

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. P.S. from Aeropostale products are sold in P.S. from Aeropostale stores, in certain Aeropostale stores and online at www.ps4u.com and 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

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>
2. <http://www.google.ca/finance?q=aro&hl=en&gl=ca&ei=WcYrVoHQD43ZjAHJ9ZToBA>
3. <https://ca.finance.yahoo.com/q?s=ARO&ql=1>
4. <http://stockcharts.com/h-sc/ui?s=ARO&p=D&b=5&g=0&id=p50846930188>
5. <http://finance.yahoo.com/news/aeropostale-inks-licensing-deal-himatsingka-144002251.html>
6. http://www.thestreet.com/story/13335039/3/4-stocks-under-10-to-trade-for-breakouts.html?puc=yahoo&cm_ven=YAHOO
7. <http://www.moneyflowindex.org/analyst-rating-update-on-aeropostale-inc/3166422/>
8. <http://www.google.ca/finance?q=NYSE%3AARO&hl=en&gl=ca&ei=sPosVpH9Gte5jAHZ1rHgDA>

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.

The information contained herein is not intended to be investment advice and does not constitute any form of invitation or inducement by Robert Borowski to engage in investment activity. Neither the information nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Securities, financial instruments, strategies, or commentary mentioned herein may not be suitable for all investors and this material is not intended for any specific investor and does not take into account an investor's particular investment objectives, financial situations or needs. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only current as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fluctuate, and an investor may, upon selling an investment lose a portion of, or the entire principal amount invested. Past performance is no guarantee of future results. Before acting on any recommendation in this material, you should

consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

FORWARD-LOOKING STATEMENT

This report may contain certain forward-looking statements and information, as defined within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and is subject to the Safe Harbor created by those sections. This material contains statements about expected future events and/or financial results that are forward-looking in nature and subject to risks and uncertainties. Such forward-looking statements by definition involve risks, uncertainties and other factors, which may cause the actual results, performance or achievements of mentioned company to be materially different from the statements made herein.

COMPLIANCE PROCEDURE

Content is researched, written and reviewed on a best-effort basis. This document, article or report is written and authored by Robert Borowski. An outsourced research services provider represented by Robert Borowski, provided Broad Street Alerts this article or report. However, we are only human and may make mistakes. If you notice any errors or omissions, please notify us below. Broad Street Alerts is not entitled to veto, interfere or alter the articles, documents or report once created and reviewed by the outsourced research provider represented by Robert Borowski. All parties responsible for the creation and dissemination of this report do not engage in high frequency trading.

NO WARRANTY OR LIABILITY ASSUMED

Broad Street Alerts has not been compensated for the creation or dissemination of this report. Broad Street Alerts is not responsible for any error, mistake or shortcoming which may be occasioned at the time of printing of this document. Broad Street Alerts does not hold any positions in profiled company(s). No liability is accepted by Broad Street Alerts whatsoever for any direct, indirect or consequential loss arising from the use of this document. Broad Street Alerts expressly disclaim any fiduciary responsibility or liability for any consequences, financial or otherwise arising from any reliance placed on the information in this document. Broad Street Alerts does not guarantee the accuracy, timeliness, completeness or correct sequencing of the information, or warrant any results from use of the information. The included information is subject to change without notice.

Broad Street Alerts is the party responsible for hosting the full analyst report. Broad Street Alerts has compensated Robert Borowski seventy five dollars for the right to disseminate this report. Information in this report is fact checked and produced on a best efforts basis by Robert Borowski.