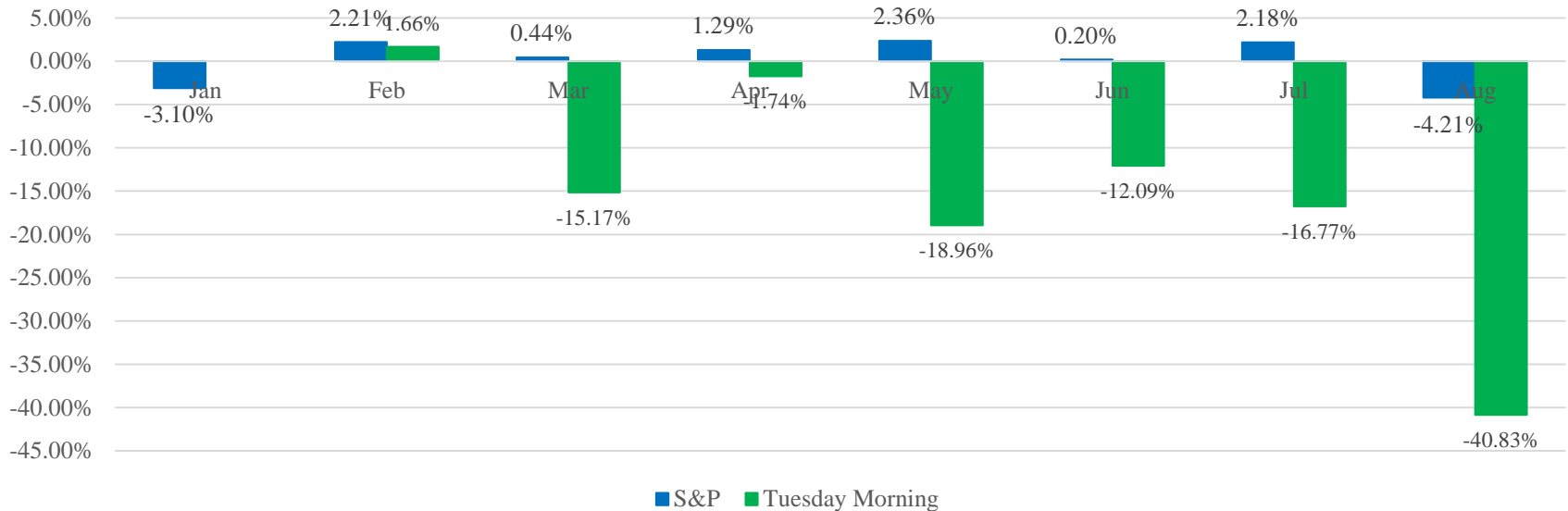


Tuesday Morning (TUES)



- Shorted in February at an average price of \$18.67
- Covered in August at an average price of \$5.55
- Belief in management and their turnaround prowess was unwarranted
- Negative Free Cash Flow
- Sell-side was over estimating gross margins expansion and underestimating CapEx needs
- Activist investor Steven Becker had sold his position down aggressively at lower prices
- Management was manipulating same store sales calculations with “bigger, nicer stores”
- No barrier to entry in the “closeout model” space, and poor inventory management at the store level
- Susceptible to economic weakness and increased competition
- Catalyst: missing unrealistic guidance, end of corporate “turnaround” yield a lower stock price