

Mossberg's Investor Digest

Best Idea Profile

DESCRIPTION:

Headquartered in Jacksonville, FL; Body Central is a growing, multi-channel specialty retailer offering on-trend apparel and accessories at value prices. BODY operates specialty stores under the Body Central and Body Shop banners, as well as a direct business comprised of the Body Central catalog and an e-commerce website at www.bodyc.com. BODY targets women in their late teens and twenties from diverse cultural backgrounds who seek the latest fashions. Body Central's stores feature an assortment of tops, dresses, bottoms, jewelry, accessories and shoes sold primarily under the exclusive "Body Central" and "Lipstick" labels. BODY continuously updates its merchandise and floor sets with an emphasis on coordinated outfits presented by lifestyle to give its customers a reason to shop frequently. Body Central has 197 stores with an average size of approximately 4,300 square feet. The stores are located in fashion retail venues in the South, Mid-Atlantic and Midwest.

KEY INVESTMENT CONSIDERATIONS:

Established and Differentiated Brand – Body has over 35 years of operating experience building its brand around a key strategy of providing the right fashion and fit at a value price. BODY does not dictate fashion trends, but instead responds to the industry's best selling styles. The concept has established its appeal to consumers, especially in a tough economic environment.

Proven Model – BODY has a proven economic model that works across a variety of market sizes, demographics, climates real estate values and mall classifications. The company's floor format allows it to quickly adapt to available locations and store footprints. BODY's model requires a minimum of capital expenditures for these new stores.

New Growth in Direct Sales – BODY's direct business was 16.8% of net revenues in FY09. In July '10 BODY implemented a new software system to enhance the potential for growth in this segment. The new system should offer a more dynamic merchandise presentation on the company's website and enhance the ability to target specific customer groups.

Revenue Growth – Revenue increased on a year-over-year basis by \$18.6 million, or 18.4% to \$119.3 million for the first 26 weeks of the year. The increase resulted from improvement in both same store sales and store growth, along with a slight increase in direct sales. BODY's direct sales increased \$284,000 or 1.4% to \$20.7 million during the same period.

Body Central Corp. (NASDAQ:BODY)

Store Expansion – Body expects to open over 25 stores in FY10 (22 have already been completed). BODY believes that it can continue new store expansion at a 15% annual growth rate for the next several years.

Proven Management Team – CEO and President Allen Weinstein, CFO Richard Walters and Merchandising Officer Beth Angelo lead a management team that has significant experience in design, marketing, sourcing merchandising and real estate. The company's regional and district manager's average over 20 and 10 years of experience respectively.

VALUATION:

On October 15th BODY announced the pricing of its IPO, selling 5 million shares of common stock at \$13 per share (3.3 million from existing shareholders). BODY received \$37.8 million, which will mostly be used to repay debt. Shares were sold to a small group of shareholders. The current share price of BODY is near that of the offering price. The current price action, along with strong growth prospects, should lead a number of analysts to pick up coverage of the stock. The BODY story may soon be marketed to a large number of new investors for the first time. The fact that BODY was able to complete an IPO in today's market speaks to the company's strong business and prospects. With 18% revenue growth for the first half of the year along with strong profitability BODY is an interesting growth story. The possibility of new analyst coverage along with the company's fundamentals may lead to a higher valuation.

(NASDAQ: BODY)

Investment Data (as of 11/5/10)

Recent Price	\$13.65
52-Week Range	12.76 - 14.49
Fiscal Year End	Jan 2
Shares Outstanding	12MM
Average Trading Volume (3 mos)	375,000
Market Capitalization	164MM
Cash	8.5MM
Long Term Debt	33MM
Enterprise Value (EV)	189MM
LT Debt/ Equity	NA
BV/ Share	NA
TTM Revenue	\$217MM
P/ Revenue	0.7x
TTM EPS	\$0.62
P/ EPS	22x
TTM EBITDA	\$20.4
EV/ EBITDA	9.3x

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