

Urban Outfitters Inc. (URBN)

\$18.86 (As of 04/29/20)

Price Target (6-12 Months): **\$16.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 03/25/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

5-Strong Sell

Zacks Style Scores:

VGM:B

Value: A

Growth: C

Momentum: F

Summary

Shares of Urban Outfitters have declined in the past three months. The stock came under pressure following management's decision to close stores, suspend buybacks, delay capital projects and lower investments in growth initiatives such as Nuuly and expansion into China owing to the pandemic. It also carried out temporary suspension of rent payment and cancellation or delay of a few store openings. Certainly, shrinking consumer demand and supply-chain hurdle remain major deterrents at this moment. In the last reported quarter, the company posted dismal bottom-line performance for fourth-quarter fiscal 2020. The metric lagged the consensus mark for the second straight time and also fell year over year, thanks to higher SG&A expenses. Meanwhile, the company continued to witness soft gross and operating margins in the fiscal fourth quarter.

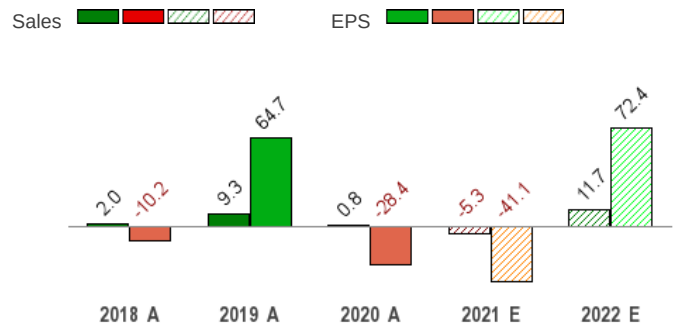
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$31.41 - \$12.28
20 Day Average Volume (sh)	2,189,889
Market Cap	\$1.8 B
YTD Price Change	-32.1%
Beta	1.19
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Retail - Apparel and Shoes
Zacks Industry Rank	Bottom 20% (203 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-20.6%
Last Sales Surprise	-0.1%
EPS F1 Est- 4 week change	-30.7%
Expected Report Date	05/19/2020
Earnings ESP	0.0%
P/E TTM	9.5
P/E F1	16.3
PEG F1	1.4
P/S TTM	0.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					4,214 E
2021	744 E	882 E	1,005 E	1,214 E	3,772 E
2020	864 A	962 A	987 A	1,170 A	3,984 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.55 E				\$2.00 E
2021	\$0.63 E	-\$0.12 E	\$0.28 E	\$0.48 E	\$1.16 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.

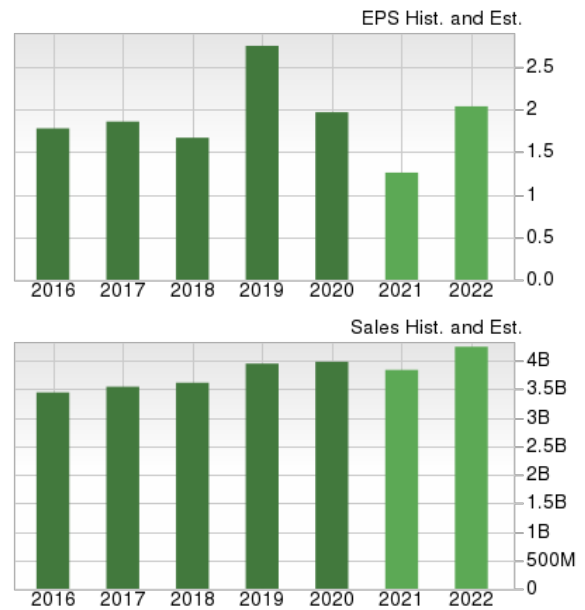
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/29/2020. The reports text is as of 04/30/2020.

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 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:

- ▼ **COVID-19 Impacts:** Shares of Urban Outfitters have plunged 26% compared with industry's decline of 35% in the past three months. The stock came under pressure following management's decision to close stores till further notice, delay capital projects and lower investments in growth initiatives such as Nuuly and expansion into China owing to the coronavirus outbreak. The company has been lowering non-payroll costs, adjusting inventory levels and extending payment terms for vendor invoices. It also carried out temporary suspension of rent payment, cancellation or delay of a few store openings, elimination of bonuses for fiscal 2021 and delay in all merit increases. Additionally, the company has also chosen to suspend buybacks, minimize senior leadership compensation during the furlough period and eliminate directors' cash compensation for the balance of the current fiscal year.
- ▼ **Q4 Earnings Miss:** Urban Outfitters suffered disappointing bottom-line results for fourth-quarter fiscal 2020. The metric missed the Zacks Consensus Estimate and also continued to decline year over year. This marked the second consecutive earnings miss for the company. The bottom line plunged 39.8% in the reported quarter on account of increased SG&A expenses and higher effective tax rate. Moreover, the company witnessed a soft performance at its Wholesale business in the fiscal fourth quarter. Evidently, its Wholesale segment sales declined nearly 10% from the year-ago quarter due to a 12% drop in Free People. Further, management stated that the Wholesale segment sales are likely to decrease in high single digit at the start of fiscal 2021. We note that shares of the company have lost 42.8% compared with the industry's 44.1% decline in the past three months.
- ▼ **Soft Margins & Higher SG&A:** Urban Outfitters' soft margin performance persisted in the fiscal fourth quarter. In the reported quarter, adjusted gross profit fell 7.4% from the year-ago quarter and the margin contracted 351 basis points (bps) to 29.8%. This was primarily due to increased Retail segment markdowns, lower Wholesale segment margins, and higher delivery and logistics costs. Further, adjusted income from operations was down nearly 43% with adjusted operating margin decreasing 470 basis points to 5.7%. Lower gross profit and higher SG&A expense affected its operating profits in the fiscal fourth quarter. SG&A costs rose 8.9% while as a percentage of net sales, the metric increased 117 bps to 24.1%. This can be attributed to higher marketing expenses to drive digital sales and new business initiatives. In the third quarter of fiscal 2020, gross margin shrank 217 bps to 32.5% while operating margin shriveled 230 bps to 7.6%.
- ▼ **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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Urban Outfitters posted weaker-than-expected bottom-line results in fourth-quarter fiscal 2020. Also, margins continued to remain soft in the reported quarter.

Risks

- **Robust Q4 Sales:** Recently, Urban Outfitters generated robust sales for fourth-quarter fiscal 2020. The metric improved 3.6% year over year, thanks to higher comparable Retail segment sales and an impressive performance of Anthropologie Group, Urban Outfitters and Free People brands. Urban Outfitters reported fourth-quarter net sales worth \$1,169.6 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 was flat year over year at Urban Outfitters.
 - **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 roughly \$6 million to net sales during the fiscal fourth quarter.
 - **Rational Store-Growth Efforts:** 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 while shuttered 11 locations. During the said period, the company 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.
 - **Debt Analysis:** Urban Outfitters' cash and equivalents (including marketable securities) at the end of fourth-quarter fiscal 2020 increased 28.3% sequentially to \$433 million. Notably, the company's cash position remains sufficient to meet current portion of operating lease liabilities of about \$221.6 million as of Jan 31, 2020. Further, the company's non-current portion of operating lease liabilities of \$1,137.5 million — as of Jan 31, 2020 — has been increasing on a sequential basis since the past two quarters but its debt-to-capital ratio of 0.48 stands comfortably below the sub-industry's ratio of 0.68. Moreover, the company in a recent release informed that owing to pandemic it has borrowed \$220 million to protect its cash reserves. It has also been lowering non-payroll costs, cancelling or delaying few store openings and eliminating bonuses for fiscal 2021. Additionally, the company has also chosen to suspend buybacks to maintain liquidity.
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Last Earnings Report

Urban Outfitters Reports Q4 Earnings Miss

Urban Outfitters posted lower-than-expected earnings in fourth-quarter fiscal 2020. Also, earnings continued to decline year over year on account of increased SG&A expenses and higher effective tax rate.

An Insight

This lifestyle specialty retail company delivered adjusted earnings of 50 cents a share that missed the Zacks Consensus Estimate of 63 cents. Bottom line also declined 39.8% year over year from 83 cents earned in the year-ago quarter. Net sales of \$1,169.6 million increased 3.6% year over year, thanks to higher comparable Retail segment sales.

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. Again, Nuuly, the subscription rental service for women's clothes, contributed roughly \$6 million to net sales.

Segment-wise, Urban Outfitters reported net sales of \$1,090.6 million at the Retail Segment and \$73.1 million at the Wholesale Segment. Comparable Retail segment net sales rose 4.1% 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 6% at the Anthropologie Group but were flat at Urban Outfitters. However, Wholesale segment sales declined nearly 10% from the year-ago quarter, due to a 12% drop in Free People.

Margin Performance

In the quarter under review, adjusted gross profit came in at \$348.4 million, down 7.4% from the year-ago quarter. Further, adjusted gross margin contracted 351 basis points (bps) to 29.8%, primarily due to increased Retail segment markdowns, lower Wholesale segment margins, and higher delivery and logistics costs.

SG&A expenses rose 8.9% to \$281.3 million, while as a percentage of net sales, the metric increased 117 basis points to 24.1%. Further, adjusted income from operations came in at \$67.1 million, down nearly 43% from the year-ago quarter's figure, while adjusted operating margin shriveled 470 basis points to 5.7%.

Store Update

During fiscal 2020, the company opened 26 retail outlets, including 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. For fiscal 2021, it intends to open 39 new stores, with 30 stores in North America. Simultaneously, it expects to shut down nearly nine stores.

Other Financial Details

The company ended the quarter with cash and cash equivalents of \$221.8 million, marketable securities of \$211.5 million and total shareholders' equity of \$1,455.4 million. In August 2017, the company's board of directors authorized buyback of 20 million shares. During fiscal 2020, Urban Outfitters bought back and subsequently retired 8.1 million shares for roughly \$217 million. In June 2019, the company's board of directors authorized share repurchase program of 20 million shares. As of Jan 31, 2020, the company had 26.3 million shares remaining under the share repurchase program.

As of Jan 31, 2020, total inventory rose 10.5% year over year to \$409.5 million, driven by higher Wholesale segment inventory, somewhat offset by flat Retail segment inventory at cost. For fiscal 2021, management anticipates capital expenditures of nearly \$250 million, mainly associated with investments in additional and enhanced distribution facilities. It expects to complete its new European distribution facility this year.

Outlook

On the basis of quarter-to-date performance, management anticipates first-quarter fiscal 2021 Retail segment comps to improve in low single to mid single digit on improved product performance and lower markdowns. However, Wholesale segment sales are likely to decline high single digit at the start of fiscal 2021. Nonetheless, management expects Wholesale sales to revert to positive in fiscal second quarter and fiscal 2021.

Moreover, gross margin rate for fiscal first quarter is likely to contract roughly 100 bps, due to soft gross margin at subscription and Wholesale segments, partly offset by flat to positive gross margin at Retail segment. Notably, the subscription segment business Nuuly is estimated to have an adverse impact on gross margin in the quarter and most likely for the fiscal year. Wholesale segment gross margin will be impacted by increased marked down allowances and high inventory levels. Total SG&A expenses are likely to increase roughly 9% each in the first quarter and fiscal 2021, due to higher incentive compensation expenses.

Quarter Ending 01/2020

Report Date	Mar 03, 2020
Sales Surprise	-0.05%
EPS Surprise	-20.63%
Quarterly EPS	0.50
Annual EPS (TTM)	1.98

Recent News

Urban Outfitters Gives More Updates – March 31, 2020

Urban Outfitters issued additional business updates to stay afloat in such an unprecedented environment. Management recently announced that its global retail stores will continue to remain closed till further notice. The company's stores have been temporarily shuttered since Mar 14. In order to reinforce its financial position and raise flexibility, Urban Outfitters has borrowed \$220 million and curbed capital budget by more than \$100 million by deferring projects. It has also cut down on investments for expansion into China and enhancement of the subscription rental service, Nuuly. Urban Outfitters has been lowering non-payroll costs, adjusting inventory levels and extending payment terms for vendor invoices. It also carried out temporary suspension of rent payment, cancellation or delay of a few store openings, elimination of bonuses for fiscal 2021 and delay in all merit increases. Additionally, the company has also chosen to suspend buybacks, minimize senior leadership compensation during the furlough period and eliminate directors' cash compensation for the balance of the current fiscal year. Urban Outfitters has furloughed the majority of its associates for 60 days effective Apr 1. However, these workers are entitled to receive enrolled benefits.

Valuation

Urban Outfitters shares are down 32.1% in the year-to-date period and 36.5% in the trailing 12-month period. Stocks in the Zacks sub-industry are down 40.2% but the Zacks Retail-Wholesale sector is up 0.4%. Over the past year, the Zacks sub-industry is down 53.6% but the sector is up 5.9%.

The S&P 500 index is down 11.4% in the year-to-date period and 2.5% in the past year.

The stock is currently trading at 12.99X forward 12-month earnings, which compares to 14.42X for the Zacks sub-industry, 28.26X for the Zacks sector and 20.17X for the S&P 500 index.

Over the past five years, the stock has traded as high as 21.58X and as low as 6.61X, with a 5-year median of 13.59X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$16 price target reflects 11.04X 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	12.99	14.42	28.26	20.17
	5-Year High	21.58	16.88	28.26	20.17
	5-Year Low	6.61	7.87	19.06	15.19
	5-Year Median	13.59	14.2	23.16	17.45
P/S F12M	Current	0.47	0.42	1.01	3.21
	5-Year High	1.44	1.21	1.11	3.44
	5-Year Low	0.31	0.32	0.8	2.54
	5-Year Median	0.86	0.8	0.93	3.01
EV/EBITDA TTM	Current	6.96	6.17	15.41	10.45
	5-Year High	10.17	9.3	16.31	12.87
	5-Year Low	3.42	4.71	10.9	8.27
	5-Year Median	6.46	6.85	12.55	10.78

As of 04/28/2020

Industry Analysis Zacks Industry Rank: Bottom 20% (203 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
American Eagle Outfitters, Inc. (AEO)	Neutral	3
Abercrombie & Fitch Company (ANF)	Neutral	3
Burberry Group PLC (BURBY)	Neutral	4
Designer Brands Inc. (DBI)	Neutral	3
The Gap, Inc. (GPS)	Neutral	3
L Brands, Inc. (LB)	Neutral	3
Capri Holdings Limited (CPRI)	Underperform	5
Foot Locker, Inc. (FL)	Underperform	3

Industry Comparison Industry: Retail - Apparel And Shoes				Industry Peers		
	URBN	X Industry	S&P 500	AEO	ANF	BURBY
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	5	-	-	3	3	4
VGM Score	B	-	-	A	B	A
Market Cap	1.84 B	455.44 M	20.82 B	1.39 B	700.98 M	7.52 B
# of Analysts	13	3	14	11	11	3
Dividend Yield	0.00%	0.00%	2.07%	0.00%	7.03%	1.51%
Value Score	A	-	-	A	A	D
Cash/Price	0.28	0.35	0.06	0.37	1.20	0.13
EV/EBITDA	6.96	6.44	12.12	5.34	6.21	NA
PEG Ratio	1.31	1.18	2.51	NA	NA	NA
Price/Book (P/B)	1.27	1.02	2.74	1.13	0.67	4.80
Price/Cash Flow (P/CF)	5.71	3.94	11.23	3.24	3.22	12.63
P/E (F1)	15.07	15.30	19.26	13.14	NA	21.78
Price/Sales (P/S)	0.46	0.32	2.16	0.32	0.19	NA
Earnings Yield	6.15%	4.44%	5.03%	7.61%	-4.75%	4.59%
Debt/Equity	0.78	0.97	0.72	1.04	1.39	0.69
Cash Flow (\$/share)	3.30	1.44	7.01	2.60	3.53	1.45
Growth Score	C	-	-	B	B	A
Hist. EPS Growth (3-5 yrs)	8.33%	0.13%	10.88%	11.67%	-0.50%	NA
Proj. EPS Growth (F1/F0)	-41.19%	-41.37%	-6.94%	-56.76%	-173.47%	5.00%
Curr. Cash Flow Growth	-22.87%	-0.32%	5.92%	0.06%	-6.25%	-7.14%
Hist. Cash Flow Growth (3-5 yrs)	-2.66%	0.42%	8.55%	10.42%	-5.89%	-5.42%
Current Ratio	1.65	1.41	1.23	1.39	1.55	1.69
Debt/Capital	43.87%	51.06%	43.90%	51.06%	58.09%	40.70%
Net Margin	4.22%	2.49%	11.15%	4.44%	1.09%	NA
Return on Equity	13.88%	11.79%	16.47%	20.31%	4.61%	NA
Sales/Assets	1.22	1.22	0.54	1.29	1.05	NA
Proj. Sales Growth (F1/F0)	-5.31%	-6.27%	-1.52%	-7.03%	-9.85%	-1.49%
Momentum Score	F	-	-	F	F	B
Daily Price Chg	6.13%	3.55%	2.91%	3.57%	1.79%	4.04%
1 Week Price Chg	-15.61%	-7.22%	-1.74%	-26.08%	-17.80%	-13.09%
4 Week Price Chg	43.20%	31.97%	21.33%	19.80%	39.29%	17.20%
12 Week Price Chg	-30.43%	-41.04%	-16.28%	-43.60%	-32.74%	-32.07%
52 Week Price Chg	-36.50%	-46.18%	-7.57%	-64.69%	-62.04%	-30.94%
20 Day Average Volume	2,189,889	393,084	2,658,107	9,587,385	2,292,490	123,448
(F1) EPS Est 1 week change	-8.06%	0.00%	0.00%	-23.08%	-29.10%	0.00%
(F1) EPS Est 4 week change	-30.70%	-33.73%	-6.32%	-38.46%	-292.81%	0.00%
(F1) EPS Est 12 week change	-49.72%	-48.51%	-12.93%	-56.69%	-143.89%	-31.43%
(Q1) EPS Est Mthly Chg	-299.27%	-100.00%	-11.84%	-370.51%	-35.51%	NA

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.

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	C
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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