

Caseys General Stores (CASY)

\$216.70 (As of 04/02/21)

Price Target (6-12 Months): **\$230.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/03/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

Growth: A

Momentum: B

Summary

Shares of Casey's have outpaced the industry in the past three months. The company's price and product optimization, digital engagements and focus on maintaining ample liquidity bode well. The company posted better-than-expected third-quarter fiscal 2021 results. While the top line slid, the bottom-line grew year over year. Investment in fuel capabilities and positive inside sales volume, courtesy of numerous initiatives in grocery and other merchandise category, favorably impacted results. However, persistent softness in the Fuel gallons and Prepared Food & Fountain same-store sales hurt sales. The company also witnessed a tough start in the fourth quarter, thanks to the temporary impacts of adverse weather conditions and continuing COVID-19 restrictions. Casey's envisions fourth-quarter profit to be lower than prior year.

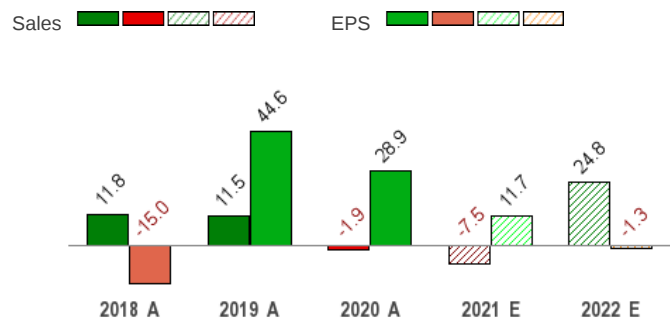
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$221.29 - \$122.88
20-Day Average Volume (Shares)	224,103
Market Cap	\$8.0 B
Year-To-Date Price Change	21.3%
Beta	0.89
Dividend / Dividend Yield	\$1.36 / 0.6%
Industry	Retail - Convenience Stores
Zacks Industry Rank	Bottom 5% (241 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	11.8%
Last Sales Surprise	0.8%
EPS F1 Estimate 4-Week Change	1.3%
Expected Report Date	NA
Earnings ESP	-1.0%
P/E TTM	24.2
P/E F1	27.3
PEG F1	NA
P/S TTM	1.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	2,786 E	2,889 E	2,695 E	2,520 E	10,592 E
2021	2,105 A	2,216 A	2,008 A	2,159 E	8,488 E
2020	2,627 A	2,488 A	2,248 A	1,813 A	9,175 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$2.84 E	\$2.72 E	\$1.52 E	\$0.99 E	\$7.83 E
2021	\$3.24 A	\$3.00 A	\$1.04 A	\$0.67 E	\$7.93 E
2020	\$2.31 A	\$2.21 A	\$0.91 A	\$1.67 A	\$7.10 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 04/02/2021. The report's text and the analyst-provided price target are as of 04/05/2021.

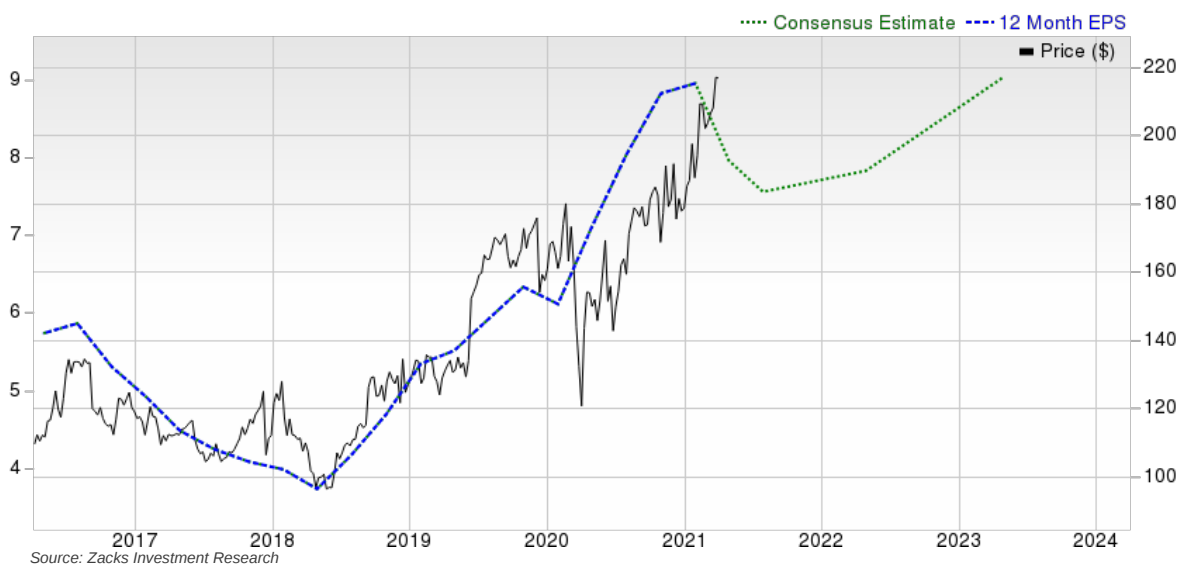
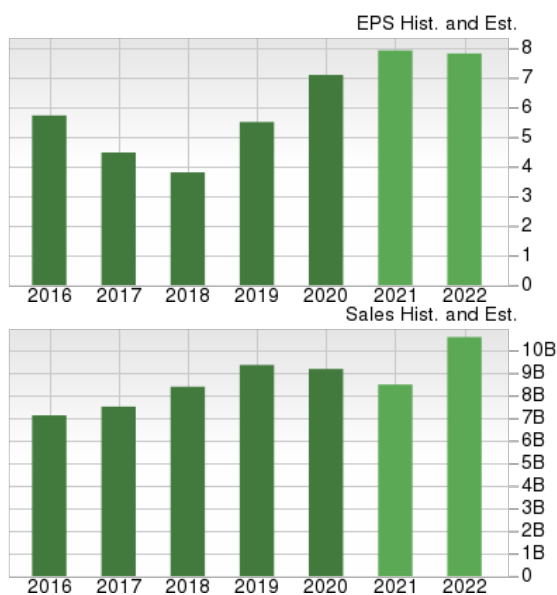
Overview

Founded in 1959 and based in Ankeny, IA, Casey's General Stores, Inc. operates convenience stores under the Casey's and Casey's General Store names in 16 Midwestern states, mainly Iowa, Missouri and Illinois. The company also operates two stores under the name "Tobacco City", selling primarily tobacco and nicotine products, one liquor store, and one grocery store.

The company's stores offer a variety of food selection (including freshly prepared foods such as pizza, donuts and sandwiches), beverages, tobacco and nicotine products, health and beauty aids, school supplies, housewares, pet supplies, and automotive products. All but three Casey's Stores offer fuel for sale on a self-service basis.

Each Casey's Store carries more than 3,000 food and nonfood items. Many of the products offered are those generally found in a supermarket. The selection is generally limited to one or two well-known brands of each item stocked. The company began marketing made-from-scratch pizza in 1984.

The company, which operates more than 2,000 stores, primarily derives revenues under three categories — Fuel (60% of FY20 total revenue), Grocery and Other Merchandise (27% of FY20 total revenue) and Prepared Food and Fountain (12% of FY20 total revenue). Other category accounts for 1% of total revenues. Two distribution centers are in operation (in Ankeny, Iowa adjacent to the Store Support Center and in Terre Haute, Indiana) from which grocery and general merchandise items are supplied to stores.



Reasons To Buy:

- ▲ **Impressive Stock Performance:** Shares of Casey's have rallied 18.1% in the past three months, outperforming the industry's rise of 15.6%. This can be attributed to second straight positive sales and earnings surprise in third-quarter fiscal 2021, wherein the bottom line improved from the year-ago period. Investment in fuel capabilities and positive inside sales volume, thanks to numerous initiatives in grocery and other merchandise category, favorably impacted results. Inside sales, which comprises Grocery & Other Merchandise as well as Prepared Food & Fountain categories, increased 3.8%, while Inside same-store sales grew 2.1% during the quarter. Markedly, fuel margin surged to 32.9 cents per gallon from 21.7 cents per gallon in the prior-year period owing to the centralized fuel team and its ability to navigate the broad spectrum of the fuel marketplace. Impressively, fuel gross profit increased 37.1% to \$170.4 million driven by higher fuel margin. Management highlighted that for the fourth quarter-to-date fiscal 2021 through Mar 9, 2021, fuel margin remained favorable, trending around 30 cents per gallon. The company had reported fuel margin of 40.8 cents in the fourth quarter of fiscal 2020.
- ▲ **Grocery & Other Merchandise Category Gaining:** Grocery & Other Merchandise sales rose 7.2% to \$624.5 million during the third quarter of fiscal 2021. This followed an increase of 8.7% in the preceding quarter. Same-store sales increased 5.4% compared with 3.5% in the year-ago quarter and growth of 6.6% in the preceding quarter, primarily owing to robust sales of alcohol and packaged beverages. Management highlighted that for the fourth quarter-to-date fiscal 2021 through Mar 9, 2021, Grocery & Other Merchandise category same-store sales were up in the low single digits. Casey's is committed to offer customers high quality and delicious food and beverage products, in store as well as its online platforms. Progressing along such lines, the company added more than 100 new products under the Casey's brand.
- ▲ **Prioritize Actions to Tackle Coronavirus Crisis:** In order to steer through the uncertain environment, Casey's has prioritized its actions. Management had earlier informed that the company is well positioned to sail through these turbulent times, citing strong balance sheet and ample liquidity. Moreover, management has been undertaking some bold steps to optimize cash flow. These involves optimizing capital expenditures, revisiting payment terms with suppliers, managing inventory levels and adjusting store operating hours. Casey's is strengthening pizza promotions for guests who are seeking meal solutions. It is enhancing delivery capabilities via DoorDash. The company added 120 new stores thereby taking the total sites using DoorDash to 700. Additionally, Casey's is testing Uber Eats and is most likely to launch the service in the first quarter of fiscal 2022. The company is also increasing online grocery items at all outlets and providing curbside pick option to guests. Notably, the company also owns and operates distribution centers and transportation fleet.
- ▲ **Value Creation Plan:** Casey's remains on track with its value creation plan to improve sales and profitability. This includes fleet card program, price and product optimization, loyalty program, digital engagements comprising mobile app and online ordering capabilities, cost containment efforts as well as capital reallocation plan. Management is also focusing on improving distribution efficiency. The company had launched the new Caseys.com e-commerce website, rolled out new mobile app, initiated fuel price optimization platform across all outlets. Further, the company remains optimistic about the Casey's Rewards program. The company has more than 8,900 accounts in the third quarter of fiscal 2021 on the fleet card program. Casey's Rewards program surpassed 3.3 million enrolled members. We note that digital sales surged 95% during the quarter. Notably, more than 59% of pizza orders were placed via app, website or DoorDash marketplace.
- ▲ **Efforts to Yield Results:** Management highlighted that Casey's fleet card program, which involves managing and monitoring of initial sales, back-end system processing, billing and other consumer-oriented services, is likely to lift fuel sales. Moreover, the program is anticipated to be accretive to fuel and in-store sales. The company's digitization efforts will help create a seamless shopping experience online as well as in-store and facilitate same-store sales growth. Further, the company's price and product optimization strategy will help augment sales and fuel margin. During third-quarter fiscal 2021, fuel margin surged to 32.9 cents per gallon from 21.7 cents per gallon in the prior-year period. In recent efforts, the company entered into a deal to acquire Buchanan Energy, known for its Bucky's Convenience Stores. This \$580 million deal is likely to boost the company's market footprint in the Midwest. The deal adds 94 retail stores and 79 dealer locations to Casey's business. The buyout is a strong strategic fit and is expected to be accretive to EBITDA in the fourth quarter of fiscal 2021 and earnings in fiscal 2022.
- ▲ **Store Update:** During first-nine month of fiscal 2021, the company constructed 27 new stores, closed eight and completed the acquisition of three additional stores. As of Jan 31, 2021, the company operated 2,229 stores in 16 Midwest states. The company remains on track to conclude the previously announced acquisition of 94 Bucky's Convenience Stores. Additionally, the company anticipates to complete the construction of about 40 new stores this fiscal year. The company had earlier unveiled plans to add 345 stores over the next three years.
- ▲ **Financial Flexibility:** Casey's ended third-quarter fiscal 2021 with cash and cash equivalents of \$388.9 million. The company has full undrawn capacity of \$475 million in lines of credit. The leverage ratio stood at approximately 1.8 times. Management notified that it has no maturities of significance due until 2025. Moreover, the company's times interest earned ratio stands at 9.8 better than the industry's ratio of 7.8 and up from 9.4 in the preceding quarter. The company's board of directors raised the quarterly dividend by 6% to 34 cents a share, payable on Feb 15, 2021 to shareholders of record on Feb 1, 2021. Notably, the company has a dividend payout of 14.7%, dividend yield of 0.6% and free cash flow yield of 5.7%. With an annual free cash flow return on investment of 14.7%, ahead of the industry's nearly 10.9%, the dividend payment is likely to be sustainable.

Casey's remains on track with its value creation plan to improve sales and profitability. This includes fleet card program, price and product optimization, and loyalty program.

Reasons To Sell:

- ▼ **Dismal Top-Line Performance:** Casey's continued to grapple with dismal top-line performance, as evident from third-quarter fiscal 2021 results. We note that total revenues of \$2,008 million declined 10.7% year over year. This followed a decline of 10.9% and 19.9% in the second and first quarter of fiscal 2021 and 16.8% in the fourth-quarter of fiscal 2020. Revenue declines across Fuel and Prepared Food & Fountain categories hurt the company's top line. On its earnings call, management stated that the company witnessed a tough start in the fourth quarter owing to the temporary impacts of adverse weather conditions and continuing COVID-19 restrictions. The company envisions fourth-quarter profit to be lower than prior year. Management highlighted that the prior-year quarter benefited from the unusually high fuel margin and lower operating expenses due to reduced store operating hours owing to the imposition of lockdowns.
- Fuel sales decreased 20% to \$1,100.9 million during the third quarter on account of decline in average retail price per gallon and the number of gallons sold.
- ▼ **Softness in Prepared Food & Fountain Unit:** Prepared Food & Fountain sales declined 3.5% to \$264 million during the third quarter of fiscal 2021. This followed a decline of 3% in the preceding quarter. Same-store sales decreased 5% against 2.8% growth witnessed in the year-ago quarter and 3.6% decrease registered in the preceding quarter. The metric declined due to pressure in the dispensed beverage and bakery categories. Further, Prepared Food & Fountain's gross profit fell 2.9% year over year to \$160 million. Management highlighted that for the fourth quarter-to-date fiscal 2021 through Mar 9, 2021, Prepared Food & Fountain category same-store sales were down in the low double digits.
- ▼ **Sluggishness in Fuel Category:** After declining 21.2% in the second quarter of fiscal 2021, Fuel sales decreased 20% to \$1,100.9 million during the third quarter on account of decline in average retail price per gallon and the number of gallons sold. We note that average retail price per gallon decreased 11.6%, while total gallons sold declined 9.5% to 518.4 million. Fuel gallons same-store sales fell 12.1% compared with decline of 2% in the year-ago quarter, on account of lower guest traffic due to the ongoing pandemic. This followed a decline of 8.6%, 14.6% and 14.7% witnessed in the preceding three quarters. Management stated that for the fourth quarter-to-date fiscal 2021 through Mar 9, 2021, same-store fuel gallons sold were down in the mid-teens.
- ▼ **Rise in Operating Expenses May Hurt Margins:** We note that higher operating expenses may be a threat to margin and the bottom line. Operating expenses rose 9.8% during the third quarter of fiscal 2021. This follows an increase of 9.9%, 1.6%, 6.2% and 10.5% during the preceding four quarters. The year-over-year increase can be attributed to operating 36 more stores compared with the same period last year, \$11 million expenses associated with the ongoing pandemic, \$10 million in incremental incentive compensation costs and \$3 million in labor costs. Same store operating expenses, excluding credit card fees, were up 5.6% in the quarter under review. Incremental costs associated with the pandemic includes cleaning costs, increased sick and quarantine pay as well as higher team member appreciation. Management envisions fourth-quarter operating expenses to exceed the year-over-year percentage increases of the second and third quarters by several hundred basis points. This is because fourth-quarter fiscal 2020 witnessed lower operating expenses due to reduced store operating hours owing to the imposition of lockdowns.
- ▼ **Fuel & Tobacco Products Related Headwinds:** Fuel sales are a significant part of Casey's overall revenues. However, any disruption in the supply of fuel or rise in fuel costs or any other volatility in the wholesale fuel market or price competition may adversely impact its retail fuel profit margins. Quite apparent, these headwinds will have a direct impact on the company's fuel gallon volume, fuel gross profit, and overall customer traffic at its outlets. Total gallons sold fell 9.5% to 518.4 million during the third quarter of fiscal 2021. Management stated that for the fourth quarter-to-date fiscal 2021 through Mar 9, 2021, Prepared Food & Fountain category same-store sales were down in the low double digits. Similar to fuel, tobacco products form a major part of the grocery and other merchandise category. Increase in the price of the same to offset rise in taxes or stricter government regulation on them or people quitting smoking for health reasons could impact the company's overall sales.
- ▼ **Stiff Competition May Hurt Market Share:** Casey's operate in a highly competitive convenience store and retail fuel industries. The company faces stiff competition from other convenience store chains, gasoline stations, supermarkets, drugstores, discount stores, club stores, fast food outlets, and a variety of other retail companies in terms of price, resource, store expansion, brand name recognition and promotional activities. This may dent the company's sales and margins.
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Last Earnings Report

Casey's Q3 Earnings Top Estimates, Revenues Fall Y/Y

Casey's General Stores, Inc. reported better-than-expected third-quarter fiscal 2021 results. While the top line declined year over year, the bottom line improved from the year-ago period. Notably, this was the third straight quarter of positive earnings surprise. Investment in fuel capabilities and positive inside sales volume, thanks to numerous initiatives in grocery and other merchandise category, favorably impacted results.

Quarter Ending 01/2021

Report Date	Mar 08, 2021
Sales Surprise	0.83%
EPS Surprise	11.83%
Quarterly EPS	1.04
Annual EPS (TTM)	8.95

A Closer Look at Results

Casey's reported quarterly earnings of \$1.04 per share that beat the Zacks Consensus Estimate of 93 cents and improved significantly from 91 cents in the year-ago period. This year-over-year increase can be attributed to higher fuel margin and lower interest expense.

Total revenues of \$2,008 million declined 10.7% year over year but surpassed the Zacks Consensus Estimate of \$1,991 million, marking the second successive beat. Revenue declines across Fuel and Prepared Food & Fountain categories, were partly offset by higher sales in Grocery & Other Merchandise category. Markedly, digital sales soared 95% compared with year-ago quarter.

In spite of the decline in the top line, gross profit increased 8.7% year over year to \$540.2 million due to fall in cost of goods sold. Further, gross margin expanded 480 basis points to 26.9%. The company witnessed a decline of 16.2% in cost of goods sold during the reported quarter.

We note that Casey's registered an increase of 9.8% in operating expenses of \$414.4 million on account of operating 36 more stores compared with the same period last year, \$11 million expenses associated with the ongoing pandemic, \$10 million in incremental incentive compensation costs and \$3 million in labor costs, offset by a reduction in credit card fees. Same store operating expenses, excluding credit card fees, were up 5.6% in the quarter under review.

Performance by Categories

We note that **Fuel** sales decreased 20% to \$1,100.9 million on account of decline in average retail price per gallon and the number of gallons sold. We note that average retail price per gallon decreased 11.6%, while total gallons sold declined 9.5% to 518.4 million. Fuel gallons same-store sales fell 12.1% compared with decline of 2% in the year-ago quarter, on account of lower guest traffic due to the ongoing pandemic. Impressively, gross profit increased 37.1% to \$170.4 million. Notably, fuel margin surged to 32.9 cents per gallon from 21.7 cents per gallon in the prior-year period owing to the centralized fuel team and its ability to navigate the broad spectrum of the fuel marketplace.

Grocery & Other Merchandise sales rose 7.2% to \$624.5 million. Same-store sales increased 5.4% compared with 3.5% in the year-ago quarter, primarily owing to robust sales of alcohol and packaged beverages. We note that Grocery & Other Merchandise margin contracted 220 basis points to 30.7%. Again, gross profit dipped 0.1% to \$191.5 million during the quarter.

Prepared Food & Fountain sales declined 3.5% to \$264 million. Same-store sales decreased 5% against 2.8% growth witnessed in the year-ago quarter. The metric declined due to pressure in the dispensed beverage and bakery categories. Nonetheless, Prepared Food & Fountain margin increased 40 basis points to 60.6%. Lower commodity costs favorably impacted the margin. However, we note that gross profit fell 2.9% year over year to \$160 million.

Store Update

During first-nine month of fiscal 2021, the company constructed 27 new stores, closed eight and completed the acquisition of three additional stores. As of Jan 31, the company operated 2,229 stores in 16 Midwest states. Meanwhile, the company anticipates to complete the construction of about 40 new stores this fiscal year.

Other Financial Aspects

Casey's ended the reported quarter with cash and cash equivalents of \$388.9 million, long-term debt and finance lease obligations (net of current maturities) of \$1,362.1 million and shareholders' equity of \$1,893.6 million. The company has full undrawn capacity of \$475 million in lines of credit. The leverage ratio stood at approximately 1.8 times. Management notified that it has no maturities of significance due until 2025.

The company generated free cash flow of \$7 million in the third quarter. This reflects cash flow from operating activities of \$111 million less purchases of property and equipment of \$104 million. During the quarter, the company did not make any share repurchases and still has \$300 million under authorization.

Recent News

Casey's to Acquire 49 Oklahoma Stores – Mar 22, 2021

Casey's has entered into a deal to acquire 49 stores throughout Oklahoma from Circle K Stores Inc. in an all-cash transaction for \$39 million. The transaction includes 46 leased properties and 3 owned properties and is expected to close in the fiscal quarter ended, Jul 31, 2021.

Casey's Boosts Portfolio With Over 100 New Products – Jan 11, 2021

Casey's announced that it will add more than 100 new products under the Casey's brand, beginning January. The new low price, high-quality snacks and beverages will provide customers more variety, under new categories. The expanded assortment of Casey's private brand products will consist of new snack categories, including jerky, chips and nuts. The new products will be available in more than 2,200 Casey's stores and via online ordering, across 16 states.

Valuation

Casey's shares are up 21.6% in the year-to-date period and nearly 60.6% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 18.6% but the Zacks Retail-Wholesale sector is down 2.5%, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 47% and 46.1%, respectively.

The S&P 500 index is up 7.8% in the year-to-date period and 56% in the past year.

The stock is currently trading at 27.67X forward 12-month earnings, which compares to 28.19X for the Zacks sub-industry, 29.38X for the Zacks sector and 22.66X for the S&P 500 index.

Over the past five years, the stock has traded as high as 30.79X and as low as 18.05X, with a 5-year median of 24.21X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$230 price target reflects 29.33X forward 12-month earnings.

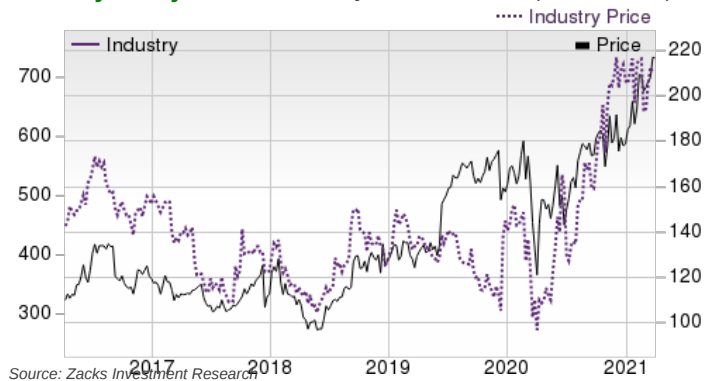
The table below shows summary valuation data for CASY

Valuation Multiples - CASY					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	27.67	28.19	29.38	22.66
	5-Year High	30.79	31.72	34.07	23.83
	5-Year Low	18.05	18.37	19.1	15.3
	5-Year Median	24.21	24.85	23.77	18
P/S F12M	Current	0.77	0.59	1.29	4.64
	5-Year High	0.81	0.6	1.34	4.64
	5-Year Low	0.37	0.28	0.84	3.21
	5-Year Median	0.55	0.44	1.02	3.71
EV/EBITDA TTM	Current	12.08	9.61	19.07	17.89
	5-Year High	18.88	17.01	20.77	17.89
	5-Year Low	8.98	7.97	11.16	9.62
	5-Year Median	10.95	9.65	13.24	13.35

As of 04/01/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 5% (241 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Costco Wholesale Corporation (COST)	Neutral	3
Dollar General Corporation (DG)	Neutral	4
Dollar Tree, Inc. (DLTR)	Neutral	3
Grocery Outlet Holding Corp. (GO)	Neutral	4
The Kroger Co. (KR)	Neutral	3
Ollies Bargain Outlet Holdings, Inc. (OLLI)	Neutral	3
Target Corporation (TGT)	Neutral	3
Walmart Inc. (WMT)	Underperform	5

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

Industry Comparison Industry: Retail - Convenience Stores				Industry Peers		
	CASY	X Industry	S&P 500	DG	KR	WMT
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	4	3	5
VGM Score	A	-	-	B	A	A
Market Cap	8.01 B	4.20 B	29.69 B	48.43 B	27.03 B	382.05 B
# of Analysts	6	3	13	26	9	15
Dividend Yield	0.63%	0.00%	1.34%	0.71%	2.00%	1.62%
Value Score	B	-	-	B	A	B
Cash/Price	0.05	0.63	0.06	0.03	0.10	0.05
EV/EBITDA	13.89	8.52	16.59	12.40	5.04	12.03
PEG F1	NA	NA	2.35	1.98	2.00	4.55
P/B	4.23	2.42	3.95	7.44	2.87	4.38
P/CF	15.48	9.32	16.66	15.36	4.48	14.35
P/E F1	27.49	27.33	21.87	21.35	12.71	25.02
P/S TTM	0.98	0.53	3.39	1.44	0.20	0.68
Earnings Yield	3.66%	1.18%	4.49%	4.68%	7.87%	4.00%
Debt/Equity	0.72	0.77	0.66	0.62	1.31	0.51
Cash Flow (\$/share)	14.00	11.23	6.78	13.18	8.03	9.45
Growth Score	A	-	-	C	C	A
Historical EPS Growth (3-5 Years)	12.41%	12.41%	9.39%	20.85%	8.37%	4.52%
Projected EPS Growth (F1/F0)	11.69%	18.13%	15.29%	-10.76%	-18.51%	-1.08%
Current Cash Flow Growth	14.89%	32.24%	0.44%	44.07%	20.45%	6.44%
Historical Cash Flow Growth (3-5 Years)	8.87%	5.76%	7.37%	16.24%	8.17%	2.01%
Current Ratio	1.28	1.53	1.39	1.21	0.81	0.97
Debt/Capital	41.84%	43.44%	41.26%	38.28%	56.69%	33.97%
Net Margin	4.09%	1.90%	10.59%	7.87%	1.95%	2.42%
Return on Equity	18.65%	8.83%	14.86%	37.64%	28.31%	18.85%
Sales/Assets	1.94	1.71	0.51	1.31	2.77	2.30
Projected Sales Growth (F1/F0)	-7.49%	16.24%	7.36%	0.21%	-2.17%	-2.13%
Momentum Score	B	-	-	D	A	C
Daily Price Change	0.24%	10.12%	0.97%	-0.11%	-0.11%	-0.15%
1-Week Price Change	4.31%	2.16%	2.12%	8.15%	5.17%	2.57%
4-Week Price Change	9.73%	-20.13%	6.95%	13.62%	5.46%	6.34%
12-Week Price Change	17.16%	53.58%	8.07%	-7.04%	12.98%	-7.52%
52-Week Price Change	71.92%	310.14%	67.38%	26.74%	13.77%	14.30%
20-Day Average Volume (Shares)	224,103	81,115	2,332,946	3,333,068	10,708,018	10,236,912
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.80%	0.00%
EPS F1 Estimate 4-Week Change	1.28%	0.64%	0.00%	-5.37%	5.50%	-0.37%
EPS F1 Estimate 12-Week Change	-0.71%	-71.70%	2.24%	-5.03%	5.19%	-6.26%
EPS Q1 Estimate Monthly Change	-4.26%	-2.13%	0.00%	-4.31%	-3.08%	-1.16%

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	A
Momentum Score	B
VGM Score	A

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.

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.