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November 7, 2003

COMPANY SUMMARY

Retail:

Total company sales of **Retail Ventures (RVI - \$6.21)** probably will exceed \$2.5 billion in the current fiscal year. More importantly, the firm is expected to report net profits, in contrast to losses sustained during the past three years. Despite operating losses, cash flow is strong, reflecting high depreciation and amortization, which exceeds capital expenditures. New, more effective senior management has improved operations for all three of the company divisions: Value City discount stores, DSW Shoe Warehouse and Filene's Basement, a chain selling branded apparel and home products at lower prices than traditional department stores.

We project sales of \$3 billion or higher next year and an acceleration in earnings to approximately \$0.50 per share, reflecting a continued turnaround. In addition, a marked positive change in Retail Ventures' weak balance sheet is anticipated. A strong retailing environment enabling further significant internal gains is likely to result in earnings reaching an annual rate of \$60 to \$70 million, or around \$1.50 per share within 12 to 18 months.

We recommend purchase of Retail Ventures stock for risk-oriented accounts.

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.