

## Big Lots, Inc.(BIG)

**\$52.18** (As of 01/14/21)

Price Target (6-12 Months): **\$56.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 11/02/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:B

Value: A

Growth: B

Momentum: F

## Summary

Shares of Big Lots have outpaced the industry in the past six months. Notably, the company has been gaining from strong transformation initiative, including efforts to boost online capabilities. Also, a favorable comparable sales (comps) picture for fourth-quarter fiscal 2020 has boosted optimism in the stock. Quarter-to-date (until Jan 13) the company informed that it has achieved comps growth of 7.5%. Growth across several merchandising categories as well as e-commerce advancement aided comps performance. Management expects to continue witnessing accelerated sales trends for the quarter as a whole. As a result, it expects fourth-quarter comps to rise slightly from the current quarter-to-date rate. However, the company has outlined certain cost concerns, which is likely to weigh on the bottom line for the to-be reported quarter.

## Data Overview

|                                |                                 |
|--------------------------------|---------------------------------|
| 52-Week High-Low               | <b>\$57.24 - \$10.13</b>        |
| 20-Day Average Volume (Shares) | <b>1,595,073</b>                |
| Market Cap                     | <b>\$1.9 B</b>                  |
| Year-To-Date Price Change      | <b>21.6%</b>                    |
| Beta                           | <b>2.39</b>                     |
| Dividend / Dividend Yield      | <b>\$1.20 / 2.3%</b>            |
| Industry                       | <b>Retail - Discount Stores</b> |
| Zacks Industry Rank            | <b>Top 7% (18 out of 253)</b>   |

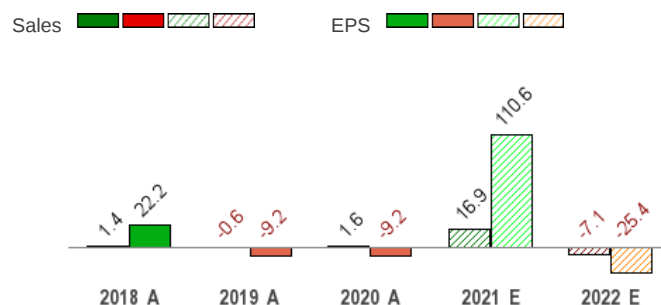
|                               |                   |
|-------------------------------|-------------------|
| Last EPS Surprise             | <b>16.9%</b>      |
| Last Sales Surprise           | <b>2.0%</b>       |
| EPS F1 Estimate 4-Week Change | <b>-0.7%</b>      |
| Expected Report Date          | <b>02/25/2021</b> |
| Earnings ESP                  | <b>2.8%</b>       |

|         |            |
|---------|------------|
| P/E TTM | <b>7.3</b> |
| P/E F1  | <b>6.8</b> |
| PEG F1  | <b>1.0</b> |
| P/S TTM | <b>0.3</b> |

## Price, Consensus & Surprise



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



## Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual* |
|------|---------|---------|---------|---------|---------|
| 2022 | 1,424 E | 1,290 E | 1,248 E | 1,744 E | 5,782 E |
| 2021 | 1,439 A | 1,644 A | 1,378 A | 1,763 E | 6,224 E |
| 2020 | 1,296 A | 1,252 A | 1,168 A | 1,607 A | 5,323 A |

## EPS Estimates

|      | Q1       | Q2       | Q3        | Q4       | Annual*  |
|------|----------|----------|-----------|----------|----------|
| 2022 | \$1.45 E | \$0.96 E | \$0.13 E  | \$3.65 E | \$5.77 E |
| 2021 | \$1.26 A | \$2.75 A | \$0.76 A  | \$3.03 E | \$7.73 E |
| 2020 | \$0.92 A | \$0.53 A | -\$0.18 A | \$2.39 A | \$3.67 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 01/14/2021. The reports text is as of 01/15/2021.

## Overview

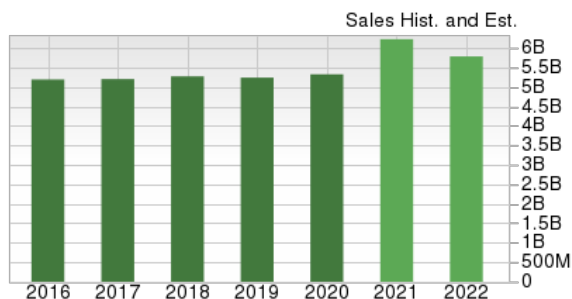
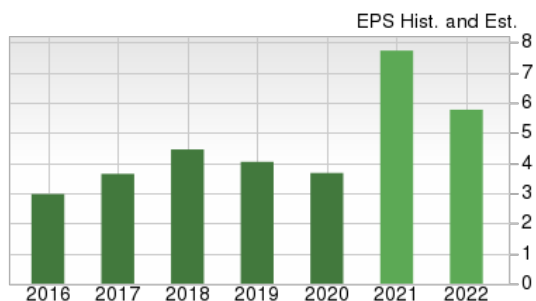
Based in Columbus, OH and founded in 1967, Big Lots, Inc. along with its fully-owned subsidiaries is a broad-line closeout retailer in the United States.

The company offers products under various merchandising categories, which include Food, Consumables, Furniture, Seasonal, Soft Home, Hard Home, Electronics and Toys & Accessories. The company's furniture category includes upholstery, mattress, case goods, and ready to-assemble departments while the seasonal category includes Christmas trim, lawn & garden, summer, and other holiday departments.

Further, its Soft Home category includes fashion bedding, utility bedding, bath, window, decorative textile, home organization, area rugs, home décor, and frames departments. Consumables category comprises health, beauty and cosmetics, plastics, paper, chemical, and pet departments.

Food category comprises beverage & grocery, candy & snacks, and specialty foods departments. Electronics, Toys, & Accessories category comprises our electronics, toys, jewelry, and hosiery departments. Small appliances, table top, food preparation, stationery, greeting cards, and home maintenance departments form a part of the Hard Home category.

These products are processed for retail sale and distributed to its stores that are located in five regional distribution centers including Pennsylvania, Ohio, Alabama, Oklahoma, and California. Currently, Big Lots operated 1,411 stores across 47 states.



Source: Zacks Investment Research

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## Reasons To Buy:

- ▲ **Q4 Comps View Looks Encouraging:** Shares of Big Lots have improved 43.4% compared with the industry's rise of 26.5% in the past six months. Strong business growth endeavors including efforts to boost online sales have been aiding the company. Also, a favorable comparable sales picture for the fourth quarter of fiscal 2020 has boosted optimism in the stock. Markedly, on Jan 13, 2021, the company provided updates regarding fourth-quarter fiscal 2020 results. Quarter to date, the company informed that it has achieved comparable sales (comps) growth of nearly 7.5%. The upside indicates double-digit comps across all merchandising categories, except seasonal and food. Moreover, e-commerce demand on a quarter-to-date basis was up nearly 135%. Management expects to continue witnessing accelerated sales trends in January, and for the quarter as a whole. As a result, it expects comps to rise slightly from the current quarter-to-date rate. Further, management expects earnings in the fourth quarter between \$2.40 and \$2.50. In the year-ago quarter, the company's bottom line amounted to \$2.39.
- ▲ **Robust Q3 Performance:** Big Lots delivered a stellar third-quarter fiscal 2020 performance. The company's top line and bottom line outpaced the Zacks Consensus Estimate and grew year over year. Comps grew 17.8% in the reported quarter on a slight rise in store traffic, e-com traffic growth of more than 50% and robust increase in basket at both channels. The company saw solid Halloween and harvest selling in August and September as well as sturdy early Christmas selling in mid-September through October. During the fiscal third quarter, the company continued the rollout of its Operation North Star strategies, with the re-configuration of the Food and Consumables categories. Also, it has been advancing its online merchandise assortment offering via the implementation of ship-from-store. The company has witnessed a robust start to the fourth quarter but the business is likely to moderate due to the extended season.
- ▲ **Growth Drivers:** The company has been gaining from its transformation initiative, referred to as Operation North Star, which encompasses driving top-line growth, cost containment, and enhancement in systems and infrastructure. Operation North Star has been focusing on streamlining the cost structure and core enablers with significant capabilities and tools in several areas of business such as real estate, supply chain and store engagement. Management remains committed on improving performance by enhancing digital capabilities and expansion of Broyhill brand. Big Lots also completed the rollout of its pantry-optimization initiative. Going forward, Big Lots is poised to maneuver the current environment given strength in its customer service coupled with everyday essentials and stay-at-home products.
- ▲ **E-commerce and Rewards Program:** Big Lots is leaving no stone unturned to tap the best in the market, as clear from its efforts to leverage marketing strategies, with loyalty databases and e-commerce enhancement. The company is experiencing strong e-commerce growth, buoyed by the success of the "Buy Online Pick-up In Store" (BOPIS) functionality. Notably, BOPIS has helped the company to increase their rate of orders. It has also launched same-day delivery through Instacart. It has further rolled out ship from store capabilities to 47 initial outlets identified for a two-day delivery to 90% of its customers across the country. It has integrated web and store capabilities to drive enhanced returns, pricing, consistency and order visibility.
- In the third quarter, e-commerce and omni-channel demand surged 70% year over year, contributing nearly 170 basis points (bps) to total comps, buoyed by an enhanced SKU offering, convenient delivery options and new digital customer acquisition. Coming to the Rewards program, the net promoter scores, active membership and new customer acquisition have been robust. The Rewards enrollment has been increasing with active membership encroaching on 21 million, representing 8% rise in fiscal third quarter. Notably, rewards customers spent 28% more in comparison to the year-ago period.
- ▲ **Store of the Future and New Stores Strategy:** Apart from the company's initiatives, Store of the Future and new stores strategy are worth a mention. The Store of the Future initiative is a key driver of the company's recent positive trends in sales. This positions its shareholders for solid returns and its business for long-term success. The positive sales trends in these store formats (Store of the Future and new stores) are being backed by bigger basket as well as higher transactions. In the third quarter, Big Lots opened 13 outlets and shuttered six, bringing the total store count to 1,411. For fiscal 2020, management projects store base of 1,408, including 24 openings and 20 closings.
- ▲ **Debt Analysis:** As of Oct 31, 2020, Big Lots had a long-term debt of \$39.4 million, significantly down from \$501.1 million in the prior-year quarter. Also, it suggests a decline from long-term debt of \$43.1 million at the end of the preceding quarter. Again, the company's times interest earned ratio of 73 at the end of fiscal third quarter improved from 67.8 at the end of the previous quarter and compares favorably with the industry's 15.7. Moreover, the company ended the quarter with cash and cash equivalents of \$547.8 million, which shows significant improvement from \$61.8 million at the end of the year-ago period.
- ▲ **Shareholder-Friendly Moves:** We note that the company's earnings view for the fourth quarter takes into consideration share repurchases of 1.2 million, worth approximately \$55.7 million. Management has \$344 worth shares remaining under its existing repurchase authorization of \$500 million. Prior to this, during third-quarter fiscal 2020, management bought back 2.2 million shares worth \$100 million. Earlier on, the company's board announced a fourth-quarter cash dividend of 30 cents a share. The company paid dividends of roughly \$11 million on Dec 30, 2020, to shareholders on record as on Dec 16. Markedly, Big Lots looks well placed on the dividend payout front. We note that the company has a current annualized dividend rate of \$1.20 a share, flat year over year. It has a dividend payout of 16.8%, dividend yield of 2.6% and free cash flow yield of 19.4%. With an annual free cash flow return on investment of 37.6%, the dividend payment is likely to be sustainable.

Big Lots has been gaining from its transformation initiative that encompasses driving top-line growth, cost containment and enhancement in systems and infrastructure.

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## Reasons To Sell:

- ▼ **Higher Costs to be a Drag in Q4:** Big Lots earnings view for the fourth quarter of fiscal 2020, is based on expectations of a flat year-on-year gross margin rate. Gross margin is expected to benefit from lower markdowns, offset by adverse impacts of freight costs. Notably, freight costs were induced by transportation capacity constraints and distribution centre backlogs, thanks to restoration of inventory and pandemic-led labor shortages. The bottom-line view also takes into consideration higher operating expenses. Markedly, operating expenses are up by nearly the same amount as in the third quarter of fiscal 2020. Operating expenses also take into account the additional expenses related to sale and leaseback of its distribution centers, increased bonus and stock compensation as well as additional expenses related to COVID-19. Such rises in costs are likely to affect the bottom line in the fourth quarter. Additionally, management highlighted that softer-than expected traffic in December, reduced levels of Christmas seasonal inventory as well as extraordinary supply chain circumstances are headwinds for the to-be-reported quarter.
- ▼ **Higher S&A Cost:** During third-quarter fiscal 2020, selling and administrative expenses were \$482.3 million, up 10.4% year over year. This was due to additional expense from the sale and leaseback of distribution centers, additional store and corporate bonus cost and increased non-cash stock compensation expense. Also, the ongoing pandemic-related cleaning costs and supplies. These factors are likely to persist in fiscal fourth quarter, and SG&A is likely to be similar to the third quarter. Furthermore, operating profit came in at \$42.5 million, significantly down from \$170.5 million recorded in the prior-year quarter. Moreover, operating margin came in at 3.1% compared with 14.6% in the year-ago quarter.
- ▼ **Stiff Competition:** Big Lots is facing intense competition from other general merchandise, discount, food, furniture, arts and crafts, and dollar store retailers, which operate in traditional brick and mortar stores and online. This may result in loss of market share as well as fall in sales and operating margins. Competitors with larger number of stores, greater market presence and better financial resources will continue to weigh on the company's results.
- ▼ **Macroeconomic Factors May Impact Discretionary Sales:** The company's customers are sensitive to macroeconomic factors, including interest rate hikes, increase in fuel and energy costs, credit availability, unemployment levels, high household debt levels and tariffs, which may negatively impact their discretionary spending, and in turn the company's growth and profitability. Any unfavorable changes in trade policy may result in higher prices for customers and may negatively impact their budgets, consequently their discretionary spending. Moreover, any cut in Supplemental Nutrition Assistance Program, which is expected to lower the purchasing power of low-income consumers, may also impact sales of Big Lots.

Big Lots' selling and administrative costs jumped 10.4% in third-quarter fiscal 2020. The company anticipates the said expenses to remain similar during the fourth quarter.

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## Last Earnings Report

### Big Lots Beats Q3 Earnings & Sales Estimates

Big Lots delivered a stellar third-quarter fiscal 2020 performance. The company's top and bottom line outpaced the Zacks Consensus Estimate and grew year over year.

#### Q3 in Detail

This Columbus, OH-based company reported adjusted earnings of 76 cents per share, surpassing the Zacks Consensus Estimate of 65 cents. Moreover, the bottom line compared favorably with a loss of 18 cents seen in the prior-year quarter.

Net sales grew 18% to \$1,377.9 million and beat the Zacks Consensus Estimate of \$1,351 million on robust comparable sales (comps) and higher sales from new and relocated non-comp stores, compensated with a slight dip in store count year over year.

Impressively, comps grew 17.8% in the reported quarter on a slight rise in store traffic, e-com traffic growth of more than 50% and robust increase in basket at both channels. The company saw solid Halloween and harvest selling in August and September as well as sturdy early Christmas selling in mid-September through October. In total, e-com and omni-channel demand rose 70% year over year, contributing nearly 170 basis points (bps) to overall comps. These were buoyed by enhanced skew offering, delivery options and latest digital customer acquisition.

Gross profit jumped 20.4% year over year to \$557.9 million and gross margin expanded 80 bps to 40.5%. Gross margin was boosted by a lower markdown rate and an overall mix gain mitigated by increased freight costs lapping certain tariff rebates from the year-ago quarter and a marginal impact from the pantry-optimization initiative. For the fiscal fourth quarter, gross margin is likely to remain almost flat year over year on reduced markdown benefit, compensated with escalated freight costs and a higher impact from pantry optimization.

In the reported quarter, selling and administrative expenses came in at \$482.3 million, up 10.4% year over year. However, the metric (as a percentage of net sales) declined to 35% from the prior-year quarter's tally of 37.2%.

Furthermore, operating profit came in at \$42.5 million, down from \$170.5 million recorded in the prior-year quarter. Moreover, operating margin came in at 3.1% compared with 14.6% in the year-ago quarter.

#### Other Financial Details

The company ended the quarter with cash and cash equivalents of \$547.8 million. Inventories decreased nearly 3% to \$1,089.1 million due to robust sales across all merchandise categories. Long-term debt totaled \$39.4 million compared with \$501.1 million in the prior-year quarter. Total shareholders' equity was \$1,256.3 million.

At the end of the reported quarter, inventory on hand at the company's stores declined mid-teen percentage. For the fiscal fourth quarter, inventory, including in-transit, is expected to be closer to flat owing to acceleration in early first-quarter receipts stemming from the Chinese New Year.

As of Oct 31, 2020, the company used net cash of \$201 million from operating activities. Capital expenditures totaled \$34 million in the reported quarter and \$103 million year to date. For fiscal 2020, capital expenditures are anticipated between \$150 million and \$160 million.

Furthermore, management bought back 2.2 million shares in the quarter worth \$100 million under its earlier-announced \$500 million worth of share repurchase program. Concurrently, the company's board announced a fourth-quarter cash dividend of 30 cents a share. This dividend is payable on Dec 30, 2020, to shareholders of record as on Dec 16.

In the reported quarter, Big Lots opened 13 outlets and shuttered six, bringing the total store count to 1,411. For fiscal 2020, management projects store base of 1,408, including 24 openings and 20 closings. The company has also been prioritizing the rollout of the Lot and the Queue line and projects adding more 450 stores by the end of first-quarter fiscal 2021.

| Quarter Ending   | 10/2020      |
|------------------|--------------|
| Report Date      | Dec 04, 2020 |
| Sales Surprise   | 2.01%        |
| EPS Surprise     | 16.92%       |
| Quarterly EPS    | 0.76         |
| Annual EPS (TTM) | 7.16         |

## Recent News

### Big Lots Provides Q4 Updates – Jan 13, 2021

Big Lots updates provided updates regarding fourth-quarter fiscal 2020 results. Quarter to date, the company informed that it has achieved comparable sales (comps) growth of nearly 7.5%. For the quarter as a whole, management expects comps to rise slightly from the current quarter-to-date rate. Further, management expects earnings in the fourth quarter between \$2.40 and \$2.50. Earnings view for the to-be-reported quarter is based on expectations of a flat year-on-year gross margin rate and higher operating expenses. Gross margin is expected to benefit from lower markdowns, offset by adverse impacts of freight costs.

### Big Lots Declares Dividend – Dec 4, 2020

Big Lots announced a fourth-quarter cash dividend of 30 cents a share. The company will pay dividends of roughly \$11 million on Dec 30, 2020, to shareholders on record as on Dec 16.

## Valuation

Big Lots shares are up 43.4% in the past six months and 81.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and Zacks Retail-Wholesale sector are up 26.5% and 13.1%, respectively, in the past six months. Over the past year, the sub-industry and the sector are up 25.6% and 33.8%, respectively.

The S&P 500 index is up 19.2% in the past six months and 16.8% in the past year.

The stock is currently trading at 8.71X forward 12-month earnings, which compares to 26.52X for the Zacks sub-industry, 31.13X for the Zacks sector and 23.13X for the S&P 500 index.

Over the past five years, the stock has traded as high as 15.1X and as low as 3.32X, with a 5-year median of 9.43X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$56 price target reflects 9.35X forward 12-month earnings.

The table below shows summary valuation data for BIG

| Valuation Multiples - BIG |               |       |              |        |         |
|---------------------------|---------------|-------|--------------|--------|---------|
|                           |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                  | Current       | 8.71  | 26.52        | 31.13  | 23.13   |
|                           | 5-Year High   | 15.1  | 29.98        | 34.1   | 23.79   |
|                           | 5-Year Low    | 3.32  | 17.93        | 19.1   | 15.3    |
|                           | 5-Year Median | 9.43  | 20.29        | 23.7   | 17.83   |
| P/S F12M                  | Current       | 0.33  | 1.64         | 1.36   | 4.53    |
|                           | 5-Year High   | 0.52  | 1.64         | 1.36   | 4.53    |
|                           | 5-Year Low    | 0.08  | 0.95         | 0.84   | 3.2     |
|                           | 5-Year Median | 0.34  | 1.19         | 1.02   | 3.68    |
| EV/EBITDA TTM             | Current       | 2.35  | 27.67        | 18.95  | 17.27   |
|                           | 5-Year High   | 7.72  | 28.29        | 20.79  | 17.37   |
|                           | 5-Year Low    | 1.06  | 10.96        | 11.17  | 9.55    |
|                           | 5-Year Median | 5.25  | 14.63        | 13.12  | 13.22   |

As of 01/14/2021

Source: Zacks Investment Research

## Industry Analysis Zacks Industry Rank: Top 7% (18 out of 253)



Source: Zacks Investment Research

## Top Peers

| Company (Ticker)                | Rec        | Rank |
|---------------------------------|------------|------|
| Dollar Tree, Inc. (DLTR)        | Outperform | 1    |
| Guess, Inc. (GES)               | Outperform | 3    |
| Target Corporation (TGT)        | Outperform | 1    |
| Tapestry, Inc. (TPR)            | Outperform | 1    |
| Burlington Stores, Inc. (BURL)  | Neutral    | 3    |
| Dollar General Corporation (DG) | Neutral    | 2    |
| Macys, Inc. (M)                 | Neutral    | 3    |
| Ross Stores, Inc. (ROST)        | Neutral    | 3    |

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

| Industry Comparison Industry: Retail - Discount Stores |           |            |           | Industry Peers |            |            |
|--------------------------------------------------------|-----------|------------|-----------|----------------|------------|------------|
|                                                        | BIG       | X Industry | S&P 500   | BURL           | GES        | TPR        |
| Zacks Recommendation (Long Term)                       | Neutral   | -          | -         | Neutral        | Outperform | Outperform |
| Zacks Rank (Short Term)                                | 3         | -          | -         | 3              | 3          | 1          |
| VGM Score                                              | B         | -          | -         | D              | A          | C          |
| Market Cap                                             | 1.94 B    | 25.86 B    | 27.40 B   | 16.76 B        | 1.61 B     | 9.45 B     |
| # of Analysts                                          | 6         | 11         | 13        | 10             | 3          | 11         |
| Dividend Yield                                         | 2.30%     | 0.00%      | 1.42%     | 0.00%          | 1.77%      | 0.00%      |
| Value Score                                            | A         | -          | -         | D              | B          | D          |
| Cash/Price                                             | 0.33      | 0.09       | 0.06      | 0.08           | 0.24       | 0.16       |
| EV/EBITDA                                              | 3.04      | 15.05      | 14.74     | 20.84          | 7.14       | -30.13     |
| PEG F1                                                 | 0.97      | 2.57       | 2.60      | NA             | NA         | 1.29       |
| P/B                                                    | 1.63      | 7.46       | 3.77      | 58.49          | 3.37       | 3.73       |
| P/CF                                                   | 7.27      | 20.96      | 14.43     | 23.59          | 8.96       | 18.10      |
| P/E F1                                                 | 6.87      | 21.85      | 20.63     | NA             | NA         | 15.00      |
| P/S TTM                                                | 0.32      | 1.08       | 3.02      | 2.95           | 0.78       | 1.98       |
| Earnings Yield                                         | 14.81%    | 3.66%      | 4.73%     | -1.12%         | -2.80%     | 6.66%      |
| Debt/Equity                                            | 0.03      | 0.54       | 0.70      | 7.57           | 0.68       | 0.63       |
| Cash Flow (\$/share)                                   | 7.18      | 6.38       | 6.92      | 10.73          | 2.83       | 1.88       |
| Growth Score                                           | B         | -          | -         | D              | A          | C          |
| Historical EPS Growth (3-5 Years)                      | 10.07%    | 10.07%     | 9.72%     | 19.33%         | -13.77%    | -3.06%     |
| Projected EPS Growth (F1/F0)                           | 110.54%   | 15.50%     | 12.26%    | -138.29%       | -148.74%   | 134.02%    |
| Current Cash Flow Growth                               | 0.18%     | 4.53%      | 5.20%     | 7.36%          | 24.83%     | -48.91%    |
| Historical Cash Flow Growth (3-5 Years)                | 2.93%     | 9.69%      | 8.37%     | 18.02%         | 0.67%      | -6.40%     |
| Current Ratio                                          | 1.49      | 1.35       | 1.38      | 1.51           | 1.54       | 1.56       |
| Debt/Capital                                           | 3.04%     | 35.07%     | 41.97%    | 88.33%         | 40.78%     | 38.57%     |
| Net Margin                                             | 10.30%    | 2.52%      | 10.44%    | -2.92%         | -3.48%     | -9.22%     |
| Return on Equity                                       | 26.25%    | 20.81%     | 15.40%    | -33.07%        | 0.03%      | 11.91%     |
| Sales/Assets                                           | 1.63      | 1.34       | 0.50      | 0.89           | 0.87       | 0.59       |
| Projected Sales Growth (F1/F0)                         | 16.92%    | 4.00%      | 6.01%     | -23.62%        | -29.60%    | 6.66%      |
| Momentum Score                                         | F         | -          | -         | A              | A          | B          |
| Daily Price Change                                     | 8.28%     | -0.08%     | 0.11%     | -1.95%         | 2.22%      | 0.09%      |
| 1-Week Price Change                                    | 3.61%     | 3.61%      | 2.23%     | 1.31%          | 4.11%      | 10.14%     |
| 4-Week Price Change                                    | 10.93%    | 3.22%      | 2.96%     | 3.22%          | 33.76%     | 14.18%     |
| 12-Week Price Change                                   | 2.11%     | 24.07%     | 13.26%    | 26.18%         | 83.11%     | 55.88%     |
| 52-Week Price Change                                   | 81.31%    | 20.74%     | 6.24%     | 12.48%         | 9.03%      | 18.06%     |
| 20-Day Average Volume (Shares)                         | 1,595,073 | 1,595,073  | 1,749,628 | 468,621        | 890,515    | 4,200,117  |
| EPS F1 Estimate 1-Week Change                          | -0.83%    | 0.00%      | 0.00%     | 0.00%          | 1.85%      | 0.00%      |
| EPS F1 Estimate 4-Week Change                          | -0.66%    | 0.12%      | 0.06%     | 1.49%          | 1.85%      | 0.85%      |
| EPS F1 Estimate 12-Week Change                         | 0.02%     | 6.10%      | 2.44%     | -10.49%        | 11.67%     | 22.10%     |
| EPS Q1 Estimate Monthly Change                         | -18.74%   | 0.00%      | 0.00%     | 0.00%          | 2.99%      | 0.00%      |

Source: Zacks Investment Research

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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 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.

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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    | A |
| Growth Score   | B |
| 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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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 medium-term 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 most recent 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.

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**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.

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**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 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.

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**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.