

## NEWS RELEASE

**For Immediate Release**

Contact: Howard Kaminsky, Chief Financial Officer  
(818) 949-5300 ext. 5728

### **SPORT CHALET REPORTS FIRST QUARTER FISCAL 2012 RESULTS**

- **Comparable store sales increased 2.3%**
- **Grew online sales by 66%**
- **9<sup>th</sup> straight quarter of sequential profitability improvement**
- **Lowered bank loan balance by 12% or \$5.9 million**

Los Angeles, California – (August 3, 2011) – Sport Chalet, Inc. (Nasdaq: SPCHA, SPCHB) today announced financial results for its first quarter ended July 3, 2011.

#### **First Quarter Results**

Sales increased 3.9% to \$82.8 million for the first quarter of fiscal 2012 from \$79.7 million for the first quarter of fiscal 2011, primarily due to a comparable store sales increase of 2.3%, an online sales increase of 66%, and a calendar shift increase of \$1.3 million, partially offset by a change in Action Pass redemption activity. The calendar shift resulted in the Fourth of July holiday weekend being included in the first quarter of fiscal 2012 compared to the second quarter in fiscal 2011.

Gross profit as a percent of sales increased to 28.8% from 28.3% for the first quarter of last year primarily due to a decrease in rent expense as a percent of sales, partially offset by the change in Action Pass redemption activity. Selling, general and administrative expenses as a percent of sales decreased to 26.1% from 26.5% in the same period last year, primarily due to the leverage provided by the increase in sales and a decrease in workers' compensation expense, partially offset by incentive payments primarily for store employees.

The Company's net loss for the quarter ended July 3, 2011 decreased by \$1.1 million, or 58%, to \$0.8 million, or \$0.06 per share, from a net loss of \$1.9 million, or \$0.14 per share, for the quarter ended June 27, 2010.

Craig Levra, Chairman and CEO, stated, "During the first quarter, we continued to experience positive trends in comparable store sales, online sales and inventory productivity. We are excited about the considerable improvement of our results and continue to implement our strategies to return to profitability."

## **Liquidity**

On July 3, 2011, the Company's bank credit facility had a borrowing capacity of \$65.0 million, of which the Company utilized \$47.1 million (including a letter of credit of \$2.6 million) and had \$16.2 million in availability. The Company reduced its borrowings under the bank credit facility by 12%, or \$5.9 million, to \$44.5 million at July 3, 2011 from \$50.4 million at June 27, 2010.

## **About Sport Chalet, Inc.**

Sport Chalet, founded in 1959 by Norbert Olberz, is a leading, full service specialty retailer with 55 stores in California, Nevada, Arizona and Utah; Sport Chalet online at [www.sportchalet.com](http://www.sportchalet.com); and a Team Sales division. The Company offers over 50 services for the sports enthusiast, including climbing, backcountry skiing, ski mountaineering, avalanche education, and mountain trekking instruction, car rack installation, snowboard and ski rental and repair, Scuba training and certification, Scuba boat charters, team sales, custom golf club fitting, racquet stringing, and bicycle tune-up and repair at its store locations.

## **Forward-Looking Statements**

Except for historical information contained herein, the statements in this release are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements, including, but not limited to, the ability to strengthen the Company's liquidity, manage expenses and inventory position, improve operating efficiencies, and navigate through the current challenging environment, involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to differ materially from forecasted results. Those risks include, among other things, the negative effect of the economic downturn on the Company's sales, limitations on borrowing under the Company's bank credit facility, the Company's ability to control operating expenses and costs, the competitive environment in the sporting goods industry in general and in the Company's specific market areas, inflation, the challenge of maintaining its competitive position, changes in costs of goods and services, the weather and economic conditions in general and in specific market areas. These and other risks are more fully described in the Company's filings with the Securities and Exchange Commission.

## Sport Chalet, Inc.

### Consolidated Statements of Operations (Unaudited)

	13 weeks ended	
	July 3, 2011	June 27, 2010
	(in thousands, except per share amounts)	
Net sales	\$ 82,824	\$ 79,687
Cost of goods sold, buying and occupancy costs	59,000	57,147
Gross profit	23,824	22,540
Selling, general and administrative expenses	21,615	21,152
Depreciation and amortization	2,568	2,639
Loss from operations	(359)	(1,251)
Interest expense	465	692
Loss before income taxes	(824)	(1,943)
Income tax provision	2	-
Net loss	<u>\$ (826)</u>	<u>\$ (1,943)</u>
Loss per share:		
Basic and diluted	<u>\$ (0.06)</u>	<u>\$ (0.14)</u>
Weighted average number of common shares outstanding:		
Basic and diluted	<u>14,190</u>	<u>14,187</u>

## Sport Chalet, Inc.

### Consolidated Balance Sheets

	July 3, 2011	April 3, 2011
	(Unaudited)	
	(in thousands, except share amounts)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,320	\$ 51
Accounts receivable, net	3,487	2,109
Merchandise inventories	98,827	93,588
Prepaid expenses and other current assets	4,300	4,542
Total current assets	109,934	100,290
Fixed assets, net	24,565	26,830
Total assets	\$ 134,499	\$ 127,120
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 27,266	\$ 21,606
Loan payable to bank	44,501	40,854
Salaries and wages payable	4,369	3,247
Other accrued expenses	15,144	16,943
Total current liabilities	91,280	82,650
Deferred rent	21,324	22,024
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value:		
Authorized shares - 2,000,000		
Issued and outstanding shares – none	-	-
Class A Common Stock, \$.01 par value:		
Authorized shares - 46,000,000		
Issued and outstanding shares – 12,414,490 at July 3, 2011 and 12,413,490 at April 3, 2011	124	124
Class B Common Stock, \$.01 par value:		
Authorized shares - 2,000,000		
Issued and outstanding shares – 1,775,821 at July 3, 2011 and 1,775,821 at April 3, 2011	18	18
Additional paid-in capital	36,382	36,107
Accumulated deficit	(14,629)	(13,803)
Total stockholders' equity	21,895	22,446
Total liabilities and stockholders' equity	\$ 134,499	\$ 127,120

## Sport Chalet, Inc.

### Consolidated Statements of Cash Flows (Unaudited)

	13 weeks ended	
	July 3, 2011	June 27, 2010
	(in thousands)	
<b>Operating activities</b>		
Net loss	\$ (826)	\$ (1,943)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,568	2,639
Share-based compensation	275	149
Changes in operating assets and liabilities:		
Accounts receivable	(1,378)	(520)
Merchandise inventories	(5,239)	(2,116)
Prepaid expenses and other current assets	242	285
Income tax receivable	-	10
Accounts payable	5,660	237
Salaries and wages payable	1,122	(1,128)
Other accrued expenses	(1,953)	(2,488)
Deferred rent	(700)	(321)
Net cash used in operating activities	(229)	(5,196)
<b>Investing activities</b>		
Purchase of fixed assets	(149)	(223)
Net cash used in investing activities	(149)	(223)
<b>Financing activities</b>		
Proceeds from bank borrowing	89,740	89,337
Repayment of bank borrowing	(86,093)	(84,214)
Proceeds from exercise of stock options	-	12
Net cash provided by financing activities	3,647	5,135
Increase (decrease) in cash and cash equivalents	3,269	(284)
Cash and cash equivalents at beginning of period	51	2,906
Cash and cash equivalents at end of period	\$ 3,320	\$ 2,622
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the period for:		
Interest	\$ 436	\$ 649
<b>Supplemental Disclosure of non-cash investing and financing activities</b>		
Fixed assets acquired under capital leases	\$ 154	\$ -