

## Due Diligence Report: ARO Jumps 32% in 7 Sessions on New Product Line

### Summary

Aeropostale, Inc., incorporated on September 1, 1995, is a mall-based, specialty retailer of casual apparel and accessories. The Company operates through two segments: retail stores and e-commerce, and international licensing. It is principally focused on 14 to 17 year-old young women and men through its Aeropostale stores and 4 to 12 year-olds through its P.S. from Aeropostale stores. As of January 31, 2015, it operated 860 stores, consisting of 773 Aeropostale stores in all 50 states and Puerto Rico, 61 Aeropostale stores in Canada, as well as 26 P.S. from Aeropostale stores in 12 states. In addition, pursuant to various licensing agreements, its licensees operated 239 Aeropostale and P.S. from Aeropostale locations in the Middle East, Asia, Europe and Latin America as of January 31, 2015. Its products are sold in Aeropostale stores and online at [www.aeropostale.com](http://www.aeropostale.com). P.S. from Aeropostale products are sold in P.S. from Aeropostale stores, in certain Aeropostale stores and online at [www.ps4u.com](http://www.ps4u.com) and [www.aeropostale.com](http://www.aeropostale.com). It also operates GoJane.com, an online women's fashion footwear and apparel retailer. GoJane products are sold online at [www.gojane.com](http://www.gojane.com)

Aeropostale, Inc. has a current market capitalization of \$54.94 M with 79.61 M outstanding shares. Its daily average volume traded is 1.45 M shares.

### Key Indicators (Q2 2015)

Shares Outstanding	79.61 M
Revenue (FY 2014)	326.86
Gross Profit	58.33 M
Net Loss (basic/diluted)	-43.66 M
Cash and Short-term Inv	86.52 M
Total Debt	142.69 M

### Performance (6 months)



### Recent News and Analysis:

Most recently the company announced a domestic licensing agreement for home textiles with Himatsingka America. Under the licensing agreement, Himatsingka will design, manufacture and distribute home textiles such as bedding and bath linens using the Aeropostale label for department stores, big box retailers and wholesale channels across North America. This move may prove beneficial to the company that once thrived in the teen clothing market. Aeropostale used to be one of the most popular teen retailers. Cheaper than Abercrombie & Fitch, and less bohemian than American Eagle, the

brand was the go-to for teens who still wanted to fit in with the trends. This June, Crain's New York reported that the retailer lost 95% of its value in just five years. The brand is in the process of closing 175 of its 860 stores. The brand ranked at the top for brands that upper-income females no longer wear. Between 22 and 32% of teens surveyed over the past two years say they no longer shop there. Fashions change, and this retailer certainly ended up on the short end of the stick.

From a technical analysts' perspective, Aeropostale is spiking sharply higher here right off its 20-day moving average of 58 cents per share with lighter-than-average volume. This spike to the upside on Thursday is now quickly pushing shares of Aeropostale within range of triggering a major breakout trade above some key near-term overhead resistance levels. That trade will trigger if this stock manages to take out some near-term overhead resistance levels at 68 cents to 70 cents per share with high volume. Traders should now look for long-biased trades in Aeropostale as long as it's trending above its 20-day moving average of 58 cents per share and then once it sustains a move or close above those breakout levels with volume that hits near or above 1.54 million shares. If that breakout hits soon, then this stock will set up to re-test or possibly take out its next major overhead resistance levels at 77 cents (Friday's close was \$0.767) to its 50-day moving average of 84 cents per share, or even \$1 a share. The general consensus amongst analysts is a hold rating for the stock as reported by Money Flowing Index.

### **Conclusions:**

Aeropostale's stock has been heavily battered over the past five months as a result of falling sales, declining profit margins and an overall loss of market share from its target audience; 14 – 17 year old teens. The fashions have evolved and Aeropostale has not kept up with the trends. The company has certainly faced challenges with branding but is taking steps to revive sales and excitement about the company. With the most recent licensing agreement between Aeropostale and Himatsingka, the company is entering a new market in home textiles in an attempt to regain market share and boost revenues. Investors responded by pushing the stock price up 9% on the day of the news and up 32% since Oct 14, 2015. It remains to be seen whether the beliefs of management and investors align with the market.

## Sources:

1. <http://www.reuters.com/finance/stocks/companyProfile?rpc=66&symbol=ARO>
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8. <http://www.google.ca/finance?q=NYSE%3AARO&hl=en&gl=ca&ei=sPosVpH9Gte5jAHZ1rHgDA>

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