

Business M-N

Virginia chain buys 92-store McMahan's

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SANTA CRUZ — The 92-store McMahan's Furniture chain has been sold to a Richmond, Va. furniture retailer that is making its first move west.

Heilig-Meyers, which now has more than 500 stores, will run the McMahan's stores pretty much as they have been run, said Jim Cerza, Heilig-Meyers executive vice president.

McMahan's operates stores in Santa Cruz, Watsonville, Gilroy, Hollister, Seaside and Salinas. Other stores are concentrated in the central valley and in Arizona, Nevada, New Mexico, Colorado and Texas.

Heilig-Meyer's paid about \$65 million for the 74-year-old chain that is based in Carlsbad, San Diego County. A Dallas, Texas-based subsidiary of Citicorp, bought the land and buildings owned by McMahan's. Heilig-Meyers will lease back the property. The business change of ownership took place last month.

Prices on property in Santa Cruz and Watsonville were not disclosed in documents filed in Santa Cruz County last week.

"Our customer base is very similar," said Heilig-Meyers' Cerza. "Our bread and butter is small town USA."

Locally, there will be no obvious changes for at least a year, said Santa Cruz store manager David Concepcion, a Watsonville native and 22-year veteran of the McMahan company.

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— Jim Cerza,
Heilig-Meyers executive

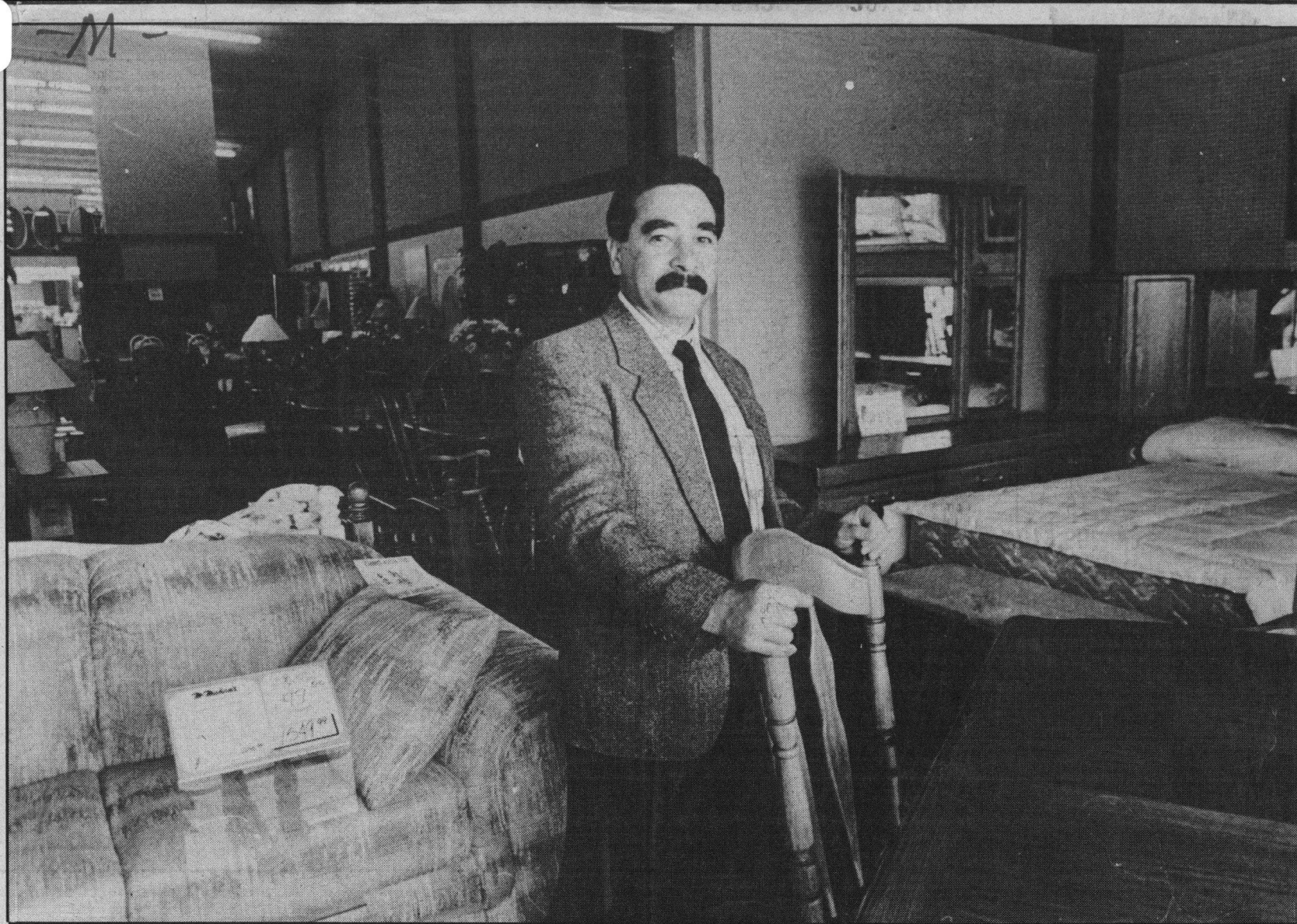
"It will be practically invisible to the customer," said Rod McMahan, executive vice president and grandson of the founder. His father Richard A. McMahan was president until the sale and is now retired.

McMahan's will become a division of Heilig-Meyers, McMahan said. All other company employees remain in their same jobs.

Heilig-Meyers has a regional vice president located at the McMahan's regional headquarters in Fresno.

A separate McMahan's chain that is based in Santa Monica is not involved in the deal. That company is an offshoot run by Richard A. McMahan's cousin. Both branches date back to 1919 when three brothers from Indiana opened the first store in Bakersfield.

Heilig-Meyers is traded on the New York Stock Exchange and is the nation's largest publicly traded furniture retailer. Cerza said the company will report about \$850 million in sales for the year ended Feb. 28, not including sales from



David Concepcion, Santa Cruz McMahan's store manager, anticipates few obvious changes at the furniture store. Dan Coyro/Sentinel

McMahan's. Net income will be about \$1.30 a share or \$62 million, Cerza said.

Privately held McMahan's has annual sales of about \$100 million.

Both companies have remarkably similar approaches to the home furnishings business and seek the same market, executives from both companies said.

"No two companies could have

grown more similar over 70 years yet be that far apart geographically," McMahan said.

Heilig-Meyers started in 1913 and grew in small towns with moderately priced lines of furnishings. Until this acquisition it was concentrated in 16 states in the southeast and south. It grew over the years by buying small regional chains.

McMahan's spread from Bakersfield to small California towns. The first Santa Cruz store was wiped out in the 1955 flood. McMahan's rebuilt at its present location at 333 Front St. in 1966.

Eighty percent of Heilig-Meyers' sales are on credit. McMahan's approached Heilig-Meyers about a sale at the senior McMahan approached retirement.

"They called us," Cerza said, "they were anxious to sell." The company had not considered such a quick move to the California market, he said.

Cerza said he thinks the California economy is starting to move again. "We see the economy coming back in other parts of the country. California is just too strong to miss out," he said.