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## Bensalem-based owner plans to sell Fashion Bug

*By Maria Panaritis*

The Bensalem-based company that owns Fashion Bug said Thursday that it planned to sell or eliminate the struggling retail chain while focusing efforts to grow its more profitable plus-size Lane Bryant apparel brand.

Executives with Charming Shoppes Inc. said they had hired financial adviser Barclays Capital to perform a strategic review of the entire corporation. The only immediate pledge was to divest Fashion Bug, which garnered about \$600 million of the company's \$2 billion in sales a year ago.

The announcements were made in tandem with the release of quarterly earnings that showed Fashion Bug sales down, presumably as its lower-income customers became more financially squeezed, while sales at the more specialized Lane Bryant chain were stable.

Officials said their vision included moving Lane Bryant stores from shopping malls into outdoor shopping centers, a maneuver that would reduce rents and capitalize on locations that give customers the ability to park, dash in, and leave, they told investors. The chain also would expand to 900 stores from 821 over the next few years.

"While we have made progress in improving Fashion Bug's profitability, we believe that it does not fit within our future strategic plan," president and chief executive Anthony M. Romano said in filings with regulators.

The review by Barclays, Romano added, would partly focus on "evaluating other alternatives to further enhance shareholder value."

In a call with analysts, officials declined to provide a timetable or discuss specifics. One analyst later speculated that share repurchases might be in the offing or a spin-off of Lane Bryant as a separate company, though the latter seemed less likely.

The planned Fashion Bug divestiture and the move to explore the potential sale or repositioning of other assets were embraced by investors. The company's shares closed up 9 percent for the day, at \$4.23.

**Analyst Janine Stichter of Telsey Advisory Group L.L.C. said it was unlikely Fashion Bug's 664 leased stores would change hands or close in the very near future.**

**"I wouldn't expect anything in the next few months," Stichter said. "But, hopefully, within a year we'll know the fate of Fashion Bug."**

**Stichter's firm began tracking Charming Shoppes at the end of October, she said, on the belief that a turnaround plan in the last few years had paved the way for growth. The company had previously closed stores, sold assets, and cut expenses.**

**Its shares today, she said, appeared undervalued.**

Overall net sales during the period ending Oct. 29 fell to \$429.7 million, compared with \$463.6 million the same period a year earlier, and the company reported a net loss of \$13 million, or 11 cents a share, compared with a net loss of \$18.8 million, or 16 cents a share, a year ago. Company officials said profit margins, however, were improving, particularly at Lane Bryant.