

**Ann Taylor** (ANN) is scheduled to report third-quarter 2007 EPS of 61 cents on net sales of \$601.7 million. In the year-ago quarter, the company earned 54 cents on net sales of \$566.3 million. Same-store sales exhibited steady declines over the course of the reporting period. Same-store sales rose 2.9% in August, rose 0.5% in September and then fell 4.2% in October.

Ann Taylor has two strikes working against results for the quarter. First is the decline in mall traffic that took place over the course of the quarter. As the company's stores are primarily mall-based, it will likely suffer. The second problem is more dramatic. Ann Taylor is a vendor of women's apparel. Women's apparel sales are the weakest among the retail apparel categories.

During the quarter, the company made a series of management changes. This gave the stock some short-term relief, but the air was taken out of the stock in the past few weeks. Shares are now trading off by about 5% on the year, but they are still about 10% off their August lows.

When I put this all together, I am not expecting much of a surprise from Ann Taylor. What I do expect is the possibility of providing weak guidance for the holiday quarter.

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*Scott Rothbort has over 20 years of experience in the financial services industry. In 2002, Rothbort founded LakeView Asset Management, LLC, a registered investment advisor based in Millburn, N.J., which offers customized individually managed separate accounts, including proprietary long/short strategies to its high net worth clientele.*

*Immediately prior to that, Rothbort worked at Merrill Lynch for 10 years, where he was instrumental in building the global equity derivative business and managed the global equity swap business from its inception. Rothbort previously held international assignments in Tokyo, Hong Kong and London while working for Morgan Stanley and County NatWest Securities.*

*Rothbort holds an MBA in finance and international business from the Stern School of Business of New York University and a BS in economics and accounting from the Wharton School of Business of the University of Pennsylvania. He is a Professor of Finance and the Chief Market Strategist for the Stillman School of Business of Seton Hall University.*

*For more information about Scott Rothbort and LakeView Asset Management, LLC, visit the company's Web site at [www.lakeviewasset.com](http://www.lakeviewasset.com). Scott appreciates your feedback; [click here](#) to send him an email.*

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