Bed Bath & Beyond Inc. (BBBY)

$13.91 (As of 09/22/20)

Price Target (6-12 Months): **$15.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 07/28/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: D | Growth: F | Momentum: B	**3-Hold** VGM:F

Summary

Shares of Bed Bath & Beyond have increased and outperformed the industry in the past three months. The stock has been gaining from its store phased reopening. Even as stores reopen, the company notes that both in-store and online channels are witnessing positive sales. Encouragingly, the company has increased digital marketing spend in a bid to boost traffic. Further, to expedite the delivery process and assign orders locally, roughly 25% of namesake and buybuy BABY stores have been converted into regional fulfillment centers. Moreover, it is on track with store optimization plans, which are likely to generate cost savings of $250-$350 million. However, the company's first-quarter fiscal 2020 results were affected by temporary store closures due to the COVID-19 crisis. Also, dismal margins and rising SG&A expenses remain concerns.

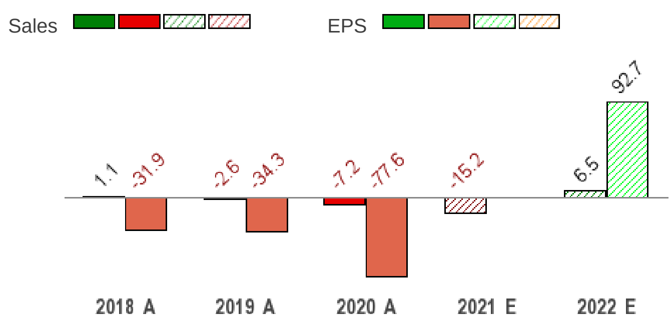
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$17.79 - $3.43**
20-Day Average Volume (Shares)	**7,034,110**
Market Cap	**$1.8 B**
Year-To-Date Price Change	**-19.6%**
Beta	**2.53**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Retail - Miscellaneous**
Zacks Industry Rank	**Top 36% (90 out of 251)**
Last EPS Surprise	**-38.0%**
Last Sales Surprise	**-1.8%**
EPS F1 Estimate 4-Week Change	**5.1%**
Expected Report Date	**10/01/2020**
Earnings ESP	**285.0%**
P/E TTM	**NA**
P/E F1	**NA**
PEG F1	**NA**
P/S TTM	**0.2**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	1,878 E	2,457 E	2,547 E	2,876 E	10,077 E
2021	1,307 A	2,593 E	2,617 E	2,947 E	9,464 E
2020	2,573 A	2,719 A	2,759 A	3,107 A	11,159 A

EPS Estimates

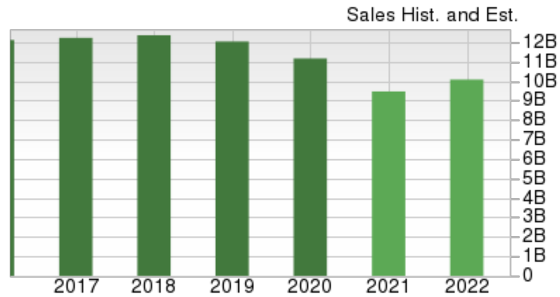
	Q1	Q2	Q3	Q4	Annual*
2022	-$0.49 E	$0.25 E	-$0.17 E	$0.46 E	-$0.17 E
2021	-$1.96 A	-$0.20 E	-$0.48 E	$0.26 E	-$2.34 E
2020	$0.12 A	$0.34 A	-$0.38 A	$0.38 A	$0.46 A

*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 09/22/2020. The reports text is as of 09/23/2020.

Overview

Bed Bath & Beyond Inc. is a leading operator of specialty retail stores in the United States and Canada. It is an omni-channel retailer, offering top-quality and differentiated products, services and solutions.



The company sells a variety of domestic merchandise and home furnishings under the names Bed Bath & Beyond ("BBB"), Christmas Tree Shops, Christmas Tree Shops andThat! or andThat! ("CTS"), Harmon, Harmon Face Values, or Face Values ("Harmon"), buybuy BABY ("Baby") and World Market, Cost Plus World Market or Cost Plus (collectively, "Cost Plus World Market").

The company provides a wide assortment of "everyday low price" products, primarily including domestic merchandise (such as bed linens, bath accessories, and kitchen textiles) and home furnishings (such as cookware, dinnerware, glassware and basic house ware). Bed Bath's product portfolio also includes food, giftware, health and beauty care items, along with infant and toddler merchandise. Notably, Bed Bath & Beyond's products can be bought either in-store, online, or via a customer contact center.

Additionally, the company operates an e-commerce website, featuring specially commissioned, limited edition items from emerging fashion and home designers such as OneKings Lane; PersonalizationMall.com("PMall"); Chef Central, a retailer of kitchenware and homeware items; and Decorist, an online interior design platform providing personalized home design services. It also operates Linen Holdings, a provider of various textile products and other goods to institutional consumers in the hospitality, cruise line, healthcare and other industries.

As of May 30, the company had 1,478 stores in operation, comprising 955 namesake stores across 50 states, the District of Columbia, Puerto Rico and Canada; 262 stores under the labels World Market, Cost Plus World Market or Cost Plus; 127 buybuy BABY stores; 81 stores under the labels Christmas Tree Shops, Christmas Tree Shops and That! or andThat!; 53 stores under Harmon, Harmon Face Values or Face Values names; and three stores under the label One Kings Lane. Additionally, the company's joint venture operates 10 flagship stores in Mexico.

Source: Zacks Investment Research

Reasons To Buy:

> Bed Bath & Beyond store reopening efforts seem encouraging. Also, it the company increased digital marketing spend in a bid to boost traffic.

- **Store Re-Opening Efforts Boost Stock**: Shares of Bed Bath & Beyond have gained 48.7% in the past three months compared with the industry's growth of 15%. The stock received a boost from its phased store reopenings, keeping in mind the local and state regulations. Majority of its stores in the United States are now open. Further, management witnessed positive sales for the reopened stores in the month of June. In the re-opened stores, the company has introduced Store Safety Plan to ensure the safety of customers.

- **Impressive Digital Growth in Q1**: Bed Bath &Beyond's sales in the digital platform have been witnessing solid performance since fourth quarter fiscal 2019. Notably, digital sales rose roughly 82% with robust growth witnessed throughout the first quarter of fiscal 2020. Backed by BOPIS and Curbside Pickup services, which were available at approximately 60% of the company's stores, digital sales surged more than 100% in April and May each. Moreover, management continued to witness strong online demand in June to the tune of more than 80% even after stores reopened. This uptick can be attributable to the expansion of Buy-Online-Pick-Up-In-Store (BOPIS) as well as Curbside Pickup services. Encouragingly, the company increased digital marketing spend in a bid to boost traffic in its revamped website. In addition to this, the mobile app has been doing well with more than 500,000 downloads from Apple and Google Play stores. This led to sturdy sales demand to the tune of 134% year over year during the quarter.

- **Efforts in the Wake of COVID-19**: Amid the crisis, the company's four e-commerce fulfillment centers remained operational. In a bid to expedite the delivery process and assign orders locally, it has converted roughly 25% of Bed Bath & Beyond and buybuy BABY stores in the United States and Canada into regional fulfillment centers, in fourth-quarter fiscal 2019. This helped doubled its digital fulfillment capacity to cater to the rising digital sales. The company has also adopted curbside pick-up at all Harmon stores and launched BOPIS and curbside pick-up at all buybuy BABY and Bed Bath & Beyond stores in Canada. In April, the company launched Buy-Online-Pick-Up-In-Store or BOPIS and Curbside Pickup services, which were touted to be key growth drivers, particularly for its buybuy BABY banner. By the end of May, this new facility was rolled out to 60% of its stores.

- **Financial Flexibility**: As of May 30, 2020, Bed Bath &Beyond's long-term debt of $1,724.9 million increased 15.9% sequentially. Although the company's total debt-to-capitalization ratio of 0.74 reflects a sequential increase from 0.68 at the end of the prior quarter, it compares favorably with the industry's ratio of 0.77. Further, the company announced an $850-million revolving credit facility to help it stay afloat amid the crisis. In March, management withdrew $236 million from its revolving credit facility to strengthen cash position. That said, it boasts liquidity of more than $1.8 billion, which is likely to help it overcome the current hurdle.

- **Restructuring Program**: As part of its efforts to rebuild its business foundation and create a durable business model, Bed Bath & Beyond announced a strategic restructuring program. The program comprises efforts to reorganize and simplify field operations, reduce management positions and outsource several functions. Consequently, the company earlier revealed plans to cut nearly 500 positions to reduce workforce. This is a key step in its efforts to generate significant cost savings in the long term. The company expects this action to result in nearly $85 million of reduction in annual SG&A expenses. This will in turn result in strategic realignment for improved focus on core business and initiatives to enhance customer experience, boost sales and drive long term success. The company incurred $0.9 million of severance cost related to the restructuring plan in first-quarter fiscal 2020. Also, as part of its restructuring initiative, it is working toward supply-chain transformation to combat declining margins due to shift to the online platform as well as lowering the cost of goods.

- **Store-Rationalization Efforts to Drive Sales**: Bed Bath & Beyond is in the process of strategically expanding its store count apart from increasing productivity of existing stores by adjusting the breadth and depth of its merchandise offerings to suit customer preferences. In fiscal first quarter, Bed Bath & Beyond inaugurated one buybuy BABY store and Cost Plus World Market Store each. Simultaneously, it closed 21 Bed Bath & Beyond outlets. Going ahead, it intends to close nearly 200 stores over the next two years in sync with its store optimization efforts. Such well-chalked endeavors are likely to generate cost savings of $250-$350 million excluding related onetime costs. Apart from these, the company remains focused on expanding, renovating and relocating stores to adapt to the changing market conditions. Additionally, the Next Generation Lab stores, where it is testing various experiences and visual merchandising, are expected to boost customer experience, and in turn, drive sales and profitability.

Reasons To Sell:

- **Soft Q1 Results**: Bed Bath & Beyond posted first-quarter fiscal 2020 results wherein adjusted loss was wider than the Zacks Consensus and sales lagged the same. Both top and bottom lines declined on a year-over-year basis. Results were affected by the COVID-19 situation that led to a huge sales loss stemming from temporary store closures and lower margins due to shifting of consumers' preference to the digital platform. With most of its stores closed since Mar 23 across the United States and Canada, excluding most buybuy BABY and Harmon Face Values stores, net sales declined 49% to $1,307 million in the quarter under review. Moving on, it refrained from providing any fiscal 2020 outlook, given the growing uncertainty of the pandemic.

Bed Bath & Beyond has extended store closures, furloughed staff, reduced costs, deferred capital expenditure and suspended share repurchase plans as a result of uncertain COVID-19 impacts.

- **Dismal Margins & High Costs**: Gross profit plunged 60.7% to $348.5 million in the fiscal first quarter. Moreover, gross margin contracted 780 basis points (bps) to 26.7% on adverse channel and product mix resulting from consumers shifting preference to the digital platform. Also, rise in fulfillment costs, soft margins of products sold in the quarter and elevated fixed costs hurt margins to some extent. Further, adjusted SG&A, as a percentage of sales, expanded significantly from 32.9% to 55.3% in the reported quarter. The company incurred an operating loss of $460.9 million, which remained almost flat with the year-ago quarter's reported figure.
- **Currency Woes**: Owing to its exposure to international markets, Bed Bath & Beyond faces various risks associated with international operations, including legal and regulatory hurdles, changing global fashion trends and unfavorable currency fluctuations. Hence, persistence of these headwinds is likely to weigh on the company's results.
- **Seasonal Risks**: Bed Bath & Beyond's business is seasonal in nature and typically generates stronger results in the second and fourth quarters. As a result, the company is exposed to significant risks if the seasons fail to deliver favorably.

Last Earnings Report

Bed Bath & Beyond Posts Q1 Loss, Misses on Sales

Quarter Ending	05/2020
Report Date	Jul 08, 2020
Sales Surprise	-1.80%
EPS Surprise	-38.03%
Quarterly EPS	-1.96
Annual EPS (TTM)	-1.62

Bed Bath & Beyond posted dismal first-quarter fiscal 2020 results. Both top and bottom lines declined on a year-over-year basis. Results were affected by the COVID-19 situation that led to a huge sales loss stemming from temporary store closures and low margins due to shifting of consumers' preference to the digital platform.

The company has now opened its stores for customers and is focused on improving omnichannel capabilities. Post store reopenings, management continued to witness strong online demand in June to the tune of more than 80%, driven by the expansion of Buy-Online-Pick-Up-In-Store (BOPIS) as well as Curbside Pickup services.

However, it refrained from providing any fiscal 2020 outlook, given the growing uncertainty of the pandemic.

Q1 in Detail

Bed Bath & Beyond reported an adjusted loss of $1.96 per share for the fiscal first quarter against earnings of 12 cents in the year-ago quarter. Moreover, the loss was wider than the Zacks Consensus Estimate of a loss of $1.42.

Net sales declined 49% to $1,307 million and lagged the Zacks Consensus Estimate of $1,332 million. This downside was mainly attributed to temporary store closures stemming from the coronavirus outbreak, which resulted in lost sales.

Meanwhile, digital sales rose roughly 82% with robust growth witnessed throughout the fiscal first quarter. Backed by BOPIS and Curbside Pickup services, which were available at approximately 60% of the company's stores, digital sales surged more than 100% in April and May each. On the flip side, in-store sales plummeted 77% in the reported quarter.

Gross profit plunged 60.7% to $348.5 million in the reported quarter. Moreover, gross margin contracted 780 basis points (bps) to 26.7% on adverse channel and product mix resulting from consumers shifting preference to the digital platform. Also, rise in fulfillment costs, soft margins of products sold in the quarter and elevated fixed costs hurt margins to some extent.

Adjusted SG&A expenses fell 14.5% to $723.2 million, driven by cost-cutting actions and impacts of COVID-19. Meanwhile, adjusted SG&A, as a percentage of sales, expanded significantly from 32.9% to 55.3% in the reported quarter.

Further, the company incurred an operating loss of $460.9 million, almost in-line with the year-ago quarter's reported figure.

Financial Position

Bed Bath & Beyond ended the fiscal first quarter with cash and investments of roughly $1.1 billion. Long-term debt totaled $1,725 million and total shareholders' equity was $1,461.1 million, as of May 30, 2020.

In the fiscal first quarter, the company used cash flow of about $394.6 million in operating activities and deployed nearly $42 million toward capital expenditures. However, the company has deferred $150 million of planned non-essential capital expenditure in light of the pandemic.

Post the end of the reported quarter, the company announced an $850-million revolving credit facility to help it stay afloat amid the crisis. In March, management withdrew $236 million from its revolving credit facility to strengthen cash position. That said, it boasts liquidity of more than $1.8 billion, which is likely to help it overcome the current hurdle.

Store Update

In the said quarter, the company launched one buybuy BABY store and Cost Plus World Market Store each, while it closed 21 Bed Bath & Beyond stores.

Business Developments

In sync with its efforts to reopen stores, the company has introduced Store Safety Plan to ensure the safety of customers. As part of its restructuring initiative, it is working toward supply-chain transformation to combat declining margins due to shift to the online platform as well as lowering the cost of goods. Apart from these, it intends to shut down 200 stores, particularly Bed Bath & Beyond stores, for the next two years. Also, it remains focused on reducing SG&A expenses. These efforts are expected to generate annualized savings of $250-$350 million.

Recent News

Bed Bath & Beyond Inc. Expands Google Cloud Partnership – Sep 17, 2020

Bed Bath & Beyond has entered into a five-year agreement with Google Cloud to deploy a range of platform solutions to further personalize the shopping experience for customers, enhance fulfilment capacity, and optimize merchandise planning and demand forecasting. The company will utlize a number of Google Cloud technologies, such as BigQuery, Spanner, Google Compute Engine and Google Kubernetes Engine, to establish a singular view of customer data across its portfolio of brands.

Bed Bath & Beyond Makes Organizational Changes to Fight Woes – Aug 25, 2020

Bed Bath & Beyond is one of the many companies, which are leaving no stone unturned to recover from the coronavirus crisis that has badly hit the global economy. In this context, it has come up with a new restructuring plan that is likely to generate pre-tax cost savings of nearly $150 million on an annual basis. This includes part of the potential savings from its earlier realignment action (February 2020), which is anticipated to generate SG&A savings of $85 million along with annual EBITDA of roughly $250-$350 million in the next two-three years. The latest cost-cutting move will enable the company to strengthen its financial position, simplify operations and aid growth initiatives such as in-store and online shopping experience, launch of new customer-inspired brands in 2021 and supply-chain transformation. Further, management has decided to significantly reduce headcount as part of the plan. Notably, the company is slashing roughly 2,800 jobs with immediate effect across its corporate headquarters and retail stores. In doing so, it is likely to incur charges of approximately $25 million in fiscal 2020.

Bed Bath & Beyond Concludes Sale of PersonalizationMall.com - Aug 3, 2020

Bed Bath & Beyond has successfully completed the divestment of PersonalizationMall.com to 1-800-FLOWERS.COM for $245 million. However, certain customary closing conditions are yet to be fulfilled. Even after the sale, PersonalizationMall.com will continue to support Bed Bath & Beyond and buybuy BABY stores. This move is in sync with the company's restructuring efforts to focus on its core categories including Home, Baby, Beauty and Wellness. It has also launched Buy-Online-Pickup-In-Store and contactless Curbside Pickup services in a bid to enhance customers shopping experience. The net proceeds from this sale will be utilized to help the company strengthen its financial position in order to stay afloat during this ongoing COVID-19 crisis. The sale is also expected to fund its transformation program.

Valuation

Bed Bath & Beyond shares are down 19.6% in the year-to-date period but up 44.1% for the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are up 3.9% and 29.3%, in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are up 13.4% and 37.9%, respectively.

The S&P 500 index is up 2.9% in the year-to-date period and 12.2% in the past year.

The stock is currently trading at 0.18X forward 12-month sales, which compares to 0.83X for the Zacks sub-industry, 1.23X for the Zacks sector and 3.99X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.82X and as low as 0.04X, with a 5-year median of 0.24X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $15 price target reflects 0.19X forward 12-month sales.

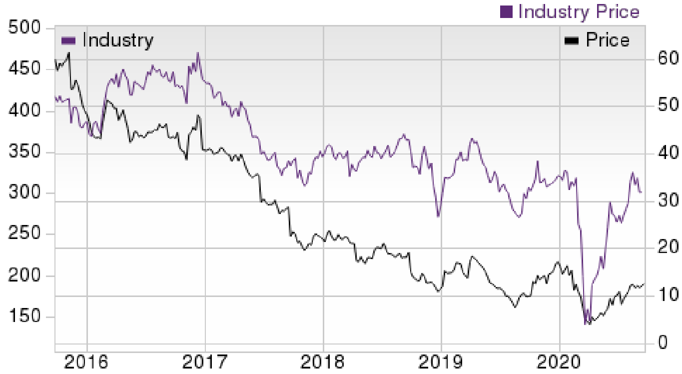
The table below shows summary valuation data for BBBY

Valuation Multiples - BBBY

		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.18	0.83	1.23	3.99
	5-Year High	0.82	1.13	1.32	4.29
	5-Year Low	0.04	0.52	0.82	3.11
	5-Year Median	0.24	0.89	1.01	3.66
P/B TTM	Current	1.2	6.55	5.81	5.63
	5-Year High	3.99	10.89	6.45	6.17
	5-Year Low	0.26	3.26	3.7	3.75
	5-Year Median	1.1	6.7	5.05	4.85
EV/EBITDA TTM	Current	18.51	11.3	18.73	14.15
	5-Year High	18.51	11.73	20.71	15.61
	5-Year Low	0.67	5.1	11.15	9.51
	5-Year Median	3.55	9.39	12.96	13.01

As of 09/22/2020 *Source: Zacks Investment Research*

Industry Analysis Zacks Industry Rank: Top 36% (90 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
DICKS Sporting Goods, Inc. **(DKS)**	Outperform	1
KAR Auction Services, Inc **(KAR)**	Neutral	2
Kingfisher PLC **(KGFHY)**	Neutral	3
The Michaels Companies, Inc. **(MIK)**	Neutral	1
Sally Beauty Holdings, Inc. **(SBH)**	Neutral	3
Tractor Supply Company **(TSCO)**	Neutral	3
Ulta Beauty Inc. **(ULTA)**	Neutral	3
Office Depot, Inc. **(ODP)**	Underperform	5

The positions listed should not be deemed a recommendation to buy, hold or sell.

Industry Comparison Industry: Retail - Miscellaneous

	BBBY	X Industry	S&P 500	DKS	ODP	TSCO
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	1	5	3
VGM Score	F	-	-	A	B	A
Market Cap	1.75 B	1.58 B	23.08 B	5.00 B	1.09 B	16.46 B
# of Analysts	8	6	13.5	6	1	15
Dividend Yield	0.00%	0.00%	1.7%	2.23%	0.00%	1.13%
Value Score	D	-	-	A	A	B
Cash/Price	0.73	0.20	0.07	0.20	0.67	0.08
EV/EBITDA	15.34	6.25	12.95	6.25	2.18	16.84
PEG F1	NA	3.18	2.94	3.07	0.87	1.80
P/B	1.20	1.29	3.19	2.59	0.64	9.71
P/CF	1.94	5.76	12.56	7.82	2.58	21.83
P/E F1	NA	13.16	21.07	14.76	5.98	22.51
P/S TTM	0.18	0.43	2.39	0.58	0.11	1.77
Earnings Yield	-16.83%	7.06%	4.51%	6.77%	16.73%	4.44%
Debt/Equity	1.18	0.25	0.70	0.21	0.37	0.34
Cash Flow ($/share)	7.16	3.18	6.93	7.18	8.05	6.49
Growth Score	F	-	-	A	D	A
Historical EPS Growth (3-5 Years)	-32.17%	4.11%	10.41%	1.81%	-1.50%	13.47%
Projected EPS Growth (F1/F0)	-608.43%	-18.13%	-4.56%	3.07%	-15.37%	34.42%
Current Cash Flow Growth	-19.13%	5.84%	5.26%	6.18%	9.73%	7.18%
Historical Cash Flow Growth (3-5 Years)	-5.23%	2.61%	8.49%	2.61%	2.23%	9.40%
Current Ratio	1.55	1.36	1.35	1.35	1.18	1.40
Debt/Capital	54.14%	27.86%	42.95%	17.33%	27.22%	25.10%
Net Margin	-5.51%	2.94%	10.25%	3.03%	-2.74%	7.40%
Return on Equity	-11.52%	10.51%	14.66%	19.21%	10.50%	45.25%
Sales/Assets	1.26	1.23	0.50	1.19	1.51	1.60
Projected Sales Growth (F1/F0)	-15.19%	0.00%	-1.48%	3.03%	-9.76%	19.42%
Momentum Score	B	-	-	C	D	D
Daily Price Change	12.36%	0.85%	0.59%	-2.09%	0.78%	2.95%
1-Week Price Change	4.36%	0.45%	0.79%	3.86%	1.74%	0.33%
4-Week Price Change	12.86%	2.24%	-3.10%	20.27%	-4.38%	-7.61%
12-Week Price Change	31.18%	16.70%	4.54%	36.04%	-11.75%	7.45%
52-Week Price Change	44.09%	21.26%	-0.53%	45.42%	23.45%	54.97%
20-Day Average Volume (Shares)	7,034,110	741,325	2,077,549	3,316,545	505,819	1,186,667
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	5.07%	2.81%	0.00%	223.37%	-8.32%	0.00%
EPS F1 Estimate 12-Week Change	-2.58%	19.75%	4.08%	452.68%	-22.02%	12.87%
EPS Q1 Estimate Monthly Change	8.39%	2.30%	0.00%	181.37%	0.00%	0.00%

Source: Zacks Investment Research

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 maintain a 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	D
Growth Score	F
Momentum Score	B
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.

Disclosures

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Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forwardlooking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a mediumterm price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

# of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the mostrecent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every $1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at $35 and expected to earn $3 per share in the current fiscal year (F1), would be 0.0857 (3/35 = 0.0857) or 8.57%. In other words, for $1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow ($/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every $1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every $1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated $2.50 in sales for every $1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is $1.10 now versus $1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from $1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.