

CHARMING SHOPPES INC

Form DEFA14A

April 18, 2008

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A  
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (AMENDMENT NO. )

Filed by the Registrant  [X]  
Filed by a Party other than  [ ]  
Registrant

Check the appropriate box:

- [ ] Preliminary Proxy Statement.  
 [ ] Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).  
 [ ] Definitive Proxy Statement.  
 [X] Definitive Additional Materials.  
 [ ] Soliciting Material Pursuant to Rule 14a-12.

CHARMING SHOPPES, INC.  
(Name of registration as specified in its charter)

Payment of Filing Fee (Check the appropriate box)

[X] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

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2. Aggregate number of securities to which transaction applies:
3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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1. Amount Previously Paid:
2. Form, Schedule or Registration Statement No.:
3. Filing Party:
4. Date Filed:

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PROXY COMMUNICATION STATEMENT:

On April 2, 2008, Charming Shoppes, Inc. filed a definitive proxy statement with the Securities and Exchange Commission (the "SEC") in connection with the 2008 Annual Meeting of Shareholders of Charming Shoppes, Inc., and began the process of mailing the definitive proxy statement and a GOLD proxy card to shareholders. Charming Shoppes' shareholders are strongly advised to read Charming Shoppes' proxy statement as it contains important information. Shareholders may obtain an additional copy of Charming Shoppes' definitive proxy statement and any other documents filed by Charming Shoppes with the SEC for free at the SEC's website at <http://www.sec.gov>. Copies of the definitive proxy statement are available for free at Charming Shoppes' website at <http://www.charmingshoppes.com>. In addition, copies of Charming Shoppes' proxy materials may be requested at no charge by contacting MacKenzie Partners, Inc. at 1-800-322-2885 or via email at [charming@mackenziepartners.com](mailto:charming@mackenziepartners.com). Detailed information regarding the names, affiliations and interests of individuals who are participants in the solicitation of proxies of Charming Shoppes' shareholders is available in Charming Shoppes' definitive proxy statement filed with SEC on April 2, 2008.



Investor Presentation  
Charming Shoppes, Inc.  
April 2008

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This presentation contains certain forward-looking statements concerning the Company's operations, performance, and financial condition. 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: the failure to effectively implement the Company's plan for consolidation of the Catherines Plus Sizes brand and a new organizational structure, the failure to implement the Company's business plan for increased profitability and growth in the Company's retail stores and direct-to-consumer segments, the failure of changes in management to achieve improvement in the Company's competitive position, the failure to successfully implement the Company's integration of operations of, and the business plan for, Crosstown Traders, Inc., adverse changes in costs vital to catalog operations, such as postage, paper and acquisition of prospects, declining response rates to catalog offerings, failure to maintain efficient and uninterrupted order-taking and fulfillment in our direct-to-consumer business, changes in or miscalculation of fashion trends, extreme or unseasonable weather conditions, economic downturns, escalation of energy costs, a weakness in overall consumer demand, failure to find suitable store locations, increases in wage rates, the ability to hire and train associates, trade and security restrictions and political or financial instability in countries where goods are manufactured, the interruption of merchandise flow from the Company's centralized distribution facilities, competitive pressures, and the adverse effects of natural disasters, war, acts of terrorism or threats of either, 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, 2008 and other Company filings with the Securities and Exchange Commission. 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.

Forward-Looking Statements

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Dorrit J. Bern  
Chairman, CEO and President

Eric M. Specter  
Executive Vice President and CFO

Katherine M. Hudson  
Lead Independent Director

William O. Albertini  
Chairman, Finance Committee

Yvonne M. Curl  
Chairman, Corporate Governance and Nominating Committee

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Key Messages

- Charming Shoppes is committed to being the leader in women’s plus-size apparel, and our focused multi-brand, multi-channel strategy is the right plan to create long-term shareholder value
    - Charming Shoppes has in place a highly-experienced Board and management team with significant retail industry expertise to implement our strategic plan
  - Charming Shoppes’ Board and management team have a proven record of navigating challenging retail and economic environments and repositioning the Company to gain market share and grow profitability
  - The dissident’s nominees have limited relevant experience, bring no new ideas to Charming Shoppes, and if elected, would advance a short-term financial reengineering scheme that would disrupt the implementation of our strategy and undermine the future growth of the Company
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(1) Source: AOA Overweight Prevalence.

We Are Synonymous With Plus-Sizes

- We are a multi-brand, multi-channel women's apparel retailer, leaders in specialty plus-sizes, with \$3 billion in annual sales
    - > 74%, or \$2.2 billion in plus-related sales
  - We serve the plus market through our multiple brands:
    - > Lane Bryant
    - > Fashion Bug
    - > Catherines Plus Sizes
  - The average size of American women is 14
  - Our brands serve 62%(1) of America's female population
-

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(1) Derived From NPD Group Data and Company information.

We Are Synonymous With Plus-Sizes

- Lane Bryant is the leading brand in women's plus apparel
    - We are the fit authority in women's plus apparel
  - No other retailer or firm possesses as much expertise and knowledge as we do in women's plus apparel
  - > We hold the #1 market position in women's specialty plus apparel, with approximately 40% share(1)
  - > We hold the #2 market position across all venues selling women's plus apparel, with approximately 10% share(1)
  - > We achieved these market leading positions through both core and acquisition growth
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Catherines  
Shoe Catalog  
2000  
2005  
2001  
2006  
2007  
1999

Fashion  
Bug  
1996

G R O W P L U S  
Channel Expansion  
Outlets  
Open  
Lane Bryant  
Catalog  
Acquisition of  
Crosstown  
Traders  
Acquisition of  
Catherines  
Plus Sizes  
Acquisition of  
Lane Bryant  
Retail Stores (1)  
Acquisition of  
Modern  
Woman Plus  
Acquisition of  
alight.com Plus

(1) In 2001, Acquisition of Lane Bryant excluded catalog naming rights, which reverted to Lane Bryant in 2007.

Strategy: Become The Leader In

Women's Plus Apparel

- In 1996, we began to reposition Charming Shoppes to be the women's specialty plus apparel leader

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History of Managing Through  
Economic Downturns

- During the 2002 / 2003 economic downturn, we took the following actions:
    - > Refocused merchandising and store execution at all brands
    - > Controlled inventory
    - > Reduced overhead costs
    - > Conserved cash
  - ...and over the next several years, we successfully returned the business to growth and enhanced profitability...
    - > Increased the top-line from \$2.3 billion to \$3.1 billion
    - > Increased operating margins from 3.2% to 5.6%
      - > Achieved a 33% operating earnings CAGR
    - > Culminated in record sales and earnings in 2006
-

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Stock Price Performance (1/1/03 - 1/27/06)

(1) Index includes Ann Taylor, Cato, Chico's, Christopher & Banks, Deb Shops and Dress Barn. Deb Shops share price measured from March 2003 to close of Lee Equity's acquisition in October 2007.

+275%

+50%

+231%

Peers (1)

CHRS

S&P 500

Shareholder Value Creation Following the  
2002 / 2003 Economic Downturn

- 275% share price appreciation in the three fiscal years following the downturn
    - Rebound in women's specialty apparel is a leading indicator to an improving economy
  - Demonstrates our ability to manage through difficult times, position the Company for increased profitability and create shareholder value over the long-term
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(1) Excludes the impairment of goodwill and intangible assets and restructuring charges recorded in the fourth quarter of 2007. Please refer to <http://phx.corporate-ir.net/phoenix.zhtml?c=106124&p=irol-audioarchives> for a GAAP to non-GAAP reconciliation.

	1st Half 2007	2nd Half 2007(1)	2007(1)
Sales	\$1.6 billion	\$1.4 billion	\$3.0 billion
Income from Operations	\$71.2 million	\$(37.6) million	\$33.6 million
EPS	\$0.34	\$(0.18)	\$0.16

Macro-Economic and  
Business Performance Shifts

- Following a year of record sales and earnings in 2006, we entered 2007 with much optimism about our proven growth strategy and planned the business accordingly
  - During the 1st half of 2007, we continued to meet our objectives
- Mid-2007, with a significant economic downturn, our performance changed sharply

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(1) Source: The Conference Board.

Current Economic Downturn

- 2007 was the worst Christmas season in 20 years
  - The Consumer Confidence Expectations Index(1) is now at a 35-year low (December 1973, 45.2)
- > 42% of Americans believe we are in a recession; 46% believe we are on the way
- > Escalating Food Costs, Record Food Stamp Recipients, Credit Crisis, Energy Costs, Weakening Housing Market - all leading to less disposable income
- Our customer - The Plus Apparel Consumer - falls in the heart of where America is being economically impacted
  - The result: declining discretionary spending has led to significant decreases in retail traffic
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Stock Price Performance (6/1/07 - 2/1/08)

(1) Index includes Ann Taylor, Cato, Chico's, Christopher & Banks, Deb Shops and Dress Barn. Deb Shops share price measured from March 2003 to close of Lee Equity's acquisition in October 2007.

Indexed Price (%)

(46%)

(9%)

(47%)

CHRS

Peers (1)

S&P 500

Recent Downturn Remains a Challenge for  
Specialty Apparel Companies

- Our stock price performance during this period has been in-line with our peers in the retail apparel sector
  - Through a series of recently announced initiatives, we are positioning Charming Shoppes for growth when the current retail downturn abates

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2008: Managing Through The  
Downturn

- As in 2002 / 2003, we have taken a number of actions:
    - > Streamlined operations
    - > Eliminated 13% of corporate positions
    - > Closing 150 underperforming stores
    - > Reduced inventory by 19% on a same-store basis
  - > Resulting in \$28 million in planned annualized cost savings
    - Increasing financial flexibility and liquidity
  - > We have made “conserving cash” a priority during the downturn
  - > We are exploring further capital budget reductions, in addition to a \$43 million reduction for FY2009
    - > Temporarily suspended share repurchase program
-

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Current Revenue Mix  
Lane Bryant Brand Contributing More  
Than 45% Of Total Revenues

Revenue Mix Goal

Key Strategic Objectives

- Leveraging our leading market share position in women's plus apparel
    - Growing our core brands through multiple channels
  - Shifting the mix to higher operating margin businesses, while growing our revenues in our core brands
-

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Merchandise and Marketing Initiatives  
Lane Bryant: Primary Growth Catalyst and  
Focus of Our Capital Investments  
Growing EBITDA Margins(1)

2003

7.8%

2006

12.8%

Increasing Sales Over the Past Three Years(2)

(3)

(1) Excludes corporate allocations.

(2) 2006 and 2007 figures include sales from Lane Bryant Outlet.

(3) 2006 consisted of 53 weeks.

2007

9.8%

- Average of \$43 million in capital expenditures over each of the last three years
  - Drive bottoms growth through "Fit" expertise
    - > Expanded Right Fit by Lane Bryant™ from denim to career pants
      - Expanded intimate apparel offerings
        - > Product innovation - primarily in bras
  - Additional national brands in intimate apparel
  - Expanding on the new proprietary credit with rewards program
    - Recently launched Lane Bryant Catalog
      - Launched Lane Bryant Outlet
  - Grow e-commerce sales in excess of 20% annually
    - Leverage cross-brand inventory
  - Utilize Customer Relationship Management (CRM) for targeted direct mail
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