

## Urban Outfitters Inc. (URBN)

**\$25.25** (As of 08/26/20)

Price Target (6-12 Months): **\$27.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 08/25/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:F

Value: C

Growth: F

Momentum: F

### Summary

Shares of Urban Outfitters have increased in the past three months. Continued strength in the company's digital business is aiding performance. Notably, it delivered a stellar second-quarter fiscal 2021 with earnings and sales beating the Zacks Consensus Estimate. Robust strength in its digital channel largely offset the weakness across its store channel in the quarter. This momentum persisted in the first three weeks of August, and management expects this to continue in the back half of fiscal. Also, disciplined cost-control actions aided operating margin in the quarter. However, year-over-year decline in sales continued as stores were closed for part of the quarter and experienced lower productivity after reopening. Also, weak gross margin persisted on higher delivery and logistics costs coupled with deleveraged store-occupancy expense.

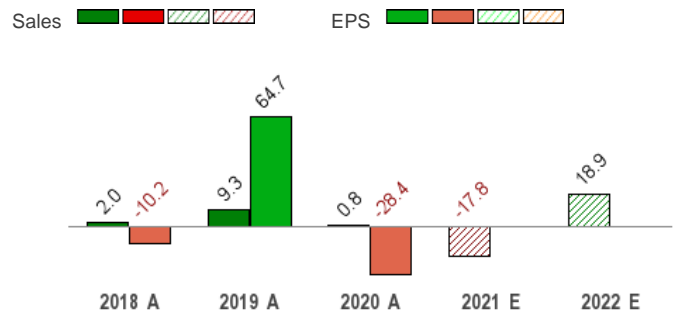
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$31.41 - \$12.28
20 Day Average Volume (sh)	3,097,262
Market Cap	\$2.5 B
YTD Price Change	-9.1%
Beta	1.30
Dividend / Div Yld	\$0.00 / 0.0%
Industry	<a href="#">Retail - Apparel and Shoes</a>
Zacks Industry Rank	Bottom 10% (228 out of 252)

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	206.1%
Last Sales Surprise	18.2%
EPS F1 Est- 4 week change	-9.3%
Expected Report Date	11/17/2020
Earnings ESP	11.9%
P/E TTM	252.5
P/E F1	NA
PEG F1	NA
P/S TTM	0.7

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	933 E	946 E	905 E	1,153 E	3,892 E
2021	588 A	803 A	879 E	1,111 E	3,273 E
2020	864 A	962 A	987 A	1,170 A	3,984 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.18 E	\$0.44 E	\$0.25 E	\$0.46 E	\$1.49 E
2021	-\$1.31 A	\$0.35 A	\$0.20 E	\$0.40 E	-\$1.07 E
2020	\$0.31 A	\$0.61 A	\$0.56 A	\$0.50 A	\$1.97 A

\*Quarterly figures may not add up to annual.

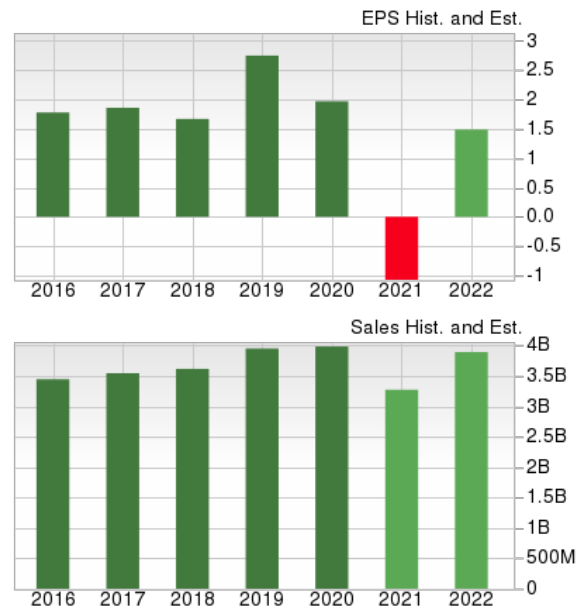
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/26/2020. The reports text is as of 08/27/2020.

## 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 BHLDN, 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 Jul 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; 233 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; 143 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, two Urban Outfitters franchisee-owned stores and one Anthropologie Group franchisee-owned store.



## Reasons To Buy:

- ▲ **Better-Than-Expected Q2:** Shares of Urban Outfitters have gained 40.2% compared with the industry's 35% rally over the past three months. Impressively, the company's shares have been experiencing momentum on better-than-expected second-quarter fiscal 2021 results. Apparently, the stock has risen 60% in a month. Results mainly benefited from robust strength in its digital channel, which largely offset the weakness across its store channel. Its overall digital business recorded solid double-digit comp sales in each month of the reported quarter.

Notably, all the categories including apparel, intimates, movement shoes and accessories delivered positive regular-price comparable sales (comps) within digital. Also, the company witnessed improved conversions, and the total new digital customers across all its brands increased 76% year over year. This momentum persisted in the first three weeks of August, and management expects this to continue in the back half of fiscal. Management further cited that the all of the company's brands enter the fall selling season with lean inventories. Urban Outfitters' Retail segment is also performing slightly ahead of its second-quarter performance for fiscal third-quarter-to-date.

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

- ▲ **Lower SG&A:** The company has been witnessing lower SG&A expenses for a while. During second-quarter fiscal 2021, the metric plunged 29.1% to \$168.6 million on cost-saving efforts. Moreover, as a percentage of net sales, the metric leveraged 372 bps to 21%. This upside is attributed to a disciplined store-payroll management and gains from the pandemic-related government relief packages. This drove operating margin expansion of 50 basis points (bps) to 8.6% in the reported quarter. For the fiscal third quarter, management anticipates SG&A to decline by nearly 10%.
  - ▲ **FP Movement Initiative:** Urban Outfitters' strategic growth initiative, FP Movement, bodes well. During fiscal second quarter, the FP Movement customer base increased 175%, with the Movement Free People's activewear line surpassing the overall brand growth and remained positive across all channels. Also, the digital platform rose triple digits, and both the performance and non-performance classes grew in the quarter. Management has been making investments in the Movement with digital and creative brand prospects along with the FP Movement ambassador program. The company is excited to open its first FP Movement standalone store in Los Angeles this fall, followed by a location in Boulder, CO, in fiscal fourth quarter. Having a differentiated position in the fitness and wellness space, the FP Movement is a major growth opportunity and is expected to boost Free People's brand revenue. Notably, comparable Retail segment net sales at Free People grew 11% in the quarter.
  - ▲ **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 \$4.7 million to net sales during the second quarter of fiscal 2021. Going forward, management remains optimistic about 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 the first six months of fiscal 2021, the company opened five retail outlets — two Anthropologie Group and three Urban Outfitters. Simultaneously, it shuttered four retail stores, three Urban Outfitters and one Free People. In the aforementioned period, three Urban Outfitters franchisee-owned stores and one Free People franchisee-owned outlet were shuttered. For the second half, management expects opening two stores in the United Kingdom.
- ▲ **Debt Analysis:** Urban Outfitters' debt of 1,222.3 million (including long-term debt of \$120 million and non-current portion of operating lease liabilities of \$1,102.3 million) as of Jul 31, 2020, declined 6.6% sequentially. Moreover, its debt-to-capitalization ratio of 0.48 at the end of second-quarter fiscal 2021 shows a decline from 0.55 at the end of the preceding quarter. Also, its debt-to-capitalization ratio compares favorably with that of the industry's 0.74. Again, Urban Outfitters' cash and equivalents (including marketable securities) at the end of second-quarter fiscal 2021 increased nearly 78% sequentially to \$1,163.9 million. Notably, the company's cash position remains sufficient to meet the current portion of operating lease liabilities of about \$270.3 million as of Jul 31, 2020.

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## Reasons To Sell:

▼ **Y/Y Decline in Sales Continue:** Although Urban Outfitters' top line outpaced the Zacks Consensus Estimate during second-quarter fiscal 2021, the metric continued to fall on a year-over-year basis. In the reported quarter, net sales of \$803.3 million decreased 16.5% year over year on lower comparable Retail-segment sales as well as sales declines across all its brands and segments. Brand-wise, net sales were down 25.2% year over year at Anthropologie Group, 13.6% at Free People and 8.8% at Urban Outfitters. Moreover, Menus & Venues net sales plunged 77.5% from the prior-year quarter. Segment-wise, Urban Outfitters' net sales at the Retail Segment fell 13.8% and at the Wholesale Segment plunged 50.8%. Further, comparable Retail-segment net sales fell roughly 13% on negative retail-store sales due to store closures for part of the quarter and fall in store productivity after reopening. Brand-wise, comparable Retail-segment net sales declined 25% at the Anthropologie Group and 8% at Urban Outfitters.

Urban Outfitters' weak gross margin trend persisted in second-quarter fiscal 2021. Higher delivery and logistics costs coupled with deleveraged store-occupancy expense hurt the metric.

▼ **Weak Gross Margin:** Urban Outfitters' soft gross-margin performance persisted in second-quarter fiscal 2021 as well. In the quarter under review, gross profit came in at \$238 million, down 24.6% from the year-ago quarter. Further, gross margin contracted 320 bps to 29.6%, primarily due to higher delivery and logistics costs on account of penetration of the digital channel. Also, deleveraged store-occupancy expense rate hurt the metric. Moreover, merchandise markdowns were lower while the initial merchandise mark-up rate remained flat year over year in the reported quarter. For fiscal third quarter, management expects gross margin rate to deleverage by nearly 200 bps on higher penetration of the digital channel, leading to deleveraged delivery and logistics costs.

During the fiscal first quarter, gross profit was down 95.6%, while gross margin contracted significantly from 31.1% to 2% on deleveraged store-occupancy costs. In the fourth and third quarters of fiscal 2020, gross margin contracted 351 bps and 217 bps, respectively, while operating margin fell 470 bps and 230 bps.

▼ **Outlook:** Depending on the quarter-to-date performance, management projects the overall sales to fall mid-single-digit for the third quarter of fiscal 2021. Moreover, Wholesale revenues in the back half of the fiscal is likely to remain negative. However the company expects the segment to revert to growth in early fiscal 2022. Although the company saw a slight improvement in store traffic for August to-date over the July rate, it is unclear if store traffic could rebound to pre-COVID-19 levels. Hence, the overall third-quarter comps might remain negative, but are expected to improve on a sequential basis.

▼ **Stock Looks Overvalued:** Considering price-to-earnings (P/E) ratio, Urban Outfitters looks pretty overvalued when compared with the industry and the S&P 500. The stock has a trailing 12-month P/E ratio of 70.14, which is above the median level of 12.01 and below the high level of 68.2, scaled in the past year. On the contrary, the trailing 12-month P/E ratio is 11.55 for the industry and 24.21 for the S&P 500. Given these factors, we believe that the stock is quite stretched from the P/E aspect.

▼ **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.

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## Last Earnings Report

### Urban Outfitters Beats Q2 Earnings and Sales Estimates

Urban Outfitters reported better-than-expected results in second-quarter fiscal 2021. Results mainly benefited from robust strength in its digital channel, which largely offset the weakness across its store channel. Its overall digital business recorded solid double-digit comp sales in each month of the reported quarter.

#### Deeper Insight

This lifestyle-specialty retail company delivered earnings of 35 cents per share against the Zacks Consensus Estimate of a loss of 33 cents. However, the bottom line declined 42.6% from the year-ago quarter.

In the reported quarter, net sales of \$803.3 million decreased 16.5% year over year but outshone the Zacks Consensus Estimate of \$680 million. This downside is attributed to lower comparable Retail-segment sales as well as sales decline across all its brands and segments.

Brand-wise, net sales were down 25.2% year over year to \$295.1 million at Anthropologie Group, 13.6% to \$178 million at Free People and 8.8% to \$323.9 million at Urban Outfitters. Moreover, Menus & Venues net sales came in at \$1.6 million, down 77.5% from the prior-year quarter. Again, Nuuly, the subscription-based rental service for women's clothes, contributed roughly \$4.7 million to net sales.

Segment-wise, Urban Outfitters' net sales at the Retail Segment fell 13.8% to \$757.5 million and at the Wholesale Segment plunged 50.8% to \$41.1 million. Further, comparable Retail segment net sales fell roughly 13% on negative retail-store sales due to store closures for part of the quarter and fall in store productivity after reopening. This was partly offset by robust double-digit growth across its digital channel. Brand-wise, comparable Retail segment net sales declined 25% at the Anthropologie Group and 8% at Urban Outfitters. However, the same saw 11% growth at Free People.

#### Costs & Margins

In the quarter under review, gross profit came in at \$238 million, down 24.6% from the year-ago quarter. Further, gross margin contracted 320 basis points (bps) to 29.6%, primarily due to higher delivery and logistics costs on account of penetration of the digital channel. Also, deleveraged store-occupancy expense rate hurt the metric. Moreover, merchandise markdowns were lower while the initial merchandise mark-up rate remained flat year over year in the reported quarter.

Meanwhile, SG&A expenses plunged 29.1% to \$168.6 million on cost-saving efforts. Moreover, as a percentage of net sales, the metric leveraged 372 bps to 21%. This upside is attributed to a disciplined store-payroll management and gains from the pandemic-related government relief packages. Notably, digital-marketing expenses increased in fiscal second quarter due to solid digital channel sales and customer growth.

Further, the company recorded operating income of \$69.4 million, down 11.1% from the year-ago quarter. However, operating margin expanded 50 bps to 8.6% on leveraged SG&A as a rate of sales.

#### Store Update

During the first six months of fiscal 2021, the company opened five retail outlets — two Anthropologie Group and three Urban Outfitters. Simultaneously, it shuttered four retail stores, three Urban Outfitters and one Free People. In the aforementioned period, three Urban Outfitters franchisee-owned stores and one Free People franchisee-owned outlet were shuttered.

#### Other Financial Details

Urban Outfitters ended the quarter with cash and cash equivalents of \$662.9 million, marketable securities of \$501 million and total shareholders' equity of \$1,350.6 million.

As of Jul 31, 2020, total inventory declined 20.1% year over year to \$351.8 million, driven by lower inventory across its Retail and Wholesale segments. Further, the company generated net cash of \$115.2 million in operating activities during the first half of fiscal 2021. For fiscal, management projects capital expenditures of roughly \$215 million, mainly related to enhanced distribution facilities. This includes the completion of its new omni-channel distribution facility in the United Kingdom and the expected start of construction of the latest facility in the United States.

In August 2017, the company's board authorized a buyback of 20 million shares under a share-repurchase program. Urban Outfitters did not buy back shares in fiscal second quarter, however during the first six months of fiscal, it bought back and subsequently retired 0.5 million shares for roughly \$7 million. In June 2019, the company's board authorized the buying back of 20 million shares under a new repurchase program. As of Jul 31, 2020, the company had 25.9 million shares remaining under these programs.

Quarter Ending **07/2020**

Report Date	Aug 25, 2020
Sales Surprise	18.15%
EPS Surprise	206.06%
Quarterly EPS	0.35
Annual EPS (TTM)	0.10

## Valuation

Urban Outfitters shares are down 9.1% in the year-to-date period and 2% in the trailing 12-month period. Stocks in the Zacks sub-industry are down 14% but the Zacks Retail-Wholesale sector is up 36.7% in the year-to-date period. Over the past year, the Zacks sub-industry is down 0.9% but the sector is up 46.8%.

The S&P 500 index is up 8.1% in the year-to-date period and 20.7% in the past year.

The stock is currently trading at 0.68X forward 12-month sales, which compares to 0.62X for the Zacks sub-industry, 1.3X for the Zacks sector and 3.81X 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 0.82X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$27 price target reflects 0.73X 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	0.68	0.62	1.3	3.81
	5-Year High	1.32	1.09	1.3	3.81
	5-Year Low	0.31	0.32	0.82	2.53
	5-Year Median	0.82	0.8	0.97	3.05
P/B TTM	Current	1.9	3.66	6.02	4.71
	5-Year High	3.87	6.2	6.03	4.71
	5-Year Low	0.86	1.35	3.69	2.83
	5-Year Median	2.39	4.54	5.02	3.76
EV/EBITDA TTM	Current	23.49	12.75	20.75	13.25
	5-Year High	24.21	12.75	20.75	13.25
	5-Year Low	3.42	4.71	10.68	8.25
	5-Year Median	6.46	6.64	12.97	10.92

As of 08/26/2020

## Industry Analysis Zacks Industry Rank: Bottom 10% (228 out of 252)



## Top Peers

Company (Ticker)	Rec	Rank
DICKS Sporting Goods, Inc. (DKS)	Outperform	1
American Eagle Outfitters, Inc. (AEO)	Neutral	4
AbercrombieFitch Company (ANF)	Neutral	4
Burberry Group PLC (BURBY)	Neutral	4
Designer Brands Inc. (DBI)	Neutral	4
The Gap, Inc. (GPS)	Neutral	4
L Brands, Inc. (LB)	Neutral	3
Capri Holdings Limited (CPRI)	Underperform	5

Industry Comparison Industry: Retail - Apparel And Shoes				Industry Peers		
	URBN	X Industry	S&P 500	AEO	ANF	DBI
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	4	4
VGM Score	F	-	-	D	F	D
Market Cap	2.47 B	582.17 M	23.69 B	1.89 B	685.58 M	497.54 M
# of Analysts	12	3	14	10	10	3
Dividend Yield	0.00%	0.00%	1.65%	0.00%	0.00%	0.00%
Value Score	C	-	-	C	D	C
Cash/Price	0.35	0.33	0.07	0.50	1.13	0.54
EV/EBITDA	8.30	6.77	13.37	6.91	5.74	6.63
PEG Ratio	NA	1.98	3.04	NA	NA	NA
Price/Book (P/B)	1.83	1.39	3.17	1.89	0.86	1.00
Price/Cash Flow (P/CF)	7.64	4.38	12.78	4.39	3.15	2.46
P/E (F1)	NA	31.62	21.63	NA	NA	NA
Price/Sales (P/S)	0.70	0.41	2.50	0.47	0.20	0.16
Earnings Yield	-4.32%	1.97%	4.44%	-2.89%	-26.24%	-34.35%
Debt/Equity	0.90	1.05	0.75	1.95	1.78	2.37
Cash Flow (\$/share)	3.30	1.88	6.94	2.60	3.53	2.80
Growth Score	F	-	-	F	F	F
Hist. EPS Growth (3-5 yrs)	-2.63%	-2.63%	10.41%	1.62%	2.25%	0.82%
Proj. EPS Growth (F1/F0)	-155.50%	-70.24%	-4.92%	-122.09%	-499.32%	-255.12%
Curr. Cash Flow Growth	-22.87%	-1.10%	5.22%	0.06%	-6.25%	-6.06%
Hist. Cash Flow Growth (3-5 yrs)	-2.66%	1.68%	8.50%	10.42%	-5.89%	-2.77%
Current Ratio	1.65	1.46	1.34	2.35	1.32	1.30
Debt/Capital	47.51%	55.28%	44.18%	66.13%	63.97%	70.35%
Net Margin	-0.81%	-4.47%	10.25%	-2.68%	-5.50%	-4.91%
Return on Equity	0.78%	2.47%	14.66%	5.92%	-14.29%	-7.59%
Sales/Assets	1.06	1.06	0.50	1.15	0.98	1.24
Proj. Sales Growth (F1/F0)	-17.76%	-12.18%	-1.45%	-12.74%	-14.46%	-23.31%
Momentum Score	F	-	-	C	F	A
Daily Price Chg	21.39%	0.00%	-0.18%	3.17%	2.68%	-1.85%
1 Week Price Chg	-5.94%	-4.31%	-1.45%	-8.05%	-6.56%	-11.51%
4 Week Price Chg	45.70%	4.14%	2.10%	7.04%	7.74%	5.02%
12 Week Price Chg	28.56%	-4.15%	3.61%	-3.39%	-16.06%	-11.31%
52 Week Price Chg	7.22%	-27.44%	3.61%	-32.62%	-34.61%	-53.88%
20 Day Average Volume	3,097,262	550,480	1,883,291	6,435,702	2,225,224	1,622,010
(F1) EPS Est 1 week change	-3.20%	0.00%	0.00%	0.00%	-0.34%	1.52%
(F1) EPS Est 4 week change	-9.26%	0.00%	0.93%	-21.11%	-4.33%	3.13%
(F1) EPS Est 12 week change	-9.26%	-32.88%	3.41%	-204.56%	-99.04%	-397.90%
(Q1) EPS Est Mthly Chg	-14.74%	-12.30%	0.00%	-4.44%	-91.67%	-19.67%



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## 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 have an excellent 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.

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### 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	C
Growth Score	F
Momentum Score	F
VGM Score	F

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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### Disclosures

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