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COMPANY REPORT

Retail:

We recommend purchase of **Charming Shoppes (CHRS - \$7.23)**, the leading retailer of women's plus-size apparel. The firm operates three divisions: Fashion Bug, Lane Bryant and Catherines, with company sales expected to exceed \$2.3 billion this year and \$2.5 billion next year. Charming's emphasis on profit margin improvement is expected to result in above-average earnings growth in coming quarters.

Earnings seem likely to rise sharply this year and next, reaching about \$0.60 per share in the current fiscal year ending January, 2005. More importantly, a further increase to the \$0.80 to \$0.90 per share range is projected next year.

As the average size of American women keeps increasing (a long-term trend over the course of decades), the segment of the apparel industry catering to this customer has maintained steady gains. Consequently, the multiple awarded Charming Shoppes could reach the 16-18 times level, resulting in the stock price rising to around \$14 per share during the next 12 to 15 months.

Analyst's Certification: I Alan M. Silverman certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their securities. I also certify that I have not been and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendations in this report.

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