

Urban Outfitters Inc. (URBN)

\$38.10 (As of 04/07/21)

Price Target (6-12 Months): **\$40.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/18/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: A

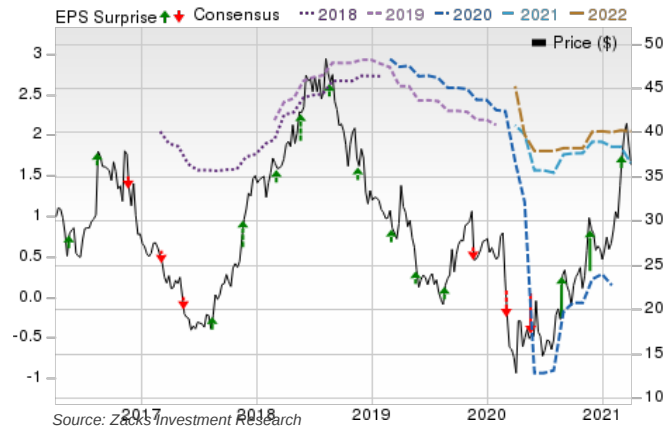
Growth: B

Momentum: F

Summary

Shares of Urban Outfitters have underperformed the industry in the past six months. Despite earnings meeting the estimates in fourth-quarter fiscal 2021, the company reported dismal sales. The top line decreased 6.9% year over year and missed the Zacks Consensus Estimate. Sales dropped across major brands, including Urban Outfitters and Anthropologie Group, except for Free People and Nuuly. Even the stellar digital channel performance failed to make up for the drop in store sales. Also, virtually all of the company's stores in Europe were shut on government mandates, hurting the quarterly performance. Nonetheless, the company's FP Movement initiative is encouraging. The Free People brand appears immune to the pandemic, as nearly all the Free People product categories were impressive, contributing to double-digit retail segment comps.

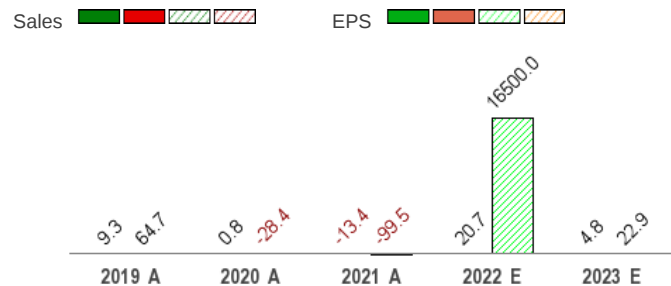
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$41.95 - \$14.41
20-Day Average Volume (Shares)	1,116,476
Market Cap	\$3.7 B
Year-To-Date Price Change	45.4%
Beta	1.63
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Retail - Apparel and Shoes
Zacks Industry Rank	Top 41% (103 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.0%
Last Sales Surprise	-0.0%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	05/18/2021
Earnings ESP	0.0%
P/E TTM	310.2
P/E F1	23.0
PEG F1	2.0
P/S TTM	1.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2023	917 E	1,024 E	1,145 E	1,320 E	4,361 E
2022	868 E	982 E	1,067 E	1,243 E	4,163 E
2021	588 A	803 A	970 A	1,088 A	3,450 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2023	\$0.07 E	\$0.51 E	\$0.79 E	\$0.60 E	\$2.04 E
2022	\$0.07 E	\$0.47 E	\$0.61 E	\$0.51 E	\$1.66 E
2021	-\$1.31 A	\$0.35 A	\$0.78 A	\$0.30 A	\$0.01 A

*Quarterly figures may not add up to annual.

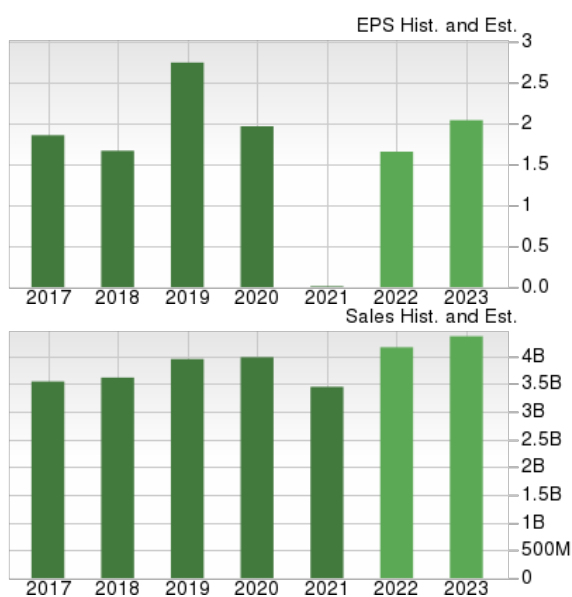
The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 04/07/2021. The report's text and the analyst-provided price target are as of 04/08/2021.

Overview

Founded in 1970 and based in Philadelphia, Pennsylvania, Urban Outfitters Inc. (URBN) is a lifestyle specialty retailer that offers fashion apparel and accessories, footwear, home décor and gifts products. The company's merchandises are generally sold directly to consumers through stores, catalogs, call centers and e-commerce platforms. The company has operations in the United States, Canada and Europe.

The company primarily reports through two segments: 1) Retail segment (93.6% of fiscal 2021 total sales), which comprises brands such as Urban Outfitters, Anthropologie, Free People, Terrain and BHLDN, and 2) Wholesale segment (5.7% of fiscal 2021 total sales), which is better described through Free People wholesale division (established in 1984) that designs, develops and markets contemporary casual attire for women. Free People, Anthropologie Group and Urban Outfitters wholesale sell their products through approximately 2,300 department and specialty stores worldwide, digital businesses and the Company's Retail segment.

As of Jan 31, 2021, the company operated 247 Urban Outfitters stores in the United States, Canada and Europe, offering apparel, footwear and accessories to younger men and women in the age bracket of 18 to 28 years; 237 Anthropologie Group stores in the United States, Canada and Europe, offering casual clothes and accessories, shoes, home furnishings targeted at women in the age group of 28 to 45 years; 149 Free People stores in the United States, Canada and Europe, offering private-label branded merchandise that includes apparel, intimates, shoes, accessories and gifts for women aged between 25 and 30 years; 11 Menus & Venues restaurants, and one Urban Outfitters franchisee-owned store.



Reasons To Buy:

▲ **Q4 Highlights & Outlook:** Despite adverse coronavirus impacts, Urban Outfitters' earnings matched the Zacks Consensus Estimate during fourth-quarter fiscal 2021 results. Moreover, lower store net sales were partly offset by double-digit improvement in digital channel sales. Notably, digital sales in Europe more than doubled, making up for most of the store loss. Markedly, the Free People brand appears immune to the pandemic as the business has been positive except for a short spell in March 2020. Nearly all the Free People product categories were impressive in January and February, contributing to double-digit retail segment comps for the period. Moreover, both the Anthropologie and Urban Outfitters brands continued to gain from solid home sales in February. Notably, current customer back orders for home products increased above 350% year over year, surpassing \$20 million. In addition, the AnthroLiving initiative seems encouraging.

We expect Urban Outfitters to drive growth on the back of store-rationalization efforts, increase in direct penetration, technology advancements and merchandising improvements.

Management believes the fiscal first quarter will reflect a steady sales improvement in comparison to last year. The company presently estimates first-quarter sales increase of low single-digit year over year. This will be buoyed by Retail segment sales growth in low single digits and Wholesale segment sales decline in low double digits. Further, total company Retail segment comps are expected to be positive for the quarter. Going forward, the company expects the timeliness of inbound freight to gradually improve in the next several months, thus benefit comp sales.

▲ **Lower SG&A:** The company has been witnessing lower SG&A expenses for a while. During fourth-quarter fiscal 2021, SG&A expenses dropped 9.6% to \$254.3 million on cost-saving efforts despite higher digital marketing expenses. Moreover, as a percentage of net sales, the metric improved 69 bps to 23.4%. This upside can be attributed to a disciplined store-payroll management and overall cost-control actions.

▲ **FP Movement Initiative:** Urban Outfitters' strategic growth initiative, FP Movement, bodes well. Management has been making investments in the Movement with digital and creative brand prospects along with the FP Movement ambassador program. Notably, the FP Movement initiative appears encouraging. New Movement customers surged 138% in the reported quarter while digital sales increased more than 150%. The digital, Retail and Wholesale channels registered robust gains and impressively, this trend continued into first-quarter fiscal 2022. In fact, management believes Movement's revenues will grow beyond \$250 million in fiscal 2024.

▲ **Multi-brand and Multi-channel Retailer:** Being a multi-brand and multi-channel retailer, Urban Outfitters offers flexible merchandising strategy. The company also has a significant domestic and international presence with rapidly expanding e-commerce activities. The company remains committed to improve comparable-store sales performance, sustain investments in direct-to-consumer business, enhance productivity in existing channels, add new brands and optimize inventory level. The company made an unprecedented move by acquiring Philadelphia's The Vetri Family group of restaurants, including the Pizzeria Vetri chain. The attempt is seen as a part of the company's strategy to target and attract millennials to the stores. Further, the company's Anthropologie and Nordstrom had earlier entered into a partnership, whereby more than 200 items from Anthropologie Home are now available at selected Nordstrom full-line stores and on Nordstrom.com.

▲ **Nuuly Prospects Look Bright:** Urban Outfitters introduced a subscription rental service for women's clothes called Nuuly. The subscribers have to shell out \$88 each month for one six-item box. Shoppers can choose from Anthropologie, Free People and Urban Outfitters brands, third-party brand and designer labels, and rare vintage items for rent via a custom-built, digital platform. They may either worn clothes temporarily and returned them or can even buy it. Nuuly contributed roughly \$6.7 million to net sales during the fourth quarter of fiscal 2021, reflecting an increase 11.4% from the year-ago period. Going forward, management is optimistic about the prospects of Nuuly.

▲ **Rational Store-Growth Efforts:** The company remains rational in opening new stores. During fiscal 2019, the company opened 18 retail locations while shuttered 11 locations. During the said period, it also opened five franchisee-owned stores. Encouragingly, during fiscal 2020, the company opened 26 retail outlets comprising 10 Free People stores, nine Anthropologie Group stores and seven Urban Outfitters stores. Simultaneously, it shuttered 12 retail locations — five Anthropologie Group stores, four Urban Outfitters stores, one Free People store, and two Food and Beverage restaurants. In the aforementioned period, two franchisee-owned stores were also inaugurated — one Anthropologie Group and Urban Outfitters store each.

During fiscal 2021, the company opened 20 retail outlets — seven each Urban Outfitters and Anthropologie Group stores and six Free People stores (including two FP Movement stores). Meanwhile, it shuttered 10 retail locations — eight Urban Outfitters stores, one Anthropologie Group store and one Free People store. In the aforementioned period, six franchisee-owned stores were shuttered — four Urban Outfitters stores, one Anthropologie Group store and one Free People store. For fiscal 2022, management plans to open nearly 55 stores and shut down 21 stores.

▲ **Financial Analysis:** Urban Outfitters' cash and equivalents (including marketable securities) at the end of fourth-quarter fiscal 2021 (as of Jan 31, 2021) increased nearly 31.6% year over year to \$570.3 million. Further, the company generated net cash of \$285.8 million in operating activities during fiscal 2021, up from \$273.9 million delivered last fiscal. As of Jan 31, 2021, total inventory declined 4.9% year over year to \$389.6 million. During the fiscal year, it bought back and subsequently retired 0.5 million shares for roughly \$7 million. As of Jan 31, 2021, the company had 25.9 million shares remaining under the program.

Reasons To Sell:

▼ **Soft Q4 Sales:** Urban Outfitters reported dismal sales performance in fourth-quarter fiscal 2021. Net sales of \$1,088.4 million decreased 6.9% year over year and lagged the Zacks Consensus Estimate of \$1,103 million in the reported quarter. We note that sales dropped across major brands — including Urban Outfitters and Anthropologie Group — except Free People and Nuuly. Even a stellar digital channel performance failed to make up for the drop in store net sales. Also, virtually all of the company's stores in Europe were shut on government mandates, hurting the quarterly performance. We note that the coronavirus pandemic has been hurting store-sales performance and inventory flows. The company has been witnessing delays and higher costs with respect to bringing products into the United States and United Kingdom from Asia. However, management believes these headwinds will gradually moderate as the first quarter progresses.

Urban Outfitters reported soft sales and weak margin during fourth-quarter fiscal 2021. Further, gross margin for first quarter is likely to decline several hundred basis points year over year.

Brand-wise, net sales were down 4.9% year over year to \$428.1 million at Urban Outfitters and 12.2% to \$431.4 million at Anthropologie Group. Again, Menus & Venues net sales amounted to \$3 million, down 55.9% from the prior-year quarter. We note that shares of Urban Outfitters have gained 61.5% over the past six months but have underperformed the industry's 78.4% rally.

▼ **Weak Margins:** In the fiscal fourth quarter, adjusted gross profit declined 16.7% from the year-ago quarter. Also, adjusted gross margin contracted 314 basis points (bps), primarily due to higher delivery and logistics expenses and elevated carrier surcharges. Despite lower SG&A expenses, the company's operating income tumbled 46.8% from the year-ago quarter. Also, operating margin contracted 240 bps on lower gross margin.

Further, gross margin for the fiscal first quarter is likely to decline several hundred basis points year over year. Deleveraged delivery and logistics expenses stemming from the rise in penetration of the digital channel to overall business could be the main causes of this downside. Also, freight costs are likely to remain high for majority of the fiscal year. With respect to SG&A, the company expects the metric to rise in the low single-digit range for the impending quarter and mid single-digit range for fiscal 2022. SG&A growth is primarily attributed to the planned marketing and creative spend for digital channel growth. The planned incentive-based compensation could also drive growth. These expenses will somewhat be offset by reduced direct store controllable costs. Higher SG&A with lower gross margin is likely to keep building pressure on operating margin.

▼ **Fashion Obsolescence:** Fashion obsolescence remains the key concern for Urban Outfitters' business model, which includes sustained focus on product and design innovation. The taste and preferences of people are ever changing, and thus one which is in fashion may become out of fashion, with the entrance of new trendier assortments in the market. So, there remains a challenge to constantly revamp its assortments for the fear of losing market share against other big players who may pour the market with more in trend collections. If the company is not successful in its approach, there is a fear that this may have an adverse impact on the company's sales and margins.

▼ **Competitive Threat:** Urban Outfitters faces stiff competition in the retail segment from other department stores, discounters, home furnishing stores, specialty retailers, and direct-to-consumer businesses on attributes, such as merchandise assortment, price, quality, location, and credit facility. Aggressive pricing by competitors, may dent the company's top and bottom-line results as well as strain margins.

Last Earnings Report

Urban Outfitters Q4 Earnings Meet Estimates, Sales Down

Urban Outfitters reported fourth-quarter fiscal 2021 results, wherein the bottom line matched the Zacks Consensus Estimate while the top line missed the same. Both the metrics declined on a year-over-year basis. We note that sales dipped across major brands — including Urban Outfitters and Anthropologie Group — except Free People and Nuuly. Even stellar digital channel performance was not enough to offset lower store net sales. Also, virtually all of the company's stores in Europe were shut on government mandates, hurting the quarterly performance.

Quarter Ending	01/2021
Report Date	Mar 02, 2021
Sales Surprise	-0.02%
EPS Surprise	0.00%
Quarterly EPS	0.30
Annual EPS (TTM)	0.12

We note that the coronavirus pandemic has been hurting store-sales performance and inventory flows. It has been witnessing delays and higher costs with respect to bringing product into the United States and United Kingdom from Asia. However, management believes these headwinds will gradually moderate as the first quarter progresses.

Deeper Insight

This lifestyle-specialty retail company delivered adjusted earnings of 30 cents per share that matched the Zacks Consensus Estimate. Moreover, the bottom line decreased 40% from the year-ago quarter's tally.

In the reported quarter, net sales of \$1,088.4 million decreased 6.9% year over year and lagged the Zacks Consensus Estimate of \$1,103 million. Brand-wise, net sales were down 4.9% year over year to \$428.1 million at Urban Outfitters and 12.2% to \$431.4 million at Anthropologie Group. Again, Menus & Venues net sales amounted to \$3 million, down 55.9% from the prior-year quarter.

Nonetheless, the Philadelphia, PA-based company registered net sales increase of 1.6% to \$219.3 million at Free People. Markedly, Nuuly, the subscription-based rental service for women's clothes, contributed roughly \$6.7 million to net sales, reflecting an increase 11.4% from the year-ago period. The company informed that lower store net sales were partly offset by double-digit improvement in digital channel sales. Notably, digital sales in Europe more than doubled, offsetting most of the store loss. But total Retail segment comp sales in February declined high single digits in Europe.

Segment-wise, Urban Outfitters' net sales at the Retail Segment dropped 7% to \$1,013.9 million, while the same at the Wholesale Segment fell 7.1% to \$67.9 million. Comparable Retail segment net sales declined 7% on account of negative retail store net sales as robust conversion rates were unable to offset the drop in store traffic due to the pandemic and related occupancy restrictions.

Costs & Margins

In the quarter under review, adjusted gross profit came in at \$290.1 million, down 16.7% from the year-ago quarter. Further, adjusted gross margin contracted 314 basis points (bps) to 26.7%, primarily due to higher delivery and logistics expenses and elevated carrier surcharges.

Meanwhile, SG&A expenses dropped 9.6% to \$254.3 million on cost-saving efforts. Moreover, as a percentage of net sales, the metric improved 69 bps to 23.4%. This upside is attributed to a disciplined store-payroll management and overall cost-control actions. Notably, digital marketing expenses increased in the fiscal fourth quarter to support robust digital channel sales and customer growth.

Further, the company recorded operating income of \$35.7 million, down 46.8% from the year-ago quarter. Also, operating margin contracted 240 bps to 3.3% on lower gross margin.

Other Financial Details

Urban Outfitters ended the quarter with cash and cash equivalents of \$395.6 million and total shareholders' equity of \$1,477.4 million. As of Jan 31, 2021, total inventory declined 4.9% year over year to \$389.6 million.

Further, the company generated net cash of \$285.8 million in operating activities during fiscal 2021. For fiscal 2022, management now projects capital expenditures of \$250 million, mainly related to construction of a new distribution facility in North America and completion of the automation equipment across its new U.K. facility.

Urban Outfitters did not buy back shares in fiscal fourth quarter. However during the fiscal year, it bought back and subsequently retired 0.5 million shares for roughly \$7 million. As of Jan 31, 2021, the company had 25.9 million shares remaining under these programs.

Outlook

Management believes the fiscal first quarter to reflect a steady sales improvement in comparison to last year as it progresses. The company presently estimates first-quarter overall sales to increase in low single-digit year over year. This will be buoyed by Retail segment sales increase in low single digits and Wholesale segment sales decline in low double digits. Further, total company Retail segment comps are expected to be positive for the quarter. However, the magnitude of comps is based on several factors, including when stores in Europe are allowed to reopen.

Valuation

Urban Outfitters shares are up 48.8% in the year-to-date period and 104.2% in the trailing 12-month period. Stocks in the Zacks sub-industry are up 22.2% while the Zacks Retail-Wholesale sector is down 0.8%, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 183.2% and 43.6%, respectively.

The S&P 500 index is up 9% in the year-to-date period and 49% in the past year.

The stock is currently trading at 0.89X forward 12-month sales, which compares to 1.26X for the Zacks sub-industry, 1.32X for the Zacks sector and 4.71X for the S&P 500 index.

Over the past five years, the stock has traded as high as 1.32X and as low as 0.31X, with a 5-year median of 0.77X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$40 price target reflects 0.93X forward 12-month sales.

The table below shows summary valuation data for URBN

Valuation Multiples - URBN					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.89	1.26	1.32	4.71
	5-Year High	1.32	1.3	1.34	4.71
	5-Year Low	0.31	0.35	0.84	3.21
	5-Year Median	0.77	0.85	1.02	3.71
P/B TTM	Current	2.52	9.15	5.26	6.89
	5-Year High	3.86	9.75	6.48	6.9
	5-Year Low	0.86	1.45	3.79	3.83
	5-Year Median	2.12	4.52	5.13	4.98
EV/EBITDA TTM	Current	26.67	2484	19.44	18.17
	5-Year High	67.31	2645	20.77	18.19
	5-Year Low	2.05	2.96	11.16	9.62
	5-Year Median	6.34	6.73	13.25	13.35

As of 04/07/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 41% (103 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Abercrombie & Fitch Company (ANF)	Outperform	1
American Eagle Outfitters, Inc. (AEO)	Neutral	3
Burberry Group PLC (BURBY)	Neutral	2
Designer Brands Inc. (DBI)	Neutral	3
Levi Strauss & Co. (LEVI)	Neutral	3
Li Ning Co. (LNNGY)	Neutral	3
Ascena Retail Group, Inc. (ASNAQ)	NA	NA
Woolworths Holdings Limited Sponsored ADR (WLWHY)	NA	NA

The positions listed should not be deemed a recommendation to buy, hold or sell.

Industry Comparison Industry: Retail - Apparel And Shoes				Industry Peers		
	URBN	X Industry	S&P 500	AEO	ANF	DBI
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	1	3
VGM Score	B	-	-	A	B	C
Market Cap	3.66 B	1.14 B	29.90 B	5.03 B	2.18 B	1.30 B
# of Analysts	12	4	12	8	9	4
Dividend Yield	0.00%	0.00%	1.3%	1.82%	0.00%	0.00%
Value Score	A	-	-	B	B	D
Cash/Price	0.16	0.15	0.06	0.18	0.52	0.05
EV/EBITDA	8.67	5.01	16.78	-45.69	10.84	-3.00
PEG F1	1.96	2.28	2.38	NA	1.43	NA
P/B	2.46	3.92	4.00	4.61	2.31	5.34
P/CF	32.16	13.58	16.82	25.95	19.46	NA
P/E F1	22.52	23.62	21.96	19.23	25.80	46.88
P/S TTM	1.06	0.81	3.43	1.34	0.70	0.58
Earnings Yield	4.46%	3.92%	4.46%	5.21%	3.87%	2.12%
Debt/Equity	0.00	0.06	0.66	0.30	0.36	1.12
Cash Flow (\$/share)	1.18	0.78	6.78	1.20	1.94	-2.67
Growth Score	B	-	-	A	A	C
Historical EPS Growth (3-5 Years)	-33.51%	-5.86%	9.39%	-2.51%	21.17%	4.93%
Projected EPS Growth (F1/F0)	16,483.00%	80.19%	15.29%	683.75%	286.75%	109.81%
Current Cash Flow Growth	-64.22%	-34.06%	0.44%	-54.06%	-45.47%	-196.36%
Historical Cash Flow Growth (3-5 Years)	-20.61%	-3.27%	7.37%	-11.26%	-14.40%	NA
Current Ratio	1.35	1.65	1.39	1.77	1.73	1.04
Debt/Capital	0.00%	18.85%	41.26%	23.04%	26.59%	52.84%
Net Margin	0.04%	-4.90%	10.59%	-5.57%	-3.65%	-21.87%
Return on Equity	0.87%	-0.66%	14.86%	-0.55%	-5.28%	-74.14%
Sales/Assets	1.00	1.01	0.51	1.06	0.95	1.00
Projected Sales Growth (F1/F0)	20.67%	15.72%	7.36%	22.54%	11.41%	29.74%
Momentum Score	F	-	-	F	F	A
Daily Price Change	2.35%	0.00%	-0.22%	3.25%	7.22%	-1.67%
1-Week Price Change	-5.54%	0.00%	0.35%	-0.41%	2.68%	7.81%
4-Week Price Change	2.45%	0.00%	3.66%	4.01%	13.35%	17.93%
12-Week Price Change	32.57%	21.24%	8.52%	35.41%	59.11%	97.42%
52-Week Price Change	118.59%	142.48%	54.42%	232.23%	255.42%	235.81%
20-Day Average Volume (Shares)	1,116,476	277,643	2,089,350	3,568,097	1,330,337	1,949,419
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	56.12%
EPS F1 Estimate 12-Week Change	-12.91%	2.62%	2.27%	24.30%	32.36%	56.12%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.00%	-12.75%

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	A
Growth Score	B
Momentum Score	F
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every \$1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at \$35 and expected to earn \$3 per share in the current fiscal year (F1), would be 0.0857 ($3/35 = 0.0857$) or 8.57%. In other words, for \$1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow (\$/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every \$1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every \$1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated \$2.50 in sales for every \$1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is \$1.10 now versus \$1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from \$1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.