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November 24, 2014 – Urban Outfitters Is Still A Profitable Enterprise – By Jeffrey Hagenmeier



Urban Outfitters is an American based clothing corporation that is headquartered in Philadelphia, Pennsylvania. Founded in 1970, over the years it has become a multinational enterprise. It now has operations in addition to the United States, that include the United Kingdom, Canada, Ireland, France, Germany, Denmark, Belgium, Spain, Sweden, and the Netherlands. The company has over 400 retail locations that have inventory consisting mainly of clothing, footwear, accessories, cosmetics, music and housewares. The styles

are varied consisting mostly of bohemian, hipster, ironically humorous, kitschy, retro and vintage. Urban Outfitters has also collaborated with a number of designers and luxury brands on a number of occasions. The company manages at present, five separate brands including its namesake. These are Anthropologie, Free People, Terrain, and BHLDN.

In house brands include Staring At Stars, Ecote, Deena and Ozzy, Coincidence & Chance, Silence + Noise, Sparkle & Fade, Pins & Needles, BDG (Bulldog) and Kimchi Blue. The company seeks to create a unique shopping experience with their target customer, which is usually customers from the ages of 18 to 30.

Revenue for the company in 2014 was \$3.087 billion USD (United States Dollar). Operating income was \$427 million USD and net income was \$282.36 million USD. Total assets stand at \$2.221 billion USD and total equity is \$1.694 billion USD. Urban Outfitters have more than 25,000 employees.

Urban Outfitters stock closed Friday, November 21<sup>st</sup> at **\$31.48 USD**. The stock had opened at \$31.74 and reached a high of \$32.03. The low for the day was \$30.88. The stock lost \$0.13 or 0.41% by the close of business on Friday. In the last 5 days the stock has seen a low of \$27.93 on November 18<sup>th</sup> and the high which was reached on Friday. That is an advance of \$3.81 or a 13.64% increase. In the last month the low was reached on the 18<sup>th</sup> and the high was reached on November 12<sup>th</sup> at \$32.03 USD. Three months ago the stock was selling in excess of \$40.00 USD. The 52 week range per share, has seen a low of \$27.89 USD and a high of \$40.67 USD.



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The share volume for Urban Outfitters was 4,062,126 last Friday. The average volume for the last 3 months has been 2,592,440. Market capitalization was \$4.23 billion USD. The P/E (Price To Earnings Ratio) is 18.62 and the EPS (Earnings Per Share) is \$1.69.

Urban Outfitters is finding it more challenging to attract shoppers to its namesake stores. In the third quarter there was a rise in revenue as was expected, but at the same time the company reported lower than expected earnings. This is a result of the lower markup and higher markdowns the company is using, to keep inventory moving.

A positive development for the company is online sales, this part of the business is still doing rather well.

Sales in the third quarter were \$814 million USD, compared to the analyst expectation of \$813 million USD. This is an increase of 5% over last year, at this time. Earnings were reported at \$47.1 million, or \$0.35 per share, compared to what had been expected, which was \$0.41 per share. It indicates a decline of \$70.2 million or \$0.47 per share from a year ago.



Growth was still possible because sales were up 15% at Free People and 2% at Anthropologie.

Overall, revenue for Urban Outfitters brand for the 3<sup>rd</sup> quarter was \$340.4 million USD, followed by Anthropologie with \$327.7 million USD. Free People reported \$141.2 million USD for the same quarter.

The stock had increased 7% between Thursday and Friday. Earnings projections have been revised downward a number of times recently, but with the holiday shopping season arriving, it can be assumed that the company will have better earnings in the fourth business quarter. A **target of \$34.98** should be set if you wish to purchase the stock at this time. This is a **\$3.50 increase** or **over a 10% gain**. One could also wait



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**for a share retrenchment** when the price would **drop below \$30.00** again, leaving the **target at \$34.98**.

This is a strategy an investor could follow who wishes for larger share gains.