

Movie Gallery, Inc., has filed for bankruptcy protection...  
let's see how CreditRiskMonitor tracked this trend!

## Movie Gallery, Inc.

Phone: (334) 677-2108

900 West Main Street  
Dothan, AL 36301 United States

Ticker: [MOVI](#)

**Filed for Bankruptcy on 10/16/2007**  
**Case #07-33849, filed in the U.S. Bankruptcy Court for the Eastern District of Virginia**

### Latest Financial Statements as of 7/1/2007

#### Business Summary

Movie Gallery, Inc. (Movie Gallery) is a home entertainment specialty retailer focused on both rural and suburban markets in North America. The Company owns and operates approximately 4,600 retail stores, located throughout North America, that rent and sell digital versatile discs (DVDs), videocassettes and video games. It operates three store brands, Movie Gallery, Hollywood Video and Game Crazy. In March 2007, the Company acquired substantially all of the assets, technology, network operations and customers of MovieBeam, Inc, an on-demand movie service.

(Source: 10-K)

Employees: 41,400 (as of 12/31/2006)

Federal Tax Id: 631120122

#### Credit Scores

<b>FRISK2 Score</b>	<b>1</b>	10/16/2007
<b>Probability of default range: 21.0% - 50.0%</b>		
<b>Z" Score</b>	<b>-13.27 (Fiscal danger)</b>	7/1/2007

#### Auditor Information

Last Audit: 12/31/2006  
Auditors: Ernst & Young LLP  
Opinion: **Unqualified**

#### Agency Credit Ratings

Rating Agency	Long Term Rating	Outlook	Short Term Rating	Watch
<b>Moody's</b>	C	Stable	SGL-4	OFF
<b>S&amp;P</b>	D	NM		

#### Second Quarter and Year-to-Date Results

Sales for the 13 weeks ended 7/1/2007 decreased 6.66% to \$561.22 million from last year's comparable period amount of \$601.29 million. Sales for the 26 weeks ended 7/1/2007 decreased 6.69% to \$1.21 billion from \$1.30 billion for the same period last year.

Gross profit margin decreased 12.16% for the period to \$324.12 million (57.75% of revenues) from \$368.97 million (61.36% of revenues) for the same period last year. Gross profit margin decreased 10.36% for the year-to-date period to \$713.40 million (59.01% of revenues) from \$795.88 million (61.43% of revenues) for the comparable 26 week period last year.

Selling, general and administrative expenses for the period decreased 1.26% to \$349.55 million compared with \$354.02 million for the same period last year. Selling, general and administrative expenses for the 26 weeks ended 7/1/2007 decreased 1.15% to \$704.50 million from \$712.69 million for the same period last year.

Operating income for the period decreased 2,081.64% to (\$282.25) million compared with operating income of \$14.24 million for the same period last year. Operating income for the year-to-date period decreased 404.12% to (\$248.63) million compared with operating income of \$81.75 million for the equivalent 26 weeks last year.

Net loss for the period increased 1,980.41% to (\$309.94) million compared with net loss of (\$14.90) million for the same period last year. Net income for the year-to-date period decreased 1,376.15% to (\$324.81)

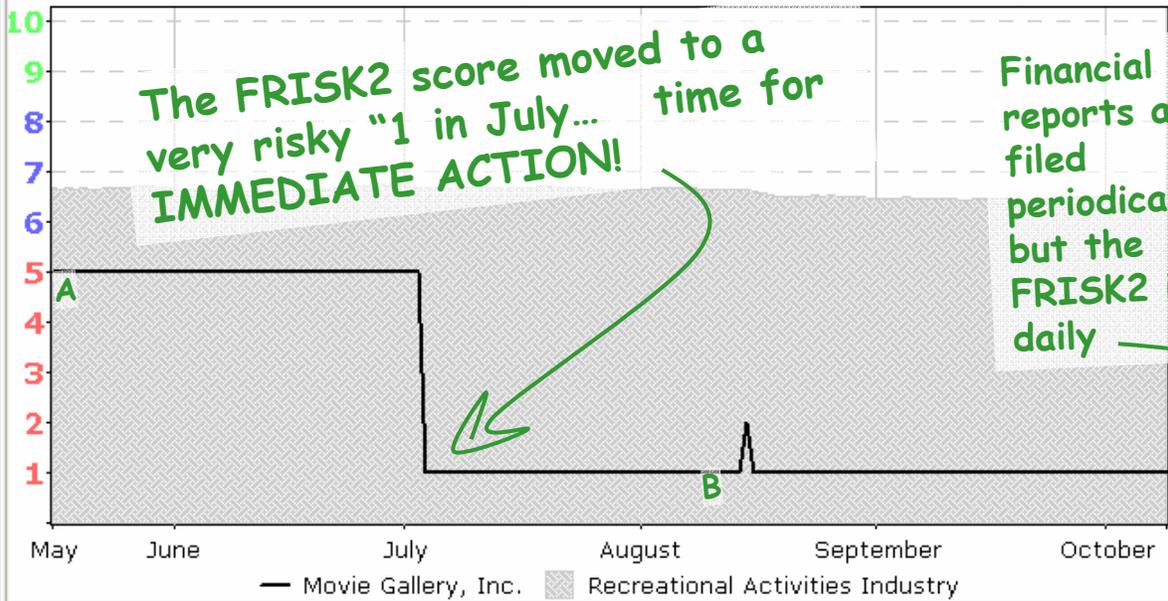
**CreditRiskMonitor**

(845) 230-3021  
info@crmz.com

The Altman Z" was signaling trouble back in 2005...



Movie Gallery, Inc. has a FRISK2 score of 1 (probability of default\* 21.0% - 50.0%), below its 6-month average and below its industry average.



**FRISK2 Score** - an estimate of the probability of default for the company over a 12 month horizon, based on the most recently available information in the CRMZ database, as calculated by a model created by Dr. Camilo Gomez.

The FRISK2 score is reported on a 1 to 10 scale:

	FRISK2	Probability of default within 12 months	
		From	To
Best	10	0%	0.3%
	9	0.3%	0.4%
	8	0.4%	0.9%
	7	0.9%	1.9%
	6	1.9%	3.7%
	5	3.7%	7.4%
	4	7.4%	10.1%
	3	10.1%	14.1%
	2	14.1%	21.0%
	1	21.0%	50.0%
Worst			

Want an automatic alert when this is happening?

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... plus, look at the news alerts you would have seen...

Bankrupt... were you part of the pre-negotiation?

#	Date	Source	Headline
1	10/16/2007	PR Newswire	Movie Gallery Files Chapter 11 to Facilitate Pre-Negotiated Debt Restructuring
2	10/8/2007	CRM News Service	Movie Gallery Intends To File Negotiated Chapter 11 Petition
3	9/27/2007	CRM News Service	MOVIE GALLERY INC FILES (8-K) Disclosing Costs Associated with Exit or Disposal Activities, Financial Statements and Exhibits
4	9/25/2007	PR Newswire	Movie Gallery Announces Consolidation of Store Operations
5	9/20/2007	CRM News Service	Movie Gallery, Inc. -- updated S&P ratings available
6	9/19/2007	CRM News Service	Movie Gallery, Inc. -- updated Moody's rating available
7	9/18/2007	Moody's Investors Service	Moody's - Correction to Text, September 18, 2007 Release: Moody's downgrades Movie Gallery's CFR to C; Outlook Stable
8	9/18/2007	Moody's Investors Service	Moody's downgrades Movie Gallery's CFR to C; outlook stable
9	9/17/2007	CRM News Service	MOVIE GALLERY INC FILES (8-K) Disclosing Change in Directors or Principal Officers
10	9/12/2007	CRM News Service	MOVIE GALLERY INC FILES (8-K) Disclosing Other Events, Financial Statements and Exhibits
11	9/4/2007	CRM News Service	MOVIE GALLERY INC FILES (8-K) Disclosing Entry into a Material Definitive Agreement, Financial Statements and Exhibits
12	9/4/2007	PR Newswire	Movie Gallery Signs Forbearance Agreement With Majority Holder of Its 11% Senior Notes
13	8/28/2007	CRM News Service	MOVIE GALLERY INC FILES (8-K) Disclosing Entry into a Material Definitive Agreement, Financial Statements and Exhibits
14	8/28/2007	PR Newswire	Movie Gallery Reaches Agreement That Further Extends Forbearance Agreement with Senior Lenders
15	8/22/2007	CRM News Service	MOVIE GALLERY INC FILES (8-K) Disclosing Other Events, Financial Statements and Exhibits
16	8/21/2007	CRM News Service	MOVIE GALLERY INC FILES (8-K) Disclosing Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard; Transfer of Listing
17	8/21/2007	PR Newswire	Movie Gallery Receives Notices From NASDAQ
18	8/16/2007	CRM News Service	MOVIE GALLERY INC FILES (8-K) Disclosing Entry into a Material Definitive Agreement, Financial Statements and Exhibits
26	7/23/2007	PR Newswire	Movie Gallery Signs Forbearance Agreement With Senior Lenders
27	7/6/2007	CRM News Service	MOVIE GALLERY INC FILES (8-K) Disclosing Other Events
28	7/5/2007	CRM News Service	Movie Gallery, Inc. -- updated S&P ratings available
29	7/4/2007	CRM News Service	Movie Gallery, Inc. -- updated Moody's rating available
30	7/3/2007	Moody's Investors Service	Moody's downgrades Movie Gallery and reviews for possible further downgrade
31	7/2/2007	CRM News Service	MOVIE GALLERY INC FILES (8-K) Disclosing Other Events
32	6/12/2007	CRM News Service	MOVIE GALLERY INC FILES (8-K) Disclosing Regulation FD Disclosure
33	5/18/2007	CRM News Service	Movie Gallery, Inc. -- updated financials available

Another downgrade...

Delisting notice...

Forbearance

Downgrade...

"...unable to meet interest coverage covenant.."

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... need more depth? Look at the Leverage Ratios...  
 Here's a clearly serious trend in Stockholder's Equity,  
 and Short-term debt exceeds Total Assets!

**Leverage Ratios - Sequential Quarters**  
 (Thousands of U.S. Dollars)

Period Ended	13 weeks 7/1/2007	13 weeks 4/1/2007	13 weeks 12/31/2006	13 weeks 10/1/2006	13 weeks 7/2/2006
<b>Total debt \$</b>	\$1,197,683	\$1,100,026	\$1,092,455	\$1,104,912	\$1,105,012
% change	8.88%	0.69%	-1.13%	-0.01%	0.67%
<b>Stockholders' equity \$</b>	(\$560,294)	(\$250,715)	(\$236,431)	(\$220,900)	(\$185,788)
% change	-123.48%	-6.04%	-7.03%	-18.90%	-8.41%
<b>Tangible net worth \$</b>	(\$642,967)	(\$547,504)	(\$533,912)	(\$521,329)	(\$487,210)
% change	-17.44%	-2.55%	-2.41%	-7.00%	-2.96%
<b>Total debt to tangible net worth</b>	(1.86)	(2.01)	(2.05)	(2.12)	(2.27)
% change	7.29%	1.81%	3.46%	6.55%	2.23%
<b>Total assets \$</b>	\$891,993	\$1,136,059	\$1,153,277	\$1,165,927	\$1,197,636
% change	-21.48%	-1.49%	-1.08%	-2.65%	-4.05%
<b>Total debt to assets ratio</b>	1.34	0.97	0.95	0.95	0.92
% change	38.67%	2.22%	-0.04%	2.71%	4.92%
<b>Net tangible assets \$</b>	\$809,320	\$839,270	\$855,796	\$865,498	\$896,214
% change	-3.57%	-1.93%	-1.12%	-3.43%	-5.30%
<b>Short-term debt \$</b>	\$1,197,683	\$8,394	\$4,580	\$782,541	\$782,779
% change	14168.32%	83.28%	-99.41%	-0.03%	0.93%
<b>Short-term debt % of total debt</b>	100.00%	0.76%	0.42%	70.82%	70.84%
% change	13004.91%	82.01%	-99.41%	-0.02%	0.26%
<b>Short-term debt % of working capital</b>	-106.17%	-37.91%	-15.90%	-95.85%	-95.30%
% change	-180.08%	-138.41%	83.41%	-0.58%	-6.25%
<b>Total liabilities \$</b>	\$1,452,287	\$1,386,774	\$1,389,708	\$1,386,827	\$1,383,424
% change	4.72%	-0.21%	0.21%	0.25%	-2.55%
<b>Total liabilities to tangible net worth ratio</b>	(2.26)	(2.53)	(2.60)	(2.66)	(2.84)
% change	10.82%	2.69%	2.15%	6.31%	5.35%
Source:	10-Q 8/10/2007	10-Q 5/11/2007	10-K 3/16/2007	10-Q 1/19/2007	10-Q 8/10/2007