

Edgar Filing: CHARMING SHOPPES INC - Form 8-K

CHARMING SHOPPES INC
Form 8-K
November 21, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report Pursuant
to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported) November 21, 2002

Charming Shoppes, Inc.

(Exact Name of Registrant as Specified in its Charter)

Pennsylvania

(State or Other Jurisdiction of Incorporation)

000-07258

(Commission File Number)

23-1721355

(I.R.S. Employer Identification No.)

450 Winks Lane
Bensalem, Pennsylvania

(Address of Principal Executive Offices)

19020

(Zip Code)

(215) 245-9100

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Item 5. Other Events and Regulation FD Disclosure

On November 21, 2002, Charming Shoppes, Inc. (the "Company") issued a press release announcing its third quarter earnings results and re-projected earnings guidance for the fourth quarter and fiscal year 2003. The following is an excerpt of financial information included in the text of the release:

Edgar Filing: CHARMING SHOPPES INC - Form 8-K

CHARMING SHOPPES REPORTS THIRD QUARTER EARNINGS RESULTS AND RE-PROJECTS EARNINGS GUIDANCE FOR FOURTH QUARTER AND FISCAL YEAR 2003

Bensalem, PA., November 21, 2002 - Charming Shoppes, Inc. (NASDAQ:CHRS) the retail apparel chain specializing in women's plus-size apparel, today reported earnings and sales for the third quarter ended November 2, 2002.

For the three months ended November 2, 2002, net income was \$502,000 or \$0.00 per diluted share. Net income includes a pretax restructuring credit in the amount of \$1,351,000, related to a restructuring charge recorded on January 28, 2002. Excluding the restructuring credit, net loss was \$321,000, or \$0.00 per diluted share, compared to net income of \$160,000 or \$0.00 per diluted share for the corresponding period last year.

Sales for the quarter ended November 2, 2002 decreased 1% to \$542,332,000, compared to sales of \$549,295,000 during the corresponding period of the prior year. Sales for the three months include sales from Lane Bryant from the August 16, 2001 date of acquisition. Comparable store sales for the corporation decreased 4% for the quarter ended November 2, 2002.

For the nine months ended November 2, 2002, net income was \$42,362,000 or \$0.35 per diluted share, before the cumulative effect of an accounting change, described below. Net income includes a pretax restructuring credit in the amount of \$1,351,000, related to a restructuring charge recorded on January 28, 2002. Excluding the restructuring credit and the cumulative effect of an accounting change, net income was \$41,538,000, or \$0.34 per diluted share, an increase of 78% compared to net income of \$23,388,000 or \$0.22 per diluted share for the corresponding period last year.

Sales for the nine months ended November 2, 2002 increased 35% to \$1,811,255,000 compared to sales of \$1,346,756,000 during the corresponding period of the prior year. Sales for the nine months include sales from Lane Bryant from the August 16, 2001 date of acquisition. Comparable store sales for the corporation decreased 1% for the nine months ended November 2, 2002.

The Company has re-projected earnings per share of \$0.00 for the fourth quarter Fiscal 2003, based on revised comparable store sales projections for a negative low-to-mid single digit comp. This projection is based on fourth quarter comparative store sales for Lane Bryant in the negative mid-to-high single digit range, and positive low single digits for Fashion Bug and Catherines.

The Company has also re-projected earnings per share of \$0.34 for the Fiscal Year 2003, excluding a restructuring credit and the cumulative effect of an accounting change, as compared to \$0.19 per share for Fiscal Year 2002, excluding a pre-tax restructuring charge of \$37.7 million, which was recorded on January 28, 2002.

Related to the adoption of FASB Statement 142, "Goodwill and Other Intangible Assets", the Company had previously recorded a cumulative effect of an accounting change in the amount of \$43,975,000, or \$0.33 per diluted share, effective as of the beginning of the current fiscal year. Net loss after the cumulative effect of an accounting change and the restructuring credit was \$1,613,000 or \$0.01 income per diluted share for the nine months ended November 2, 2002.

Edgar Filing: CHARMING SHOPPES INC - Form 8-K

At the end of the quarter, Charming Shoppes, Inc., operated 2,340 stores in 48 states under the names LANE BRYANT(R), FASHION BUG(R), FASHION BUG PLUS(R), CATHERINE'S PLUS SIZES(R), MONSOON(R) and ACCESSORIZE(R). Monsoon and Accessorize are registered trademarks of Monsoon Accessorize Ltd. During the nine months ended November 2, 2002, the Company opened 59, converted 41, relocated 32, and closed 163 stores. The Company ended the quarter with 1,159 Fashion Bug and Fashion Bug Plus stores, 696 Lane Bryant stores, 475 Catherine's Plus Sizes stores, and 10 Monsoon/Accessorize stores. The Company ended the quarter with approximately 16,568,000 square feet of leased space. Please visit www.charmingshoppes.com for additional information about Charming Shoppes, Inc.

This press release contains certain forward-looking statements concerning the Company's operations, performance, and financial condition. These forward-looking statements include statements regarding future performance, including earnings, sales performance, and other matters. Such forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those indicated. Such risks and uncertainties may include, but are not limited to: failure to achieve successful integrations, failure to successfully implement the restructuring plan, failure to successfully implement the Company's business plan for increased profitability and growth in the plus-size women's apparel business, the availability of suitable store locations on appropriate terms, changes in or miscalculation of fashion trends, extreme or unseasonable weather conditions, economic downturns, a weakness in overall consumer demand, the ability to hire and train associates, trade restrictions and political or financial instability in countries where goods are manufactured, the interruption of merchandise flow to the Company's retail stores from its centralized distribution facilities, competitive pressures, and the adverse effects of acts or threats of war, terrorism, or other armed conflict on the United States and international economies. These, and other risks and uncertainties, are detailed in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2002. Charming Shoppes assumes no duty to update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

CHARMING SHOPPES, INC.

(in thousands except per share amounts)	Percent Change	3rd Quarter Ended November 2, 2002 (a)	Percent of Sales	3rd Quar Ended November 2001 (b)
	-----	-----	-----	-----
Net sales	(1.3)%	\$542,332	100.0%	\$549,2
Cost of goods sold, buying, and occupancy	(1.6)	389,748	71.9	396,0
Selling, general, and administrative	1.4	148,323	27.3	146,2
Restructuring credit	N/A	(1,351)	(0.2)	
Amortization of goodwill	(100.0)	0	0.0	1,2
Total operating expenses	(1.2)	536,720	99.0	543,4
Income from operations	(3.2)	5,612	1.0	5,8
Other income, principally interest	(36.4)	698	0.1	1,0

Edgar Filing: CHARMING SHOPPES INC - Form 8-K

Interest expense	(29.7)	(4,667)	(0.8)	(6,6
Income before income taxes	527.1	1,643	0.3	2
Income tax provision	N/A	1,177	0.2	1
Income before minority interest	191.3	466	0.1	1
Minority interest in net loss of consolidated subsidiary	N/A	36	0.0	
Net income	213.8 %	\$ 502	0.1%	\$ 1
Basic net income per share		\$ --		\$
Weighted average shares outstanding		115,605		109,5
Net income per share, assuming dilution		\$ --		\$
Weighted average shares and equivalents outstanding		116,611		110,5

CHARMING SHOPPES, INC.

(in thousands except per share amounts)	Percent Change	Nine Months Ended November 2, 2002 (a)	Percent of Sales	Nine Months Ended November 2001 (b)
Net sales	34.5 %	\$1,811,255	100.0%	\$1,346,
Cost of goods sold, buying, and occupancy	30.4	1,269,802	70.1	973,
Selling, general, and administrative	41.4	458,870	25.4	324,
Restructuring credit	N/A	(1,351)	(0.1)	
Amortization of goodwill	(100.0)	0	0.0	3,
Total operating expenses	32.7	1,727,321	95.4	1,301,
Income from operations	86.0	83,934	4.6	45,
Other income, principally interest	(58.7)	1,861	0.1	4,
Interest expense	50.3	(17,147)	(0.9)	(11,
Income before income taxes and cumulative effect of accounting change	79.6	68,648	3.8	38,
Income tax provision	80.6	26,773	1.5	14,
Income before minority interest and cumulative effect of accounting change	79.0	41,875	2.4	23,
Minority interest in net loss of consolidated subsidiary	N/A	487	0.0	
Income before cumulative effect of accounting change ...	81.1	42,362	2.3	23,
Cumulative effect of accounting change (c)	N/A	(43,975)	(2.4)	
Net income (loss)	(106.9)%	\$ (1,613)	0.0%	\$ 23,
Basic net income (loss) per share:				
Income before cumulative effect of accounting change ...		\$ 0.37		\$ 0

Edgar Filing: CHARMING SHOPPES INC - Form 8-K

Cumulative effect of accounting change(c)	(0.38)	0
Net income (loss)	\$ (0.01)	\$ 0
Weighted average shares outstanding	114,323	104,
Net income (loss) per share, assuming dilution:		
Income before cumulative effect of accounting change ...	\$ 0.35	\$ 0
Cumulative effect of accounting change(c)	(0.33)	0
Net income (loss)(d)	\$ 0.01	\$ 0
Weighted average shares and equivalents outstanding	132,002	105,

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CHARMING SHOPPES, INC.
(Registrant)

Dated: November 21, 2002

By: /S/ Eric. M. Specter

Name: Eric M. Specter
Title: Executive Vice President