

# Borders Books in danger of being delisted, Detroit Free Press turns to McTevia for analysis

Borders Books to unveil strategy next week; delisting possible

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Borders Group Inc. shares languish below the price of a candy bar, its new CEO is closing stores and slashing payroll and turnaround experts differ on its fate.

The Ann Arbor bookseller reports fourth-quarter results next week. And the expectation is for more multimillion-dollar losses, turnaround experts say. Borders said its holiday sales at stores open at least a year fell 14.4%.

Shareholders will hear more about the company's strategy next Wednesday when CEO Ron Marshall hosts a conference call with analysts and investors.

What they know already is that the retailer is in danger of being delisted from the New York Stock Exchange. Its shares closed Tuesday at 64 cents, down 60% in the four months since it announced it was no longer for sale.

Meanwhile, chief competitors have seen huge gains in share prices. Amazon is up 71% to \$72.70 and Barnes & Noble, thought to be Borders' most likely suitor, has risen 53% to \$23.01.

Borders has been cutting costs in the past year while spending big on an e-commerce site. It has announced some store closings including the downtown Detroit and Chicago's Michigan Avenue stores and cut 1,152 jobs. The company employs 27,000 at more than 1,000 stores.

Ken Dalto, a Farmington Hills-based turnaround expert, said Borders' strategy seems to be one of buying time and hoping economic recovery is just around the corner.

"They are figuring their brand name is going to carry them," Dalto said. "Brand names mean less with the inroads of technology. The brand name is Amazon."

Dalto said staffing cuts and dropping small things like free bookmarks could hurt the in-store experience.

"It is a self-liquidation," he said.

Jim McTevia, managing partner of Bingham Farms-based McTevia Associates LLC, a turnaround firm, said he thinks Borders could seek Chapter 11 protection, but it wouldn't solve the bookseller's business problems.

"Depending on their ability to get debtor-in-possession financing, they could easily file for Chapter 11," he said. "It is much easier to facilitate the sale of a troubled company under bankruptcy protection."

Borders' turnaround plan, started in 2006 under then-CEO George Jones, put a lot of faith in its new e-commerce site Borders.com. But in January, Borders said the site would not be profitable during the year as previously forecast.

And in January, when Jones was ousted in favor of Ron Marshall, who has retail and turnaround experience, the architect of Borders.com, Kevin Ertell, was let go.

Borders spokeswoman Anne Roman said Tuesday that the store closures and staff cuts were part of efforts announced last year to cut costs.

"We haven't announced that many store closures," she said. "I'm sure Ron will address on the conference call what he envisions for the company moving forward."

The Web cast begins at 8 a.m. Wednesday and can be accessed at [www.bordersgroupinc.com](http://www.bordersgroupinc.com).

Borders has received two extensions from its largest shareholder, Pershing Square Capital Management LP, to repay a \$42.5-million loan. The latest one requires repayment on April 15 and an additional fee of \$750,000.

Borders also is expected to ask shareholders to approve a reverse stock split at its annual meeting on May 21 to use if necessary to push the share price above \$1 and avoid delisting.

The retailer with \$3 billion in annual sales reported \$216 million in losses in three quarters last year. Marshall has said the company planned to get its costs in line before attempting to grow sales.