

R.G. BARRY ON BETTER FINANCIAL FOOTING

Turnaround expert's restructuring helps company make money after year of losses

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THE COLUMBUS DISPATCH

The maker of Dearfoam slippers has stopped bleeding red ink. Yesterday, Pickerington's R.G. Barry Corp. reported its first profitable quarter since a restructuring began a year ago. The company last earned a profit in the third quarter of 2003.

Turnaround expert Thomas M. Von Lehman, who serves as R.G. Barry's interim chief executive, has spent the past year trying to get the company on track financially. He cut 1,800 jobs, shifted manufacturing to Asia and closed warehouses in Texas and Mexico. He also significantly reduced the number of slipper styles produced.

The strategy appears to be working. For the fiscal year that ended Dec. 31, R.G. Barry cut its losses from the previous year and reported a profit of \$4.3 million in the fourth quarter.

Analyst Doug Ruth, who tracks the company for Lenox Financial Services in New Lenox, Ill., said he thinks the fourth quarter is a sign of things to come. Ruth predicted sales growth of up to 10 percent in 2005.

"What is really significant is the company now has established a business model that should be consistently profitable," Ruth said. R.G. Barry is predicting a profit in 2005 but stopped short of providing an estimate. A clear picture of the improvement may not materialize until the second half of the year, when slipper sales are stronger.

Von Lehman said R.G. Barry completed the first phase of the restructuring, which focused on revamping the company. Efforts this year will shift to reconnecting with consumers and recapturing lost market share. That means a revival of slipper advertising. The company sells its slippers to Wal-Mart and other retailers. "Our mission is not totally done yet. We still have a ways to go," Von Lehman said.

He characterized the company as "just kind of getting out of the hospital," but the goal is to create the best slipper company in North America. "We consider 2004 to be an important first step in that journey." Von Lehman, who agreed to stay with R.G. Barry through March 2006, said the company will add designs.

Ruth said Von Lehman has transformed R.G. Barry into a design and sales company, closing company plants and instead contracting with others to make the company's products.

"Slippers are labor-intensive," he said. The company "could buy slippers from China cheaper than they could make the slippers themselves." The company's decision to cut its product offerings gave consumers fewer choices but helped reduce inventory costs. Ruth said R.G. Barry remains the industry leader even though its market share has eroded in recent years.

Company shares closed yesterday at \$4, up 5 cents.

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About the company

- * Headquarters: Pickerington
 - * Other locations: Arkansas, New York, Texas and Hong Kong
 - * Employees: 200, half of them in Ohio
 - * Product: Dearfoam slippers
 - * Top competitor: Totes
- Sources: R.G. Barry Corp., analysts