

Urban Outfitters Inc. (URBN)

\$28.25 (As of 02/14/20)

Price Target (6-12 Months): **\$24.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 01/13/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

5-Strong Sell

Zacks Style Scores:

VGM:C

Value: A

Growth: D

Momentum: F

Summary

Shares of Urban Outfitters have slid and underperformed the industry in the past three months. The stock came under pressure in spite of the company reporting impressive holiday sales number. The company registered sales increase across all brands except its flagship Urban Outfitters and cautioned about weaker-than-expected fourth-quarter fiscal 2020 gross margin. These were enough to hurt investor sentiment. Recently, it came out with decent sales for fourth-quarter fiscal 2020, thanks to higher comparable Retail segment sales. Nevertheless, growth was partly offset by lower sales at the Food and Beverage unit, and Wholesale segment. Management also commented that promotional activity was higher than expected that may show on margins. It had earlier guided gross margin contraction of 200 basis points. Also, SG&A costs are likely to rise.

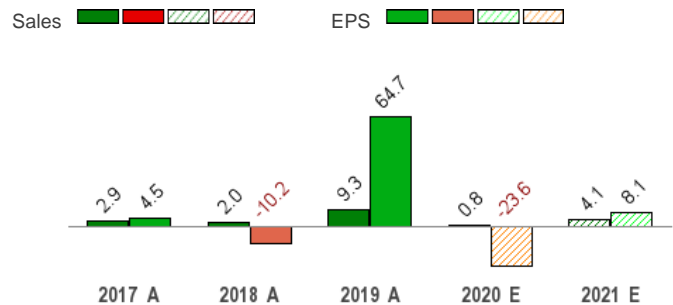
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$34.25 - \$19.63
20 Day Average Volume (sh)	1,168,589
Market Cap	\$2.8 B
YTD Price Change	1.7%
Beta	0.77
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Retail - Apparel and Shoes
Zacks Industry Rank	Top 30% (77 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-1.8%
Last Sales Surprise	-1.4%
EPS F1 Est- 4 week change	-0.9%
Expected Report Date	03/03/2020
Earnings ESP	-0.9%
P/E TTM	12.2
P/E F1	12.4
PEG F1	1.1
P/S TTM	0.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	899 E	1,011 E	1,023 E	1,206 E	4,144 E
2020	864 A	962 A	987 A	1,166 E	3,981 E
2019	856 A	992 A	974 A	1,129 A	3,951 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.27 E	\$0.66 E	\$0.64 E	\$0.75 E	\$2.27 E
2020	\$0.31 A	\$0.61 A	\$0.56 A	\$0.63 E	\$2.10 E
2019	\$0.38 A	\$0.84 A	\$0.70 A	\$0.83 A	\$2.75 A

*Quarterly figures may not add up to annual.

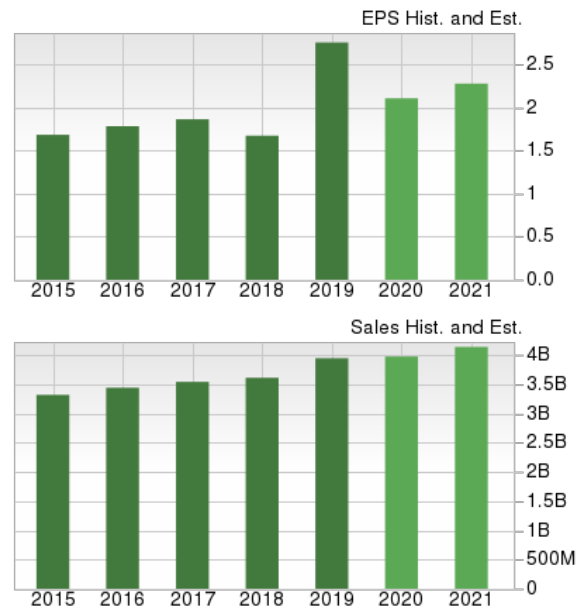
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 02/14/2020. The reports text is as of 02/17/2020.

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 (91% of fiscal 2019 total sales), which comprises brands such as Urban Outfitters, Anthropologie, Free People, Terrain and BHLN, and 2) Wholesale segment (9% of fiscal 2019 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, 2020, the company operated 248 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; 231 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; 144 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 Food and Beverage restaurants, 5 Urban Outfitters franchisee-owned stores, one Anthropologie Group franchisee-owned store, and one Free People franchisee-owned store.



Reasons To Sell:

▼ **Dismal Q4 Gross Margin Projection:** Shares of Urban Outfitters have declined 6.7% as against the industry's rise of 4.8% in the past three months. The stock came under pressure following management's commentary about weaker-than-expected fourth-quarter gross profit margin. Management added that Anthropologie and Urban Outfitters businesses were driven in part by higher promotional activity in apparel, which is likely to hurt gross margin more, than originally envisioned. The company had earlier guided gross margin contraction of roughly 200 basis points in the final quarter due to increase markdown rates; higher logistics and labor expenses; lower margins in wholesale segment; and the launch of Nuuly, a monthly rental subscription service for women's apparel.

Urban Outfitters expects SG&A expenses to increase in the fourth quarter of fiscal 2020, owing to elevated digital investments to aid digital channel sales and expenses related with the launch of Nuuly.

In the third quarter of fiscal 2020, gross profit came in at \$321.1 million, down 4.9% from the year-ago quarter. Gross margin shrunk 217 basis points to approximately 32.5%, primarily due to increased markdowns, deleverage in delivery and logistics expenses, and lower Wholesale segment margins. The company resorted to higher markdowns due to underperformance of women's apparel at the Urban Outfitters brand. Deleverage in delivery and logistics expenses were due increased penetration of the digital channel and rise in labor expenses. Lower Wholesale segment margins were due to higher markdowns from department stores. Management highlighted that fourth quarter sales to department stores may be sluggish this year.

▼ **SG&A Expenses Expected to Rise:** SG&A expenses are likely to increase roughly 6% in the fourth quarter of fiscal 2020, owing to elevated digital marketing investments to drive digital channel sales. Total retail segment SG&A is anticipated to increase approximately 3%. The remaining SG&A growth could be due to new business initiatives, including Nuuly, expansion in China, and the European facilities expansion. During the third quarter, SG&A expenses rose 1.9% to \$245.8 million, as a percentage of net sales, the metric increased 11 basis points to 24.9%. This can be attributed to higher marketing expenses to drive digital sales and the launch of Nuuly. We believe that an increase in SG&A expenses may strain the company's margin to an extent. During the quarter under review, operating income fell 21.9% year over year to \$75.3 million, while operating margin shrank 230 basis points to 7.6%.

▼ **Dismal Q3 Performance:** Urban Outfitters' third-quarter fiscal 2020 results failed to impress investors. While the company's positive earnings surprise streak came to an end, net sales fell short of the Zacks Consensus Estimate for the second quarter in row. Again, bottom line continued to decline year over year. The company delivered earnings of 56 cents a share that missed the Zacks Consensus Estimate by a penny. The company witnessed negative earnings surprise, after nine straight quarters of beat. Again, the bottom line declined 20% year over year on account of gross margin contraction, increased SG&A expenses and higher effective tax rate. Net sales of \$987.5 million lagged the Zacks Consensus Estimate of \$1,001 million.

▼ **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.

▼ **Macroeconomic Headwinds:** The company's customers remain sensitive to macroeconomic factors like interest rate hikes, increase in fuel and energy costs, credit availability, unemployment and high household debt levels which may negatively impact discretionary spending and in turn the company's growth and profitability.

Risks

- **Robust Q4 Sales:** Recently, Urban Outfitters came out with robust sales for fourth-quarter fiscal 2020. We note that the company's top line outpaced the Zacks Consensus Estimate in the fiscal fourth quarter, after two successive quarters of revenue miss. Also, the metric improved 3.6% year over year, thanks to higher comparable Retail segment sales, and impressive performance of Anthropologie Group, Urban Outfitters and Free People brands. Urban Outfitters reported fourth-quarter net sales of \$1,169.6 million, surpassing the Zacks Consensus Estimate of \$1,161 million. At Anthropologie Group, net sales were up 5.7% to \$491.1 million and the same at Free People grew 3.1% from the prior-year quarter to \$215.8 million. At Urban Outfitters, net sales inched up 0.5% from the year-ago period to \$449.9 million in the quarter. However, Food and Beverage net sales came in at \$6.8 million, down 9.3% from the prior-year quarter. Nuuly, the subscription rental service for women's clothes, contributed roughly \$6 million to net sales. Further, net sales at the Retail Segment grew 4.1%.
- **Comparable Store Sales Rise Again in Q4:** After increasing 3% during the third quarter of fiscal 2020, comparable Retail segment net sales increased 4% during the fourth quarter on account of strength in the digital channel, partially offset by lower retail store sales. In terms of brands, comparable net sales at the Retail segment jumped 9% at Free People and 6% at Anthropologie Group, while the metric remained flat year over year at Urban Outfitters.
- **Decent Holiday Sales Numbers:** Urban Outfitters reported decent holiday sales number. The company registered sales increase across all brands except its flagship Urban Outfitters. Net sales for the two months ended on Dec 31, 2019 grew 2.9% from the year-ago period. Total Retail segment net sales increased 3%. Comparable Retail segment net sales rose 3% on account of growth in the digital channel. However, this was partly offset by fall in retail store sales. Notably, comparable Retail segment net sales rose 8% and 5% at Free People and Anthropologie Group, respectively, but declined 1% at Urban Outfitters. Management highlighted that full-price sales was the reason behind Free People's outstanding Retail segment performance. It also added that Anthropologie and Urban Outfitters businesses were driven in part by higher promotional activity in apparel.
- **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, to enhance reach Anthropologie and Nordstrom 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. The Anthropologie Home collection comprise categories including kitchen, dining and entertaining, bed and bath textiles, room decor, stationery and hardware.

The company also introduced a subscription rental service for women's clothes called Nuuly. The company envisions roughly 50,000 subscribers within one year of operation. 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 \$2 million to net sales during the third quarter.

- **Rational in Opening New Stores:** The company remains rational in opening new stores. It opened 38 new stores in both fiscal 2014 and 2015, and 31, 29 and 18 stores in fiscal 2016, 2017 and 2018, respectively. During fiscal 2019, the company opened 18 retail locations — four Anthropologie Group stores, five Urban Outfitters stores, six Free People stores, and three Food and Beverage restaurants. It shuttered 11 locations — three Anthropologie Group stores, three Free People stores and five Urban Outfitters stores. During the said period, the company opened five franchisee-owned stores — four Urban Outfitters outlets and one Free People outlet. Management had earlier informed that it intends to open 24 stores and shutter 13 in fiscal 2020.

Encouragingly, during fiscal 2020, the company opened 26 retail outlets — 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 inaugurated — one Anthropologie Group and Urban Outfitters store each.

Last Earnings Report

Urban Outfitters Q3 Earnings & Sales Miss Estimates

Urban Outfitters Inc.'s third-quarter fiscal 2020 results failed to impress investors. While the company's positive earnings surprise streak came to an end, net sales fell short of the Zacks Consensus Estimate for the second quarter in row.

Again, bottom line declined year over year but top line improved from the year-ago period benefiting from favorable response to apparel assortments and growth in the digital channel. Notably, comparable Retail segment net sales increased during the quarter under review. Moreover, management remains encouraged by positive sales so far in the fourth quarter that coincides with the holiday season.

Quarter Ending **10/2019**

Report Date	Nov 19, 2019
Sales Surprise	-1.35%
EPS Surprise	-1.75%
Quarterly EPS	0.56
Annual EPS (TTM)	2.31

An Insight

This lifestyle specialty retail company delivered earnings of 56 cents a share that missed the Zacks Consensus Estimate by a penny. The company witnessed negative earnings surprise, after nine straight quarters of beat. Again, the bottom line declined 20% year over year on account of gross margin contraction, increased SG&A expenses and higher effective tax rate.

In the reported quarter, net sales of \$987.5 million lagged the Zacks Consensus Estimate of \$1,001 million but increased 1.4% from the prior-year period. Notably, the company witnessed sales increase across Anthropologie Group and Free People. However, sales at Food and Beverage and Urban Outfitters segments declined year over year.

At Anthropologie Group, net sales were up 3.6% to \$398.7 million, while the same at Free People grew 1.6% to \$205.5 million. At Urban Outfitters, net sales decreased 1.2% to \$374.5 million. Meanwhile, Food and Beverage net sales came in at \$6.8 million, down 4.9% from the prior-year quarter. Again, Nuuly, the subscription rental service for women's clothes, contributed \$2 million to net sales.

The company's net sales increased 2.1% to \$897.1 million at the Retail Segment but fell 6.7% to \$88.3 million at the Wholesale Segment.

Comparable Retail segment net sales rose 3% on account of strength in the digital channel, partially offset by lower retail store sales. Brand-wise, comparable Retail segment net sales rose 9% at Free People and 4% at the Anthropologie Group but were flat at Urban Outfitters.

Margin Performance

In the quarter under review, gross profit came in at \$321.1 million, down 4.9% from the year-ago quarter. Gross margin shrunk 217 basis points to approximately 32.5%, primarily due to increased markdowns, deleverage in delivery and logistics expenses, and lower Wholesale segment margins.

SG&A expenses rose 1.9% to \$245.8 million, while as a percentage of net sales, the metric increased 11 basis points to 24.9%. This can be attributed to higher marketing expenses to drive digital sales and the launch of Nuuly.

Operating income came in at \$75.3 million, down 21.9% from the year-ago quarter's figure, while operating margin shrank 230 basis points to 7.6%.

Store Update

During the nine months ended Oct 31, 2019, the company opened 19 new retail locations — nine Free People stores, six Anthropologie Group stores and four Urban Outfitters stores. It shuttered five retail locations — two Anthropologie Group stores, one Free People store and two Food and Beverage restaurants. During the aforementioned period, two franchisee-owned stores were inaugurated — one Anthropologie Group store and one Urban Outfitters store. During the fourth quarter, the company plans to open five Anthropologie Group stores, one Free People stores and three Urban Outfitters stores.

Other Financial Details

The company ended the quarter with cash and cash equivalents of \$167.1 million, marketable securities of \$170.7 million and total shareholders' equity of \$1,429.9 million. During the quarter, the company incurred capital expenditures of \$55 million. For fiscal 2020, management anticipates capital expenditures of nearly \$250 million.

Total inventory at the end of the quarter was \$531.6 million, up 17.7% year over year. Comparable Retail segment inventory grew 9% at cost on account of early receipts related to the ongoing trade war and positive comparable Retail segment net sales plans for the final quarter. The remainder of the increase was mainly associated to higher Wholesale segment inventory.

In August 2017, the company's board of directors authorized buyback of 20 million shares. During fiscal 2019, the company bought back and subsequently retired 3.5 million shares for approximately \$121 million. In June 2019, the company's board of directors authorized share repurchase program of 20 million shares. During the nine months ended Oct 31, 2019, the company repurchased and thereafter retired 8.1 million shares for about \$217 million. As of Oct 31, 2019, 26.3 million shares were remaining under the programs.

Outlook

On the basis of the quarter-to-date performance, management anticipates fourth-quarter URBN Retail segment comps to improve in low-single-digit. Gross margin is expected to contract roughly 200 basis points in the final quarter. This can be attributed to increased markdown rates; higher logistics and labor expenses; lower margins in wholesale segment; and the launch of Nuuly.

SG&A expenses are likely to increase roughly 6% in the fourth quarter, owing to elevated digital marketing investments to drive digital channel sales. Total retail segment SG&A is anticipated to increase approximately 3%. The remaining SG&A growth could be due to new business initiatives, including Nuuly, expansion in China, and the European facilities expansion.

Recent News

Urban Outfitters' Q4 Sales Beat Estimates & Increase Y/Y – February 11, 2020

Urban Outfitters came out with robust sales for fourth-quarter fiscal 2020. We note that the company's top line outpaced the Zacks Consensus Estimate in the fiscal fourth quarter, after two successive quarters of revenue miss. Also, the metric improved year over year, thanks to higher comparable Retail segment sales, and impressive performance of Anthropologie Group, Urban Outfitters and Free People brands. Moreover, the company experienced growth at its digital channel. However, top-line growth was somewhat offset by lower sales at the Food and Beverage unit, and Wholesale segment.

Management commented that promotional activity was higher than expected. However, this was required to clean the ending Retail segment inventories across all its brands. As a consequence, the company is well poised to enter the spring season.

Urban Outfitters Holiday Sales Increase – January 9, 2020

Urban Outfitters reported decent holiday sales number. The company registered sales increase across all brands except its flagship Urban Outfitters. Net sales for the two months ended on Dec 31, 2019 grew 2.9% from the year-ago period. Total Retail segment net sales increased 3%. Comparable Retail segment net sales rose 3% on account of growth in the digital channel. However, this was partly offset by fall in retail store sales. Notably, comparable Retail segment net sales rose 8% and 5% at Free People and Anthropologie Group, respectively, but declined 1% at Urban Outfitters.

Valuation

Urban Outfitters shares are up 1.7% in the year-to-date period but down 6.6% in the trailing 12-month period. Stocks in the Zacks sub-industry and Zacks Retail-Wholesale sector are up 1.3% and 6.1%, respectively, in the year-to-date period. Over the past year, the sub-industry is down 21.7% but the sector is up 20.4%.

The S&P 500 index is up 5.2% in the year-to-date period and 23.6% in the past year.

The stock is currently trading at 12.35X forward 12-month earnings, which compares to 12.36X for the Zacks sub-industry, 26.09X for the Zacks sector and 19.35X for the S&P 500 index.

Over the past five years, the stock has traded as high as 22.6X and as low as 7.74X, with a 5-year median of 13.86X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$24 price target reflects 10.49X forward 12-month earnings.

The table below shows summary valuation data for URBN

Valuation Multiples - URBN					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	12.35	12.36	26.09	19.35
	5-Year High	22.6	18.38	26.2	19.35
	5-Year Low	7.74	10.23	19.07	15.18
	5-Year Median	13.86	14.24	22.99	17.47
P/S F12M	Current	0.67	0.62	1.09	3.58
	5-Year High	1.68	1.34	1.11	3.58
	5-Year Low	0.47	0.54	0.8	2.54
	5-Year Median	0.9	0.81	0.92	3
EV/EBITDA TTM	Current	6.54	8.8	15.89	12.31
	5-Year High	11.72	8.9	15.89	12.85
	5-Year Low	3.75	4.71	10.79	8.47
	5-Year Median	6.49	6.74	12.41	10.7

As of 02/14/2020

Industry Analysis Zacks Industry Rank: Top 30% (77 out of 255)



Top Peers

Guess?, Inc. (GES)	Outperform
Zumiez Inc. (ZUMZ)	Outperform
American Eagle Outfitters, Inc. (AEO)	Neutral
Abercrombie & Fitch Company (ANF)	Neutral
Foot Locker, Inc. (FL)	Neutral
The Gap, Inc. (GPS)	Neutral
PVH Corp. (PVH)	Neutral
L Brands, Inc. (LB)	Underperform

Industry Comparison Industry: Retail - Apparel And Shoes				Industry Peers		
	URBN Underperform	X Industry	S&P 500	AEO Neutral	ANF Neutral	FL Neutral
VGM Score	C	-	-	B	C	B
Market Cap	2.77 B	841.44 M	24.61 B	2.47 B	1.09 B	4.22 B
# of Analysts	12	3	13	9	10	10
Dividend Yield	0.00%	0.00%	1.78%	3.71%	4.61%	3.76%
Value Score	A	-	-	A	A	A
Cash/Price	0.13	0.13	0.04	0.11	0.39	0.18
EV/EBITDA	7.05	7.57	14.06	6.91	7.58	7.16
PEG Ratio	1.11	1.36	2.09	1.74	0.93	0.86
Price/Book (P/B)	1.94	1.59	3.29	1.99	1.10	1.78
Price/Cash Flow (P/CF)	7.24	6.12	13.65	6.03	4.83	6.29
P/E (F1)	12.44	13.14	19.21	10.03	14.19	7.67
Price/Sales (P/S)	0.70	0.51	2.70	0.58	0.30	0.52
Earnings Yield	8.04%	7.53%	5.19%	9.99%	7.04%	13.05%
Debt/Equity	0.78	1.04	0.71	1.07	1.48	1.17
Cash Flow (\$/share)	3.90	1.51	6.92	2.46	3.59	6.42
Growth Score	D	-	-	C	F	C
Hist. EPS Growth (3-5 yrs)	9.20%	-0.69%	10.85%	14.64%	-3.52%	3.95%
Proj. EPS Growth (F1/F0)	8.08%	9.38%	7.17%	0.61%	81.58%	7.12%
Curr. Cash Flow Growth	33.74%	9.92%	8.56%	14.78%	8.78%	3.72%
Hist. Cash Flow Growth (3-5 yrs)	0.23%	-0.29%	8.36%	9.35%	-7.00%	5.11%
Current Ratio	1.57	1.50	1.23	1.33	1.41	1.90
Debt/Capital	43.91%	51.30%	42.91%	51.79%	59.75%	53.93%
Net Margin	5.96%	2.74%	11.81%	6.20%	1.52%	6.39%
Return on Equity	16.67%	10.96%	16.86%	21.25%	5.30%	21.66%
Sales/Assets	1.33	1.33	0.54	1.42	1.13	1.34
Proj. Sales Growth (F1/F0)	4.10%	2.46%	3.85%	4.68%	1.98%	2.07%
Momentum Score	F	-	-	C	D	D
Daily Price Chg	0.11%	-0.92%	0.06%	0.41%	1.05%	-1.42%
1 Week Price Chg	1.29%	0.84%	2.47%	-1.04%	1.53%	6.61%
4 Week Price Chg	5.02%	-2.49%	0.59%	0.75%	-5.19%	2.54%
12 Week Price Chg	12.55%	0.27%	6.98%	3.20%	10.03%	-2.60%
52 Week Price Chg	-6.73%	-13.92%	16.62%	-26.27%	-17.47%	-31.49%
20 Day Average Volume	1,168,589	225,421	2,020,569	2,911,681	1,639,974	2,238,392
(F1) EPS Est 1 week change	-0.80%	0.00%	0.00%	0.00%	0.00%	-0.17%
(F1) EPS Est 4 week change	-0.90%	0.00%	-0.05%	0.00%	0.00%	-0.17%
(F1) EPS Est 12 week change	-10.01%	0.00%	-0.17%	-9.46%	-3.40%	-0.10%
(Q1) EPS Est Mthly Chg	-3.84%	0.00%	-0.24%	0.00%	0.00%	0.00%

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	D
Momentum Score	F
VGM Score	C

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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