

Due Diligence Report: Share Split and Volatility Conference Call Move ATV 630%

Summary

Acorn International Inc., incorporated on December 20, 2005, is a China-based marketing and branding company. The Company's business consists of two main divisions: direct-sales platforms and the company's distribution network. The Company's direct-sales business involves marketing and selling products directly to consumers in China through various platforms, including its outbound marketing platform, Internet sales and catalog sales. The Company offers over 1,800 products through its outbound marketing and online stores, as well as its distribution network. Through its outbound marketing platform, the Company operates call centers that directly market consumer products to individual customers in China. As of December 31, 2014, the Company's database contained approximately 18.9 million names of individual customers. The Company operates call centers in Beijing and Wuxi, which process telephone orders generated by its direct-sales platforms. The Company conducts its Internet sales business both through its Website and on the platforms of e-commerce companies. In addition to its official Website, it maintained e-shops on various e-commerce platforms in China, including T-mall.com, Taobao, JD.com, and Amazon to provide products and services to its end-customers. The Company's catalog sales are conducted through its catalogs, which are distributed with the products purchased and shipped to its customers. As of December 31, 2014, the Company sold over 1,100 kinds of products via its catalogs. In addition to its direct-sales platforms, the Company maintains a distribution network through which it distributes some of its products promoted by its direct-sales platforms, including its various product lines. The Company's distribution network covers all provinces in China through more than 25 distributors, and reaches over 2,600 retail outlets across China. These retail outlets include bookstores, supermarkets, pharmacies, specialty retail chains and department stores. As of December 31, 2014, the Company featured products in the following categories and under the following brands: Electronic Learning Products featuring the Ozing branded electronic learning device incorporating mobile Internet interactive features, such as online tutoring services; Collectibles Products; Health Products featuring Babaka posture correction products; Kitchen and Household Products featuring Rose branded knives and True Sleeper household products, and Mobile Phone Products featuring Gionee and Konka branded mobile phones.

Acorn International Inc. has a current market capitalization of \$13.42 M with 82.75 M outstanding shares. Its daily average volume traded is 15,179 shares.

Key Indicators (Q3 2015)

Shares Outstanding	82.75 M
Revenue	20.59 M
Gross Profit	7.12 M
Net Loss (basic/diluted)	-13.78 M
Cash and Short-term Inv	34.69 M
Total Debt	8.51 M

Performance (6 months)



Recent News and Analysis:

The company recently announced that it will change the ratio of its American depository shares to ordinary shares, par value \$0.01 per share from 1:3 to 1:20. The effective date of the Ratio Change is expected to be on November 30, 2015. Pursuant to the Ratio Change, the record holders of the Company's ADS as of the effective date will be entitled to receive three new ADS, each representing twenty Shares, in exchange for every twenty ADSs surrendered by them (or, stated another way, 0.15 new ADSs for each ADSs surrendered by them). For Acorn's ADS holders, this ratio change will have the same effect as a three-for-twenty reverse ADS split. No new Shares will be issued in connection with the Ratio Change and Acorn's ADSs will continue to be traded on the New York Stock Exchange (the "NYSE") under the symbol "ATV". Citibank, N.A. will contact ADS holders and arrange for the exchange of their current ADSs for new ADSs. As a result of this Ratio Change, the ADS price is expected to automatically increase proportionally, although the Company can give no assurance that the post-change ADS price will be equal to or greater than the pre-change ADS price multiplied by the ratio. The effect on the ADS price will take place on November 30, 2015. The Company believes that the Ratio Change is in the best interests of its shareholders as it will assist the Company in regaining compliance with the minimum average closing price continued listing standard of the NYSE. However, the Company can give no assurance that this goal will be achieved upon the effectiveness of the Ratio Change.

Analysts hold a neutral ranking for this stock as several factors are changing as recently evident by the share split and management conference call regarding recent volatility. Following the split the shares appear to have jumped as much as 630%, but this is incorrect as this price increase is a direct result of the split.

Conclusions:

The mean estimate for the short term price target for Acorn International, Inc., stands at \$4.00 according to 1 Analyst with a hold recommendation. ATV, which develops, promotes, and sells a portfolio of proprietary-branded products, jumped a hefty 630% on heavy volume of 5.12 M shares, well above the daily average of just over 15k shares. It is believed that this jump is the result of the share split announced several days ago and the results of the conference call where management addressed the volatility. This company is generating a revenue and has cash on hand. Despite the net loss, the financials are strong and management can help move this company higher.

Sources:

1. <http://stockcharts.com/h-sc/ui?s=ATV&p=D&b=5&g=0&id=p41045989762>
2. http://www.google.ca/finance?q=NYSE%3AATV&fstype=ii&hl=en&gl=ca&ei=nHNeVqAflsKMAeS_ouAJ
3. <https://ca.finance.yahoo.com/q?s=ATV&ql=0>
4. <http://www.stocksnewswire.com/business-finance/investors-focused-stocks-acorn-international-inc-adr-nyseatv-alphabet-inc-nasdaqgoogl-facebook-inc-nasdaqfb/abcd/13809/>
5. <http://finance.yahoo.com/news/acorn-international-hold-conference-call-212300829.html>

Risk Factors

An investment in the common stock of the company is subject to a number of risks. The information below contains latest filings and risk factors that should be considered by all investors. Investors should carefully consider the risk factors set out below and consider all other information contained herein, and in the company's SEC filings, before making an investment decision. We assume no obligation to update or revise any such forward looking statements to reflect events or circumstances that occur after such statements are made. A complete list of filings including the risk factors for the company can be found here: <http://www.sec.gov/cgi-bin/browse-edgar?CIK=prgn&Find=Search&owner=exclude&action=getcompany>

Disclosure: I, Robert Borowski, research analyst have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours. I wrote this article myself, and it expresses my own opinions and I have no business relationship with any company whose stock is mentioned in the article.

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