



Aaron's Unusual Bullish Activity as Shares Defy Retail Weakness

Ticker/Price: AAN (\$63.90)

Analysis:

Aaron's (AAN) with buyers active today for 1,220 September \$60 calls from \$5.40 to \$5.80, trading 6.5X average. AAN had small buyers in the September \$65 calls on 7-24 and some November \$60 calls bought in May. A number of protective spreads in August expiring this week. Shares are consolidating in a bull flag under \$65 and the rising 50-day MA just below at \$62.25. A move higher targets \$72.50. Longer-term, AAN in a strong trend. The \$4.4B company trades 14.4X earnings, 1.12X sales, and 19X FCF with a 0.22% yield. AAN is targeting mid-teens EPS growth while the topline accelerates by 9.6% next year. AAN is a leader in lease-purchase solutions across a number of specialty retail categories like furniture, home appliances and electronics. AAN is coming off a strong quarter with SSS in their core business up 1.9% Y/Y and continued traffic growth in their omnichannel platform where they've spent a lot of capital. AAN bought Progressive Leasing for \$700M in 2014, a leader in the virtual RTO market, and the arm is seeing significant expansion recently. AAN announced partnerships with Best Buy and Wayfair this year and both seeing growing invoice volumes in the earliest stages of rollout. Analysts have an average target for shares of \$70. Keybank with a \$80 PT on 7-26 seeing opportunity for more national account roll outs for Progressive while the BBY and Wayfair partnerships provide upside in the near-term. Loop Capital with a \$70 PT seeing a substantial 'white space' opportunity for Progressive and continued sequential improvement in its core business. Northcoast sees a \$233M sourcing opportunity with Wayfair over the next 12 months. Short interest is 4.5% and down from around 7% in January. Hedge Fund ownership rose 0.09% in latest filings. SG Capital the top holder with a 4.6% weight while Hillcrest another concentrated holder. On 7-31 a director bought \$126,660 in stock at \$63.33, the first open market buy since 2016.

Hawk Vision:



Hawk's Perspective: AAN is an interesting niche play in Retail with clear technical strength and cheap valuation, a name worth paying closer attention to as it quietly leads.

Confidence Ranking: \$\$