BJs Wholesale Club(BJ)

$45.80 (As of 06/23/21)

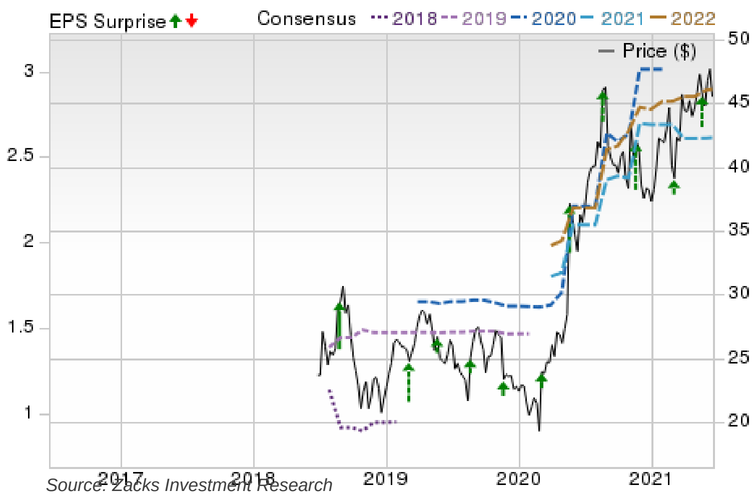
Price Target (6-12 Months): **$49.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 02/04/21) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: A | Growth: A | Momentum: F	**3-Hold** VGM:A

Summary

Shares of BJ's Wholesale Club have risen and outpaced the industry in the past three months. We note that the company delivered robust first-quarter fiscal 2021 results, with the top and the bottom line increasing year on year as well as beating estimates. Markedly, the company continued to witness strong growth in digitally-enabled sales. Moreover, management highlighted that the quarterly performance gained from market share retention, solid execution of strategies and higher consumer spending. Going ahead, the company is on track with growth initiatives such as investments to boost memberships, digital capabilities as well as opening new clubs. However, management expects comparable sales to decline in the 10%-range for the remaining part of the year. This is likely to stem from consumers' shift away from at-home consumption.

Price, Consensus & Surprise

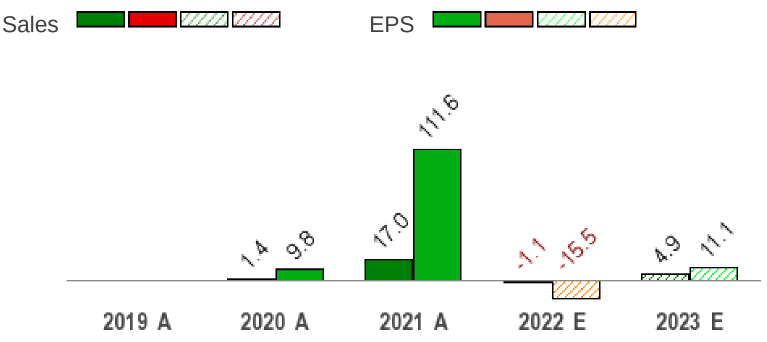


Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$50.18 - $35.42**
20-Day Average Volume (Shares)	**898,601**
Market Cap	**$6.3 B**
Year-To-Date Price Change	**22.9%**
Beta	**0.42**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Consumer Services - Miscellaneous**
Zacks Industry Rank	**Top 38% (97 out of 252)**
Last EPS Surprise	**26.3%**
Last Sales Surprise	**3.6%**
EPS F1 Estimate 4-Week Change	**-0.6%**
Expected Report Date	**08/19/2021**
Earnings ESP	**-2.0%**
P/E TTM	**14.7**
P/E F1	**17.6**
PEG F1	**2.3**
P/S TTM	**0.4**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2023	4,104 E	4,043 E	3,904 E	4,207 E	16,022 E
2022	3,868 A	3,842 E	3,681 E	3,947 E	15,267 E
2021	3,798 A	3,954 A	3,732 A	3,947 A	15,430 A

EPS Estimates

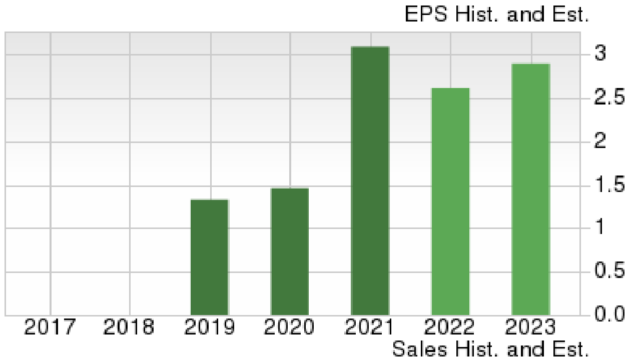
	Q1	Q2	Q3	Q4	Annual*
2023	$0.75 E	$0.69 E	$0.84 E	$0.68 E	$2.90 E
2022	$0.72 A	$0.63 E	$0.74 E	$0.57 E	$2.61 E
2021	$0.69 A	$0.77 A	$0.92 A	$0.70 A	$3.09 A

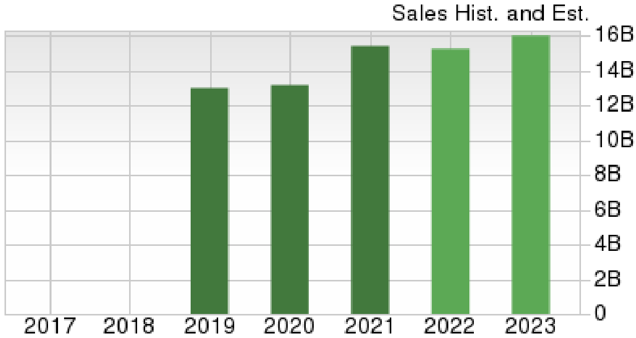
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/23/2021. The report's text and the analyst-provided price target are as of 06/24/2021.

Overview

BJ's Wholesale Club Holdings, Inc. has emerged as one of the preferred destinations for shoppers when it comes to essentials and other items. The company's focus on simplifying assortments, expanding own-brands portfolio, enhancing digital capabilities and providing value to customers has contributed to growth in membership signups and renewals. The company carries approximately 7,200 active stock keeping units. Notably, the company consistently offers 25% or more savings on a representative basket of manufacturer-branded groceries compared to traditional supermarket competitors.





Headquartered in Westborough, MA, the company operates warehouse clubs on the east coast of the United States. As of May 20, 2021, the company operated 221 warehouse clubs (ranging in size from 63,000-163,000 square feet) and 151 BJ's Gas stations in 17 states.

The company offers products under the following categories:

Perishables consist of meat, produce, dairy, bakery, deli and frozen products.

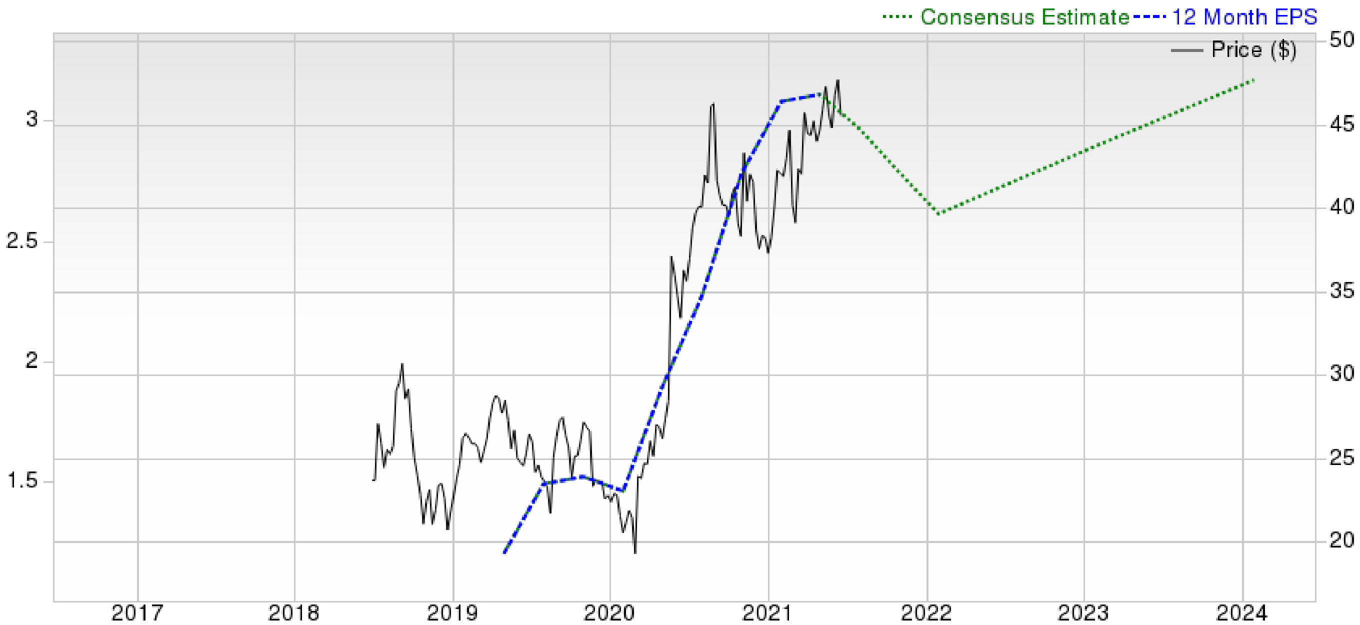
Edible grocery consists of packaged foods (including breakfast foods, salty snacks and candy) and beverages (including juices, water, beer, wine and liquor).

Non-edible grocery consists of detergents, disinfectants, paper products, beauty care, adult and baby care and pet foods.

General merchandise consists of small appliances, televisions, electronics, seasonal goods, gift cards and apparel.

The company's private label products are sold under Wellsley Farms and Berkley Jensen brands. The company also sells products through websites — Bjs.com, BerkleyJensen.com, Wellsleyfarms.com, delivery.bjs.com — and mobile app.

The company provides significant value to its 5.5 million members. The annual membership fee for Inner Circle membership is $55, while the annual membership fee for BJ's Perks Rewards membership is $110. The company also offers co-branded My BJ's Perks Mastercard credit cards.



Source: Zacks Investment Research

Reasons To Buy:

BJ's focus on simplifying assortments, expanding into high-demand categories and building own-brands portfolio bodes well. It also remains committed toward enhancing omni-channel capabilities and providing value to customers.

▲ **Impressive Q1 Performance:** BJ's Wholesale Club delivered stellar performance during first-quarter fiscal 2021, with the top and the bottom line rising year over year as well as surpassing the Zacks Consensus Estimate. The quarter marked the fifth straight earnings beat. The company generated total revenues of $3,868.2 million, up 1.9% from the year-ago quarter's levels. Net sales moved up 1.7% to $3,781.8 million, while membership fee income was up 8.6% to $86.4 million. Markedly, the company continued to witness strong growth in digitally-enabled sales. Moreover, management highlighted that the quarterly performance gained from market share retention, solid execution of strategies and higher consumer spending. The company reported adjusted earnings of 72 cents a share that surpassed the Zacks Consensus Estimate of 57 cents. Moreover, earnings increased 4.3% from 69 cents reported in the year-ago quarter. Management highlighted that overall business strength and reduced interest expenses fueled bottom-line performance in the reported quarter. We note that BJ's Wholesale Club is on track with growth initiatives such as investments to boost memberships and digital capabilities. Shares of the company have increased 15.9% in the past three months compared with the industry's decline of 5.6%.

▲ **Strategic Endeavors:** BJ's Wholesale Club's focus on simplifying assortments, boosting marketing and merchandising capabilities, expanding into high-demand categories as well as building own-brands portfolio bodes well. The company also remains committed toward enhancing omni-channel capabilities and providing value to customers. Cumulatively, these endeavors have been contributing to growth in membership signups and renewals, resulting in higher membership fee income, higher average members per club and decent comparable club sales growth. The company's other notable endeavors include the launch a cost reduction program called Project Momentum. Under this program, management intends to save at least $100 million over the next two years, and reinvest in growth opportunities. Additionally, the company's expansion into new service offerings, such as cellular phones, home improvement, and financial and business services remains on track. Further, we note that the company plans to open roughly six new clubs in fiscal 2021. The move will help expand the company's footing in the eastern part of the United Sates. The new clubs will feature an extensive assortment of fresh foods and household essentials. Moreover, the clubs will offer convenient delivery and pickup services as well as exciting offers that will help members generate greater savings.

▲ **Digitization Holds the Key to Growth:** BJ's Wholesale Club has been directing resources toward expanding digital capabilities in order to better engage with members and provide them a convenient way to shop, including same-day delivery, curbside pick-up and buy-online, pickup-in-club. The coronavirus pandemic and the resultant stay-at-home trends have led to an increase in online shopping. Clearly, the company has been sparing no effort to bolster omni-channel operations and ramp up delivery services. The company has built a strong digital portfolio with Bjs.com, BerkleyJensen.com, Wellsleyfarms.com, delivery.bjs.com as well as the BJ's mobile app. This facilitates members to buy, review products and digitally add coupons to their membership card. The company has launched curbside pickup and expanded BOPIC service for fresh and frozen grocery items at all its locations. We note that digitally-enabled sales rose 31% during the first quarter of fiscal 2021. On a two-year stacked basis, the metric surged 381% and drove nearly 7 percentage points of merchandise comparable sales, excluding gasoline sales. On a two-year stacked basis, the company witnessed sturdy growth in all its digital channels, especially BOPIC, curbside pickup and same-day delivery. A significant portion of digital growth is being fulfilled through clubs. Additionally, digital growth during the first quarter was mainly fueled by consumers' response toward the company's app.

Additionally, the company entered into a three-year exclusive agreement with CommerceHub, a leading e-commerce platform that enables online order fulfillment and delivery solutions. Also, the company entered into a partnership with Citizens Pay for providing customers with improved online financing solutions for large purchases. The company now accepts EBT payments for SNAP eligible items on BJs.com for in-club pickup as well as contactless curbside pickup orders in Florida and North Carolina.

▲ **Comps Up On Two-Year Stacked Basis:** During the first quarter, comparable club sales (comps) inched up 0.3%. Prior to this, comps increased 13%, 14.1%, 17.2% and 19.9% in the fourth, the third, the secondIR mein aids and the first quarter of fiscal 2020, respectively. On a two-year stacked basis, merchandise comps excluding gasoline improved 22% in the first quarter. On a two-year stacked basis, the company witnessed growth across most divisions, especially in perishables wherein comps were in the mid-30s. The company also witnessed growth in fresh meat and produce as well as frozen meals. On a two-year stacked basis, comps the company's grocery division were 23%. Moving on, general merchandise and services division witnessed comp growth of 32% in the first quarter, reflecting a 29% stacked comp. Growth in the first quarter was driven by strong sales in seasonal categories such as patio sets, apparel and home-related categories such as furniture and consumer electronics. The company also witnessed growth across its services portfolio, year on year as well as sequentially.

▲ **Financial Flexibility:** BJ's Wholesale Club ended first-quarter fiscal 2021 with cash and cash equivalents of $62.9 million, up from $43.5 million at the end of fourth-quarter fiscal 2020. Long-term amounted to $747.3 million as of May 1, 2021, reflecting a decline from $846.2 million as of Jan 30, 2021 as well as $1,334.7 million as of May 2, 2020. Additionally, net cash provided by operating activities were $249 million, while free cash flow amounted to $190.9 million.

Reasons To Sell:

Management is cautious regarding consumers' shift away from at-home dining practices. As a result, it expects comparable sales to decline in the 10%-range for the remaining part of the year.

- **High SG&A Expense a Concern:** We note that SG&A expenses rose 1.7% to $ $599.9 million during first-quarter fiscal 2021, from the year-ago quarter's levels, including stock compensation expenses, severance related charges and a couple of one-time costs. This follows an increase of 10.7%, 8.2%, 15.4% and 17.8% in the fourth, third, second and first quarter of fiscal 2020, respectively.

- **Stock Looks Little Stretched:** Considering price-to-earnings (P/E) ratio, BJ's Wholesale Club looks pretty overvalued when compared with the industry. The stock has a forward 12-month P/E ratio of 17.58, which is above the median level of 16.6 but below the high level of 20.36 scaled in the past year. On the contrary, the forward 12-month P/E ratio for the industry is 9.59.

- **Comps Likely to Decline:** Although management refrained from providing a formal guidance for fiscal 2021, due to uncertainties surrounding consumers' shifting preferences, it expects comparable sales to decline in the 10%-range for the remaining part of the year. This is likely to stem from consumers' shift away from at-home consumption practices. During fiscal 2020, the company benefitted from higher demand due to the pandemic-led elevated at-home consumption. However, with the vaccination drive gathering pace, consumers are gradually returning to the old normal, such as dining out, traveling and other customary practices. This in turn will result in lower at-home consumption activities. Quite apparent, BJ's Wholesale Club may face tough year-over-year comparisons in sales, as COVID-19 benefits are lapped. Apart from this, management is cautious regarding the availability of general merchandise inventory, and its potential impact on margins. This is likely to affect the company's performance in the second quarter as well as in the remaining quarters of the fiscal.

- **Stiff Competition:** BJ's Wholesale Club is not immune to the competitive retail landscape. The company faces stiff competition from other warehouse club operators and grocery and general merchandise retailers, including supermarkets and supercenters, and gasoline stations. The company competes with Costco and Sam's Club (a division of Walmart stores). These two rivals follow similar business models as they market high volumes of merchandise at low prices in a membership-only warehouse club. The company competes on attributes such as price, merchandise selection, distribution strategy and others.

- **Dip in Consumer Sentiment May Impact Sales:** Any dip in consumer confidence — a key determinant of the economy's health — may have serious bearing on spending. The company's customers remain sensitive to macroeconomic factors including interest rate hikes, increase in fuel and energy costs, credit availability, unemployment levels, and high household debt levels, which may negatively impact their sentiment. This may adversely impact its growth and profitability.

Last Earnings Report

BJ's Wholesale Club Q1 Earnings Beat Estimates, Sales Up

Quarter Ending	04/2021
Report Date	May 20, 2021
Sales Surprise	3.62%
EPS Surprise	26.32%
Quarterly EPS	0.72
Annual EPS (TTM)	3.11

BJ’s Wholesale Club posted robust first-quarter fiscal 2021 results, wherein both the top and bottom line increased year on year as well as surpassed the Zacks Consensus Estimate. Markedly, the company continued to witness strong growth in digitally-enabled sales. Moreover, management highlighted that the quarterly performance gained from market share retention, solid execution of strategies and higher consumer spending. However, comparable sales, excluding gasoline sales, witnessed a decline during the quarter. Moreover, gross profit fell year on year.

Although management refrained from providing a formal guidance, due to uncertainties surrounding consumers’ shifting preferences, it expects comparable sales to decline in the 10%-range for the remaining part of the year. This is likely to stem from consumers’ shift away from at-home consumption practices. We note that BJ’s Wholesale Club is on track with growth initiatives such as investments to boost memberships and digital capabilities. The company also informed about its plans to open six new clubs this year.

Q1 Insights

The operator of membership warehouse clubs reported adjusted earnings of 72 cents a share that surpassed the Zacks Consensus Estimate of 57 cents. Moreover, earnings increased 4.3% from 69 cents reported in the year-ago quarter. Management highlighted that overall business strength and reduced interest expenses fueled bottom-line performance in the said period.

BJ’s Wholesale Club generated total revenues of $3,868.2 million that increased 1.9% from the year-ago quarter’s levels and surpassed the Zacks Consensus Estimate of $3,733 million. Net sales moved up 1.7% to $3,781.8 million, while membership fee income was up 8.6% to $86.4 million.

Comparable club sales during the quarter under review inched up 0.3%. Excluding the impact of gasoline sales, comparable club sales declined 5% during the quarter. On a two-year stacked basis, merchandise comparable sales excluding gasoline improved 22%.

We note that digitally-enabled sales rose 31% during the first quarter. On a two-year stacked basis, the metric surged 381% and drove nearly 7 percentage points of merchandise comparable sales, excluding gasoline sales. On a two-year stacked basis the company witnessed sturdy growth in all its digital channels, especially BOPIC, curbside pickup and same-day delivery. A significant portion of digital growth is fulfilled through clubs. Additionally, digital growth during the quarter was mainly fueled by consumers’ response toward the company’s app.

During the quarter, gross profit declined 1.4% to $726.7 million. Merchandise gross margin rate, which excludes gasoline sales and membership fee income, increased 80 basis points from the year-ago quarter’s levels. The upside was aided by general merchandise sales mix and continued execution of category profitability improvement

Operating income fell 12.2% to $ 126.2 million, while operating margin declined 50 basis points to 3.3%.

SG&A expenses rose 1.7% to $ $599.9 million from the year-ago quarter’s levels, including stock compensation expenses, severance related charges and a couple of one-time costs.

Key Financial Details & Other Updates

BJ’s Wholesale Club ended the first quarter with cash and cash equivalents of $62.9 million. Long-term debt amounted to $747.3 million, while stockholders’ equity stood at $413.5 million.
Additionally, net cash provided by operating activities were $249 million, while free cash flow amounted to $190.9 million.

As part of its share repurchase program, the company bought back $14 million worth shares during the first quarter.

BJ’s Wholesale Club also issued details regarding its plant to open six new clubs in fiscal 2021. The move will help expand the company’s footing in the eastern part of the United Sates. The new clubs will feature an extensive assortment of fresh foods and household essentials. Moreover, the clubs will offer convenient delivery and pickup services as well as exciting offers that will help members generate greater savings.

Recent News

BJ's Wholesale Club Begins Offering Citizens Pay Option – Jun 3, 2021

BJ's Wholesale Club announced that it now offers Citizens Pay, a flexible, buy-now-pay-later payment option. The facility allows members to finance purchases that are more priced more than $99. The option is available for purchases made on BJs.com for delivery and with buy online, pick up in-club and curbside pickup.

BJ's Wholesale to Open Six New Clubs – May 20, 2021

BJ's Wholesale Club unveiled details regarding its plans to open six new clubs in fiscal 2021. The move will help expand the company's footing in the eastern part of the United Sates. The new clubs will feature an extensive assortment of fresh foods and household essentials. Moreover, the clubs will offer convenient delivery and pickup services as well as exciting offers that will help members generate greater savings.

BJ's Wholesale Appoints Bob Eddy as CEO – Apr 19, 2021

BJ's Wholesale Club announced that the Board of Directors has appointed Bob Eddy as President and Chief Executive Officer.

BJ's Wholesale Club Adds Online EBT Payment Option – Mar 5, 2021

BJ's Wholesale Club announced that it now accepts EBT payments for SNAP eligible items on BJs.com for in-club pickup and curbside pickup orders in Florida and North Carolina.

Valuation

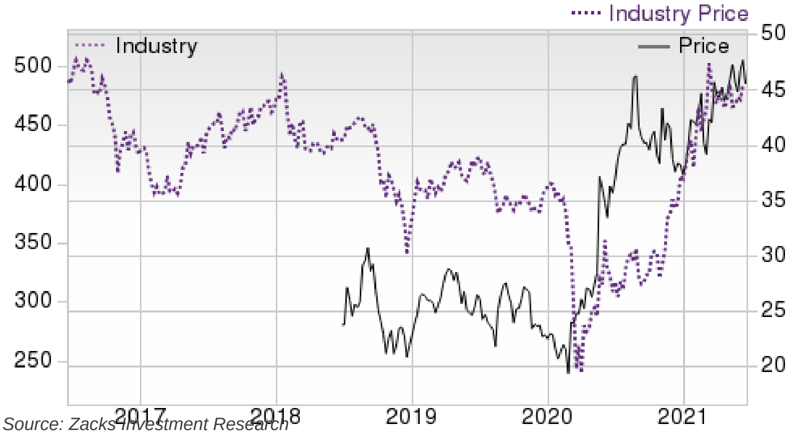
BJ's Wholesale Club Holdings shares are up 35.2% in the year-to-date period and 49.5% in the trailing 12-month period. Stocks in the Zacks sub-industry are up 1.5% while the Zacks Consumer Discretionary sector is down 2.5%, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 7.3% and 25.8%, respectively.

The S&P 500 index is up 13.1% in the year-to-date period and 36.8% in the past year.

The stock is currently trading at 18.02X forward 12-month earnings, which compares to 9.75X for the Zacks sub-industry, 29.82X for the Zacks sector and 21.87X for the S&P 500 index.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $49 price target reflects 19.28X forward 12-month earnings.

Industry Analysis **Zacks Industry Rank:** Top 38% (97 out of 252)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Amazon.com, Inc. **(AMZN)**	Outperform	3
Target Corporation **(TGT)**	Outperform	1
Best Buy Co., Inc. **(BBY)**	Neutral	2
Costco Wholesale Corporation **(COST)**	Neutral	2
Dollar General Corporation **(DG)**	Neutral	2
Dollar Tree, Inc. **(DLTR)**	Neutral	3
The Kroger Co. **(KR)**	Neutral	3
Walmart Inc. **(WMT)**	Neutral	2

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

Industry Comparison Industry: Consumer Services - Miscellaneous

	BJ	X Industry	S&P 500	COST	TGT	WMT
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	3	-	-	2	1	2
VGM Score	A	-	-	C	D	B
Market Cap	6.28 B	1.54 B	29.87 B	173.28 B	117.40 B	380.98 B
# of Analysts	9	4	12	11	13	14
Dividend Yield	0.00%	0.00%	1.35%	0.81%	1.15%	1.62%
Value Score	A	-	-	D	C	B
Cash/Price	0.01	0.07	0.06	0.07	0.07	0.06
EV/EBITDA	8.55	13.25	17.12	23.65	13.44	11.82
PEG F1	2.32	2.31	2.05	4.14	1.51	4.15
P/B	15.19	3.11	4.07	10.21	7.85	4.52
P/CF	10.46	7.42	17.35	31.05	16.40	14.39
P/E F1	17.76	14.61	20.98	37.79	20.07	22.83
P/S TTM	0.41	1.13	3.36	0.93	1.20	0.68
Earnings Yield	5.70%	6.27%	4.69%	2.65%	4.98%	4.38%
Debt/Equity	1.81	0.74	0.66	0.44	0.77	0.52
Cash Flow ($/share)	4.38	3.47	6.83	12.62	14.47	9.45
Growth Score	A	-	-	B	B	A
Historical EPS Growth (3-5 Years)	NA%	12.43%	9.59%	15.27%	15.48%	5.63%
Projected EPS Growth (F1/F0)	-15.43%	32.41%	21.62%	17.20%	25.53%	8.66%
Current Cash Flow Growth	64.38%	-2.46%	0.99%	8.77%	22.82%	6.44%
Historical Cash Flow Growth (3-5 Years)	NA%	0.81%	7.28%	10.07%	6.93%	2.01%
Current Ratio	0.71	1.25	1.39	1.00	1.07	0.95
Debt/Capital	64.38%	60.27%	41.51%	30.63%	43.48%	34.26%
Net Margin	2.62%	2.62%	11.95%	2.53%	6.30%	2.18%
Return on Equity	161.94%	3.36%	16.48%	27.30%	45.70%	19.92%
Sales/Assets	2.87	0.86	0.51	3.27	1.96	2.30
Projected Sales Growth (F1/F0)	-1.06%	3.42%	9.54%	15.03%	9.13%	-1.31%
Momentum Score	F	-	-	C	F	C
Daily Price Change	-1.14%	0.25%	-0.11%	-0.05%	0.04%	-0.78%
1-Week Price Change	-4.49%	-4.49%	0.43%	-0.25%	-1.03%	-3.96%
4-Week Price Change	2.37%	0.00%	1.09%	1.65%	4.49%	-4.37%
12-Week Price Change	2.10%	3.40%	6.77%	11.20%	19.81%	0.10%
52-Week Price Change	24.19%	63.53%	39.06%	31.52%	98.22%	13.02%
20-Day Average Volume (Shares)	898,601	163,400	1,889,295	1,993,506	3,003,811	7,266,339
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-0.59%	0.00%	0.01%	3.82%	0.00%	0.03%
EPS F1 Estimate 12-Week Change	0.17%	3.51%	3.54%	4.88%	37.72%	9.84%

EPS Q1 Estimate Monthly Change	-1.26%	0.00%	0.00%	1.12%	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

Value Score	A
Growth Score	A
Momentum Score	F
VGM Score	A

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.

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.