FTI Consulting Retail Report: 2.0% Decline in 2009 Holiday Season Sales Projected

November 24, 2009

Retail Turnaround Before 2011 Unlikely Due to Dismal Employment Picture

WEST PALM BEACH, Fla., Nov. 24 /PRNewswire-FirstCall/ -- FTI Consulting, Inc. (NYSE: FCN) the global business advisory firm dedicated to helping organizations protect and enhance their enterprise value, today released its *2009 Retail Report*, which forecasts a 2.0% decrease in 2009 holiday season sales. The forecast focuses on General Merchandise, Apparel and Accessories, Furniture and Home Furnishings and Other (GAFO) sales as well as online sales from November 2009 through January 2010. The 2009 projected decrease compares with a decrease of 4.5% experienced in the 2008 season.

FTI's report provides an analysis of the retail sector by a team of the firm's leading corporate finance executives with deep expertise in operational improvement, liquidity management and turnaround and restructuring services. In determining the 2009 holiday forecast, FTI's 2009 Retail Report reveals that while current conditions and consumer expectations have improved compared to last autumn, the U.S. retail sector continues to experience monthly sales declines on a year-over-year (YOY) basis in many categories:

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    --  Total nominal retail sales (excluding auto) have declined 12 consecutive
        months on a YOY basis.
    --  Highly discretionary categories, such as home furnishings, home
        improvement, electronics and jewelry, are some of the areas hardest hit,
        with near double-digit rates of decline or worse (YOY) for long
        stretches of the past year.
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In preparation for a potentially weak holiday selling season, FTI has observed that many merchants have ordered conservatively for the 2009 holiday season. This will also be a limiting factor for the season's prospects due to a heightened risk of stock outs on popular items. The report does suggest one glimmer of hope within the sector: luxury goods. FTI predicts this sector will likely see measurable improvement compared with last year, due in large part to Wall Street's comeback and a stronger sense of optimism among the more affluent that will inevitably lead to greater spending. At the same time, many of the "aspiring wealthy" -- high income earners but not wealthy yet -- are still quite cautious and may be less inclined to resume their old spending habits.

"While consumer sentiment has improved from a year ago and there is less uncertainty going into 2010, it is clear that the recession took a heavy toll on wealth and earning power, resulting in new levels of cautiousness among consumers across all demographics," said Bob Duffy, Senior Managing Director and Retail Industry Leader for FTI Consulting. "It means that, unfortunately, deep discounting by merchants and wishful thinking by shoppers will not be able to save the 2009 Holiday Season. We believe declining personal income will be a huge obstacle for most retailers to overcome, especially in big-ticket products and categories. Furthermore, rising energy prices, which have not historically influenced spending to a large degree, could be a burden this season due to its poor timing and its disproportionate squeeze on lower income households."

With the near-record rate of unemployment expected to continue throughout next year, the prospects for retailers to experience a meaningful turnaround before 2011 remains unlikely. FTI's report highlights a number of historical indicators, as well as factors unique to this unprecedented downturn. The jobless recovery has now become a standard feature of the U.S. economy and most forecasts for unemployment over the next several years suggest the U.S. unemployment rate will still hover around 8.5% in 2012 and may not reach normal levels until 2014.

"The reality is that income has always been the strongest determinant of consumer spending and we have not seen wage income declines of this magnitude since the 1974 recession," added Duffy. "Our report shows that the opportunities for any meaningful near-term improvement remain bleak as consumers will be unable to overcome the spending restraints imposed by falling incomes, nagging job insecurities and reduced access to credit. The comeback of store layaway plans is a good indicator of how strained the financial situation has become for many middle class consumers," he concluded.

The full report is available at www.fticonsulting.com or from Aisling Garvey at Aisling.garvey@fticonsulting.com.

About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. With more than 3,500 employees located in most major business centers in the world, we work closely with clients every day to anticipate, illuminate, and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring. More information can be found at www.fticonsulting.com.

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