

First Cut Stock Study Report

Company Name:	Urban Outfitters	Ticker:	URBN
Date of Study:	3/25/2011	Price:	\$ 29.62
Your Name:	Sean Pulrang		
City:	Fitchburg	State:	MA
Chapter Name (if applicable):	ICLUB Support Team		

Discuss why you consider this to be a high quality, growth company that should be investigated further. Please include comments on historical sales and EPS growth, pre-tax profit margin, return on equity, and debt.

With the exception of two years where the Pretax profit was unusually high (2004, 2005), this company has had a reasonably steady growth in Sales, Earnings, and Pre-tax profit, especially in the last five years. During that time, they have had little to no long term debt, and with the exception of 2007 and 2008 which had a higher than average ROE, they've been keeping at least *even there as well. A good part of my interest in the company comes from* observing one of their stores off and on for the better part of the last 20 years. The store has a reasonably central location in Harvard Square, in Cambridge Massachusetts. In the time that I have visited that area, there has been a high turnover in specialty shops aimed at the trend and fashion conscious students who attend Harvard, and other area colleges. In that time, the Urban Outfitters store, which is easily three to four times the size of most other stores surrounding it, has updated their wares without losing their target market

Briefly describe how the company makes money:

On first glance, the main presence of the company is the Urban Outfitters stores which bear the company name. These store cater primarily to 18-34 year olds who want something a little different in their art, furniture and clothing than what's usually available at a department, or specialty store. Since founding the main business in 1970, the company has spread out, and now offers 5 other brands, from the higher-end Leifsdottir clothing stores, all the way to Terrain, which focuses on plants, and more 'down to earth' style homewares.

Despite the difference in some of these lines, the core concept of the company, of connecting to an audience that wants something a little more than what's available at most average stores, remains true.

Projected growth rate for sales: 15%

Why did you select this rate? Discuss from where future growth will come.

Eliminating two outlier years gives a historical growth of 24.5; taking an extra step and eliminating all but the most recent 5 years gives 16.1. Sales growth slowed from 2008 to 2009, but has picked up again since then. While it could go higher, I kept to the 15% figure. I would rather have it grow a bit faster, and be surprised than the other way around.

Projected growth rate for earnings per share: 15%

Why did you select this rate?

I took a similar line with the EPS, looking at the ten year figure of 34.2 with 2 outliers, and then looking at the most recent five years which showed 22% growth. Overall, earnings have grown a bit faster than sales, so I put in the same 15% growth, assuming that earnings will slow a bit to match sales

Projected High P/E: 29.6

Why did you select this value?

I crossed out a high P/E of 42.3 from 2006, and then took the average from there. Originally I had gone into the Ten year averages, but crossing out some of the same outlier years from the front page gave much the same figure as simply eliminating the high from the five year average

Projected Low P/E: 14.8

Why did you select this value?

Similar to the High P/E figure, I arrived here by eliminating one outlier from 2007, and then taking the average from the remaining figures. Also similar to the High P/E, I had originally taken the ten year average, but eliminating some of the outliers from there gave a similar figure to simply taking one year from the standard five year average.

Projected Low Price: \$17.6

Why did you select this value?

I took the low price from the average low for the last 5 years. The low last year was around 29, but the two years prior to that both saw the low dip into the teens. While this year hasn't gone anywhere near that low, the 17.6 gives a bit of room between those points.

At the current price, the stock is a (check one):

Buy or Hold or Sell

At the current price, the upside-downside ratio is: 5.5 to 1

Projected compounded rate of return: 26.3%

Your final recommendation (check one):

Buy or Hold or Sell



Explain:

As noted earlier, the original company started in 1970 with the Urban Outfitters brand, and has since then expanded to include five other brands. What I didn't note was the timing of these brand launches. One came in 1984, one in 1992, two in 2008, and one earlier this year. The company is spending money to establish these brands, despite an economy that it could be kindly said has not been growing quickly over the last several years. I think that their ability to not only continue to be profitable selling unusual and upscale versions of goods that can easily be purchased at other stores, but to expand into other areas of business makes this a decent buy.

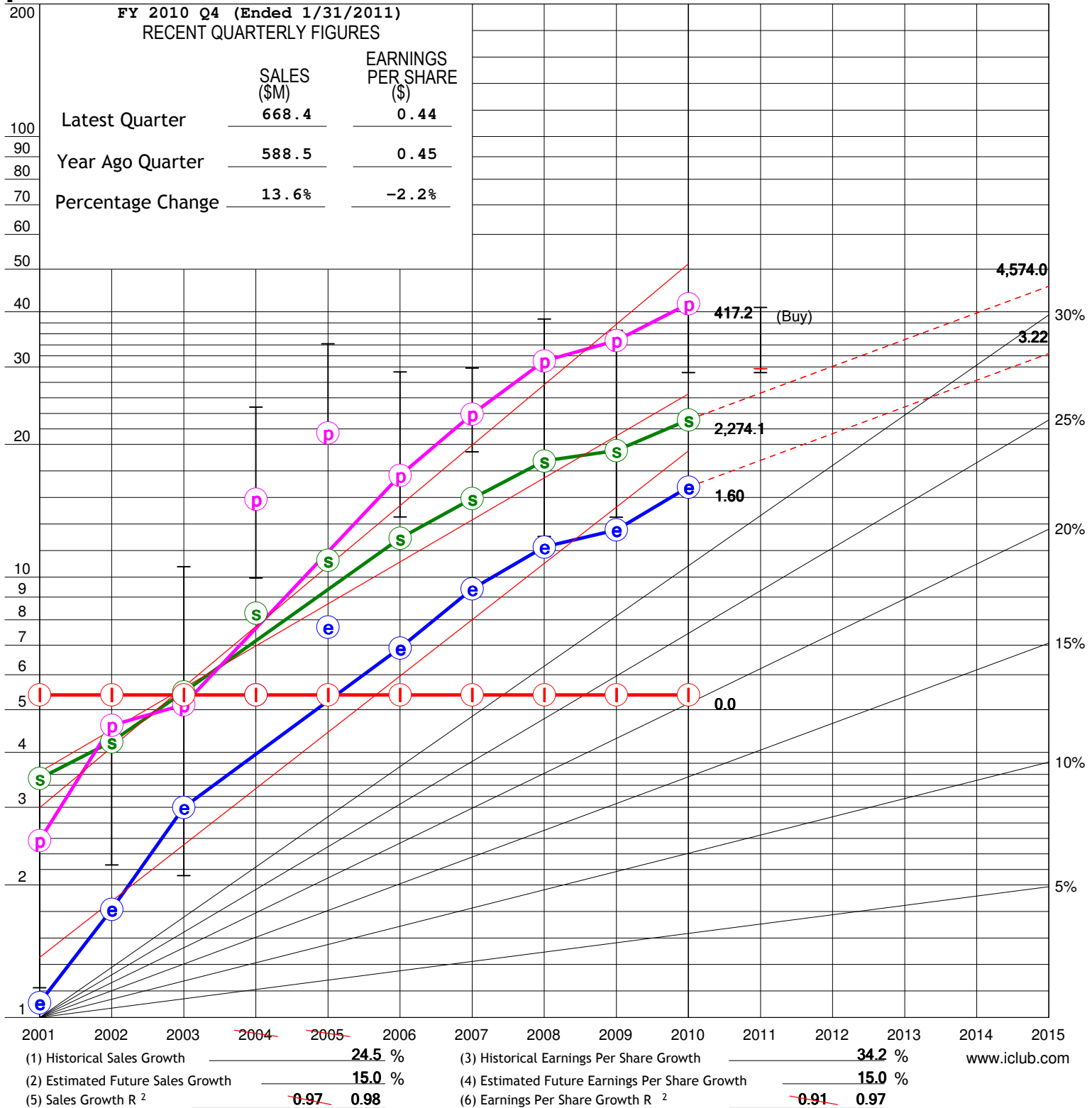


Stock Selection Guide

Company	Urban Outfitters	Price Date	03/28/11
Study by	Sean P	Data Date	03/25/11
Sector	Consumer Cyclical	Data Source	BI
Industry	Apparel Stores	Reference	Morningsta
Preferred(\$M)	0.0		
Common(M Shares)	164.2	% Insiders	14.6
Debt(\$M)	0.0	% Institutions	84.4
% Debt to Tot.Cap.	0.0	Quality	

1 Growth Analysis

NAS: URBN



2 QUALITY ANALYSIS

Company **Urban Outfitters** (URBN)

03/28/11

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	5 YEAR AVG.	TREND UP / DOWN
A % Pre-tax Profit on Sales	7.2	10.9	9.4	18.1	19.4	13.9	15.5	16.9	17.8	18.3	16.5	UP
B % ROE (Beginning Yr)	7.2	16.7	20.7	29.5	31.1	20.3	22.9	22.8	20.4	20.8	21.4	DOWN
C % Debt to Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	EVEN

3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE 29.620 52-WEEK HIGH 40.840 52-WEEK LOW 29.030

Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield	
1 2006	29.2	13.7	0.69	42.3	19.9	0.000	0.0	0.0	
2 2007	29.8	19.2	0.94	31.7	20.4	0.000	0.0	0.0	
3 2008	38.4	12.3	1.17	32.8	10.5	0.000	0.0	0.0	
4 2009	36.2	13.6	1.28	28.3	10.6	0.000	0.0	0.0	
5 2010	40.8	29.0	1.60	25.5	18.1	0.000	0.0	0.0	
6 AVERAGE		17.6		29.6	14.8		0.0		
AVERAGE P/E RATIO	24.0	22.2	PROJECTED P/E RATIO	16.1	TTM EPS	1.60			
CURRENT P/E RATIO	18.5		PEG RATIO	1.1		FTM EPS	1.84		
RELATIVE VALUE	77.1%	83.3%	PROJ. RELATIVE VALUE	67.1%	72.5%	AVG TTM + FTM EPS	1.72		

4 EVALUATING REWARD and RISK over the next 5 years

A FUTURE HIGH PRICE ANALYSIS – NEXT 5 YEARS

Selected High P/E 29.6 X Estimated High Earnings/Share 3.22 = Forecast High Price \$ 95.3

B FUTURE LOW PRICE ANALYSIS – NEXT 5 YEARS

(a) Sel. Low P/E 14.8 X Estimated Low Earnings/Share 1.60 (as adj.) 1.35 = \$ 20.0

(b) Average 5-Year Low Price = 17.6

(c) Recent Severe Low Price = 13.6

(d) Price Dividend Will Support = Present Divd. + High Yield = 0.000 + 0.000 = 0.0

Selected Estimated Low Price = \$ 17.6

C PRICE RANGES

Forecast High Price 95.3 - Estimated Low Price 17.6 = Range 77.7 25% of Range = 19.4

BUY (Lower 25% of Range) = 17.6 to 37.0

MAYBE (Middle 50% of Range) = 37.0 to 75.9

SELL (Upper 25% of Range) = 75.9 to 95.3

Current Price 29.620 is in the Buy Range

D UPSIDE/DOWNSIDE ANALYSIS (Potential Gain vs. Risk of Loss)

(Forecast High Price 95.3 - Current Price 29.620) + (Current Price 29.620 - Estimated Low Price 17.6) = 5.5 To 1

5 TOTAL RETURN ANALYSIS

A CURRENT YIELD

Present Full Year's Dividend \$ 0.000 ÷ Current Price of Stock \$ 29.620 = 0.0 % Present Yield or % Returned on Purchase Price

B AVERAGE YIELD - USING FORECAST HIGH P/E

Avg. % Payout 0.0 ÷ Forecast High P/E 29.6 = Avg. Yield 0.0

AVERAGE YIELD - USING FORECAST AVERAGE P/E

Avg. % Payout 0.0 ÷ Forecast Avg P/E 22.2 = Avg. Yield 0.0

C % COMPOUND ANNUAL TOTAL RETURN - USING FORECAST HIGH P/E

Average Yield 0.0 % + Annual Appreciation 26.3 % = Compound Annual Total Return 26.3 %

D % PROJECTED AVERAGE RETURN - USING FORECAST AVERAGE P/E

Average Yield 0.0 % + Annual Appreciation 19.3 % = Projected Average Total Return 19.3 %