	9.88x	8.87x	8.46x	7.75x	8.07x	7.53x	7.09x
Inventory Turnover	2.25x	2.29x	2.35x	2.37x	2.50x	1.98x	1.85x

(1) Average sales per square foot of selling space is calculated by dividing total selling square footage for all stores into total sales.

## COMPARABLE PROFITABILITY ANALYSIS

(\$ in millions)

Company	Gross Margin	Profit Margin	ROA	ROCE <sup>(1)</sup>	COGS / Sales	SG&A / Sales	Sales / Sq. Ft. <sup>(2)</sup>	Asset Turnover	AR Turnover	AP Turnover	Inventory Turnover
Macy's	40.4%	3.4%	3.1%	8.1%	59.6%	32.5%	\$170	0.92x	53.70x	3.29x	3.02x
Kohl's	36.5%	6.6%	11.1%	18.5%	63.5%	25.6%	236	1.68	NM	12.12	3.85
The TJX Companies	24.5%	4.1%	12.2%	34.9%	75.5%	17.8%	311	2.94	144.25	9.86	5.29
JCPenney	38.6%	5.6%	8.2%	23.2%	61.4%	29.1%	NM	1.47	57.32	5.52	3.46
Nordstrom	37.4%	8.1%	13.7%	43.6%	62.6%	26.7%	431	1.69	7.14	9.68	5.66
Saks Inc.	39.1%	1.4%	1.9%	4.2%	60.9%	36.0%	444	1.34	NM	10.16	2.43
Dillard's	35.1%	0.7%	1.0%	2.1%	64.9%	32.9%	130	1.37	688.60	7.18	2.70
Eddie Bauer Holdings	39.6%	(9.7%)	NM	NM	60.4%	42.3%	394	1.25	34.87	14.91	4.04
Casual Male Retail Group	44.4%	0.1%	0.1%	0.2%	55.6%	42.1%	291	1.44	NM	5.28	2.22
Jos. A. Bank <sup>(3)</sup>	61.9%	7.9%	12.8%	23.9%	38.1%	48.6%	NM	1.62	93.82	5.09	1.15
<b>Men's Wearhouse</b>	<b>45.9%</b>	<b>7.0%</b>	<b>12.5%</b>	<b>18.7%</b>	<b>54.1%</b>	<b>35.1%</b>	<b>379</b>	<b>1.80</b>	<b>120.16</b>	<b>7.09</b>	<b>2.43</b>
<b>Best</b>	<b>61.9%</b>	<b>8.1%</b>	<b>13.7%</b>	<b>43.6%</b>	<b>75.5%</b>	<b>48.6%</b>	<b>\$444</b>	<b>2.94x</b>	<b>688.60x</b>	<b>14.91x</b>	<b>5.66x</b>
<b>Worst</b>	<b>24.5%</b>	<b>(9.7%)</b>	<b>0.1%</b>	<b>0.2%</b>	<b>38.1%</b>	<b>17.8%</b>	<b>130</b>	<b>0.92</b>	<b>7.14</b>	<b>3.29</b>	<b>1.15</b>
<b>Mean</b>	<b>39.8%</b>	<b>2.8%</b>	<b>7.1%</b>	<b>17.6%</b>	<b>60.2%</b>	<b>33.4%</b>	<b>301</b>	<b>1.57</b>	<b>154.24</b>	<b>8.31</b>	<b>3.38</b>
<b>Median</b>	<b>38.9%</b>	<b>3.8%</b>	<b>8.2%</b>	<b>18.5%</b>	<b>61.1%</b>	<b>32.7%</b>	<b>301</b>	<b>1.46</b>	<b>57.32</b>	<b>8.43</b>	<b>3.24</b>

Note: Latest Income Statement and Balance Sheet data as of 4/7/08.

(1) Return on Common Shareholders' Equity.

(2) Average sales per square foot of selling space is calculated by dividing total selling square footage for all stores into total sales.

(3) Jos. A. Bank 2006 financial statements as of 12/31/06.

Source: Company filings and presentations, Bloomberg, FactSet Research System.

**Appendix 7: Comparable Analysis**

(\$ in millions, except per unit amounts)

Company	Price 4/7/2008	Shares Out.	Market Value	Enterprise Value	EV / 2007 Sales	Price / Cash Flow	Price / Earnings			PEG Ratio	Price / Book	
							2007	2008E	2009E			
Macy's	\$23.88	446.6	\$10,664.81	\$19,835	0.8x	4.8x	11.1x	11.8x	10.2x	1.1x	1.1x	
Kohl's	43.63	310.5	13,545.72	14,947	0.9	11.2	12.9	13.1	11.6	0.8	2.2	
The TJX Companies	32.14	428.0	13,754.31	13,877	0.7	10.5	16.8	14.4	13.2	1.1	6.5	
JCPenney	40.26	221.7	8,925.64	10,163	0.5	7.2	8.5	10.1	9.0	0.7	1.7	
Nordstrom	33.80	221.0	7,469.80	9,609	1.1	51.2	12.0	11.9	10.7	1.0	6.7	
Saks Inc.	12.97	141.8	1,838.94	2,310	0.7	25.4	30.9	26.5	19.4	3.6	1.6	
Dillard's	20.59	75.2	1,548.37	2,639	0.4	4.5	24.8	171.6	55.6	NM	0.6	
Eddie Bauer Holdings	4.21	30.7	129.13	380	0.4	3.2	NM	NM	NM	NM	0.5	
Casual Male Retail Group	4.40	41.4	181.98	230	0.5	12.6	22.0	17.6	13.3	0.9	1.0	
Jos. A. Bank <sup>(1)</sup>	22.69	18.0	409.33	409	0.7	6.7	9.6	8.5	7.8	0.4	2.0	
<b>Men's Wearhouse</b>	<b>24.60</b>	<b>51.4</b>	<b>1,264.79</b>	<b>1,258</b>	<b>0.6</b>	<b>6.4</b>	<b>9.0</b>	<b>12.2</b>	<b>10.1</b>	<b>0.7</b>	<b>1.6</b>	
					<b>High</b>	<b>1.1x</b>	<b>51.2x</b>	<b>30.9x</b>	<b>171.6x</b>	<b>55.6x</b>	<b>3.6x</b>	<b>6.7x</b>
					<b>Low</b>	<b>0.4</b>	<b>3.2</b>	<b>8.5</b>	<b>8.5</b>	<b>7.8</b>	<b>0.4</b>	<b>0.5</b>
					<b>Mean</b>	<b>0.7</b>	<b>13.7</b>	<b>16.5</b>	<b>31.7</b>	<b>16.8</b>	<b>1.2</b>	<b>2.4</b>
					<b>Median</b>	<b>0.7</b>	<b>8.8</b>	<b>12.9</b>	<b>13.1</b>	<b>11.6</b>	<b>0.9</b>	<b>1.6</b>

Note: Latest Income Statement and Balance Sheet data as of 4/7/08.

(1) Jos. A. Bank 2006 financial statements as of 12/31/06.

Source: Company filings and presentations, Bloomberg, FactSet Research System.

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