



## Investment Profile

November 2003

Continuously  
Improving Results  
(FY2003 vs 2002)

Shareholders' Equity 27%

Total Debt 41%

Interest Expense 49%

### AMEX: MSI

Recent Price (10/31/03).....\$2.61

52-Wk Range.....\$2.75-\$0.38

Last 12 mos EPS.....\$0.23

2003 Diluted EPS.....\$0.22

2002 Diluted EPS.....\$0.04

P/E Trailing 12 mos.....11.4x

Book Value per Share\*.....\$1.12

Shares Outstanding.....15.5MM

Public Float.....11.6MM

Fiscal Year End.....June

\*At June 30, 2003

FISCAL 2003 NET INCOME

**UP 527%**

*This report was prepared by  
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Established in 1935, Movie Star, Inc., manufactures, markets, and sells an extensive line of ladies' sleepwear, robes, leisurewear, loungewear, intimate apparel, and daywear. The company's products are sold to discount, specialty, national and regional chain, mass-merchandise and department stores, and direct-mail catalog marketers throughout the United States. Headquartered in New York City, Movie Star, Inc., directly employs approximately 250 people and has affiliated manufacturing operations in Asia and the Caribbean. The company's two largest customers—Wal-Mart and Sears—accounted for approximately 51% of fiscal 2003 sales.

### Strategy for Growth

During the mid-1990s, sales and earnings were restrained by industry consolidation. High domestic manufacturing costs, and delays in engaging reliable offshore contractors and obtaining sufficient quantities of acceptable-quality finished products from overseas, compounded the sales and earnings strains.

By the end of the decade, the company began to regain a portion of its lost sales by creating innovative designs at competitive prices and improving on-time delivery and product quality by shifting production to offshore-based contractors and developing infrastructures in these locations, essentially giving the company greater control. Today, Movie Star maintains an in-house design staff, providing the flexibility to work with merchandise buyers on strategic fashion designs and price points, making regular new-product introductions an important part of its growth strategy.

### Building Momentum

Cost-reduction initiatives implemented over the last three years included closing the company's retail operation; lowering shipping costs by consolidating the Virginia distribution operation into its Mississippi facility; further increasing the percentage of finished good packages purchased offshore, providing the benefit of reduced inventory levels and higher margins; and successfully refinancing its debt—which dramatically reduced interest expense and further solidified the balance sheet. Using proceeds from operating cash flow, the Virginia facility sale, and working capital improvements, the company reduced total debt by 60% during fiscal 2002.



Despite the challenging economic environment in fiscal 2003, the Company's efforts in creating a financially strong, well-controlled, and streamlined operation continued to produce tangible benefits as the year progressed and is further positioning the Company to consider opportunities to expand its business. These actions have resulted in impressive bottomline growth as broadbased acceleration in demand, beginning in the second quarter and reaching across all distribution channels, simultaneously drove the topline. For the 2003 full fiscal year, total revenues of \$64.9 million were 19% higher than the previous year; gross margins expanded 370 basis points to 31.7%; and net income surged six-fold to \$3.4 million.

Business is off to a good start in fiscal 2004 as net income in the first quarter increased 27.3%, on a 6.6% improvement in sales compared with the same period last year. Management, while working to consistently achieve improved financial results, does not provide specific guidance on its business outlook.



## Selected Financial Information

(In thousands, except per share data)

|  | Three Months Ended<br>September 30, |                | Fiscal Year Ended<br>June 30, |           |
|--|-------------------------------------|----------------|-------------------------------|-----------|
|  | 2003                                | 2002           | 2003                          | 2002      |
| Net sales                                    | \$ 16,826                           | \$ 15,780      | \$ 64,916                     | \$ 54,359 |
| Cost of sales                                | 11,544                              | 11,094         | 44,345                        | 39,157    |
| Selling, general and administrative expenses | 3,819                               | 3,469          | 14,623                        | 13,689    |
| Income from operations                       | 1,463                               | 1,217          | 5,948                         | 1,513     |
| Reported net income                          | \$ 853                              | \$ 670         | \$ 3,431                      | \$ 547    |
| Reported net income per share:               |                                     |                |                               |           |
| Basic  | \$ 0.06                             | \$ 0.04        | \$ 0.23                       | \$ 0.04   |
| Diluted                                      | \$ 0.05                             | \$ 0.04        | \$ 0.22                       | \$ 0.04   |
|  | <u>9/30/03</u>                      | <u>9/30/02</u> | <u>6/30/03</u>                |           |
| Total assets                                 | \$25,802                            | \$27,308       | \$24,089                      |           |
| Total debt                                   | \$ 4,374                            | \$ 8,988       | \$ 2,629                      |           |
| Shareholders' equity                         | \$18,234                            | \$14,294       | \$17,264                      |           |



Movie Star's products include ladies' nightgowns, peignoir ensembles, robes, leisurewear, beachwear, and daywear such as slips, teddies, camisoles, and cami top sets.

## Investment Considerations

- At September 31, 2003, the current ratio was 3.4:1, total debt was just 17% of total assets.
- The company has an impressive client base, with Wal-Mart and Sears accounting for approximately 51% of consolidated fiscal 2003 revenues. Movie Star has been awarded Wal-Mart's Vendor Partner Award of Excellence based on merchandise quality, fulfillment execution, and market expertise.
- Now a leaner and more competitive company, Movie Star's disciplined focus on growing sales in fiscal 2003 resulted in sharply higher sales volume, which when combined with much better margins resulting from improved sourcing, produced the most profitable fiscal year in its history.

## Investor Information

Portfolio managers, security analysts, stockbrokers, and other investors seeking information about Movie Star, Inc., are invited to visit the company's website ([moviestarinc.com](http://moviestarinc.com)) or contact either:

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-or-

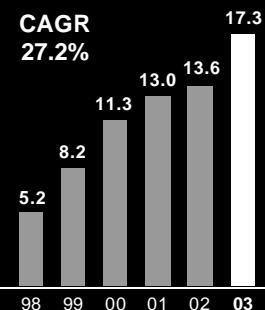
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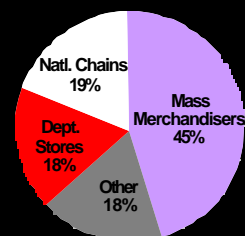


## Shareholders' Equity

More Than Triples Last Five Years (\$MM)



## Fiscal 2003 Sales



Other:  
Discount Stores  
Specialty Stores  
Regional Chains  
Direct-Mail Catalog Marketers

## Total Debt

Slashed by 88 Percent  
Fiscal 1998-2003 (\$MM)

