



April 1, 2003 11:31 p.m. EST

INSIDE TRACK

Retailer's Insider Buys Lack
Heft Needed to Be Big Signal

By TONY COOKE
DOW JONES NEWSWIRES

WASHINGTON -- Insiders at Charming Shoppes Inc. and observers of insider transactions agree: Bigger is better.

Each group, however, applies that insight in a different way.

The insiders at Charming Shoppes, a Bensalem, Pa., retailer of plus-size women's apparel, are counting on their market growing as U.S. demographic trends point toward larger numbers of larger customers. But analysts of insider data say the size of the insider transactions matters, and for the most part they aren't hugely impressed with trading activity at Charming Shoppes.

INSIDER SPOTLIGHT

See a rundown of insider-trading activity for the most recent week, including the top individual insiders making purchases and sales and the companies with the most insider activity.

Four company executives and a director bought a total of 74,000 shares in the last two weeks, paying nearly \$250,000 -- an average of \$3.35 a share, according to data from Thomson Financial. Charming Shoppes shares recently traded at \$3.60 each.

Gayle Coolick, director of investor relations for Charming Shoppes, said the company is poised to take advantage of an oft-noted U.S. demographic trend.

"A lot of organizations come out with statistics about how Americans are continuing to gain weight," she said. "We are one of the few retailers that focuses on ladies' plus-sizes, and that sets us apart from other apparel retailers."

Ms. Coolick said that Charming Shoppes, whose stores include Fashion Bug, Catherine's and Lane Bryant, is in a cautious phase because of the difficult retail environment, but the company has ambitious growth plans. In the next five years, she said, the company plans to increase the number of Lane

Bryant stores to 1,000 from 689 and the number of Catherine's stores to the 700-to-800 range from the current 467.

Analysts of insider data, while acknowledging the bullish signal sent by Charming Shoppes insiders, say the strength of that signal is diminished by the relatively small amount of money being spent. "The threshold I look at is \$50,000 at a minimum," said Lon Gerber director of insider research for Thomson Financial. "I'm thinking that really for an executive to step up, they have to put in \$50,000."

Mr. Gerber noted that only two of the five Charming Shoppes transactions passed that benchmark. "When looking at that, I would basically consider it two buys [rather than five]," he said.

What's more, Jonathan Moreland, director of research for Insiderinsights.com, said the significance of the largest transactions is weakened by the size of the executives' pay, relative to the buying.

Chairman and Chief Executive Dorrit J. Bern, for example, was paid \$1.3 million in salary and bonus for the fiscal year that ended Feb. 2, 2002, according to a regulatory filing. In addition, he got restricted stock-and-options grants valued at an additional \$1.8 million.

Mr. Bern was the biggest buyer in recent weeks, paying \$119,760 for 35,000 company shares, according to data from Thomson Financial.

"Dorrit Bern earned over \$3 million last [fiscal] year, so he bought \$100,000 worth of shares. It's hard to think of that as a strong signal," said Mr. Moreland. A similar-sized purchase by a less well-compensated executive would be a more positive sign, said Mr. Moreland.

George Muzea, the president of Muzea Insider Consulting Services, also wasn't excessively impressed, saying the recent purchases seemed "kind of token-ish."

Mr. Muzea, who recently published a book on insider trends, noted that Mr. Bern sold more than \$1 million in company stock when it was trading above \$8 a share last April. A larger vote of confidence -- measured in dollars -- would seem to be appropriate at the stock's current level, he said.

Still, Mr. Muzea said, his firm gave Charming Shoppes a "buy" rating last week based on the insider activity. "It's a positive pattern," he said, "but it's our weakest ['buy'] rating."

Among insider analysts, Market Profile Theorems research director Michael Painchaud is a dissenter on the importance of the size of insider transactions. While Mr. Painchaud regards the size of buys as a significant factor, other factors -- including the number of insiders acting -- are more important, he says.

Mr. Painchaud, whose firm gives Charming Shoppes its highest "buy" rating, said Mr. Bern's previous sales actually strengthen the bullish signal sent by the current purchases -- because those sales accurately reflected the fact that the stock was about to go down.

"Size is important," he said, "but it's not that important."

Mr. Moreland said he considered the insider activity positive, though not perfect. "Perfect signals are few and far between," he said, and Charming Shoppes "is definitely one I will keep on my radar."

Write to Tony Cooke at tony.cooke@dowjones.com2