



Home

- THE LISTS
- EVENTS
- REGISTRATION
- SUBSCRIBE
- ADVERTISING
- REGIONAL EDITIONS
- ABOUT US
- HELP

- Executive Estates
- New Homes
- Urban Living
- Window Shopping
- Luxury Autos
- Wine & Dine
- Investment Properties

Fast Search Enter keyword(s) [ADVANCED SEARCH](#) [SIGN IN](#) [WEB CONNECT](#)

Get **FREE** Daily News Updates

Email Alerts

Your Email address



- Apparel/Surfwear
- Automotive
- Dining
- Economy
- Education
- Energy/Utilities
- Finance
- Government/Regulation
- Healthcare
- International Trade
- Law
- Manufacturing
- Media & Marketing
- Real Estate
- Retail
- Technology
- Tourism/Hotels
- Venture Capital

OCBJ Poll

Subprime meltdown ...

- Surprising turn
 - Long overdue
 - Not as bad as late-1990s meltdown
-

[View Results](#)

Finance Suite
Lending Center

Frank W. Abagnale
CATCH HIM WHILE YOU CAN.
Thursday, March 29, 2007 / 9:00am PST
CITY NATIONAL BANK
The way up.

Posted date: 3/9/2007

George Soros Buys Into Wet Seal's Turnaround

APPAREL: Famed investor buys 1 million shares of mall retailer

By Sherri Cruz
ORANGE COUNTY BUSINESS JOURNAL STAFF

Billionaire hedge fund trader George Soros has bought a million shares—about \$6.9 million worth—of Foothill Ranch-based teen retailer Wet Seal Inc.



Soros: \$7 million Wet Seal stake

Perhaps Soros got a sneak peek at Wet Seal's new spring line? Or maybe Wet Seal's turnaround has knocked his socks off?

Nah.

"He doesn't care one iota about the company," said Michael Covell, author of "Trend Following: How Great Traders Make Millions in Up or Down Markets."

"Soros is first and foremost a speculator and a trader," he said.

He trades according to a predetermined set of rules, according to Covell.

"You would have to know his rules, and he's not going to tell you," Covell said.

Soros, whose office didn't return a call for this story, is chair of New York-based Soros Fund Management LLC, which manages about \$13 billion in investments.

Along with Wet Seal, Soros recently picked up 2.1 million shares of CVS Corp. and 1 million shares of Rite Aid Corp.

Other investments include Jamba Inc., JetBlue Airways Corp., Abercrombie & Fitch Co., Bluefly Inc., Amazon.com Inc., Nordstrom Inc. and Carmax Inc.

Soros, a big-time philanthropist, Democratic supporter and Bush administration critic, recently added 1.9 million shares of Houston-based Halliburton Co., an oil field service company that's profited from the Iraq war.

That's indicative of his emotional detachment from his stock portfolio, according to Covell. He doesn't trade based on fear or greed or because he likes a company, Covell said.

"When he buys he knows when he's going to exit," he said. "He's looking to make money on anything and everything."

While it may not have been Wet Seal's new minis that spurred the buy, something led Soros to believe he could make money on Wet Seal.

"I would assure you, if he's buying the stock, he expects it to go up," Covell said.

Kevin Starke, analyst for Weeden & Co. of Greenwich, Conn., said Wet Seal has turned a corner. Soros isn't the first to have noticed its potential, he said.

"Investors have developed an appreciation for the chance of a significant upside for the shares," he said. Wet Seal is standing out now as one of the few fast growing mall retailers, according to Starke.

The company stumbled of late with slowing same-store sales growth and a profit warning. But, overall, Wet Seal is enjoying a turnaround after falling hard earlier in the decade.

WEEKLY EDITION

Mar. 12 - 18, 2007



TOP STORY

QUEBEC, OC, DAKOTA

Irvine-based BB Dakota was a small maker of hip women's clothes—until nZania entered the picture

EXECUTIVE SUMMARY

This past week's news from www.ocbj.com and other sources

Push for Technology Stands to Benefit TriZetto, Quality

A lack of technology in hospitals and doctors' offices could be a big boost for some local software companies, in the Healthcare column

Read this week's important business news stories

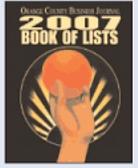
WEEKLY EDITION

CABLE BUSINESS JOURNAL Videocast
Richard With Reisman

OC Insider Audiocast
by Rick Reiff

2007 BOOK OF LISTS

Our annual resource guide is included free to paid subscribers.



The company's shares are now at \$6, up from 75 cents in August 2004 with a recent market value of \$470 million.

Soros, who owns about 1.2% of the company, actually is late to the Wet Seal party, Starke said.

Boston-based Fidelity Management & Research Co., part of FMR Corp., and Allianz SE's Allianz Global Investors of America LP in Newport Beach, have owned big Wet Seal stakes prior to Soros.

Wet Seal got the attention of Steven Cohen, another hedge fund bigwig. His Stamford, Conn.-based S.A.C. Capital Advisors LLC infused the company with cash in 2004, rescuing it from the prospect of bankruptcy. With the money, Wet Seal hired retail consultant Michael Gold and Chief Executive Joel Waller. Gold's contract expired at the end of January, according to the company's filings.

Former chairman Henry Winterstern has been cashing out. He sold about 300,000 Wet Seal shares last month. Winterstern resigned last year.

Wet Seal now is opening stores again. The company may have closed too many stores during its downturn, according to Starke, and has had to go back to malls and strike new leases.

The company was on track to open 27 stores last year. It runs 430 stores, including 338 Wet Seal stores for teen girls and 92 Arden B. stores for women in their 20s and older.

In 2004, Wet Seal ran 559 stores.

Sales per square foot, a telltale sign of retail vitality, have risen significantly, Starke said. In 2003, sales per square foot were \$228. In 2004, they were \$203, then \$328 in 2005 and \$359 in 2006.

The company also has started making some clothes for its stores offshore again, which will help lower costs, according to Starke. Wet Seal had clothes made in the U.S. a few years ago to launch lines quicker.

"Things can go in and out of style in the time it can take to ship from China," Starke said.

Wet Seal appears to have a handle on fashion trends, he said. The company hired two designers last year: Greg Gemette, president of Arden B. merchandise, and Dyan Jozwick, chief merchandise officer for Wet Seal.

"If they don't do a great job you could see a weakness of the shares," Starke said.

Gemette was a merchandising executive at G&G Retail when Wet Seal unsuccessfully bid on the company, Starke said. Arden B. has been lagging, which led to a downward revision in projections for its recently ended quarter. Results are due March 29.

"But there are great hopes on this guy," Starke said of Gemette.

Arden B.'s new merchandising team launched its first spring line in February.

There are similar hopes for Jozwick, formerly a merchandising executive at Robinsons-May. Fashionable clothing combined with a slight price increase should keep the company headed in the right direction, Starke said.

But even if Wet Seal fumbles, it may not matter to Soros.

"That's just one stock," Covel said. "If it goes down, so what to him."



ATTENTION
SMALL BUSINESS OWNERS

If you're interested in making your business more efficient, we're interested in you. If chosen, you'll receive a consultation with a business expert and a customized solution for your business, all on us.

business
BREAKTHROUGH
PRESENTED BY **VISA**

Apply now at BizBreakthrough.com.



Frank W. Abagnale
CATCH HIM WHILE YOU CAN.
Thursday, March 29, 2007 / 9:00am PST

CITY NATIONAL BANK
The way up.™

All contents of this site © 2007 Orange County Business Journal Associates. All rights reserved.
Orange County Business Journal, Irvine, CA 92612, USA.

[Home](#) | [Help](#) | [Contact OCBJ](#)