

## Tiburon Research Group

Monthly Micro-Cap Focus: Wet Seal (WTSLA - \$3.35)  
January 31, 2010

### Earnings Analytics: EPS Model Dynamics

- **Big picture, we see little downside EPS risk next year versus the current consensus sell-side estimate of \$0.27.**

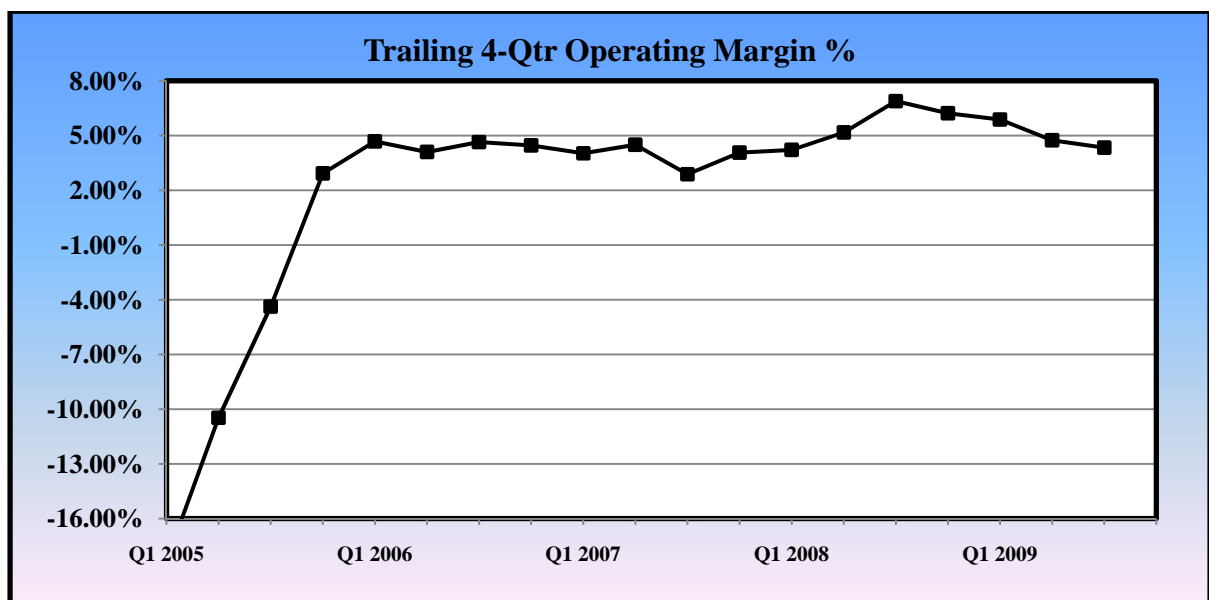
In FY 2010, we're at \$0.31 versus the current consensus sell-side estimate of \$0.27. Our estimate implies -0.8% comp store sales and a +166 Bps EBIT margin improvement versus FY 2009. Our EBIT margin improvement implies material GPM% improvement in Q1-Q3 as the company anniversaries disappointing merchandise margin declines at the core chain.

WTSLA is one of the few specialty apparel retailers that did not materially improve its merchandise margin (the core chain reported dramatic declines versus the prior year Q1 through Q3). Therefore, **unlike its peers, WTSLA faces much easier merchandise margin comparisons in FY 2010.**

- WTSLA has dramatically lowered its SG&A dollars over the past 2 fiscal years. We're estimating FY 2009 SG&A per average store at \$287K versus \$382K in FY 2007, a decline of -25%.
- There were questions whether *Arden B.* would ever make money again. Well, despite negative comp store sales in 1H 2009 and flattish top-line results in Q3 2009, *Arden B.* was profitable on a trailing 12-month basis in Q3 2009.

Today, comp store sales may have reached an inflection point and **it appears that *Arden B.* will achieve a higher EBIT margin in FY 2009 than the core *Wet Seal* chain.** The financial turnaround at *Arden B.* has helped mask a material decline in profitability this fiscal year at the core chain.

- *Arden B.* is now anniversarying its strategic shift towards lower prices that the company implemented in January 2009.
- The company has done a nice job controlling its inventory over the past few years.
- **Helped by its massive SG&A cuts, EBIT margin continues to hover in the 4% to 5% range.**



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#### Wet Seal Shopping Notes

After largely ignoring *Wet Seal* over the past few years, we are relatively impressed with the current trend-on fashion, inventory management, customer care, and the new store prototype.

That said, Bay Area sales associates suggest that January 2010 sales are “running below LY,” blaming somewhat inappropriate fashion, light inventory levels earlier in the month, and the sour economy. In addition, **price-points are still considerably higher at *Wet Seal* than *Forever 21* for comparable fashion.**

We are concerned that **the Spring 2010 fashion emphasis on feminine *Boho-chic* ditsy floral prints will not appeal to the core ethnic customer** that typically seeks more overtly sexy and colorful fashion. Sales associates still point to Holiday plaid shirts and denim as key sales drivers, but stores have received little plaid newness for Spring as the emphasis shifts to floral prints.

Denim remains a key driver with *BOGO 50% off* basic denim (\$24.99 each) the top-seller. New \$19 fashion denim leggings are also selling-out in most stores.

**Inventory levels at the beginning of January 2010 were the lowest in *Wet Seal* stores than we have ever witnessed.** Holiday sensitive merchandise was largely sold-down and clearance levels were light. By mid-month stores began receiving Spring merchandise and were more adequately inventoried, but we are not seeing much replenishment on hot-sellers such as plaid shirts and denim leggings.

**Customer care in stores is currently one of the best in the teen space (a key differentiator from *Forever 21*).** Stores are well staffed (almost over-staffed) and immaculately merchandised. Bay Area store associates suggest that they are fully staffed and are expecting to cut back on hours during February “due to the economy.”

**New store prototypes are a considerable improvement versus the old store formats,** complete with urban details such as fence-inspired fixtures and loft-like faux brick walls. Sales associates suggest that “customers find the environment more appealing,” but admit that the remodels “have done little to noticeably improve traffic or sales.”

#### Miscellaneous *Wet Seal* Store-Level Notes

- The core chain remains appropriately promotional. Winter straggler sweaters, outerwear, and older denim washes are currently discounted *50% - 60% off*.
- We are not impressed with the current jewelry offering that we believe is too rocker-influenced and significantly more expensive than the *Forever 21* offering. For example, a better variety of necklace fashions at *Forever 21* are priced \$4.80 - \$7.80 versus necklaces at *Wet Seal* priced \$8.50 - \$12.50.
- Once a key sales driver, screen tees continue to struggle with significantly less emphasis on the category today. That said, a small assortment of new *Valentine's Day* love-themed screen tees are currently experiencing strength.
- Though management touts “fashion basics” as a key emphasis in stores, the merchandise mix is largely skewed towards fashion and balanced with basic denim and basic t-shirts.

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### Arden B. Shopping Notes

**As Arden B. anniversaries lower price-points (initiated January 2009), we believe that the concept is positioned for improved top-line strength during 2010.**

Today Arden B. fashion and pricing appropriately targets the twenty-something year-old customer that has graduated from *Forever 21* and *Wet Seal* but cannot yet afford pricier contemporary brands – including **Bebe (BEBE - \$6.18)**.

Though January sales appear to be struggling due to macro issues, we believe that Arden B. has found its heritage niche, offering trend-on work-to-evening separates and dresses that the budget-conscious twenty-something customer is seeking.

Sales associates point to strength in “versatile” neutral colored fashion blazers, leggings, sequin embellished tops, and easy-to-wear long-over-lean silhouettes as driving sales. Sales associates suggest that “Customers are avoiding more extreme prints and dressier dresses,” but these items are not material to the chain’s overall sales.

**We believe that stores are more promotional today versus LY.** In addition to typical post-Holiday clearance inventory, stores began offering what we believe to be an incremental *BOGO \$10 All Outerwear and Denim* promo during January week #3. The promotion desperately includes Arden B.’s January emphasis on military-inspired blazers and faux leather “leatherette” jackets. Denim and a blazer may be combined.

**Sales associates suggest that the atypically aggressive promotion was “in response to a significant mid-month slow-down in traffic/sales.**

### Miscellaneous Arden B. Store-Level Notes

- Unlike the core chain, Arden B. offers an impressive jewelry assortment of value-priced \$24 bangle sets and \$24 trend-on necklaces with fashions rivaling styles offered at **J.Crew (JCG - \$39.21)** for \$58 and over. One Arden B. necklace was actually featured on *The Today Show* on January 25<sup>th</sup>.
- Arden B. **Facebook** fans noted an issue on January 25<sup>th</sup> that the Arden B. website was automatically diverting customers to the *Wet Seal* website. The company immediately responded that it was “working on the problem” and the issue appeared to be solved on January 26<sup>th</sup>.
- Sales associates are concerned that stores are receiving too many flare-leg denim styles for Spring. “Customers are still largely seeking skinny denim styles.”

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**We believe that January's *Boho-chic* emphasis does not appeal to the core *Wet Seal* customer**



**New *Wet Seal* prototype (Left) versus old store format (Right)**

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Versatile wear-to-work separates (top) are outperforming loud prints, color, and dressier dresses at Arden B.

**Wet Seal (WTSLA)**

31-Jan-10

	2004	2005	53-Weeks 2006	2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009E	2009E	Q1 2010E	Q2 2010E	Q3 2010E	Q4 2010E	2010E
<b>Store Count:</b>																			
29-Jan-05	28-Feb-06	03-Feb-07	02-Feb-08	03-May-08	02-Aug-08	01-Nov-08	31-Jan-09	02-May-09	01-Aug-09	31-Oct-09									
Wet Seal	408	308	338	399	401	404	409	409	409	410	415	420	419	419	421	423	425	427	427
Arden B.	94	92	92	95	95	93	91	87	87	83	81	80	78	78	75	73	71	68	68
Zatopia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	502	400	430	494	496	497	500	496	496	493	496	500	497	497	496	496	496	495	495
Gross Sq Footage	1,920,460	1,498,638	1,612,807	1,863,000	1,871,000	1,877,000	1,893,000	1,879,000	1,879,000	1,868,000	1,883,000	1,899,000	1,883,630	1,883,630	1,879,840	1,879,840	1,879,840	1,876,050	1,876,050
Avg Gross Sq Footage per Unit	3,826	3,747	3,751	3,771	3,772	3,777	3,786	3,788	3,788	3,789	3,796	3,798	3,790	3,790	3,790	3,790	3,790	3,790	3,790
<b>Income Statement:</b>																			
Wet Seal Net Sales			417,098	478,405	116,191	121,686	122,487	130,688	491,052	108,365	111,517	119,105							
Arden B Net Sales			147,226	132,758	26,199	27,374	24,157	24,178	101,908	23,644	24,849	22,441							
Retail Sales	435,582	500,807	564,324	611,163	142,390	149,060	146,644	154,866	592,960	132,009	136,366	141,546	151,146	561,067	128,567	133,870	141,682	153,992	558,111
Cost Goods Sold	(377,664)	(339,483)	(370,888)	(408,892)	(95,690)	(97,034)	(100,739)	(107,058)	(400,521)	(92,828)	(97,196)	(100,517)	(104,864)	(395,405)	(88,157)	(90,731)	(98,489)	(106,454)	(383,831)
Non-Recurring Items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Profit	57,918	161,324	193,436	202,271	46,700	52,026	45,905	47,808	192,439	39,181	39,170	41,029	46,282	165,662	40,409	43,138	43,194	47,538	174,280
Selling, General & Admin Exp	(162,047)	(146,688)	(168,303)	(177,468)	(38,891)	(39,911)	(38,334)	(38,435)	(155,571)	(33,973)	(34,321)	(35,995)	(38,819)	(143,108)	(33,840)	(34,149)	(35,707)	(38,857)	(142,554)
Non-Cash Comp - Michael Gold	0	(22,200)	(9,700)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Store Closure Costs	(16,398)	(4,517)	730	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Asset Impairment Costs	(41,378)	(989)	(425)	(5,546)	0	(303)	(519)	(4,789)	(5,611)	0	(1,552)	(334)	0	0	0	0	0	0	0
Non-Recurring Items	0	(3,100)	(700)	0	900	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Income	(161,905)	(16,170)	15,038	19,257	8,709	11,812	7,052	4,584	32,157	5,208	3,297	4,700	7,462	22,553	6,569	8,989	7,487	8,681	31,726
Interest Income/(Expense)	(2,175)	(4,062)	1,532	4,353	392	(1,487)	378	36	(681)	(7)	(114)	(163)	(200)	(484)	(100)	(200)	(300)	100	(500)
Other	0	(8,800)	(29,100)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income Before Tax	(164,080)	(29,032)	(12,530)	23,610	9,101	10,325	7,430	4,620	31,476	5,201	3,183	4,537	7,262	22,069	6,469	8,789	7,187	8,781	31,226
Income Tax (Exp)/Benefit	(30,682)	(330)	(308)	(378)	(173)	(177)	(644)	(328)	(1,322)	(172)	(80)	(23)	(218)	(493)	(194)	(264)	(216)	(263)	(937)
<b>Net Income</b>	<b>(194,762)</b>	<b>(29,362)</b>	<b>(12,838)</b>	<b>23,232</b>	<b>8,928</b>	<b>10,148</b>	<b>6,786</b>	<b>4,292</b>	<b>30,154</b>	<b>5,029</b>	<b>3,103</b>	<b>4,514</b>	<b>7,045</b>	<b>21,577</b>	<b>6,275</b>	<b>8,525</b>	<b>6,971</b>	<b>8,518</b>	<b>30,289</b>
<b>Net Income per share - Dil</b>	<b>(5.78)</b>	<b>(0.66)</b>	<b>(0.18)</b>	<b>0.23</b>	<b>0.09</b>	<b>0.10</b>	<b>0.07</b>	<b>0.04</b>	<b>0.30</b>	<b>0.05</b>	<b>0.03</b>	<b>0.05</b>	<b>0.07</b>	<b>0.22</b>	<b>0.07</b>	<b>0.09</b>	<b>0.07</b>	<b>0.09</b>	<b>0.31</b>
Discontinued Operations	(6,967)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accretion of Preferred Dividends	0	(23,317)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net Income</b>	<b>(201,729)</b>	<b>(52,679)</b>	<b>(12,838)</b>	<b>23,232</b>	<b>8,928</b>	<b>10,148</b>	<b>6,786</b>	<b>4,292</b>	<b>30,154</b>	<b>5,029</b>	<b>3,103</b>	<b>4,514</b>	<b>7,045</b>	<b>21,577</b>	<b>6,275</b>	<b>8,525</b>	<b>6,971</b>	<b>8,518</b>	<b>30,289</b>
<b>Net Income per share - Dil</b>	<b>(5.99)</b>	<b>(1.19)</b>	<b>(0.18)</b>	<b>0.23</b>	<b>0.09</b>	<b>0.10</b>	<b>0.07</b>	<b>0.04</b>	<b>0.30</b>	<b>0.05</b>	<b>0.03</b>	<b>0.05</b>	<b>0.07</b>	<b>0.22</b>	<b>0.07</b>	<b>0.09</b>	<b>0.07</b>	<b>0.09</b>	<b>0.31</b>
Weighted shares - Basic	33,699	44,341	72,577	91,154	90,673	92,339	94,680	94,998	93,173	95,390	95,595	95,685	95,800	95,618	95,900	96,000	96,100	96,200	96,050
Weighted shares - Diluted	33,699	44,341	72,577	100,939	97,447	100,587	100,259	98,885	99,029	95,813	96,159	96,406	96,300	96,169	96,400	96,500	96,600	96,700	96,550
<b>Profitability Metrics:</b>																			
Gross Profit Margin	13.30%	32.21%	34.28%	33.10%	32.80%	34.90%	31.30%	30.87%	32.45%	29.68%	28.72%	28.99%	30.62%	29.53%	31.43%	32.22%	30.49%	30.87%	31.23%
SG&A Expense Ratio	-37.20%	-29.29%	-29.82%	-29.04%	-27.31%	-26.78%	-26.14%	-24.82%	-26.24%	-25.74%	-25.17%	-25.43%	-25.68%	-25.51%	-26.32%	-25.51%	-25.20%	-25.23%	-25.54%
Operating Margin (ex-Items)	-23.91%	2.92%	4.45%	4.06%	5.48%	8.13%	5.16%	6.05%	6.22%	3.95%	3.56%	4.94%	4.02%	5.11%	6.71%	5.28%	5.64%	5.68%	5.68%
Depreciation Expense	22,147	11,810	12,388	13,673	3,567	3,624	3,601	3,726	14,518	3,639	3,631	3,896	3,800	14,966	3,700	3,700	3,700	3,700	14,800
EBITDA (ex-Items)	(81,982)	26,446	37,521	38,476	11,376	15,739	11,172	13,099	51,386	8,847	8,480	8,930	11,262	37,519	10,269	12,689	11,187	12,381	46,526
<b>Sales Metrics:</b>																			
<b>Total Company Sales</b>	<b>-15.9%</b>	<b>15.0%</b>	<b>12.7%</b>	<b>8.3%</b>	<b>3.2%</b>	<b>4.0%</b>	<b>-2.4%</b>	<b>-13.7%</b>	<b>-3.0%</b>	<b>-7.3%</b>	<b>-8.5%</b>	<b>-3.5%</b>	<b>-2.4%</b>	<b>-5.4%</b>	<b>-2.6%</b>	<b>-1.8%</b>	<b>0.1%</b>	<b>1.9%</b>	<b>-0.5%</b>
<b>Comp Store Sales</b>	<b>-13.0%</b>	<b>44.7%</b>	<b>6.1%</b>	<b>-1.1%</b>	<b>-7.5%</b>	<b>-4.4%</b>	<b>-7.6%</b>	<b>-13.4%</b>	<b>-8.5%</b>	<b>-7.3%</b>	<b>-10.6%</b>	<b>-6.2%</b>	<b>-5.0%</b>	<b>-7.2%</b>	<b>-4.0%</b>	<b>-2.0%</b>	<b>0.0%</b>	<b>2.0%</b>	<b>-0.8%</b>
Wet Seal Comp Store Sales		8.8%	1.2%	-3.3%	-1.8%	-3.0%	-8.6%	-4.5%	-7.9%	-11.9%	-7.6%	-4.1%	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%
Arden B. Comp Store Sales		-1.1%	-8.2%	-21.6%	-13.8%	-13.8%	-25.0%	-23.5%	-23.5%	-1.9%	-11.9%	-7.6%	-4.1%	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%
Retail Sales per Avg Gross Sq Ft	205	314	367	350	76	80	78	82	316	70	73	75	80	298	68	71	75	82	297
<b>Balance Sheet Highlights:</b>																			
Cash & Marketable Securities	71,702	96,806	105,254	100,618	109,662	123,570	127,555	142,064	142,064	139,219	143,987	144,161							
Inventory	18,372	25,475	34,231	31,590	34,355	44,551	41,234	25,529	25,529	32,935	38,050	39,761	24,312	24,312	33,144	37,986	39,360	24,214	24,214
Inventory per Gross Square Foot	10	17	21	17	18	24	22	14	14	18	20	21	13	13	18	20	21	13	13
Inventory Turnover	10.5	11.2	10.0	10.2	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3
Capital Expenditures	7,143	5,418	16,965	38,523	3,935	4,748	6,183	8,157	23,023	4,890	6,405	6,289	4,000	21,584	5,000	8,000	8,000	4,000	25,000
Total Debt & Preferred	30,388	29,484	4,906	5,750	5,999	4,533	4,142	4,318	4,318	4,506	3,095	3,310	3,300	3,300	16,000	16,000	16,000	16,000	16,000
Total Debt % Total Inv Capital	43%	31%	4%	4%	4%	3%	2%	2%	2%	2%	2%	2%	2%	2%	7%	7%	7%	7%	7%
Total Shareholder's Equity	39,605	66,580	116,797	127,839	137,092	157,392	165,738	171,208	171,208	176,356	180,338	185,548	192,593	192,593	198,868	207,393	214,364	222,882	222,882
<b>Valuation:</b>																			
Market Price per Share	\$2.23	\$5.50	\$6.48	\$3.11	\$3.60	\$4.44	\$2.94	\$2.61	\$2.61	\$3.91	\$3.30	\$3.19	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50
Market Cap - Avg Diluted	75,149	243,876	470,302	313,919	350,810	446,606	294,761	258,091	258,466	374,628	317,326	307,535	337,050	336,593	337,400	337,750	338,100	338,450	337,925
Book Value per Share	\$1.18	\$1.50	\$1.61	\$1.27	\$1.41	\$1.56	\$1.65	\$1.73	\$1.73	\$1.84	\$1.88	\$1.92	\$2.00	\$2.00	\$2.06	\$2.15	\$2.22	\$2.30	\$2.31
Ent Value per 4-Qtr EBITDA	(1.3)	10.3	12.7	8.3					5.1					9.1					7.6
P/E Ratio - 4 Qtr Trailing	(0.4)	(8.3)																	

### Wet Seal (WTSLA) 3-Year Profitability Run Rates

	FY 2006 vs. LY	FY 2007 vs. LY	Combined 2-Year	FY 2008 vs. LY	Combined 3-Year
<b>Gross Profit Margin %</b>					
Q1	Higher 614 Bps	+ Lower 249 Bps	= Higher 365 Bps	+ Lower 217 Bps	= Higher 148 Bps
Q2	Lower 6 Bps	+ Higher 192 Bps	= Higher 186 Bps	+ Higher 16 bps	= Higher 202 Bps
Q3	Higher 282 Bps	+ Lower 495 Bps	= Lower 213 Bps	+ Higher 267 Bps	= Higher 54 Bps
Q4	Flat	+ Higher 47 Bps	= Higher 47 Bps	+ Lower 321 Bps	= Lower 274 Bps
<b>SG&amp;A %</b>					
Q1	Lower 187 Bps	+ Lower 51 Bps	= Lower 238 Bps	+ Lower 281 Bps	= Lower 519 Bps
Q2	Higher 230 Bps	+ Lower 17 Bps	= Higher 213 Bps	+ Lower 382 Bps	= Lower 169 Bps
Q3	Higher 59 Bps	+ Higher 145 Bps	= Higher 204 Bps	+ Lower 441 Bps	= Lower 237 Bps
Q4	Higher 72 Bps	+ Lower 342 Bps	= Lower 270 Bps	+ Lower 87 Bps	= Lower 357 Bps
<b>Operating Margin % (ex-Items)</b>					
Q1	Higher 801 Bps	+ Lower 199 Bps	= Higher 602 Bps	+ Higher 64 Bps	= Higher 666 Bps
Q2	Lower 234 Bps	+ Higher 208 Bps	= Lower 26 Bps	+ Higher 399 Bps	= Higher 373 Bps
Q3	Higher 224 Bps	+ Lower 641 Bps	= Lower 417 Bps	+ Higher 708 Bps	= Higher 291 Bps
Q4	Lower 73 Bps	+ Higher 389 Bps	= Higher 316 Bps	+ Lower 234 Bps	= Higher 82 Bps

	FY 2007 vs. LY	FY 2008 vs. LY	Combined 2-Year	FY 2009 vs. LY	Combined 3-Year
<b>Gross Profit Margin %</b>					
Q1	Lower 249 Bps	+ Lower 217 Bps	= Lower 466 Bps	+ Lower 312 Bps	= Lower 778 Bps
Q2	Higher 192 Bps	+ Higher 16 bps	= Higher 208 Bps	+ Lower 618 Bps	= Lower 410 Bps
Q3	Lower 495 Bps	+ Higher 267 Bps	= Lower 228 Bps	+ Lower 231 Bps	= Lower 459 Bps
Q4	Higher 47 Bps	+ Lower 321 Bps	= Lower 274 Bps	+	=
<b>SG&amp;A %</b>					
Q1	Lower 51 Bps	+ Lower 281 Bps	= Lower 332 Bps	+ Lower 157 Bps	= Lower 489 Bps
Q2	Lower 17 Bps	+ Lower 382 Bps	= Lower 399 Bps	+ Lower 161 Bps	= Lower 560 Bps
Q3	Higher 145 Bps	+ Lower 441 Bps	= Lower 296 Bps	+ Lower 71 Bps	= Lower 367 Bps
Q4	Lower 342 Bps	+ Lower 87 Bps	= Lower 429 Bps	+	=
<b>Operating Margin % (ex-Items)</b>					
Q1	Lower 199 Bps	+ Higher 64 Bps	= Lower 135 Bps	+ Lower 153 Bps	= Lower 288 Bps
Q2	Higher 208 Bps	+ Higher 399 Bps	= Higher 607 Bps	+ Lower 457 Bps	= Higher 150 Bps
Q3	Lower 641 Bps	+ Higher 708 Bps	= Higher 67 Bps	+ Lower 160 Bps	= Lower 227 Bps
Q4	Higher 389 Bps	+ Lower 234 Bps	= Higher 155 Bps	+	=

\*Gross Margin / SG&A Ratio / Operating Margin each are adjusted for non-recurring items.

Non-Recurring Items:
Q1 2005 SG&A: \$0.400 million charge severance (\$0.01)
Q2 2005 SG&A: \$14.000 million charge Michael Gold non-cash stock comp (\$0.35)
Q2 2005 SG&A: \$2.100 million charge initiation of Michael Gold consult contract (\$0.05)
Q3 2005 SG&A: \$2.000 million charge Michael Gold non-cash stock comp (\$0.04)
Q3 2005 SG&A: \$0.400 million charge ex-CFO severance (\$0.01)
Q3 2005 SG&A: \$0.200 million charge hurricane damage 2 stores (\$0.00)
Q3 2005 Other: \$5.700 million charge convert \$6.7M notes to stock (\$0.12)
Q4 2005 SG&A: \$6.200 million charge Michael Gold non-cash stock comp (\$0.12)
Q4 2005 Other: \$3.100 million charge convert \$X.XM notes to stock (\$0.06)
Q1 2006 SG&A: \$4.100 million charge Michael Gold non-cash stock comp (\$0.06)
Q1 2006 SG&A: \$0.700 million charge severance (\$0.01)
Q1 2006 Revenue: \$2.300 million gain revenue via loyalty program adjustment at Arden B added +118 Bps to GPM%
Q2 2006 SG&A: \$1.100 million gain Michael Gold non-cash stock comp (\$0.01)
Q2 2006 Revenue: \$1.400 million gain revenue via loyalty program adjustment at Arden B added +74 Bps to GPM%
Q3 2006 SG&A: \$4.400 million charge Michael Gold non-cash stock comp (\$0.04)
Q4 2006 SG&A: \$2.300 million charge Michael Gold non-cash stock comp (\$0.03)
Q4 2007 Revenue: \$3.700 million gain gift card breakage (\$0.04)
Q1 2008 SG&A: \$0.900 million gain stock option forfeitures (\$)
Note: Charges above exclude store closure costs and asset impairments that are reflected as line items on the company's Income Statement.

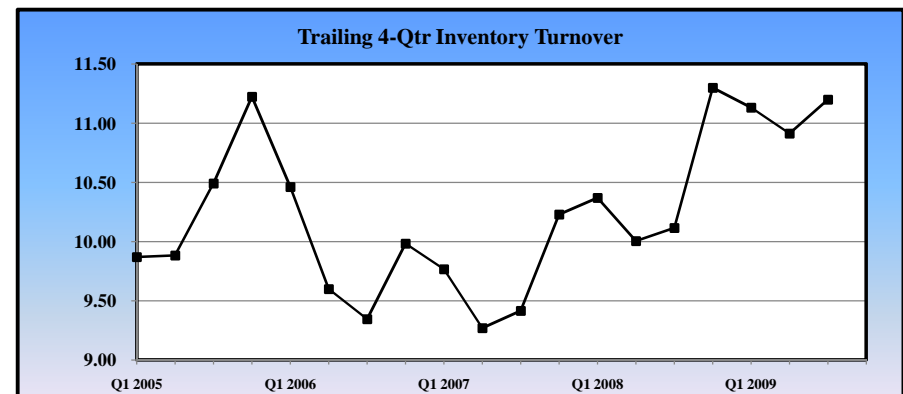
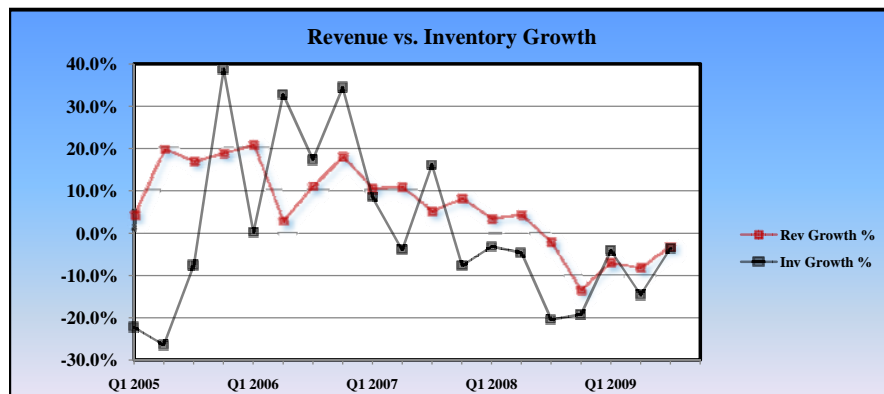
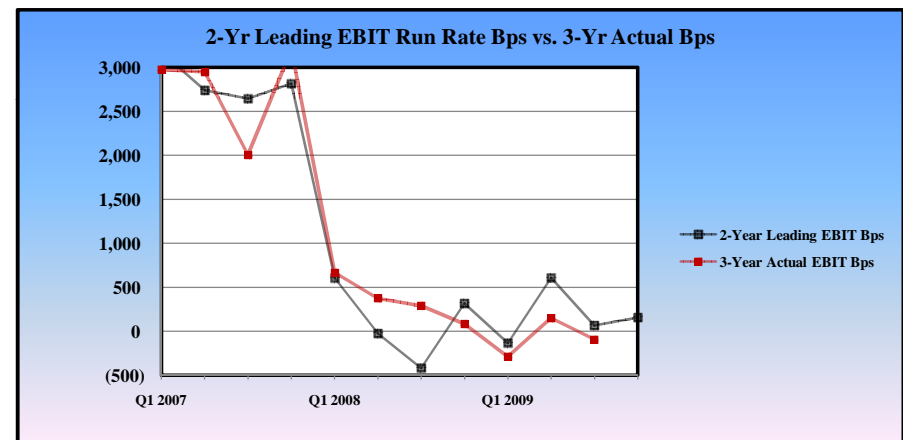
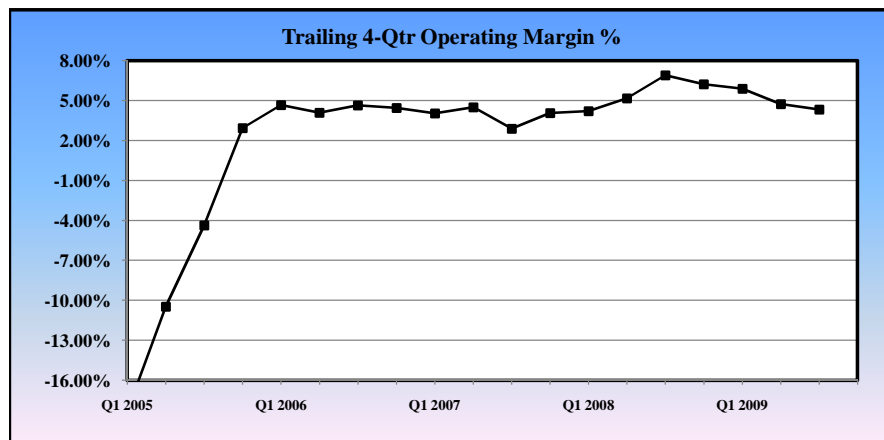
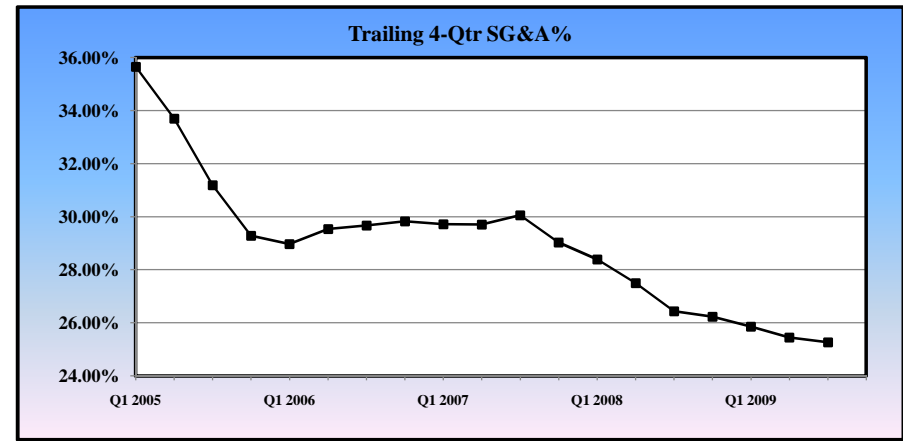
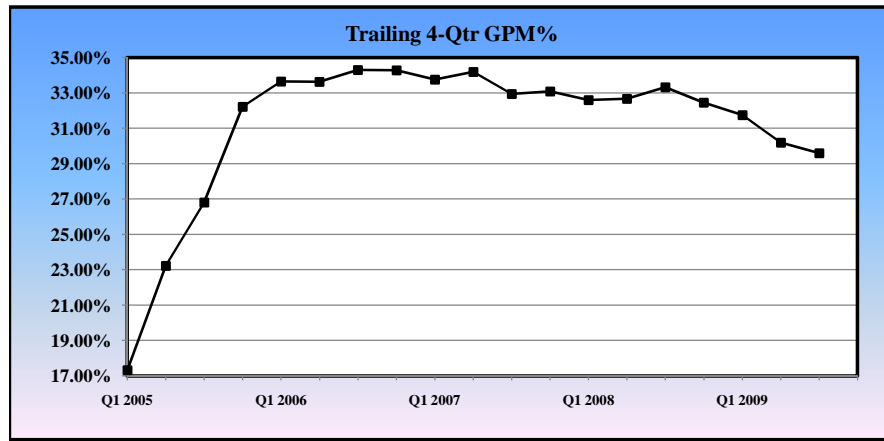
## Wet Seal (WTSLS) Diagnostics

26-Jan-10

	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
	29-Apr-06	29-Jul-06	28-Oct-06	03-Feb-07	05-May-07	04-Aug-07	03-Nov-07	02-Feb-08	03-May-08	02-Aug-08	01-Nov-08	31-Jan-09	02-May-09	01-Aug-09	31-Oct-09	Q4 2009
Net Revenue	\$125,149	\$129,502	\$143,272	\$166,401	\$138,020	\$143,314	\$150,277	\$179,552	\$142,390	\$149,060	\$146,644	\$154,866	\$132,009	\$136,366	\$141,546	
Growth %	20.5%	2.5%	10.8%	17.7%	10.3%	10.7%	4.9%	7.9%	3.2%	4.0%	-2.4%	-13.7%	-7.3%	-8.5%	-3.5%	
Gross Profit \$	\$46,879	\$42,501	\$48,127	\$55,929	\$48,260	\$49,782	\$43,034	\$61,195	\$46,700	\$52,026	\$45,905	\$47,808	\$39,181	\$39,170	\$41,029	
Gross Profit Margin	37.46%	32.82%	33.59%	33.61%	34.97%	34.74%	28.64%	34.08%	32.80%	34.90%	31.30%	30.87%	29.68%	28.72%	28.99%	
Bps Change	614	(4)	282	(0)	(249)	192	(495)	47	(217)	17	267	(321)	(312)	(618)	(232)	
Trailing 4-Qtr	33.65%	33.63%	34.31%	34.28%	33.75%	34.20%	32.94%	33.10%	32.61%	32.67%	33.32%	32.45%	31.74%	30.19%	29.60%	
Bps Change	143	(1)	68	(3)	(53)	44	(125)	15	(49)	6	66	(87)	(71)	(155)	(59)	
SG&A \$	(\$38,331)	(\$39,832)	(\$41,695)	(\$48,445)	(\$41,577)	(\$43,843)	(\$45,914)	(\$46,134)	(\$38,891)	(\$39,911)	(\$38,334)	(\$38,435)	(\$33,973)	(\$34,321)	(\$35,995)	
SG&A Exp Ratio	-30.63%	-30.76%	-29.10%	-29.11%	-30.12%	-30.59%	-30.55%	-25.69%	-27.31%	-26.78%	-26.14%	-24.82%	-25.74%	-25.17%	-25.43%	
Bps Change	187	(230)	(59)	(73)	50	17	(145)	342	281	382	441	88	158	161	71	
Trailing 4-Qtr	-28.97%	-29.54%	-29.67%	-29.82%	-29.72%	-29.71%	-30.06%	-29.04%	-28.40%	-27.50%	-26.43%	-26.24%	-25.86%	-25.45%	-25.27%	
Bps Change	32	(56)	(13)	(16)	10	2	(36)	103	64	90	107	20	38	40	18	
Operating Margin \$	\$8,548	\$2,669	\$6,432	\$7,484	\$6,683	\$5,939	(\$2,880)	\$15,061	\$7,809	\$12,115	\$7,571	\$9,373	\$5,208	\$4,849	\$5,034	
Operating Margin	6.83%	2.06%	4.49%	4.50%	4.84%	4.14%	-1.92%	8.39%	5.48%	8.13%	5.16%	6.05%	3.95%	3.56%	3.56%	
Bps Change	801	(234)	223	(73)	(199)	208	(641)	389	64	398	708	(234)	(154)	(457)	(161)	
Bps Change - 2yr	3,173	2,738	2,645	2,813	602	(25)	(417)	316	(135)	607	67	155	(90)	(59)	547	
Bps Change - 3yr					2,974	2,946	2,004	3,203	666	373	291	83	(289)	149	(93)	
Trailing 4-Qtr	4.67%	4.10%	4.64%	4.45%	4.03%	4.49%	2.88%	4.06%	4.21%	5.17%	6.89%	6.22%	5.88%	4.74%	4.33%	
Bps Change	175	(58)	55	(19)	(42)	46	(161)	118	15	96	172	(67)	(34)	(114)	(41)	
Depr/Amort \$	(\$2,827)	(\$2,989)	(\$2,971)	(\$3,601)	(\$3,128)	(\$3,382)	(\$3,415)	(\$3,748)	(\$3,567)	(\$3,624)	(\$3,601)	(\$3,726)	(\$3,639)	(\$3,631)	(\$3,896)	
Trailing 4-Qtr	(\$11,911)	(\$11,739)	(\$11,706)	(\$12,388)	(\$12,689)	(\$13,082)	(\$13,526)	(\$13,673)	(\$14,112)	(\$14,354)	(\$14,540)	(\$14,518)	(\$14,590)	(\$14,597)	(\$14,892)	
EBITDA \$	\$11,375	\$5,658	\$9,403	\$11,085	\$9,811	\$9,321	\$535	\$18,809	\$11,376	\$15,739	\$11,172	\$13,099	\$8,847	\$8,480	\$8,930	
Trailing 4-Qtr	\$36,318	\$33,262	\$36,745	\$37,521	\$35,957	\$39,620	\$30,752	\$38,476	\$40,041	\$46,459	\$57,096	\$51,386	\$48,857	\$41,598	\$39,356	
CapEx \$	(\$1,290)	(\$1,322)	(\$6,459)	(\$7,894)	(\$10,174)	(\$8,929)	(\$11,438)	(\$7,982)	(\$3,935)	(\$4,748)	(\$6,183)	(\$8,157)	(\$4,890)	(\$6,405)	(\$6,289)	
Trailing 4-Qtr	(\$4,307)	(\$4,695)	(\$10,033)	(\$16,965)	(\$25,849)	(\$33,456)	(\$38,435)	(\$38,523)	(\$32,284)	(\$28,103)	(\$22,848)	(\$23,023)	(\$23,978)	(\$25,635)	(\$25,741)	
Dividends \$	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Trailing 4-Qtr	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Share Repo \$	(\$2,675)	(\$4,471)	(\$5,516)	(\$2,400)	(\$6,392)	(\$10,806)	(\$2,863)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Trailing 4-Qtr	(\$2,675)	(\$7,146)	(\$12,662)	(\$15,062)	(\$18,779)	(\$25,114)	(\$22,461)	(\$20,061)	(\$13,669)	(\$2,863)	\$0	\$0	\$0	\$0	\$0	
Inventory \$	\$32,714	\$48,682	\$44,640	\$34,231	\$35,486	\$46,736	\$51,830	\$31,590	\$34,355	\$44,551	\$41,234	\$25,529	\$32,935	\$38,050	\$39,761	
Growth %	0.2%	32.8%	17.3%	34.4%	8.5%	-4.0%	16.1%	-7.7%	-3.2%	-4.7%	-20.4%	-19.2%	-4.1%	-14.6%	-3.6%	
% Fwd Qtr CGS	37.6%	51.2%	40.4%	38.1%	37.9%	43.6%	43.8%	33.0%	35.4%	44.2%	38.5%	27.5%	33.9%	37.9%	37.9%	
Inv Turn Trail 4-Qtr	10.5	9.6	9.3	10.0	9.8	9.3	9.4	10.2	10.4	10.0	10.1	11.3	11.1	10.9	11.2	
GMROI % Trail 4-Qtr	530.5%	486.5%	488.1%	520.7%	497.6%	481.7%	462.6%	506.0%	501.8%	485.4%	505.6%	542.8%	517.7%	471.9%	470.9%	

Notes: Above metrics exclude non-recurring charges. See EPS model for a summary of what TRG considers non-recurring.

Wet Seal (WTSLA) Chartology



**Wet Seal (WTSLA) Revenue Scorecard**

26-Jan-10

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	
<b>Revenue:</b>									
<i>Wet Seal Sales</i>	\$116,191	\$121,686	\$122,487	\$130,688	\$108,365	\$111,517	\$119,105		
Growth %	10.6%	8.3%	3.2%	-8.1%	-6.7%	-8.4%	-2.8%		
<i>Arden B Sales</i>	\$26,199	\$27,374	\$24,157	\$24,178	\$23,644	\$24,849	\$22,441		
Growth %	-20.4%	-11.4%	-23.5%	-35.2%	-9.8%	-9.2%	-7.1%		
<b>Total Revenue</b>	<b>\$142,390</b>	<b>\$149,060</b>	<b>\$146,644</b>	<b>\$154,866</b>	<b>\$132,009</b>	<b>\$136,366</b>	<b>\$141,546</b>		
<b>Growth %</b>	<b>3.2%</b>	<b>4.0%</b>	<b>-2.4%</b>	<b>-13.7%</b>	<b>-7.3%</b>	<b>-8.5%</b>	<b>-3.5%</b>		
WS Comp Sales %	-3.3%	-1.8%	-3.0%	-8.6%	-7.9%	-11.9%	-7.6%		
AB Comp Sales %	-21.6%	-13.8%	-25.0%	-32.1%	-4.1%	-4.1%	1.3%		
<b>Total Comp Sales %</b>	<b>-7.5%</b>	<b>-4.4%</b>	<b>-7.6%</b>	<b>-13.4%</b>	<b>-7.3%</b>	<b>-10.6%</b>	<b>-6.2%</b>		
Transactions per Store	-4.5%	1.1%	-1.9%	-4.8%	-3.9%	-2.2%	-3.8%		
Avg Dollar Sale	-4.3%	-6.6%	-6.7%		-3.0%	-8.0%	-1.8%		
AUR \$	\$11.56			\$10.33					
Growth %	-5.4%	-5.2%	-8.3%	-10.3%	-13.8%	-15.4%	-4.5%		
UPT									
Growth %	2.6%	0.4%	4.0%	2.5%	13.6%	9.4%	3.1%		
Comments:	+2.7% combined e-comm rev strong screen t's, club fash tops strong fashion denim brand denim 100 WS BTS light inventory hurt sales -13% inventory sq/ft anticipate less inv sq/ft Q2 Arden B new assort end July	+22.9% combined e-comm rev	+36.3% combined e-comm rev	+10.2% combined e-comm rev \$0.3M gift card breakage \$3.7M gift card breakage LY	higher promo activity emphasis lower prices WS lower freq buyer sales WS lower prices AB begin Jan '09	higher promo activity emphasis lower prices WS lower freq buyer sales WS lower prices AB begin Jan '09 \$1.2M gift card breakage higher Internet \$0.9M	higher promo activity emphasis lower prices WS lower freq buyer sales WS lower prices AB begin Jan '09 higher Internet \$1.0M		

*\*Italics indicate TRG estimate. Amounts in thousands (000).*

**Wet Seal (WTSLA) Brand Revenue Scorecard**

26-Jan-10

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
<b>Wet Seal:</b>								
<b>Comp Sales %</b>	-3.3%	-1.8%	-3.0%	-8.6% (-4.5% Year)	-7.9%	-11.9%	-7.6%	
<b>Sales Data</b>	-0.9% comp transactions  -3.8% Avg Dollar Sale -1.2% AUR +2.6% UPT  higher \$0.8M Internet \$0.1M gift card breakage	+2.1% comp transactions  -5.3% Avg Dollar Sale -3.3% AUR +0.4% UPT  higher \$1.4M Internet	-0.4% comp transactions  -3.6% Avg Dollar Sale -4.4% AUR +4.0% UPT  higher \$2.1M Internet	     \$0.2M gift card breakage	-6.4% comp transactions  -1.0% Avg Dollar Sale -13.4% AUR +15.9% UPT  lower \$0.5M Internet	-4.5% comp transactions  -7.1% Avg Dollar Sale -15.4% AUR +10.8% UPT  higher \$0.1M Internet \$0.8M gift card breakage	-6.6% comp transactions  -0.2% Avg Dollar Sale -3.8% AUR +4.2% UPT  higher \$0.7M Internet	
<b>Sales Notes</b>					- Fashion Tops, Dresses - Accessories skew too many basic tops proper position end Q2	too light inv fash tops, dresses too light inv jewelry skew too many basic tops better position BTS season	soft screen tees too light inv dresses, jewelry positioned well for Holiday	
<b>Merch Margin</b>	lower merch margin (higher m/d, higher IMU)	lower merch margin (higher m/d, higher IMU)	higher merch margin (lower m/d, higher IMU)		lower merch margin (higher m/d, lower IMU)	lower merch margin (higher m/d, lower IMU)	lower merch margin (higher m/d, lower IMU)	
<b>Arden B:</b>								
<b>Comp Sales %</b>	-21.6%	-13.8%	-25.0%	-32.1% (-23.5% Year)	-4.1%	-4.1%	1.3%	
<b>Sales Data</b>	-10.9% comp transactions  -11.9% Avg Dollar Sale -14.6% AUR +2.9% UPT  lower \$0.6M Internet \$0.1M gift card breakage	-8.7% comp transactions  -5.5% Avg Dollar Sale -0.7% AUR -5.0% UPT	-17.5% comp transactions  -9.1% Avg Dollar Sale -7.9% AUR -1.1% UPT	     \$0.1M gift card breakage	+30.8% comp transactions  -26.7% Avg Dollar Sale -24.7% AUR -2.9% UPT  higher \$0.5M Internet	+28.4% comp transactions  -25.3% Avg Dollar Sale -28.5% AUR +4.8% UPT  higher \$0.8M Internet \$0.4M gift card breakage	+36.6% comp transactions  -25.9% Avg Dollar Sale -28.8% AUR +4.5% UPT  higher \$0.3M Internet	
<b>Sales Notes</b>				shift to everyday fash basics shift to wear-to-work	sig lower prices begin Jan '09	sig lower prices begin Jan '09	sig lower prices begin Jan '09	
<b>Merch Margin</b>	lower merch margin (higher signif m/d, lower IMU)	higher merch margin (lower signif m/d, lower IMU)	higher merch margin (lower signif m/d, higher IMU)		higher merch margin (lower significant m/d)	higher merch margin (lower significant m/d)	higher merch margin (lower significant m/d)	

Source: SEC filings and company conference calls.

## Wet Seal (WTSLA) Profitability Scorecard

26-Jan-10

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	
<b>Gross Profit:</b>	32.80%	34.90%	31.30%	30.87%	29.68%	28.72%	28.99%		
Bps Change	<b>Lower 217 Bps</b>	Higher 16 Bps	Higher 267 Bps	<b>Lower 321 Bps</b>	<b>Lower 312 Bps</b>	<b>Lower 618 Bps</b>	<b>Lower 231 Bps</b>		
Comments:	lower merch margin 120 Bps  de-leverage occup 190 Bps lower buying viaAB re-align lower via chng stock comp lower pre-open costs	higher merch margin lower IMU lower m/dArden B favorable shrink  de-lev buy/occup	higher merch margin higher IMU lower m/dArden B  -130 Bps de-lev buy/occup re-alignAB design team	<i>(lower 200 Bps ex-breakage)</i> higher merch margin 40 Bps  de-leverage occup 260 Bps lower buy/distro 20 Bps	lower merch margin lower IMU higher m/d Wet Seal lower m/dArden B  de-leverage occupancy	lower merch margin lower IMU higher m/d Wet Seal lower m/dArden B  de-leverage occupancy lower buying costs lower plan/allocate costs lower stock comp lower bonus exp lower distro costs lower recruit (search LY)	lower merch margin lower IMU higher m/d Wet Seal lower m/dArden B  de-leverage occupancy lower buying costs lower plan/allocate costs lower stock comp lower distro costs lower recruit (search LY)		
<b>SG&amp;A:</b>	-27.31%	-26.78%	-26.14%	-24.82%	-25.74%	-25.17%	-25.43%		
Bps Change	Lower 281 Bps	Lower 382 Bps	Lower 441 Bps	Lower 87 Bps	Lower 157 Bps	Lower 161 Bps	Lower 71 Bps		
Comments:	Sell -21.1% vs. -23.7% G&A -5.6% vs. -6.5%  lower advertise \$1.3M lower payroll \$500K lower store supply \$400K lower consulting \$500K lower corp pay \$400K lower stock-comp \$400K higher legal \$500K	Sell -21.5% vs. -24.4% G&A -5.3% vs. -6.2%  lower pay/benefits \$0.9M lower advertise \$800K lower store supply \$300K lower corp pay \$500K	Sell -20.8% vs. -24.0% G&A -5.4% vs. -6.5%  lower pay/benefits \$2.9M lower advertise \$900K lower store supply \$500K lower sep agree \$700K lower corp pay \$700K lower search fees \$500K lower freight \$400K	Sell -20.4% vs. -21.3% G&A -4.5% vs. -4.9%  <i>above excludes breakage</i>	lower pay/benefits \$2.5M lower advertise \$200K lower corp pay \$500K	Sell -20.4% vs. -21.1% G&A -5.3% vs. -5.6%  lower pay/benefits \$2.6M lower advertise \$200K lower distro \$400K lower bags/boxes \$200K lower corp bonus \$900K lower corp pay \$500K lower stock comp \$400K	lower pay/benefits \$1.8M higher Internet fulfill \$200K lower corp pay \$300K lower corp bonus \$200K higher legal \$200K		

\*Italics indicate TRG estimate. Amounts in thousands (000).

Selling % and G&A % presented here (and in SEC filings) include all non-recurring items.  
 SG&A dollar changes versus the prior year are limited to line items that changed more than \$100K versus LY.

**Wet Seal (WTSLA) Other Scorecard**

26-Jan-10

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
<b>Other:</b>								
Stock-Based Comp	(\$269)	(\$1,133)	(\$959)	(\$616)	\$181	(\$652)	(\$677)	
Growth %					-167.3%	-42.5%	-29.4%	
Tax Rate %	-1.90%	-1.71%	-8.67%	-7.10%	-3.31%	-2.51%	-0.51%	
Inventory	\$34,355	\$44,551	\$41,234	\$25,529	\$32,935	\$38,050	\$39,761	
Growth %	-3.2%	-4.7%	-20.4%	-19.2%	<b>-4.1%</b>	-14.6%	-3.6%	
A/P - Mdse	\$12,991	\$16,915	\$15,572	\$8,388	\$11,667	\$19,760	\$19,445	
% Total Inventory	37.8%	38.0%	37.8%	32.9%	<b>35.4%</b>	51.9%	48.9%	
Share Repurchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Merchandise LOC's				\$7,400	\$10,400	\$5,900	\$6,500	
Stand-By LOC's				\$1,800	\$1,700	\$1,800	\$1,700	
Credit Availability				\$25,800	\$22,900	\$27,300	\$26,800	
Gift Card Liability	\$5,200	\$4,800	\$5,100	\$6,500		\$4,400	\$4,400	
Growth %	-37.3%	-41.5%	-38.6%	3.2%		-8.3%	-13.7%	
Wet Seal Freq Buy Liab	\$8,000	\$6,800	\$6,100					
Growth %	-20.0%	-34.6%	-45.0%					
Arden B. Loyalty Liab	\$1,800	\$1,800	\$1,700					
Growth %	-5.3%	-10.0%	-15.0%					
<b>Store Count:</b>								
Wet Seal Stores	401	404	409	409	410	415	420	
Arden B Stores	95	93	91	87	83	81	80	
Total Stores	496	497	500	496	493	496	500	
Growth %	10.7%	8.5%	2.0%	0.4%	-0.6%	-0.2%	0.0%	
Wet Seal Sq Footage	1,578,000	1,589,000	1,610,000	1,612,000	1,615,000	1,636,000	1,655,000	
Arden B Sq Footage	293,000	288,000	283,000	267,000	253,000	247,000	244,000	
Total Square Footage	1,871,000	1,877,000	1,893,000	1,879,000	1,868,000	1,883,000	1,899,000	
Wet Seal Avg Sq Ft	3,935	3,933	3,936	3,941	3,939	3,942	3,940	
Arden B Avg Sq Ft	3,084	3,097	3,110	3,069	3,048	3,049	3,050	
Store Activity	+2 Wet Seal stores	+3 Wet Seal stores -2 Arden B stores	+5 Wet Seal stores -2 Arden B stores	+3 / -3 Wet Seal stores -4 Arden B stores	+1 Wet Seal stores -4 Arden B stores	+6 / -1 Wet Seal stores +1 / -3 Arden B stores	+6 / -1 Wet Seal stores -1 Arden B stores	
				42 remodel yr (21 new proto)				

*\*Italics indicate TRG estimate. Amounts in thousands (000).*

## Wet Seal (WTSLA) Operating Segment Profitability

26-Jan-10

Wet Seal Division	2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	2009
Division Net Revenue	\$478,405	\$116,191	\$121,686	\$122,487	\$130,688	\$491,052	\$108,365	\$111,517	\$119,105		
Growth %	14.7%					2.6%	-6.7%	-8.4%	-2.8%		
Comp Store Sales %	1.2%	-3.3%	-1.8%	-3.0%	-8.6%	-4.5%	-7.9%	-11.9%	-7.6%		
Operating P&L	\$69,188	\$17,061	\$18,114	\$16,760	\$19,178	\$71,113	\$9,893	\$6,043	\$10,378		
Non-Recurring Items	(\$246)	\$0	(\$303)	(\$119)	(\$89)	(\$511)	\$0	(\$1,552)	(\$334)		
<b>Adjusted Oper P&amp;L</b>	<b>\$69,434</b>	<b>\$17,061</b>	<b>\$18,417</b>	<b>\$16,879</b>	<b>\$19,267</b>	<b>\$71,624</b>	<b>\$9,893</b>	<b>\$7,595</b>	<b>\$10,712</b>		
<b>Operating Margin %</b>	<b>14.51%</b>	<b>14.68%</b>	<b>15.13%</b>	<b>13.78%</b>	<b>14.74%</b>	<b>14.59%</b>	<b>9.13%</b>	<b>6.81%</b>	<b>8.99%</b>		
<b>Bps Change</b>						<b>7</b>	<b>(555)</b>	<b>(832)</b>	<b>(479)</b>		
<b>Arden B Division</b>											
Division Net Revenue	\$132,758	\$26,199	\$27,374	\$24,157	\$24,178	\$101,908	\$23,644	\$24,849	\$22,441		
Growth %	-9.8%					-23.2%	-9.8%	-9.2%	-7.1%		
Comp Store Sales %	-8.2%	-21.6%	-13.8%	-25.0%	-32.1%	-23.5%	-4.1%	-4.1%	1.3%		
Operating P&L	(\$14,953)	(\$842)	\$986	(\$2,257)	(\$7,641)	(\$9,754)	\$2,523	\$3,253	\$1,444		
Non-Recurring Items	(\$5,300)	\$0	\$0	(\$400)	(\$4,700)	(\$5,100)	\$0	\$0	\$0		
<b>Adjusted Oper P&amp;L</b>	<b>(\$9,653)</b>	<b>(\$842)</b>	<b>\$986</b>	<b>(\$1,857)</b>	<b>(\$2,941)</b>	<b>(\$4,654)</b>	<b>\$2,523</b>	<b>\$3,253</b>	<b>\$1,444</b>		
<b>Operating Margin %</b>	<b>-7.27%</b>	<b>-3.21%</b>	<b>3.60%</b>	<b>-7.69%</b>	<b>-12.16%</b>	<b>-4.57%</b>	<b>10.67%</b>	<b>13.09%</b>	<b>6.43%</b>		
<b>Bps Change</b>						<b>270</b>	<b>1,388</b>	<b>949</b>	<b>1,412</b>		
<b>Corporate</b>											
Division Net Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Income Before Tax	(\$34,978)	(\$7,510)	(\$7,288)	(\$7,451)	(\$6,953)	(\$29,202)	(\$7,208)	(\$5,999)	(\$7,122)		
Non-Recurring Items	\$0	\$900	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
<b>Adjusted Oper P&amp;L</b>	<b>(\$34,978)</b>	<b>(\$8,410)</b>	<b>(\$7,288)</b>	<b>(\$7,451)</b>	<b>(\$6,953)</b>	<b>(\$29,202)</b>	<b>(\$7,208)</b>	<b>(\$5,999)</b>	<b>(\$7,122)</b>		
<b>Operating Margin %</b>	<b>-5.72%</b>	<b>-5.91%</b>	<b>-4.89%</b>	<b>-5.08%</b>	<b>-4.49%</b>	<b>-4.92%</b>	<b>-5.46%</b>	<b>-4.40%</b>	<b>-5.03%</b>		
<b>Bps Change</b>						<b>80</b>	<b>45</b>	<b>49</b>	<b>5</b>		
<b>Total Company</b>											
Total Company Revenue	\$611,163	\$142,390	\$149,060	\$146,644	\$154,866	\$592,960	\$132,009	\$136,366	\$141,546		
Income Before Tax	\$19,257	\$8,709	\$11,812	\$7,052	\$4,584	\$32,157	\$5,208	\$3,297	\$4,700		
Non-Recurring Items	(\$5,546)	\$900	(\$303)	(\$519)	(\$4,789)	(\$5,611)	\$0	(\$1,552)	(\$334)		
<b>Adjusted Oper P&amp;L</b>	<b>\$24,803</b>	<b>\$7,809</b>	<b>\$12,115</b>	<b>\$7,571</b>	<b>\$9,373</b>	<b>\$37,768</b>	<b>\$5,208</b>	<b>\$4,849</b>	<b>\$5,034</b>		
<b>Operating Margin %</b>	<b>4.06%</b>	<b>5.48%</b>	<b>8.13%</b>	<b>5.16%</b>	<b>6.05%</b>	<b>6.37%</b>	<b>3.95%</b>	<b>3.56%</b>	<b>3.56%</b>		
<b>Bps Change</b>						<b>231</b>	<b>(154)</b>	<b>(457)</b>	<b>(161)</b>		

\* Above per SEC filings. Italics indicate TRG estimate.



**Tiburon Research Group**  
**Compology - Comp Store Sales Other Top-Line Metrics**

1/29/2010

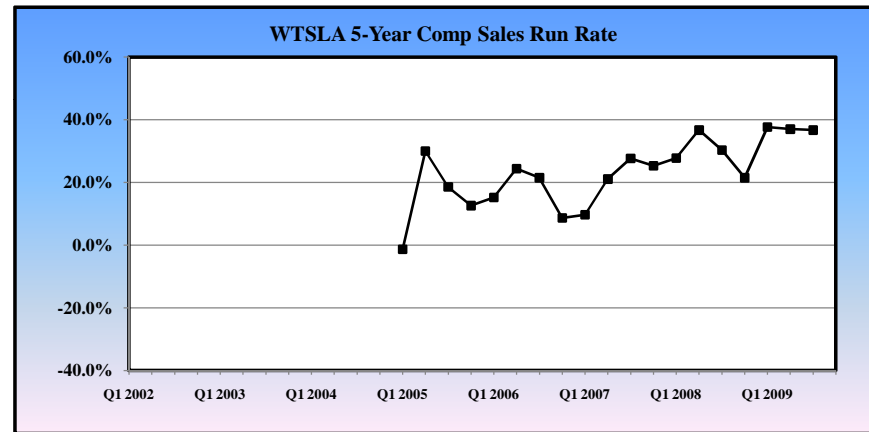
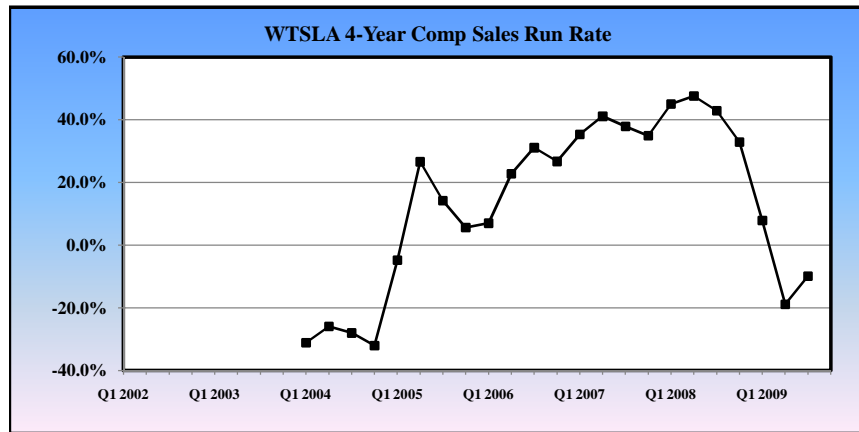
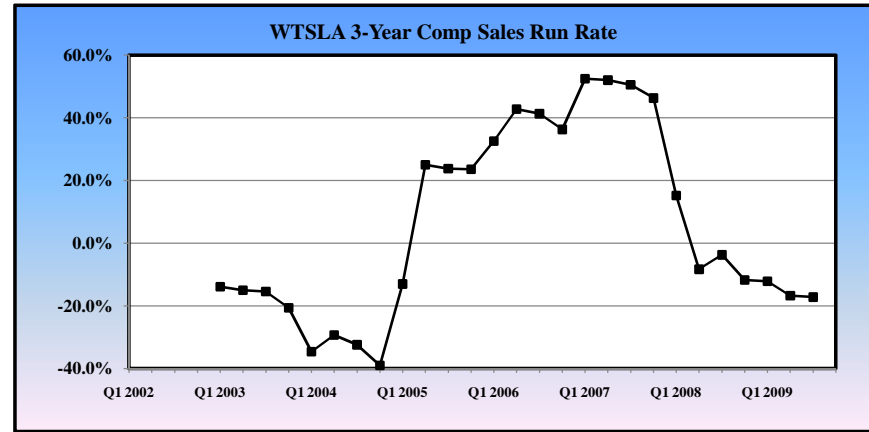
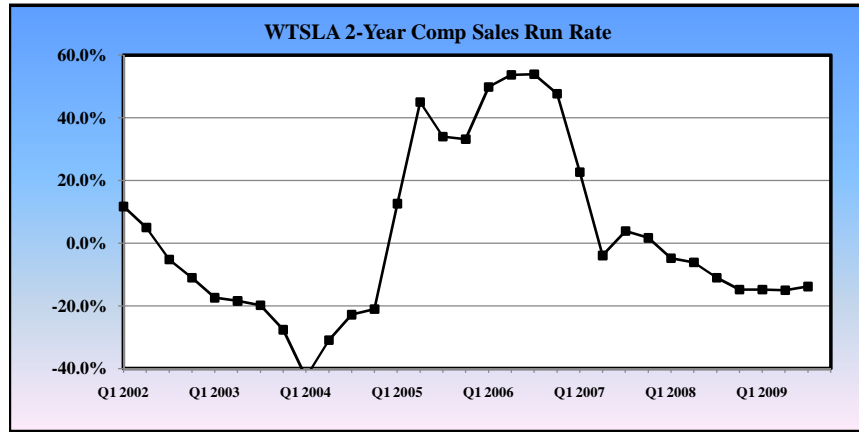
	Feb	Mar	Apr	Q1	May	Jun	Jul	Q2	Aug	Sep	Oct	Q3	Nov	Dec	Jan	Q4	Year
<b><u>Wet Seal (WTSLA) FY 2009</u></b>																	
Wet Seal	-5.6%	-12.5%	-4.0%	-7.9%	-12.4%	-11.3%	-12.3%	-11.9%	-12.6%	-5.3%	-3.1%	-7.6%	-5.8%	-7.3%			
Arden B	-11.5%	-6.3%	6.0%	-4.1%	11.0%	-10.3%	-11.2%	-4.1%	-1.8%	-1.1%	8.2%	1.3%	-1.5%	14.1%			
<b>Total Co. (Cont Ops)</b>	<b>-6.6%</b>	<b>-11.4%</b>	<b>-2.2%</b>	<b>-7.3%</b>	<b>-8.4%</b>	<b>-11.1%</b>	<b>-12.1%</b>	<b>-10.6%</b>	<b>-11.2%</b>	<b>-4.5%</b>	<b>-1.3%</b>	<b>-6.2%</b>	<b>-5.0%</b>	<b>-4.6%</b>			
Transactions per Avg Store				-3.9%													
AUR \$				\$9.74				\$8.89				\$10.07					
AUR %				-13.8%				-15.4%				-4.5%					
UPT																	
UPT %				13.6%				9.4%				3.1%					
<b><u>Wet Seal (WTSLA) FY 2008</u></b>																	
Wet Seal		-7.3%	3.1%	-3.3%	1.8%	-0.8%	-6.2%	-1.8%	-5.4%	-3.1%	0.9%	-3.0%	-9.7%	-6.6%	-12.1%	-8.6%	-4.5%
Arden B		-23.0%	-17.2%	-21.6%	-15.1%	-10.7%	-16.2%	-13.8%	-24.7%	-21.7%	-29.4%	-25.0%	-27.9%	-36.9%	-27.0%	-32.1%	-23.5%
<b>Total Co. (Cont Ops)</b>	<b>-8.2%</b>	<b>-10.8%</b>	<b>-1.9%</b>	<b>-7.5%</b>	<b>-2.0%</b>	<b>-2.9%</b>	<b>-8.2%</b>	<b>-4.4%</b>	<b>-8.7%</b>	<b>-7.5%</b>	<b>-6.2%</b>	<b>-7.6%</b>	<b>-13.9%</b>	<b>-12.5%</b>	<b>-14.7%</b>	<b>-13.4%</b>	<b>-8.5%</b>
Transactions per Avg Store				-4.5%				1.1%				-1.9%				-4.8%	-2.6%
AUR \$				\$11.56				\$10.71				\$10.74				\$10.74	
AUR %				-5.4%				-5.2%				-8.3%				-10.3%	-7.5%
UPT																	
UPT %				2.6%				0.4%				4.0%				-2.5%	2.5%
<b><u>Wet Seal (WTSLA) FY 2007</u></b>																	
Wet Seal	5.2%	14.0%	-10.0%	3.8%	3.1%	2.8%	-6.0%	-0.2%	5.4%	-4.7%	-3.7%	-0.7%	0.0%	4.8%	-1.1%	2.1%	1.2%
Arden B	4.2%	1.8%	-8.3%	-0.7%	-1.7%	-6.0%	-11.4%	-6.5%	-12.0%	-13.6%	-10.3%	-12.1%	-6.7%	-12.7%	-21.2%	-12.5%	-8.2%
<b>Total Co. (Cont Ops)</b>	<b>5.0%</b>	<b>10.9%</b>	<b>-9.6%</b>	<b>2.7%</b>	<b>1.9%</b>	<b>0.7%</b>	<b>-7.2%</b>	<b>-1.7%</b>	<b>1.7%</b>	<b>-7.0%</b>	<b>-5.4%</b>	<b>-3.4%</b>	<b>-1.7%</b>	<b>0.6%</b>	<b>-5.7%</b>	<b>-1.4%</b>	<b>-1.1%</b>
Transactions per Avg Store				-2.1%				-7.5%				-5.6%				-3.9%	-4.8%
AUR \$				\$12.36				\$11.45				\$11.84				\$11.66	
AUR %				10.6%				11.3%				-0.3%				0.8%	5.3%
UPT				2.28				2.40									
UPT %				-6.2%				-5.5%				2.1%				1.7%	-1.7%
<b><u>Wet Seal (WTSLA) FY 2006</u></b>																	
Wet Seal	47.9%	26.0%	20.1%	29.4%	-5.0%	-4.0%	8.1%	-0.5%	8.6%	8.3%	8.7%	8.5%	7.3%	2.1%	5.8%	4.5%	8.8%
Arden B	-4.6%	-4.8%	8.7%	-0.7%	-16.9%	-4.1%	0.8%	-7.0%	9.1%	-0.7%	4.5%	3.9%	0.8%	-0.7%	-2.7%	-0.8%	-1.1%
<b>Total Co. (Cont Ops)</b>	<b>29.3%</b>	<b>16.2%</b>	<b>17.0%</b>	<b>20.0%</b>	<b>-8.3%</b>	<b>-4.0%</b>	<b>6.4%</b>	<b>-2.2%</b>	<b>8.7%</b>	<b>5.8%</b>	<b>7.5%</b>	<b>7.3%</b>	<b>5.5%</b>	<b>1.3%</b>	<b>3.6%</b>	<b>3.1%</b>	<b>6.1%</b>
Transactions per Avg Store				32.1%				5.3%				9.1%				1.6%	10.2%
AUR \$				\$11.48				\$10.35				\$12.02				\$11.93	\$11.46
AUR %				-24.0%				-18.5%				-13.8%				-5.9%	-14.6%
UPT				2.37				2.54				2.43				2.33	2.42
UPT %				17.9%								11.0%				6.4%	10.5%
<b><u>Wet Seal (WTSLA) FY 2005</u></b>																	
<b>Total Co. (Cont Ops)</b>	<b>16.4%</b>	<b>36.3%</b>	<b>35.7%</b>	<b>29.8%</b>	<b>56.9%</b>	<b>59.3%</b>	<b>50.9%</b>	<b>55.9%</b>	<b>48.3%</b>	<b>44.9%</b>	<b>46.6%</b>	<b>46.6%</b>	<b>51.5%</b>	<b>38.5%</b>	<b>51.4%</b>	<b>44.6%</b>	<b>44.7%</b>
<b><u>Wet Seal (WTSLA) FY 2004</u></b>																	
<b>Total Co. (Ex-Zutopia)</b>	<b>-12.5%</b>	<b>-21.1%</b>	<b>-16.8%</b>	<b>-17.2%</b>	<b>-7.8%</b>	<b>-10.1%</b>	<b>-14.7%</b>	<b>-10.9%</b>	<b>-14.8%</b>	<b>-8.0%</b>	<b>-15.5%</b>	<b>-12.6%</b>	<b>-19.5%</b>	<b>-11.8%</b>	<b>8.2%</b>	<b>-11.4%</b>	<b>-13.0%</b>
<b><u>Wet Seal (WTSLA) FY 2003</u></b>																	
<b>Total Company</b>	<b>-31.5%</b>	<b>-27.1%</b>	<b>-17.4%</b>	<b>-25.6%</b>	<b>-25.0%</b>	<b>-21.5%</b>	<b>-12.1%</b>	<b>-20.0%</b>	<b>-10.4%</b>	<b>-10.0%</b>	<b>-9.8%</b>	<b>-10.2%</b>	<b>-6.7%</b>	<b>-7.7%</b>	<b>-21.4%</b>	<b>-9.6%</b>	<b>-16.3%</b>
<b><u>Wet Seal (WTSLA) FY 2002</u></b>																	
<b>Total Company</b>	<b>20.5%</b>	<b>10.6%</b>	<b>-4.7%</b>	<b>8.2%</b>	<b>7.3%</b>	<b>5.6%</b>	<b>-8.3%</b>	<b>1.6%</b>	<b>-12.0%</b>	<b>-7.3%</b>	<b>-9.1%</b>	<b>-9.6%</b>	<b>-9.7%</b>	<b>-19.4%</b>	<b>-25.1%</b>	<b>-18.0%</b>	<b>-5.6%</b>
<b><u>Wet Seal (WTSLA) FY 2001</u></b>																	
<b>Total Company</b>	<b>6.3%</b>	<b>0.8%</b>	<b>9.3%</b>	<b>3.5%</b>	<b>7.3%</b>	<b>-0.6%</b>	<b>4.5%</b>	<b>3.4%</b>	<b>12.4%</b>	<b>3.2%</b>	<b>-4.6%</b>	<b>4.4%</b>	<b>1.3%</b>	<b>10.2%</b>	<b>6.9%</b>	<b>7.0%</b>	<b>4.7%</b>

**Tiburon Research Group**  
**Compology - Comp Store Sales 5-Year Run Rates**

<b>Wet Seal (WTSLA)</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>5-Year Run Rate</b>	<b>37.7%</b>	<b>37.0%</b>	<b>36.7%</b>	
FY 2009	-7.3%	-10.6%	-6.2%	
<b>4-Year Run Rate</b>	<b>45.0%</b>	<b>47.6%</b>	<b>42.9%</b>	<b>32.9%</b>
FY 2008	-7.5%	-4.4%	-7.6%	-13.4%
<b>3-Year Run Rate</b>	<b>52.5%</b>	<b>52.0%</b>	<b>50.5%</b>	<b>46.3%</b>
FY 2007	2.7%	-1.7%	-3.4%	-1.4%
FY 2006	20.0%	-2.2%	7.3%	3.1%
FY 2005	29.8%	55.9%	46.6%	44.6%

<b>Wet Seal (WTSLA)</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>
<b>5-Year Run Rate</b>	<b>35.9%</b>	<b>41.2%</b>	<b>39.0%</b>	<b>40.1%</b>	<b>42.0%</b>	<b>29.8%</b>	<b>38.8%</b>	<b>31.7%</b>	<b>41.2%</b>	<b>36.4%</b>	<b>23.3%</b>	
FY 2009	-6.6%	-11.4%	-2.2%	-8.4%	-11.1%	-12.1%	-11.2%	-4.5%	-1.3%	-5.0%	-4.6%	
<b>4-Year Run Rate</b>	<b>42.5%</b>	<b>52.6%</b>	<b>41.2%</b>	<b>48.5%</b>	<b>53.1%</b>	<b>41.9%</b>	<b>50.0%</b>	<b>36.2%</b>	<b>42.5%</b>	<b>41.4%</b>	<b>27.9%</b>	<b>34.6%</b>
FY 2008	-8.2%	-10.8%	-1.9%	-2.0%	-2.9%	-8.2%	-8.7%	-7.5%	-6.2%	-13.9%	-12.5%	-14.7%
<b>3-Year Run Rate</b>	<b>50.7%</b>	<b>63.4%</b>	<b>43.1%</b>	<b>50.5%</b>	<b>56.0%</b>	<b>50.1%</b>	<b>58.7%</b>	<b>43.7%</b>	<b>48.7%</b>	<b>55.3%</b>	<b>40.4%</b>	<b>49.3%</b>
FY 2007	5.0%	10.9%	-9.6%	1.9%	0.7%	-7.2%	1.7%	-7.0%	-5.4%	-1.7%	0.6%	-5.7%
FY 2006	29.3%	16.2%	17.0%	-8.3%	-4.0%	6.4%	8.7%	5.8%	7.5%	5.5%	1.3%	3.6%
FY 2005	16.4%	36.3%	35.7%	56.9%	59.3%	50.9%	48.3%	44.9%	46.6%	51.5%	38.5%	51.4%

Wet Seal (WTSLA) Comp Sales Run Rate Analysis



## Monthly Revenue Data

Wet Seal (WTSLA)	Feb	Mar	Apr	Q1	May	Jun	Jul	Q2	Aug	Sep	Oct	Q3	Nov	Dec	Jan	Q4	FY
FY 2009 Revenue	39,800	51,200	41,000	132,000	42,000	51,600	42,700	136,300	50,500	50,100	41,000	141,600	44,400	75,800			
FY 2008 Revenue	42,200	58,100	42,000	142,300	45,700	56,900	46,500	149,100	55,400	51,000	40,300	146,700	46,000	77,200	31,600	154,800	592,900
FY 2007 Revenue	41,200	57,600	39,200	138,000	42,600	54,500	46,200	143,300	56,100	52,700	41,500	150,300	53,000	86,000	36,800	175,800	607,400
FY 2006 Revenue	36,100	47,300	41,700	125,100	37,300	48,000	44,200	129,500	51,200	52,300	39,800	143,300	46,000	76,500	43,900	166,400	564,300
FY 2005 Revenue	29,900	41,000	33,000	103,900	40,000	49,200	37,100	126,300	45,400	47,900	36,000	129,300	41,300	69,900	30,200	141,400	500,900
FY 2009 Revenue Growth %	-5.7%	-11.9%	-2.4%	-7.2%	-8.1%	-9.3%	-8.2%	-8.6%	-8.8%	-1.8%	1.7%	-3.5%	-3.5%	-1.8%			
FY 2009 Comp Growth %	-6.6%	-11.4%	-2.2%	-7.1%	-8.4%	-11.1%	-12.1%	-10.6%	-11.2%	-4.5%	-1.3%	-6.0%	-5.0%	-4.6%			
FY 2009 "Split"	0.9%	-0.5%	-0.2%	-0.1%	0.3%	1.8%	3.9%	2.0%	2.4%	2.7%	3.0%	2.5%	1.5%	2.8%			
FY 2008 Revenue Growth %	2.4%	0.9%	7.1%	3.1%	7.3%	4.4%	0.6%	4.0%	-1.2%	-3.2%	-2.9%	-2.4%	-13.2%	-10.2%	-14.1%	-11.9%	-2.4%
FY 2008 Comp Growth %	-8.2%	-10.8%	-1.9%	-7.4%	-2.0%	-2.9%	-8.2%	-4.3%	-8.7%	-7.5%	-6.2%	-7.6%	-13.9%	-12.5%	-14.7%	-13.4%	-8.2%
FY 2008 "Split"	10.6%	11.7%	9.0%	10.5%	9.3%	7.3%	8.8%	8.3%	7.5%	4.3%	3.3%	5.2%	0.7%	2.3%	0.6%	1.4%	5.8%
FY 2007 Revenue Growth %	14.1%	21.8%	-6.0%	10.3%	14.2%	13.5%	4.5%	10.7%	9.6%	0.8%	4.3%	4.9%	15.2%	12.4%	-16.2%	5.6%	7.6%
FY 2007 Comp Growth %	5.0%	10.9%	-9.6%	3.3%	1.9%	0.7%	-7.2%	-1.5%	1.7%	-7.0%	-5.4%	-3.3%	-1.7%	0.6%	-5.7%	-1.4%	-0.8%
FY 2007 "Split"	9.1%	10.9%	3.6%	7.0%	12.3%	12.8%	11.7%	12.1%	7.9%	7.8%	9.7%	8.2%	16.9%	11.8%	-10.5%	7.1%	8.5%
FY 2006 Revenue Growth %	20.7%	15.4%	26.4%	20.4%	-6.8%	-2.4%	19.1%	2.5%	12.8%	9.2%	10.6%	10.8%	11.4%	9.4%	45.4%	17.7%	12.7%
FY 2006 Comp Growth %	29.3%	16.2%	17.0%	20.2%	-8.3%	-4.0%	6.4%	-1.7%	8.7%	5.8%	7.5%	7.3%	5.5%	1.3%	3.6%	3.1%	6.9%
FY 2006 "Split"	-8.6%	-0.8%	9.4%	0.2%	1.6%	1.6%	12.7%	4.2%	4.1%	3.4%	3.1%	3.5%	5.9%	8.1%	41.8%	14.6%	5.8%
FY 2009 % Qtr Sales	30.2%	38.8%	31.1%	100.0%	30.8%	37.9%	31.3%	100.0%	35.7%	35.4%	29.0%	100.0%					
FY 2008 % Qtr Sales	29.7%	40.8%	29.5%	100.0%	30.7%	38.2%	31.2%	100.0%	37.8%	34.8%	27.5%	100.0%	29.7%	49.9%	20.4%	100.0%	
FY 2007 % Qtr Sales	29.9%	41.7%	28.4%	100.0%	29.7%	38.0%	32.2%	100.0%	37.3%	35.1%	27.6%	100.0%	30.1%	48.9%	20.9%	100.0%	
FY 2006 % Qtr Sales	28.9%	37.8%	33.3%	100.0%	28.8%	37.1%	34.1%	100.0%	35.7%	36.5%	27.8%	100.0%	27.6%	46.0%	26.4%	100.0%	

Note: Quarterly revenue and quarterly comp store sales numbers above are a sum/average of the monthly sales numbers disclosed by the company each month. Therefore, quarterly revenue/comp store sales numbers above may not tie to the company's disclosure or SEC filings.

Note 2: Historical monthly sales numbers are not updated. Therefore, historical monthly sales numbers may not reflect acquisitions, divestitures, and/or store closings.